TEIJIN

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TEIJIN LIMITED INTEGRATED REPORT 2023

TEIJIN

Human Chemistry, Human Solutions

# INTEGRATED REPORT 2023

Year ended March 31, 2023

Responsible Care®

Printed in Japan

TEIJIN

## Corporate Philosophy

**Quality of Life**

The Teijin Group's purpose is to enhance the quality of life through a deep insight into human nature and needs, together with the application of our creative abilities.

**In Harmony with Society**

**Empowering Our People**

When the Teijin Group Corporate Philosophy was formulated in 1993, it was inspired by the opinions of employees who believed that Teijin should be a company that continues to evolve by taking on new challenges as well as a company that cares about people. With the view that a company exists for the benefit of people as our starting point, we endeavor to create real value that enhances quality of life, striving for sound growth together with society and our employees while possessing a deep understanding of and passion for people. Driven by this Corporate Philosophy, the Teijin Group will keep challenging ourselves to pursue continuous innovation and creation.

### Enhancing Quality of Life

Broadly speaking, the term "quality of life" characterizes most of the positive aspects of human life. This includes the full variety of joy and satisfaction humans can experience, as well the inherent value of all living things. The Teijin Group seeks to create real value by honing its creative technologies, strategic planning, and marketing skills while possessing a deep understanding of and passion for people.

### In Harmony with Society

"In harmony with society" acknowledges that an enterprise is but one member of society and that humans are a part of nature. Accordingly, we strive to maintain harmony with society, aim for sound growth through value creation, and demonstrate our commitment to the preservation of the global environment in order to enhance true quality of life.

### Empowering Our People

"Empowering our people" means that we aim to create a vibrant corporate community that enables employees—our most important management resource—to achieve personal growth through their work by providing them with an environment where they can fully demonstrate their abilities and individuality.

## Code of Conduct

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.

| | | |
|---|---|---|
| T | **Together** | We are united in building shared, sustainable values through mutual respect for our unique differences. |
| E | **Environment, Safety & Health** | We put the global environment, human safety and health as our top priorities when conducting business. |
| I | **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. |
| J | **Joy at Work** | We are committed to building a fulfilling and joyous workplace, where each of us is passionate about our work. |
| IN | **INnovation** | We challenge ourselves for transformation and provide innovative solutions, anticipating the needs of our customers and society. |

**About the Photo on the Cover of This Report**
The photo on the cover of this report was taken at the time of the Company's founding. It shows employees in the undiluted solution room of the Yonezawa Plant surrounded by large earthenware pots holding undiluted solution. The employees have a look of determination in their eyes, conveying their strong ambition and passion. In 2023, Teijin celebrates the 105th anniversary of its founding. While the Teijin Group now has locations across the globe, closely addressing specific social issues and customer concerns remains its universal value system and its sense of purpose. By sharing this value system and sense of purpose with Teijin Group employees around the world, we will unite our efforts on a Groupwide basis toward ensuring the success of the Reforms for Profitability Improvement initiative.

## The Story Depicted in Integrated Report 2023

# Earnestly Addressing the Current Situation with the Aim of Restoring Growth and Demonstrating Our Commitment to Achieving the Goals of "the Reforms for Profitability Improvement"

The Teijin Group formulated Medium-Term Management Plan 2020–2022: ALWAYS EVOLVING with a view toward achieving its long-term vision. Guided by the plan's theme of "creating growth platforms," the Group has worked to develop the businesses for future sources of earnings and expand the profit base of its existing businesses. However, our businesses were significantly impacted by various external factors, and, as a result, we fell significantly short of every target we adopted under the previous medium-term management plan. Based on a serious assessment of this critical situation, where there have been delays in our efforts to develop the businesses for future sources of earnings and a decline in profits in our existing businesses, we have decided to delay the announcement of the next medium-term management plan by one year and instead focus our efforts in fiscal 2023 on implementing "The Teijin Group Reforms for Profitability Improvement".

In Integrated Report 2023, we reflect on the results achieved under the previous medium-term management plan and the issues that still remain. At the same time, we provide explanations centered on the background and details of the Reforms for Profitability Improvement initiative as well as the commitment of our management. In this way, we describe how to bridge the gap between the path we envisioned under the previous plan and our current situation, and lay out a new path for putting the Company back on a course for growth so that we can achieve our long-term vision.

Medium-Term Management Plan 2020–2022 Target for EBITDA

Materials Healthcare Others

Results for EBITDA

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Anticipated path under the previous plan

Gap between targets and results

Path for bridging the gap and restoring growth

**Reforms for Profitability Improvement**

Main focus of Integrated Report 2023

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**Our Management System**

P.56

**Next medium-term management plan**

(scheduled to be announced in May 2024)

**Backcasting from the newly established specific aims for the Long-Term Vision**

**Long-Term Vision**

**A Company That Supports the Society of the Future**

Specific Aims for the Long-Term Vision

- A company that protects the global environment
- A company that addresses issues of patients, families, and communities in need of more support

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**Foundation for Realizing Strategies and Long-Term Vision**

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# Long-Term Vision and Materiality

Based on its Corporate Philosophy and toward the creation of a sustainable society, the Teijin Group aims to achieve its long-term vision, which is to be "a company that supports the society of the future."

In consideration of global social issues and to achieve the Sustainable Development Goals (SDGs), the Group has identified five important issues (materiality) that it should address as priorities in order to realize its long-term vision. With a focus on these five issues, we will leverage our long-cultivated strengths to contribute to the resolution of social issues. From fiscal 2023, to further embody the long-term vision of becoming "a company that supports the society of the future," the Company aims to provide value to society primarily to the fields of sustainable automobiles and aircrafts, and energies and the fields of diseases including rare diseases and intractable diseases, as "a company that protects the global environment," and as "a company that addresses issues of patients, families, and communities in need of more support." The Company also aims to realize a sustainable society and further enhance corporate value.



**Long-Term Vision**

**A Company That Supports the Society of the Future**

A company that protects the global environment

A company that addresses issues of patients, families, and communities in need of more support

The fields of sustainable automobiles and aircrafts, and energies

The fields of diseases including rare diseases and intractable diseases

**Key Social Issues**

- Climate change mitigation and adaptation
- Safety and security of people and local communities
- Achievement of a circular economy
- Realization of healthy and comfortable living for people

**Key Management Issue**

Further strengthening of our sustainable management base (technological base, human resources, corporate governance, sustainability, diversity and inclusion)

**Akimoto Uchikawa**

President and CEO,
Representative Director of the Board

Born in Shiga Prefecture in 1966, Akimoto Uchikawa joined Teijin Limited in 1990. Since then, he had been primarily engaged in the development of fiber technologies until he became a Teijin Group corporate officer in April 2017. After serving as a management coordinator for the president of the Material Business of the Teijin Group and the president of the Composites Business Unit, he became an executive officer and president of the Material Business in April 2021. In June of the same year, he was appointed as a director and executive officer. Since April 2022, he has been serving as president and CEO, representative director of the Board.

# Ensuring the Success of the Reforms for Profitability Improvement Initiative and Restoring Confidence and Trust

## Assessing the Many Issues That Still Remain from Medium-Term Management Plan 2020–2022

▶ P.20 Looking Back On Medium-Term Management Plan 2020–2022

In fiscal 2020, the Teijin Group began promoting Medium-Term Management Plan 2020–2022 with a view toward achieving its long-term vision of being "a company that supports the society of the future." Under normal circumstances, fiscal 2022, the final year of the plan, would have been the year in which we applied the finishing touches to the various initiatives it promoted. However, continuing on from fiscal 2021, our operations were significantly impacted by a challenging external business environment, including the continued impact of the COVID-19 pandemic and the Ukraine situation. As a result, we were unfortunately unable to reach a stage in which we could truly create growth platforms, which was a major theme of the plan. To summarize, amid travel restrictions and logistics disruptions caused by the pandemic, we were unable to turn a profit in the Materials Business Field, despite our successes with efforts such as increasing facilities at our plants. In the Healthcare Business Field, we were unable to establish a structure that would help us offset the impact of the market entry of generic alternatives to *FEBURIC*.

Speaking in terms of each business, we were able to complete construction work to expand facilities at our plants to meet robust demand in the aramid business, which we position as a Profitable Growth Field within the Materials Business Field, and I view this as a significant accomplishment. However, we were unable to secure stable profits in this business due to a decline in productivity, which was caused in part by power outages at industrial parks where one of our plants is located and a fire at a raw material plant and by the soaring price of natural gas. In the resin and plastic processing business, we promoted a shift toward high-value-added products and were able to secure stable profits even amid the severe rise in raw material prices. Meanwhile, in the composites business, which is a Strategic Focus Field within the Materials Business Field, we have achieved rapid growth, with sales doubling from what they were in fiscal 2017 when we acquired CSP.*1 In this way, we have solidified our position as the largest Tier 1 supplier in North America. However, we have yet to secure stable profits in this business due to a decline in productivity, which has been brought about by equipment failures and chronic labor shortages, as well as soaring raw material, labor, and logistics costs. With regard to the carbon fibers business, we launched a new plant in North America with a view to the full-scale mass production of carbon fiber intermediate materials for aircraft. However, we have faced delays in realizing profitability in this business due to declining aircraft demand stemming from the COVID-19 pandemic. We have also been dealing with the impact of delays in new model development among aircraft manufacturers.

Even amid these challenging circumstances, I believe we achieved tremendous success in the Fibers & Converting Business, where we steadily promoted structural reforms to transition to a robust operating structure that is able to generate stable profits.

For the pharmaceutical and home healthcare businesses, which are Profitable Growth fields within the Healthcare Business Field, we took steps to strengthen our ability to generate cash by transferring sales of diabetes drugs from Takeda Pharmaceutical Company Limited in fiscal 2021, in preparation of the market entry of generic alternatives to our mainstay pharmaceutical *FEBURIC*. Additionally, we launched *XEOMIN*,*2 a drug used to treat upper and lower limb spasticity, and *OSTABALO*, a drug used to treat

osteoporosis, in fiscal 2020 and fiscal 2022, respectively. However, we have faced ongoing shortages in our product pipeline. Turning specifically to home healthcare, despite maintaining a top-level market share for oxygen concentrators for home oxygen therapy (HOT) and medical devices for continuous positive airway pressure (CPAP) therapy, we were unable to achieve the results expected from efforts to create new devices and services. Regarding the Strategic Focus fields of the Healthcare Business Field, we have yet to grow the new businesses that we have launched, such as the community-based integrated care systems, orthopedic implantable devices,*3 and functional foods businesses,*3 to a sufficient scale.

On the other hand, we have entered into the regenerative medical product field, which serves as a business that integrates the Materials Business and Healthcare Business fields, where we have successfully proceeded with preparations to launch a CDMO (contract development and manufacturing organization) business*4 in line with our plans.

*1 Continental Structural Plastics Holdings Corporation (currently Teijin Automotive Technologies NA Holdings Corp.)
*2 *XEOMIN* is the registered trademark of Merz Pharma GmbH&Co. KGaA, Germany.
*3 The orthopedic implantable devices business and the functional foods business were transferred to the Groupwide "Others" segment in fiscal 2022 and fiscal 2023, respectively.
*4 Business that accepts delegation of development and manufacture of regenerative medical products

## Restoring Confidence and Trust through the Full-Scale Implementation of the Reforms for Profitability Improvement Initiative

▶ P.22 Overview of the Reforms for Profitability Improvement Initiative

As I mentioned, while we made certain accomplishments under the previous medium-term management plan, many issues still remain. After evaluating the previous plan in its entirety on a factual basis, including the assumptions we made during its formulation that ended up changing significantly, repeated discussions were held by corporate officers and by the Board of Directors regarding our path forward. Through these discussions, we determined that the Group needs to dramatically improve profits and therefore announced in February 2023 that we will delay the announcement of the next medium-term management plan by one year and instead concentrate our efforts on implementing the Reforms for Profitability Improvement initiative during fiscal 2023.

There were two major reasons behind our decision to delay the announcement of the next medium-term management plan, which is normally something we do in order to depict our path for the future, and instead announce the Reforms, which will be carried out over the course of the fiscal year. The first reason is to restore confidence among our employees by successfully implementing this initiative, given the fact that we did not reach the targets of the previous plan. The second is to regain the trust of all our stakeholders, including our customers, patients, shareholders, and other investors, by showing them that Teijin is a company that can accomplish the plans that it sets out. Upon restoring confidence and trust through the successful execution of the Reforms for Profitability Improvement initiative in fiscal 2023, we intend to announce our path toward the next stage of growth in fiscal 2024, thereby gaining understanding and raising expectations both internally and externally. To that end, we are fully prepared to achieve success with this initiative and will make every effort on a Groupwide basis to ensure that we do so.

Specifically, we will improve profitability of the composites, aramid, and healthcare businesses, which we identified as three businesses with significant issues, and promote the transition to a more resilient management structure.

### Composites Business: Aiming for a Swift Return to Profitability by Improving Productivity and Reducing Costs

▶ P.24 Composites Business

The composites business has become a major growth field as the automotive market transitions to electric vehicles (EVs). Pursuing the provision of eco-friendly products and solutions has significant value for this business and gives the Company as a whole an opportunity to leverage its strengths. For that reason, we are placing the utmost priority on swiftly returning the composites business to profitability and have thoroughly reexamined areas of our North American business in which we can improve profits. By implementing roughly 130 newly formulated improvement measures in the areas of sales, procurement, and production, we aim for a ¥13.0 billion improvement in operating income in this business by the end of fiscal 2023. In terms of sales, we are extremely fortunate that our products and services have been evaluated highly by our customers, and we are currently working to reflect the impact of soaring raw material costs into our sales prices. We will continue to focus our efforts on negotiating with customers so that we will be able to reflect the impact of rising labor and logistics costs in our sales prices as well. With the aim of achieving our business targets, we will prioritize efforts to improve profitability through such means as fully utilizing automated facilities and to reduce costs by reexamining our procurement activities.

When announcing the Reforms for Profitability Improvement initiative in February 2023, I stated that if we are unable to achieve the desired results in the composites business, and restoring its profitability would be further delayed as a result, then at that point we would be forced to consider the pros and cons of continuing this business. However, I also declared my confidence that we will be fully capable of achieving our targets for the composites business. When formulating the initiative, I provided direct explanations to the local management of the composites business to gain their understanding and confirmed their strong devotion toward achieving our desired results. While only a few months have passed since we began undertaking improvement measures, the situation in the composites business is steadily getting better, and I firmly believe we will achieve our goals during fiscal 2023.

### Aramid Business: Restoring Operational Excellence and Securing Stable Profits

▶ P.28 Aramid Business

In the aramid business, we will seek to improve productivity and enhance profits through increased production and sales with the aim of achieving a ¥7.0 billion improvement in operating income by the fiscal 2023 year-end. Although we were able to bolster our production capacity in this business to meet robust demand during the period of the previous medium-term management plan, we dealt with a prolonged slump in production for two years since fiscal 2021 due in part to a slow recovery from large-scale periodic maintenance, power outages at industrial parks where one of our plants is located, and a fire at a raw material plant. In collaboration with our corporate engineering team, we will strive to realize a prompt turnaround from these temporary negative factors and work to improve productivity by stabilizing production on our existing production lines and promoting a shift toward automation and digitalization. We will also seek to once again establish our operational excellence, which enabled us to solidify the leading market share, and fully capitalize on the benefits of our bolstered production capacity. Furthermore, with regard to the soaring natural gas prices brought about by the Ukraine situation, we will work to stabilize procurement costs through the utilization of forward contracts and other means.

### Healthcare Business: Focusing On Fields Where We Can Leverage Our Business Foundation with the Aim of Realizing a New Business Structure

▶ P.30 Healthcare Business

In the healthcare business, we will promote the transition to a business structure focused on rare diseases and intractable diseases, which represent a field where we can fully leverage the business foundation that we have cultivated in the home healthcare business. In addition to introducing pharmaceuticals into this field, we will enhance our pipeline including in terms of new services and new medical devices. In these ways, we will promote structural reforms to achieve an optimized business scale while also working to reduce fixed costs.

In addition to these three businesses, we are fully determined to resolve all of the issues that remain in each business from the period of the previous medium-term management plan.

## Transforming into a More Resilient Organization in Anticipation of Unexpected Risks

▶ P.22 Management Structure Reforms

As I mentioned at the beginning of this message, our performance was significantly impacted by the occurrence of numerous unexpected risks during the period of the previous medium-term management plan, centered on external factors such as the COVID-19 pandemic and the Ukraine situation. With the rapid changes to social conditions that have been occurring recently, issues in one region quickly spread on a global basis and have a major impact across the entire supply chain. To respond to these circumstances, rather than simply anticipating various risks, it is more important to establish an organizational structure that enables a composed, flexible, and swift response when an unexpected issue arises. While on the one hand we have boasted the strengths of creating a solid organizational structure and business strategies, we recognize that by adhering too much to our solid nature, we have been unable to enact an agile response to the risks that have emerged and have fallen into a weakened state as a result. Going forward, we will endeavor to create an organizational structure that is not only more flexible and agile but also one that allows us to respond with greater resilience to changes in the external operating environment.

As the first step in doing so, we carried out reforms to our management structure in tandem with the roll out of the Reforms for Profitability Improvement initiative. Under these reforms, we reorganized our executive officer structure into "chief officers," who oversee medium- to long-term strategies, and "business executive officers," who handle short- to medium-term strategies in each business, and clarified the respective duties and responsibilities for these roles. At the same time, we reduced the number of executive officers by half. We also strengthened our monitoring functions by eliminating the "president position" in the Materials Business and Healthcare Business fields and established a general manager position in its place that is under the direct control of the CEO. While doing so, I transferred my responsibilities and authority as CEO to the executive officers in charge of each business. Through these reforms, we aim to accelerate the speed of our decision-making and bolster our executional capabilities, thereby transforming into a more resilient organization. These reforms are already starting to make a positive impact in terms of increasing our ability to identify issues and promptly implement solutions. We will continue to build on our decision-making and business execution capabilities to show both internal and external audiences that the speed of our management activities has genuinely improved.

## Enhancing Our Executional Capabilities through the Process of Identifying Shared Values

Looking back on the previous medium-term management plan, the greatest problem we faced alongside issues with our organizational resilience was the decline in our frontline and executional capabilities. If we do not recover our ability to see a plan out to its completion, then we will not achieve any significant results no matter how well a plan is prepared. To that end, based on a belief in the importance of having each and every employee once again realize the reason for engaging in their work in their own personal way, we took steps to establish specific aims for achieving our long-term vision of being "a company that supports the society of the future." We narrowed down our focus in the Materials Business Field to being "a company that protects the global environment," and our focus in the Healthcare Business Field to being "a company that addresses issues of patients,

families, and communities in need of more support," thereby making clear our direction in each business field. Rather than formulate a completely new direction, this move was made with the intention of reconfirming and better communicating the Company's strengths and purpose for existence to date, which has been our ability to form close connections with our customers and patients and help resolve social issues.

Extremely important in our efforts to reconfirm the purpose of our existence as a company is the process of holding discussions with all employees of the Company on the matter, rather than just conveying our purpose from the top down. This is because that, while the nature of our purpose is obviously important, the process of having employees personally relate to our purpose by voicing their respective opinions creates a shared sense of inspiration across the Group and provides the driving force for changing our corporate culture. Although we are still in the conceptual stages of this process, we are incorporating new methods of communication, including online townhall meetings, alongside our conventional in-person meetings where employees can directly share their candid opinions with the CEO. We are also enhancing a sense of unity among our employees across the world through these discussions. By doing so, we are working to enhance our executional capabilities.

One moment I will always remember is after I joined the Company, and the president at the time, Mr. Hiroshi Itagaki, stated that we should "prioritize safety above all else." Rather than a more passive statement, such as "safety is our priority," he always said "prioritize safety," and I think by phrasing it this way he encouraged employees to be more proactive and determined. This in turn fostered a corporate culture in which safety took priority over everything else, even if it meant that costs would increase. Employees at the time took pride in this corporate culture, and I believe that this is what helped Teijin establish its competitive edge in terms of outstanding quality. I also believe that the reasons that such a culture was able to take root were the lessons the Company had learned up to that point in time and the discussions that were held over measures to make improvements.

Today, overseas employees account for over half of all Group employees, so it is imperative that we sufficiently explain our purpose of existence by putting it into words if we are to foster a proper Groupwide understanding. While this is no easy task, it certainly can be done. This issue relates to what I mentioned before about operational excellence. The operational excellence that become exemplary of the Company was first demonstrated by Teijin Aramid B.V., which was a company that we originally acquired in the Netherlands. If we truly focus on our communication efforts, then even values typical of a Japanese company can resonate with our global employees. Furthermore, sharing such values in a way that can foster a shared value system will enable us to accelerate efforts in such areas as diversity and inclusion (D&I) and digital transformation (DX).

## Aligning the Direction of All Employees toward Achieving Our Business Plans and Long-Term Vision

To realize our long-term vision of being "a company that supports the society of the future," which we have now better clarified, we will focus our efforts in the Materials Business Field on the fields of sustainable automobiles and aircrafts, and energies. To that end, we will concentrate on aramid fibers, composites, carbon fiber intermediate materials, and other materials that can lead to eco-friendly solutions.

We believe that aramid fibers, in particular, are an indispensable element in adding value to products, including in terms of their carbon footprint and usage ratio of recycled materials. Looking back about two years ago when I was attempting to roll out Life Cycle Assessments (LCA) of these materials on a Groupwide basis, there were some members of the Company who had doubts about this initiative. However, we received numerous inquiries from our customers, and this initiative ended up receiving high praise. I absolutely believe that I made the right decision to introduce LCA. I view the expansion of circular economies involving local production for local consumption as an important change in the operating environment that cannot be overlooked. Transitioning from the one major global value chain that we have seen to date, I believe that the world will start to see small localized value chains become interconnected on a global scale. In such a world, aramid fibers can help enhance resilience and reduce $CO_2$ emissions associated with transportation, and as such we intend to make trailblazing efforts toward these fibers, and eventually other materials, going forward.

To realize our goal of being "a company that addresses issues of patients, families, and communities in need of more support" in the Healthcare Business Field, we will seek to expand disease-related fields in which we can leverage our business foundation. Rare diseases and intractable diseases require more support, which means they represent a field where we can leverage our business foundation. As we maintain direct contact points with patients, we are able to develop and provide products and services that closely cater to individual patient needs. Drawing on this strength, we will aim to become a unique healthcare company

The drug discovery research joint venture company, which we intend to establish in April 2024 together with Axcelead, Inc., is an example of us demonstrating the direction for which we aim. In collaboration with Axcelead, we will establish a drug discovery platform which we will utilize to strengthen our ability to discover drugs for patients suffering from rare diseases and intractable diseases. Now that we have clarified our vision for the Healthcare Business Field, we will begin to increase the number of measures aimed specifically at achieving this vision moving forward.

An important characteristic of Teijin is that we are involved in industries that protect both people and the planet. I personally have a desire to protect and maintain a planet on which humans can live enriched and meaningful lives. To that end, the next medium-term management plan will continue to focus on the Materials Business and Healthcare Business fields. We are embarking on the extremely ambitious task of protecting people and the planet, so it is imperative that we demonstrate to the world that we are capable of completing this task. Accordingly, myself and all members of the Company must commit to completing the tasks that need to be done and must also clarify and expand the direction toward which the Group aims. That is precisely the reason why we are taking steps to reconfirm our purpose of existence as a company on a Groupwide basis. In order to achieve the business strategies that we have formulated, the next plan will place more emphasis on how to foster a shared sense of inspiration among employees, taking into account what we have learned during the period of the previous medium-term management plan, and execute Groupwide efforts toward achieving our goals.

## Closing

Our price-to-book ratio (PBR), which serves as the capital market evaluation of the Company, has been held at the low level of around 0.6 times, and we take this very seriously as the evaluation of the current state of the Company. PBR can be broken down into return on equity (ROE) and price-to-earnings ratio (PER), and in our case we recognize that improving our declining ROE should be our utmost priority. This is another reason why we promise to carry out the Reforms for Profitability Improvement initiative to its completion during fiscal 2023. After fulfilling this promise and gaining back the confidence and trust of our stakeholders, we will thoroughly communicate our path for growth and our business portfolio in fiscal 2024 and seek to improve both our PER and PBR. I ask our shareholders to understand that my decision to delay the announcement of the next medium-term management plan and instead dedicate fiscal 2023 to promoting reforms represents my resolve and responsibility toward addressing our current market evaluation. I therefore ask our stakeholders, including our shareholders and other investors, for their continued support and encouragement as we pursue these reforms and a genuine transformation as a company going forward.

August 2023

A. Uchikawa

President and CEO,
Representative Director of the Board

# We will strive to improve corporate value by striking a balance between strengthening our financial structure, executing the necessary investments, and enhancing shareholder returns.

**Eiji Ogawa**

Senior Executive Officer,
Representative Director of the Board
Chief Financial Officer

## Review of Medium-Term Management Plan 2020–2022 and Forecasts for Fiscal 2023

### Business Environment in Fiscal 2022 and Key Management Indicators

The global economy in fiscal 2022, the final year of Medium-Term Management Plan 2020–2022, saw a recovery from the impact of the COVID-19 pandemic. However, a wide range of risks emerged including concerns over prolonged geological risks stemming from the Ukraine situation, as well as soaring raw material and fuel prices, supply chain disruptions, labor shortages, and signs of a global recession due to accelerating inflation and other factors. These risks had a significant impact on the Company's performance.

Although net sales rose 10.0% year on year, to ¥1,018.8 billion, operating income saw a significant decrease of 70.9%, to ¥12.9 billion. We also recorded a loss attributable to owners of parent of ¥17.7 billion, in contrast to a profit of ¥23.2 billion in the previous fiscal year, due not only to the decline in operating income but also to the recording of impairment losses in the composites business and a rise in tax burden triggered by increased deficits at overseas subsidiaries.

In the Materials Business Field, despite being able to mostly offset the impact of soaring raw material and fuel prices through sales price revisions, we recorded an operating loss owing mainly to such factors as equipment failures at a U.S base, a fire at a European base, a decline in productivity due to chronic labor shortages in both the U.S. and Europe, and a decline in the operating rate of bases in China due to lockdowns and the economic downturn that followed. Although operating income was up in the Fibers & Products Converting Business on the back of a solid sales performance, operating income declined in the Healthcare Business Field as a result of a wide range of factors. These included a decline in the sales volume of the mainstay drug *FEBURIC*—a gout and hyperuricemia treatment that has contributed to profits for many years—following the market entry of generic alternatives to the drug in June 2022, as well as the impact of drug price revisions. In addition, operating income declined in the IT Business due in part to increased advertising costs in our e-comic services.

As a result, ROE, an indicator of profitability, was -4.1%, despite our target for ROE of 10% or higher in the final year of the previous medium-term management plan, and return on invested capital (ROIC) based on operating income stood at 1.6%, in contrast to our target of 8% or higher. Furthermore, earnings before interest, tax, depreciation and amortization (EBITDA), which indicates our ability to generate cash, was ¥87.8 billion, also falling short of our target of ¥150.0 billion.

### Medium-Term Management Plan 2020–2022 Targets and Results

(Billions of yen)

| | FY2020 | FY2021 | FY2022 | FY2022 Medium-Term Management Plan Targets |
|---|---|---|---|---|
| **Net sales** | 836.5 | 926.1 | 1,018.8 | — |
| **Operating income** | 54.9 | 44.2 | 12.9 | — |
| **Profit (loss) attributable to owners of parent** | (6.7) | 23.2 | (17.7) | — |
| **ROE*1** | (1.7)% | 5.5% | (4.1)% | 10% or higher |
| **ROIC (based on operating income)*2** | 8.6% | 5.5%*3 | 1.6% | 8% or higher |
| **EBITDA*4** | 106.8 | 113.0 | 87.8 | 150.0 |

*1 ROE = Profit attributable to owners of parent / Average* total shareholders' equity
*2 ROIC (based on operating income) = Operating income / Average* invested capital (Invested capital = Net assets + Interest-bearing debt - Cash and deposits)
* Average: ((Beginning balance + Ending balance) / 2)
*3 The calculated beginning balance of invested capital includes an increase due to the takeover of the sales rights for diabetes treatments and other related assets.
*4 EBITDA = Operating income + Depreciation and amortization

### Results of Medium-Term Management Plan 2020–2022 and Assessment of Remaining Issues

Creating growth platforms was the central theme of the previous medium-term management plan. Although we experienced a certain number of delays due to the impact of the pandemic and other factors, we were able to successfully carry out upfront investments in the Materials Business Field largely according to plan. These included investments in the aramid business to expand facilities and bolster production capacity in Europe, investments in the carbon fibers business to launch a new plant in North America, and investments in the composites business to also build a new plant in North America geared toward the launch of new programs. We executed capital expenditures and M&As totaling roughly ¥350.0 billion over the three-year period of the previous medium-term management plan, largely in line with our initial plans. These expenditures included investments to acquire marketing approvals for diabetes drugs from Takeda Pharmaceutical Company Limited in the Healthcare Business Field.

Nevertheless, we were unfortunately unable to truly create growth platforms that would lead to profitability owing to the occurrence of a broad range of issues. These included our inability to reach full operational capacity at our plants in the aramid business due to labor shortages, a fire at a raw material plant, and other factors that decreased productivity. They also included delays in the adoption of intermediate materials for next-generation aircraft in the carbon fibers business resulting from delays in the development schedules of original equipment manufacturers stemming from the impact of the pandemic. We also faced delays in our plans to allocate our increased production capacity to aircraft applications. Furthermore, in the composites business, we shifted from a policy of proactive share expansion, which we had adopted since acquiring a U.S.-based company, to one that emphasized profitability. This effort, however, did not translate to profitability improvement due mainly to a significantly long lead time from program adoption to launch. In addition to a temporary decline in productivity due to equipment failures at one of our plants, it took a great deal of time to revise our sales prices to reflect the impact of rising labor costs brought about by the tight supply–demand situation, although we were able to revise sales prices to reflect the impact of soaring raw material prices. As a result, the composites business continued to turn a deficit. In the Healthcare Business Field, despite reinforcing our ability to generate cash by acquiring marketing approvals for diabetes drugs, we were unable to eliminate shortages in our product pipeline, including pharmaceuticals, and thus fell short of our goal of establishing a business structure that could offset the decline in sales of *FEBURIC*.

### Forecasts for Fiscal 2023

Given the fact that our performance has been worsening currently, we have decided to postpone the announcement of the next medium-term management plan, which was slated to begin in fiscal 2023, and instead execute the Reforms for Profitability Improvement initiative (announced in February 2023), as our greatest goal at the moment is to reinforce our profit base.

In the aramid business, we will aim to achieve full operational capacity at our plants, including expanded facilities, by a swift recovery from the fire that occurred at a raw material plant, and implementing efforts to further stabilize operation. By doing so, we will continue to meet the robust demand in this business.

In the composites business, we will focus our attention on our North American operations, which have a tremendous presence and competitive edge, to offset the impact of temporary cost increases that occurred in fiscal 2022 due to equipment failures. We will also implement roughly 130 measures to improve profitability. In these ways, we will enhance our ability to generate cash and work to promptly restore this business to profitability. In the healthcare business, we will leverage our unique business foundation, which entails direct contact points with patients cultivated in the home healthcare business, with the aim of introducing new pharmaceuticals for rare diseases and intractable diseases, among others.

By promoting efforts to improve profitability with a focus on these businesses, which have been facing issues, we will seek to bolster our cash generation capacity and restore our business performance. Although we forecast a decline in profits in the healthcare business due to the year-round impact from the market entry of generic alternatives to *FEBURIC*, our consolidated performance forecast for fiscal 2023 calls for net sales of ¥1,050.0 billion, up 3.1% year on year, and operating income of ¥35.0 billion, up 172.1%, in light of our expectations of such positive factors as an increase in sales volumes in the Materials Business Field and a decrease in prices of raw material and fuel. We also forecast profit attributable to owners of parent of ¥13.0 billion, recovering from a loss of ¥17.7 billion in fiscal 2022, and an improvement in EBITDA to ¥113.0 billion.*1

Furthermore, from fiscal 2024, we intend to voluntarily adopt the International Financial Reporting Standards (IFRS) for the purposes of enhancing the compatibility of our financial information with international standards and of establishing a more global financial foundation through the integration of accounting standards within the Group.

*1 Figures are forecasts announced in August 2023.

## Capital Allocation that Contributes to Corporate Value Enhancement

### Strengthening Financial Structure and Improving Capital Efficiency

In fiscal 2022, we narrowed down the targets of our capital expenditures as cash flows from operating activities declined due to our sluggish business performance. However, our financial soundness worsened, with the debt-to-equity ratio standing at 1.10 times based on consideration of capital certification of subordinated bonds, as a result of an increase in working capital brought about by the increases in unit cost of inventories and accounts receivable that followed the rise in raw material and fuel prices .

In light of these conditions, we will strengthen our financial discipline in fiscal 2023 in tandem with the implementation of the Reforms for Profitability Improvement initiative. Furthermore, as the cost of fundraising is increasing due to higher interest rates primarily overseas, we recognize that it is now more important than ever to maintain our credit rating. To that end, over the course of this year, we will strive to realize a recovery in our debt-to-equity ratio and, over the course of the next several years, aim to achieve a ratio of 0.9 times, which we believe to be an appropriate level in terms of striking a balance with capital efficiency.

To accomplish this, we will adopt a two-pronged approach involving improving our ability to generate cash flows and efficiently utilizing capital. Under the previous medium-term management plan, we established the two frameworks of Strategic Focus fields and Profitable Growth fields, and proactively invested in Strategic Focus fields. In fiscal 2023, we will carefully select our investments, striving to enhance corporate value by placing greater emphasis on ROIC, more so than the size of sales or ratio of net sales to operating income.

Since the start of the 2000s, we have been using weighted-average cost of capital (WACC) as the basis of our capital efficiency targets (hurdle rate), thereby managing our business portfolio. Recently, we have adopted ROIC based on operating income as a key management indicator and have been pursuing management with a greater awareness of capital cost by, for example, transferring our polyester film business in 2019, which had been turning a profit. However, we still have plenty of room for improvement in terms of promoting this kind of management.

In fiscal 2023, we plan on conducting capital expenditures, including those carried over from the previous fiscal year, totaling ¥85.0 billion, and we will invest these resources in the most efficient way possible. For example, we will steadily carry out investment in such areas as automation, which we believe to be an indispensable effort over the medium term to address the major issues of boosting productivity at our plants and controlling the continuously rising cost of a labor. Furthermore, we will execute investments in eco-friendly initiatives that offer a high level of social contribution. While we will also continue to invest in such areas as highly profitable programs for which we have received orders in the composites business, we will refrain from nonessential investments to the greatest extent possible.

In terms of capital efficiency, we will actively convert assets that have not been used efficiently into cash, including through the further reduction of cross-shareholdings and the sale of idle assets. Also, we believe we must respond to rising interest rates going forward. In recent years, historically low interest rates have continued on a global basis, but I believe that my role as CFO is to foster and thoroughly entrench a strong awareness of capital cost, including the impact of working capital, on a Groupwide basis.

### Increasing Share Price and Enhancing Shareholder Returns

The Company's PBR has remained well below 1.0 times, and we view this seriously as an evaluation of the Company by the market. The number one reason why this situation has occurred has been the recent slump in our business performance and the decline in dividend payments that has followed as a result. For that reason, we are placing the utmost importance on first implementing the Reforms for Profitability Improvement imitative to its completion during fiscal 2023 and thoroughly conveying the results of this initiative to our shareholders and other investors.

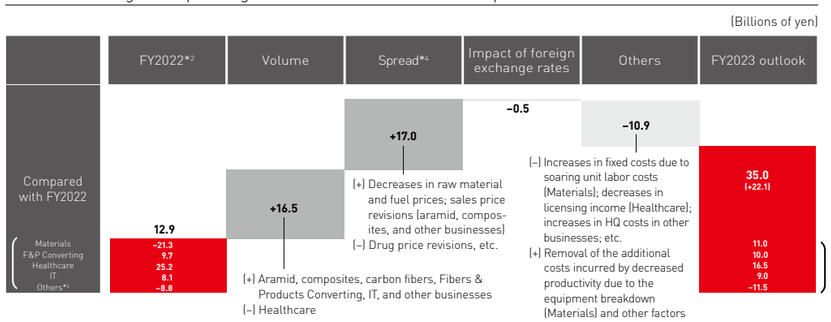
Under our shareholder return policy, we target a medium-term consolidated dividend payout ratio of around 30% of net income. We also examine dividend amounts in consideration of stable and continuous dividend payments. Guided by this policy, we issued an annual divided of ¥40 per share, comprising an interim dividend of ¥27.5 and a year-end dividend of ¥12.5 per share. In fiscal 2023, we plan on issuing an annual dividend of ¥30 per share, consisting of an interim and a year-end divided of ¥15 per share each. For the moment, we will prioritize efforts to reinforce our financial foundation while implementing flexible capital policies such as the purchase of treasury stock in accordance with our current condition. Taking our current market evaluation extremely seriously, we will strive to enhance our corporate value while striking a balance between the enhancement of shareholder returns and the implementation of growth investments.

### Establishing the Direction of Our Business Portfolio

We firmly understand that one of the major reasons why our market evaluation is so low is that we have been unable to convey a clear message as to how we will grow in the future to our shareholders and other investors.

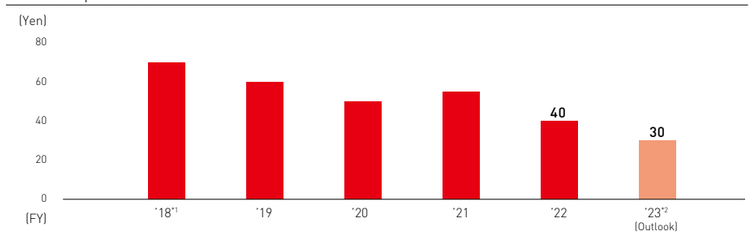
The direction the Group aims for going forward is of being "a company that supports the society of the future." Specifically, we aim of being "a company that protects the global environment" and being "a company that addresses issues of patients, families, and communities in need of more support." To that end, we will focus our investments in the fields of sustainable automobiles and aircrafts, and energies and the fields of diseases including rare diseases and intractable diseases, as we work to rebuild our business portfolio. We will communicate this vision in a more specific manner under the next medium-term management plan, which we intend to announce in 2024. By further strengthening our communication with shareholders and other investors, we will strive to enhance their trust in the Company. I would like to ask for your continued support as we strive to do so going forward.

Factors of Changes in Operating Income Outlook in FY2023 (Compared with FY2022)*1




*1 Forecasts for fiscal 2023 use figures announced in August 2023.
*2 From FY2023, organizations for new businesses in the "Materials" and "Healthcare" segments were transferred to the Groupwide "Others" segment. Therefore, the figures for FY2022 are those recalculated in accordance with the new segment categorization for comparison purposes.
*3 "Others" denotes the total of "Others" and "Elimination and Corporate."
*4 Sales price and mix + Raw material and fuel costs

Dividends per Share



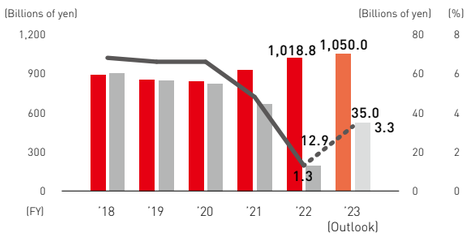

| | '18*1 | '19 | '20 | '21 | '22 | '23*2 (Outlook) |
|---|---|---|---|---|---|---|
| Dividend payout ratio | 30% | 46% | — (Net loss for the period) | 46% | — (Net loss for the period) | 44% |

*1 Included a commemorative dividend of ¥10 per share in honor of the centennial celebration of our founding
*2 Forecasts for fiscal 2023 use figures announced in August 2023

# Data Highlights

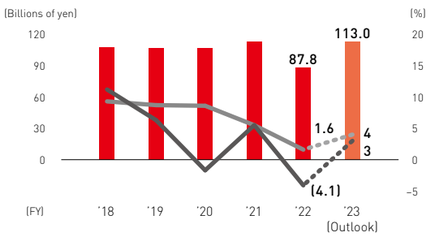
## Financial Highlights

### Net Sales / Operating Income / Operating Margin




Net Sales (left scale) Operating Income (right scale)
Operating Margin (right scale)

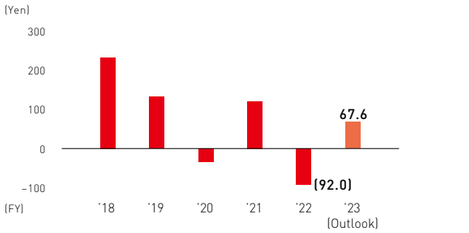
### EBITDA / ROE / ROIC (Based on Operating Income)



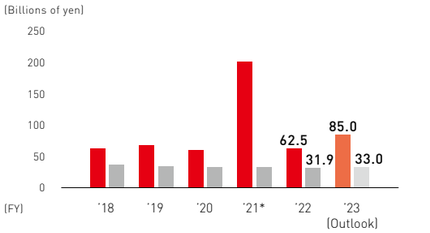

EBITDA (left scale) ROE (right scale) ROIC (Based on Operating Income) (right scale)

Note: EBITDA = Operating income + Depreciation and amortization;
ROE = Profit attributable to owners of parent / Average* total shareholders' equity;
ROIC (based on operating income) = Operating income / Average* invested capital
(Invested capital = Net assets + Interest-bearing debt –Cash and deposits)
* Average: ((Beginning balance + Ending balance) / 2)

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



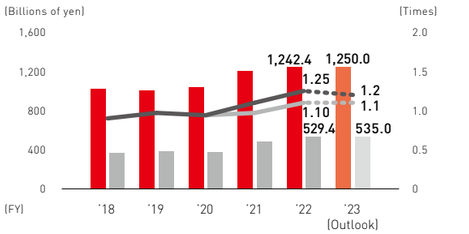

### Capital Expenditure / R&D Expenses




Capital Expenditure R&D Expenses

* Including an increase in intangible assets (¥132.4 billion) due to the takeover of the sales rights for diabetes treatments and other related assets

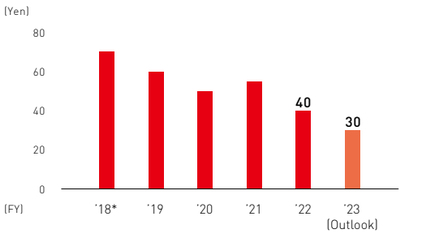
### Total Assets / Interest-Bearing Debt / Debt-to-Equity Ratio




Total Assets (left scale) Interest-Bearing Debt (left scale)
Debt-to-Equity Ratio (right scale)
Debt-to-Equity Ratio (Based on Consideration of Capital Certification)* (right scale)

* Debt-to-equity ratio based on consideration of capital certification of subordinated bonds (issuance of ¥60.0 billion in subordinated bonds on July 21, 2021)

### Dividends per Share




| | | | | | | |
|---|---|---|---|---|---|---|
| Dividend payout ratio | 30% | 46% | — (Net loss for the period) | 46% | — (Net loss for the period) | 44% |

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

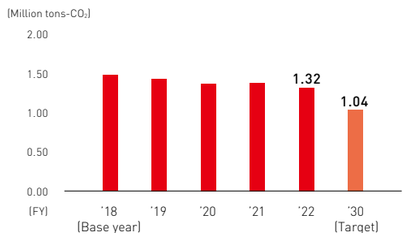
Note: Forecasts for fiscal 2023 use figures announced in August 2023.
*1 Includes $CO_2$, methane, and $N_2O$
*2 $CO_2$ emissions are calculated with the GHG Protocol as reference. The amount of $CO_2$ emissions equivalent to the amount of energy sold to other companies has not been deducted from this data. 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. 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 International Energy Agency (IEA) country-specific emissions coefficient.
*3 The amount of freshwater intake is the total of industrial water, groundwater, and tap water.
*4 Per sales units are calculated using consolidated net sales as the denominator.
*5 Among the Class 1 designated chemical substances under the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof and chemical substances indicated by the Japan Chemical Industry Association, chemical substances emissions to atmosphere, water, and soil which are harmful to aquatic environments and the ozone layer in the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) classification defined by the United Nations are subject to the calculation for emissions.



## Non-Financial Highlights

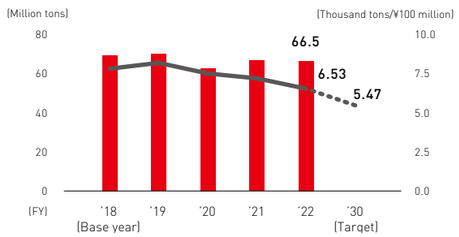
★: Independently assured indicators

### Group $CO_2$*1 Emissions*2 ★




**| Target |** **Fiscal 2030 30% reduction (compared with fiscal 2018)**

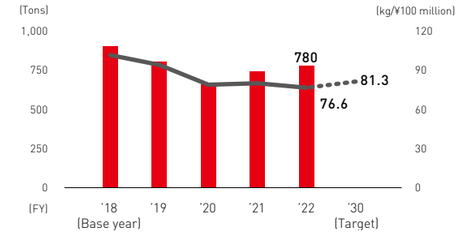
### Freshwater Intake*3 Volume and Volume per Sales Unit*4 ★




Freshwater intake (left scale) Per sales unit (right scale)

**| Target |** **Improvement of 30% in volume per sales unit by fiscal 2030 (compared with fiscal 2018)**

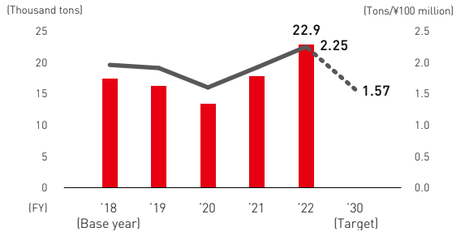
### Emissions of Hazardous Chemical Substances*5 and Emissions per Sales Unit*4 ★




Hazardous chemical substance emissions (left scale) Per sales unit (right scale)

**| Target |** **Improvement of 20% in emissions per sales unit by fiscal 2030 (compared with fiscal 2018)**

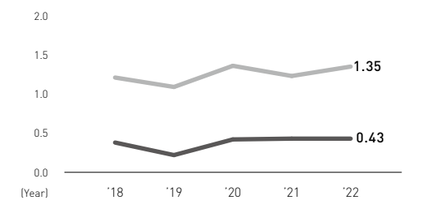
### Landfill Waste Volume*6 and Volume per Sales Unit*4




Landfill waste volume (left scale) Per sales unit (right scale)

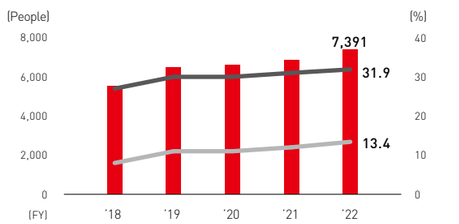
**| Target |** **Improvement of 20% in emissions per sales unit by fiscal 2030 (compared with fiscal 2018)**

### Lost-Time Injury Frequency Rate*7 and All Occupational Accident Frequency Rate*8 ★




Lost-time injury frequency rate All occupational accident frequency rate

### Number of Female Employees, Percentage of Female Employees, and Percentage of Female Managers*9




Number of female employees (left scale)
Percentage of female employees (right scale)
Percentage of female managers (right scale)

*6 Landfill waste volume is calculated based on the amount of waste disposed of directly in landfills.
*7 Lost-time injury frequency rate indicates the number of lost-time injured persons per one million working hours (figures are calculated based on calendar years).
*8 All occupational accident frequency rate indicates both lost-time injured persons and non-lost-time injured persons per one million working hours (figures are calculated based on calendar years). Includes full-time employees, fixed-term employees, part-time employees, and temporary employees. This rate has been assured independently since 2022.
*9 Data as of March 31 for each fiscal year. Group companies in Japan include companies other than consolidated companies. In addition, employees seconded to companies other than their own are included. "Managerial positions" refers to positions that are equivalent of section manager or above. In both fiscal 2018 and fiscal 2019, there were 51 companies; in fiscal 2020, 41 companies; in fiscal 2021, 43 companies; and in fiscal 2022, 49 companies. As for overseas Group companies, in fiscal 2018, there were 18 companies; in both fiscal 2019 and fiscal 2020, 19 companies; in fiscal 2021, 22 companies; and in fiscal 2022, 25 companies.

# Reforms for Profitability Improvement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- 30 Healthcare Business

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# Looking Back On Medium-Term Management Plan 2020–2022

**We positioned the period of Medium-Term Management Plan 2020–2022: ALWAYS EVOLVING as one in which we would create growth platforms for realizing our long-term vision. Guided by the basic policies of (1) creating opportunities, (2) reducing risks, and (3) strengthening management base, we sought to transform our business portfolio and increase our cash-generating capabilities.**

**However, profitability declined in the Materials Business Field due primarily to the impacts of production issues and chronic labor shortages at our bases in the U.S. and Europe as well as the slowdown in China's economy. As a result, we fell significantly below all of the financial targets we adopted under the previous plan.**

## Basic Policies

### 1 Creating Opportunities

- Increase investment in the domains of our three solutions* and accelerate efforts to cope with social issues
- Actively invest in Strategic Focus fields, accelerate business portfolio transformation, and increase cash-generating capabilities

### 2 Reducing Risks

- Enhance efforts to minimize environmental risks including climate change

### 3 Strengthening Management Base

- Strengthen management base to drive innovation and accelerate the creation of business opportunities

* "Environmental Value Solutions," "Safety, Security, and Disaster Mitigation Solutions," and "Demographic Change and Increased Health Consciousness Solutions"

## Numerical Targets and Fiscal 2022 Results

| | Fiscal 2022 targets | Fiscal 2022 results |
|---|---|---|
| ROE | 10% or higher | -4.1% |
| ROIC (based on operating income) | 8% or higher | 1.6% |
| EBITDA | ¥150.0 billion | ¥87.8 billion |
| • Materials | ¥80.0 billion | ¥16.5 billion |
| • Healthcare | ¥45.0 billion | ¥49.6 billion |
| • Others | ¥25.0 billion | ¥21.7 billion |

| | Fiscal 2020–2022 targets | Fiscal 2022 results |
|---|---|---|
| Investment | | |
| Capex + M&A | Total ¥350.0 billion | Total ¥357.7 billion |
| R&D expenses | Total ¥110.0 billion | Total ¥98.0 billion |
| Debt-to-equity ratio | Around 0.9 times | 1.25 times |
| Dividend payout ratio | 30% | — (Net loss for the period) |

## Climate Change-Related Targets and Fiscal 2022 Results

★: Independently assured indicators

| | Targets | Fiscal 2018 results (Base year) | Fiscal 2022 results | Compared with fiscal 2018 |
|---|---|---|---|---|
| Group $CO_2$*1 emissions*2 (Million t-$CO_2$) | Fiscal 2030 30% reduction compared with fiscal 2018 | 1.48 | 1.32★ | 11% reduction |
| | Fiscal 2050 Net zero emissions | | | |
| Supply chain (upstream) $CO_2$ emissions*3 (Million t-$CO_2$) | Fiscal 2030 15% reduction compared with fiscal 2018 | 2.89 | 2.57★ | 11% reduction |
| Total $CO_2$ emissions*4 (Million t-$CO_2$) | By fiscal 2030 Total $CO_2$ emissions < Avoided $CO_2$ emissions | — | 5.03 | — |
| Avoided $CO_2$ emissions*5 (Million t-$CO_2$) | | — | 3.17 | — |

*1 Includes $CO_2$, methane, and $N_2O$ *2 $CO_2$ emissions are calculated with the GHG Protocol as reference. The amount of $CO_2$ emissions equivalent to the amount of energy sold to other companies has not been deducted from this data. 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. 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. *3 Covers Scope 3 emissions in Category 1 (Purchased goods and services) except emissions from products purchased in the Fibers & Products Converting Business for the purpose of sale. Category 1 emissions are calculated by multiplying the purchased weight or purchased value of purchased goods and services by the emissions intensity in units of weight or value. Emissions intensity data for monetary units is from Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.2) (March 2022) (Emissions Unit Values Database V. 3.2), published by the Ministry of the Environment. Emissions intensity data for weight units is based on the intensity data of the ecoinvent Database (operated by ecoinvent Association) or the LCA for Experts (GaBi) Database (operated by Sphera). *4 Total $CO_2$ emissions are calculated for Scope 1, Scope 2, and Category 1 (Purchased goods and services), Category 2 (Capital goods), Category 3 (Fuel- and energy-related activities not included in Scope 1 and Scope 2), Category 4 (Upstream transportation and distribution), Category 5 (Waste generated in operations), Category 6 (Business travel), and Category 7 (Employee commuting) in Scope 3. *5 Calculated as the amount of avoided $CO_2$ emissions that the Company's products have contributed to in the supply chain downstream

## Business Strategies

| | | Major Initiatives | Main Results | Remaining Issues |
|---|---|---|---|---|
| Strategic Focus Fields | Automotive composites | **North America**<br>• Commence operations of Texas plant<br>• Expand sales of carbon fiber composites<br>**Europe**<br>• Expand presence in the European market through new production bases<br>**China**<br>• Promote multi-materials strategy<br>• Penetrate Chinese market through production at two plants | **North America**<br>• Reinforced position as North America's largest Tier 1 supplier through proactive investment<br>• Successfully GF-SMC adopted in the new model of Toyota Motor North America, Inc. *Tundra* pickup truck, commenced full-scale production at Texas plant<br>**Europe**<br>• Established new sheet molding compounds (SMC) raw material plant in France, realized comprehensive production of automotive composites in the same manner as we did in North America<br>**China**<br>• Expanded production of automotive composites | • Despite efforts to address semiconductor shortages, the rapid surge in raw material prices, and labor shortages through sales price revisions, cost reductions, and the promotion of in-house production and automation, unable to compensate for the negative impact of these issues, resulting in a significant ongoing deficit |
| | Carbon fiber intermediate materials for aircraft | **New Carbon Fiber Plant in North America**<br>• Start commercial production<br>• Obtain certification for aircraft<br>**Acquisition of New Aircraft Programs**<br>• Acquire several new large-scale programs<br>**Expansion of Intermediate Materials Business**<br>• Expand sales channels for state-of-the-art aircraft engine components | **New Carbon Fiber Plant in North America**<br>• Launched the new plant and commenced commercial production<br>**Expansion of Intermediate Materials Business**<br>• Rolled out new brand of intermediate materials<br>• Successfully had intermediate materials adopted in next-generation aircraft engine components | • Faced significant delays in the development of applications for next-generation aircraft, for which progress was made toward their adoption, as a result of the COVID-19 pandemic |
| | New healthcare businesses | • Create innovative medical treatment<br>• Provide medical technologies and services to support self-reliance<br>• Expand functional foods business<br>• Create new businesses related to community-based integrated care | • Established regenerative medicine platform<br>• Received manufacturing and marketing approval for cardiovascular surgical patch in fiscal 2022<br>• Business expansion through primarily Teijin Nakashima Medical Co., Ltd.'s acquisition of the spine and trauma (fracture) business of KiSCO Co., Ltd., owned by the Otsuka Group<br>• Made Meguro Institute Co., Ltd.,*1 which possesses advanced bacteria cultivation and commercialization technologies, into a wholly owned subsidiary<br>• Strengthened business foundation by establishing web media service for visiting nurses and by making 3Sunny, Inc., which offers a hospitalization and discharge coordination support service, a wholly owned subsidiary | • Expanded product pipeline and sales, including overseas sales, for orthopedic implantable devices and functional foods |
| Profitable Growth Fields | Aramid | • Expand production capacity, start mass production from fiscal 2022<br>• Expand sales by utilizing No. 1 market position<br>• Improve environmental performance through lightweight materials and develop applications for realizing a circular economy | • Bolstered production capacity of para-aramid fibers in the Netherlands<br>• Developed technologies to produce para-aramid fibers using bio-based materials<br>• Developed technologies to recycle long para-aramid fibers | • Significant decline in profitability due to cost increases, which resulted from soaring natural gas prices, and failure to reach targeted production volumes, which resulted from difficulties to secure labor, sluggish production, power outages, and a plant fire |
| | Carbon fibers | • Increase sales through applications for aircraft<br>• Develop and increase sales of new general industrial applications | • Started commercial production at the newly established prepreg plant in Vietnam<br>• Expanded sales of general industrial applications and sports and leisure applications through the start of operations of the new North American plant<br>• Restored sales of aircraft applications to pre-pandemic levels | – |
| | Resin and plastic processing | • Increase high-value-added products in growth industry applications (5G, autonomous driving, EVs, etc.)<br>• Expand sales in Chinese and ASEAN markets<br>• Expand production capacity of compounds | • Secured stable profits through the shift to high-value-added products<br>• Promoted initiatives to develop markets for biomass polycarbonate resins | – |
| | Fibers & products converting | • Pursue market expansion in growth domains (global apparel, mobility, environment, infrastructure, etc.)<br>• Expand eco-friendly businesses with a view toward realizing a decarbonized society and circular economy<br>• Strengthen fundamental profitability through the minimization of low-profit transactions and organizational restructuring | • Achieved steady sales of automotive parts, artificial leather, and water treatment filters, etc.<br>• Realized robust sales of textiles and apparel in Europe, North America, and China<br>• Developed new technologies for recycling polyester<br>• Improved profitability through structural reforms | – |
| | Pharmaceutical and home healthcare | **Organizational Reforms**<br>• Expand sales through community-based, multidisciplinary sales teams<br>• Optimize R&D, production, and sales frameworks (enhance productivity, reform cost structure)<br>**Launch of New Drugs, Expansion of Existing Products**<br>• Launch new drugs<br>• Enhance added value through medical devices with ICT, etc.<br>**Acquisition of Pipelines and Technologies**<br>• Acquire innovative medical treatments and core technologies | **Organizational Reforms**<br>• Reorganized into a structure comprising 18 branches and 129 sales offices<br>**Launch of New Drugs, Expansion of Existing Products**<br>• Bolstered cash-generating capabilities by acquiring sales rights of diabetes drugs<br>• Launched *XEOMIN*,*2 and *OSTABALO**3<br>• Maintained top-level domestic share in HOT and CPAP markets<br>**Acquisition of Pipelines and Technologies**<br>• Commenced R&D collaboration with Iktos SAS regarding the use of AI in the drug discovery process<br>• Promptly out-licensed Company-made drugs<br>• Invested in U.S. venture capital fund with a view toward developing and acquiring new medical devices | • Insufficiencies remain in product pipeline for future profits in the pharmaceutical business<br>• Unable to create new products and services in the home healthcare business |
| | IT | • Strengthening marketing activities in the e-comics business<br>• Promote global expansion and the launch of new businesses in the healthcare business<br>• Establish new services and promote co-creation activities | • Realized a recovery in growth from the negative impact of piracy websites in the e-comics business<br>• Made an entrance into overseas markets in the e-comics and healthcare businesses<br>• Made Medical Create Co., Ltd., which boasts strengths in the development and sale of systems for medical institutions, and Alterbooth Inc., which excels in the cloud computing domain, wholly owned subsidiaries | • Need to expand Profitable Growth fields and business domains in the e-comics business still remains<br>• Issues remain with diversifying operations and creating new businesses in the healthcare business<br>• Ongoing need to promote the creation of new services |
| | Separators | • Expand sales geared toward electronic devices<br>• Develop new in-vehicle and other applications | • Increased sales of *LIELSORT*, a separator for lithium batteries, for smartphone applications<br>• Signed a technical licensing agreement with Shanghai Energy New Materials Technologies Co., Ltd. for the manufacture of solvent-based coating separators used in lithium-ion secondary batteries | • Remaining need to further strengthen coating technologies<br>• More progress to be made with creating new businesses |

*1 Currently Teijin Meguro Institute Co., Ltd. *2 *XEOMIN* is the registered trademark of Merz Pharma GmbH&Co. KGaA, Germany, and a drug used to treat upper and lower limb spasticity, in fiscal 2020. *3 *OSTABALO* is a drug used to treat osteoporosis

# Overview of the Reforms for Profitability Improvement Initiative

**Upon the conclusion of Medium-Term Management Plan 2020–2022, it became clear that we must respond to the pressing issues of the delay in making Strategic Focus fields profitable and the worsening profitability of Profitable Growth fields. To put a stop to the further deterioration of profits, we will concentrate our efforts in fiscal 2023 on implementing drastic measures to address these issues. Accordingly, we will take decisive action to promote Groupwide structural reforms centered on transitioning to a structure that promotes swift management decision-making and business execution, and enhancing profits in three underperforming businesses, the composites, aramid, and healthcare businesses. Thoroughly taking into account the progress and results of these efforts, we plan to announce the next medium-term management plan in 2024, focusing on rebuilding our business portfolio and executing growth strategies. Over its history, the Group has faced difficult circumstances, time and time again, and sought to overcome them by pursuing new businesses and transforming its business portfolio (point 1 and 2). In fiscal 2023, the Group will successfully carry out the Reforms for Profitability Improvement initiative as it aims to once again transform its businesses and create platforms for the next stage of growth (point 3).**

Long-Term Vision

**A Company That Supports the Society of the Future**

Specific Aims for the Long-Term Vision

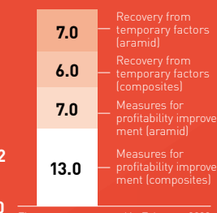
- A company that protects the global environment
- A company that addresses issues of patients, families, and communities in need of more support

## Reforms for Profitability Improvement (Announced in February 2023)

Aim for profitability improvement totaling approximately **¥30.0 billion** by the fiscal 2023 year-end by steadily implementing profitability improvement plans in these three businesses

- Management Structure Reforms ····· P.22
- Improving Profitability in the Three Businesses with Significant Issues
  Composites ····· P.24 Aramid ····· P.28 Healthcare ····· P.30

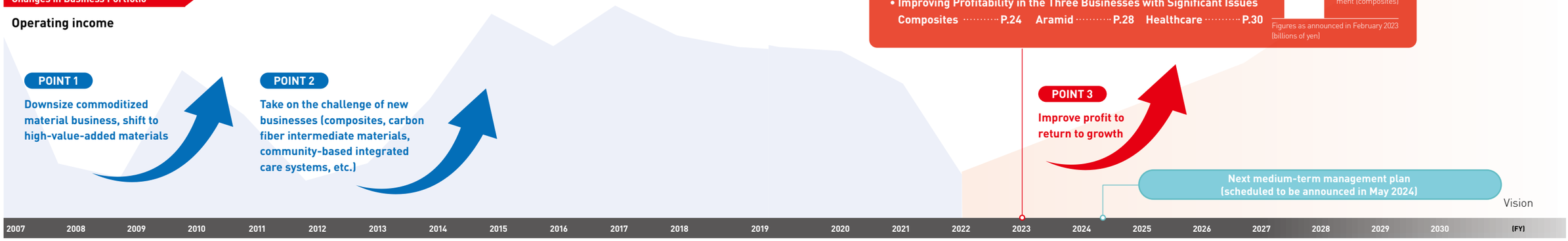
Breakdown of Profitability Improvement Amount




Figures as announced in February 2023 (billions of yen)

Changes in Business Portfolio

Operating income




# Management Structure Reforms

**Revising management structure for swift decision-making and execution to resiliently respond to changes in the external environment**

**Clarifying roles between head offices and business units**

- **Clarifying responsibilities and roles through restructuring the corporate officer system**
  - Shifting to a new corporate officer system consisting of the CEO and "chief officers" and "business executive officers" in charge of business operation
  - Reducing the number of corporate officers from the current 30 to 15 and abolishing certain corporate officer positions (Riji)
- **Concentrating organizations under the CEO's direct supervision**
  - Eliminating and consolidating functional chief officers while abolishing the "president position" of the Materials Business and Healthcare Business fields
  - Flattening the organizational structure by placing business units under the CEO's direct supervision

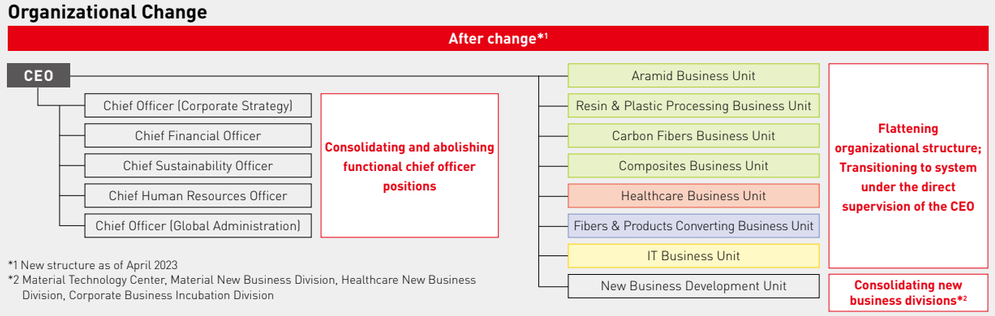
**Enforcement of business operation function**

- **Through the structure of the CEO's direct supervision, reinforcing the creation of business strategy/planning and monitoring by the head offices**
- **Further delegating decision-making authority to general managers of the business units, balancing speedy execution and risk management**

**Review of head offices' functions**

- **Reorganizing and integrating new business development organizations in the Materials Business and Healthcare Business fields into the New Business Development Unit under corporate supervision, promoting cross-functional efforts at the corporate level to spur innovation for the future through collaboration**
- **Streamlining and strengthening functions for creating and executing Groupwide strategies, optimizing the allocation and scale of head offices' staff in line with the organizational reform (target fixed cost reductions by fiscal 2025: ¥4 billion)**

**Organizational Change**




*1 New structure as of April 2023
*2 Material Technology Center, Material New Business Division, Healthcare New Business Division, Corporate Business Incubation Division

# Composites Business

## Initiatives to Date

In the composites business, Teijin has been promoting strategies to make a greater entrance into downstream fields so that it can transition away from being simply a materials manufacturer and supplier and evolve into a full-fledged solutions provider. To that end, we have been actively expanding our business scale since Medium-Term Management Plan 2017–2019 in order to grow the composites business into a pillar for future profits. In January 2017, we welcomed Continental Structural Plastics Holdings Corporation (CSP, now Teijin Automotive Technologies NA Holdings Corp. (TAT-US)), a U.S. company that has supplied composites to the automotive industry for many years, under our corporate umbrella, thereby establishing our position as a Tier 1 automotive composites supplier in the North American region. With this acquisition, we became able to ask automobile manufacturers about the problems directly facing them, which in turn enabled us to get involved in not only material development but also the car design and development phase as well as provide comprehensive services covering everything from trial mass production to actual production. Since then, we have continued to expand our areas of operation through the acquisition of composites manufacturers in Europe and by making a China-based joint venture company a wholly owned subsidiary. We have also taken steps to strengthen our technological development by establishing a next-generation technological development center. Furthermore, we have actively invested in business expansion including investments to bolster our production structure by increasing facilities and establishing new plants. Through these efforts, we have steadily increased net sales in the composites business.

### History of Recent Business Expansion

**Fiscal 2016**
- Acquired CSP (U.S.)

**Fiscal 2018**
- Acquired Inapal Plasticos SA (Portugal)

**Fiscal 2019**
- Acquired Benet Automotive s.r.o. (Czech Republic)
- Established Teijin Automotive Center Europe GmbH (Germany)

**Fiscal 2020**
- Established Advanced Technologies Center (U.S.)
- Established new GF-SMC* molding line (Czech Republic)
- Made CSP Victall Structural Composites Co., Ltd. a wholly owned subsidiary (China)

**Fiscal 2021**
- Integrated the global business brand of the automotive composites business and changed company name to Teijin Automotive Technologies NA Holdings Corp. (TAT-US)
- Established the Texas plant of TAT-US (U.S.)

**Fiscal 2022**
- Invested in the acquisition of new programs for TAT-US (U.S.)

* Glass fiber sheet modeling compound

### Business Structure Centered on North America and Spanning Europe and Japan

## Measures to Address Current Issues

We recognize delays in the shift toward profitability as a major issue in the composites business. Profitability in this business has been severely compromised due to the impact of a broad range of external factors. These include sluggish demand starting from fiscal 2020, primarily in the North American business, due to the spread of COVID-19 as well as the chronic labor shortages that followed in the period of recovery from the pandemic. They also include soaring raw material prices and logistics costs, which resulted mainly from the Ukraine situation and a tight supply–demand situation, a decline in customer demand due to semiconductor shortages, and the impact of the equipment failures that occurred in fiscal 2022. We were able to largely offset the impact of soaring raw material prices through revisions to our sales prices. We also conducted various measures to address the decline in productivity caused by labor shortages, including promoting cost reductions, insourcing certain parts of the painting process, which had previously been outsourced, internally, and introducing automated facilities. These efforts, however, were unable to fully compensate for the impact of external factors, and as a result the composites business remained in large deficit through fiscal 2022.

In light of these circumstances, we decided that dramatic improvements to profitability were needed and commenced efforts to improve profitability as a priority business initiative.

## Points of the Profitability Improvement Plan

- **Placing top priority on a swift recovery from the deficit in profit, narrowing down investments,** and **reexamining thoroughly the room for improving the profitability of the North American business** comprising many high-value-added programs
- **Aiming to improve operating income by ¥13.0 billion** in fiscal 2023 with approximately 130 new improvement measures that have been created and implemented on the operational level in North America

| Profitability improvement area in the North American business | Overview of improvement measures | Amount of improvement (Billions of yen) |
|---|---|---|
| **Sales** | • Exiting unprofitable programs<br>• Renegotiating cost pass-throughs other than raw material cost | 5.0 |
| **Procurement** | • Negotiating with/switching suppliers, reviewing proposal request and bidding process<br>• Centralizing procurement | 1.5 |
| **Production** | • Scaling out best practices, optimizing inventory and logistics<br>• Integrating or partially closing production facilities for efficient use of capacity | 6.5 |
| | **Total amount of profit improvement in fiscal 2023** | **13.0** |

**Trends in Operating Income (Loss) in the North American Business** (Billions of yen)

* Effects of breakdown of facilities, etc.

- If the improvement measures are not achieved, deciding on whether to continue the business, including the possibility of selling the business
- Selecting and concentrating facilities in Europe, China, and Japan, **taking into account the possibility of selling or withdrawing** from operations in these markets (decision made to withdraw from the China business in August 2023)

**SPOTLIGHT** **Development of Multi-Material Battery Boxes for EVs**

There has been a growing trend in the automotive industry toward electrification with the aim of realizing a decarbonized society. The lithium ion batteries that are used in electric vehicles (EVs) can easily catch fire from an impact, and as such the battery boxes that store these lithium batteries need to be lightweight and need to provide outstanding safety performance. Teijin internally develops sheet molding compounds (SMC), a sheet-type molding material that is lightweight and fire-resistant, and has been proposing to automobile manufacturers battery boxes that combine SMC with metal frames. With an optimized structural design that combines multiple materials, these battery boxes realize a high level of safety performance under severe conditions, such as collisions, fire, and submergence, while at the same time being significantly lighter in weight than conventional metal-based battery boxes.

Going forward, we aim to expand the applications of SMC beyond the automotive industry by leveraging its unique characteristics.

## Message from the General Manager

### Looking Back On Medium-Term Management Plan 2020–2022

Under Medium-Term Management Plan 2020–2022, we sought to expand the scale of sales with the aim of reaching our target of an annual growth rate in net sales of between 10% to 15%. As a result of these efforts, we more than doubled our net sales compared with fiscal 2017, when we acquired CSP (currently Teijin Automotive Technologies NA Holdings Corp. [TAT-US]), rapidly growing into a Tier 1 supplier of automotive composites in North America with the leading market share. This represents a major accomplishment. On the other hand, I reflected deeply on the fact that we were delayed in our efforts to address issues that required a proper response following our expanded scale of sales, including securing a labor force, maintaining facilities, and bolstering our logistics chain. This hampered our ability to respond to the rapid changes in the external environment from 2020 onward, and profitability, particularly in the North American business, which should be the core of our profits in the composites business, suffered greatly as a result. Ideally, the North American business should serve as a pillar for the overall composites business in terms of profits and production structure, and we are therefore making diligent efforts under the Reforms for Profitability Improvement initiative based on a firm awareness that the results of these efforts will determine whether or not we continue the business.

### Reforms for Profitability Improvement Initiative

The biggest reason for deteriorating profits in the North American business has been the vicious cycle that was set into motion by our inability to draw on the original strengths of the business as a foundation for profits due to the rapid changes in the external environment. For example, with regard to securing a labor force, our North American offices previously boasted the strength of being able to flexibly secure outstanding human resources at a relatively reasonable cost. However, assumptions in the labor market changed dramatically due to the COVID-19 pandemic, and since then we have been unable to fully leverage this strength. The pandemic also created issues in many other areas, including our relationships with suppliers and customers as well as our production activities. Under the Reforms for Profitability Improvement initiative, we have formulated approximately 130 profitability improvement measures that aim to restore the original strengths of the North American business, one by one, and bolster it into a growth driver. For example, we are working to revise sales prices as part of our efforts to enhance sales. In the industry to date, it has not been a common business custom to revise prices that were determined under a contract, but we gained the understanding of our clients by carefully explaining that continuing to fulfill our responsibility as a supplier to provide both the necessary quality and quantity at the necessary times in accordance with orders will provide the greatest benefit for both us and our client original equipment manufacturers (OEMs). I view this as one of our most important accomplishments. In our purchasing activities, we have thus far believed it was best to purchase inexpensive packing materials and other secondary materials from local suppliers near each plant, due to the fact that the U.S. is a spacious country. However, thanks to the progress made in the logistics industry, there have been cases where purchasing in bulk is cheaper than purchasing for each individual plant. We therefore are examining the bulk purchasing of such materials in certain, if not all, areas of the U.S. Furthermore, with our efforts to enhance production, we are working to roll out best practices in a cross-organizational manner. The North American business has traditionally placed emphasis on having independent accounting systems for each plant, and one downside of this is that the pace of implementing the successful practices of one plant at another has been relatively slow. For example, facility maintenance is an extremely important task in order to maintain proper productivity levels. With that said, there were cases of certain plants that were particularly busy becoming slightly negligent with routine maintenance, and this led to equipment failures and worsening productivity. Meanwhile, there were other plants that rigorously conducted maintenance activities and thus maintained a high level of productivity, and we are currently analyzing their examples so that we can roll out similar practices at other plants. In these ways, we will steadily move forward with profitability improvement measures in the areas of sales, procurement, and production. At the same time, we would like to make a promise that we will continue to thoroughly fulfill our role as a Tier 1 supplier of materials. We therefore view the trust-based relationships that we have cultivated with our customers as an important strength and asset. Drawing on these relationships, we will give adequate consideration to implementing cost pass-throughs to compensate for the increase in various costs and to withdrawing from low-profit programs, all while seeking the further understanding of our customers.

We are also taking steps to enhance management. I have spent almost half of the past year residing in North America, frequently visiting our offices here and engaging in direct dialogue with local members of management. Guided by our shared ambition of ensuring the success of the Reforms for Profitability Improvement initiative, we have come together as one strong management team focused on the same vision. Furthermore, this team, which comprises members of upper management in the North American business, is closely monitoring the progress of each profitability improvement measure. If there is a location where the progress with these measures is behind schedule, members of the team visit the location for sometimes one to two weeks at a time, not leaving until the issue impacting progress has been resolved. We are now starting to see results of these diligent efforts to resolve issues. Local motivation to make the greatest contribution to the success of the Reforms for Profitability Improvement initiative is rising, and this has fostered a sense of unity between Teijin and TAT in the promotion of profitability improvement measures. In this manner, the corporate culture at TAT is starting to change. We will continue to engage in such efforts moving forward to ensure the success of these measures.

### Long-Term Direction

We are undertaking efforts under the Reforms for Profitability Improvement initiative based on a firm understanding that the composites business has no future if we fail to improve its profitability. However, I strongly believe we will be able to accomplish this task, so I have been talking with members of management at each base about our vision for the future of this business. To date, our composites needed to offer value through their functionality, including their strength, lightness, and attractive external appearance. Now, however, sustainability has become an essential element of product value. For that reason, we are considering how to turn composites into a business that not only helps reduce environmental burden but also actively contributes to the environment in various other ways. We have already started to take on this challenge in Europe, where there are a large number of environmentally advanced countries. Specifically, we are developing composites-related products and services that offer superior safety performance and durability and contribute to a recycling-based society, including battery boxes for EVs. While this is a new initiative unlike any we have undertaken before, we believe that cultivating and expanding composites into a profitable business that leads the way with sustainability initiatives in Europe and then rolling out similar initiatives in North America, where we possess an overwhelmingly high share of the market, will help us further enhance our competitiveness in the region. We are a leading company that provides an extremely large volume of composites to OEMs around the globe, and as such we believe that the Company's down-to-earth sustainability initiatives are helping us lay the groundwork for being more widely accepted by society.

With that said, we must first promptly improve profitability if we are to cultivate new businesses. To that end, we will accelerate unparalleled sustainability initiatives as we strive to transform ourselves into a central business of Teijin, a company that supports the society of the future.

Automated facilities introduced in the molding process

**Masataka Akiyoshi**

Teijin Group Corporate Officer
General Manager,
Composites Business Unit

# Aramid Business

## Initiatives to Date and Measures to Address Current Issues

In 1971, the aramid business commenced the production of *Teijinconex*, a heat-resistant meta-aramid fiber. In 1987, the business began to produce *Technora*, a high-strength para-aramid fiber. In 2000, we acquired the *Twaron* para-aramid business from Acordis B.V. of the Netherlands, establishing Teijin Twaron B.V. (now Teijin Aramid B.V.) to operate the aramid business. Since then, the aramid business has continued to achieve a high level of growth by repeatedly increasing production capacity to meet robust demand.

Under Medium-Term Management Plan 2020–2022, we took steps to bolster production capacity in this business with the aim of steadily growing it into a pillar for the stable generation of cash. After completing our efforts to bolster production capacity, we intended to begin full-scale production from fiscal 2022. However, we were unable to reap the benefits of this bolstered production capacity due to a wide range of factors. These included frequent production disruptions due mainly to a slow recovery from large-scale routine repairs, plant power outages, and the fire at a raw material plant. They also included worsening productivity due to labor shortages. Additionally, with the continued surge in natural gas prices, overall profitability deteriorated.

In light of the issues facing the aramid business, we have decided to pursue efforts to improve profitability in order to secure the amount of cash we originally expected from this business.

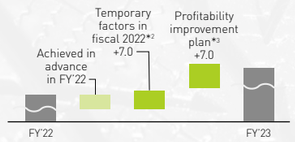
## Points of the Profitability Improvement Plan

- Prioritizing the following measures to transform into a resilient business structure and **setting prospects for future earnings recovery in fiscal 2023**
- **Prioritizing investment necessary for achieving success with improvement measures**

| | |
|---|---|
| **Production improvement** | • Achieving rapid recovery from the impact of a plant fire, stabilizing production on existing and expanded lines, and driving production innovation through enhanced automation*1 and digitalization of processes mainly in the yarn spinning process |
| **Response to natural gas price surge** | • Considering sourcing raw materials from outside Europe and decentralizing production facilities<br>• Stabilizing purchase price (executing forward contracts, etc.) |
| **Production/sales increase** | • Realizing the early effects of expanded facility capacity |

**Trends in Operating Income in the Aramid Business**

(Billions of yen)




*1 Operations will begin in 2024
*2 Impact of fire at one of our raw material plants
*3 Figures as announced in February 2023

## Strengths of the Aramid Business and Direction Moving Forward

Teijin boasts the world-leading share in the para-aramid fibers market. Through our cost competitiveness and high quality realized through our integrated production process, starting with raw materials, we have established a position as the market leader. Furthermore, we have paved the way with our efforts toward the environment, including the provision of sustainable solutions and the establishment of sustainable supply chains, which have become the Company's strengths.

Going forward, we will capitalize on our bolstered production capacity to increase both production and sales, thereby further enhancing our cost competitiveness. We will also seek to maintain and strengthen our market position. At the same time, we will continue to expand sales channels by improving environmental performance through the promotion of lightweight materials and developing applications geared toward the realization of a circular economy. We will also implement a wide range of initiatives to promote a shift toward high added value, including the development of product recycling technologies, the promotion of recycled products by building recycling systems with partner companies, and the establishment of a recycling-oriented business that incorporates the utilization of recycled raw materials. By doing so, we will seek to differentiate ourselves from our competitors. Currently, we have set targets for transitioning to 100% renewable energy and shifting away from raw materials derived from fossil fuels by 2050. To that end, we are working to enhance energy efficiency and transition to renewable energy for the production stages of *Twaron*, our mainstay para-aramid fiber. We are also promoting the transition to the use of bio-derived materials to produce *Twaron*. In fiscal 2021, we successfully developed technologies for recovering and recycling end-products created through the use of *Twaron* to produce partly regenerated fibers that boast the same performance as virgin raw materials. In these ways, we are steadily moving forward with efforts to achieve our targets.

In the future, we will strive to recover and recycle end-products containing aramid fibers for various applications, while strengthening our collaboration with partner and client companies as we strive to establish a fully recycling-oriented aramid value chain.



# Message from the General Manager

## Looking Back On Medium-Term Management Plan 2020–2022

Under Medium-Term Management Plan 2020–2022, we increased our production capacity more than 25% by bolstering production facilities in order to respond to robust demand. However, we were unable to reap the benefits of this increased capacity due to frequent production suspensions and sluggish production activities, leading to a decline in the sales volume of *Twaron*, our mainstay product that plays a crucial role in securing profits. As a result, we were unable to achieve our expected results in terms of both net sales and operating income. In addition, soaring raw material and natural gas prices led to a significant increase in production costs, which in turn significantly impacted profitability. Although we revised to our sales prices to reflect the increase in costs resulting from higher raw material prices, we were unable to fully compensate for these cost increases.

## Reforms for Profitability Improvement Initiative

In the aramid business to date, we have placed major importance on operational excellence, carving out a competitive edge through tremendously high quality and cost competitiveness. Viewing the recent slump in production and the plant fire seriously, we will once again place safety as our utmost priority. At the same time, under the Reforms for Profitability Improvement initiative, we will focus our efforts on restoring the operational excellence that we maintained in the past.

Currently in the aramid business, we are moving forward with efforts to enhance our safety management system. In addition to enhancing safety awareness among employees and rigorously promoting safe operational methods, we are strengthening our safety management policies, structure, and discipline while receiving the support of experts from Japan. Moreover, projects to promote the further automation of our yarn spinning plants are underway, and in these projects, we are emphasizing safe and stable plant operations. These efforts are starting to produce results, such as increased employment and a lower rate of employee injury.

With regard to the continued surge in natural gas prices, we are executing forward contracts for a certain amount of the natural gas we use. We are also striving to reduce the risk of cost increases through such means as revising our sales prices via the addition of energy surcharges. In addition, through the DX efforts we have been promoting since fiscal 2020, we have been working to improve the business-wide decision-making process and enhance productivity using digital technologies.

We reflect deeply on the fact that we were unable to fulfill our responsibility as a manufacturer in offering a stable supply due to frequent production suspensions, and that our market share has declined as a result. To that end, we will strive to not only regain the trust of our customers but also restore the market share that we have lost. By making every effort to restore and expand production capacity, we will ensure the success of the Reforms for Profitability Improvement initiative and put the aramid business back on a course for growth.

## Direction Moving Forward

To date, we have placed emphasis on eco-friendly investment, including in initiatives to promote sustainability and a circular economy, in order to strengthen brand power in the aramid business. Striving to differentiate ourselves from our competitors by contributing to sustainability remains an effective strategy, and we therefore plan to maintain this direction and further strengthen sustainability-related efforts moving forward.

There is high demand for lightweight and low-carbon materials in the automotive industry following the shift to electrification. There is also growing demand for the use of aramid fibers in tires. The defense industry is increasing its spending on security and the optical fibers market continues to move toward 5G. In both of these industries, we believe we will see robust demand for aramid fibers continue in the future. Additionally, we aim to incorporate demand from new markets that are expected to see rapid growth, such as offshore wind farms and deep-sea power cables.

There continues to be a strong demand for safety, energy savings, lighter weight, maintenance free, and comfort. As aramid fibers can meet all of these needs, we are confident that the aramid business will play an even greater role in society as a whole moving forward. In addition to leveraging these features of aramid fibers that cater to social needs, we will strive to further reinforce our leading position in the market by transitioning to renewable energy in the aramid fiber production process, shifting away from raw materials derived from fossil fuels, and promoting efforts toward decarbonization throughout the entire product recycling process, including producing regenerated fibers by recovering and recycling end-products created through the use of aramid fibers.

**Peter ter Horst**
Teijin Group Corporate Officer
General Manager,
Aramid Business Unit
President, Teijin Aramid B.V.

# Healthcare Business

## Initiatives to Date

In the 1970s, when Teijin was diversifying its existing businesses and striving to enter new ones, the Company commenced a full-scale pharmaceuticals business in 1973, guided by the strong leadership of its upper management, based on the belief that this was an area where the Company could achieve high growth and profits over the long term by leveraging the synthesis technologies that it had cultivated through the synthesis of polyester materials. After doing so, the Company launched new large-scale drugs, such as *Venilon*, *Onealfa*, *Bonalon*, and *FEBURIC*, one after another, leading to the invigoration of its pharmaceutical business. With regard to the home healthcare business, we commenced sales of oxygen enrichment membrane devices, for which we had been conducting R&D since the 1970s, in 1982 as the first domestically produced membrane-based oxygen concentrators. In 1985, home oxygen therapy (HOT) was approved to be covered under national health insurance, leading to a rapid boom in demand. The success of our efforts to commercialize HOT was due to the establishment of a business model that closely catered to the needs of patients and healthcare providers, including offering rental devices for which fees are paid based on the period of use and establishing a nationwide 24-hour follow-up system, thereby helping as a pioneer in Japan to popularize HOT for patients suffering chronic respiratory failure. In tandem with our business expansion, we took steps to strengthen our business foundation through such means as the establishment of contact centers, visiting nurse stations, and the disaster response and support system *D-Map*. By doing so, we have been providing, peace of mind, safety, and support to patients and medical institutions. Also, drawing on our structure for follow-up care cultivated through our efforts toward HOT, in 2000 we began to undertake efforts to commercialize treatments for sleep apnea syndrome (SAS). Today, the SAS business has become one of the key pillars of our home healthcare business.

## Measures to Address Current Issues and Direction Moving Forward

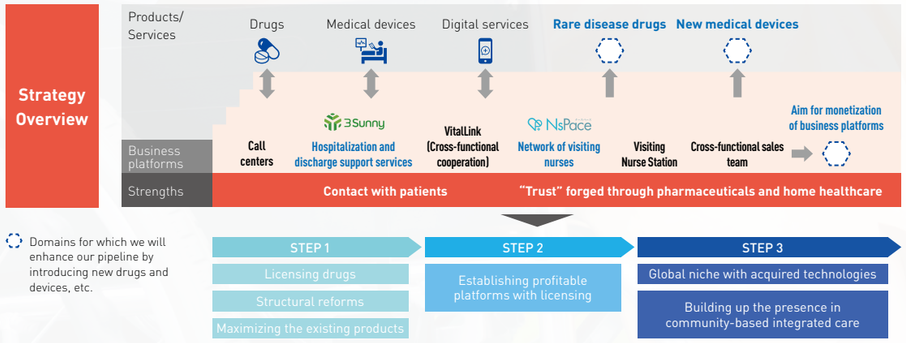
Under Medium-Term Management Plan 2020–2022, we endeavored to generate cash by strengthening the pharmaceutical and home healthcare businesses, which have consistently produced stable profits, while at the same time cultivating businesses in next-generation growth domains.

With the market entry of generic alternatives to *FEBURIC*, our mainstay pharmaceutical product used to treat gout and hyperuricemia, in June 2022, we anticipated a significant decrease in profitability in the healthcare business. Under these circumstances, we implemented measures to bolster our ability to generate cash by transferring over the sales of diabetes drugs from Takeda Pharmaceutical Company Limited in April 2021, in addition to promoting organizational and cost structure reforms. These efforts, however, were not enough to compensate for the rapid downturn in profitability. In addition, we were unable to cultivate next-generation growth domains to the scale to which we expected, despite being able to successfully launch numerous small-scale businesses.

In light of this situation, we formulated a new direction for the healthcare businesses that will leverage the strengths of the unique business foundation (please see "Realization of a Healthy, Safe, and Secure Society" on page 46 for reference), we have built up primarily in home healthcare. We also decided to commence efforts to improve profitability focused on structural reforms, taking into consideration our introduction of pharmaceuticals in such fields as rare diseases and intractable diseases and the changes in the business environment.

## Points of the Profitability Improvement Plan

- **Utilizing the business platforms cultivated as a home healthcare business with a top-level market share, for pharmaceuticals that need greater support (such as those for rare diseases and intractable diseases)**
- **Thoroughly reviewing necessary functional resources and setting prospects for drastically reducing fixed costs in fiscal 2023** (fixed cost reduction target by fiscal 2025: ¥5 billion)






# Message from the General Manager

## Looking Back On Medium-Term Management Plan 2020–2022

During the period of Medium-Term Management Plan 2020–2022, we adopted a two-pronged approach in the healthcare business involving efforts to strengthen the pharmaceutical and home healthcare businesses and create new businesses. In the pharmaceutical and home healthcare businesses, we sought to bolster digital promotions and reduce costs amid ongoing restrictions to our sales activities caused by our inability to conduct medical institution visits due to the COVID-19 pandemic. Meanwhile, we made concerted efforts to continue to provide a stable supply of pharmaceuticals and home healthcare services while taking infection control measures. As an effort to address the decline in profitability stemming from the market entry of generic alternatives to *FEBURIC*, we sought to offset a certain level of impact from this market entry by bolstering our ability to generate cash through the transfer of sales of diabetes drugs. At the same time, we made several noteworthy accomplishments in the pharmaceutical and home healthcare businesses, such as launching a treatment for osteoporosis into the market, promptly out-licensing a Company-made low molecule compound, and expanding sales of devices for home continuous positive airway pressure (CPAP) therapy. However, the major issue of insufficiencies in our future product and service pipeline still remains. Regarding new businesses, we had success with launching numerous small businesses, such as acquiring a hospitalization and discharge coordination support service and launching a web media service for visiting nurses as part of our efforts toward promoting community-based integrated care services. They also included the acquisition of companies involved in probiotics and orthopedic implantable devices. However, due to the fact that we were unable to carry out large-scale M&As, we still faced issues in terms of accelerating the growth of these businesses.

## New Vision

Our current situation has changed significantly from the time when we originally formulated the previous medium-term management plan. We recognize that under these circumstances it will be extremely difficult to achieve long-term growth in the manner that we initially envisioned. We therefore have reexamined the Company's strengths in order to revise the direction for growth in the healthcare business. One unique feature of the Company is that we offer both pharmaceuticals and medical devices, and one strength that we possess through this feature is our long-cultivated trust-based relationships with and ability to support medical professionals and patients. This strength is realized via the direct contact points we have with patients through the provision of medical devices. Our business foundation which comprises multidisciplinary sales teams that include pharmaceutical and medical device sales representatives, home healthcare care professionals, nurses, and clinical laboratory technicians, as well as contact centers and visiting nurse stations enables us to provide integrated care and support to not just patients and medical professionals but also their families. This business foundation, which primarily has drawn on the strengths of our medical devices, can also make use of pharmaceuticals. While many pharmaceutical companies focus on the fields of rare diseases and intractable diseases, we believe that we possess a significant competitive advantage in these fields as there are many illnesses for which patients and their families, as well as medical professionals, require greater support. Moving forward, we will enhance our pipeline by introducing products that focus more closely on such diseases that require greater support. Additionally, we will aim to move beyond just selling pharmaceuticals and medical devices to providing one-of-a-kind integrated healthcare solutions.

## Reforms for Profitability Improvement Initiative

We have already begun activities to make an entry into the fields of rare diseases and intractable diseases, but we are still not in a situation where the healthcare business as a whole, including new businesses, can contribute to profits in the near term. To overcome these challenging times, with sales of *FEBURIC* declining, we will make concerted efforts to achieve a ¥5.0 billion cost reduction by fiscal 2025 through such means as promoting structural reforms so that we can transform into an organization that is better optimized for our new vision.

As part of our organizational transformation, we commenced business activities under a new operating structure in April 2023. In June 2023, we entered into basic agreement on a capital and business alliance to establish a joint venture company with Axcelead, Inc. to pursue drug discovery research. Through this joint venture, we will enhance the efficiency and speed of new drug development. We are also examining the reorganization of our sales offices and head offices as we steadily pursue structural reforms going forward.

To ensure that our employees maintain an appropriate sense of urgency and awareness that we must change, I am taking the initiative to personally convey the efforts I am making to improve profitability and am creating opportunities for direct dialogue with employees. In this manner, I am working to share our vision of being "a company that addresses issues of patients, families, and communities in need of more support" so that we can all maintain the same ambition to realize genuine reform.

## Initiatives Going Forward

Although we are currently placing emphasis on our domestic businesses, we will aim to pursue more significant growth through global business expansion, taking into account the fact that the pharmaceutical market in Japan is expected to decline in the future. Our vision for our overseas businesses will remain the same: to provide integrated healthcare solutions with a focus on pharmaceuticals that need greater support (such as those for rare diseases and intractable diseases). Guided by this vision, we will examine ways to expand our operations globally, including through alliances with local companies. We are earnestly moving forward with these efforts to demonstrate to our stakeholders our commitment to promptly achieving results under our new vision.

**Masaki Taneda**
Teijin Group Executive Officer
General Manager,
Healthcare Business Unit
President, Teijin Pharma Limited

## Dialogue between the CEO and an Outside Director

# Background of the Reforms for Profitability Improvement Initiative and Issues to Be Addressed to Reach the Next Stage of Growth

**In this section, Independent Outside Director Masaru Onishi and President and CEO Akimoto Uchikawa exchange opinions on the details leading up to the formulation of the Reforms for Profitability Improvement initiative, announced in February 2023, discussions held by the Board of Directors, and issues to be addressed going forward to put the Company back on a course for growth. (The dialogue was held in May 2023.)**

### Details Leading Up to the Formulation of the Reforms for Profitability Improvement Initiative

**Onishi** Medium-Term Management Plan 2020–2022 started under the major theme of creating the growth platforms that we were unable to fully establish under Medium-Term Management Plan 2017–2019. Just as the proactive growth investments that we had been implementing since the Medium-Term Management Plan 2017–2019 were starting to show signs of bearing fruit, COVID-19 began to spread across the globe, and the Materials Business Field, in particular, was significantly impacted by the pandemic that followed. There is no doubt that external factors such as the COVID-19 pandemic have been a major reason for the decline in profitability that has occurred in recent years.

On the other hand, the causes for declining profitability have not been limited to external factors alone. The emerging structural weaknesses that went unnoticed during the Company's period of solid performance have also played a role. While it is true that we have continued to find ourselves in a tight operational situation as we have been dealing with a difficult business environment, there have been many instances when a problem occurred and it took us quite some time to address it, and challenging circumstances therefore dragged on for a long period of time. As a result, the Board of Directors has found itself in a situation where, rather than formulating the next medium-term management plan under the current conditions, it is better to pause and reassess the direction of the Company as a whole. As chair of the Board of Directors, I had to consider whether this reassessment would be just a minor adjustment, or whether rather dramatic reforms would be necessary. While I was doing this, the executive officers proposed a series of important measures, and these would end up becoming the backbone of the Reforms for Profitability Improvement initiative.

There were two major reasons why the Board of Directors decided to approve the Reforms for Profitability Improvement initiative. The first is that the proposed measures were to be implemented under the short period of just one year, and the second is that they incorporated dramatic reforms to our management structure. I could feel the passion of the executive officers toward the initiative, especially given the fact that it will clarify where responsibilities lie by thinning out the layers of our existing management structure and the fact that the initiative boldly aims to improve profitability in just one year.

**Uchikawa** When you become involved in business execution, your field of vision can sometimes become narrow. For that reason, the outside directors repeatedly pointed out to the executive officers that they should consider the notion that external factors are not the only reason why profitability is declining. This guidance helped these officers recognize both external and internal factors behind decreased profitability and encouraged them to examine measures to address the situation based on a factual understanding of the results the Company has been able to achieve, even amid declining profitability.

**Masaru Onishi**
**Independent Outside Director**
Masaru Onishi joined Japan Airlines Co., Ltd. in 1978. After serving in such positions as director and president of Japan Airlines International Co., Ltd., he became president of Japan Airlines in 2011 and chairman and director of the company in 2012. He joined Teijin in 2019 as an outside director and member of the Advisory Board.

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

Under the Reforms for Profitability initiative, we must thoroughly reexamine the changes that occurred to the assumptions we made at the time of the previous medium-term management plan's formulation as well as the internal issues that impacted the operations of our plants. Over the six years that we have been striving to create growth platforms, there have been certain initiatives that have gone quite smoothly. However, as CEO I recognize that, as Mr. Onishi mentioned, these platforms have yet to truly be created. Accordingly, I aim to convey to all Group employees my determination to bring the Company back on a growth trajectory by first implementing the Reforms for Profitability Improvement initiative over the course of this year.

Actually, the initiative was met with mixed reviews from some members on the executive side, and it was originally not something that was unanimously proposed to the Board of Directors. Mr. Onishi encouraged all of the executive officers to voice their opinions to the Board of Directors, and after hearing arguments from officers both for and against the initiative, we were able to come to a consensus and eventually approve it. I believe that this process is what ultimately allowed us to assemble a powerful team in which all members of management are willing to pursue challenges in the same direction.

### Aim of Management Structure Reforms

**Onishi** The aim of our management structure reforms is to truly clarify accountability. Our existing management structure had an excessive number of layers, and I have sometimes felt that this makes it difficult to clarify where responsibilities lie. However, the reforms we are pursuing have eliminated many of these layers, and this has made it quite clear who is responsible for what.

Also, by ensuring as few layers as possible and clarifying the chain of command via a short line of communication, we can engage in swift decision-making and prompt business execution. At the same time, we are able to incorporate opinions from our frontline operations without interruption. I believe that these management structure reforms are exactly what Teijin needs at the moment, as the Company is facing a time in which it must thoroughly and swiftly implement measures geared toward improving profitability.

These reforms represent a dramatic change from the management structure the Company has adopted thus far. They require the clarification of responsibilities among the executive officers as well as a constant and detailed response to issues that occur on the front lines. I understand it will be a challenging year for the Company, but I sincerely hope that it is able to see these reforms out to their completion.

**Uchikawa** Unexpected events happened every year during the period of the previous medium-term management plan, and I felt that our response was always slow when an issue occurred and that our organizational capabilities had weakened. We therefore decided on these management structure reforms based on our desire to form a strong management team that can swiftly and flexibly engage in decision-making by reducing the layers of management and by transferring my responsibilities and authority as CEO to members on the executive side.

As Mr. Onishi stated, those officers with new responsibilities will face challenges. However, it is my hope that our six chief officers and nine business executive officers fully adhere to our plans for reform and fulfill their responsibilities to their fullest capacity. I also hope that they can display their commitment to ensuring profitability improvement and do so accordingly through their actions.

Although not much time has passed since we changed our management structure in April 2023, information is actually being shared more swiftly between the head offices and each business unit. Additionally, the pace at which our management plan-do-check-action (PDCA) cycle rotates has dramatically improved. Of course, these improvements are thanks not only to structural reforms but also to the tireless efforts of our employees. For example, we reestablished important key performance indicators (KPIs) that are more closely connected to profitability and have been enhancing the reportability of our progress and results toward those KPIs to the head offices. By doing so, we are able to provide guidance on improvement at a much earlier stage. This has also enabled us to discuss in more detail proposals for improvement measures at the meetings of our top management held in the middle of the month.

Meanwhile, I have also been transferring my responsibilities and authority as CEO to the executive side in tandem with these management structure reforms. This has thus increased the number of opportunities for leaders of each business unit to engage in decision-making and has accelerated the pace this decision-making. The scope of responsibility has been clearly divided between myself and those on the executive side, so there is no need for me to decide on everything down to the last detail.

Accordingly, I believe that our speed of decision-making and level of flexibility has increased on a Groupwide basis.

**Onishi** The actual style of reports that we receive at Board of Directors' meetings has changed as well, and this means that we can devote much less time to simply reviewing monthly reports. To date, the top management meetings we hold each month typically involved discussions on our performance reports for the previous month. Recently, the reports we receive on last month's performance also include information on initiatives in progress and forecasts for the current month. We are therefore able to spend more time discussing the progress of initiatives and the level to which we have improved profitability. This means we are always ready to take immediate action to address the current situation.

**Uchikawa** As executive officers must implement measures one after the other based on the results they have achieved and report the progress of these measures to the Board of Directors, they carry out their duties with a tremendous sense of urgency.

### Discussions on Business Portfolio Reforms

**Uchikawa** Even if we carry out the Reforms for Profitability Improvement initiative to the fullest extent possible, we still need to also communicate our future path as a company. I believe that corporations attract people and generate cash precisely because they have a vision for future growth. The outside directors have also pointed this notion out at meetings of the Board of Directors. I do understand that we have disappointed many of our stakeholders, including our employees and investors, who were looking forward to the announcement of our next medium-term management plan.

For that reason, I have declared that we will absolutely disclose our portfolio and growth strategies in one year's time. After properly communicating that we are a company that is currently pursuing reforms over the course of this year to solidify our core profit base, we will then put our medium- to long-term strategies into action. In fact, the purpose of shifting to a new corporate officer system comprising "chief officers" and "business executive officers" is to thoroughly clarify and separate the roles of chief officers, who are responsible for examining the future direction of the Company, and business executive officers, who are responsible for ensuring the success of the Reforms for Profitability Improvement initiative.

**Onishi** We fully understand that our investors expect us to hold discussions on reforming our business portfolio. The outside directors share in the belief of this necessity, and as such we have focused on discussing the reasons as to why the Company has not fully disclosed its vision for portfolio reforms within the Reforms for Profitability Improvement initiative.

As we discussed this matter, we gained a renewed understanding of the fact that the situation in the Materials Business Field and the Healthcare Business Field are completely different. The Healthcare Business Field is at a stage where it has finally identified its future direction after spending many years considering how to expand its pipeline. The Materials Business Field suffered major setbacks right as it was genuinely beginning to pursue future growth and has now been in a stage where it is reexamining its direction. Our discussions therefore concluded that it is currently too early and too difficult to disclose our vision for Groupwide business portfolio reforms.

Of course, this does not mean that we have given up on doing so, and we fully intend to disclose our ideal business portfolio after we complete the period of the Reforms for Profitability Improvement initiative.

**Uchikawa** We have held substantial discussions and prepared multiple scenarios for both our long-term strategies and our business portfolio reforms. However, as our efforts to improve profitability have yet to fully take shape, the Board of Directors has decided that selecting any one scenario could actually lead to a loss of stakeholder trust.

### Efforts to Return to a Course for Growth

**Onishi** While portfolio and growth strategies are naturally important in order to put Teijin back on a course for growth, I feel that the most fundamental and important element of restoring growth is changing the Company's corporate culture. My overall impression of Teijin as a company is that it is quite well-ordered and reserved. Rules are thoroughly established in all aspects of its operations, and the Company tends to act in accordance with its set of rules. While this in and of itself is not a bad tendency, the world is currently changing at a pace more rapid than anything we have ever seen before. As such, it is my hope to see more people at Teijin question existing rules and act in a way that can bring about change.

The promotion of diversity is one of the pillars of Teijin's human resource strategy. Assembling a group of diverse people alone, however, will not lead to any significant change. Having a diverse group of human resources share the same set of values is what is truly important. Furthermore, establishing a corporate culture in which employees can "clash" with one another—say, for example, questioning the direction of an initiative—based on these shared values is also crucial. I feel that such a corporate culture would provide a driving force for significantly changing Teijin as a company. It is certainly no easy task for a corporation to transform itself. However, I know from personal experience that failing to do so can lead to a company's collapse and loss of coworkers. Corporate transformation is an area in which Teijin has yet to make genuine efforts, and that is precisely the reason why I believe the Company has significant potential in this area.

**Uchikawa** I feel the same way as Mr. Onishi. While the Company's strategies and business plans are quite sophisticated, we have not had the executional power to back them up, and this has become a significant issue. Our management structure reforms serve as an initiative to address this issue, but I believe another particularly important element for enhancing executional power is creating a shared purpose, or in other words, shared values, as Mr. Onishi just said. What is the purpose of our existence as a company? What are we working toward as members of this company? These are the topics we must discuss Groupwide to reach a consensus among our employees. Determining our purpose through this process and having all employees work together toward fulfilling it will provide us with the driving force needed to underpin the execution of our business plans.

If we can share a purpose that inspires all employees across the Teijin Group, then I am confident our next medium-term management plan will be a tremendous success. Conversely, even if we create outstanding business plans, I do not believe they will be successful without a shared purpose. For that reason, we will place as much emphasis on establishing a purpose going forward as we will on holding repeated discussions on our business portfolio.

# Our Value Creation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# The Story of the Teijin Group

**Over the more than 100 years since its founding, the Teijin Group has continued to transform its portfolio by closely addressing the concerns and issues facing its customers and patients and anticipating the changes in the needs of society while aiming to realize healthy and comfortable living for people. Going forward, we aim to be "a company that protects the global environment" and "a company that addresses issues of patients, families, and communities in need of more support" as we strive to provide society with new solutions.**

## 1918–1960s

### Transitioning from Rayon Fibers to Global 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 plant 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 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.

Active Vitamin D3 drug

Oxygen concentrators for home use

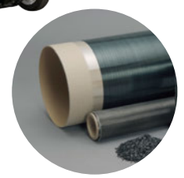
## 1990s–2000s

### Expanding Our Business into High-Value-Added Fields

In 1999, Teijin acquired an equity stake in Toho Rayon Co., Ltd. (later renamed 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, setting the stage for the start of its R&D activities in composite materials.

Para-aramid fiber *Twaron*

Thermoplastic CFRP concept car



Carbon fiber *Tenax*

## 2010s

### Ensuring Profitability through Structural Reforms and Transforming Our Business Model to Become a Solutions Provider

At the start of the 2010s, Teijin continued to proceed with structural reforms amid a sluggish business performance due to the deep economic recession precipitated by the global financial crisis and the commoditization of materials. Additionally, in 2014 Teijin enacted dramatic initiatives based on its revised medium-term management plan and was able to secure stable profitability.

Thereafter, the Company established Medium-Term Management Plan 2017–2019 as well as its long-term vision for 10 years into the future. Guided by this plan and the long-term vision, Teijin promoted transformations to its business portfolio to center on the combination of multi-materials, collaboration between businesses, and solution provision.

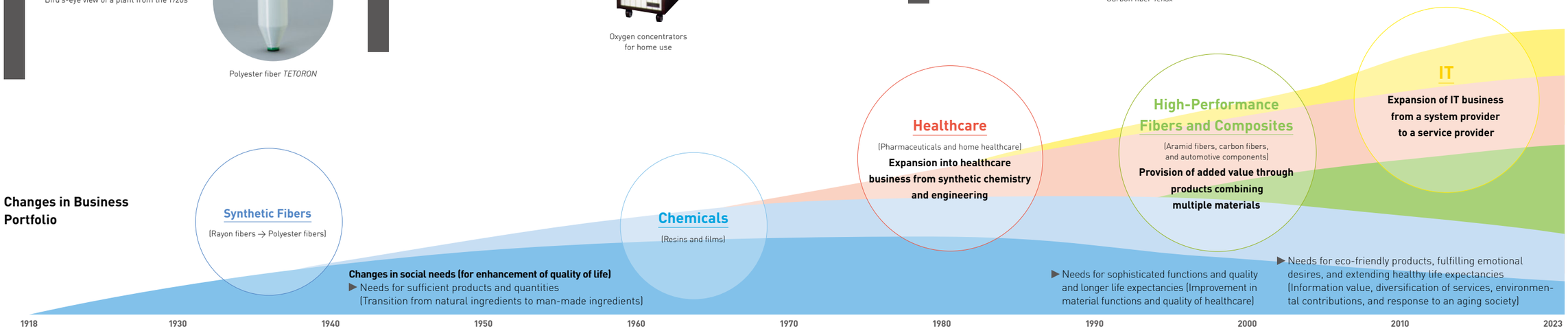
Under Medium-Term Management Plan 2020–2022, Teijin clarified its important issues (materiality) and the direction of its initiatives. With a view toward achieving its 2030 vision for its business portfolio, Teijin strengthened its high-value-added applications in the Materials Business Field by increasing high-performance materials and pursuing a multi-materials strategy. Meanwhile, in the Healthcare Business Field, the Company worked to create and provide comprehensive healthcare services. However, the Company was unable to sufficiently establish a foundation for further growth.

Under the Reforms for Profitability Improvement initiative, which was announced in February 2023, Teijin aims to improve profitability in the composites, aramid, and healthcare businesses, which have been facing issues, in the course of one fiscal year. With the next medium-term management plan, which is scheduled to be announced in 2024, the Company will continue to proceed with examinations so that it can better demonstrate the path toward its ideal business portfolio.

Airbus A320neo that uses Teijin's carbon fiber intermediate materials

Toyota Motor North America, Inc.'s *Tundra* that uses Teijin's automotive composites

## Changes in Business Portfolio



# Our Long-Cultivated Strengths

**The Teijin Group has cultivated its strengths throughout its history of pursuing ceaseless evolution and ambition. We will continue to solidify our competitive edge in the years ahead to achieve our long-term vision of being "a company that supports the society of the future."**

## 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

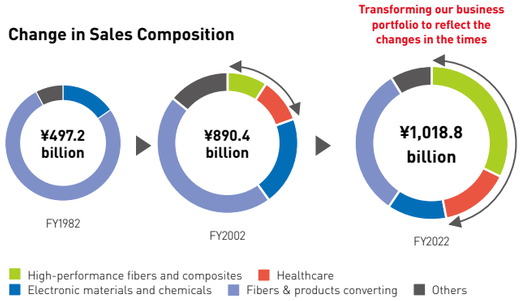
Drawing on its technological foundation, which was built through internal research and the introduction of external technologies, the Teijin Group has developed high-value-added products and commercialized them in a timely manner. Through such means as integrating technologies in a way that transcends the barriers of its business fields, collaborating with customers and joint research partners to promptly develop products, and acquiring new companies based on the ability to generate synergies with existing businesses and potential for future growth, the Group has created a unique business portfolio unlike that of any other company.

In the Materials Business Field, we are working to reduce the environmental impact of our business activities and address the needs of society through the realization of stronger, more durable, and lighter materials. In view of this, we have turned our attention to the development of the composites business, centering on the largest manufacturer of automotive composite materials in North America, which we acquired through M&A, and the carbon fiber intermediate materials business for aerospace applications. We are also bolstering capacity in the *Twaron* para-aramid business, which we acquired in 2000, in order to meet robust demand. At the same time, we are working to maintain and enhance our industry-leading position through the promotion of sustainability initiatives.

In the Healthcare Business Field, we have built a diverse business foundation through our entry into the pharmaceuticals and home healthcare businesses. Supported by this foundation, we are aiming to become an integrated healthcare company unlike any other, supporting everything from preventative care and health promotion to medical treatment, rehabilitation and nursing care, and life after recovery. Also, in 2021 we branched out into the regenerative medicine business, which has the potential to generate synergies with the Materials Business Field and for which the market is expected to grow going forward.

In February 2023, we announced the Reforms for Profitability Improvement initiative. Based on the results that we achieve through this initiative, we will move forward with examinations regarding the rebuilding of our business portfolio with a view toward the announcement of our next medium-term management plan in fiscal 2024.

**Change in Sales Composition**




## Reliable Quality, Strong Customer Relationships, and Ability to Support Patients and Local Communities

### Further refining our ability to make proposals that meet advanced customer and patient needs by closely addressing the concerns and issues they face

At the Teijin Group, we are constantly dedicated to building strong relationships of trust with our customers around the world by providing high-performance materials that offer outstanding levels of quality as well as products and services that closely reflect the needs of customers and local communities.

For example, in the automotive composite materials of the Materials Business Field, we work together with customers from the development stage of components to ensure that they are lightweight and can be mass produced while maintaining their strength and durability. In the case of *Twaron* para-aramid fiber, they provide added value to customers from an environmental front by reducing the $CO_2$ emissions from the tires and conveyor belts in which they are used by more than 200,000 tons a year.

As for the Healthcare Business Field, we continue to forge trust-based relationships with customers through our development of an array of services that provide support to both patients and healthcare workers, in addition to our provision of pharmaceuticals and medical devices. As well, we are working to meet medical needs in local communities through multidisciplinary team sales comprising such members as sales representatives, home healthcare staff, visiting nurses, and clinical laboratory technicians.

**92% Customer Satisfaction Rate***

* Based on a customer satisfaction survey carried out in fiscal 2022. Indicates the percentage of customers who responded with a rating of four or more on an overall average five-point scale. Survey coverage ratio (Total sales of businesses that conducted the survey / Consolidated net sales) was 82%.

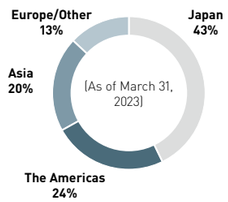
## Embrace of Diversity among Human Resources

### Accelerating innovation through the further promotion of diversity and inclusion

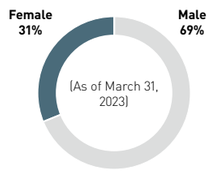
The Teijin Group operates businesses in 20 countries or more around the globe. At our 169 Group companies, employees from diverse backgrounds are thriving and making a difference. Many of our major overseas Group companies, which now account for over 50% of the Group's personnel, have joined the Group through business acquisitions and are brimming with a variety of cultures and backgrounds. The Group prides itself on its ability to seamlessly integrate these companies into the Group by respecting their individual cultures and embracing diversity.

We have established KPIs for the diversity of executives and managers, including their nationality, and are promoting diversity and inclusion on a global level with a view to fostering a corporate culture that further invigorates our organization and spurs innovation. By combining this with our diverse range of expertise in the materials, healthcare, and IT fields and injecting more energy into our collaborations both internally and externally, we will strive to enhance our lineup of innovative products and services. Furthermore, we will accelerate efforts to spur innovation in such ways as encouraging interaction between our diverse group of personnel and promoting job rotations.

**Percentage of Employees by Region**




**Percentage of Employees by Gender**




## Effective and Transparent Governance

### Continuing to evolve our advanced efforts toward governance

In 1999, the Teijin Group carried out governance reforms in an effort to quickly reinforce its corporate governance. Through these reforms, in addition to the Nomination Advisory Committee and the Compensation Advisory Committee, which consist of the CEO, Chairperson, and outside directors from diverse backgrounds, the Group established the Advisory Board, which consists mainly of outside directors and globally active external experts to provide advice on the Group's overall management, including its global strategies.

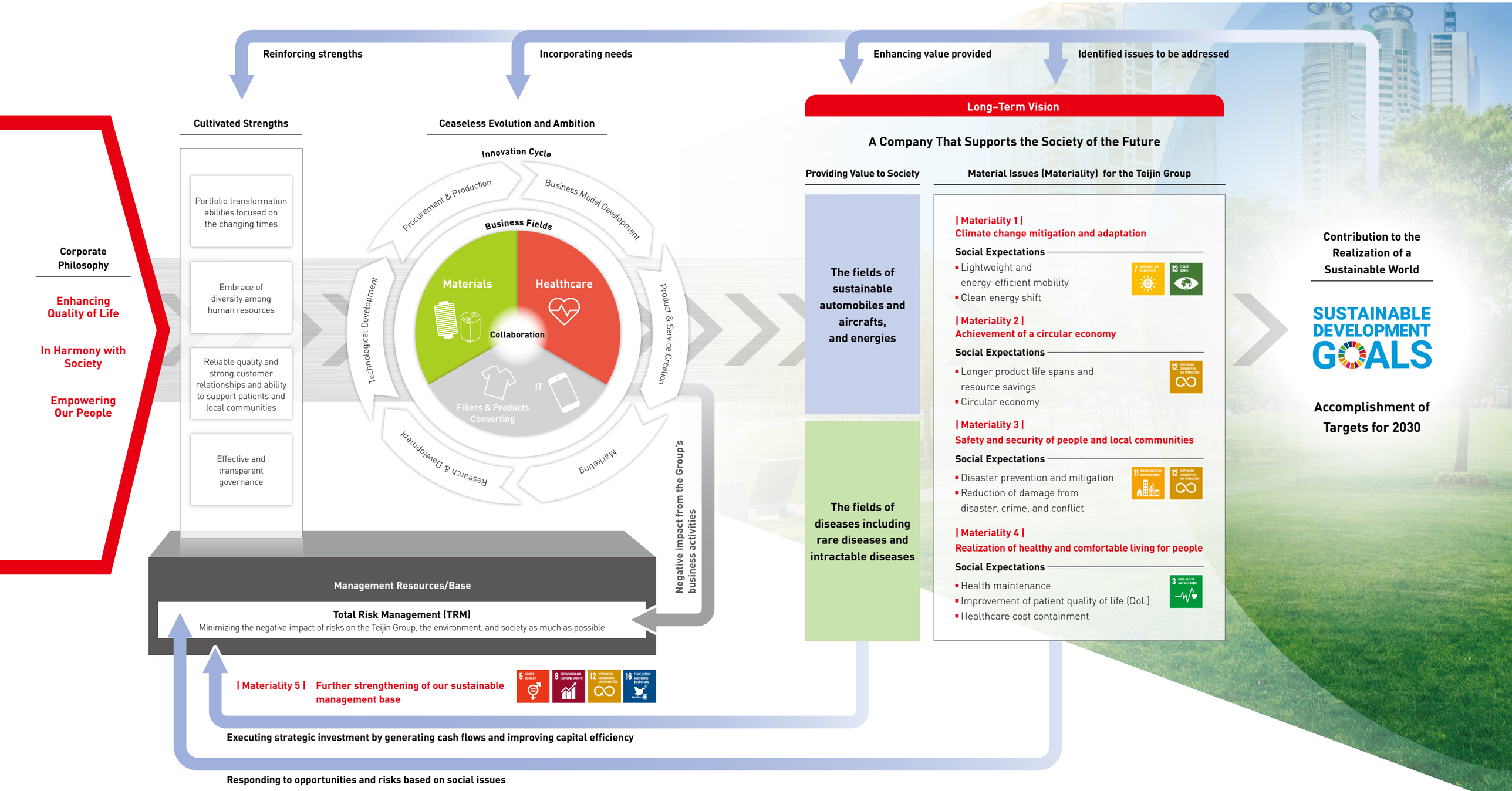
**Our Continuously Evolving Governance System**

| | |
|---|---|
| 1999 | • Reduced the number of directors from 24 to 9<br>• Introduced the corporate officer system<br>• Established Advisory Board<br>• Appointed three independent outside statutory auditors (comprising the majority of the Board of Statutory Auditors) |
| 2003 | • Appointed three independent outside directors |
| 2012 | • Appointed four independent outside directors |
| 2015 | • Established Nomination Advisory Committee and Compensation Advisory Committee |
| 2021 | • Ensured that an outside director will always chair the Board of Directors<br>• Revised officer compensation system, introducing "restricted stock" and "performance share units" compensation |
| 2022 | • Revised the structure and functions of the Advisory Board (the role of chair is now held by the outside director who chairs the Board of Directors while the nomination and compensation advisory functions of all directors, including the CEO and Chairperson, were consolidated into a single function in the form of the Nomination Advisory Committee or Compensation Advisory Committee) |
| 2023 | • Revised the composition of members of the Board of Directors (raised the ratio of independent outside directors on the Board to 50%) |

► P.65 Corporate Governance

# 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 value to society in the fields of sustainable automobiles and aircrafts, and energies and the fields of diseases including rare diseases and intractable diseases to realize a sustainable world and to enhance our corporate value.**



# 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. The Group recognizes social, environmental, and other sustainability-related issues as important management issues. To that end, under Medium-Term Management Plan 2020–2022, we organized the opportunities and risks facing the Company and identified five material issues that we must address. By establishing key performance indicators (KPIs) for each of these issues and promoting initiatives toward them accordingly, we are working to realize our long-term vision. Under the Reforms for Profitability Improvement initiative, announced in February 2023, our materiality has remained unchanged, and we aim to accelerate our transformation into a company resolves important social issues in the post-pandemic world.**

Materiality and KPIs
https://www.teijin.com/csr/sustainability/materiality.html

| Important Issues (Materiality) | Opportunities for the Teijin Group | Relevant Businesses and Examples of Products and Services (Please see pages 48–55 for more details.) | Risks for the Teijin Group | KPIs (Please see pages 17, 59, 61, and 83 for more details.) |
|---|---|---|---|---|
| **Materiality 1**<br>**Climate change mitigation and adaptation** | • **Contribution to mitigating climate change through energy efficiency and clean energy**<br>• **Contribution to building a safe and resilient society with high-performance materials and IoT**<br> | Materials / Fibers & Products Converting<br> <br>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<br>■ Environmental impact due to an increase in Group $CO_2$ emissions<br>■ Storm and flood damage at head offices and plants impacting the Group's business activities | • Avoided $CO_2$ emissions<br>• Group $CO_2$ emissions<br>• Supply chain $CO_2$ emissions |
| **Materiality 2**<br>**Achievement of circular economy** | • **Contribution to a circular economy by extending the life spans of products and promoting the 3Rs (Reduce, Reuse, Recycle)**<br> | Materials / Fibers & Products Converting / Healthcare<br> <br>Reinforcing material for high-performance tires, recycled polyester, bio-based material, chemical recycling licensing services, fishing net recycling business, home healthcare medical device rental business, etc. | ■ Stricter environmental regulations impacting the Group's business activities<br>■ Depletion of resources<br>■ Environmental damage and impact upon disposal of the Group's products<br>■ Environmental impact of manufacturing activities | • Freshwater intake volume per sales unit<br>• Landfill waste volume per sales unit |
| **Materiality 3**<br>**Safety and security of people and local communities** | • **Contribution to preventing and remediating environmental pollution using clean technology**<br>• **Contribution to building a safe and resilient society with high-performance materials and IoT**<br>• **Contribution to realizing a more comfortable life through the power of fibers**<br> | Materials / Fibers & Products Converting / Healthcare / IT<br> <br>Protection apparel, high-performance fiber reinforcing material, rainwater storage blocks, safety confirmation services, disaster response and support map systems for home healthcare patients, seat sensor membranes, ultra-lightweight ceiling materials, airbag fabrics and other safety components, asbestos substitutions, bag filters, disaster mitigation-related fiber products, environmental engineering, etc. | ■ Loss of trust due to a decline in the safety of the Group's products and services<br>■ Damage claims stemming from such factors as product defects<br>■ Destruction of ecosystems and environmental pollution due to hazardous chemical substances, etc. | • Hazardous chemical substance emissions per sales unit<br>• Total rate of work-time injuries |
| **Materiality 4**<br>**Realization of healthy and comfortable living for people** | • **Contribution to maintaining people's health and extending life spans through medical and health support**<br>• **Contribution to realizing a more comfortable life through the power of fibers**<br> | Fibers & Products Converting / Healthcare / IT<br> <br>Pharmaceuticals, home healthcare devices, orthopedic implantable devices, regenerative medical products, functional foods, services related to comprehensive community-based healthcare systems, hospital systems, functional interior products, high-performance apparel, heat stroke prevention clothing, medical gowns, etc. | ■ Waning competitiveness due to an inability to respond to diversifying medical needs<br>■ Drop in employee satisfaction due to worsening working environments | • Level of employee satisfaction |
| **Materiality 5**<br>**Further strengthening of our sustainable management base** | For details of each item under "further strengthening of our sustainable management base," please refer to the pages on the right as well as our Sustainability website.<br>**P.65 Corporate Governance**<br>**P.76 Corporate Ethics and Compliance**<br>**P.59 Promoting the Diversity of Our Human Resources**<br>**P.84 Supply Chain Sustainability (CSR Procurement)** | **Information Security and Personal Information Protection** https://www.teijin.com/csr/materiality5/security.html<br>**Security, Disaster Prevention, and Occupational Safety Activities** https://www.teijin.com/csr/materiality5/disaster_prevention_safety.html<br>**Product Liability and Quality Assurance** https://www.teijin.com/csr/materiality5/quality_assurance.html | | • Diversity of executives (female executives and non-Japanese executives) |

## Realization of a Healthy, Safe, and Secure Society

**To realize a sustainable world, the Teijin Group is accelerating efforts to address its material issues (materiality). Here, we introduce initiatives in the Healthcare Business Field related to our aim of embodying our long-term vision, which we defined in February 2023 as our goal to become a company that helps people in need of more support, such as patients and their families, as well as local communities, to solve their problems.**

### Improving Quality of Life for Patients with Chronic Respiratory Impairment

In 1982, we developed and commercialized Japan's first therapeutic oxygen concentrator, pioneering home oxygen therapy (HOT) that allowed patients with chronic respiratory impairment, who previously had to be hospitalized for long periods of time, to receive treatment at home. This has drastically improved patients' quality of life. Currently, more than 150,000 patients use HOT nationwide.

A dedicated staff of professionals, including sales representatives, visiting care workers, and nurses, work together as a team to provide support to patients so they can use the equipment with peace of mind, and they can contact an around-the-clock call center for additional inquiries. In addition to human support, equipment is monitored remotely using the HOT *Mimamori-Ban* system to quickly detect abnormalities and prevent problems before they occur. Also, we make use of our *D-Map* disaster response and support system that automatically receives earthquake information and identifies patients in affected areas to strengthen our ability to assist in emergency and disaster situations.

To meet customer demand, we are continually developing equipment that is compact, low-noise, and easy to use. In July 2023, we launched a new portable oxygen concentrator that is one of the lightest models in Japan. We will continue to work on the development of better equipment and the expansion of systems that can be used with peace of mind as we pursue our mission to save patients' lives and support their quality of life.

New compact and lightweight portable oxygen concentrator, one of the lightest models in Japan
*Hi-Sanso Portable a III*

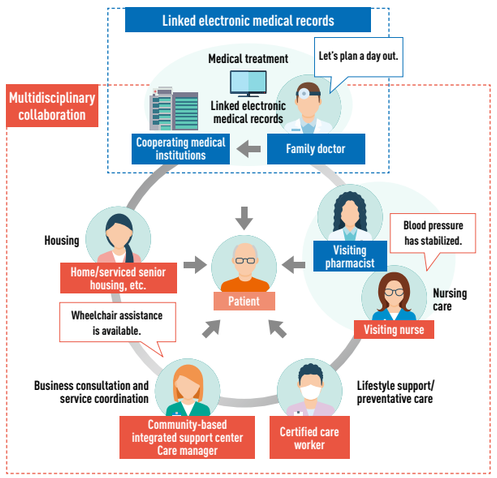
### Initiatives for Community-Based Integrated Care to Support an Aging Society

With Japan's rapidly aging population, there is a need for a shift from hospital-based medical treatment, which assumes complete recovery and return to society, to community-based medical treatment, which would allow the elderly living with illnesses to maintain their quality of life in familiar surroundings. To support this transition, it is essential to establish a community-based integrated care system that integrates housing, lifestyle support, and nursing and preventative care with medical care and is supported through the collaboration of a wide range of professionals, including physicians, visiting nurses, care workers, and care managers. While information sharing is crucial for this collaboration, various obstacles exist that hinder immediate, centralized secure sharing.

To navigate these obstacles, we developed *VitalLink*, a multidisciplinary information sharing system that integrates healthcare and IT to enable diverse information sharing and collaboration among medical professionals. The system allows multiple medical and nursing care professionals to share information on patients' biometric data, care information, and key points of treatment in real time, facilitating early identification of worsening symptoms and other factors. Currently, the system has been adopted by medical institutions and associations in various regions, contributing to the improved quality of community-based integrated care.

We will continue to support community-based integrated care, aiming to provide comprehensive services that support everything from prevention to treatment and nursing care.

#### Multidisciplinary Information Sharing System *VitalLink*






# The Teijin Group's Innovations

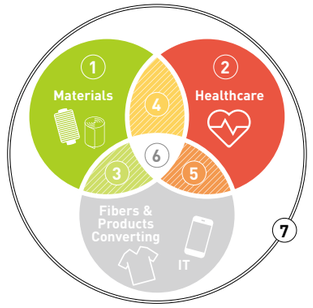
### Basic Concept

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 coordinate, utilize, integrate, and enhance our technologies by leveraging the distinctive characteristics found in the Group's diverse business fields, which combines Materials, Healthcare, Fibers & Products Converting, and IT. By doing so, we will leverage the Group's comprehensive strengths and agility. Moreover, with regard to digital transformation (DX), we are taking steps to bolster our research and development (R&D) capabilities through the use of IoT monitoring technologies, machine learning, AI technologies, and materials informatics. At the same time, we are enhancing the productivity of our on-site manufacturing activities through such means as promoting smart plants. In these ways, we are making proactive efforts in a broad range of businesses and fields.

▶ P.64 DX Strategy

In terms of our R&D structure, we operate a global R&D network comprising 13 R&D laboratories overseas and 12 in Japan, and are invigorating our organization by strengthening R&D collaboration between Group companies. Additionally, in April 2023 we consolidated the new businesses cultivated in each business unit and the Corporate Business Incubation Division into the New Business Development Unit in order to implement cross-organizational Groupwide initiatives to spur innovation through collaboration between business and collaboration related to new business in domains targeted for future investment. With this move, we are incorporating frameworks for spurring innovation by drawing on the capabilities of our diverse pool of human resources.

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




1 **Within the Materials Business Field**
Compound materials
Composite parts × Glazing

2 **Within the Healthcare Business Field**
Physical stimulation technology × Pharmaceuticals

3 **Materials × IT**
Polymer technologies ×
Materials informatics (MI)

4 **Healthcare × Materials**
Bioresorbable osteosynthesis materials
Cardiovascular surgical patch *SYNFOLIUM*® (received manufacturing and marketing approval in Japan)
Regenerative medical products

5 **Healthcare × IT**
Medical devices × IT
Cooperation in comprehensive community-based healthcare system area

6 **Healthcare × IT × Materials**
Biological information × IT ×
Sensing materials

7 **Open Innovation**
Companies, Public R&D Institutions, Academia, etc.
- Alliances
- Collaborative R&D
- Consortiums
- Accelerator programs
- Corporate venture capital

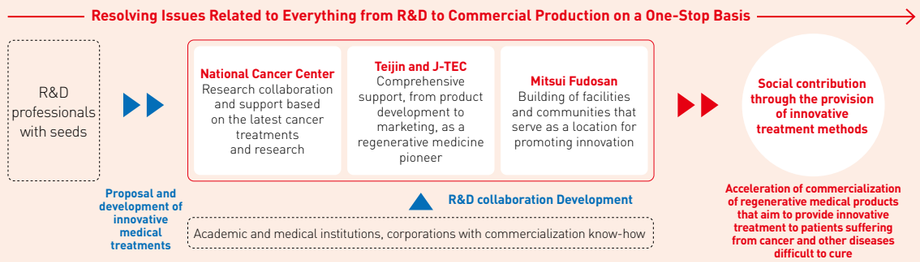
We are promoting open innovation with a view to new business creation. To that end, not only do we have in place a comprehensive in-house network covering R&D, production, and sales, we are also forming extensive networks with external organizations, thereby pursuing such efforts as collaborative R&D and information and personnel exchanges.

**SPOTLIGHT**

### Building a Regenerative Medicine Platform through Industry–Academia Collaboration

In September 2022, we established a regenerative medicine platform in Kashiwa, Chiba Prefecture in collaboration with Japan Tissue Engineering Co., Ltd. (J-TEC), Mitsui Fudosan Co., Ltd., and the National Cancer Center. Serving as a one-stop system supporting R&D, business plan formulation, and commercial production of regenerative medical products, this platform aims to accelerate the commercialization of regenerative medicine and create innovative treatments for cancer and other diseases that are difficult to cure.

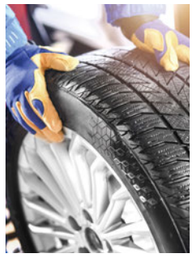
In collaboration with J-TEC, we will provide consulting and collaboration with drug discovery seed holders from the viewpoint of practical application based on our experience in the development, manufacture, and marketing of pharmaceuticals and regenerative medical products. At the same time, we will build regenerative medicine-related facilities and provide relevant human resource training, thereby helping establish a contract development and manufacturing organization (CDMO) structure mainly for supporting the development of manufacturing methods for regenerative medical products as well as actual manufacturing of such products.



# Business Outline

## Sales composition ratio (FY2022)

## Materials Business



### 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 protective apparel. The market for para-aramid fibers is expected to grow at an annual rate of approximately 5%. Meta-aramid fibers have excellent 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. In addition to enhancing environmental performance through the promotion of lightweight materials, the Teijin Group is leading the way with efforts to promote recycling and establishing recycling-based businesses with a view toward realizing a circular economy.

**World-leading market share**
**in the para-aramid fibers industry**

**Sustainability initiatives**
**ahead of other companies**

### Resin and Plastic Processing

Polycarbonate (PC) resins have an impact resistance 200 times greater than glass with only half the weight, and 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 has 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.

**In Asia's leading class**
**for PC resin production capacity**

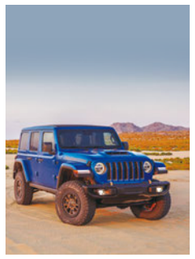
**Transition to high-value-added applications**
**driven by our unique technologies**

### Carbon Fibers

With 10 times the strength and only one-quarter of the weight of steel, carbon fiber is attracting interest as a material that contributes to reductions in $CO_2$ emissions and provides other benefits. This growing interest has driven expansion in demand in multiple industries, but 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, the Teijin Group is working to respond to the current strong demand for general industrial applications, such as pressure vessels, and sports and leisure applications, among others. Furthermore, the Group is actively pursuing technological development aimed at reducing environmental burden.

**World-class market share**
**in carbon fibers industry**

**Advanced initiatives**
**to reduce environmental burden*1**



### Composites

Teijin Automotive Technologies U.S. is the largest Tier 1 supplier of automotive composites in North America and engages in the design of parts and the provision of components to automakers. In the automotive industry, there is a need for lightweight and mass-produced automotive parts that maintain strength and durability. To meet this need, we are strengthening our proposal-making capabilities in such ways as collaborating with our customers from the parts development stage. Furthermore, to comply with increasingly stringent environmental regulations, we are expanding the materials we use and collaborating with other manufacturers.

**North America's largest supplier**
**of automotive composites**

**Solid partnerships**
**with major automakers in the U.S.**

*1 First company in the world to acquire International Sustainability and Carbon Certification (ISCC PLUS Certification) *2 Ventilators for the treatment of sleep apnea syndrome (SAS)
*3 Estimated from external reports and Teijin's rental volume *4 Japan Tissue Engineering Co., Ltd. (J-TEC), became a consolidated subsidiary in March 2021

## Fibers & Products Converting Business

The Fibers & Products Converting Business combines the functions of both a manufacturer and a general trading company and operates in conjunction with Teijin Frontier Co., Ltd. as its core company. Teijin Frontier, a trading company specializing in fibers, creates new businesses based on strengths resulting from its extensive value chain, which spans the spectrum from the development of polymers for polyester fibers to the production and sale of various fiber products, and its diverse customer base and range of applications in the fields of both fiber materials & apparel and industrial materials. In addition, in-house research laboratories and manufacturing sites in Japan and overseas develop products that are competitive in the market, such as new materials and high-performance fibers. Furthermore, Teijin Frontier strives to operate environment-friendly plants and proactively roll out materials and products that help conserve the environment.

**One of Japan's leading trading companies**
**specializing in fibers**

**Innovative solutions**
**reached by combining the functions of a manufacturer and a general trading company**

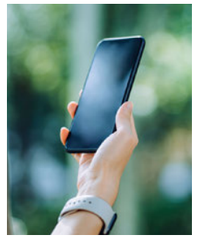
## Healthcare

With over 40 years of experience in pharmaceuticals and home healthcare, the Teijin Group has cultivated a unique business foundation comprising tangible and intangible assets. Based on this business foundation and a community-based sales teams, we aim to become a unique and comprehensive healthcare company that transcends the boundaries of pharmaceuticals, home healthcare and ICT to support people at different stages of the healthcare cycle, from preventative care/health promotion to treatment, rehabilitation/nursing care, and beyond.

**A business foundation**
**cultivated over 40 years to serve healthcare professionals and patients**

**Top-level market share in Japan*2**
**for home oxygen therapy (HOT) devices and continuous positive airway pressure (CPAP)*3 devices**

## IT Business

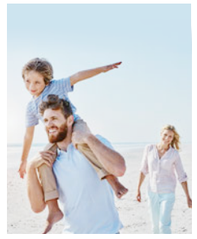


Our IT Business centers on Infocom Corporation and comprises two business fields: digital entertainment and business solution. With the digital entertainment field, Infocom provides customers with an e-comic distribution service, leveraging its know-how and track record built from the early days of the mobile phone business. In the e-comic market, the service which Infocom provides has grown to become one of Japan's largest stores. For the business solution field, Infocom possesses business support know-how and developmental technologies cultivated in the medical industry and leverages these strengths to provide various services, such as information systems related to planning, development, operation, and management for corporate, public, and medical institutions and care providers.

**Top-level market share in Japan**
**in e-comic distribution services**

**High-value-added IT services**
**that help resolve business issues and improve efficiency**

## New Corporate Businesses



The Teijin Group is developing its businesses in regenerative medicine and implantable medical devices, battery materials and membranes, Biolier nutraceuticals, and environmental solutions, and is working to foster innovation through collaboration between businesses.

**Know-how from J-TEC*4**
**which is Japan's first company to commercialize regenerative medicine**

**Innovative separators**
**that leverage Teijin's unique polymer and coating technologies**

**Implantable medical devices**
**that leverage Teijin's unique polymer processing technologies**

**Orthopedic implants**
**that allow for integrated product development from R&D to manufacturing and sales**

| | Aramid | Resin and Plastic Processing |
|---|---|---|
| **Strengths** | • Market leader in para-aramid fibers<br>• Front-runner in sustainable solutions and supply chain<br>• High-quality products and cost competitiveness (integrated supply chain from raw materials to the supply of finished products)<br>• Highly automated and digitalized processes<br>• Robust client relationships | • Technologies (interfacial property control for resin products, special design, etc.)<br>• World-leading, high-quality polycarbonate resins<br>• Marketing, sales, and customer support capabilities for a wide range of applications<br>• High-value-added product development capabilities |
| **Weaknesses** | • Overconcentration of production bases<br>• Heavy reliance on the automotive market | • Concentration of production and sales bases in specific regions |
| **Opportunities** | • Needs for improving automotive fuel efficiency and durability, demand for EVs<br>• Demand in new energy fields, such as offshore wind power generation and hydrogen pipelines<br>• Faster communication speeds with increased capacity<br>• Needs for protective clothing and equipment to ensure security and safety<br>• Improvement in productivity by achieving economies of scale<br>• Adding high value through the establishment of circular businesses including the use of recycled materials | • Faster communication speeds with increased capacity<br>• Needs for high-performance materials in the electrification, automation, and improved comfort in automobiles<br>• Growing demand to reduce environmental footprint by reducing $CO_2$ emissions, etc. |
| **Threats** | • Emergence of competing manufacturers<br>• Tightening regulations on the Chemical Industry by the EU | • Deteriorating supply-demand balance due to expanding facilities in China and emerging countries |
| **Review of fiscal 2022** | The booming demand for *Twaron* para-aramid fiber, the major product in the aramid business, remained unchanged. However, sales volume declined due to the suspension of production lines caused by a fire at a raw materials plant in the Netherlands in the third quarter and worsening productivity due to labor shortages. Profitability deteriorated despite efforts to revise sales prices in response to the impact of rising fuel costs resulting from the soaring price of natural gas in Europe. As a result, although profitability was boosted to a certain extent owing to the impacts of foreign exchange movements, net sales in the aramid business increased while operating income declined compared to the previous fiscal period. | Sales volume of our mainstay polycarbonate resin declined due to reduced operating rate among customers in China as a result of the COVID-19 pandemic and the impact of economic slowdown in China and around the world. In addition, inventory shortages carried over from last fiscal period had an impact, resulting in lower net sales and operating income year on year. |
| **Predictions for fiscal 2023** | We will place top priority on reforms to enhance profitability and allocate resources to important measures for improving productivity, countering natural gas price hikes, and increasing production and sales to set a course for profitability recovery. In response to the fire at the raw materials plant last fiscal year, we formed teams in Japan and the Netherlands to renew efforts to bolster on-site capabilities and reinforce our strengths, including safety and quality. We expect to achieve year-on-year increases in net sales and operating income, and aim to resolve production constraints through the endeavors outlined above, increase production and sales by expanding facilities, negate the impact of the on-site troubles, and benefit from lowered natural gas prices.<br>In June 2023, we have completed construction to increase *Twaron* production capacity by more than 25%, thereby accelerating our response to growing demand for *Twaron* in the global market. In addition, we are strengthening our initiatives for the sustainable development of society and the Company, and are continuing our long-term efforts to develop recycling technologies with the goal of achieving a *Twaron* recycling rate of 25% by 2030. We will cement our top share position by increasing sales volume and differentiating ourselves through our sustainability initiatives. | Although the impact of sluggish demand will carry over to the first half of the fiscal period, we expect a recovery in the latter half, resulting in increased net sales and operating income. Although we anticipate ongoing price competition in the commodity products market, we will ensure stable profits by further expanding the number of products with high added value. Going forward, we will continue to promote our environmental strategy and develop and expand sales of resins for growth industries, such as automated driving, electric vehicles, telecommunications equipment, and medical devices. |

| | Carbon Fibers | Composites |
|---|---|---|
| **Strengths** | • World-leading quality and high global market share<br>• Robust client relationships<br>• Technological capabilities for intermediate materials for aircraft, which are expecting future growth (thermoplastic prepreg, non-crimp fabric) | • Positioned as the largest Tier 1 supplier of automotive composites in North America<br>• Outstanding composites technology with stable quality<br>• Solid partnerships with major automakers in North America, customer-oriented business model<br>• Stable supply of diverse components for automotive applications |
| **Weaknesses** | • Limited track record for the supply of current mainstream intermediate materials (thermoset prepreg) for aircraft applications | • Securing profitability while expanding the scale of sales<br>• Ability to respond to changes in the business environment (labor market, fluctuation in demand from automobile manufacturers) |
| **Opportunities** | • Needs to reduce exhaust emissions and improve fuel efficiency by reducing aircraft weight<br>• Need to reduce manufacturing costs<br>• Recovery in aircraft demand post-pandemic | • Contribution to the extension of EV driving distances, etc., by reducing automobile weight<br>• Advancement in information sharing with automobile manufacturers due to digital transformation, thereby improving demand forecast accuracy |
| **Threats** | • Intensifying competition, commoditization | • Decline in automobile demand<br>• Changes in material needs due to structural changes in the industry<br>• Intensifying competition from other industries |
| **Review of fiscal 2022** | While demand for carbon fiber *Tenax* remained strong in all applications, the sales mix improved due to an increase in sales volume for aircraft use. In addition, we carried out price revisions in light of the impact from soaring main raw material prices and promoted stable operation and improved operational efficiency of the new plant in North America, which commenced operations in fiscal 2021, resulting in increased net sales and operating income. | Sales volume increased as the shortage of semiconductors and components eased, allowing the production activities of original equipment manufacturers (OEMs), the main customers of Teijin Automotive Technologies U.S., to recover, and sales of new large-scale programs proceeded at full speed. In addition, in response to soaring raw material prices, Teijin Automotive Technologies U.S. promoted negotiations to revise sales prices and successfully reevaluated prices with several OEMs. On the other hand, equipment malfunctions in the molding process at some plants in the U.S. caused productivity to decline temporarily and resulted in additional costs. Furthermore, while the labor force participation rate in the U.S. is gradually improving, it has yet to normalize and labor shortages continued due to a tight labor market. As a result, net sales increased while operating income decreased year on year. |
| **Predictions for fiscal 2023** | We expect further recovery in aircraft demand, and anticipate increased net sales and operating income year on year owing to higher sales volume and improved sales mix resulting from full operation of the new plant in North America. Although the development of next-generation aerospace applications was delayed due to the impact of the pandemic, we will continue to promote our certification activities for an aircraft intermediate materials program and environmental strategy. In addition, we are developing carbon fiber recycling technologies and working with external businesses to establish a production and supply system for products made from recycled carbon fibers to further strengthen the development of products that can meet a wide range of potential needs and provide innovative, high-performance materials and solutions. | We expect a year-on-year increase in net sales and operating income, owing to a recovery in productivity after addressing malfunctioning plant equipment and implementing approximately 130 new improvement measures as part of our efforts to boost profitability. We expect to see a ¥19.0 billion improvement in profitability in fiscal 2023 through recovery from temporary factors in fiscal 2022 and the implementation of these profitability improvement measures, which cover three categories: sales measures including revising sales prices to cover rising costs other than raw material prices; procurement measures including centralizing purchasing and negotiating prices with suppliers; and production measures including automating molding processes, establishing in-house painting lines, and reducing labor load and scrap rate. Teijin's head offices will regularly monitor the progress of the profitability improvement measures, and Teijin will dispatch engineering teams from Japan to provide support for production measures. If the measures implemented in North America fail to produce the desired results, a decision will have to be made as to whether or not the business is still viable, with the possibility of selling the business if deemed necessary. |

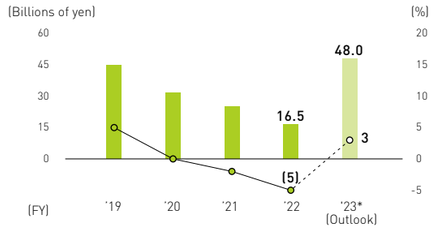
| | Healthcare Business |
|---|---|
| **Strengths** | • Product and service creativity and market cultivation capabilities focused on unmet needs<br>• Robust business base established in the pharmaceuticals and home healthcare businesses<br>• Provision of high-quality services centered on patients via multidisciplinary team sales |
| **Weaknesses** | • Internal ability to expand in the global market<br>• Shortages in the product pipeline for pharmaceuticals, etc. |
| **Opportunities** | • Needs for community-based integrated care systems and home healthcare that require multidisciplinary collaboration<br>• Personalized medical treatment<br>• Progression in the digitalization of medical treatment<br>• Compatibility between our business foundation and disease fields such as rare diseases and intractable diseases |
| **Threats** | • Downward revisions to drug prices and medical service fees based on government policies to curtail medical costs in Japan |
| **Review of fiscal 2022** | In the pharmaceuticals business, sales volume declined due to the entry of generic alternatives to *FEBURIC* in June 2022. Furthermore, domestic drug price revisions in April 2022, mainly for long-listed drugs, affected profit. On the other hand, sales volume of *Somatuline*,*1 a drug used to treat acromegaly, pituitary gigantism, thyroid-stimulating hormone-secreting pituitary tumors and gastroenteropancreatic neuroendocrine tumors, and *XEOMIN*,*2 a treatment for upper and lower limb spasticity, steadily increased. In January 2023, we launched the osteoporosis treatment *OSTABALO*. Furthermore, in March 2023, we concluded an exclusive license agreement with Novartis for an investigational small molecule candidate in kidney disease and received an upfront payment of $30 million.<br>Looking at the home healthcare business, in the home oxygen therapy (HOT) market, although medical institutions continued to restrict hospitalization and shift to home healthcare to keep hospital beds available for patients with COVID-19, the introduction of oxygen concentrators for COVID-19 symptoms tapered off and the number of rented devices remained the same year on year. In addition, in the market for continuous positive airway pressure (CPAP) therapy, the number of examinations lessened somewhat due to the eighth wave of COVID-19 and other factors, but the number of rented devices continued to increase (up approximately 5% from the end of fiscal 2021).<br>With regard to the business related to community-based integrated care, the number of members using the web media service we set up in September 2021 specialized for visiting nurses and homecare providers, called *NsPace*, has increased. In the background, we have continued to provide critical information, know-how regarding staff recruitment and education, and office management, as well as opportunities for exchange with others of the same profession, to the market of visiting nurses that face recruitment challenges.<br>*1 *Somatuline* is the registered trademark of Ipsen Pharma, France. *2 *XEOMIN* is the registered trademark of Merz Pharma GmbH&Co. KGaA, Germany. |
| **Predictions for fiscal 2023** | As indicated in our profitability improvement plans (please see "Reforms for Profitability Improvement: Healthcare Business" on page 30 for reference), we will promote activities to introduce pharmaceuticals used to treat rare diseases and intractable diseases, etc. that leverage our business platforms, structural reforms, and maximize existing products. Specifically, for structural reforms, we will thoroughly review functional resources with an eye toward business development in areas such as rare diseases and intractable diseases, as we push forward with drastically reducing fixed costs, strive to improve productivity by utilizing digital technology, and attempt to increase the efficiency of new drug development through the establishment of joint ventures for experimental scientific research laboratories. For the maximizing existing products, we will strive to maintain sales levels of diabetes drugs even in the face of fierce competition by sharing success stories, issues, and improvement measures of various initiatives. In addition, for *OSTABALO*, a new treatment option for osteoporosis with a high risk of fracture, we will expand sales while leveraging *VitalLink*, a system that helps healthcare workers follow up with their patients and share information on their condition. With regard to CPAP devices, we will further increase rental numbers of devices by pursuing sales synergies (cross-sales) at medical facilities that prescribe diabetes drugs.<br>In addition, with regard to the business related to community-based integrated care, drawing on the foundation cultivated in the home healthcare business, we will strengthen the business foundation by combining this foundation with the products and services from other companies through M&As or capital and business alliances. We will also take on the challenge of making the business profitable. |

| | Fibers & Products Converting Business | IT |
|---|---|---|
| **Strengths** | • Various application development and a diversified customer base<br>• Strategic product allocation between mother plant (development and production of cutting-edge materials) and OEMs (optimized cost and production efficiency) for realizing a speedy and efficient supply system<br>• Active development of eco-friendly businesses | • One of the top companies in the e-comic market in Japan<br>• Unique know-how and development track record in the medical industry<br>• Advanced technological capabilities |
| **Weaknesses** | • Prolongation of the cultivation of new businesses | • Stagnant growth in the IT Business |
| **Opportunities** | • Growing needs for fuel efficiency, weight reduction, and safety in mobility<br>• Reinforcement of social measures toward environmental issues, natural disasters, and infrastructure degradation<br>• Progressing social implementation of chemical recycling, etc., geared toward the realization of a circular economy | • Growing needs in overseas markets<br>• Promotion of DX by general corporations and in the medical industry |
| **Threats** | • Decline in demand due to global economic slowdown and the reemergence of COVID-19 | • Shortages of IT human resources<br>• Increase in pirated e-comic websites<br>• Decline in IT investment appetite following economic recession |
| **Review of fiscal 2022** | In the fibers & apparel field, sales of textiles and apparel to Europe, the U.S., and China were favorable, while sales of apparel products in Japan also showed signs of recovery due to the easing of restrictions. In the Industrial materials field, sales of automotive parts, artificial leather, and polyester stable fibers for water treatment filters remained steady. Although business performance was affected by soaring raw material, fuel, and logistics prices, as well as higher procurement costs due to the weaker yen, the business revised sales prices accordingly. As a result, both net sales and operating income increased. | While net sales in the digital entertainment field declined due to increased costs to boost marketing, several original comics became popular and net sales reached a record high thanks to this same strategy. Among new initiatives, we launched an e-comic distribution service in the U.S. and introduced a pay-as-you-go system. In the business solution field, although the effects of the pandemic continued to impact the healthcare business, sales to corporations remained steady, resulting in an overall increase in net sales and a decrease in operating income. |
| **Predictions for fiscal 2023** | In the industrial materials field, we expect a recovery in the automobile-related market, as well as increased sales of polyester stable fibers for water treatment filters. However, we are concerned about the bearish overseas market for fibers and apparel and anticipate net sales to decline year on year and operating income to level out. We aim to expand sales in growth areas (mobility, infrastructure, global apparel) by leveraging our integrated supply chain, which extends from the development of materials to production, and also aim to realize a sustainable society by utilizing advanced recycling technologies to reduce our environmental impact. | In the digital entertainment field, we will work to achieve profitable growth in our e-comic distribution service by expanding our subscriber base through the pay-as-you-go system and promoting measures to encourage customer loyalty. In the business solution field, the healthcare business will strive to expand its activities targeting hospitals, and the ERP business will concentrate its efforts on services for corporations. Under Infocom Corporation's medium-term management plan for 2023–2025, announced in May 2023, we will continue to pursue growth by prioritizing e-comics and healthcare as our core businesses. In addition, we will promote human resource development to strengthen the management foundation that supports growth. |

| | New Business Development |
|---|---|
| **Strengths** | • Core technologies that leverage the distinctive characteristics found in our diverse fields of Materials, Healthcare, Fibers & Products Converting, and IT<br>• Human resources who have diverse values and skills, as well as experience in different business fields |
| **Weaknesses** | • Expansion in the global market<br>• Establishment and momentum of frameworks for new business growth |
| **Opportunities** | • Increasingly aging society with low birthrate<br>• Dire need for extending healthy life span, preventative care, and health promotion<br>• Growing awareness of the challenges facing global environmental conservation and sustainable use of resources |
| **Threats** | • Downward revisions to reimbursement prices based on government policies to curtail medical costs<br>• Intensifying R&D-related competition to increase competitive advantage |
| **Review of fiscal 2022** | The regenerative medicine and implantable medical devices division saw a year-on-year increase in net sales due to the acquisition of the spine and trauma (fracture) business of KiSCO Co., Ltd., by Teijin Nakashima Medical Co., Ltd., and strong sales of artificial joints. In addition, a fixed plate for mandible reconstruction, made by 3D additive manufacturing, developed through industry–academia–government collaboration was launched and contributed to sales. In March 2023, Teijin Medical Technologies Ltd. filed a submission for approval to manufacture and market a cardiovascular surgical patch, developed in partnership with Osaka Medical and Pharmaceutical University and Fukui Tateami Co., Ltd. In the regenerative medicine business, in September 2022 Teijin Limited signed an agreement with Japan Tissue Engineering Co., Ltd. (J-TEC), Mitsui Fudosan Co., Ltd., and the National Cancer Center to jointly establish a regenerative medicine platform in Kashiwanoha Smart City, and started providing support to seed shareholders (please see "SPOTLIGHT: Building a Regenerative Medicine Platform through Industry–Academia Collaboration" on page 47 for reference).<br>In the battery materials and membranes division, the sales volume of *LIESORT*, a separator for lithium-ion batteries, increased for smartphone applications. As a result, both net sales and operating income increased year-on-year.<br>In the biolier nutraceuticals division, Teijin expanded its sales regions and domains, including the introduction of super barley *BARLEYmax* to the European market. In October 2022, Teijin Limited acquired all shares of Meguro Institute Co., Ltd. (currently Teijin Meguro Institute Co., Ltd.) to strengthen the development and manufacture of probiotics* for use in Teijin's functional foods business.<br>As of 2023, these new business divisions have been positioned to be nurtured and fortified from Companywide and long-term perspectives. They will be reorganized and integrated into the New Business Development Unit, which falls under the CEO's direct supervision, and collaborative creation will be implemented across the organization to encourage innovation.<br>* Live microorganisms that work beneficially for health by improving the balance of intestinal flora, including lactic acid bacteria. |
| **Predictions for fiscal 2023** | In the regenerative medicine and implantable medical devices division, Teijin will prepare for the launch of *SYNFOLIUM®*, the cardiovascular surgical patch for which it received manufacturing and marketing approval in July 2023. We will also pursue contracts to advance regenerative medicines at the abovementioned regenerative medicine platform.<br>In the battery materials and membranes division, we expect to continue to see strong demand for *LIELSORT* in IT device applications such as smartphones. In addition, with the continued growth in the EV market primarily in Europe and China, we will work to expand separators for EV lithium-ion batteries in collaboration with the company for which we provide licenses.<br>In the biolier nutraceuticals division, we will continue to develop our lineup of functional food products and expand sales in Japan and overseas.<br>In the environmental solutions division, we will promote R&D for fostering new environmental solutions to achieve our long-term vision of being a company that protects the global environment. |

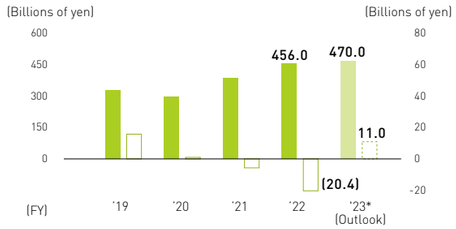
**Materials**

### EBITDA / ROIC (Based on Operating Income)




* Outlook as of August 2023

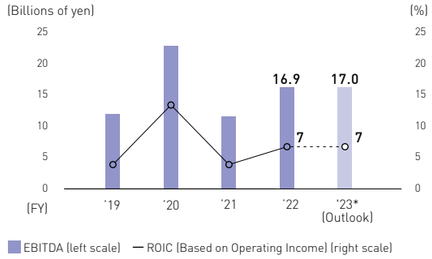
### Net Sales / Operating Income




* Outlook as of August 2023

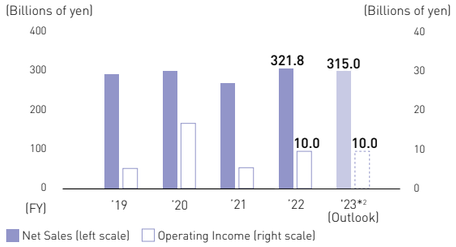
**Fibers & Products Converting**

### EBITDA /ROIC (Based on Operating Income)




* Outlook as of August 2023

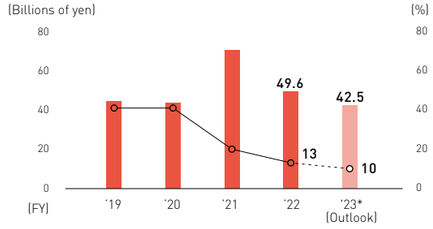
### Net Sales*1 / Operating Income




*1 From fiscal 2021 onward, includes a decrease due to the application of the new standards for revenue recognition under Japanese GAAP
*2 Outlook as of August 2023

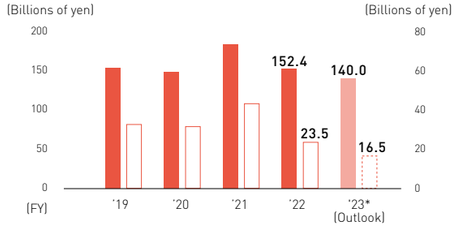
**Healthcare**

### EBITDA / ROIC (Based on Operating Income)




* Outlook as of August 2023

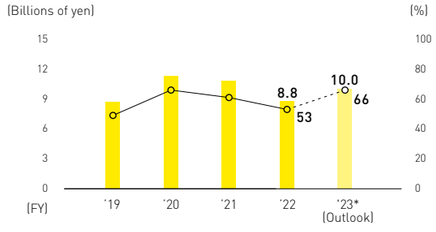
### Net Sales / Operating Income




* Outlook as of August 2023

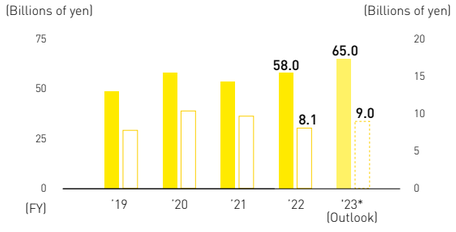
**IT**

### EBITDA / ROIC (Based on Operating Income)




* Outlook as of August 2023

### Net Sales / Operating Income




* Outlook as of August 2023

# Our Management System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# Human Resource Strategy

## CHRO Message

### Mission as CHRO

I joined Teijin in April 2023 after having worked for the same pharmaceutical company since graduating university. While working there, I gained experience in a variety of roles, including as a medical representative, a corporate staff member, an overseas representative, and head of the human resources department. More recently, I oversaw business administration and compliance as an executive officer while also managing the human resources department.

No matter how great a strategy is, it is people who execute it. A company only exists because of the consistent hard work performed by the many employees on the front lines, and I always make a point to appreciate their efforts. I believe that one of the CHRO's main goals should be to contribute to the creation of a healthy organizational culture that enables employees to work with enthusiasm.

### My Impression of Teijin's Human Resource Strategy and Plans for Future Policies

Throughout its long history, Teijin has responded flexibly to various changes in the business environment. I believe that the various experiences gained by both the organization and its employees when breaking into new business fields, along with the Company's innovative governance initiatives, have helped to nurture high-quality organizational management and many exceptional employees. As part of its corporate philosophy, Teijin states that "Among our many management resources (well-trained personnel, capital, facilities, technologies, information, brand, corporate culture, etc.), our people are the most important." I believe that this outlook acts as the foundation for many of the groundbreaking strategies implemented throughout the Company's history, such as its CEO selection process, expansion of its human resource portfolio based on global leadership training, and its diversity and inclusion (D&I) initiatives, which include promoting the advancement of women.

I understand that my role as CHRO, and as a chief officer, is to contribute to the corporate and functional strategies from a human resource perspective in order to achieve the Reforms for Profitability Improvement initiative, announced in February 2023, and pursue a return to growth in the future with a view toward realizing the Company's long-term vision. More specifically, among other initiatives, I am working to optimize human resource policies at the corporate level and in each business function and to improve employee engagement. Additionally, I will focus on off-the-job training, including reskilling, to nurture and encourage employees that actively pursue self-improvement by enhancing their ability to utilize digital and other innovative technologies. I will continue to implement human resource policies that foster a new corporate culture, as well as other measures that facilitate quantitative understanding of the progress of policies and their disclosure.

**Fumiaki Sakurai**
Teijin Group Corporate Officer
Chief Human Resources Officer

### Perceived Challenges

Teijin has been taking advantage of a membership-based employment model, which is typical of Japanese companies, and I believe that there is room to incorporate the benefits of a job-based employment model alongside it. In the future, I believe that it will be necessary to develop human resource strategies in line with the global strategy of each business unit. Rather than considering globalization as uniform throughout the Company, I aim to develop human resource strategies that suit the degree of progress made toward globalization in each business unit.

Finally, following on from the system used for domestic job postings, I am considering assigning key global positions using a job-posting system. By doing so, I envision that Teijin Group employees around the world will be able to use the system to achieve their career goals. To this end, I have identified the need for data-driven human resource measures that effectively utilize HR tech, such as the development of a global human resource database, as the next issue to be resolved.



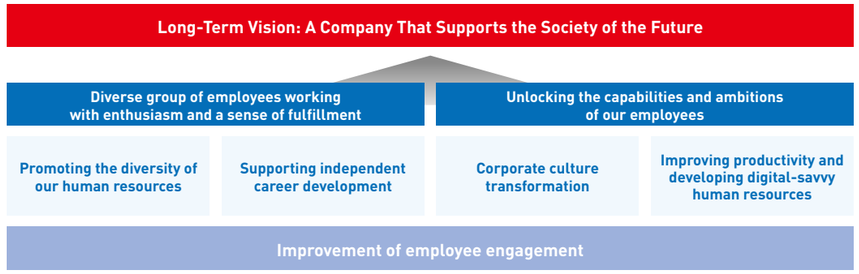
Diversity and Inclusion
https://www.teijin.com/csr/materiality5/diversity_inclusion.html

### Basic Concept

The Teijin Group promotes "empowering our people" as part of its corporate philosophy. Guided by this notion, the Group aims to realize the following three goals as part of its efforts toward human capital development.

- Provide a workplace for self-realization where employees can exert their capabilities and individuality.
- Tackle creation and innovation along with employees
- Aim to become a group of people adorned with diverse personalities and appeal.

A company cannot grow without taking on the challenges of creation and innovation. The Group believes that "empowering our people" through the three aforementioned goals will enhance corporate value. In light of this, we are carrying out various measures that emphasize 1 promoting the diversity of our human resources, 2 supporting independent career development, 3 corporate culture transformation, and 4 improving productivity and developing digital-savvy human resources, as well as 5 improvement of employee engagement, which will serve as a foundation of all human resource measures.




### 1 Promoting the Diversity of Our Human Resources

The Teijin Group believes that making full use of the abilities of diverse human resources helps enhance creativity and drive innovation. Since 2000, we have been actively engaged in diversity and inclusion (D&I) initiatives including promoting the advancement of women. Following the globalization of our business, we have extended the scope of our D&I initiatives from Japan to across the globe and have established key performance indicators (KPIs) for promoting diversity at the executive level. For example, in addition to establishing KPIs to promote diversity among our management, we also formulated regional strategies and KPIs in accordance with local issues in each area of operation, not just Japan, and have since been steadily moving forward with efforts to achieve goals based on these KPIs.

Also, we have been acquiring talent in accordance with our business portfolio reforms and have been actively recruiting mid-career hires for the purposes of incorporating fresh new ideas and value systems to invigorate our organization. In fiscal 2022, the ratio of mid-career hires (regular full-time positions or higher) was 23.9%, and 7.2% of these employees were in managerial positions.

We have established KPIs pertaining to the diversity of our human resources and have been focusing on promoting measures aimed at achieving the targets of these KPIs. Through such efforts, we have accelerated the speed at which we promote diversity. For example, between fiscal 2019 and fiscal 2023, we increased the number of female managers by approximately 1.5 times. However, there are certain KPIs for which we have not reached our targets. In Japan and across the globe, the number of female senior managers is still few, and our efforts to improve this situation have thus far been insufficient. To address this issue, we will step up our efforts to increase the number of female senior managers moving forward.

(People)

| KPIs ★:Independently assured indicators | | | October 2019*6 | April 2020*6 | April 2021*6 | April 2022*6 | April 2023*6 | Milestones April 2023*6 |
|---|---|---|---|---|---|---|---|---|
| Diversity of executives*1 | | Female executives★ | 3 | 4 | 4 | 5 | 5*8 | 6 or more |
| | | Non-Japanese executives★ | 3 | 5 | 5 | 4 | 3*8 | 6 or more |
| Key goals for women's advancements*2 | Japan*3 | Managers (or higher)★ | 117 | 127 | 143 | 162 | 172 | 174 |
| | U.S. | Senior managers*4 | 2 | 2 | 2 | 3 | 3 | 4 |
| | EU | Global core talent*5 | 0 | 1 | 1 | 3 | 3 | 3 |
| | China | Senior managers*4 | — | 4*7 | 4 | 7 | 7 | 9 |
| | ASEAN | Senior managers*4 | — | 5*7 | 5 | 7 | 10 | 5 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 those who report directly to the president in a Group company *5 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 *8 Due to revision of the corporate officer system in April 2023, numbers listed in this table are those as of the end of March 2023.

## 2 Supporting Independent Career Development

The Teijin Group has in place four systems that serve as a framework for supporting the independent career development of its employees. Under our "self-assessment system," employees meet with their supervisors every year to discuss their future careers. We also have in place a consultation desk through which employees can receive advice from in-house career consultants. In addition, as systems that enable employees to transfer to their desired position or location, we have in place the "job challenge system" (in-house staff recruitment), where employees can apply freely without permission from their supervisor, and the "free agent system," in which employees can apply for transfers to a new location of their own choosing, even if no positions are currently available, and can subsequently be transferred to their desired position or location upon being selected by relevant personnel. In fiscal 2022, 29 employees made use of these systems to pursue new careers in-house. Furthermore, in fiscal 2022 we introduced an online learning service in which participants can study freely online about the knowledge and skills they need to build their careers, even if such knowledge and skills do not have a direct relationship with their current duties.

## 3 Corporate Culture Transformation

During the three-year period starting from fiscal 2020, the Teijin Group implemented the Power of Culture Project, which aims to foster a corporate culture that encourages the pursuit of innovation and value creation, with the goal of maximizing the potential of its diverse pool of human resources. This project started in fiscal 2020 and initially focused on the executive level, helping them incorporate organizational development methods focused on leadership and promote organizational culture reforms by first changing their own behavior. In fiscal 2021 and fiscal 2022, the project was expanded to the managerial level on a global basis.

We have also been leveraging IdeaScale,* an innovative management platform that enables employees to freely propose new ideas and exchange opinions with one another. More than 2,300 Company employees across the globe have registered with this platform and are engaging in the exchange of ideas. One program offered on the IdeaScale platform is "new business proposal." Under this program, examinations are held on commercializing thoroughly reviewed ideas for new businesses, and a budget for doing so is also provided. In fiscal 2022, we received 183 proposals for new businesses, one of which cleared the final review. We are now moving forward with examinations on how to turn this proposal into an actual business.

In addition, as a framework for encouraging the act of pursuing new challenges itself, we held the Designing the Future Award in fiscal 2021 and fiscal 2022. Applicable to all Group employees on a global basis, this award recognizes outstanding initiatives in the areas of diversity and inclusion, innovation, and sustainability that have had a significant positive impact on the Group and the society of the future through the pursuit of innovation. In light of the results of this award program, we will consider the ideal vision for new award systems in the future that can respond to diverse value systems.

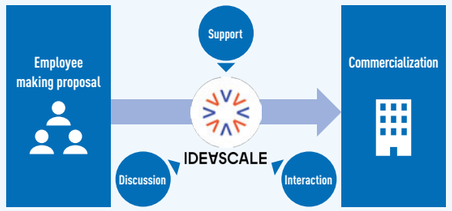
* IdeaScale is a platform that was introduced for the purposes of invigorating interaction and proposal-making within the Group and of creating ideas for new businesses. Any Group employee is able to openly register an ID with IdeaScale, through which they can propose ideas for new businesses and exchange opinions and information regarding themes that interest them.

SPOTLIGHT

### Introducing a Platform That Can Turn the Ideas of Employees into New Businesses

Since 2017, we have been offering the "idea proposal program," an in-house program where employees can freely submit ideas, with the aim of creating new businesses. Initially, the program was operated in a way that required participants to submit ideas in document form to the secretariat, which meant that it was difficult for non-relevant personnel to learn about these ideas. In 2020, however, we introduced IdeaScale, a platform for interactive information and opinion exchanges, thereby not only enabling any employees to submit ideas in a very simple manner but also allowing other employees to see the ideas that have been submitted. The platform allows users to respond to and support submitted ideas via a "like" and "comment" function, which in turn helps raise the level of interest toward proposed ideas. Furthermore, ideas can be refined through interaction with employees who have relevant insight.

We have established other programs through which employees can interact via a platform as we work to create environments that encourage that pursuit of innovation and reforms.




Achieve commercialization while being supported by all employees

## 4 Improving Productivity and Developing Digital-Savvy Human Resources

▶ P.64 Development of DX-Savvy Human Resources

To improve productivity by enhancing operational efficiency, we established an expert robotic process automation (RPA)*1 development department in fiscal 2018, under which we worked to automate standard procedures in each department. With the completion of our first round of large-scale RPA development, we updated our RPA promotion policy, which had been implemented by this expert RPA department, in fiscal 2022. Under this new policy, we moved forward with the automation of standard procedures by establishing independent RPA promotion structures in each department. Between the end of fiscal 2018 and the end of fiscal 2022, we automated approximately 170 procedures, which translates to a reduction of roughly 80,000 working hours. Going forward, we will continue to promote reskilling through training and educational programs so that employees of each department can develop RPA on their own. We will also continue to automate various work processes in these departments.

As well, we recognize the independent promotion of digital transformation (DX)*2 as a pressing issue. To that end, we established the DX Promotion Department in fiscal 2023 to strengthen and support the promotion of DX on a Groupwide basis. We also commenced a program in fiscal 2023 to nurture "Teijin-style business architects"*3 on a global scale through collaboration between the DX Promotion Department and the Human Resources Department, so that our employees can utilize digital technologies and data to create new value. Through this initiative, we will seek to enhance the DX literacy of our employees while cultivating them so that they can propose and plan for various DX solutions within work duties and processes.

*1 RPA is a tool for automating standard work procedures. It helps enhance work efficiency and prevent human error, thereby improving productivity.
*2 Teijin defines DX as utilizing digital technologies and data to create new value to make its corporate activities (business management, R&D, production, intellectual properties, sales, etc.) more advanced and efficient, thereby enhancing its corporate value creation model and contributing to a sustainable society.
*3 "Teijin-style business architects" are personnel that thoroughly understand Teijin's operations and culture, utilizing digital technologies to plan, formulate, and promote initiatives that realize business visions and management strategies.

## 5 Improvement of Employee Engagement

Workplace environments, the status of the organization, and human resource initiatives are some of the factors that have a major impact on employee engagement. Corporate organizations with a high level of employee engagement have the resiliency to overcome challenges and a strong ability to attain their goals. Accordingly, in fiscal 2021 we commenced a global engagement survey targeting roughly 19,500 employees around the globe in an effort to ascertain employee awareness of the Company and relevant organizations and employee willingness to contribute to performance. In addition, the engagement survey helps us visualize the organizational status and issues facing each employee rank, based on which we are able to implement improvement measures, focused particularly on the smallest of organizations (sections and departments). To respond to the Companywide engagement score of 64 that we received in the fiscal 2021 survey, we implemented specific improvement measures, which resulted in an improved score for certain departments in the fiscal 2022 survey. However, the Companywide engagement score for fiscal 2022 was on a par with that of fiscal 2021, as engagement scores declined in certain organizations due to various factors.

Moving forward, we will seek to improve our overall employee engagement by continuing to promote our conventional initiatives and sharing best practices across the Company, aiming specifically for an annual improvement of 1% in the scores of all business units and functional organizations.

**Examples of Activities to Improve Employee Engagement**
**Overseas Group Company A**
When presidents of local Group companies overseas visit each of our bases, they report the results of the engagement survey to local employees and provide explanations on the importance of taking action toward improvement and on their vision for the future. At the same time, local employees engage in improvement activities on the front lines in teams, which include local managers, and take part in internal PR activities regarding the initiatives they are carrying out, which in turn helps enhance awareness across the entire organization. Through such efforts, we have been able to maintain a high score for employee engagement over the past two years.

## KPIs for Fiscal 2023 and Beyond

In tandem with our move to reduce the number of corporate officers by transforming our management structure, we reestablished long-term targets and set KPIs for employee engagement. Guided by these targets and KPIs, we are proceeding with a broad range of initiatives aimed at promoting an active role of personnel with diverse attributes, backgrounds, and values and also raising the ratio of women in managerial positions, which will help bridge the wage gap between male and female employees. By doing so, we are working to create an invigorated organization that further encourages the pursuit of innovation. Also, we have adopted diversity and inclusion and the level of employee satisfaction (engagement) as indicators in our officer compensation system and are working to enhance our level of effectiveness in achieving our targets.

### New KPIs

| | Milestones April 2026 | Targets April 2031 |
|---|---|---|
| Female officers | 20% | 30% |
| Non-Japanese officers | 10% | 30% |
| Level of employee satisfaction | Annual improvement of 1% (Reference: Score of 64 in fiscal 2022) | |

# Intellectual Properties

## Basic Policy on Intellectual Properties

Intellectual properties of the Teijin Group shall be created, protected, and used in accordance with intellectual property strategies that are formulated from a Groupwide medium- to long-term perspective and the perspective of global competition, and that constitute part of the business and technology strategies of Teijin Limited and each business group.

**1. Creation of intellectual property**
The Teijin Group shall obtain and establish intellectual properties created through both internal and external research and development as "Intellectual property" and "Intellectual property rights," which will serve as high barriers to entry.

**2. Protection of intellectual property**
The Teijin Group shall acquire, maintain, and manage intellectual properties in accordance with its business strategies so as to protect them in an appropriate manner.

**3. Use of intellectual property**
The Teijin Group shall exercise intellectual property rights or license other companies to use intellectual properties based on their properly assessed values, as part of its business strategies.

**4. Respect for intellectual property rights owned by other companies**
The Teijin Group shall respect intellectual property rights owned by other companies even if they impede business activities of the Teijin Group, and take necessary measures to appropriately respond to such intellectual property rights.

**5. Response to the outflow of technology**
The Teijin Group shall prevent the outflow of technology and thereby maintain their global technological competitiveness.

## Intellectual Property Governance System

The Teijin Group has established a governance system for its intellectual properties (IP) and intangible assets. Under this system, the Intellectual Property Department is in charge of formulating and promoting IP strategies in line with business and technological strategies and reports to the Board of Directors important IP-related matters that involve the Company. Also, each business unit and division reports to the Board of Directors IP-related matters that can help enhance the competitiveness of that respective unit or division. In these ways, this governance system enables the Board of Directors to effectively supervise Groupwide strategies and investment activities pertaining to IP.

In addition, the Intellectual Property Department engages in constant communication with the managerial ranks and each business unit and division to update them on IP-related matters that are necessary to consider in management decision-making. At the same time, through this communication the department works to reflect management policies within the Group's IP strategies.

## Intellectual Property Investment Activities

### IP Strategies to Help Realize Management Strategies

Based on an understanding that IP are a valuable management asset that serve as a source of competitiveness, the Teijin Group engages in IP activities that aim to realize its management strategies. During the period of Medium-Term Management Plan 2020–2022, we worked to create IP and intangible assets in Strategic Focus fields, where we strive to cultivate future sources of profit, and Profitable Growth fields, in which we aim to achieve further business growth, with the aim of transforming the Group's IP portfolio in order to realize business portfolio transformation.

**Strategic Focus Fields**
We formulate IP creation targets based on business strategy-specific themes in a bid to secure a competitive advantage. To that end, we work to create and acquire IP that will help us achieve these targets through not only our R&D activities but also M&As and other methods.

**Profitable Growth Fields**
We seek to create and acquire on an ongoing basis IP that will help us enhance the longevity of our existing IP so that we can maintain and further improve our business competitiveness. In addition, we adopt a scheme in which we strictly control technological know-how as trade secrets, thereby ensuring that our competitive advantages are sustained even after the expiration of IP rights related to fundamental technologies.

Through the promotion of IP activities based on our basic policy in these fields, we steadily transformed our Group IP portfolio in a manner that better aligns it with our management strategies. For example, technical domains covered by Group-owned patent rights have been steadily maintained in Profitable Growth fields and were expanded into Strategic Focus fields.

▶ P.63 Teijin Group Patent Portfolio

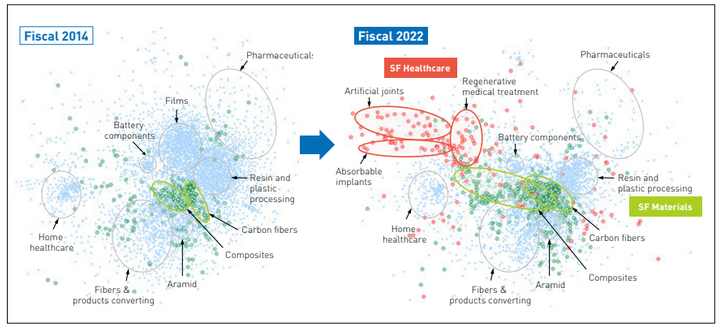
Also, the ratio of patent right value in Strategic Focus fields to the total value of patent rights owned by the Group (measured by the Patent Asset Index™*) has gradually increased.

▶ P.63 Strategic Focus Fields/Profitable Growth Fields Patent Value Ratio

Guided by the Reforms for Profitability Improvement initiative, in fiscal 2023 we will optimize our IP portfolio with a sharper focus on achieving our long-term vision. To that end, we will develop and promote IP investment activities, such as investments in utilizing and standardizing various kinds of IP, geared toward securing a competitive advantage in the fields of sustainable automobiles and aircrafts, and energies and the fields of diseases including rare diseases and intractable diseases.

* The Patent Asset Index™ is calculated based on the degree of patent citation for each patent by examiners in each country (technological relevance) and the status of patent applications and the granting of rights in each country (market coverage).

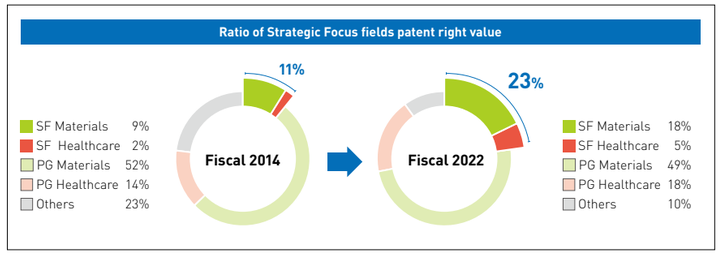
### Teijin Group Patent Portfolio




Maintaining patent portfolio in Profitable Growth fields while expanding portfolio in Strategic Focus fields

Note: Each point in this graphic represents a patent, and the space between each point is determined based on technological similarity. Through the use of text mining technology, patents that are technologically similar have been grouped together to form a set.

### Strategic Focus Fields/Profitable Growth Fields Patent Value Ratio




Doubled in ratio of SF patent right value to total patent right value over an eight-year period

Note: SF = Strategic Focus fields, PG = Profitable Growth fields

### Initiatives to Make Use of the IP Landscape* Within Management and Business Strategy Decision-Making

We utilize information analysis methods that combine global IP information with non-IP information such as academic papers and market information, as well as patent value analysis methods. These methods greatly assist us with management and business strategy decision-making in such areas as searching for and evaluating candidates for M&As and business alliances, investigating new businesses and new R&D themes, analyzing our competitors, and evaluating the value of our own IP rights and streamlining their ownership and management.

* "IP landscape" involves establishing certain hypotheses based on publicly available data related to marketing and businesses and internal information such as information on business strategies, and then carrying out analysis of these hypotheses based on IP information to verify whether or not they are accurate. This in turn helps visualize the current status of the IP portfolio as well as future IP prospects. The results of this analysis are then shared with managers and other relevant business personnel and put to use in management and business strategy formulation and decision-making.

### Management of Trade Secrets as Business Assets

We understand that trade secrets such as essential technological know-how are a type of intangible asset and also serve as an important business asset that helps us secure a competitive advantage in the same manner as IP rights. Based on this understanding, we have rigorously managed trade secrets on an ongoing basis in accordance with the Guidelines for Group Management of Trade Secrets, a set of guidelines that are consistently applied throughout the Group.

# DX Strategy

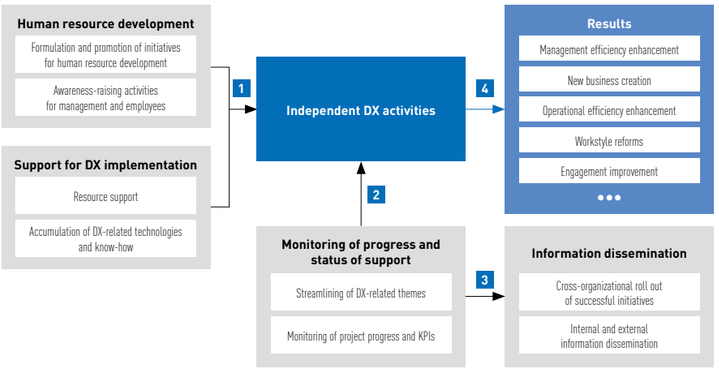
## The Teijin Group's DX Strategy

Digital technologies have brought about dramatic changes in the global competitive environment and society as a whole. The Teijin Group defines digital transformation (DX) as "the utilization of digital technologies and data to promote more advanced and efficient corporate activities (corporate management, research and development, production, intellectual properties, sales, etc.), thereby enhancing corporate value creation models, contributing to a sustainable society, and improving corporate value." In addition, the Group positions and actively promotes DX as an initiative for creating value, establishing a competitive edge, and realizing long-term strategic and business visions. The Group has received high praise for its DX-related initiatives, acquiring certification as a DX Business Operator in 2023 under the DX Certification System established by the Ministry of Economy, Trade and Industry (METI).

The goal of our DX activities is to establish independent DX environments in which all divisions and their employees utilize digital technologies and data on their own initiative to engage in more advanced and efficient work, with the aim of realizing innovative productivity improvement, existing business reform, and new business creation.

We strengthened our DX promotion structure in April 2023 to accelerate our DX activities. In addition to formulating Companywide strategies for utilizing digital technologies and data, we have been providing support for internal and external DX-related collaboration and information communication. We have also been working to develop human resources who can realize these independent DX environments.

### DX Promotion Activities




**Strategies for DX Activities**

1. Directly promote human resource development and support for DX implementation through DX activities
2. Assess current situation of DX activities through monitoring of progress and status of support, providing additional support as necessary. Also, utilize such assessments in the formulation of new strategies and in information dissemination
3. Promote internal and external information dissemination using the information gained through human resource development, DX implementation support, and monitoring of progress and status of support in an effort to promote independent DX activities and foster a DX-oriented corporate culture, thereby contributing to corporate value enhancement
4. Ensure that, through these initiatives, each department promotes independent DX initiatives and achieves concrete results

## Development of DX-Savvy Human Resources

To realize independent DX environments, it is essential to have human resources that utilize digital technologies on their own initiative plan, proposal, and promotion of business solutions and business development based on a thorough understanding of business and work processes. To that end, we offer DX literacy educational programs for all employees. Through these programs, we aim to not only enhance our employees' understanding of DX and encourage independent DX-related initiatives but also foster a corporate culture where digital technologies and data are proactively utilized.

▶ P.61 Improving Productivity and Developing Digital-Savvy Human Resources

## Examples of DX Initiatives and Vision Moving Forward

To date, the Teijin Group has promoted DX efforts in a wide range of businesses and fields. These have included the reinforcement of our R&D activities by leveraging materials informatics (MI), which uses IoT monitoring technologies, machine learning, and AI to efficiently discover materials based on a large volume of data, as well as the enhancement of productivity at manufacturing sites through the promotion of smart plants. They have also included the provision of comprehensive healthcare and medical care services utilizing data platforms, such as systems fo multidisciplinary collaboration between healthcare and nursing care practitioners. We have also been carrying out DX efforts that support our management and business strategy decision-making, such as utilizing information analysis methods that combine information on the Company's intellectual properties with academic papers and other kinds of information, as well as patent value analysis methods, to search for and evaluate candidates for business alliances.

Going forward, we aim to not only engage in these activities in all processes across the entire value chain—from research and development to production, supply chain management, sales and marketing, and service provision—but also integrate them within the value chain itself, thereby creating new value and enhancing our corporate value.



# Corporate Governance

## 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 a "Nomination Advisory Committee and Compensation Advisory Committee," 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 guidelines for corporate governance, compliance, and risk management.

### Major Initiatives for Strengthening Governance

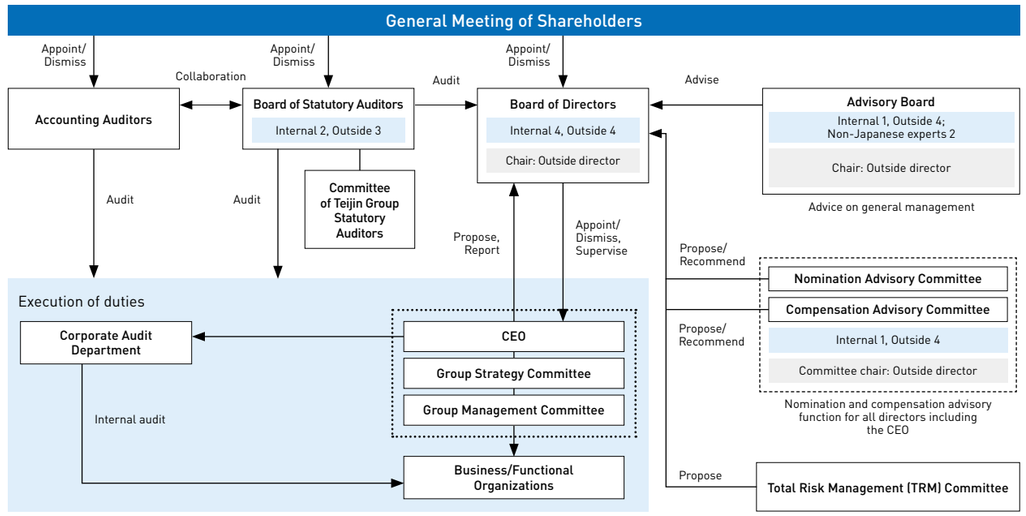
| | |
|---|---|
| 1999 | • Reduced the number of directors from 24 to 9<br>• Introduced the corporate officer system<br>→ Accelerating decision-making for execution of business and clarifying system of responsibility<br>• Established Advisory Board<br>• Appointed three independent outside statutory auditors (comprising the majority of the Board of Statutory Auditors) |
| 2003 | • Appointed three independent outside directors |
| 2012 | • Appointed four independent outside directors |
| 2015 | • Established Nomination Advisory Committee and Compensation Advisory Committee |
| 2021 | • Ensured that an outside director will always chair the Board of Directors<br>• Shortened the term of Chairperson (internal regulation)<br>• Revised the composition of the Nomination Advisory Committee and the Compensation Advisory Committee (now all outside directors participate in these committees) |
| 2021 | • Created a general rule that the role of Senior Advisor will only be established when there is a vacancy in the Chairperson post<br>• Abolished the honorary advisor system*<br>• Abolished the advisor/special advisor system<br>• Revised officer compensation system, introducing "restricted stock" and "performance share units" compensation |
| 2022 | • Revised the structure and functions of the Advisory Board (the role of chair is now held by the outside director who chairs the Board of Directors while the nomination and compensation advisory functions of all directors, including the CEO and Chairperson, were consolidated into a single function in the form of the Nomination Advisory Committee or the Compensation Advisory Committee) |
| 2023 | • Revised the composition of the Board of Directors (raised the ratio of independent outside directors on the Board to 50%) |

* Applicable from the current Senior Advisor

## Corporate Governance System (As of June 2023)

**Organization Structure** **Company with Board of Statutory Auditors**

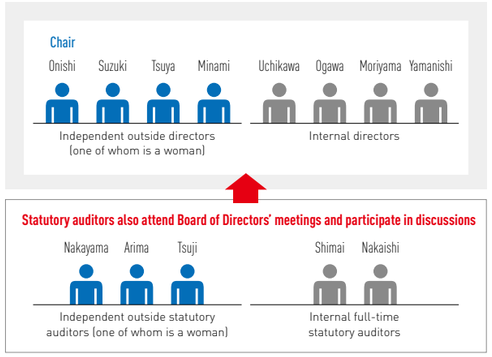
The current Companies Act requires the Board of Directors to appropriately carry out two roles: engaging in important business judgment and decision-making, and monitoring and supervising management. To properly fulfill these roles, the Company deems that a corporate governance system based on two core functions—(1) the execution of business led by the internal directors who are corporate officers and (2) management oversight and supervision focused on by outside directors and the Chairperson of the Board of Directors as well as monitoring and auditing 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.



## 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 is responsible for ensuring accountability and works to clarify its policies on compliance and how to manage risks surrounding the Company, while also overseeing 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**




**Board of Directors' Meetings in Fiscal 2022** Number of meetings held: 13

**Main Agenda Items and Discussion Topics**

| | | |
|---|---|---|
| **Management and Business Strategies** | • Long-term vision revision and ideal future business portfolio<br>• Reforms for Profitability Improvement initiative<br>• Restructuring of the Group's organization (restructuring of business units, etc.)<br>• Initiatives related to human capital, intellectual properties, and DX | • Rationale behind the public listing of both parent and subsidiary companies<br>• Important investment projects for business strategies<br>• Monitoring progress of important investment projects, etc.<br>• Near-term management plans for the next fiscal year etc. |
| **Corporate Governance** | • Evaluation of the Board of Directors' effectiveness<br>• Reports on the results of the effectiveness evaluation of internal control system and basic policy for internal control system<br>• Direction of revisions to the Company's institutional design | • Submission of the Corporate Governance Report<br>• Status of cross-shareholdings<br>• Basic plans of the TRM Committee<br>• Audit plans of the statutory auditors etc. |
| **Financial Results, IR, and General Meeting of Shareholders** | • Financial results and performance forecasts<br>• Dividends from surplus | • Status of stakeholder communication initiatives<br>• Summary of the Ordinary General Meeting of Shareholders etc. |
| **Appointment and Compensation of Directors and Officers** | • Appointment and retirement of and commission work related to Teijin Group corporate officers<br>• Personnel systems and compensation systems and amounts for directors and Teijin Group corporate officers etc. | |

## 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 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 2022 and an overview of the results are as follows.

**Analysis and Evaluation Method**

A self-evaluation questionnaire of all directors and statutory auditors (15, including outside directors and outside statutory auditors) where the respondents gave their name was conducted based on the advice of external experts. The evaluation points in the questionnaire were compiled from the following eight fields. Respondents evaluated the questionnaire's 39 questions based on a four-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
2. Risk and crisis management
3. Corporate ethics
4. Performance monitoring
5. Organization and business restructuring-related transactions
6. Management team evaluation, compensation, and succession planning
7. Stakeholder dialogue
8. Composition and operation of the Board of Directors

**Evaluation Results**

The results of the Board of Directors' effectiveness evaluation conducted via the aforementioned 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 for all items.

Status of Response to Issues Recognized in the Fiscal 2022 Evaluation

Discussions on Business Creation Utilizing Digital Technologies and Data

At the Board of Directors' meetings held in fiscal 2022, with respect to the use of digital and IT technologies, which is positioned as an important measure for business creation, the progress and issues with themes such as the acquisition and application of advanced technologies, including AI, and the building of a next-generation user environment were reported and discussed. Discussions need to be carried out on the direction of data and digital strategies in the Group overall and on the future investment of resources. The Company also confirmed plans to continue discussions in line with the next medium-term management plan, scheduled to be disclosed in fiscal 2024.

Discussion on the Business Portfolio

At the Board of Directors' meetings held in fiscal 2022, the Company established specific aims for the long-term vision, which is the vision the Teijin Group aims to achieve in the future, and also held discussions concerning the business portfolio after clarifying the position of existing businesses. Amid these discussions, the Company confirmed it was necessary to broadly review its strategies, mainly the Strategic Focus fields. The Company has temporarily put a halt to Strategic Focus and Profitable Growth field classification, and in fiscal 2023 has decided to focus its efforts on structural reforms in the composites, aramid, and healthcare businesses. The Company plans to continue to carry out discussions concerning the business portfolio, including new growth strategies ahead of the next medium-term management plan, which is scheduled to be disclosed in fiscal 2024.

Discussions on the Rationale behind the Public Listing of Both Parent and Subsidiary Companies

At the Board of Directors' meetings held in fiscal 2022, the Company discussed the rationality of maintaining the listing of Infocom Corporation and Japan Tissue Engineering Co., Ltd. (J-TEC), which are listed subsidiaries of the Company. From the standpoint of optimizing the corporate value of Infocom and J-TEC, and not just the Group itself, the Company decided it was rational to maintain their listing. It is necessary to regularly confirm the listing of the parent and its subsidiaries. At the Board of Directors' meetings in fiscal 2023, the Company plans to continue to discuss the rationality of maintaining listings on the stock exchange.

Discussions on Business Continuity Plans Including the Supply Chain

At the Board of Directors' meetings held in fiscal 2022, amid regular reports to the Board by the TRM Committee, which is chaired by the CEO, concerning strategic risk and operational risk, there was a report that the maintenance of customer-oriented business continuity plans (BCPs) and business continuity management by business, in particular the Materials Business, was being conducted. The Company confirmed the necessity of clarifying the situation in each business, including the schedule for relevant projects, in order to further promote this initiative. The Company therefore plans to continue to confirm relevant details through discussions.

Discussions on the Allocation of Management Resources to Human Capital, Intellectual Properties, etc.

At the Board of Directors' meetings held in fiscal 2022, with respect to human capital, activities pertaining to global talent management, corporate culture transformation, and enhancing employee engagement with the Teijin Group were reported and discussed. In addition, as a non-financial indicator for diversity and inclusion, the Company has set goals for fiscal 2030 regarding the number of female directors and non-Japanese directors. In addition, the Company reported and discussed intellectual properties. Taking into account the changing environment surrounding intellectual properties, the Company plans to identify issues that should be addressed and strengthen intellectual properties and the global management of intellectual properties based on the Company's business portfolio. The Company will continue to carry out ongoing discussions on these matters in line with the next medium-term management plan, which is scheduled to be disclosed in fiscal 2024.

Issues Identified in Fiscal 2022 and Measures Going Forward

We identified the following issues as a result of discussions held at Board of Directors' meetings based on the evaluation of effectiveness conducted in fiscal 2022 and will further promote efforts to address them together with discussions on the next medium-term management plan.

i. Discussions on the business portfolio
ii. Discussions on the allocation of management resources to human capital, etc., based on (i)
iii. Discussions on the utilization status and the policy of initiatives of digital technologies and data in business operations, based on (i)
iv. Discussions on BCPs including the supply chain
v. Discussions on the rationale behind the public listing of both parent and subsidiary companies

The Company aims to increase the effectiveness of the Board of Directors and further strengthen corporate governance through these measures.

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

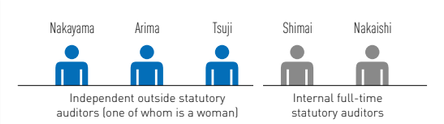
| | Name | Areas where directors and statutory auditors can demonstrate their expertise and experience | | | | | | | | | | Expected role | Nomination Advisory Committee/ Compensation Advisory Committee | Advisory Board | Status of meeting attendance in fiscal 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Corporate management*1 | Finance/Accounting | Legal and business risk management | Global management | Environmental solutions | Health and safety solutions | IT/DX/Innovation*2 | Diversity and inclusion | | | | | | |
| Directors | Akimoto Uchikawa | ✓ | | | ✓ | ✓ | ✓ | ✓ | | | | Play the role of CEO in formulating and executing management policies to enhance the corporate value of the Teijin Group | ✓ | ✓ | Attended 13 out of 13 Board of Directors' meetings |
| | Eiji Ogawa | ✓ | ✓ | ✓ | ✓ | | | ✓ | | | | Help secure a sound financial base and enhance corporate value by leveraging his knowledge and insight cultivated in finance and accounting fields | | | Attended 13 out of 13 Board of Directors' meetings |
| | Naohiko Moriyama | | | ✓ | | | ✓ | ✓ | | | | Formulate strategies for creating growth platforms and strengthening management base by leveraging his knowledge and insight cultivated in the Healthcare Business Field and through corporate management and planning | | | Attended 13 out of 13 Board of Directors' meetings |
| | Noboru Yamanishi | | | ✓ | | ✓ | | ✓ | | | | Promote efforts toward sustainability management, compliance, and risk management by leveraging his knowledge and insight cultivated in the Materials Business Field | | | Appointed in June 2023 |
| Independent Outside Directors | Yoichi Suzuki | | | ✓ | ✓ | ✓ | | | | | | 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 | ✓ | ✓ | Attended 13 out of 13 Board of Directors' meetings |
| | Masaru Onishi | ✓ | | | | ✓ | ✓ | ✓ | | | | 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 13 out of 13 Board of Directors' meetings |
| | Masaaki Tsuya | ✓ | | ✓ | ✓ | | | | ✓ | | | Monitor business management and provide suggestions on business execution based on his experience as CEO and chairman of a listed company, abundance of business experience, and high level of insight | ✓ | ✓ | Attended 10 out of 10 Board of Directors' meetings |
| | Tamie Minami | | | | ✓ | | ✓ | | ✓ | | | Monitor business management and provide suggestions on business execution based on her high level of insight from a global perspective and the perspective of diversity and inclusion cultivated through her experience in the healthcare business of a global company | ✓*3 | ✓*3 | Appointed in June 2023 |
| Statutory Auditors | Masanori Shimai | | ✓ | ✓ | | | | | | | | Monitor overall management and provide advice based on his wealth of knowledge and experience in finance and accounting fields and his deep understanding of the Company's business | | | Attended 13 out of 13 Board of Directors' meetings<br>Attended 12 out of 12 Board of Statutory Auditors' meetings |
| | Akio Nakaishi | | | | ✓ | ✓ | | ✓ | | | | Monitor overall management and provide advice by leveraging his knowledge of technologies in the Materials Business Field and wealth of practical experience | | | Attended 13 out of 13 Board of Directors' meetings<br>Attended 12 out of 12 Board of Statutory Auditors' meetings |
| Independent Outside Statutory Auditors | Hitomi Nakayama | | | ✓ | | | ✓ | | ✓ | | | Contribute to maintaining and improving the Company's compliance, monitor management, and provide advice based on her insight and experience as a lawyer | | | Attended 13 out of 13 Board of Directors' meetings<br>Attended 12 out of 12 Board of Statutory Auditors' meetings |
| | Jun Arima | | | ✓ | ✓ | ✓ | | | | | | 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 13 out of 13 Board of Directors' meetings<br>Attended 12 out of 12 Board of Statutory Auditors' meetings |
| | Koichi Tsuji | ✓ | ✓ | | ✓ | | | | | | | Contribute to maintaining and improving the Company's compliance, monitor management, and provide advice based on his insight and experience as certified public accountant | | | Appointed in June 2023 |
| Non-Japanese Experts | Thomas M. Connelly, Jr.*4 | — | | | | | | | | | | Provide advice to improve corporate value based on his abundance of corporate and business management experience on a global level | | ✓ | — |
| | Gerardus Johannes Wijers*5 | — | | | | | | | | | | Provide advice to management based on his abundant global corporate experience and his high level of insight pertaining to the economy and business management | | ✓*3 | — |

*1 Includes experience with portfolio transformation and structural reforms *2 Includes experience with manufacturing and quality assurance *3 Member since fiscal 2023
*4 Former CEO of the American Chemical Society *5 SEO Economisch Onderzoek, Chairman-Supervisory Board

### 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.

**Members of the Board of Statutory Auditors**




**Basic Policy of the Board of Statutory Auditors in Fiscal 2022**
- Conduct audits with a focus on the soundness of the Company's business activities
- Assess the situation of increasingly important core overseas businesses
- Emphasize preventative audits through an appropriate approach toward risks
- Collaborate appropriately with the accounting auditors and the Corporate Audit Department

**Board of Statutory Auditors' Meetings in Fiscal 2022**
Number of meetings held: 12

**Key Audit Matters**

| Auditing Perspective | Key Audit Matters |
|---|---|
| Governance | • Situation concerning business management and internal controls at important overseas subsidiaries<br>• Governance structure at listed subsidiaries<br>• Response to Japan's Corporate Governance Code |
| Corporate Ethics and Compliance | • Response to social issues such as climate change and respect for human rights<br>• Establishment and operation of compliance structure (including internal whistleblowing system)<br>• Establishment and operation of internal control systems |
| Preparation for Operational Risk | • Flexible response toward the operating environment, including the COVID-19 pandemic and the Ukraine situation<br>• Response to human resource management (human capital)<br>• Production-related: Mitigation measures for ESH-related accidents, establishment and operation of production facilities and their management systems |
| Preparation for Strategic Risk | • Medium- to long-term business portfolio (establishment of targets and realization process)<br>• Monitoring of the implementation status of response measures to underperforming businesses/companies |

### 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 consists of the CEO, chief officers, and other members designated by the CEO. The CEO convenes and chairs the committee meetings. The Group Management Committee comprises the CEO, chief officers, general managers of the Company's business units, and others designated by the CEO. The CEO convenes and chairs the meetings of this committee as well. In addition to these members, the committees are also attended by the internal full-time statutory auditors.

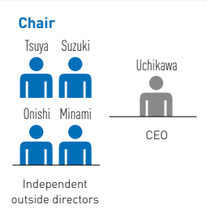
### Nomination Advisory Committee and Compensation Advisory Committee

The Nomination Advisory Committee and the Compensation Advisory Committee are established as consultative bodies of the Board of Directors to further enhance the transparency concerning the appointment of directors and officers. Each committee deliberates on the following matters and makes recommendations to the Board of Directors.

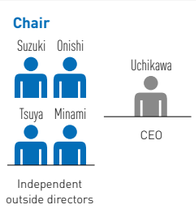
**Nomination Advisory Committee**
- Deliberation on CEO succession and recommendation of successor
- Selection and dismissal of candidates for representative directors
- Selection and dismissal of candidates for directors (including Chairperson)
- Selection and dismissal of candidates for statutory auditors
- Promotion, demotion, selection, and dismissal of internal directors and senior management
- Deliberation on matters concerning the criteria for independence of outside directors and outside statutory auditors
- Selection of candidates for CEO and review of the CEO's plan and progress thereof for developing potential successors

**Compensation Advisory Committee**
- Deliberation on matters concerning the compensation system of corporate officers of the Teijin Group
- Deliberation on matters concerning the level of compensation of corporate officers of the Teijin Group
- Evaluation on the performance of and deliberation on matters concerning the amount of compensation for internal directors (including the CEO) and senior management

**Nomination Advisory Committee Members**




**Compensation Advisory Committee Members**




Four independent outside directors, the Chairperson of the Board of Directors (currently, the Chairperson's post is vacant), and the CEO participate as members of the Company's advisory committees, which are chaired by an independent outside director. For matters concerning the current CEO, in principle, the CEO leaves the room and does not participate in the deliberations. For matters concerning the Chairperson, the Chairperson leaves the room and does not participate in the deliberations.

### Board of Advisory Committees' Meetings in Fiscal 2022

Number of meetings held:
Nomination Advisory Committee: 5
Compensation Advisory Committee: 9

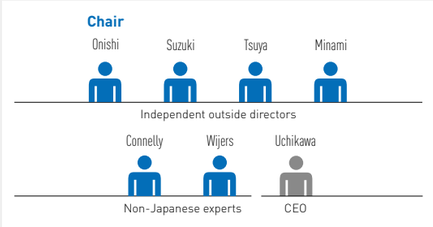
### Main Agenda Items and Discussion Topics

| | |
|---|---|
| Nomination Advisory Committee | • Revision to the corporate officer system (Redefinition of the scope of the corporate officer position and determination of new classifications in accordance with positions)<br>• CEO succession plans<br>• Appointment of directors and officers in fiscal 2023<br>• Independence of outside directors |
| Compensation Advisory Committee | • Revision to the corporate officer system (treatment based on role and responsibilities, adjustment of appointment and evaluation process)<br>• Performance evaluation and compensation of important corporate officers, including the CEO, in fiscal 2021<br>• Appropriateness of corporate officer compensation levels |

## Advisory Board

The Advisory Board, comprising both Japanese and non-Japanese experts, has been established to provide advice to management in general from a broad and long-term perspective, and operates as a consultative body to the Board of Directors. The Advisory Board is made up of five to seven outside advisors (currently, it comprises four independent outside directors and two non-Japanese experts) as well as the Chairperson of the Board of Directors (currently, the Chairperson's post is vacant) and the CEO. The Advisory Board is chaired by the independent outside director who chairs the Board of Directors.

**Advisory Board Members**




The Advisory Board discusses the following matters and provides relevant advice to the Board of Directors.

(i) Items pertaining to the Company's business planning and strategic direction (including long-term and medium-term business plans)
(ii) Items related to corporate governance, sustainability, and corporate ethics, etc.
(iii) Items concerning the Company's performance
(iv) Items pertaining to internal/external politics, the economy, and laws and legislation
(v) Other items related to overall business management

## Officer Compensation

Based on 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 environmental, social, and governance (ESG) initiatives, the Company introduced "restricted stock" and "performance share units" systems. These systems were introduced with the aim of providing an incentive for directors to achieve the targets of the Company's management plans and to 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 has been applied to all corporate officers on a global basis in order to further strengthen the Group's management foundation.

### Basic Policy on Compensation Systems

- 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 System

The compensation ratio for internal directors (excluding the Chairperson and Senior Advisors) is as follows.

| 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% |

| | Monetary compensation | Stock compensation |
|---|---|---|
| Fixed compensation | **Basic compensation**<br>A fixed amount is paid in the form of basic compensation to directors according to their position/job grade. | **Restricted stock**<br>A fixed number of restricted shares are provided to directors according to their position/job grade. |
| Variable compensation | **Performance-linked compensation**<br>With a view toward the steady implementation of the Reforms for Profitability Improvement initiative, performance-linked compensation is paid to directors in an amount based on individual performance assessments and the level of achievement of key management indicators, including 1. Consolidated ROE , 2. Operating income, and non-financial indicators (3. Group $CO_2$ emissions, 4. Rate of lost-worktime injuries, 5. Diversity and inclusion, and 6. Degree of employee satisfaction). | **Performance share units**<br>In order to enhance corporate value and shareholder value over the medium to long term, restricted shares are provided to directors in the event targets are achieved based on the indicators of 1. Consolidated ROE, 2. Consolidated ROIC based on operating income, and 3. Total shareholder return. |

Note: The Chairperson, Senior Advisors, outside directors, and statutory auditors are not eligible to receive performance-linked compensation, restricted stock (shares), and performance share units, and are only paid basic compensation.

## Officer Compensation Amounts (Fiscal 2022)

| 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 | Restricted stock | Performance share units | |
| Directors (excluding outside directors) | 345 | 292 | 14 | 39 | — | 6 |
| Statutory auditors (excluding outside statutory auditors) | 75 | 75 | — | — | — | 2 |
| Outside directors | 72 | 72 | — | — | — | 5 |
| Outside statutory auditors | 41 | 41 | — | — | — | 3 |

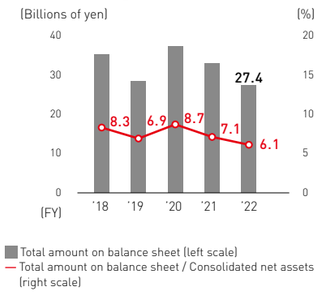
Note: Since the targets for the fiscal year under review were not achieved, the portion of performance share unit compensation for directors (excluding outside directors) corresponding with business execution was not granted.

## Basic Policy Concerning Cross-Shareholdings

The Company holds shares of issuing companies that it has determined to be instrumental in increasing its corporate value over the medium to long term, with the objective of maintaining and strengthening transactions with them and promoting business alliances with them. The Board of Directors regularly reviews whether or not it is appropriate to hold shares based on an examination of the purpose of holding the shares and the rationale for holding each individual stock from a medium- to long-term perspective. In these reviews, the Board of Directors takes into account a comprehensive range of factors, including the significance from a strategic standpoint and in terms of business relationship, in addition to weighing dividends, transaction amounts, and other quantitative impacts against the capital cost.

After these reviews, those shares for which the purpose of holding has diminished are liquidated, in principle. Through this process, the Company endeavors to reduce cross-shareholdings.

### Total Number of Cross-Shareholdings and Percentage of Net Assets



# Dialogue with Shareholders and Other Investors

## Holding Dialogues and the Main Participants

### Main Activities

Teijin engages in dialogue with its shareholders and other investors in various manners and settings with the aim of deepening their understanding of the Company's management policies and business strategies and building trust-based relationships with them. In addition to holding financial results briefings every quarter, we promote such activities as small meetings based on requests from investors in order to respond to more detailed questions. Furthermore, we offer business briefings on our medium- to long-term management policies and the progress we are making under such policies, briefings related to specific businesses, plant tours, briefings on our environmental, social, and governance (ESG) initiatives, and various other kinds of briefings on other important matters for disclosure.

In terms of our overseas investor relations (IR) activities, the CEO, CFO, and/or Chief Officer (Corporate Strategy) visit institutional investors overseas, primarily in North America, Europe, and Asia, roughly three to five times a year. However, due to the impact of the COVID-19 pandemic, online meetings have become much more common in recent years. We also actively participate in conferences for overseas institutional investors held by securities companies and other companies. Additionally, between March and May each fiscal year, we hold meetings with our shareholders, and, between December and January, we hold meetings with investors to exchange opinions regarding our integrated report.

Moreover, we offer business briefings for individual investors in which the CEO provides explanations on management policies and business managers explain the situation of their respective business. We also hold exhibitions for individual investors where we put Company products on display.

### Activities in Fiscal 2022

For our IR activities in fiscal 2022, in addition to our quarterly financial results briefings, we held a business briefing in June 2022 for investors and analysts where we explained the progress on Medium-Term Management Plan 2020–2022 and initiatives for sustainable growth. In the same month, a small meeting was held between CEO Akimoto Uchikawa, who was appointed president and CEO in April 2022, and 10 sell-side analysts. After announcing our Reforms for Profitability Improvement initiative in February 2023, we held a follow-up meeting with approximately 80 investors and analysts in an effort to deepen their understanding of the initiative.

With regard to overseas IR activities, we held numerous online meetings with overseas investors. The CEO visited institutional investors in the U.S. while the Chief Officer (Corporate Strategy) visited institutional investors in Europe. We also participated in conferences held by securities companies.

Aside from these meetings, we held 17 meetings with our shareholders and five meetings for exchanging opinions on our integrated report.

For individual investors, we held a business briefing in September 2022 and a virtual tour of our product display facility (TEIJIN MIRAI STUDIO) in December.

**Financial results briefings (4 times)**
CFO (first and second quarter), CEO and CFO (third quarter and full fiscal year)

**Business briefing (June)**
CEO, CFO, CSR Officer (currently Chief Sustainability Officer (CSO)), Chief Officer (Corporate Strategy), president of Material Business, and president of Healthcare Business

**CEO small meeting (June)**
CEO and Chief Officer (Corporate Strategy)

**Briefing on the Reforms for Profitability Improvement initiative (February)**
CEO, CFO, and Chief Officer (Corporate Strategy)

**Follow-up meeting on the Reforms for Profitability Improvement initiative (February)**
CEO, CFO, CSR Officer (currently CSO), Chief Officer (Corporate Strategy), president of Material Business, and president of Healthcare Business

**Individual meetings (Around 200 for the year, including overseas IR meetings: Approx. 20; shareholder meetings: Approx. 20; integrated report opinion exchange meetings: Approx. five)**
CEO, CFO, Chief Officer (Corporate Strategy), CSR Officer (currently CSO), and officer in charge of IR

**Business briefing for individual investors (September)**
CEO

**Tour of product display facility for individual investors (September)**
Deputy Chief Officer (Corporate Strategy)

## Details of Shareholders and Other Investors Participating in Dialogues

**Overseas shareholders: Approx. 40%, domestic shareholders: Approx. 60%**

We view the creation of trust-based relationships with our shareholders and other investors as an important management issue. We therefore are working to proactively disclose information and enhance mutual communication. In addition to institutional investors, who represent our major shareholders, we engage in dialogue with a broad range of active investors, centering on both value and growth investors in Japan and overseas.

## Communicating the Opinions and Concerns of Shareholders and Other Investors to Management

The opinions received from shareholders and other investors via these dialogues are reported to the Management Committee, where they are utilized in such matters as deepening discussions on business strategy formulation, including medium-term management plans. In fiscal 2022, the opinions of our shareholders and other investors stating that we should first prioritize efforts to secure a profit base provided the impetus for our decision to delay the announcement of the next medium-term management plan and instead announce the Reforms for Profitability Improvement initiative. Furthermore, we have been striving to enhance governance based on shareholders' and other investors' opinions regarding the vision for the Advisory Board and the introduction of non-financial KPIs in our officer compensation system.

| | Frequency | Report details |
|---|---|---|
| Comments from shareholders, other investors, and analysts | Monthly | Summary of comments reported to the Management Committee |
| Analyst reports | Every quarter and additional occasions | Email, etc., containing summary of analyst reports |
| Status of IR activities | First half and second half | Details of activities and major issues and status of dialogues with shareholders and other investors, etc., reported to the Board of Directors and Management Committee |

## Main Themes of Dialogues and Shareholder Points of Interest

### Main Opinions Exchanged in Fiscal 2022

- New management structure and CEO selection process
- Initiatives to enhance governance (review of the position of the Advisory Board, etc.)
- Initiatives toward climate change (acquisition of Science Based Targets certification, etc.)
- Utilization method for internal carbon pricing system
- Diversity and inclusion
- Reduction of cross-shareholdings
- Public listing of parent and subsidiary companies
- Management of business portfolio
- Status of examinations on the next medium-term management plan
- Relationship between each initiative and corporate value enhancement

### Specific Requests and Opinions in Fiscal 2022

| | |
|---|---|
| **Initiatives to Enhance Governance** | • High praise for the Company's decision to transfer the CEO nomination and compensation advisory function from the Advisory Board to the Nomination Advisory Committee or Compensation Advisory Committee<br>• Strong interest in whether or not the advisory committees and the outside directors are fulfilling their roles in line with shareholder expectations and from an outside perspective |
| **Initiatives toward Climate Change** | • Would like to see disclosure of initiatives that link efforts to reduce $CO_2$ emissions with the establishment of a competitive edge<br>• High praise for acquiring Science Based Targets certification, as not many fiber and chemical companies have acquired such certification |
| **Diversity and Inclusion** | • Concern that there are not many efforts that seem to tie diversity and inclusion in with the spurring of innovation, although disclosure on diversity and inclusion-related data is comprehensive |
| **Officer Compensation** | • Extremely improved with the inclusion of female officer numbers in KPIs for officer compensation targets |
| **Public Listing of Parent and Subsidiary Companies** | • Increasingly strict investor opinions every year on the listing of both the parent company and subsidiary companies, and this issue will likely be brought up in the future every time discussions are held regarding the revision to Japan's Corporate Governance Code |
| **Next Medium-Term Management Plan** | • Belief that Teijin's purpose and strengths should be better expressed in writing<br>• Due to the significance of current issues, opinion that it would be better to establish temporary plans for each year, rather than a three-year medium-term management plan<br>• Request that the Company's cash allocation policy under the new medium-term management plan be disclosed, including the position of shareholder returns |
| **Corporate Value** | • Belief that the response for sluggish share prices is due to the fact that the Company has not fully communicated its long-term outlook<br>• Expectations that the Company can once again achieve price-to-book ratio exceeding 1 times, as it did in the past, depending on its future approach. Focus on the Company's ability to formulate and execute initiatives to that end. |
| **Intellectual Properties** | • Opinion that the Company should disclose the fact that it has been implementing from an early stage advanced initiatives toward IP landscapes and healthcare, etc., including some that have won awards from external institutions (included such content in Integrated Report 2022) |
| **Integrated Disclosure of Financial and Non-Financial Information** | • Belief that the realization of life cycle assessment in the carbon fibers business has boosted the Company's competitiveness. As such, hopes that the Company will continue to disclose initiatives in a manner that combines both business and environmental perspectives.<br>• Belief that the Company should establish KPIs that can be linked to corporate value, such as those for gross profit per man-hour (gross profit / total work hours) and net sales per employee |

# Board of Directors, Statutory Auditors, and Other Members of Management (As of July 2023)

## Board of Directors

President and CEO,
Representative Director of the Board

### Akimoto Uchikawa

| | | |
|---|---|---|
| March | 1990 | Joined Teijin Limited |
| April | 2017 | Teijin Group Corporate Officer<br>Management Coordinator for the President, Material Business of Teijin Group / Assistant to General Manager, Fibers and Products Converting Business Group (for Technology, Production, Restructuring Initiatives) |
| April | 2020 | General Manager, Composites Business Unit |
| April | 2021 | Teijin Group Executive Officer<br>President, Material Business of Teijin Group |
| June | | Executive Officer, Director, Teijin Limited |
| April | 2022 | President and Representative Director (incumbent) Chief Executive Officer (incumbent) |

Senior Executive Officer,
Representative Director of the Board

### Eiji Ogawa

| | | |
|---|---|---|
| April | 1985 | Joined Teijin Limited |
| April | 2016 | Teijin Group Corporate Officer<br>General Manager, Resin and Plastic Processing Business Unit |
| April | 2019 | Chief Officer (Corporate Strategy) |
| June | 2020 | Corporate Officer, Director, Teijin Limited |
| April | 2021 | Executive Officer, Director, Teijin Limited |
| April | 2022 | President, Material Business of Teijin Group |
| April | 2023 | Senior Executive Officer, Representative Director (incumbent) CFO, Responsible for Procurement and Logistics Division (incumbent) |

Senior Executive Officer, Member of the Board

### Naohiko Moriyama

| | | |
|---|---|---|
| March | 1990 | Joined Teijin Limited |
| April | 2017 | Teijin Group Corporate Officer<br>Management Coordinator for the President, Healthcare Business of Teijin Group |
| April | 2019 | General Manager, Healthcare New Business Division |
| April | 2021 | Teijin Group Executive Officer<br>President, Healthcare Business of Teijin Group<br>General Manager, Healthcare New Business Division |
| June | | Executive Officer, Director, Teijin Limited |
| October | 2022 | Chief Officer, Corporate Strategy (incumbent) |
| April | 2023 | Senior Executive Officer, Teijin Limited (incumbent) |

Executive Officer, Member of the Board

### Noboru Yamanishi

| | | |
|---|---|---|
| April | 1988 | Joined Teijin Chemicals Ltd. (currently Teijin Limited) |
| April | 2019 | Teijin Group Corporate Officer General Manager, Resin and Plastic Processing Business Unit |
| April | 2023 | Teijin Group Executive Officer<br>Chief Sustainability Officer (CSO), Responsible for Engineering Division and Corporate Audit Department (incumbent) |
| June | | Executive Officer, Teijin Limited (incumbent) |

Independent Outside Director

### Yoichi Suzuki

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

Independent Outside Director

### Masaru Onishi

| | | |
|---|---|---|
| April | 1978 | Joined Japan Airlines Co., Ltd. |
| April | 2011 | President, Representative Director, Japan Airlines Co., Ltd. |
| February | 2012 | Chairman, Representative Director, Japan Airlines Co., Ltd. |
| April | 2014 | Chairman, Director, Japan Airlines Co., Ltd. |
| July | 2018 | External Affairs Representative, Japan Airlines Co., Ltd. |
| June | 2019 | Director, Teijin Limited (incumbent)<br>Member of the Advisory Board, Teijin Limited (incumbent) |

Independent Outside Director

### Masaaki Tsuya

| | | |
|---|---|---|
| April | 1976 | Joined Bridgestone Corporation |
| March | 2012 | Representative Director, CEO, Bridgestone Corporation |
| March | 2013 | Representative Director, CEO, Chairperson of the Board, Bridgestone Corporation |
| March | 2016 | Representative Executive Officer, CEO, Chairperson of the Board, Bridgestone Corporation |
| March | 2020 | Chairperson of the Board, Bridgestone Corporation |
| March | 2021 | External Advisor, Bridgestone Corporation (incumbent) |
| June | 2022 | Director, Teijin Limited (incumbent) / Member of the Advisory Board, Teijin Limited (incumbent) |

Independent Outside Director

### Tamie Minami

| | | |
|---|---|---|
| June | 1995 | Joined 3M Company |
| May | 2008 | Vice President and General Manager, Home Care Division, 3M Company |
| October | 2013 | Vice President, Southeast Asia Region, 3M Company |
| October | 2015 | Vice President, Latin America Region, 3M Company |
| November | 2017 | Vice President, Asia Region, 3M Company |
| December | 2019 | Senior Vice President, Safety and Industrial Business Group, Asia Region, 3M Company |
| June | 2023 | Director, Teijin Limited (incumbent)<br>Member of the Advisory Board, Teijin Limited (incumbent) |

## Statutory Auditors

Full-Time Statutory Auditor

### Masanori Shimai

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

Full-Time Statutory Auditor

### Akio Nakaishi

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

Independent Outside Statutory Auditor

### Hitomi Nakayama

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

Independent Outside Statutory Auditor

### Jun Arima

| | | |
|---|---|---|
| April | 1982 | Joined Ministry of International Trade and Industry (MITI; currently Ministry of Economy, Trade and Industry (METI)) |
| June | 1996 | Counsellor, Permanent Delegation of Japan to the OECD (Energy Advisor) |
| June | 2002 | Head, Country Studies Division, International Energy Agency (IEA) |
| June | 2006 | Director, International Affairs Division, Agency of Natural Resources and Energy (ANRE)/METI |
| July | 2007 | Counsellor, International Energy Negotiation, ANRE/METI |
| July | 2008 | Deputy Director General for Global Environmental Affairs, METI |
| April | 2011 | Director General, Japan External Trade Organization (JETRO), London Special Advisor on Global Environmental Issues, METI |
| August | 2015 | Professor, Graduate School of Public Policy, University of Tokyo |
| June | 2020 | Statutory Auditor, Teijin Limited (incumbent) |
| April | 2021 | Project Professor, Graduate School of Public Policy, University of Tokyo (incumbent) |

Independent Outside Statutory Auditor

### Koichi Tsuji

| | | |
|---|---|---|
| October | 1984 | Joined Peat Marwick Mitchell & Co. |
| September | 1988 | Registered as a Certified Public Accountant |
| July | 2004 | Senior Partner, ShinNihon LLC |
| February | 2016 | Chairman, ShinNihon LLC (currently Ernst & Young ShinNihon LLC) |
| July | 2019 | Chairman and CEO, EY Japan Godo Kaisha<br>Member of the Board of Directors, EY Japan Co., Ltd. |
| June | 2023 | Statutory Auditor, Teijin Limited (incumbent) |

## Teijin Group Executive Officers

**Masaki Taneda**
General Manager, Healthcare Business Unit
President, Teijin Pharma Limited
General Manager, Healthcare Business Management Division, Teijin Limited
General Manager, Business Management Division, Teijin Pharma Limited

**Yasunari Hirata**
General Manager, Fibers & Products Converting Business Unit
President and CEO, Teijin Frontier Co., Ltd.

## Teijin Group Corporate Officers

**Shukei Inui**
General Manger, Carbon Fibers Business Unit

**Yasuhiko Kuriyama**
General Manager, Research, Development & Technology Unit, Teijin Pharma Limited

**Tsutomu Igawa**
Chief Officer (Global Administration)

**Peter ter Horst**
General Manager, Aramid Business Unit
President, Teijin Aramid B.V.

**Noriko Higuchi**
General Manager, New Business Development Unit
Responsible for Intellectual Property Department

**Masato Tanaka**
General Manager, Marketing & Sales Unit, Teijin Pharma Limited

**Junji Kitahama**
General Manager, Resin & Plastic Processing Business Unit

**Masataka Akiyoshi**
General Manager, Composites Business Unit

**Fumiaki Sakurai**
Chief Human Resources Officer

# Corporate Ethics and Compliance

## Basic Concept

Integrity represents the source of Teijin's compliance and serves as the most fundamental course of action for "enhancing quality of life," a central theme of the Company's Corporate Philosophy.

To ensure that our business activities are carried out with integrity, we rigorously promote the practical application and observance of our Corporate Philosophy, Code of Conduct, Group Ethics Regulations, and other internal regulations, under the supervision of the Board of Directors. In addition to complying with laws and regulations, we require our corporate officers and employees to act with integrity and in accordance with social norms, based on the concept that promoting compliance is essential for creating a sound corporate culture. To that end, we ensure that the Company's corporate officers, starting with the representative directors, lead by example in this regard. At the same time, we provide compliance-related education and awareness activities to the corporate officers and employees of the Company and its subsidiaries.

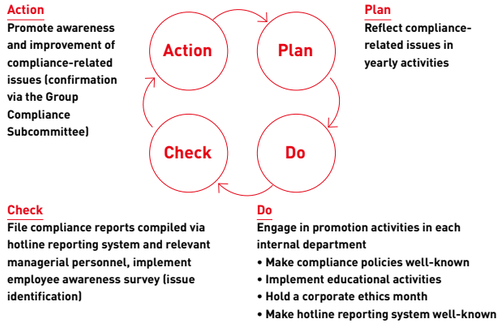
In these ways, we aim to increase shareholder value and enhance the level of employee satisfaction by fostering a corporate culture that respects honest behavior.

## Compliance Promotion Structure

The Group CSR Committee holds discussions and shares compliance and risk management policies within the Group. The Group Compliance Subcommittee was established to serve as a task force for this committee. It is chaired by the general manager of the Sustainability Development and Engagement Department and is composed of managers from the compliance departments of each business unit. Confirmation on the status of compliance promotion in each department within the Group are done through this subcommittee.

We also appoint Compliance Risk Management Promotion Managers in each business and at each Group company to encourage the implementation of compliance-related activities. In addition, we appoint Compliance Managers at regional headquarters to assist in promoting compliance-related activities in accordance with local laws, regulations and social norms. Under these structures, we verify compliance-related issues in each department within the Group through compliance reports compiled from the hotline reporting system, relevant managerial personnel, and employee awareness surveys. To address the issues identified through these means, we incorporate compliance-related education and awareness activities within the compliance promotion plans of each Group department. By putting such a PDCA cycle into motion within our compliance promotion structure, we are able to ensure sustainable adherence to compliance, and conduct regular evaluation and improvement activities. In this manner, we are working to enhance compliance awareness throughout our organization, foster a corporate culture of adherence to laws and regulations, and minimize compliance-related risks.

### PDCA Cycle of Compliance Activities




## Main Compliance Promotion Activities

We feel that promoting compliance is essential for creating a sound corporate culture. Given this, we are engaging in the following initiatives to not only ensure adherence to internal rules and laws relevant to our business, but also to promote a thorough awareness of corporate ethics.

**• Spreading awareness about our Code of Conduct**

We distribute our corporate ethics handbook to all employees, translated into multiple languages so that all Group employees around the world can understand our Code of Conduct. In addition, we produce videos of case studies with subtitles in various languages and disseminate them to all Group companies.

**• Workshops for all employees during the Corporate Ethics Month**

The Teijin Group has designated October as our annual Corporate Ethics Month. During this month, training is conducted targeting all executives and employees (including contract / temporary employees) regarding important compliance-related issues.

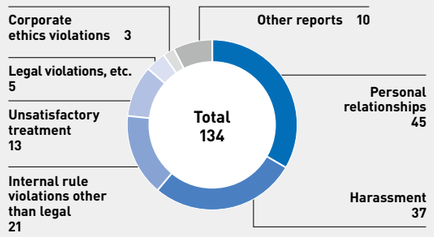
**• Implementation of an employee awareness survey**

We implement an employee awareness survey every year to assess the level of compliance awareness among Teijin Group corporate officers and employees in each country, and to reflect relevant feedback in future compliance promotion activities. In fiscal 2022, the survey targeted 19,867 personnel, 59% of which provided responses.

**• Operating a hotline reporting system**

We operate a hotline reporting system that enables Group corporate officers, employees, and business partners to directly report any illegal conduct or conduct that goes against our corporate values that occur within the Group. Reports of conduct that could present a major risk are reported to upper management, who responds to these allegations accordingly. In addition, information on reports of issues that have been addressed are disclosed to employees twice a year via the Company's intranet while giving proper consideration to privacy. This in turn helps raise employee awareness. Furthermore, the operational status of the internal whistle-blowing system is reported to the Board of Directors on a regular basis, so that they can provide relevant supervision.

### Number of Incidents Reported (including Overseas) in Fiscal 2022




Through our compliance promotion activities, we will foster a corporate culture that values integrity, increase shareholder value, and enhance employee engagement (see "Improvement of Employee Engagement" on page 61).

## Initiatives to Combat Corruption

We established the Teijin Group Anti-Corruption Policy under which we lay out procedures and establish the framework for preventing corruption. In addition, we have formulated conduct guidelines for preventing corruption and work to ensure that our corporate officers and employees rigorously adhere to these guidelines.

**• Management of corruption risks at our business partners**

We conduct due diligence to confirm the validity of transactions with sales agents, suppliers and other parties to prevent corruption occurring through transactions with business partners. We also engage in due diligence regarding corruption risks at partner companies acquired through M&A.

**• Risk management**

From fiscal 2019 to fiscal 2021, we conducted assessments targeting each business and business site of each Teijin Group company in order to clarify the exposure to the risk of corruption throughout the entire Group. The results did not identify any business or site with significant corruption risks. For businesses that deal with public institutions including governmental organizations, however, it was recommended that development of management systems and appropriate regular trainings be conducted, preferably in accordance with Teijin Limited fundamental policies, and taking into consideration local rules, regulations and social norms of the site of the business. Going forward, we will appropriately address any corruption-related risks at each business and business site following the results of the risk assessment.

**• Educational activities**

From the second half of fiscal 2021 to the beginning of fiscal 2022, we implemented anti-corruption e-learning for about 2,300 officers and employees responsible for operations such as sales, procurement, and collaboration with other companies at each business and business site of each Teijin Group company.

**• Future issues**

We will implement internal audits and risk assessment surveys on a regular basis as we work to set in motion a PDCA cycle to continue to combat corruption.

In addition, we are committed to the regular implementation of compliance education and training regarding anti-corruption within the Group. We will also promote the extensive use of the internal reporting system and consultation hotlines when employees face risks such as bribery. We continue to work on the systematic development of a reporting system for outside business suppliers.

# Total Risk Management

## Basic Concept

In addition to enhancing shareholder value, the mission of the Teijin Group is to conduct sustainable business activities that deliver value to its shareholders and all of its other stakeholders. In light of this mission, the Group strives to comprehensively and effectively assess, evaluate, and manage the various risks that could threaten the realization of its mission. By doing so, the Group adopts an organizational and systematic approach to risk management that leverages its Groupwide management capabilities. Specifically, the Group has in place a Total Risk Management (TRM) system targeting both strategic risks—which relate to such factors as the formulation of management strategies and plans, the implementation of strategic actions, and the determination of individual investment projects—and operational risks, which involve various adverse events that can negatively affect the Group's operations, in order to address the various risks that impact the sustainable growth of the Group.

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 of Directors 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 handling policy decisions, overseeing, and monitoring with regard to TRM. The CEO is in charge of assessing strategic risks and provides this assessment as valuable information to the decision-making process of the Board of Directors and other bodies. The Chief Sustainability Officer (CSO) is in charge of overall Groupwide operational risks, 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 unit and at each Group company. At the same time, we promote necessary efforts to address risks that require consistent response policies on a Groupwide basis. 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.

▶ P.65 Corporate Governance System

## Responding to Risks Pertaining to the Reforms for Profitability Improvement Initiative

Risks are occurring much more frequently as the external operating environment continues to change at greater speed. To respond to these risks in a more resilient manner, we have been working to transform our management structure since fiscal 2023 to accelerate management decision-making and business execution. Specifically, we have centralized the business units under the direct control of the CEO in an effort to flatten our organizational layers. By doing so, we have been enhancing our head offices' ability to draft and monitor business strategies and plans. At the same time, we are making efforts to further delegate decision-making authority to the business units to strike a balance between swift business execution and risk management. We are also prioritizing management of risks pertaining to the Reforms for Profitability Improvement initiative as strategic risks (see "Strategic Risks: Identification and Analysis, and Relevant Response Policies" on page 79).

## Responding to Risks Related to the COVID-19 Pandemic

The COVID-19 pandemic's impact on the global economy has had a major effect on our performance in the Materials Business Field, for which automotive and aircraft applications serve as the main market. In particular, there was a significantly delayed recovery in demand for carbon fibers for aircraft. As part of our efforts to address this issue, we have been working to enhance production and operational efficiency by expanding into other applications for which demand is robust. We have also been striving to increase profitability by improving our sales mix. Furthermore, we have been promoting development geared toward the acquisition of large-scale programs for carbon fiber intermediate materials for aircraft, for which demand is expected to recover over the medium to long term, and engaging in ongoing efforts to rigorously monitor profitability. As a result of such initiatives, demand for aircraft has recovered and profitability has improved. In regard to the lockdowns and other policies in China following the country's zero-COVID policy, which started at the end of March 2022, we are closely monitoring the impact of supply chain disruptions and the suspension of operations at our manufacturing facilities and those of our customers that have resulted from this policy, as well as the situation concerning sluggish demand since the policy's implementation.

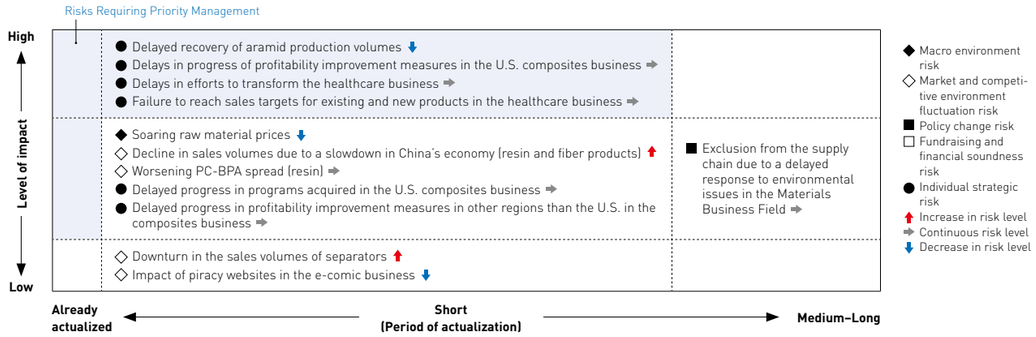
## Response to Geopolitical Risks

With regard to rising geopolitical risks around the world, including the Ukraine situation, North Korea, and the circumstances surrounding Taiwan, we have set up a Groupwide emergency response structure and emergency evacuation program, and have been providing humanitarian aid. We have also been carrying out appropriate measures to respond to such risks after analyzing and evaluating their direct and indirect impacts on our operations.



## Strategic Risks: Identification and Analysis, and Relevant Response Policies

We have broken down strategic risks into five different categories: Macro environment risks, market and competitive environment fluctuation risks, policy change risks, fundraising and financial soundness risks, and individual strategic risks. We have also analyzed specific and recent strategic risks, including those already actualizing in our business strategies, from the perspectives of level of impact, period of actualization, and fluctuation trends, by making use of a strategic risk map. Based on this analysis, we have established response policies in accordance with the level of urgency and impact and have swiftly begun to put these policies into action. In fiscal 2023, in particular, we identified areas of our risk management structure that need to be improved, taking into account a review of our risk management activities in the previous fiscal year. In addition, we have been working to further enhance our monitoring of risks that require prioritized management, including those pertaining to progress of the Reforms for Profitability Improvement initiative, and to strengthen our response for when such risks actualize.

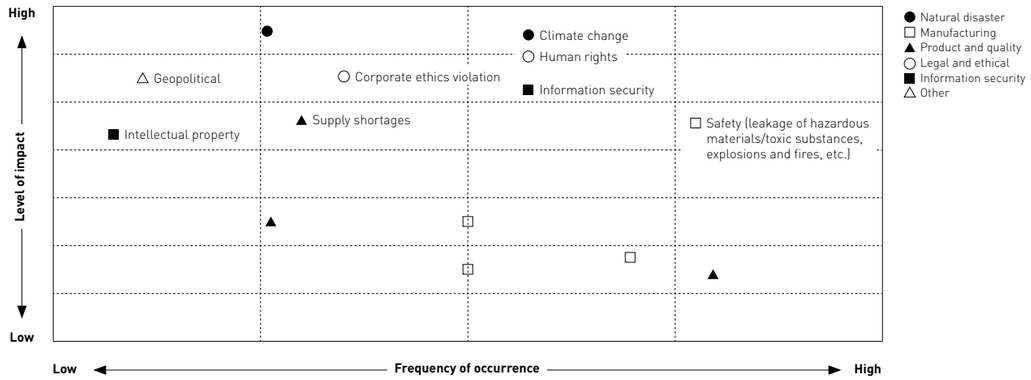



### Strategic Risks: Overall Risks and Basic Response Policies

| Risk category | Risk summary | Basic response policy |
|---|---|---|
| Macro environment risks | • 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<br>• Fluctuations in costs due to changes in raw material and fuel prices<br>• 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)<br>• 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. 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, entering into long-term purchasing contracts, and implementing appropriate selling price measures. 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. |
| Market and competitive environment fluctuation risks | • Fluctuations in supply–demand structure due to changes in the competitive environment<br>• 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<br>• Fluctuations in supply–demand structure due to production activities being impacted by infectious disease outbreaks, natural disasters, and geopolitical risks as well as to supply chain disruptions such as a suspension in logistics activities | 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 risks 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. |
| Policy change risks | • Tightening of GHG emissions regulations, plastic product regulations, and other regulations to a greater extent than expected<br>• Emergence of global protectionism including the recurrence of trade conflicts between the U.S. and China as well as rising economic security risks<br>• Acceleration of domestic drug price revisions and other government policies to curtail medical costs | |
| Fundraising and financial soundness risks | • 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<br>• 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. |
| Individual strategic risks (including those pertaining to the Reforms for Profitability Improvement initiative) | • Deviation from our profitability improvement plans due to delays or difficulties faced in their implementation<br>• Inability to find investment projects that fit with strategies, thereby delaying capital expenditures and M&A or making them impossible<br>• Recording results in our R&D activities that deviate significantly from targets despite allocating funds to R&D expenses | By determining KPIs for the progress we are making toward are plans and monitoring them accordingly, we are controlling various factors that would cause us to deviate from our plans. For large-scale strategic investments aimed at business creation and expansion, we are thoroughly ascertaining the situation surrounding such investments in consideration of the operating environment and focusing on the implementation of action plans to address individual issues. |

## Operational Risks: Identification and Analysis, and Relevant Response Policies

We have broken down operational risks into six categories: Natural disaster, manufacturing, product and quality, legal and ethical, information security, and others. We have also identified and analyzed recent operational risks based on their level of impact and frequency of occurrence. By doing so, we have positioned five categories of Groupwide risks as "serious Group risks" and are formulating policies to respond to these categories, which include: i) Climate change risks; ii) Human rights-related risks; iii) Information security risks; iv) Geopolitical risks; and v) Safety risks (see table below).




### Operational Risks: Specific Initiatives toward Serious Group Risks

| Risk category | Risk summary | Relevant material issues* | Response measures | Frequency of occurrence | Level of impact |
|---|---|---|---|---|---|
| Climate change risks<br>► P.81 Disclosure Based on TCFD recommendations | • Inability to respond to system and policy changes, etc., resulting from climate change could hinder business continuity<br>• Occurrence of natural disasters due to climate change. For example, in the Materials Business Field, natural disasters disrupting logistics operations and impacting supply chains. Also, massive increases in raw material and other prices due to energy transitions. | A | We assess and manage climate change-related risks impacting each of our businesses in a comprehensive and systematic manner. We also work to enhance climate change risk identification and strengthen risk management PDCA cycles in each business. Additionally, risks impacting specific businesses that qualify as strategic risks are responded to as such within our efforts to manage strategic risks. | Medium–High | High |
| Human rights-related risks | • Obstruction to maintaining and recruiting human resources and difficulty in ensuring business continuity in the event the Company is unable to appropriately address various occurrences that could infringe on the human rights of employees<br>• Inability to respond appropriately to human rights-related issues within the supply chain could hinder business continuity | E | We assess and systematically manage human rights-related risks that could lead to departures of personnel. We also use consistent policies and guidelines to assess and monitor not only our business partners' adherence to laws and regulations but also their response to soft laws. In this way, we are strengthening the management of supplier compliance. | Medium–High | High |
| Information security risks | • Unexpected information leaks could not only damage our competitiveness but also violate laws and be subject to fines<br>• Cyberattacks could hinder business continuity and result in major information leaks and demands for ransom payments | E | We respond to risks related to the management and transfer of information assets and trade secrets and risks related to cyberattacks based on the perspective of physical threats and vulnerabilities, technological threats and vulnerabilities, and human threats and vulnerabilities. To that end, we have set up an information security governance structure and established various processes and are promoting specific initiatives through the Group Information Security Subcommittee. | Medium–High | High |
| Geopolitical risks | • Conflicts and terrorist attacks could threaten the lives of Group employees and Group assets and could hinder business continuity by severing logistics and procurement systems and infrastructure | E | We have been working to establish emergency response structures during normal times to enable the provision of support to our business locations across the globe, should any one of them become involved in a conflict. We are also preparing a global crisis management structure and are implementing relevant training and drills. | Low | High |
| Safety risks | • In the event that we are unable to ensure a safe workplace, operations could be suspended and productivity could decline. We could also face difficulties in retaining employees and hiring new ones. As a result, the validity of our businesses could worsen and their continuity could be jeopardized. | E | We strive to steadily entrench the safety standards of the Teijin Group at all of our locations. We also provide Companywide support at locations where accidents frequently occur. | High | High |

* Materiality: A = Climate change mitigation and adaptation; B = Achievement of a circular economy; C = Safety and security of people and local communities; D = Realization of healthy and comfortable living for people; E = Further strengthening of our sustainable management base



# Climate Change Initiatives (Disclosure Based on TCFD Recommendations)

The Teijin 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 the transition to a carbon-free society. At the same time, the Group is making efforts to reduce GHG emissions from its business activities.

We have also announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in March 2019, and have been promoting information disclosure on climate change in line with these recommendations.

## 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 Sustainability Officer (CSO) in charge of these efforts. The Board of Directors grasps the situation and provides instruction based on reports from the Total Risk Management (TRM) Committee twice a year as well as reports from the CSO regarding the performance status of their duties. In addition, management assesses the response to climate change through TRM Committee meetings, held twice a year, and CSR Committee meetings, and promotes initiatives accordingly.

## Strategy

We view climate change mitigation as a business opportunity and are providing solutions centered on the transition to lightweight, highly durable mobility realized through high-performance and high-value-added materials. For climate change adaptation, we are offering solutions that help reduce damage and facilitate a prompt recovery in the event of a natural disaster, through infrastructure reinforcement materials that make use of high-performance materials and technologies and services in the IT and healthcare domains.

In addition, we analyzed the impact of climate change-related transition risks and physical 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 $CO_2$ emissions accordingly.

### 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 solutions that leverage lightweight and energy-efficient technologies<br>• Provision of solutions that help reduce damage and facilitate a prompt recovery in the event of a natural disaster |

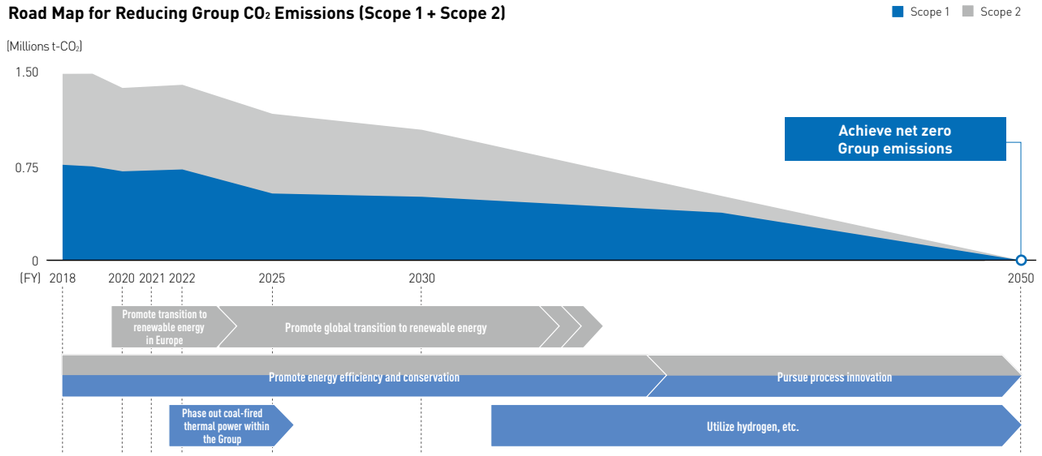
| Category | | Major risks | Time frame | Major initiatives |
|---|---|---|---|---|
| Transition risks | Policies and legal regulations | • Increase in costs due to carbon tax, EU Emissions Trading Scheme, etc. | Short term–Long term | • Monitoring of trends in various policies and regulations<br>• Introduction 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<br>• Formulation and implementation of road map for achieving long-term environmental targets |
| Physical risks | Acute and chronic risks | • Suspension of business activities as a result of increased intensity of natural disasters such as typhoons and floods, long-term temperature increases, and rising sea levels, stemming from climate change | Short term–Long term | • Regular review of business continuity plan (BCP) and implementation of various disaster prevention drills |

Climate Change Initiatives (Disclosure Based on TCFD Recommendations)
https://www.teijin.com/csr/environment/climate_change.html

## Road Map for Reducing Group $CO_2$ Emissions (Scope 1 + Scope 2)

The Teijin Group aims to achieve net zero carbon emissions by 2050. To that end, we are phasing out coal-fired thermal power in an effort to reduce $CO_2$ emissions resulting from our business activities while promoting energy conservation and renewable energy and pursuing process innovation and other types of technological innovation.

### Road Map for Reducing Group $CO_2$ Emissions (Scope 1 + Scope 2)




Created in fiscal 2021

In fiscal 2022, Teijin (Thailand) Limited transitioned away from using coal as fuel for boilers that supply steam to its plants and adopted the use of natural gas instead, which is extremely energy efficient and can help to significantly reduce $CO_2$ emissions. Moreover, in Japan, we decided to convert fossil fuel-based power generation facilities at the North Plant of Matsuyama Factory to a cogeneration system running on city gas. Through these efforts, we expect that we can completely phase out the use of fossil fuels to generate power both in Japan and overseas.

Continuing on from the introduction of renewable energy at our European bases, we commenced the introduction of such energy at Teijin Polyester (Thailand) Limited in fiscal 2021, and Teijin Polycarbonate China Ltd. and Teijin Lielsort Korea Co., Ltd. in fiscal 2022, among other locations.

In our efforts to enhance energy efficiency and promote energy conservation, we aim for a 1% improvement in energy efficiency each year and are promoting efforts to achieve this goal at each base. Spearheaded by the Energy Strategy Department, we are promoting energy initiatives across the Group by assessing the status of energy use by facilities at each base and calculating the effects of energy conservation efforts.

### 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,*1 referencing World Energy Outlook (WEO), published by the International Energy Agency (IEA).

We have also been closely monitoring the changing trends in the industry due to the COVID-19 pandemic and examining appropriate investment timing and resource allocation.

We are once again conducting scenario analysis as we formulate the next medium-term management plan. In addition, we are examining specific measures to enact during the period of the next plan so that we are able to adhere to our road map for $CO_2$ reductions.

*1 2°C scenario: IEA WEO Sustainable Development Scenario/IEA WEO 450; 4°C scenario: IEA WEO Stated Policies Scenario

### Risk Management

We position climate change-related risks as "Serious Group Risks" and are working to manage them accordingly under our Total Risk Management (TRM) framework. Transition risks and physical risks faced by Group companies are identified and responded to alongside other risks via our TRM risk assessment. For transition risks, we have established a road map for achieving net zero $CO_2$ emissions while monitoring the trends of government policies around the globe. We have also introduced an internal carbon pricing system that targets capital expenditures linked to increases or decreases in $CO_2$ emissions. Furthermore, we are striving to reduce Groupwide GHG emissions and GHG emissions within the supply chain. Through such efforts, we are curtailing the impact of transition risks. In April 2023, the scope of the system was expanded to include investment projects such as M&A and projects that require decision-making related to the reduction of $CO_2$ emissions without capital investment, such as conversion to renewable energy as a result of changing suppliers. In addition, to address physical risks such as those involving rising temperatures and sea levels, we are evaluating and implementing the necessary measures to respond to water risks. At the same time, we are revising our BCPs as needed and implementing various kinds of disaster prevention drills.

▶ P.78 Total Risk Management



### Metrics and Targets

★: Independently assured indicators

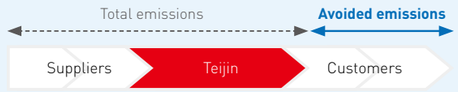
To accelerate efforts to realize net zero $CO_2$ emissions, in July 2021 we raised the fiscal 2030 target for Groupwide GHG emissions from a 20% reduction compared with fiscal 2018 to a 30% reduction.*2 These targets were validated as targets that limit global temperature rise to "well below 2°C," thereby receiving approval from the Science Based Targets initiative, which recognizes GHG emission targets that are scientifically consistent with the targets of the Paris Accord.

For two-thirds of our total $CO_2$ emissions within the supply chain, we established a target of achieving a 15% reduction in these emissions by fiscal 2030 compared with fiscal 2018 to reinforce efforts toward realizing a carbon-neutral society.

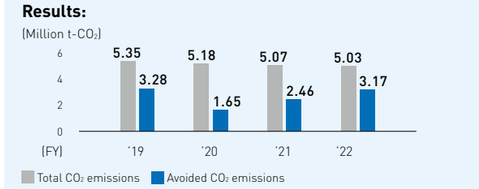
### Avoided $CO_2$ Emissions*3

We aim to reduce $CO_2$ emissions throughout the entire supply chain by using our long-cultivated technologies for reducing weight and increasing efficiency. By the early stage of fiscal 2030, we aim to make the amount of our avoided emissions larger than the total $CO_2$ emissions in the entire Group and the upstream supply chain*4 (Scope 1 + Scope 2 + upstream Scope 3). In fiscal 2022, our avoided emissions increased 29% compared with the previous fiscal year, to 3.17 million t-$CO_2$, due to such factors as the increase in sales of carbon fibers.

**Target:**
Achieve goal of making the amount of avoided $CO_2$ emissions larger than total $CO_2$ emissions by fiscal 2030




**Results:**

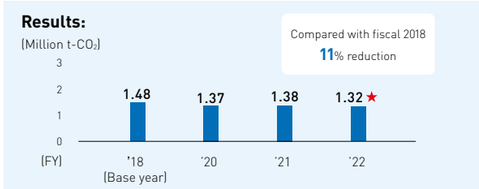



### Group $CO_2$*5 Emissions*6

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 2022, Group $CO_2$ emissions decreased 4% compared with the previous fiscal year, to 1.32 million t-$CO_2$★ (Scope 1: 0.75 million t-$CO_2$, Scope 2: 0.57 million t-$CO_2$), owing to the introduction of renewable energy at overseas bases, among other efforts. This result represented an 11% decrease in emissions compared with fiscal 2018.

**Target (Scope 1 + Scope 2):**
**Fiscal 2030 30% reduction**
**(compared with 1.48 million t-$CO_2$ in fiscal 2018)**
**Fiscal 2050 Net zero emissions**

**Results:**

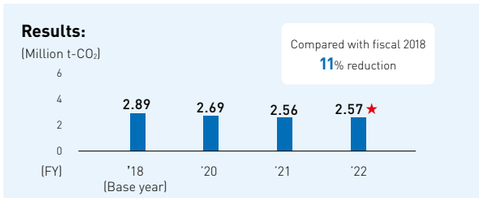



### Supply Chain $CO_2$ Emissions*7

We have set a KPI pertaining to two-thirds of our total supply chain $CO_2$ emissions and are working to reduce these emissions across the entire supply chain. In fiscal 2022, our supply chain $CO_2$ emissions were 2.57 million t-$CO_2$★, on a par with the level of the previous fiscal year, representing an 11% decrease compared with fiscal 2018.

**Target:**
Fiscal 2030 **15**% reduction compared with fiscal 2018

**Results:**




*2 Equivalent to a 47% reduction in $CO_2$ emissions compared with fiscal 2013 (Reference information: Japanese government target of 46% reduction in GHG emissions compared with fiscal 2013) *3 Calculated as the amount of avoided $CO_2$ emissions that the Company's products have contributed to in the supply chain downstream *4 Total $CO_2$ emissions are calculated for Scope 1, Scope 2, and Category 1 (Purchased goods and services), Category 2 (Capital goods), Category 3 (Fuel- and energy-related activities not included in Scope 1 and Scope 2), Category 4 (Upstream transportation and distribution), Category 5 (Waste generated in operations), Category 6 (Business travel), and Category 7 (Employee commuting) in Scope 3. *5 Includes $CO_2$, methane, and $N_2O$ *6 $CO_2$ emissions are calculated with the GHG Protocol as reference. The amount of $CO_2$ emissions equivalent to the amount of energy sold to other companies has not been deducted from this data. 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. 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. *7 Covers Scope 3 emissions in Category 1 (Purchased goods and services) except emissions from products purchased in the Fibers & Converting Business for the purpose of sale. Category 1 emissions are calculated by multiplying the purchased weight or purchased value of purchased goods and services by the emissions intensity in units of weight or value. Emissions intensity data for monetary units is from Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.2) (March 2022) (Emissions Unit Values Database V. 3.2), published by the Ministry of Economy, Trade and Industry and the Ministry of the Environment. Emissions intensity data for weight units is based on the intensity data of the Ecoinvent Database (operated by Ecoinvent Association) or the LCA for Experts (GaBi) Database (operated by Sphera).

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

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

# Activities toward Respecting Human Rights

## Activities toward Human Rights Due Diligence

In March 2019, the Board of Directors of the Teijin Group approved the Teijin Group Human Rights Policy. Guided by this policy, the Group conducts human rights due diligence targeting each of its businesses in order to identify potential adverse impacts on human rights and prevent and/or reduce these impacts. We also disclose information on these initiatives.

In fiscal 2022, we commissioned an external organization, the Global Alliance for Sustainable Supply Chain, as we did in fiscal 2018, to conduct a cross-organizational risk assessment of the Group. In fiscal 2023, we have been carrying out activities to address businesses where risks were recognized through this assessment. In addition, we promote awareness and improvement activities targeting suppliers that had an overall low score in our CSR procurement survey. We are also working to establish whistleblowing systems that can be utilized by our suppliers. Furthermore, in an effort to respect the human rights of directly employed Group employees of Ukrainian nationality, the Sustainability Development and Engagement Department of the Tokyo Head Office has been providing these employees with support on an ongoing basis.

## Human Rights Dialogue

In October 2022, our CSRO (at the time) held a dialogue with overseas experts from the United Nations Development Programme and the World Benchmarking Alliance regarding human rights issues facing the Teijin Group and the status of initiatives to address these issues. During this dialogue, the CSRO provided an explanation on the details of the Group's activities to confirm their effectiveness. Opinions were also exchanged regarding methods for establishing a relationship between the human rights and environment-related issues that were pointed out in the previous year's dialogue and implementing initiatives to simultaneously address these issues.

**Main Comments from Experts**

- I think it is wonderful that the Teijin Group is striving to enhance engagement with external rights holders. I also commend the Group for addressing the issue of recruitment fees for non-Japanese workers.
- Environmental impacts and human rights impacts are occurring simultaneously, and the Teijin Group therefore needs to give consideration to these impacts equally and at the same time. The United Nations has stated that safe, healthy workplaces themselves are a human right, so the Group must simultaneously assess environmental and human rights impacts on workers at its plants, workers at its suppliers, and local community members, among other parties.
- Teijin evaluates environmental impacts and human rights impacts in a manner that is independent from each other. However, I think it is far more desirable to evaluate these impacts together, rather than separately.

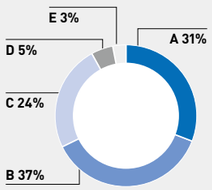
## Supply Chain Sustainability (CSR Procurement)

In 2017, we revised the Teijin Group CSR Procurement Guidelines to include human rights-related matters. In addition to requesting that our suppliers promote various initiatives based on these guidelines, we are also confirming the status of such initiatives via our CSR procurement survey.

In the Fibers & Products Converting Business Unit, we recognize that there are potential risks within sewing and converting processes. To that end, we compile lists of major suppliers and conduct on-site investigations on a regular basis. Furthermore, we hold regular CSR seminars on labor, human rights, and environmental issues and engage in activities via industrial associations and other organizations in an effort to raise the level of awareness of our suppliers and other companies in the same industry . Also, in fiscal 2022, we engaged in on-site investigations of business partners other than those of the Fibers & Products Converting Business Unit to confirm that there were no issues in long working hours, low wages, and poor working conditions for foreign technical interns.

To date, the Sustainability Development and Engagement Department has formulated plans for and promoted CSR procurement for the Teijin Group. Moving forward, authority over these matters will be transferred to procurement departments involved in work related to CSR procurement in order to integrate responsible supply chain initiatives into the procurement management process.

**Results of the Fiscal 2022 CSR Procurement Survey*1**




**A, B, C:**
**Complying with Teijin's standards Total 92%**

**D, E:**
**Needs attention, needs improvement Total 8%**

In the event we deem a supplier to be "potentially at risk,"*2 we position that supplier as a target of priority improvement measures and request that it promptly formulate improvement plans. We also confirm the execution status of such plans and provide support when needed.

*1 Evaluation results of 842 companies out of the 1,706 companies to which the survey was sent. Also, companies that received an A or B ranking in the previous fiscal year or an A ranking two fiscal years ago were not surveyed.
*2 For companies that received a D or E ranking or provided responses that arouse concerns over important issues (child labor, late-night and overtime work for young workers, management of identification for foreign workers, at least one day off per week, and conflict minerals), we are currently following up with these companies and will determine the presence/absences of risks based on direct dialogue with them.



# Financial and Corporate Data

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# Eleven-Year Consolidated Financial Summary

| Years ended/As of March 31 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Millions of yen 2023 | Percentage change 2023/2022 | Thousands of U.S. dollars 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Management Indicators** | | | | | | | | | | | | | |
| EBITDA | ¥ 59,234 | ¥ 63,742 | ¥ 82,116 | ¥106,024 | ¥ 95,843 | ¥115,478 | ¥ 107,551 | ¥ 107,156 | ¥ 106,771 | ¥ 113,024 | **¥ 87,781** | | **$ 657,388** |
| ROE (%) | (10.3) | 3.0 | (2.8) | 10.6 | 15.7 | 12.5 | 11.2 | 6.3 | (1.7) | 5.5 | **(4.1)** | | |
| ROIC (based on operating income) (%) | 2.3 | 3.4 | 7.1 | 12.7 | 10.0 | 11.2 | 9.3 | 8.7 | 8.6 | 5.5 | **1.6** | | |
| **Operating Results** | | | | | | | | | | | | | |
| Net sales | ¥745,713 | ¥784,425 | ¥786,171 | ¥790,748 | ¥741,292 | ¥834,986 | ¥ 888,589 | ¥ 853,746 | ¥ 836,512 | ¥ 926,054 | **¥1,018,751** | 10.0% | **$7,629,379** |
| Operating income | 12,358 | 18,078 | 39,086 | 67,130 | 56,512 | 69,823 | 60,000 | 56,205 | 54,931 | 44,208 | **12,863** | –70.9% | **96,330** |
| Profit (loss) attributable to owners of parent | (29,131) | 8,356 | (8,086) | 31,090 | 50,133 | 45,556 | 45,057 | 25,252 | (6,662) | 23,158 | **(17,695)** | — | **(132,517)** |
| **Financial Position** | | | | | | | | | | | | | |
| Total assets | ¥762,399 | ¥768,411 | ¥823,695 | ¥823,429 | ¥ 964,053 | ¥981,967 | ¥1,020,654 | ¥1,004,223 | ¥1,041,131 | ¥1,207,583 | **¥1,242,433** | 2.9% | **$9,304,523** |
| Interest-bearing debt | 270,765 | 281,524 | 308,246 | 303,298 | 376,218 | 344,242 | 369,195 | 381,928 | 380,043 | 485,167 | **529,418** | 9.1% | **3,964,787** |
| Shareholders' equity | 271,252 | 281,680 | 287,074 | 300,113 | 338,384 | 392,925 | 410,727 | 394,162 | 406,150 | 439,579 | **424,983** | –3.3% | **3,182,678** |
| **Cash Flows** | | | | | | | | | | | | | |
| Cash flows from operating activities | ¥ 64,305 | ¥ 38,587 | ¥ 76,030 | ¥ 80,641 | ¥ 79,040 | ¥ 80,092 | ¥ 80,899 | ¥ 94,214 | ¥ 107,729 | ¥ 89,656 | **¥ 55,086** | | **$ 412,537** |
| Cash flows from investing activities | (37,868) | (47,279) | (49,624) | (40,323) | (127,650) | (51,307) | (41,288) | (67,922) | (79,587) | (198,375) | **(52,427)** | | **(392,623)** |
| Free cash flow | 26,437 | (8,692) | 26,406 | 40,318 | (48,610) | 28,784 | 39,611 | 26,291 | 28,142 | (108,719) | **2,659** | | **19,914** |
| Cash flows from financing activities | (12,606) | (7,902) | 10,394 | (8,317) | 63,765 | (31,485) | (15,353) | (8,059) | (20,878) | 71,113 | **7,180** | | **53,771** |
| | | | | | | | | | | | Yen | | U.S. dollars |
| **Per Share Data** | | | | | | | | | | | | | |
| Profit (loss) attributable to owners of parent | ¥ (148.1) | ¥ 42.5 | ¥ (41.1) | ¥ 158.2 | ¥ 254.9 | ¥ 231.3 | ¥ 232.4 | ¥ 131.6 | ¥ (34.7) | ¥ 120.6 | **¥ (92.0)** | | **$ (0.69)** |
| Shareholders' equity | 1,380.0 | 1,433.1 | 1,460.4 | 1,526.2 | 1,720.1 | 1,986.3 | 2,141.3 | 2,053.6 | 2,115.6 | 2,288.1 | **2,209.8** | | **16.6** |
| Cash dividends | 20.0 | 20.0 | 20.0 | 35.0 | 55.0 | 60.0 | 70.0 | 60.0 | 50.0 | 55.0 | **40.0** | | **0.30** |
| | | | | | | | | | | | Millions of yen | | Thousands of U.S. dollars |
| **Other Data** | | | | | | | | | | | | | |
| Capital expenditure | ¥ 36,261 | ¥ 30,182 | ¥ 28,098 | ¥ 38,341 | ¥ 46,224 | ¥ 44,610 | ¥ 62,828 | ¥ 68,622 | ¥ 60,319 | ¥ 200,801 | **¥ 62,501** | | **$ 468,067** |
| Depreciation and amortization | 46,877 | 45,664 | 43,030 | 38,894 | 39,331 | 45,655 | 47,551 | 50,950 | 51,840 | 68,816 | **74,918** | | **561,057** |
| R&D expenses | 33,184 | 32,234 | 32,366 | 33,285 | 35,417 | 35,926 | 36,423 | 34,482 | 32,719 | 33,341 | **31,935** | | **239,160** |
| Number of employees | 16,637 | 15,756 | 15,780 | 15,756 | 19,292 | 19,711 | 20,671 | 20,075 | 21,090 | 21,815 | **22,484** | | |

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.53 to US$1.00, the prevailing exchange rate at March 31, 2023.
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.
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.
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.

# Financial Review

## Results of Operations

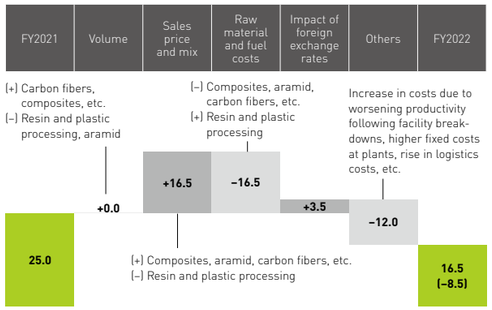
In fiscal 2022, the year ended March 31, 2023, the Teijin Group posted net sales of ¥1,018.8 billion, an increase of 10.0% year on year, and operating income of ¥12.9 billion, a decrease of 70.9% year on year. Ordinary income was ¥9.1 billion, down 81.7% year on year, while the Group suffered a loss attributable to owners of parent of ¥17.7 billion (compared with a profit of ¥23.2 billion in the previous fiscal year) due to the recording of impairment losses and a rise in the tax burden rate mainly by the growing deficit of overseas subsidiaries whose tax effect is unrecognizable. Operating income in the Materials Business Field declined mainly due to production issues and labor shortages at U.S. and European bases and a deceleration in the Chinese economy, although we were able to offset the sharp rise in raw material and fuel prices by revising our sales prices. Operating income also decreased in the Healthcare Business Field owing primarily to a decrease in the sales volume of *FEBURIC*, a gout and hyperuricemia treatment, caused by the market entry of generic alternatives, and to drug price revisions. Operating income was up in the Fibers & Products Converting Business as a result of strong sales, while operating income in the IT Business was down due mainly to increased advertising costs for e-comic services.

As a result, return on equity (ROE), an indicator of profitability, was -4.1%, far short of the target of 10% or higher for fiscal 2022, the final year of the medium-term management plan, and return on invested capital (ROIC) based on operating income was 1.6%, also lower than the target of 8% or higher for the same fiscal year. Earnings before interest, tax, depreciation and amortization (EBITDA), an indicator of our ability to generate cash, amounted to ¥87.8 billion, again failing to reach our fiscal 2022 target of ¥150.0 billion.

Please see the graphs on the right for changes in EBITDA in the Materials Business and Healthcare Business fields.

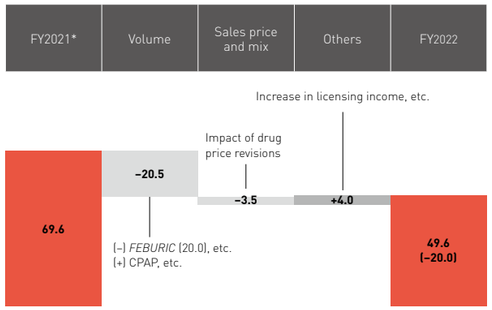
### Breakdown of EBITDA (Increase/Decrease) in the Materials Business Field

(Billions of yen)




### Breakdown of EBITDA (Increase/Decrease) in the Healthcare Business Field

(Billions of yen)




* In fiscal 2022, the orthopedic implantable devices business was transferred from the "Healthcare" segment to the "Others" segment. Accordingly, figures for fiscal 2021 are those recalculated in accordance with the new segment categorization

## Financial Position

Total assets at fiscal 2022 year-end were up ¥34.9 billion from the previous fiscal year-end, to ¥1,242.4 billion. Current assets increased ¥41.3 billion from the end of the previous fiscal year due to changes in cash and time deposits, notes and accounts receivable, inventories, and other current assets. Non-current assets decreased ¥6.5 billion from the previous fiscal year-end. This was the result of a ¥15.9 billion decrease in depreciation due to the full impairment of goodwill recognized for the investment in Teijin Automotive Technologies NA Holdings Corp. and a ¥14.9 billion decrease in sales rights following the amortization of sales rights for type 2 diabetes treatments acquired from Takeda Pharmaceutical Company Limited. This offset an increase in tangible fixed assets of ¥32.3 billion due to capital investment exceeding depreciation.

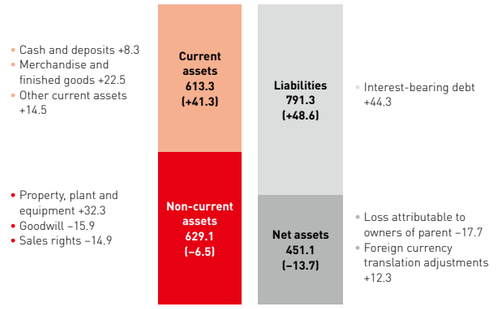
Total liabilities at year-end were up ¥48.6 billion from the previous fiscal year-end, to ¥791.3 billion. Interest-bearing debt increased ¥44.3 billion, mainly due to the increased demand for funds.

Net assets were down ¥13.7 billion from the end of the previous fiscal year, to ¥451.1 billion. This was mainly due to the recording of a loss attributable to owners of parent of ¥17.7 billion, which offset an increase in foreign currency translation adjustments resulting from the depreciation of the yen against major currencies.

As a result, the debt-to-equity ratio was 1.25 times and the shareholders' equity ratio was 34.2%. (At the end of fiscal 2021, the debt-to-equity ratio was 1.10 times and the shareholders' equity ratio was 36.4%).

### Overview of the Consolidated Balance Sheets

(Billions of yen)




## Analysis of Cash Flows

Net cash and cash equivalents provided by operating activities in fiscal 2022 came to ¥55.1 billion, compared with ¥89.7 billion in the previous fiscal year. This inflow resulted from the recording of income excluding non-cash expenses, which outweighed outflows from the increase in working capital.

Net cash and cash equivalents used in investing activities was ¥52.4 billion, compared with ¥198.4 billion in the previous fiscal year, resulting primarily from capital expenditures aimed at increasing production capacity in the aramid and composites businesses, which offset inflows from sales of investment securities and tangible fixed assets.

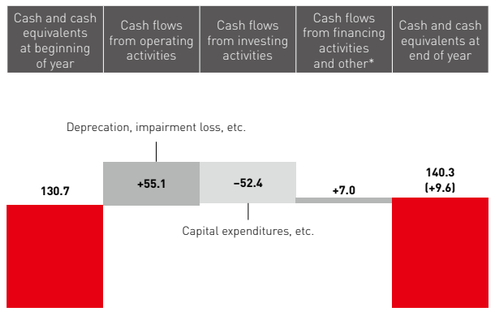
As a result, free cash flow, which is the sum of cash flows from operating activities and investing activities, came to an inflow of ¥2.7 billion, compared with an outflow of ¥108.7 billion in the previous fiscal year.

Net cash and cash equivalents provided by financing activities was ¥7.2 billion, compared with ¥71.1 billion in the previous fiscal year, owing in part to inflows from short-term and long-term loans, which outweighed the payment of dividends.

As a result, cash and cash equivalents at end of year increased ¥9.6 billion from the previous fiscal year-end, which included the effect of exchange rate changes on cash and cash equivalents.

### Overview of the Consolidated Statements of Cash Flows

(Billions of yen)




* Includes a –0.7 effect of exchange rate changes on cash and cash equivalents and a +0.4 effect of changes in cash and cash equivalents resulting from change in scope of consolidation

# Consolidated Balance Sheets

| As of March 31 | Millions of yen 2022 | Millions of yen 2023 | Thousands of U.S. dollars* 2023 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and time deposits | ¥ 134,480 | **¥ 142,780** | **$ 1,069,273** |
| Receivables: | | | |
| Notes and accounts receivable—trade: | | | |
| Unconsolidated subsidiaries and affiliates | 197 | **154** | **1,153** |
| Other | 191,104 | **183,394** | **1,373,429** |
| Short-term loans receivable: | | | |
| Unconsolidated subsidiaries and affiliates | 17,067 | **11,294** | **84,580** |
| Other | 6 | **4** | **30** |
| Other | 46,072 | **45,447** | **340,350** |
| Inventories | 164,620 | **196,727** | **1,473,279** |
| Other current assets | 18,838 | **34,004** | **254,654** |
| Allowance for doubtful accounts | (389) | **(462)** | **(3,460)** |
| Total current assets | 571,996 | **613,341** | **4,593,282** |
| **Property, plant and equipment:** | | | |
| Land | 43,255 | **43,855** | **328,428** |
| Buildings and structures | 215,364 | **223,953** | **1,677,174** |
| Machinery, equipment and vehicles | 634,122 | **698,770** | **5,233,056** |
| Tools | 123,518 | **129,854** | **972,471** |
| Construction in progress | 43,508 | **34,796** | **260,586** |
| Other | 18,668 | **27,804** | **208,223** |
| Subtotal | 1,078,435 | **1,159,033** | **8,679,945** |
| Accumulated depreciation | (762,922) | **(811,176)** | **(6,074,860)** |
| Total property, plant and equipment | 315,514 | **347,857** | **2,605,085** |
| **Intangible assets:** | | | |
| Goodwill | 29,920 | **13,987** | **104,748** |
| Sales rights | 119,297 | **104,373** | **781,645** |
| Other | 41,535 | **42,190** | **315,959** |
| Total intangible assets | 190,752 | **160,550** | **1,202,352** |
| **Investments and other assets:** | | | |
| Investment securities: | | | |
| Unconsolidated subsidiaries and affiliates | 26,440 | **27,657** | **207,122** |
| Other | 58,574 | **54,482** | **408,013** |
| Long-term loans receivable: | | | |
| Unconsolidated subsidiaries and affiliates | 1,523 | **1,668** | **12,492** |
| Other | 734 | **785** | **5,879** |
| Net defined benefit assets | 8,289 | **7,967** | **59,664** |
| Deferred tax assets | 5,002 | **4,700** | **35,198** |
| Other | 30,006 | **24,613** | **184,326** |
| Allowance for doubtful accounts | (1,247) | **(1,185)** | **(8,874)** |
| Total investments and other assets | 129,321 | **120,686** | **903,812** |
| Total assets | ¥1,207,583 | **¥1,242,433** | **$ 9,304,523** |

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.53 to US$1.00, the prevailing exchange rate at March 31, 2023.

| As of March 31 | Millions of yen 2022 | Millions of yen 2023 | Thousands of U.S. dollars* 2023 |
|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | | | |
| **Current liabilities:** | | | |
| Short-term loans payable | ¥ 110,524 | **¥ 132,619** | **$ 993,178** |
| Current portion of long-term debt | 39,185 | **75,278** | **563,753** |
| Payables: | | | |
| Notes and accounts payable—trade: | | | |
| Unconsolidated subsidiaries and affiliates | 589 | **710** | **5,317** |
| Other | 100,594 | **102,331** | **766,352** |
| Other | 30,326 | **38,256** | **286,497** |
| Income taxes payable | 7,186 | **5,332** | **39,931** |
| Accrued expenses | 25,653 | **25,100** | **187,973** |
| Other current liabilities | 37,699 | **35,210** | **263,686** |
| Total current liabilities | 351,756 | **414,836** | **3,106,688** |
| **Long-term liabilities:** | | | |
| Long-term debt | 320,972 | **299,332** | **2,241,684** |
| Net defined benefit liabilities | 37,076 | **36,124** | **270,531** |
| Asset retirement obligations | 1,257 | **1,278** | **9,571** |
| Deferred tax liabilities | 9,568 | **11,101** | **83,135** |
| Lease obligations | 12,963 | **18,933** | **141,788** |
| Other long-term liabilities | 9,180 | **9,745** | **72,980** |
| Total long-term liabilities | 391,016 | **376,513** | **2,819,688** |
| **Contingent liabilities** | | | |
| **Net assets** | | | |
| **Shareholders' equity:** | | | |
| Common stock | | | |
| Authorized— 600,000,000 shares in 2022<br>600,000,000 shares in 2023 | | | |
| Issued— 197,953,707 shares in 2022<br>197,953,707 shares in 2023 | 71,833 | **71,833** | **537,954** |
| Capital surplus | 103,757 | **103,160** | **772,560** |
| Retained earnings | 242,332 | **213,923** | **1,602,059** |
| Treasury stock, at cost: 5,834,283 shares in 2022<br>5,638,291 shares in 2023 | (12,729) | **(12,299)** | **(92,107)** |
| Total shareholders' equity | 405,192 | **376,617** | **2,820,467** |
| **Accumulated other comprehensive income:** | | | |
| Valuation difference on available-for-sale securities | 21,192 | **20,640** | **154,572** |
| Deferred gains or losses on hedges | (80) | **527** | **3,947** |
| Foreign currency translation adjustments | 13,549 | **25,724** | **192,646** |
| Remeasurements of defined benefit plans | (272) | **1,474** | **11,039** |
| Total accumulated other comprehensive income | 34,388 | **48,365** | **362,203** |
| **Subscription rights to shares** | 803 | **682** | **5,107** |
| **Non-controlling interests** | 24,429 | **25,420** | **190,369** |
| Total net assets | 464,811 | **451,084** | **3,378,147** |
| Total liabilities and net assets | ¥1,207,583 | **¥1,242,433** | **$9,304,523** |

# Consolidated Statements of Operations

| Years ended March 31 | Millions of yen 2022 | Millions of yen 2023 | Thousands of U.S. dollars* 2023 |
|---|---|---|---|
| **Net sales** | ¥926,054 | **¥1,018,751** | **$7,629,379** |
| **Costs and expenses:** | | | |
| Cost of sales | 655,033 | **770,615** | **5,771,100** |
| Selling, general and administrative expenses | 193,473 | **203,339** | **1,522,796** |
| Research and development expenses | 33,341 | **31,935** | **239,160** |
| **Operating income** | 44,208 | **12,863** | **96,330** |
| **Other income (expenses):** | | | |
| Interest and dividend income | 1,677 | **2,562** | **19,187** |
| Interest expenses | (3,252) | **(7,084)** | **(53,052)** |
| Gain on sales of investment securities | 5,571 | **5,468** | **40,950** |
| Gain on sales of non-current assets | 64 | **5,875** | **43,998** |
| Foreign exchange losses | (3,811) | **(3,028)** | **(22,677)** |
| Contribution | (356) | **(247)** | **(1,850)** |
| Gain on valuation of derivatives | 6,186 | **5,518** | **41,324** |
| Loss on sales and retirement of non-current assets | (2,088) | **(1,845)** | **(13,817)** |
| Loss on valuation of investment securities | (515) | **(3,703)** | **(27,732)** |
| Impairment loss | (8,915) | **(16,879)** | **(126,406)** |
| Reversal of impairment loss | 1,059 | **2,349** | **17,592** |
| Equity in earnings (losses) of unconsolidated subsidiaries and affiliates | 5,556 | **(1,105)** | **(8,275)** |
| Other, net | (1,320) | **(2,235)** | **(16,738)** |
| Total other income (expenses) | (143) | **(14,353)** | **(107,489)** |
| **Income (loss) before income taxes** | 44,065 | **(1,490)** | **(11,159)** |
| **Income taxes:** | | | |
| Current | 14,797 | **12,109** | **90,684** |
| Deferred | 3,302 | **2,228** | **16,685** |
| Total income taxes | 18,099 | **14,337** | **107,369** |
| **Net income (loss)** | 25,966 | **(15,827)** | **(118,528)** |
| Profit attributable to non-controlling interests | 2,808 | **1,868** | **13,989** |
| **Profit (loss) attributable to owners of parent** | ¥ 23,158 | **¥ (17,695)** | **$ (132,517)** |
| | Yen | | U.S. dollars* |
| **Profit (loss) attributable to owners of parent per share** | ¥120.58 | **¥(92.04)** | **$(0.69)** |
| **Profit attributable to owners of parent per share—diluted** | 115.72 | **—** | **—** |
| **Cash dividends applicable to the year** | 55.00 | **40.00** | **0.30** |

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.53 to US$1.00, the prevailing exchange rate at March 31, 2023.

# Consolidated Statements of Comprehensive Income

| Years ended March 31 | Millions of yen 2022 | Millions of yen 2023 | Thousands of U.S. dollars* 2023 |
|---|---|---|---|
| **Net income (loss)** | ¥25,966 | **¥(15,827)** | **$(118,528)** |
| **Other comprehensive income:** | | | |
| Valuation difference on available-for-sale securities | (1,208) | **(607)** | **(4,546)** |
| Deferred gains or losses on hedges | (688) | **608** | **4,553** |
| Foreign currency translation adjustments | 19,364 | **11,845** | **88,707** |
| Remeasurements of defined benefit plans, net of tax | 1,255 | **1,688** | **12,641** |
| Share of other comprehensive income of associates accounted for using the equity method | 1,291 | **382** | **2,861** |
| Total | 20,013 | **13,916** | **104,216** |
| Comprehensive income | ¥45,979 | **¥ (1,910)** | **$ (14,304)** |
| Breakdown of comprehensive income: | | | |
| Comprehensive income attributable to owners of the parent | ¥43,742 | **¥ (3,718)** | **$ (27,844)** |
| Comprehensive income attributable to non-controlling interests | 2,237 | **1,807** | **13,533** |

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.53 to US$1.00, the prevailing exchange rate at March 31, 2023.

# 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, 2021** | 197,953,707 | ¥71,833 | ¥103,756 | ¥229,805 | ¥(13,047) | ¥392,346 |
| Cumulative effects of changes in accounting policies | | | | (461) | | (461) |
| Restated balance | | 71,833 | 103,756 | 229,344 | (13,047) | 391,885 |
| Changes of items during the period: | | | | | | |
| Dividends from surplus | | | | (10,082) | | (10,082) |
| Profit attributable to owners of parent | | | | 23,158 | | 23,158 |
| Purchase of treasury stock | | | | | (19) | (19) |
| Disposal of treasury stock | | | (37) | | 127 | 90 |
| Share-based payments with transfer restrictions | | | (51) | | 209 | 158 |
| Transfer of loss on disposal of treasury stock | | | 89 | (89) | | — |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | 1 | | | 1 |
| Net changes of items other than shareholders' equity | | | | | | |
| Total | | — | 1 | 12,987 | 318 | 13,306 |
| **Balance at March 31, 2022** | 197,953,707 | ¥71,833 | ¥103,757 | ¥242,332 | ¥(12,729) | ¥405,192 |
| Changes of items during the period: | | | | | | |
| Dividends from surplus | | | | **(10,571)** | | **(10,571)** |
| Loss attributable to owners of parent | | | | **(17,695)** | | **(17,695)** |
| Purchase of treasury stock | | | | | **(5)** | **(5)** |
| Disposal of treasury stock | | | **(41)** | | **155** | **114** |
| Share-based payments with transfer restrictions | | | **(101)** | | **281** | **180** |
| Transfer of loss on disposal of treasury stock | | | **142** | **(142)** | | **—** |
| Capital increase of consolidated subsidiaries | | | **(597)** | | | **(597)** |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | **0** | | | **0** |
| Net changes of items other than shareholders' equity | | | | | | |
| Total | | **—** | **(597)** | **(28,408)** | **431** | **(28,574)** |
| **Balance at March 31, 2023** | **197,953,707** | **¥71,833** | **¥103,160** | **¥213,923** | **¥(12,299)** | **¥376,617** |

Thousands of U.S. dollars*

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| **Balance at March 31, 2022** | $537,954 | $777,031 | $1,814,813 | $(95,327) | $3,034,464 |
| Changes of items during the period: | | | | | |
| Dividends from surplus | | | **(79,166)** | | **(79,166)** |
| Loss attributable to owners of parent | | | **(132,517)** | | **(132,517)** |
| Purchase of treasury stock | | | | **(37)** | **(37)** |
| Disposal of treasury stock | | **(307)** | | **1,161** | **854** |
| Share-based payments with transfer restrictions | | **(756)** | | **2,104** | **1,348** |
| Transfer of loss on disposal of treasury stock | | **1,063** | **(1,063)** | | **—** |
| Capital increase of consolidated subsidiaries | | **(4,471)** | | | **(4,471)** |
| Change in ownership interest of parent due to transactions with non-controlling interests | | **0** | | | **0** |
| Net changes of items other than shareholders' equity | | | | | |
| Total | **—** | **(4,471)** | **(212,746)** | **3,228** | **(213,989)** |
| **Balance at March 31, 2023** | **$537,954** | **$772,560** | **$1,602,059** | **$(92,107)** | **$2,820,467** |

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.53 to US$1.00, the prevailing exchange rate at March 31, 2023.

Millions of yen

| | Accumulated other comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | Subscription rights to shares | Non-controlling interests | Total net assets |
| **Balance at March 31, 2021** | ¥21,840 | ¥ 607 | ¥ (7,087) | ¥(1,557) | ¥13,804 | ¥ 899 | ¥23,316 | ¥430,364 |
| Cumulative effects of changes in accounting policies | | | | | | | (335) | (796) |
| Restated balance | 21,840 | 607 | (7,087) | (1,557) | 13,804 | 899 | 22,981 | 429,569 |
| Changes of items during the period: | | | | | | | | |
| Dividends from surplus | | | | | | | | (10,082) |
| Profit attributable to owners of parent | | | | | | | | 23,158 |
| Purchase of treasury stock | | | | | | | | (19) |
| Disposal of treasury stock | | | | | | | | 90 |
| Share-based payments with transfer restrictions | | | | | | | | 158 |
| Transfer of loss on disposal of treasury stock | | | | | | | | — |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | 1 |
| Net changes of items other than shareholders' equity | (649) | (688) | 20,636 | 1,285 | 20,584 | (96) | 1,448 | 21,936 |
| Total | (649) | (688) | 20,636 | 1,285 | 20,584 | (96) | 1,448 | 35,242 |
| **Balance at March 31, 2022** | ¥21,192 | ¥ (80) | ¥13,549 | ¥ (272) | ¥34,388 | ¥ 803 | ¥24,429 | ¥464,811 |
| Changes of items during the period: | | | | | | | | |
| Dividends from surplus | | | | | | | | **(10,571)** |
| Loss attributable to owners of parent | | | | | | | | **(17,695)** |
| Purchase of treasury stock | | | | | | | | **(5)** |
| Disposal of treasury stock | | | | | | | | **114** |
| Share-based payments with transfer restrictions | | | | | | | | **180** |
| Transfer of loss on disposal of treasury stock | | | | | | | | **—** |
| Capital increase of consolidated subsidiaries | | | | | | | | **(597)** |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | **0** |
| Net changes of items other than shareholders' equity | **(552)** | **608** | **12,175** | **1,746** | **13,977** | **(121)** | **991** | **14,847** |
| Total | **(552)** | **608** | **12,175** | **1,746** | **13,977** | **(121)** | **991** | **(13,727)** |
| **Balance at March 31, 2023** | **¥20,640** | **¥ 527** | **¥25,724** | **¥1,474** | **¥48,365** | **¥ 682** | **¥25,420** | **¥451,084** |

Thousands of U.S. dollars*

| | Accumulated other comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | Subscription rights to shares | Non-controlling interests | Total net assets |
| **Balance at March 31, 2022** | $158,706 | $ (599) | $101,468 | $ (2,037) | $257,530 | $6,014 | $182,948 | $3,480,948 |
| Changes of items during the period: | | | | | | | | |
| Dividends from surplus | | | | | | | | **(79,166)** |
| Loss attributable to owners of parent | | | | | | | | **(132,517)** |
| Purchase of treasury stock | | | | | | | | **(37)** |
| Disposal of treasury stock | | | | | | | | **854** |
| Share-based payments with transfer restrictions | | | | | | | | **1,348** |
| Transfer of loss on disposal of treasury stock | | | | | | | | **—** |
| Capital increase of consolidated subsidiaries | | | | | | | | **(4,471)** |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | **0** |
| Net changes of items other than shareholders' equity | **(4,134)** | **4,553** | **91,178** | **13,076** | **104,673** | **(906)** | **7,422** | **111,188** |
| Total | **(4,134)** | **4,553** | **91,178** | **13,076** | **104,673** | **(906)** | **7,422** | **(102,801)** |
| **Balance at March 31, 2023** | **$154,572** | **$3,947** | **$192,646** | **$11,039** | **$362,203** | **$5,107** | **$190,369** | **$3,378,147** |

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.53 to US$1.00, the prevailing exchange rate at March 31, 2023.

# Consolidated Statements of Cash Flows

| Years ended March 31 | Millions of yen 2022 | Millions of yen 2023 | Thousands of U.S. dollars* 2023 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Income (loss) before income taxes | ¥ 44,065 | **¥ (1,490)** | **$ (11,159)** |
| Depreciation and amortization | 68,816 | **74,918** | **561,057** |
| Impairment loss | 8,915 | **16,879** | **126,406** |
| Increase (decrease) in net defined benefit liabilities | 663 | **556** | **4,164** |
| Decrease (increase) in net defined benefit assets | 22,782 | **(54)** | **(404)** |
| Increase (decrease) in allowance for doubtful accounts | 65 | **(33)** | **(247)** |
| Increase (decrease) in provision for business structure improvement | (2,330) | **—** | **—** |
| Interest and dividend income | (1,677) | **(2,562)** | **(19,187)** |
| Interest expenses | 3,252 | **7,084** | **53,052** |
| Equity in losses (earnings) of unconsolidated subsidiaries and affiliates | (5,556) | **1,105** | **8,275** |
| Loss (gain) on valuation of derivatives | (6,080) | **(5,518)** | **(41,324)** |
| Loss (gain) on sales and retirement of non-current assets | 2,023 | **(4,030)** | **(30,180)** |
| Loss (gain) on sales of investment securities | (5,571) | **(5,468)** | **(40,950)** |
| Loss (gain) on valuation of investment securities | 515 | **3,703** | **27,732** |
| Decrease (increase) in notes and accounts receivable—trade | (5,794) | **16,528** | **123,777** |
| Decrease (increase) in inventories | (16,935) | **(26,548)** | **(198,817)** |
| Increase (decrease) in notes and accounts payable—trade | 2,129 | **(3,055)** | **(22,879)** |
| Other, net | (5,935) | **7,696** | **57,635** |
| Subtotal | 103,346 | **79,712** | **596,959** |
| Interest and dividend income received | 6,507 | **9,409** | **70,464** |
| Interest expenses paid | (3,158) | **(6,836)** | **(51,194)** |
| Extra retirement payments | (2,417) | **—** | **—** |
| Income taxes paid | (14,622) | **(27,199)** | **(203,692)** |
| Net cash and cash equivalents provided by operating activities | 89,656 | **55,086** | **412,537** |
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment | (60,593) | **(51,512)** | **(385,771)** |
| Proceeds from sales of property, plant and equipment | 135 | **5,908** | **44,245** |
| Purchase of intangible assets | (139,883) | **(6,224)** | **(46,611)** |
| Purchase of investment securities | (4,554) | **(4,462)** | **(33,416)** |
| Proceeds from sales of investment securities | 9,596 | **7,491** | **56,100** |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | **(675)** | **(5,055)** |
| Net decrease (increase) in short-term loans receivable | (2,263) | **(1,643)** | **(12,304)** |
| Other, net | (813) | **(1,309)** | **(9,803)** |
| Net cash and cash equivalents used in investing activities | (198,375) | **(52,427)** | **(392,623)** |
| **Cash flows from financing activities:** | | | |
| Net increase (decrease) in short-term loans payable | 9,423 | **16,223** | **121,493** |
| Proceeds from issuance of bonds | 90,000 | **—** | **—** |
| Redemption of bonds | (20,000) | **—** | **—** |
| Proceeds from long-term loans payable | 23,529 | **41,500** | **310,792** |
| Repayment of long-term loans payable | (16,439) | **(37,150)** | **(278,215)** |
| Purchase of treasury shares | (18) | **(5)** | **(37)** |
| Cash dividends paid | (10,082) | **(10,571)** | **(79,166)** |
| Cash dividends paid to non-controlling shareholders | (953) | **(1,315)** | **(9,848)** |
| Other, net | (4,346) | **(1,501)** | **(11,241)** |
| Net cash and cash equivalents provided by financing activities | 71,113 | **7,180** | **53,771** |
| **Effect of exchange rate changes on cash and cash equivalents** | 1,841 | **(658)** | **(4,928)** |
| **Net increase (decrease) in cash and cash equivalents** | (35,764) | **9,182** | **68,764** |
| **Cash and cash equivalents at beginning of year** | 166,455 | **130,696** | **978,776** |
| **Increase in cash and cash equivalents resulting from change in scope of consolidation** | — | **428** | **3,205** |
| **Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries** | 5 | **—** | **—** |
| **Cash and cash equivalents at end of year** | ¥ 130,696 | **¥140,307** | **$1,050,753** |

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥133.53 to US$1.00, the prevailing exchange rate at March 31, 2023.

# Independent Assurance Report

KPMG

## 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 and social performance indicators for the period from April 1, 2022 to March 31, 2023, and the number of female managers (or higher) in Japan as of April 1, 2023 marked with a star ★ (the "Indicators") included in its Integrated Report 2023 (the "Report") for the fiscal year ended March 31, 2023.

### 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.
- Visiting the Company's Matsuyama Factory selected on the basis of a risk analysis.
- 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 Management

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 Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Kazuhiko Saito

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
September 28, 2023

# SASB Standards Comparative Table

**The comparative table below shows information on the following topics in reference to "Sustainability Accounting Standards for Chemicals" of the Resource Transformation Sector (October 2018 version) within the SASB Standards, which are disclosed by the former U.S.-based Sustainability Accounting Standards Board (SASB) (now integrated with the International Financial Reporting Standards [IFRS]).**

## 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:<br>P.83 Metrics and Targets |
| | 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.81 Disclosure Based on TCFD Recommendations |
| Air Quality | RT-CH-120a.1 | Air emissions of the following pollutants:<br>(1) NOx (excluding $N_2O$), (2) SOx,<br>(3) volatile organic compounds (VOCs), and<br>(4) hazardous air pollutants (HAPs) | Metric tons (t) | (1) (2) (3)<br>Reducing Hazardous Substance Emissions<br>https://www.teijin.com/csr/environment/hazardous_substance.html<br>(4) — |
| Energy Management | RT-CH-130a.1 | (1) Total energy consumed,<br>(2) percentage grid electricity,<br>(3) percentage renewable,<br>(4) total self-generated energy | Gigajoules (GJ), Percentage (%) | (1) $18.6\times10^6$ GJ<br>(2) 21.0%<br>(3) 4.0%<br>(4) $11.5\times10^6$ GJ |
| 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 (%) | (1)<br>P.17 Data Highlights |
| | RT-CH-140a.2 | Number of incidents of non-compliance associated with water quality permits, standards, and regulations | Number | 0 |
| | RT-CH-140a.3 | Description of water management risks and discussion of strategies and practices to mitigate those risks | n/a | Management of Water Resources<br>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<br>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 | (1)<br>P.17 Data Highlights<br>(2) 0% |
| | 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<br>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 net sales of Environmental Value Solutions, including products designed to enhance resource efficiency during the stage of product use, such as lightweight solutions: ¥459.3 billion |
| Safety & Environmental Stewardship of Chemicals | RT-CH-410b.1 | (1) Percentage of products that contain Globally Harmonized System of Classification and Labelling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances,<br>(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)<br>Reducing Hazardous Substance Emissions<br>https://www.teijin.com/csr/environment/hazardous_substance.html<br>(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 Incident Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR) | Number, Rate | Security, Disaster Prevention, and Occupational Safety Activities<br>https://www.teijin.com/csr/materiality5/disaster_prevention_safety.html<br>Note: 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 2022, the number of serious accidents (as defined by the Company) was one. |
| | 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 ($m^3$) and/or metric tons (t) | — |

# Corporate Data (As of March 31, 2023)

| | | | |
|---|---|---|---|
| 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<br>Phone: +81-3-3506-4529 | |
| | Osaka Head Office | Nakanoshima Festival Tower West, 2-4, Nakanoshima 3-chome, Kita-ku, Osaka 530-8605, Japan<br>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 | 95,104 | | |
| Number of Teijin Group Companies | Japan: 54 | Overseas: 115 | Total: 169 |
| Number of Teijin Group Employees (Consolidated) | Japan: 9,594 | Overseas: 12,890 | Total: 22,484 |
| 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/<br>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:<br>Investor and Public Relations Department,<br>Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan | | |

**Editorial Policy**

In the creation of Integrated Report 2023, we referenced the International Integrated Reporting Framework of the International Financial Reporting Standards (IFRS) 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 IFRS Foundation (formerly disclosed by the U.S.-based Sustainability Accounting Standards Board [SASB]).

**Reporting Period**

Unless otherwise specified, this report covers the period from April 2022 to March 2023. However, some activities in or after April 2023 are also included.

**Reporting Organizations**

This report covers the entire Teijin Group (Teijin Limited and 54 domestic Group companies and 115 overseas Group companies).

**Information in Integrated Report 2023**

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/



# External ESG Evaluations and Stock Selections and Participation in Initiatives

## External ESG Evaluations and Stock Selections (As of August 2023)

**· Status of inclusion in SRI indices**

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

FTSE4Good

member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE

**· Included in all five ESG indices used by GPIF**

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

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.

**· Received the highest rating of AAA in the MSCI ESG Ratings assessment**

MSCI ESG RATINGS AAA
CCC B BB BBB A AA AAA

**· Selected for inclusion in four programs as a company with outstanding ESG initiatives**

2023 健康経営優良法人 Health and productivity

work with Pride Gold 2022

SPORTS YELL COMPANY 2023

D&I AWARD BEST WORKPLACE for diversity & inclusion 2022

## Participation in Initiatives

WE SUPPORT UN GLOBAL COMPACT

**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 "anti-corruption," to promote and practically implement high-quality CSR management as a global company engaged in business.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

**Disclaimer**

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.

The information included in this report on pharmaceuticals, medical devices, and regenerative medicine (including those under development) is not intended to serve as advertising or medical advice.

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