
Flash Report
-1Q Results and FY13 Outlook-

Teijin Limited
August 2, 2013

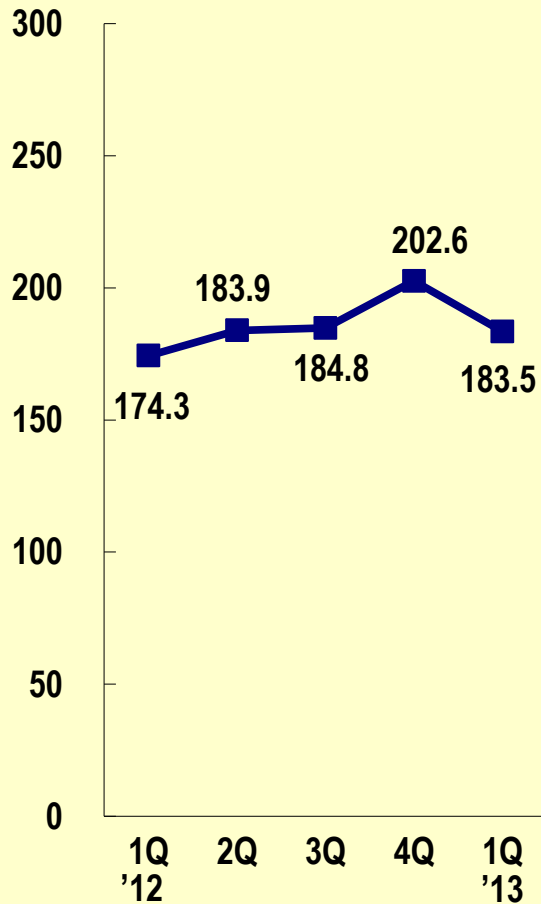
Outline of FY13 1Q Results

(1) Consolidated Results Highlights

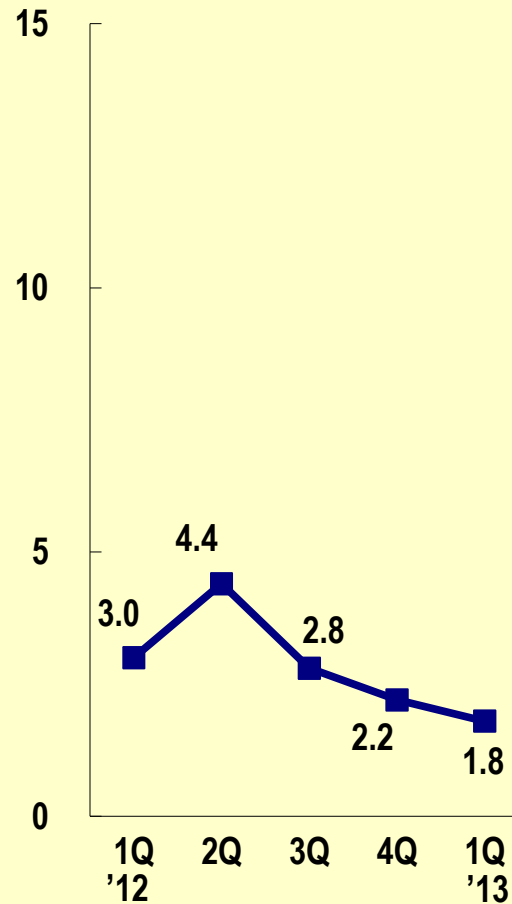
(¥ billion)

Quarterly Movement

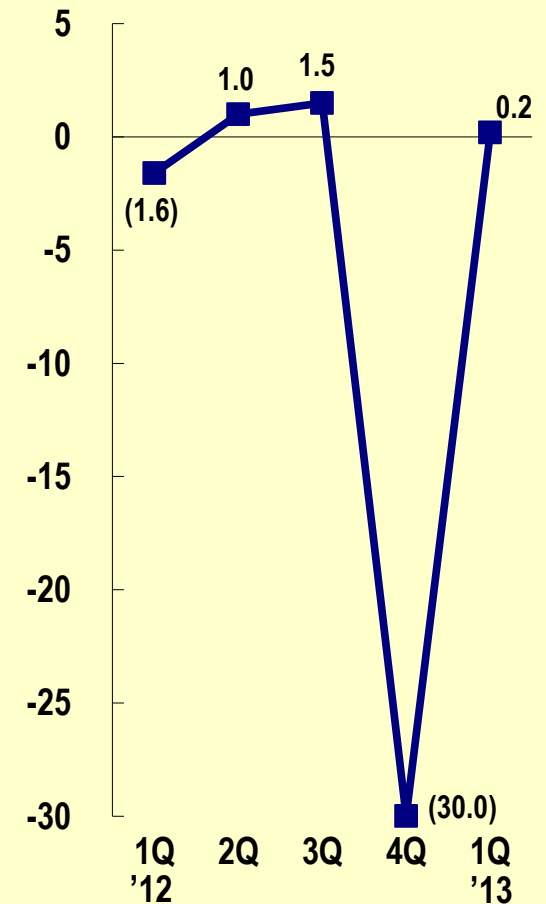
Sales



Operating income



Net income (loss)



◆ Operating Results

(¥ billion)	FY12 1Q	FY13 1Q	Difference
Net sales	174.3	183.5	+9.2
Operating income	3.0	1.8	-1.1
OP margin	1.7%	1.0%	-0.7%
Nonoperating items (net)	(0.8)	(0.3)	+0.5
Ordinary income	2.2	1.6	-0.6
Extraordinary items (net)	(2.5)	(0.3)	+2.2
Income (loss) before income taxes	(0.3)	1.3	+1.6
Income taxes	1.6	1.1	-0.5
Minority interests in income (loss)	(0.2)	0.0	+0.2
Net income (loss)	(1.6)	0.2	+1.9
EPS (¥)	(1.66)	0.24	+1.90

EBITDA *1	14.3	13.1	-1.2
CAPEX *2	8.0	6.6	-1.4
Depreciation & amortization	11.4	11.3	-0.1
R&D expenses	7.6	7.6	+0.0
FCF	4.9	(24.1)	-29.0

- Net sales: Up, bolstered by
 - Positive impact of the translation into yen of operating results denominated in other currencies (+ ¥12.0 billion)
- Operating income: Down, owing to
 - Sagging results in materials businesses
- Net income: Improved, reflecting
 - Decline in net extraordinary loss
 - Decrease in amortization of goodwill (Improvement in the effective tax rate)

◇ PL exchange rate

	FY12 1Q	FY13 1Q
¥/US\$	80	99
¥/€	103	129
US\$/€	1.28	1.31

*1 EBITDA = Operating income + Depreciation & amortization

*2 CAPEX includes investments in intangible assets

◆ Extraordinary items

(¥ billion)	FY12 1Q	FY13 1Q	Difference
Gain on sales of property, plant and equipment	0.1	0.0	-0.0
Gain on transfer of business	—	0.1	+0.1
Others	0.0	0.0	+0.0
Extraordinary income, total	0.1	0.1	+0.1
Loss on sales and retirement of noncurrent assets	0.2	0.2	+0.1
Loss on valuation of investment securities	0.8	0.1	-0.7
Flood-related expenses	0.9	—	-0.9
Others	0.7	0.1	-0.6
Extraordinary losses, total	2.6	0.4	-2.2
Extraordinary items, total	(2.5)	(0.3)	+2.2

Income taxes	1.6	1.1	-0.5
Minority interests in income (loss)	(0.2)	0.0	+0.2

➤ Extraordinary items: Net extraordinary loss shrank by ¥2.2 billion, reflecting declines in or the absence of, among others,

- Loss on valuation of investment securities
- Flood-related expenses

➤ Income taxes

- Income before income taxes: ¥1.3 billion



Subsidiaries reporting losses and amortization of goodwill not affected by the application of tax-effect accounting

⇒ Income taxes: ¥1.1 billion

Net income: ¥0.2 billion

◆ Financial Position

(¥ billion)	March 31, 2013	June 30, 2013	Difference	(Impact of foreign exchange rate)
Total assets	762.4	783.8	+21.4	+12.2
Shareholders' equity	271.3	274.1	+2.9	+4.1
Interest-bearing debt	270.8	287.7	+16.9	+5.3

D/E ratio	1.00	1.05	+0.05
Shareholders' equity ratio	35.6%	35.0%	-0.6%

- Total assets: Up, owing to
 - Impact of foreign currency translation differences
 - Increase in inventories (seasonal factors)
 - Increase in value of investment securities
- Shareholders' equity: Up, a consequence of
 - Decline in deduction for foreign currency translation adjustments
- Interest-bearing debt: Up, a result of
 - Increase in yen value of outstanding debt denominated in other currencies

◆ Cash Flows

(¥ billion)	Operating activities	Investing activities	FCF	Financing activities	Cash & cash equivalents
FY13 1Q	2.6	(26.7)	(24.1)	8.6	(15.5)
FY12 1Q	14.0	(9.1)	4.9	(3.7)	1.3

◇ BS exchange rate

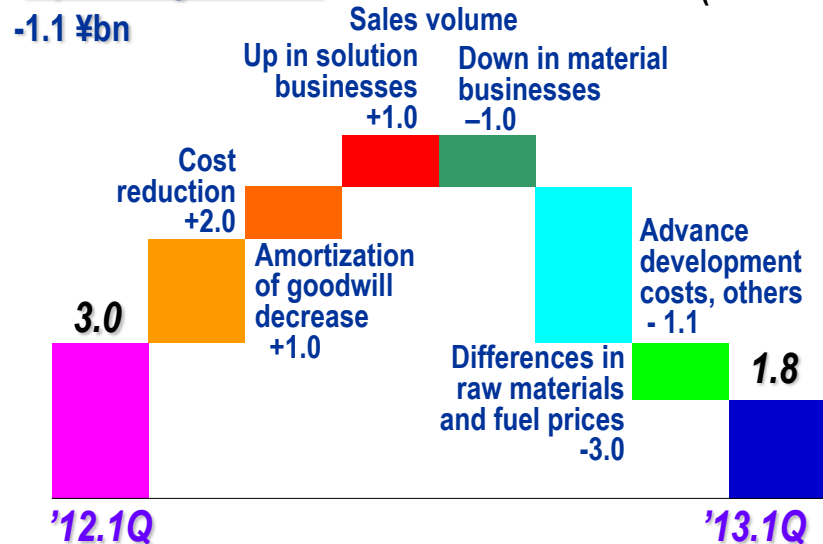
	March 31, 2013	June 30, 2013
¥/US\$	94	99
¥/€	121	129
US\$/€	1.28	1.30

Note: Cash flows fall outside the scope of quarterly results reporting under the Financial Instruments and Exchange Act.

◆ Analysis of Changes in Operating Results and Financial Position

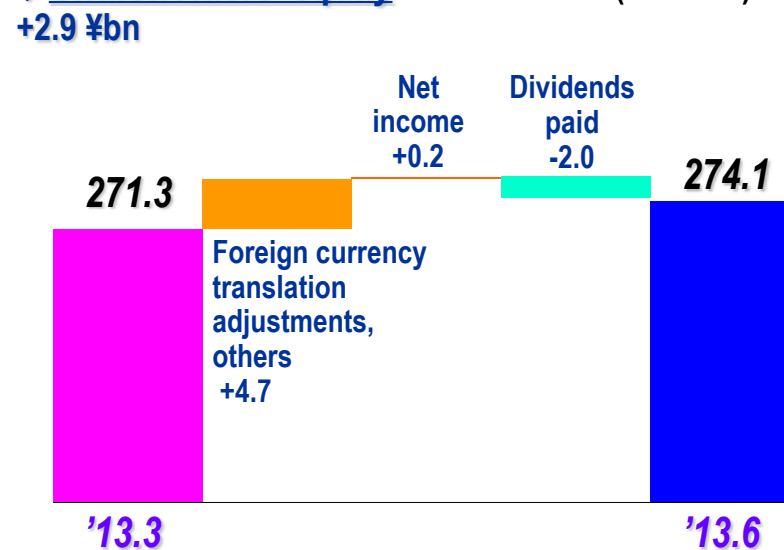
◇ Operating income

(¥ billion)



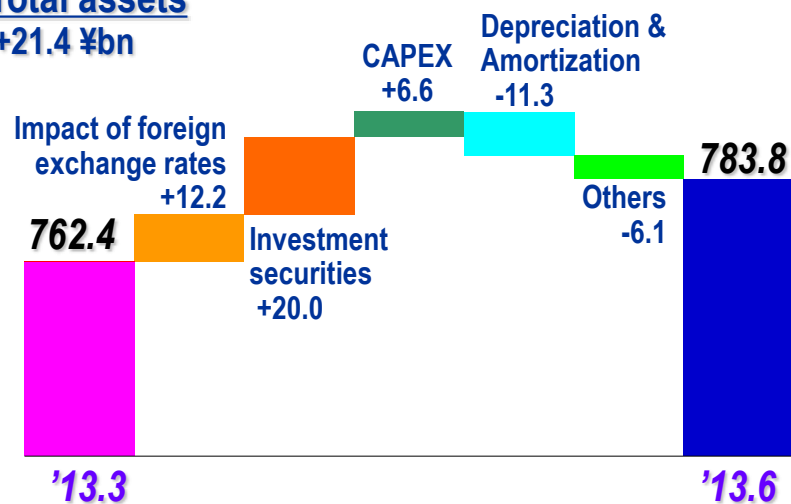
◇ Shareholders' equity

(¥ billion)



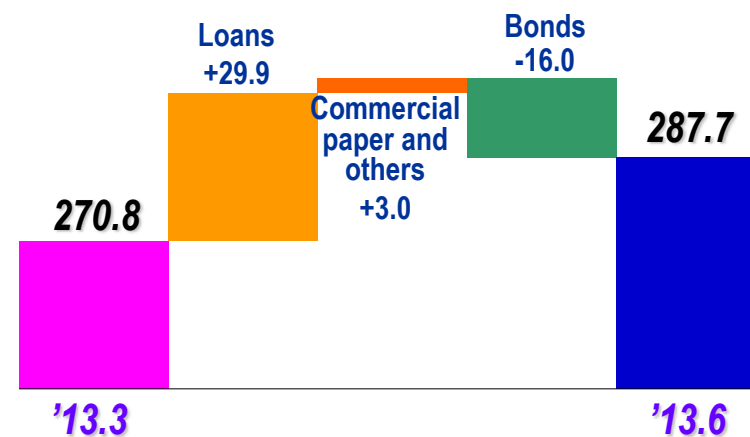
◇ Total assets

+21.4 ¥bn



◇ Interest-bearing debt

+16.9 ¥bn



(2) Operating Results by Segment (Comparison with FY12 1Q)

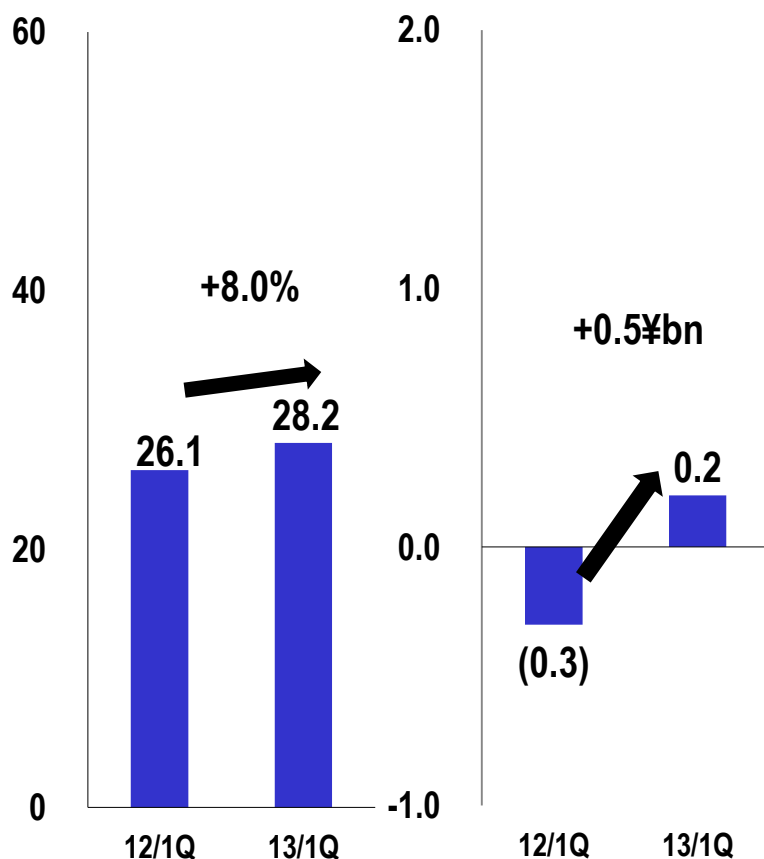
(¥ billion)	Sales				Operating income (loss)			
	FY12 1Q	FY13 1Q	Difference	% Change	FY12 1Q	FY13 1Q	Difference	% Change
Advanced Fibers and Composites	26.1	28.2	+2.1	+8.0%	(0.3)	0.2	+0.5	—
Electronics Materials and Performance Polymer Products	43.7	44.3	+0.6	+1.3%	1.6	(0.2)	-1.8	—
Healthcare	31.2	31.5	+0.3	+1.0%	3.8	4.6	+0.8	+20.9%
Trading and Retail	54.9	57.1	+2.2	+3.9%	0.7	0.6	-0.2	-20.9%
Total	156.0	161.1	+5.1	+3.3%	5.8	5.2	-0.7	-11.6%
Others	18.4	22.4	+4.1	+22.1%	0.4	(0.0)	-0.4	—
Elimination and Corporate	—	—	—	—	(3.2)	(3.3)	-0.1	—
Total	174.3	183.5	+9.2	+5.3%	3.0	1.8	-1.1	-38.2%

① Advanced Fibers and Composites

Sales

Operating income

(¥ bn)



(¥ billion)	12/1Q	13/1Q	Difference	Change
Sales	26.1	28.2	+2.1	+8.0%
Operating income (loss)	(0.3)	0.2	+0.5	—

◆ Summary & Actions◇ High-Performance Fibers

Para-aramid fibers:

- Demand for use in fiber optic cables was solid, while that for automotive applications showed signs of recovery
- Demand for use in ballistic protection products and protective clothing remained lackluster

Meta-aramid fibers:

- Demand for use in filters increased in the PRC
- Decision made to build production facility for a new type of meta-aramid fiber

Polyester fibers for industrial applications:

- Sales were firm for use in personal hygiene products and for civil engineering and construction-related applications

◇ Carbon Fibers and Composites

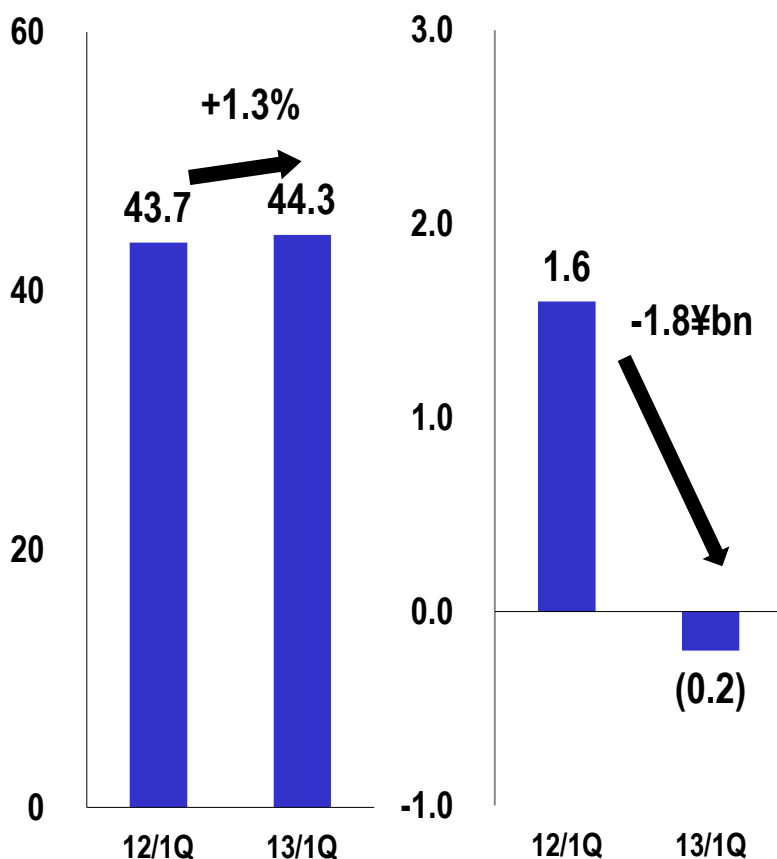
- Shipments remained favorable for use in aircraft
- Demand for use in pressure vessels rose, supported by the expansion of shale gas development in North America
- Prices bottomed out and began showing signs of recovery

② Electronics Materials and Performance Polymer Products

Sales

Operating income

(¥ bn)



(¥ billion)	12/1Q	13/1Q	Difference	Change
Sales	43.7	44.3	+0.6	+1.3%
Operating income (loss)	1.6	(0.2)	-1.8	—

◆ Summary & Actions

◇ Resins and Plastics Processing

Polycarbonate resin:

- Demand softened; competitors mounted a fierce price offensive
⇒ Efforts focused on preserving sales volume
- Demand for use in copiers and other office equipment remained firm

Processed plastics products:

- Sales of polycarbonate resin sheet were favorable for use in automotive instrument panels and dummy cans for vending machines, as were sales of polycarbonate retardation film for 3D glasses for movie theaters and vehicle navigation systems
- We proceeded with efforts to expand sales of specialty polycarbonate resin for use in smartphone and tablet computer camera lenses

◇ Film

PET film (Japan):

- Demand was firm for use in solar cells, smartphones and tablet computers
- Competition increased for use in LCD TVs and electronic components
- Profitability deteriorated as the depreciation of the yen pushed up costs

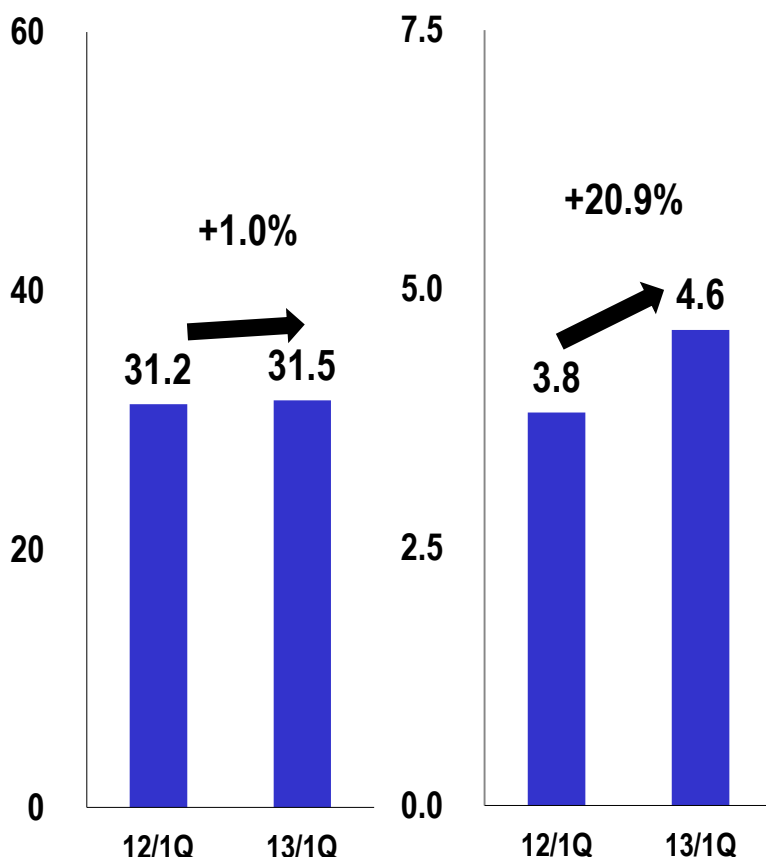
PET film (overseas): Sales were firm in the PRC, but demand flagged in Europe

③ Healthcare

Sales

Operating income

(¥ bn)



(¥ billion)	12/1Q	13/1Q	Difference	Change
Sales	31.2	31.5	+0.3	+1.0%
Operating income	3.8	4.6	+0.8	+20.9%

◆ Summary & Actions

◇ Pharmaceuticals

- **Febuxostat** (treatment for hyperuricemia and gout)
Sales expanded favorably in Japan, capturing the top share of the domestic market for such treatments; overseas, efforts focused on increasing the number of countries and territories in which the drug is sold (currently approximately 30)
- **Bonalon®*** (treatment for osteoporosis)
The operating environment remained harsh, owing to increasingly intense competition; we continued to expand sales of infusion and jelly forms of this drug

◇ Home Healthcare

- **HOT**: Rental volume remained high, thanks to the release of new models
- **CPAP**: Rental volume rose steadily, augmented by the launch of *NemLink*, a monitoring system that uses mobile phone networks

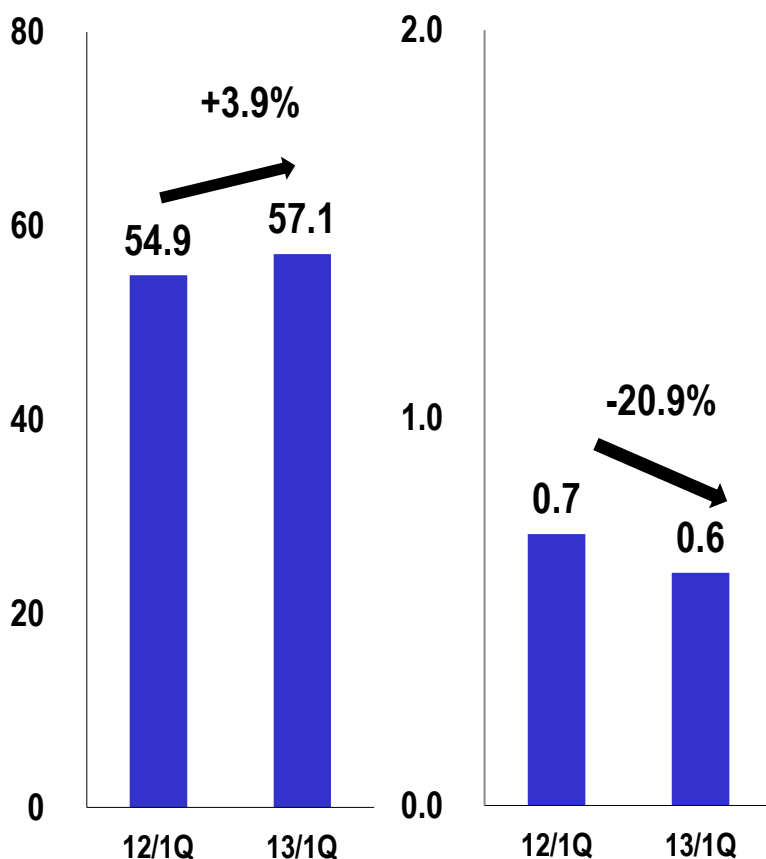
* Bonalon® is the registered trademark of Merck Sharp & Dohme Corp., Whitehouse Station, NJ, U.S.A.

④ Trading and Retail

Sales

Operating income

(¥ bn)



(¥ billion)	12/1Q	13/1Q	Difference	Change
Sales	54.9	57.1	+2.2	+3.9%
Operating income	0.7	0.6	-0.2	-20.9%

◆ Summary & Actions

Fiber Materials and Apparel:

- We promoted initiatives aimed at expanding sales of original materials
- Exports of textiles were brisk to Europe and North America for use in fashion apparel and sportswear and to the Middle East

Textile and Apparel:

- We sought to further strengthen our OEM production configuration and proceeded with the expansion of our production network in the ASEAN region with the aim of diversifying materials procurement
- Depreciation of the yen pushed up costs

Industrial Textiles and Materials:

- Demand for automotive applications was favorable, particularly overseas
- Sales of general-purpose materials (including materials for agricultural, fisheries and civil engineering-related applications and nonwoven fabrics) were brisk
- Shipments of interior materials and films and plastics flagged, a consequence of sluggish market conditions

FY13 Outlook

(1) Assessment of the operating environment

- Slowing growth in emerging economies and clear signs of a more protracted recession in Europe

GDP Growth Forecasts

Source: International Monetary Fund (July 2013)

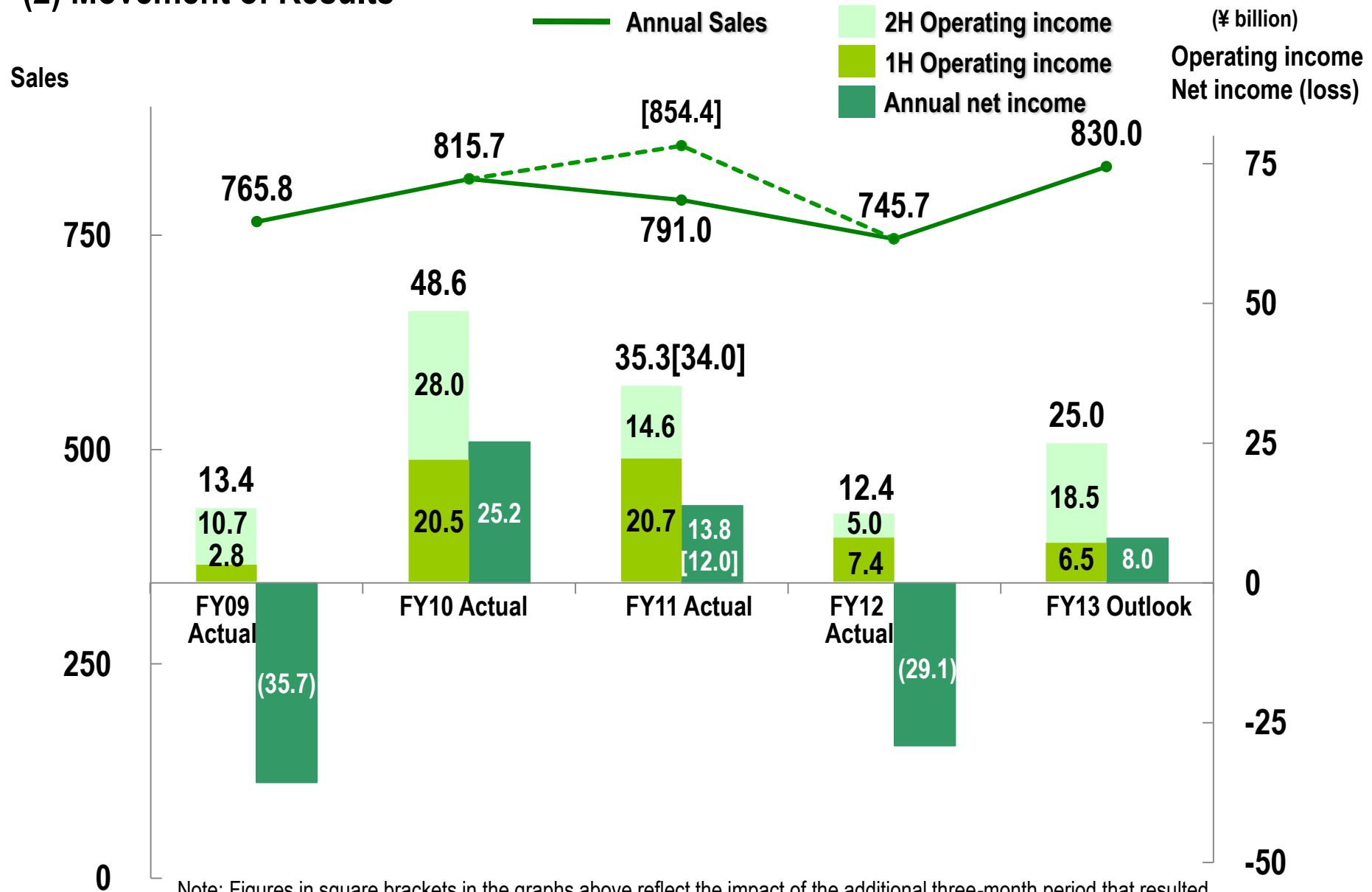
	2011	2012	2013		2014
			Projections	Difference from projections as of April 2013	
(%)					Projections
World average	3.9	3.1	3.1	-0.2	3.8
Advanced economies	1.7	1.2	1.2	-0.1	2.1
United States	1.8	2.2	1.7	-0.2	2.7
Euro area	1.5	(0.6)	(0.6)	-0.3	0.9
Japan	(0.6)	1.9	2.0	+0.5	1.2
Emerging markets and developing economies	6.2	4.9	5.0	-0.3	5.4
China	9.3	7.8	7.8	-0.3	7.7
ASEAN (five member states)	4.5	6.1	5.6	-0.3	5.7
Brazil	2.7	0.9	2.5	-0.5	3.2
India	6.3	3.2	5.6	-0.2	6.3

Downside risks continue to dominate the economic outlook

- Europe is expected to remain in recession at least until the end of 2013.
- Diminishing growth in the PRC will negatively impact other Asian economies with strong trade ties

⇒ Press forward with independent initiatives to enhance profitability rather than relying on a favorable turn in the general operating environment

(2) Movement of Results



(3) Summary of Outlook for FY13

No change from previous outlook (announced on May 9, 2013)

(¥ billion)	FY12	FY13 Outlook	Difference	
			Amount	%
Net sales	745.7	830.0	+84.3	+11.3%
Operating income	12.4	25.0	+12.6	+102.3%
Operating margin	1.7%	3.0%	—	+1.4%
Ordinary income	9.8	23.0	+13.2	+135.0%
Net income (loss)	(29.1)	8.0	+37.1	—

◆ Dividends Declared for Fiscal 2012 and Forecast for Fiscal 2013

(¥/share)	FY12	FY13	Difference
Interim	2.0	2.0	—
Year-end	2.0	2.0	—
Annual dividends	4.0	2.0	—

EBITDA *1	59.2	70.0	+10.8
CAPEX *2	36.3	40.0	+3.7
Depreciation & amortization	46.9	45.0	-1.9
R&D expenses	33.2	34.0	+0.8
FCF	26.4	(10.0)	-36.4

(¥ billion)	Mar. 31, 2013	Mar. 31, 2014	Difference
Assets:			
Inventories	111.6	110.0	-1.6
Total	762.4	765.0	+2.6
Interest-bearing debt	270.8	275.0	+4.2

*1 EBITDA = (Operating income + Depreciation & amortization)

*2 CAPEX includes investments in intangible assets

◆ Exchange rate and Crude Oil Price Forecast for FY13

JPY per USD : 96 JPY per EUR : 126 Dubai crude oil price : US\$100/barrel

◆ Changes in Net Sales and Operating Income for FY12-FY13

		FY12 Results			FY13 Outlook			Difference
		1H	2H	Total	1H	2H	Total	
(¥ billion)								
Net sales	Advanced Fibers and Composites	52.8	58.4	111.2	60.0	65.0	125.0	+13.8
	Electronics Materials and Performance Polymer Products	88.4	87.1	175.5	95.0	100.0	195.0	+19.5
	Healthcare	64.3	74.0	138.3	70.0	75.0	145.0	+6.7
	Trading and Retail	115.7	121.5	237.2	125.0	135.0	260.0	+22.8
	Total	321.1	341.1	662.2	350.0	375.0	725.0	+62.8
	Others	37.1	46.4	83.5	50.0	55.0	105.0	+21.5
Total		358.3	387.5	745.7	400.0	430.0	830.0	+84.3
Operating income (loss)	Advanced Fibers and Composites	0.3	(5.0)	(4.7)	1.5	2.5	4.0	+8.7
	Electronics Materials and Performance Polymer Products	1.5	(3.4)	(1.9)	(1.0)	1.5	0.5	+2.4
	Healthcare	9.3	15.5	24.8	9.5	15.5	25.0	+0.2
	Trading and Retail	2.2	2.6	4.7	2.0	3.0	5.0	+0.3
	Total	13.2	9.7	22.9	12.0	22.5	34.5	+11.6
	Others	0.6	3.7	4.2	1.0	3.0	4.0	-0.2
	Elimination and Corporate	(6.4)	(8.4)	(14.8)	(6.5)	(7.0)	(13.5)	+1.3
Total		7.4	5.0	12.4	6.5	18.5	25.0	+12.6

Outlook by Segment (comparison with previous forecast)

		FY13 Previous Outlook*			FY13 Revised Outlook			Difference
		1H	2H	Total	1H	2H	Total	
(¥ billion)								
Net Sales	Advanced Fibers and Composites	55.0	65.0	120.0	60.0	65.0	125.0	+5.0
	Electronics Materials and Performance Polymer Products	100.0	100.0	200.0	95.0	100.0	195.0	-5.0
	Healthcare	70.0	75.0	145.0	70.0	75.0	145.0	—
	Trading and Retail	125.0	135.0	260.0	125.0	135.0	260.0	—
	Total	350.0	375.0	725.0	350.0	375.0	725.0	—
	Others	50.0	55.0	105.0	50.0	55.0	105.0	—
Total		400.0	430.0	830.0	400.0	430.0	830.0	—
Operating Income (loss)	Advanced Fibers and Composites	1.0	2.5	3.5	1.5	2.5	4.0	+0.5
	Electronics Materials and Performance Polymer Products	(0.5)	1.5	1.0	(1.0)	1.5	0.5	-0.5
	Healthcare	9.5	15.5	25.0	9.5	15.5	25.0	—
	Trading and Retail	2.0	3.0	5.0	2.0	3.0	5.0	—
	Total	12.0	22.5	34.5	12.0	22.5	34.5	—
	Others	1.0	3.0	4.0	1.0	3.0	4.0	—
	Elimination and Corporate	(6.5)	(7.0)	(13.5)	(6.5)	(7.0)	(13.5)	—
Total		6.5	18.5	25.0	6.5	18.5	25.0	—

*Announced on May 9, 2013

(4) Current operating environment and strategic actions in key businesses

Segment/business		Current operating environment	Strategic actions
Advanced Fibers and Composites	Overall	<ul style="list-style-type: none"> Demand is flat for all but a few applications; pricing competition is intensifying 	<ul style="list-style-type: none"> Rationalize production configurations and reduce fixed costs
	Aramid fibers	<ul style="list-style-type: none"> Demand for use in ballistic protection products remains lackluster The automobile market in Europe remains harsh, but signs of an improvement in overall demand for automotive applications are visible, particularly in the U.S. and Asian markets 	<ul style="list-style-type: none"> Boost sales for use in ballistic protection products in emerging economies Resolve to commercialize a new type of meta-aramid fiber Make full use of service bases in the PRC
	Carbon fibers and composites	<ul style="list-style-type: none"> Shipments remain robust for use in aircraft and demand rose for use in pressure vessels Sales prices for general industrial applications and for use in sports and leisure equipment have bottomed out and are showing signs of recovery 	<ul style="list-style-type: none"> Expand sales for use in aircraft and pressure vessels Cultivate new applications in India and Southeast Asia ⇒ Establish sales base in Singapore Proceed with development efforts to hasten the commercialization of CFRP for automotive applications
Electronics Materials and Performance Polymer Products	Resin and plastics processing	<ul style="list-style-type: none"> The supply–demand balance remains loose A price offensive by competitors has hampered profitability Demand for use in smartphones and tablet computers is solid 	<ul style="list-style-type: none"> Rationalize production configurations and reduce fixed costs Launch products with new performance features, cultivate new applications Bolster sales by nurturing new customers and applications in Asia ⇒ Establish sales bases in Thailand and the PRC (resin and plastics processing) Expand sales for use in smartphones and tablet computers (transparent electroconductive film, specialty polycarbonate resin for camera lenses) Expand sales of highly durable film for use in solar cells (films)
	Films	<ul style="list-style-type: none"> Growth in LCD television–related markets is slowing, owing to the termination of subsidies for the purchase of environment-friendly household appliances in the PRC Demand for use in solar cells is firm in Japan 	
Healthcare	Pharmaceuticals	<ul style="list-style-type: none"> The market for hyperuricemia and gout treatments has gathered steam Competition is further intensifying in the market for osteoporosis treatments 	<ul style="list-style-type: none"> Further expand sales of febuxostat in Japan and increase the number of other countries and territories in which the drug is marketed Maintain market share by launching new formulations of Bonalon®
	Home healthcare	<ul style="list-style-type: none"> Competition is escalating in the Japanese market Healthcare system changes are pushing down medical treatment fees in the United States 	<ul style="list-style-type: none"> Capitalize on new monitoring system and establishment of new home healthcare call center to expand rental volumes Streamline/close offices in the United States to improve the efficiency of operations

(5) Ongoing business restructuring initiatives and efforts to reduce costs

Initiatives aimed at improving short- to medium-term profitability are progressing as planned

1. Promote structural reforms in businesses (expected impact in FY13: reduction of ¥5.0 billion)

- Materials businesses: Realign and restructure production configurations and reduce fixed costs

Aramid fibers: Reduce headcount in the Netherlands by approx. 10%

Carbon fibers: Suspend production lines at U.S. subsidiary; reduce headcount by approx. 50%

Other

- Home healthcare: Integrate and streamline U.S. service network; reduce headcount by approx. 20%

- Head office staff: Groupwide structural reforms

Reassign approximately 200 employees from staff to line positions

Reduce headcount by approximately 500, primarily overseas

2. Implement decisive measures to reduce costs Groupwide (expected impact in FY13: reduction of ¥5.0 billion from the FY12 level)

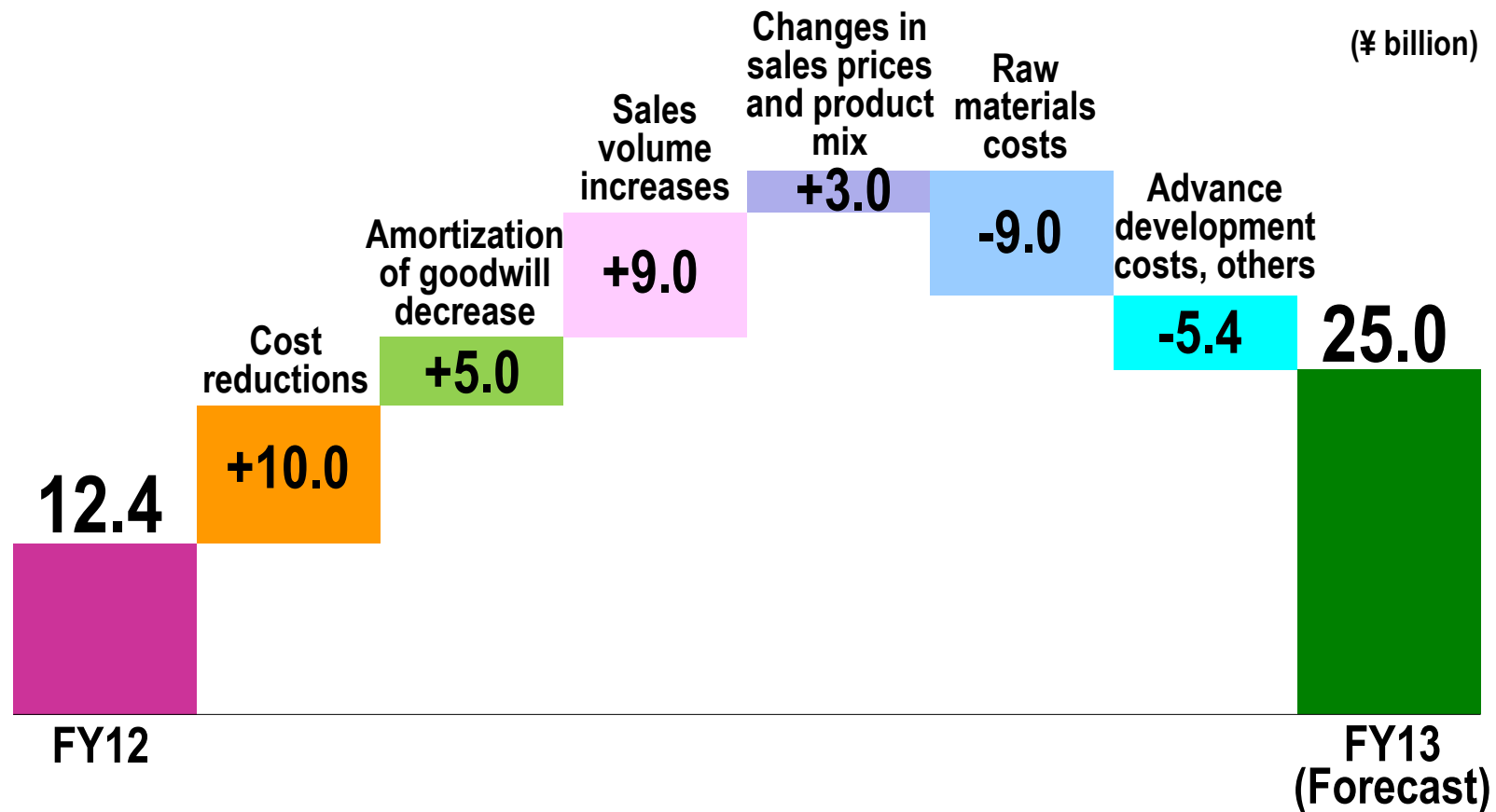
Measures: Diversify suppliers, improve productivity, slash administrative costs and expenses, others

Through these initiatives, we will advance steadily toward realizing total cost reductions of ¥10.0 billion (20% of expected total reduction achieved in the three months ended June 30, 2013)



Consideration is also being given to a more far-reaching reorganization of production configurations in our materials businesses

(6) Analysis of Changes in Operating Income Forecast

Unchanged from our initial forecasts

(7)Recent achievements

■ Construction of production facility for new meta-aramid fibers

- ◆ Protective clothing is an essential component of one of Teijin's core business areas
Maintain leading share of the Japanese market for meta-aramid fibers for use in fireproof clothing (*Teijinconex*)
- ◆ Market environment
Against a backdrop of increasingly stringent regulations for inflammability and environmental performance in Asia, annual growth in the area of 7% is forecast for the foreseeable future
- ◆ Development of new type of meta-aramid fiber
 - World-class heat resistance
 - Highly stable dyeability (can be piece dyed)
 - Competitive cost structure
- ◆ Overview of new production facility
 - Location: Ayutthaya Province (on the premises of Teijin (Thailand) Limited)
 - Schedule: Construction is expected to begin in December 2013; production is slated to commence in July 2015
 - Annual production capacity: 2,200 tons
 - Total investment: Approx. ¥4.5 billion

Firefighters' uniforms



Rescue uniforms



The new facility will collaborate with other production facilities and R&D bases with the aim of accelerating efforts to secure demand in growing markets

■ Collaborative R&D with Amgen

◆ R&D aimed at developing novel therapies for autoimmune diseases*

* Autoimmune diseases, which include rheumatoid arthritis, psoriasis and multiple sclerosis, arise when the body's immune system mistakenly identifies its own healthy tissues or cells as foreign and attacks them.

Amgen Inc. of the United States possesses the highest level of expertise and global development capabilities in the field of autoimmune diseases

⇒ Collaboration with Amgen is expected to timely provide a potential breakthrough in the discovery of new therapeutic compounds and maximize their value

◆ Develop compounds with novel mechanisms of action

- While treatments exist, there is an increasing demand for new treatment options that provide superior efficacy
- **Teijin and Amgen will work together to identify candidates that modulate the activity of ROR γ , an emerging and promising target for autoimmune disease drug development**

◆ Drug discovery, development and marketing agreement

Teijin: Rights to develop and commercialize compounds discovered in the joint research collaboration in Japan and rights to co-promote in select Asian markets; potential milestones and royalties from Amgen

Amgen: An option to obtain a worldwide (ex-Japan) exclusive license to potential products

Collaboration between Teijin and Amgen is expected to lead to the realization of new treatment options for autoimmune diseases

■ Establishment of new home healthcare call center

- ◆ Key competitive strengths of Teijin's home healthcare business: Around-the-clock customer support system and IT-based monitoring system
- ◆ Expanding rentals of home healthcare devices
Teijin currently provides services to approximately 230,000 individuals in Japan
The number of patients taking advantage of Teijin's home healthcare services continues to grow; of particular note, the number of patients using CPAP ventilators is expanding by approximately 10% annually

Teijin provides support services to current customers from its call center in Fukuoka (established in 2004)

In 2012, the Fukuoka facility handled 1.3 million calls.
By 2016, the number of calls is expected to increase to 2.0 million

⇒ Recognized the need to enhance capacity

- ◆ Overview of project
 - Objective: Increase call center capacity 1.5 times
 - Location of new call center: Osaka (diversification of risk in the event of a disaster)
 - Scheduled start of operations: August 2013



The reinforcement of core competences will facilitate further business growth

(8) Revision of medium-term performance targets

Changes since the formulation of our medium- to long-term management vision in February 2012

Faster-than-anticipated deterioration of the operating environment for our materials businesses



- **Impact of initiatives aimed at improving short- to medium-term profitability**
- **Progress of growth strategies**



After giving full consideration to the growth strategies and initiatives necessary to transform our four fundamental portfolios, we will set new medium-term performance targets to be achieved by FY16

We will release new targets by the time we announce our upcoming interim results

(9) Financial Highlights

	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Outlook
ROA ^{*1}	1.6%	6.1%	4.5%	1.6%	3.4%
ROE ^{*2}	-12.4%	9.1%	4.2%	-10.3%	3.2%
Operating margin	1.8%	6.0%	4.0%	1.7%	3.0%
D/E ratio	1.18	0.94	0.89	1.00	1.1
Shareholders' equity ratio	33.0%	37.3%	38.3%	35.6%	35%
Earnings per share (¥)	(36.3)	25.6	12.2	(29.6)	8.1
Dividends per share (¥)	2.0	5.0	6.0	4.0	4.0
Total assets (¥ billion)	823.1	761.5	762.1	762.4	765.0
Interest-bearing debt (¥ billion)	320.3	267.4	261.0	270.8	275.0
EBITDA (¥ billion) ^{*3}	75.3	105.0	86.3	59.2	70.0

*1 ROA= Operating income/Total assets

*2 ROE= Net income/Shareholders' equity

*3 EBITDA = Operating income + Depreciation & amortization

Disclaimer Regarding Forward-Looking Statements and Business Risks

Disclaimer

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

Business Risks

The Teijin Group recognizes certain risks as having the potential to affect its operating results and/or financial position. As of the date of this document, these risks included, but were not limited to, the risks listed below.

(1) Market-related risk

The Teijin Group manufactures and sells products, the sales of which may be affected by market conditions, competition with other companies and price fluctuations arising thereof, as well as fluctuations in raw materials prices and fuel costs, and such market factors as fluctuations in foreign exchange and interest rates.

(2) Product quality risk

Teijin's pharmaceuticals and home health care businesses manufacture and sell products that may affect the lives of users. Accordingly, quality issues relating to such products have the potential to negatively affect, among others, the Group's operating results, financial position and public reputation.

(3) R&D-related risk in the pharmaceuticals business

R&D in the pharmaceuticals business is characterized by significant investments of funds and time. Pharmaceuticals discovery research has a high incidence of failure to discover promising drugs. There are also risks that plans to apply for regulatory approval may be abandoned or that approval may be rescinded.

(4) Risks related to overseas operations

The Teijin Group has operations overseas. These operations are vulnerable to the impact of fluctuations in foreign exchange rates, as well as enforcement of new or unexpected changes to existing laws, regulations or tax systems that exert an adverse impact on the Group; economic fluctuations; or social unrest triggered by acts of terror or war.

(5) Risks related to accidents and disasters

In the event of a major natural disaster or unforeseen accident that results in damage to the Teijin Group's production facilities or significantly impedes the Group's supply chain, such developments may have a negative impact on the Group's operating results and/or financial position.

◆ Consolidated Balance Sheets

	(¥ billion)	Sep. 30, 2011	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012	Sep. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013
Total assets		784.5	775.8	762.1	739.7	731.8	780.0	762.4	783.8
Current assets		369.4	375.6	361.8	352.1	350.7	373.4	372.3	372.5
Fixed assets		415.1	400.2	400.3	387.7	381.0	406.6	390.1	411.4
Total liabilities and net assets		784.5	775.8	762.1	739.7	731.8	780.0	762.4	783.8
Liabilities		474.2	469.7	449.9	440.2	433.0	465.4	470.3	488.9
[Interest-bearing debt]		288.0	285.0	261.0	254.7	252.3	274.9	270.8	287.7
Net assets		310.3	306.0	312.2	299.5	298.8	314.5	292.1	294.9

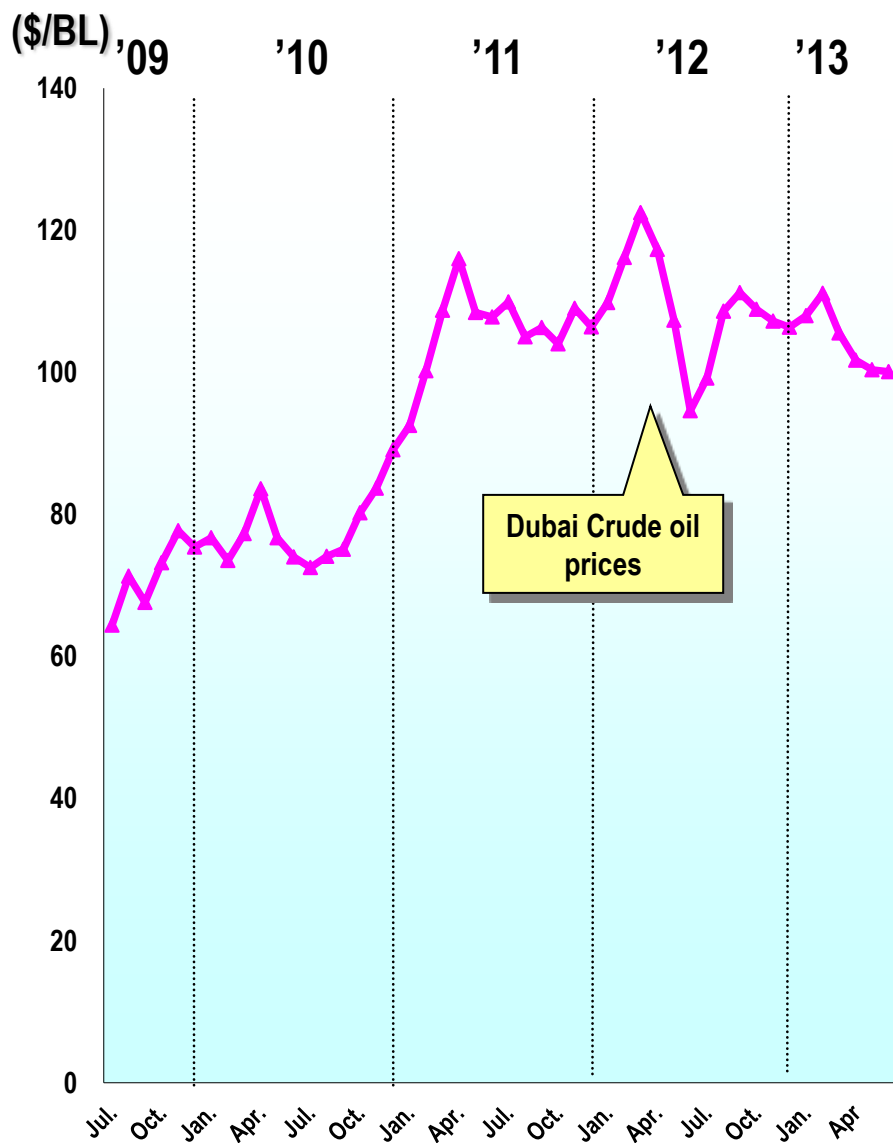
Note: For more information, see Teijin's quarterly results report (Consolidated Financial Results for the First Quarter of FY13).

◆ Consolidated Statements of Income

	FY12				FY13	FY12 1Q vs FY13 1Q
	1Q	2Q	3Q	4Q	1Q	
(¥ bn)						
Net Sales	174.3	183.9	184.8	202.6	183.5	+9.2
Cost of sales	127.5	135.7	138.2	153.8	137.9	+10.4
Gross profit	46.8	48.3	46.6	48.8	45.6	-1.2
SG & A	43.9	43.9	43.8	46.6	43.8	-0.1
Operating income	3.0	4.4	2.8	2.2	1.8	-1.1
Nonoperating items (net)	(0.8)	(1.7)	0.8	(0.9)	(0.3)	+0.5
(Balance of financial expenses)	(0.3)	(0.7)	(0.5)	(0.5)	(0.3)	+0.0
(Equity on gains and losses of unconsolidated subsidiaries and affiliates)	0.4	0.1	0.1	(0.0)	(0.1)	-0.5
Ordinary income	2.2	2.7	3.6	1.3	1.6	-0.6
Extraordinary items(net)	(2.5)	1.6	(0.8)	(30.3)	(0.3)	+2.2
Income (loss) before income taxes	(0.3)	4.3	2.8	(29.0)	1.3	+1.6
Income taxes	1.6	3.0	0.9	0.6	1.1	-0.5
Minority interests (net)	(0.2)	0.2	0.5	0.4	0.0	+0.2
Net income (loss)	(1.6)	1.0	1.5	(30.0)	0.2	+1.9

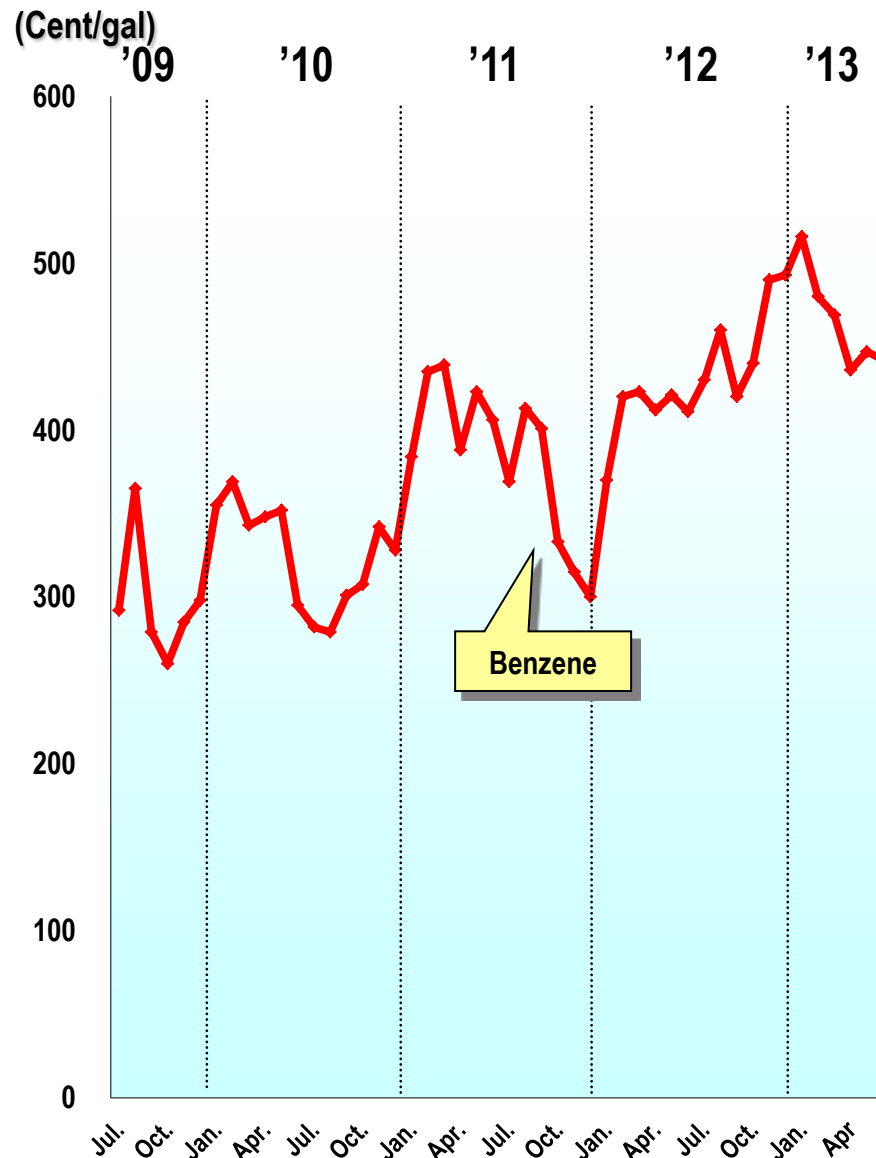
Note: For more information, see Teijin's quarterly results report (Consolidated Financial Results for the First Quarter of FY13).

◆ Dubai Crude Oil Prices



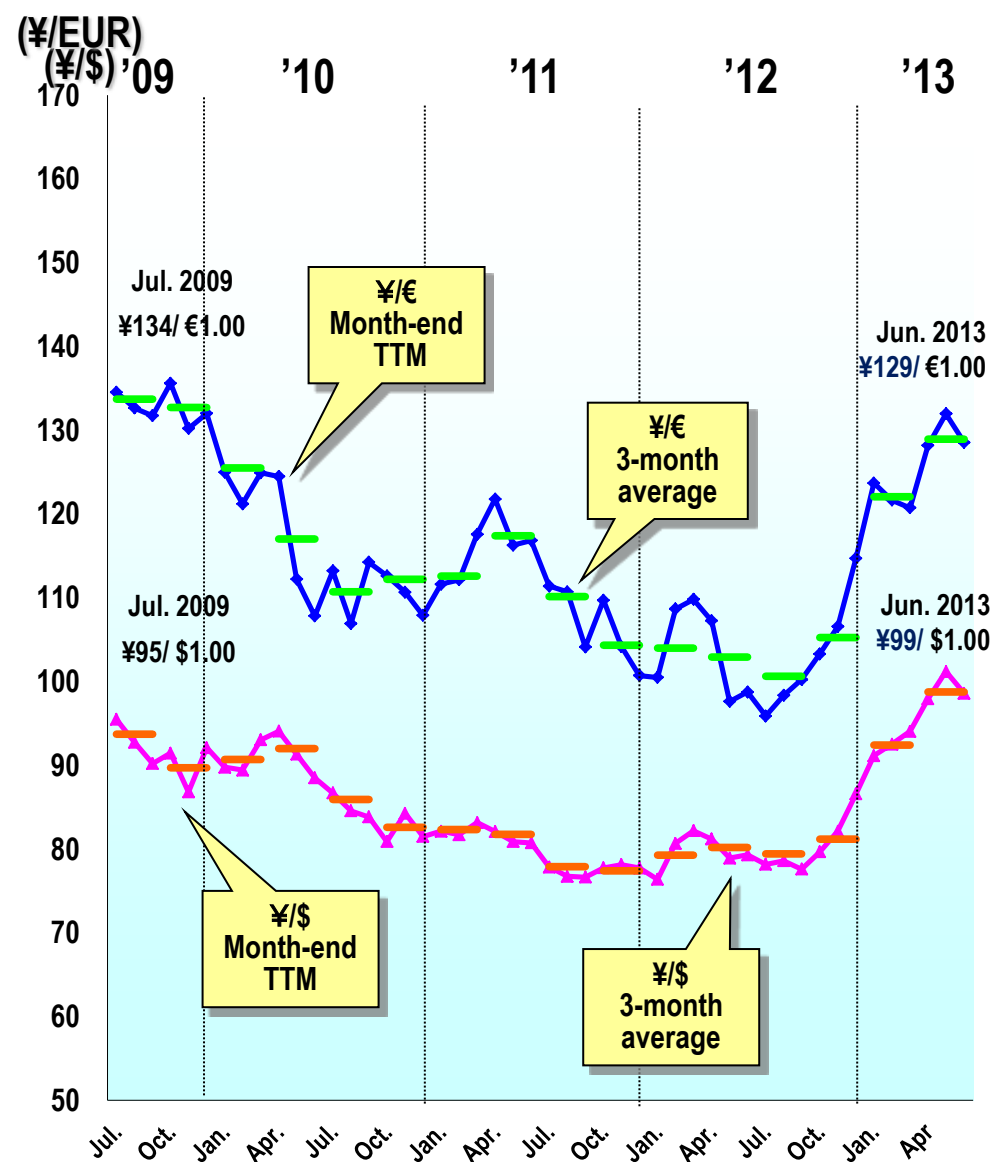
【Source: Teijin estimates based on data published by Platt's】

◆ Benzene Prices

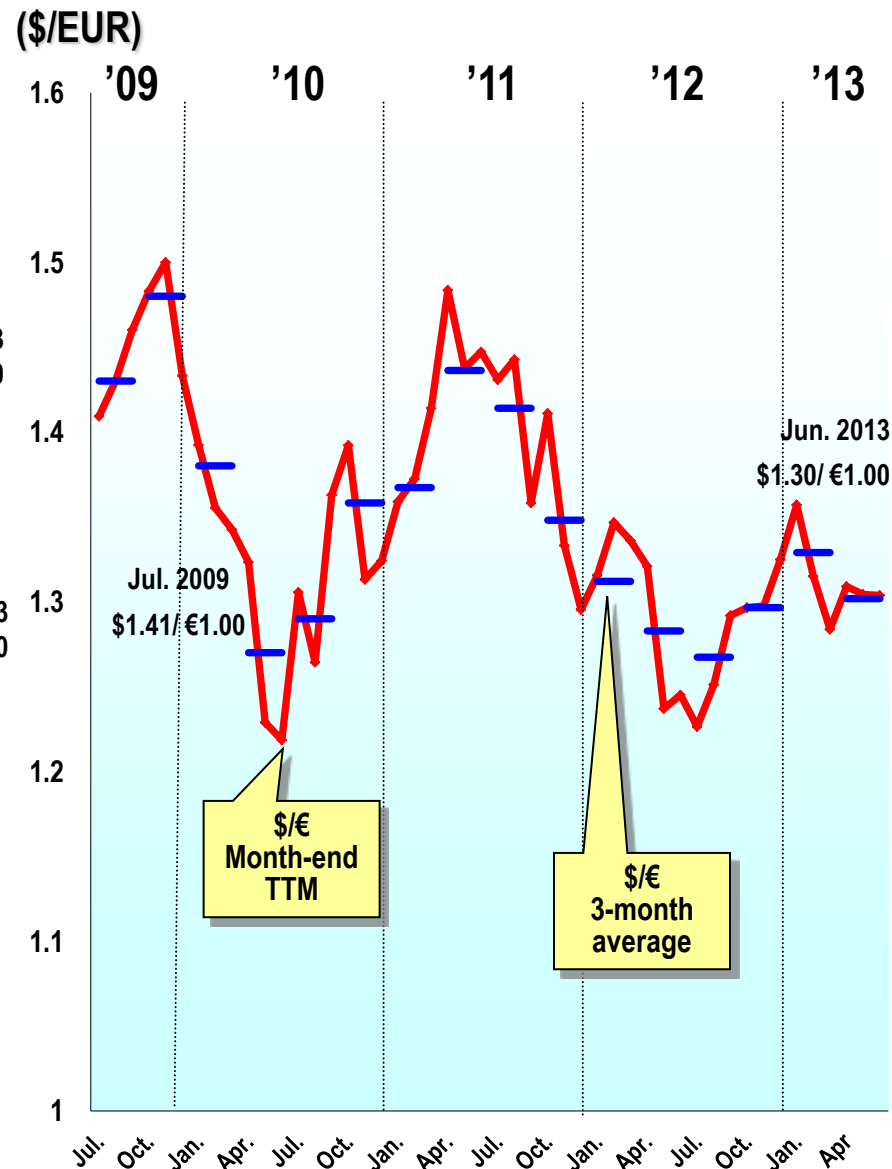


【Source: Teijin estimates based on data published by Dewitt】

◆ Yen/Dollar, Yen/Euro Exchange Rates

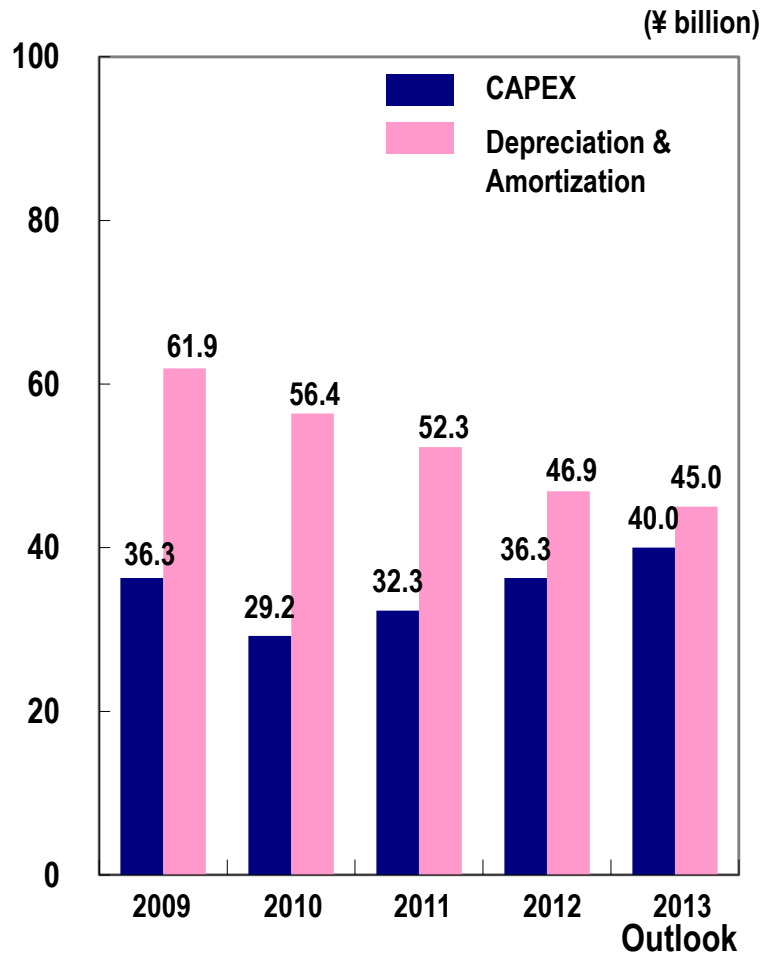


◆ Dollar/Euro Exchange Rates

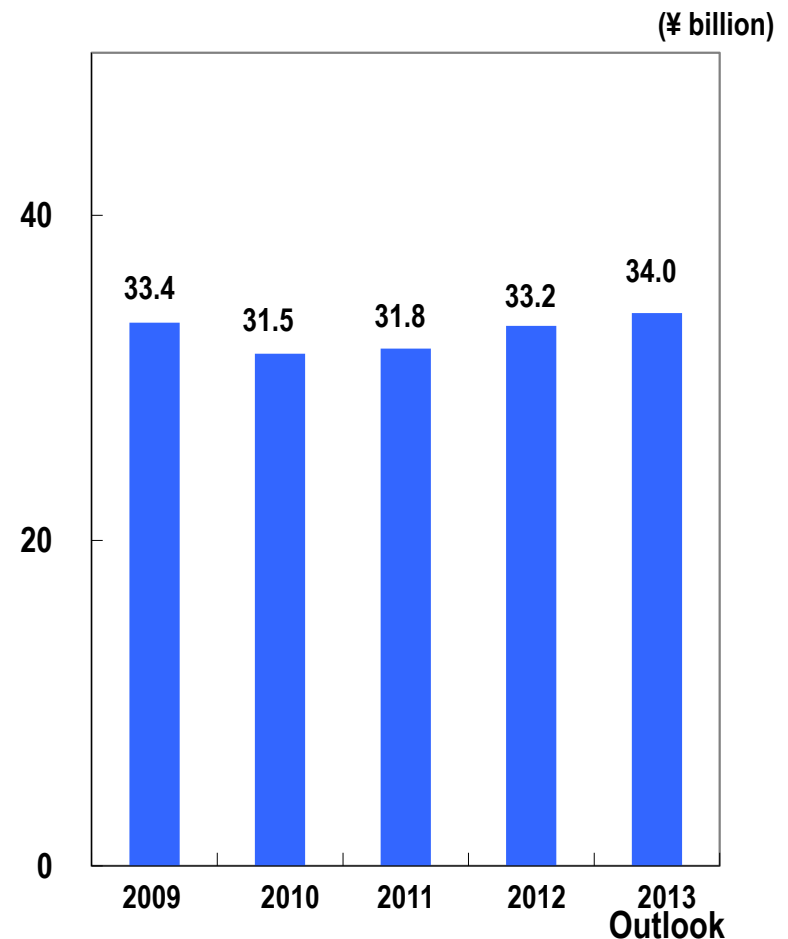


◆ CAPEX, Depreciation & Amortization, and R&D Expenses

CAPEX/Depreciation & Amortization



R&D Expenses



◆ Sales of Principal Pharmaceuticals

(¥ bn)

Product	Target disease	FY12					FY13
		1Q	2Q	3Q	4Q	Annual Total	1Q
Bonalon®*	Osteoporosis	3.3	4.0	4.3	4.2	15.9	3.2
Onealfa®	Osteoporosis	1.8	2.0	2.1	2.0	7.9	1.5
Osteoporosis total		5.1	6.0	6.5	6.2	23.8	4.7
Venilon®	Severe infection	2.4	2.4	2.7	2.5	9.9	2.2
Mucosolvan®	Expectorant	2.1	1.9	2.6	2.4	9.0	1.7
Feburic®	Hyperuricemia and gout	0.7	1.2	1.7	1.9	5.5	1.9
Laxoberon®	Laxative	1.0	1.0	1.1	1.0	4.0	0.8
Tricor®	Hyperlipidemia	0.4	0.4	0.5	0.5	1.8	0.4
Bonalfa®	Psoriasis	0.4	0.3	0.4	0.3	1.4	0.3
Alvesco®	Asthma	0.3	0.3	0.4	0.4	1.3	0.3
Synvisc®	Osteoarthritis pain in the knee	0.4	0.3	0.3	0.2	1.2	0.2
Spiropent®	Bronchodilator	0.2	0.2	0.2	0.2	0.9	0.2

* **Bonalon®** is the registered trademark of Merck Sharp & Dohme Corp., Whitehouse Station, NJ, U.S.A.

Note: Drugs shown are those with annual sales in excess of ¥1.0 billion

◆ Development status by therapeutic area

(As of June 30, 2013)

	Phase of Clinical Trials				
	Phase I	Phase II	Phase III	Filed	Approved/New Launch
Bone and joint disease		ITM-058 KTP-001			GTH-42J [Bonalon®]
Respiratory disease	NA872ET [Mucosolvan®] PTR-36*				
Cardio-vascular and metabolic disease	TMG-123		TMX-67 [Feburic®] (PRC)		ITM-014 [Somatuline®]
Other		GGs [Venilon®] (New indication for microscopic polyangiitis)	GGs [Venilon®] (New indication for optic neuritis)		

* Phase I clinical trials for PTR-36 began in June 2013.

◆ Status of new products

(As of June 30, 2013)

Brand name (Generic name)	Target disease	Medical properties/characteristics	Dosage form	Remarks
Somatuline® Subcutaneous Injection (lanreotide acetate)	Acromegaly Pituitary Gigantism	Suppresses the excessive secretion of growth hormones associated with acromegaly; pharmaceutical formulation facilitates sustained release and extended pharmaceutical action, while prefilled syringe format makes it more convenient than existing acromegaly drugs and thus more conducive to patient compliance.	Injection	Licensed in from Ipsen Pharma SAS (France) Commenced sales in Japan on January 17, 2013
Bonalon® Jelly 35 mg (alendronate sodium hydrate)	Osteoporosis	Oral jelly formulation of Bonalon (alendronate sodium hydrate), currently sold as an osteoporosis drug; intended as the world's first jelly-form osteoporosis treatment; offers promise as an alternative for osteoporosis patients who dislike taking pills because it is easy to swallow and moderately firm, so holds shape; also promising because it is easily managed by elderly individuals.	Oral jelly	Licensed in from Merck & Co., Inc. (USA) Commenced sales in Japan on March 12, 2013

Notes: **Bonalon®** is the registered trademark of Merck Sharp & Dohme Corp., Whitehouse Station, NJ, USA.
Somatuline® is the registered trademark of Ipsen Pharma, Paris, France.

◆ Newly developed pharmaceutical candidates

【Phase III】

(As of June 30, 2013)

Code No. (Generic name)	Target disease	Medical properties/characteristics	Dosage form	Remarks
GGS (freeze-dried sulfonated human immunoglobulin)	Optic neuritis	The immunoregulatory mechanism of this drug inhibits inflammation of the optic nerve; also promising because of its ability to restore lost visual function.	Injection	Under joint development with Kaketsuken (New indication)
TMX-67 (febuxostat)	Hyperuricemia and gout	<p>Trials to facilitate the licensing out of febuxostat (tablet-form treatment for hyperuricemia and gout currently sold in Japan and elsewhere) for sale in the PRC.</p> <p>A highly potent drug that selectively inhibits xanthine oxidase and is also safe for patients with impaired renal function who may be unable to tolerate existing treatments. Offers promise as a new treatment option that will improve the quality of life of hyperuricemia and gout sufferers in the PRC.</p>	Oral	Under joint development with Astellas Pharma China, Inc.

【Phase II】

Code No. (Generic name)	Target disease	Medical properties/characteristics	Dosage form	Remarks
GGs (freeze-dried sulfonated human immunoglobulin)	Microscopic polyangiitis	Drug's anti-inflammatory and immunoregulatory actions mitigate autoimmune vasculitis; also promising as a treatment for mononeuritis multiplex, a neuropathic disorder that is not alleviated by standard therapies.	Injection	Under joint development with Kaketsuken (New indication)
ITM-058	Osteoporosis	Promising for the treatment of osteoporosis due to potency in promoting bone formation, resulting in a rapid increase in bone density and reduction in the risk of fracture. Superior to existing PTH derived drugs in its ability to increase bone density and its safety (minimal risk of hypercalcemia).	Injection	Licensed in from Ipsen Pharma SAS (France)
KTP-001	Treatment for lumbar disc herniation	For use in chemonucleolysis for herniated lumbar discs; because it is a recombinant human protease—identical in structure to matrix metalloprotease, which promotes the spontaneous regression of herniated discs—this drug minimizes the risk of allergic reaction and facilitates the selective treatment of affected discs, thus reducing damage to surrounding tissue and enhancing the viability of this procedure as a minimally invasive alternative to surgery and expanding the treatment options available to patients	Injection	Engineered by Professor Hirotaka Haro and Dr. Hiromichi Komori; under joint development with Kaketsuken

【Phase I】

Code No. (Generic name)	Target disease	Medical properties/characteristics	Dosage form	Remarks
NA872ET (ambroxol hydrochloride)	Expectorant	Small, sustained-release tablet-form version of <i>Mucosolvan</i> (ambroxol hydrochloride) that is smaller than <i>Mucosolvan</i> L Capsule and thus easier to take. This version is promising because it allows easier apportioning of single doses	Oral	Licensed in from Boehringer Ingelheim GmbH (Germany)
TMG-123	Type 2 diabetes	Uses a novel mechanism (activation of glucokinase (GK) expressed predominantly in the liver) to control blood glucose levels; holds promise for use by patients with impaired glucose homeostasis. Also expected to offer greater convenience (administered once daily, does not require adjustment of dose for patients with renal insufficiency and minimal risk of drug interaction).	Tablet	
PTR-36	Bronchial asthma	Uses a novel mechanism (CRT _{h2} receptor antagonism) to control symptoms of asthma, facilitating effective long-term management of the disease; offers promise for use alone, delivering therapeutic value comparable to that of steroids, for patients with mild asthma; also offers promise for use in tandem with steroid inhalants, delivering sufficient therapeutic value for patients with mild to severe asthma	Tablet	Licensed in from Pulmagen Therapeutics (Asthma) Limited

TEIJIN*Human Chemistry, Human Solutions*

Human Chemistry, Human Solutions

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

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

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