
Flash Report

Results of FY2023 3Q & Outlook for FY2023

Teijin Limited
February 8, 2024

Points of financial results of FY2023 3Q & FY2023 outlook

Results of FY2023 9 months (Apr.-Dec.)

■ Status of the Company's main target markets

- In the Materials Business Field, products for some applications were under the impact of inventory adjustment in the supply chain, production restrictions at customer plants, and other factors
- In the Healthcare Business, the competition in the market for diabetes treatments remains fierce. The continuous positive airway pressure (CPAP) market continues to grow

■ Results

Net sales: ¥759.6 billion (FY22 9 months: ¥765.1 billion, % change: -0.7%)

Operating income: ¥4.9 billion (FY22 9 months: ¥14.8 billion, % change: -67.3%)

Profit attributable to owners of parent: ¥3.5 billion (FY22 9 months: ¥-7.1 billion, changes: +¥10.5 billion)

- Operating income decreased compared with FY22 9 months due to the market entry of generic alternatives to *FEBURIC* *1 and the one-off lump-sum contract fee in-licensed pharmaceutical products, despite desired effects of profitability improvement measures (price stabilization in raw material and fuel, cost reduction, etc.) in the aramid business and the composites business
- Profit attributable to owners of parent increased compared with FY22 9 months due to a rebound from the posting of impairment losses in the composites business in FY22 9 months

*1. Gout and hyperuricemia treatment drug

*2. Announced on November 6, 2023

Outlook for FY2023

Net sales: ¥1,030.0 billion (FY22: ¥1,018.8 billion [% change: +1.1%], FY23 previous outlook*2: ¥1,030.0 billion [No change])

Operating income: ¥18.0 billion (FY22: ¥12.9 billion [% change: +39.9%], FY23 previous outlook*2: ¥35.0 billion [% change: -48.6%])

Net income: ¥8.0 billion (FY22: ¥-17.7billion [changes: +¥25.7 billion], FY23 previous outlook*2: ¥13.0 billion [% change: -38.5%])

- Overall net sales and operating income is forecast to increase due to the appearance of the effects of the abovementioned improvement measures announced last February, despite the impact of one-off lump-sum contract fee in-licensed pharmaceutical products and the expected year-round impact of the market entry of generic alternatives to *FEBURIC* in the Healthcare Business
- While there is no change to the previously announced forecast value of net sales, operating income is now forecast to be lower than the previous forecast value due to negative factors in the Materials Business Field, including weaker demand for products for some applications, the impact of customer inventory adjustment, and unachieved stable operation caused by recurrence of equipment failures in the composites business as well as a one-off lump-sum contract fee in the Healthcare Business Field

Shareholder return

- The annual dividend is forecast to be 30 yen per share (interim 15 yen, year-end forecast 15 yen), unchanged from the previous outlook

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Disclaimer Regarding Forward-Looking Statements

Any statements in this document, other than those of historical facts, 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.

Note

Information about pharmaceuticals, medical devices, and regenerative medical products (including pipeline products) included in this material is not provided for the purposes of advertising or medical advice.

This material is based on the consolidated results for FY23 3Q announced at 3:00 P.M. on February 8, 2024 (local time in Japan).

1. Results of FY2023 3Q

- ✓ FY2023 3Q actual highlights
- ✓ Analysis of operating income in segment-specific
- ✓ Non-operating items
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◆ FY2023 3Q actual highlights [Compared with FY2022 9 months (Apr.-Dec.)]

- Net sales: Consolidated net sales remained at the same level as in FY22 9 months
- Operating income: Consolidated operating income decreased compared with FY22 9 months due to the one-off lump-sum contract fee and the impact of the market entry of generic alternatives to *FEBURIC* despite appearance of the desired effects of profitability improvement measures (stable fuel and raw material prices, cost reduction, etc.) in the aramid and composites business
- Profit attributable to owners of parent: Profit increased compared with FY22 9 months due to a rebound from the posting of impairment losses in the composites business in the same period last year

(Billions of Yen)

	FY22 9months (Apr.-Dec.)	FY23 9months (Apr.-Dec.)	Difference	% Change
Net Sales	765.1	759.6	-5.5	-0.7%
Operating Income	14.8	4.9	-10.0	-67.3%
Ordinary Income	17.5	7.6	-9.8	-56.3%
Income Before Income Taxes	9.1	10.7	+1.6	+17.3%
Profit Attributable to Owners of Parent	(7.1)	3.5	+10.5	-
ROE ^{*1}	(2.2%)	1.1%	+3.2%	-
ROIC ^{*2}	2.4%	0.8%	-1.6%	-
EBITDA ^{*3}	70.7	64.3	-6.4	-9.1%
CAPEX ^{*4}	42.9	42.0	-0.9	-2.0%
Depreciation & Amortization	55.9	59.4	+3.5	+6.3%
R&D Expenses	23.4	33.7	+10.3	+44.2%

◇ Exchange rate, Oil & Gas price

		FY22 9 months (Apr.-Dec.)	FY23 9 months (Apr.-Dec.)
PL exchange rate	Yen/US\$	137	143
	Yen/Euro	141	155
An average Dubai crude oil price (US\$/barrel)		96	82
An average Europe natural gas price (Euro/MWh)		136	37

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)

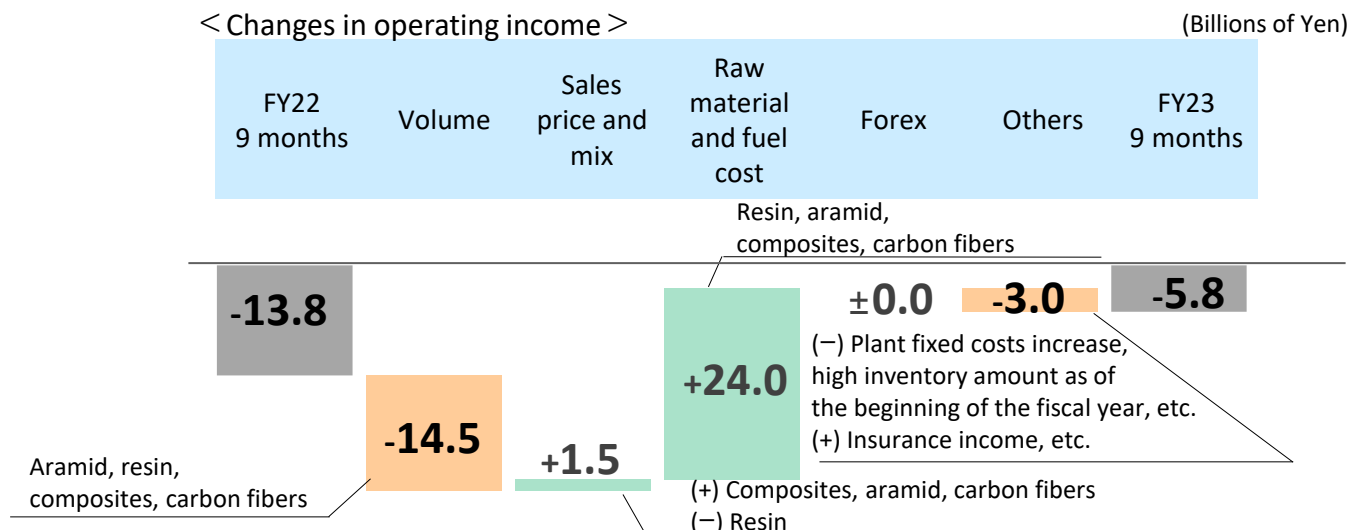
*Average: ([Beginning balance + Ending balance] / 2)

*3. EBITDA = Operating income + Depreciation & amortization

*4. CAPEX includes investments in intangible assets (excludes M&A)

◆ Analysis of operating income in segment-specific for Materials [Compared with FY2022 9 months (Apr.-Dec.)]

- Net sales: ¥321.3 billion [-¥10.1 billion compared with FY22 9 months*¹], Operating income: ¥-5.8 billion [+¥8.0 billion compared with FY22 9 months*¹]
- Profit increased due to the desired effects of profitability improvement measures in the aramid business and the composites business and the insurance income for the previous fiscal year's fire in the aramid business, despite decreases in sales volume in each segment



*1. From FY23, organizations for new businesses in the "Materials" and "Healthcare" segments were transferred to the Group-wide "Others" segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

*2. The profitability improvement plan is expected to fall short of achieving a full recovery from temporary factors. (See page 19 for details.)

Factors of changes in operating profit

	Aramid (Net sales decreased, operating income increased ➡)	Resin (Net sales decreased, operating income slightly decreased ➡)	Carbon fibers (Both net sales and operating income decreased ➡)	Composites (Both net sales and operating income increased ➡)
(+)	<ul style="list-style-type: none"> • Appearance of the desired effects of profitability improvement measures Stabilization of natural gas prices, etc. • Selling price revisions • Insurance income 	-	<ul style="list-style-type: none"> • Decreases in raw material and fuel prices 	<ul style="list-style-type: none"> • Appearance of the desired effects of profitability improvement measures*² Selling price revisions, cost reduction, etc.
(-)	<ul style="list-style-type: none"> • Decreased in sales volume Impact of the fire at a raw material plant, delay in the procurement of special repair parts, inventory adjustment in supply chains 	<ul style="list-style-type: none"> • Decreased in sales volume Demand remained low due to the delayed recovery of the Chinese economy and a slowdown in the European economy 	<ul style="list-style-type: none"> • Decreased in sales volume Stagnant demand due to procurement restrictions in the supply chain of aircraft, inventory adjustment in supply chains for products for recreation applications, etc. 	<ul style="list-style-type: none"> • Sales volume decreased Affected by declining demand for some models and the UAW strike

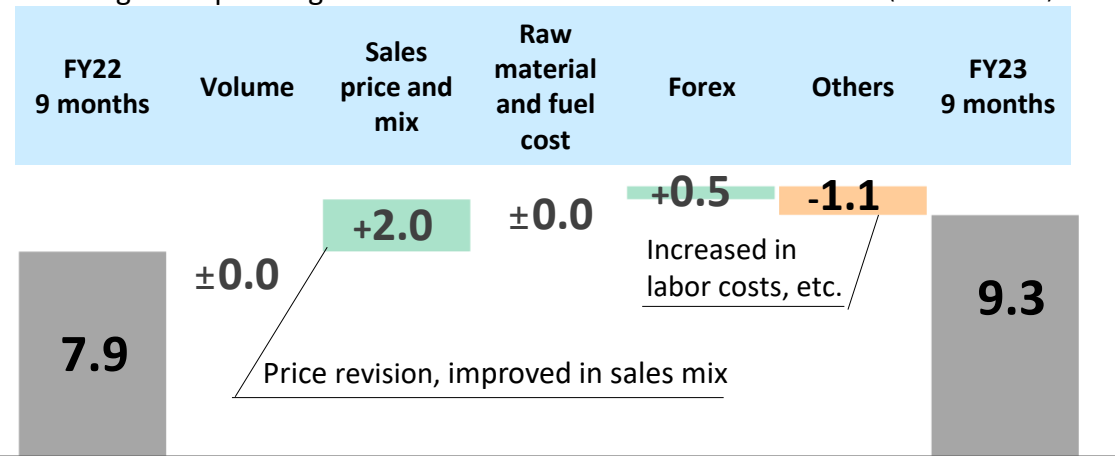
◆ Analysis of operating income in segment-specific for Fibers & Products , Healthcare [Compared with FY2022 9 months (Apr.-Dec.)]

◆ Fibers & Products

Net sales: ¥238.8 billion [-¥1.9 billion compared with FY22 9 months]
 Operating income: ¥9.3 billion [+¥1.4 billion compared with FY22 9 months]

- Both industrial materials and fiber materials and apparel remained strong in sales

< Changes in operating income > (Billions of Yen)



Factors of changes in operating income

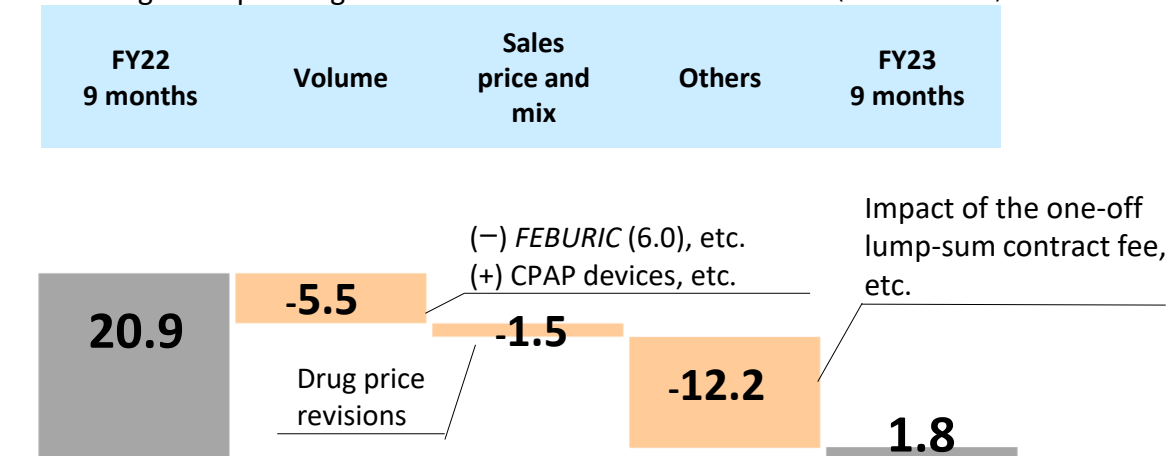
(+)	<ul style="list-style-type: none"> Sales remained strong (Fiber materials and apparel) Sales in both textile and apparel products for the U.S. and Chinese markets remained firm and sales in apparel in Japan were strong (Industrial materials) Sales in polyester staple fibers for water treatment filters, artificial leather, and infrastructure reinforcement materials were strong
(-)	<ul style="list-style-type: none"> Increased in labor costs, etc.

◆ Healthcare

Net sales: ¥107.1 billion [-¥7.0 billion compared with FY22 9 months *1]
 Operating income: ¥1.8 billion [-¥19.2 billion compared with FY22 9 months *1]

- Operating income significantly decreased mainly due to a one-off lump-sum contract fee for in-licensed pharmaceutical products and the market entry of generic alternatives to *FEBURIC*, despite good sales from medical device rental services

< Changes in operating income > (Billions of Yen)



Factors of changes in operating income

(+)	<ul style="list-style-type: none"> The number of rented medical devices increased (CPAP) The number of rented CPAP devices increased due to a recovery in the number of examinations
(-)	<ul style="list-style-type: none"> One-off lump-sum contract fee for in-licensed pharmaceutical products A one-off lump-sum contract fee of US\$ 70 million recorded for in-licensing hormone therapy drugs for rare endocrine diseases Decreased in sales volume of <i>FEBURIC</i> due to the market entry of generic alternatives

*1. From FY23, organizations for new businesses in the "Healthcare" segment were transferred to the Group-wide "Others" segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

◆ Analysis of operating income in segment-specific for IT, Others [compared with FY2022 9 months (Apr.-Dec.)]

- ◆ **IT** Sales: ¥51.7 billion [+¥10.1 billion compared with FY22 9 months], Operating income: ¥6.4 billion [+¥0.9 billion compared with FY22 9 months]

- Sales remained strong in the internet business field and remained firm in the business solution field

Factors of changes in operating income	
(+)	<ul style="list-style-type: none"> Sales remained strong (Internet business field) Good sales of e-comics services due to continued effective investments in advertisements (Business solution field) Generally firm performance for services for both hospitals and enterprises
(-)	—

- ◆ **Others** Sales: ¥40.7 billion [+¥3.3 billion compared with FY22 9 months^{*1}], Operating income: ¥-1.2 billion [-¥0.6 billion compared with FY22 9 months^{*1}]

- Sales remained strong in the battery material field and the implantable medical device field

Factors of changes in operating income	
(+)	<ul style="list-style-type: none"> Sales remained strong in the battery material field and the implantable medical device field (Battery material field) sales of separators for lithium-ion battery and high-performance membrane remained strong (Implantable medical device field) Sales remained firm (Regenerative medicine field) The performance of J-TEC^{*2} remained firm
(-)	<ul style="list-style-type: none"> The launch of a CDMO^{*3} business required costs in the field of the regenerative medicine device business

*1. From FY23, organizations for new businesses in the “Materials” and “Healthcare” segments were transferred to the Group-wide “Others” segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

*2. Japan Tissue Engineering Co., Ltd.

*3. Contract Development and Manufacturing Organization, which is engaged in outsourced product development and manufacture

◆ Non-operating items [Compared with FY2022 9 months (Apr.-Dec.)]

- The increase in interest payments due to the rise in interest rates in the United States and Europe was almost offset mainly by the increased equity in earnings of affiliates

(Billions of Yen)

	FY22 9months (Apr.-Dec.)	FY23 9months (Apr.-Dec.)	Difference
Interest income	0.8	1.9	+1.1
Dividends income	1.1	0.8	-0.3
Equity in earnings of affiliates	3.9	7.7 ^{*1}	+3.8
Gain on valuation of derivatives	7.6	6.2	-1.3
Others	0.7	0.8	+0.2
Non-operating income, total	14.0	17.5	+3.4
Interest expenses	5.5	9.3	+3.8
Foreign exchange losses	4.9	3.7	-1.3
Loss on valuation of derivatives	0.0	0.5	+0.5
Others	1.0	1.2	+0.2
Non-operating expenses, total	11.4	14.7	+3.3
Non-operating items, total	2.6	2.8	+0.2

*1. Including compensation paid to settle a suit against a Brazilian subsidiary

◆ Extraordinary items [Compared with FY2022 9 months (Apr.-Dec.)]

- Extraordinary items (Net) increased year on year mainly due to a relative increase from FY22 9 months, when an impairment loss on the goodwill of the U.S. composites business was recorded, and the recording of insurance income for the previous fiscal year's fire accident in the aramid business, despite the recording of a loss on the sale of shares of a Chinese subsidiary in the composites business

(Billions of Yen)

	FY22 9months (Apr.-Dec.)	FY23 9months (Apr.-Dec.)	Difference
Gain on sales of noncurrent assets	5.1	0.3	-4.8
Gain on sales of investment securities	5.4	7.0	+1.6
Insurance claim income	-	5.8 ^{*2}	+5.8
Others	0.2	0.5	+0.3
Extraordinary income, total	10.7	13.5	+2.8
Loss on sales and retirement of noncurrent assets	1.0	0.7	-0.3
Loss on valuation of investment securities	1.5	0.3	-1.2
Impairment loss	15.9 ^{*1}	0.3	-15.6
Loss on sale of shares of subsidiaries and associates	-	6.9 ^{*3}	+6.9
Loss on disaster	0.2	1.8	+1.6
Others	0.5	0.6	+0.1
Extraordinary loss, total	19.0	10.5	-8.6
Extraordinary items, total	-8.3	3.1	+11.4

*1. Including an impairment loss of ¥15.4 billion on the goodwill of Teijin Automotive Technologies U.S.

*2. Insurance income for the previous fiscal year's fire accident in the aramid business [Insurance income was recorded in the FY23 9 months as follows:
Operating income: ¥5.2 billion
Extraordinary income: ¥5.8 billion]

*3. Loss due to withdrawal from the Chinese composites business

◆ Financial position [Compared with the end of FY2022] , Cash flows [Compared with FY2022 9 months (Apr.-Dec.)]

◆ Financial position

- Total assets increased mainly due to the impact of foreign exchange rates
- Inventories increased from the end of the previous fiscal year mainly due to the impact of foreign exchange rates and inventories being replenished after recovery from the fire in the aramid business

	(Billions of Yen)			
	Mar. 31, 2023	Dec. 31, 2023	Difference	(Impact of foreign exchange rate)
Total assets	1,242.4	1,284.3	+41.9	+31.9
Liabilities	791.3	817.9	+26.6	+15.0
[Interest-bearing debt]	529.4	572.1	+42.7	+11.4
Net assets	451.1	466.4	+15.3	+16.9
D/E ratio ^{*1}	1.25	1.30	+0.06	-
D/E ratio (Capital adjustment) ^{*2}	1.10	1.15	+0.06	-

	(Billions of Yen)		
<Changes in total assets>	Mar. 31, 2023	Dec. 31, 2023	Difference
Total assets	1,242.4	1,284.3	+41.9
Cash and deposits	142.8	157.6	+14.8
Trade receivables ^{*3}	186.5	183.0	-3.5
Inventory assets	196.7	226.9	+30.2
Tangible and intangible assets	508.4	500.9	-7.5
Investment securities	82.1	90.4	+8.3
Others	125.9	125.6	-0.3

◆ Cash flows

- Cash flows from operating activities decreased mainly due to the decrease in operating income

	(Billions of Yen)		
	FY22 9months (Apr.-Dec.)	FY23 9months (Apr.-Dec.)	Difference
Operating activities	43.8	29.6	-14.2
Investing activities	(39.9)	(39.6)	+0.3
Free cash flow	3.8	(10.0)	-13.9
Financing activities	10.6	24.7	+14.1
Net inc/dec in Cash & cash equivalents	14.4	14.7	+0.3

< BS exchange rate >

	Mar. 31, 2023	Dec. 31, 2023
Yen/US\$	134	142
Yen/Euro	146	157

*1. D/E ratio = Interest-bearing debt / Total shareholders' equity (Gross)

*2. D/E ratio taking into account the equity credit of the subordinated bonds
(The Company issued subordinated bonds of ¥60.0 billion on July 21, 2021.)

*3. Including contract assets

2 .Outlook for FY2023

- ✓ Summary of outlook for FY2023 highlights
- ✓ Outlook for operating income in segment-specific
- ✓ Analysis of changes in segment-specific operating income

◆ Summary of outlook for FY2023 highlights [Compared with FY2022, FY2023 Previous Outlook*¹]

- Net income and operating income are expected to increase compared with FY22
- No change has been made to the previous outlook of net sales. Downward revision of operating income, ordinary income and profit attributable to owners of parent

	(Billions of Yen)					
	FY22	FY23 Outlook	Difference	% Change	FY23 Previous Outlook* ¹	Difference
Net sales	1,018.8	1,030.0	+11.2	+1.1%	1,030.0	0.0
Operating income	12.9	18.0	+5.1	+39.9%	35.0	-17.0
Ordinary income	9.1	19.0	+9.9	+108.8%	31.0	-12.0
Profit attributable to owners of parent	(17.7)	8.0	+25.7	-	13.0	-5.0
ROE* ²	(4.1%)	2%	+6%	-	3%	-1%
ROIC* ³	1.6%	2%	+1%	-	4%	-2%
EBITDA* ⁴	87.8	96.0	+8.2	+9.4%	113.0	-17.0
Free cash flow	2.7	5.0	+2.3	+88.0%	0.0	+5.0
CAPEX* ⁵	62.5	65.0	+2.5	+4.0%	85.0	-20.0
Depreciation & Amortization	74.9	78.0	+3.1	+4.1%	78.0	0.0
R&D Expenses	31.9	33.0	+1.1	+3.3%	33.0	0.0
D/E ratio* ⁶	1.25	1.2	-0.0	-	1.2	-0.0
D/E ratio (capital adjustment)* ⁷	1.10	1.1	-0.0	-	1.1	-0.0

◇ Assumptions

		FY22	FY23 Previous Outlook* ¹	FY23 Outlook
Full-term average exchange rate	Yen/US\$	135	143	144
	Yen/Euro	141	154	155
An average Dubai crude oil price (US\$/barrel)		92	81	82
An average Europe natural gas price (Euro/MWh)		116	46	38

*1. Announced on November 6, 2023 *2. ROE = Profit attributable to owners of parent / Average* total shareholders' equity

*3. ROIC based on operating income = Operating income / Average * invested capital (Invested capital = Net assets + Interest-bearing debt – Cash and deposits)

*4. EBITDA = Operating income + Depreciation & amortization *5. CAPEX includes investments in intangible assets (excludes M&A)

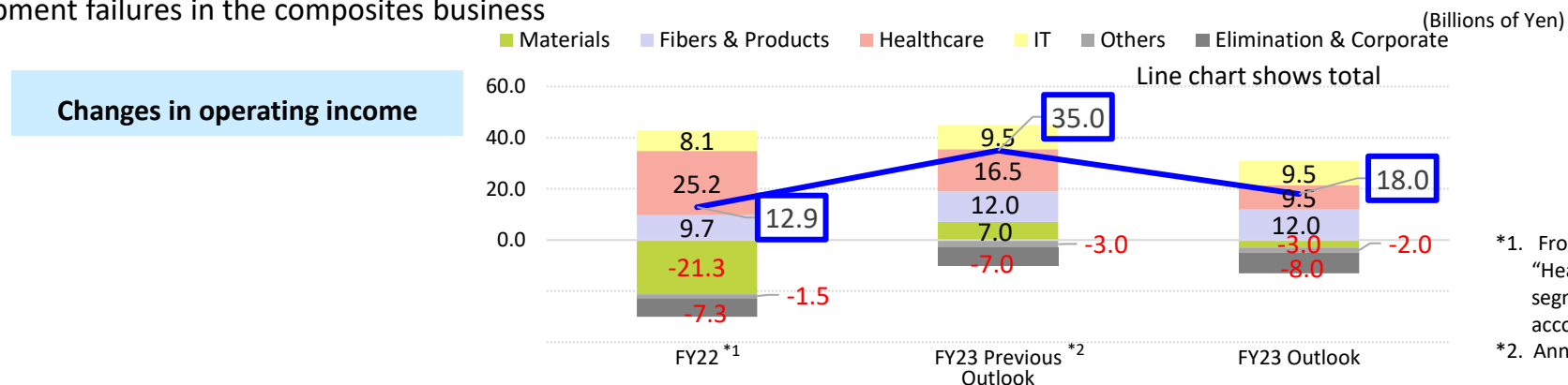
*6. D/E ratio = Interest-bearing debt / Total shareholders' equity (Gross)

*7. D/E ratio taking into account the equity credit of the subordinated bonds (The Company issued subordinated bonds of ¥60.0 billion on July 21, 2021.)

◆ Outlook for operating income in segment-specific [Compared with FY2022*¹, Previous Outlook*²]

<Compared with FY2022> Operating income is forecast to increase due to favorable factors in the Materials Business Field, including the appearance of the effects of profitability improvement measures in such forms as stabilization of raw material and fuel prices, improved productivity and additional selling price revisions, all of which will more than offset the one-off lump-sum contract fee and the impact of the market entry of generic alternatives in the Healthcare Business Field

<Compared with previous outlook> Operating income is forecast to decrease due to the impact of one-off lump-sum contract fee in the Healthcare Business Field, sluggish demand and inventory adjustment by customers for products for some applications in the Materials Business Field, and unachieved stable operation caused by recurrence of equipment failures in the composites business



*1. From FY23, organizations for new businesses in the "Materials" and "Healthcare" segments were transferred to the Group-wide "Others" segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

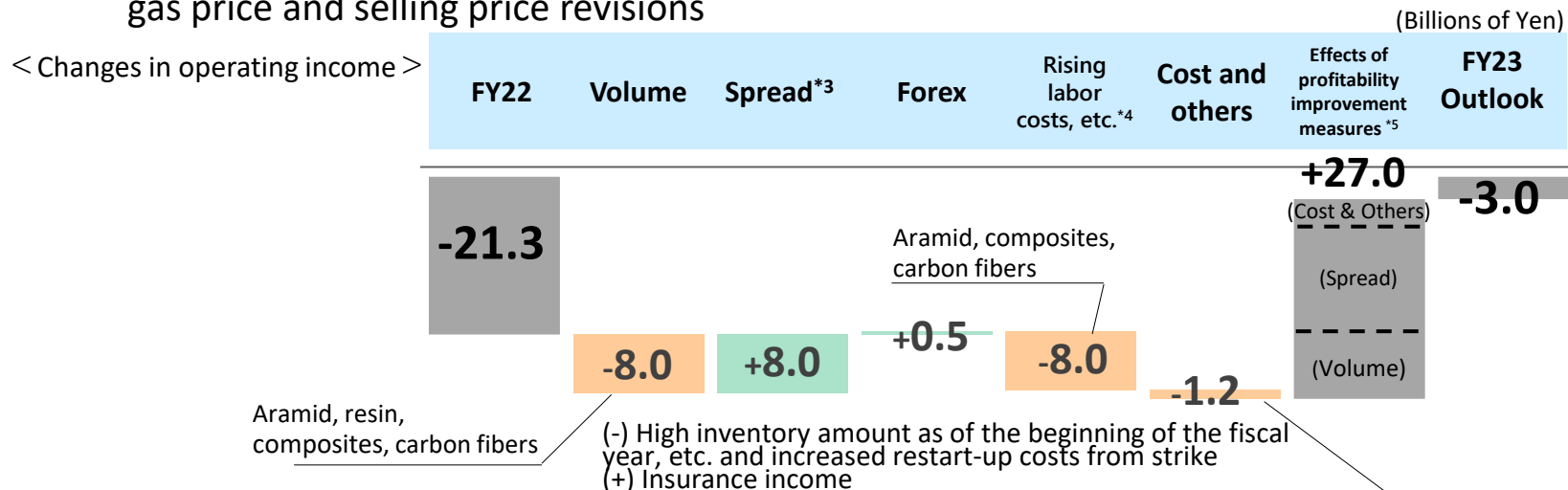
*2. Announced on November 6, 2023

Segment	Changes in operating income (billions of yen), its factors			
	Compared with FY22* ¹ (Net sales +¥11.2 billion, Operating income +¥5.1 billion)		Compared with previous FY23 outlook* ² (No change in net sales, Operating income -¥17.0 billion)	
Materials	+18.3	<ul style="list-style-type: none"> (+) The effects of profitability improvement measures will appear(stability of raw material and fuel prices, improved productivity and selling price revision) (-) Sales volume will decrease due to sluggish demand and inventory adjustment by customers for products for some applications and unit labor cost will rise 	-10.0	<ul style="list-style-type: none"> Sales volume will decrease mainly due to sluggish demand and inventory adjustment by customers for products for some applications and unachieved stable operation caused by recurrence of equipment failures in the composites business
Fibers & Products	+2.3	<ul style="list-style-type: none"> Japanese and overseas sales will remain firm in both the field of fiber materials and apparel and the field of industrial materials 	0.0	<ul style="list-style-type: none"> No changes made to the previous outlook
Healthcare	-15.7	<ul style="list-style-type: none"> The impact of one-off lump-sum contract fee and decrease in sales volume due to the market entry of generic drugs as alternatives to <i>FEBURIC</i> 	-7.0	<ul style="list-style-type: none"> The impact of one-off lump-sum contract fee
IT	+1.4	<ul style="list-style-type: none"> Sales volume is forecast to increase due to firm sales in the Internet business field 	0.0	<ul style="list-style-type: none"> No changes made to the previous outlook
Others	-0.5	<ul style="list-style-type: none"> The launch of a CDMO business will require upfront costs 	+1.0	<ul style="list-style-type: none"> Sales will be firm in separators

◆ Analysis of operating income in segment-specific for Materials [Compared with FY2022*¹, Previous Outlook*²]

◆ Net sales: ¥445.0 billion [FY22*¹ ¥438.7 billion, previous outlook*² ¥445.0 billion], operating income: ¥-3.0 billion [FY22*¹ ¥-21.3 billion, previous outlook*² ¥7.0 billion]

- Operating income is predicted to be lower than the previous outlook mainly due to reduced demand by customer inventory adjustment for products for some applications and an economic slowdown, as well as unachieved operational stabilization caused by recurrence of equipment breakdowns in the composites business, despite a year-on-year decrease in loss mainly due to the stabilization of the natural gas price and selling price revisions



*1. From FY23, organizations for new businesses in the “Materials” segment were transferred to the Group-wide “Others” segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

*2. Announced on November 6, 2023

*3. Sales price and mix + raw material and fuel cost

*4. Rising labor costs, logistics costs, etc. due to the effects of inflation

*5. The effects of profitability improvement measures is down ¥3.0 billion compared to the previous outlook due to unachieved operational stabilization caused by recurrence of equipment breakdowns in the composites business

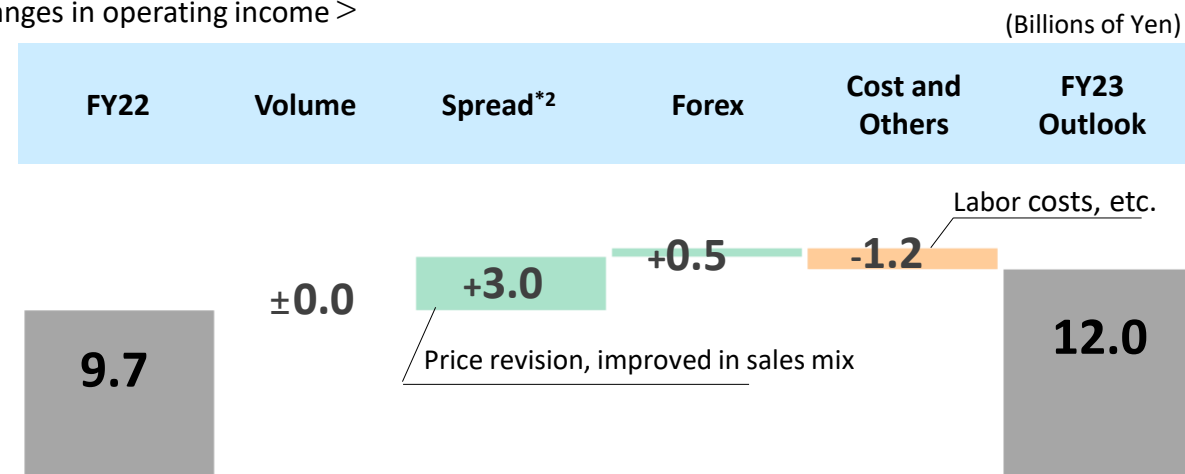
Sub -segment	Trends and factors behind the operating income forecast	
	Compared with FY22* ¹ (Net sales +¥6.3 billion, Operating income +¥18.3 billion)	Compared with previous FY23 outlook* ¹ (No change in net sales, Operating income -¥10.0 billion)
Aramid	<ul style="list-style-type: none"> Stabilization of natural gas prices The impacts of the fire at a raw material plant will eliminate 	<ul style="list-style-type: none"> Reforms for profitability improvement will progress almost as planned Sales volume will decrease due to customer inventory adjustment for automotive and some industrial applications
Resin	<ul style="list-style-type: none"> Sales volume will decline due to continued low demand mainly in China 	<ul style="list-style-type: none"> Sales volume will decrease due to a delay in demand recovery mainly in China
Carbon fibers	<ul style="list-style-type: none"> Sales volume will decrease due to customer inventory adjustment for products for recreation 	<ul style="list-style-type: none"> Sales volume will decrease due to procurement restrictions in the supply chain of aircraft and customer inventory adjustment for products for recreation, etc.
Composites	<ul style="list-style-type: none"> Profitability will improve as a result of renegotiation on prices, cost reduction measures, etc. The impact of the labor shortage will reduce 	<ul style="list-style-type: none"> Reforms for profitability improvement will progress almost as planned except recovery from temporary factor Unachieved operational stabilization caused by recurrence of equipment breakdowns Increased restart-up costs from strike

◆ Analysis of operating income in segment-specific for Fibers & Products [Compared with FY2022, Previous Outlook*¹]

◆ Net sales: ¥320.0 billion [FY22 ¥322.1 billion, previous outlook*¹ ¥320.0 billion], Operating income: ¥12.0 billion [FY22 ¥9.7 billion, previous outlook*¹ ¥12.0 billion]

■ Operating income will increase year on year due to robust sales in both the fiber materials and apparel field and the industrial materials field, with no change to the previous outlook

< Changes in operating income >



Trends and factors behind the operating income forecast	
Compared with FY22 (Net sales -¥2.1 billion, Operating income +¥2.3 billion)	Compared with previous FY23 outlook* ¹ (No changes in both net sales and operating income)
<p>➡</p> <ul style="list-style-type: none"> (+) Fiber materials and apparel: Japanese and overseas demand will remain strong (+) Industrial materials: Automotive market will recover, sales of polyester staple fibers for water treatment filters will strong 	<p>➡</p> <ul style="list-style-type: none"> No changes made to the previous outlook

*1. Announced on November 6, 2023

*2. Sales price and mix + raw material and fuel cost

◆ Analysis of operating income in segment-specific for Healthcare [Compared with FY2022*¹, Previous Outlook*²]

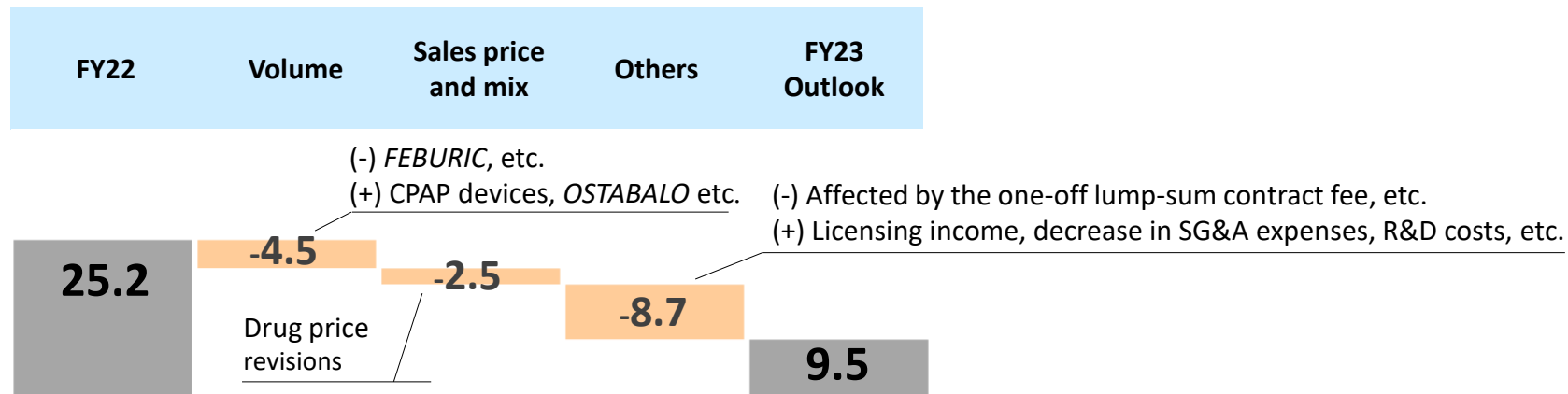
◆ Net sales: ¥140.0 billion [FY22*¹ ¥150.6 billion, previous outlook*² ¥140.0 billion]

Operating income: ¥9.5 billion [FY22*¹ ¥25.2 billion, previous outlook*² ¥16.5 billion]

- Operating income will significantly decrease year on year and fall significantly short of the previously announced forecast value due to the one-off license fee for in-licensed pharmaceutical products

< Changes in operating income >

(Billions of Yen)



Trends and factors behind the operating income forecast

Compared with FY22*¹
(Net sales -¥10.6 billion, Operating income -¥15.7 billion)

- (-) Income will be affected by the one-off lump-sum contract fee
- (-) Income will be affected by a sales volume decrease of *FEBURIC* due to the market entry of generic drugs
- (-) Income will be affected by the drug price revisions
- (+) Increase in licensing income
- (+) Increase in sales of *OSTABALO*
- (+) The number of rented medical devices will increase

Compared with FY23 previous outlook*²
(No change in net sales, Operating income -¥7.0 billion)

- (-) Income will be affected by the one-off lump-sum contract fee
- (+) Increase in licensing income (scheduled in FY23 4Q)



*1. From FY23, organizations for new businesses in the "Healthcare" segments were transferred to the Group-wide "Others" segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes. *2. Announced on November 6, 2023

◆ Analysis of operating income in segment-specific for IT, Others [Compared with FY2022*¹, Previous Outlook*²]

◆ IT

Net sales: ¥70.0 billion [FY22 ¥58.0 billion, previous outlook*² ¥70.0 billion], operating income: ¥9.5 billion [FY22 ¥8.1 billion, previous outlook*² ¥9.5 billion]



- Operating income will increase year on year due to strong sales in the internet business field and firm sales in the business solution field, with no change to the previous outlook

Trends and factors behind the operating income forecast	
Compared with FY22 [Net sales +¥12.0 billion, Operating income +¥1.4 billion]	Compared with FY23 previous outlook* ¹ [No change in net sales and operating income]
 <ul style="list-style-type: none"> • (+) Internet business field: Growth in e-comics services • (+) Business solution field: Steady for both hospitals and enterprises 	 <ul style="list-style-type: none"> • No change made to the previous outlook

◆ Others

Net sales: ¥55.0 billion [FY22*¹ ¥49.4 billion, previous outlook*² ¥55.0 billion], operating income: ¥-2.0 billion [FY22*¹ ¥-1.5 billion, previous outlook*² ¥-3.0 billion]

- Operating income will decrease year on year due to upfront costs for the establishment of CDMO business but will exceed the previous outlook mainly due to the firm sales of separators

Trends and factors behind the operating income forecast	
Compared with FY22* ¹ [Net sales +¥5.6 billion, Operating income -¥0.5 billion]	Compared with FY23 previous outlook* ² [No change in net sales, Operating income +1.0 billion]
 <ul style="list-style-type: none"> • (+) Good sales in the implantable medical device business field, firm sales of separators • (-) The launch of a CDMO business will require upfront costs 	 <ul style="list-style-type: none"> • Firm sales of separators

*1. From FY23, organizations for new businesses in the "Healthcare" segments were transferred to the Group-wide "Others" segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes.

*2. Announced on August 7, 2023

3. Progress of the Teijin Group Reforms for Profitability Improvement

The Teijin Group Reforms for Profitability Improvement (announced in February 2023)

- We will carry out structural reforms company-wide, focusing on **improving the profitability of underperforming businesses** and **reforming our management structure of corporate officers and HQ staff**
- As a result of these efforts, we aim to **improve profits by more than ¥30 billion** by FY2023

◆ Composites business

■ Measures: ①Recovery from temporary factors ②Reforms for Profitability Improvement [Approximately 130 profitability improvement measures and enhancement of monitoring system will be implemented] ③Selection and concentration (Europe/China/Japan)

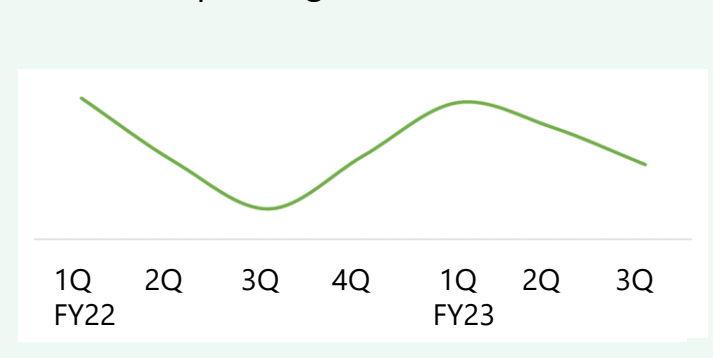
■ Progress

① Recovery from temporary factors: **Despite full recovery from the equipment breakdown, operational stabilization has not yet been completely achieved due to frequent breakdowns of similar kinds of equipment**

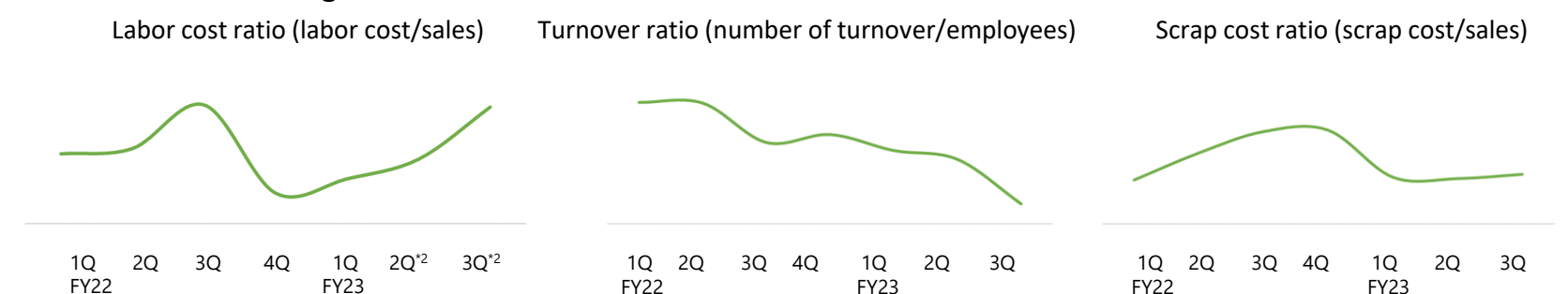
② Reforms for Profitability: **Steady progress has been made in terms of sales and procurement despite a slight delay in terms of production, resulting in overall improvement action progressing almost as planned**

Profitability improvement in North America		Summary of improvement action	Amount resulting from improvements (Billions of yen)	Status of achievement*1	
				FY23 9 months	FY23 outlook
①Recovery from temporary factors		<ul style="list-style-type: none"> Recovery from the equipment breakdowns and stabilizing operation 	6.0	●	●
②Profitability improvement	Sales	<ul style="list-style-type: none"> Exiting unprofitable programs Renegotiating cost pass-through other than raw material cost 	5.0	●	●
	Procurement	<ul style="list-style-type: none"> Negotiating with/switching suppliers, reviewing proposal request and bidding process Centralization of purchasing 	1.5	●	●
	Production	<ul style="list-style-type: none"> Scaling out best practices, optimizing inventory and logistics Integrating or partially closing production facilities for efficient use of capacity 	6.5	●	●
	Total amount resulting improvements in FY23		13.0		

● Trend of operating income



● Trend of monitoring items



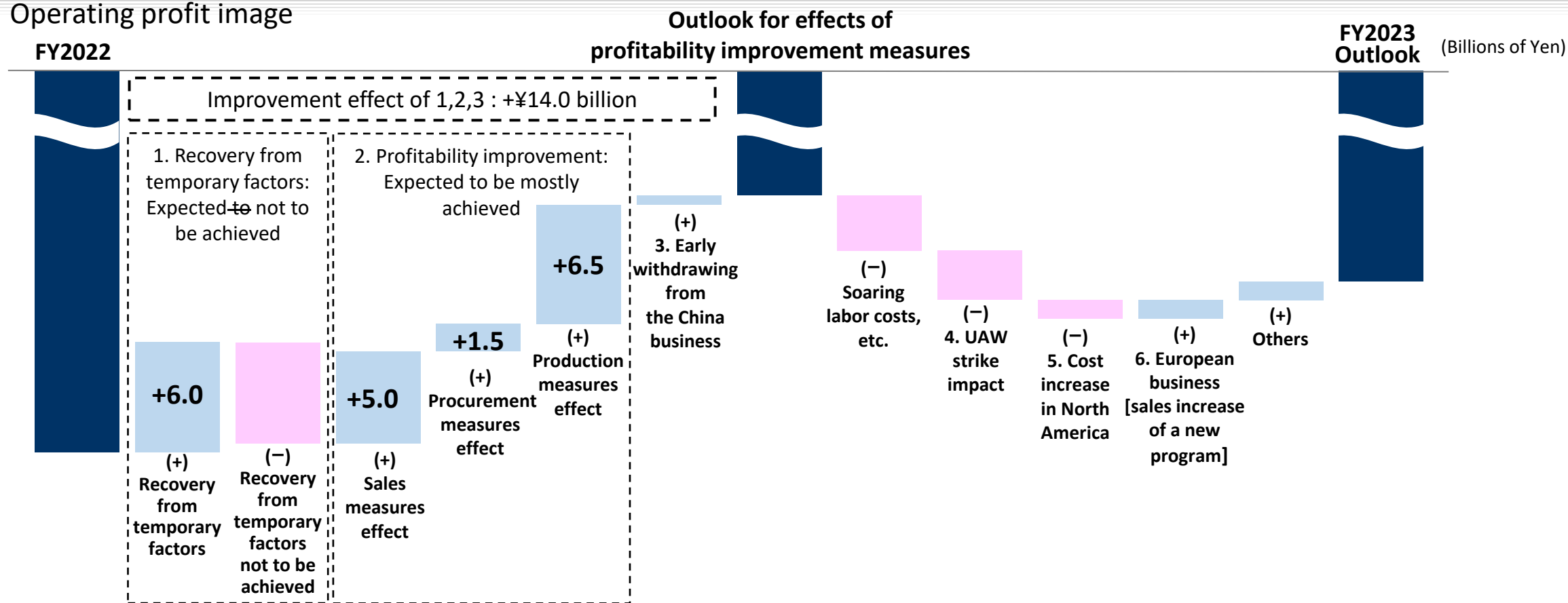
*2. Deterioration due to a strike counted in the data

③ Selection and concentration: **Earlier withdrawal from the China business (Planned: Mar. 2024, Completed : Dec. 2023) , in addition to completion of transfer of a Japanese subsidiary*3**

*3. GH Craft Co., Ltd

◆ Composites business

■ Operating profit image



1. Recovery from temporary factors (¥6.0 billion) are expected not to be achieved
2. 130 items of profitability improvement measures (¥13.0 billion) are expected to be generally achieved
3. Deficit reduced due to withdraw from the China business in December 2023, earlier than initially scheduled (March 2024)
4. Decreased sales volume and increased cost due to UAW strike
5. Unplanned costs increase including compensation costs for quality issues occurred last fiscal year and outsourcing costs for engineering to stabilize production processes
6. Sales of a new program increase due to productivity improvement and price revision effects in a European plant

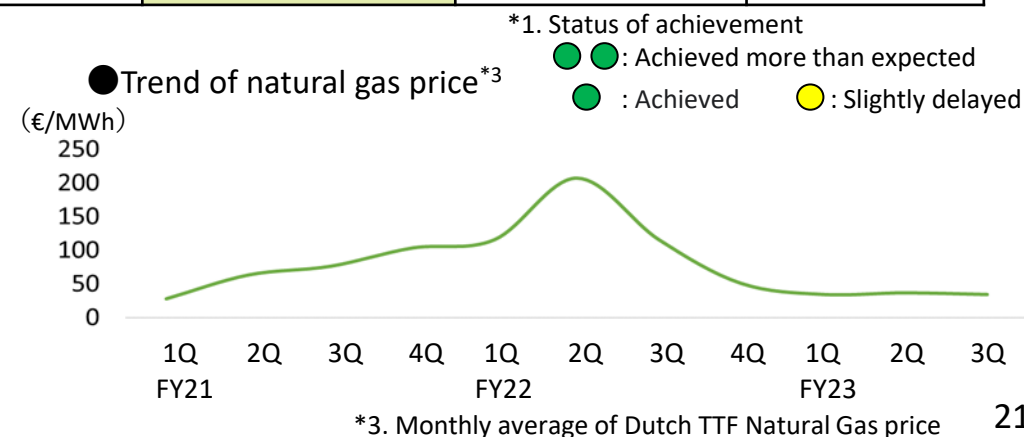
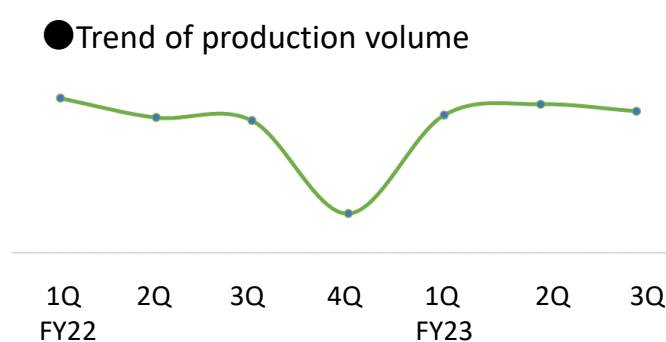
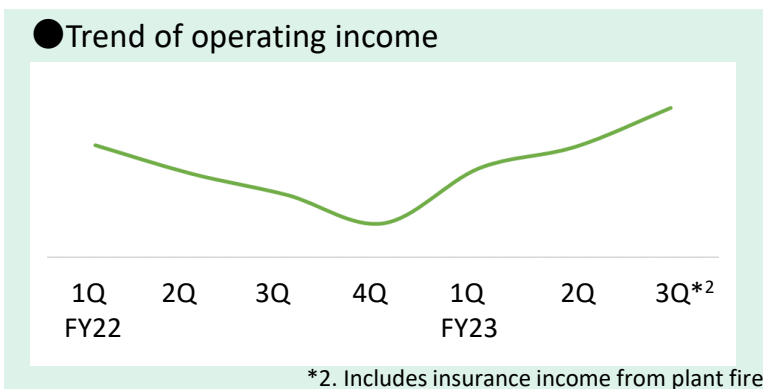
◆ Aramid business

■ Countermeasure : ①Recovery from temporary factors ②Reforms for Profitability Improvement [Efforts to strengthen on-site capabilities triggered by the fire, reinforce strengths such as safety and quality, and response to natural gas price hike]

■ Progress :

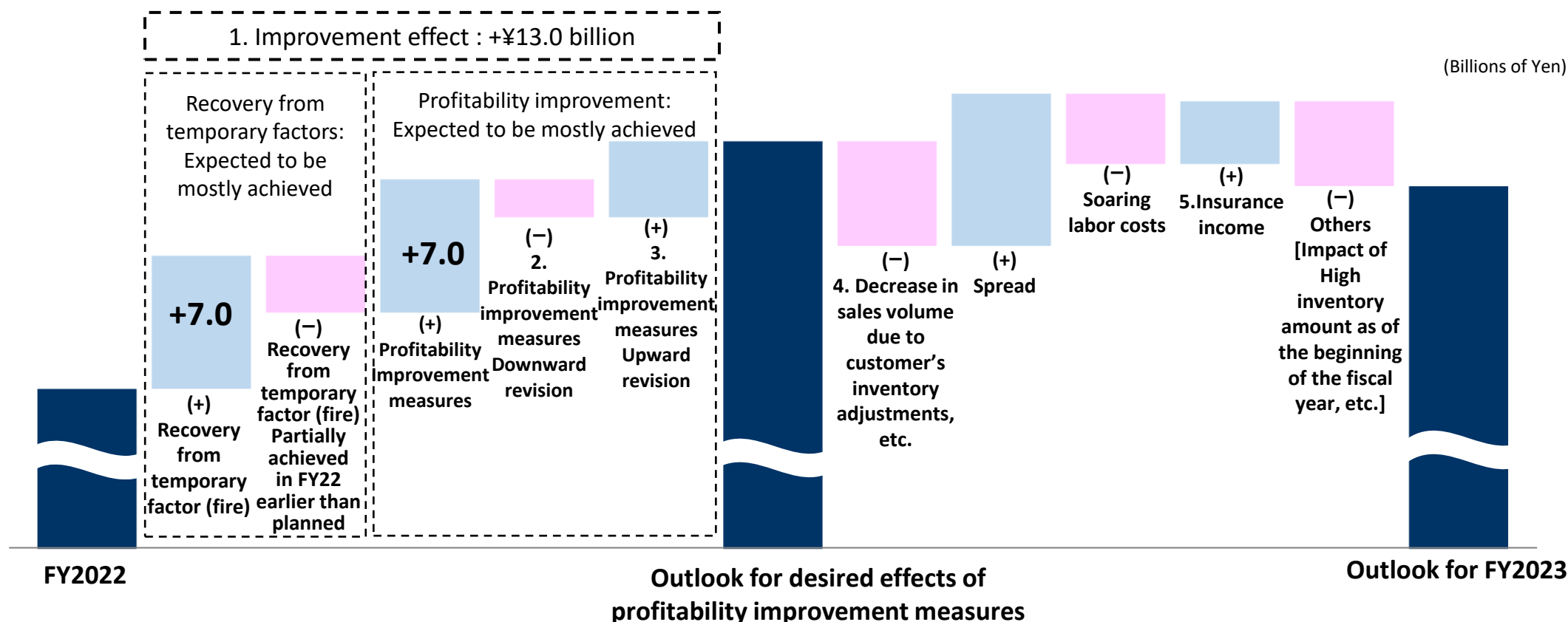
- ① Recovery from temporary factors: **The raw material plant where the fire had occurred returned to its normal conditions in FY22 earlier than planned**
- ② Reforms for Profitability Improvement : **Generally progressed almost as planned due to forward contracts executed at lower prices than planned in response to the decline in the natural gas price, despite the negative impact of a delay in the delivery of special repair parts on production stabilization**

Profitability Improvement		Summary of improvement action summary	Amount resulting from improvements (Billions of yen)	Status of achievement*1	
				FY23 9 months	FY23 outlook
① Recovery from temporary factors		● Recovery from the impact of plant fire	7.0	●	●
② Profitability Improvement measures	Natural Gas Price Surge	● Considering sourcing raw materials from outside Europe and dispersing production facilities ● Stabilizing purchase price (e.g. executing forward contract)	7.0	● ●	●
	Productivity Improvement	● Stabilizing production on existing and expanded lines ● Driving production innovation through enhanced automation and digitalization of processes mainly in the yarn spinning process		●	
	Production/Sales Increase	● Realizing early the effects of expanded facility capacity		●	



◆ **Aramid business**

■ **Operating profit image**



1. Recovery from temporary factors (part of the ¥7.0 billion effect was realized earlier than the previous fiscal year) and profitability improvement measures (effect: ¥7.0 billion) including the revisions 2. and 3. are expected to be achieved in total
2. Production stabilization was partially unachieved due to delay in the procurement of special repair parts
3. Achieved greater price stabilization than initially expected through forward contracts in response to falling natural gas prices
4. Decrease in sales volume due to customer's inventory adjustments for automobiles and some industrial applications
5. Recording of insurance income from fire accidents for the previous year < Net amount offset by the insurance income in FY22 (factory power outage in FY21)>

◆ Healthcare Business

■ Countermeasure: Structural reforms to become a business that solves issues for patients, families, and local communities who require even more support

- ① Licensing drugs for rare diseases and intractable diseases that can utilize our business platforms
- ② Structural reforms to an adequate resource scale
- ③ Maximizing the existing products

■ Progress:

① Licensing activities : Licensing three hormone drugs (all for rare diseases) that are expected to utilize our home healthcare business platform (November 2023)

- Licensor: Ascendis Pharma, A/S. (Headquarters: Denmark)
- Characteristics of in-licensed products: The three drugs that have achieved long-acting effects owing to the TransCon technology^{*1} (all for rare diseases). They are primarily **home self-injection drugs** for patients mainly being treated endocrinology or pediatrics
- Teijin's track record: Teijin is already providing information in the same fields of treatment, such as *Somatuline*^{*2}. We are also implementing activities that utilize our **home healthcare business platforms**, such as *VitalLink*, an information sharing system for team-based healthcare.
- Activity policy: To develop the three hormone drugs in the future, we plan to form **an organization dedicated to rare diseases** to provide information on *Somatuline* and the three drugs, to embark on activities to provide proper information as quickly as possible.
- One-off lump-sum contract fee of US\$70 million, development milestones of up to US\$175 million, milestones depending on sales, and royalty fees for sales will be paid

② Business structural reforms: **As planned**

- Horizontal division of drug discovery research functions(June 2023) , Reorganization of the marketing & sales unit(October 2023)

③ Increasing sales of existing products: **As planned**

*1. This proprietary technology of Ascendis Pharma, A/S achieves a long-acting hormone by linking a carrier with no physiological activity and an active hormone through a cross-linking agent and administering it in an inert form to gradually release an active hormone in the body from the carrier.

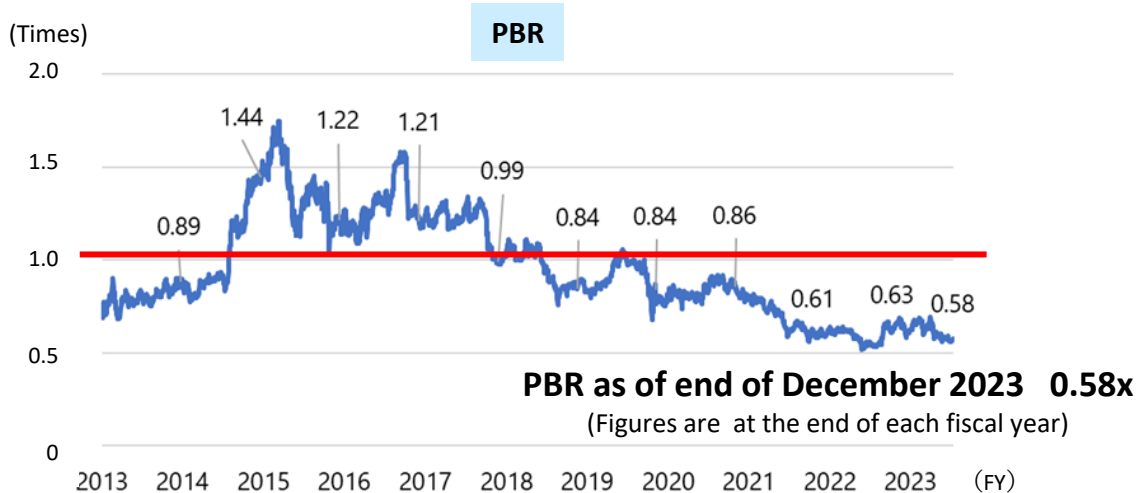
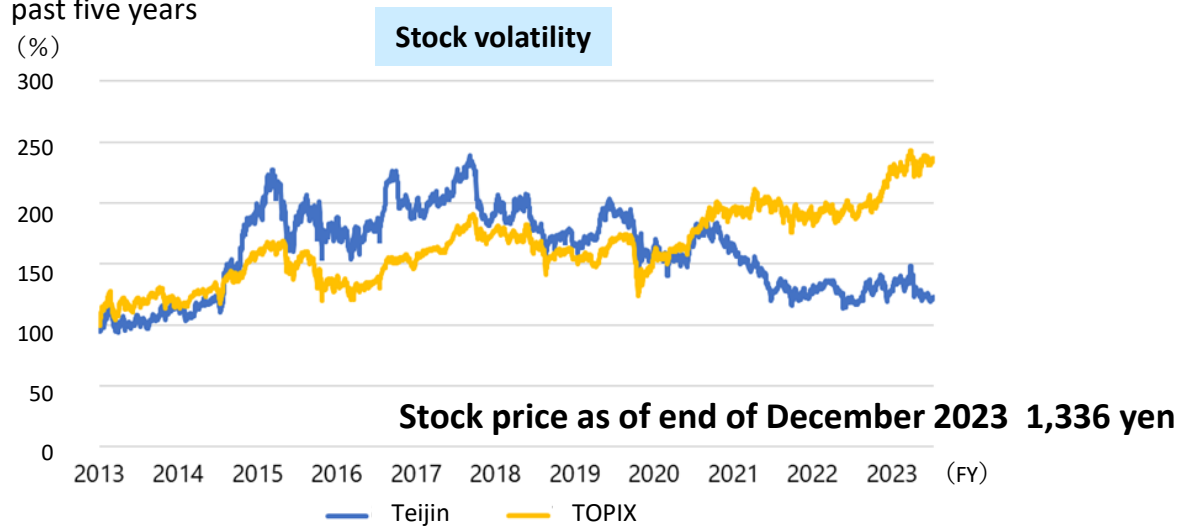
*2. *Somatuline*® is the registered trademark of Ipsen Pharma, France.

4. Action to Implement Management
that is Conscious of Cost of Capital and Stock Price
(Analysis of Current Situation)

◆ Awareness of the current situation of stock price, PBR, ROE and cost of shareholder's equity

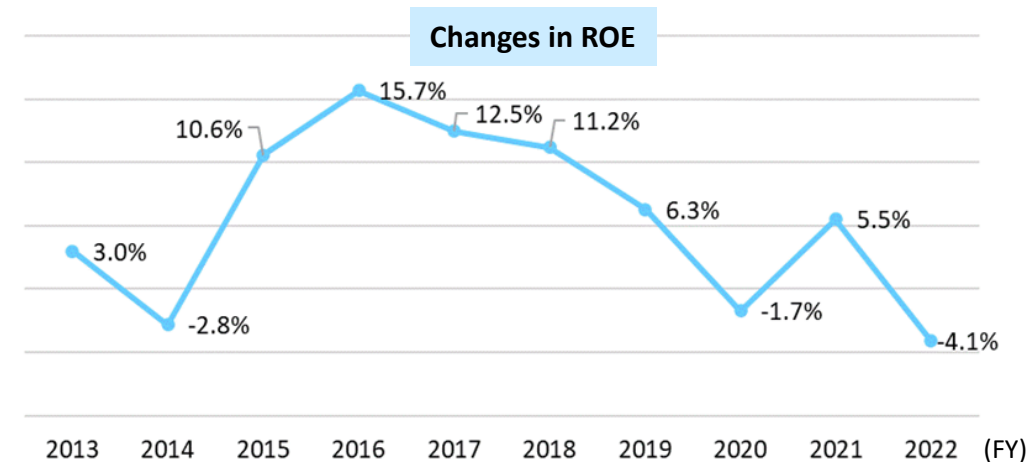
◆ Stock price and PBR

- The stock price has remained low since reaching its peak in FY17, continuously lagging the TOPIX
- The PBR has also remained below 1.0 due to the sluggish stock price during the past five years



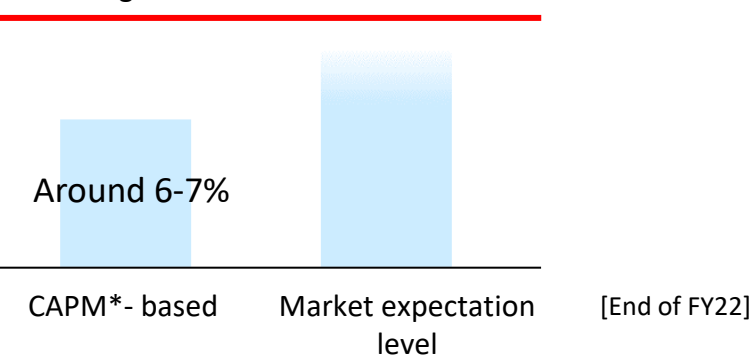
◆ ROE and cost of shareholder's equity

- We recognize that our latest ROE is lower than the CAPM-based cost of shareholder's equity and that there is a gap between the actual ROE and the level we deem the market expects



Cost of shareholder's equity

Target ROE: 10 % or more

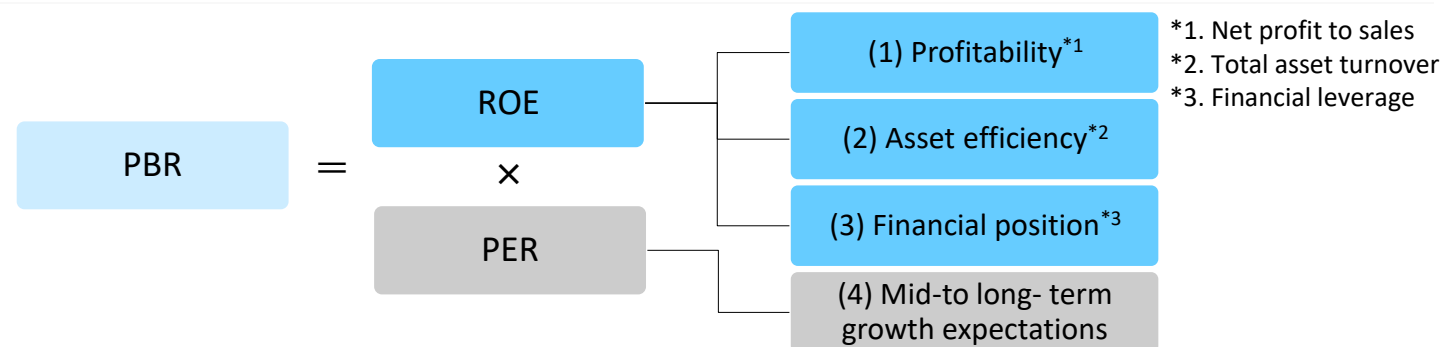


* CAMP-based cost of shareholder's equity: Risk-free rate 30-year government bond yield 1.61%, market risk premium 6.44%, β value 0.80

◆ PBR component analysis I

◆ Methods

- Dividing the PBR into ROE and PER
- Examining ROE from the perspectives of (1) profitability, (2) asset efficiency, and (3) financial position
- Examining the PER from the perspective of (4) medium-to long-term outlook for growth

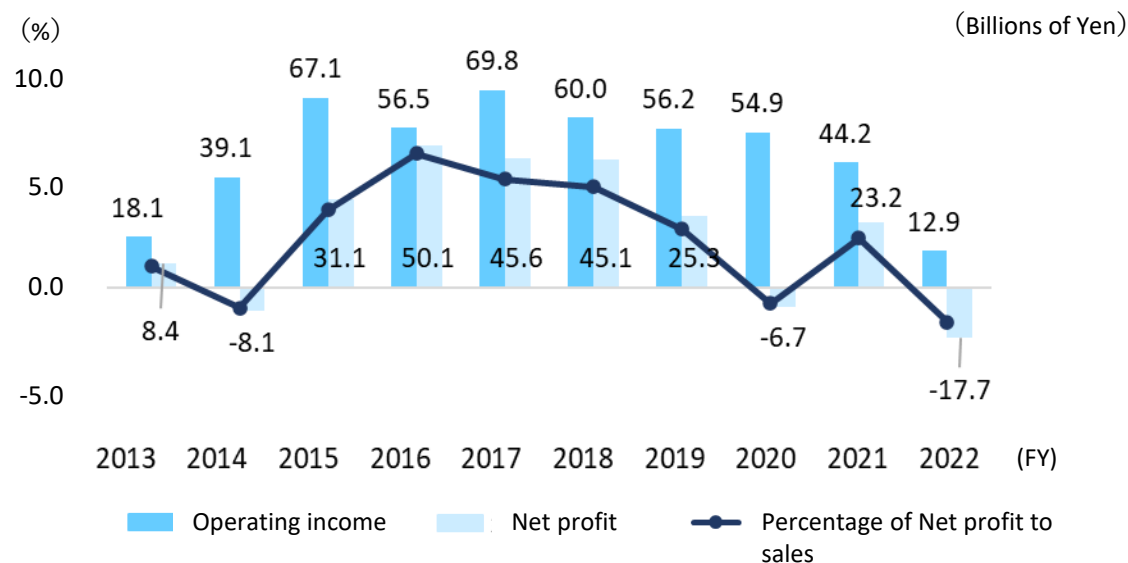


◆ Results [ROE analysis]

(1) Profitability

- Since FY17, profitability has continued to fall, significantly **affecting low ROE**

Changes in operating income, net profit and net profit to sales



【Operating income】

- Operating income has continued to fall since reaching a peak of 69.8 billion yen in FY17
- The aramid business, which was expected to be a stable source of profits, started to fall from FY20
- In the Healthcare Business, profitability declined in FY20 with the entry of generic to *FEBURIC*
- The composites business, which had been expected to grow in the future, expanded deficit.

【Net profit】

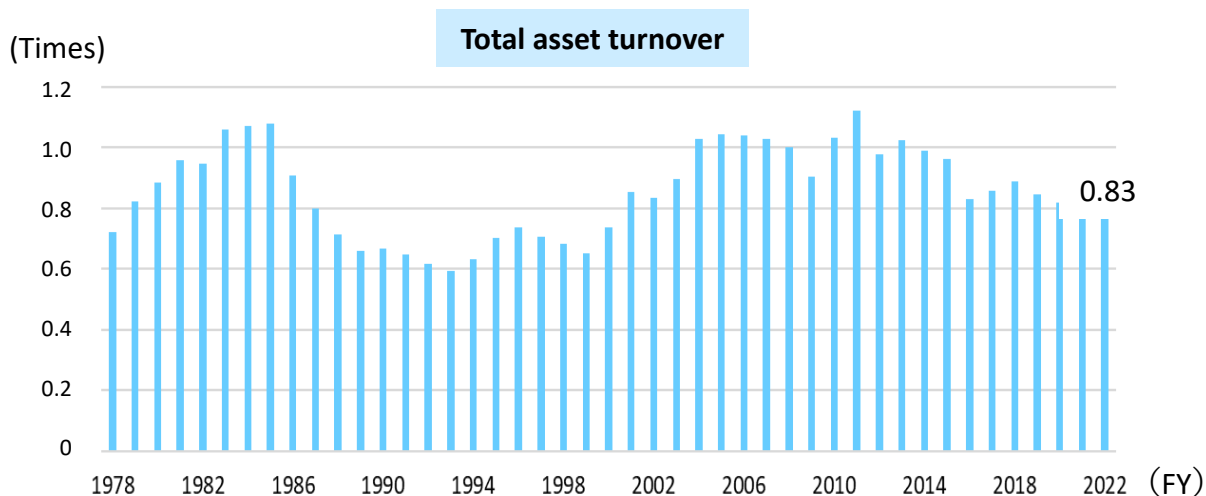
- Net profit has been generally falling since reaching a peak of 50.1 billion yen in FY16
- A loss was recorded due to impairment losses in FY20 and FY22

◆ PBR component analysis II

◆ Results [ROE analysis]

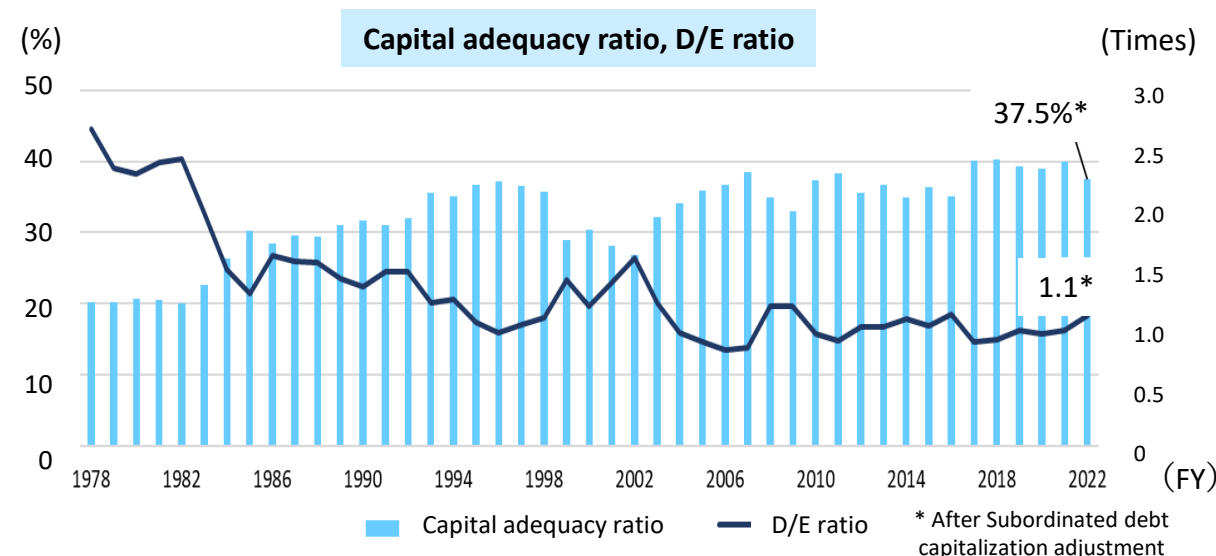
(2) Asset efficiency (total asset turnover)

- The total asset turnover has recently remained slightly lower than 1.0, but at the average level in the industry
- ➔ We have considered that this factor has a minor impact on the decrease in ROE
- We will continue our efforts to further enhance efficiency by such measures as reducing cross-shareholdings and selling idle assets



(3) Financial position (capital adequacy ratio and D/E ratio)

- We maintain a good balance between the financial discipline and asset efficiency by controlling the capital adequacy ratio at a level of 35 to 40% while proactively utilizing interest-bearing debts (with a higher leverage than the average level in the industry)
- ➔ We have considered that this factor has a minor impact on the decrease in ROE
- Since the D/E ratio slightly deteriorated at the end of FY22, we aim to improve it to an appropriate level of 0.9



[ROE analysis] Summary

- As a result of an analysis of (1) profitability, (2) asset efficiency, and (3) financial position, we have identified (1) profitability as the main cause of the current deterioration in ROE
- In consideration of our business performance, we have reaffirmed the factors behind the reduced profitability and the challenge we must solve as mentioned on the right:

Factors: Reduced profitability in the three businesses with significant issues

- Lack of the source of profits after patent cliff of *FEBURIC*
- Unsatisfactory performance of Teijin Automotive Technologies NA Holdings Corp. (formerly CSP) acquired in January 2017
- Frequent production problems in the aramid business

Our challenge: Improving and stabilizing profitability

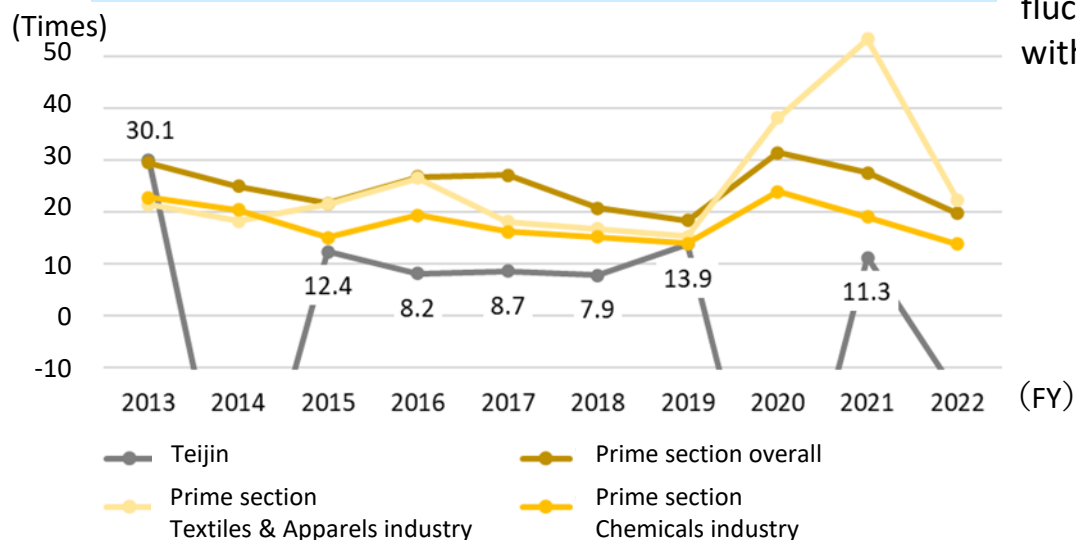
◆ PBR component analysis III

◆ Results [PER analysis]

(4) Mid-to long- term growth expectations

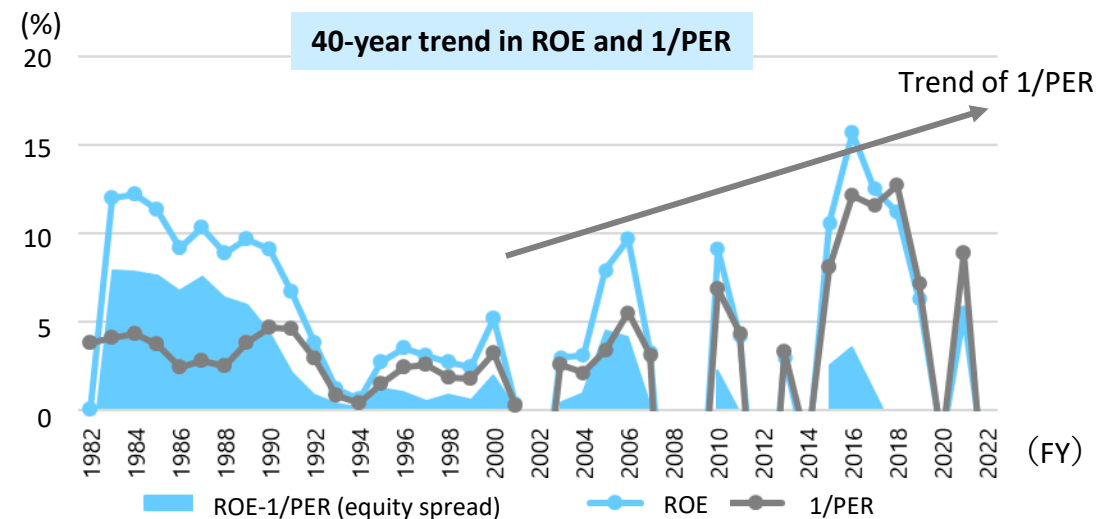
- Since FY14, the PER has remained lower than the industry average except in FY19

Comparison between our PER and the TSE Prime section average



- We analyzed the longer-term relationship between the inverse of the PER (1/PER, which we premise that is approximately equal to cost of shareholders' equity nearly at the market expectation level) and ROE
- Since the mid-2000s, our ROE has fluctuated widely due to a repeated cycle of structural reforms with impairment losses, and growth investments

Until around the mid-2000s, we obtained a certain level of equity spread despite fluctuations in ROE. Afterward, however, the spread has reduced even in the fiscal years with high ROE



[PER analysis] Summary

- PER has remained low while the spread of ROE and 1/PER (≒ cost of equity) has also declined
- We consider that a repeated cycle of structural reforms with impairment losses, and growth investments have prevented us from meeting market expectations for growth, resulting in a deterioration in the market's (4) medium- to long-term growth expectations
- In consideration of these circumstances, we have reaffirmed the factors behind the reduced profitability and the challenge we must solve as mentioned on the right:

Factors:

- Frequent downward revisions concerning impairment loss and financial results
- Our failure to show the appropriateness of our current business portfolio
- Reduced trust in our strategy for future growth and our implementation ability
- Shareholders' lowered expectations due to reduced dividends

Our challenge: Formulating management strategy for gaining trust in our medium- to long-term growth

◆ Toward the future

- Based on this analysis, we recognized **“improving and stabilizing profitability”** and **“formulating a management strategy for gaining trust in our medium- to long-term growth”** as challenges we must solve to improve PBR, in other words, our corporate value
- In addition, we recognize that **“rebuilding of the intangible management base (including global)”** is necessary to resolve these challenges, and have identified the following as items for consideration in the formulation of the new medium-term management plan

Our challenges	Considerations
1. Improving and stabilizing profitability	<ul style="list-style-type: none"> • Completely implementing the Reforms for Profitability Improvement and assessing these results • Responding to the remaining challenges in these reforms (including considering the possibility of downsizing or withdrawing from unprofitable businesses) • Adopting measures to ensure that businesses where the reforms have been achieved can return to a growth path
2. Formulating a management strategy for gaining trust in our medium- to long-term growth	<ul style="list-style-type: none"> • Showing a future vision of the desirable business portfolio • Formulating an action plan for fulfilling this vision (downsizing or withdrawing from unprofitable businesses, selecting and withdrawing from non-priority businesses from a best-owner perspective, and defining and investing in priority businesses) • Policies on capital allocation and shareholder returns
3. Rebuilding of the intangible management base (including global)	<ul style="list-style-type: none"> ▪ Redefining our purposes (Journey to ONE TEIJIN project) ▪ Transformation to further strengthen management in terms of governance ▪ Review of human capital strategy etc.

Based on our further analyses, these will be disclosed in the new medium-term management plan to be announced in May 2024

5. Supplementary information

◆ Assumptions [Trend of the Company's main target markets (FY2023)]

Demand will remain firm overall

Main businesses		Markets	Main Areas	FY2023 3Q	Outlook for FY2023 4Q
Materials	Aramid	Automotive	Europe US	• Demand was strong in Europe for tires for luxury cars and EVs, but sales was affected by inventory adjustment in automotive manufacturer	• Demand will remain firm although inventory adjustment has a certain impact
		Industrial materials	Europe US China	• Demand remained firm overall, but slow down for products for optical fiber applications	• Demand will remain firm although inventory adjustment has a certain impact
		Ballistic /Protective apparel	Europe US	• Demand for products for ballistics and protective apparel applications remained firm	• Demand will remain firm
	Resin	Electrical and electronic equipment	China Asia	• Demand remained low due to the delayed recovery of the Chinese economy	• Demand will remain low
		Automotive	Japan China Asia	• Demand remained firm	• Demand will remain firm
	Carbon fibers	Aircraft	Europe US	• Demand for passenger aircraft was strong due to recovery in passenger numbers (although growth in demand was stagnated due to procurement restrictions in the supply chain of aircraft)	• Demand will remain firm (although growth in demand remains stagnated due to procurement restrictions in the supply chain of aircraft)
	Composites	Automotive	US	• U.S. automotive demand remained firm (although demand for some models declined), but the UAW strike caused some production stoppages	• U.S. automotive demand will remain firm (although demand for some models declined)
Fibers & Products Converting	Fiber materials and apparel	Europe US China Japan	• Demand remained steady in the US but low in China and Europe • Consumption in Japan was high	• The European, U.S. and Chinese markets will be sluggish due to concerns of economic slow down • The Japanese market will remain strong	
	Industrial materials	Japan China	• Inventory adjustment was under way in automotive supply chains	• Inventory adjustment will gradually be mitigated	

◆ Assumptions [Trend of the Company's main target markets (FY2023)]

Main businesses	Markets	Main Areas	FY2023 3Q	Outlook for FY2023 4Q
Healthcare	Pharmaceuticals	Japan	<ul style="list-style-type: none"> • Market size of gout and hyperuricemia treatments are shrinking due to the market entry of generic drugs despite an ongoing increase in the number of patients suffering from these diseases • Although DPP4 inhibitor market slightly decreased, we have maintained our share of the market. The competitive environment has remained harsh. • Restrictions on the administration period for <i>OSTABALO</i> were lifted in December 2023. The use of the products has been increasing mainly at medical institutions, and we have continued and enhanced our promotion efforts 	<ul style="list-style-type: none"> • We will conduct hybrid promotion activities using both in-person visits and e-promotion in anticipation of continued restrictions on in-person visits to hospitals, despite increased in-person interview activities
			<ul style="list-style-type: none"> • Medical institutions continued to impose restrictions on in-person visits from outside even after the COVID-19 pandemic reached an end • E-promotion was continuously enhanced 	
	Home healthcare		<ul style="list-style-type: none"> • The home oxygen therapy (HOT) market will stay flat, despite newly HOT distribution due to COVID-19 will decrease 	<ul style="list-style-type: none"> • It will continue to grow, and the number of continuous positive airway pressure (CPAP) -related examinations will gradually recover
IT	E-comic	Japan	<ul style="list-style-type: none"> • Demand for e-comic remained firm 	<ul style="list-style-type: none"> • The market will remain firm

◆ Assumptions [Factors affecting Profit and Loss]

◇ Exchange rate, Oil & Gas price

		FY22 9 months (Apr.-Dec.)	FY23 9 months (Apr.-Dec.)
PL exchange rate	Yen/US\$	137	143
	Yen/Euro	141	155
An average Dubai crude oil price (US\$/barrel)		96	82
An average Europe natural gas price (Euro/MWh)		136	37

◇ Assumptions

		FY22	FY23 Previous Outlook ^{*1}	FY23 Outlook
Full-term average exchange rate	Yen/US\$	135	143	144
	Yen/Euro	141	154	155
An average Dubai crude oil price (US\$/barrel)		92	81	82
An average Europe natural gas price (Euro/MWh)		116	46	38

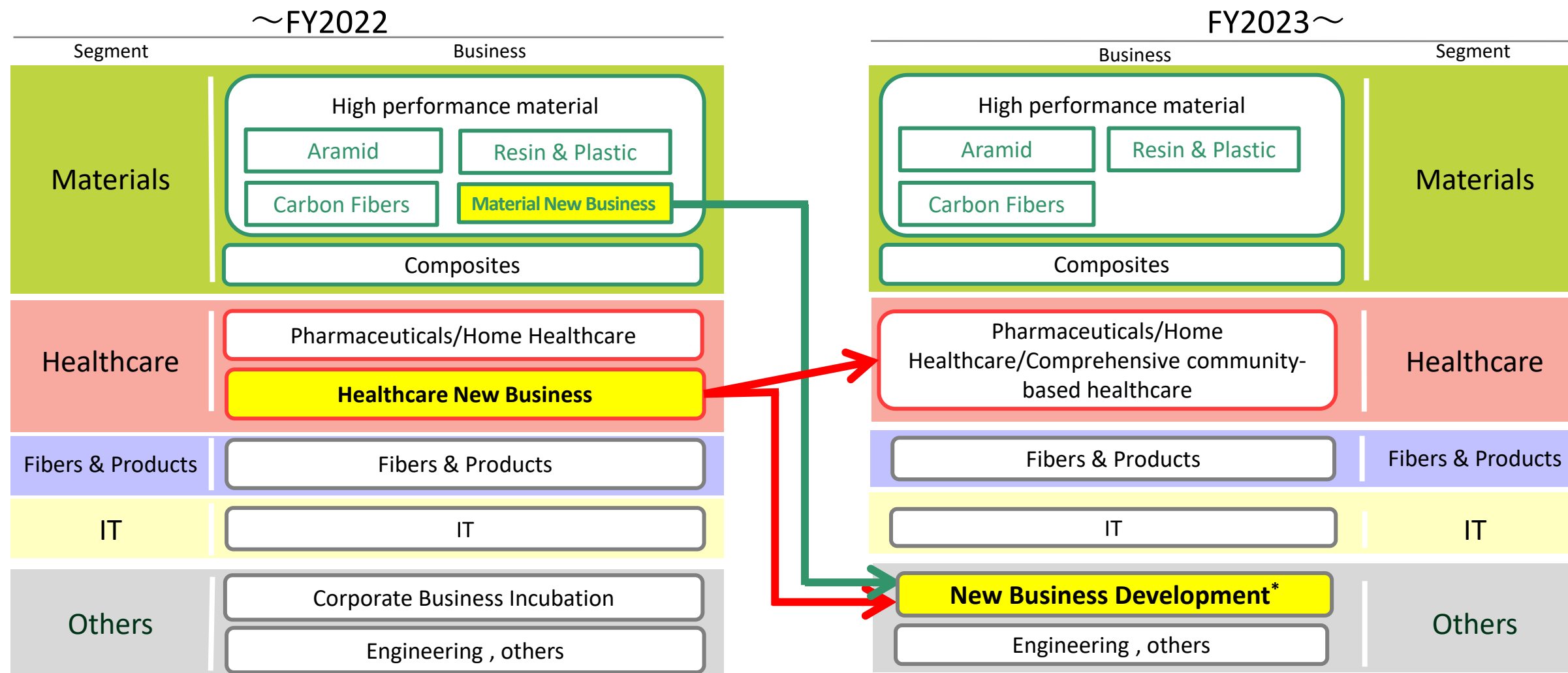
*1. Announced on November 6, 2023

◇ Factors that affect income statement regularly

Segment	Major factor
Materials	<ul style="list-style-type: none"> Aramid: large-scale periodic maintenance performed every three years (The next maintenance of this kind is postponed from FY24 1Q to FY25 1Q) Resin: periodic maintenance in 2Q & 3Q every year
Fibers & Products Converting	<ul style="list-style-type: none"> Fiber materials and apparel: 2Q-3Q are a season for sales of autumn/winter clothing, and 4Q for spring clothing
Healthcare	<ul style="list-style-type: none"> Cost increase in 4Q
IT	<ul style="list-style-type: none"> Delivery increase in 2Q and 4Q due to system acceptance period

◆ Assumptions [Trend of the Company's main target markets (FY2023)]

Reportable operating segments have been changed to establish a structure whereby the corporate organization creates both new businesses as future investment targets and innovations through inter-business co-creation in a Group-wide manner. (New businesses in the Materials and Healthcare Business Fields have been integrated with the Corporate Business Incubation Division to form a New Business Development Unit.)



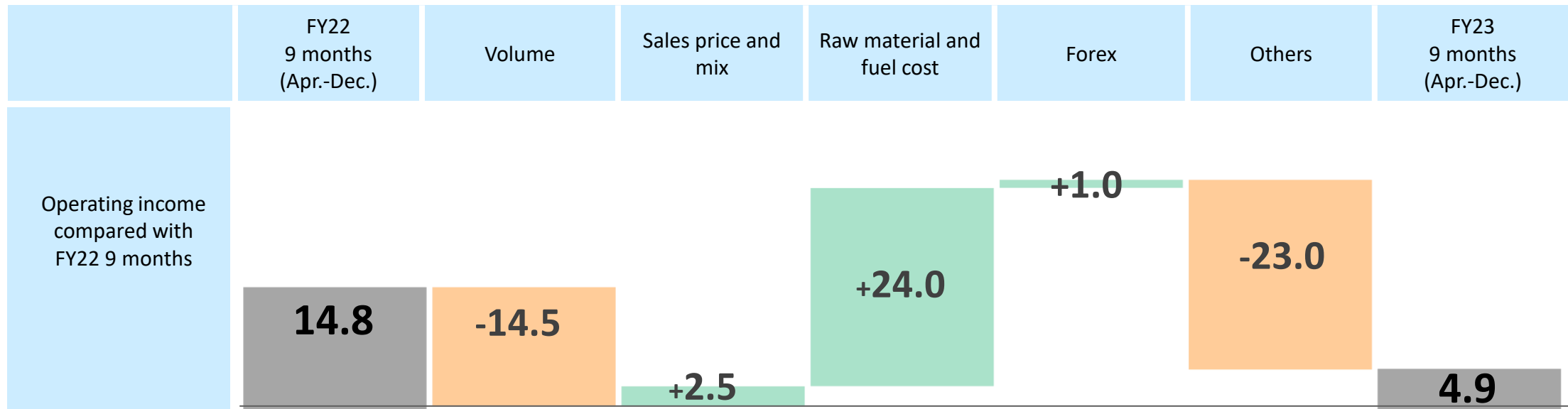
* Regenerative Medicine & Implantable Medical Device, Battery Materials & Membrane, Biolier & Nutraceutical, Environmental Solution, etc.

◆ Results of FY2023 3Q Changes in operating income (Consolidated total) [Compared with FY2022 9 months (Apr.-Dec.)]

(Billions of Yen)

	FY22 9months (Apr.-Dec.)	FY23 9months (Apr.-Dec.)	Difference	% change
Net sales	765.1	759.6	-5.5	-0.7%
EBITDA	70.7	64.3	-6.4	-9.1%
Depreciation & Amortization	55.9	59.4	+3.5	+6.3%
Operating income	14.8	4.9	-10.0	-67.3%
ROIC	2.4%	0.8%	-1.6%	-

(Billions of Yen)



◆ Results of FY2023 3Q Summary in segment-specific [Compared with FY2022 9 months (Apr.-Dec.)]

(Billions of Yen)

	TOTAL				Materials				Fibers & Products Converting			
	FY22 9months (Apr.-Dec.)	FY23 9months (Apr.-Dec.)	Difference	% change	FY22 9months (Apr.-Dec.)*	FY23 9months (Apr.-Dec.)	Difference	% change	FY22 9months (Apr.-Dec.)	FY23 9months (Apr.-Dec.)	Difference	% change
Net sales	765.1	759.6	-5.5	-0.7%	331.4	321.3	-10.1	-3.0%	240.7	238.8	-1.9	-0.8%
EBITDA	70.7	64.3	-6.4	-9.1%	13.0	23.5	+10.5	+80.8%	13.1	14.8	+1.7	+12.8%
Depreciation & Amortization	55.9	59.4	+3.5	+6.3%	26.8	29.3	+2.5	+9.4%	5.2	5.5	+0.3	+6.0%
Operating income	14.8	4.9	-10.0	-67.3%	(13.8)	(5.8)	+8.0	-	7.9	9.3	+1.4	+17.3%
ROIC	2.4%	0.8%	-1.6%	-	(5%)	(2%)	+3%	-	8%	9%	+1%	-

	Healthcare				IT				Others			
	FY22 9months (Apr.-Dec.)*	FY23 9months (Apr.-Dec.)	Difference	% change	FY22 9months (Apr.-Dec.)	FY23 9months (Apr.-Dec.)	Difference	% change	FY22 9months (Apr.-Dec.)*	FY23 9months (Apr.-Dec.)	Difference	% change
Net sales	114.1	107.1	-7.0	-6.1%	41.6	51.7	+10.1	+24.2%	37.4	40.7	+3.3	+8.9%
EBITDA	40.3	21.1	-19.2	-47.7%	5.9	7.1	+1.2	+19.5%	2.7	2.8	+0.0	+0.4%
Depreciation & Amortization	19.4	19.4	-0.1	-0.4%	0.5	0.7	+0.2	+41.9%	3.3	4.0	+0.6	+19.1%
Operating income	20.9	1.8	-19.2	-91.6%	5.4	6.4	+0.9	+17.3%	(0.6)	(1.2)	-0.6	-
ROIC	15%	1%	-14%	-	47%	56%	+10%	-				

* From FY23, organizations for new businesses in the "Materials" and "Healthcare" segments were transferred to the Group-wide "Others" segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

◆ Results of FY2023 3Q Changes in segment-specific [Compared with FY2022 3Q, FY2023 2Q]

	(Billions of Yen)									
	FY22*					FY23			Difference 23/3Q -22/3Q	Difference 23/3Q -23/2Q
	1Q Apr.-Jun.	2Q Jul.-Sep.	3Q Oct.-Dec.	4Q Jan.-Mar.	Total	1Q Apr.-Jun.	2Q Jul.-Sep.	3Q Oct.-Dec.		
Net sales										
High-performance materials	66.5	74.7	67.2	66.5	274.8	60.8	65.3	65.2	-2.0	-0.0
Composites	37.5	44.0	41.6	40.8	163.8	45.0	44.5	40.6	-1.1	-3.9
Materials Total	103.9	118.6	108.8	107.3	438.7	105.8	109.7	105.8	-3.0	-4.0
Fibers & Products Converting	73.7	84.9	82.2	81.4	322.1	75.6	83.0	80.3	-1.9	-2.7
Healthcare	43.1	34.8	36.1	36.6	150.6	35.8	34.9	36.4	+0.3	+1.5
IT	12.9	14.4	14.3	16.4	58.0	16.2	18.1	17.4	+3.1	-0.6
Others	10.2	13.9	13.2	12.0	49.4	11.5	16.0	13.2	+0.0	-2.8
Total	243.8	266.6	254.6	253.7	1,018.8	244.8	261.7	253.1	-1.6	-8.6
Operating income (loss)										
Materials	(0.8)	(5.0)	(8.0)	(7.5)	(21.3)	(2.0)	(3.3)	(0.5)	+7.5	+2.8
Fibers & Products Converting	1.8	3.3	2.8	1.8	9.7	3.1	3.9	2.2	-0.6	-1.7
Healthcare	11.1	4.2	5.6	4.2	25.2	4.8	3.4	(6.4)	-12.1	-9.9
IT	1.5	2.0	1.9	2.7	8.1	1.8	2.2	2.3	+0.3	+0.0
Others	(1.2)	0.5	0.1	(0.9)	(1.5)	(1.1)	0.5	(0.7)	-0.8	-1.2
Elimination and Corporate	(1.7)	(1.5)	(1.8)	(2.2)	(7.3)	(2.4)	(1.1)	(2.0)	-0.2	-0.9
Total	10.8	3.5	0.6	(2.0)	12.9	4.2	5.7	(5.1)	-5.7	-10.8

* From FY23, organizations for new businesses in the "Materials" and "Healthcare" segments were transferred to the Group-wide "Others" segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

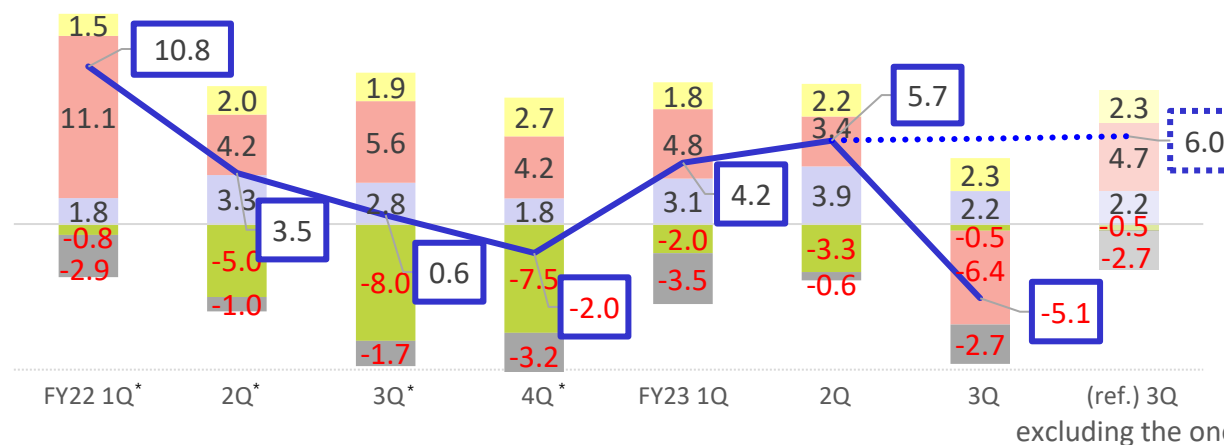
◆ Results of FY2023 3Q Changes in operating results in segment-specific [Quarterly transition]

Trend of operating income

(Billions of Yen)

■ Materials ■ Fibers & Products ■ Healthcare ■ IT ■ Others

Line chart shows total



excluding the one-off lump-sum contract fee

Trends (billions of yen) and factors behind the operating income (FY23 2Q→FY23 3Q)		
Consolidated	-10.8	Operating income decreased mainly due to the one-off lump-sum contract fee in Healthcare Business Field (When considered excluding the impact of the one-off payment, operating income slightly increased.)
-Materials	+2.8	(+) Insurance income in the aramid business (-) Reduced sales volume due to inventory adjustment in the supply chain in the aramid business
-Fibers & Products	-1.7	Decreased sales volume in the fiber materials and apparel field (Rebound from strong sales in 2Q)
-Healthcare	-9.9	Affected by the one-off lump-sum contract fee
-IT	+0.0	E-comics services maintained good sales

* From FY23, organizations for new businesses in the “Materials” and “Healthcare” segments were transferred to the Group-wide “Others” segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

◆ Results of FY2023 3Q Consolidated statements of income [Quarterly transition]

(Billions of Yen)

	FY22				FY23		
	1Q Apr.-Jun.	2Q Jul.-Sep.	3Q Oct.-Dec.	4Q Jan.-Mar.	1Q Apr.-Jun.	2Q Jul.-Sep.	3Q Oct.-Dec.
Net Sales	243.8	266.6	254.6	253.7	244.8	261.7	253.1
Cost of sales	174.9	204.0	196.8	194.9	179.8	195.0	185.1
Gross profit	68.9	62.6	57.8	58.8	65.1	66.7	68.0
SG&A	58.1	59.2	57.2	60.7	60.9	60.9	73.1
Operating income	10.8	3.5	0.6	(2.0)	4.2	5.7	(5.1)
Non-operating items, net	3.5	2.2	(3.1)	(6.4)	0.8	(0.7)	2.7
(Equity in earnings and losses of affiliates)	1.2	1.3	1.3	(5.0)	(0.5)	0.8	7.4
Ordinary income	14.3	5.7	(2.5)	(8.4)	5.0	5.0	(2.4)
Extraordinary items (net)	0.2	(0.4)	(8.1)	(2.3)	2.3	(3.6)	4.4
Income before income taxes	14.5	5.3	(10.6)	(10.6)	7.3	1.5	2.0
Income taxes	6.7	4.3	3.9	(0.6)	4.8	3.2	(2.5)
Profit attributable to non-controlling interests	0.5	0.7	0.0	0.6	0.6	0.7	0.5
Profit attributable to owners of parent	7.3	0.3	(14.6)	(10.6)	1.9	(2.4)	4.0

◆ Results of FY2023 3Q Consolidated balance sheets [Quarterly transition]

(Billions of Yen)

	FY22				FY23		
	Jun. 30, 2022	Sep. 30, 2022	Dec. 31, 2022	Mar. 31, 2023	Jun. 30, 2023	Sep. 30, 2023	Dec. 31, 2023
Total assets							
Current assets	603.0	633.1	608.8	613.3	654.2	670.6	652.6
Fixed assets	662.3	672.0	630.2	629.1	648.6	650.0	631.7
Total	1,265.3	1,305.1	1,239.0	1,242.4	1,302.8	1,320.7	1,284.3
Total liabilities and net assets							
Liabilities	785.4	822.2	786.3	791.3	831.5	848.4	817.9
[Interest-bearing debt]	517.8	544.7	523.6	529.4	576.4	569.8	572.1
Net assets	479.9	482.9	452.7	451.1	471.3	472.3	466.4
Total	1,265.3	1,305.1	1,239.0	1,242.4	1,302.8	1,320.7	1,284.3

◆ Outlook for FY2023 Changes in net sales and operating income in segment-specific [Compared with FY2022]

(Billions of Yen)

	FY2022*			FY2023 Outlook			Difference		
	1H	2H	Total	1H	2H	Total	1H	2H	Total
Net sales									
High-performance materials	141.1	133.7	274.8	126.1	143.9	270.0	-15.0	+10.2	-4.8
Composites	81.4	82.4	163.8	89.4	85.6	175.0	+8.0	+3.2	+11.2
Materials Total	222.6	216.1	438.7	215.5	229.5	445.0	-7.0	+13.4	+6.3
Fibers & Products Converting	158.5	163.5	322.1	158.5	161.5	320.0	+0.0	-2.1	-2.1
Healthcare	77.9	72.7	150.6	70.7	69.3	140.0	-7.2	-3.4	-10.6
IT	27.3	30.8	58.0	34.2	35.8	70.0	+7.0	+5.0	+12.0
Others	24.2	25.2	49.4	27.5	27.5	55.0	+3.3	+2.3	+5.6
Total	510.5	508.3	1,018.8	506.5	523.5	1,030.0	-3.9	+15.2	+11.2
Operating income (loss)									
Materials	(5.8)	(15.5)	(21.3)	(5.3)	2.3	(3.0)	+0.4	+17.8	+18.3
Fibers & Products Converting	5.1	4.6	9.7	7.0	5.0	12.0	+1.9	+0.4	+2.3
Healthcare	15.3	9.9	25.2	8.2	1.3	9.5	-7.1	-8.5	-15.7
IT	3.5	4.6	8.1	4.1	5.4	9.5	+0.6	+0.8	+1.4
Others	(0.7)	(0.8)	(1.5)	(0.5)	(1.5)	(2.0)	+0.2	-0.6	-0.5
Elimination and Corporate	(3.2)	(4.1)	(7.3)	(3.5)	(4.5)	(8.0)	-0.3	-0.4	-0.7
Total	14.2	(1.4)	12.9	10.0	8.0	18.0	-4.3	+9.4	+5.1

* From FY23, organizations for new businesses in the “Materials” and “Healthcare” segments were transferred to the Group-wide “Others” segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

◆ Outlook for FY2023 Summary in segment-specific [Compared with FY2022 ^{*1}, Previous Outlook ^{*2}]

(Billions of Yen)

	TOTAL					Materials					Fibers & Products Converting				
	FY22	FY23 Outlook	Differ-ence	FY23 Previous Outlook ^{*2}	Differ-ence	FY22 ^{*1}	FY23 Outlook	Differ-ence	FY23 Previous Outlook ^{*2}	Differ-ence	FY22	FY23 Outlook	Differ-ence	FY23 Previous Outlook ^{*2}	Differ-ence
Net sales	1,018.8	1,030.0	+11.2	1,030.0	0.0	438.7	445.0	+6.3	445.0	0.0	322.1	320.0	-2.1	320.0	0.0
EBITDA	87.8	96.0	+8.2	113.0	-17.0	14.7	34.0	+19.3	44.0	-10.0	16.6	19.0	+2.4	19.0	0.0
Depreciation & Amortization	74.9	78.0	+3.1	78.0	0.0	36.0	37.0	+1.0	37.0	0.0	6.9	7.0	+0.1	7.0	0.0
Operating income	12.9	18.0	+5.1	35.0	-17.0	(21.3)	(3.0)	+18.3	7.0	-10.0	9.7	12.0	+2.3	12.0	0.0
ROIC	1.6%	2%	+1%	4%	-2%	(6%)	(1%)	+5%	2%	-3%	7%	8%	+1%	8%	0%

	Healthcare					IT					Others				
	FY22 ^{*1}	FY23 Outlook	Differ-ence	FY23 Previous Outlook ^{*2}	Differ-ence	FY22	FY23 Outlook	Differ-ence	FY23 Previous Outlook ^{*2}	Differ-ence	FY22 ^{*1}	FY23 Outlook	Differ-ence	FY23 Previous Outlook ^{*2}	Differ-ence
Net sales	150.6	140.0	-10.6	140.0	0.0	58.0	70.0	+12.0	70.0	0.0	49.4	55.0	+5.6	55.0	0.0
EBITDA	51.0	35.5	-15.5	42.5	-7.0	8.8	10.5	+1.7	10.5	0.0	3.0	4.0	+1.0	3.0	+1.0
Depreciation & Amortization	25.9	26.0	+0.1	26.0	0.0	0.7	1.0	+0.3	1.0	0.0	4.6	6.0	+1.4	6.0	0.0
Operating income	25.2	9.5	-15.7	16.5	-7.0	8.1	9.5	+1.4	9.5	0.0	(1.5)	(2.0)	-0.5	-3.0	+1.0
ROIC	14%	6%	-8%	10%	-4%	53%	70%	+17%	70%	0%					

*1. From FY23, organizations for new businesses in the “Materials” and “Healthcare” segments were transferred to the Group-wide “Others” segment. Therefore, the figures for FY22 are those recalculated in accordance with the new segment categorization for comparison purposes

*2. Announced on November 6, 2023

◆ Historical financial indicators

	FY18	FY19	FY20	FY21	FY22	FY23
	Actual	Actual	Actual	Actual	Actual	Outlook
ROE ^{*1}	11.2%	6.3%	(1.7%)	5.5%	(4.1%)	2%
ROIC ^{*2}	9.3%	8.7%	8.6%	5.5%	1.6%	2%
EBITDA ^{*3} (Billions of Yen)	107.6	107.2	106.8	113.0	87.8	96.0
Earnings per share (Yen)	232.4	131.6	(34.7)	120.6	(92.0)	41.6
Dividends per share (Yen)	70 [*]	60	50	55	40	30
*Including a commemorative dividend of 10 yen per share for our founding centennial						
Total assets (Billions of Yen)	1,020.7	1,004.2	1,041.1	1,207.6	1,242.4	1,290.0
Interest-bearing debt (Billions of Yen)	369.2	381.9	380.0	485.2	529.4	545.0
D/E ratio ^{*4}	0.90	0.97	0.94	1.10	1.25	1.2
D/E ratio (capital adjustment) ^{*5}	-	-	-	0.97	1.10	1.1
Shareholders' equity ratio	40.2%	39.3%	39.0%	36.4%	34.2%	34%

1. ROE = Profit attributable to owners of parent / Average total shareholders' equity *Average: ((Beginning balance + Ending balance) / 2)

2. ROIC based on operating income = Operating income / Average invested capital (Invested capital = Net assets + Interest-bearing debt – Cash and deposits)

*3. EBITDA = Operating income + Depreciation & amortization

*4. D/E ratio = Interest-bearing debt / Total shareholders' equity (Gross)

*5. D/E ratio taking into account the equity credit of the subordinated bonds (The Company issued subordinated bonds of ¥60.0 billion on July 21, 2021.)

◆ Sales of principal pharmaceuticals in Japan

(Billions of Yen)

Product	Target disease	FY2022					FY2023		
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q
Total sales of four diabetes treatments		6.9	6.2	6.7	5.0	24.8	6.3	5.8	6.1
<i>Nesina</i> [®]	Type 2 Diabetes	3.4	3.1	3.3	2.5	12.2	3.1	2.8	2.9
<i>Inisync</i> [®]	Type 2 Diabetes (combination drug)	2.0	1.8	2.0	1.5	7.4	1.9	1.7	1.8
<i>Liovel</i> [®]	Type 2 Diabetes (combination drug)	1.0	0.9	0.9	0.6	3.4	0.8	0.7	0.8
<i>Zafatek</i> [®]	Type 2 Diabetes	0.5	0.5	0.4	0.3	1.7	0.5	0.6	0.6
<i>FEBURIC</i> [®]	Gout and hyperuricemia	8.7	1.7	2.3	1.8	14.5	2.0	2.1	2.0
<i>Bonalon</i> ^{®*1}	Osteoporosis	1.8	1.8	1.8	1.5	6.9	1.6	1.6	1.7
<i>Somatuline</i> ^{®*2}	Acromegaly and pituitary gigantism, thyroid stimulating hormone-secreting pituitary tumors, and gastroenteropancreatic neuroendocrine tumors	1.4	1.4	1.5	1.4	5.7	1.5	1.5	1.7
<i>Venilon</i> [®]	Severe infection	1.0	1.1	1.2	1.1	4.4	1.4	1.4	1.6
<i>LOQQA</i> [®]	osteoarthritis pain and inflammation	0.5	0.5	0.5	0.4	1.9	0.5	0.4	0.5
<i>XEOMIN</i> ^{®*3}	Upper and lower limb spasticity	0.4	0.4	0.5	0.5	1.8	0.5	0.5	0.6
<i>Mucosolvan</i> [®]	Expectorant	0.4	0.4	0.5	0.4	1.8	0.4	0.5	0.5

*1. *Bonalon*[®] is the registered trademark of Merck Sharp & Dohme Corp., U.S.A.*3. *Xeomin*[®] is the registered trademark of Merz Pharma GmbH & Co. KGaA, Germany*2. *Somatuline*[®] is the registered trademark of Ipsen Pharma, France.

◆ **Non-financial information : ESG external evaluation**

Selected as a component stock of all five ESG indices of GPIF



**FTSE Blossom
Japan Index**

2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX



**FTSE Blossom
Japan Sector
Relative Index**

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FTSE4Good



Included in these two domestic programs
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Promoting Health
Management



2023
健康経営優良法人
Health and productivity

Sports Yell Company
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