

Interview with Shigeo Ohyagi

Q What strategies are you pursuing to restore profitability and secure a positive free cash flow?

A To restore profitability, we will implement sweeping measures Groupwide to reduce fixed costs. With the aim of boosting cash flow, we will freeze major capital investment for two years and take steps to increase the efficiency of working capital, including slashing inventories. Measures to cut fixed costs will target a reduction of 13%, or ¥40 billion, to ¥260 billion annually, from ¥300 billion in fiscal 2008, and will focus on our materials businesses. Such efforts will enable us to lower the breakeven point for these businesses and enhance our cost competitiveness.

Q Do you not think that a two-year moratorium on major capital investment will leave you unprepared when the economy does pick up?

A We have invested extensively in recent years, so I am confident that we are sufficiently prepared for the next upturn in demand.

Q Can you give us any concrete details about planned structural reforms for poorly performing businesses, namely, polyester fibers, PET film and polycarbonate resin?

A Barriers to entry into these commoditized materials businesses are minimal—a fact that has eroded our core competencies. We will implement drastic reforms and decisive cost-cutting measures in these businesses, which remain persistently unprofitable, rather than emphasizing expansion, and will proceed with the aim of realizing an operating structure that ensures stable profitability, even with facility operating rates at 70%.

Q What will be the focus of restructuring measures in high-performance materials businesses, that is, in aramid and carbon fibers?

A Demand in these businesses has been on a sharp downtrend since autumn 2008, but because barriers to new market entrants in this arena are significant we have succeeded in maintaining a high level of competitiveness. Moving forward, we will endeavor to enhance cost competitiveness by lowering the breakeven point. The advanced performance features of these materials have positioned us well to respond to growing demand for products that are safe and environment-friendly, and we are confident that demand will eventually increase. Accordingly, we are cultivating new applications in line with the themes of safety and the environment—the latter referring to support efforts to manufacture products that are lighter and use less energy and fewer resources.

Q What can you tell us about the pharmaceuticals and home health care businesses?

A In the pharmaceuticals business, gout and hyperuricemia treatment TMX-67 (febuxostat) was granted marketing authorization in Europe and then in the United States and the Republic of Korea (ROK). This is the first new treatment for gout and hyperuricemia in four decades and is a strategically important global product. We expect TMX-67 to generate annual sales of more than ¥100 billion worldwide. Another achievement was the conclusion of a licensing agreement with Bristol-Myers Squibb Company of the United States for NTC-801, a novel atrial fibrillation and flutter treatment and preventative drug currently

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under development by subsidiary Teijin Pharma Limited and Nissan Chemical Industries, Ltd., that we anticipate will be another major new addition to our global portfolio. We will also accelerate the global expansion of our home health care business, in which we currently enjoy an overwhelming competitive advantage in the Japanese market, and have set as long-term targets for the Pharmaceuticals and Home Health Care segment sales of ¥300 billion.

Q Can you tell us about recent organizational changes and related long-term strategies?

A For strategic purposes, we have identified four key growth fields—automobiles and aircraft, information and electronics, health care, and environment and energy. We have appointed managers answerable to the chief marketing officer (CMO) to oversee efforts in each of these areas. Recently, we established two business planning entities formerly under the direct supervision of the CMO (Mobility Business Planning and E&E Business Planning departments) as independent, cross-divisional development and marketing departments. Headed by a corporate officer and staffed by several employees, these departments are now under the direct control of the CEO, facilitating swift decision making and responsiveness to market change.

Q What can you promise to do during your term as president?

A In such a rapidly changing operating environment, I cannot make any promises. What I can say is that I view my mission as being to see structural reforms through and achieve a return to profitability.



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