

Structural Reforms and Medium- and Long-Term Business Strategies

- Key Challenges**
- Drastically restructure poorly performing businesses (polyester fibers, PET film, polycarbonate resin)
 - Put aramid fibers and carbon fibers businesses back on a growth track
 - Further expand our flourishing pharmaceuticals and home health care businesses
 - Cultivate new businesses
 - Improve financial structure

- Short-Term Objectives**
- Transform Teijin back into an entity that yields profits (fiscal 2009)
 - Return to profitability at the net income level (fiscal 2010)
 - Secure a positive free cash flow in excess of ¥10.0 billion (fiscal 2009)

Urgent Measures and Structural Reforms

1. Restructure poorly performing businesses

In the poorly performing polyester fibers, PET film and polycarbonate resin businesses, we will restructure loss-making businesses and create an optimal global production configuration by reorganizing production facilities and lines.

In polyester fibers, we have already begun taking steps to restructure the value chain. Initiatives include creating a vertically integrated organization for our automotive interior materials business.

2. Restructure high-performance materials businesses

In our high-performance materials businesses—namely, aramid fibers and carbon fibers—we will endeavor to enhance cost competitiveness by lowering the breakeven point; and cultivate new markets worldwide by promoting ongoing efforts to develop new materials and products and establishing new midstream and downstream business models.

3. Promote decisive measures to reduce fixed costs

We will implement sweeping measures Groupwide with the aim of increasing efficiency in a bid to lower fixed costs—especially in our materials businesses—by a total of ¥40.0 billion. Of this total, ¥20.0 billion

will be accounted for by curtailed personnel costs. We will normalize per-employee personnel costs by implementing another partial return of remuneration for directors, paring annual remuneration for management-level employees by maintaining a performance-based salary system, cutting back on overtime and reassessing fringe benefits. In addition, we will optimize the labor force by promoting Group-wide cross-business employee reassignment, restraining hiring, and decreasing and pulling back in work subcontracted out or performed by temporary staff.

4. Freeze major capital investment for two years and increase the efficiency of working capital

With the aim of boosting cash flow, we have declared a two-year moratorium on major capital investment and will endeavor to significantly increase the efficiency of working capital, primarily by slashing inventories. In fiscal 2009, we intend to reduce capital investment by ¥35.0 billion from the fiscal 2008 level, to ¥40.0 billion. As of March 31, 2010, we aim to have reduced inventories to ¥110.0 billion, down ¥25.0 billion from the fiscal 2008 year-end. Through these efforts, in fiscal 2009 we expect to secure a positive free cash flow in excess of ¥10.0 billion.

5. Revamp our corporate organization to facilitate structural reforms and the implementation of growth strategies

In a bid to accelerate decision making, we realigned the Management Committee. At the same time, we integrated and reorganized our business planning departments to reinforce corporate strategy development capabilities. We also established a Structural Reform Committee to promote cross-business structural reforms.

Cables for unmanned deep sea probes (aramid fibers)

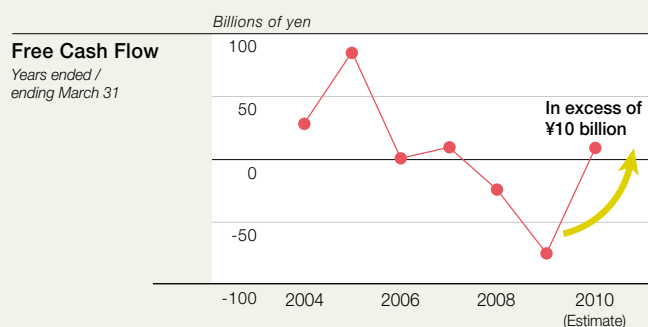


Courtesy of JAMSTEC

Wind turbines at offshore wind farm (carbon fibers)



Courtesy of Vestas Wind System A/S



On another front, we established two cross-divisional development and marketing entities that are overseen directly by the CEO. These are the Mobility Business Planning Department, which targets the automotive and aircraft markets, and the E&E Business Planning Department, which focuses on the electronics and energy markets. We appointed

a director to oversee our efforts in the promising markets of the BRICs economies (Brazil, Russia, India and the People's Republic of China).

With the aim of reinforcing our business foundation and ensuring a stronger, more flexible operating structure, we are conducting a review of our current holding company system.

Medium- and Long-Term Management Policies

Over the medium to long term, through technology-driven innovation, we will strive to ensure sustainable growth and attain global excellence by providing attractive solutions in two key areas. The first of these, green chemistry, encompasses advanced and compound materials, biomaterials and recycling systems, which support efforts to, among others, manufacture lighter, safer products and recycle energy. The second, health care, focuses on major new drugs and next-generation pharmaceuticals, as well as innovative home health care services.

By around fiscal 2020, we expect to have further shifted the weighting of our business portfolio toward high-performance materials, new businesses and pharmaceuticals and home health care, and away from such commoditized materials as polyester fibers, PET film and polycarbonate resin. Commoditized materials will account for only about 25% of consolidated net sales, down from more than 50% at present, while pharmaceuticals and home health care will have increased by 1.3 times, to 20% of net sales, and high-performance materials and new businesses will have tripled, to 30% of net sales.

We will seek to expand sales in high-growth markets, including those of the BRICs and other key emerging economies, many of which are in Asia. Overseas sales today account for approximately 40% of consolidated net sales, up from only 25% a decade ago. Moving forward, we will continue to promote the globalization of our operations with the aim of increasing sales in overseas markets to 60% of the total.

The most important factor in facilitating sustainable growth is technological prowess. Teijin's technologies include core technologies, which are instrumental in the growth of individual businesses and the restructuring of our business portfolio, and

the underlying basic, or platform, technologies thereof. In addition to promoting ambitious efforts to provide technology-driven solutions, we will accelerate product development by introducing and thoroughly incorporating pipeline management—long-term management of area- and product-specific development schedules, currently used in our pharmaceuticals business—throughout the Group.

