

# 2025 Long-Term Business Plan

## CEO Explanation

Creating New Customer Value through Innovations



淡輪 敏

Tsutomu Tannowa

Mitsui Chemicals Inc.  
President & CEO

Nov. 16, 2016

# Contents

- ▶ **Business Performance**
- ▶ **Summary of 2014 Mid-Term Business Plan**
- ▶ 2025 Long-Term Business Plan
- ▶ Sustainable Growth

(JPY bn)

△ Denotes a minus

| Items                                   | FY2014  | FY2015  | FY2016  | Increase<br>(Decrease) |           |
|-----------------------------------------|---------|---------|---------|------------------------|-----------|
|                                         | Results | Results | Outlook | FY14→FY15              | FY15→FY16 |
| Sales                                   | 1,550   | 1,344   | 1,174   | △ 206                  | △ 170     |
| Operating income                        | 42.0    | 70.9    | 88.0    | 28.9                   | 17.1      |
| Non-operating income                    | 2.4     | △ 7.7   | △ 8.0   | △ 10.1                 | △ 0.3     |
| Ordinary income                         | 44.4    | 63.2    | 80.0    | 18.8                   | 16.8      |
| Extraordinary gains/losses              | △ 8.6   | △ 21.9  | △ 7.0   | △ 13.3                 | 14.9      |
| Net income*                             | 17.3    | 23.0    | 50.0    | 5.7                    | 27.0      |
| Exchange rate(JPY/US \$)                | 110     | 120     | 103     | 10                     | △ 17      |
| Domestic Standard Naphtha price(JPY/KL) | 63,500  | 42,800  | 32,200  | △ 20,700               | △ 10,600  |

\*Net income always refers to Profit attributable to owners of parent

(JPY bn)

△ Denotes a minus

| Segment          | FY2014* | FY2015  | FY2016  | Increase<br>(Decrease) |           | Remarks                                                                         |
|------------------|---------|---------|---------|------------------------|-----------|---------------------------------------------------------------------------------|
|                  | Results | Results | Outlook | FY14→FY15              | FY15→FY16 |                                                                                 |
| Mobility         | 30.8    | 44.9    | 40.0    | 14.1                   | △4.9      | (+)Increase sales volume<br>(-)Appreciation of JPY                              |
| Health Care      | 9.2     | 11.6    | 15.0    | 2.4                    | 3.4       | (+)Increase sales volume<br>Vision care, Dental materials                       |
| Food & Packaging | 13.5    | 20.3    | 19.0    | 6.8                    | △1.3      | (+)Increase sales volume<br>(-)Appreciation of JPY                              |
| Basic Materials  | △6.5    | 1.0     | 22.0    | 7.5                    | 21.0      | (+)High run rate of crackers<br>(+)market conditions<br>(+)Terminated PU plants |
| Others           | △5.0    | △6.9    | △8.0    | △1.9                   | △1.1      |                                                                                 |
| Total            | 42.0    | 70.9    | 88.0    | 28.9                   | 17.1      |                                                                                 |

**Trade and Exchange rates downturns will be offset by sales growth in targeted business domains from capacity expansion and successful restructuring efforts**

\*The segment amounts of FY14 always refer to approximate estimates to compare with FY16



 Operating Income


 Net Income


 Mobility


 Health Care


 Food & Packaging


 Basic Materials

 FY2014  
 Results

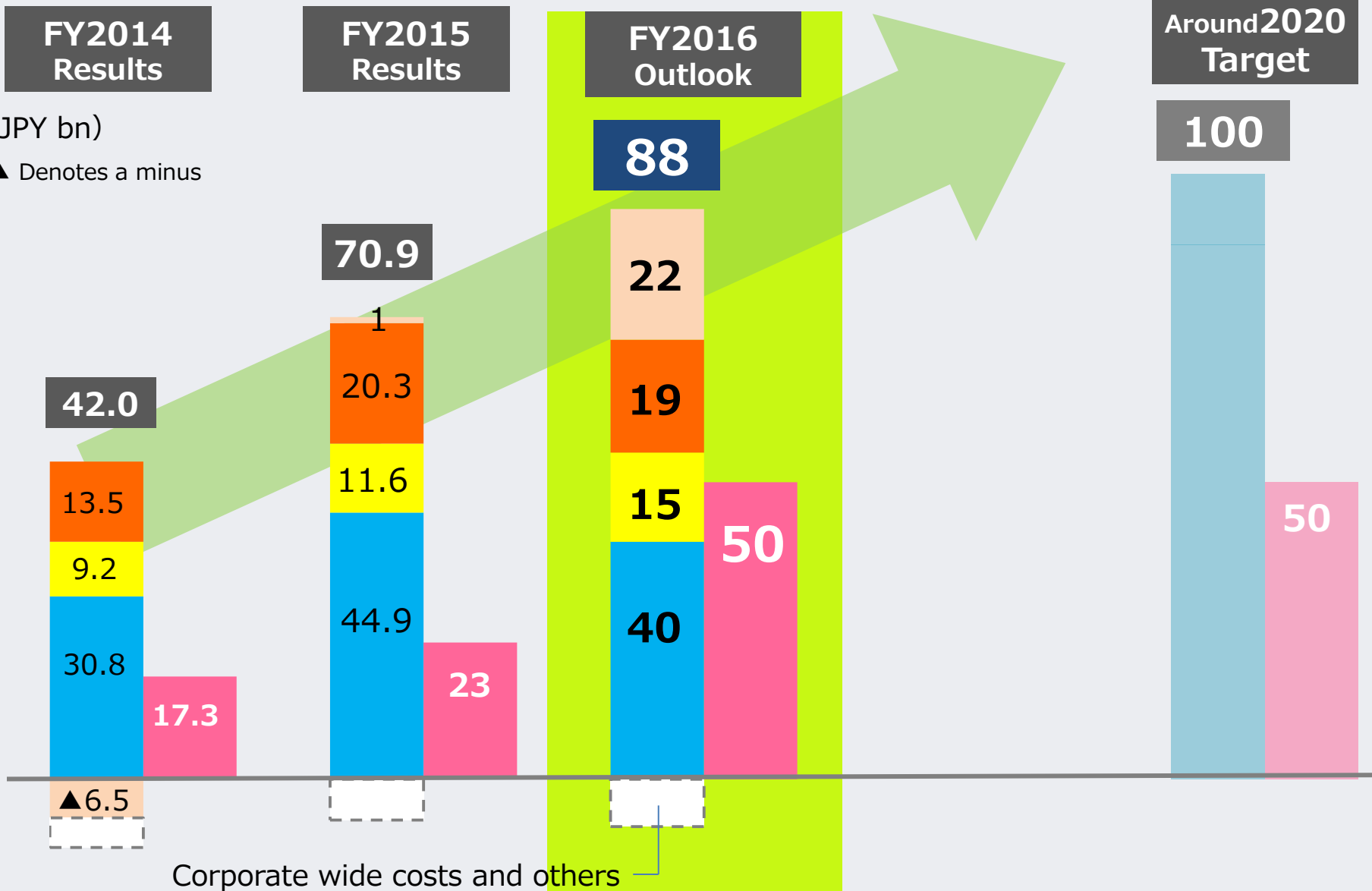
 FY2015  
 Results

 FY2016  
 Outlook

 Around 2020  
 Target

(JPY bn)

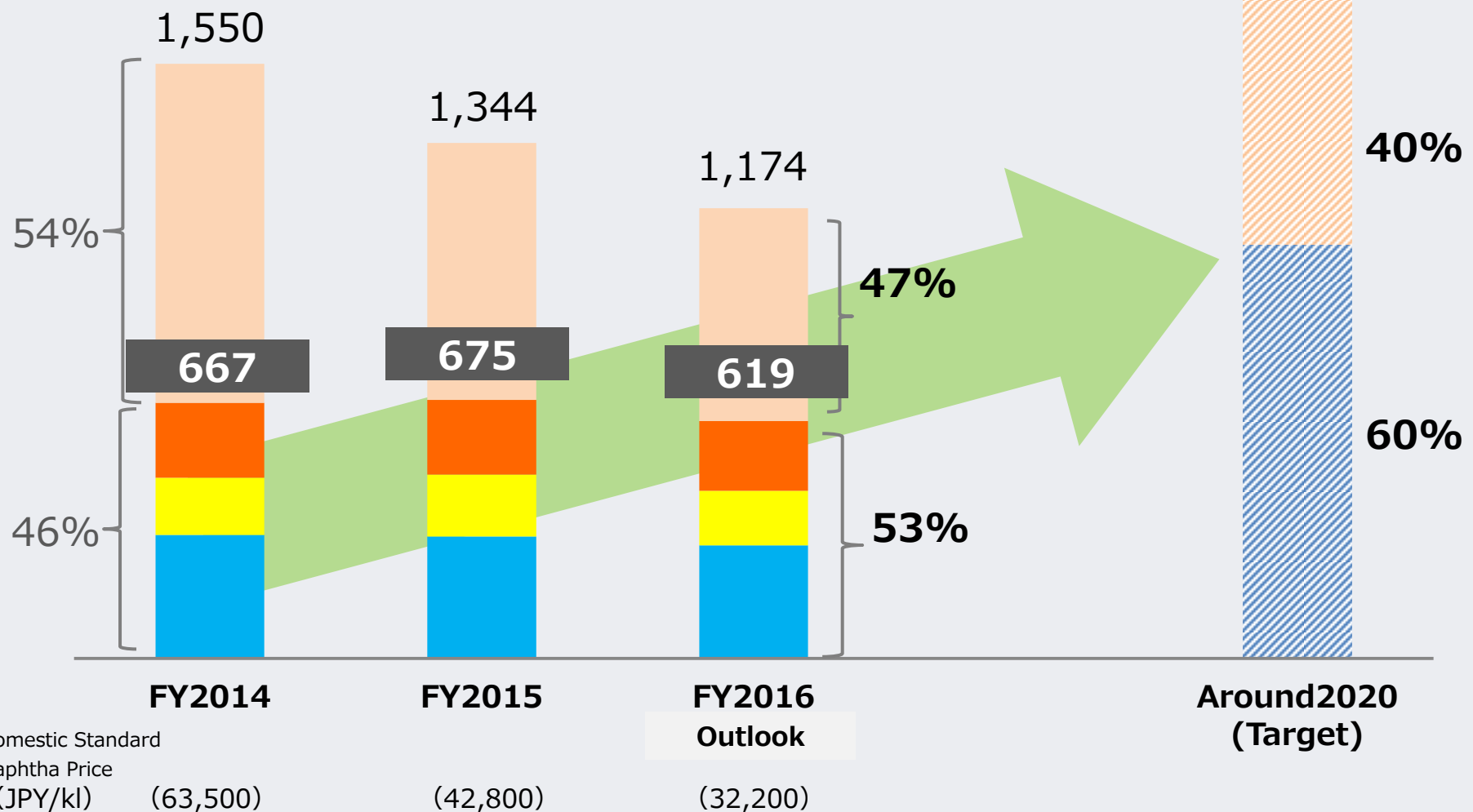
▲ Denotes a minus



- ✓ Basic Materials sales decrease due to **restructuring** and low oil prices
- ✓ **Steadily expand sales qty** of targeted business domains in spite of weaker naphtha prices
- ✓ Changes in **stable portfolio** resilient to economic changes

(Sales: JPY bn)

Mobility
Health Care
Food & Packaging
Basic Materials



(FY15→FY16)

▲ Denotes a minus

FY2014

FY2015

FY2016 (Outlook)

Sales

▲13%

1550.1  
(JPY bn)

1343.9

1,174

- Naphtha price declines
- Termination of large-scale plants
- PU business reassigned to non-consolidated status

Operating income

+24%

42.0  
(JPY bn)

70.9

88.0

- Achievement of restructuring
- Expansion of targeted business domains

Net income

+118%

17.3  
(JPY bn)

23.0

50.0

- Normal level of extraordinary losses

ROE

6.9 improvement point

4.5%

5.8%

12.7%

- Improve net income

Net D/E

0.13 improvement point

1.22

1.03

0.90

- Reduce interest-bearing debt

Increase dividends

3 consecutive terms

¥5/share

¥8/share

¥9/share →  
¥10/share

- Increased interim dividends
- Increase dividends for three consecutive terms

Operating income

3.5x

OP from targeted business domains

1.6x

Net D/E Improvement

0.54 Point

(FY2013→FY2016)

▲ Denotes a minus

✓ Implement restructuring  
 ✓ Further expansion of targeted business domains

Restore financial soundness

88 billion yen



FY2011



FY2012

24.9 billion yen

FY2013

▲ 25.1

42

FY2014

35

35

70.9

FY2015

47

60

FY2016 Outlook

50

11MTBP

14MTBP

- ✓ Confident about the direction of growth in 2014 MTBP
- ✓ Aiming for further development and expansion in the Long-Term Business Plan



# Contents

- ▶ Business Performance
- ▶ Summary of 2014 Mid-Term Business Plan
- ▶ **2025 Long-Term Business Plan**
- ▶ **Sustainable Growth**

Next year, in 2017, Mitsui Chemicals Inc. will celebrate the 20th anniversary of its establishment in 1997. In an environment that is changing faster than ever, we have been discussing what must be continued and what must be changed for the Mitsui Chemicals Group to promptly adapt to the rapid changes.

This year we have incorporated which activities we should engage in and what kind of contributions we should make starting now in the 2025 Long-Term Business Plan, in order to achieve our corporate mission: "To contribute broadly to society by providing high-quality products and services to customers through innovation and the creation of materials, while keeping in harmony with the global environment." We will share this plan throughout the Group and bring into three-year business plan annually and implement it.

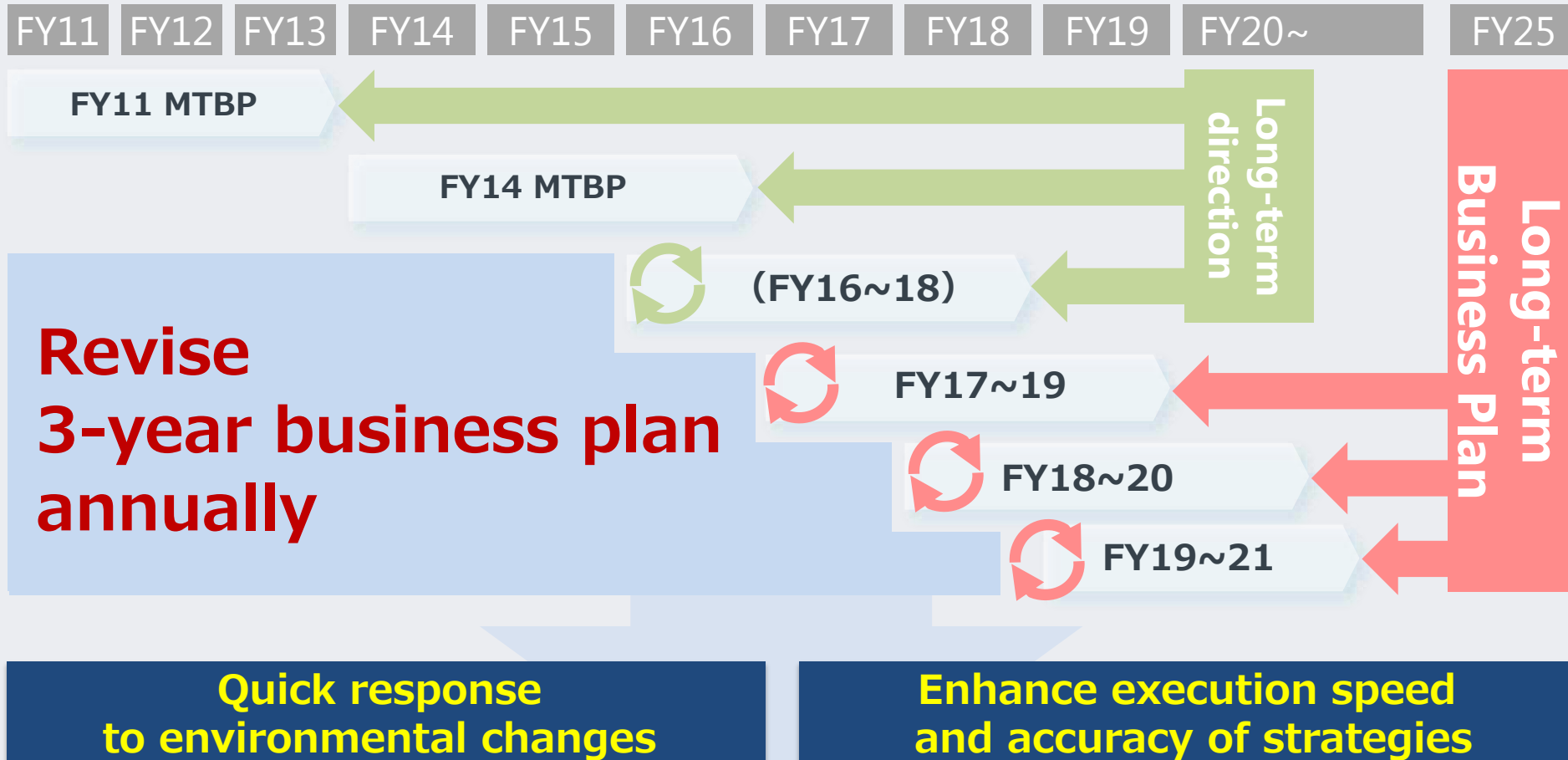
Completing this plan requires each one of our employees to aggressively take on difficult challenges, such as changing how they think and work.

Through this plan, I hope that you will understand and identify with our vision for a future society and how we will contribute to it as a company and continue to support us in creating a better society.

November 16, 2016

淡輪 敏

## Transform management planning to improve adaptability to environmental changes



**Improve environmental adaptability & accelerate strategies**

# 1912

## Contribute to solving food shortages

Begin manufacturing raw materials for fertilizers from exhaust gas, a byproduct of coal business, to help solve food shortages caused by the rapid population growth that was a social problem at the time.



# 1932

## Contribute to preserving indigo culture

Achieve Japan's first successful production of indigo dye by using chemical technology when the survival of Japan's indigo culture was at stake.



# 1958

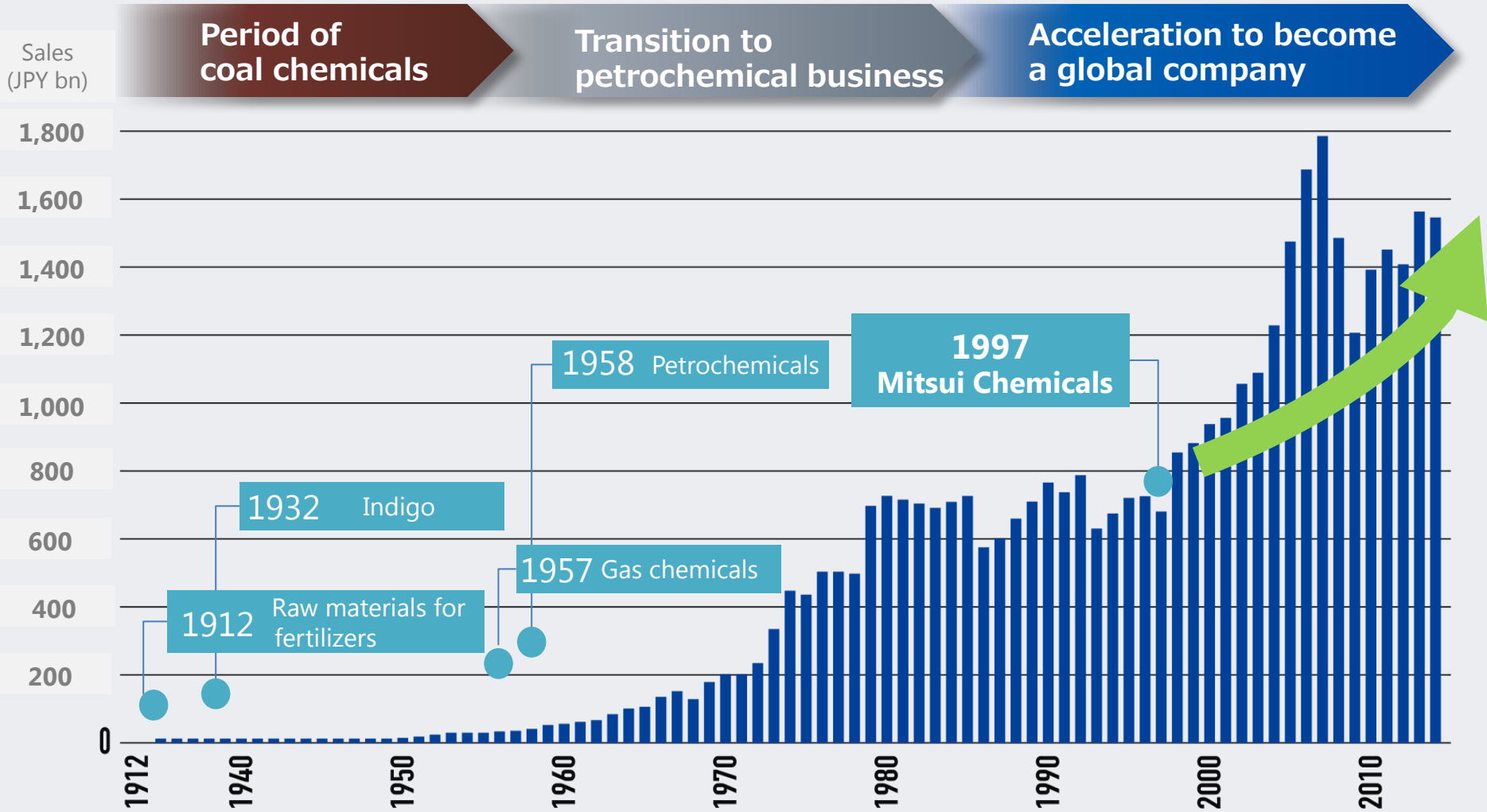
## Contribute to industrial modernization

**Construct Japan's first petrochemical complex.**

Contribute to Japan's industrial development that continues today. (Hula hoops were very popular and expand the business.)

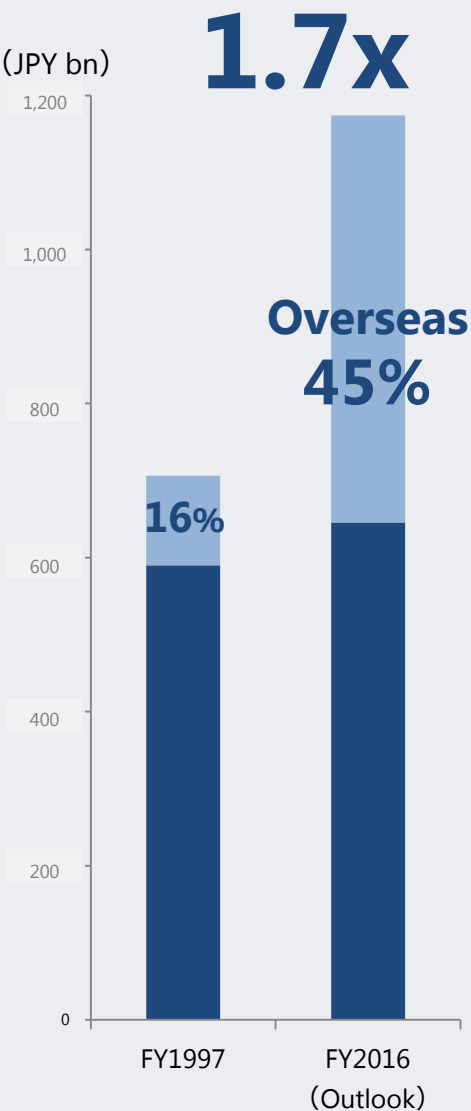


**The Mitsui Chemicals Group has addressed social challenges of the time and continued to contribute to society through innovation and creation of materials**

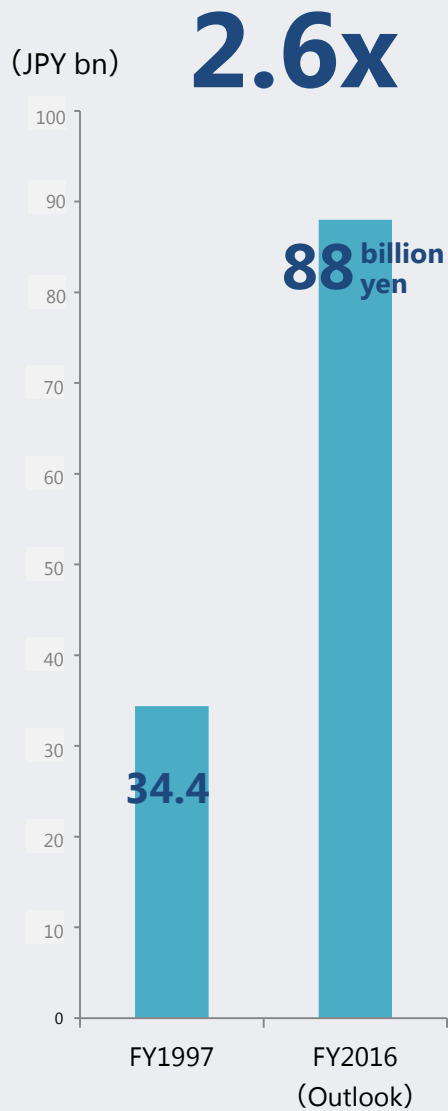


✓ 2017 marks the 20<sup>th</sup> year since the establishment of Mitsui Chemicals.  
 ✓ Establish 2025 Long-Term Business Plan for our future Corporate Target.

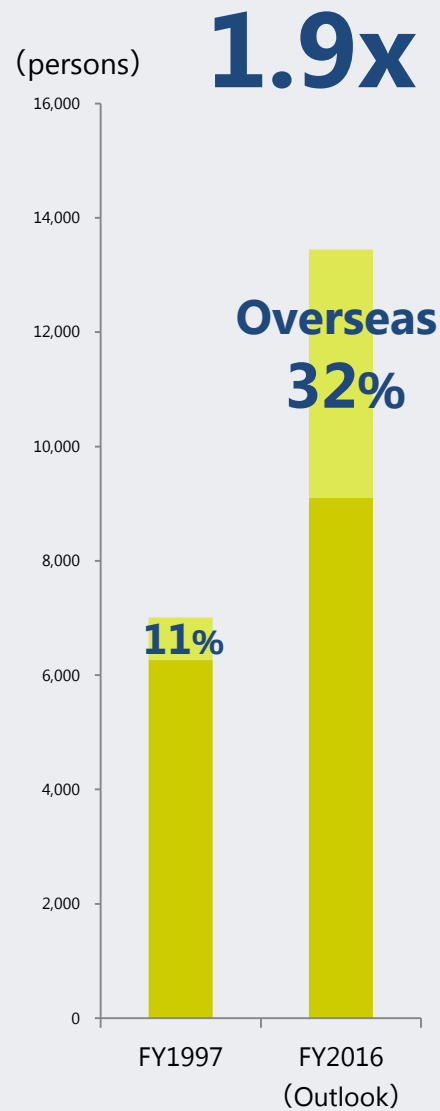
## Sales



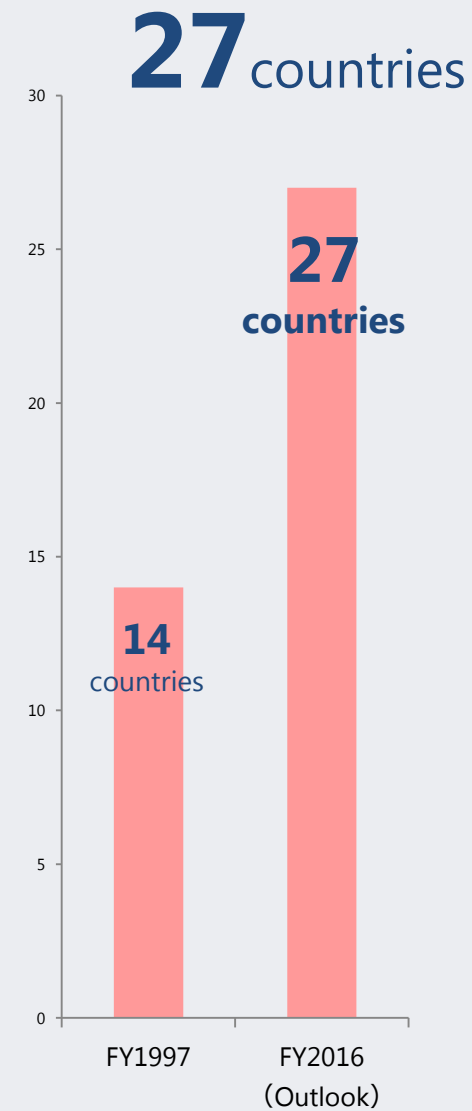
## Operating income



## Employees



## Overseas



## Opportunities

- ✓ Respond to climate change
- ✓ Role of entire supply chain
- ✓ Spread of ESG management

- ✓ Eight billion population
- ✓ Demand for infrastructure
- ✓ Large labor force and consumer market

- ✓ Diversity in working (incl. robots)
- ✓ QOL
- ✓ Safe and secure society

- ✓ IoT, big data, and AI
- ✓ Medical sophistication
- ✓ Open innovation

### Changes in Global Environment



### Rise of Emerging Countries



### Maturity of Developed Countries



### Technological Evolution



## Risks

- ✓ Climate change
- ✓ Frequent natural disasters
- ✓ Environmental regulations

- ✓ Shortages of resources, energy, food, and water
- ✓ Environmental issues

- ✓ Low labor force due to aging
- ✓ Low growth of GDP
- ✓ Obsolescence of infrastructure

- ✓ Responses to paradigm shift
- ✓ Rapid globalization
- ✓ Importance of intelligence

**Technology**  
over a  
**century**

**Polymer science**  
**Precision synthesis**  
**Manufacturing process**

**Various**  
**Products**  
**&**  
**Services**

**From raw materials**  
**to processed**  
**materials,**  
**parts, and services**

**Global**  
**Platform**  
**&**  
**Human**  
**Resources**

**Global network**  
**in 27 countries**  
(manufacturing and sales sites)

**Robust Customer Base**



Challenge Diversity One Team

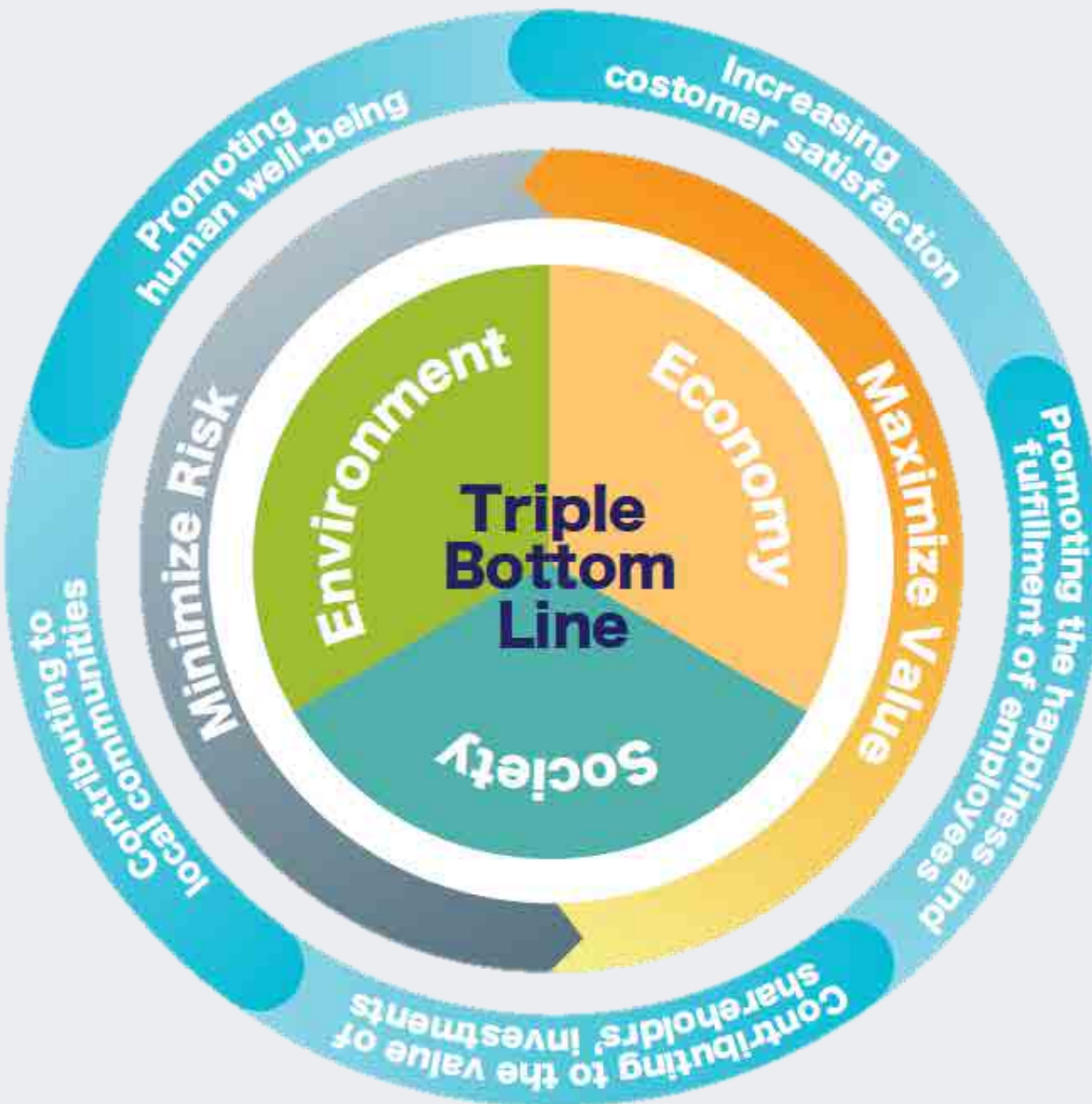
## Corporate Mission

Contribute broadly to society by providing high-quality products and services to customers through innovation and the creation of materials, while keeping in harmony with the global environment

## Corporate Target

Constantly pursuing innovation and growth to become a chemical group with an undisputed global presence

**The Mitsui Chemicals Group exists to broadly contribute to solving various social challenges through business activities**



Advance  
**Triple Bottom Line**  
management

**Multi-stakeholder-**  
based  
management

**Long-term**  
**Perspective**  
management

## Contribute to building a better future society in **five domains** including **Next Generation Business**

Mega Trends  
Social Challenges

X



### Targeted Business Domains



Mobility



Health Care



Food &  
Packaging



Next Generation

**Provide materials for  
the basis of society and industry**



Basic Materials

### Key Business Issues

Maximize **Value**

Minimize **Risk**

#### Economy

- ◆ Accelerate the reform of business portfolio  
→ Shift to customer-driven business model
- ◆ Increase cash generation capability

#### Environment

#### Society

- ◆ Maximize products and services that will contribute to targeted future society
- ◆ Ensure safety
- ◆ Use resources efficiently and reduce environmental burdens
- ◆ Promote environmental and social responsibilities in the entire supply chain

Targeted future society

**Cohesive society  
in harmony with  
the environment**

**Health and  
happiness in  
an aging society**

**Industrial  
platforms in  
harmony with  
local communities**

## Missions for 5 business domains

## Further elaborate and embody concepts

Targeted Business Domains



### Mobility

Provide solutions making full use of comprehensive strengths



### Health Care

Provide products & services contributing to Quality of Life through chemical innovations



### Food & Packaging

Provide solutions for world food problems and seizes new business opportunities



### Next Generation Business

Create solution & system businesses at the boundary or peripheral areas of 3 targeted business domains through open innovations



### Basic Materials

Provide materials for the basis of society and industry

# MCI 2025

## Basic Strategies

3 basic strategies to solve key business issues and provide value to society



**Pursue  
innovations**

- ✓ **Promote customer-driven innovations**
- ✓ **Strengthen capabilities to propose solutions thorough R&D and peripheral technologies & products**



**Accelerate  
global expansion**

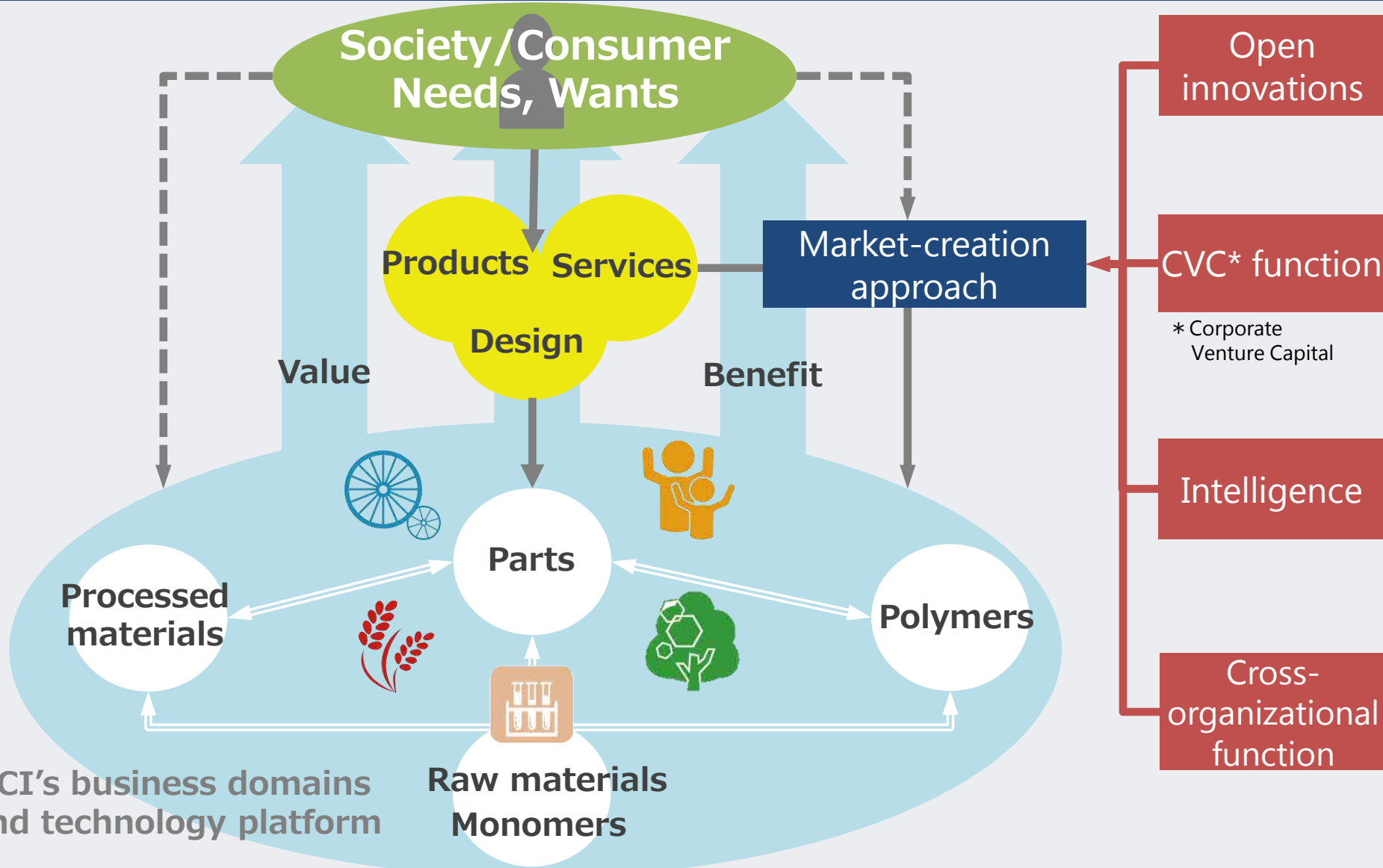
- ✓ **Increase overseas production and markets through expansion and alliances, aiming for the group-global growth**



**Strengthen  
competitiveness of  
existing businesses**

- ✓ **Establish next generation works by using IoT and AI**
- ✓ **Rationalize business including supply chains without exception**

To be a **solution provider** from a material supplier, strengthen **customer-driven innovations** with the existing development model



# 2025 LTBP Target

Operating income

**200** billion yen

Sales

**2,000** billion yen

ROS

**10%**

ROE

**10%** and over

Net D/E

**0.8** and less

**Stable dividends and further dividends increase**

- ◆ Maximize products and services to achieve low carbon, recycling-oriented, and cohesive society in harmony with environment
- ◆ Maximize products and services to achieve increased QOL and a smart society
- ◆ Pursue thorough safety, high quality, and fairness in the entire supply chain

**Active investment** of management resources to achieve an operating income of **200 billion yen**

## Growth Investment

**1 Trillion\***  
yen

✓ **94%** is for the targeted business domain

✓ About **3 times** larger than past ten years

✓ **Active investment that maintains financial discipline**

\*Excluding maintenance investments

\*Total amount for 10 years, between FY16-FY25

## Strategic Investment

**400 billion\***  
yen

\*Total amount for 10 years, between FY16-FY25

**R&D expenses**

(FY25 : 70 billion yen\*)

**2x**

\*In comparison to FY16



Creation of  
New Products

25 billion  
yen

Pursue innovations

New &  
Next Generation  
Business

25 billion\*  
yen

Strengthen  
Competitiveness  
of Existing Businesses

42 billion  
yen

Accelerate global expansion

Globalization  
Regional Expansion

20 billion  
yen

FY16 Outlook

88 billion  
yen

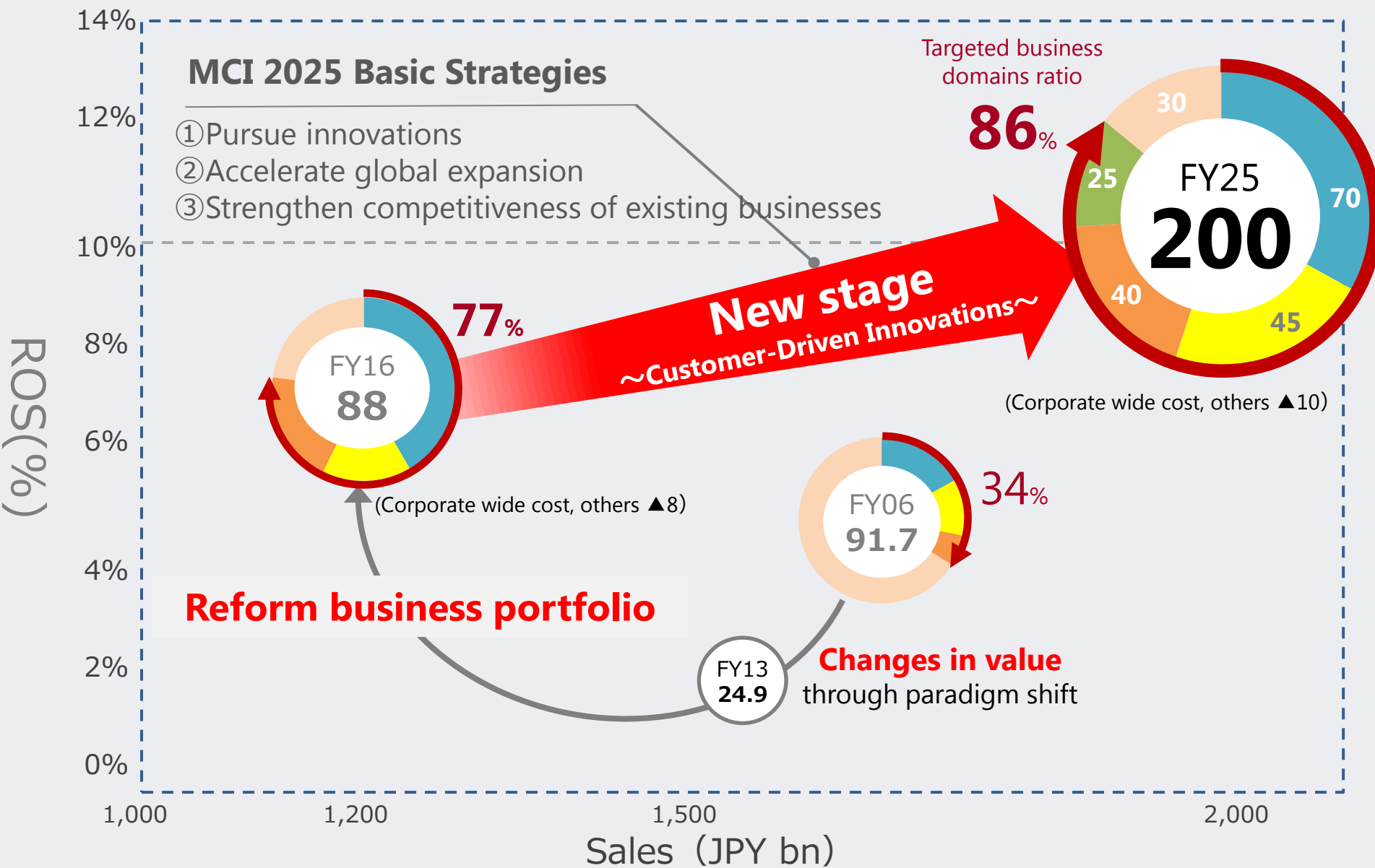
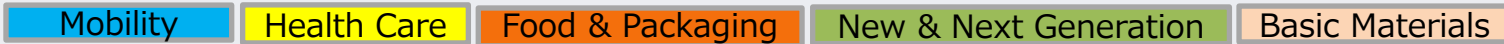
FY2025  
Operating income  
200 billion  
yen

Growth investment  
(FY16~25)  
1 trillion  
yen

R&D(FY25)  
70 billion  
yen

\* New business in three targeted business domains and Next Generation Business

(Operating income : :JPY bn)



# Mobility

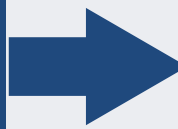
Provide solutions making full use of  
comprehensive strengths





FY16 Operating income

**40** billion yen



FY25 Target

**70** billion yen

+

**New business**

## Creation of New Products

- Expand product portfolio corresponding to mega trend
- Accelerate new product development
- Develop new production technologies



## Strengthen Existing Businesses

- Increase capacity in a timely manner corresponding to growing demand



## Strengthen Capabilities to Propose Solutions

- Cross-organizational marketing
- Offering collaborate opportunities with customers

## New Business\*

- Multi-material products, composites
- Build solution business model



Metal resin integral technology  
Solution business model like mold  
Battery materials  
New robot materials

## Globalization

- Increase capacity for local production for local consumption corresponding global customers

FY16  
**40** billion yen

\* New Mobility businesses are included in the calculation of new business and Next-Generation Business

# Health Care

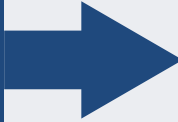
Provide products & services contributing to Quality of Life  
through chemical innovations





FY16 Operating income

**15** billion yen



FY25 Target

**45** billion yen



**New business**

## Creation of New Products

- Vision: Functional ophthalmic lens line-up
- Hygiene: New functional nonwovens
- Personal: New products for detergent and cosmetics
- Oral: 3D-printers and laser milling machines

NeoContrast™



## New Business\*

- Vision: Electronic glasses
- Personal: Surgical materials  
Physical mobility
- Oral: New domains of dental materials

## Strengthen Existing Businesses

- Vision: Sales activities in N.A, China and India
- Hygiene: High functional nonwovens
- Personal: Licensing business
- Oral: Periodontal disease treatment drugs  
IoT and network solution business  
Denture and OSA mouthpiece business in N.A.



## Globalization

- Hygiene: Specialized products
- Oral: Dental business in India, ASEAN, Middle East and Eastern-Europe  
Dentures and OSA mouthpieces in Europe and Asia



FY16

**15** billion yen

\* New Health Care businesses are included in the calculation of new business and Next Generation business.

# Food & Packaging

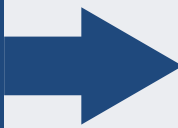
**Provide solutions for world food problems  
and seizes new business opportunities**





FY16 Operating income

**19** billion yen



FY25 Target

**40** billion yen

+

**New business**

## Creation of New Products

- New specialty isocyanates
- Five next-generation active ingredients and new compounds



## New Business\*

- New business areas of film & sheets
- New solution business contributing to maintain the quality of food

## Strengthen Existing Businesses

- Sales of high-profitability products
- Optimize domestic production of film & sheets
- Strengthen domestic sales of agrochemicals

## Globalization

- Adhesives and coatings for packaging
- Sealant film and foam sheet products
- Agrochemicals and PPM\*\* businesses



FY16

**19** billion yen

\*New F&P businesses are included in the calculation of new business and Next Generation business.  
\*\*PPM : Professional Pest Management



# Next Generation Business

Create solution & system businesses  
at the boundary or peripheral areas



Targeted domains  
**New business** + **Next Generation Business**

**FY25 Target**  
**25 Billion\***  
yen

## Energy Solution

**Power generation business  
(Tahara solar-wind)**  
**Diagnosis business of PV plant**

\* PV: photovoltaic

## Medical Solution

**Rapid diagnostic system for  
bacterial identification**

**Topics**

**Open innovation  
Intelligence  
CVC\*\***

## Agri-System Business

**Advanced cultivation system  
(iCAST)**

## IoT Solution

**Piezo-electric material for sensor**  
**Next generation display material**

# Basic Materials

**Provide materials for  
the basis of society and industry**





## Secure stable profit by providing distinctive technologies and high value-added products

### Petrochemicals

- Strengthen competitiveness of crackers
- Expand catalysts and license businesses

- Full sales, full run rate
- Procure low price raw materials stably
- Develop next generation catalysts

### Basic Chemicals

- Establish full sales, full run rate through local production for local consumption
- Expand business thorough collaboration with good partners

- Thorough rationalization
- Strengthen derivatives
- Expand niche applications of Industrial Chemicals

### Polyolefin

- Global deployment of Evolve™
- Secure stable profit in domestic market

- Prospect in Asia, create needs
- High functional grades  
Technological development
- Establish new base of Evolve™  
Study rationalization investment of PP

### Polyurethanes

- Global deployment of system products
- Synergy effects of MCNS\*

- Further strengthen competitiveness of TDI
- High value-added grades of PPG & system products
- New bases of system products

FY25

30

billion yen

\*MCNS : Mitsui Chemicals & SKC Polyurethanes

## Constantly pursuing innovation and growth to become a chemical group with an undisputed global presence

### Restructuring

Extensive  
business  
restructuring

### Restore

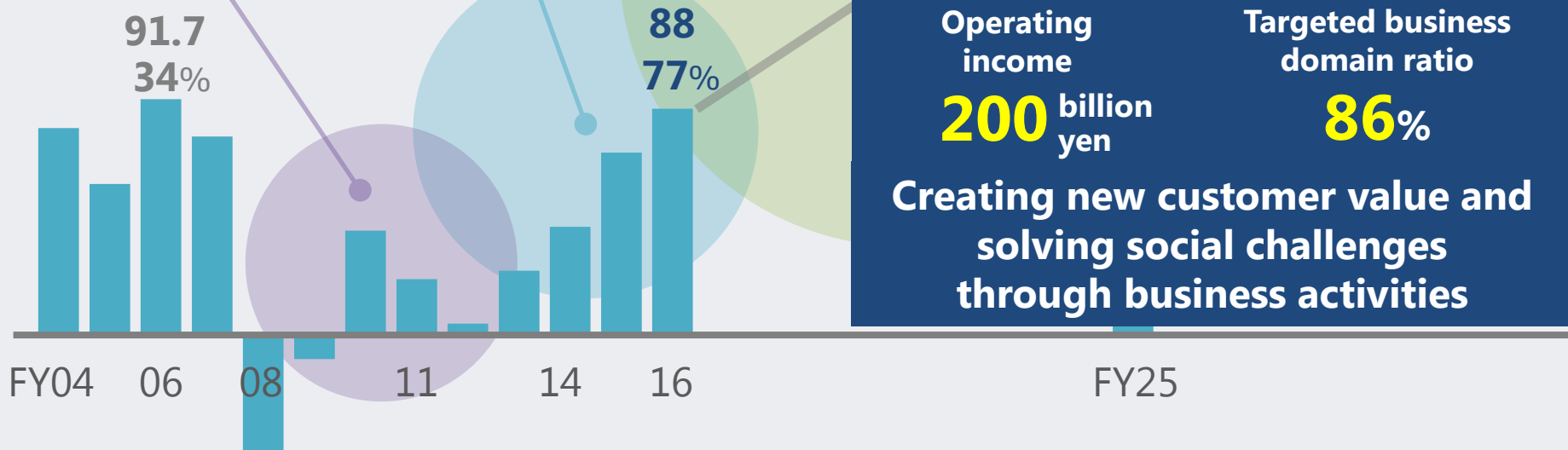
Transform  
business  
portfolio

### Growth

Shift to  
customer-driven  
business model

### Leap

Actualize  
corporate  
target



The background of the slide is a bright blue sky filled with soft, white, fluffy clouds. A large, solid blue arrow points from the left side of the image towards the right, starting from the top and bottom edges and meeting at a point on the right side. The text is centered within the blue area of the arrow.

**Creating new customer value and  
solving social challenges  
through business activities**

**Challenge Diversity One Team**



**Mitsui Chemicals**

Statements made in this document with respect to Mitsui Chemicals' current plans, estimates, strategies, and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Mitsui Chemicals.

Information provided here, other than historical facts, refer to future prospects and performance, and has been prepared by Mitsui Chemicals management on the basis of currently available information. This covers various risks, including, but not limited to, economic conditions (especially, customer demand), foreign currency exchange rates and other factors. As a result, actual future performance may differ from any forecasts contained in this document.

Mitsui Chemicals has no responsibility for any possible damages arising from the use of this information nor does Mitsui Chemicals have any obligation to update present forward-looking statements, or release new ones, as a result of new information, future events or otherwise.

This document may not include all the information Mitsui Chemicals has disclosed to stock exchanges or made public in other ways. Please be aware that the content on this document is subject to change or deletion without advance notice.

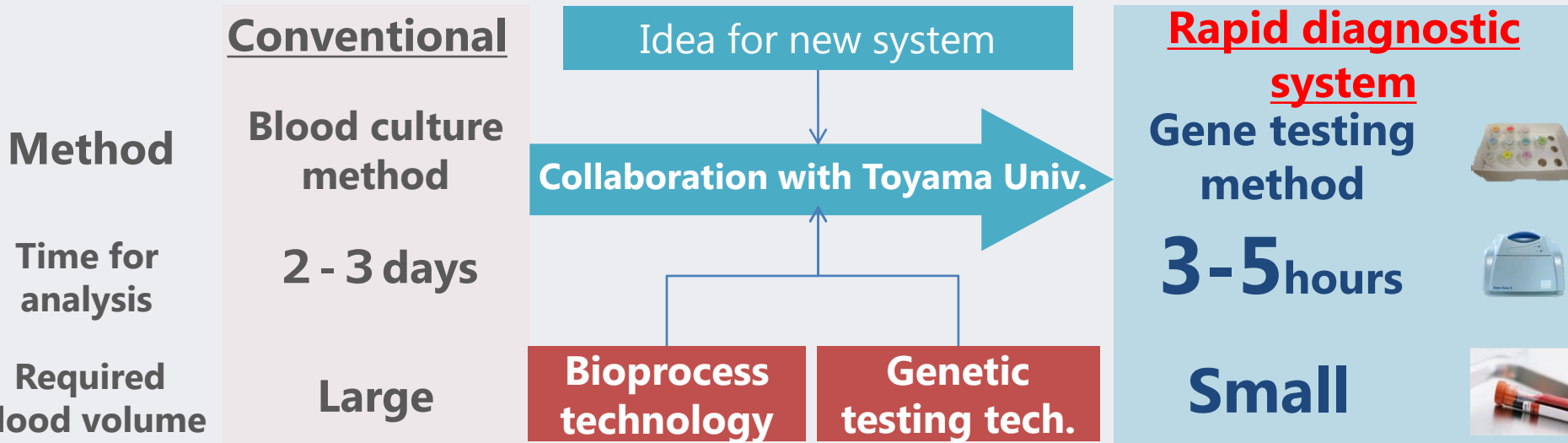
Although Mitsui Chemicals has made careful efforts regarding the accuracy of the contents here, Mitsui Chemicals assumes no responsibility for problems including, but not limited to, incorrect information, or malicious tampering with the content of the data in this document by any third parties or problems resulting from downloading. Furthermore, this website is not an offer or a solicitation of an offer to buy or sell securities. Please be aware that decisions regarding investing are the responsibility of users themselves.

## New diagnostic system identifying the sepsis-causing bacteria in hours

Reduce mortality rate of sepsis

Reduce Medical expenses

Control multiple-drug-resistant bacteria



- ✓ **Completed** the setup for testing kit and IT system for identification
- ✓ **Selected as a program** in Innovation Setup Scheme by AMED\*
- ✓ Plans to **start sales** as a research reagent kit in FY2016

\*AMED: Japan Agency for Medical Research and Development

✘ **Detailed information will be presented at JSCM\*\* conference at Nagasaki in January 2017**

\*\*JSCM: The Japanese Society for Clinical Microbiology