

# FY2017-1

# CEO Explanation

Creating New Customer Value through Innovations



淡輪 敏

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President & CEO

May 29, 2017

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- ▶ **Business Performance**
- ▶ **Summary of 2014 Mid-Term Business Plan**
- ▶ **FY17-FY19 Plan in 2025 Long-Term Business Plan**
- ▶ **Topics of Targeted Business Domains**
- ▶ **Management Target for Sustainable Growth**

# Achieved record high profit in FY2016

(JPY bn)

△ Denotes a minus

Items	FY2015	FY2016	FY2017	Increase (Decrease)	
	Results	Results	Outlook	FY15→FY16	FY16→FY17
Sales	1,344	1,212	1,300	△ 132	88
Operating income	70.9	102.1	98.0	31.2	△ 4.1
Non-operating income	△ 7.7	△ 4.9	△ 2.0	2.8	2.9
Ordinary income	63.2	97.2	96.0	34.0	△ 1.2
Extraordinary gains/losses	△ 21.9	△ 11.4	△ 7.0	10.5	4.4
Net income*	23.0	64.8	65.0	41.8	0.2
Exchange rate(JPY/US \$)	120	108	110	△ 12	2
Domestic Standard Naphtha price(JPY/KL)	42,800	34,700	42,000	△ 8,100	7,300

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

(JPY bn)

△ Denotes a minus

Segment	FY2015	FY2016	FY2017
	Results	Results	Outlook
Mobility	44.9	40.7	42.0
Health Care	11.6	10.1	13.0
Food & Packaging	20.3	20.6	20.5
Basic Materials	1.0	38.5	29.5
Others	△6.9	△7.8	△7.0
Total	70.9	102.1	98.0

Increase (Decrease)		Remarks
FY15→FY16	FY16→FY17	
△4.2	1.3	(+)Increase sales volume
△1.5	2.9	(+)Increase sales volume Vision, Dental, Nonwovens
0.3	△0.1	(+)Increase sales volume
37.5	△9.0	(-)Downturn in terms of trade (-)Large-scale periodic maintenance
△0.9	0.8	
31.2	△4.1	

- ✓ Sales growth continues in 3 targeted business domains
- ✓ Affected by downturn in terms of trade and large-scale periodic maintenance

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## Mission of 14MTBP and Initial Plan

**Implement  
Business  
Restructuring**

**Expand  
Targeted Business  
Domains**

**Restore  
Financial  
Soundness**

Operating income **60.0** billion yen

Net income **30.0** billion yen

New business and products sales **100.0** billion yen

ROA **4%**

ROE **8%**

Net D/E **1.2**

## FY16(Results)

**102.1** billion yen

**64.8** billion yen

**75.0** billion yen

**7.9%**

**15.6%**

**0.79**

## Implement business restructuring and **minimize the downward profit risk**

✓ Operating income from Basic Materials domain

△16.5 billion yen(FY13)→**38.5** billion yen(FY16)

△ Denotes a minus

	FY13-16 (Examples of restructuring strategy)	Scale
Petrochemicals Polyolefin	Implemented low run rate measures <b>Withdrawal from Keiyo Ethylene</b> Terminated <b>3 polyolefin plants</b>	<b>170</b> KTA <b>280</b> KTA
Phenols	Terminated <b>3 plants</b>	<b>410</b> KTA
PTA	<b>Withdrawal from PTA in Indonesia</b> - All of equity interest (45%) transferred	<b>500</b> KTA
Polyurethanes	<b>Established JV with SKC</b> (Mitsui Chemicals & SKC Polyurethanes) <b>Shut down Kashima Works</b> (Transferred organic acid business, terminated TDI plant) <b>Terminated MDI plant in Omuta</b>	<b>224</b> KTA

## **Continuous growth** by expansion of targeted business domains

✓ Growth investments **70** billion yen (FY14-16)

✓ Operating income from 3 targeted business domains\*

47 billion yen (FY13) → **71.4** billion yen (FY16)

\* Mobility, Health Care, and Food & Packaging domains

## Successful progress of the reform of business portfolio in the 14MTBP Achieved record high profit, excess initial plan

Operating  
income  
**4x**

OP from  
targeted  
business domains  
**1.5x**

Net D/E  
Improvement  
**0.65** Point

(FY13→FY16)

△ Denotes a minus

**102.1** billion  
yen

**Record high profit**

✓Implement restructuring  
✓Expansion of targeted  
business domains

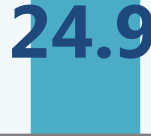
Restore  
financial  
soundness



FY11



FY12



FY13

▲25.1

42

35

FY14

70.9

47

FY15

60

64.8

FY16  
Results

11MTBP

14MTBP



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## FY17 Management Target

Operating Income

**98.0** billion yen

Sales

**1,300** billion yen

ROS

**7.5%**

ROE

Over **13%**

Net D/E

**0.73**

Dividends

**16** yen/share\*

\*FY2017 dividend plan is calculated based on the number of shares before the 5-to-1 share consolidation, which will be proposed at Mitsui Chemicals Inc.'s 20th Ordinary General Meeting of shareholders and conducted on October 1, 2017.

Mobility

Health Care

Food &amp; Packaging

Basic Materials, Others

(JPY bn)

Establish stable profit system  
(Reduce downward risk)

Ensure growth path

42.0

70.9

102.1

98

105

115

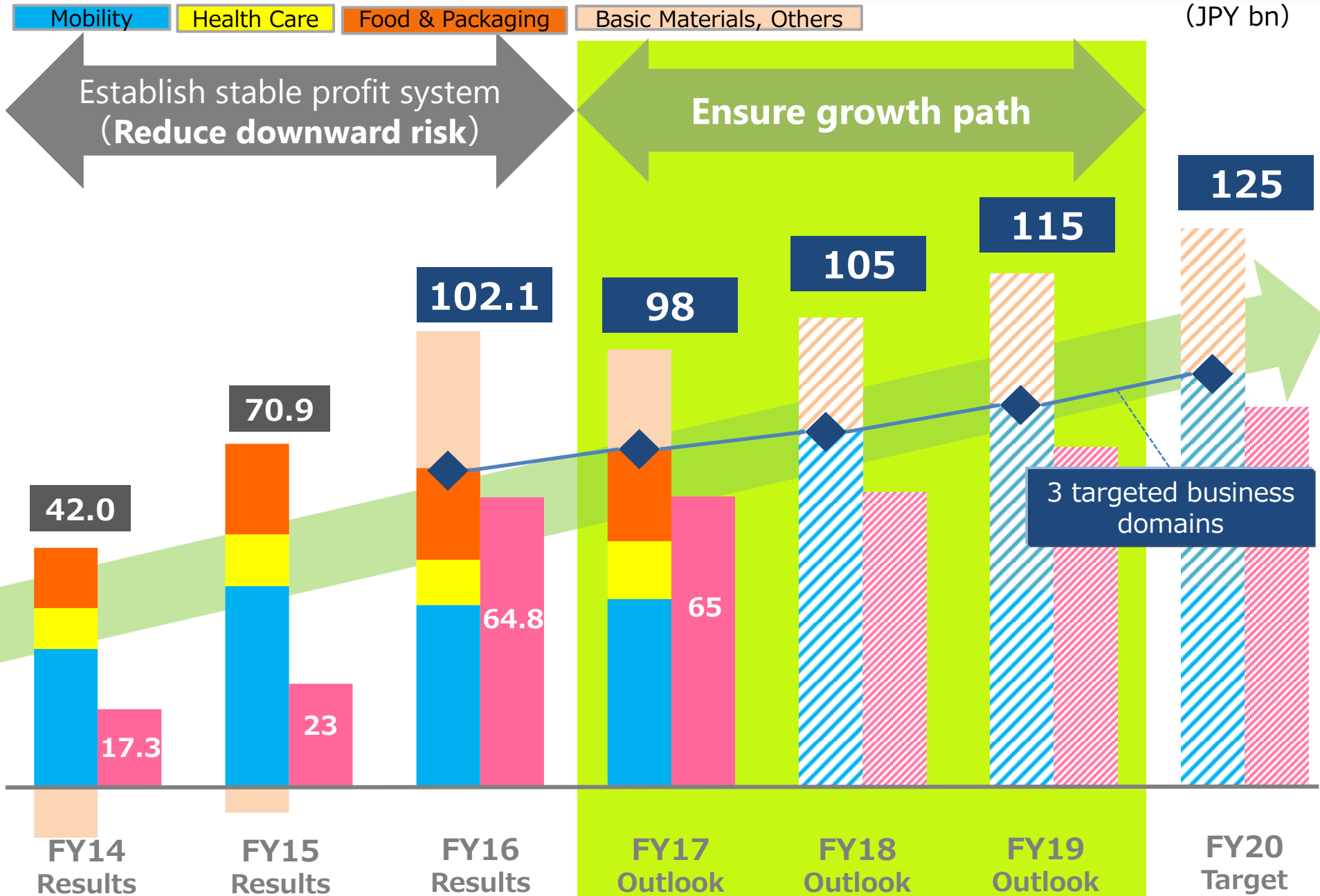
125

17.3

23

64.8

65

3 targeted business  
domainsFY14  
ResultsFY15  
ResultsFY16  
ResultsFY17  
OutlookFY18  
OutlookFY19  
OutlookFY20  
Target

## Enter active investment phase while maintaining financial discipline Further enhance corporate value

FY14-16

CF from operating

**304.6** billion yen

Investment

Maintenance investments  
55%

**Growth investments**  
45%

**158** billion yen

FY17-19

CF from operating

**300~350** billion yen

- ✓Expand CF from 3 targeted business domains
- ✓Secure stable CF from Basic Materials domain

Investment

Maintenance investments  
35%

**Growth investments**  
65%

**350** billion yen

(Incl. strategic investment)

- ✓Increase capacity depending on growing demand
- ✓Finalize big projects
- ✓Flexible M&A, alliances

**Restore financial soundness**

**Active investment phase**

## ① Expansion and growth in 3 targeted business domains

Expansion of investment theme

Business expansion including peripheral business area

Secure production capacity that meets demands

## ② Accelerate development of new next generation

**businesses and creation of new products**

## ③ Further strengthen competitiveness of Basic Materials

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## Mobility

Provide solutions making full use of comprehensive strengths

**01** 3 Targeted Business Domains



## Health Care

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

**02** 3 Targeted Business Domains



## Food & Packaging

Provide solutions for world food problems and seizes new business opportunities

**03** 3 Targeted Business Domains



## Next Generation Business

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

**04** Creation & Development



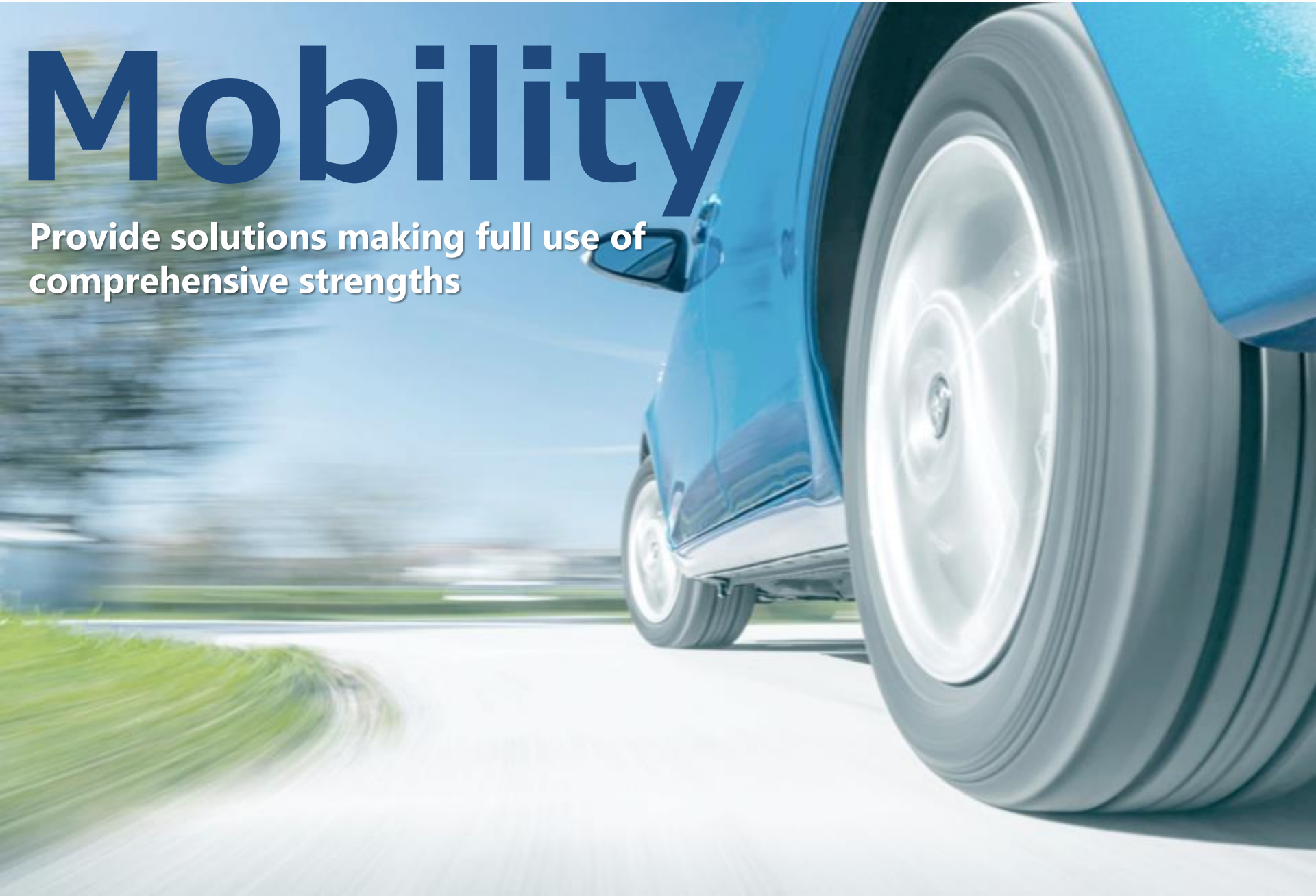
## Basic Materials

Provide materials for the basis of society and industry

**05** Strengthen Competitive-ness

# Mobility

Provide solutions making full use of  
comprehensive strengths





## Manufacturing and research bases that swiftly respond to light-weight needs

✓USA, Mexico, India : Expansion of production capacity (start operation in July 2017)

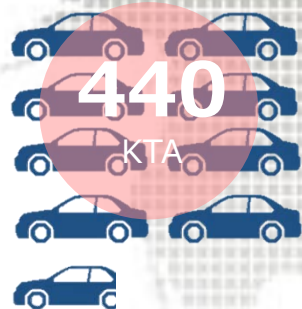
Other bases : Expansion capacity through de-bottlenecking (+10~30%)

✓Bright in sight to increase sales in Europe, considering new base (FY19, 30KTA)

✓Expansion of long glass fiber reinforced PP (Mostron L)

✓Adopted newly developed paint-less bumper materials and ultra-light instrument panel materials

### Americas



Ohio  
Tennessee

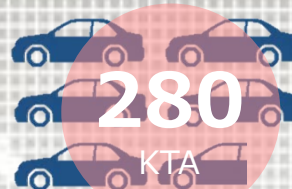
Mexico

### Europe



Europe

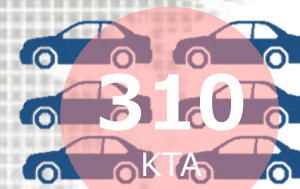
### Asia



China

India

### Japan



Japan

Thailand

Capacity  
(FY17)

1,050 KTA



Production Capacity of **1,150 KTA** in FY2020

 Manufacturing base

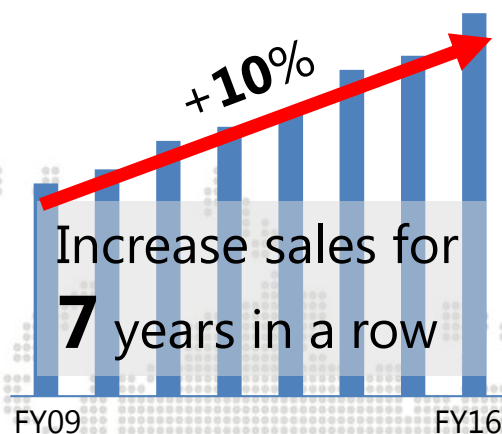
 R&D base

## Increase Capacity

✓Increase capacity in **Japan** (+**5**KTA, Oct. 2017)

Capacity

**45** KTA



Global market : 200~250KTA

## Globalization

**9 bases in 7 countries**

Germany

India  
2017

China  
2014,2015

Thailand  
2013,2015

Japan

USA  
2017

Mexico  
2015

## New Products

✓The lightest soft resin and luxurious appearance, which helps the expansion of its adaptation as interior materials for automobiles

✓Developed paint-less and good appearance grade, which has been adopted for air-bag covers



✓Developed oil-resistance grade for steering boots



✓Expanding vivid color and good texture grade for life innovation applications

Production capacity of **60KTA(+30%)** in FY2020

## POLYMETAC™

**Expansion of application  
for smartphones, tablets and  
PC frames**

## Mobility Development Center

- Strengthen capabilities to propose solutions
- Offer collaborate opportunities with customers

- ✓EU : Acceleration of multi-material development
- ✓Japan : Needs for commercialization improvement
- ✓USA : Needs for light-weight due to fuel consumption regulations

**Japan**

**USA**

## Electrolyte solution (LIB)

Japan(Nagoya)

**5 KTA**

(operation started in Apr. 2017)

China(Ningbo)

Enhanced capacity to **5 KTA**

(operation start in Nov. 2017)



**Mold production, maintenance, prototyping,  
trials, and exhibitions**

**Develop and promote themes that  
contribute to light-weight, competitive  
improvement of automobiles, and cost saving**

# Health Care

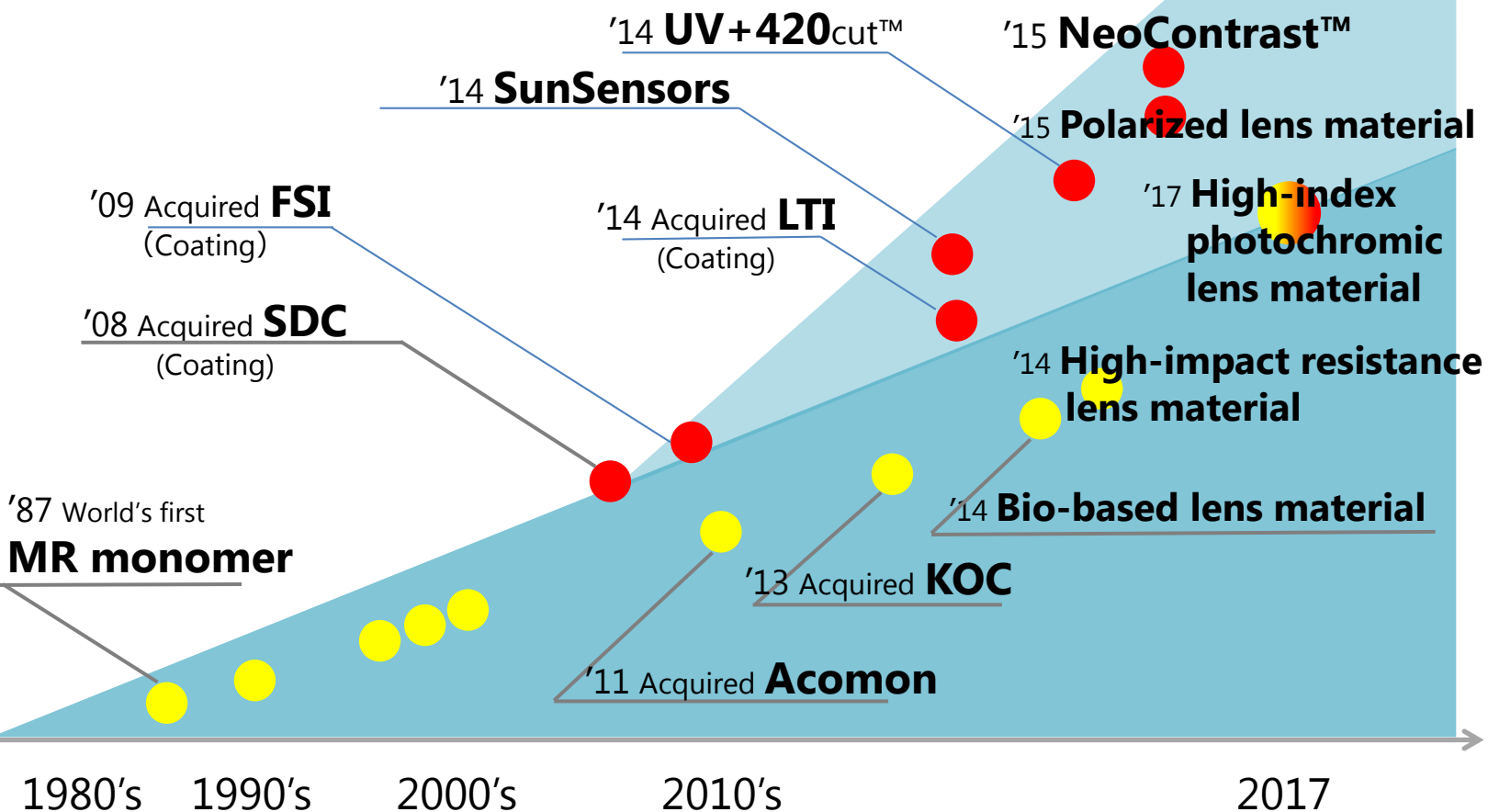
Provide products & services contributing to Quality of Life  
through chemical innovations



- Bolster peripheral businesses based on the concept of "Quality of View"
- Accelerate creation of new products by enhancement of evaluation technology for end products

Standardization

Globalization

Bolster  
peripheral areaPeripheral  
business  
areaLens  
monomersWorld's share  
**45%**

## Increase capacity

- ✓ Thailand / Breathable films (+4KTA, Feb, 2017: started operation )
- ✓ New base in Nagoya, Japan / Highly functional nonwovens (**15KTA**, Nov, 2017: completion)
- ✓ Yokkaichi, Japan / Good flexibility & elasticity nonwovens (**+6KTA**, Nov, 2017: completion)

## Globalization

China(Tianjin)

Nonwovens

**15**<sub>KTA</sub>

Japan

Nonwovens

**70**<sub>KTA</sub>

Thailand

Nonwovens

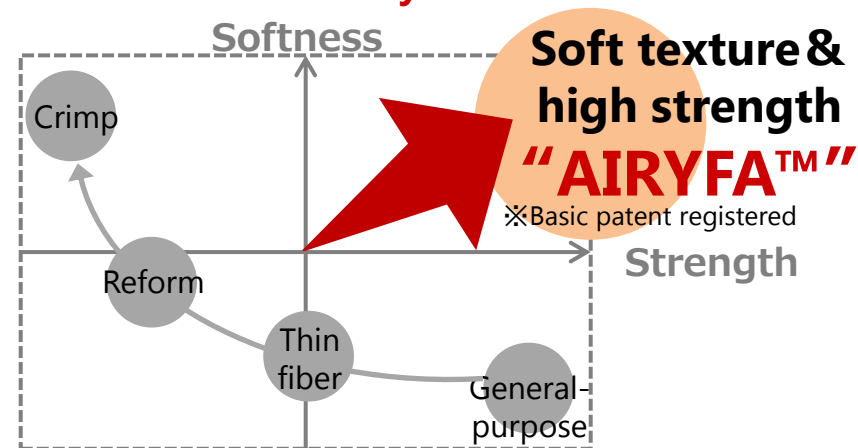
**30**<sub>KTA</sub> Breathable films

**11**<sub>KTA</sub>

Capacity of Nonwovens **115KTA**

## New Products

**Development of light-weight, high flexibility and high strength nonwovens (May 2017)**

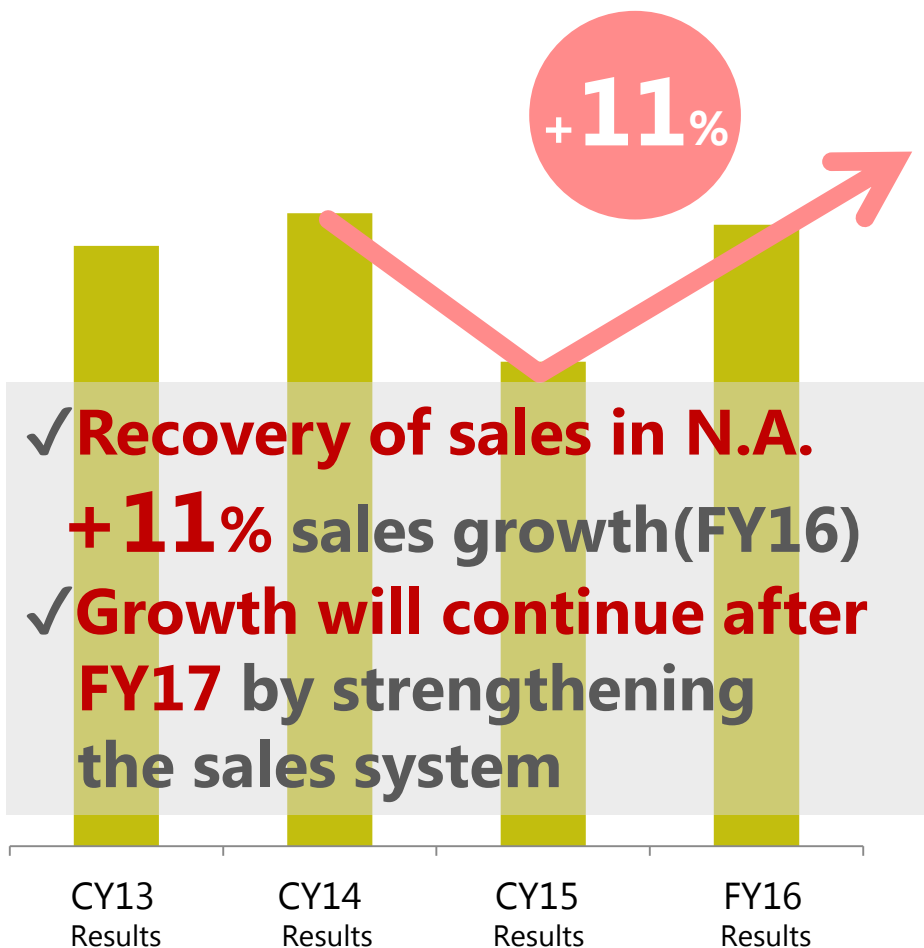


Realize **environmentally and skin friendly** disposable diapers


**KULZER**  
 MITSUI CHEMICALS GROUP

Remarked "**Kulzer**" as the dental material brand to accelerate strategy implementation

## Sales in North America



## Response to small digital market

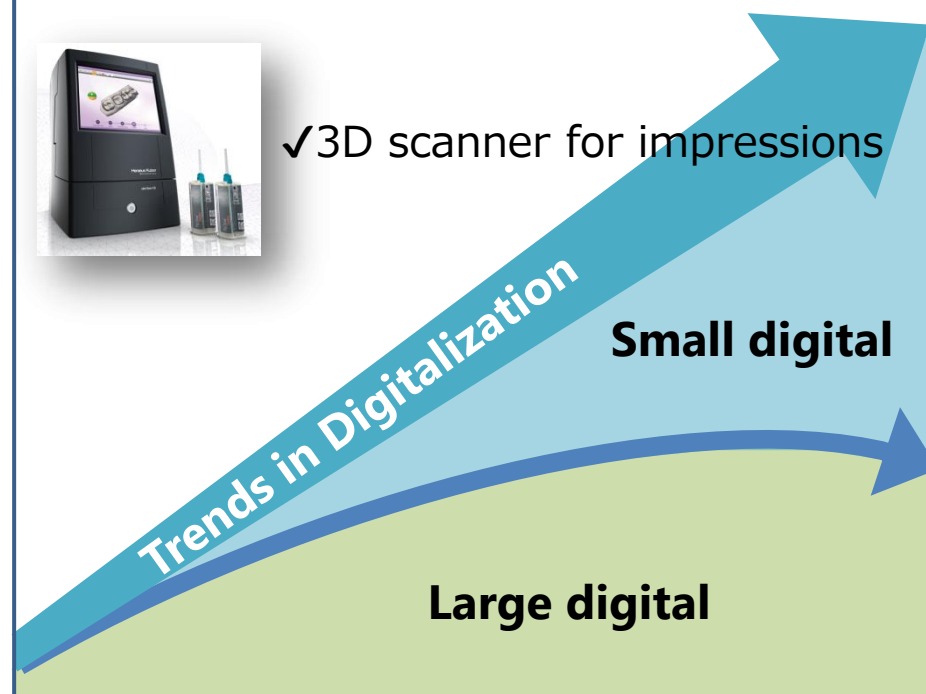


### ✓UV 3D printer

- Fastest in the industry with accuracy
- Developing specialized inks



### ✓3D scanner for impressions



# Food & Packaging

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

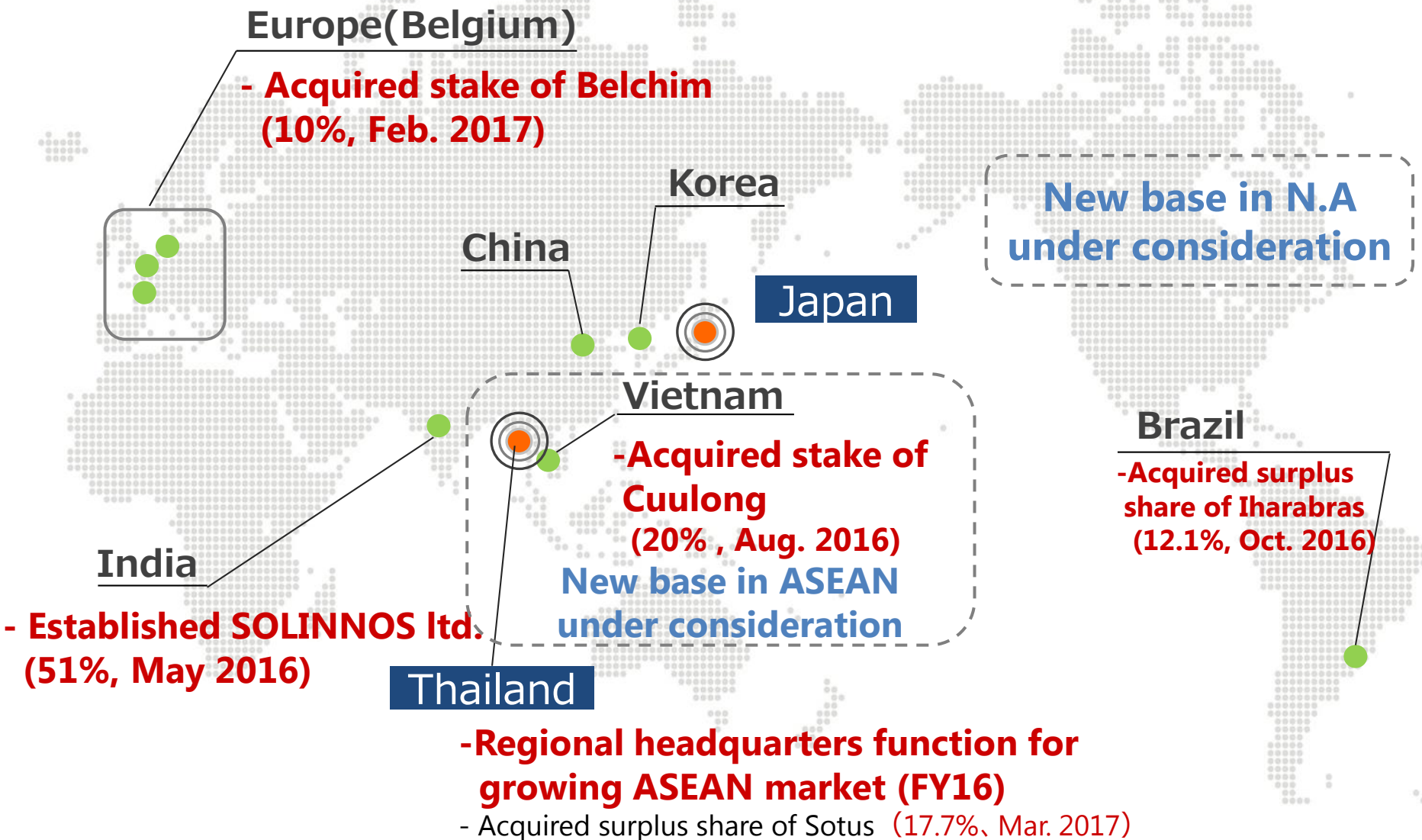






## Accelerate overseas expansion on the concepts of Safety, High Performance, and Environmental Friendly

~ To establish an efficient business operation system focusing on local uniqueness and commonalities ~





## Strengthen and expansion in the CASE\* field of coating materials

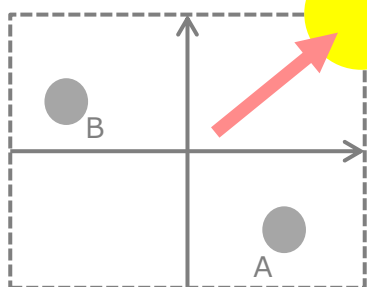
\*Coating, Adhesive, Sealant, Elastomer

### New Products

(Elastomer) Adopted for tennis strings



Elasticity



**FORTIMO**™

High durability  
Non yellowing

Ball speed increased by **4%**  
Durability increased by **21%**

Accelerate application expansion through **high elasticity and durability**

### Globalization

(Adhesive) for food packages

**Increase capacity  
in Malaysia**

~Core base for ASEAN and South Asia~

**35** KTA

(+75%)

(Operation start in Sep. 2017)

CSM : Cosmo Scientex Malaysia

✓ Expand the demand for flexible packaging for food and refills

**Strengthen position in  
growing ASEAN market**

# Packaging materials for solving social issues

## Resource Saving

### L-Smart™

High rigidity sealant film



vs. conventional product  
**20~30%** thinner

## Universal Design

### CMPS™

Easy-open film



Easy open for  
**anyone to use**

## Food Loss Reduction

### Pal Fresh™

New freshness-keeping film



**Also possible for packaging heavy weight goods**

\* Third Food Industry Mottainai Award and from the Minister of Agriculture, Forestry and Fisheries received in 2016

# Next Generation Business

Create solution & system businesses  
at the boundary or peripheral areas

## Energy Solution

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

Topics

\* PV: photovoltaic

## Medical Solution

Rapid diagnostic system for  
bacterial identification

Open innovation  
Intelligence  
CVC

## Agri-System Business

Advanced cultivation system  
(iCAST)

## IoT Solution

Piezo-electric material for sensor  
Next generation display material

## Mega solar market(Japan)



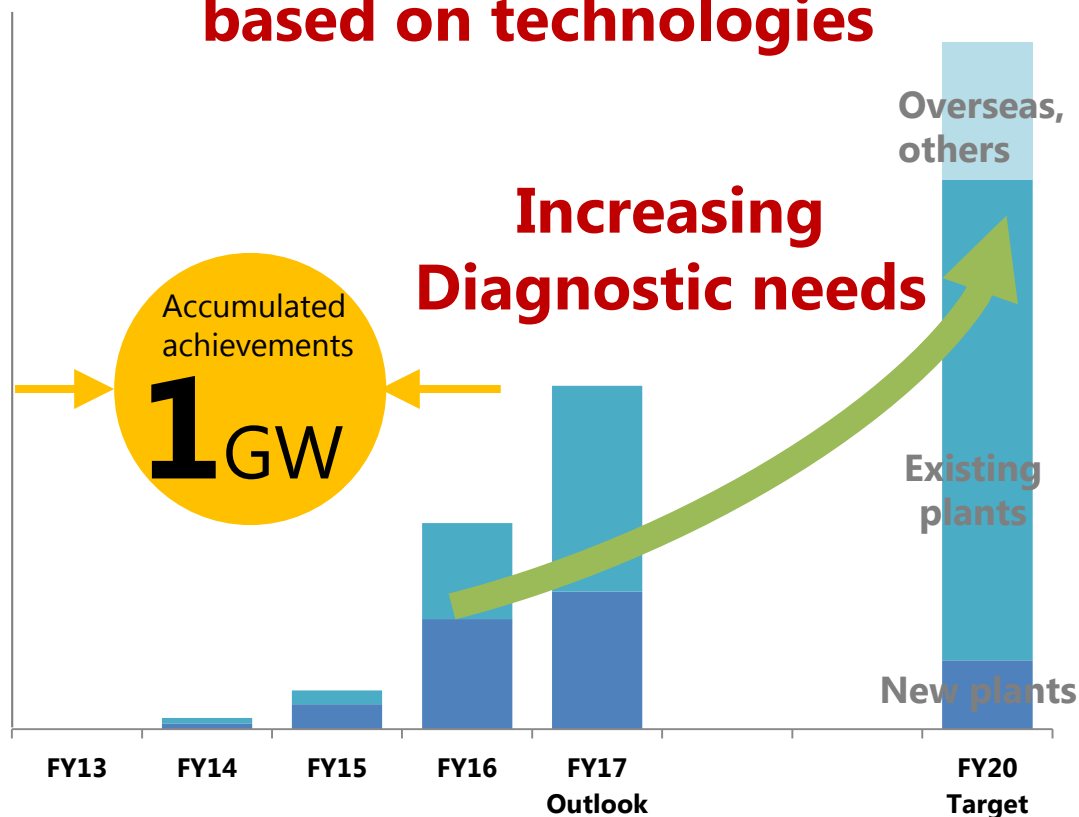
## Global infrastructure fund



- ✓ Expanding scale by stable yield
- ✓ Japanese infrastructure fund market opened in 2015
- ✓ Expecting expansion in Asia

## Diagnosis business achievements

**High diagnostic accuracy  
based on technologies**



- ✓ Increasing requests for due diligence towards securitization and listing
- ✓ Overseas expansion is in progress

# Basic Materials

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



## Globalization

### PE Evolve Singapore

Operation started (300KTA, Aug. 2016)  
 Aiming for full operation in FY2020



Total capacity **550KTA**

## Strengthen Competitiveness

### PP Build & Scrap (B&S)

- ✓ Establish stable supply system
- ✓ Quality improvement of Polypropylene
- ✓ Cost reduction

**200KTA** scale  
 in FY2021 or later

## New Products

- ✓ Accelerate development of “**Evolve-E**”, which has both easy-processing and strength function
- ✓ Developing new grade for PP compounds

Differentiated polyolefin grades : **80% or more**



## Newly establish Advanced Production Technology Promotion Division (Apr. 2017)

Aiming to establish next-generation factories to harmonize man and machine

✓Operation assist using  
**tablets & augmented reality**



✓Quality prediction utilizing **AI**  
(with NTT Communications)

✓Facility error detection  
utilizing **big data analysis**

High  
efficiency  
operation

Phase1

Data collection

Phase2

Visualization

Phase3

Prediction

Phase4

Optimization

Safe and  
stable  
operation

✓Database storage of  
uncollected information  
using **wireless sensors**

✓Strengthen surveillance  
using **high-function camera**  
(with Konica Minolta)

✓Quality stabilization utilizing  
**soft sensors** (with Tokyo Univ.)

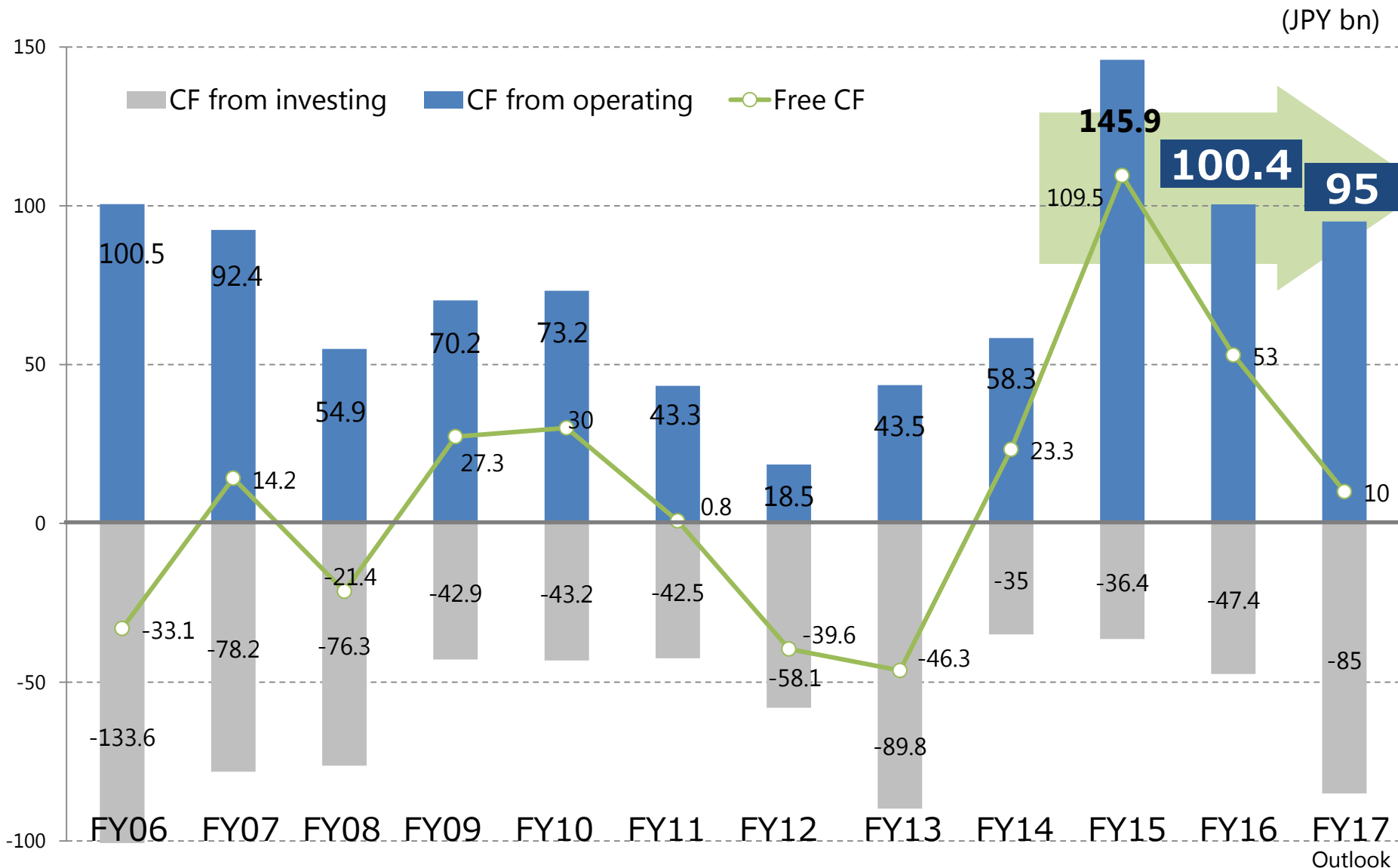


Quality  
stabilization

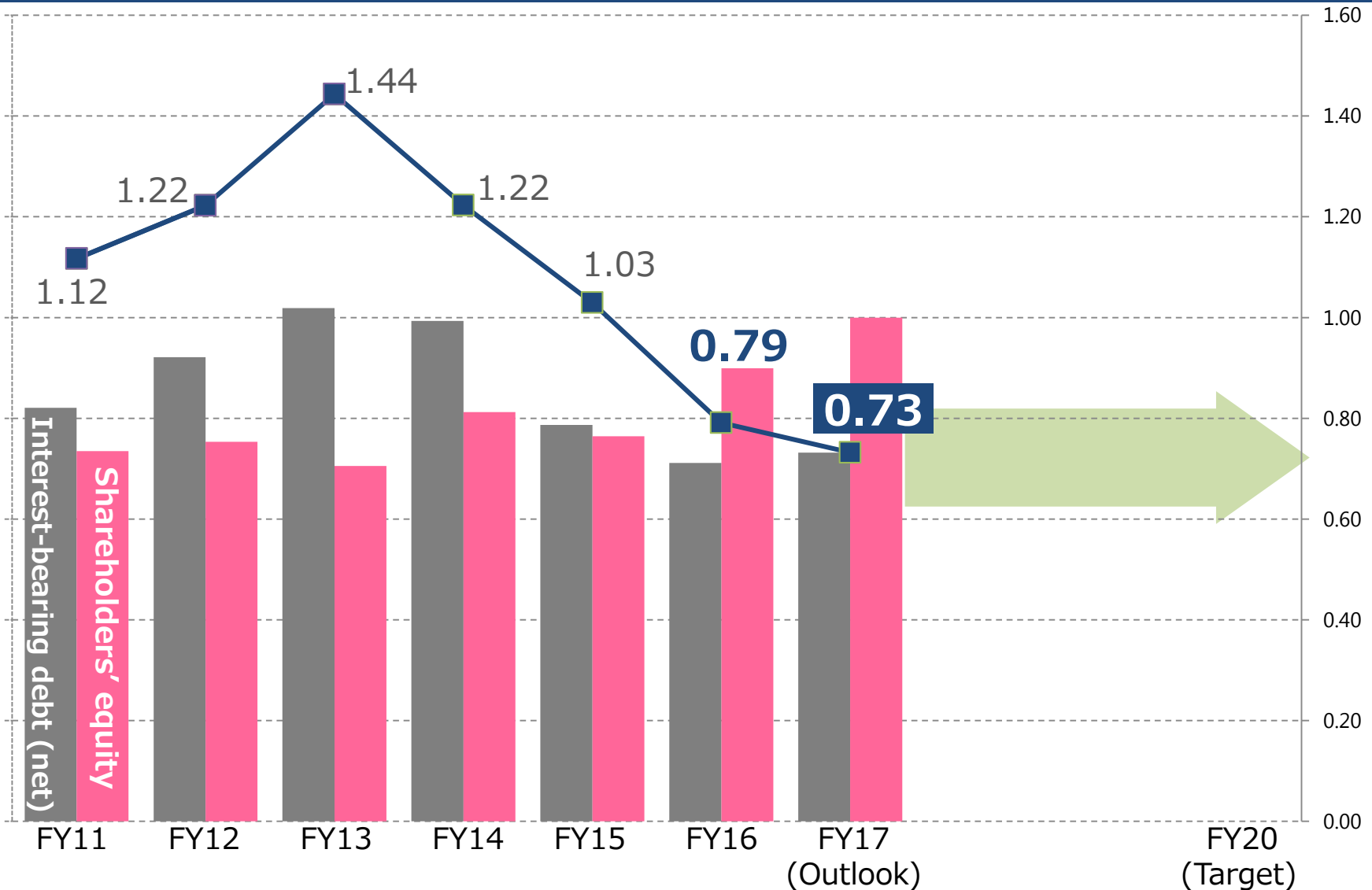
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# Continue high level of operating cash flow



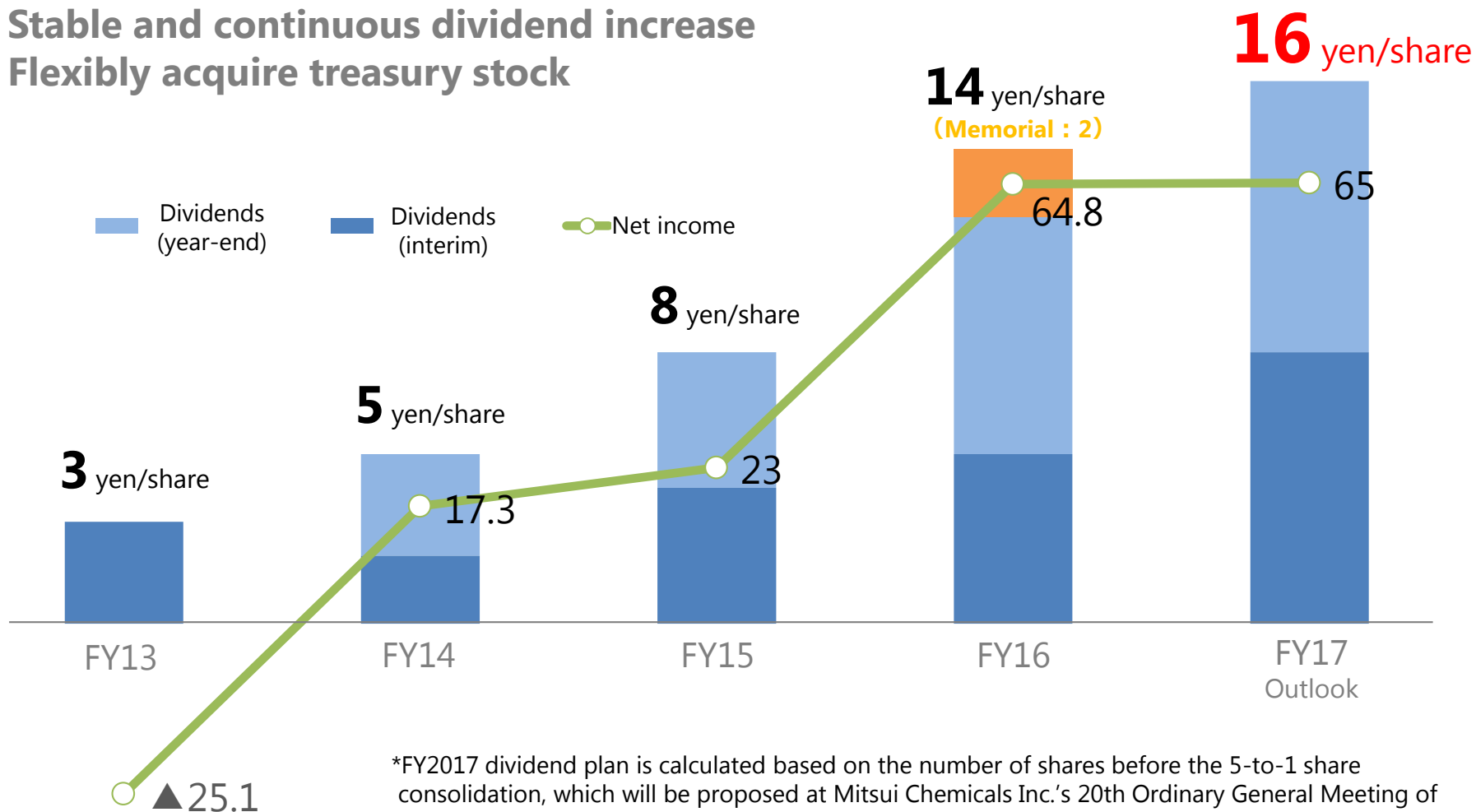
- ✓ Dramatic improvement in excess of the 2014MTBP target of 1.0
- ✓ **Enter to the investment phase**, aiming for further enhancement of corporate value



## Introduce total return ratio target, aiming for further increasing returns to shareholders

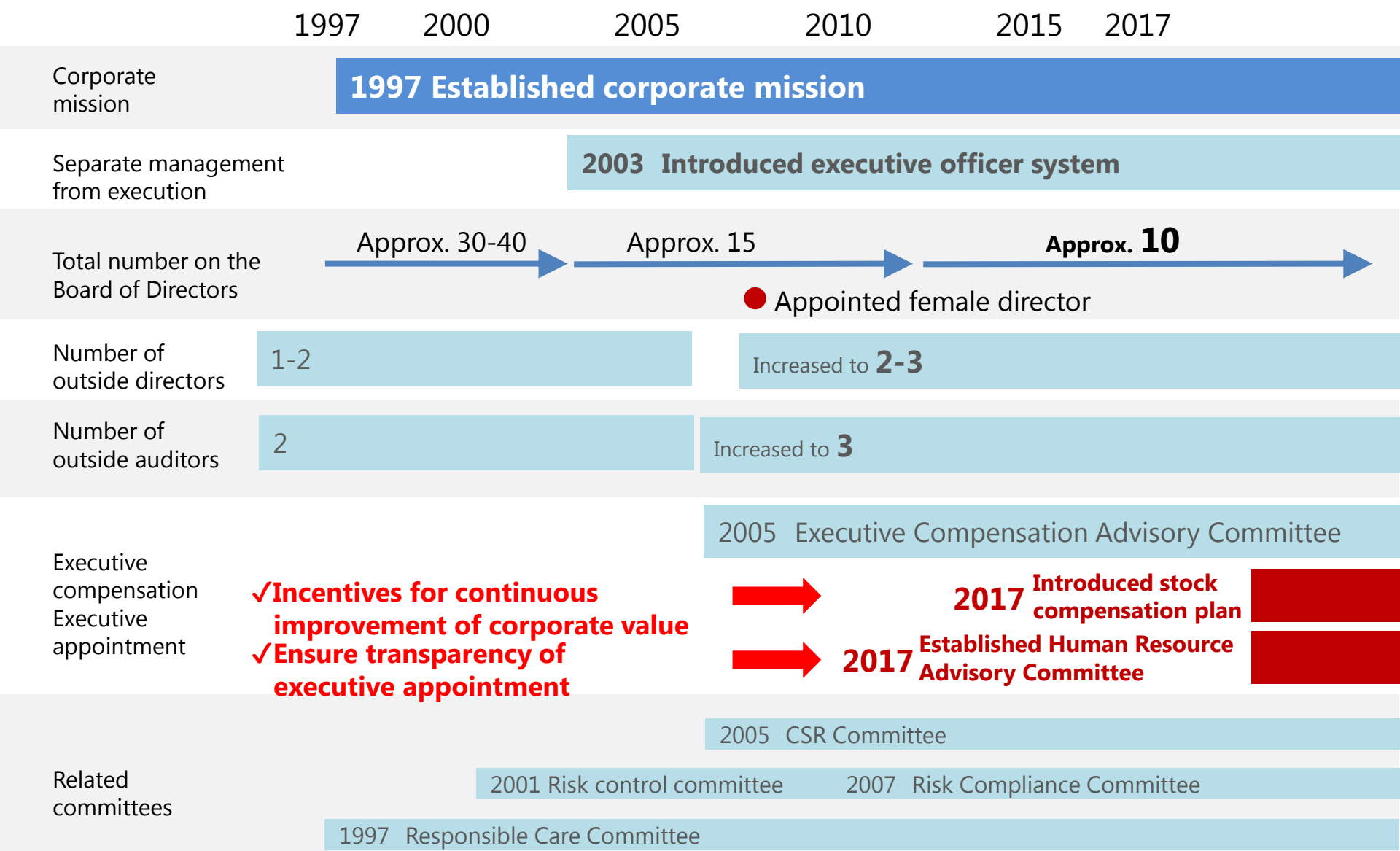
- ✓ Aim to gradually achieve a total return ratio of **30% or more**
- ✓ Stable and continuous dividend increase
- ✓ Flexibly acquire treasury stock

▲ Denotes a minus



\*FY2017 dividend plan is calculated based on the number of shares before the 5-to-1 share consolidation, which will be proposed at Mitsui Chemicals Inc.'s 20th Ordinary General Meeting of shareholders and conducted on October 1, 2017.

# Continue reform for more viable corporate governance



## Set **environmental and social targets** for the Long-Term Business Plan



Maximize products and services to achieve a low carbon, recycling-oriented and cohesive society in harmony with the environment

Reduce  
**CO<sub>2</sub>**

Protect  
resources

Harmony  
with  
nature

Visualization of provided values



Maximize products and services to increase QOL, and to achieve a smart society

Low birth  
rate and  
longevity

Sophistication  
of medicine  
and medical  
care

Food  
problem

Visualization of provided values

### Environmental Index "Blue Value™"

Certify products and services that enhance environmental value throughout the life cycle

LCA\*

Original  
assessment  
criteria  
"m-SI"

Assessment  
by  
application

\*Life Cycle Assessment

### QOL Index

### "Rose Value™"

Certify products and services that improve everyone's QOL

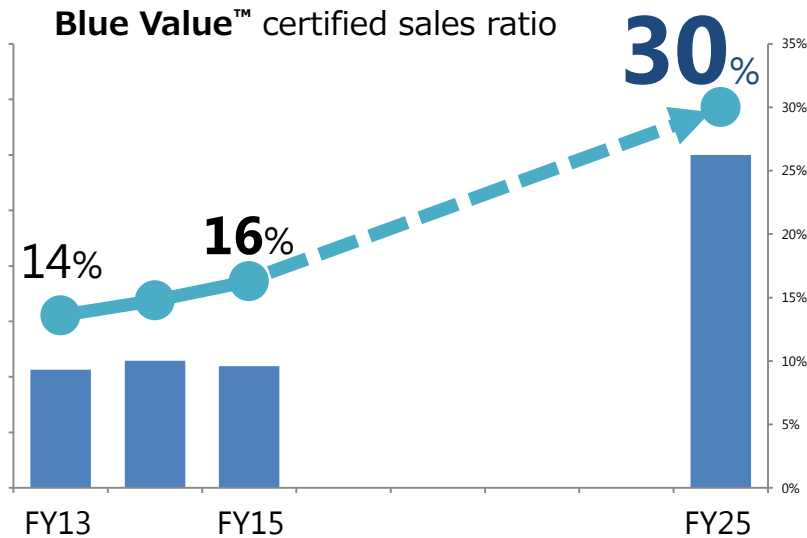
SDGs

Original  
assessment  
criteria

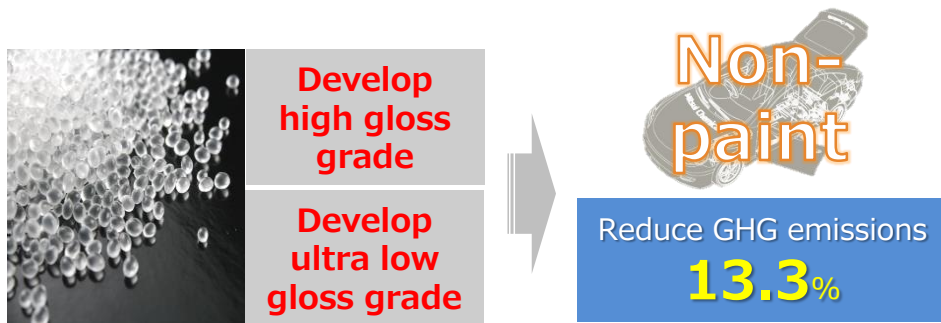
Assessment  
by  
application

Share contributing values with stakeholders aiming to realize the future society

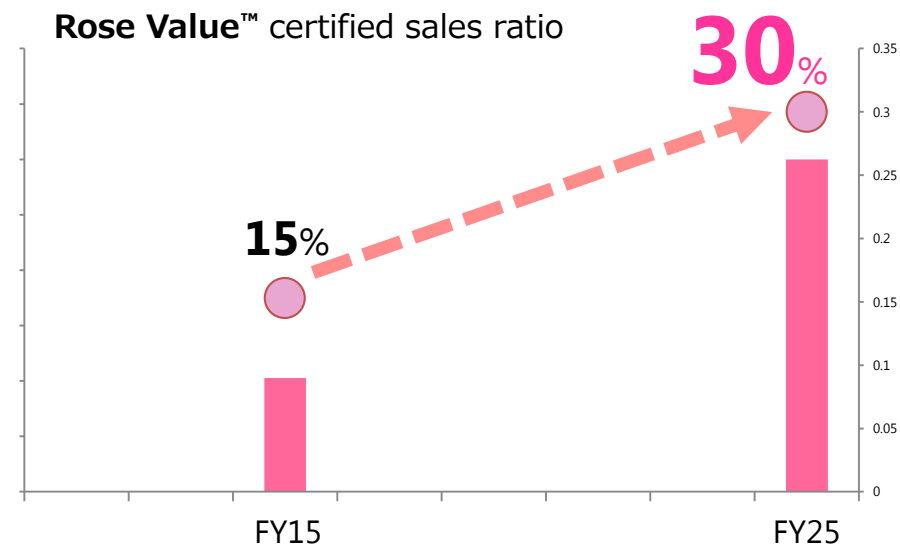
# Blue Value™ Target



Example: Reduce GHG emissions (PP Compounds)



# Rose Value™ Target



Example: **Quality of View** (Vision Care )

**Expand solutions from correction for visual acuity to health and comfort**



Global standard of ophthalmic lens monomers



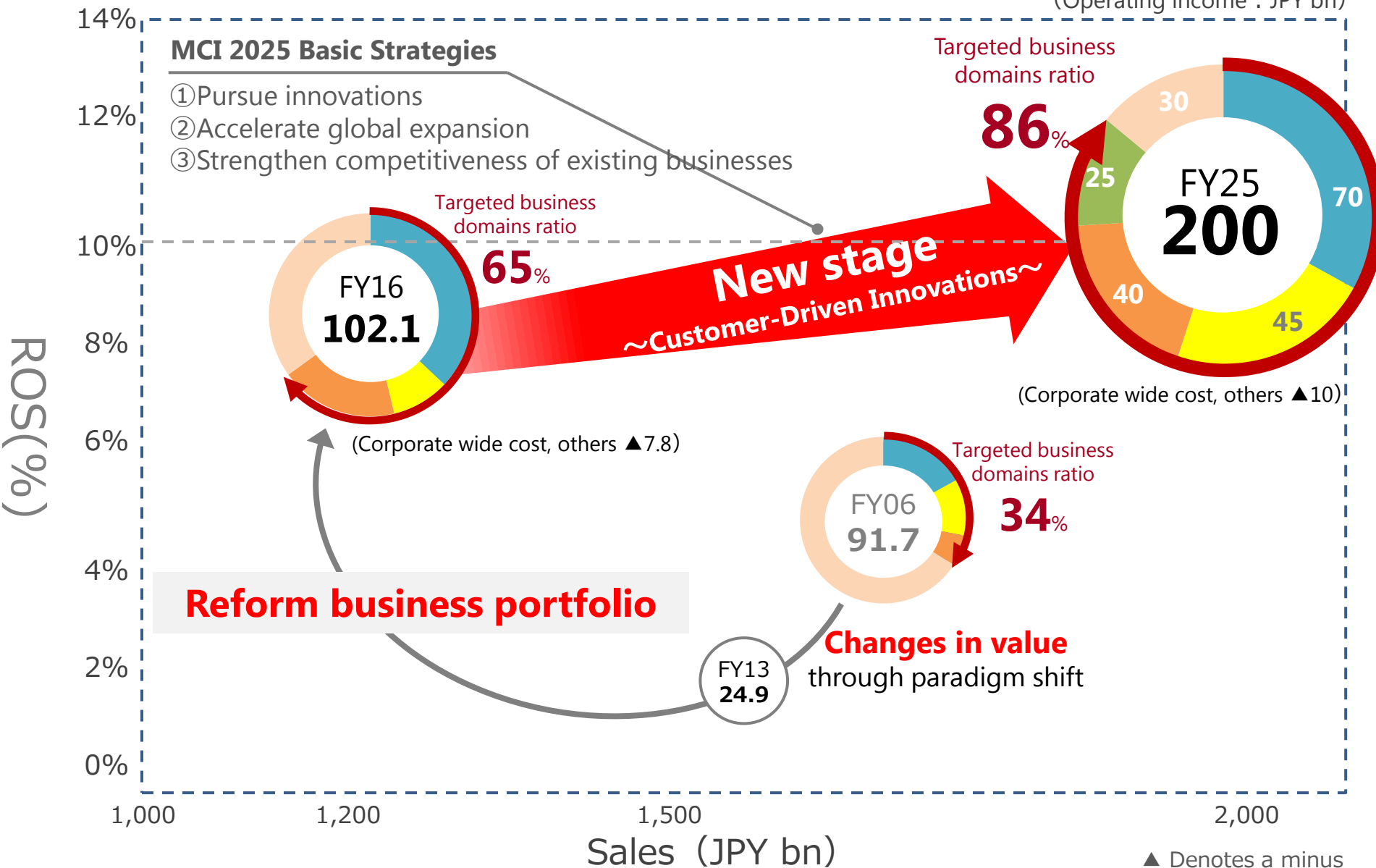
Cut specific wavelengths that can cause cataract and age-related macular degeneration

**Contribute to solving social challenges in line with business growth through increasing certified sales ratio**

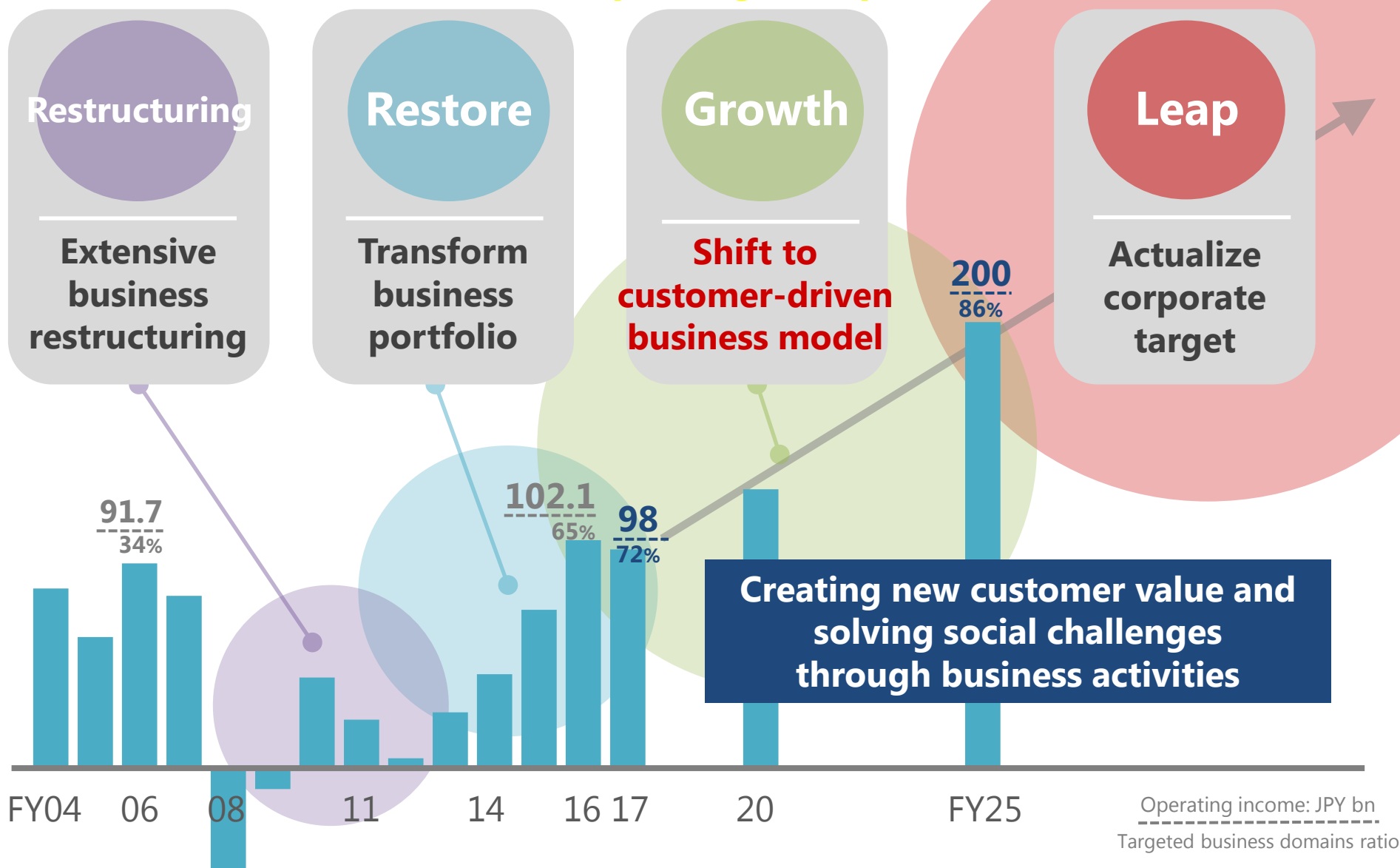




(Operating income : JPY bn)



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



The background of the slide is a vibrant blue sky filled with soft, white, fluffy clouds. A large, solid blue arrow points from the left side of the frame towards the right, partially overlapping the sky and clouds. 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**



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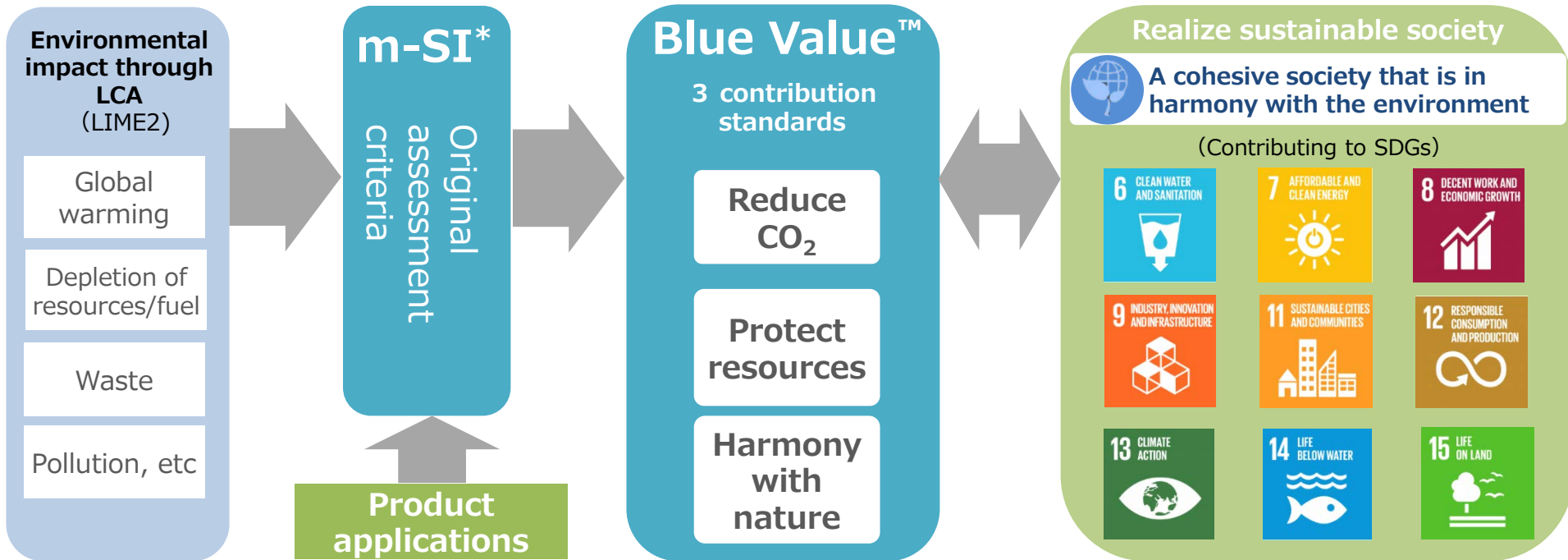
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- ✓ Visualize contributions to the environment and society through business activities
- ✓ Evaluate the contribution by product applications through life cycle
- ✓ Share information with stakeholders on development and launch of products and services with significant contribution
- ✓ Develop “Blue & Rose Value Chain” to realize a targeted future society

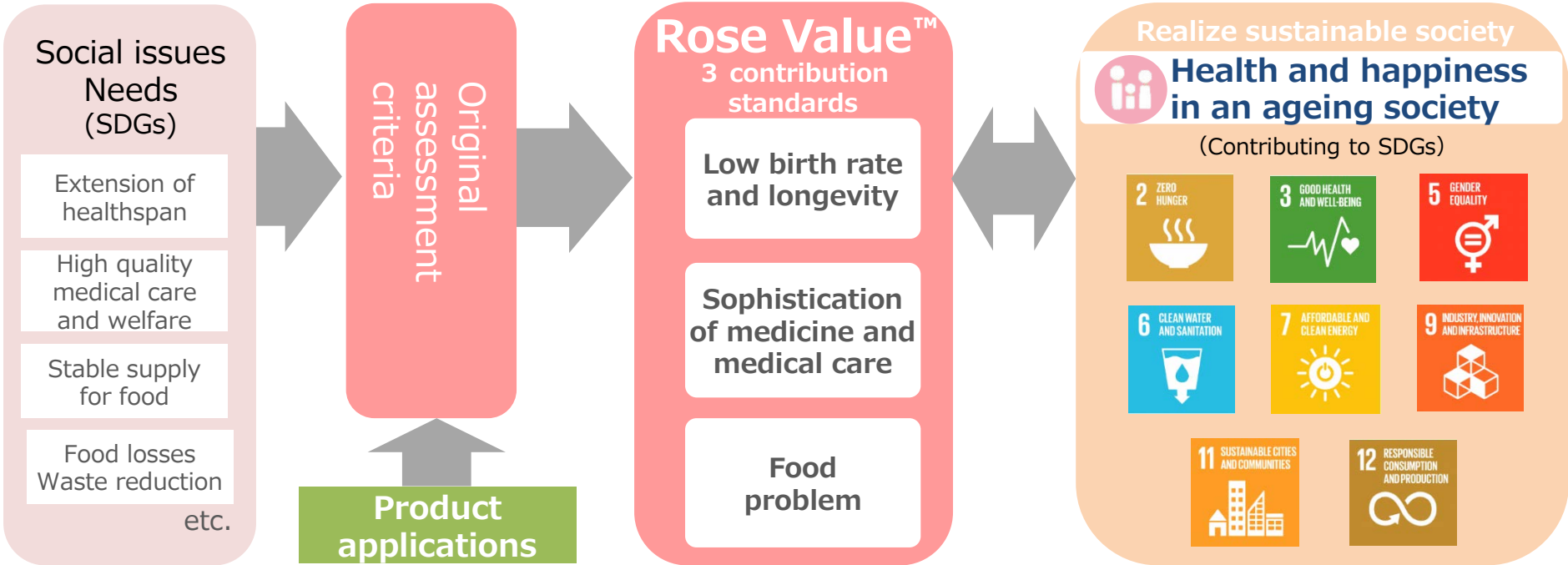


## Environmental Index “Blue Value™”



\* m-SI : Mitsui Sustainability Index established in 2013

**QOL Index “Rose Value™”**



3 contribution standards	Description
<b>01</b> Low birth rate and longevity	Realize a society where everyone from children to elderly can live with QOL
<b>02</b> Sophistication of medicine and medical care	Realize a society where everyone can live with healthy and comfortable by improving medical quality, reducing loads on human body, and supplement nutrition
<b>03</b> Solution to Food problems	Improve the quality of dietary life by improving food productivity and reducing food losses and waste so that everyone can obtain sufficient nourishment