

May20
2015

FY2014-**15**-16

CEO Explanation

Creating New Customer Value through Innovation



Mitsui Chemicals

淡輪 敏

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President & CEO

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- Business Performance
- Progress of Mid-Term Business Plan
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**Mitsui Chemicals, Inc.
CEO Explanation**

Creating New Customer Value through Innovation

Business Performance

FY2014 Financial Results and FY2015 Outlook

FY2014 Financial Results & FY2015 Outlook

(Billion yen)

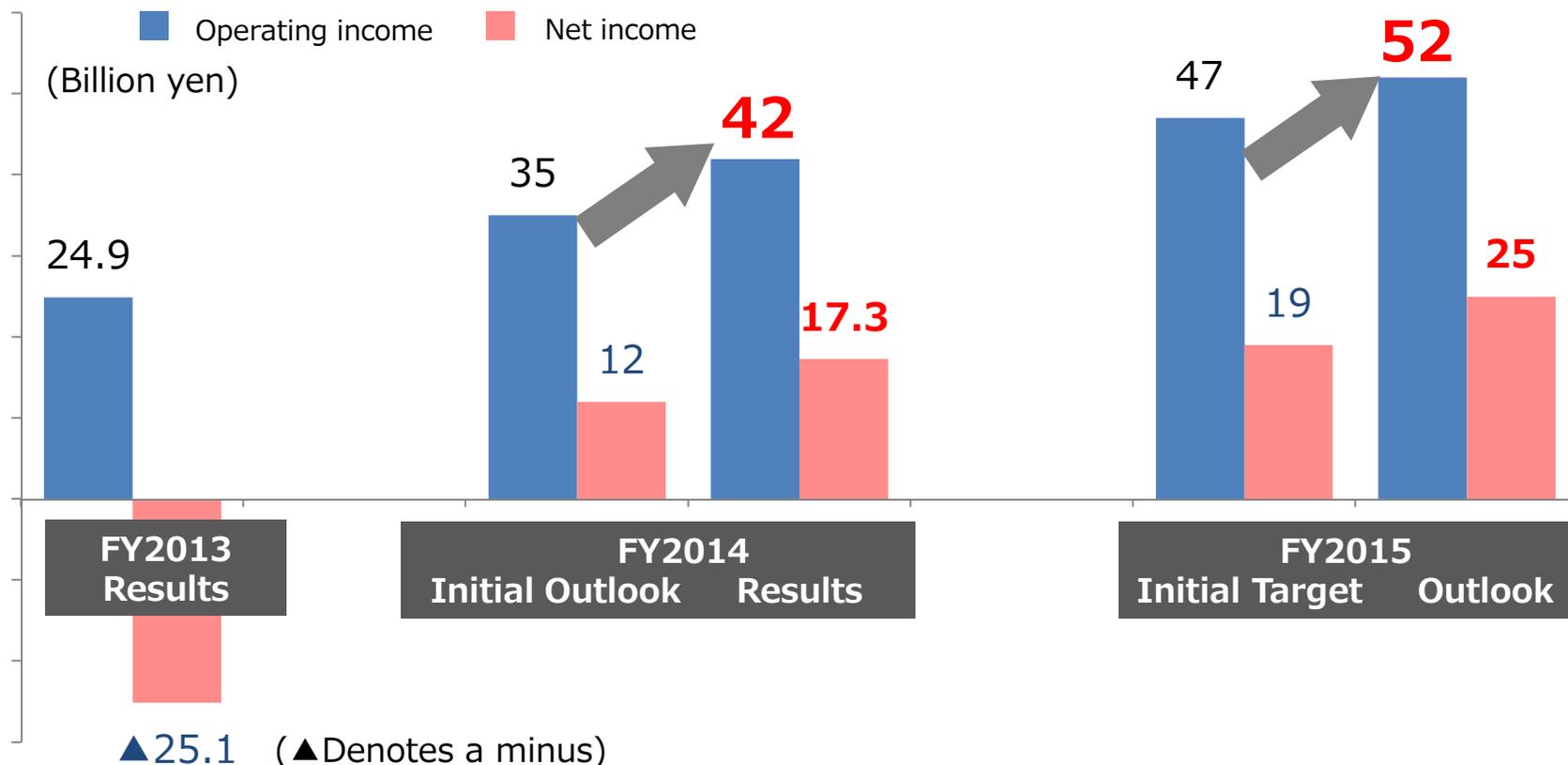
△ Deotes a minus

Items	FY2013	FY2014	FY2015	Increase (Decrease)	
	Results	Results	Outlook	FY13→FY14	FY14→FY15
Sales	1,566	1,550	1,410	△ 15.9	△ 140.1
Operating income	24.9	42.0	52.0	17.1	10.0
Non-operating income	△ 2.4	2.4	△ 5.0	4.8	△ 7.4
Ordinary income	22.5	44.4	47.0	21.9	2.6
Special gains/losses	△ 33.0	△ 8.6	△ 5.0	24.4	3.6
Net income	△ 25.1	17.3	25.0	42.4	7.7
Exchange Rate(Yen/US \$)	100	110	120	10	10
Domestic Standard Naphtha Price(Yen/KL)	67,300	63,500	50,000	△ 3,800	△ 13,500

Changes in Initial Management Outlook

(Billion yen)

Item	FY2013	FY2014		FY2015	
		Initial Outlook	Results	Initial Target	Outlook
Sales	1,566	1,680	1,550	1,710	1,410
Operating income	24.9	35.0	42.0	47.0	52.0
Net income	△ 25.1	12.0	17.3	19.0	25.0



Operating Income (After Segment Adjustment)

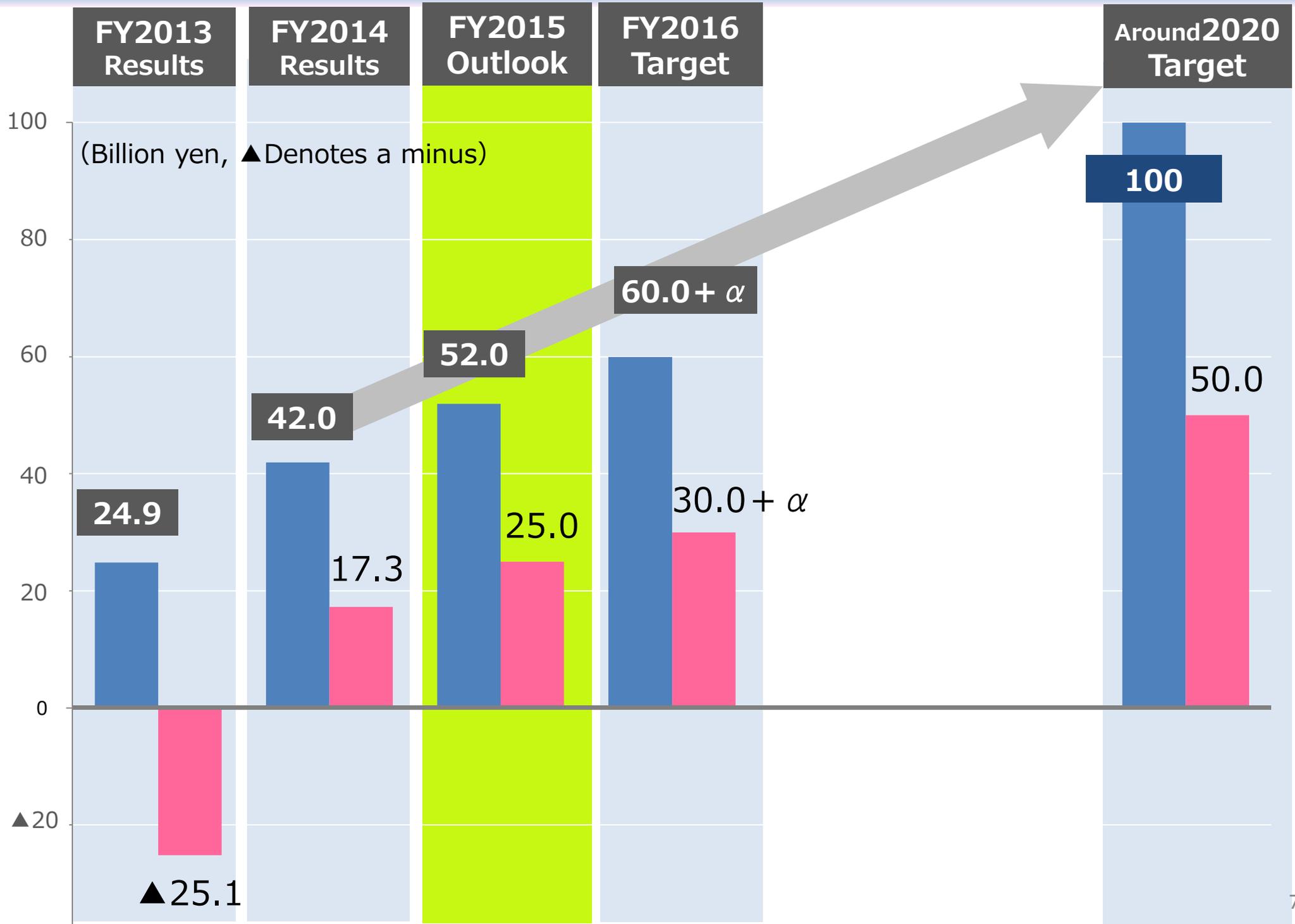
*Segment Adjusted

(Billion yen)

△ Denotes a minus

Segment	FY2013 (Reference)	FY2014	FY2015	Increase (Decrease)	
	Results	Results	Outlook	FY13→FY14	FY14→FY15
Healthcare	10.0	9.5	12.0	△0.5	2.5
Functional Polymeric Materials	11.7	18.7	19.5	7.0	0.8
Polyurethane	△5.2	△3.5	△1.5	1.7	2.0
Basic Chemicals	△18.0	△8.3	△2.5	9.7	5.8
Petrochemicals	26.4	21.6	20.5	△4.8	△1.1
Food & Packaging	5.3	9.1	10.0	3.8	0.9
Total(Incl.Others)	24.9	42.0	52.0	17.1	10.0

Operating Income Net Income



Summary of FY2015 Management Targets

(FY14→FY15)	FY2013		FY2014		FY2015(outlook)
Sales ▲9%	1,566 (billion yen)	➤	1,550	➤	1,410 <ul style="list-style-type: none"> •Sales expansion in targeted business domains •Naphtha price declines •Termination of large-scale plants •PU business reassigned to non-consolidated status
Operating Income +24%	24.9 (billion yen)	➤	42.0	➤	52.0 <ul style="list-style-type: none"> •Restructuring in advance of schedule •Recovery of growth investments
Net Income +45%	▲25.1 (billion yen)	➤	17.3	➤	25.0 <ul style="list-style-type: none"> •Improve FCF •Implement large-scale restructuring
ROE +1.5 Point	-	➤	4.5%	➤	6.0% <ul style="list-style-type: none"> •Improve net income
Net D/E Improvement 0.1 Point	1.44	➤	1.22	➤	1.12 <ul style="list-style-type: none"> •Reduce interest-bearing debt
Restored Dividends	¥3 /share	➤	¥5/share	➤	¥6/share <ul style="list-style-type: none"> •Maintain shareholder dividends policy

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Creating New Customer Value through Innovation

Progress of Mid-Term Business Plan

Corporate Mission **Contribute to society by providing high-quality products and services to customers through innovations and the creation of materials and products 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**

Mega Trends
Social issues that the chemical industry must help resolve

MCI Group's Robust Business Platform
Technologies: polymer science, precision synthesis, and manufacturing process
Customer base, existing businesses, and global structure

Mobility: Every possible mode of human and commodity transportation

Social challenges that the MCI Group must help resolve

- Realizing a cohesive society that is in harmony with the environment
- Realizing health and happiness in an ageing society
- Realizing industrial platforms that are in harmony with local communities

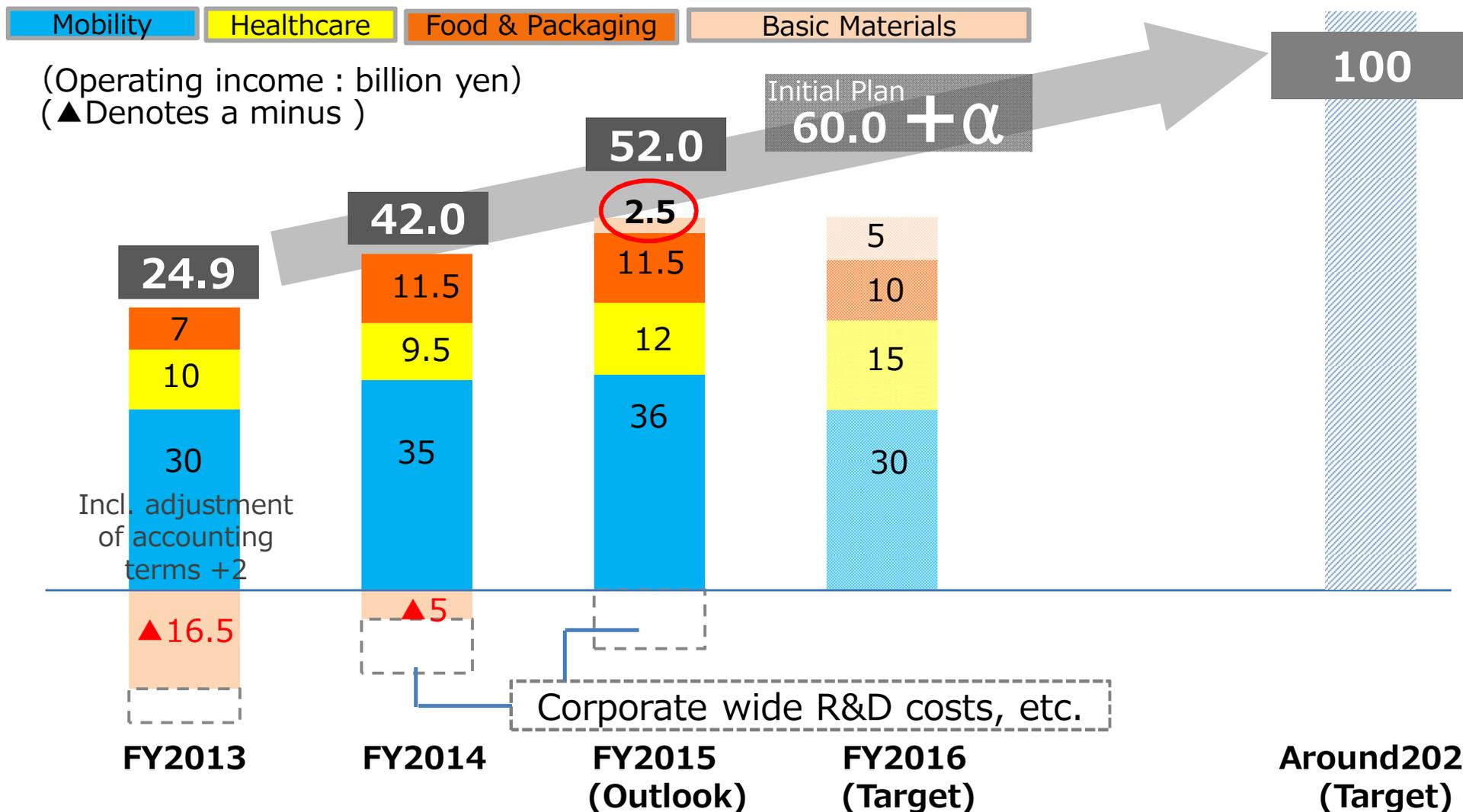
◆ **Targeted business domains that offer growth potential**

- Mobility Healthcare Food & Packaging
- ◆ **Commodity chemicals, mainly petrochemicals and basic chemicals, that will support society and industry**
- Basic Materials

Ideal Business Portfolio

- ✓ Basic Materials become profitable in FY2015
- ✓ Achieve 100 billion yen operating income by concentrating R&D expenditures to accelerate strategy

- ◆ Market-driven business strategy to resolve various social challenges
- ◆ Advance peripheral and downstream business that harness strengths of existing businesses



- ✓ Bolster cost competitiveness by optimizing production sites
- ✓ Good Progress in Restructuring

Phenols	Japan	- Optimize production (Terminate Chiba Phenol, Ichihara BPA)
	China Sinopec JV	- Commercial operation of state-of-the-art plant for region top cost competitiveness (Dec.2014)
	Singapore	- Full run rates at one PH & one BPA line. - Increase sales to extent of one fully running BPA line to 1 fully running PH line and 2 fully running BPA lines
PTA	Japan	- Only domestic integrated manufacturer of PTA-PET - Respond to domestic demand, Iwakuni Works aims to increase 70% run rate to full run rate
Poly-urethanes	Japan	- Suspend Omuta MDI plant and Kashima Works (May 2016) - Transfer of organic acid business to Fuso Chemical (Oct. 2014) - Establish PU material business JV with Korean SKC (Jul. 2015)
Petro-chemicals	Vietnam	- Construction of facilities for future low-cost raw materials (completion in 2016, tentative)
	Japan	- Withdrawal from Keiyo Ethylene (Mar. 2015) →Improve cracker run rates by 10% (against FY13)

① Establish optimum operations

Terminate non-competitive plants and maintain competitive plants

Terminate Chiba Polyol
(June, 2012)

▲ 28KTA

Sale of organic acid business
(Oct. 2014)

▲ 47KTA

Terminate Kashima TDI
(May, 2016)

▲ 117KTA

Terminate Omuta MDI
(May, 2016)

▲ 60KTA

② Global deployment of system products

Strengthen position by strategic deployment through business alliances



Establish JV with SKC (Jul. 1, 2015)

Provide total solutions to customers as a global comprehensive manufacturer of polyurethane materials

③ Expand specialty isocyanate business

Reinforce Coatings & Engineering business through specialty isocyanates

Establish large-scale XDI plant (Oct. 2015)

+5KTA

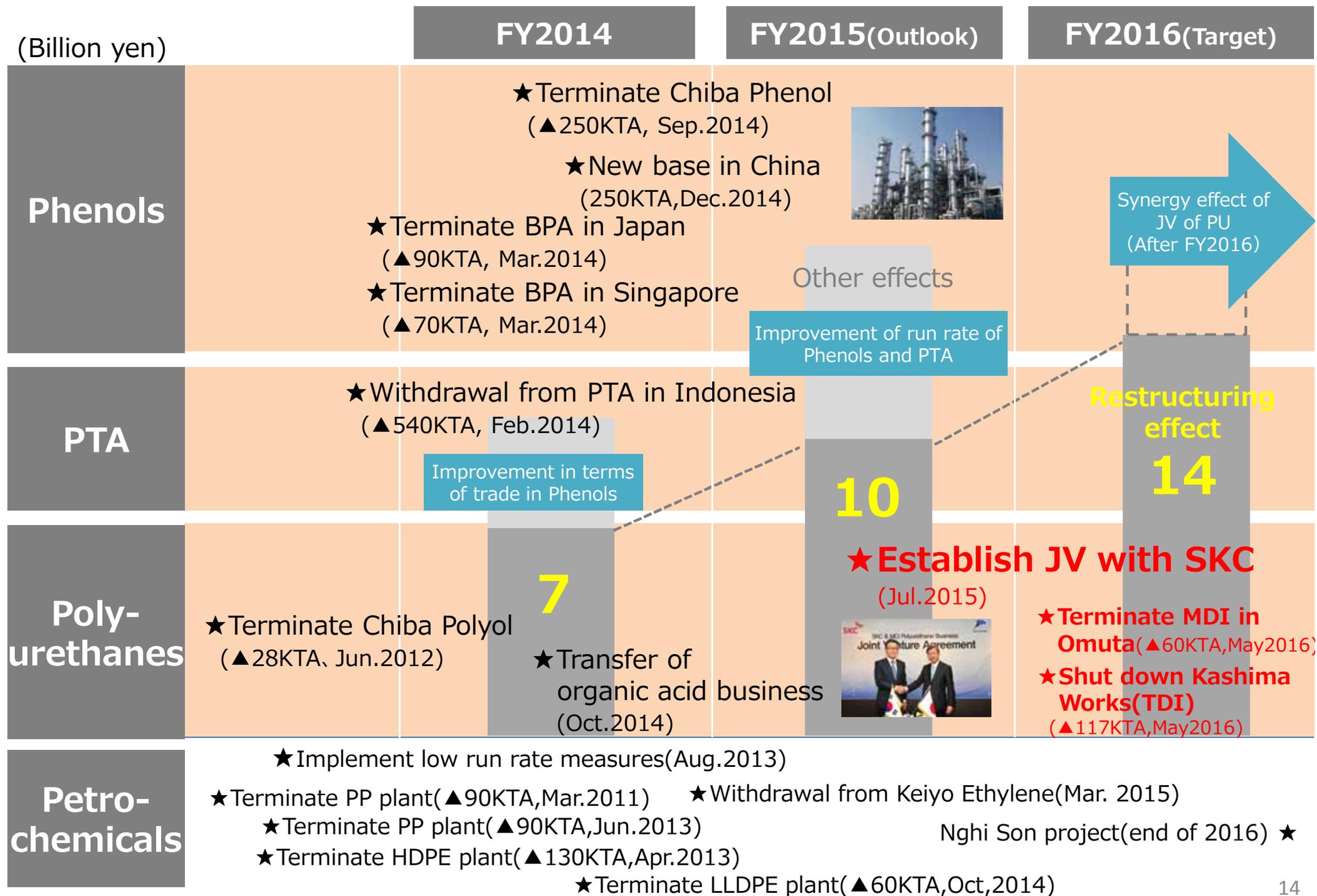
Launch new specialty isocyanates (Aug. 2016)

+2KTA



Steady progress in transforming Polyurethane Business portfolio

Additional Effects of Business Restructuring





Mobility

Progress of Basic Strategies

Mobility



Healthcare



Food & Packaging

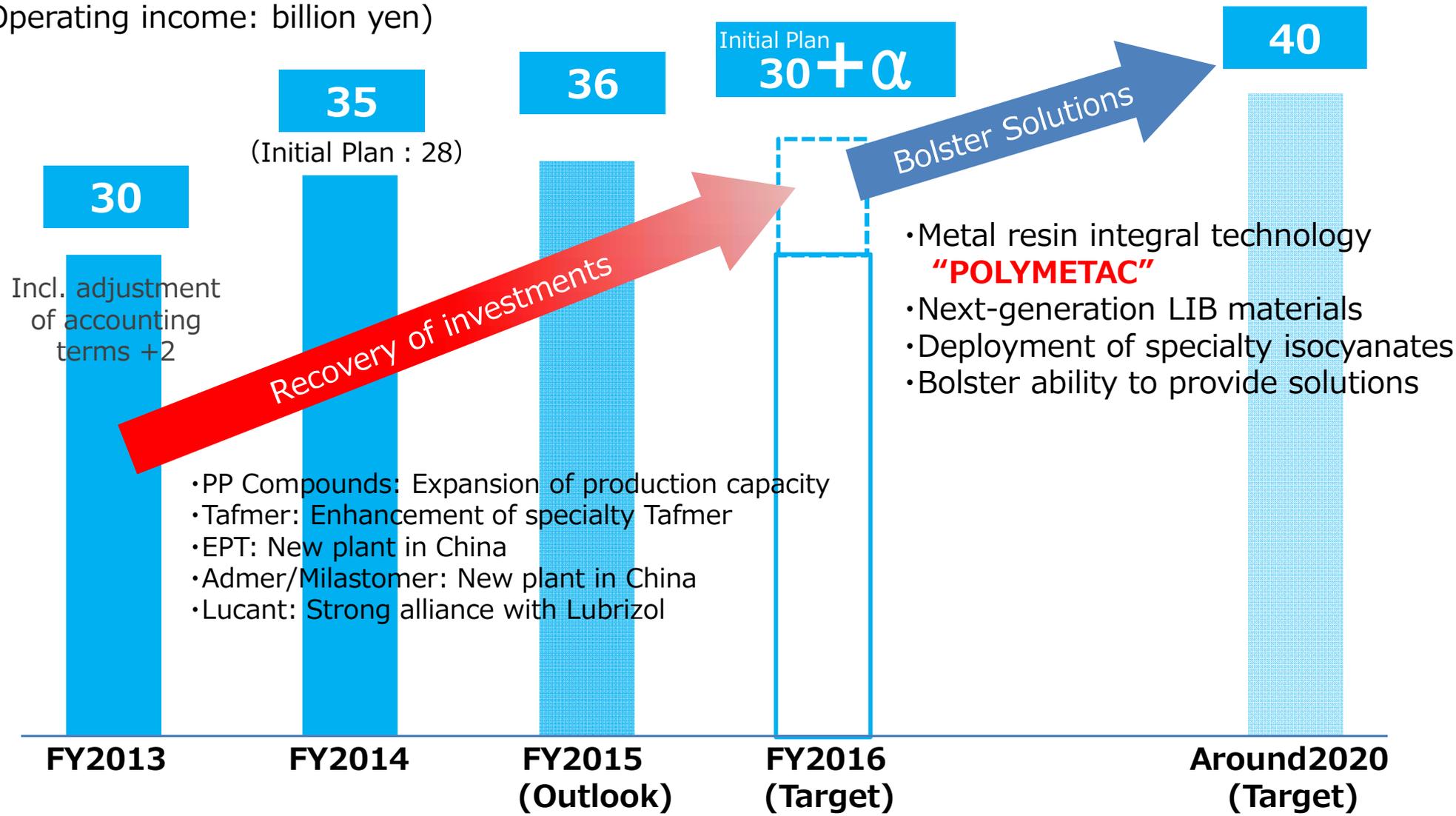
Expansion of Mobility Domain

✓ Front loading of mobility domain expansion

Measures

- ◆ Make full use of information, technologies, and customer relationships that extend beyond company and organizational boundaries focusing mainly on automotive materials that have a robust customer platform
- ◆ Create new businesses based on customer needs and values

(Operating income: billion yen)



- ✓ Commercial operation of new EPT plant in China (Feb. 2014)
- ✓ Commercial operation of China plant for automotive use Milastomer and gasoline tank use Admer (Mar. 2015)
- ✓ Strong alliance with Lubrizol for Lucant (synthetic oil to improve fuel efficiency, Sep. 2014)
- ✓ Completion of PP compounds expansion in North and Central America (May 2015)

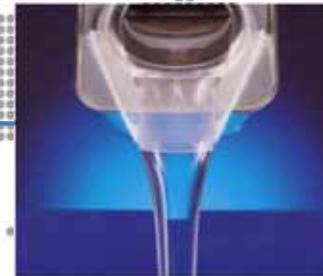
EPT

- JV with Sinopec (Shanghai Sinopec Mitsui Elastomers, Co., Ltd.)
- Expansion in glass-run channel and weather strip use



Iwakuni

Shanghai



Lucant™

- Gear oil for differentials and CVT·AT transmissions
- Collaboration with US Lubrizol brings advantage of strong sales network enabling contribution to economical fuel use worldwide

USA

Lubrizol

Mexico

Milastomer™

- Lightweight, highly recyclable synthetic rubber material
- Expansion in interior use and as sealing material

Admer™

- Lighter weight gasoline tanks



PP-Compounds

- Expand US & Mexico
- Global 1 million tons

- ✓ Bolster ability to provide solutions, such as acquisition of molder Kyowa Industrial Co., Ltd., to strengthen business base for future growth

Light-weight & economical solution

Safety solution

Comfort solution

Design solution

Fiber-reinforced composite materials

- Expand application for CF-SMC
- Glass Fiber PP "MOSTRON™"
- Super lightweight thermoplastic CFRP material

LIB safety materials

- World's first material to prevent thermal runaway in LIBs "STOBA™"

Lighter weight composites

- Metal-resin molding technology "POLYMETAC™"

Air pressure monitoring system

- New application for "TPX™"

Automotive lens & new display devices

- New application for "APEL™"

Turbo charger

- Thermoplastic polyimide "Aurum™"

Noise reduction material

- Abrasion resistant "Lubmer™"
- Specific frequency absorption material

Design improvement paints

- New application for specialty isocyanates
- Better appearance
- Faster paint time



Progress of Basic Strategies

Healthcare



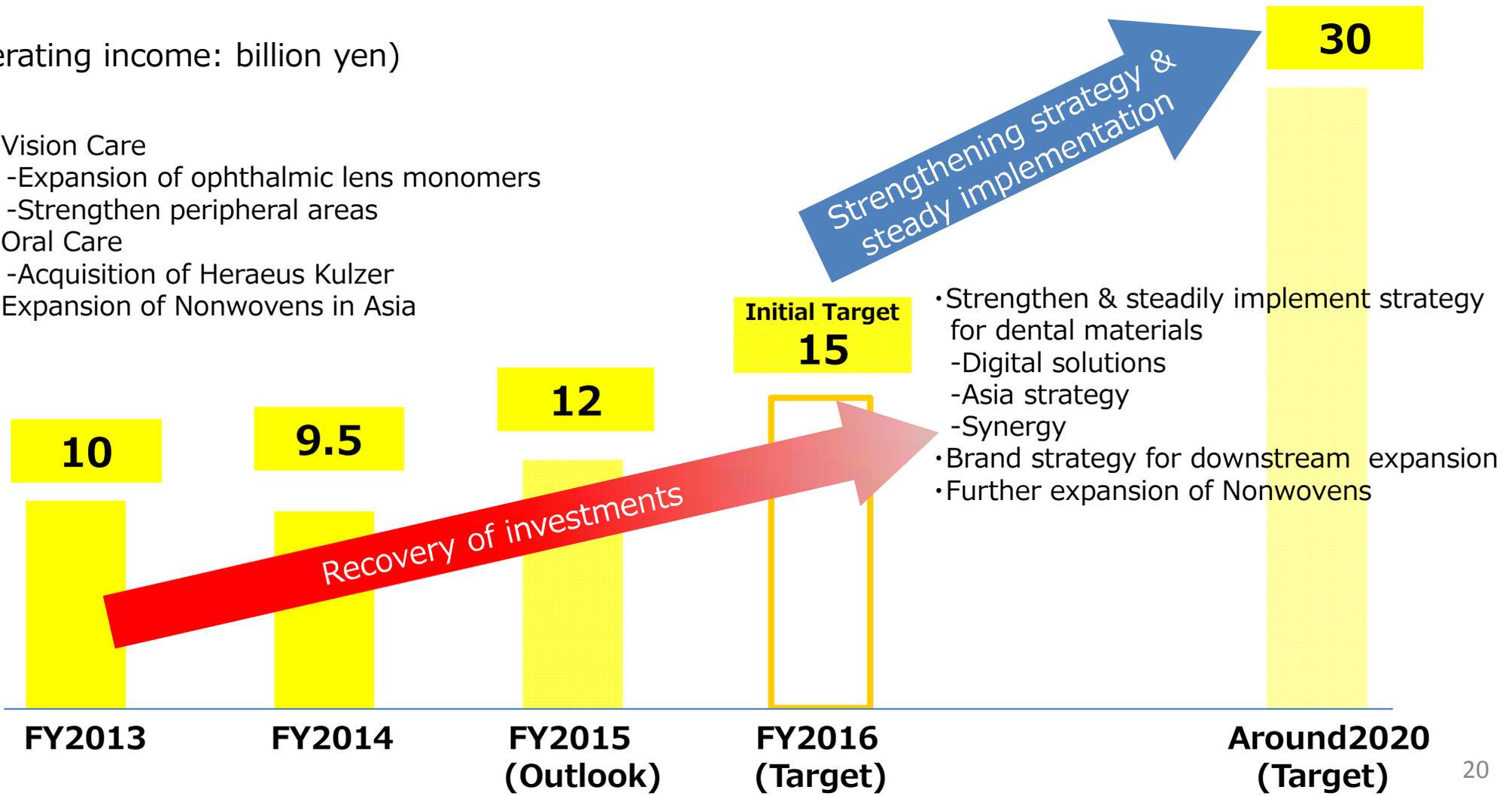
Expansion of Healthcare Domain

✓ Steady growth and improved earnings from new products and wider applications

Measures	<ul style="list-style-type: none"> ◆ Bolster downstream and peripheral businesses that harness strengths to develop new products ◆ Develop new businesses relating to the senses & physical mobility based on polymer science
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(Operating income: billion yen)

- Vision Care
 - Expansion of ophthalmic lens monomers
 - Strengthen peripheral areas
- Oral Care
 - Acquisition of Heraeus Kulzer
- Expansion of Nonwovens in Asia



- Strengthen & steadily implement strategy for dental materials
 - Digital solutions
 - Asia strategy
 - Synergy
- Brand strategy for downstream expansion
- Further expansion of Nonwovens

- ✓ Launch of lens material "UV+420cut" which helps to protect eye retina
- ✓ **Launch of Bio-based lens material "Do Green" (Jan.2015)**

Ophthalmic lens material (monomers)

High refractive



World's first transparent lens material to protect eyes from short wavelength light



Bio-based lens material



Medium refractive



Acquisition Mar 2013

Low refractive



Acquisition Apr 2011

Photochromic lens material



Acquisition May 2014

Coatings

Thermoplastic hard coat material



Acquisition 2008

UV curable hard coat material



Acquisition July 2014

Anti-fog coating



Acquisition 2010

Finished product (eye glasses)



-Support ITU World Triathlon Yokohama (May 2015)



-Joint development with Yokohama City and SWANS of Do Green™ sunglasses using bio-based material



- ✓ Establish three bases in Asia (Japan, Thailand, China) to expand high performance nonwovens share
- ✓ **Expansion strategy to include in-bound demand**

Market Growth
(Asia) 10%

15KTA



China (Tianjin)

- Operation start (Jan. 2014)
- Continue full operation

49KTA

Japan

- Strategic base for high performance nonwovens
- In-bound demand expansion & full run rates at plants

30KTA

Thailand

- Asia export base

6KTA

Thailand

- Continued full run rates for breathable film

Good sales for newly developed high performance nonwovens

Good flexibility & elasticity

Enhance customer value to use consistent R&D from raw materials to spinning & processing

- ✓ Complete rationalization to improve cost competitiveness
- ✓ Shift to expansion of digital solutions and new products introduction to expand non-metallic material business





- ✓ Launch new brand “Whole You™” which provides solutions to those with sensory and physical mobility challenges (Nov.2014)
- ✓ Introduce innovative healthcare products with MCI’s material science into the US market

Whole You™

New Fit
CAD/CAM Dentures

DENTCA™
CAD/CAM DENTURE



Oral appliance
for OSA

※OSA: Obstructive sleep apnea



※From May 1st Whole You™ mouthpiece shipment



Electronic
eyewear

Panasonic PixelOptics™



“One touch” focus





Mobility

Progress of Basic Strategies

Food & Packaging



Healthcare



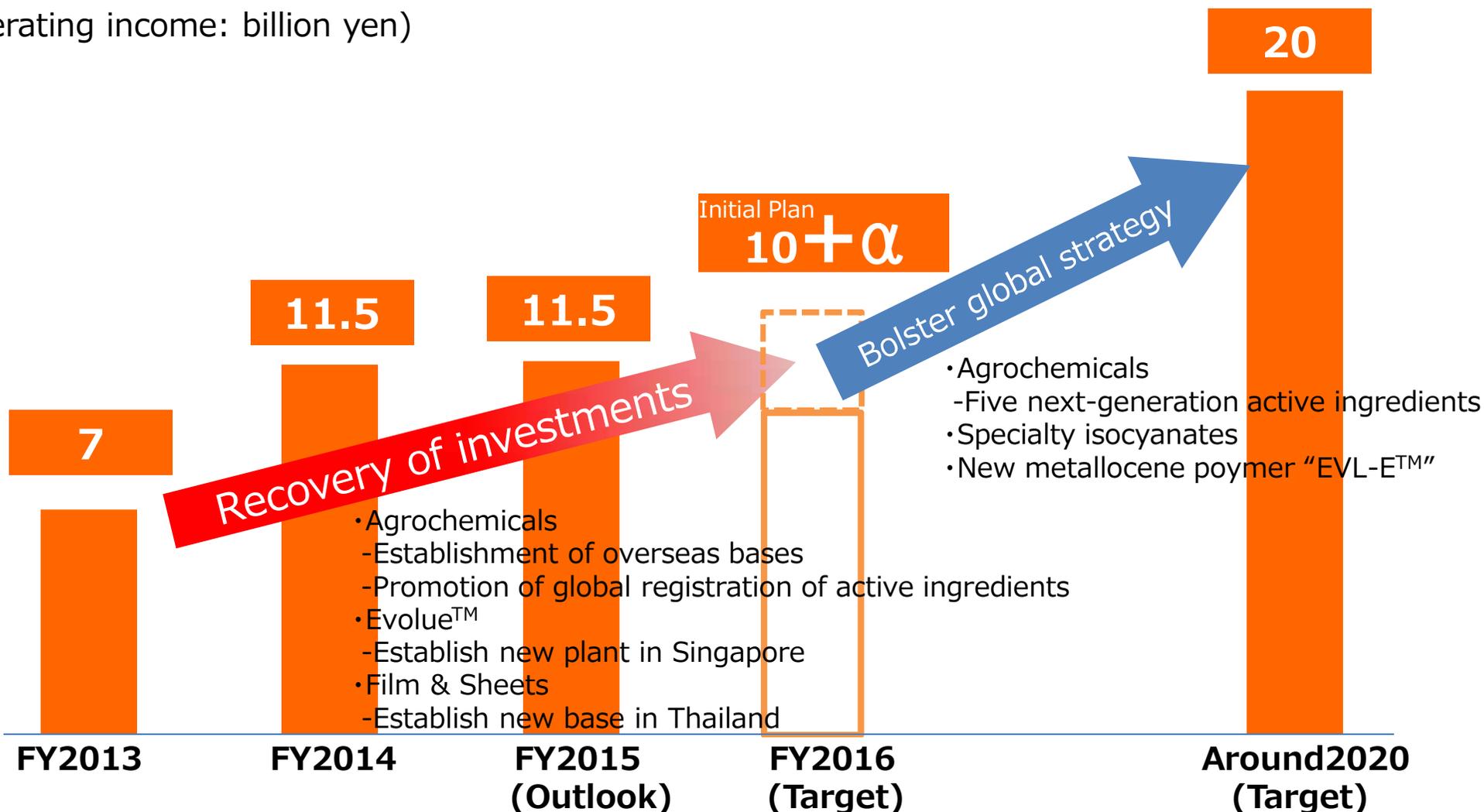
Food & Packaging

✓ Front loading of Food & Packaging domain expansion

Measures

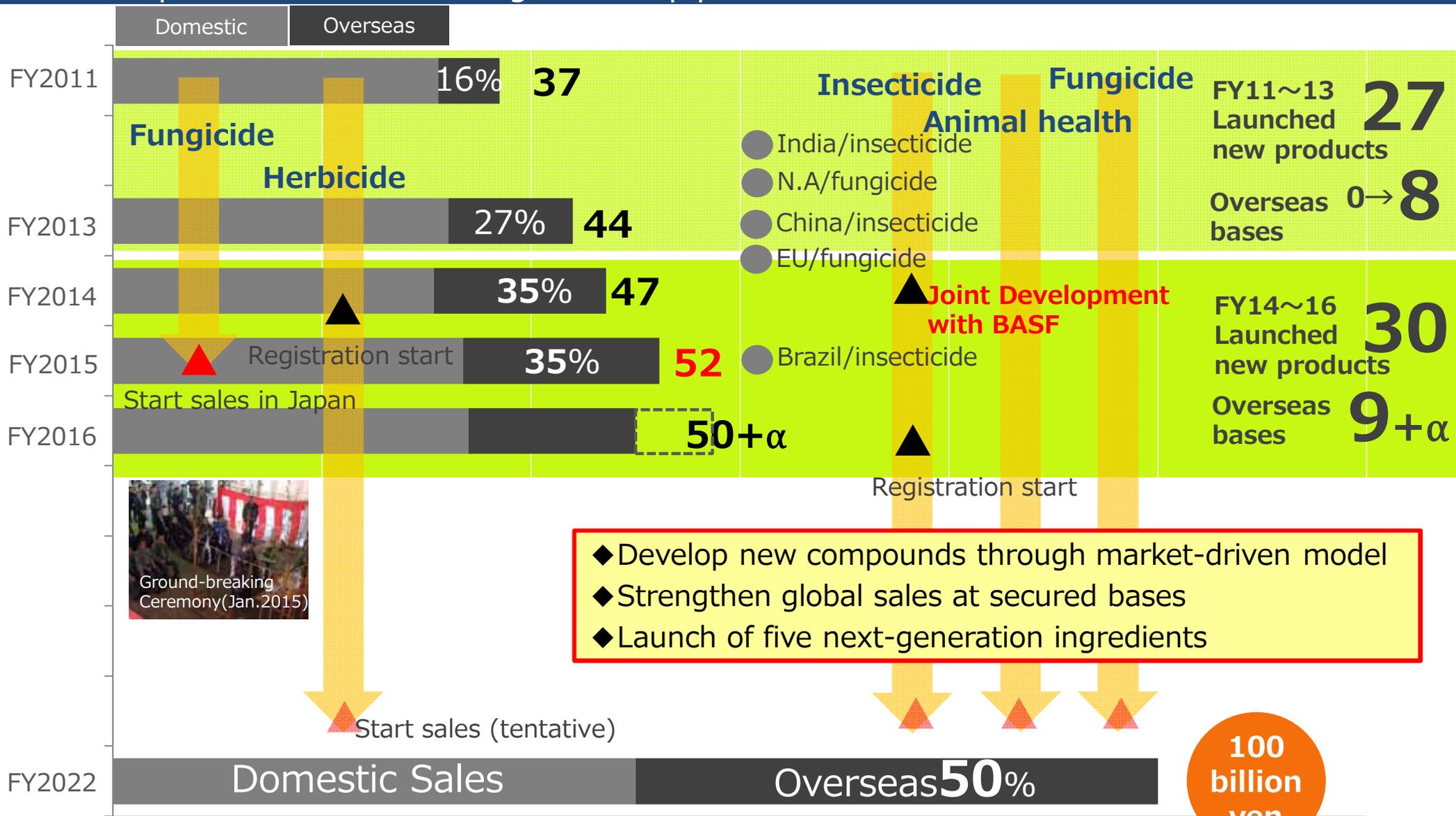
- ◆ Optimize internal and external resources of films & sheets
- ◆ Provide food solutions by utilizing Group technology

(Operating income: billion yen)

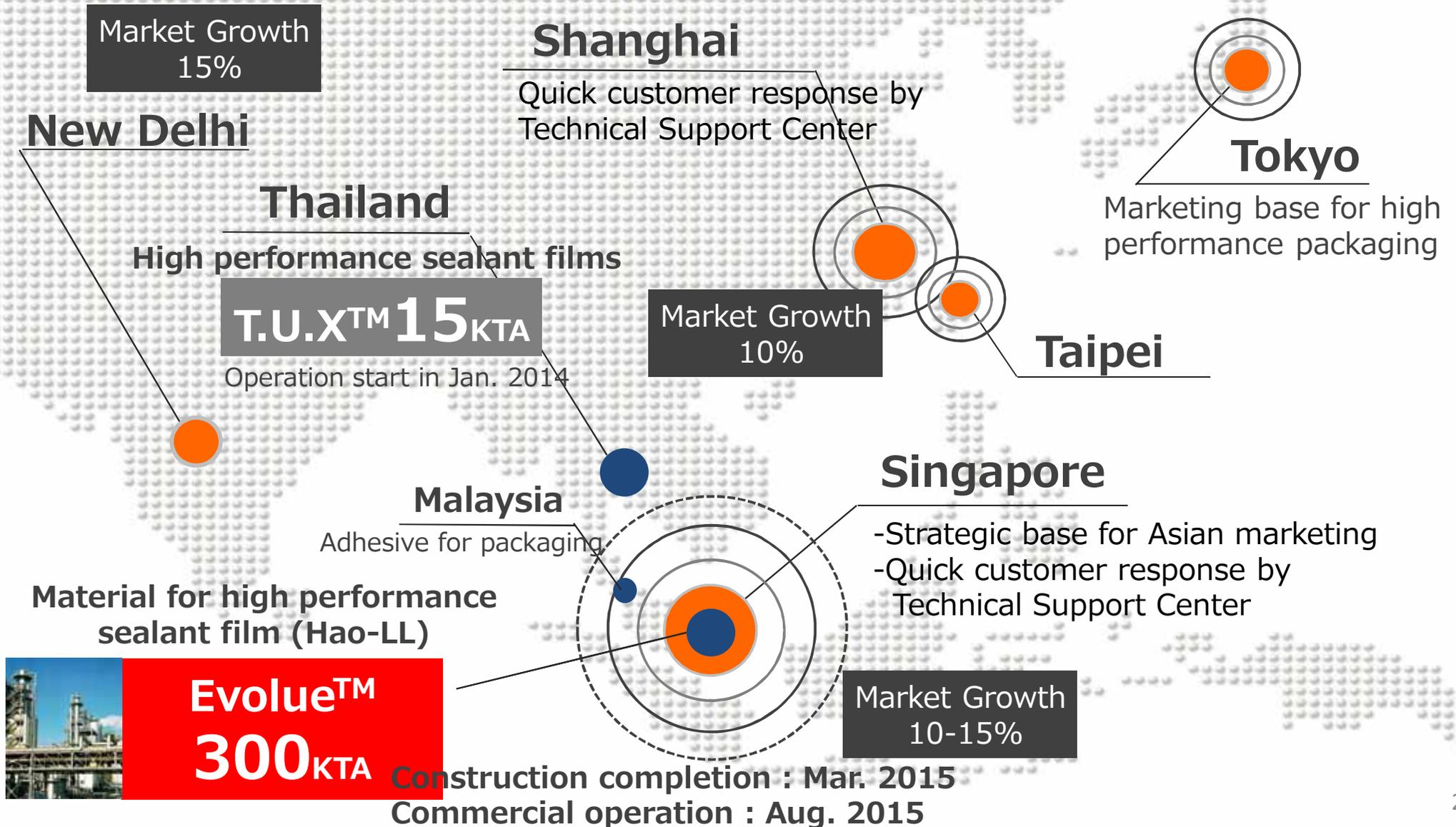


Expansion of Agrochemicals

- ✓ Bolster Agro businesses by **global expansion**, Asian strategy, and development of **new compounds through market-driven business model**
- ✓ Steady progress towards launch of **five next-generation active ingredients**
- ✓ Development of successor ingredients pipeline after FY2020



- ✓ Expanded demand for packaging from improvement in living standards and growth of food processing industry in Asia
- ✓ **Creating customer value by cross-organizational marketing & technical support**



- ✓ Contribute to industry by curriculums for third parties using Center strengths of "know-why" training, knowledge & skills, and training based on accumulated lessons
- ✓ High marks and applications from chemical and commodity manufactures, engineering companies, etc. to training programs which commenced in Apr. 2015



Chemical plant operation

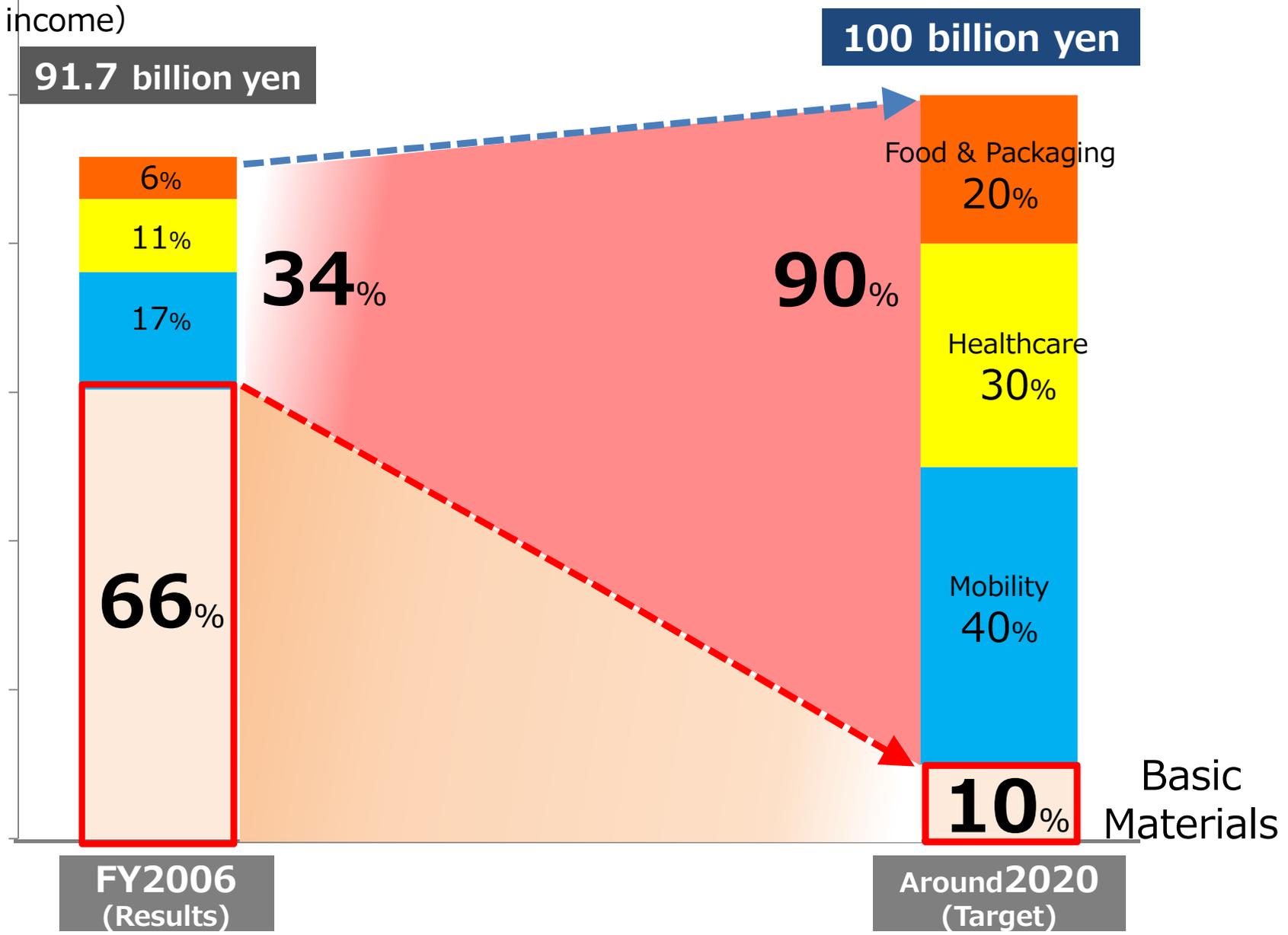
Operation/
Facility trouble

Study development of new training services & course expansion in partnership with plant control knowledgeable Yokogawa Solution Service

Business Portfolio Target Around 2020

- ✓ Successful portfolio transformation resilient to economic change
- ✓ Establishment of stable, high profit structure

(Operating income)



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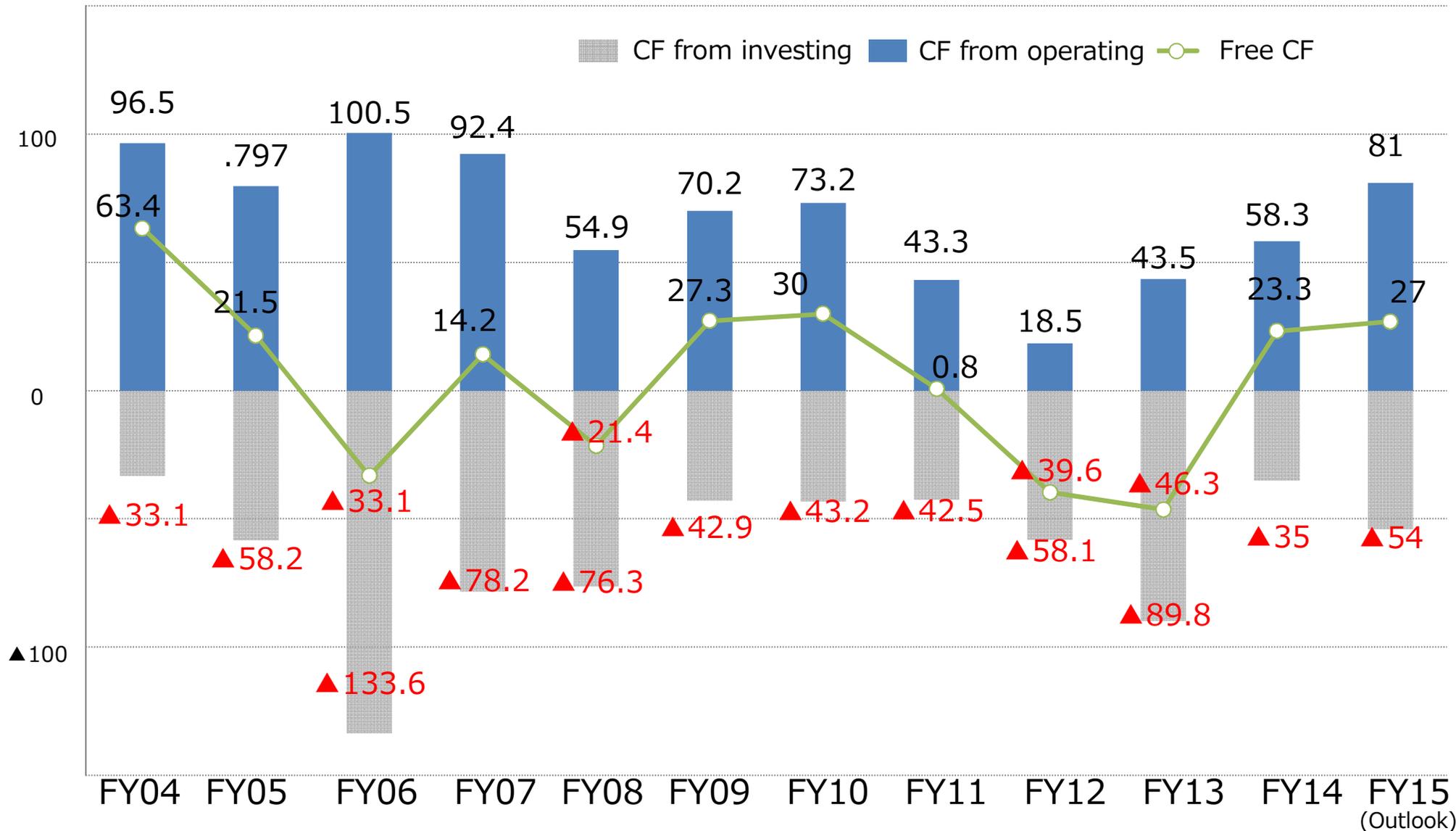
Management Target

Cash Flow Plan

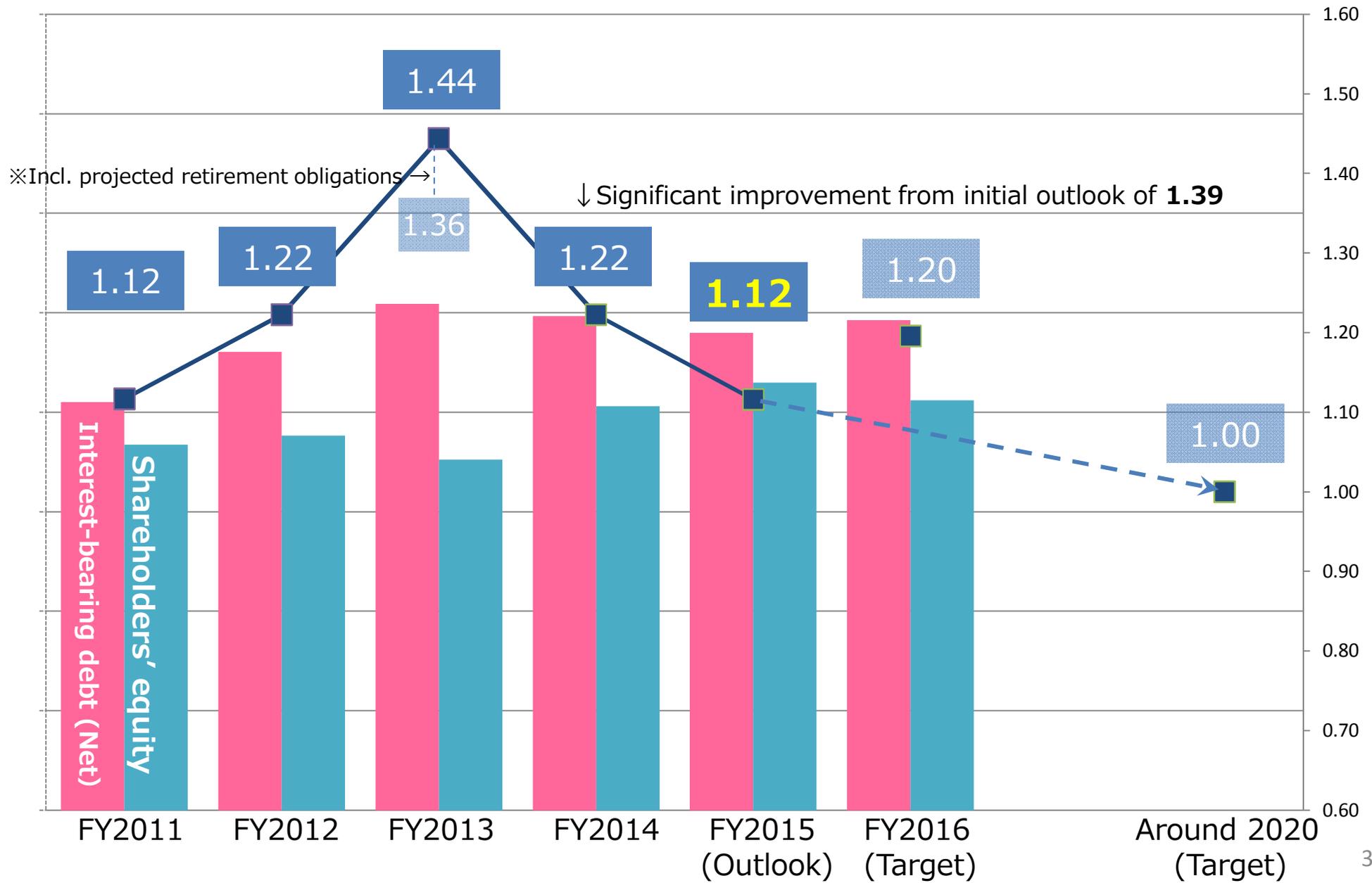
- ✓ Both Consolidated & non-consolidated FCF is **positive** in FY2014
- ✓ Additional improvement expected after FY2015

(Billion yen)

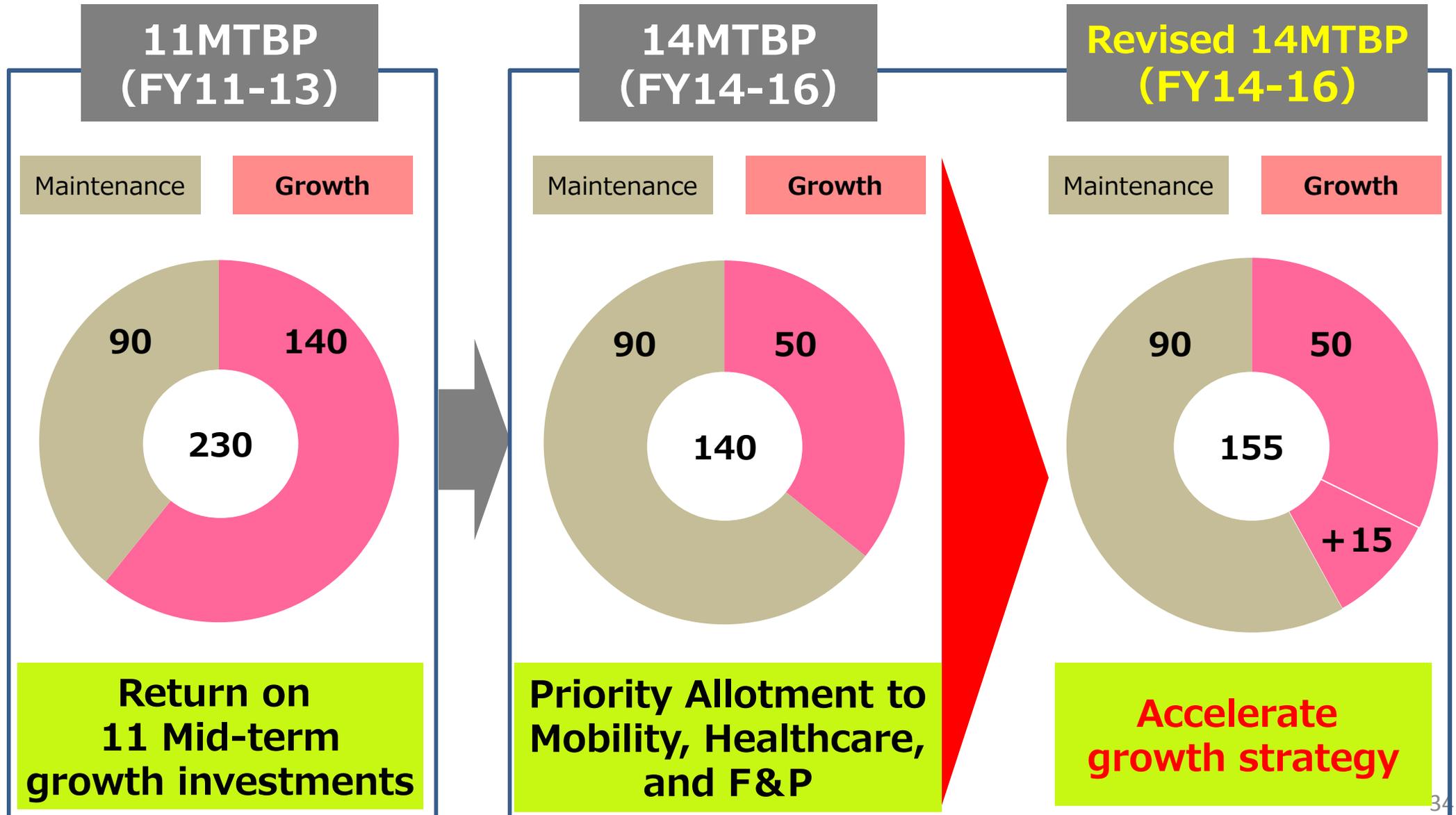
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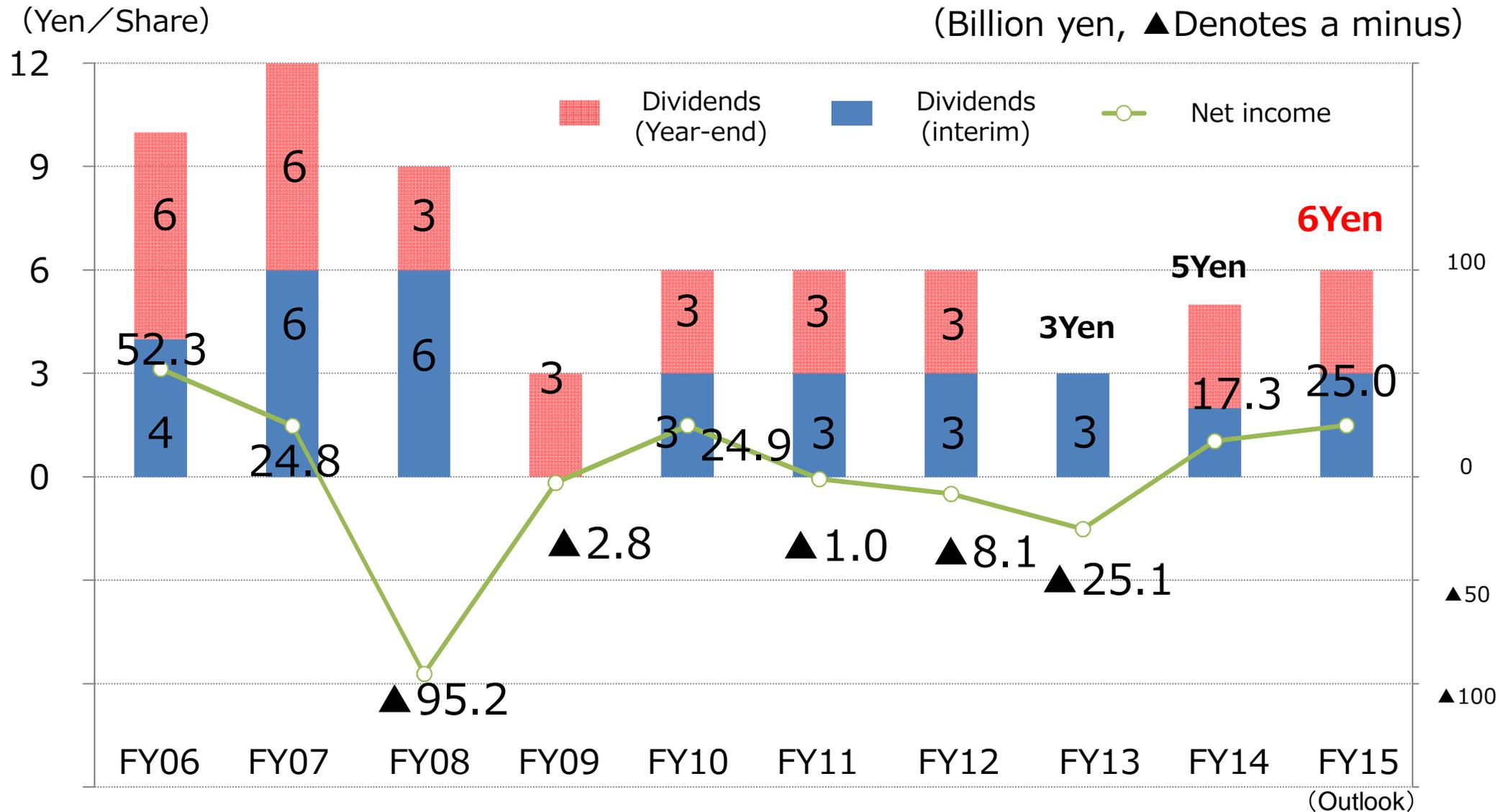
✓ Achieve 2014 MTBP Target Net D/E=1.2 one year in advance



✓ **Growth investments +30%** against initial outlook to accelerate strategy, while placing priority on financial improvement



✓ Continue efforts to return profits by stable dividends in accordance with the consolidated results



Target : Consolidated payout ratio over 25%, DOE over 2%

FY2015 Outlook

Operating Income
¥52.0 billion

Net Income
¥25.0 billion

OP-ROA
3.7%

Net D/E
1.12

ROE
6.0%

Mid- and Long-Term Management Targets

	FY2013 Results	FY2014 Results	FY2015 Outlook	FY2016 Target	Around 2020 Target
Sales	1,566 (billion yen)	1,550	1,410	1,750	1,800
Operating income	24.9 (billion yen)	42.0	52.0	60.0	100.0
Net income	▲25.1 (billion yen)	17.3	25.0	30.0	50.0
ROA	1.8%	3.0%	3.7%	4.0%	6.0%
ROE	—	4.5%	6.0%	8.0%	Over 10%
Net D/E	1.44	1.22	1.12	→	1.00
Dividends	¥3 /share	¥5/share	¥6 /share	Stable dividends (consolidated payout ratio: 25%↑, DOE:2%↑)	

Creating new customer value
and
solving social challenges
through business activities

Challenge, Diversity, One Team

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