

Nov.18  
2015

FY2014-**15**<sup>2nd</sup>-16

## CEO Explanation

Creating New Customer Value through Innovation



**Mitsui Chemicals**

淡輪 敏

Tsutomu Tannowa  
President & CEO

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- Business Performance
- Progress of Mid-Term Business Plan
- Management Target

**FY2014-15<sup>2nd</sup>-16**

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# **Business Performance**

1H FY2015 Financial Results and FY2015 Outlook

# 1H Financial Results and FY2015 Outlook

(Billion yen)

△ Denotes a minus

Items	FY2014		FY2015		FY14→FY15	
	1 <sup>st</sup> Half Results	Full Year Results	1 <sup>st</sup> Half Results	Full Year Outlook	1 <sup>st</sup> Half Results	Full Year Outlook
Sales	776	1,550	709	1,355	△ 67.4	△ 195.1
Operating income	18.6	42.0	41.4	70.0	22.8	28.0
Non-operating income	0.8	2.4	△ 0.2	△ 10.0	△ 1.0	△ 12.4
Ordinary income	19.4	44.4	41.2	60.0	21.8	15.6
Special gains/losses	△ 3.3	△ 8.6	△ 0.1	△ 4.0	3.2	4.6
*Net income	7.4	17.3	28.5	35.0	21.1	17.7

Exchange Rate(Yen/US \$)	103	110	122	121	19	11
Domestic Standard Naphtha Price (Yen/KL)	70,400	63,500	48,000	44,000	△ 22,400	△ 19,500

## Outlook of 2 H FY2015

Exchange Rate	120 Yen/US\$
Naphtha Price	40,000 Yen/kl

\*Profit attributable to owners of parent

# FY2015 Operating Income Outlook

(Billion yen)

\*Segment Adjusted

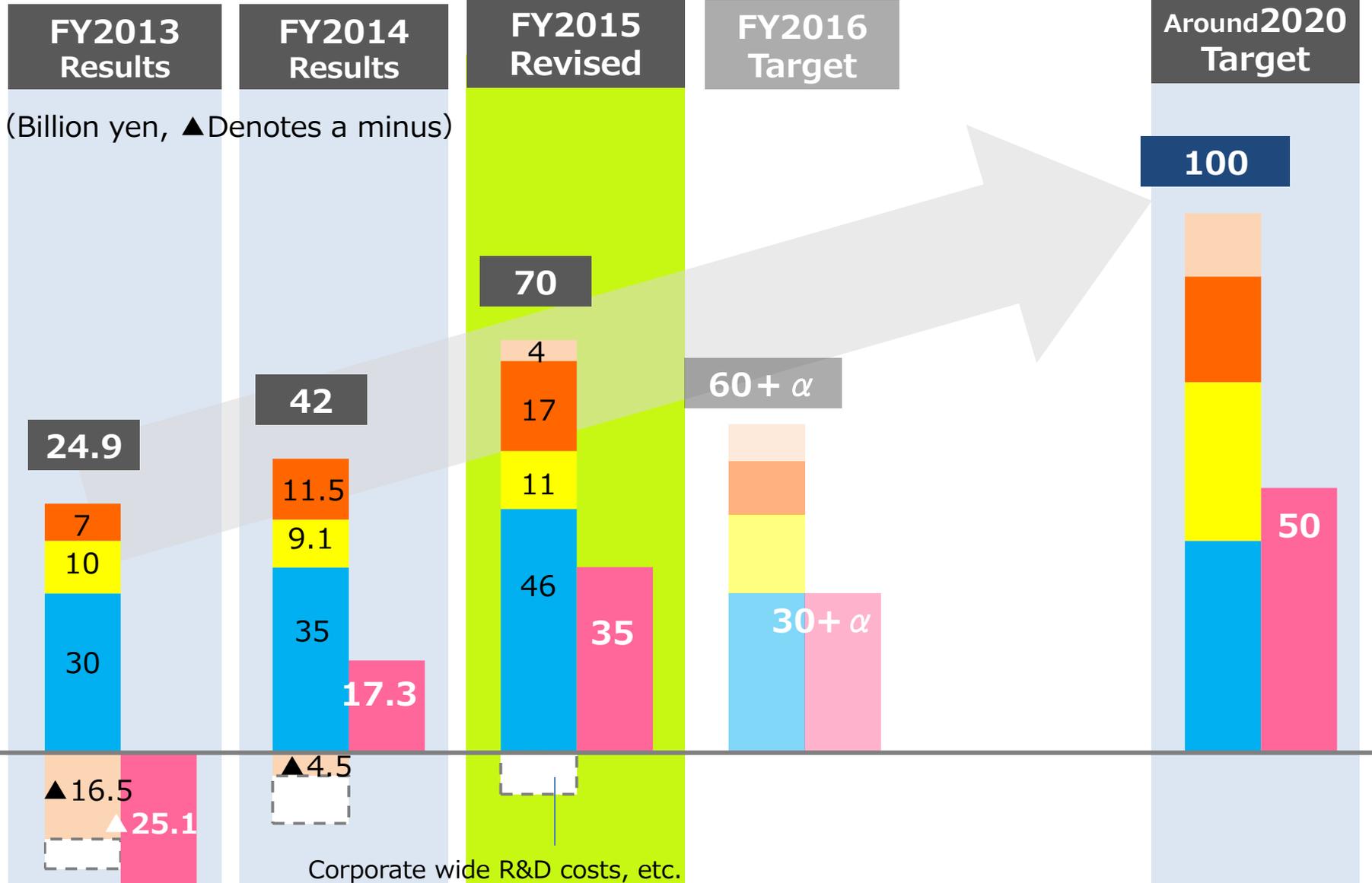
△ Denotes a minus

Segment	*FY2013 (Reference)	FY2014	FY2015
	Results	Results	Outlook
Healthcare	10.0	9.1	11.0
Functional Polymeric Materials	11.7	18.7	24.5
Polyurethane	△5.2	△3.5	△7.0
Basic Chemicals	△18.0	△7.9	1.0
Petrochemicals	26.4	21.6	35.5
Food & Packaging	5.3	9.1	13.0
Total (Incl. Others)	24.9	42.0	70.0

Increase (Decrease)	
FY13→FY14	FY14→FY15
△0.9	1.9
7.0	5.8
1.7	△3.5
10.1	8.9
△4.8	13.9
3.8	3.9
17.1	28.0

# Operating Income ■ Net Income

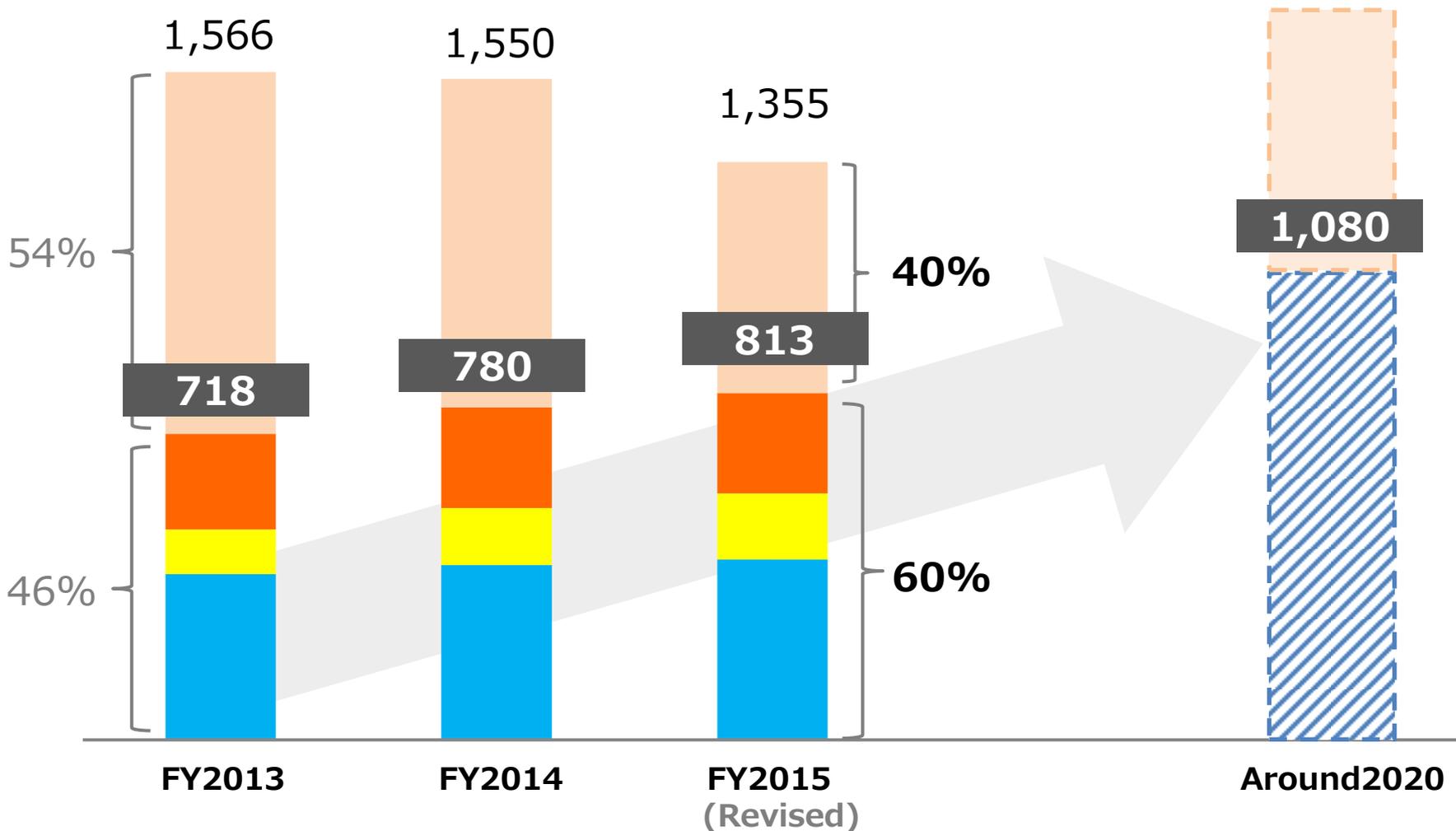
Mobility Healthcare Food & Packaging Basic Materials



# Business Domain Sales

- ✓ **Steady sales growth in targeted business domains**
- ✓ **Gradual decrease in basic materials sales share due to successful restructuring and weaker raw material costs**

(Sales : Billion yen)



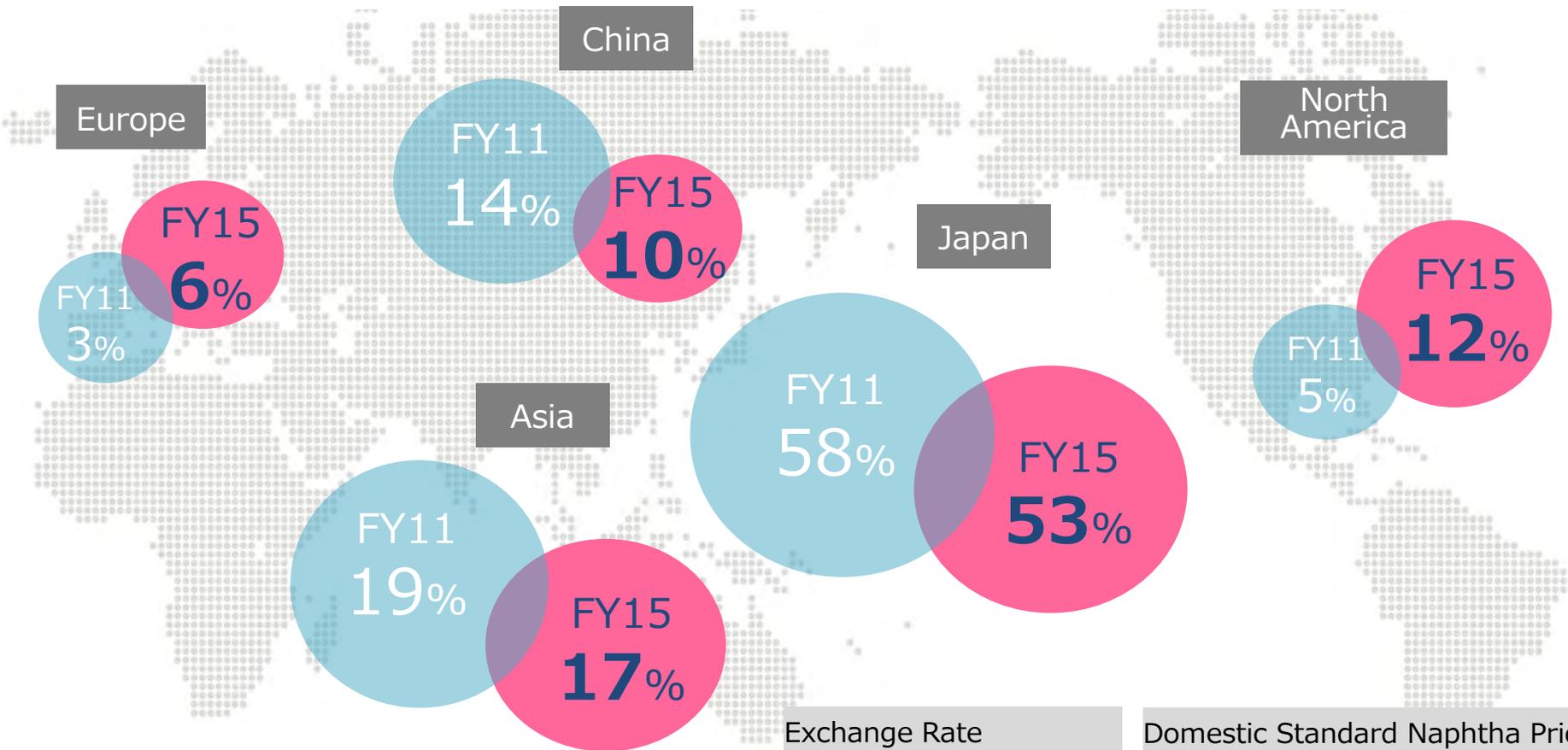
# Sales Portfolio (FY11 → 1H FY15)

**Overseas**  
42% → **47%**

**China**  
14% → **10%**

**NA & Europe**  
8% → **18%**

(FY11→1H FY15 regional sales ratio)



Exchange Rate  
FY11 : 79Yen/ \$  
1H FY15 : 122Yen/ \$

Domestic Standard Naphtha Price  
FY11 : 54,900Yen/kl  
1H FY15 : 48,000Yen/kl

# Summary of FY2015 Management Targets

(▲Denotes a minus)  
(FY14→FY15)

	FY2013		FY2014		FY2015(Revised)
<b>Sales</b> <b>▲13%</b>	<b>1,566</b> (billion yen)	➤	<b>1,550</b>	➤	<b>1,355</b> <ul style="list-style-type: none"> <li>•Sales expansion in targeted business domains</li> <li>•Naphtha price declines</li> <li>•Termination of large-scale plants</li> <li>•PU business reassigned to non-consolidated status</li> </ul>
<b>Operating Income</b> <b>+67%</b>	<b>24.9</b> (billion yen)	➤	<b>42.0</b>	➤	<b>70.0</b> <ul style="list-style-type: none"> <li>•Restructuring in advance of schedule</li> <li>•Recovery of growth investments</li> </ul>
<b>Net Income</b> <b>+103%</b>	<b>▲25.1</b> (billion yen)	➤	<b>17.3</b>	➤	<b>35.0</b> <ul style="list-style-type: none"> <li>•Improve Operating income</li> </ul>
<b>ROE</b> <b>+3.9 Point</b>	-	➤	<b>4.5%</b>	➤	<b>8.4%</b> <ul style="list-style-type: none"> <li>•Improve net income</li> </ul>
<b>Net D/E Improvement</b> <b>0.24 Point</b>	<b>1.44</b>	➤	<b>1.22</b>	➤	<b>0.98</b> <ul style="list-style-type: none"> <li>•Reduce interest-bearing debt</li> </ul>
<b>Increase Dividends</b>	<b>¥3 /share</b>	➤	<b>¥5/share</b>	➤	<b>¥8/share</b> <ul style="list-style-type: none"> <li>•Maintain shareholder dividends policy</li> </ul>

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# Progress of Mid-Term Business Plan



Basic Materials



Mobility



Healthcare



Food & Packaging

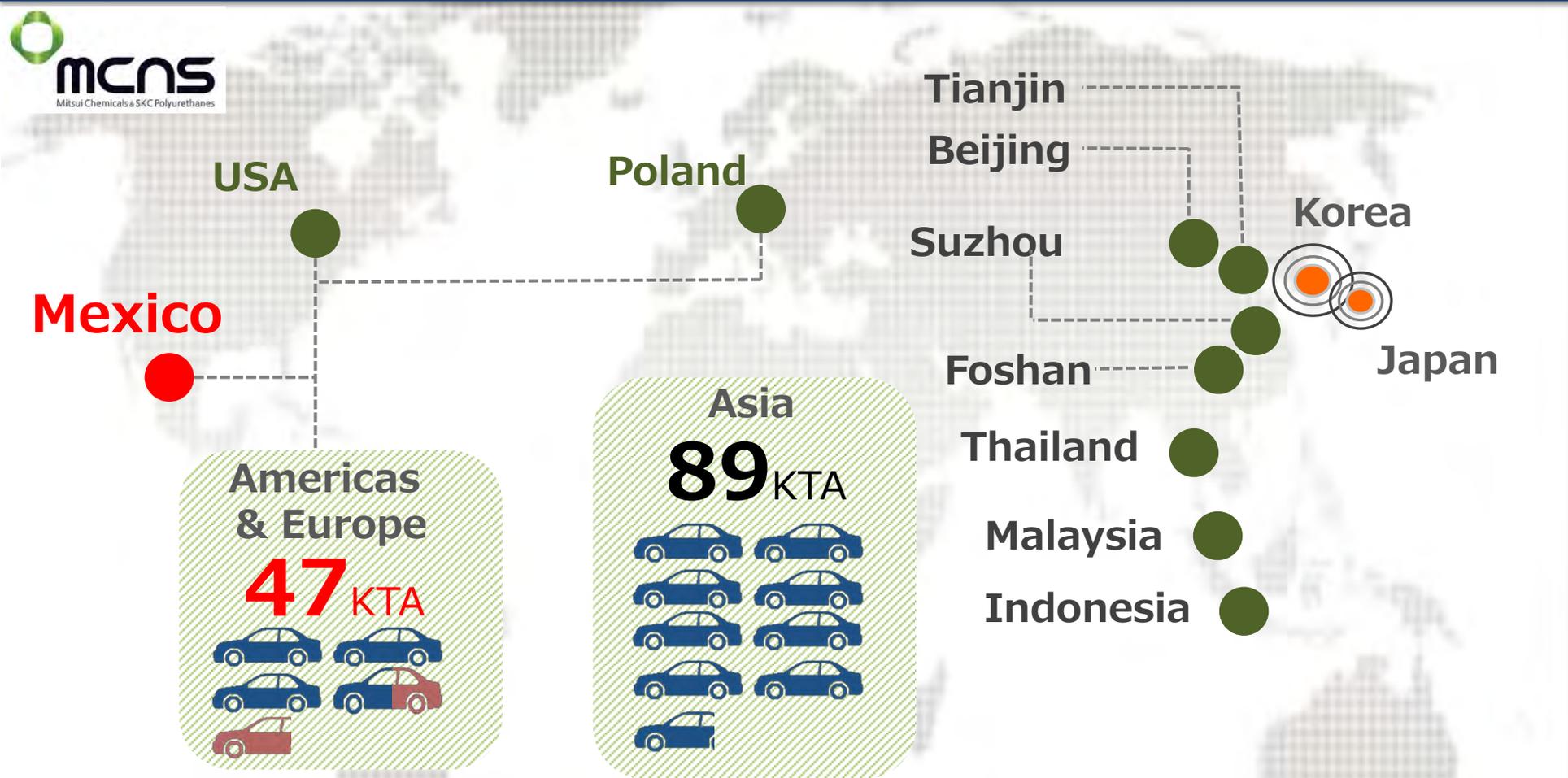


- ✓ Bolster cost competitiveness by optimizing production sites
- ✓ Good progress in restructuring

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	Fully running 1 PH line and 2 BPA lines
PTA	Japan	Only domestic integrated manufacturer of PTA-PET
Poly-urethanes	Japan	Transfer of organic acid business to Fuso Chemical (Oct. 2014) Establish PU material business JV "MCNS" with Korean SKC (Jul. 2015) <b>Early termination of Kashima TDI plant (Mar.2016)</b> Terminate Omuta MDI plant (May 2016)
Petro-chemicals	Vietnam	Construction of facilities for future low-cost raw materials (Completion in 2016, tentative)
	Japan	Withdrawal from Keiyo Ethylene (Mar. 2015) → <b>Full operations of Mitsui Chemicals crackers</b>



✓ Establish 2<sup>nd</sup> strategic Americas base in Mexico to bolster system products in North America (13KTA, Feb.2016)



**Strengthen system house network serving not only Asia but also Americas and Europe**



**Full operation**

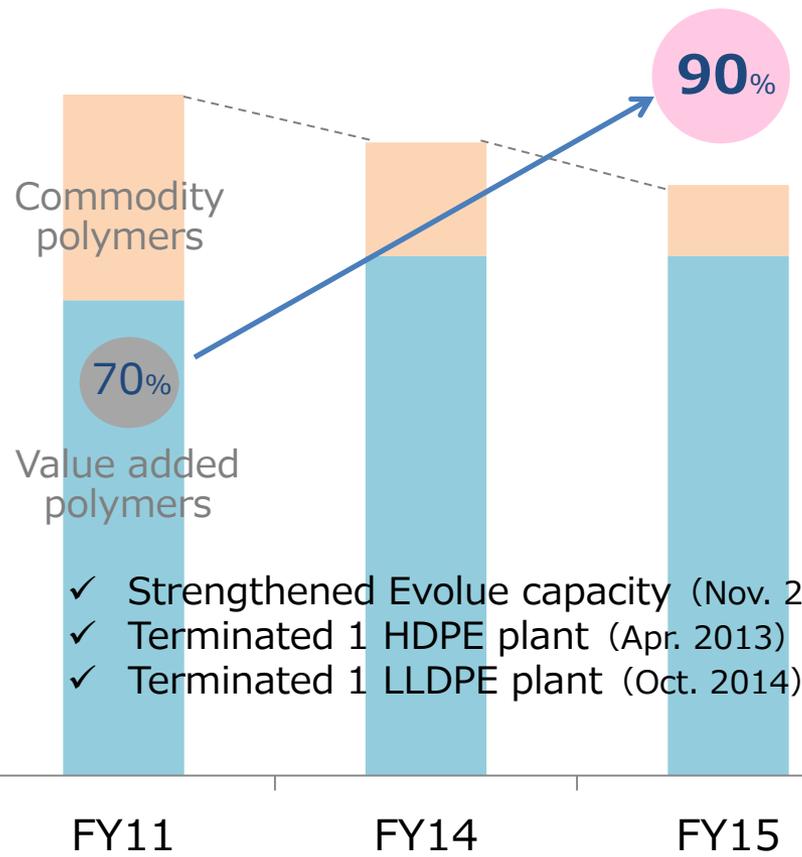
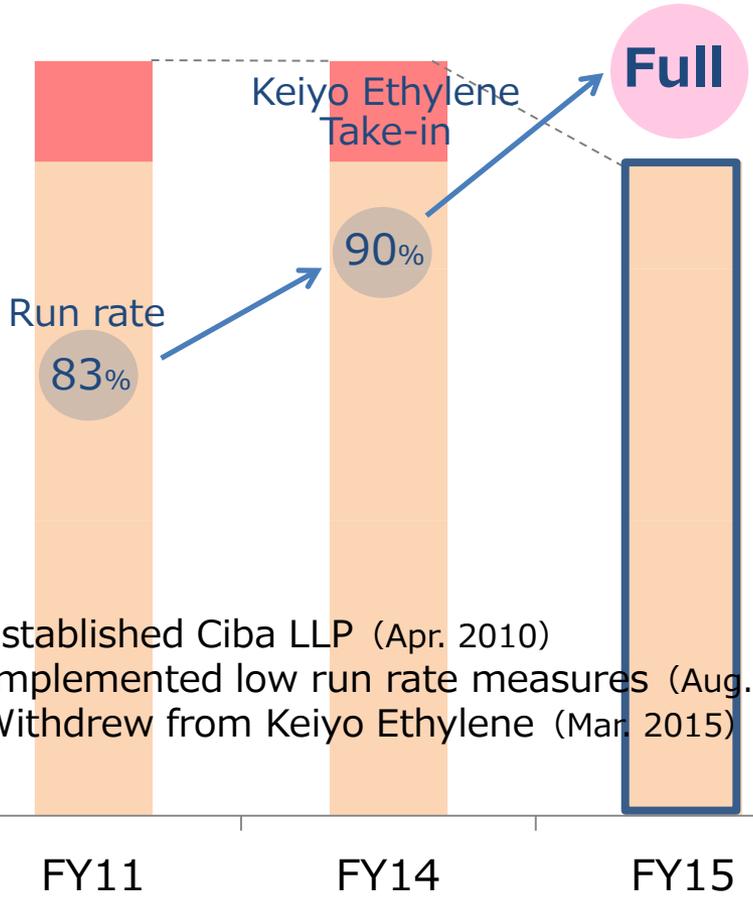
**Export rate <10%**

**In-house derivatives 60%→80%**

**Ethylene-based value added polymers 70%→90%**

– Ethylene capacity –

– Ethylene-based polymers capacity –



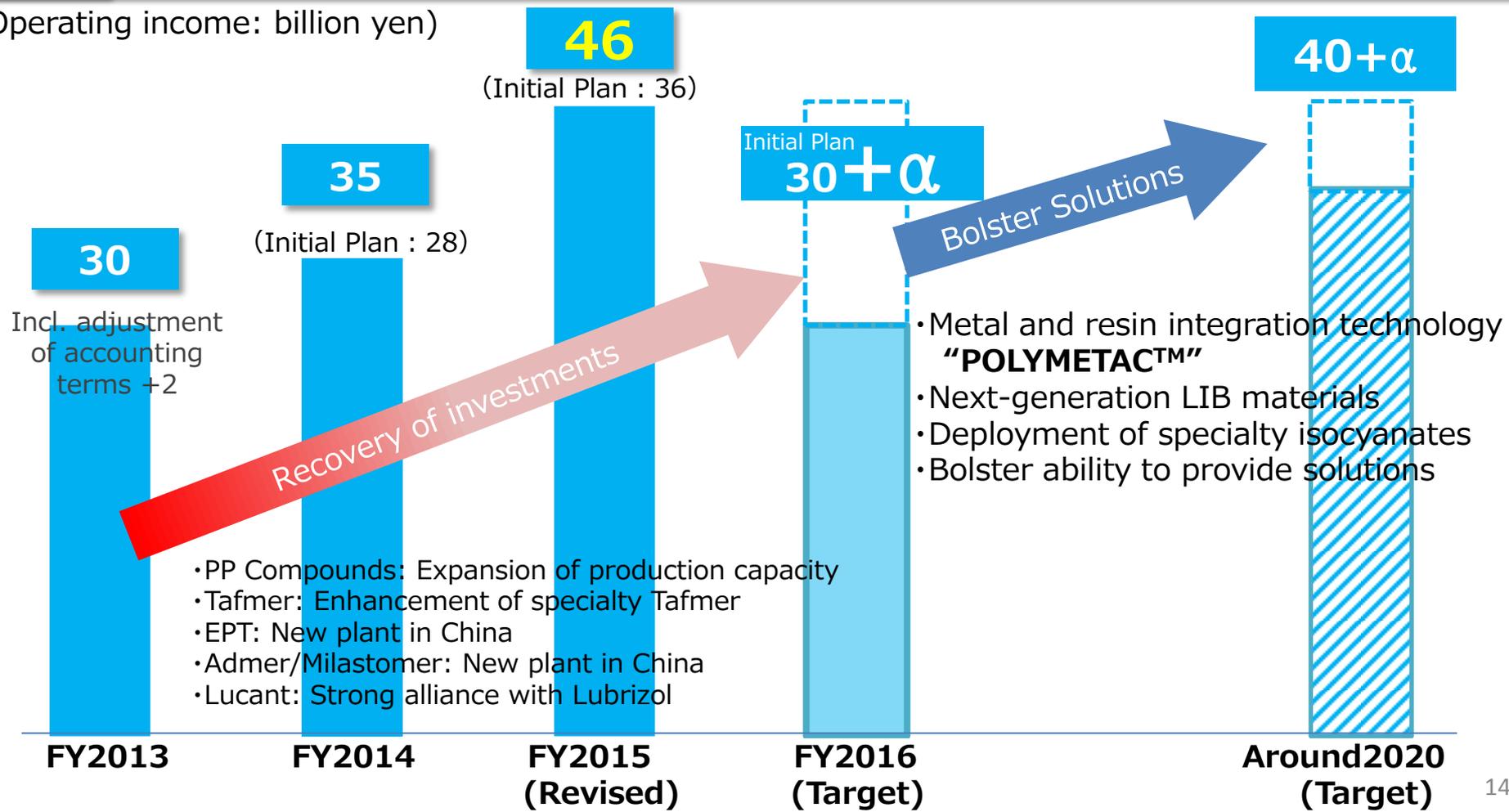
- ✓ Established Ciba LLP (Apr. 2010)
- ✓ Implemented low run rate measures (Aug. 2013)
- ✓ Withdrew from Keiyo Ethylene (Mar. 2015)

- ✓ Strengthened Evolve capacity (Nov. 2011)
- ✓ Terminated 1 HDPE plant (Apr. 2013)
- ✓ Terminated 1 LLDPE plant (Oct. 2014)

## ✓ 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)





## Polymetac™ for use in frames of lightweight UAV

\*Polymetac™ : metal and resin integration technology

### Light-weight & economical solutions

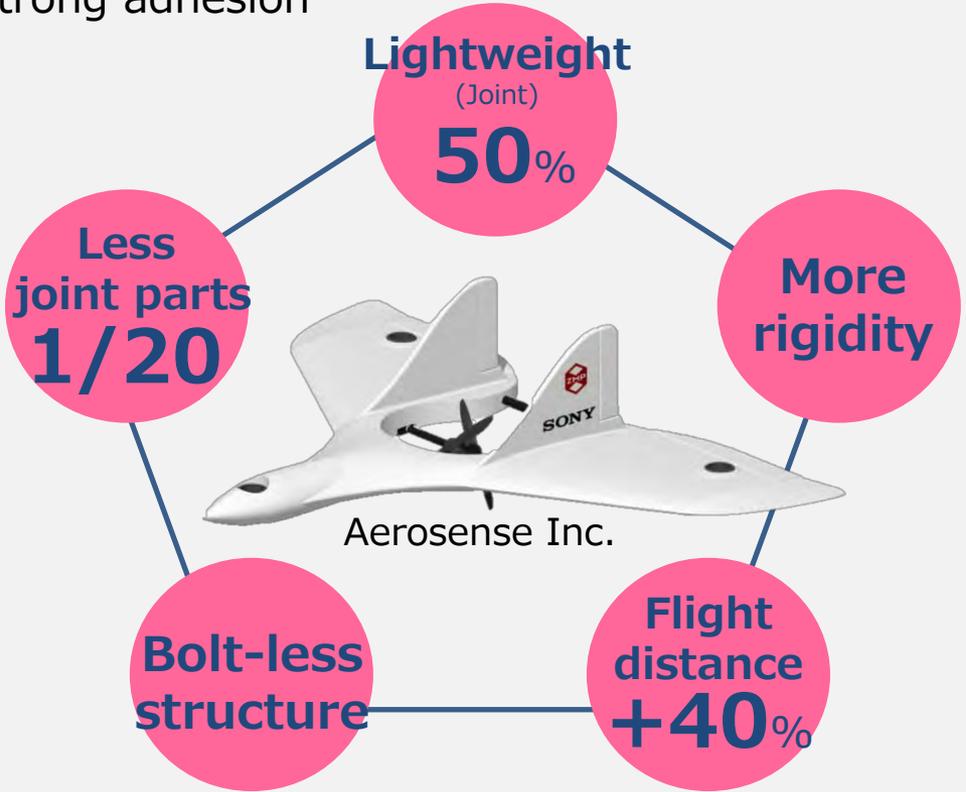
### Safety solutions

### Comfort solutions

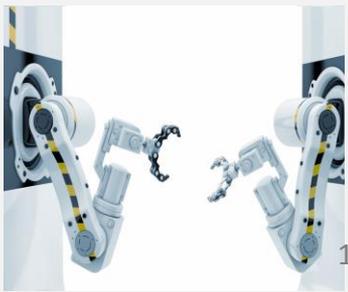
### Design solutions



- ✓ New technology for adhesion and bonding of various metals and resins that was not possible using conventional methods
- ✓ Strong adhesion



### Applications

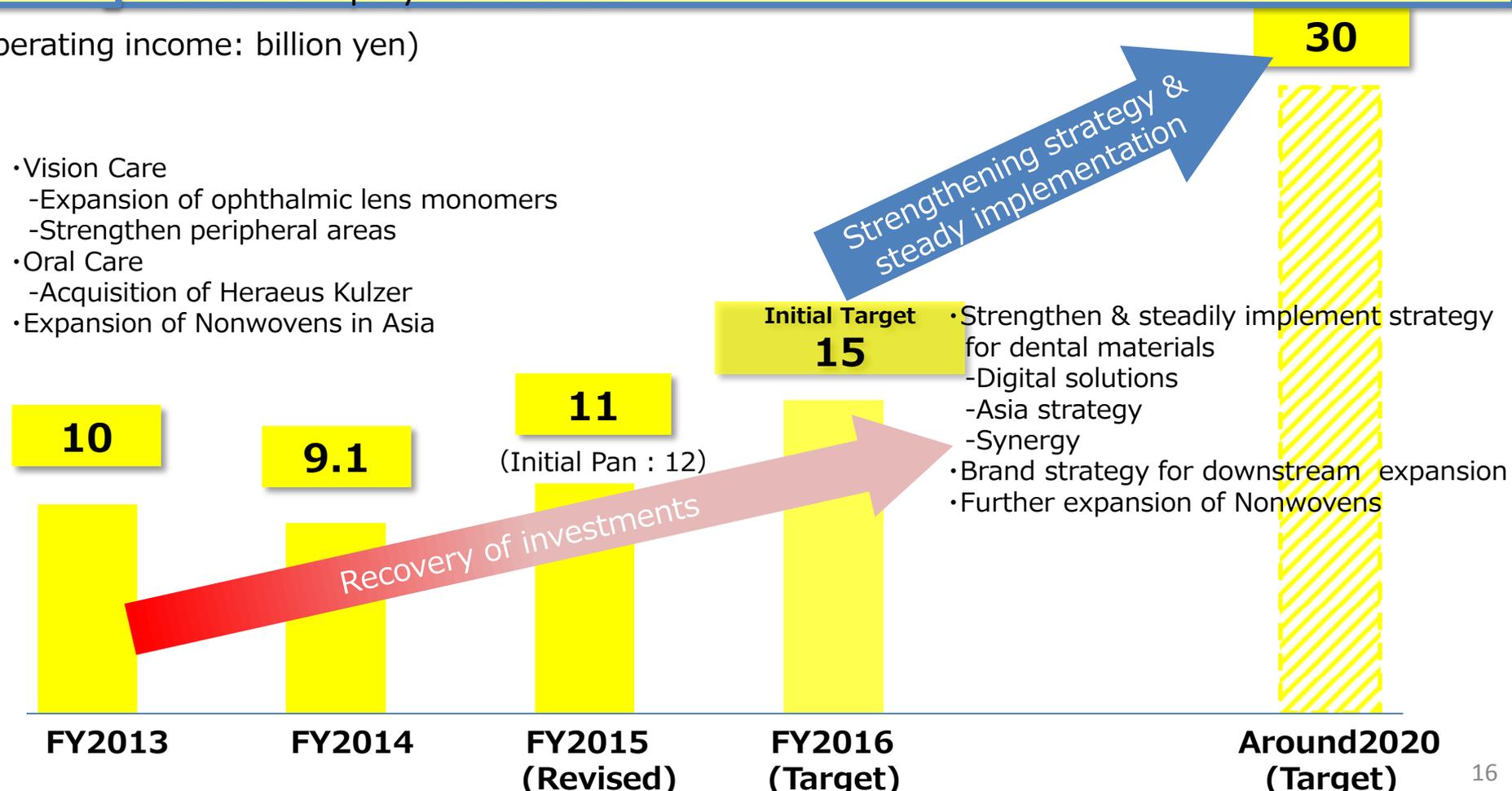




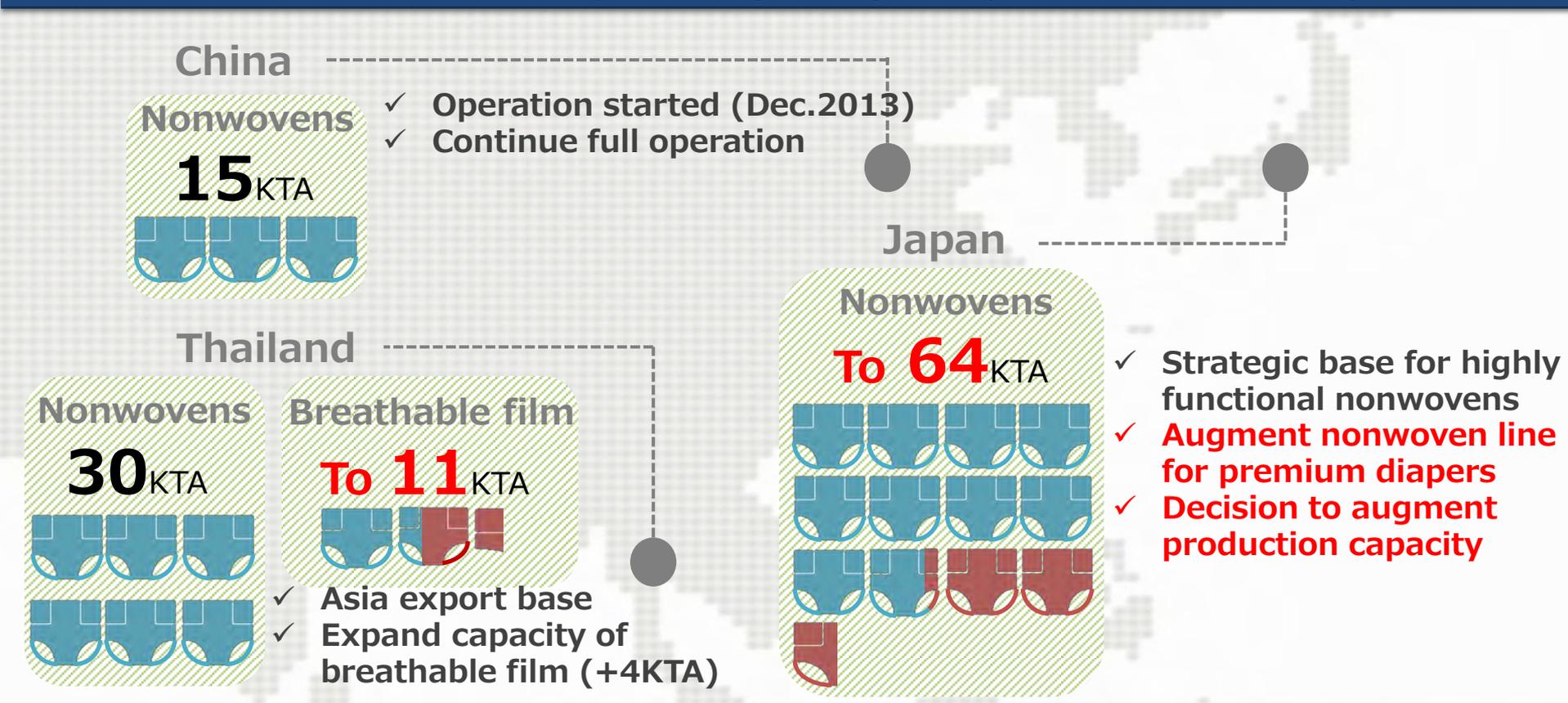
## ✓ Steady growth and improved earnings from new products and wider applications

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



- ✓ **De-bottlenecking of highly functional nonwoven line for premium diapers** (+50%, Dec 2015 completion)
- ✓ **Bolster breathable film capacity in Thailand** (+4KTA, Jan 2017)
- ✓ **Decision to augment nonwovens production in Japan** to meet inbound demand & expand diaper exports (+15KTA, 2H FY2017)



- **Strengthen No.1 market share in Asia for highly functional nonwovens**
- Enhance customer value by consistent R&D in all stages from raw materials to spinning & processing



## Non-achievement

of targets set at acquisition

### Sales portfolio by region

#### ◆ Dental material market by region

N.America  
30%

Europe  
40%

Asia  
20%

#### ◆ Sales portfolio of HK

North America

Europe

Asia

19%

66%

12%

- ✓ Challenge to strengthen presence in USA, the world's largest market

## Growth

in digital dental technology market

### Digital dental market

#### Response to small milling growth

- ✓ Expand sales of digital instruments
- ✓ Sales of distinctive products

10%



Digital dental market

Small milling

Large milling

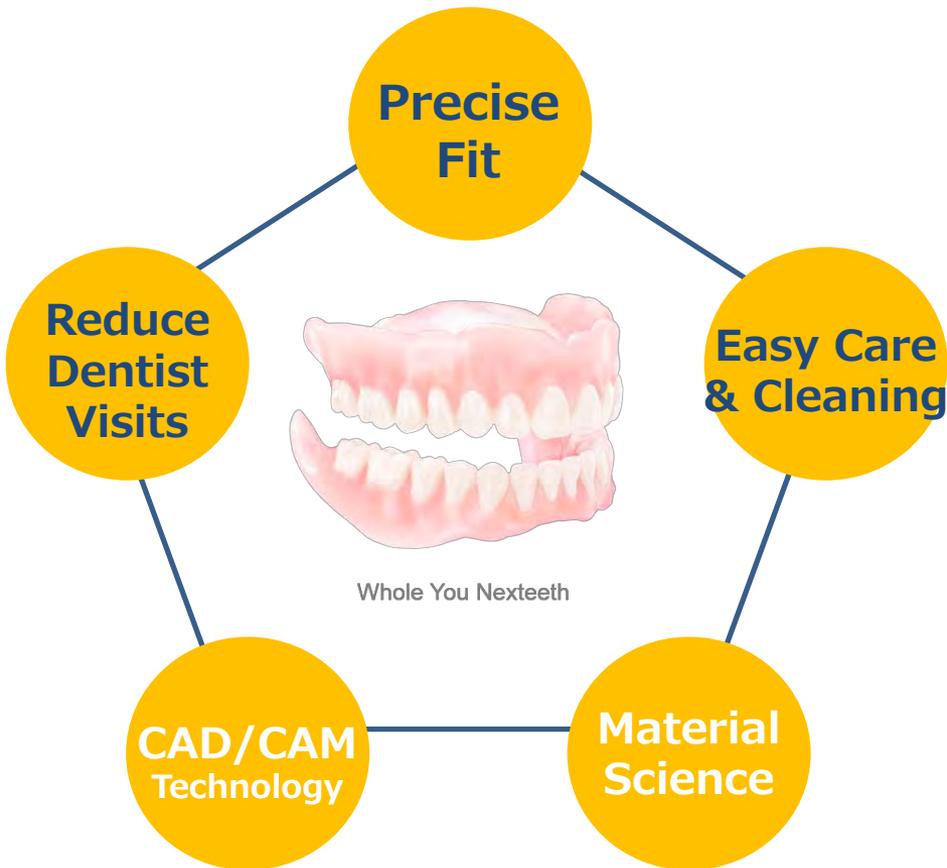
- ✓ Response to local and products features

- Strengthen sales activities in North America
- Respond flexibly to digitalization
- Introduce new products using Group's technological synergy

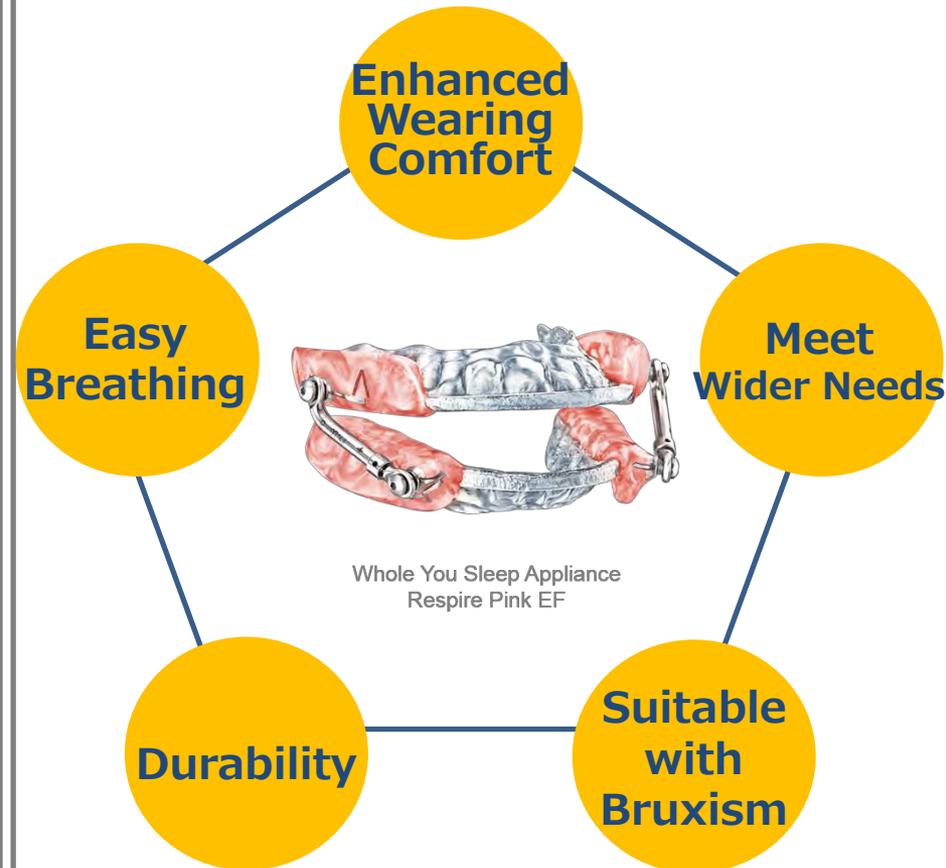
# Whole You™

~Whole You provides solutions to those with sensory and physical mobility challenges~

## Nexteeth™ Full Denture



## Oral appliance for OSA



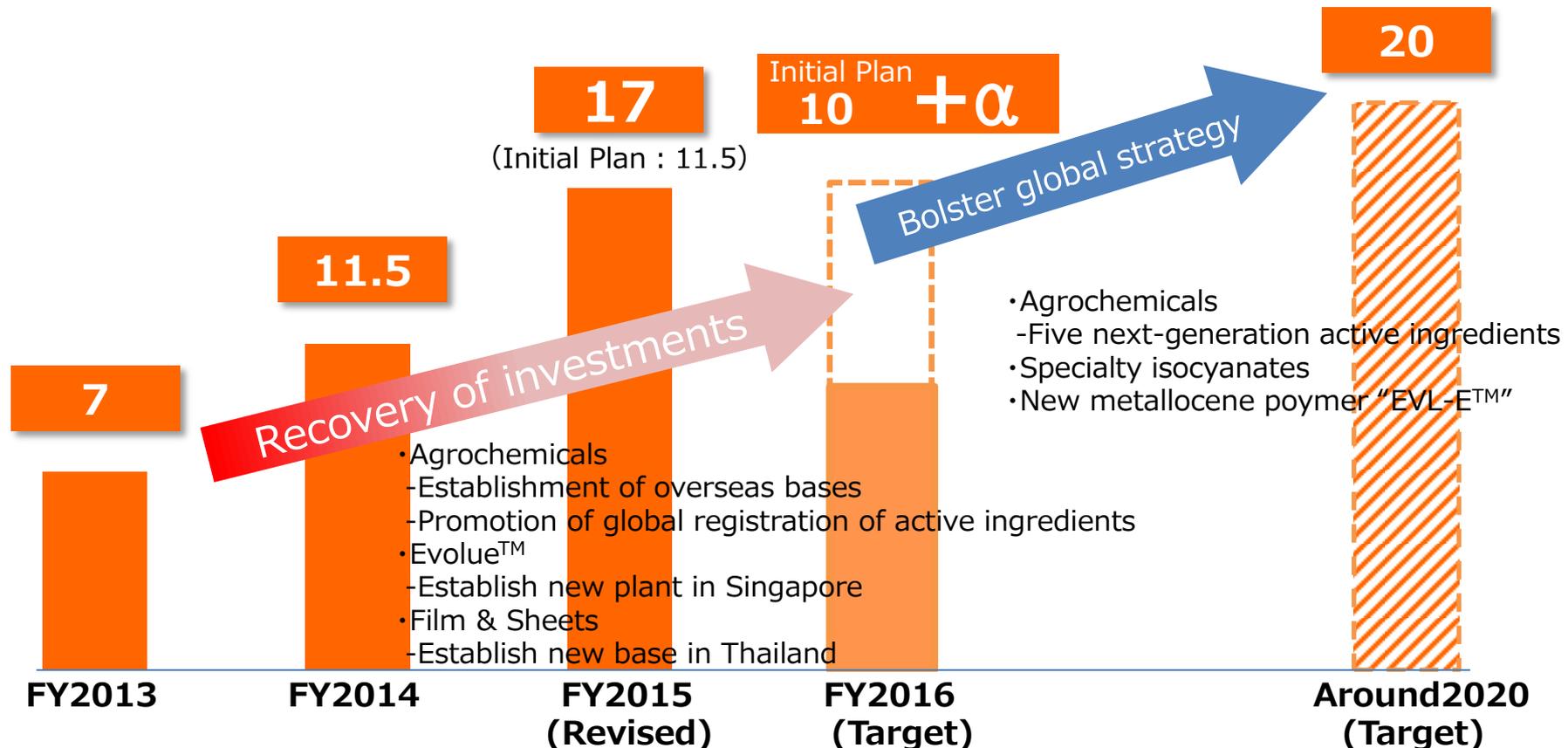


## ✓ Front loading of Food & Packaging domain expansion

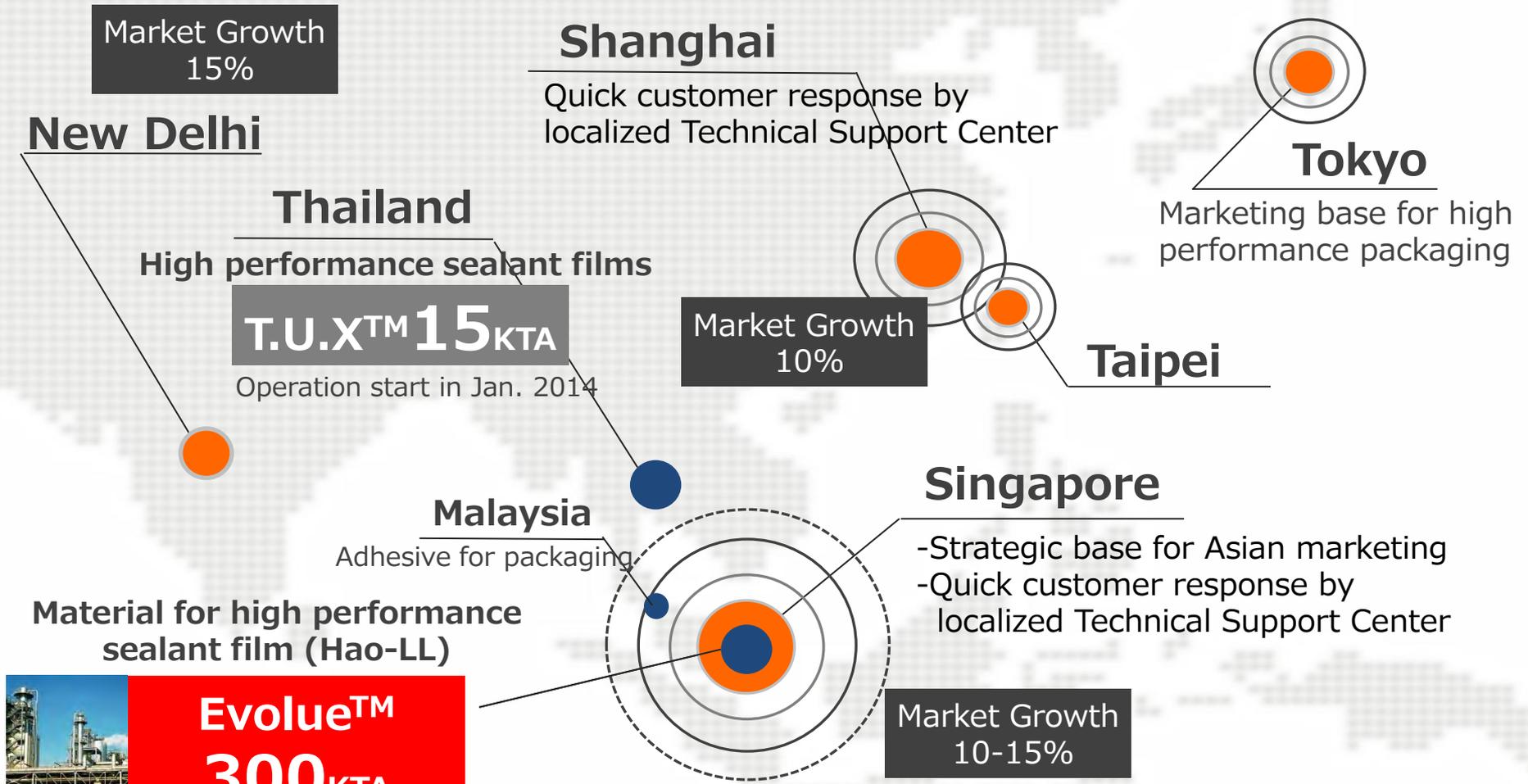
**Measures**

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

(Operating income: billion yen)



- ✓ 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

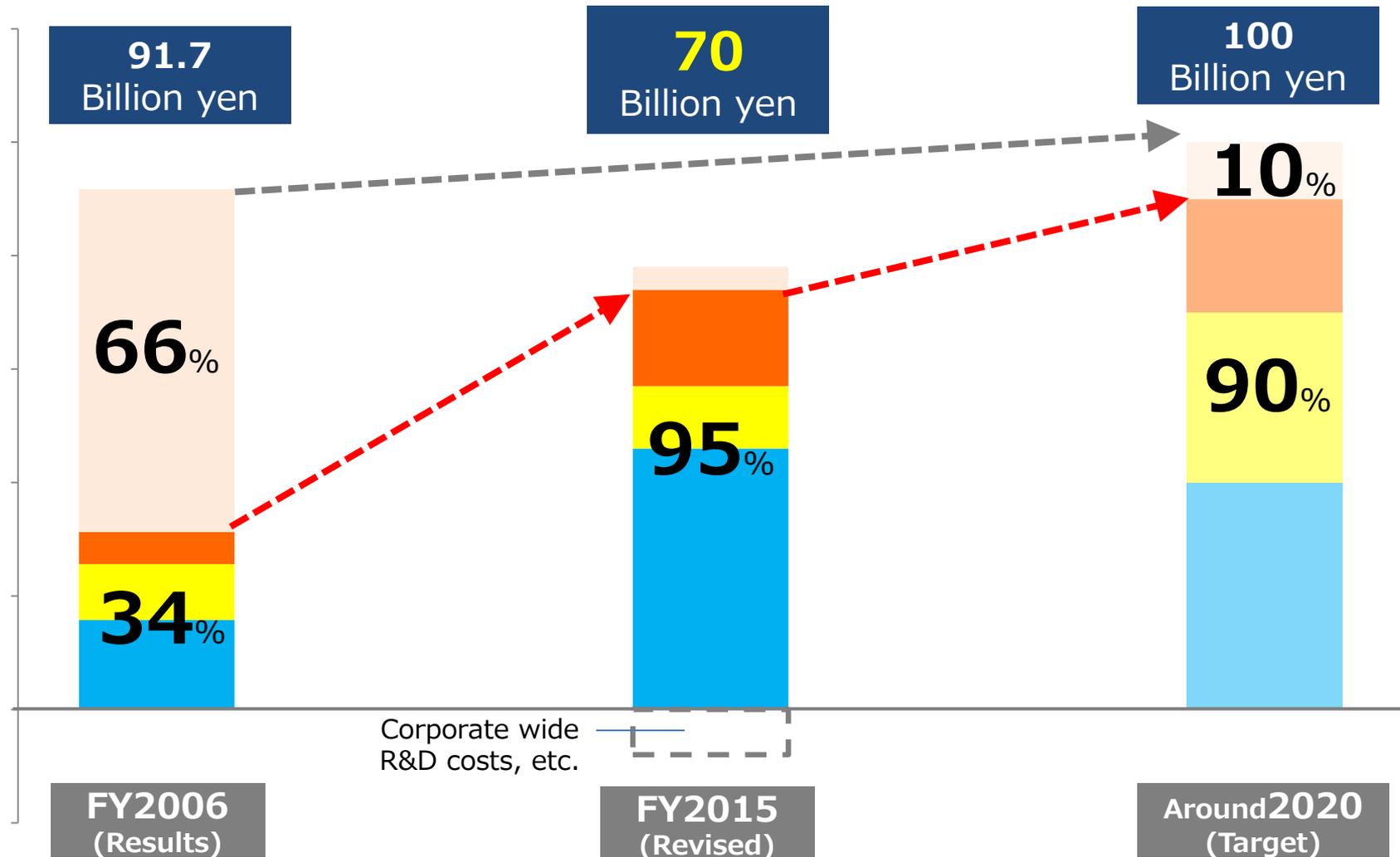


Commercial operation : FY2015/2H

# Business Portfolio Target Around 2020

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

(Operating income)



**FY2014-15<sup>2nd</sup>-16**

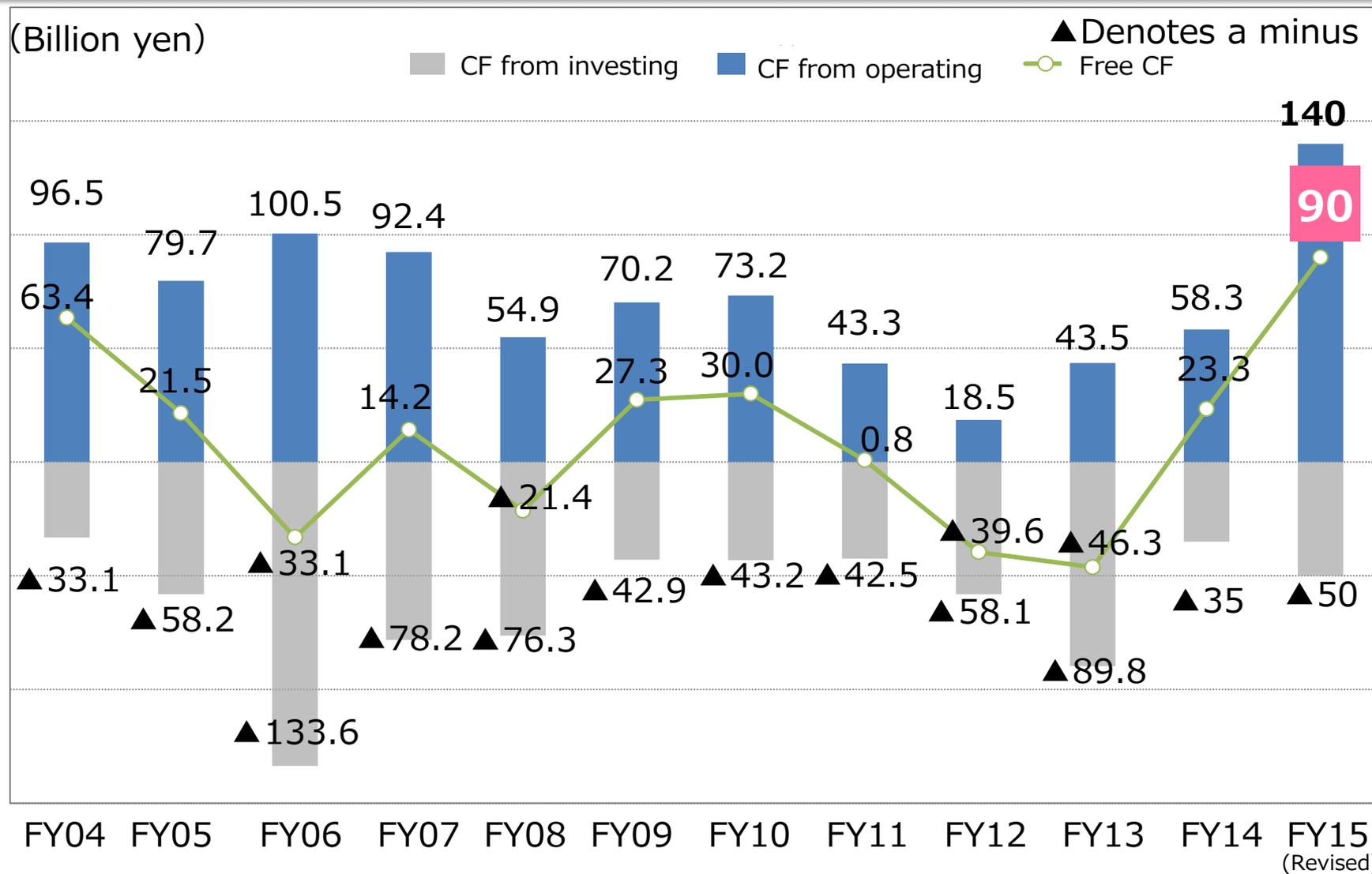
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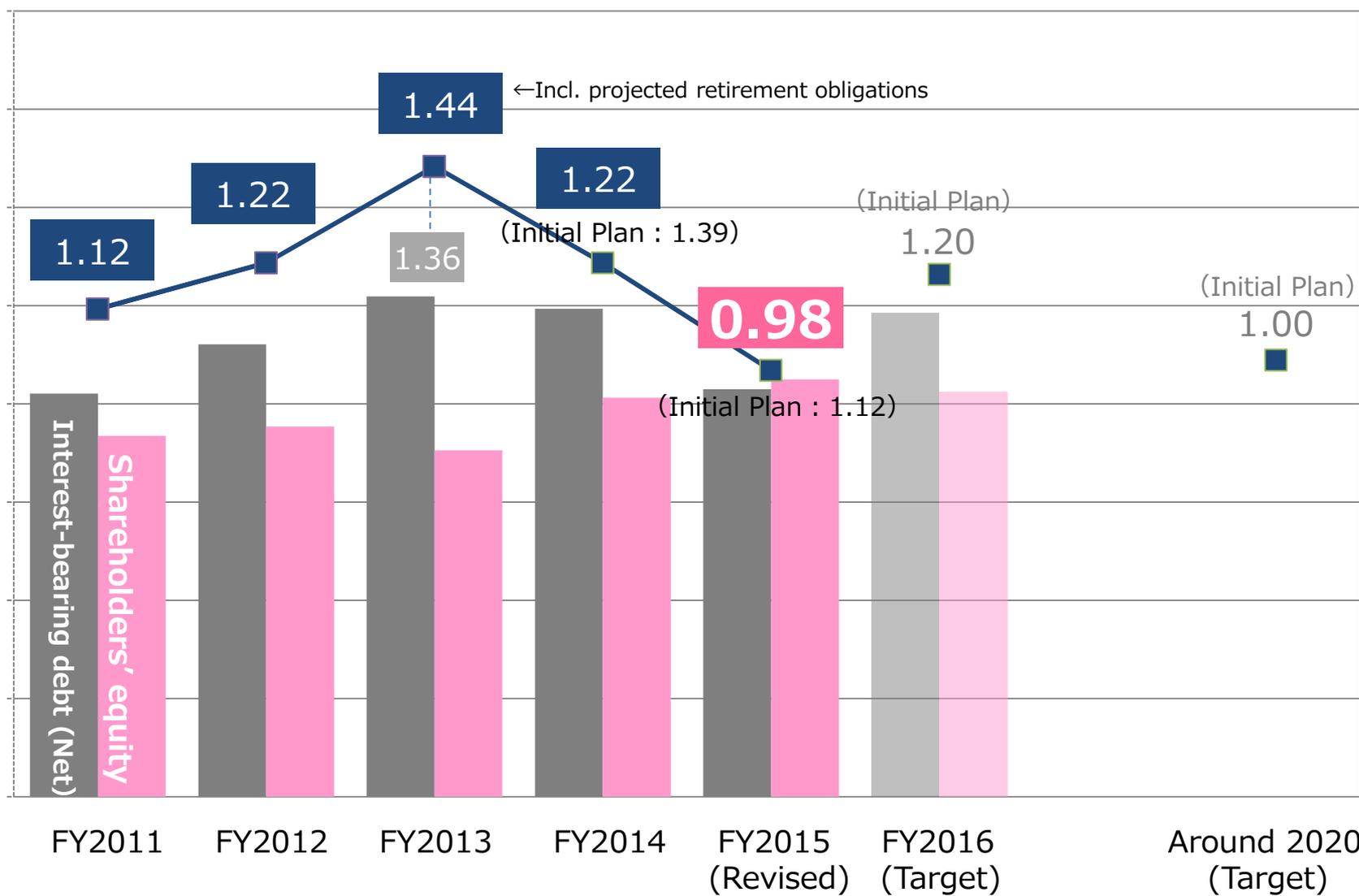
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# Management Target

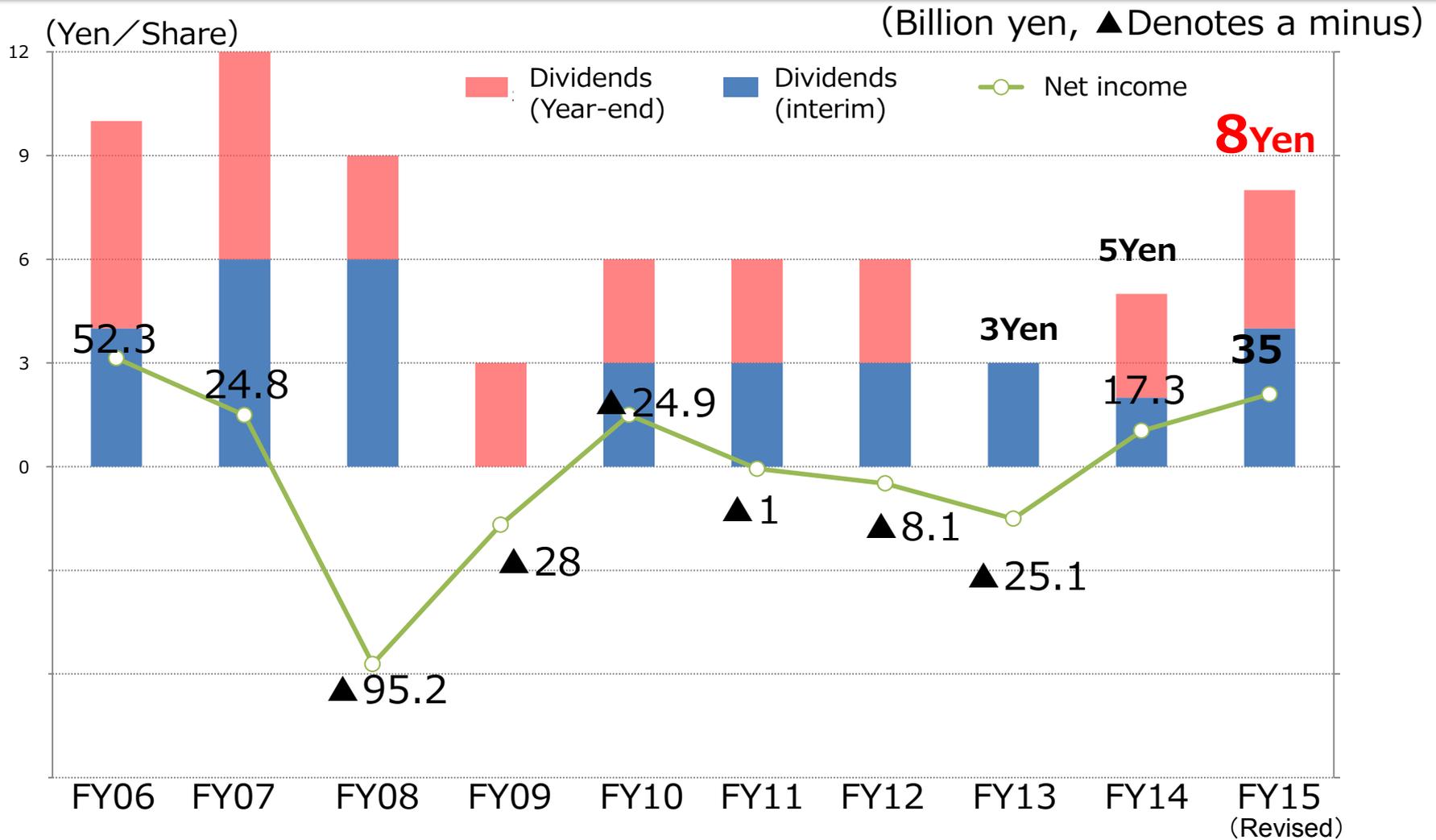
- ✓ Significant improvement of consolidated free cash flow
- ✓ Investments in growth while continuing to improve finances



✓ **Early achievement of net D/E=1.0** (Target around 2020)



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



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

## FY2015 Revised

Operating Income  
**¥70.0 billion**

Net Income  
**¥35.0 billion**

OP-ROA  
**5%**

Net D/E  
**0.98**

ROE  
**8.4%**

Dividends  
**¥8 /Share**

# Mid- and Long-Term Management Targets

▲Denotes a minus

	FY2013 Results	FY2014 Results	FY2015 Revised	FY2016 Target	Around 2020 Target
<b>Sales</b>	<b>1,566</b> (billion yen)	<b>1,550</b>	<b>1,355</b>	1,750	1,800
<b>Operating income</b>	<b>24.9</b> (billion yen)	<b>42.0</b>	<b>70.0</b>	60.0	100.0
<b>Net income</b>	<b>▲25.1</b> (billion yen)	<b>17.3</b>	<b>35.0</b>	30.0	50.0
<b>ROA</b>	<b>1.8%</b>	<b>3.0%</b>	<b>5.0%</b>	4.0%	6.0%
<b>ROE</b>	–	<b>4.5%</b>	<b>8.4%</b>	8.0%	Over 10%
<b>Net D/E</b>	<b>1.44</b>	<b>1.22</b>	<b>0.98</b>	→	1.00
<b>Dividends</b>	<b>¥3 /share</b>	<b>¥5/share</b>	<b>¥8/share</b>	<b>Stable dividends</b> (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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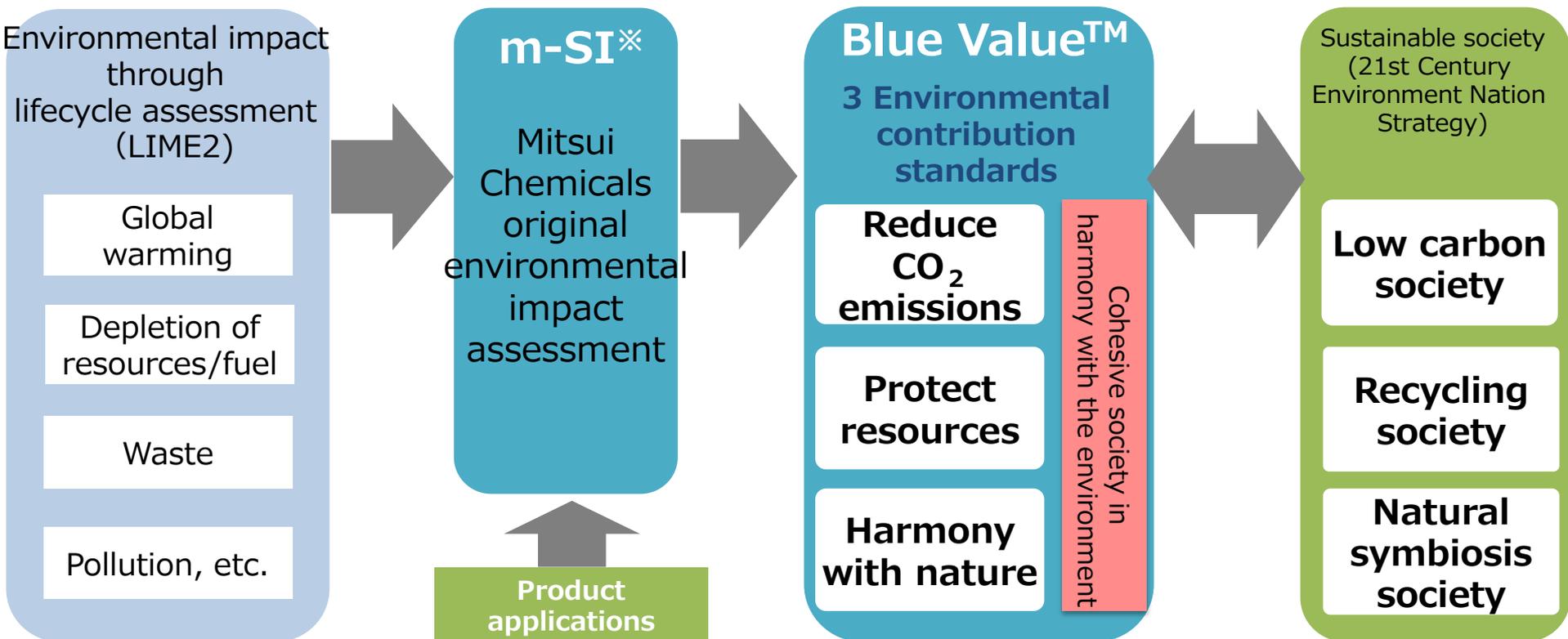
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# Supplement

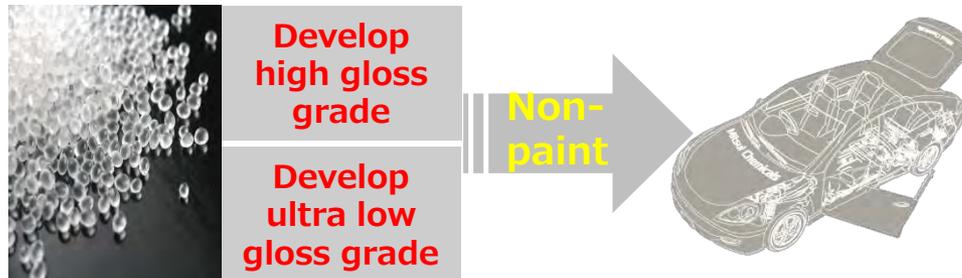
- ✓ Quantify social and environmental contributions made through business activities
- ✓ Evaluate environmental contribution by **product applications**
- ✓ Share information with stakeholders on development and launch of products and services with significant environmental contribution
- ✓ Develop "**Blue Value Chain**" to realize a cohesive society in harmony with the environment



※m-SI : Mitsui Sustainability Index established in 2013

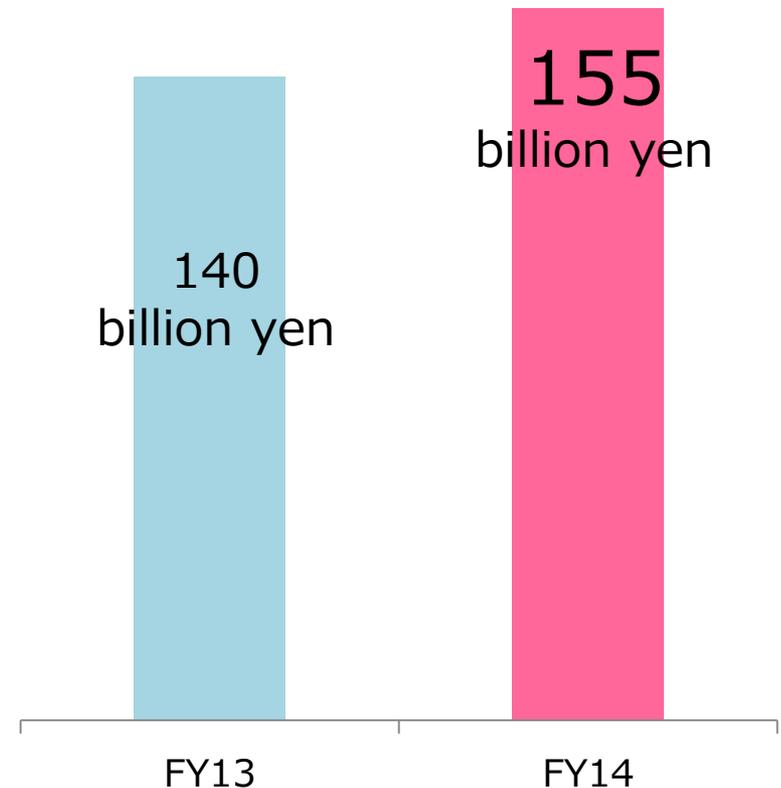
## Blue Value Products

Example) Use of non-paint bumpers/instrumental panel materials



**13.3%** reduction in GHG by eliminating painting process

## Blue Value Product Sales (Mobility domain)



- ✓ Resolve social challenges by reducing environmental impact of the value chain through improvement of fuel efficiency with lightweight solutions and elimination of painting processes
- ✓ Expand product assessments to quantify the value of environmental contributions

## ◆ Co-sponsored cicLAvia held in LA ◆

- Popular walker and non-motorized traffic event in Los Angeles -

Mr. Bruce Hall is an active photographer with visible impairments. Welcoming him as a partner embodies the philosophy of the Whole You brand, “The Whole Day” event was successfully organized on October 18, 2015.

\*Event highlights will be released as a documentary soon.



**Whole You™ has received a significant number of inquiries from consumers who learned about the brand and its products from dynamic promotions such as People, TIME magazine, and the world's largest Internet radio service, Pandora.**

Today's forecast:  
no more fog

Looking forward to  
the morning alarm.

INTRODUCING THE  
WHOLE YOU™  
Because life is a mouthpiece, that means  
no holes or cracks. Which means you can  
sleep soundly with a natural night's rest in the  
position you find comfortable, and get  
Learn more at [www.wholeyou.com](http://www.wholeyou.com)

INTRODUCING THE  
WHOLE YOU™  
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