

Mitsui Chemicals

Special Explanation of Business Results & Outlook

February 6, 2014

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President & CEO

Today, details of a key measure in assuring **our Group's future growth and sustainability**, namely the restructuring of our three volume market sectors, will be announced.

With unwavering determination, we will initiate the measures and tactics full force to assure realization of a **"V-Shaped" turnaround**.

- 1 . Financial Results & Outlook for FY2013
- 2 . Restructuring Measures for
Unprofitable Businesses
- 3 . V-shaped Turnaround
- 4 . Conclusion

Financial Results & Outlook for FY2013

Operating income is unchanged from the previously announced

(Billion yen)

▲ Denotes a minus

Items	FY2012		FY2013 forecast		FY2013 Forecast (on Nov.1)
	1-3Q	Full Year	1-3Q	Full Year	
Sales	1007.4	1406.2	1108.8	1570.0	1550.0
Operating income (loss)	2.5	4.3	15.1	25.0	25.0
Non-operating income (expenses)	▲ 1.1	4.9	▲ 1.0	▲ 4.0	▲ 4.0
Ordinary income (loss)	1.4	9.2	14.1	21.0	21.0
Special gains/losses	▲ 5.3	▲ 10.0	▲ 22.9	▲ 32.0	▲ 7.0
Net income (loss) before income taxes and minority interests	▲ 3.9	▲ 0.8	▲ 8.8	▲ 11.0	14.0
Net income (loss)	▲ 9.7	▲ 8.1	▲ 18.5	▲ 23.0	1.0

Exchange Rate (Yen/US\$)

80

83

99

100

99

Domestic Standard

55,400

57,500

65,700

67,300

64,900

Naphtha Price (Yen/KL)

Special Losses & Dividend

1) Special losses (Impairment)

- Record 32 billion yen extraordinary loss for current fiscal year for measures including restructuring of unprofitable large volume market

2) Dividend per share

- Fiscal 2013 dividends: 3 yen interim dividend / 0 yen year-end dividend
- Concentrate management resources on V-shaped turnaround measures
- Recompense director bonuses & reduce monthly remuneration
(minus 12 - 20%)

Promote restructuring and pursue growth path to
resume dividend pay out by FY2014 year-end

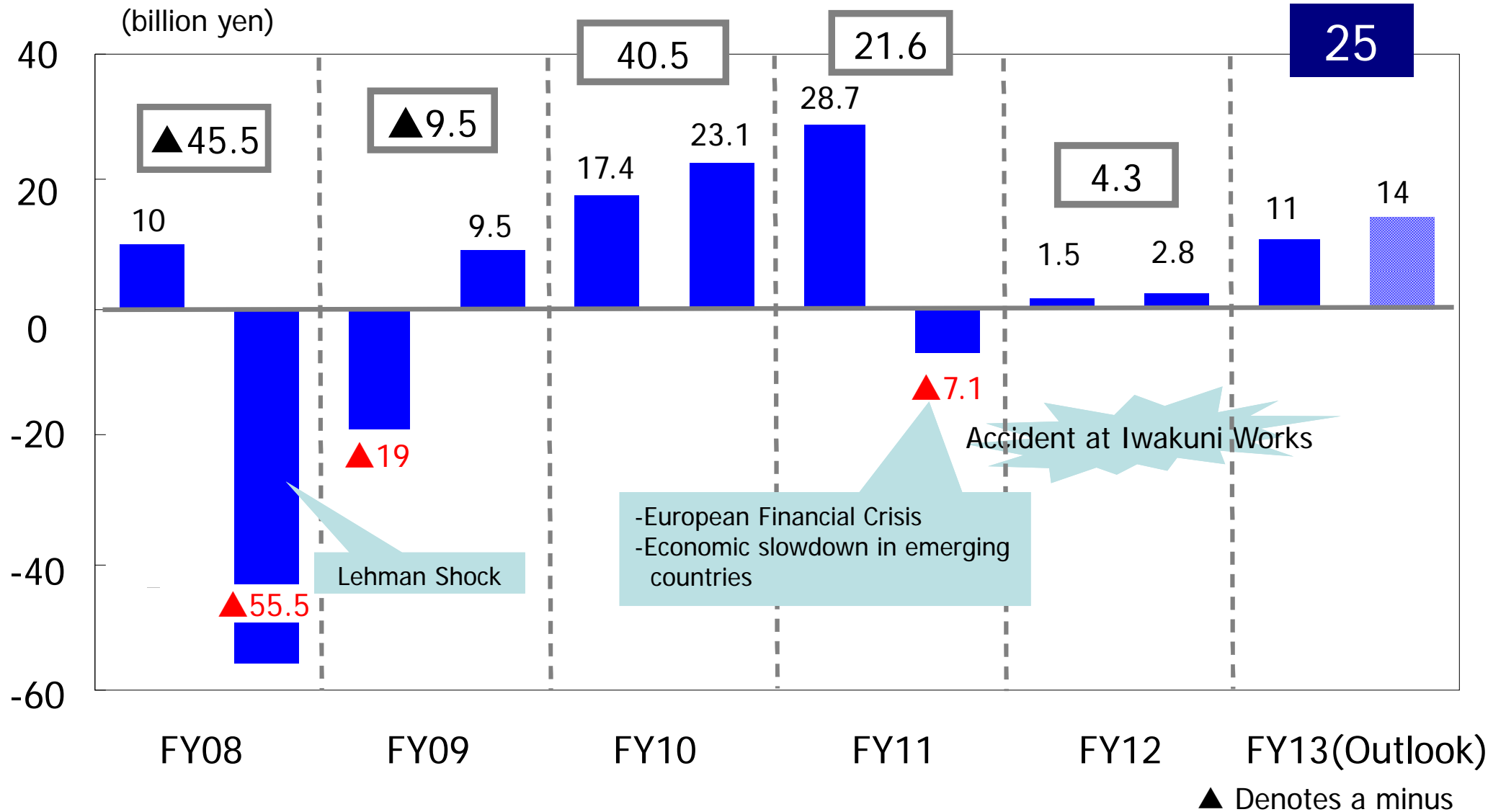
Operating Income (business segment)

(Billion Yen)

▲: Denotes a minus

Segment	FY2012		FY2013 forecast		Incr. (Decr.) (b)-(a)	FY2013 forecast (on Nov 1)
	1-3Q	Full Year (a)	1-3Q	Full Year (b)		
Functional Chemicals	9.5	12.4	12.1	16.5	4.1	16.5
Functional Polymeric Materials	6.6	8.4	9.3	13.0	4.6	13.0
Polyurethane	▲ 1.8	▲ 2.6	▲ 4.8	▲ 4.0	▲ 1.4	▲ 2.0
Basic Chemicals	▲ 12.6	▲ 18.9	▲ 13.9	▲ 18.5	0.4	▲ 16.0
Petrochemicals	4.3	7.7	15.4	23.0	15.3	19.5
Films & Sheets	▲ 2.2	▲ 3.3	1.2	0.5	3.8	▲ 0.5
Others	▲ 1.3	0.6	▲ 4.2	▲ 5.5	▲ 6.1	▲ 5.5
Total	2.5	4.3	15.1	25.0	20.7	25.0

Operating Income from FY2008



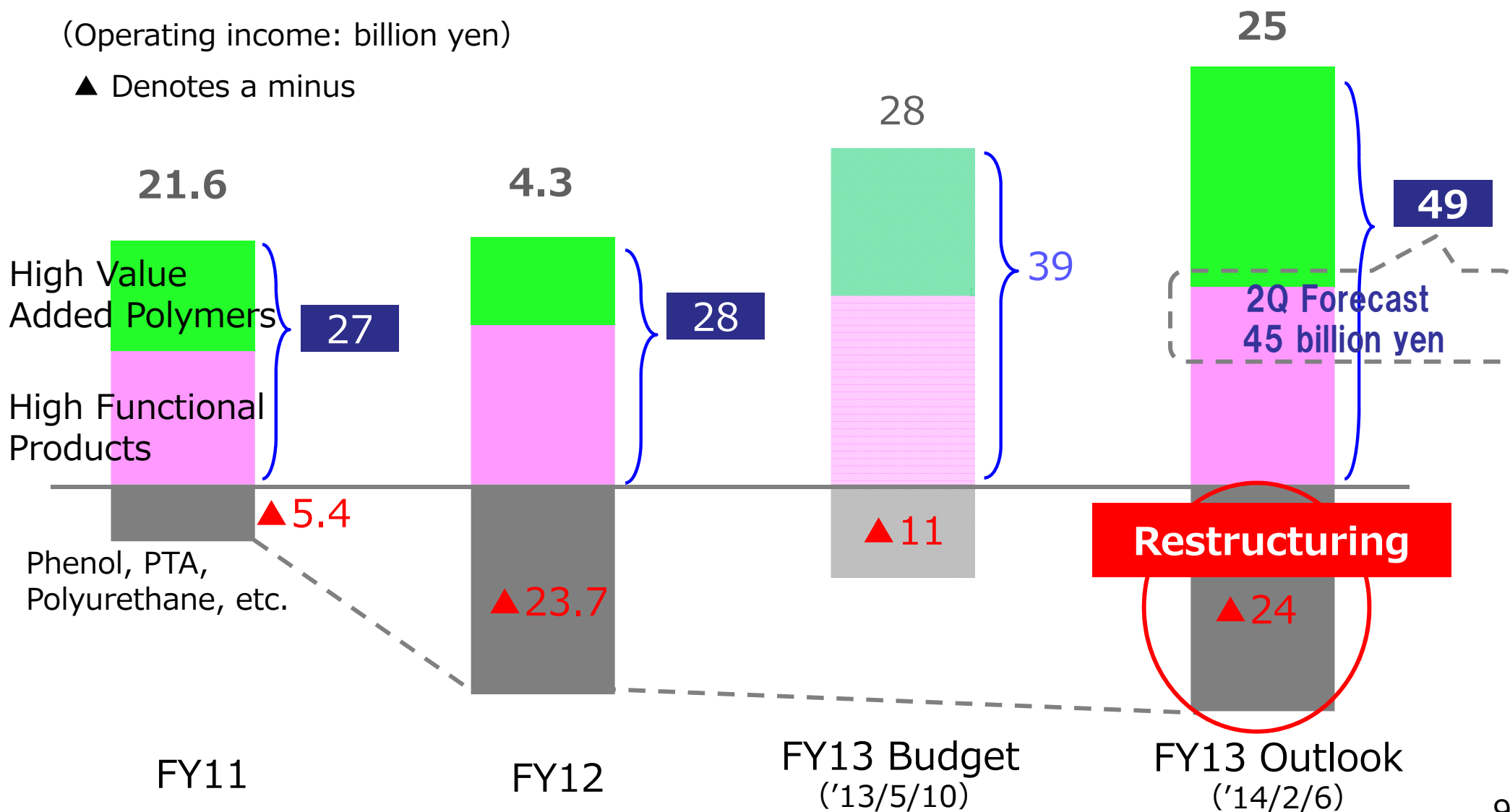
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Business Portfolio Condition and Challenges

- Steady progress in “High Functional Products” and “High Value Added Polymers”
- Restructuring of Phenol, PTA, and Polyurethane businesses

(Operating income: billion yen)

▲ Denotes a minus



① Polyurethanes

② Phenols

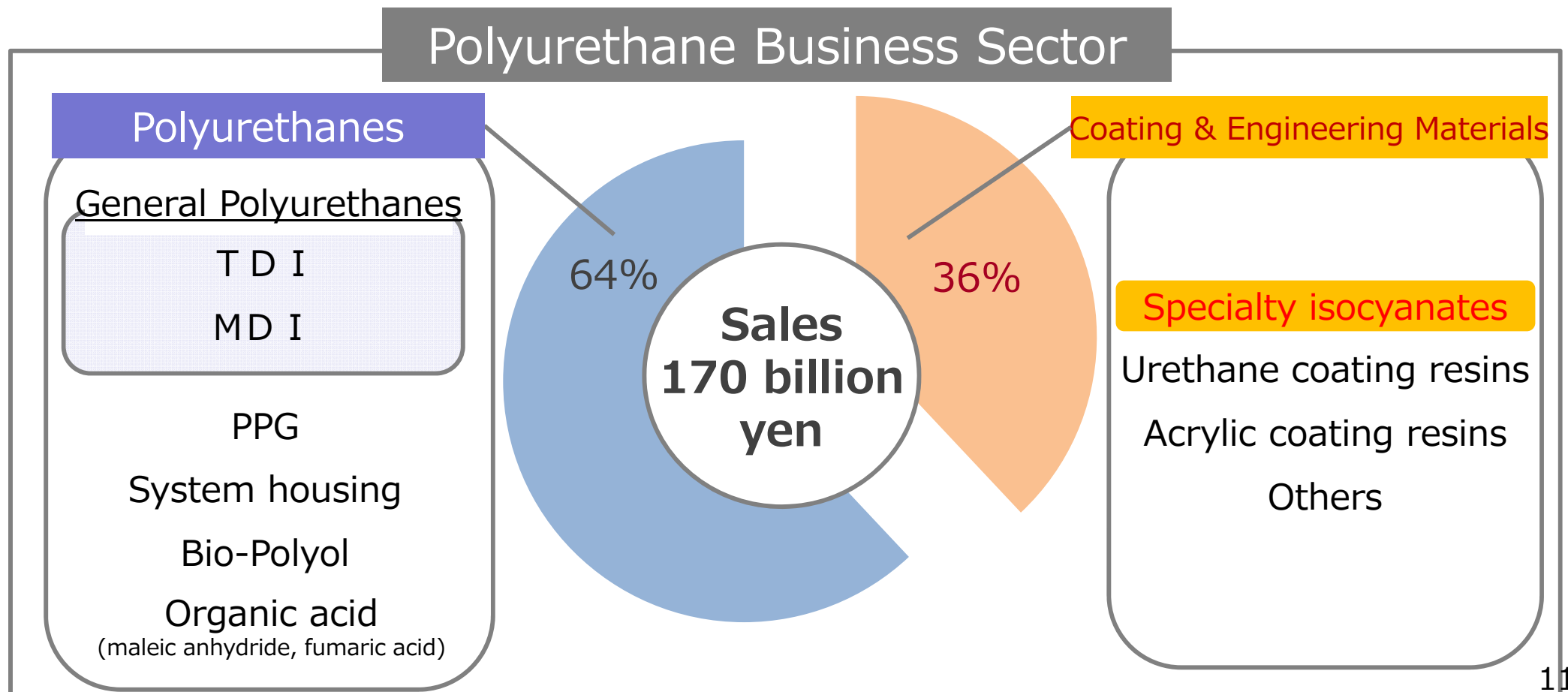
③ Purified Terephthalic Acid(PTA)

④ Summary

①-1) Key Point in Restructuring Polyurethane

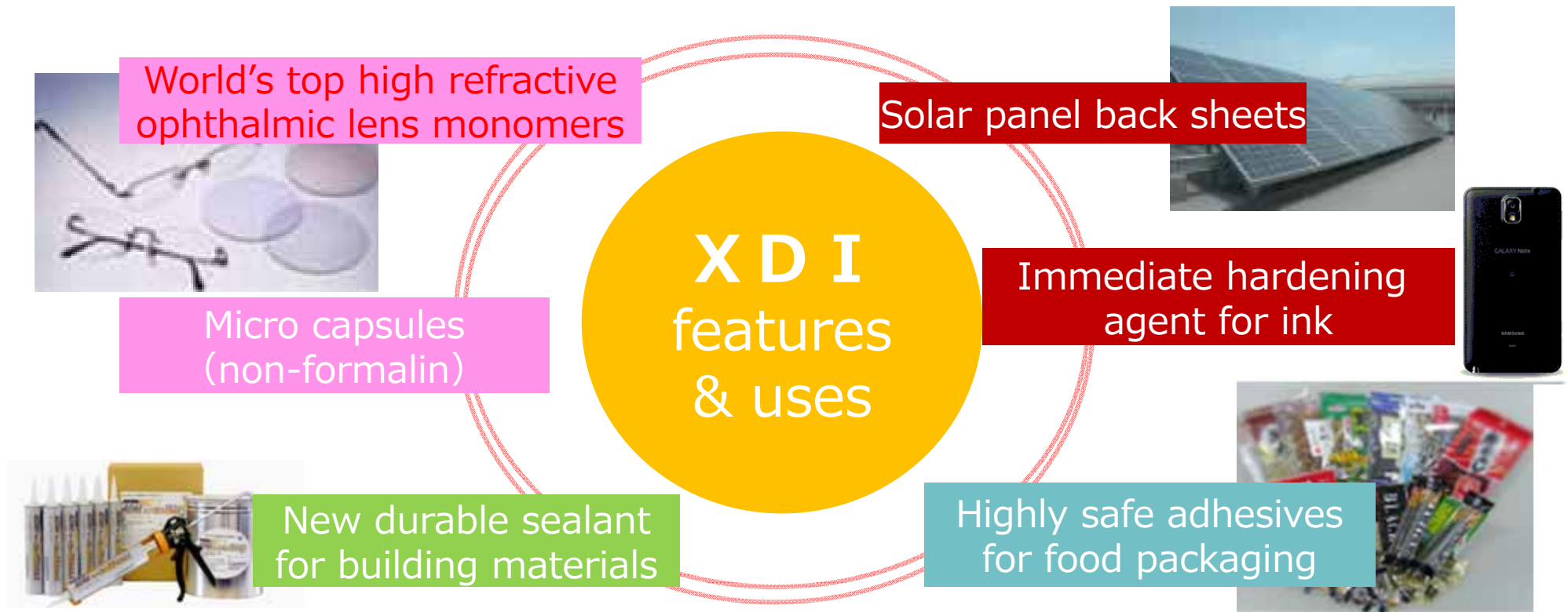
Plan

- Reinforce Coating & Engineering business through specialty isocyanates
- Establish optimum operations for general-use polyurethane by terminating non-competitive plants and maintaining competitive plants



①-2) Reinforcing Specialty Isocyanates

- Establish new large-scale, state-of-the-art competitive plant for specialty isocyanates (XDI) made with unique proprietary technology to match increasing demands for coating resins and ophthalmic lens monomers
(Omuta Works, 5,000MT/y, Oct. 2015)



Contribute to expansion and strengthening of coating resin and lens monomers competitiveness through large-scale XDI facilities

Environment(TDI)

- New facilities in Asia centering on China upset supply balance causing downward market prices
- Omuta TDI remains competitive while Kashima TDI loses competitiveness

Environment(MDI)

- Driven by strong growth in demand, market deterioration slight despite new facilities in Asia centering on China
- Korean MDI is competitive while Omuta MDI loses competitiveness due to small capacity facilities

Maintain competitive plants and suspend non-competitive plants

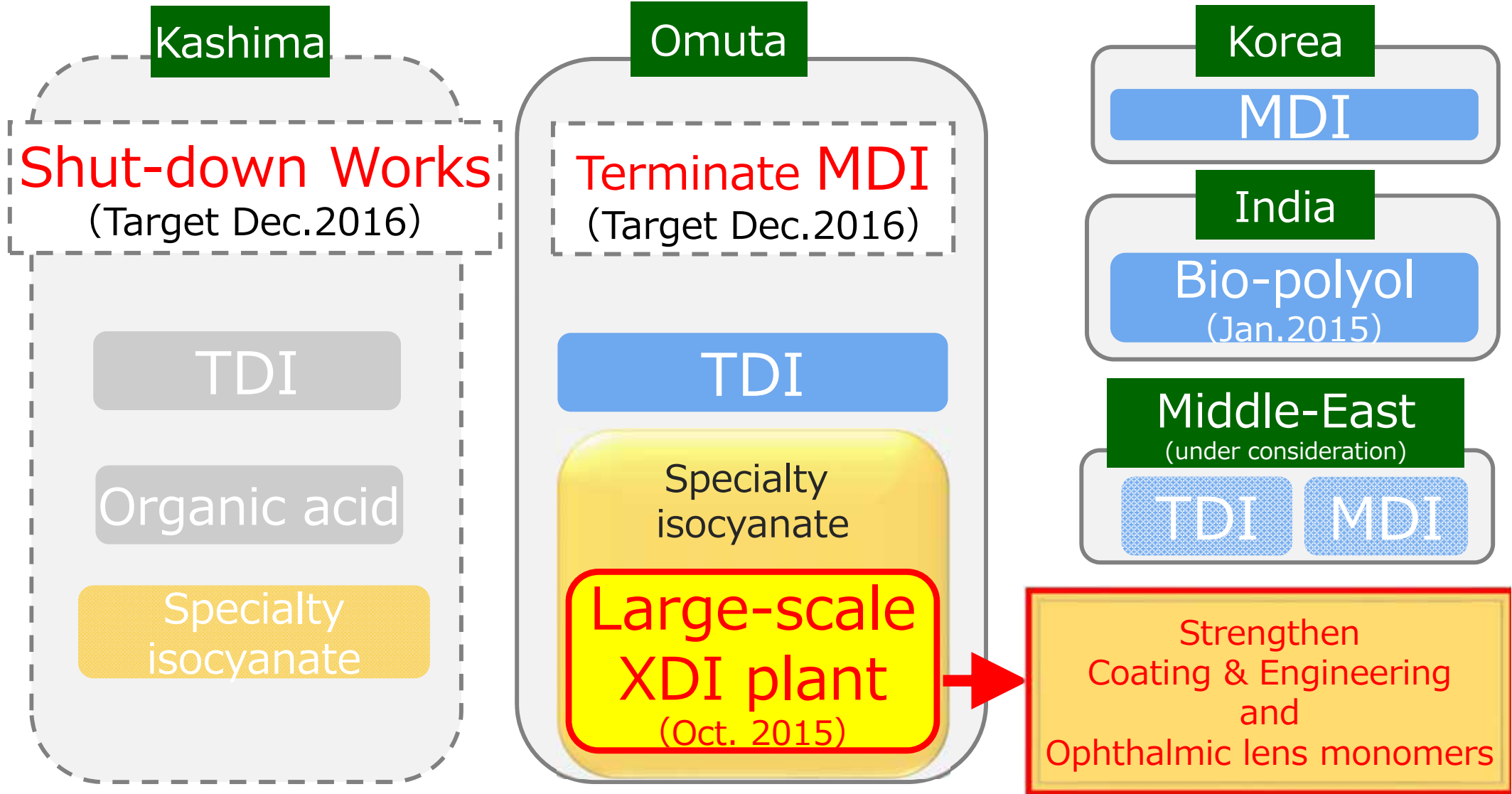
Restructuring

- 1) **Kashima Works: Terminate all plants incl. TDI and Shut-down**
(target Dec. 2016)
 - TDI (117KTA) / Stable supply to existing customers by sourcing from third parties
 - Specialty isocyanate (2.4KTA) / Establish new large scale plant in Omuta
 - Organic acid (maleic anhydride 32KTA, Fumaric acid 15KTA) / Withdrawal from organic acids with shut-down Kashima Works

- 2) **Omuta Works: Terminate MDI plant (60KTA, target Dec. 2016)**

※maintain employment of all staff

①-4) Summary of Polyurethane Restructuring



- Establish optimal production system for general-use polyurethane raw material sustainability through plant competitiveness
- Strengthen position by strategic deployment in highly competitive Middle East and through business alliances

①-5) XDI Strengthening World's Top Ophthalmic Lens Monomers

Increasing demand for high refractive lens monomers



Ageing

Strengthening of
**Purchasing
power**

(developing countries)

Comfort



Thin & Lightweight

Clear View

Strong & Safe

Good Durability

Material
Only 1

World's first use of
XDI thiol technology
for lens materials

Patent
Over 250

Strong global
patent network

Global
45%

Highest share
in the world

Marketing
Branding

Strategic partnership
with global customers

Respond to expanding demand for high refractive lens through competitive new large-scale plant for proprietary XDI

① Polyurethanes

② Phenols

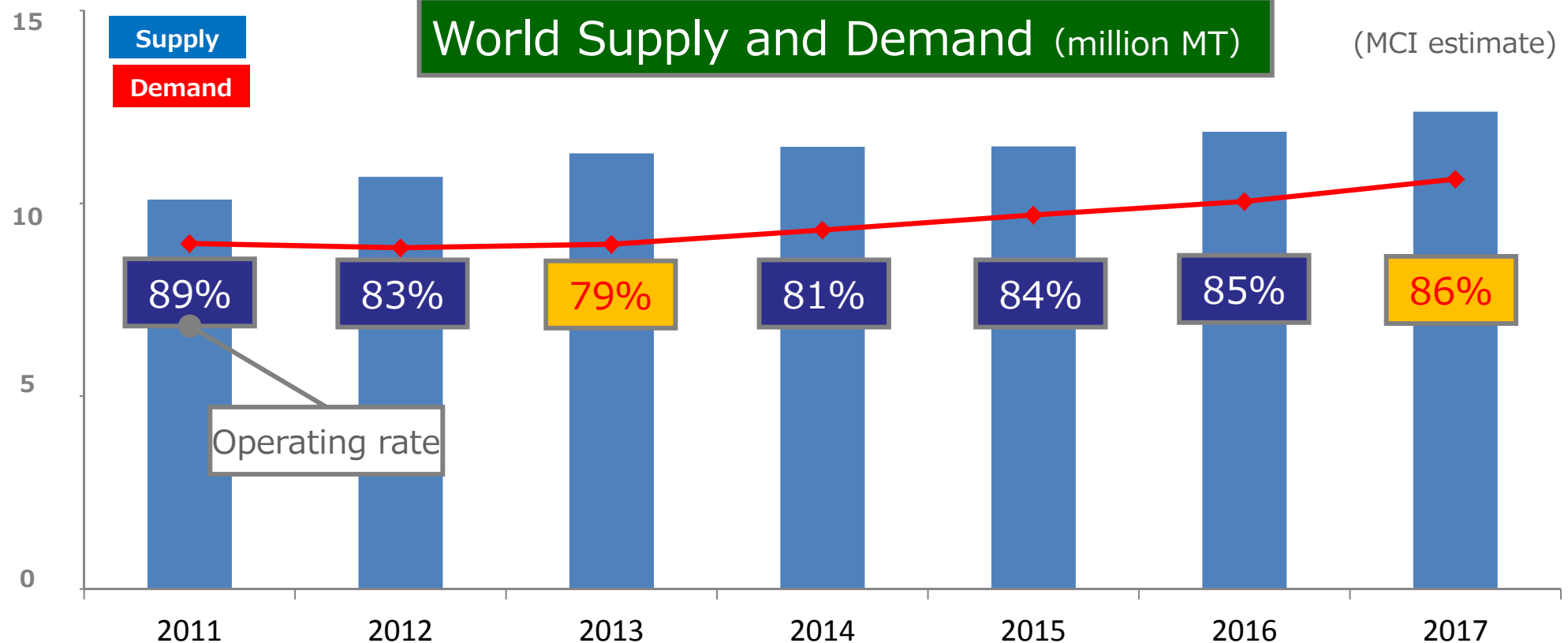
③ Purified Terephthalic Acid(PTA)

④ Summary

②-1) Key Point for Restructuring Phenol

【Background of phenol business deterioration】

- Over supply from new facilities and production increases in China
 - Weak market and sharp increases in benzene prices
- ⇒ Spread deterioration between phenol/BPA and benzene



Startup of new players has slowed. Existing manufacturers are expanding facilities to offer selections including derivatives. World supply and demand is expected to improve gradually by 2016-17.

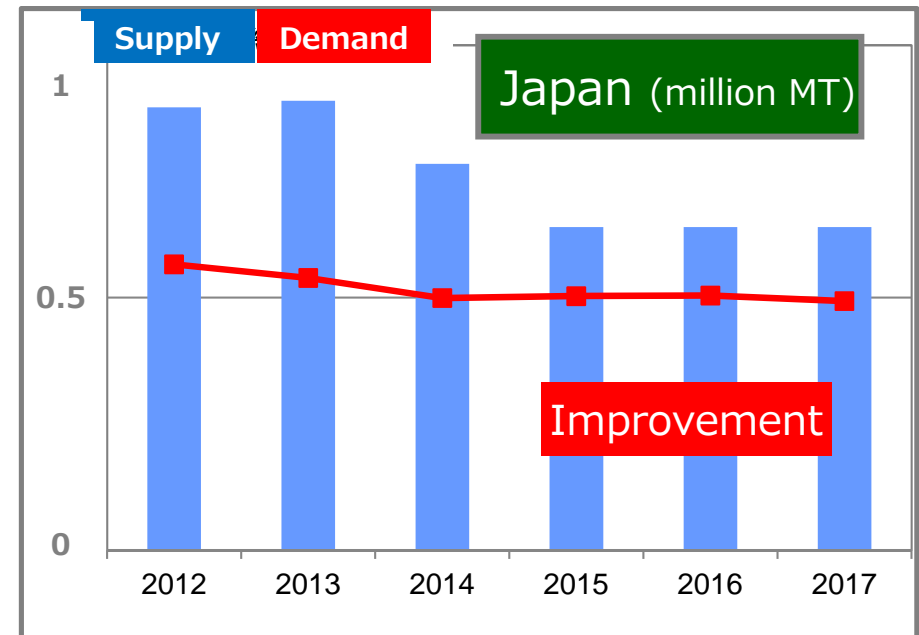
②-2) Restructuring Phenol (Japan)

Environment

- Surplus 300KTA in Japan
 - Stop export to China due to unprofitable margin (anti-dumping duties: 6%, high transport costs)
- ⇒ **Need to establish local production for local consumption**

Restructuring

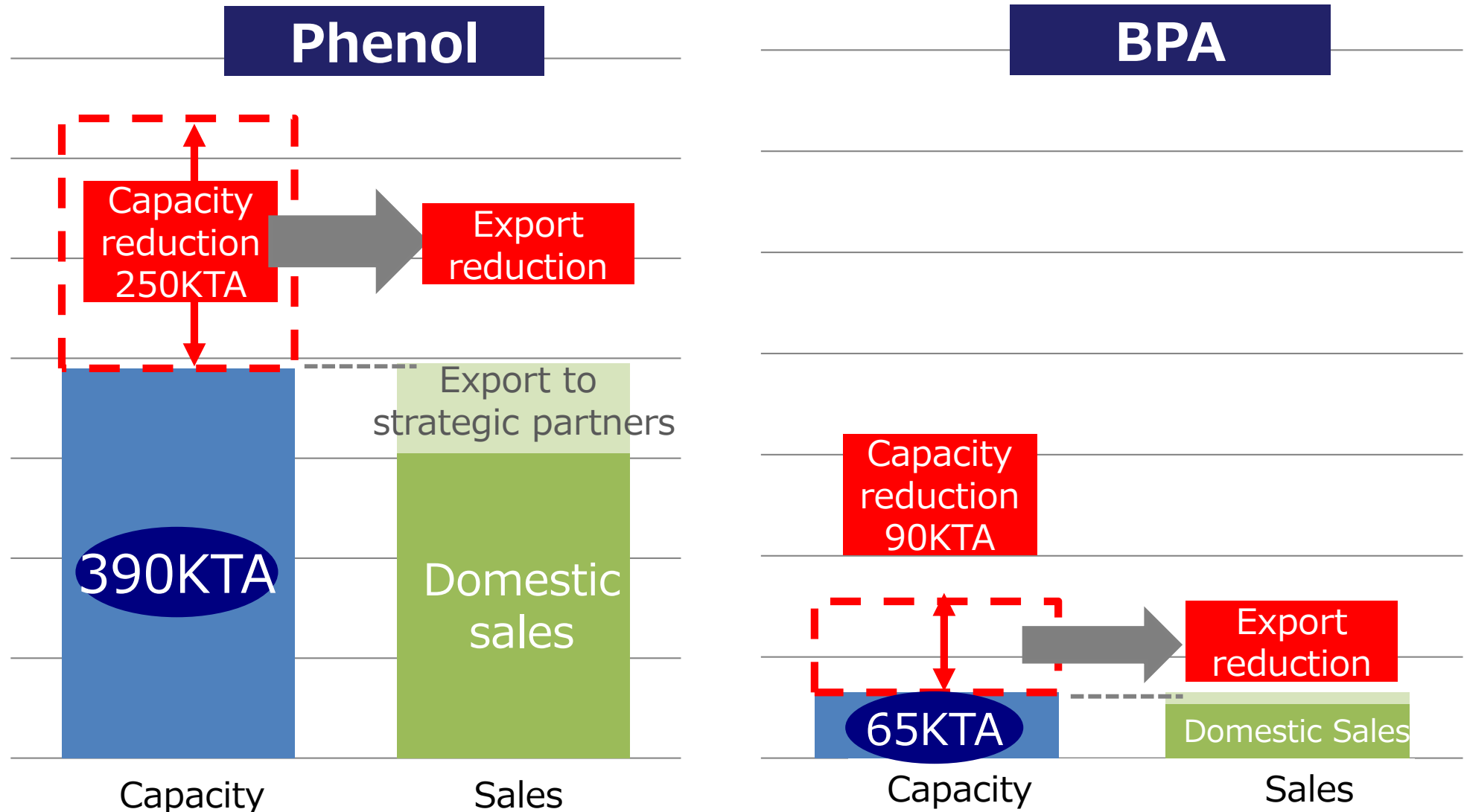
- 1) **Terminate BPA plant**
(90KTA, Ichihara, Mar.2014)
- 2) **Terminate Chiba Phenol**
(250KTA, Sep.2014)
- 3) Energy cost cuts



- 4) **Use advantage of Chinese plant competitiveness in growing Chinese market**

Establish local production-local consumption **for domestic profitability**

②-3) After Restructuring Phenol (Japan)



- Reduce exports of phenol & BPA while establishing a local production for local consumption system
- Exports will be continued for strategic customers with long-term agreements

Environment

- Only 2 phenol companies in ASEAN
 - High energy costs (electricity, steam, etc.)
 - Low operation rates for BPA due to weak market
- ⇒ Strengthen competitiveness of energy costs while establishing a local production for local consumption system

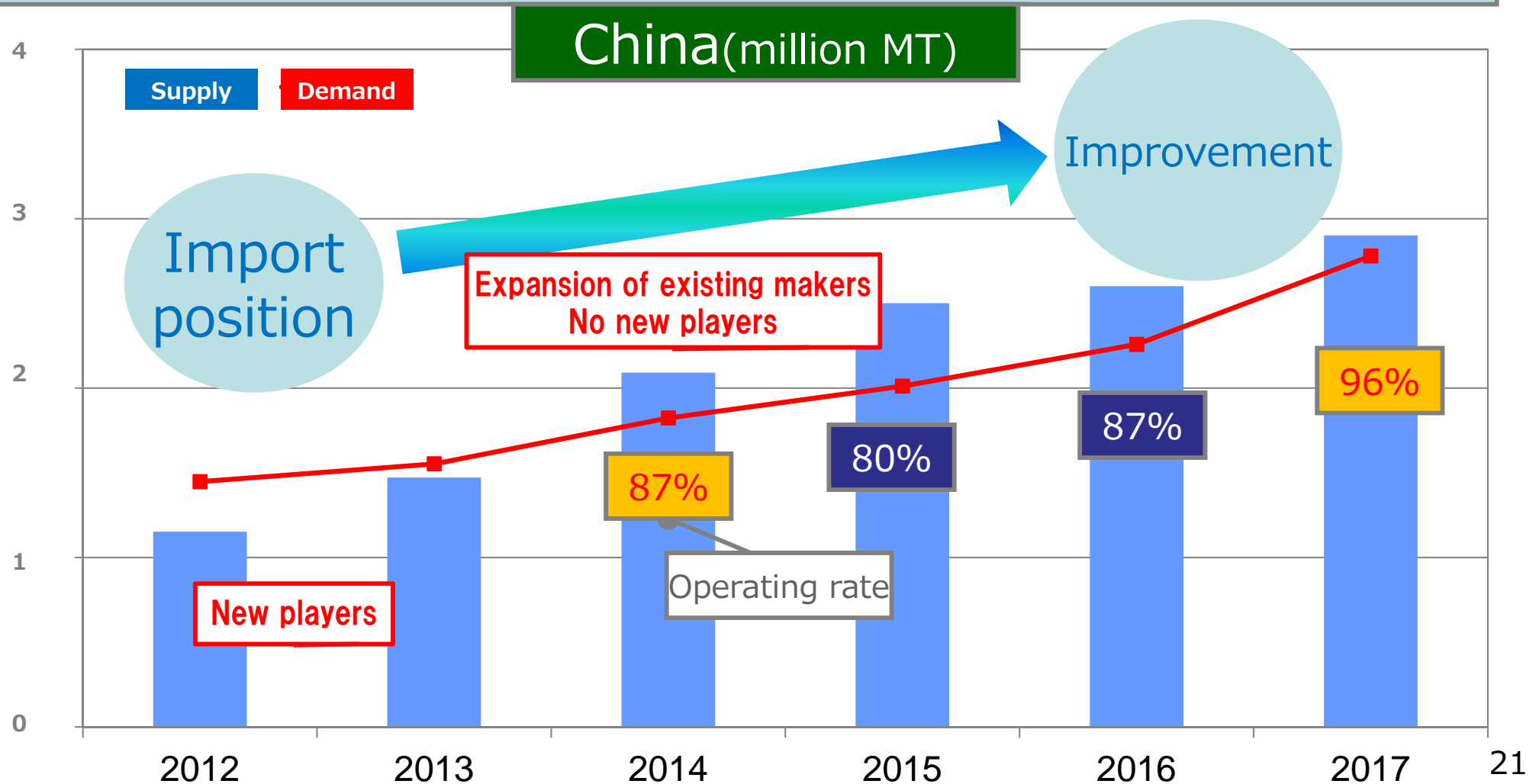
Restructuring

- 1) Cost cuts
 - Convert to competitive energy (coal)/ electricity (new partner)
 - Purchase competitive raw materials (new supplier)
- 2) Suspend BPA (70KTA)
- 3) Establish system to distribute total amount in ASEAN (zero export to China)
- 4) Study partnerships

②-5) Restructuring Phenol (China)

Environment

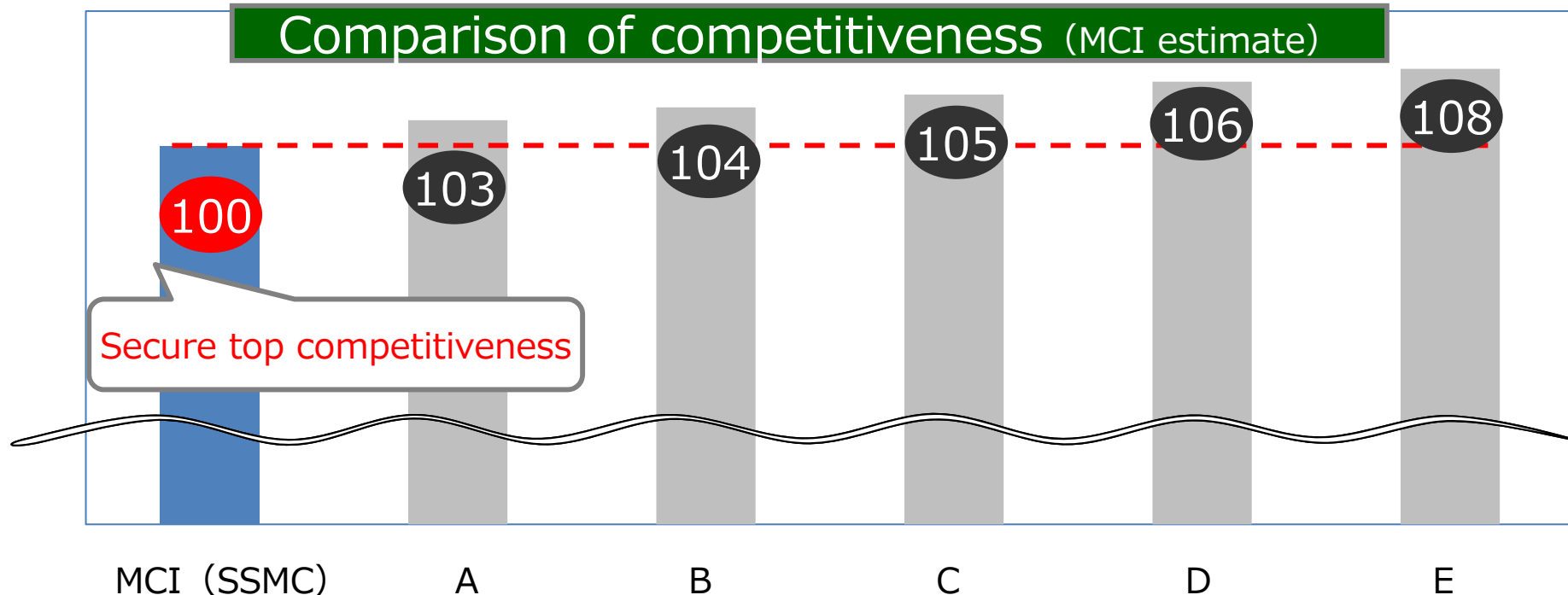
- Forecast of continuing phenol surplus in China demand.
- With start-up of derivative plants, **improvement forecasted in 2016-17**
- China domestic spread competitive over imports due to 5.5% duty and transportation costs



②-6) Restructuring Phenol (China)

- Strategic sites in growing Chinese market through joint ventures with Sinopec (250KTA, startup May 2014)
- Use of superior low cost utilities and new state-of-the-art proprietary processes (25% improvement over earlier processes)
- Low cost utility and competitive materials through collaboration with Asia's largest Sinopec
- Sinopec's strong sales network in China

Smooth startup of China plant for immediate profitability



Top competitiveness in growing Chinese market

②-7) Summary of Phenol Restructuring

Japan	Singapore (tax measures, FTA)	China (tariff merit)
<p>Terminate BPA (90KTA, Mar.2014)</p>	<p>Suspend BPA (70KTA)</p>	<p>Newest state-of-the-art processes with superior utility per unit</p>
<p>Terminate Chiba Phenol (250KTA, Sep.2014)</p>	<p>Cost cuts (utility, materials)</p>	<p>Partnership with Sinopec Competitive utility and raw materials</p>
<p>Zero exports to China Stable, long-term sales to good domestic customers</p>		<p>Sinopec's huge sales network Stable supply to good customers</p>
<p>Sustainability through optimum operations</p>	<p>Local sustainability through extensive cost cuts</p>	<p>Top competitiveness locally to secure Chinese market</p>

① Polyurethanes

② Phenols

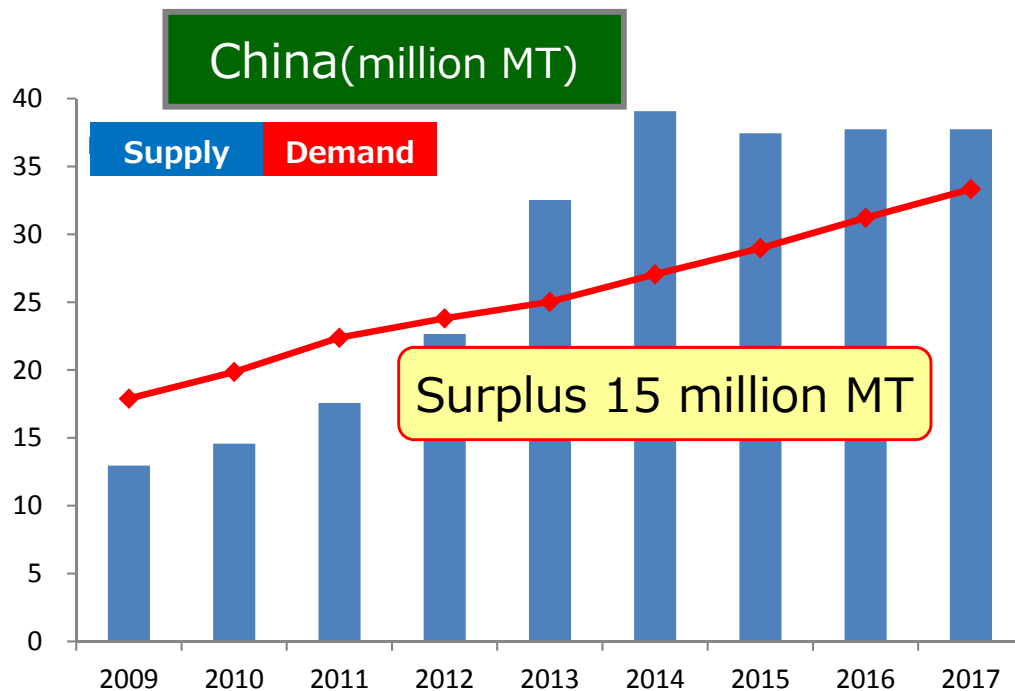
③ Purified Terephthalic Acid(PTA)

④ Summary

③-1) Restructuring PTA

Environment

- New facilities in China result in 15 million ton surplus after 2013
- Demand/supply gap will not be resolved soon



Restructuring

- 1) AMI (Indonesia): **Transfer all shares to BP Global** (540KTA, Mar.2014)
- 2) SMPC (Thailand):
Secure **world's top class competitiveness** through rationalization

③-2) Transfer all shares in AMI to BP Global

Company Outline

Name : P.T. Amoco Mitsui PTA Indonesia (AMI)
History : Establish in 1995, Operation start in Sep. 1997
Capital : BP (50%), MCI (45%), Mitsui & Co (5%)
Timing of transfer : **end of Mar. 2014**
Sales : **530 Million US\$ (2012)**

Details

- Studied future prospects from 2012 with BP and AMI
- MCI focused on: Lessening performance variation and prioritizing portfolio reform
BPI focused on: Strengthening Indonesian PTA operations
- Based on these differences, the companies commenced studies related to purchase/sale of AMI stock in 2013.
- By December the companies agreed that MCI would sell all its shares to BP

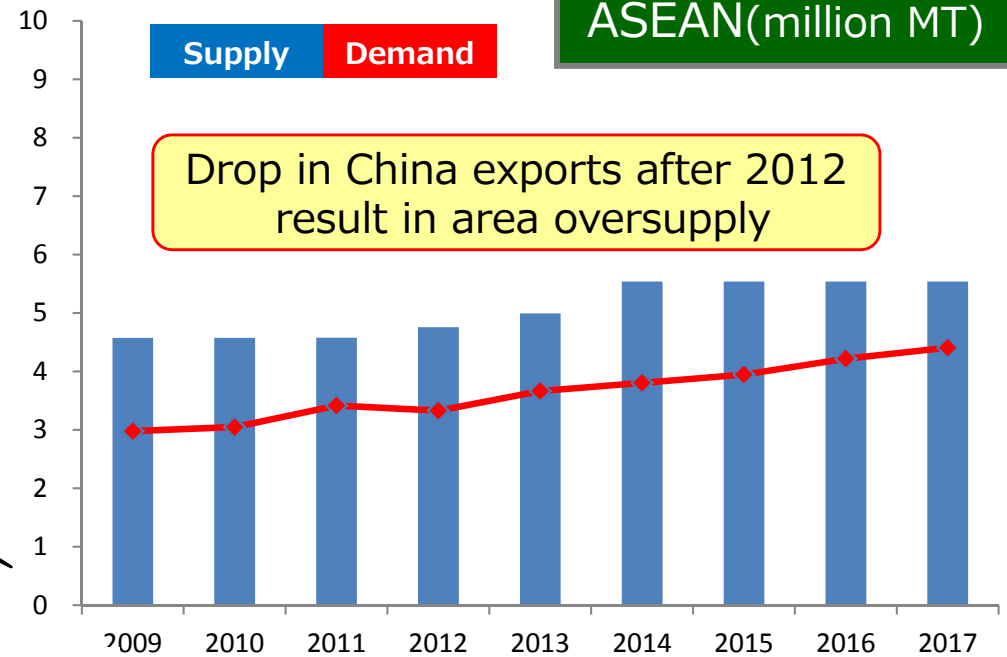
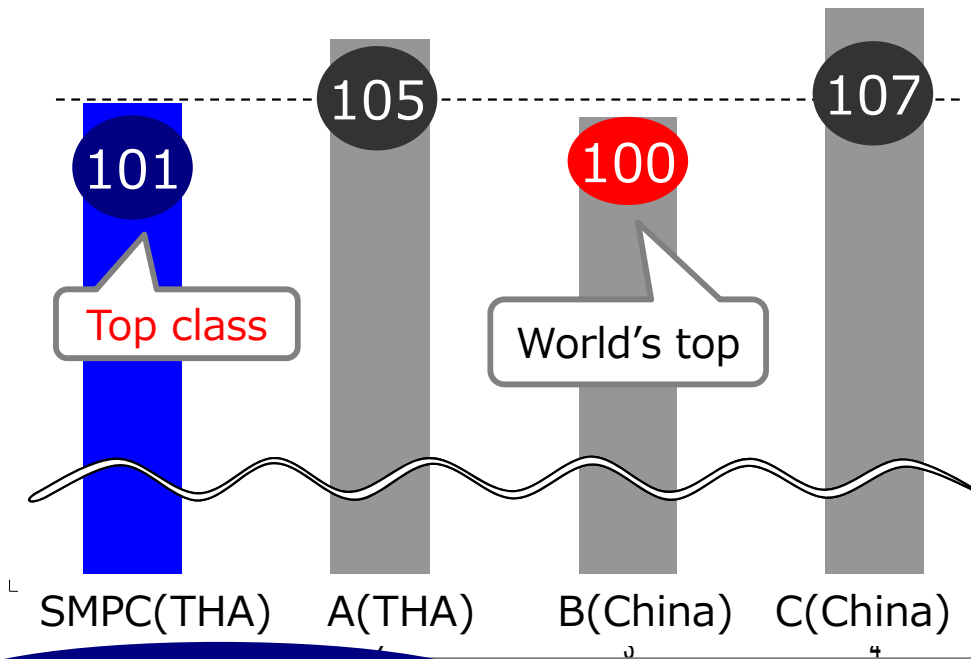
Due to equity company status, there is no impact on operating income. Sale will contribute to reduction of performance variables of income before taxes

③-3) Restructuring PTA (Thailand)

Environment

- Suspension of China exports result in oversupply in Asia
- Resolution of supply/demand gap cannot be expected

Comparison of competitiveness (MCI estimate)



Restructuring

- 1) Secure **world's top competitiveness** through improvement in acetic acid consumption
- 2) **Suspension of China exports** (1 plant currently suspended)
Strengthen sales to other areas

③-4) Summary of PTA Restructuring

Indonesia

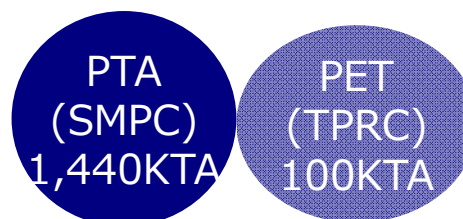


AMI sales: 530MUS\$

Transfer all shares
in AMI
to BP Global

Withdrawal of PTA
in Indonesia

Thailand



Suspension of
China export
(1 plant currently suspended)

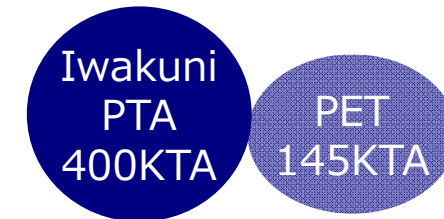
Secure world's top
competitiveness

Secure competitive raw materials
(Ngi-Son Project)

Sustainability through collaboration with local production
for local consumption in derivatives (PET)

Promotion of integrated alliance from
raw material to derivatives

Japan



*Only domestic
integrated manufacturer
of PTA•PET bottle resin

*Independent operations

Cost cuts

① Polyurethanes

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④ Summary

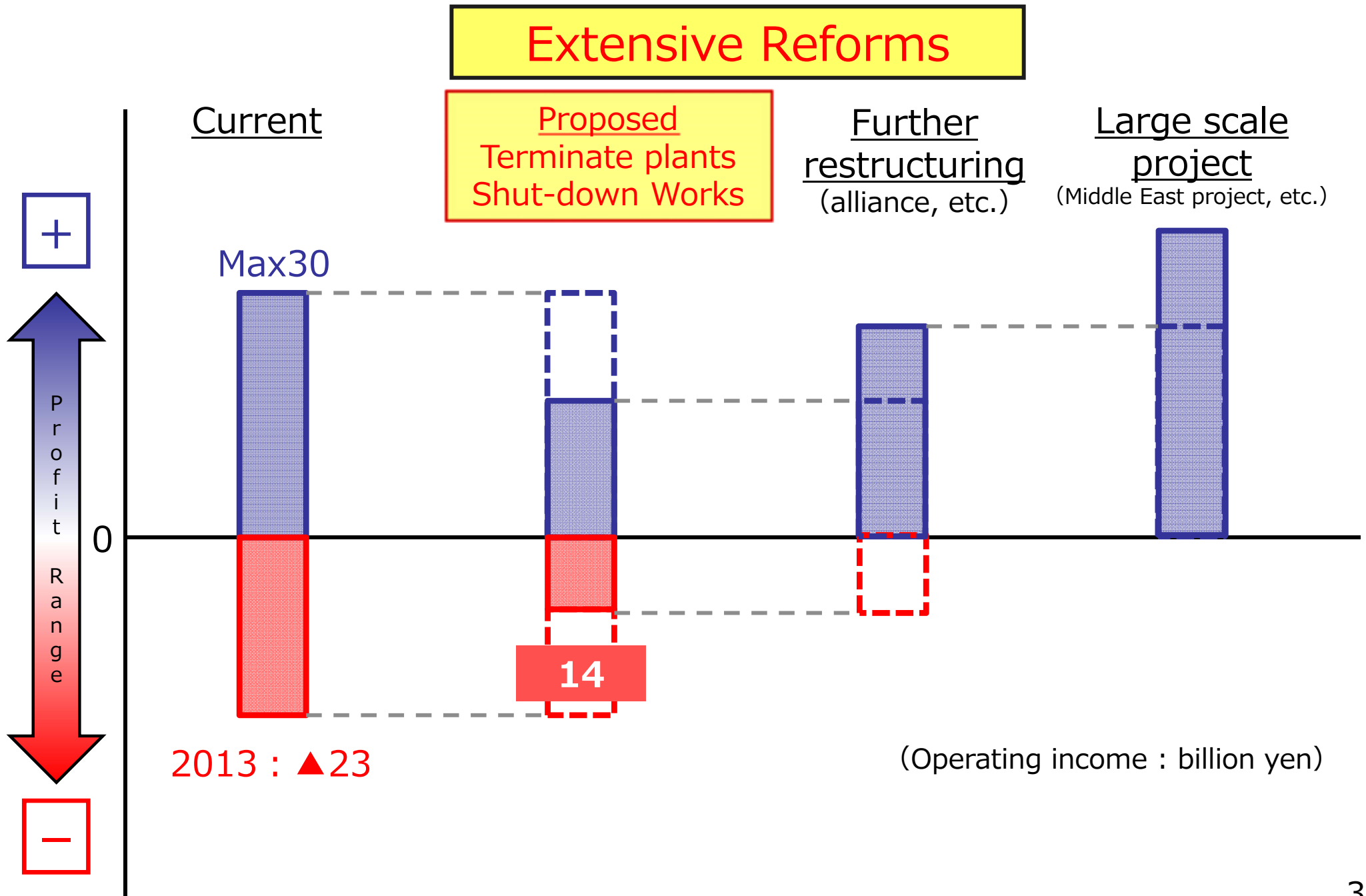
④ Summary of Restructuring

“Target early profitability by

restructuring volume market products”

- Targeted restructuring will mitigate 23 billion yen deficit of three businesses and improve operating profit by 14 billion yen without taking into account recovery of market conditions
- Push forward with new large-scale alliances and extensive cost cuts to actualize early profitability

④-2) Profit range of restructuring



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“Aims of V-Shaped Turnaround”

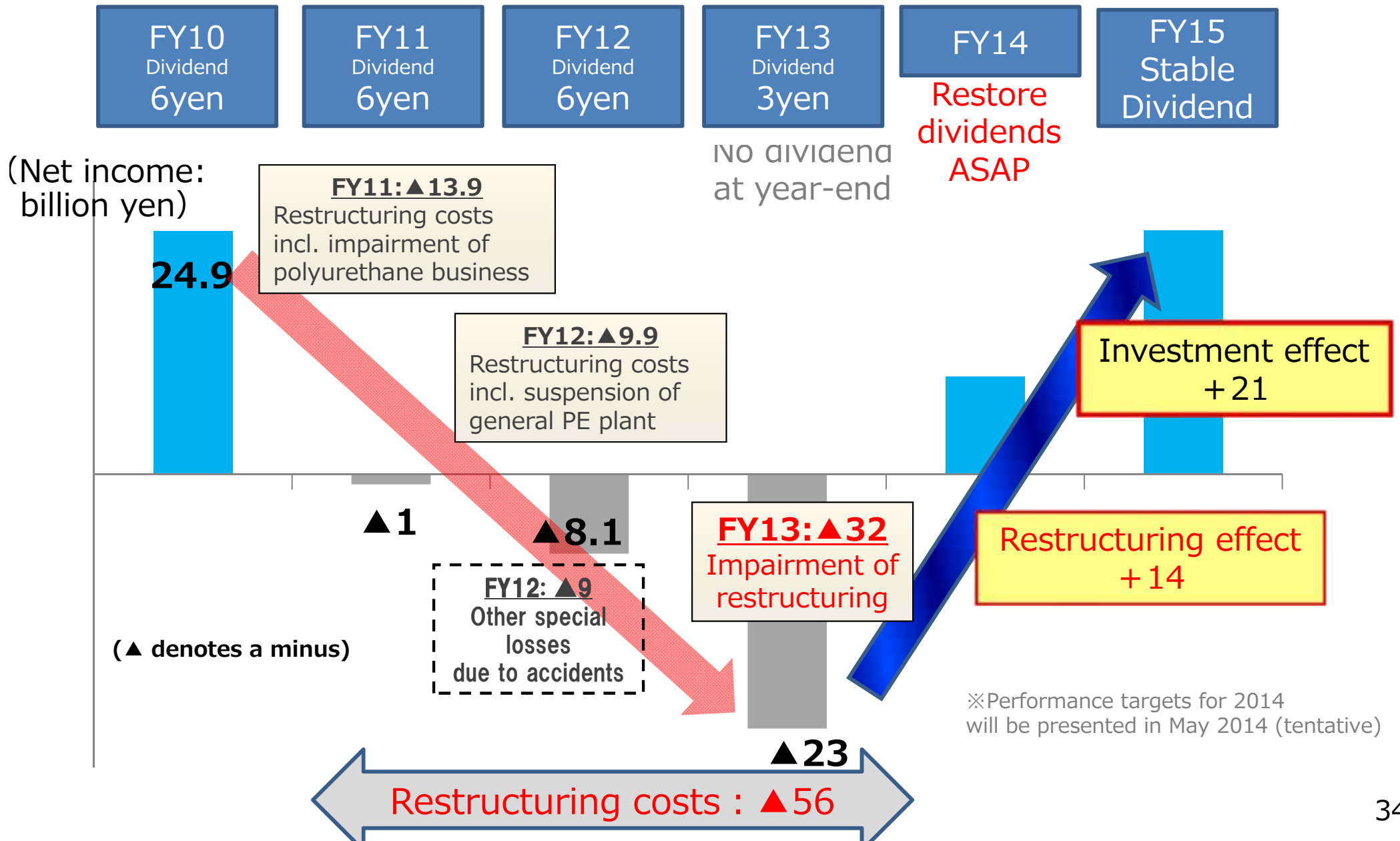
- 1) Early profitability in net profit
- 2) Restore year end dividends for FY2014

“Aims of Mid-Term Business Plan”

- 3) Early actualization of net D/E ratio = x1.2
- 4) ROS=5% (Long range target ROS=7%)

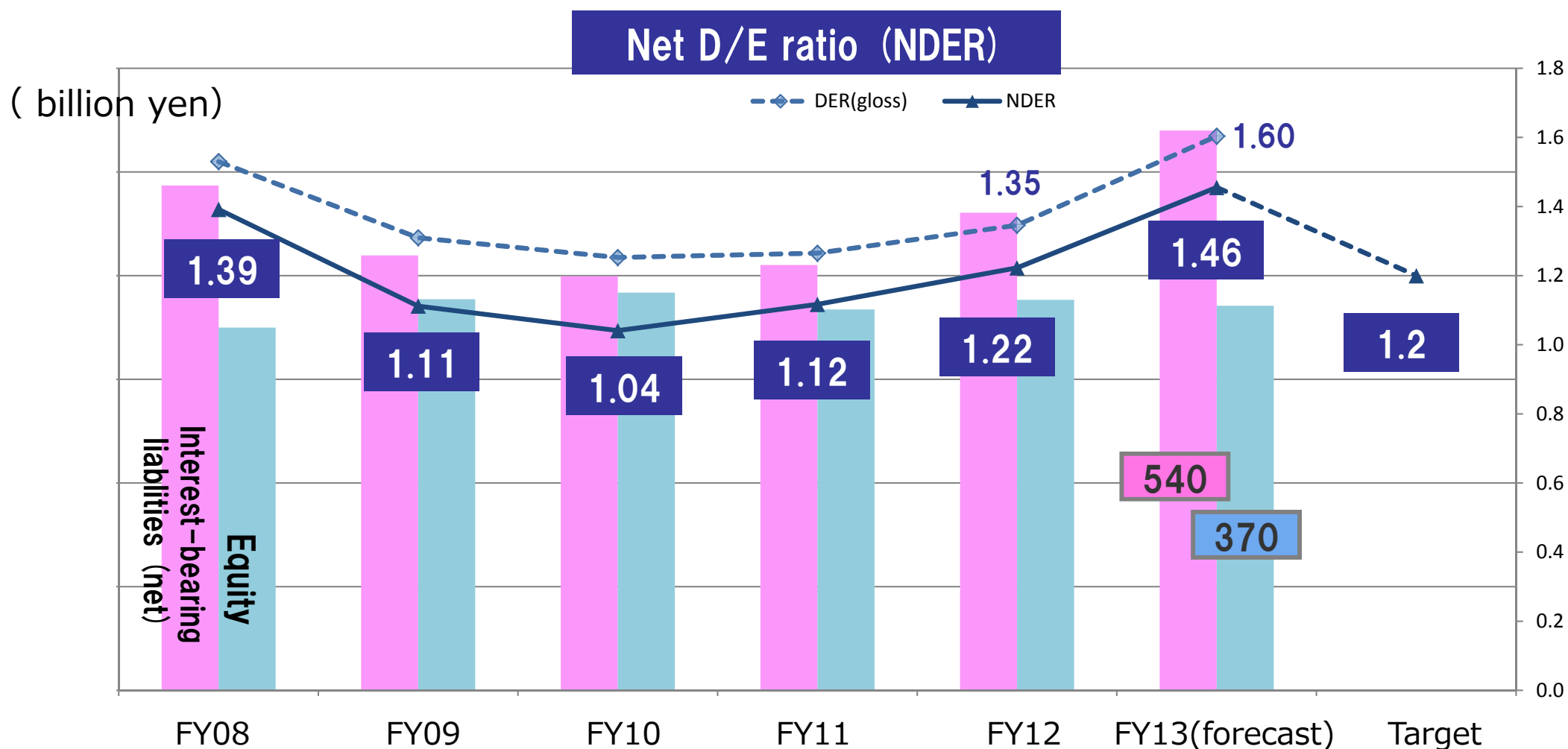
Improvement Model of Net Income

Early profitability in net profit & Restore year end dividends for FY14



Financial Conditions

- Extensive restructuring efforts result in net D/E x1.46 at FY2013 year end
- Target net D/E x1.2 through improvement in operating income, asset liquidation and divestitures

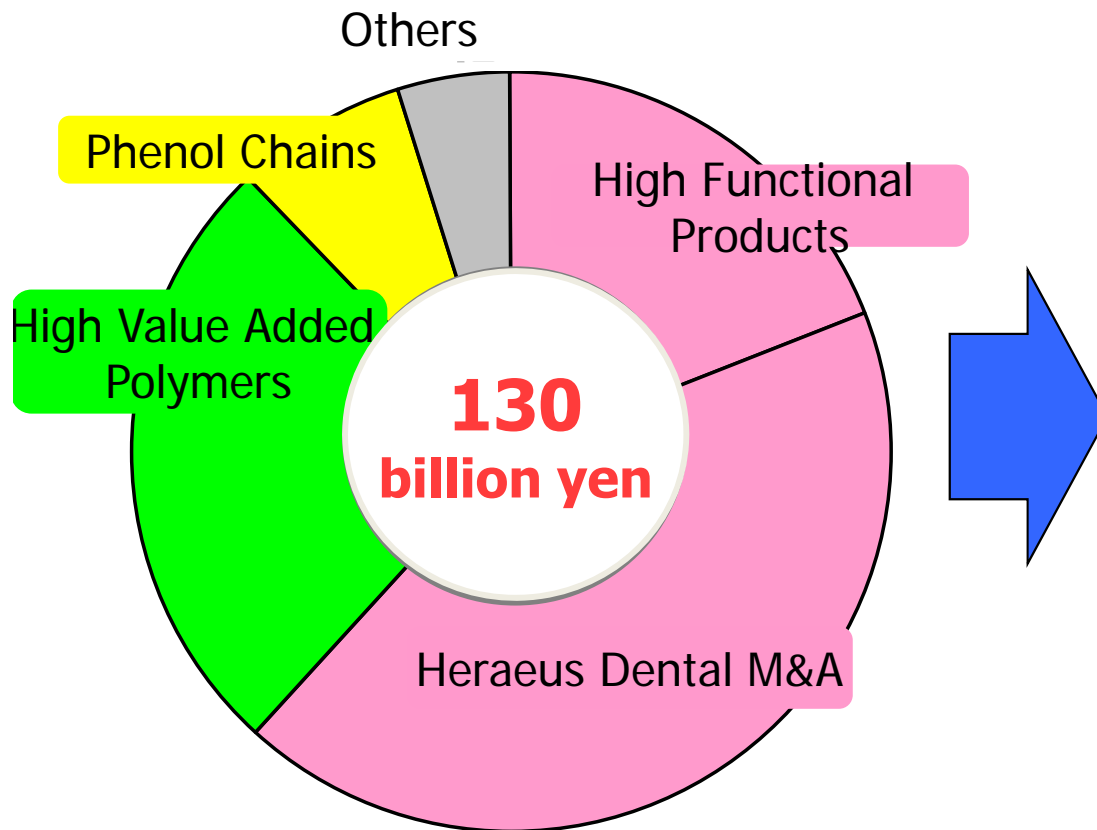


Note : FY2013 NDER = ×1.56 (including projected retirement obligations)

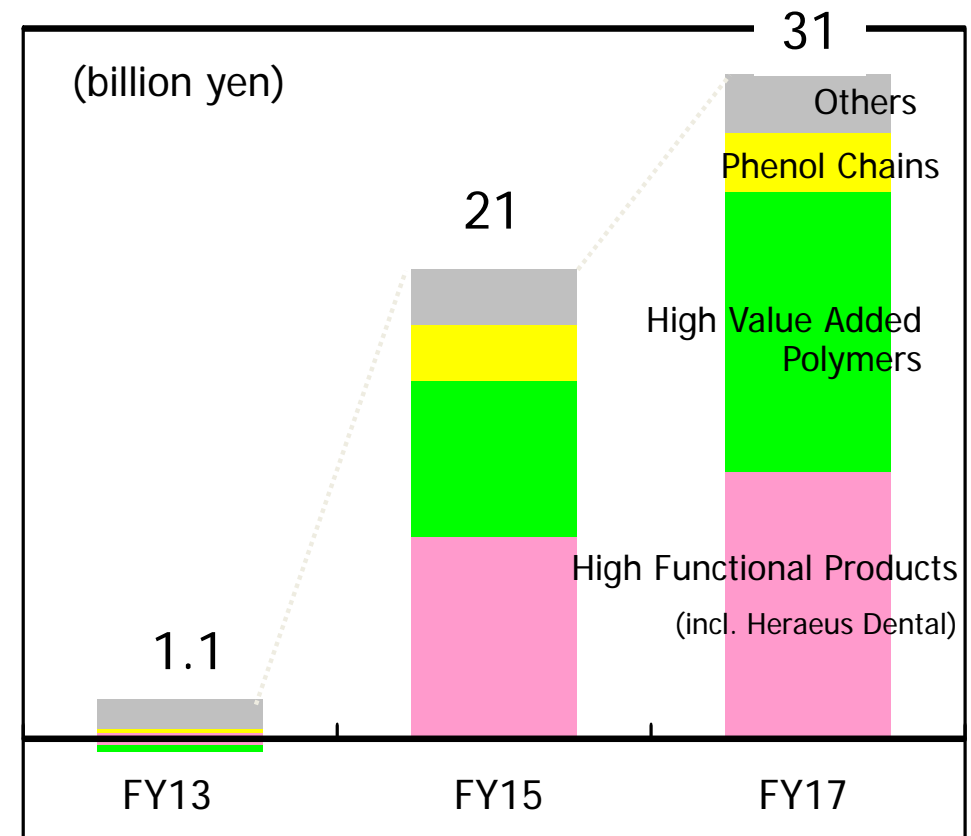
Effect of Investments

Focus 90% of growth investments on “High Functional Products” and “High Value Added Polymers”

FY2011-2013 Growth investments



Investment effect (50 themes)

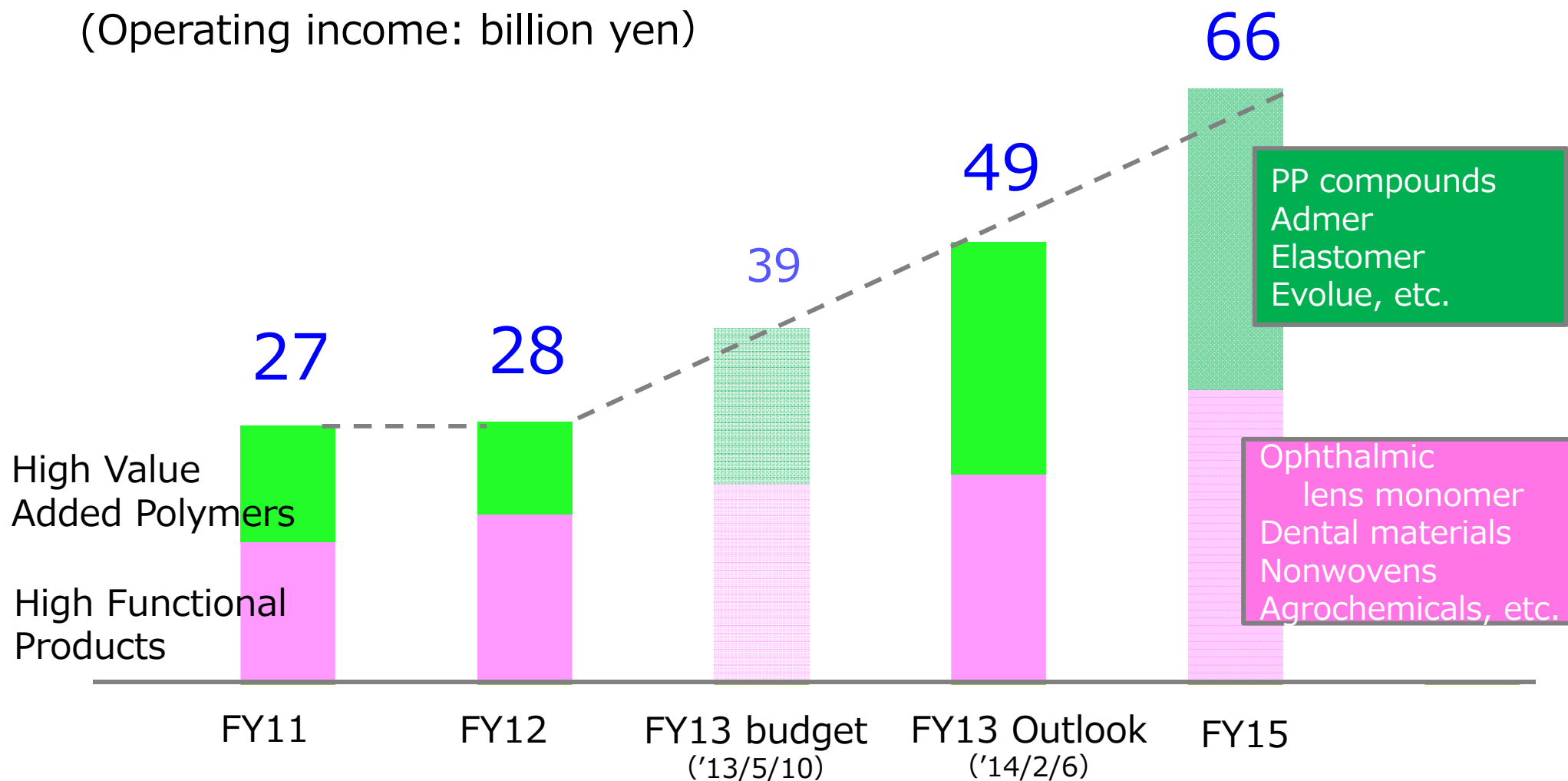


Effect of current growth investments will result in rapid expansion after FY2014

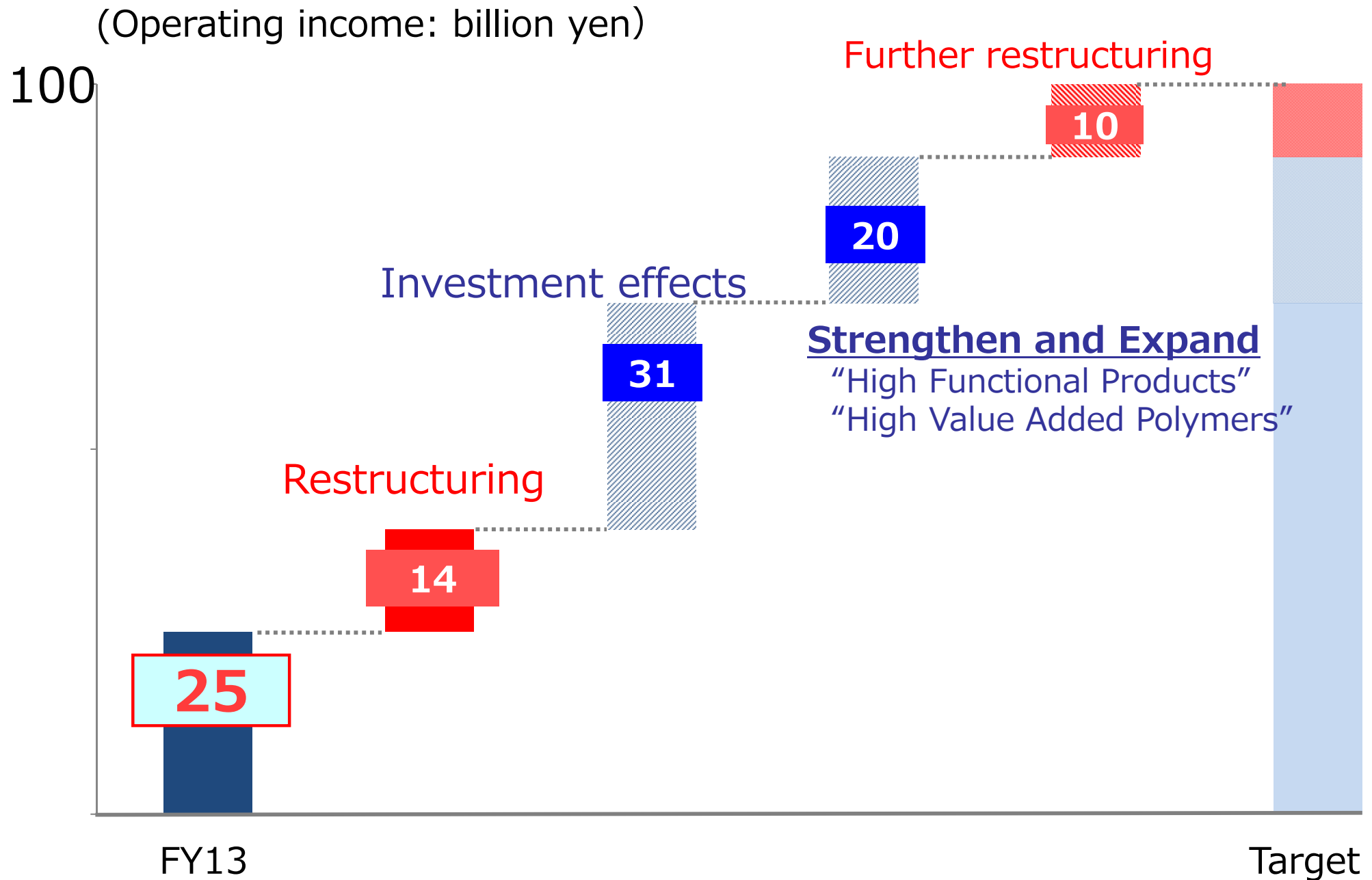
Steady Progress in Two Key Areas

- Steady progress in “High Functional Products” and “High Value Added Polymers”
- Accelerate further expansion

(Operating income: billion yen)



Growth Trajectory



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“V-shaped Turnaround”

- ◆ Extensive restructuring maneuvers
in painful manner to pursue growth path
- ◆ Culmination of portfolio transformation
- ◆ Early profitability/stable share dividends
- ◆ Improvement of financial structure

Challenge, Diversity, One Team

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