



**MITSUI CHEMICALS, INC.**

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**CEO Explanation  
Business Results & Outlook  
and  
Progress of Mid-Term Business Plan**

———— November 8, 2011 ————

**Toshikazu Tanaka  
President & CEO**

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 Chemical company with a strong global presence focusing on Asia 

1. Financial Results and Outlook for FY2011

2. Progress with the “5-5-5 Strategy”

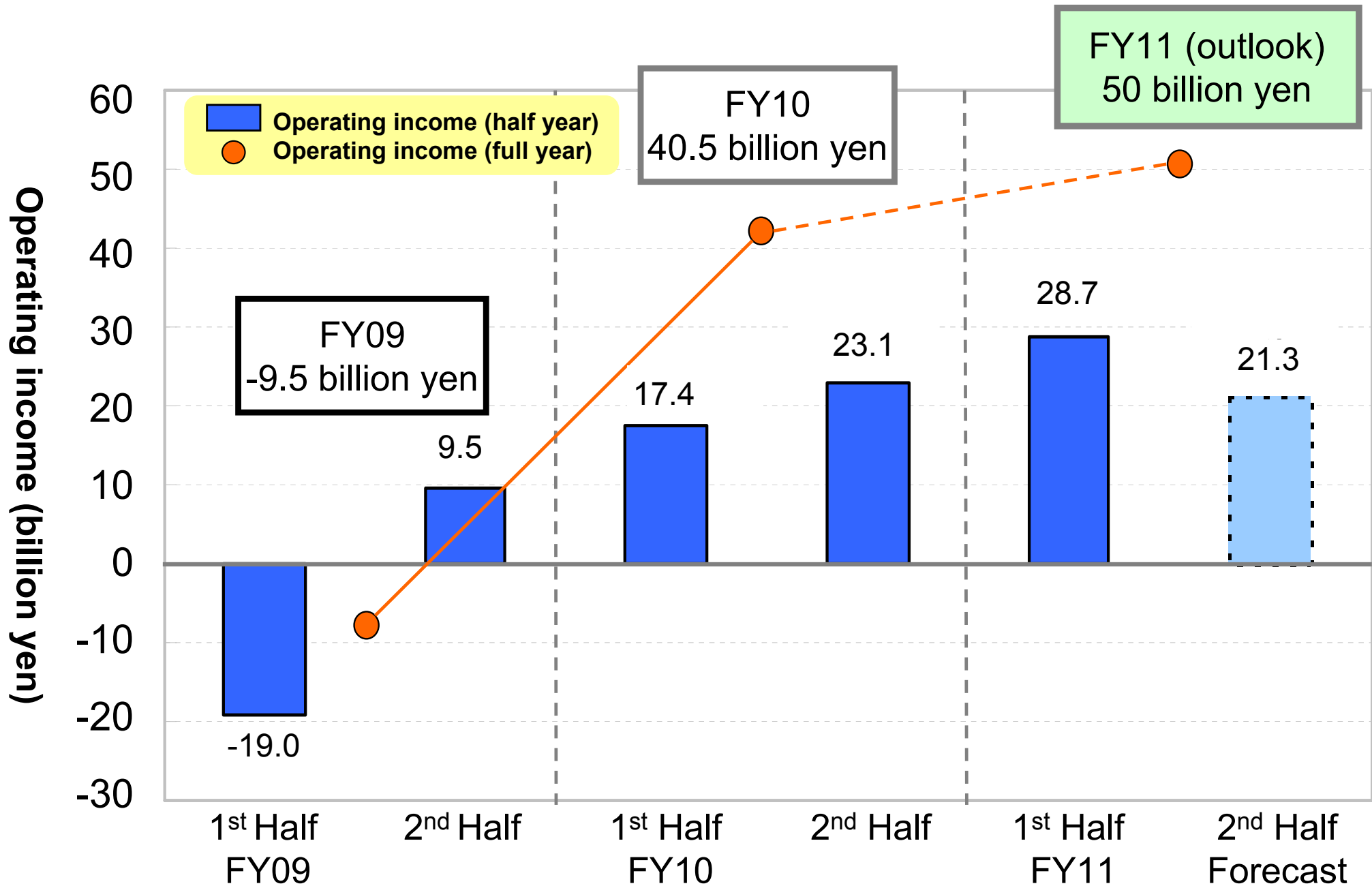
3. Achieving the Mid-Term Business Plan

# Financial Results and Outlook for FY2011

(Billion yen)

Items	FY2010		FY2011 outlook		increase (decrease)	
	1 <sup>st</sup> Half	Full year	1 <sup>st</sup> Half	Full-year outlook	1 <sup>st</sup> Half	Full year
Sales	672.8	1,391.7	755.8	1,510.0	83.0	118.3
Operating income	17.4	40.5	28.7	50.0	11.3	9.5
Non-operating income (loss)	(2.8)	(1.6)	(0.8)	1.0	2.0	2.6
Ordinary income	14.6	38.9	27.9	51.0	13.3	12.1
Special gains (losses)	11.0	6.1	(0.1)	(2.0)	(11.1)	(8.1)
Net income (loss)	17.1	24.9	13.4	26.0	(3.7)	1.1
(Supplementary) Net income excluding reversal of provision for retirement benefit (FY2010: 14.6 billion yen)	2.5	10.3	13.4	26.0	10.9	15.7
Exchange Rate (Yen/US\$)	89	86	80	79	(9)	(7)
Domestic Standard Naphtha Price (Yen/KL)	46,200	47,500	57,000	54,000	10,800	6,500

# Operating Income and Loss



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# FY11 Mid-Term Basic Strategy: “5-5-5 Strategy”

## Targets

- ◆ **Establish business portfolio** for growth and sustainability
- ◆ **Establish global presence focusing on Asia**



### Expand businesses more resilient to economic change

- Expand functional chemicals through strategic M&A or collaboration

### Global expansion of highly competitive businesses

- Secure competitive raw materials and collaboration with leading partners

### Create core businesses for the future

- Efficiently target R&D resources and establish new business models

### Undertake extensive cost reduction and fundamental restructuring

- Restructure polyurethane materials business, reduce costs

**FY2011 is the critical first year of FY11 Mid-Term Plan**

**→ Further accelerate FY11 Mid-Term strategy**

# Progress with the “5-5-5 Strategy”

## Five priority businesses

### 1. Fine & Performance chemicals

- Develop medical adhesives

### 2. Agrochemicals

- Pesticide business  
Invest in Thailand and Brazil
- Fertilizer raw materials  
(Brunei Project)

### 3. Functional films, sheets and nonwoven

- Enhance SOLAR EVA  
Merger with SCIENTEX of Malaysia
- New nonwoven facility  
in China

### 4. Coatings and adhesive materials

- Establish system house in China

### 5. Engineering plastics and compounds

- Enhance production capacity  
of Hi-Zex Million

## Five world-leading businesses

### 1. Phenol chains

- JV with Sinopec (new facility)  
Acetone-based IPA
- Expansion of Phenol capacity  
(Japan and Singapore)

### 2. Polyolefin compound

- Expansion of PP compounds

### 3. Elastomer

- JV with Sinopec (EPT)

### 4. Metallocene polymers

- Expansion of EVOLUE

### 5. Optical lens monomer

- Global strategies for optical  
lens monomer  
Synergy of acquisition of  
ACOMON AG

## Five development areas

### 1. Solar power

- Tahara Mega Solar
- Next generation sealant  
sheets

### 2. Electronic and information films

- New electronic and  
information films

### 3. Next-generation functional chemical products

- Materials for lithium ion  
batteries
- New pesticides
- New dental materials

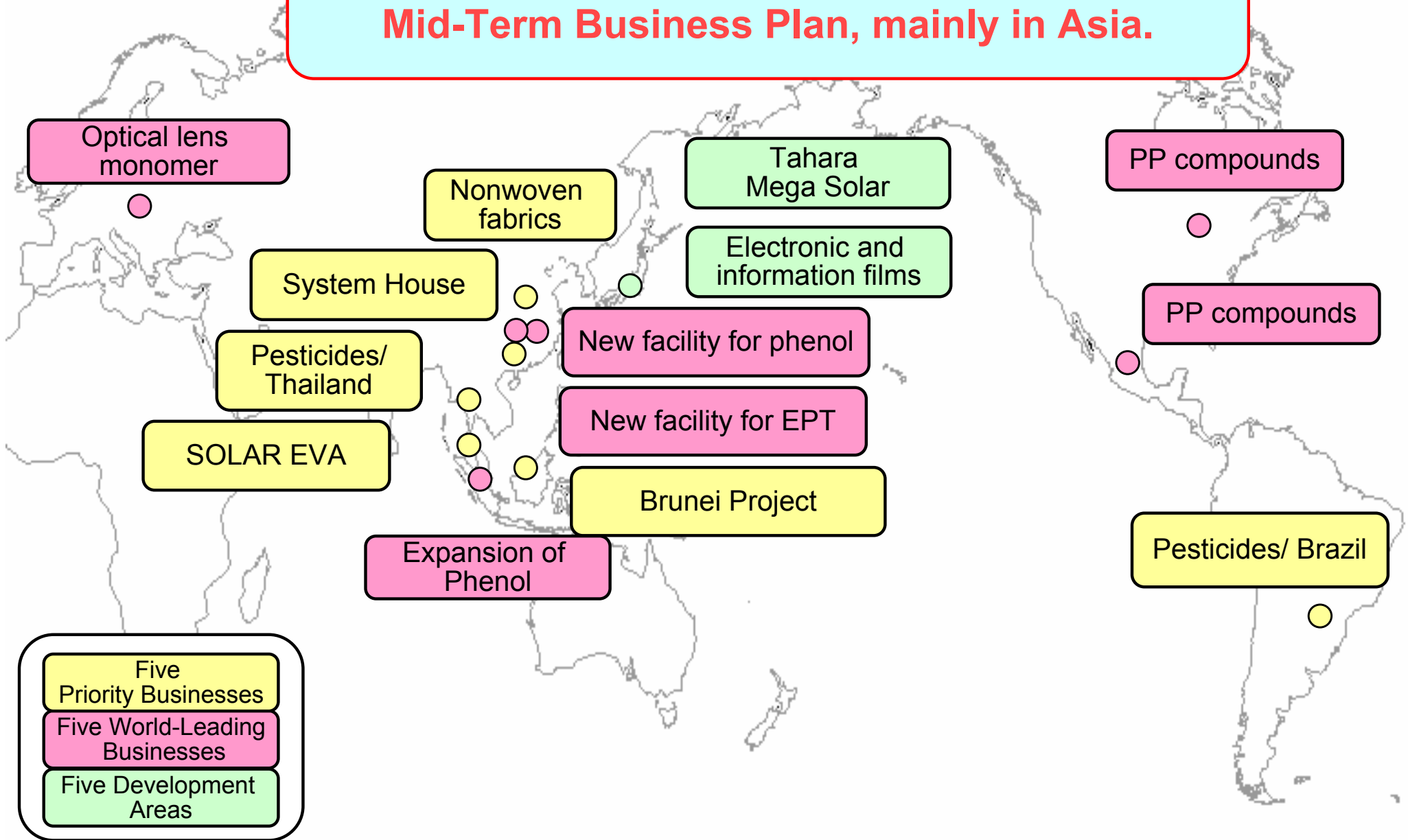
### 4. Eco-friendly vehicles materials

### 5. Biomass chemicals

- Bio-based polyurethane

# Progress of “5-5-5 Strategy” Global Expansion

Steady progress in global expansion under the Mid-Term Business Plan, mainly in Asia.





# [Agrochemicals] Expand Overseas Agrochemical Business

## ◆ Expand sales of active ingredient in global market

- Secure overseas bases
- Strengthen collaborations
- Accelerate development of new products

Acquire stake in Sotus International of Thailand (May 2011)

Secure production bases for business expansion in India/SE Asia

India

Launch of insecticide scheduled for 2012

Americas, Europe

Launch of fungicide scheduled in 2012

Acquire stake in Iharabras S.A. of Brazil

(September 2011)

Secure base in Brazil, the continually growing, world's second-largest pesticide market

[Strength of Sotus International]

- Strong pharmaceutical business with good sales network (2<sup>nd</sup> largest group in Thailand)
- Solid financial basis

[Strength of Iharabras S.A.]

- Well-developed sales network (Strong connections to Japanese-Brazilian farmers)
- Solid financial basis

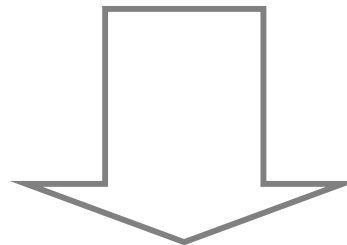
## [Agrochemicals] Expand Fertilizer Raw Material Business (1)

### Position of Brunei Project



#### Concept

- 1) Expand business that is more resilient to economic change
- 2) Expand business related to food and agriculture
- 3) Secure competitive raw materials  
(Gas raw materials are highly competitive in Asia)



**Brunei Project**  
**(New facilities for fertilizer raw materials  
such as ammonia and urea)**

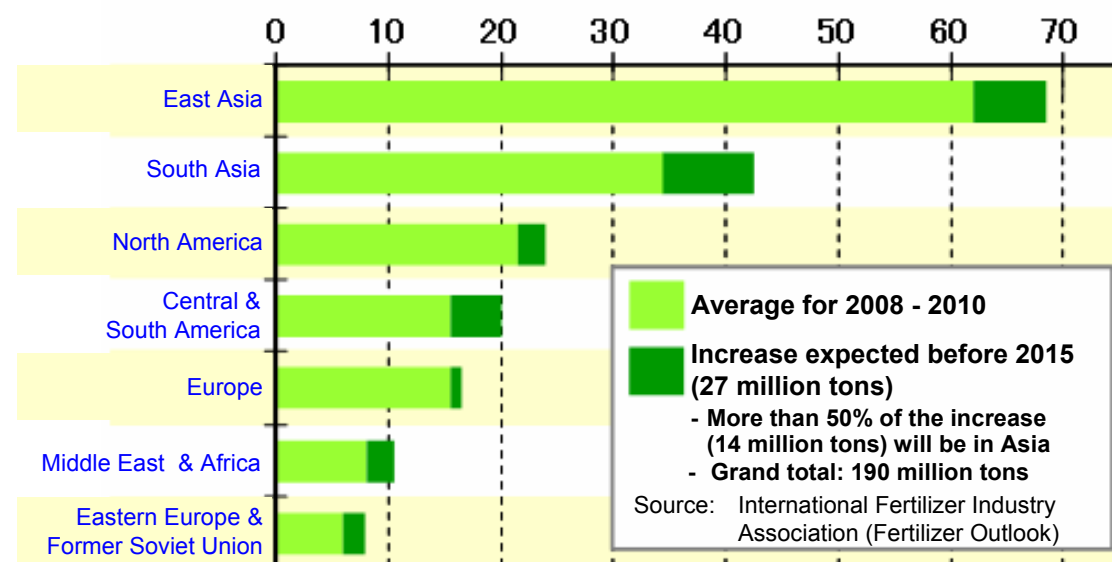
# [Agrochemicals] Expand Fertilizer Raw Material Business (2)

## Outline of Brunei Project

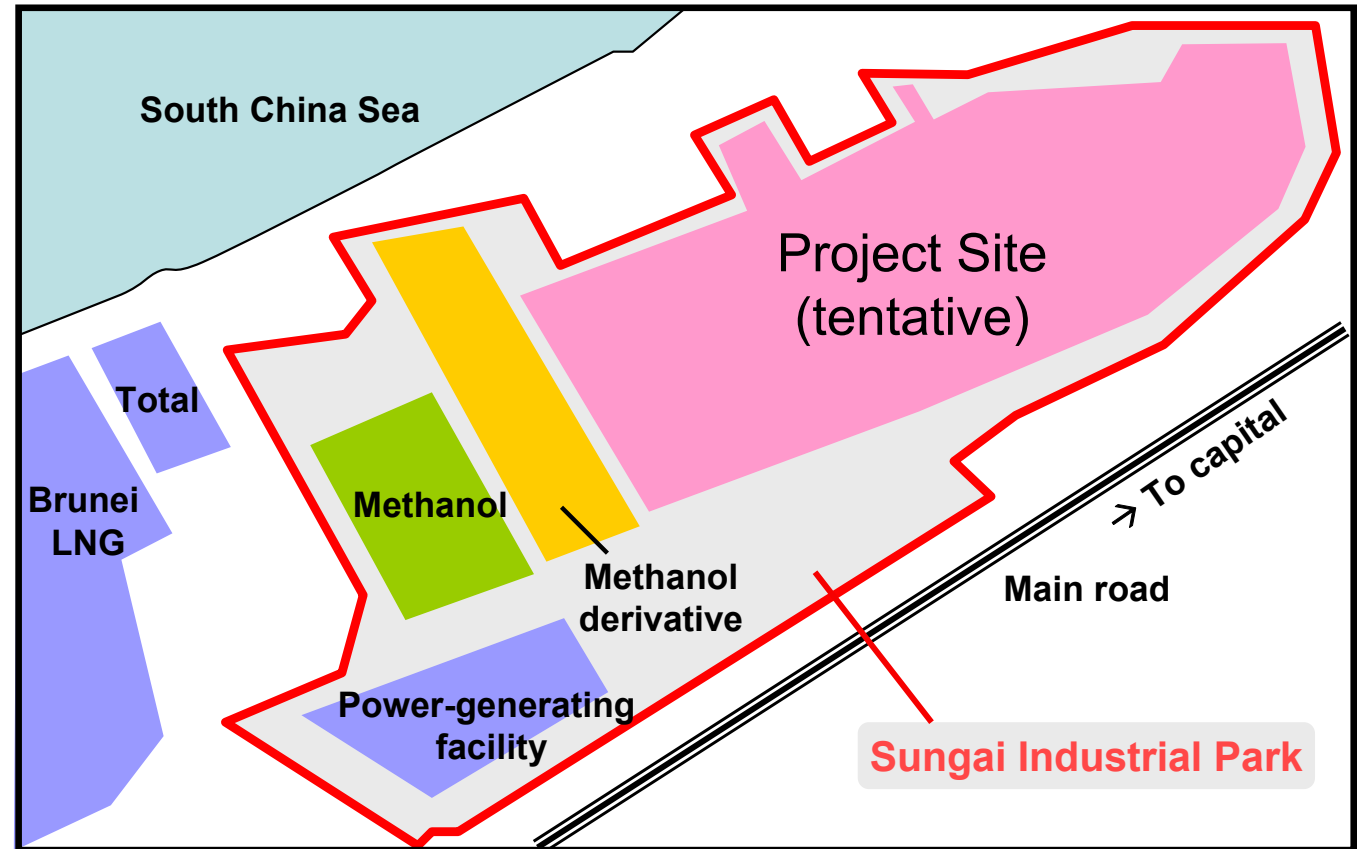
- ◆ Awarded as preferred investor in an international competitive bid of 13 corporate groups from around the world
- ◆ Project led by Japanese companies with MCI and Mitsui & Co. holding a majority
- ◆ Natural gas equivalent to 11 million tons of LNG (equivalent to approx. 17 million tons of ammonia)
- ◆ Advantageous location in vicinity of rapidly growing Asian countries
- ◆ Commercialization of fertilizer raw materials based on a plan
  - Ammonia: 850KTA
  - Urea: 650KTA
- Expected total investment: 1.3 billion US dollars
- ◆ Schedule (tentative)
  - FS completed in 2012/
  - Construction completed in 2015



Demand for Fertilizers in Each Region (million tons/year)



## [Agrochemicals] Expand Fertilizer Raw Material Business (3)



### Project site (1,000,000 m<sup>2</sup>) located in the Sungai Industrial Park (S-PARK) of Brunei

- FS underway for project, including utility plant and ancillary facilities
- Commercialization of products such as melamine, diammonium phosphate (DAP), caprolactam, and ammonium sulfate in addition to ammonia and urea
- Expected total investment is 2.8 billion US dollars

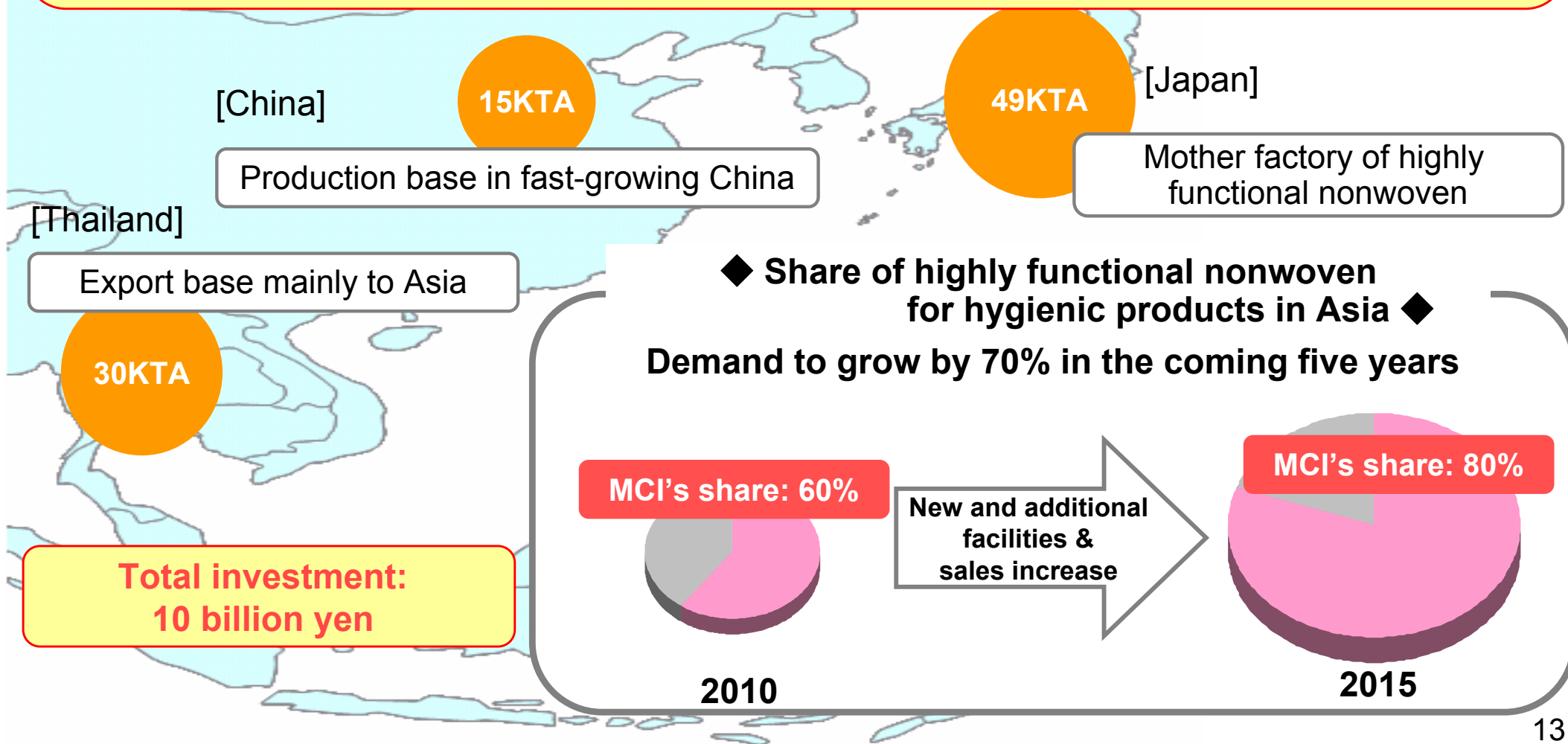
## [Nonwoven] Expand Business of Highly Functional Nonwoven

[China] **New base** (15KTA by mid 2013/ investment: 5.0 billion yen)

[Japan] **Increase production capacity** (15KTA by end of 2011/investment: 5.0 billion yen)

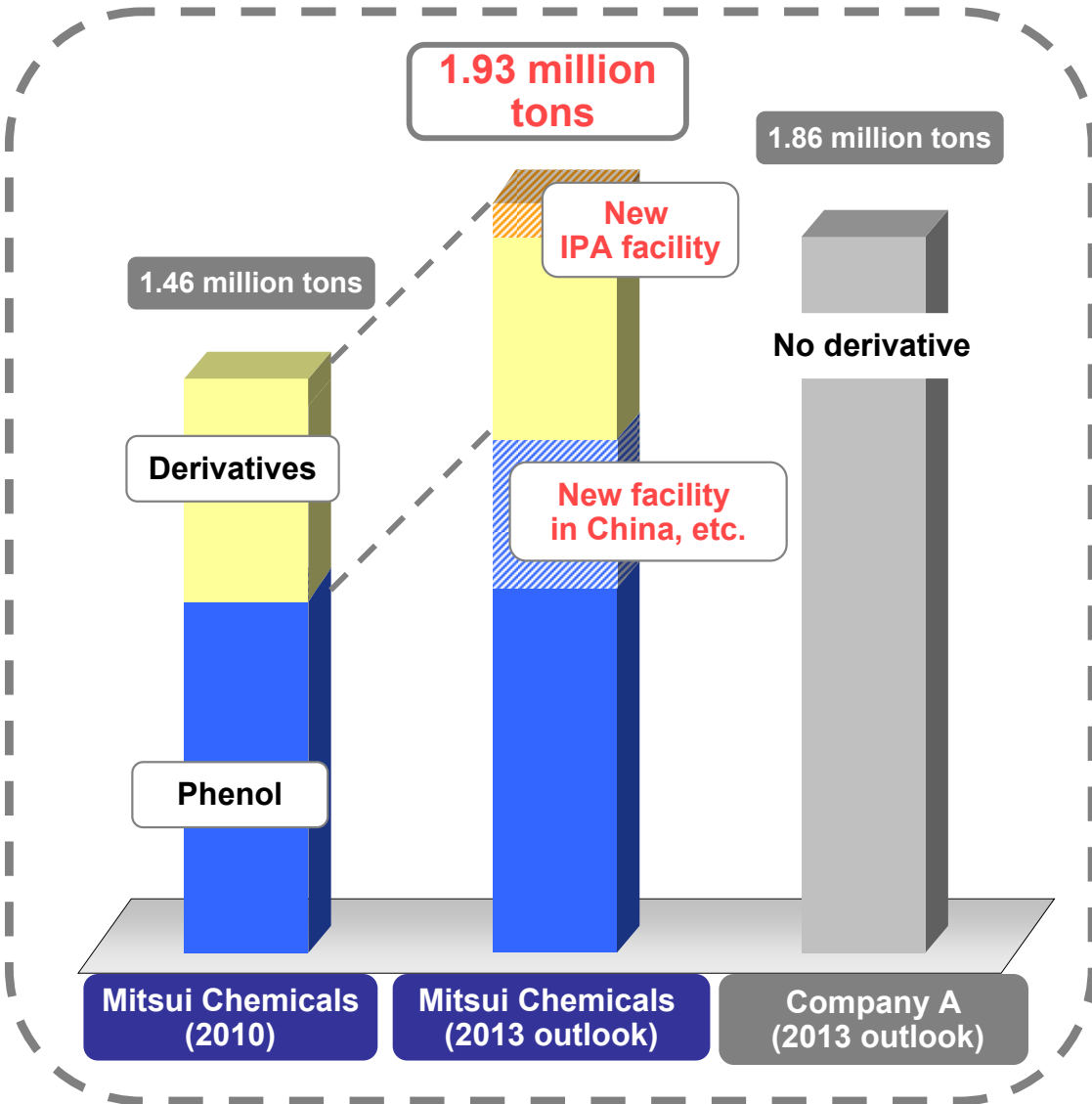
[Thailand] Full operation of 30KTA

◆ **Three production bases to establish No.1 market share in Asia for highly functional nonwoven**



# [Phenol Chains] Aim to be Global Leader (1)

**Aim to be “global leader” by making use of our strength in the phenol businesses including derivatives**

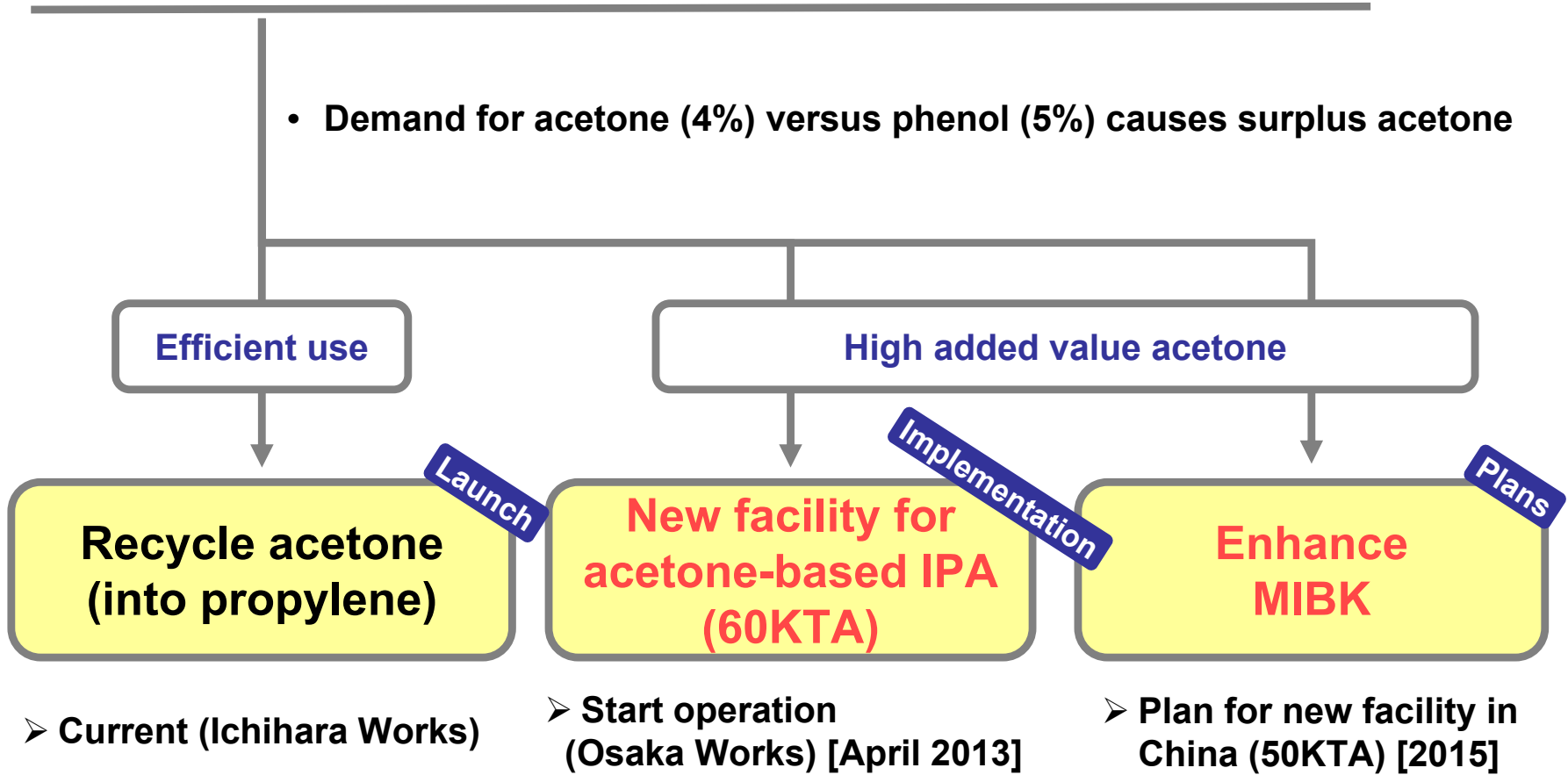


- Establish JV with Sinopec**  
China/New phenol facility with production capacity of 250KTA
- Increase production by strengthening debottlenecking**  
Phenol: Japan / 20KTA  
Phenol: Singapore / 10KTA
- New plant for acetone-based IPA**  
Japan / 60KTA

## [Phenol Chains] Aim to be Global Leader (2)

**Increase competitive edge in phenol business  
(To improve profitability)**

### ◆ Measures to use surplus acetone (byproduct rate 60%)



- ◆ Advantageous business development using unique technologies
- ◆ Further improvement of technologies

## [PP Compounds] Aim to be Global Leader (1)



Advanced Composites, Inc. (United States)  
celebrates 25<sup>th</sup> anniversary



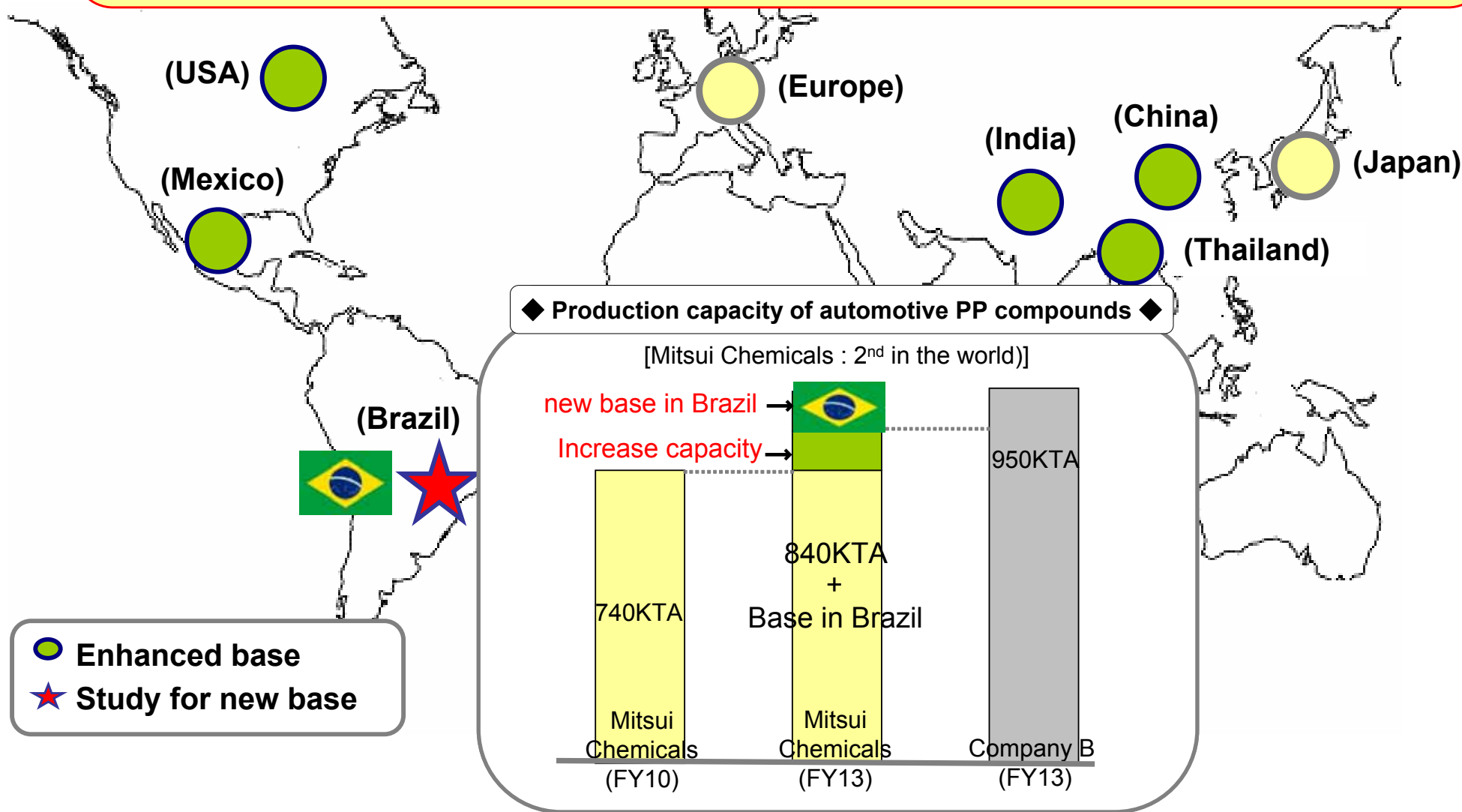
Advanced Composites, Inc., Ohio, U.S.A



## [PP Compounds] Aim to be Global Leader (2)

- ◆ Production capacity: 740KTA (2010) → **Planned increase to 840KTA (2013)**
- ◆ Study of establishment of **new base in Brazil** in 2012  
→ Eight bases around the world

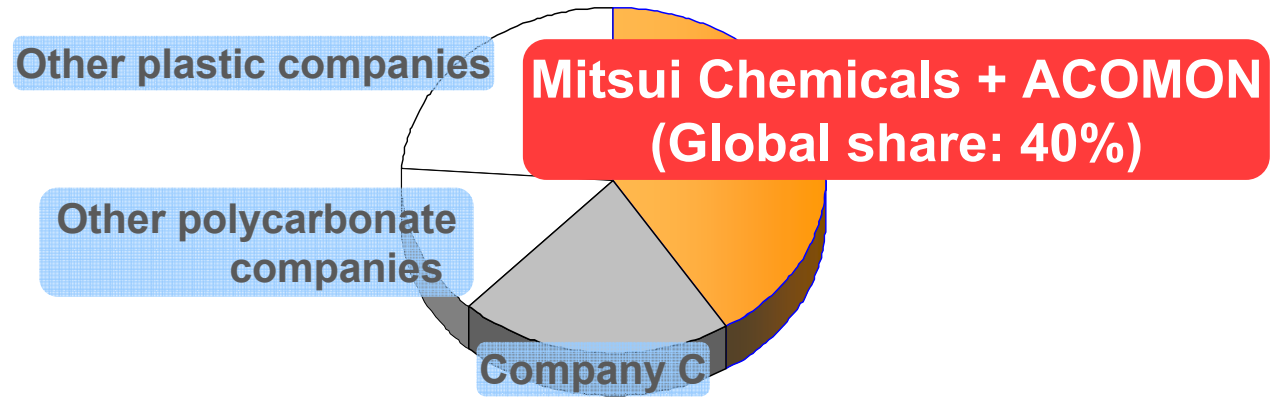
**Further acceleration to secure position as global leader**



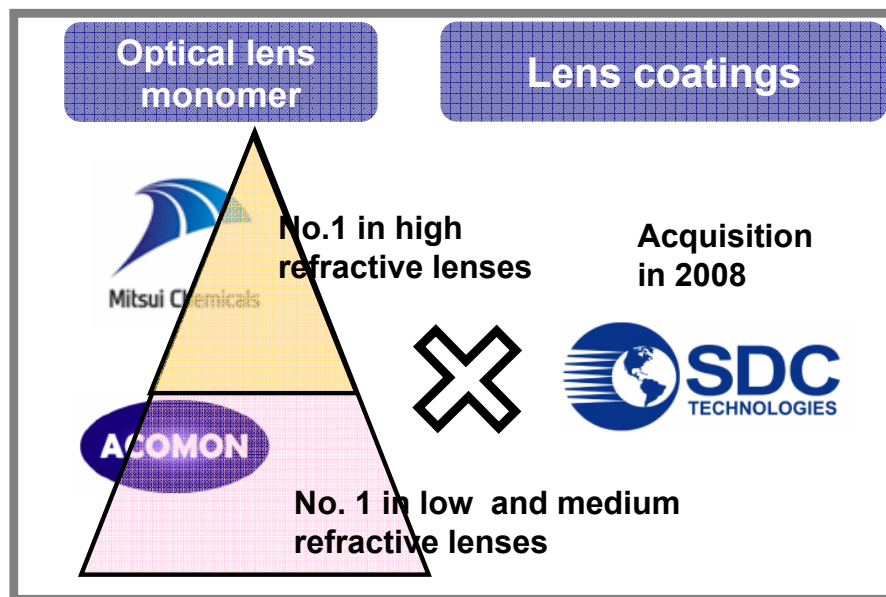
## [Optical Lens Monomer] Aim to be Global Leader

◆ From leader of global niche in high refractive glasses lens field to leader of global monomer market

Acquisition of ACOMON AG in Switzerland (April)



Increase the market share by optical lens **total solutions**



- No.1 product lineup  
World's widest lens monomers lineup ranging from low refractive lenses to high refractive lenses
- No.1 ability to make proposals to customers  
Proposals covering lineup ranging from lens monomers to coatings

## [Solar Power] Tahara Mega Solar Project (1)

**Participate in renewable energy business  
to promote development of components, modules, and systems**

### [Outline of Tahara Solar/Wind Joint Project]

**Generation capacity: Solar power: 50 MW  
Wind power: 6 MW**

**Schedule: Construction start: June 2012**

**Construction completion: September 2013**

**Location: Tahara City, Aichi Prefecture (approx. 820,000 sq meters)**

**Total investment: 18 billion yen**

**Participating companies: Mitsui & Co., Ltd., Toagosei Co., Ltd.,  
Toshiba Corporation, Toray Industries, Inc.,  
Mitsui Engineering & Shipbuilding Co., Ltd.  
(Chubu Electric Power Co., Ltd. or its group companies is  
studying participation.)**

**Largest mega solar in Japan**  
(equivalent to annual consumption of  
approximately 19,000 households)

### ■ Examples of MCI's products that contribute to renewable energies



◀ SOLAR EVA™  
Protective sheet  
for solar cells

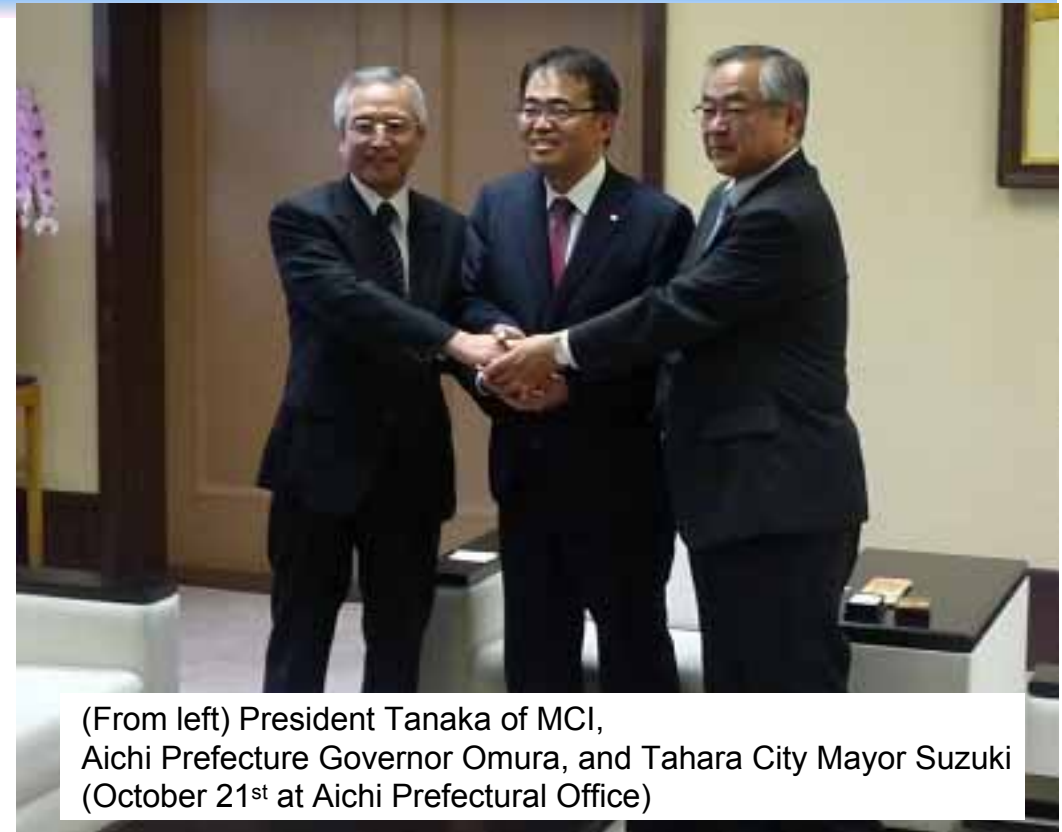
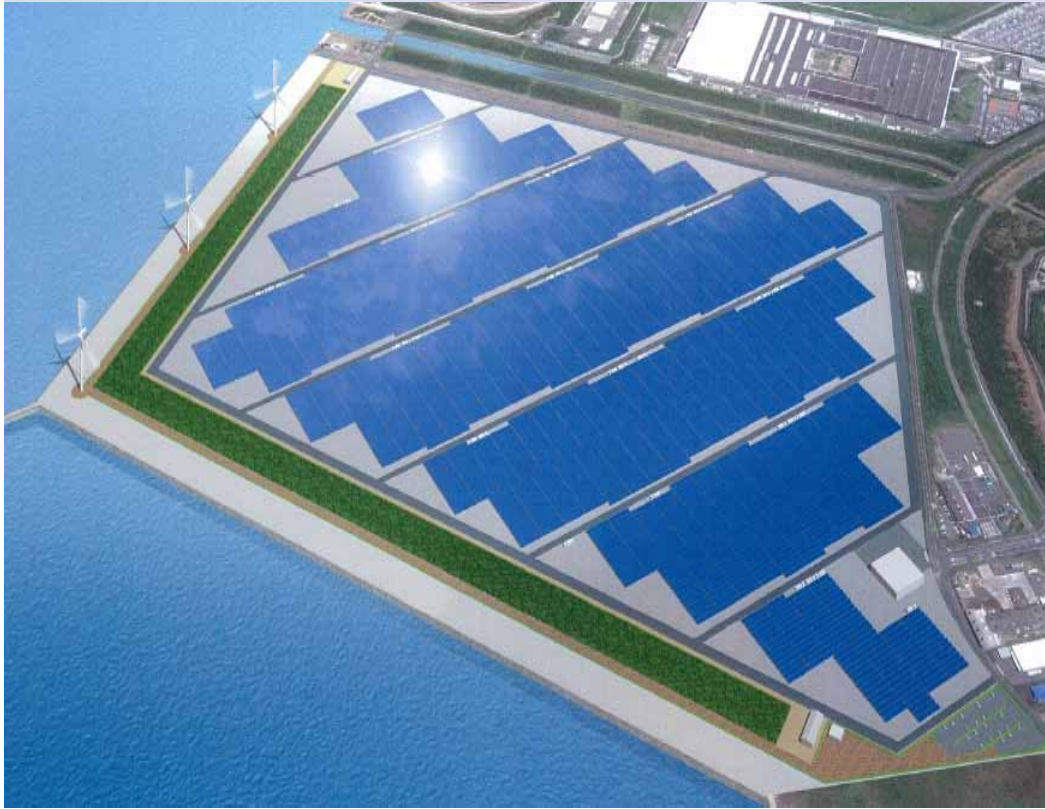


◀ LUCANT™  
Lubricant that  
extends service life  
of wind generation  
systems



◀ TAKENATE™  
Solar cell adhesive

## [Solar Power] Tahara Mega Solar Project (2)



(From left) President Tanaka of MCI, Aichi Prefecture Governor Omura, and Tahara City Mayor Suzuki (October 21<sup>st</sup> at Aichi Prefectural Office)





### ◆ Advantages of planned construction site

- Top level daylight hours in Japan (longer than 2,100 hours/year)
- Average wind velocity (average: 7 meters/sec or higher)
- Special high-voltage transmission line exists close to the site

Tahara City was ranked first in the sustainability survey of cities in Japan conducted by Nikkei in 2011.

## [Electronic and Information Films] New Products

Product	Features	Period of commercial production	Partners
Brightness enhancement film	<ul style="list-style-type: none"> <li>Brightness increased by 20-30% compared with conventional products</li> <li>Higher brightness and lower energy consumption of LCD</li> <li>Reduced cost of backlight components</li> </ul>	<p>2012</p> 	LCD manufacturers, EL manufacturers, etc.
Lightweight reflection film	<ul style="list-style-type: none"> <li>Reduced weight 70% from earlier products</li> <li>Weight reduction of PCs and tablets</li> </ul>	<p>2012</p>	
Organic EL seal material	<ul style="list-style-type: none"> <li>High reliability: Reduced damage to OEL elements</li> <li>Reduced loss and longer life of OEL</li> </ul>	<p>2012</p>	
High-transparency piezoelectric film	<ul style="list-style-type: none"> <li>Jointly developed with Murata Manufacturing and Kansai University</li> <li>Detect pressure, bending, and twisting motions</li> <li>Realization of 3D touch panel</li> </ul>	<p>2012</p> 	

Sales target: 50 billion yen around 2017

## Heat shielding film

Affixed **heat shielding film “ECQUSEA HB”** on temporary houses, etc. in affected areas with other companies. Film was highly acclaimed.



### “ECQUSEA HB”

- Blocks infrared rays while allowing passage of visible light  
→ prevents room temperature from rising
- Non-adhesive and reusable
- Light transparency: 80%

## Highly safe insecticide

Used highly safe insecticide **LENATOP™** in the disaster-hit area to prevent and eliminate flies (volunteer activities by our employees)



### “LENATOP™”

- Highly safe insecticide effective for flies but safe for humans, animals, fish, and birds. (Safety classified by WHO)

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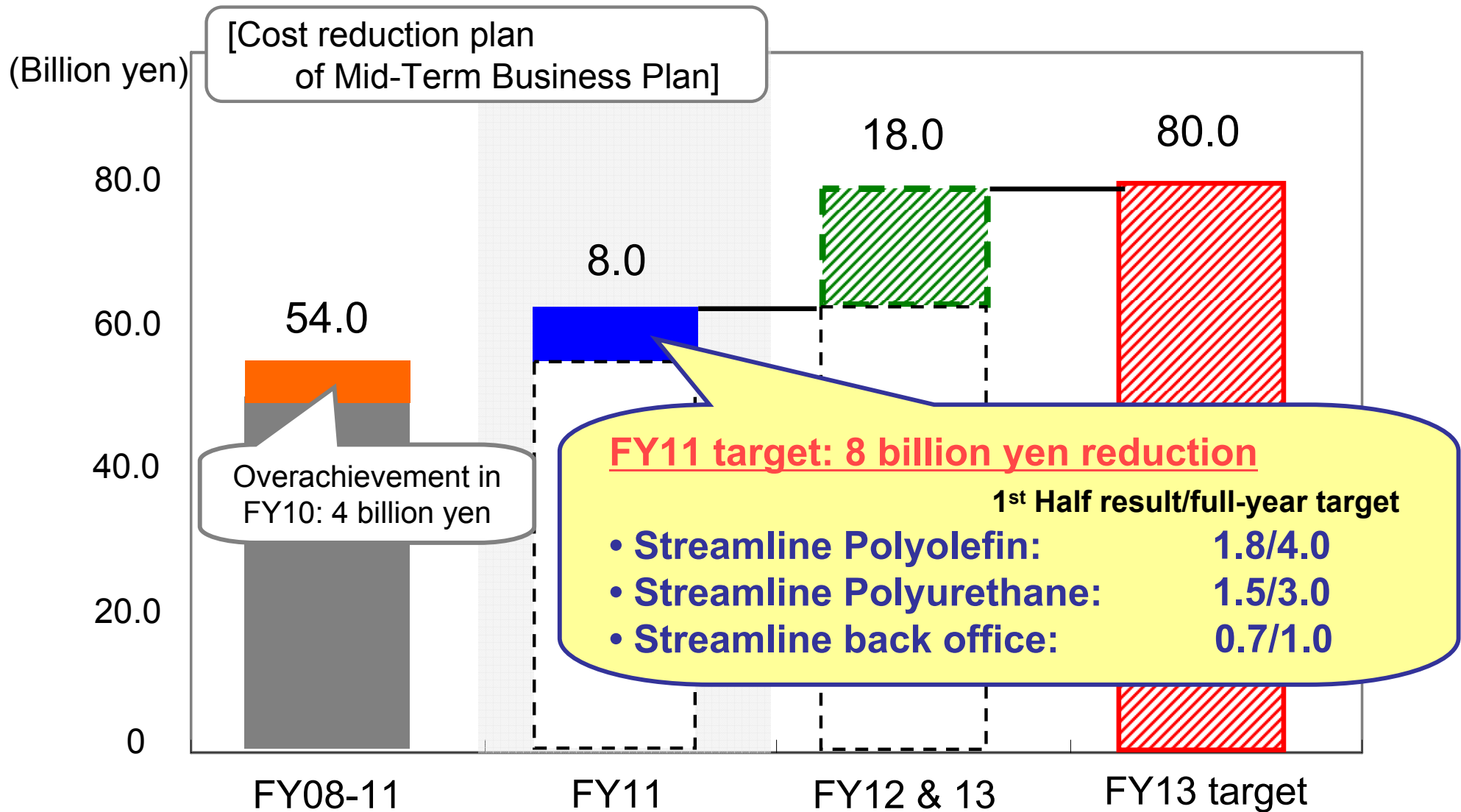
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## Progress in Cost Reduction

**Steady progress towards cost reduction target for FY11**  
**(Achievement in 1<sup>st</sup> Half: 4 billion yen)**

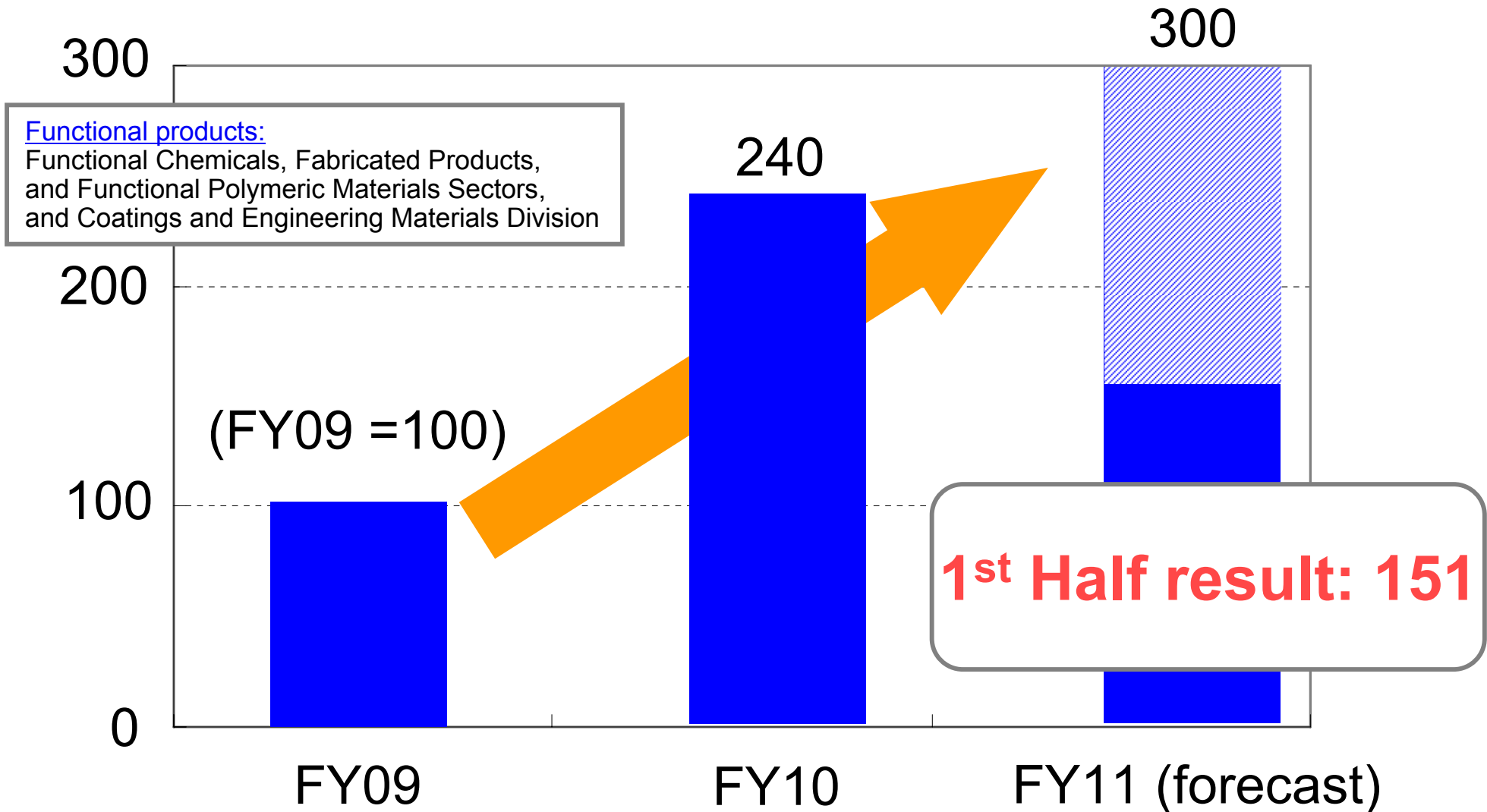




## Changes in Business Portfolio

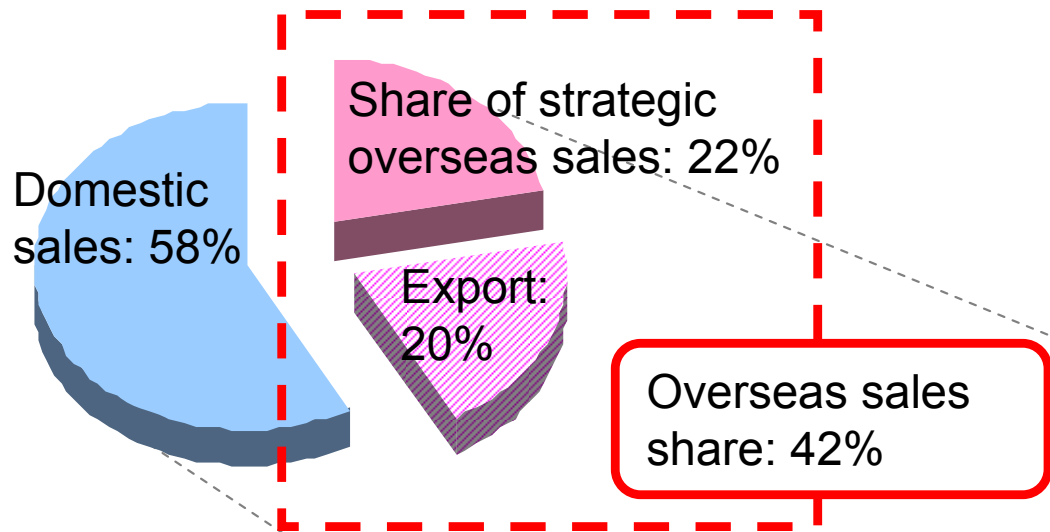
**Steady progress in changes to business portfolio**

### <Profits from functional products>

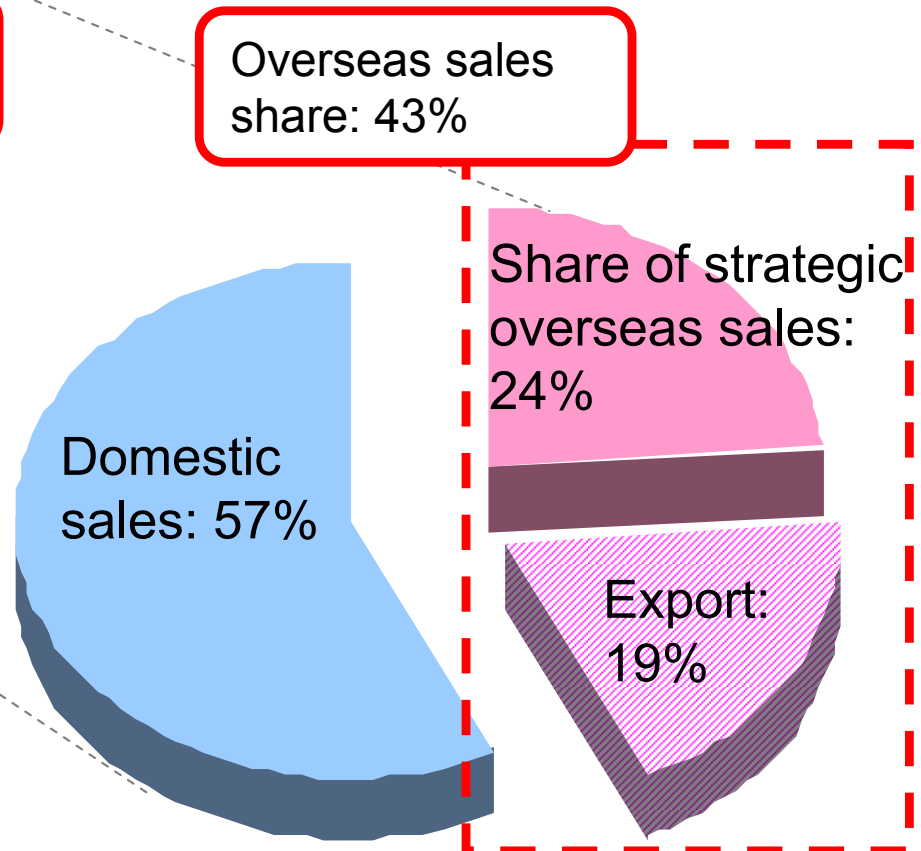


# Overseas Sales Share

**FY2010**



**FY2011 (1st Half)**



**Accelerate shift to overseas markets**

- 1) **Overseas sales share**  
Up from 42% to 43%
- 2) **Share of strategic overseas markets (localization)**  
Up from 22% to 24%

## Accelerate Global Management

### 1) Establish Representative in the Americas, following China and Europe (June 2011)

- Expand business in North & Central/South America (PP compounds, pesticides, etc.)
- Seek new opportunities (movement of shale gas and its development)

### 2) Establish Mitsui Chemicals Singapore R&D Centre (June 2011)

- Promote globalization of R&D activities



### 3) Transfer head office functions for TAFMER™ to Singapore (April 2011)

- Speedup global business management



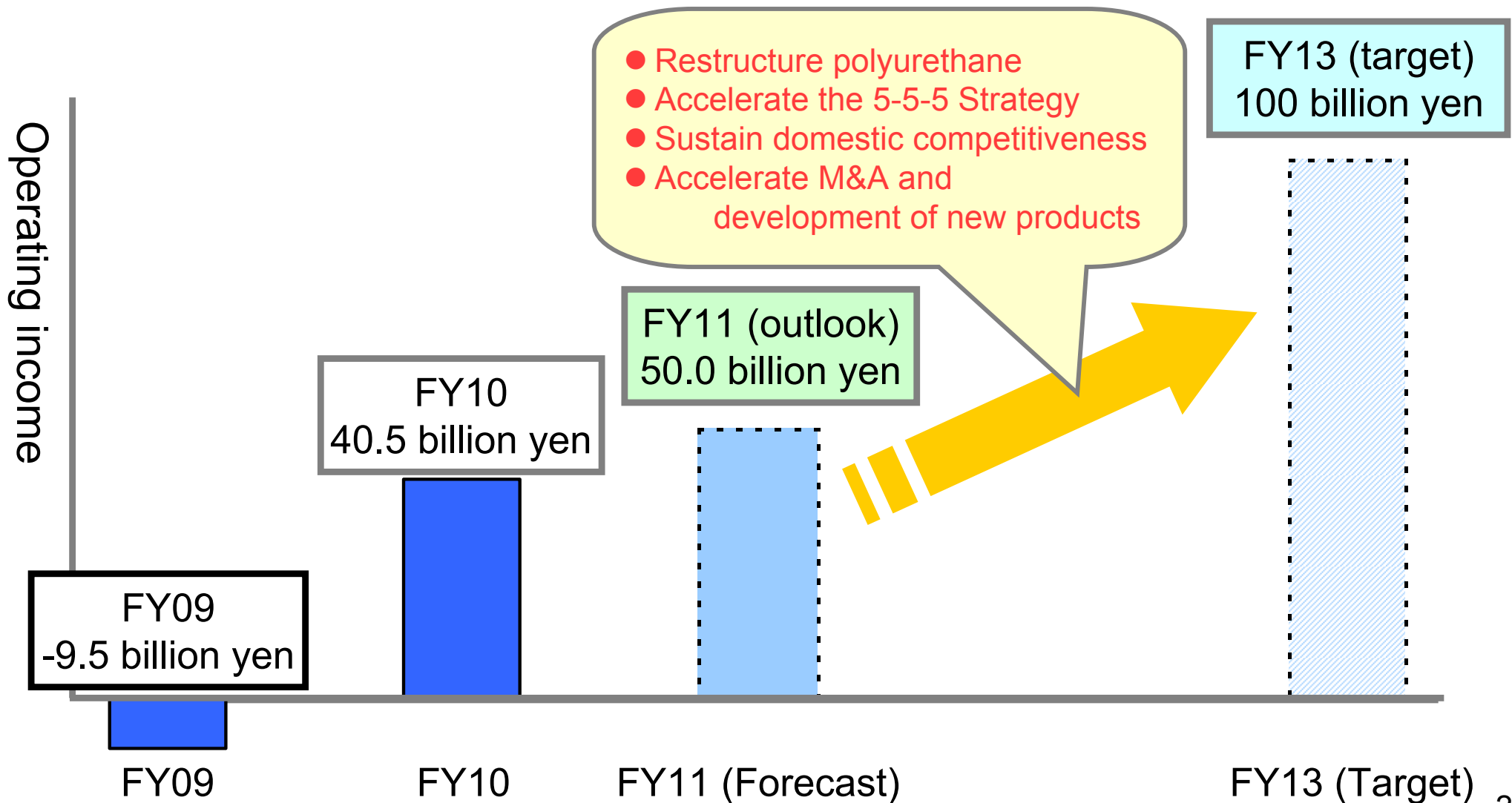
## Achieving the Mid-Term Business Plan

**There are significant concerns including uncertainty in the global economy, the record strength of yen, and financial restraints in emerging countries. However, we will aim to achieve the profit target for the second half of the year through ongoing efforts to improve profitability, including extensive measures to increase sales, cost reduction in every area, and streamlining operations ahead of schedule.**

**We will continue to respond to changes in the environment and accelerate specific measures of the Mid-Term Business Plan strategies.**

# Achieving the Mid-Term Business Plan

**Shift to business portfolio** that is resilient to economic change.  
 Steady progress being made toward **true globalization**





# MITSUI CHEMICALS, INC.

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