

## An Interview with the President

Mitsui Chemicals has been implementing a set of Emergency Measures since January 2009. In an interview with the newly appointed President and CEO, Toshikazu Tanaka, we discuss the details of these measures and what led to their formulation.



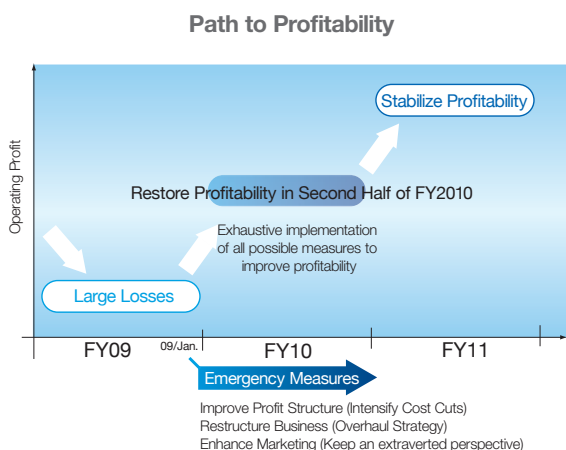
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### Q 1: In this period of unprecedented economic crisis, how is the Company forging a path to profitability?

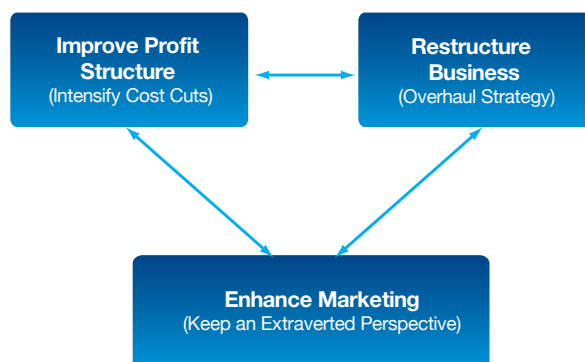
A. In response to sharp hikes in the cost of such raw materials as crude oil and naphtha in the first half of fiscal 2009, Mitsui Chemicals took steps to adjust its product prices. Just as these efforts were beginning to bear fruit, the abrupt downturn in the global economy placed considerable downward pressure on the Group's principal Basic Chemicals Business Sector. Impacted by the drop in demand from both the automotive and electronic information material fields, we are bearing the brunt of a harsh operating environment. Against this backdrop of dramatic fluctuation and change, we have positioned fiscal 2010 as a period in which Mitsui Chemicals must improve its disappointing results. Through the exhaustive

implementation of all possible measures to boost performance, we plan to restore profitability in the second half of the fiscal year ending March 31, 2010. Turning to fiscal 2011, the Company has drawn up additional Emergency Measures aimed at entrenching this profit growth trajectory.

Our efforts and goals extend beyond a single-minded focus on expenses. As a part of the Group's Emergency Measures, Mitsui Chemicals will improve its profit structure by intensifying cost-cutting initiatives, restructure its business by overhauling strategies and commence steps to reinforce its marketing capabilities.



#### Basic Policies of Emergency Measures



## Q2: Please tell us how you plan to improve your profit structure.

A. Put simply, we are working to intensify cost cuts. In the January to March 2009 quarter, we reduced personnel costs a total of ¥2.5 billion. This was largely attributable to reductions in wages and compensation paid to directors, management and staff. From an operating expense perspective, we realized cost savings of ¥1.5 billion through reductions in fixed costs at production sites. Successful efforts to optimize production processes and promote increased energy efficiency also generated variable cost benefits of ¥1.0 billion. Thanks to the aforementioned factors, we realized total cost savings of ¥5.0 billion from January 1, 2009 to March 31, 2009.

Looking ahead, we will further intensify our cost-cutting efforts. With the aim of improving the Group's profit structure, Mitsui Chemicals is targeting total cost cuts of ¥30.0 billion for the full fiscal year ending March 31, 2010.

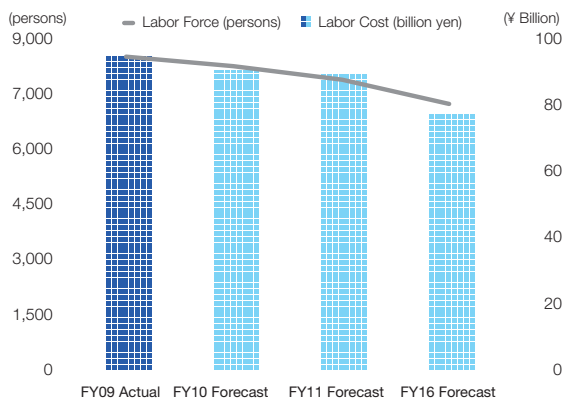
Not satisfied with a short-term reduction in wages and compensation, we will continue to reduce personnel expenses over the medium to long term. In this context, we will adjust our personnel complement to achieve optimal balance between the approximately 400 employees that retire each year and

our annual intake of new recruits. With a target date of March 2016, we intend to reduce our workforce by 1,270 employees. Building on this cutback in the Group's labor force, Mitsui Chemicals will continue to review wages, compensation and other working conditions with the aim of trimming labor costs a further ¥20.0 billion through to FY2016.

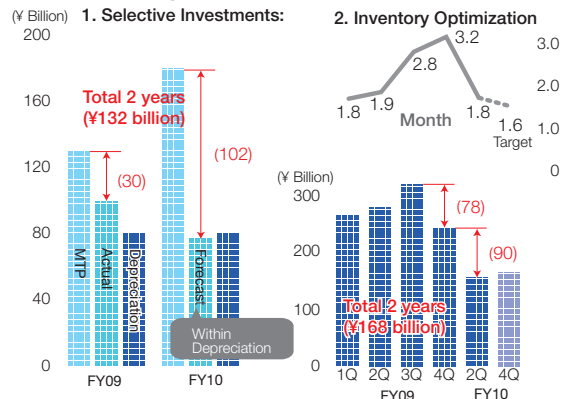
In addition, we are striving to improve our cash flow. In principle, Mitsui Chemicals engages in investment and loan activities within the general scope of depreciation and amortization. By adopting a more selective approach toward investment, we improved cash flow ¥30.0 billion in fiscal 2009 compared with the medium-term business plan. Together with projected cutbacks of ¥102.0 billion in fiscal 2010, we are targeting a two-year reduction in investments of ¥132.0 billion.

In an effort to optimize inventories, we are targeting a reduction of ¥168.0 billion in fiscal 2010 compared with the third quarter of fiscal 2009. Looking at another key indicator, inventory months on hand, we plan to streamline the current annual average of between 1.8 months and 1.9 months to 1.6 months as of the end of fiscal 2010.

**Cutback in Personnel Expenses (med/long term)**



**Improvements in Cash Flows**



## Q3: Why has Mitsui Chemicals restructured its business?

A. Impacted by structural changes in industry worldwide, Mitsui Chemicals has adopted a basic policy of ensuring its survival in the domestic market while expanding overseas with a focus on Asia.

To meet the challenges of a contracting domestic market, we will optimize production in the Chiba area in collaboration with Idemitsu Kosan Co., Ltd.; integrate refineries to improve business structure; strengthen and expand businesses to ensure our domestic market survival; and expand the high-performance film sheet business.

Overseas, we will aim to expand business in China in collaboration with Sinopac while participating in the collaborative construction of a refinery in Vietnam.



## Q4: What specific measures have you formulated to ensure the Company's survival in the domestic market?

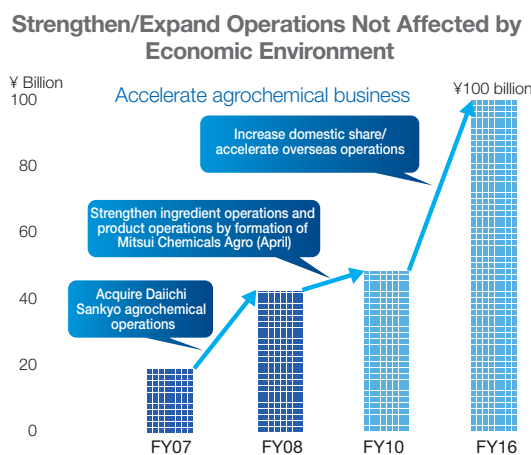
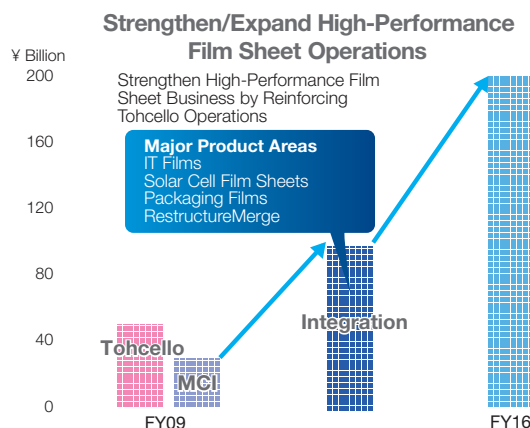
A. In order to survive in the domestic market, Mitsui Chemicals has identified four key measures. First, we will optimize production in the Chiba area in collaboration with Idemitsu Kosan. Given the commencement of operations on the part of large-scale ethylene production facilities in the Middle East and Asia, Japan's petrochemicals industry now finds it imperative to reinforce its ability to compete in overseas markets.

Following the decision in 2004 by Mitsui Chemicals and Idemitsu Kosan to conduct a comprehensive study toward realizing a cooperative setup in the Chiba area, both companies have worked steadily to forge a productive relationship. Among a host of initiatives aimed at increasing competitiveness, Mitsui Chemicals and Idemitsu Kosan established Prime Polymer Co., Ltd., a joint-venture company for the production of polyolefins, and joined the Research Association of Refinery Integration for Group-Operation (RING), an association that seeks to revitalize Japan's refining and petrochemical complexes. In an effort to advance collaborative ties to the next level, the two companies have reached an agreement to establish an optimal production structure in the Chiba area. In this manner, a solid foundation is being laid to further enhance competitive strength and standing.

While each company boasts significant capabilities in its own right, collaboration through production optimization focusing on naphtha cracker units, coupled with the integration of refineries as well as petrochemical derivative facilities are expected to secure us a leading position in the domestic market.

Confronted with a contracting domestic market, business expansion throughout the Asian region and the commencement of operations at large-scale production facilities in the Middle East and Asia resulting in the outflow of general-purpose resins, we will improve our business structure by accelerating steps to consolidate and decommission facilities as a second key initiative.

The third way in which we are working to ensure our domestic market survival involves strengthening and expanding businesses that are not affected by cyclical fluctuation. In the Advanced Chemicals Business Sector, for example, the



### Consolidation/Decommission of Facilities to Improve Structure

Fundamental Policy	Improve Structure	Consolidation /Decommission
Replace Portfolio	New hexane-1 Facility (2011)	Ichihara/Ethylene Glycol (2009)
	Rearrange Low Earners	Osaka/polystyrene (2009)
Concentrate on Plants with Competitive Edge	PTA production to new plant	Iwakuni/plant 2 PTA (2009)
	EPT production to new plant	Ichihara/plant 2 EPT (review)
	PP production cut	2 plants under review
Expand Overseas Operations	Commence China Bisphenol A	Nagoya/Bisphenol A (2009)

Company's agrochemical and vision care operations continue to generate stable earnings despite the current harsh operating environment. Our policy, therefore, is to further strengthen and expand business in these two areas. Kicking off these endeavors, we split off the Agrochemicals Division, absorbing it into Sankyo Agro Co., Ltd. to form Mitsui Chemicals Agro, Inc. on April 1, 2009. With the aim of consolidating our active ingredient and formulation activities, we are targeting net sales of ¥100.0 billion in the agrochemicals business in 2016.

Fourth, we will leverage our established strengths in specialty polymers to further reinforce and expand our high-performance film sheet operations. To this end, Mitsui Chemicals increased its existing shareholding in Tohcello Co., Ltd. in April 2009, including the company in its scope of consolidation as a wholly owned subsidiary. By positioning Tohcello at the heart of our high-performance film sheet business and further reinforcing operations, we are targeting an approximate twofold increase in net sales to ¥200.0 billion compared with fiscal 2010.

## Q5: The Mitsui Chemicals Group is also looking to expand overseas. What measures do you plan to implement in this regard?

A. Following the course of their natural development, markets that are now mature are steadily declining. Our goal, therefore, is to actively pursue demand throughout Asia, including in China and India, emerging markets that are expected to enjoy significant growth.

As one of two key measures, we will intensify our China operations by collaborating with China Petroleum & Chemical Corporation (Sinopec). Building on a relationship that extends over two decades, we established a joint venture in Shanghai in January 2009 for the annual production of 120,000 tons of bisphenol-A. In a more recent development, the two companies concluded a memorandum of understanding in April 2009 to foster closer ties in the petrification field.

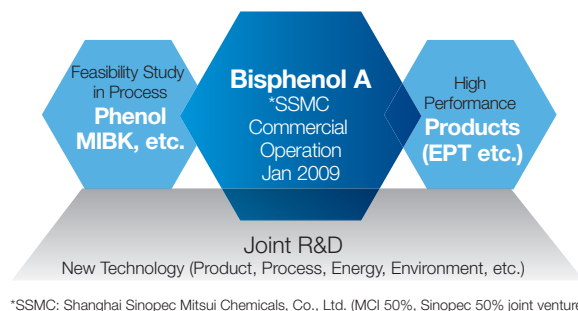
Looking ahead, we plan to boost collaboration beyond petrification to include phenol operations that encompass such high-performance products as ethylene propylene terpolymers. By securing a strong foothold in this lucrative market, we will position China as a core business.

In addition to China, we see Vietnam as a market of significant potential. Taking the lead in the collaborative construction of a refinery in Vietnam, Japanese participants are coordinating with oil-producing and developing countries to establish a business scheme of considerable interest.

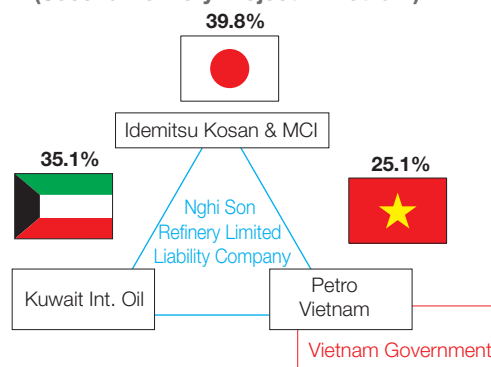
In another venture focusing entirely on Asia, we are participating in a project in which Japanese interests are taking the lead involving the extraction of local petroleum for the Vietnamese market using Japanese technology.

With feasibility studies well under way, we anticipate final determination by March 31, 2010.

### Intensify China Operations through Collaboration with Sinopec Growth Strategy for Expanding Chinese Market



### Outline of Participation in Nghi Son, Vietnam Project (Second Refinery Project in Vietnam)



## Q6: What is your basic stance toward strengthening marketing capabilities?

A. In order to address drastic changes in the economic environment, we must identify possible impacts on our business operations by carefully looking at the outside environment. In addition, all of us, including top management, must pursue closer communication with customers to reinforce relationships of trust. This will be the first step in reinforcing of our marketing capabilities. As they strive to achieve closer ties, not only front-line sales person-

nel but also other employees in such divisions as R&D, distribution, manufacturing and quality assurance should work to fully understand the purpose of the marketing capability reinforcement initiative and support each other through robust collaboration. Specifically, we are planning to develop marketing personnel, reinforce the collaboration between the R&D and operating divisions and strengthen marketing activities in the Asian region.

Against the backdrop of global economic recession, Mitsui Chemicals focuses on emergency measures that address earnings issues. In the medium to long term, however, Mitsui Chemicals is aiming to enhance corporate value based on the Corporate Vision set out in the Grand Design.

# Grand Design

The Mitsui Chemicals Group formulated a Grand Design, which lays out the Group's corporate growth targets for the next 10 to 15 years.

Management Target

## Our Corporate Mission

The Mitsui Chemicals Group is "to contribute broadly to society by providing high-quality products and services to customers through innovations and creation of materials, while keeping in harmony with the global environment."

## Our Corporate Target

We established the following target: "Chemistry, Innovation, Dreams."

The Mitsui Chemicals Group is constantly pursuing innovation and materializing dreams with the wonder of chemistry.

## Business Plan

We started the 4-year Mid-term Business Plan in fiscal 2008. We face the challenge of "Creating New Value" through the creation of innovative new technologies and the establishment of three-pronged management focused on the economy, the environment and society.

### Grand Design



### The 2008 Medium-term Business Plan

Complete 3-dimensional strategy consisting of economy, environment and society • Create innovative new technologies

