



## **Financial Summary**

### **Results of the First Half of FY2009** **Mitsui Chemicals, Inc.**

President & CEO

Toshikazu Tanaka

Nov. 2, 2009

# Contents

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- ◆ **Results of the First Half  
of FY2009  
(Business Summary)**
- ◆ **Review of Main Strategies  
of 2008 Medium-Term  
Business Plan**

# Earnings Forecast Summary

(Billions of yen)

Items	FY2008			FY2009			Increase (Decrease)  (B) - (A)
	1H	2H	Fiscal Year (A)	1H Results	2H Forecast	Full-Year Forecast (B)	
Sales	905.6	582.0	1487.6	549.9	660.1	1210.0	△ 277.6
Operating income (loss)	10.0	△ 55.5	△ 45.5	△ 19.0	4.0	△ 15.0	30.5
Non-operating income (expenses)	3.3	△ 8.6	△ 5.3	△ 3.1	△ 4.9	△ 8.0	△ 2.7
Ordinary income (loss)	13.3	△ 64.1	△ 50.8	△ 22.1	△ 0.9	△ 23.0	27.8
Special gains (losses)	△ 1.8	△ 12.8	△ 14.6	△ 5.9	△ 2.1	△ 8.0	6.6
Net income (loss)	7.6	△ 102.8	△ 95.2	△ 31.4	△ 7.6	△ 39.0	56.2
Rate (Yen/US\$)	106	95	101	96	90	93	△ 8
Domestic Standard							
Naphtha Price (Yen/KL)	78,350	38,900	58,930	37,250	42,000	39,600	△ 19,330

# Operating Income by Quarter

(Billions of yen)

FY2008

FY2009

1Q 2Q 3Q 4Q 1Q 2Q 3Q 4Q

2H:  $\Delta 55.5$

1H:  $\Delta 19.0$

+36.5

Cost-cutting (emergency measures):+17.7, volume increase:+13.0, inventory, etc.:+5.8

20.7

2.0

$\Delta 10.7$

$\Delta 13.5$

$\Delta 5.5$

■ : By quarter

$\Delta 57.5$

Cumulative performance  $\Delta 19.0$

+23.0

Initial Plan (Cumulative)  $\Delta 42.0$

$\Delta 15.0$

$\Delta 38.0$

FY08 Cumulative  $\Delta 45.5$  billion yen

$\Delta 45.5$

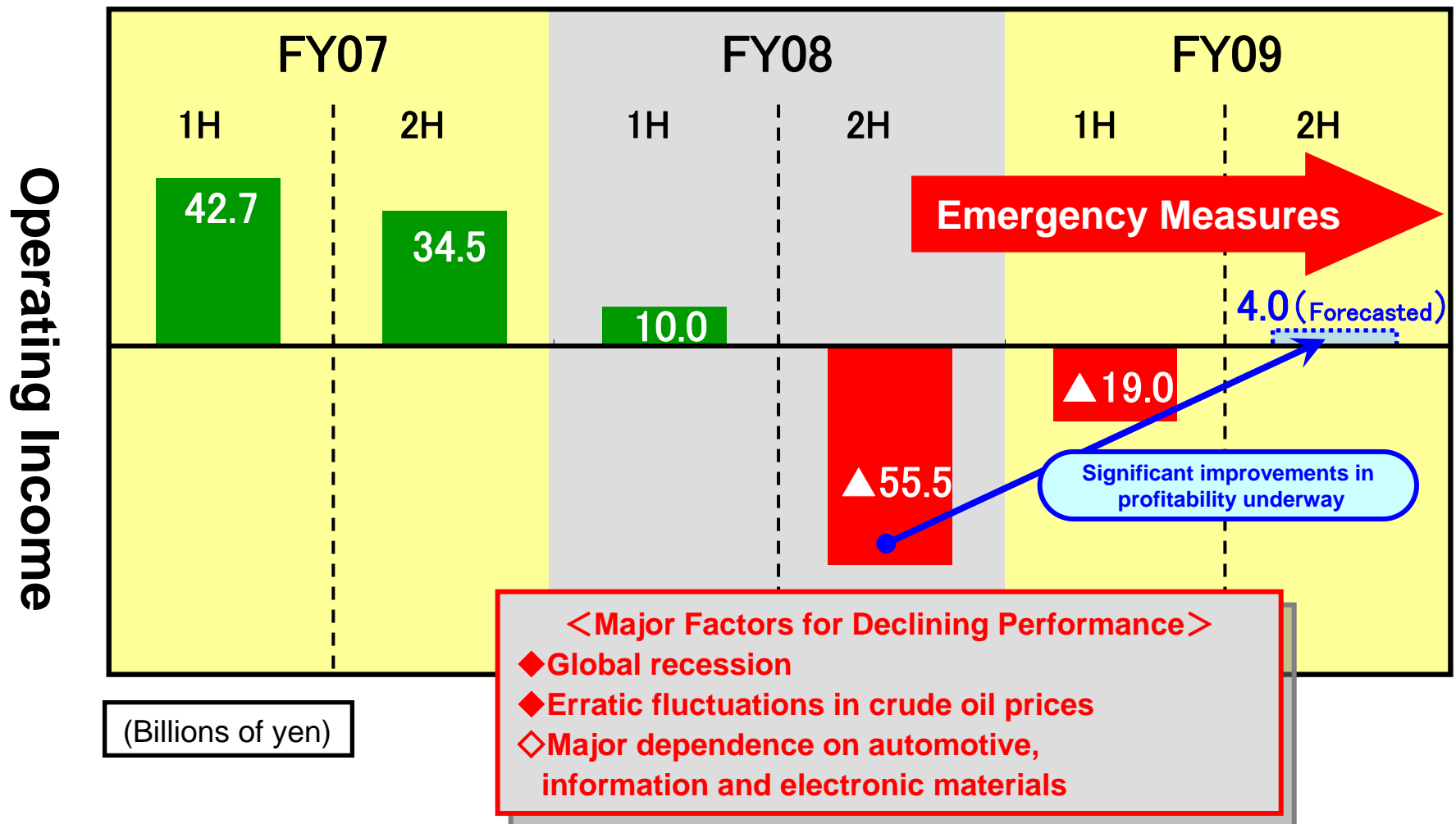
Cost-cutting, etc.:+8.6 volume increase:+3.5, terms of trade:+5.2, inventory valuation:+5.7

# ◆ Review of Main Strategies of 2008 Medium-Term Business Plan

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1. Business Vision for New Management
2. New Growth Strategy
3. Strengthen Business Foundation
4. Investment and Finance Program
5. Summary

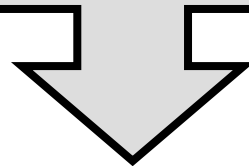
# ① Recent Earnings Trends and Their Cause



## ② Business Environment

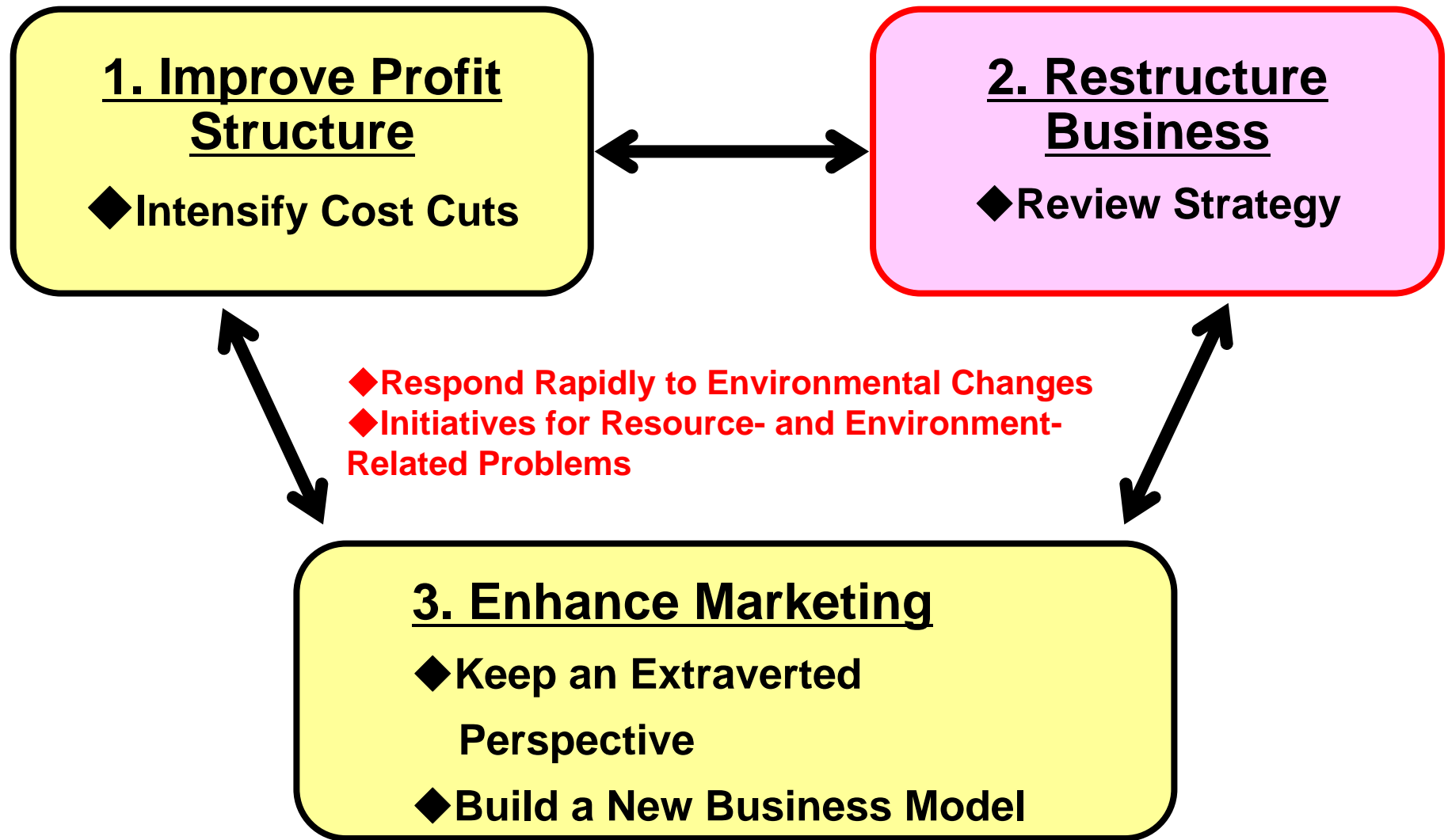
The internal and external environments have changed completely and are impacted by **sharp fluctuations worldwide**

- ◆ Developed countries economy stays stagnant , Asian countries growth continues
- ◆ a domestic business model that depends on exports and automobile industry is declining
- ◆ Increasing threats by Middle Eastern ethylene derivatives and Chinese petrochemical businesses
- ◆ Resource-, environment-, energy- and employment-related problems have become major global issues



Mitsui Chemicals will leverage its strengths to go on a new growth path, turning crisis into opportunity

### ③ Initiatives to Realize a new “Growth Path”





## 2. New Growth Strategy

Accelerating business expansion and the creation of new businesses through **partnerships with other companies and M&As** in order to respond to dramatic environmental changes and threats to petrochemical industries in the Middle East and China.

### Fundamental Strategies

1. Global expansion of highly competitive businesses
2. Expand high-value-added businesses to achieve sustainable growth
3. Create new products and businesses that are in harmony with the global environment

## Product Lineups that Aim to be No. 1 Worldwide



- ◆ Early business expansion at overseas bases by leveraging partnerships with strong companies
- ◆ Expand businesses that do not compete directly with inexpensive general-purpose ethylene derivatives from the Middle East

**Product lineups that aim to be Global No.1**

**Product lineups that aim for Asian market**

\* [ ] Represents the current situation

**Strengthen business platforms**

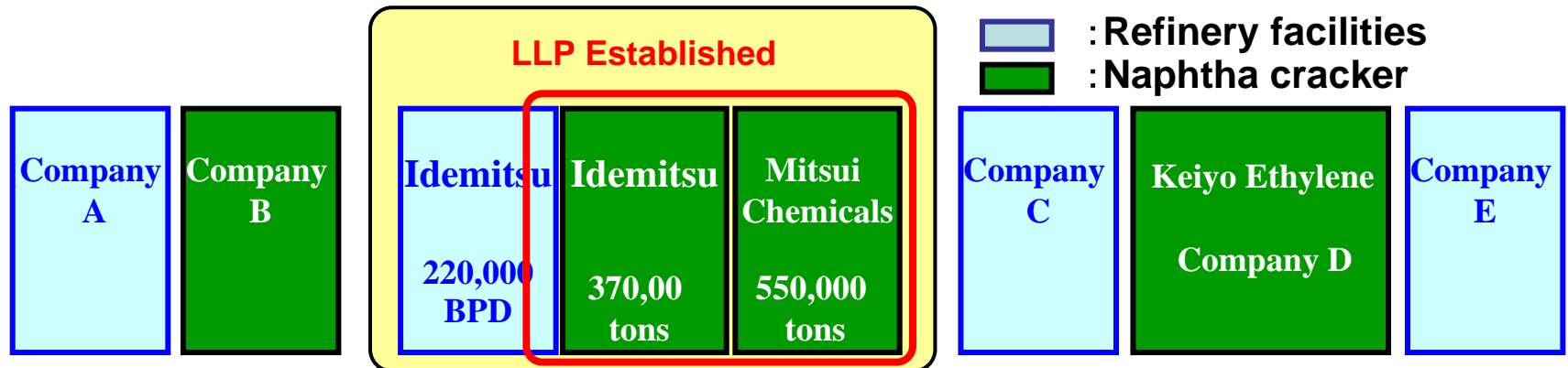
➤ Promote joint projects with Idemitsu Kosan

- EPT (elastomers) [No. 1 in Asia]
- HAO-LL EVOLUE [Asia bases under planning]
- PP Neat [Asia bases under planning]

- Phenol Chain [No. 2 Worldwide]
- PP Compound [No. 2 Worldwide]
- TAFMER (elastomer) [No. 2 Worldwide]
- ADMER (adhesive polyolefin) [No. 1 Worldwide]
- High refraction glass lens materials [No. 1 Worldwide]

# ① Promote Joint Projects with Idemitsu Kosan — Optimize Production in the Chiba Area —

- ◆ Formulate Japan's Most Optimal Production Facility Smooth implementation of Step 1: **The Early Establishment of a Naphtha Cracker via LLP**



## ◇ Progress

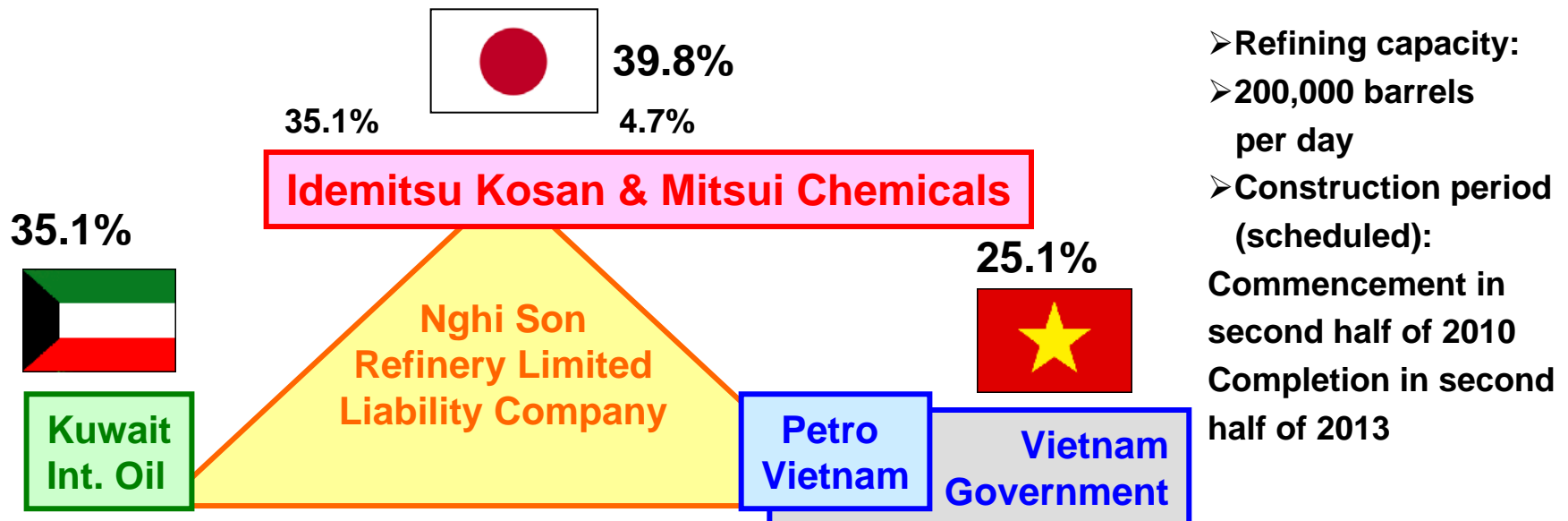
- ◇ Implementation is proceeding according to plan to establish LLP no later than the current fiscal year
- ◇ All the necessary checks were done for the establishment of LLP
- ◇ Preliminary consultations are underway with the FTC, under the Antimonopoly Law

\*LLP: Limited Liability Partnership

## ② Nghi Son, Vietnam Project

- ◆ **Build a new business model by linking** Kuwait (raw materials), Vietnam (markets) and Japan (technology)

- ◇ Mitsui Chemicals' merits: Stable supply of aroma raw materials
- ◇ Progress: Steady progress being made (decision expected in mid-2010)

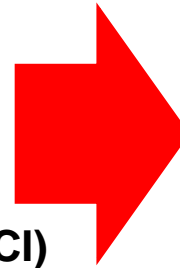


- Refining capacity: 200,000 barrels per day
- Construction period (scheduled): Commencement in second half of 2010, Completion in second half of 2013

### ③ Strategic Expansion Into the Chinese Market by Linking with Sinopec

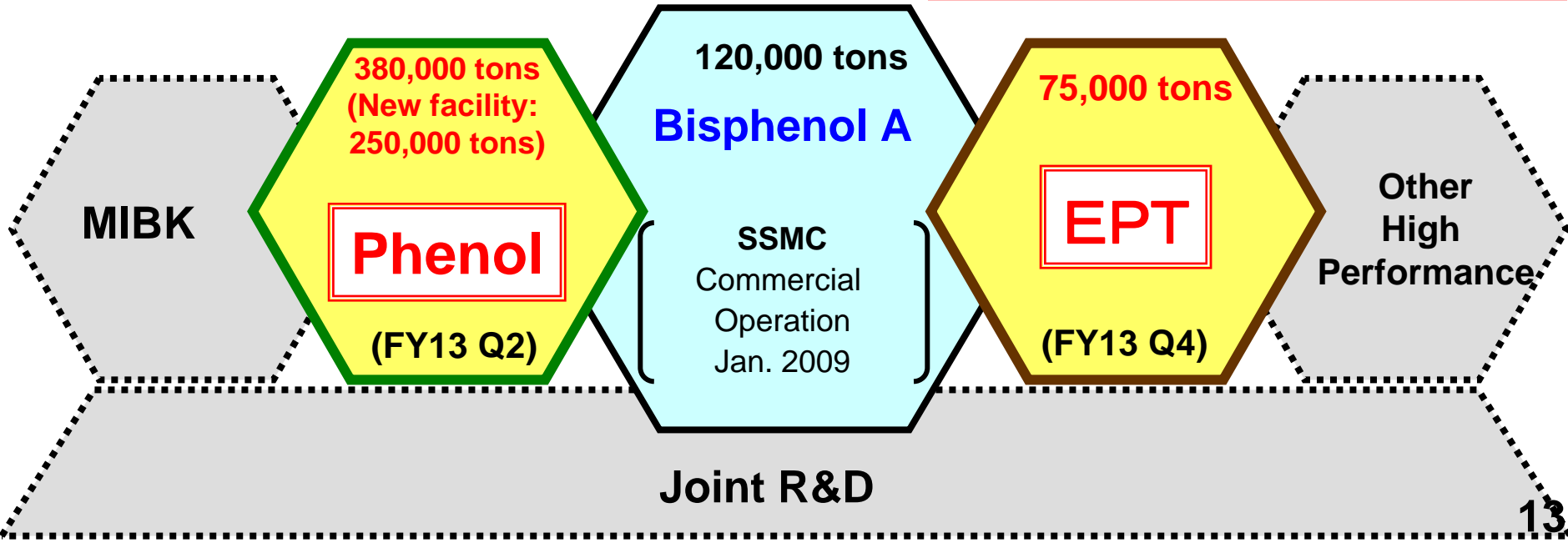
◆ Roles of both companies in the partnership:

- 1) Rapid acquisition of expanding national demand (both companies)
- 2) Production technology and expertise (MCI)
- 3) Sales network and infrastructure (Sinopec)



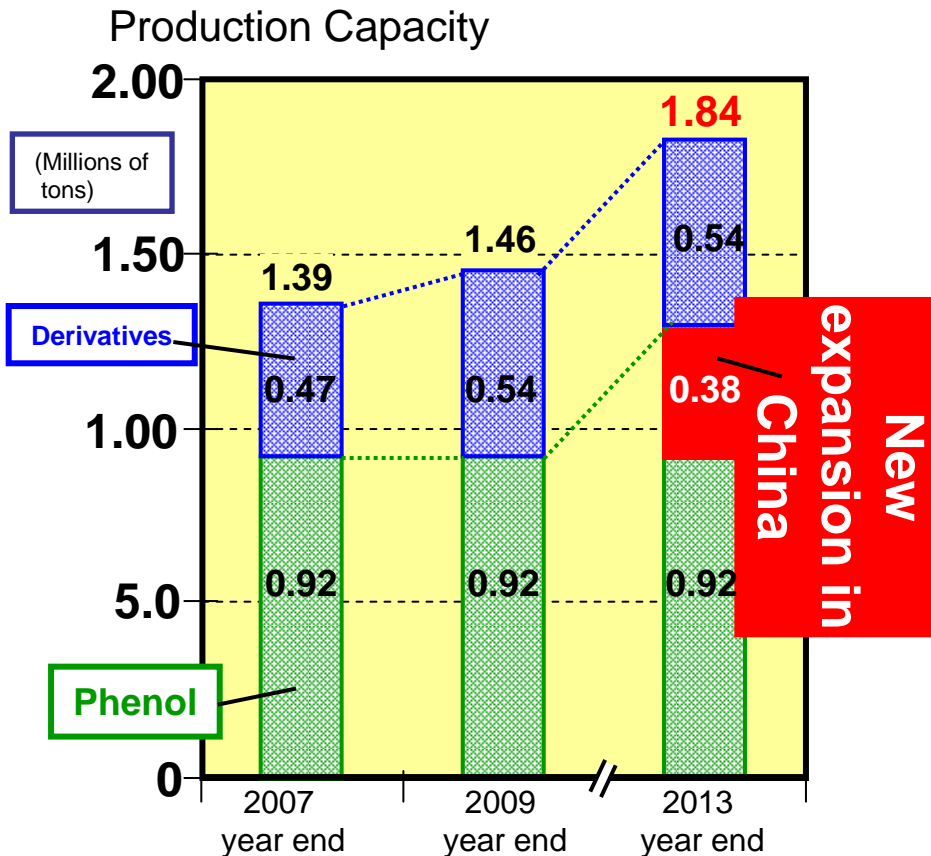
The conclusion of a letter of intent has been integrated into the agenda (scheduled in December) regarding phenol and EPT

◆ Capital expenditures: ¥60.0 billion



## ④ Strategies to be Global No.1 in Phenol Chains

- ◆ Strengthening competitive consistency from access to raw materials and aiming to be a global leader, which includes the derivatives business (Bisphenol A and MIBK) by forming a partnership with Sinopec



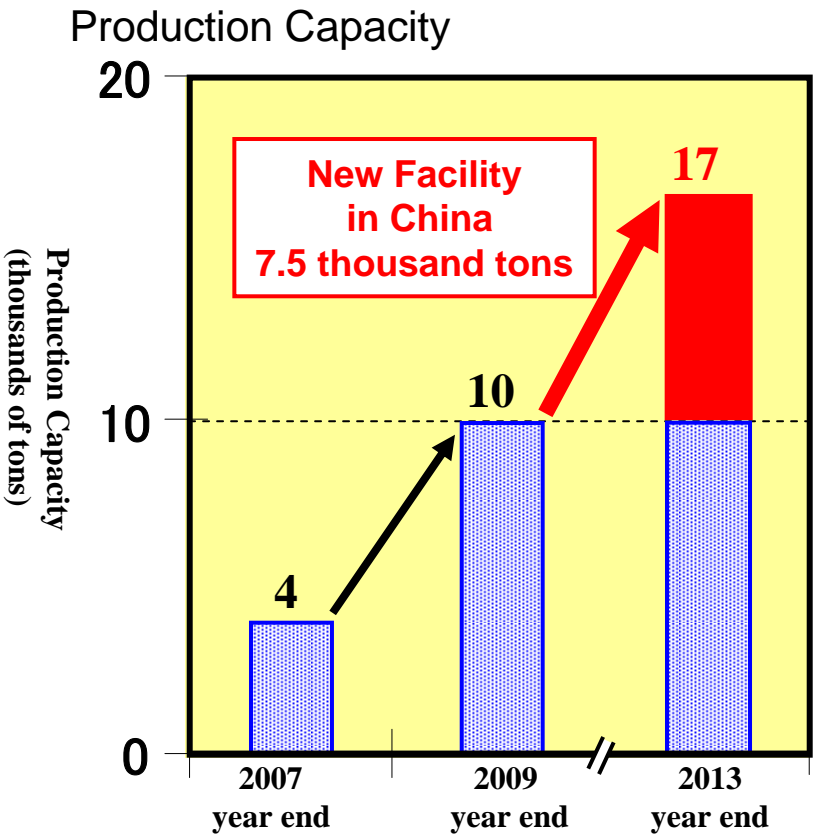
➤ Global production capacity (2009)

- No. 1 I Company: 1.88 million tons (Europe and North America) (No phenol derivatives)
- No. 2 Mitsui Chemicals: 1.46 million tons (Asia) (phenol, Bisphenol A, MIBK)
- No. 3 S Company: 0.97 million tons (U.S.A.) (phenol [ 86 ], Bisphenol A [ 11 ])

Achieving leading global production (1.84 million tons) [Overseas production ratio: 45% ⇒ 56% ] through JV expansion with Sinopec

## ⑤ Strategy to be Asian No.1 in EPT (Ethylene-Propylene Diene Terpolymer)

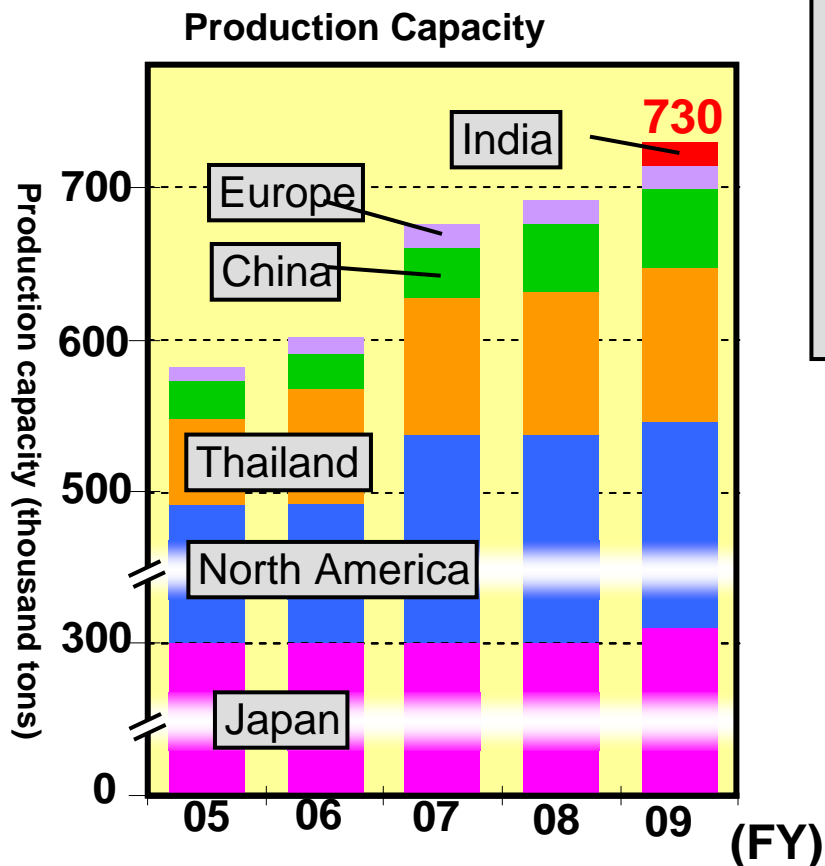
◆ Launch of China’s largest EPT plant in growing market and **to secure Asian No.1 position by forming a partnership with Sinopec**



- Maintained **top production capacity (100,000 tons)** in Asia through the operation of the world’s largest plant, based on our own technology (Ichihara)
- Aim to be global top class **production capacity** (2013 year end) by entering into China

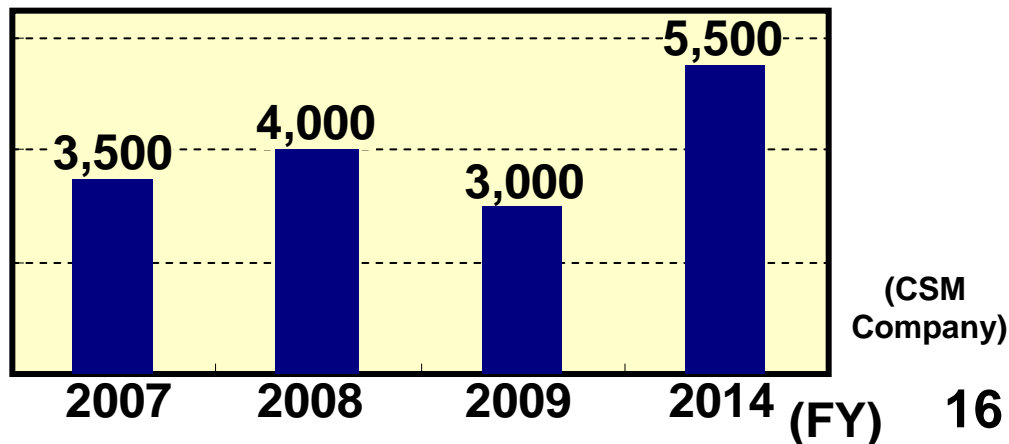
## ⑥ Strategy to be Global Leader in PP Compounds

- ◆ **Become a global leader** by meeting Japanese automobile manufacturers' overseas development and **expanding new sites through partnerships with competitive raw materials suppliers manufacturers**
- ◆ Following India, the ninth global production site **is expected to be established in Brazil (2012)**



- **Production Capacity: 730,000 tons (global/2009 year end)**
- **Overseas production ratio: approx. 60%**
- **Share: No.2 worldwide (No.1 share of Japanese customers)**

Number of Automobiles Produced in South America (thousands of units)



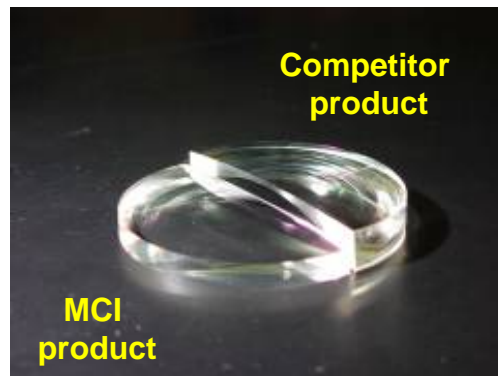


# ⑦ Strategy to Be a Global No.1 in High-Refractive Glass Lens Materials

◆ **Providing Total Solutions** by Combining Lens and Coating Materials

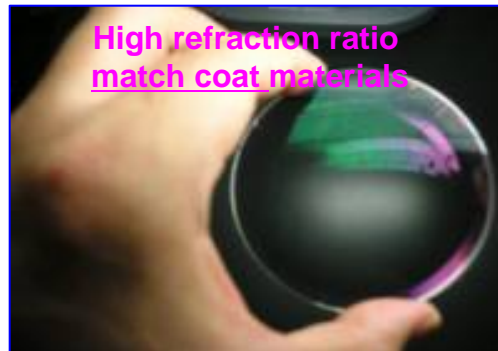
**MCI**

High-Refractive Ratio Lens Materials



**SDC Company**

High-Performance Coating Materials



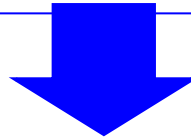
Acquired in 2008



➤ Aim to strengthen MCI position as a global leader

## Counteracting Threats from Middle East

### Threats From Middle East: Introduce Inexpensive, Gas-Based General-Purpose Ethylene Derivatives

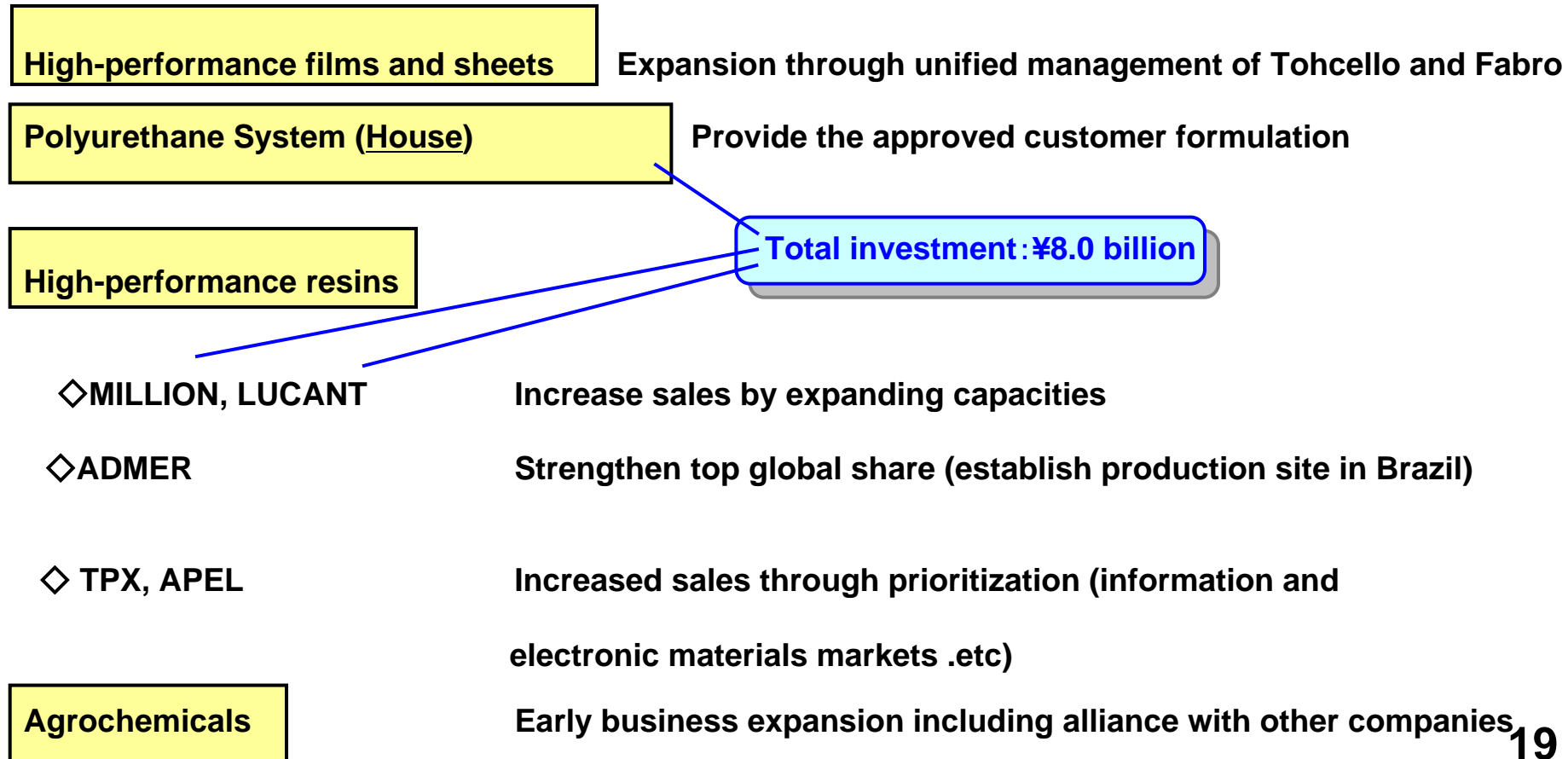


MCI is steadily implementing countermeasures since five years ago

- ◆ Propylene Center (increase C3 demand compared to C2 demand)
- ◆ Expand aroma businesses
- ◆ Shift to differentiated ethylene derivatives business
  - High performance PE (EVOLUE) through metallocene catalysts
  - Ethylene trimerigation (hexane-1)
  - Ethylene glycol ⇒ Ethylene oxide ratio increase
- ◆ Expand high-value-added, non-petrochemical businesses

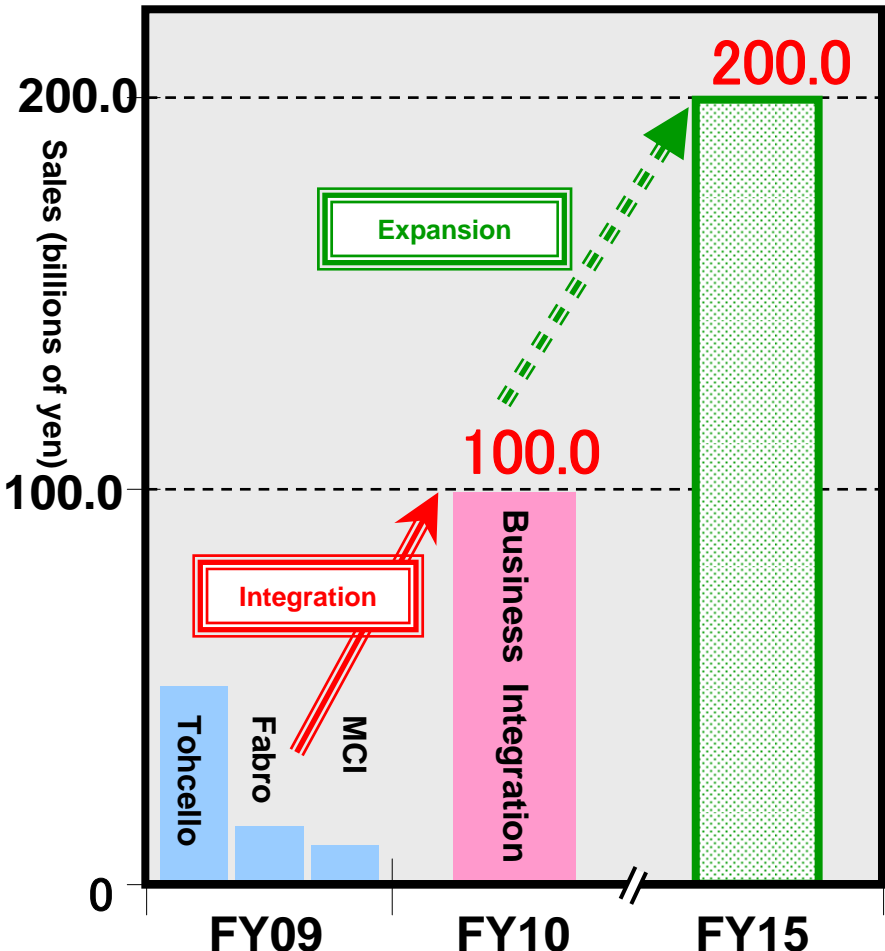
## Fundamental Strategy 2: Expand High-Value-Added Businesses to Achieve Sustainable Growth

### ◆ **Early Expansion by Concentrating Resources, Including M&As**



# (1) Sales Expansion of High-Performance Film and Sheet

◆ Aiming for sales expansion of solar cell film/sheets and new products through the integration of film sheet businesses of Tohcello Co., Ltd., Mitsui Chemicals Fabro, Inc. and Mitsui Chemicals, Inc.



## SOLAR EVA (EVA sheet)

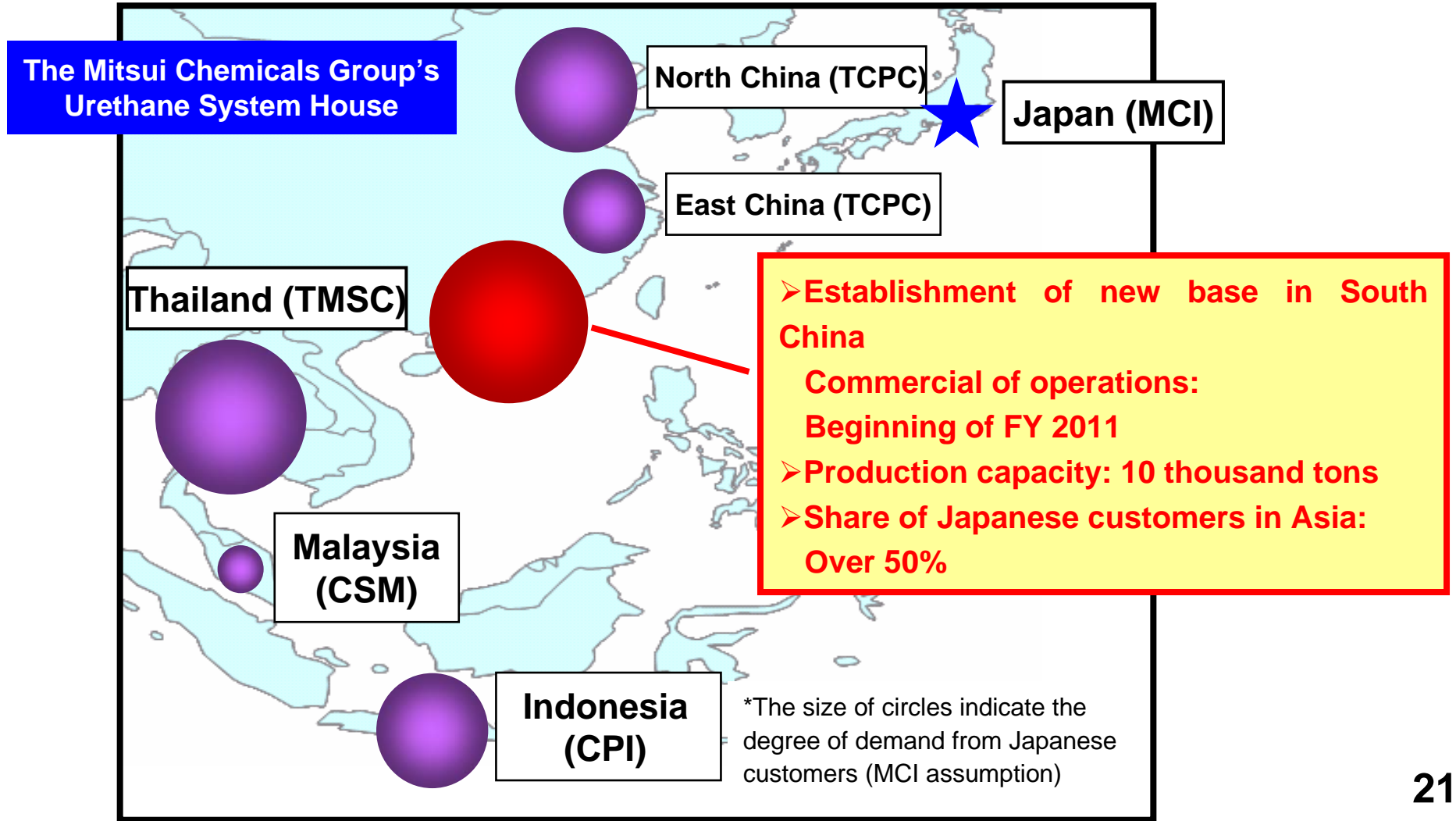
- Increasing production capacity on the back of growing demand for solar cells (9 ⇒ 20 thousand tons)
- Additional expansion is under planning

## New Product Development

- Commercialization of LED processing film and Liquid-crystal-display film
- Utilization of Mitsui Chemicals' proprietary materials  
 TPX: High transparency, high heat-resistance and excellent mold release properties  
 APEL: High transparency, high degree of refraction, excellent moisture-proof properties, etc.

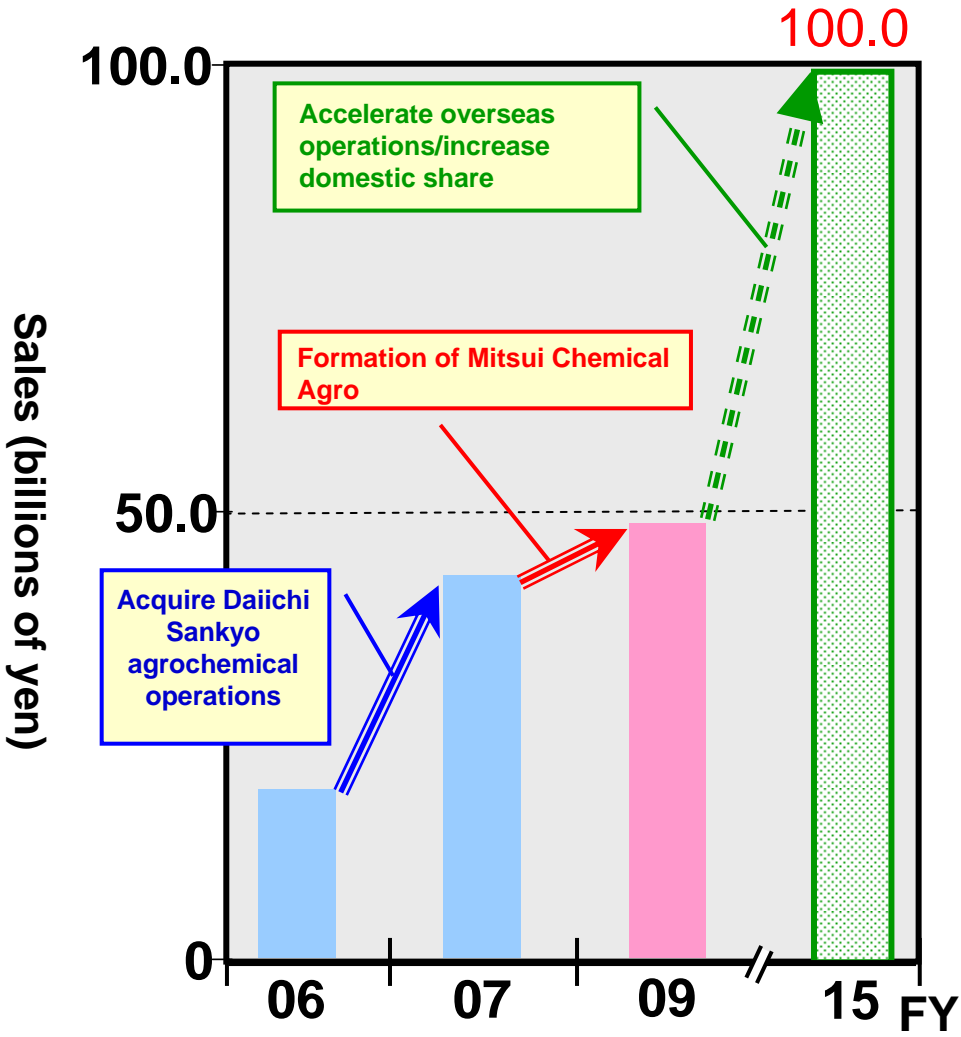
## (2) Expansion of the Polyurethane System House Market in Asia

◆ **The Asian Network expanded to seven bases** by new South China site



### (3) Expansion of the Agrochemical Business

◆ Aiming for **early business expansion** including alliance with other companies



#### Strategies for Agrochemical Business Expansion

- Through the integration of the active ingredient and formulation businesses, Mitsui Chemicals aims for:
  - Reinforced product development capabilities
  - Enhanced product portfolio
- Expansion of overseas sales based mainly on Mitsui Chemicals' own ingredients
  - Brazil } Large scale of the market
  - India }
  - Asia (excluding India)

## Fundamental Strategy 3

### Create New Products and Businesses that are in Harmony with the Global Environment

**(1) Expansion of new product lineup** by leveraging Mitsui Chemicals' unique technologies and materials

Photovoltaic components

Lithium-ion battery components

New lightweight materials

Unique Films

Solar Cell & Battery Components Development Dept., etc.

**New Materials Development Center**  
(Established in October 2009)

**(2) New business creation** through the **establishment of new business models**

Chemical fixation of CO<sub>2</sub>

Chemicals created from biomass materials

**New Business Development Division**  
(Established in October 2009)

## 1. Expansion of New Product Lineup Using Mitsui Chemicals' Unique Materials

### (1) Environment and New Energy-Related Products (Including New Applications)

#### Photovoltaic Components

- ◇ Encapsulating sheets: Accelerating the development of **next-generation encapsulating sheets** (for thin-film solar cells)
- ◇ Monosilane gas: Developing **next-generation manufacturing process** jointly with Tokuyama

#### Lithium-Ion Battery Materials

- ◇ Separator: MILLION (separator material) that contributes to battery stability (Augment production capacity to 2,500 tons: completion scheduled in 2011)
- ◇ Electrolytes: **Entry into the large-sized battery market**, utilizing Mitsui Chemicals' proprietary additives

#### Wind Power Generation

- ◇ Lubricant for power generators: LUCANT contributes to the **long lifespan of lubricant** (production capacity increase by 100,000 tons: completion scheduled in 2011)

**Sales targets for the environment and new energy segments: ¥20.0 billion (2011)**



## ② Business area of New Materials Development Center

◆ **Currently developing 30 different themes** in three areas: Next-Generation automotive materials, high-performance films and sheets, advanced materials

**Sales target: ¥30.0 billion (2013)**

Development examples:

◇ **New lightweight materials**

- By switching to scratch-resistant surface materials (metallocene-type polyolefin), the surface becomes 20% thinner and lighter  
**(approved for commercial application)**

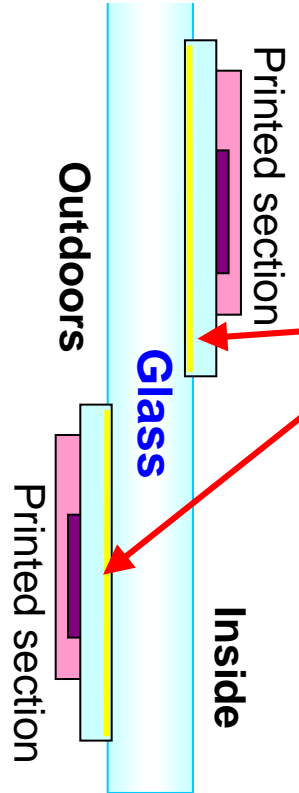
◇ **Unique Film (adhesive films by nanotechnology)**

### ③Unique Film

#### ◆Transparent and easy peeling adhesive films by nanotechnology



First store to use this film (Chiba)



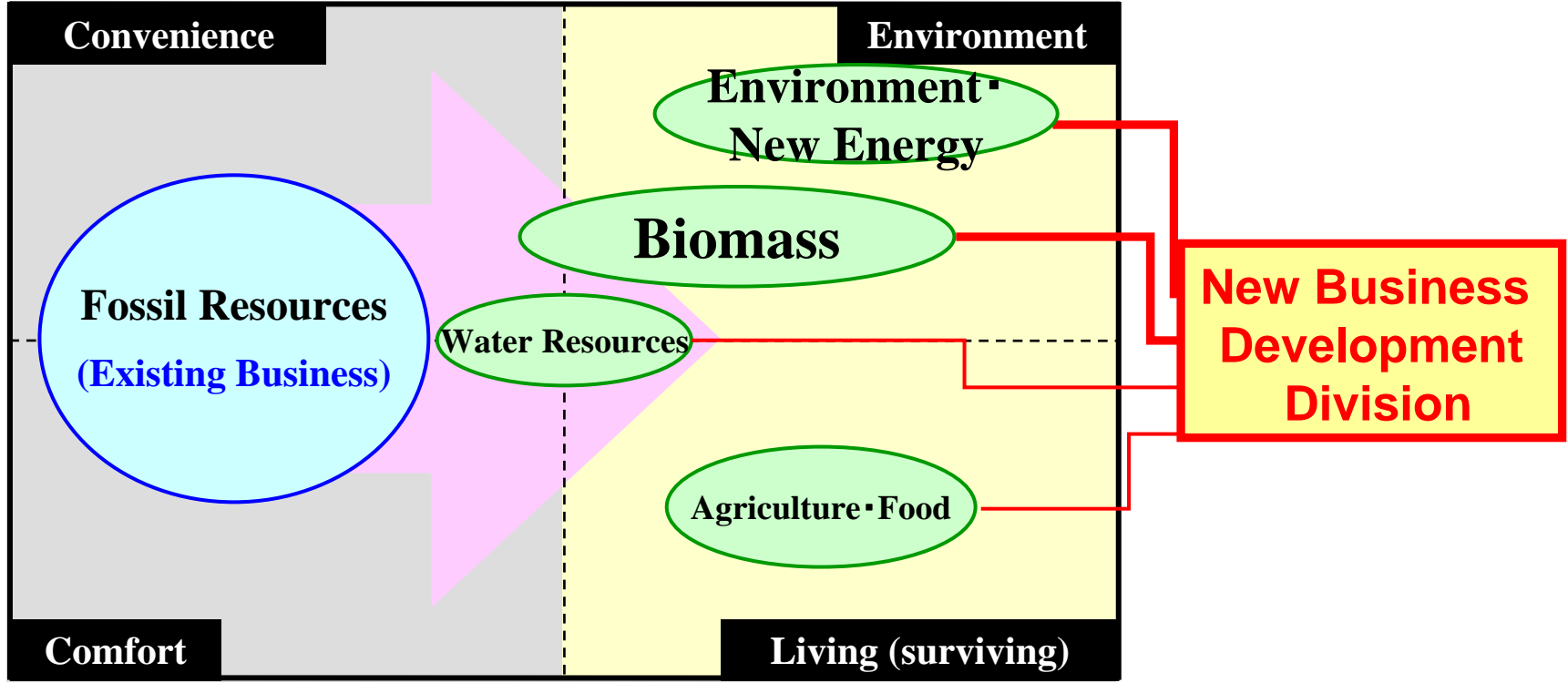
- ◇High level of adhesiveness and transparency
- ◇No adhesive deposits after removal and possible to reattach
- ◇Can be used both inside and outdoors
- ◇Color printing possible
- ◇Thickness: 0.1mm and below

Application development: Large advertising displays, show window displays, etc.

## (2) Create New Businesses by Formulating new Business Models

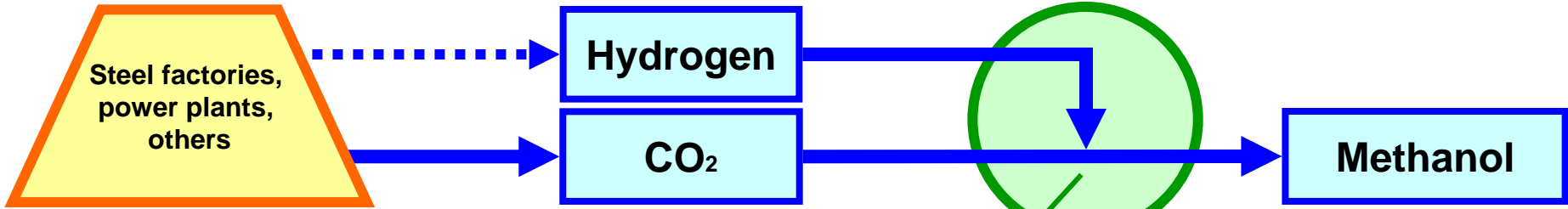
- ◆ Aiming to create next-generation core businesses by utilizing the roles and opportunities of “chemistry” to solve resource-, environment- and energy-related problems

Development Areas of New Businesses



# ① Chemical Fixation of CO<sub>2</sub> (Methanol)

◆ Aim to **achieve actual commercialization of this technologies that contribute to the reduction of GHG**, based on the impetus created by new environmental policy announcements by the Obama and Hatoyama governments



**World's 1st pilot facilities in operation**

- ◇ Confirm performance of high-activity catalysts\* , by using actual Cracker gas
- ◇ Having received numerous inquiries from overseas and Japan, powerful partnerships with EDB, Sinopec and others are currently being reviewed

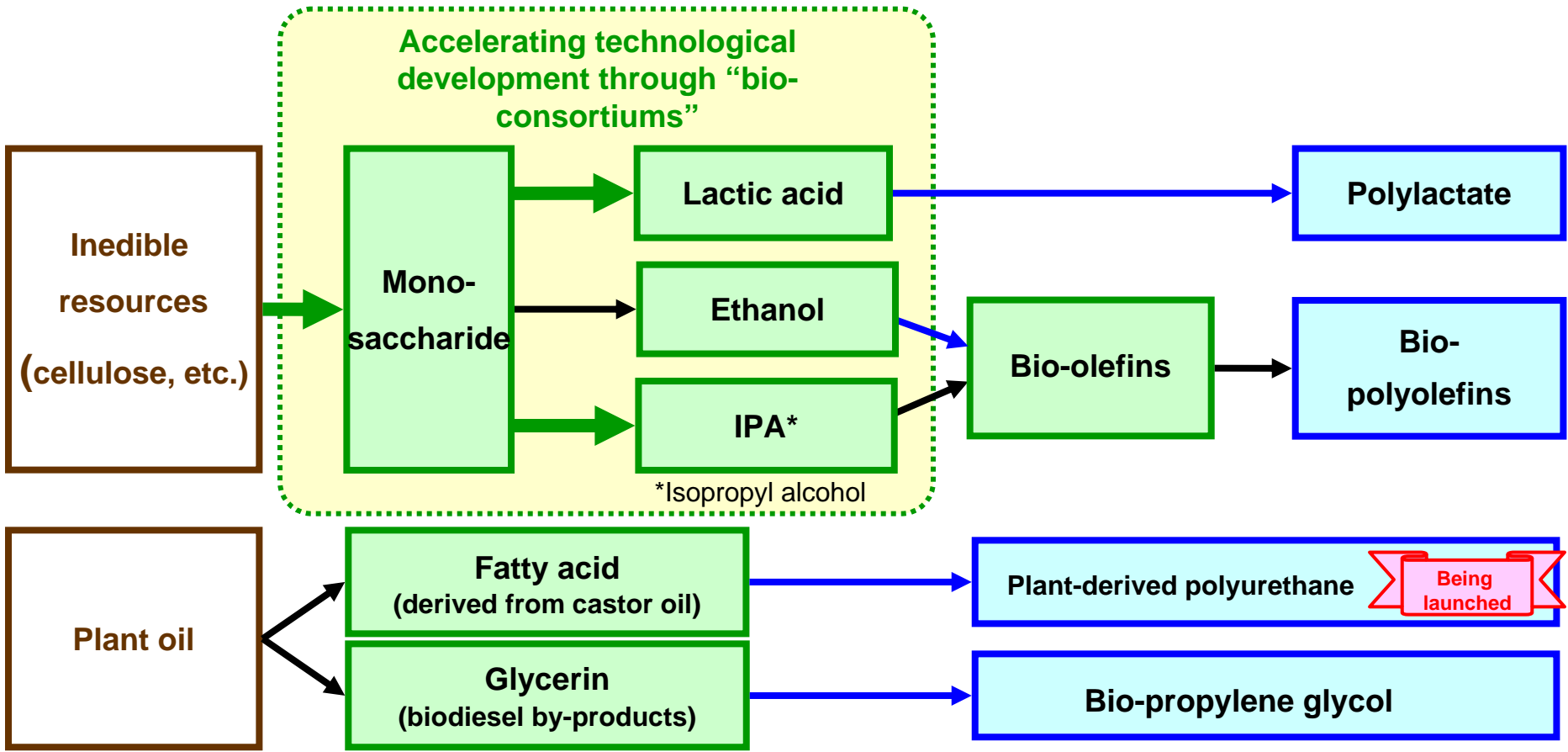
➤ Aim to formulate new business models to recycle CO<sub>2</sub>



\*Joint R&D results of RITE's "Chemical CO<sub>2</sub> Fixation Project" (1990–1999: Sponsored by NEDO )

## ② Chemicals from Biomass

◆ Aim to **formulate new chemical chains** that are in harmony with the global environment

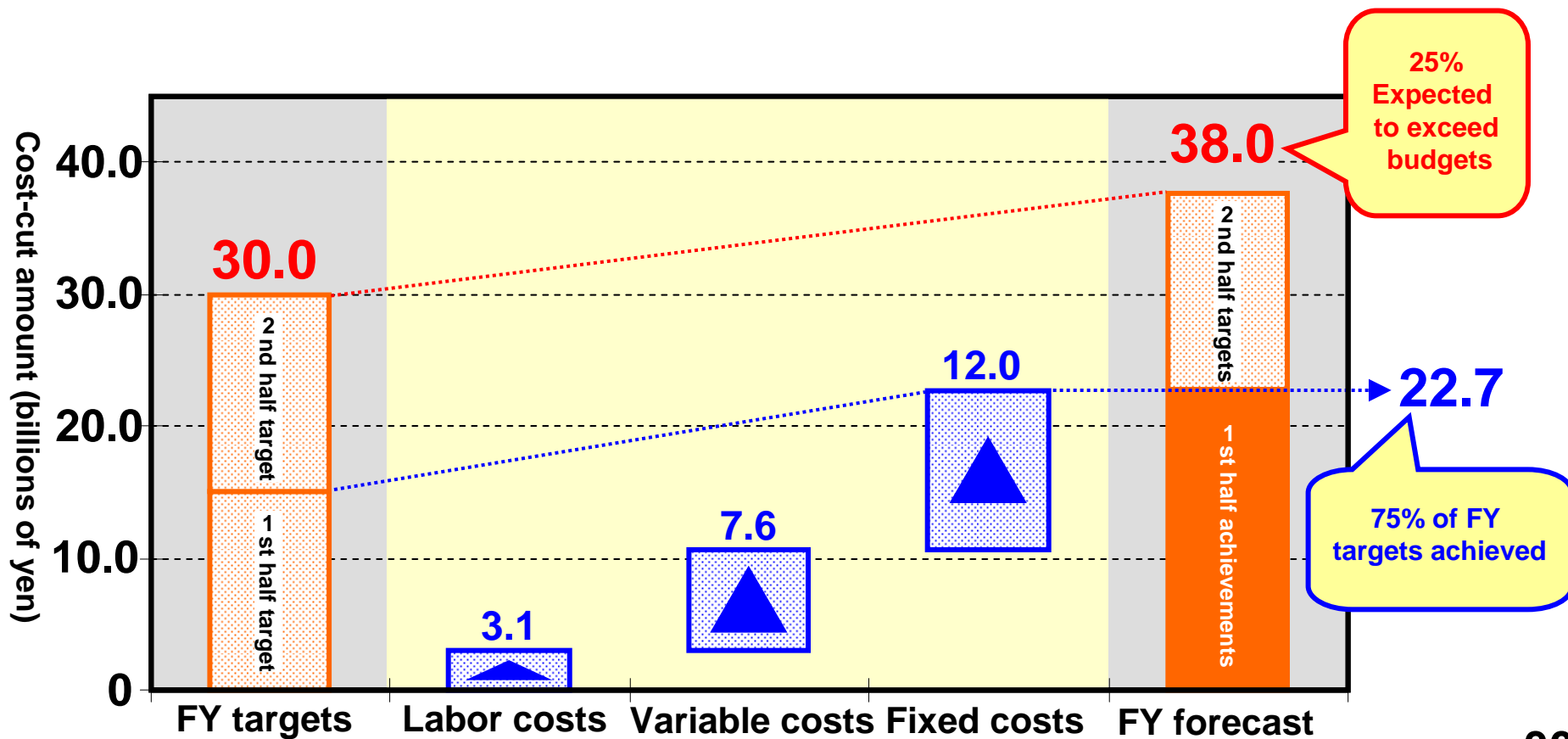


➤ Formulation of new business models is under review (target within 3–5 years), including an affordable and stable supply of raw materials, by forming alliance with other companies

# 3. Strengthen Business Platforms

## [1] Shift to a Muscular Structure

### ① Progress of the “FY2009 Cost Cut-Plan”



# [1] Shift to a Muscular Structure

## ② Further Cost-Cut Targets

### ◆ Labor cost reduction (¥20.0 billion)

- Reduce workforce by **1,270 employees (15% decrease)** by spontaneous retirement by FY2015
- Review wages, compensation and other working conditions, pensions (under discussion)

### ◆ Reduce production costs (¥10.0 billion)

- Cost cuts by rationalizing domestic six plants  
**Target: ¥10.0 billion per year**  
**Plant breakeven point operation ratio: 70% and below**

### ◆ Other (¥10.0 billion)

- Logistic System rationalization  
**(¥1.0 billion per year generated by selling own distribution companies to Third Party)**
- Optimization of R&D by prioritizing and refining themes
- Optimization of the production in the Chiba area with Idemitsu

## 2. Promote Consolidation and Decommission Domestic Facilities

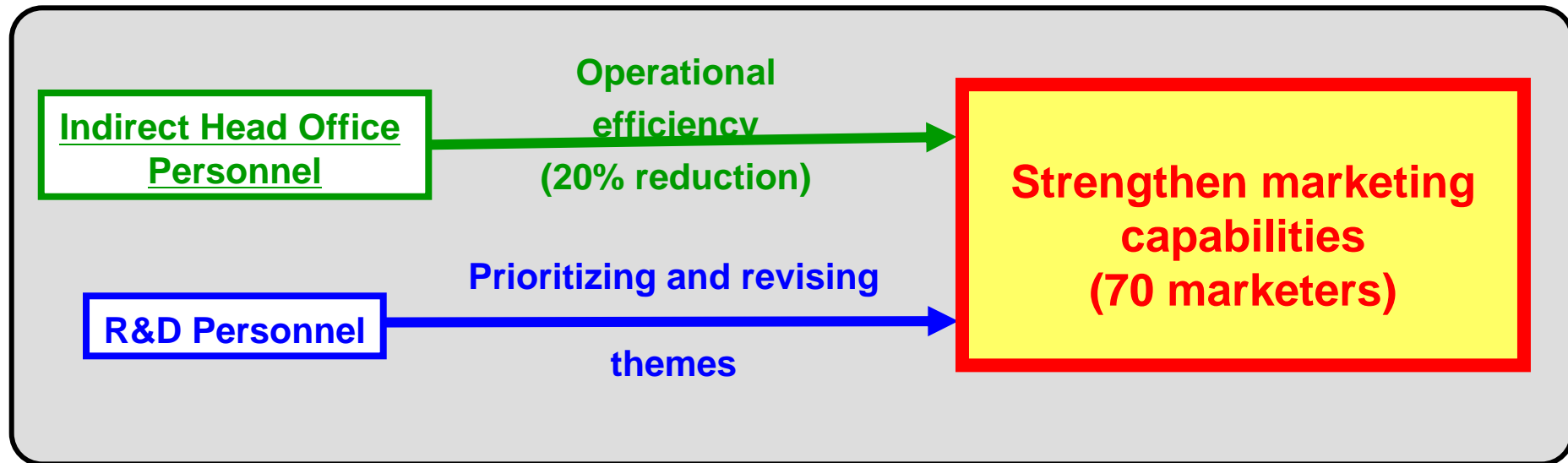
### ◆ **Approximate sales of ¥100.0 billion to be transferred to new and competitive edge to facilities**

- |                           |  |                                      |
|---------------------------|--|--------------------------------------|
| ➤ Decommission complete:  | Ethylene Glycol (Ichihara)             | ⇒ Hexane-1                           |
|                           | Polystyrene (Osaka)                    | ⇒ Business disengagement             |
|                           | Bisphenol A (Nagoya)                   | ⇒ SSMC (China)                       |
| ➤ Decommission this year: | Plant No.2 PTA                         | ⇒ Plant No.3 PTA (Iwakuni)           |
|                           | Plant No.2 EPT                         | ⇒ Plant No.3 EPT (Ichihara)          |
| ➤ Under review:           | Decommission two PP plants (2011-2012) | ⇒ New plant ( S&B ) (Under planning) |

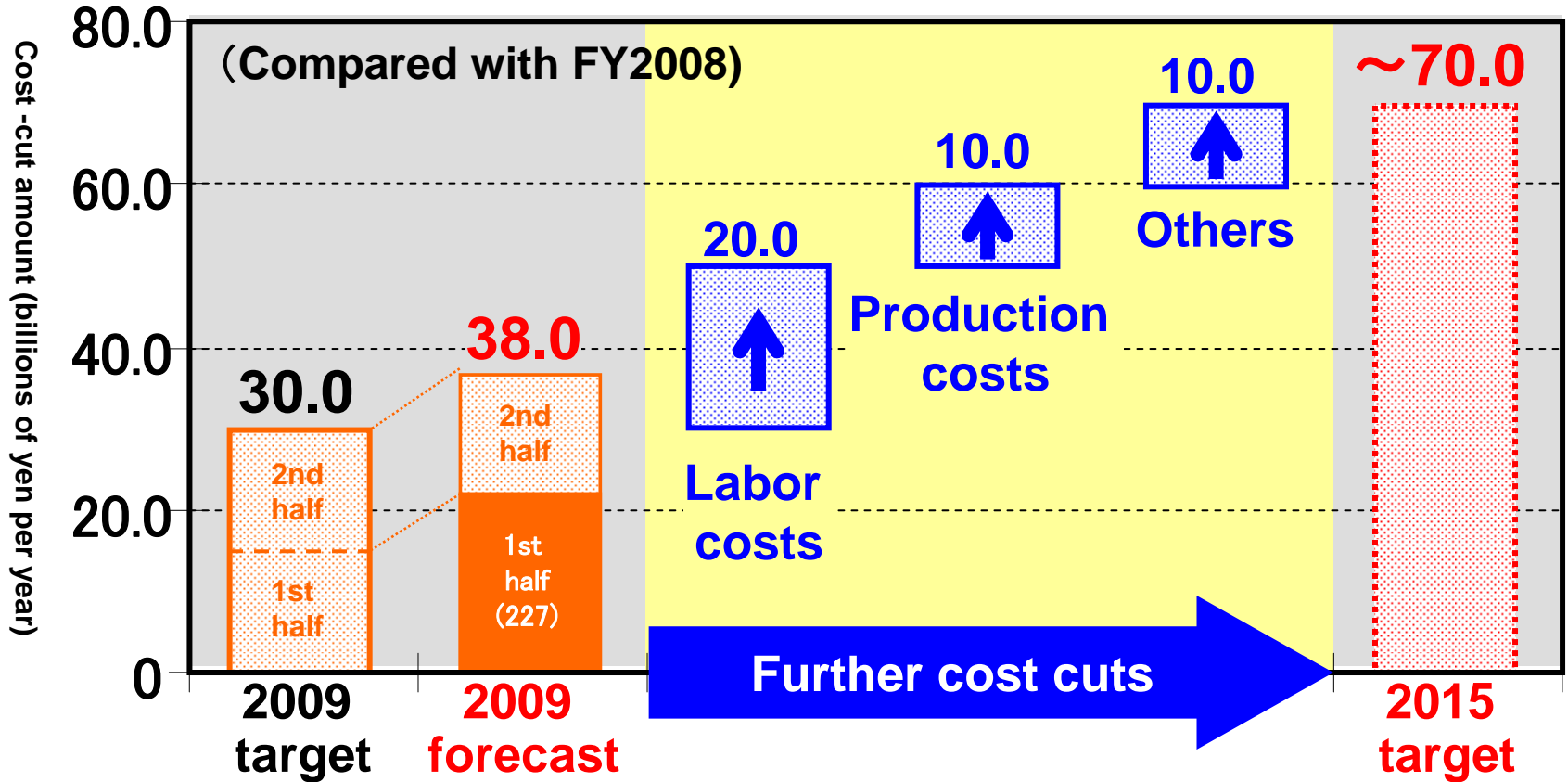


## 3. Strengthen Marketing Capabilities

- ◆ Place **70 new marketers** in the **Business Division** and **Mitsui Chemical's bases in Asia** by the first half of 2010



# 4. Status in Achieving Cost Cuts and Future Targets



- ◆ FY2009 cost-cut forecast: **¥38.0 billion per year**
- ◆ 2015 target: **Approx. ¥70.0 billion per year**

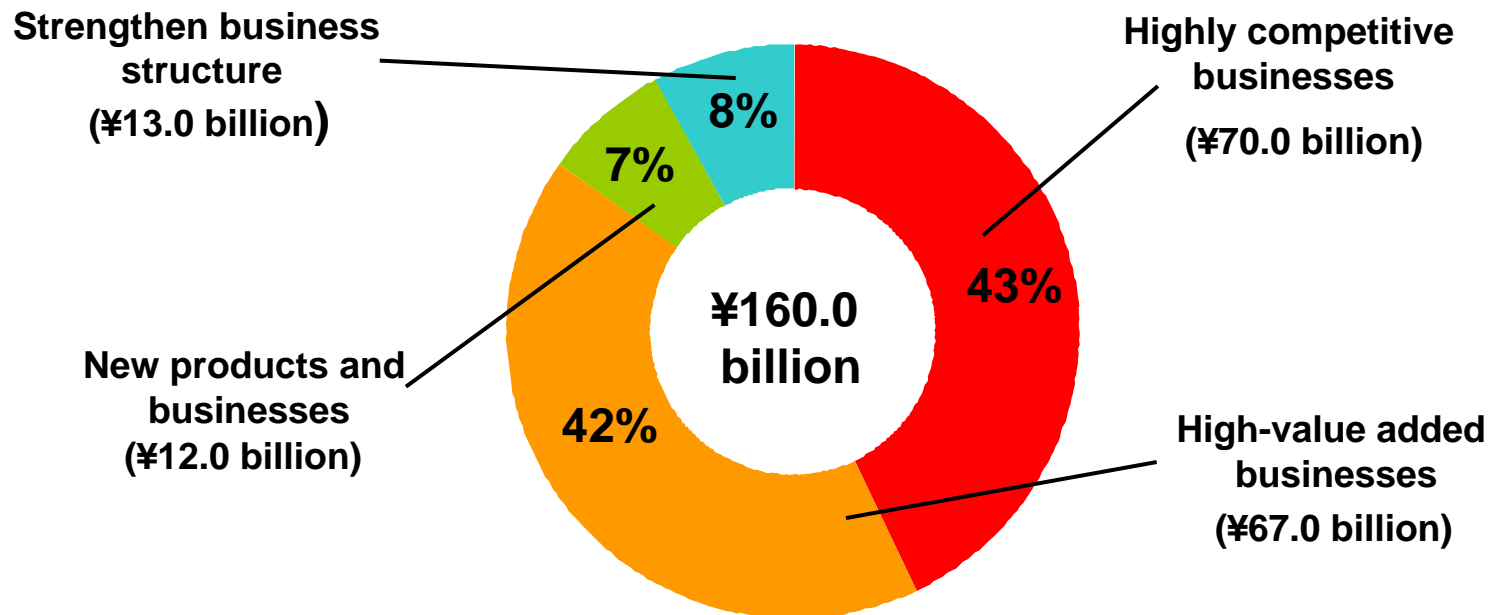
## 4. Investment Program

- ◆ Mitsui Chemicals revised items of its financial investment plan from FY2008 to FY2011 (Total:¥680.0 billion).

Mitsui Chemicals will make investments **related to carefully selected items amounting to ¥320.0 billion** within the amount of depreciation from FY2009 to FY2012.

- ◆ Included within this, half of this amount, **¥160.0 billion**, will be allotted to **main growth investments**.

### Breakdown of main growth investments (¥160.0 billion)



## 5. Summary

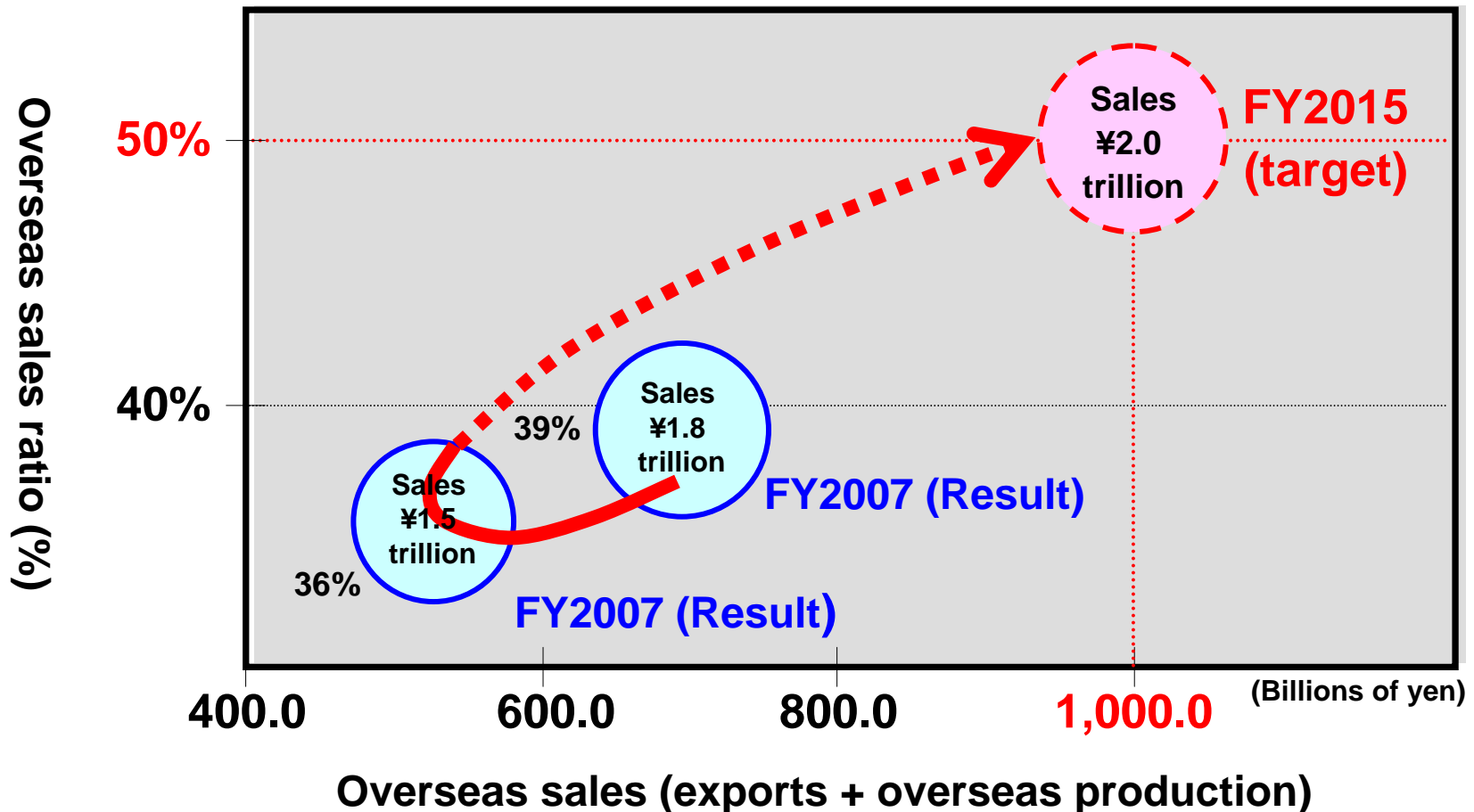
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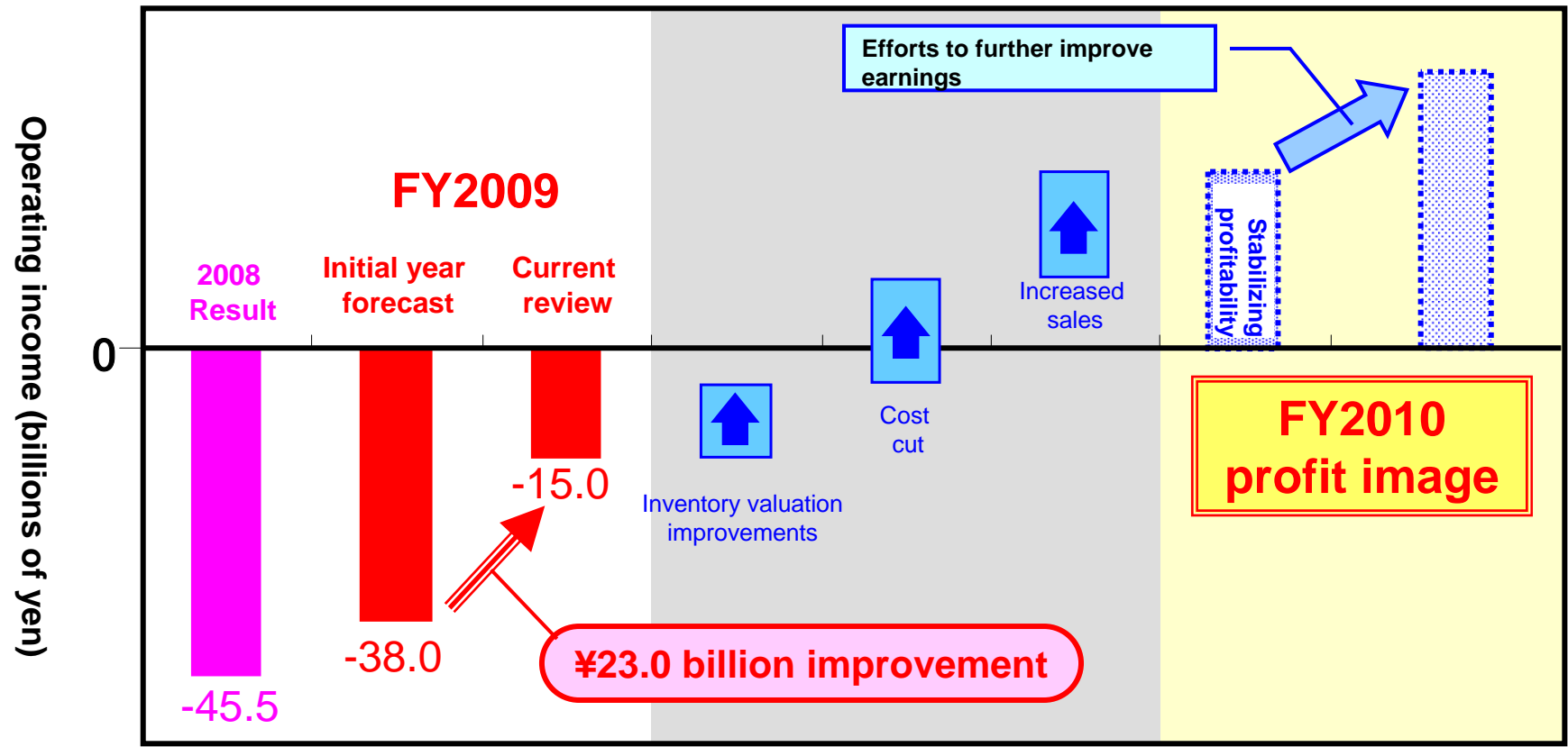
# ① Overseas Sales (Ratio) Targets

- ◆ Aim to increase overseas sales (ratio) to **¥1 trillion /50% in 2015** by expanding highly competitive businesses



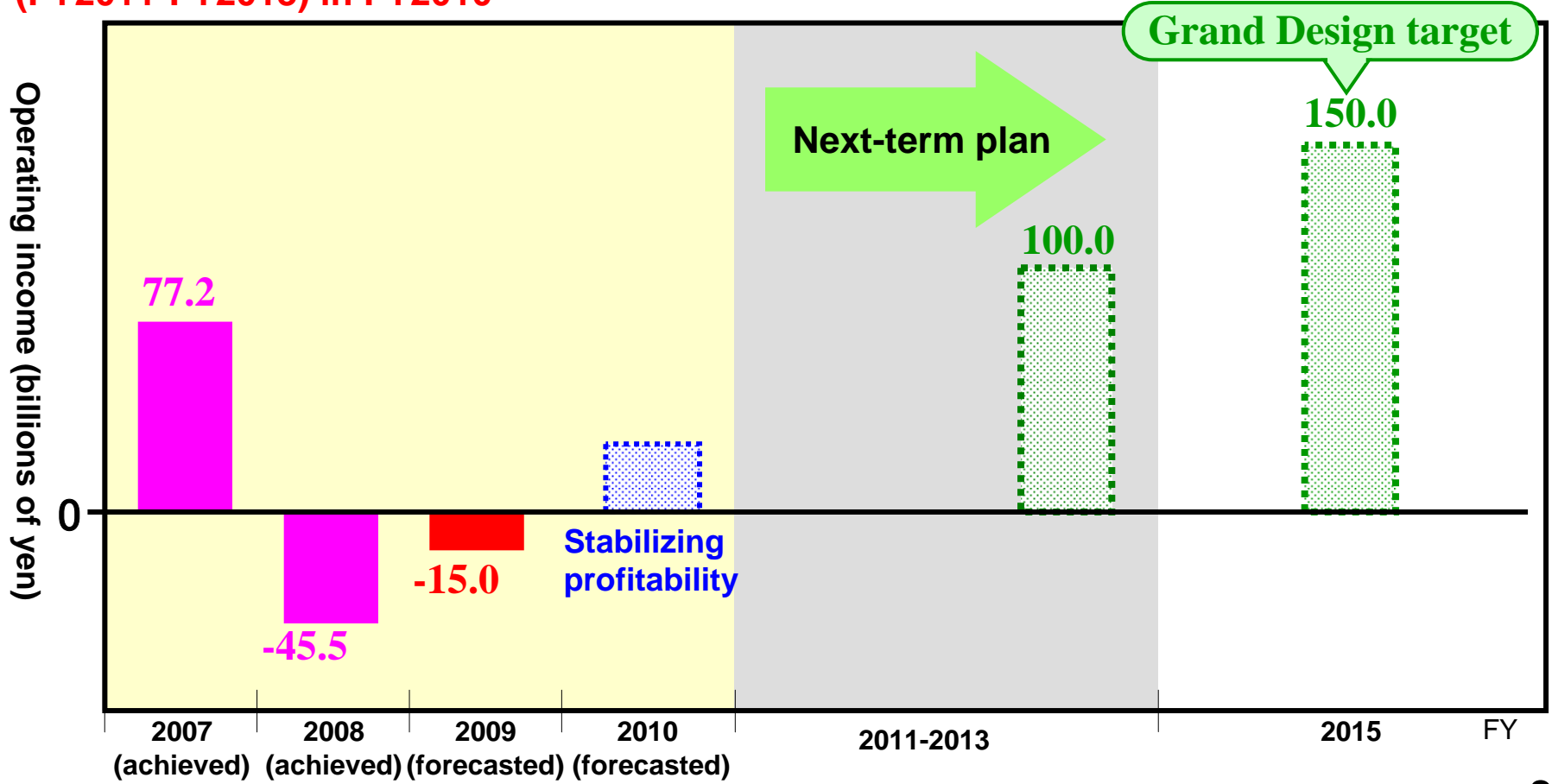
# ② Profit Image for 2010

◆ **Boost profits** by making efforts to further improve earnings ,based on **stabilizing profitability** by inventory valuation, cost cuts and increased sales.



### ③ Mid- to Long-Term Profit Image

◆ After assessing the environmental changes in FY2009,  
 Undertake a review of new growth strategies by **formulating the next mid-term plan (FY2011-FY2013) in FY2010**





# mitsui chemicals, inc.

Mitsui Chemicals will leverage its strengths to go on a new growth path, turning crisis into opportunity

Plans contained within this document are forecasts based on information currently available and are subject to a number of risks and uncertainties. As such, actual results may differ materially from those projected due to a various factors.

(End)