

# FY17-2

# CEO Explanation

Creating New Customer Value through Innovations



淡輪 敏

Tsutomu Tannowa

Mitsui Chemicals Inc.  
President & CEO

Nov. 15, 2017

# Contents

- ▶ **Introduction - 20<sup>th</sup> Anniversary -**
- ▶ **Business Performance**
- ▶ **Topics of Targeted Business Domains**
- ▶ **Management Target for Sustainable Growth**

## 0→1 MAKE IT HAPPEN

Mitsui Chemicals marks the 20<sup>th</sup> anniversary on October 1, 2017. We are sincerely grateful that our company has been able to spend the past 20 years with your kind cooperation. Looking back, we have faced a number of challenges. Most of all, we never forget the explosion and fire at Iwakuni-Ohtake Works in 2012. We worked seriously on fundamental structural reform, modifying business portfolio, closing Kashima works and plants.

These Groups efforts lead to a strong performance.

Now we have already moved to our next challenges, to demonstrate our “Dignified Presence”.

We started the 2025 Long-Term business Plan in April 2017.

I am sure that Mitsui Chemicals will be able to leap to a next higher stage by adding the concept of “customer-driven”.

Chemistry has infinite possibilities.

We also have infinite possibilities for growth.

Over the next 20 years, we all will constantly pursue innovation and growth to become an undisputed global presence.

Mitsui chemicals will take a strong step forward.

November 15, 2017

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# Contents

- ▶ Introduction - 20<sup>th</sup> Anniversary -
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## Profits expected to reach a record high in FY17 for the second consecutive year

**Highest record**

(JPY bn)

△Denotes a minus

| Items                      | FY2015  | FY2016  | FY2017     |         | Increase (Decrease) |           |
|----------------------------|---------|---------|------------|---------|---------------------|-----------|
|                            | Results | Results | 1H Results | Outlook | FY15→FY16           | FY16→FY17 |
| Sales                      | 1,344   | 1,212   | 621        | 1,300   | △ 132               | 88        |
| Operating income           | 70.9    | 102.1   | 48.2       | 103.0   | 31.2                | 0.9       |
| Non-operating income       | △ 7.7   | △ 4.9   | 1.7        | 2.0     | 2.8                 | 6.9       |
| Ordinary income            | 63.2    | 97.2    | 49.9       | 105.0   | 34.0                | 7.8       |
| Extraordinary gains/losses | △ 21.9  | △ 11.4  | 4.8        | △ 1.0   | 10.5                | 10.4      |
| Net income*                | 23.0    | 64.8    | 38.2       | 73.0    | 41.8                | 8.2       |

|   |        |        |        |        |         |       |
|---|--------|--------|--------|--------|---------|-------|
| Exchange rate(JPY/US\$)                 | 120    | 108    | 111    | 111    | △ 12    | 3     |
| Domestic standard naphtha price(JPY/KL) | 42,800 | 34,700 | 37,800 | 39,900 | △ 8,100 | 5,200 |

\*Net income always refers to Profit attributable to owners of parent

(JPY bn)

△Denotes a minus

| Segment         | FY2015      | FY2016       | FY2017      |              |
|-----------------|-------------|--------------|-------------|--------------|
|                 | Results     | Results      | 1H Results  | Outlook      |
| Mobility        | 44.9        | 40.7         | 22.0        | 43.0         |
| Health Care     | 11.6        | 10.1         | 4.8         | 13.0         |
| Food&Packaging  | 20.3        | 20.6         | 10.1        | 22.0         |
| Basic Materials | 1.0         | 38.5         | 15.4        | 33.0         |
| Others          | △6.9        | △7.8         | △4.1        | △8.0         |
| <b>Total</b>    | <b>70.9</b> | <b>102.1</b> | <b>48.2</b> | <b>103.0</b> |

| Increase<br>(Decrease) |           |
|------------------------|-----------|
| FY15→FY16              | FY16→FY17 |
| △4.2                   | 2.3       |
| △1.5                   | 2.9       |
| 0.3                    | 1.4       |
| 37.5                   | △5.5      |
| △0.9                   | △0.2      |
| 31.2                   | 0.9       |

- ✓ Sales growth continues in 3 targeted business domains
- ✓ After the completion of large-scale periodic maintenance, we will run at full rate for 2<sup>nd</sup> half of FY17

## FY17 Outlook

Operating Income

**103** billion yen

Sales

**1,300** billion yen

ROS

**7.9%**

ROE

**15.2%**

Net D/E

**0.70**

Dividends

Interim **9** yen/share, Year-end **40** yen/share\*

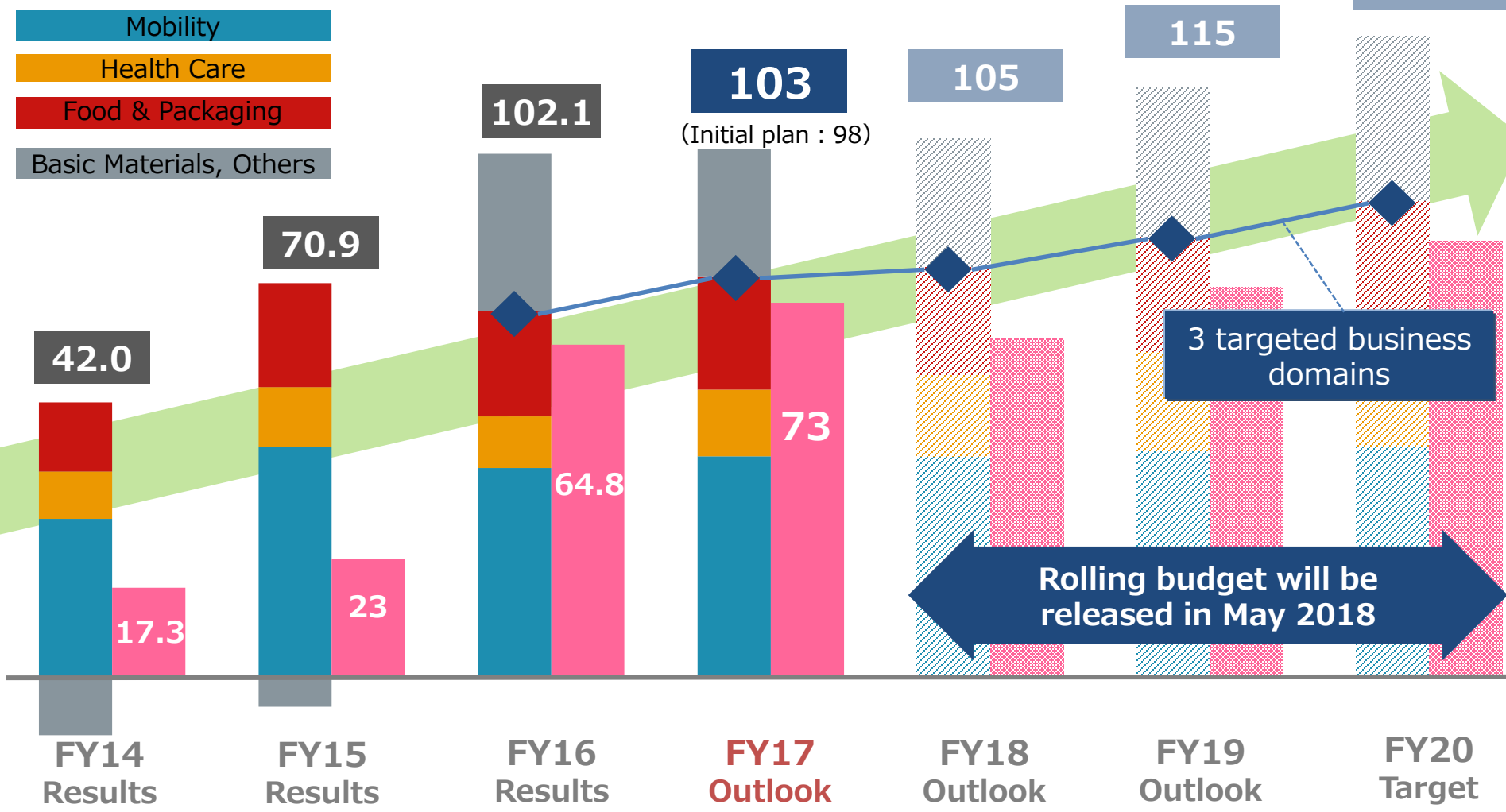
\*FY17 year-end dividend plan is calculated based on the number of shares after the 5-to-1 share consolidation, which was proposed at Mitsui Chemicals Inc.'s 20th Ordinary General Meeting of shareholders and conducted on October 1, 2017.

## Exceeding the planned targets in the first FY of the LTBP

Establish stable profit system  
(reduce downward risk)

Ensure growth path

(JPY bn)





## ① Expansion and growth in 3 targeted business domains

Expansion of investment theme

Business expansion including peripheral business area

Secure production capacity that meets demands

## ② Accelerate development of new next generation

businesses and creation of new products

## ③ Further strengthen competitiveness of Basic Materials

# Contents

- ▶ Introduction - 20<sup>th</sup> Anniversary -
- ▶ Business Performance
- ▶ **Topics of Targeted Business Domains**
- ▶ Management Target for Sustainable Growth

## Mobility

Elastomers, Performance polymers,  
Performance compounds,  
Engineering plastics

# 01

3 Targeted  
Business Domains



## Health Care

Ophthalmic lens material,  
Nonwovens, Dental materials,  
Personal care materials

# 02

3 Targeted  
Business Domains



Touch Focus™

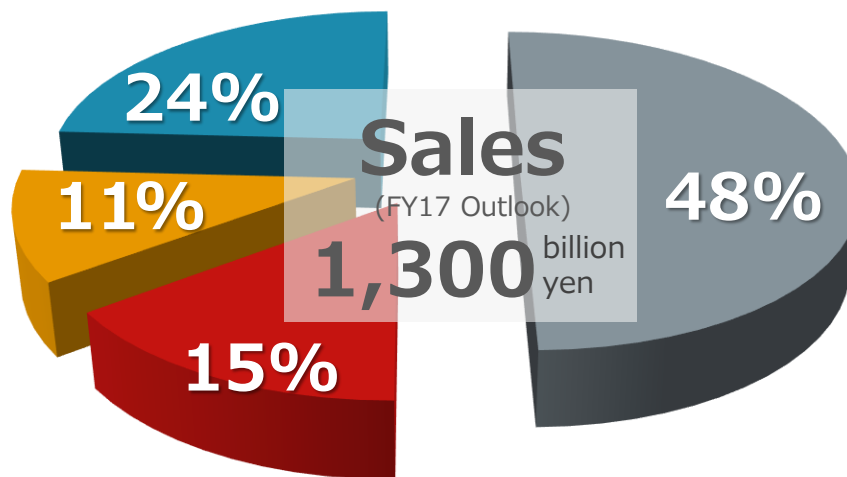
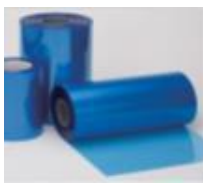


## Food&Packaging

Packaging material, Coatings  
Agrochemicals, seeds

# 03

3 Targeted  
Business Domains



## Next Generation

Energy, Medical, Agri-system, and  
IoT Solution

# 04

Creation &  
Development



## Basic Materials

Phenol, PTA/PET  
Polyolefin, Polyurethane, and others

# 05

Strengthen  
Competitiveness



# Mobility

A blue car is shown from a low-angle, rear-quarter perspective, driving on a light-colored road. The car's rear wheel is prominent in the foreground, and the background is blurred to indicate motion. The sky is a clear, bright blue.

Provide solutions making full use  
of comprehensive strengths

## Materials Contributing to changes in Mobility

### Connected



Sensing materials

Semiconductor materials

### Autonomous



Optical materials

Coating materials

### Comfort



Sensitive materials

Noise control

Lighting/next generation display materials

## Improvement in function of materials to meet traditional needs

Continual Theme

Electrical installation

Electronic control of equipment, **powertrain**, and drivetrain

LIB-related materials

Connector materials

Light-weight

Fiber reinforced composite materials

Metal-resin integrated technology

Efficiency

Super engineering plastics

Unpainted technology

Design

Coating materials

Adhesives

## New products to meet the needs of automobiles by making full use of molds, CAE analysis, processing, and material technologies

Long glass fiber reinforced PP  
Mostron™ L

### Rear doors

- ✓ **30% lighter** than metal
- ✓ **Unpainted**
- ✓ **Reduce parts**
- ✓ Design flexibility

### Door carriers

- ✓ **20% lighter** than metal
- ✓ **Reduce parts**

Injection foam interior materials

### Door trim Deck side trim

- ✓ **30% lighter** while maintaining rigidity

- ✓ **Reduce heat loss** inside car

(Compare to conventional foam)

- ✓ **Improve impact strength**
- ✓ **Improve design**

Unpainted metallic exterior materials

### Garnish

- ✓ Realistic metallic feeling

- ✓ **Unpainted** with a paint-like quality



Changes in powertrain will change the noise frequency  
 Provide total solutions with composite measures necessary for noise control

# NVH Solutions

(Noise, Vibration, Harshness)  
 Noise analysis,  
 proposal of optimum materials and part shapes

proposal of optimum materials and part shapes

Airborne  
 Noise

Sound-  
 proofing  
 (Comfort)

Structureborne  
 Noise

## Insulation

Blocking the transmission  
 of sound

Mitsui EPT™



Milastomer™



Polyurethane  
 elastomer /foam



Energy  
 reflection/insulation

## Isolation

Vibration-insulation

Mitsui EPT™



Energy conversion  
 (absorption/attenuation)

## Damping

Resonance suppression

Absortomer™

**ABSORTOMER**®

## Absorption

Noise absorption  
 Reverberation control

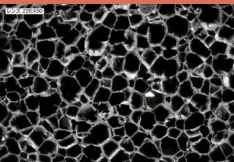
Nonwovens



Polyurethane  
 foam



EPT  
 sponge



A close-up, slightly blurred photograph of a baby crawling on a white surface. The baby is wearing a blue shirt and has a joyful expression with a wide smile. The background is out of focus, showing a bright, indoor setting.

# Health Care

Provide products & services contributing to Quality of Life through chemical innovations

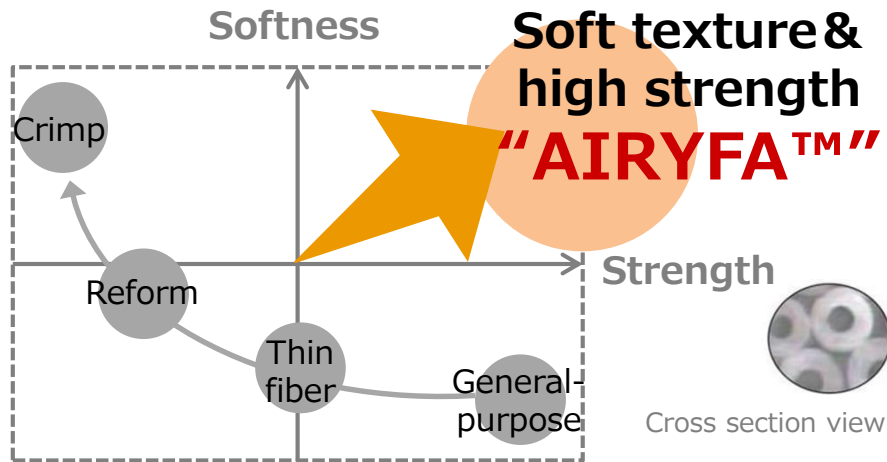


## Develop new market and strengthen the Asia strategy utilizing resources in the Group



## Increase adoption of "AIRYFA™", a high-performance nonwovens

Develop light-weight, high flexibility and  
strength nonwovens by hollow structure  
(May, 2017)



- ✓ **Adoption already finalized** by customers
- ✓ Feasibility study for **deployment at overseas bases** (Thailand and China)



Further developing  
new products

## Develop polyaspartic acid, a high-performance chelate for liquid detergent

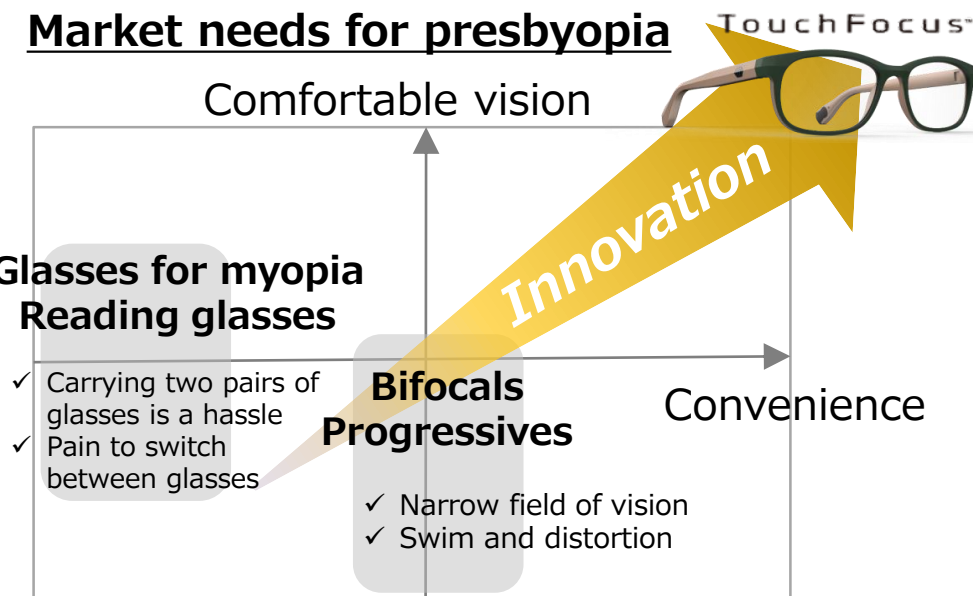
As same level as powder detergent



- ✓ High quality due to the special solid phase polymerization
  - **30% higher metallic ion trapping ability**
  - Prevention of reoccurring dirt adhesion, even at a low concentration
- ✓ **Biodegradability** required in EU

Under the customer  
evaluation

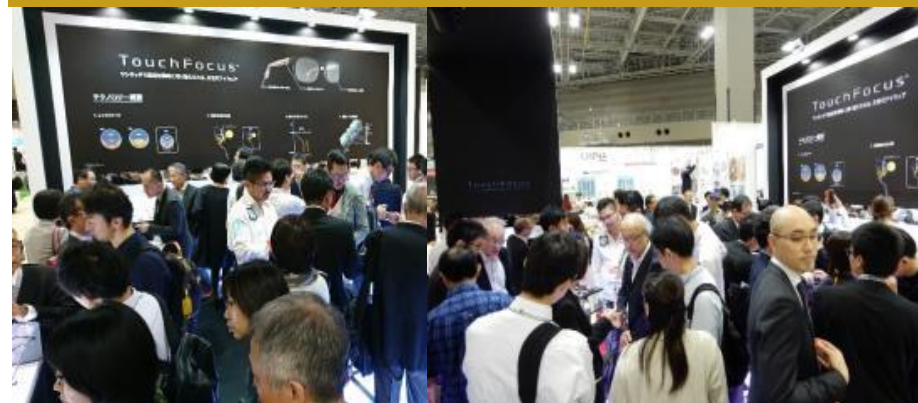
## Debuted "TouchFocus™" e-focus glasses, which can instantaneously change focus from distance to close with just a touch



Exhibited at iOFT 2017  
Highly evaluated and great response

Adjust vision electronically via liquid crystal lens technology.  
One pair of glasses for multiple vision needs.

- 1 Instantaneously change focus from distance to close
- 2 Wide area of vision with minimized swim and distortion



Beginning sales in Spring 2018

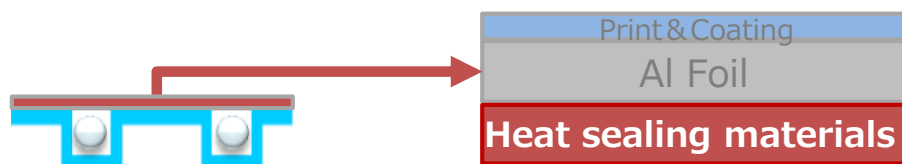
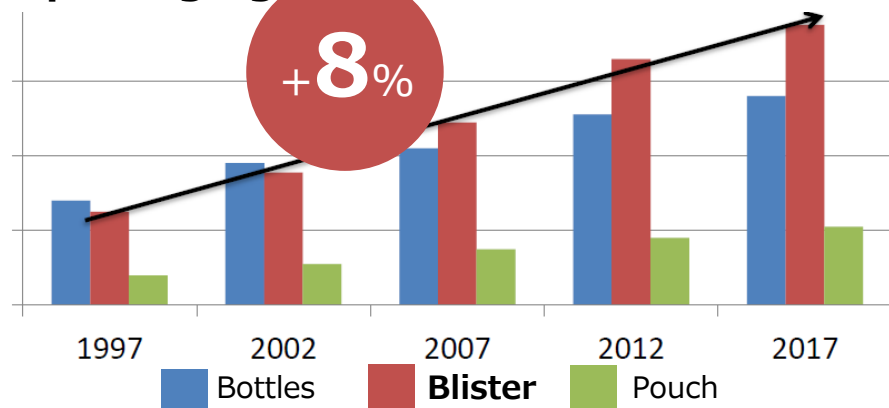
A woman with long brown hair, wearing a light-colored turtleneck sweater, is shown in profile, looking towards the right. She is standing in a grocery store, with shelves of fresh produce like green beans and tomatoes visible in the background. The lighting is bright and natural, suggesting a window or skylight.

# Food & Packaging

**Provide solutions for world food problems and seizes new business opportunities**

## Development of Chemipearl™ XSP, a water-based heat sealing material for pharmaceutical blister packaging

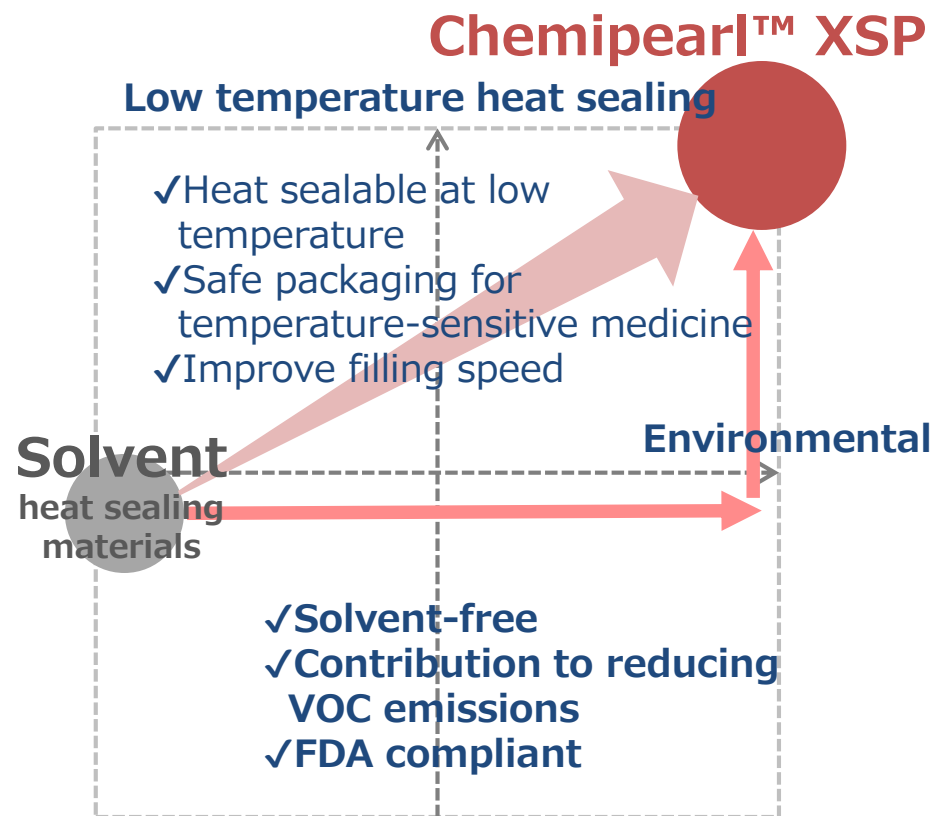
### ■ Growing world market in blister packaging



The use of solvent heat sealing materials **aggravates environmental problems in emerging countries**

### Successful development of water-based heat sealing materials

(Chemipearl™ XSP November 2017)



**Aim to expand sales** with customers who share our concepts, **especially in Asia**, where a solvent detoxification facility has not yet been introduced

## Establish new ICROS™ Tape plant for semiconductor manufacturing process in Taiwan

Investment : about 5 bn yen  
Operation start : Sep. 2019

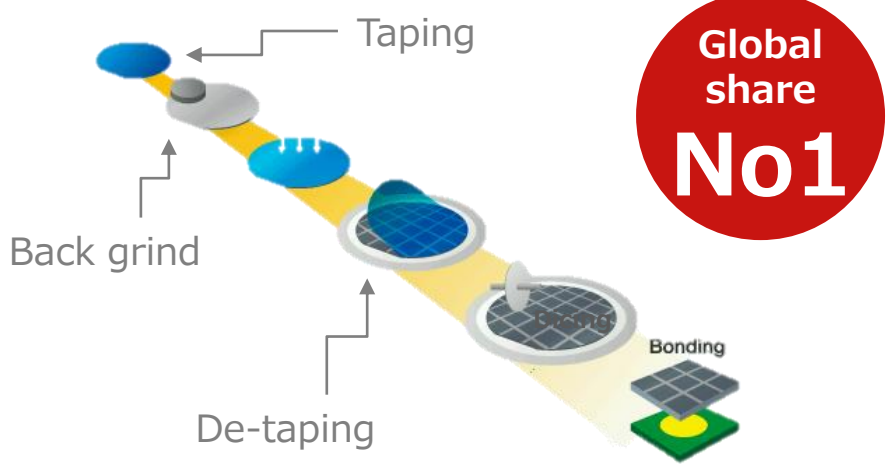
Continuously growing semiconductor market (> 6%)



- Establish in Taiwan, the greatest area of demand
- Increase capacity by 50%

### ICROS™ Tape

Protective tape used in semiconductor wafer back grinding



Nagoya **2Line**

Kaohsiung **1Line(3.8 million m<sup>2</sup>\*)**  
Operation start : Sep. 2019

- ✓ Capture the **growing market**
- ✓ **Establish a stable supply system** with multiple bases
- ✓ **Strengthen business in peripheral areas**

\*Capacity varies depending on the grade composition

## Capture the growth in semiconductor market and deploy peripheral areas utilizing the strength of group-wide polymers and processing system

# Next Generation Business

Create solution & system businesses  
at the boundary or peripheral areas

## Energy Solution

## Medical Solution



Power generation business  
 (Tahara solar-wind)  
 Diagnosis business of PV plant

\* PV: photovoltaic



Rapid diagnostic system for  
 bacterial identification

Open  
 innovation  
 Intelligence  
 CVC



Advanced cultivation system  
 (iCAST™)



Piezo-electric material for sensor  
 Next generation display material

Topics

## Agri-System Business

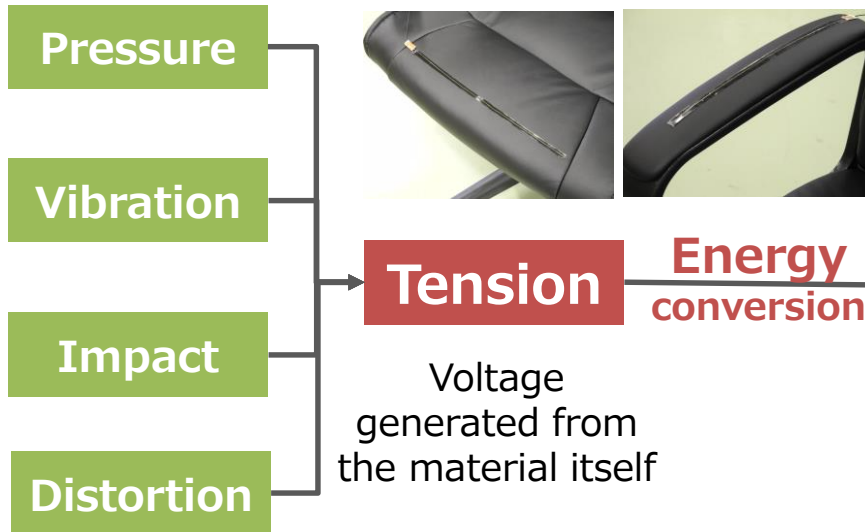
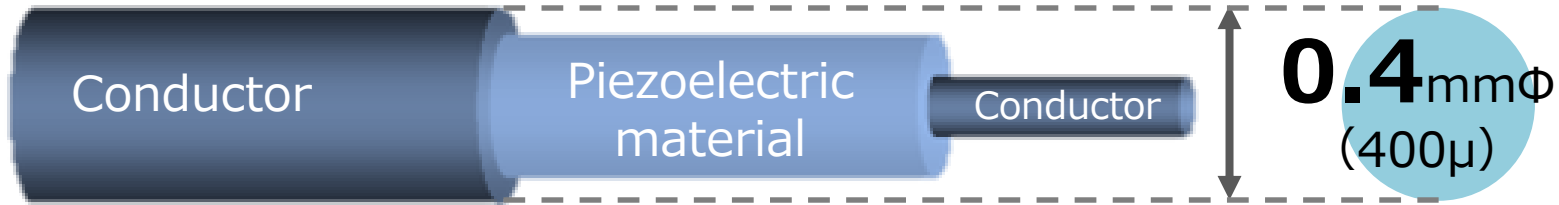
## IoT Solution



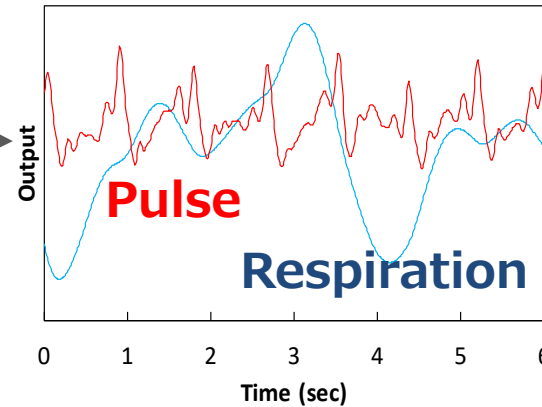
Organic materials that generate voltage by themselves as the tension changes  
Applicable as a sensor to detect various conditions



(Enlarged view) Piezoelectric sensor with a coaxial line



Charge/Voltage

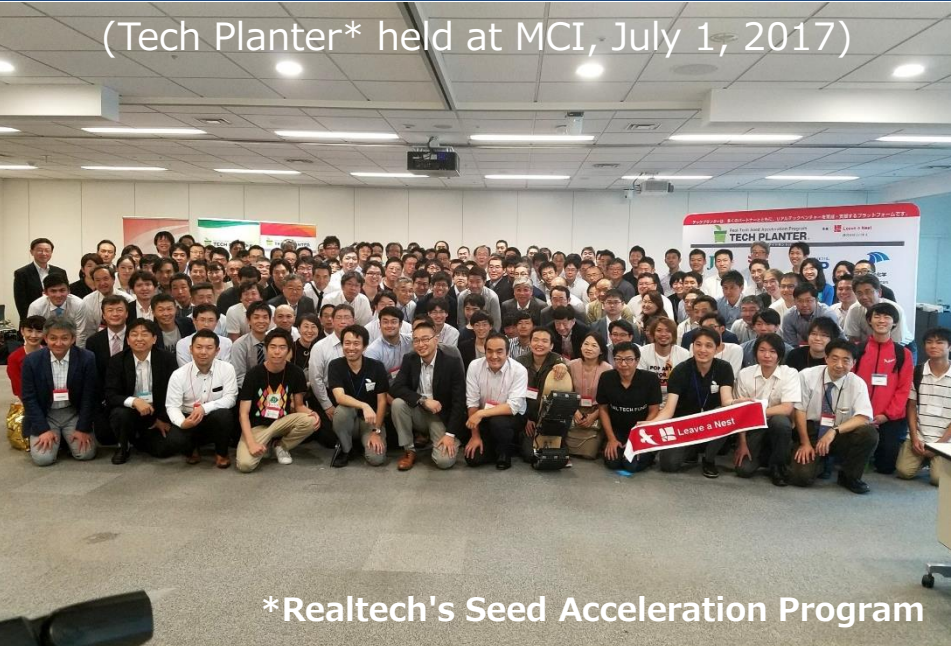


**CEATEC AWARD 2017**  
Second prize in the Connected Industries Category



## Sponsorship of Leave a Nest

(Tech Planter\* held at MCI, July 1, 2017)



\*Realtech's Seed Acceleration Program



✓ Sponsor the Venture Acceleration Program organized by Leave a Nest Co., Ltd. (Japan, U.S., U.K., Singapore)

✓ Aim to create new value through open innovation with venture companies



## Partnership with Microwave Chemicals

(Press conference to announce partnership, September 14, 2017)



✓ Initiate joint development of new chemical processes using microwave

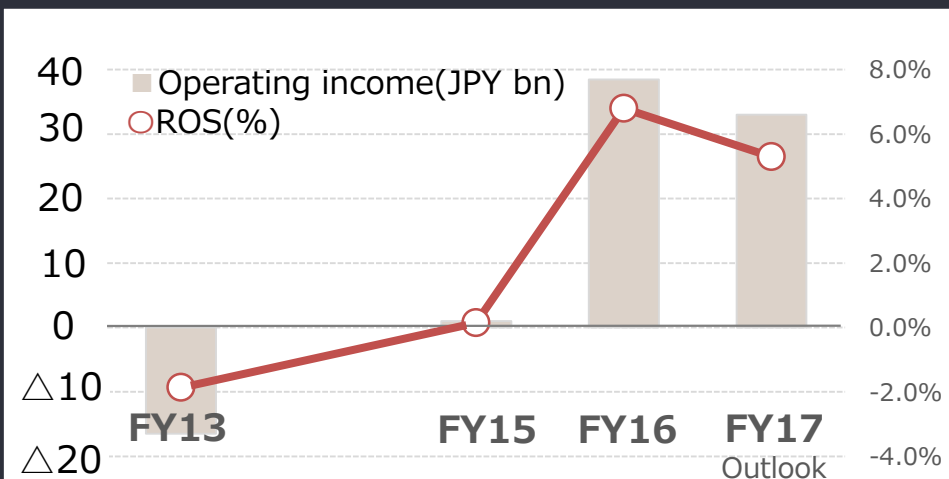
✓ Refine production technology and create new products and businesses



# Basic Materials

Provide materials for  
the basis of society and industry

## Reform of Business Portfolio



## Strength of Olefin Chain



**1** Optimal production of large-scale products and local production for local consumption

**2** Sustain high run rate of cracker

**3** Establish Mitsui Chemicals SKC Polyurethanes  
 (Expand down-flow business of Urethane Business)

**Minimize economic change risks by business restructuring**

## Further strengthen competitiveness

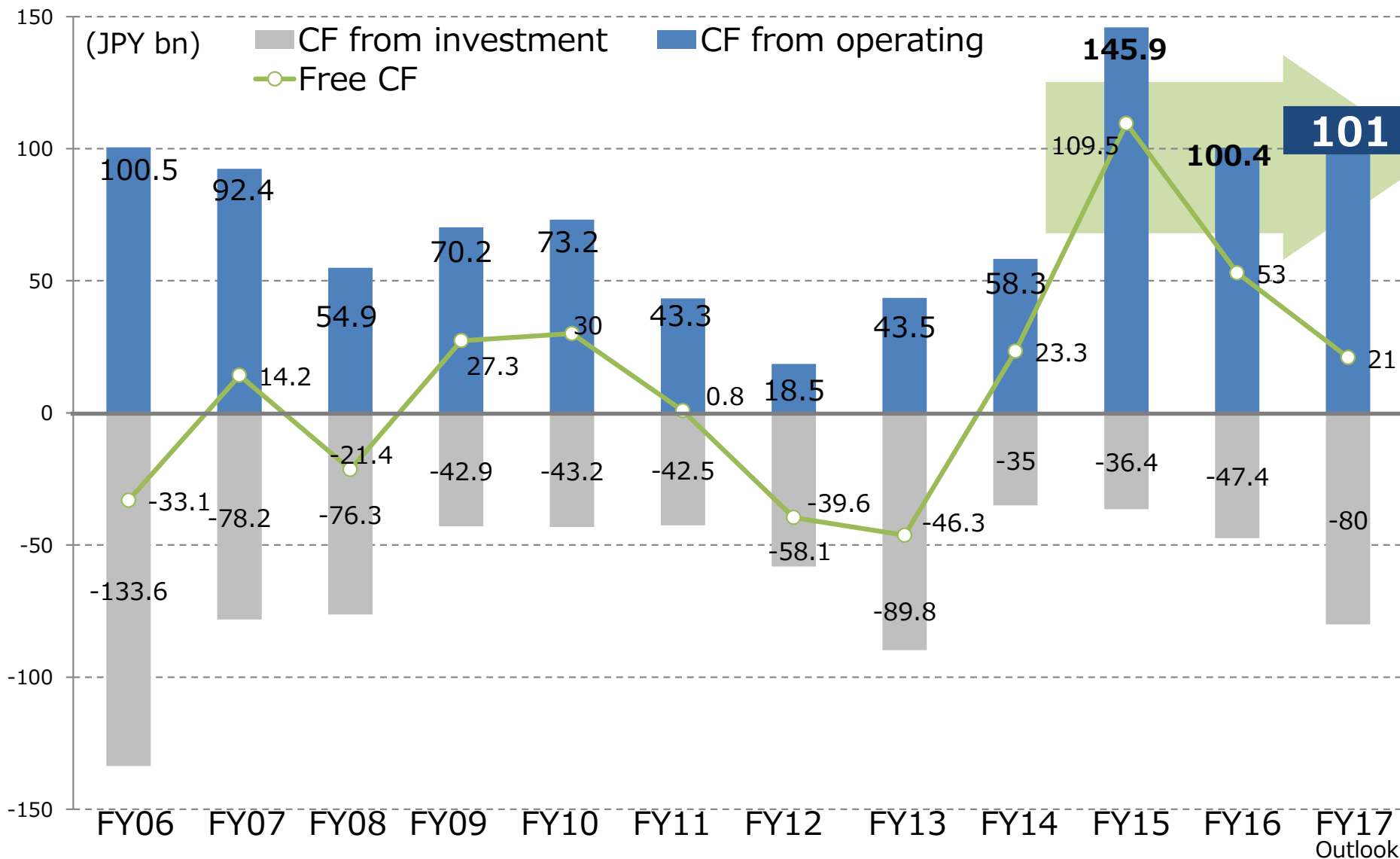
- ✓Secure competitive raw materials  
Further cost reduction
- ✓B&S for PP plants (FY21 or later)
- ✓Develop high value added products (Evolue™-E, and others)
- ✓Strengthen regional alliances in industrial complexes

Secure steady operating income of **more than 30 billion yen** with safe and stable operation, sales at full capacity, and cost reduction

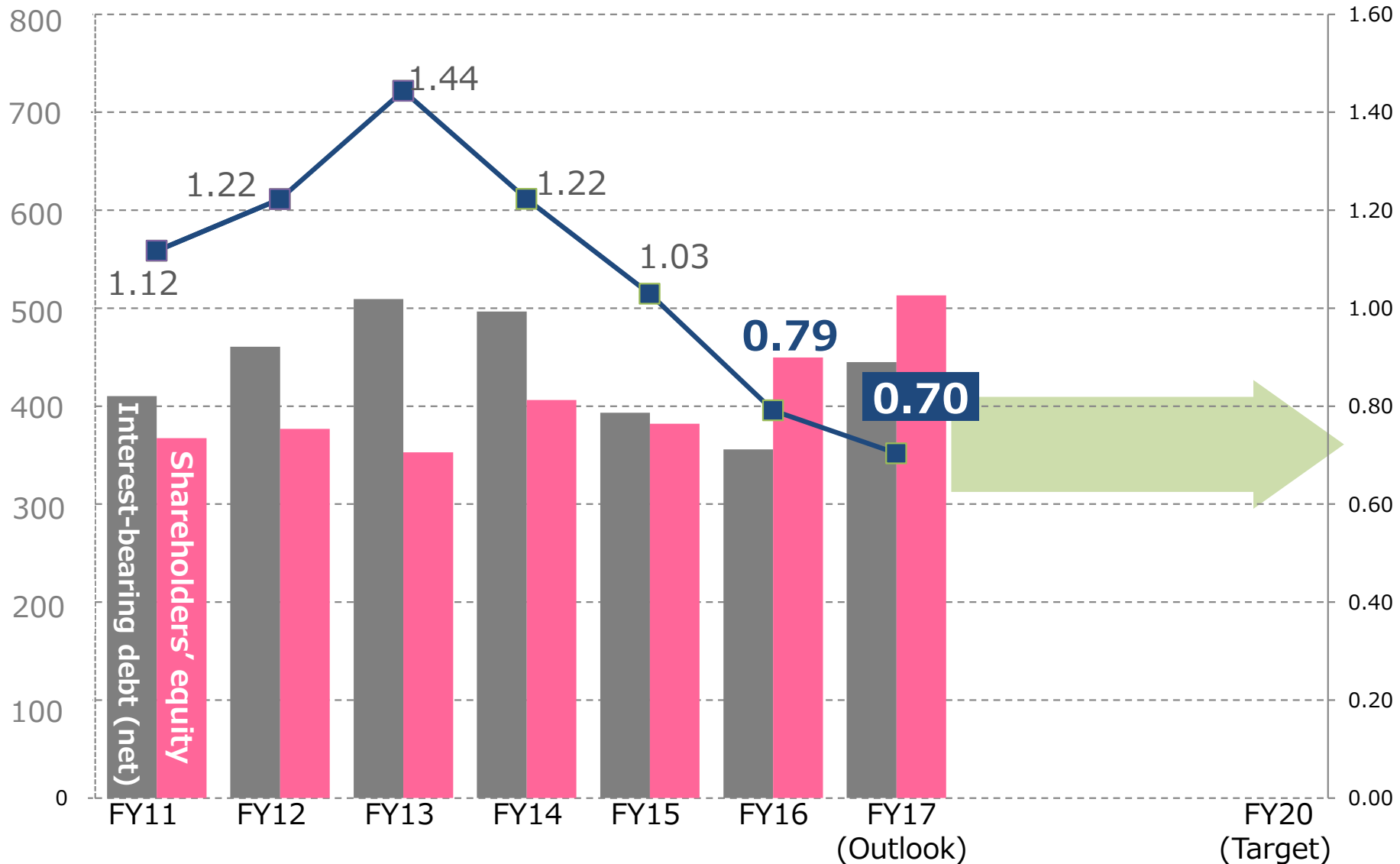
# Contents

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- ▶ Topics of Targeted Business Domains
- ▶ **Management Target for Sustainable Growth**

# Cash flow from operating remains high and shift to an active investment phase

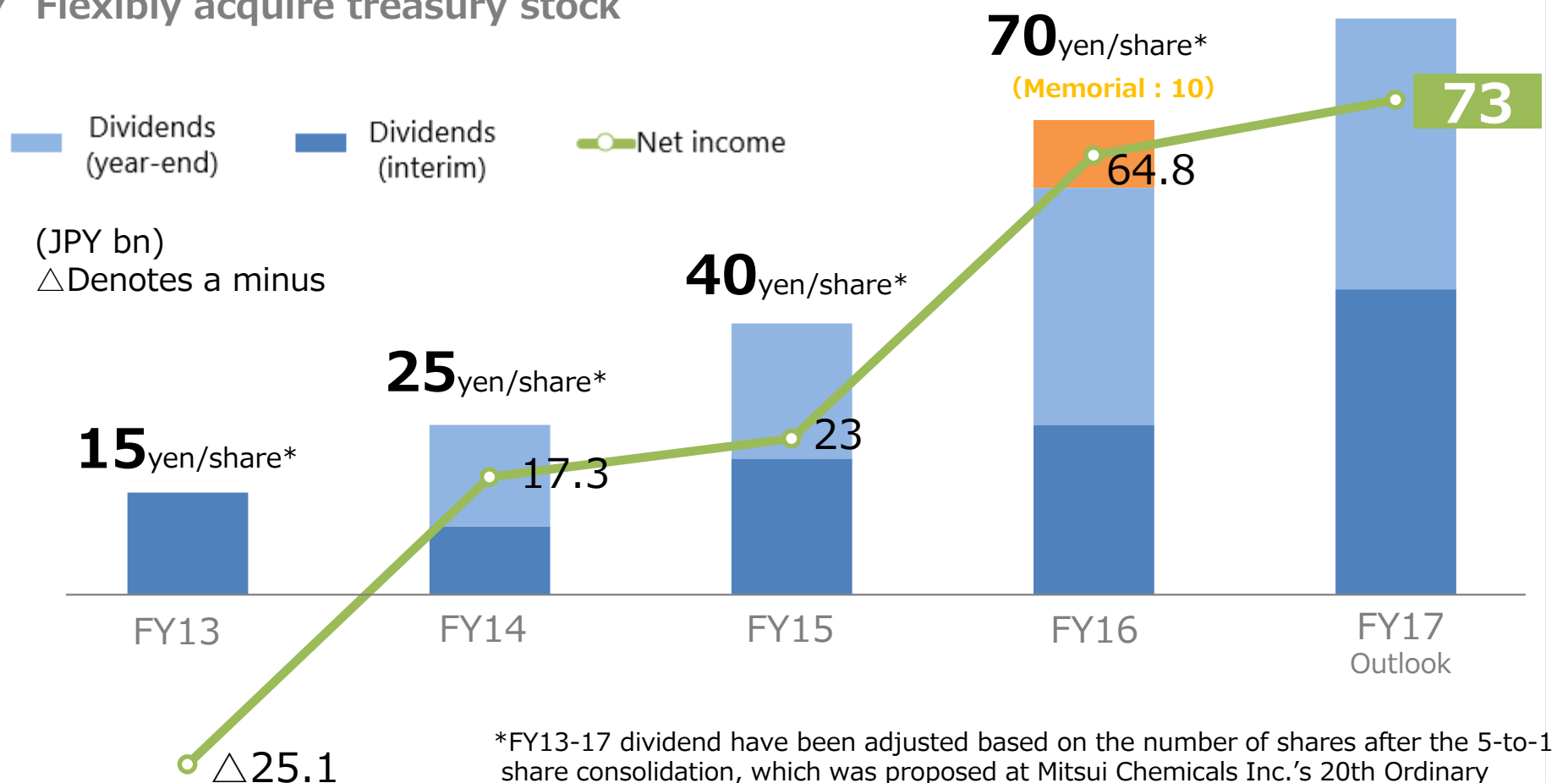


- ✓ Dramatic improvement in excess of the target of 1.0 (FY17 outlook: 0.7)
- ✓ **Shift to an investment phase**, aiming at further enhancement of corporate value



# Implement total return ratio target, aiming at further increasing returns to shareholders

- ✓ Aim to gradually achieve a total return ratio of **30% or more**
- ✓ Stable and continuous dividend increase
- ✓ Flexibly acquire treasury stock



\*FY13-17 dividend have been adjusted based on the number of shares after the 5-to-1 share consolidation, which was proposed at Mitsui Chemicals Inc.'s 20th Ordinary General Meeting of shareholders and conducted on October 1, 2017.



# Set environmental and social targets for the Long-Term Business Plan

Maximize products and services to achieve a low carbon, recycling-oriented and cohesive society in harmony with the environment

- Reduce CO<sub>2</sub>
- Protect resources
- Harmony with nature

Visualization of provided values

Maximize products and services to increase QOL, and to achieve a smart society

- Declining birthrate and aging population
- Advancement of medical and pharmaceutical fields
- Respond to the food problem

Visualization of provided values

## Environmental Contribution

# "Blue Value™"

Certify products and services that enhance environmental value throughout the life cycle

- LCA\*
- Unique assessment criteria "m-SI"
- Assessment by application

\*Life Cycle Assessment

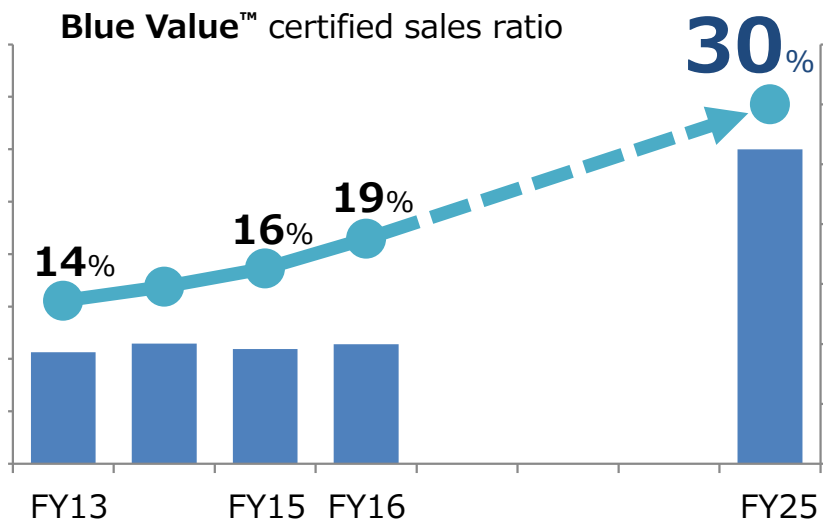
## Increase QOL

# "Rose Value™"

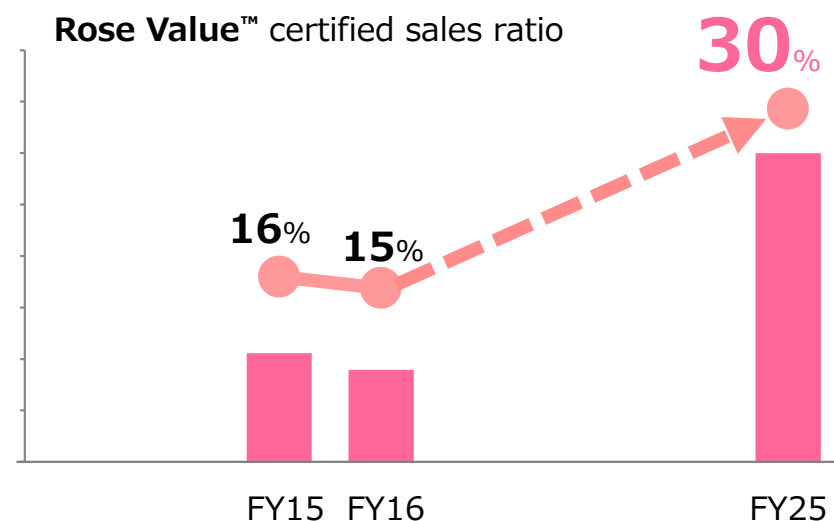
Certify products and services that improve everyone's QOL

- SDGs
- Unique assessment criteria
- Assessment by application

## Blue Value™ Target



## Rose Value™ Target



### STABiO™

Biomass ratio 70%

Reduce energy consumption by high reactivity

Reduce solvent usage due to lower viscosity

Coatings & adhesive application

Reduce GHG

**27%**

### Reduce Food Loss & Waste

Spash™

Pal Fresh™

MAXBARRIER™

Keep freshness

Water vapor & oxygen permeability

Reduce food loss & waste solution

Contribute to solving social challenges in line with business growth through increasing certified sales ratio

# SRI indexes evaluate our triple bottom line management

## GLOBAL

## JAPAN



FTSE4Good

**FTSE4Good**  
FTSE's socially responsible investment index



FTSE Blossom Japan

**FTSE Blossom Japan Index**



2017 Constituent  
MSCI Japan ESG  
Select Leaders Index

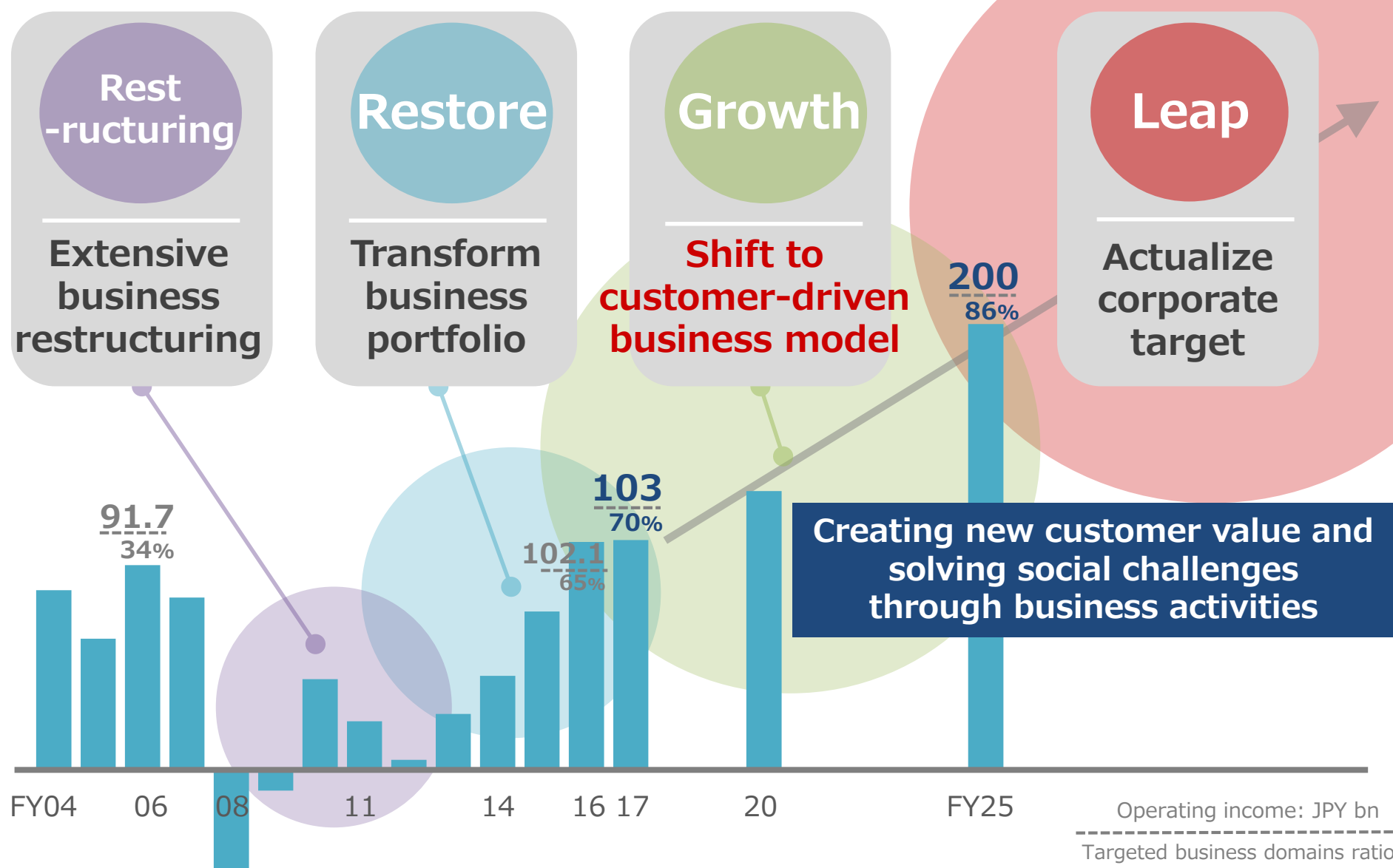


**MS-SRI**  
Morningstar's socially responsible investment index



2017 Constituent  
MSCI Japan Empowering  
Women Index (WIN)

Constantly pursuing innovation and growth to become a chemical group with an undisputed global presence



The background of the slide is a bright blue sky filled with soft, white, fluffy clouds. In the bottom-left corner, there is a large, solid blue arrow pointing towards the right. The text is centered in the upper-left portion of the slide, overlaid on the sky and clouds.

**Creating new customer value and  
solving social challenges  
through business activities**

**Challenge Diversity One Team**



**Mitsui Chemicals**

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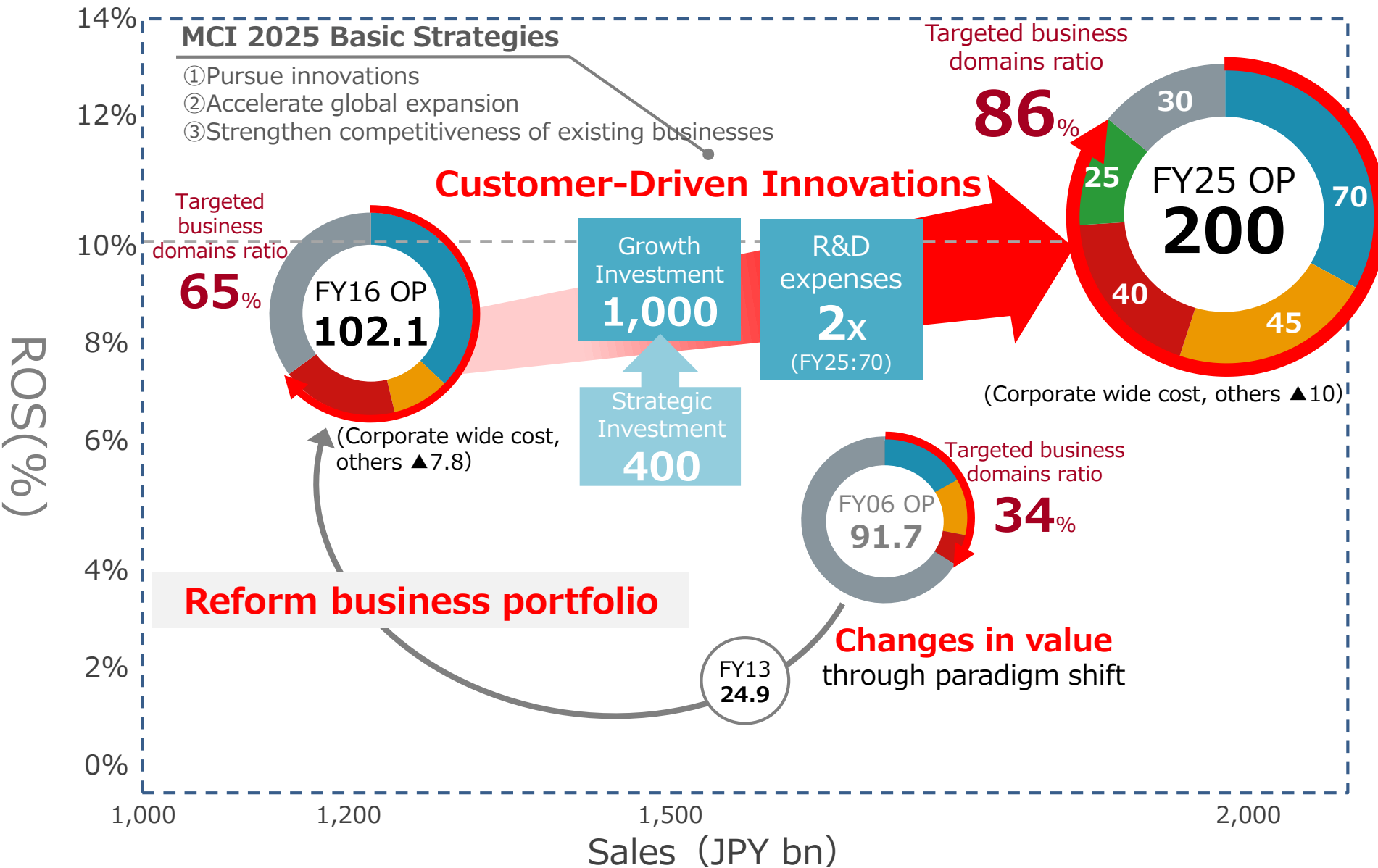
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# Targeted Position



▲ Denotes a minus (JPY bn)



# Direction for Growth in the LTBP

Creation of  
New Products

25 billion  
yen

Pursue innovations

New &  
Next Generation  
Business

25 billion\*  
yen

Strengthen  
Competitiveness  
of Existing Businesses

30 billion  
yen

Accelerate global expansion

Globalization  
Regional Expansion

20 billion  
yen

FY16  
Operating income

102.1 billion  
yen

FY2025  
Operating income  
200 billion  
yen

Growth investment  
(FY16~25)  
1 trillion  
yen

R&D(FY25)  
70 billion  
yen

\* New business in three targeted business domains and Next Generation Business