Explanation of Financial Results

May 12, 2010
Toshikazu Tanaka
President & CEO
Contents

1. Financial Results for Fiscal Year 2009
2. Outlook for Fiscal Year 2010
3. Progress of New Growth Strategy
# Consolidated Financial Highlights

(Billions of Yen)

<table>
<thead>
<tr>
<th>Items</th>
<th>FY2008</th>
<th>FY2009</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,487.6</td>
<td>1,207.7</td>
<td>(279.9)</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(45.5)</td>
<td>(9.5)</td>
<td>36.0</td>
</tr>
<tr>
<td>Non-operating income/expenses</td>
<td>(5.3)</td>
<td>(3.6)</td>
<td>1.7</td>
</tr>
<tr>
<td>Ordinary income (loss)</td>
<td>(50.8)</td>
<td>(13.1)</td>
<td>37.7</td>
</tr>
<tr>
<td>Special gains/losses</td>
<td>(14.6)</td>
<td>(3.0)</td>
<td>11.6</td>
</tr>
<tr>
<td>Net income (loss) before income taxes and minority interests</td>
<td>(65.4)</td>
<td>(16.1)</td>
<td>49.3</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(95.2)</td>
<td>(28.0)</td>
<td>67.2</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>535.4</td>
<td>494.2</td>
<td>(41.2)</td>
</tr>
<tr>
<td>Equity</td>
<td>349.9</td>
<td>377.3</td>
<td>27.4</td>
</tr>
<tr>
<td>D/E Ratio</td>
<td>1.53</td>
<td>1.31</td>
<td>(0.22)</td>
</tr>
<tr>
<td>Dividend (Yen/Share)</td>
<td>9.00</td>
<td>3.00</td>
<td>(6.00)</td>
</tr>
</tbody>
</table>

Exchange Rate (Yen/US$) 101 93 (8) 93

Domestic Standard Naphtha Price (Yen/KL) 58,930 41,200 (17,730) 41,800
Operating Income by Fiscal Year

Operating Income (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>1st half</th>
<th>2nd half</th>
<th>1st half</th>
<th>2nd half</th>
</tr>
</thead>
<tbody>
<tr>
<td>’07</td>
<td>10</td>
<td>▲55.5</td>
<td>▲19.0</td>
<td>▲9.5</td>
</tr>
<tr>
<td>’08</td>
<td>▲45.5</td>
<td>▲36.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>’09</td>
<td></td>
<td></td>
<td>▲9.5</td>
<td></td>
</tr>
<tr>
<td>’10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Profit

Stabilize Profitability
Operating Income for FY2008 (by segment)

Segment Operating Income/Loss

Corporate Operating Income/Loss (breakdown)

▲50.0
▲30.0
▲10.0
0
▲10.0
▲50.0

Functional
Advanced
Basic

▲25
▲2
3
7
▲31
▲8
9
5
▲11
▲5
2
9
1
9
5
3
9

FY08 (2nd Half)
FY09 (1st Half)
FY09 (2nd Half)

▲55.5
▲19.0
▲19.0
▲5.5
9.5
▲31.8
▲31.8
▲3.0
▲3.0
▲3.0
▲3.0

Denotes a minus

▲45.5
▲36.0
(billion yen)

Cost Cuts 38.0
Volume Change 7.0
Trade Terms ▲6.0
Expected Opportunity Loss ▲3.0
(Facility Trouble)
FY 2009 “New Growth Strategy”

New Growth Strategy
◆ Domestic Sustainability
◆ Overseas Expansion

Strengthen Business Platform
◆ Thorough Cost Cuts
◆ Optimize Inventory / Selective Investment
◆ Review Pension / Retirement Benefits
◆ Public offering

Accelerate response to environmental changes

Intensify Marketing
◆ Outward Looking Perspective
◆ Formation of New Business Models

◆ [New Growth Strategy] to be reflected in FY2010 budget
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Outlook for FY2010

◆Volume increases (operation of 5TF, intensification of Solar EVA) and improvement of trade terms (improvement of PH/PTA supply) will bolster recovery of profitability.

◆Current fiscal year operating income forecast is 35 billion yen and is a foothold to stabilizing profitability. FY2010 will be a pivotal year in launching new growth strategies.

◆Next midterm business plan will be compiled by end of 2010 and based on New Growth Strategies of FY09. Concrete strategies and numerical targets will be outlined.
Budget for FY2010

Operating Income (Billions of yen)

- '07 (actual): 77.2
- '08 (actual): ▲45.5
- '09 (actual): ▲9.5
- '10 (budget): +36.0
- Profit: +35.0

Stabilize Profitability
Sales Forecast by Quarter

Recovery through expansion of sales

(Billions of Yen)

FY2009

FY2009 1,208.3

FY2010 1,400.0

1Q 2Q 3Q 4Q
Operating Profit Forecast by Quarter

Stabilize profitability in all quarters

(Billions of Yen)

FY2009

FY2010

Amount

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

10

15.0

45.0

30.0

15.0

0

△15.0

△13.5

△5.5

4.1 5.4

35.0

▲15.0

▲13.5

▲5.5

▲9.5

Amount
Breakdown of Increase/Decrease of FY2009 Results

◆ Improvement in sales volume/trade terms, cost cuts to stabilize profitability

Unit: billions of yen

- **Improvement**: 44.5 billion yen
- **Cost cuts, etc.** (Rationalization of PO production etc.)
- **Trade terms** (improvement of PH/PTA demand/supply)
- **Volume Change** (Operation of 5TF, reinforcement of Solar Eva, etc.)

FY10 Forecast: 35.0

09 Results: ▲ 9.5

Stabilize Profitability: ▲ 10.0
Works Operating Rate for Olefin Products

- Plan considers impact of competition from Middle East plants (ethylene, PE)
- PP expected to improve through increase in demand from automotive industry
Operating Rate of Tafmer (5TF) Plant

Applications

◆ Resin Modifier
  - Strengthen PP Bumpers

◆ Foam
  - Strengthen Easy-peel PE/PP Lids (heat-seal)
  - Mid-soles for sports shoes

2nd Singapore Plant
(100k tons : completed Dec 2009)

Forecast large profits from vertical startup to respond to shortage in Asian markets (FY2010 100% operating rate)
Volume

Works Operating Rate for Aromatic Products

Change in Demand/Supply(%)※

<table>
<thead>
<tr>
<th>Product</th>
<th>Demand</th>
<th>Supply (Details)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PH</td>
<td>+6.3</td>
<td>+4.4 (New establishment Company “S”)</td>
</tr>
<tr>
<td>PTA</td>
<td>+7.0</td>
<td>▲3.8 (PX under supply)</td>
</tr>
<tr>
<td>TDI</td>
<td>+6.6</td>
<td>▲3.3 (Facility decommission Company “N”)</td>
</tr>
</tbody>
</table>

※FY09⇒FY10 Change (Asia)

Full Capacity Operation Forecasted

Operating Rate (%)
Spread expands due to healthy Asian demand

- TDI~Toluene
- Phenol~Benzene
- PTA~Paraxylene
## Conclusion: Operating Profit & Main Policies by Segment

(unit billions of yen)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Operating Profit</th>
<th>Main Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrochemicals</td>
<td>12.0</td>
<td>Strengthen competitiveness of Naphtha Crackers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strengthen profitability of poly-olefin operations</td>
</tr>
<tr>
<td>Basic Chemicals</td>
<td>5.5</td>
<td>Expand sales with a focus on Asia (PH/PTA)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase in spread due to improvement in demand/supply (PH/PTA)</td>
</tr>
<tr>
<td>Polyurethane</td>
<td>6.0</td>
<td>Same as above (Expand sales &amp; increase in spread)</td>
</tr>
<tr>
<td>Functional Polymeric Materials</td>
<td>4.0</td>
<td>Expand sales of main resins (Tafmer, EPT etc.)</td>
</tr>
<tr>
<td>Fabricated Products</td>
<td>1.5</td>
<td>Expand sales in Asia (Solar Eva, etc.)</td>
</tr>
<tr>
<td>Functional Chemicals</td>
<td>10.0</td>
<td>Expand core business (vision care, agrochemicals, catalysts)</td>
</tr>
</tbody>
</table>
Structure to Accelerate Response to Changes in Market Environment

(1) Strengthen Response and Flexibility of Operations

◆ Review individual business segments
  - Restructure to accelerate response
    ⇒ 3 Segments restructured to 6 segments

(2) Strengthen Functions in Major Markets (China/Europe)

◆ Stationing of China and Europe Representatives
  - Response to expansion in Chinese market
  - Response to changes in European REACH, etc. & strengthening of marketing functions
Strengthening Marketing Capability

◆ Collective effort of production, sales, research to form a “organization to sell”

R&D
Rightsizing/ Reinforcement
Indirect Head Office Operations

Strengthen Marketing/R&D/ Service
FY09 (full term): 51 persons
FY10 (1st half): 20 persons

Domestic
Segment- related Divisions
Overseas
Strengthen/Expand

◆ New Automotive Material Development Division (Company-wide functions)
◆ Marketing Meister System (strengthen training of “marketers”)
Review Structure to Reinforce Occupational Safety

◆ Reinforce “Safety First” Management Policy

➢ Works will be placed **directly under the President & CEO**

⇒ Strengthen autonomy of Works (bolster motivation)

➢ **Strength responsibility & authority** regarding safety and environmental functions

⇒ **Works** safety / environment:

   Production & Technology Center (strengthen management based on on-site perspectives)

⇒ **Corporate** safety/hygiene/environment: Responsible Care Division
Prevent Recurrence of Accidents / Trouble

➢ <Operations> Routine Operations (total 12,700)
  - Emergency Safety Checks (97% completed by end of March)
  ⇒ Problems (23% of total) are being corrected (80% completed)

➢ <Operations> Awareness of Material / Operation Dangers
  ⇒ Brush-up courses / Review manuals

➢ <Facilities > Awareness of Facility and Equipment “Pitfalls”
  (completed in 1st half of FY)
  ⇒ Initiation of thorough preventive measures

➢ <Investments> Investments for safety (investments to update facilities & repairs)
  ⇒ Annual 40 billion yen (not subjected to cost cuts)

Prevent Expected Opportunity Loss from Accidents and Trouble
◆ Strengthen financial structure to actualize “New Growth Strategy”

(Billions of yen)

D/E Ratio

<table>
<thead>
<tr>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>1.53</td>
<td>1.31</td>
<td>(x2)</td>
</tr>
</tbody>
</table>

Interest bearing debt

- Expand Sales Cost Cuts
- Selective Investment
FY2010 Dividend Forecast

MCI Dividends

FY10 Dividend Forecast
mid: 3 yen/share
end: 3 yen/share
annual: 6 yen/share

- Consolidated Dividend Payout = 25.1%
- DOE = 1.6%

【Note: MCI Dividend Policy】
MCI recognizes the importance of returning profits to shareholders. Taking into consideration consolidated dividend payout ratio and dividend on equity (DOE) ratio, the Group strives to provide consistent stable dividends.
Target: consolidated dividend payout ratio over 25%, DOE over 2%
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1. Financial Results for Fiscal Year 2009
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Business Environment of Chemical Industry

◆ Changes in Global Demand/Supply Structure
  • Sluggish demand in Europe, U.S. & Japan
    Expanding demand in Asia, developing economies
  • Petrochemical plant startups in Middle East & China
    \Rightarrow Acceleration of restructuring of Japanese petrochemical industry

◆ Changes in Business Models (Win or Lose)
  • Expanding low cost, high quality products of Asian producers
  • Added-value through standardization and systematization of European and U.S. producers
  • Competitive products with advanced features of Japanese producers
    \Rightarrow MCI needs to leverage its specialties & expand in areas where it holds superior competitiveness

◆ Changes in social environment
  • GHG emission targets (post Kyoto Protocol)
  • Management of chemical substances (REACH, etc.)
  • Population increase & preservation of resources influence on food sources
    \Rightarrow Environment, energy, health, agriculture, foodstuff sectors
Efforts to Actualize “New Growth Strategy”

New Growth Strategy

【1】Global expansion of highly competitive businesses
【2】Expansion of high value-added business for sustainable growth
【3】Development of new products/businesses in harmony with the global environment

Accelerate response to environmental change

【4】Strengthen business platform
◆ Strengthen global cost competitiveness (LLP, S&B, etc.)

Enhance marketing
◆ Expand sales
◆ Form new business models
Overseas Projects: Main Activities in 2010

◆ Established South China Urethane System House [Jan.]
  ➢ Commercial operation will start in March 2011.
◆ Commenced commercial operation at new Tafmer plant in Singapore [Mar.]
◆ Assigned Executive Chief Representatives in Europe and China [Apr.]
◆ Establishing of Mitsui Chemicals Brazil [Jun.]
  ➢ Registered company in March 2010
◆ Collaboration with Sinopec
  ➢ Discussions to sign JV agreements [July]
◆ Decision making for NS project in Vietnam [Within 2010]
【1】Global expansion of highly competitive businesses

②Global Top Strategy for TAFMER

- Strengthen top share position in Asia & expand share in Europe/Americas
- Global production capacities (10,000 tons)

- Global Top through vertical startup of 5TF
- Expand share through superior quality & technology/support
  - Secure share in automotive & packaging markets
  - Secure new clientele in Europe/Amicas
  - 2nd position (FY09) ⇒ Top position (FY11)
【1】Global expansion of highly competitive businesses

③ Expansion Strategy for HAO-LL (EVOLUE)

- Accelerate expansion in value-added / high function packaging and container material market

Strengthen domestic facilities (60,000 ton facility under construction)

- Study new plant in Asia
- Differentiation through quality and technology

Production capacity (thousand tons)

- Current FY11
- Current domestic

- FY11
- Current domestic

Strengthen expansion efforts

24

30
【1】Global expansion of highly competitive businesses

④ Establishment of Brazil Base

◆Purpose:
Sale, market development, market study etc. for MCI products

◆Name: Mitsui Chemicals do Brasil Ltda

◆Establishment: March 2010 (Opening June (tentative))

◆Location: Sao Paulo (concentration of 30% of Brazil’s GDP)

◆MCI operations in Brazil:

Admer (adhesive resin), Elastomer, PP compounds, agrochemicals, etc.
(sales: approx. 2 billion yen in FY08)

GDP of main SA markets

- Brazil (50%)
- Argentina
- Venezuela
- Columbia
- Chile
- Main SA countries

GDP (08) 3.1 trillion $
【2】Expansion of high value-added business for sustainable growth

① Further Expansion of Solar EVA (film/sheet)

- Increased demand due to growth of solar cells ⇒ FY09 double capacity (approved by management)

*Film/sheet material is a protective sheet used between the cell and the power generating silicon layer.*
【2】Expansion of high value-added business for sustainable growth

② Joint venture with Toagosei in EO derivatives

- Expansion of EO share by intensifying added value of ethylene products

Joint venture for lithium ion cell material (ethylene carbonate) production (Osaka Works)

- Production capacity: 5,000 T/Y
  (EO demand: 2,500 T/Y)
- Capital:
  - Toagosei 90% / MCI 10%
- Completion scheduled for autumn 2011

EO ratio 85% (target)

Intra-company consumption/sales

(approx 10%)

M Company (completed Nov 2008)

Plans to increase percentage
Expansion of high value-added business for sustainable growth

3 Development of Ethylene ⇒ Butadiene Process

◆ Strengthening of high added-value ethylene

Increase demand from China and Asia for automotive tires and the decrease in domestic ethylene production will result in shortage of butadiene supply.

- PE/PP (operation)
- Propylene (operation)
- Ethylene
- Butadiene (developing technology※)
- Hexene-1 (under construction)
- Elastomer (operation)

※target: commercialization by 2012


【3】Development of products/businesses in harmony with the global environment

①New product development
(number of R&D themes in parentheses)

◆Development of new materials for next generation automobiles
(HV/EV) (New Materials Development Center, etc.)

- Interior material (2)
- HV/EV motor material (2)
- LED material (3)
- High absorbent material (1)
- Battery material (5)
- Environment friendly material (lightweight material) (3)

Other themes include LED related materials (9) and everyday materials (5), et cetera.

Total 16 themes
① New business models for next generation business

◆ CO₂ ⇒ methanol (GTR)

- Received over 20 inquiries from companies and official bodies in Japan, China, Asia, Europe, North & South America, South Africa, etc.
- Conducting talks with 2 potential partners

◆ Chemicals from Biomass

- Isopropyl alcohol (IPA) ⇒ propylene technology through bio-consortiums
- Information exchange with automobile, consumer goods manufacturers and other important clients
[4] Strengthen business platform

① Establishment of Chiba Chemicals Manufacturing LLP

<table>
<thead>
<tr>
<th>Items</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation Area</td>
<td>• Joint operation of ethylene complex in Chiba&lt;br&gt;• Manufacturing of ethylene, propylene, and by-products&lt;br&gt;• Supply of products to IKC and MCI</td>
</tr>
<tr>
<td>Role</td>
<td>Efforts to minimize costs of ethylene, propylene, and other petrochemical materials (target: 3 billion yen)</td>
</tr>
<tr>
<td>Capital</td>
<td>200 million yen (Equal investment joint venture)</td>
</tr>
<tr>
<td>Ethylene Production Capacity</td>
<td>920,000 tons per annum (IKC:370,000 tons/MCI 550,000 tons)</td>
</tr>
<tr>
<td>Developments</td>
<td>Expand petrochemical integration (estimated effect 10 billion yen)</td>
</tr>
</tbody>
</table>
Progress of Cost Cuts

◆ Stabilize & expand FY08, FY09 cost cut efforts (43.4 billion yen)

Note: FY2009 introduced changes in retirement/pensions ⇒ estimated cost cuts approximately 15 billion yen

Cost-cut amount (billion of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Act</th>
<th>Labor costs</th>
<th>Production costs</th>
<th>Other</th>
<th>Additional cost cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY08</td>
<td>5</td>
<td>10.0</td>
<td>20.0</td>
<td>10.0</td>
<td>70.0~</td>
</tr>
<tr>
<td>FY09</td>
<td>38.4</td>
<td>20.0</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
Formulation of New Midterm Plan

New Growth Strategy

Fundamental Strategies

[1] Global expansion of competitive businesses
[2] Expansion of high added-value products for sustainable growth
[3] Development of new products/businesses in harmony with the global environment

New Midterm Plan

◆ Based on New Growth Directives of FY09. Concrete strategies and numerical targets will be outlined.
◆ Formulation to be completed by end of 2010.
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