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

November 8, 2011
Toshikazu Tanaka
President & CEO
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

<table>
<thead>
<tr>
<th>Items</th>
<th>FY2010</th>
<th>FY2011 outlook</th>
<th>increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1st Half</td>
<td>Full year</td>
<td>1st Half</td>
</tr>
<tr>
<td>Sales</td>
<td>672.8</td>
<td>1,391.7</td>
<td>755.8</td>
</tr>
<tr>
<td>Operating income</td>
<td>17.4</td>
<td>40.5</td>
<td>28.7</td>
</tr>
<tr>
<td>Non-operating income (loss)</td>
<td>(2.8)</td>
<td>(1.6)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>14.6</td>
<td>38.9</td>
<td>27.9</td>
</tr>
<tr>
<td>Special gains (losses)</td>
<td>11.0</td>
<td>6.1</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>17.1</td>
<td>24.9</td>
<td>13.4</td>
</tr>
<tr>
<td>(Supplementary) Net income excluding reversal of provision for retirement benefit (FY2010: 14.6 billion yen)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange Rate (Yen/US$)</td>
<td>89</td>
<td>86</td>
<td>80</td>
</tr>
<tr>
<td>Domestic Standard Naphtha Price (Yen/KL)</td>
<td>46,200</td>
<td>47,500</td>
<td>57,000</td>
</tr>
</tbody>
</table>
Operating Income and Loss

FY09
-9.5 billion yen
FY10
40.5 billion yen
FY11 (outlook)
50 billion yen

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Half</th>
<th>2nd Half</th>
<th>1st Half</th>
<th>2nd Half</th>
<th>1st Half</th>
<th>2nd Half</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>-19.0</td>
<td>-9.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>FY10</td>
<td>9.5</td>
<td>17.4</td>
<td>23.1</td>
<td>28.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY11</td>
<td>21.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecast</td>
<td></td>
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</table>
Contents

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

Acquire stake in Iharabras S.A. of Brazil (September 2011)
Secure base in Brazil, the continually growing, world’s second-largest pesticide market

India
Launch of insecticide scheduled for 2012

[Strength of Sotus International]
- Strong pharmaceutical business with good sales network (2nd 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
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)
**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

![Map of Asia with Brunei highlighted]

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

- **East Asia**: 60 (expected to increase to 70 before 2015)
- **South Asia**: 40 (expected to increase to 50 before 2015)
- **North America**: 30
  - Average for 2008 - 2010: 30
  - Increase expected before 2015: 27 million tons (more than 50% of increase will be in Asia)
  - Grand total: 190 million tons

Source: International Fertilizer Industry Association (Fertilizer Outlook)
Project site (1,000,000 m²) 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
Five Priority Businesses - 3

[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

◆ Share of highly functional nonwoven for hygienic products in Asia ◆

Demand to grow by 70% in the coming five years

MCI’s share: 60%  
New and additional facilities & sales increase  
2010

MCI’s share: 80%  
2015

[China] 15KTA  
Production base in fast-growing China

[Japan] 49KTA  
Mother factory of highly functional nonwoven

[Thailand] 30KTA  
Export base mainly to Asia

Total investment: 10 billion yen
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%)

- Demand for acetone (4%) versus phenol (5%) causes surplus acetone

Efficient use

High added value acetone

Recycle acetone (into propylene)

New facility for acetone-based IPA (60KTA)

Enhance MIBK

- Current (Ichihara Works)
- Start operation (Osaka Works) [April 2013]
- Plan for new facility in China (50KTA) [2015]

◆ Advantageous business development using unique technologies
◆ Further improvement of technologies
Advanced Composites, Inc. (United States) celebrates 25th anniversary.
**PP Compounds**

Aim to be Global Leader (2)

- Study of establishment of new base in Brazil in 2012
  → Eight bases around the world
  
  Further acceleration to secure position as global leader

- Production capacity of automotive PP compounds

  - [Mitsui Chemicals: 2nd in the world]

<table>
<thead>
<tr>
<th>Country</th>
<th>Production Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>740KTA</td>
</tr>
<tr>
<td>Brazil</td>
<td>840KTA</td>
</tr>
<tr>
<td>Japan</td>
<td>950KTA</td>
</tr>
<tr>
<td>(USA)</td>
<td></td>
</tr>
<tr>
<td>(Mexico)</td>
<td></td>
</tr>
<tr>
<td>(Europe)</td>
<td></td>
</tr>
<tr>
<td>(India)</td>
<td></td>
</tr>
<tr>
<td>(China)</td>
<td></td>
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<tr>
<td>(Thailand)</td>
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</tbody>
</table>

Enhanced base

Study for new base

Five world-leading businesses - 2
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

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

◆ 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.
# New Products

## [Electronic and Information Films]

<table>
<thead>
<tr>
<th>Product</th>
<th>Features</th>
<th>Period of commercial production</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brightness enhancement film</td>
<td>• Brightness increased by 20-30% compared with conventional products</td>
<td>2012</td>
<td>LCD manufacturers, EL manufacturers, etc.</td>
</tr>
<tr>
<td></td>
<td>• Higher brightness and lower energy consumption of LCD</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• Reduced cost of backlight components</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Reduced weight 70% from earlier products</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Weight reduction of PCs and tablets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lightweight reflection film</td>
<td>• High reliability: Reduced damage to OEL elements</td>
<td>2012</td>
<td>Murata Manufacturing</td>
</tr>
<tr>
<td></td>
<td>• Reduced loss and longer life of OEL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organic EL seal material</td>
<td>• Jointly developed with Murata Manufacturing and Kansai University</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Detect pressure, bending, and twisting motions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Realization of 3D touch panel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-transparency piezoelectric film</td>
<td></td>
<td>2012</td>
<td></td>
</tr>
</tbody>
</table>

**Sales target:** 50 billion yen around 2017
Voluntary Activities in Areas Affected by the Great East Japan Earthquake

**Heat shielding film**

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

“ECQUESEA 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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Progress in Cost Reduction

Achieving the Mid-Term Business Plan

Steady progress towards cost reduction target for FY11
(Achievement in 1st Half: 4 billion yen)

[Cost reduction plan of Mid-Term Business Plan]

FY11 target: 8 billion yen reduction
1st Half result/full-year target

- Streamline Polyolefin: 1.8/4.0
- Streamline Polyurethane: 1.5/3.0
- Streamline back office: 0.7/1.0

Overachievement in FY10: 4 billion yen
Changes in Business Portfolio

Steady progress in changes to business portfolio

<Profits from functional products>

(FY09 =100)

Functional products:
Functional Chemicals, Fabricated Products, and Functional Polymeric Materials Sectors, and Coatings and Engineering Materials Division

1st Half result: 151

(FY09 =100)

FY09

FY10

FY11 (forecast)
Achieving the Mid-Term Business Plan

Overseas Sales Share

FY2010

Domestic sales: 58%

Share of strategic overseas sales: 22%

Export: 20%

Overseas sales share: 42%

FY2011 (1st Half)

Overseas sales share: 43%

Share of strategic overseas sales: 24%

Export: 19%

Domestic sales: 57%

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%
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
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

- Restructure polyurethane
- Accelerate the 5-5-5 Strategy
- Sustain domestic competitiveness
- Accelerate M&A and development of new products

Operating income

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>-9.5 billion yen</td>
</tr>
<tr>
<td>FY10</td>
<td>40.5 billion yen</td>
</tr>
<tr>
<td>FY11 (Forecast)</td>
<td>50.0 billion yen</td>
</tr>
<tr>
<td>FY13 (Target)</td>
<td>100 billion yen</td>
</tr>
</tbody>
</table>
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