

FY2014-16

CEO Explanation

Creating New Customer Value through Innovation

Nov.19
2014



Mitsui Chemicals

淡輪 敏

Tsutomu Tannowa
President & CEO

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- Business Performance
- Review of 2014 Mid-Term Business Plan
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Business Performance

Financial Result and Outlook for FY2014

Financial Results & Outlook for FY2014

(Billion yen)

△Denotes a minus

Items	FY2013		FY2014		Increase (Decrease)	
	1 st Half	Full Year	1 st Half	Full Year (Outlook)	1 st Half	Full Year
Sales	731.6	1,566.0	776.0	1,623.0	44.4	57.0
Operating income	11.0	24.9	18.6	40.0	7.6	15.1
Non-operating income	△ 0.3	△ 2.4	0.8	△ 2.0	1.1	0.4
Ordinary income	10.7	22.5	19.4	38.0	8.7	15.5
Special gains/losses	△ 2.4	△ 33.0	△ 3.3	△ 7.0	△ 0.9	26.0
Net income	1.0	△ 25.1	7.4	14.0	6.4	39.1

Exchange Rate(Yen/US\$)

99

100

103

105

4

5

 Domestic Standard Naphtha Price
(Yen/KL)

64,700

67,300

70,400

67,700

5,700

400

2ndHalf Outlook

Exchange Rate	107 Yen/US \$
Naphtha Price	65,000 Yen/kl

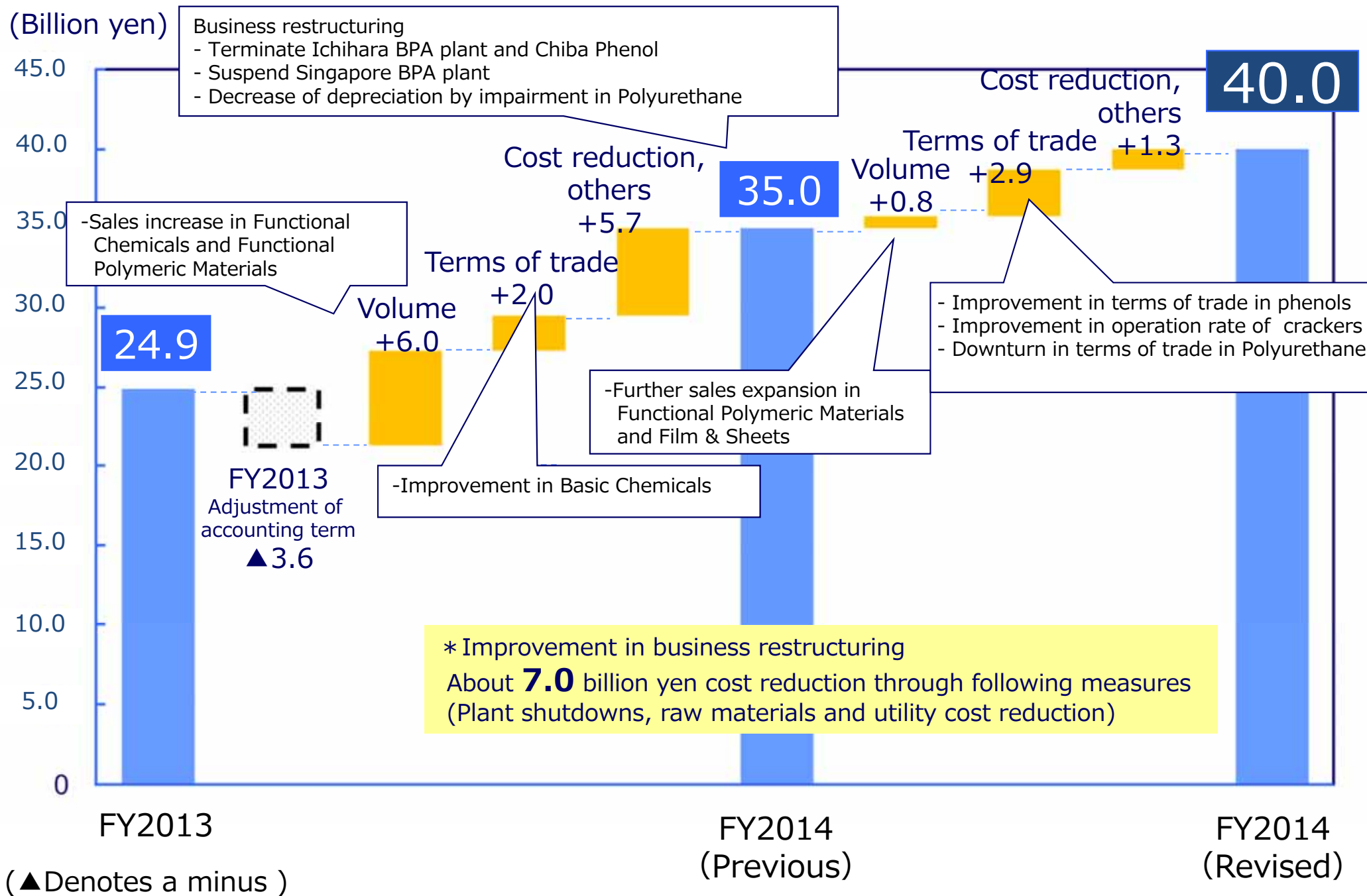
Operating Income Outlook for FY2014

(Billion yen)

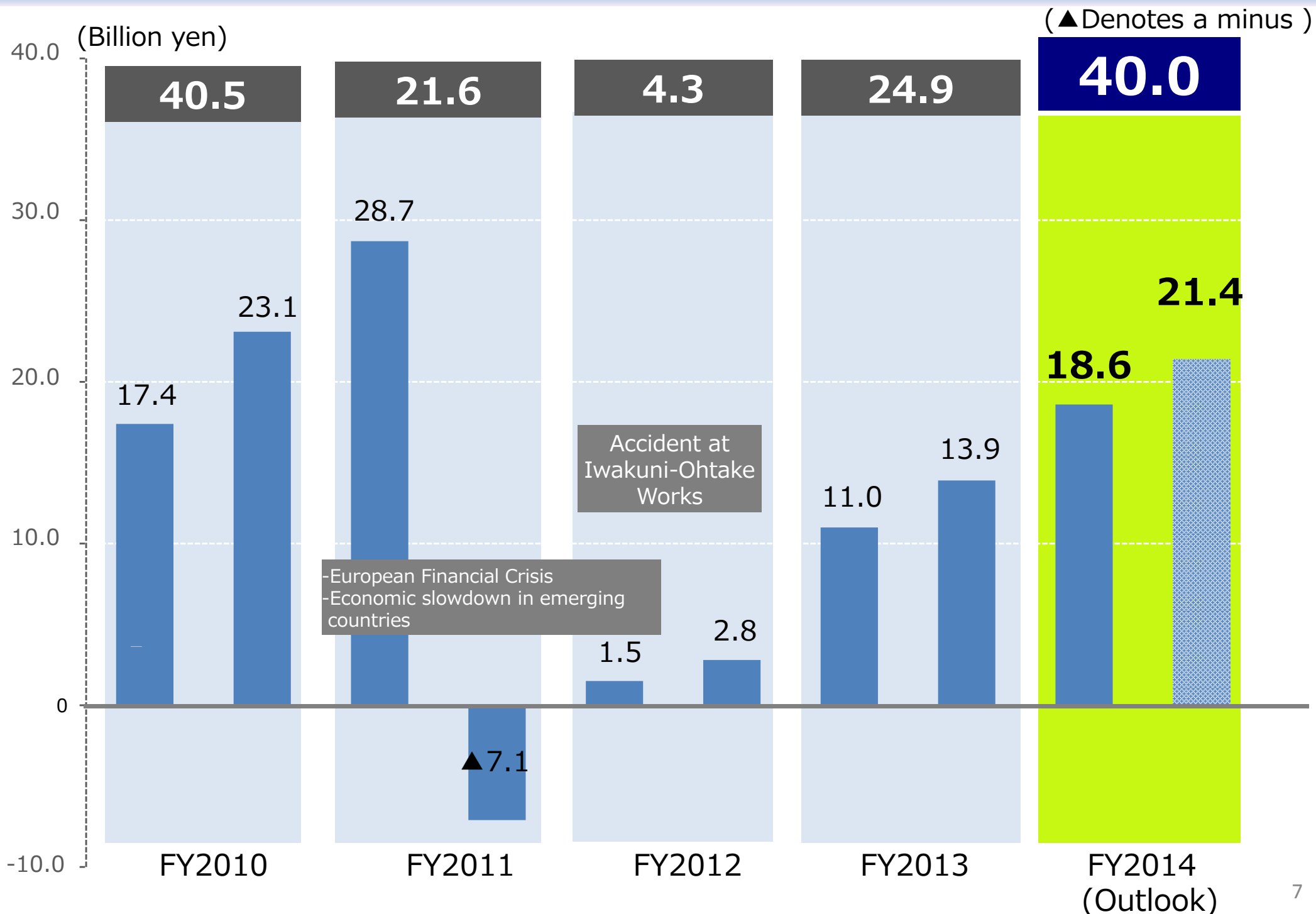
△ Denotes a minus

Segment	FY2013		FY2014		Increase (Decrease)	
	1 st Half	Full Year	1 st Half	Full Year	1 st Half	Full Year
Functional Chemicals	7.9	15.0	7.8	16.5	△0.1	1.5
Functional Polymeric Materials	7.4	11.9	7.2	14.5	△0.2	2.6
Polyurethane	△4.1	△5.2	△3.5	△3.5	0.6	1.7
Basic Chemicals	△8.0	△17.4	△4.4	△7.5	3.6	9.9
Petrochemicals	9.8	25.3	12.3	24.0	2.5	△1.3
Film & Sheets	0.9	0.9	1.7	3.0	0.8	2.1
Total (Incl. Others)	11.0	24.9	18.6	40.0	7.6	15.1

Operating Income Trend



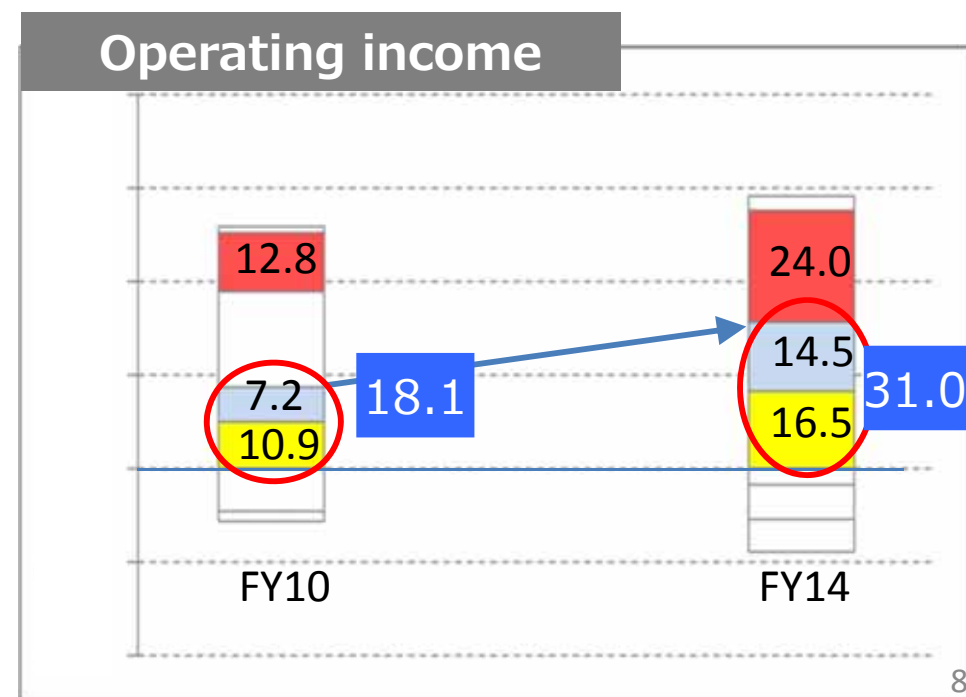
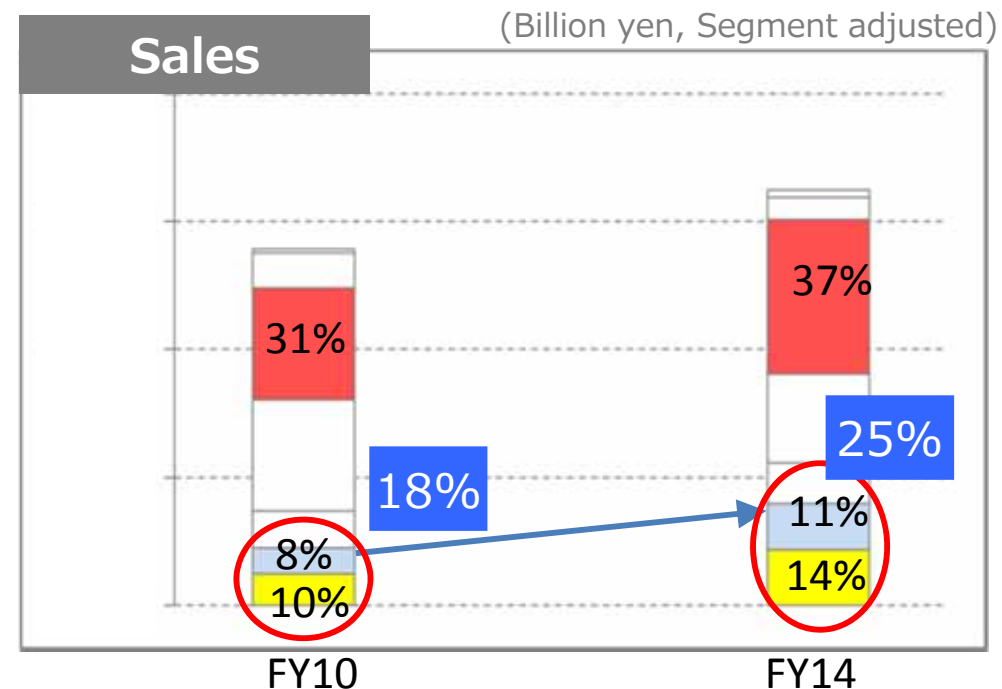
Operating Income from FY2010



Changes in Business Portfolio

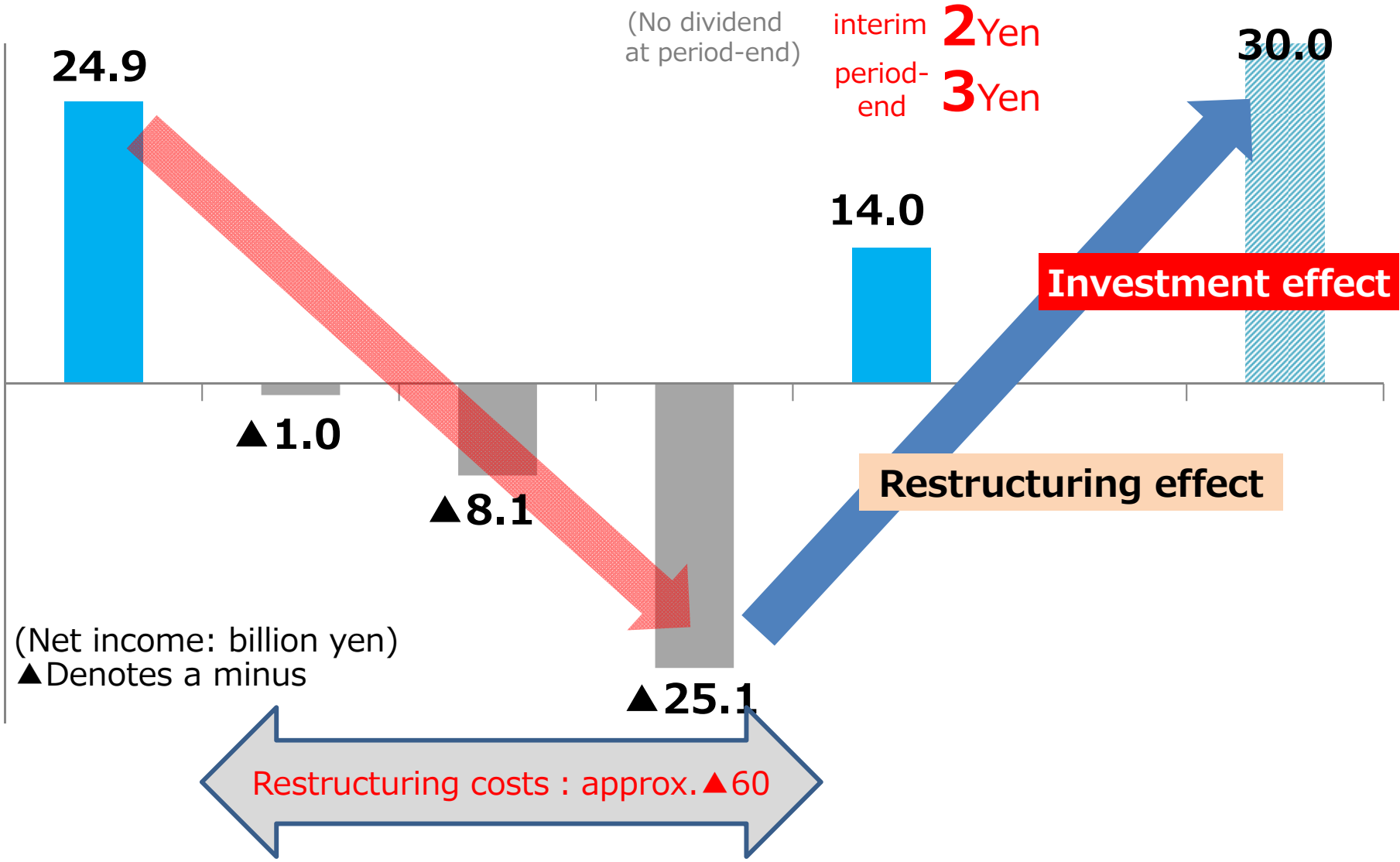
Sales	FY10	FY14	increase (decrease)
Functional Chemicals	143.8	220.0	76.2
Functional Polymeric Materials	106.2	177.0	70.8
Polyurethane	144.8	162.0	17.2
Basic Chemicals	435.7	346.0	▲ 89.7
Petrochemicals	434.0	603.0	169.0
Film & Sheets	108.0	84.0	▲ 24.0
Total (incl.Others)	1,391.7	1,623.0	231.3

Operating income	FY10	FY14	increase (decrease)
Functional Chemicals	10.9	16.5	5.6
Functional Polymeric Materials	7.2	14.5	7.3
Polyurethane	▲ 9.0	▲ 3.5	5.5
Basic Chemicals	20.4	▲ 7.5	▲ 27.9
Petrochemicals	12.8	24.0	11.2
Film & Sheets	0.5	3.0	2.5
Total (incl.Others)	40.5	40.0	▲ 0.5



V-shaped turnaround in FY2014 and dividends front loading

FY2010 Dividends 6Yen	FY2011 Dividends 6Yen	FY2012 Dividends 6Yen	FY2013 Dividends 3Yen	FY2014 Dividends 5Yen	FY2016 Stable Dividends
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Summary of FY2014 Management Targets

(FY2013→FY2014 revised)	FY2013		FY2014 (Previous)		FY2014 (Revised)
Sales Up 4%	¥1,566 billion	➤	¥1,680 billion	➤	¥1,623 billion
Operating income Up 61%	¥24.9 billion	➤	¥35.0 billion	➤	¥40.0 billion
Net income Return to Profitability	▲¥25.1 billion	➤	¥12.0 billion	➤	¥14.0 billion
Net D/E Improvement 0.09 point	1.44	➤	1.39	➤	1.35
Restored dividends	¥3 per share (interim)	➤	¥3 per share (period-end)	➤	¥2 (interim) ¥3 (period-end)

(▲Denotes a minus)

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Mitsui Chemicals, Inc.
CEO Explanation

Creating New Customer Value through Innovation

Review of 2014 Mid-Term Business Plan

April 1, 2014- March 31, 2017

Corporate Mission **Contribute to society by providing high-quality products and services to customers through innovations and the creation of materials and products while keeping in harmony with the global environment.**

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

Mega Trends
Social issues that the chemical industry must help resolve

MCI Group's Robust Business Platform
Technologies: polymer science, precision synthesis, and manufacturing process
Customer base, existing businesses, and global structure

Mobility: Every possible mode of human and commodity transportation

Social challenges that the MCI Group must help resolve

- Realizing a cohesive society that is in harmony with the environment
- Realizing health and happiness in an ageing society
- Realizing industrial platforms that are in harmony with local communities

◆ **Targeted business domains that offer growth potential**

- Mobility
- Healthcare
- Food & Packaging

◆ **Commodity chemicals, mainly petrochemicals and basic chemicals, that will support society and industry**

- Basic Materials

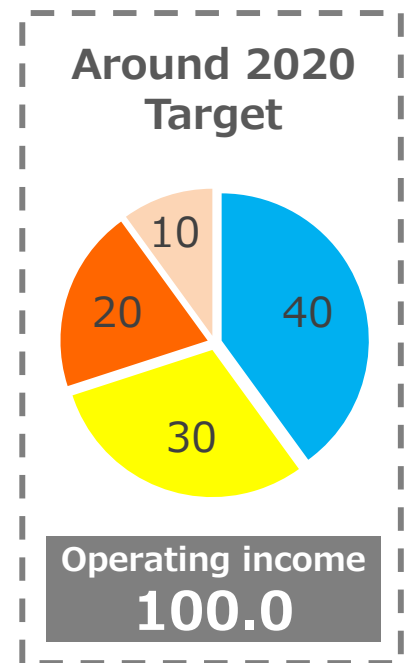
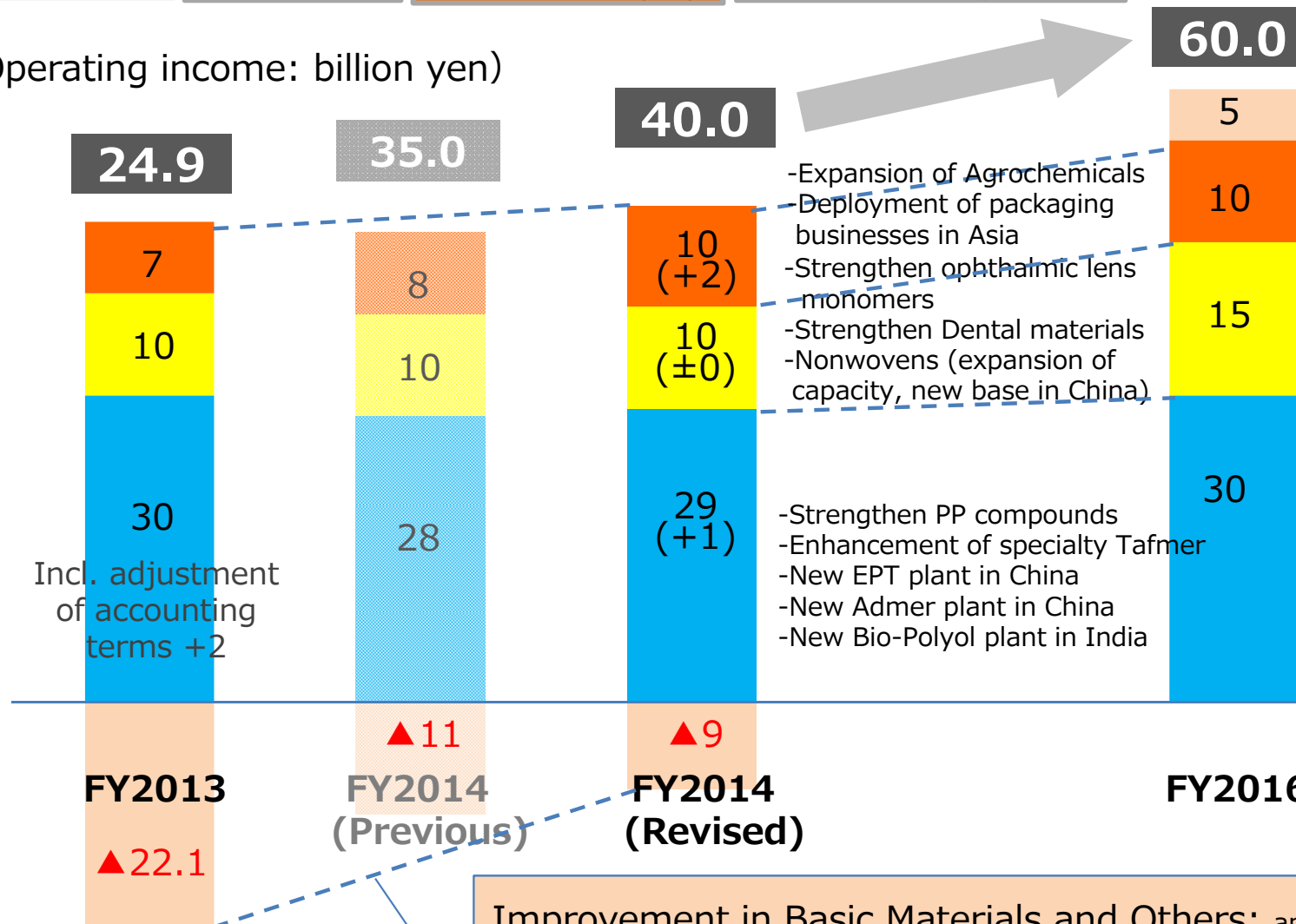
Ideal Business Portfolio

- ◆ Market-driven business strategy to resolve various social challenges
- ◆ Advance peripheral and downstream businesses that harness strengths of existing businesses



(▲ Denotes a minus)

(Operating income: billion yen)



Improvement in Basic Materials and Others: approx. **¥13 billion**

- Steady progress of business restructuring (Phenol, PTA, Polyurethane)
- Terminate commodity polyolefin plants, cost reduction, etc.

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Creating New Customer Value through Innovation

Progress of Basic Strategies

in 2014 Mid-Term Business Plan

Dynamically explore consumer value to deliver optimal solutions across the Group's full lineup of technologies, services, and its entire supply chain from materials to finished products

Mobility

Provide group-wide cross-organizational solutions that take full advantage of comprehensive strengths.

(Light-weight, fuel efficiency, comfort, design, safety)

Healthcare

Establish a new growth platform through peripheral and downstream activities

(Vision care, Oral care, new businesses relating to the senses and physical mobility)

Food & Packaging

Build a market-driven business model for the growing Asian market and secure business opportunities for a 3rd earning pillar

Basic Materials

Secure stable profits by strengthening cost competitiveness through optimizing Group needs and restructuring businesses

Transform business portfolio by **“Creating New Customer Value through Innovation”**

◆ Bolster cost competitiveness by optimizing production sites

◆ Progress of Restructuring

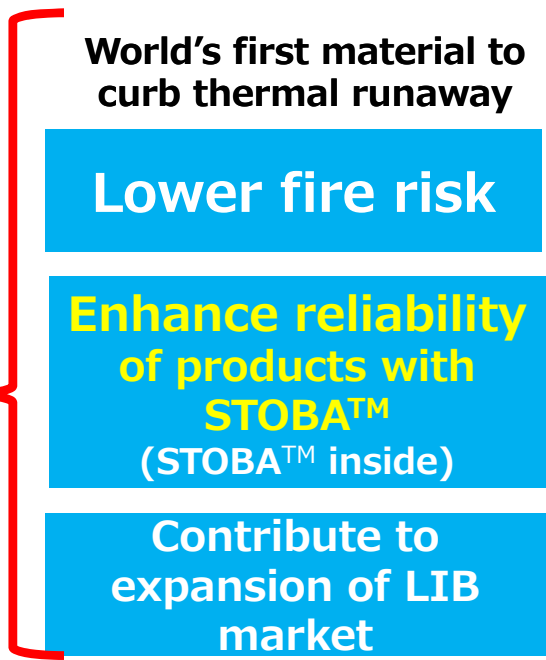
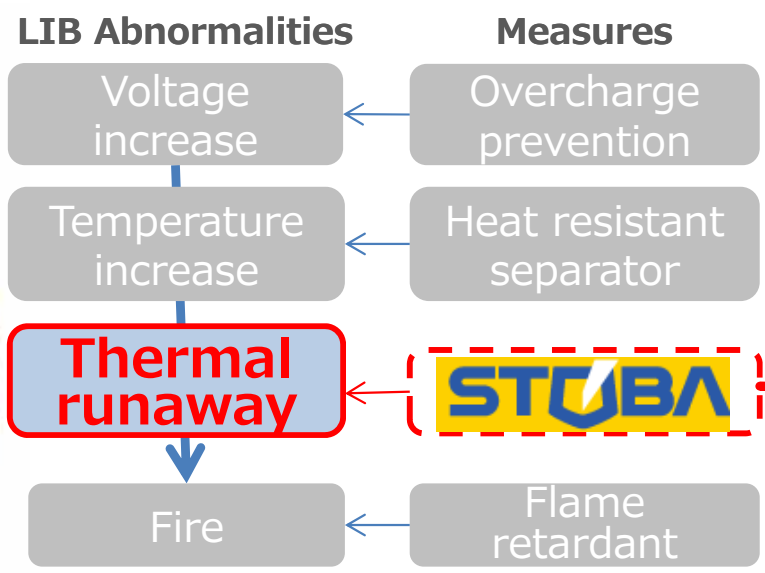
Phenols	Japan	Optimize production (Terminate Chiba Phenol, Ichihara BPA)
	China Sinopec JV	Commercial operation of state-of-the-art plant for region top competitiveness (December 2014)
	Singapore	-Full operation of one line PH and one line BPA -Aim for further sales expansion to operate second line BPA
PTA	Japan	-Only domestic integrated manufacturer of PTA-PET -Responding to domestic demand, Iwakuni Works aims to increase 70% run rate to full run rate
Polyurethanes	Japan	-Kashima Works will move suspension schedule forward from Dec 2016 to May 2016 - Transfer of organic acid business to Fuso Chemical (October 2014) -Ongoing business restructuring
Nghi Son	Vietnam	Construction of facilities for future low-cost raw materials underway (tentative completion 2016)



Progress of Basic Strategies

Mobility

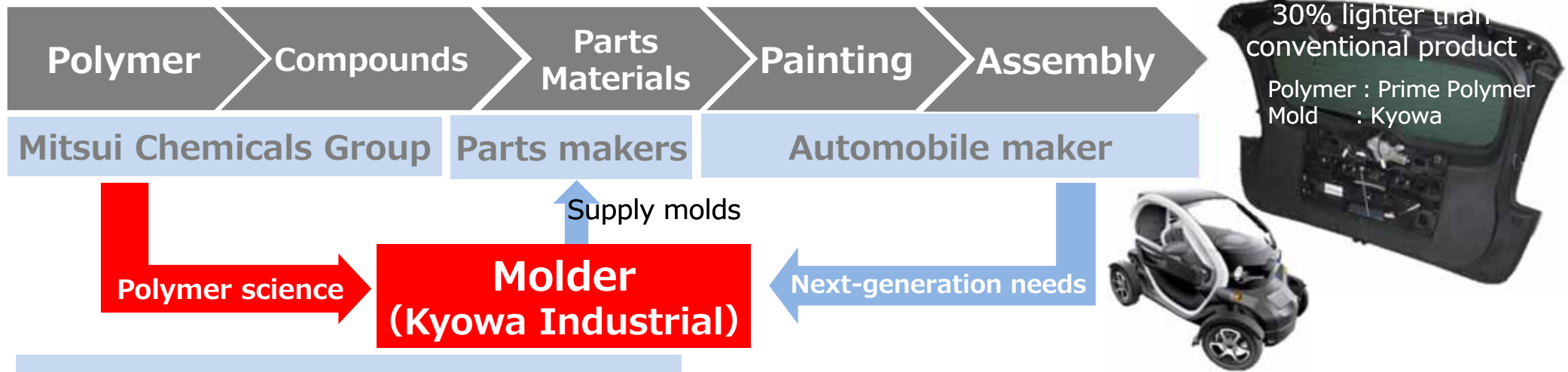
Exclusive license with Industrial Technology Research Institute of Taiwan (ITRI) for their **STOBA™ technology** to curb thermal runaway of lithium-ion batteries (Sep. 2014)



- ◆ Establish manufacturing site in Taiwan by late FY2016 (Use of small-scale facilities until completion)
- ◆ Improve performance using MCI's polymer science technology
- ◆ Study LIB materials using STOBA™

To bolster ability to collect information and provide new solutions for the mobility domain, **MCI acquired Kyowa Industrial Co., Ltd., a mold manufacturer** with superior planning and prototyping capabilities (September 2014)

(Value chain for automotive industry)



Value Proposal Capability of MCI Group

- Robust customer base
- Global structure
- Technology development
- Structural analysis
- Polymer solutions through bundling
- Bonding/composite technology (metal resin integral molding)
- Bolstering proposal abilities for parts and materials**

- ◆ Use of **group-wide cross-organizational** strengths to propose lighter-weight materials, comfort, and design solutions
- ◆ Help automobile manufacturers accelerate development to bring about **early realization a cohesive society that is in harmony with the environment**

Progress of Basic Strategies

Healthcare



Healthcare① Strengthen Peripheral Areas of Vision Care Material

- Acquisition of LTI, US maker of ophthalmic lens hard coat material (July 2014)
- Launch of lens material "UV+420cut™" which helps protect eye retina (Oct 2014)

Ophthalmic lens material
(monomers)

Coatings

Finished
product
(eye glasses)

High refractive



World's first transparent lens material to protect eyes from short wavelength light



Thermoplastic hard coat material



Acquisition 2008

Medium refractive



Acquisition Mar 2013

UV curable hard coat material



Acquisition July 2014

Low refractive



Acquisition Apr 2011

Anti-fog coating



Acquisition 2010

Photochromic lens material



Acquisition May 2014



- ◆ **Strengthening peripheral areas** from ophthalmic lens monomers to coatings
- ◆ Strengthen lineup of high-performance ophthalmic lens monomers by addition of special need materials, such as lens monomers to contribute to eye disease prevention, and **create new customer value**

3D Scan



**Software
(3D CAD)**



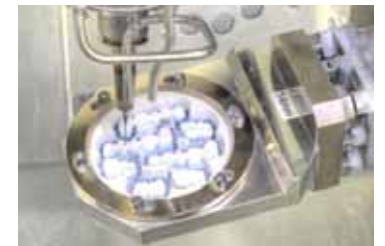
Annual Rate

+11%
Market Growth for
Digital Dental
Technology

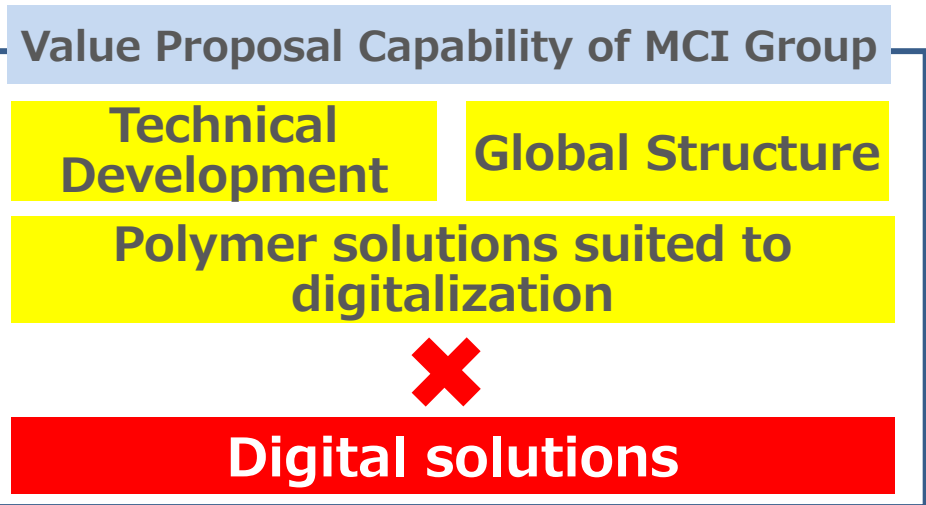
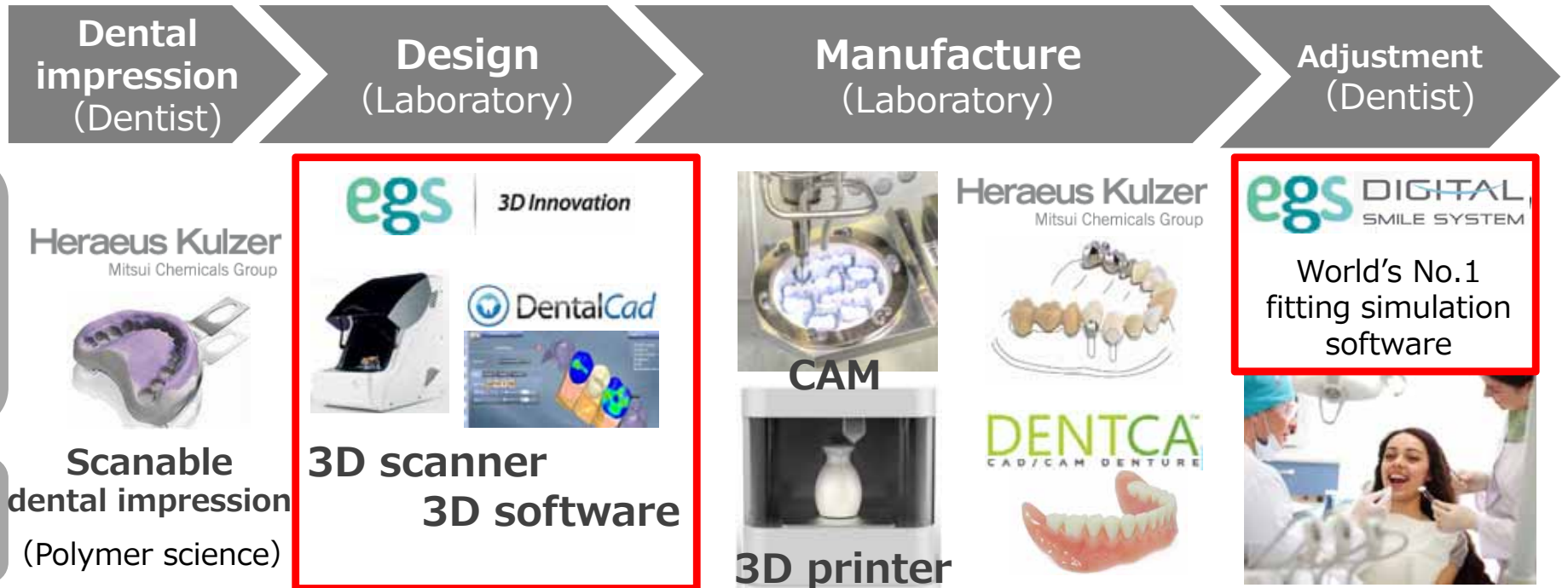
3D Printer



3D CAM



- **Acquisition of Italian E.G.S. (3D scanner/dental CAD software)** (Jul 2014)
- Strengthen position in digital dental domain by **peripheral expansion**



- ◆ **For Dental Laboratories**
Improve accuracy and productivity
- ◆ **For Dentists**
Reduce chair time & patient complaints
- ◆ **For Patients**
Reduce number of dentist visits
Better fitting and better appearance



Whole You®



~Launching a **New Healthcare Brand** in the US~

Whole You®

<http://www.whole-you.com>

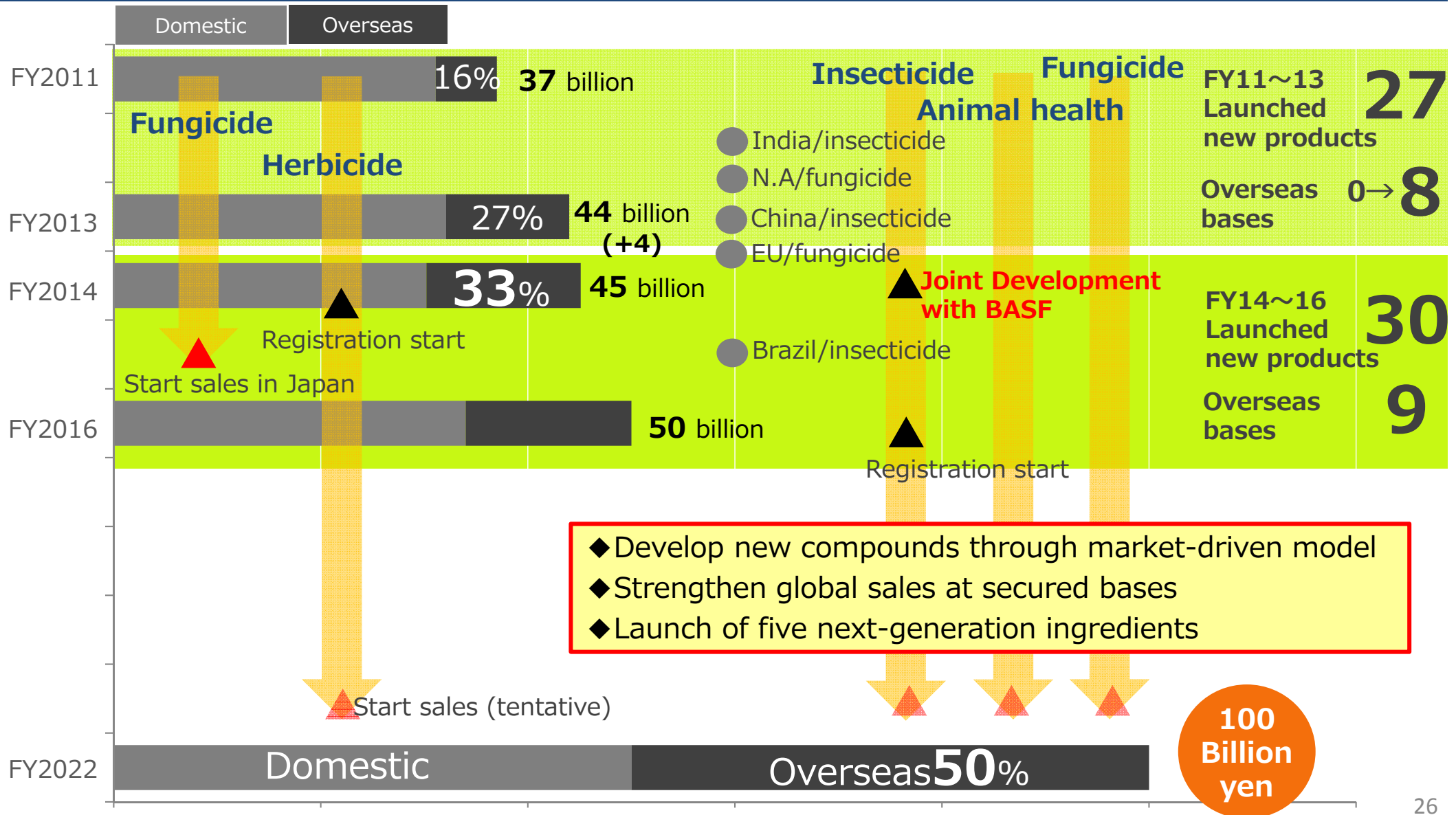


Progress of Basic Strategies

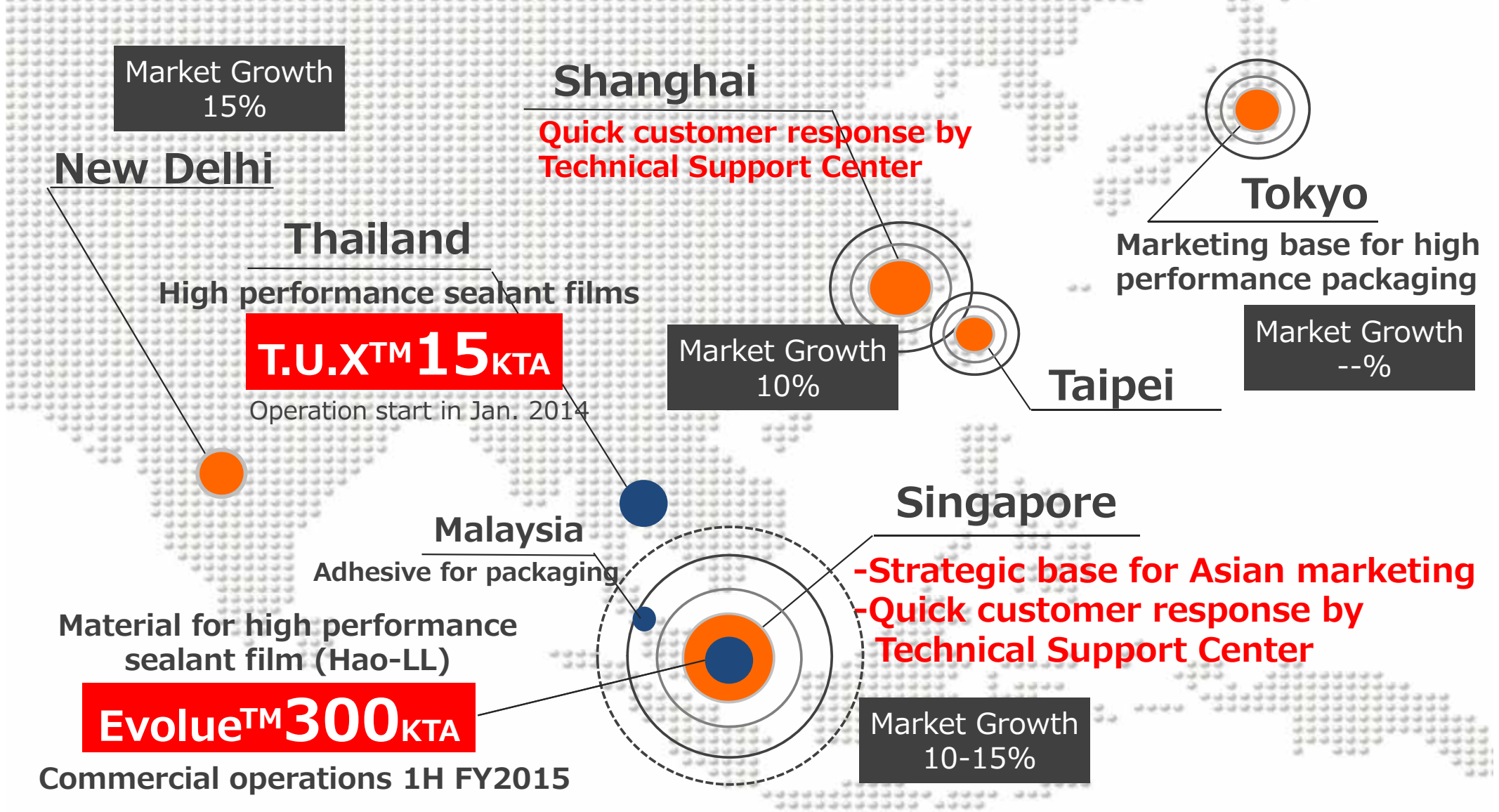
Food & Packaging



- ◆ Bolster Agro businesses by **global expansion** and development of **new compounds through market-driven business model**
- ◆ Steady progress towards launch of **five next-generation active ingredients**
- ◆ Development of successor ingredients pipeline after FY2020



- ◆ Expanded demand for packaging from improvement in living standards and growth of food processing industry in Asia
- ◆ **Creating customer value by cross-organizational marketing & technical support**



Growth Trajectory for Ideal Business Portfolio

- Make full use of Group assets
-Create new businesses based on customer needs and values
- Bolster peripheral and downstream businesses in Vision Care and Oral Care domains
-Develop new businesses relating to senses and physical mobility
- Optimize Group resources of Film & Sheets
-Provide food solutions by utilizing Group technology

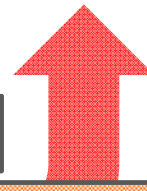
Growth investments in 14MTBP, Creating New Customer Value **100**



Strengthen peripheral areas of Vision Care material



Solution for digital dental technology



40

Gains from investments in 11MTBP

60

Five next-generation active ingredients

New metallocene polymer "EVL-E[®]"

Specialty isocyanates

※Superior strength and easy processing next-generation Evolve

Brand strategy for downstream expansion



Metal resin integral technology

Solution provider

LIB materials



Food & Packaging

Healthcare

Mobility

- Expansion of Agrochemicals
- Deployment of packaging businesses in Asia
- Strengthen ophthalmic lens monomers
- Strengthen Dental materials
- Nonwovens (expansion of capacity, new base in China)
- Strengthen PP compounds
- Enhancement of specialty Tafmer
- New EPT plant in China
- New Admer plant in China
- New Bio-Polyol plant in India

Basic Materials & Others

Restructuring businesses

(Operating income: billion yen)

FY2014
(Revised)

FY2016

Around 2020

◆ Contribute to industry by curriculums for third parties using Center strengths of "know-why" training, knowledge & skills, and training based on accumulated lessons



Chemical plant operation

Operation/
Facility trouble

-The Center has received high acclaim and training participation requests from third parties
-Open for third party curriculums starting April 2015

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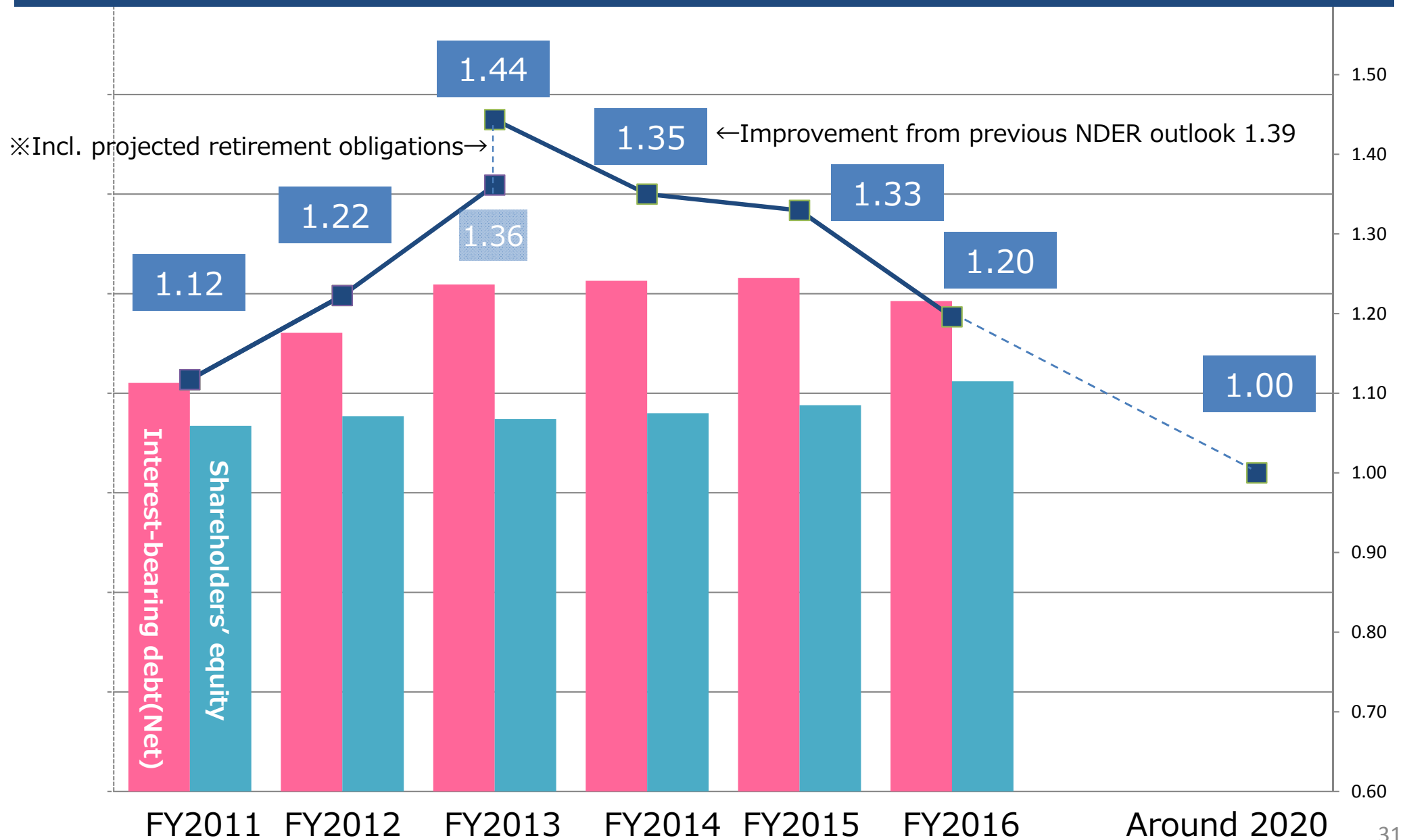
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Mitsui Chemicals, Inc.
CEO Explanation

Creating New Customer Value through Innovation

Management Target

- ◆ Priority on improving Group's financial strength in 2014MTBP
- ◆ Target early recovery in Net D/E to 1.2 point



FY2014 Revised Outlook

Operating Income

Previous ¥35.0 billion → **¥40.0** billion

Net Income

Previous ¥12.0 billion → **¥14.0** billion

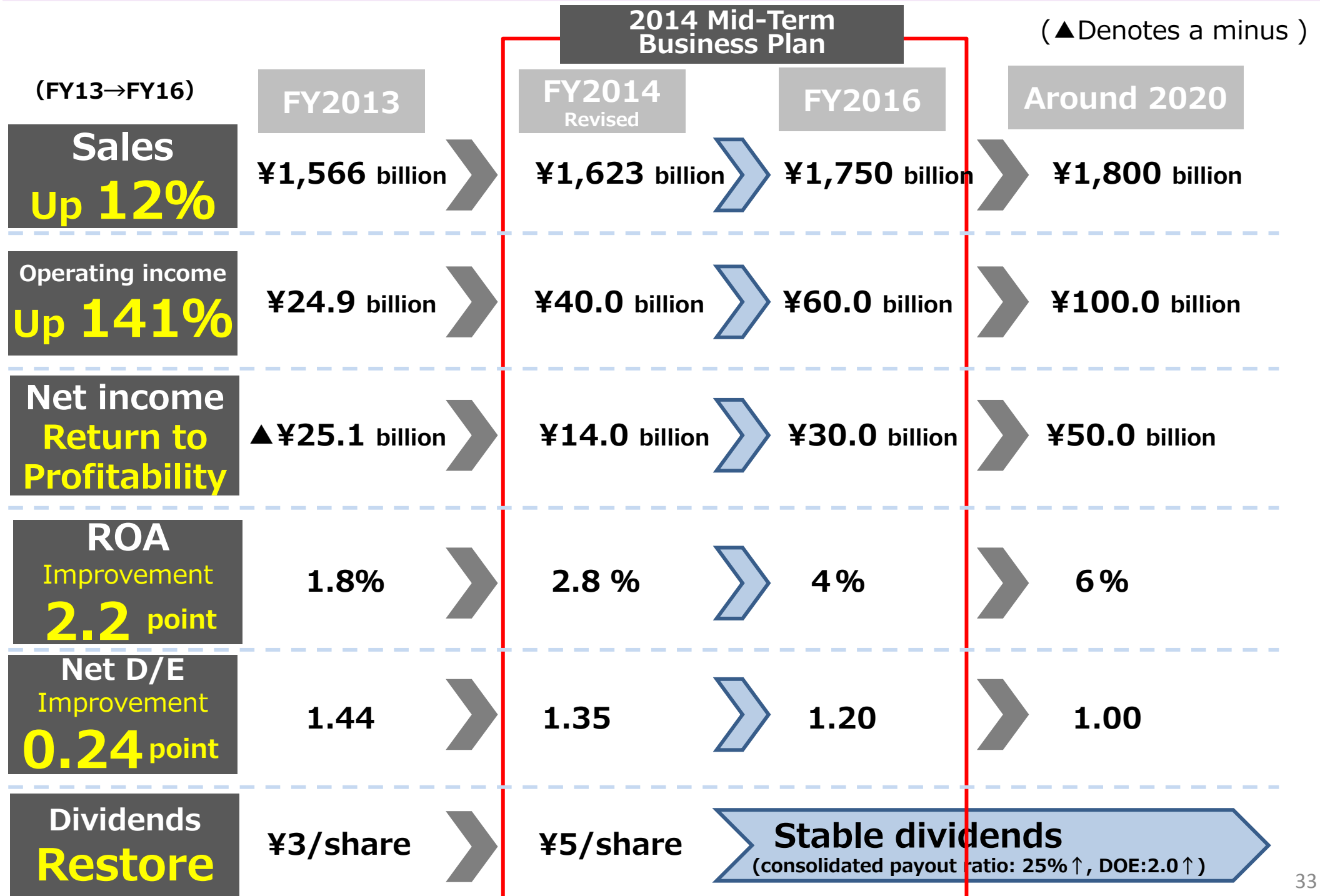
OP-ROA
2.8%

Net D/E
1.35

ROE
3.8%

Target ROE over 8% during 14MTBP

Mid- and Long-Term Management Targets



Creating new customer value
and
solving social challenges
through business activities

Challenge, Diversity, One Team

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Appendix

HealthCare growth Strategy =

Marketing

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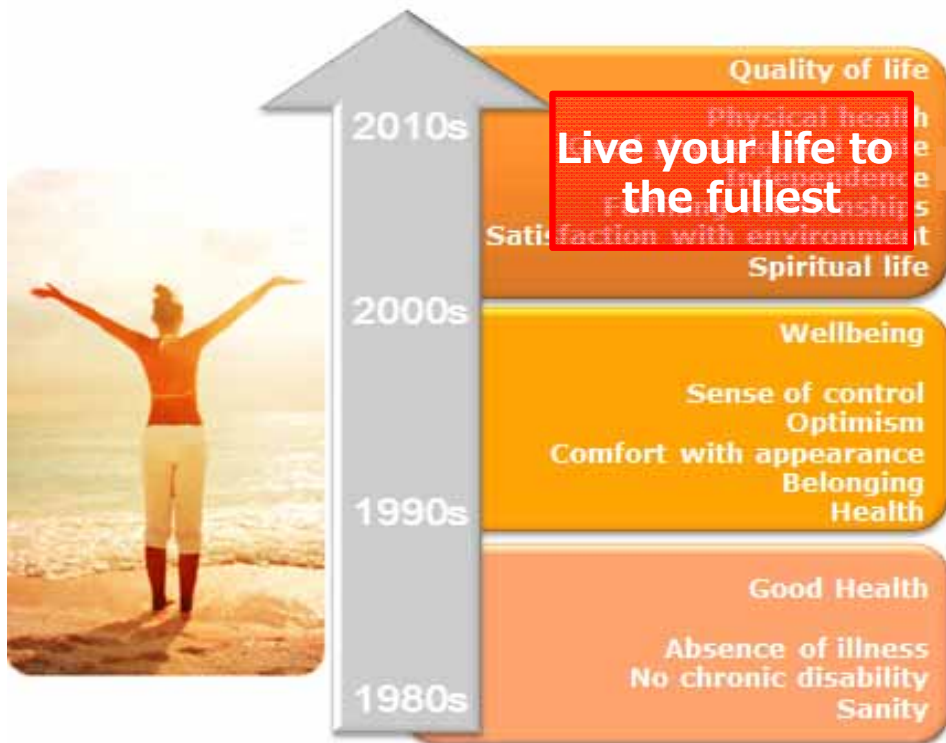
Material Science

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Product Development

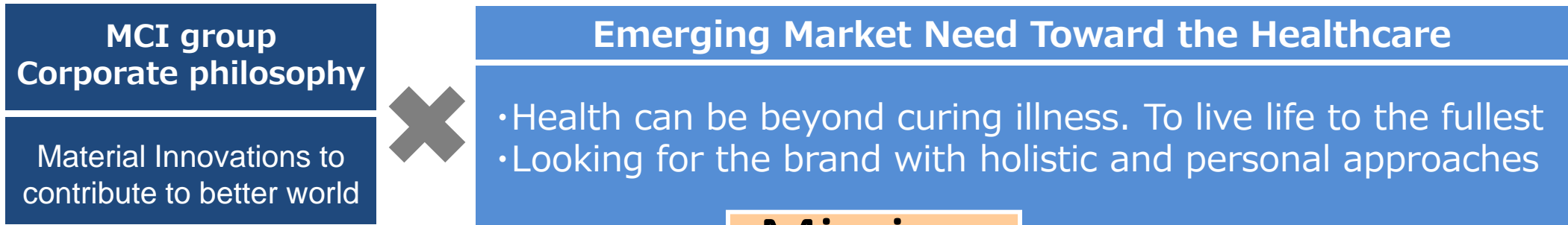
- 1 **Building a strong core** from healthcare material to healthcare device
Ophthalmic lens material/Dental material → Vision Care, Oral care, and Sensory and Physical Mobility domains (B2B→B2C)
- 2 **Establish a strong brand supported by HealthCare professionals, patients & the consumers**
- 3 **Continuous product development** through marketing activities throughout the world

Background of Whole You

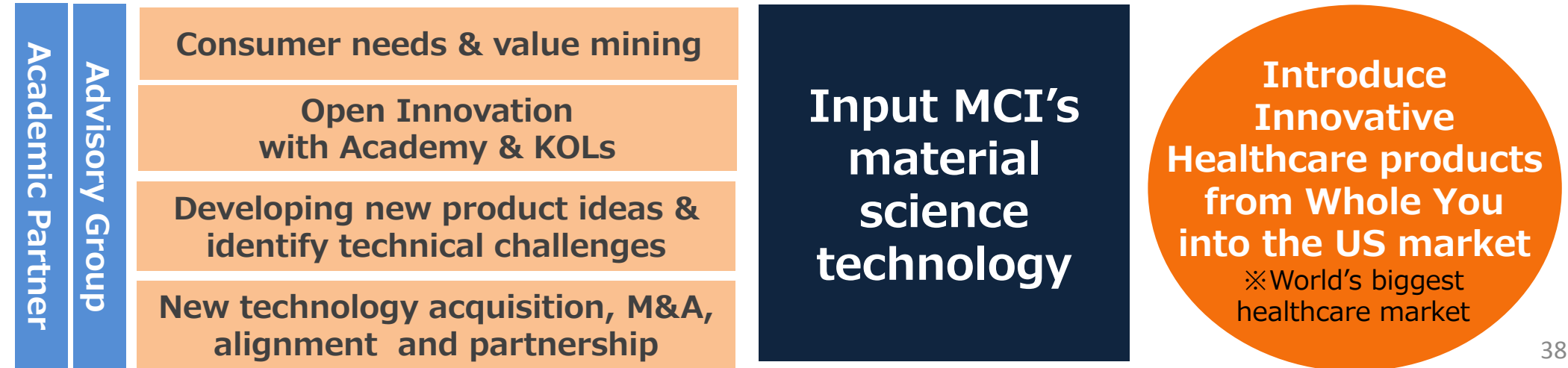


Senses & Physical Mobility





Leveraging MCI's material innovations, our mission is to help all patients and consumers to fully enjoy all the possibilities of their lives by offering personal solution and services in the Sensory & Physical mobility domain.



Company name	Kyowa Industrial Co., Ltd.
Location	Sanjo City, Niigata Prefecture
Shareholder	Mitsui Chemicals, Inc. 100%
Capital	95 million yen
Business area	Manufacture and sale of injection molds & presses
Establishment	Established in 1963 Reorganized in 2011
Sales	Approximately ¥ 7 billion yen (FY2013)
Employees	Approximately 320
Sites	Japan: Head office (Sugue), Large-Parts Manufacturing Factory Oveseas: USA (Chicago), Thailand, etc.





Company name	Lens Technology International, LLC
Location	La Mirada, California, USA
Shareholders	SDC 51.76%
Business area	Manufacture & sales of UV coatings for plastic ophthalmic lenses
Establishment	1985
Sites	La Mirada, California, USA



Company name	E.G.S. S.r.l.
Location	Bologna, Italy
Shareholders	MC Dental Holdings Europe 100%
Business area	Development, manufacture, & sales of 3D scanners, software
Establishment	2002 Spinoff from Engines Engineering S.p.a (motorcycle design)
Employees	30
Other information	<ul style="list-style-type: none"> -Sales of 3D scanners & CAD software for dental, cultural, beauty & cosmetic, sports, jewelry, medical, construction, etc. use -Global network with overseas sales exceeding 80%

