FY2014-15-16

CEO Explanation

Creating New Customer Value through Innovation

Mitsui Chemicals

Tsutomu Tannowa
Mitsui Chemicals Inc.
President & CEO

May 24, 2016
Business Performance
FY15 Financial Results and FY16 Outlook
## FY2015 Financial Results & FY2016 Outlook

(Billion yen)

<table>
<thead>
<tr>
<th>Items</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,550</td>
<td>1,344</td>
<td>1,250</td>
</tr>
<tr>
<td>Operating income</td>
<td>42.0</td>
<td>70.9</td>
<td>70.0</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>2.4</td>
<td>△ 7.7</td>
<td>△ 8.0</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>44.4</td>
<td>63.2</td>
<td>62.0</td>
</tr>
<tr>
<td>Special gains/losses</td>
<td>△ 8.6</td>
<td>△ 21.9</td>
<td>△ 6.0</td>
</tr>
<tr>
<td>*Net income</td>
<td>17.3</td>
<td>23.0</td>
<td>36.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items</th>
<th>FY14→FY15</th>
<th>FY15→FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate (Yen/US $)</td>
<td>△ 10</td>
<td>△ 10</td>
</tr>
<tr>
<td>Domestic Standard Naphtha price (Yen/KL)</td>
<td>△ 20,700</td>
<td>△ 9,800</td>
</tr>
</tbody>
</table>

*Denotes a minus

*Net income always refers to Profit attributable to owners of parent.
<table>
<thead>
<tr>
<th>Segment</th>
<th>*FY2014 (Billion yen)</th>
<th>*FY2015 (Billion yen)</th>
<th>FY2016 (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobility</td>
<td>30.8</td>
<td>44.9</td>
<td>39.0</td>
</tr>
<tr>
<td>Health Care</td>
<td>9.2</td>
<td>11.6</td>
<td>15.0</td>
</tr>
<tr>
<td>Food &amp; Packaging</td>
<td>13.5</td>
<td>20.3</td>
<td>20.0</td>
</tr>
<tr>
<td>Basic Materials</td>
<td>△6.5</td>
<td>1.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Others</td>
<td>△5.0</td>
<td>△6.9</td>
<td>△8.0</td>
</tr>
<tr>
<td>Total</td>
<td>42.0</td>
<td>70.9</td>
<td>70.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase (Decrease)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14→FY15</td>
<td>FY15→FY16</td>
</tr>
<tr>
<td>Mobility</td>
<td>14.1</td>
</tr>
<tr>
<td>Health Care</td>
<td>2.4</td>
</tr>
<tr>
<td>Food &amp; Packaging</td>
<td>6.8</td>
</tr>
<tr>
<td>Basic Materials</td>
<td>7.5</td>
</tr>
<tr>
<td>Others</td>
<td>△1.9</td>
</tr>
<tr>
<td>Total</td>
<td>28.9</td>
</tr>
</tbody>
</table>

✔ Downturns in terms of trade and exchange rates will be offset by sales growth in targeted business domains from capacity expansion and successful restructuring efforts.

✔ FY2016 will be an important year in preparation for future growth.

*The segment amounts of FY14 and FY15 always refer to approximate estimates to compare with FY16.*
Sales Portfolio in Business Domains

✓ Basic Materials sales share will continue to decrease due to successful restructuring and
✓ Efforts to steadily expand targeted business domains necessary for stable portfolio resilient to economic changes will continue and will offset weaker naphtha prices

(Sales: billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016 Outlook</th>
<th>Around2020 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobility</td>
<td>667</td>
<td>675</td>
<td>680</td>
<td>46%</td>
</tr>
<tr>
<td>Health Care</td>
<td></td>
<td></td>
<td></td>
<td>54%</td>
</tr>
<tr>
<td>Food &amp; Packaging</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Materials</td>
<td></td>
<td></td>
<td></td>
<td>60%</td>
</tr>
<tr>
<td>Sales: billion yen</td>
<td>1550.1</td>
<td>1343.9</td>
<td>1250</td>
<td>40%</td>
</tr>
</tbody>
</table>

Domestic Standard Naphtha Price (Yen/kl)
- FY2014: (63,500)
- FY2015: (42,800)
- FY2016 Outlook: (33,000)
- Around 2020 (Target): 60%
### Summary of FY2016 Management Targets

<table>
<thead>
<tr>
<th>(FY15→FY16)</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016 (Outlook)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>1550.1 billion yen</td>
<td>1343.9 billion yen</td>
<td>1,250 billion yen</td>
</tr>
<tr>
<td>▲ 7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>42.0 billion yen</td>
<td>70.9 billion yen</td>
<td>70.0 billion yen</td>
</tr>
<tr>
<td>▲ 1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>17.3 billion yen</td>
<td>23.0 billion yen</td>
<td>36.0 billion yen</td>
</tr>
<tr>
<td>+57%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>4.5%</td>
<td>5.8%</td>
<td>9.1%</td>
</tr>
<tr>
<td>3.3 point</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net D/E</strong></td>
<td>1.22</td>
<td>1.03</td>
<td>0.92</td>
</tr>
<tr>
<td>0.11 point</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Increase dividends</strong></td>
<td>¥5/share</td>
<td>¥8/share</td>
<td>¥9/share</td>
</tr>
<tr>
<td>3 consecutive terms</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

▲ Denotes a minus

- Naphtha price declines
- Termination of large-scale plants
- PU business reassigned to non-consolidated status
- Achievement of restructuring
- Expansion of targeted business domains
- Normal level of extraordinary losses
- Improve net income
- Reduce interest-bearing debt
- Increase dividends for three consecutive terms
Progress of Mid-Term Business Plan
Summary of 2014 Mid-Term Business Plan

Mission of 2014 MTBP

- Transform business portfolio
- Restore financial soundness and ability to generate cash flow
- Accelerate approach to global management

Results (FY16 Outlook)

- Restructuring effect: 14 billion yen
- Operating income: 70 billion yen
- Net D/E: 0.92
- ROE: 9.1%
- OP-ROA: 5.6%
- Increase dividends: 3 consecutive terms (targeted domains)
- Overseas sales: 45%
- Overseas subsidiaries: 90
- Overseas employees: 34%
- Sales ratio: 54%

For sustainable growth

- Further expansion of targeted business domains
- Strong cash flow: ✔ Investment ✔ Dividends
- Stable profitability in Basic Materials

May 24, 2016
**Mobility Business Sector**
- Elastomers Division
- Performance Compound Division
- Performance Polymers Division
- Mitsui Elastomers Singapore
- Compound Administration Division

**Basic Materials Business Sector**
- Phenols Division
- PTA&PET Division
- Industrial Chemicals Division
- Petrochemicals Feedstock Division
- Licensing Division
- Prime Polymer
- Mitsui Chemicals & SKC Polyurethanes

**Health Care Business Sector**
- Vision Care Materials Division
- Personal Care Materials Division
- Nonwovens Division
  (H-Project Division)

**New Businesses & New Products**
- New Health Care Business Development Division
- New Mobility Business Development Division
- Next Generation Business Development Division
- Robot Materials Business Development Division

**Food & Packaging Business Sector**
- Coating & Engineering Materials Division
- Mitsui Chemicals Tohcello
- Mitsui Chemicals Agro
Increasing Investments

To further grow targeted business domains, investments will be increased **76%** over initial plans.

**14MTBP Revised (FY14-16)**

- **Maintenance**: 90 billion yen
- **Growth**: 50 billion yen
- **Total**: 155 billion yen
- **Growth investments expanded to 65 billion yen**

**14MTBP Re-Revised (FY14-16)**

- **Maintenance**: 90 billion yen
- **Growth**: 65 billion yen
- **Total**: 178 billion yen
- **Growth investments expanded to 88 billion yen** (68% in 3 targeted business domains)

Growth Investments Breakdown

- **Others (Basic Materials, Management)**: 32%
- **Others (including others)**: 11%
- **Others (additional)**: 25%

(Billion yen)
Transform management planning to improve adaptability to environment changes

Revised 3-year business plan annually to reflect business conditions

Quick response to environment changes
Enhance executing speed and accuracy of strategies

Improve environmental adaptability & accelerate strategies
Reform Governance

✔ Strengthen monitoring & supervisory functions of the Board of Directors

• Increase ratio of outside directors
• Appoint outside directors with management experience to enhance not only monitoring & supervisory functions but also re-activate the Board of Directors’ Meeting

<table>
<thead>
<tr>
<th>Name</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yukiko Kuroda</td>
<td>Consultant &amp; Management</td>
</tr>
<tr>
<td>Hajime Bada</td>
<td>Former CEO of JFE Holdings</td>
</tr>
<tr>
<td>Hiromi Tokuda</td>
<td>Former Vice President of Denso Corp.</td>
</tr>
</tbody>
</table>

Members of the Board

- External 2
- Internal 7

(Total 9)

Change organization to 4 business sectors in line with mid-term business plan to accelerate transformation of business portfolio

• Expanded delegation of authority to executive officers to accelerate execution of business strategies

Improve management transparency & accelerate strategies
## Future Growth Image

### 14MTBP

<table>
<thead>
<tr>
<th>FY2014 Results</th>
<th>FY2015 Results</th>
<th>FY2016 Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Operating income: billion yen)</td>
<td>70.9</td>
<td>70</td>
</tr>
</tbody>
</table>

### For sustainable growth

- **FY2017 Target**: 80 billion yen
- **FY2018 Target**: 90 billion yen
- **FY2019 Target**: 100 billion yen
- **Around 2020 Target**: 100 billion yen

### Sustainable Growth

- Expansion of PP-Compounds
- Bolstering Functional Polymeric Materials
- Bolstering Vision Care, Nonwovens, Dental Materials
- Global expansion of Agrochemicals
- New base for Evolve™ in Singapore

### Action Points

- ✔ Continue current strategy & target sustainable growth
- ✔ Target *early actualization* of 100 billion yen operating income
Topics of Business Domains
Domains to resolve social challenges

**Targeted business domains for growth drivers**

**Health Care**
Contribute solutions to better health and happiness in an aging society by improving the quality of life (QOL).

**Mobility**
Contribute solutions to reduce weight, enhance comfort, improve safety, and meet design needs through a wide product lineup, high technology, and high quality.

**Basic Materials**
Contribute materials & technology to various industries for a better society in harmony with the local community.

**Food & Packaging**
Contribute solutions to global food problems and safer & reliable food needs through packaging materials and agrochemicals.

**Supporting industry & society**
Growth Strategy for Mobility Domain

- Early actualization of steady expansion in mobility domain
- FY16 forecast includes volume growth and softening in terms of trade

(Operating income: billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016 (Outlook)</th>
<th>Around2020 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.8</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

- Early actualization of steady expansion in mobility domain
- FY16 forecast includes volume growth and softening in terms of trade

Recovery of investments

- PP-Compounds: Expansion of production capacity
- Tafmer™: Enhancement of specialty Tafmer™
- EPT: New plant in China
- Admer™/Milastomer™: New plant in China
- Lucant™: Strong alliance with Lubrizol

Bolster solutions

- PP-Compounds: Expansion of production capacity
- Tafmer™: Enhancement of specialty Tafmer™
- EPT: New plant in China
- Admer™/Milastomer™: New plant in China
- Lucant™: Strong alliance with Lubrizol

Strengthen Functional Polymeric Materials

- Metal resin integral technology POLYMETAC™
- Material to prevent thermal runaway in LIBs STOBA™

Make full use of group synergy

Bolstering ability to provide solutions using polymers and molding
Strengthen Global Strategy for PP-Compounds

Build production and R&D bases to support global strategies of OEMs

- Increase production capacity and S&B of high value-added lines in growth markets (production capacity: +40% against FY11)
- Establish new R&D bases to bolster expansion in strategic markets (Europe, China)

**Americas**
- 440 KTA
- 4%↑

**Europe**
- 20 KTA
- 1~2%↑
- Germany

**Asia**
- 280 KTA
- 5%↑
- Japan
- China
- India
- Thailand

**Japan**
- 310 KTA
- 5%↑

Capture growth opportunities by strengthening 8 strategic bases in worldwide network

**Capacity (FY17)**

1,050 KTA
Strong Points of Functional Polymers

Overseas Sales 70%

Balanced Portfolio

Stable Profitability

Mobility 45%
- Comfort
- Small/Lightweight
- Metal alternatives for heat resistant use around engines
- Polymers for motor related material and electronic components

ICT 15%
- Semiconductor miniaturization
- Thin/small electric circuits
- High-definition displays
- Small, high-definition cameras
- Small, high volume batteries
- Longer-life

Food & Packaging 10%
- Barrier control
- Easy-peel

Healthcare Others 30%
Strengthen Functional Polymeric Materials

- Improve **productivity and quality** through our “on-site” capabilities
- Continue high-profit portfolio through strong development capabilities to launch **differentiated products and grades**

<table>
<thead>
<tr>
<th>Lucant™</th>
<th>APEL™</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Additives for lubricant)</td>
<td>(For automotive lenses)</td>
</tr>
</tbody>
</table>

- **Expand business as lubricant additives for** **better fuel efficiency** of automobiles
- **Expand global sales** by strategic alliance with Lubrizol
- **Increase production** by **de-bottlenecking** (approx. 40% capacity increase at end of FY2015)
- **Horizontal deployment** of smartphone lens material which already has high global market shares
- **Establish most effective operations** at 2 domestic production sites
- **Establish heat resistant grade** for automotive lens applications
Collaborate with RimOnO, which unveiled its ultra-compact prototype mobility, as a development partner in terms of materials.

- **Soft vehicles with polyurethane foam** exteriors and interiors
- Possibilities of new value with materials not conventionally used in automobiles

(Seat)
- PU foams + gel with a thinness of 50mm
- Study feasibility of use of civil engineering materials for lighter seats

(Door panel) Under consideration
- Arlen™ exterior panels for lighter weights
- Toughness coat™ for better shape retention

(Exterior)
- Good absorption by full body PU foams
4 domains to resolve social challenges

**Targeted business domains for growth drivers**

1. **Health Care**
   - Contribute solutions to better health and happiness in an aging society by improving the quality of life (QOL)

2. **Mobility**
   - Contribute solutions to reduce weight, enhance comfort, improve safety, and meet design needs through a wide product lineup, high technology, and high quality.

3. **Basic Materials**
   - Contribute materials & technology to various industries for a better society in harmony with the local community

4. **Food & Packaging**
   - Contribute solutions to global food problems and safer & reliable food needs through packaging materials and agrochemicals.

**Supporting industry & society**
Growth Strategy for Health Care Domain

✓ Increase sales by **start-up of large-scale facilities (XDI, Nonwovens)**
✓ Sustainable profit growth with new products and applications

(Operating income: billion yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016 (Outlook)</th>
<th>Around 2020 (Target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.2</td>
<td>Expansion of ophthalmic lens monomers</td>
<td>11.6</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>- Expansion of nonwovens in Asia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Acquisition of dental material business (Heraeus Kulzer)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Strengthen peripheral expansion of Vision Care Materials
- Further expansion of highly functional nonwovens
- Implement growth strategy for Dental Material business
- Brand strategy for downstream expansion
Strengthen Peripheral Expansion of Vision Care Materials

✔ Enhance QOV* by high functionality, wavelength control technology, and other related technology

*Quality of View

- High contrast lenses
- UV/Blue light cut lenses
- Photochromic lenses
- Polarized lenses

Lens monomers × Dye tech.
Strengthen Highly Functional Nonwovens

- **New base in Nagoya** *(15KTA, Mar. 2018 commercial operations)*
- Bolster breathable film capacity in Thailand (+4KTA, Jan. 2017)
- Respond to rapid expansion of highly functional diapers needs in China (Growing affluence, expanding e-commerce, lower tariffs)
- **Urgent need to decide follow-up augmentation of highly functional nonwovens in FY16**

**China (Tianjin)**
- 7%
- Nonwovens 15KTA
  - Operation started (Dec. 2013)
  - Continue full operation

**Japan**
- 64KTA

**Thailand**
- 8%
- Nonwovens 30KTA
- Breathable film 11KTA
  - Asia export base
  - Expand capacity of breathable film (+4KTA)

**Asia**
- 26%
- Nonwovens 64KTA
  - Decision to establish second domestic site (Nagoya Works 15KTA)
  - Strategic base for highly functional nonwovens

Strengthen No1 market share in Asia by expanding production capacities for highly functional nonwovens
Growth Strategy for Dental Materials

(Sales trend of Heraeus Kulzer)

FY15 Consolidated impairment loss of goodwill ▲19.5 billion yen
※ Effect on net income: ▲15.6 billion yen. (non-cash, no effect on source of paying dividends)

(+ ) Cost cuts completed
(− ) Drop in North American sales
(− ) Rapid changes in digital technology market

✔ Change in corporate structure
  • Strengthen development for digital market
  • Strengthen local strategies

✔ Reinforce sales structure in N. America

✔ Strengthen small-scale digital line-up
  • Market deployment of small milling machines & small 3D scanners
  • Accelerate market deployment of CAD/CAM software

✔ Actualize new strategic business model

Execute action for sales growth
Aim for EBITDA margin over 15%
4 domains to resolve social challenges

Targeted business domains for growth drivers

Health Care
Contribute solutions to better health and happiness in an aging society by improving the quality of life (QOL)

Mobility
Contribute solutions to reduce weight, enhance comfort, improve safety, and meet design needs through a wide product lineup, high technology, and high quality.

Food & Packaging
Contribute solutions to global food problems and safer & reliable food needs through packaging materials and agrochemicals.

Basic Materials
Contribute materials & technology to various industries for a better society in harmony with the local community

Supporting industry & society
Growth Strategy for Food & Packaging

✔ Food & Packaging expansion ahead of schedule
✔ Further expansion through establishment of overseas agrochemical bases and strengthening of packaging business marketing structure

(Operating income: billion yen)

FY2014 FY2015 FY2016 (Outlook) Around 2020 (Target)
13.5 20.3 20 20+α

- Agrochemicals
  Establishment of overseas bases
- Packaging film
  Establishment of new base in Thailand
- Marketing
  Deployment of packaging business in Asia

Global deployment of agrochemicals
5 next-generation active ingredients
Expansion of specialty isocyanates
Capture growing Asian packaging market

Stable growth

Food & Packaging expansion ahead of schedule
Further expansion through establishment of overseas agrochemical bases and strengthening of packaging business marketing structure
Growth Strategy for Agrochemicals

Secure overseas bases
(9 + α)

Development of compounds through market-driven business model

27 grades
25 grades

Actualize and strengthen global deployment

Start sales of new fungicide

5 next-generation active ingredients

Start sales of new fungicide

Development of new actives pipeline

Successor ingredients pipeline

(Sales: billion yen)

Domestic
Overseas

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td>47</td>
<td>35%</td>
</tr>
<tr>
<td>FY15</td>
<td>50</td>
<td>36%</td>
</tr>
<tr>
<td>FY16 (Outlook)</td>
<td>50</td>
<td>36%</td>
</tr>
<tr>
<td>FY22 (Target)</td>
<td>100</td>
<td>50%</td>
</tr>
</tbody>
</table>

Overseas: 50%

Fungicide
Herbicide
Insecticide
Animal health use
Growth Strategy for Specialty Isocyanates

Strengthen specialty isocyanates for CASE applications

**E** e.g.) Elastic Fibers
- FORTIMO™
  - High elasticity
  - Non-yellowing, thin, and lightweight

**C** e.g.) Automotive Paint
- STABiO™
  - High durability × Non-yellowing
  - Improvement in design, productivity, and hygiene

**S** e.g.) Sealants for building materials
- XDI
  - Fast curing
  - Double durability to conventional products

**Coatings**
- New Specialty Isocyanates (2KTA)
- XDI (5KTA)
- Sales (FY23 Target) 30 billion yen
  - Faster curing
  - Environmental × Hygienic

**Elastomer**
- E

**Adhesive**
- A
e.g.) Food Packaging Adhesive
- XDI
  - Fast curing
  - Environmental × Hygienic

**Sealant**
- S

Durability

- B

- C

<table>
<thead>
<tr>
<th>E</th>
<th>Coatings</th>
<th>A</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g.) Elastic Fibers</td>
<td>e.g.) Automotive Paint</td>
<td>e.g.) Food Packaging Adhesive</td>
<td>Sealants for building materials</td>
</tr>
</tbody>
</table>
4 domains to resolve social challenges

- **Health Care**: Contribute solutions to better health and happiness in an aging society by improving the quality of life (QOL).
- **Mobility**: Contribute solutions to reduce weight, enhance comfort, improve safety, and meet design needs through a wide product lineup, high technology, and high quality.
- **Basic Materials**: Contribute materials & technology to various industries for a better society in harmony with the local community.
- **Food & Packaging**: Contribute solutions to global food problems and safer & reliable food needs through packaging materials and agrochemicals.

Targeted business domains for growth drivers

Supporting industry & society
### Summary of restructuring

**✓ Successful completion of restructuring** which was planned

**✓ Establish stable profitability** in Basic Materials

<table>
<thead>
<tr>
<th>Phenols</th>
<th>Japan</th>
<th>Optimize production (Terminate Chiba Phenol, Ichihara BPA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Sinopec JV</td>
<td>Singapore</td>
<td>Commercial operation of state-of-the-art plant for region top cost competitiveness (Dec.2014)</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>Fully running 1 PH line and 2 BPA lines</td>
</tr>
<tr>
<td>PTA</td>
<td>Japan</td>
<td>Only domestic integrated manufacturer of PTA-PET</td>
</tr>
<tr>
<td>Petro-chemicals</td>
<td>Vietnam</td>
<td>Construction of facilities for future low-cost raw materials (Completion in 2016, tentative)</td>
</tr>
<tr>
<td></td>
<td>Japan</td>
<td>Withdrawal from Keiyo Ethylene (Mar. 2015) → <strong>Full operations of crackers</strong></td>
</tr>
</tbody>
</table>
Global Expansion of PU system products

**Strengthen production sites for raw materials to reinforce high value-added polyurethane system products**
- Start-up of bio-polyol plant in India (8KTA, Jan. 2016)
- Enhance capacity of MDI plant in Korea (250KTA→350KTA, Jun. 2017)

**Actualize synergy effects of JV**
- Expand sales of automotive use materials in North America (FY15→FY17: 250%)
- Improve productivity by 5% in Korea polyol plant by optimizing operations at Korea and Japan plants

Capacity of System products (excl.: Japan, Korea)

- **US&EU:** 47 KTA
- **Asia:** 89 KTA

Study further expansion of system products
New Business & New Products

Mobility
Business Sector

Basic Materials
Business Sector

Health Care
Business Sector

New Businesses & New Products

Food & Packaging
Business Sector

・Robot Materials
Business Development Division
✓ Robotic society with humankind grows needs for safer and more functional robots
✓ Provide total solutions to the robot industry through development and sales of innovative new products by capitalizing on Group material, molding, and analysis technologies,

New Robot Materials Development Division

✔ Robotic society with humankind grows needs for safer and more functional robots
✔ Provide total solutions to the robot industry through development and sales of innovative new products by capitalizing on Group material, molding, and analysis technologies,

(e.g.) Current projects

• Project with Japan Robot Association
  “Research of elemental technology for next-generation robot materials and prototype development of next-generation robots”

• Project with Universities
  Development of robot arms that can co-work with humans
  “Basic research in pneumatic drive robot arms”

Material tech.
Molding tech.
Analysis tech.

Robot Materials Development Division
Light weight
Skin Skelton
Sensing
Actuator

High safety
High function

Other projects are underway in Japan and overseas
Management Target
Continue high level of operating cash flow

(Billion yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>CF from investing</th>
<th>CF from operating</th>
<th>Free CF</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY05</td>
<td>58.2</td>
<td>133.6</td>
<td></td>
</tr>
<tr>
<td>FY06</td>
<td>79.7</td>
<td>100.5</td>
<td></td>
</tr>
<tr>
<td>FY07</td>
<td>92.4</td>
<td>14.2</td>
<td></td>
</tr>
<tr>
<td>FY08</td>
<td>54.9</td>
<td>21.4</td>
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</tr>
<tr>
<td>FY09</td>
<td>70.2</td>
<td>27.3</td>
<td></td>
</tr>
<tr>
<td>FY10</td>
<td>73.2</td>
<td>30.0</td>
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</tr>
<tr>
<td>FY11</td>
<td>43.3</td>
<td>0.8</td>
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<tr>
<td>FY12</td>
<td>18.5</td>
<td>43.5</td>
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<tr>
<td>FY13</td>
<td>58.1</td>
<td>23.3</td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td>35.0</td>
<td>36.4</td>
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<tr>
<td>FY15</td>
<td>145.9</td>
<td>109.5</td>
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</tr>
<tr>
<td>FY16</td>
<td>98</td>
<td>30</td>
<td></td>
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</tbody>
</table>

△ Denotes a minus

FY16 (Outlook)
✓ Achieve goals of the mid-term business plan ahead of schedule & improve net D/E less than 1.0
✓ Investment phase for sustainable growth

- Interest-bearing debt (net)
- Shareholders’ equity

<table>
<thead>
<tr>
<th></th>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.00</td>
<td>1.00</td>
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<tr>
<td>Incl. projected retirement obligations</td>
<td>1.03</td>
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<tr>
<td>(Initial Plan)</td>
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<tr>
<td>(Initial Plan)</td>
<td>0.92</td>
<td></td>
<td></td>
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</tbody>
</table>

- ✔ Achieve goals of the mid-term business plan ahead of schedule & improve net D/E less than 1.0
- ✔ Investment phase for sustainable growth
Increase dividends for three consecutive terms
Target continued further high dividends

Target: Consolidated payout ratio over 25%, DOE over 2%
### FY2016 Outlook

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
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<tbody>
<tr>
<td>Operating income</td>
<td><strong>70</strong> billion yen</td>
</tr>
<tr>
<td>Net income</td>
<td><strong>36</strong> billion yen</td>
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<tr>
<td>OP-ROA</td>
<td><strong>5.6%</strong></td>
</tr>
<tr>
<td>Net D/E</td>
<td><strong>0.92</strong></td>
</tr>
<tr>
<td>ROE</td>
<td><strong>9.1%</strong></td>
</tr>
<tr>
<td>Dividends</td>
<td>¥9/share</td>
</tr>
<tr>
<td></td>
<td>FY2013 Results</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Sales</td>
<td>1,566 Billion yen</td>
</tr>
<tr>
<td>Operating income</td>
<td>24.9 Billion yen</td>
</tr>
<tr>
<td>Net income</td>
<td>▲25.1</td>
</tr>
<tr>
<td>ROA</td>
<td>1.8%</td>
</tr>
<tr>
<td>ROE</td>
<td>–</td>
</tr>
<tr>
<td>Net D/E</td>
<td>1.44</td>
</tr>
<tr>
<td>Dividends</td>
<td>¥3</td>
</tr>
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</table>

Payout ratio: 25% ↑
DOE2% ↑
Creating new customer value and solving social challenges through business activities
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