2025 Long-Term Business Plan

CEO Explanation

Creating New Customer Value through Innovations

Mitsui Chemicals

Tsutomu Tannowa

Mitsui Chemicals Inc.
President & CEO

Nov. 16, 2016
Contents

- Business Performance
- Summary of 2014 Mid-Term Business Plan
- 2025 Long-Term Business Plan
- Sustainable Growth
## FY2016 Outlook (Revised Nov.1, 2016)

### (JPY bn)

<table>
<thead>
<tr>
<th>Items</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY14→FY15</th>
<th>FY15→FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>Results</td>
<td>Outlook</td>
<td>△</td>
<td>△</td>
</tr>
<tr>
<td>Sales</td>
<td>1,550</td>
<td>1,344</td>
<td>1,174</td>
<td>△ 206</td>
<td>△ 170</td>
</tr>
<tr>
<td>Operating income</td>
<td>42.0</td>
<td>70.9</td>
<td>88.0</td>
<td>28.9</td>
<td>17.1</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>2.4</td>
<td>△ 7.7</td>
<td>△ 8.0</td>
<td>△ 10.1</td>
<td>△ 0.3</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>44.4</td>
<td>63.2</td>
<td>80.0</td>
<td>18.8</td>
<td>16.8</td>
</tr>
<tr>
<td>Extraordinary gains/losses</td>
<td>△ 8.6</td>
<td>△ 21.9</td>
<td>△ 7.0</td>
<td>△ 13.3</td>
<td>14.9</td>
</tr>
<tr>
<td>Net income*</td>
<td>17.3</td>
<td>23.0</td>
<td>50.0</td>
<td>5.7</td>
<td>27.0</td>
</tr>
<tr>
<td>Exchange rate(JPY/US $)</td>
<td>110</td>
<td>120</td>
<td>103</td>
<td>10</td>
<td>△ 17</td>
</tr>
<tr>
<td>Domestic Standard Naphtha price(JPY/KL)</td>
<td>63,500</td>
<td>42,800</td>
<td>32,200</td>
<td>△ 20,700</td>
<td>△ 10,600</td>
</tr>
</tbody>
</table>

*Net income always refers to Profit attributable to owners of parent
## FY2016 Operating Income Outlook

**After segment adjustment**

<table>
<thead>
<tr>
<th>(JPY bn)</th>
<th>FY2014*</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY14→FY15</th>
<th>FY15→FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobility</td>
<td>30.8</td>
<td>44.9</td>
<td>40.0</td>
<td>14.1</td>
<td>△4.9</td>
</tr>
<tr>
<td>Health Care</td>
<td>9.2</td>
<td>11.6</td>
<td>15.0</td>
<td>2.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Food &amp; Packaging</td>
<td>13.5</td>
<td>20.3</td>
<td>19.0</td>
<td>6.8</td>
<td>△1.3</td>
</tr>
<tr>
<td>Basic Materials</td>
<td>△6.5</td>
<td>1.0</td>
<td>22.0</td>
<td>7.5</td>
<td>21.0</td>
</tr>
<tr>
<td>Others</td>
<td>△5.0</td>
<td>△6.9</td>
<td>△8.0</td>
<td>△1.9</td>
<td>△1.1</td>
</tr>
<tr>
<td>Total</td>
<td>42.0</td>
<td>70.9</td>
<td>88.0</td>
<td>28.9</td>
<td>17.1</td>
</tr>
</tbody>
</table>

△ Denotes a minus

Trade and Exchange rates downturns will be offset by sales growth in targeted business domains from capacity expansion and successful restructuring efforts.

*The segment amounts of FY14 always refer to approximate estimates to compare with FY16*
Operating Income   Net Income

FY2014 Results

FY2015 Results

FY2016 Outlook

Around 2020 Target

(JPY bn)
▲ Denotes a minus

Corporate wide costs and others
Sales Portfolio in Targeted Business Domains

- Basic Materials sales decrease due to restructuring and low oil prices
- Steadily expand sales qty of targeted business domains in spite of weaker naphtha prices
- Changes in stable portfolio resilient to economic changes

(Sales: JPY bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mobility</th>
<th>Health Care</th>
<th>Food &amp; Packaging</th>
<th>Basic Materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>667</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2015</td>
<td>675</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2016</td>
<td>619</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Around2020 (Target)</td>
<td>40%</td>
<td>60%</td>
<td>54%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Domestic Standard Naphtha Price (JPN/kl)

- FY2014: 63,500
- FY2015: 42,800
- FY2016 Outlook: 32,200

✔ Basic Materials sales decrease due to restructuring and low oil prices
✔ Steadily expand sales qty of targeted business domains in spite of weaker naphtha prices
✔ Changes in stable portfolio resilient to economic changes
## Summary of 14MTBP (1)

### (FY15→FY16)

<table>
<thead>
<tr>
<th></th>
<th>FY2014 (JPY bn)</th>
<th>FY2015 (JPY bn)</th>
<th>FY2016 (Outlook)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>1,550.1</td>
<td>1,343.9</td>
<td>1,174</td>
</tr>
<tr>
<td>▲13%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>42.0</td>
<td>70.9</td>
<td>88.0</td>
</tr>
<tr>
<td>+24%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>17.3</td>
<td>23.0</td>
<td>50.0</td>
</tr>
<tr>
<td>+118%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>4.5%</td>
<td>5.8%</td>
<td>12.7%</td>
</tr>
<tr>
<td>▲6.9 improvement 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>0.90</td>
</tr>
<tr>
<td>▲0.13 improvement 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>¥10/share</td>
</tr>
<tr>
<td>▲3 consecutive terms</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 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
- Increased interim dividends for three consecutive terms
Summary of 14MTBP (2)

- **Operating Income** 3.5x
- **OP from targeted business domains** 1.6x
- **Net D/E Improvement** 0.54 Point

- ✔ Implement restructuring
- ✔ Further expansion of targeted business domains
- ✔ Restore financial soundness

**FY2013→FY2016**

- **Operating Income**
  - FY2011: 24.9 billion yen
  - FY2012: 35 billion yen
  - FY2013: 42 billion yen
  - FY2014: 47 billion yen
  - FY2015: 60 billion yen
  - FY2016: 50 billion yen

- **Net Income**
  - (FY2013→FY2016)

- ▲ Denotes a minus

Confident about the direction of growth in 2014 MTBP
Aiming for further development and expansion in the Long-Term Business Plan
Contents

- Business Performance
- Summary of 2014 Mid-Term Business Plan
- 2025 Long-Term Business Plan
- Sustainable Growth
Next year, in 2017, Mitsui Chemicals Inc. will celebrate the 20th anniversary of its establishment in 1997. In an environment that is changing faster than ever, we have been discussing what must be continued and what must be changed for the Mitsui Chemicals Group to promptly adapt to the rapid changes.

This year we have incorporated which activities we should engage in and what kind of contributions we should make starting now in the 2025 Long-Term Business Plan, in order to achieve our corporate mission: “To contribute broadly to society by providing high-quality products and services to customers through innovation and the creation of materials, while keeping in harmony with the global environment.” We will share this plan throughout the Group and bring into three-year business plan annually and implement it.

Completing this plan requires each one of our employees to aggressively take on difficult challenges, such as changing how they think and work.

Through this plan, I hope that you will understand and identify with our vision for a future society and how we will contribute to it as a company and continue to support us in creating a better society.
Transform management planning to improve adaptability to environmental changes

Revise 3-year business plan annually

Quick response to environmental changes

Enhance execution speed and accuracy of strategies

Improve environmental adaptability & accelerate strategies
The Mitsui Chemicals Group has addressed social challenges of the time and continued to contribute to society through innovation and creation of materials.

**1912**
Contribute to solving food shortages

Begin manufacturing raw materials for fertilizers from exhaust gas, a byproduct of coal business, to help solve food shortages caused by the rapid population growth that was a social problem at the time.

**1932**
Contribute to preserving indigo culture

Achieve Japan’s first successful production of indigo dye by using chemical technology when the survival of Japan’s indigo culture was at stake.

**1958**
Contribute to industrial modernization

Construct Japan’s first petrochemical complex.
Contribute to Japan’s industrial development that continues today. (Hula hoops were very popular and expand the business.)
History of Business Expansion

- Period of coal chemicals
- Transition to petrochemical business
- Acceleration to become a global company

Sales (JPY bn)

1,800
1,600
1,400
1,200
1,000
800
600
400
200
0

1912  Raw materials for fertilizers
1932  Indigo
1957  Gas chemicals
1958  Petrochemicals
1997  Mitsui Chemicals

- 2017 marks the 20th year since the establishment of Mitsui Chemicals.
- Establish 2025 Long-Term Business Plan for our future Corporate Target.
Looking Back on 20 Years (FY1997→FY2016)

**Sales**
- FY1997: 16% (Overseas 45%)
- FY2016 (Outlook): 1.7x

**Operating income**
- FY1997: 34.4 billion yen
- FY2016 (Outlook): 88 billion yen (2.6x)

**Employees**
- FY1997: 11% (Overseas 32%)
- FY2016 (Outlook): 1.9x (persons)

**Overseas**
- FY1997: 11 countries
- FY2016 (Outlook): 27 countries
## The World Around 2025

### Opportunities
- ✔ Respond to climate change
- ✔ Role of entire supply chain
- ✔ Spread of ESG management
- ✔ Eight billion population
- ✔ Demand for infrastructure
- ✔ Large labor force and consumer market
- ✔ Diversity in working (incl. robots)
- ✔ QOL
- ✔ Safe and secure society
- ✔ IoT, big data, and AI
- ✔ Medical sophistication
- ✔ Open innovation

### Changes in Global Environment
- ✔ Climate change
- ✔ Frequent natural disasters
- ✔ Environmental regulations

### Risks
- ✔ Shortages of resources, energy, food, and water
- ✔ Environmental issues

### Rise of Emerging Countries
- ✔ Low labor force due to aging
- ✔ Low growth of GDP
- ✔ Obsolescence of infrastructure

### Maturity of Developed Countries
- ✔ Responses to paradigm shift
- ✔ Rapid globalization
- ✔ Importance of intelligence

### Technological Evolution
- ✔ Medical sophistication
- ✔ Open innovation
MCI Group’s Strengths that Support Future Society

Technology over a century
- Polymer science
- Precision synthesis
- Manufacturing process

Various Products & Services
- From raw materials to processed materials, parts, and services

Global Platform & Human Resources
- Global network in 27 countries (manufacturing and sales sites)

Robust Customer Base
Corporate Vision

Corporate Mission

Contribute broadly to society by providing high-quality products and services to customers through innovation and the creation of materials, 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

The Mitsui Chemicals Group exists to broadly contribute to solving various social challenges through business activities
Management Approach

Advance Triple Bottom Line management

Multi-stakeholder-based management

Long-term Perspective management
Society that the Mitsui Chemicals Group Aims to Help Build

Contribute to building a better future society in **five domains** including **Next Generation Business**

**Key Business Issues**

**Maximize Value**

**Minimize Risk**

- **Economy**
  - Accelerate the reform of business portfolio → Shift to customer-driven business model
  - Increase cash generation capability

- **Environment**
  - Maximize products and services that will contribute to targeted future society
  - Ensure safety
  - Use resources efficiently and reduce environmental burdens
  - Promote environmental and social responsibilities in the entire supply chain

- **Society**
  - Provide materials for the basis of society and industry
  - Mobility
  - Health Care
  - Food & Packaging
  - Next Generation

- **Targeted Business Domains**
  - Basic Materials

- **Mega Trends**
  - Social Challenges

- **Cohesive society in harmony with the environment**
  - Industrial platforms in harmony with local communities
  - Health and happiness in an aging society
Growth Direction of Business Domains

Missions for 5 business domains

- **Mobility**
  - Provide solutions making full use of comprehensive strengths

- **Health Care**
  - Provide products & services contributing to Quality of Life through chemical innovations

- **Food & Packaging**
  - Provide solutions for world food problems and seizes new business opportunities

- **Next Generation Business**
  - Create solution & system businesses at the boundary or peripheral areas of 3 targeted business domains through open innovations

- **Basic Materials**
  - Provide materials for the basis of society and industry
## MCI 2025 Basic Strategies

### 3 basic strategies to solve key business issues and provide value to society

<table>
<thead>
<tr>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pursue innovations</strong></td>
</tr>
<tr>
<td>✓ Promote customer-driven innovations</td>
</tr>
<tr>
<td>✓ Strengthen capabilities to propose solutions thorough R&amp;D and peripheral technologies &amp; products</td>
</tr>
<tr>
<td><strong>Accelerate global expansion</strong></td>
</tr>
<tr>
<td>✓ Increase overseas production and markets through expansion and alliances, aiming for the group-global growth</td>
</tr>
<tr>
<td><strong>Strengthen competitiveness of existing businesses</strong></td>
</tr>
<tr>
<td>✓ Establish next generation works by using IoT and AI</td>
</tr>
<tr>
<td>✓ Rationalize business including supply chains without exception</td>
</tr>
</tbody>
</table>
To be a solution provider from a material supplier, strengthen customer-driven innovations with the existing development model.
2025 LTBP Target

Operating income
200 billion yen

Sales
2,000 billion yen

ROS
10%

ROE
10% and over

Net D/E
0.8 and less

Stable dividends and further dividends increase

- Maximize products and services to achieve low carbon, recycling-oriented, and cohesive society in harmony with environment
- Maximize products and services to achieve increased QOL and a smart society
- Pursue thorough safety, high quality, and fairness in the entire supply chain
Active investment of management resources to achieve an operating income of 200 billion yen

Growth Investment

1 Trillion* yen

- 94% is for the targeted business domain
- About 3 times larger than past ten years
- Active investment that maintains financial discipline

Strategic Investment

400 billion* yen

- R&D expenses (FY25: 70 billion yen*)

*Total amount for 10 years, between FY16-FY25
*Excluding maintenance investments
*Total amount for 10 years, between FY16-FY25
*In comparison to FY16
Direction of Growth (Operating Income)

- **Creation of New Products**: 25 billion yen
- **Strengthen Competitiveness of Existing Businesses**: 42 billion yen
- **New & Next Generation Business**: 25 billion yen*
- **Globalization, Regional Expansion**: 20 billion yen
- **Growth investment (FY16~25)**: 1 trillion yen
- **R&D (FY25)**: 70 billion yen
- **Operating income FY2025**: 200 billion yen

*New business in three targeted business domains and Next Generation Business
MCI 2025 Basic Strategies:
① Pursue innovations
② Accelerate global expansion
③ Strengthen competitiveness of existing businesses

Reform business portfolio

Changes in value through paradigm shift

Targeted business domains ratio

New stage ~Customer-Driven Innovations~

Corporate wide cost, others ▲10

Corporate wide cost, others ▲8
Mobility
Provide solutions making full use of comprehensive strengths
Strategy for Mobility Domain

Creation of New Products
- Expand product portfolio corresponding to mega trend
- Accelerate new product development
- Develop new production technologies

Strengthen Existing Businesses
- Increase capacity in a timely manner corresponding to growing demand

Strengthen Capabilities to Propose Solutions
- Cross-organizational marketing
- Offering collaborate opportunities with customers

Globalization
- Increase capacity for local production for local consumption corresponding to global customers

New Business*
- Multi-material products, composites
- Build solution business model
- Metal resin integral technology
- Solution business model like mold
- Battery materials
- New robot materials

FY16 Operating income 40 billion yen
FY25 Target 70 billion yen + New business

FY25 Target 70 billion yen + New business

* New Mobility businesses are included in the calculation of new business and Next-Generation Business
Health Care
Provide products & services contributing to Quality of Life through chemical innovations
Strategy for Health Care Domain

Creation of New Products
- Vision: Functional ophthalmic lens line-up
- Hygiene: New functional nonwovens
- Personal: New products for detergent and cosmetics
- Oral: 3D-printers and laser milling machines

Strengthen Existing Businesses
- Vision: Sales activities in N.A, China and India
- Hygiene: High functional nonwovens
- Personal: Licensing business
- Oral: Periodontal disease treatment drugs
  IoT and network solution business
  Denture and OSA mouthpiece business in N.A.

Globalization
- Hygiene: Specialized products
- Oral: Dental business in India, ASEAN, Middle East and Eastern-Europe

New Business*
- Vision: Electronic glasses
- Personal: Surgical materials
  Physical mobility
- Oral: New domains of dental materials

FY16 Operating income
15 billion yen

FY25 Target
45 billion yen + New business

* New Health Care businesses are included in the calculation of new business and Next Generation business.
Food & Packaging

Provide solutions for world food problems and seizes new business opportunities
Strategy for Food & Packaging Domain

Creation of New Products
- New specialty isocyanates
- Five next-generation active ingredients and new compounds

Strengthen Existing Businesses
- Sales of high-profitability products
- Optimize domestic production of film & sheets
- Strengthen domestic sales of agrochemicals

Globalization
- Adhesives and coatings for packaging
- Sealant film and foam sheet products
- Agrochemicals and PPM** businesses

FY16 Operating income
19 billion yen

FY25 Target
40 billion yen + New business

New Business*
- New business areas of film & sheets
- New solution business contributing to maintain the quality of food

FY16
19 billion yen

*New F&P businesses are included in the calculation of new business and Next Generation business.
**PPM : Professional Pest Management
Next Generation Business

Create solution & system businesses at the boundary or peripheral areas
Strategy for Next Generation Business

Targeted domains
New business + Next Generation Business

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

Medical Solution
Rapid diagnostic system for bacterial identification

Agri-System Business
Advanced cultivation system (iCAST)

IoT Solution
Piezo-electric material for sensor
Next generation display material

FY25 Target
25 Billion*

Open innovation
Intelligence
CVC**

* PV: photovoltaic

**CVC: Corporate Venture Capital

* Included in the calculation of new business and Next Generation business.
Basic Materials

Provide materials for the basis of society and industry
Secure stable profit by providing distinctive technologies and high value-added products

**Petrochemicals**

- Strengthen competitiveness of crackers
- Expand catalysts and license businesses

- Full sales, full run rate
- Procure low price raw materials stably
- Develop next generation catalysts

**Polyolefin**

- Global deployment of Evolue™
- Secure stable profit in domestic market

- Prospect in Asia, create needs
- High functional grades
  - Technological development
- Establish new base of Evolue™
  - Study rationalization investment of PP

**Polyurethanes**

- Global deployment of system products
- Synergy effects of MCNS*

- Further strengthen competitiveness of TDI
- High value-added grades of PPG & system products
- New bases of system products

**Basic Chemicals**

- Establish full sales, full run rate through local production for local consumption
- Expand business thorough collaboration with good partners

- Thorough rationalization
- Strengthen derivatives
- Expand niche applications of Industrial Chemicals

FY25 30 billion yen

*MCNS : Mitsui Chemicals & SKC Polyurethanes
Constantly pursuing innovation and growth to become a chemical group with an undisputed global presence

- **Restructuring**
  - Extensive business restructuring

- **Restore**
  - Transform business portfolio

- **Growth**
  - Shift to customer-driven business model

- **Leap**
  - Actualize corporate target

**Operating income**
- Targeted business domain ratio
  - 200 billion yen
  - 86%

- Creating new customer value and solving social challenges through business activities
Creating new customer value and solving social challenges through business activities
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New diagnostic system identifying the sepsis-causing bacteria in hours

<table>
<thead>
<tr>
<th>Method</th>
<th>Conventional</th>
<th>Rapid diagnostic system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blood culture method</td>
<td>2 - 3 days</td>
<td>3 - 5 hours</td>
</tr>
<tr>
<td>Required blood volume</td>
<td>Large</td>
<td>Small</td>
</tr>
</tbody>
</table>

- **Reduce mortality rate of sepsis**
- **Reduce Medical expenses**
- **Control multiple-drug-resistant bacteria**

**Completed** the setup for testing kit and IT system for identification

**Selected as a program** in Innovation Setup Scheme by AMED*

**Plans to start sales** as a research reagent kit in FY2016

*AMED: Japan Agency for Medical Research and Development

*Detailed information will be presented at JSCM** conference at Nagasaki in January 2017

**JSCM: The Japanese Society for Clinical Microbiology