FY17-2
CEO Explanation
Creating New Customer Value through Innovations

Mitsui Chemicals

淡輪 敏
Tsutomu Tannowa
Mitsui Chemicals Inc.
President & CEO
Contents

- Introduction - 20th Anniversary -
- Business Performance
- Topics of Targeted Business Domains
- Management Target for Sustainable Growth
Mitsui Chemicals marks the 20th anniversary on October 1, 2017. We are sincerely grateful that our company has been able to spend the past 20 years with your kind cooperation.

Looking back, we have faced a number of challenges. Most of all, we never forget the explosion and fire at Iwakuni-Ohtake Works in 2012.

We worked seriously on fundamental structural reform, modifying business portfolio, closing Kashima works and plants.

These Groups efforts lead to a strong performance.

Now we have already moved to our next challenges, to demonstrate our “Dignified Presence”.

We started the 2025 Long-Term business Plan in April 2017.

I am sure that Mitsui Chemicals will be able to leap to a next higher stage by adding the concept of “customer-driven”.

Chemistry has infinite possibilities.

We also have infinite possibilities for growth.

Over the next 20 years, we all will constantly pursue innovation and growth to become an undisputed global presence.

Mitsui chemicals will take a strong step forward.

November 15, 2017

Tsutomu Tannowa
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- Management Target for Sustainable Growth
Profits expected to reach a record high in FY17 for the second consecutive year

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<tr>
<th>Items</th>
<th>FY2015 Results</th>
<th>FY2016 Results</th>
<th>1H Results</th>
<th>FY2017 Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,344</td>
<td>1,212</td>
<td>621</td>
<td>1,300</td>
</tr>
<tr>
<td>Operating income</td>
<td>70.9</td>
<td>102.1</td>
<td>48.2</td>
<td>103.0</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>△ 7.7</td>
<td>△ 4.9</td>
<td>1.7</td>
<td>2.0</td>
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<tr>
<td>Ordinary income</td>
<td>63.2</td>
<td>97.2</td>
<td>49.9</td>
<td>105.0</td>
</tr>
<tr>
<td>Extraordinary gains/losses</td>
<td>△ 21.9</td>
<td>△ 11.4</td>
<td>4.8</td>
<td>△ 1.0</td>
</tr>
<tr>
<td>Net income*</td>
<td>23.0</td>
<td>64.8</td>
<td>38.2</td>
<td>73.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015→FY16</td>
<td>△ 132</td>
</tr>
<tr>
<td>FY16→FY17</td>
<td>88</td>
</tr>
<tr>
<td>Exchange rate (JPY/US$)</td>
<td>△ 12</td>
</tr>
<tr>
<td>Domestic standard naphtha price (JPY/KL)</td>
<td>△ 8,100</td>
</tr>
</tbody>
</table>

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

(JPY bn)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2015 Results</th>
<th>FY2016 Results</th>
<th>FY2017 1H Results</th>
<th>FY2017 Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobility</td>
<td>44.9</td>
<td>40.7</td>
<td>22.0</td>
<td>43.0</td>
</tr>
<tr>
<td>Health Care</td>
<td>11.6</td>
<td>10.1</td>
<td>4.8</td>
<td>13.0</td>
</tr>
<tr>
<td>Food&amp;Packaging</td>
<td>20.3</td>
<td>20.6</td>
<td>10.1</td>
<td>22.0</td>
</tr>
<tr>
<td>Basic Materials</td>
<td>1.0</td>
<td>38.5</td>
<td>15.4</td>
<td>33.0</td>
</tr>
<tr>
<td>Others</td>
<td>△6.9</td>
<td>△7.8</td>
<td>△4.1</td>
<td>△8.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70.9</strong></td>
<td><strong>102.1</strong></td>
<td><strong>48.2</strong></td>
<td><strong>103.0</strong></td>
</tr>
</tbody>
</table>

△Denotes a minus

<table>
<thead>
<tr>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15→FY16</td>
</tr>
<tr>
<td>△4.2</td>
</tr>
<tr>
<td>△1.5</td>
</tr>
<tr>
<td>0.3</td>
</tr>
<tr>
<td>37.5</td>
</tr>
<tr>
<td>△0.9</td>
</tr>
<tr>
<td>31.2</td>
</tr>
</tbody>
</table>

✔ Sales growth continues in 3 targeted business domains
✔ After the completion of large-scale periodic maintenance, we will run at full rate for 2\textsuperscript{nd} half of FY17
### FY2017 Management Target

**FY17 Outlook**

<table>
<thead>
<tr>
<th>Operating Income</th>
<th>103 billion yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,300 billion yen</td>
</tr>
<tr>
<td>ROE</td>
<td>15.2%</td>
</tr>
<tr>
<td>ROS</td>
<td>7.9%</td>
</tr>
<tr>
<td>Net D/E</td>
<td>0.70</td>
</tr>
</tbody>
</table>

**Dividends**

Interim 9 yen/share, Year-end 40 yen/share*

*FY17 year-end dividend plan is calculated based on the number of shares after the 5-to-1 share consolidation, which was proposed at Mitsui Chemicals Inc.’s 20th Ordinary General Meeting of shareholders and conducted on October 1, 2017.*
Exceeding the planned targets in the first FY of the LTBP

Ensure growth path

Establish stable profit system (reduce downward risk)

Mid-Term Management Target

Operating Income

Net Income

Mobility

Health Care

Food & Packaging

Basic Materials, Others

FY14 Results

FY15 Results

FY16 Results

FY17 Outlook

FY18 Outlook

FY19 Outlook

FY20 Target

42.0

70.9

102.1

103

(Initial plan : 98)

73

105

115

125

3 targeted business domains

Rolling budget will be released in May 2018

确保在长期商务计划的第一财年实现计划目标

确保增长路径

建立稳定的盈利体系（降低下行风险）

中间期管理目标

经营收入

净利润

移动性

医疗保健

食品及包装

基础材料，其他

FY14 结果

FY15 结果

FY16 结果

FY17 预测

FY18 预测

FY19 预测

FY20 目标

42.0

70.9

102.1

103

（初始计划：98）

73

105

115

125

3 个目标业务领域

滚动预算将于2018年5月公布
3 Issues to Be Addressed

① **Expansion and growth in 3 targeted business domains**

   Expansion of investment theme
   
   Business expansion including peripheral business area
   
   Secure production capacity that meets demands

② **Accelerate development of new next generation businesses and creation of new products**

③ **Further strengthen competitiveness of Basic Materials**
Five Business domains

**Mobility**
Elastomers, Performance polymers, Performance compounds, Engineering plastics

**Health Care**
Ophthalmic lens material, Nonwovens, Dental materials, Personal care materials

**Food & Packaging**
Packaging material, Coatings, Agrochemicals, seeds

**Next Generation**
Energy, Medical, Agri-system, and IoT Solution

**Basic Materials**
Phenol, PTA/PET, Polyolefin, Polyurethane, and others

3 Targeted Business Domains

Sales (FY17 Outlook)

- Mobility: 24%
- Health Care: 11%
- Food & Packaging: 15%
- Next Generation: 48%

1,300 billion yen

**Creating & Developing**
Strengthen Competitiveness

24%
11%
15%
48%
Mobility
Provide solutions making full use of comprehensive strengths
### Materials Contributing to changes in Mobility

#### Connected
- Sensing materials
- Semiconductor materials

#### Autonomous
- Optical materials
- Coating materials

#### Comfort
- Sensitive materials
- Noise control
- Lighting/next generation display materials

### Improvement in function of materials to meet traditional needs

<table>
<thead>
<tr>
<th>Electrical installation</th>
<th>Electronic control of equipment, <strong>powertrain</strong>, and drivetrain</th>
<th>LIB-related materials</th>
<th>Connector materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light-weight</td>
<td>Fiber reinforced composite materials</td>
<td></td>
<td>Metal-resin integrated technology</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Super engineering plastics</td>
<td></td>
<td>Unpainted technology</td>
</tr>
<tr>
<td>Design</td>
<td>Coating materials</td>
<td></td>
<td>Adhesives</td>
</tr>
</tbody>
</table>
Solution Examples of PP Compounds

New products to meet the needs of automobiles by making full use of molds, CAE analysis, processing, and material technologies

- **Long glass fiber reinforced PP**
  - Mostron™ L

- **Injection foam interior materials**

- **Unpainted metallic exterior materials**

**Rear doors**
- ✔ 30% lighter than metal
- ✔ Unpainted
- ✔ Reduce parts
- ✔ Design flexibility

**Door trim**
- ✔ 30% lighter while maintaining rigidity

**Deck side trim**
- ✔ Reduce heat loss inside car
  (Compare to conventional foam)
- ✔ Improve impact strength
- ✔ Improve design

**Garnish**
- ✔ Realistic metallic feeling
- ✔ Unpainted with a paint-like quality

**Door carriers**
- ✔ 20% lighter than metal
- ✔ Reduce parts
Changes in powertrain will change the noise frequency. Provide total solutions with composite measures necessary for noise control.

NVH Solutions
(Noise, Vibration, Harshness)
Noise analysis, proposal of optimum materials and part shapes

Absorption
Noise absorption
Reverberation control
Nonwovens
Polyurethane foam
EPT sponge

Insulation
Blocking the transmission of sound
Mitsui EPT™
Milastomer™
Polyurethane elastomer /foam

Sound-proofing (Comfort)
Airborne Noise
Damping
Resonance suppression
Absortomer™

Structureborne Noise
Isolation
Vibration-insulation
Mitsui EPT™
Health Care

Provide products & services contributing to Quality of Life through chemical innovations
Develop new market and strengthen the Asia strategy utilizing resources in the Group

New product development

Material needs: 3D printing ink and others
Composite-based tech.: Monomers, catalyst, and others

“Team-Asia”
Strengthen business in Asia by corresponding local needs

New product development

New Market

Business expansion of therapeutic agent for periodontal disease
✔ Slow release, prolonged efficacy
✔ Avoiding surgery
✔ Applying from 1 to 9 countries in EU
Progress of Other Health Care Products

Increase adoption of “AIRYFA™”, a high-performance nonwovens

Develop light-weight, high flexibility and strength nonwovens by hollow structure (May, 2017)

✔ Adoption already finalized by customers
✔ Feasibility study for deployment at overseas bases (Thailand and China)

Soft texture & high strength “AIRYFA™”

Develop polyaspartic acid, a high-performance chelate for liquid detergent

As same level as powder detergent

✔ High quality due to the special solid phase polymerization
- 30% higher metallic ion trapping ability
- Prevention of reoccurring dirt adhesion, even at a low concentration
✔ Biodegradability required in EU

Further developing new products

Under the customer evaluation
Debuted “TouchFocus™” e-focus glasses, which can instantaneously change focus from distance to close with just a touch.

Market needs for presbyopia

- Comfortable vision
- Convenience

Glasses for myopia
- Reading glasses
- Bifocals
- Progressives

Adjust vision electronically via liquid crystal lens technology. One pair of glasses for multiple vision needs.

1. Instantaneously change focus from distance to close
2. Wide area of vision with minimized swim and distortion

Exhibited at iOFT 2017
Highly evaluated and great response

Beginning sales in Spring 2018
Food & Packaging

Provide solutions for world food problems and seizes new business opportunities
New Coating Products for Pharmaceutical Packaging

Development of Chemipearl™ XSP, a water-based heat sealing material for pharmaceutical blister packaging

Growing world market in blister packaging

+8%

Bottles Blister Pouch

Successful development of water-based heat sealing materials
(Chemipearl™ XSP November 2017)

Low temperature heat sealing

✔ Heat sealable at low temperature
✔ Safe packaging for temperature-sensitive medicine
✔ Improve filling speed

Chemipearl™ XSP

Solvent heat sealing materials

✓ Solvent-free
✓ Contribution to reducing VOC emissions
✓ FDA compliant

Aim to expand sales with customers who share our concepts, especially in Asia, where a solvent detoxification facility has not yet been introduced

The use of solvent heat sealing materials aggravates environmental problems in emerging countries
Global Deployment of Tapes for Semiconductors

Establish new ICROS™ Tape plant for semiconductor manufacturing process in Taiwan

- Continuously growing semiconductor market (> 6%)
- Establish in Taiwan, the greatest area of demand
- Increase capacity by 50%

ICROS™ Tape
Protective tape used in semiconductor wafer back grinding

Global share No1

Nagoya 2 Line

Kaohsiung 1 Line (3.8 million m²*)
Operation start: Sep. 2019

✔ Capture the growing market
✔ Establish a stable supply system with multiple bases
✔ Strengthen business in peripheral areas

*Capacity varies depending on the grade composition

Capture the growth in semiconductor market and deploy peripheral areas utilizing the strength of group-wide polymers and processing system
Next Generation Business
Create solution & system businesses at the boundary or peripheral areas
Next Generation Business

Energy Solution

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

Advanced cultivation system (iCAST™)

Medical Solution

Rapid diagnostic system for bacterial identification

Piezo-electric material for sensor
Next generation display material

Agri-System Business

IoT Solution

Open innovation
Intelligence
CVC

* PV: photovoltaic
Organic materials that generate voltage by themselves as the tension changes
Applicable as a sensor to detect various conditions

(Enlarged view) Piezoelectric sensor with a coaxial line

Conductor

Piezoelectric material

Conductor

0.4 mmΦ
(400μ)

Pressure

Vibration

Impact

Distortion

Energy conversion

Voltage generated from the material itself

Charge/Voltage

Output

Time (sec)

Pulse

Respiration

CEATEC AWARD 2017
Second prize in the Connected Industries Category
Open Innovation

Sponsorship of Leave a Nest
(Tech Planter* held at MCI, July 1, 2017)

- Sponsor the Venture Acceleration Program organized by Leave a Nest Co., Ltd. (Japan, U.S., U.K., Singapore)
- Aim to create new value through open innovation with venture companies

Partnership with Microwave Chemicals
(Press conference to announce partnership, September 14, 2017)

- Initiate joint development of new chemical processes using microwave
- Refine production technology and create new products and businesses

*Realtech's Seed Acceleration Program
Basic Materials
Provide materials for the basis of society and industry
Stable Business Structure in Basic Materials

Reform of Business Portfolio

<table>
<thead>
<tr>
<th>Operating income (JPY bn)</th>
<th>ROS (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>-10%</td>
</tr>
<tr>
<td>FY15</td>
<td>0%</td>
</tr>
<tr>
<td>FY16</td>
<td>6%</td>
</tr>
<tr>
<td>FY17</td>
<td>8%</td>
</tr>
<tr>
<td>Outlook</td>
<td>8%</td>
</tr>
</tbody>
</table>

Optimal production of large-scale products and local production for local consumption

Sustain high run rate of cracker

Establish Mitsui Chemicals SKC Polyurethanes
(Expand down-flow business of Urethane Business)

Minimize economic change risks by business restructuring

Strength of Olefin Chain

Captive use of ethylene
*In-house derivative products 80% + Stable domestic sales in Japan

High value added products ratio
80% or more

Further strengthen competitiveness

- Secure competitive raw materials
- Further cost reduction
- B&S for PP plants (FY21 or later)
- Develop high value added products (Evolue™-E, and others)
- Strengthen regional alliances in industrial complexes

Secure steady operating income of more than 30 billion yen with safe and stable operation, sales at full capacity, and cost reduction
Contents

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Cash flow from operating remains high and shift to an active investment phase
✓ Dramatic improvement in excess of the target of 1.0 (FY17 outlook: 0.7)
✓ Shift to an investment phase, aiming at further enhancement of corporate value
Shareholder Returns

Implement total return ratio target, aiming at further increasing returns to shareholders

- Aim to gradually achieve a total return ratio of 30% or more
- Stable and continuous dividend increase
- Flexibly acquire treasury stock

Dividends (year-end) Dividends (interim) Net income

(JPY bn)

Denotes a minus

FY13 FY14 FY15 FY16 FY17 Outlook

15 yen/share* 25 yen/share* 40 yen/share* 70 yen/share* (Memorial: 10)

85 yen/share*

73

*FY13-17 dividend have been adjusted based on the number of shares after the 5-to-1 share consolidation, which was proposed at Mitsui Chemicals Inc.’s 20th Ordinary General Meeting of shareholders and conducted on October 1, 2017.
Set **environmental and social targets** for the Long-Term Business Plan

Maximize products and services to achieve a low carbon, recycling-oriented and cohesive society in harmony with the environment

- **Reduce** CO₂
- **Protect** resources
- **Harmony** with nature

Visualization of provided values

**Environmental Contribution**

"**Blue Value™**"

Certify products and services that enhance environmental value throughout the life cycle

- **LCA***
- Unique assessment criteria “m-SI”
- Assessment by application

**Increase QOL**

"**Rose Value™**"

Certify products and services that improve everyone’s QOL

- SDGs
- Unique assessment criteria
- Assessment by application

Share contributing values with stakeholders aiming to realize the future society

*Life Cycle Assessment
ESG) Blue Value™ and Rose Value™

Blue Value™ Target

- Blue Value™ certified sales ratio
- FY13: 14%
- FY15: 16%
- FY16: 19%
- FY25: 30%

Rose Value™ Target

- Rose Value™ certified sales ratio
- FY15: 16%
- FY16: 15%
- FY25: 30%

STABiO™

- Biomass ratio 70%
- Reduce energy consumption by high reactivity
- Reduce solvent usage due to lower viscosity
- Coatings & adhesive application
- Reduce GHG 27%

Reduce Food Loss & Waste

- Spash™
- Pal Fresh™
- MAXBARRIER™
- Keep freshness
- Water vapor & oxygen permeability

Contribute to solving social challenges in line with business growth through increasing certified sales ratio
SRI indexes evaluate our triple bottom line management

**GLOBAL**

- **FTSE4Good**
  - FTSE's socially responsible investment index

**JAPAN**

- **FTSE Blossom Japan Index**
- **MS-SRI**
  - Morningstar's socially responsible investment index
- **MSCI**
  - 2017 Constituent MSCI Japan ESG Select Leaders Index
  - 2017 Constituent MSCI Japan Empowering Women Index (WIN)
Constantly pursuing innovation and growth to become a chemical group with an undisputed global presence.

- **Rest-structuring**: Extensive business restructuring
- **Restore**: Transform business portfolio
- **Growth**: Shift to customer-driven business model
- **Leap**: Actualize corporate target

Creating new customer value and solving social challenges through business activities.

Targeted business domains ratio:
- FY04: 91.7 (34%)
- FY06: 102.1 (65%)
- FY08: 103 (70%)
- FY11: 200 (86%)
- FY25: Operating income: JPY bn

Targeted business domains ratio.
Creating new customer value and solving social challenges through business activities
Challenge  Diversity  One Team

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**Targeted Position**

**MCI 2025 Basic Strategies**
1. Pursue innovations
2. Accelerate global expansion
3. Strengthen competitiveness of existing businesses

**Customer-Driven Innovations**
- FY16 OP 102.1
- FY06 OP 91.7
- Reform business portfolio
- Changes in value through paradigm shift

**Targeted business domains ratio**
- FY13: 24.9%
- FY06: 91.7%
- FY25: 86%

**Growth Investment**
- 1,000 (FY25: 70)

**R&D expenses**
- 2x (FY25: 70)

**Strategic Investment**
- 400

**Targeted business domains ratio**
- FY06: 34%
- FY25: 86%

**Reform business portfolio**
- Corporate wide cost, others ▲ 7.8%

**Changes in value**
- ▲ Denotes a minus (JPY bn)
Direction for Growth in the LTBP

- Creation of New Products: 25 billion yen
- Strengthen Competitiveness of Existing Businesses: 30 billion yen
- Accelerate global expansion
- New & Next Generation Business: 25 billion yen
- Globalization and Regional Expansion: 20 billion yen
- Growth investment (FY16~25): 1 trillion yen
- R&D (FY25): 70 billion yen

FY2025 Operating income: 200 billion yen
FY16 Operating income: 102.1 billion yen

* New business in three targeted business domains and Next Generation Business