



MITSUI CHEMICALS, INC.

2011 Mid-Term Business Plan

November 8, 2010

Toshikazu Tanaka

President & CEO

(1) Interim Financial Results for FY2010

(2) 2011 Mid-Term Business Plan

- 1. Positioning of Mid-Term Business Plan**
- 2. Vision for the Mitsui Chemicals Group**
- 3. Mid-Term Plan Basic Strategy**
- 4. Mid-Term Plan Management Targets**

Consolidated Financial Highlights

(Billion yen)

Items	FY2009 April-Sept	FY2010 April-Sept	Increase (Decrease)	Percentage change
Sales	549.9	672.8	122.9	22%
Operating income (loss)	(19.0)	17.4	36.4	—
Non-operating income (expenses)	(3.1)	(2.8)	0.3	—
Ordinary income (loss)	(22.1)	14.6	36.7	—
Special gains/losses	(5.9)	11.0	16.9	—
Net income (loss) before income taxes and minority interest	(28.0)	25.6	53.6	—
Net income (loss)	(31.4)	17.1	48.5	—

Exchange Rate (Yen/US\$) 96 89 (7)

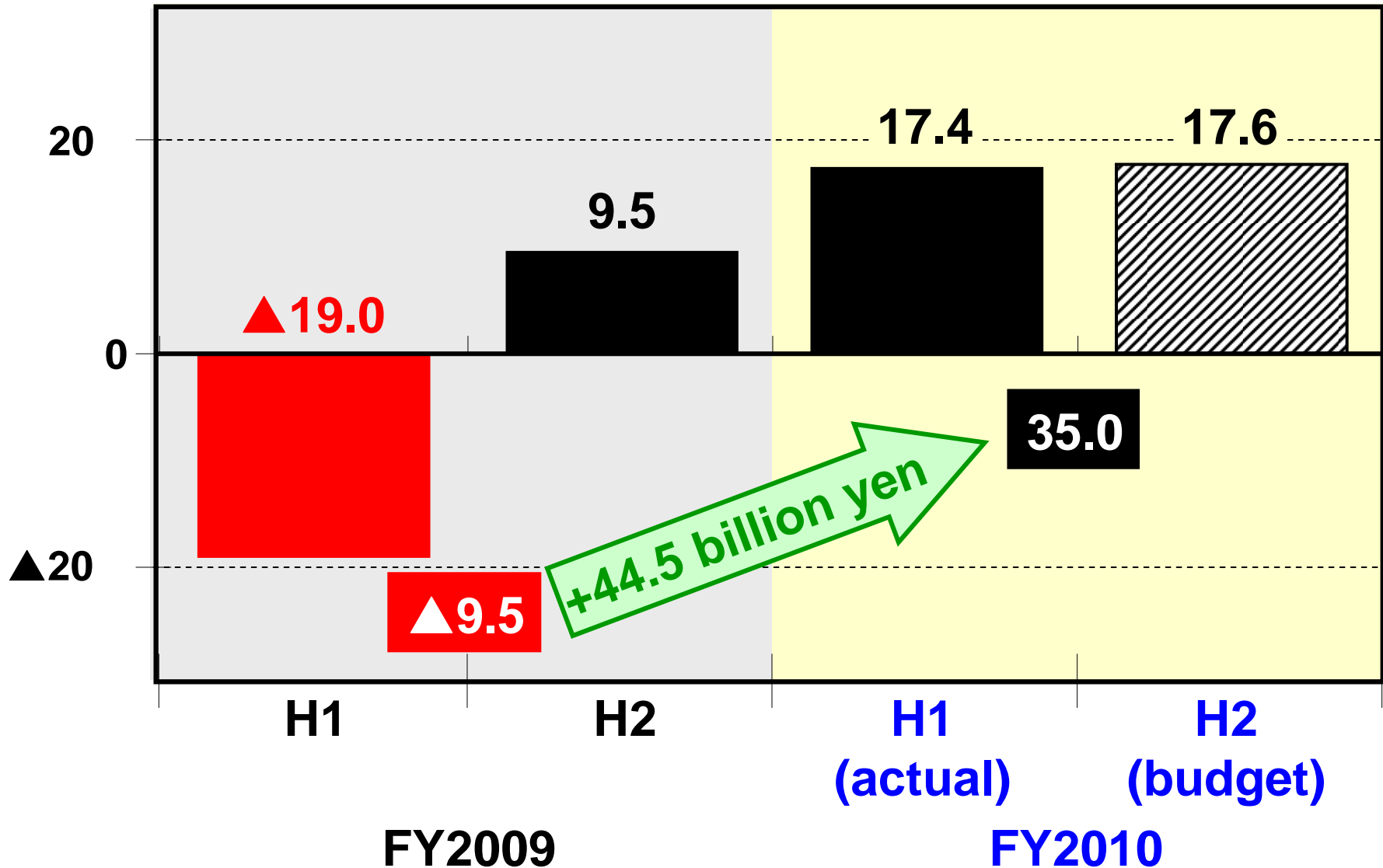
Domestic Standard Naphtha Price (Yen/KL) 37,250 46,200 8,950

Interim dividend (Yen/share)	0.00	3.00	3.00	—
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Items	FY2009	FY2010 April-Sept	Increase (Decrease)	Percentage change
Interest-bearing liabilities	494.2	499.5	5.3	1%
Equity	377.3	380.6	3.3	1%
D/E Ratio	1.31	1.31	0.00	—

Consolidated Operating Income

Operating income (billion yen)



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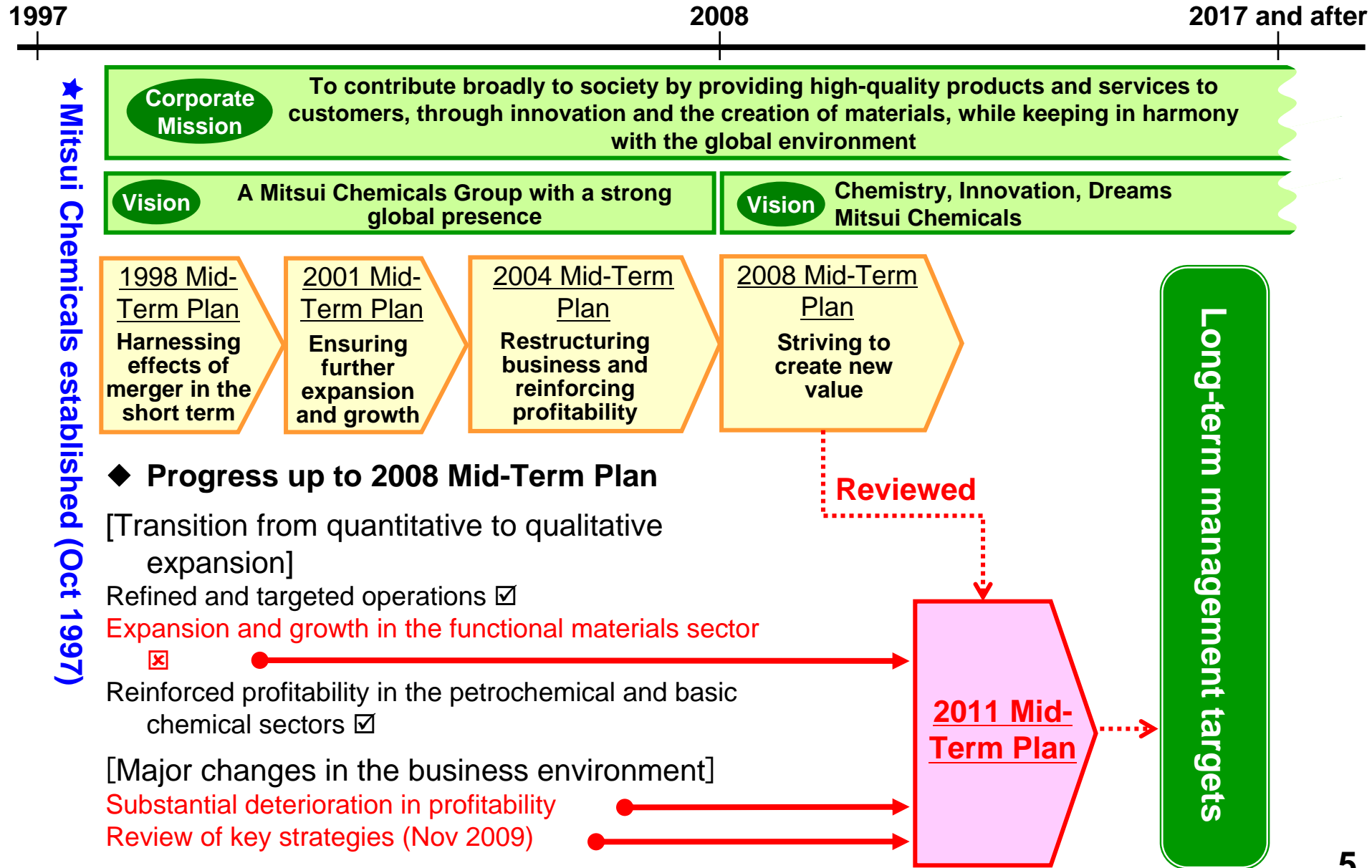
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Background of 2011 Mid-Term Business Plan



★ Mitsui Chemicals established (Oct 1997)

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

Vision

A Mitsui Chemicals Group with a strong global presence

Vision

Chemistry, Innovation, Dreams Mitsui Chemicals

1998 Mid-Term Plan

Harnessing effects of merger in the short term

2001 Mid-Term Plan

Ensuring further expansion and growth

2004 Mid-Term Plan

Restructuring business and reinforcing profitability

2008 Mid-Term Plan

Striving to create new value

Long-term management targets

◆ Progress up to 2008 Mid-Term Plan

[Transition from quantitative to qualitative expansion]

Refined and targeted operations

Expansion and growth in the functional materials sector

Reinforced profitability in the petrochemical and basic chemical sectors

[Major changes in the business environment]

Substantial deterioration in profitability

Review of key strategies (Nov 2009)

Reviewed

2011 Mid-Term Plan

Failure to Achieve Expansion and Growth in Functional Chemicals

Reasons and Measures

(1) Insufficient marketing capabilities to recognize and quickly react to changes in the business environment

⇒ Restructure organization to focus on marketing and build supporting corporate culture (continuing from FY2009)

(2) Excessive focus on specific sectors such as automotive materials (expanding impact of the Lehman Brothers crisis)

⇒ Establish business portfolio that is more resilient to changing economic conditions (Expand functional chemical operations in the short term)

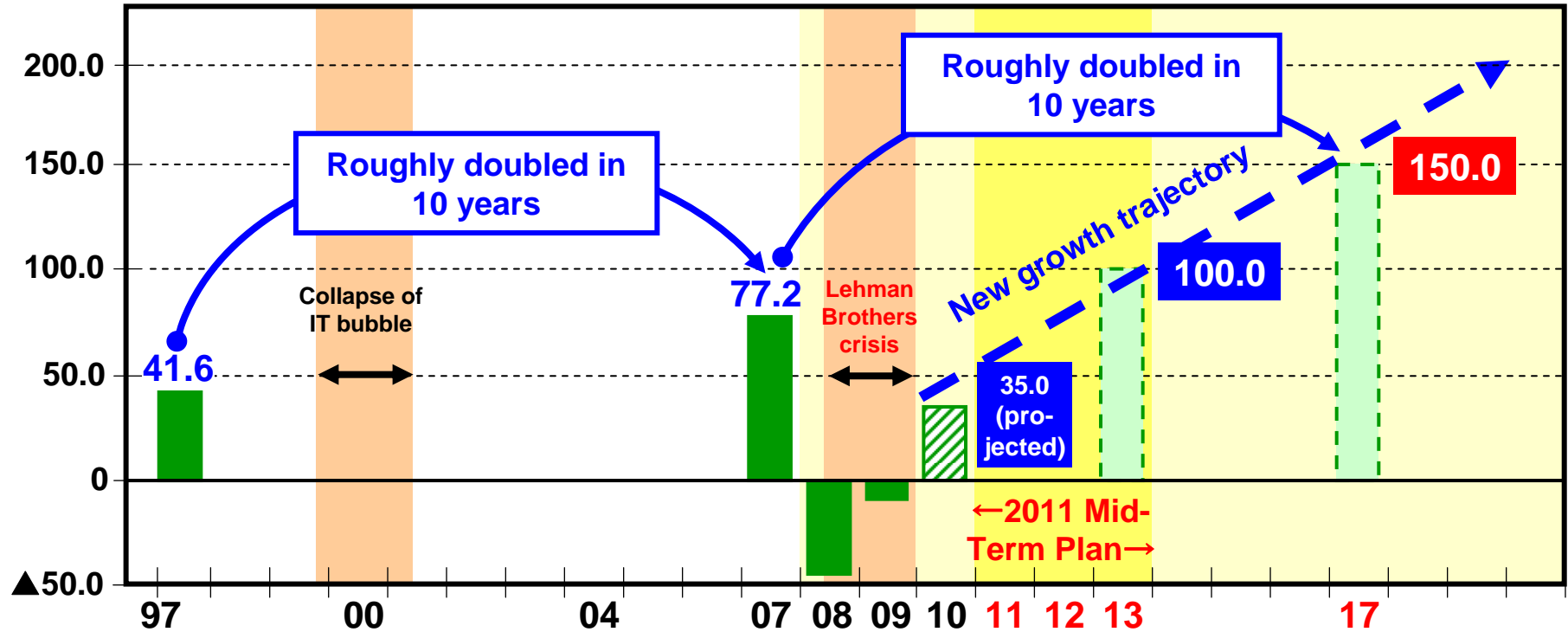
(3) Insufficiently targeted R&D investment in the functional materials sector

⇒ Prioritize three lines of business

- Functional films, functional sheets and spunbonded fabrics (OPULENT, SOLAR EVA, etc.)
- Coatings and adhesive materials (system products, polyurethane materials, acrylic materials, etc.)
- Engineering plastics and compounds (APEL, TPX, LUCANT, MILLION, etc.)

Vision for New Growth of the Mitsui Chemicals Group


Operating income (billion yen)



- ◆ Initial 10 years following the establishment of Mitsui Chemicals: Operating profit roughly doubled
- ◆ Next ten years (2008-2017): Aiming to establish new growth trajectory and double operating profit again
- ◆ Grand Design targets are two years behind schedule due to the Lehman Brothers crisis
⇒ Operating profit target for around 2017: Over 150 billion yen
- ◆ 2011 Mid-Term Plan positioned as “Growth Foundation Phase” to achieve targets

Positioning of the 2011 Mid-Term Plan

Review of key strategies in light of major changes in the environment (November 2009)



Basic Strategies

- (1) Global expansion of highly competitive businesses
- (2) Expansion of high value-added business for sustainable growth
- (3) Development of new products/businesses in harmony with the global environment

Business platform: Sustained competitiveness in the domestic market (cutting costs, collaborating with other companies)

2011 Mid-Term Plan (FY2011-13)

“New Growth Foundation Phase”

Continuing with changes to our business portfolio and the globalization of management based on visions for the future of the Mitsui Chemicals Group

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Macroeconomic Market Trends

Asia: Driving force behind the global economy, especially China and India

- ◆ Emergence one of the world's largest consumer markets (2 billion middle-earners)
- ◆ Growing demand among new high-earners for high quality, high grade consumer goods

Advanced countries: Economic growth leveling off

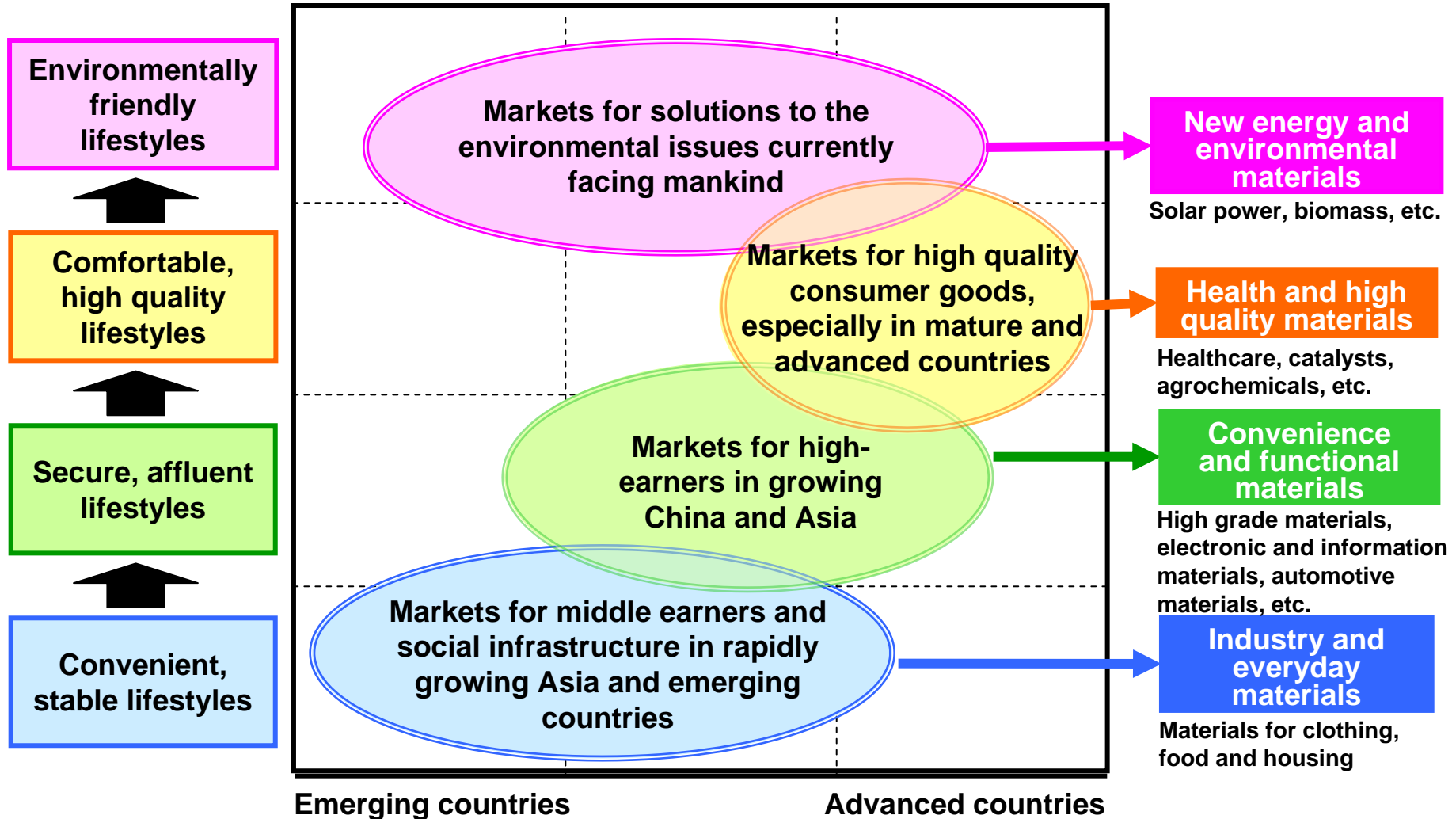
- ◆ Growing markets in areas such as healthcare and measures in response to declining birthrates and aging populations

Population and environmental issues

- ◆ Dealing with population growth and issues such as food and water shortages
- ◆ Tackling environmental and energy issues on a global scale

There are new business opportunities as a result of major shifts in worldwide values. It is a time of growth for the chemical industry.

Target Markets and Sectors



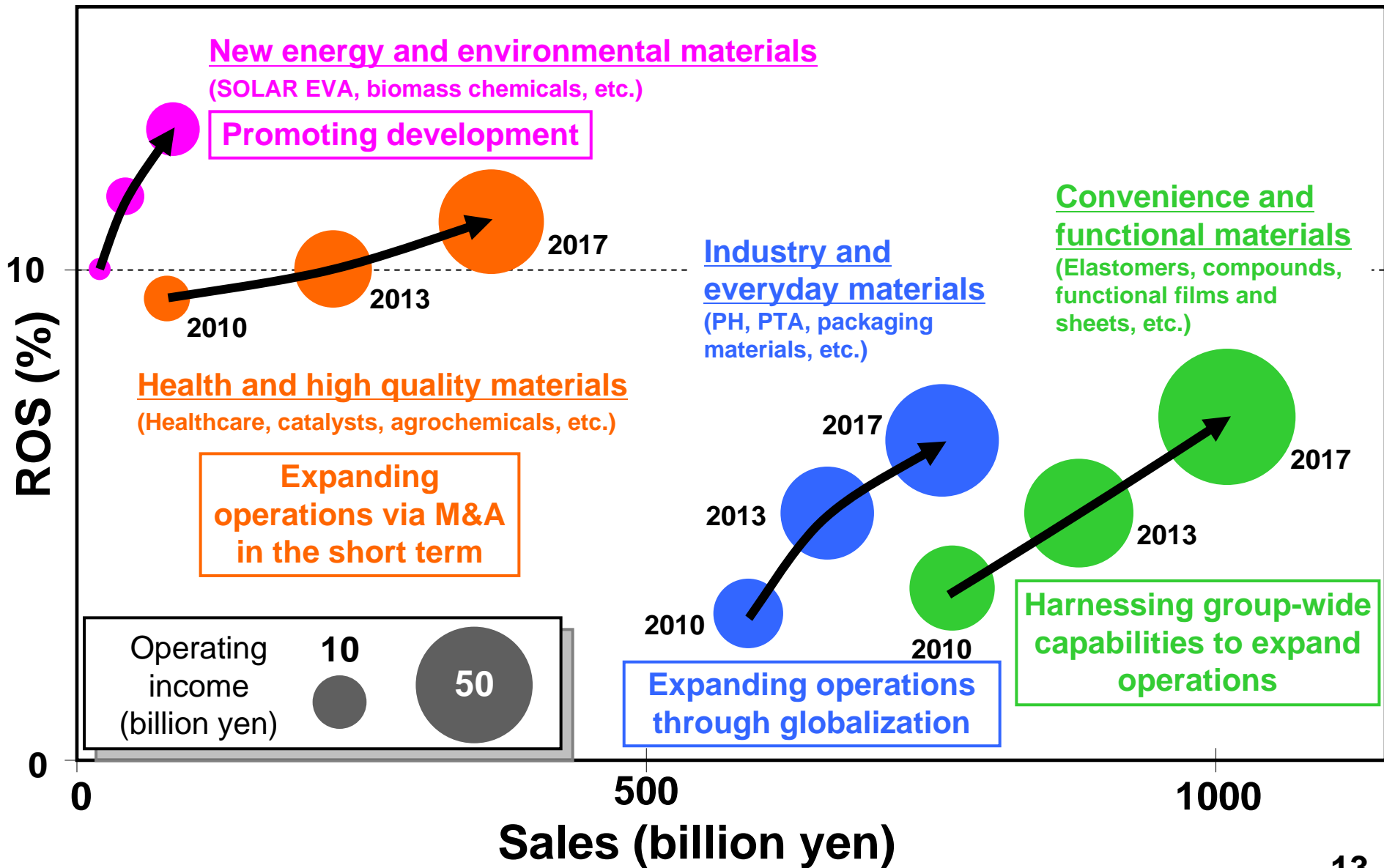
The Mitsui Chemicals Group's Role in Each Sector

Sector	Group's Role	Related Products/Businesses
Industrial and everyday materials	To underpin social infrastructure provide wide-ranging support for everyday life through global product supplies	<div data-bbox="942 401 1387 648">Aromatic products</div> <div data-bbox="1412 401 1856 648">Metallocene polyolefins</div>
Convenience and functional materials	To provide rapidly growing industries with highly functional products and support affluent lifestyles	<div data-bbox="942 662 1856 748">Coatings and adhesive materials</div> <div data-bbox="942 762 1856 848">Engineering plastics and compounds</div> <div data-bbox="942 862 1856 948">Advanced processed products (films, sheets and spunbonded fabrics)</div>
Health and high quality materials	To produce high quality products and contribute to society in new ways and areas such as health, aging, agriculture, and catalysts	<div data-bbox="942 976 1856 1062">Healthcare (vision care, dental materials)</div> <div data-bbox="942 1076 1387 1176">Catalysts</div> <div data-bbox="1412 1076 1856 1176">Agrochemicals</div>
New energy and environmental materials	To help tackle the issues facing mankind in new growth markets (solutions to environmental issues, etc.)	<div data-bbox="942 1200 1528 1286">Components for lithium ion batteries</div> <div data-bbox="1553 1200 1856 1286">Lightweight materials</div> <div data-bbox="942 1300 1387 1386">Solar power components</div> <div data-bbox="1412 1300 1856 1386">Biomass chemicals</div>

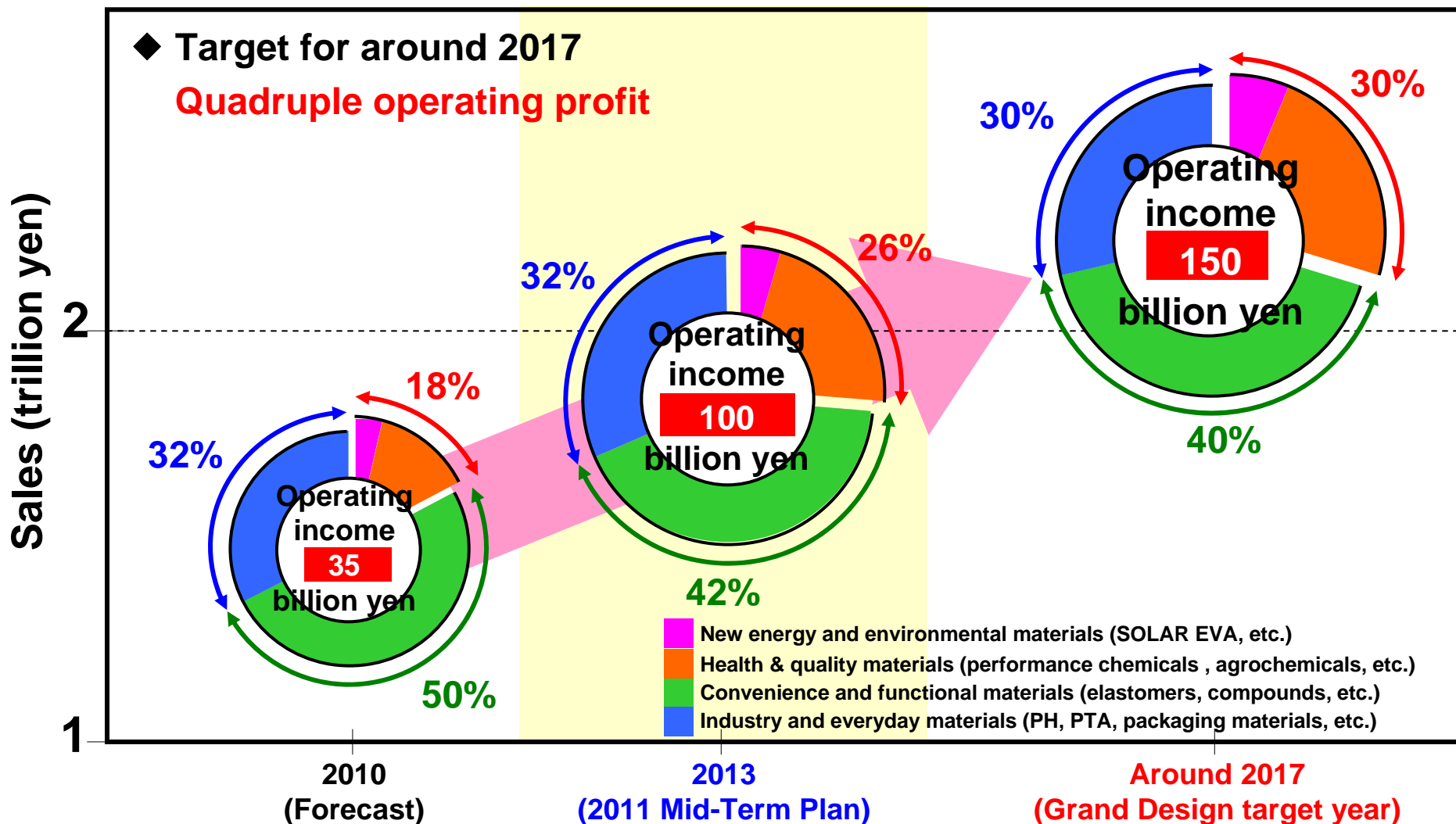
Growth Drivers in Each Sector

Sector	Growth Drivers		
	<u>Global expansion of highly competitive businesses</u> Five world-leading businesses	<u>Expansion of businesses more resilient to changing economic conditions</u> Five priority businesses	<u>Creation of core businesses for the future</u> Five developing areas
Industrial and everyday materials	<ul style="list-style-type: none"> ● Phenol chains (Phenols, BPA) ● PO compounds (PP compounds, ADMER) ● Elastomers (TAFMER, EPT) ● Metallocene polymers (EVOLUE) 	<ul style="list-style-type: none"> ● Functional films, functional sheets and spunbonded fabrics ● Coatings and adhesive materials ● Engineering plastics and compounds 	
Convenience and functional materials			
Health and high quality materials		<ul style="list-style-type: none"> ● Highly refractive optical lenses (MR Series) 	<ul style="list-style-type: none"> ● Next generation functional chemical products (Next generation pesticides, dental materials)
New energy and environmental materials			

Direction of Growth in Each Sector



Direction of Changes to our Business Portfolio



◆ Increase percentage of “health and high quality materials” and “new energy and environmental materials”

Operating profit: 18% ⇒ 30% / Sales: 7% ⇒ 20%

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Future Direction for the Mitsui Chemicals Group

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.

Vision

- ◆ A chemical company with a **global presence**, especially in Asia
- ◆ **Building business portfolio** that ensures growth potential and durability

2011 Mid-Term Plan Basic Strategies

(1) Expansion of businesses more resilient to changing economic conditions

⇒

Five priority businesses

(2) Global expansion of highly competitive businesses

⇒

Five world-leading businesses

(3) Creation of core businesses for the future

⇒

Five development areas

(4) Sustained competitiveness in the domestic market

(1) Expanding Five Priority Businesses

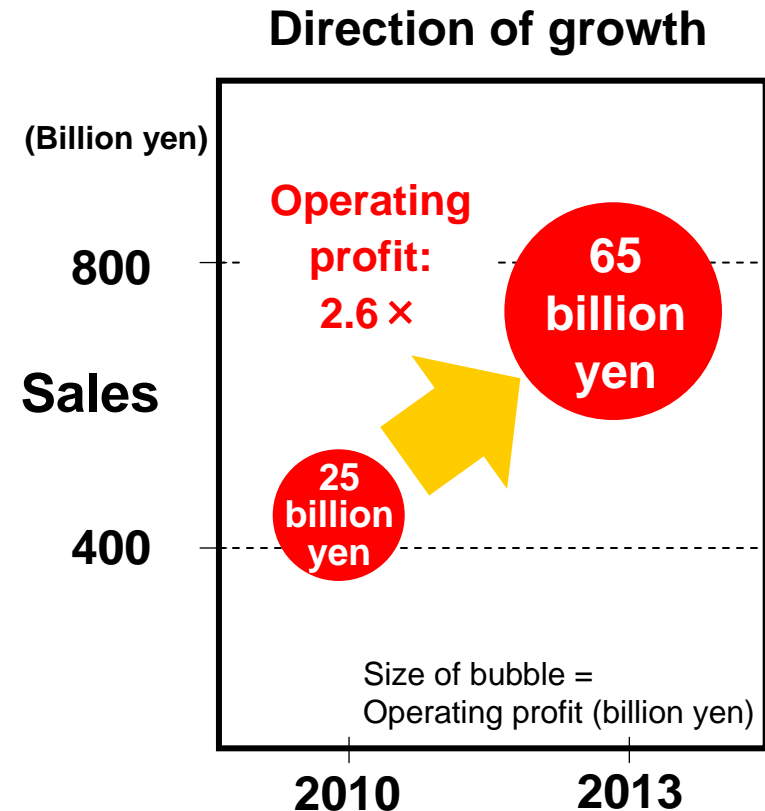
◆ Five priority businesses

- (1) Performance chemicals (healthcare, catalysts)
- (2) Agrochemicals
- (3) Functional films, functional sheets and spunbonded fabrics
- (4) Coatings and adhesive materials
- (5) Engineering plastics and compounds

◆ Policy (1)

- Early expansion of operations in the functional chemical sector (performance chemicals, agrochemicals) through **strategic M&As**

- ✓ **Scale of M&A: 100 billion yen**
- ✓ **In process of active global expansion**



(1) Expanding Five Priority Businesses

◆ Policy (2)

Expand operations in the functional materials sector, especially in Asian markets, by harnessing group-wide technical development capabilities and through active investment.

Priority Businesses	Policies
<p>Functional films, functional sheets, and spunbonded fabrics (SOLAR EVA, electronic and information films, etc.)</p>	<ul style="list-style-type: none"> ◆ Early achievement of synergy effect of Mitsui Chemicals Tohcello ◆ Actively invest and increase sales in growth markets (solar power, etc.) ◆ Expand supply capabilities by establishing bases in Asia
<p>Coatings and adhesive materials (Polyurethane resins, acrylic resins, etc.)</p>	<ul style="list-style-type: none"> ◆ Actively expand operations in high value-added sectors ◆ Expand system house operations (India base: 7th in Asia) ◆ Further reinforce distinctive products and technologies
<p>Engineering plastics and compounds (APEL, TPX, LUCANT, MILLION, ARLEN, etc.)</p>	<ul style="list-style-type: none"> ◆ Expand unique proprietary product ranges on a global scale ◆ Actively roll out highly functional products and compounds overseas ◆ Establish overseas technical support bases (China, Singapore)

➤ **Total investment: 55 billion yen (three years of Mid-Term Plan)**

(2) Reinforcing Five World-Leading Businesses



Aiming to establish a world leading business portfolio

- (1) **Phenol chains**
Phenols, BPA
- (2) **PO compounds**
PP compounds, ADMER

Aiming to establish an Asia leading business portfolio

EPT (3) Elastomer TAFMER

- (4) **Metallocene polymers**
EVOLUE
- (5) **Highly refractive optical lenses**
MR Series

Reinforce business platform

- Chiba Chemicals Manufacturing LLP (Idemitsu Kosan)
- Local partnerships in Osaka
- Nghi Son Project in Vietnam



(2) Strategy for Five World-Leading Businesses

Five World-Leading Businesses (Current Position)	Policies
(1) Phenol chains (2nd in world) [Phenols, bisphenol A]	<ul style="list-style-type: none"> ◆ Phenols: Joint venture with Sinopec in China ◆ (400,000 tons, construction due for completion in 2013)
(2) PO compounds (1st in world) [PP compounds (2 nd in world) ADMER (1 st in world)]	<ul style="list-style-type: none"> ◆ PP compounds: Further increase production capacity of global bases (nine bases in seven countries), in Brazil as well as China and India ◆ ADMER: Reinforce bases in Europe and the US and establish production bases and technical support networks in growth areas (China, South America)
(3) Elastomers (2nd in world) [TAFMER (2 nd in world) EPT (1 st in Asia)]	<ul style="list-style-type: none"> ◆ TAFMER: Increase production capacity in Singapore (5TF: 100,000 tons) to boost global sales ◆ EPT: Joint venture with Sinopec in China (75,000 tons, construction due for completion in 2014)
(4) Metallocene polymers (3rd in world) [EVOLUE (1 st in Asia)]	<ul style="list-style-type: none"> ◆ EVOLUE: Draw up plans for new plants in Asia in order to reinforce leading share in highly functional packaging sector
(5) Highly refractive glasses lenses (1st in world)	<ul style="list-style-type: none"> ◆ MR Series: Secure share of emerging markets in countries such as China <ul style="list-style-type: none"> - Increase production capacity (domestic) - Actively expand operations through additional M&A

➤ **Total investment: 65 billion yen (three years of Mid-Term Plan)**

(3) Five Development Areas: Creating Core Businesses for the Future


- ◆ Focus on priority research themes to **efficiently target R&D resources** and **establish new business models** to pave the way for **future core businesses**.

Five Development Areas	Priority Research Themes	Envisioned Sales (Around 2017) (billion yen)
(1) Solar power	◆ Next generation sealant sheets, etc.	40
(2) Electronic and information films	◆ Lightweight LCD films, etc. ◆ LED/semiconductor process films (product cluster formation)	50
(3) Eco-friendly vehicles	◆ Lightweight materials (foam, heat-resistance, etc.) ◆ Materials for lithium ion batteries (electrode materials, separators, etc.)	50
(4) Next generation functional chemical products	◆ New pesticides (pesticides, disinfectants, herbicides) ◆ Dental materials (new product development through partnership with Shofu , etc.)	50
(5) Biomass chemicals	◆ Bio-based polyurethane (Polyols from castor oil, special isocyanates, etc.)	10

➤ R&D investment: 24 billion yen (three years of Mid-Term Plan)

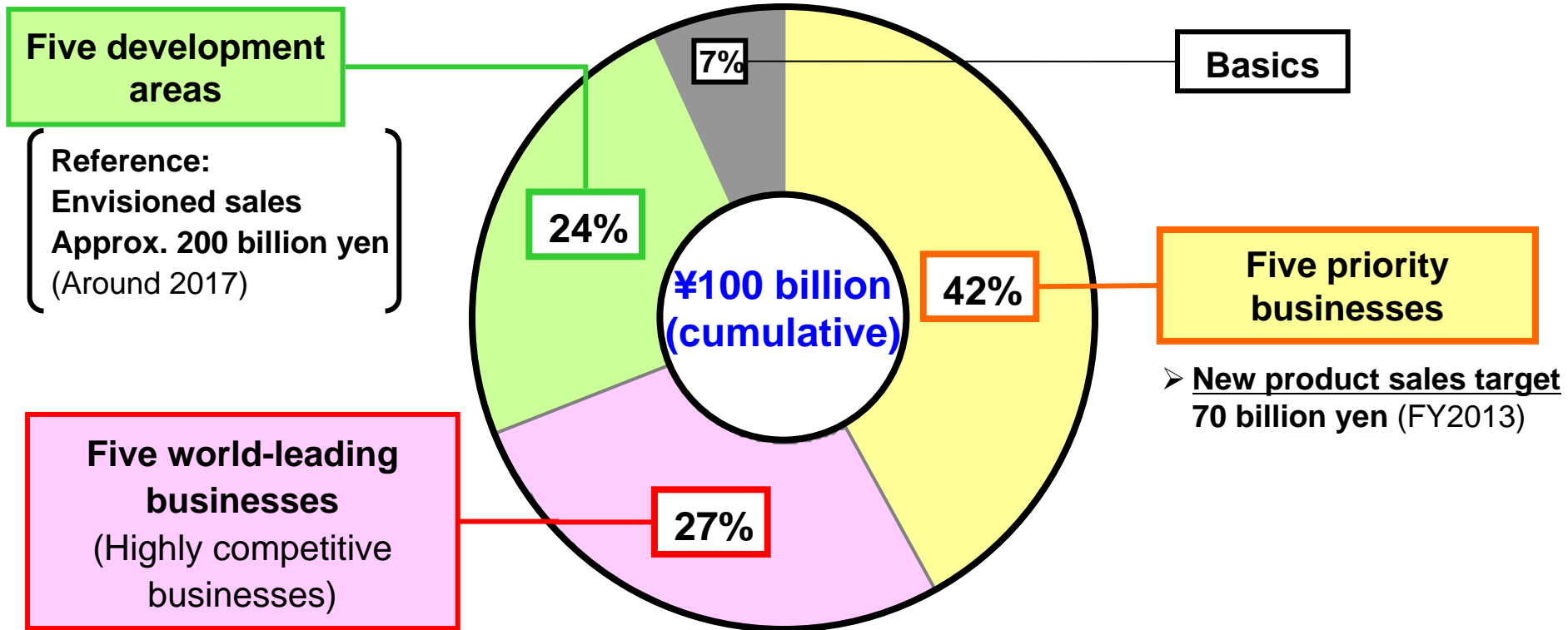
Total: 200

Product Development in the New Energy and Environmental Sector

Existing Businesses	Priority Research Themes
<ul style="list-style-type: none"> ◆ Sealant sheets (SOLAR EVA[®]) ◆ Cell adhesives (TAKENATE[®] / TAKELAC[®]) ◆ Electrolytes (MIReT[®]) ◆ Electrode binder (CHEMIPEARL[®]) <div style="text-align: right; margin-right: 20px;"> <div style="border: 1px solid black; background-color: #008000; color: white; padding: 5px; display: inline-block;">Increase production capacity</div> </div> <ul style="list-style-type: none"> ◆ Bio-based polyurethane (ECONICOL[®]) <div style="text-align: center; margin: 10px 0;">  </div> <div style="text-align: right; margin-right: 20px;"> <div style="border: 1px solid black; background-color: #008000; color: white; padding: 5px; display: inline-block;">Reinforce raw material procurement capabilities</div> </div> <ul style="list-style-type: none"> ◆ Bio-based acrylamide (Energy saving processes) <div style="text-align: right; margin-right: 20px;"> <div style="border: 1px solid black; background-color: #008000; color: white; padding: 5px; display: inline-block;">Currently in license negotiations</div> </div> <ul style="list-style-type: none"> ◆ AdBlue[®] (NOx reducing additive) <div style="text-align: right; margin-right: 20px;"> <div style="border: 1px solid black; background-color: #008000; color: white; padding: 5px; display: inline-block;">Increase production capacity</div> </div>	<ul style="list-style-type: none"> ● Next generation sealant sheets, etc. ● Materials for lithium ion batteries (electrode materials, separators) ● Bio-based polyurethane (Polyols, isocyanates) ● Polylactic acid ● Lightweight materials (foam, heat resistance, etc.) <div style="text-align: right; margin-right: 20px;"> <div style="border: 1px solid black; background-color: #008000; color: white; padding: 5px; display: inline-block;">Business model currently under development</div> </div>

Investing R&D Resources (Three Years of Mid-Term Plan)

◆ Prioritization and increased efficiency, focusing on growth drivers



Reference:
Envisioned sales
Approx. 200 billion yen
(Around 2017)

Five world-leading businesses
(Highly competitive businesses)

Five priority businesses

➤ New product sales target
70 billion yen (FY2013)

➤ **Comprehensively reinforcing cost competitiveness**
(Even greater focus on distinctive technologies)

(4) Sustained Competitiveness in the Domestic Market: Business Restructuring

◆ Restructuring of operations including plant decommissions

- **General purpose PE** (accelerate transition to added-value products: EVOLUE, 1-Hexene, etc.)
- **General purpose PP** (consolidate small-scale and aging plants)
- **MDI** (restructure operations)

◆ Rationalization of domestic plants

- **Cut plant costs**
(Total reduction of 10 billion yen by FY2013 ⇔ 70% BEP)
- **Promote collaboration with other companies**
(Expand Chiba Chemicals Manufacturing LLP, local partnerships at Osaka Works, etc.)

◆ Streamlining back-office departments

- Establish a leaner **Head Office structure of 7,200 employees** (Reduce 1,320 employees by 2015 and **save 20 billion yen in labor costs**)

(Reference)

Restructured Operations

(Businesses with sales of 100 billion yen have been restructured)

- Ethylene glycol (Ichihara)
- Polystyrene (Osaka)
- Bisphenol A (Nagoya)
- PTA 2 (Iwakuni)
- EPT 2 (Ichihara)

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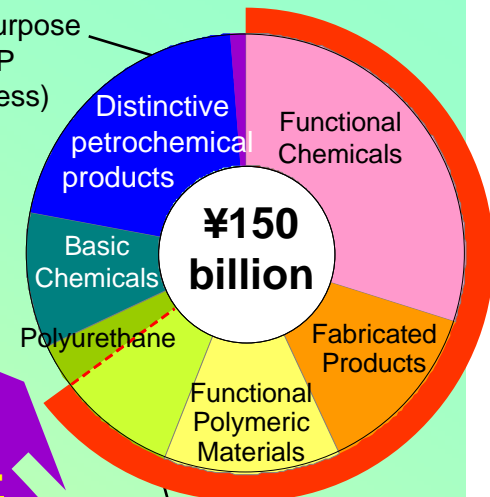
3. Mid-Term Plan Basic Strategy

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Direction of our New Growth Trajectory (Targets for 2017)

Ensuring growth and sustainability

2011 Mid-Term Plan



Early expansion of functional chemicals

- Accelerate strategic M&As

Create new businesses

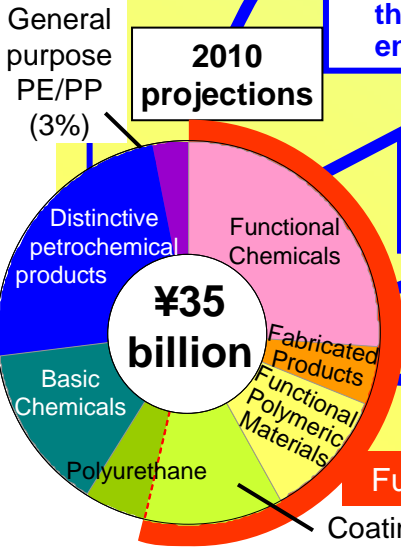
- Expand operations in the new energy and environmental sector

Early expansion of three priority functional material businesses

- Prioritize business
- Accelerate new product development

Enhance competitiveness of petrochemical and basic chemical operations

- Collaborate with leading companies
- Restructure unprofitable businesses



2010 projections

Functional products: 54%

Coatings and functional materials

2011 Mid-Term Plan

Consolidated Management Targets (2013)

Management Target

- ◆ Profitability indicator: Operating profit of 100 billion yen

Reference indicators:	ROA of 6% or higher
	Sales of 1.8 trillion yen

Environmental Target

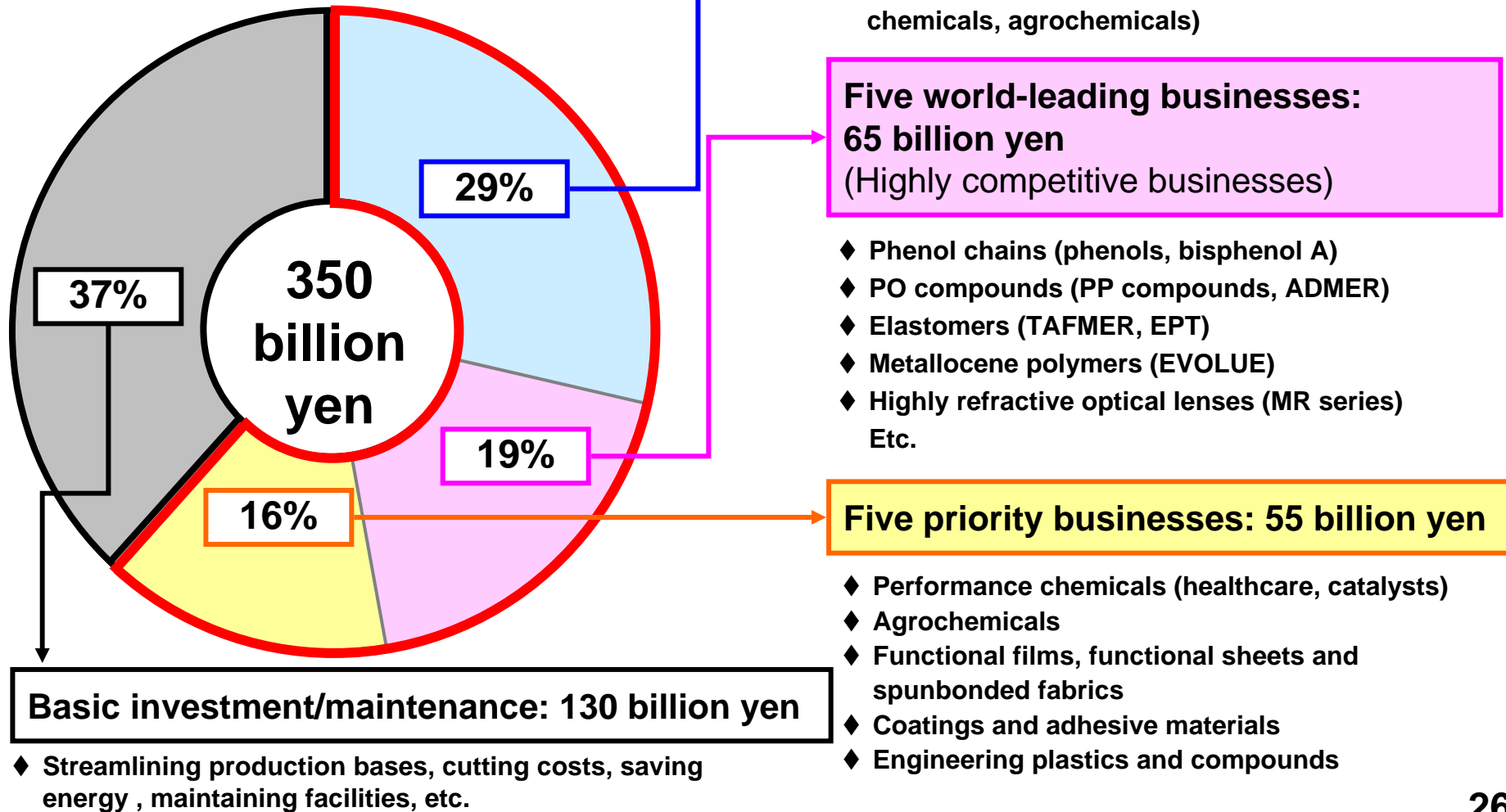
- ◆ Reduction in greenhouse gas emissions by 500,000 tons compared with FY1990 (9% reduction)

Social Targets

- ◆ World-leading occupational safety standards (frequency of accidents requiring suspension of operations: 0.15 or less)
- ◆ Chemical risk assessments (70 substances subject to disclosure)

Forecasted Investment (Three Years of Mid-Term Plan)

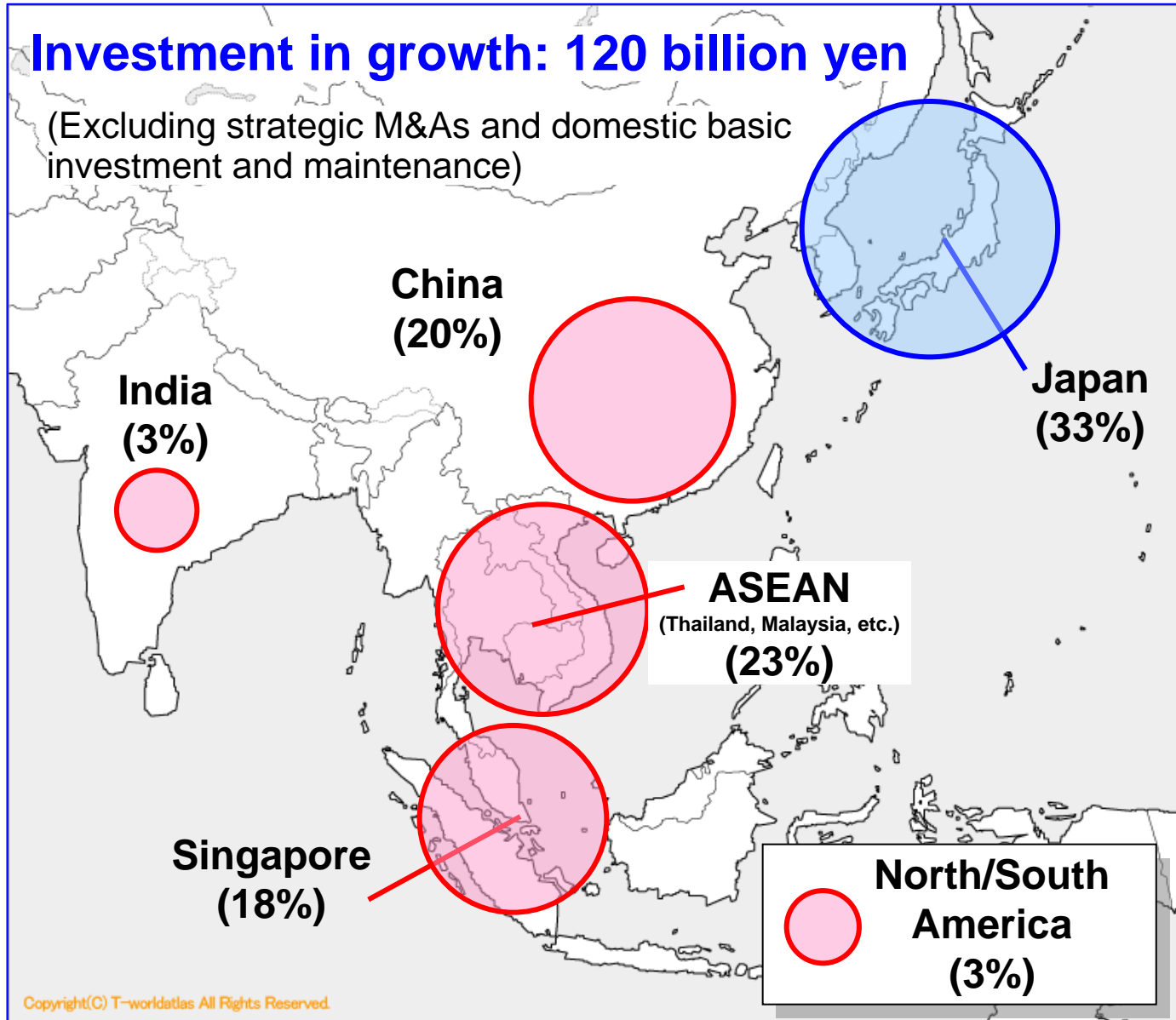
◆ **Growth investment**
including M&As: **220 billion yen**
(63%)



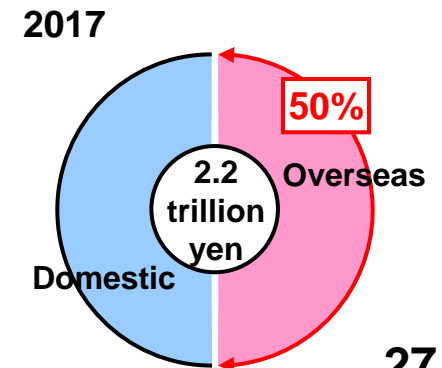
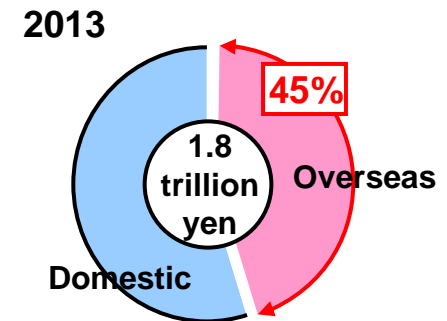
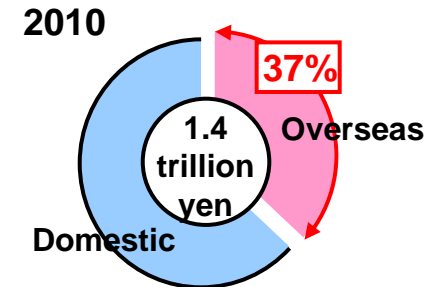
Forecasted Investment by Region (Three Years of Mid-Term Plan)

Investment in growth: 120 billion yen

(Excluding strategic M&As and domestic basic investment and maintenance)

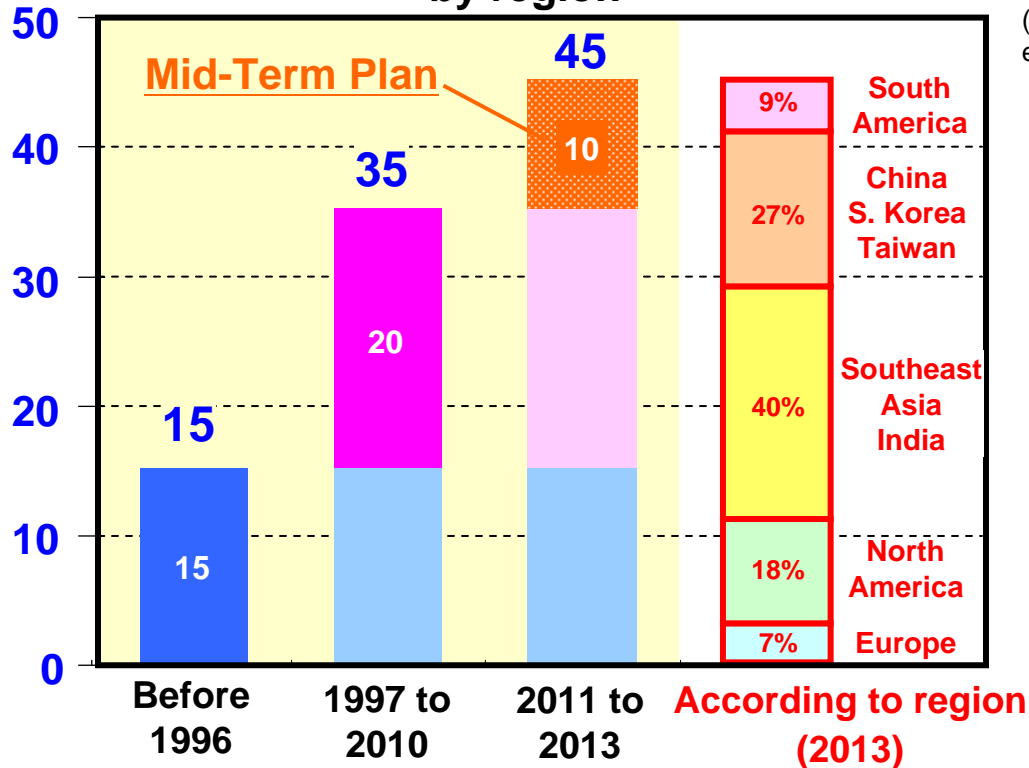


Percentage of overseas sales

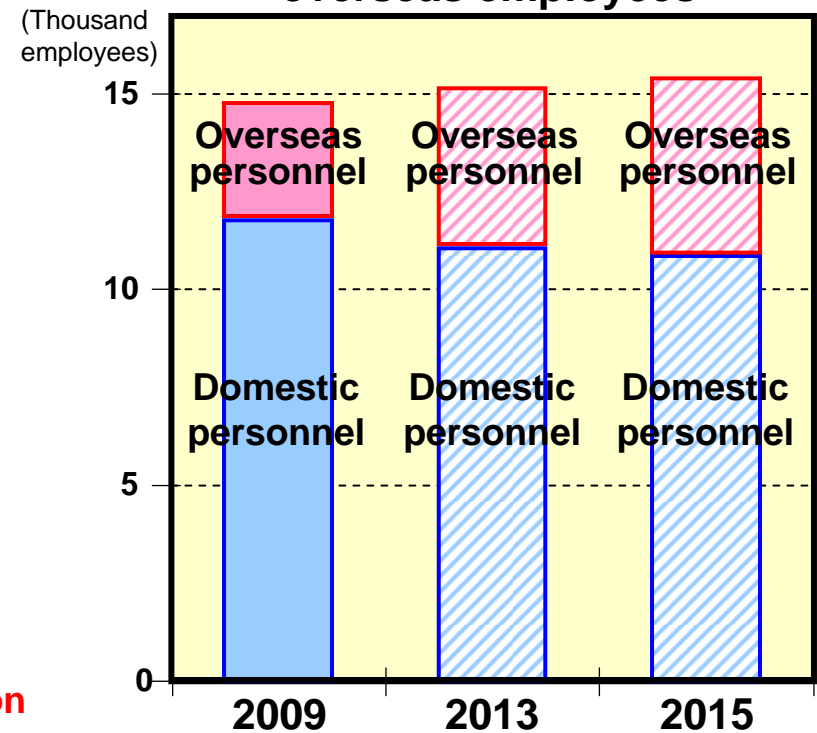


Training and Overseas Recruitment

Number of overseas bases at establishment by region



Number of domestic and overseas employees



- ◆ Increase recruitment of talented overseas human resources in line with globalization
- ◆ Introduce two-way rotation system for overseas and domestic personnel
- ◆ Appoint local personnel to top positions at overseas affiliates

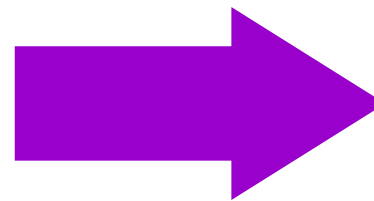
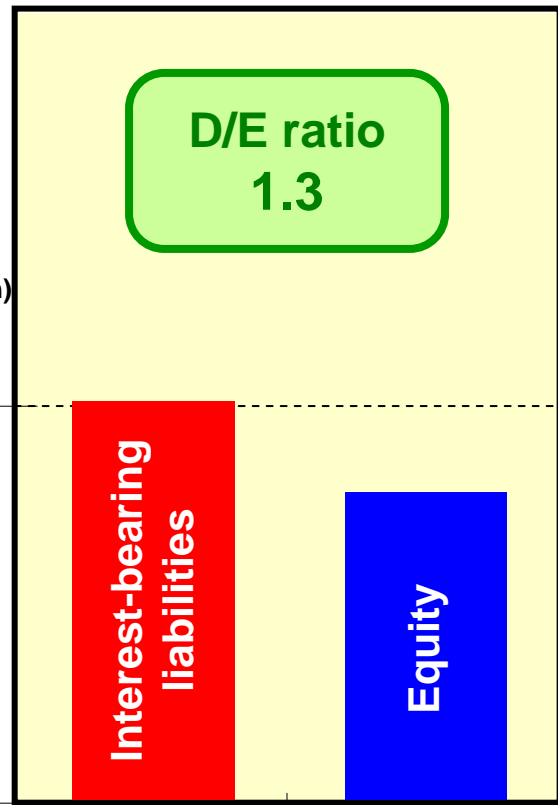
Towards Global Management

Expand overseas business, including M&As, and quickly **reinforce capabilities at overseas bases**

- ◆ Reinforce capabilities at **regional management companies**
- ◆ **Establish overseas technical service bases** in the functional polymeric materials sector
- ◆ Reinforce overseas **R&D capabilities**
- ◆ Transfer **Head Office operational capabilities** overseas for businesses such as TAFMER

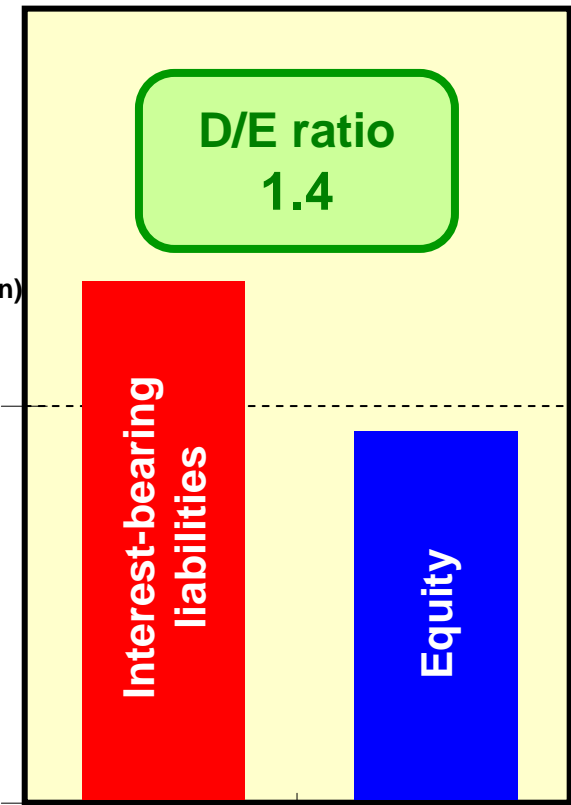
Financial Outlook

End of FY2010



Total investment
350 billion yen
 (Including strategic
 M&As (100 billion yen))

End of FY 2013

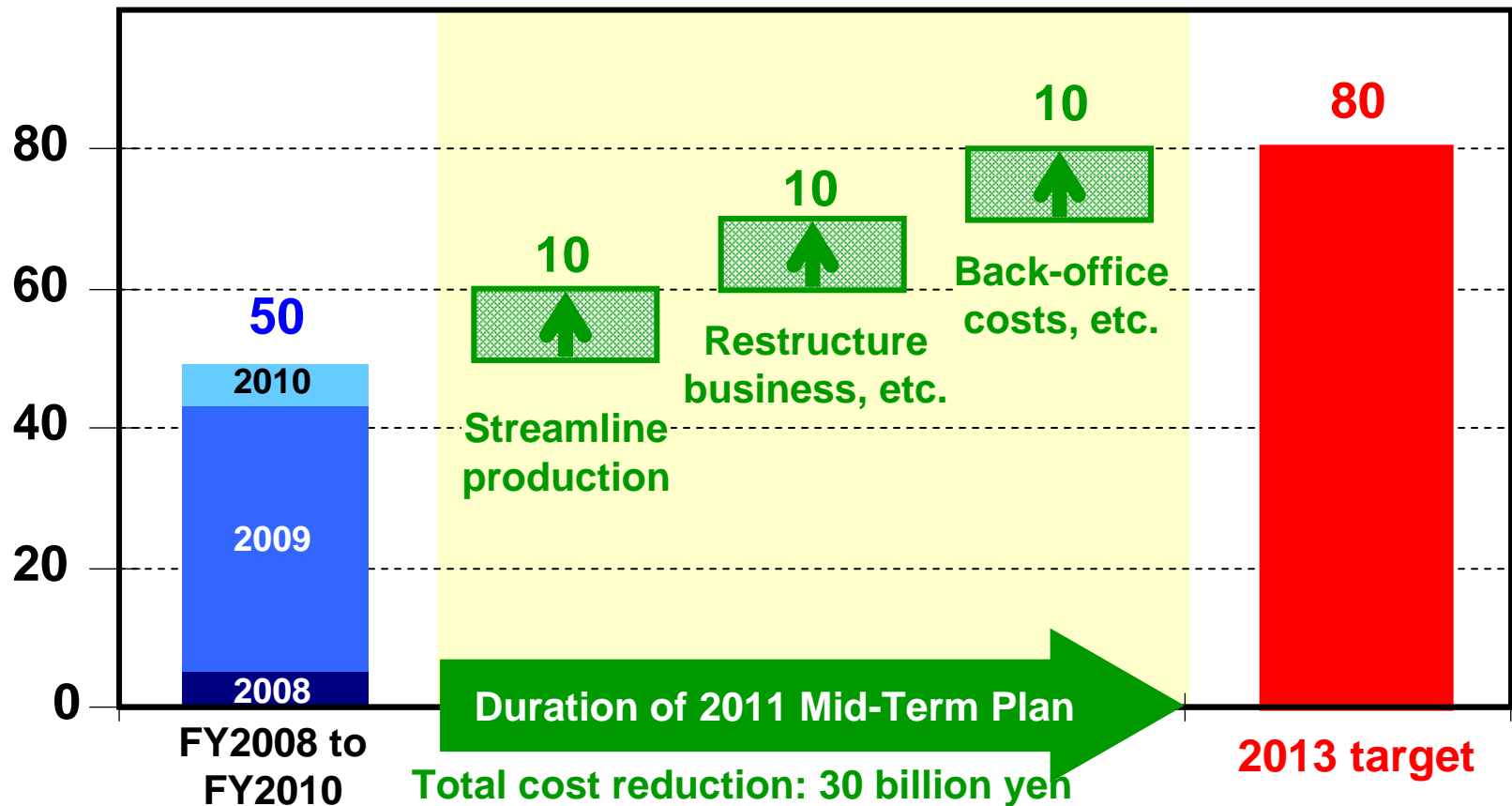


- ◆ The D/E ratio is expected to remain at **1.5 or lower at the end of FY2013** even in the event of **strategic M&As**, which is central in our growth strategy.

Forecasted Cost Reductions

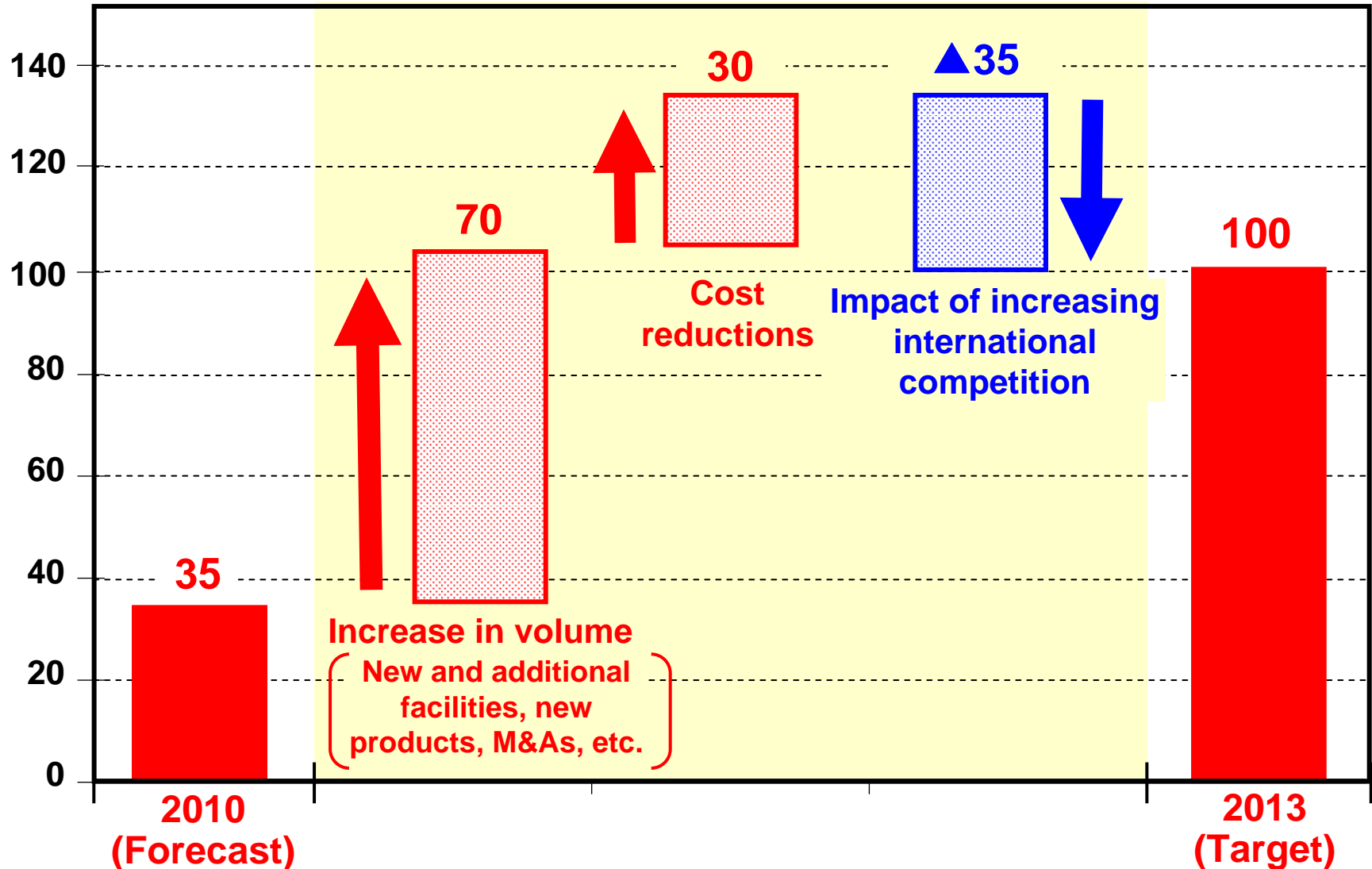
- ◆ Aim to achieve **cost reductions totaling 80 billion yen in 2013**, based on **50 billion yen in emergency cost cutting measures**, plus an additional 30 billion yen.

Cost reduction (billion yen)



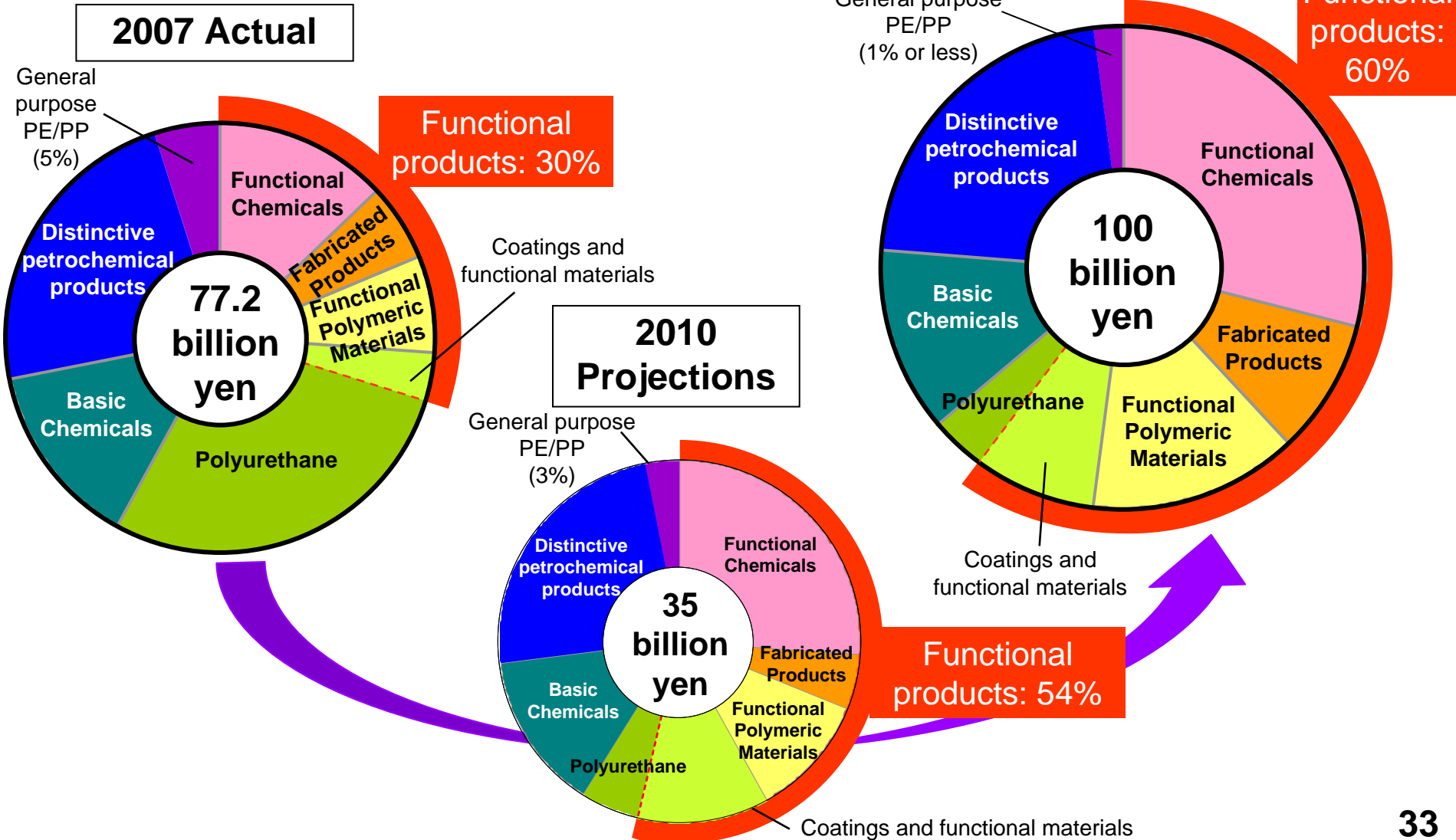
Breakdown of Increase in Consolidated Operating Profit

Operating income (billion yen)



Changes to Business Portfolio (2013 Targets)

◆ Aim to achieve a 60% ratio of “functional products”, which are more resilient to changing economic conditions





MITSUI CHEMICALS, INC.

Leveraging strengths to pursuit a new growth path

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