



**CEO Explanation
Business Results & Outlook
and
Progress of Mid-Term Business Plan**

**- November 14, 2012 -
Toshikazu Tanaka
President & CEO**

Contents

- 1. Explosion and Fire at Iwakuni-Ohtake Works**
2. Financial Results and Outlook for FY2012
3. Progress of Mid-Term Business Plan
4. Topics
5. Conclusion

1-1. Explosion and Fire at Iwakuni-Ohtake Works

◆ Overview

※Details are available on our website.

- April 22 Explosion and fire at resorcinol plant oxidation reactor
- Primary cause was manual release of the interlock triggered by emergency shutdown
- August 15 Preventive measures approved and implemented at all similar plants
- Accident Investigation Committee continues to study underlying causes such as work climate and corporate culture to propose further preventive measures

◆ Casualties/Damages

1) Casualties: 1 dead. 25 injured

(residents/employees of other factories 16; our employees/subcontractors 10)

2) Physical Damage: 999 buildings/homes (repairs completed)

◆ Operations

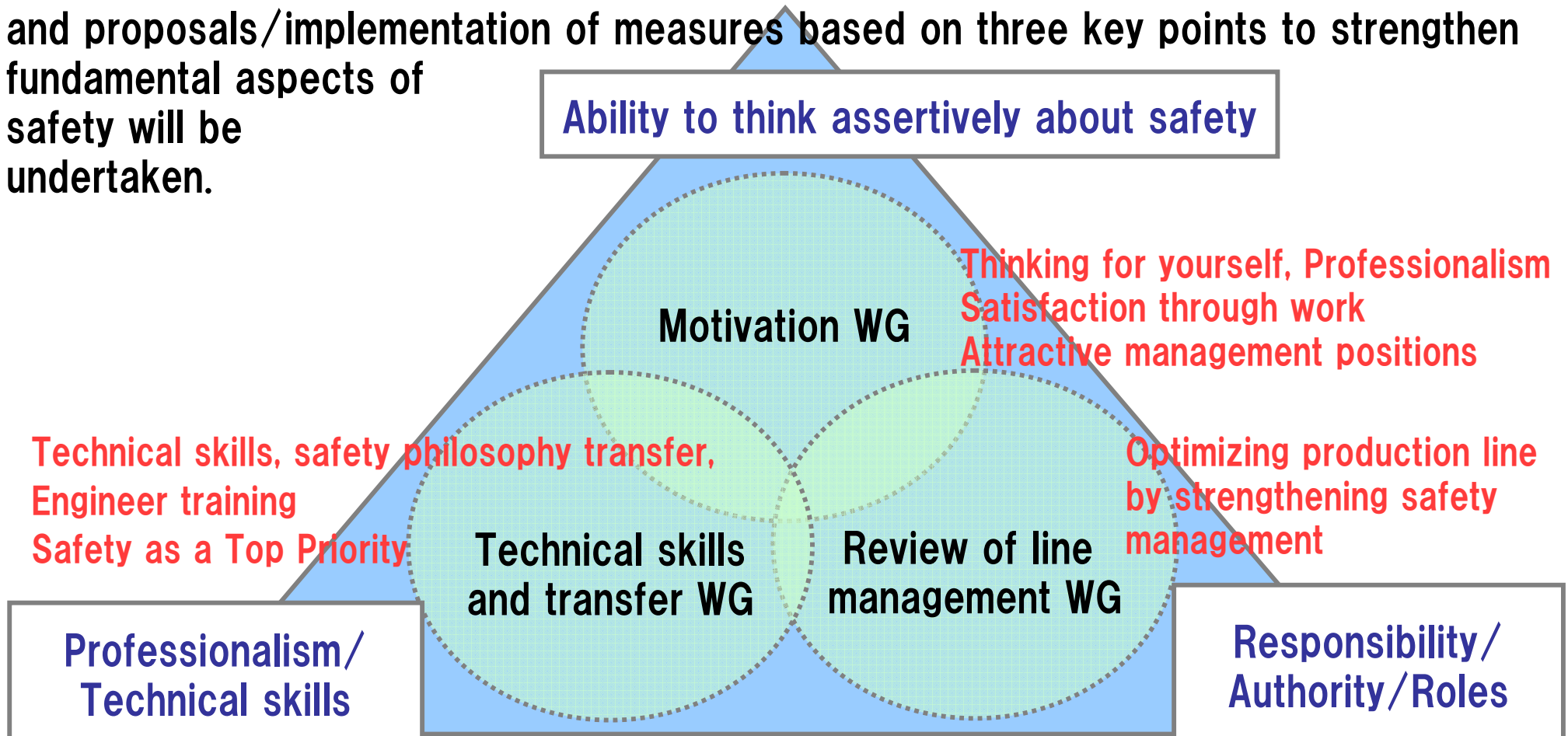
- **Operations resume at all but plants excluding RS and Hydroquinone**
(Cymen currently manufactured at Ichihara Works)
- Hydroquinone operation will resume following study of safety measures and with permission from the proper authorities.
- **Impact forecast: ▲6 billion yen** after insurance

1-2. Fundamental Safety Committee

Fundamental Safety Committee (established in June)

Measures by year end

- Chaired by the president. Company-wide team including external advisors.
- In addition to maintaining and upgrading facilities, investigations into root causes including mindset, organization, technology, corporate culture, etc. will be made and proposals/implementation of measures based on three key points to strengthen fundamental aspects of safety will be undertaken.



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2-1. Financial Results and Outlook for FY2012

(Billion yen)

Items	FY2011		FY2012 outlook	
	1 st Half	Full	1 st Half	Full
Sales	756	1,454	681	1,430
Operating income	28.7	21.6	1.5	23.0
Non-operating Income (expenses)	△ 0.8	1.3	△ 4.0	△ 5.0
Ordinary income (losses)	27.9	22.9	△ 2.5	18.0
Special gains (losses)	△ 0.1	△ 6.5	△ 9.0	△ 3.0
Net income (losses) before income taxes and minority interest	27.8	16.4	△ 11.5	15.0
Net income (losses)	13.4	△ 1.0	△ 15.3	5.0
Exchange Rate (Yen/US\$)	80	79	79	80
Domestic Standard Naphtha Price (Yen/KL)	57,000	54,900	55,200	55,100

(△ Denotes a minus)

2-1. Financial Results and Outlook for FY2012

Operating Income

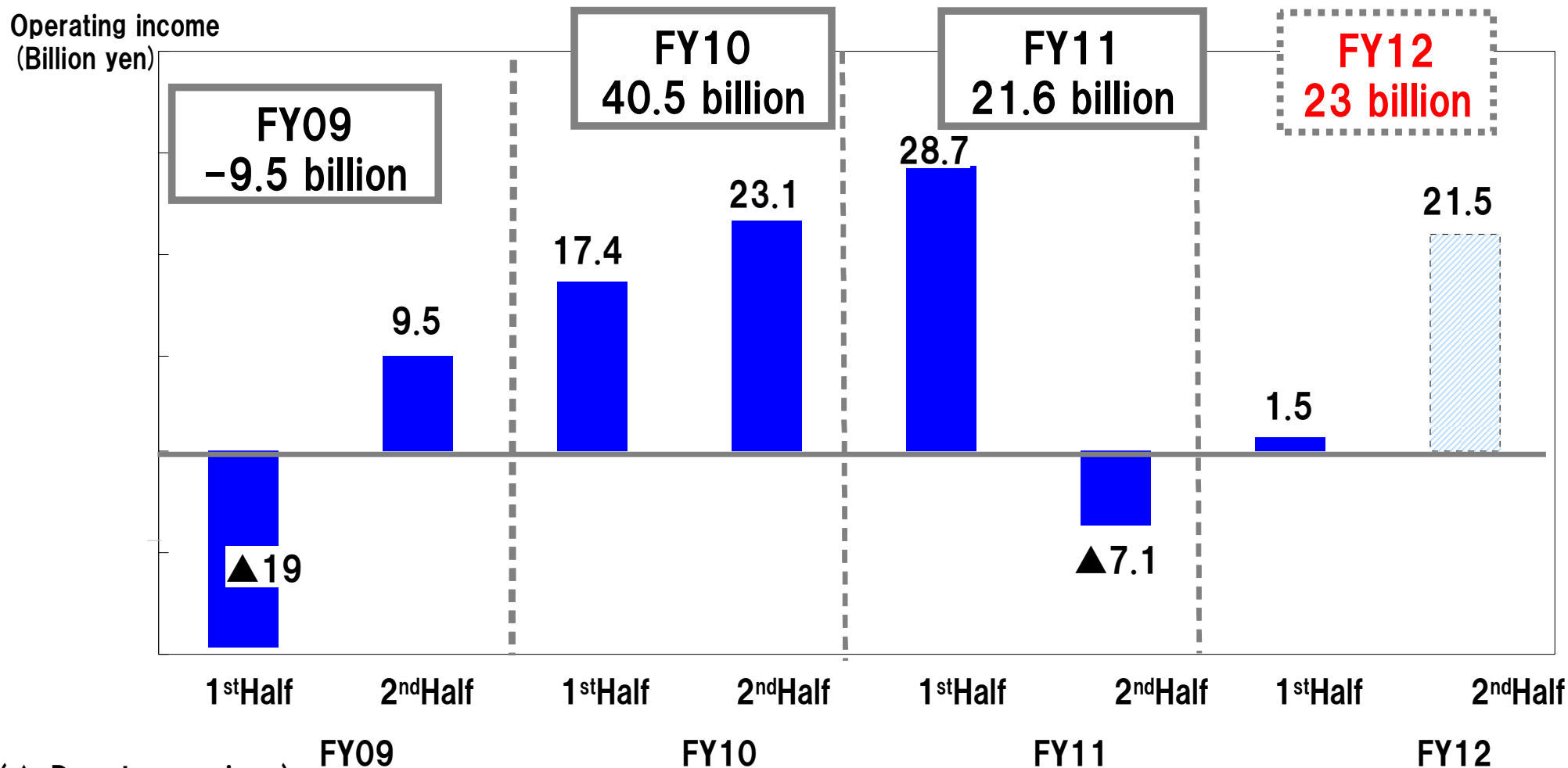
(Billion Yen)

Segment	FY2011	FY2012			change from FY11 (full year)
		1 st Half	2 nd Half (Outlook)	Full (Outlook)	
Petrochemicals	8.9	1.5	9.0	10.5	1.6
Basic Chemicals	8.6	△ 7.0	△ 1.0	△ 8.0	△ 16.6
Polyurethane	△ 14.6	△ 1.8	2.3	0.5	15.1
Functional Polymeric Materials	8.2	4.7	5.8	10.5	2.3
Functional Chemicals	11.7	7.2	7.8	15.0	3.3
Film & Sheets	0.2	△ 1.5	△ 1.5	△ 3.0	△ 3.2
Total (Include others)	21.6	1.5	21.5	23.0	1.4

(△ Denotes a minus)

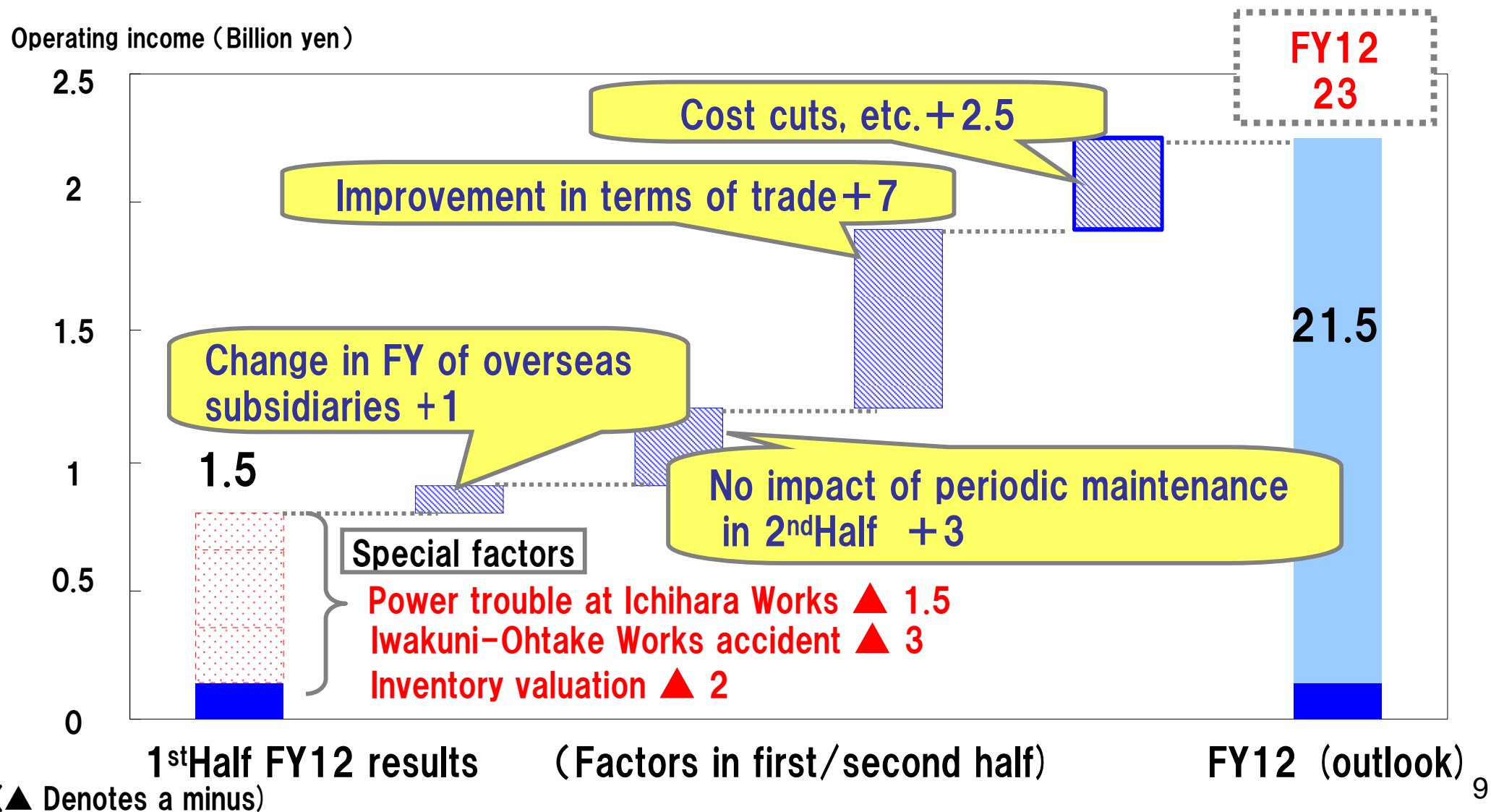
2-2. Operating Income and Loss (FY2009 -)

- **Target operating income of 23 billion yen** for FY2012
- **Decline in income for first half of FY2012** (compared with Aug 7 outlook announcement) was due to **power trouble at Ichihara Works and decreasing demands for products in the Basic Chemicals segment**



2-3. Operating Income and Loss Outlook for FY2012

◆ Major difference in first half results (1.5 billion yen) and second half outlook (21.5 billion yen) is due to special factors



2-4. Forecast for second half of FY2012

(Previous announcement :Aug 7 2012)

(▲ Denotes a minus)

-Results for first half : 1.5 billion yen

(▲3.5 billion yen compared with previous announcement)

- Power trouble at Ichihara Works. Drop in Basic Chemicals demand.

-Revision for second half : 21.5 billion yen

(▲5.5 billion yen compared with previous announcement)

- Forecast 80 yen/US\$ in second half
- Healthy automobile production in U.S. & ASEAN
- Healthy recovery in U.S. personal consumption including housing
- Continued high prices of crude oil and naphtha
- Continued economic recession in Europe
- Minor impact from deterioration in Japan-China relations

-Annual Forecast 23 billion yen

(▲9 billion yen compared with previous announcement)

- No impact of periodic maintenance in second half and healthy demand for PP compounds
- Improvement in Basic Chemicals segment after difficult first quarter (Apr-Jun) Inventories rationalized and market on an upswing
- Sales increase in second half for Polyurethane and spread improves
- Earnings grow in Functional Polymeric Materials & Functional Chemicals

2-5. China Business

- ◆ **Joint operation of large-scale businesses/projects with Sinopec**
(phenol, BPA, EPT, polyurethane system housing)
- ◆ **Forecast limited effect on PP compounds due to drop in automobile sales**



Impact of deterioration in Japan-China relations limited.

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3-1. FY11 Mid-Term Basic Strategy: “5-5-5 Strategy”

Targets

- ◆ Establish business portfolio for growth and sustainability
- ◆ Establish global presence focusing on Asia



Expand businesses more resilient to economic change

Global expansion of highly competitive businesses

Create core businesses for the future

Undertake extensive cost reduction and fundamental restructuring

3-2. Progress with the “5-5-5 Strategy”

Five priority businesses

1. Fine & Performance chemicals

2. Agrochemicals

3. Functional films, sheets and nonwoven

4. Coatings and adhesive materials

5. Engineering plastics and compounds

Five world-leading businesses

1. Phenol chains

2. Polyolefin compound

3. Elastomer

4. Metallocene polymers

5. Optical lens monomer

Five development areas

1. Solar power

2. Electronic and information films

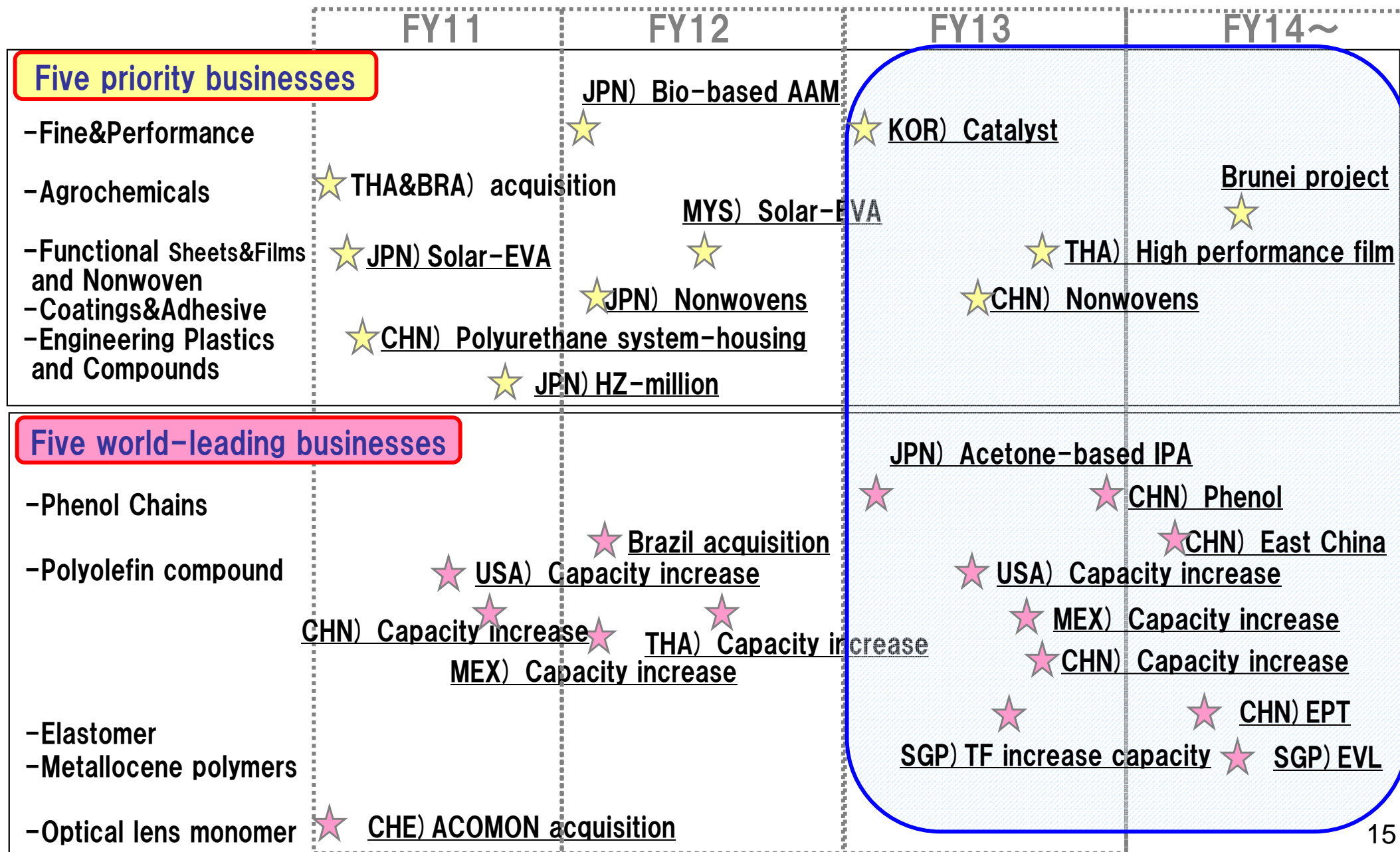
3. Next-generation functional chemical products

4. Eco-friendly vehicles materials

5. Biomass chemicals

3-3. Progress with 5-5-5 Strategy

Progress of operations based on Mid-Term Business Plan (results after FY13)



3-4. Three Key Areas

- Channeling management resources into 3 key areas
- Target 100 billion yen in operating income as a chemical company with an undisputed global presence

① “High Value Added Polymers” based on proprietary technology such as high performance catalysts

⇒ Reinforce high value, acceleration of global deployment

ex) Metallocene polymers, High function compounds

② “High Functional Products” to solve global issues such as food, health, and ageing

⇒ Early actualization and expansion through M&As and collaborations

ex) Healthcare, Agrochemicals

③ “Phenol Chains” with global presence

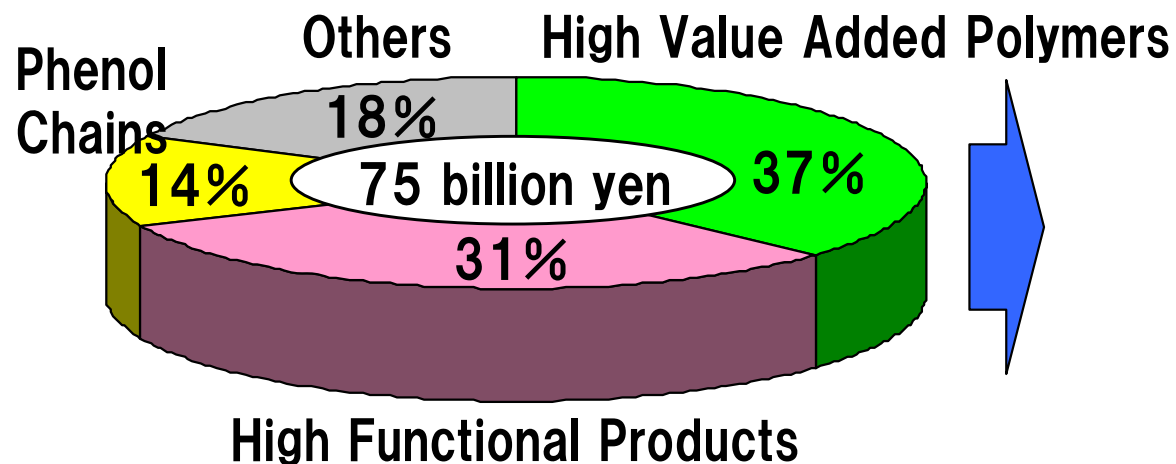
⇒ Measures for surplus acetone, strengthening of derivatives, cost reductions

3-5. Investments for Three Key Areas

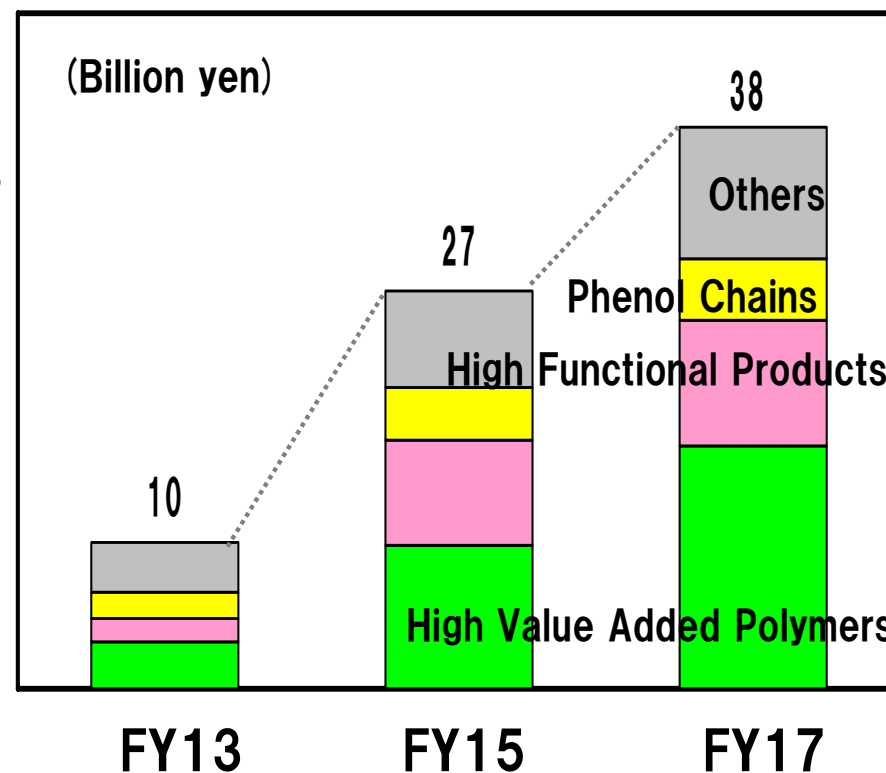
- ◆ Focus **80%** of investments for growth on 3 key areas
- ◆ Effect of growth investments during Mid-Term Business Plan will result in rapid expansion after FY2014

FY11-13

Investments for growth



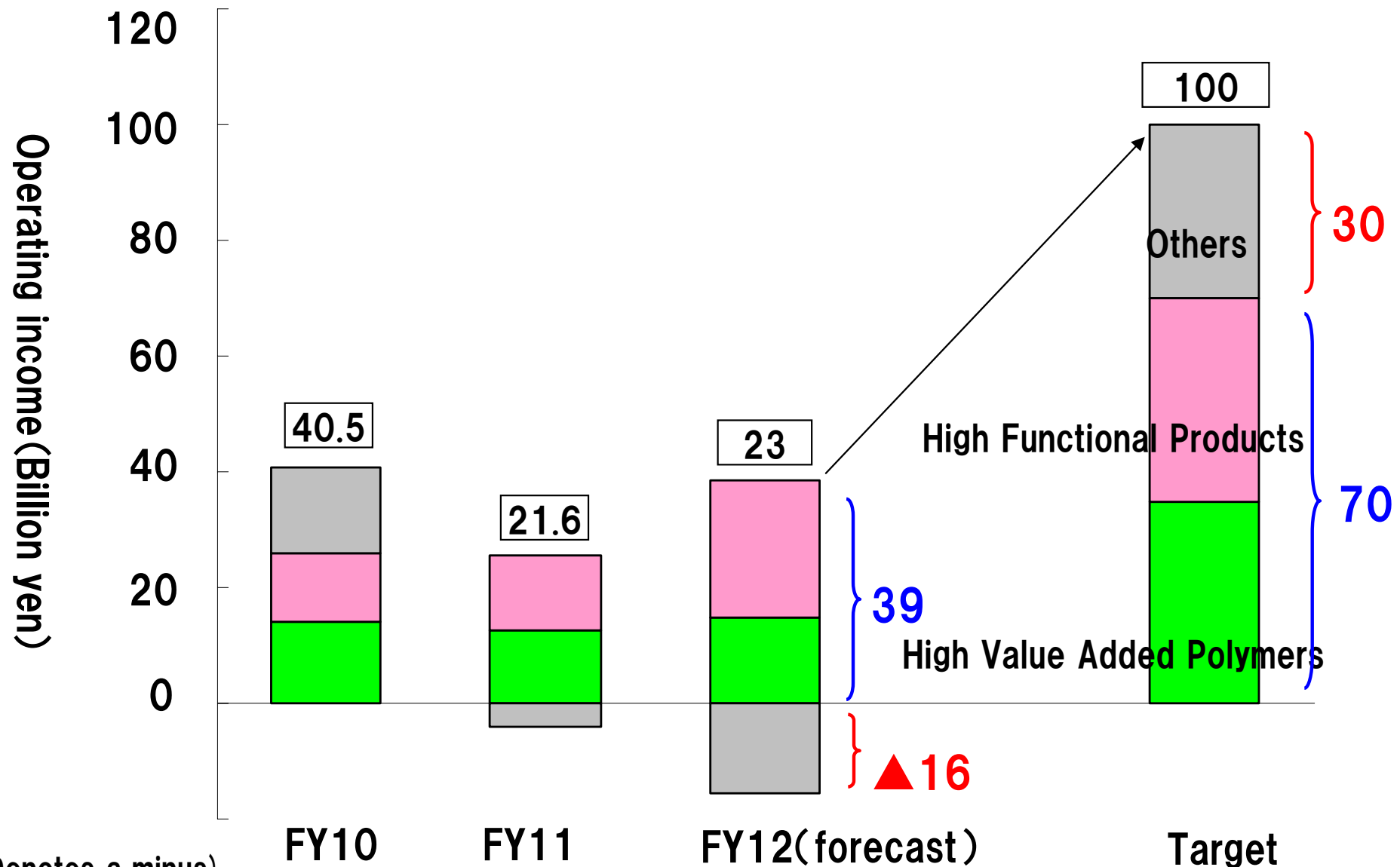
Effect of investments



Company-wide projects including M&As are in a different category

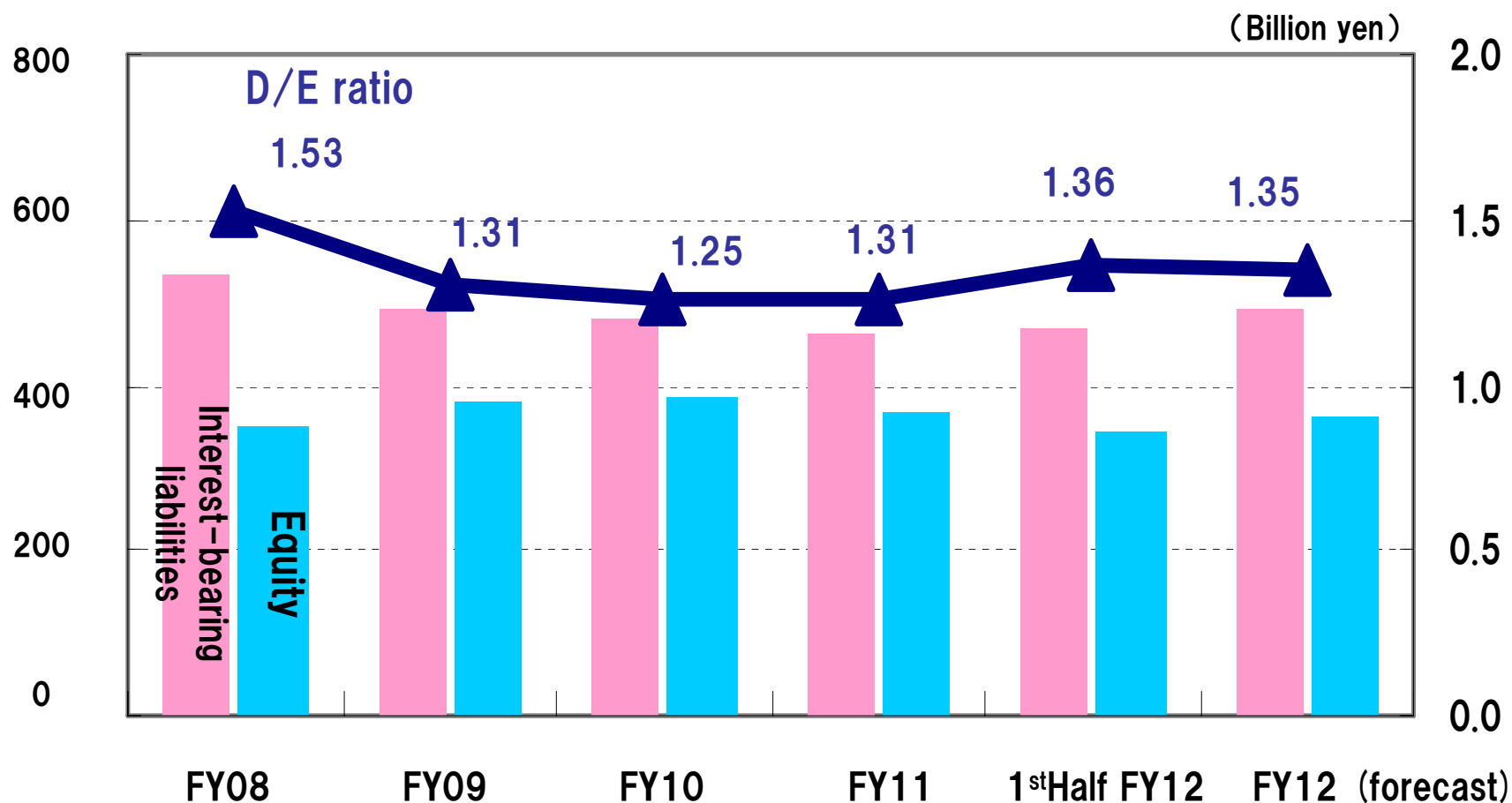
3-6. Changes in Business Portfolio

- ◆ Restructure business portfolio towards high value added polymers and high functional products which are resilient to economic change
(**Operating income of two key areas will account for 70%**)



3-6. Financial Outlook

Execute strategy while balancing financial structure



Dividend forecast for FY12

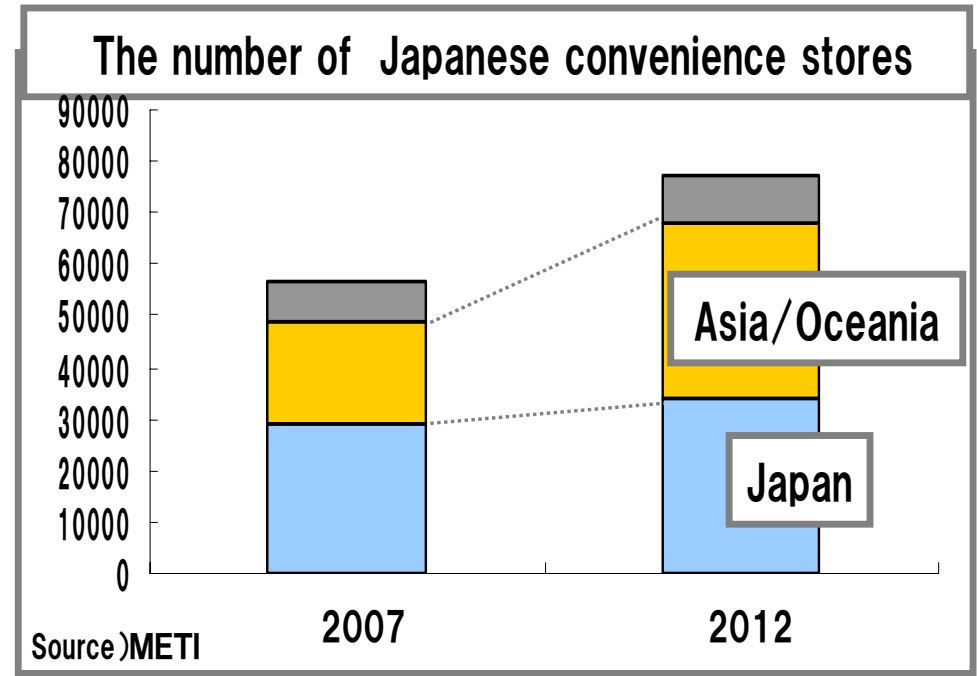
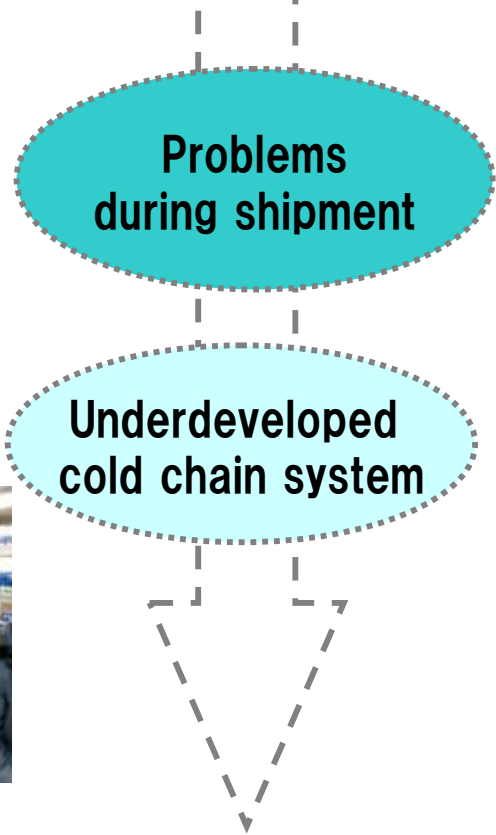
Midterm: 3 yen/share Year-end forecast: 3 yen/share
 ⇒ Annual: 6 yen/share (DOE=1.6)

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4-1. Asian Food Packaging Market

Rapid increase of convenience stores/supermarkets in Asia result in growing demand for food packaging



Deployment of a business model that “connects the dots” in Asia through “tear-proof, leak-proof, and odorless”, EVOLUE and high performance film T.U.X.,

4-1. Asian Food Packaging Market

- ◆ **Establishment of high performance films base in Thailand**
(15KTA; commercial operation late 2013)
- ◆ **New base for Evolve in Singapore**
(300KTA; completion December 2014)

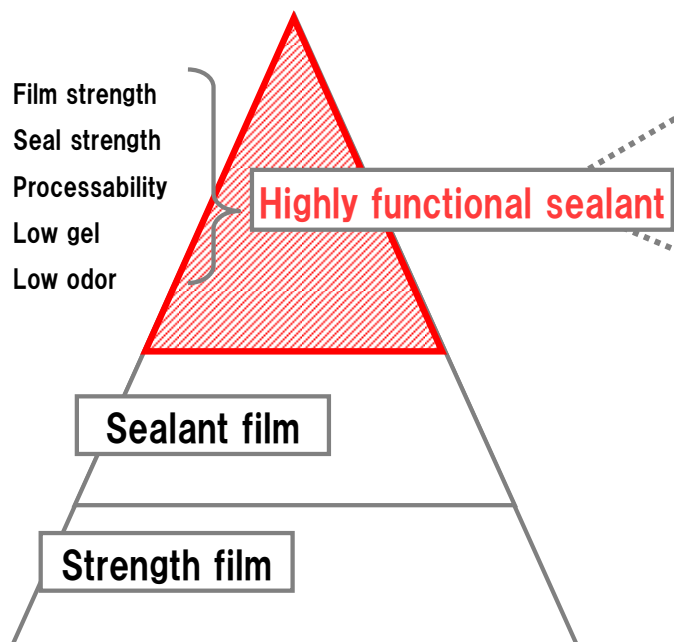
Highly Functional Polymer "Evolve"



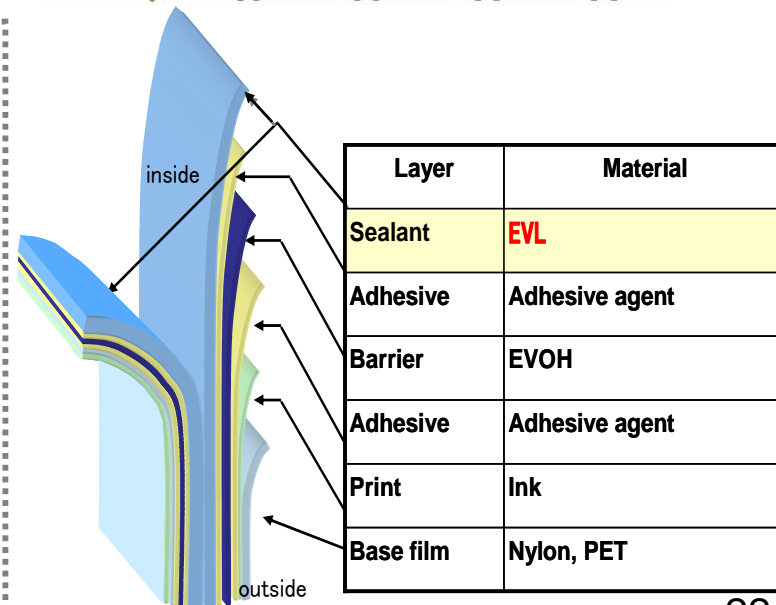
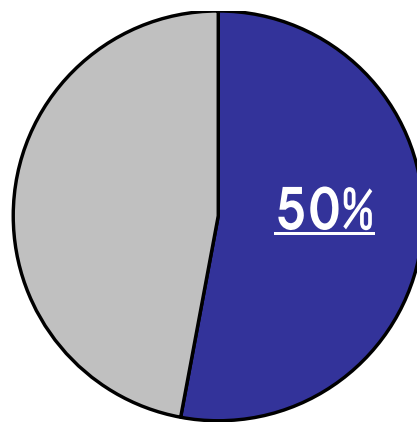
Highly Functional Sealant "T.U.X"



(Distribution) Food Packages



No1 share in Asia



4-2. Global Expansion of Polyolefin Compounds

◆ Polypropylene Compounds (for automotive applications)

- **New base in Brazil through acquisition (May 2012)**
 - Production augmentation (U.S.A, Mexico, China and Thailand)
- ⇒ Increase from 740KTA (FY2010) to **930KTA (FY2013)**
 Secure position as **global leader with 8 bases**

◆ Performance Polymers (Milastomer, ADMER)

- **New base in East China** (Sep.2012/operation commencement October 2014)



- Enhance global position by synergy of highly functional polymer with competitive edge, state-of-the-art compounds technology

4-3. Global Expansion of Agrochemicals

Expand economically resilient pesticide business

[High safety] [High efficiency] [Environmental friendly] agrochemical active ingredients contribute to society by providing solutions to global food problems



Expansion of global sales of active ingredients

- Progress in register/launch of new agrochemicals
- ★ Expansion of overseas sales bases

4-3. Global Expansion of Agrochemicals

Launches of active ingredients

	Development of active ingredients				
	~1980	1981~1990	1991~2000	2001~2010	Under Development~2020
Insecticide		Etfenprox Milbemectin		Dinotefuran Lepimectin	<div style="border: 1px solid gray; border-radius: 20px; padding: 20px; text-align: center;"> <p>Five next generation active ingredients</p> </div>
Fungicide	Chlorpicrin Hymexazol		Flusulfamide	Penthiopyrad Simeconazole	
Herbicide		Pyrazolate			



- ◆ Continue expansion of active ingredient pipeline
- ◆ Accelerate development of **5 next generation active ingredients with new efficacy**



4-4. Restructuring of Phenol Business

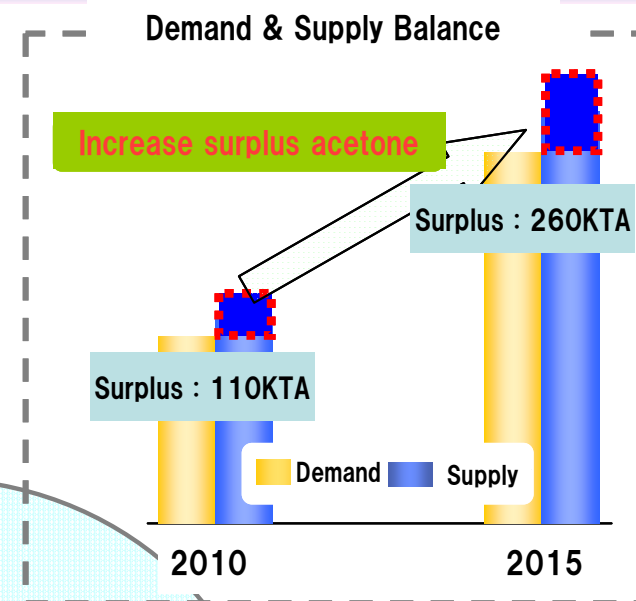
【Acetone recycle process】

- Study further augmentation

【High added value acetone】

- Acetone-based IPA (Apr. 2013)
- Enhance MIBK (50KTA, 2015~)

Measures for surplus acetone



Enhance measures for new derivatives

【Measures for new derivatives】

- Caprolactam by phenol method

Extensive cost reductions

【Cost cuts】

(▲ Denotes a minus)

- ▲ 3.5 billion yen (FY2013)

【Improvement of process】

- Drastic process improvements for world class cost competitiveness

Further strengthen market presence as a top player

4-5. Restructuring Polyurethane Raw Material Business

◆ License agreement and collaboration with SABIC

- Agreement to provide **TDI, MDI manufacturing technology** (Feb 2012)
- Commercialization: Conclude FS by end of FY2013.
Commence commercial operation in FY2016 (tentative)
- Secure supply bases for competitive TDI, MDI
- Study joint ventures



◆ Rationalization of polypropylene glycol production

- Suspension of Chiba Polyol (28,000 tons) in June 2012
⇒ Cut fixed costs by 0.7 billion yen/year

◆ Impairment of polyurethane business (11.7 billion yen/FY2011)

- ⇒ FY2012 cut fixed costs by 3 billion yen

◆ Extensive reforms in cost structure (FY2015 target 8 billion yen)

- FY2011: achieved 3.4 billion yen cost cuts against FY2010
- FY2012: target approximately 5 billion yen cost cuts against FY2010



Aim for positive turnaround in FY2012 by restructuring measures and improved market conditions

◆ Strengthening competitiveness of polyolefin operations (Prime Polymer)

① Production rationalization

- Ube Polypro suspension (PP:90KTA, March 2011)
- Decision to suspend **Ichihara PP plant** (PP:90KTA, June 2013)
- Decision to suspend **Anesaki HDPE plant** (130KTA, March 2013)

② Extensive cost cuts (target: 10 billion yen FY2013)

- Achieved 4.6 billion yen in FY2011 against FY2010
- Target 7.3 billion yen in FY2012 against FY2010



◆ Reform ethylene center structure

① Implement low run rate measures (Chiba LLP)

- Economic efficiency even at 70% run rate (August 2013)

② Restructure ethylene center using LLP

4-7. Tahara Mega Solar Project

Construction of Solar/Wind Electricity Generation Project

Construction commencement : November 2012

Commercial operation : October 2014 (tentative)

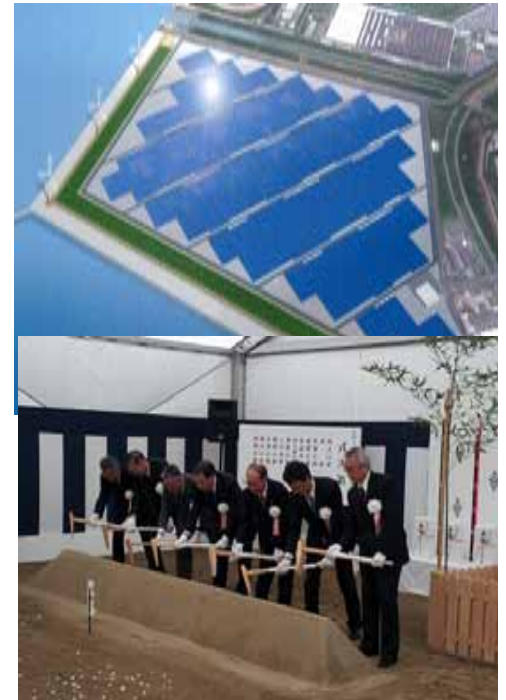
Generation Capacity : **Solar Power 50MW , Wind Power 6MW**

One of largest mega solar generation plants in Japan
(equivalent to annual consumption of approximately 19,000 households)

Location : Tahara City, Aichi Pref.

Total investment : 18 billion yen

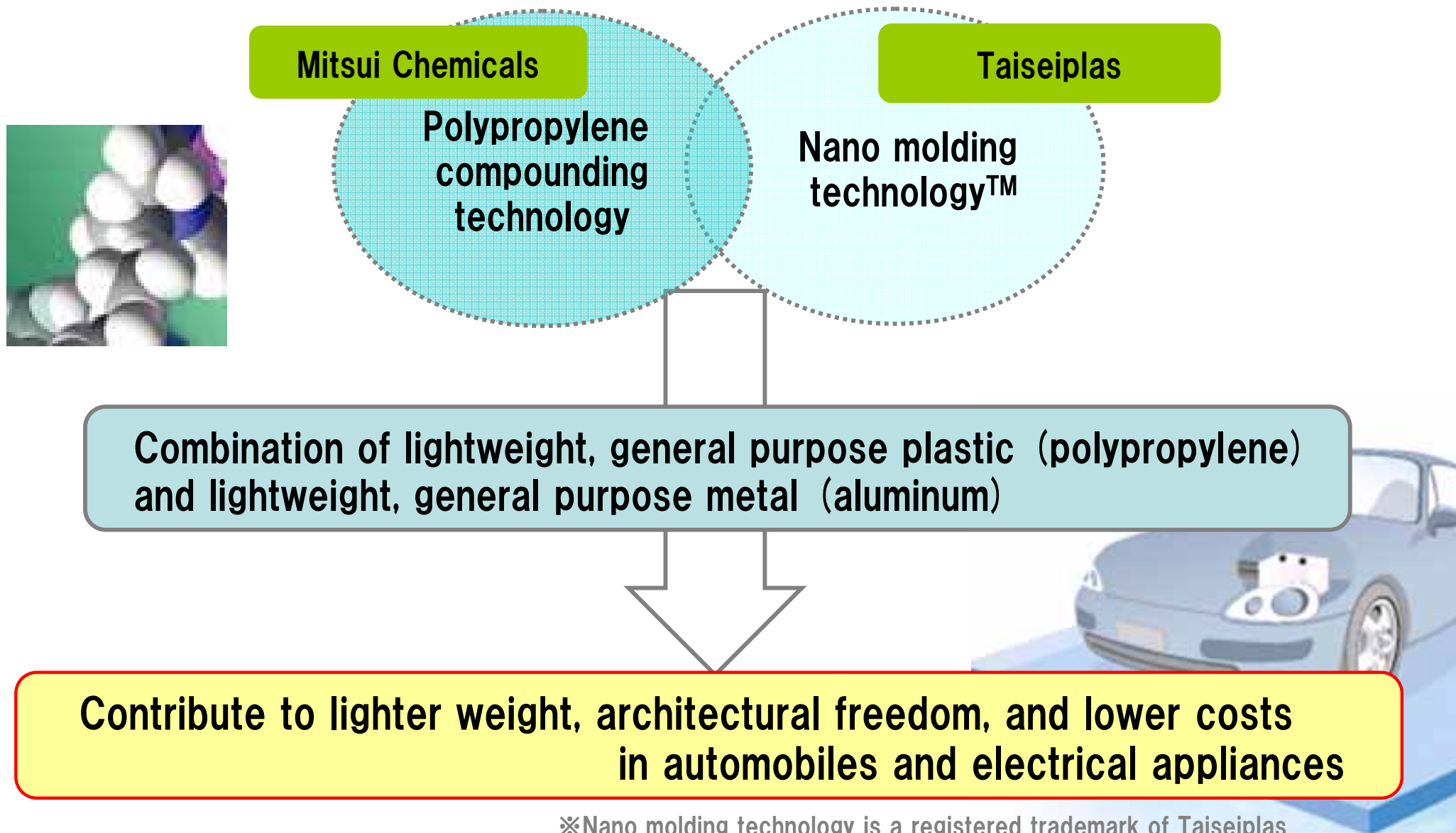
Participants : Mitsui Chemicals 35%, Mitsui & Co., 15%
C-Tech 10%, Toagosei 10%,
Toshiba 10%, Toray 10%
Mitsui Engineering & Shipbuilding 10%



Contribute to material innovation for renewable energy systems using modules of domestic and overseas makers by recognizing technological challenges and responding to market needs.

4-8. Integrated Metal/Resin Processing

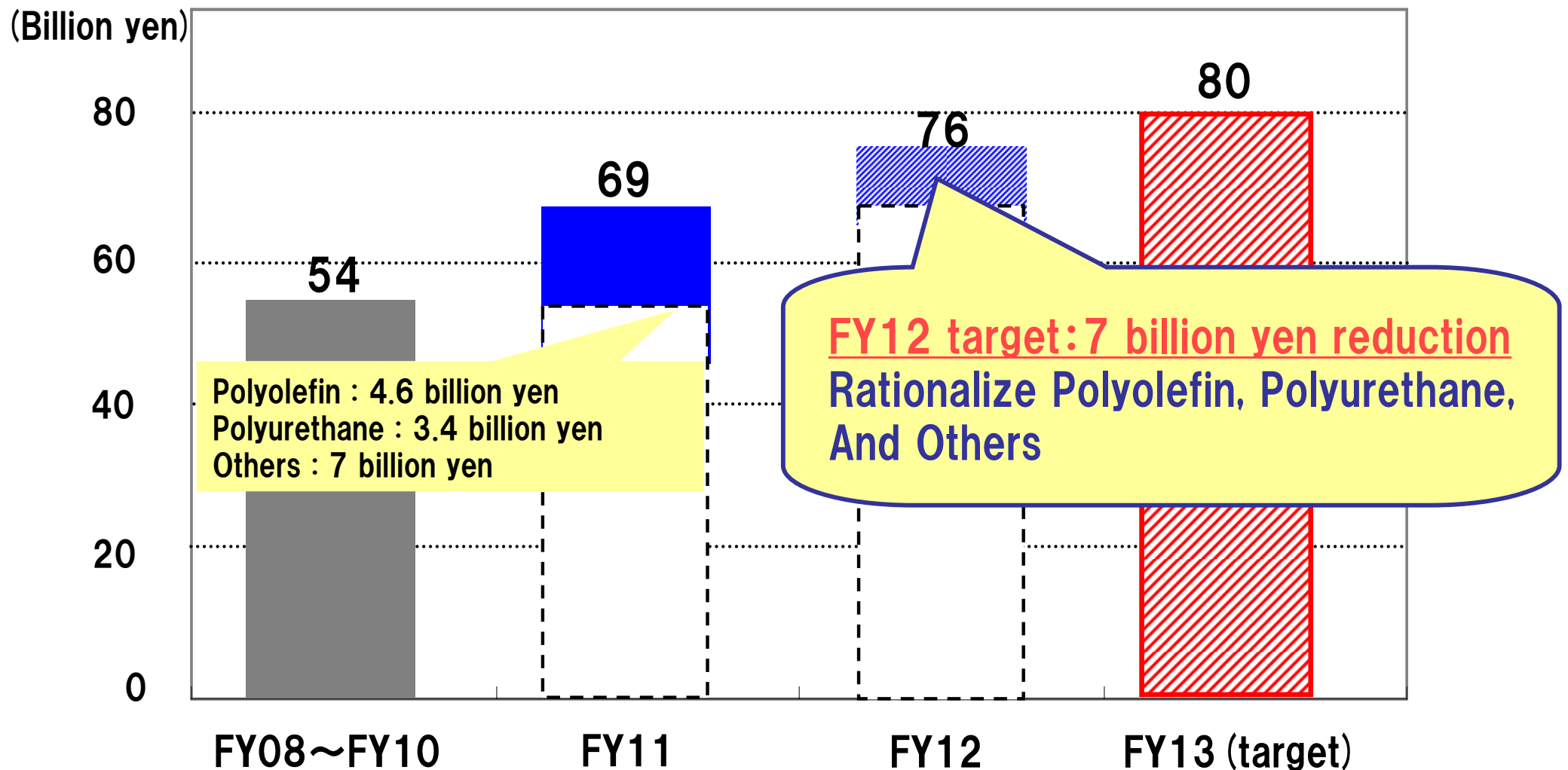
◆ Successful development of integral molding technology of plastics and metals



4-9. Progress in Cost Reduction

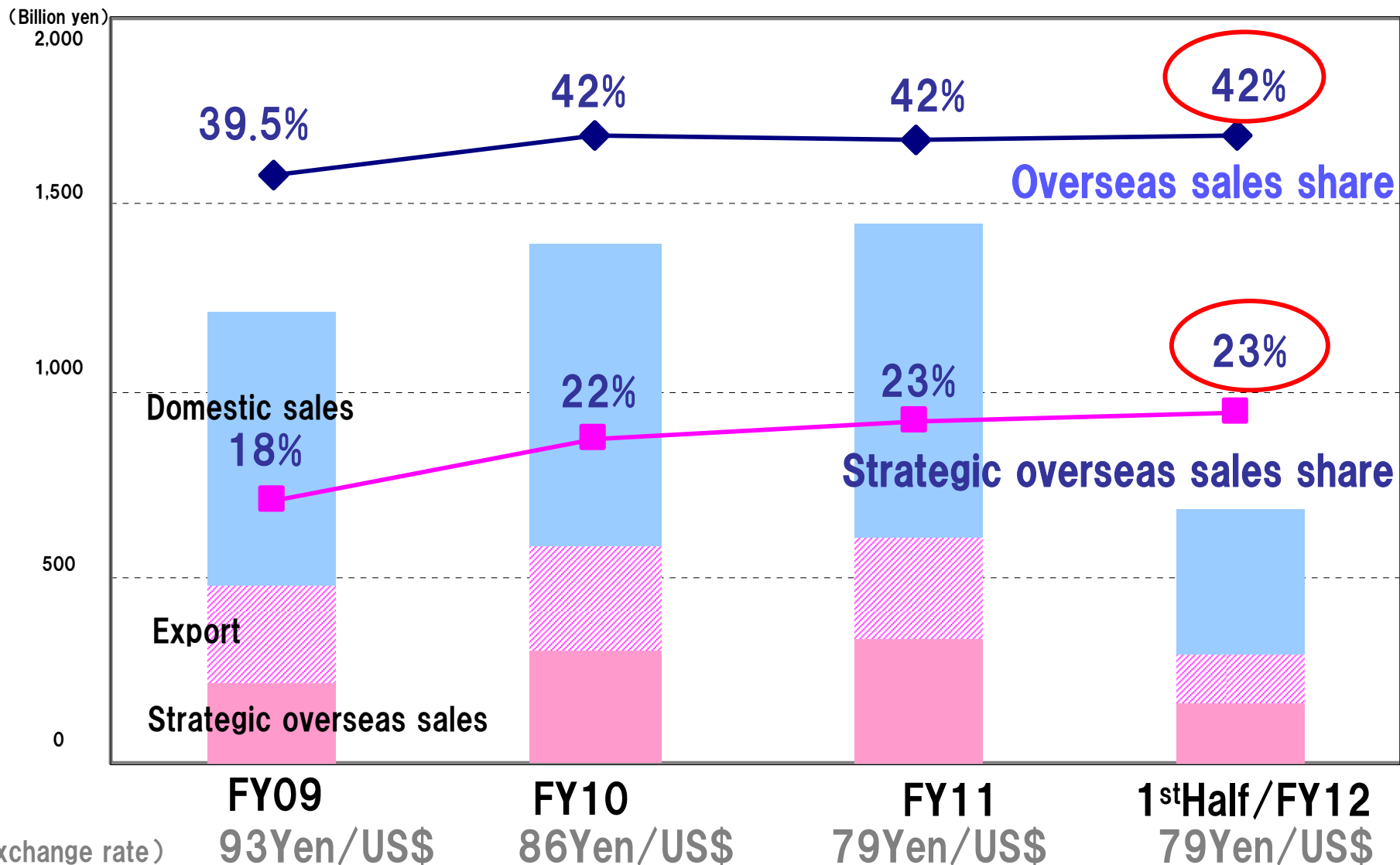
FY2011 results : 15 billion yen

FY2012 target : 7 billion yen (First half results 4.8 billion yen)

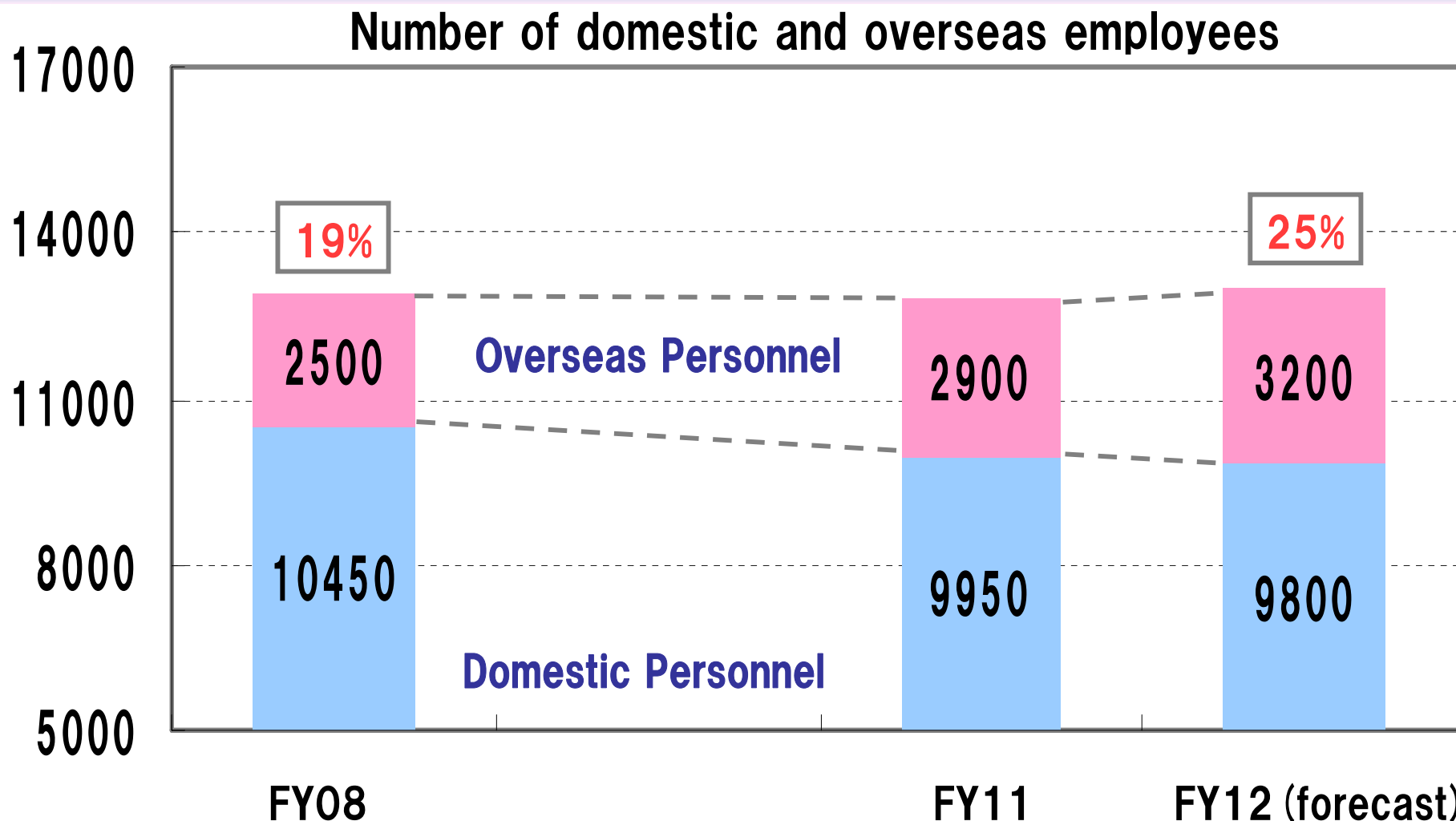


4-10. Overseas Sales Share

Target overseas sales expansion at 45% for FY2013 by strengthening globalization efforts



4-11. Human Resources



Overseas Group employee ratio expected to grow from 19% in FY2008 to 25% in FY2013 as a result of globalization

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- Target operating income of 23 billion yen in FY2012**
- Accelerate change in business portfolio according to [5-5-5 Strategy] by focusing management resources on 3 key areas**
- Implement ongoing restructuring measures to large-scale, low-profit businesses**



MITSUI CHEMICALS, INC.

Challenge

Diversity

One Team

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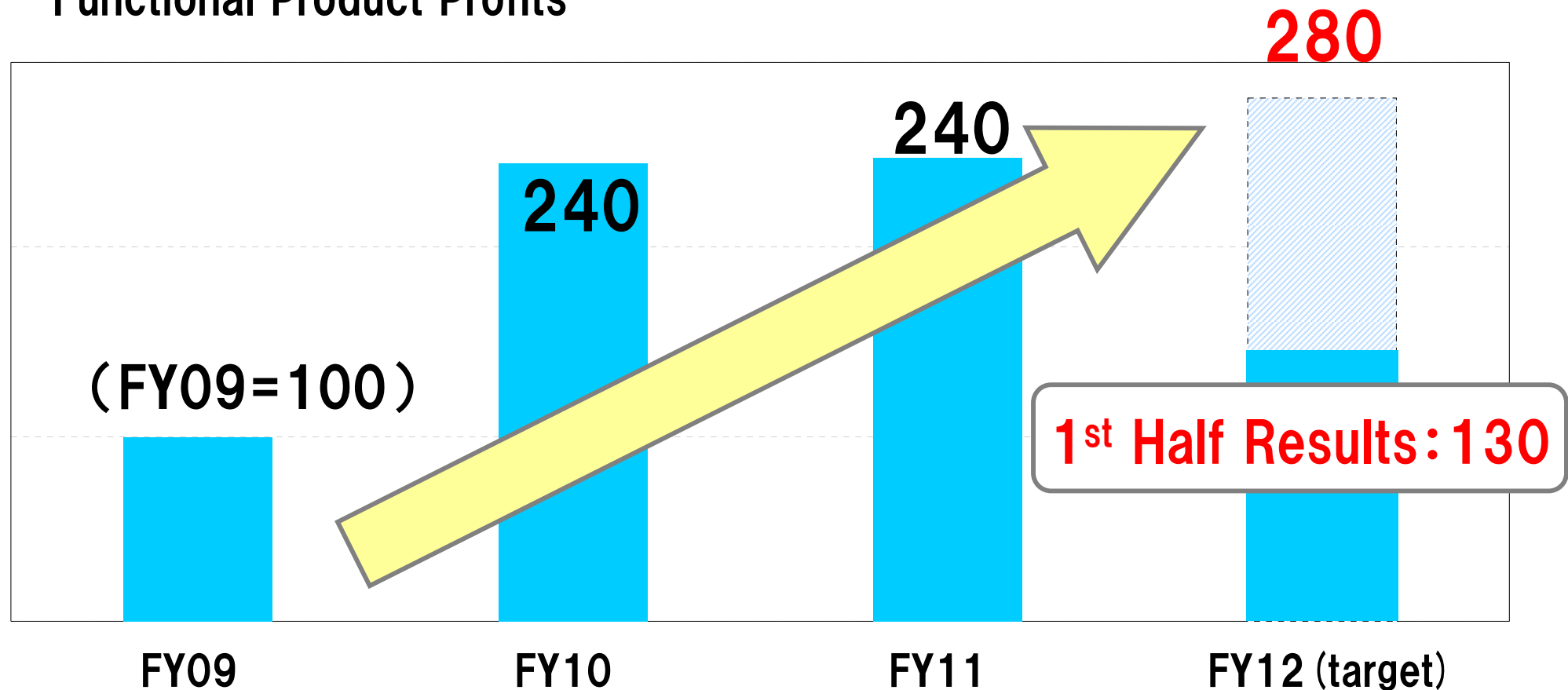
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(Supplement)

(3-7.) Changes in Business Portfolio

- Growth continues in FY2012 despite harsh conditions
- Steady progress in changes to business portfolio

Functional Product Profits



Functional Products: Functional Chemicals, Functional Polymeric Materials, Coating & Engineering Materials, Films & Sheets