

Preliminary Presentation of the New Mid-term Management Plan  
**‘Good Chemistry for Tomorrow’**  
**Towards 2025**

May 31, 2007

# Agenda

## ■ Summary and Progress

- Consolidated financial results for FY2006
- KAKUSHIN Plan: Phase 2 (FY2005-2007)

## ■ Management Policies

- Current status and tasks
- The new mid-term management plan  
(to be announced at the beginning of 2008)
- Future vision

# Summary of Consolidated Financial Results

## FY2006

Billions of yen

### Net Sales

¥2622.8

Increased mainly because of price adjustments for petrochemical products in response to raw material price hikes.

In the pharmaceutical business, net sales fell because of NHI price revision.

### Operating Income

¥128.6

Decreased because of price difference in inventories of raw materials and temporary production suspensions due to petrochemical facility troubles.

### Net Income

¥100.3

Increased because of lower extraordinary losses.  
Record profits posted.

## FY2007 (Forecast)

Billions of yen

¥2,900

Increase expected in net sales from the merger of the pharmaceutical businesses and commercial operation of Ningbo Mitsubishi Chemical Co., Ltd.

¥148

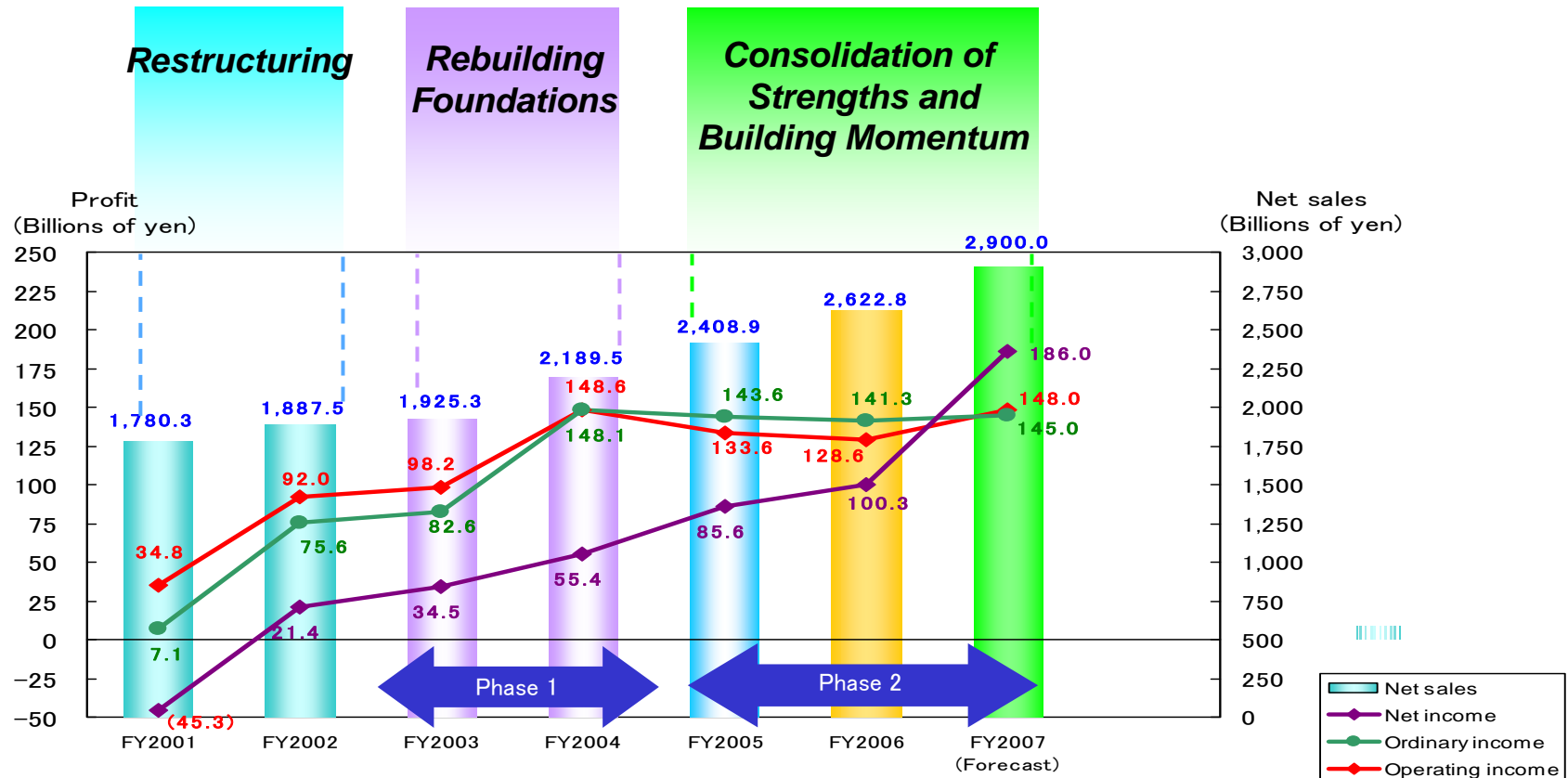
Increase due to the above merger and favorable progress in performance and functional products, despite impact from elimination of depreciable limit.

Comparative differences w/o the impact of regulation change in depreciation and reorganization changes (+34.0)

¥186

Increased expected due to gain on 'share change balance' by the merger of pharmaceutical businesses.

# Progress of the 'KAKUSHIN Plan: Phase 2'



**Change of corporate culture**

**Strengthening of business foundations**

**Active investment**

**Target in Phase2 (FY2007)**

(Billions of yen)	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
Operating income	34.8	92.0	98.2	148.6	133.6	128.6	148.0
D/E ratio	3.07	2.75	2.19	1.59	0.98	1.04	N/A
ROA(%)	-2.6	2.0	3.4	5.3	5.6	6.2	N/A

$\geq 140.0$   
 $\leq 1.5$   
 $\geq 5.5$

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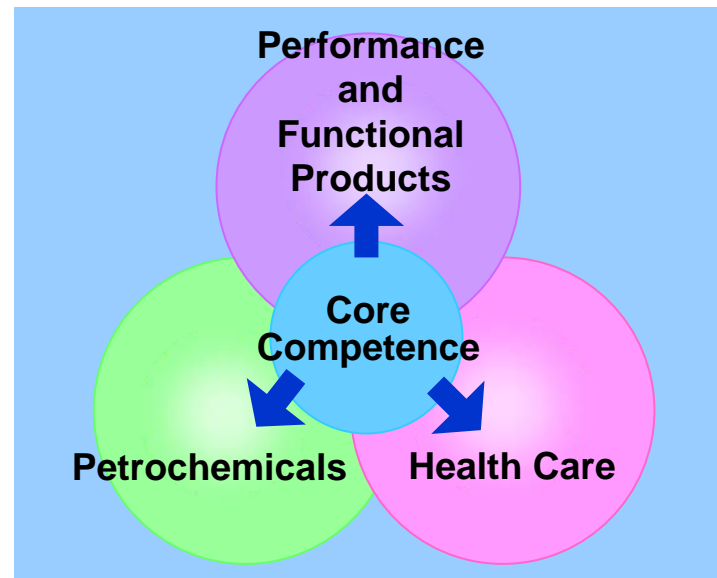
## ■ Management Policies

- **Current status and tasks**
- **The new mid-term management plan**  
**(to be announced at the beginning of 2008)**
- **Future vision**

## Maintain Three Business Pillars with High-value-added Products

- **‘Good Chemistry’, which can create unlimited potential for future growth based on interaction within three pillars, is our ‘will’ for the future and will be our core competence.**
- **Focus on high-value-added businesses.**
- **Investment capability induced by corporate scale is indispensable for incubating and nurturing new businesses.**

The MCHC Group



## Current Status and Tasks

### Performance and Functional Products

- Active resource investment is required to attain strong business drivers.
- Weak business activities, compared to market growth potential.
- Alliance is an option to accelerate business growth.
- Early realization of merger effects of the new functional products company.

### Health Care

- Early realization of merger effects of Mitsubishi Tanabe Pharma Corp.
- Acceleration of overseas businesses and market development.
- Response to change of medical care system.  
(Personalized medicine, generic products)

### Petrochemicals

- Volatility still remains, and stable profitability is not yet attained.
- New strategy including business structure is under preparation (by the end of this year).

## Current Status on Focused R&D Projects\*

- Solid-state lighting
  - Displays
  - New polymers for automobiles
  - Sustainable resources
- Continued high expectations for market growth
  - Additional sales in 2015 are expected 100 to 150 billion yen, due to delays in new market creation and development
- Support for drug discovery (Metabolomics and NMR technology)
- Progressing favorably

\* Conducted mainly in Mitsubishi Chemical Group Science and Technology Research Center, Inc. with divisional R&D.



# Produce a Number of Innovative Technologies and Products

## Accelerate Innovation

- **Strengthen management strategies**
  - Consolidate management, R&D, and IP strategies. (launched from April 2007)
  
- **Strengthen organizational structure of the MCHC Group**
  - Established an organization, Automotive Solutions, directly supervised by President.
  - Established Chemistry Plaza.
  - Established Customer Laboratory (Yokkaichi).
  - Strengthen marketing capability of the Group in China and India.
  
- **Accelerate New Business Incubation**
  - Established a new department, Innovation Center.  
(The Science & Technology Office was dissolved in order to form the Innovation Center.)
  - Integrate R&D projects with Group management and business strategies.

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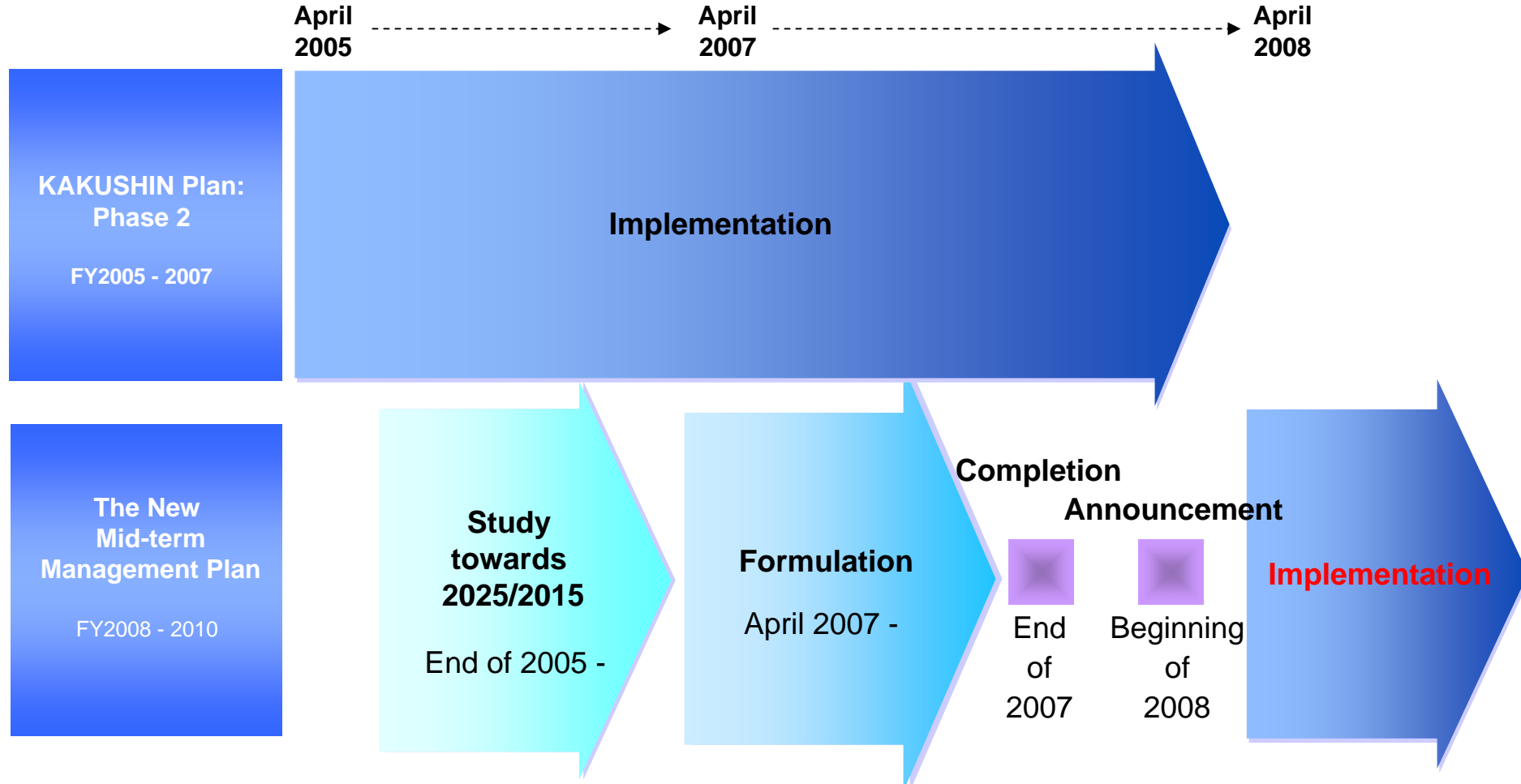
## The New Mid-term Management Plan: Preliminary Study



## Discussion Items for the New Mid-term Management Plan

- Underlying assumption of the future shape of the MCHC Group.
- Develop new plan by combining two approaches: consequence of the present situation; portfolio strategy reflecting corporate presence in 2025 and 2015.
- Numerical targets for achieving sustainable growth by coping with current tasks.
- Selection and focus on new business investments for future growth drivers.
- Selection and focus on current businesses for further expansion.
- Financial targets, return to shareholders, cash flow.
- Regional investment, marketing strategy and risk management.

# The New Mid-term Management Plan: Schedule



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## Creation of Future Vision

Future vision was created by taking into account:

- Transformation of social structure and needs
- 'Will' of the MCHC Group

*Good **Chemistry** for Tomorrow*

Creating better relationships among people, society, and our planet.

Our 'will'

The year of 2025

## Changes of Business Environment and Values towards 2025

**Awareness and urgent solution are indispensable given the limitation of global environment and resources.**

**Solution for healthcare including economic impact plays a significant role in aging and longer life spans.**

**Japanese cutting-edge product development companies are threatened by the rise of emerging countries, such as the so called BRICs.**

**Companies with capital strength in Asia, the US, Europe, and the Middle East compete for the growing Asian chemical market and severe survival competition will increase.**



## Future Vision in 2025

### The MCHC Group will be

A global leading company based on 'Good Chemistry', which can create unlimited potential for future growth based on interaction within three pillars, is our core competence.

A company more deeply trusted by society.

### Directions of corporate activities will be focused on

#### Comfort

Respond to "more comfortable living" with 'Good Chemistry'.

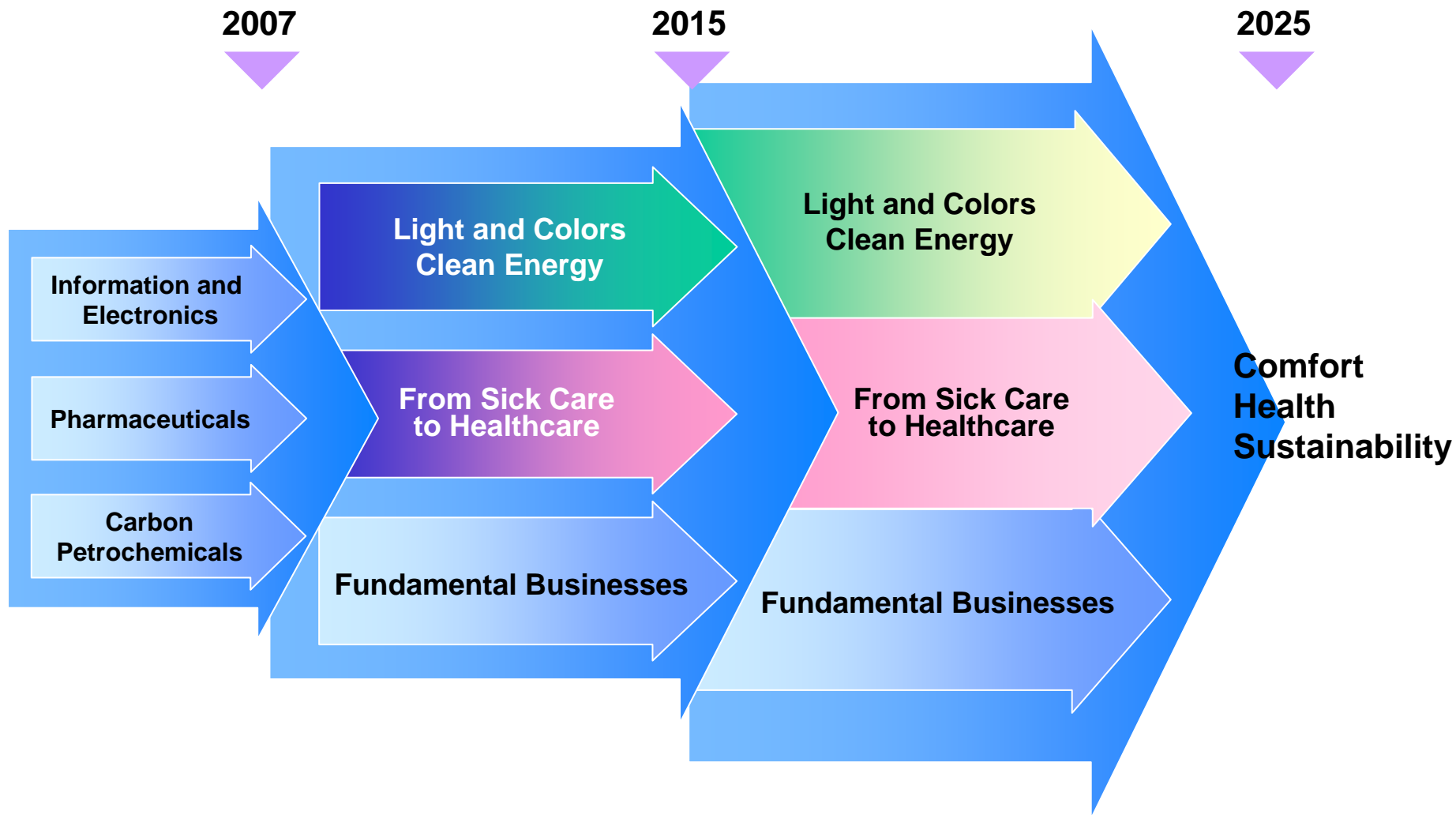
#### Health

Respond to health and medical care needs by enhancing healthcare businesses through the incorporation of information technology.

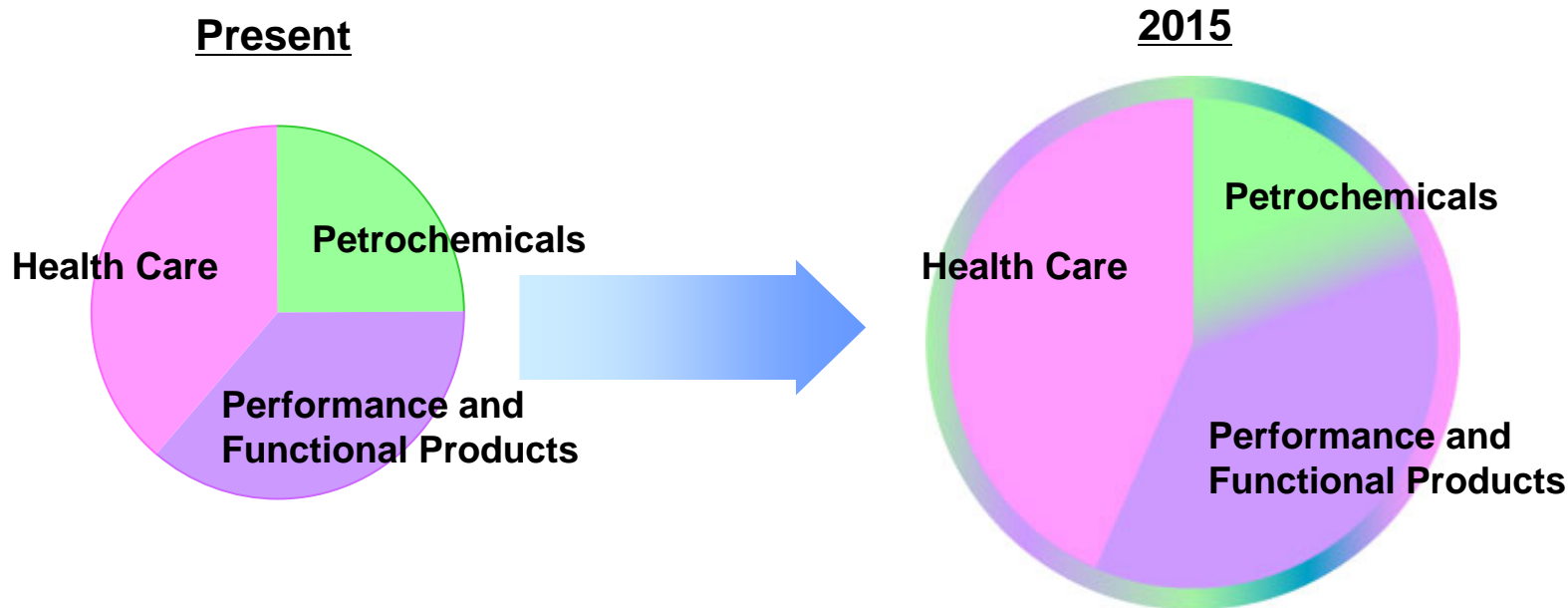
#### Sustainability

Respond to global climate change and reduction of CO<sub>2</sub> with 'Good Chemistry'.

# Profit Structure of the MCHC Group



## Targeted Operating Income Structure in 2015



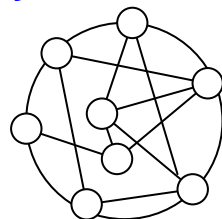
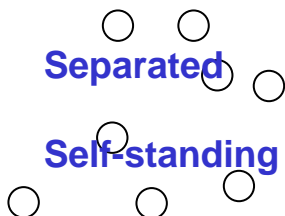
### Expand profit by

- Business alliances
- Increasing earnings capacity in major existing businesses
- Developing new businesses

# Directions of Growth Strategies

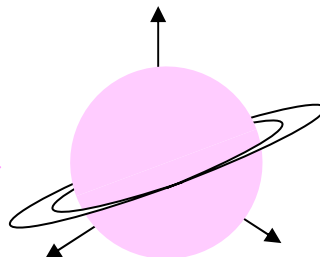
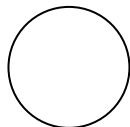
Like a symphony  
played in orchestra

Performance  
and  
Functional  
Products



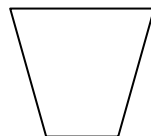
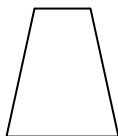
- ✓ Stricter selection of focused businesses
- ✓ Focus on growing markets

Health Care



- ✓ Acceleration of global business development
- ✓ Response to change of medical care system (Personalized medicine, generic products)

Petrochemicals

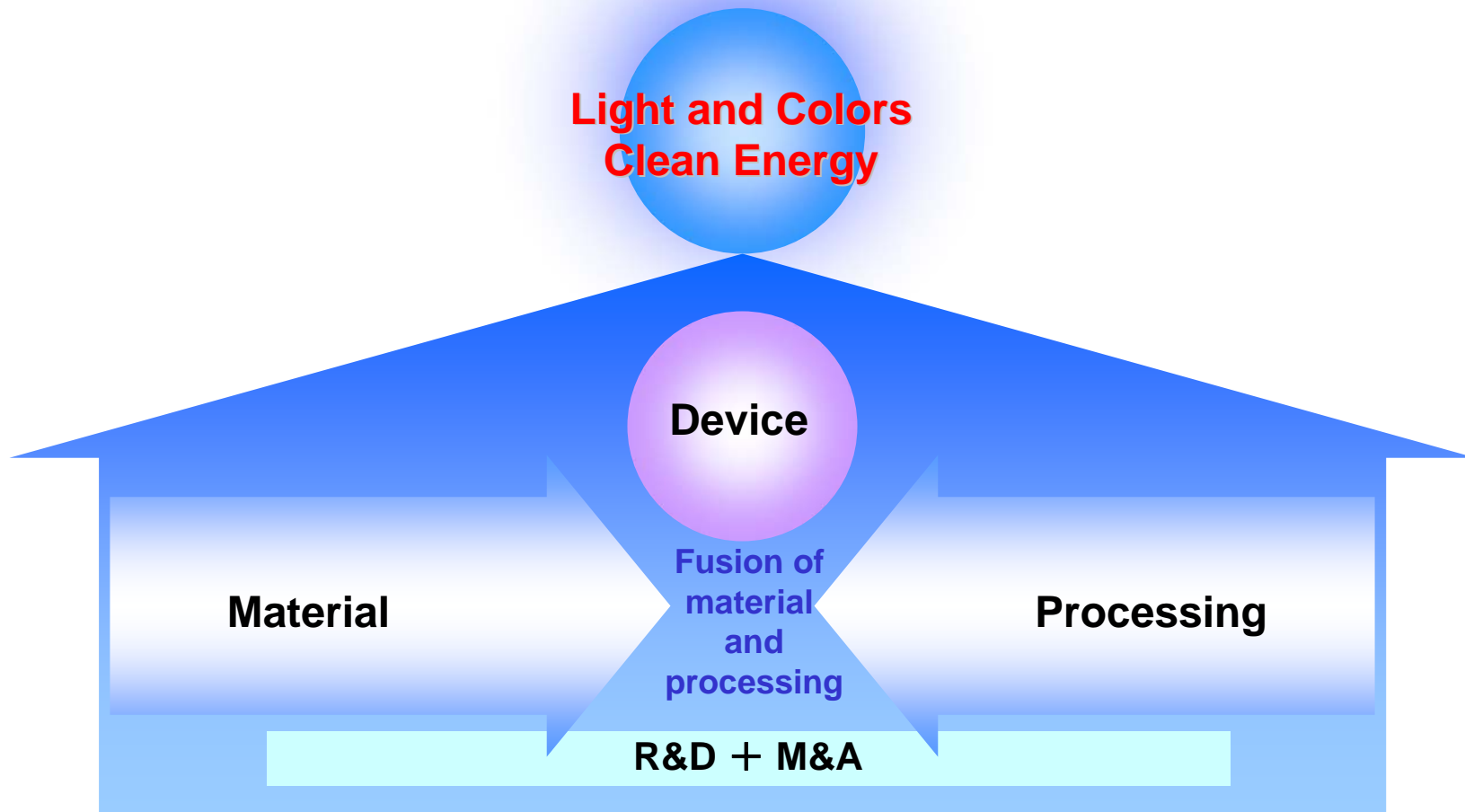


- ✓ Selection and focus of businesses
- ✓ Shift to high performance and high-value-added products

# Light and Colors, and Clean Energy

Earth-friendly Comfort

Light and Colors  
Clean Energy



# Focus on Growing Markets (2015)

## Light and Colors



Imaging components



Optical recording media

Blu-ray disc  
Hologram



FPD related components  
PET films  
Carbon fiber composite materials  
Phosphors  
etc.



Display (FPD) and lighting components  
Solid-state lighting  
Organic EL  
Phosphors  
etc.

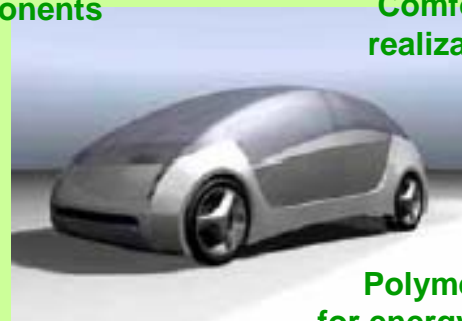
## Clean Energy

### Energy Saving

Carbon fiber  
composite materials

Organic/Inorganic  
composite materials

Comfortable space  
realization materials



Li-ion battery materials  
for HEV

Polymer materials  
for energy-conservation

Fuel cell materials

### Energy Transformation

Organic solar cells (2025)

# From Sick Care to Healthcare

**Disease Management**

**Mass Medicine**

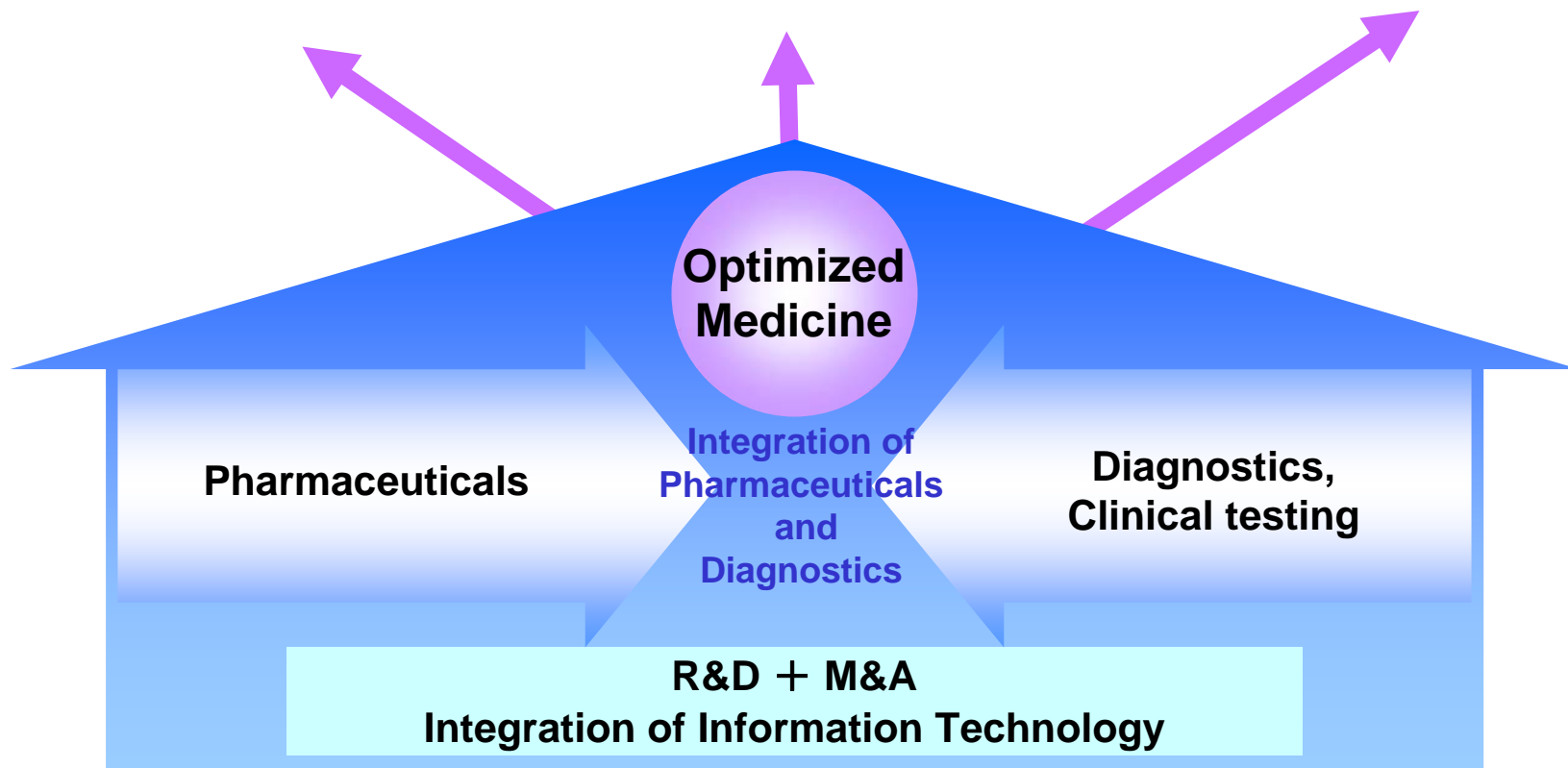
(Including generic products)

**Personalized Medicine**

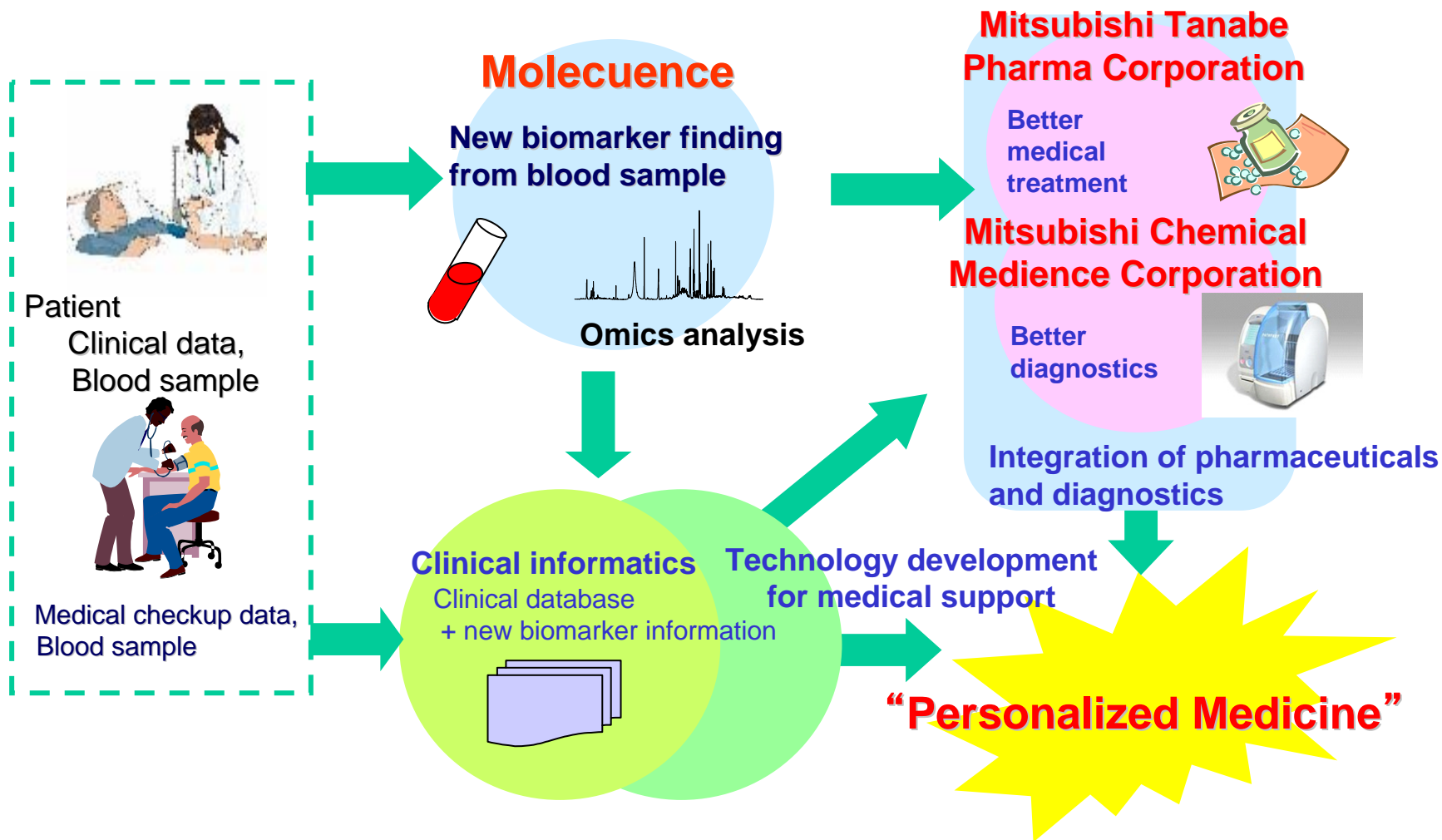
(Including generic products)

**Healthcare Management**

**Preventive Medicine**



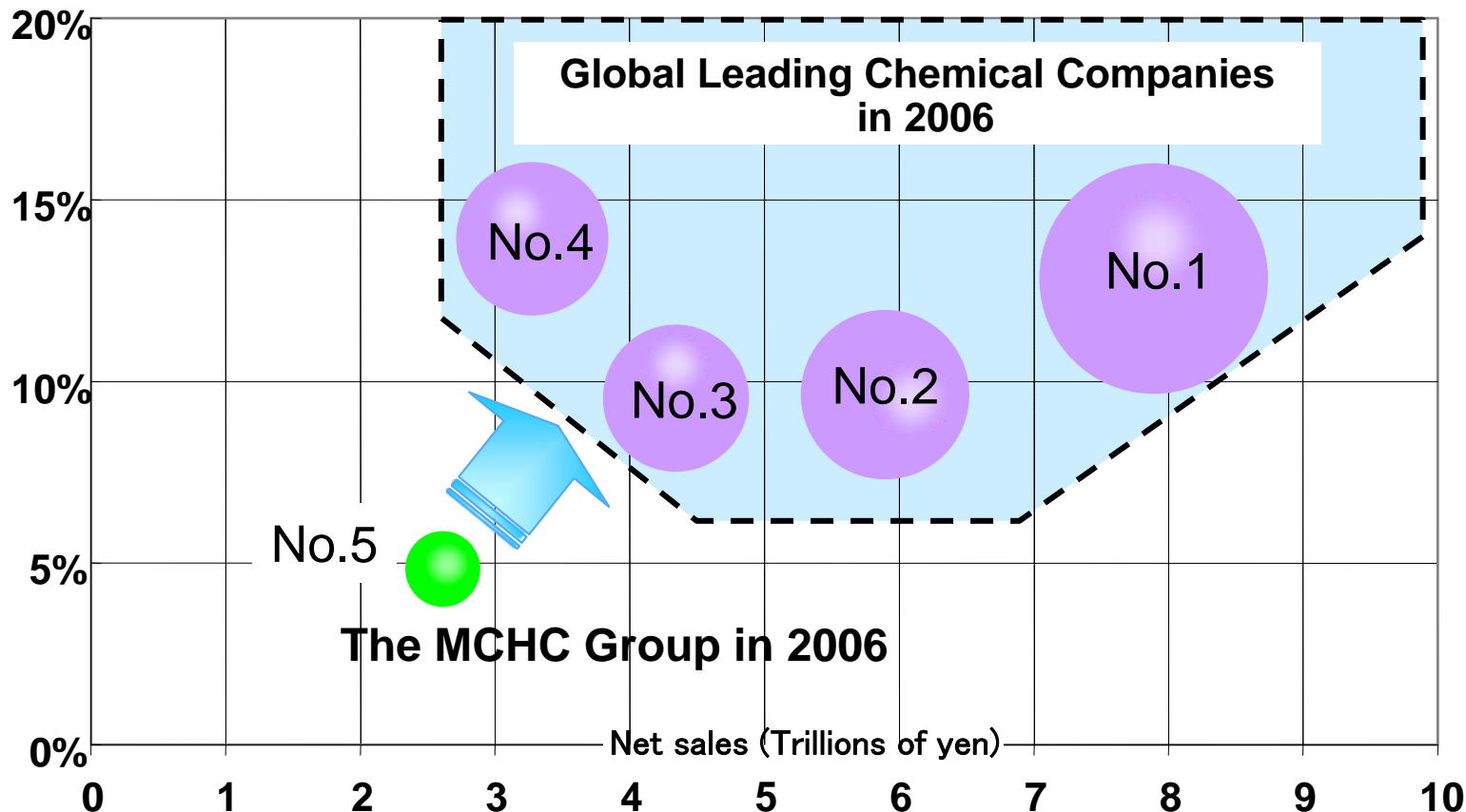
# Cooperation towards Personalized Medicine by the MCHC Group





# To Be on a Par with Global Leading Companies in 2015

Operating margin

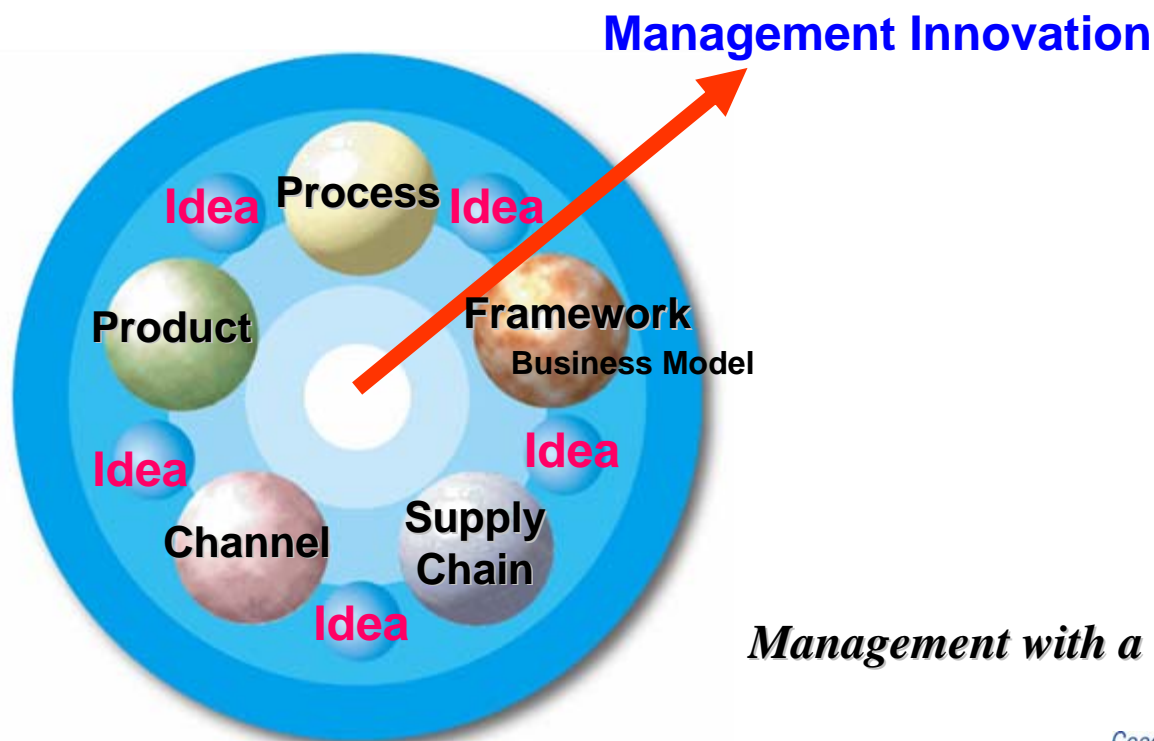


Source of financial results data: websites of each company  
 Ranking: 'Fortune 2006 Global 500'

## Innovation Chain

Innovation is thought to be 'the first success of an idea in social value creation'.

Make innovations in the course of every process (product, production process, sales channel, supply chain, and business framework) and create brand-new values.



*Management with a Science Mind*

## With the Stream of the Times

Criteria of dairy activities in the MCHC Group

**A**gility

**P**rinciple

**T**ransparency

**S**ense of Survival

**I**nternationalization

**S**afety, Security & Sustainability

**"APTSIS"**

## Reference

# Capital Investment and Investment and Loan in Progress

## KAKUSHIN Plan: Phase 1

Capital investment  
within the limits of depreciation

## KAKUSHIN Plan: Phase 2

Capital investment for growth

\*Initial plan of capital investment and investment and loan:  
360 billion yen/3 years

⇒ **decision for an additional 70 billion yen**

- Strategic investment in functional products businesses to meet increasing demand and TOB of MPI for reorganization

# Capital Investment and Investment and Loan in Progress

(Launch/Decision in FY2005-6)

		Three-year Plan (Billions of yen)	Progress (%)	Major Items	
Petrochemicals		160	88	<u>Increase of production capacity</u> >PTA (India) >PC (Kurosaki) >PP (Kashima) >Ethylene (Mizushima) >Performance polymer for air bag covers (USA)	<u>Acquisition</u> >PP compounds >Advanced Plastics Compounds Company →Wholly owned subsidiary of MCC
Performance and Functional Products	Performance Products	150	58	<b>Information and Electronics</b> <u>New production</u> >Next generation optical discs <u>Increase of production capacity</u> >OPC (USA, Singapore) >Chemical toner (Yokkaichi) >Materials and components for LCDs (Polyester films, color resists, phosphors, carbon fiber)	<b>Automobiles</b> <u>New production</u> >Alumina fiber (MAFTEC) (Sakaide) <u>Acquisition</u> >Japan Epoxy Resins Co., Ltd. → Wholly owned subsidiary of MCC >Food ingredients business
	Functional Products				
Health Care		40	54	<u>Renewal</u> >Facilities for pharmaceuticals, diagnostics and testing, etc. <u>Integration</u> >Three healthcare businesses	
Corporate/Others		80	83	<u>Establishment</u> >Customer Laboratory (Yokkaichi) >Mitsubishi Chemical China Commerce Limited <u>TOB</u> >Mitsubishi Plastics, Inc.	
Total		430	73		

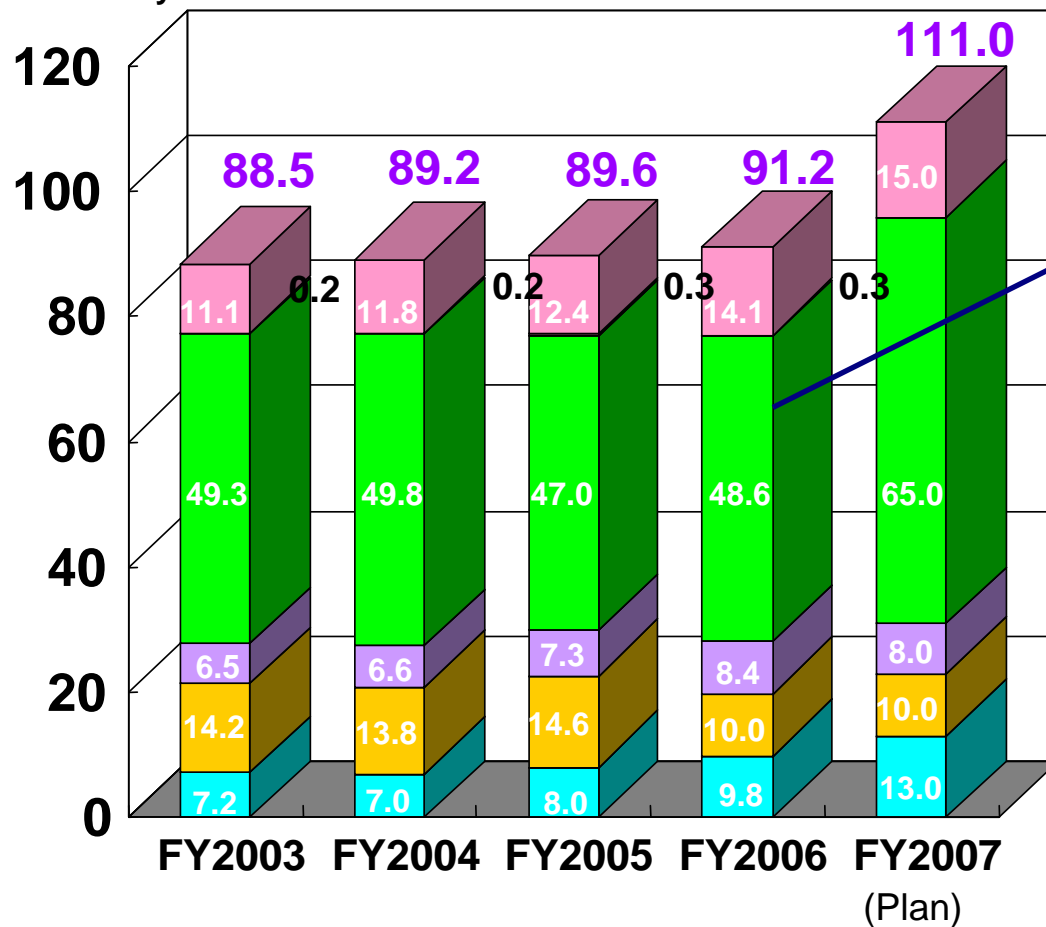
# Business Portfolio Reformation in Progress

(Launch/Decision in FY2005-6)

		Major Items		
		Petrochemicals	Performance and Functional Products	Health Care
Growth Strategy (Alliance and others)			<b>TOB</b> >Mitsubishi Plastics, Inc. <b>Integration</b> >Four functional products businesses	<b>Merger</b> >Tanabe Seiyaku Co., Ltd. and MPC <b>Integration</b> >Three healthcare business companies <b>Establishment</b> >MP Healthcare Venture Management Inc. <b>Reorganization</b> >ZOEGENE Corporation
Expansion of Capacity or Increasing of Efficiency	Japan Market	PP (Kashima) PC (Kurosaki) Ethylene (Mizushima)	<b>Customer Laboratory (Yokkaichi)</b> Blu-ray Disc (Mizushima) Chemical toner (Yokkaichi) Materials and components for LCDs (Polyester films, carbon fiber, color resists, phosphors) <b>Alumina fibers for automobiles</b>	Urso® approved in Japan for additional indication Launch PATHFAST®
	Global Market	PTA (India) PC, BPA (China) [at the stage of FS] Performance polymer for air bag covers (USA)		
Acquisition		PP compounds >Mytex Polymers General Partnership >Mytex Polymers Asia Pacific Private Limited >Advanced Plastics Compounds Company →Wholly owned subsidiary of MCC	Japan Epoxy Resins Co., Ltd. → Wholly owned subsidiary of MCC <b>Food ingredients business</b>	
Transfer		Dia-Nitrix Co., Ltd. →Minor affiliate of MCC		IC-Vec Ltd, Danaform, Inc.
Withdrawal		Linear alkylbenzene SM >Yuka Seraya Private Limited Melamine		Japan Genome Solutions, Inc.

# Group R&D Expenditures

Billions of yen



R&D expenditures  
for new business incubation  
in FY2006:  
About 25.0 billion yen

- Corporate
- Services and Others
- Health Care
- Functional Products
- Performance Products
- Petrochemicals