

MITSUBISHI
CHEMICAL



Presentation to Investors

February, 2003

Good "Chemistry"
for Tomorrow

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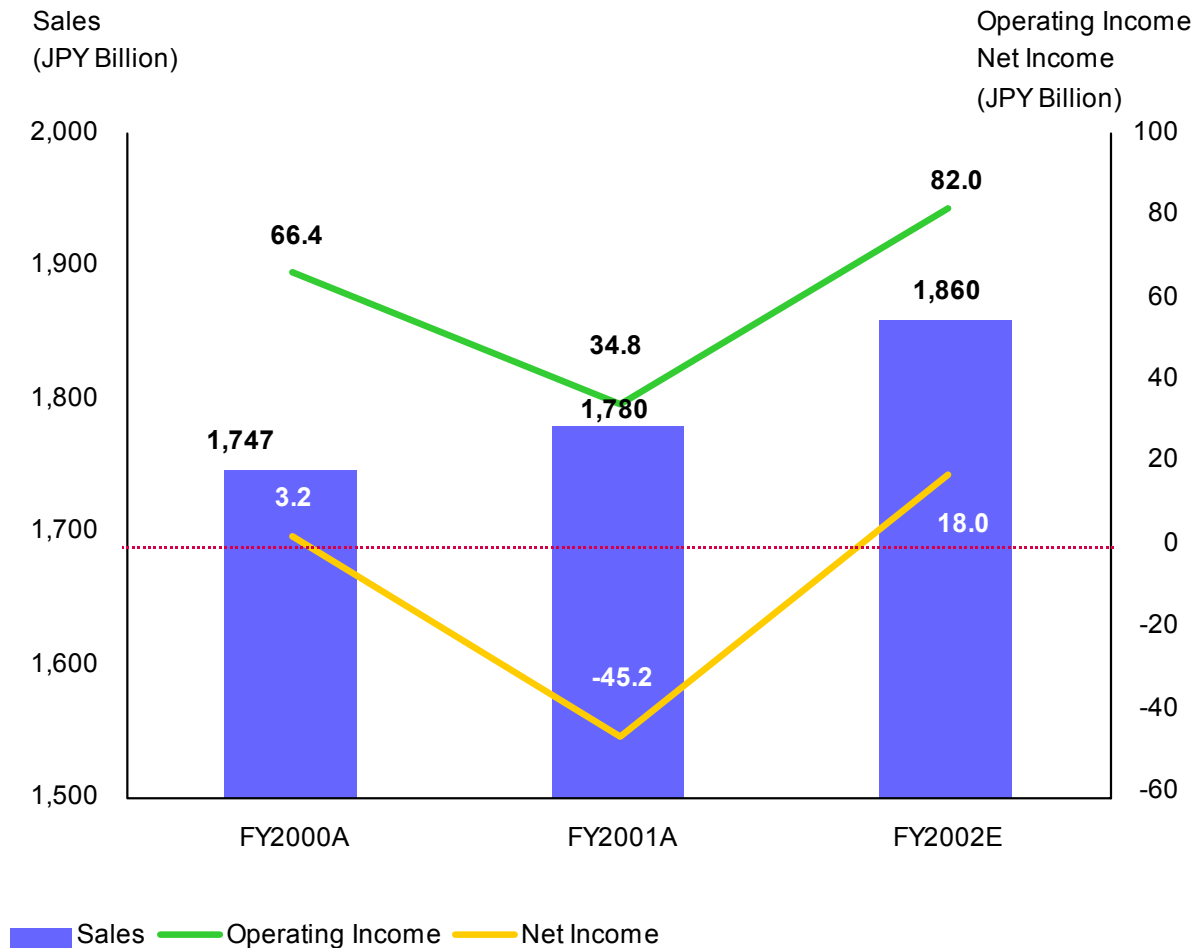
Appendix

Forward-Looking Statements: This material contains forward-looking statements which are based largely on company expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond company control. Actual results could differ materially due to numerous factors, including without limitation market conditions, and the effects of industry competition.

1. Review of Latest Performance

Latest Financial Results

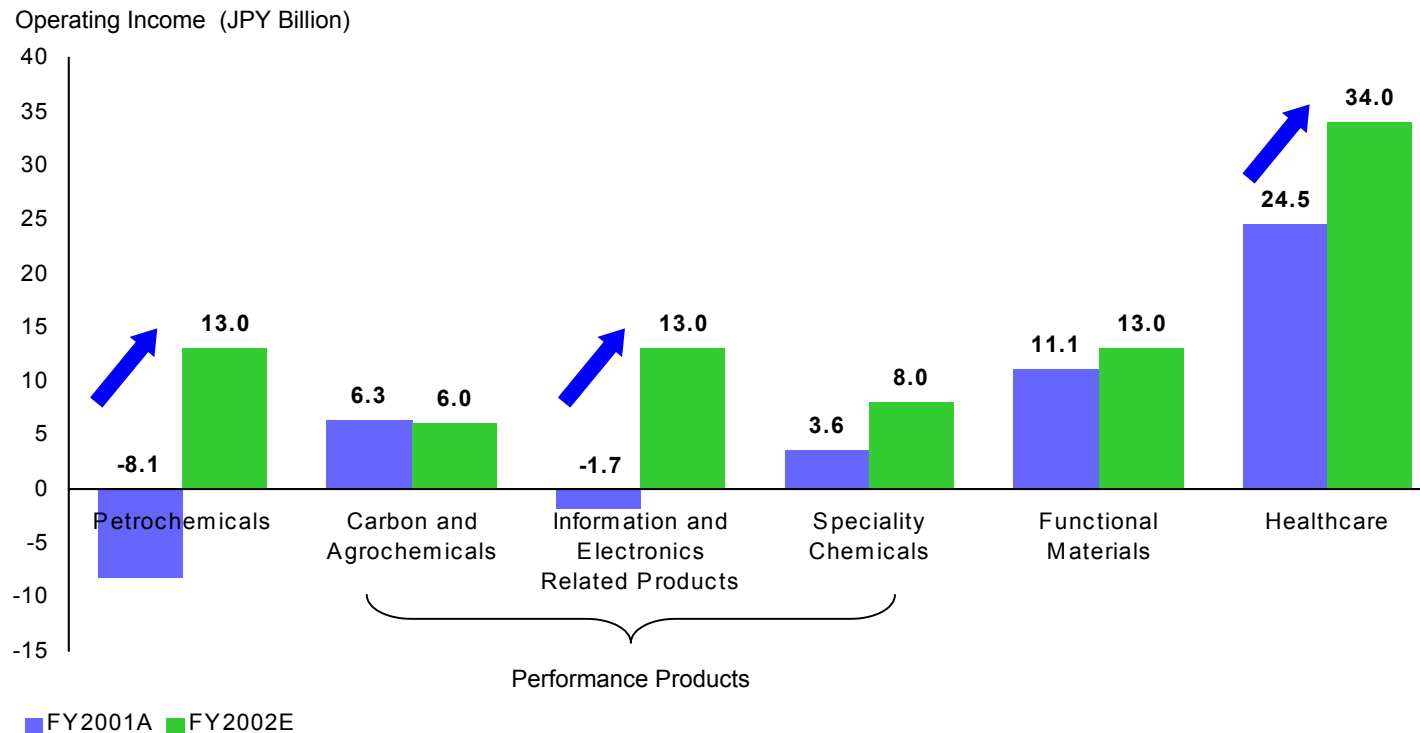
◆ ***Our current positive trend indicates significant improvement in our financial performance in FY2002.***



Segment Earnings in FY2002

- ◆ **Better operating conditions for petrochemicals, and information and electronics-related products are driving improved earnings prospects for FY2002.**
- ◆ **Inclusion of the former Welfide and strong sales of "Radicut" have led to greater earnings in the health care segment^(*).**

^(*) Mitsubishi Pharma Corporation was created as a result of the merger between Mitsubishi-Tokyo Pharmaceuticals, Inc. and Welfide Corporation in October, 2001.



Our Revitalization Efforts

- ◆ ***In addition to the strengthening operating environment, our corporate revitalization actions have played an important role in supporting better financial results.***

Major corporate actions

- ✓ Acceleration of portfolio management strategy
 - Management focus on business segment level
 - Alliancing and portfolio restructuring
- ✓ Progress in rationalization and cost reduction
 - Reduction in personnel levels
 - Focus on productivity gains
- ✓ Rejuvenation of corporate culture
 - Appointment of former CTO from outside of the group
 - Strengthening of linkages between R&TD and businesses

2. “KAKUSHIN” Plan

Background of "KAKUSHIN" Plan

- ◆ ***"KAKUSHIN" is our slogan representing our determination to make a quantum leap through continuous innovation and renovation.***

Issues

- (1) Dispersed businesses
- (2) Weakened financial position
- (3) Low profitability
- (4) Decentralized business structure
- (5) Conservative corporate culture

Solutions

- (1) Accelerate selection and focus process
- (2) Reduce interest-bearing debt
- (3) Greater emphasis on higher value-added businesses and more concerted efforts to reduce costs
- (4) Integrate competencies of the group companies to reinforce our group strength
- (5) Rejuvenate corporate culture;
Develop a more dynamic and entrepreneurial environment

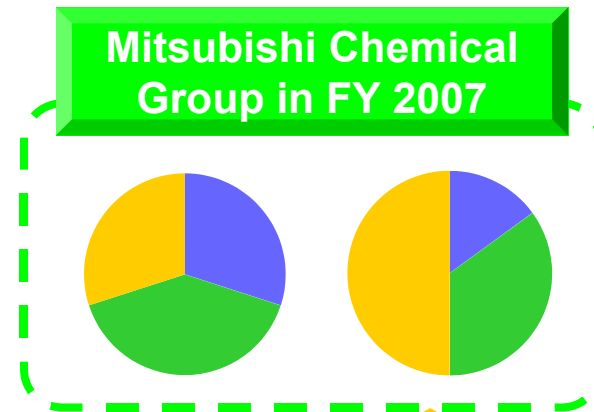
Two Step Approach

◆ *Maintain the three key segments:*

- ✓ *Petrochemicals*
- ✓ *Performance Products/Functional Materials*
- ✓ *Health Care*

◆ *Basic Segment Policies*

- ✓ *Petrochemicals: Rationalization, Alliancing, and Strengthening*
- ✓ *Performance Products/Functional Materials: Shift to higher value-added products and businesses*
- ✓ *Health Care: Boost earnings through organic growth and alliance*



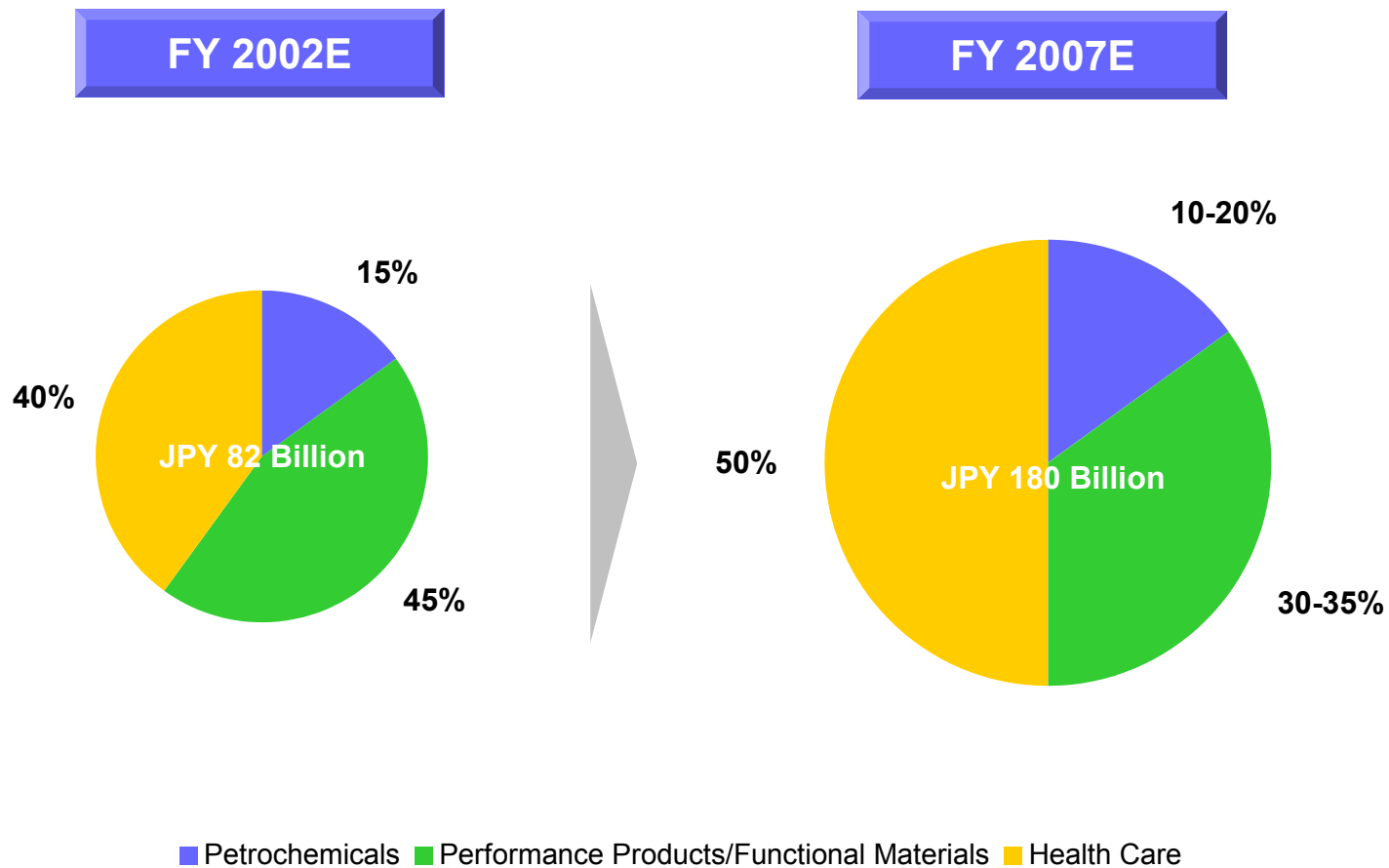
Phase-2: FY2005-2007

- ✓ **Consolidation of strengths and building momentum**

Phase-1: FY2003-2004

- ✓ **Preparation for Phase-2 through rebuilding of our business foundation**

Operating Income in FY 2007



(Note) Estimated sales figures are JPY 1,860 Billion and JPY 2,240 Billion for FY2002 and FY2007 respectively.

Phase-1 Target Measures

	FY2002E	Phase-1 (FY2004)
Operating Income	JPY 82 Billion	≥ JPY 100 Billion
ROA	2.6%	≥ 4%
ROA = Income Before Tax (IBT) / Total Assets		
Debt	JPY 1,050 Billion*	JPY 870 Billion
D/E Ratio	3.1*	2.2

* As of March 2002

Action Items in Phase-1 (1)

1. Business Portfolio Management

- ✓ Accelerate selection and focus process
- ✓ Categorize businesses in accordance with the MCCVA concept

2. Improvement of Financial Position

- ✓ Reduce debt by JPY 180 Billion during FY2002-2004
- ✓ Stricter cash flow management and control of investments

3. R&TD for Sustainable Growth

- ✓ Allocate resources steadily to R&TD consistent with our long-term strategy
- ✓ Accelerated and prioritized R&TD process

Action Items in Phase-1 (2)

4. Cost Reduction

- ✓ "Production KAKUSHIN": Comprehensive cost reduction activities at plant sites
- ✓ Seek further cost reduction in administrative and operation expenses

5. Integration of Group Strengths

- ✓ Stimulate collaboration amongst our group companies within each business segment
- ✓ Leverage strengths and capabilities of our group companies and organizations to maximize customer satisfaction

Basic Management Philosophy

- ◆ *We will nurture corporate culture where each of us:*
 - 1) *Strives for greater satisfaction among customers, shareholders, and employees.*

“Customer satisfaction drives our businesses.”
 - 2) *Welcomes challenges and makes changes work*
 - 3) *Sets and keeps to high ethical standards*

Waves of Change ! Making Changes Work !

With our customers, for our customers...
and for ourselves

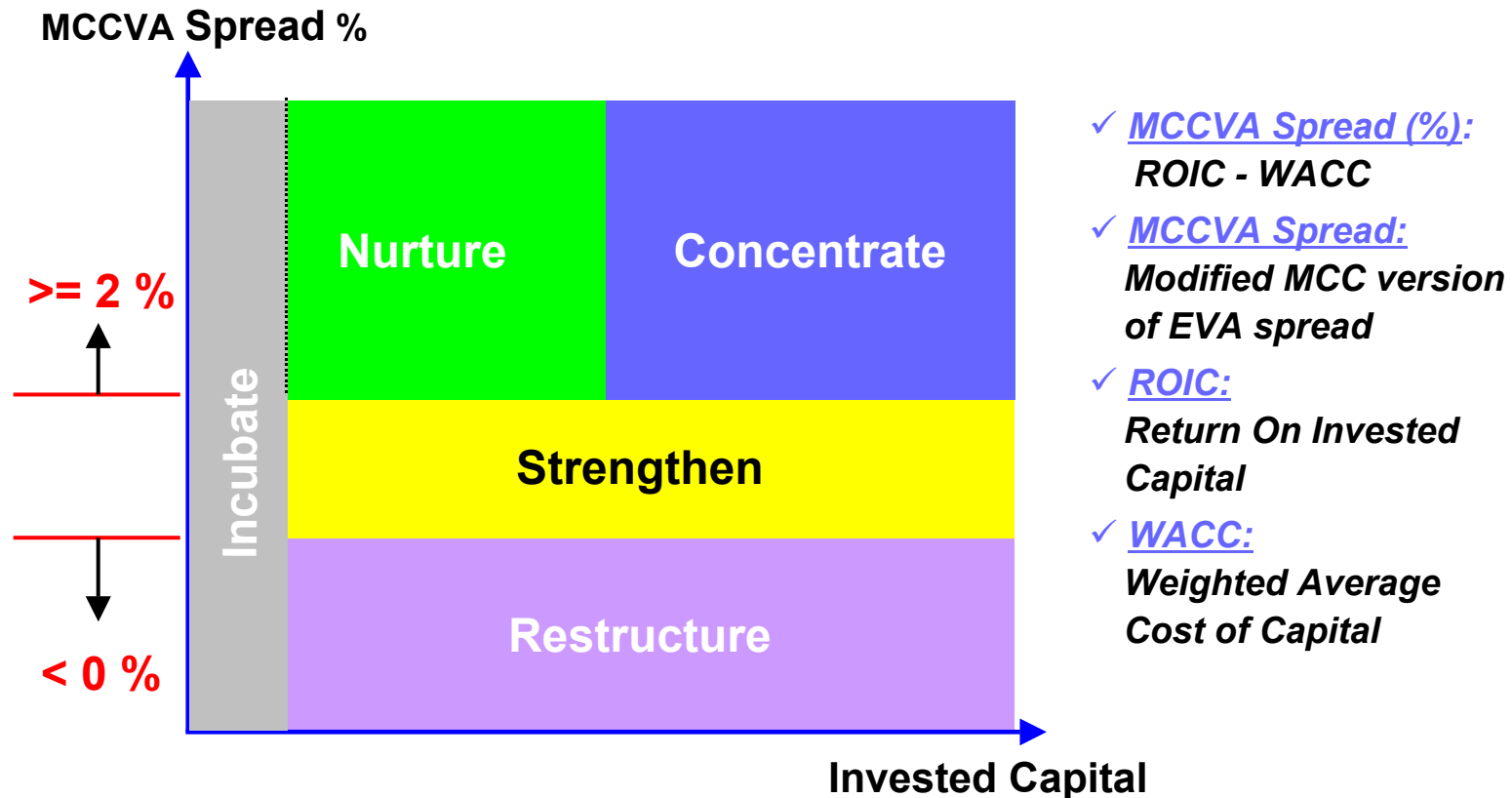
Much faster and more dynamic **ACTION**
Much wider and deeper **COMMUNICATION**
Much more creative and passionate **INNOVATION**

Appendix

1. Portfolio Reformation

Categorizing Our Businesses

- ◆ All group businesses were categorized into four strategic positions by evaluating their profitability, growth potential and strategic alignment.



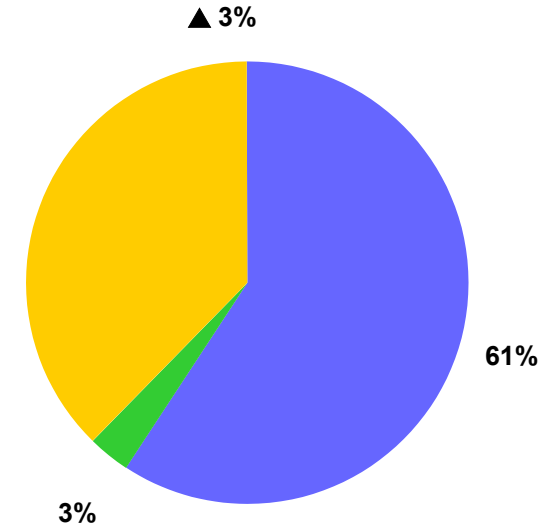
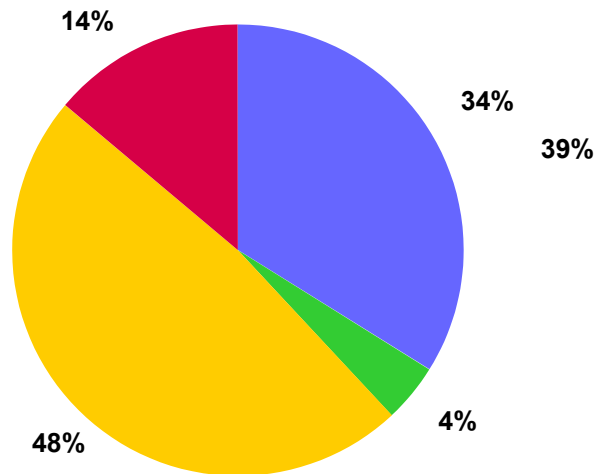
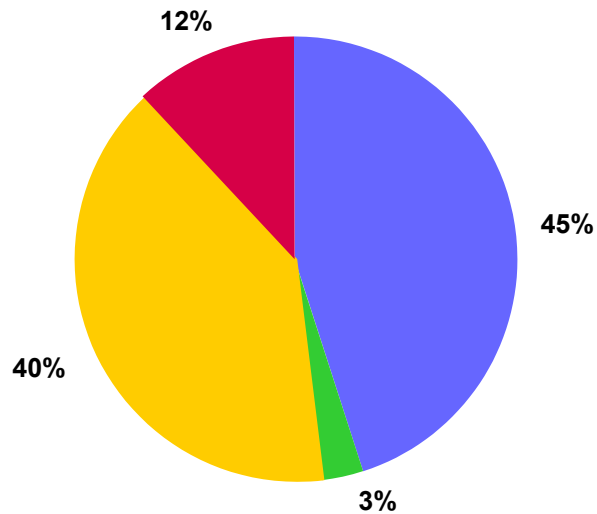
Performance of Invested Capital

- ◆ ***"Restructure" businesses have consumed 12% of our invested capital and have generated 14% of sales, yet their contribution to profit is expected to be negative in FY2002.***

Invested Capital*

Sales

Operating Income



*Cumulative Invested capital is estimated at JPY 1,370 Billion at the end of FY2002.

■ Concentrate ■ Nurture ■ Strengthen ■ Restructure

2. Segment Policies

Petrochemicals (1)

Direction

- ✓ Transform business structures to secure profit even under harsh business environments
- ✓ Greater allocation of resources to business units which offer global business opportunities using our group's competitive advantages

Details

- ✓ Position such chemicals as Terephthalic acids, Polycarbonate/Bisphenol A, 1,4-BG/PTMG as "Concentrate" businesses
- ✓ By leveraging new production methods under development, pursue business opportunities for these products in growing Asian markets, particularly China

Petrochemicals (2)

Details

- ✓ Investigate how to globally develop polypropylene compounds which require proximity to customers

- ✓ Olefin Center:
 - Comprehensive rationalization and reinforcement of competitiveness
 - Explore possibilities of alliances with other olefin centers

- ✓ Main Derivatives:
 - Rationalize production, logistics and marketing to enhance competitive structure
 - Cooperation or alliances will be actively pursued if business structure so demands

Performance Products (1)

Direction

- ✓ Shift to higher value-added products/businesses

Details

- ✓ Selection and focus
 - Targeted Markets:
Information & Electronics
Medical Care and Food Additives,
"Eco" (environment and energy)
 - "Focus" businesses:
Display materials, printer supplies, API (Active Pharmaceutical Ingredients)

Performance Products (2)

Details

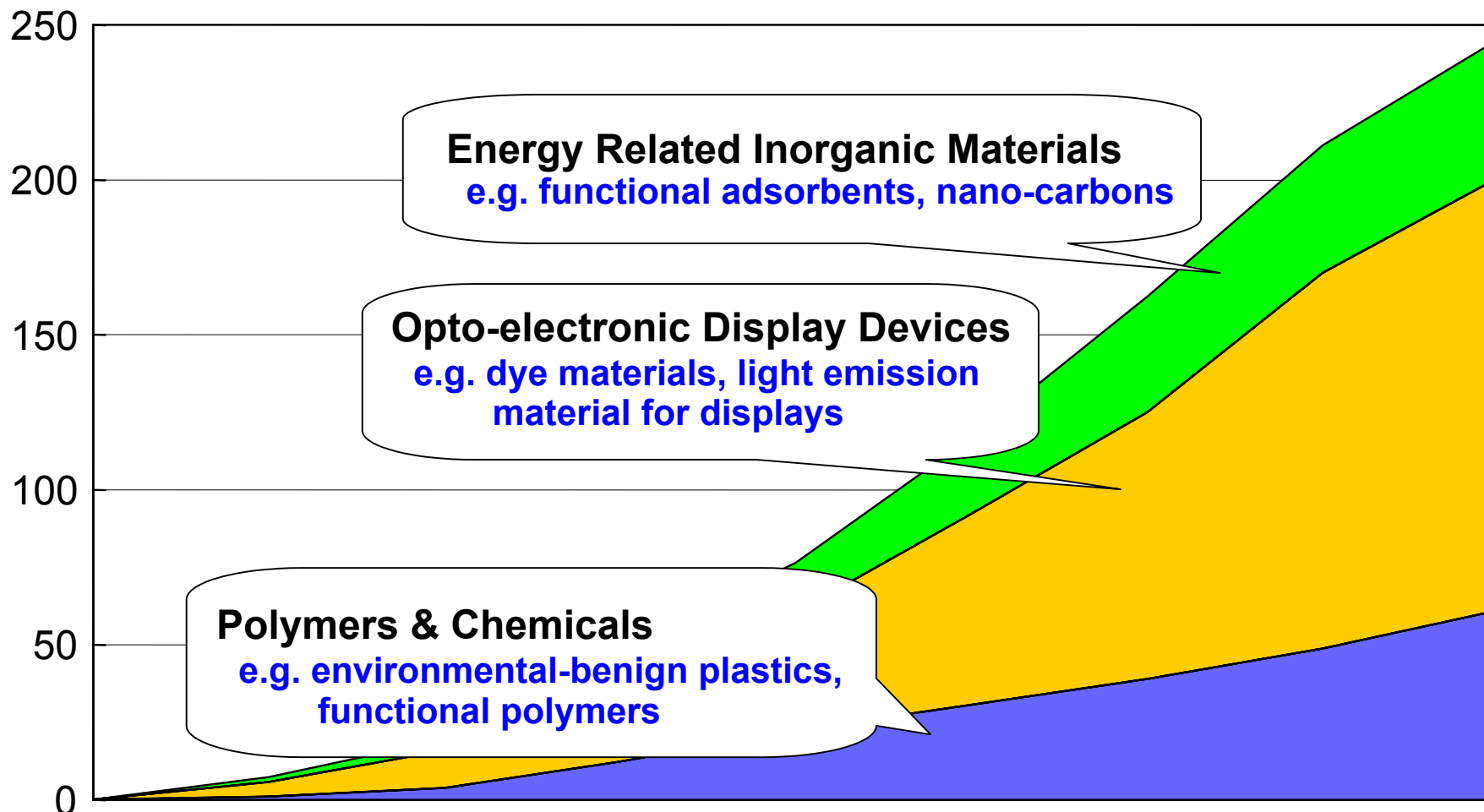
- ✓ Business reinforcement
 - Strengthen selected businesses that lack competitiveness through acquisitions and business exchanges

- ✓ New product development
 - Continue to launch new products in set core markets utilizing platform technologies. (e.g.: fullerenes, battery materials)

- ✓ Delivering values to customers
 - Placing much more emphasis on value creation for our customers, continue to supply performance products and services to our customers

New Product Development in Corporate R&TD

Potential Contribution to Sales (JPY Billion)



Functional Materials

Direction

- ✓ Keep pace with rapidly changing customer needs and develop new value-creating businesses

Details

- ✓ Improve profitability by maximizing synergies among group companies and extracting cost savings. Group companies in this segment:
 - Mitsubishi Plastics Inc.
 - Mitsubishi Chemical Functional Products Inc.
 - Mitsubishi Chemical MKV Co.
 - Mitsubishi Polyester Film Corp.
 - Yupo Corp.

Health Care

Direction

- ✓ Position Health Care Segment as one of the three pillars for sustainable growth of our group

Details

- ✓ Position pharmaceuticals as a "Focus" business
 - Mitsubishi Pharma Corporation:
Aim for Global and Specialty Pharma Company and target sales of JPY 500 bn and R&D investment of JPY 100 bn by FY2006 through measures including alliances.
- ✓ Position diagnostics as "Nurture" business
 - Focus on genomic diagnostic R&D
 - Re-examine the growth potential by the end of FY2004
- 19 ✓ Position ZoeGene as "Incubate" business

3. R&TD Framework

Corporate R&TD Policy

Direction

- ✓ Maintain stable R&TD programs according to our long-term strategy
- ✓ Integrate dispersed R&TD activities across our group for increased effectiveness
- ✓ Expand interaction with customers and deliver value-added solutions
- ✓ Inspire entrepreneurship in corporate researchers for more successes in R&TD

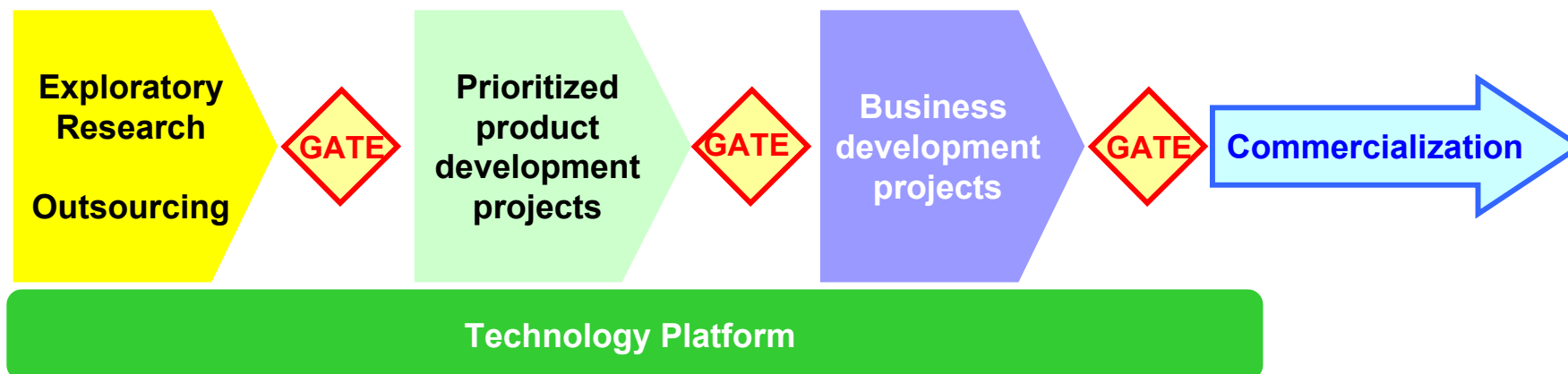
Details

- ✓ Form a group-wide technology center (e.g. Resin Technology Center)
- ✓ R&TD projects guided by CTC (Corporate Technology Council) chaired by CTO
- ✓ Maintain selection criteria focused on long-term profitability
- ✓ Outsource important long-term exploratory researches to universities and national institutions
- ✓ Execute Stage Gate System to accelerate product development

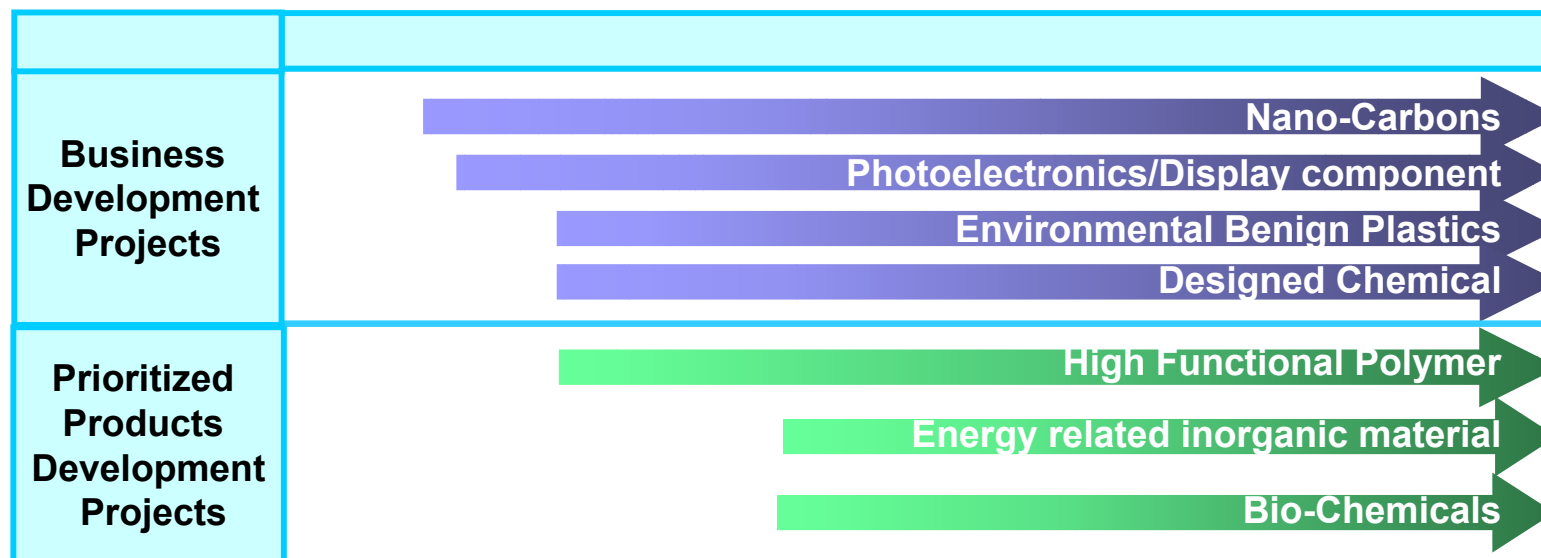
Corporate R&TD Focus Areas

	Amenity	Ecology	High Performance
Petro-chemicals		Bio Chemicals	
Performance Products	Materials and Components for Electronics, Photonics and Displays	Functional Polymers	Green Sustainable Plastics
Functional Products			Energy-related Materials
Health Care	Bio-related Products		Designed Chemicals Nano Carbon

Our Stage Gate System and Corporate R&TD Pipeline



Pipeline example



Delivering More Value to Our Customers

