

**The Mitsubishi Chemical Holdings Group Mid-term Management Plan,  
*APTSIS 10***

Mitsubishi Chemical Holdings Corporation (MCHC; Head office: Minato-ku, Tokyo; President: Yoshimitsu Kobayashi) today announced a formulation of the Group mid-term management plan, *APTSIS 10*, aiming at “growing, innovating, and leaping ahead” for the next three years (April 1, 2008 – March 31, 2011: FY2008 –2010).

Prior to the formulation of *APTSIS 10*, MCHC has examined what the Group aspires to be in 2025, and should be in 2015. In May 2007, MCHC has set an aspiration for 2025: the Group will be a global leading company based on “Good Chemistry”, by introducing three decision criteria for corporate activities: Sustainability; Health; and Comfort, in light of future business environment. On the basis of this aspiration, concrete strategies of *APTSIS 10*: basic strategies in growth strategy; innovation strategy; and strategic investments for M&A and alliances for leaping ahead have been formulated under the above mentioned concept, “growing, innovating, and leaping ahead”.

In *APTSIS 10*, steady execution of growth strategy and strategic investments to expand businesses so as to realize changes in business portfolio and a highly profitable Group in 2015 and beyond will be implemented in order to further develop achievements attained in consolidation of its foundation for sustainable growth in the previous three-year mid-term management plan, *KAKUSHIN Plan: Phase 2* (April 1, 2005 – March 31, 2008: FY2005-2007). Furthermore, in order to increase corporate value sustainably, strengthening corporate foundation and greenhouse gas reduction efforts will be implemented.

**1. Review of *KAKUSHIN Plan: Phase 2***

Basic policies for the *KAKUSHIN Plan: Phase 2* were the following:

- Portfolio management with emphasis on sustainable growth
- Integration of Group strengths
- Pursuit of further growth and improvement of financial condition

Major strategic initiatives and numerical targets were the following:

### 1) Strategic Initiatives

- Establishment of holding company structure (Mitsubishi Chemical Holdings Corporation) (October 2005)
- Merger of Mitsubishi Pharma Corporation and Tanabe Seiyaku Co., Ltd. (October 2007)
- Make Mitsubishi Plastics, Inc. a wholly owned subsidiary of MCHC, and integration of functional products businesses. (April 2008)
- Identify R&D focus areas

### 2) Numerical Targets

	Targets of <i>KAKUSHIN Plan: Phase 2</i>	Actual results of FY2007
Operating income	≥ ¥140 billion	¥125.0 billion
ROA (EBIT/Total assets)	≥ 5.5%	8.5%
D/E ratio	≤ 1.5	0.99

The MCHC Group had numerical targets for operating income, ROA, and D/E ratio during the *KAKUSHIN Plan: Phase 2*. The Group has achieved the above mentioned targets except for operating income, owing to deterioration of business environment in terephthalic acid, the fire accident of the Kashima Plant of Mitsubishi Chemical Corporation, and delays in establishing and developing the performance products market.

## 2. Outline of *APTSIS 10*

### 1) Numerical Targets

Numerical targets for FY2010 are as shown below:

Key numerical targets for FY2010	
Operating income	≥ ¥190 billion* * Include ¥20 billion contingencies
ROA (EBIT/Total assets)	≥ 6.0%
Contribution to reduce CO <sub>2</sub> emission	≥ 20.0% reduction* * Unit energy consumption

Other targets	
ROE	≧ 8.0%
EBITDA	≧ ¥350 billion

Since emphasis is being placed on growth, the D/E ratio (financial stability measure) has not been established as a key indicator.

## 2) Basic Strategies

Under the concept, “growing, innovation, and leaping ahead”, basic strategies are formulated as follows:

### i Growing (Growth Strategy)

Shift to high performance products and high value-added businesses, and efficient product and business life cycle management.

#### Performance Products

- ◇ Maintain and further expand existing global businesses.
- ◇ Expand in only 1 and/or No. 1 niche businesses in growing markets.

#### Health Care

- ◇ Early realization of Mitsubishi Tanabe Pharma merger benefits.
- ◇ Steady progress in key development projects at Mitsubishi Tanabe Pharma Corporation.
- ◇ Development of business infrastructure to be a global research-driven pharmaceutical company.

#### Chemicals

- ◇ Shift to high performance products.
- ◇ Realizing results of investments executed in *KAKUSHIN Plan: Phase 2*.

### ii Innovating (Innovation Strategy)

Nurture seven next-generation growth businesses.

#### Seven next-generation growth businesses

Solid-state lighting, Li-ion battery materials for HEV, Next-generation displays, Chemical components for automobiles, Bio-based polymers, Organic photovoltaic modules, Personalized medicine.

### **iii Leaping Ahead**

To strive for active business expansion, resources will be strategically invested in alliances and M&A.

## **3) Strategies by Business Domains**

### **i Performance Products**

Profit maximization through strengthening of ties among technology clusters, and value chain management.

#### Growth strategy 1

Maintain and expand businesses by efficient product and business lifecycle management:

Recording media, Imaging products, High performance polyester films.

#### Growth strategy 2

Expand in only 1 and No. 1 niche businesses in growing markets:

Semiconductor-related materials and service, Electronic device components, Alumina fibers, Pitch based-carbon fibers and composites, Food ingredients, High performance packaging films.

#### Innovation strategy

Generate next growth businesses by delivering materials and devices for future global markets:

Solid-state lighting, Li-ion battery materials for HEV, Next-generation displays, Chemical components for automobiles, Bio-based polymers, Organic photovoltaic modules.

### **ii Health Care**

Strengthen business foundation for a global research-driven pharmaceutical company as a core of our health care business.

#### Growth strategy 1

Early realization of merger benefits of Mitsubishi Tanabe Pharma Corporation.

#### Growth strategy 2

Steady progress in key development projects at Mitsubishi Tanabe Pharma Corporation.

### Growth strategy 3

Development of business infrastructure to be a global research-driven pharmaceutical company.

### Innovation strategy

Progress in our roadmap toward personalized medicine through synergies of the MCHC Group.

## **iii Chemicals**

Shift to high-performance products (Corresponding to 2008 - 2010 issue).

### Growth strategy 1

Shift to high-performance products:

Existing growth businesses such as high performance graphite, C4 chemicals, Polycarbonate · Bisphenol-A, Polypropylene, High performance resins.

### Growth strategy 2

Realizing results of investments executed in the *KAKUSHIN Plan: Phase 2*:

Establishment of PTMG production facility in China, Streamlining of the Mizushima Plant, Business and capacity expansion of performance polymers in the US, Capacity expansion of PP and new olefin conversion unit at the Kashima Plant, New PC production facility in China and PC capacity expansion at the Kurosaki Plant.

### Innovation strategy

Create new environmentally-friendly materials:

Chemical components for automobiles, Bio-based polymers.

#### i) Stable businesses

- Blast furnace coke business

Maintain stable profit by investing and meeting environmental requirements and stable production.

- Petrochemicals related businesses

- a) Shift polyethylene to higher profitable applications (e.g. HDPE)
- b) Selection and focus of chemical derivatives (asset-light)
- c) Reform chemical complex by alliances and collaboration, to strengthen its competitiveness by focusing on core derivatives.

ii) Businesses to be restructured

Business structure reform of terephthalic acid by alliances, collaboration, and reorganization will be promoted.

#### 4) Resource Allocation

Active investment will be pursued to realize "Growth and Innovation".

Capital expenditure and investments and loans: ¥590 billion/3 years.

R&D: ¥425 billion/3 years.

Resources are mainly allocated to the Performance Products business domain and the Health Care business domain compared to *KAKUSHIN Plan: Phase 2*.

Billions of Yen

Domains/Segments	Capital expenditures, Investments and loans	R&D expenditures
Performance Products	210	97
Electronics Applications	135	
Designed Materials	75	
Health Care	75	249
Chemicals	155	64
Chemicals	110	
Polymers	45	
Services	150	15
Total	590	425

To strive for active business expansion, resources will be strategically invested in alliances and M&A. Available funds are ¥250 billion for FY2008-2010.

#### 5) Overseas Business Development

Overseas sales proportion will be raised from 27% (FY2007) to 30% (FY2010).

#### 6) Increase Shareholder Value

"Increase shareholder value by increasing corporate value" is our basic policy for shareholder returns.

Dividends will be paid to the extent possible based on the need for internal reserves and a consideration of consolidated results. The dividend payout ratio will be targeted, but not fixed, at 30% or more of profits, but stability (maintenance or increase in dividends per share) of dividends will also be

emphasized.

## **7) Increasing Corporate Value Sustainably**

Increasing corporate value sustainably is indispensable to implement and promote APTSIS 10. The Group will execute the following measures:

- i Strengthen corporate foundation  
Special emphasis is placed on practice of responsible conduct and secure and nurture people power.
- ii Greenhouse gas reduction efforts
- iii Under our corporate philosophy of “Good Chemistry for Tomorrow” - Creating better relationships among people, society and our planet, establishment of “Institute for Kaiteki Biosphere” (tentative) is under consideration in order to deliver solutions through science and chemistry to resolve global environmental issues and improve QOL.

For further information, please contact:

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