

Mitsubishi Chemical Holdings Group
Medium-term Management Plan
***APTSIS 15* Step 2 Current Status**

Investors Meeting

March 11, 2015

The forward-looking statements are based largely on information available as of the date hereof, and are subject to risks and uncertainties that may be beyond company control. Actual results could differ largely due to numerous factors, including but not limited to the following: Group companies engage in businesses across many different fields, such as information and electronics, performance products, polymers and processed products, pharmaceuticals, carbon and inorganic products, and petrochemicals, and these businesses are subject to influences such as world demand, exchange rates, price and procurement volume of crude oil and naphtha, market price trends, speed in technology innovation, National Health Insurance price revisions, product liabilities, lawsuits, laws and regulations.

In attendance on company side:

Mitsubishi Chemical Holdings Corporation (MCHC)

Yoshimitsu Kobayashi

Representative Director, Member of the Board,
President & Chief Executive Officer

Kenkichi Kosakai

Managing Executive Officer

Ryoji Tanaka

Managing Executive Officer

Mitsubishi Chemical Corporation (MCC)

Hiroaki Ishizuka

Representative Director, Member of the Board,
President and Chief Executive Officer

Mitsubishi Tanabe Pharma Corporation (MTPC)

Masayuki Mitsuka

President & Representative Director,
Chief Executive Officer

Mitsubishi Plastics, Inc. (MPI)

Takumi Ubagai

Representative Member of the Board,
President & Chief Executive Officer

Mitsubishi Rayon Co., Ltd. (MRC)

Hitoshi Ochi

Representative Director, President,
Chief Executive Officer

Life Science Institute, Inc. (LSII)

Seiichi Kiso

Representative Director, Member of the Board,
President

Taiyo Nippon Sanso Corporation (TNSC)

Yujiro Ichihara

President and Chief Executive Officer

P5 [Group Overview]

Looking at the changes that have taken place since June 2014, the biggest are that TNSC was converted to a consolidated subsidiary on November 12, 2014, and that LSII was established successfully by integrating the MCHC Group healthcare-related businesses in April 2014. MRC has made considerable progress in consolidating its business domains. The MMA business during 2012 and 2013 struggled due to continued unfavorable business performance of the Lucite Group in the U.S. and Europe, but conditions have now improved. Carbon fiber is moving in a positive direction. In water treatment systems and services, some synergy is emerging. MPI is doing quite well, and its previously unprofitable businesses are now almost fully in the black. MTPC has also continued a very steady business. Currently, MCC is facing difficulty dealing with the decline in crude oil prices.

P6 [Business Domains]

Companies in Europe and the U.S. tend to concentrate on industrial materials, or they will be experts in healthcare or agribusiness, or perhaps focus solely on performance products. MCHC, on the other hand, as a Japanese company, still maintains three pillars that support our business. Basically, we concentrate on business stability, and will continue to work in three domains — Performance Products, Health Care, and Industrial Materials.

P7 [Financial Results and Fiscal 2014 Outlook]

Here are the financial results since I became president in 2007 and the fiscal 2014 outlook. The economic downturn precipitated by the Lehman Brothers bankruptcy in 2008 presented our company with big crises as well. After that, we registered excellent performance for fiscal 2010. MCC generated operating income of some ¥80 billion, and business in petrochemicals including terephthalic acid was more than satisfactory. In the previous medium-term management plan *APTSIS 10*, which covered fiscal 2008, 2009, and 2010, the operating income target for

fiscal 2010 was ¥190 billion. With income in fiscal 2008 at ¥8.2 billion and that of fiscal 2009 at ¥66.3 billion, at the fiscal 2009 analysts meeting, we decided to maintain our ¥190 billion target for fiscal 2010 as it was. Many wondered how we would ever achieve ¥190 billion for fiscal 2010, but petrochemicals which are especially susceptible to volatility recovered rapidly and in the end, we were able to meet that target. That is how *APTSIS 10* ended. And then, the Great East Japan Earthquake happened on March 11, 2011, and the Onahama Plant of Nippon Kasei Chemical Co., Ltd. in Fukui Prefecture, suffered devastating damage. Further, the Ethylene No.1 and No.2 production facilities at the Kashima Plant stopped completely after being subjected to 250-300 gal of quake acceleration and quake magnitudes of a lower 6 intensity on the Japanese scale. The municipal water supply was also cut off for more than a month. In this tragic situation, employees showed great courage and determination, putting the Ethylene No.2 production facility back on line on May 30 and the No.1 production facility back online on June 30, so the production facilities were down for no more than two or three months. Two businesses in particular — terephthalic acid and MMA — both of which have net sales in the ¥300 billion-plus range, faced very difficult times in fiscal 2012 and fiscal 2013. In this period, we announced an operating income target for the full-year forecast in May 2014 of ¥136 billion. In the forecast, we assumed that we would add TNSC net sales in the fourth quarter only, but in fact, TNSC was reflected in both the third and fourth quarters, and the revised forecast we announced on November 27, 2014, was ¥160 billion. At that time, the price of crude oil was about \$74 per barrel, but in January and February 2015, it seemed likely to fall to \$40. Then things leveled off and in March the price settled at \$50. Generally, projections are that prices in 2015 will not rise to \$60 or \$70.

P8 [Operating Income by Segment: Fiscal 2013 Actual Results vs. Fiscal 2014 Forecasts]

Summarizing the numerical results in the Performance Products and Health Care domains, in fiscal 2014, the Health Care segment had already reached 100% of its forecast for fiscal 2014 by the end of the third quarter. The Designed Materials segment reached about 75% of its forecast by the same time, and in the Polymers segment, MMA was making a strong recovery. And with the price of crude oil declining, polyolefins began to show marginal gains. We expected results along the lines of the forecast for fiscal 2014, but actually suffered a loss of about ¥18 billion. This occurred despite an increase in trading profit generated by the sudden drop in naphtha prices in the Polymers segment, as mentioned above, which offset an inventory valuation loss for terephthalic acid due to the sudden drop in paraxylene prices in the Chemicals segment.

P9 [Performance Products: Progress]

In the Performance Products domain, the accumulated operating income at the end of the third quarter totaled ¥41 billion, the full-year forecast for fiscal 2014 is ¥53.5 billion, and the target for fiscal 2015 is ¥85 billion. The next fiscal year should see strong sales in the Electronics Applications segment, MPI's transparent adhesive film and polyester film, the recovery of Nippon Synthetic Chemical Industry Corporation (NSCI), and a very good year for the battery materials business. Taking all this into consideration, and putting in considerable effort, we think this target is obtainable.

P10 [Electronics Applications: Principal Businesses]

Here is the review of major businesses of the Electronics Applications segment. It has been more than a decade since the first organic photovoltaics (OPV) began development with an eye toward using them to replace silicon-based solar cells, and our project has now been under way for nearly eight years. Based on this work, we have developed a lightweight film-type OPV, which is now installed on the windows of buildings for verification tests under way with Taisei

Corporation. So far, progress is encouraging. Customers are now evaluating OPV modules, and they are getting close to a market launch. There appear to be many potential applications for organic photo-semiconductors (OLEDs), but we have yet to see any large-scale projects. We have been working to develop GaN substrates with Prof. Shuji Nakamura of the University of California, Santa Barbara (UCSB) for more than 10 years, providing products to SORAA, Inc., a venture company established by Prof. Nakamura and other co-founders. We provide GaN substrates to companies in Japan and Korea, but it will take a little more time to develop mass production of large substrates measuring more than four inches.

Red phosphors for LEDs are moving ahead and profitable. We are currently in litigation with companies in Korea and China for infringement of patents, and we fully expect to prevail. So we can see signs of progress for the major businesses in the Electronics Applications segment. They are not yet as profitable as we expected, but the technologies are definitely moving ahead.

P11 [Lithium-ion Battery Materials]

We got involved in all four core materials five or six years ago, becoming one of the first in the world to recognize the potential market shares inherent in electric vehicles (EVs). However, development of the EV market is now two or three years behind projections, which means very tough times for suppliers to this market. Research and development continues on cathode material but we have withdrawn from business related to the material. Eventually we see the EV market take off, and annual growth of 50% is expected for lithium-ion battery materials. EV manufacturers, including Tesla Motors Inc., are enjoying a burst of activity, and it is now apparent which direction the market will likely take. With separators, we intend to push ahead with proprietary technologies.

P12 [Organic Synthesis (NSCI)]

NSCI faced some issues including problems with raw materials, but we expect them to be resolved within the

coming period. The No.6 line of *OPL film* went into operation in autumn 2014. The new production line for *Soarnol* being built at Noltex, LLC, in the U.S. should go online in the first quarter of fiscal 2015, as construction is going according to plan.

P13 [Polyester Film]

Some sectors in China were difficult for polyester films, but now they seem to be back on track. The flat panel display (FPD) business is in lock-step with the current medium-term management plan *APTSIS 15*. As production volumes in China are increasing, the market is shifting from Korea to China, and we are moving toward market-oriented production. Demand for touch panels has exceeded forecasts. North America shows firm conditions in the industrial use market, and Europe is showing steady earnings in high-value-added medical applications.

P14 [Engineering Plastics (Quadrant Group)]

Quadrant AG, which is managed by MPI, became a consolidated subsidiary of MCHC two years ago. At present it is moving forward favorably.

P15 [Carbon Fiber and Composite Materials]

Looking at carbon fiber and composite materials, from April 2015, MPI's pitch-based carbon fiber business will be integrated into MRC to create a single carbon fiber division. Since MCHC's carbon fiber and composite materials business includes both pitch- and PAN-based carbon fibers, this truly sets us apart from the competition. Both Toray Industries, Inc. and Teijin Limited have only PAN-based carbon fiber products. Further, MCC has various resins including polyolefins, epoxy resins, modified resins, and so on. Now it is a matter synergizing these specialties and developing new composites. In molding technologies, we have prepreg compression molding (PCM), a unique technology for molding, and simulation technology, both of which will help us establish a superior position in industrial applications such as automobiles, pressure vessels, wind power generation, and aircraft.

P16 [Health Care: Progress]

In *APSYS 15*, our target for operating income in fiscal 2015 is ¥110 billion, but as MTPC announced, these last two or three years have been especially trying because of the effect of generic drug promotion programs of the Ministry of Health, Labour and Welfare. On the other hand, income grew due to higher royalties from overseas, the result of both increased sales volume and foreign exchange gains resulting from the yen's depreciation. The business environment itself always changes, and reaching the target of ¥110 billion will be very difficult. The companies under the LSII umbrella, namely QKK, APIC, LSIM, and HLC, are doing well. In particular, HLC promotes self-blood testing in pharmacies and drugstores, thus expanding the self-health check business nicely, nearly 300 drugstores are now offering the service.

P17 [Pharmaceuticals]

Gilenya, a treatment for multiple sclerosis, and *Invokana*, a treatment for type 2 diabetes mellitus, account for the lion's share of licensing income from these patents, which are forecast at ¥53.6 billion this fiscal period. Operating income for pharmaceuticals on the domestic market is declining, but the total operating income for Pharmaceuticals should reach ¥60-65 billion per year. From MCHC's viewpoint, this represents an extra ¥5 billion in profits, including goodwill.

P18 [Pharmaceuticals]

The pipeline for pharmaceuticals is much the same as the one for carbon fiber in that it's unique to the MCHC Group. Medicago Inc., the Canadian biopharmaceutical company MCHC acquired two years ago, owns a production technology for plant-based virus-like particles (VLPs). This technology could speed up production of vaccines from the six months required using the chicken egg method to about one month. Medicago also signed an agreement with the U.S. government's Biomedical Advanced Research and Development Authority (BARDA) related to

development of an alternative method for producing antibodies to treat Ebola virus infections. Medicago uses tobacco leaves in its VLP vaccine production, so the company needs a factory-type system of raising tobacco — they can utilize the fully artificial light-type plant growing systems developed by MCC; and MTPC can produce vaccine. Thus, the synergy of the MCHC Group will undoubtedly come through cooperation among those companies. This is a unique pipeline that holds a lot of promise, even though it has taken so much time.

P19 [Healthcare Solutions]

LSII, which was launched in April 2014, is a company with net sales in the ¥120 billion - 130 billion range and operating income of some ¥5 billion. It is in the process of determining how to create synergy and what kind of unit it should become by working in concert with the other four Group non-pharmaceutical companies.

P20 [Industrial Materials: Progress]

There are two main topics in the Industrial Materials domain, the terephthalic acid issue and the conversion of TNSC to a consolidated subsidiary of MCHC. Within the coming fiscal year, we expect to eliminate the temporary loss of some ¥18 billion - ¥20 billion, which was generated even after the inventory valuation loss in the Chemicals segment was offset by increased trading profit in the Polymers segment. In addition, TNSC's operating income of ¥20 billion for the first half of fiscal 2015 will be consolidated. Fiscal 2014 saw a number of troublesome issues. An accident occurred at the Kansai Coke and Chemical Co., Ltd. After the MCC Kashima Plant's periodic maintenance, return to full production took a month longer than anticipated. Accidents occurred at MMA plants in Thailand and other countries. In light of those developments, the loss of some ¥8 billion should be offset as plants settle down to steady production in the coming fiscal year. So we are confident that the loss of ¥46 billion will be recouped.

P21 [PHL/PC Chain]

Our joint venture with SINOPEC in China is doing well, and it is gradually increasing its profits.

P22 [Terephthalic Acid]

Undoubtedly there will be questions later, so we will cut it short here, and say only that we have done everything that needed to be done.

P23 [Sustainable Resources: DURABIO]

Even though bio-based polymers are eco-friendly, if they cost 5% more, customers will not purchase them. Our *DURABIO* is a bio-based polymer made from isosorbide that offers excellent performance such as, heat and weather resistance as well as high surface hardness, which makes it ideal for automobile interiors. We are eager to start expanding into exterior items for automobiles as well.

P24 [MMA-PMMA]

With global headquarters at the center of our efforts, we got a good grip on the Lucite situation. As we recovered handily from the previous problems, we have achieved a profit recovery. From now on, MMA production capacity in Shanghai will increase to 82,000 tons. New MAA production will start up in Thailand and the U.S., and Singapore will see improved energy efficiency in its Alpha technology plant, and in the fourth quarter of fiscal 2015, a more efficient plant will start up. With this technology in hand, preparations to move into the Middle East and the Americas are well under way.

P25 [TNSC]

Structural reforms, cost reductions, innovation, M&A, and global development are all moving steadily ahead. Recent M&A activities in California and Hawaii were announced. In synergies with the MCHC Group, we anticipate further growth for MRC's artificial spa generators and home medical care in collaboration with LSIM, etc.

P26 [TNSC (2)]

As one example of synergy, TNSC is working with the Japanese government and the Ministry of Economics, Trade, and Industry, leading the way in promoting infrastructure to bring a hydrogen-based society closer to reality. Further, TNSC has unique technology for Water-¹⁸O, the stable isotope essential to developing a PET cancer diagnosis drug.

P27 [Summary: APTSIS 15]

Impact on sales increased by ¥1,350 billion but the average ROE for the past five years of the companies that make up that increase are MRC at about 4%, NSCI at more than 10%, Qualicaps and Quadrant accounting for a large share, and TNSC at roughly 6%. On the other hand, MCC was only about 2%. It was not a matter of adding new businesses that ate up our profits; the biggest reason for our profits failing to improve was the sudden difficulty surrounding petrochemicals. New consolidated subsidiaries of MCHC not only expand the scale of the Group, but also increase profits. Had we done nothing to address the issues facing MCC, it would have become a big problem. We withdrew from caprolactam, styrene monomers, domestic terephthalic acid, PVC chain, and other markets, representing total sales of some ¥310 billion, but the only thing now pulling us down is overseas terephthalic acid. We did what was necessary to address the issues facing our crackers, and went to great lengths to optimize polyolefin production, although it is still problematic in some areas. In fact, this might be called the final review. The three focus areas for MRC are clear, and we will continue to work on these areas to grow the business. We have narrowed our MPI business until all the businesses are now in the black. Also, all businesses dealing with pitch-based carbon fiber, alumina fiber, *ALPOLIC*, polyester film, and so on, were moved from MCC to MPI. LSIM was transferred to LSII. MCC also takes responsibility for next-generation growth business, which is the most capital-intensive. Even though it

looks like the company is being pulled down in terms of ROE. All, including next-generation growth businesses, have finally been stabilized, and should be moving in a favorable direction in fiscal 2015.

P28 [Summary: *APTSIS 15* Step 2]

The topics in fiscal 2014 were TNSC, which became a consolidated subsidiary, and the establishment of LSII. Unfortunately, next-generation growth businesses have not contributed to profitability as much as we thought they would. In restructuring petrochemicals, we have maintained part of the terephthalic acid business and the PHL/PC chain, and optimized cracker operations, and are moving decisively ahead. We can expect good results from ethylene oxide (EO). While it is a growth business, the MMA business has already taken decisive steps in Middle Eastern and American markets, and even the most pessimistic estimate would put its share at 40% or more. Among commodity products, this is the one that will survive. Among the performance products, high-performance films and alumina fiber are moving in very positive directions. In specialty chemicals, we integrated the emulsion business operations of NSCI and Chuo Rika Kogyo Corporation. MPI's carbon fiber was integrated with MRC and a new business direction will begin in April.

P29 [Summary: Toward Fiscal 2015, Final Year of *APTSIS 15*]

As we move into the final year and consider organic growth of electronics applications, MPI, NCSI, and battery materials, the measures taken to solve inventory valuation loss, and other problems, the addition of ¥20 billion in operating income from TNSC for the second half of fiscal 2014, we feel confident in preparing to announce ¥280 billion target in forecasts for the next fiscal year, which will be announced on May 13.

**The following is the presentation of Hitoshi Ochi,
Member of the Board of MCHC**

P30 [Next Medium-term Management Plan]

I would like to explain the basics of our next medium-term management plan *APTSIS 20*. The vision of the MCHC Group overall remains the same, that is, "Realizing *KAITEKI*." What we aspire to be in 2020 is envisioned as an organization even more profit-focused. We hope to build a firm foundation as an excellent global company by improving profitability, pursuing innovation, and contributing to sustainability. The name of our plan continues as well; this time it is *APTSIS 20*, and its duration will be five years. We plan to officially introduce the new plan in its entirety in December 2015.

P31 [Basic Approach to Preparing *APTSIS 20*]

Looking back on *APTSIS 10* and *APTSIS 15*, we established our holding company in 2005, moved ahead toward integrated management and conducted M&A, and worked from a firm foundation of four fields — chemicals, pharmaceuticals, healthcare, industrial gases, and so on — that generate some ¥4 trillion in net sales per year. The most important task is to improve the profitability of business in those fields. Looking at profitability, we'd like to set our return on equity (ROE) target at 10%. We would also like our management to move more swiftly. We would like to base our plan on how much speed we can pick up, and how much faster decisions can be made. Internally, we plan to use return on invested capital (ROIC) in portfolio management of our various businesses. That said, we do not want to be obsessive about ROIC, rather we would prefer to move ahead in portfolio management by taking market trends and core competences into consideration as well.

Growth businesses that we plan to expand include the Performance Products and Health Care domains, and we will allocate more of our resources to these businesses. At the same time, we hope the growth strategy of each business unit will take it beyond its boundaries to link up with other multiple business units to create a concerto effect. If they do that, new business domains can be expanded, and the use of

multiple channels will speed up the movement into overseas markets.

When strategies with multiple aspects are established, R&D becomes even more important. While each business unit has its own R&D, the key questions are how and how quickly they can be fused across boundaries, and that will require us to devise a revolutionary R&D structure.

Also, in Growth Businesses, we focus on productivity. In areas where competition is fierce, advancement of productivity becomes even more important, which means we must invest more aggressively in processes and facilities.

Next-generation growth businesses must accelerate. They are steadily producing results, but market expansion lags in many cases, and in some instances it cannot support the business. When setting strategies, we must do periodic re-evaluations to see where we can make adjustments.

We also want to evolve the holding company operating system. In transitioning to a company with committees, we aim to strengthen corporate governance. We think business units will set growth strategies that go beyond their boundaries, so we will envision an operating system that will accelerate establishment of those growth strategies, and allows us to combine various strategies for global growth.

Considering our global expansion efforts, our overseas offices and subsidiaries do not have ample infrastructure and capabilities, so we plan to strengthen each area's personnel management system and internal controls, as well as their technical services and marketing centers.

Concerning MOS Indexes, conditions will change tremendously by 2020, and we will review each item as necessary.

P32 [KAITEKI Management]

We will move forward, putting into practice the *KAITEKI* management we have built, thereby contributing to society and helping the MCHC Group develop even further.

[Q&A]

Q1

You stated that your ROE target in *APTSIS 20* is 10%, but could you tell us the steps you plan to take to achieve that 10% target?

A1

We have already taken a number of steps to restructure our businesses, including petrochemicals. We will continue dealing with such issues in *APTSIS 20*.

Let me give you one example from our growth strategies. Since two years ago, we created the role of a Mission Coordinator for the carbon fiber business in our organizations. MCC deals with PAN-based carbon fibers and MPI deals with pitch-based ones. Each company holds a number of proprietary technologies, materials, and know-how. By integrating them with MCC's simulation technology and materials, we are able to speed up production and development of items for the automobile industry and for pressure vessels, for example. Production facilities for sheet molding compound (SMC) are slated to go on line in April, so we should be able to supply a considerable amount of product. MCC and MPI are related to various business categories — film adhesives and coatings, performance polymers and additives, water-related and separation-related products, and many others, and we have a deep portfolio of technologies in these fields. Much of our development moves toward the direction of our current businesses, but we think the results can be used in other applications by changing our point of view. If we can work with these as a group, from different perspectives, we can expect great results. And next-generation growth businesses will also raise our profits.

The numerical target is a challenging one. Currently, MPI and NSCI's ROEs are already over 10%, and TNSC will probably make 10% as well. MMA is making improvements, and MCC has the potential to reach 7-8%. The problem is MCC. The businesses MCC should have withdrawn from are now cut off, and the company must continue to do what must be done.

APTSIS 20 covers five years. In that time frame, it may be a case of how well we develop our next-generation growth businesses. Speaking of which, we have excellent products to meet the needs of our times, that is, sustainability, lighter weights, energy efficiency, and so on. Organic photovoltaics (OPVs) are now ready to blossom. So 10% ROE is certainly within our reach.

Q2

The supply and demand situation for MMA in the past year or two has not been favorable, and your company had some trouble in this area. Over the medium-term, can we assume that the situation has taken a turn for the better? Also, please tell us about the profit potential in Saudi Arabia, and the strength of the Alpha technology.

A2

In fiscal 2012 and 2013, MMA faced some tough going because of its increased production in the U.S. and the launch of a new MMA plant. Profitability suffered in fiscal 2013, but the adverse impact of that period has been mostly resolved, and we feel there is no longer any problem. In fiscal 2014, various problems occurred. In particular, many of the plants that produced MMA from AN byproducts were antiquated. AN was a difficult business as there was a lot of difficulty procuring raw materials. We have addressed the issues of those aging plants, we now have less trouble, and we can prepare our fiscal 2015 budget after those payouts are complete. The situation in Saudi Arabia is on schedule. The project started in June 2014, and construction work on the foundations has already begun. We fully expect it to go on line in fiscal 2017 as planned. MMA prices are reasonable at this point. Of course that will vary with any shift in the price of naphtha, but we think it will vary over the normal spread. In Saudi Arabia, we use raw materials from SABIC, so that should be no problem. Thus we think our profitability will be as forecast in the plan.

Q3

Your target is to get terephthalic acid back into the black in fiscal 2017, but you also say you are still considering a drastic move regarding terephthalic acid. Could you tell us how you think those two statements conform to each other?

A3

We have measures planned for terephthalic acid in India, Indonesia, Korea, and China, which will take all operations into the black by fiscal 2017. During fiscal 2014, that was far away from the forecast because of an inventory valuation loss due to a downturn in the market for paraxylene, a raw material. But other than that, deficit reductions are on schedule as far as I know. After regaining profitability in fiscal 2017 through restructuring of utilities, completion of formulation of pricing, and considering tie-ups with other companies, we should be able to undertake the fundamental reforms you all would like to see, within *APTSIS 20*. That said, until the business is in the black, it is difficult to make many adjustments, but we are considering the kind of actions everyone imagines.

Q4

In aiming for the target of 10% ROE, will increasing income before income taxes and minority interests be the major measure taken?

A4

Exactly.

Q5

There seem to be two basic ways of increasing ROE, reducing the denominator or increasing the numerator. So, will your company achieve the 10% ROE goal by buying the company's shares or increasing dividends, and so on, or will you increase profits enough to reach the 10% target?

A5

Mainly, we hope to base our success on growth. Our shareholders' equity ratio at the end of the 3Q was about 22%, but we do not think we have accumulated

enough equity as yet. We hope to increase returns and take our shareholders' equity ratio to about 30%.

Q6

The next term is the final year of *APTSIS 15* Step2, and you explained that you would no lower the target of ¥280 billion in operating income. That seems far away from the forecast of ¥160 billion for the current fiscal year. It seems to be a very high bar even with the expected adjustment of ¥18 billion in inventory valuation loss. How committed are you to this, and how much confidence do you have in reaching that target?

A6

We agree that the bar is set very high. While it is probable that the Performance Products will clear the bar, it may be difficult to add ¥35-40 billion to pharmaceuticals in fiscal 2015. We think the company overall must achieve operating income of ¥240 billion in all businesses. In pharmaceuticals, running royalties are growing satisfactorily, but generic drugs have come to the forefront, so domestic pharmaceuticals face stiff competition. The recently established LSII can be expected to earn profits of some ¥5 billion or ¥6 billion - ¥7 billion at the most. We recognize that we may fall short by ¥35 billion, but still we will do our best to close in on the target of ¥280 billion.

Q7

What is your stance on returns to shareholders?

A7

In *APTSIS 15*, the dividend payout is set to be 30% or more. During *APTSIS 20*, this will certainly be discussed, but we have no thoughts on making it higher than that. We would like to increase dividends by growing and then returning more than our stockholders expect. We do not plan to reduce our capital by buying our own shares; rather, we will concentrate on increasing our profitability.

Q8

You say you will limit investment to the Performance Products and Health Care businesses, but could you please tell us about the Industrial Materials business?

There must be growth areas such as MMA, TNSC, and so on, so what is your stance on investing in those areas?

A8

We are not saying we will not invest in the Industrial Materials business. Our investments will be concentrated on the Performance Products and Health Care businesses, but with MMA, we will launch a production plant in the U.S. With petrochemicals, we will shift to high-performance products. We will invest as necessary, including restructuring. In other words, we are concentrating investments in the Performance Products and Health Care businesses to modulate our overall investment.

Q9

Could you tell us your philosophy about synergy? MCC, MRC, and MPI are now wholly owned subsidiaries. Is there any chance of them being integrated? Or will you start by integrating step by step?

A9

Even for simple integration, it takes time because of differences in personnel systems and various contracts. The important thing is a growth strategy, and in *APTSIS 20*, we will develop strategies that integrate business units. We think there are about 10 possible business combination moves, and we consider it vital to create such strategies. From that viewpoint, we must think about what R&D and production structures we must have in the future.

Q10

Taking the long-term view, do you think the three chemical companies should integrate around 2020? Or do you think the current organization is all right if some structural changes are made?

A10

If they are all under the same umbrella, governance might be easier to put into effect. We must consider our

policies as we go along. We must clarify what shape will take maximum advantage of our performance characteristics. If we do so, we should be able to find the proper answer.

Q11

You say the terephthalic acid business will be in the black by fiscal 2017, but isn't it true that it would be difficult to restore profitability faster than that, so the plan now includes dropping the utility costs for two or three years?. Do you think this is an appropriate schedule?

A11

Our measures are detailed in the presentation material (p22 Terephthalic Acid), but what we'll be doing is reducing utility costs. Optimizing production operations may include downsizing, building a domestic pricing structure linking to paraxylene, creating new partnerships — all are possibilities. Ideally, we'd like to move into the black during fiscal 2016, but the schedule we have set is for that to occur in fiscal 2017. MCC will be in the black if the spread in the Chinese market is about \$80, and if it goes to \$90-100, we'll move our schedule forward. Still, \$80 is the lowest the market can afford.

Q12

About ROE, I think perhaps extraordinary losses you had to take are the reason returns did not rise. In *APTSIS 20*, can you tell us whether your restructuring will result in a reduction of such extraordinary losses?

A12

We are looking into that, and we hope to be able to address that problem when we announce *APTSIS 20*.

Q13

You have started amalgamating your logistics subsidiaries. Can you tell us how you plan to control administration and other indirect costs?

A13

We have combined accounting, legal affairs, and auditing sections as Mitsubishi Chemical Holding Group Corporate Staff, Inc. Still, in our four wholly owned subsidiaries: MCC, MPI, MRC, and LSII, the indirect sections are not yet integrated completely. We must move ahead on that. The 3,000 employees in indirect positions are a bit too many, and we are looking at ways to address that in *APTSIS 20*.