

December 9, 2015

Formulation of APTSIS 20 New Medium-Term Management Plan

Mitsubishi Chemical Holdings Corporation

Mitsubishi Chemical Holdings Corporation has formulated its New Medium-Term Management Plan *APTSIS* 20, which will be in effect for the five-year period from fiscal 2016 to fiscal 2020, as set out below. Stated under the Plan is what form the Company should be taking in 2020, having "established a foundation as "THE KAITEKI COMPANY" being recognized on a truly global level by increasing profitability, pursuing innovation and contributing to sustainability."

Medium-Term Management Plan, APTSIS 20: Outline

1. Basic Policy

	Aiming to remain a high growth/high profit-model company
through b	usinesses in the performance products, industrial materials, and health care domains
Growth	> Enhancement of sustainable growth and profitability through portfolio management
	> Improvement of profitability of overseas businesses
	Making new energy businesses competitive sooner
	Promotion of generating synergies in the MCHC Group
	> Enhancement of competitiveness by the integration of three chemical operating companies
Efficiency	> Realization of high-productivity corporate structure
	> Implementation of fundamental measures for unprofitable businesses and low-profit businesses
Strengthening	➤ Thorough safety/compliance measures
foundations	> Improvement of global management systems
	> Strengthening of financial position

2. Numerical Targets

Attain ROE of more than 10% to improve capital efficiency

Financial index	IFRS-base
Core operating income	¥380.0 billion
ROS (core operating income)	8%
Net income attributable to	¥180.0 billion
Shareholders of the parent	
ROE	12%
Net D/E ratio	0.8

(Reference) JGAAP
(operating income) ¥340.0 billion
(ROS (Operating income)7%
¥150.0 billion
11%

^{*}Gains/losses incurred by staged gain/loss introduced in accordance with transition to IFRS Ordinary income excluding gains/losses incurred by non-recurring factors

Prerequisites		
Crude oil/naphtha	FY2016-FY2017 Brent crude oil US\$50/bbl FY2018-FY2020 Brent crude oil US\$70/bbl	Domestic-standard naphtha: ¥38,000/kl Domestic-standard naphtha: ¥52,000/kl
Exchange rates	¥120/US\$, ¥140/€	

Operating income by domain	FY2015 Forecast	FY2020 Target*1
Performance Products	68.5	120.0
Industrial Materials	*2 92.0	110.0
Health Care	90.5	110.0
Corporate and Others	(3.0)	(0)
Total	248.0	340.0
(Reference) Net sales	3.940.0	4.700.0

^{*1} In fiscal 2020, changing the classification of part of the industrial materials business from industrial materials to performance products

3. Resource Allocation Policy

Allocate ¥1.0 trillion in investment for growth and inject ¥700.0 billion in R&D investment

◆ Capital expenditure ¥1 trillion (of which capital expenditure for growth: ¥500.0 billion)

◆ Strategic investment (M&A, etc.)
 ◆ R&D investment
 ¥500.0 billion
 ¥700.0 billion

(¥ billion)

FY2016 to 2020 Resource Allocation	Investment for growth (Capital expenditure: ¥500.0 billion, Strategic investment ¥500.0 billion)	R&D investment
Performance Products	260.0	170.0
Industrial Materials	320.0	80.0
Health Care	390.0	440.0

4. Shareholder Returns Policy

- ◆ Aiming for improvement in shareholder value by enhancing corporate value
- Our dividend policy takes into consideration a balance between investment for business growth and improvements in financial position
 - ➤ We shall regard 30% as our consolidated dividend payout ratio benchmark, taking the medium-term profit level into account.
 - Aiming for making stable payment of dividend

5. Principal Measures

(1) Integration of Three Chemical Operating Companies

MCHC has decided to integrate the three chemical operating companies (Mitsubishi Chemical, Mitsubishi Plastic and Mitsubishi Rayon) through a merger, with MRC as the merging company, effective April 1, 2017.

Objectives

- ➤ Building of a framework to be able to take full advantage of the three companies' business resources (including personnel, technologies, and information, etc.)
- In addition to clarifying the direction of each business, rebuilding their business portfolios
- Strengthening of cost-competitiveness by improvement in productivity

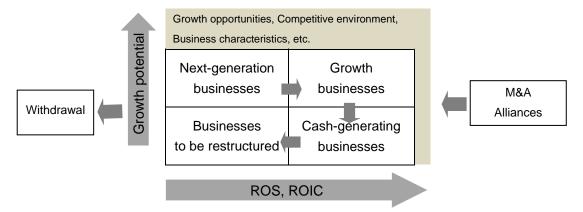
Measures

- Acceleration of portfolio transformation
- Implementation of Growth Strategies ("Growth")
- > Advancement of Globalization ("Moving beyond Japan-centric management")

^{*2} Including leaping ahead (M&A)

(2) Business Portfolio Management

- Targeting the formation of high-growth, high-profit entities, implement thorough business portfolio management
- Based on evaluations of return on invested capital (ROIC), growth (sales growth ratio), and return on sales, give consideration to and position/rank contributory factors, such as growth opportunities, competitive environment, and business characteristics



(3) Next-Generation Businesses

- ♦ We select the following items as incubation businesses which should be instrumental to growth in 2020 – 2025.
- We promote business development of Next-generation businesses using OSB (Open Shared Business) framework.

Next-generation businesses	Research areas
Healthcare solutions	· Regenerative medicine
	· Diagnostic support systems
	· Plant-derived vaccines
Bio solutions	· Functional vegetables and growth factors, using plant
	factories
	· Plant-derived monomers and polymers
	· Effective usage of enterobacterium
Gas solutions	· CO2 enriched water system
	· Cryopreservation-related technologies
	· Hydrogen stations
	· Medical applications of gases
	· Stable isotope pharmaceuticals
	· Gas/liquid separation materials
New energy and frontier materials	· Organic photovoltaic materials
	· Silicon-related materials

Solutions integrating big data and ICT	· Proactive utilization of big data/ICT for all activities
	ranging from manufacturing, R&D to businesses and
	services

(4) Global Development

- ◆ Increase overseas sales ratio from 43% (2015 forecasts) to 50% (2020)
- ◆ Enhance business support functions of each region, promote collaboration among business units

6. Toward Enhancing KAITEKI Value

(1) Materiality Assessment

Based on the environmental recognition on (i) Society / Economy / Market, (ii) Health / Medicine and (iii) Global Environment / Resources, we identify priority issues to be addressed as "Materiality" and use them as management strategy guidelines.

(2) Direction of MOS

We identify MOS indices (Sustainability) which are related to "Materiality" and consist of Sustainability [Green]. Health, Comfort as management indices and contribute enhancement of our corporate value with strengthening of collaboration between MOE (management of economy) and MOT (management of technology).

(3) Direction of MOT

We shall advance R&D by bringing together outstanding resources from Japan and overseas, and contribute to the realization of KAITEKI through innovation.

*Related link:

http://www.mitsubishichem-hd.co.jp/english/ir/library/analysts_meeting.html

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