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

<table>
<thead>
<tr>
<th></th>
<th>FY2006</th>
<th>FY2007 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>¥2,622.8</td>
<td>¥2,900</td>
</tr>
<tr>
<td>Decreased because of price adjustments for petrochemical products in response to raw material price hikes.</td>
<td></td>
<td>Increase expected in net sales from the merger of the pharmaceutical businesses and commercial operation of Ningbo Mitsubishi Chemical Co., Ltd.</td>
</tr>
<tr>
<td>In the pharmaceutical business, net sales fell because of NHI price revision.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>¥128.6</td>
<td>¥148</td>
</tr>
<tr>
<td>Decreased because of price difference in inventories of raw materials and temporary production suspensions due to petrochemical facility troubles.</td>
<td></td>
<td>Increase due to the above merger and favorable progress in performance and functional products, despite impact from elimination of depreciable limit. Comparatives differences w/o the impact of regulation change in depreciation and reorganization changes (+34.0)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>¥100.3</td>
<td>¥186</td>
</tr>
<tr>
<td>Increased because of lower extraordinary losses. Record profits posted.</td>
<td></td>
<td>Increased expected due to gain on ‘share change balance’ by the merger of pharmaceutical businesses.</td>
</tr>
</tbody>
</table>
Progress of the ‘KAKUSHIN Plan: Phase 2’

**Restructuring**

**Rebuilding Foundations**

**Consolidation of Strengths and Building Momentum**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Profit (Billions of yen)</td>
<td>1,780.3</td>
<td>1,887.5</td>
<td>1,925.3</td>
<td>2,189.5</td>
<td>2,408.9</td>
<td>2,622.8</td>
<td>2,900.0</td>
</tr>
<tr>
<td>Change of corporate culture</td>
<td>1,780.3</td>
<td>1,887.5</td>
<td>1,925.3</td>
<td>2,189.5</td>
<td>2,408.9</td>
<td>2,622.8</td>
<td>2,900.0</td>
</tr>
<tr>
<td>Strengthening of business foundations</td>
<td>1,780.3</td>
<td>1,887.5</td>
<td>1,925.3</td>
<td>2,189.5</td>
<td>2,408.9</td>
<td>2,622.8</td>
<td>2,900.0</td>
</tr>
<tr>
<td>Active investment</td>
<td>1,780.3</td>
<td>1,887.5</td>
<td>1,925.3</td>
<td>2,189.5</td>
<td>2,408.9</td>
<td>2,622.8</td>
<td>2,900.0</td>
</tr>
</tbody>
</table>

**Target in Phase 2 (FY2007)**

- Operating income: >140.0
- Net income: >140.0
- Ordinary income: >140.0
- Operating income: >140.0
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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.
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 and tasks

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.
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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- Current status and tasks
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The New Mid-term Management Plan: Preliminary Study

Future Vision of the MCHC Group in 2025

Desired Target of the MCHC Group Scope and Scale in 2015

Formulation of the New Mid-term Management Plan (FY2008-2010) in Progress
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

The New Mid-term Management Plan: Schedule

KAKUSHIN Plan: Phase 2
FY2005 - 2007

The New Mid-term Management Plan
FY2008 - 2010

Implementation

April 2005 → April 2007 → April 2008

Study towards 2025/2015
End of 2005 -

Formulation
April 2007 -

Completion Announcement
End of 2007
Beginning of 2008

Implementation
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
Future vision was created by taking into account:
- Transformation of social structure and needs
- ‘Will’ of the MCHC Group
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 CO₂ with ‘Good Chemistry’.
Profit Structure of the MCHC Group

2007

Fundamental Businesses
- Information and Electronics
- Pharmaceuticals
- Carbon Petrochemicals
- From Sick Care to Healthcare
- Light and Colors
- Clean Energy

2015

Light and Colors
- Clean Energy
- From Sick Care to Healthcare
- Fundamental Businesses

2025

Comfort Health Sustainability

Future vision
Targeted Operating Income Structure in 2015

Expand profit by

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

Directions of Growth Strategies

Performance and Functional Products
- Separated
- Self-standing

Health Care

Petrochemicals

Like a symphony played in orchestra

- Stricter selection of focused businesses
- Focus on growing markets

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

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

Light and Colors, and Clean Energy

Earth-friendly Comfort

Light and Colors
Clean Energy

Device

Fusion of material and processing

Material

Processing

R&D + M&A
### Focus on Growing Markets (2015)

<table>
<thead>
<tr>
<th>Light and Colors</th>
<th>Clean Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Imaging components</strong></td>
<td><strong>Energy Saving</strong></td>
</tr>
<tr>
<td><strong>Optical recording media</strong></td>
<td>Carbon fiber composite materials</td>
</tr>
<tr>
<td>Blu-ray disc Hologram</td>
<td>Organic/Inorganic composite materials</td>
</tr>
<tr>
<td><strong>Display (FPD) and lighting components</strong></td>
<td>Comfortable space realization materials</td>
</tr>
<tr>
<td><strong>FPD related components</strong></td>
<td>Polymer materials for energy-conservation</td>
</tr>
<tr>
<td>PET films Carbon fiber composite materials Phosphors etc.</td>
<td><strong>Fuel cell materials</strong></td>
</tr>
<tr>
<td><strong>Energy Transformation</strong></td>
<td>Organic solar cells (2025)</td>
</tr>
</tbody>
</table>
From Sick Care to Healthcare

Disease Management
- Mass Medicine
- Personalized Medicine

Healthcare Management
- Preventive Medicine

Optimized Medicine

Pharmaceuticals
Integration of Pharmaceuticals and Diagnostics

Diagnostics, Clinical testing

R&D + M&A
Integration of Information Technology
Cooperation towards Personalized Medicine by the MCHC Group

Molecuence

New biomarker finding from blood sample

Oomics analysis

Mitsubishi Tanabe Pharma Corporation

Better medical treatment

Mitsubishi Chemical Medience Corporation

Better diagnostics

Integration of pharmaceuticals and diagnostics

Clinical informatics
Clinical database + new biomarker information

Technology development for medical support

“Personalized Medicine”

Patient
Clinical data, Blood sample

Medical checkup data, Blood sample

Future vision
To Be on a Par with Global Leading Companies in 2015

Operating margin

Global Leading Chemical Companies in 2006

No.1
No.2
No.3
No.4
No.5

The MCHC Group in 2006

Source of financial results data: websites of each company
Ranking: ‘Fortune 2006 Global 500’
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.
Future vision

With the Stream of the Times

Criteria of dairy activities in the MCHC Group

**Agility**

**Principle**

**Transparency**

**Sense of Survival**

**Internationalization**

**Safety, Security & Sustainability**

“APTSIS”
Reference
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 Loan in Progress

(Launch/Decision in FY2005-6)

<table>
<thead>
<tr>
<th>Major Items</th>
<th>Three-year Plan (Billions of yen)</th>
<th>Progress (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Petrochemicals</strong></td>
<td>160</td>
<td>88</td>
</tr>
<tr>
<td>Performance Products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional Products</td>
<td>150</td>
<td>58</td>
</tr>
<tr>
<td><strong>Performance and Functional Products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Information and Electronics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New production</td>
<td></td>
<td></td>
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<tr>
<td>&gt; Next generation optical discs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; OPC (USA, Singapore)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; Chemical toner (Yokkaichi)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; Materials and components for LCDs (Polyester films, color resists, phosphors, carbon fiber)</td>
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<td></td>
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<tr>
<td><strong>Automobiles</strong></td>
<td></td>
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<tr>
<td>New production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; Alumina fiber (MAFTEC) (Sakaide)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; Japan Epoxy Resins Co., Ltd. → Wholly owned subsidiary of MCC</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Health Care</strong></td>
<td>40</td>
<td>54</td>
</tr>
<tr>
<td><strong>Corporate/Others</strong></td>
<td>80</td>
<td>83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>430</td>
<td>73</td>
</tr>
</tbody>
</table>
## Business Portfolio Reformation in Progress

**Major Items**

<table>
<thead>
<tr>
<th>World Market</th>
<th>Petrochemicals</th>
<th>Performance and Functional Products</th>
<th>Health Care</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan Market</strong></td>
<td>PP (Kashima)</td>
<td>TOB &gt;Mitsubishi Plastics, Inc. Integration &gt;Four functional products businesses</td>
<td>Merger &gt;Tanabe Seiyaku Co., Ltd. and MPC Integration &gt;Three healthcare business companies Establishment &gt;MP Healthcare Venture Management Inc. Reorganization &gt;ZOEGENE Corporation</td>
</tr>
<tr>
<td></td>
<td>PC (Kurosaki) Ethylene (Mizushima)</td>
<td>Blu-ray Disc (Mizushima) Chemical toner (Yokkaichi) Materials and components for LCDs (Polyester films, carbon fiber, color resists, phosphors) Alumina fibers for automobiles</td>
<td>Urso® approved in Japan for additional indication Launch PATHFAST®</td>
</tr>
<tr>
<td><strong>Global Market</strong></td>
<td>PTA (India) PC, BPA (China) [at the stage of FS] Performance polymer for air bag covers (USA)</td>
<td>HD DVD (Singapore) OPC (USA, Singapore)</td>
<td>Mitsubishi Pharma Deutschland GmbH &gt;Launch ARGATRA® Establishment &gt;Mitsubishi Pharma (Guangzhou) Co., Ltd. &gt;Mitsubishi Pharma Research and Development (Beijing) Co., Ltd. Launch in Europe &gt;PATHFAST®</td>
</tr>
<tr>
<td><strong>Acquisition</strong></td>
<td>PP compounds &gt;Myltex Polymers General Partnership &gt;Myltex Polymers Asia Pacific Private Limited &gt;Advanced Plastics Compounds Company →Wholly owned subsidiary of MCC</td>
<td>Japan Epoxy Resins Co., Ltd. → Wholly owned subsidiary of MCC</td>
<td>Food ingredients business</td>
</tr>
<tr>
<td><strong>Transfer</strong></td>
<td>Dia-Nitrix Co., Ltd. →Minor affiliate of MCC</td>
<td></td>
<td>IC-Vec Ltd, Danaform, Inc.</td>
</tr>
<tr>
<td><strong>Withdrawal</strong></td>
<td>Linear alkylbenzene SM &gt;Yuka Seraya Private Limited Melamine</td>
<td></td>
<td>Japan Genome Solutions, Inc.</td>
</tr>
</tbody>
</table>
**Group R&D Expenditures**

- **Billions of yen**

- **FY2003**
  - Petrochemicals: 14.2
  - Performance Products: 7.0
  - Functional Products: 6.5
  - Health Care: 49.3
  - Corporate: 11.1

- **FY2004**
  - Petrochemicals: 13.8
  - Performance Products: 7.0
  - Functional Products: 6.6
  - Health Care: 49.8
  - Corporate: 11.8

- **FY2005**
  - Petrochemicals: 8.0
  - Performance Products: 8.0
  - Functional Products: 7.3
  - Health Care: 47.0
  - Corporate: 12.4

- **FY2006**
  - Petrochemicals: 9.8
  - Performance Products: 10.0
  - Functional Products: 8.4
  - Health Care: 48.6
  - Corporate: 14.1

- **FY2007 (Plan)**
  - Petrochemicals: 13.0
  - Performance Products: 10.0
  - Functional Products: 8.0
  - Health Care: 65.0
  - Corporate: 15.0

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