11-Year Overview of Major Financial and Non-Financial Indicators

For the Fiscal Year		2008	2009	2010	2011
Operating Results (for the year)					
Net sales		¥1,487,615	¥1,207,735	¥1,391,713	¥1,454,024
Operating income (loss)		(45,493)	(9,461)	40,548	21,564
Profit (loss) attributable to owners of parent		(95,237)	(28,010)	24,854	(1,007)
Reference: Ordinary income (loss)		(50,768)	(13,132)	38,851	22,884
Net cash provided by operating activities		54,882	70,173	73,196	43,302
Net cash used in investing activities		(76,253)	(42,913)	(43,204)	(42,452)
Free cash flows		(21,371)	27,260	29,992	850
Financial Position (at year-end)					
Total current assets		¥ 529,606	¥ 604,556	¥ 665,976	¥ 661,311
Property, plant and equipment		522,641	498,183	467,735	430,629
Total intangible assets, investments and other assets		136,692	135,347	161,916	164,363
Total assets		1,188,939	1,238,086	1,295,627	1,256,303
Total current liabilities		377,858	386,203	442,298	451,507
Total non-current liabilities		412,950	432,879	422,228	389,025
Total shareholders' equity & total accumulated other comprehensive income (loss)		349,908	377,283	383,740	367,436
Interest-bearing debt		535,391	494,219	480,701	464,773
Other					
Depreciation and amortization		¥ 81,374	¥ 74,878	¥ 69,237	¥ 62,749
Capital expenditures		81,041	49,054	45,137	44,814
R&D expenses		40,628	38,131	36,166	33,176
Per Share Data*1					
Net income (loss) per share (basic)		¥(627.30)	¥(165.20)	¥124.00	¥(5.05)
Cash dividends per share		45.00	15.00	30.00	30.00
Ratios					
Return (operating income (loss)) on sales		(3.06)	(0.78)	2.91	1.48
Return (net income (loss)) on equity		—	—	6.53	—
Return (operating income (loss)) on assets		—	—	3.20	1.69
Net D/E ratio		1.39	1.11	1.04	1.12
Social Data					
Employees	Consolidated	12,964	12,892	12,782	12,868
	Non-consolidated	8,557	8,297	7,878	7,633
Percentage of women	Non-consolidated	10.4	10.8	11.2	11.4
Environmental Data*2					
SOI*3 frequency*4	Consolidated*5	—	—	0.28	0.22
GHG emissions (Scope1, 2)*6	Consolidated*7	—	571	583	561
Energy consumption	Consolidated*8	—	99	103	99
Industrial waste	Landfill disposal volume (Consolidated)*5	30.1	18.8	18.1	1.1
	Landfill rate (Consolidated)*5	8.7	6.1	5.4	0.4

*1 On October 1, 2017, Mitsui Chemicals conducted a 5-to-1 share consolidation. Net income (loss) per share (basic) is calculated as if the consolidation had been conducted at the start of fiscal 2016. The figures listed for cash dividends per share have also been retroactively adjusted to account for the impact of the consolidation.
*2 Due to changes in aggregation methods and legal revisions, only data that complies with such methods and laws is presented.
*3 "Significant Occupational Injuries (SOIs)" refer to occupational injuries that resulted in absence from work or death. SOIs also include lighter occupational injuries that, due to the potential danger in the cause of the injury, could have led to absence from work or death. SOIs do not include those injuries that are not directly related to operations.
*4 SOI frequency: The number of deaths or SOIs per million hours worked.
*5 Production sites operated by Mitsui Chemicals, Inc. and domestic and overseas consolidated subsidiaries and affiliated companies eligible for Responsible Care support.

2012	2013	2014	2015	2016	2017	**2018**	**2018**
						(Millions of yen)	(Thousands of U.S. dollars)
¥1,406,220	¥1,566,046	¥1,550,076	¥1,343,898	¥1,212,282	¥1,328,526	**¥1,482,909**	**$13,360,744**
4,290	24,899	42,040	70,926	102,149	103,491	**93,427**	**841,761**
(8,149)	(25,138)	17,261	22,963	64,839	71,585	**76,115**	**685,783**
9,206	22,522	44,411	63,183	97,196	110,205	**102,972**	**927,759**
18,512	43,476	58,287	145,913	100,440	82,660	**109,492**	**986,503**
(58,136)	(89,781)	(35,036)	(36,365)	(47,395)	(75,041)	**(64,255)**	**(578,926)**
(39,624)	(46,305)	23,251	109,548	53,045	7,619	**45,237**	**407,577**
						(Millions of yen)	(Thousands of U.S. dollars)
¥ 715,396	¥ 777,015	¥ 731,708	¥ 628,210	¥ 678,938	¥ 731,326	**¥ 786,677**	**$ 7,087,819**
446,637	425,840	433,629	413,402	409,429	432,908	**443,063**	**3,991,918**
175,962	229,307	246,453	217,336	237,158	267,075	**271,334**	**2,444,671**
1,337,995	1,432,162	1,411,790	1,258,948	1,325,525	1,431,309	**1,501,074**	**13,524,408**
493,908	507,056	448,499	364,259	392,783	443,105	**458,758**	**4,133,327**
415,173	515,459	491,992	451,452	418,107	400,982	**410,577**	**3,699,225**
376,779	352,843	406,235	381,971	449,692	511,586	**551,915**	**4,972,655**
507,183	581,260	548,713	472,986	439,868	463,658	**485,043**	**4,370,150**
						(Millions of yen)	(Thousands of U.S. dollars)
¥ 43,864	¥ 48,143	¥ 48,251	¥ 48,640	¥ 44,057	¥ 45,654	**¥ 49,504**	**$ 446,022**
56,649	113,200	47,531	43,405	45,383	81,248	**61,924**	**557,924**
31,997	33,569	32,473	31,493	30,777	33,377	**35,796**	**322,516**
						(Yen)	(U.S. dollars)
¥(40.70)	¥(125.50)	¥86.20	¥114.75	¥324.05	¥358.38	**¥385.60**	**$3.47**
30.00	15.00	25.00	40.00	70.00	90.00	**100.00**	**0.90**
0.31	1.59	2.71	5.28	8.43	7.79	**6.30**	%
—	—	4.55	5.83	15.59	14.89	**14.31**	%
0.33	1.80	2.96	5.31	7.90	7.51	**6.37**	%
1.22	1.44	1.22	1.03	0.79	0.75	**0.68**	Times
12,846	14,271	14,363	13,447	13,423	17,277	**17,743**	Persons
7,266	7,129	6,931	6,733	6,516	6,541	**6,670**	Persons
11.7	11.9	11.9	12.0	12.4	12.6	**12.6**	%
0.49	0.24	0.18	0.30	0.23	0.24	**0.33**	
546	520	501	5,780	5,730	5,580	**5,220**	Thousand tons
94	89	86	95	97	95	**93**	PJ
1.2	0.6	0.7	1.0	0.9	0.7	**0.7**	Thousand tons
0.4	0.2	0.2	0.4	0.4	0.3	**0.3**	%

*6 We had disclosed our GHG emissions as a combination of both Scope 1 and Scope2 less the amount of electricity and steam sold up to 2014, but after 2015 we have been disclosing the sum of Scope 1 and Scope 2.

*7 GHG emissions for overseas consolidated subsidiaries are calculated in accordance with Japan's Law Concerning the Promotion of Measures to Cope with Global Warming based on energy consumption figures. (CO_2 emission factors from electricity generation were retroactively changed to the International Energy Agency (IEA) emission factors for each country.) Data reflect the total of domestic and overseas consolidated subsidiaries.

*8 Mitsui Chemicals, Inc. and domestic and overseas consolidated subsidiaries.

Management's Discussion and Analysis

Overview

In the fiscal period under review (the twelve-month period from April 1, 2018 to March 31, 2019, hereinafter "fiscal 2018"), the economy of the United States enjoyed constant recovery. On the other hand, the state of trade policy in the United States, the Chinese economy's deceleration and geopolitical risks remained unsettled, and careful attention was paid to fluctuations in the global economy.

In Japan, although attention was paid to the impact of successive natural disasters on the economy, it continued to gradually recover amid steady corporate profit and improvements in the employment and incomes.

In the domestic chemical industry, despite fluctuations in crude oil prices, naphtha crackers operated at a consistently high capacity on the back of firm domestic demand.

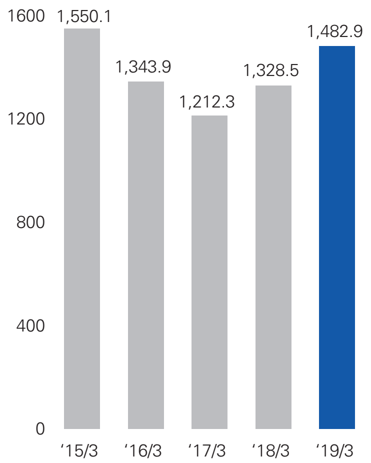
Under these circumstances, based on the 2025 Long-Term Business Plan, the Mitsui Chemicals Group (hereafter "the Group") worked for business expansion and growth in the three business domains; Mobility, Health Care, and Food & Packaging, while also creating and developing Next Generation Business and further enhancing competitiveness in the area of Basic Materials.

In Mobility, the Group responded to the expansion of new needs, namely, light-weighted, electric-powered and more comfortable products in the automotive and ICT industries. The Group is constructing its first production base in Europe for polypropylene compounds used in automotive bumpers. In addition, the Group decided to establish a new plant for LUCANT™, which contributes to the higher functionality of lubricants, in order to greatly boost production. Also, the Group worked to enhance its ability to offer customer-driven solutions with ARRK Corporation, which is a global development support company that was made into a consolidated subsidiary in January 2018.

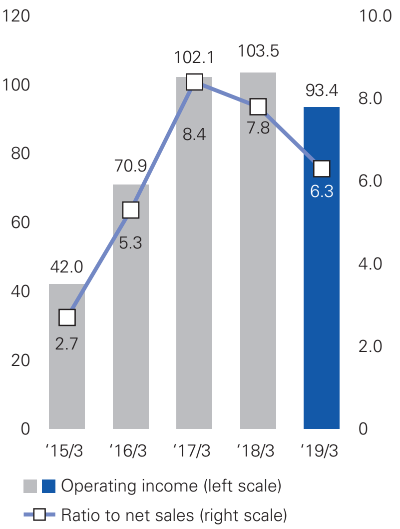
In Health Care, in line with the declining birthrates and aging populations of advanced countries and the growing economies in emerging markets, health consciousness is rising and individual wants and needs are diversifying. Sales of our ophthalmic lens materials, which boast the largest share of the global market, remained healthy. In addition, the Group accelerated the rollout of the next-generation eyewear TouchFocus™, which enables the wearer to easily switch between near- and far-sightedness at a touch. In nonwoven fabrics, the Group started operations at two expanded domestic plants to meet demand for premium disposable diapers, which are gaining popularity in Asia. In addition, the Group focused on expanding sales of the high-performance nonwoven fabric AIRYFA™, which is both soft and strong.

In Food & Packaging, food security is becoming a major social issue as the global population continues to grow. With standards of living in Asia rising, the packaging field is seeing growing needs for more highly functional products with a smaller environmental footprint. In performance films and sheets, the Group deftly responded to robust demand by optimizing and expanding its production system. In addition, new plant construction proceeded in Taiwan, a major source of demand, for facilities to produce ICROS™ Tape, which commands the largest share of the global market for protective tape used in semiconductor manufacturing processes. In agrochemicals, the Group accelerated the development of new products and continued building its business base in regions with high demand, especially Asia, thereby accelerating the global expansion of the agrochemical business.

Net sales
(Billions of yen)



Operating income/Ratio to net sales
(Billions of yen, %)



In Basic Materials, which is centered on petrochemicals and basic chemicals, the Group provides materials to various manufacturing fields, including automobiles, residences, consumer electronics, infrastructure and packaging. In fiscal 2018, demand remained firm despite the effects of fluctuations in naphtha prices. Osaka Works' utility plant, where a fire occurred in June 2018, resumed operations in August following a swift recovery. The Group will continue striving to prevent a recurrence and to ensure safe and stable operations. In addition, the Group will continue working to establish a stable earnings base resilient to economic fluctuations mainly by expanding its lineup of differentiated products and maintaining a high utilization rate through local production for local consumption.

Operating Results

Net Sales

Net Sales increased 154.4 billion yen, or 11.6%, compared with the previous fiscal year to 1,482.9 billion yen. This was mainly attributable to healthy sales and increase in sales prices due to the rise in naphtha and other raw materials and fuel prices.

Net sales overseas were 672.1 billion yen, an increase of 1.0% compared with the previous fiscal year to 45.3% in the total net sales.

Operating Income

Operating income was 93.4 billion yen, a decrease of 10.1 billion yen or 9.7% year on year. This result was due to increase of raw material prices and fixed costs, although sales were healthy.

Ordinary Income

Ordinary income was 103.0 billion yen, decreased 7.2 billion yen or 6.6% year on year. This result was due to decrease of operating income, in spite of increase of share of profit of entities accounted for using equity method.

Extraordinary Income and Losses

Extraordinary income and losses improved 18.3 billion yen year on year to 2.3 billion yen profit. This result was due to a decrease of impairment loss and because insurance income was received, in spite of a loss on fire and increase of loss on sales and disposal of non-current assets.

As a result of the aforementioned factors, profit before income taxes amounted to 105.3 billion yen, an increase of 11.1 billion yen, or 11.8% year on year.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent after accounting for income taxes and non-controlling interests was 76.1 billion yen, an increase of 4.5 billion yen, or 6.3% compared with the previous fiscal year. Earnings per share for the period were 385.60 yen.

Segment Information

Business Segment Results

The status of each segment during fiscal 2018 is as follows.

Management's Discussion and Analysis

Mobility

Net sales increased 64.4 billion yen compared with the previous fiscal year to 395.4 billion yen and comprised 27% of total sales. Operating income increased 0.4 billion yen to 42.7 billion yen year on year. The increase in income was due to expansion of sales volume in spite of increase in raw material prices and fixed costs.

In elastomers, which are primarily used in automotive components and as resin modifiers, the Group was affected by increase of raw material prices although the Group was able to meet healthy demand.

In performance compounds, the Group was able to satisfy healthy demand especially in Asia and Europe.

In performance polymers, which are primarily used in information communication technology (ICT)-related products, sales remained steady.

In overseas polypropylene compound businesses, the Group was able to meet increasing production volume of the automobile industry mainly in South East Asia.

The Group absorbed the newly consolidated subsidiaries of ARRK Group in solution business as of January 2018.

	Millions of yen		
Mobility	**2019/3**	2018/3	Change (%)
Net sales	**¥395,365**	¥331,038	19.4
Operating income (loss)	**42,736**	42,296	1.0
Total assets	**348,824**	316,313	10.3
Depreciation and amortization	**12,582**	10,264	22.6
Capital expenditures	**17,256**	32,179	(46.4)

Health Care

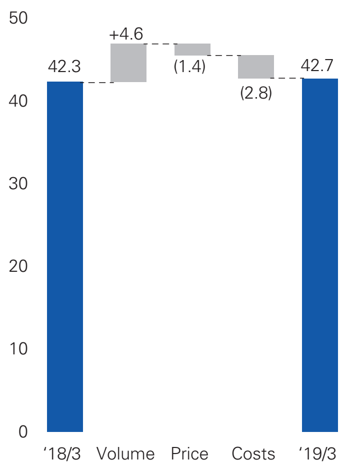
Net sales increased 7.5 billion yen year on year to 146.6 billion yen and comprised 10% of total sales. Operating income increased 2.8 billion yen to 13.6 billion yen year on year, mainly due to firm sales overall. In vision care materials, sales of ophthalmic lens materials were firm.

In nonwoven fabrics, sales were affected by decreasing export of disposable diapers from Japan.

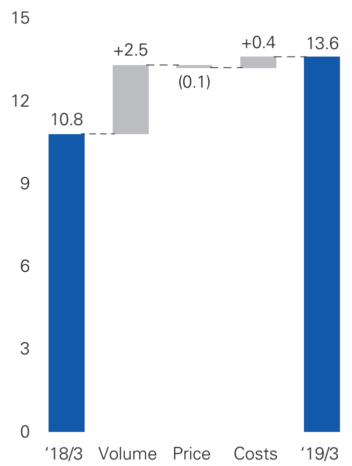
In dental materials, sales were stable.

	Millions of yen		
Health Care	**2019/3**	2018/3	Change (%)
Net sales	**¥146,598**	¥139,120	5.4
Operating income (loss)	**13,622**	10,830	25.8
Total assets	**195,713**	200,684	(2.5)
Depreciation and amortization	**9,412**	9,501	(0.1)
Capital expenditures	**6,579**	16,018	(58.9)

Mobility
(Change in operating income)
(Billions of yen)



Health Care
(Change in operating income)
(Billions of yen)



Food & Packaging

Net sales increased 3.6 billion yen compared with the previous fiscal year to 199.4 billion yen and comprised 13% of total sales. On the other hand, operating income decreased 2.1 billion yen to 17.8 billion yen year on year, due to decrease of sales volume and increase of raw material prices and fixed costs.

In coatings & engineering materials, profit was impacted by an increase in raw material prices.

In performance films and sheets, profit was affected by decrease of sales volume and increase of raw material prices.

In agrochemicals, sales were firm.

	Millions of yen		
Food & Packaging	**2019/3**	2018/3	Change (%)
Net sales	**¥199,435**	¥195,840	1.8
Operating income (loss)	**17,791**	19,924	(10.7)
Total assets	**232,533**	221,550	5.0
Depreciation and amortization	**7,496**	6,961	7.7
Capital expenditures	**15,019**	9,508	58.0

Basic Materials

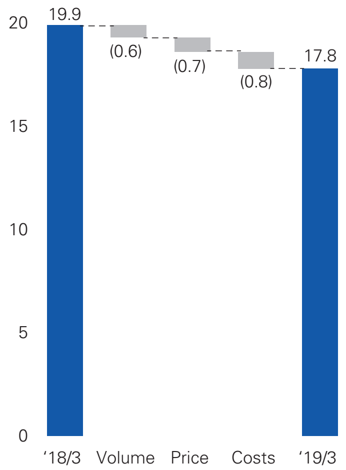
Net sales increased 78.8 billion yen compared with the previous fiscal year to 716.5 billion yen and accounted for 48% of total sales. On the other hand, operating income decreased 11.1 billion yen year on year, to 27.8 billion yen. This was mainly attributable to the effect of stock revaluation caused by fluctuations in naphtha prices in spite of firm domestic demand.

Naphtha cracker operating rate were lower than the previous fiscal year due to a fire at Osaka Works' utility plant, but kept at high level overall. Performances of polyethylene and polypropylene were firm, backed by domestic demand.

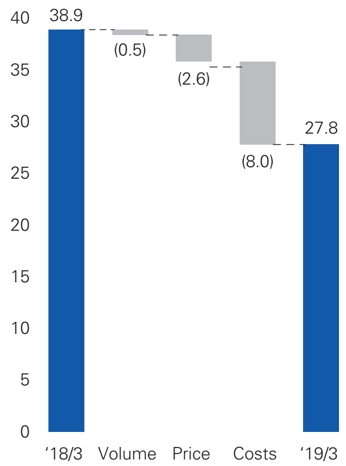
In phenols, demand was firm and the overseas market environment was at higher level than the previous fiscal year.

	Millions of yen		
Basic Materials	**2019/3**	2018/3	Change (%)
Net sales	**¥716,524**	¥637,700	12.4
Operating income (loss)	**27,776**	38,903	(28.6)
Total assets	**598,707**	606,896	(1.3)
Depreciation and amortization	**14,826**	14,467	2.5
Capital expenditures	**18,453**	15,752	17.1

Food & Packaging
(Change in operating income)
(Billions of yen)



Basic Materials
(Change in operating income)
(Billions of yen)



Others

Net sales increased 0.1 billion yen to 25.0 billion yen, comprised 2% of total sales. On the other hand, operating loss was 1.4 billion yen, increase of 0.5 billion yen compared to the previous year.

	Millions of yen		
Others	**2019/3**	2018/3	Change (%)
Net sales	**¥24,987**	¥24,828	0.6
Operating income (loss)	**(1,375)**	(906)	-
Total assets	**55,129**	50,052	10.1
Depreciation and amortization	**3,857**	3,118	23.7
Capital expenditures	**3,870**	6,110	(36.7)

Net Sales

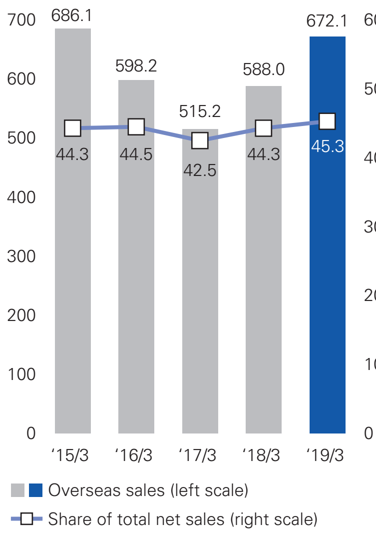
	Billions of yen				
			Increase (Decrease)		
	2019/3	2018/3	Total	Volume contribution	Price contribution
Mobility	**¥ 395.4**	¥ 331.0	¥ 64.4	¥49.0	¥15.4
Healthcare	**146.6**	139.1	7.5	5.9	1.6
Food & Packaging	**199.4**	195.8	3.6	(2.7)	6.3
Basic Materials	**716.5**	637.7	78.8	18.1	60.7
Others	**25.0**	24.9	0.1	—	0.1
Total	**¥1482.9**	¥1328.5	¥ 154.4	¥70.3	¥84.1

Operating Income (Loss)

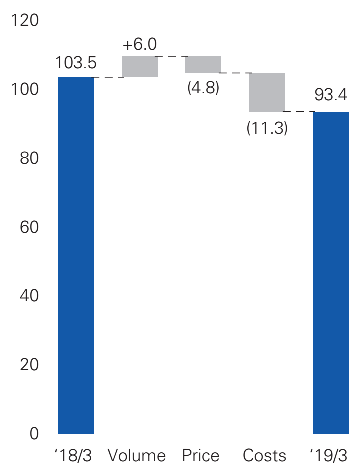
	Billions of yen					
			Increase (Decrease)			
	2019/3	2018/3	Total	Volume contribution	Price*	Fixed and other cost differential
Mobility	**¥42.7**	¥ 42.3	¥ 0.4	¥4.6	¥(1.4)	¥ (2.8)
Healthcare	**13.6**	10.8	2.8	2.5	(0.1)	0.4
Food & Packaging	**17.8**	19.9	(2.1)	(0.6)	(0.7)	(0.8)
Basic Materials	**27.8**	38.9	(11.1)	(0.5)	(2.6)	(8.0)
Others	**(1.4)**	(0.9)	(0.5)	—	—	(0.5)
Adjustments	**(7.1)**	(7.5)	0.4	—	—	0.4
Total	**¥93.4**	¥103.5	¥(10.1)	¥6.0	¥(4.8)	¥(11.3)

*Price = Price contribution + Variable cost differential

Overseas sales/Share of total net sales
(Billions of yen, %)



Operating income
(Billions of yen)



Financial Position

Assets

Total assets at the end of fiscal year stood at 1,501.1 billion yen, an increase of 69.8 billion yen compared with the end of the previous fiscal year.

Liabilities

Total liabilities at the end of fiscal year increased 25.3 billion yen compared with the previous fiscal year-end to 869.4 billion yen. Interest-bearing debt amounted to 485.0 billion yen, an increase of 21.3 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 32.3%, a decrease of 0.1 percentage point.

Net Assets

Net assets totaled 631.7 billion yen, an increase of 44.5 billion yen compared with the previous fiscal year-end. The ratio of shareholders' equity to total assets was 36.8%, 1.1 percentage point increase from the previous fiscal year-end.

Accounting for the aforementioned factors, the net debt-equity ratio stood at 0.68 at the end of the fiscal year, 0.07 point decrease from the previous fiscal year-end.

Consolidated balance sheet as of March 31,2018 is restated due to amendments to accounting standards for tax effect accounting. Consequently, comparison with the end of the previous fiscal year is calculated based on the restated figures.

Capital Resources and Liquidity

Cash Flows

Cash and cash equivalents (hereafter called "cash") increased 31.0 billion yen to 109.8 billion yen as of the end of this fiscal year compared with the previous fiscal year-end.

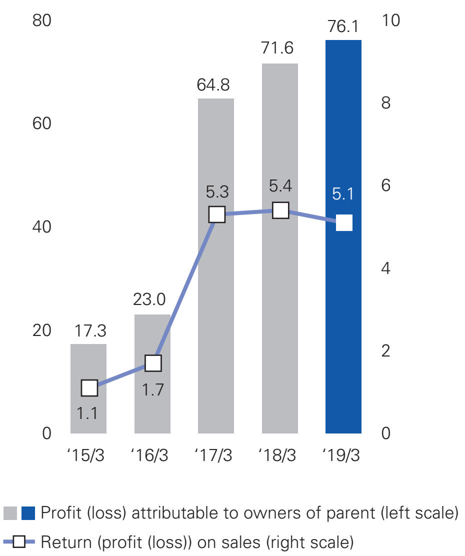
Cash Flows from Operating Activities

Net cash provided by operating activities increased 26.8 billion yen to 109.5 billion yen due to increase of profit before income taxes.

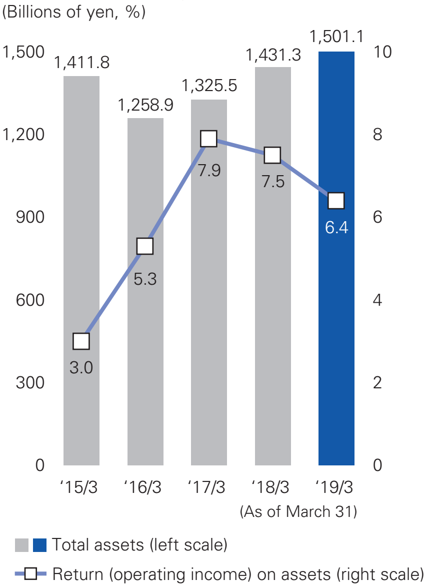
Cash Flows from Investing Activities

Net cash used in investing activities decreased 10.8 billion yen compared with the previous fiscal year to 64.3 billion yen, mainly because cash outflows from the tender offer for ARRK Corporation shares in the previous fiscal year is no longer recorded.

Profit (loss) attributable to owners of parent
(Billions of yen, %)



Total assets/
Return (operating income) on assets
(Billions of yen, %)



Cash Flows from Financing Activities

Net cash used in financing activities increased 3.9 billion yen compared with the previous fiscal year to 14.1 billion yen due primarily to the acquisition of treasury stock.

Cash Flows-Related Performance Indicators

	2019/3	2018/3	2017/3	2016/3	2015/3
Shareholders' equity ratio (%)	**36.8**	35.7	33.9	30.3	28.8
Shareholders' equity ratio on a market value basis (%)	**34.7**	46.6	41.5	29.8	27.4
Ratio of interest-bearing debt to cash flows	**4.4**	5.6	4.4	3.2	9.4
Interest coverage ratio (times)	**19.9**	14.8	17.3	20.7	7.7

Notes: Shareholders' equity ratio: shareholders' equity to total assets.
Shareholders' equity ratio on a market value basis: market capitalization to total assets.
Ratio of interest-bearing debt to cash flows: interest-bearing debt to cash flows.
Interest coverage ratio: cash flows to interest paid.
Each of the indicators was calculated using consolidated financial figures.
The market capitalization was calculated by multiplying the closing share price as of the end of the period with the number of shares outstanding (excluding treasury stock).
Operating cash flow figures have been used for cash flow calculations.
Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid.
Interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.
Consolidated balance sheet as of FY2017 is restated due to amendments to accounting standards for tax effect accounting. Consequently, shareholders' equity ratio and shareholders' equity ratio on a market value basis are calculated based on the restated figures.

Fund Procurement

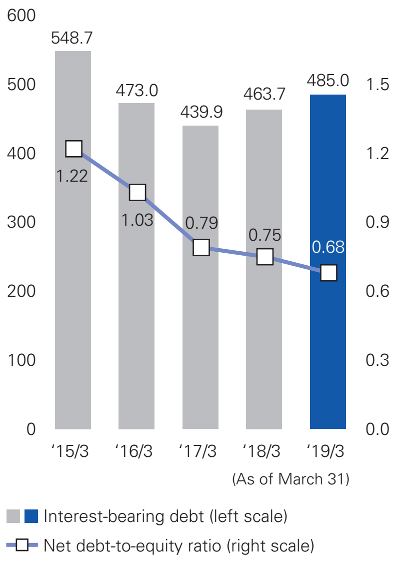
In connection with its fund procurement activities, the Group adopts the following basic policies.

1. Maintain a high credit rating so that low-cost funds can be procured, mainly through bonds, loans and commercial paper whenever necessary.
2. Utilize a certain level of indirect financing to preserve the stability of fund procurement activities.
3. Employ securitization and other schemes to liquidate assets in an effort to diversify fund procurement means.

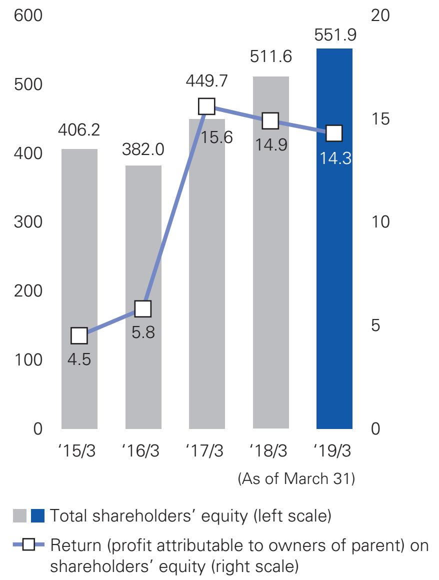
Financial Liquidity

With regard to asset efficiency, the Group will ensure sufficient levels of liquidity in hand while at the same time securing alternative sources of fund procurement, including credit and overdraft facilities.

Interest-bearing debt/
Net debt-to-equity ratio
(Billions of yen, %)



Total shareholders' equity/
Return (profit attributable to owners of parent) on equity
(Billions of yen, %)



Capital Expenditures (Summary)

The Company and its consolidated subsidiaries undertook capital expenditures totaling ¥61.9 billion in fiscal 2018. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses.
Expenditures by business segment were as follows.

Mobility
In Singapore (Mitsui Elastomers Singapore Pte. Ltd.), TAFMER™ increase production facility was under construction.
The total amount of capital expenditures in the Mobility segment was ¥17.3 billion.

Health Care
The total amount of capital expenditures in the Health care segment was ¥6.6 billion.

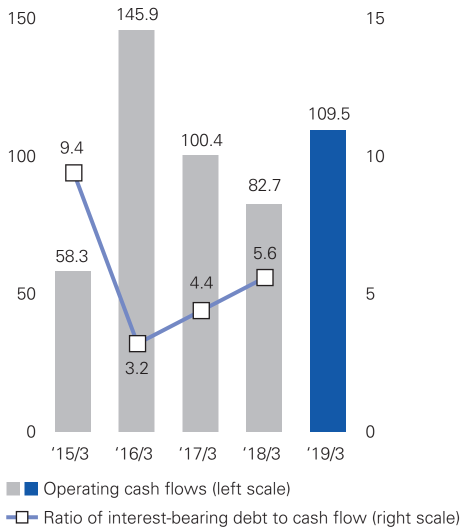
Food & Packaging
In Taiwan (Mitsui Chemicals Tohcello, Inc. Group), ICROS™ TAPE increase production facility was under construction.
The total amount of capital expenditures in the Food & Packaging segment was ¥15.0 billion.

Basic Materials
The total amount of capital expenditures in the Basic Materials segment was ¥18.5 billion.

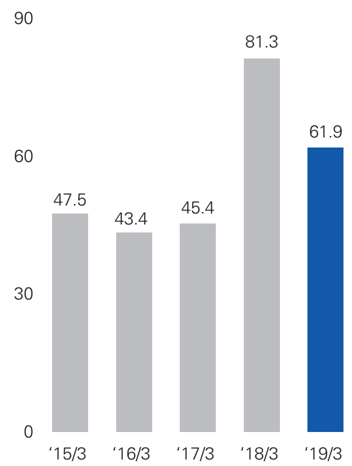
Others
The total amount of capital expenditures in the Others segment was ¥3.9 billion.

Corporate Expenses
The total amount of capital expenditures recorded under corporate expenses was ¥0.7 billion and was related to the development of new businesses.

Operating cash flows/
Ratio of interest-bearing debt to cash flow
(Billions of yen, %)



Capital expenditure
(Billions of yen)



Management's Discussion and Analysis

Research and Development

Research and development at Mitsui Chemicals, Inc. and its consolidated subsidiaries is conducted by their research and development divisions. The research and development expenses in the fiscal year ended March 31, 2019 amounted to ¥35.8 billion. The Group's research and development organizations are as listed as below:

R&D Planning & Coordination Division
Mitsui Chemicals Singapore R&D Center Pte. Ltd.
Synthetic Chemicals Laboratory
Polymeric Materials Laboratory
Functional Materials Laboratory
New Products Development laboratory
Process Technology Center
Mobility Development Center

Major research and development issues confronting corporate research, development for new businesses and each business sector, and their research and development expenses for fiscal 2018 are briefly stated as follows.

Corporate Research

The Company is playing a central role in the fundamental technology development for each segment's product family. The Company also engages in the basic research of computing science and advanced analytical technique to support its product development. Mitsui Chemicals Singapore R&D Centre Pte Ltd. is leading the basic research in consideration of new business creation in Asia.

Research and development expenses relating to corporate research amounted to ¥4.8 billion and were allocated among all reportable segments.

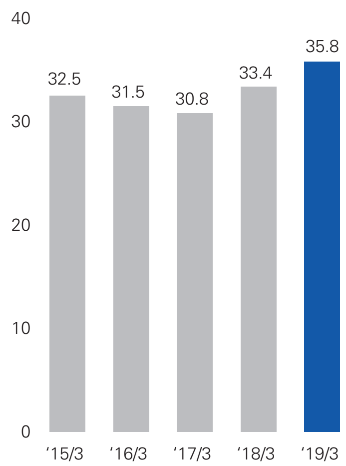
Development for New Businesses

The Company is playing a central role in research and development activities by project, all of which are aimed at new businesses creation in the Mobility domain and the Healthcare domain. In fiscal 2018, the Company worked on the development and assessment of metal and resin injection assembly technology, which lightens automobiles and improves mileage, components of lithium-ion batteries for a higher safety level, and technology development for solar power consultation.

In the Food & Packaging domain, the Company and Mitsui Chemicals Tohcello, Inc. collaborated in research and development for new business development.

Research and development expenses related to new businesses creation amounted to ¥3.6 billion. Those are presented in corporate expenses and other segments.

R&D expenses
(Billions of yen)



Mobility

The Company engages in the development of elastomers, performance compounds, and performance polymer resins in the Mobility domain. In fiscal 2018, the Company placed considerable weight on development activities encompassing new polyolefin elastomers for automobiles and packaging, engineering plastic compounds for use as heat-resistant materials for automobiles, and polyolefins for ICT.

Research and development expenses related to this segment were ¥8.2 billion.

Health Care

The Company engages in development in the Healthcare domain in such areas as vision-care, oral-care materials, and highly functional non-woven fabrics for both hygiene material use and medical use. Kulzer GmbH and Sun Medical Co., Ltd. engage in the product development of dental materials. In fiscal 2018, efforts were mainly directed toward materials for glass lenses and dental materials.

Research and development expenses related to this segment were ¥4.4 billion for the fiscal year.

Food & Packaging

Mitsui Chemicals Tohcello Inc. takes the lead in developing food packaging materials and fabricated products, including Food & Packaging in the fields of IT and energy. Mitsui Chemicals Agro, Inc. engages in agrochemical research and development. In fiscal 2018, priority was placed on food packaging materials, integrated circuit and semiconductor materials, solar cell components, highly functional agrochemicals, and pesticides for disinfection.

Research and development expenses related to this segment were ¥10.1 billion.

Basic Materials

The Company engages in the research and development of phenol and its derivative products, industrial chemicals such as hydroquinone, purified terephthalic acid (PTA), and PET resin for strengthening its business in the Basic Materials domain.

In addition, Mitsui Chemicals & SKC Polyurethanes Inc. are active in the development of such functional products as polyurethane foam materials in the Mobility domain.

Also, together with Prime Polymer Co., Ltd. the Company is developing such highly-functional products as PP compounds in the Mobility domain and highly-functional catalysts that strengthen the competitiveness of its polyolefin resin in the Food & Packaging domain.

Research and development expenses related to this segment were ¥4.7 billion.

Business Risks

The Mitsui Chemicals Group recognizes that management activities may be threatened by a wide range of conceivable and apparent risks. For this reason, the Group is dedicated to crafting initiatives able to prevent or minimize the escalation of these risks.

The items detailed below represent some of the risks that could potentially and adversely impact the Group's future operating performance and financial position. Readers are cautioned that this partial list does not constitute all of the risks faced by the Group.

Please note that the risks discussed below were those deemed relevant as of March 31, 2019.

(1) External operating environment

The Mitsui Chemicals Group businesses may be influenced by certain elements of the operating environment outside of the Group, including customer, market, alliance partner trends and the business operations of rival firms as well as changes in legal systems. In the event that actual circumstances upon which the Group's business strategies are based change as a result of these environmental influences, the Group's ability to implement these strategies on schedule could be impaired, and anticipated results may not materialize. The Group takes into consideration risks posed by such unavoidable environmental changes. With respect to products, a variety of risks could conceivably result in a decline in profitability. These include, but are not limited to, an erosion of market demand, loss of customers, and deterioration in market conditions caused by oversupply due to increased production capacity at rival firms or the market entry of low-priced products. Profitability may also decline due to drastic changes in the cost of raw materials, as well as the impact of supply stoppages due to accidents or bankruptcies at raw material manufacturers. Other conceivable risks include an increase in the tax burden attributable to changes in legal systems. The occurrence of any or all of these risks could adversely impact the Group's business development as well as operating performance and financial position.

(2) Overseas activities (Country risk)

The Mitsui Chemicals Group is involved in a wide range of activities outside of Japan, from the export of products to production at overseas bases. These activities overseas are subject to various risks, including difficulties in securing personnel, deterioration in political and economic conditions, regulations regarding imports and foreign capital, deterioration in public safety and security, labor unrest, and the outbreak of terrorism or warfare. The occurrence of such risks could impair the Group's business activities overseas, which may adversely impact operating performance.

(3) Changes in laws and tightening of regulations

The business development of the Mitsui Chemicals Group is subject to a wide range of legal acts and ordinances, which include a variety of licensing and regulatory requirements. Consequently, the Group remains keenly aware that its continued survival as a corporation is contingent on strict compliance with laws and regulations.

To this end, the Group has enacted training programs that incorporate examples of legal violations within and outside Mitsui Chemicals together with other initiatives aimed at promoting legal compliance. Other risks faced by the Group are the prospect of major changes to or a tightening of laws relevant to the Group, or unexpected amendments to laws and regulations overseas. Restrictions placed on the Group's activities, as well as increased costs associated with compliance with amended laws or more stringent regulations, could impair the Group's business activities, thus adversely impacting operating performance and financial position.

(4) Causes of changes in segment operating performance

The Mitsui Chemicals Group engages in the manufacture and sale of a wide array of products led by mobility, health care, food & packaging and basic materials. Assumed risks for each key business are as follows.

i. Mobility

Mobility segment products are primarily produced from ethylene, propylene, and other naphtha derivatives. As described below, segment product earnings could be adversely impacted by temporary delays in passing higher raw material prices on to product prices in the event of a sharp increase in naphtha supply prices caused by circumstances in the Middle East or global economic conditions.

ii. Health Care

Health care segment product earnings could be adversely impacted by price competition caused by the business expansion of rivals.

iii. Food & Packaging

Performance films and sheets products are primarily produced from polyethylene, polypropylene and other naphtha derivatives handled by the Basic Materials segment. As described below, those product earnings could be adversely impacted by delays in passing higher raw material prices on to product prices in the event of a sharp swing in naphtha supply prices caused by circumstances in the Middle East or global economic conditions.

Agrochemicals earnings could be adversely affected by such factors as changing global weather patterns, the appearance of harmful insects, and fluctuations in the cost of tests required for the development and registration of new products.

iv. Basic Materials

Petrochemicals products are primarily produced from naphtha. Naphtha supply volume and prices could fluctuate sharply due to circumstances in the Middle East or global economic conditions. In the event of a sharp increase or decrease in naphtha prices, segment product earnings could be adversely impacted by delays in passing such fluctuations on to product prices, the emergence of inventory valuation losses, or other factors.

Basic chemicals products could be adversely impacted by a rapid deterioration in market conditions caused by an oversupply, as these products are vulnerable to fluctuations in this overcrowded market.

(5) Financial risks

Major financial risks faced by the Mitsui Chemicals Group are increased concerns about customer confidence due to deteriorating economic conditions, currency exchange losses due to dramatic fluctuations in exchange rates, and rising interest rates and a reluctance to lend by financial institutions with respect to fund procurement.

The occurrence of any one of these risks could adversely impact the Group's financial position.

(6) Impairment of fixed assets

The Mitsui Chemicals Group has adopted the accounting standard for the impairment of fixed assets. Looking ahead, any downturn in profitability due to a marked deterioration in operating conditions or other factors, or drop in the market value of fixed assets held by the Group, may cause impairment losses to be recorded and have an adverse impact on the Group's operating performance and financial position.

(7) Impairment of marketable securities

The Mitsui Chemicals Group holds marketable securities with fair values that are mainly from its customers and financial institutions in order to maintain and strengthen relationships with them. Any incidence of impairment attributable to a substantial drop in the market prices of marketable securities held by the Group may adversely impact the Group's operating performance and financial position.

(8) Deferred tax assets

The Mitsui Chemicals Group determines the collectability of deferred tax assets based on forecasts and assumptions related to future taxable income. Any change in the forecasts and assumptions related to future taxable income may adversely impact the operating performance and financial position of the Group. Any change in a key parameter that is significant enough to require a revision of deferred tax asset calculations, such as a shift in the income tax rate due to an amendment to the taxation regulations, may also adversely impact the operating performance and financial position of the Group.

(9) Retirement benefits plans

The retirement benefit obligation and retirement benefit expenses applicable to employees and former employees of the Mitsui Chemicals Group are calculated on an actuarial valuation basis that incorporates a variety of factors, including a wide range of basic rates and pension asset investment yields. Any fluctuations in retirement benefit expenses attributable to such factors as a drop in the market values of pension assets, a change in the interest rate, or a revision to the retirement benefit plan may adversely impact the operating performance and financial position of the Group.

(10) Corporate acquisition, capital alliance and business reorganization

Aiming for a transformation of its business portfolio, the Mitsui Chemicals Group engages in a variety of activities, including the acquisition of companies and the establishment of business alliances. Any failures to realize the growth synergy benefits or other expected merits due to such factors as a deterioration in the operating environment of the Group and the companies in which it is invested, may adversely impact the operating performance and financial position of the Group.

In addition, business reorganization, along with the withdrawal from unprofitable businesses and the liquidation of subsidiaries or affiliates, may also adversely impact the operating performance and financial position of the Group.

(11) Accidents and disasters

In an effort to ensure workplace safety, the Mitsui Chemicals Group vigorously promotes OHSAS 18001 certification of the occupational health and safety management systems used in its production activities at works. Business continuity plans have also been formulated to quickly reestablish the business chain of command in the event that head office functions are affected by a major earthquake in the Tokyo metropolitan area. Nevertheless, the Group faces risks from a variety of unforeseen events, including damage to production facilities caused by natural disasters such as major earthquakes and typhoons, plant accidents, and accidents during the course of product transport or storage at warehousing facilities outside the Group. The occurrence of these risks may not only impede plant operations or the supply of products to customers, thereby adversely impacting the Group's operating performance and financial position, but could also potentially undermine the social standing of the Group.

Business Risks

(12) Quality

To uphold its quality assurance system, the Mitsui Chemicals Group vigorously promotes efforts to obtain ISO 9001 certification of the quality management systems at each of its plants. Nevertheless, the Group faces risks from the discovery of unforeseen quality defects in its products and product liability lawsuits. Because many the Group's products are used as raw materials in finished consumer goods, the appearance of large-scale customer recalls due to product defects could potentially result in massive damages. The occurrence of these risks may not only adversely impact the Group's operating performance and financial position, but could also potentially undermine the social standing of the Group.

(13) The environment

As a group that handles a wide range of chemical substances, the Mitsui Chemicals Group has made harmony with the environment one of its long-term management targets. In addition to ensuring compliance with environmental laws and regulations, the Group promotes initiatives for reducing greenhouse gas (GHG) emissions and minimizing the amount of industrial waste sent to landfill for final disposal.

Environmental risks relevant to the Group include the incurrence of new social responsibilities due to tighter environmental regulations or changes in public sentiment regarding environmental protection, as well as the discovery of environmental pollution stemming from actions taken by the Group prior to the enactment of environmental laws. These and other situations could increase costs associated with legal compliance and environmental countermeasures and have other consequences, which could adversely impact the Group's operating performance and financial position.

(14) Intellectual property

Possessing a significant array of proprietary technologies and expertise, the Mitsui Chemicals Group manages information in accordance with strict rules. Nevertheless, information leaks could potentially occur due to unforeseen circumstances. In addition, the Group could potentially be subject to unfavorable court judgement in the event of a future legal dispute concerning intellectual property. The occurrence of such events could adversely impact the Group's operating performance and financial position.

(15) Climate change

The negative effects of climate change are becoming increasingly severe and are thus recognized as social issues that must be addressed globally, as demonstrated by the Paris Agreement and the SDGs. The process of manufacturing chemicals emits large amounts of greenhouse gases (GHG), the primary cause of climate change. The physical risks associated with climate change and risks pertaining to the transition to a low-carbon society have the potential to adversely affect the Group's business results and financial position. Accordingly, how we address climate change is considered a key issue (materiality) at the Mitsui Chemicals Group. In terms of physical risks, extreme weather events such as typhoons and floods have the potential to become more serious. Such events could lower production capacity at the Group's manufacturing bases and trigger an increase in costs from damages. Moreover, in regions where there is a heightened water risk owing to fluctuations in rainfall, production activity at our manufacturing bases may be limited by restrictions on water use as a result of drought.

As for risks pertaining to the transition to a low-carbon society, in the event GHG emission restrictions are introduced, for example, a carbon tax or an emissions trading scheme, prices for raw materials and fuel will likely increase and subsequently push up the cost of electricity. This could drive up the Group's manufacturing costs and dent earnings. And depending on the circumstances surrounding the shift to a low-carbon society, we may see more calls from our stakeholders for products that help reduce GHG emissions. In responding to those demands, the Group's earnings could decline as a result of higher R&D expenses and an increase in capital expenditure for implementing new technologies.

The Mitsui Chemicals Group considers climate change to be not only a risk, but also an opportunity. As such, we aim to solve social issues related to climate change through our business activities. Furthermore, in order to clarify our stance on addressing risks and opportunities related to climate change and assessing its impacts, we support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In this way we continue to assess the impacts of climate change and engage in appropriate information disclosure.

(16) Marine plastic pollution

Plastic is a material that brings convenience and benefits and also helps solve challenges in society by, for example, reducing food waste and improving energy efficiency thanks to its advanced functionality. However, concerns have been raised for some time now about the problem of plastic ending up in the world's oceans—the result of a few million tons of plastic waste being disposed inappropriately every year. Interest in this issue has grown rapidly in recent years as companies begin to focus more on the Paris Agreement, the SDGs, and ESG topics, and as a result, active steps are being taken worldwide to find a solution.

Various controls are being considered globally with governments and corporations considering the use of recycled plastic and enacting self-imposed bans on single-use plastics. The potential use of alternative materials is also gaining momentum. Measures that seek to recycle resources are also gaining traction, particularly in Europe, with all companies in the value chain examining ways to reuse and recycle. These movements could negatively affect the Group's business results and financial position.

The Mitsui Chemicals Group recognizes that the problem of plastic is one key issue that the chemicals industry must take the initiative to address.

As part of our efforts to address the aforementioned risks, we work together with plastic-related value-chain corporations and industry bodies and participate in the activities of the Japan Initiative for Marine Environment and the Alliance to End Plastic Waste. The latter comprises global plastic value-chain corporations that contribute large sums of money to fund efforts to end plastic waste in the environment. Through these activities we are working to solve problems by actively contributing to the development of infrastructure for waste control, promotion of innovation, education and awareness activities, and clean-up campaigns. We also think the recycling of resources presents business opportunities. We will continue to promote the recycling of resources by examining a broad range of possibilities, including the use of recycled raw materials, the development of recycling technologies such as chemical recycling to turn automotive scrap into useful plastic, and the design of products that consider the recycling such as the packaging made of a single material.

As a manufacturer and provider of plastic materials that have thus far solved various challenges in society, the Mitsui Chemicals Group will continue to proactively address the problem of plastic in the environment.

Consolidated Balance Sheets

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
March 31, 2019 and 2018

		Millions of yen		Thousands of U.S. dollars (Note 4)
		2019/3	2018/3	2019/3
ASSETS	**Current assets**			
	Cash and deposits (Notes 14 and 16)	¥ 111,056	¥ 80,209	$ 1,000,595
	Notes and accounts receivable-trade (Note 16)	310,591	306,899	2,798,369
	Inventories (Note 5)	301,890	274,342	2,719,975
	Accounts receivable-other	55,288	60,356	498,135
	Other	8,570	10,193	77,214
	Allowance for doubtful accounts	(718)	(673)	(6,469)
	Total current assets	786,677	731,326	7,087,819
	Non-current assets			
	Property, plant and equipment			
	Buildings and structures	352,569	343,555	3,176,583
	Accumulated depreciation	(241,112)	(236,725)	(2,172,376)
	Buildings and structures, net	111,457	106,830	1,004,207
	Machinery, equipment and vehicles	1,030,949	997,563	9,288,666
	Accumulated depreciation	(889,978)	(865,884)	(8,018,542)
	Machinery, equipment and vehicles, net	140,971	131,679	1,270,124
	Land	156,556	159,018	1,410,541
	Construction in progress	18,515	20,462	166,817
	Other	78,508	76,136	707,343
	Accumulated depreciation	(62,944)	(61,217)	(567,114)
	Other, net	15,564	14,919	140,229
	Total property, plant and equipment	443,063	432,908	3,991,918
	Intangible assets			
	Goodwill	5,061	5,684	45,599
	Other	24,324	25,792	219,155
	Total intangible assets	29,385	31,476	264,754
	Investments and other assets			
	Investment securities (Notes 16 and 17)	151,847	159,428	1,368,114
	Net defined benefit asset (Note 6)	42,653	41,549	384,296
	Deferred tax assets (Note 19)	11,386	10,673	102,586
	Other	38,511	26,369	346,977
	Allowance for doubtful accounts	(2,448)	(2,420)	(22,056)
	Total investments and other assets	241,949	235,599	2,179,917
	Total non-current assets	714,397	699,983	6,436,589
	Total assets	¥1,501,074	¥1,431,309	$13,524,408

The accompanying notes are an integral part of these consolidated financial statements.

		Millions of yen		Thousands of U.S. dollars (Note 4)
		2019/3	2018/3	**2019/3**
LIABILITIES AND NET ASSETS	**Current liabilities**			
	Notes and accounts payable-trade (Note 16)	**¥ 163,908**	¥ 162,179	**$ 1,476,782**
	Short-term loans payable (Notes 7 and 16)	**92,733**	94,348	**835,508**
	Current portion of long-term loans payable (Note 7)	**57,571**	24,834	**518,704**
	Commercial papers (Notes 7 and 16)	**10,000**	20,000	**90,098**
	Current portion of bonds payable (Notes 7 and 16)	**426**	15,426	**3,838**
	Accounts payable-other	**79,245**	69,299	**713,983**
	Income taxes payable (Note 19)	**9,372**	7,956	**84,440**
	Provision for directors' bonuses	**175**	158	**1,577**
	Provision for repairs	**13,089**	13,585	**117,930**
	Asset retirement obligations	**5**	—	**45**
	Other (Notes 7 and 19)	**32,234**	35,320	**290,423**
	Total current liabilities	**458,758**	443,105	**4,133,328**
	Non-current liabilities			
	Bonds payable (Note 7)	**66,438**	31,864	**598,594**
	Long-term loans payable (Notes 7 and 16)	**254,850**	274,099	**2,296,153**
	Deferred tax liabilities (Note 19)	**11,471**	13,240	**103,352**
	Provision for directors' retirement benefits	**243**	250	**2,189**
	Provision for repairs	**2,682**	2,880	**24,164**
	Provision for environmental measures	**551**	675	**4,964**
	Net defined benefit liability (Note 6)	**56,428**	55,220	**508,406**
	Asset retirement obligations	**3,203**	4,330	**28,858**
	Other (Notes 7 and 19)	**14,711**	18,424	**132,545**
	Total non-current liabilities	**410,577**	400,982	**3,699,225**
	Total liabilities	**869,335**	844,087	**7,832,553**
	Net assets			
	Shareholders' equity (Note 12)			
	Capital stock	**125,205**	125,125	**1,128,075**
	Capital surplus	**89,406**	89,327	**805,532**
	Retained earnings	**348,202**	291,000	**3,137,237**
	Treasury stock	**(29,869)**	(19,842)	**(269,114)**
	Total shareholders' equity	**532,944**	485,610	**4,801,730**
	Accumulated other comprehensive income (Note 13)			
	Valuation difference on available-for-sale securities	**21,421**	26,558	**192,999**
	Deferred gains or losses on hedges	**(3)**	(16)	**(27)**
	Foreign currency translation adjustment	**4,195**	5,037	**37,796**
	Remeasurements of defined benefit plans	**(6,642)**	(5,603)	**(59,843)**
	Total accumulated other comprehensive income (loss)	**18,971**	25,976	**170,925**
	Non-controlling interests	**79,824**	75,636	**719,200**
	Total net assets	**631,739**	587,222	**5,691,855**
	Total liabilities and net assets	**¥1,501,074**	¥1,431,309	**$13,524,408**

Consolidated Statements of Operations

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019/3	2018/3	**2019/3**
Net sales	**¥1,482,909**	¥1,328,526	**$13,360,744**
Cost of sales (Notes 6 and 9)	**1,166,577**	1,019,160	**10,510,650**
Gross profit	**316,332**	309,366	**2,850,094**
Selling, general and administrative expenses (Notes 6 and 9)	**222,905**	205,875	**2,008,333**
Operating income (loss)	**93,427**	103,491	**841,761**
Non-operating income and expenses			
Non-operating income			
Interest income	**2,063**	1,471	**18,587**
Dividends income	**2,799**	3,317	**25,218**
Share of profit of entities accounted for using equity method	**10,807**	7,063	**97,369**
Rent income	**819**	744	**7,379**
Insurance income	**419**	2,318	**3,775**
Other	**3,890**	2,408	**35,049**
Total non-operating income	**20,797**	17,321	**187,377**
Non-operating expenses			
Interest expenses	**5,534**	5,478	**49,860**
Loss on suspension of operations	**893**	588	**8,046**
Foreign exchange losses	**372**	1,201	**3,352**
Other	**4,453**	3,340	**40,121**
Total non-operating expenses	**11,252**	10,607	**101,379**
Ordinary income (loss)	**102,972**	110,205	**927,759**
Extraordinary income and losses			
Extraordinary income			
Gain on sales of non-current assets	**79**	2,778	**712**
Gain on sales of investment securities	**3,663**	767	**33,003**
Gain on transfer of business	**743**	591	**6,694**
Gain on forgiveness of debts	**—**	2,010	**—**
Gain on revision of retirement benefit plan	**—**	326	**—**
Insurance income	**11,368**	—	**102,424**
Total extraordinary income	**15,853**	6,472	**142,833**
Extraordinary losses			
Loss on disposal of non-current assets	**4,352**	2,389	**39,211**
Loss on sales of non-current assets	**75**	9	**676**
Impairment loss (Note 10)	**1,454**	15,012	**13,100**
Loss on valuation of investment securities	**171**	5,059	**1,541**
Loss on fire (Note 11)	**7,476**	—	**67,357**
Total extraordinary losses	**13,528**	22,469	**121,885**
Profit (loss) before income taxes	**105,297**	94,208	**948,707**
Income taxes—current	**18,879**	18,819	**170,096**
Income taxes—deferred	**(105)**	(3,629)	**(946)**
Total income taxes	**18,774**	15,190	**169,150**
Profit (loss)	**86,523**	79,018	**779,557**
Profit (loss) attributable to non-controlling interests	**10,408**	7,433	**93,774**
Profit (loss) attributable to owners of parent	**¥ 76,115**	¥ 71,585	**$ 685,783**

Amounts per share of common stock:

	Yen		U.S. dollars (Note 4)
Earnings per share	**¥385.60**	¥358.38	**$3.474**
Cash dividends per share	**100.00**	90.00	**0.901**

Consolidated Statements of Comprehensive Income

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019/3	2018/3	**2019/3**
Profit (loss)	**¥86,523**	¥79,018	**$779,557**
Other Comprehensive income (loss) (Note 13)			
Valuation difference on available-for-sale securities	**(5,581)**	6,405	**(50,284)**
Deferred gains or losses on hedges	**4**	(5)	**36**
Foreign currency translation adjustments	**1,632**	(2,311)	**14,704**
Remeasurements of defined benefit plans	**(969)**	6,975	**(8,731)**
Share of other comprehensive income (loss) of entities accounted for using equity method	**(2,383)**	3,049	**(21,470)**
Total other comprehensive income (loss)	**(7,297)**	14,113	**(65,745)**
Comprehensive income (loss)	**¥79,226**	¥93,131	**$713,812**
Comprehensive income (loss) attributable to:			
Owners of parent	**¥69,109**	¥85,667	**$622,660**
Non-controlling interests	**10,117**	7,464	**91,152**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2019 and 2018

Millions of yen

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2017	¥125,053	¥90,491	¥236,961	¥(14,708)	¥20,337	¥(25)	¥4,211	¥(12,628)	¥64,943	¥514,635
Issuance of new shares	72	72	—	—	—	—	—	—	—	144
Dividends of surplus	—	—	(18,007)	—	—	—	—	—	—	(18,007)
Profit attributable to owners of parent	—	—	71,585	—	—	—	—	—	—	71,585
Purchase of treasury stock	—	—	—	(5,141)	—	—	—	—	—	(5,141)
Disposal of treasury stock	—	(0)	—	7	—	—	—	—	—	7
Change in ownership interest of parent related to transactions with non-controlling interests	—	(1,236)	—	—	—	—	—	—	—	(1,236)
Change of scope of equity method	—	—	—	—	—	—	—	—	—	—
Cumulative effects of changes in accounting policies	—	—	462	—	—	—	—	—	—	462
Net changes of items other than shareholders' equity	—	—	—	—	6,221	9	826	7,025	10,693	24,774
Balance at April 1, 2018	¥125,125	¥89,327	¥291,000	¥(19,842)	¥26,558	¥(16)	¥5,037	¥(5,603)	¥75,636	¥587,222
Issuance of new shares	**80**	**80**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**160**
Dividends of surplus	**—**	**—**	**(18,878)**	**—**	**—**	**—**	**—**	**—**	**—**	**(18,878)**
Profit attributable to owners of parent	**—**	**—**	**76,115**	**—**	**—**	**—**	**—**	**—**	**—**	**76,115**
Purchase of treasury stock	**—**	**—**	**—**	**(10,033)**	**—**	**—**	**—**	**—**	**—**	**(10,033)**
Disposal of treasury stock	**—**	**(1)**	**—**	**6**	**—**	**—**	**—**	**—**	**—**	**5**
Change in ownership interest of parent related to transactions with non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Change of scope of equity method	**—**	**—**	**(35)**	**—**	**—**	**—**	**—**	**—**	**—**	**(35)**
Cumulative effects of changes in accounting policies	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**(5,137)**	**13**	**(842)**	**(1,039)**	**4,188**	**(2,817)**
Balance at March 31, 2019	**¥125,205**	**¥89,406**	**¥348,202**	**¥(29,869)**	**¥21,421**	**¥(3)**	**¥4,195**	**¥(6,642)**	**¥79,824**	**¥631,739**

Thousands of U.S. dollars (Note 4)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2018	$1,127,354	$804,820	$2,621,858	$(178,773)	$239,283	$(144)	$45,382	$(50,482)	$681,467	$5,290,765
Issuance of new shares	**721**	**721**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,442**
Dividends of surplus	**—**	**—**	**(170,089)**	**—**	**—**	**—**	**—**	**—**	**—**	**(170,089)**
Profit attributable to owners of parent	**—**	**—**	**685,783**	**—**	**—**	**—**	**—**	**—**	**—**	**685,783**
Purchase of treasury stock	**—**	**—**	**—**	**(90,395)**	**—**	**—**	**—**	**—**	**—**	**(90,395)**
Disposal of treasury stock	**—**	**(9)**	**—**	**54**	**—**	**—**	**—**	**—**	**—**	**45**
Change in ownership interest of parent related to transactions with non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Change of scope of equity method	**—**	**—**	**(315)**	**—**	**—**	**—**	**—**	**—**	**—**	**(315)**
Cumulative effects of changes in accounting policies	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**(46,283)**	**117**	**(7,586)**	**(9,361)**	**37,733**	**(25,381)**
Balance at March 31, 2019	**$1,128,075**	**$805,532**	**$3,137,237**	**$(269,114)**	**$192,999**	**$(27)**	**$37,796**	**$(59,843)**	**$719,200**	**$5,691,855**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019/3	2018/3	**2019/3**
Cash flows from operating activities			
Profit (loss) before income taxes	**¥105,297**	¥94,208	**$ 948,707**
Depreciation	**48,853**	44,835	**440,157**
Amortization of goodwill	**651**	819	**5,865**
Impairment loss	**1,454**	15,012	**13,100**
Increase (decrease) in net defined benefit liability	**417**	323	**3,757**
Decrease (increase) in net defined benefit asset	**(1,085)**	(4,393)	**(9,776)**
Increase (decrease) in allowance for doubtful accounts	**97**	(7)	**874**
Increase (decrease) in provision for repairs	**(694)**	414	**(6,253)**
Increase (decrease) in provision for environmental measures	**(126)**	(57)	**(1,135)**
Interest and dividends income	**(4,862)**	(4,788)	**(43,806)**
Insurance income	**(11,787)**	(2,318)	**(106,199)**
Interest expenses	**5,534**	5,478	**49,860**
Share of (profit) loss of entities accounted for using equity method	**(10,807)**	(7,063)	**(97,369)**
Loss (gain) on sales of investment securities	**(3,650)**	(814)	**(32,886)**
Loss (gain) on valuation of investment securities	**171**	5,059	**1,541**
Loss on disposal of non-current assets	**1,050**	1,067	**9,460**
Loss (gain) on sales of non-current assets	**(4)**	(2,769)	**(36)**
Decrease (increase) in notes and accounts receivable—trade	**(3,255)**	(23,381)	**(29,327)**
Decrease (increase) in inventories	**(26,629)**	(26,419)	**(239,923)**
Increase (decrease) in notes and accounts payable—trade	**1,300**	13,786	**11,713**
Other, net	**9,870**	(15,314)	**88,929**
Subtotal	**111,795**	93,678	**1,007,253**
Interest and dividends income received	**8,975**	9,011	**80,863**
Interest expenses paid	**(5,507)**	(5,583)	**(49,617)**
Proceeds from insurance income	**11,353**	2,752	**102,288**
Income taxes paid	**(17,124)**	(17,198)	**(154,284)**
Net cash provided by (used in) operating activities	**109,492**	82,660	**986,503**
Cash flows from investing activities			
Purchase of property, plant and equipment	**(53,191)**	(49,587)	**(479,241)**
Proceeds from sales of property, plant and equipment	**4,016**	337	**36,183**
Purchase of intangible assets	**(2,564)**	(3,085)	**(23,101)**
Proceeds from sales of intangible assets	**—**	2,502	**—**
Purchase of long-term prepaid expenses	**(189)**	(1,346)	**(1,703)**
Purchase of investment securities	**(23,952)**	(3,986)	**(215,803)**
Proceeds from sales and redemption of investment securities (Note 17)	**9,434**	1,521	**84,999**
Proceeds from transfer of business	**743**	1,486	**6,694**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	**—**	(16,350)	**—**
Payments of long-term loans receivable	**(90)**	(5,208)	**(811)**
Other, net	**1,538**	(1,325)	**13,857**
Net cash provided by (used in) investing activities	**(64,255)**	(75,041)	**(578,926)**
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	**(1,739)**	4,072	**(15,668)**
Increase (decrease) in commercial papers	**(10,000)**	20,000	**(90,098)**
Proceeds from long-term loans payable	**38,221**	29,711	**344,364**
Repayment of long-term loans payable	**(25,166)**	(19,476)	**(226,741)**
Proceeds from issuance of bonds payable	**35,000**	10,000	**315,344**
Redemption of bonds payable	**(15,426)**	(24,284)	**(138,985)**
Proceeds from stock issuance to non-controlling shareholders	**355**	—	**3,198**
Proceeds from sales of treasury stock	**5**	7	**45**
Purchase of treasury stock	**(10,033)**	(5,141)	**(90,396)**
Cash dividends paid	**(18,878)**	(18,007)	**(170,087)**
Dividends paid to non-controlling interests	**(6,335)**	(6,397)	**(57,077)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**—**	(552)	**—**
Other, net	**(138)**	(138)	**(1,244)**
Net cash provided by (used in) financing activities	**(14,134)**	(10,205)	**(127,345)**
Effect of exchange rate change on cash and cash equivalents	**(92)**	(1,170)	**(828)**
Net increase (decrease) in cash and cash equivalents	**31,011**	(3,756)	**279,404**
Cash and cash equivalents at beginning of period	**78,828**	82,884	**710,226**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**—**	(300)	**—**
Cash and cash equivalents at end of period (Note 14)	**¥109,839**	¥78,828	**$ 989,630**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2019 and 2018

1. Basis of preparation

The accompanying consolidated financial statements of Mitsui Chemicals, Inc. (the "Company") and its consolidated subsidiaries have been prepared in accordance with accounting principles generally accepted in Japan and have been compiled from those prepared by the Company as required under the Financial Instruments and Exchange Act, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

2. Significant accounting policies

a. Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company exerts control through majority voting rights or the existence of certain conditions evidencing substantial control by the Company.

The assets and liabilities of the consolidated subsidiaries, including the portions attributable to non-controlling shareholders, were evaluated using the fair value at the time the Company acquired control of the respective subsidiaries. The excess of the cost of investments in consolidated subsidiaries over the net assets acquired is deferred as goodwill and is amortized over a period of 20 years or less.

All significant intercompany transactions and accounts have been eliminated in consolidation.

Investments in non-consolidated subsidiaries and affiliates, in which the Company has the ability to exercise significant influence over their operating and financial policies, are accounted for by the equity method.

Non-consolidated subsidiaries and affiliates in the process of liquidation are stated at cost or less.

As of March 31, 2019, the Group comprised 116 consolidated subsidiaries, one more than the previous fiscal year. This reflected the inclusion of two new companies, including Mitsui Prime Advanced Composites Europe B.V., and the exclusion of one former subsidiary, Acomon Inc. was due to liquidation.

The equity method is applied to 39 non-consolidated subsidiaries and affiliates.

b. Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. The Company and its consolidated subsidiaries have reported foreign currency translation adjustments as a component of accumulated other comprehensive income (loss) and non-controlling interests.

c. Inventories

Inventories are stated primarily at the lower of cost or market. Costs are determined by the weighted-average method.

d. Securities

Securities other than equity securities issued by subsidiaries and affiliates, which are held by the Company and its subsidiaries, are classified into two categories: held-to-maturity or other securities.

Held-to-maturity securities are carried at amortized cost.

Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are stated at cost determined by the moving-average method. Costs associated with other securities sold are determined by the moving-average method.

e. Property, plant and equipment (except for leased assets)

Property, plant and equipment are stated at cost. Depreciation is calculated by the straight-line method.

Maintenance, repairs and minor renewals are expensed as incurred. Major renewals and improvements are capitalized.

f. Intangible assets (except for leased assets)

Amortization of intangible assets of the Company and its consolidated subsidiaries is calculated by the straight-line method. The cost of software intended for internal use is amortized using the straight-line method over its estimated useful life (five years).

g. Research and development expenses

Expenses relating to research and development activities are charged to income as incurred.

h. Leases

The Company and its consolidated subsidiaries lease certain machinery and equipment under noncancelable leases referred to as finance leases.

Depreciation of leased assets is computed by the straight-line method over the respective lease terms.

i. Derivatives and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize any changes in fair value as gains or losses unless the derivatives are being utilized for hedging purposes.

If the derivatives meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in the fair values of the derivatives positions until the related losses or gains on the hedged items are recognized.

In cases where forward foreign exchange contracts used as hedges meet certain hedging criteria, the existing foreign currency receivables or payables are translated at their respective contract rates.

In addition, if interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed.

The following summarizes hedging derivative financial instruments used by the Group and items hedged:

Hedging instruments	Items hedged
Forward foreign exchange contracts	Foreign currency receivables and payables
Interest rate swap contracts	Interest on loans
Currency swap contracts	Foreign currency loans

j. Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection.

It consists of the estimated uncollectible amounts with respect to identified doubtful accounts and an amount calculated by a formula based on actual collection losses incurred in the past with respect to the remaining receivables.

k. Retirement benefit plans

The net defined benefit liability and net defined benefit asset have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

The retirement benefit obligation for employees is attributed to each period mainly by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain or loss is amortized by the straight-line method over a certain number of years (10 to 13 years), which are shorter than the average remaining years of service of the employees.

Prior service cost is recognized as incurred or is amortized by the straight-line method over a certain number of years (10 years), which is shorter than the average remaining years of service of the employees.

Unrecognized actuarial gain or loss and unrecognized prior service cost are recognized as remeasurements of defined benefit plans in accumulated other comprehensive income after adjustment for tax effects.

l. Accrued directors' bonuses

The Company and its consolidated subsidiaries provided for the accrual of the estimated amount of directors' bonuses at the end of the year.

m. Accrued directors' and corporate auditors' retirement benefits

Certain domestic consolidated subsidiaries accrue liabilities to secure the aggregate amount payable for directors' and corporate auditors' retirement benefits, pursuant to the internal regulations.

n. Provision for repairs

Provision for repairs of production facilities at plants is recorded based on estimated expense at the end of the year.

o. Provision for environmental measures

Provision for environmental measures is recorded based on estimated expense at the end of the year.

p. Accounting method of significant deferred assets

Stock issuance expenses and bond issuance costs are accounted for as expenses in full amount when incurred.

q. Amounts per share of common stock

The computation of earnings per share is based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent the actual amount applicable to each respective year.

r. Amortization of goodwill

Goodwill arising from the difference between the acquisition costs and the value of the underlying net assets of acquired entities at the date of acquisition is amortized over periods not exceeding 20 years on a straight-line basis. Any immaterial amounts are fully recognized as expenses as incurred.

s. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not in excess of three months from the date of purchase are considered cash and cash equivalents.

t. Consolidated taxation system

The Company and certain of its subsidiaries have adopted the consolidated taxation system, with the Company registered as the consolidated taxation parent company.

u. Consumption taxes

Transactions subject to consumption taxes are recorded in amounts exclusive of consumption taxes.

3. Accounting changes

a. Changes in accounting principles

Amendment to “Implementation Guidance on Tax Effect Accounting”

“Implementation Guidance on Tax Effect Accounting” (the Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) was amended and applied from the beginning of the current fiscal year. Regarding taxable temporary differences related to subsidiary shares, etc., we have switched to the method of recording deferred tax liabilities except in cases where there is no intention to sell said shares in the foreseeable future.

As a result, in the consolidated balance sheets as of March 31, 2018, deferred tax liabilities decreased ¥618 million, retained earnings increased ¥462 million, and non-controlling interests increased ¥156 million.

In addition, net assets per share as of March 31, 2018 increased ¥2.32.

b. Accounting standards issued but not yet adopted

The company and its domestic consolidated subsidiaries

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) worked together to develop a comprehensive accounting standard for revenue recognition. In May 2014, they announced the line item “Revenue from Contracts with Customers,” which the IASB has named IFRS 15 and the FASB has named Topic 606. IFRS 15 is to be adopted from fiscal year beginning on or after January 1, 2018, and Topic 606 is to be adopted from fiscal year beginning on or after December 15, 2017. In light of this, ASBJ has developed a comprehensive accounting standard for revenue recognition and announced it along with guidance on implementation.

Following the ASBJ’s development of an accounting standard for revenue recognition, the Company’s basic policy has been to first adopt the basic principles of IFRS 15 with an eye toward compatibility when comparing financial statements, which is one advantage of attempting to be consistent with IFRS 15. From there, the Company then decides on accounting standards. In addition, if there are items that require attention be paid to practices in Japan to date, the Company will add substitute treatment as long as compatibility for comparisons is not hindered.

(2) Planned adoption date

To be applied from the beginning of the fiscal year ending March 31,2020

(3) Impact of the adoption of the accounting standard

The impact on consolidated financial statements of the adoption of the accounting standard and implementation guidance for revenue recognition is still being evaluated at present.

Overseas consolidated subsidiaries

• IFRS "16 Leases"

(1) Overview

In principle, the standard requires lessees to recognize assets and liabilities on the balance sheet for all leases.

(2) Planned adoption date

To be applied from the beginning of the fiscal year ending March 31,2020

(3) Impact of the adoption of the accounting standard

The impact on consolidated financial statements of the adoption of IFRS 16 Leases is still being evaluated at present.

c. Changes in presentation

Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been applied, effective from the beginning of the current fiscal year. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

As a result, in the consolidated balance sheet for the previous fiscal year, deferred tax assets under current assets have decreased ¥18,226 million, while deferred tax assets under investments and other assets have increased ¥5,431 million. In addition, "Other" under current liabilities has decreased ¥93 million, while deferred tax liabilities under non-current liabilities have decreased ¥12,702 million. Deferred tax assets and deferred tax liabilities for the same taxable entity are shown to be offset each other out, therefore total assets have declined ¥12,795 million when compared to before the accounting changes.

Matters provided in explanatory Note 8 "Accounting Standard for Tax Effect Accounting" (excluding the total amount of valuation allowances) and Note 9 prescribed in paragraphs 3-5 of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" have been added to the footnotes concerning tax effect accounting. However, matters pertaining to the previous fiscal year have not been included in accordance with the transitional handling prescribed in paragraph 7 of the "Partial Amendments to Accounting Standard for Tax Effect Accounting".

4. U.S. dollar amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥110.99=US$1.00, the approximate rate of exchange in effect on March 31, 2019. The translation should not be construed as a representation that yen amounts have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Inventories

Inventories at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	**2019/3**
Finished goods	**¥206,544**	¥183,195	**$1,860,924**
Work in process	**7,492**	6,421	**67,502**
Raw materials and supplies	**87,854**	84,726	**791,549**
Total	**¥301,890**	¥274,342	**$2,719,975**

6. Retirement benefit plans

The Company and most of its consolidated subsidiaries have either funded or unfunded defined benefit plans and/or defined contribution plans. In addition, some overseas consolidated subsidiaries apply International Financial Reporting Standards for the recognition, measurement, and disclosure of employees' retirement benefits.

In addition, the Company and certain of its consolidated subsidiaries have set up an employees' retirement benefit trust.

Under these plans, all eligible employees are entitled to certain benefits based on their abilities, occupational roles, work performances, length of service and certain other factors.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts calculated actuarially under certain assumptions.

The changes in the retirement benefit obligation during the year ended March 31, 2019 and 2018 were as follows:

Movements in defined benefit obligation

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	2019/3
Defined benefit obligation as of April 1	¥180,839	¥188,204	$1,629,327
Service cost	5,222	5,398	47,049
Interest cost	384	417	3,460
Actuarial gains/losses	713	(885)	6,424
Past service cost	(16)	(155)	(144)
Benefits paid	(10,673)	(11,170)	(96,162)
Decrease due to transfer to defined contribution plan	—	(2,373)	—
Others	(368)	1,403	(3,316)
Defined benefit obligation as of March 31	¥176,101	¥180,839	$1,586,638

Movements in plan assets

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	2019/3
Plan assets as of April 1	¥167,168	¥164,107	$1,506,154
Expected return on plan assets	3,295	3,314	29,687
Actuarial gains/losses	(2,373)	4,211	(21,380)
Employer contributions	1,922	5,078	17,317
Benefits paid	(7,504)	(7,564)	(67,610)
Decrease due to transfer to defined contribution plan	—	(2,376)	—
Others	(181)	398	(1,631)
Plan asset as of March 31	¥162,327	¥167,168	$1,462,537

Funded status of the pension plans

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	2019/3
Funded retirement benefit obligation	¥131,752	¥136,451	$1,187,062
Plan assets at fair value	(162,327)	(167,168)	(1,462,537)
	(30,575)	(30,717)	(275,475)
Unfunded retirement benefit obligation	44,350	44,388	399,585
Net liability for retirement benefits in the balance sheet	13,775	13,671	124,110
Net defined benefit liability	56,428	55,220	508,406
Net defined benefit asset	(42,653)	(41,549)	(384,296)
Net liability for retirement benefits in the balance sheet	¥13,775	¥13,671	$124,110

Retirement benefit expenses

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	2019/3
Service cost	¥5,222	¥5,398	$47,049
Interest cost	384	417	3,460
Expected return on plan assets	(3,295)	(3,314)	(29,687)
Amortization of actuarial gains/loss	2,012	2,092	18,128
Amortization of past service cost	1	5	9
Premium severance pay	432	580	3,892
Total	¥4,756	¥5,178	$42,851

Regarding the year ended March 31, 2018, extraordinary income of ¥326 million was recorded due to the transition from the defined benefit plan to the defined contribution plan.

Remeasurements of defined benefit plans before tax effect included in other comprehensive income

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	2019/3
Past service cost	¥ 6	¥ 5	$ 54
Actuarial gains/losses	930	(6,926)	8,379
Total	¥936	¥(6,921)	$8,433

Remeasurements of defined benefit plans before tax effect included in accumulated other comprehensive income

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	2019/3
Unrecognized past service cost	¥ (52)	¥ (58)	$ (469)
Unrecognized actuarial gains/losses	7,611	6,681	68,574
Total	¥7,559	¥6,623	$68,105

Plan assets by category (%)

	2019/3	2018/3
Bonds	34%	35%
Stocks	46%	46%
Cash and deposits	1%	2%
Other	19%	17%
Total	100%	100%

A retirement benefit trust set up for the corporate pension plan accounted for 21% of total plan assets at March 31, 2019 and 2018.

Discount rate and rate of expected return on the pension plan assets

	2019/3	2018/3
Discount rate	Principally 0.0%	Principally 0.1%
Rate of expected return on the pension plan assets	Principally 2.2%	Principally 2.2%
Rate of estimated future salary increases	Principally 1.0-5.0%	Principally 1.0-5.0%

Expenses for defined contribution plans

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	2019/3
Total	¥623	¥525	$5,613

7. Loans and bonds

(1) Loans payable breakdown

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	2019/3
Short-term loans payable (0.80%)	¥ 92,733	¥ 94,348	$ 835,508
Current portion of long-term loans payable (0.87%)	57,571	24,834	518,704
Current portion of lease obligations	222	213	2,000
Long-term loans payable due in 2021—2029 (0.97%)	254,850	274,099	2,296,153
Long-term lease obligations due in 2021—2028	2,803	2,874	25,255
Commercial papers (△0.01%)	10,000	20,000	90,098
	¥418,179	¥416,368	$3,767,718

The aforementioned interest rate is an average, shown as the weighted average interest rate on the outstanding balance as of March 31, 2019.

The average interest rate for lease obligations is omitted because lease obligations are recorded on the balance sheet in an amount that includes the equivalent in interest, which is included in the total lease amount:

Maturities of Long-term loans payable due within 5 years:

Year ending March 31,	Millions of yen	Thousands of U.S.dollars
2021	**¥42,450**	**$382,467**
2022	**43,620**	**393,008**
2023	**47,589**	**428,768**
2024	**41,717**	**375,863**

Maturities of lease obligations due within 5 years:

Year ending March 31,	Millions of yen	Thousands of U.S.dollars
2021	**¥243**	**$2,189**
2022	**534**	**4,811**
2023	**194**	**1,748**
2024	**206**	**1,856**

(2) Bonds payable breakdown

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	**2019/3**
1.246% bonds due in 2020 (*1)	**¥10,000**	¥10,000	**$ 90,098**
1.354% bonds due in 2021 (*1)	**10,000**	10,000	**90,098**
0.682% bonds due in 2018 (*1)	**—**	15,000	**—**
0.260% bonds due in 2024 (*1)	**5,000**	5,000	**45,049**
0.370% bonds due in 2027 (*1)	**5,000**	5,000	**45,049**
0.260% bonds due in 2025 (*1)	**10,000**	—	**90,098**
0.390% bonds due in 2028 (*1)	**15,000**	—	**135,148**
0.900% bonds due in 2038 (*1)	**10,000**	—	**90,098**
0.49% bonds due in 2021 (*2)	**432**	574	**3,892**
0.07% bonds due in 2024 (*3)	**360**	430	**3,244**
0.31% bonds due in 2024 (*3)	**356**	428	**3,207**
0.07% bonds due in 2024 (*3)	**360**	430	**3,244**
0.31% bonds due in 2024 (*3)	**356**	428	**3,207**
	¥66,864	¥47,290	**$602,432**

*1 Mitsui Chemicals,Inc
*2 Mitsui Chemicals Tohcello, Inc.
*3 ARRK Corporation

Maturities of bonds payable within 5 years:

Year ending March 31,	Millions of yen	Thousands of U.S.dollars
2020	**¥ 426**	**$ 3,838**
2021	**10,426**	**93,936**
2022	**10,432**	**93,990**
2023	**284**	**2,559**
2024	**296**	**2,667**

8. Contingent liabilities

Contingent liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	**2019/3**
As endorser of trade notes discounted	**¥ 140**	¥ 180	**$ 1,261**
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	**54,860**	72,852	**494,279**

Notes to Consolidated Financial Statements

9. Research and development expenses

Research and development expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	2019/3
Research and development expenses	¥35,796	¥33,377	$322,516

10. Impairment loss

The Group categorizes its business assets in use based on Group companies, business divisions, or quasi-units. Assets that are to be disposed of due to business withdrawal or other reasons are assessed on an individual basis. Idle properties, which are not in use, are also assessed on an individual basis.

Year ended March 31, 2019

Location		Major use	Asset category	Millions of yen	Thousands of U.S.dollars	Remarks *
Kamisu City, Ibaraki Prefecture		Factory land	Land	¥655	$5,901	Idle properties
Others	8 items	Production,etc.	Machinery, equipment and vehicles, intangible assets-others, others	¥686	$6,181	Business assets in use
	3 items	Production,etc.	Machinery, equipment and vehicles, construction in progress, others	¥113	$1,018	Idle properties
Total				¥1,454	$13,100	

For business assets in use, the book values where the recoverable amount was lower than said value due to a markedly worse operating environment were reduced to the recoverable amount. The amount that was written down is an extraordinary loss and recorded as an impairment loss (¥686 million). The impairment loss comprises ¥318 million for machinery and vehicles, ¥284 million for intangible assets-others, and ¥84 million for others. Furthermore, the value in use was used as the recoverable amount in measuring impairment loss, and the value in use was evaluated as being zero.

As for idle properties, because there are no specific plans for use in the future, the book values of properties for which the recoverable amount was lower than said value were reduced to the recoverable amount. The amount that was written down is an extraordinary loss and recorded as an impairment loss (¥768 million). The impairment loss comprises ¥655 million for land, ¥57 million for machinery and vehicles, ¥38 million for construction in progress and ¥18 million for others. Furthermore, the net sales price or value was used as the recoverable amount in measuring impairment loss, which is mainly calculated from estimated sales price.

Year ended March 31, 2018

Location		Major use	Asset category	Millions of yen	Thousands of U.S.dollars	Remarks *
Dental materials business (Europe, etc)		Others	Goodwill, intangible assets, others	¥14,350	$135,072	Business assets in use
Others	6 items	Production, etc.	Machinery and vehicles, goodwill, others	¥ 549	$ 5,168	Business assets in use
	5 items	Production, etc.	Buildings and structures, others	¥ 96	$ 904	Idle properties
	1 item	Welfare facilities	Buildings and structures, others	¥ 17	$ 160	Idle properties
Total				¥15,012	$141,303	

* Business assets in use comprised ¥6,503 million for goodwill, ¥6,211 million for customer-related intangible assets, and ¥1,636 million for trademarks, respectively.

Business assets in use outside of the dental materials business comprised ¥237 million for machinery and vehicles, ¥136 million for goodwill, and ¥176 million for others, respectively.

Idle properties comprised ¥97 million for buildings and structures and ¥16 million for others, respectively.

11. Loss on fire

Loss on fire includes expenses related to reconstruction following the fire that occurred at the Osaka Works in June 2018.

12. Shareholders' equity

(1) The type and total number of outstanding shares, types and number of treasury shares

	Thousands of shares			
	Number of shares at April 1, 2018	Increase	Decrease	Number of shares at March 31, 2019
Shares of common stock issued and outstanding				
Common stock	**204,455**	**55**	**—**	**204,510**
Total	**204,455**	**55**	**—**	**204,510**
Treasury stock				
Common stock	**5,767**	**3,688**	**2**	**9,453**
Total	**5,767**	**3,688**	**2**	**9,453**

Notes:
1 The increase of 55 thousands shares in common stock issued and outstanding was due to an issuance of transfer-restricted shares.
2 The increase of 3,688 thousands shares in treasury stock was due to an increase of 11 thousands shares through purchases of odd lots and an increase of 3,677 thousands shares through treasury stock acquisitions by resolution of the Board of Directors.
3 The decrease of 2 thousands shares in treasury stock was due to sales of odd lots.

(2) Dividends

Under the Corporate Act of Japan (the "Act"), the amount paid for new shares is required to be accounted for as common stock, although a company may account for the amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Act provides that an amount equal to 10% of distribution from surplus shall be appropriated and set aside as legal earnings reserve or additional paid-in capital, until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be transferred to common stock by resolution of the shareholders' meeting. The Act also stipulates that the amount of any such excess is available for appropriations by resolution of the shareholders. Legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act.

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at March 31, 2019, include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 25, 2019.

	Millions of yen	Thousands of U.S.dollars
Cash dividends of ¥50 ($0.45) per share	**¥9,753**	**$87,873**

Notes to Consolidated Financial Statements

13. Consolidated statements of comprehensive income

Reclassification adjustments and tax effects for components of other comprehensive income (loss) for the year ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	**2019/3**
Valuation difference on available-for-sale securities:			
Amount arising during the year	**¥(5,443)**	¥9,320	**$(49,040)**
Reclassification adjustment to profit or loss	**(2,284)**	(215)	**(20,578)**
Amont before income tax effect	**(7,727)**	9,105	**(69,618)**
Income tax effect	**2,146**	(2,700)	**19,334**
Total	**(5,581)**	6,405	**(50,284)**
Deferred gains (losses) on hedges:			
Amount arising during the year	**5**	(8)	**45**
Adjustments of acquisition cost for assets	**—**	—	**—**
Amont before income tax effect	**5**	(8)	**45**
Income tax effect	**(1)**	3	**(9)**
Total	**4**	(5)	**36**
Foreign currency translation adjustments:			
Amount arising during the year	**1,242**	(3,079)	**11,190**
Reclassification adjustment to profit or loss	**390**	768	**3,514**
Total	**1,632**	(2,311)	**14,704**
Remeasurements of defined benefit plans:			
Amount arising during the year	**(2,900)**	4,795	**(26,128)**
Reclassification adjustment to profit or loss	**1,964**	2,126	**17,695**
Amont before income tax effect	**(936)**	6,921	**(8,433)**
Income tax effect	**(33)**	54	**(298)**
Total	**(969)**	6,975	**(8,731)**
Share of other comprehensive income (loss) of entities accounted for using equity method:			
Amount arising during the year	**(2,231)**	3,177	**(20,101)**
Reclassification adjustment to profit or loss	**(152)**	(128)	**(1,369)**
Total	**(2,383)**	3,049	**(21,470)**
Total other comprehensive income (loss)	**¥(7,297)**	¥14,113	**$(65,745)**

14. Supplementary cash flow information

(1) Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2019 and 2018 which are reconciled to cash and deposits in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	**2019/3**
Cash and deposits	**¥111,056**	¥80,209	**$ 1,000,595**
Long-term time deposits recorded under "Other" of investments and other assets	**23**	1,609	**207**
Deposit due over 3months	**(1,240)**	(2,990)	**(11,172)**
Total	**¥109,839**	¥78,828	**$ 989,630**

(2) Main breakdown of assets and liabilities of companies newly becoming consolidated subsidiaries upon acquisition of shares.

Current fiscal year (from April 1, 2018 to March 31, 2019)

Not applicable.

Previous fiscal year (from April 1, 2017 to March 31, 2018)

Breakdown of assets and liabilities at the time of consolidation due to newly consolidating ARRK Corporation through the acquisition of shares and the acquisition price.

The relationship between the amount and expenditure for acquisition (net) is as follows:

Year ended March 31, 2018	Millions of yen
Current assets	¥31,089
Non-current assets	19,591
Goodwill	5,241
Current liabilities	(10,455)
Non-current liabilities	(6,898)
Non-controlling interests	(8,435)
Business transfer price	¥30,133
Cash and cash equivalents	(13,783)
Purchase of shares of subsidiaries resulting	¥16,350

15. Leases

Obligations under noncancelable operating leases at March 31, 2019 and 2018, were as follows:
Future minimum lease payments:

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	**2019/3**
Due within one year	**¥ 901**	¥ 828	**$ 8,118**
Due after one year	**2,503**	2,760	**22,551**
Total	**¥3,404**	¥3,588	**$30,669**

16. Financial instruments

(1) Status of financial instruments

1. Management policy

In light of plans for capital investment, the Group raises the funds it requires primarily through bank loans and bonds issuance. The Group invests temporary surplus funds in financial assets that have high levels of safety and liquidity. Further, the Group raises short-term working capital through bank loans and commercial paper issuance. The Group also utilizes derivative financial instruments to hedge various risks as described in detail below and does not enter into derivatives for trading or speculative purposes.

2. Details of financial instruments and associated risk

The trade notes and accounts receivable are exposed to credit risk of customers. In addition, foreign-currency operating receivables used to carry out overseas business operations are exposed to foreign currency exchange risk. However, foreign exchange forward contracts are used to hedge against such risk for a certain portion of this amount, excluding the amount that falls within the scope of the balance of trade notes and accounts payable denominated in the same foreign currencies as said foreign exchange forward contracts.

Short-term investment securities and investment securities, other securities, primarily the shares of companies with which the Group has operational relationships, are exposed to stock market fluctuation risk.

Almost all trade notes and accounts payable have payment due dates within three months. Funds denominated in foreign currencies are exposed to foreign currency exchange fluctuation risk. Foreign exchange forward contracts are used to hedge against such risks for a certain portion of said funds, excluding the amount that falls within the scope of the balance of trade notes and accounts receivable denominated in the same foreign currencies as said funds.

Loans payable and corporate bonds are primarily for fund raising related to capital investment, with a maximum maturity of twenty years after the balance sheet date. Certain loans payable are exposed to foreign currency exchange risk and interest rate fluctuation risk, and derivative transactions such as foreign currency swaps and interest rate swaps are used to hedge these risks.

Derivative transactions such as foreign exchange forward contracts and foreign currency swaps are used in order to hedge foreign currency exchange risk associated with operating receivables and payables as well as loans payable denominated in foreign currencies and interest rate swaps are used for the purpose of hedging interest rate risk associated with bank loans.

In addition, hedging instruments and hedged items, hedging policy, and effectiveness of hedge transactions are described in “2. Significant accounting policies, i. Derivatives and hedge accounting.”

3. Risk management

1) Credit risk management (risks of default of debtors)

To minimize the credit risk relating to operating receivables and long-term loans receivable, the Group performs due date controls and outstanding balance controls for each customer in accordance with internal customer credit management rules, and regularly screens customers' credit status.

Management of the Company believes that there is no significant risk of default by the counterparties to derivative transactions, as the Company and its consolidated subsidiaries only conduct transactions with high credit-rated financial institutions.

2) Market risk management (risks of exchange and interest rate fluctuations)

The Company and its consolidated subsidiaries utilize foreign exchange forward contracts and foreign currency swaps to hedge foreign currency exchange risk associated with operating receivables and payables as well as bank loans denominated in foreign currencies. Further, the Company and its consolidated subsidiaries also utilize interest rate swaps for the purpose of hedging interest rate fluctuation risk associated with loans payable.

The fair value of short-term investment securities and investment securities together with financial conditions of investees (trading partners) are periodically monitored. The possession of other securities other than held-to-maturity debt securities are reviewed continuously, taking market conditions and trade relations with the issuers into consideration.

Derivative transactions are authorized by the responsible director. Transactions are executed and managed by the financial section. The results of each transaction are reported by the financial section semi-annually at the Management Meeting. Derivative transactions entered into by consolidated subsidiaries are executed and managed in accordance with the management and other criteria for derivative transactions for each company.

3) Liquidity risk management (non-performance risk on payment due date)

The Company's finance department formulates and updates cash flow plans in a timely manner based on each department's estimated cash flow and manages liquidity risks through such measures as maintaining an accessible supply of cash. The cash flows of consolidated subsidiaries are managed in the same manner as those of the Company.

4. Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments is measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the estimated fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in "18. Derivatives" does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheet, fair value, and differences as of March 31, 2019 and 2018 are as follows. In addition, financial instruments, for which is extremely difficult to measure the fair value, are not included. (Please see Note 2)

	Millions of yen		
Year ended March 31, 2019	Carrying value	Fair value	Differences
Assets			
(1) Cash and deposits	¥111,056	¥111,056	¥ —
(2) Notes and accounts receivable-trade	310,591	310,591	—
(3) Short-term investment securities and investment securities, other securities	48,970	48,970	—
Total	470,617	470,617	—
Liabilities			
(1) Notes and accounts payable-trade	163,908	163,908	—
(2) Short-term bank loans payable	92,733	92,733	—
(3) Commercial papers	10,000	10,000	—
(4) Bonds payable (*1)	66,864	67,363	499
(5) Long-term loans payable (*1)	312,421	320,190	7,769
Total	645,926	654,194	8,268
Derivative transactions (*2)	¥ 2	¥ 2	¥ —

*1 This amounts includes current portion of long-term loans payable and bonds payable respectively.

*2 Derivative assets and (liabilities) are on net basis.

Year ended March 31, 2019	Thousands of U.S.dollars Carrying value	Fair value	Differences
Assets			
(1) Cash and deposits	**$ 1,000,595**	**$ 1,000,595**	**$ —**
(2) Notes and accounts receivable-trade	**2,798,369**	**2,798,369**	**—**
(3) Short-term investment securities and investment securities, other securities	**441,211**	**441,211**	**—**
Total	**4,240,175**	**4,240,175**	**—**
Liabilities			
(1) Notes and accounts payable-trade	**1,476,782**	**1,476,782**	**—**
(2) Short-term bank loans payable	**835,508**	**835,508**	**—**
(3) Commercial papers	**90,098**	**90,098**	**—**
(4) Bonds payable (*1)	**602,432**	**606,929**	**4,495**
(5) Long-term loans payable (*1)	**2,814,857**	**2,884,854**	**69,997**
Total	**5,819,678**	**5,894,171**	**74,492**
Derivative transactions (*2)	**$ 18**	**$ 18**	**$ —**

*1 This amounts includes current portion of long-term loans payable and bonds payable respectively.
*2 Derivative assets and (liabilities) are on net basis.

Year ended March 31, 2018	Millions of yen Carrying value	Fair value	Differences
Assets			
(1) Cash and deposits	¥ 80,209	¥ 80,209	¥ —
(2) Notes and accounts receivable-trade	306,899	306,899	—
(3) Short-term investment securities and investment securities, other securities	57,628	57,628	—
Total	444,736	444,736	—
Liabilities			
(1) Notes and accounts payable-trade	162,179	162,179	—
(2) Short-term bank loans payable	94,348	94,348	—
(3) Commercial papers	20,000	20,000	—
(4) Bonds payable (*1)	47,290	47,893	603
(5) Long-term loans payable (*1)	298,933	306,860	7,927
Total	622,750	631,280	8,530
Derivative transactions (*2)	¥ (25)	¥ (25)	¥ —

*1 This amounts includes current portion of long-term loans payable and bonds payable respectively.
*2 Derivative assets and (liabilities) are on net basis.

Note 1. Fair value measurement of financial instruments and items relating to short-term investment securities and derivative transactions.

Assets
1) Cash and deposits, and 2) Notes and accounts receivable-trade
The relevant book values are used, as the carrying amount approximates fair value due to the short maturity of these instruments.
3) Short-term investment securities and investment securities
The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals quoted market price or provided price by financial institutions. Moreover, investment securities for different holding purposes are described in "16. Securities".

Liabilities
1) Notes and accounts payable-trade, 2) Short-term bank loans payable, and 3) Commercial papers
The relevant book values are used, as the carrying amount approximates fair value due to the short maturity of these instruments.
4) Bonds payable
The fair value of bonds payable equals the quoted market price, if available. If the market prices of bonds are not available, fair value is calculated based on the present value of the total amount of principal and interest, discounted by the rate dete
5) Long-term loans payable
The fair value of long-term loans payable is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a similar new loan was entered into. A portion of floating rate long-term loans payable that is subject to special treatment in the form of interest rate swaps (described in "17. Derivatives") is calculated by discounting the total amount of principal and interest —which is handled together with said interest-rate swaps— against assumed interest to be paid when new loans of the same type are undertaken.

Derivative transactions
Contract amount, fair value, unrealized gain or loss, and others are described in "17. Derivatives".

Notes to Consolidated Financial Statements

Note 2. Financial instruments of which the fair value is extremely difficult to measure.

Year ended March 31, 2019	Millions of yen	Thousands of U.S.dollars
Unlisted equity securities	**¥15,170**	**$136,679**
Unlisted preferred securities	**9,596**	**86,458**

Year ended March 31, 2018	Millions of yen
Unlisted equity securities	¥13,065
Unlisted preferred securities	8,000

The above are not included in "(3) Short-term investment securities and investment securities", because there is no market value and the future cash flows cannot be estimated, as well as the fair value is extremely difficult to measure.

Note 3. The redemption schedule for monetary claims and held-to-maturity debt securities with maturities date subsequent to the consolidated balance sheet date.

	Millions of yen			
Year ended March 31, 2019	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Cash and deposits	**¥111,056**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable-trade	**310,591**	**—**	**—**	**—**
Total	**¥421,647**	**¥—**	**¥—**	**¥—**

	Thousands of U.S.dollars			
Year ended March 31, 2019	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Cash and deposits	**$1,000,595**	**$—**	**$—**	**$—**
Notes and accounts receivable-trade	**2,798,369**	**—**	**—**	**—**
Total	**$3,798,964**	**$—**	**$—**	**$—**

	Millions of yen			
Year ended March 31, 2018	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Cash and deposits	¥ 80,209	¥—	¥—	¥—
Notes and accounts receivable-trade	306,899	—	—	—
Total	¥387,108	¥—	¥—	¥—

Note 4. The redemption schedule for bonds payable and long-term loans payable subsequent to the consolidated balance sheet date.

	Millions of yen					
Year ended March 31, 2019	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans payable	**¥ 92,733**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Commercial papers	**10,000**	**—**	**—**	**—**	**—**	**—**
Bonds payable	**426**	**10,426**	**10,432**	**284**	**296**	**45,000**
Long-term loans payable	**57,571**	**42,450**	**43,620**	**47,589**	**41,717**	**79,474**
Total	**¥160,730**	**¥52,876**	**¥54,052**	**¥47,873**	**¥42,013**	**¥124,474**

	Thousands of U.S.dollars					
Year ended March 31, 2019	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans payable	**$ 835,508**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Commercial papers	**90,098**	**—**	**—**	**—**	**—**	**—**
Bonds payable	**3,838**	**93,936**	**93,990**	**2,559**	**2,667**	**405,442**
Long-term loans payable	**518,704**	**382,467**	**393,008**	**428,768**	**375,863**	**716,046**
Total	**$1,448,148**	**$476,403**	**$486,998**	**$431,327**	**$378,530**	**$1,121,488**

Year ended March 31, 2018	Millions of yen					
	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans payable	¥ 94,348	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	20,000	—	—	—	—	—
Bonds payable	15,426	426	10,426	10,432	284	10,296
Long-term loans payable	24,834	57,519	41,978	42,718	41,088	90,796
Total	¥154,608	¥57,945	¥52,404	¥53,150	¥41,372	¥101,092

17. Securities

Information on securities held by the Company and its subsidiaries at March 31, 2019 and 2018 was as follows:

(1) Other securities

Year ended March 31, 2019	Millions of yen			Thousands of U.S.dollars		
	Carrying value	Acquisition cost	Differences	Carrying value	Acquisition cost	Differences
Securities whose carrying value exceeds their acquisition value:						
(1) Equity securities	**¥47,829**	**¥18,306**	**¥29,523**	**$430,931**	**$164,934**	**$265,997**
(2) Others	**5**	**5**	**0**	**45**	**45**	**0**
Securities whoes carrying value does not exceed their acquisition value:						
(1) Equity securities	**1,135**	**1,354**	**(219)**	**10,226**	**12,199**	**(1,973)**
(2) Others	**1**	**1**	**(0)**	**9**	**9**	**(0)**
Total	**¥48,970**	**¥19,666**	**¥29,304**	**$441,211**	**$177,187**	**$264,024**

Note: Unlisted equity securities with carrying value of ¥15,170 million and unlisted preferred securities with carrying value of ¥9,596 million as of March 31, 2019 have no market value and their future cash flows cannot be estimated. Those securities' fair value is extremely difficult to measure and not included in the table above.

Year ended March 31, 2018	Millions of yen		
	Carrying value	Acquisition cost	Differences
Securities whose carrying value exceeds their acquisition value:			
(1) Equity securities	¥56,978	¥19,787	¥37,191
(2) Others	5	5	0
Securities whoes carrying value does not exceed their acquisition value:			
(1) Equity securities	644	829	(185)
(2) Others	1	1	(0)
Total	¥57,628	¥20,622	¥37,006

Note: Unlisted equity securities with carrying value of ¥13,065 million and unlisted preferred securities with carrying value of ¥8,000 million as of March 31, 2018 have no market value and their future cash flows cannot be estimated. Those securities' fair value is extremely difficult to measure and not included in the table above.

(2) Other securities sold during the fiscal year ended March 31, 2019 and 2018

Year ended March 31, 2019	Millions of yen			Thousands of U.S.dollars		
	Sales price	Gain on sales	Loss on sales	Sales price	Gain on sales	Loss on sales
Equity securities	**¥3,050**	**¥2,462**	**¥(13)**	**$27,480**	**$22,182**	**$(117)**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥3,050**	**¥2,462**	**¥(13)**	**$27,480**	**$22,182**	**$(117)**

Year ended March 31, 2018	Millions of yen Sales price	 Gain on sales	 Loss on sales
Equity securities	¥1,461	¥815	¥(1)
Other	—	—	—
Total	¥1,461	¥815	¥(1)

(3) Impairment of investment securities

For the fiscal years ended March 31, 2019 and 2018, the Group recognized impairment losses on investment securities of ¥171million (¥171 million on other marketable securities with no market values) and ¥5,059 million (¥5,059 million on other marketable securities with no market values) respectively.

Regarding loss disposal, typically, when the fair value at the fiscal year end falls 50% or greater compared with the acquisition cost, the loss shall be disposed of, in principle. When said fair value falls between 30% and 50% of the acquisition cost, if the rate of decrease remains at 30% or above for a two-year period prior to the end of the fiscal year-end, or if a significant downturn in performance occurs over an approximately three-year period, it shall be determined that there is no possibility of recovery and loss disposed of.

18. Derivatives

The Company and certain of its subsidiaries had the following derivatives contracts outstanding at March 31, 2019 and 2018.

(1) Derivative transactions to which the Company did not apply hedge accounting

Currency related

	Millions of yen				Thousands of U.S.dollars			
Year ended March 31, 2019	Contract amount	(Contract amount over one year)	Fair value	Unrealized gain (loss)	Contract amount	(Contract amount over one year)	Fair value	Unrealized gain (loss)
Off-market transactions:								
Forward foreign exchange contracts for								
Buying U.S. dollar	**¥699**	**¥—**	**¥5**	**¥5**	**$6,298**	**$—**	**$45**	**$45**
Currency swap transaction for								
Receiving CNY and paying U.S. dollar	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥699**	**¥—**	**¥5**	**¥5**	**$6,298**	**$—**	**$45**	**$45**

Note: Fair value is based on information provided by financial institutions at the end of the fiscal year.

	Millions of yen			
Year ended March 31, 2018	Contract amount	(Contract amount over one year)	Fair value	Unrealized gain (loss)
Off-market transactions:				
Forward foreign exchange contracts for				
Buying U.S. dollar	¥ 797	¥—	¥(20)	¥(20)
Currency swap transaction for				
Receiving CNY and paying U.S. dollar	419	—	(3)	(3)
Total	¥1,216	¥—	¥(23)	¥(23)

Note: Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Derivative transactions to which the Company applied hedge accounting

1. Currency related

Year ended March 31, 2019	Millions of yen Contract amount	Millions of yen (Contract amount over one year)	Millions of yen Fair value	Thousands of U.S.dollars Contract amount	Thousands of U.S.dollars (Contract amount over one year)	Thousands of U.S.dollars Fair value
Principle-based accounting method:						
Forward foreign exchange contracts for						
(1) Selling U.S. dollar (hedged item—loans receivable)	**¥ 178**	**¥—**	**¥(1)**	**$ 1,604**	**$—**	**$ (9)**
(2) Selling Swedish Krona (hedged item—loans receivable)	**358**	**—**	**0**	**3,225**	**—**	**0**
(3) Selling U.S. dollar (hedged item—accounts receivable)	**193**	**—**	**0**	**1,739**	**—**	**0**
(4) Buying U.S. dollar (hedged item—accounts payable-trade)	**357**	**—**	**(3)**	**3,216**	**—**	**(27)**
(5) Buying YEN (hedged item—loans payable)	**90**	**—**	**1**	**811**	**—**	**9**
(6) Buying EUR (hedged item—accounts payable—other)	**65**	**—**	**—**	**586**	**—**	**—**
Alternative method (*):						
Forward foreign exchange contracts for						
(1) Selling U.S. dollar (hedged item—accounts receivables-trade)	**¥ 61**	**¥—**	**(Note 2)**	**$ 550**	**$—**	**(Note 2)**
(2) Buying U.S. dollar (hedged item—accounts payable-trade)	**164**	**—**	**(Note 2)**	**1,477**	**—**	**(Note 2)**
Total	**¥1,466**	**¥—**	**¥(3)**	**$13,208**	**$—**	**$(27)**

* Foreign monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate, if the forward contracts qualify for hedge accounting.

Notes:
1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. For certain accounts payable-trade, other accounts payable and loans payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, fair value of derivative financial instrument is included in the hedged accounts receivables-trade or accounts payable-trade.

Year ended March 31, 2018	Millions of yen Contract amount	Millions of yen (Contract amount over one year)	Millions of yen Fair value
Principle-based accounting method:			
Forward foreign exchange contracts for			
(1) Selling U.S. dollar (hedged item—loans receivable)	¥ 170	¥—	¥(1)
(2) Selling Swedish Krona (hedged item—loans receivable)	381	—	(4)
(3) Buying U.S. dollar (hedged item—accounts payable-trade)	778	—	—
(4) Buying YEN (hedged item—loans payable)	181	—	3
Alternative method (*):			
Forward foreign exchange contracts for			
(1) Selling U.S. dollar (hedged item—accounts receivables-trade)	¥ 53	¥—	(Note2)
(2) Buying U.S. dollar (hedged item—accounts payable-trade)	136	—	(Note2)
Total	¥1,699	¥—	¥(2)

* Foreign monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate, if the forward contracts qualify for hedge accounting.

Notes:
1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. For certain accounts payable-trade, other accounts payable and loans payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, fair value of derivative financial instrument is included in the hedged accounts receivables-trade or accounts payable-trade.

2. Interest related

Year ended March 31, 2019	Millions of yen Contract amount	Millions of yen (Contract amount over one year)	Millions of yen Fair value	Thousands of U.S.dollars Contract amount	Thousands of U.S.dollars (Contract amount over one year)	Thousands of U.S.dollars Fair value
Alternative method:						
Interest swap contracts (hedged item— long-term loans payable)						
Receiving floating rate and paying fixed rate	**¥ 96,429**	**¥69,629**	**(Note)**	**$ 868,808**	**$627,345**	**(Note)**
Currency swap contracts (hedged item— long-term loans payable)						
Receiving floating rate and paying fixed rate	**30,459**	**9,804**	**(Note)**	**274,430**	**88,332**	**(Note)**
Total	**¥126,888**	**¥79,433**	**¥—**	**$1,143,238**	**$715,677**	**$—**

Note: For certain long-term loans payable for which interest swap contracts are used to hedge the interest rate fluctuations, fair value of derivative financial instrument is included in accounts payable-trade, other accounts payable and loans payable as hedged.

Year ended March 31, 2018	Millions of yen Contract amount	Millions of yen (Contract amount over one year)	Millions of yen Fair value
Alternative method:			
Interest swap contracts (hedged item— long-term loans payable)			
Receiving floating rate and paying fixed rate	¥100,969	¥ 96,429	(Note)
Currency swap contracts (hedged item— long-term loans payable)			
Receiving floating rate and paying fixed rate	24,915	24,915	(Note)
Total	¥125,884	¥121,344	¥—

Note: For certain long-term loans payable for which interest swap contracts are used to hedge the interest rate fluctuations, fair value of derivative financial instrument is included in accounts payable-trade, other accounts payable and loans payable as hedged.

19. Income taxes

(1) The significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	**2019/3**
Deferred tax assets:			
Net defined benefit liabilities	**¥ 23,475**	¥ 23,698	**$ 211,506**
Accrued bonuses	**4,447**	4,199	**40,067**
Depreciation	**6,708**	3,932	**60,438**
Accrued enterprise tax	**795**	798	**7,163**
Tax loss carryforwards (*2)	**41,575**	45,206	**374,583**
Provision for repairs	**5,447**	5,298	**49,076**
Unrealized gains on fixed assets	**2,386**	2,505	**21,497**
Loss on valuation of inventories	**2,921**	3,257	**26,318**
Loss on valuation of investment securities	**5,212**	5,928	**46,959**
Impairment loss	**5,173**	7,518	**46,608**
Other	**10,624**	15,779	**95,720**
Subtotal	**108,763**	118,118	**979,935**
Valuation allowance related to tax loss carryforwards	**(35,953)**	—	**(323,930)**
Valuation allowance related to the total of deductible temporary differences	**(33,790)**	—	**(304,442)**
Total valuation allowance (*1)	**(69,743)**	(81,060)	**(628,372)**
Total deferred tax assets	**39,020**	37,058	**351,563**
Deferred tax liabilities:			
Net defined benefit assets	**¥(13,202)**	¥ (12,870)	**$(118,948)**
Gain on contribution of securities to retirement benefit trust	**(3,024)**	(3,147)	**(27,246)**
Net unrealized holding gain on securities	**(7,820)**	(10,187)	**(70,457)**
Deferred gain on real properties	**(240)**	(284)	**(2,162)**
Retained earnings of overseas consolidated subsidiaries, etc.	**(6,650)**	(5,592)	**(59,915)**
Adjustment of book value based on fair value	**(5,368)**	(5,771)	**(48,365)**
Other	**(2,801)**	(1,774)	**(25,236)**
Total deferred tax liabilities	**(39,105)**	(39,625)	**(352,329)**
Net deferred tax assets (liabilities)	**¥ (85)**	¥ (2,567)	**$ (766)**

*1 The valuation allowance decreased mainly because the amount of tax losses carried forward at the parent and consolidated subsidiaries deemed to be recoverable in anticipation of future taxable income was booked as deferred tax assets.

*2 A breakdown of tax loss carryforwards and valuation allowance by expiry date as of March 31,2019 are as follows:

	Millions of yen						
Year ended March 31, 2019	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years	Total
Tax loss carryforwards (*a)	**¥22,635**	**¥10,149**	**¥451**	**¥1,096**	**¥1,659**	**¥5,585**	**¥41,575**
Valuation allowance	**(18,331)**	**(9,639)**	**(451)**	**(1,096)**	**(1,417)**	**(5,019)**	**(35,953)**
Deferred tax asset	**4,304**	**510**	**—**	**—**	**242**	**566**	**5,622 (*b)**

	Thousands of U.S.dollars						
Year ended March 31, 2019	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years	Total
Tax loss carryforwards (*a)	**$203,937**	**$91,441**	**$4,063**	**$9,875**	**$14,947**	**$50,320**	**$374,583**
Valuation allowance	**(165,159)**	**(86,846)**	**(4,063)**	**(9,875)**	**(12,767)**	**(45,220)**	**(323,930)**
Deferred tax asset	**38,778**	**4,595**	**—**	**—**	**2,180**	**5,100**	**50,653 (*b)**

*a Tax loss carried forward is multiplied by the statutory effective tax rate.

*b For the tax loss carried forward of ¥41,575 million (the amount multiplied by the statutory effective tax rate), ¥5,622 million was booked as deferred tax assets as we deemed it recoverable in anticipation of future taxable income.

(2) The following table summarizes the significant differences between the statutory tax rate and effective tax rates reflected in the consolidated statement of operations for the years ended March 31, 2019 and 2018:

	2019/3	2018/3
Statutory tax rate	30.6%	30.9%
Non-deductible expenses	0.7	0.7
Permanently non-deductible items including dividend income	(0.6)	(0.8)
Changes in valuation allowance	(8.0)	(16.7)
Differences of statutory tax rate in overseas consolidated subsidiaries	(4.3)	(1.7)
Goodwill impairment and amortization	0.2	2.4
Share of loss (profit) of entities accounted for using equity method	(3.2)	(2.7)
Other	2.4	4.0
Effective tax rate	17.8%	16.1%

20. Segment information

(1) Overview of reportable segments

The reportable segments of the Group comprise those entities for which obtaining separate financial reports is possible and those are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to said segments.

The Group positions segments distinguished by their products and services within its headquarters. Each segment proposes comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

The four reportable segments (distinguished by products and services) that therefore comprise the Group's operations are: Mobility, Health Care, Food & Packaging and Basic Materials.

Segment		Major Products
Reportable Segments	Mobility	Elastomers, performance compounds, functional polymers and, polypropylene compounds and comprehensive services regarding to the development of automotive and industrial products (Solution business)
	Health Care	Vision care materials, nonwoven fabrics, dental materials and, personal care materials
	Food & Packaging	Coating & engineering materials, performance films and sheets and, agrochemical products
	Basic Materials	Ethylene, propylene, polyethylene, polypropylene, catalysts, phenols, PTA, PET, polyurethane materials and, industrial chemical products
Others	Others	Other related businesses, etc.

(2) Methods to determine net sales, income or loss, sssets, and other items by reportable business segment

The accounting methods by reportable business segment herein are almost tha same as those described under "significant accounting policies." Income by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

(3) Information concerning net sales, income or loss, assets, and other items for each reportable segment

	Millions of yen						
	Reportable Segment						
Year ended March 31, 2019	Mobility	Healthcare	Food & Packaging	Basic Materials	Total	Others (Note 1)	Sum total
I. Net sales:							
Customers	¥395,365	¥146,598	¥199,435	¥716,524	¥1,457,922	¥24,987	¥1,482,909
Inter-segment	11,652	2,783	1,349	75,760	91,544	58,049	149,593
Total	¥407,017	¥149,381	¥200,784	¥792,284	¥1,549,466	¥83,036	¥1,632,502
II. Segment income (loss)	¥ 42,736	¥ 13,622	¥ 17,791	¥ 27,776	¥ 101,925	¥ (1,375)	¥ 100,550
III. Segment assets	¥348,824	¥195,713	¥232,533	¥598,707	¥1,375,777	¥55,129	¥1,430,906
IV. Other items:							
Depreciation and amortization (Note 2)	¥ 12,582	¥ 9,412	¥ 7,496	¥ 14,826	¥ 44,316	¥ 3,857	¥ 48,173
Amortization of goodwill	527	86	—	—	613	38	651
Invested in equity method affiliate	22,427	5,602	2,849	58,135	89,013	2,451	91,464
Capital expenditures (Note 2)	17,256	6,579	15,019	18,453	57,307	3,870	61,177

	Thousands of U.S. dollars						
	Reportable Segment						
Year ended March 31, 2019	Mobility	Healthcare	Food & Packaging	Basic Materials	Total	Others (Note 1)	Sum total
I. Net sales:							
Customers	$3,562,168	$1,320,822	$1,796,874	$6,455,752	$13,135,616	$225,128	$13,360,744
Inter-segment	104,982	25,074	12,154	682,585	824,795	523,011	1,347,806
Total	$3,667,150	$1,345,896	$1,809,028	$7,138,337	$13,960,411	$748,139	$14,708,550
II. Segment income (loss)	$ 385,044	$ 122,732	$ 160,294	$ 250,256	$ 918,326	$ (12,389)	$ 905,937
III. Segment assets	$3,142,842	$1,763,339	$2,095,081	$5,394,242	$12,395,504	$496,703	$12,892,207
IV. Other items:							
Depreciation and amortization (Note 2)	$ 113,362	$ 84,800	$ 67,538	$ 133,579	$ 399,279	$ 34,751	$ 434,030
Amortization of goodwill	4,748	775	—	—	5,523	342	5,865
Invested in equity method affiliate	202,063	50,473	25,669	523,786	801,991	22,083	824,074
Capital expenditures (Note 2)	155,473	59,276	135,318	166,259	516,326	34,868	551,194

	Millions of yen						
	Reportable Segment						
Year ended March 31, 2018	Mobility	Healthcare	Food & Packaging	Basic Materials	Total	Others (Note 1)	Sum total
I. Net sales:							
Customers	¥331,038	¥139,120	¥195,840	¥637,700	¥1,303,698	¥24,828	¥1,328,526
Inter-segment	10,954	2,376	1,238	66,690	81,258	54,210	135,468
Total	¥341,992	¥141,496	¥197,078	¥704,390	¥1,384,956	¥79,038	¥1,463,994
II. Segment income (loss)	¥ 42,296	¥ 10,830	¥ 19,924	¥ 38,903	¥ 111,953	¥ (906)	¥ 111,047
III. Segment assets	¥316,313	¥200,684	¥221,550	¥606,896	¥1,342,443	¥50,052	¥1,395,495
IV. Other items:							
Depreciation and amortization (Note 2)	¥ 10,264	¥ 9,501	¥ 6,961	¥ 14,467	¥ 41,193	¥ 3,118	¥ 44,311
Amortization of goodwill	131	586	—	—	717	102	819
Invested in equity method affiliate	17,220	4,920	2,878	54,977	79,995	2,660	82,655
Capital expenditures (Note 2)	32,179	16,018	9,508	15,752	73,457	6,110	79,567

Notes:
1. "Others" encompasses operations not included in reportable segments.
2. Depreciation and amortization and capital expenditures include amortization costs and expenditures under long-term prepaid expenses.

Notes to Consolidated Financial Statements

(4) Reconciliation of differences between total amounts of reportable segments and amounts in the consolidated financial statements (adjustments)

	Millions of yen		Thousands of U.S.dollars
Net sales:	**2019/3**	2018/3	**2019/3**
Total reportable segment sales	**¥1,549,466**	¥1,384,956	**$13,960,411**
Net sales classified under "Others"	**83,036**	79,038	**748,139**
Elimination of intersegment transactions	**(149,593)**	(135,468)	**(1,347,806)**
Net sales recorded in Consolidated Statements of Operations	**¥1,482,909**	¥1,328,526	**$13,360,744**

	Millions of yen		Thousands of U.S.dollars
Income:	**2019/3**	2018/3	**2019/3**
Total reportable segment income	**¥101,925**	¥111,953	**$918,326**
Income (loss) classified under "Others"	**(1,375)**	(906)	**(12,389)**
Elimination of intersegment transactions	**(33)**	26	**(297)**
Corporate expenses (Note)	**(7,090)**	(7,582)	**(63,879)**
Operating income recorded in Consolidated Statements of Operations	**¥ 93,427**	¥103,491	**$841,761**

Note: Corporate expenses mainly comprise general and administrative expenses not usually attributed to segments.

	Millions of yen		Thousands of U.S.dollars
Assets:	**2019/3**	2018/3	**2019/3**
Total reportable segment assets	**¥1,375,777**	¥1,345,443	**$12,395,504**
Assets classified under "Others"	**55,129**	50,052	**496,702**
Elimination of intersegment transactions	**(125,293)**	(130,898)	**(1,128,867)**
Corporate assets (Notes 1 and 2)	**195,461**	166,712	**1,761,069**
Assets recorded in Consolidated Balance Sheets	**¥1,501,074**	¥1,431,309	**$13,524,408**

Notes:
1. Corporate assets are mainly attributed to the Company's surplus management funds (cash and savings), long-term investment funds (investment securities), deferred tax assets and administrative departments.
2. Asset balance for the previous fiscal year is restated mainly to reflect the impact of amendments to tax effect accounting standards.

	Millions of yen		Thousands of U.S.dollars
Depreciation and amortization:	**2019/3**	2018/3	**2019/3**
Total reportable segment amounts	**¥44,316**	¥41,193	**$399,279**
Amounts classified under "Others"	**3,857**	3,118	**34,751**
Adjustment amounts (Note)	**680**	524	**6,127**
Amounts from Consolidated Financial Statements	**¥48,853**	¥44,835	**$440,157**

Note: Adjustment amounts are Depreciation and amortization expenses related to new businesses development.

	Millions of yen		Thousands of U.S.dollars
Amortization of goodwill:	**2019/3**	2018/3	**2019/3**
Total reportable segment amounts	**¥613**	¥717	**$5,523**
Amounts classified under "Others"	**38**	102	**342**
Adjustment amounts	**—**	—	**—**
Amounts from Consolidated Financial Statements	**¥651**	¥819	**$5,865**

	Millions of yen		Thousands of U.S.dollars
Amount invested in equity method affiliate:	**2019/3**	2018/3	**2019/3**
Total reportable segment amounts	**¥89,013**	¥79,995	**$801,991**
Amounts classified under "Others"	**2,451**	2,660	**22,083**
Adjustment amounts	**—**	—	**—**
Amounts from Consolidated Financial Statements	**¥91,464**	¥82,655	**$824,074**

	Millions of yen		Thousands of U.S.dollars
Capital expenditures:	**2019/3**	2018/3	**2019/3**
Total reportable segment amounts	**¥57,307**	¥73,457	**$516,326**
Amounts classified under "Others"	**3,870**	6,110	**34,868**
Adjustment amounts (Note)	**747**	1,681	**6,730**
Amounts from Consolidated Financial Statements	**¥61,924**	¥81,248	**$557,924**

Note: Adjustment amounts are capital expenditures related to new businesses development.

Related Information

(Information by Region)

	Millions of yen		Thousands of U.S.dollars
Net sales:	**2019/3**	2018/3	**2019/3**
Japan	**¥ 810,846**	¥ 740,562	**$ 7,305,577**
China	**182,764**	144,699	**1,646,671**
Asia	**198,638**	189,448	**1,789,693**
America	**177,594**	162,219	**1,600,090**
Europe	**104,639**	82,960	**942,779**
Other regions	**8,428**	8,638	**75,934**
Total	**¥1,482,909**	¥1,328,526	**$13,360,744**

Notes:
1. Net sales are classified by country and region based on customer location.
2. Major countries and regions located in areas outside of Japan and China are as follows:
   (1) Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India
   (2) America: The United States, Mexico
   (3) Europe: Germany, France
   (4) Other regions: Oceania, Africa

	Millions of yen		Thousands of U.S.dollars
Property, plant and equipment:	**2019/3**	2018/3	**2019/3**
Japan	**¥350,860**	¥345,017	**$3,161,186**
Singapore	**36,011**	35,920	**324,453**
Asia	**28,068**	27,129	**252,888**
Other regions	**28,124**	24,842	**253,391**
Total	**¥443,063**	¥432,908	**$3,991,918**

Note: Major countries and regions located in areas outside of Japan and Singapore are as follows:
(1) Asia: China, Taiwan, South Korea, Thailand, Malaysia, India
(2) Other regions: North America, Europe

(Information by main customers)

	Millions of yen		Thousands of U.S.dollars
Net sales:	**2019/3**	2018/3	**2019/3**
Mitsui & Co., LTD.	**¥264,168**	¥236,002	**$2,380,106**

Note: Related segments are as follows:
Mobility, Health Care, Food&Packaging, Basic Materials, Others

Information Concerning Impairment Loss of Fixed Assets by Reportable Segment

	Millions of yen		Thousands of U.S.dollars
Impairment loss:	**2019/3**	2018/3	**2019/3**
Mobility	**¥ 248**	¥ 395	**$ 2,234**
Health Care	**49**	14,350	**441**
Food & Packaging	**420**	7	**3,784**
Basic Materials	**82**	—	**739**
Others	**—**	150	**—**
Corporate Expenses	**655**	110	**5,902**
Total	**¥1,454**	¥15,012	**$13,100**

Information Concerning the Amount of Amortization and Unamortized Balance of Goodwill by Reportable Segment

	Millions of yen		Thousands of U.S.dollars
Amount of amortization:	**2019/3**	2018/3	**2019/3**
Mobility	**¥527**	¥131	**$4,748**
Health Care	**86**	586	**775**
Food & Packaging	**—**	—	**—**
Basic Materials	**—**	—	**—**
Others	**38**	102	**342**
Corporate Expenses	**—**	—	**—**
Total	**¥651**	¥819	**$5,865**

	Millions of yen		Thousands of U.S.dollars
Unamortized balance:	**2019/3**	2018/3	**2019/3**
Mobility	**¥4,628**	¥5,110	**$41,697**
Health Care	**416**	519	**3,748**
Food & Packaging	**—**	—	**—**
Basic Materials	**—**	—	**—**
Others	**17**	55	**154**
Corporate Expenses	**—**	—	**—**
Total	**¥5,061**	¥5,684	**$45,599**

21. Information on related party transactions

(1) Related party transactions

Main transactions of the Company with its affiliated company for the year ended March 31, 2019 was as follows:

Name of company	Chiba Chemicals Manufacturing LLP
Type of related party	Affiliated company
Location	Chiyoda-ku, Tokyo
Capital stock	¥200 million ($1,802 thousand)
Business	Manufacturing petrochemical materials and supplying to partners
Holding ratio of voting rights	Direct 50%
Relationship	Supply and purchases of raw materials
Transaction amount (Notes 1 and 2)	¥771 million (US$6,947 thousand)
Balance at end of year (Note 2)	Other accounts receivable: ¥13,868 million (US$124,948 thousand)
	Accounts payable: ¥12,068 million (US$108,731 thousand)

Notes:
1. The trade terms of the above transactions were shown on a net basis in the Consolidated Statements of Operations.
2. The trade terms of the above transactions were determined based on consideration of the market prices and others.

Name of company	Shanghai Sinopec Mitsui Chemicals Co., Ltd.
Type of related party	Affiliated company
Location	Shanghai, China
Investments in capital (Note 4)	¥37,923 million ($341,679 thousand)
Business	Manufacturing and sales of phenol, acetone and biphenol A In China
Holding ratio of voting rights	Direct 50%
Relationship	Loan guarantee, interlocking directors
Transaction amount (Note 3)	¥8,123 million (US$73,187 thousand)

Notes:
3. The Company conducts loan gurantees for the related party without gurantee fees.
4. Shanghai Sinopec Mitsui Chemicals, Co., Ltd. increased its capital for the year ended March 31, 2019. Accordingly, investments in capital has been increased from the previous fiscal year.

Name of company	Shanghai Sinopec Mitsui Elastomers, Co., Ltd.
Type of related party	Affiliated company
Location	Shanghai, China
Investments in capital (Note 6)	¥26,453 million ($238,337 thousand)
Business	Manufacturing and sales of ethylene, propylene and diene copolymer rubber in China
Holding ratio of voting rights	Direct 50%
Relationship	Loan guarantee, interlocking directors
Transaction amount (Note 5)	¥9,882 million (US$89,035 thousand)

Notes:
5. The Company conducts loan gurantees for the related party without gurantee fees.
6. Shanghai Sinopec Mitsui Elastomers, Co., Ltd. increased its capital for the year ended March 31, 2019. Accordingly, investments in capital has been increased from the previous fiscal year.

(2) Summary of financial information for significant affiliated companies

The Company's significant affiliates are Chemours-Mitsui Fluoroproducts Co., Ltd. and Shanghai Sinopec Mitsui Chemicals Co., Ltd. for the year ended March 31, 2019.

Chemours-Mitsui Fluoroproducts Co., Ltd.

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	**2019/3**
Balance Sheet			
Total current assets	**¥19,126**	¥22,350	**$172,322**
Total noncurrent assets	**13,354**	13,585	**120,317**
Total current liabilities	**11,775**	9,470	**106,091**
Total noncurrent liabilities	**340**	330	**3,063**
Total net assets	**20,365**	26,135	**183,485**
Statement of Operations			
Net sales	**34,413**	30,544	**310,055**
Profit (loss) before income taxes	**9,402**	9,443	**84,710**
Profit (loss)	**6,599**	6,603	**59,456**

Shanghai Sinopec Mitsui Chemicals Co., Ltd.

	Millions of yen		Thousands of U.S.dollars
	2019/3	2018/3	**2019/3**
Balance Sheet			
Total current assets	**¥32,334**	¥ 8,157	**$291,324**
Total noncurrent assets	**23,339**	27,721	**210,280**
Total current liabilities	**36,908**	39,737	**332,534**
Total noncurrent liabilities	**6,733**	9,605	**60,663**
Total net assets	**12,032**	(13,464)	**108,406**
Statement of Operations			
Net sales	**52,757**	40,923	**475,331**
Profit (loss) before income taxes	**2,042**	(5,289)	**18,398**
Profit (loss)	**2,061**	(5,308)	**18,569**

22. Subsequent events

There were no applicable items.

Independent Auditor's Report

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Building a better working world

Independent Auditor's Report

The Board of Directors
Mitsui Chemicals, Inc.

We have audited the accompanying consolidated financial statements of Mitsui Chemicals, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Chemicals, Inc. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 25, 2019
Tokyo, Japan