Mitsui Chemicals

New trajectories for growth

ANNUAL REPORT **2010**

Year Ended March 31, 2010

Profile

Guided by its Medium-Term Business Plan, which was launched in April 2008, the Mitsui Chemicals Group has also adopted a three-dimensional management approach that focuses on balancing economic, environmental and social dimensions. However, the Group revised its growth strategies on November 2, 2009 in order to respond to severe changes that have occurred in the business environment recently. The fundamental points of these strategies are:

1. Expansion of businesses with competitiveness on a global basis

2. Expansion of high-value-added businesses for sustainable growth

3. Creation of new products and businesses that are in harmony with the global environment

In order to rapidly implement these strategies, Mitsui Chemicals undertook a major organizational restructuring on April 1, 2010, reorganizing the existing three-sector business operational structure to form six business sectors. This reorganization is intended to further augment the speed and flexibility of Mitsui Chemicals' management structure. Based on this growth strategy, during fiscal 2010 Mitsui Chemicals will formulate the next Medium-term Business Plan incorporating specific numerical targets. Through the above actions, the Group is taking steps to secure greater corporate value.

Contents

Forward-Looking Statements

This annual report contains forward-looking statements about the future plans, strategies, beliefs and performance of the Mitsui Chemicals Group as a whole and its individual consolidated companies. These forward-looking statements are not historical facts.

They are expectations, estimates, forecasts and projections based on information currently available to the Mitsui Chemicals Group and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, fluctuations in foreign currency exchange rates, fluctuations in the price of raw materials, competition in markets where the Company is active, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected and the Mitsui Chemicals Group cannot guarantee that these forward-looking statements are accurate or will be achieved.

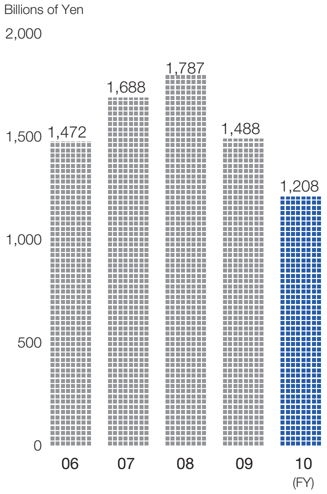
Consolidated Financial Highlights

For the years ended March 31

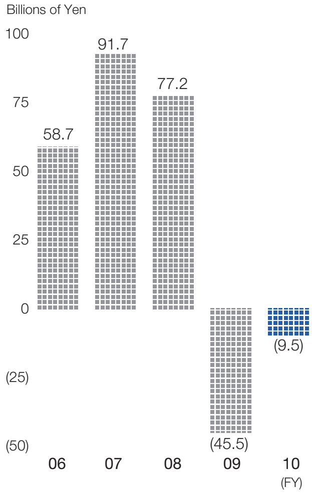
	Millions of yen					% Change	Thousands of U.S. dollars
	FY2010	FY2009	FY2008	FY2007	FY2006	FY2010/FY2009	FY2010
For the year:							
Net sales	¥1,207,735	¥1,487,615	¥1,786,680	¥1,688,062	¥1,472,435	(18.8)	$12,980,815
Operating income (loss)	(9,461)	(45,493)	77,176	91,678	58,705	79.2	(101,687)
Net income (loss)	(28,010)	(95,237)	24,831	52,297	44,125	70.6	(301,053)
Capital expenditures	49,054	81,041	84,667	72,671	81,400	(39.5)	527,236
R&D expenses	38,131	40,628	42,130	36,943	37,146	(6.1)	409,834
Cash Flows							
Net cash provided by operating activities	¥ 70,173	¥ 54,882	¥ 92,423	¥ 100,565	79,709	27.9	$ 754,224
Net cash used in investing activities	(42,913)	(76,253)	(78,206)	(133,618)	(58,247)	(43.7)	(461,232)
Free cash flows	27,260	(21,371)	14,217	(33,053)	21,462	—	292,992
At year-end:							
Total assets	¥1,238,086	¥1,188,939	¥1,469,248	¥1,498,183	¥1,328,890	4.1	$13,307,029
Total shareholders' equity	377,283	349,908	500,044	504,509	464,021	7.8	4,055,062
	Yen					% Change	U.S. dollars
Per share of common stock:							
Net income (loss)	¥(33.04)	¥(125.46)	¥32.22	¥66.68	¥56.20	(73.7)	$(0.36)
Shareholders' equity	376.41	465.56	649.63	653.84	592.42	(19.1)	4.05
Cash dividends	3.00	9.00	12.00	10.00	8.00	(66.7)	0.03
Performance indicators:							
Return on equity	—	—	4.94%	10.80%	10.15%		
Return (operating income) on assets	(0.78%)	(3.42%)	5.20%	6.49%	4.63%		

Notes: 1) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥93.04=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2010
2) Changes are between the years ended March 31, 2010 and 2009 .
3) Total shareholders' equity = Total net assets - Minority interests (as recorded on the balance sheet)

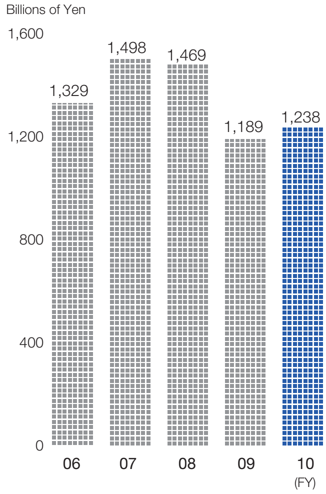
Net Sales



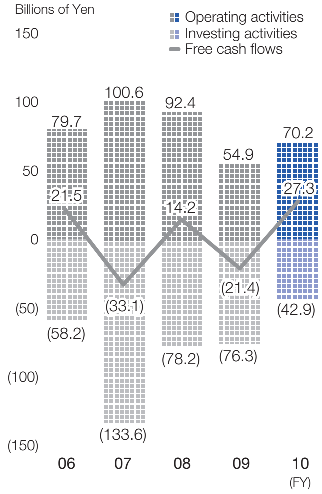
Operating Income (Loss)



Total Assets



Cash Flows



Remarks
In this report, FY (XX) indicates the fiscal year starting from April 1 of (XX-1) and ending at March 31 of (XX). For example, FY10 indicates the fiscal year from April 1, 2009 to March 31, 2010

To Our Stakeholders

A Pivotal Year as We Set Course on a New Growth Trajectory

The Mitsui Chemicals Group will move steadily forward to raise corporate value, applying our united efforts to build upon our competitive strengths and to generate new businesses. These initiatives will be based on our work to enhance profitability through cost cutting, together with our growth strategy, which we revised at the end of October 2009. Furthermore, in fields such as the environment and energy that show great promise for the chemicals industry, we will work to generate a steady stream of new, cutting-edge technologies and products, including catalytic technologies and other areas in which we specialize, growing as a company that contributes to society.

Fiscal 2010 (The Fiscal Year Ended March 31, 2010)

Business Environment and Results

Poor economic conditions continued throughout the first half of fiscal 2010; however, the slump appeared to have reached its nadir at the end of the previous fiscal year and a gradual recovery was seen in exports and production, triggered by a resumption of demand overseas, particularly in China. At the same time, personal consumption began to rebound. In spite of these factors, the Japanese economy in fiscal 2010 remained severe due to overall stagnation in corporate-sector earnings and worsening employment conditions.

In the chemical industry, although exports and production were at extremely low levels during the first half of fiscal 2010 following the rapid deterioration of the global economy in the previous fiscal year, income levels in the second half began to recover. This recovery was primarily attributable to a significant resurgence in production compared with fiscal 2009 on the back of a rebound in demand overseas, primarily in China, as well as efforts to reduce costs by individual companies.

Against this backdrop, the Mitsui Chemicals Group made comprehensive efforts to reduce costs while increasing sales and production by focusing on the reinforcement of its marketing capabilities. Undertaken with the goal of improving the Group's profitability, these actions put the Group on a steady recovery track, leading to a positive turnaround from an operating loss of ¥19.0 billion during the first half of fiscal 2010 to operating income totaling ¥9.5 billion during the second half.

Nevertheless, Mitsui Chemicals Group performance results for the fiscal year under review were insufficient for full recovery from losses incurred in the first half of fiscal 2009. In particular, net sales were ¥1,207.7 billion, down ¥279.9 billion compared with the previous fiscal year. In contrast, operating loss was ¥9.5 billion, an improvement of ¥36.0 billion, and net loss was ¥28.0 billion, an improvement of ¥67.2 billion.

Priority Issues

In the fiscal year ending March 31, 2011, the Japanese economy is expected to become even more dependent on exports to Asia as demand expands in the region, particularly in China, which continues to experience a high rate of growth. At the same time, domestic demand is expected to remain low. Because of this forecast, the Mitsui Chemicals Group anticipates that the business environment in which it operates will be extremely severe. Specifically, the second half of fiscal 2011 will see the commencement of the large-scale supply of petrochemicals to Asia from the Middle East, which possesses moderately priced raw materials, as well as from China, which boasts state-of-the-art production plants.

In order to overcome these difficult circumstances, the Mitsui Chemicals Group will work in unison to position fiscal 2011 as a decisive year for plotting a trajectory of renewed growth. These efforts are intended to enable the achievement of targets necessary to regain profitability.

The Mitsui Chemicals Group asks for the continued support and understanding of stakeholders.

T. Tanaka.

President & CEO **Toshikazu Tanaka**

Special Feature

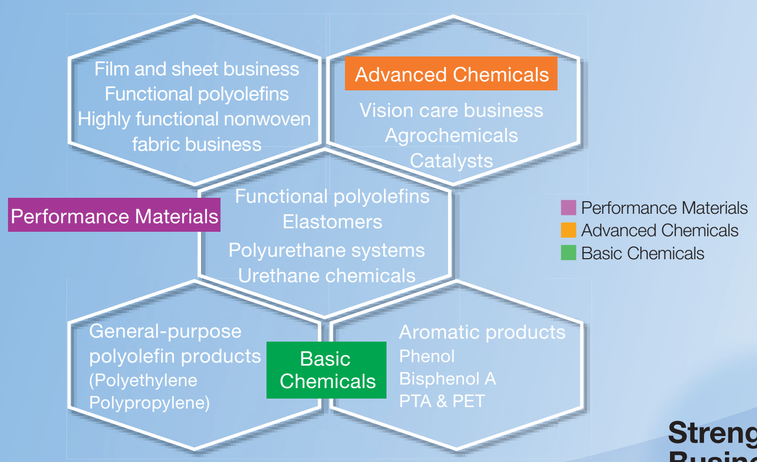
Mitsui Chemicals Group's New Growth Strategies

Utilizing Our Strengths to Launch Us onto a New Growth Trajectory

To achieve the long-term business objectives of its Grand Design, Mitsui Chemicals formulated a four-year Medium-Term Business Plan, which started in fiscal 2008. Halfway through that year, however, the onset of worldwide economic recession resulted in conditions of unprecedented severity accompanied by an enormous decline in demand. Confronted with this situation, we reacted swiftly to the changing business environment. Under our basic policy of making all-out efforts to expand competitive businesses and generate new businesses, we revamped the main strategy of the 2008 Medium-Term Business Plan and reformulated our new growth strategies in November 2009.

Based on a three-pronged approach, the swift and steady implementation of the basic strategies for new growth will launch us onto a new growth trajectory.

Grand Design



To be
Asia No.1

EPT
HAO-LLDPE (Evolue™)
PP Neat

Strengthening the Business Foundation

Establishment of Chiba Chemicals Manufacturing LLP
Nigh Son, Vietnam Project

Basic Strategies for New Growth

1. Expansion of businesses with competitiveness on a global basis.
2. Expansion of high-value-added businesses for sustainable growth.
3. Creation of new products and businesses that are in harmony with the global environment.

Long-Term Management Target: Operating Income of

¥150 billion

(Around 2015)

Expansion of businesses with competitiveness on a global basis

Expansion of high-value-added businesses for sustainable growth

Creation of new products and businesses that are in harmony with the global environment

To be Global No.1

Phenol Chain
PP Compound
TAFMERTM
ADMERTM

High Refractive Lens Materials

LED Process Film
Liquid Crystal Display Film

Agrochemicals Products

Polyurethane System House

Next-Generation Materials for HEV and EV
Lithium Ion Battery Elements

Solar Cell Elements (EVA sealant sheet, Monosilane Gas)
Gear Oil Additive for Wind Farm (LUCANTTM)

To be Sustainable

Chemical CO_2 Fixation
Plant-Derived Materials

Basic Strategy 1:

Expansion of businesses with competitiveness on a global basis

For our highly competitive businesses to target top positions in Asia and around the world, we will hasten the expansion of our overseas operations, particularly in Asian growth markets—this will also include the development of production bases. In addition, our policy is to enterprisingly seek collaboration with partners that likewise offer exceptional capabilities, both in Japan and internationally.

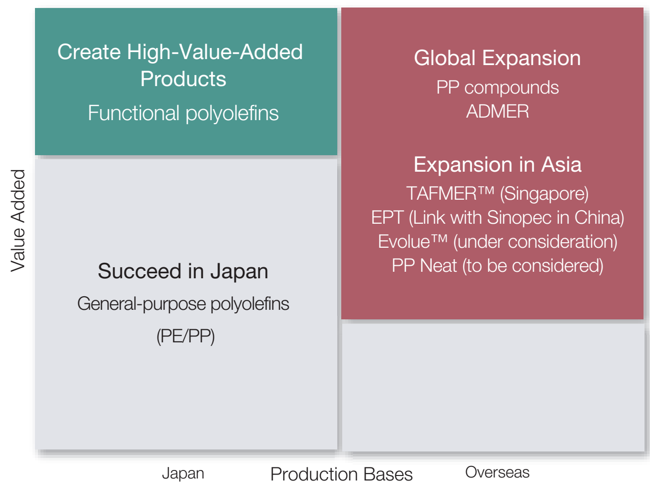
Mitsui Chemicals has three highly competitive business categories: 1) polyolefin-related products; 2) aromatic products; and 3) functional products discussed in more detail in Basic strategy 2. Each of these categories comprises a product lineup based on proprietary technologies and created through exceptional development capabilities. They are the source of Mitsui Chemicals' competitiveness.

1 Polyolefin-Related Products

Diagram 1 below shows the main polyolefin-related product portfolio. Since launching its general purpose polyolefin business in 1958, Mitsui Chemicals has been launching to market a wide array of unique and competitive polyolefin products—including elastomers, PP compounds and functional polyolefin chemicals—that have offered ever-higher added value via the development of polyolefin catalysts.

The Asian market leading PP compound and elastomer product lineups are vying for No. 1 positions worldwide. Primarily supplied to Japanese automakers, PP compounds are currently produced at sites in five regions and countries—Japan, North America, Thailand, China and India.

Polyolefin Product Lineup Portfolio (Diagram 1)



Having reached the pinnacle in the Asian market, TAFMER™, EPT (EPDM), HAOLLDPE Evolue™ and PP Neat are being positioned to target expansion globally. Taking TAFMER™ as an example, this product has been in commercial production at Singapore's Plant No. 2 (100,000 tons annually) since March 2010. This provides proof positive of how we have claimed Asia's top position in terms of production capacity.

In addition to traveling along the current path of targeting expansion of industrial applications such as with automobile materials, we will also energetically move into markets—such as lifestyle materials and consumer goods—where these products will be utilized to develop markets that stand up well even in turbulent economic times.

2 Aromatic Products

Diagram 2 shows the main aromatic product portfolio. Despite being derived from crude oil, as are polyolefin products, aromatic products are completely different, being based on such synthesis technologies as oxidization. Another special feature of aromatic products is the chain development which covers downstream products.

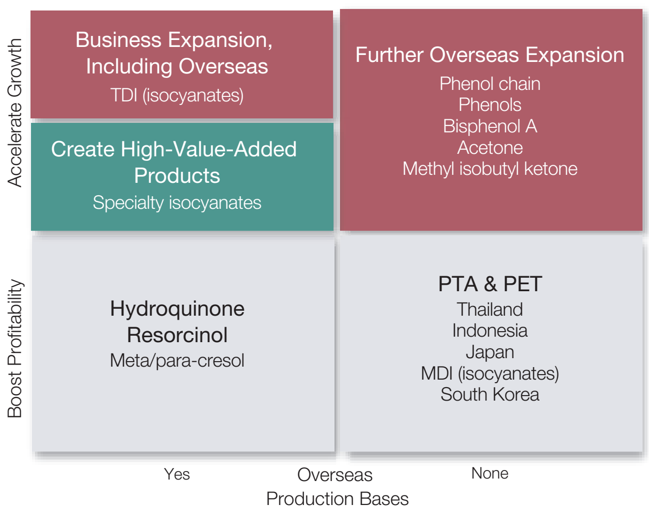
Diagram 3 shows phenol chain products, the core aromatic products. As of March 31, 2010, Mitsui Chemicals was capable of producing 920,000 tons of phenol annually, making it the world's second largest producer.

Annual production capacity for bisphenol A, a phenol derivative, was similar at 510,000 tons. Adding the production scale of the side stream and its downstream chains including acetone and the acetone derivative, methyl isobutyl ketone (MIBK) increases the production level to approximately 2 million tons. When the 600,000-ton production capacity currently being implemented under our China plans is added, the overall phenol chain business stands out as a world-class producer.

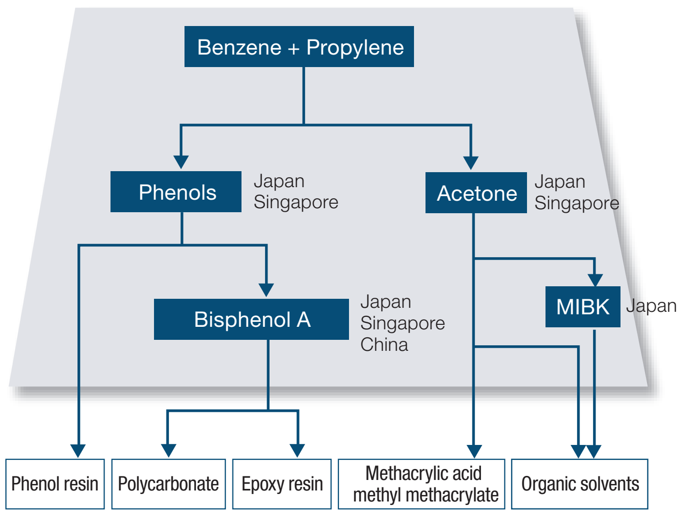
The China plans are moving forward under the terms of the key business alliance concluded with China Petroleum & Chemical Corp. (Sinopec), China's largest chemicals company, in 2009. In fact, Mitsui Chemicals and Sinopec had already established a bisphenol A joint venture in 2006. Known as Shanghai Sinopec Mitsui Chemicals, Co., Ltd. this commenced commercial operations in January 2009, the 2009 alliance being created with the intention of expanding business collaboration in the phenol chain area. In parallel with these efforts, business collaboration with Sinopec on the olefin-related product EPDM is moving forward, phenol chain and EPDM both playing a central role in the Company's business operations by supporting this product lineup in China's booming market.

Much more than just a phenol chain business, however, Mitsui Chemicals is conducting overseas production of both PTA, PET and MDI and is working to cut costs and making headway with efforts designed to improve profitability. For TDI as well, Mitsui Chemicals is expecting to seize business opportunities in the constantly growing markets of Asia and the Middle East. Taking full advantage of its technological prowess and sales capabilities cultivated as Japan's top chemicals maker, Mitsui Chemicals is considering measures to reinforce its business, including its development in overseas markets.

Aromatic Product Lineup Portfolio (Diagram 2)



Phenol Chain (Diagram 3)



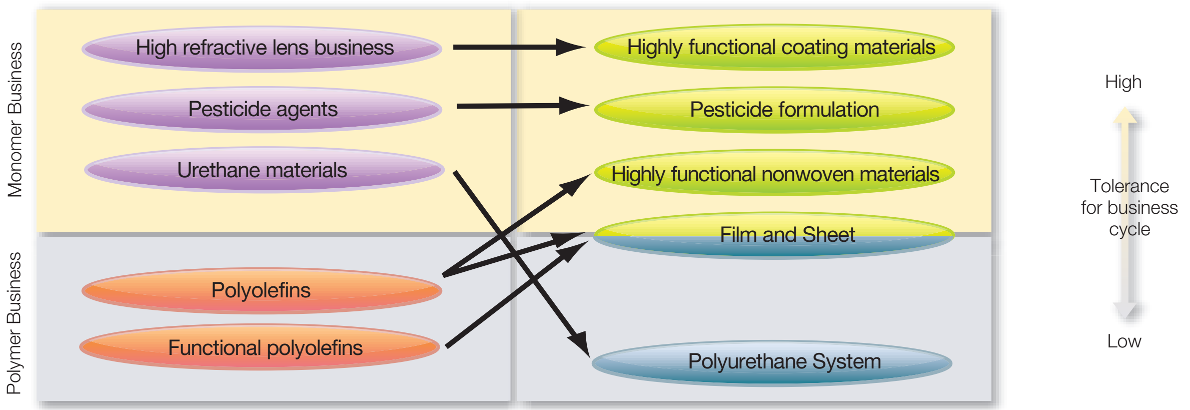
Basic Strategy 2:

Expansion of high-value-added businesses for sustainable growth

Mitsui Chemicals' high-value-added product lineup, however, is broadly divided into two groupings: firstly, compound products, the raw materials for which are derived from monomer products based on synthetic chemistry that dates back more than half a century to the coal chemical industry and, secondly, processed chemicals, the raw materials for which are derived from such polymer products as functional polyolefin.

The basic strategy that Mitsui Chemicals is following in its bid to expand its high-value-added businesses involves strengthening its value chain, which starts with its materials products businesses irrespective of whether they are derived from polymers or monomers being expanded into compound and processed product businesses, with the aim being to enhance the profitability of the chain as a whole.

Portfolio of High-Value-Added Product Businesses (Diagram 4)



1 Vision Care Business

The high refractive lens materials of the Vision Care Materials business are a mainstay of the Advanced Chemicals Business Sector and are top-ranked products in the global marketplace. In 2008, Mitsui Chemicals acquired SDC Technologies, Inc. in the U.S. to leverage the performance coating materials that are its forte, thus strengthening and further expanding this business. In so doing it was our goal to offer customers composite solutions that combine lens and coating materials.

We intend to take further advantage of SDC's outstanding coating materials technology, broadening the range of applicable fields beyond just lens materials.

2 Agrochemicals Products Business

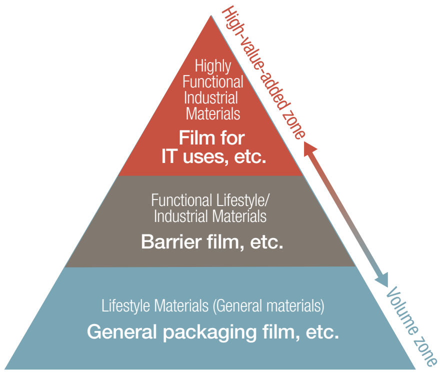
Having acquired Daiichi Sankyo Co., Ltd.'s pesticide business in 2006 and merged its agrochemical agent and formulation businesses, Mitsui Chemicals launched Mitsui Chemicals Agro, Inc. in April 2009. Our target was to integrate the strengths of Mitsui Chemicals' pesticide agents business with Daiichi Sankyo's capabilities in formulation, which would enhance and accelerate product development based on Mitsui Chemicals' core platform of pesticide agents and, at the same time, expand our product portfolio. Additional targets are to "expand domestic market share" and "accelerate product sales overseas." Mitsui Chemicals Agro is targeting overall agrochemical product business net sales of ¥200 billion in around 2015.

3 Highly Functional Nonwoven Materials Business

In tandem with the pace of improvements in living standards in Asia and China, expectations are for highly functional nonwoven materials demand, such as for disposable diapers in the region to expand. Mitsui Chemicals is thus aiming to broaden its nonwoven materials business, including by overseas development.

4 Film and Sheet Business

Business Portfolio Following Film and Sheet Business Merger (Diagram 5)

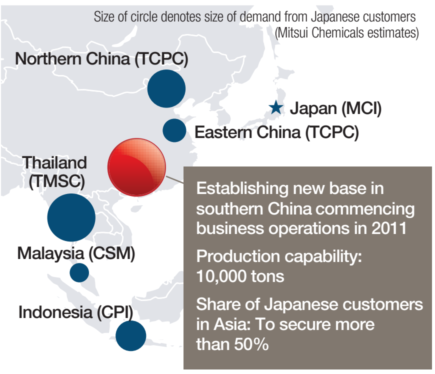


The Group's film and sheet business is split into several business units, including Mitsui Chemicals' tape business, Tohcello Co., Ltd.'s film business and Mitsui Chemicals' Fabro, INC.'s sheet business. To accelerate expansion in the film and sheet business, we determined it to be essential to bring together different functions dispersed throughout the Group and to make available to all respective technologies and know-how. As a first phase in this process, Tohcello Co., Ltd. became a wholly owned subsidiary in April 2009. We are now moving forward with the second, function-merging phase, which is targeted for the fall of 2010.

As shown in Diagram 5, this initiative will put in place a well-balanced system that can actively expand both high-value-added zone and volume zone products. In particular, we will proceed with the expansion of EVA sealant sheet production capabilities to meet a sudden increase in demand for its use in solar cell elements and the development of LED process film and liquid crystal display film that utilize Mitsui Chemicals' proprietary highly functional olefin polymers. Mitsui Chemicals is targeting expansion that will lead to overall film sheet business net sales of around ¥200 billion in around 2015.

5 Polyurethane System

Polyurethane System House Asian Business Development (Diagram 6)



Expansion to seven-base Asian network by branching out from southern China

Mitsui Chemicals Polyurethanes Inc. was merged into Mitsui Chemicals in April 2009. This was undertaken to not only streamline the monomer business but also to develop the polyurethane system business in a high-value-added field as one of its aims. With its diversified product lineup that brings together all types of polyol and isocyanate (TD1, MD1) and by its detailed and customer-centered technical service capabilities, this business has as its target the acquisition and maintaining of demand such as for automobile sheet and heat insulating materials for electric refrigerators centered on Japanese customer companies operating elsewhere in Asia. Consequently, to strengthen its urethane system house network in Asia, the Company located its third affiliate in Guangzhou, China, in January 2010, adding to those in northern and eastern China, Thailand, Malaysia and Indonesia.

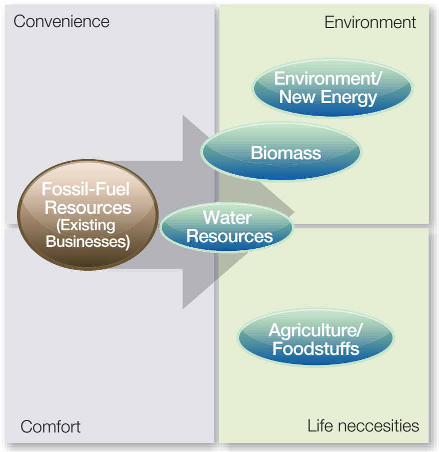
Business Strategy 3:

Creation of new products and businesses that are in harmony with the global environment

Exemplified by polyolefin- and aroma-related products, many of the Company's products are derived from fossil-fuel resources. In addition, we are developing numerous lineups that contribute to "convenience" and "comfort" in people's lives.

Today, however, we are confronting environment issues, such as global warming, and agricultural, food and resource issues to deal with the ongoing increase in population. It is said that chemistry will have an increasingly major role to play in solving these global-scale issues, showing that these will also present new business opportunities.

Areas of New Product and New Business Development (Diagram 7)



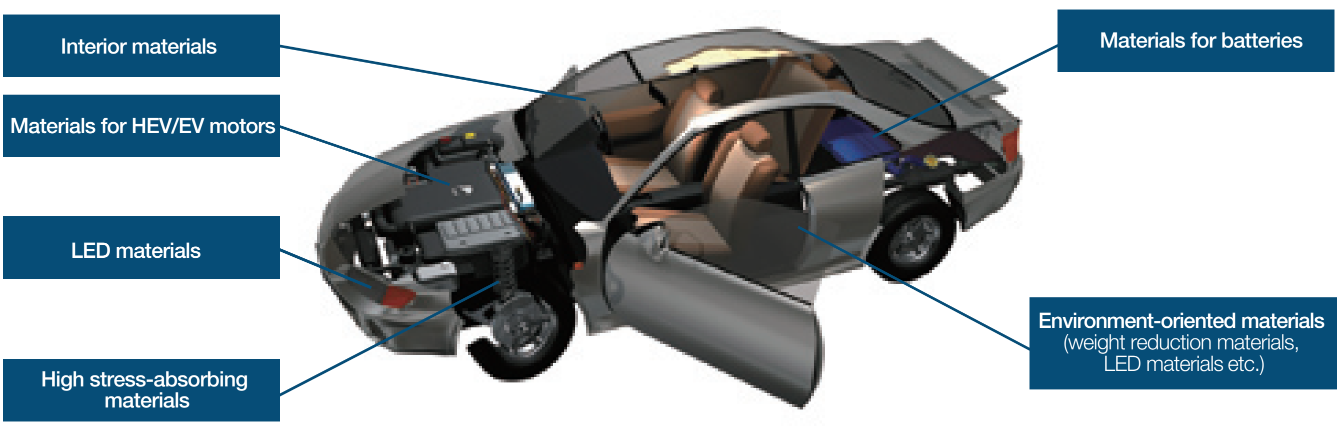
Consequently, in aiming to create new products and businesses, Mitsui Chemicals will not only focus on what have been its keywords up until now, "convenience" and "comfort," but also from four "environmental" and life neccesities perspectives: the environment/new energy field; chemical products from biomass; water resources; and agriculture/food.

For example, having supplied a wide range of automotive materials such as PP compounds to automakers, Mitsui Chemicals will rapidly advance development of environment-friendly, next-generation materials, such as HEV and EV. This will be achieved by combining the Company's resulting accumulated technologies with one of our strengths, our capabilities in creating new materials. Mitsui Chemicals is now making remarkable progress on over 10 products, ranging from special products for eco-cars, such as materials for motors and fuel cells, to products that have enabled the development of weight-saving materials and LED materials for gasoline-powered automobiles (Diagram 8).

In addition, besides materials for automobiles, unique progress has been made with new product development, including several LED lighting-related material developments, IT materials and lifestyle-related materials.

To accelerate new product and new business development, a New Materials Development Center and a New Business Development Division were set up respectively in October 2009.

New Materials Development for Next-Generation Automobile (HEV/EV) (New Materials Development Center and others) (Diagram 8)



Supplemental Strategy

Strengthening the business foundation

Bringing Basic Strategies (1) to (3) to fruition in a speedier and more efficient manner will necessitate changing Mitsui Chemicals' overall structure to make it more robust.

To that end, in response to the sudden change in the business environment triggered by the Lehman Shock, from January 2009 the Company worked on thorough cost-cutting in terms of its fixed, variable and labor costs. The cumulative total of cost reductions implemented up until the end of March 2010 amounted to approximately ¥43 billion. Furthermore, unrelenting in its approach to cost cutting, the Company will push ahead with cost reductions for a cumulative total of more than ¥70.0 billion by 2015.

Unflagging in the elimination or consolidation of its facilities in Japan to strengthen its competitiveness, Mitsui Chemicals has been making progress in accordance with all the plans announced in 2009. Undertaking a program of "scrap-and-build," the plan ultimately calls for net sales around the ¥100 billion mark.

In the meantime, after Mitsui Chemicals had been studying the joint operation with Idemitsu Kosan Co. Ltd. of an ethylene plant in the Chiba area since May 2009, both companies established a limited liability partnership (LLP) through a fifty-fifty joint venture in April 2010 (Diagram 9).

This move will comprehensively pursue the synergies that cannot be realized by a single entity optimization of raw material selection and plant efficiency, fractional high-value-added process, and jointly rationalized investment and will enable construction of Japan's most competitive ethylene center. The first step of this joint venture anticipates annual cost cutting of around ¥3 billion. In addition to merging ethylene facilities, its second step is to review expanding the areas of optimized production to oil refineries, for example, and plans are being put in place to broaden the streamlining effect.

Establishment of Chiba Chemicals Manufacturing LLP (Diagram 9)

Item	Details
Operation area	Joint operation of ethylene complex in Chiba Manufacture and supply to parent companies of ethylene, propylene, etc.
Role	To serve as cost center for production; to minimize costs (Target cost gain: ¥3 billion)
Capital contribution	¥200 million (equal investment with Idemitsu Kosan)
Ethylene production capacity	920,000 tons per annum (Mitsui Chemicals: 550,000 tons; Idemitsu Kosan: 370,000 tons)
Future issues	Expand integration to oil refining (gain ¥10 billion)

An Interview with the President

Q1 How do you feel about the Mitsui Chemicals operating environment?

In view of upcoming business, broadly there are three important points to keep in mind.

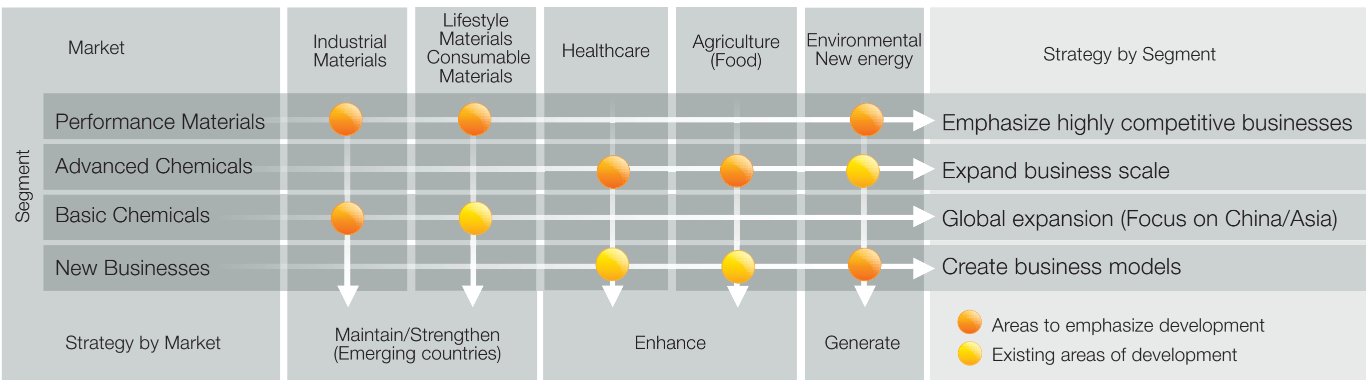
Firstly, the international supply and demand structure is changing. Represented by BRICs, emerging economies are experiencing brisk growth, and here are to be found the business opportunities that are absolutely vital to our growth as a company. On the other hand, as Japan and other developed countries gradually recover economically, a huge volume of moderately priced petrochemical products will begin to be supplied to Asian markets from the Middle East, which has low-priced raw materials, and China, which has new, cutting-edge production plants. What this means is that we must move forward on the consolidation or elimination of facilities to enhance our competitiveness and seek to offer high-value-added products as we aim to succeed in Japan.

Secondly, the business model is changing. As products from Asia, with low manufacturing costs and standard quality, make their presence felt, Europe and the United States are adopting a strategy of standardization and systemization. In Japan, though, what we have achieved is a framework of cutthroat competition in advanced fields. Given this situation, Mitsui Chemicals has identified businesses of competitive excellence, which it will work to expand.

Thirdly, we have, broadly speaking, changes to our lifestyle environment. Although a clear post-Kyoto Protocol framework has yet to emerge, even if targets are at different levels it will be vital for the chemicals industry to take action to reduce greenhouse gasses. What's more, food issues associated with increasing populations and preservation of biological resources will, I believe, present a major challenge. From that perspective, Mitsui Chemicals will strengthen business development in environment and energy, healthcare, medicine, health, agriculture and food domains.

Our corporate mission is "to contribute broadly to society by providing high-quality products and services to customers through innovations and creation of materials, while keeping in harmony with the global environment." This hasn't changed since we first started out in 1997. When we take another look at this corporate mission today, I feel strongly that this is now an age where the role of chemicals is exactly what present society needs.

Direction of Future Business Development



Formulation of New Medium-Term Business Plan

New Growth Strategies

Review of Current Medium-Term Business Plan
(November 2009)

Basic Strategies for New Growth

1. Expansion of businesses with competitiveness on a global basis
2. Expansion of high-value-added businesses for sustainable growth
3. Creation of new products and businesses that are in harmony with the global environment

New Medium-Term Business Plan
Understand changes in internal and external environment and clarify firm strategies and targets for direction based on New Growth Strategies

Completion within 2010

Q2 Based on the renewed strategy for growth, please tell us about your intentions with regard to Mitsui Chemicals' future direction.

There are two necessary perspectives to take when considering the future direction of Mitsui Chemicals.

Specifically, that means securing "growth" and "continuity." To secure growth, the following three points have been identified as basic strategies for renewed growth:

1. Expansion of businesses with competitiveness on a global basis
2. Expansion of high-value-added businesses for sustainable growth
3. Creation of new products and businesses that are in harmony with the global environment

Continuity, on the other hand, is to be secured by the following three points:

1. Achieving a proper balance between petroleum-based products and functional products
2. Expansion of stable growth businesses that stand up well to turbulent economic times
3. Strengthening the business foundation (rebuilding domestic businesses and robust corporate health)

What this means is that "growth" and "continuity" are intertwined, and by achieving a proper balance Mitsui Chemicals will be able to carve out its own future.

To add to the concept of expanding businesses that stand up well to turbulent times, Mitsui Chemicals has traditionally placed emphasis on development in the industrial materials market, including automobile, IT and electronics materials. Industrial materials will continue to be a vital market for us, with a focus on Asia, but in addition to this it will be necessary to be even more aggressive in lifestyle and consumable product markets, and in markets of anticipated growth such as healthcare, agriculture, foodstuffs, the environment and energy. Furthermore, development of dental and other medical materials in the medicine and health domains present an opportunity for Mitsui Chemicals to leverage its exceptional materials development capabilities.

From fiscal 2011, we will follow a three-year medium-term management plan that has as one of its goals the further clarification of Mitsui Chemicals future, based on the above basic policies.

Q3 Please explain the Company's strategies for expanding overseas businesses, particularly in China and the rest of Asia.

In this regard we believe it imperative to build cooperative business partnerships with leading companies in each country in this region.

Such actions are taken from the perspectives of accelerating our ability to seize business opportunities and appropriately managing associated risks.

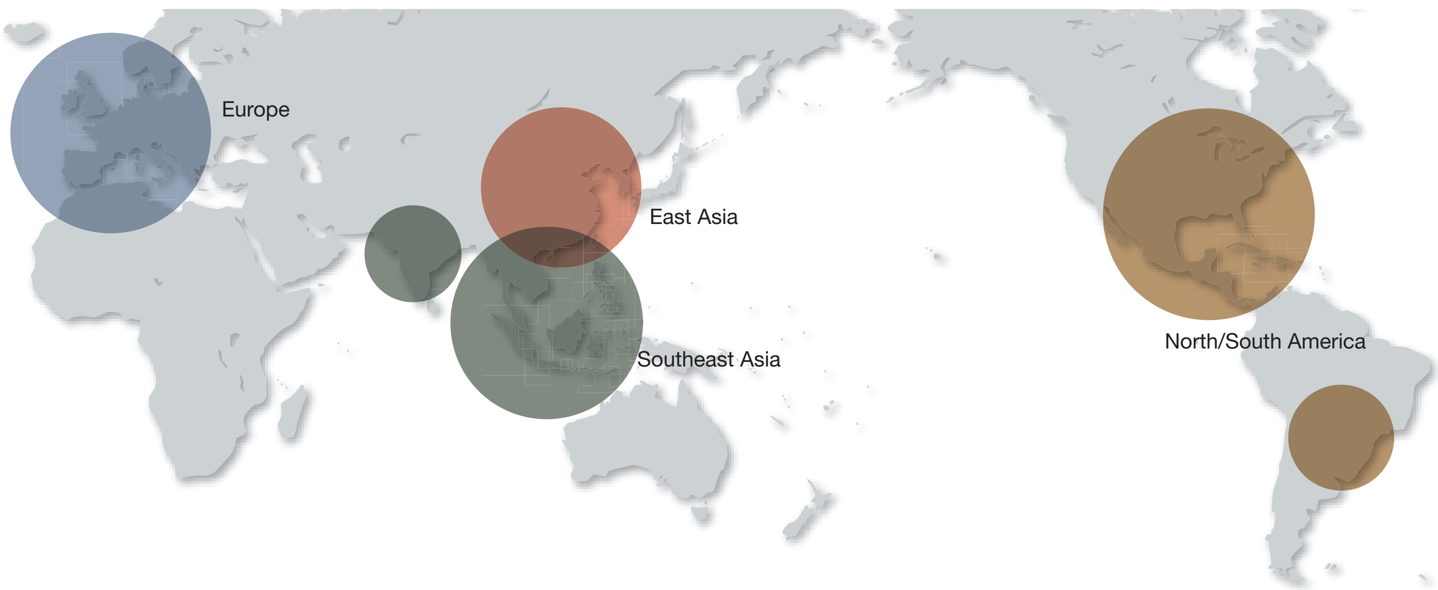
For example, over the past 10 years Mitsui Chemicals has maintained a relationship with Sinopec, a relationship forged through the promotion of a comprehensive partnership and ongoing consultations. During this period, discussions between us related to phenol and EPDM have steadily progressed and we expect to reach a basic agreement this summer. In addition, Singapore's EDB and the Siam Group located in Thailand have become the best partners we have in these countries.

We are anticipating that market trends in China and other Asian countries will accelerate. Consequently, the methods that can be used to rapidly pinpoint and anticipate these changes in this region will provide the key of success.

As Mitsui Chemicals has already established a presence at 15 locations in Southeast Asia and 10 in East Asia (China, Taiwan and South Korea), regional managing affiliates based in Singapore and Shanghai are being established to cover Southeast Asia and East Asia, respectively. Through both regional managing affiliates, Mitsui Chemicals will be able to collect and consolidate local market information and, in turn, build a framework that facilitates the sharing of such information on a Companywide basis. Furthermore, the Company's general representative in China has been located in Beijing since April 2010, providing a structure that enables Mitsui Chemicals to monitor this market from a Companywide perspective.

In addition to establishing a local affiliate in India in April 2008, the Company set up an affiliate in Brazil in April 2010, which is expected to commence operations in July 2010. With sales results in Brazil for such products as adhesive resins, elastomers, catalysts and agricultural agents reaching over ¥2 billion, our aim is to expand our business in this region and collect information on local markets in a timely manner.

Although Mitsui Chemicals' overseas net sales ratio presently stands at approximately 40%, we believe that ongoing increases in overseas sales will enable us to raise this ratio to 50% by around 2015.



Overseas Bases

Europe	
Country	Number of Overseas Bases
Germany	2
United kingdom	1

East Asia	
Country	Number of Overseas Bases
China	6
Hong Kong	1
Taiwan	1
South Korea	2

Southeast Asia	
Country	Number of Overseas Bases
Singapore	3
Indonesia	3
Thailand	5
Malaysia	2
India	2

North/South America	
Country	Number of Overseas Bases
United States	7
Mexico	1
Brazil	1

Q4 How do you view the Middle East and the rise of China in terms of their petrochemical businesses, and what measures has the Company been taking by way of a response?

These areas possess their own technologies and domestic petrochemical facilities bigger than those in Japan. Put simply, I believe that they are producing standard-quality and reasonably priced general purpose products.

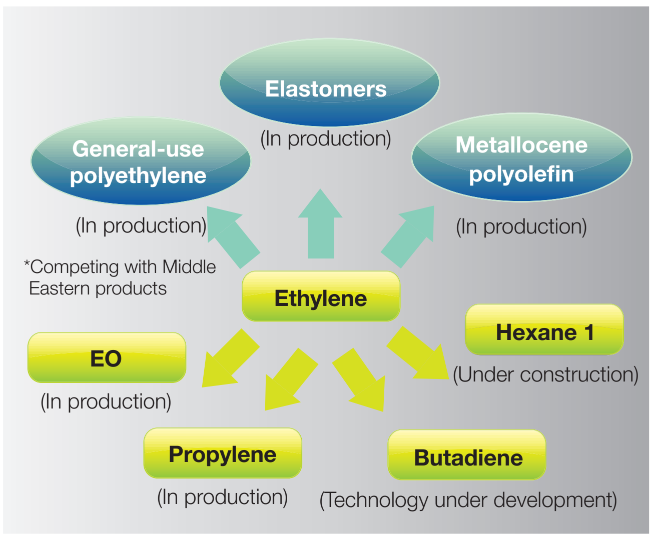
If we are to compete against them, our only option is to shift to differentiated products that cannot be produced in either the Middle East or China. To this end, the Company has been steadily implementing such countermeasures for over five years. We have developed a series of products such as aromatic-type products (including phenol, PTA and TDI), for which there is no difference in cost, as well as against such general-purpose polyolefin products as differentiated elastomers (TAFMER™ and EPT) and functional polyolefins. Beyond these efforts, the Company is implementing a raft of initiatives to further respond to this challenge.

For example, ethylene glycol (EG) manufactured from ethane-based ethylene is representative of the petrochemical products produced in the Middle East. However, the intermediate product, ethylene oxide (EO), which is highly explosive and poisonous, cannot be transported to Japan from either the Middle East or China. As a result, Mitsui Chemicals is focusing its energies more than ever on manufacturing EO derivatives other than EG, with nearly 80% of the EO produced by the Company being used as a raw material for various products other than EG.

As first implementer of metathesis technology in the world, we are also engaged in converting ethylene centers into propylene centers. Having continued to operate metathesis facilities at the Osaka Works since the autumn of 2004, the company commenced the joint operation of metathesis with Idemitsu Kosan Co., Ltd. and Sumitomo Chemical Co. Ltd. at the Ichihara Works since January 2010 as part of its Research Association of Refinery Integration for Group Operation (RING III) Project.

In addition, we are promoting efforts to shift away from ethylene, which is presently being used, to mid-chain olefins such as hexane 1 and butadiene. Catalyst technology, in which the Company boasts a leading position, is the basis upon which such differentiated products will be developed. For example, metallocene catalysts used to produce highly functional polyolefins have become a driving force in the creation of differentiated products, such as elastomers and HAO-LL (Evolue™).

Adding Higher Value to Ethylene



From Overseas Bases

Hiroshi Tokumaru,
Senior Managing Executive Officer
Mitsui Chemicals General Representative in China

China: Beijing-Based General Representative Responding to Burgeoning Market

Mitsui Chemicals has been conducting business operations in China since 1990, when it commenced its polyurethane-related business in Tianjin. (The Company's business operations in China are outlined in the chart below.) The rate of change taking place in the massive Chinese market has to date been unprecedented. Recognizing the new business opportunities arising from these market features, the Company's Chinese general representative has been based in Beijing since April 10, 2010. This move forms part of the Company's completely new approach, which is intended to facilitate business development in this area.

I basically have two missions. The first is to deepen our partnership at the management level with Sinopec, a major player in the industry. Importantly reinforcing the long-cultivated relationship of trust between our companies, we will expand our cooperation from basic chemicals, upon which our collaboration was founded, to performance materials, maximizing the generation of management-resource synergies. My second mission involves determining what new initiatives are possible in China based on an overall management perspective.

In terms of individual businesses, I believe we need to take steps to increase the Group's presence in the perpetually changing Chinese market. This will be accomplished through market research conducted by each department responsible, which, in turn, leads to actions that link each Group company in China together. From an area perspective, we need to assess our products and business processes based on conditions at that time and location as attention increases on China's interior and northeast regions, which are expected to grow.

Beyond business segments, tasks in numerous functional segments, including personnel, distribution and systems, have the potential to expand in China. In fact, the Company has already commenced some personnel- and distribution-related operations in China.

Dramatic changes are occurring in various management components in each region of this booming country. We are now being put to the test in terms of our ability to respond to challenges arising within Chinese society and its markets as well as the actions that we need to take to make our presence felt.

Mitsui Chemicals' Business Development in China

Company name	Line of business	Location	Year Established
Tianjin Cosmo Polyurethane Co., Ltd.	Urethane materials	Tianjin	1990
Mitsui Chemicals (Shanghai) Co., Ltd.	Marketing, regional management	Shanghai	1999
Mitsui Advanced Composites (Zhongshan) Co., Ltd.	Polypropylene compounds	Guangdong	2004
Zhang Jia Gang Free Trade Zone Mitsui Link-Upon Advanced Materials, Inc.	Engineering plastics compounds	Jiangsu	2004
Shanghai Sinopec Mitsui Chemicals, Co., Ltd.	Bisphenol A	Shanghai	2006
Shishan Mitsui Chemicals Polyurethane	Urethane foam materials	Guangdong	2010

Shingo Shibata,
President of Mitsui Chemicals India

India: Time to Demonstrate the True Worth of Mitsui Chemicals' Marketing Activities

With a population of approximately 1.2 billion, the Indian market is maintaining a high growth rate that in all Asia is second only to China. Having enjoyed sustained economic growth in the 8% range since 2004, India has demonstrated a powerful ability to recover economically following the global recession that began at the end of 2008. Reflecting on the process of growth that has taken place in India to date, however, it must be pointed out that there has been an extreme lag in the development of its manufacturing sector, an area in which China is much further ahead.

Starting with the establishment of branches to oversee the PP compound business, Mitsui Chemicals has been promoting the rapid market development of its functional resins—currently including elastomers—packaging materials, coating materials and healthcare materials. Driven by a high rate of growth taking place in the automobile industry, we have enjoyed steady success in the Indian market. Not simply a place where cheap products are purchased, India clearly has a desire to acquire technologies against the backdrop of expansion expected in its manufacturing industry. I am certain that we can build a significant market presence in India by strategically using the Company's product development and superior technological service capabilities to steadily meet these needs.

If yearly salaries in India can surpass the ¥1.5 million mark, a middle-income group will develop, which will make a major contribution to consumption rates. This segment of society is currently growing at a tremendous rate. I believe that such middle-income earners will not only purchase a wide array of products, but also become more discerning about product quality as well. I want to address business challenges, keeping in mind the people of India.

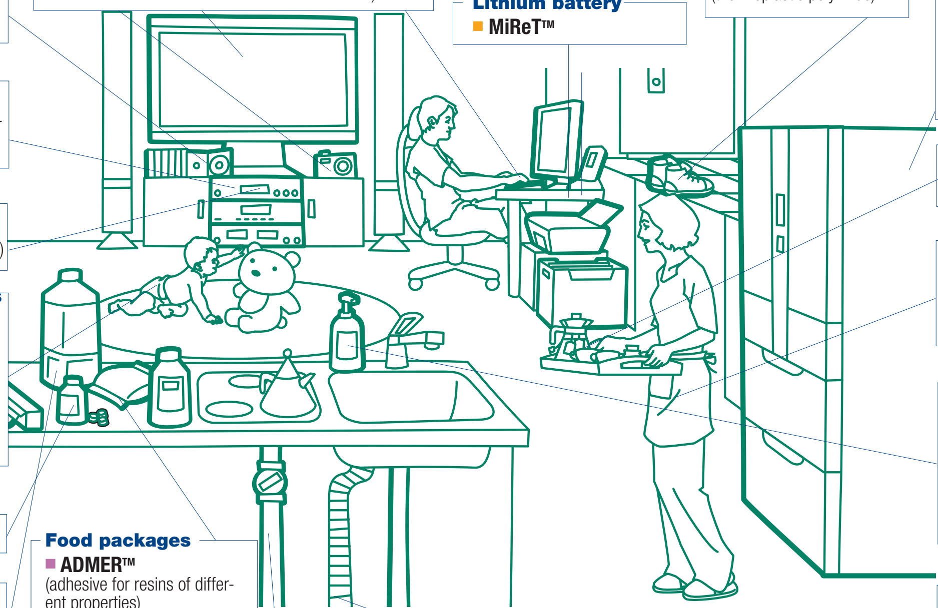
Masayuki Okabe,
President of Mitsui Chemicals do Brasil Ltda

Brazil: Mitsui Chemicals Looks to the First Year of Operations

Having overcome numerous economic hardships, Brazil is buoyed by an abundance of industrial resources and demand from 200 million people. Owing to these factors, and given that it will host both the Olympics and the World Cup, it is universally recognized that Brazil will continue to experience a growth rate of 5% or higher for several years to come. On the other hand, the fact remains that not every product succeeds in this market due to the "Brazil Cost" phenomenon. This is caused by foreign exchange rate fluctuations, tax system problems, business/labor disputes and difficulties related to distribution, public safety and infrastructure. Successful businesses will be those that steadily assess the future needs of the growing Brazilian middle class and at the same time develop business models that are able to overcome the problems posed by the "Brazil Cost."

I believe that it is vital for us to closely examine which products can be tailored to sell in this market, as well as to identify companies that we can work with, particularly in the automotive and food product industries that are Mitsui Chemicals' forte. Based on the overseas business experience that it has accumulated thus far, I would like to see the Company significantly cultivate its business operations in Brazil by putting down solid roots and making bold decisions as a pioneer in this market.

Main Products



Flat panel displays
- NOTIO™ (polyolefin elastomer designed by controlled crystal structure on a nano scale)
- Functional dyes
- PRIME POLYPRO™

Digital cameras
- PLAPACS™ (plastic packages for image sensors)

CDs and DVDs
- Bisphenol A (raw material for highly transparent polycarbonate resin)

HDD suspensions
- NEOFLEX™ (all polyimide flexible copper clad laminates)

DVD drives
- APEL™ (resin used in pickup lenses)

Disposable diapers
- SYNTEX™ (nonwoven fabrics for soft diapers)
- ESPOIR™ (liquid impermeable and water vapor permeable microporous film)

Drug
- Taurine

PET bottles
- Mitsui PET
- PRIME POLYPRO™

Personal computers
- LC-STRUCTBOND™ (liquid crystal sealant)
- ICROS TAPE™ (protective tape used when grind a backside of semi-conductorwafer)
- Mitsui MP (dust-proof membrane applied on photo mask)
- OPULENT™ (release film for the process of manufacturing flexible circuit boards)
- ARLEN™ (heat-resistant resin suitable for use with lead-free solder)
- Nitrogen trifluoride (cleaning agent for semi-conductor and liquid crystal production equipment)
- Monosilane (raw material for silicon membranes)
- Bisphenol A (raw material for polycarbonate resin of high impact resistance and weather resistance)

Mobile phones
- NEOFLEX™ (flexible printed-circuit board materials)
- PLAPACS™ (pre-mold plastic package for image sensors that excels in humidity resistance and dimensional accuracy)
- APEL™ (materials for compact and highly precise camera lens)
- OPULENT™ (release film for printed circuit board)

Lithium battery
- MiReT™

Printers
- Mitsui EPT (used in printer paper feeder/discharger rolls)
- Hi-WAX (toner additive)
- FTR™ (toner additive)
- ALMATEX™ (toner binder resin)
- Takenate™ (casting prepolymer)
- Hipren™ (casting prepolymer)
- AURUM™ (thermoplastic polyimide)

Newspaper and corrugated cardboard
- Acrylamide (raw material for paper reinforcing agent)
- BONRON™ (paper processing resin)

Sneakers
- TAFMER™ (midsoles)

Insulator for refrigerators
- Cosmonate™ (TDI)
- Actcol™ (PPG)

Tea bags
- SWP™ (heat-seal type tea bags)

Polyester fibers
- Purified terephthalic acid
- Ethylene glycol (polyester fiber feedstock)

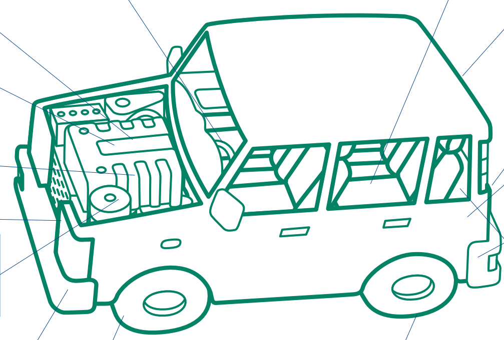
Detergent and food packages
- HI-ZEX™
- ULTZEX™
- EVOLUE™
- PRIME POLYPRO™
- MIRASON™

Termicide
- Mikeblock™
- Vermitol™
- Lenatop™

Food packages
- ADMER™ (adhesive for resins of different properties)
- CHEMIPEARL™ (adhesive for resins of different properties)
- TPX™ (methylpentene copolymer)
- Mitsui HI-WRAP
- Takenate™ (main components for packing adhesives)
- Takelac™ (main components for packing adhesives)

Gas pipes
- Mitsui PE gas pipe system (pipes and fittings)

Pipes and fittings for cold/hot water
- ELMEX™



Instrument panels
- MILASTOMER™
- Cosmonate™ (TDI)
- Actcol™ (PPG)
- PRIME POLYPRO™
- TAFMER™

Cushions
- Cosmonate™ (TDI)
- Actcol™ (PPG)
- TAFNEL™ (spunbonded nonwoven polypropylene matting)

Rear monitoring cameras
- PLAPACS™ (plastic package for image sensors)

Gasoline tanks
- HI-ZEX™
- ADMER™

Clear coat paint
- ALMATEX™

NOx reducing additive agent diesel-powered vehicles
- AdBlue*™ (high-quality aqueous urea)

* AdBlue is trademark of Verband der Automobilindustrie.

Gear oil/ engine oil additive
- LUCANT™

Hoses
- Mitsui EPT

Antifreeze
- Ethylene glycol

Resin for headlamp lenses
- Bisphenol A (raw material for polycarbonate resin of high transparency and impact resistance)

Battery separator
- HI-ZEX MILLION™ (ultrahigh molecular weight polyethylene)

Bumpers
- PRIME POLYPRO™
- TAFMER™ (material modified with impact resistant resin)
- UNISTOLE™ (primer for painting resin)

Mud guard
- MILASTOMER™

Tire adhesive
- Resorcinol

Glass run channel
- LUBMER™

The Mitsui Chemicals Group divides its business activities into three segments, offering society a variety of products used in both consumable and durable goods, spanning a broad range of fields, from automobiles, electronics and IT to medical, health-related, agricultural, housing, construction and household products.

■Performance Materials

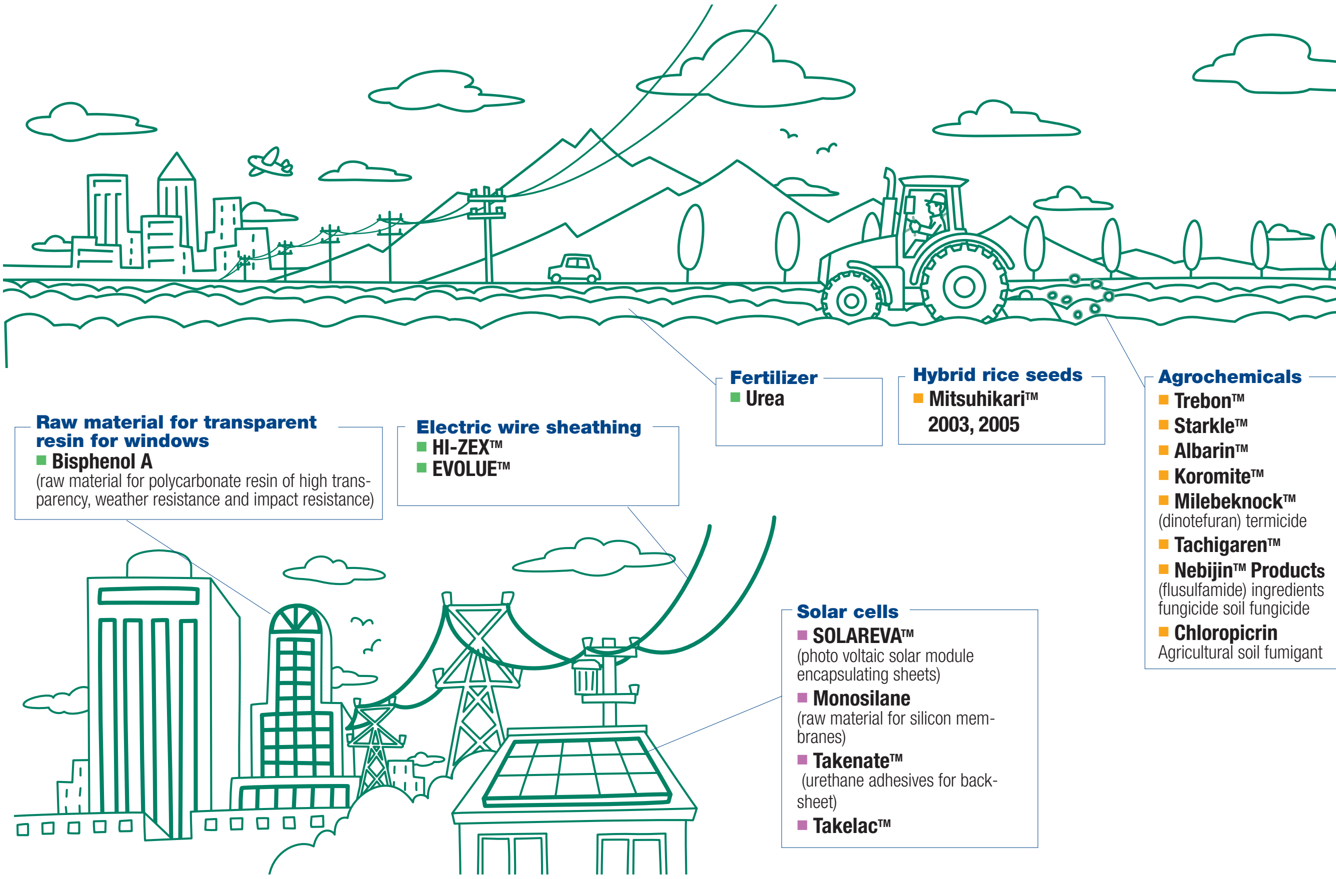
Materials with unique functions from Mitsui Chemicals' original catalyst and polymer technology

■Advanced Chemicals

Performance products from Mitsui Chemicals' organic chemistry and bio-chemistry

■Basic Chemicals

A variety of raw materials useful in our daily lives, processed through chemical technologies from petroleum and natural gas



Fertilizer
- ■ Urea

Hybrid rice seeds
- ■ Mitsuhikari™ 2003, 2005

Agrochemicals
- ■ Trebon™
- ■ Starkle™
- ■ Albarin™
- ■ Koromite™
- ■ Milebeknock™ (dinotefuran) termicide
- ■ Tachigaren™
- ■ Nebijin™ Products (flusulfamide) ingredients fungicide soil fungicide
- ■ Chloropicrin Agricultural soil fumigant

Raw material for transparent resin for windows
- ■ Bisphenol A (raw material for polycarbonate resin of high transparency, weather resistance and impact resistance)

Electric wire sheathing
- ■ HI-ZEX™
- ■ EVOLUE™

Solar cells
- ■ SOLAREVA™ (photo voltaic solar module encapsulating sheets)
- ■ Monosilane (raw material for silicon membranes)
- ■ Takenate™ (urethane adhesives for backsheet)
- ■ Takelac™

Drug packages
- ■ APEL™
- ■ BAREX™
- ■ UNISTOLE™

Disinfectants
- ■ Meta/para-cresol

Masks
- ■ SINTEX™
- ■ TECHNOROTE™

Glasses
- ■ MR series (materials for high refractive-index plastic lenses)

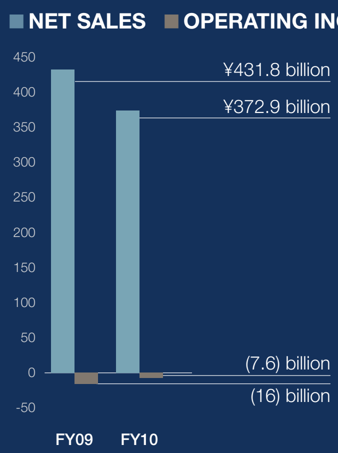
Infusion bags
- ■ ULTZEX™
- ■ PRIME POLYPRO™

Medical instruments
- ■ PGA pellet (bioabsorbable medical material)
- ■ Dental Materials

Prosthetic limb
- ■ HI-ZEX MILLION™ (ultrahigh molecularweight polyethylene)

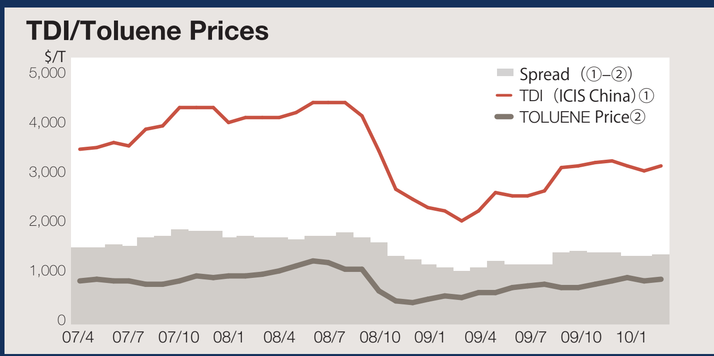
Review of Operations

Performance Materials Business Sector



MAIN PRODUCTS

- EPT(ethylene-propylene diene terpolymer)
- MILASTOMER™ (thermoplastic olefin elastomer)
- TAFMER™ (alpha-olefin copolymers)
- Polyethylene wax
- Nonwoven fabrics for hygiene materials and breathable films
- TPX™ (methylpentene copolymers)
- APEL™ (cycloolefin copolymers)
- HI-ZEX MILLION™ (ultra-high molecular weight polyethylene)
- NF3 gas
- ICROS TAPE™ (protective tape for silicon wafer)
- NEOFLEX™ (flexible printed circuit board materials)
- PLAPACS™ (packages for CCD/CMOS image sensors)
- Toner binder resins
- Urethane chemicals (TDI/MDI/PPG)
- Polyurethane
- SOLAR EVA™(photovoltaic solar module encapsulating sheets)



Automotive and industrial material sales declined 10% year on year. This was on account of a significant deceleration in demand in the first half of the fiscal year that offset progress achieved in the cultivation of new customers, primarily in the Asian market which has notably achieved demand recovery, and the recent foundation of favorable sales.

Industrial material sales decreased 16% compared with the previous fiscal year. This was attributable to the impact of a drop in demand in the automotive, consumer electronics and household equipment markets in the first half of the fiscal year.

Hygiene material sales fell 15% compared with the previous fiscal year on account of declining demand for nonwoven fabrics from certain customers and a drop in sales prices associated with falling raw material and fuel prices.

Specialty polyolefin and engineering plastic sales experienced 14% growth year on year on the back of a recovery in demand, mainly for information and electronics materials applications in the second half of the fiscal year.

Semiconductor material sales fell 20% from the previous fiscal year. This was attributable to a decline in production volume owing to a slowdown in demand in the semiconductor and LCD markets in the first half and reduced production due to an accident at a subsidiary's nitrogen trifluoride production facility.

Energy material sales jumped 54% year on year owing to soaring demand in the solar cell encapsulent market.

Polyurethane sales decreased 13%. In addition to the slowdown in demand for TDI and MDI, this was on account of stagnant overseas market conditions and appreciation in the value of the yen.

These factors contributed to a ¥58.9 billion decrease in segment sales from the previous fiscal year to ¥372.9 billion, which comprised 31% of total sales. Furthermore, the segment showed an operating loss of ¥7.6 billion, an ¥8.4 billion improvement from the previous fiscal year. In addition to cost reduction efforts, this was attributable to a recovery in sales volume in the second half of the fiscal year and an improvement from the loss on valuation of inventories that was posted in the previous fiscal year due to the application of the lower of cost or net realizable value method.

Highlights

Production Capacity Expansion for Ultra High Molecular Weight Polyethylene (Product Name: HI-ZEX MILLION™)

In response to rising demand for HI-ZEX MILLION™, an ultra high molecular weight polyethylene product with excellent abrasion resistance and impact strength. Mitsui Chemicals will enhance its production capacity with the construction of a new plant at Iwakuni-Ohtake Works.

HI-ZEX MILLION™ is an ultra high molecular weight polyethylene that has a molecular weight of up to a maximum of 6 million mol. Its unique characteristics are derived from original Mitsui Chemicals catalyst and process technologies. Thanks to its excellent mechanical properties, HI-ZEX MILLION™ is used as an industrial material, for medical equipment and in various other fields. Most notably, its highly controlled distribution of particle size and molecular weight offer the advantage of superior quality to the manufacture of high-strength fibers that contribute to lighter industrial materials and lithium ion battery separators that improve energy efficiency.

Given expectations for rapid growth in markets for high strength fibers and lithium ion battery separators, Mitsui Chemicals decided to respond to rising market demand by expanding its production capacity for HI-ZEX MILLION™ approximately 50%, for an increase of 2,500 tons per year. Construction of the new plant has commenced and commercial production is planned from September 2011.

Powder of HI-ZEX MILLION™

New Company for Polyurethane Operations Established in Guangzhou, China

As one element of its efforts to fortify its polyurethane business, in December 2009, Mitsui Chemicals established a new company in Guangzhou, China. Foshan Mitsui Chemicals Polyurethanes Co., Ltd. has an annual production capacity of 10,000 tons of polyurethane foam raw materials and provides various other manufacturing, sales and technical services. Commercial operations are set to commence from early 2011.

China's market for automotive interior materials is anticipated to grow even further, and, by setting up business in Guangzhou, Mitsui Chemicals aims to tap into demand from Japanese automobile manufacturers. In addition to continuing to provide clients with comprehensive technical support and stable product supply, the new company will serve as a center for the development of Chinese technical prowess in this product area.

As China rapidly becomes one of the world's largest automobile markets, new product development catering to specific market needs will become necessary. The new company will utilize the fundamental technological know-how it has cultivated in the domestic Japanese market to accelerate the development of innovative new materials that meet unique customer needs.

Mitsui Chemicals' polyurethane operations will further strengthen their relationships with Japanese automobile and parts manufacturers in China by offering a framework of supply and development that adapts to local needs. The Company also aims to expand business scale to ensure a long-term, sustainable profit structure.

Rendering of New Company in Guangzhou

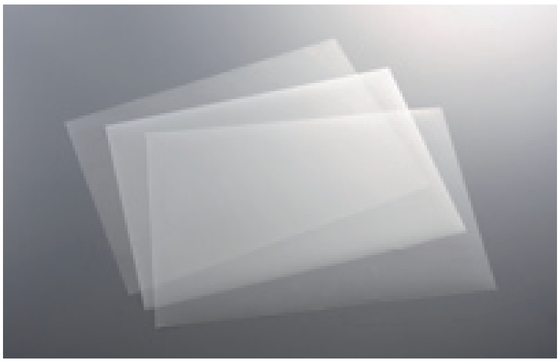
Fundamental Agreement to Integrate Film/Sheet Business

On December 16, 2009, Mitsui Chemicals, and consolidated subsidiaries, Tohcello Co., Ltd. and Mitsui Chemicals Fabro, Inc. signed a fundamental agreement to study the integration of their respective film/sheet businesses. The companies have now completed their deliberations on this matter.

One of the fundamental strategies of the Mitsui Chemicals Group is the expansion of high-value-added businesses to achieve sustainable growth. As part of this basic strategy, the Group decided to bolster its film/sheet business. In April 2009, Tohcello became a wholly owned subsidiary of Mitsui Chemicals, and, taking a further step, studies were undertaken to examine the integration of the film/sheet businesses of the three companies with Tohcello in a central position.

Highlights

It has now been decided that the film operations of Fabro and Mitsui Chemicals' film will be spun off and merged into Tohcello as of October 1, 2010. The Group's film/sheet business synergy should be maximized by the integration of management resources currently spread over different divisions within the Group. This integration could work to maximize synergies by consolidating the film/sheet businesses dispersed throughout the Group and concentrating management resources.



Mitsui Chemicals Expands TAFMER™ Production Capacity in Singapore

To meet surging demand in Asia for TAFMER™ (α-Olefin Copolymer), manufactured and marketed by consolidated subsidiary MITSUI ELASTOMERS SINGAPORE PTE. LTD. ("MELS"), and to further expand the scale of its business as a leading company in the polyolefin elastomer field, Mitsui Chemicals will boost production capacity and commenced sales operations in March 2010. Production capacity will be boosted from current levels of 100,000 tons per year to 200,000 tons.

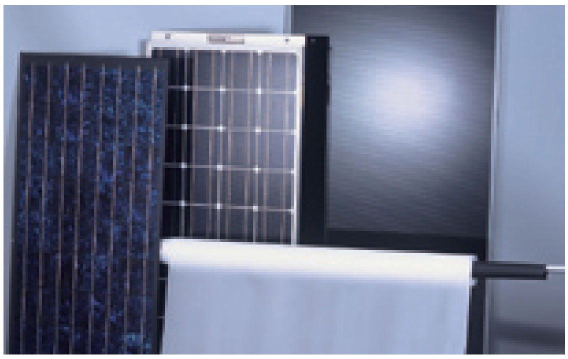
TAFMER™ is a flexible and light resin modifier that dramatically improves the impact resistance of such molding materials as those used for automobile bumpers as well as the sealability of packaging materials when blended with such thermoplastic resins as polyethylene and polypropylene. Thanks to excellent flexibility, it is also used in athletic shoe midsoles. TAFMER™ is exceptional for its usefulness in a wide range of applications from automotive to industrial and packaging materials.

Expansion of Production Capacity for Photovoltaic Encapsulating Sheets

Mitsui Chemicals Fabro, Inc., a wholly owned subsidiary, decided to expand production capacity for SOLAR EVA™ photovoltaic encapsulating sheets. SOLAR EVA™ is an ethylene-vinyl acetate copolymer (EVA) sheet used as an encapsulent material to attach a cell to glass substrate or a cell to a backsheet. This product is highly adhesive and transparent, and has the flexibility needed to prevent cell cracking. The existing production capacity of 20,000 tons per year will be expanded to 40,000 tons, with plans to commence operations at the Mitsui Chemicals Fabro Nagoya Factory from August 2011.

Environmental protection is an urgent task which the world now faces, and demand is soaring for the use of photovoltaic cells as a clean energy source. As in Europe, the world's largest market, the introduction of government policies for subsidizing photovoltaic cell makers in Japan, the United States and Asia promises significant growth, and has prompted a constant stream of plans for new production facilities, or upgrades, in these countries. Consequently, as SOLAR EVA™ is a component material of such cells, it is also experiencing surging demand.

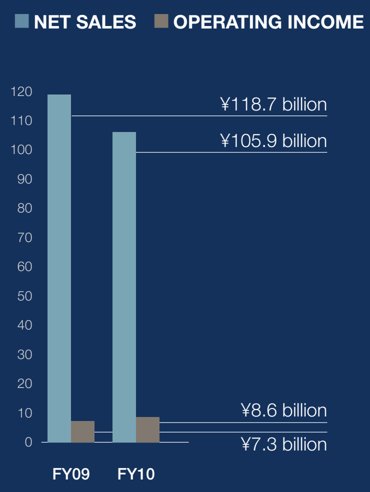
One of the fundamental strategies of the Mitsui Chemicals Group is the expansion of high-value added businesses to achieve sustainable growth. As one element of this, the Group is striving to expand its functional film/sheet business.



Advanced Chemicals
Business Sector

MAIN PRODUCTS

- Ophthalmic lens materials
- Plastics/glass coating materials
- Pharmaceutical chemicals
- Dental-related materials
- Olefin polymerization catalysts
- Polymerization inhibitors and materials for wood/tire adhesives
- Insecticides
- Fungicides
- Herbicides
- Paddy rice seeds



Optical lens material as well as medical and healthcare material sales fell 5%. Although demand recovered in the second half of the fiscal year, it was not enough to overcome the slowdown in demand in the first half, and a full-scale recovery was not achieved.

Chemical product sales declined 45% with the impact of a slowdown in demand and a decline in sales prices.

Agrochemical product sales fell 10% due to stagnant sales of insecticides and other products.

As a result, segment sales fell ¥12.8 billion year on year to ¥105.9 billion, which comprised 9% of total sales. Furthermore, operating income increased ¥1.3 billion to ¥8.6 billion, owing to progress made on cost cutting efforts.

Highlights

Expanded Production of Seed Rice That Raises Yields 50%

Mitsui Chemicals will expand its production volume of MITSUHIKARI™ hybrid seed rice that can raise harvest yields 50%. The Company produces the rice on agricultural land in its possession and intends to step up annual production 0.5 times, to 60 tons in the first half of 2010, and, subsequently, 2.5 times, to 100 tons in 2013.

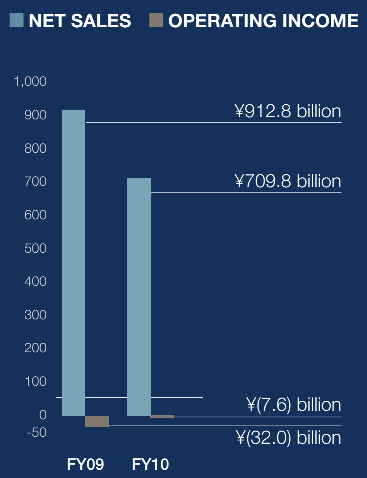
In addition to making the seed available to agricultural professionals, as is customary, the Company will develop new sales channels by linking with major restaurant chains that need to source large volumes of rice. Mitsui Chemicals also foresees sales in China and other areas.

While food markets around the world are facing the challenges of wildly expanding populations, particularly in China and India, it is difficult to imagine any significant increase in agricultural land. For this reason, it is essential that seed yields are improved and therefore that agricultural chemical and biotechnology concerns pursue innovation, particularly in the area of genetic engineering.

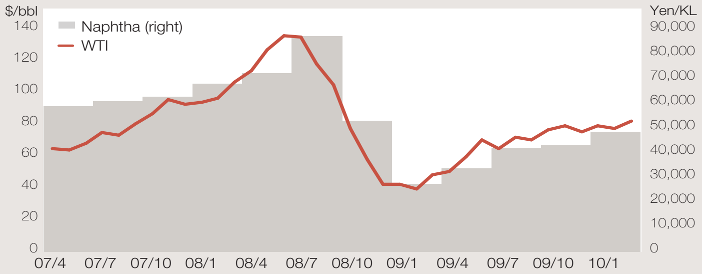
Basic Chemicals
Business Sector

MAIN PRODUCTS

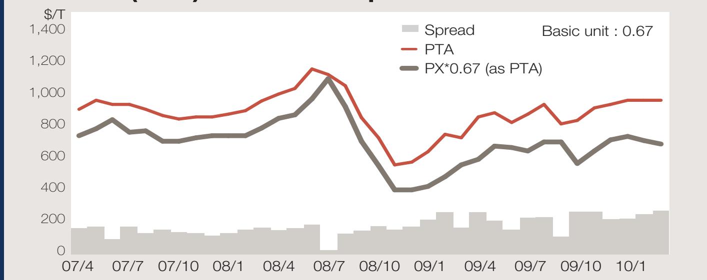
- Ethylene
- Propylene
- Phenol
- Bisphenol A
- Acetone
- Purified terephthalic acid (PTA)
- PET resins
- Ethylene glycol
- Ethylene oxide
- Polyethylene
- Polypropylene
- Licensing



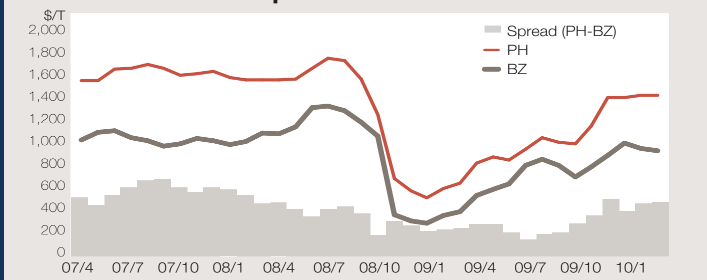
Naphtha/Crude Oil Price



PTA/PX (ACP) Prices and Spread



PH/BZ Prices and Spread



Ethylene and propylene production saw year-on-year increases of 6% and 9%, respectively, owing to recovery of demand for derivatives.

Phenol sales declined 8%. Although sales volume recovered, this was attributable to declining sales prices associated with a fall in raw material and fuel prices.

Bisphenol A sales decreased 41% year on year as a result of a drop in sales prices associated with declining raw material and fuel prices, despite the fact that sales volumes had been on a recovery track, particularly for polycarbonate resin, the main application for bisphenol A.

Purified terephthalic acid (PTA) sales climbed 2% year on year owing to recovery in sales volume, despite the effect of declining sales prices associated with falling raw material and fuel prices.

PET resins (polyethylene terephthalate) declined by 29%, affected by sluggish demand for pet bottles for the domestic market due to unseasonable weather.

Ethylene glycol, ethylene oxide and derivatives sales declined 32%, as a result of price declines associated with falling raw material and fuel costs.

Polyethylene and polypropylene sales fell 20% and 27%, respectively, affected by a decline in sales prices on the back of falling raw material costs, despite a rebound in sales volume.

The above factors contributed to a ¥203.0 billion decrease in segment sales from the previous fiscal year to ¥709.8 billion, which comprised 59% of total sales. Furthermore, an improvement of year-on-year operating income of ¥24.4 billion resulted in an operating loss of ¥7.6 billion. In addition to the progress made on cutting costs, this was due to improved sales volume, excluding certain products, and an improved loss on valuation of inventories incurred with the application of the lower of cost or net realizable value method.

Highlights

Limited Liability Partnership (LLP) for Joint Operation of Ethylene Complex in Chiba

On April 1, 2010, Idemitsu Kosan Co., Ltd. and Mitsui Chemicals established a Limited Liability Partnership (LLP), which is based on a May 11, 2009 agreement between the two companies to study joint operation and production optimization of their facilities in Chiba, Japan.

The petrochemical industry is seeing increased competition in Asia from new large-scale petrochemical plants, mainly in the Middle East and China, and from improvements in the local supply-demand balance in countries with growing markets.

The strengthening of international competitiveness in a global market plagued by financial crisis, which has also impacted domestic demand, is a top priority for the Japanese petrochemical industry. To reinforce their competitive edge, Idemitsu Kosan and Mitsui Chemicals agreed to the transfer of their ethylene complexes to the LLP, where their operations and management have been combined.

The two companies will step up collaborative efforts to realize synergies in raw material procurement, production optimization and value-added components to form Japan's most competitive ethylene center.

Idemitsu Kosan and Mitsui Chemicals will continue to pursue potential areas of cooperation beyond the current joint operation of ethylene facilities, including the production optimization of refineries and even further rationalization.

Polypropylene Automotive Material Production Site in India Goes into Commercial Operation

On June 15, 2009, Mitsui Chemicals and consolidated subsidiary Prime Polymer Co., Ltd. commenced commercial production of polypropylene (PP)-based automotive materials in India. The launch of Mitsui Prime Advanced Composites India PVT LTD, with an annual production capacity of 15,000 tons, marks a first for the Mitsui Chemicals Group—it is the first launch of operations of its first business company in India. Prime Polymer is presiding over this groundbreaking business development.

Mitsui Chemicals has positioned its PP-based automotive materials business at the very core of its Basic Chemicals Business Sector. The impact of the global recession, triggered by the U.S. financial crisis and set in motion from the latter half of 2008, caused a sudden, if temporary, application of the brakes on worldwide automobile sales. Sales are now bouncing back thanks chiefly to Chinese and Indian demand. In addition, the automobile market is projected to expand by about 10% annually. As automobile makers take steps to bolster their production structures, they have been waiting for PP-based automotive material production sites to go online.

With the establishment of this new site, Mitsui Chemicals' worldwide production structure comprises six locations, including Japan (with a capacity of 310 thousand tons, including consignment), North America (237 thousand tons, including consignment), China (43 thousand tons, including consignment), Thailand (99 thousand tons, including consignment), India (15 thousand tons, including consignment) and Europe (15 thousand tons, only consignment).

Moreover, the Company fully intends to move forward on strengthening and expanding its business in Asia, a main market for the Mitsui Chemicals Group, where it has four locations, including Japan, by optimizing manufacturing, sales and technical services.

Sector Reorganization (From April 1, 2010)

To adapt more swiftly to change in a volatile business environment, Mitsui Chemicals made significant revisions to its organizational structure, effective from April 1, 2010. The previous three business sector were reorganized into six smaller segments in a shift to a structure of enhanced agility. In tandem with this, a system was formed in which prompt decision-making and action is made possible by transferring authority to people in positions of responsibility, including talented young employees, who have leadership skills, a fighting spirit and the ability to get things done. Accounting business segment has been revised to reflect this reorganization.

Kiichi Suzuki, *Senior Managing Director*
Shigeru Iwabuchi, *Senior Managing Director*
Shigeru Isayama, *Director*
Yukio Hara, *Managing Director*

Previous Structure

Basic Chemicals Business Sector
Feedstocks
Phenols
PTA & PET
Industrial Chemicals
Polyolefin
Licensing

Performance Materials Business Sector
Automotive & Industrial Materials
Living & Energy Materials
Information & Electronics Materials
Polyurethane
Coatings & Engineering Materials

Advanced Chemicals Business Sector
Fine & Performance Chemicals
Agrochemicals

From April 1, 2010

Petrochemicals Business Sector
Petrochemical Feedstocks
Polyolefin

Basic Chemicals Business Sector
Phenols
PTA/PET
Industrial Chemicals

Polyurethane Business Sector
Polyurethane
Coatings & Engineering Materials

Functional Polymeric Materials Business Sector
Elastomers
Performance Compound
Performance Polymers

Fabricated Products Business Sector
Functional Film
Nonwovens Fabric
Film and Sheet

Functional Chemicals Business Sector
Fine & Performance Chemicals
Healthcare Materials
Licensing
Agrochemicals

Petrochemicals Business
Basic Chemicals Business

Our aim is to be the top-ranking chemicals company in Asia and the world. To accomplish this, we will work to strengthen our competitive position by honing our exceptional technological expertise and thoroughly reducing costs. In the Petrochemicals and Basic Chemicals businesses, we intend to succeed in Japan, and in overseas markets, by applying our energies to acquiring market share.

Shigeru Iwabuchi, *Senior Managing Director*

Polyurethane Business

We will endeavor to expand our business in the growing Asian market by offering strengthened and enhanced products that are both low cost and high performance. This will be possible based on our proprietary technology as a comprehensive polyurethane maker that is capable of continuous production, from TDI/MDI/PPG, the foundation of the Polyurethane Business, to polyurethane derivatives.

Fabricated Products Business

We will strive to bolster and expand each of our business areas—functional films/sheets for uses in the fields of energy, encapsulent materials and IT, as well as nonwoven fabrics, with the new TOHCELLO CO., LTD at the core of our consolidated films/sheets business.

Yukio Hara, *Managing Director*

Functional Chemicals Business

We will apply our efforts to new businesses related to the environment, energy, and information and electronics materials, and while growing our business in medical materials as a next-generation core business, we will work to expand vision care, agrochemicals and catalyst-related businesses through close business cooperation.

Kiichi Suzuki, *Senior Managing Director*

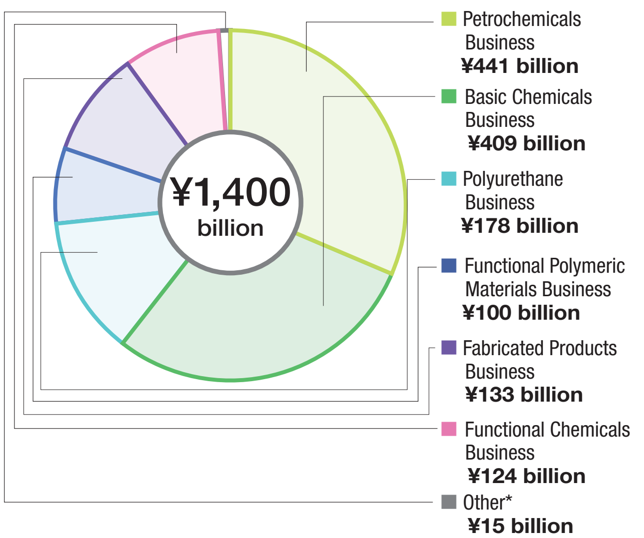
Functional Polymeric Materials Business

In response to changes in both society's sense of values and the framework of global industry, it is our intent to accelerate expansion of our competitive businesses in overseas markets, primarily with elastomers. We will also work to strengthen and enhance our functional polymer and performance compound businesses that contribute to an environmentally friendly society.

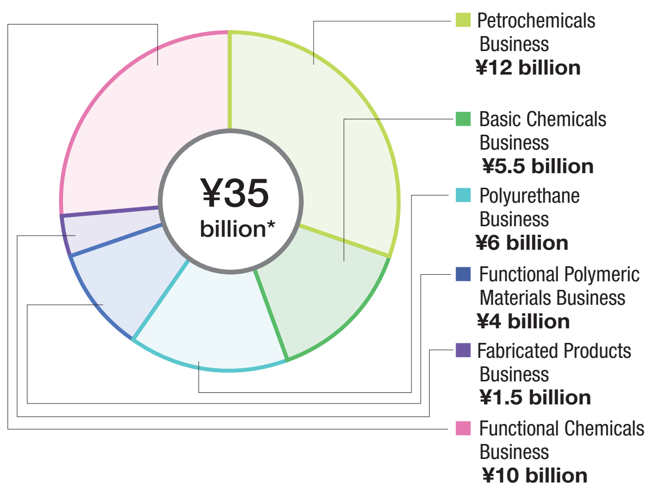
Shigeru Isayama, *Director*

Forecast for the Year Ending March 31, 2011 (Billions of Yen)

Net Sales



Operating Income



*Total operating income reflects "others" and "elimination/ corporate."

Research and Development

Direction of R&D

Based on a strategy that will set it on a trajectory towards new growth, the Mitsui Chemicals Group is accelerating its development of new materials and products in order to obtain and maintain superior levels of technological competitiveness that will drive forward the growth and expansion of the Group. Additionally, in an effort to vigorously address the global warming problem, the Mitsui Chemicals Group aims to shift away from fossil fuel resources by creating innovative new technologies that are in harmony with the global environment.

New Growth Strategies

(1) Expansion of business with competitiveness on a global basis
(2) Expansion of high-value-added businesses for sustainable growth
(3) Creation of new products and businesses that are in harmony with the global environment

Key R&D Issues

(1) Become a global leader with the development of innovative production technologies
(2) Create new materials using differentiated technologies
(3) Create new markets through highly functional materials
(4) Develop new technologies using biomass

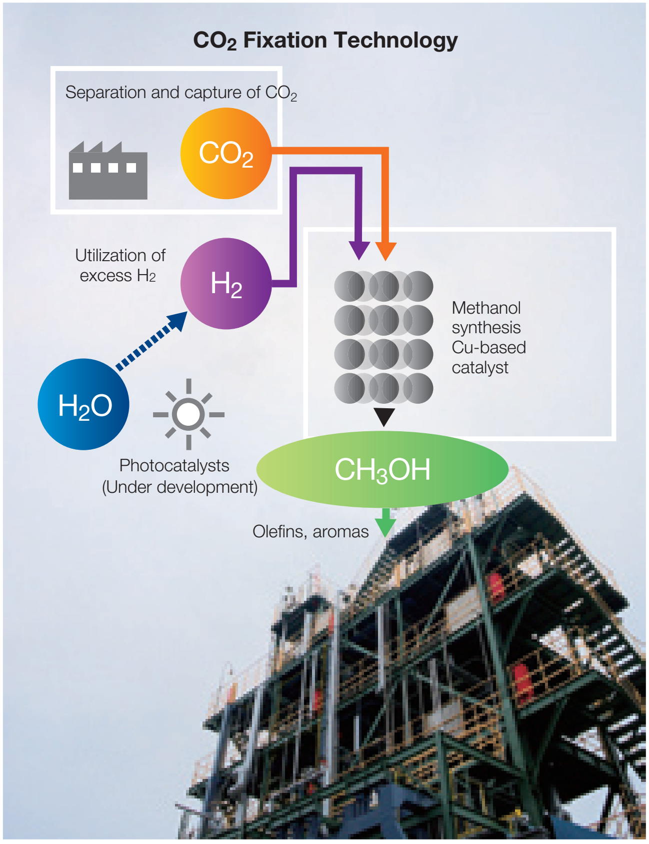
Technologies for the Chemical Fixation of CO_2

Mitsui Chemicals took part in the "Project for Chemical CO_2 Fixation & Utilization," an initiative launched by the Research Institute of Innovative Technology for the Earth (RITE), worked on the development of catalysts that synthesize methanol from CO_2 and hydrogen and, to this end, began operating a pilot facility constructed at the MCI Osaka Works in 2009.

One of the goals of the pilot project was to use actual factory exhaust, rather than pure CO_2, and we verified the possibility of manufacturing methanol at an expected quality. Having achieved this, we have cleared one of the hurdles in developing practical applications of this technology.

At the same time, Mitsui Chemicals will make active efforts to advance energy conservation during the production and expand our sources of hydrogen. In order to realize a practical application of this process, we are steadily working in tandem with various departments, making contact with potential partners from among a wide array of Japanese and overseas businesses and institutions and examining effective business models.

Methanol is a raw material used in an array of chemical products. If this substance can be synthesized from CO_2, it would be possible to recycle CO_2 without relying on fossil fuel resources, thus significantly contributing to a reduction of greenhouse gases.



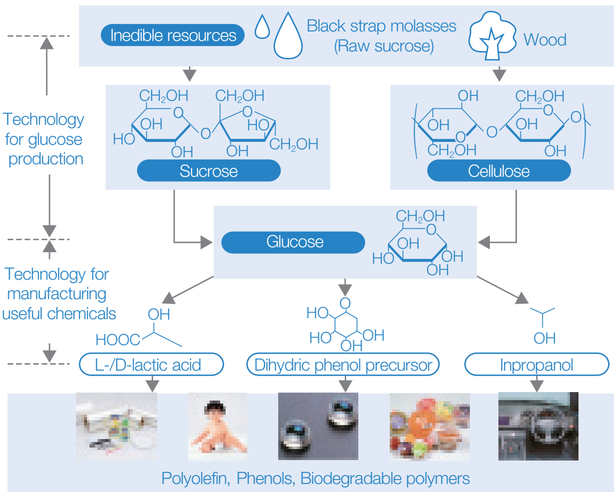
Manufacturing Chemicals from Biomass

With the "development of technologies to utilize non-fossil resources" constituting a pillar of Mitsui Chemicals' Grand Design, we aim to manufacture a variety of chemicals through bioprocesses that convert raw materials that do not deplete limited fossil fuels into sustainable resources. Fully utilizing genetic modification technologies, one of the Company's strengths, we have developed biocatalysis technology that enables the production of useful chemicals. Having engaged in the medium-scale production of such substances as lactic acids from sugars including glucose since fiscal 2009, Mitsui Chemicals is promoting technological development with the aim of supplying samples within one to two years.

In particular, Mitsui Chemicals is focusing its energies on developing technologies that use inedible biomass materials like wood (cellulose) as a raw material. Cellulose is a substance found in plants that utilize solar energy and fixes atmospheric CO_2 within their bulk. When the chemicals produced from cellulose are incinerated, it only returns fixed CO_2 to the atmosphere, moreover, while the chemicals are being used, CO_2 is trapped in the chemicals. Such attributes contribute to a reduction in CO_2 and, in turn, prevent global warming.

Mitsui Chemicals aims to achieve the practical application of these technologies as soon as possible to realize the shift to raw materials that addresses natural resource-related problems while helping to create a recycling-oriented society.

Strategy to Develop Technologies for Utilizing Non-Fossil Resources



The Medium-Scale Test Facility "Bio-Engineering Bench"

Mitsui Chemicals Awarded the Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology

Dr. Terunori Fujita, a Board Director and the Center Executive of the Research Center, was awarded the Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology and so received a Science and Technology Prize for Science and Technology (Research Category) for Studies on New Olefin Polymerization Catalysts for the Creation of New Olefin-Based Materials. In recent years, the properties and functions required of polyolefinic materials have become more sophisticated and diversified. Mitsui Chemicals believes that its new value-added olefin-based materials will create new market needs.

Comment by Dr. Terunori Fujita, a Board Director and the Center Executive of the Research Center

I am honored that Mitsui Chemicals' technological capabilities have received such high acclaim. Beginning with catalyst technology, we are accelerating the development of new materials and products that meet market needs. And by utilizing our technological know-how, we are in the process of developing new technologies that include the chemical fixation of CO_2 and the manufacturing of chemicals through biomass.

Intellectual Property Strategy

Mitsui Chemicals Group Intellectual Property Strategy

Mitsui Chemicals regards intellectual properties as a wide range of intangible assets contributing to the Company's business. Such assets include not only conventional patents, utility models, designs, trademarks and copyrights, but also employee expertise and a variety of internal information. Given that strategic integration in the areas of business and technology is one aspect of its intellectual property strategy, Mitsui Chemicals acknowledges the critical importance of maintaining cooperative ties among its divisions. In order to execute its intellectual property strategy more effectively, Mitsui Chemicals operates the Intellectual Property Division (which is subdivided into four units: IP management; Business Support; R&DE Support and the Intelligence & Information Center) jointly with its business, R&D and production/technology divisions.

1. Contribute to the Enhancement of Intellectual Property Network Quality and the Construction and Strengthening of Business Models

For the purpose of further enhancing the quality of the intellectual property networks, the Intellectual Property Division constructs and analyzes the intellectual property portfolios that contain various kinds of intellectual properties, encompassing finished and developed products and new technologies. The Division contributes to boosting the corporate value of Mitsui Chemicals by sharing its intellectual property portfolio with relevant divisions and by integrating strategies in the areas of business, technology and intellectual property.

2 Reinforcing and Expanding Group Intellectual Property Capabilities

Mitsui Chemicals promotes the integration of its intellectual property portfolio with those of its affiliates. Analysis of this intellectual property portfolio contributes to the reinforcement and expansion of the Group intellectual property capabilities. Additionally, the Group further enriches its intellectual property education program, which is designed appropriately according to each job class and level within the Group, aiming to cultivate human resources with knowledge and skills for managing intellectual properties.

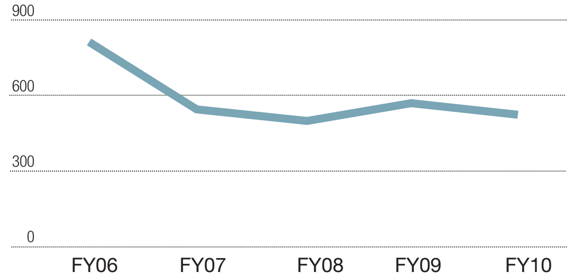
3. Expanding Intellectual Property Activities in Asia

In recent years, the necessity and importance of intellectual property risk management for expanding business operations in Asia have been increasing. Mitsui Chemicals strives to understand and analyze the status of intellectual properties in each country and then takes appropriate measures. At the same time, the Company reinforces intellectual property risk management by working in tandem with its regional holding companies in Asia.

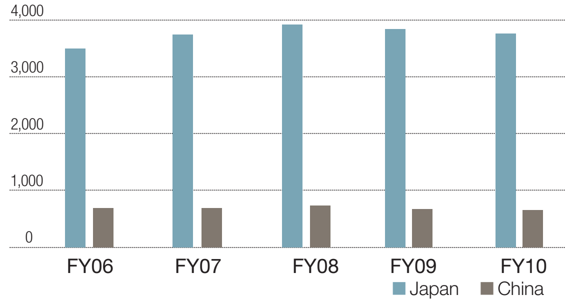
4. Application of Intellectual Property Licensing

Mitsui Chemicals is actively undertaking the licensing of intellectual properties to contribute to the further expansion of the Performance Materials Business. This is accomplished by developing a licensing strategy that takes into account the market values of intellectual properties held in the Performance Material Business sector.

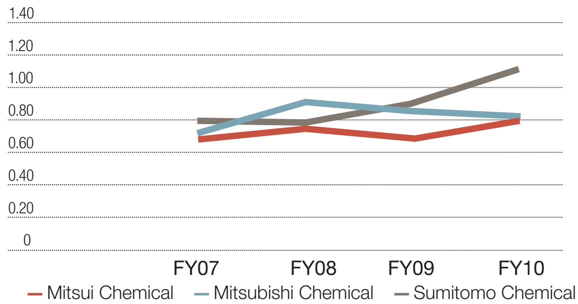
Number of Published Patent Applications in Japan
(Mitsui Chemicals Group)



Number of Japanese Patents and Chinese Patents
(Mitsui Chemicals Group)



R&D Expenses per Number of Published Patent Applications

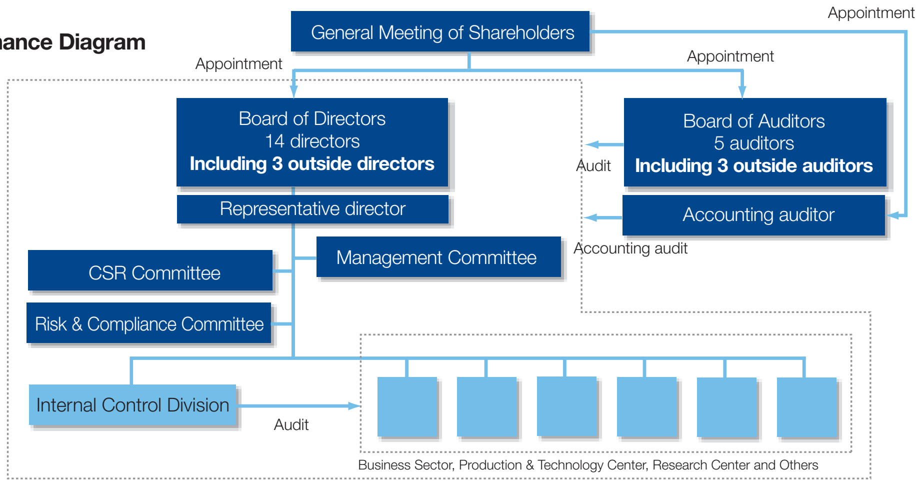


Corporate Governance

Basic Philosophy

As a key management issue, Mitsui Chemicals places the highest priority on enhancing corporate governance in order to retain the trust of shareholders and to fulfill its social responsibilities as a company. Accordingly, we ensure compliance with relevant laws and regulations and work continually to improve management transparency. As illustrated in the diagram below, Mitsui Chemicals has established a system that ensures that major decisions are implemented only after thorough discussion and examination by relevant committees and that all such decisions are compliant with relevant laws and Company regulations. Overseen by the Internal Control Division and the Risk & Compliance Committee, our internal control system emphasizes the corporate auditor function. Moreover, to enhance the effectiveness of corporate governance, we actively promote investor relations and public relations activities involving the disclosure of information to shareholders, investors, analysts, the media and others.

Corporate Governance Diagram



Composition and Management of the Board of Directors

The Chairman of Mitsui Chemicals presides over the Board of Directors, which comprises 14 directors as of June 24, 2010.

In addition to its monthly ordinary meetings, the Board of Directors holds extraordinary meetings on an as-required basis. A total of 14 meetings were held during the fiscal year ended March 31, 2010.

Three outside directors are appointed to the Board of Directors with the aim of enhancing transparency and objectivity. This initiative also serves to strengthen the Board's ability to adequately monitor directors in their execution of business. To the extent possible, directors are required to attend Board meetings, at which they collectively reach decisions regarding major matters touching on management and oversee individual directors' execution of duties. With members boasting diverse backgrounds and experience in such areas as the legal profession, academia and finance, Board of Directors' meetings provide a forum for lively discussion and debate broadly based on the perspectives of governance and compliance.

In order to clarify the division of responsibilities between management oversight and business execution, Mitsui Chemicals has adopted an executive officer system. This system helps to accelerate the management decision-making process, facilitates the smooth and timely business execution of each division and further strengthens and enhances the Company's management structure and systems.

Independent Directors

Following revisions that the Tokyo Stock Exchange made to its listing regulations in December 2009, listed companies became obligated to appoint one or more outside directors or outside auditors as independent directors possessing no possible conflict of interest with general shareholders.

As of June 24, 2010, Mitsui Chemicals has registered four independent directors: Outside directors, Tetsuji Tanaka, Taeko Nagai and Yoshio Suzuki, and outside auditor, Isao Ijuin.

Through independent directors who have no vested interest in the Company, Mitsui Chemicals aims to augment its corporate governance.

Corporate Governance

Auditing System

Mitsui Chemicals has adopted the corporate auditor system under the Companies Act of Japan and has constituted a Board of Corporate Auditors, which consists of five corporate auditors, including three outside auditors. In conformity with the corporate auditing regulations established by the Board of Corporate Auditors, and in accordance with the audit policies and audit plans, etc., each corporate auditor audits the director's performance by attending the meetings of the Board of Directors and other important meetings. Furthermore, corporate auditors inspect the status of corporate affairs and regularly exchange opinions with the president and other directors, conduct hearings focused on directors and exchange opinions with directors at the end of the fiscal year. Each outside auditor objectively fills the role of an auditor on the basis of a large stock of experience and knowledge of legal circles, business circles, and administrative sectors. Also, with the aim of supporting the execution of duties of the corporate auditors, a full-time staff is assigned to work under the direct control of the corporate auditors in order to ensure efficient auditing functions.

With regard to financial audits, Mitsui Chemicals has appointed Ernst & Young ShinNihon LLC as its accounting auditor. This firm independently conducts financial audits in accordance with the Companies Act and the Financial Instruments and Exchange Act. This firm also conducts audits of the internal control system in relation to financial reporting.

Mitsui Chemicals established the Internal Control Division as an internal audit organization. On the basis of an annual audit plan, which was deliberated on and established by the Management Committee, the division conducts business audits and financial audits of Group companies of Mitsui Chemicals, including affiliates. The audit results are reported to the Management Committee. Through these actions, Mitsui Chemicals endeavors to minimize risks of noncompliance with laws and regulations.

The corporate auditors, the accounting auditor and the Internal Control Division mutually cooperate to conduct audits by reporting each annual plan and audit result, etc., and exchanging opinions among themselves.

Assessment of Financial Reporting of the Internal Control System

In addition to evaluating the effectiveness of the Group's financial reporting procedures and capabilities, as prescribed under the Financial Instruments and Exchange Act, the Internal Control Division provides instructional advice and guidance on an as-required basis to secure steady improvements in the adequacy and efficiency of business operations in individual divisions. The Mitsui Chemicals Group's internal control systems as they relate to financial reporting have been deemed effective as of March 31, 2010.

Risk Management System Basic Policy

The Mitsui Chemicals Group is committed to thoroughly managing threats to its business activities in the form of risk, including that related to accidents, fire, market trends, business strategies and efforts to fulfill its social responsibilities. The Risk & Compliance Committee, headed by the board director responsible for risk management, was established to review the Group's risk management policy as well as maintain and operate its risk management system in accordance with established risk management regulations.

Mitsui Chemicals' basic risk management philosophy emphasizes early discovery as the principal means of preventing the materialization of risks. To this end, the Company introduced a Plan, Do, Check and Action cycle pertaining to risk management in line operations, for which the president bears ultimate responsibility. Mitsui Chemicals is boosting its readiness to prevent risk across the entire Group, including at subsidiaries and affiliates.

As an adjunct to the aforementioned initiatives, the Company has established a risk hotline to facilitate the prompt reporting of identified risk. Employees who uncover potential internal illegal activities can report their suspicions to and consult directly with the Risk & Compliance Committee or an outside attorney. In accordance with the Group's internal rules and regulations, employees are assured that any consultation or report of a compliance violation will not result in their suffering adverse repercussions or penalties. In the fiscal year ended March 31, 2010, Mitsui Chemicals received seven reports and requests for consultation.

Business Continuity Plan

Mitsui Chemicals has formulated a business continuity plan (BCP*) to go into effect in the event of a major earthquake in the Tokyo metropolitan area. The plan calls for the creation of an emergency headquarters to quickly establish a command and control structure in the event head office functions become paralyzed as well as emergency customer response centers to provide prompt and appropriate support to the Group's customers. In addition, BCPs have been created for coping with outbreaks of new strains of influenza and large-scale accidents anywhere within the Group's plant network.

*Business Continuity Plan (BCP): A practical plan for how an organization will minimize the decrease in business activity levels as well as recover and restore partially or completely interrupted critical functions within a predetermined time after a disaster or extended disruption.

Compliance

The complete awareness, understanding and appreciation of compliance of every employee are necessary and essential to a sound compliance structure and system. This includes full knowledge of the laws and regulations that must be observed. In its efforts to promote compliance throughout the Group, Mitsui Chemicals utilizes four broad tools: awareness-raising training to increase compliance awareness; workplace discussions encompassing case studies of various statutory and regulatory violations; training on the observance of laws and regulations to advance compliance knowledge; and a compliance handbook, which employees can refer to at any time.

1. Workplace Discussions Encompassing Case Studies of Various Statutory and Regulatory Violations

The Company has been holding workplace discussions encompassing case studies of various statutory and regulatory violations since fiscal 2008. The causes, preventive measures and other subjects related to typical breaches in compliance are discussed in the workplace. Going beyond raising awareness about compliance, such discussions are effective in furthering communication among employees.

2. Raising Awareness of Compliance

From senior management to new employees, compliance awareness raising programs tailored to each level of employees are being implemented.

3. Training on the Observance of Laws and Regulations

The Mitsui Chemicals Group conducts training on statutory and regulatory compliance in an effort to improve employee knowledge of compliance matters. Training courses are currently divided into 15 subjects, each dealing with a specific law that is vital for employees in the conduct of their business activities. Of the aforementioned 15 subjects, e-learning classes have been created for 14 subjects.

In order to ensure that employees keep abreast of the latest information and requirements, refresher courses must be taken every three to five years. As of fiscal 2010, the cumulative total of employees who completed the relevant training requirements increased by approximately 12,600.

4. Promoting Compliance through Guidebook Distribution

In 2003, the Mitsui Chemicals Group published a compliance guidebook containing important information on how to better observe compliance. Updated editions in both Japanese and English were published in 2006 and distributed to all Group employees. In addition to the existing Japanese and English editions, a Chinese-language guidebook encompassing relevant Chinese laws and regulations was published in 2009 and distributed to the employees of local subsidiaries in China.

Through published materials, the Mitsui Chemicals Group strives to continuously promote compliance.

Takeover Defense Measures

Mitsui chemicals adopted the takeover defense measures of which three years are validity term in the shareholders' meeting in June, 2007, and has renewed it for three years in the shareholders' meeting on June 24, 2010.

Mitsui Chemicals believes that the composition of its shareholders should be determined through free market transactions and that the final decision of whether to accept or reject a large-scale acquisition of the Company's shares that would result in a transfer of control should be based on the will of all shareholders.

Therefore, Mitsui Chemicals has adopted certain countermeasures to ensure that when deciding whether or not to approve a large-scale acquisition of the Company's shares, shareholders are provided with sufficient information and time necessary to make an informed decision and to prevent actions antithetical to the interests of shareholders.

For detailed information, please refer to the Company's website: http://www.mitsuichem.com/ir/pdf/100405e.pdf

Comments from Outside Directors

I recently realized the important behind-the-scenes role that Mitsui Chemicals plays in the development of products people use every day as well as how much expertise the Company incorporates into each of these products. During a recent visit to the Shanghai Expo, I once again was witness to the amazing rate of economic growth taking place China, a country grappling with a large population. To what extent can Japanese products stay true to environmentally friendly and human-centered design concepts when striving to meet the ongoing needs of such emerging markets? I believe that Mitsui Chemicals can play an even more useful role in this area through initiatives that include the further development of its corporate governance policies.

Taeko Nagai
Vice President, Setagaya Arts Foundation

I have once again been appointed to the Board of Directors. Although I am a layman in the field of chemicals, I would like to make a contribution to the Company's management by voicing opinions from a perspective that differs from professionals in this field—a role similar to that of an independent arbiter. Thanks to its stable corporate governance structure, I expect that Mitsui Chemicals will continue to work diligently to enhance its corporate governance to ensure that it is ever more effective and appropriate.

Yoshio Suzuki
Attorney at Ichibancho Sogo Law Offices
Professor at the Chuo Law School

CSR

Work-Life Balance Mitsui Chemicals' Concept

With the recognition of the growing importance of employees' "work-life balance" to its business foundations, Mitsui Chemicals has developed a comfortable working environment by providing various programs that include childcare/family care and housing/leisure support. These include shorter working hours, leave to care for sick or elderly relatives at home, subsidies for babysitting and home-care services.

Work-Life Balance Project

The Company has participated in the Work-Life Balance Project of the Ministry of Health, Labour and Welfare as a model company among 10 others since fiscal 2009, and cooperated in the setting of specific measures to "create a working environment that facilitates a balance between childcare/family care and work" and "support efforts to create a time for relaxation." Regarding the first theme, "create a working environment that facilitates a balance between childcare/family care and work," Mitsui Chemicals expanded its childcare/nursing support system in April 2009. Consequently, the number of male employees taking advantage of the Company's childcare/family care leave program during the fiscal year under review jumped to 36 (compared with no male applicants in fiscal 2008 and one male applicant in fiscal 2009). In terms of the second theme, "support efforts to create a time for relaxation," the expansion of a program to eliminate overtime led to an 18 hour-per-month decrease in the average amount of overtime worked in fiscal 2010 (a 19% fall compared with fiscal 2009). Mitsui Chemicals is continuing to promote work-life balance measures during fiscal 2011.

On-Site Daycare Center

As part of its promotion of work-life balance, the Mitsui Chemicals daycare center, Ichihara Dream Plaza, was opened near the Ichihara Works/Sodegaura Center in Chiba prefecture in April 2009. Beginning with 7 children, this daycare center has growing smoothly to a limit of quorum, and we expanded to the limit to 25 in fiscal 2011.

This spacious daycare center, which boasts features that include south-facing floor to ceiling windows, heated flooring and a lawn on one side, echoes with the voices of happy children.

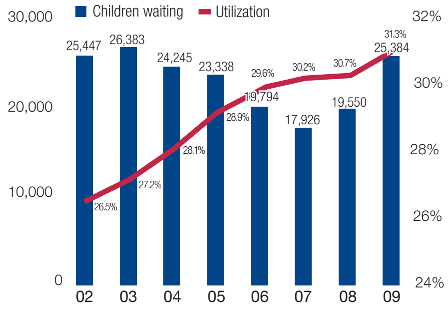
Staff Comment about the Daycare Center (Human Resources Section, Ichihara Works)

Since this facility opened a year ago, the children have grown bigger and stronger owing to the positive environment and upbeat staff. The number of children attending this facility has grown from 7 to 18, and there are plans to expand it to 22 in August, 2010.

Each year, the daycare facility holds an open house as well as seasonal events in order to furnish the plant's workers with the opportunity to see up close how the children are developing.

The Company has received positive feedback from parents who are able to quickly return to work following the completion of their childcare leave, feel safe leaving their children at company premises, can expect daycare menus to feature meals and snacks are prepared by hand and that the best possible use is being made of this facility.

Waiting List for Daycare Facilities and Utilization (in Japan)



Mitsui Chemical's Philosophy on Safety

Safety is the foundation upon which a "Good and Trustworthy Company" is built; if it is missing, a company will be unable to gain public trust. With this in mind, the Mitsui Chemicals Group is moving forward toward its goals of achieving the world's highest occupational safety level and improving its safety and disaster-prevention capabilities. Moreover, by establishing action guidelines that follow the concept of giving priority to safety in everything, the Group is thoroughly promoting a corporate culture that fully embraces this concept.

Eliminate Occupational Accidents and Occupational Injuries

The Mitsui Chemicals Group experienced a series of accidents in fiscal 2009. Fully recognizing the serious nature of the situation and the threat it represents to the survival of the Group, we established the goal of eliminating accidents and occupational injuries as the highest priority for fiscal 2010. To this end, we are promoting the following preventative measures:

Position goal of eliminating accidents and occupational injuries as the highest priority in the 2010 fiscal year

Policies:	Comprehensive companywide dissemination of the management policy "Safety is our top priority" Promote activities companywide that support enhanced worksite capability
Goals:	*Abnormal phenomenon and accidents: Zero Occupational injury frequency rate: 0.15 or below DAFWC; 1.8 or below MTC *Occupational injury frequency rate: Number of occupational injuries x 1 million hours / total hours worked by all employees
Measures:	1. Undertake measures companywide to thoroughly identify factors that impede making safety the highest priority in the workplace 2. Continue to invest in safety prevention 3. Share information on major accidents and occupational injuries companywide, comprehensively identify causes and institute countermeasures 4. Undertake precise responses to prevent the types of accidents that occurred in fiscal 2009 (Establish countermeasures to deal with common causes)

Staff Comment

Eliminating accidents and occupational injuries is the highest priority of Mitsui Chemicals. Such accidents and occupational injuries are caused by factors that include flaws in basic conditions such as facilities, operations and work methods and management as well as human error. In order to prevent such accidents and occupational injuries, we are working together to implement measures that stress the importance of determining the inherent safety of facilities, inspecting manuals and conducting hazard prediction activities to prevent human error. These efforts will, in turn, foster a culture of safety throughout the MCI Group.

Tomohide Tanaka

Group Leader Production Safety & Environment Division

Directors and Auditors

(As of June 24, 2010)

Toshikazu Tanaka Kenji Fujiyoshi Koichi Sano

Chairman	**Kenji Fujiyoshi**	
President & CEO	**Toshikazu Tanaka**	New Business Promoting Office, Works, Corporate Communications Division, Representative in China and Europe
Executive Vice President	**Koichi Sano**	Assistant to the President Corporate Administration Division, Legal Division, Finance & Accounting Division and Risk & Compliance Committee
Senior Managing Directors	**Kiichi Suzuki**	Functional Chemical Business Sector, SCM Division, Purchasing Division, Logistics Division and Information Management Division
	Yoshiyuki Funakoshi	[Production & Technology Center] Center Executive, Production & Technology Center
	Shigeru Iwabuchi	Petrochemicals Business Sector and Basic Chemicals Business Sector
Managing Directors	**Yukio Hara**	Business Sector President, Polyurethane Business Sector and Fabricated Products Business Sector
	Yasuji Omura	Branch Offices, Mitsui Chemicals Asia Pacific, Ltd., Mitsui Chemicals (Shanghai) Co., Ltd., Mitsui Chemicals America, Inc., Mitsui Chemicals Europe GmbH, Corporate Planning Division, Affiliates Coordination Division and Internal Control Division
Board Directors	**Shigeru Isayama**	Functional Polymeric Materials Business Sector, Responsible Care Division and Quality Assurance Division
	Terunori Fujita	Center Executive, General Manager, Research Center
	Shinichi Otsuji	Human Resources Division, CSR Promotion Division and CSR Committee
Outside Directors	**Tetsuji Tanaka**	**Taeko Nagai** **Yoshio Suzuki**
Corporate Auditors	**Hidenori Toki**	**Yoshinori Koga**
Outside Auditors	**Isao Ijuin**	**Hisao Muramoto** **Hideharu Kadowaki**

Financial Section

Selected Consolidated Financial and Operating Data

Years ended March 31

(Millions of yen except per share amounts)	2010	2009	2008
For the Year			
Net sales	¥1,207,735	¥1,487,615	¥1,786,680
Cost of sales	1,039,515	1,341,106	1,509,308
SG&A	177,681	192,002	200,196
Operating income (loss)	(9,461)	(45,493)	77,176
Other income (expenses)	(6,619)	(19,936)	(32,623)
Income (loss) before income taxes and minority interests	(16,080)	(65,429)	44,553
Income taxes	11,653	40,619	19,430
Income (loss) before minority interests	(27,733)	(106,048)	25,123
Net income (loss)	(28,010)	(95,237)	24,831
Reference: Ordinary income (loss)	(13,132)	(50,768)	66,146
At Year-End			
Total current assets	604,556	529,606	726,361
Property, plant and equipment, net	498,183	522,641	564,805
Total investments and other non-current assets	135,347	136,692	178,082
Total assets	1,238,086	1,188,939	1,469,248
Total current liabilities	386,203	377,858	569,560
Total long-term liabilities	432,879	412,950	335,461
Total shareholders' equity	377,283	349,908	500,044
Per Share			
Net income (loss) per share (basic)	¥(33.04)	¥(125.46)	¥32.22
Net income per share (diluted)	—	—	—
Cash dividends per share	¥3.00	¥9.00	¥12.00
Ratios			
Return on sales	(2.32%)	(6.40%)	1.39%
Return on equity	—	—	4.94%
Return (operating income (loss)) on assets	(0.78%)	(3.42%)	5.20%
Other			
Depreciation and amortization	74,878	81,374	72,596
Capital expenditures	49,054	81,041	84,667
R&D expenses	38,131	40,628	42,130

Reported Basis								
2007	2006	2005	2004	2003	2002	2001	2000	1999
¥1,688,062	¥1,472,435	¥1,227,547	¥1,089,518	¥1,053,182	¥952,680	¥939,782	¥884,246	¥855,942
1,402,022	1,217,564	968,230	861,965	823,523	730,059	720,524	659,327	632,036
194,362	196,166	178,826	173,611	173,201	180,239	164,746	169,180	165,680
91,678	58,705	80,491	53,942	56,458	42,382	54,512	55,739	58,226
(7,136)	14,220	(25,839)	(31,708)	(17,496)	(32,142)	(26,118)	(29,603)	(36,099)
84,542	72,925	54,652	22,234	38,962	10,240	28,394	26,136	22,127
27,416	27,681	23,053	7,923	13,465	1,830	10,523	8,182	12,674
57,126	45,244	31,599	14,311	25,497	8,410	17,871	17,954	9,453
52,297	44,125	26,192	12,466	20,320	7,651	17,068	16,042	7,739
95,478	61,989	79,737	47,694	48,716	37,394	49,067	55,902	43,870
733,150	608,995	497,287	440,517	445,239	486,642	563,245	544,837	548,668
542,340	532,324	520,886	548,799	580,830	583,949	552,759	530,827	513,268
222,693	187,571	187,012	199,150	199,125	227,272	198,509	161,515	146,232
1,498,183	1,328,890	1,205,185	1,188,466	1,225,194	1,297,863	1,314,513	1,237,179	1,208,168
591,253	475,074	440,566	440,869	451,613	525,532	532,586	528,643	482,912
336,678	314,692	313,389	325,342	359,638	365,708	388,159	346,242	378,274
504,509	464,021	405,773	383,365	370,738	366,988	352,988	345,690	329,685
¥66.68	¥56.20	¥33.26	¥15.78	¥25.72	¥9.70	¥21.63	¥20.57	¥9.97
—	—	—	—	¥25.47	—	¥21.44	¥20.41	—
¥10.00	¥8.00	¥7.00	¥6.00	¥6.00	¥6.00	¥6.00	¥6.00	¥6.00
3.10%	3.00%	2.13%	1.14%	1.93%	0.80%	1.82%	1.81%	0.90%
10.80%	10.15%	6.64%	3.31%	5.51%	2.13%	4.89%	4.75%	2.39%
6.49%	4.63%	6.73%	4.47%	4.48%	3.24%	4.27%	4.56%	4.65%
70,207	70,099	56,770	56,101	56,850	56,609	51,755	52,634	51,081
72,671	81,400	47,135	45,722	68,753	117,564	61,524	54,435	52,058
36,943	37,146	34,881	32,894	37,114	39,012	36,543	38,141	39,295

Management's Discussion and Analysis

Overview

In the fiscal year ended March 31, 2010, the Japanese economy was sluggish in the first half, showing no change from the economic low in place at the end of the previous fiscal year. From the second half, however, exports and production gradually recovered owing to the impact of a pickup in demand from overseas markets, chiefly China. Movement toward increased personal spending could also be seen. Nonetheless, overall conditions remained severe as a result of sluggish corporate-sector earnings and a deteriorating employment situation.

In the chemical industry, the first half of the fiscal year under review saw both exports and production at extremely low levels due to the impact of the previous fiscal year's rapid and worldwide economic decline. This changed in the second half as recovery in overseas demand, mainly from China, gained traction and production volume bounced back strongly compared with the previous fiscal year. Profits also trended toward recovery on the back of each company's efforts to reduce costs and other factors.

Under these conditions, the Mitsui Chemicals Group strived to thoroughly cut costs in tandem with concerted efforts to strengthen its marketing capabilities, expand sales and increase production in what were Groupwide initiatives to improve earnings. As a result, although there was an operating loss of ¥19.0 billion (US$204 million) in the first half, in the second half the Group was able to put itself on a steady path to recovery, posting operating income of ¥9.5 billion (US$102 million). This amount was, however, not enough to compensate for the loss in the first half. The following is a summary of operating results for the fiscal year ended March 31, 2010.

As of March 31, 2010, the Mitsui Chemicals Group comprised 66 consolidated subsidiaries, the same number as the previous fiscal year. This reflects the establishment, acquisition and consolidation of five new companies, including China-based Foshan Mitsui Chemicals Polyurethane Co., Ltd., and the exclusion due to amalgamation and other reasons of five former subsidiaries, including Mitsui Chemicals Polyurethanes, Inc. The equity method is applied to 30 non-consolidated subsidiaries and affiliates, two fewer than the previous fiscal year.

Operating Results

Net Sales

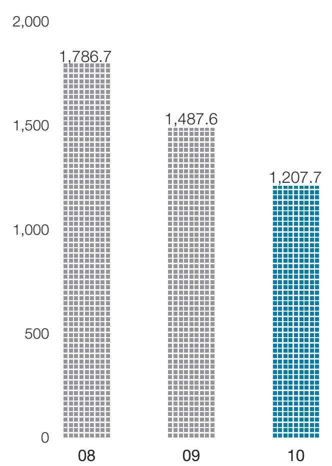
Net sales fell 18.8% compared with the previous fiscal year to ¥1,207.7 billion (US$12,981 million), a decrease of ¥279.9 billion (US$3,008 million). This was attributable to the impact of falling sales prices from the start of the fiscal year, despite what was seen as a recovery in demand from the second half. Compared with the previous fiscal year, although a higher sales volume drove sales up ¥88.4 billion (US$950 million), a ¥368.3 billion (US$3,959 million) fall in prices resulted in the decrease.

Operating Loss

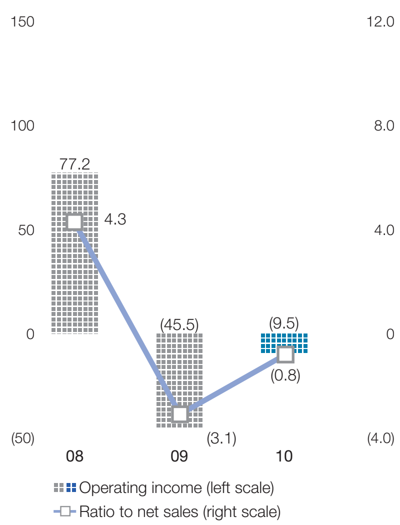
Operating loss for the fiscal year under review was ¥9.5 billion (US$102 million), an improvement of ¥36.0 billion (US$387 million) year on year. In addition to the positive effects of the Mitsui Chemicals Group's emergency measures, including efforts to curtail fixed expenses, this was the result of an increased sales volume buoyed by recovery in demand. Compared with the previous fiscal year, although amendments to commercial terms of trade, including both selling and purchasing price variances, contributed to a reduction in profit amounting to ¥0.2 billion (US$2 million), increased sales volume and lower fixed and other costs caused profit to rise ¥7.3 billion (US$78 million) and ¥28.9 billion (US$311 million), respectively.

Results on an individual business segment and principal product basis were as follows.

Net Sales
(Billions of yen)



Operating Income/Ratio to Net Sales
(Billions of yen, %)



Segment Information

Business Segments

Changes of net sales and operating income by segment were as follows:

Net Sales

	Billions of yen				
			Change		
	2010	2009	Total	Volume contribution	Price contribution
Performance materials	¥ 372.9	¥ 431.8	¥ (58.9)	¥ 3.0	¥ (61.9)
Advanced chemicals	105.9	118.7	(12.8)	(8.3)	(4.5)
Basic chemicals	709.8	912.8	(203.0)	98.0	(301.0)
Others	19.1	24.3	(5.2)	(4.3)	(0.9)
Eliminations	—	—	—	—	—
Total	¥1,207.7	¥1,487.6	¥(279.9)	¥88.4	¥(368.3)

Operating Income (Loss)

	Billions of yen					
			Change			
	2010	2009	Total	Volume contribution	Price*	Fixed cost and other cost differential
Performance materials	¥(7.6)	¥(16.0)	¥ 8.4	¥4.1	¥(4.8)	¥ 9.1
Advanced chemicals	8.6	7.3	1.3	(2.6)	(0.3)	4.2
Basic chemicals	(7.6)	(32.0)	24.4	6.6	5.2	12.6
Others	1.1	0.1	1.0	(0.8)	(0.3)	2.1
Eliminations	(4.0)	(4.9)	0.9	—	—	0.9
Total	¥(9.5)	¥(45.5)	¥36.0	¥7.3	¥(0.2)	¥28.9

*Price = Price contribution + Variable cost differential

Performance Materials

	Millions of yen		
	2010	2009	Change (%)
Net sales	¥372,899	¥431,834	(13.6)
Operating income (loss)	(7,579)	(16,018)	—
Total assets	413,774	432,205	(4.3)
Depreciation and amortization	33,805	37,569	(10.0)
Capital expenditures	19,042	39,894	(52.3)

Automotive and industrial material sales declined 10% year on year. This was on account of a significant deceleration in demand in the first half of the fiscal year that offset progress achieved in the cultivation of new customers, primarily in the Asian market which has notably achieved demand recovery, and the recent foundation of favorable sales.

Industrial material sales decreased 16% compared with the previous fiscal year. This was attributable to the impact of a drop in demand in the automotive, consumer electronics and household equipment markets in the first half of the fiscal year.

Hygiene material sales fell 15% compared with the previous fiscal year on account of declining demand for non-woven fabrics from certain customers and a drop in sales prices associated with falling raw material and fuel prices.

Special polyolefin and engineering plastics sales experienced 14% growth year on year on the back of a recovery in demand, mainly for information and electronics materials applications in the second half of the fiscal year.

Semiconductor material sales fell 20% from the previous fiscal year. This was attributable to a decline in production volume owing to a slowdown in demand in the semiconductor and LCD markets in the first half and reduced production due to an accident at a subsidiary’s nitrogen trifluoride production facility.

Energy material sales jumped 54% year on year owing to soaring demand in the solar cell encapsulent market.

Polyurethane sales decreased 13%. In addition to the slowdown in demand for TDI and MDI, this was on account of stagnant overseas market conditions and appreciation in the value of the yen.

These factors contributed to a ¥58.9 billion (US$633 million) drop in segment sales from the previous fiscal year to ¥372.9 billion (US$4,008 million), which comprised 31% of total sales. In the fiscal year under review, lower year-on-year sales prices had a negative impact of ¥61.9 billion (US$665 million), while higher sales volume increased revenues by ¥3.0 billion (US$32 million).

Furthermore, the segment showed an operating loss of ¥7.6 billion (US$81 million), a ¥8.4 billion (US$91 million) improvement from the previous fiscal year. In addition to cost reduction efforts, this was attributable to a recovery in sales volume in the second half of the fiscal year and an improvement from the loss on valuation of inventories that was posted in the previous fiscal year due to the application of the lower of cost or net realizable value method. As a result, although movements in selling and purchasing prices reduced profits ¥4.8 billion (US$52 million) compared with the previous fiscal year, variations in sales volume and fixed and other costs caused profit to rise ¥4.1 billion (US$44 million) and ¥9.1 billion (US$98 million), respectively.

Advanced Chemicals

	Millions of yen		
	2010	2009	Change (%)
Net sales	¥105,872	¥118,658	(10.8)
Operating income	8,634	7,311	18.1
Total assets	154,461	162,777	(5.1)
Depreciation and amortization	7,707	7,622	1.1
Capital expenditures	4,877	18,951	(74.3)

Optical lens materials as well as healthcare materials sales fell 5%. Although demand recovered in the second half of the fiscal year, it was not enough to overcome the slowdown in demand in the first half, and a full-scale recovery was not achieved.

Chemical products sales declined 45% with the impact of a slowdown in demand and a decline in sales prices.

Agrochemical product sales fell 10% due to stagnant sales of insecticides and other products.

As a result, segment sales fell ¥12.8 billion (US$137 million) year on year to ¥105.9 billion (US$1,138 million), which comprised 9% of total sales. Compared with the previous fiscal year, revenues for sales volume and prices declined ¥8.3 billion (US$89 million) and ¥4.5 billion (US$48 million), respectively.

Furthermore, operating income increased ¥1.3 billion (US$14 million) to ¥8.6 billion (US$93 million), owing to progress made on cost-cutting efforts. Variations in sales volume and movements in selling and purchasing prices negatively impacted profit ¥2.6 billion (US$28 million) and ¥0.3 billion (US$3 million), respectively. However, reductions in fixed and other costs caused profit to rise ¥4.2 billion (US$45 million) compared with the previous fiscal year.

Basic Chemicals

	Millions of yen		
	2010	2009	Change (%)
Net sales	¥709,784	¥912,779	(22.2)
Operating income (loss)	(7,568)	(32,006)	—
Total assets	520,947	485,687	7.3
Depreciation and amortization	27,169	29,840	(9.0)
Capital expenditures	19,629	17,694	10.9

Ethylene and propylene production saw year-on-year increases of 6% and 9%, respectively, owing to recovery of demand for derivatives.

Phenol sales declined 8%. Although sales volume recovered, this was attributable to declining sales prices associated with a fall in raw material and fuel prices.

Bisphenol A sales decreased 41% year on year as a result of a drop in sales prices associated with declining raw material and fuel prices, despite the fact that sales volumes had been on a recovery track, particularly for polycarbonate resin, the main application for bisphenol A.

Purified terephthalic acid (PTA) sales climbed 2% year on year owing to recovery in sales volume, despite the effect of declining sales prices associated with falling raw material and fuel prices.

PET resins (polyethylene terephthalate) declined by 29%, affected by sluggish demand for pet bottles for the domestic market due to unseasonable weather.

Ethylene glycol, ethylene oxide and derivatives sales declined 32%, as a result of price declines associated with falling raw material and fuel costs.

Polyethylene and polypropylene sales fell 20% and 27%, respectively, affected by a decline in sales prices on the back of falling raw material costs, despite a rebound in sales volume.

The above factors contributed to a ¥203.0 billion (US$2,182 million) decrease in segment sales from the previous fiscal year to ¥709.8 billion (US$7,629 million), which comprised 59% of total sales. A higher sales volume lifted revenue ¥98.0 billion (US$1,053 million), but were offset by the adverse effect of a ¥301.0 billion (US$3,235 million) downturn in sales prices compared with the previous fiscal year.

Furthermore, an improvement of year-on-year operating income of ¥24.4 billion (US$263 million) resulted in an operating loss of ¥7.6 billion (US$81 million). In addition to the progress made on cutting costs, this was due to improved sales volume, excluding certain products, and an improved loss on valuation of inventories incurred with the application of the lower of cost or net realizable value method. Owing to sales volume variations, movements in selling and purchasing prices and reductions in fixed and other costs, profits rose ¥6.6 billion (US$71 million), ¥5.2 billion (US$56 million) and ¥12.6 billion (US$135 million), respectively.

Others

	Millions of yen		
	2010	2009	Change (%)
Net sales	¥19,180	¥24,344	(21.2)
Operating income	1,062	84	—
Total assets	50,930	46,244	10.1
Depreciation and amortization	4,498	4,816	(6.6)
Capital expenditures	4,108	2,730	50.5

Compared with the previous fiscal year, the reduction in sales volume of ¥4.3 billion (US$46 million) significantly impacted revenue in the others segment. As a result, sales in this segment showed a ¥5.2 billion (US$56 million) decrease from the previous fiscal year to ¥19.1 billion (US$206 million), which accounted for 1% of total sales.

Operating income amounted to ¥1.1 billion (US$11 million), a year-on-year increase of ¥1.0 billion (US$11 million). The principal contributing factors were the decrease in fixed and other costs.

Geographic Distribution

Japan

The second half of the fiscal year under review saw a recovery in overall sales volume, but not for certain products, including agrochemicals. Nevertheless, net sales decreased compared with the previous fiscal year due to the impact of lower sales prices from the beginning of the year. In terms of operating loss, the Company reduced deficits year on year due to the implementation of emergency measures that included decreases in fixed costs.

Taking into consideration the aforementioned factors, sales in Japan fell ¥210.4 billion (US$2,262 million) compared with the previous fiscal year to ¥994.0 billion (US$10,684 million), accounting for 82% of total net sales. Operating loss improved ¥23.7 billion (US$255 million) to ¥17.8 billion (US$191 million).

Asia

Mitsui Phenols Singapore Pte. Ltd., a subsidiary involved in the manufacture and sale of phenol and bisphenol A in Singapore, recorded a year-on-year decline in net sales stemming from a drop in product prices in the wake of falling natural resource prices. However, Siam Mitsui PTA Co., Ltd., a subsidiary engaged in the manufacture and sale of PTA in Thailand, achieved operating income owing to improvements in selling and purchasing prices.

As a result of the above, net sales in Asia fell ¥40.1 billion (US$430 million) compared with the previous fiscal year to ¥147.7 billion (US$1,588 million), accounting for 12% of total net sales. However, operating income increased ¥10.8 billion (US$116 million) to ¥7.6 billion (US$82 million).

Others

In the United States, a subsidiary involved in the manufacture and sale of resin compounds for automotive use saw the sales volume decline on the back of reduced demand in the automobile sector, resulting in a fall in net sales compared with the previous fiscal year. However, the Company recorded operating income owing to improvements in selling and purchasing prices and a reduction in fixed costs.

As a result of the above, net sales in other regions declined ¥29.4 billion (US$317 million) compared with the previous fiscal year to ¥66.0 billion (US$709 million), accounting for 6% of total net sales. Nevertheless, operating income improved ¥1.5 billion (US$16 million) to ¥0.6 billion (US$6 million).

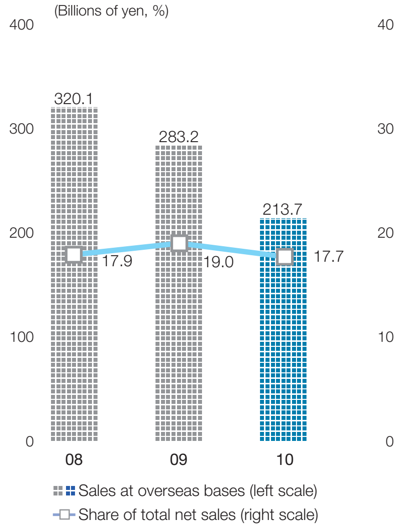
Overseas Sales

In the fiscal year under review, overseas sales amounted to ¥476.7 billion (US$5,124 million), a year-on-year decrease of ¥51.2 billion (US$551 million). While accounting for 39.5% of total net sales, this was 4.0 percentage points higher than the previous fiscal year.

Looking at overseas sales on a geographic basis, Asia accounted for ¥375.4 billion (US$4,035 million), or 31.1% of the Group's total net sales; North and Latin America contributed ¥53.9 billion (US$579 million), or 4.5%; Europe generated ¥40.3 billion (US$433 million), or 3.3%; and other regions recorded ¥7.2 billion (US$77 million), or 0.6%.

Comparing these figures with those for the previous fiscal year, the downturn was particularly significant in North and Latin America as well as Europe, where sales totally declined ¥33.9 billion (US$364 million) year on year. This decrease was the major contributing factor to the slump in overseas sales.

Sales at Overseas Bases/
Share of Total Net Sales
(Billions of yen, %)



Operating Income at Overseas Bases/
Share of Total Operating Income
(Billions of yen, %)

Other Income (Expenses)

Other income (expenses) improved ¥13.3 billion (US$143 million) year on year, to a net expense of ¥6.6 billion (US$71 million). The main items affecting other income and expenses were as follows.

Equity in earnings of non-consolidated subsidiaries and affiliates amounted to ¥3.9 billion (US$41 million).

As a part of its business structure reform efforts, the Mitsui Chemicals Group incurred losses on disposal and sales of noncurrent assets of ¥6.1 billion (US$65 million), an impairment loss of ¥4.3 billion (US$46 million) and losses on restructuring of subsidiaries and affiliates and sales of investment securities of ¥2.4 billion (US$26 million).

In the fiscal year under review, the Mitsui Chemicals Group also reported foreign exchange losses of ¥0.9 billion (US$10 million) and gain on sales of investment securities of ¥10.7 billion (US$115 million).

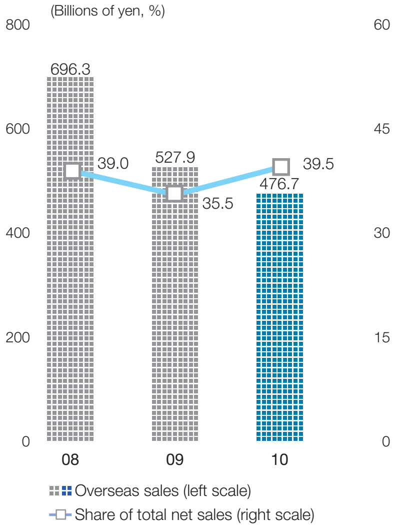
Accounting for other income and expenses, the Mitsui Chemicals Group recorded a net loss before income taxes and minority interests of ¥16.1 billion (US$173 million). This represented an improvement of ¥49.3 billion (US$530 million) compared with the previous fiscal year.

Net Loss

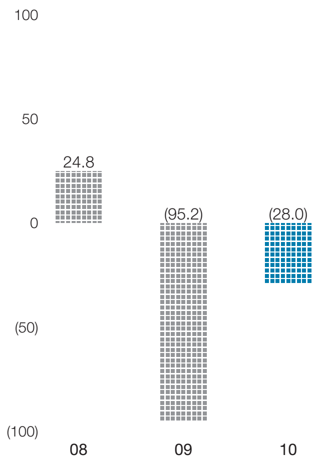
Net loss after accounting for corporate income taxes and minority interests was ¥28.0 billion (US$301 million), a year-on-year improvement of ¥67.2 billion (US$723 million). This translated into a net loss per share for the period of ¥33.04 (US$0.4).

Summarizing these results, net sales decreased 18.8% from ¥1,487.6 billion to ¥1,207.7 billion (US$12,981 million). Net loss improved from ¥95.2 billion in the fiscal year ended March 31, 2009 to ¥28.0 billion (US$301 million) in the fiscal year under review. Accordingly, return (net income/loss) on sales changed from negative 6.4% to negative 2.3%.

Overseas Sales/
Share of Total Net Sales
(Billions of yen, %)



Net Income
(Billions of yen)



Financial Position

Overview

Total assets increased ¥49.2 billion (US$528 million) from ¥1,188.9 billion as of the end of the previous fiscal year to ¥1,238.1 billion (US$13,307 million) as of March 31, 2010. Impacted by the year-on-year improvement of ¥36.0 billion (US$387 million) in operating loss from ¥45.5 billion to ¥9.5 billion (US$102 million), return (operating loss) on assets improved from negative 3.42% in the fiscal year ended March 31, 2009 to negative 0.78% in the fiscal year under review.

The debt-to-equity ratio was 1.31 as of the end of the fiscal year under review, improving 0.22 of a point year on year.

Assets

Total assets as of March 31, 2010 stood at ¥1,238.1 billion (US$13,307 million), up ¥49.2 billion (US$528 million) compared with the end of the previous fiscal year (March 31, 2009).

Liabilities

Total liabilities increased ¥28.3 billion (US$304 million) year on year to ¥819.1 billion (US$8,804 million). Interest-bearing debt amounted to ¥494.2 billion (US$5,312 million), a decrease of ¥41.2 billion (US$443 million) compared with March 31, 2009. As a result, the interest-bearing debt ratio was 39.9%, improving 5.1 percentage points.

Net Assets

Total net assets stood at ¥419.0 billion (US$4,503 million) as of March 31, 2010, up ¥20.9 billion (US$224 million) compared with the previous fiscal year-end.

Of this total, shareholders' equity was ¥384.8 billion (US$4,136 million) as of the end of the fiscal year under review, ¥20.4 billion (US$220 million) higher than March 31, 2009. The events of significant change in the amount of shareholders' equity were as follows.

Effective April 1, 2009, Tohcello Co., Ltd. became a wholly owned subsidiary of Mitsui Chemicals, Inc. through a share exchange based on the allotment of treasury stock held by the Company. As a result, treasury stock and minority interests decreased ¥15.6 billion (US$168 million) and ¥9.8 billion (US$105 million), respectively. A loss on disposal of treasury stock of ¥8.4 billion (US$90 million) incurred through the share exchange was posted to retained earnings.

In addition, in order to better deal with the dramatic changes in the business environment in which it operates, at the end of October 2009 the Mitsui Chemicals Group reviewed its basic strategies under the four-year mid-term business plan that commenced from fiscal 2008 and formulated its "New Growth Strategy*." With the objective of raising funds and boosting the speed of funding-related management decision making that will turn this New Growth Strategy into reality and thus strengthen the Company's financial standing, the Company issued new shares through a public offering and third party allotment, based on a resolution of the Board of Directors meeting held on November 13, 2009. As a result, common stock and capital surplus both increased by ¥21.8 billion (US$235 million).

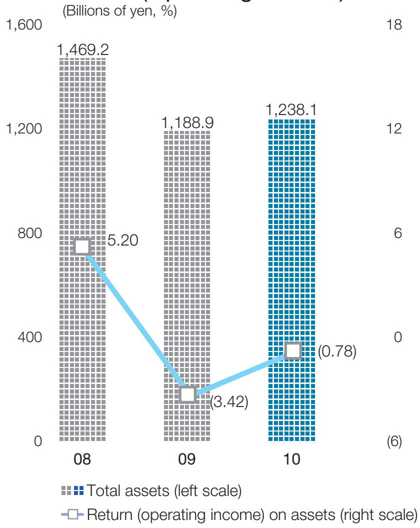
*New Growth Strategy

To respond to recent drastic changes to the business environment, at the end of October 2009 the Mitsui Chemicals Group reexamined the principal strategies stated in its medium-term business plan and formulated its New Growth Strategy, as follows:

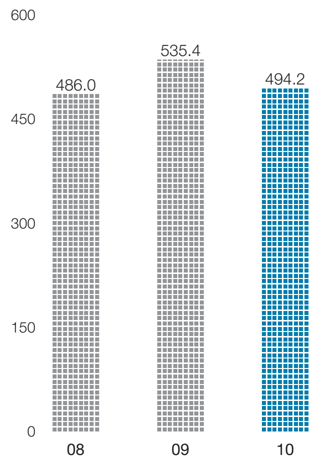
(i) Global expansion of competitive business;
(ii) Expansion of high-value-added business for sustainable development; and
(iii) Creation of new products and new businesses that are in harmony with the global environment.

In fiscal 2010, the Mitsui Chemicals Group will formulate its next medium-term business plan that incorporates clear numerical targets based on the above strategies.

Total Assets/
Return (Operating Income) on Assets
(Billions of yen, %)



Interest-Bearing Debt
(Billions of yen)



Valuation and translation adjustments were up ¥7.0 billion (US$74 million) compared with the previous fiscal year-end to negative ¥7.5 billion (US$81 million). This mainly reflected a ¥5.8 billion (US$62 million) increase in net unrealized holding gain on securities caused by the recovery in listed stock prices.

Minority interests stood at ¥41.7 billion (US$448 million) as of the end of the fiscal year under review, a decrease of ¥6.5 billion (US$70 million) compared with the previous fiscal year-end. This was a result of factors including that Tohcello Co., Ltd. became a wholly owned subsidiary of Mitsui Chemicals, Inc., as well as other factors.

As a result, the equity ratio improved 1.1 percentage points to 30.5% as of March 31, 2010.

Capital Resources and Liquidity

Cash Flows

Cash and cash equivalents (hereafter called "cash") increased ¥25.1 billion (US$269 million) to ¥73.0 billion (US$784 million) as of the fiscal year-end.

Cash Flows From Operating Activities

Net cash provided by operating activities was ¥70.2 billion (US$754 million), an increase of ¥15.3 billion (US$164 million) from the previous fiscal year. This increase was due to a reduced net loss before income taxes and minority interests as well as a corporate tax refund.

As a result, the ratio of interest-bearing debt to operating cash flows declined from 9.8 in the previous fiscal year to 7.0, while the interest coverage ratio increased from 5.9 times to 8.2 in the fiscal year under review.

Cash Flows From Investing Activities

Net cash used in investing activities amounted to ¥42.9 billion (US$461 million), a decrease of ¥33.4 billion (US$358 million) compared with the previous fiscal year. The decrease was attributable to lower payments to acquire property, plant and equipment in line with a strict selective approach toward investment projects, as well as increased proceeds from sale and redemption of investment securities.

Cash Flows From Financing Activities

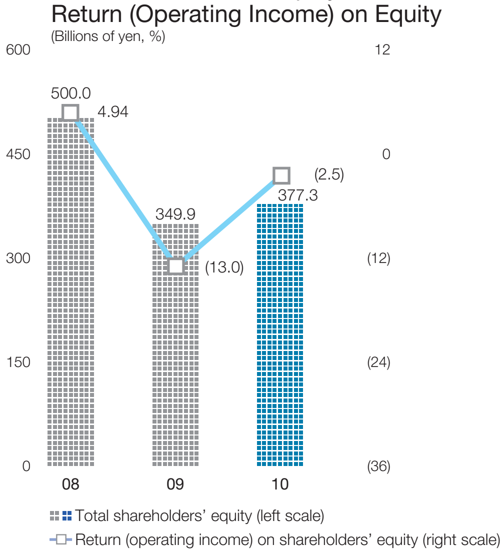
Net cash used in financing activities was ¥2.5 billion (US$27 million). This was attributable to factors such as the procurement of financing through the issue of new shares and progress made toward the repayment of interest-bearing debt.

Cash Flow-Related Performance Indicators

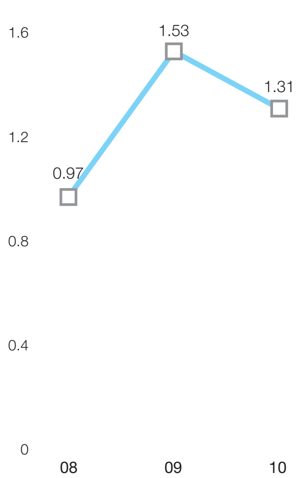
	2010	2009	2008	2007	2006
Shareholders' Equity Ratio (%)	30.5	29.4	34.0	33.7	34.9
Shareholders' Equity Ratio on a Market Value Basis (%)	22.9	15.1	34.6	53.0	51.0
Ratio of Interest-bearing Debt to Cash Flows	7.0	9.8	5.3	5.0	5.3
Interest Coverage Ratio (Times)	8.2	5.9	9.7	12.8	13.4

Note: 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.
The operating cash flow figures used are cash flows from operating activities as reported in the consolidated statements of cash flows. 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.

Total Shareholders' Equity/ Return (Operating Income) on Equity



Debt-to-Equity Ratio



Fund Procurement

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

Maintain a high credit rating so that low-cost funds can be procured, mainly through bonds, loans and commercial paper whenever necessary.

Utilize a certain level of indirect financing to preserve the stability of fund procurement activities.

Employ securitization and other schemes to liquidate assets in an effort to diversify fund procurement means.

Financial Liquidity

With regard to asset efficiency, the Mitsui Chemicals 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.

Capital Expenditures (Summary)

Mitsui Chemicals and its consolidated subsidiaries undertook capital expenditures totaling ¥49.1 billion (US$527 million) in the fiscal year ended March 31, 2010. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses.

Capital expenditures by business segment were as follows.

Performance Materials

In the fiscal year under review, Mitsui Elastomers Singapore Pte. Ltd. continued construction of an alpha-olefin copolymer production facility. The total cost of this and other performance material-related capital expenditures was ¥19.0 billion (US$205 million).

Advanced Chemicals

The total cost of the capital expenditures in the advanced chemicals category amounted to ¥4.9 billion (US$52 million).

Basic Chemicals

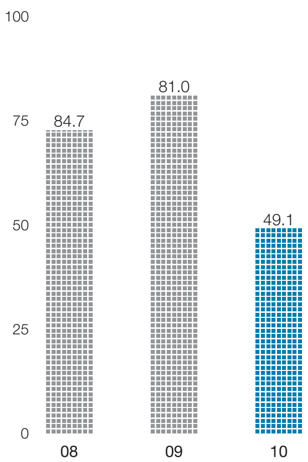
The Company undertook construction of low-density polyethylene comonomer production facility while renovating an air compressor at its PTA production facility in order to reduce costs and greenhouse gas emissions.

Capital expenditures in this and other items in the basic chemicals category totaled ¥19.6 billion (US$211 million).

Others and Corporate

The total cost of other and corporate capital expenditures in the fiscal year under review was ¥5.5 billion (US$59 million).

Capital Expenditures
(Billions of yen)



Research and Development

Research and development at Mitsui Chemicals and its consolidated subsidiaries is conducted by the Performance Materials Development Center, Advanced Chemicals and Fine Chemicals business sector development group, New Material Development Center, the Production Technology Center of the production/technology business sectors; the research laboratories of the corporate research center; and the R&D divisions of consolidated subsidiaries. Research and development expenditures by Mitsui Chemicals and its consolidated subsidiaries in the fiscal year ended March 31, 2010 amounted to ¥38.1 billion (US$410 million).

Corporate Research

Mitsui Chemicals took the lead in cultivating and improving basic technologies that can be applied to the research and development of a new generation of catalysts for use in the production of functional polymers and basic chemicals, new polyolefin resins and next-generation high-performance materials as well as applied research and development of next-generation high-performance materials. Total corporate research and development expenditures in the fiscal year ended March 31, 2010 were ¥6.6 billion (US$71 million).

Strategic Research and Development

In order to expand and develop functional materials operations, Mitsui Chemicals operates a multi-purpose semi-commercial plant, facilitating the Company's central role in a new functional polymer development promotion project.

Total strategic research and development expenditures in the fiscal year under review amounted to ¥2.9 billion (US$31 million).

New Material Development

Mitsui Chemicals is playing a central role in developing a project system related to automotive materials, functional films and sheets, advanced materials and new olefin polymers with the aim of releasing these products after two or three years. The Company is also implementing test trials for the market development of a medium-scale film sheet testing facility.

R&D expenses for new material development are included in Performance Materials Segment R&D Expenses, listed next.

Performance Materials

Mitsui Chemicals took the lead in developing functional polymers and urethane resins for use in automotive-, IT-, energy- and lifestyle-related as well as industrial-fields in addition to finished products made from these materials. In the fiscal year ended March 31, 2010, research activities were mainly directed toward new elastomers, new resins for optical lenses, semiconductor materials, sealant materials for electronic and electric parts, functional finished products and solar battery-related materials.

R&D expenses for this segment, which include the aforementioned New Material Development, amounted to ¥15.3 billion (US$164 million).

Advanced Chemicals

Mitsui Chemicals plays a central role in the research and development of fine chemicals. Also, together with Mitsui Chemicals Agro Inc., the Company takes the lead in agrochemicals R&D. In the fiscal year under review, considerable research and development weight was placed on in such areas as health care and environmental energy materials as well as the development of new agrochemical formulation products and various pharmaceuticals.

Research and development expenditures in this category were ¥6.9 billion (US$74 million) in the fiscal year ended March 31, 2010.

Basic Chemicals

In basic chemicals, Mitsui Chemicals took the lead, focusing on the development of new processes for innovative catalysts that can be used in the production of propylene, phenol and bisphenol A. In an effort to enhance the competitiveness of their polyolefin resins, Mitsui Chemicals and Prime Polymer Co., Ltd. took key roles in developing high-performance catalysts. These companies are also leading efforts to develop new high-performance brands aimed at cultivating new markets.

Research and development expenditures in the basic chemicals category were ¥6.4 billion (US$69 million) in the fiscal year under review.

Business Risks

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 Mitsui Chemicals.

Please note that the risks discussed below were those deemed relevant as of March 31, 2010.

(1) External operating environment

Mitsui Chemicals Group businesses may be influenced by certain elements of the operating environment outside of the Group, including customers, market trends and the business operations of rival firms. 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, the decision by customers to source products from overseas, deterioration in market conditions caused by oversupply due to increased production capacity at rival firms or the market entry of low-priced imports, and the appearance of alternative products. Profitability may also decline due to the changing cost of raw materials, as well as the impact of supply stoppages due to accidents or bankruptcies at raw material manufacturers. Any or all of these risks could impair the Group's production activities. Consequently, the occurrence of such risks could adversely impact the Group's operating performance.

(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 deterioration in political and economic conditions, regulations regarding imports and foreign capital, deterioration in public safety and security, and the outbreak of terrorism or warfare. The occurrence of such risks could impair Group 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 Mitsui Chemicals 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 Group activities, as well as increased costs associated with compliance with amended laws or more stringent regulations, could impair Group business activities, thus adversely impacting operating performance.

(4) Financial risks

Among the financial risks faced by the Mitsui Chemicals Group are increased concerns about confidence in customers 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.

(5) 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 plants. 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 Mitsui Chemicals Group.

(6) 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 Group 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 Mitsui Chemicals Group.

(7) 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.

Consolidated Balance Sheets

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 3)
ASSETS	2010	2009	2008	2010
Current assets:				
Cash and cash equivalents (Note 4)	¥ 72,962	¥ 47,949	¥ 25,502	$ 784,200
Short-term investments	1,646	499	430	17,691
Receivables:				
Trade notes and accounts receivable	256,610	174,845	332,953	2,758,061
Other	39,537	29,460	69,371	424,946
Inventories (Note 5)	218,953	250,654	269,229	2,353,321
Deferred tax assets—current (Note 12)	5,291	5,310	18,268	56,868
Other current assets (Note 6)	9,991	21,183	11,066	107,385
Allowance for doubtful accounts	(434)	(294)	(458)	(4,665)
Total current assets	604,556	529,606	726,361	6,497,807
Property, plant and equipment (Notes 9 and 11):				
Land	166,930	169,822	172,140	1,794,175
Buildings and structures	312,585	308,596	303,888	3,359,684
Machinery and equipment	1,091,967	1,093,374	1,087,996	11,736,533
Construction in progress	14,065	30,277	50,448	151,171
	1,585,547	1,602,069	1,614,472	17,041,563
Accumulated depreciation	(1,087,364)	(1,079,428)	(1,049,667)	(11,687,059)
Property, plant and equipment, net	498,183	522,641	564,805	5,354,504
Investments and other non-current assets:				
Investment securities (Notes 6 and 7):				
Non-consolidated subsidiaries and affiliates	38,048	37,025	47,019	408,942
Other	62,475	55,901	74,434	671,485
Long-term receivables	3,779	4,520	6,621	40,617
Deferred tax assets—non-current (Note 12)	3,235	4,992	18,299	34,770
Other non-current assets (Notes 9 and 18)	29,117	36,097	33,743	312,951
Allowance for doubtful accounts	(1,307)	(1,843)	(2,034)	(14,047)
Total investments and other non-current assets	135,347	136,692	178,082	1,454,718
Total assets	¥1,238,086	¥1,188,939	¥1,469,248	$13,307,029

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

LIABILITIES AND NET ASSETS	Millions of yen 2010	2009	2008	Thousands of U.S. dollars (Note 3) 2010
Current liabilities:				
Short-term bank loans (Note 9)	¥ 96,884	¥ 149,304	¥ 96,329	$1,041,316
Current portion of long-term debt (Note 9)	42,533	27,938	36,860	457,147
Commercial paper (Note 9)	1,000	14,200	80,000	10,748
Payables:				
Trade notes and accounts payable	163,062	98,394	239,031	1,752,601
Other	41,624	52,806	67,440	447,377
Employees' savings deposits	600	579	712	6,449
Accrued expenses	19,290	18,260	22,584	207,330
Accrual for directors' bonuses	38	49	122	408
Reserve for periodic repairs	11,118	12,433	8,703	119,497
Accrued income taxes (Note 12)	6,652	2,930	15,513	71,496
Other current liabilities (Notes 9 and 12)	3,402	965	2,266	36,566
Total current liabilities	386,203	377,858	569,560	4,150,935
Long-term liabilities:				
Long-term debt due after one year (Note 9)	352,962	343,622	272,783	3,793,659
Accrued employees' retirement benefits (Note 10)	36,137	33,373	33,564	388,403
Accrued directors' and corporate auditors' retirement benefits	337	443	369	3,622
Reserve for periodic repairs	3,334	2,658	4,874	35,834
Provision for environmental measures	11,671	11,948	11,106	125,441
Other non-current liabilities (Notes 9 and 12)	28,438	20,906	12,765	305,653
Total long-term liabilities	432,879	412,950	335,461	4,652,612
Contingent liabilities (Note 14)				
Net assets:				
Shareholders' equity (Note 13):				
Common stock:				
Authorized—3,000,000,000 shares				
Issued—1,022,020,076 shares in 2010, 792,020,076 shares in 2009 and 2008	125,053	103,226	103,226	1,344,078
Capital surplus	91,065	69,238	69,238	978,773
Retained earnings	182,922	221,721	326,932	1,966,058
Treasury stock, at cost:				
19,701,571 shares in 2010, 40,428,862 shares in 2009, and 22,287,515 shares in 2008	(14,215)	(29,827)	(19,826)	(152,785)
	384,825	364,358	479,570	4,136,124
Valuation and translation adjustments:				
Net unrealized holding gain on securities	13,095	7,319	19,125	140,746
Net unrealized holding gain (loss) on hedging derivatives	0	(3)	39	0
Foreign currency translation adjustments	(20,637)	(21,766)	1,310	(221,808)
	(7,542)	(14,450)	20,474	(81,062)
Minority interests	41,721	48,223	64,183	448,420
Total net assets	419,004	398,131	564,227	4,503,482
Total liabilities and net assets	¥1,238,086	¥1,188,939	¥1,469,248	$13,307,029

Consolidated Statements of Operations

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2010	2009	2008	2010
Net sales	¥1,207,735	¥1,487,615	¥1,786,680	$12,980,815
Cost of sales (Notes 10 and 16)	1,039,515	1,341,106	1,509,308	11,172,775
Gross profit	168,220	146,509	277,372	1,808,040
Selling, general and administrative expenses (Notes 10 and 16)	177,681	192,002	200,196	1,909,727
Operating income (loss)	(9,461)	(45,493)	77,176	(101,687)
Other income (expenses):				
Interest and dividend income	2,900	3,988	3,972	31,169
Equity in earnings of non-consolidated subsidiaries and affiliates	3,858	2,992	5,947	41,466
Amortization of negative goodwill	1,469	—	—	15,789
Interest expense	(8,476)	(9,323)	(9,512)	(91,101)
Loss on disposal of inventories	—	—	(5,462)	—
Foreign exchange losses	(896)	(4,398)	(6,149)	(9,630)
Gain on sales of investment securities (Note 7)	10,701	1,635	743	115,015
Loss on valuation of investment securities	(1,758)	(1,932)	—	(18,895)
Loss on sales and disposal of property, plant and equipment	(6,068)	(7,093)	(5,399)	(65,219)
Loss on impairment of fixed assets (Note 11)	(4,285)	(3,935)	(719)	(46,055)
Loss on restructuring of subsidiaries and affiliates	(2,307)	(2,243)	(2,871)	(24,796)
Environmental expenses	—	(1,400)	(11,746)	—
Other, net	(1,757)	1,773	(1,427)	(18,885)
	(6,619)	(19,936)	(32,623)	(71,142)
Income (loss) before income taxes and minority interests	(16,080)	(65,429)	44,553	(172,829)
Income taxes (Note 12):				
Current	9,467	5,700	20,067	101,752
Deferred	2,186	34,919	(637)	23,495
	11,653	40,619	19,430	125,247
Income (loss) before minority interests	(27,733)	(106,048)	25,123	(298,076)
Minority interests in earnings of consolidated subsidiaries	(277)	10,811	(292)	(2,977)
Net income (loss)	¥ (28,010)	¥ (95,237)	¥ 24,831	$ (301,053)

	Yen			U.S. dollars (Note 3)
Amounts per share of common stock:				
Net income (loss)	¥(33.04)	¥(125.46)	¥32.22	$(0.355)
Cash dividends applicable to the year	3.00	9.00	12.00	0.032

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, 2010, 2009 and 2008

	Number of shares of common stock (Thousands)	Millions of yen								
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized holding gain (loss) on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	792,020	¥103,226	¥69,257	¥311,703	¥(18,280)	¥ 34,290	¥ 21	¥ 4,292	¥65,743	¥570,252
Cash dividends paid	—	—	—	(9,256)	—	—	—	—	—	(9,256)
Net income	—	—	—	24,831	—	—	—	—	—	24,831
Purchase of treasury stock	—	—	—	—	(1,809)	—	—	—	—	(1,809)
Disposition of treasury stock	—	—	(19)	(22)	263	—	—	—	—	222
Changes resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	—	—	—	(324)	—	—	—	—	—	(324)
Other changes	—	—	—	—	—	(15,165)	18	(2,982)	(1,560)	(19,689)
Balance at March 31, 2008	792,020	¥103,226	¥69,238	¥326,932	¥(19,826)	¥ 19,125	¥ 39	¥ 1,310	¥64,183	¥564,227
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	(588)	—	—	—	—	—	(588)
Cash dividends paid	—	—	—	(9,128)	—	—	—	—	—	(9,128)
Net loss	—	—	—	(95,237)	—	—	—	—	—	(95,237)
Purchase of treasury stock	—	—	—	—	(10,629)	—	—	—	—	(10,629)
Disposition of treasury stock	—	—	—	(258)	628	—	—	—	—	370
Other changes	—	—	—	—	—	(11,806)	(42)	(23,076)	(15,960)	(50,884)
Balance at March 31, 2009	792,020	¥103,226	¥69,238	¥221,721	¥(29,827)	¥ 7,319	¥ (3)	¥(21,766)	¥48,223	¥398,131
Issuance of new shares	230,000	21,827	21,827	—	—	—	—	—	—	43,654
Cash dividends paid	—	—	—	(2,255)	—	—	—	—	—	(2,255)
Net loss	—	—	—	(28,010)	—	—	—	—	—	(28,010)
Purchase of treasury stock	—	—	—	—	(181)	—	—	—	—	(181)
Disposition of treasury stock	—	—	—	(8,534)	15,793	—	—	—	—	7,259
Other changes	—	—	—	—	—	5,776	3	1,129	(6,502)	406
Balance at March 31, 2010	1,022,020	¥125,053	¥91,065	¥182,922	¥(14,215)	¥ 13,095	¥ 0	¥(20,637)	¥41,721	¥419,004

	Thousands of U.S. dollars (Note 3)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized holding gain (loss) on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	$1,109,480	$744,175	$2,383,072	$(320,583)	$ 78,665	$(32)	$(233,942)	$518,304	$4,279,139
Issuance of new shares	234,598	234,598	—	—	—	—	—	—	469,196
Cash dividends paid	—	—	(24,237)	—	—	—	—	—	(24,237)
Net loss	—	—	(301,053)	—	—	—	—	—	(301,053)
Purchase of treasury stock	—	—	—	(1,945)	—	—	—	—	(1,945)
Disposition of treasury stock	—	—	(91,724)	169,743	—	—	—	—	78,019
Other changes	—	—	—	—	62,081	32	12,134	(69,884)	4,363
Balance at March 31, 2010	$1,344,078	$978,773	$1,966,058	$(152,785)	$140,746	$ 0	$(221,808)	$448,420	$4,503,482

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, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2010	2009	2008	2010
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥(16,080)	¥ (65,429)	¥ 44,553	$(172,829)
Depreciation and amortization	69,844	76,742	68,185	750,688
Goodwill amortization	5,034	4,632	4,411	54,106
Loss on impairment of fixed assets	4,285	3,935	719	46,055
Changes in allowance for doubtful accounts	(392)	(330)	81	(4,213)
Reserve for periodic repairs	(639)	1,514	(314)	(6,868)
Accrued directors' and corporate auditors' retirement benefits	—	—	(917)	—
Provision for environmental measures	(277)	842	11,106	(2,977)
Interest and dividend income	(2,900)	(3,988)	(3,972)	(31,169)
Interest expenses	8,476	9,323	9,512	91,101
Equity in earnings of non-consolidated subsidiaries and affiliates	(3,858)	(2,992)	(5,947)	(41,466)
(Gain) loss on sales of investment securities	(10,591)	(1,151)	(396)	(113,833)
Loss on valuation of investment securities	1,758	1,932	844	18,895
Gain on sales of property, plant and equipment	(879)	(771)	(2,443)	(9,448)
Loss on sales and disposal of property, plant and equipment	2,675	2,707	4,343	28,751
(Increase) decrease in trade receivables	(79,480)	150,474	12,804	(854,256)
(Increase) decrease in inventories	34,963	7,190	(11,913)	375,785
Increase (decrease) in trade payables	62,416	(131,389)	(2,718)	670,851
Other, net	(3,912)	25,206	5,145	(42,047)
Subtotal	70,443	78,447	133,083	757,126
Interest and dividend received	5,049	8,362	9,570	54,267
Interest paid	(8,525)	(9,282)	(9,600)	(91,627)
Income taxes paid	3,206	(22,645)	(40,630)	34,458
Net cash provided by operating activities	70,173	54,882	92,423	754,224
Cash flows from investing activities				
Acquisition of property, plant, equipment and others	(55,369)	(73,411)	(86,363)	(595,110)
Proceeds from sales of property, plant, equipment and others	1,933	2,485	3,028	20,776
Purchases of investment securities	(3,761)	(10,199)	(8,663)	(40,423)
Proceeds from sales of investment securities	15,972	12,002	9,776	171,668
Payments for purchase of minority interests in a subsidiary	(1,005)	—	(136)	(10,802)
Payments for purchases of newly consolidated subsidiaries, net of cash acquired	—	(8,684)	(58)	—
Other, net	(683)	1,554	4,210	(7,341)
Net cash used in investing activities	(42,913)	(76,253)	(78,206)	(461,232)
Cash flows from financing activities				
Net increase (decrease) in short-term loans	(67,319)	(3,597)	(10,177)	(723,549)
Proceeds from long-term debt	50,742	107,189	34,185	545,378
Repayments of long-term debt	(28,445)	(34,086)	(40,215)	(305,729)
Proceeds from issuance of common stock	43,436	—	—	466,853
Proceeds from stock issuance to minority shareholders	2,114	—	—	22,721
Proceeds from sales of treasury stock	52	370	222	559
Purchases of treasury stock	(181)	(10,629)	(1,809)	(1,945)
Cash dividends paid	(2,255)	(9,128)	(9,256)	(24,237)
Other, net	(676)	(1,784)	(1,684)	(7,265)
Net cash provided by (used in) financing activities	(2,532)	48,335	(28,734)	(27,214)
Effect of exchange rate changes on cash and cash equivalents	(135)	(4,598)	(139)	(1,451)
Net increase (decrease) in cash and cash equivalents	24,593	22,366	(14,656)	264,327
Cash and cash equivalents at beginning of the year	47,949	25,502	40,443	515,359
Increase (decrease) in cash resulting from changes in numbers of consolidated subsidiaries	420	81	(285)	4,514
Cash and cash equivalents at end of the year (Note 4)	¥ 72,962	¥ 47,949	¥ 25,502	$784,200

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, 2010, 2009 and 2008

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 Law of Japan (formerly Securities and Exchange Law), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Effective April 1, 2008, the Company adopted the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18, May 17, 2006, “PITF No. 18”).” In accordance with PITF No. 18, the accompanying consolidated financial statements have been prepared with necessary adjustments for certain items.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

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.

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, 2010, the numbers of consolidated subsidiaries and non-consolidated subsidiaries and affiliates accounted for by the equity method were 66 and 30, respectively.

In the elimination of investments in subsidiaries, the portion of the assets and liabilities of a subsidiary attributable to the subsidiary’s shares acquired by the Company is recorded based on its fair value as of the respective dates when such shares were acquired.

The amounts of assets and liabilities attributable to minority shareholders of the subsidiaries are recorded based on the financial statements of each subsidiary. The excess of the cost of investments in consolidated subsidiaries over the net assets acquired is deferred as a consolidation difference and is amortized over a period of twenty years or less.

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

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 domestic consolidated subsidiaries have reported foreign currency translation adjustments as a component of valuation and translation adjustments and minority interests.

c. Inventories

Inventories are stated primarily at cost by the last-in, first-out method (the balance sheet amount is written down based on the decrease in profitability).

Previously, inventories were stated primarily at the lower of cost or market, cost being determined by the last-in, first-out method. Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006). As a result of adopting this standard, for the year ended March 31, 2009, operating loss decreased by ¥7,207 million, and loss before income taxes and minority interests decreased by ¥9,699 million compared to the amounts that would have been reported if the previous methods had been applied consistently.

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 by the moving-average method. Cost of other securities sold is determined by the moving-average method.

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

Property, plant and equipment are stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the respective assets except for buildings, which are depreciated using the straight-line method.

Maintenance, repairs and minor renewals are currently charged to income; major renewals and improvements are capitalized.

Effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of the Japan Corporate Tax Law and its regulations. As a result of this change, for the year ended March 31, 2008, depreciation and amortization increased by ¥1,872 million, and operating income and income before income taxes and minority interests decreased by ¥1,848 million compared to the amounts that would have been reported if the previous methods had been applied consistently.

Effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries started depreciation for the property, plant and equipment which were acquired on or before March 31, 2007 and were already depreciated to 5% of the acquisition cost. The depreciation of the difference of the acquisition cost and the nominal amount was calculated by the straight-line method over the five years after these assets were depreciated to 5% of the acquisition cost. The depreciation was charged to depreciation expense. As a result of this change, for the year ended March 31, 2008, depreciation and amortization increased by ¥993 million, and operating income and income before income taxes and minority interests decreased by ¥967 million compared to the amounts that would have been reported if the previous methods had been applied consistently. The effect of this change on segment information is disclosed in note 17.

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries revised the useful life of machineries in response to the revision of the Corporate Tax Law. As a result, for the year ended March 31, 2009, this change had only minor impact on operating loss and loss before income taxes and minority interests.

f. Intangible assets (Except for assets leased)

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.

Previously, finance leases other than those which transfer the ownership of the leased property to the lessees are accounted for in the same manner as operating leases. Effective from the year ended March 31, 2009, the Company adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, revised on March 30, 2007), and such transactions are now accounted for as ordinary sale and purchase transactions.

Depreciation of leased assets is computed by the straight-line method over the respective lease terms.
In addition, finance lease transactions starting on or before March 31, 2008 that do not transfer ownership of the leased property to the lessees are accounted for as operating leases.

As a result, in the year ended March 31, 2009, this change had only minor impact on operating loss and loss before income taxes and minority interests.

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 fair value of the derivatives positions until the related losses or gains on the hedged items are recognized.

However, 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.

j. Allowance for doubtful accounts

The allowance for doubtful accounts is provided at amounts 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. Employees' retirement benefits

Employees of the Company and its domestic consolidated subsidiaries are covered by an employees' retirement benefit plan and two non-contributory defined benefit pension plans.

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 performance, 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 Company and its consolidated subsidiaries have provided an allowance for employees' severance and retirement benefits based on the estimated amounts of the projected benefit obligation less the fair value of the pension plan assets.

Prior service cost is recognized as incurred or is amortized by the straight-line method over certain years (10 years) within the average estimated remaining service years of the eligible employees. Actuarial gain or loss is recognized by the straight-line method over certain years (10 to 13 years) within the average estimated remaining service years of the eligible employees commencing the year following the year in which the gain or loss was recognized.

Effective the year ended March 31, 2010, the Company has applied "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008). No discount rate fluctuations have occurred as a result of the application of this accounting standard. Consequently, operating loss, recurring loss and loss before income tax and minority interests have not been affected.

l. Accrual for directors' bonuses

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

The Company has not recorded allowance reserves since the previous fiscal year due to a worsening of performance.

m. Directors' and corporate auditors' retirement benefits

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

n. Reserve for periodic repairs

The Company and its consolidated subsidiaries provide a reserve for the costs of periodic repairs of production facilities at plants.

o. Provision for environmental measures

Effective from the year ended March 31, 2008, the Company provided a provision for environmental measures.

As a result, income before income taxes and minority interests decreased by ¥11,106 million for the year ended March 31, 2008.

p. Amounts per share of common stock

The computation of net income 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.

q. 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.

r. Adoption of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

Effective from the year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006) and has made necessary adjustment to the consolidated financial statements.

As a result, in the year ended March 31, 2009, this change had only minor impact on operating loss and loss before income taxes and minority interests.

s. Additional information

Share issue expense

The issue of 230 million new shares through public offering and third-party allotment, which was resolved at the meeting of the board of directors held on November 13, 2009, was underwritten by an underwriting syndicate at subscription price. This was performed through a so-called "spread method" trade underwriting agreement, in which shares are sold to general investors at an issue price that differs from the subscription price.

While the conventional method is to pay an underwriting fee to the underwriters, under the spread method the difference between the issue price and the subscription price is the actual underwriting fee; therefore, an underwriting fee is not paid to the underwriters.

Under the conventional method, the ¥1,886 million (US$20,271 thousand) total difference between the subscription price and the issue price for the new share issue corresponds to an amount that is accounted for as share issue expense.

Therefore, the Company posted a combined total of common stock and capital surplus and a share issue expense for the current fiscal year that was ¥1,886 million (US$20,271 thousand) less, respectively, and loss before income taxes and minority interests was ¥1,886 million (US$20,271 thousand) less, compared with using the conventional method.

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥93.04=US$1.00, the approximate rate of exchange in effect on March 31, 2010. The translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

Cash and cash equivalents at March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Cash	¥72,956	¥47,949	¥21,752	$784,136
Cash equivalents	6	—	3,750	64
Total	¥72,962	¥47,949	¥25,502	$784,200

The following is the summary of assets acquired and liabilities assumed through the acquisition of share of SDC Technologies, Inc. and other four companies for the year ended March 31, 2009, relating acquisition costs and net disbursement:

	Millions of yen
Current assets	¥ 711
Non-current assets	6,241
Goodwill	6,685
Current liabilities	(2,456)
Long-term liabilities	(2,276)
Acquisition value of shares	8,905
Cash and cash equivalents	(221)
Net disbursement due to the acquisition	¥ 8,684

5. INVENTORIES

Inventories at March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Finished goods	¥143,766	¥183,314	¥188,192	$1,545,206
Work in process	4,273	3,826	4,313	45,927
Raw materials and supplies	70,914	63,514	76,724	762,188
Total	¥218,953	¥250,654	¥269,229	$2,353,321

6. FINANCIAL INSTRUMENTS

Effective the fiscal year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted a new accounting standard entitled “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and its implementation guidance entitled “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 10, 2008).

(As of March 31, 2010)

A. Status of financial instruments

(a) Management policy

In light of plans for capital investment, the Mitsui Chemicals 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.

(b) 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, primarily the shares of companies with which the Group has operational relationships, are exposed to stock market fluctuation risk. The Group also provides long-term loans to other companies with which it has business relationships.

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. However, 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 denominations as said funds.

Loans payable and corporate bonds are primarily for fund raising related to capital investment, with a maximum maturity of nine years and six months 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 “Notes to Consolidated Financial Statements, 2. Significant accounting policies, i. Derivatives and hedge accounting.”

(c) Risk management

i. Credit risk management (risks from non-performance of a trading partner)

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.

ii. Market risk management (risks from fluctuation in foreign currency exchange rates and interest rates)

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 investees, (trading partners) financial conditions 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.

All derivatives transactions the Company and its consolidated subsidiaries enter into are approved by the directors of the financial section. The conditions and results of such transactions are reported semiannually to the Management Meeting.

iii. 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.

(d) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments are 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 “8. Derivatives” does not represent the market risk of the derivative transactions.

B. Fair value of financial instruments

The carrying value on the consolidated balance sheet, fair value, and differences as of March 31, 2010 are as follows. In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please see "Note 2. Financial instruments for which the fair value is extremely difficult to measure.")

	Millions of yen		
Year ended March 31, 2010	Carrying value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 74,602	¥ 74,602	¥ —
(2) Trade notes and accounts receivable	256,610	256,610	—
(3) Short-term investment securities and investment securities	50,336	48,696	(1,640)
(4) Long-term loans receivable	440	487	47
Total	381,988	380,395	(1,593)
Liabilities			
(1) Trade notes and accounts payable	163,062	163,062	—
(2) Short-term bank loans	96,884	96,884	—
(3) Current portion of long-term loans payable	12,522	12,539	17
(4) Current portion of corporate bonds	30,011	30,274	263
(5) Corporate bonds due after one year	124,000	126,606	2,606
(6) Long-term loans payable due after one year	228,962	232,349	3,387
Total	¥655,441	¥661,714	¥6,273
Derivative transactions(*)	¥ (137)	¥ (137)	¥ —

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

	Thousands of U.S. dollars		
Year ended March 31, 2010	Carrying value	Fair value	Difference
Assets			
(1) Cash and deposits	$ 801,827	$ 801,827	$ —
(2) Trade notes and accounts receivable	2,758,061	2,758,061	—
(3) Short-term investment securities and investment securities	541,015	523,388	(17,627)
(4) Long-term loans receivable	4,729	5,234	505
Total	4,105,632	4,088,510	(17,122)
Liabilities			
(1) Trade notes and accounts payable	1,752,601	1,752,601	—
(2) Short-term bank loans	1,041,316	1,041,316	—
(3) Current portion of long-term loans payable	134,587	134,770	183
(4) Current portion of corporate bonds	322,560	325,387	2,827
(5) Corporate bonds due after one year	1,332,760	1,360,769	28,009
(6) Long-term loans payable due after one year	2,460,899	2,497,302	36,403
Total	$7,044,723	$7,112,145	$ 67,422
Derivative transactions(*)	$ (1,472)	$ (1,472)	$ —

*Derivative assets and (liabilities) are on a 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) Trade notes and accounts receivable

The relevant book values are used, because the carrying amount approximates fair value because of 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 based on holding purpose are described in "7. Securities."

(4) Long-term loans receivable
The fair value of long-term loans receivable for which each loan is classified by the specified time period and based on the classification of credit risks that follow internal credit management rules is calculated based on present value, discounting future cash flows against interest rates that add credit spread to such appropriate benchmarks as the rate of return on government bonds.

Liabilities
(1) Trade notes and accounts payable, and (2) Short-term bank loans
The relevant book values are used, because the carrying amount approximates fair value because of the short maturity of these instruments.
(3) Current portion of long-term loans payable, and (6) Long-term loans payable due after one year
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 subject to special treatment in the form of interest rate swaps (described in “8. Derivatives”) are 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 from when new loans of the same type are undertaken.
(4) Current portion of corporate bonds, and (5) Corporate bonds due after one year
The fair value of corporate bonds equals the quoted market price, if available. If the market prices of loans are not available, fair value is calculated based on the present value of the total amount of principal and interest, discounted by the rate determined taking into account the remaining years and the credit risk of the loans.

Derivative transactions
Contract amount, fair value, unrealized gain or loss and others are described in “8. Derivatives.”

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

Year ended March 31, 2010	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥42,895	$461,038
Unlisted preferred securities	6,900	74,162
Long-term loans receivable	1,267	13,618

The above are not included in “(3) Short-term investment securities and investment securities” and “(4) Long-term loans receivable”, 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, 2010	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	¥ 74,602	¥ —	¥ —	¥ —
Trade notes and accounts receivable	256,610	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	6	13	—	—
Other securities with maturities				
(1) Debt securities (corporate bonds)	777	—	—	—
Long-term loans receivable	35	292	113	1,267
Total	¥332,030	¥305	¥113	¥1,267

Year ended March 31, 2010	Thousands of U.S. dollars			
	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	$ 801,827	$ —	$ —	$ —
Trade notes and accounts receivable	2,758,061	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	65	140	—	—
Other securities with maturities				
(1) Debt securities (corporate bonds)	8,351	—	—	—
Long-term loans receivable	376	3,138	1,215	13,618
Total	$3,568,680	$3,278	$1,215	$13,618

Note 4. The redemption schedule for corporate bonds and long-term bank loans subsequent to the consolidated balance sheet date.
Please see "9. Short-term debt and long-term debt."

7. SECURITIES

(As of March 31, 2010)

A. Held-to-maturity debt securities

Year ended March 31, 2010	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Securities whose fair value exceeds their carrying value:						
Government and municipal bonds	¥—	¥—	¥—	$ —	$ —	$—
Securities whose fair value does not exceed their carrying value:						
Government and municipal bonds	19	19	0	204	204	0
Total	¥19	¥19	¥ 0	$204	$204	$ 0

B. Other securities

Year ended March 31, 2010	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:						
(1) Equity securities	¥39,969	¥17,848	¥22,121	$429,589	$191,831	$237,758
(2) Debt securities - corporate bonds	777	775	2	8,351	8,330	22
Securities whose carrying value does not exceed their acquisition cost:						
(1) Equity securities	6,779	7,808	(1,029)	72,861	83,921	(11,060)
(2) Debt securities - corporate bonds	—	—	—	—	—	—
(3) Others	6	6	—	65	65	—
Total	¥47,531	¥26,437	¥21,094	$510,866	$284,147	$226,720

Note: Unlisted equity securities with carrying value of ¥8,015 million (US$86,146 thousand) and unlisted preferred securities with carrying value of ¥6,900 million (US$74,162 thousand) as of March 31, 2010 are not included in the table given above 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.

C. Other securities sold during the fiscal year ended March 31, 2010

Year ended March 31, 2010	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	¥14,458	¥10,669	¥—	$155,396	$114,671	$—
Total	¥14,458	¥10,669	¥—	$155,396	$114,671	$—

D. Impairment of investment securities

For the year ended March 31, 2010, the Mitsui Chemicals Group recognized an impairment of ¥1,758 million (US$18,895 thousand): ¥5 million (US$54 thousand) for other securities whose fair value is available and ¥1,753 million (US$18,841 thousand) for other securities whose fair value is not available.

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.

(As of March 31, 2009 and 2008)

A. The following tables summarize the acquisition cost and book value of marketable securities as of March 31, 2009, and 2008:

Available-for-sale securities

Securities with book value exceeding their acquisition cost

	Millions of yen	
	2009	2008
Equity securities and bonds:		
Acquisition cost	¥17,484	¥19,409
Book value	31,311	49,210
Difference	13,827	29,801

Securities with book value not exceeding their acquisition cost

	Millions of yen	
	2009	2008
Equity securities and bonds:		
Acquisition cost	¥8,320	¥5,508
Book value	6,308	5,155
Difference	(2,012)	(353)

B. The following table summarizes the book value of non-marketable securities as of March 31, 2009 and 2008:

	Millions of yen	
	2009	2008
(a) Held-to-maturity debt securities:		
Government and municipal bonds	¥ 25	¥ 41
(b) Available-for-sale securities:		
Unlisted equity securities	¥13,476	¥21,475
Unlisted preferred securities	¥ 5,400	—

C. The redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Bonds:		
Due within one year	¥1,101	¥1,716
Due over one year but within five years	816	1,924
Due over five years but within ten years	—	1
Due over ten years	101	100
Total	¥2,018	¥3,741

D. Information related to sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Sales – total	¥1,815	¥771
Related gain – total	1,424	586
Related loss – total	20	27

8. DERIVATIVES

(As of March 31, 2010)

A. 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, 2010	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								
(1) Selling U.S. dollar	¥ 8,450	¥—	¥(232)	¥(232)	$ 90,821	$—	$(2,494)	$(2,494)
(2) Buying U.S. dollar	2,249	—	79	79	24,172	—	849	849
Total	¥10,699	¥—	¥(153)	¥(153)	$114,993	$—	$(1,645)	$(1,645)

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

B. Derivative transactions to which the Company applied hedge accounting

a. Currency related

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2010	Contract amount	(Contract amount over one year)	Fair value	Contract amount	(Contract amount over one year)	Fair value
Deferral hedge accounting method:						
Forward foreign exchange contracts						
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥ 3,611	¥ —	¥ 15	$ 38,811	$ —	$ 161
(2) Buying U.S. dollar (hedged item—other accounts payable)	181	—	4	1,945	—	43
(3) Buying U.S. dollar (hedged item—trade accounts payable)	953	—	5	10,243	—	54
Alternative method(*):						
Forward foreign exchange contracts						
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥ 64	¥ —	(Note2)	$ 688	$ —	(Note2)
(2) Buying U.S. dollar (hedged item—trade accounts payable)	1,834	—	(Note2)	19,712	—	(Note2)
(3) Buying Japanese yen (hedged item—short-term bank loans)	10	—	(Note2)	107	—	(Note2)
Foreign currency swap contracts						
Receiving Japanese yen and paying Thai baht (hedged item-long-term bank loans)	912	—	(Note2)	9,802	—	(Note2)
Total	¥ 7,565	¥ —	¥ 24	$ 81,308	$ —	$ 258

*Foreign monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation risk 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 trade accounts receivables, trade accounts payable and loans payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation risk, fair values of derivative financial instruments are included in that of the trade accounts receivables, trade accounts payable and loans payable as hedged items.

b. Interest related

Year ended March 31, 2010	Millions of yen Contract amount	(Contract amount over one year)	Fair value	Thousands of U.S. dollars Contract amount	(Contract amount over one year)	Fair value
Deferral hedge accounting method:						
Interest swap contracts (hedged item—long-term bank loans) Receiving floating rate and paying fix rate	¥ 686	¥ 258	¥(8)	$ 7,373	$ 2,773	$(86)
Alternative method :						
Interest swap contracts (hedged item—long-term bank loans) Receiving floating rate and paying fix rate	¥29,410	¥29,260	(Note2)	$316,101	$314,488	(Note2)
Total	¥30,096	¥29,518	¥(8)	$323,474	$317,261	$(86)

Notes:
1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. For certain long-term bank loans for which interest swap contracts are used to hedge the interest rate fluctuation risk, fair values of derivative financial instruments are included in that of the long-term bank loans as hedged items.

(As of March 31, 2009 and 2008)
The Company and certain of its consolidated subsidiaries utilize derivatives transactions only for the purpose of hedging the currency risk associated with transactions denominated in foreign currencies and the interest-rate risk associated with loans payable.

As the counterparties to the above financial derivatives transactions are major financial institutions, management of the Company believes that there is no significant risk of default by these counterparties.

All derivatives transactions the Company and certain of its consolidated subsidiaries enter into are approved by the directors of the financial section. The conditions and results of such transactions are reported semiannually to the Management Meeting.

The following summarizes the derivatives used by the Company and certain of its consolidated subsidiaries as hedging instruments and the items hedged:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency trade receivables and trade payables, planned transactions denominated in foreign currencies
Interest-rate swap contracts	Interest on loans payable

The Company and certain of its consolidated subsidiaries assess the effectiveness of the hedges semiannually by comparing the cumulative changes in cash flows from, or the changes in fair value of, the hedged items and the corresponding changes in the value of the derivatives positions.

The Company and certain of its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2009:

	Millions of yen Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Selling U.S. dollar	¥ 616	¥ 636	¥(20)
Buying U.S. dollar	6,758	6,788	30

The company and certain of its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2008:

	Millions of yen Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Buying U.S. dollar	¥6,757	¥6,379	¥(378)
Foreign currency swaps:			
Receiving Singapore dollar, paying U.S. dollar	242	51	51

9. SHORT-TERM DEBT AND LONG-TERM DEBT

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
At March 31, 2010, 2009 and 2008, short-term debt was as follows:				
0.50%-6.57% bank loans	¥ 96,884	¥149,304	¥ 96,329	$1,041,316
Commercial paper	¥ 1,000	¥ 14,200	¥ 80,000	$ 10,748
At March 31, 2010, 2009 and 2008, long-term debt was as follows:				
Bonds payable guaranteed by a bank:				
0.80% bonds due in 2010	¥ 11	¥ 33	¥ 55	$ 118
Unsecured bonds payable:				
2.95% bonds due in 2008	—	—	10,000	—
2.70% bonds due in 2008	—	—	10,000	—
2.07% bonds due in 2010	10,000	10,000	10,000	107,481
1.94% bonds due in 2011	10,000	10,000	10,000	107,481
1.84% bonds due in 2011	10,000	10,000	10,000	107,481
1.62% bonds due in 2011	10,000	10,000	10,000	107,481
1.04% bonds due in 2009	-	10,000	10,000	-
1.36% bonds due in 2012	10,000	10,000	10,000	107,481
0.78% bonds due in 2013	10,000	10,000	10,000	107,481
1.52% bonds due in 2015	10,000	10,000	10,000	107,481
1.57% bonds due in 2013	10,000	10,000	10,000	107,481
1.84% bonds due in 2016	10,000	10,000	10,000	107,481
2.09% bonds due in 2016	10,000	10,000	10,000	107,481
1.40% bonds due in 2012	10,000	10,000	10,000	107,481
1.96% bonds due in 2017	10,000	10,000	10,000	107,481
1.42% bonds due in 2012	10,000	10,000	10,000	107,481
1.93% bonds due in 2017	10,000	10,000	10,000	107,481
1.44% bonds due in 2014	10,000	—	—	107,481
1.26% bonds due in 2009	—	2,000	2,000	—
1.38% bonds due in 2014	3,000	—	—	32,244
1.45% bonds due in 2011	1,000	1,000	1,000	10,748
Loans, principally from banks and insurance companies:				
Secured, maturing through 2011	—	1,050	3,671	—
Unsecured, at rates of 0.56% to 11.65% maturing through 2019	241,484	217,477	132,917	2,595,481
Lease obligations	840	327	—	9,028
	396,335	371,887	309,643	4,259,834
Less current portion	42,661	27,951	36,860	458,523
	¥353,674	¥343,936	¥272,783	$3,801,311

The aggregate annual maturities of long-term debt excluding lease obligations subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 42,533	$ 457,148
2012	51,976	558,641
2013	56,559	607,900
2014	61,881	665,101
2015 and thereafter.	182,546	1,962,016
Total	¥395,495	$4,250,806

The aggregate annual maturities of lease obligations subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥128	$1,376
2012	117	1,257
2013	117	1,257
2014	115	1,236
2015 and thereafter.	363	3,902
Total	¥840	$9,028

At March 31, 2010, the assets pledged as collateral for short-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥780	$8,383
Other non-current assets	89	957

10. ACCRUED EMPLOYEES' RETIREMENT BENEFITS

The liability for severance and retirement benefits included in the consolidated balance sheets as of March 31, 2010, 2009 and 2008 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Projected benefit obligation	¥ 217,377	¥ 208,611	¥ 207,245	$ 2,336,382
Unrecognized prior service cost	(75)	(80)	12	(806)
Unrecognized actuarial loss	(54,916)	(73,851)	(48,362)	(590,241)
Less fair value of pension plan assets	(126,560)	(101,662)	(126,690)	(1,360,275)
Prepaid pension and severance cost	311	355	1,359	3,343
Liability for severance and retirement benefits	¥ 36,137	¥ 33,373	¥ 33,564	$ 388,403

Included in the consolidated statements of operations for the years ended March 31, 2010, 2009 and 2008 are severance and retirement benefit expenses which comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service cost – benefits earned during the year	¥ 5,405	¥ 5,525	¥ 5,655	$ 58,093
Interest cost on projected benefit obligation	5,093	5,050	5,110	54,740
Expected return on plan assets	(2,355)	(2,910)	(2,954)	(25,312)
Amortization of actuarial loss	8,685	6,232	4,958	93,347
Amortization of prior service cost	28	10	(4)	301
Severance and retirement benefit expenses	¥16,856	¥13,907	¥12,765	$181,169

The discount rate and rate of expected return on the pension plan assets assumed by the Company and its consolidated subsidiaries were as follows:

	2010	2009	2008
Discount rate	Principally 2.0%	2.50%	2.50%
Rate of expected return on the pension plan assets	Principally 2.5%	Principally 2.5%	2.50%

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year over the estimated total service years. Prior service cost is recognized as incurred or is amortized by the straight-line method over 10 years. Actuarial gain/loss is recognized by the straight-line method over 10 to 13 years commencing the year following the year in which the gain or loss was recognized.

11. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the year ended March 31, 2010 consisted of the following:

Location		Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks
Tahara City, Aichi Prefecture		Factory	Land	¥1,919	$20,625	Idle property
Others	7 items	Production Facilities	Machinery and equipment, buildings and structures, others	¥2,366	$25,430	Business assets in use
Total				¥4,285	$46,055	

The Company and its consolidated subsidiaries have categorized assets used for business activities based on business divisions or units based on business divisions. Of these assets, those assets that are to be disposed of due to withdrawal from a business or for another reason are assessed on an individual basis. Those assets that are idle or not being used for production activities are also assessed on an individual basis.

Regarding assets used for business activities, the book value for assets to be disposed of due to withdrawal from a business or for another reason is, in cases where the recoverable amount is below book value, reduced to the recoverable amount. The resulting impairment loss amounting to ¥2,366 million ($25,430 thousand) was recorded as other expenses. This impairment loss comprised ¥1,440 million ($15,477 thousand) for buildings and structures, ¥671 million ($7,212 thousand) for machinery and equipment, ¥231 million ($2,483 thousand) for land, and ¥24 million ($258 thousand) for other assets.

In addition, the calculation of recoverable amounts based on either net sales price or utility value. The estimated sales prices were used as net sales price, meanwhile since there were no future cash flows, the utility values were zero.

The book value of assets that are idle or not being used for production activities is, in cases where there are no specific plans for future use and where the recoverable amount is below its book value due to a decline in the market price of land or another reason, reduced to the recoverable amount. The resulting impairment loss on land amounting to ¥1,919 million ($20,626 thousand) was recorded as other expenses.

In addition, the calculation of recoverable amounts based on net sales price which was based on the appraisal value.

12. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of income taxes in Japan which, in the aggregate, resulted in statutory tax rate of approximately 40.6% for the year ended March 31, 2008. The consolidated overseas subsidiaries are subject to the income taxes of their countries of domicile.

The following table summarizes the significant differences between the statutory tax rate and effective tax rates for consolidated financial statement purposes for the year ended March 31, 2008:

	2010	2009	2008
Statutory tax rate	—	—	40.6%
Non-deductible expenses			2.1
Equity in earnings of non-consolidated subsidiaries and affiliates			(5.4)
Gain on change in interests in consolidated subsidiaries			—
Increase (decrease) in valuation allowance			—
Tax credits			(2.5)
Differences of statutory tax rates in consolidated overseas subsidiaries			8.4
Other			0.4
Effective tax rate	—	—	43.6%

The description regarding significant differences between the statutory tax rate and effective tax rates is not reported for the years ended March 31, 2010 and 2009 because of a loss before income taxes and minority interest.

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Deferred tax assets:				
Allowance for doubtful accounts	¥ 139	¥ 572	¥ 1,086	$ 1,494
Employees' retirement benefits	22,407	21,272	19,827	240,832
Accrued bonuses	3,771	3,819	4,704	40,531
Depreciation	2,642	5,145	7,089	28,396
Accrued enterprise taxes	702	204	1,020	7,545
Tax loss carryforwards	46,610	29,971	2,296	500,967
Reserve for periodic repairs	5,987	6,122	5,503	64,349
Provision for environmental measures	4,738	4,851	4,509	50,924
Loss on write-down of inventories	3,637	3,644	3,352	39,091
Loss on valuation of investment securities	5,837	5,767	5,707	62,736
Loss on impairment of fixed assets	5,617	5,291	3,865	60,372
Other	8,356	6,475	10,282	89,812
Subtotal	110,443	93,133	69,240	1,187,049
Valuation allowance	(100,345)	(81,176)	(11,274)	(1,078,515)
Total deferred tax assets	10,098	11,957	57,966	108,534
Deferred tax liabilities:				
Net unrealized holding gain on securities	¥ (7,334)	¥ (3,768)	¥ (9,393)	$ (78,826)
Deferred gain on real properties	(2,996)	(3,381)	(3,510)	(32,201)
Retained earnings of overseas consolidated subsidiaries, etc.	(1,781)	(1,375)	(10,620)	(19,142)
Other	(2,525)	(2,283)	(2,305)	(27,139)
Total deferred tax liabilities	(14,636)	(10,807)	(25,828)	(157,308)
Net deferred tax assets (liabilities)	¥ (4,538)	¥ 1,150	¥ 32,138	$ (48,774)

13. SHAREHOLDERS' EQUITY

Under the Corporate Law of Japan (the "Law"), 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 Law 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 Law 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 Law.

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, 2010 include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 24, 2010.

The amounts of cash dividends relating to the year ended March 31, 2010 that has been approved is shown bellow:

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 ($0.03) per share	¥3,007	$32,319

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
As endorser of trade notes discounted	¥ 5	¥ 6	¥ 38	$ 54
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	6,843	8,195	10,839	73,549
As issuer of commitments for guarantees	236	542	637	2,537

15. LEASES

A. At March 31,2010 ,2009 and 2008, assets leased under finance lease transactions starting on or before March 31, 2008 that do not transfer ownership to the lessees were as follows:

(a) Equivalent acquisition cost, accumulated depreciation amount, accumulated impairment amount and balance at year-end for finance lease transactions accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Machinery and equipment:				
Equivalent acquisition cost	¥6,232	¥7,638	¥10,327	$66,982
Equivalent accumulated depreciation amount	4,193	4,499	5,834	45,067
Equivalent accumulated impairment amount	—	—	—	—
Equivalent balance at year-end	¥2,039	¥3,139	¥ 4,493	$21,915

(b) Future minimum lease payments:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Due within one year	¥ 850	¥1,143	¥1,730	$ 9,136
Due after one year	1,189	1,996	2,763	12,779
Total	¥2,039	¥3,139	¥4,493	$21,915
Impairment of lease assets amount on the balance sheet	¥ —	¥ —	¥ —	$ —

(c) Paid lease fees, equivalent depreciation expense amount and impairment loss:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Paid lease fees	¥1,167	¥1,766	¥2,006	$12,543
Reversal of leased asset impairment loss	—	—	—	—
Equivalent depreciation expense amount	1,167	1,766	2,006	12,543
Impairment loss on leased assets	¥ —	¥ —	¥ —	$ —

B. Obligations under noncancelable operating leases at March 31, 2010, 2009 and 2008, were as follows:

Future Minimum Lease Payments:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Due within one year	¥16	¥25	¥33	$172
Due after one year	27	40	51	290
Total	¥43	¥65	¥84	$462

16. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Research and development expenses	¥38,131	¥40,628	¥42,130	$409,834

17. SEGMENT INFORMATION

(a) Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010, 2009 and 2008 is summarized as follows:

	Millions of yen					
Year ended March 31, 2010	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
I. Sales and operating income (loss):						
Customers	¥372,899	¥105,872	¥709,784	¥19,180	¥ —	¥1,207,735
Inter-segment	14,409	3,044	76,585	59,585	(153,623)	—
Total sales	387,308	108,916	786,369	78,765	(153,623)	1,207,735
Operating expenses	394,887	100,282	793,937	77,703	(149,613)	1,217,196
Operating income (loss)	¥ (7,579)	¥ 8,634	¥ (7,568)	¥ 1,062	¥ (4,010)	¥ (9,461)
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥413,774	¥154,461	¥520,947	¥50,930	¥ 97,974	¥1,238,086
Depreciation and amortization	33,805	7,707	27,169	4,498	1,699	74,878
Loss on impairment of fixed assets	446	230	1,447	243	1,919	4,285
Capital expenditures	19,042	4,877	19,629	4,108	1,398	49,054

	Thousands of U.S. dollars					
Year ended March 31, 2010	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
I. Sales and operating income (loss):						
Customers	$4,007,943	$1,137,919	$7,628,805	$206,148	$ —	$12,980,815
Inter-segment	154,869	32,717	823,141	640,423	(1,651,150)	—
Total sales	4,162,812	1,170,636	8,451,946	846,571	(1,651,150)	12,980,815
Operating expenses	4,244,271	1,077,837	8,533,287	835,157	(1,608,050)	13,082,502
Operating income (loss)	$ (81,459)	$ 92,799	$ (81,341)	$ 11,414	$ (43,100)	$ (101,687)
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	$4,447,270	$1,660,157	$5,599,172	$547,399	$1,053,031	$13,307,029
Depreciation and amortization	363,339	82,835	292,014	48,345	18,261	804,794
Loss on impairment of fixed assets	4,794	2,472	15,552	2,612	20,625	46,055
Capital expenditures	204,665	52,418	210,974	44,153	15,026	527,236

Year ended March 31, 2009	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
	Millions of yen					
I. Sales and operating income (loss):						
Customers	¥431,834	¥118,658	¥ 912,779	¥24,344	¥ —	¥1,487,615
Inter-segment	18,902	2,918	134,706	72,255	(228,781)	—
Total sales	450,736	121,576	1,047,485	96,599	(228,781)	1,487,615
Operating expenses	466,754	114,265	1,079,491	96,515	(223,917)	1,533,108
Operating income (loss)	¥ (16,018)	¥ 7,311	¥ (32,006)	¥ 84	¥ (4,864)	¥ (45,493)
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥432,205	162,777	¥ 485,687	¥46,244	¥ 62,026	¥1,188,939
Depreciation and amortization	37,569	7,622	29,840	4,816	1,527	81,374
Loss on impairment of fixed assets	1,291	208	2,410	26	—	3,935
Capital expenditures	39,894	18,951	17,694	2,730	1,772	81,041

Year ended March 31, 2008	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
	Millions of yen					
I. Sales and operating income:						
Customers	¥504,060	¥122,113	¥1,111,166	¥ 49,341	¥ —	¥1,786,680
Inter-segment	18,685	3,034	143,177	149,511	(314,407)	—
Total sales	522,745	125,147	1,254,343	198,852	(314,407)	1,786,680
Operating expenses	486,888	114,386	1,220,893	195,462	(308,125)	1,709,504
Operating income	¥ 35,857	¥ 10,761	¥ 33,450	¥ 3,390	¥ (6,282)	¥ 77,176
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥489,968	¥159,030	¥697,856	¥71,897	¥50,497	¥1,469,248
Depreciation and amortization	29,564	6,328	30,767	3,811	2,126	72,596
Loss on impairment of fixed assets	605	41	—	60	13	719
Capital expenditures	50,383	6,238	20,648	5,589	1,809	84,667

(Year ended March 31, 2009)

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories"(ASBJ Statement No.9, July 5, 2006) and changed the evaluation standard and the evaluation method for inventories.

The effect of this change was as follows:

	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
	Millions of yen					
Year ended March 31, 2009						
Effect on operating income	¥893	¥848	¥5,393	¥73	¥—	¥7,207

(Year ended March 31, 2008)

Effective the year ended March 31, 2008, the Company and its consolidated subsidiaries changed their business segment classifications. Business segment information for the year ended March 31, 2008 was based on the new classification.

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation.

These changes have had the effect of increasing depreciation and reducing operating income as follows:

	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
	Millions of yen					
Year ended March 31, 2008						
Effect on depreciation	¥ 722	¥ 97	¥ 667	¥ 69	¥ 317	¥ 1,872
Effect on operating income	¥(711)	¥(92)	¥(659)	¥(69)	¥(317)	¥(1,848)

Effective the year ended March 31, 2008, accompanying the revision of Japanese Corporate Tax Law, the Company and its domestic consolidated subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007 and were already depreciated to 5% of the acquisition cost.

The depreciation was calculated by the straight-line method within next five years after these assets were depreciated to 5% of the acquisition cost. Depreciation was charged to depreciation expense.

These changes have had the effect of increasing depreciation and reducing operating income as follows:

	Millions of yen					
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
Year ended March 31, 2008						
Effect on depreciation	¥ 297	¥ 117	¥ 528	¥ 51	¥—	¥ 993
Effect on operating income	¥(295)	¥(103)	¥(518)	¥(51)	¥—	¥(967)

(b) Geographic segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010, 2009 and 2008 is summarized as follows:

	Millions of yen				
Year ended March 31, 2010	Japan	Asia*	Others**	Eliminations	Consolidated
I. Sales and operating income (loss):					
Customers	¥ 994,000	¥147,764	¥65,971	¥ —	¥1,207,735
Inter-segment	58,243	70,057	1,418	(129,718)	—
Total sales	1,052,243	217,821	67,389	(129,718)	1,207,735
Operating expenses	1,070,008	210,189	66,794	(129,795)	1,217,196
Operating income (loss)	¥ (17,765)	¥ 7,632	¥ 595	¥ 77	¥ (9,461)
II. Total assets	¥1,122,569	¥157,460	¥46,491	¥ (88,434)	¥1,238,086

	Thousands of U.S. dollars				
Year ended March 31, 2010	Japan	Asia*	Others**	Eliminations	Consolidated
I. Sales and operating income (loss):					
Customers	$10,683,577	$1,588,177	$709,061	$ —	$12,980,815
Inter-segment	626,000	752,977	15,241	(1,394,218)	—
Total sales	11,309,577	2,341,154	724,302	(1,394,218)	12,980,815
Operating expenses	11,500,516	2,259,125	717,906	(1,395,045)	13,082,502
Operating income (loss)	$ (190,939)	$ 82,029	$ 6,396	$ 827	$ (101,687)
II. Total assets	$12,065,445	$1,692,390	$499,688	$ (950,494)	$13,307,029

	Millions of yen				
Year ended March 31, 2009	Japan	Asia*	Others**	Eliminations	Consolidated
I. Sales and operating loss:					
Customers	¥1,204,422	¥187,759	¥95,434	¥ —	¥1,487,615
Inter-segment	62,410	67,913	1,737	(132,060)	—
Total sales	1,266,832	255,672	97,171	(132,060)	1,487,615
Operating expenses	1,308,333	258,858	98,062	(132,145)	1,533,108
Operating loss	¥ (41,501)	¥ (3,186)	¥ (891)	¥ 85	¥ (45,493)
II. Total assets	¥1,084,167	¥137,951	¥50,318	¥ (83,497)	¥1,188,939

	Millions of yen				
Year ended March 31, 2008	Japan	Asia*	Others**	Eliminations	Consolidated
I. Sales and operating income:					
Customers	¥1,466,628	¥215,553	¥104,499	¥ —	¥1,786,680
Inter-segment	69,586	102,320	1,758	(173,664)	—
Total sales	1,536,214	317,873	106,257	(173,664)	1,786,680
Operating expenses	1,464,153	316,708	102,321	(173,678)	1,709,504
Operating income	¥ 72,061	¥ 1,165	¥ 3,936	¥ 14	¥ 77,176
II. Total assets	¥1,300,926	¥188,424	¥ 52,047	(¥ 72,149)	¥1,469,248

Principal countries or regions of each category:

*Asia: China, Taiwan, Korea, Thailand, Singapore

**Others: North America, Europe

(Year ended March 31, 2009)
Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, July 5, 2006) and changed the evaluation standard and the evaluation method for inventories.

As a result of this change, for the year ended March 31, 2009, operating loss decreased by ¥7,207 million in Domestic (in Japan).

(Year ended March 31, 2008)
Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation.

As a result of this change, for the year ended March 31, 2008, depreciation cost increased by ¥1,872 million and operating income decreased by ¥1,848 million in Domestic (in Japan).

Effective the year ended March 31, 2008, accompanying the revision of Japanese Corporate Tax Law, the Company and its domestic consolidated subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007 and were already depreciated to 5% of the acquisition cost.

The depreciation was calculated by the straight-line method within next five years after these assets were depreciated to 5% of the acquisition cost. Depreciation was charged to depreciation expense.

As a result of this charge, for the year ended Mach 31, 2008, depreciation cost increased by ¥993 million and operating income decreased by ¥967 million in Domestic (in Japan).

(c) Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2010, 2009 and 2008 are summarized by geographic area as follows:

	Millions of yen				
Year ended March 31, 2010	Asia*	North America and Mexico	Europe**	Others***	Overseas sales
Overseas sales	¥375,414	¥53,865	¥40,267	¥7,171	¥ 476,717
Consolidated net sales					¥1,207,735
Ratio of overseas sales to consolidated net sales	31.1%	4.5%	3.3%	0.6%	39.5%

	Thousands of U.S. dollars				
Year ended March 31, 2010	Asia*	North America and Mexico	Europe**	Others***	Overseas sales
Overseas sales	$4,034,974	$578,945	$432,792	$77,074	$5,123,785

	Millions of yen				
Year ended March 31, 2009	Asia*	North America and Mexico	Europe**	Others***	Overseas sales
Overseas sales	¥388,008	¥75,895	¥52,116	¥11,927	¥ 527,946
Consolidated net sales					¥1,487,615
Ratio of overseas sales to consolidated net sales	26.1%	5.1%	3.5%	0.8%	35.5%

	Millions of yen				
Year ended March 31, 2008	Asia*	North America and Mexico	Europe**	Others***	Overseas sales
Overseas sales	¥544,347	¥84,029	¥52,409	¥15,481	¥ 696,266
Consolidated net sales					¥1,786,680
Ratio of overseas sales to consolidated net sales	30.5%	4.7%	2.9%	0.9%	39.0%

Principal countries or regions of each category:
*Asia: China, Taiwan, Korea, Thailand, Singapore
**Europe: Germany, France
***Others: Oceania, Africa

18. GOODWILL AND NEGATIVE GOODWILL

Goodwill and negative goodwill arising from the difference of cost and underlying net assets at the date of acquisition are amortized over periods not exceeding 20 years on a straight-line basis, except that immaterial amounts are charged or credited to income as incurred.

Net goodwill balance (goodwill less negative goodwill) was recorded as intangible assets, which was included in other non-current assets. The amounts of goodwill and negative goodwill at March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Goodwill	¥6,913	¥11,783	¥12,280	$74,301
Negative goodwill	3,302	1,342	2,126	35,490
Difference	¥3,611	¥10,441	¥10,154	$38,811

19. SUBSEQUENT EVENTS

Review of Retirement Benefits and Pension Levels

In April 2010, the Company reviewed retirement benefits and pension levels as one initiative to improve its medium- to long-term profit structure. As a result of the calculations made under the premise that the interest rate on benefits would change, it is anticipated that retirement allowance liabilities will decline by ¥14,618 million, and this reduction corresponds to the prior service cost. Consequently, the Company plans to post this amount as Other Income and record it in its entirety in the first quarter of the fiscal year ending March 31, 2011 in accordance with the Company's designated accounting method.

Independent Auditors' Report

ERNST & YOUNG

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Report of Independent Auditors

To the Shareholders and the Board of Directors of Mitsui Chemicals, Inc.

We have audited the accompanying consolidated balance sheets of Mitsui Chemicals, Inc. and consolidated subsidiaries as of March 31, 2010, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2010, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Chemicals, Inc. and consolidated subsidiaries as of March 31, 2010, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

Supplemental Information

(1) As discussed in Note 17 to the consolidated financial statements, effective April 1, 2007, Mitsui Chemicals, Inc. and consolidated subsidiaries changed business segment classification.

(2) As discussed in Note 2.c to the consolidated financial statements, effective April 1, 2008, Mitsui Chemicals, Inc. and domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ABSJ Statement No. 9, July 5, 2006).

(3) As discussed in Note 19 to the consolidated financial statements, in April 2010, the Company reviewed retirement benefits and pension levels.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

June 24, 2010 Ernst & Young ShinNihon LLC

Major Subsidiaries and Affiliates

(As of March 31, 2010)

*Consolidated subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)		Equity Interest (%)
Performance Materials				
* Chiba Polyol Corporation	Polypropylene glycol	¥	100	90
* Japan Composite Co., Ltd.	Unsaturated polyester resins and molding materials for FRP	¥	1,005	65
* MC Industries, Ltd.	Synthetic resin compounds and wood preservatives	¥	300	100
* Mitsui Chemicals Fabro, Inc.	Functional fabricated products	¥	400	100
* Mitsui Chemicals Industrial Products, Co., Ltd.	Civil engineering and construction materials	¥	400	100
* Cosomo Polyurethane (Malaysia) Sdn, Bhd	Urethane raw materials	RM	2.5	51
* Saxin Corporation	Molded synthetic resin	¥	128	71.4
* Shimonoseki Mitsui Chemicals, Inc.	Phosphoric acid and fertilizers	¥	3,000	100
* Sun Alloys Co., Ltd.	Compounded polymers	¥	50	100
* Sunrex Industry Co., Ltd.	Spunbonded nonwoven fabrics and plastic film	¥	240	100
* Toyo Phosphoric Acid, Inc.	Phosphoric acid	¥	1,500	60
* Tohcello Co., Ltd.	Plastic film	¥	3,450	100
* Tohoku Uloid Co., Ltd.	Synthetic resins, wood adhesives, formalin and other chemical products	¥	80	100
* Anderson Development Company	Specialty chemicals	US$	19.20	100
* Cosmo Scientex (M) Sdn. Bhd.	Urethane prepolymers for flexible packaging applications and providing technical services and assistance to customers	RM	10	70
* Image Polymers Company	Toner resin	US$	9.6	100
* Image Polymers Europe Limited	Toner resin	Pound	4.4	100
* Mitsui Elastomers Singapore Pte. Ltd.	Elastomer	US$	96	100
* Mitsui Hygiene Materials (Thailand) Co., Ltd.	Spunbonded nonwoven fabrics	Baht	1,310	100
* P.T. Cosmo Polyurethane Indonesia	Urethane premixture	US$	1.05	81
* Taiwan Mitsui Chemicals, Inc.	Sales of electronics and information materials	NT$	14	100
* Thai Mitsui Specialty Chemicals Co., Ltd.	Specialty chemicals	Baht	318	51.9
* Tianjin Cosmo Polyurethane Co., Ltd.	Urethane premixture	Yuan	90	70
* Zhang Jia Gang Free Trade Zone Mitsui Link-Upon Advanced Materials, Inc.	Engineering plastic compound	US$	4.66	60
* Foshan Mitsui Chemicals Polyurethane Co., Ltd.	Urethane foam material	US$	7.5	100
Kumho Mitsui Chemicals, Inc.	MDI	Won	35,000	50
Polyimide Laminate Systems, LLC	Polyimide flexible laminate	US$	0.10	50
Sun Alloys Europe GmbH	Compounded polymers	Euro	2	50
Advanced Chemicals				
* Mitsui Fine Chemicals, Inc.	Fine chemical products	¥	400	100
* Mitsui Chemicals Agro Inc.	Agrochemical formulation products and public health insecticides	¥	350	100
* Sun Medical Co., Ltd.	Dental materials	¥	100	70
* Toyo Beauty Supply Corporation	Cosmetics	¥	40	60
* Utsunomiya Chemical Industry Co., Ltd.	Agrochemical formulation products and public health insecticides	¥	20	100
* Yamamoto Chemicals, Inc.	Dyes, pigments and industrial chemicals	¥	350	100
* ESCO Company Limited Partnership	Color former and catalyst	US$	18	100
* Yongsan Mitsui Chemicals, Inc.	Acrylamide	Won	3,850	50
* SDC Technologies, Inc.	High performance coating materials for plastics and non-ferrous metals	US$	81	100
Honshu Chemical Industry, Ltd.	Raw materials for synthetic resins, synthetic fibers, dyes, pharmaceuticals, agricultural chemicals, rubber and other chemicals	¥	1,501	27.1
MT AquaPolymer, Inc.	Organic flocculant	¥	460	49

*Consolidated subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)		Equity Interest (%)
Basic Chemicals				
* Chiba Phenol Company, Limited	Phenol and acetone	¥	300	55
* Evolue Japan Co., Ltd.	Polyethylene	¥	400	75
* Osaka petrochemical Industries, Ltd.	Ethylene, propylene and other basic petrochemical products	¥	5,000	100
* Prime Polymer Co., Ltd.	Polyolefin	¥	20,000	65
* Ube Polypropylene Co., Ltd.	Polypropylene	¥	475	100
* Advanced Composites, Inc.	Polypropylene compound	US$	44.3	62.8
* Advanced Composites Mexicana S.A. de C.V.	Polypropylene compound	US$	2.60	100
* Mitsui Advanced Composites (Zhongshan) Co., Ltd.	Polypropylene compound	US$	15.31	70
* Mitsui Phenols Singapore Pte Ltd.	Phenol, acetone and Bisphenol-A	US$	120	95
* Mitsui Prime Advanced Composites India Pvt Ltd.	Polypropylene compound	Rupee	1,230	83
* Prime Polymer Asia Co., Ltd.	Polyolefin	HK$	1	100
* Siam Mitsui PTA Co., Ltd.	PTA	Baht	4,800	50
* Smh Co., Ltd.	Investment to Siam Mitsui PTA Co., Ltd.	Baht	60	51
* Grand Siam Composites Co., Ltd.	Polypropylene compound	Baht	63.7	48.2
Keiyo Ethylene Co., Ltd.	Ethylene, propylene and other basic petrochemical products	¥	6,000	22.5
P.T. Amoco Mitsui PTA Indonesia	PTA	US$	160	45
P.T. Petnesia Resindo	Polyethylene terephthalate resin for bottles	US$	28	49.6
Shanghai Sinopec Mitsui Chemicals, Co., Ltd.	Bisphenol-A	Yuan	307	50
Thai Pet Resin Co., Ltd.	Polyethylene terephthalate resin for bottles	Baht	900	40
Others				
* Hokkaido Mitsui Chemicals, Inc.	Wood adhesives, paper resins and foliar activator	¥	1,500	100
* MC Business Support, Ltd.	Placements, temporary work and insurance and travel agency	¥	50	100
* MC Operation Support, Ltd.	Operation support for MCI Production sites	¥	10	100
* Mitsui Chemical Analysis & Consulting Service, Inc.	Performing analysis, physical property measurements, and safety tests on chemicals	¥	140	100
* Sanseikaihatsu Co., Ltd.	Consignment from Mitsui Chemicals and miscellaneous	¥	490	100
* Mitsui Chemicals America, Inc.	Manufacture and sales of ADMER and marketing of Mitsui Chemicals products	US$	156	100
* Mitsui Chemicals Asia Pacific, Ltd.	Marketing of Mitsui Chemicals products	S$	3	100
* Mitsui Chemicals Europe GmbH	Manufacture of polypropylene compound, ADMER and marketing of Mitsui Chemicals products	Euro	1.2	100
* Mitsui Chemicals (Shanghai) Co., Ltd.	Marketing of Mitsui Chemicals products	US$	0.30	100
* Mitsui Chemicals India, PVT. LTD.	Sale, market development and market research for the MCI Group's products	Rupee	134	100
* Mitsui Chemicals Do Brasil Representacao Comercial Ltda.	Marketing of Mitsui Chemicals products	US$	0.5	100
Du Pont-Mitsui Fluorochemicals Co., Ltd.	Fluorocarbon resin and gas, and other chemicals	¥	2,880	50
Du Pont-Mitsui Polychemicals Co., Ltd.	Ethylene vinyl acetate copolymer and other ethylenic copolymers	¥	6,480	50

Corporate Data

(As of March 31, 2010)

Date Incorporated
July 25, 1947
(Inaugurated October 1, 1997)

Paid-in Capital
¥125,053 million

Number of Employees
12,892 (Consolidated)

Shares of Common Stock Issued and Outstanding
1,022,020,076

Number of Shareholders
94,318

Stock Listing
Tokyo

Transfer Agent
The Chuo Mitsui Trust & Banking Co., Ltd.

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Mitsui Chemicals Organization Chart

(As of April 1, 2010)

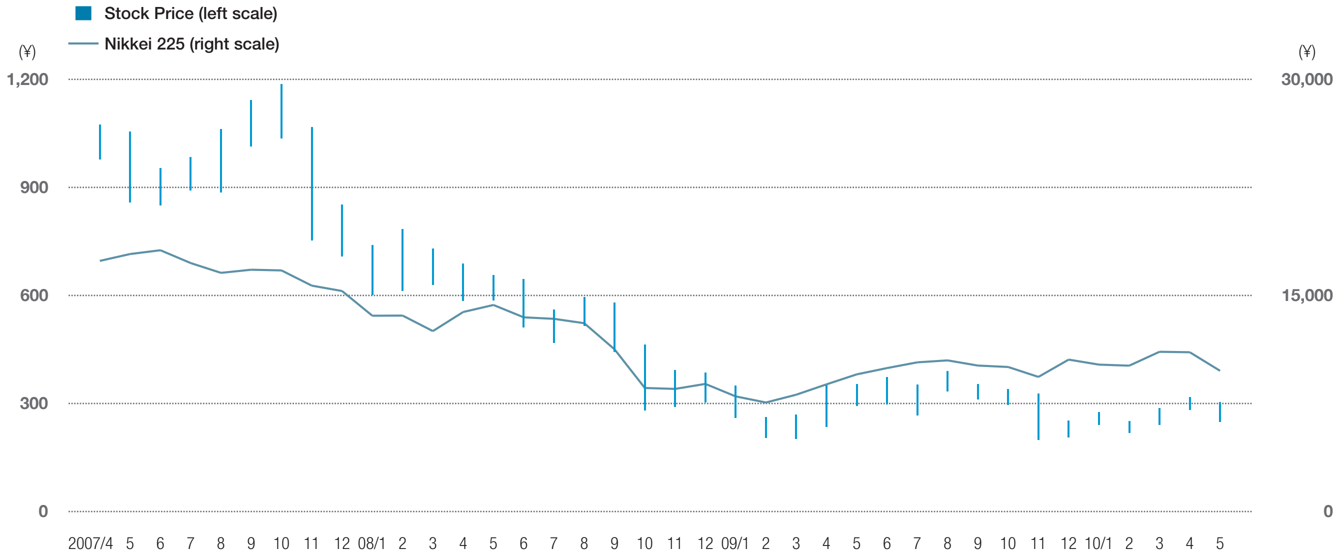
- Board of Directors
  - Chairman
    - President & CEO
      - Management Committee
- Board of Corporate Auditors
  - Corporate Auditors

- Petrochemicals Business Sector
  - Petrochemical Feedstocks Div.
  - (Prime Polymer Co.,Ltd.)
  - Planning & Coordination Div.
- Basic Chemicals Business Sector
  - Phenols Div.
  - PTA & PET Div.
  - Industrial Chemicals Div.
  - Planning & Coordination Div.
- Polyurethane Business Sector
  - Polyurethane Div.
  - Coatings & Engnineering Materials Div.
  - Planning & Coordination Div.
  - Polyurethane Development Div.
- Functional Polymeric Materials Business Sector
  - Elastomers Div.
  - Performance Compound Div.
  - Performance Polymers Div.
  - Planning & Coordination Div.
  - Functional Polymeric Materials Development Div.
- Fabricated Products Business Sector
  - Functional Film Div.
  - Nonwovens Fabric Div.
  - (Tohcello Co.,Ltd.)
  - Planning & Coordination Div.
  - Fabricated Products Development Div.
- Functional Chemicals Business Sector
  - Fine & Performance Chemicals Div.
  - Health Care Materials Div.
  - Licensing Div.
  - (Mitsui Chemicals Agro, Inc.)
  - Planning & Coordination Div.
  - Functional Chemicals Materials Development Div.
- New Market Development (Automotive Materials) Div.
- New Materials Development Center
- New Business Development Div.
- Nagoya Branch
- Osaka Branch
- Fukuoka Branch
- Representative in China
- Representative in Europe
- Mitsui Chemicals Asia Pacific, Ltd.
- Mitsui Chemicals Shanghai Co., Ltd.
- Mitsui Chemicals America, Inc.
- Mitsui Chemicals Europe GmbH

- Research Center
  - Planning & Coordination Div.
  - Intellectual Property Div.
  - Catalysis Science Lab.
  - Material Science Lab.
- Production & Technology Center
  - Planning & Coordination Div.
  - Production Safety & Environment Div.
  - Engneering Div.
  - Overseas Technical Coordination Div.
  - Process Technology Center
  - Kashima Works
  - Ichihara Works
  - Nagoya Works
  - Osaka Works
  - Iwakuni-Ohtake Works
  - Omuta Works
  - Responsible Care Div.
  - Quality Assurance Div.
  - SCM Div.
  - Purchasing Div.
  - Logistics Div.
  - Corporate Administration Div.
  - Legal Div.
  - Human Resources Div.
  - Corporate Planning Div.
  - Affiliates Coordination Div.
  - Finance & Accounting Div.
  - Information Management Div.
  - CSR Promotion Div.
  - Corporate Communications Div.
- Internal Control Div.

Stock Information

Common Stock Price Range



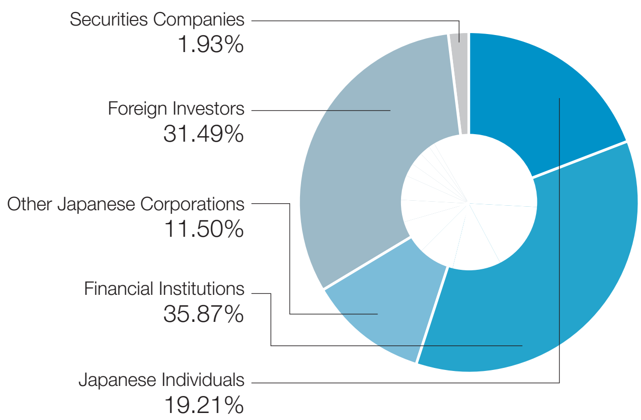
Major Shareholders

(As of March 31, 2010)

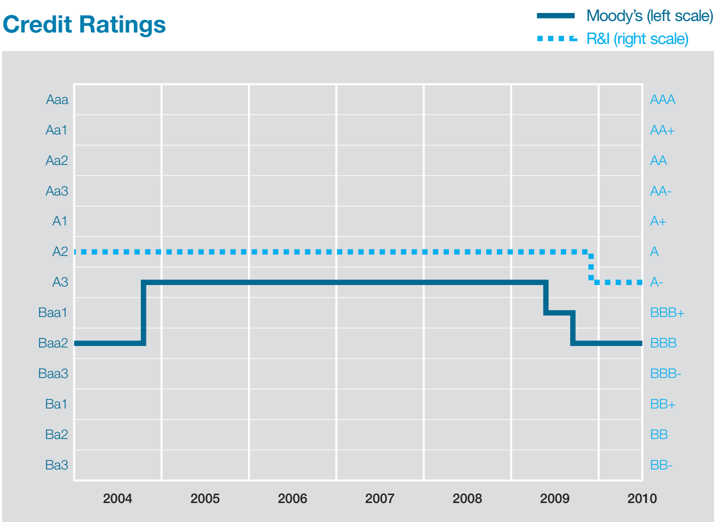
	Number of shares held (Thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	51,802	5.06
The Master Trust Bank of Japan, Ltd. (Trust account)	50,114	4.90
Japan Trustee Services Bank, Ltd. (Toray Industries Inc. Retirement Benefit Trust Account re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Ltd.)	37,425	3.66
Mitsui & Co., Ltd. (Standing Proxy: Trust & Custody Services Bank, Ltd.)	34,740	3.39
Sumitomo Mitsui Banking Corporation	21,946	2.14
Japan Trustee Services Bank, Ltd. (Trust account 4)	19,155	1.87
Mitsui Life Insurance Co., Ltd.	18,030	1.76
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	17,123	1.67
Mitsui Sumitomo Insurance Co., Ltd.	16,403	1.60
The Chuo Mitsui Trust and Banking Co., Ltd.	16,317	1.59

Composition of Shareholders

(As of March 31, 2010)



Credit Ratings



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Mitsui Chemicals