Mitsui Chemicals

ANNUAL REPORT 2011

Year Ended March 31, 2011

Five priority businesses

Five world-leading businesses

Five development areas

The Mitsui Chemicals Group has formulated its new 2011 Mid-Term Business Plan (April 2011 to March 2014). As the first year of our three-year Mid-Term Business Plan, this fiscal year is very important in terms of putting us on the right course toward our new growth.

We will work on to achieve new targets based on the following basic strategies:

Targets •**Establish a global presence with a focus on Asia**
•**Establish a business portfolio for growth and sustainability**

"5-5-5 Strategies" [Basic Strategies of 2011 Mid-Term Business Plan]

[1] Five priority businesses : Expand businesses that are resilient to economic change
[2] Five world-leading businesses : Globally expand businesses with competitive advantages
[3] Five development areas : Create next-generation core businesses
[4] Strengthen competitiveness in the domestic market

To rapidly implement these strategies, Mitsui Chemicals undertook organizational restructuring on April 1, 2010, reorganizing its former three-segment business operational structure into six business segments.

By further augmenting the speed and flexibility of Mitsui Chemicals' management structure, this reorganization is enabling the Group to take steps to secure greater corporate value.

TAFMER ™

A resin developed using proprietary polymerization technology.

When combined with other resins for use in specific products, the impact strength and flexibility of those products is greatly enhanced. With a wide variety of applications, including sports shoes and packaging materials, TAFMER™ is primarily mainly used in automotive components.

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

Years ended March 31

1997 Mitsui Chemicals established

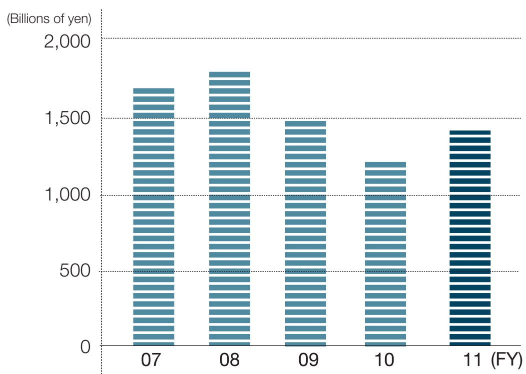
1998 Mid-Term Plan Harnessing effects of merger in the short term

2001 Mid-Term Plan Ensuring further expansion and growth

2004 Mid-Term Plan Restructuring business and reinforcing profitability

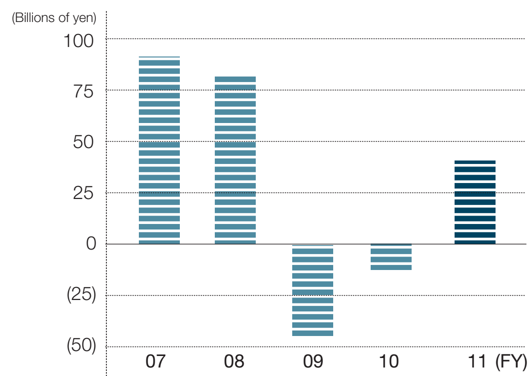
(Millions of yen / thousands of U.S. dollars, except where indicated)	2001	2002	2003	2004	2005	2006
For the Year						
Net sales	¥939,782	¥952,680	¥1,053,182	¥1,089,518	¥1,227,547	¥1,472,435
Operating income (loss)	54,512	42,382	56,458	53,942	80,491	58,705
Net income (loss)	17,068	7,651	20,320	12,466	26,192	44,125
Reference: Ordinary income (loss)	49,067	37,394	48,716	47,694	79,737	61,989
Net cash provided by operating activities	59,356	101,133	144,140	82,163	96,503	79,709
Net cash used in investing activities	(48,903)	(120,067)	(40,777)	(25,807)	(33,085)	(58,247)
Free cash flows	10,453	(18,934)	103,363	56,356	63,418	21,462
At Year-End						
Total current assets	563,245	486,642	445,239	440,517	497,287	608,995
Property, plant and equipment, net	552,759	583,949	580,830	548,799	520,886	532,324
Total investments and other non-current assets	198,509	227,272	199,125	199,150	187,012	187,571
Total assets	1,314,513	1,297,863	1,225,194	1,188,466	1,205,185	1,328,890
Total current liabilities	532,586	525,532	451,613	440,869	440,566	475,074
Total long-term liabilities	388,159	365,708	359,638	325,342	313,389	314,692
Total shareholders' equity	352,988	366,988	370,738	383,365	405,773	464,021
Per Share (Yen / U.S. dollars)						
Net income (loss) per share (basic)	¥ 21.63	¥ 9.70	¥ 25.72	¥ 15.78	¥ 33.26	¥ 56.20
Net income per share (diluted)	¥ 21.44	-	¥ 25.47	-	-	-
Cash dividends per share	¥ 6.00	¥ 6.00	¥ 6.00	¥ 6.00	¥ 7.00	¥ 8.00
Ratios						
Return on sales	1.82%	0.80%	1.93%	1.14%	2.13%	3.00%
Return on equity	4.89%	2.13%	5.51%	3.31%	6.04%	10.15%
Return (operating income(loss)) on assets	4.27%	3.24%	4.48%	4.47%	6.73%	4.63%
Other						
Depreciation and amortization	51,755	56,609	56,850	56,101	56,770	70,099
Capital expenditures	61,524	117,564	68,753	45,722	47,135	81,400
R&D expenses	36,543	39,012	37,114	32,894	34,881	37,146

Net Sales



	07	08	09	10	11
Nets Sales	1,688	1,787	1,488	1,208	1,392

Operating Income (Loss)



	07	08	09	10	11
Operating Income (Loss)	91.7	77.2	(45.5)	(9.5)	40.5

Remarks

In this report, FY (XX) indicates the fiscal year starting from April 1 of (XX-1) and ending at March 31 of (XX). FY 11 indicates the fiscal year from April 1, 2010 to March 31 of 2011.

2008 Mid-Term Plan Striving to create new values → New Growth Strategies → 2011 Mid-Term Plan

2007	2008	2009	2010	2011	
¥1,688,062	¥1,786,680	¥1,487,615	¥1,207,735	**¥1,391,713**	**$16,737,378**
91,678	77,176	(45,493)	(9,461)	**40,548**	**487,649**
52,297	24,831	(95,237)	(28,010)	**24,854**	**298,906**
95,478	66,146	(50,768)	(13,132)	**38,851**	**467,240**
100,565	92,423	54,882	70,173	**73,196**	**880,289**
(133,618)	(78,206)	(76,253)	(42,913)	**(43,204)**	**(519,591)**
(33,053)	14,217	(21,371)	27,260	**29,992**	**360,698**
733,150	726,361	529,606	604,556	**665,976**	**8,009,333**
542,340	564,805	522,641	498,183	**467,735**	**5,625,195**
222,693	178,082	136,692	135,347	**161,916**	**1,947,276**
1,498,183	1,469,248	1,188,939	1,238,086	**1,295,627**	**15,581,804**
591,253	569,560	377,858	386,203	**442,298**	**5,319,279**
336,678	335,461	412,950	432,879	**422,228**	**5,077,907**
504,509	500,044	349,908	377,283	**383,740**	**4,615,033**
¥ 66.68	¥32.22	¥ (125.46)	¥ (33.04)	**¥24.80**	**$ 0.298**
-	-	-	-	**-**	**-**
¥ 10.00	¥12.00	¥9.00	¥3.00	**¥6.00**	**$ 0.072**
3.10%	1.39%	(6.40%)	(2.32%)	**1.79%**	
10.80%	4.94%	-	-	**6.53%**	
6.49%	5.20%	(3.42%)	(0.78%)	**3.20%**	
70,207	72,596	81,374	74,878	**69,237**	**$ 832,676**
72,671	84,667	81,041	49,054	**45,137**	**542,838**
36,943	42,130	40,628	38,131	**36,166**	**434,949**

Progress up to 2008 Mid-Term Plan

[Transition from quantitative to qualitative expansion]

Refined and targeted operations

Failed in expansion and growth in the functional materials sector

Reinforced profitability in the petrochemical and basic chemical sectors

[Major changes in the business environment]

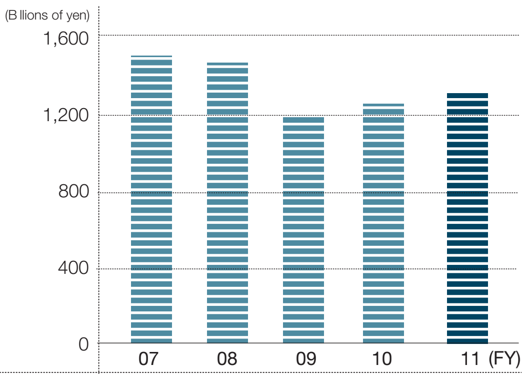
Substantial deterioration in profitability

Review of key strategies (Nov 2009)

"New Growth Foundation Phase"

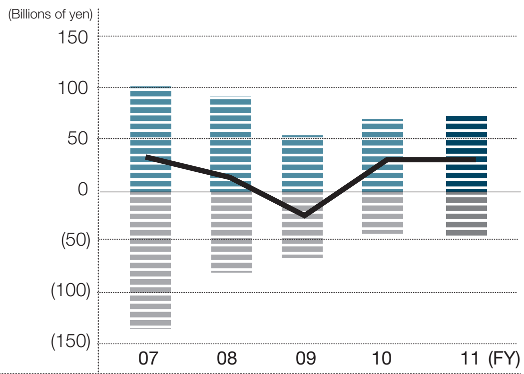
Continuing with changes to our business portfolio and the globalization of management based on visions for the future of the Mitsui Chemicals Group

Total Assets



	07	08	09	10	11
Total Assets	1,498	1,469	1,189	1,238	1,296

Cash Flows



	07	08	09	10	11
Operating activities	100.5	92.4	54.9	70.2	73.2
Investing activities	(133.6)	(78.2)	(76.3)	(42.9)	(43.2)
Free cash flows	(33.1)	14.2	(21.4)	27.3	30.0

Consolidated Financial Highlights

Special Feature: The 2011 Mid-Term Business Plan

Striving to Reform Our Business Portfolio and Globalize Management

In accordance with its vision of itself a decade from now, the Mitsui Chemicals Group is striving to reform its business portfolio and globalize its management. Working to build a new growth foundation, the Group formulated its 2011 Mid-Term Business Plan (April 2011 to March 2014). Under this plan, the Group has adopted an overarching 5-5-5 strategy as a driver of future growth and is steadily pursuing expansion, specifically, it is focusing on developing the five priority businesses that it considers more resilient to changing economic conditions, pursuing the expansion of five highly competitive world-leading businesses, and creating new core businesses for the future in five development areas. Moving forward, the Mitsui Chemicals Group is aiming for sustained competitiveness in the domestic market through business restructuring and thorough rationalization.

While there are concerns that the aftereffects of the March 2011 Great East Japan Earthquake and tsunami will continue to cast a pall over the Japanese economy, the Mitsui Chemicals Group will further accelerate the implementation of its 2011 Mid-Term Business Plan. By swiftly capturing the robust demand of emerging markets, and undertaking aggressive investment, including through M&A, the Group is poised to build a business portfolio defined by growth and continuity and to secure a position within the global market and particularly Asia as a chemicals company of considerable presence and standing.

5 priority businesses

Expansion of businesses more resilient to changing economic conditions

Early expansion of functional chemicals

Accelerate strategic M&As

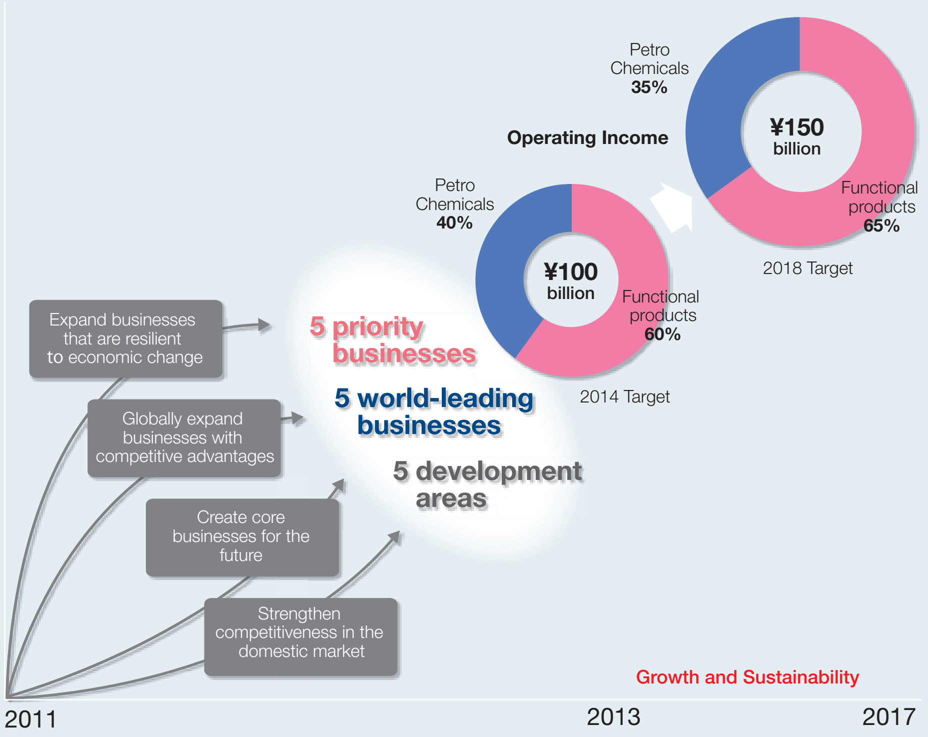
- Precision chemicals(Healthcare, catalysts)
- Agrochemicals

Early expansion of three priority functional material businesses

Prioritize business
Accelerate new product development

- Functional films, functional sheets and nonwovens fabrics
- Coatings and adhesive materials
- Engineering plastics and compounds

President & CEO
Toshikazu Tanaka



5 world-leading businesses

Global expansion of highly competitive businesses

Enhance competitiveness of petrochemical and basic chemical operations

Collaborate with leading partners
Restructure unprofitable businesses

- ● Phenol chains (Phenols, BPA)
- ●● PO compounds (PP compounds, ADMER™)
- ● Elastomers (TAFMER™, EPT)
- ● Metallocene polymers (EVOLUE™)
- ● Optical lense monomers

5 development areas

Creation of core businesses for the future

Create new businesses

Develop products in the new energy and environmental sector

- ● Solar power components
- ● Electronic and information films
- ● Materials for eco-friendly vehicles
- ● Next generation functional chemical products(Next generation pesticides, dental materials)
- ● Biomass chemicals

● Petrochemicals ● Basic Chemicals ● Polyurethane ● Functional Polymeric Materials ● Fabricated Products ● Functional Chemicals

5 *priority businesses*

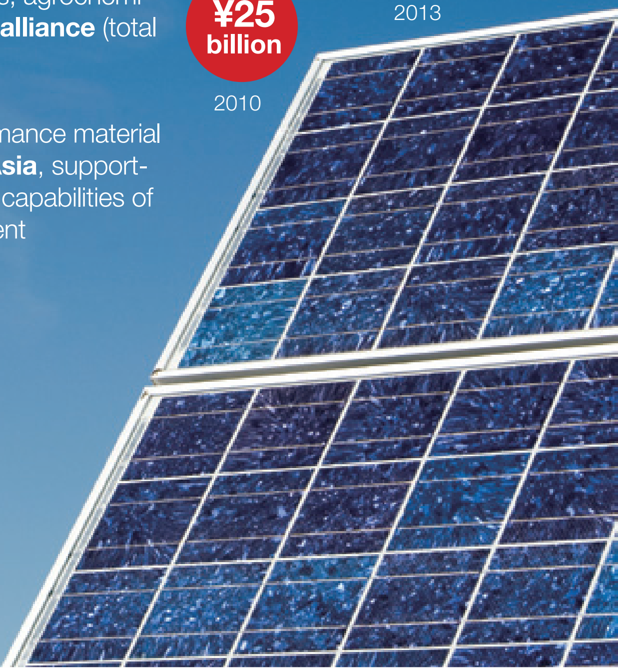
Operating profit:2.6×

¥25 billion 2010 → ¥65 billion 2013

Expand Businesses That Are More Resilient to Changing Economic Conditions

Policy 1:
Early expansion of operations in the functional chemical field (precision chemicals, agrochemicals) through strategic **M&A and alliance** (total investment around ¥100.0 billion)

Policy 2:
Business expansion in the performance material field, **focusing particularly on Asia**, supported by the collective technological capabilities of the Group and proactive investment



Next generation sealant sheets for solar panels

Priority Business	Specific Measures	Main Investment Activities (Completion Date)
Precision chemicals (healthcare, catalysts)	• Expand global businesses through M&A and alliances • Bring to market original polyolefin catalysts	• PP catalyst production JV in Korea (2013)
Agrochemicals	• Undertake a reorganization of domestic operations and pursue overseas M&A and alliances • Expand global sales of existing agents	• Acquisition of a portion of Thai-based agrichemical company (2011)
Functional films, functional sheets and nonwovens fabrics (SOLAR EVA™, electronic information film, other)	• Quickly realize synergies with Mitsui Chemicals Tohcello, Inc. • Actively expand sales in such growth markets as solar power generation • Expand bases for nonwoven fabrics for hygiene materials in Japan and Asia	• Increase in domestic SOLAR EVA™ production capacity (2011), Establishment of a Malaysian production JV (2012) • Increase in highly functional nonwoven fabric for hygiene materials production capacity in domestic (2011) and overseas market (2013)
Coatings, and adhesives (polyurethane, acrylic resin, other)	• Actively develop activities in high-value-added fields • Upgrade and expand the system house network (India : 7th base in Asia) • Strengthen highly unique and original products and technologies	• Establishment of Shishan Mitsui Chemicals Polyurethane (Ranking 6th base in Asia 2011)
Engineering plastics and compounds (APEL™, TPX™, LUCANT™, HI-ZEX MILLION™, ARLEN™, other)	• Expand global businesses that handle unique, essential, “only-one” products • Actively develop overseas businesses in highly functional products and compounds • Establish overseas technical support facilities (China, Singapore)	• Increase in HI-ZEX MILLION™ production capacity (2012)

SOLAR EVA™
Encapsulant sheets made from ethylene-vinyl acetate (EVA). Boasting excellent transparency, flexibility, adhesive bonding properties, high-tensile strength, and durability, SOLAR EVA™ is used as a solar cell encapsulant material. Compatible with both the solar cell thin-film and crystallization methods.

Take Steps toward the Early Expansion of Earnings in the Five Priority Businesses Deemed More Resilient to Changing Economic Conditions by Selectively Focusing Resources and Activities, Including M&A

From the depths of the global recession in 2008, economic growth in recent years has largely shifted from developed countries to emerging countries and regions, including a number in Asia. It has become increasingly evident that the structure of the global economy has also changed, reflecting dramatic expansion in environment- and energy-related markets. With the advent of a truly global economy and information society, local economic fluctuations have the potential to significantly impact the world economy. On the one hand, the cycle between economic boom and bust has narrowed; on the other, the degree of fluctuation has substantially increased.

Under these circumstances, Mitsui Chemicals drew up the 2011 Mid-Term Business Plan to bolster its ability to address and respond to drastic changes in its operating environment. Under the plan, the Company identifies five priority high-value-added businesses in which sustainable growth and development can be anticipated. These five priority businesses draw from and embrace specific attributes peculiar to the Company's overall activities in such areas as: healthcare, agrochemicals, lifestyle materials, and consumer goods, where demand is relatively stable and less susceptible to economic fluctuations; the environment, energy, and information-communication technology, where stable growth is forecast on the back of national policies and emerging market expansion; and products whose costs are not easily affected by changes in raw material, fuel and petrochemicals prices. Moving forward, Mitsui Chemicals will build a business portfolio that is capable of realizing growth and continuity by selectively channeling management resources into these five priority businesses and ensuring their early expansion.

Functional Chemicals

In the healthcare materials business, Mitsui Chemicals is endeavoring to ensure the early expansion of its dental material operations to support the Company's existing top global position in optical lens monomers. At the same time, steps are being taken to accelerate business alliances with other companies.

In the catalyst business, the Company is placing considerable emphasis on the research and development of catalysts, key components of chemical industry technology. In addition to promoting the use of proprietary production applications, Mitsui Chemicals is engaging in the sale of other company products in its efforts to expand business globally. In order to secure a firm foothold in a steadily declining domestic agrochemical market and to expand sales overseas, particularly in emerging markets enjoying ongoing growth, the Company is actively pursuing M&A and alliances as means of expanding its agrochemical products business.

The Performance Materials Field

Mitsui Chemicals Tohcello, Inc. is positioned at the heart of the Company's functional film and sheet business. Here, energies are being channeled toward bolstering competitive strengths by engaging in priority investment and promoting synergy effects in such growth areas as electronic and optical components, solar power generation applications, and functional packaging materials.

In the nonwovens fabric business, Mitsui Chemicals is cementing its position as Asia's leading manufacturer of nonwovens fabrics for hygiene materials in response to the sharp and rapid increase in demand for disposable diapers in Asia while at the same time expanding production capacity.

In its coatings and adhesives activities, the Company is upgrading and expanding its system house network and harnessing its original product technologies to actively develop business in high-value-added fields throughout Asia.

In the engineering plastics compound business, Mitsui Chemicals is establishing technical support bases in China and elsewhere in Asia, where growth continues to be marked. By boosting its marketing capabilities, the Company is also facilitating higher global sales of unique, essential, "only one" and highly functional products.

5 *world-leading businesses*

Globally Expand Highly Competitive World-Leading Businesses

Policy:

Early acquisition of demand in Asia, a region distinguished by its remarkable growth, as well as competitive raw material procurement through collaborative arrangements with such **leading partners** as the Sinopec group in China and the Siam group in Thailand

MITSUI ELASTOMERS SINGAPORE PTE. LTD

World-Leading Business	Specific Measures	Main Investment Activities (Completion Date)
Phenol chain (world ranking: 2) [Phenols, bisphenol A]	• Establish competitive chemical complex of integrated production from materials to derivatives • Plan to expand a joint venture with China-based Sinopec • Strengthen confidence with important customers	• Phenol joint venture in China (Phenol 250,000 tons and Acetone 150,000 tons in 2013)
PO compounds (world ranking: 1) [PP compounds (world ranking: 2) ADMER™ (world ranking: 1)]	• PP compounds: Further expand production capacity of global bases (seven countries, nine bases) • ADMER™: Strengthen bases in Europe and the United States and build a production and technical service structure in such growth regions as China and Latin America	• Increase in PP compound production capacity (740,000 tons in 2010 to 840,000 tons in 2013)
Elastomers (world ranking: 2) [TAFMER™ (world ranking: 2) EPT (asia ranking: 1)]	• TAFMER™: Review increasing of production capacity and transfer head office function to Singapore • EPT: Plan to establish a joint venture with China-based Sinopec	• Newly establish EPT facility in China (75,000 tons in 2014)
Metallocene polymers (world ranking: 3) [EVOLUE™ (world ranking: 1)]	• EVOLUE™: Bolster the Company's top share in the highly functional packaging materials field through new plant construction in Asia	• Increase EVOLUE™ production capacity in Japan (+60,000 tons in 2011), a new base in Asia in 2014 • Newly establish 1-hexane facility
Plasticl lens monomers (world ranking: 1)	• Acquire market share in such emerging markets as China	• Acquire manufacturing and sales company of low and medium refractive index monomer for optical lenses (2011)

Phenol Chain

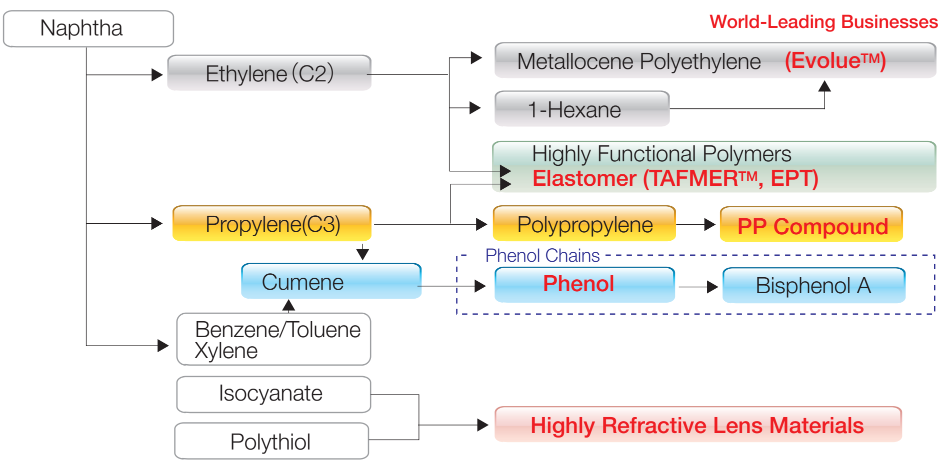
The phenol chain comprises phenols made from propylene and benzene, acetone, bisphenol A, and other products. Phenols are used as base materials for phenol resins for such applications as wood-based adhesives as well as in bisphenol A, which is used to make polycarbonate resins.

Target Top Rankings both Globally and in Asia through Strategic Collaboration with Partners that Exhibit Competitive Advantage

Signs are beginning to emerge that ethylene derivatives from the Middle East, which continues to exert its significant competitive advantage in raw materials, and the rapidly burgeoning petrochemicals industry of China, are placing considerable downward pressure on the chemical industry throughout Asia, including Japan. This is naturally having an effect on the Company's mainstay petrochemical and basic chemical operations. In order to counter the influx of low-priced, high-quality general-purpose products from the Middle East and China, Mitsui Chemicals has pursued a steady shift toward aromatic products that have little or no competitive situation vis-à-vis Middle Eastern products; propylene-related products, including phenol chains and PP compounds; and such ethylene derivatives as elastomers and metallocene polymers that the Company is able to favorably differentiate through the application of proprietary technologies. Moreover, in order to promptly seize business opportunities in the rapidly expanding markets of China and Asia, Mitsui Chemicals has forged relationships with not only Japanese customers but also powerful overseas conglomerates, including the Sinopec Group in China and the Siam Group in Thailand. As a result of these endeavors, the Company has steadily lifted its ratio of overseas sales to total sales to a point where it now stands at close to 50%. In the area of raw material procurement, Mitsui Chemicals established a limited liability company with Idemitsu Kosan Co., Ltd. to jointly operate an ethylene plant in the Chiba area and is planning to participate in the Nigh Son, Vietnam Project. Through these and other tie-ups, the Company has worked diligently to secure highly competitive raw materials.

In the functional chemicals arena, particularly with regard to monomers for plastic eyeglass lenses, where Mitsui Chemicals boasts the world's leading market share, the Company acquired ACOMON AG, the world's dominant manufacturer of low and medium refractive index monomer for optical lenses in April 2011. Since acquiring a 100% interest in ACOMON, Mitsui Chemicals has added to its unrivalled status in the high refractive index monomer global market, gaining an overwhelming presence in the low and middle-refractive index segments, where sales volumes are particularly high. Both in name and substance, the Company is now the global leader in this field. Moving ahead, every effort will be made to further maximize the synergies of both companies and to increase the pace of the overseas business expansion by strengthening the worldwide operating framework.

Under the 2011 Mid-Term Business Plan, Mitsui Chemicals will continue to leverage collaborative ties with influential partners, as part of efforts to advance its five world-leading businesses in emerging markets that are exhibiting remarkable growth, including China. At the same time, the Company will further accelerate the expansion of businesses that are competitive on a global basis by working to secure a stable source of competitive raw materials.



Metallocene polymer

Resins that are made using catalysts referred to as metallocene catalysts.
A synthesized resin that boasts excellent strength compared with conventional Ziegler- Natta catalysts, Evolue™ is the flagship product in the metallocene polymer product range.

5 development areas

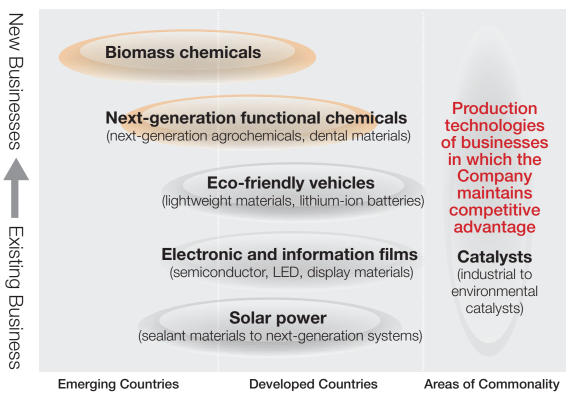
Create Next-Generation Core Businesses

Policy:

Selectively Channeling R&D Resources toward Priority Research Themes Contributing to Broader Society while Achieving Greater Harmony with the Environment

Five Development Areas	Priority Research Themes	(Billions of yen) Forecast Sales (Around 2017)
Solar power components	• Next-generation sealant sheets, other	40
Electronic and information films	• Lightweight LCD films, other • LED/semiconductor process films (product cluster formation)	50
Materials for eco-friendly vehicles	• Lightweight materials (foam,heat-resistant, other) • Materials for lithium-ion batteries (electrode materials, separators)	50
Next-generation functional chemical products	• New pesticides (pesticides, disinfectants, herbicides) • Dental materials (new product development through partnership with Shofu)	50
Biomass chemicals	• Bio-based polyurethane (polyols from castor oil, special isocyanates, other)	10
	Total	200

R&D Direction and Important Research Domains



Create Next-Generation Core Businesses

In its efforts to further transform its business portfolio, Mitsui Chemicals recognizes the need to nurture additional forward-looking core businesses that contribute to broader society while achieving greater harmony with the environment, to better complement its five priority and world-leading businesses.

In this context, the Company recognizes that the direction of its future business development lies in three key areas where chemicals can play a major global-scale role. Specifically, the Company will pursue business opportunities in convenience and functional materials that offer a safe, rich and comfortable lifestyle; healthcare and high-quality materials that place a premium on a high quality of life; and new energy and environmental materials that incorporate concerns for the global environment.

In each of these fields, Mitsui Chemicals has identified specific growth markets. The Company has also established five development areas in which it is well

PO compounds
Polyolefin-based compound products including the adhesive resin ADMER™

positioned to harness its competitive advantages in existing businesses as well as core and fundamental technologies. Moreover, these five development areas offer the promise of growth and the opportunity to nurture future core businesses.

These five development areas comprise solar power components, a vital option in the battle against global warming and key element of the new energy market; biomass chemicals that help address environmental and resource issues; electronic and information films, which as performance materials are playing a critical role underpinning increasingly comfortable lifestyles in the expanding markets of emerging countries; materials for eco-friendly vehicles; and next-generation functional chemical products that support high-quality consumer goods markets in developed countries.

R&D has been earmarked for allocation to these five development areas over the next three years. Along with results for existing products, plans are in place to achieve sales of ¥200 billion around 2017.

Develop Products in the New Energy and Environment Fields

Today, such international energy and environmental issues as global warming, shortages in the supply of food and water in the midst of an ever-increasing global population, and environmental pollution and resource depletion largely attributable to rapid economic growth in emerging countries are attracting increased attention.These issues have been further highlighted by the Great East Japan Earthquake and subsequent nuclear accident.

The role to be played by chemicals in resolving these issues is therefore assuming greater importance. Against this backdrop, Mitsui Chemicals is committed to helping address these problems through the creation of new products and services in performance materials and functional chemicals areas.

In this context, the Company is developing sealant sheets and other next-generation products in the field of solar power generation, one of several vital sources of renewable energy. In addition, Mitsui Chemicals is engaging in lithium-ion battery materials research for use in next-generation vehicles. As a first step in the consumer market, the Company has succeeded in developing practical applications for electrolytic solutions and electrode binders.

Furthermore, Mitsui Chemicals is taking steps toward the practical application of reducing additives to help cut the NOx emissions of diesel vehicles. In order to contribute to increased automotive fuel efficiency, the Company is also promoting the development of lightweight materials.

In the polyolefin- and aromatic-related fields, Mitsui Chemicals maintains a rich portfolio of products derived from fossil fuel resources. Taking into consideration, however, the growing demand for CO_2 reduction and resource diversification, the Company is looking to commercialize bio-based polyurethanes as materials that draw on biomass raw materials.

The New Business Development Division

Yasushi Nawa, General Manager

The New Business Development Division strives to put forward business models that transcend the established chemical industry stereotype of simply delivering materials. In proposing these models, the Division is taking a leading role in reforming the mindset of the Group as a whole. Guided by the keywords “sustainability” and “open innovation,” the Division is endeavoring to create large-scale businesses that encompass such wide-ranging fields as agriculture, food, and water treatment in an effort to contribute to the global environment as well as to nurture a diverse pool of expertise and knowledge that extends beyond in-house ideas and seeds by promoting collaboration encompassing industry and academia as well as external fields and global efforts.

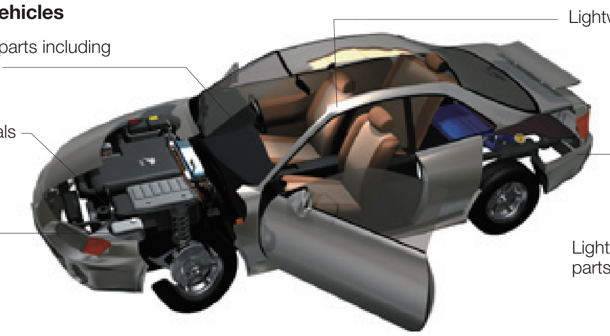
Automotive Materials Division

Akio Hirahara, General Manager

With the mission of creating new automotive products and businesses, the New Market Development (Automotive Materials) Division was launched in April 2010 to strengthen Groupwide automotive material marketing activities.

Recognizing that demand for next-generation automobiles is steadily gathering pace, Mitsui Chemicals has identified eco cars as a priority development theme in its 2011 Mid-Term Business Plan. In line with this theme, the Company is building business models based on the needs of customers, with a keen eye toward using lighter weight resin and foam materials as well as developing materials for the lithium-ion batteries essential to electric mobility.

Materials for eco-friendly vehicles



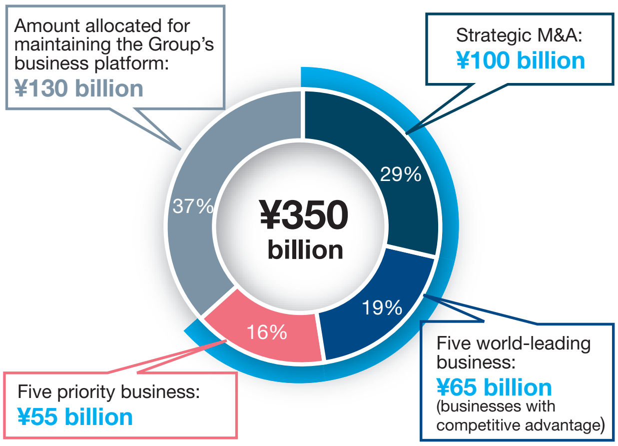
Management Resource Investment Plan

Investment Plan

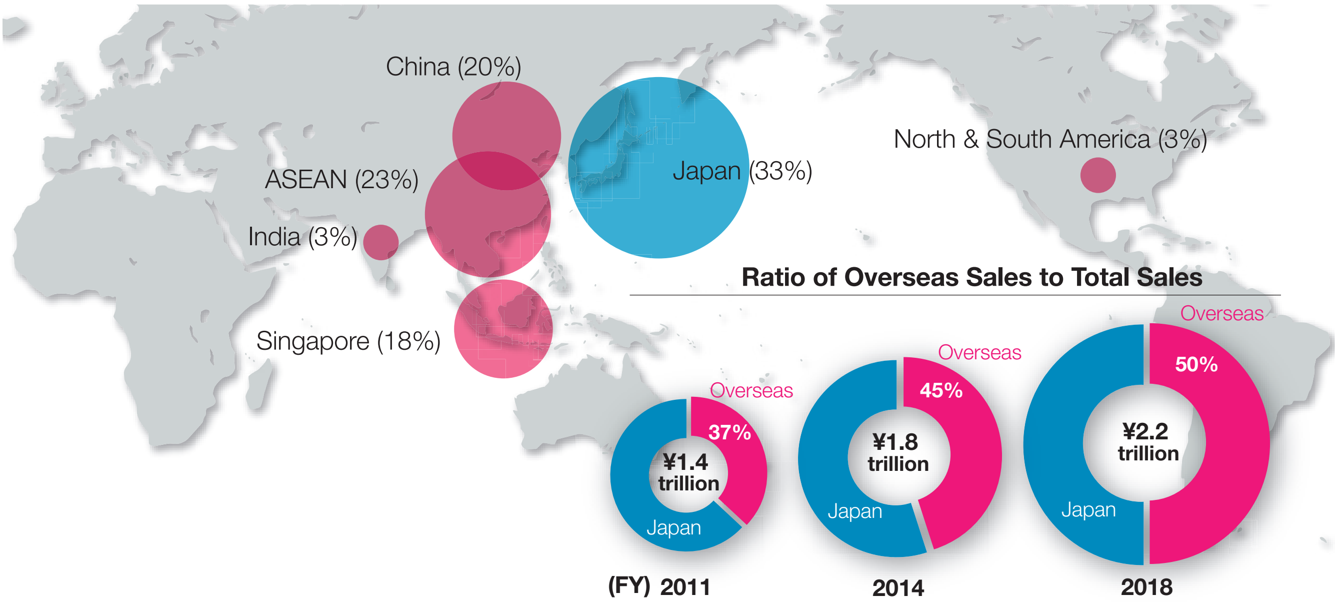
Mitsui Chemicals plans to invest a total of ¥350 billion during the period of the 2011 Mid-Term Business Plan. This figure includes around ¥100 billion in Groupwide M&A activities.

More specifically, the plan entails selectively allocating more than 60% of this total or around ¥220 billion to strategic M&As as well as to growth-oriented investment in each of the Group's five world-leading and five priority businesses, an approach that reflects the Group's focus on developing business portfolios distinguished by growth and continuity. By geographic region, the Group will work swiftly to capture demand in markets that are exhibiting remarkable growth, including China and Asia. To this end, more than 60% of the ¥120 billion earmarked for self-perpetuating growth investment will be channeled toward the Asia market.

Growth-Oriented Investment Including M&A: ¥220 billion (63%)

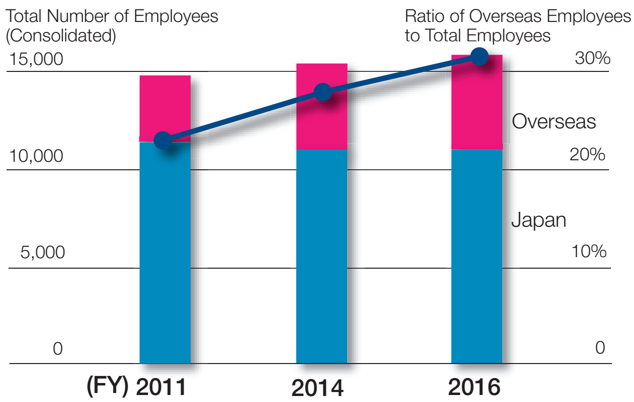


Growth-Oriented Investment:¥120 billion
(Excluding strategic M&A and funds used to maintain the domestic business platform)



Optimizing the Workforce

In an effort to further promote the globalization of its business, the Mitsui Chemicals Group recognizes the need to cultivate human resources capable of excelling on the world stage while at the same time emphasizing localization. The Group is selectively channeling human resources toward overseas bases with the aim of facilitating the shift of head office functions offshore, bolstering overseas R&D and technological services, and launching new overseas projects. Working to maintain a viable position in a domestic market that continues to contract, the Group is rationalizing its workforce, focusing particularly on head office indirect functions in an effort to ensure a lean and agile corporate constitution. Through these means, the Mitsui Chemicals Group is aiming to increase the ratio of overseas employees to total employees to nearly 30% in FY2016.



The changes by M&A are excluded.
The employees temporarily transferred to the affiliated companies are included.

From Overseas Bases

Americas

Two decades have passed since the Mitsui Chemicals Group opened a key office in North America. In the ensuing period, concerted efforts have been made to develop business through a wide range of measures, including M&A. Today, Mitsui Chemicals is represented in the area by a regional managing affiliate that oversees seven bases and business activities that cover a broad spectrum of automotive, advanced, and other performance materials. In addition, the Group established an office in Brazil in 2010. Every effort is being made to strengthen sales in the South American market, which has been recording notable growth.

In recent years, plans for a major petrochemicals project have steadily crystallized following the discovery of substantial reserves of cost-effective shale gas in the United States. This, in turn, has triggered a resurgence in the petrochemical and related downstream industries. The United States plays a leading role as a source from which information is transmitted to the rest of the world, particularly in the fields of green energy and cutting-edge technology development for the ubiquitous computing era, and Mitsui Chemicals is aware of how meeting stringent product specifications is increasingly essential to the Group doing business with leading U.S. companies and developing its new material business globally. As the representative of the Mitsui Chemicals Group in the region, steps will be taken to bolster capabilities throughout the Americas, including Central and South America, and to reinforce business activities in an effort to realize the objectives of the Group's Mid-Term Business Plan.

Shigeru Isayama
Representative in the Americas
President, Mitsui Chemicals America, Inc

Singapore

As a part of efforts to accelerate global management strategies, the Technical Centre of Mitsui Chemicals Asia Pacific was spun off to establish Mitsui Chemicals Singapore R&D Centre Pte. Ltd., in June 2011. This initiative represents the Group's first step toward building an overseas R&D base. The new company is charged with the three-tiered mission of conjoining R&D with business model development to intensify new business opportunities, supporting market development by accelerating access to information on rapidly growing demand in Asian markets, and developing and strengthening global human resources. In order to achieve this mission, the company will focus on development activities in the twin fields of innovative, cutting-edge technologies including bio as well as petrochemical feedstock manufacturing technologies, and advanced materials. To this end, energies will be directed toward attracting highly qualified personnel inherent in Singapore's human resources market and significantly increasing the pace of research and development. Driven by the efforts local personnel and local initiatives, the Group will strive wholeheartedly to develop a new overseas R&D framework.

Terunori Fujita
President, Mitsui Chemicals Singapore R&D Centre Pte. Ltd.

An Interview with the President

Q1

What assumptions were made with respect to the Group's operating environment when drawing up the 2011 Mid-Term Business Plan?

A1

Three broad trends were identified in the Group's operating environment when drawing up the 2011 Mid-Term Business Plan.

The first broad trend reflects the increasing fluctuation in global economic conditions.
The growing trend toward business and economic globalization is increasing economic fluctuation risks that transcend borders as well as widening disparities in conditions between countries and regions. The global economy continues to confront a vast array of risks that have the potential to pull it back into recession. Against the backdrop of this unstable operating environment, the need for corporate management to secure continuity is becoming increasingly vital.

The second trend entails structural changes in the global market.
Since the global recession of 2008, worldwide economic activity has largely been driven by constant development and growth in developing nations. With the shift in activity away from developed countries, we are seeing a rise in the importance of Asian and other regions, including intermediate markets, which are continuing to experience rapid economic growth. At the same time, declining birthrates and aging populations in most leading industrialized countries are providing substantial business opportunities for the Company's ophthalmic lens materials and dental-related materials businesses. This is in line with an expected ongoing upswing in demand for improved health and quality of life.

One of three key issues for the Company is therefore the ensuring its ability to align its activities to these structural changes in the global market and its success in securing opportunities for sustainable growth.

The third and final trend encompasses the growing awareness of and interest in global environmental issues.
Sharp and dramatic growth in such fields as the environment and new energy as well as concerns surrounding the stable supply of food and water resources have highlighted the significant role that chemical companies can and will play in addressing global issues, including greenhouse warming, safe nuclear power generation, and population growth. In this context, and with the increasingly strong sensation that chemicals are now truly coming into their own, the Company will work diligently to capture business opportunities on the strengths of its established competitive advantages in such fields as catalysts, functional resins, films, and agrochemicals while striving to help resolve global environmental issues.

By the same token, it is important to acknowledge that an environment in which conventional business practices and values no longer apply offers an opportunity for renewed growth. The Mitsui Chemicals Group will work to expand businesses that are less affected by fluctuations in the business climate, boost operations competitive at the global level, and create businesses in such fields as the environment and new energy. With this in mind, building a business portfolio distinguished by growth and continuity is a major underlying pillar of the 2011 Mid-Term Business Plan.

Q2

In line with the progress achieved in shifting major businesses overseas, please tell us about the Group's efforts toward adopting global management?

A2

Focusing on core businesses in which Mitsui Chemicals maintains a significant competitive advantage, the Company is shifting from an export-oriented focus to a business model that entails the establishment of production bases in major consuming regions outside Japan.

By forming collaborative ties with strong partners in each region, Mitsui Chemicals plans to expand its overseas businesses. As it continues to implement strategies under its 2011 Mid-Term Business Plan, the Company will accelerate this shift in business model. In endeavoring to become a truly global company, however, Mitsui Chemicals also recognizes the critical need to incorporate a global-scale perspective into its business management. The 2011 Mid-Term Business Plan has, accordingly, been positioned as a period of preparation. Under the Plan, the Company will first pursue four initiatives to reinforce the functions and platforms of overseas affiliates.

Bolster regional managing affiliate functions and capabilities

To strengthen the oversight functions of its overseas businesses, Mitsui Chemicals appoints directors with a wealth of overseas experience from outside the Company and bolster the operations of its four regional managing affiliates in the Americas, Europe, China, and Singapore. In addition, a new representative for the Americas will be appointed from the current fiscal year to oversee operations in North and Latin America. In conjunction with existing representatives in Europe and China, steps will be taken to expand business while uncovering new opportunities.

Transfer the head office functions for the TAFMER™ and related businesses overseas

To swiftly capture a share of the robust demand in Asia, Mitsui Chemicals transferred and strengthened the head office functions of its TAFMER™ business to Mitsui Elastomers Singapore Pte Ltd (MELS), which was already handling some 80% of all production and sales activities, in April 2011.

Strengthen the overseas R&D functions

To strengthen the Group's overseas R&D functions, Mitsui Chemicals established the Mitsui Chemicals Singapore R&D Center in June 2011. The Company will accelerate its R&D activities, working with highly skilled and qualified local researchers. In addition, Mitsui Chemicals will build and reinforce a new business model that plays a role in and globalizes catalyst- and biomass-related R&D and technologies. Such initiatives will provide the springboard for future business opportunities.

Build functional polymeric material-related overseas technical services bases

Mitsui Chemicals will establish technological service centers in Singapore and Shanghai to respond to customer needs on a timely basis with the aim of upgrading and expanding its sophisticated functional polymeric materials product lineup and technical services.

Q3

Contrasting with the continued advance of Mitsui Chemicals' global operations, in Japan the Company is facing intense competition from low-priced imports. Please tell us in more detail Mitsui Chemicals strategies for success in the domestic market?

A3

Given the persistent contraction in demand in Japan, maintaining a viable, ongoing presence in the domestic market hinges on our ability to differentiate our products from imports and ensure our cost competitiveness advantage. Bold and dramatic measures are thus necessary.

Along with such collaborations as business alliances, specific emphasis must be placed on streamlining domestic production bases while greatly enhancing efficiency. In this context, Mitsui Chemicals is currently pursuing three initiatives.

First, Mitsui Chemicals is thoroughly rationalizing its domestic production bases while promoting collaboration with leading partners, including through business alliances, in order to strengthen its business platform. The Company established a limited liability partnership with Idemitsu Kosan Co., Ltd. to ensure optimal production in the Chiba region in Japan while boosting competitiveness overseas. In addition, Mitsui Chemicals adopted an energy conservation process using LNG cold energy produced by Osaka Gas at its ethylene plant in the Osaka region, becoming the first in the world to use this process. Introducing this process has helped the Group to not only enhance the competitiveness of its ethylene plant but reduce its annual CO_2 emissions by around 38,000 tons. In the PET resin business, the Company is strengthening the uniform competitiveness of its supply chains through the merger of its bottle-related operations with those of Teijin Chemicals Ltd.

Second, the Company is considering a raft of measures aimed at rebuilding its business including the closure of plants.

Mitsui Chemicals is accelerating the elimination or consolidation of small-scale and obsolete production facilities as well as the shift to value-added products. The Company has already completed steps to rebuild businesses with annual sales of ¥100 billion and will restructure its general-purpose polyethylene and polypropylene businesses through a variety of measures, including through production optimization and plant closure. Turning to its urethane operations, for which earnings have been deteriorating, Mitsui Chemicals is undertaking thorough cost reduction initiatives at the Omuta and Kashima Works. At the same time, the Company will promote the fundamental restructuring of these operations.

Third, the Company is looking to streamline back-office departments as a part of overall efforts to secure a lean corporate structure. Focusing on retirement-aged workers, plans are in place to reduce head office staff by 1,320 and to build a 7,200-strong workforce over the next five years. This is projected to generate labor-expense savings of approximately ¥20 billion.

LNG Cold Energy

Liquefied natural gas (LNG) is an aqueous fluid at minus 160°C, which is created by cooling natural gas at an ultra low temperature. LNG has cold energy that originates at this ultra low temperature, and as it transition process from liquid to gas form, dissipated heat is captured and cooled.

Q4

Please provide us with information on the allocation of management resources under the 2011 Mid-Term Business Plan.

A4

After incurring a substantial loss at the time of the Lehman Brothers shock in fiscal 2008, the Mitsui Chemicals Group took concerted steps to significantly curtail costs, strengthen marketing capabilities, and curtail investment activity, managing to secure a return to profit in the second half of 2009. Regarding performance in fiscal 2011, while still far from satisfactory, the Group achieved operating income of ¥40.5 billion.

Moving forward, the Group continued to adopt a prudent approach with a keen eye to ensuring a sound financial position. To this end, the Group focused on improving the debt-to-equity ratio and other key financial benchmarks.

To achieve the objectives of the 2011 Medium-Term Business Plan, the Group will bring forward its 5-5-5 strategy and efforts to quickly succeed in the domestic market while actively investing resources in large-scale M&A/partnerships and major overseas projects. Taking each of the aforementioned into consideration, Mitsui Chemicals intends to rapidly shift to a more aggressive posture.

Mitsui Chemicals has earmarked ¥350 billion for investment, including ¥100 billion for strategic M&A, under the 2011 Mid-Term Business Plan. Excluding ¥130 billion allocated to capital and maintenance investment, ¥220 billion of this amount will be channeled toward long-term investment, reflecting a priority on strategic M&A and its Asian operating bases. In evaluating M&A opportunities, the Company will take into consideration the Group's overall strategies, including its financial position and standing. The following three principles will therefore underpin any assessment or consideration of strategic M&A.

1. The M&A must allow the Company to accelerate its strategies.
2. Implementation must proceed after establishing an appropriate corporate value.
3. Ample and prudent consideration must be given to balancing investment concerns with the status of cash flows and financial position.

On the basis that the Company allocates resources identified under the Plan in full, the debt-to-equity ratio is forecast at 1.5 or lower. Mitsui Chemicals is therefore confident in its ability to maintain a sound financial position.

Moreover, the Company will allocate ¥100.0 billion to R&D over a three-year period. Increased emphasis will be placed on further narrowing R&D themes to match areas identified as growth drivers and to increasingly focus on R&D activities with a keen eye on efficiency.

T. Tanaka.

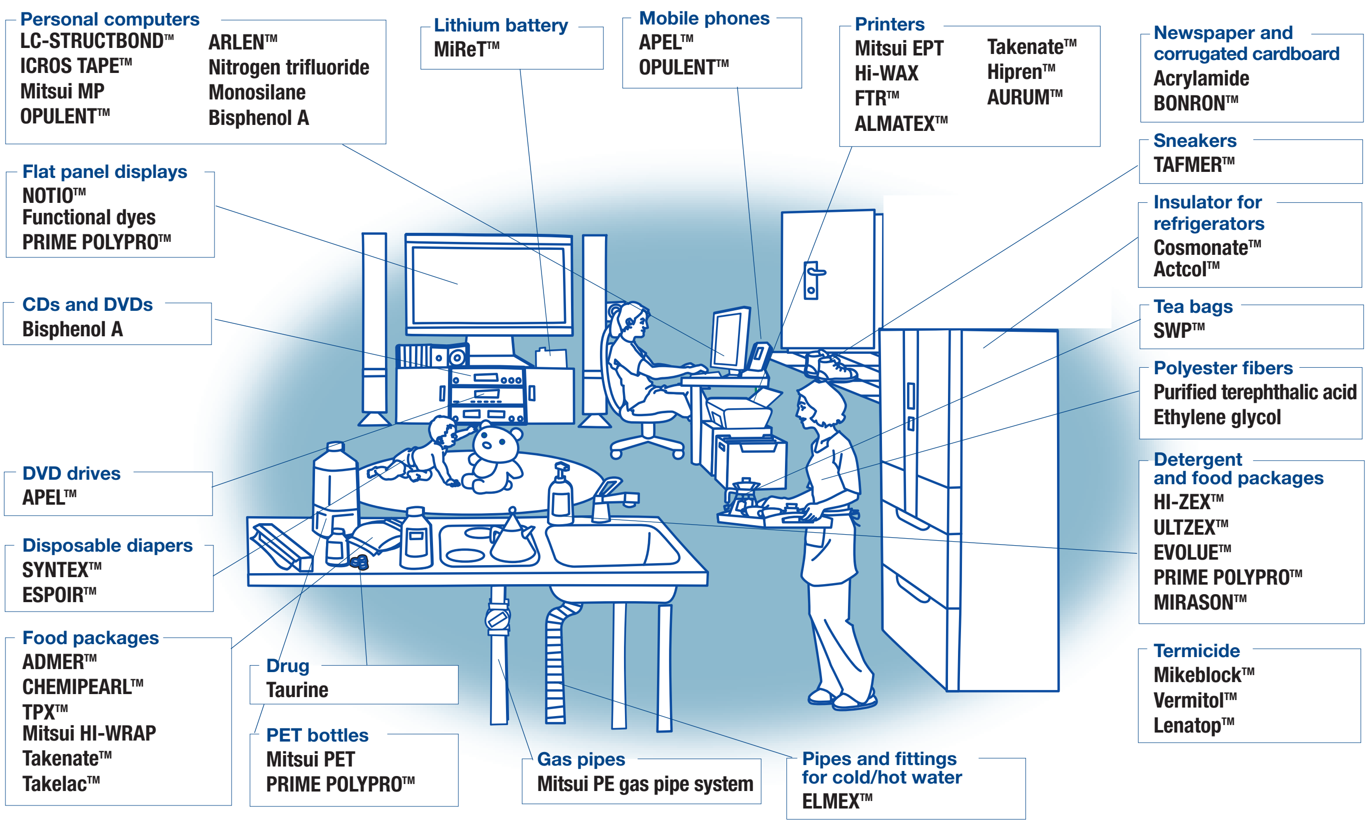
President & CEO **Toshikazu Tanaka**

Main Products

Business Segment		Products	Life, Information and Communication Technology	Automotive Materials	Housing and Construction	Medical and Healthcare	Agriculture
Petrochemicals	Polyethylene	EVOLUE™	●		●		
		HI-ZEX™	●	●	●		
		ULTZEX™	●			●	
	Polypropylene	PRIME POLYPRO™	●	●		●	
Basic Chemicals		Bisphenol A	●	●	●		
		Purified terephthalic acid	●				
		Mitsui PET	●				
		Ethylene glycol	●	●			
		Meta/para-cresol				●	
		Resorcinol		●			
		AdBlue*™		●			
		Urea					●
Polyurethane	TDI/MDI	Cosmonate™	●	●			
	PPG	Actcol™	●	●			
	Coating materials	BONRON™	●				
		ALMATEX™	●	●			
		Hi-WAX	●				
		FTR™	●				
		CHEMIPEARL™	●				
		UNISTORLE™		●		●	
		LC-STRUCTBOND™	●				
		Takenate™	●		●		
		Takelac™	●		●		
		Hipren™	●				
Functional Polymeric Materials	Elastomers	Mitsui EPT	●	●			
		TAFMER™	●	●			
		NOTIO™	●				
		LUCANT™		●			
		MILASTOMER™		●			
	Performance compounds	ADMER™	●	●			
		ARLEN™	●				
	Performance polymers	TPX™	●				
		APEL™	●			●	
		HI-ZEX MILLION™		●		●	
		LUBMER™		●			
		BAREX™				●	
		AURUM™	●				
		MIRASON™	●				

Business Segment		Products	Life, Information and Communication Technology	Automotive Materials	Housing and Construction	Medical and Healthcare	Agriculture
Fabricated Products		Mitsui MP	●				
	Nonwovens fabric	ICROS TAPE™	●				
		SYNTEX™	●			●	
		TAFNEL™		●			
		ESPOIR™	●				
		TECHNOROTE™				●	
		SWP™	●				
		OPULENT™	●				
		SOLAREVA™			●		
		Mitsui HI-WRAP	●				
		Mitsui PE gas pipe system	●				
		ELMEX™	●				
Functional Chemicals		Acrylamide	●				
		Nitrogetrifluoride	●				
		Monosilane	●		●		
	Ophthalmic lens materials	MR™ series				●	
		Taurine	●				
		PGA pellet				●	
	Agrochemicals	Trebon™					●
		Starkle™					●
		Albarin™*					●
		Koromite™					●
		Milebeknock™					●
		Tachigaren™					●
		Nebijin™					●
		Chloropicrin					●
	Termicide	Milebeknock™	●				
		Vermitol™	●				
		Lenatop™	●				
		Mitsuhikari™					●
		MiReT™	●				
		Functional dyes	●				
		Dental Materials				●	

* The Albarin™ is a registered trademark of AGRO-KANESHO CO., LTD.



Gear oil/ engine oil additive
LUCANT™

Hoses
Mitsui EPT

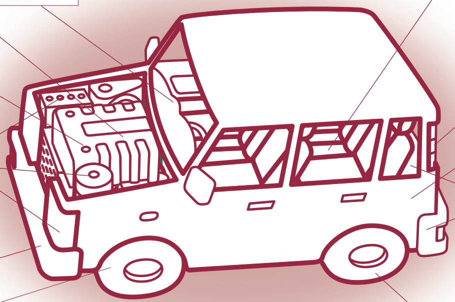
Resin for headlamp lenses
Bisphenol A

Antifreeze
Ethylene glycol

Battery separator
HI-ZEX MILLION™

Bumpers
PRIME POLYPRO™
TAFMER™
UNISTOLE™

Instrument panels
MILASTOMER™
Cosmonate™
Actcol™
PRIME POLYPRO™
TAFMER™



Mud guard
MILASTOMER™

Cushions
Cosmonate™
Actcol™
TAFNEL™

Tire adhesive
Resorcinol

Gasoline tanks
HI-ZEX™
ADMER™

Clear coat paint
ALMATEX™

NOx reducing additive agent diesel-powered vehicles
AdBlue*™

* AdBlue is trademark of Verband der Automobil industire.

Glass run channel
LUBMER™

Raw material for transparent resin for windows
Bisphenol A

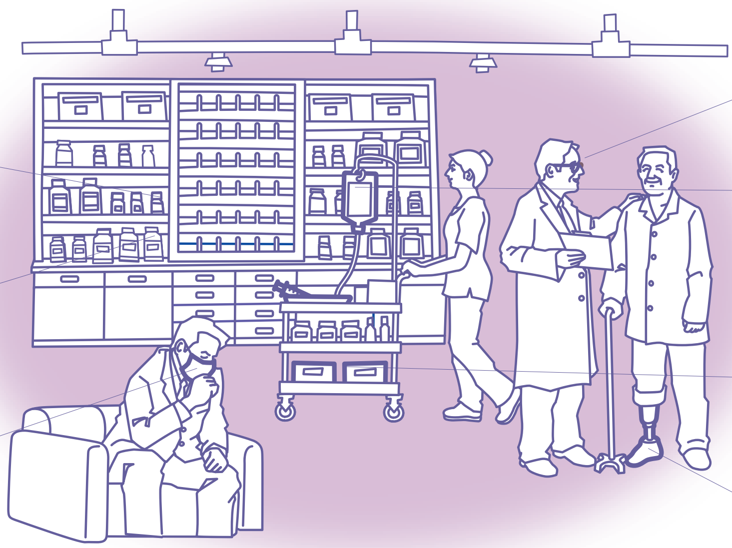
Electric wire sheathing
HI-ZEX™
EVOLUE™

Solar cells
SOLAREVA™
Monosilane
Takenate™
Takelac™

Drug packages
APEL™
BAREX™
UNISTOLE™

Disinfectants
Meta/para-cresol

Masks
SINTEX™
TECHNOROTE™



Glasses
MR™ series

Infusion bags
ULTZEX™
PRIME POLYPRO™

Medical instruments
PGA pellet
Dental Materials

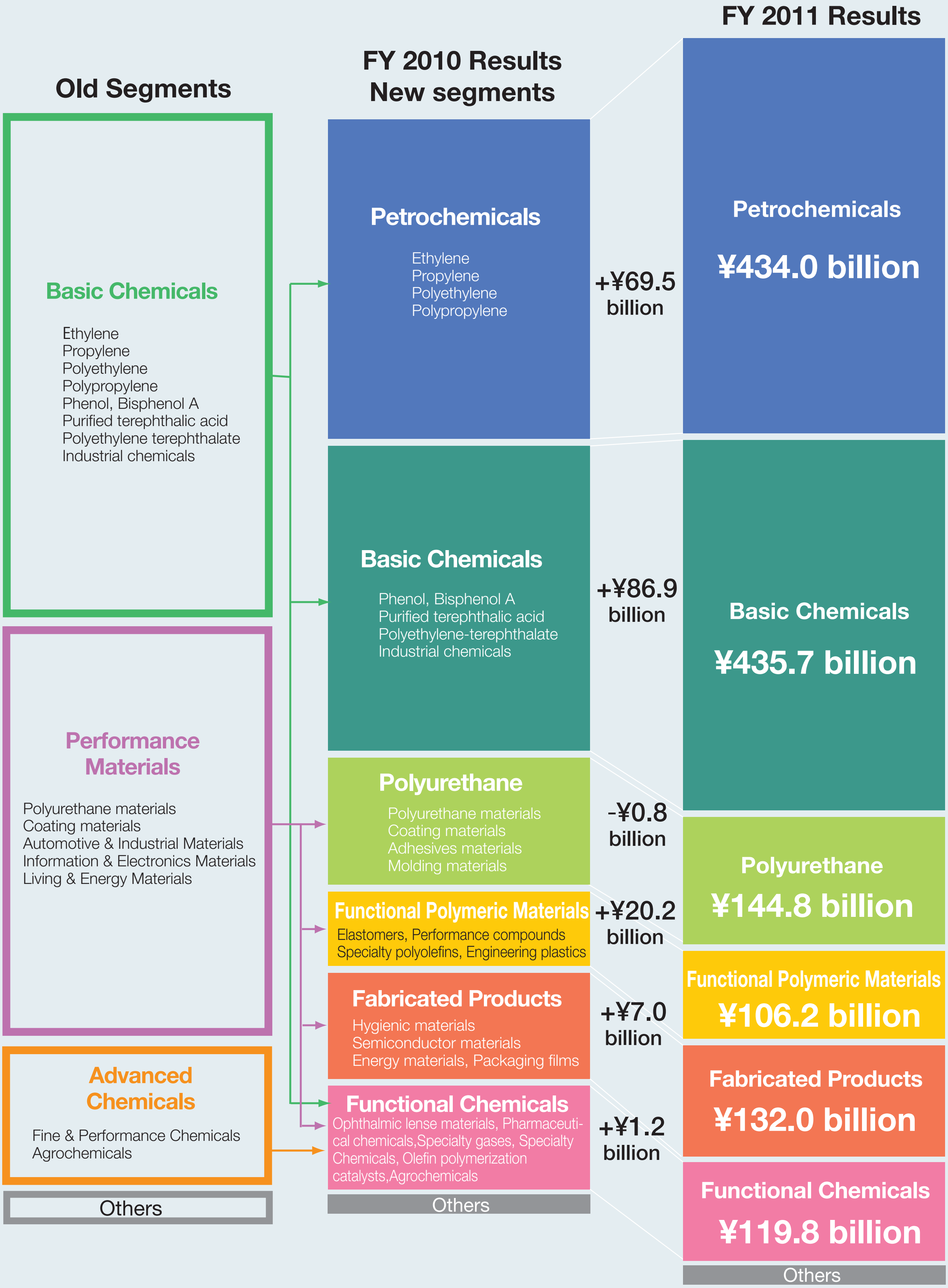
Prosthetic limb
HI-ZEX MILLION™

Fertilizer
Urea

Hybrid rice seeds
Mitsuhikari™
2003, 2005

Agrochemicals
Trebon™
Starkle™
Albarin™
Koromite™
Milebeknock™
Tachigaren™
Nebijin™ Products
Chloropicrin

At a Glance


FY 2011 Results
FY 2010 Results
New segments
Old Segments
Basic Chemicals
Ethylene
Propylene
Polyethylene
Polypropylene
Phenol, Bisphenol A
Purified terephthalic acid
Polyethylene terephthalate
Industrial chemicals
Performance Materials
Polyurethane materials
Coating materials
Automotive & Industrial Materials
Information & Electronics Materials
Living & Energy Materials
Advanced Chemicals
Fine & Performance Chemicals
Agrochemicals
Others
Petrochemicals
Ethylene
Propylene
Polyethylene
Polypropylene
Basic Chemicals
Phenol, Bisphenol A
Purified terephthalic acid
Polyethylene-terephthalate
Industrial chemicals
Polyurethane
Polyurethane materials
Coating materials
Adhesives materials
Molding materials
Functional Polymeric Materials
Elastomers, Performance compounds
Specialty polyolefins, Engineering plastics
Fabricated Products
Hygienic materials
Semiconductor materials
Energy materials, Packaging films
Functional Chemicals
Ophthalmic lense materials, Pharmaceutical chemicals,Specialty gases, Specialty Chemicals, Olefin polymerization catalysts,Agrochemicals
Others
+¥69.5 billion
+¥86.9 billion
-¥0.8 billion
+¥20.2 billion
+¥7.0 billion
+¥1.2 billion
Petrochemicals
¥434.0 billion
Basic Chemicals
¥435.7 billion
Polyurethane
¥144.8 billion
Functional Polymeric Materials
¥106.2 billion
Fabricated Products
¥132.0 billion
Functional Chemicals
¥119.8 billion
Others

Our Leaders

Utilizing Our Strength to Launch Us onto a New Growth Trajectory

Guided by its 2011 Mid-Term Business Plan, Mitsui Chemicals is endeavoring to expand its activities across five priority businesses through proactive investment, including in M&A, and to transition to a business portfolio that is more resilient to changing economic conditions. In its five world-leading businesses, the Company is looking to quickly secure a share of the rapidly growing Asia market by strategic collaboration with leading partners both in and outside Japan while further expanding its global activities.

To ensure that these endeavors are fully implemented, Mitsui Chemicals is committed to building an organizational structure that is capable of swiftly responding to management decisions and flexibly adapting to market changes. To this end, appropriate authority has been delegated to the general managers of each of the Company's six business sectors. At the same time, systems have been put in place to ensure that important customer and market information is easily accessible and shared throughout the entire Group.

Shigeru Iwabuchi
Senior Managing Director
Petrochemicals Business Sector, Basic Chemicals Business Sector, Polyurethane Business Sector, Functional Polymeric Materials Business Sector, Fabricated Products Business Sector, Functional Chemicals Business Sector, Branch Offices

Initiating a New Wave of Research and Development

As a part of the Group's efforts to optimize technological management and accelerate new product and business development, Mitsui Chemicals recently established the R&D Strategy Division. Standing at the helm of the Company's R&D activities, and taking into consideration the Company's overall corporate strategies, this Division is formulating a policy for the optimal allocation of R&D resources and selecting priority development themes that can be expected to quickly generate a steady stream of earnings. In addition, the R&D Strategy Division is charged with the responsibility of enhancing lateral communications throughout the Group. In this regard, the Division will initiate reforms aimed at promoting collaboration between and the integration of production, sales, and marketing operations while ensuring that the Group adopts a more proactive approach toward swiftly developing businesses. Moving forward, the Division will work to devise significant and important new R&D themes.

Kiichi Suzuki
Senior Managing Director
General Manager, R&D Strategy Division
New Market Development (Automotive Materials) Division, New Materials Development Center, R&D Strategy Division
Mitusi Chemicals Singapore R&D Centre Pte Ltd., Research Center,
Sodegaura Safety, Environment & Administration Division

Stepping Up the Pace of Global Management

As a truly global entity, more than 40% of the Mitsui Chemicals Group's sales are derived from operations overseas. To further enhance its global presence, the Group is accelerating reforms in its business model, human resources management and communications systems, reforms that are key components of its 2011 Mid-Term Business Plan.

As it works to implement the changes needed to ensure further enhance its position on the world stage, the Mitsui Chemicals Group recognizes the critical need to carefully scrutinize the current status and future of each business and region while promoting a mechanism grounded in the process of selection and focus.

Turning to specific measures aimed at enhancing our global presence, including the transfer of head office operations for certain businesses overseas and the strengthening of research facilities, the role played by regional managing affiliates located in key areas of operations will become increasingly critical in securing concrete results.

Having clearly identified the Group's priority issues going forward, the Mitsui Chemicals Group will step up the pace of global management at regional managing affiliates in tandem with localization efforts.

Etsuo Takenouji
Board Directors
Mitsui Chemicals Asia Pacific, Mitsui Chemicals Shanghai, Mitsui Chemicals America, Mitsui Chemicals Europe, Affiliates Coordination Division

Implementing 5-5-5 strategies,
we will work together to become a chemicals company boasting a global presence with a focus on Asia.

Review of Operations

Petrochemicals

The Petrochemicals segment enjoyed favorable overall sales.

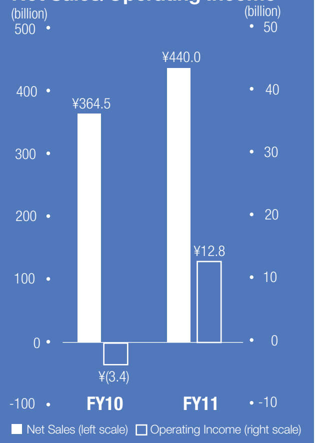
In ethylene and propylene, overall production volume was steady.

In polyethylene and polypropylene, net sales were strong due to the positive impact of a rise in sales prices following a hike in raw material and fuel prices. This result occurred despite a decrease in the sales volume of certain products.

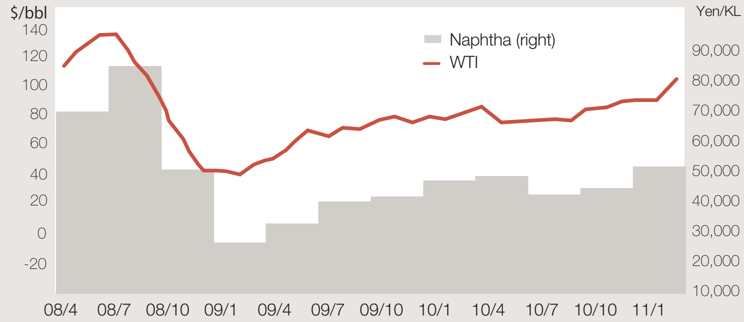
As a result of the above, this segment's sales rose ¥69.5 billion compared with the previous fiscal year to ¥434.0 billion, and comprised 31% of total sales. Operating income improved ¥16.2 billion year on year to ¥12.8 billion. This was primarily attributable to progressive cost cutting measures, a rebound in sales volume (excluding certain products) and changes in valuation methods for inventories.

Main Products
- Ethylene
- Propylene
- Polyethylene
- Polypropylene

Net Sales/Operating Income



Naphtha/Crude Oil Price



Commencement of Commercial Production at a New 1-Hexane Facility

Mitsui Chemicals commenced commercial production (30,000 tons annually) at its newly constructed 1-Hexane facility located within the Ichihara Works in April 2011.

As a countermeasure against the influx of low-priced ethylene-related products from the Middle East, the Company has for more than five years continued to promote the trend toward higher value-added products. Recognizing the inherent danger of a derivative's oversupply, its production at the Ichihara Works' was suspended and steps taken to construct a higher value-added 1-Hexane facility.

1-Hexane is used as a secondary raw material in high-value-added polyethylene products like EVOLUE™, which are not produced in the Middle East. Global consumption currently stands at around 650,000 with annual growth forecast at between 6% and 7%.

As one of several basic strategies identified in the 2011 Mid-Term Business Plan, Mitsui Chemicals is promoting a drastic overhaul of its business, including that related to general-purpose polyethylene. In further accelerating its shift toward high-value-added products, the Company is working to ensure success in Japan.

Commencement of Joint Operation of an Ethylene Complex in Chiba

Japan's petrochemical industry is currently confronted by the critical need to dramatically boost its international competitive strength. This is largely attributable to the construction overseas of several large-scale facilities, mainly in the Middle East and China. With the aim of promoting the joint operation of an ethylene plant in the Chiba area, Idemitsu Kosan Co., Ltd. and the Company established a limited liability partnership (LLP) on April 1, 2010. Striving to build Japan's most competitive ethylene center, control of the ethylene plant was transferred to the LLP from both companies on October 1, 2010 and joint operations commenced.

This move will facilitate the appropriate selection of raw materials based on the quantity of ethylene, propylene, and other materials used in the production of derivatives by Idemitsu Kosan and Mitsui Chemicals, ensure the optimal operation of two ethylene facilities, and secure production at minimum cost using fractional high-value-added processes. In addition, plans are in place to engage in joint LLP rationalization investment, pursue synergies that cannot be realized by a single entity, and promote comprehensive competitive advantage.

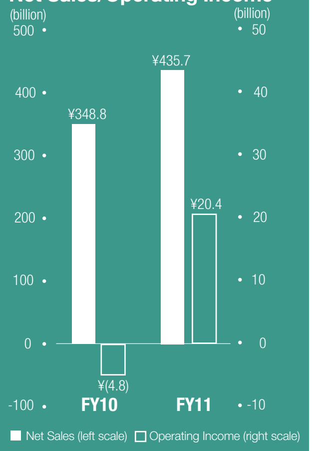
Evolue™ (Hi-α-Olefin-LLDPE)

A metallocene linear low-density polyethylene resin. Distinguished by its intensity, heat-sealing and low odor properties, Evolue™ is used as a food and other product packaging material.

Basic Chemicals

Main Products
- Phenol
- Bisphenol A
- Purified terephthalic acid,
- Polyethylene-terephthalate,
- Industrial chemicals

Net Sales/Operating Income



The Basic Chemicals segment recorded favorable overall sales.

In phenols, net sales remained strong due to expanded demand in Asia, particularly in China.

In bisphenol A, net sales were robust owing particularly to a recovery in demand for its main application, primarily polycarbonate resin.

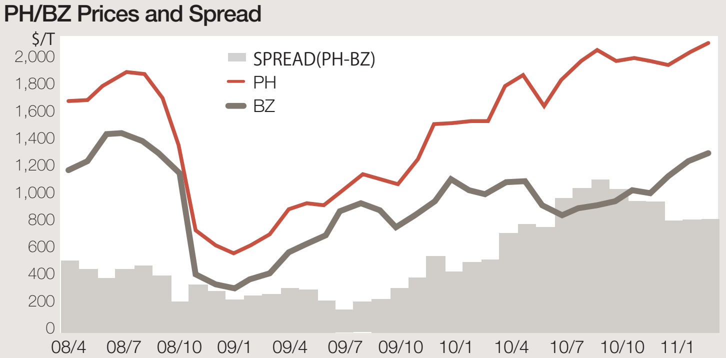
In purified terephthalic acid (PTA), net sales were favorable thanks to increased sales volume on the back of expanded demand and a rise in sales prices following price increases for raw materials and fuels.

In polyethylene terephthalate (PET) resins, net sales were on par with those recorded during the previous fiscal year.

In ethylene oxide and derivatives, net sales increased owing to a rise in sales prices accompanying an increase in raw material and fuel prices.

As a result, this segment's net sales rose ¥86.9 billion to ¥435.7 billion year on year, and accounted for 31% of total sales. Operating income improved ¥25.2 billion year on year to ¥20.4 billion thanks to a rise in sales volume (excluding certain products) and strong markets.

PH/BZ Prices and Spread



Integration of Polyethylene Terephthalate (PET) Resin for Bottles Operations

Mitsui Chemicals and Teijin Chemicals Ltd., a member of the Teijin Group responsible for resin operations, formed the joint-venture company MCT PET Resin Co., Ltd. to integrate their respective PET resin for bottles operations in Japan.

The new company will optimize the synergistic effects of integrating the PET resin operations of the Company and Teijin Chemicals across the entire supply chain, reinforce operational competitiveness, improve quality and cost competitiveness, enable innovative solutions to better meet customer needs, and maximize overall corporate value.

Overview of MCT PET Resin Co., Ltd.

1.Company Name:	MCT PET Resin Co., Ltd.
2.Capital:	¥490 million
3.Head Office Location:	Minato-ku, Tokyo
4.Production Capacity:	145,000 tons per year
5.Sales:	Approximately ¥25.0 billion (total of both companies for FY 2011)

Construction of a Phenol and Acetone Plant in China

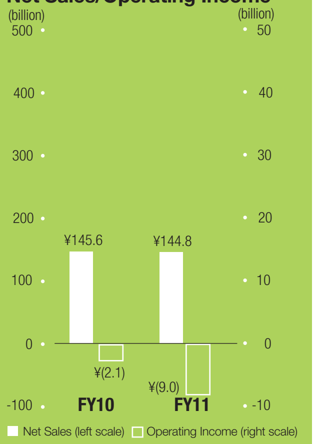
Mitsui Chemicals entered into a Memorandum of Understanding Regarding New Projects related to phenols and acetone with China Petroleum & Chemical Corp. (Sinopec) in December 2010.

Both companies have now formally agreed to build a new plant in Shanghai. Scheduled to commence operations in the second quarter of fiscal 2014, the new plant will have a phenol production capacity of 250,000 tons per year and an acetone production capacity of 150,000 tons per year. The construction of the new plant will yield one of the world's leading phenol and acetone complexes with comprehensive competitive strengths ranging from raw materials to derivative products, including bisphenol A.

Polyurethane

Main Products
- Polyurethane materials
- Coating materials
- Adhesive materials
- Molding materials

Net Sales/Operating Income



The Polyurethane segment experienced sluggish overall sales.

In polyurethane materials, although demand recovered in the automotive market, the surging strength of the yen and the stagnant TDI market resulted in sluggish sales.

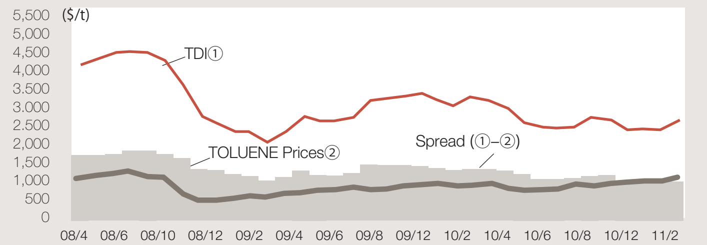
In coating materials, net sales were steady owing to expanded demand in the Asian automotive and consumer electronics markets, particularly in China.

In adhesive materials, net sales were robust. This was attributable to an improvement in demand for adhesives used in soft packaging and industrial adhesives used in the IT industry. These increases were buoyed by steady domestic demand as well as expanded demand in China and the ASEAN region.

In molding materials, demand for housing equipment-related materials was somewhat subdued. Despite this, higher demand for waterproofing materials in light of the expanding housing renovation market as well as a rebound in demand in the IT-related market led to firm net sales.

As a result, net sales in this segment decreased ¥0.8 billion year on year to ¥144.8 billion, and comprised 10% of total sales. Operating loss rose ¥6.9 billion year on year, to ¥9.0 billion due to deteriorating performance on account of the appreciating yen, the stagnant TDI market, and the effect of difficulties on the side of raw material suppliers.

TDI・TOLUENE Price and Spread



Upgrade and Expansion of Polyurethane System House Operations (Launch of Commercial Operations by Foshan Mitsui Chemicals Polyurethane Co., Ltd.)

Recognizing the need to capture robust demand growth, primarily in China, Mitsui Chemicals is taking steps to upgrade and expand its polyurethane system house operations in Asia. This entails strengthening bases and boosting the sale and marketing of compounds tailored to customers' polyurethane product needs. By leveraging its proprietary raw materials, the Company is in position to address the significant potential posed by customers' wide-ranging needs in this market. System house products and technologies center on automobile sheet and heat insulating materials. In order to better match the requirements of local consumers, the Company is bolstering local technology development.

Foshan Mitsui Chemicals Polyurethane Co., Ltd. commenced operations in Guangzhou, China in May 2011. This initiative brings the Company's system house network in Asia to a total of six. Striving to reinforce its system house supply and development structure, Mitsui Chemicals is working to further expand business scale and secure a stable long-term earnings platform.

Expansion of the Coating and Adhesive Materials Businesses

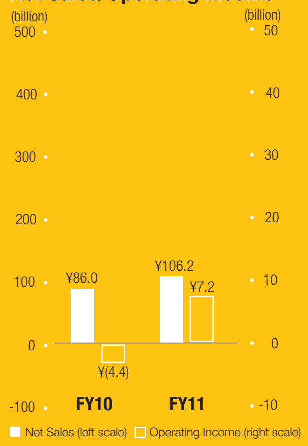
The Company is working diligently to expand the scope of its business into high-value-added fields by providing increasingly innovative and unique products and technologies. To this end, Mitsui Chemicals is developing applications of existing products of as well as new products in its coatings and engineering materials businesses. To accelerate business development in Asia, the Company is promoting a broad lineup encompassing both polyurethane and non-polyurethane products in the coating materials, adhesive materials, molding materials, and related fields. At the same time, Mitsui Chemicals is placing considerable weight on the development and sale of specialty isocyanates, olefin resins for use in paint resins for automotives, information appliances, and resins modifier, urethane adhesives for solar cell backsheets. Moreover, the Company is considering the establishment of new bases to complement ongoing efforts to boost existing bases in Asia.

TAFMER™
A noncrystalline or low crystallinity α-Olefin Copolymer. High compatibility with polyolefins, used mainly as a resin modifier. Gaining wide acceptance as a flexible, lightweight and soft molding material.

Functional Polymeric Materials

Main Products
- Elastomers
- Functional compounds
- Specialty polyolefins
- Engineering plastics

Net Sales/Operating Income



The Functional Polymeric Materials segment enjoyed strong overall sales.

In elastomers, which are used primarily in automotive components and resin modifiers, net sales were robust due to a steady increase in demand for industrial materials and the achievement of sales increases on the back of augmented capabilities in tandem with automotive market expansion mainly in Asia.

In performance compounds, which are used mainly in packaging materials as well as in automotive and electronic components, net sales were strong. This was primarily attributable to a rebound in demand in the automotive segment.

In specialty polyolefin and engineering plastics, net sales were favorable due to a recovery in demand centering on IT-related applications.

As a result, net sales of this segment increased ¥20.2 billion compared with the previous fiscal year to ¥106.2 billion, and accounted for 8% of total sales. Operating income improved ¥11.6 billion to ¥7.2 billion yen on year, primarily owing to a rise in sales volume.

Establishment of an EPT Joint-Venture Company and New Production Plant in China

Mitsui Chemicals and Sinopec reached a formal agreement to establish a new joint venture company and construct an ethylene-propylene-diene terpolymer (EPT) plant with an annual production capacity of 75,000 tons.

This plant will adopt metallocene catalyst technology, a first in China, and will be one of the world's largest and most advanced facilities of its kind.

A high-value-added synthetic rubber, EPT is mainly used for such automotive applications as seals and hoses, and demand is expected to rise significantly, at around 10% a year, a growth rate commensurate with that of the rapidly expanding Chinese automobile industry.

By harnessing the advanced EPT production technologies, R&D capabilities, and sales networks of Mitsui Chemicals with Sinopec's competitive advantage in raw materials, infrastructure, and highly skilled human resources, the two companies will be able to enhance synergies to secure a share of the rapidly growing Chinese market and bring to the market a globally competitive EPT joint venture.

Transfer of TAFMER™ Head Office Operations to Singapore

Effective April 1, 2011, Mitsui Chemicals transferred the head office functions for its high-performance elastomer TAFMER™ operations, one of the Company's five world-leading businesses, to MITSUI ELASTOMERS SINGAPORE PTE LTD (MELS) in Singapore as a part of efforts to carry out its Mid-Term Business Plan and to accelerate the globalization of its management. Previously, overall management of the Company's TAFMER™ operations had been undertaken by the relevant head office Business Division in Tokyo. The decision to transfer this function to MELS in Singapore was prompted by a recognition of the need to respond swiftly to robustly growing demand in Asia, facilitate the formulation and implementation of business strategies, and clarify responsibility for revenue.

TAFMER™ is one of several offerings in product categories in which the Company maintains a top global share. Mitsui Chemicals continues to strengthen its competitive advantage in the elastomer market, where it has consistently taken the industry lead. Against the backdrop of Asia's economic development and growth, demand for TAFMER™ is expected to expand even further. Responding to the trend, MELS commenced operations at a second plant in March 2010, increasing annual production capacity by 100,000 tons.

EPT(ethylene-propylene-diene terpolymer)

The first EPDM (ethylene-propylene rubber) to be successfully manufactured in Japan. Outstanding workability, weather resistance, ozone resistance, resistance to heat and cold, chemical resistance, and electrical properties. Applications include a broad spectrum of fields, including in automotive components, civil engineering and construction materials, electrical cables, and heavy chemicals.

Fabricated Products

The Fabricated Products segment experienced strong overall net sales.

In hygiene materials, net sales were steady thanks to expanded demand for disposable diapers in China and Southeast Asia.

In semiconductor materials, net sales were robust due to a recovery in demand in the semiconductor market.

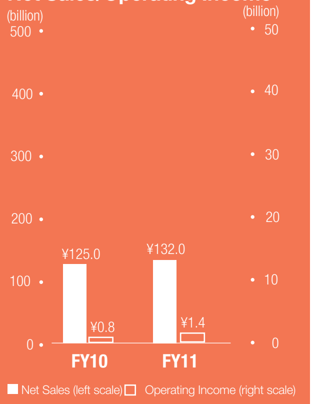
In energy materials, net sales were favorable owing to greater demand in the solar cell encapsulant market.

In packaging films, net sales were firm due to efforts to expand sales amid slumping demand.

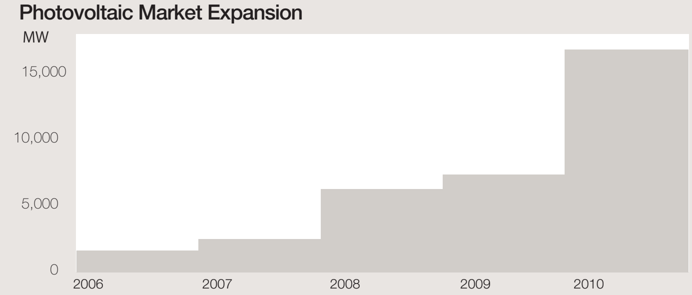
As a result, net sales in this segment increased ¥7.0 billion compared with the previous fiscal year to ¥132.0 billion, and comprised 10% of total sales. Operating income improved ¥0.6 billion year on year to ¥1.4 billion due to such factors as a rise in sales volume.

Main Products
- Hygiene materials
- Semiconductor materials
- Energy materials
- Packing films

Net Sales/Operating Income



Photovoltaic Market Expansion



Establishment of a Solar Cell Encapsulants (SOLAR EVA™) Joint-Venture Company and New Production Plant

Mitsui Chemicals Tohcello, Inc. (MCTI), a wholly owned subsidiary of Mitsui Chemicals, and SCIENTEX Inc., a company based in Malaysia, reached an agreement to establish a solar cell encapsulants (SOLAR EVA™) joint-venture company and construct a production plant. The new plant is scheduled to come online during the first half of 2012 bringing the Mitsui Chemical Group's annual production capacity to approximately 50,000 tons.

SOLAR EVA™ is an ethylene-vinyl acetate (EVA)-based encapsulating sheet that plays an important role in preventing water and dirt from infiltrating into solar modules and protecting the cell by softening shocks and vibrations.

Solar cells as a form of clean energy are experiencing sharp demand growth. On this basis, demand for SOLAR EVA™ is expected to climb worldwide.

As one of five priority businesses that are resilient to changing economic conditions, the Company is actively expanding activities in the functional films and sheets business including SOLAR EVA™. Moving forward, the Mitsui Chemicals Group is committed to further increasing production as a part of efforts to capture growing demand for solar cell encapsulants. Every effort will be made to reinforce the Group's position as a global leader in this field.

Expansion of Production Facilities for Spunbonded Nonwoven Fabrics

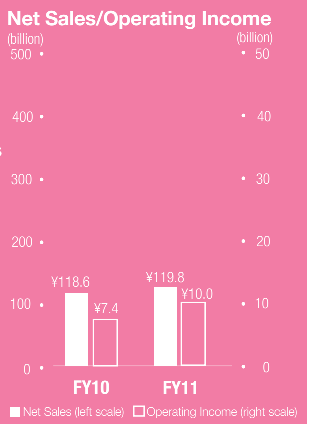
Mitsui Chemicals plans to expand the production facilities for nonwovens fabrics for hygiene materials operated by the wholly owned subsidiary Sunrex Industry Co., Ltd. in response to increased demand for disposable diapers. Together with the production capacity of Mitsui Hygiene Materials (Thailand) Co., Ltd., also a Mitsui Chemicals wholly owned subsidiary, this increase at Sunrex Industry will bring total annual production capacity to 79,000 tons up from 64,000 tons. Full production is scheduled to commence in April 2012.

Benefitting from continued economic growth in both East Asia and Southeast Asia, disposable diaper demand is projected to expand. Mirroring continuous improvement in the quality of disposable diapers, demand for nonwoven fabrics with improved functionality is also forecast to expand in Japan. Against this backdrop, Mitsui Chemicals has continued to develop its supply framework in East Asia and Southeast Asia in response to the business needs of local disposable diaper manufacturers. This planned production expansion is seen as a positive step toward addressing market conditions, including demand from Japan for higher quality products.

With an eye to the future, Mitsui Chemicals will further intensify and expand operations with the aim of cementing its position as a top provider of nonwovens fabrics in Asia.

Functional Chemicals

Main Products
- Ophthalmic lens materials
- Pharmaceutical chemicals
- Specialty gases
- Specialty chemicals
- Olefin polymerization catalysts
- Agrochemicals



The Functional Chemicals segment experienced steady overall net sales. In healthcare materials which include ophthalmic lens materials and medical materials, net sales were favorable thanks to a rebound in demand that began in the second half of the previous fiscal year.

In chemical products and specialty gases, net sales decreased compared with the previous fiscal year because of an accident related to specialty gases that occurred in autumn of 2009, and the reorganization and elimination of certain items from the chemical product portfolio.

In catalysts, net sales experienced a slowdown due to the impact of the appreciating yen, despite an upswing in demand since the previous fiscal year.

In agrochemical products, net sales were stagnant due to declining sales volumes for such products as herbicides.

As a result, this segment experienced a ¥1.2 billion increase in sales year on year to ¥119.8 billion, accounting for 9% of total sales. Operating income rose ¥2.6 billion compared with the previous fiscal year to ¥10.0 billion. This was attributable to recovery in demand for certain products and other factors.

Acquisition of ACOMON AG

On March 31, 2011, Mitsui Chemicals entered into a share purchase and transfer agreement with the shareholders of Switzerland-based ACOMON AG (ACOMON), a manufacturer and distributor of monomers for optical lenses (funds managed by Auctus Capital Partners AG of Germany, the ACOMON management team and other co-investors). By acquiring all of the shares, Mitsui Chemicals made ACOMON a wholly owned subsidiary.

In line with its basic strategy to expand competitive businesses globally, Mitsui Chemicals will continue to upgrade and expand its product lineup. At the same time, the Company will strengthen its plastic optical lens monomer business global operating structure by taking full advantage of ACOMON's distribution network.

Overview of ACOMON AG

1.Company Name:	ACOMON AG
2.Capital:	CHF 1,000,000
3.Head Office Location:	The canton of Zug, Switzerland
4.Principal Offices:	The canton of Zug, Switzerland: Sales Emilia and Romagna, Italy: Production, R&D Texas, U.S.A.: Production
5.Business Activities:	Manufacture, sales and R&D of Monomers for optical lenses

Construction of a New Polypropylene Catalyst Production Plant in Korea

Mitsui Chemicals and Honam Petrochemical Corp. (Honam) agreed to establish a 50-50 joint venture and polypropylene catalyst production plant in Korea in January 2011.

Representative of polypropylenes, the polyolefin market is forecast to enjoy stable growth going forward. Similar positive conditions are projected for polyolefin catalysts. For Mitsui Chemicals, which has positioned the manufacture and sale of mainly polyolefin catalysts as a core business, the need to secure overseas production bases and increase production capacity to meet burgeoning demand has been a strategic hurdle.

Mitsui Chemicals has fostered close ties with Honam, initially as an equity partner in the company's founding and since through the ongoing provision of polypropylene and high-density polyethylene technologies under license. As a company eager to expand its polyolefin business and primarily its polypropylene activities overseas, Honam has been confronted with the strategic issue of securing polypropylene catalysts.

The construction of a new plant will assist in overcoming these hurdles and issues in the short term and lead to the further expansion of both companies' businesses.

Ophthalmic lens materials
Plastic lens monomers and coating materials. They are used in the manufacture of plastic lenses for glasses. Especially the company's (MR™series) plastic lens monomers boast a significant share of the high refraction index, high-end market.

Research and Development

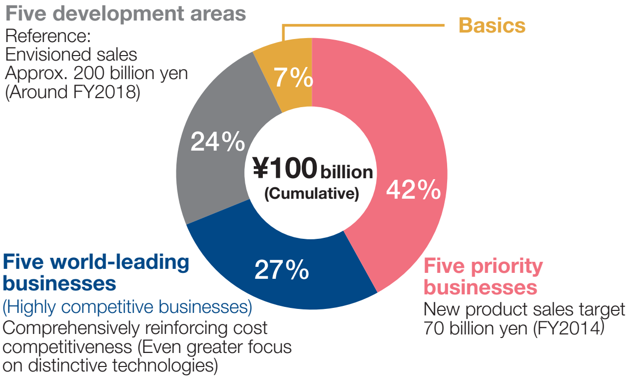
In a bid to transform its business portfolio, Mitsui Chemicals has adopted a 5-5-5 strategy under which it positions five priority businesses, five (highly competitive) world-leading businesses, and (the creation of new core businesses in) five development areas at the heart of ongoing activities aimed at driving growth. At the same time, research and development has been identified as one of several key components to achieving this overarching strategy. On this basis, and guided by its Groupwide research and development strategy, Mitsui Chemicals will work to ensure greater efficiency and focus in the allocation of research and development resources. Moreover, every effort will be made to strengthen research and development management and accelerate new product and business development.

Groupwide Research and Development Strategy

Initiating its efforts to promote a Groupwide research and development strategy, Mitsui Chemicals has set specific research and development themes for each growth field to better coincide with the focused allocation of resources under its 5-5-5 approach.

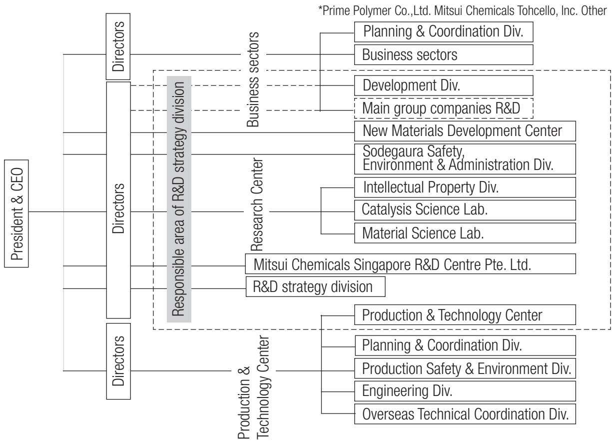
Specifically, the Company aims to bolster the production technologies of its five priority and world-leading businesses while enhancing competitive strengths. Furthermore, Mitsui Chemicals will narrow its focus and accelerate new product and business development. Under this policy, approximately 90% of research and development resources, which over the next three years are budgeted at ¥100 billion, will be allocated based on the aforementioned 5-5-5 approach. Taking into consideration the benefits expected to accrue from this focused investment, new product sales are projected at ¥70 billion Groupwide in FY2014, and at ¥200 billion by FY2018 in the five development areas.

A second initiative under the Groupwide research and development strategy was the establishment of the R&D Strategy Division in June 2011. This initiative aims to help strengthen technological management while accelerating new product development and practical application. The roles of this new division are:



To formulate, implement, and manage research and development strategies in line with the Group's overall corporate strategies

To accelerate corporate research and development efforts by coordinating and optimizing the functions of research and development-related divisions, including those mainly concerned with technological development.



Research and Development-Related Topics

In June 2011, Mitsui Chemicals spun off the Technical Centre of Mitsui Chemicals Asia Pacific and established the Mitsui Chemicals Singapore R&D Centre. This facility has been delegated authority equivalent to that held by head office business sectors and will help optimize and intensify the Group global business and presence through the development of overseas research and development bases.

Purpose of the New Company

- Link research and development with business model development to intensify new business opportunities
- Support market development by accelerating the communication of information on rapidly growing demand in Asian markets, and
- Develop and strengthen global human resources

Outline of the New Company

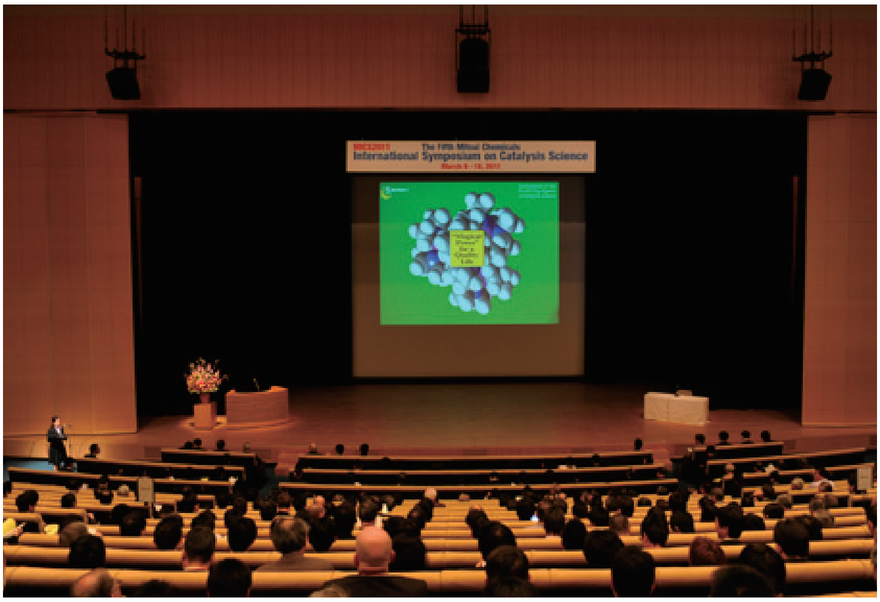
Company Name:
Mitsui Chemicals Singapore R&D Centre Pte. Ltd.

Equity:
100% Mitsui Chemicals

Capital:
US$7 million (approximately ¥0.6 billion)

Function
Perform research and development on behalf of the Mitsui Chemicals Group (Corporate & Business Sector)

The Fifth Mitsui Chemicals International Symposium on Catalysis Science (2011)



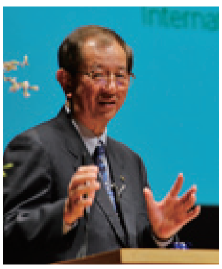
Kazusa Academia Hall (Kisarazu, Chiba Prefecture, Japan)

Mitsui Chemicals has been organizing the Mitsui Chemicals International Symposium on Catalysis Science (MICS) every other year since 2003, with the aim of furthering the development of catalysis science, a fundamental technology that is the cornerstone behind the company's corporate mission, which is to “Contribute broadly to society through innovations and the creation of materials while keeping in harmony with the global environment.”

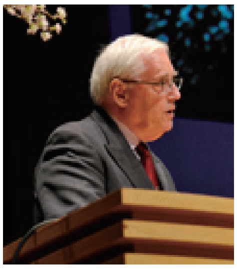
The fifth symposium, MICS2011, was held on March 9th and 10th under the theme of “Catalysis Science and Its Contribution to Sustainable Development.” The event featured lectures from eleven of the world’s frontline researchers, including plenary lectures from Nobel Prize Laureates in Chemistry Professor Yuan T. Lee (1986) and Professor Sir John E. Walker (1997), and special lectures from Emeritus Professor Akira Suzuki and Professor Eiichi Negishi, both of whom were awarded the 2010 Nobel Prize in Chemistry.

Global warming, environmental pollution, and energy, water, and food shortages have become serious world problems. Chemistry and the chemical industry must help solve these crucial issues for all of humanity in the 21st century. In this respect, catalysis science is expected to play a key role in the development of technologies that save scarce resources, lower energy consumption, and aid in the creation of environmentally friendly high-performance materials. The lectures at this symposium therefore underlined the important role that catalysis science is set to play in the development of sustainable societies.

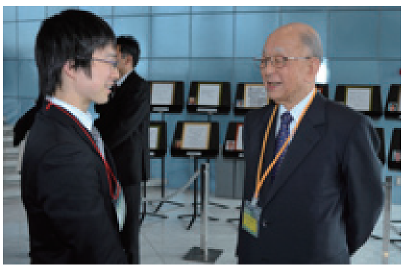
The symposium was attended by 1,600 people from industry, government and academic institutions worldwide, including more than 300 junior and senior high school students. It is Mitsui Chemicals’ fervent hope that if young people are given the opportunity to interact with leading international researchers they will become even more interested in catalysis science.



Prof. Yuan T. Lee
(Academia Sinica, Taiwan)



Prof. Sir John E. Walker
(Medical Research Council, U.K.)



Emeritus Prof. Akira Suzuki
(Hokkaido University, Japan)

Prof. Ei-ichi Negishi
(Purdue University, U.S.A.)

International Year of CHEMISTRY 2011

To celebrate the centennial anniversary of the Nobel Prize for Chemistry award to Marie Curie, The year 2011 has been designated as the International Year of Chemistry, with the aim of increasing public appreciation of chemistry, encouraging interest in chemistry among young people, and generating enthusiasm for the creative future of chemistry.

MICS2011 was held in support of the International Year of Chemistry.

The Intellectual Property Strategy

The Mitsui Chemicals Group Intellectual Property Strategy

Mitsui Chemicals regards intellectual property 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 extend to employee expertise and other internal information. Given that strategic integration between the business and technology areas is an aspect of its intellectual property strategy, Mitsui Chemicals acknowledges the critical importance of ensuring that there is cooperation between its divisions. In this regard, the Intellectual Property Division, business divisions, the R&D Division, and production and technology divisions work together to maximize business opportunities that take full advantage of the Group's intellectual property rights.

Promoting Intellectual Property Portfolio Management

The Company strives to strengthen its intellectual property assets for both existing and new business areas. Together with upgrading and expanding its patent portfolio, Mitsui Chemicals promotes and implements measures to protect innovative technologies that are closely linked to its technological development and business models. Every effort is made to share intellectual property between related divisions and departments and to pursue an intellectual property strategy that runs parallel to and consistent with the Company's overarching business strategy thereby enhancing corporate value.

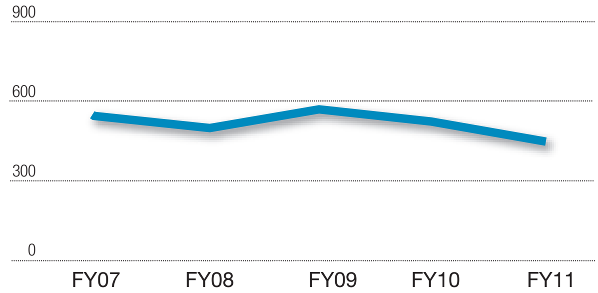
Reinforcing and Expanding Group Intellectual Property Capabilities

Mitsui Chemicals continually works to strengthen its business platform and promote the integration of Groupwide intellectual property assets in order to ensure a uniform intellectual property strategy that encompasses the entire Group, including affiliates. At the same time, the Company places considerable emphasis on its intellectual property education and training framework, through which it provides programs aimed ensuring human resources have the necessary mindset and appropriate skills regarding intellectual property.

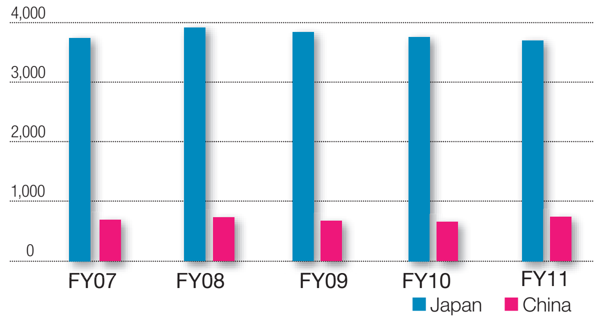
Furthering Intellectual Property Strategies in Key Overseas Regions

In recent years, the Group has significantly increased its pace of business development in emerging markets, including countries of Asia. At the same time, Mitsui Chemicals recognizes the importance of minimizing risks associated with intellectual property in local markets; therefore, the Company strives to grasp and analyze the status of intellectual property in each country and works in tandem with regional holding companies to ensure that an appropriate intellectual property strategy is developed and pursued in each location.

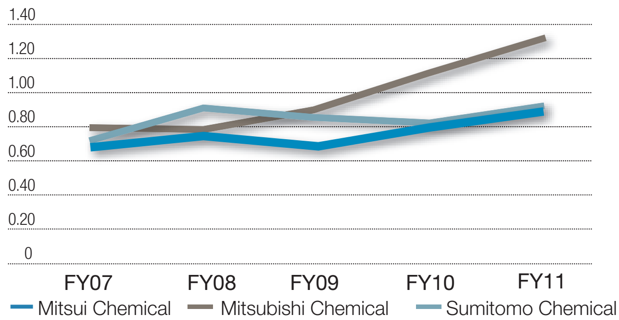
Number of Published Patent Applications in Japan
(Mitsui Chemicals Group)



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



R&D Expenses per Number of Published Patent Applications



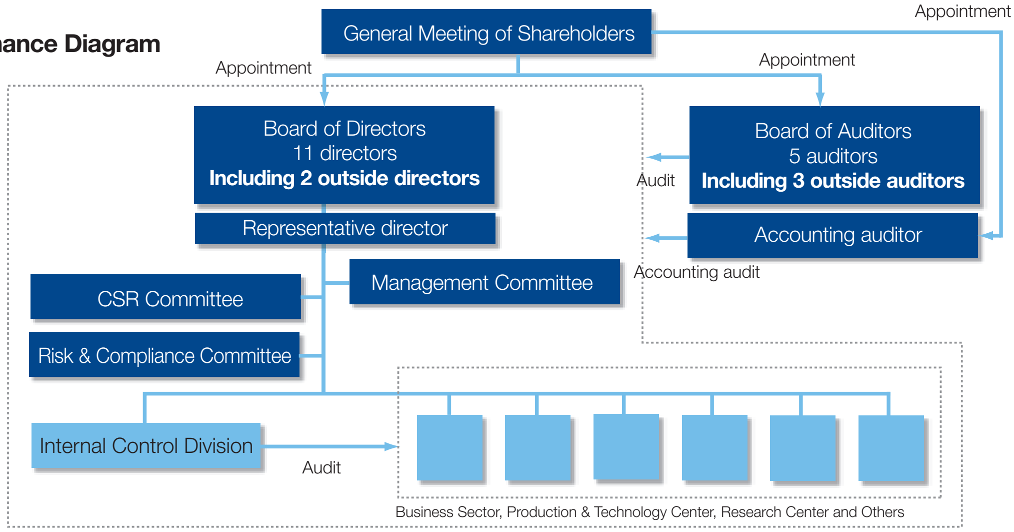
Corporate Governance

Basic Philosophy

Mitsui Chemicals places the highest priority on enhancing corporate governance as one of its key management issues in order to maintain the trust of shareholders and fulfill its social corporate responsibilities. The Company continues to improve management transparency to maintain the trust of society as a whole and to fulfill its social responsibilities as a corporate citizen. We have established a system where important decisions are made through extensive discussions in appropriately convened meetings as prescribed under relevant legislation as well as Company regulations. Our system of internal governance recognizes the importance of specific components and measures including the appointment of outside directors and the Corporate Auditors' function.

In order to enhance the effectiveness of our corporate governance system, we actively promote investor relations and public relations activities, wherein we disclose all appropriate information to shareholders, the media and other interested parties in a timely manner.

Corporate Governance Diagram



Composition and Management of the Board of Directors

The Chairman of Mitsui Chemicals presides over the Board of Directors, which comprises 11 directors as of June 24, 2011.

In addition to its monthly ordinary meetings, the Board of Directors holds extraordinary meetings on an as-required basis. A total of 12 meetings were held during the fiscal year ended March 31, 2011.

Two 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 and mass communications, Board of Directors' meetings provide a forum for lively discussion and debate broadly based on the perspectives of governance and compliance.

Outside Directors

As of June 24, 2011, Mitsui Chemicals had registered three independent directors—outside directors Taeko Nagai and Yoshio Suzuki and outside auditor Isao Ijuin—in accordance with regulations prescribed by the Tokyo Stock Exchange.

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

Auditing System

Mitsui Chemicals has established a Board of Corporate Auditors comprising five corporate auditors, three of whom are appointed from outside the Company. Each corporate auditor audits directors and relevant officers in the execution of their duties in accordance with audit policies and plans. Each outside auditor is charged with the responsibility of auditing senior executives in the performance of their duties as well as the operations of the Company from an objective, independent perspective, bringing to the table their vast external experience and knowledge.

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.

Moreover, Mitsui Chemicals established the Internal Control Division as an internal audit organization. On the basis of annual audit plans, the Division conducts business audits and financial audits of the Group companies of Mitsui Chemicals, including affiliates.

Corporate auditors, the accounting auditor, and the Internal Control Division mutually cooperate to conduct audit by reporting each annual plan, audit results, and all other relevant information while exchanging opinions and information among themselves.

Assessment of Financial Reporting of the Internal Control System

The Internal Control Division evaluates the effectiveness of the Company's internal control systems as they relate to financial reporting as prescribed under the Financial Instruments and Exchange Act. The Division also provides instructional advice and guidance on an as-required basis to secure steady improvements of the business operations in individual divisions.

Risk Management System Basic Policy

From both the management and operating perspectives, companies are confronted by a variety of risks including those related to accidents, fires, the market, business strategies, and efforts to fulfill corporate social responsibilities as well as other incidents and occurrences. Mitsui Chemicals established the Risk & Compliance Committee, headed by the board director responsible for risk management, to deliberate on the Company's risk management policy as well as maintain and operate its risk management system in accordance with established risk management regulations.

The Mitsui Chemicals Group's basic stance toward risk management emphasizes early discovery as well as efforts to prevent risks from materializing. Steps have accordingly been taken to introduce a Plan, Do, Check, and Action cycle pertaining to risk management in line operations and to bolster risk management structures and systems throughout the Group including affiliates.

As an adjunct to the aforementioned initiatives, the Company has established a risk hotline to enable employees who uncover potential illegal activities in the Company to report their suspicions directly to the Risk & Compliance Committee or an outside attorney. In the fiscal year ended March 31, 2011, Mitsui Chemicals received seven reports and requests for consultation.

Business Continuity Plan

Mitsui Chemicals created a business continuity plan (BCP) in preparation for a major earthquake in the Tokyo metropolitan region. The plan calls for the creation of an emergency headquarters to quickly establish a command and control structure if the functioning of the head office becomes paralyzed, and emergency customer response centers to provide prompt and appropriate support to our customers. We also created BCPs in preparation for outbreaks of new strains of influenza and for large-scale plant accidents.

When the great East Japan Earthquake struck Japan in March, Mitsui Chemicals was quick to establish an emergency headquarters at its head office as a command and control structure. First and foremost, steps were taken to confirm the safety of all employees and their families and to assess the impact of the disaster on individual businesses. The emergency headquarters helped ensure that information was shared throughout the Group as appropriate. The headquarters also took the lead in assessing potential courses of action and implementing those considered relevant and effective. Thanks to these efforts, the multiple facilities and offices affected by the earthquake have now resumed full operations.

Looking ahead, the Company is adopting all appropriate energy conservation measures to minimize any interruption to its operations during summer. In an effort to ensure its ability to continue operations in the event of a subsequent major earthquake, Mitsui Chemicals is also putting in place a structure to facilitate to the smooth procurement of raw materials and delivery of products.

*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: workplace discussions encompassing case studies of various statutory and regulatory violations; awareness-raising training to increase compliance awareness; 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. For almost all the courses, e-learning classes have been created.

In order to ensure that employees keep abreast of the latest information and requirements, refresher courses must be taken every three to five years.

4. Promoting Compliance through Guidebook Distribution

The Mitsui Chemicals Group published a compliance guidebook containing important information on how to better observe compliance. Japanese, English, and Chinese editions of this booklet are published and distributed to all Group employees. Through published materials that employees can refer to at any time, the Mitsui Chemicals Group strives to continuously promote compliance.

Takeover Defense Measures

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: HYPERLINK http://www.mitsuichem.com/ir/pdf/100405e.pdf

Isao Ijuin
Outside Auditor

The Role of Outside Auditors

In addition to evaluating the details of business decisions, outside auditors assess the degree to which the Company's decision-making processes are appropriate and transparent from an independent and external perspective. Thus, the role of an outside auditor is to help enhance corporate value. Specific business proposals are subject to inquiry and assessment that take into consideration the degree to which such proposals are in line with efforts to strengthen the Group's global business base, address market environments, and meet the needs of society. After verifying the soundness of each proposal from multifaceted perspectives, the outside auditors then make recommendations.

To uphold the integrity and intention of this monitoring system, outside auditors draw from a broad information base that encompasses internal and external data, the results of accounting audits, and information about and on trends in related industries. Every effort is made to enhance the objectivity and validity of this oversight role.

Under its established governance structure and systems, Mitsui Chemicals is pushing forward reforms that help ensure full and vigorous discussion as well as increased management efficiency. The Company is confident that the reforms will continue to gain growing acceptance throughout all divisions and remain a permanent feature of Mitsui Chemicals corporate culture.

CSR Initiatives

The aim of Mitsui Chemicals Group's CSR activities is to establish ourselves as a "good and trustworthy company" that is trusted by society and that makes every one of its employees feel proud and motivated. To achieve that, we need to think constantly about what society wants from a "good and trustworthy company," both now and in the future, so that we can continue to act and take on new challenges accordingly.
In addition to setting out financial targets from the economic axis every year, as part of our medium-term management targets, since fiscal 2008 we have set out and worked towards targets in environmental and social axis for the Mitsui Chemicals Group as well.

Our approach to becoming a good and trustworthy company

Key CSR Challenges

To live up to the requirements and expectations of our stakeholders and society as a whole, and to ensure that every member of the Mitsui Chemicals Group is moving in the same direction, we have clearly set out our Key CSR Challenges for the year ahead and intend to promote CSR via initiatives in every department.

<Key CSR Challenges for Fiscal 2012>

Create a "strong frontline" to
1. Provide safety, reassurance, and stability
2. Focus on technology, business and products to help to resolve global issues
3. Improve employee awareness and conduct as a trusted corporate group

In order to achieve its vision of becoming a good and trustworthy company, the Mitsui Chemicals Group holds two-way communication discussion led by each line organization to promote frank and open dialogue.

Social Contribution Activities

The Mitsui Chemicals Group engages in a wide range of activities guided by its Social Activities Policy. Here, we present two examples of our efforts to contribute to the development and prosperity of society.

1. Wonders-in-Chemistry Class

The Wonders-in-Chemistry Class is a Companywide initiative that aims to provide support for the future generations who will go on to become the scientists of tomorrow. Through a series of onsite science classes and summer holiday events, Mitsui Chemicals will continue to share with elementary and junior high school students in the areas surrounding its offices the wonders and joys of science.

Wonders-in-Chemistry Class in "Kids Engineer"

2. Disaster Relief Activities

Mitsui Chemicals initially began our disaster relief activities as a results of suggestions from employees who wanted to help those affected by earthquakes and other major disasters by providing them with useful Mitsui Chemicals products. Mitsui Chemicals has been called into action on several occasions and most recently to provide relief to those affected by the Great East Japan Earthquake that struck Japan in March 2011. Support was provided in conjunction with NPO through the delivery of the Company's products, including polyurethane mattresses, plastic water containers, food wrapping films, and waterproof tarpaulins.

Loading of polyurethane mattress

Initiatives Aimed at Eliminating Accidents and Occupational Injuries

The Mitsui Chemicals Group made eliminating accidents and occupational injuries its highest priority in fiscal 2011. Working diligently to promote a variety of measures, the Group was successful in preventing any major accident that impacted the regions in which it operates. However, we have not yet been able to fully eliminate leakage and related incidents and are increasingly conscious of the need to implement additional measures. Recognizing our failure thus far to meet the established target for occupational injury frequency, in order to achieve the world's highest levels of occupational safety, we took steps to ensure improvement.

Mitsui Chemicals' Stance on Safety

The Mitsui Chemicals Group has continue to position the elimination of accidents and occupational injuries as the top priority of its 2011 Mid-Term Business Plan.

With the ultimate goal of achieving the world's highest level of occupational safety, the Group established "giving priority to safety in everything we do" as an item in our corporate action guidelines and the Group has made efforts group-wide to ensure that "safety comes first."

Practical safety training at Technical Training Ceter in Mobara City

Stance on Accidents and Injuries

The Mitsui Chemicals Group is actively engaged in efforts that meet its established abnormal phenomenon and accidents: zero occupational injury target. At the same time, the Group is endeavoring to bolster its leakage- and accident-prevention capabilities. Specifically, the Mitsui Chemicals Group is focusing on facility countermeasures to ensure zero occupational injuries. Working to enhance leakage- and accident-prevention capabilities, the Group is promoting as a part of its contingency plans technical solutions that draw on past examples of incidents, disaster training that includes comprehensive disaster-preparedness drills in conjunction with local communities, and evacuation drills in the event of a tsunami, and other related initiatives. In 2006, the Group built the Technical Training Center, which provides regular hands-on training with the goal of developing operators with strong safety skills. Through these and other endeavors, the Mitsui Chemicals Group is placing considerable emphasis on training and enhancing safety awareness.

Fortunately, there was no serious damage to the Group's production bases and facilities following the recent Great East Japan Earthquake. The Group's ability to bring about the safe emergency shutdown of manufacturing equipment is a measure of the quality of its facilities, the capabilities of its operators and technologies, and its insistence on regular training. Looking ahead, the Mitsui Chemicals Group will continue to focus on safety in its efforts to garner the trust and confidence of the broader society.

Firefighting training at an overseas affiliate company

Directors and Auditors

(As of June 24,2011)

Koichi Sano Kenji Fujiyoshi Toshikazu Tanaka

Chairman	Kenji Fujiyoshi	
President & CEO	Toshikazu Tanaka	Corporate Communications Division, Representative in China, Representative in Europe, Representative in the Americas are directly under the CEO
Executive Vice President	Koichi Sano	Assistant to the President Corporate Administration Division, Legal Division, Finance & Accounting Division, Information Management Division, Risk Compliance Committee
Senior Managing Directors	Kiichi Suzuki	General Manager, R&D Strategy Division New Market Development (Automotive Materials) Division, New Materials Development Center, R&D Strategy Division, Mitsui Chemicals Singapore R&D Centre Pte.Ltd., Research Center, Sodegaura Safety, Environment & Administration Division
	Shigeru Iwabuchi	Petrochemicals Business Sector, Basic Chemicals Business Sector, Polyurethane Business Sector, Functional Polymeric Materials Business Sector, Fabricated Products Business Sector, Functional Chemicals Business Sector, Branch Offices
	Yasuji Omura	General Manager, Internal Control Division New Business Development Division, Responsible Care Division, Quality Assurance Division, SCM Division, Corporate Planning Division, Internal Control Division, Responsible Care Committee
Managing Director	Gen Takemoto	Center Executive, Production & Technology Center Production & Technology Center, Works, Purchasing Division, Logistics Division
Board Directors	Etsuo Takenouji	Mitsui Chemicals Asia Pacific Ltd., Mitsui Chemicals Shanghai Co., Ltd., Mitsui Chemicals America, Inc., Mitsui Chemicals Europe GmbH, Affiliates Coordination Division
	Shinichi Otsuji	Human Resources Division, CSR Promotion Division, CSR Committee
Outside Directors	Taeko Nagai Yoshio Suzuki	
Corporate Auditors	Hidenori Toki Yoshinori Koga	
Outside Auditors	Isao Ijuin Hideharu Kadowaki Hiromu Matsuda	

Financial Section

Management's Discussion and Analysis

◆Overview

In the fiscal year ended March 31, 2011 (the twelve-month period from April 1, 2010 to March 31, 2011, hereafter, "fiscal 2010"), the global economy gradually recovered throughout the fiscal year on the back of strong economic growth in China and the rest of Asia.

The Japanese economy experienced a slower pace of recovery because of such restraining factors as a gradual decrease in exports due to a strong yen and a drop in personal consumption following the conclusion of government-sponsored economic stimulus measures. The poor showing came despite steady demand thanks to a rebound in the global economy driving improvement in the domestic economy.

In the chemicals industry, there was significant year-on-year recovery, particularly for petrochemical products, spurred by steady overseas demand that included China and other Asian nations. However, conditions remained uncertain due to high raw material and fuel prices as well as the strong yen.

Against this backdrop, the Mitsui Chemicals Group continued to work to maintain competitiveness in the domestic market and expand its businesses overseas based on its Basic Strategies for New Growth, which were formulated on October 31, 2009 in response to this volatile business environment. To that end, the Group is working as one to further reduce costs, increase marketing capabilities, expand sales of new and high-value-added products, and revise product sales prices based on high raw material and fuel prices. As a result, positive Group performance in fiscal 2010, as illustrated below, was achieved despite the impact of damage to certain facilities, reduced sales, and other difficulties caused by the Great East Japan Earthquake, which occurred on March 11, 2011.

As of March 31, 2011, the Mitsui Chemicals Group comprised 66 consolidated subsidiaries, the same number as that in the previous fiscal year.

This reflects the establishment of a new company, MCT PET Resin Co., Ltd. and the exclusion due to liquidation of Image Polymers Europe Ltd.

The equity method is applied to 29 non-consolidated subsidiaries and affiliates, one fewer than the previous fiscal year.

◆Operating Results

Net Sales

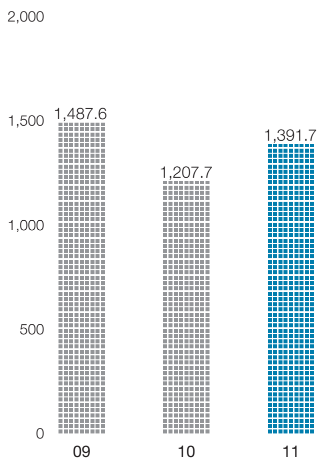
Net sales rose ¥184.0 billion (US$2,212.6 million), or 15.2%, compared with the previous fiscal year to ¥1,391.7 billion (US$16,737.4 million). This was attributable to the impact of a ¥93.3 billion (US$1,122.1 million) boost from sales price revisions in response to rising naphtha and other raw material and fuel costs, and a ¥90.7 billion (US$1,090.8 million) increase in sales volume in line with recovery in demand in the automotive sector as well as for synthetic fiber raw materials.

Operating Income

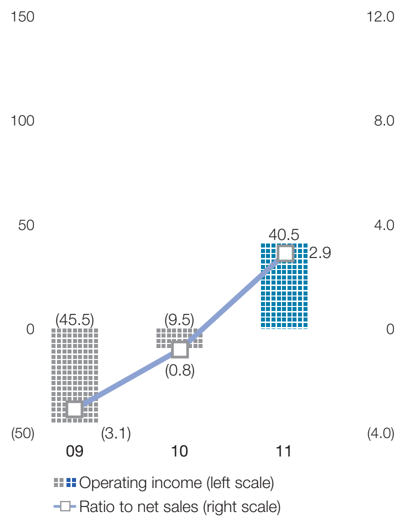
Operating income was ¥40.5 billion (US$487.6 million), an improvement of ¥50.0 billion (US$601.4 million) year on year. This was mainly the result of increased sales volume in the automotive sector and for synthetic fiber raw materials, an improvement in terms of trade, and efforts to reduce costs Companywide.

Operating income for fiscal 2010 includes ¥3.5 billion (US$42.1 million) resulting from changes in evaluation methods for inventories following the application of new accounting standards for evaluating inventories. This is explained in "Note 2. SIGNIFICANT ACCOUNTING POLICIES 'c. Inventories'"

Net Sales
(Billions of yen)



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



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

◆Segment Information

>Business Segment

Mitsui Chemicals changed its segment classifications in line with the restructuring of its organization on April 1, 2010. Comparisons with the previous fiscal year are adjusted to correspond to segments following the change.

Petrochemicals

The Petrochemicals segment enjoyed favorable overall sales.

In ethylene and propylene, overall production volume was steady.

In polyethylene and polypropylene, net sales were strong due to the positive impact of a rise in sales prices following a hike in raw material and fuel prices. This result occurred despite a decrease in the sales volume of certain products.

As a result of the above, this segment's sales rose ¥69.5 billion (US$835.6 million) compared with the previous fiscal year to ¥434.0 billion (US$5,218.9 million) and comprised 31% of total sales. Operating income improved ¥16.2 billion (US$194.2 million) year on year to ¥12.8 billion (US$153.9 million). This was primarily attributable to progressive cost cutting measures, a rebound in sales volume (excluding certain products) and changes in valuation methods for inventories.

Petrochemicals

	Millions of yen		
	2011	2010	Change (%)
Net sales	¥433,953	¥364,472	19.1
Operating income (loss)	12,795	(3,350)	—
Total assets	342,617	293,797	16.6
Depreciation and amortization	12,775	14,256	(10.4)
Capital expenditures	15,099	11,502	31.3

Basic Chemicals

The Basic Chemicals segment recorded favorable overall sales.

In phenols, net sales remained strong due to expanded demand in Asia, particularly in China.

In bisphenol A, net sales were robust owing particularly to a recovery in demand for its main application, primarily polycarbonate resin.

In purified terephthalic acid (PTA), net sales were favorable thanks to increased sales volume on the back of expanded demand and a rise in sales prices following price increases for raw materials and fuels.

In polyethylene terephthalate (PET) resins, net sales were on par with those recorded during the previous fiscal year.

In ethylene oxide and derivatives, net sales increased owing to a rise in sales prices accompanying an increase in raw material and fuel prices.

As a result, this segment's net sales rose ¥86.9 billion (US$1,045.5 million) to ¥435.7 billion (US$5,240.1 million) year on year, and accounted for 31% of total sales. Operating income improved ¥25.2 billion (US$303.1 million) year on year to ¥20.4 billion (US$245.3 million) thanks to a rise in sales volume (excluding certain products) and strong markets.

Basic Chemicals

	Millions of yen		
	2011	2010	Change (%)
Net sales	¥435,718	¥348,788	24.9
Operating income (loss)	20,409	(4,791)	—
Total assets	230,293	226,470	1.7
Depreciation and amortization	12,509	12,882	(2.9)
Capital expenditures	4,023	6,081	(33.8)

Polyurethane

The Polyurethane segment experienced sluggish overall sales.

In polyurethane materials, although demand recovered in the automotive market, the surging strength of the yen and the stagnant TDI market resulted in sluggish sales.

In coating materials, net sales were steady owing to expanded demand in the Asian automotive and consumer electronics markets, particularly in China.

In adhesive materials, net sales were robust. This was attributable to an improvement in demand for adhesives used in soft packaging and industrial adhesives used in the IT industry. These increases were buoyed by steady domestic demand as well as expanded demand in China and the ASEAN region.

In molding materials, demand for housing equipment-related materials was somewhat subdued. Despite this, higher demand for waterproofing materials in light of the expanding housing renovation market as well as a rebound in demand in the IT-related market led to firm net sales.

As a result, net sales in this segment decreased ¥0.8 billion (US$9.8 million) year on year to ¥144.8 billion (US$1,741.4 million), and comprised 10% of total sales. Operating loss rose ¥6.9 billion (US$83.0 million) year on year, to ¥9.0 billion (US$107.7 million) due to deteriorating performance on account of the appreciating yen, the stagnant TDI market, and the effect of difficulties on the side of raw material suppliers.

Polyurethane

	Millions of yen		
	2011	2010	Change (%)
Net sales	¥144,800	¥145,619	(0.6)
Operating income (loss)	(8,955)	(2,055)	—
Total assets	130,368	135,695	(3.9)
Depreciation and amortization	10,687	10,789	(0.9)
Capital expenditures	6,049	6,070	(0.3)

Functional Polymeric Materials

The Functional Polymeric Materials segment enjoyed strong overall sales.

In elastomers, which are used primarily in automotive components and resin modifiers, net sales were robust due to a steady increase in demand for industrial materials and the achievement of sales increases on the back of augmented capabilities in tandem with automotive market expansion mainly in Asia.

In performance compounds, which are used mainly in packaging materials as well as in automotive and electronic components, net sales were strong. This was primarily attributable to a rebound in demand in the automotive segment.

In specialty polyolefin and engineering plastics, net sales were favorable due to a recovery in demand centering on IT-related applications.

As a result, net sales of this segment increased ¥20.2 billion (US$242.8 million) compared with the previous fiscal year to ¥106.2 billion (US$1,277.5 million), and accounted for 8% of total sales. Operating income improved ¥11.6 billion (US$140.5 million) to ¥7.2 billion (US$87.0 million) year on year, primarily owing to a rise in sales volume.

Functional Polymeric Materials

	Millions of yen		
	2011	2010	Change (%)
Net sales	¥106,226	¥86,037	23.5
Operating income	7,236	(4,447)	—
Total assets	110,421	114,852	(3.9)
Depreciation and amortization	9,591	10,441	(8.1)
Capital expenditures	3,821	7,132	(46.4)

Fabricated Products

The Fabricated Products segment experienced strong overall net sales.

In hygiene materials, net sales were steady thanks to expanded demand for disposable diapers in China and Southeast Asia.

In semiconductor materials, net sales were robust due to a recovery in demand in the semiconductor market.

In energy materials, net sales were favorable owing to greater demand in the solar cell encapsulent market.

In packaging films, net sales were firm due to efforts to expand sales amid slumping demand.

As a result, net sales in this segment increased ¥7.0 billion (US$84.3 million) compared with the previous fiscal year to ¥132.0 billion (US$1,587.7 million), and comprised 10% of total sales. Operating income improved ¥0.6 billion (US$7.3 million) year on year to ¥1.4 billion (US$17.2 million) due to such factors as a rise in sales volume.

Fabricated Products

	Millions of yen		
	2011	2010	Change (%)
Net sales	¥132,015	¥125,007	5.6
Operating income	1,431	823	73.9
Total assets	139,843	131,333	6.5
Depreciation and amortization	8,956	9,409	(4.8)
Capital expenditures	9,026	7,311	23.5

Functional Chemicals

The Functional Chemicals segment experienced steady overall net sales.

In optical lens materials and healthcare materials, which include medical materials, net sales were favorable thanks to a rebound in demand that began in the second half of the previous fiscal year.

In chemical products and specialty gas, net sales decreased compared with the previous fiscal year because of an accident related to specialty gas that occurred in autumn of 2009, and the reorganization and elimination of certain items from the chemical product portfolio.

In catalysts, net sales experienced a slowdown due to the impact of the appreciating yen, despite an upswing in demand since the previous fiscal year.

In agrochemical products, net sales were stagnant due to declining sales volumes for such products as herbicides.

As a result, this segment experienced a ¥1.2 billion (US$14.4 million) increase in sales year on year to ¥119.8 billion (US$1,440.4 million), accounting for 9% of total sales. Operating income rose ¥2.6 billion (US$32.1 million) compared with the previous fiscal year to ¥10.0 billion (US$120.6 million). This was attributable to recovery in demand for certain products and other factors.

Functional Chemicals

	Millions of yen		
	2011	2010	Change (%)
Net sales	¥119,769	¥118,630	1.0
Operating income	10,028	7,361	36.2
Total assets	184,177	188,490	(2.3)
Depreciation and amortization	9,799	10,906	(10.2)
Capital expenditures	4,418	5,454	(19.0)

Others

In the Others segment, the Company recorded net sales of ¥19.2 billion (US$231.3 million), or 1% of total sales, virtually unchanged from the previous fiscal year. Operating income shrank ¥0.9 billion (US$10.9 million) year on year to ¥0.1 billion (US$1.8 million)

Others

	Millions of yen		
	2011	2010	Change (%)
Net sales	¥19,232	¥19,182	0.3
Operating income	148	1,058	(86.0)
Total assets	51,463	55,064	(6.5)
Depreciation and amortization	4,196	4,496	(6.7)
Capital expenditures	2,656	4,106	(35.3)

Net Sales

	Billions of yen				
			Increase (Decrease)		
	2011	2010	Total	Volume contribution	Price contribution
Petrochemicals	¥434.0	¥364.5	¥69.5	¥30.6	¥38.9
Basic Chemicals	435.7	348.8	86.9	30.0	56.9
Polyurethane	144.8	145.6	(0.8)	5.2	(6.0)
Functional Polymeric Materials	106.2	86.0	20.2	17.3	2.9
Fabricated Products	132.0	125.0	7.0	5.6	1.4
Functional Chemicals	119.8	118.6	1.2	2.0	(0.8)
Others	19.2	19.2	—	—	—
Total	¥1,391.7	¥1,207.7	¥184.0	¥90.7	¥93.3

Operating Income (Loss)

	Billions of yen					
			Change			
	2011	2010	Total	Volume contribution	Price*	Fixed cost and other cost differential
Petrochemicals	¥12.8	¥(3.4)	¥16.2	¥5.3	¥3.0	¥7.9
Basic Chemicals	20.4	(4.8)	25.2	3.9	16.4	4.9
Polyurethane	(9.0)	(2.1)	(6.9)	2.2	(10.3)	1.2
Functional Polymeric Materials	7.2	(4.4)	11.6	6.4	0.1	5.1
Fabricated Products	1.4	0.8	0.6	1.9	(1.2)	(0.1)
Functional Chemicals	10.0	7.4	2.6	1.0	0.8	0.8
Others	0.2	1.1	(0.9)	—	—	(0.9)
Adjustments	(2.5)	(4.1)	1.6	—	—	1.6
Total	¥40.5	¥(9.5)	¥50.0	¥20.7	¥8.8	¥20.5

*Price = Price contribution + Variable cost differential

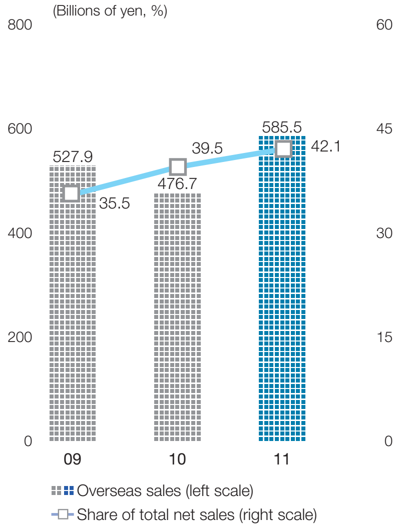
Overseas Sales

In the fiscal year under review, overseas sales amounted to ¥585.5 billion (US$7,041.9 million), a year-on-year increase of ¥108.8 billion (US$1,308.7 million). While accounting for 42.1% of total net sales, this was 2.6 percentage points higher than the previous fiscal year.

Other Income (Expenses)

Other income (expenses) was ¥4.4 billion (US$53.0 million) a positive turnaround of ¥11.0 billion (US$132.6 million) year on year. The main items affecting other income and expenses were as follows.

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



In addition to an increase in foreign exchange losses, Mitsui Chemicals posted a loss on adjustment following the application of the Accounting Standard for Asset Retirement Obligations, which was applied for the first time during the fiscal year under review, of ¥1.0 billion (US$11.7 million), and a disaster-related loss due to the Great East Japan Earthquake amounting to ¥1.4 billion (US$16.4 million). This was more than offset by a reversal of provision for retirement benefits of ¥14.6 billion (US$175.8 million), which is explained in "Note 2. SIGNIFICANT ACCOUNTING POLICIES, k. Employees' retirement benefits."

Net Income (Loss)

Net income after accounting for income taxes and minority interests was ¥24.9 billion (US$298.9 million), a year-on-year improvement of ¥52.9 billion (US$635.8 million) compared with a net loss of ¥28.0 billion in the previous fiscal year. This result translated to net income per share for the period of ¥24.80 (US$0.298).

Summarizing these results, net sales improved 15.2% from ¥1,207.7 billion to ¥1,391.7 billion (US$16,737.4 million). From a net loss of ¥28.0 billion in the previous fiscal year, net income improved to ¥24.9 billion (US$298.9 million) in the fiscal year under review. Accordingly, return (net income/loss) on sales increased from negative 2.3% to 1.8%.

Financial Position

Assets

Total assets as of March 31, 2011 stood at ¥1,295.6 billion (US$15,581.8 million), up ¥57.5 billion (US$692.0 million) compared with the end of the previous fiscal year.

With a year-on-year increase in operating income of ¥50.0 billion (US$601.4 million) to ¥40.5 billion (US$487.6 million) from an operating loss of ¥9.5 billion in the fiscal year ended March 31, 2010, return on assets improved from negative 0.78% in the previous fiscal year to 3.20% in the fiscal year under review.

Liabilities

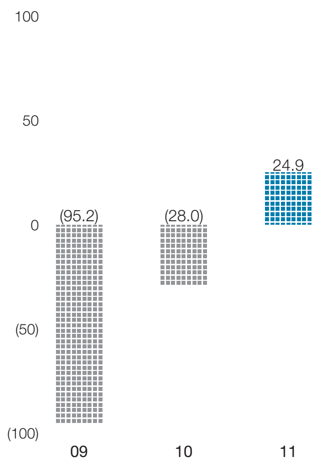
Total liabilities as of March 31, 2011 increased ¥45.4 billion (US$546.5 million) compared with the previous fiscal year-end to ¥864.5 billion (US$10,397.2 million). Interest-bearing debt amounted to ¥480.7 billion (US$5,781.1 million), a decrease of ¥13.5 billion (US$162.6 million) compared with March 31, 2010. As a result, the interest-bearing debt ratio was 37.1%, an improvement of 2.8 percentage points.

Net Assets

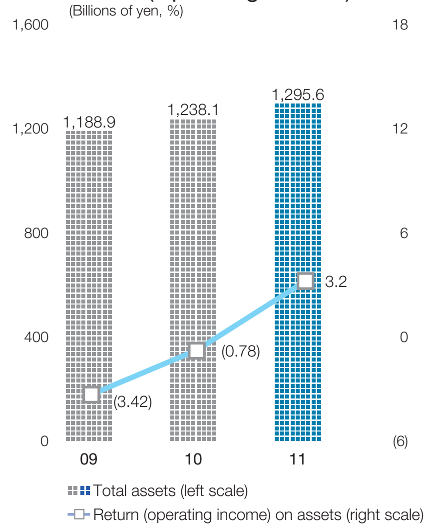
Net assets as of March 31, 2011, stood at ¥431.1 billion (US$5,184.6 million), a rise of ¥12.1 billion (US$145.5 million) compared with the previous fiscal year-end. Of this total, shareholders' equity and accumulated other comprehensive income (loss) were ¥383.7 billion (US$4,615.0 million) as of the end of the fiscal year under review, ¥64.6 billion (US$257.7 million) higher than March 31, 2010. The ratio of shareholders' equity to total assets was 29.6%, a decrease of 0.9 of a percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the debt-equity ratio stood at 1.25 as of March 31, 2011, an improvement of 0.06 of a percentage point from the previous fiscal year-end.

Net Income
(Billions of yen)



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



Application of Accounting Standard for Presentation of Comprehensive Income

Effective from the year ended March 31, 2011, the Company has adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010).

See "Note 3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (SUPPLEMENTAL INFORMATION).

As of March 31, 2011, total accumulated other comprehensive loss amounted to ¥19.8 billion (US$238.3 million), down ¥12.3 billion (US$147.9 million) compared with the previous fiscal year-end. This was mainly attributable to the year-on-year decrease in foreign currency translation adjustments of ¥10.8 billion (US$129.8 million).

Minority interests climbed ¥5.6 billion (US$67.8 million) compared with the end of the previous fiscal year to ¥47.4 billion (US$570.1 million) largely reflecting minority interest in income.

Capital Resources and Liquidity

>Cash Flows

Cash and cash equivalents (hereafter called "cash") were up ¥8.2 billion (US$98.5 million) to ¥81.1 billion (US$975.6 billion) as of March 31, 2011.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥73.2 billion (US$880.3 billion). This year-on-year increase of ¥3.0 billion (US$36.4 million) was mainly due to the positive turnaround in income before income taxes and minority interests compared with the previous fiscal year, which offset a rise in working capital following increases in inventories and income taxes paid.

As a result, the ratio of interest-bearing debt to operating cash flows declined from 7.0 times in the previous fiscal year to 6.6, while the interest coverage ratio increased from 8.2 times to 9.5 in the fiscal year under review.

Cash Flows from Investing Activities

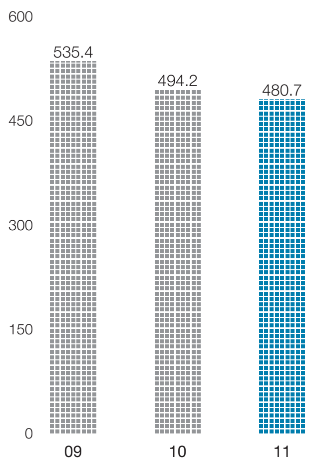
Net cash used in investing activities increased ¥0.3 billion (US$3.5 million) compared with the previous fiscal year to ¥43.2 billion (US$519.6 million). This rise was mainly attributable to a decrease in income from the sale and redemption of investment securities despite lower payments for the purchase of property, plant and equipment due to the careful screening of investment activities.

Cash Flows from Financing Activities

Net cash used in financing activities increased ¥17.5 billion (US$210.7 million) compared with the previous fiscal year to ¥20.1 billion (US$241.2 million). This was primarily due to the issuance of new shares during the previous fiscal year that offset a decline in the repayment of interest-bearing debt.

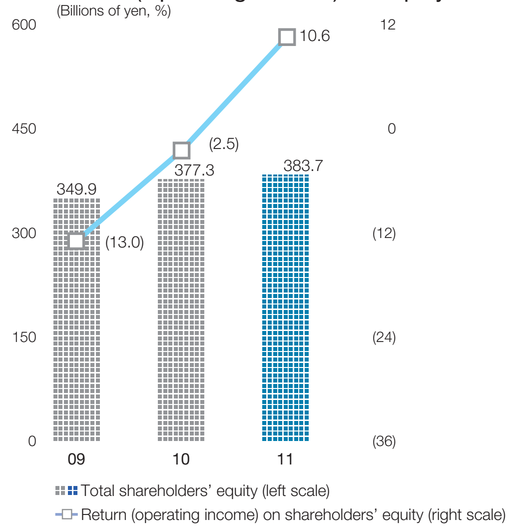
Interest-Bearing Debt

(Billions of yen)



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

(Billions of yen, %)



Cash Flow-Related Performance Indicators

	2011	2010	2009	2008	2007
Shareholders' Equity Ratio (%)	29.6	30.5	29.4	34.0	33.7
Shareholders' Equity Ratio on a Market Value Basis (%)	22.7	22.9	15.1	34.6	53.0
Ratio of Interest-bearing Debt to Cash Flows	6.6	7.0	9.8	5.3	5.0
Interest Coverage Ratio (Times)	9.5	8.2	5.9	9.7	12.8

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 fiscal year 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.

>Fund Procurement

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

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

>Financial Liquidity

With regard to asset efficiency, the 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 ¥45.1 billion (US$542.8 million) in the fiscal year ended March 31, 2011. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses. Capital expenditures by business segment were as follows.

Petrochemicals

Mitsui Chemicals undertook construction of low density polyethylene comonomer production facilities.

The total cost of this and other petrochemicals-related capital expenditures was ¥15.1 billion (US$181.6 million).

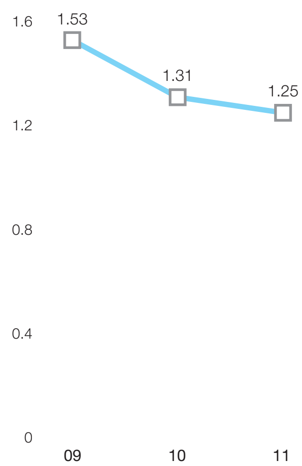
Basic Chemicals

The total cost of capital expenditures in the Basic Chemicals category was ¥4.0 billion (US$48.4 million).

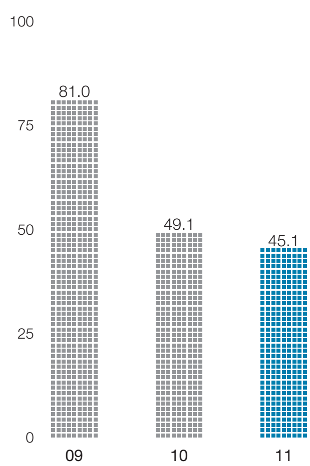
Polyurethane

The total cost of capital expenditures in the Polyurethane category was ¥6.0 billion (US$72.7 million).

Debt-to-Equity Ratio
(Times)



Capital Expenditures
(Billions of yen)



Functional Polymeric Materials

The Company undertook construction of ultra high molecular weight polyethylene production facilities aimed at increasing production capacity.

The total cost of this and other Functional Polymeric Materials-related capital expenditures was ¥3.8 billion (US$46.0 million).

Fabricated Products

Mitsui Chemicals Tohcello Inc. took steps to construct solar cell encapsulent production facilities to help boost its production capacity.

The total cost of this and other Fabricated Products-related capital expenditures was ¥9.0 billion (US$108.6 million).

Functional Chemicals

The total cost of capital expenditures in the Functional Chemicals category was ¥4.4 billion (US$53.1 million).

Others

The total cost of capital expenditures in other category was ¥2.7 billion (US$31.9 million).

Corporate

Capital expenditures included in corporate and other expenses mainly comprise strategic R&D expenses of ¥45 million (US$0.5 million) for the fiscal year under review.

Research and Development

Research and development at Mitsui Chemicals and its consolidated subsidiaries is conducted by the research and development division of six business sectors, namely, of Petrochemicals, Basic Chemicals, Polyurethane, Functional Polymeric Materials, Fabricated Products, and Functional Chemicals, along with the New Materials Development Center, the research laboratories of the corporate research center, Production and Technology Center, and the R&D divisions of consolidated subsidiaries. Research and development expenses by Mitsui Chemicals and its consolidated subsidiaries in the fiscal year ended March 31, 2011 amounted to ¥36.2 billion (US$435.4 million).

Details of corporate research, strategic research and development, new material development, major research and development issues confronting each business sector, and research and development expenses for the fiscal year ended March 31, 2011 are briefly as follows.

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, petrochemicals 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.

R&D expenses relating to corporate research amounted to ¥6.5 billion (US$78.2 million) and are allocated to all reportable segments.

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.

Research and development expenses relating to strategic research and development came to ¥1.4 billion (US$16.8 million). Allocation to reportable segments is not considered appropriate. Accordingly, this amount has been posted to corporate expenses.

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 by using a medium-scale film sheet testing facility.

Research and development expenses related to new material development totaled ¥4.5 billion (US$54.1 million) and are allocated to all reportable segments.

Petrochemicals

Mitsui Chemicals is taking the lead in the research and development of innovative propylene catalysts. Together with Prime Polymer Co., Ltd., the Company is also the main driving force behind research and development into the high-performance catalysts that help bolster the Group's competitive advantage in polyolefin resins and the new high-performance brands that facilitate efforts to cultivate new markets.

Research and development expenses related to this segment were ¥5.0 billion (US$60.1 million).

Basic Chemicals

Adopting a key role, Mitsui Chemicals is engaged in initiatives that focus on the development of new processes and innovative catalysts that can be used in the production of propylene, phenol, and bisphenol A. The Company also conducts research and development with a keen eye toward strengthening its wide-ranging businesses including purified terephthalic acid (PTA) and PET resins.

Research and development expenses related to this segment were ¥0.6 billion (US$7.2 million).

Polyurethane

Mitsui Chemicals is active in the development of such functional products as polyurethane foam materials and resins, acrylic resins, and amino resins for use in the automotive-, IT-, energy-, and lifestyle-related as well as industrial fields. In the fiscal year ended March 31, 2011, research activities were mainly directed toward the development of eco-friendly materials, specifically, polyurethane foam made from nonfossil materials, solar battery-related materials, solventless coating materials, and adhesives.

Research and development expenses related to this segment were ¥3.4 billion (US$40.9 million).

Functional Polymeric Materials

Mitsui Chemicals plays a central role in the development of elastomers, performance compounds, and performance polymer resins for use in the automotive-, electronic information material-, lifestyle-, industrial material-, environment-, and energy-related fields. In the fiscal year under review, the Company placed considerable weight on research activities encompassing new elastomers, new resins for optical lenses, lithium-ion battery-related resins, and LED-related resins.

Research and development expenses related to this segment were ¥3.6 billion (US$43.3 million).

Fabricated Products

Mitsui Chemicals and Mitsui Chemicals Tohcello Inc. take the lead in developing fabricated products, including films and nonwoven fabrics for use in the IT-, energy-, lifestyle-, and industrial material-related fields. In the fiscal year ended March 31, 2011, priority was placed on research activities into solar cell-, packing-, hygiene-, circuit-, semiconductor-, and display-related materials.

Research and development expenses related to this segment were ¥3.5 billion (US$42.1 million).

Functional Chemicals

Mitsui Chemicals is driving development in fine and performance chemicals, healthcare materials and catalysts as well as research activities into new fields. Mitsui Chemicals Agro Inc. is at the heart of the Group's research and development into agrochemicals. In the fiscal year under review, research and development efforts were mainly directed toward pesticide agents and formulation businesses in addition to monomers for glass lenses.

Research and development expenses related to this segment were ¥7.7 billion (US$92.6 million).

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, 2011.

(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, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 4)
ASSETS	2011	2010	2009	2011
Current assets:				
Cash and cash equivalents (Note 14)	¥ 81,119	¥ 72,962	¥ 47,949	$ 975,574
Short-term investments	2,474	1,646	499	29,754
Receivables:				
Trade notes and accounts receivable	264,420	256,610	174,845	3,180,036
Other	61,690	39,537	29,460	741,912
Inventories (Note 5)	239,931	218,953	250,654	2,885,520
Deferred tax assets—current (Note 19)	4,971	5,291	5,310	59,784
Other current assets	11,813	9,991	21,183	142,069
Allowance for doubtful accounts	(442)	(434)	(294)	(5,316)
Total current assets	665,976	604,556	529,606	8,009,333
Property, plant and equipment (Note 11):				
Land	166,431	166,930	169,822	2,001,575
Buildings and structures	314,773	312,585	308,596	3,785,604
Machinery and equipment	1,085,936	1,091,967	1,093,374	13,059,964
Construction in progress	21,005	14,065	30,277	252,616
	1,588,145	1,585,547	1,602,069	19,099,759
Accumulated depreciation	(1,120,410)	(1,087,364)	(1,079,428)	(13,474,564)
Property, plant and equipment, net	467,735	498,183	522,641	5,625,195
Investments and other non-current assets:				
Investment securities (Notes 16 and 17):				
Non-consolidated subsidiaries and affiliates	41,516	38,048	37,025	499,290
Other	59,837	62,475	55,901	719,627
Long-term receivables	6,408	3,779	4,520	77,066
Deferred tax assets—non-current (Note 19)	3,436	3,235	4,992	41,323
Other non-current assets (Notes 6, 7 and 8)	52,047	29,117	36,097	625,941
Allowance for doubtful accounts	(1,328)	(1,307)	(1,843)	(15,971)
Total investments and other non-current assets	161,916	135,347	136,692	1,947,276
Total assets	¥1,295,627	¥1,238,086	¥1,188,939	$15,581,804

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

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	2009	Thousands of U.S. dollars (Note 4) 2011
Current liabilities:				
Short-term bank loans (Note 8)	¥ 103,092	¥ 96,884	¥ 149,304	$ 1,239,832
Current portion of long-term debt (Note 8)	44,787	42,533	27,938	538,629
Commercial paper (Note 8)	7,400	1,000	14,200	88,996
Payables:				
Trade notes and accounts payable	196,823	163,062	98,394	2,367,084
Other	51,696	41,624	52,806	621,720
Employees' savings deposits	532	600	579	6,398
Accrued expenses	19,299	19,290	18,260	232,099
Accrual for directors' bonuses	79	38	49	950
Reserve for periodic repairs	11,728	11,118	12,433	141,046
Accrued income taxes (Note 19)	4,979	6,652	2,930	59,880
Asset retirement obligations—current (Note 20)	161	—	—	1,936
Other current liabilities (Notes 8 and 19)	1,722	3,402	965	20,709
Total current liabilities	442,298	386,203	377,858	5,319,279
Long-term liabilities:				
Long-term debt due after one year (Note 8)	324,733	352,962	343,622	3,905,388
Accrued employees' retirement benefits (Note 7)	54,528	36,137	33,373	655,779
Accrued directors' and corporate auditors' retirement benefits	341	337	443	4,101
Reserve for periodic repairs	2,324	3,334	2,658	27,949
Provision for environmental measures	10,650	11,671	11,948	128,082
Asset retirement obligations—non-current (Note 20)	2,215	—	—	26,638
Other non-current liabilities (Notes 8 and 19)	27,437	28,438	20,906	329,970
Total long-term liabilities	422,228	432,879	412,950	5,077,907
Contingent liabilities (Note 9)				
Net assets:				
Shareholders' equity (Note 12):				
Common stock:				
Authorized—3,000,000,000 shares				
Issued—1,022,020,076 shares in 2011 and 2010, 792,020,076 shares in 2009	125,053	125,053	103,226	1,503,945
Capital surplus	91,065	91,065	69,238	1,095,189
Retained earnings	201,692	182,922	221,721	2,425,640
Treasury stock, at cost: 20,097,891 shares in 2011, 19,701,571 shares in 2010, and 40,428,862 shares in 2009	(14,254)	(14,215)	(29,827)	(171,425)
	403,556	384,825	364,358	4,853,349
Accumulated Other Comprehensive Income (Loss):*				
Net unrealized holding gain on securities	11,490	13,095	7,319	138,184
Net unrealized holding gain (loss) on hedging derivatives	120	0	(3)	1,443
Foreign currency translation adjustments	(31,426)	(20,637)	(21,766)	(377,943)
	(19,816)	(7,542)	(14,450)	(238,316)
Minority interests	47,361	41,721	48,223	569,585
Total net assets	431,101	419,004	398,131	5,184,618
Total liabilities and net assets	¥1,295,627	¥1,238,086	¥1,188,939	$15,581,804

*See "Note 3. (SUPPLEMENTAL INFORMATION), a. Adoption of Accounting Standard for Presentation of Comprehensive Income."

Consolidated Statements of Operations

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2011	2010	2009	2011
Net sales	¥1,391,713	¥1,207,735	¥1,487,615	$16,737,378
Cost of sales (Notes 9 and 10)	1,174,178	1,039,515	1,341,106	14,121,202
Gross profit	217,535	168,220	146,509	2,616,176
Selling, general and administrative expenses (Notes 7 and 10)	176,987	177,681	192,002	2,128,527
Operating income (loss)	40,548	(9,461)	(45,493)	487,649
Other income (expenses):				
Interest and dividend income	2,221	2,900	3,988	26,711
Equity in earnings of non-consolidated subsidiaries and affiliates	7,304	3,858	2,992	87,841
Amortization of negative goodwill	1,238	1,469	—	14,889
Interest expense	(7,621)	(8,476)	(9,323)	(91,654)
Loss on suspension of operations	(2,158)	—	—	(25,953)
Foreign exchange losses	(2,977)	(896)	(4,398)	(35,803)
Gain on sales of investment securities (Note 17)	58	10,701	1,635	698
Reversal of provision for retirement benefits (Note 7)	14,618	—	—	175,803
Loss on valuation of investment securities	(670)	(1,758)	(1,932)	(8,058)
Loss on sales and disposal of property, plant and equipment	(3,015)	(6,068)	(7,093)	(36,260)
Loss on impairment of fixed assets (Note 11)	(2,248)	(4,285)	(3,935)	(27,035)
Loss on restructuring of subsidiaries and affiliates	(974)	(2,307)	(2,243)	(11,714)
Loss on disaster	(1,365)	—	—	(16,416)
Loss on adjustment for change of accounting standard for asset retirement obligations	(970)	—	—	(11,666)
Environmental expenses	—	—	(1,400)	—
Other, net	969	(1,757)	1,773	11,654
	4,410	(6,619)	(19,936)	53,037
Income (loss) before income taxes and minority interests	44,958	(16,080)	(65,429)	540,686
Income taxes (Note 19):				
Current	10,419	9,467	5,700	125,304
Deferred	626	2,186	34,919	7,529
	11,045	11,653	40,619	132,833
Income (loss) before minority interests	33,913	(27,733)	(106,048)	407,853
Minority interests in earnings of consolidated subsidiaries	(9,059)	(277)	10,811	(108,947)
Net income (loss)	¥24,854	¥(28,010)	¥(95,237)	$298,906

	Yen			U.S. dollars (Note 4)
Amounts per share of common stock:				
Net income (loss)	¥24.80	¥(33.04)	¥(125.46)	$0.298
Cash dividends applicable to the year	6.00	3.00	9.00	0.072

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

Consolidated Statement of Comprehensive Income (Loss)

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2011	2010	2011
Income before Minority Interests	¥33,913	¥—	$407,853
Other Comprehensive Income (Loss)			
Net unrealized holding loss on securities	(1,754)	—	(21,094)
Net unrealized holding gain on hedging derivatives	181	—	2,177
Foreign currency translation adjustments	(10,508)	—	(126,374)
Share of other comprehensive income of associates accounted for using the equity method	(1,549)	—	(18,629)
Total Other Comprehensive Income (Loss) (Note 13)	(13,630)	—	(163,920)
Comprehensive Income (Note 13)	¥20,283	¥—	$243,933
Comprehensive income attributable to:			
Owners of Mitsui Chemicals	¥12,505	¥—	$150,391
Minority interests	7,778	—	93,542

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, 2011, 2010 and 2009

	Millions of yen									
	Number of shares of common stock (Thousands)	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, 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
Cash dividends paid	—	—	—	(6,014)	—	—	—	—	—	(6,014)
Net income	—	—	—	24,854	—	—	—	—	—	24,854
Purchase of treasury stock	—	—	—	—	(149)	—	—	—	—	(149)
Disposition of treasury stock	—	—	—	(70)	110	—	—	—	—	40
Other changes	—	—	—	—	—	(1,605)	120	(10,789)	5,640	(6,634)
Balance at March 31, 2011	1,022,020	¥125,053	¥91,065	¥201,692	¥(14,254)	¥11,490	¥120	¥(31,426)	¥47,361	¥431,101

	Thousands of U.S. dollars (Note 4)								
	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, 2010	$1,503,945	$1,095,189	$2,199,904	$(170,956)	$157,486	$ 0	$(248,190)	$501,756	$5,039,134
Cash dividends paid	—	—	(72,327)	—	—	—	—	—	(72,327)
Net income	—	—	298,905	—	—	—	—	—	298,905
Purchase of treasury stock	—	—	—	(1,792)	—	—	—	—	(1,792)
Disposition of treasury stock	—	—	(842)	1,323	—	—	—	—	481
Other changes	—	—	—	—	(19,302)	1,443	(129,753)	67,829	(79,783)
Balance at March 31, 2011	$1,503,945	$1,095,189	$2,425,640	$(171,425)	$138,184	$1,443	$(377,943)	$569,585	$5,184,618

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, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 4)
	2011	2010	2009	2011
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥ 44,958	¥(16,080)	¥ (65,429)	$ 540,686
Depreciation and amortization	65,604	69,844	76,742	788,984
Goodwill amortization	3,633	5,034	4,632	43,692
Loss on impairment of fixed assets	2,248	4,285	3,935	27,035
Increase in provision for retirement benefits	18,392	—	—	221,191
Increase in prepaid pension costs	(30,532)	—	—	(367,192)
Changes in allowance for doubtful accounts	37	(392)	(330)	445
Reserve for periodic repairs	(400)	(639)	1,514	(4,811)
Provision for environmental measures	(1,021)	(277)	842	(12,279)
Interest and dividend income	(2,221)	(2,900)	(3,988)	(26,711)
Interest expenses	7,621	8,476	9,323	91,654
Equity in earnings of non-consolidated subsidiaries and affiliates	(7,304)	(3,858)	(2,992)	(87,841)
Gain on sales of investment securities	(46)	(10,591)	(1,151)	(553)
Loss on valuation of investment securities	676	1,758	1,932	8,130
Gain on sales of property, plant and equipment	(673)	(879)	(771)	(8,094)
Loss on sales and disposal of property, plant and equipment	1,228	2,675	2,707	14,768
(Increase) decrease in trade receivables	(11,141)	(79,480)	150,474	(133,987)
(Increase) decrease in inventories	(24,816)	34,963	7,190	(298,449)
Increase (decrease) in trade payables	35,570	62,416	(131,389)	427,781
Other, net	(11,593)	(3,912)	25,206	(139,422)
Subtotal	90,220	70,443	78,447	1,085,027
Interest and dividend received	5,368	5,049	8,362	64,558
Interest paid	(7,732)	(8,525)	(9,282)	(92,988)
Income taxes paid	(14,660)	3,206	(22,645)	(176,308)
Net cash provided by operating activities	73,196	70,173	54,882	880,289
Cash flows from investing activities				
Acquisition of property, plant, equipment and others	(43,222)	(55,369)	(73,411)	(519,808)
Proceeds from sales of property, plant, equipment and others	3,458	1,933	2,485	41,587
Purchases of investment securities	(774)	(3,761)	(10,199)	(9,308)
Proceeds from sales of investment securities	1,068	15,972	12,002	12,844
Payments for purchase of minority interests in a subsidiary	—	(1,005)	—	—
Payments for purchases of newly consolidated subsidiaries, net of cash acquired	—	—	(8,684)	—
Other, net	(3,734)	(683)	1,554	(44,906)
Net cash used in investing activities	(43,204)	(42,913)	(76,253)	(519,591)
Cash flows from financing activities				
Net increase (decrease) in short-term loans	13,341	(67,319)	(3,597)	160,445
Proceeds from long-term debt	24,108	50,742	107,189	289,934
Repayments of long-term debt	(49,123)	(28,445)	(34,086)	(590,776)
Proceeds from issuance of common stock	—	43,436	—	—
Proceeds from stock issuance to minority shareholders	269	2,114	—	3,235
Proceeds from sales of treasury stock	40	52	370	481
Purchases of treasury stock	(149)	(181)	(10,629)	(1,792)
Cash dividends paid	(6,014)	(2,255)	(9,128)	(72,327)
Other, net	(2,527)	(676)	(1,784)	(30,391)
Net cash provided by (used in) financing activities	(20,055)	(2,532)	48,335	(241,191)
Effect of exchange rate changes on cash and cash equivalents	(1,744)	(135)	(4,598)	(20,974)
Net increase (decrease) in cash and cash equivalents	8,193	24,593	22,366	98,533
Cash and cash equivalents at beginning of the year	72,962	47,949	25,502	877,474
Increase (decrease) in cash resulting from changes in numbers of consolidated subsidiaries	(36)	420	81	(433)
Cash and cash equivalents at end of the year (Note 14)	¥ 81,119	¥ 72,962	¥ 47,949	$ 975,574

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, 2011, 2010 and 2009

1. BASIS OF PREPARATION

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

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan [ASBJ] Practical Issues Task Force [PITF] No. 18, May 17, 2006). 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, 2011, the numbers of consolidated subsidiaries and non-consolidated subsidiaries / affiliates accounted for by the equity method were 66 and 29, respectively.

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

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

Effective from the year ended March 31, 2011, the Company has adopted new accounting standards, "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24, March 10, 2008). This change had no impact on income before income taxes and minority interests.

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 accumulated other comprehensive income (loss) and minority interests.

c. Inventories

Inventories are stated primarily at the lower of costs or market, cost is being determined by the weighted-average method. Previously, inventories were stated primarily at cost, by the last-in, first-out method (the balance sheet amount is written down based on the decrease in profitability.)

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.

Effective the year ended March 31, 2011, the Company has adopted new accounting standards, "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, September 26, 2008). As a result, operating income, and income before income taxes and minority interests increased by ¥3,501 million (US$42.1 million), respectively.

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.

Investment in Equity Investment Limited Partnerships and other similar entities (that are deemed to be securities in the Financial Instruments and Exchange Act Article 2-2) are accounted for using the equity method. Calculations are based on current financial statements, available as of the financial reporting date, which is stipulated in partnership agreements.

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, 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 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.

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 performances, length of service and certain other factors.

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

The 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 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 were not affected.

In April 2010, the Company reviewed retirement benefits and pension levels as one initiative to improve its medium- to long-term profit structure. As part of this review, calculations made under the premise that the interest rate on benefits will change and, therefore, retirement allowance liabilities declined by ¥14,618 million. Because this reduction in retirement allowance liabilities corresponds to the prior service cost, during the first quarter of the fiscal year ended March 31, 2011, such liabilities were processed collectively in accordance with the Company’s accounting treatment methods. Consequently, other income of ¥14,618 million (US$175.8 million) was recorded as reversal of provision for retirement benefits.

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.

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

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

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.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(CHANGES IN ACCOUNTING PRINCIPLES)

a. Adoption of Accounting Standard for Asset Retirement Obligations

Effective from the year ended March 31, 2011, the Company has adopted new accounting standards, “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). This change had only a minor impact on operating income. Income before income taxes and minority interests decreased by ¥1,054 million (US$12.7 million).

b. Adoption of Accounting Standard for Business Combinations

Effective from the year, ended March 31, 2011, the Company has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, revised December 26, 2008), and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 December 26, 2008). In connection with the adoption of these standards, the method for evaluating subsidiaries’ assets and liabilities changed from the partial market price basis to the full market price basis under economic unit approach. However, this change had only a minor impact on assets, liabilities and income.

(SUPPLEMENTAL INFORMATION)

a. Adoption of Accounting Standard for Presentation of Comprehensive Income

Effective from the year ended March 31, 2011, the Company has adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010). Accordingly, the Company presents “Valuation and Translation Adjustments” as of

March 31, 2010 and 2009 as "Accumulated Other Comprehensive Income (Loss)" in the accompanying financial statements. Additionally, in accordance with this new standard, Consolidated Statements of Comprehensive Income for year ended March 31, 2010 and 2009 are not presented. The comparative information for the year ended March 31, 2010 is disclosed in Note 13.

b. 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.

4. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥83.15=US$1.00, the approximate rate of exchange in effect on March 31, 2011. 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.

5. INVENTORIES

Inventories at March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Finished goods	¥163,092	¥143,766	¥183,314	$1,961,419
Work in process	4,987	4,273	3,826	59,976
Raw materials and supplies	71,852	70,914	63,514	864,125
Total	¥239,931	¥218,953	¥250,654	$2,885,520

6. GOODWILL AND NEGATIVE GOODWILL

Goodwill and negative goodwill (corresponding to the portion of negative goodwill which arose prior to March 31, 2010) 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, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Goodwill	¥2,889	¥6,913	¥11,783	$34,745
Negative goodwill	2,064	3,302	1,342	24,823
Difference	¥ 825	¥3,611	¥10,441	$ 9,922

7. ACCRUED EMPLOYEES' RETIREMENT BENEFITS

The liability for severance and retirement benefits included in the consolidated balance sheets as of March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Projected benefit obligation	¥ 199,056	¥ 217,377	¥ 208,611	$ 2,393,939
Unrecognized prior service cost	(71)	(75)	(80)	(854)
Unrecognized actuarial loss	(49,102)	(54,916)	(73,851)	(590,523)
Less fair value of pension plan assets	(126,198)	(126,560)	(101,662)	(1,517,715)
Prepaid pension and severance cost	30,843	311	355	370,932
Liability for severance and retirement benefits	¥ 54,528	¥ 36,137	¥ 33,373	$ 655,779

Included in the consolidated statements of operations for the years ended March 31, 2011, 2010 and 2009 are severance and retirement benefit expenses which comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Service cost – benefits earned during the year	¥ 4,903	¥ 5,405	¥ 5,525	$ 58,966
Interest cost on projected benefit obligation	3,986	5,093	5,050	47,937
Expected return on plan assets	(2,934)	(2,355)	(2,910)	(35,286)
Amortization of actuarial loss	7,889	8,685	6,232	94,877
Amortization of prior service cost	26	28	10	313
Severance and retirement benefit expenses	¥13,870	¥16,856	¥13,907	$166,807

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

	2011	2010	2009
Discount rate	Principally 2.0%	Principally 2.0%	2.50%
Rate of expected return on the pension plan assets	Principally 2.5%	Principally 2.5%	Principally 2.5%

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.

Review of Retirement Benefits and Pension Levels

In April 2010, the Company reviewed retirement benefits and pension levels as one initiative to improve medium- to long-term profit structure.

See “2. SIGNIFICANT ACCOUNTING POLICIES, k. Employees’ retirement benefits”.

8. SHORT-TERM DEBT AND LONG-TERM DEBT

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
At March 31, 2011, 2010 and 2009, short-term debt was as follows:				
0.34%-4.82% bank loans	¥103,092	¥ 96,884	¥149,304	$1,239,832
Commercial paper	¥ 7,400	¥ 1,000	¥ 14,200	$ 88,996
At March 31, 2011, 2010 and 2009, long-term debt was as follows:				
Bonds payable guaranteed by a bank:				
0.80% bonds due in 2010	¥ —	¥ 11	¥ 33	$ —
Unsecured bonds payable:				
2.07% bonds due in 2010	—	10,000	10,000	—
1.94% bonds due in 2011	—	10,000	10,000	—
1.84% bonds due in 2011	—	10,000	10,000	—
1.62% bonds due in 2011	10,000	10,000	10,000	120,265
1.04% bonds due in 2009	—	—	10,000	—
1.36% bonds due in 2012	10,000	10,000	10,000	120,265
0.78% bonds due in 2013	10,000	10,000	10,000	120,265
1.52% bonds due in 2015	10,000	10,000	10,000	120,265
1.57% bonds due in 2013	10,000	10,000	10,000	120,265
1.84% bonds due in 2016	10,000	10,000	10,000	120,265
2.09% bonds due in 2016	10,000	10,000	10,000	120,265
1.40% bonds due in 2012	10,000	10,000	10,000	120,265
1.96% bonds due in 2017	10,000	10,000	10,000	120,265
1.42% bonds due in 2012	10,000	10,000	10,000	120,265
1.93% bonds due in 2017	10,000	10,000	10,000	120,265
1.44% bonds due in 2014	10,000	10,000	—	120,265
1.246% bonds due in 2020	10,000	—	—	120,265
1.26% bonds due in 2009	—	—	2,000	—
1.38% bonds due in 2014	3,000	3,000	—	36,079
1.45% bonds due in 2011	1,000	1,000	1,000	12,026
Loans, principally from banks and insurance companies:				
Secured, maturing through 2012	—	—	1,050	—
Unsecured, at rates of 0.48% to 11.65% maturing through 2021	235,520	241,484	217,477	2,832,467
Lease obligations	689	840	327	8,286
	370,209	396,335	371,887	4,452,303
Less current portion	44,905	42,661	27,951	540,048
	¥325,304	¥353,674	¥343,936	$3,912,255

The aggregate annual maturities of long-term debt excluding lease obligations subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 44,787	$ 538,629
2013	57,628	693,061
2014	63,151	759,483
2015	51,617	620,770
2016 and thereafter	152,337	1,832,074
Total	¥369,520	$4,444,017

The aggregate annual maturities of lease obligations subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥118	$1,419
2013	119	1,431
2014	119	1,431
2015	91	1,094
2016 and thereafter	242	2,911
Total	¥689	$8,286

At March 31, 2011, the assets pledged as collateral for long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Other non-current assets	¥37	$445

9. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
As endorser of trade notes discounted	¥ 130	¥ 5	¥ 6	$ 1,563
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	3,979	6,843	8,195	47,853
As issuer of commitments for guarantees	193	236	542	2,321

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Research and development expenses	¥36,166	¥38,131	¥40,628	$434,949

11. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the year ended March 31, 2011, 2010 and 2009 consisted of the following:

Year ended March 31, 2011 Location		Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks
—		Process construction of production	Construction in progress	¥1,127	$13,554	Idle property
Others	8 items	Production facilities	Machinery and equipment, buildings and structures, others	¥960	$11,545	Idle property
	1 item	Company house	Land, buildings and structures	¥161	$1,936	Business assets in use
Total				¥2,248	$27,035	

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 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 ¥161 million (US$1,936 thousand) was recorded as other expenses. This impairment loss comprised ¥28 million (US$337 thousand) for buildings and structures and ¥133 million (US$1,599 thousand) for land.

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 or another reason, reduced to the recoverable amount. The resulting impairment loss amounting to ¥2,087 million (US$25,099 thousand) was recorded as other expenses. This impairment loss comprised ¥1,641 million (US$19,735 thousand) for construction in progress , ¥156 million (US$1,876 thousand) for machinery and equipment, ¥142 million (US$1,708 thousand) for buildings and structures and ¥148 million (US$1,780 thousand) for other assets.

In addition, the calculation of recoverable amounts was based on net sales price which derived from the estimated sales prices.

Year ended March 31, 2010 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	

Year ended March 31, 2009 Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks
Stirlingshire, United Kindom	Production Facilities	Machinery and equipment, buildings and structures	¥605	$6,038	Business assets in use
Others	Production Facilities	Machinery and equipment, buildings and structures, others	114	1,138	Business assets in use
Total			¥719	$7,176	

12. 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, 2011 include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 24, 2011.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 (US$0.04) per share	¥3,005	$36,140

13. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Year ended March 31, 2011)

1. Comprehensive income for the previous fiscal year ended March 31, 2010

	Millions of yen
Comprehensive income (loss) attributable to shareholders of Mitsui Chemicals	¥(21,122)
Comprehensive income attributable to minority interests	913
Comprehensive income (loss)	¥(20,209)

2. Other comprehensive income for the fiscal year ended March 31, 2010

	Millions of yen
Net unrealized holding gain on securities	¥5,902
Net unrealized holding gain on hedging derivatives	7
Foreign currency translation adjustment	977
Share of other comprehensive income of associates accounted for using the equity method	638
Other comprehensive income	¥7,524

14. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents at March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Cash	¥78,745	¥72,956	¥47,949	$947,023
Cash equivalents	2,374	6	—	28,551
Total	¥81,119	¥72,962	¥47,949	$975,574

15. LEASES

A. At March 31, 2011, 2010 and 2009, assets leased under financial 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
	2011	2010	2009	2011
Machinery and equipment:				
Equivalent acquisition cost	¥4,840	¥6,232	¥7,638	$58,208
Equivalent accumulated depreciation amount	3,611	4,193	4,499	43,428
Equivalent accumulated impairment amount	—	—	—	—
Equivalent balance at year-end	¥1,229	¥2,039	¥3,139	$14,780

b) Future minimum lease payments:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Due within one year	¥ 585	¥ 850	¥1,143	$ 7,035
Due after one year	644	1,189	1,996	7,745
Total	¥1,229	¥2,039	¥3,139	$14,780
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
	2011	2010	2009	2011
Paid lease fees	¥722	¥1,167	¥1,766	$8,683
Reversal of leased asset impairment loss	—	—	—	—
Equivalent depreciation expense amount	722	1,167	1,766	8,683
Impairment loss on leased assets	¥ —	¥ —	¥ —	$ —

B. Obligations under noncancelable operating leases at March 31, 2011, 2010 and 2009 were as follows:

Future Minimum Lease Payments:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Due within one year	¥14	¥16	¥25	$168
Due after one year	15	27	40	180
Total	¥29	¥43	¥65	$348

16. 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, 2011 and 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.

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

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

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

In addition, hedging instruments and hedged items, hedging policy, and effectiveness of hedge transactions are described in "Notes to Consolidated Financial Statements, 2. Significant accounting policies, i. Derivatives and hedge accounting."
(c) Risk management
i. Credit risk management (risk comes 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 come from fluctuation of foreign currency exchange 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 financial conditions of investees (trading partners) are periodically monitored. The possession of other securities other than held-to-maturity debt securities are reviewed continuously, taking market conditions and trade relations with the issuers into consideration.

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 esti-

mated 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 “18. 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, 2011 are as follows. In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please see “2. Financial instruments for which the fair value is extremely difficult to measure.”)

	Millions of yen		
Year ended March 31, 2011	Carrying value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 81,219	¥ 81,219	¥ —
(2) Trade notes and accounts receivable	264,420	264,420	—
(3) Short-term investment securities and investment securities			
①Held-to-maturity debt securities	13	13	0
②Other securities	46,427	46,427	—
Total	392,079	392,079	0
Liabilities			
(1) Trade notes and accounts payable	196,823	196,823	—
(2) Short-term bank loans	103,092	103,092	—
(3) Current portion of long-term loans payable	23,787	23,977	190
(4) Commercial papers	7,400	7,400	—
(5) Current portion of corporate bonds	21,000	21,155	155
(6) Corporate bonds due after one year	113,000	116,223	3,223
(7) Long-term loans payable due after one year	211,733	220,251	8,518
Total	676,835	688,921	12,086
Derivative transactions(*)	¥ 334	¥ 334	¥ —

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

	Thousands of U.S. dollars		
Year ended March 31, 2011	Carrying value	Fair value	Difference
Assets			
(1) Cash and deposits	$ 976,777	$ 976,777	$ —
(2) Trade notes and accounts receivable	3,180,036	3,180,036	—
(3) Short-term investment securities and investment securities			
①Held-to-maturity debt securities	156	156	0
②Other securities	558,352	558,352	—
Total	4,715,322	4,715,322	0
Liabilities			
(1) Trade notes and accounts payable	2,367,084	2,367,084	—
(2) Short-term bank loans	1,239,832	1,239,832	—
(3) Current portion of long-term loans payable	286,073	288,358	2,285
(4) Commercial papers	88,996	88,996	—
(5) Current portion of corporate bonds	252,556	254,420	1,864
(6) Corporate bonds due after one year	1,358,990	1,397,751	38,761
(7) Long-term loans payable due after one year	2,546,398	2,648,839	102,441
Total	8,139,928	8,285,280	145,352
Derivative transactions(*)	$ 4,017	$ 4,017	$ —

*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 due to the short maturity of these instruments.

(3) Short-term investment securities and investment securities

The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals quoted market price or price provided by financial institutions. Moreover, investment securities based on holding purpose are described in "17. SECURITIES."

Liabilities

(1) Trade notes and accounts payable, and (2) Short-term bank loans, and (4) Commercial papers

The relevant book values are used because the carrying amount approximates fair value due to the short maturity of these instruments.

(3) Current portion of long-term loans payable, and (7) 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 "18. 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 when new loans of the same type are undertaken.

(5) Current portion of corporate bonds, and (6) 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.

	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 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 value 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 "17. 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 value 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 "Note 18. Derivatives."

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

Year ended March 31, 2011	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥7,876	$94,720
Unlisted preferred securities	6,944	83,512

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

Year ended March 31, 2010	Millions of yen
Unlisted equity securities	¥42,895
Unlisted preferred securities	6,900
Long-term loans receivable	1,267

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

	Millions of yen			
Year ended March 31, 2011	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	¥ 81,219	¥—	¥—	¥—
Trade notes and accounts receivable	264,420	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	6	7	—	—
Total	¥345,645	¥7	¥—	¥—

	Thousands of U.S. dollars			
Year ended March 31, 2011	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	$ 976,777	$—	$—	$—
Trade notes and accounts receivable	3,180,036	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	72	84	—	—
Total	$4,156,885	$84	$—	$—

Year ended March 31, 2010	Millions of yen 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

Note 4. The redemption schedule for corporate bonds and long-term bank loans subsequent to the consolidated balance sheet date. See "8. Short-term debt and long-term debt."

17. SECURITIES

(As of March 31, 2011)

A. Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2011	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	13	13	0	156	156	0
Total	¥13	¥13	¥0	$156	$156	$0

	Millions of yen		
Year ended March 31, 2010	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
Total	¥19	¥19	¥ 0

B. Other securities

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2011	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:						
(1) Equity securities	¥39,478	¥21,446	¥18,032	$474,780	$257,919	$216,861
(2) Others	—	—	—	—	—	—
Securities whose carrying value does not exceed their acquisition cost:						
(1) Equity securities	4,576	6,699	(2,123)	55,033	80,565	(25,532)
(2) Others	2,373	2,373	—	28,539	28,539	—
Total	¥46,427	¥30,518	¥15,909	$558,352	$367,023	$191,329

Note: Unlisted equity securities with carrying value of ¥7,876 million (US$94,720 thousand) and unlisted preferred securities with carrying value of ¥6,944 million (US$83,512 thousand) as of March 31, 2011 are not included in the table given above, because there is no market value and the future cash flows cannot be estimated. Therefore, the fair value is extremely difficult to measured.

Year ended March 31, 2010	Millions of yen Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
(1) Equity securities	¥39,969	¥17,848	¥22,121
(2) Debt securities - corporate bonds	777	775	2
Securities whose carrying value does not exceed their acquisition cost:			
(1) Equity securities	6,779	7,808	(1,029)
(2) Debt securities - corporate bonds	—	—	—
(3) Others	6	6	—
Total	¥47,531	¥26,437	¥21,094

Note: Unlisted equity securities with carrying value of ¥8,015 million and unlisted preferred securities with carrying value of ¥6,900 million 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. Therefore, the fair value is extremely difficult to measured.

C. Other securities sold during the fiscal year ended March 31, 2011

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2011	Sales price	Gain on sales	Loss on sales	Sales price	Gain on sales	Loss on sales
Equity securities	¥216	¥62	¥16	$ 2,598	$746	$192
Other	758	—	—	9,116	—	—
Total	¥974	¥62	¥16	$11,714	$746	$192

Year ended March 31, 2010	Millions of yen Sales price	Gain on sales	Loss on sales
Equity securities	¥14,458	¥10,669	¥—
Total	¥14,458	¥10,669	¥—

D. Impairment of investment securities

For the year ended March 31, 2011, the Mitsui Chemicals Group recognized an impairment of ¥670 million (US$8,058 thousand) for other securities whose fair value is 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)

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

Available-for-sale securities

Securities with book value exceeding their acquisition cost

	Millions of yen 2009
Equity securities and bonds:	
Acquisition cost	¥17,484
Book value	31,311
Difference	13,827

Securities with book value not exceeding their acquisition cost

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

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

	Millions of yen
	2009
(a) Held-to-maturity debt securities:	
Government and municipal bonds	¥ 25
(b) Available-for-sale securities:	
Unlisted equity securities	¥13,476
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 were as follows:

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

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

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

18. DERIVATIVES

(As of March 31, 2011)

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, 2011	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	¥2,531	¥—	¥(20)	¥(20)	$30,439	$—	$(241)	$(241)
(2) Selling Pound Sterling	36	—	(0)	(0)	433	—	(0)	(0)
(3) Selling Euro	133	—	(6)	(6)	1,600	—	(72)	(72)
Total	¥2,700	¥—	¥(26)	¥(26)	$32,472	$—	$(313)	$(313)

	Millions of yen			
Year ended March 31, 2010	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)
(2) Buying U.S. dollar	2,249	—	79	79
Total	¥10,699	¥—	¥(153)	¥(153)

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

Year ended March 31, 2011	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:						
Forward foreign exchange contracts						
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥14,523	¥—	¥253	$174,660	$—	$3,043
(2) Buying U.S. dollar (hedged item—trade accounts payable)	5,520	—	97	66,386	—	1,167
(3) Buying U.S. dollar (hedged item—short-term debt)	2,701	—	13	32,484	—	156
Alternative method(*):						
Forward foreign exchange contracts						
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥147	¥—	(Note 2)	$1,768	$—	(Note 2)
(2) Buying U.S. dollar (hedged item—trade accounts payable)	1,527	—	(Note 2)	18,364	—	(Note 2)
Total	¥24,418	¥—	¥363	$293,662	$—	$4,366

*Foreign monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge 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 fluctuations, fair value of the derivative financial instrument is included in trade accounts receivables, trade accounts payable and loans payable as hedged items.

Year ended March 31, 2010	Millions of yen 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
(2) Buying U.S. dollar (hedged item—other accounts payable)	181	—	4
(3) Buying U.S. dollar (hedged item—trade accounts payable)	953	—	5
Alternative method(*):			
Forward foreign exchange contracts			
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥ 64	¥ —	(Note2)
(2) Buying U.S. dollar (hedged item—trade accounts payable)	1,834	—	(Note2)
(3) Buying Japanese yen (hedged item—short-term bank loans)	10	—	(Note2)
Foreign currency swap contracts			
Receiving Japanese yen and paying Thai baht (hedged item—long-term bank loans)	912	—	(Note2)
Total	¥ 7,565	¥ —	¥ 24

*Foreign monetary obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge 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 payable, other accounts payable and loans payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, fair value of the derivative financial instrument is included in trade accounts payable, other accounts payable and loans payable as hedged items.

b. Interest related

Year ended March 31, 2011	Millions of yen Contract amount	Millions of yen (Contract amount over one year)	Millions of yen Fair value	Thousands of U.S. dollars Contract amount	Thousands of U.S. dollars (Contract amount over one year)	Thousands of U.S. dollars Fair value
Deferral hedge accounting method:						
Interest swap contracts						
(hedged item—long-term bank loans)						
Receive floating / Paying fixed rate	¥258	¥—	¥(3)	$3,103	$—	$(36)
Alternative method :						
Interest swap contracts						
(hedged item—long-term bank loans)						
Receive floating / Paying fixed rate	¥33,610	¥30,510	(Note 2)	$404,209	$366,927	(Note 2)
Total	¥33,868	¥30,510	¥(3)	$407,312	$366,927	$(36)

Year ended March 31, 2010	Millions of yen Contract amount	Millions of yen (Contract amount over one year)	Millions of yen Fair value
Deferral hedge accounting method:			
Interest swap contracts			
(hedged item—long-term bank loans)			
Receive floating / Pay fixed rate	¥ 686	¥ 258	¥(8)
Alternative method :			
Interest swap contracts			
(hedged item—long-term bank loans)			
Receive floating / Pay fixed rate	¥29,410	¥29,260	(Note2)
Total	¥30,096	¥29,518	¥(8)

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 fluctuations, fair value of the derivative financial instrument is included in trade accounts payable, other accounts payable and loans payable as hedged items.

(As of March 31, 2009)
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	Millions of yen Fair value	Millions of yen Unrealized gain (loss)
Forward foreign exchange contracts:			
Selling U.S. dollar	¥ 616	¥ 636	¥(20)
Buying U.S. dollar	6,758	6,788	30

19. INCOME TAXES

The following table summarizes the significant differences between the statutory tax rate and effective tax rate for consolidated financial statement purposes for the year ended March 31, 2011:

	2011	2010	2009
Statutory tax rate	40.6%	—	—
Non-deductible expenses	1.4		
Tax credits	(1.0)		
Increase (decrease) in valuation allowance	7.3		
Differences of statutory tax rate in overseas consolidated subsidiaries	(18.9)		
Equity in earnings of non-consolidated subsidiaries and affiliates	(6.6)		
Other	1.8		
Effective tax rate	24.6%	—	—

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 losses before income taxes and minority interests.

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Deferred tax assets:				
Allowance for doubtful accounts	¥ 696	¥ 139	¥ 572	$ 8,370
Employees' retirement benefits	29,879	22,407	21,272	359,339
Accrued bonuses	4,369	3,771	3,819	52,544
Depreciation	2,672	2,642	5,145	32,135
Accrued enterprise taxes	505	702	204	6,073
Tax loss carryforwards of consolidated subsidiaries	53,766	46,610	29,971	646,615
Reserve for periodic repairs	6,081	5,987	6,122	73,133
Provision for environmental measures	4,324	4,738	4,851	52,002
Loss on write-down of inventories	3,653	3,637	3,644	43,933
Loss on valuation of investment securities	5,949	5,837	5,767	71,545
Loss on impairment of fixed assets	5,817	5,617	5,291	69,958
Other	9,535	8,356	6,475	114,672
Subtotal	127,246	110,443	93,133	1,530,319
Valuation allowance	(101,846)	(100,345)	(81,176)	(1,224,847)
Total deferred tax assets	25,400	10,098	11,957	305,472
Deferred tax liabilities:				
Prepaid pension cost	¥ (12,382)	¥ (—)	¥ (—)	$ (148,912)
Net unrealized holding gain on securities	(6,682)	(7,334)	(3,768)	(80,361)
Deferred gain on real properties	(2,903)	(2,996)	(3,381)	(34,913)
Retained earnings of overseas consolidated subsidiaries, etc.	(2,771)	(1,781)	(1,375)	(33,325)
Other	(5,155)	(2,525)	(2,283)	(61,996)
Total deferred tax liabilities	(29,893)	(14,636)	(10,807)	(359,507)
Net deferred tax assets (liabilities)	¥(4,493)	¥(4,538)	¥1,150	$(54,035)

20. ASSET RETIREMENT OBLIGATIONS

Information on asset retirement obligations, recorded on the consolidated balance sheet at March 31, 2011 is as follows:

A. Outline the asset retirement obligations

(a) Expenses allocated for asbestos removal in accordance with Regulations for Preventing Asbestos Hazards pertaining to certain fixed assets.

(b) Restoration obligations under land lease agreements and others

B. Calculation method of asset retirement obligations

An estimated period of use of 6-60 years and a discount rate of 0.129%-5.000% are used to calculate the amount of the asset retirement obligations.

C. Changes in the total amount of the retirement asset obligations for the fiscal year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year (note):	¥2,219	$26,687
Increase due to acquisition of tangible fixed assets	—	—
Adjustment due to passage of time	59	710
Increase due to changes in estimates	246	2,958
Decrease due to fulfillment of asset retirement obligations	(74)	(890)
Other	(74)	(890)
Balance at end of year	¥2,376	$28,575

(Note) Balance at beginning of year is the amount due to application from the current fiscal year, "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008)"

21. SEGMENT INFORMATION

(1) Overview of Reportable Segments

As of March 31, 2011 and 2010

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

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

The six reportable segments (distinguished by products and services) that therefore comprise Mitsui Chemicals operations are: Petrochemicals, Basic Chemicals, Polyurethane, Functional Polymeric Materials, Fabricated Products, and Functional Chemicals.

	Segment	Major Products
Reportable Segments	Petrochemicals	Ethylene, propylene, polyethylene, polypropylene
	Basic Chemicals	Phenols, bisphenol-A, PTA, PET, ethylene oxide
	Polyurethane	Polyurethane materials, coating materials, adhesive materials, and molding materials
	Functional Polymeric Materials	Elastomers, performance compounds, specialty polyolefin, engineering plastics
	Fabricated Products	Hygiene materials, semiconductor materials, energy materials, packaging films
	Functional Chemicals	Optical lens materials, healthcare materials, chemical products, specialty gas, catalysts, and agrochemical products
Others	Others	Other related businesses, etc.

(2) Methods to Determine Net Sales, Income or Loss, Assets, and Other Items by Reportable Business Segment

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

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

(Millions of yen)

	Reportable Segments								
Year ended March 31, 2011	Petrochemicals	Basic Chemicals	Polyurethane	Functional Polymeric Materials	Fabricated Products	Functional Chemicals	Total	Others (Note 1)	Sum total
I. Net sales:									
Customers	¥433,953	¥435,718	¥144,800	¥106,226	¥132,015	¥119,769	¥1,372,481	¥19,232	¥1,391,713
Inter-segment	128,709	27,544	4,250	15,268	286	5,740	181,797	52,128	233,925
Total	¥562,662	¥463,262	¥149,050	¥121,494	¥132,301	¥125,509	¥1,554,278	¥71,360	¥1,625,638
II. Segment income(loss)	¥12,795	¥20,409	(¥8,955)	¥7,236	¥1,431	¥10,028	¥42,944	¥148	¥43,092
III. Segment assets	¥342,617	¥230,293	¥130,368	¥110,421	¥139,843	¥184,177	¥1,137,719	¥51,463	¥1,189,182
IV. Other items:									
Depreciation and amortization (Note 2)	¥12,775	¥12,473	¥8,521	¥9,566	¥8,956	¥8,404	¥60,695	¥4,185	¥64,880
Amortization of goodwill	—	36	2,166	25	—	1,395	3,622	11	3,633
Invested in equity method affiliate	1,999	10,622	5,090	93	3,407	6,468	27,679	13,822	41,501
Capital expenditures (Note 2)	15,099	4,023	6,049	3,821	9,026	4,418	42,436	2,656	45,092

(Thousands of U.S. dollars)

Year ended March 31, 2011	Reportable Segments: Petrochemicals	Basic Chemicals	Polyurethane	Functional Polymeric Materials	Fabricated Products	Functional Chemicals	Total	Others (Note 1)	Sum total
I. Net sales:									
Customers	$5,218,918	$5,240,144	$1,741,431	$1,277,522	$1,587,673	$1,440,397	$16,506,085	$231,293	$16,737,378
Inter-segment	1,547,913	331,257	51,113	183,620	3,439	69,032	2,186,374	626,915	2,813,289
Total	$6,766,831	$5,571,401	$1,792,544	$1,461,142	$1,591,112	$1,509,429	$18,692,459	$858,208	$19,550,667
II. Segment income(loss)	$153,879	$245,448	($107,697)	$87,023	$17,210	$120,601	$516,464	$1,780	$518,244
III. Segment assets	$4,120,469	$2,769,609	$1,567,865	$1,327,974	$1,681,816	$2,214,997	$13,682,730	$618,918	$14,301,648
IV. Other items:									
Depreciation and amortization (Note 2)	$153,638	$150,006	$102,478	$115,045	$107,709	$101,070	$729,946	$50,331	$780,277
Amortization of goodwill	—	433	26,049	301	—	16,777	43,560	132	43,692
Invested in equity method affiliate	24,041	127,745	61,215	1,118	40,974	77,787	332,880	166,230	499,110
Capital expenditures (Note 2)	181,588	48,382	72,748	45,953	108,551	53,133	510,355	31,942	542,297

(Millions of yen)

Year ended March 31, 2010	Reportable Segments: Petrochemicals	Basic Chemicals	Polyurethane	Functional Polymeric Materials	Fabricated Products	Functional Chemicals	Total	Others (Note 1)	Sum total
I. Net sales:									
Customers	¥364,472	¥348,788	¥145,619	¥86,037	¥125,007	¥118,630	¥1,188,553	¥19,182	¥1,207,735
Inter-segment	117,925	23,553	4,026	11,171	370	5,567	162,612	59,551	222,163
Total	¥482,397	¥372,341	¥149,645	¥97,208	¥125,377	¥124,197	¥1,351,165	¥78,733	¥1,429,898
II. Segment income(loss)	(¥3,350)	(¥4,791)	(¥2,055)	(¥4,447)	¥823	¥7,361	(¥6,459)	¥1,058	(¥5,401)
III. Segment assets	¥293,797	¥226,470	¥135,695	¥114,852	¥131,333	¥188,490	¥1,090,637	¥55,064	¥1,145,701
IV. Other items:									
Depreciation and amortization (Note 2)	¥13,032	¥12,811	¥8,623	¥10,412	¥9,409	¥9,374	¥63,661	¥4,484	¥68,145
Amortization of goodwill	1,224	71	2,166	29	—	1,532	5,022	12	5,034
Invested in equity method affiliate	1,899	9,012	5,265	66	3,175	5,653	25,070	12,963	38,033
Capital expenditures (Note 2)	11,502	6,081	6,070	7,132	7,311	5,454	43,550	4,106	47,656

Notes: 1. The "Other Business" category incorporates operations not included in reportable segments.
2. Depreciation and amortization, and capital expenditures include amortization costs and expenditures under long-term prepaid expenses.

(4) Reconciliation of Differences between Total Amounts of Reportable Segments and Amounts Appearing in the Consolidated Financial Statements (adjustments)

Net sales:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Total reportable segment sales	¥1,554,278	¥1,351,165	$18,692,459
Net sales classified under "Others"	71,360	78,733	858,208
Elimination of intersegment transactions	(233,925)	(222,163)	(2,813,289)
Net sales recorded in Consolidated Statements of Operations	¥1,391,713	¥1,207,735	$16,737,378

Income:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Total reportable segment income	¥42,944	(¥6,459)	$516,464
Income classified under "Others"	148	1,058	1,780
Elimination of intersegment transactions	247	236	2,971
Corporate expenses (note)	(2,791)	(4,296)	(33,566)
Operating income (loss) recorded in Consolidated Statements of Operations	¥40,548	(¥9,461)	$487,649

Note: Corporate expenses mainly comprise strategic R&D expenses not usually attributed to segments.

Assets:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Total reportable segment assets	¥1,137,719	¥1,090,637	$13,682,730
Assets classified under "Others"	51,463	55,064	618,918
Elimination of intersegment transactions	(77,531)	(66,423)	(932,424)
Corporate assets (note)	183,976	158,808	2,212,580
Assets recorded in Consolidated Balance Sheets	¥1,295,627	¥1,238,086	$15,581,804

Note: Corporate assets are mainly attributed to the Company's surplus management funds (cash and savings), long-term investment funds (investment securities), deferred tax assets and administrative departments.

Depreciation and amortization:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Total amounts of reportable segment	¥60,695	¥63,661	$729,946
Amounts classified under "Others"	4,185	4,484	50,331

Adjustment amounts	724	1,699	8,707
Amounts from Consolidated Financial Statements	¥65,604	¥69,844	$788,984

	Millions of yen		Thousands of U.S. dollars
Amortization of goodwill:	2011	2010	2011
Total amounts of reportable segment	¥3,622	¥5,022	$43,560
Amounts classified under “Others”	11	12	132
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥3,633	¥5,034	$43,692

	Millions of yen		Thousands of U.S. dollars
Amount invested in equity method affiliate:	2011	2010	2011
Total amounts of reportable segment	¥27,679	¥25,070	$332,880
Amounts classified under “Others”	13,822	12,963	166,230
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥41,501	¥38,033	$499,110

	Millions of yen		Thousands of U.S. dollars
Capital expenditures:	2011	2010	2011
Total amounts of reportable segment	¥42,436	¥43,550	$510,355
Amounts classified under “Others”	2,656	4,106	31,942
Adjustment amounts	45	1,398	541
Amounts from Consolidated Financial Statements	¥45,137	¥49,054	$542,838

(5) Information on Change in Reportable Segments

(Change in Reportable Segments)

In line with the reorganization that took effect from April 1, 2010, Mitsui Chemicals has from the fiscal year under review reorganized its previous three segments of Performance Materials, Advanced Chemicals, and Basic Chemicals into the six segments of Petrochemicals, Basic Chemicals, Polyurethane, Functional Polymeric Materials, Fabricated Products, and Functional Chemicals.

In the Basic Chemicals Business area, feedstocks, polyethylene, and polypropylene operations were reclassified into the Petrochemicals segment, while phenols, PTA & PET, and industrial chemicals were reclassified into the Basic Chemicals segment.

In the Performance Materials area, MCI reclassified polyurethane and coating materials into the Polyurethane segment. Automotive & industrial materials, information & electronics materials (except for functional film and certain other materials) were restructured into the Functional Polymeric Materials segment, and functional film, solar & cell & battery components, and living & energy materials were reclassified into the Fabricated Products segment. The Advanced Chemicals area was reorganized into the Functional Chemicals segment.

Segment information for the previous fiscal year has been prepared based on reportable segments adopted in the fiscal year under review.

(Significant Changes in Calculation Method for Segment Income or Loss)

Mitsui Chemicals has from the fiscal year under review applied ASBJ Statement No. 9 (September 26, 2008) “Accounting Standard for Measurement of Inventories” and has changed from the “last-in, first-out” method to the “weighted-average” method for the valuation of inventories.

In accordance with this change, as compared to application of the previous method, segment income in the fiscal year under review increased in Petrochemicals, Basic Chemicals, and Others by ¥1,581 million (US$19.0 million), ¥1,675 million (US$20.1 million), and ¥635 million (US$7.7 million), respectively, while decreasing in Functional Polymeric Materials, Fabricated Products, and Functional Chemicals segments by ¥254 million (US$3.1 million), ¥81 million (US$1.0 million), and ¥268 million (US$3.2 million), respectively. In addition, the Polyurethane segment loss decreased by ¥213 million (US$2.6 million).

(Supplemental Information)

From the fiscal year under review, Mitsui Chemicals has applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

◆Related Information

(Information by Region)

Net sales:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Japan	¥ 806,175	¥731,018	$ 9,695,430
China	200,466	176,314	2,410,896
Asia	261,706	199,100	3,147,396
America	68,865	53,865	828,202
Europe	44,523	40,267	535,454
Other regions	9,978	7,171	120,000
Total	¥1,391,713	¥1,207,735	$16,737,378

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

Tangible assets:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Japan	¥388,836	¥405,986	$4,676,320
Asia	72,620	84,540	873,361
Other regions	6,279	7,657	75,514
Total	¥467,735	¥498,183	$5,625,195

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

◆Information Concerning Impairment Loss of Fixed Assets by Reportable Segment

Impairment loss:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Petrochemicals	¥ 36	¥1,408	$ 433
Basic Chemicals	1,257	39	15,117
Polyurethane	22	—	265
Functional Polymeric Materials	433	315	5,207
Fabricated Products	126	131	1,515
Functional Chemicals	370	230	4,450
Others	4	243	48
Corporate Expenses	—	1,919	—
Total	¥2,248	¥4,285	$27,035

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

Amount of amortization:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Petrochemicals	¥ —	¥1,224	$ —
Basic Chemicals	36	71	433
Polyurethane	2,166	2,166	26,049
Functional Polymeric Materials	25	29	301
Fabricated Products	—	—	—
Functional Chemicals	1,395	1,532	16,777
Others	11	12	132
Corporate Expenses	—	—	—
Total	¥3,633	¥5,034	$43,692

Unamortized balance:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Petrochemicals	¥ —	¥ —	$ —
Basic Chemicals	—	36	—
Polyurethane	—	2,166	—
Functional Polymeric Materials	23	48	277
Fabricated Products	—	—	—
Functional Chemicals	2,856	4,638	34,347
Others	10	25	120
Corporate Expenses	—	—	—
Total	¥2,889	¥6,913	$34,744

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

Amount of amortization:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Petrochemicals	¥ —	¥ —	$ —
Basic Chemicals	—	—	—
Polyurethane	—	—	—
Functional Polymeric Materials	—	—	—
Fabricated Products	593	593	7,132
Functional Chemicals	645	876	7,757
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥1,238	¥1,469	$14,889

Unamortized balance:	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Petrochemicals	¥ —	¥ —	$ —
Basic Chemicals	—	—	—
Polyurethane	—	—	—
Functional Polymeric Materials	—	—	—
Fabricated Products	1,777	2,370	21,371
Functional Chemicals	287	932	3,452
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥2,064	¥3,302	$24,823

As of March 31, 2009

◆Business segment

	Millions of yen					
Year ended March 31, 2009	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
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, 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:

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

◆Geographic segment information

	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

*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).

◆Overseas sales

	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%

*Asia: China, Taiwan, Korea, Thailand, Singapore
**Europe: Germany, France
***Others: Oceania, Africa

22. RELATED PARTY TRANSACTIONS

Main transactions of the Company with an affiliated company for the year ended March 31, 2011 were as follows:

Name	Chiba Chemicals Manufacturing LLP
Category	Affiliated company
Location	Chiyoda-ku , Tokyo
Common stock	¥200 million (US$2,405 thousand)
Description of the business	Manufacturing of petrochemical materials and supply them to partners
Ownership percentage of voting rights	Direct 50%
Relationship	Supply and purchase of raw materials
The Company's transaction with the related company	
Supply and purchase of raw materials (Note 1)	¥97 million (US$1,167 thousand)
Balance at year end (Note 2)	
Other accounts receivable	¥13,597 million (US$163,524 thousand)
Accounts payable	¥13,677 million (US$164,486 thousand)

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

23. SUBSEQUENT EVENTS

(Year ended March 31, 2011)
There were no applicable items.

Independent Auditors' Report

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

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, 2011, 2010 and 2009, 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, 2011 and consolidated statement of comprehensive income for the year ended March 31, 2011, 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 at March 31, 2011, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

Supplemental Information

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).

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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 4 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

June 24, 2011

Major Subsidiaries and Affiliates

(As of March 31, 2011)

*Consolidated Subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)		Equity Interest (%)
Petrochemicals				
* Osaka petrochemical Industries, Ltd.	Ethylene, propylene and other basic petrochemical products	¥	5,000	100
* Prime Polymer Co., Ltd.	Polyolefin	¥	20,000	65
* Evolue Japan Co., Ltd.	Polyethylene	¥	400	75
* Ube Polypropylene Co., Ltd.	Polypropylene	¥	475	100
* Prime Polymer Asia Co., Ltd.	Polyolefin	HK$	1	100
* Advanced Composites, Inc.	Polypropylene compound	US$	44.30	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 Prime Advanced Composites India Pvt Ltd.	Polypropylene compound	Rupee	1,580	90
* Grand Siam Composites Co., Ltd.	Polypropylene compound	Baht	64	48.2
Keiyo Ethylene Co., Ltd.	Ethylene, propylene and other basic petrochemical products	¥	6,000	22.5
Chiba Chemicals Manufacturing LLP	Joint operation of ethylene complex in Chiba.Manufacturing of ethylene, propylene, and by-products.	¥	200	50
Basic Chemicals				
* Chiba Phenol Company, Limited	Phenol and acetone	¥	300	55
* Mitsui Phenols Singapore Pte Ltd.	Phenol, acetone and Bisphenol-A	US$	120	95
* Siam Mitsui PTA Co., Ltd.	PTA	Baht	4,800	50.6
* Smh Co., Ltd.	Investment to Siam Mitsui PTA Co., Ltd.	Baht	60	51
* MCT PET Resin Co., Ltd.	Production, sales, domestic R&D and technical support of PET resin for bottles	¥	490	80
P.T. Amoco Mitsui PTA Indonesia	PTA	US$	160	45
P.T. Petnesia Resindo	Polyethylene terephthalate resin for bottles	US$	28	49.7
Shanghai Sinopec Mitsui Chemicals, Co., Ltd.	Bisphenol-A	Yuan	307	50
Thai Pet Resin Co., Ltd.	Polyethylene terephthalate resin for bottles	Baht	900	40
Polyurethane				
* Chiba Polyol Corporation	Polypropylene glycol	¥	100	90
* P.T. Cosmo Polyurethane Indonesia	Urethane premixture	US$	1.05	81
* Cosomo Polyurethane (Malaysia) Sdn, Bhd	Urethane raw materials	RM	4.4	51
* Foshan Mitsui Chemicals Polyurethane Co., Ltd.	Urethane foam material	US$	7.5	100
* MC Industries, Ltd.	Synthetic resin compounds and wood preservatives	¥	300	100
* Japan Composite Co., Ltd.	Unsaturated polyester resins and molding materials for FRP	¥	1,005	65
* Tohoku Uloid Co., Ltd.	Synthetic resins, wood adhesives, formalin and other chemical products	¥	80	100
* Thai Mitsui Specialty Chemicals Co., Ltd.	Specialty chemicals	Baht	318	51.9
* Cosmo Scientex (M) Sdn. Bhd.	Urethane prepolymers for flexible packaging applications and providing technical services and assistance to customers	RM	10	70
* Tianjin Cosmo Polyurethane Co., Ltd.	Urethane premixture	Yuan	90	70
* Anderson Development Company	Specialty chemicals	US$	19.2	100
Kumho Mitsui Chemicals, Inc.	MDI	Won	35,000	50
Functional Polymeric Materials				
* Sun Alloys Co., Ltd.	Compounded polymers	¥	50	100
* Zhang Jia Gang Free Trade Zone Mitsui Link-Upon Advanced Materials, Inc.	Engineering plastic compound	US$	4.66	60
* Mitsui Elastomers Singapore Pte. Ltd.	Elastomer	US$	96	100
Sun Alloys Europe GmbH	Compounded polymers	Euro	2	50
Fabricated Products				
* Sunrex Industry Co., Ltd.	Spunbonded nonwoven fabrics and plastic film	¥	240	100
* Mitsui Hygiene Materials (Thailand) Co., Ltd.	Spunbonded nonwoven fabrics	Baht	1,310	100
* Saxin Corporation	Molded synthetic resin	¥	128	71.4

*Consolidated Subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)		Equity Interest (%)
* Mitsui Chemicals Fabro, Inc.	Plastic film	¥	400	100
* Taiwan Mitsui Chemicals, Inc.	Sales of electronics and information materials	NT$	14	100
* Mitsui Chemicals Tohcello, Inc.	Packaging and industrial film, functional sheet	¥	3,450	100
* Mitsui Chemicals Industrial Products, Ltd.	Civil engineering and construction materials	¥	400	100
Functional Chemicals				
* Mitsui Fine Chemicals, Inc.	Fine chemical products	¥	400	100
* Yamamoto Chemicals, Inc.	Dyes, pigments and industrial chemicals	¥	350	100
* ESCO Company Limited Liability Company	Color former and catalyst	US$	18	100
* Yongsan Mitsui Chemicals, Inc.	Acrylamide	Won	3,850	50
* Image Polymers Company	Toner resin	US$	9.6	100
* Sun Medical Co., Ltd.	Dental materials	¥	100	70
* Toyo Beauty Supply Corporation	Cosmetics	¥	40	60
* SDC Technologies, Inc.	High performance coating materials for plastics and non-ferrous metals	US$	81	100
* Mitsui Chemicals Agro Inc.	Agrochemical formulation products and public health insecticides	¥	350	100
* Utsunomiya Chemical Industry Co., Ltd.	Agrochemical formulation products and public health insecticides	¥	20	100
* Shimonoseki Mitsui Chemicals, Inc.	Phosphoric acid and fertilizers	¥	3,000	100
* Toyo Phosphoric Acid, Inc.	Phosphoric acid	¥	1,500	60
MT AquaPolymer, Inc.	Organic flocculant	¥	460	49
Honshu Chemical Industry, Ltd.	Raw materials for synthetic resins, synthetic fibers, dyes,pharmaceuticals, agricultural chemicals, rubber and other chemicals	¥	1,501	27.1
Others				
* 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
* MC Business Support, Ltd.	Placements, temporary work and insurance and travel agency	¥	50	100
* Hokkaido Mitsui Chemicals, Inc.	Wood adhesives, paper resins and foliar activator	¥	1,500	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 Comercio Ltda.	Marketing of Mitsui Chemicals products	US$	0.50	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

In April 2011, Mitsui Chemicals Do Brasil Representação Comercial Ltda. changed its name to Mitsui Chemicals Do Brasil Comercio Ltda.

Corporate Data

(As of March 31, 2011)

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

Paid-in Capital
¥123,053 million

Number of Employees
12,782 (Consolidated)

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

Number of Shareholders
89,559

Stock Listing
Tokyo

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

Offices

Head Office
Shiodome City Center, 1-5-2, Higashi-Shimbashi,
Minato-ku, Tokyo 105-7117, Japan
Phone: +81-3-6253-2100
Facsimile: +81-3-6253-4245
URL: http://www.mitsuichem.com/
e-mail: WEB_MASTER@mitsui-chem.co.jp

U.S.A.
Mitsui Chemicals America, Inc.
800 Westchester Avenue, Suite N607,
Rye Brook, NY 10573, U.S.A.
Phone: +1-914-253-0777
Facsimile: +1-914-253-0790
URL: http://mitsuichemicals.com/
e-mail: info@mitsuichem.com

Germany
Mitsui Chemicals Europe GmbH
Oststrasse 10, 40211 Düsseldorf, Germany
Phone: +49-211-173320
Facsimile: +49-211-323486
URL: http://eu.mitsuichem.com/

Singapore
Mitsui Chemicals Asia Pacific, Ltd.
3 Harbour Front Place, #10-01 Harbour Front Tower 2,
Singapore 099254
Phone: +65-6534-2611
Facsimile: +65-6535-5161
URL: http://ap.mitsuichem.com/

China
Mitsui Chemicals (Shanghai) Co., Ltd.
Room 2309, Bank of China Tower,
200 Yin Cheng Road, Central,
Pudong New Area, Shanghai 200120, China
Phone: +86-21-5888-6336
Facsimile: +86-21-5888-6337
URL: http://cn.mitsuichem.com/

Mitsui Chemicals Organization Chart

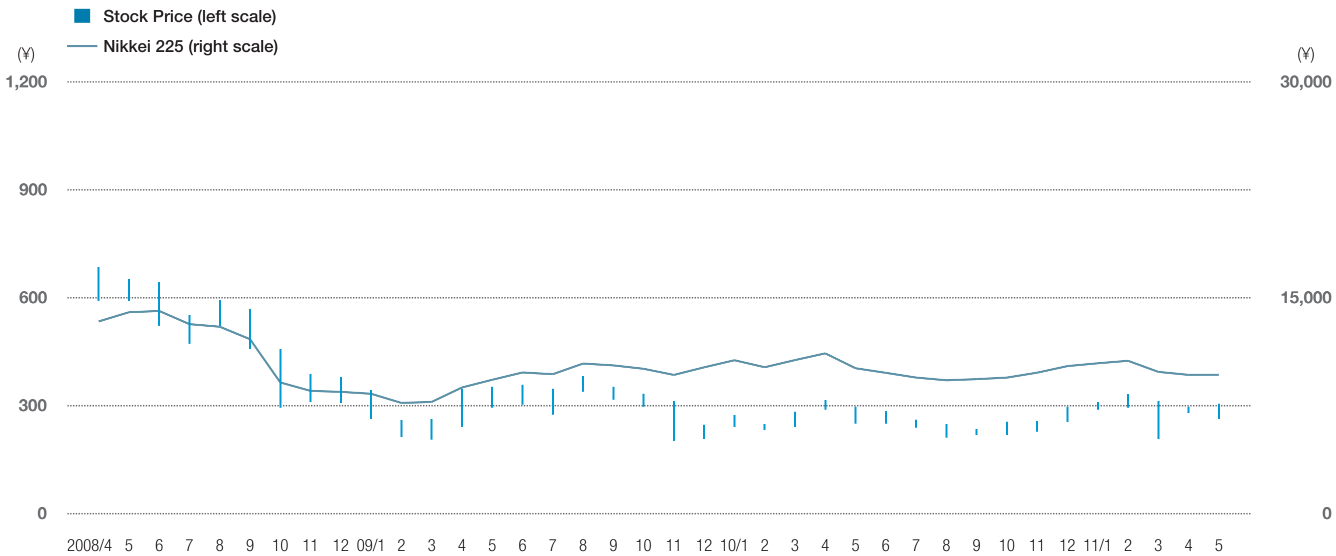
(As of June 24, 2011)

- Board of Directors
- Chairman
- President & CEO
- Management Committee
  - 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.
    - (Mitsui Elastomers Singapore Pte. Ltd.)
    - Planning & Coordination Div.
    - Functional Polymeric Materials Development Div.
  - Fabricated Products Business Sector
    - Functional Film Div.
    - Nonwovens Fabric Div.
    - (Mitsui Chemicals Tohcello, Inc.)
    - 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
  - Representative in the Americas
  - Mitsui Chemicals Asia Pacific, Ltd.
  - Mitsui Chemicals Shanghai Co., Ltd.
  - Mitsui Chemicals America, Inc.
  - Mitsui Chemicals Europe GmbH
  - R&D Strategy Division
  - Mitsui Chemicals Singapore R&D Centre Pte. Ltd.
  - Sodegaura Safety, Environment & Administration Div.
  - Research Center
    - 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.

- Board of Corporate Auditors
- Corporate Auditors

Stock Information

Common Stock Price Range



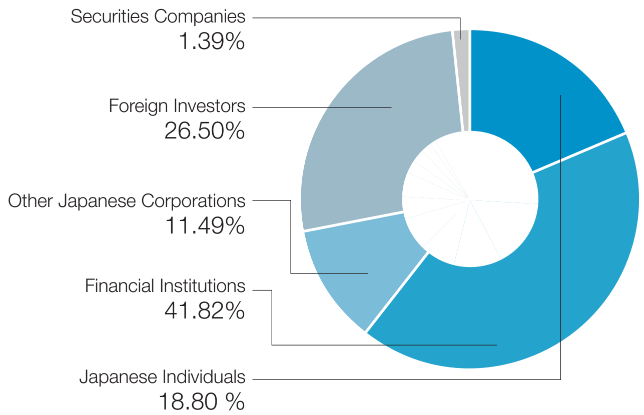
Major Shareholders

(As of March 31, 2011)

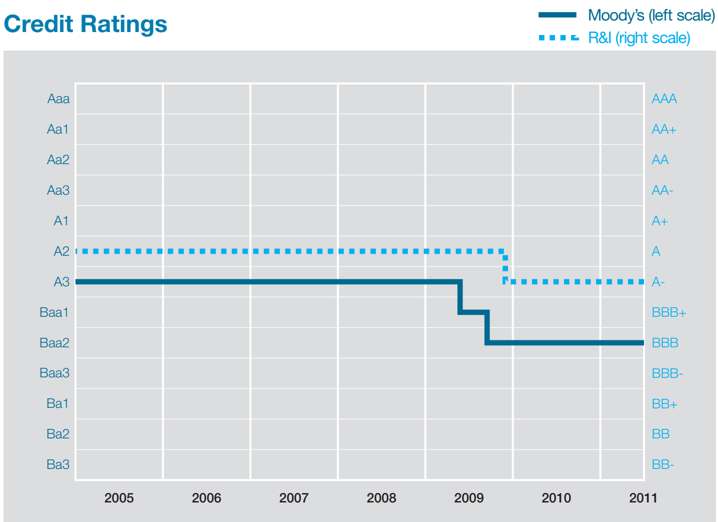
	Number of shares held (Thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	74,419	7.28
The Master Trust Bank of Japan, Ltd. (Trust account)	59,760	5.84
Japan Trustee Services Bank, Ltd. (Toray Industries Inc. Retirement Benefit Trust Account re-entrusted by Chuo 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
Japan Trustee Services Bank, Ltd. (Trust account 9)	26,342	2.57
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch)	22,257	2.17
Sumitomo Mitsui Banking Corporation	21,946	2.14
Japan Trustee Services Bank, Ltd. (Trust account 4)	20,268	1.98
STATE STREET BANK AND TRUST COMPANY(Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch)	19,871	1.94
Mitsui Life Insurance Co., Ltd. (Standing Proxy:Japan Trustee Services Bank, Ltd.)	18,030	1.76

Composition of Shareholders

(As of March 31, 2011)



Credit Ratings



MITSUI CHEMICALS, INC.

Finance, Accounting & IR division

Shiodome City Center, 1-5-2, Higashi-Shimbashi,
Minato-ku, Tokyo 105-7117, Japan
Telephone: +81-3-6253-2100
Facsimile: +81-3-6253-4245
URL: http://www.mitsuichem.com

Mitsui Chemicals

International Year of CHEMISTRY 2011

Responsible Care