



Mitsui Chemicals

ANNUAL REPORT 2012

Year Ended March 31, 2012



VISION

Corporate Mission

Contribute broadly to society by providing high-quality products and services to customers through innovations and the creation of materials, while keeping in harmony with the global environment.

Corporate Target

“Chemistry, Innovation, Dreams.”

The Mitsui Chemicals Group is constantly pursuing innovation and materializing dreams with the wonder of chemistry.



Launch Us onto the New Growth
Trajectory by Utilizing Our Strengths

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.



Petrochemicals



Basic Chemicals



Polyurethane



Functional Polymeric Materials



Fabricated Products



Functional Chemicals

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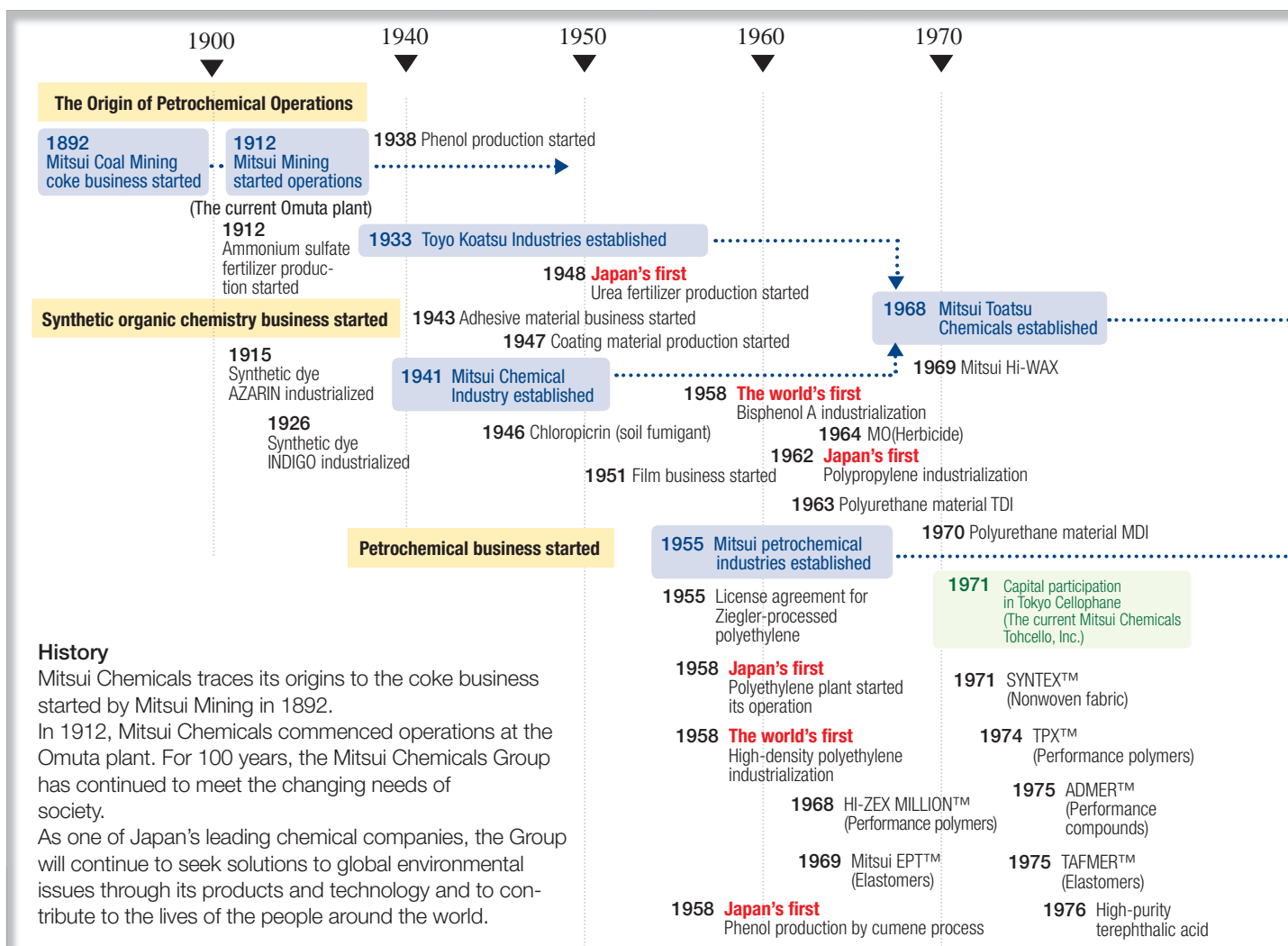


1 Profile

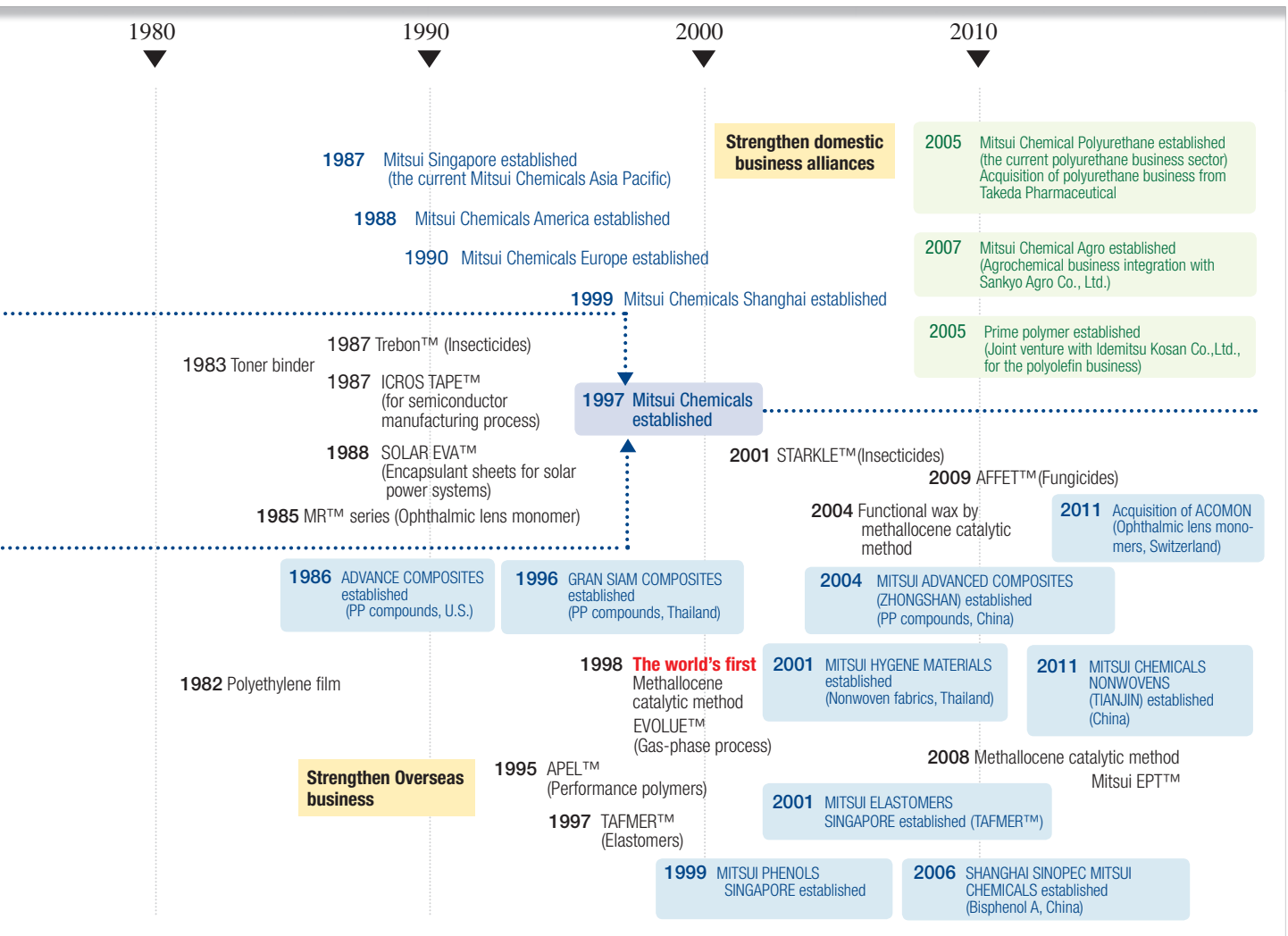
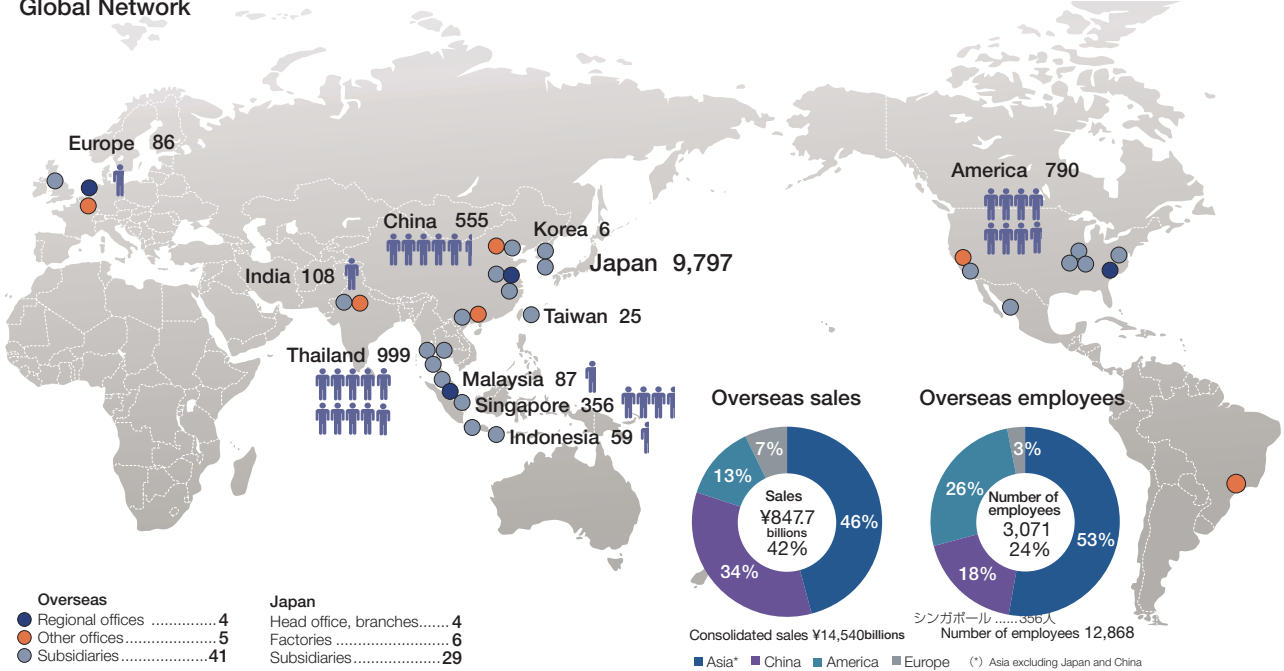
Mitsui Chemicals contributes to society through the provision of innovative technologies and materials that are widely used in such fields as life, information and communications, automotives, housing and construction, health-care, and agriculture. Areas covered by its business segments extend from petrochemicals, basic chemicals, and urethane to functional polymeric materials, fabricated products, and functional chemicals.

Date of establishment:	October 1st, 1997
Head Office:	1-5-2, Higashi-Shimbashi, Minato-ku, Tokyo
Paid-in Capital:	¥125,053,116,169
Consolidated subsidiaries:	70
Number of employees:	12,868 (Consolidated)

(As of March 31, 2012)



Global Network



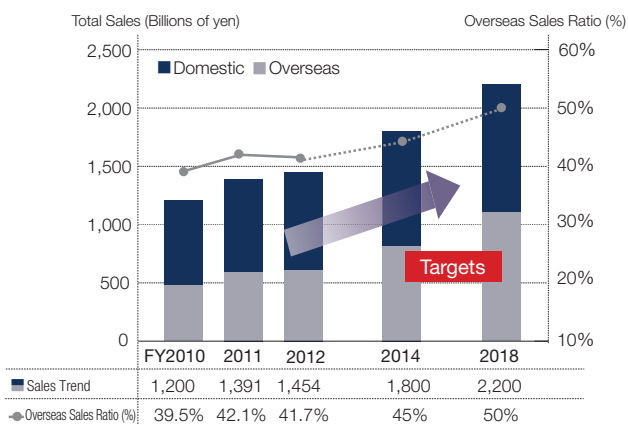
Launch Us onto the New Growth Trajectory by Utilizing Our Strengths

The Mitsui Chemicals Group has formulated its 2011 Mid-Term Business Plan (April 2011 to March 2014). We are promoting this plan based on the following four basic strategies.



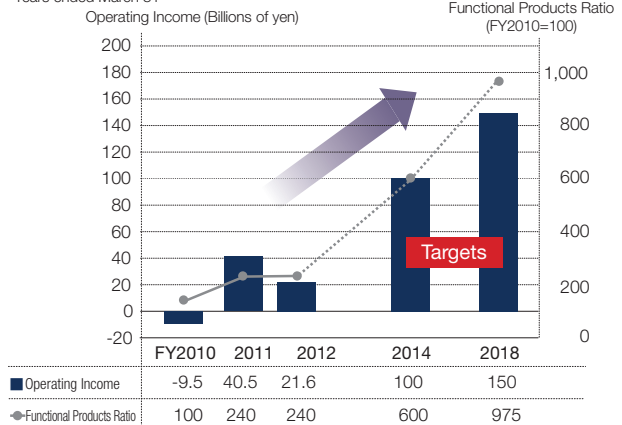
Sales Trend and Overseas Sales Ratio

Years ended March 31



Operating Income Trend and Functional Products Ratio

Years ended March 31



Progress in the 2011 Mid-Term Business Plan



In each segment handling petrochemical products, Mitsui Chemicals continued to further bolster its five world-leading businesses, in which the Company maintains competitive advantage. At the same time, the Company implemented thorough rationalization while strengthening competitiveness in the domestic market.

With regard to each segment handling functional products, Mitsui Chemicals worked diligently to expand its five world-leading business as well as five priority businesses that are more resilient to changing economic conditions, while vigorously promoting R&D and marketing in its five development areas to create core businesses.

Segment		5 priority businesses	5 world-leading businesses	5 development areas	Strengthening competitiveness in the domestic market
Petrochemical products	Petrochemicals P28		<p>PO compounds</p> <p>➔ Special Feature p16</p> <ul style="list-style-type: none"> Increased PP compound production capacity Established a new base in Brazil <p>Metallocene polymer</p> <ul style="list-style-type: none"> Completed construction to increase EVOLUE™ Started production of 1-Hexane 		<p>Reinforce business platform</p> <p>➔ Special Feature p20</p> <ul style="list-style-type: none"> Commenced LLP operations Introduced an energy conservation process using LNG cold energy <p>Enhance PO business competitiveness</p> <ul style="list-style-type: none"> Partially withdraw from commodity products Promote higher added value
	Basic chemicals P29		<p>Phenol chain</p> <ul style="list-style-type: none"> Held groundbreaking ceremony for the construction of a new plant through a joint venture with Sinopec Decided to build a new facility for acetone-based IPA; added higher value to surplus acetone 		<ul style="list-style-type: none"> Strengthened the EO derivative business Integrated the bottle-use PET resin business with Teijin
	Polyurethane P30				<p>Rebuild the polyurethane raw materials business</p> <p>➔ Special Feature p20</p> <ul style="list-style-type: none"> Consider a business alliance with SABIC Implemented restructuring in domestic bases; thorough cost cutting
Functional products		<p>Coating and adhesive materials</p> <ul style="list-style-type: none"> Upgraded and expanded the urethane system house network in China 			
	Functional polymeric materials P31	<p>Engineering plastics and compounds</p> <ul style="list-style-type: none"> Increased production capacity of super-high-molecular polyethylene HI-ZEX MILLION™ 	<p>Elastomer</p> <ul style="list-style-type: none"> The TAFMER™ head office function shifted to Singapore Established a Mitsui EPT™ joint venture company with Sinopec Brought to the market a new grade of Mitsui EPT™ Successfully commercialized NOTIO™ SN 		
		<ul style="list-style-type: none"> Set up technical support bases for functional polymeric material products in China and Singapore 			
	Fabricated products P32	<p>Functional films, functional sheets and spunbonded nonwoven fabrics</p> <ul style="list-style-type: none"> SOLAR EVA™: Increased production capacity in Japan; build a new plant in Malaysia Functional packaging film / T.U.X.™: Established a joint venture company in Thailand Functional spunbonded nonwoven fabrics: Increased production capacity in Japan; decided to build a new facility in China 		<p>Electronic and information films</p> <ul style="list-style-type: none"> Accelerated the development of display and semiconductor process-related film <p>Solar power components</p> <ul style="list-style-type: none"> Commenced plans for a mega solar power project <p>➔ Special Feature p18</p>	
Functional chemicals P33	<p>Precision chemicals</p> <ul style="list-style-type: none"> Upgraded to further high-performance phthalate-free catalysts for polypropylene polymerization <p>Agrochemicals</p> <p>➔ Special Feature p14</p> <ul style="list-style-type: none"> Business and equity tie-ups with Sotus International Co., Ltd. (Thailand), and Iharabras S.A. (Brazil) Successively released insecticides and fungicides in each country 	<p>Ophthalmic lens monomers</p> <ul style="list-style-type: none"> Acquired ACOMON AG, a major global manufacturer of low and medium refractive index monomer for ophthalmic lenses 	<p>Next generation functional chemical products</p> <ul style="list-style-type: none"> Developed five active ingredients the new agrochemical pipeline <p>➔ Special Feature p14</p>		



Toshikazu Tanaka President & CEO

Explosion and Fire at Iwakuni-Ohtake Works

Following the explosion and fire at the Mitsui Chemicals Iwakuni-Ohtake Works on April 22, 2012, I would like to extend my sincerest apologies to those who were injured or suffered damage to property and to the many people, including all our shareholders and customers, for whom the accident caused great concern and inconvenience.

Comprising appropriate authorities and third parties, an Accident Investigation Committee is currently working to identify the cause of the incident. Once the cause has been identified, every effort will be made to implement thorough measures to prevent any recurrence.

The Mitsui Chemicals Group continues to position “safety as a top priority” and has undertaken a range of measures to assure safety at all works. Taking very much to heart that, despite our efforts, an accident did occur, we have set up a Safety Solution Committee, which includes external specialists, and are redoubling our efforts in recurrence prevention and safety management.

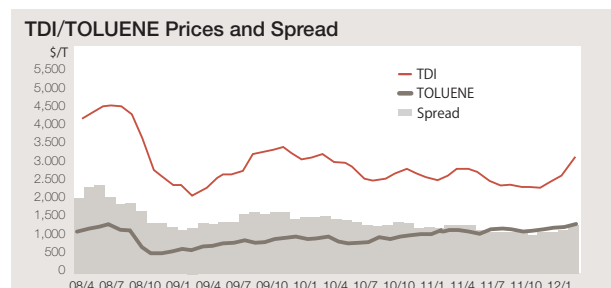
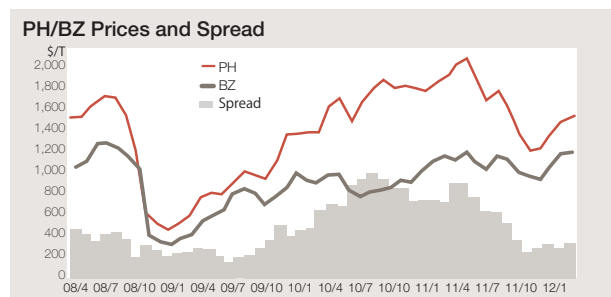
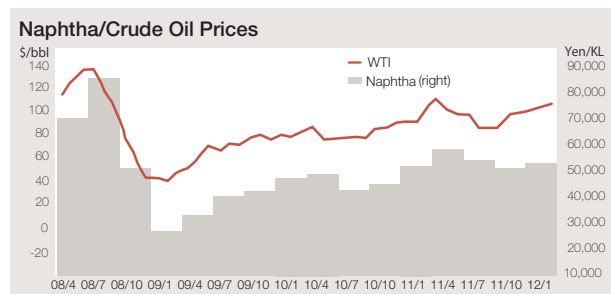
The strengthening of safety considerations goes without saying, but I will also continue to lead all-out efforts to improve profitability and for Mitsui Chemicals to become a good, robust company that continues to garner the trust and confidence of society.

Overview of Fiscal 2012

In the first half of fiscal 2012, the global economy was healthy due to steady economic growth mainly in China and the rest of Asia. However, in the second half global economic conditions deteriorated, reflecting a worldwide recession attributable to the European financial crisis, sluggish demand in emerging markets, and the impact of flood damage in Thailand.

The Japanese economy continued to be harsh due to the significant impact of the Great East Japan Earthquake on consumption and production coupled with prolonged and historically high yen rates.

Against this background, the Company was able to achieve robust first-half results primarily in the Basic Chemicals Business Sector by proactively addressing the increased demand in Asia. In the second half, however, the slump in demand associated with the global economic downturn, the appreciation of the yen, and soaring raw material and fuel prices brought about a rapid deterioration in performance.



As a result, the Group reported net sales of ¥1,454 billion, an increase of ¥62.3 billion compared with the previous fiscal year. From a profit perspective, operating income totaled ¥21.6 billion, a decrease of ¥18.9 billion. The Group posted a net loss of ¥1.0 billion,

a negative turnaround of ¥25.9 billion compared with net income of ¥24.9 billion recorded in the previous fiscal year, due to the recording of an impairment loss in the polyurethane materials business.

	(Billions of Yen)			
	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)
Fiscal year under review	1,454.0	21.6	22.9	(1.0)
Previous fiscal year	1,391.7	40.5	38.9	24.9
Change	62.3	(18.9)	(16.0)	(25.9)
Change (%)	4.5	(46.8)	(41.1)	–

Progress under the 2011 Mid-Term Business Plan

Based on the deterioration in performance that followed Global financial crisis, Mitsui Chemicals formulated its 2011 Mid-Term Business Plan, which follows the “5-5-5 Strategies” while promoting “Strengthening competitiveness in the domestic market” as part of the Company’s “New Growth Foundation Phase,” in which it will embark on a new growth trajectory over the three years from fiscal 2012 to fiscal 2014.

In the initial fiscal year, ended March 31, 2012, the Company established a business portfolio for growth and sustainability and was able to steadily increase performance toward ensuring a solid position within the global market, particularly in Asia, as a chemical company of considerable presence and standing.

With regard to the five priority businesses and five world-leading businesses that are driving growth, the Company is collaborating with China’s Sinopec Group in its phenol and elastomer (EPT) businesses to expand its overseas business. The Company also made decisions on such matters as capital expenditure in its non-woven fabrics business and PP-compound business.

Also, the Company was able to improve its urethane business, which had been underperforming for some time, but is now within sight of profitability. This achievement was made possible by various reconstruc-

tion measures, including a study on a future business alliance with Saudi Basic Industries Corporation (SABIC).

Unfortunately, it takes time for efforts to bear fruit. The Company saw a significant deterioration in performance due to a rapid fall in demand from the latter half of fiscal 2012. I remain aware of the critical need to bring forward the implementation of our 5-5-5 Strategies.

Accordingly, in fiscal 2013, the Company will focus on the following five issues with a view to realizing quick results .

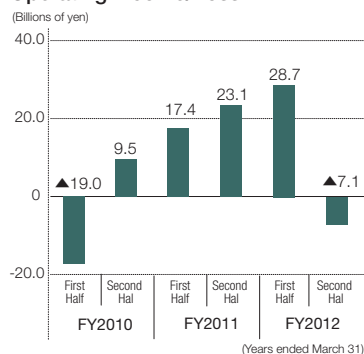
- 1. Enhancement and expansion of a range of high-value added, functional products and acceleration of new product development**
- 2. Promotion of new large-scale projects**
- 3. Fundamental structural reform of large-scale, low-profit businesses**
- 4. Thorough cost-cutting**
- 5. Promotion of global management**



Fiscal 2012 Results

Q1 There was a significant deterioration in Mitsui Chemicals' performance from the second half of fiscal 2012. Could you please provide some background and tell us what the principal causes were?

Operating Income/Loss

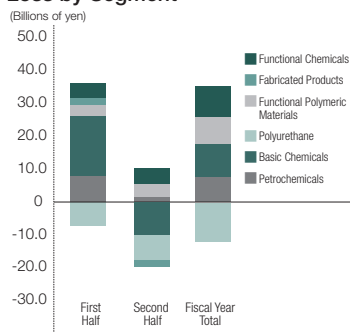


A1 There was a marked change in the economic environment between the first and second halves of fiscal 2012. In the first half, demand in Japan slumped due to the impact of the Great East Japan Earthquake but grew steadily at a faster pace than had initially been expected thanks to economic growth in the rest of Asia. From the second half onward, however, demand from Asia and emerging markets rapidly weakened against the background of the European financial crisis. Furthermore, the situation became particularly difficult in the Basic Chemicals segment due to the impact of the floods in Thailand as well as prolonged and historically high yen rates. For these reasons, whereas operating income in the first half totaled ¥28.7 billion, in the second half it deteriorated significantly to an operating loss of ¥7.1 billion.

The diminishing margins for purified terephthalic acid (PTA) and phenol were the major cause of the worsening profits in the Basic Chemicals segment. However, the entire Group fell back into the red due to the ongoing losses associated with sluggish demand that have influenced the Polyurethane segment since the global financial crisis struck.

Q2 Is a review of the 2011 Mid-Term Business Plan targets and basic strategy unnecessary?

Fiscal 2012 Operating Income/Loss by Segment



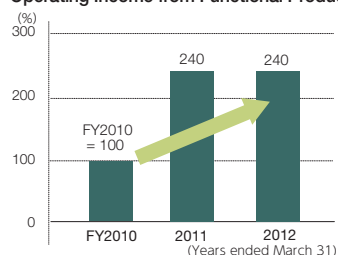
A2 Although there was a significant decline in Basic Chemicals segment, the Functional Polymeric Materials and Functional Chemicals segments were able to report stable revenue in the second half as with the first half.

Traditionally subject to drastic changes in performance, the Petrochemicals segment was able to ensure a respectable profit amid changes in the current business environment by shifting from commodity products to differentiated products, implementing rigorous cost-cutting, pursuing the global strengthening and expansion of the high-value-added PP compound business.

Under these circumstances, I believe that the basic policies we are targeting under the 2011 Mid-Term Business Plan are correct and should in fact be promoted in a more accelerated manner.

Q3 Under the 2011 Mid-Term Business Plan Mitsui Chemicals declared its intention to “establish a business portfolio for growth and sustainability” and “establish a global presence with a focus on Asia.” Have you made progress in transforming your business portfolio?

Operating Income from Functional Products



A3 If you look at operating income for functional products as a whole, which include functional chemicals, functional polymeric materials, and fabricated products, results are 2.4 times higher than in fiscal 2010.

In fiscal 2012, these products suffered from the effects of the Great East Japan Earthquake, the floods in Thailand, and a slump in demand in the IT materials field. Despite such adverse conditions, we were still able to secure stable profits.

Q4 What progress have you made toward globalization?

A4 Overseas sales already account for more than 40% of the Company's total net sales.

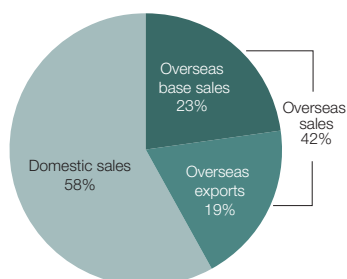
Centered on core businesses that enjoy competitive advantages, we have expanded our overseas business by switching from an export-centered business model to a consumer region location model that places production bases overseas in collaboration with leading overseas companies. This strategy has brought about a steady rise in the proportion of overseas sales and the proportion of sales contributed by overseas bases.

Under our 2011 Mid-Term Business Plan, we are targeting the “globalization of management” in response to the expansion of our overseas business. We are also in the process of enhancing our overseas base capabilities to respond more rapidly to the needs of the market.

In April 2011, the head office functions of one of our global top five businesses, the TAFMER™ business, were transferred offshore to Mitsui Elastomers Singapore, which handles 80% of production and sales. In January 2012, we established technical support bases in Shanghai, China, as well as in Singapore and created a system capable of providing quick solutions to local customer needs and product development. (Please refer to the Research & Development section on page 36.)

Also making headway with the training of local management personnel and the localization of human resources, the vice president of Mitsui Chemicals Europe GmbH became the first senior appointment from local staff. In the years to come, we will continue to secure and cultivate human resources capable of excelling on the world stage.

Fiscal 2012 Sales Ratios



2 Interview with the President

Progress Made under the 2011 Mid-Term Business Plan

Q5

The 5-5-5 Strategy is designed to drive growth under the 2011 Mid-Term Business Plan. What progress has been made?

A5 Five Priority Businesses

In a rapidly changing economic environment, we are promoting the five priority businesses to expand businesses more resilient to changing economic conditions. In 2011, we were able to take steady measures in businesses related to healthcare, food, and water as well as those related to the environment and energy, all of which are expected to maintain steady growth centered on Asia and emerging markets.

In our highly functional spunbonded nonwoven fabrics business, we decided to construct new high-performance grade production facilities in Japan and set up a production base in China. Demand in the disposable diapers market in Asia has expanded, progressing to include highly functional products. We will continue to work to cement our position as the region's leading manufacturer.

In the agrochemicals business, we succeeded in making capital alliances with companies that manufacture and sell pesticides in Thailand and Brazil. The Company is pushing ahead with global expansion centered on burgeoning emerging markets. (Please refer to the Special Feature section on page 14.)

Five World-Leading Businesses

In our five world-leading businesses, we are speedily addressing rapidly growing emerging markets, primarily those in Asia, and expanding globally, to this end promoting collaboration with world-leading partners.

With regard to our phenol and EPT businesses, in 2011 we made the decision to construct a plant through a joint venture with China Petroleum & Chemical Corp. (Sinopec), China's largest chemical company.

In the case of PP compound automotive materials, we decided to augment our production capabilities by nearly 30% by fiscal 2014, focusing on emerging markets where demand is rapidly expanding. We also established a new company in Brazil that will serve as the mother plant for some of the leading PP compound companies in that country. (Please refer to the Special Feature section on page 16.)



Q6

What is the status of operations in the five development areas and the large-scale projects that will take shape during the next phase of the 2011 Mid-Term Business Plan?

A6 Five Development Areas

To change our business portfolio, we are attaching importance to the five priority businesses, the five world-leading businesses, and then to the creation of future core businesses. We are establishing five development areas as business areas that can leverage existing business and technological advantages.

Customer evaluation of new electronic and information film products is currently under way, the plan being to release them progressively onto the market from fiscal 2013. The development of new, next-generation pesticides is being undertaken jointly with major U.S. and European companies, several pesticide agents having entered the application for registration stage with a view to launching them onto the market from 2016 onward. (Please refer to the Special Feature section on page 18.)



Feasibility study planned for completion in Fiscal 2013

Large-Scale Projects

The large-scale projects that we are conducting include the Brunei and Tahara Mega-Solar plans.

As part of our plan to expand businesses resilient to changing economic conditions, the Company is promoting the Brunei project to commercialize the fertilizer raw material ammonia, extensive demand for which is expected due to increasing global food demand.

Japan's biggest solar and wind power generation facility, the Tahara Mega-Solar project is planned to commence operations in fiscal 2014. This project will lead the Company to the development of products in the field of deployed renewable energy. (Please refer to the special feature section on page 18.)



Q7 Due to the six unfavorable factors, including the appreciation of the yen, that are weighing down Japanese companies, the situation surrounding domestic business is expected to become even more demanding. Is the "strengthening competitiveness in the domestic market" strategy making any headway? (Please refer to the Special Feature section on page 20.)

A7 Petrochemicals Business

In the petrochemicals industry, large-scale ethylene centers using competitive priced ethane gas started up in the Middle East from 2008 onwards. This so called "2008 crisis" did not impact the Japanese market due to supplies being taken up by strong demand from China until around fiscal 2011. Along with the downturn in demand throughout the Asia region, the effects on the Japanese market became evident from the second half of fiscal 2012. Having foreseen the high potential in a structurally low-operating ethylene center and commodity derivative plant in Japan, the Company took and will continue to take the efforts shown in the table and endeavor to address the problem.

Petrochemicals Business
Actions for Strengthening Competitiveness in the Domestic Market

- Setting up propylene centers using metathesis technology
Osaka Works (2004), Ichihara Works (2010)
- Shift to differentiated products, manufacture of ethylene derivatives
- Establishment with Idemitsu Kosan Co., Ltd. of LLP at Ichihara Works (2010) and regional collaboration, etc., on thermal recovery at Osaka Works (2011)
- Shutdown and disposal of inefficient commodity PP facility (2011); examine shutting down of another facility (around 2013)
- Rigorous cost reductions

Polyurethane Materials Business

The polyurethane materials business, which includes TDI, was highly susceptible to changes in business conditions and had fallen deeply into the red as a result of the decline in demand since the global financial crisis struck. For that reason, an impairment loss was recorded in the third quarter of fiscal 2012.

The Company has implemented a total of ¥8 billion in cost cutting measures during the course of the 2011 Mid-Term Business Plan. The signing of a contract covering TDI/MDI licenses with Saudi Basic Industries Corporation (SABIC) and the drastic reduction of fixed costs by securing more efficient production bases enabled us to create a system designed for profitability.

2

Interview with the President

Q8

The operation rate of ethylene centers in Japan is declining due to the appreciation of the yen and falling demand in Asia. What does the future hold?

A8 Due to such factors as the increasing influx of imports of commodity products in the aftermath of the Great East Japan Earthquake, the transfer overseas of the supply chain, falling demand in Asia, including in China, owing to the ongoing financial crisis in Europe, and the high yen, the harsh market environment continues unabated. Operating conditions for ethylene centers in Japan are also becoming increasingly difficult.

We estimate an ongoing 30% overcapacity in our ethylene supply capabilities in Japan. As a result, we believe we must reduce annual production to around five million tons.

To address ethylene center restructuring, the Company established a limited liability partnership, or LLP, in the Chiba region, with Idemitsu Kosan Co., Ltd. and is reaping the benefits from having a two-company production system that minimizes costs.

For the next step on the way to efficient ethylene production at an appropriate scale in Japan as a whole, Mitsui Chemicals is not alone in giving some thought to realizing a reorganization of ethylene centers through a regional partnership. (Please refer to the Special Feature section on page20.)

Q9

Plans are being made to build an ethane cracker plant in the United States using inexpensive shale gas as a raw material. What effect is that likely to have?

A9 It is implausible to think that inexpensive derivatives will come directly into Japan, but there is a strong probability that the price for commodity ethylene derivatives will fall to a low level worldwide.

At the same time, we believe that utilizing U.S. shale gas also presents us with the opportunity to develop business in the United States, such as for high-value-added polymer products, which are one of our strengths.

Recognition of Financial Situation and Investment Plans

Q10

As uncertain economic conditions continue, will there be any changes made to your investment plans?

A10 Carefully selecting capital investments in light of the initial plan, the Company made steady progress in fiscal 2012. We proactively invested in businesses that are expected to grow, purchased through M&A an overseas company that provides the materials used to make ophthalmic lenses for glasses, and invested in a company active in the field of pesticides. In fiscal 2013, we have already made the decision to enter into the joint venture with China's Sinopec on the EPT business and established a new company in Brazil to expand our PP compound business. In this manner, it is our policy to invest for growth.

However, taking into consideration forecasts that uncertainty will continue to surround the economic environment, we will examine carefully the need to balance execution with our financial position and adopt a cautious approach toward the decision-making process.

Corporate Governance

Q11

Please tell us your thoughts on corporate governance.

A11 The Mitsui Chemicals Group places the highest priority on enhancing corporate governance as one of its key management issues in order to maintain the trust of its shareholders, local residents, customers, local residents, and all other such stakeholders and to fulfill its corporate social responsibilities.

We therefore naturally have systems in place governing, for example, the setting up of all meetings and the appointment of outside directors. Fruitful discussions are entered into at Board of Directors' meetings, where views are actively exchanged with outside directors and outside auditors.

Fiscal 2013 Management Targets

Q12

In closing, please tell us how you see the economic situation in fiscal 2013 and about Mitsui Chemicals management policies.

A12 With regard to the global economy, there is a strong possibility that the European financial crisis will be protracted and that tensions in the Middle East will escalate. I therefore think that the economic situation will remain uncertain in fiscal 2013. In Japan, the effects of earthquake reconstruction demand can be expected from the second half onward, but there are fears of a further hollowing out due to such factors as power shortages and the sustained strength of the yen.

The global economy as a whole will enjoy growth centered on emerging markets, but there are concerns that economic fluctuations will occur more frequently than in the past, and competition is expected to become all the more fierce. In recognition of this situation, it is our policy to accelerate strategy implementation and undertake selection and focus of our operations, in order to launch us surely onto the new growth trajectory by utilizing our strengths.



“I believe the very mission of a chemical manufacturer is to come up with solutions in such global issue fields as the environment, energy, food and water, and healthcare.

Expanding business in its range of high-value-added functional products and developing new products in response to these issues, Mitsui Chemicals will aim to remain “a chemical company with a global presence by building a business portfolio that ensures growth potential and sustainability.”

A handwritten signature in black ink that reads "T. Tanaka".

Toshikazu Tanaka President and CEO

2

5 Priority Businesses

Agrochemicals

Pursuing global business development in emerging markets

The Mitsui Chemicals Group contributes to the stability of agricultural production through the development and commercial registration of agrochemical products that are safer, competitive, and high performance with minimum impact on the environment. In recent years, explosive growth in the world's population has led to serious food supply-related issues. Against this backdrop, agrochemicals that contribute to the stability of supply are playing an increasingly important role. Under its 2011 Mid-Term Business Plan, Mitsui Chemicals has positioned the agrochemicals business as one of its five priority businesses. Moving forward, the Mitsui Chemicals Group will pursue global business development with particular focus on emerging markets, where rapid growth is expected.

Expanding Overseas Markets

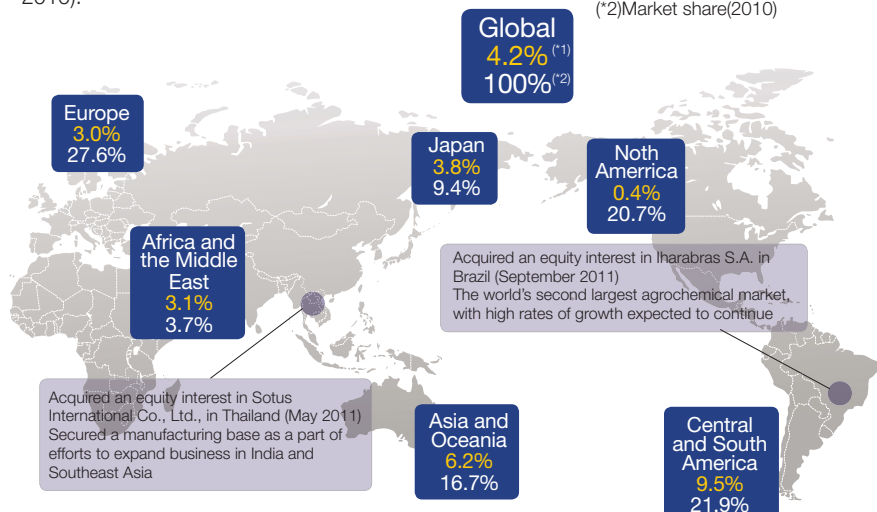
In emerging markets, including countries in Southeast Asia, India, and nations in Central and South America, where populations are showing marked growth, the production of agricultural produce is being expanded. In 2011, Brazil surpassed the United States, to become the world leader in terms of agricultural production.

The value of the global agrochemical market is estimated at approximately ¥4 trillion annually, around ten times the size of that of Japan. While growth in the markets of Japan and most developed countries remains stagnant, in developing countries, where historically the use of agrochemicals has been relatively low, particularly in proportion to the amount of land available for farming, the use of pesticides is increasing significantly to ensure the stability of agricultural production. Annual market growth rates in Central and South America, including Brazil, are now around 10%, and about 6% in Asia and India (based on average

annual rates of growth between 2005 and 2010).

(*1) Annual average growth rate (2010/2015)

(*2) Market share (2010)



Overseas Development Strategy

Against this backdrop, the Company is working diligently to strengthen and expand its overseas business development activities in an effort to further bolster its agrochemicals business and to lift its overseas sales ratio from the current 1% to 50% by 2020. To achieve these goals, the Company is implementing three core strategies.

Strategy 1: In 2011, the Company entered into share purchase agreements to acquire equity stakes in Iharabras S.A. Industrias Químicas in Brazil, which is expected to experience market growth, and Sotus International Co., Ltd., in Thailand, which will serve as a base for business development in Asia, including India. For some time, both of these companies have served as important partners of the company, providing it with the active ingredients used in the formulation of agrochemical products. By further

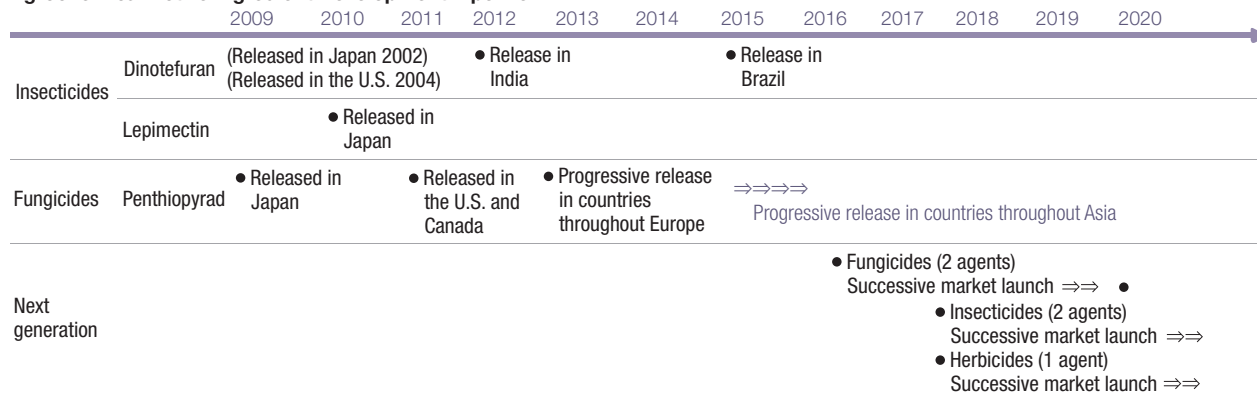
strengthening cooperative ties, the Company gains access not only to additional manufacturing and sales bases, but also to invaluable regional market know-how and information as well as the ability to accelerate the development of new products.

Strategy 2: In insecticides, the Company maintains an overseas sales ratio of around 70% and has a proven track record in Europe, the United States, and Southeast Asia. Thanks to its work with Sotus International, Dinotefuran is now a widely recognized insecticide used extensively for rice crops in Thailand and Vietnam. In 2012, Dinotefuran was launched in India, and it is scheduled to be brought to the market in Brazil in 2015. Every effort will be made to further expand business in these growth markets, including bolstering local technical support services.

Strategy 3: The systems for registering agrochemicals differ from country to country as do the sales structures. To grow its business in global markets, the Company will actively pursue joint development with European and U.S. companies that already possess considerable experience in these markets.

Registration for the fungicide Penthiopyrad, developed jointly with DuPont, was completed in the United States and Canada in February 2012 and the Company has commenced deliveries of the active ingredients to DuPont. From 2013, every effort will be made to progressively bring the product to market in countries within Europe and thereby expand sales. Looking ahead, the Company will pursue the progressive joint development of next-generation agrochemicals.

Agrochemical Active Ingredient Development Pipeline



The Agrochemical R&D Process and the Company's Development Capabilities

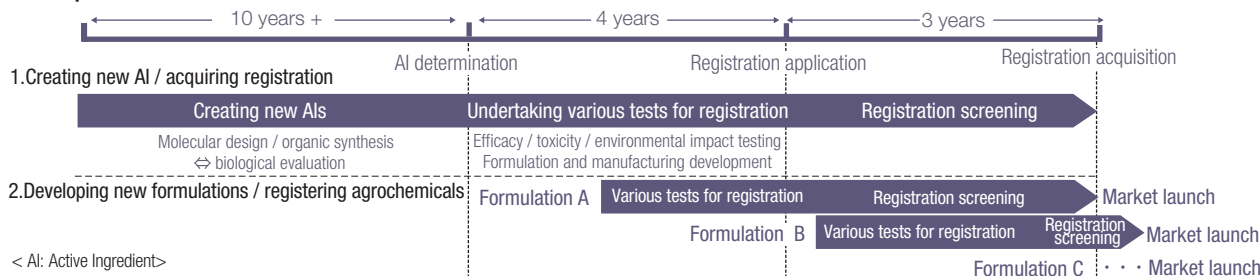
The agrochemical business is distinguished by its registration system, which is designed to ensure product safety, as well as its lengthy development period. It takes about 10 years to develop the compounds that become active ingredients. The process involves devising an active ingredient compound and then performing a variety of necessary tests before it can be submitted for registration. The testing period coupled with the registration

process and steps taken to finally bring the product to market add seven years to the development process. Effectively uncovering new active ingredient compounds is therefore critical to the new agrochemical development process. At the same time, the ability to develop formulations that maximize the value of active ingredients is key to business expansion.

During the five-year period from 2007 to 2011, the Company brought to the

market two active ingredients and 59 formulations. The Company's pipeline currently contains five active ingredients that it plans to commercialize by 2020. Compared with competing companies in Japan, this pipeline is quite substantial. The Company's R&D strengths lie in its comprehensive capabilities and accumulated experience in the three broad technological fields of molecular design, organic synthesis, and biological evaluation.

Development Process



Comment from the President of Sotus International Co., Ltd.

Mitsui Chemicals is a powerful global-scale company boasting innovative, cutting-edge technologies. Sotus International Co., Ltd. has experience in the fields of agrochemicals and fertilizers in Thailand. Since its establishment, the company has developed strong ties with Mitsui Chemicals Agro, from whom it receives products and technical support.

In order to take the next step in developing relationships with both companies, we entered into an equity alliance last year.

Against the backdrop of a growing global population and expanding demand for increased food production, the Asia market can be expected to play a major role, particularly in the agricultural field.

Both from the new and existing product perspectives, we plan to promote mutual benefits through the tie-up. I am convinced that this relationship will continue to generate higher profits for both companies while helping to secure an unshakable high market position.



Lively interaction through seminars involving sales personnel from around the world and technical support workshops



Front row (seated from left): Mr. Yanyong, President, Sotus International Co., Ltd.; Mr. Kanai, President, Mitsui Chemicals Agro, Inc. Back row (standing at left): Executive of Sotus International Co., Ltd.; (standing at right): General Manager, Overseas Business, and sales officer from Mitsui Chemicals Agro, Inc.

PP Compounds

Further Expanding the Polypropylene (PP) Compound Business in which We Maintain a Global Competitive Advantage

5 World-Leading Businesses

The PP compound business manufactures custom PP materials specifically for the automotive industry. In this regard, the business has continued to exhibit stable growth commensurate with the ongoing development of the automobile industry.

The Mitsui Chemicals Group currently maintains the second largest share of the global PP compound market and the largest share, approximately 60%, of PP compound sales to Japanese automobile manufacturers. In this context, the PP compound business is positioned as one of Mitsui Chemicals' five world-leading businesses under its 2011 Mid-Term Business Plan. With a global production network comprising eight bases, the Company is boosting sales to non-Japanese automobile manufacturers while swiftly capturing demand in emerging markets that continue to exhibit robust growth. Through these means, Mitsui Chemicals is endeavoring to expand its PP compound business with the aim of securing the dominant market share.

What are PP compounds?

PP compounds are widely used in automobile, home electronic appliance, miscellaneous, and other industrial fields.

Polypropylene, as a principal component, is distinguished by, among other things, its affordable price, light weight, and outstanding heat resistance. PP compounds

combine polypropylene with other polymers and additional agents to deliver specific functions and performance that polypropylene alone is unable to provide.

In combining material design technologies with the Company's proprietary resins, Mitsui Chemicals is developing and

providing materials that address various needs. For example, the Company has introduced a PP compound that includes the elastomer resin TAFMER™, created employing Mitsui Chemicals' unique polymerization technology, for use in the bumpers of automobiles.

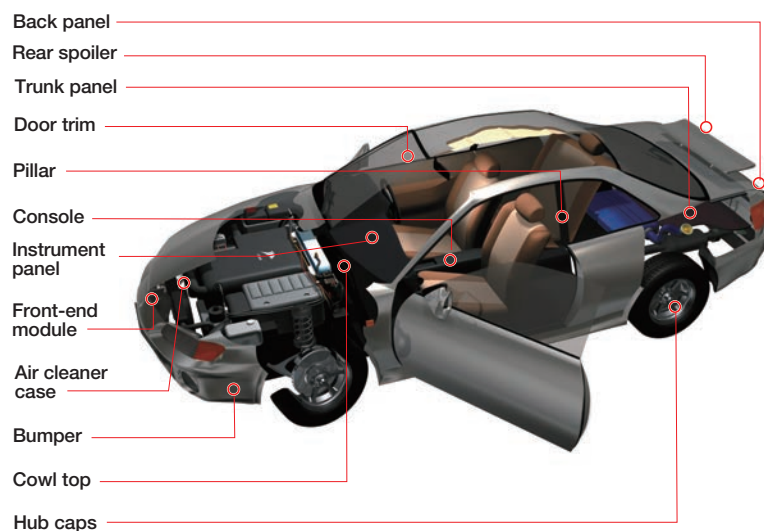
Performance Standards Required in Automotive Components and Material Development

Mirroring the increasing trend toward increase of lightweight automobiles, the parts made of resins are gaining in acceptance. Currently, approximately 100kg of resin are used in each vehicle, half of which is polypropylene. Historically, the use of polypropylene has been impeded by its mixed properties. On the one hand, it is an ideal material due to its low price, light weight, and outstanding heat resistance. On the other hand, it includes weak low-temperature impact resistance and poor paint adhesion among its shortcomings. To offset these shortcomings, polypropylene is combined with other materials and the results marketed as compounds that are enjoying increased applications as automotive use materials.

Looking ahead, future automotive needs will likely focus increasingly on reduced environmental impact, with lightweightness, ease of design and high performance granted. This will, in turn, place increased pressure on the development of high-performance component materials. Mitsui Chemicals has a proven track record of addressing the exacting needs of Japanese automobile manufacturers with their uncompromising stance toward quality. In this regard, the Company is well

set to meet the highest global standards. At the same time, the performance requirements of automotive component materials differ markedly from component to component. With this in mind, it is imperative that Mitsui Chemicals continues

to develop specific grades within each category of material. By honing its processing skills as well as material design and processing technologies, the Company will continue to address market needs while pursuing higher added value.



Comparison of Performance Requirements of Automotive Component Materials Requirement levels: Particularly high ◎; High ○; Low △

	General Physical Properties			External and Other Characteristics	Others
	Fluidity	Rigidity	Impact Resistance		
Exterior Material Bumpers	◎	○	◎	•Fine exterior •Coating quality	•Weather resistance •Chemical resistance •Dimensional stability •Recyclable
	•Larger, lighter weight •Enhanced molding properties				
Interior Material Instrument Panel	○	◎	○	•Fine exterior •Low gloss •Uneven brightness	•Light resistance •Scratch and abrasion resistance •VOC*1 countermeasure •Dimensional stability
	•No skin →Paint →Unpainted (Good appearance) •Lighter weight (thinner)				
Around the Engine Area	△	◎	△	•Connection strength •Heat resistance •Vibration resistance fatigue properties	•Copper*2 protection performance
Constituent Material Improvement	Base PP	Filler •Glass fiber •Talc	Rubber •Elastomer		•Additional agents other

*1 VOC: Volatile organic compound *2 Copper damage: Resin deterioration attributable to contact with metals, particularly copper

Global Development of the PP Compound Business

Mitsui Chemicals maintains eight automotive PP compound production bases worldwide covering Japan, the United States, Mexico, Europe, Thailand, China, India, and Brazil. Polypropylene is procured locally and material design applied to better incorporate the characteristics and needs of users in each region. In this manner, the Company is providing high-quality, high-value-added PP compounds. In addition to accounting for approximately 60% of PP compound sales to Japanese automobile manufacturers, the Mitsui Chemicals Group boasts a share of around 30% of sales to major U.S.-based automobile manufacturers in North America.

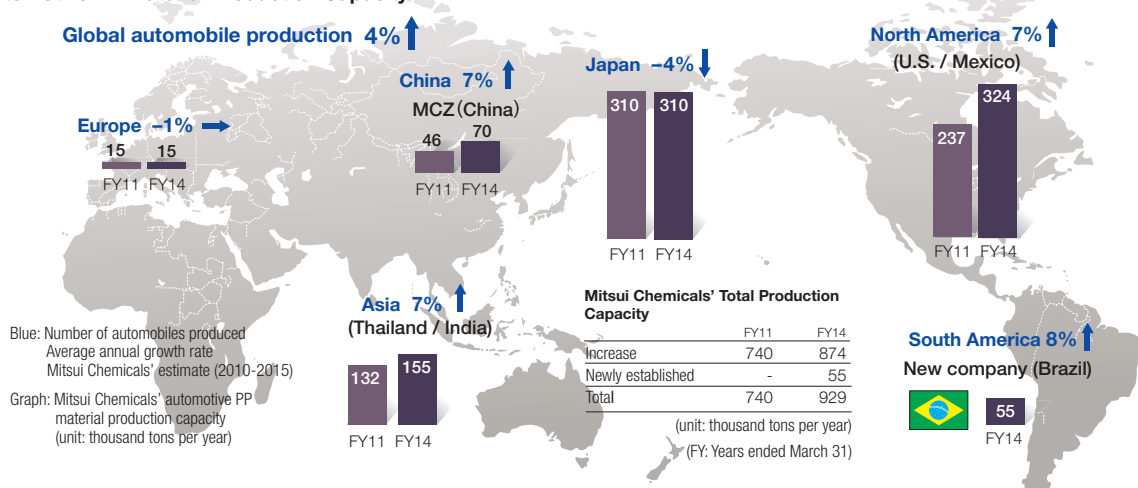
Looking ahead, the number of automobiles manufactured worldwide is expected to expand at an annual rate of 4% through to 2015. Annual growth rates in emerging markets are estimated at an average of between 7% and 8%, and about 7% in North America.

The Mitsui Chemicals Group is working to increase its PP compound production capacity at bases in close proximity to points of automobile production. This initiative aims to address the forecasted upswing in demand for PP compounds in line with the projected increase in the number of automobiles produced. In striving to further boost its manufacturing structure, the Company plans to secure a

world-class supply capacity by fiscal 2014. To this end, the Mitsui Chemicals Group will increase capacity by 134,000 tons per year, focusing mainly on emerging markets, which continue to exhibit marked growth, and North America while establishing a new company in Brazil that will produce an additional 55,000 tons per year.

Moving forward, Mitsui Chemicals will concentrate on the supply of high-quality products while at the same time upgrading and expanding its production, sales and technical services structure, and systems. Every effort will be made to further bolster and expand the business to position Mitsui Chemicals as the global leader in PP compounds.

Global Automobile Production Volume Growth Rates and Expansion Plans for Mitsui Chemicals' Automotive PP Material Production Capacity



New Company Established in Brazil in May 2012

In May 2012, Mitsui Chemicals acquired an equity interest in Produmaster Indústria e Comércio Ltda., and through that company established Produmaster Advanced Composites Indústria e Comércio de Compostos Plásticos Ltda. Taking advantage of the local knowledge and expertise of Produmaster Indústria e Comércio and Mitsui Chemicals' technologies, every effort will be made to generate synergy effects.

Based on these endeavors, particular emphasis will be placed on securing a strong foothold and standing in the South American market.

Produmaster Indústria e Comércio Ltda.: Brazil's third largest PP compound company. Products are supplied to major automobile companies in South America.

5 Development Areas

Electronic and Information Films

Nurturing future core businesses and accelerating the development of innovative products

In accordance with its vision of itself a decade from now, Mitsui Chemicals identified five development areas in which it is positioned to harness the competitive advantages of existing businesses as well as core and fundamental technologies. These five areas hold considerable potential for growth and the opportunity to nurture future core businesses. One such development area is electronic and information films.

Mitsui Chemicals is taking the lead in transforming its business portfolio by selectively allocating research and development resources to target fields and accelerating the development of innovative new products that anticipate market needs.

Enhancing Electronic and Information Film Businesses

Mitsui Chemicals is placing particular emphasis on flat-panel-displays (FPDs) applications, such as LCDs and organic light emitting displays (OLEDs), as well as on manufacturing process-related applications for semiconductors and LEDs.

Collating the Group's processing technologies accumulated through devel-

opment activities in the functional film and sheet business spanning many years, the Company is promoting development that draws on its materials holdings. In addition to releasing a continuous stream of new products in each of the aforementioned two fields, Mitsui Chemicals will promote clustering in its existing product groups

through innovations to meet market needs.

Through these initiatives, the company is targeting annual sales in the electronics and information films business of ¥50 billion by around 2017 and an ROS of at least of 15%.

Film and Sheet Processing Technology

Mitsui Chemicals first began handling films and sheets during the 1950s. The Company's success in each field has been underpinned by efforts to provide high value-added products and proposals to customers by delivering technologies that are easily differentiated from simple molding processing technologies. Mitsui Chemicals has nurtured and acquired numerous technologies that cover a wide range of fields, including vapor deposition, orientation, foaming, cross-linking, coating, and the creation of adhesives as well as multi-

layer and film thickness control. These technologies have, in turn, provided the functional film and sheet products with broad-based applications that include highly functional packaging materials, electronics, optics, and photovoltaic power generation equipment. The Company's processing technologies and manufacturing know-how, as well as customer trust, garnered over many years are the source of the inspiration for innovative product creation.

Currently, steps are being taken to

integrate the functional film and sheet business into the operations of Mitsui Chemicals Tohcello, Inc., to ensure single and uniform management. Moving forward, particular weight will be placed on accelerating the development of unique functional films and sheets while further boosting competitiveness by taking full advantage of Mitsui Chemicals' specialty resins and longstanding processing technologies.

Upgrading and Expanding Product Cluster Formation

Mitsui Chemicals is currently developing four new FPD materials.

The first product is an ultra-light reflective film. Incorporating polyolefin to reduce overall weight, this film realizes a high 98% reflectivity level, making it comparable to conventional PET resin-based products. This new product is manufactured using a foaming technology that ensures the uniform distribution of fine air bubbles of between 1 and 2 microns. Contributing significantly to the growing trend toward thinner and lighter weight LCD backlights, the new film is also being actively promoted for use on LED light reflectors.

The second FPD material is a polarized diffusion film which improves brightness. Utilizing proprietary orientation technology, Mitsui Chemicals has successfully increased brightness by around

20% compared with existing products. By allowing a reduction in the number of LEDs while maintaining the same level of brightness, this new product is helping to conserve energy and reduce costs.

The third product is a sealant for OLEDs. Efforts to pursue the development of new applications in the OLEDs and related areas reflect expectations that this market will grow to considerable size in the future. Utilizing existing technologies that the Company has accumulated in the LCD sealant field, Mitsui Chemicals has realized high transparency, high moisture-proofing, and high gas barrier properties by using epoxy resins. The Company is promoting customer evaluations to expand markets for compact device materials, such as those used in smartphones, into other areas, including TVs and lighting.

The fourth and final product is a high-transparency piezoelectric film. This is a unique material that is able to detect bending and twisting, making it pressure sensitive in three-dimensions. Mitsui



Opulent™, a printed circuit board mold release film

Chemicals is currently collaborating with Murata Manufacturing Co., Ltd., and Kansai University in this material's ongoing development.

Mitsui Chemicals is building on the outstanding track record and leading market position of ICROS™ TAPE—a highly acclaimed surface protective tape used in the silicon wafer back-grinding process during the manufacture of semiconductor integrated circuits—expanding this product's applications to include next-generation LED manufacturing processes

in its semiconductor and LED manufacturing process-related activities. In the mold release film field, which continues to address the advanced needs for ever smaller and thinner semiconductors, the Mitsui Chemicals Group is taking full advantage of Opulent™, the Company's polymethylpentene TPX™ film, to expand its product groups.



ICROS™ TAPE, a surface-protective tape used in the silicon wafer back-grinding process

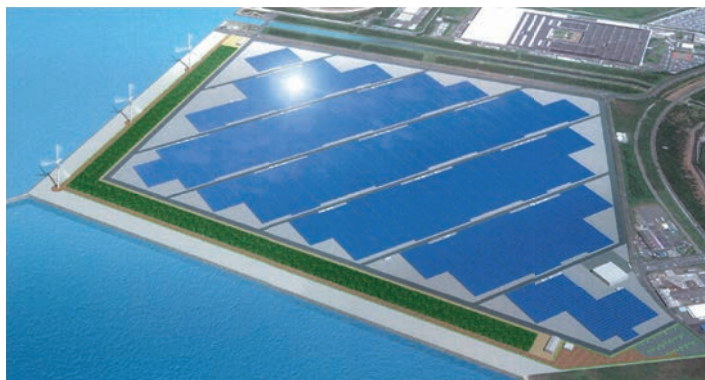
New FPD Product Development

	Features	Technologies applied	Commercial application
Ultra-light reflective film	70% reduction in weight compared with existing products Contributes to reduction in the weight of PCs and tablets	Foaming technology Material design technology	2013
Polarized diffuser film	20% or more increase in brightness compared with existing products Contributes to improved LCD brightness, energy conservation, backlight component cost reduction	Special orientation technology Material design technology	2013
Sealant for OLEDs	Higher reliability by using existing LCD sealant technology; reduction in the level of damage to OLED devices Contributes to the reduction of emission loss of OLEDs and longevity	Low water-absorption control technology Material design technology	2013
High-transparency piezoelectric film	Jointly developed with Murata Manufacturing Co., Ltd. and Kansai University; unique sensitivity to pressure, bending and twisting Enables three-dimensional touch panels	Special orientation technology Material design technology	2013

Semiconductor and LED Manufacturing Process-Related Development and Extension of Existing Product Applications

	Features	Technologies applied	Future application development
ICROS™ TAPE (surface back grinding protective tape)	Low contamination and staining properties; outstanding wafer breakage protection; delivers an optical structure and composition to each wafer through optimal base and adhesive material design	Material design technology	For use in LED sapphire substrate polishing and singulation tape use
Opulent™ (printed circuit board mold release film)	Features a functional polyolefin base; outstanding heat resistance, release and tracking properties; suitability as an advanced base material (various fiber-reinforced plastics) mold release film	Multilayer forming technology; material design technology	For compact, thin semiconductor bump surface grinding application

The Tahara Mega Solar Project



Overview of the Tahara Solar/Wind Joint Project

Generating capacity: Solar power 50MW;
Wind power 6MW
Equivalent to the electric power consumption of approximately 19,000 households
Construction: Commenced in October 2012 with scheduled completion in fiscal 2014
Location: Tahara City, Aichi Prefecture (approximately 82,000 m²)
Total investment: ¥18 billion
Participating companies: Mitsui Chemicals, Inc., TOAGOSEI CO., LTD., TOSHIBA CORPORATION, Toray Industries, Inc., Mitsui Engineering & Shipbuilding Co., Ltd., and Mitsui & Co., Ltd.
Under consideration: Chubu Electric Power Co., Ltd. or its group companies

Detailed studies have commenced with respect to the commercial construction of a large-scale solar and wind power generation facility in Tahara City, Aichi Prefecture.

Mitsui Chemicals currently markets SOLAR EVA™ within its functional film and sheet business, which it has identified as one of its five priority businesses. At the same time, the Company has designated solar power components as one of

five development areas in its next-generation material development activities. Participation in this renewable energy project will provide Mitsui Chemicals with the opportunity to ascertain specific practical needs and to identify technological issues. This experience will greatly assist the Company in accelerating its material development activities

Strengthening Competitiveness in the Domestic Market

Strategy to Strengthen Competitiveness in the Domestic Market

Promoting Efforts Aimed at Rebuilding and Bolstering the Competitiveness of the Group's Business Base

Japan's petrochemical industry is currently confronting a critical need to implement wide ranging and comprehensive structural reforms in order to dramatically boost its international competitive strength. This situation is largely attributable to the construction overseas of several large-scale facilities, mainly in the Middle East and China. Since global financial crisis struck, polyurethane business conditions have remained harsh, buffeted by such factors as sluggish demand as well as persistent appreciation in the value of the yen. As a result, the polyurethane business faces an equally pressing need to pursue rebuilding measures.

Under the 5-5-5 strategy of the 2011 Mid-Term Business Plan, Mitsui Chemicals is working diligently to promote the growth and expansion of robust businesses. The Company meanwhile has identified efforts to strengthen competitiveness in the domestic market as one of its basic strategies and is steadily bolstering its business base in order to enhance the competitiveness of its operations in Japan.

Rebuilding the Polyurethane Business

The polyurethane business has continued to incur losses since the global financial crisis struck. In drawing up the 2011 Mid-Term Business Plan, Mitsui Chemicals accordingly positioned the implementation of structural reforms in this business as a top management priority and has continued to consider appropriate countermeasures.

In 2011, Mitsui Chemicals commenced steps to rebuild its upstream polyurethane raw materials business. At the same time, the Company pushed forward efforts aimed at expanding polyurethane resin system house operations and implemented every possible cost cutting measure to move the coatings and adhesive materials business, one of five priority businesses, back into the black during fiscal 2013.

License Agreement with SABIC

In February 2012, Mitsui Chemicals signed a license agreement to provide manufacturing technology for TDI and MDI, the raw materials of polyurethane, to Saudi Basic Industries Corporation (SABIC). In accordance with this agreement, the two companies plan to explore future possibilities to collaborate in the polyurethane business.

Under this agreement, Mitsui Chemicals will secure a stable supply base for competitive TDI/MDI using low-cost raw materials available in the Middle East while acquiring competitive raw materials for its polyurethane downstream business, which it plans to expand.

SABIC will commence front end engi-

neering design (FEED) of competitive world-scale, cutting-edge TDI and MDI plants in conjunction with steps by Mitsui Chemicals to study further business alliance opportunities with SABIC, including the economic feasibility of forming a joint-venture company with a view to concluding a concrete alliance plan around 2013.



Restructuring Schedule for the Polyurethane Business

	2011	2012	2013	2014	2015	2016 and beyond
Alliance with SABIC	Commence consideration of forming a business alliance	Basic plant design		Plant construction (planned)		Operations commence (planned)
MCI Initiatives		Final decision regarding an alliance with SABIC				
		System house as well as coating and engineering material expansion				
		Cost reductions totaling ¥8 billion Closure of one raw material PPG base		Consider further rationalization		

Increasing PPG Production Efficiency

Demand for polypropylene glycol (PPG), a polyurethane raw material, is expected to gradually decline in Japan over the medium to long term. Mitsui Chemicals terminated production of PPG in June 2012 at Chiba Polyol Corporation, a 90% owned subsidiary. By reducing its production network from three to two, the Company is promoting cost-cutting measures by increasing efficiency and working toward improving profitability.

Direction Taken by the Polyurethane Business Going Forward

TDI and MDI are currently produced through an optimal production network comprising factories in Japan and South Korea as well as new facilities in Saudi Arabia. Future plans call for overseas facilities to evolve into the Company's principal supply bases. In Japan, Mitsui Chemicals is placing considerable emphasis on cost-cutting measures with the aim of improving profitability by promoting cost reductions in

excess of ¥8.0 billion by fiscal 2015 compared with fiscal 2010. The Company will accelerate its expansion of current businesses and new product development as a part of efforts to reform its business portfolio over the medium to long term. This will entail investment in high-value-added polyurethane monomer isocyanates, which are used for adhesives and coating products, agrochemicals, and ophthalmic lens

monomers.

Furthermore, Mitsui Chemicals will further bolster its coating and adhesive material operations, one of the five priority businesses under the 2011 Mid-Term Business Plan, as well as its system house activities through a variety of measures including proactive overseas investment.

A Changing Market Environment in the Petrochemicals Business

From 2008 through to 2009, large-scale ethylene production centers were established, mainly in the Middle East, triggering a flood of low-priced ethylene gas raw materials. This, in turn, had a significant impact on the structure of the petrochemicals business.

Following the global financial crisis struck and a prolonged period of appreciation in the value of the yen, low-priced overseas imports flooded the Japanese market. At the same time, reflecting the

momentum of the shift of production overseas by the processing industry, major petrochemicals business customers grew. More recently, disruption to the supply chain caused by the Great East Japan Earthquake in March 2011, prompted a further upswing in demand for products from overseas and allowed imports to gain a firm foothold in the market in Japan, significantly transforming the domestic supply and demand structure. Taking into consideration such factors as the debt crisis in

Europe, a decline in demand in Asia, including China, the strong yen and generally weak economic conditions, the ability to secure profits through exports remains extremely difficult.

Under these circumstances, some 30% of the 7.7 million tons of ethylene produced in Japan is expected to be excess to market needs hereafter. This will inevitably force a drop in ethylene facility operations.

Strengthening the Petrochemical Business Foundation

Mitsui Chemicals recognizes the critical importance of securing stable ethylene production equipment operations at ethylene centers. In addition, there is a strong need to ensure the competitiveness of downstream derivatives. With this in mind, the Company has to date undertaken a wide variety of initiatives.

Setting Up Propylene Centers

The supply of ethylene continues to exceed demand in Japan. Propylene, a derivative raw material of polypropylene and phenol, on the other hand, is projected to enjoy ongoing growth. At the ethylene center, which generally employs naphtha as a raw material, however, propylene production is only around half the level of ethylene.

Mitsui Chemicals has continued to promote the setting up of propylene centers at both its Ichihara and Osaka Works in order to optimize the balance of ethylene production at ethylene centers. A system to enhance the efficiency of propylene production using metathesis technology was introduced at the Osaka Works in

2004. Working in collaboration with a neighboring company, Mitsui Chemicals also introduced this system at a complex in the Chiba area in 2010 with the aim of enhancing efficiency.

Strengthening High Value-Added Derivatives

Recognizing the prospects of a surge in commodity polyethylene (PE) and PP that use low-priced raw materials from such regions as the Middle East, Mitsui Chemicals was quick to promote the shift to high value-added derivatives.

For example, the Company's proprietary metallocene linear low-density polyethylene resin (HAO-LLDPE) EVOLUE™ is attracting wide acclaim for its outstanding intensity, heat-sealing, and other properties compared with commodity PE, which is considered ideal mainly as a packaging material. Amid the increase in low-priced, general-purpose PE imports, Mitsui Chemicals is continuing to promote full operations of EVOLUE™, while engaging in exports to Asia.

At the same time, operations have been

suspended at certain general-purpose derivative facilities, and the production of 1-Hexane, a secondary raw material used in high value-added polyethylene products like Evolve™, was begun in 2011.

Turning to commodity PE and PP activities, Mitsui Chemicals has continued to promote greater efficiencies through the relocation of production. Production at one PP line has already been suspended with the decision made to terminate another line in 2013.



EVOLUE™ Plant

Full-Fledged Operating Integration of Ethylene Production Facilities in the Chiba Area

With the aim of integrating the operations of ethylene production facilities 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, steps were taken to commence integrated operations. This move is facilitating 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, ensuring the optimal operation of two

ethylene facilities, and securing production at minimum cost using fractional high value-added processes.

To prepare for the decline in olefin demand that is expected with the suspension of operations at commodity derivative production facilities, plans are in place to revamp ethylene production facilities to ensure high operating efficiency at low operating rates. In addition, by modifying the two companies' ethylene pipeline network used by the LLP, steps are in being taken to ensure increased flexibility and optimal operations at the two ethylene facilities.

Future Direction

Looking ahead, plans are for the construction in the United States of ethylene production facilities that use low-priced shale gas. In addition to the influx of ethylene derivatives, prospects for a growing shortfall in propylene and other materials on a

gas basis are also expected to rise. Moving forward, Mitsui Chemicals will implement a variety of measures to strengthen its business foundation, including the suspension of operations at outdated facilities that have lost their

competitiveness in Japan and a shift to high value-added products. At the same time, the Company will adhere strictly to a rationalization policy as a part of efforts to enhance competitiveness.



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

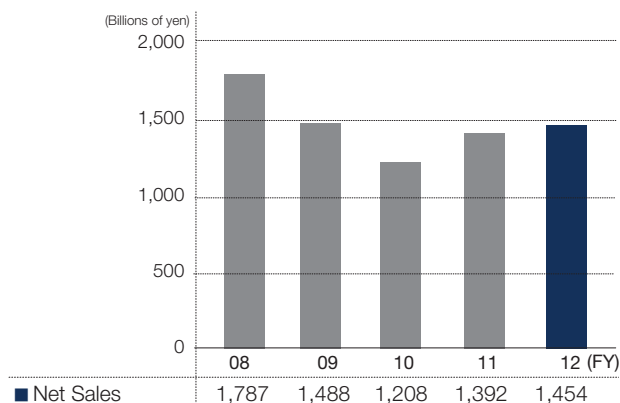
2004 Mid-Term Plan

Restructuring business and
reinforcing profitability

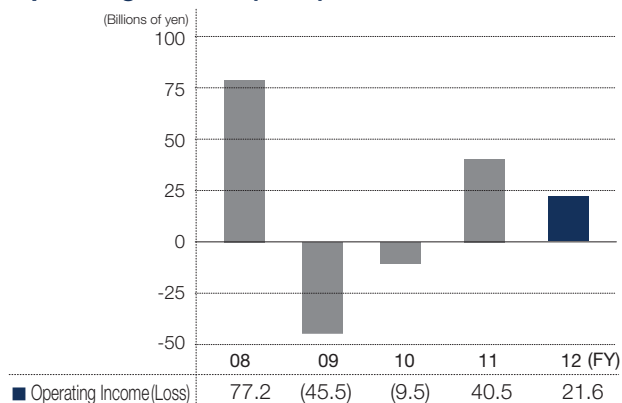
(Millions of yen / Thousands of U.S. dollars, except where indicated)

	2002	2003	2004	2005	2006	2007
For the Year						
Net sales	¥952,680	¥1,053,182	¥1,089,518	¥1,227,547	¥1,472,435	¥1,688,062
Operating income (loss)	42,382	56,458	53,942	80,491	58,705	91,678
Net income (loss)	7,651	20,320	12,466	26,192	44,125	52,297
Reference: Ordinary income (loss)	37,394	48,716	47,694	79,737	61,989	95,478
Net cash provided by operating activities	101,133	144,140	82,163	96,503	79,709	100,565
Net cash used in investing activities	(120,067)	(40,777)	(25,807)	(33,085)	(58,247)	(133,618)
Free cash flows	(18,934)	103,363	56,356	63,418	21,462	(33,053)
At Year-End						
Total current assets	486,642	445,239	440,517	497,287	608,995	733,150
Property, plant and equipment, net	583,949	580,830	548,799	520,886	532,324	542,340
Total investments and other non-current assets	227,272	199,125	199,150	187,012	187,571	222,693
Total assets	1,297,863	1,225,194	1,188,466	1,205,185	1,328,890	1,498,183
Total current liabilities	525,532	451,613	440,869	440,566	475,074	591,253
Total long-term liabilities	365,708	359,638	325,342	313,389	314,692	336,678
Total shareholders' equity & Total accumulated other comprehensive income (loss)	366,988	370,738	383,365	405,773	464,021	504,509
Per Share (Yen / U.S. dollars)						
Net income (loss) per share (basic)	¥ 9.70	¥ 25.72	¥ 15.78	¥ 33.26	¥ 56.20	¥ 66.68
Net income per share (diluted)	-	¥ 25.47	-	-	-	-
Cash dividends per share	¥ 6.00	¥ 6.00	¥ 6.00	¥ 7.00	¥ 8.00	¥ 10.00
Ratios						
Return on sales	0.80%	1.93%	1.14%	2.13%	3.00%	3.10%
Return on equity	2.13%	5.51%	3.31%	6.04%	10.15%	10.80%
Return (operating income (loss)) on assets	3.24%	4.48%	4.47%	6.73%	4.63%	6.49%
Other						
Depreciation and amortization	56,609	56,850	56,101	56,770	70,099	70,207
Capital expenditures	117,564	68,753	45,722	47,135	81,400	72,671
R&D expenses	39,012	37,114	32,894	34,881	37,146	36,943

Net Sales



Operating Income (Loss)



2008 Mid-Term Plan

Striving to create new values

New Growth Strategies

2011 Mid-Term Business Plan

Launch us onto the new growth trajectory by utilizing our strengths

2008	2009	2010	2011	2012	
				(Millions of yen)	(Thousands of U.S. dollars)
¥1,786,680	¥1,487,615	¥1,207,735	¥1,391,713	¥1,454,024	\$17,691,009
77,176	(45,493)	(9,461)	40,548	21,564	262,368
24,831	(95,237)	(28,010)	24,854	(1,007)	(12,252)
66,146	(50,768)	(13,132)	38,851	22,884	278,428
92,423	54,882	70,173	73,196	43,302	526,852
(78,206)	(76,253)	(42,913)	(43,204)	(42,452)	(516,511)
14,217	(21,371)	27,260	29,992	850	10,341
726,361	529,606	604,556	665,976	661,311	8,046,125
564,805	522,641	498,183	467,735	430,629	5,239,433
178,082	136,692	135,347	161,916	164,363	1,999,793
1,469,248	1,188,939	1,238,086	1,295,627	1,256,303	15,285,351
569,560	377,858	386,203	442,298	451,507	5,493,454
335,461	412,950	432,879	422,228	389,025	4,733,240
500,044	349,908	377,283	383,740	367,436	4,470,568
¥ 32.22	¥ (125.46)	¥ (33.04)	¥ 24.80	¥ (1.01)	\$ (0.01)
-	-	-	-	-	-
¥ 12.00	¥9.00	¥ 3.00	¥6.00	¥ 6.00	\$ 0.07
1.39%	(6.40%)	(2.32%)	1.79%	(0.07%)	
4.94%	-	-	6.53%	(0.27%)	
5.20%	(3.42%)	(0.78%)	3.20%	1.69%	
72,596	81,374	74,878	69,237	62,749	\$ 763,463
84,667	81,041	49,054	45,137	44,814	545,249
42,130	40,628	38,131	36,166	33,176	403,650

Targets

Establish global presence focusing on Asia

Establish business portfolio for growth and sustainability

Mid-Term Basic Strategy: 5-5-5 Strategies

5 priority businesses

Expansion of businesses more resilient to changing economic conditions

5 world-leading businesses

Global expansion of highly competitive businesses

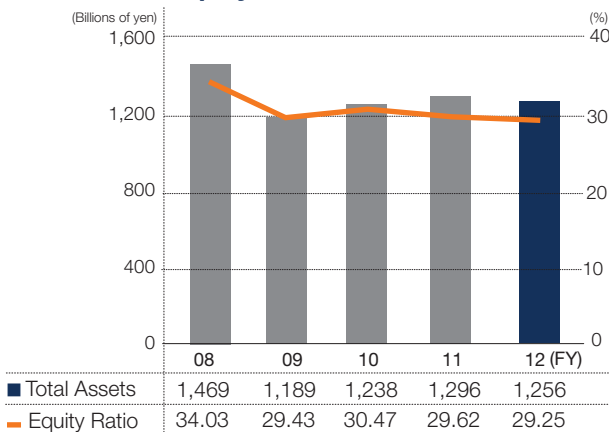
5 development areas

Creation of core business for the future

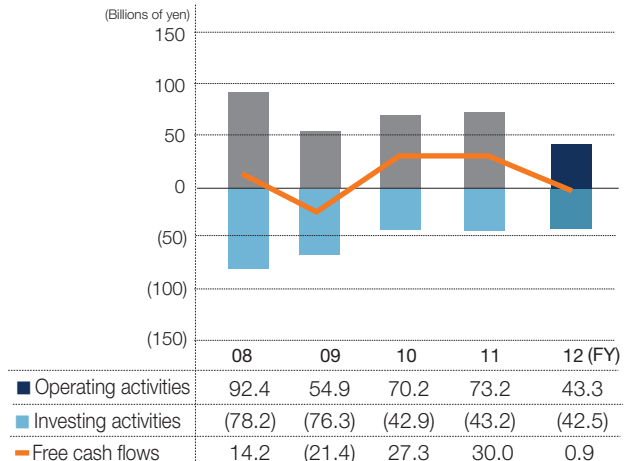
Strengthening competitiveness in the domestic market

Fundamental restructuring

Total Assets/Equity Ratio



Cash Flows



4

At a Glance

Business and Products

Main Products

Petrochemicals

Our Petrochemicals Segment primarily manufactures and sells petrochemical feedstocks, polyethylene, and polypropylene. Products cover a range of materials that play a key role in our everyday lives, from vehicles to food packaging. In addition to remaining at the forefront of the domestic market, by working in partnership with oil refiners and to save energy for instance, we are also aiming to actively secure a share of overseas markets in an effort to gain a competitive edge and establish a position as market leader throughout Asia and on a global scale.

- Ethylene
- Propylene
- Polyethylene
- Polypropylene

Basic Chemicals

Our Basic Chemicals Segment primarily manufactures and sells phenols, purified terephthalic acid (PTA), PET resin, and industrial chemicals. Products form the raw materials for transparent engineering plastics, polyester fibers for clothing, and PET beverage bottles and are used widely in our everyday lives. With demand continuing to soar in Asia, we are aiming to expand overseas operations even further in the future.

- Phenol
- Bisphenol A
- Highly purified terephthalic acid
- PET resin
- Industrial Chemicals

Polyurethane

Our Polyurethane Segment also develops, manufactures, and sells polyurethane materials as well as coatings and engineering materials. Our polyurethane operations are founded on integrated production, from basic materials TDI, MDI, and PPG through to polyurethane derivatives, and the unique technologies that we have developed as a comprehensive polyurethane manufacturer. Our aim is to reinforce and expand our range of products, combining low cost and outstanding functionality, to expand operations in the growing Asian market.

- Raw materials for polyurethane
- Coating materials
- Adhesive materials
- Molding materials

Functional Polymeric Materials

Our Functional Polymeric Materials Segment develops, manufactures, and sells elastomer, performance compounds, and performance polymer products. Our aim is to respond to changes in society's sense of values and the global industrial structure to establish a competitive edge and step up overseas expansion, particularly in the field of elastomers, while also reinforcing and expanding our performance polymer and compound operations to keep in harmony with the global environment.

- Elastomer
- Functional compounds
- Specialty polyolefine
- Engineering plastic

Fabricated Products

Our Fabricated Products Segment develops, manufactures, and sells films, sheets, and nonwoven fabric products. Our aim is to bolster and expand functional films and sheets for uses in the fields of energy, IT and packaging materials and to create next-generation films by utilizing our material and processing technology. Based on our strengths in product design and spinning technology, our nonwoven fabric business is aiming to expand its production and sales in Asian market where is expected to grow in hygiene areas.

- Hygiene materials
- Semi-conductor materials
- Energy materials
- Packaging films

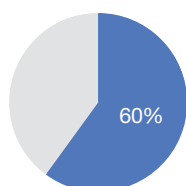
Functional Chemicals

Our Functional Chemicals Segment utilizes the Mitsui Chemicals Group's precision synthesis technology and biotechnology to supply world-class quality chemical products. Products include agrochemicals, catalysts, and medical materials, such as high strength, easily used ophthalmic lens materials for glasses, insecticides, fungicides, and herbicides designed to help stabilize agricultural production.

- Healthcare materials
- Specialty gas
- Chemical products
- Catalytic agent
- Agrichemical products

* Mitsui Chemicals restructured its organization on April 1, 2012. Accordingly, the Fabricated Products business segment has been eliminated; the Pellicles business has been transferred to the Functional Polymeric Materials business segment; the nonwoven fabric business has been transferred to the Functional Chemicals business segment; and the functional film and sheet business has become the Films and Sheets business segment.

Market Position of Principal Products



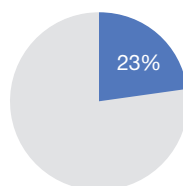
Asian Market Share (FY2011)

EVOLUE™

(Share as highly-functional sealant)

Market Share	Projected Market Growth Rate*
Asia No.1	10%
Japan No.1	

*FY2011-19



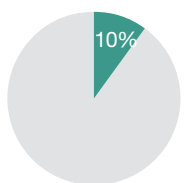
Global Market Share (FY2011)

PP Compounds

Market Share	Projected Market Growth Rate*
Global No.2	5%
Asia No.1	
Japan No.1	

*FY2011-18

Petrochemicals

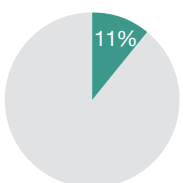


Global Supply Capacity (FY2012)

Phenol

Supply Capacity	Projected Market Growth Rate*
Global No.2	5%
Asia No.1	14%
Japan No.1	

*FY2013



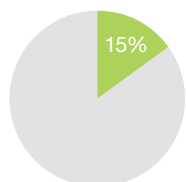
Global Supply Capacity (FY2012)

Bisphenol A

Supply Capacity	Projected Market Growth Rate*
Global No.2	4%
Asia No.1	9%
Japan No.1	

*FY2013

Basic Chemicals

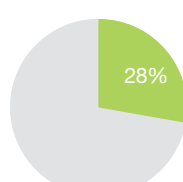


Asian Market Share (FY2012)

Polyurethane System House

Market Share	Projected Market Growth Rate*
Asia No.3	12%
Japan No.1	1%

*FY2013



ASEAN Market Share (FY2012)

Takelac™ / Takenate™

(Share as polyurethane adhesive for soft packaging)

Market Share	Projected Market Growth Rate *
ASEAN No.1	10%
Japan No.1	3%

*FY2013

Polyurethane

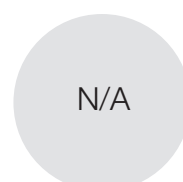


Market Share (FY2012)

TAFMER™

Market Share	Projected Market Growth Rate*
Global No.1	9%
Asia No.1	10%
Japan No.1	

*FY2011-19



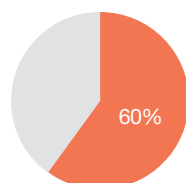
Market Share (FY2012)

Mitsui EPT™

Market Share	Projected Market Growth Rate*
Global No.4	5%
Asia No.1	7%
Japan No.1	

*FY2011-19

Functional Polymeric Materials



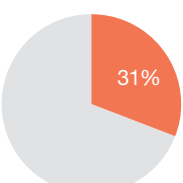
Asian Market Share (FY2011)

SYNTEX™

(Share as functional spunbonded nonwoven hygiene materials)

Market Share	Projected Market Growth Rate *
Asia No.1	11%
Japan No.1	

*FY2011-16



Japanese Market Share (FY2011)

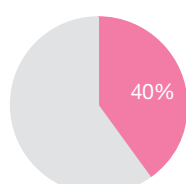
T.U.X.™

(Share as highly-functional sealant)

Market Share	Projected Market Growth Rate *
Japan No.1	3%

*FY2011-2016

Fabricated Products



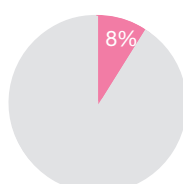
Global Market Share (FY2012)

MR™ series / RAV7™ series

(Ophthalmic lens monomer)

Market Share	Projected Market Growth Rate *
Global No.1	3%
Asia No.1	
Japan No.1	

*FY2012-19



Japanese Market Share (FY2011)

Agrochemicals

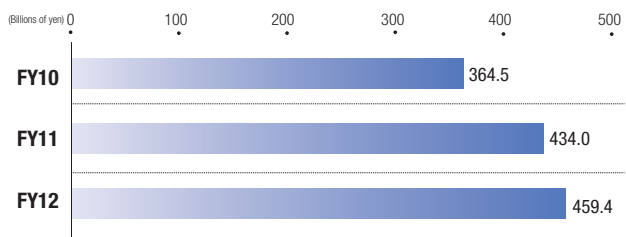
Market Share	Projected Market Growth Rate *
Global -	2%
Asia -	3%
Japan 2nd group	1%

*FY2011-16

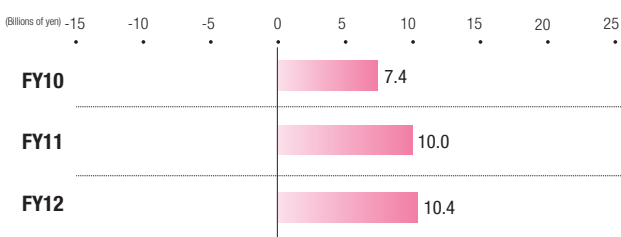
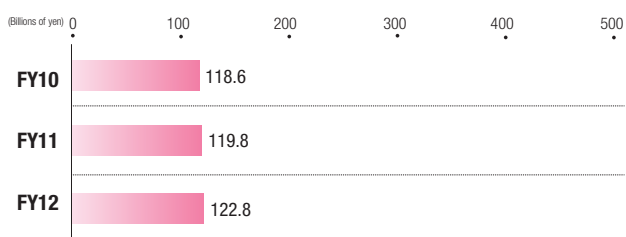
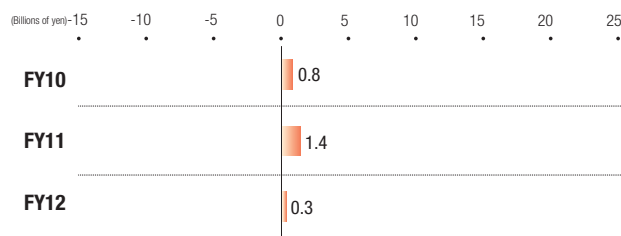
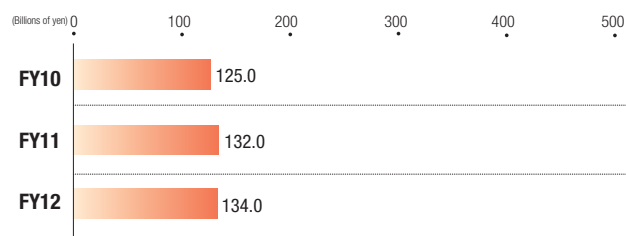
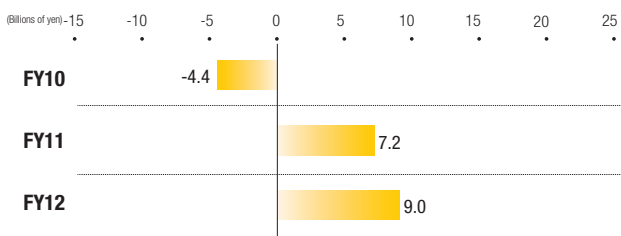
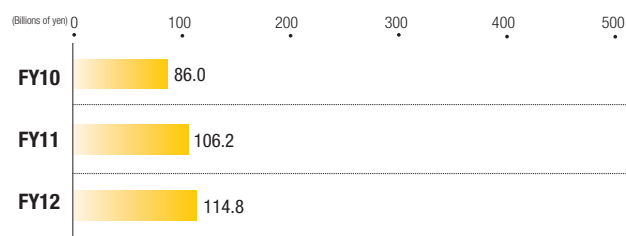
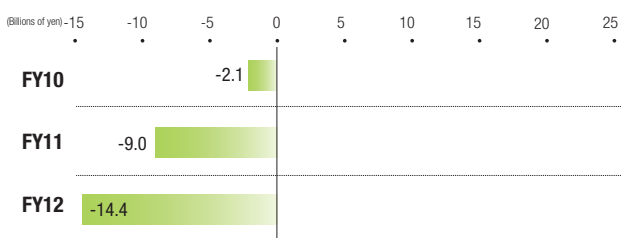
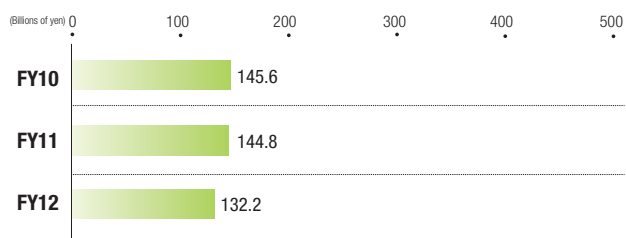
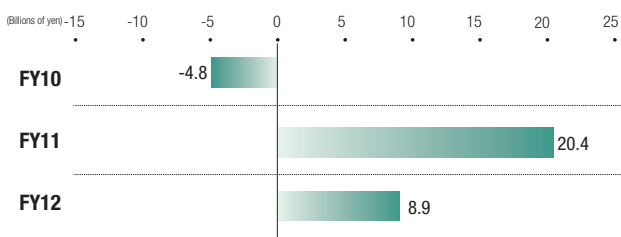
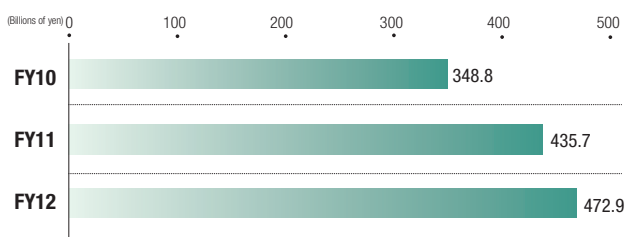
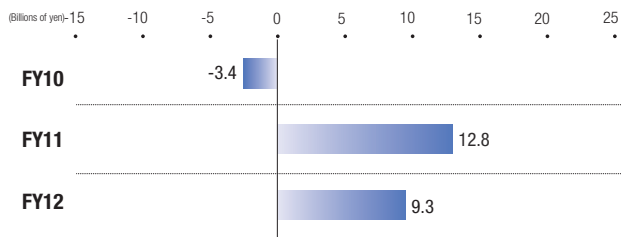
Functional Chemicals



Net Sales



Operating Income



FY: Fiscal years ended March 31

Net Sales

(Factors Resulting in a YoY Increase/Decrease)

Despite stable production activity in the automobile sector from the second quarter, sales of PP compounds, which are carried out mainly in Japan, declined. This was largely attributable to the substantial drop in production in the first quarter due to the impact of the Great East Japan Earthquake. While sales contracted owing mainly to weak market conditions in Asia and an increase in imported resins that reflected the strong yen, net sales increased as a result of such factors as revisions to the prices of polyolefin and olefin on the back of an upswing in naphtha costs.

Operating Income

(Factors Resulting in a YoY Increase/Decrease)

Results benefitted from such factors as successful cost cutting measures and the suspension of production at a PP plant operated by Ube Industries, Ltd. These positive factors were more than offset by the drop in PP compound sales in the first quarter following the Great East Japan Earthquake, the decline in sales of films owing to the strong yen, and the impact on inventory valuation of applying the lower of cost or market valuation method. Accounting for these and other factors, overall operating income declined year on year.

Petrochemicals

Despite a sharp and dramatic drop in demand from October 2011 for phenols and PTA as well as a downturn in market conditions, net sales increased year on year. This was largely attributable to firm demand during the first half, mainly in Asia and China.

A downturn was recorded due to the decline in sales, mainly of phenols. In addition to soft market conditions reflecting the drop in demand in Asia for PTA and other products, profit margins significantly deteriorated owing to the sharp rise in crude oil and naphtha prices. At the same time results were negatively impacted by reductions in inventories. Taking into account the aforementioned factors, operating income decreased substantially.

Basic Chemicals

Net sales from polyurethane materials, mainly TDI, dropped year on year due to a variety of factors, including sluggish demand in the automotive sector following the Great East Japan Earthquake as well as a fall in demand in China and the strong yen.

With respect to TDI, successful cost cutting, the transfer of extraordinary losses relating to fixed expenses incurred due to the suspensions of operations at the Kashima Works following the earthquake, and impairment losses in the third quarter all had a positive effect on earnings. Also, government's belt-tightening in China, weak economic conditions in Europe, continued high raw materials prices, and ongoing stagnant down market conditions pushed profits. As a result, operating income substantially declined year on year.

Polyurethane

Net sales increased year on year due to such factors as the upswing in sales of elastomers owing to growth in demand mainly for automobiles in Asia and steps taken to revise product prices.

In elastomers, operating income increased due to price revisions, as well as growing demand for automobiles and industrial material and such factors as successful cost cutting measures.

Functional Polymeric Materials

Net sales from fabricated products increased year on year. This was mainly attributable to higher sales of nonwoven materials owing to such factors as demand growth for disposable diapers in China and Southeast Asia as well as price revisions for packaging films.

Despite efforts to reduce costs by narrowing R&D themes, operating income declined year on year. This was largely attributable to the drop in sales of films, including those for industrial use, the decline in SOLAR EVA™ prices, and price revisions of base resins used in films.

Fabricated Products

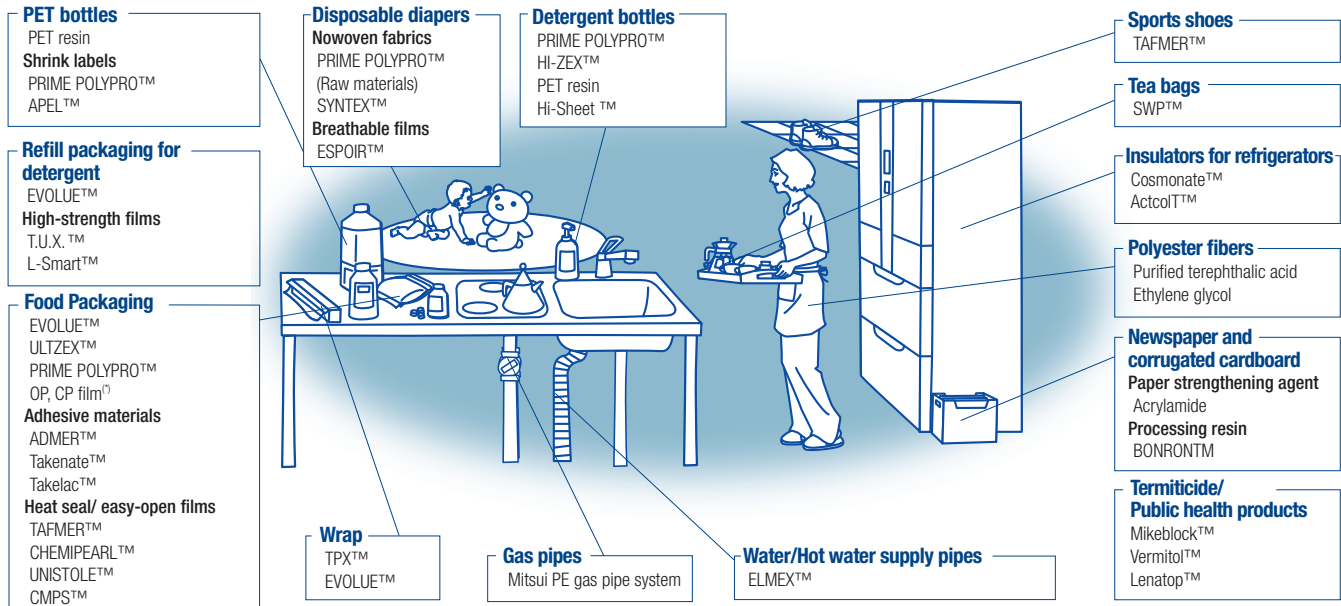
The impact of the strong yen placed downward pressure on revenues. Net sales nevertheless increase compared with the previous fiscal year due to such factors as an overlap in the timing of shipments of agrochemical products due to the impact of the Great East Japan Earthquake, higher sales of ophthalmic lens monomers and the positive contribution of ACOMON AG following its acquisition.

The strong yen and inventory valuations had a negative impact on operating income. This was more than offset by positive contributions from increased sales of ophthalmic lens monomers, higher sales reflecting an overlap in the timing of shipments of agrochemical products, and successful efforts to reduce costs by narrowing R&D themes. As a result, operating income improved year on year.

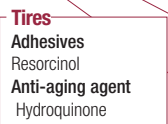
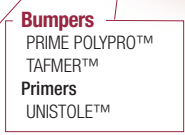
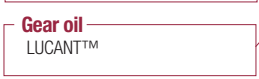
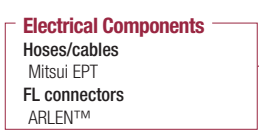
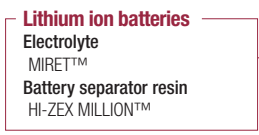
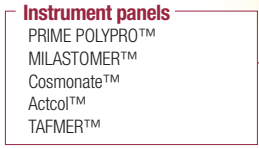
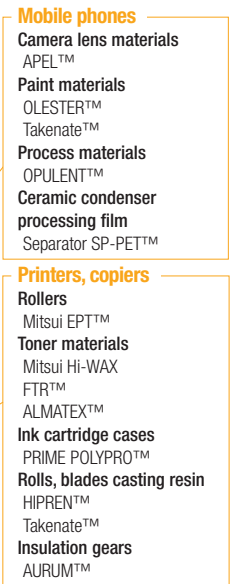
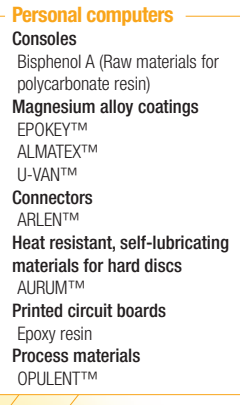
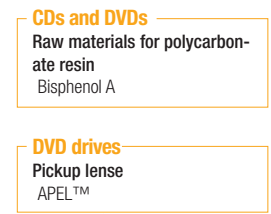
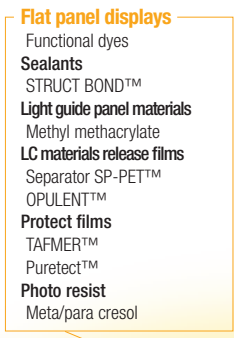
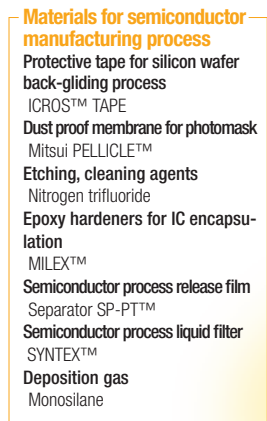
Functional Chemicals

4

Main Products



(*) OP: Biaxially-oriented polypropylene film
CP: Cast polypropylene film



Transparent resin for windows

Bisphenol A
(Raw materials for polycarbonate)

Insulators for construction

Cosmorate™
Actcol™

Electric wires

HI-ZEX™
TAFMER™
Mitsui EPT™

Wallpaper

HI-ZEX™
SWP™

Adhesives for wood

Phenol
(Raw materials for phenol resin)

Solar power systems

Encapsulant sheet
SOLAR EVA™
Edge face sealing resin
MILASTOMER™

Silicon material
Monosilane
Backsheet
Takenate™
Takelac™

Medicine packaging

APEL™
PRIME POLYPRO™
Takenate™
Takelac™

Pharmaceutical materials

Raw Materials
L-/D-/DL-Serine
Substrates
PLGA™

Energy drinks

Taurine

Glasses

Materials for plastic lenses
MR™ series
RAV7™ series

Masks

Nonwoven fabrics
SYNTEX™
Shape holding materials
TEKNOROTE™

Infusion bags

ULTZEX™
PRIME POLYPRO™

Prosthetic limb

HI-ZEX MILLION™

Medical instruments

Dental Materials

Fertilizer

Urea

Bottles

BAREX™

Hybrid rice seeds

Mitsuihikari™ 2003,2005

Sheathing for agriculture

SYNTEX™

Agrochemicals

Insecticides

Trebon™
Starkle™
Aniki™
Koromite™ Milebeknock™

Fungicides

Affet™
Tachigaren™
Tachigare-Ace™
Nebijin™

Herbicides

Sanbird™

Business segment	Products	Life	Information and Communication	Automotive	Housing and Construction	Medical and Healthcare	Agriculture	
Petrochemicals	Polyethylene	EVOLUE™						
		HI-ZEX™						
		ULTZEX™						
	Polypropylene	PRIME POLYPRO™						
		Phenol chain						
	Basic chemicals	Phenol chain	Phenol					
			Bisphenol A					
		PTA/PET	Epoxy resin					
			Purified terephthalic acid					
		Industrial chemicals	PET resin					
Ethylene glycol								
Resorcinol								
AdBlue™								
Hydroquinone								
Methyl methacrylate								
Meta/para-cresol								
Polyurethane	Polyurethane material	Cosmonate™						
		Actcol™						
	Coating function materials	U-VAN™						
		ALMATEX™						
		OLESTAR™						
		EPOKEY™						
		Mitsui HI-WAX™						
		BONRON™						
		CHEMIPEARL™						
		UNISTOLE™						
Functional polymeric materials	Elastomer	Takelac™						
		Takenate™						
		Hipren™						
		FTR™						
		STRUCT BOND™						
		TAFMER™						
		Mitsui EPT™						
		NOTIO™						
		LUCANT™						
		Functional compound	MILASTOMER™					
ADMER™								
ARLEN™								
AURUM™								
MILEX™								
Functional polymer	TPX™							
	APEL™							
	BAREX™							
	HI-ZEX MILLION™							
	LUBMER™							
	Fabricated products	Functional film/sheet	Mitsui PELLICLE™					
			ICROS™ TAPE					
			OPULENT™					
			Separator SP-PET™					
			Puretect™					
OP, CP film								
L-Smart™								
T.U.X.™								
CMPS™								
HI-Sheet™								
Nonwoven fabric	Happort™							
	SOLAR EVA™							
	SYNTEX™							
	TAFNEL™							
	SWP™							
Other	ESPOIR™							
	TECHNOROTE™							
	Mitsui PE gas pipe system							
Functional chemicals	Precision materials	ELMEX™						
		Acrylamide						
		ALMATEX™						
	Healthcare materials	Nitrogen trifluoride						
		Functional dyes						
		Monosilane						
	Agrochemicals	MR™ series						
		RAV7™ series						
		Taurine						
		L-/D-/DL-serine						
PLGA™								
Dental materials								
Insecticides								
Fungicides								
Herbicides								
Termiticides								
Mitsuihikari™								
MIRE™								



Petrochemicals



Targets

Maintain and bolster the Company's leading position in Japan's olefin and polyolefin market and secure stable earnings

Results

Net Sales



¥459.4 billion +5.9%

Operating Income



¥9.3 billion -27.2%

Progress in Each Business

- Decided to increase PP compound production capacity to 874,000 tons per year (+134,000 tons per year, by fiscal 2014)
- Established a new PP compound manufacturing and sales company (May 2012) with a production capacity of 55,000 tons per year in Brazil
- Increased metallocene polymer Evolve™ production capacity in Japan to 300,000 tons per year (+60,000 tons, construction completed in November 2011); considered the construction of a new plant in Asia with a view to production from 2015 (decision by the end of fiscal 2013)
- Commenced commercial operations at a 1-Hexane manufacturing plant in April 2011 (1-Hexane is an Evolve™ secondary raw material); stabilized and strengthened the Evolve™ business through the in-house manufacture of 1-Hexane
- Introduced a large-scale energy conservation process that utilizes LNG cold energy at the ethylene plant (Osaka; April 2011)
- Commenced LLP operations and took steps to adjust production in order to strengthen the petrochemicals business platform; rationalized operations, achieving savings totaling ¥1.0 billion in fiscal 2012 (Ichihara)
- Decided to upgrade equipment of ethylene plant to address efficiency issues at underperforming operations in fiscal 2014 (Ichihara)
- Partially withdrew from commodity PP/PE operations as part of efforts to bolster competitiveness in the polyolefin business (90,000 tons of PP in March 2011; 100,000 tons of PP planned for fiscal 2014)

Enhancing Ethylene Plant Competitive Strengths through Energy Conservation Processes

Strengthening Competitiveness

Working with Osaka Gas Co., Ltd., the Company and Mitsui Chemicals' wholly owned subsidiary Osaka Petrochemical Industries, Ltd., successfully introduced an energy conservation process using LNG cold energy¹ at its ethylene plant, becoming the first in the world to do so.

At the ethylene plant, ethylene, propylene, and other organic compounds are manufactured through the thermal decomposition of such raw input materials as naphtha. In general, the ethylene plant utilizes the large quantities of cold energy produced by the large-scale refrigerating machinery in order to separate out and refine individual products.

In this new energy conservation process, the Mitsui Chemicals Group has been able to substantially reduce the load of the refrigerating machinery at its ethylene plant by efficiently recovering and utilizing the cold energy inherent in the -160°C LNG delivered from Osaka Gas. This has resulted in significant annual energy savings amounting to 13,000kl on a crude oil equivalent basis.

This initiative has been recognized as a major achievement and in fiscal 2012 was awarded the Minister's Prize by the Minister of Economic, Trade and Industry in Japan, the highest accolade given under the Grand Prize for Excellence in Energy Efficiency and Conservation in Successful Case of Energy Conservation Category.²

Looking ahead, every effort will be made to reduce the environmental load attributable to production activities and to further enhance the competitiveness of the ethylene plant.

¹ LNG cold energy: Natural gas is converted to a liquid by cooling to the ultralow temperature of -160°C. During the LNG regasification process, peripheral heat is drawn into the LNG resulting in the release of "LNG cold energy," or a cooling effect that can be used as an energy source.

² Sponsor: The Energy Conservation Center, Japan

Strengthening the Evolve™ Business

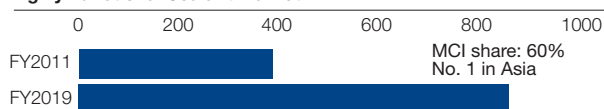
5 World-Leading Businesses

Mitsui Chemicals is promoting its metallocene polymer Evolve™ business as a part of efforts to bolster the competitiveness of its polyethylene activities. Evolve™, which boasts outstanding molding processability and high mechanical strength, is a linear low-density polyethylene (LLDPE) produced with proprietary metallocene catalyst and processing technologies. Evolve™ is attracting wide acclaim as a highly functional sealant for food packaging due to its low odor and high film molding stability properties. This product has secured an approximately 60% share of the Asian market.

In order to address robust demand in Asia, Mitsui Chemicals increased its Evolve™ production capacity by 60,000 tons per year in November 2011, bringing the Company's total production capacity to 250,000 tons per year.

In the future, the highly functional sealant market is forecast to expand by at least 10% annually, led mainly by the Chinese and Asian markets. Mitsui Chemical is currently considering the construction of a new plant in Asia. Plans call for operations to commence in 2015. This initiative is aimed at capturing a portion of the forecast increase in demand. In taking these steps, Mitsui Chemical is committed to reinforcing its leading position in Asia.

Highly Functional Sealant Market



Market Scale (unit: thousand tons per year)
(FY: Years ended March31)

Basic Chemicals



Targets

1. Promote phenol business growth with an eye to securing the world's leading position
2. Strengthen earnings to be unaffected by changes in market conditions by bolstering the platforms of each business

Results

Net Sales



¥472.9 billion +8.5%

Operating Income



¥8.9 billion -56.6%

Progress in Each Business

- Held a groundbreaking ceremony for the construction of a new phenol plant (250,000 tons per year) by SSMC, a joint venture with Sinopec launched in November 2011 (construction to be completed in 2013)
- Decided to switch production of IPA from propylene processes to acetone processes using proprietary highly active catalyst technology (commercial operations scheduled for 2013)
- Promoted higher value-added ethylene by bolstering the EO derivatives business; established an ethylene carbonate manufacturing joint venture with Toagosei Co., Ltd. to strengthen lithium-ion battery production (commercial operations scheduled for March 2013)
- Commenced operations at joint venture MCT PET Resin Co., Ltd. with Teijin Chemicals Ltd. (April 2011) to integrate the bottle-use PET resin business and thus enhance the competitiveness by unifying the supply chain

Highly Competitive Phenol Business as a World Leader

5 World-Leading Businesses

Despite adverse conditions in the second half of 2011, the global phenol market experienced overall growth. Looking ahead, demand is projected to expand around 5% from 2012 and about 14% in Asia.

In the phenol business, Mitsui Chemicals' production capacity places it in the leading position in Asia, while on a worldwide basis it ranks second. The Company's competitive advantage is further strengthened by its many derivatives. The Company is continually looking to further expand its supply capacity, particularly in the growing markets of Asia, as it strives to capture the top position in the global market.

To this end, we are strengthening our business alliance with China Petroleum & Chemical Corp. (Sinopec), which boasts a robust operating platform in China. The joint-venture Shanghai Sinopec Mitsui Chemicals Co., Ltd. (SSMC) is already active in the bisphenol A business. In November 2011, a groundbreaking ceremony was held for the construction of a new phenol plant to be operated by SSMC. On completion in 2013, the new plant will produce 250,000 tons per year. In addition, we plan to integrate the existing phenol facilities of Shanghai Sinopec Takahashi Co., Ltd. into SSMC

Mitsui Chemicals is working to strengthen its competitiveness across the entire phenol chain by more effectively utilizing acetone, a phenol production by-product that is expected to be in an excess of supply in the future.

Mitsui Chemical has developed a recycling technology that can return by-product acetone to its raw material, propylene. Harnessing this technology, Mitsui Chemicals has decided to

shift production of IPA from the propylene-method to acetone-method, and to adopt a plant scrap and build approach toward its Osaka Works IPA plant. This facility is scheduled to come online in fiscal 2013.

The Company will form a new production framework to ensure stable supply to the IPA market so it will not be affected by tight conditions or expected future imbalances in propylene demand and supply. This initiative also will enhance the value of the surplus acetone on the market.

In total, including derivatives, the Company is projecting a production capacity of 1,930,000 tons per year in fiscal 2014, which will make Mitsui Chemicals the world's preeminent producer.

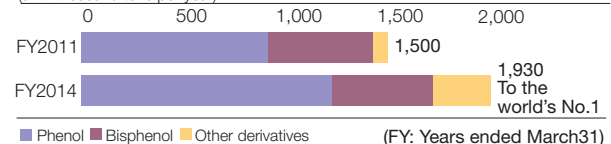
Phenol Demand

(unit: thousand tons per year)

	FY2012 Demand	FY2012 Growth rate	FY2013 Growth rate
Worldwide	8,770	0.3%	5.4%
Asia	4,190	1.9%	13.8%

Worldwide Production Capacity Expansion Plan

(unit: thousand tons per year)



Polyurethane



Targets

Secure stable earnings by rebuilding domestic production bases in the polyurethane materials business and expanding the coating and functional materials businesses

Results

Net Sales

↓ ¥132.2 billion -8.7%

Operating Loss

↓ -¥14.4 billion —

Progress in Each Business

- Expanded polyurethane system house operations, which are production and sales bases for compounds tailored to customers' polyurethane product needs; commenced commercial operations at sixth production base in Asia (11,000 tons per year; May 2011)
- Commenced consideration of a business alliance with Saudi Arabian Basic Industries Corporation (SABIC) in the polyurethane raw materials business (February 2011; target set for fiscal 2013)
- Rebuilt polyurethane raw materials businesses in Japan; terminated one PPG production base (June 2012)
- Implemented radical cost cutting amounting to ¥3.0 billion in fiscal 2012 by streamlining the entire polyurethane business; ¥80 billion cost cutting planed by the end of fiscal 2014 compared with fiscal 2011
- Decided to increase MDI production capacity at KUMHO MITSUI CHEMICALS, INC. (increase annual capacity from 155,000 tons to 200,000 tons; commercial operation scheduled for 2013)

Expanding System House Operations in Asia

5 Priority Businesses

In order to capture robust demand growth, primarily in China, Mitsui Chemicals is expanding its polyurethane system house business operations in Asia. This entails strengthening bases and boosting the sale and marketing of compounds tailored to customers' polyurethane product needs.

System house products and technologies are used for automobile sheet and heat insulating materials. 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. To better match the requirements of local consumers, Mitsui Chemicals is bolstering local technology development.

Foshan Mitsui Chemicals Polyurethane Co., Ltd. commenced operations in Guangzhou, China, in May 2011, contributing an additional 11,000 tons per year to the Group's production capacity. The Group's system house network in Asia now comprises a total of six bases in Asia for a production capacity of 68,000 tons per year.

Currently in fiscal 2011, our share accounts for 15% of the market in Asia and 47% of that in Japan.

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.

Expanding the Coatings and Adhesive Materials

5 Priority Businesses

Mitsui Chemicals is promoting a broad lineup that encompasses both polyurethane and non-polyurethane products in the coating materials, adhesive materials, molding materials, and related fields. In addition to uncovering fresh applications for existing products, the Company is developing new materials in an effort to expand the scope of its business into high-value-added areas through increasingly innovative and unique proposals. Mitsui Chemicals is also promoting the development of specialty isocyanates, paint resins for automobiles, information appliances, and olefin resin modifiers as well as adhesives for solar cell back-sheets while accelerating the promotion of business in Asia, which is projected to witness a substantial upswing in demand. The Company is placing considerable weight on putting in place a structure that is capable of further boosting business. To this end, Mitsui Chemicals is allocating management resources to affiliated companies throughout the Asian region and strengthening collaborative ties. With an eye firmly fixed on continuous growth and development, the Company is considering the establishment of local production bases in the growth markets of China and India.

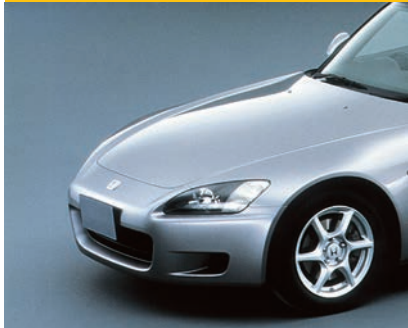


Adhesive materials for lamination use



Light metal, resin casing coating materials

Functional Polymeric Materials



Targets

Increase earnings by expanding the scale of the elastomer business, having competitive advantage, and fostering the functional compound and functional polymer businesses

Results

Net Sales



¥114.8 billion +8.1%

Operating Income



¥9.0 billion +24.1%

Progress in Each Business

- Expanded production capacity for super-high-molecular polyurethane polyethylene HI-ZEX MILLION™ to address prospective high-growth markets for the high-strength fiber and lithium-ion battery separators (commercial operations commenced in January 2012; production rose from 5,000 tons to 7,500 tons per year)
- Shifted the head office function for high functionality elastomer TAFMER™ to MITSUI ELASTOMERS SINGAPORE PTE. LTD. (MELS) in response to robust demand in Asia (April 2011)
- Established a joint venture with China Petroleum & Chemical Corp. (Sinopec) of China in May 2012; aim to achieve global expansion in the Mitsui EPT™ business scale, now having Asia's top position (commercial operations scheduled for 2014; 75,000 tons per year)
- Strengthened Mitsui EPT™ grade development, harnessing the competitive advantage of the Company's proprietary metallocene catalyst technology; brought a new grade to the market in 2011
- Successfully commercialized NOTIO™SN, a controlled nano structure elastomer produced using the Company's proprietary metallocene catalyst technology (April 2011)
- Set up technical support centers in China and Singapore in order to strengthen sales and marketing in Asia (December 2012)

Commercializing NOTIO™ SN Syndiotactic Elastomer

5 World-leading Businesses

In April 2011, Mitsui Chemicals successfully commercialized the alpha-olefin-based elastomer NOTIO™ SN, which has a crystalline controlled nano structure manufactured using a metallocene catalyst. In addition to transparency, NOTIO™ SN offers outstanding heat resistance, flexibility, and rubber elasticity while delivering superior abrasion and scratch resistance compared with current olefin elastomers. NOTIO™ SN also boasts excellent molding process properties and is expected to gain acceptance in the synthetic leather market as an alternative to vinyl and urethane materials. core product of the elastomers business.

The product is receiving considerable praise from leading manufacturers, and Mitsui Chemicals is actively promoting the development of applications in the automobile, luggage, furniture, shoe, clothing, stationery, and other fields. Moving forward, the Company will foster NOTIO™ SN into a next-generation, core product of the elastomers business.

- In spite of being olefin elastomer, this product has the same scratch and abrasion resistance properties as vinyl and urethane materials and is highly adaptable to calendaring manufacturing like vinyl.

- Also, because the olefin elastomer NOTIO™ is a phthalate compound*1, it is VOC*2 free and ultra-light as well as chemical-, water- and mildew-resistans.



*1) Phthalate compound: A plasticizing agent for vinyl leathers; subject to REACH regulations

*2) VOC: Volatile organic compound; used in urethane leather processing; chemical sensitivity causative agent

Established an EPT Joint Venture with Sinopec

5 World-leading Businesses

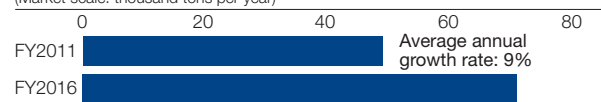
Mitsui EPT™, a balanced, high-quality, high value-added ethylene-propylene-diene terpolymer (EPT) that utilizes proprietary metallocene catalyst technology, continues to enjoy wide acclaim. Boasting significant competitive advantage in the EPT market thanks to a simple manufacturing process, Mitsui Chemicals will soon boast one of the world's largest EPT plants and is building on its a leading position in Asia.

Used primarily in automotive parts, including seals and hoses, EPT is expected to see a substantial upswing in demand, around 10% per year, from the rapidly growing automobile industry in China. In May 2012, Mitsui Chemicals and China Sinopec established the new joint-venture Shanghai Sinopec Mitsui Elastomers, Co., Ltd., to manufacture and distribute EPT. The state-of-the-art plant under construction will be one of the world's largest and is scheduled to come on line with production capacity of 75,000 tons per year in the first half of 2014.

Harnessing the strengths of its proprietary technology, Mitsui Chemicals will make every effort to introduce a succession of new and higher grade products that address the increasingly sophisticated and diverse needs of the market. Working to further enhance cost-competitiveness, considerable energies will be channeled toward promoting global business development.

Trends in EPT Demand in Asia

(Market scale: thousand tons per year)



(FY: Years ended March31)

Fabricated Products



Targets

1. Strengthen and expand the film and sheet business operated by Mitsui Chemicals Tohcello, Inc.
2. Expand earnings by addressing needs for high functionality in the nonwoven fabrics business and boosting business in Asia

FY2012 Results

Net Sales



¥134.0 billion +1.5%

Operating Income



¥0.3 billion -78.7%

Progress in Each Business

- Established a new company in China in December 2011 to expand high functionality nonwoven fabric operations throughout Asia (commercial operations scheduled for September 2013); expanded production capacity in Japan (June 2012)
- Established a joint venture company with SCG Chemicals Co., Ltd. of the SIAM Group in Thailand as a part of efforts to expand globally the Company's EVOLUE™-based high functionality packaging film T.U.X.™ (April 2012)
- Established a joint venture company in Malaysia as a part of efforts to bolster the competitiveness of the SOLAR EVA™ business in April 2011 (plant operations scheduled for August 2012); increased production capacity in Japan in August 2011 (20,000 tons to 40,000 tons per year)
- Accelerated the development of electronic and information film and sheet related to the display and semiconductor manufacturing process; planned the successive launch of four new products (mass-production scheduled to commence in fiscal 2014)
- Entered into a basic agreement to pursue one of Japan's largest mega solar power projects (construction scheduled to be completed in fiscal 2014); development of photovoltaic component materials, modules and systems

Expanding Production Facilities for Highly Functional Spunbonded Nonwoven Fabric, and Establishment of a Trilateral Production Network

5 Priority Businesses

Mitsui Chemicals expanded the production facility for the functional spunbonded nonwoven fabric for hygiene materials operated by subsidiary Sunrex Industry Co., Ltd. and started commercial operations from June 2012 in accordance with improvements in the quality of disposable diapers in the Japanese market. This expansion of facilities, taken together with the production of the subsidiary Mitsui Hygiene Materials Thailand Co., Ltd., has raised production capacity to 79,000 tons per year, up from 64,000 tons per year of conventional production.

Furthermore, in December 2011 The Company established the subsidiary Mitsui Chemicals Nonwovens (Tianjin) Co., Ltd. as a production and sales base in China. The new company was founded in light of growth in the market for high-quality goods along with a boom in market demand for disposable diapers as economic development proceeds in East and Southeast Asia. The new company is slated to begin commercial services in September, 2013.

The expansion of these facilities will raise our production capacity to 94,000 tons per year and enable us to realize trilateral operations in Asia.

Moving forward, we will further expand facilities and work to strengthen our standing as a leading provider in Asia of spunbonded nonwoven fabric.

The highly functional nonwoven fabric market

FY2011	MCI 60%	Market growth: 1.7 times Mitsui Chemicals' growth: 2.2 times
FY2014	MCI 80%	

Expanding Highly Functional Packaging Film Business in Asia

5 Priority Businesses

With an upswing in demand for packaging films due to population and economic growth throughout Asia resulting in improved living standards, the need for ever more highly functional films is projected to rise. Getting the jump on its rivals, Mitsui Chemicals Tohcello, Inc., which is responsible for the Group's highly functional films and sheets businesses, established the joint-venture company, Siam Tohcello Co., Ltd., with Thailand-based SCG Chemicals Co., Ltd. to manufacture and market the highly functional linear low-density polyethylene (LLDPE) sealant film T.U.X.™, which uses the Company's EVOLUE™ as a raw material. It is a high-strength cast film with excellent sealing properties and transparency. The Mitsui Chemicals Group boasts the top market share in Japan for this highly functional adhesive film, which is helping to enhance the productivity of customers. In addition, L-Smart™, which was also developed by Mitsui Chemicals Tohcello, Inc. using EVOLUE™ as a raw material and proprietary film-forming technology, is attracting attention as an eco-friendly film well suited for slim packaging due to its outstanding rigidity and impact resistance.

As a global leader in highly functional packaging films, the Group will forge a robust foothold in the ever-expanding Asia market.

* Top market share of 30.5% in 2010



Functional Chemicals



Targets

Expand global earnings, focusing mainly on healthcare, agrochemicals and catalyst activities as a business sector that plays a leading role in the Company's transformation

FY2012 Results

Net Sales

▲ **¥122.8 billion +2.6%**

Operating Income

▲ **¥10.4 billion +3.3%**

Progress in Each Business

- Acquired equity interests in Sotus International Co., Ltd. (Thailand; May 2011) and Iharabras S.A. (Brazil; September 2011) as a part of efforts to strengthen the overseas development of the agrochemical business
- Promoted the overseas development of the insecticide Dinotefuran; brought to market in India in 2012
- Promoted the overseas development of the fungicide Penthiopyrad; brought to market in the U.S. and Canada in 2012; planned the successive launch in countries throughout Europe and Asia from 2013
- Established a representative office in South Korea as part of efforts to strengthen and expand the agrochemicals business to realize the early development and commercialization of new formulations (January 2012)
- Shifted from the copper catalyst method to the bio-catalyst method in the production of acrylamide at the Osaka Works; completed introduction at three bases in Japan and overseas (June 2012)
- Upgraded to the further high-performance phthalate-free catalysts for polypropylene polymerization in compliance with the REACH Directive
- Worked toward securing the world's leading position in monomer for ophthalmic lenses; acquired ACOMON AG, a major global manufacturer of low and medium refractive index monomer for ophthalmic lenses

Expanding Product Portfolio in Ophthalmic Lens Monomers Business

5 World-leading Businesses

Mitsui Chemicals' MR™ series plastic lens monomer is ideal for ophthalmic use. Boasting exceptional quality, the series offers a high refractive index, high Abbe number*, low specific gravity and high impact resistance. As a raw material for global standard plastic eyeglass lenses with a refractive index of 1.60 or more, the MR™ series has a broad range of applications. In April 2011, Mitsui Chemicals acquired ACOMON AG, a major global manufacturer of low and medium refractive index monomer for ophthalmic lenses. With this initiative, the Company has established a product portfolio that covers all segments, from low- to high-refractive index lenses.

Global demand for eyeglass lenses is currently estimated at around 900 million, with an annual growth rate of 3% to 4%. Leveraging the worldwide sales network of ACOMON, Mitsui Chemicals is endeavoring to strengthen its global operating structure for eyeglass lens materials lenses.

Looking ahead, the Company will work to bolster and expand opportunities in the eyeglass lens material business across the low and high refractive index segments.

* Abbe number: The higher the Abbe number the lower the light dispersion, resulting in less chromatic aberration.



Excellent for sunglass use due to its high achromatic properties

Upgrading to Higher-Performance Phthalate-Free Polypropylene (PP) Catalysts

5 Priority Businesses

Representative of polypropylenes, the polyolefin market is anticipated to enjoy stable growth going forward. In a similar fashion, the market for polyolefin catalysts can also be expected to expand. Mitsui Chemicals has continued to focus on catalyst research and development, a key technology of the chemical industry. In addition to using this technology in internal manufacturing processes, the Company has a consistent history of bringing unique polyolefin catalysts to the global market. Forecasting future market expansion, Mitsui Chemicals is promoting the construction of new catalyst plants. In this manner, the Company is taking sure-footed steps to increase production capacity.

Currently, the vast majority of PP polymerization catalysts in use contain phthalates. Recognized as environmental endocrine disrupting chemicals under the European REACH chemical control regulations, it is expected that restrictions on phthalate use will be strict. With a phthalate-free catalyst suited to fiber-based applications already in its portfolio, Mitsui Chemicals successfully developed a phthalate-free catalyst that can be used for such wide-ranging applications as injection molding and films.

Looking ahead, the Company plans to actively introduce high-performance catalysts to PP manufacturers globally, including in Europe, and to further expand its business.

Research and Development (R&D) Policy

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, R&D has been identified as one of the key

components in achieving this overall strategy. On this basis, Mitsui Chemicals will work to ensure greater efficiency and focus in the activity of R&D resources. Moreover, every effort will be made to strengthen R&D management and accelerate new products and businesses development.

Groupwide R&D Strategy

In order to promote its Groupwide R&D strategy, Mitsui Chemicals has set specific R&D priority themes for each growth field under its 5-5-5 strategy to better coincide with the focused activity of R&D resources.

Specifically, the Company aims to enhance the overall competitiveness of its five world-leading and priority businesses. To this end, Mitsui Chemicals will work to strengthen its cost competitiveness by bolstering production process technologies, customer technological support services, customized products development, and sales. Further, in the five development areas where Mitsui Chemicals plans to create new core businesses, the Company will accelerate new product and business

development by focusing on R&D priority themes for each of the five development areas.

Under this policy, approximately 90% of R&D resources, which over three years are budgeted at ¥100 billion, will be allocated based on the aforementioned 5-5-5 approach.

Mitsui Chemicals also established an R&D Strategy Division in June 2011 to help strengthen the management of technology while accelerating product development and commercialization. Focusing on a Groupwide optimal perspective, points of mission will be taken to bolster the cross-discipline function of the R&D Division and to accelerate the speed R&D.

Establishing an Overseas R&D

In June 2011, Mitsui Chemicals spun off the Technical Centre of Mitsui Chemicals Asia Pacific and established the Mitsui Chemicals Singapore R&D Centre in order to accelerate the Group's globalization plans and to bolster the Group's overseas presence.

This new Centre has been charged with three missions: (1) linking research and development with business model development to intensify new business opportunities; (2) supporting market development by accelerating the communication of information regarding rapidly growing demand found in Asian markets; and (3) developing and strengthening global human resources. In carrying out each of these missions, the Centre will draw on its human resources base and technologies collected from around the world as well as the latest information to develop its cutting-edge materials and innovative technologies.

Placing equal emphasis on the customer's perspec-

tive, Mitsui Chemicals established technical support centers for functional materials in Shanghai, China, and Singapore with the aim of strengthening sales and marketing within the Asian region in December 2011. These centers have analysis equipments and molders for evaluating products and materials, thereby these centers can quickly respond to Asian customer needs independently and without reliance on Japan, and also these centers provide technological solutions to Asian customers according to their needs and product development plan.

These technical centers will strengthen the Group's relationship with its customers covering important markets, and be able to fulfill its role as a solution provider by early response to customer needs and expectations regarding elastomers, engineering plastics, and compounds, leading to a further expansion of the Group's functional material business.

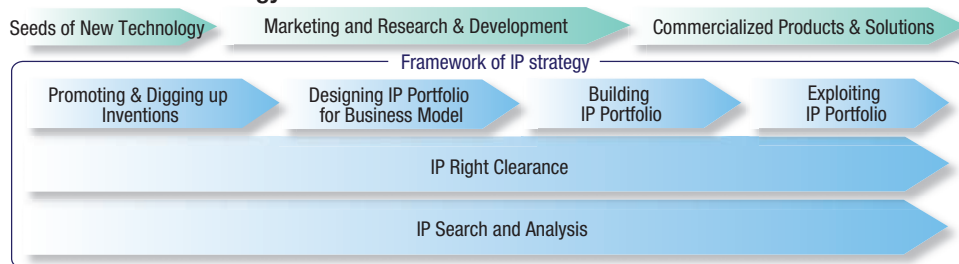
Strengthening competitiveness in the domestic market	Five world-leading businesses	Five priority businesses	Five development areas
Strengthen research and development activities that aim to enhance cost competitiveness and address the needs of customers		Bolster research and development activities that are designed to accelerate new product development, which will, in turn, expand businesses that handle performance material product groups	
<ul style="list-style-type: none"> Strengthen platform technologies Bolster production technology capabilities 	<ul style="list-style-type: none"> Bolster production technology capabilities Provide customized products Reinforce customer technological support 	<ul style="list-style-type: none"> Provide customized products Reinforce customer technological support Strengthen new product development 	<ul style="list-style-type: none"> Bolster new business development efforts Strengthen new product development

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 minimize the risks associated with intellectual property while maximizing business opportunities that take full advantage of the Group's intellectual property rights.

Framework of IP strategy



IP: Intellectual Property

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 values.

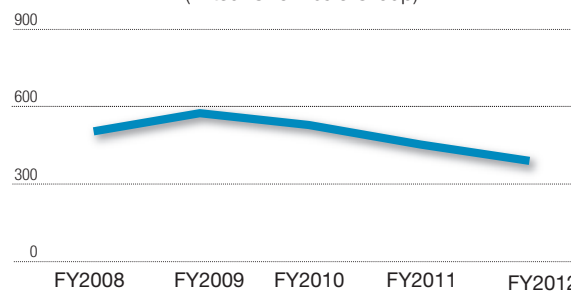
Reinforcing Group Intellectual Property Capabilities

Mitsui Chemicals continually works to strengthen its business platform and promote the integration of Group-wide 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 at ensuring human resources have the necessary mindset and appropriate skills regarding intellectual property.

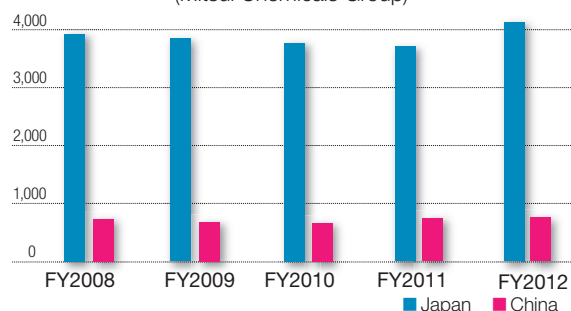
Furthering Intellectual Property Strategies in Key Overseas Regions

In recent years, the Group has significantly increased its pace of business development in emerging markets, including countries in 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.

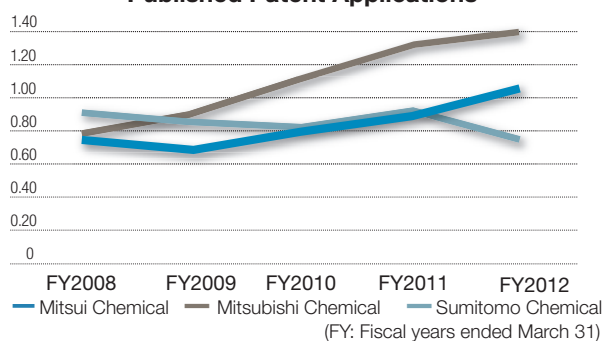
Number of Published Patent Applications in Japan (Mitsui Chemicals Group)



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



R&D Expenses per Number of Published Patent Applications



(FY: Fiscal years ended March 31)



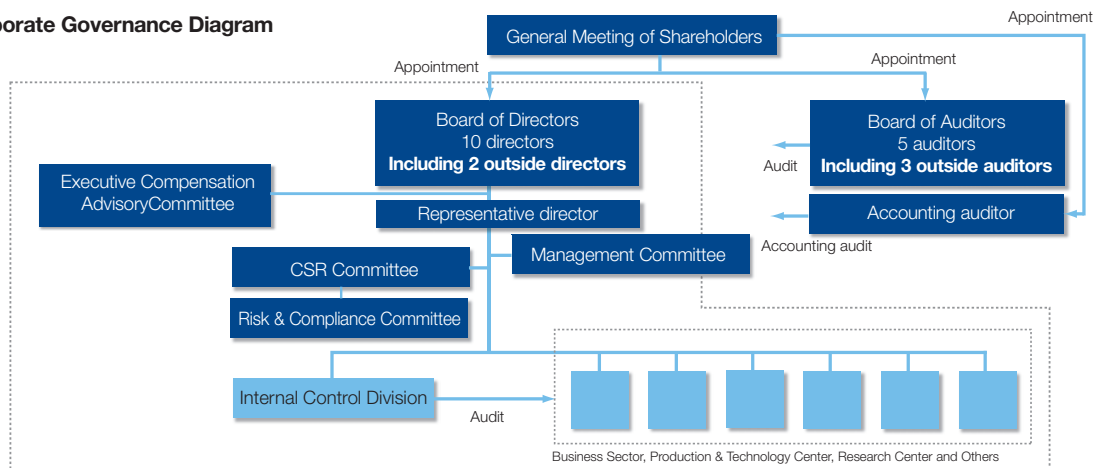
Corporate Governance Basic Stance

Mitsui Chemicals maintains a basic policy of continuously enhancing the transparency of its management in order to secure the trust of society and fulfill its corporate social responsibility. 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 recog-

nizes 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 10 directors as of June 26, 2012.

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, 2012.

The Board of Directors is responsible for making

decisions about important matters relating to management and receives reports on a wide range of matters, including the status of business execution by each director as well as the Company's financial position and operating results. Moreover, the Board of Directors oversees the business execution of each director.

Executive Officer System

In order to clarify the division of responsibilities between management oversight and business execution, Mitsui Chemicals has adopted an executive officer system. In April 2012, executive directors were appointed as executive officers and their respective roles clearly specified in

order to further clarify responsibility for business execution. This system speeds up the decision making of management, facilitates and accelerates the business execution of each division, and further strengthens and enhances the Company's management organization.

Executive Compensation Advisory Committee

To ensure the transparency of performance evaluation and system of executive compensation as well as the validity of the compensation levels, Mitsui Chemicals has established the Executive Compensation Advisory Committee as a consultation body of the Board of Directors in addition to a mechanism to evaluate the performance of directors and

determine its system of executive compensation as well as performance evaluation. The Chairman of Mitsui Chemicals presides over the Executive Compensation Advisory Committee, whose members include the president, executive vice president and external knowledgeable persons (three outside auditors).

Management Committee

The Company conducts Management Committee meetings in order to review items that need to be discussed in advance of being put on the agenda of Board of Directors meetings and to deliberate on important matters related to

business execution. The Company has also built a system that enables appropriate and efficient decision making. Corporate auditors attend these Management Committee meetings and offer their opinions as and when required.

Attendance at Meetings of the Board of Directors and Board of Auditors

	Independent Director Specified under the Regulations of the Tokyo Stock Exchange	Reasons for Selection	Attendance at Meetings of the Board of Directors and Board of Auditors	
			Board of Directors (Total Number of Meetings Held: 12)	Board of Auditors (Total Number of Meetings Held: 18)
Outside members of the board				
Taeko Nagai	○	Taeko Nagai has worked at Japan Broadcasting Corporation for many years, and now serves as vice president of an arts foundation. We expect that she will provide useful advice on the Company's management based on her expertise and experience in culture, education, consumer economics, and other fields and is therefore qualified to be an outside director.	10/12	—
Yoshio Suzuki	○	Yoshio Suzuki has worked in the public prosecutor's office and the Ministry of Justice for many years, and has expertise in the legal field. We expect that he will provide useful advice on the Company's promotion of compliance based on his broad experience in legal circles and is therefore qualified to be an outside director.	12/12	—
Outside Auditors				
Isao Ijyuin	○	Isao Ijyuin possesses legal knowledge and has extensive experience in the legal field and is therefore qualified to be an outside corporate auditor who audits the legality of the execution of the Company's business.	12/12	18/18
Hideharu Kadowaki		Hideharu Kadowaki has been involved for many years in financial institution management and has served in various capacities in think tanks and at universities. He possesses broad general business knowledge and experience and is therefore qualified to be an outside corporate auditor.	11/12	17/18
Hironu Matsuda		Hironu Matsuda has been involved for many years in financial institution management and has served as standing auditor for private companies. He possesses broad general business knowledge and experience and is therefore qualified to be an outside corporate auditor.	9/10 (Number of meetings held since appointment: 10)	12/13 (Number of meetings held since appointment: 13)

Total compensation for fiscal year 2012

Classification	Number of Persons Receiving Payment	Amounts Paid (Millions of Yen)	Outside Auditors (Included in figures of left)	
			Number of Persons Receiving Payment	Amounts Paid (Millions of Yen)
Members of the Board	16	399	3	22
Corporate Auditors	6	93	4	30
Total	22	493	7	52

The maximum monthly amount of compensation paid to members of the board was determined within ¥60 million by a resolution of shareholders at the Annual General Meeting of Shareholders for the Company's 8th Business Term held on June 28, 2005.

The maximum monthly amount of compensation paid to corporate auditors was determined within ¥11 million by a resolution of shareholders at the Annual General Meeting of Shareholders for the Company's 8th Business Term held on June 28, 2005.

Figures of the table include amounts paid to five members of the board and one corporate auditor who retired as of the close of the Annual General Meeting of Shareholders for the Company's 14th Business Term held on June 24, 2011, covering the period from April 2011 through to the date of retirement.

Auditing System

Mitsui-Chemicals has established a Board of Corporate Auditors comprising five corporate auditors, including three 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.

Corporate auditors conduct corporate auditor audits at major places of business as well as affiliated companies in Japan and overseas, and confirm the status of business execution. In addition, corporate auditors attend not only the meetings of the Board of Directors, but important meetings of the Company. Corporate Auditors also have regular meetings with the president and others to exchange opinions and officially receive and check the final-decision documents of executive

directors and records of important meetings.

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 determined by the Management Committee, 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 audits by reporting each annual plan, audit results, and all other relevant information while exchanging opinions and information among themselves.

Regarding the Company's Adoption of a Corporate Governance System

In addition to appointing highly independent outside members of the board and promoting independence in the composition of the Board of Directors, Mitsui Chemicals has a system to enable the regular mutual exchange of information between its Board of Auditors and the president or relevant director.

The outside members of the board ensure that the decision making process and business execution are effectively supervised from an independent standpoint. The system of regular mutual exchange of information ensures effective supervision from the standpoints of legality and adequacy.

Risk and Compliance Management Basic Policy

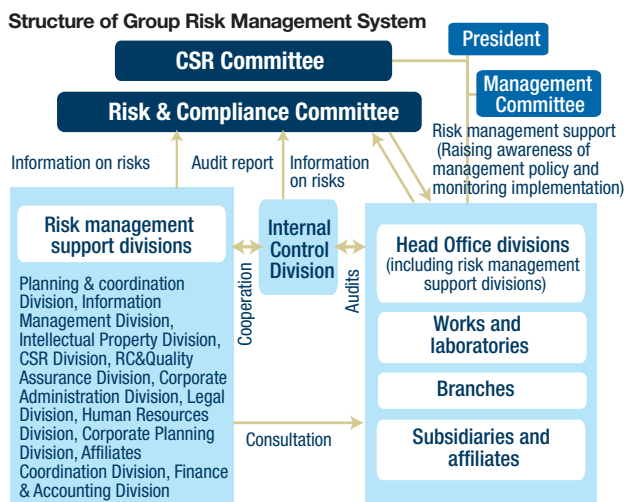
The Mitsui Chemicals Group's basic stance toward risk management emphasizes early discovery as well as efforts to prevent risks from materializing. The Group constantly works to thoroughly enhance its risk management system to secure the trust of stakeholders and to fulfill corporate social responsibilities. From an organizational perspective,

the Group established the Risk & Compliance Committee, headed by the board director to deliberate on the Group's risk management policy as well as maintain and operate its risk management system in accordance with established risk management regulations.

Risk and Compliance Management System

In line operations, the Group applies a PDCA* cycle management and bolsters risk management systems throughout the Group, including at affiliate companies. The system involves identifying key risks in the annual budget of each company and division. The Group also uses compliance checklists as part of a PDCA* cycle designed to monitor progress and to prevent risks from materializing. Any Group companies or divisions also can enlist specialist help from the risk management supporting divisions.

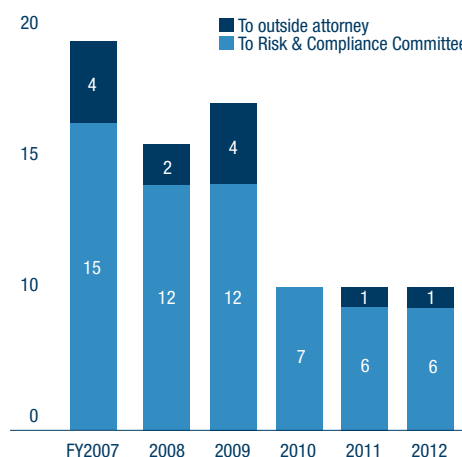
*Plan, do, check, act



Risk Hotline

As an adjunct to the aforementioned initiatives, the Group has established a risk hotline to enable employees who uncover potential illegal activities in the Group to report their suspicious directory to the Risk & Compliance Committee or an outside attorney. Under this system, internal regulations clearly state employees may not be treated disadvantageously for reporting or consulting. This system is open to employees of subcontractors and suppliers as well for consultation and reporting.

Report cases



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.

A full review of each BCP is being undertaken in the current fiscal year in light of the Great East Japan Earthquake of last year and the growing possibility of a major earthquake centered beneath the Tokyo metropolitan region. Taking particular note of the potential for a major earthquake to strike Tokyo, training drills are being undertaken to improve communication between the Company's head office and emergency headquarters.

In the event of a major earthquake, plans are in place for employees to remain at the Company's head office building. If, however, employees are forced to walk home, measures are also being taken to prepare the necessary relief goods. Among a host of initiatives, the Company has organized for the distribution of disaster prevention handbooks. Every effort is being made to position employee safety as Mitsui Chemicals' utmost priority. In order to secure the appropriate supply chain, systems are in place to acquire certain key raw materials from multiple suppliers as well as alternative items. Countermeasures furthermore include the setting up of a production structure that is dispersed over multiple works for the Group's mainstay products.

* BCP (Business Continuity Plan): 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 as soon as possible 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 coun-

termeasures under the individual committee consisting of persons independent from management 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 the time necessary to make an informed decision and to prevent actions antithetical to the interests of shareholders.

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

An Interview with an Outside Auditor Hideharu Kadowaki

Q. What are your impressions of the Company's corporate governance structure and systems?

A. From an external perspective, Mitsui Chemicals maintains a more than adequate corporate governance structure. Its systems are bolstered by a variety of initiatives, including the introduction of outside directors and auditors together with the implementation of internal audits. My impressions are that the Company's corporate culture is inherently earnest and sound.

Q. What role do you believe that outside directors and auditors should play within a company's overall corporate governance structure?

A. Generally speaking, a sound and impressive structure does not of itself guarantee adequate corporate governance. Systems that appear appropriate in form still require the drive and energy to uncover the most effective means of fulfilling the corporate governance function. In addition to the will and determination of senior executive, it is imperative for companies to nurture a corporate culture that is deeply rooted in the principles of consistent and smooth communication.

At the same time, introducing objectivity through external opinions and input is of equal importance. It is here that outside directors and auditors play a vital role.

Deliberations by the Board of Directors at Mitsui Chemicals are extremely lively. Moreover, every opportunity is provided for outside auditors to call on overseas bases and production sites and to conduct regular audits.

Q. What stance do you intend to adopt and how do you plan to involve yourself in the future management of the Company?

A. First, it is important to cast a keen eye over the health and soundness of management. Next, recognizing the difficult conditions that today confront a chemical industry that is entering a period of change, it is important to ensure that Mitsui Chemicals adopt a prudent approach toward structural reform and its decision to take up the challenge of pursuing a growth strategy. At the same time, it is vital that the Company avoid the trap of avoiding risk at all costs.

Q. What then must the Company do to move forward?

A. Cognizant of the limits on internal information and expertise, it is vital that outside directors and auditors bring to the table and make the most of their respective specialist knowledge and skills. Outside directors and auditors must also collect diverse and extensive information regarding not only Japan, but also the world in general. Collating, analyzing and evaluating from an objective perspective changes in economic and social trends as well as in values at the individual level, outside directors and auditors must consistently put forward recommendations that will benefit Mitsui Chemicals going forward.

The Company, too, undoubtedly expects its outside directors and auditors to continuously hone their skills and abilities to ascertain whether it is appropriately and effectively addressing these changes. Through these means, and in representing the interests of shareholders, the recommendations put forward by outside directors and auditors will carry increased value and better contribute to Mitsui Chemicals' management.



CSR Basic Policy

The aim of our 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 on the environmental and social axis for the Mitsui Chemicals Group as well. We have been working to achieve our goal of being a “good and trustworthy company” based on a set of Key CSR Challenges, with the aim of ensuring that individual departments are working towards the same direction through “Two-Way Communication Discussion” activities revolving around individual workplaces.

Framework for the Creation of a “Good and Trustworthy Company”

Our CSR Committee is chaired by the President and is responsible for formulating and reviewing plans and policies relating to CSR activities within the Mitsui Chemicals Group. This includes our Key CSR Challenges, which provide the basis for individual organizations throughout the company to formulate and implement their own plans.

Having set up CSR departments at each of our sites, branches and affiliates, we provide support to facilitate open, two-way discussion via our CSR supporters, a team of communication leaders in each organization led by the relevant line manager. Whilst also reinforcing collaboration within the group, we promote CSR in line with their respective characteristics.

Mitsui Chemicals Group Action Guidelines

In order to retain the trust of society and meet its expectations, we established the “Mitsui Chemicals Group Action Guidelines” through the bottom-up activities of CSR supporters in 2006.

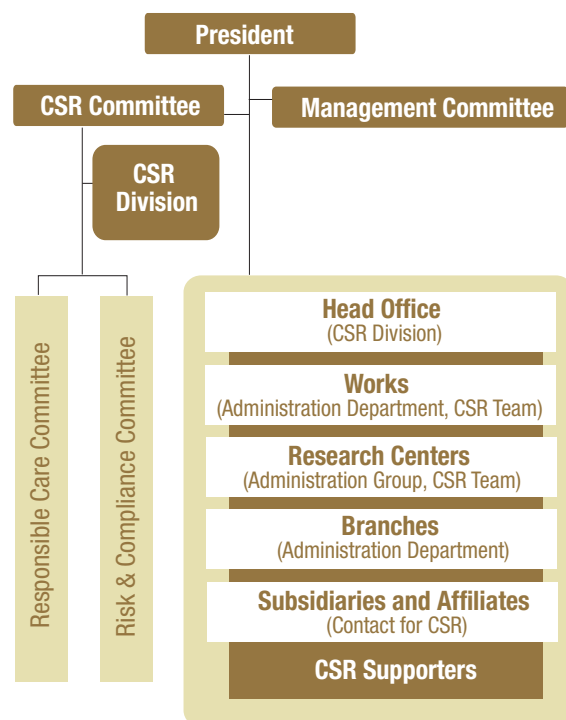
In the 2011 Mid-Term Business plan, we have identified the following three “Essential Principles” based on our Action Guidelines and are committed to putting them into practice on a companywide scale.

- Adopt a proactive, outward-looking attitude
- Think for yourself and take on new challenges
- Maintain mutual trust and solidarity

Our Approach to Becoming a “Good and Trustworthy Company”



CSR Promotion Framework



Mitsui Chemicals Group Action Guidelines

We will always act in good faith

Compliance with the laws and regulations, Honesty, Non-tolerance of discrimination, Justice and fairness, Transparency

We will have a high regard for people and society.

Safety first, Contribution to the global environment, Customer satisfaction, Contribution to communities, Health enhancement, Respect for diversity

We will aim for the “Dream-Inspiring Innovation”.

Challenging spirit, Creativity, Workplace-oriented approach, Self-improvement, Technology dissemination, Teamwork

For details activities, please refer to the Company’s website: <http://www.mitsuichem.com/csr/index.htm>

Responsible Care Basic Policy

The Mitsui Chemicals Group is committed to implementing the following basic policy in relation to the environment, safety (process safety and disaster prevention, chemical safety, occupational safety, and transport safety), occupational health and quality, which is decided through Management Committee discussion.

Basic Policy Regarding the Environment, Safety, Occupational Health, and Quality

1. The Environment

- We will help to preserve the environment through the development of new products and technologies.
- We will assess and reduce the environmental impact of our products throughout their lifecycle, from development to disposal.

2. Safety and Occupational Health

- We will make safety our top priority and strive to eliminate accidents and injuries.
- We will work to create an appropriate working environment and provide support to help our employees stay in good health.
- We will ensure the safety in the handling of all chemicals and prevent injury or harm to our customers and others involved in construction and logistics as well as our own employees.

3. Quality

- We will ensure customer satisfaction and provide high quality products and services that our customers can trust, so that they can feel confident when using products for their intended purpose.

4. Promoting Self-Management

- We will ensure compliance with all applicable legislation and continuously improve our performance with regard to the environment, safety, occupational health and quality through self-management, based on the principles of responsible care.

RC Promotion System

Our Responsible Care Committee (RC Committee) organizes meetings so that we can map out RC-related policies, strategies and plans, evaluate our performance and revise our RC system. These meetings are generally held twice a year (once in the first half of the fiscal year and once in the second half, with additional meetings organized as and when necessary). A report outlining discussions at each meeting is then submitted to the Management Committee, so as to get executive management more involved in responsible care and to help create a more open management system.

The RC Committee consists of the following members.

- Chair: Executive Vice President in charge of the RC Committee
- Vice Chair: Center Executive of the Production & Technology Center
- Permanent members: General Managers of the Planning & Coordination Divisions in each Business Sector, General Manager of the RC & Quality Assurance Division, General Manager of the Safety & Environment Division, General Manager of the Logistics Division, General Manager of the CSR Division, etc.

Specific RC activities are carried out at each of our works, subsidiaries, affiliates, and divisions, spearheaded by the person in charge of RC promotion of each Business Sector (Center Executive of each Division).

For detailed information, please refer to the company's website:
<http://www.mitsuichem.com/csr/rc/index.htm>

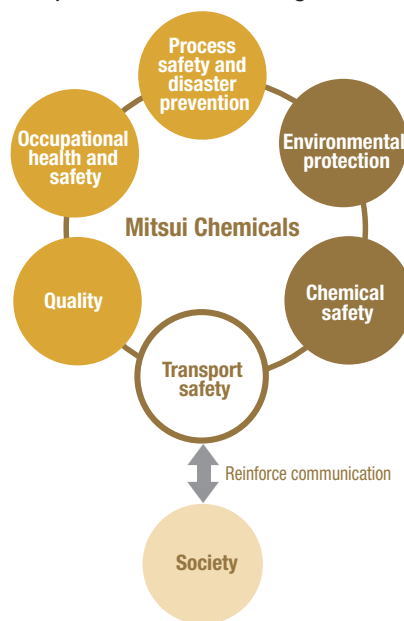
RC Management

Here at the Mitsui Chemicals Group, we regard responsible care (RC) as one of the pillars of our management philosophy and incorporate it into all areas, from environmental protection, process safety and disaster prevention, to occupational health and safety, chemical safety, quality, transport safety and communication with society.

Whereas we have tended to focus on the environmental protection, process safety and disaster prevention, occupational health and safety, and quality until now, for environmental protection and chemical safety, it is expected that domestic and overseas regulations will become stricter and the external risks relating to new technologies and businesses will be increased. Therefore, it is particularly important that we reinforce our management systems and mechanisms in the field of chemical safety.

With that in mind, since fiscal 2011 we have been working to establish a Chemical Management System that extends beyond the bounds of chemical safety.

Relationship between our RC management and society



RC Audit

The Mitsui Chemicals Group is committed to improving the standard of its responsible care (RC) activities by consistently practicing the PDCA cycle. We conduct annual RC audits at our domestic manufacturing sites, research centers and worldwide subsidiaries and affiliates, in order to objectively evaluate the effective implementation of RC activities and provide guidance. Our environmental, safety, occupational health, and quality activities are audited by managers and dedicated members of staff from our RC & Quality Assurance Division and Human Resources Division, focusing on the achievement of priority objectives set out in our annual plans and progress dealing with items singled out for improvement in the previous year's audit.





Koichi Sano

Kenji Fujiyoshi

Toshikazu Tanaka

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

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Management's Discussion and Analysis

◆Overview

In the fiscal year ended March 31, 2012 (the twelve-month period from April 1, 2011 to March 31, 2012, hereafter, "fiscal 2012"), the global economy was healthy in the first half due to steady economic growth, mainly in China and the rest of Asia. However, global economic conditions became severe during the second half of fiscal 2012 mainly because of a worldwide recession attributable to the European financial crisis, sluggish demand in emerging markets and the impact of flood damage in Thailand.

The Japanese economy became harsh due to the significant impact of the Great East Japan Earthquake on consumption and production activities coupled with prolonged and historically high yen rates.

In the chemical industry, despite favorable conditions during the first half of fiscal 2012 driven by active overseas demand on the back of economic growth in Asia, conditions in the second half became difficult due to sluggish demand following the onset of the worldwide recession, historically high yen rates and increases in raw material and fuel prices.

Against this backdrop, the Mitsui Chemicals Group worked to reform its business portfolio by steadily implementing the four basic strategies of the 2011 Mid-Term Business Plan: (1) Expand businesses more resilient to economic change; (2) Global expansion of highly competitive businesses; (3) Create core businesses for the future; and (4) Undertake extensive cost reduction and fundamental restructuring. However, Group performance in fiscal 2012 suffered, as illustrated below, due mainly to the impact of the rapid economic slowdown during the second half. In particular, net income was severely affected by the unavoidable recording of impairment loss in the polyurethane materials business.

As of March 31, 2012, the Mitsui Chemicals Group comprised 70 consolidated subsidiaries, four more than in the previous fiscal year.

This reflected the consolidation of seven new companies, including Acomon AG, and the exclusion of three former subsidiaries, including PRM-Asia Co., Ltd.

The equity method is applied to 31 non-consolidated subsidiaries and affiliates, two more than the previous fiscal year.

◆Operating Results

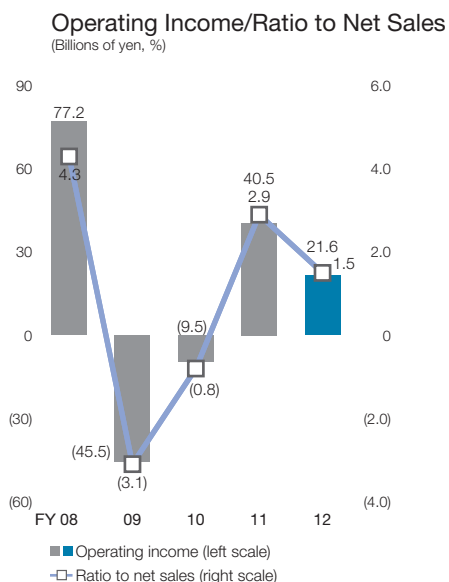
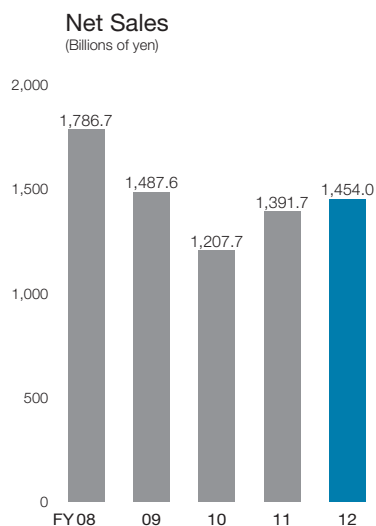
Net Sales

Net sales rose ¥62.3 billion (US\$758.1 million), or 4.5%, compared with the previous fiscal year to ¥1,454.0 billion (US\$17,691.0 million). Of this increase, ¥87.0 billion (US\$1,058.5 million) was accounted for by a revision in sales prices that reflected higher naphtha and other raw material and fuel prices as well as an increase in sales prices on the back of improved market conditions for the Basic Chemicals segment during the first half of fiscal 2012. The rise in net sales occurred despite a ¥24.7 billion (US\$300.4 million) decrease in sales volume primarily in the polyurethane business.

Operating Income

Operating income was ¥21.6 billion (US\$262.4 million), a decrease of ¥18.9 billion (US\$231.0 million), or 46.8%, year on year. Despite the effect of Groupwide cost-cutting efforts, this decline occurred because of the Group's inability to secure sufficient product price margins amid falling market prices in the polyurethane business as well as, from the second half of fiscal 2012 onward, in the Basic Chemicals segment.

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



◆Segment Information

>Business Segment

Petrochemicals

The Petrochemicals segment experienced steady overall net sales.

In ethylene and propylene, production volume decreased year on year due to a decline in demand.

In polyethylene and polypropylene, net sales rose due to the positive impact of an increase in sales prices following a rise in raw material and fuel prices. This increase occurred despite a decline in sales volume.

As a result of the above, this segment's sales increased ¥25.4 billion (US\$309.5 million) compared with the previous fiscal year to ¥459.4 billion (US\$5,589.4 million) and comprised 32% of total sales. On the other hand, operating income decreased ¥3.5 billion (US\$42.4 million) year on year to ¥9.3 billion (US\$113.3 million) because of a decline in sales volume.

Petrochemicals

	Millions of yen		Change (%)
	2012	2011	
Net sales	¥459,392	¥433,953	5.9
Operating income	9,313	12,795	(27.2)
Total assets	336,630	342,617	(1.7)
Depreciation and amortization	13,861	12,775	8.5
Capital expenditures	8,919	15,099	(40.9)

Basic Chemicals

The Basic Chemicals segment recorded favorable overall net sales.

In phenols, overall net sales remained on par with the previous fiscal year due to a lower sales volume caused by a cutback in production amid rapid drops in demand and a market slowdown from October 2011 onward. This result occurred despite strong net sales in the first half of fiscal 2012 that reflected expanded demand in Asia, particularly in China.

In bisphenol A, overall net sales remained on par with the previous fiscal year due to a lower sales volume caused by a cutback in production amid a rapid slowdown in demand and a decline in the market from October 2011 onward. This result occurred despite strong net sales in the first half of fiscal 2012 owing to steady demand, primarily for its main application, polycarbonate resin and epoxy resin.

In purified terephthalic acid (PTA), net sales increased due to a rise in sales prices following price increases for raw materials and fuels.

In polyethylene terephthalate (PET) resins, net sales were strong thanks to the positive impact of the integration of Teijin Chemicals Ltd.'s PET business operations in April 2011.

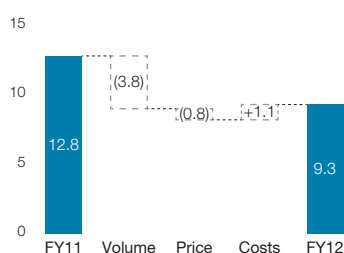
In ethylene oxide and derivatives, net sales grew owing to a rise in sales prices accompanying an increase in raw material and fuel prices.

As a result, this segment's net sales rose ¥37.2 billion (US\$452.4 million) to ¥472.9 billion (US\$5,753.7 million) year on year and accounted for 33% of total sales. On the other hand, operating income decreased ¥11.5 billion (US\$140.5 million) year on year to ¥8.9 billion (US\$107.8 million) primarily due to the negative impact of a fall in the market for certain products during the second half of fiscal 2012.

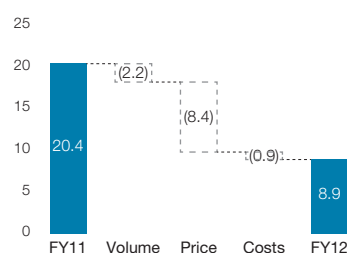
Basic Chemicals

	Millions of yen		Change (%)
	2012	2011	
Net sales	¥472,899	¥435,718	8.5
Operating income	8,859	20,409	(56.6)
Total assets	214,894	230,293	(6.7)
Depreciation and amortization	11,747	12,509	(6.1)
Capital expenditures	6,550	4,023	62.8

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



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



Polyurethane

The Polyurethane segment experienced weak overall net sales.

In polyurethane materials, net sales fell due to the suspension of production at the Kashima Works until mid-May 2011 and sluggish demand in the automotive market following the Great East Japan Earthquake as well as a fall in demand in China and the strong yen.

In coating materials, net sales were stagnant due to sluggish domestic automobile production and declining demand in the IT device market.

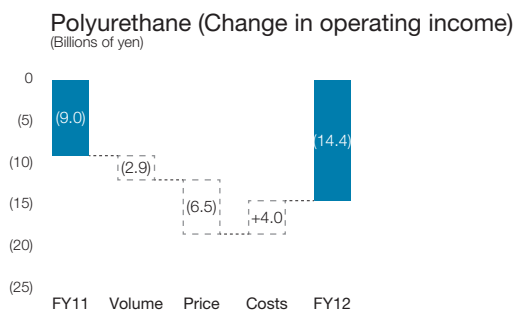
In adhesive materials, net sales were weak due to sluggish demand for large-sized LCD televisions in China and the rest of Asia despite steady demand for adhesives used in soft packaging in Japan.

In molding materials, net sales were strong due to steady construction-related demand despite stagnant demand for working machines and semiconductors in Japan and China.

As a result, net sales in this segment decreased ¥12.6 billion (US\$153.5 million) year on year to ¥132.2 billion (US\$1,608.3 million) and comprised 9% of total sales. Operating loss rose ¥5.4 billion (US\$65.9 million) compared with the previous fiscal year to ¥14.4 billion (US\$174.9 million) due to a decline in sales volume and the deteriorating profitability of exports as a result of the strong yen.

Polyurethane

	Millions of yen		
	2012	2011	Change (%)
Net sales	¥132,183	¥144,800	(8.7)
Operating loss	(14,374)	(8,955)	—
Total assets	116,085	130,368	(11.0)
Depreciation and amortization	6,711	10,687	(37.2)
Capital expenditures	4,849	6,049	(19.8)



Functional Polymeric Materials

The Functional Polymeric Materials segment enjoyed strong overall net sales.

In elastomers, which are used primarily in automotive components and resin modifiers, net sales were robust thanks to growing demand for automobiles and industrial materials mainly in Asia.

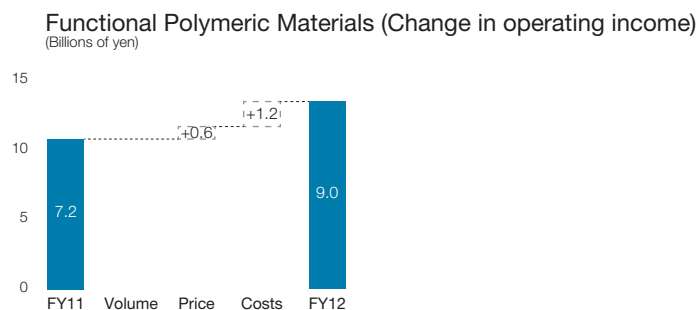
In performance compounds, net sales were firm because of a steady expansion in demand for packaging material-related applications and a recovery in demand for automotive component-related applications. This result occurred despite sluggish demand for electronic component-related applications.

In specialty polyolefins, overall net sales were steady despite sluggish demand for IT-related applications from the second half of fiscal 2012 onward.

As a result, net sales in this segment increased ¥8.6 billion (US\$104.9 million) compared with the previous fiscal year to ¥114.8 billion (US\$1,397.3 million) and accounted for 8% of total sales. Operating income increased ¥1.8 billion (US\$21.2 million) to ¥9.0 billion (US\$109.2 million) year on year mainly due to a reduction in costs that compensated for the strong yen.

Functional Polymeric Materials

	Millions of yen		
	2012	2011	Change (%)
Net sales	¥114,847	¥106,226	8.1
Operating income	8,978	7,236	24.1
Total assets	117,872	110,421	6.7
Depreciation and amortization	8,244	9,591	(14.0)
Capital expenditures	4,060	3,821	6.3



Fabricated Products

The Fabricated Products segment experienced firm overall net sales.

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

In semiconductor materials, net sales were favorable because of higher demand in the semiconductor market.

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

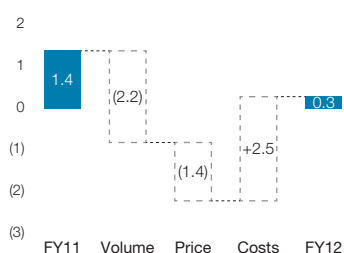
In packaging films, net sales were firm due to the effect of price increases. This result occurred despite a slowdown in demand from July 2011 onward, reflecting the effect of a front loading of disaster-related demand.

As a result, net sales in this segment increased ¥2.0 billion (US\$24.5 million) compared with the previous fiscal year to ¥134.0 billion (US\$1,630.7 million) and comprised 9% of total sales. On the other hand, operating income decreased ¥1.1 billion (US\$13.7 million) year on year to ¥0.3 billion (US\$3.7 million) due to a deterioration in the terms of trade caused mainly by the strong yen. This result occurred despite the positive effect of cost reductions and other measures.

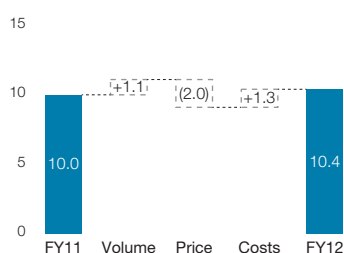
Fabricated Products

	Millions of yen		
	2012	2011	Change (%)
Net sales	¥134,031	¥132,015	1.5
Operating income	305	1,431	(78.7)
Total assets	142,722	139,843	2.1
Depreciation and amortization	8,900	8,956	(0.6)
Capital expenditures	9,115	9,026	1.0

Fabricated Products (Change in operating income)
(Billions of yen)



Functional Chemicals (Change in operating income)
(Billions of yen)



Functional Chemicals

The Functional Chemicals segment experienced steady overall net sales.

In healthcare materials, net sales were favorable because of active overseas demand for ophthalmic lens materials and the positive impact of the acquisition of the Swiss company, Acomon AG, in April 2011.

In specialty gas, net sales increased compared with the previous fiscal year following the partial resumption of production in the summer of 2010, which had been halted by an accident that occurred in the autumn of 2009. On the other hand, net sales of specialty chemicals fell due to the reorganization and elimination of unprofitable products.

In catalysts, net sales were stagnant as a result of the strong yen.

In agrochemical products, net sales rose as a result of product shipments scheduled for fiscal 2011 being carried over to fiscal 2012 because of the disaster.

As a result, this segment experienced a ¥3.0 billion (US\$37.2 million) increase in sales year on year to ¥122.8 billion (US\$1,494.5 million), accounting for 8% of total sales. Operating income grew ¥0.4 billion (US\$4.0 million) compared with the previous fiscal year to ¥10.4 billion (US\$126.0 million) primarily due to a recovery in demand for certain products. This result occurred despite the impact of the strong yen.

Functional Chemicals

	Millions of yen		
	2012	2011	Change (%)
Net sales	¥122,829	¥119,769	2.6
Operating income	10,359	10,028	3.3
Total assets	187,009	184,177	1.5
Depreciation and amortization	9,135	9,799	(6.8)
Capital expenditures	7,507	4,418	69.9

Others

In the Others segment, net sales decreased ¥1.3 billion (US\$16.9 million) year on year to ¥17.9 billion (US\$217.1 million), comprising 1% of total sales. Operating loss stood at ¥0.4 billion (US\$4.8 million), a worsening of ¥0.6 billion (US\$6.6 million) compared with the previous fiscal year.

Others

	Millions of yen		
	2012	2011	Change (%)
Net sales	¥17,843	¥19,232	(7.2)
Operating income (loss)	(396)	148	—
Total assets	47,527	51,463	(7.6)
Depreciation and amortization	4,151	4,196	(1.1)
Capital expenditures	3,814	2,656	43.6

Net Sales

	Billions of yen				
	2012	2011	Increase (Decrease)		
			Total	Volume contribution	Price contribution
Petrochemicals	¥ 459.4	¥ 434.0	¥25.4	¥(11.1)	¥36.5
Basic Chemicals	472.9	435.7	37.2	(9.7)	46.9
Polyurethane	132.2	144.8	(12.6)	(11.3)	(1.3)
Functional Polymeric Materials	114.8	106.2	8.6	2.2	6.4
Fabricated Products	134.0	132.0	2.0	0.8	1.2
Functional Chemicals	122.8	119.8	3.0	5.7	(2.7)
Others	17.9	19.2	(1.3)	(1.3)	—
Total	¥1,454.0	¥1,391.7	¥62.3	¥(24.7)	¥87.0

Operating Income (Loss)

	Billions of yen					
	2012	2011	Increase (Decrease)			
			Total	Volume contribution	Price*	Fixed cost and other cost differential
Petrochemicals	¥ 9.3	¥12.8	¥ (3.5)	¥ (3.8)	¥ (0.8)	¥1.1
Basic Chemicals	8.9	20.4	(11.5)	(2.2)	(8.4)	(0.9)
Polyurethane	(14.4)	(9.0)	(5.4)	(2.9)	(6.5)	4.0
Functional Polymeric Materials	9.0	7.2	1.8	—	0.6	1.2
Fabricated Products	0.3	1.4	(1.1)	(2.2)	(1.4)	2.5
Functional Chemicals	10.4	10.0	0.4	1.1	(2.0)	1.3
Others	(0.4)	0.2	(0.6)	—	—	(0.6)
Adjustments	(1.5)	(2.5)	1.0	—	—	1.0
Total	¥21.6	¥40.5	¥(18.9)	¥(10.0)	¥(18.5)	¥9.6

*Price = Price contribution + Variable cost differential

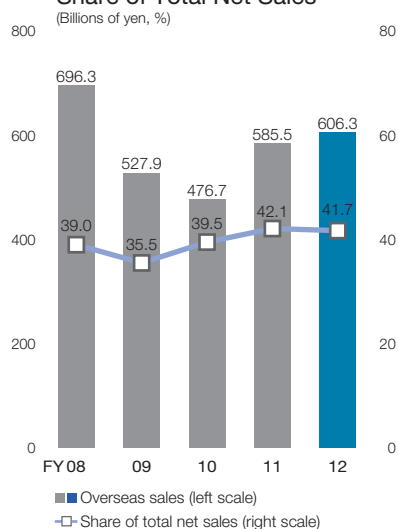
Overseas Sales

In the fiscal year under review, overseas sales amounted to ¥606.3 billion (US\$7,376.6 million), a year-on-year increase of ¥20.8 billion (US\$252.4 million). While accounting for 41.7% of total net sales, this was 0.4 percentage points lower than the previous fiscal year.

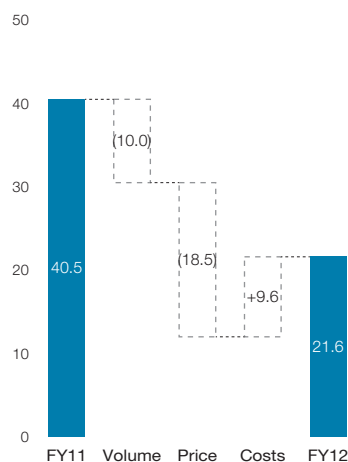
Other Income (Expenses)

Other income (expenses) deteriorated by ¥9.6 billion (US\$117.1 million) year on year, to a net expense of ¥5.2 billion (US\$63.4 million). The main items affecting other income and expenses were as follows.

Overseas Sales/ Share of Total Net Sales



Operating Income (Billions of yen)

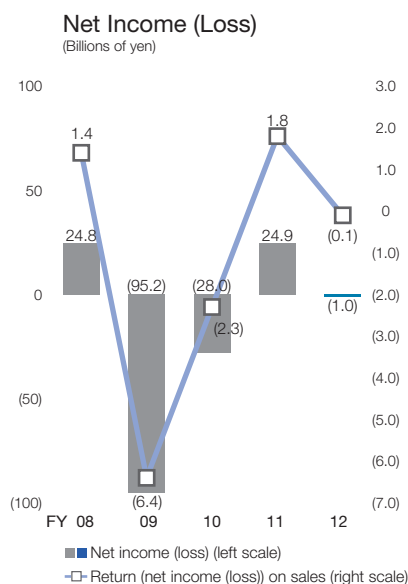


During the fiscal year under review, the Company reported a ¥12.9 billion (US\$157.0 million) impairment loss. In other income, the Company recorded a ¥2.9 billion (US\$35.7 million) gain on sales of assets, a ¥2.2 billion (US\$26.7 million) reversal of provision for environmental measures, which is explained in "Note 3. CHANGE IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND RESTATEMENTS" and a ¥7.4 billion (US\$89.7 million) gain on contribution of securities to retirement benefit trust. In addition, a reversal of provision for retirement benefits of ¥14.6 billion (US\$177.9 million) was recorded in line with a restructuring of the retirement benefits system in the previous fiscal year. (See "Note 7. ACCRUED EMPLOYEES' RETIREMENT BENEFITS.")

Net Income (Loss)

Net loss after accounting for income taxes and minority interests in income was ¥1.0 billion (US\$12.3 million), a fall of ¥25.9 billion (US\$314.6 million) compared with the previous year. This result translated into a net loss per share for the period of ¥1.01 (US\$0.012).

Summarizing these results, net sales improved 4.5% from ¥1,391.7 billion to ¥1,454.0 billion (US\$17,691.0 million). In contrast to net income of ¥24.9 billion in the previous year, the Mitsui Chemicals Group reported a net loss of ¥1.0 billion (US\$12.3 million) in the fiscal year under review. Accordingly, return (net income (loss)) on sales deteriorated from 1.8% to negative 0.1%.



Financial Position

Assets

Total assets as of March 31, 2012 stood at ¥1,256.3 billion (US\$15,285.4 million), down ¥39.3 billion (US\$478.5 million) compared with the previous fiscal year-end.

With a year-on-year decrease in operating income of ¥18.9 billion (US\$231.0 million), to ¥21.6 billion (US\$262.4 million), return on assets deteriorated from 3.2% to 1.7% in the fiscal year under review.

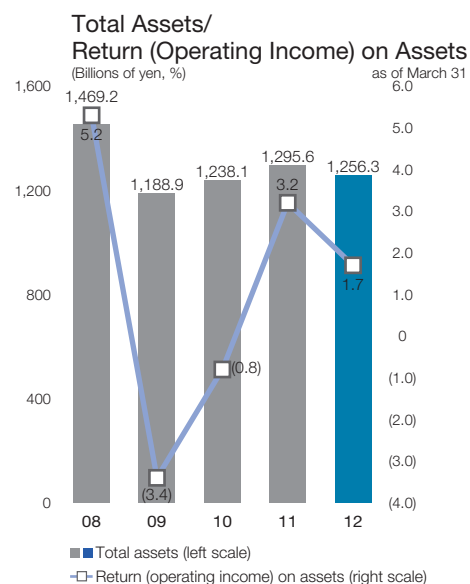
Liabilities

Total liabilities as of March 31, 2012 decreased ¥24.0 billion (US\$291.9 million) compared with the previous fiscal year-end to ¥840.5 billion (US\$10,226.7 million). Interest-bearing debt amounted to ¥464.8 billion (US\$5,654.9 million), a decrease of ¥15.9 billion (US\$193.8 million) compared with March 31, 2011. As a result, the interest-bearing debt ratio was 37.0%, an improvement of 0.1 percentage points.

Net Assets

Net assets as of March 31, 2012, stood at ¥415.8 billion (US\$5,058.7 million), a decline of ¥15.3 billion (US\$186.5 million) compared with the previous fiscal year-end. Of this total, shareholders' equity and accumulated other comprehensive income (loss) were ¥367.4 billion (US\$4,470.6 million) as of the end of the fiscal year under review, ¥16.3 billion (US\$198.4 million) lower than March 31, 2011. The ratio of shareholders' equity, which includes accumulated other comprehensive income, to total assets was 29.2%, a decrease of 0.4 percentage points from the previous fiscal year-end.

Accounting for the aforementioned factors, the debt-equity ratio stood at 1.27 as of March 31, 2012, an increase of 0.02 point from the previous fiscal year-end.



As of March 31, 2012, total accumulated other comprehensive loss amounted to ¥29.1 billion (US\$353.6 million), down ¥9.2 billion (US\$112.5 million) compared with the previous year-end. This was mainly attributable to the year-on-year increase in negative in foreign currency translation adjustments of ¥5.7 billion (US\$69.8 million) and in net unrealized holding gain on securities of ¥3.3 billion (US\$40.3 million).

Minority interests climbed ¥0.9 billion (US\$11.9 million) compared with the end of the previous fiscal year to ¥48.3 billion (US\$588.1 million), largely reflecting minority interests in income.

Capital Resources and Liquidity

>Cash Flows

Cash and cash equivalents (hereafter called "cash") as of March 31, 2012 stood at ¥54.6 billion (US\$663.9 million), down ¥26.5 billion (US\$323.1 million) compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

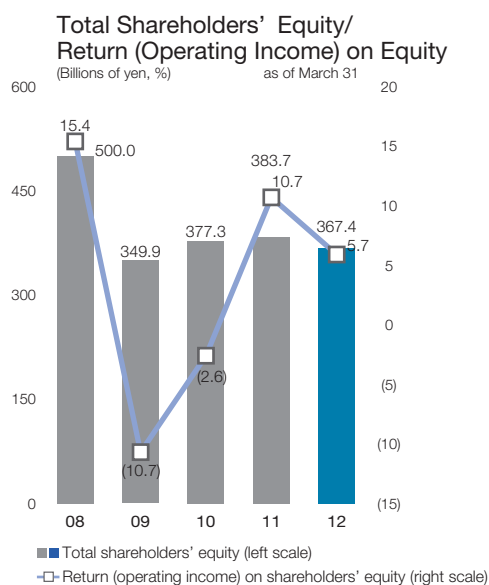
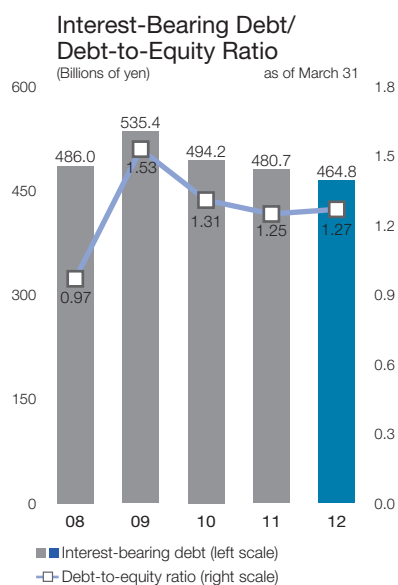
Net cash provided by operating activities fell ¥29.9 billion (US\$363.7 million) to ¥43.3 billion (US\$526.9 million) year on year due to a decline in income before income taxes and minority interests compared with the previous fiscal year and higher working capital following a decrease in accounts payable. As a result, the ratio of interest-bearing debt to operating cash flows increased from 6.6 times in the previous fiscal year to 10.7, while the interest coverage ratio fell from 9.5 times to 6.4 in the fiscal year under review.

Cash Flows From Investing Activities

Net cash used in investing activities decreased ¥0.7 billion (US\$9.1 million) compared with the previous fiscal year to ¥42.5 billion (US\$516.5 million). This was due to lower payments for the purchase of property, plant and equipment. This result occurred despite higher outflows for the acquisition of shares of subsidiaries and the purchase of investment securities in line with the Company's new growth strategy

Cash Flows From Financing Activities

Net cash used in financing activities increased ¥6.6 billion (US\$80.8 million) compared with the previous fiscal year to ¥26.7 billion (US\$324.8 million). This was primarily due to an increase in the repayment of interest-bearing debt and the payment of dividends to minority shareholders.



Cash Flows Related Performance Indicators

	2012	2011	2010	2009	2008
Shareholders' Equity Ratio (%)	29.2	29.6	30.5	29.4	34.0
Shareholders' Equity Ratio on a Market Value Basis (%)	20.0	22.7	22.9	15.1	34.6
Ratio of Interest-bearing Debt to Cash Flows	10.7	6.6	7.0	9.8	5.3
Interest Coverage Ratio (Times)	6.4	9.5	8.2	5.9	9.7

Note: Shareholders' Equity Ratio: Shareholders' equity to total assets
 Shareholders' Equity Ratio on a Market Value Basis: Market capitalization to total assets
 Ratio of Interest-bearing Debt to Cash Flows: Interest-bearing debt to cash flows
 Interest Coverage Ratio: Cash flows to interest paid
 Each of the indicators was calculated using consolidated financial figures.
 The market capitalization was calculated by multiplying the closing share price as of the end of the period with the number of shares outstanding (excluding treasury stock).
 Operating cash flow figures have been used for cash flow calculations.
 The operating cash flow figures used are cash flows from operating activities as reported in the consolidated statements of cash flows.
 Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid. Interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.

>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 ¥44.8 billion (US\$545.2 million) in the fiscal year ended March 31, 2012. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses.

Expenditures by business segment were as follows.

Petrochemicals

Evolve Japan Co., Ltd. undertook the construction of manufacturing facilities to increase its production capacity of metallocene linear low density polyethylene.

The total cost of this and other Petrochemicals-related capital expenditures was ¥8.9 billion (US\$108.5 million).

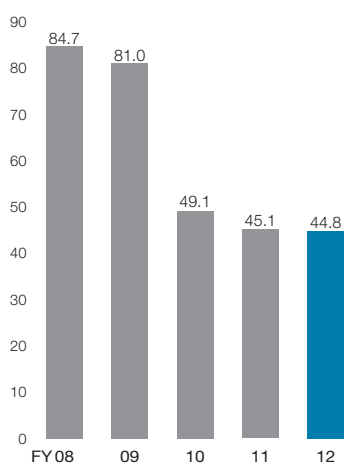
Basic Chemicals

The total cost of capital expenditures in the Basic Chemicals segment was ¥6.6 billion (US\$79.7 million).

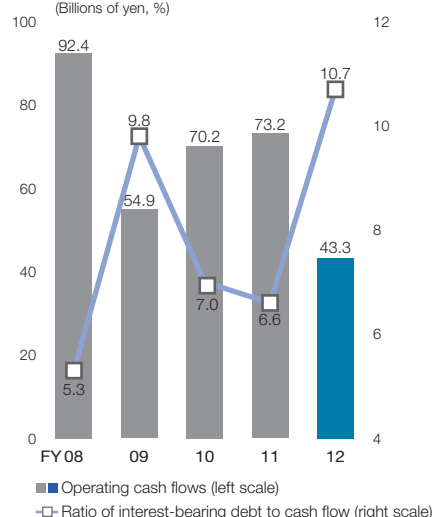
Polyurethane

The total cost of capital expenditures in the Polyurethane segment was ¥4.8 billion (US\$59.0 million).

Capital Expenditure
(Billions of yen)



Operating Cash Flows/
Ratio of Interest-bearing Debt to Cash Flow
(Billions of yen, %)



Functional Polymeric Materials

The Company took steps to construct a manufacturing facility to boost its production capacity for ultra high molecular weight polyethylene.

The total cost of this and other Functional Polymeric Materials-related capital expenditures was ¥4.1 billion (US\$49.4 million).

Fabricated Products

Sunrex Industry Co., Ltd. undertook construction to expand its highly functional nonwoven fabric manufacturing facilities.

The total cost of this and other Fabricated Products-related capital expenditures was ¥9.1 billion (US\$110.9 million).

Functional Chemicals

The total cost of capital expenditures in the Functional Chemicals segment was ¥7.5 billion (US\$91.3 million).

Others

The total cost of capital expenditures in the Others segment was ¥3.8 billion (US\$46.4 million).

Research and Development

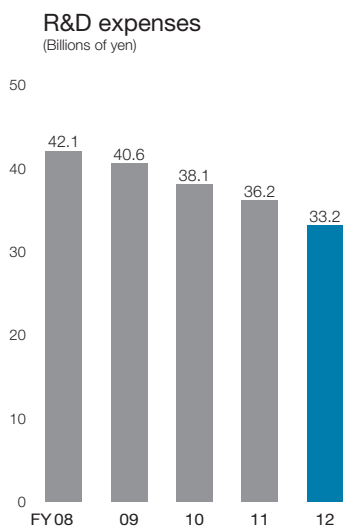
Research and development at Mitsui Chemicals and its consolidated subsidiaries is conducted by the research and development divisions of six business segments, namely, the Petrochemicals, Basic Chemicals, Polyurethane, Functional Polymeric Materials, Fabricated Products, and Functional Chemicals segments, along with the New Materials Development Center, the research laboratories of the corporate research center, the Production and Technology Center, and the R&D divisions of consolidated subsidiaries. The research and development expenses of Mitsui Chemicals and its consolidated subsidiaries in the fiscal year ended March 31, 2012 amounted to ¥33.2 billion (US\$403.7 million).

Details of corporate research, new material development, major research and development issues confronting each business sector, and research and development expenses for the fiscal year ended March 31, 2012 are briefly as follows.

Corporate Research

Mitsui Chemicals is taking the lead in the development of basic technologies in such fields as new-generation catalysts for use in the production of functional polymers and basic chemicals, new polyolefin resins and next-generation high-performance materials in an effort to bolster its technological capabilities in five priority businesses, the development next-generation technologies in five development areas, and research and development in next-generation high-performance materials. Moreover, the Company engages in basic research that underpins essential technologies, including computational science.

Research and development expenses relating to corporate research amounted to ¥8.4 billion (US\$101.8 million) and are allocated among all reportable segments.



New Material Development

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

Research and development expenses related to new material development are included in corporate research as well as research and development expenses applicable to each business segment.

Petrochemicals

Mitsui Chemicals is playing a pivotal role 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 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 ¥4.4 billion (US\$54.1 million).

Basic Chemicals

Adopting a key role, Mitsui Chemicals is channeling its research and development activities into innovative catalysts for use in the manufacture of propylene, phenol, and bisphenol A as well as process development. The Company is also concentrating its research and development efforts into strengthening businesses, including purified terephthalic acid (PTA) and PET resin related businesses.

Research and development expenses related to this segment were ¥0.6 billion (US\$6.8 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, 2012, 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 ¥3.3 billion (US\$40.0 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 ¥5.3 billion (US\$63.9 million).

Fabricated Products

Mitsui Chemicals and Mitsui Chemicals Tohcello Inc. take the lead in developing fabricated products, including films, sheets, and nonwoven fabrics for use in the IT-, energy-, lifestyle-, and industrial material-related fields. In the fiscal year ended March 31, 2012, 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 ¥4.4 billion (US\$53.9 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 agrochemical research and development. 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 ¥6.8 billion (US\$83.1 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, 2012.

(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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2011	2012
ASSETS			
Current assets:			
Cash and cash equivalents (Note 14)	¥ 54,564	¥ 81,119	\$ 663,876
Short-term investments	1,989	2,474	24,200
Receivables:			
Trade notes and accounts receivable	274,500	264,420	3,339,822
Other	56,179	61,690	683,526
Inventories (Note 5)	248,397	239,931	3,022,229
Deferred tax assets—current (Note 19)	10,061	4,971	122,412
Other current assets	16,192	11,813	197,007
Allowance for doubtful accounts	(571)	(442)	(6,947)
Total current assets	661,311	665,976	8,046,125
Property, plant and equipment (Note 11):			
Land	165,210	166,431	2,010,099
Buildings and structures	314,922	314,773	3,831,634
Machinery and equipment	1,089,406	1,085,936	13,254,727
Construction in progress	11,630	21,005	141,501
	1,581,168	1,588,145	19,237,961
Accumulated depreciation	(1,150,539)	(1,120,410)	(13,998,528)
Property, plant and equipment, net	430,629	467,735	5,239,433
Investments and other non-current assets:			
Investment securities (Notes 16 and 17)			
Non-consolidated subsidiaries and affiliate	46,634	41,516	567,393
Other	53,124	59,837	646,356
Long-term receivables	4,727	6,408	57,513
Deferred tax assets—non-current (Note 19)	3,213	3,436	39,092
Other non-current assets (Notes 6,7 and 8)	57,440	52,047	698,868
Allowance for doubtful accounts	(775)	(1,328)	(9,429)
Total investments and other non-current assets	164,363	161,916	1,999,793
Total assets	¥1,256,303	¥1,295,627	\$15,285,351

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

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2011	2012
Current liabilities:			
Short-term bank loans (Note 8)	¥ 96,492	¥ 103,092	\$ 1,174,011
Current portion of long-term debt (Note 8)	54,482	44,787	662,879
Commercial paper (Note 8)	18,700	7,400	227,522
Payables:			
Trade notes and accounts payable	194,025	196,823	2,360,689
Other	52,834	51,696	642,827
Employees' savings deposits	540	532	6,570
Accrued expenses	18,900	19,299	229,955
Accrued directors' bonuses	35	79	426
Reserve for periodic repairs	9,165	11,728	111,510
Accrued income taxes (Note 19)	3,978	4,979	48,400
Asset retirement obligations—current (Note 20)	-	161	-
Other current liabilities (Notes 8 and 19)	2,356	1,722	28,665
Total current liabilities	451,507	442,298	5,493,454
Long-term liabilities:			
Long-term debt due after one year (Note 8)	294,501	324,733	3,583,173
Accrued employees' retirement benefits (Note 7)	53,150	54,528	646,672
Accrued directors' and corporate auditors' retirement benefits	313	341	3,808
Reserve for periodic repairs	3,832	2,324	46,624
Provision for environmental measures	7,264	10,650	88,381
Asset retirement obligations—non-current (Note 20)	2,345	2,215	28,531
Other non-current liabilities (Notes 8 and 19)	27,620	27,437	336,051
Total long-term liabilities	389,025	422,228	4,733,240
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 2012 and 2011			
	125,053	125,053	1,521,511
Capital surplus	91,065	91,065	1,107,982
Retained earnings	194,648	201,692	2,368,269
Treasury stock, at cost:			
20,250,111 shares in 2012, and 20,097,891 shares in 2011			
	(14,268)	(14,254)	(173,598)
Total shareholders' equity	396,498	403,556	4,824,164
Accumulated Other Comprehensive Income (loss):			
Net unrealized holding gain on securities	8,179	11,490	99,513
Net unrealized holding gain (loss) on hedging derivatives	(81)	120	(986)
Foreign currency translation adjustments	(37,160)	(31,426)	(452,123)
Total accumulated other comprehensive income (loss)	(29,062)	(19,816)	(353,596)
Minority interests	48,335	47,361	588,089
Total net assets	415,771	431,101	5,058,657
Total liabilities and net assets	¥1,256,303	¥1,295,627	\$15,285,351

Consolidated Statements of Operations

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2011	2012
Net sales	¥1,454,024	¥1,391,713	\$17,691,009
Cost of sales (Notes 7 and 10)	1,261,201	1,174,178	15,344,945
Gross profit	192,823	217,535	2,346,064
Selling, general and administrative expenses (Notes 7 and 10)	171,259	176,987	2,083,696
Operating income	21,564	40,548	262,368
Other income (expenses):			
Interest and dividend income	3,341	2,221	40,650
Equity in earnings of non-consolidated subsidiaries and affiliates	5,541	7,304	67,417
Amortization of negative goodwill	683	1,238	8,310
Interest expense	(7,061)	(7,621)	(85,911)
Loss on suspension of operations	(1,002)	(2,158)	(12,191)
Foreign exchange losses	(1,150)	(2,977)	(13,992)
Gain on sales of investment securities (Note 17)	19	58	231
Gain on sales of property, plant and equipment	2,374	673	28,884
Gain on transfer of business	543	—	6,607
Gain on contribution of securities to retirement benefit trust	7,376	—	89,743
Reversal of provision for retirement benefits (Note 7)	—	14,618	—
Reversal of provision for environmental measures	2,194	—	26,694
Loss on valuation of investment securities	(1,053)	(670)	(12,812)
Loss on sales and disposal of property, plant and equipment	(3,018)	(3,015)	(36,720)
Loss on impairment of fixed assets (Note 11)	(12,906)	(2,248)	(157,026)
Loss on restructuring of subsidiaries and affiliates	(674)	(974)	(8,201)
Loss on disaster	(1,386)	(1,365)	(16,863)
Loss on adjustment for change of accounting standard for asset retirement obligations	—	(970)	—
Other, net	968	296	11,778
	(5,211)	4,410	(63,402)
Income before income taxes and minority interests	16,353	44,958	198,966
Income taxes (Note 19):			
Current	9,703	10,419	118,056
Deferred	(916)	626	(11,145)
	8,787	11,045	106,911
Income before minority interests	7,566	33,913	92,055
Minority interests in earnings of consolidated subsidiaries	(8,573)	(9,059)	(104,307)
Net income (loss)	¥ (1,007)	¥ 24,854	\$ (12,252)

	Yen		U.S. dollars (Note 4)
Amounts per share of common stock:			
Net income (loss)	¥(1.01)	¥24.80	\$(0.012)
Cash dividends applicable to the year	6.00	6.00	0.073

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

Consolidated Statements of Comprehensive Income (Loss)

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2011	2012
Income before Minority Interests	¥ 7,566	¥ 33,913	\$ 92,055
Other Comprehensive Income (Loss)			
Net unrealized holding loss on securities	(3,218)	(1,754)	(39,153)
Net unrealized holding gain (loss) on hedging derivatives	(254)	181	(3,090)
Foreign currency translation adjustments	(6,864)	(10,508)	(83,514)
Share of other comprehensive income of affiliates accounted for using the equity method	(961)	(1,549)	(11,692)
Total Other Comprehensive Income (Loss) (Note 13)	(11,297)	(13,630)	(137,449)
Comprehensive Income	¥ (3,731)	¥ 20,283	\$ (45,394)
Comprehensive income attributable to:			
Owners of Mitsui Chemicals	¥(10,253)	¥ 12,505	\$(124,747)
Minority interests	6,522	7,778	79,353

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, 2012 and 2011

	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, 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
Cash dividends paid	—	—	—	(6,011)	—	—	—	—	—	(6,011)
Net loss	—	—	—	(1,007)	—	—	—	—	—	(1,007)
Purchase of treasury stock	—	—	—	—	(55)	—	—	—	—	(55)
Disposition of treasury stock	—	—	—	(26)	41	—	—	—	—	15
Other changes	—	—	—	—	—	(3,311)	(201)	(5,734)	974	(8,272)
Balance at March 31, 2012	1,022,020	¥125,053	¥91,065	¥194,648	¥(14,268)	¥ 8,179	¥ (81)	¥(37,160)	¥48,335	¥415,771

	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, 2011	\$1,521,511	\$1,107,982	\$2,453,973	\$(173,428)	\$139,798	\$1,460	\$(382,358)	\$576,238	\$5,245,176	
Cash dividends paid	—	—	(73,135)	—	—	—	—	—	(73,135)	
Net loss	—	—	(12,253)	—	—	—	—	—	(12,253)	
Purchase of treasury stock	—	—	—	(669)	—	—	—	—	(669)	
Disposition of treasury stock	—	—	(316)	499	—	—	—	—	183	
Other changes	—	—	—	—	(40,285)	(2,446)	(69,765)	11,851	(100,645)	
Balance at March 31, 2012	\$1,521,511	\$1,107,982	\$2,368,269	\$(173,598)	\$ 99,513	\$ (986)	\$(452,123)	\$588,089	\$5,058,657	

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2012	2011	2012
Cash flows from operating activities			
Income before income taxes and minority interests	¥16,353	¥44,958	\$198,966
Depreciation and amortization	61,066	65,604	742,986
Goodwill amortization	1,683	3,633	20,477
Loss on impairment of fixed assets	12,906	2,248	157,026
Increase (decrease) in provision for retirement benefits	(1,371)	18,392	(16,681)
Decrease (increase) in prepaid pension costs	(6,815)	(30,532)	(82,918)
Changes in allowance for doubtful accounts	(408)	37	(4,964)
Reserve for periodic repairs	(1,055)	(400)	(12,836)
Provision for environmental measures	(3,386)	(1,021)	(41,197)
Interest and dividend income	(3,341)	(2,221)	(40,650)
Interest expenses	7,061	7,621	85,910
Equity in earnings of non-consolidated subsidiaries and affiliates	(5,541)	(7,304)	(67,417)
(Gain) loss on sales of investment securities	(19)	(46)	(231)
Loss (gain) on valuation of investment securities	1,053	676	12,812
Gain on sales of property, plant and equipment	(2,374)	(673)	(28,884)
Loss on sales and disposal of property, plant and equipment	840	1,228	10,220
(Increase) decrease in trade receivables	(11,329)	(11,141)	(137,839)
(Increase) decrease in inventories	(10,501)	(24,816)	(127,765)
Increase (decrease) in trade payables	(1,870)	35,570	(22,752)
Other, net	399	(11,593)	4,855
Subtotal	53,351	90,220	649,118
Interest and dividend received	7,874	5,368	95,802
Interest paid	(6,721)	(7,732)	(81,774)
Income taxes paid	(11,202)	(14,660)	(136,294)
Net cash provided by operating activities	43,302	73,196	526,852
Cash flows from investing activities			
Acquisition of property, plant, equipment and others	(37,565)	(43,222)	(457,052)
Proceeds from sales of property, plant, equipment and others	3,660	3,458	44,531
Purchases of investment securities	(8,077)	(774)	(98,272)
Proceeds from sales of investment securities	293	1,068	3,565
Payments for purchase of newly consolidated subsidiaries, net of cash acquired (Note 14)	(2,586)	—	(31,463)
Other, net	1,823	(3,734)	22,180
Net cash used in investing activities	(42,452)	(43,204)	(516,511)
Cash flows from financing activities			
Net increase (decrease) in short-term loans	5,786	13,341	70,398
Proceeds from long-term debt	26,686	24,108	324,686
Repayments of long-term debt	(47,434)	(49,123)	(577,126)
Proceeds from stock issuance to minority shareholders	—	269	0
Proceeds from sales of treasury stock	15	40	183
Purchases of treasury stock	(55)	(149)	(669)
Cash dividends paid	(6,011)	(6,014)	(73,136)
Other, net	(5,680)	(2,527)	(69,108)
Net cash provided by (used in) financing activities	(26,693)	(20,055)	(324,772)
Effect of exchange rate changes on cash and cash equivalents	(697)	(1,744)	(8,479)
Net increase (decrease) in cash and cash equivalents	(26,540)	8,193	(322,910)
Cash and cash equivalents at beginning of the year	81,119	72,962	986,969
Increase (decrease) in cash resulting from changes in numbers of consolidated subsidiaries	(15)	(36)	(183)
Cash and cash equivalents at end of the year (Note 14)	¥ 54,564	¥ 81,119	\$ 663,876

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, 2012 and 2011

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

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

The assets and liabilities of the consolidated subsidiaries, including the 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 20 years or less.

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

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

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

As of March 31, 2012, the numbers of consolidated subsidiaries and non-consolidated subsidiaries / affiliates accounted for by the equity method were 70 and 31, respectively.

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 cost or market, cost is being determined by the weighted-average method.

d. Securities

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

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

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

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.

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.

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. Accrued employees' retirement benefits

Employees of the Company and its domestic consolidated subsidiaries are covered by an employees' retirement benefit plan and a non-contributory defined benefit pension plan. Certain overseas consolidated subsidiaries maintain defined benefit pension plans or defined contribution plans as employee retirement benefit 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 a certain number of 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 a certain number of 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.

l. Accrued directors' bonuses

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

However, the Company did not provide for accrual as of the end of the fiscal year ended March 31, 2012 under review due to the deterioration in performance.

m. Accrued 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 (loss) per share is based on the weighted average number of shares of common stock outstanding during each year.

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

q. Cash and cash equivalents

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

r. Consolidated taxation system

The Company and certain of its subsidiaries have received the approval of the Commissioner of Japan's National Tax Agency to adopt the consolidated taxation system from the fiscal year ending March 31, 2013. In addition, and effective from the fiscal year under review, the Company has implemented accounting treatment and presentation methods on the assumption that the consolidated taxation system will be adopted based on the Practical Solution on Tax Effect Accounting under the Consolidated Taxation System (Part 1) (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 5) and the Practical Solution on Tax Effect Accounting under the Consolidated Taxation System (Part 2) (ASBJ PITF No. 7).

s. Consumption taxes

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

3. CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND RESTATEMENTS

(CHANGES IN ACCOUNTING ESTIMATES)

Historically, the Company has provided for a provision for environmental measures to prepare for any and all payments required to address environmental issues. Taking into consideration the appreciable extent of progress made on construction and its ability to make an accurate assessment, the Company has modified its estimate. As a result, and effective from the fiscal year under review, the difference between the previous estimate and the current estimate has been recognized in earnings. On this basis, income before income taxes and minority interests for the fiscal year under review increased by ¥2,194 million (US\$26,694 thousand).

(SUPPLEMENTAL INFORMATION)

Effective April 1, 2011, the Company has applied the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, issued on December 4, 2009) and the Guidance on the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors.

4. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥82.19=US\$1.00, the approximate rate of exchange in effect on March 31, 2012. 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, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished goods	¥171,507	¥163,092	\$2,086,714
Work in process	4,909	4,987	59,727
Raw materials and supplies	71,981	71,852	875,788
Total	¥248,397	¥239,931	\$3,022,229

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, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Goodwill	¥2,703	¥2,889	\$32,887
Negative goodwill	1,383	2,064	16,827
Difference	¥1,320	¥ 825	\$16,060

7. ACCRUED EMPLOYEES' RETIREMENT BENEFITS

The liability for severance and retirement benefits included in the consolidated balance sheets as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥194,255	¥199,056	\$2,363,487
Unrecognized prior service cost	(60)	(71)	(730)
Unrecognized actuarial loss	(40,280)	(49,102)	(490,084)
Less fair value of pension plan assets	(138,423)	(126,198)	(1,684,183)
Prepaid pension and severance cost	37,658	30,843	458,182
Liability for severance and retirement benefits	¥ 53,150	¥ 54,528	\$ 646,672

Included in the consolidated statements of operations for the years ended March 31, 2012 and 2011 were severance and retirement benefit expenses which comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost – benefits earned during the year	¥ 4,946	¥ 4,903	\$ 60,178
Interest cost on projected benefit obligation	3,921	3,986	47,706
Expected return on plan assets	(2,950)	(2,934)	(35,892)
Amortization of actuarial loss	7,805	7,889	94,963
Amortization of prior service cost	9	26	109
Severance and retirement benefit expenses	¥13,731	¥13,870	\$167,064

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

	2012	2011
Discount rate	Principally 2.0%	Principally 2.0%
Rate of expected return on the pension plan assets	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 its medium- to long-term profit structure. As part of this review, calculations were 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 was recorded as reversal of provision for retirement benefits.

8. SHORT-TERM DEBT AND LONG-TERM DEBT

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
At March 31, 2012 and 2011, short-term debt was as follows:			
0.43%-6.43% bank loans	¥ 96,492	¥103,092	\$1,174,011
Commercial paper	¥ 18,700	¥ 7,400	\$ 227,522
At March 31, 2012 and 2011, long-term debt was as follows:			
Unsecured bonds payable:			
1.62% bonds due in 2011	¥ —	¥ 10,000	\$ —
1.36% bonds due in 2012	10,000	10,000	121,669
0.78% bonds due in 2013	10,000	10,000	121,669
1.52% bonds due in 2015	10,000	10,000	121,669
1.57% bonds due in 2013	10,000	10,000	121,669
1.84% bonds due in 2016	10,000	10,000	121,669
2.09% bonds due in 2016	10,000	10,000	121,669
1.40% bonds due in 2012	—	10,000	—
1.96% bonds due in 2017	10,000	10,000	121,669
1.42% bonds due in 2012	10,000	10,000	121,669
1.93% bonds due in 2017	10,000	10,000	121,669
1.44% bonds due in 2014	10,000	10,000	121,669
1.246% bonds due in 2020	10,000	10,000	121,669
1.354% bonds due in 2021	10,000	—	121,669
1.38% bonds due in 2014	3,000	3,000	36,501
1.45% bonds due in 2011	—	1,000	—
Loans, principally from banks and insurance companies:			
Unsecured, at rates of 0.52% to 11.65% maturing through 2022	225,983	235,520	2,749,523
Lease obligations	598	689	7,276
	349,581	370,209	4,253,328
Less current portion	54,603	44,905	664,351
	¥294,978	¥325,304	\$3,588,977

The aggregate annual maturities of long-term debt excluding lease obligations subsequent to March 31, 2012 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 54,482	\$ 662,879
2014	65,762	800,122
2015	52,162	634,651
2016	53,830	654,946
2017 and thereafter	122,747	1,493,454
Total	¥348,983	\$4,246,052

The aggregate annual maturities of lease obligations subsequent to March 31, 2012 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥121	\$1,472
2014	120	1,460
2015	92	1,119
2016	18	219
2017 and thereafter	247	3,006
Total	¥598	\$7,276

At March 31, 2012, the assets pledged as collateral for long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Other non-current assets	¥42	\$511

9. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
As endorser of trade notes discounted	¥ 109	¥ 130	\$ 1,326
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	3,499	3,979	42,572
As issuer of commitments for guarantees	150	193	1,825

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Research and development expenses	¥33,176	¥36,166	\$403,650

11. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the years ended March 31, 2012 and 2011 consisted of the following:

Year ended March 31, 2012

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks
Polyurethane business	Production facilities	Machinery and equipment, buildings and structures, others	¥11,721	\$142,609	Business assets in use
Others	3 items	Production facilities, etc.	¥931	\$11,327	Business assets in use
	4 items	Production facilities, etc.	¥254	\$3,090	Idle property
Total			¥12,906	\$157,026	

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 ¥12,652 million (US\$153,936 thousand) was recorded as other expenses. This impairment loss comprised ¥8,530 million (US\$103,784 thousand) for machinery and equipment, ¥3,305 million (US\$40,212 thousand) for building and structures, ¥253 million (US\$3,078 thousand) for land, and ¥564 million (US\$6,862 thousand) for other assets.

In addition, the calculation of recoverable amounts based on either net sales price or utility value. The estimated sales prices were used as net sales price, meanwhile, 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 ¥254 million (US\$3,090 thousand) was recorded as other expenses. This impairment loss comprised ¥122 million (US\$1,484 thousand) for buildings and structures, ¥66 million (US\$803 thousand) for machinery and equipment, and ¥66 million (US\$803 thousand) for other assets.

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

Year ended March 31, 2011

Location	Major use	Asset category	Millions of yen	Remarks
—	Process construction of production	Construction in progress	¥1,127	Idle property
Others	8 items	Production facilities	¥960	Idle property
	1 item	Company house	¥161	Business assets in use
Total			¥2,248	

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 was recorded as other expenses. This impairment loss comprised ¥28 million for buildings and structures and ¥133 million 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 was recorded as other expenses. This impairment loss comprised ¥1,641 million for construction in progress, ¥156 million for machinery and equipment, ¥142 million for buildings and structures and ¥148 million for other assets.

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

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, 2012 include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 26, 2012.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 (\$0.04) per share	¥3,005	\$36,562

13. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Reclassification adjustments and tax effects for components of other comprehensive income (loss) for the year ended March 31, 2012 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Net unrealized holding loss on securities:		
Gains arising during the year	¥ 58	\$ 706
Reclassification adjustment to profit or loss	(6,336)	(77,090)
Amount before income tax effect	(6,278)	(76,384)
Income tax effect	3,060	37,231
Total	(3,218)	(39,153)
Net unrealized holding loss on hedging derivatives:		
Losses arising during the year	(740)	(9,003)
Reclassification adjustment to profit or loss	371	4,514
Amount before income tax effect	(369)	(4,489)
Income tax effect	115	1,399
Total	(254)	(3,090)
Foreign currency translation adjustments:		
Adjustments arising during the year	(6,889)	(83,818)
Reclassification adjustment to profit or loss	25	304
Total	(6,864)	(83,514)
Share of other comprehensive income of affiliates accounted for using equity method:		
Loss arising during the year	(961)	(11,693)
Total	(961)	(11,693)
Total Other Comprehensive Income (Loss)	¥(11,297)	\$(137,450)

14. SUPPLEMENTARY CASH FLOW INFORMATION

1. Cash and cash equivalents at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash	¥52,352	¥78,746	\$636,951
Cash equivalents	2,212	2,373	26,925
Total	¥54,564	¥81,119	\$663,876

2. Breakdown of the principal assets and liabilities acquired following the purchase of another company's shares and the company's inclusion in the scope of Mitsui Chemicals' consolidation as a consolidated subsidiary in the fiscal year under review

A breakdown of the assets and liabilities as of the commencement of consolidation with respect to Acomon AG and other two companies newly included in Mitsui Chemicals' scope of consolidation, following the purchase of shares, and the relationship between the acquisition cost of shares and the acquisition payment (net) for the year ended March 31, 2012 are presented as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,370	\$28,836
Non-current assets	828	10,074
Goodwill	1,731	21,061
Current liabilities	(862)	(10,488)
Long-term liabilities	(882)	(10,731)
Acquisition cost of shares	3,185	38,752
Cash and cash equivalents	(599)	(7,288)
Net disbursement due to the acquisition	2,586	31,464

15. LEASES

A. At March 31, 2012 and 2011, assets leased under finance lease transactions starting on or before March 31, 2008 that do not transfer ownership to the lessees were as follows:

(a) Equivalent acquisition cost, accumulated depreciation amount, accumulated impairment amount and balance at year-end:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Machinery and equipment:			
Equivalent acquisition cost	¥4,055	¥4,840	\$49,337
Equivalent accumulated depreciation amount	3,213	3,611	39,092
Equivalent accumulated impairment amount	—	—	—
Equivalent balance at year-end	¥ 842	¥1,229	\$10,245

(b) Future minimum lease payments:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥438	¥ 585	\$ 5,329
Due after one year	404	644	4,915
	¥842	¥1,229	\$10,245
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
	2012	2011	2012
Paid lease fees	¥548	¥722	\$6,667
Reversal of leased asset impairment loss	—	—	—
Equivalent depreciation expense amount	548	722	6,667
Impairment loss on lease assets	—	—	—

B. Obligations under noncancelable operating leases at March 31, 2012 and 2011 were as follows:
Future Minimum Lease Payments:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥126	¥14	\$1,533
Due after one year	209	15	2,543
	¥335	¥29	\$4,076

16. FINANCIAL INSTRUMENTS

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.

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

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

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

(d) Supplemental explanation regarding fair value of financial instruments

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

B. Fair value of financial instruments

The carrying value on the consolidated balance sheet, fair value, and differences as of March 31, 2012 and 2011 were as follows. In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (Please see "Note 2. Financial instruments for which the fair value is extremely difficult to measure.")

Year ended March 31, 2012	Millions of yen		
	Carrying value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 54,340	¥ 54,340	¥ —
(2) Trade notes and accounts receivable	274,500	274,500	—
(3) Short-term investment securities and investment securities			
①Held-to-maturity debt securities	6	6	0
②Other securities	36,480	36,480	—
Total	365,326	365,326	0
Liabilities			
(1) Trade notes and accounts payable	194,025	194,025	—
(2) Short-term bank loans	96,492	96,492	—
(3) Current portion of long-term loans payable	24,482	24,622	140
(4) Commercial papers	18,700	18,700	—
(5) Current portion of corporate bonds	30,000	30,208	208
(6) Corporate bonds due after one year	93,000	96,546	3,546
(7) Long-term loans payable due after one year	201,501	209,643	8,142
Total	658,200	670,236	12,036
Derivative transactions(*)	¥ (246)	¥ (246)	¥ —

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

Year ended March 31, 2012	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Assets			
(1) Cash and deposits	\$ 661,151	\$ 661,151	\$ —
(2) Trade notes and accounts receivable	3,339,822	3,339,822	—
(3) Short-term investment securities and investment securities			
①Held-to-maturity debt securities	73	73	0
②Other securities	443,850	443,850	—
Total	4,444,896	4,444,896	0
Liabilities			
(1) Trade notes and accounts payable	2,360,689	2,360,689	—
(2) Short-term bank loans	1,174,011	1,174,011	—
(3) Current portion of long-term loans payable	297,871	299,574	1,703
(4) Commercial papers	227,522	227,522	—
(5) Current portion of corporate bonds	365,008	367,539	2,531
(6) Corporate bonds due after one year	1,131,524	1,174,668	43,144
(7) Long-term loans payable due after one year	2,451,649	2,550,712	99,063
Total	8,008,274	8,154,715	146,441
Derivative transactions(*)	\$ (2,993)	\$ (2,993)	\$ —

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

Year ended March 31, 2011	Millions of yen		
	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.

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 the 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.

Derivative transactions

Contract amount, fair value, unrealized gain or loss, and others are described in "18. DERIVATIVES."

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

Year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥11,313	\$137,644
Unlisted preferred securities	6,938	84,414

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, 2011	Millions of yen
Unlisted equity securities	¥7,876
Unlisted preferred securities	6,944

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

Year ended March 31, 2012	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	¥ 54,340	¥—	¥—	¥—
Trade notes and accounts receivable	274,500	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	6	—	—	—
Total	¥328,846	¥—	¥—	¥—

Year ended March 31, 2012	Thousands of U.S. dollars			
	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Cash and deposits	\$ 661,151	\$—	\$—	\$—
Trade notes and accounts receivable	3,339,822	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds	73	—	—	—
Total	\$4,001,046	\$—	\$—	\$—

Year ended March 31, 2011	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	¥ 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	¥—	¥—

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

Information on securities held by the Company and its subsidiaries at March 31, 2012 and 2011 was as follows:

A. Held-to-maturity debt securities

Year ended March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Securities whose fair value exceeds their carrying value:						
Government and municipal bonds	¥6	¥6	¥0	\$73	\$73	\$0
Securities whose fair value does not exceed their carrying value:						
Government and municipal bonds	—	—	—	—	—	—
Total	¥6	¥6	¥0	\$73	\$73	\$0

Year ended March 31, 2011	Millions of yen		
	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
Total	¥13	¥13	¥0

B. Other securities

Year ended March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:						
(1) Equity securities	¥29,221	¥17,630	¥11,591	\$355,530	\$214,503	\$141,027
(2) Others	—	—	—	—	—	—
Securities whose carrying value does not exceed their acquisition cost:						
(1) Equity securities	5,047	6,955	(1,908)	61,406	84,621	(23,215)
(2) Others	2,212	2,212	—	26,913	26,913	—
Total	¥36,480	¥26,797	¥9,683	\$443,849	\$326,037	\$117,812

Note: Unlisted equity securities with carrying value of ¥11,313 million (US\$137,644 thousand) and unlisted preferred securities with carrying value of ¥6,938 million (US\$84,414 thousand) as of March 31, 2012 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 measure.

Year ended March 31, 2011	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
(1) Equity securities	¥39,478	¥21,446	¥18,032
(2) Others	—	—	—
Securities whose carrying value does not exceed their acquisition cost:			
(1) Equity securities	4,576	6,699	(2,123)
(2) Others	2,373	2,373	—
Total	¥46,427	¥30,518	¥15,909

Note: Unlisted equity securities with carrying value of ¥7,876 million and unlisted preferred securities with carrying value of ¥6,944 million 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 measure.

C. Other securities sold during the fiscal year

Year ended March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Sales price	Gain on sales	Loss on sales	Sales price	Gain on sales	Loss on sales
Equity securities	¥ 37	¥14	¥1	\$ 450	\$170	\$12
Others	2,927	—	—	35,613	—	—
Total	¥2,964	¥14	¥1	\$36,063	\$170	\$12

Year ended March 31, 2011	Millions of yen		
	Sales price	Gain on sales	Loss on sales
Equity securities	¥216	¥62	¥16
Others	758	—	—
Total	¥974	¥62	¥16

D. Impairment of investment securities

For the fiscal year ended March 31, 2012, the Mitsui Chemicals Group recognized an impairment of ¥1,053 million (US\$12,812 thousand) on marketable securities (¥1,046 million (US\$12,727 thousand) on other marketable securities with market values and ¥7 million (US\$85 thousand) on other marketable securities without market values). The amount of impairment loss recognized on marketable securities in the fiscal year ended March 31, 2011 totaled ¥670 million (¥670 million on other marketable securities with market values).

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

18. DERIVATIVES

The Company and certain of its subsidiaries had the following derivatives contracts outstanding at March 31, 2012 and 2011.

A. Derivative transactions to which the Company did not apply hedge accounting

Currency related

Year ended March 31, 2012	Millions of yen				Thousands of U.S. dollars			
	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	¥5,057	¥1,289	¥ (85)	¥ (85)	\$61,528	\$15,683	\$(1,034)	\$(1,034)
(2) Selling Pound Sterling	76	—	(7)	(7)	925	—	(85)	(85)
(3) Selling Euro	192	—	(12)	(12)	2,336	—	(146)	(146)
Total	¥5,325	¥1,289	¥(104)	¥(104)	\$64,789	\$15,683	\$(1,265)	\$(1,265)

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

Year ended March 31, 2011	Millions of yen				Thousands of U.S. dollars			
	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)
(2) Selling Pound Sterling					36	—	(0)	(0)
(3) Selling Euro					133	—	(6)	(6)
Total					¥2,700	¥—	¥(26)	¥(26)

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, 2012	Millions of yen			Thousands of U.S. dollars		
	Contract amount	(Contract amount over one year)	Fair value	Contract amount	(Contract amount over one year)	Fair value
Deferral hedge accounting method:						
Forward foreign exchange contracts						
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥3,661	¥—	¥(101)	\$ 44,543	\$—	\$(1,229)
(2) Buying U.S. dollar (hedged item—trade accounts payable)	4,790	—	(40)	58,280	—	(487)
Alternative method(*):						
Forward foreign exchange contracts						
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥ 64	¥—	(Note 2)	\$ 779	\$—	(Note 2)
(2) Buying U.S. dollar (hedged item—trade accounts payable)	62	—	(Note 2)	754	—	(Note 2)
Total	¥8,577	¥—	¥(141)	\$104,356	\$—	\$(1,716)

*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 and trade accounts 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, 2011	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)	¥14,523	¥—	¥253
(2) Buying U.S. dollar (hedged item—trade accounts payable)	5,520	—	97
(3) Buying U.S. dollar (hedged item—short-term debt)	2,701	—	13
Alternative method(*):			
Forward foreign exchange contracts			
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥147	¥—	(Note 2)
(2) Buying U.S. dollar (hedged item—trade accounts payable)	1,527	—	(Note 2)
Total	¥24,418	¥—	¥363

*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 and trade accounts 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.

b. Interest related

Year ended March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Contract amount	(Contract amount over one year)	Fair value	Contract amount	(Contract amount over one year)	Fair value
Deferral hedge accounting method:						
Interest swap contracts (hedged item—long-term bank loans) Receive floating / Pay fixed rate	¥ 130	¥ —	¥(1)	\$ 1,582	\$ —	\$(12)
Alternative method:						
Interest swap contracts (hedged item—long-term bank loans) Receive floating / Pay fixed rate	¥33,010	¥29,510	(Note 2)	\$401,630	\$359,046	(Note 2)
Total	¥33,140	¥29,510	¥(1)	\$403,212	\$359,046	\$(12)

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 loans payable as hedged items.

Year ended March 31, 2011	Millions of yen		
	Contract amount	(Contract amount over one year)	Fair value
Deferral hedge accounting method:			
Interest swap contracts (hedged item—long-term bank loans) Receive floating / Pay fixed rate	¥ 258	¥ —	¥(3)
Alternative method:			
Interest swap contracts (hedged item—long-term bank loans) Receive floating / Pay fixed rate	¥33,610	¥30,510	(Note 2)
Total	¥33,868	¥30,510	¥(3)

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 loans payable as hedged items.

19. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a number of income taxes in Japan which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the years ended March 31, 2012 and 2011.

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Allowance for doubtful accounts	¥ 393	¥ 696	\$ 4,782
Employees' retirement benefits	29,887	29,879	363,633
Accrued bonuses	4,226	4,369	51,417
Depreciation	5,758	2,672	70,057
Accrued enterprise taxes	384	505	4,672
Tax loss carryforwards of consolidated subsidiaries	58,051	53,766	706,302
Reserve for periodic repairs	5,395	6,081	65,641
Provision for environmental measures	2,761	4,324	33,593
Loss on write-down of inventories	3,307	3,653	40,236
Loss on valuation of investment securities	6,415	5,949	78,051
Loss on impairment of fixed assets	4,766	5,817	57,988
Other	10,259	9,535	124,821
Subtotal	131,602	127,246	1,601,193
Valuation allowance	(101,071)	(101,846)	(1,229,724)
Total deferred tax assets	30,531	25,400	371,469
Deferred tax liabilities:			
Prepaid pension cost	¥ (14,154)	¥ (12,382)	\$ (172,211)
Gain on contribution of securities to retirement benefit trust	(3,689)	—	(44,884)
Net unrealized holding gain on securities	(3,622)	(6,682)	(44,069)
Deferred gain on real properties	(2,741)	(2,903)	(33,350)
Retained earnings of overseas consolidated subsidiaries, etc.	(2,424)	(2,771)	(29,493)
Other	(4,349)	(5,155)	(52,913)
Total deferred tax liabilities	(30,979)	(29,893)	(376,920)
Net deferred tax assets (liabilities)	¥ (448)	¥ (4,493)	\$ (5,451)

The following table summarizes the significant differences between the statutory tax rate and effective tax rates for consolidated financial statement purposes for the years ended March 31, 2012 and 2011:

	2012	2011
Statutory tax rate	40.6%	40.6%
Non-deductible expenses	3.6	1.4
Tax credits	(3.3)	(1.0)
Increase (decrease) in valuation allowance	58.9	7.3
Differences of statutory tax rate in overseas consolidated subsidiaries	(37.0)	(18.9)
Equity in earnings of non-consolidated subsidiaries and affiliates	(11.3)	(6.6)
Other	2.2	1.8
Effective tax rate	53.7%	24.6%

Change of deferred tax assets and deferred tax liabilities due to changes in effective statutory tax rate

Due to the promulgation on December 2, 2011, of the Law to Revise the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Law No. 114 of 2011), and the Act on Special Measures for Securing the Financial Resources to Implement the Restoration from the Great East Japan Earthquake (Law No. 117 of 2011), for fiscal years beginning on or after April 1, 2012, the corporation tax rate has been reduced and a special reconstruction corporation tax has been instituted. As a result, the effective statutory tax rate used to measure deferred tax assets and liabilities has been changed from the previous 40.6% to 38.01% for temporary differences expected to be realized or settled during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and to 35.64% for temporary differences expected to be realized or settled in the fiscal year beginning on April 1, 2015 and thereafter.

As a result of this tax rate change, the amount of deferred tax assets (net of the amount of deferred tax liabilities) increased by ¥306 million (US\$3,723 thousand), income taxes-deferred increased by ¥193 million (US\$2,348 thousand), and net unrealized holding gain on securities increased by ¥499 million (US\$6,071 thousand).

20. ASSET RETIREMENT OBLIGATIONS

Information on asset retirement obligations, recorded on the consolidated balance sheets at March 31, 2012 and 2011 were 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 years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of year (note):	¥2,376	¥2,219	\$28,909
Increase due to acquisition of tangible fixed assets	71	—	863
Accretion adjustment	60	59	730
Increase due to changes in estimates	—	246	—
Decrease due to fulfillment of asset retirement obligations	(161)	(74)	(1,959)
Other	(1)	(74)	(12)
Balance at end of year	¥2,345	¥2,376	\$28,531

(Note) Balance at beginning of the year ended March 31, 2011 is the amount due to application of "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008).

21. SEGMENT INFORMATION

(1) Overview of Reportable Segments

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.

Reportable Segments	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
	Fabricated Products	Hygiene materials, semiconductor materials, energy materials, packaging films
Functional Chemicals	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

Year ended March 31, 2012	Reportable Segments							Total	Others (Note 1)	Sum total
	Petrochemicals	Basic Chemicals	Polyurethane	Functional Polymeric Materials	Fabricated Products	Functional Chemicals	(Millions of yen)			
I. Net sales:										
Customers	¥459,392	¥472,899	¥132,183	¥114,847	¥134,031	¥122,829	¥1,436,181	¥17,843	¥1,454,024	
Inter-segment	137,791	27,273	4,680	14,664	121	6,203	190,732	59,506	250,238	
Total	¥597,183	¥500,172	¥136,863	¥129,511	¥134,152	¥129,032	¥1,626,913	¥77,349	¥1,704,262	
II. Segment income (loss)	¥ 9,313	¥ 8,859	¥ (14,374)	¥ 8,978	¥ 305	¥ 10,359	¥ 23,440	¥ (396)	¥ 23,044	
III. Segment assets	¥336,630	¥214,894	¥116,085	¥117,872	¥142,722	¥187,009	¥1,115,212	¥47,527	¥1,162,739	
IV. Other items:										
Depreciation and amortization (Note 2)	¥ 13,861	¥ 11,747	¥ 6,711	¥ 8,221	¥ 8,900	¥ 7,484	¥ 56,924	¥ 4,142	¥ 61,066	
Amortization of goodwill	—	—	—	23	—	1,651	1,674	9	1,683	
Investment in equity method affiliates	2,000	13,684	4,876	341	4,208	7,179	32,288	14,346	46,634	
Capital expenditures (Note 2)	8,919	6,550	4,849	4,060	9,115	7,507	41,000	3,814	44,814	

Year ended March 31, 2012	Reportable Segments							Total	Others (Note 1)	Sum total
	Petrochemicals	Basic Chemicals	Polyurethane	Functional Polymeric Materials	Fabricated Products	Functional Chemicals	(Thousands of U.S. dollars)			
I. Net sales:										
Customers	\$5,589,390	\$5,753,729	\$1,608,262	\$1,397,335	\$1,630,746	\$1,494,452	\$17,473,914	\$217,095	\$17,691,009	
Inter-segment	1,676,494	331,829	56,941	178,416	1,472	75,471	2,320,623	724,005	3,044,628	
Total	\$7,265,884	\$6,085,558	\$1,665,203	\$1,575,751	\$1,632,218	\$1,569,923	\$19,794,537	\$941,100	\$20,735,637	
II. Segment income (loss)	\$ 113,311	\$ 107,787	\$ (174,888)	\$ 109,235	\$ 3,711	\$ 126,037	\$ 285,193	\$ (4,818)	\$ 280,375	
III. Segment assets	\$4,095,754	\$2,614,600	\$1,412,398	\$1,434,140	\$1,736,489	\$2,275,326	\$13,568,707	\$578,257	\$14,146,964	
IV. Other items:										
Depreciation and amortization (Note 2)	\$ 168,646	\$ 142,925	\$ 81,652	\$ 100,024	\$ 108,286	\$ 91,057	\$ 692,590	\$ 50,396	\$ 742,986	
Amortization of goodwill	—	—	—	280	—	20,087	20,367	110	20,477	
Investment in equity method affiliates	24,334	166,492	59,326	4,149	51,199	87,346	392,846	174,547	567,393	
Capital expenditures (Note 2)	108,517	79,693	58,997	49,398	110,902	91,337	498,844	46,405	545,249	

Year ended March 31, 2011	Reportable Segments							Total	Others (Note 1)	Sum total
	Petrochemicals	Basic Chemicals	Polyurethane	Functional Polymeric Materials	Fabricated Products	Functional Chemicals	(Millions of yen)			
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	
Investment in equity method affiliates	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	

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)

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net sales:			
Total reportable segment sales	¥1,626,913	¥1,554,278	\$19,794,537
Net sales classified under "Others"	77,349	71,360	941,100
Elimination of intersegment transactions	(250,238)	(233,925)	(3,044,628)
Net sales recorded in Consolidated Statements of Operations	¥1,454,024	¥1,391,713	\$17,691,009
Income:			
Total reportable segment income	¥23,440	¥42,944	\$285,193
Income classified under "Others"	(396)	148	(4,818)
Elimination of intersegment transactions	220	247	2,677
Corporate expenses (note)	(1,700)	(2,791)	(20,684)
Operating income (loss) recorded in Consolidated Statements of Operations	¥21,564	¥40,548	\$262,368

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

Assets:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total reportable segment assets	¥1,115,212	¥1,137,719	\$13,568,707
Assets classified under "Others"	47,527	51,463	578,257
Elimination of intersegment transactions	(64,710)	(77,531)	(787,322)
Corporate assets (note)	158,274	183,976	1,925,709
Assets recorded in Consolidated Balance Sheets	¥1,256,303	¥1,295,627	\$15,285,351

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		Thousands of U.S. dollars
	2012	2011	2012
Total amounts of reportable segment	¥56,924	¥60,695	\$692,590
Amounts classified under "Others"	4,142	4,185	50,396
Adjustment amounts	—	724	0
Amounts from Consolidated Financial Statements	¥61,066	¥65,604	\$742,986

Amortization of goodwill:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total amounts of reportable segment	¥1,674	¥3,622	\$20,367
Amounts classified under "Others"	9	11	110
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥1,683	¥3,633	\$20,477

Investment in equity method affiliates:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total amounts of reportable segment	¥32,288	¥27,679	\$392,846
Amounts classified under "Others"	14,346	13,822	174,547
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥46,634	¥41,501	\$567,393

Capital expenditures:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total amounts of reportable segment	¥41,000	¥42,436	\$498,844
Amounts classified under "Others"	3,814	2,656	46,405
Adjustment amounts	—	45	—
Amounts from Consolidated Financial Statements	¥44,814	¥45,137	\$545,249

◆ Related Information

(Information by region)

Net sales:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Japan	¥ 847,742	¥ 806,175	\$10,314,418
China	203,025	200,466	2,470,191
Asia	273,411	261,706	3,326,573
America	77,327	68,865	940,832
Europe	43,219	44,523	525,843
Other regions	9,300	9,978	113,152
Total	¥1,454,024	¥1,391,713	\$17,691,009

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 fixed assets:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Japan	¥361,794	¥388,836	\$4,401,922
Asia	62,092	72,620	755,469
Other regions	6,743	6,279	82,042
Total	¥430,629	¥467,735	\$5,239,433

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 by main customers)

Net sales:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Mitsui & Co., LTD.	¥344,297	¥311,577	\$4,189,038

Note: Related segments are as follows:
 Petrochemicals, Basic Chemicals, Polyurethane, Functional Polymeric Materials, Fabricated Products, Functional Chemicals

◆ Information Concerning Impairment Loss of Fixed Assets by Reportable Segment

Impairment loss:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Petrochemicals	¥ 281	¥ 36	\$ 3,419
Basic Chemicals	39	1,257	474
Polyurethane	12,456	22	151,551
Functional Polymeric Materials	29	433	353
Fabricated Products	53	126	645
Functional Chemicals	48	370	584
Others	—	4	—
Corporate Expenses	—	0	—
Total	¥12,906	¥2,248	\$157,026

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

Amount of amortization:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Petrochemicals	¥ —	¥ —	\$ —
Basic Chemicals	—	36	—
Polyurethane	—	2,166	—
Functional Polymeric Materials	23	25	280
Fabricated Products	—	—	—
Functional Chemicals	1,651	1,395	20,087
Others	9	11	110
Corporate Expenses	—	—	—
Total	¥1,683	¥3,633	\$20,477

Unamortized balance:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Petrochemicals	¥ —	¥ —	\$ —
Basic Chemicals	—	—	—
Polyurethane	—	—	—
Functional Polymeric Materials	—	23	—
Fabricated Products	—	—	—
Functional Chemicals	2,702	2,856	32,875
Others	1	10	12
Corporate Expenses	—	—	—
Total	¥2,703	¥2,889	\$32,887

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

Amount of amortization:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Petrochemicals	¥ —	¥ —	\$ —
Basic Chemicals	—	—	—
Polyurethane	—	—	—
Functional Polymeric Materials	—	—	—
Fabricated Products	594	593	7,227
Functional Chemicals	89	645	1,083
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥683	¥1,238	\$8,310

Unamortized balance:	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Petrochemicals	¥ —	¥ —	\$ —
Basic Chemicals	—	—	—
Polyurethane	—	—	—
Functional Polymeric Materials	—	—	—
Fabricated Products	1,184	1,777	14,406
Functional Chemicals	199	287	2,421
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥1,383	¥2,064	\$16,827

22. RELATED PARTY TRANSACTIONS

(1) Related party transactions

Main transactions of the Company with an affiliated company for the years ended March 31, 2012 and 2011 were as follows:

Name	Chiba Chemicals Manufacturing LLP
Category	Affiliated company
Location	Chiyoda-ku, Tokyo
Common stock	¥200 million (US\$2,433 thousand)
Description of the business	Manufacturing of petrochemical materials and supplying them to partners
Ownership percentage of voting rights	Direct 50%

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Transactions with related company:			
Supply and purchases of raw materials (Notes 1, 2)	¥ 730	¥ 97	\$ 8,882
Balance at year end (Note 2):			
Other accounts receivable	11,862	13,597	144,324
Accounts payable	11,588	13,677	140,990

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.

(2) Summary of financial information for significant affiliated companies

The Company's significant affiliate is Du Pont-Mitsui Fluorochemicals Company, Ltd. for the year ended March 31, 2012.

Financial information on the affiliate as of and for the year ended March 31, 2012 was as follows.

	Millions of yen	Thousands of U.S. dollars
Balance Sheet		
Total assets	¥32,297	\$392,955
Total liabilities	13,667	166,285
Total net assets	18,630	226,670
Statement of Operations		
Net sales	30,217	367,648
Income before income taxes	7,102	86,410
Net income	4,303	52,354

23. SUBSEQUENT EVENTS

(Explosion and Fire at Iwakuni-Ohtake Works)

On April 22, 2012, an explosion and fire occurred at Mitsui Chemicals' Iwakuni-Ohtake Works.

In addition to the relevant authorities conducting an investigation, the Accident Investigation Committee is currently evaluating the causes of the incident. Operations have been suspended in the Iwakuni area of the Works, except at certain plants.

Moreover, apart from the resorcinol and certain other plants, plants in the Iwakuni area are undergoing safety inspections as well as routine annual maintenance. Every effort is being made to bring about a resumption of operations.

Despite these endeavors, Mitsui Chemicals is currently unable to compile accurate estimates of the compensation, dismantling, restoration, and related expenses being incurred due to this incident. The company also cannot predict at present the impact on business, including sales, these expenses will have, due mainly to uncertainties regarding the future outlook.



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Independent Auditor's Report

The Board of Directors
Mitsui Chemicals, Inc.

We have audited the accompanying consolidated financial statements of Mitsui Chemicals, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Chemicals, Inc. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 23. SUBSEQUENT EVENTS to the consolidated financial statements, which describes that, on April 22, 2012, an explosion and fire occurred at Mitsui Chemicals' Iwakuni-Ohtake Works and that operations have been suspended, except at certain plants. Our opinion is not qualified in respect of this matter.

Convenience Translation

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

Ernst & Young Shin Nihon LLC

June 26, 2012
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Major Subsidiaries and Affiliates

(As of March 31, 2012)

*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
* Evolve Japan Co., Ltd.	Polyethylene	¥	400	75
* 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
Shanghai Sinopec Mitsui Chemicals, Co., Ltd.	Bisphenol-A	Yuan	307	50
P.T. Amoco Mitsui PTA Indonesia	PTA	US\$	160	45
P.T. Petnesia Resindo	PET resin for bottles	US\$	28	49.7
Thai Pet Resin Co., Ltd.	PET 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	93.3
* 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

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)	Equity Interest (%)
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
* Mitsui Chemicals Nonwovens (Tianjin) Co., Ltd.	Spunbonded nonwoven fabrics	¥ 2,000	100
* Saxin Corporation	Molded synthetic resin	¥ 128	71.4
* Mitsui Chemicals Fabro, Inc.	Functional fabricated products	¥ 200	100
* Taiwan Mitsui Chemicals, Inc.	Sales of electronics and information materials	NT\$ 14	100
* Mitsui Chemicals Tohcello, Inc.	Packaging and industrial film, functional sheets	¥ 3,450	100
* MC Tohcello (Malaysia) SDN. BHD	Sales of encapsulant sheets for solar panels (SOLAR EVA™)	RM 7.5	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
* Acomon AG	Manufacture, sales and R&D of monomers for optical lenses	CHF 1	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	26.9
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.	Sales and 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.	Sales and 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.	Sales and Marketing of Mitsui Chemicals products	US\$ 0.50	100
* Mitsui Chemicals Singapore R&D Centre Pte Ltd.	Research and development for the MCI Group (contract base)	US\$ 7	100
Du Pont-Mitsui Fluorochemicals Co., Ltd.	Fluorocarbon resin and gas, and other chemicals	¥ 2,880	50
Du Pont-Mitsui Polychemicals Co., Ltd.	Ethylene vinyl acetate copolymer and other ethylenic copolymers	¥ 6,480	50

Corporate Data

(As of March 31, 2012)

Date Incorporated

July 25, 1947

(Inaugurated October 1, 1997)

Paid-in Capital

¥123,053 million

Number of Employees

12,868 (Consolidated)

Shares of Common Stock Issued and Outstanding

1,022,020,076

Number of Shareholders

87,303

Stock Listing

Tokyo

Transfer Agent

Sumitomo Mitsui Trust Bank, Limited

Offices

Head Office

Shiodome City Center, 1-5-2, Higashi-Shimbashi,
Minato-ku, Tokyo 105-7117, Japan

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URL: <http://www.mitsuichem.com/>

e-mail: WEB_MASTER@mitsui-chem.co.jp

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Mitsui Chemicals America, Inc.

800 Westchester Avenue, Suite N607,

Rye Brook, NY 10573, U.S.A.

Phone: +1-914-253-0777

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URL: <http://www.mitsuichemicals.com/>

e-mail: info@mitsuichem.com

Germany

Mitsui Chemicals Europe GmbH

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Facsimile: +49-211-323486

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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

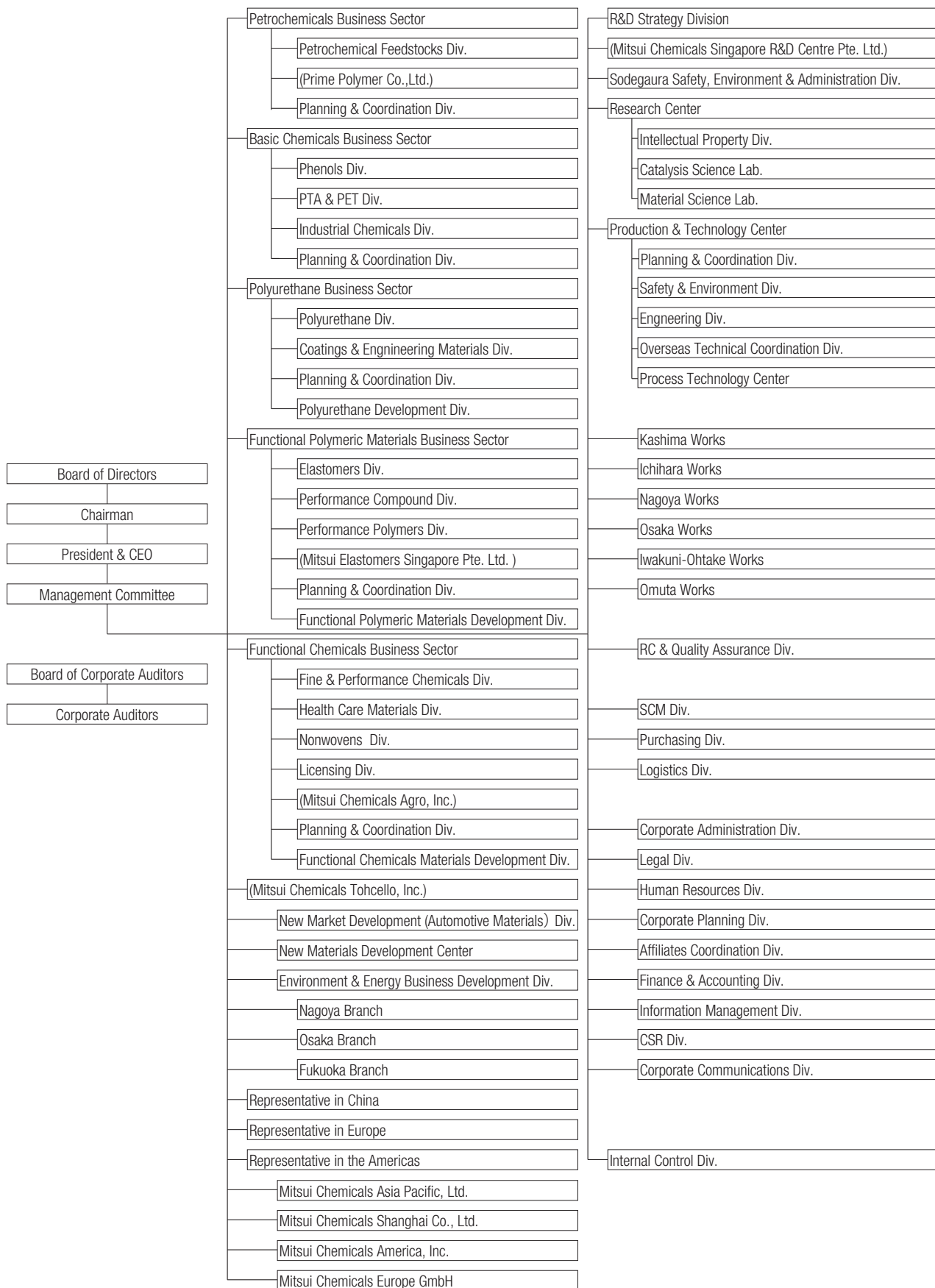
Phone: +86-21-5888-6336

Facsimile: +86-21-5888-6337

URL: <http://cn.mitsuichem.com/>

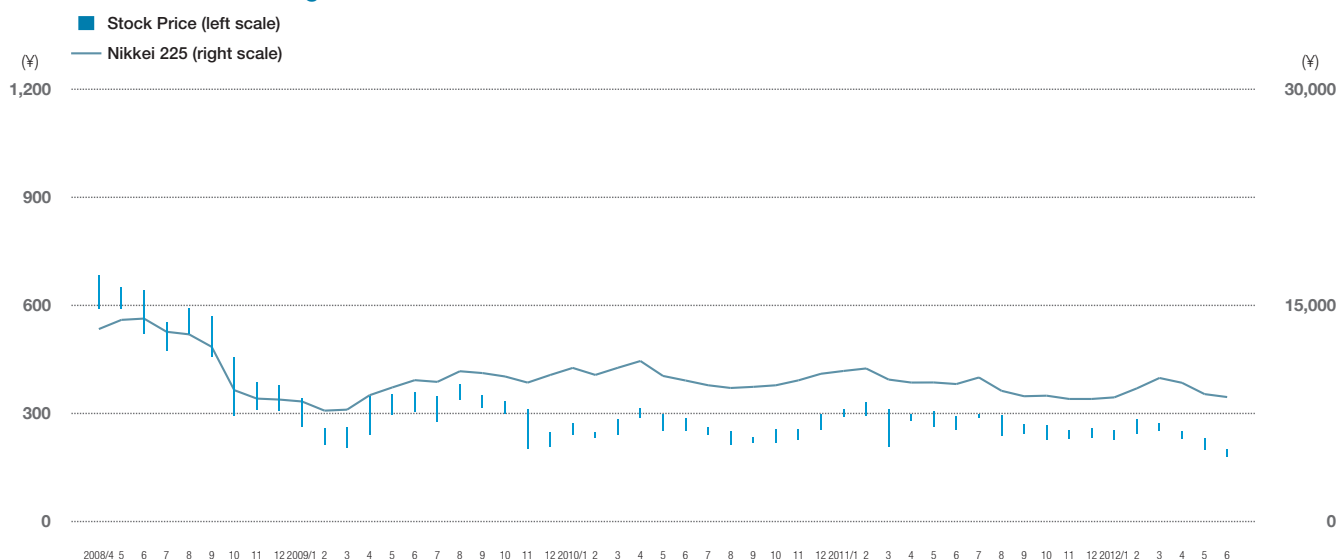
Mitsui Chemicals Organization Chart

(As of June 24, 2012)



Stock Information

Common Stock Price Range



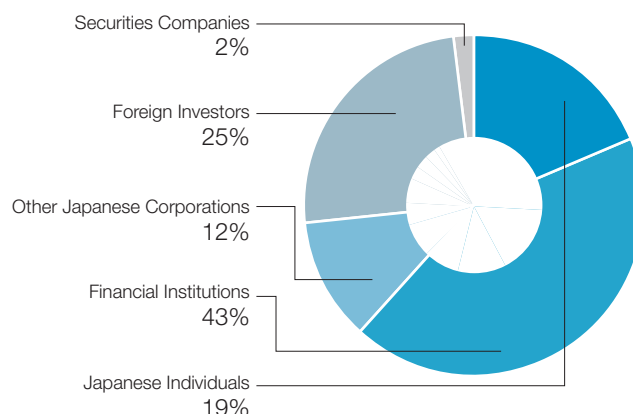
Major Shareholders

(As of March 31, 2012)

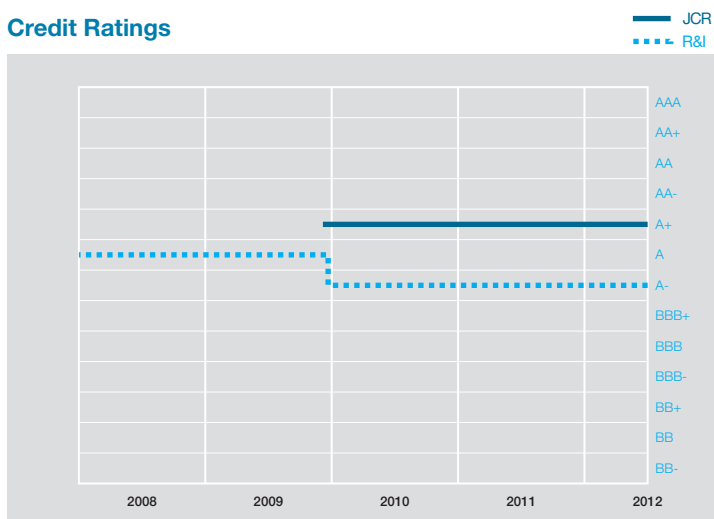
	Number of shares held (Thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	86,330	8.44
The Master Trust Bank of Japan, Ltd. (Trust account)	57,568	5.63
Japan Trustee Services Bank, Ltd. (Toray Industries Inc. Retirement Benefit Trust Account re-entrusted by Chuo 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)	28,872	2.82
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	23,251	2.27
Japan Trustee Services Bank, Ltd. (Trust account 4)	22,164	2.16
Sumitomo Mitsui Banking Corporation	21,946	2.14
Mitsui Life Insurance Co., Ltd. (Standing Proxy: Japan Trustee Services Bank, Ltd.)	18,030	1.76
Mitsui Sumitomo Insurance Company, Limited	16,403	1.6

Composition of Shareholders

(As of March 31, 2012)



Credit Ratings



JCR: Japan Credit Rating Agency, Ltd.
R&I: Rating and Investment Information

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Mitsui Chemicals



Responsible Care