



Mitsui Chemicals

ANNUAL REPORT 2013

Year Ended March 31, 2013



Driving Sustainable Global Growth



Mitsui Chemicals has established three Core Values.

“Challenge” “Diversity” “One Team”

Have a strong spirit, think things through carefully, actively take on new challenges, and accept responsibility for your actions.

Learn about other cultures and traditions, respect and accept individuality, race, and nationality, and use that knowledge to help the group to grow.

Join forces and work together as one, overcoming differences such as rank, age, gender, nationality, organization, or location.

Driving Sustainable Global Growth

The Mitsui Chemicals Group is concentrating its management resources in three key areas and further advancing the development of its global business in an effort to accelerate the implementation of its 5-5-5 strategy, which aims to transform its business portfolio.

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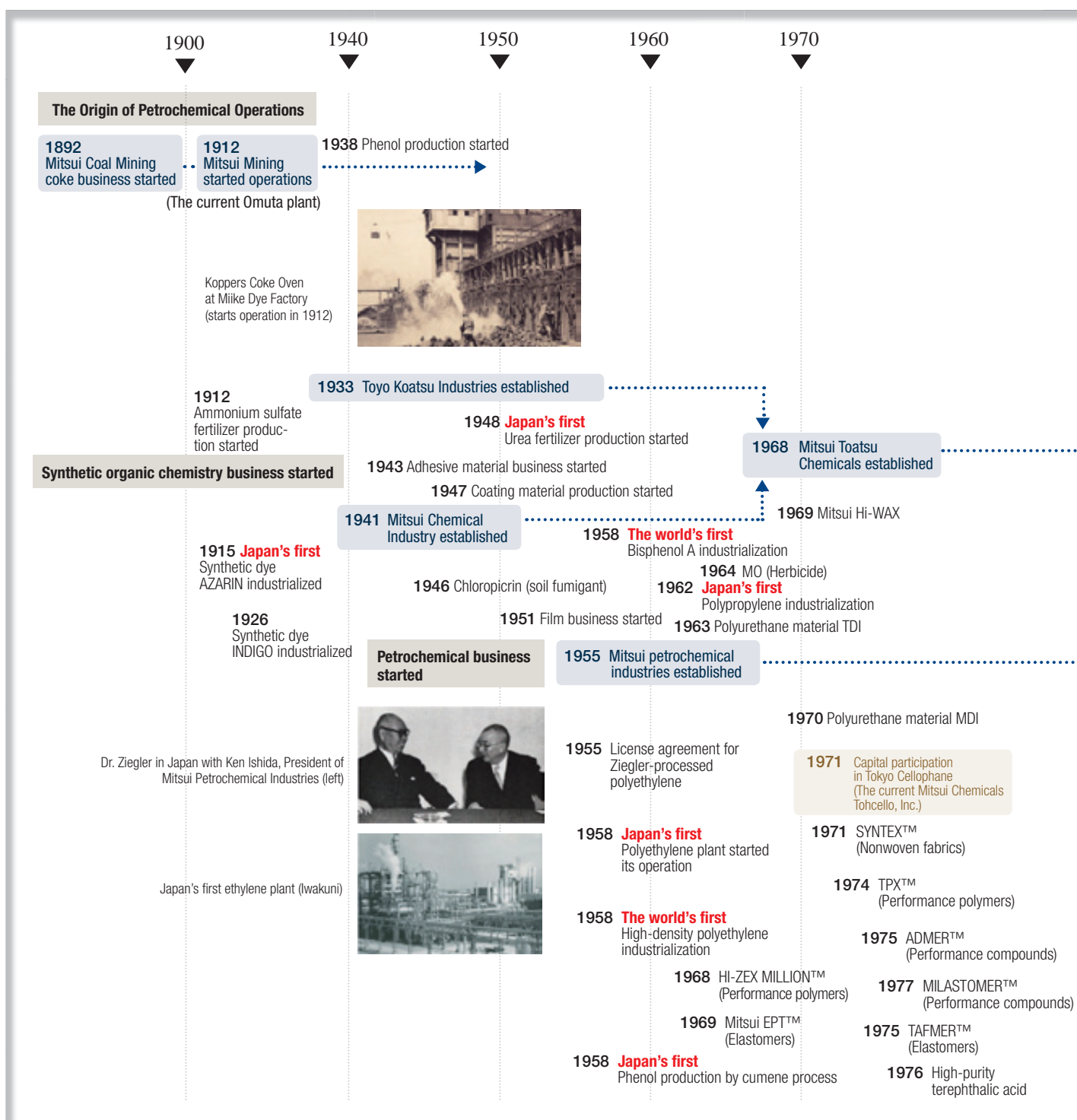
This annual report contains forward-looking statements about the future plans, strategies, beliefs, and performance of the Mitsui Chemicals Group as a whole and its individual consolidated companies. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts,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

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, healthcare, and agriculture. Areas covered by its business segments extend from Functional Chemicals, Functional Polymeric Materials, Polyurethane, Basic Chemicals, Petrochemicals, and Films and Sheets.

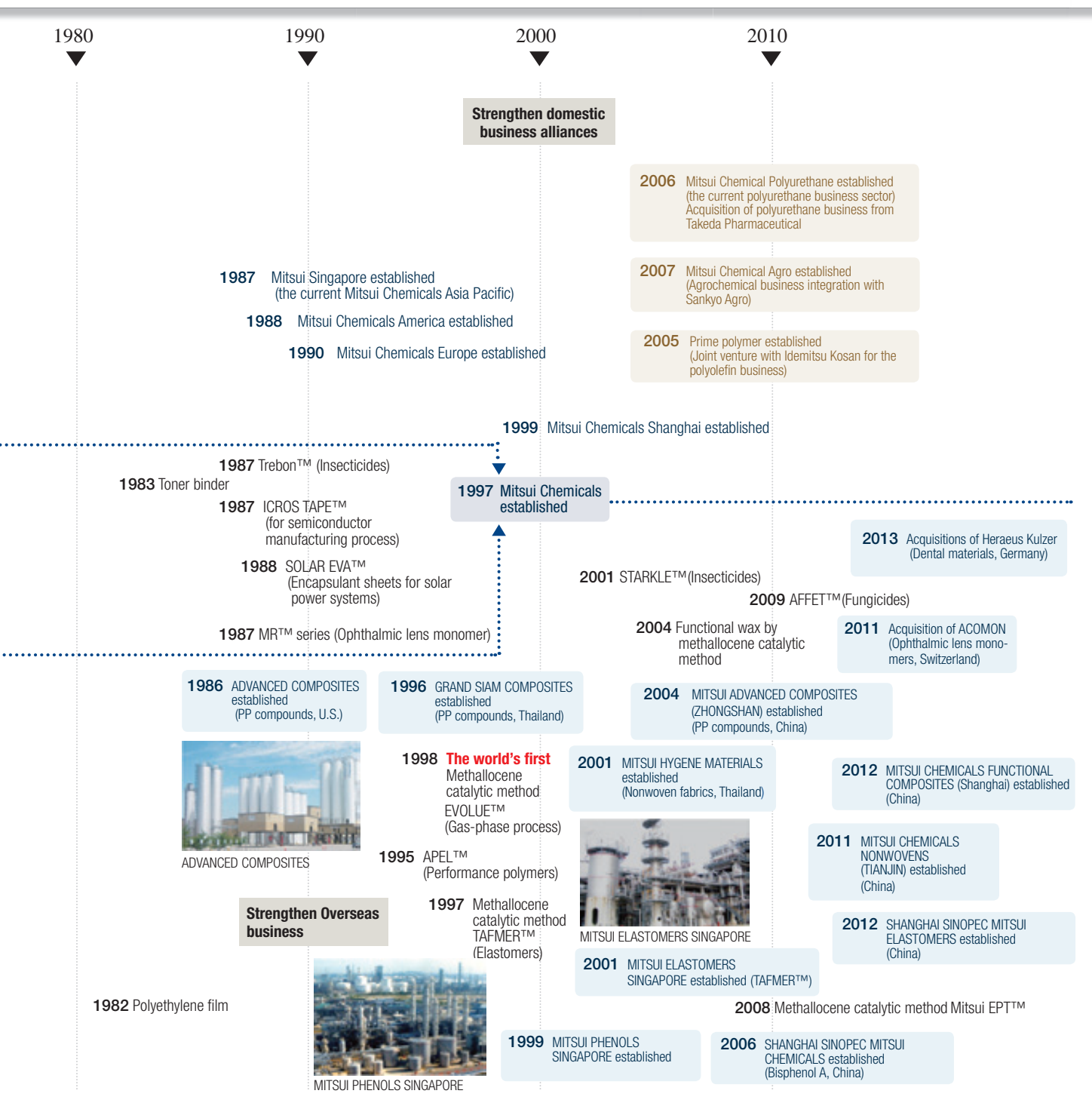
History

Mitsui Chemicals traces its origins to the coke business started by Mitsui Coal Mining in 1892. In 1912, Mitsui Chemicals commenced operations at the Omuta plant. For 100 years, the Mitsui Chemicals Group has continued to meet the changing needs of society. As one of Japan's leading chemical companies, the Group will continue to seek solutions to global environmental issues through its products and technology and to contribute to the lives of the people around the world.



Date of establishment:	October 1st, 1997
Head Office:	1-5-2, Higashi-Shimbashi, Minato-ku, Tokyo
Paid-in Capital:	¥125,053,116,199
Consolidated subsidiaries:	76
Number of employees:	12,846 (Consolidated)

(As of March 31, 2013)



Consolidated Financial Highlights

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

2008
Striving to

Years ended March 31

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

	2003/3	2004/3	2005/3	2006/3	2007/3	2008/3
For the Year						
Net sales	¥1,053,182	¥1,089,518	¥1,227,547	¥1,472,435	¥1,688,062	¥1,786,680
Operating income (loss)	56,458	53,942	80,491	58,705	91,678	77,176
Net income (loss)	20,320	12,466	26,192	44,125	52,297	24,831
Reference: Ordinary income (loss)	48,716	47,694	79,737	61,989	95,478	66,146
Net cash provided by operating activities	144,140	82,163	96,503	79,709	100,565	92,423
Net cash used in investing activities	(40,777)	(25,807)	(33,085)	(58,247)	(133,618)	(78,206)
Free cash flows	103,363	56,356	63,418	21,462	(33,053)	14,217
At Year-End						
Total current assets	445,239	440,517	497,287	608,995	733,150	726,361
Property, plant and equipment, net	580,830	548,799	520,886	532,324	542,340	564,805
Total investments and other non-current assets	199,125	199,150	187,012	187,571	222,693	178,082
Total assets	1,225,194	1,188,466	1,205,185	1,328,890	1,498,183	1,469,248
Total current liabilities	451,613	440,869	440,566	475,074	591,253	569,560
Total long-term liabilities	359,638	325,342	313,389	314,692	336,678	335,461
Total shareholders' equity & Total accumulated other comprehensive income (loss)	370,738	383,365	405,773	464,021	504,509	500,044
Per Share						
Net income (loss) per share (basic)	¥ 25.72	¥ 15.78	¥ 33.26	¥ 56.20	¥ 66.68	¥ 32.22
Net income per share (diluted)	¥ 25.47	—	—	—	—	—
Cash dividends per share	¥ 6.00	¥ 6.00	¥ 7.00	¥ 8.00	¥ 10.00	¥ 12.00
Ratios						
Return on sales	1.93%	1.14%	2.13%	3.00%	3.10%	1.39%
Return on equity	5.51%	3.31%	6.64%	10.15%	10.80%	4.94%
Return (operating income (loss)) on assets	4.48%	4.47%	6.73%	4.63%	6.49%	5.20%
Other						
Depreciation and amortization	56,850	56,101	56,770	70,099	70,207	72,596
Capital expenditures	68,753	45,722	47,135	81,400	72,671	84,667
R&D expenses	37,114	32,894	34,881	37,146	36,943	42,130

Growth Investment ● Domestic ● Overseas

Functional Chemicals	Global expansion of ophthalmic lens materials	Acquisition of SDC Technologies
	Expansion of overseas nonwovens business	Establishment of new business base in Thailand.
	Strengthen of domestic nonwovens business	Expansion of production capacity of PP spunbonded nonwovens
	Enhancing of Agrochemical business	Business integration with Sankyo Agro
Strengthen of overseas Agrochemical business		
Functional Polymeric Materials	Expansion of TAFMER™ business in Singapore	Expansion of production capacity
	Construction of new plant for EPT in Ichihara Works	
	Expansion of performance polymers business	Construction of APEL™ plant in Osaka Works
Polyurethane	Acquisition of polyurethane business from Takeda Pharmaceutical	
	Expansion of polyurethane system house business in China	
Basic Chemicals	Expansion of phenol business in China	Establishment of Shanghai Sinopec Mitsui Chemicals
	Construction of new plant of acetone-based IPA in Osaka Works	
	Expansion of PTA production capacity in Thailand	Construction of No. 3 plant
Petrochemicals	Restructuring of PP business in Osaka Works	Build up polypropylene center using metathesis technology
		Construction of a new plant utilizing MCI's proprietary "Hypol II" PP
	Introduction of energy conservation process in Osaka Works	
	Strengthen of EVOLUE™ business (Ichihara Works) (Singapore)	
Global expansion of PP compounds	Establishment of new business base in China	
Films and Sheets	Establishment of JV company and production facilities for solar cell encapsulants (SOLAR EVA™)	

(Yen / U.S. dollars) (Thousands of U.S. dollars)

2009/3	2010/3	2011/3	2012/3	2013/3	
¥1,487,615	¥1,207,735	¥1,391,713	¥1,454,024	¥ 1,406,220	\$14,951,834
(45,493)	(9,461)	40,548	21,564	4,290	45,614
(95,237)	(28,010)	24,854	(1,007)	(8,149)	(86,645)
(50,768)	(13,132)	38,851	22,884	9,206	97,884
54,882	70,173	73,196	43,302	18,512	196,831
(76,253)	(42,913)	(43,204)	(42,452)	(58,136)	(618,139)
(21,371)	27,260	29,992	850	(39,624)	(421,308)
529,606	604,556	665,976	661,311	715,396	7,606,550
522,641	498,183	467,735	430,629	446,637	4,748,931
136,692	135,347	161,916	164,363	175,962	1,870,941
1,188,939	1,238,086	1,295,627	1,256,303	1,337,995	14,226,422
377,858	386,203	442,298	451,507	493,908	5,251,547
412,950	432,879	422,228	389,025	415,173	4,414,386
349,908	377,283	383,740	367,436	376,779	4,006,156
¥ (125.46)	¥ (33.04)	¥ 24.80	¥ (1.01)	¥ (8.14)	\$ (0.09)
—	—	—	—	—	—
¥ 9.00	¥ 3.00	¥ 6.00	¥ 6.00	¥ 6.00	\$ 0.06
(6.40%)	(2.32%)	1.79%	(0.07%)	(0.58%)	
—	—	6.53%	(0.27%)	(2.19%)	
(3.42%)	(0.78%)	3.20%	1.69%	0.33%	
81,374	74,878	69,237	62,749	43,821	\$ 465,933
81,041	49,054	45,137	44,814	56,649	602,329
40,628	38,131	36,166	33,176	31,997	340,213

Acquisition of ACOMON

Acquisition of KOC Solution

Establishment of new business base in China

Expansion of production of highly functional nonwovens

Share purchase of Iharabras in Brazil

Share Purchase of Sotus International in Thailand

Expansion of production capacity

Process using metallocene catalyst

Expansion of production of HI-ZEX MILLION™ in Iwakuni Ohtake Works

Establishment of Foshan Mitsui Chemicals polyurethane

Construction of production plant for PH and AC

process

Conservation process using LNG cold energy

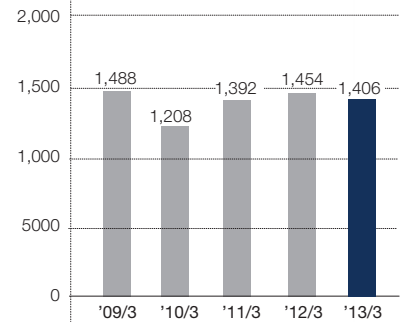
Expansion of production and construction of 1-Hexene plant

Construction of a new facility

Establishment of new business base in Brazil (M&A)

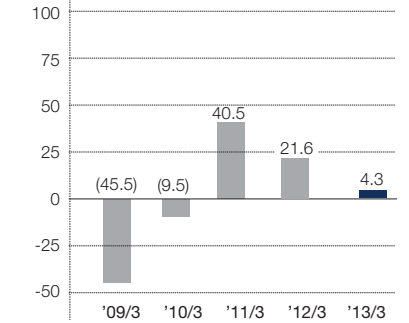
Net Sales

(Billions of yen)



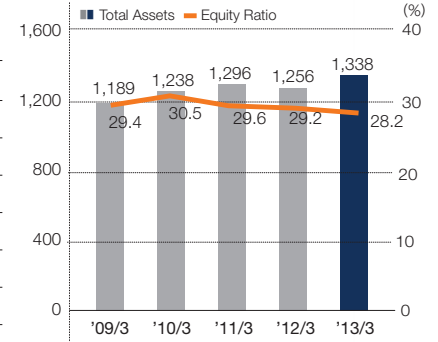
Operating Income (Loss)

(Billions of yen)



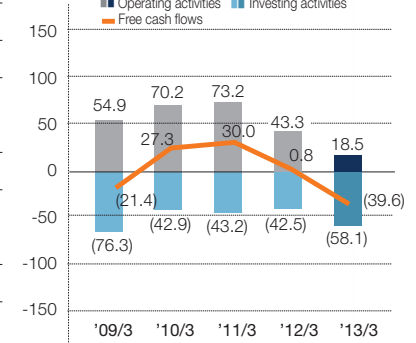
Total Assets/Equity Ratio

(Billions of yen)



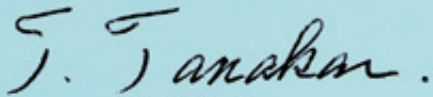
Cash Flows

(Billions of yen)



To Our Stakeholders

To further accelerate the pace of transformation in our business portfolio and make it more resilient in the face of economic fluctuation, we are concentrating our management resources in key areas and promoting key initiatives globally.



TOSHIKAZU TANAKA, President & CEO

Overview of Fiscal 2012

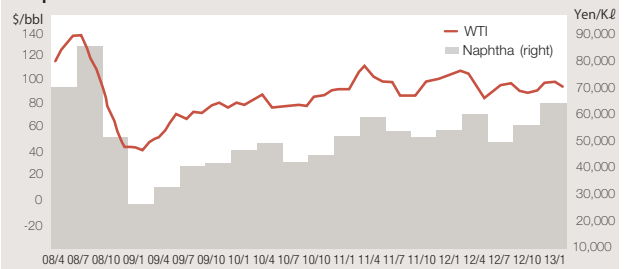
In fiscal 2012, ended March 31, 2013, conditions throughout the global economy grew increasingly severe due mainly to the European financial crisis as well as a slowing in the rate of growth in China as well as other emerging markets.

Despite signs of a recovery in the Japanese economy due to an upswing in reconstruction demand at the beginning of the period, the operating environment was harsh overall as production and exports slumped largely on the back of the worldwide recession. Difficulties were exacerbated by the prolonged appreciation in the value of the yen, which hit historic highs through the middle of the fiscal year.

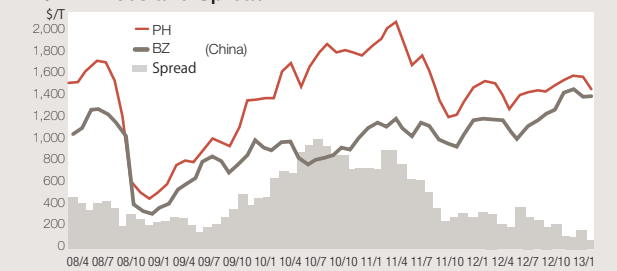
In the chemical industry, market conditions were grim. In addition to sluggish demand, primarily in China, this difficult environment was attributable to trends in raw material and fuel prices, which continued to hover at a high level.

Under these circumstances, the Mitsui Chemicals Group worked to transform its business portfolio by steadily implementing the four basic strategies identified under its 2011 Mid-Term Business Plan. In particular, every effort was made to further accelerate the pace of business portfolio transformations. Despite these endeavors, the Group was unable to offset the negative impact of particularly sluggish global demand in the basic chemicals field and the accident at the Iwakuni-Ohtake Works. As a result, net sales in the fiscal year under review were ¥1,406.2 billion, down ¥47.8 billion compared with the previous fiscal year. From a profit perspective, operating income fell ¥17.3 billion year on year to ¥4.3 billion. After incurring an extraordinary loss in connection with the restructuring of business, we reported a net loss of ¥8.1 billion. This was ¥7.1 billion higher than the net loss recorded in the previous fiscal year.

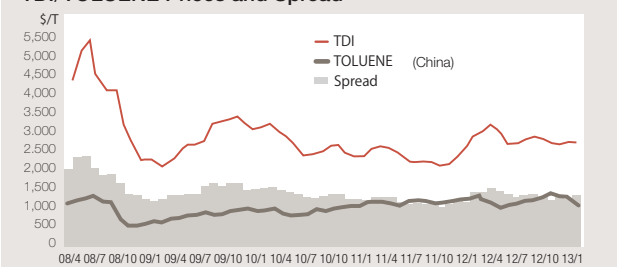
Naphtha/Crude Oil Prices



PH/BZ Prices and Spread



TDI/TOLUENE Prices and Spread





(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)
2013/3	¥1,406.2	¥ 4.3	¥ 9.2	¥(8.1)
2012/3	1,454.0	21.6	22.9	(1.0)
Change	(47.8)	(17.3)	(13.7)	(7.1)
Change (%)	(3.3)	(80.1)	(59.8)	—

Progress under the 2011 Mid-Term Business Plan

The Mitsui Chemicals Group continued to implement 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 Group’s “New Growth Foundation Phase,” in which it will embark on a new growth trajectory over the three years from fiscal 2011 to fiscal 2013.

During the second year of the plan, ended March 31, 2013, we concentrated our management resources into three key areas while implementing a variety of initiatives in order to further accelerate the transformation of our business portfolio. Moving forward, we are working toward the goal of building a business foundation that is more resilient

Key Areas

“High Functional Products” to solve global issues such as food, health, and aging

“High-Value-Added Polymers” based on proprietary technology such as high-performance catalysts

“Phenol Chains” with global presence

amid changing economic conditions.

In high functional products, the Company concluded an M&A in the ophthalmic lens monomer business as a part of efforts to further bolster its presence as a global leader.

In high-value-added polymers, the Company augmented overseas bases in the polypropylene (PP) compound business for automobiles, which has been steadily growing on a global level. In addition, the Company has established new production bases for the highly functional packaging film T.U.X™ as well as its raw material metallocene polymer EVOLUE™, with an eye to accelerating development in Asia.

To fortify its business foundation in Japan, the Company shut down plants manufacturing commodity polyethylene and polypropylene and decided to withdraw from the business operations of Keiyo Ethylene Co., Ltd., we will take another step forward in rebuilding our ethylene center.

In fiscal 2012, the Mitsui Chemicals Group was forced to record a deterioration in its operating results. In fiscal 2013, we will redouble our efforts to steadfastly implement our established strategies and put in place a business foundation that is capable of overcoming any and all changes in the business environment.

Launch Us onto the New Growth Trajectory by Utilizing Our Strengths

The Mitsui Chemicals Group is promoting its 2011 Mid-Term Business Plan (April 2011 to March 2014) based on the following four basic strategies

Targets

Establish business portfolio for growth and sustainability
Establish global presence focusing on Asia

Basic Strategies

Basic Strategy 1

5 Priority Businesses

Expansion of Businesses
More Resilient to Changing
Economic Conditions

- Agrochemicals
- Functional films, functional sheets, and spunbonded nonwoven fabrics
- Coating and adhesive materials
- Engineering plastics and compounds
- Precision chemicals (healthcare, catalysts)

Basic Strategy 2

5 World-Leading Businesses

Global Expansion of
Highly Competitive
Businesses

- Highly refractive ophthalmic lens monomers
- Metallocene polymers (EVOLUE™)
- Elastomers (TAFMER™, EPT)
- PO compounds
- Phenol chains

Basic Strategy 3

5 Development Areas

Creation of Core
Businesses for the
Future

- Solar power components
- Electric and information films
- Eco-friendly vehicles
- Next-generation functional chemical products
- Biomass chemicals

Basic Strategy 4

Strengthening Competitiveness in the Domestic Market

Thorough cost reduction and
fundamental restructuring

Drivers for Sustainable Global Growth

To accelerate the “5-5-5 strategies” in fiscal 2012, we decided to focus our management resources on three key areas.

Focus and Selection on Three Key Areas

- 1. High Functional Products** to solve global issues such as food, health, and aging
→ **Early expansion through M&As and collaborations**
 - Healthcare (Ophthalmic lens monomers, dental materials, nonwoven fabrics)
 - Agrochemicals
- 2. High-value-added polymers** based on proprietary technology such as high performance catalysts
→ **Reinforce high added value and acceleration of global deployment**
 - Metallocene polymers (EVOLUE™, TAFMER™, EPT)
 - High function compounds (PP compounds, ADMER™)
- 3. Phenol chains** with global presence
→ **Restructuring measures for large scale, unprofitable businesses**

Progress in the 2011 Mid-Term Business Plan by Business Segment

In fiscal 2012, the decision was made to concentrate the Group's management resources into three key areas. In carrying out this decision, every effort was made to accelerate the pace at which the Group was implementing its 5-5-5 strategy and to continue transforming the business portfolio into one that is resilient to changes in the business environment.

In order to strengthen competitiveness in the domestic market, the Mitsui Chemicals Group is restructuring uncompetitive large-scale operations while at the same time promoting high-value-added products. Moreover, the Group is boosting its international competitive strength.

Segment	5 Priority Businesses	5 World-Leading Businesses	5 Development Areas	Strengthening Competitiveness in the Domestic Market
Functional Chemicals P36	<p>Agrochemicals</p> <ul style="list-style-type: none"> Progressed with the release of insecticides and fungicides in countries around the world <p>Nonwoven fabrics</p> <ul style="list-style-type: none"> Highly functional nonwoven fabrics: Operations commenced at facilities established to boost production in Japan; established a new company in China <p>Precision chemicals</p> <ul style="list-style-type: none"> Concluded an agreement to acquire the dental materials business of Heraeus Holding GmbH Operations commenced at a PP catalyst plant in Korea 	<p>Highly refractive ophthalmic lens monomers</p> <ul style="list-style-type: none"> Acquired shares of KOC Solution a manufacturer of plastic ophthalmic lens monomers in Korea <p>⇒Special Feature p22</p>	<p>Next-generation functional chemical products</p> <ul style="list-style-type: none"> Developed the five active ingredients that make up the Company's current agrochemical product pipeline 	<p>Focus Businesses in three key areas</p>
Functional Polymeric Materials P37	<p>Engineering plastics and compounds</p> <ul style="list-style-type: none"> Established a manufacturing base for ADMER™ and MILASTOMER™ compounds in China Expanded sales of the super-high-molecular polyethylene HI-ZEX MILLION™ Brought to the market the polyester engineering plastic PROVEST™ 	<p>PO compounds</p> <p>⇒Special Feature p24</p> <p>Elastomers</p> <ul style="list-style-type: none"> Established a joint-venture with Sinopec to produce Mitsui EPT™ Increased production facilities in Singapore for a new grade TAFMER™ 		
Polyurethane P38	<p>Coating and adhesive materials</p> <ul style="list-style-type: none"> Commenced local contract production in India 			<p>Rebuild the polyurethane raw materials business</p> <ul style="list-style-type: none"> Continued to consider a business alliance with SABIC Implemented restructuring of domestic bases; undertook thorough cost cutting
Basic Chemicals P39		<p>Phenol chains</p> <ul style="list-style-type: none"> Continued to construct a new plant through a joint venture with Sinopec Enhanced the higher added value of surplus supplies of acetone through the new establishment of an IPA manufacturing plant that uses acetone 		<p>Reinforce the PTA business platform</p> <ul style="list-style-type: none"> Undertook investments to streamline operations at production base Thailand
Petrochemicals P40		<p>PO compounds</p> <ul style="list-style-type: none"> Increased PP compound production capacity Established a new base in Brazil <p>⇒Special Feature p24</p> <p>Metalocene polymers</p> <ul style="list-style-type: none"> Established a new EVOLUE™ company in Singapore; decided to establish a new facility <p>⇒Special Feature p26</p>		<p>Reinforce the business platform</p> <ul style="list-style-type: none"> Decided to withdraw from Keiyo Ethylene Decided to upgrade equipment in an effort to promote efficiency at low operating levels <p>Enhance PO business competitiveness</p> <ul style="list-style-type: none"> Withdrew partially from commodity products; promoted higher added value
Films and Sheets P41	<p>Functional films and sheets</p> <ul style="list-style-type: none"> Commence operations at a new SOLAR EVA™ plant in Malaysia Functional packaging film / T.U.X™: Established a joint venture company in Thailand <p>⇒Special Feature p26</p>		<p>Solar power components</p> <ul style="list-style-type: none"> Commenced to construct of mega solar power plant 	
Others			<p>Eco-friendly vehicles</p> <ul style="list-style-type: none"> Developed integrated metal / resin parts <p>R&D</p> <ul style="list-style-type: none"> Reconfigured the R&D organization structure 	

The 2011 Mid-Term Business Plan and Its Progress

The Timetable of Mid-Term Business Plan

	2011/4	2012/4	2013/4
5 Priority Businesses	Agrochemicals	Insecticide launch (India)	Fungicide launched (U.S. & Canada)
	Agrochemicals	Sotus equity stake acquisition (Thailand)	Insecticide launch (China) Fungicide launch (Europe)
		Iharabras equity stake acquisition (Brazil)	
Engineering plastics and compounds	Performance polymers	Super-high molecular polyethylene HI-ZEX MILLION™ production capacity expansion (Japan)	
Functional films and functional sheets	Solar cell encapsulant sheets ; SOLAR EVA™		
	Production capacity expansion (Japan)		
	Scientex joint venture (Malaysia)	-----→ Commercial operations	
	Highly functional packaging films ; T.U.X™	SCG Chemicals joint venture (Thailand)-----	
Nonwoven fabrics	Spunbonded nonwoven fabrics		
		Production capacity expansion (Japan)	New base established (China)-----→ Commercial operations
Precision chemicals (healthcare, catalysts)	Dental materials Dental business acquisition from		
	Catalysts Commercial operations at new PP catalyst plant		
5 World-Leading Businesses	Ophthalmic lens materials		
	Acomon AG acquisition (Switzerland)	SDC Asia Pacific (Singapore)	KOC Solutions acquisition (Korea)
Ophthalmic lens materials			
Metalocene polymers	EVOLUE™	Expanded production capacity (Japan)	New base established (Singapore)-----
Elastomers	TAFMER™		
	Head office functions transferred to Singapore		Production capacity
		EPT Sinopec joint venture (China) -----	
PO compounds	PP compounds		
		Production capacity expansion (U.S.)	
		Production capacity expansion (Mexico)	
		New base established / Produmaster acquisition (Brazil)	
		Production capacity expansion (Thailand)	
			Production capacity expansion Production Production
	Functional polymeric materials		
	Technical support bases established (China & Singapore)		
	Performance compound (ADMERTM) New base established (China)-----		
Phenol-chains	Phenol-chains Sinopec joint venture (China)-----		
			Commercial operations for acetone-based IPA
5 Development Areas	R&D		
	Overseas R&D center established (Singapore)		Electrolyte solution for creating lithium ions Formosa Plastics joint venture (China) -----
Strengthening Competitiveness in the Domestic Market	Polyurethane materials Study business alliance with SABIC (Saudi Arabia)		
	One PPG production line terminated (Japan)		
	Two PP production lines terminated (Japan) Commodity PE, PP		
	One PE production line terminated (Japan)		
	Ethylene production capacity reduced with Ethylene center Facility		



President's Words

“In fiscal 2013, we will definitely link strategic initiatives with profit growth and produce concrete results through aggressive management.”

(In the management briefing)

“We have unwavering confidence in our high functional products and high value-added polymers. We accomplish the transformation in the business portfolio to one more resilient to economic change.”

(About the growth strategy)

“I am convinced that management's role is to carry out the reforms necessary to succeed amid difficult conditions and suffering.”

(About the restructuring of low profit businesses)

“I place the utmost importance on direct dialogue with employees.”

(At the occasion of opening the “CEO's Tweet”)

“We must regain the trust of society at the earliest possible opportunity by steadfastly promoting safety management.”

(Message of “Safety Day” to employees)

Q1

Iwakuni-Ohtake Works Accident

Could you say something about the explosion and fire that broke out at Iwakuni-Ohtake Works on April 22, 2012?

A1 The significant adversity and anxiety resulting from the accident affected not only the immediate victims but many others. For this, I would like to extend my sincerest apologies.

In accordance with a management policy that positions “safety as a top priority,” the entire Group has taken part in safety programs. Despite this, an accident occurred.

With the utmost gravity, we set up an Accident Investigation Committee, identified the direct and root causes of the accident, and took preventive measures based on these findings. Furthermore, we established the Fundamental Safety Committee, thoroughly investigated safety-related problems, and then drew up and executed Measures to Prevent Recurrence.

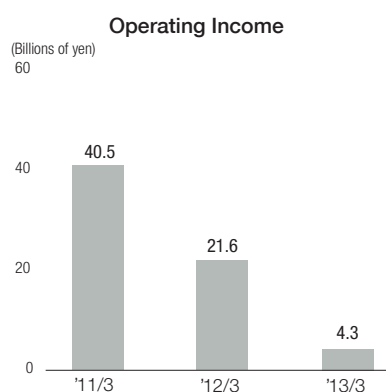
Acting on our wish to have each and every employee seriously think about what they can do to ensure safety, I appealed to them with the slogan “Safety is for you, for your family, for the people you work with, and for society.” Also, I met face to face with more than 3,000 employees at production sites and facilities, including those overseas.

Management as a whole is doing its best to fully drive home the importance of accident prevention and safety management. To regain the trust of society, we will take the lead and, with all employees working together, re-establish ourselves as a safe chemical manufacturer.

Fiscal 2012 Results

Q2

What were the primary factors contributing to the extremely adverse results in fiscal 2012, ended March 31, 2013?



A2 The downturn in performance was mainly due to huge losses in the Basic Chemicals Segment in the wake of sluggish market conditions in China and the setback we suffered from sharply rising raw material costs. The impact of the Iwakuni-Ohtake Works accident was also a major factor in the profit decline.

The primary factors behind the profit decline were an ¥18.9 billion loss in the Basic Chemicals Business segment due to lower sales of phenol, purified terephthalic acid (PTA), and other products in the wake of sluggish market conditions in China, a setback attributable to sharply rising raw material costs, and a loss of ¥8.4 billion as a result of the Iwakuni-Ohtake Works accident.

On the other hand, the Functional Chemicals and Functional Polymeric Materials segments, which Mitsui Chemicals has been strengthening strategically, have seen their business steadily expand and earnings increase year on year. As a result, operating income came to ¥4.3 billion.

2011 Mid-Term Business Plan Progress

Q3

Given the difficult business conditions, what management issues have you pursued?

A3

Because of the economic ups and downs since the launch of the 2011 Mid-Term Business Plan, conforming to the 5-5-5 Strategies has been difficult. Therefore, we aggressively invested in the promising growth field of functional products, which is resilient amid changing economic conditions, and undertook drastic structural reforms of large-scale, low-profit businesses. Our efforts were definitively awarded with positive results and we are convinced that we are moving in the direction of the 2011 Mid-Term Business Plan targets; however, now we must move with greater speed and produce results.

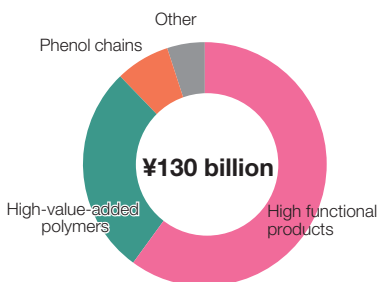
Q4

Could you provide specific details about “acceleration of the transformation towards the business portfolio more resilient to changing economic conditions?”

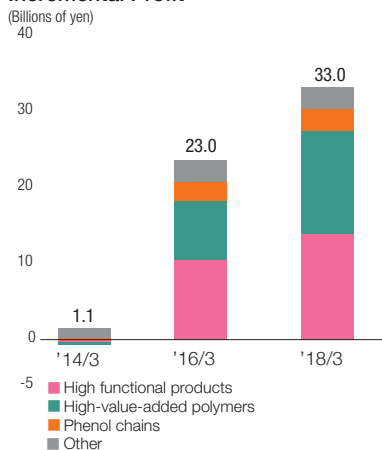
A4

To accelerate portfolio changes we focused on three key areas from the 5-5-5 Strategy and decided to inject about 90% of our growth investments under the 2011 Mid-Term Business Plan into high functional products and high-value-added polymers. We expect this to steadily contribute to profitability in fiscal 2014 and after.

Growth Investments under the Three-Year 2011 Mid-Term Business Plan



Projected Investment Results/ Incremental Profit

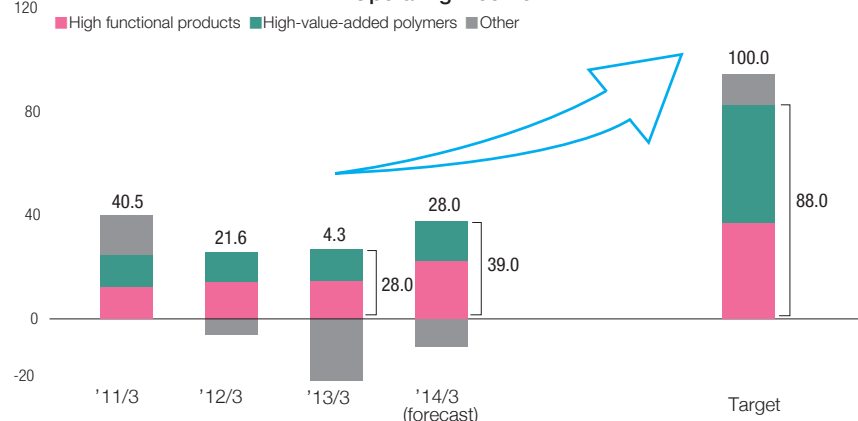


We strengthened the following three key areas: 1) high functional products to solve global issues, such as food, health, and aging, a group that includes healthcare products and agrochemicals, 2) high-value-added polymers, such as those based on high-performance catalysts as well as such Group proprietary technologies as elastomers and PP compounds, and 3) phenol chains, which already have a global presence.

We carefully screened nearly 50 projects with promising growth potential and made growth investments totaling ¥130.0 billion. As a result, we expect the profit return to be incremental, amounting to ¥23.0 billion in fiscal 2015 and ¥33.0 billion in fiscal 2017.

Although it will still take some time to achieve our operating income target of ¥100.0 billion, we will build a business portfolio more resilient amid changing economic conditions with the goal of achieving sustainability and growth on a stable basis through the strengthening and expansion of high value-added polymer and high functional product operations.

Operating Income



Q5 What specific progress did you make in fiscal 2012 in the key areas of high functional products and high-value-added polymers?

A5 Despite the ongoing economic slowdown, growth was steady and we achieved profits of ¥28.0 billion in those two fields. The future looks promising and we have also made some decisions aimed at further expansion.



Signing ceremony with KOC Solutions



Ground breaking ceremony of the EVOLUE™ plant

High functional products

In the area of ophthalmic lens materials, where we are a global leader, we took steps to further strengthen our business through the acquisition of ACOMON AG, a Swiss company, in fiscal 2011, and the acquisition of KOC Solution Co., Ltd., a South Korean company, in fiscal 2012. Also, as Asia's top manufacturer of functional spunbonded nonwoven fabrics for hygiene materials, we expanded production capacity in Japan and will begin operating a new facility in China in fiscal 2013.

(Please refer to Review of Operations on page 36.)

In addition, we decided to acquire a dental materials business in April 2013, thereby expanding dental materials into the healthcare materials field's third business pillar alongside ophthalmic lens materials and nonwoven fabrics.

In the agrochemicals business, although we are steadily expanding sales of existing agrochemicals globally, the development of the next generation agrochemicals is moving smoothly ahead with a planned market launch from 2017. (Please refer to Review of Operations on page 36.)

High-Value-Added Polymers

During the year under review, we increased our overseas production capacity for polypropylene (PP) compound automotive materials and set up a new company, our eighth global base, in Brazil, where demand is expected to grow. We have steadily expanded our production bases and increased our market share at a faster rate than targeted in the 2011 Mid-Term Business Plan.

(Please refer to Special Feature on page 24.)

To address demand for highly functional packaging materials in the expanding Asian market, we decided to build new facilities at our production bases in Singapore for the metallocene polymer EVOLUE™ and in Thailand for the highly functional packaging film T.U.X™, which uses EVOLUE™ as a raw material.

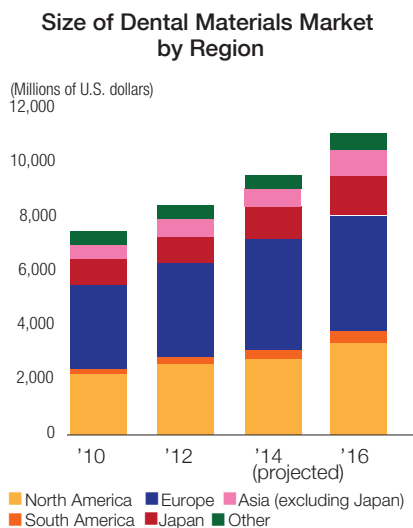
(Please refer to Special Feature on page 26 and Review of Operations on pages 40 to 41.)





Q6 The acquisition of the dental materials business Heraeus Kulzer from Heraeus Holding GmbH was a major undertaking, what is its strategic significance?

A6 **Dental materials have been positioned as the pillar of focus in the healthcare materials field as a part of efforts to transform the business portfolio. This acquisition was undertaken to strategically strengthen this portfolio.**



With 25 bases in 24 countries, Heraeus Kulzer is the world's sixth largest dental materials business. Due to demographic aging worldwide, the dental materials market is expected to experience stable annual growth of around 6% to 7%. While Europe and the United States now account for about 75% of the market, the Asian market is forecast to grow rapidly.

Through the subsidiary Sun Medical Co., Ltd., we have been involved in the dental materials business for more than 30 years, primarily in Japan, and this acquisition will enable us to now expand globally.

Recently, the market for computer-aided design/computer aided manufacturing (CAD/CAM) systems that manufacture dentures using three-dimensional tooth-shape data is rapidly expanding. Heraeus Kulzer is already involved in the CAD/CAM field, and in order to bolster further growth, we have acquired Dentca, Inc., which employs cutting-edge CAD/CAM technology to produce high-quality dentures.

We will quickly realize synergistic effects, such as the development of new products that draw on our polymer technology expertise, which will lead to greater business growth. In fiscal 2015, we anticipate operating income of €50 million.



Signing ceremony with Heraeus Holdings

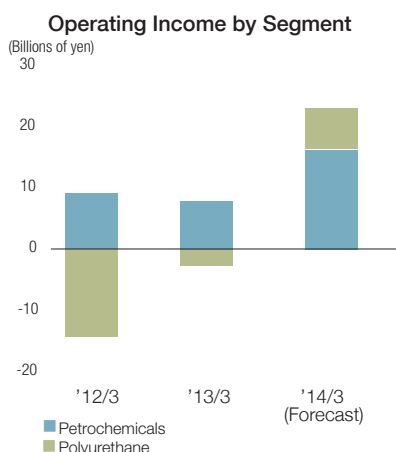


Signing ceremony with Dentca

Q7 What progress and results have been achieved by structurally reforming large-scale, low-profit businesses?

A7 We are seeing steady results from structural reforms in the domestic petrochemicals business and polyurethane materials business, and the business structures of both have stabilized.

We realize that the restoration of profits in the Basic Chemicals segment, which suffered a significant profit decline, is our most urgent challenge. With our eye on various options, we are making every possible effort to realize structural reforms.



Petrochemicals

Prior to the launch of the 2011 Mid-Term Business Plan, we shifted from commodities to high-value-added derivatives. While making capital investments aimed at globally expanding sales of PP compounds, EVOLUE™, and other products targeted for strategic strengthening, we shut down our commodity facilities. These efforts allowed us to create a system capable of increasing earnings on a stable basis. To address the restructuring of the ethylene center production capacity, which is expected to exceed existing needs, the Company utilized the limited liability partnership (LLP) that it established in the Chiba region with Idemitsu Kosan Co., Ltd. to optimize production. At the same time, we took a giant step forward by deciding to separate from Keiyo Ethylene. (Please refer to Review of Operations on page 40.)

Making every possible effort to further improve profitability, the Company will push through painful reforms.

Polyurethane

In addition to our steady, ongoing cost-cutting efforts, we concluded a licensing agreement with Saudi Basic Industries Corporation (SABIC) and carried out business restructuring, recording an impairment loss in fiscal 2011. We attempted to return to the black in fiscal 2013 through stable growth of highly functional products such as coatings and adhesives. (Please refer to Review of Operations on page 38.)

Basic chemicals

In the phenols and purified terephthalic acid (PTA) business, the adverse business environment is expected to continue for some time. Not only will we thoroughly reduce costs, we will implement drastic restructuring measures including the possible of alliances with other companies in order to quickly produce material results with an eye to restoring profits. (Please refer to Review of Operations on page 39.)

Q8 Is the ethylene center-related restructuring in Japan coming to a close?

A8 I think we still have a ways to go.

Following the Great East Japan Earthquake, the level of general product imports rose and has remained somewhat steady; however, the business environment surrounding domestic ethylene manufacturing is worsening due in part to the overseas relocation of production bases for downstream products. Since it appears that 30% of domestic ethylene supply capacity is surplus, we need to reduce annual production to about 5 million tons. Not only must we further reinforce our limited liability partnership with Idemitsu Kosan, we must continue to work on restructuring in Japan through a regional partnership in order to efficiently produce ethylene on a scale suitable to the nation's needs.

Q9 What are your thoughts on the impact of U.S.-produced shale gas?

A9 **On one hand I think it's a threat, but on the other hand I see it as a new business opportunity.**

The likelihood of global price decreases for commodity ethylene derivatives is high. We are decisively shifting from less competitive commodity products to high-value-added products and considering the possible shutdown of additional facilities. In addition, the production of aroma raw materials is declining, leading to a sharp rise in the price of benzene, the raw material of phenol, and other chemicals. Moreover, as we need to secure competitive raw materials in order to stabilize the phenol business, we are pursuing the Nghi Son Refinery & Petrochemical Complex Construction Project with Idemitsu Kosan and others.

On the other hand, we think that utilizing U.S. shale gas will present opportunities to expand our high-value-added polymers business, our specialty, in the United States. We are now focused on marketing such polymers.

Investment Policy and Financial Position

Q10 Despite the harsh business environment, you announced a major investment. Could you explain your investment policy and financial position?

A10 **In light of the business environment, we lowered our total investment by 30%. However, for the longer term, our policy of aggressively investing in promising growth businesses will remain unchanged.**

Although we lowered our budget for investments, including M&A, for the duration of the 2011 Mid-Term Business Plan from ¥350.0 billion to ¥250.0 billion, our acquisition of the dental materials business Heraeus Kulzer was in line with the plan's overarching goals. We will continue to not only invest for growth, but also to sustain our business by investing in facilities maintenance.

When making investments, we will carefully screen them while maintaining a balanced financial position with regard to debt-equity ratio criteria. Recently, our financial position was battered by a major investment, but we believe that the benefits from growth investments will increase from fiscal 2014, improving our position.

We are targeting a dividend payout of at least 25% and a DOE of 2% or more (on a consolidated basis), and, with a basic policy of stable distribution, we expect to maintain an annual dividend of ¥6 per share.

Q11 **Corporate Governance**
What is your basic approach to corporate governance?

A11 **The Mitsui Chemicals Group will continue to be a corporate group that is trusted by its stakeholders, including shareholders, customers, the local community, and others. We believe that the enhancement of corporate governance is one of the most important management challenges we face in fulfilling our corporate social responsibilities.**

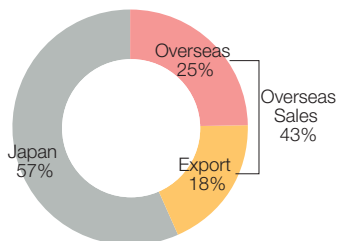
At Board of Directors' meetings we engage in substantive discussions and spirited exchanges of views with outside directors and outside auditors that help ensure the effectiveness of corporate governance and management transparency. In addition, we organize the setting up of various committees and the appointment of outside directors. (Please refer to Corporate Governance on page 44)

Q12

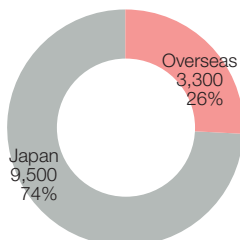
Core Values

The Company established new core values. What does this mean?

Sales composition in fiscal 2012



Employee composition



A12

Mitsui Chemicals will aggressively expand overseas with the target of becoming a “Chemical company with a global presence,” one of the ideals articulated in the 2011 Mid-Term Business Plan. “Core Values” refers to a set of basic tenets that act as a force to unite the minds of employees working in every part of the world and encourages them to work together.

These are values that support everything we stand for, including the Mitsui Chemical Group’s Corporate Mission and Action Guidelines.

Our Core Values

Challenge, Diversity, One Team

The Company has expanded overseas by shifting from an export-driven business model to a model in which production is located at or near the point of consumption. This entails the establishment of production bases at sites around the world in collaboration with influential overseas partners. As a result, overseas sales are increasing steadily even with the high yen and 26% of our workforce is now overseas. The number of foreign national employees is also increasing due to mergers and acquisitions (M&A). Disseminating our core values throughout the Group, we will unify our purpose and move toward global growth.

(Please refer to inside front cover.)

Q13

Management Targets for Fiscal 2013

What is the outlook for the economic environment and what are your management policies for fiscal 2013?

A13

Fiscal 2013, the final year of the 2011 Mid-Term Business Plan, is viewed as a pivotal year for management to produce aggressive results.

Despite the continuing economic slowdown in China, the global economy appears to be headed toward a modest recovery in the second half of fiscal 2013 mainly due to economic expansion in the United States and the easing of fiscal austerity in Europe. Furthermore, with the ongoing depreciation of the yen, rising stock prices, monetary easing, fiscal policies, and other factors, Japan’s economy is expected to gradually get back on track to recovery. We also expect the growing momentum of Great East Japan Earthquake-related reconstruction demand and a last-minute demand spike before the consumption tax increase takes effect to spur economic growth.

Recognizing the environmental conditions we are under, we view fiscal 2013 as a pivotal year for management to produce aggressive results. By getting past investments to contribute to the steady increase of earnings and taking various steps to effect drastic structural reforms in low-profit businesses, we will accelerate transformations in our business portfolio and speed up our earnings recovery.

July 2013

$\frac{20}{70}$

$\frac{20}{50}$

$\frac{20}{40}$



Driving Sustainable Global Growth



Special Feature: Global Development of Priority Businesses under the 2011 Mid-Term Business Plan

The Mitsui Chemicals Group is working diligently to transform its business portfolio. At the same time, the Group will concentrate management resources in key areas from fiscal 2012 in a bid to accelerate the implementation of its 5-5-5 strategy, which aims to enhance the Group's standing as a chemical company on the world stage.

In this special feature, we focus on our efforts to develop the Group's global businesses in such priority fields as: ophthalmic lens materials in healthcare area, where our efforts epitomize our endeavors to transform our business portfolio; automotive materials, in which we strive to apply technological know-how to address customer needs; and food packaging materials, where we are aiming to expand our operations in Asia.

Special Feature: Global Development of Priority Businesses under the 2011 Mid-Term Business Plan

Focus 1. Healthcare

Expanding the Plastic Ophthalmic Lens Materials Business

With the aging of society in most developed countries and prolonged economic growth across developing nations, the need for more diverse and varied healthcare products has steadily increased in line with growing interest in maintaining health. Against this backdrop, and in a bid to transform its business portfolio, Mitsui Chemicals has decided to focus the allocation of management resources on the healthcare materials field, which includes nonwoven fabrics as well as dental, ophthalmic lens, and other materials, as one of the core pillars of future growth.

Having identified ophthalmic lens materials as one of the five world-leading businesses to be pursued under the Company's 2011 Mid-Term Business Plan, Mitsui Chemicals has continued to proactively pursue global development in this area. In high refractive index lens materials, a field of particular strength, Mitsui Chemicals' MR™ series continues to receive wide acclaim and has secured a position as the global de facto standard.

Looking ahead, the Company will forge an increased presence as the worldwide leader in materials for ophthalmic lenses.

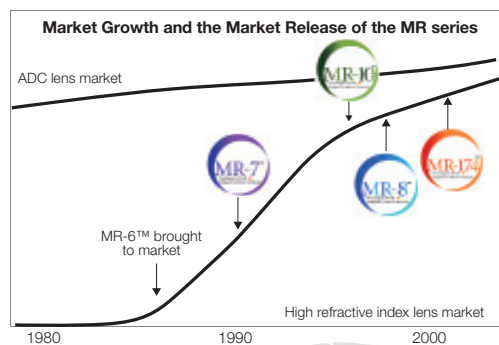


Growth in the High Refractive Index Plastic Ophthalmic Lens Market

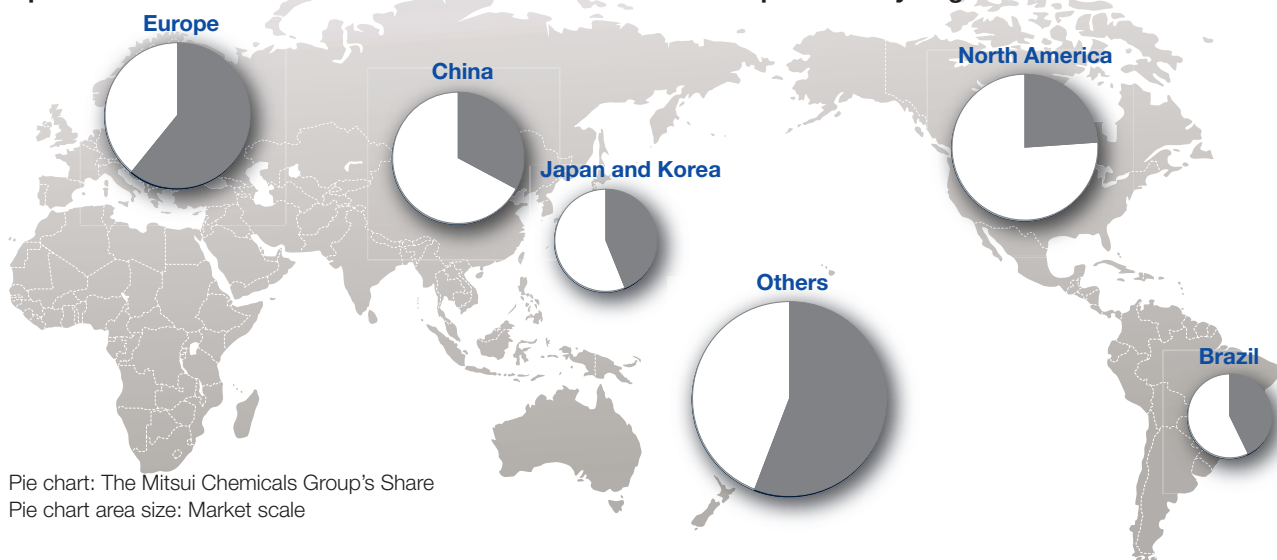
In the United States, plastic ophthalmic lenses had gained wide acceptance as early as the 1980s. In Japan, however, glass lenses were the norm for much longer. Once introduced, they rapidly gained popularity and, along with this increase in demand, came robust demand for lenses that were lighter and thinner than those made of allyl diglycol carbonate (ADC), the material most commonly available at the time. Against this backdrop, active steps were taken to develop high refractive index ophthalmic lens materials.

In 1987, Mitsui Chemicals introduced the world's first thiourethane material, MR-6™, as an alternative to ADC. MR-6™ was widely appreciated not only because it was thin and lightweight, but also because it enabled superior clarity of vision as well as safety thanks to its resilience to shock, a peculiar characteristic of thiourethane materials. Thereafter, the MR™ series was progressively introduced to the market in line with demand growth. Currently, this series boasts the overwhelming top share of the markets for high refractive index lenses, both in Japan and overseas.

In developing countries, particularly China, low and medium refractive index lenses dominate the markets. Looking ahead, demand expansion is expected to trigger a shift to high refractive index lenses.



Ophthalmic Lens Market Scale and the Mitsui Chemicals Group's Share by Region



Strategies for Expanding the Plastic Ophthalmic Lens Materials Business

Under its 2011 Mid-Term Business Plan, Mitsui Chemicals seeks to boost global sales of products in the high refractive index lens field, an area of considerable expertise. At the same time, the Company is taking bold initiatives in its efforts to promote global business development through methods that include M&As, such as the acquisition of U.S.-based SDC Technologies, Inc. in 2008, Switzerland-based ACOMON AG in 2011, and Korea-based KOC Solution Co., Ltd. in February 2013.

Individual Company Strengths and Positioning



The Effect of M&As on Business Expansion

- Product lineup expansion
- Capture higher share of the low and middle refractive index lens field volume zone market
- Sales expansion utilizing each company's production and sales networks
- Development of coating materials suitable for base lens materials

**Capable of providing total solutions that include coating materials;
bolstering our presence and standing as the global leader in plastic ophthalmic materials**

The MR™ Series Recognized as the Global De Facto Standard

Drawing on Innovative Thiourethane Technologies to Develop MR™

Mitsui Chemicals began research into materials for high refractive index ophthalmic lenses at its two R&D centers in Ofuna and Omuta in 1982. At Ofuna, the Company drew on its technological experience for the base of its research, employing conventional methods involving aromatic rings and halogen atoms to achieve its goals. In contrast, at Omuta the Company looked to explore the potential of unique technologies and shied away from existing methodologies. The Company studied the application of sulfur atoms, which at that stage were attracting little attention although their efficacy in the area of high refractive index materials was common knowledge at that time. Moving forward, Mitsui Chemicals worked to combine the results of these efforts with the platform polyurethane technology of Omuta. The fruit of these endeavors was a unique thiourethane technology and led to eventual release of the current MR™ series.

After much trial and error, the first product, MR-6™ was finally created in 1986.

Since entering the Company, I have been involved in the development of this product and technology both directly and

indirectly. During this period, I have witnessed numerous memorable experiences, not the least of which was the surprise and joy of lens makers when the MR-6™ was first introduced. While there were a number of occasions when development seemed to meet an impasse, at each point energies were channeled toward collaborating with customers as a part of all-out efforts to resolve each issue until MR-6™

was launched. Every one of these experiences has been extremely valuable and collectively they have proved a well-spring for ongoing materials development.

Working in partnership with customers, we will continue to meet the needs of customers by developing innovative materials.



Yoshinobu Kanemura
Developer of MR™
General Manager,
Synthetic Chemicals Laboratory

Focus 2. Automotive Materials

Global Development of the Automotive Materials Business

Global automobile production is expected to increase at an annual rate of 5%.

The average automobile contains around 30,000 component parts. Against this backdrop, the use of parts made from resins is gaining widespread acceptance, reflecting rising demand for lightness and improved recyclability. At the same time, the market is focusing increasingly on component parts that help enhance performance and functionality.

Mitsui Chemicals Group provides a wide array of automotive materials that not only meet these needs, but also adhere to the highest global standards for quality. Taking full advantage of its experience and technology, the Group will further pursue high added value while accelerating the pace of global business development.

Automotive Materials Lineup

In addition to low environmental load and lightness, society's future needs with respect to automobiles are expected to include innovative design and high performance. Mitsui Chemicals Group possesses a substantial portfolio of functional products that address these wide-ranging needs. Looking ahead, the Group will continue to contribute to enhanced performance and functionality.

PP compounds

PRIME POLYPRO™ TAFMER™

- Lightweight
- Impact resistant



Global No. 2, Asia No. 1
(as a PP compound)

Bumpers

Synthetic rubber/Ethylene-propylene-diene terpolymer

Mitsui EPT™

- Easy to process
- Weather and heat resistant



Global No. 4, Asia No. 1

Door sealing

Olefin thermoplastic elastomer

MILASTOMER™

- Recyclable
- Low density·lightweight



Global No. 3, Asia No. 1

Automobile interiors

Adhesive polyolefin elastomer

ADMER™

- Realization of resin fuel tanks composed of multiple layers



Global No. 1

Fuel tanks

Thermoplastic polyimide resin alternative to metals

AURUM™

- High-temperature dimensional stability and rigidity
- Sliding property



Only 1

Sealing

Polyurethane coating resins

TAKENATE™ TAKELAC™

- Weather and friction resistant



Exterior paints

Lightweight seat cushion / polyurethane system

ACTFLEX™

- Low density, down-gauge, lightweight cushion



Seats

Integrated metal/resin parts

Under development

(Joint development with Taiseiplas Co., Ltd.)

- Strength similar to iron but with one-third the weight

Start providing of sample in FY2013

Seat frame

Overseas Production Bases—Putting in Place and Strengthening Production Bases around the World while Working to Establish a Global Supply Structure at an Accelerated Pace

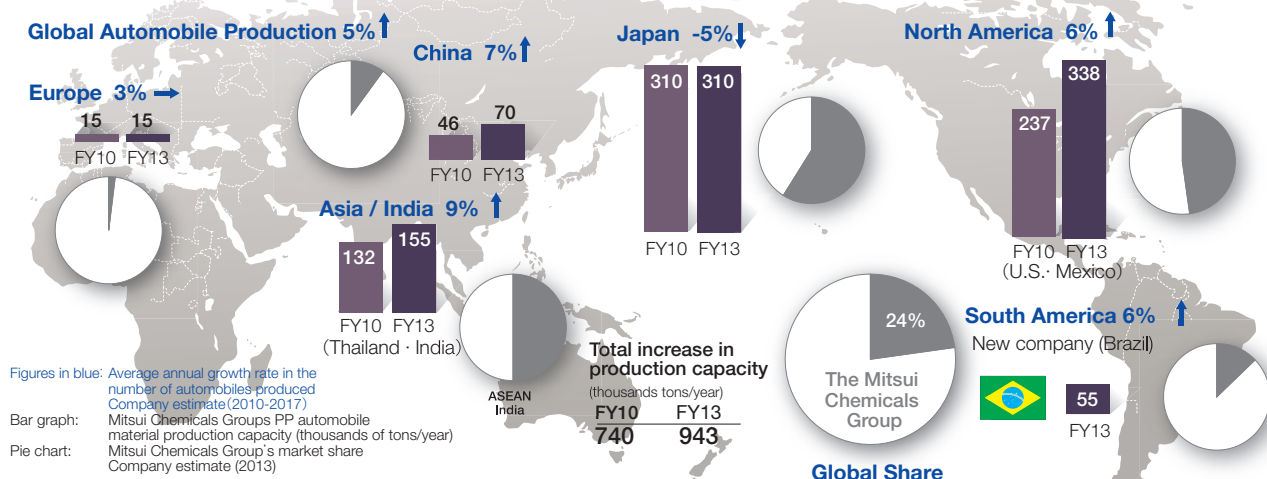
- **PP compounds:** Made positive steps toward increasing production capacity—North America (February 2011, May 2012, 2013 planned), Thailand (November 2012); Brazil (Acquired Produmaster Indústria e Comércio Ltda. in May 2012)
- **TAFMER™:** Transferred head office functions to Mitsui Elastomers Singapore Pte. Ltd. (April 2011)
- **Mitsui EPT™:** Established Shanghai Sinopec Mitsui Elastomers Co., Ltd., a joint venture with Sinopec (May 2012; operations scheduled to commence in 2014)
- **ADMER™ and MILASTOMER™:** Established Mitsui Chemicals Functional Composites (Shanghai) Co., Ltd. (November 2012; operations scheduled to commence in 2014); Existing facilities: the United States, Germany
- **Polyurethane system:** Commenced operations at Foshan Mitsui Chemicals Polyurethane Co., Ltd. (May 2011); Established a system house networks composing of six bases in Asia

Global Development of the PP Compound Business

Mainly targeting the automobile sector, Mitsui Chemicals' PP compound business accounts for approximately 60%, the top market share, of PP compound sales to Japanese automobile manufacturers and ranks second globally. PP compounds have been identified as one of the five world-leading businesses under the 2011 Mid-Term Business Plan. Against this backdrop, Mitsui Chemicals is looking to expand its production capacity at locations that lie in close proximity to customers. Currently, the Group maintains eight automotive PP compound production bases worldwide and is working to put in place a global supply structure that is capable of delivering high-quality materials.

To secure the top global market position, Mitsui Chemicals Group is aiming to increase its market share among non-Japanese automobile manufacturers. The Group already boasts a share of around 30% of sales to major U.S.-based manufacturers in North America and will leverage this channel to expand its market share in South America and Europe. Mitsui Chemicals has identified its ability to boost sales to European-based automobile manufacturers as a key issue. Harnessing the potential of Produmaster Indústria e Comércio Ltda., established in Brazil in 2012, the Group will make every effort to secure the top share of sales in South America, where European automobile manufacturers maintain a substantial presence. Utilizing this as a stepping stone, Mitsui Chemicals Group will then move toward expanding sales to bases in Europe and China.

Mitsui Chemicals' PP Automotive Materials Market Share and Plans to Expand Production Capacity



2012 GM Supplier of the Year Award

Advanced Composites, Inc., a Mitsui Chemicals subsidiary in the United States, received the 2012 GM Supplier of the Year Award from U.S.-based General Motors Company (GM). In presenting the award, a senior GM executive commented "Advanced Composites helped play a critical role in GM's success in 2012 through their dedication and commitment to consistently exceed our expectations by being innovative, delivering high quality products and services on time and by creating outstanding value. We are thrilled to recognize Advanced Composites, who we consider to be a world-class supplier."



Sharing Strategies and Securing the Top Ranking in South America in the Quest to Become the World Leader

In terms of production, Brazil's automobile industry currently ranks fourth in the world and is experiencing high rates of growth. European and U.S. manufacturers' operations in Brazil account for around 80% of this production. Currently, the market is seeing a continuous stream of plant construction and planning.

Produmaster Indústria e Comércio boasts a proven PP compound business track record backed by more than a decade of experience supplying major European and U.S. automobile manufacturers. To seize opportunities brought about by further economic growth in Brazil, we expect to be able to leverage this track record and experience coupled with the technologies of the Mitsui Chemicals Group to increase the Group's presence South America.

In fiscal 2012, Mitsui Chemicals completed facility improvements that enabled the Group to address the international standard materials production requirements of Japanese,

European, and U.S. manufacturers. The Group has now put in place a structure to further expand sales. With an eye to planned full-fledged global market entry targeting Japanese, European, and U.S. manufacturers in fiscal 2014, construction of an international standard materials production structure is currently under way.

In sharing the Mitsui Chemicals Group's strategies, every effort will be made to secure the top global position with business partners.



Vicente Eudes de Freitas
 President,
 Produmaster Advanced
 Composites Indústria e Comércio
 de Compostos Plásticos Ltda.

Focus 3. Food Packaging

Promoting the Development of Highly Functional Food Packaging Materials in Asia

Standards of living are steadily improving throughout Asia, which continues to experience population growth and marked economic expansion. Against this backdrop, the market for highly functional packaging materials that are capable of alleviating environmental load while enhancing convenience is projected to expand. In particular, the need for highly functional packaging materials that contribute to improved food safety and reliability is anticipated to witness a robust upswing.

The Mitsui Chemicals Group's T.U.X™, which utilizes EVOLUE™ as a raw material, is attracting wide acclaim as a highly functional sealant film for food packaging. EVOLUE™ is positioned as one of our five world-leading businesses and is one of the Company's high-value-added polymers developed drawing on proprietary technologies. Moving forward, the Mitsui Chemicals Group will accelerate the pace of T.U.X™ development in overseas markets together with its full lineup of highly functional packaging materials. In this manner, the Group will contribute to the improvement of highly functional packaging in Asian markets.



Shifts in the Packaging Materials Market and Efforts to Enter Asia

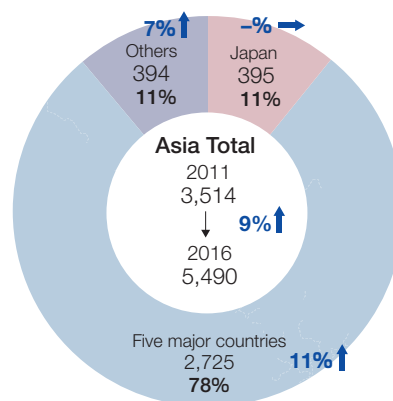
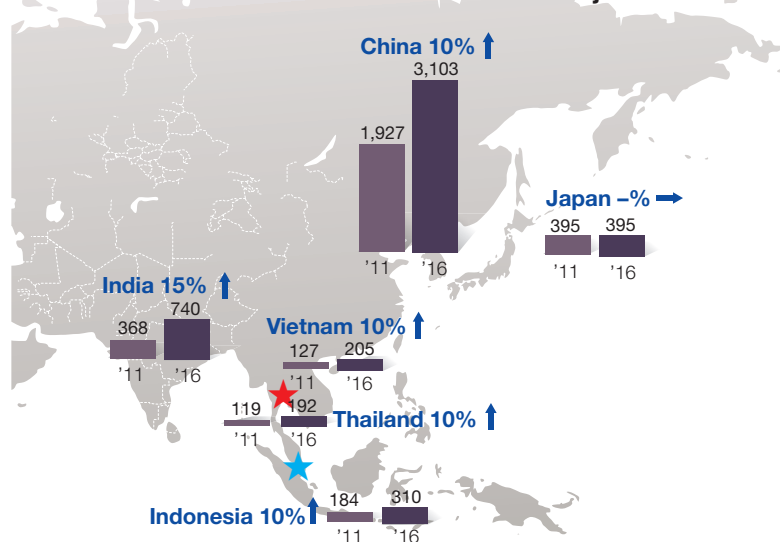
Compared with Japan, where awareness about packaging materials, especially safety and user-friendliness in the area of food packaging, is particularly acute, demand for highly functional materials has not been high yet elsewhere in the world, most notably in Asia. As a result, growth in the highly functional packaging material industry has largely been fueled by Japanese demand.

However, along with the improvement in living standards throughout Asia in recent years, particularly in China, India, and Indonesia, which are enjoying growth as consumer markets, as well as Thailand and Vietnam, which are developing as export bases for processed foods, the market for packaging substrate films is forecast to expand at around 10% per year. Moreover, demand for sealant films is anticipated to experience an approximately twofold increase compared with substrate films.

In addition, there are expectations that demand for highly functional packaging materials in Asia will come to rival that of Japan as Japanese convenience stores and supermarkets venture further into Asian markets and food manufacturers shift more of their operations overseas.

Getting the jump on its competitors, Mitsui Chemicals decided to establish production bases for its highly functional sealant film T.U.X™ and the raw material EVOLUE™ in Asia.

Outlook for Substrate Film Market Growth in Major Asian Countries



Blue data: Average annual rate of growth (2011-2016)
Graph: Demand for packaging substrate films (thousands of tons per year)
(Polypropylene, PET, nylon-based biaxially oriented film total)
Source: Japan Comprehensive Economic Research Center, Ltd.

★T.U.X™: Siam Tohcello Co., Ltd. (Established in Thailand: April 2012; scheduled to come online in 2014)
★EVOLUE™: Prime Evolve Singapore Pte. Ltd. (Established in Singapore: October 2012; scheduled to come online in 2014)

The Highly Functional Sealant Film T.U.X™ and Its Principal Raw Material EVOLUE™

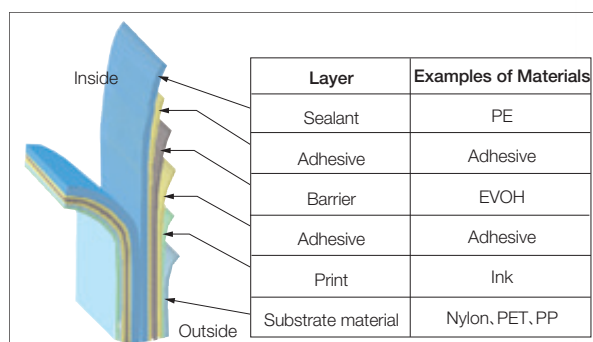
EVOLUE™ is produced using proprietary metallocene catalytic technologies and processing technologies and boasts an approximately 60% share of the market as a highly functional sealant. It is also a principal raw material of the sealant film T.U.X™.

T.U.X™ is widely used as a sealant film for a broad range of food packaging, including liquid packaging and heavy duty bags. This clearly reflects its high strength, low odor, and extraordinary heat sealing properties. In addition, as a film that is well suited to down-gauged packaging, facilitates processing, and reduces production loss, T.U.X™ is helping customers improve their productivity.

The Requirements of Highly Functional Packaging and the Company's Product Lineup

Highly functional packaging fulfills the need for improved performance by combining functional materials in a multilayered structure. Mitsui Chemicals delivers a variety of materials that help realize improved performance through its multilayered films produced using proprietary layer design and processing technologies.

- **Highly functional sealant: EVOLUE™ and T.U.X™**
Tough, low odor, heat-sealing strength, etc.
- **Resin modifier: TAFMER™**
Contributes to high-speed packaging (Low temperature heat-sealability)
Enhanced impact resistance
Facilitates easy opening (Heat-seal strength control), etc.
- **Adhesive resin: ADMER™**
Multilayered structure of functional materials through co-extrusion processing
- **Adhesive: TAKENATE™ and TAKELAC™**
Multilayered structure of functional materials through adhesive lamination processing



Food Packaging Film Material Performance Requirements

	Required Performance	Representative Properties
Film production	Enhanced productivity; Reduced production loss Reduced environmental load	Offers outstanding processing suitability Facilitates down-gauged packaging
Food-packaging processing	Assured food safety and reliability Enhanced productivity; High-speed packaging	Tough; Low odor; Excellent sealing performance, Heat sealability Low-temperature heatsealability
Retailers	Improved food preservation Attractive appearance	High impact strength; Outstanding barrier properties; Cold resistance Excellent transparency and gloss; Printing suitability
Consumers	Ease of use; Convenience	Easy-cut; Easy-open; Excellent heat resistance for reheating

Promoting Synergetic Market Development and Sales Thrust in the Asia-Pacific Region

Providing the Value of "Packaging Solutions" to Customers

Mitsui Chemicals Asia Pacific, Ltd. is redoubling its efforts to foster the food packaging materials market throughout its regional operations, targeting Japanese companies, global companies such as European or U.S.-based companies, and local companies.

"Value Creation" is the core of the Mitsui Chemicals Group's business activities. Accordingly, the Group strives wholeheartedly to apply its products, knowledge, experience, and technologies to meeting the needs of customers. The Group is promoting a regional strategy involving a market-oriented marketing model that crosses conventional business division boundaries. Steps have been taken to put in place technical support centers under the umbrella of a newly established cross-divisional Sales & Marketing Center (SMC).

Beginning with Indonesia, we have now appointed local marketing staff in each priority country. This is one example

of how we are acting to place particular emphasis on uncovering fresh local needs.

Playing a central role, the SMC is promoting collaboration among local staff, various divisions, intraregional affiliates, regional headquarters, and the production bases of each country. The Mitsui Chemicals Group is committed to bolstering its presence in the Asia Pacific region by continuously providing value that helps resolve customer needs, which is the purpose of our packaging solutions.



Yasushi Nawa
President,
Mitsui Chemicals Asia Pacific

Business and Products

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; nonwoven fabrics for use as hygiene materials that harness the Group's spinning technology and product design strengths; and insecticides, fungicides, and herbicides designed to help stabilize environmentally friendly agricultural production.

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.

Polyurethane

Our Polyurethane Segment develops, manufactures, and sells polyurethane materials as well as coatings and engineering materials. Our polyurethane operations are founded on integrated production, from the basic materials TDI, MDI, and PPG through to polyurethane derivatives, and the unique technologies that we have developed as a comprehensive polyurethane manufacturer. We also provide products that deliver outstanding functionality at low cost. In this segment, the Company is promoting a broad lineup that encompasses non-polyurethane products in the coating material, adhesive material, and other fields as a part of efforts to expand operations in the growing Asian market.

Basic Chemicals

Our Basic Chemicals Segment primarily manufactures and sells phenols, purified terephthalic acid (PTA), PET resin, and industrial chemicals. These 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.

Petrochemicals

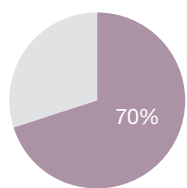
Our Petrochemicals Segment primarily manufactures and sells petrochemical feedstocks, polyethylene, and polypropylene. Products cover a range of materials that play a key role in our everyday lives, from vehicles to food packaging. In addition to remaining at the forefront of the domestic market, by 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.

Films and Sheets

Our Films and Sheets Segment develops, manufactures, and sells films and sheets that serve a variety of packaging, protection, release, and adhesive purposes across numerous industries encompassing the food, daily commodities, electronics, environment, and energy fields. While working to enhance product quality and functionality, we endeavor to reduce the consumption of resources and take into consideration environmental concerns across the manufacturing process as well as in distribution. Every effort is made to promote technological innovation and cost competitiveness throughout the entire process from basic resins to films and sheets while providing products with recognized value.

* 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

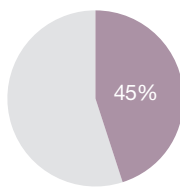


Asian Market Share (FY2012)

SYNTEX™
(Share as functional spunbonded nonwoven hygiene fabrics)

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

*FY2010-15



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	

*FY2011-18

Functional Chemicals



Market Share (FY2012)

TAFMER™

Market Share	Projected Market Growth Rate*
Global No.1	8%
Asia No.1	10%
Japan No.1	

*FY2010-18



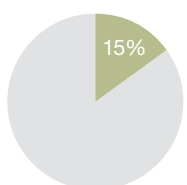
Market Share (FY2012)

ADMER™

Market Share	Projected Market Growth Rate*
Global No.1	5%
Asia No.1	8%
Japan No.1	3%

*FY2010-15

Functional Polymeric Materials

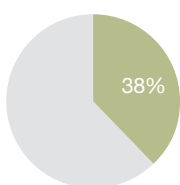


Asian Market Share (FY2012)

Polyurethane System House

Market Share	Market Growth Rate*
Asia No.3	8%
Japan No.1	1%

*FY2012



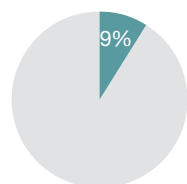
ASEAN Market Share (FY2012)

TAKELAC™ / TAKENATE™
(Share as polyurethane adhesive for soft packaging)

Market Share	Market Growth Rate*
ASEAN No.1	10%
Japan No.2	1%

*FY2012

Polyurethane

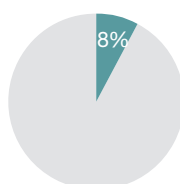


Global Supply Capacity (FY2012)

Phenol

Supply Capacity	Projected Market Growth Rate*
Global No.2	4%
Asia No.1	7%
Japan No.1	

*FY2013



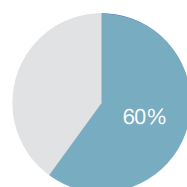
Global Supply Capacity (FY2012)

Bisphenol A

Supply Capacity	Projected Market Growth Rate*
Global No.3	5%
Asia No.1	6%
Japan No.1	

*FY2013

Basic Chemicals

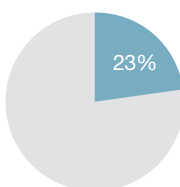


Asian Market Share (FY2012)

EVOLUE™
(Share as highly-functional sealant)

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

*FY2012-18



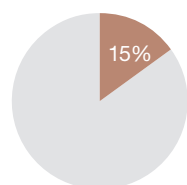
Global Market Share (FY2012)

PP Compounds

Market Share	Projected Market Growth Rate*
Global No.2	4%
Asia No.1	
Japan No.1	

*FY2012-17

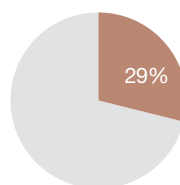
Petrochemicals



Global Market Share (FY2012)

SOLAR EVA™
(Encapsulant sheet for solar cells)

Market Share
Global No.4 or above



Japanese Market Share (FY2012)

T.U.X.™
(Share as highly-functional sealant)

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

*FY2013-15

Films and Sheets

Source: Mitsui Chemicals' estimates

FY20xx indicates the fiscal year starting from April 1, 20xx and ending as of March 31, 20xx + 1

Net Sales

Operating Income (Loss)



Net Sales

(Factors Resulting in a YoY Increase/Decrease)

Net sales increased on the back of an upswing in overseas demand for ophthalmic lens monomers and agrochemicals. In addition, hygienic nonwoven fabric sales grew largely due to prolonged robust demand for disposable diapers.

Functional Chemicals

Operating Income

(Factors Resulting in a YoY Increase/Decrease)

Results benefitted from the steady increase in sales of such health-care-related products such as ophthalmic lens monomers and hygienic nonwoven fabrics that are relatively resilient to changes in economic conditions. Moreover, operating income increased due to the added fixed cost reduction benefit effects of a change in depreciation method.

Functional Polymeric Materials

Elastomer sales increased. Despite the negative impact on results attributable to such factors as weaker rates of economic growth in China, this improvement in performance largely reflected higher overall sales owing mainly to the development of new applications and successful efforts to secure an increased share of the market.

Despite the sharp rise in raw material prices, operating income increased due mainly to the growth in sales of elastomers, successful efforts to reduce costs, and the change in depreciation method.

Polyurethane

Polyurethane materials, and in particular TDI, increased in sales owing mainly to favorable market conditions outside of Japan and the impact of the weak yen. Coating and adhesive materials sales also increased largely on the back of an upswing in sales volumes of such products as resins for automotive use overseas.

TDI operating income increased due to a variety of factors. In addition to the resumption of operations at the Kashima works that had been suspended as a result of the earthquake disaster, the sharp surge in earnings was largely attributable to the recovery in overseas market conditions, which contributed to improved margins, successful cost reduction, and the positive effects of impairment. Operating income from coating and adhesive materials also improved, mainly reflecting increased sales of such as resins for automotive use.

Basic Chemicals

Sales volumes fell substantially and net sales declined. This was largely attributable to the slump in demand in Asia for phenols and PTA as well as the downturn in market conditions. The poor performance was also the result of an accident at the Iwakuni-Ohtake Works, which led to a suspension in the production of PTA and PET resin as well as industrial chemicals.

Demand in Asia for phenols and PTA was weak. The drop in sales of PTA and PET resin as well as industrial chemicals owing to the accident at the Iwakuni-Ohtake Works also placed considerable downward pressure on results. At the same time, the margins in phenols and PTA deteriorated significantly owing to the sharp rise in aromatic raw material prices against the slump in demand. Due to each of these factors, operating income fell dramatically.

Petrochemicals

Sales volumes of polyolefins in Japan declined due mainly to the increase in imports as a result of the weak yen and the decrease in automobile production in Japan. Overall sales, on the other hand, increased on the back of an expanding in overseas sales of PP compounds for automotive use and revisions to the prices of polyolefins and olefins owing to the hike in naphtha prices.

Operating income increased by such positive factors as an expanding in overseas sales of PP compounds for automotive use, successful cost reduction, and a change in the method of depreciation. These positive factors were more than offset, however, by such negative factors as lower sales of polyolefins in Japan, the hike in raw material prices, and the impact of an accident at the Iwakuni-Ohtake Works. As a result, overall operating income declined.

Films and Sheets

Sales of packaging films declined due mainly to the substantial drop in demand from summer 2012. In addition, sales of SOLAR EVA™ also decreased owing to delays in the recovery of the solar cell encapsulant material market and the drop in sales prices.

Operating income declined due mainly to the deterioration in packaging films of trade reflecting hikes in the prices of raw materials and the drop in SOLAR EVA™ sales prices.

	Businesses Segments	Main Products	Main Markets
Functional Chemicals	Health Care Materials	Ophthalmic lens materials, Medical and dental materials	Medical and Healthcare
	Nonwovens	Nonwoven fabrics (SYNTEX™, TAFNEL™), Breathable films, Polyolefin synthetic pulp	Life, Medical and Healthcare, Housing and Construction
	Agrochemicals	Insecticides, Fungicides, Herbicide	Agriculture
	Fine & Performance Chemicals	Acrylamide, Toner binder resin, Semiconductor gas	Life, Information and Communication
	Licensing	Olefin polymerization catalysts	Industrial use
Functional Polymeric Materials	Elastomers	Ethylene-propylene rubber (Mitsui EPT™), Alpha-olefin copolymer (TAFMER™), Liquid polyolefin oligomer (LUCANT™)	Life, Information and Communication, Automotive, Housing and Construction
	Performance Compound	Adhesive polyolefin (ADMER™), Thermoplastic olefin elastomer (MILASTOMER™), Engineering plastics (ARLEN™)	Life, Information and Communication, Automotive
	Performance Polymers	Specialty polyolefins (TPX™, APEL™, HI-ZEX MILLION™), Semiconductor manufacturing material (Mitsui PELLICLE™)	Information and Communication, Automotive
Polyurethane	Polyurethane Materials	Polyurethane raw materials (TDI, MDI, PPG)	Life, Information and Communication, Automotive
	Coatings & Engineering Materials	Polyurethane resins (TAKENATE™, TAKELEC™), Coating resins (U-VAN™, OLESTER™, ALMATEX™), Wax (Hi-WAX™), Sealants for LCDs (LC STRUCTBOND™)	Life, Information and Communication, Automotive, Housing and Construction
Basic Chemicals	Phenols	Phenol, Bisphenol A, Epoxy resin, Acetone, Methyl isobutyl ketone (MIBK), Isopropylalcohol	Information and Communication, Automotive, Housing and Construction
	PTA-PET	Purified terephthalic acid (PTA), PET resin	Life
	Industrial Chemicals	Ethylene oxide, Ethylene glycol, Hydroquinone, Methyl methacrylate (MMA), Meta/Para-cresol, Ammonia, Urea, Melamine	Industrial use, Life, Information and Communication, Automotive
Petrochemicals	Petrochemical Feedstocks	Ethylene, Propylene	Industrial use
	Polyolefins	Linear low density polyethylene (EVOLUE™), High density polyethylene, Polypropylene, Polypropylene compound	Life, Information and Communication, Automotive, Housing and Construction
Films and Sheets	Packaging Films	Biaxially-oriented polypropylene films, Cast polypropylene films, Linear low-density polyethylene film (T.U.X™)	Life
	Industrial Films	Semiconductor and electronic components manufacturing processes films (Separator SP-PET, ICROS™ TAPE, OPULENT™)	Information and Communication
	Functional Sheets	Foam sheets for logistics and construction (Hi-Sheet™, Happoto™), Encapsulant sheets for solar cells (SOLAR EVA™)	Information and Communication, Automotive, Housing and Construction

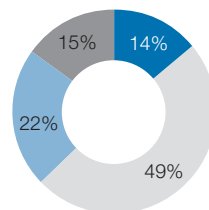
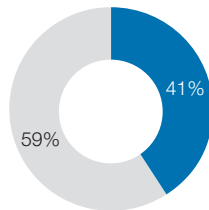
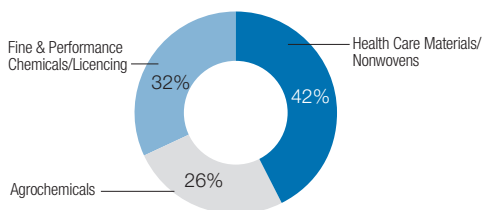
FY2012 Segment Sales

Overseas Sales Ratio

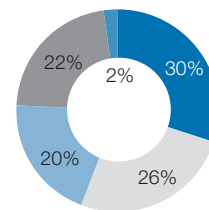
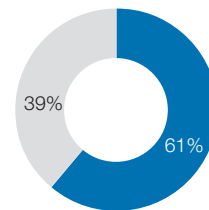
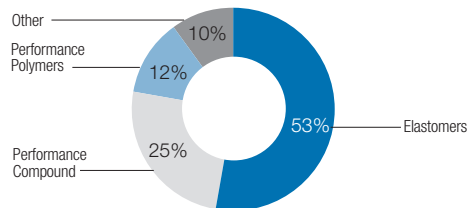
Overseas Sales Breakdown

■ Domestic ■ Overseas

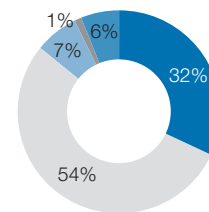
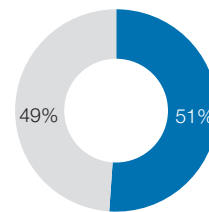
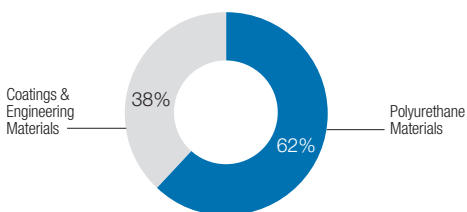
■ China ■ Asia* ■ America ■ Europe ■ Other



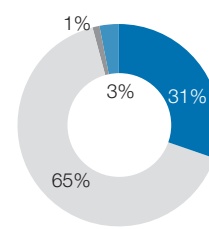
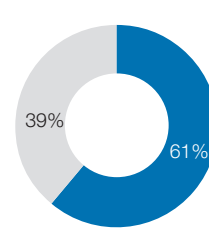
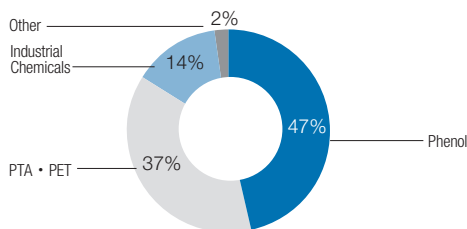
Functional Chemicals



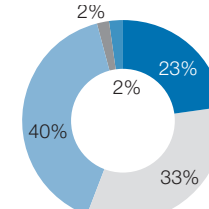
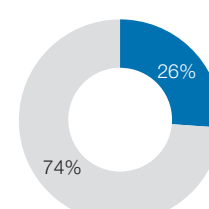
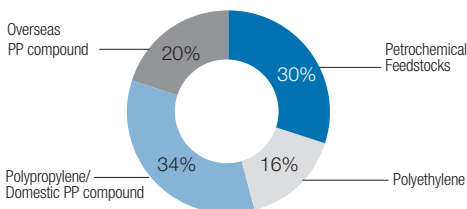
Functional Polymeric Materials



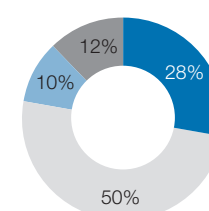
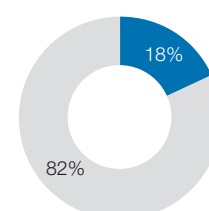
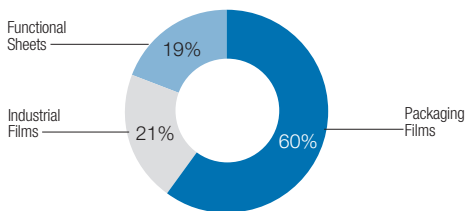
Polyurethane



Basic Chemicals



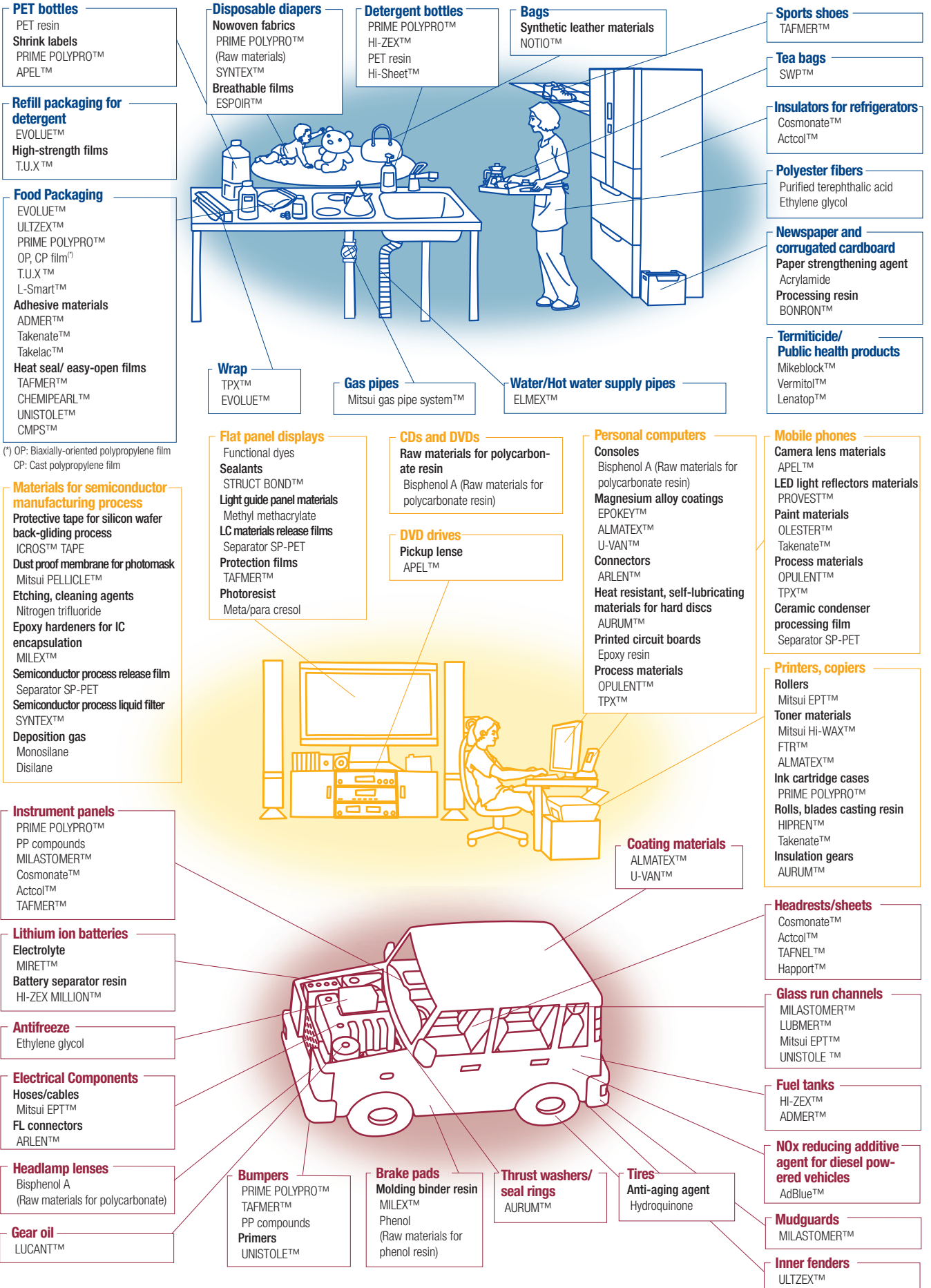
Petrochemicals

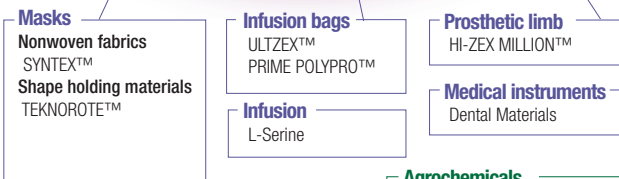
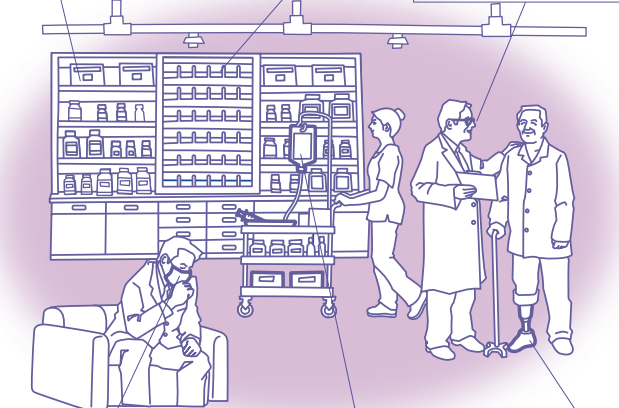
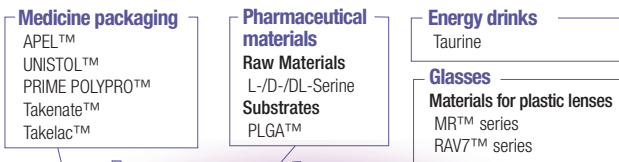
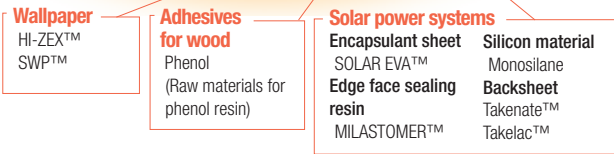
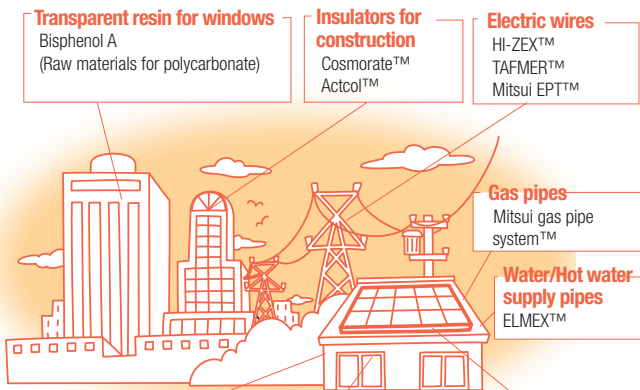


Films and Sheets

*Asia excluding Japan and China

Main Products





Business segment	Products	Business Segment					
		Life	Information and Communication	Automotive	Housing and Construction	Medical and Healthcare	Agriculture
Functional Chemicals	Fine and performance chemicals	Acrylamide					
		ALMATEX™					
		Functional dyes					
		Nitrogen trifluoride					
		Monosilane					
	Healthcare materials	Disilane					
		MR™ series					
		RAV7™ series					
		Taurine					
		L-/D-/DL-serine					
	Nonwoven fabrics	PLGAT™					
		Dental materials					
		SYNTEX™					
		TAFNEL™					
		SWP™					
Agrochemicals	Insecticides	ESPOIR™					
		TEKNOROTE™					
		Fungicides					
		Herbicides					
		Termiticides					
	Other	Mitsuhikari™					
		MIRET™					
		TAFMER™					
		Mitsui EPT™					
		NOTIO™					
Functional Polymeric Materials	Elastomers	LUCANT™					
		MILASTOMER™					
		ADMER™					
		ARLEN™					
		AURUM™					
	Functional compounds	MILEX™					
		PROVEST™					
		TPX™					
		APEL™					
		Mitsui PELLICLE™					
Polyurethane	Polyurethane materials	HI-ZEX MILLION™					
		LUBMER™					
		Mitsui gas pipe system™					
		ELMEX™					
		Cosmonate™					
	Coating materials/Adhesives	Actcol™					
		U-VAN™					
		ALMATEX™					
		OLESTER™					
		EPOKEY™					
Basic Chemicals	Phenol chain	Mitsui HI-WAX™					
		BONRON™					
		CHEMPEARL™					
		UNISTOLE™					
		Takelac™					
	PTA/PET	Takenate™					
		Hipren™					
		FTR™					
		STRUCT BOND™					
		Phenol					
Industrial chemicals	Epoxy resin	Bisphenol A					
		Purified terephthalic acid					
		PET resin					
		AdBlue™					
		Hydroquinone					
	Ethylene glycol	Methyl methacrylate					
		Meta/para-cresol					
		Urea					
		EVOLUE™					
		HI-ZEX™					
Petrochemicals	Polyethylene	ULTZEX™					
		PRIME POLYPRO™					
		PP compounds					
		OP, CP film					
		L-Smart™					
	Polypropylene	T.U.X™					
		CMPS™					
		ICROS™ TAPE					
		OPULENT™					
		Separator SP-PET					
Films & Sheets	Packaging films	HI-Sheet™					
		Happori™					
		SOLAR EVA™					

Review of Operations



2011 Mid-term Business Plan Targets

As a business segment playing a leading role in the Company's transformation, expand global earnings, focusing mainly on health-care, agrochemicals, nonwoven fabrics, and catalysts.

Results

Net Sales

▲ **¥149.6 billion +0.9%**

Operating Income

▲ **¥12.4 billion +6.9%**

Functional Chemicals

Progress in Each Business

- Acquired an equity interest in KOC Solution Co., Ltd., a Korea-based manufacturer of plastic ophthalmic lens monomers (March 2013)
- Established a new company in Tianjin, China (December 2011), to manufacture highly functional nonwoven fabric (commercial operations scheduled for September 2013 with annual production of 15,000 tons); completed expansion of nonwoven fabric production capacity in Japan (commercial operations commenced in June 2012, annual capacity rose to 49,000 tons from 34,000 tons)
- Strengthened agrochemicals overseas business development; brought to market the fungicide Penthiopyrad in the U.S. and Canada in 2012; brought to market the insecticide Dinotefuran in India (July 2012) and China (March 2013)
- Commenced commercial operations at a polypropylene catalyst plant in Korea (April 2013)
- Signed an acrylamide bio-process technology license agreement with Finland's Kemira OYJ (November 2012)
- Agreed to establish a joint-venture company to manufacture and distribute electrolyte solutions with Formosa Plastics Corporation in December 2012
- Acquired the dental business of Heraeus Holding GmbH as a part of efforts to expand the healthcare business (June 2013)
- Acquired Dentca, Inc. as a part of efforts to further expand the dental material business (June 2013)

Expanding the Highly Functional Spunbonded Nonwoven Fabric Business in Asia **5 Priority Businesses**

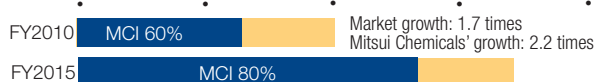
Demand for higher quality products is steadily increasing in Japan's disposable diaper and other hygiene materials market. To meet this demand, the Mitsui Chemicals subsidiary Sunrex Industry Co., Ltd. set up a cutting-edge facility for the production of highly functional nonwoven fabric in June 2012. In addition, Mitsui Chemicals established Mitsui Chemicals Nonwovens (Tianjin) Co., Ltd. as a part of efforts to capture demand in China, which continues to exhibit marked growth. This company is scheduled to commence commercial services in September 2013.

As a result of these initiatives, Mitsui Chemicals will have put in place a tripolar production and sales structure in Asia. Drawing on its capabilities in Japan, Thailand, and China, the Company will boast an annual nonwoven fabric production capacity of 94,000 tons.

Expectations remain high for continued expansion in the disposable diaper markets of East and Southeast Asia. At the same time, demand for high-quality, highly functional nonwoven fabric is projected to increase about 11% per year.

Mitsui Chemicals' strengths lie in its ability to engage in comprehensive production extending from the creation of base resins to final processing, its longstanding R&D capabilities, and its advanced quality management. Drawing on these strengths, the Company has continued to differentiate itself from competitors through the production and sale of highly functional spunbonded nonwoven fabric. Moving forward, Mitsui Chemicals will accelerate to a pace that allows it to harness its strengths while coordinating closely with customers. In this manner, the Company will reinforce its standing as a leading provider of highly functional spunbonded nonwoven fabric in Asia.

The Highly Functional Nonwoven Fabric Market in East and Southeast Asia



(FY2010: ended March 31, 2011)

Pursuing Global Agrochemicals Business Development

5 Priority Businesses

The value of the global agrochemical market is estimated at approximately ¥4 trillion on an annual basis, around ten times the size of the market in Japan. While markets in developed countries remain stagnant, the need to secure stable food supplies is driving an increase in agrochemicals use in developing countries. Annual market growth rates (2011/2010) are now around 20% in South America, and about 16% in Asia and India.

Against this backdrop, Mitsui Chemicals is looking to further bolster its agrochemicals business and is targeting an overseas sales ratio of 50% in 2020, up from the current level of 20%. To this end, the Company is working diligently to strengthen and expand overseas business development.

The mainstay insecticide Dinotefuran is now a widely recognized product used extensively for rice crops in Southeast Asia. Building on the release of this product in India in 2012 and China in 2013, plans are in place to launch Dinotefuran in Brazil in 2015.

Developed in conjunction with E.I. du Pont de Nemours and Company (DuPont), the fungicide Penthiopyrad was registered in the United States and Canada in February 2012. Mitsui Chemicals has commenced the supply of this product to DuPont. Plans are in place to expand sales through the progressive release of Penthiopyrad in countries throughout Europe from 2013. Looking ahead, the Company will enter into successive joint-development arrangements in order to bring next-generation agrochemicals to market.



2011 Mid-term Business Plan Targets

Increase earnings by expanding the scale of the elastomer business in which Mitsui Chemicals boasts a competitive advantage and fostering the functional compound and functional polymer businesses

Results

Net Sales

 **¥134.7 billion +2.1%**

Operating Income

 **¥8.4 billion +3.4%**

Functional Polymeric Materials

Progress in Each Business

- Established the joint-venture company Shanghai Sinopec Mitsui Elastomers, Co., Ltd. with China Petroleum & Chemical Corp. (Sinopec) of China in May 2012 as a part of efforts to promote the global business expansion of Mitsui EPT™, the leading product in this field in Asia (commercial operations scheduled for 2014)
- Established Mitsui Chemicals Functional Composites (Shanghai) Co., Ltd. as an ADMER™ and MILASTOMER™ compound base in China in November 2012 (ADMER™ boasts a top global market share and MILASTOMER™ is positioned as a strategic priority business); commercial operations are scheduled to commence in 2014
- Decided to increase production capacity of TAFMER™ in Singapore in order to expand sales as a specialized high performance elastomer brand (8,000 tons per year; August 2012)
- Brought to market the new polyester engineering plastic PROVEST™ in 2012; promoting use as an LED reflective material
- Expanded sales of the super-high-molecular polyethylene HI-ZEX MILLION™; strengthened efforts to expand sales of LUBMER™ and MIPELON™, products that distinguish the Company from its competitors
- Adopted the new elastomer product NOTIO™ SN as a material for synthetic leather used in Hunting World brand bags

Establishing a Performance Compound Base in China

5 Priority Businesses 5 World-leading Businesses

Mitsui Chemicals established Mitsui Chemicals Functional Composites (Shanghai) Co., Ltd. as a new performance compound base in China in November 2012 in line with efforts to expand its MILASTOMER™ and ADMER™ businesses globally, where the Company already boasts a high market share. Commercial operations are scheduled to commence in the second half of 2014.

MILASTOMER™ is a thermoplastic olefin elastomer that boasts outstanding flexibility and has a global top share of the market for automobile interior materials. ADMER™ is an adhesive polyolefin that commands a top share of the global market. This product is used extensively for automobile fuel tanks and food packaging thanks to its excellent adhesive property.

Augmenting its network of production facilities in Japan and Europe with an additional capacity of 11,000 tons per year in China, Mitsui Chemicals will work to capture robust local demand. In the future, energies will be actively channeled toward further strengthening and expanding the activities of Mitsui Chemicals Functional Composites (Shanghai) as a mainstay compound business, including the manufacture of PP compound automotive materials in China.



MILASTOMER™ used as an automotive interior material



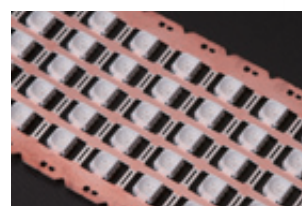
ADMER™ used as a food packaging adhesive

Bringing to Market the New Polyester Engineering Plastic PROVEST™

5 Priority Businesses

Mitsui Chemicals brought to market PROVEST™, a heat-resistant polyester resin, in the first half of fiscal 2012. Utilizing high-compound technologies, PROVEST™ is created through the addition of titanium oxide and other elements to a polyester engineering plastic. With heat resistance properties that exceed those of ARLEN™, one of the Company's polyamide resins, PROVEST™ also boasts superior dimensional stability. Moving forward, Mitsui Chemicals will leverage synergies between both products to capture expanding demand for their use as LED reflective materials as well as in structural automotive and electrical part fields. Expectations are particularly high for PROVEST™'s use as a reflective material as demand for higher output LEDs and improved heat resistance continue to grow, particularly for display backlight and illumination applications. In addition to its superior brightness as a reflective material, PROVEST™ possesses a high 90% reflectance ratio even during extended use at temperatures of 100°C or more along with outstanding resistance to yellowing. As a result, the product is attracting considerable praise from leading manufacturers.

Mitsui Chemicals is committed to further nurturing PROVEST™ as a backbone product of the high-performance compound business.



PROVEST™ used as an LED reflective materials



2011 Mid-term Business Plan Targets

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

Results

Net Sales

 **¥146.2 billion +14.8%**

Operating Loss

 **¥-2.6 billion** —

Polyurethane

Progress in Each Business

- Continued to assess the potential of a business tie-up with Saudi Arabian Basic Industries Corporation (SABIC) in the polyurethane raw materials business
- Implemented steps to rebuild the polyurethane raw materials business in Japan; terminated one PPG production base (June 2012)
- Implemented radical cost-cutting measures amounting to ¥2.6 billion in fiscal 2012 by streamlining the entire polyurethane business; plan to cut costs ¥9.5 billion by the end of fiscal 2015 compared with fiscal 2010
- Efforts to increase production capacity at Korea-based KUMHO MITSUI CHEMICALS, INC. completed five months in advance of schedule; operation commenced (increase in annual capacity from 155,000 tons to 200,000 tons; July 2012)
- Commenced local production on a contract basis as a part of efforts to expand coating and adhesive for packaging business activities in India (July 2012)

Expanding System House Operations in Asia

5 Priority Businesses

In order to capture robust demand growth in Asia, Mitsui Chemicals is upgrading and expanding its polyurethane system house business operations. This entails strengthening bases that manufacture and sell compounds tailored to customers' polyurethane product needs.

System house products and technologies are mainly used for automobile sheet and heat insulating materials. By leveraging its proprietary treatment technologies, the Company is in position to develop products that meet wide-ranging needs. At the same time, Mitsui Chemicals is bolstering local technology development to better match the requirements of local consumers.

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 for a production capacity of 63,000 tons per year.

Currently, Mitsui Chemicals accounts for 15% of the market in Asia and 47% of that in Japan. Striving to reinforce its system house supply and development structure, the Company is working to further expand business scale and secure a stable long-term earnings platform.

Expanding the Coatings and Adhesive Materials Businesses

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-growth and high-value-added areas. In particular, Mitsui Chemicals is promoting the development of "only one" products, including specialty isocyanates and olefin resin modifiers.

Turning to such products as paint resins for automobiles and information appliances as well as adhesives for use in food packaging materials, demand in Asia is projected to continue its upward path expanding between 7% and 10% annually. To ensure immediate response to customer needs, the Company will allocate management resources to affiliated companies in the area and establish local production bases. Through these means, every effort will be made to build a development, production, and sales structure that is capable of addressing customer requirements in a timely fashion and to expand business operations.



Light metal, resin casing coating materials



Adhesive materials for lamination



2011 Mid-term Business Plan 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

▼ **¥401.7 billion -15.0%**

Operating Loss

▼ **¥-18.9 billion -**

Basic Chemicals

Progress in Each Business

- Continued to construct a new phenol plant (250,000 tons per year) in China through Shanghai Sinopec Mitsui Chemicals Co., Ltd. (SSMC), a joint-venture company formed with Sinopec (construction scheduled for completion in fiscal 2013)
- Switched from propylene processes to the acetone processes in the production of isopropyl alcohol (IPA) using proprietary highly active catalyst technology (commercial operations commenced in April 2013)
- Promoted higher value-added ethylene by bolstering the ethylene oxide (EO) derivatives business; established an ethylene carbonate manufacturing joint venture with Toagosei Co., Ltd. for lithium-ion batteries (commercial operations commenced in May 2012)
- Undertook rationalization investment in Siam Mitsui PTA Co., Ltd. (SMPC), a joint-venture company with the Siam Cement Group that is manufacturing purified terephthalic acid (PTA) in Thailand; reduced utility costs by newly installing effluent processing facilities (completion in November 2012); took steps to improve raw material acetate unit output by upgrading processes (completion scheduled for July 2013)

Adopting a World-Leading Strategy That Entails Bolstering the Phenol Business Platform

5 World-leading Businesses

Mitsui Chemicals boasts a considerable competitive advantage in the phenol business. In terms of production capacity, the Company currently ranks first and second in Asia and the world, respectively.

Throughout fiscal 2012, global markets remained mired in a harsh operating environment. Under these circumstances, Mitsui Chemicals is taking steps to promote a global expansion strategy and to bolster its business platform by implementing the following three initiatives.

First, the Company will implement a policy of rigorous cost reduction. Working to rationalize utility costs at plants in Japan and overseas and to complete comprehensive process improvements, we expect to lower costs by ¥3.5 billion as of the end of fiscal 2013.

Second, the Company will pursue measures aimed at addressing the anticipated excess supply of acetone, a phenol production by-product. Moving forward, Mitsui Chemicals will promote the effective use of acetone as well as pursue high-value-added applications.

The Company has developed a recycling technology that can return by-product acetone to its raw material, propylene. Harnessing this technology, Mitsui Chemicals will advance a flexible approach that promotes the sale of acetone or its reuse as a raw material depending on prevailing supply and demand conditions.

In addition, the Company has applied this technology to the manufacturing process of high-value-added isopropyl alcohol (IPA) at its Osaka Works, and operations commenced in April 2013. Mitsui Chemicals is also studying the establishment of a new plant for methyl isobutyl ketone (MIBK), which uses acetone as a raw material.

Third, the Company will enhance measures for developing new derivatives. With the aim of increasing phenol demand, Mitsui Chemicals is developing a technology that will enable the manufac-

ture of caprolactam intermediates from phenol. Completion of this process is slated for the first half of fiscal 2013.

By undertaking each of the aforementioned measures, Mitsui Chemicals is bolstering the competitiveness of its entire phenol chain. In this manner, the Company is endeavoring to secure a world-leading position in terms of quality and quantity.

Phenol Demand

(Unit: thousand tons per year)

	FY2012		FY2013
	Demand	Growth Rate	Growth Rate
Worldwide	8,820	(1.3)%	4.0%
Asia	4,570	5.8%	6.5%

FY2012: ended March 31, 2013



2011 Mid-term Business Plan Targets

Strengthen by rebuilding domestic businesses and expand earnings by achieving overseas growth in competitive businesses

Results

Net Sales



¥469.0 billion + 2.1%

Operating Income



¥7.7 billion -13.8%

Petrochemicals

Progress in Each Business

- Increased PP compound production capacity to 866,000 tons per year (+126,000 tons per year from the start of the 2011 Mid-Term Business Plan); working toward an annual production capacity of 943,000 tons by the end of fiscal 2013
- Established a new PP compound manufacturing and sales company, Produmaster Indústria e Comércio Ltda., in Brazil (May 2012)
- Established a new EVOLUE™ metallocene polymer manufacturing and sales company; taking steps to newly establish a plant in Singapore (production capacity to increase 300,000 tons per year upon completion scheduled in December 2014); working toward a production structure that includes bases in Japan with a total capacity of 550,000 tons per year
- Decided to upgrade facilities at the Chiba ethylene center as a part of efforts to secure efficiency when operating levels are low (August 2013)
- Decided to withdraw from Keiyo Ethylene Co., Ltd. operations in Chiba (scheduled for completion by the end of fiscal 2014)
- Continued the strategic termination of operations at inefficient plants in order to bolster competitive strengths (HDPE termination: 130,000 tons per year in April 2013; PP termination: 90,000 tons per year in March 2011, 90,000 tons per year in July 2013)

Expand the EVOLUE™ Group of Products and Accelerate the Pace of Business Development in Asia

5 World-Leading Businesses

Mitsui Chemicals' metallocene linear low-density polyethylene (PE) resin EVOLUE™ is made using proprietary catalytic and processing technologies. EVOLUE™ is attracting wide acclaim as a highly functional sealant for food packaging due to its outstanding film molding, high strength, and low odor properties. This product has a market share of approximately 60% in Asia.

The EVOLUE™ group of products utilize new metallocene catalysts, and the Company is promoting the line as the next series of high value-added PE resins.

High-strength EVOLUE™ H, for example, boasts outstanding strength and rigidity and is used principally for toiletry and other small containers, it has also become increasingly popular as a heavy-duty film. Due mainly to its flexibility and low-temperature sealing capability, the plastomer EVOLUE™ P is also receiving favorable comments. Currently under development, EVOLUE™ E is a long-chain branch-type PE resin and offers high strength while being easy to process. Scheduled for release in fiscal 2013, EVOLUE™ E is expected to see large-scale demand as an extrusion laminate.

In addition, Mitsui Chemicals has decided to construct a new plant in Singapore. Aiming for a start-up in fiscal 2015, this new plant will provide an additional 300,000 tons per year. Moving forward, the Company will accelerate the pace of business development in Asia, which is witnessing remarkable growth.



EVOLUE™ used as sealant materials for food packaging

Overcoming Competitive Forces in Japan by Drastically Reforming the Petrochemicals Business

Strengthening Competitiveness

Japan's total ethylene production capacity is expected to exceed existing needs due to such factors as the new construction and expansion of large-scale global petrochemical facilities and the growing prominence of shale gas.

Mitsui Chemicals has held an equity interest in Keiyo Ethylene Co., Ltd. (KEC), a company that is jointly managed with Maruzen Petrochemical Co., Ltd. and Sumitomo Chemical Co., Ltd., since 1995. Impacted by dramatic changes in its operating environment in recent years, however, the Company has recognized the need to undertake a drastic structural reform of its business. As a result, Mitsui Chemicals has undertaken steps to rebuild the ethylene center in Chiba, reviewing KEC's management and inviting the other companies to join in a limited liability partnership (LLP) with Idemitsu Kosan Co., Ltd. Following lengthy deliberations, the Company has decided to withdraw from KEC around the end of fiscal 2014.

Turning to the aforementioned LLP, construction is being undertaken to improve ethylene production facilities to ensure high operating efficiency, even when operating levels are low. These improvements are scheduled to come online in August 2013. In addition, Mitsui Chemicals is promoting measures that are designed to ensure the more flexible and optimal operation of its ethylene production equipment.

Before taking these measures, the Company terminated operations at three commodity polyethylene (PE) and polypropylene (PP) production facilities. Moving forward, Mitsui Chemicals will undertake a drastic structural reform of its operations from ethylene to derivatives while further bolstering its competitive strengths.



2011 Mid-term Business Plan Targets

Accelerate market development activities in Asia in the packaging film, industrial film, and functional sheet businesses while strengthening businesses in which the Group maintains a competitive advantage

Results

Net Sales



¥74.8 billion -6.0%

Operating Loss



¥-3.3 billion -

Films and Sheets

Progress in Each Business

- Established a joint venture SIAM TOHCELLO CO., LTD. with SCG Chemicals Co., Ltd. of the SIAM CEMENT Group in Thailand as a part of global expansion efforts focused on T.U.X™, an EVOLUE™-based high functionality packaging film (April 2012; commercial operations scheduled for January 2014)
- Established the joint venture MCTI SCIENTEX SOLAR SDN. BHD. with SCIENTEX BHD., a major packaging materials company in Malaysia, to boost the competitiveness of the SOLAR EVA™ business (April 2011; commercial operations commenced in November 2012 with annual production of 10,000 tons)
- Bolstered overseas marketing of foam molded sheets (low-ratio expanded polyethylene (PE) sheets and polypropylene (PP) sheets) in which the Company holds a top niche market position in Japan

Establishing a Base for Highly Functional Packaging Films in Thailand

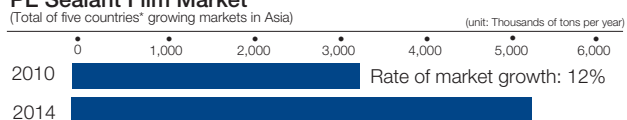
5 Priority Businesses

T.U.X™ is a highly functional sealant film that uses the Company's linear low-density polyethylene (L-LDPE) EVOLUE™ as a raw material. A high-strength cast film with excellent tear resistance, transparency, heat sealing strength, and sealing performance, T.U.X™ is used to package frozen foods, liquids (soups and seasonings), and heavy products such as rice. In addition, its thickness can be reduced and it is well suited for high-speed filling, T.U.X™ is a boon for customers as it supports their efforts to increase productivity and reduce loss.

In recent years, interest in food safety has continued to rise in Asia, reflecting economic growth and improvements in living standards. Moreover, the number of new market entrants, such as Japanese food manufacturers, supermarkets, and convenience stores, has been growing. Under these circumstances, demand for highly functional packaging films is projected to expand. In order to capture this forecast upswing in demand, Mitsui Chemicals Tohcello moved ahead of the competition, taking the initiative to establish the joint venture SIAM TOHCELLO Co., Ltd., with Thailand-based SCG Chemicals Co., Ltd. to manufacture and market T.U.X™. The new company plans to commence operations in January 2014.

Moving forward, Mitsui Chemicals Tohcello will secure a firm foothold in the ever-expanding Asian market and continue to engage in the overseas development of its businesses as the global leader in highly functional packaging films.

PE Sealant Film Market



* China, Indonesia, Thailand, India, and Vietnam (80% of Asia)
(Source: Japan Comprehensive Economic Research Center)

Establishing a Base for SOLAR EVA™ in Asia

5 Priority Businesses

Mitsui Chemicals' EVA-based solar cell encapsulant sheet SOLAR EVA™ has a proven track record that extends over three decades and the products continues to attract wide acclaim for its reliability and quality. Currently, the ratio of overseas sales to total sales is around 60%, and the Company is among the world's four top corporations in this field.

In recent years, the production bases of solar cell panel manufacturers have shifted from Japan, Europe, and the United States to China and Southeast Asia. At the same time, price competition has become increasingly fierce. Against this backdrop, along with SCIENTEX BHD., a major packaging materials company in Malaysia, Mitsui Chemicals Tohcello established the joint venture MCTI SCIENTEX SOLAR SDN. BHD., which commenced production of SOLAR EVA™ in November 2012. In addition to enhancing its competitive strengths, the joint venture is accelerating efforts to address the needs of customers in neighboring countries.

Leveraging its technological capabilities across the entire product cycle from base resins through development to production, Mitsui Chemicals Tohcello, Inc. is focusing on the development of polyolefin-based, next-generation solar cell encapsulant sheets that offer increased performance compared with the current mainstream EVA-based products. As part of its fully fledged business development endeavors, the Company is stepping up marketing and working to secure a more robust foothold in the global market.

EVA: Ethylene-vinyl acetate copolymer

Research and Development / Intellectual Property

Research and Development (R&D) Basic Policy

In a bid to transform its business portfolio, Mitsui Chemicals has adopted a 5-5-5 strategy under which it pursues five priority businesses, five world-leading businesses, and the creation of new core businesses in

five development areas. Leading the reform will be Mitsui Chemicals' group-wide R&D strategy.

Group-Wide R&D Strategy

As part of its group-wide R&D strategy, Mitsui Chemicals has set specific R&D priority themes for each growth field under its 5-5-5 strategy.

Specifically, within the 5-5-5 strategy, Mitsui Chemicals has marked three key areas for particular attention: high functional products, high value-added polymers, and phenol chains. In these areas, the Company intends to bolster its competitive strengths, enhance its customer technological support services, boost sales, and develop new products. At the same time, there will be a reinforcement of the Company's cost competitiveness and production process technologies. Furthermore, the Company will accelerate the creation of new businesses in areas related to healthcare, automobiles, agriculture, food, the environment, and energy.

Guided by this policy, Mitsui Chemicals established an R&D Strategy Division in June 2011, and steps were taken to reorganize the structure under which R&D was conducted. This initiative reflects the Company's desire to clarify responsibilities with respect to the commercialization and promotion of R&D, the bolstering of its R&D capabilities by consolidating basic technologies, the acceleration of application pace, and the creation of new businesses based on a development project system. In this context, an additional organization to promote new business themes was added to the Company's existing structure in April 2013, bringing the total number of laboratories to six. Based on these endeavors, MCI aims to create new products with new commercial applications.

Overseas R&D Bases

In May 2011, the Company established the Mitsui Chemicals Singapore R&D Centre in order to strengthen its overseas R&D functions, accelerate the Group's globalization plans, and bolster the Group's presence in Asia. Mitsui Chemicals also set up technical support centers for functional materials in Shanghai, China, and Singapore in December 2011. Focusing on the needs of customers, this initiative is geared towards strengthening sales and marketing within Asia. Each center is expected to deliver solutions that accurately match the requirements and product development activities of customers in Asia.

R&D Organization Chart

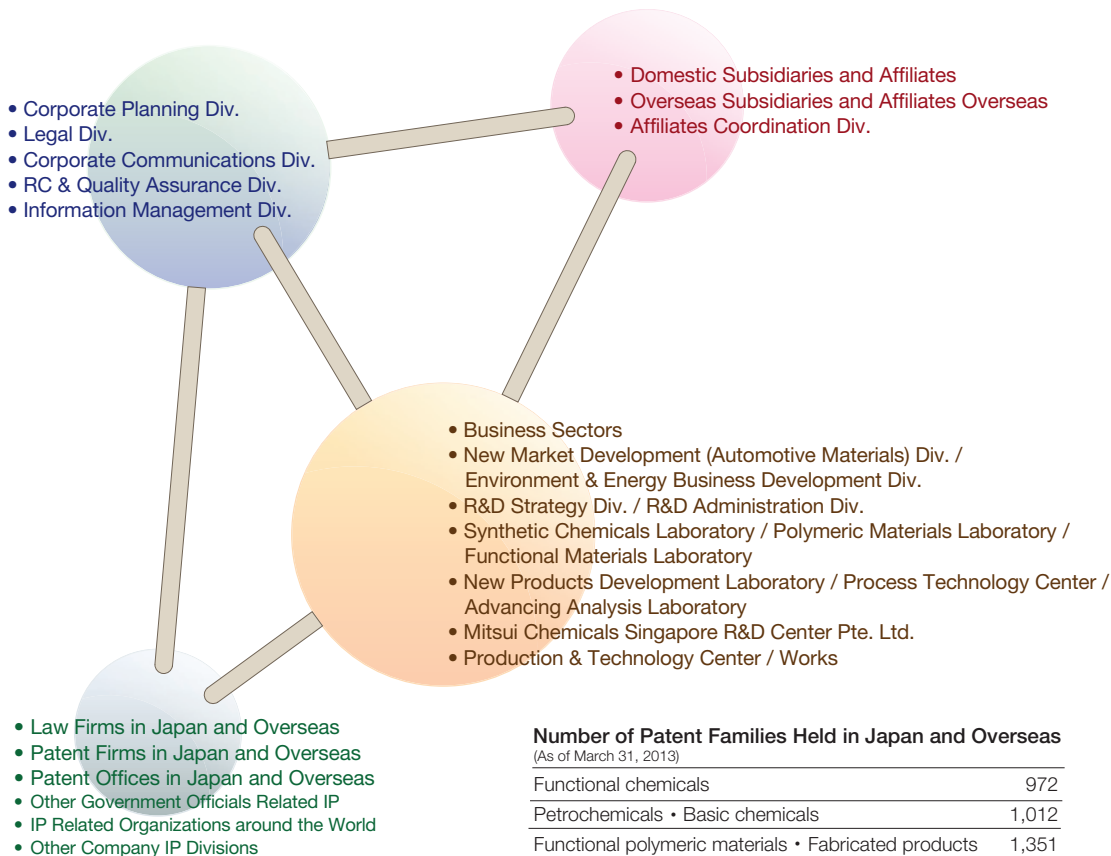


*Prime Polymer Co., Ltd., Mitsui Chemicals Tohcello, Inc., Mitsui Chemicals Agro, Inc., other.

Intellectual Property Strategy

The Mitsui Chemicals Group regards intellectual property as a wide range of intangible assets that contribute to its business. Such assets include a host of trade secrets and rights under contract as well as intellectual property rights like patents, utility models, designs, brands (trademarks), or copyrights. Starting from the business divisions' strategies, the Intellectual Property Division, business divisions, the R&D Division, and

production and technology divisions share a goal and scenarios for the most desirable environment from the viewpoints of intellectual properties as they should be to realize said strategies, and furthermore collaborate with internal and external departments to maximize business opportunities that take full advantage of the Group's intellectual property rights and minimize associated risks.



Number of Patent Families Held in Japan and Overseas

(As of March 31, 2013)

Functional chemicals	972
Petrochemicals • Basic chemicals	1,012
Functional polymeric materials • Fabricated products	1,351
Other	741
Total	4,076

Building and Reinforcing an Intellectual Property Portfolio

Mitsui Chemicals and its three major subsidiaries: Mitsui Chemicals Tohcello, Inc., Mitsui Chemicals Agro, Inc., and Prime Polymer Co., Ltd., collectively possess more than 4,000 patents (held as patent families) in Japan and overseas as of March 31, 2013. Approximately two-thirds of are related to the Group's high value-added polymer and high-functional product activities. Moreover, around 60% of the Group's patent applications filed in fiscal 2012 were in connection with its priority 5-5-5 Strategy, which is positioned as the Group's underlying growth driver. The Intellectual Property Division, business divisions, and the R&D Division work closely together to build and reinforce a patent portfolio that is capable of ensuring business success.

Furthering Intellectual Property Strategies in Key Overseas Regions

Measures to counter the risks associated with intellectual property rights in emerging markets, such as those of Asia, are becoming increasingly important amid the Group's efforts to globally expand its business. Mitsui Chemicals forms close-knit ties with regional holding and local Group companies to grasp the status of intellectual property rights in each country and to ensure the deeper penetration and promotion of the Group's intellectual property strategy, which includes efforts to better protect the Mitsui Chemicals Group brand.

Corporate Governance

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 recognizes the

importance of specific components and measures, including the appointment of outside directors and the Corporate Auditors' function.

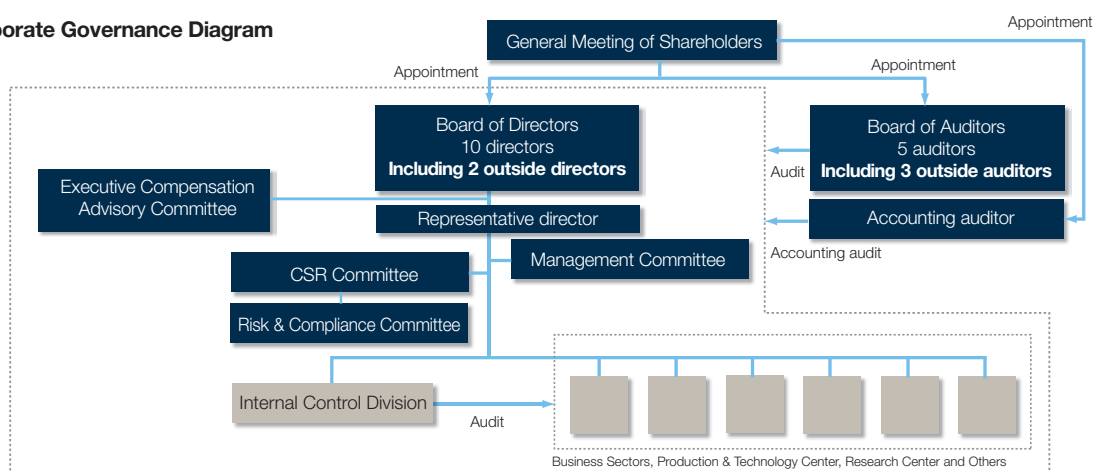
In order to enhance the effectiveness of our corporate governance system, we actively promote investor relations and public relations activities, wherein we disclose all appropriate information to shareholders, the media and other interested parties in a timely manner.

Corporate Governance System

Mitsui Chemicals is a company that has adopted a corporate auditor system and maintains a Board of Directors and Board of Auditors. The Board of Directors oversees the busi-

ness execution of each director and the Board of Auditors oversees the status of business execution of directors and other officers.

Corporate Governance Diagram



Outline of Board of Directors and Board of Auditors

	Board of Directors	Board of Auditors
Composition	Directors: 10 (two outside directors)	Auditors: 5 (three outside auditors)
Management	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. In fiscal 2012, the Board of Directors convened 11 times (ordinary meetings are held monthly and extraordinary meetings on an as-required basis).	Auditors audit directors and other relevant officers in the execution of their duties in accordance with the audit policies and plans established by the Board of Auditors. In fiscal 2012, the Board of Auditors convened 16 times (in principle, meetings are held in conformity with the Board of Directors, but in practice meetings are held on an as-required basis).

The following system has been set up to ensure that directors' execution of duties is carried out efficiently.

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.

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. 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.

Outside Directors

Manager accountability and management transparency can be achieved based on feedback obtained from highly independent outside directors at Board of Directors' meetings.

Furthermore, obtaining advice based on specialized knowledge facilitates proper decision making at Board of Directors' meetings.

Attendance at Meetings of the Board of Directors and Board of Auditors in Fiscal 2012

Major Activities		Attendance at Meetings of the Board of Directors and Board of Auditors	
		Board of Directors (Total Number of Meetings Held: 11)	Board of Auditors (Total Number of Meetings Held: 16)
Outside Directors			
Taeko Nagai*	Director Taeko Nagai has discussed the idea of promoting greater communication with society based on her specialized knowledge and experience, including in education and consumer economics.	11/11	—
Yoshio Suzuki*	Director Yoshio Suzuki has primarily spoken from the view of compliance promotion based on his legal knowledge and extensive experience in the legal profession.	10/11	—
Outside Auditors			
Isao Ijyuin*	Auditor Isao Ijyuin has spoken from the view of ensuring that the execution of the Company's business is appropriate based on his legal knowledge and extensive experience in the legal profession.	11/11	16/16
Hideharu Kadowaki	Auditor Hideharu Kadowaki has been involved for many years in financial institution management and has held positions in think tanks and universities, hence, he has spoken from the view of ensuring that the execution of the Company's business is appropriate based on his extensive, all-round knowledge and experience in management.	11/11	16/16
Hiromu Matsuda	Auditor Hiromu Matsuda has been involved for many years in financial institution management and has served as standing auditor for private companies; hence, he has spoken from the perspective of ensuring that the execution of the Company's business is appropriate based on his extensive, all-round knowledge and experience in management.	11/11	16/16

* Independent Director specified under the regulations of the Tokyo Stock Exchange

Outside Director and Auditor Support System

The contents of proposals and other measures put on the agenda of Board of Directors' meetings are discussed in advance with outside directors by the Secretariat.

Standing auditors report and share information obtained through routine audits, such as the contents of important Company proposals, including those from the Management Committee, with outside auditors at the Board of Auditors meeting. When holding a Board of Directors' meeting,

standing auditors distribute documentation in advance and explain the contents of the proposals put on the agenda of said meeting.

Because the attendees are apprised of the contents of the proposals in advance, discussions are lively and outside directors and auditors are able to provide well-informed advice, thus ensuring that appropriate and efficient decisions can be made at Board of Directors' meetings.

Executive Compensation Advisory Committee

To ensure the transparency of performance evaluations and the system of executive compensation as well as the validity of the compensation levels, Mitsui Chemicals has established the Executive Compensation Advisory Committee as a consultative 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 outside experts (three outside auditors).

Compensation for the Company's directors (excluding outside directors) shall meet the following conditions.

- Shall be appropriate as compensation for being entrusted with the Company's management and is linked to improvement in the Company's growth and performance.
- Shall be structured so that it takes into account the linkage between Company performance and personal performance.
- Shall reflect contributions to the Company's medium- to long-term growth.

- Shall focus on compensation during time in office, and compensation for contributions shall be paid in a timely manner.
- Each director shall be capable of achieving full accountability and ensuring transparency.

Total Compensation for Fiscal 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	12	300	2	19
Auditors	6	90	3	31
Total	18	390	5	50

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 two 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 15th Business Term held on June 26, 2012, covering the period from April 2012 through to the date of retirement.

Auditing System

Internal Audit

The Internal Control Division was established as an internal organization that conducts accounting and business audits of the Mitsui Chemicals Group, including affiliates, based on

an annual audit plan that is discussed in advance in the Management Committee and instituted.

Status of Corporate Auditor Audits and Initiatives to Strengthen Corporate Auditors' Functions

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.

Each outside auditor is charged with the responsibility of auditing the operations of the Company from an objective and independent perspective based on extensive experience in his or her field.

In addition, they conduct corporate auditor audits at major places of business and affiliated companies in Japan and overseas as well as confirm the status of business execution.

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 by exchanging opinions and information among themselves while taking into account the independence of each audit.

Regarding the Company's Adoption of a Corporate Governance System

In addition to appointing highly independent outside members to 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 standpoint of legality and adequacy.

We set up a framework for holding regularly scheduled meetings of the Management Committee, which is not a legal body, as a place for the Board of Directors' preliminary review. We believe this ensures that decisions made by the Board of Directors' are appropriate and efficient.

Interview with Hiromu Matsuda

(1) What are your impressions of the Company's corporate governance?

The auditor's duty, in addition to the accounting audit, is to raise corporate value and prevent corporate scandals by auditing and verifying whether the directors' execution of their duties is in violation of the law or the articles of incorporation. Also, the auditor must verify whether or not there are problems, for example, with regard to the reasonableness and transparency of decision making.

The Company has a system in place that makes auditors' work easy to perform, even from the auditor's point of view. For example, outside auditors attend meetings with accounting auditors and the internal control division to share information and exchange views, and observe auditor visits to works in Japan and abroad and to major overseas bases. It is a flexible working system and appears to function in a substantive way.

(2) What do you think of the effectiveness of the Company's corporate governance?

To raise corporate governance's effectiveness, we need to employ highly independent outside directors and auditors and strengthen the oversight of directors' execution of their duties. The Company has adopted an outside auditor system and the governance system is working well. At actual Board of Directors' meetings, deliberations

involve internal directors explaining subjects and carefully answering questions from outside officers. The discussions are brisk and oversight of the directors' execution of duties is fully functioning. In addition, outside auditors are given opportunities to exchange views with senior executives on a regular basis, so two-way communication is facilitated.



(3) What will be your approach when interacting with the Company's management?

The environment now surrounding the chemical industry is extremely adverse and the Company is undergoing major changes. Needless to say, the Company's management needs to be cautious when exercising its judgment, but at times like these, a leader who can take swift action is needed. The role of the auditor is to check whether or not the Board of Directors' decision making is reasonable and transparent. In fulfilling that role I would like to make objective and valuable recommendations. At the same time, as auditors who have the mandate of shareholders, we have to ensure the sound and sustained growth of the Company and work to establish a high-quality corporate governance structure that is deserving of society's trust.

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

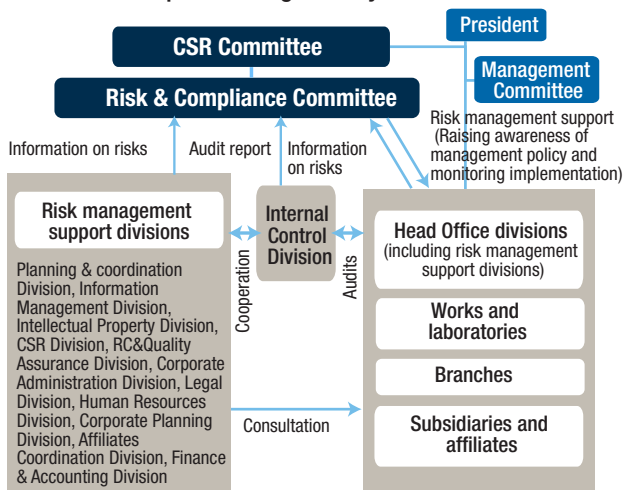
established the Risk & Compliance Committee, headed by a board director to deliberate on the Group's risk management policy as well as maintain and operate its risk management system in accordance with established risk management regulations.

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

Structure of Group Risk Management System

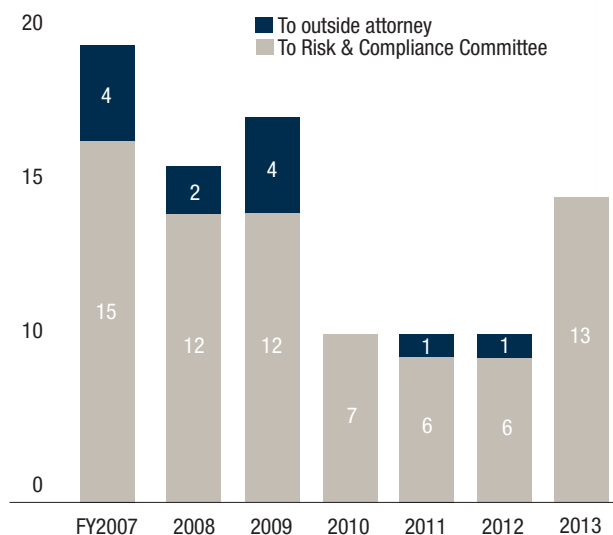


Risk Hotline

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 suspicions directly to the Risk & Compliance Committee or an outside attorney. Under this system, internal regulations clearly state that 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 in addition to emergency customer response centers to provide prompt and appropriate support to our customers. We have also created BCPs in preparation for outbreaks of new strains of influenza and for large-scale plant accidents.

In fiscal 2012, in light of the growing possibility of an earthquake along the Nankai Trough or a major earthquake centered beneath the Tokyo metropolitan region, we provided training in emergency contact between divisions. We also provided routine training in countermeasures against earthquakes and tsunami and set up an evacuation system for plant workers after plant operations have been safely shut down.

In the event of a major earthquake, employees from the head office are to follow instructions laid out in the disaster prevention handbook that has been distributed to them and to remain at the head office where sufficient drinking water and food are stockpiled. For employees who have no choice but to return home on foot, we have distributed maps to help them return safely to their homes and have prepared relief supplies for them.

With respect to business operations, in order to secure an 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 as well as reviewing inventories.

*Business Continuity Plan (BCP): A practical plan for how an organization will minimize the decrease in business activity levels as well as recover and restore partially or completely interrupted critical functions 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 countermeasures 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/130510e.pdf>

CSR Basic Policy

With the goal of realizing a sustainable society foremost in our minds, the aim of our CSR activities is to establish ourselves as a “good and trustworthy company” that enjoys the confidence of society and 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 Mid-term Business Plan management since fiscal 2007 we have set out and worked towards targets on the environmental and social axis for the Mitsui Chemicals Group as well.

With each workplace taking the initiative, we are working to achieve our goal of being a “good and trustworthy company” by putting in place Key CSR Challenges that are commonly shared among all departments.

Promotion Framework

Our CSR Committee chaired by the President is responsible for formulating and reviewing plans and policies relating to CSR activities within the Mitsui Chemicals Group.

Having set up CSR departments at each of our operating bases, 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. While also reinforcing collaboration within the Group, we promote CSR in line with the characteristics of each operating base in accordance with the Key CSR Challenges.

The Goal to Which We Aspire through CSR

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 addition, the Group identified three core values in August 2012. These core values—Challenge, Diversity, and One Team—provide the underlying principles and basis for our Corporate Mission and Action Guidelines as well as the foundation for our global decision making and the conduct of our operations.

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

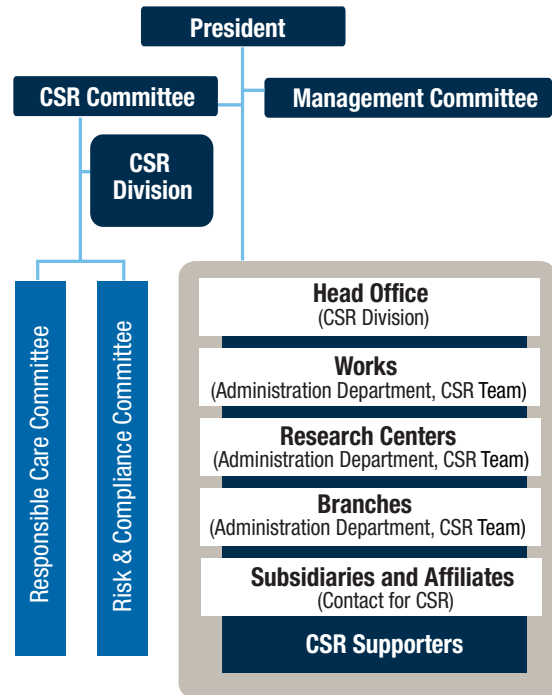
We will aim for the “Dream-Inspiring Innovation”

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

Our Approach to Becoming a “Good and Trustworthy Company”



CSR Promotion Framework



Core Values

- Challenge
- Diversity
- One Team

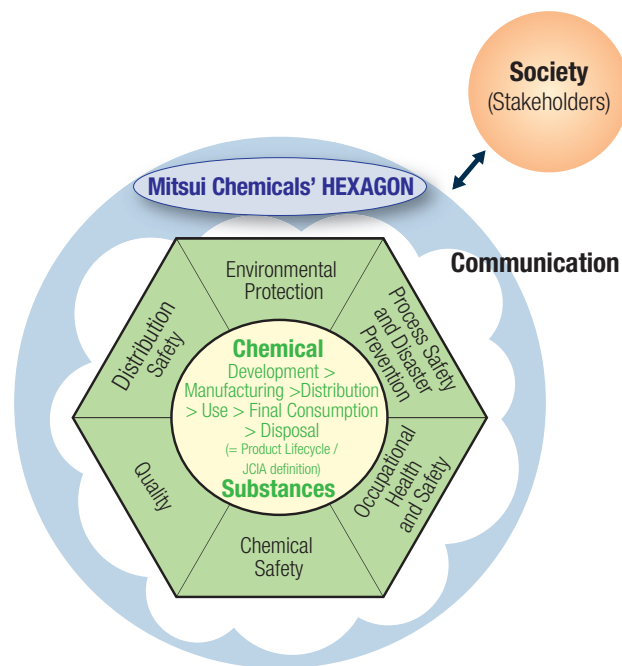
Responsible Care (RC) Policy

Mitsui Chemicals has identified the core elements of its RC activities, which are conducted in accordance with the Basic Policy Regarding the Environment, Safety, Occupational Health, and Quality established following deliberations by the Management Committee.

RC Activities

Mitsui Chemicals engages in activities and promotes communication with society across six performance fields. Referred to as the Company's "HEXAGON" approach to responsible care, these fields comprise environmental protection, process safety and disaster prevention, occupational health and safety, chemical safety, quality, and distribution safety, and are based on the Basic Policy Regarding the Environment, Safety, Occupational Health, and Quality.

In recent years, regulatory requirements regarding chemical safety have become increasingly stringent, further highlighting the importance of chemical substance risk management in the conduct of business activities. In this context, since fiscal 2010 Mitsui Chemicals has continued to strengthen its Chemical Management System and Framework, which extends beyond the boundaries of chemical safety.



Major SRI Indices
Including Mitsui Chemicals



RC Promotion System

The Responsible Care Committee (RC Committee) maps out RC-related policies, strategies, and plans, evaluates performance, and periodically reviews the Company's RC system. In addition, reports outlining discussions conducted by the Responsible Care Committee are submitted to the Management Committee. This practice helps to ensure that Mitsui Chemicals' top management is ever more involved in RC matters.

The RC Committee consists of the following members.

- Chairperson: An Officer in charge of the RC Committee
- Vice Chairperson: Production & Technology Center Executive Officer in charge of the Safety & Environment Division
- Permanent members: General Managers responsible for each RC function; General Managers of each business sector; others
- Secretariat: RC & Quality Assurance Division

The RC departments responsible for each function engage in the exchange of information and promote RC activities. In addition, an officer responsible for RC is assigned to each business division. These officers continually advance Companywide RC policies and strategies by holding periodic meetings. Specific RC activities are carried out at each works and business division.

<Environment, Safety, Occupational Health and Safety, and Quality Audits>

Mitsui Chemicals conducts annual RC audits at works, research centers, business divisions, and affiliates in Japan and overseas in order to objectively evaluate the effective implementation of RC activities and provide guidance. The audits are handled by the general manager of the RC & Quality Assurance Division, industrial physicians, and auditors, who, once they have completed specified procedures focus on the achievement of priority objectives set out in annual plans and the progress in dealing with items singled out for improvement in the previous year's audit.



Rebuilding into a Safe Chemical Manufacturer

Following the explosion and fire at Iwakuni-Ohtake Works on April 22, 2012, Mitsui Chemicals thoroughly reviewed safety-related problems and implemented extensive Fundamental Safety Measures. One of these measures is to improve technical skills and ensure such technical expertise is passed down to the next generation of employees.

In recent years, engineers have fewer opportunities to enhance their skills owing to their limited experience in plant construction, reinforcement, and renovation as well as in responding to problems. This is why we think it is of the utmost importance to nurture engineers with a strong understanding of the way things work on site.

Since the accident, Mitsui Chemicals has expanded the scope of its training programs at the Plant Operation Technology Training Center to include junior and mid-career production technology engineers in addition to junior operators, and the Company also decided to start a new training program for future line managers. At overseas bases, we will establish a training center in Thailand, in addition to the existing center in Singapore.

Taking an even stronger approach to safety, Mitsui Chemicals is making every effort to rebuild itself into a safe chemical manufacturer in order to regain the trust of society.

<Plant Operation Technology Training Center>

The Plant Operation Technology Training Center was opened in 2006 as a facility specializing in the training of operators highly skilled in all aspects of plant operations, safety and facilities. Our approach to training provides operators with experience in operating plants and responding to problems in emergency situations, while emphasizing the formation of a safety-first mindset and the transfer of the technical skills needed to safely and stably operate facilities. More than 3,800 employees have been trained at the center since its opening through the end of fiscal 2012.

This experience-based training program is highly regarded by our overseas customers. More than 430 people from countries around the world, including China, South Korea, Singapore, India, and Thailand, have toured or participated in programs at the Center.



Explosion/combustion experiment



Oxygen-deficient accident prevention training



Liquid-splashed experience

Received a Special Award under the DBJ Employee's Health Management Rating System

In March 2013, Mitsui Chemicals received the DBJ Employee's Health Management Rating System's highest rank of "particular excellence in measures giving consideration to employee health" (special award) from the Development Bank of Japan (DBJ) and was recognized as model company in the field of health management. Based on this rating, the Company received an employee's health management syndicated loan* with DBJ serving as loan arranger.

Mitsui Chemicals Group has long believed that the health of a company is directly linked to that of its employees. This belief is reflected in its labor safety and health regulations, wherein the health of employees is clearly identified as a key management issue. As a result, Mitsui Chemicals Group has consistently taken steps to strengthen its management of employee health. This award recognizes many of the Group's initiatives, including measures aimed at countering metabolic syndrome as well as efforts to improve the workplace environment based on the results of a stress survey that encompasses all employees.

Mitsui Chemicals Group's efforts in the field of health management have also been recognized by Japan's Ministry

of Health, Labor and Welfare. Moreover, the Group has received the Japan Chemical Industry Association's Responsible Care award. These awards indicate the high esteem in which Mitsui Chemicals Group's endeavors are held by external parties.

Looking ahead, the Group will continue to promote a harmonious work-life balance. Energies will be channeled toward ensuring a worthwhile and meaningful workplace environment and further enriching employees' lives. At the same time, Mitsui Chemicals Group will place the utmost emphasis on improving employee health.



* This particular loan system entails an assessment of a company's employee health management initiatives. Financing conditions are then set according to the evaluation.

Members of the Board and Auditors

(As of August 1, 2013)



Minoru Koshibe

Toshikazu Tanaka

Yasuji Ohmura



Chairman
Kenji Fujiyoshi



Member of the Board
Managing Executive Officer
Etsuo Takenouji
Responsibilities: RC & Quality Assurance Division, Human Resources Division, CSR Division, CSR Committee, Responsible Care Committee



Corporate Auditor
Shigeru Iwabuchi



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, Safety & Environment Division



Member of the Board
Managing Executive Officer
Shigeru Isayama
Responsibilities: New Market Development (Automotive Materials) Division, Environment & Energy Business Development Division, R&D Strategy Division, Mitsui Chemicals Singapore R&D Centre, Synthetic Chemicals Laboratory, Polymeric Materials Laboratory, Functional Materials Laboratory, New Products Development Laboratory, Process Technology Center, Advancing Analysis Laboratory, R&D Administration Division, Intellectual Property Division



Corporate Auditor
Yoshinori Koga



Member of the Board
Executive Vice President
Yasuji Ohmura
Assistant to the President
Responsibilities: Production & Technology Center, Works, SCM Division, Purchasing Division, Logistics Division



Member of the Board
Managing Executive Officer
Masaharu Kubo
Responsibilities: Corporate Administration Division, Legal Division, Corporate Performance Management Division, Finance & Accounting Division, Information Management Division, Risk Compliance Committee



Outside Auditor
Hideharu Kadowaki



Member of the Board
Executive Vice President
Minoru Koshibe
Assistant to the President
Responsibilities: Mitsui Chemicals Asia Pacific, Mitsui Chemicals Shanghai, Mitsui Chemicals America, Mitsui Chemicals Europe, Corporate Planning Division, H-Project Division, Internal Control Division



Member of the Board
Outside Director
Taeko Nagai



Outside Auditor
Hiromu Matsuda



Member of the Board
Senior Managing Executive Officer
Tsutomu Tannowa
Responsibilities: Functional Chemicals Business Sector, Functional Polymeric Materials Business Sector, Polyurethane Business Sector, Basic Chemicals Business Sector, Petrochemicals Business Sector, Mitsui Chemicals Tohcello, Branch Offices



Member of the Board
Outside Director
Yoshio Suzuki



Outside Auditor
Osamu Sekine

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Management's Discussion and Analysis

◆Overview

In the fiscal year ended March 31, 2013 (the twelve-month period from April 1, 2012 to March 31, 2013, hereafter, "fiscal 2012"), conditions in the global economy grew more severe due mainly to the European financial crisis as well as a slowing of growth in China and economic slowdowns in emerging markets.

The Japanese economy became harsh overall as production and exports slumped mainly due to the worldwide recession despite visible signs of recovery due to demand from reconstruction efforts in the beginning of fiscal 2012. Although the yen fell towards the end of fiscal 2012, there had been historically high yen rates up to the middle of fiscal 2012.

In the chemicals industry, conditions became difficult due to sluggish demand, primarily in China, 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 found in the 2011 Mid-Term Business Plan. In particular, we attempted to further accelerate a change in our business portfolio by channeling our management resources in the following three key areas: high value added polymers, such as elastomers and polypropylene compounds; high functional products, such as healthcare; and phenol chain products. However, Group performance in fiscal 2012 suffered, as illustrated below, mainly due to being unable to offset sluggish global demand in the basic chemicals field and the accident at the Iwakuni-Ohtake Works. In particular, net income was severely affected by the recording of an extraordinary loss for business restructuring.

◆Operating Results

Net Sales

Net sales decreased ¥47.8 billion (US\$508.3 million), or 3.3%, compared with the previous fiscal year to ¥1,406.2 billion (US\$14,951.8 million). This was mainly attributable to a ¥44.8 billion (US\$476.3 million) decrease in sales volume in the Basic Chemicals segment following the accident at the Iwakuni-Ohtake Works as well as a ¥3.0 billion (US\$32.0 million) decline in sales prices due to a market downturn in the Basic Chemicals segment and other segments.

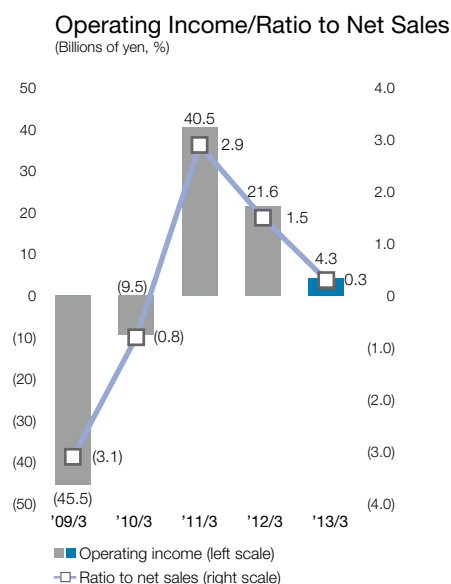
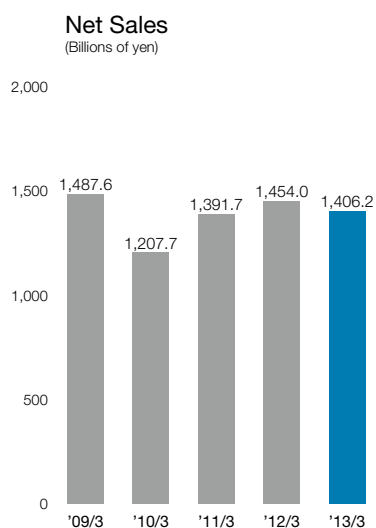
Overseas sales stood at ¥608.7 billion (US\$6,472.1 million), increasing 1.6 percentage points year on year to account for 43.3% of total sales.

Operating Income

Operating income was ¥4.3 billion (US\$45.6 million), a decrease of ¥17.3 billion (US\$183.7 million), or 80.1%, year on year. Despite the effect of the Company's cost-cutting efforts and a reduction in depreciation expenses due to a change in the depreciation calculation method, this decline was primarily the result of lower sales volume in the Basic Chemicals segment as well as deterioration in terms of trade in the Petrochemicals and Basic Chemicals segments.

Ordinary Income

Ordinary income was ¥9.2 billion (US\$97.9 million), a decrease of ¥13.7 billion (US\$145.4 million), or 59.8%, year on year. In addition to lower operating income, equity in earnings of affiliates decreased. This decrease occurred despite an increase in foreign exchange gains following the weakening of the yen.



Net Income (Loss) before Income Taxes and Minority Interests

Extraordinary income and loss increased by negative ¥3.5 billion (US\$36.9 million) year on year to a loss of ¥10.0 billion (US\$106.3 million) due to a ¥5.6 billion (US\$59.4 million) impairment loss and a ¥4.1 billion (US\$43.8 million) loss on restructuring of subsidiaries and affiliates related to business restructuring. In addition, a ¥4.9 billion (US\$51.8 million) loss was recorded on the explosion and fire at the Iwakuni-Ohtake Works. This decrease occurred despite recording ¥3.3 billion (US\$35.2 million) of reversal of provision for environmental measures and ¥5.5 billion (US\$58.2 million) of insurance income related to the accident at the Iwakuni-Ohtake Works.

As a result of the aforementioned factors, income (loss) before income taxes and minority interests decreased ¥17.2 billion (US\$182.3 million) year on year resulting in a loss of ¥0.8 billion (US\$8.5 million).

Net Income

Net income and loss after accounting for income taxes and minority interests in income declined ¥7.1 billion (US\$75.9 million) year on year to a net loss of ¥8.1 billion (US\$86.6 million), or ¥8.14 (US\$0.087) per share.

◆Segment Information

Business Segments

The status of each segment during fiscal 2012 was as follows.

Mitsui Chemicals restructured its organization on April 1, 2012 in order to reach the targets established in the Mitsui Chemicals 2011 Mid-Term Business Plan as early as possible, and thereby establish a new growth foundation. Consequently, from the fiscal period onward, certain business segments have been reorganized. Comparisons with the corresponding period of the previous fiscal year are adjusted to correspond to segments following the change.

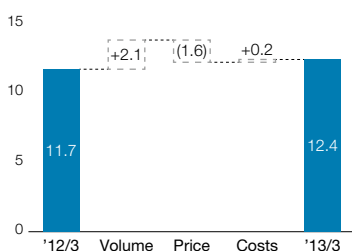
Functional Chemicals

The Functional Chemicals segment enjoyed firm overall net sales.

In healthcare materials, net sales were favorable thanks to expanded overseas demand primarily for ophthalmic lens materials.

Functional Chemicals (Change in operating income)

(Billions of yen)



In hygiene materials, net sales were steady due to ongoing vigorous demand for disposable diapers both in Japan and overseas.

In specialty gas, net sales remained sluggish due to weak demand mainly in the semiconductor industry. In addition, net sales of specialty chemicals remained weak because of lower demand, reflecting high yen rates.

In catalysts, net sales remained weak due to the suspension of production following the accident at the Iwakuni-Ohtake Works and sluggish overseas demand.

In agrochemical products, net sales were firm primarily as a result of higher overseas demand.

As a result, net sales in this segment increased ¥1.2 billion (US\$13.5 million) compared with the previous fiscal year to ¥149.6 billion (US\$1,591.0 million) and comprised 11% of total sales. Operating income grew ¥0.7 billion (US\$8.6 million) year on year to ¥12.4 billion (US\$132.4 million) due to an increase in the sales volume of healthcare materials.

Functional Chemicals	Millions of yen		Change (%)
	2013/3	2012/3	
Net sales	¥149,633	¥148,362	0.9
Operating income (loss)	12,448	11,641	6.9
Total assets	224,411	211,913	5.9
Depreciation and amortization	8,381	11,218	(25.3)
Capital expenditures	14,613	11,285	29.5

Functional Polymeric Materials

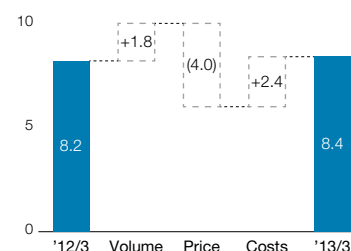
The Functional Polymeric Materials segment enjoyed firm overall net sales.

In elastomers, which are used primarily in automotive components and resin modifiers, net sales were firm due to application-related development and an increase in market share. This result occurred despite slower economic growth in China and other factors.

In performance compounds, net sales were strong because of a steady expansion in demand for packaging material-related applications as well as a recovery in demand for automotive-related applications, which had been stagnant following the 2011 earthquake and disaster.

Functional Polymeric Materials (Change in operating income)

(Billions of yen)



In specialty polyolefins, net sales remained weak because of the suspension of production following the accident at the Iwakuni-Ohtake Works and weak demand for electronic component-related applications.

As a result, net sales in this segment increased ¥2.8 billion (US\$29.8 million) compared with the previous fiscal year to ¥134.7 billion (US\$1,432.2 million) and comprised 10% of total sales. Operating income increased ¥0.2 billion (US\$3.0 million) to ¥8.4 billion (US\$89.7 million) year on year mainly due to an increase in sales volume and a decrease in fixed costs.

Functional Polymeric Materials	Millions of yen		
	2013/3	2012/3	Change (%)
Net sales	¥134,674	¥131,869	2.1
Operating income (loss)	8,438	8,157	3.4
Total assets	166,229	158,499	4.9
Depreciation and amortization	7,105	9,250	(23.2)
Capital expenditures	4,410	4,791	(8.0)

Polyurethane

The Polyurethane segment experienced strong overall net sales.

In polyurethane materials, results were favorable due to the resumption of normal operations at the Kashima Works (production at which had been suspended following the Great East Japan Earthquake) and an upswing in overseas market conditions as well as the effect of the weak yen.

In coating materials, overall net sales were steady due to a higher sales volume for resins used in automobiles overseas. This result occurred despite a suspension in the production of certain products following the accident at the Iwakuni-Ohtake Works.

In adhesive materials, net sales were weak due to a decrease in demand for solar cell-related applications.

In molding materials, net sales were weak due to a decreased sales volume for casting prepolymers and water-proof materials caused by a fall in demand for construction equipment and other products.

As a result, net sales in this segment increased ¥18.9 billion (US\$200.7 million) year on year to ¥146.2 billion (US\$1,554.0 million) and comprised 10% of total sales. Operating loss improved ¥12.0 billion (US\$126.8 million) compared with the previous fiscal year to report an operating loss of ¥2.6 billion (US\$28.1 million) due to an increase in sales volume for polyurethane, an improvement in overseas markets, and the effect of the weak yen as well as a decline in fixed costs.

Polyurethane	Millions of yen		
	2013/3	2012/3	Change (%)
Net sales	¥146,150	¥127,270	14.8
Operating income (loss)	(2,643)	(14,573)	—
Total assets	126,282	111,349	13.4
Depreciation and amortization	2,751	6,369	(56.8)
Capital expenditures	4,279	4,607	(7.1)

Basic Chemicals

The Basic Chemicals segment recorded a decrease in overall net sales.

In phenols, net sales remained weak primarily due to slower economic growth in China.

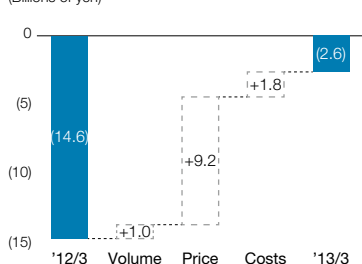
In bisphenol A, net sales remained weak because of weak demand for its main application, polycarbonate resin and epoxy resin.

In purified terephthalic acid (PTA), net sales decreased as a result of the suspension of production following the accident at the Iwakuni-Ohtake Works as well as a market downturn.

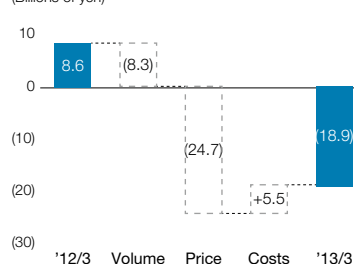
In polyethylene terephthalate (PET) resins, net sales declined as a result of the suspension of production following the accident at the Iwakuni-Ohtake Works.

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

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



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



As a result, this segment's net sales decreased ¥71.2 billion (US\$756.6 million) compared with the previous fiscal year to ¥401.7 billion (US\$4,271.5 million) and accounted for 29% of total sales. Operating income decreased ¥27.5 billion (US\$292.5 million) year on year to report an operating loss of ¥18.9 billion (US\$201.1 million). This negative turnaround was attributable to lower sales volume following the accident at the Iwakuni-Ohtake Works as well as a market downturn.

Basic Chemicals	Millions of yen		
	2013/3	2012/3	Change (%)
Net sales	¥401,736	¥472,899	(15.0)
Operating income (loss)	(18,916)	8,592	—
Total assets	238,599	218,797	9.1
Depreciation and amortization	8,405	11,792	(28.7)
Capital expenditures	11,750	6,548	79.4

Petrochemicals

The Petrochemicals segment recorded an increase in overall net sales.

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

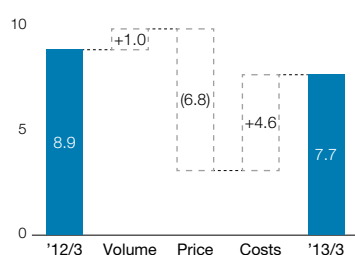
In polyethylene, net sales remained weak due to a decline in sales volume.

In polypropylene, net sales were favorable because of a higher sales volume overseas, in spite of a lower sales volume in Japan.

As a result of the above, this segment's net sales increased ¥9.6 billion (US\$101.6 million) compared with the previous fiscal year to ¥469.0 billion (US\$4,986.2 million) and comprised 33% of total sales. On the other hand, operating income decreased ¥1.2 billion (US\$13.1 million) year on year to ¥7.7 billion (US\$81.6 million) because of deterioration in terms of trade.

Petrochemicals	Millions of yen		
	2013/3	2012/3	Change (%)
Net sales	¥468,952	¥459,392	2.1
Operating income (loss)	7,674	8,904	(13.8)
Total assets	380,104	337,238	12.7
Depreciation and amortization	8,503	13,953	(39.1)
Capital expenditures	12,651	8,933	41.6

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



Films and Sheets

The Films and Sheets segment experienced weak net sales.

In packaging films, net sales declined due to a significant downturn in demand from the summer of 2011 onward and price wars with competitors, even though there are signs of recovery.

In electronic and optical films, although demand increased for some sectors of the high value-added products field, net sales were weak due to a decline in sales prices and the accident at the Iwakuni-Ohtake Works.

In solar cell sheets, net sales decreased because of a delay in the recovery in demand in the solar cell encapsulant market in addition to a drop in sales prices.

As a result, net sales in this segment decreased ¥4.7 billion (US\$50.4 million) year on year to ¥74.8 billion (US\$795.2 million) and comprised 5% of total sales. Operating income decreased ¥3.5 billion (US\$37.2 million) compared with the previous fiscal year to report an operating loss of ¥3.3 billion (US\$35.3 million) due to deterioration in terms of trade.

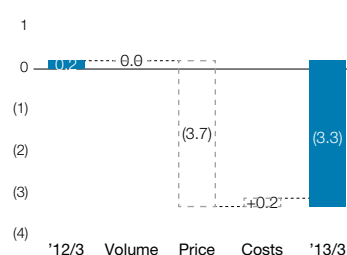
Films and Sheets	Millions of yen		
	2013/3	2012/3	Change (%)
Net sales	¥74,794	¥79,542	(6.0)
Operating income (loss)	(3,319)	179	—
Total assets	87,750	88,845	(1.2)
Depreciation and amortization	5,666	5,739	(1.3)
Capital expenditures	5,063	4,548	(11.3)

Others

In the Others segment, net sales decreased ¥4.4 billion (US\$46.9 million) with the previous fiscal year to ¥30.2 billion (US\$322.0 million), comprising 2% of total sales. Operating income and loss decreased ¥0.7 billion (US\$7.6 million) year on year to a loss of ¥0.6 billion (US\$6.1 million).

Others	Millions of yen		
	2013/3	2012/3	Change (%)
Net sales	¥30,281	¥34,690	(12.7)
Operating income (loss)	(573)	144	—
Total assets	41,552	43,228	(3.9)
Depreciation and amortization	3,053	4,428	(31.1)
Capital expenditures	3,883	4,102	(5.3)

Films and Sheets (Change in operating income)
(Billions of yen)



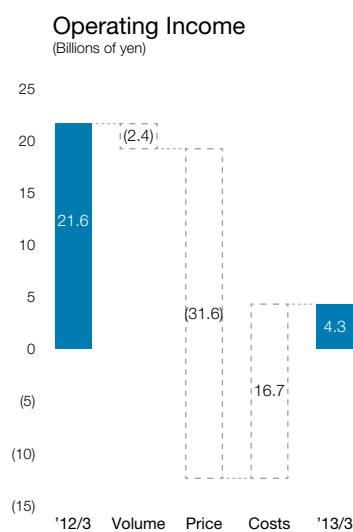
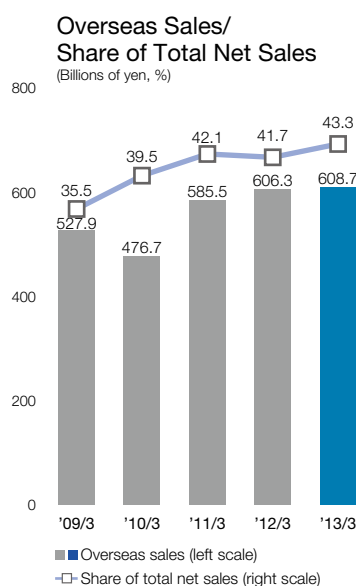
Net Sales

	Billions of yen				
	2013/3	2012/3	Increase (Decrease)		
			Total	Volume contribution	Price contribution
Functional Chemicals	¥ 149.6	¥ 148.4	¥ 1.2	¥ 3.2	¥ (2.0)
Functional Polymeric Materials	134.7	131.9	2.8	3.7	(0.9)
Polyurethane	146.2	127.3	18.9	10.7	8.2
Basic Chemicals	401.7	472.9	(71.2)	(59.8)	(11.4)
Petrochemicals	469.0	459.4	9.6	4.2	5.4
Films and Sheets	74.8	79.5	(4.7)	(2.4)	(2.3)
Others	30.2	34.6	(4.4)	(4.4)	—
Total	¥1,406.2	¥1,454.0	¥(47.8)	¥(44.8)	¥ (3.0)

Operating Income (Loss)

	Billions of yen					
	2013/3	2012/3	Increase (Decrease)			
			Total	Volume contribution	Price*	Fixed and other cost differential
Functional Chemicals	¥12.4	¥11.7	¥ 0.7	¥ 2.1	¥ (1.6)	¥ 0.2
Functional Polymeric Materials	8.4	8.2	0.2	1.8	(4.0)	2.4
Polyurethane	(2.6)	(14.6)	12.0	1.0	9.2	1.8
Basic Chemicals	(18.9)	8.6	(27.5)	(8.3)	(24.7)	5.5
Petrochemicals	7.7	8.9	(1.2)	1.0	(6.8)	4.6
Films and Sheets	(3.3)	0.2	(3.5)	—	(3.7)	0.2
Others	(0.6)	0.1	(0.7)	—	—	(0.7)
Adjustments	1.2	(1.5)	2.7	—	—	2.7
Total	¥ 4.3	¥21.6	¥(17.3)	¥(2.4)	¥(31.6)	¥16.7

*Price = Price contribution + Variable cost differential



Financial Position

Assets

Total assets at the end of this fiscal year stood at ¥1,338.0 billion (US\$14,226.4 million), up ¥81.7 billion (US\$868.6 million) compared with the previous fiscal year-end.

Liabilities

Total liabilities at the end of this fiscal year increased ¥68.6 billion (US\$728.9 million) compared with the previous fiscal year-end to ¥909.1 billion (US\$9,665.9 million). Interest-bearing debt amounted to ¥507.2 billion (US\$5,392.7 million), a rise of ¥42.4 billion (US\$450.9 million) compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 37.9%, up 0.9 percentage points from the previous fiscal year-end.

Net Assets

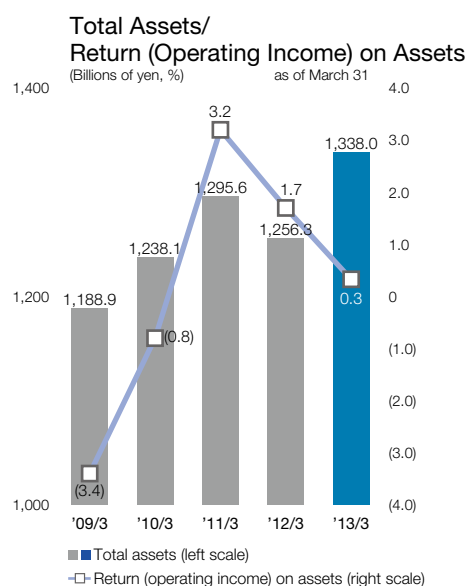
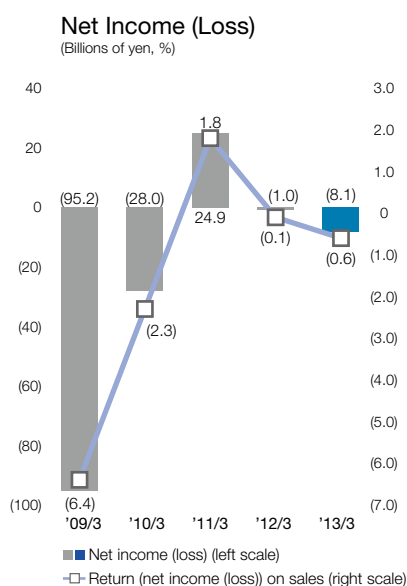
Net assets at the end of this fiscal year totaled ¥428.9 billion (US\$4,560.5 million), a rise of ¥13.1 billion (US\$139.7 million) compared with the previous fiscal year-end. The ratio of shareholders' equity to total assets was 28.2%, down 1.0 percentage points from the previous fiscal year-end.

Accounting for the aforementioned factors, the debt-equity ratio stood at 1.35 at the end of this fiscal year, up 0.08 from the previous fiscal year-end.

As of March 31, 2013, total accumulated other comprehensive loss amounted to ¥5.5 billion (US\$58.8 million), up ¥23.5 billion (US\$250.2 million) compared with the previous fiscal year-end. This was mainly attributable to the year-on-year increase in foreign currency translation adjustments of ¥19.0 billion (US\$202.3 million).

Minority interests climbed ¥3.8 billion (US\$40.4 million)

compared with the end of the previous fiscal year to ¥52.1 billion (US\$554.3 million), largely reflecting the increase in foreign currency translation adjustments.



Capital Resources and Liquidity

Cash Flows

Cash and cash equivalents (hereafter called “cash”) were down ¥9.6 billion (US\$101.7 million) to ¥45.0 billion (US\$478.4 million) as of the end of this fiscal year compared with the previous fiscal year-end.

Cash Flows From Operating Activities

Net cash provided by operating activities fell ¥24.8 billion (US\$263.6 million) to ¥18.5 billion (US\$196.8 million). The decrease was due to a decrease of income before income taxes and minority interests and depreciation expense following a change in the depreciation calculation method.

Cash Flows From Investing Activities

Net cash used in investing activities increased ¥15.6 billion (US\$166.8 million) compared with the previous fiscal year to ¥58.1 billion (US\$618.1 million). This rise was mainly attributable to higher outflows for the acquisition of shares of subsidiaries and the purchase of investment securities in

line with the Company’s new growth strategy, and the acquisition of fixed assets.

Cash Flows From Financing Activities

Net cash provided by financing activities was ¥27.3 billion (US\$289.9 million). This was mainly due to financing by interest-bearing debt. Net cash used in financing activities in the previous fiscal year was ¥26.7 billion (US\$283.5 million). This was mainly due to repayment of interest-bearing debt.

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.

Cash Flows Related Performance Indicators

	2013/3	2012/3	2011/3	2010/3	2009/3
Shareholders’ equity ratio (%)	28.2	29.2	29.6	30.5	29.4
Shareholders’ equity ratio on a market value basis (%)	15.4	20.0	22.7	22.9	15.1
Ratio of interest-bearing debt to cash flows	27.4	10.7	6.6	7.0	9.8
Interest coverage ratio (times)	2.7	6.4	9.5	8.2	5.9

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

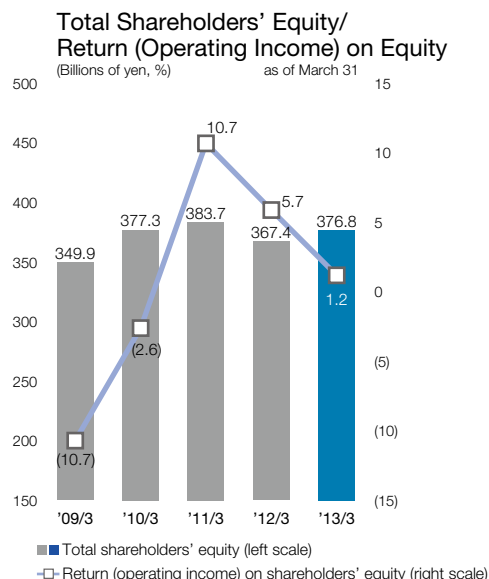
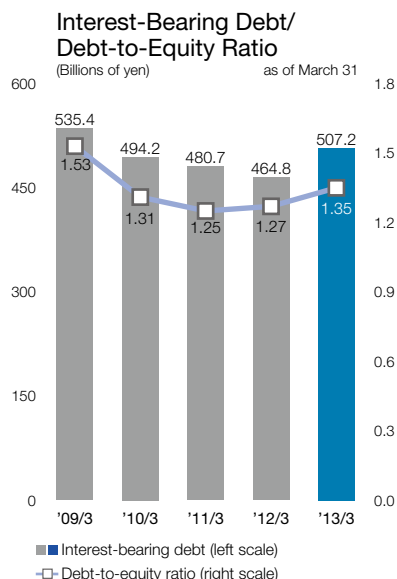
Interest coverage ratio: Cash flows to interest paid

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.



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 ¥56.6 billion (US\$602.3 million) in fiscal 2012. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses.

Expenditures by business segment were as follows.

Functional Chemicals

Mitsui Chemicals Nonwovens (Tianjin) Co., Ltd. undertook construction of new production facilities for high quality spunbonded nonwovens. The total amount of this and other Functional Chemicals-related capital expenditures was ¥14.6 billion (US\$155.4 million).

Functional Polymeric Materials

The total amount of capital expenditures in the Functional Polymeric Materials segment was ¥4.4 billion (US\$46.9 million).

Polyurethane

The total amount of capital expenditures in the Polyurethane segment was ¥4.3 billion (US\$45.5 million).

Basic Chemicals

The Company established a new IPA (isopropyl alcohol) plant using acetone to strengthen its competitiveness and customer trust.

The total amount of this and other Basic Chemicals-related capital expenditures was ¥11.8 billion (US\$124.9 million).

Petrochemicals

The total amount of capital expenditures in the Petrochemicals segment was ¥12.7 billion (US\$134.5 million).

Films and Sheets

Siam Tohcello Co., Ltd. undertook construction of new production facilities for highly functional linear low density polyethylene (LLDPE) sealant film (T.U.X.™).

The total amount of this and other Films and Sheets-related capital expenditures was ¥5.1 billion (US\$53.8 million).

Others

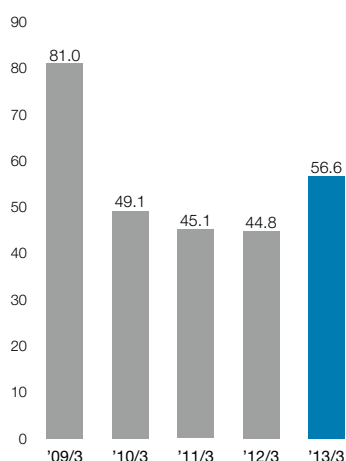
The total amount of capital expenditures in the Others segment was ¥3.9 billion (US\$41.3 million).

Research and Development

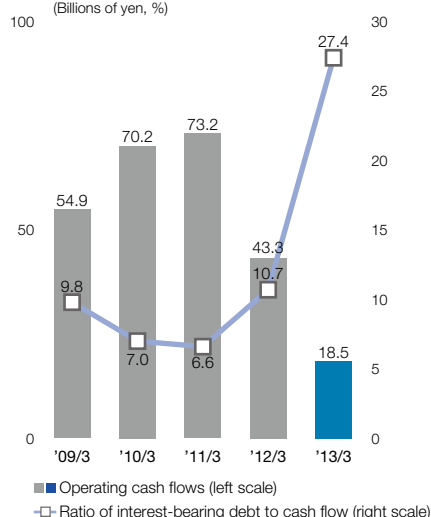
Research and development at Mitsui Chemicals and its consolidated subsidiaries is conducted by the research and development divisions of 6 business sectors, namely, Functional Chemical, Functional Polymeric Materials, Polyurethane, Basic Chemicals, Petrochemicals, and Films and Sheets, along with New Materials Development Center, R&D Strategy Division, Mitsui Chemicals Singapore R&D Centre Pte. Ltd., 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 fiscal 2012 amounted to ¥32.0 billion (US\$340.2 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 were briefly as follows.

Capital Expenditure
(Billions of yen)



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



Corporate Research

Within its five world-leading businesses and five priority businesses, three priority areas—high-value-added polymers (elastomers, PP compounds, etc.), highly functional products (for healthcare, etc.) and phenol chains—are supported by R&D efforts lead by Mitsui Chemicals to create new business opportunities and develop core technologies that boost its manufacturing capabilities. Moreover, the Company engages in basic research that underpins essential technologies, including computational science. Research and development expenses relating to corporate research amounted to ¥9.4 billion (US\$99.9 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, and advanced materials 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.

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, research and development efforts were mainly directed toward pesticide agents and formulation businesses in addition to monomers for glass lenses.

Research and development expenses related to this segment were ¥7.5 billion (US\$79.7 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, 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 ¥5.2 billion (US\$55.3 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, research activities were mainly directed toward the development of eco-friendly materials, specifically, polyurethane foam made from non-fossil materials, solar battery-related materials, solventless coating materials, and adhesives.

Research and development expenses related to this segment were ¥2.9 billion (US\$30.8 million).

Basic Chemicals

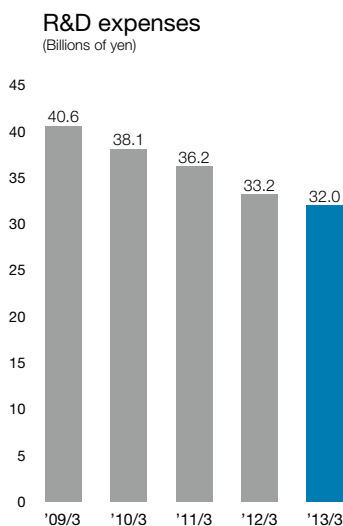
Adopting a key role, Mitsui Chemicals is channeling its research and development activities into innovative catalysts for use in the manufacture of propylene, phenol, and bisphenol A as well as process development. The Company is also concentrating its research and development efforts into strengthening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

Research and development expenses related to this segment were ¥0.6 billion (US\$6.4 million).

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 develop-



ment 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 ¥3.9 billion (US\$41.5 million).

Films and Sheets

Mitsui Chemicals Tohcello Inc. takes the lead in developing fabricated products, including films and sheets for use in the lifestyle-, industrial material-, IT-, energy-related fields. In the fiscal year, priority was placed on research activities into packing-, circuit-, semiconductor-, and solar cell-related materials.

Research and development expenses related to this segment were ¥2.5 billion (US\$26.6 million).

Business Risks

Business Risks

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

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

Please note that the risks discussed below were those deemed relevant as of March 31, 2013.

(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 and financial position.

(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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
ASSETS			
Current assets			
Cash and deposits (Note 14)	¥ 46,514	¥ 54,340	\$ 494,567
Notes and accounts receivable—trade	298,411	274,500	3,172,897
Inventories (Note 5)	284,643	248,397	3,026,507
Deferred tax assets (Note 19)	11,264	10,061	119,766
Accounts receivable—other	66,108	62,418	702,903
Other	9,035	12,166	96,066
Allowance for doubtful accounts	(579)	(571)	(6,156)
Total current assets	715,396	661,311	7,606,550
Noncurrent assets			
Property, plant and equipment (Note 11)			
Buildings and structures	318,872	314,922	3,390,452
Accumulated depreciation	(212,415)	(207,887)	(2,258,533)
Buildings and structures, net	106,457	107,035	1,131,919
Machinery, equipment and vehicles	1,064,514	1,027,473	11,318,596
Accumulated depreciation	(920,466)	(888,064)	(9,786,986)
Machinery, equipment and vehicles, net	144,048	139,409	1,531,610
Land	164,190	165,210	1,745,774
Construction in progress	22,888	11,630	243,360
Other	64,600	61,933	686,869
Accumulated depreciation	(55,546)	(54,588)	(590,601)
Other, net	9,054	7,345	96,268
Total property, plant and equipment	446,637	430,629	4,748,931
Intangible assets			
Intangible assets	14,635	11,612	155,609
Investments and other assets			
Investment securities (Notes 16 and 17)	98,269	93,850	1,044,859
Deferred tax assets (Note 19)	4,129	3,213	43,902
Other (Notes 6, 7 and 8)	59,791	56,463	635,736
Allowance for doubtful accounts	(862)	(775)	(9,165)
Total investments and other assets	161,327	152,751	1,715,332
Total noncurrent assets	622,599	594,992	6,619,872
Total assets	¥1,337,995	¥1,256,303	\$14,226,422

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)
	2013	2012	2013
Current liabilities			
Notes and accounts payable—trade	¥ 215,666	¥ 194,025	\$2,293,099
Short-term loans payable (Note 8)	106,685	96,492	1,134,343
Current portion of long-term loans payable (Note 8)	54,011	24,482	574,280
Commercial papers (Note 8)	15,000	18,700	159,490
Current portion of bonds (Note 8)	10,000	30,000	106,326
Income taxes payable (Note 19)	2,963	3,978	31,505
Provision for directors' bonuses	23	35	245
Provision for repairs	10,232	9,165	108,793
Other (Notes 8 and 19)	79,328	74,630	843,466
Total current liabilities	493,908	451,507	5,251,547
Noncurrent liabilities			
Bonds payable (Note 8)	97,000	93,000	1,031,366
Long-term loans payable (Note 8)	223,956	201,501	2,381,244
Deferred tax liabilities	16,963	13,561	180,362
Provision for retirement benefits (Note 7)	50,855	53,150	540,723
Provision for directors' retirement benefits	261	313	2,775
Provision for repairs	3,579	3,832	38,054
Provision for environmental measures	3,028	7,264	32,196
Asset retirement obligations	2,589	2,345	27,528
Other (Notes 8 and 19)	16,942	14,059	180,138
Total noncurrent liabilities	415,173	389,025	4,414,386
Total liabilities	909,081	840,532	9,665,933
Net assets			
Shareholders' equity (Note 12)			
Capital stock	125,053	125,053	1,329,644
Capital surplus	91,065	91,065	968,261
Retained earnings	180,451	194,648	1,918,671
Treasury stock	(14,264)	(14,268)	(151,664)
Total shareholders' equity	382,305	396,498	4,064,912
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	12,862	8,179	136,757
Deferred gains (losses) on hedges	(250)	(81)	(2,658)
Foreign currency translation adjustments	(18,138)	(37,160)	(192,855)
Total accumulated other comprehensive income (loss)	(5,526)	(29,062)	(58,756)
Minority interests	52,135	48,335	554,333
Total net assets	428,914	415,771	4,560,489
Total liabilities and net assets	¥1,337,995	¥1,256,303	\$14,226,422

Consolidated Statements of Operations

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Net sales	¥1,406,220	¥1,454,024	\$14,951,834
Cost of sales (Notes 7 and 10)	1,233,303	1,261,201	13,113,269
Gross profit	172,917	192,823	1,838,565
Selling, general and administrative expenses (Notes 7 and 10)	168,627	171,259	1,792,951
Operating income	4,290	21,564	45,614
Non-operating income			
Interest income	256	273	2,722
Dividends income	3,445	3,068	36,629
Amortization of negative goodwill	681	683	7,241
Equity in earnings of affiliates	1,575	5,541	16,746
Insurance income	2,530	1,421	26,901
Foreign exchange gains	4,102	—	43,615
Other	4,222	4,138	44,891
Total non-operating income	16,811	15,124	178,745
Non-operating expense			
Interest expenses	6,779	7,061	72,078
Loss on suspension of operations	1,198	1,002	12,738
Foreign exchange losses	—	1,150	—
Other	3,918	4,591	41,659
Total non-operating expenses	11,895	13,804	126,475
Ordinary income	9,206	22,884	97,884
Extraordinary gain			
Gain on sales of noncurrent assets	425	2,374	4,519
Gain on sales of investment securities (Note 17)	1,251	19	13,301
Gain on transfer of business	—	543	—
Gain on contribution of securities to retirement benefit trust	—	7,376	—
Reversal of provision for environmental measures	3,309	2,194	35,183
Insurance income	5,472	—	58,182
Total extraordinary gain	10,457	12,506	111,185
Extraordinary loss			
Loss on disposal of noncurrent assets	4,288	2,950	45,593
Loss on sales of noncurrent assets	184	68	1,956
Impairment loss (Note 11)	5,582	12,906	59,351
Loss on restructuring of subsidiaries and affiliates	4,120	674	43,807
Loss on valuation of investment securities	794	1,053	8,442
Loss on business withdrawal	143	—	1,520
Loss on disaster	—	1,386	—
Loss on explosion and fire	4,868	—	51,760
Contract termination fees	480	—	5,104
Total extraordinary losses	20,459	19,037	217,533
Income (loss) before income taxes and minority interests	(796)	16,353	(8,464)
Income taxes—current (Note 19)	6,571	9,703	69,867
Income taxes—deferred	255	(916)	2,711
Total income taxes	6,826	8,787	72,578
Income (loss) before minority interests	(7,622)	7,566	(81,042)
Minority interests in income	527	8,573	5,603
Net income (loss)	¥ (8,149)	¥ (1,007)	\$ (86,645)

	Yen		U.S. dollars (Note 4)
Amounts per share of common stock:			
Net income (loss)	¥(8.14)	¥(1.01)	\$(0.087)
Cash dividends applicable to the year	6.00	6.00	0.064

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Income (loss) before minority interests	¥ (7,622)	¥ 7,566	\$ (81,042)
Other comprehensive income (loss)			
Valuation difference on available-for-sale securities	4,825	(3,218)	51,302
Deferred gains (losses) on hedges	(70)	(254)	(744)
Foreign currency translation adjustments	21,652	(6,864)	230,218
Share of other comprehensive income of associates accounted for using the equity method	3,195	(961)	33,971
Total other comprehensive income (loss) (Note 13)	29,602	(11,297)	314,747
Comprehensive income	¥21,980	¥ (3,731)	\$233,705
Comprehensive income attributable to:			
Owners of Mitsui Chemicals	¥15,387	¥(10,253)	\$163,604
Minority interests	6,593	6,522	70,101

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, 2013 and 2012

	Millions of yen									
	Number of shares of capital stock (Thousands)	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at April 1, 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
Cash dividends paid	—	—	—	(6,011)	—	—	—	—	—	(6,011)
Net loss	—	—	—	(8,149)	—	—	—	—	—	(8,149)
Purchase of treasury stock	—	—	—	—	(48)	—	—	—	—	(48)
Disposition of treasury stock	—	—	—	(37)	52	—	—	—	—	15
Other changes	—	—	—	—	—	4,683	(169)	19,022	3,800	27,336
Balance at March 31, 2013	1,022,020	¥125,053	¥91,065	¥180,451	¥(14,264)	¥12,862	¥(250)	¥(18,138)	¥52,135	¥428,914

	Thousands of U.S. dollars (Note 4)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Minority interests	Total net assets	
Balance at April 1, 2012	\$1,329,644	\$968,261	\$2,069,623	\$(151,707)	\$ 86,964	\$ (861)	\$(395,109)	\$513,929	\$4,420,744	
Cash dividends paid	—	—	(63,913)	—	—	—	—	—	(63,913)	
Net loss	—	—	(86,645)	—	—	—	—	—	(86,645)	
Purchase of treasury stock	—	—	—	(510)	—	—	—	—	(510)	
Disposition of treasury stock	—	—	(394)	553	—	—	—	—	159	
Other changes	—	—	—	—	49,793	(1,797)	202,254	40,404	290,654	
Balance at March 31, 2013	\$1,329,644	\$968,261	\$1,918,671	\$(151,664)	\$136,757	\$(2,658)	\$(192,855)	\$554,333	\$4,560,489	

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2013	2012	2013
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥ (796)	¥16,353	\$ (8,464)
Depreciation and amortization	42,227	61,066	448,985
Goodwill amortization	1,637	1,683	17,406
Loss on impairment of fixed assets	5,582	12,906	59,351
Increase (decrease) in provision for retirement benefits	(2,582)	(1,371)	(27,453)
Decrease (increase) in prepaid pension costs	3,308	(6,815)	35,173
Changes in allowance for doubtful accounts	49	(408)	521
Reserve for periodic repairs	814	(1,055)	8,655
Provision for environmental measures	(4,236)	(3,386)	(45,040)
Interest and dividend income	(3,700)	(3,341)	(39,341)
Interest expenses	6,779	7,061	72,079
Equity in earnings of non-consolidated subsidiaries and affiliates	(1,575)	(5,541)	(16,746)
Loss (gain) on sales of investment securities	(1,427)	(19)	(15,173)
Loss (gain) on valuation of investment securities	794	1,053	8,442
Gain on sales of property, plant and equipment	425	(2,374)	4,519
Loss on sales and disposal of property, plant and equipment	895	840	9,516
(Increase) decrease in trade receivables	(16,260)	(11,329)	(172,887)
(Increase) decrease in inventories	(27,976)	(10,501)	(297,459)
Increase (decrease) in trade payables	14,665	(1,870)	155,928
Other, net	(5,961)	399	(63,381)
Subtotal	12,662	53,351	134,631
Interest and dividend received	7,072	7,874	75,194
Interest paid	(6,807)	(6,721)	(72,376)
Income taxes paid	(8,098)	(11,202)	(86,104)
Proceeds from insurance income on explosion and fire	13,683	—	145,486
Net cash provided by operating activities	18,512	43,302	196,831
Cash flows from investing activities			
Acquisition of property, plant, equipment and others	(55,465)	(37,565)	(589,740)
Proceeds from sales of property, plant, equipment and others	2,965	3,660	31,526
Purchases of investment securities	(6,167)	(8,077)	(65,572)
Proceeds from sales of investment securities	455	293	4,838
Payments for purchases of newly consolidated subsidiaries, net of cash acquired (Note 14)	(4,083)	(2,586)	(43,413)
Other, net	4,159	1,823	44,221
Net cash used in investing activities	(58,136)	(42,452)	(618,140)
Cash flows from financing activities			
Net increase (decrease) in short-term loans	3,101	5,786	32,972
Proceeds from long-term debt	90,499	26,686	962,243
Repayments of long-term debt	(56,580)	(47,434)	(601,595)
Proceeds from stock issuance to minority shareholders	1,115	—	11,855
Proceeds from sales of treasury stock	15	15	159
Purchases of treasury stock	(48)	(55)	(510)
Cash dividends paid	(6,011)	(6,011)	(63,913)
Other, net	(4,823)	(5,680)	(51,280)
Net cash provided by (used in) financing activities	27,268	(26,693)	289,931
Effect of exchange rate changes on cash and cash equivalents	2,670	(697)	28,390
Net increase (decrease) in cash and cash equivalents	(9,686)	(26,540)	(102,988)
Cash and cash equivalents at beginning of the year	54,564	81,119	580,159
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	118	(15)	1,255
Cash and cash equivalents at end of the year (Note 14)	¥44,996	¥54,564	\$478,426

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, 2013 and 2012

1. BASIS OF PREPARATION

The accompanying consolidated financial statements of Mitsui Chemicals, Inc. (the "Company") and its consolidated subsidiaries have been prepared in accordance with accounting principles generally accepted in Japan and have been compiled from those prepared by the Company as required under the Financial Instruments and Exchange Act,

which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

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

The assets and liabilities of the consolidated subsidiaries, including the 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, 2013, the Mitsui Chemicals Group comprised 76 consolidated subsidiaries, six more than the previous fiscal year. This reflected the nine new companies, including Produmaster Advanced Composites and the exclusion of three former subsidiaries, including Mitsui Chemicals Fabro, Inc.

The equity method is applied to 34 non-consolidated subsidiaries and affiliates, three more than the previous fiscal year.

In order to improve the disclosure of consolidated financial information, from the fiscal year ended March 31, 2013 the accounting periods of Mitsui Phenols Singapore Pte. Ltd., Mitsui Chemicals Asia Pacific, Ltd. and one other overseas company were changed from a year ending on December 31 year-end to a March 31 year-end. In addition, the provisional results of Grand Siam Composites Co., Ltd., Siam Mitsui PTA Co., Ltd., and Thai Mitsui Specialty Chemicals Co., Ltd., which end their accounting periods on December 31, were included in the consolidated financial statements.

As a result, these above companies' results for a 15-month fiscal period from January 1, 2012 to March 31, 2013 have been included in consolidation.

b. Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. The Company and its domestic consolidated subsidiaries have reported foreign currency translation adjustments as a component of 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 determined by the moving-average method. Cost of other securities sold is determined by the moving-average method.

Investments 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 straight-line method.

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

f. Intangible assets (Except for leased assets)

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

g. Research and development expenses

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

h. Leases

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

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

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 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 March 31, 2013 review due to a 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 adopted

the consolidated taxation system, with Mitsui Chemicals Co., Ltd. registered as the consolidated taxation parent company, from the fiscal year ended March 31, 2013.

s. Consumption taxes

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

3. CHANGES IN ACCOUNTING POLICIES, ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED AND CHANGE IN ACCOUNTING ESTIMATES

(Changes in accounting policies)

Change in accounting method for depreciation of property, plant and equipment

The Company and its consolidated subsidiaries in Japan changed their accounting method for the depreciation of property, plant and equipment (except for leased assets) from the declining-balance method to the straight-line method, beginning in the fiscal year ended March 31, 2013. Amid rapid change in the business environment, the Mitsui Chemicals Group formulated the 2011 Mid-Term Business Plan with the aim of building a business portfolio for growth and sustainability and establishing a global presence focusing on Asia. While working to expand operations overseas, the Company has been restructuring domestic businesses and thoroughly streamlining operations. Based on the previous mid-term business plan, which focused on transforming the portfolio to one with high-value-added and competitive businesses, the Mitsui Chemicals Group completed large-scale investments in production facilities in Japan during the fiscal year ended March 31, 2012. Accordingly, management reexamined depreciation methods to decide on one that would most appropriately reflect current conditions.

Management believes the Company's existing facilities in Japan will continue to be utilized stably across all businesses. Referring to the details of capital investment plans, management also expects these facilities to continue to be useful in the future, as it deems the majority of facilities will operate stably and contribute to earnings over the long term. Management has therefore decided that the straight-line method of depreciation for production facilities in Japan is the most appropriate cost allocation method for the statement of operations.

As a consequence of this change in accounting method, for the fiscal year ended March 31, 2013, operating income and ordinary income increased ¥10,151 million and ¥10,337 million, respectively, while income before income taxes and minority interests decreased ¥10,704 million, compared with the previous accounting method.

(Accounting standards issued but not yet adopted)

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and its Implementation Guidance (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

The accounting standard for retirement benefits was revised so that actuarial differences and past service costs are recognized within the net asset section on the balance sheet, after adjusting for tax effects, as accumulated liabilities or assets. Revisions were also made to the method of attributing expected benefit payments to periods, allowing for either a straight-line basis or benefit formula basis, and amendments were made to the method of calculating the discount rate.

(2) Planned date for adoption

Mitsui Chemicals plans to adopt this accounting standard in its consolidated financial statements from the end of the fiscal year ending March 31, 2014. With regard to attributing expected benefit payments to periods, however, it plans to adopt a new method from the beginning of the fiscal year ending March 31, 2015. Financial statements for previous fiscal years will not be restated to reflect this change in accounting method, in line with provisions regarding transition to the new standard.

(3) Impact from adoption of this accounting standard

The adoption of the Accounting Standard for Retirement Benefits is expected to have a material impact on the consolidated financial statements of the Mitsui Chemicals Group. Since actuarial differences are recognized as they arise on the consolidated balance sheets, net assets are likely to change. However, the impact of the change is currently being assessed by management.

(Change in accounting estimates)

Mitsui Chemicals records a provision for environmental measures in preparation for expenditures related to protecting the environment. From the fiscal year ended March 31, 2013, management has changed the estimates it uses to calculate this provision based on the extensive results of its examination of environmental measures implemented over an extended period. In accordance with this change, the difference between the previous estimate and the new estimate was recognized as a gain under extraordinary gain or loss for the fiscal year ended March 31, 2013.

As a consequence, the loss before income taxes and minority interests declined by ¥3,309 million (US\$35,183 thousand) for the fiscal year ended March 31, 2013.

4. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥94.05=US\$1.00, the approximate rate of exchange in effect on March 31, 2013. 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, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Finished goods	¥194,560	¥171,507	\$2,068,687
Work in process	5,464	4,909	58,097
Raw materials and supplies	84,619	71,981	899,723
Total	¥284,643	¥248,397	\$3,026,507

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, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Goodwill	¥4,637	¥2,703	\$49,303
Negative goodwill	702	1,383	7,464
Difference	¥3,935	¥1,320	\$41,839

7. ACCRUED EMPLOYEES' RETIREMENT BENEFITS

The liability for severance and retirement benefits included in the consolidated balance sheets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ 204,874	¥ 194,255	\$ 2,178,352
Unrecognized prior service cost	78	(60)	829
Unrecognized actuarial loss	(39,389)	(40,280)	(418,809)
Less fair value of pension plan assets	(149,058)	(138,423)	(1,584,880)
Prepaid pension and severance cost	34,350	37,658	365,231
Liability for severance and retirement benefits	¥ 50,855	¥ 53,150	\$ 540,723

Included in the consolidated statements of operations for the years ended March 31, 2013 and 2012 were severance and retirement benefit expenses which comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost-benefits earned during the year	¥ 5,031	¥ 4,946	\$ 53,493
Interest cost on projected benefit obligation	3,822	3,921	40,638
Expected return on plan assets	(3,158)	(2,950)	(33,578)
Amortization of actuarial loss	7,922	7,805	84,232
Amortization of prior service cost	9	9	95
Severance and retirement benefit expenses	¥13,626	¥13,731	\$144,880

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

	2013	2012
Discount rate	Principally 1.2%	Principally 2.0%
Rate of expected return on the pension plan assets	Principally 2.5%	Principally 2.5%

8. LOANS AND BONDS

(1) Loans payable breakdown

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Short-term loans payable (0.98%)	¥106,685	¥ 96,492	\$1,134,343
Current portion of long-term loans payable (1.59%)	54,011	24,482	574,280
Current portion of lease obligations	143	121	1,521
Long-term loans payable due in 2015–2023 (1.43%)	223,956	201,501	2,381,244
Long-term lease obligations due in 2014–2028	388	477	4,125
Commercial papers (0.11%)	15,000	18,700	159,490
Total	¥400,183	¥341,773	\$4,255,003

The aforementioned interest rate is an average, shown as the weighted average interest rate on the outstanding balance as of March 31, 2013.

The average interest rate for lease obligations is omitted

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

Maturities of loans payable (within 5 years):

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥40,314	\$428,644
2016	39,376	418,671
2017	24,439	259,851
2018	17,270	183,626

Maturities of lease obligations (within 5 years):

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥96	\$1,021
2016	20	213
2017	19	202
2018	20	213

(2) Bonds payable breakdown

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
1.36% bonds due in 2012	¥ —	¥10,000	\$ —
0.78% bonds due in 2013	10,000	10,000	106,326
1.52% bonds due in 2015	10,000	10,000	106,326
1.57% bonds due in 2013	—	10,000	—
1.84% bonds due in 2016	10,000	10,000	106,326
2.09% bonds due in 2016	10,000	10,000	106,326
1.96% bonds due in 2017	10,000	10,000	106,326
1.42% bonds due in 2012	—	10,000	—
1.93% bonds due in 2017	10,000	10,000	106,326
1.44% bonds due in 2014	10,000	10,000	106,326
1.246% bonds due in 2020	10,000	10,000	106,326
1.354% bonds due in 2021	10,000	10,000	106,326
0.651% bonds due in 2017	14,000	—	148,859
1.38% bonds due in 2014	3,000	3,000	31,899
Total	¥107,000	¥123,000	\$1,137,692

Maturities of bonds payable (within 5 years):

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥10,000	\$106,326
2015	13,000	138,224
2016	20,000	212,653
2017	20,000	212,653
2018	24,000	255,183

9. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
As endorser of trade notes discounted	¥ 96	¥ 109	\$ 1,021
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	12,035	3,499	127,964
As issuer of commitments for guarantees	108	150	1,148

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Research and development expenses	¥31,997	¥33,176	\$340,213

11. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the years ended March 31, 2013 and 2012 consisted of the following:

Year ended March 31, 2013

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks
Mitsui Chemicals Tohcello, Inc.	Production facilities, etc.	Machinery, buildings and structures, others	¥2,585	\$27,485	Idle property
Shimonoseki City, Yamaguchi Prefecture, etc.	Production facilities	Machinery, land, buildings and structures, others	¥1,366	\$14,524	Idle property
Yokohama City, Kanagawa Prefecture, etc.	Company housing	Land, buildings and structures	¥1,227	\$13,046	Idle property
Others	3 items	Production facilities, Machinery, buildings and structures	¥ 404	\$ 4,296	Business assets in use
Total			¥5,582	\$59,351	

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 ¥404 million (US\$4,296 thousand) was recorded as other expenses. This impairment loss comprised ¥237 million (US\$2,520 thousand) for machinery, ¥166 million (US\$1,765 thousand) for buildings and structures, and ¥1 million (US\$11 thousand) for other assets.

In addition, the calculation of recoverable amounts was

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 ¥5,178 million (US\$55,055 thousand) was recorded as other expenses. This impairment loss comprised ¥2,677 million (US\$28,463 thousand) for machinery, ¥1,593 million (US\$16,938 thousand) for buildings and structures, ¥718 million (US\$7,634 thousand) for land and ¥190 million (US\$2,020 thousand) for other assets.

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

Year ended March 31, 2012

Location	Major use	Asset category	Millions of yen	Remarks
Polyurethane business	Production facilities	Machinery and equipment, buildings and structures, others	¥11,721	Business assets in use
Others	3 items	Production facilities, etc.	¥931	Business assets in use
	4 items	Production facilities, etc.	¥254	Idle property
Total			¥12,906	

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 was recorded as other expenses. This impairment loss comprised ¥8,530 million for machinery and equipment, ¥3,305 million for building and structures, ¥253 million for land, and ¥564 million for other assets.

In addition, the calculation of recoverable amounts was 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 ¥254 million was recorded as other expenses. This impairment loss comprised ¥122 million for buildings and structures, ¥66 million for machinery and equipment, and ¥66 million for other assets.

In addition, the calculation of recoverable amounts was based on net sales price which derived from 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, 2013 include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 25, 2013.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 (\$0.03) per share	¥3,005	\$31,951

13. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Reclassification adjustments and tax effects for components of other comprehensive income (loss) for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Valuation difference on available-for-sale securities:			
Gains arising during the year	¥ 5,186	¥ 58	\$ 55,141
Reclassification adjustment to profit or loss	624	(6,336)	6,635
Amount before income tax effect	5,810	(6,278)	61,776
Income tax effect	(985)	3,060	(10,473)
Total	4,825	(3,218)	51,303
Deferred gains (losses) on hedges:			
Gains or losses arising during the year	8	(740)	85
Reclassification adjustment to profit or loss	0	371	0
Adjustments of acquisition cost for assets	(65)	—	(691)
Amount before income tax effect	(57)	(369)	(606)
Income tax effect	(13)	115	(138)
Total	(70)	(254)	(744)
Foreign currency translation adjustments:			
Adjustments arising during the year	21,652	(6,889)	230,218
Reclassification adjustment to profit or loss	—	25	—
Amount before income tax effect	21,652	(6,864)	230,218
Total	21,652	(6,864)	230,218
Share of other comprehensive income of associates accounted for using the equity method:			
Gains or losses arising during the year	3,143	(961)	33,418
Reclassification adjustment to profit or loss	52	—	553
Total	3,195	(961)	33,971
Total other comprehensive income (loss)	¥29,602	¥(11,297)	\$314,748

14. SUPPLEMENTARY CASH FLOW INFORMATION

(1) Breakdown of assets and liabilities of companies that were newly included in the scope of consolidation as consolidated subsidiaries following the acquisition of shares

Fiscal year ended March 31, 2013 and 2012, related acquisition costs and net disbursement

Year ended March 31, 2013

Produmaster Advanced composites and KOC Solution Co., Ltd.	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,040	\$11,058
Non-current assets	798	8,485
Goodwill	3,443	36,608
Current liabilities	(934)	(9,931)
Long-term liabilities	(119)	(1,265)
Acquisition cost of shares	4,228	44,955
Cash and cash equivalents	(145)	(1,542)
Net disbursement due to the acquisition	¥4,083	\$43,413

Year ended March 31, 2012, Acomon AG	Millions of yen
Current assets	¥2,370
Non-current assets	828
Goodwill	1,731
Current liabilities	(862)
Long-term liabilities	(882)
Acquisition value of shares	3,185
Cash and cash equivalents	(599)
Net disbursement due to the acquisition	¥2,586

(2) Breakdown of assets and liabilities of the company excluded from the consolidation fiscal year ended March 31, 2013

Mitsui Chemical Fabro Inc. was excluded from the consolidation due to the sales of shares.

Year ended March 31, 2013	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,355	\$35,672
Non-current assets	660	7,018
Current liabilities	(1,617)	(17,193)
Long-term liabilities	(19)	(202)
Gain on sales of shares	1,251	13,301
Sales value of shares	3,630	38,596
Cash and cash equivalents	(162)	(1,722)
Net proceeds	¥3,468	\$36,874

(3) Cash and cash equivalents at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash	¥44,564	¥52,352	\$473,833
Cash equivalents	432	2,212	4,593
Total	¥44,996	¥54,564	\$478,426

15. LEASES

Obligations under noncancelable operating leases at March 31, 2013 and 2012 were as follows:

Future Minimum Lease Payments:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥140	¥126	\$1,489
Due after one year	116	209	1,233
	¥256	¥335	\$2,722

16. FINANCIAL INSTRUMENTS

(1) Status of financial instruments

① 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.

② Details of financial instruments and associated risk

The trade notes and accounts receivable are exposed to

the 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 pay-

ment 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."

③ Risk management

1) 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.

2) 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.

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

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

④ Supplemental explanation regarding fair value of financial instruments

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

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value, and differences as of March 31, 2013 and 2012 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.")

Year ended March 31, 2013	Millions of yen		
	Carrying value	Fair value	Differences
Assets			
1) Cash and deposits	¥ 46,514	¥ 46,514	¥ —
2) Trade notes and accounts receivable	298,411	298,411	—
3) Short-term investment securities and investment securities			
Other securities	40,124	40,124	—
Total	385,049	385,049	—
Liabilities			
1) Trade notes and accounts payable	215,666	215,666	—
2) Short-term bank loans	106,685	106,685	—
3) Commercial papers	15,000	15,000	—
4) Corporate bonds due after one year	107,000	110,411	3,411
5) Long-term loans payable due after one year	277,967	286,526	8,559
Total	722,318	734,288	11,970
Derivative transactions(*)	¥ (40)	¥ (40)	¥ —

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

Year ended March 31, 2013	Thousands of U.S. dollars		
	Carrying value	Fair value	Differences
Assets			
1) Cash and deposits	\$ 494,567	\$ 494,567	\$ —
2) Trade notes and accounts receivable	3,172,897	3,172,897	—
3) Short-term investment securities and investment securities			
Other securities	426,624	426,624	—
Total	4,094,088	4,094,088	—
Liabilities			
1) Trade notes and accounts payable	2,293,099	2,293,099	—
2) Short-term bank loans	1,134,343	1,134,343	—
3) Commercial papers	159,490	159,490	—
4) Corporate bonds	1,137,693	1,173,962	36,269
5) Long-term loans payable	2,955,524	3,046,528	91,004
Total	7,680,149	7,807,422	127,273
Derivative transactions(*)	\$ (425)	\$ (425)	\$ —

*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, 2) Short-term bank loans, and 3) Commercial papers

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

4) Corporate bonds due after one year

The fair value of corporate bonds equals the quoted market price, if available, if the market prices of corporate bonds are not available, fair value is calculated based on the present value of the total amount of principal and interest, discounted by the rate determined taking into account the remaining maturity and the credit risk of the bonds.

5) 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—by the assumed interest rate to be applied if new loans of the same type were obtained.

Year ended March 31, 2012	Millions of yen		
	Carrying value	Fair value	Differences
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			
i) Held-to-maturity debt securities	6	6	0
ii) Other securities	36,480	36,480	—
Total	365,326	365,326	—
Liabilities			
1) Trade notes and accounts payable	194,025	194,025	—
2) Short-term bank loans	96,492	96,492	—
3) Commercial papers	18,700	18,700	—
4) Corporate bonds	123,000	126,754	3,754
5) Long-term loans payable	225,983	234,265	8,282
Total	658,200	670,236	12,036
Derivative transactions ^{o)}	¥ (246)	¥ (246)	¥ —

^{o)}Derivative assets and (liabilities) are on a net basis.

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, 2013	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥11,632	\$123,679
Unlisted preferred securities	6,985	74,269
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, 2012		Millions of yen
Unlisted equity securities		¥11,313
Unlisted preferred securities		6,938

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, 2013	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	¥ 46,514	¥ —	¥ —	¥ —
Trade notes and accounts receivable	298,411	—	—	—
Total	¥344,925	¥—	¥—	¥—
		Thousands of U.S. dollars		
Year ended March 31, 2013				
Cash and deposits	\$ 494,567	\$ —	\$ —	\$ —
Trade notes and accounts receivable	3,172,897	—	—	—
Total	\$3,667,464	\$—	\$—	\$—

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	—	—	—
(2) Other securities	36,480	—	—	—
Total	¥365,326	¥ —	¥ —	¥ —

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

Year ended March 31, 2013	Millions of yen					
	Due within one year	Due over one years but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans	¥106,685	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds due after one year	10,000	13,000	20,000	20,000	24,000	20,000
Long-term loans payable due after one year	54,011	40,314	39,376	24,439	17,270	102,557
Total	170,696	53,314	59,376	44,439	41,270	122,557

Year ended March 31, 2013	Thousands of U.S. dollars					
	Due within one year	Due over one years but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans	\$1,134,343	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate bonds due after one year	106,326	138,224	212,653	212,653	255,183	212,653
Long-term loans payable due after one year	574,280	428,644	418,671	259,851	183,626	1,090,452
Total	1,814,949	566,868	631,324	472,504	438,809	1,303,105

Year ended March 31, 2012	Millions of yen					
	Due within one year	Due over one years but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans	¥ 96,492	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds due after one year	30,000	10,000	13,000	20,000	20,000	30,000
Long-term loans payable due after one year	24,482	55,762	39,162	33,830	23,117	49,630
Total	150,974	65,762	52,162	53,830	43,117	79,630

17. SECURITIES

Information on securities held by the Company and its subsidiaries at March 31, 2013 and 2012 was as follows:

(1) Held-to-maturity debt securities

(Not applicable for the year ended March 31, 2013)

Year ended March 31, 2012	Millions of yen		
	Carrying value	Fair value	Difference
Securities whose fair value exceeds their carrying value:			
Government and municipal bonds	¥ 6	¥ 6	¥ —
Securities whose fair value does not exceed their carrying value:			
Government and municipal bonds	—	—	—
Total	¥ 6	¥ 6	¥ —

(2) Other securities with maturity date

Year ended March 31, 2013	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	¥35,663	¥19,460	¥16,203	\$379,192	\$206,911	\$172,281
(2) Others	—	—	—	—	—	—
Securities whose carrying value does not exceed their acquisition cost:						
(1) Equity securities	4,029	5,465	(1,436)	42,839	58,108	(15,269)
(2) Others	432	432	—	4,593	4,593	—
Total	¥40,124	¥25,357	¥14,767	\$426,624	\$269,612	\$157,012

Note: Unlisted equity securities with carrying value of ¥11,632 million (US\$123,679 thousand) and unlisted preferred securities with carrying value of ¥6,985 million (US\$74,269 thousand) as of March 31, 2013 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, 2012	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
(1) Equity securities	¥29,221	¥17,630	¥11,591
(2) Others	—	—	—
Securities whose carrying value does not exceed their acquisition cost:			
(1) Equity securities	5,047	6,955	(1,908)
(2) Others	2,212	2,212	—
Total	¥36,480	¥26,797	¥ 9,683

Note: Unlisted equity securities with carrying value of ¥11,313 million and unlisted preferred securities with carrying value of ¥6,938 million 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.

(3) Other securities sold during the fiscal years ended March 31, 2013 and 2012

Year ended March 31, 2013	Millions of yen			Thousands of U.S. dollars		
	Proceeds	Gain on sales	Loss on sales	Proceeds	Gain on sales	Loss on sales
Equity securities	¥ 393	¥191	¥—	\$ 4,178	\$2,031	\$—
Others	3,523	—	—	37,459	—	—
Total	¥3,916	¥191	¥—	\$41,637	\$2,031	\$—

Year ended March 31, 2012	Millions of yen		
	Proceeds	Gain on sales	Loss on sales
Equity securities	¥ 37	¥14	¥ 1
Others	2,927	—	—
Total	¥2,964	¥14	¥ 1

(4) Impairment of investment securities

For the fiscal year ended March 31, 2013, the Mitsui Chemicals Group recognized an impairment of ¥794 million (US\$8,442 thousand) on marketable securities (¥794 million (US\$8,442 thousand) on other marketable securities with market values). The amount of impairment loss recognized on marketable securities in the fiscal year ended March 31, 2012 totaled ¥1,053 million (¥1,046 million on other marketable securities with market values and ¥7 million on other marketable securities without 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, 2013 and 2012.

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

① Currency related

Year ended March 31, 2013	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	¥11,597	¥—	¥63	¥63	\$123,307	\$—	\$670	\$670
(2) Selling Pound Sterling	78	—	0	0	829	—	0	0
(3) Selling Euro	482	—	13	13	5,125	—	138	138
Total	¥12,157	¥—	¥76	¥76	\$129,261	\$—	\$808	\$808

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

Year ended March 31, 2012	Millions of yen			
	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)
(2) Selling Pound Sterling		76	—	(7)
(3) Selling Euro		192	—	(12)
Total		¥5,325	¥1,289	¥(104)

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

② Interest related

Year ended March 31, 2013	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
Off-market transactions:						
Currency swap contracts						
Receive floating rate and pay fix rate	¥19	¥—	¥—	\$202	\$—	\$—
Total	¥19	¥—	¥—	\$202	\$—	\$—

Note:

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

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

① Currency related

Year ended March 31, 2013	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)	¥2,985	¥—	¥ 36	\$31,738	\$—	\$ 383
2) Buying U.S. dollar (hedged item—trade accounts payable)	2,276	—	(20)	24,200	—	(213)
3) Buying Euro (hedged item—trade accounts payable)	22	—	0	234	—	0
4) Buying Japanese yen (hedged item—trade accounts payable)	122	—	(17)	1,297	—	(181)
Alternative method ⁽¹⁾ :						
Forward foreign exchange contracts						
1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥ 185	¥—	(Note 2)	\$ 1,967	\$—	(Note 2)
2) Buying U.S. dollar (hedged item—trade accounts payable)	1,490	—	(Note 2)	15,843	—	(Note 2)
Total	¥7,080	¥—	¥ (1)	\$75,279	\$—	\$ (11)

*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, 2012	Millions of yen		
	Contract amount	(Contract amount over one year)	Fair value
Deferral hedge accounting method:			
Forward foreign exchange contracts			
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥3,661	¥ —	¥(101)
(2) Buying U.S. dollar (hedged item—trade accounts payable)	4,790	—	(40)
Alternative method(*):			
Forward foreign exchange contracts			
(1) Selling U.S. dollar (hedged item—trade accounts receivable)	¥ 64	¥ —	(Note 2)
(2) Buying U.S. dollar (hedged item—trade accounts payable)	62	—	(Note 2)
Total	¥8,577	¥ —	¥(141)

*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.

② Interest related

Year ended March 31, 2013	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	¥4,703	¥4,703	¥(4)	\$50,005	\$50,005	\$(43)
Alternative method:						
Interest swap contracts (hedged item—long-term bank loans)						
Receive floating / Pay fixed rate	¥62,060	¥52,060	(Note 2)	\$659,862	\$553,535	(Note 2)
Total	¥66,763	¥56,763	¥(4)	\$709,867	\$603,540	\$(43)

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, 2012	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	¥ 130	¥ —	¥(1)
Alternative method:			
Interest swap contracts (hedged item—long-term bank loans)			
Receive floating / Pay fixed rate	¥33,010	¥29,510	(Note 2)
Total	¥33,140	¥29,510	¥(1)

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.

③ Commodity related

Year ended March 31, 2013	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
Principle-based accounting method:						
Naphtha price swap contracts (hedged item—raw materials)						
Receive floating rate and pay fixed rate	¥2,253	¥—	¥(111)	\$23,955	\$—	\$(1,180)
Total	¥2,253	¥—	¥(111)	\$23,955	\$—	\$(1,180)

Notes:

1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. There were no commodity related derivative instruments at March 31, 2012.

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 rates of approximately 38.0% and 40.6% for the years ended March 31,

2013 and 2012, respectively.

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Accrued bonuses	¥ 3,916	¥ 4,226	\$ 41,637
Accrued enterprise taxes	411	384	4,370
Allowance for doubtful accounts	471	393	5,008
Depreciation	5,661	5,758	60,191
Employees' retirement benefits	28,991	29,887	308,251
Loss on write-down of inventories	3,726	3,307	39,617
Loss on write-down of investment securities	6,687	6,415	71,100
Loss on impairment of fixed assets	5,736	4,766	60,989
Reserve for periodic repairs	5,865	5,395	62,360
Provision for environmental measures	1,121	2,761	11,919
Tax loss carryforwards	59,495	58,051	632,589
Other	12,455	10,259	132,431
Subtotal	134,535	131,602	1,430,462
Valuation allowance	(107,034)	(101,071)	(1,138,054)
Total deferred tax assets	27,501	30,531	292,408
Deferred tax liabilities:			
Prepaid pension cost	¥ (12,708)	¥ (14,154)	\$ (135,120)
Net unrealized holding gain on securities	(4,652)	(3,622)	(49,463)
Gain on contribution of securities to retirement benefit trust	(3,721)	(3,689)	(39,564)
Deferred gain on real properties	(316)	(2,741)	(3,360)
Retained earnings of overseas consolidated subsidiaries, etc.	(2,916)	(2,424)	(31,005)
Other	(4,810)	(4,349)	(51,142)
Total deferred tax liabilities	(29,123)	(30,979)	(309,654)
Net deferred tax assets (liabilities)	¥ (1,622)	¥ (448)	\$ (17,246)

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

	2013	2012
Statutory tax rate	—	40.6%
Non-deductible expenses	—	3.6
Tax credits	—	(3.3)
Increase (decrease) in valuation allowance	—	58.9
Differences of statutory tax rate in overseas consolidated subsidiaries	—	(37.0)
Equity in earnings of non-consolidated subsidiaries and affiliates	—	(11.3)
Other	—	2.2
Effective tax rate		53.7%

The reconciliation of significant differences between the statutory tax rate and effective tax rate is not reported for the year ended March 31, 2013 because a loss before income taxes and minority interests was recorded.

20. 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: Functional Chemicals, Functional Polymeric Materials, Polyurethane, Basic Chemicals, Petrochemicals and Films and Sheets.

	Segment	Major Products
Reportable Segments	Functional Chemicals	Health care materials (Materials for high refractive-index ophthalmic lenses, etc.), Functional chemicals, Specialty gases, Hygienic materials (Spunbonded nonwoven polypropylene fabric), Catalysts, Agrochemicals, Licensing
	Functional Polymeric Materials	Elastomers, Functional compounds, Specialty polyolefins, Pellicles
	Polyurethane	Polyurethanes, Coating materials, Adhesives, Construction materials
	Basic Chemicals	Phenol, Bisphenol A, Purified terephthalic acid, Polyethylene-terephthalate, Ethylene oxide
	Petrochemicals	Ethylene, Propylene, Polyethylene, Polypropylene
	Films and Sheets	Packing films, Electronic & optical films, Solar cell sheets
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 signifi-

cant 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, 2013	Reportable Segments						Total	Others (Note 1)	Sum total
	Functional Chemicals	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Films & Sheets			
I. Net sales:									
Customers	¥149,633	¥134,674	¥146,150	¥401,736	¥468,952	¥74,794	¥1,375,939	¥30,281	¥1,406,220
Inter-segment	5,986	16,321	4,540	28,357	136,314	1,863	193,381	55,681	249,062
Total	¥155,619	¥150,995	¥150,690	¥430,093	¥605,266	¥76,657	¥1,569,320	¥85,962	¥1,655,282
II. Segment income (loss)	¥ 12,448	¥ 8,438	¥ (2,643)	¥ (18,916)	¥ 7,674	¥ (3,319)	¥ 3,682	¥ (573)	¥ 3,109
III. Segment assets	¥224,411	¥166,229	¥126,282	¥238,599	¥380,104	¥87,750	¥1,223,375	¥41,552	¥1,264,927
IV. Other items:									
Depreciation and amortization (Note 2)	¥ 7,057	¥ 7,105	¥ 2,751	¥ 8,405	¥ 8,191	¥ 5,666	¥ 39,175	¥ 3,052	¥ 42,227
Amortization of goodwill	1,324	—	—	—	312	—	1,636	1	1,637
Investment in equity method affiliates	4,388	18,538	6,164	17,345	2,234	1,219	49,888	1,128	51,016
Capital expenditures (Note 2)	14,613	4,410	4,279	11,750	12,651	5,063	52,766	3,883	56,649

Year ended March 31, 2013	Reportable Segments						Total	Others (Note 1)	Sum total
	Functional Chemicals	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Films & Sheets			
I. Net sales:									
Customers	\$1,590,994	\$1,431,940	\$1,553,961	\$4,271,515	\$4,986,199	\$795,258	\$14,629,867	\$321,967	\$14,951,834
Inter-segment	63,647	173,536	48,272	301,510	1,449,378	19,808	2,056,151	592,036	2,648,187
Total	\$1,654,641	\$1,605,476	\$1,602,233	\$4,573,025	\$6,435,577	\$815,066	\$16,686,018	\$914,003	\$17,600,021
II. Segment income (loss)	\$ 132,355	\$ 89,718	\$ (28,102)	\$ (201,127)	\$ 81,595	\$ (35,290)	\$ 39,149	\$ (6,093)	\$ 33,056
III. Segment assets	\$2,386,082	\$1,767,454	\$1,342,711	\$2,536,938	\$4,041,510	\$933,014	\$13,007,709	\$441,808	\$13,449,517
IV. Other items:									
Depreciation and amortization (Note 2)	\$ 75,035	\$ 75,545	\$ 29,250	\$ 89,367	\$ 87,092	\$ 60,245	\$ 416,534	\$ 32,451	\$ 448,985
Amortization of goodwill	14,078	—	—	—	3,317	—	17,395	11	17,406
Investment in equity method affiliates	46,656	197,108	65,540	184,423	23,753	12,961	530,441	11,994	542,435
Capital expenditures (Note 2)	155,375	46,890	45,497	124,933	134,514	53,833	561,042	41,287	602,329

Year ended March 31, 2012	Reportable Segments							Total		Others (Note 1)	Sum total
	Functional Chemicals	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Films & Sheets	(Millions of yen)				
I. Net sales:											
Customers	¥148,362	¥131,869	¥127,270	¥472,899	¥459,392	¥79,542	¥1,419,334	¥34,690	¥1,454,024		
Inter-segment	6,263	15,153	4,330	27,273	137,791	1,868	192,678	59,714	252,392		
Total	¥154,625	¥147,022	¥131,600	¥500,172	¥597,183	¥81,410	¥1,612,012	¥94,404	¥1,706,416		
II. Segment income (loss)	¥ 11,641	¥ 8,157	¥ (14,573)	¥ 8,592	¥ 8,904	¥ 179	¥ 22,900	¥ 144	¥ 23,044		
III. Segment assets	¥211,913	¥158,499	¥111,349	¥218,797	¥337,238	¥88,845	¥1,126,641	¥43,228	¥1,169,869		
IV. Other items:											
Depreciation and amortization (Note 2)	¥ 9,567	¥ 9,227	¥ 6,369	¥ 11,792	¥ 13,953	¥ 5,739	¥ 56,647	¥ 4,419	¥ 61,066		
Amortization of goodwill	1,651	23	—	—	—	—	1,674	9	1,683		
Investment in equity method affiliates	4,057	14,717	4,876	16,806	2,000	3,224	45,680	954	46,634		
Capital expenditures (Note 2)	11,285	4,791	4,607	6,548	8,933	4,548	40,712	4,102	44,814		

Notes: 1. The "Other Business" category incorporates operations not included in reportable segments.

2. Depreciation and amortization, and capital expenditures include amortization costs and expenditures under long-term prepaid expenses.

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

Net sales:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total reportable segment sales	¥1,569,320	¥1,612,012	\$16,686,018
Net sales classified under "Others"	85,962	94,404	914,003
Elimination of intersegment transactions	(249,062)	(252,392)	(2,648,187)
Net sales recorded in Consolidated Statements of Operations	¥1,406,220	¥1,454,024	\$14,951,834

Income:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total reportable segment income	¥3,682	¥22,900	\$39,149
Income classified under "Others"	(573)	144	(6,093)
Elimination of intersegment transactions	2,750	220	29,240
Corporate expenses (Note)	(1,569)	(1,700)	(16,682)
Operating income recorded in Consolidated Statements of Operations	¥4,290	¥21,564	\$45,614

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

Assets:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total reportable segment assets	¥1,223,375	¥1,126,641	\$13,007,709
Assets classified under "Others"	41,552	43,228	441,807
Elimination of intersegment transactions	(74,877)	(69,476)	(796,140)
Corporate assets (Note)	147,945	155,910	1,573,046
Assets recorded in Consolidated Balance Sheets	¥1,337,995	¥1,256,303	\$14,226,422

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
	2013	2012	2013
Total amounts of reportable segment	¥39,175	¥56,647	\$416,534
Amounts classified under "Others"	3,052	4,419	32,452
Amounts from Consolidated Financial Statements	¥42,227	¥61,066	\$448,986

Amortization of goodwill:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total amounts of reportable segment	¥1,636	¥1,674	\$17,395
Amounts classified under "Others"	1	9	11
Amounts from Consolidated Financial Statements	¥1,637	¥1,683	\$17,406

Amount invested in equity method affiliates:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total amounts of reportable segment	¥49,888	¥45,680	\$530,441
Amounts classified under "Others"	1,128	954	11,994
Amounts from Consolidated Financial Statements	¥51,016	¥46,634	\$542,435

Capital expenditures:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Total amounts of reportable segment	¥52,766	¥40,712	\$561,042
Amounts classified under "Others"	3,883	4,102	41,287
Amounts from Consolidated Financial Statements	¥56,649	¥44,814	\$602,329

(5) Information on Change in Reportable Segments
(Change in Reportable Segments)

The Company reorganized effective April 1, 2012 as part of the Company's effort to accelerate new growth strategies outlined in its 2011 Mid-Term Business Plan. Along with this reorganization, certain business segment categorization has changed. 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 Chemical business segment; and the film and sheet business has become the Films and Sheets business segment.

Along with this reorganization, the Company has reclassified the cost allocation of R&D expenses of the former

Fabricated Products segment.

At the same time, the Company has changed the segmentation of several consolidated subsidiaries.

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

(Change in method of depreciation of property, plant and equipment)

The Company and domestic consolidated subsidiaries applied the straight-line method from fiscal 2012 instead of the declining-balance method for the depreciation of property, plant and equipment.

◆ Related Information

(Information by region)

Net sales:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Japan	¥ 797,518	¥ 847,742	\$ 8,479,724
China	164,613	203,025	1,750,271
Asia	303,369	273,411	3,225,614
America	89,053	77,327	946,869
Europe	36,555	43,219	388,676
Other regions	15,112	9,300	160,680
Total	¥1,406,220	¥1,454,024	\$14,951,834

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

Property, plant and equipment:	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Japan	¥358,430	¥361,794	\$3,811,058
Asia	79,043	62,092	840,436
Other regions	9,164	6,743	97,438
Total	¥446,637	¥430,629	\$4,748,932

Notes: 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
	2013	2012	2013
Mitsui & Co., LTD.	¥309,363	¥344,492	\$3,289,346

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Impairment loss:			
Functional Chemicals	¥1,294	¥ 56	\$13,759
Functional Polymeric Materials	293	36	3,115
Polyurethane	141	12,454	1,499
Basic Chemicals	259	40	2,754
Petrochemicals	650	282	6,911
Films and Sheets	2,723	38	28,953
Others	—	—	—
Corporate Expenses	222	—	2,360
Total	¥5,582	¥12,906	\$59,351

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Amount of amortization:			
Functional Chemicals	¥1,324	¥1,651	\$14,078
Functional Polymeric Materials	—	23	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	312	—	3,317
Films and Sheets	—	—	—
Others	1	9	11
Corporate Expenses	—	—	—
Total	¥1,637	¥1,683	\$17,406

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unamortized balance:			
Functional Chemicals	¥2,813	¥2,702	\$29,910
Functional Polymeric Materials	—	—	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	1,824	—	19,394
Films and Sheets	—	—	—
Others	—	1	—
Corporate Expenses	—	—	—
Total	¥4,637	¥2,703	\$49,304

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Amount of amortization:			
Functional Chemicals	¥ 88	¥ 89	\$ 936
Functional Polymeric Materials	—	—	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Films and Sheets	593	594	6,305
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥681	¥683	\$7,241

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unamortized balance:			
Functional Chemicals	¥111	¥ 199	\$1,180
Functional Polymeric Materials	—	—	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Films and Sheets	591	1,184	6,284
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥702	¥1,383	\$7,464

21. RELATED PARTY TRANSACTIONS

(1) Related party transactions

There were no main transactions of the Company with an affiliated company for the years ended March 31, 2013 and 2012.

(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, 2013. Financial information on the affiliate as of and for the year ended March 31, 2013 and 2012 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance Sheet			
Total assets	¥28,439	¥32,297	\$302,382
Total liabilities	11,127	13,667	118,310
Total net assets	17,312	18,630	184,072
Statement of Operations			
Net sales	24,730	30,217	262,945
Income before income taxes	5,341	7,102	56,789
Net income	¥ 3,230	¥ 4,303	\$ 34,343

22. Subsequent Events

(Acquisition of Dental Business from Heraeus Holding GmbH)

At the extraordinary board meeting on April 4, 2013, Mitsui Chemicals, Inc. resolved to acquire the dental business of Heraeus Holding GmbH ("Heraeus Dental"). On the same date, the Company concluded a Sale and Purchase Agreement of Heraeus Dental with Heraeus Holding GmbH. Mitsui Chemicals will acquire all the shares of subsidiaries and assets of Heraeus Dental from Heraeus Holding GmbH. (See accompanying table.)

(1) Purpose of the acquisition

The acquisition of Heraeus Dental will provide the Mitsui Chemicals Group with a global platform for its dental materials business, in which it targets expansion and growth as a core business, into the growing overseas dental materials market that is expected to significantly grow in the future. In addition, the Group expects to be able to respond to customer needs by the synergy of Mitsui Chemicals' rich R&D resources and knowledge of chemical areas, such as polymer technology, and Heraeus Dental's strong product development capabilities.

Outline of the acquisition

Business name	Heraeus Dental
Type of business	Production, sales and marketing of dental related products (e.g restoratives)
Locations	Europe: 14 entities (Located in Germany, Holland, Sweden etc) Americas: 3 entities (Located in USA, Mexico, Brazil) Asia / Oceania: 9 entities (Located in Japan, China, Australia etc) Acquisition of the shares: 17 entities Acquisition of the assets: 9 entities Total: 26 entities

(2) Information about the seller

Company name Heraeus Holding GmbH

(3) Strategy for acquisition of the business

A 100% holding company will be established to conjoin and manage the shares and assets.

Mitsui Chemicals and Heraeus Holding came to agreement with the valuation amount of €450 million (¥54.3 billion). Heraeus Dental's interest bearing debt is included in the valuation amount. The valuation amount will be adjusted based on the increase / decrease in working capital and cash equivalents, etc. on the closing date. In addition, other direct costs related to the acquisition will be incurred.

*The above foreign currency translation is based on the currency exchange rate as of March 31, 2013.

(4) Expected date to complete the business transfer

End of June 2013 (estimated schedules)

*The business acquisition is scheduled to be completed after the share transfer of the respective affiliated companies to the holding company and after necessary approvals from antitrust and investment related regulatory authorities in the related countries for this transaction are completed.



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

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

Independent Auditor's Report

The Board of Directors
 Mitsui Chemicals, Ltd.

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, 2013, 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, Ltd. and its consolidated subsidiaries as at March 31, 2013, 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 3. CHANGES IN ACCOUNTING POLICIES, ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED AND CHANGE IN ACCOUNTING ESTIMATES to the consolidated financial statements, which describes that the Company and its consolidated subsidiaries in Japan changed their accounting method for the depreciation of property, plant and equipment (except for leased assets) from the declining-balance method to the straight-line method, beginning in the fiscal year ended March 31, 2013. 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 25, 2013
 Tokyo, Japan

A member firm of Ernst & Young Global Limited

Major Subsidiaries and Affiliates

(As of March 31, 2013)

*Consolidated Subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)	Equity Interest (%)
Functional Chemicals			
* Mitsui Fine Chemicals, Inc.	Fine chemical products	¥ 400	100
* Yamamoto Chemicals, Inc.	Dyes, pigments and industrial chemicals	¥ 350	100
* ESCO Company Limited Partnership	Color former and catalyst	US\$ 18	100
* Yongsan Mitsui Chemicals, Inc.	Acrylamide	Won 3,850	50
* 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
* KOC Solution Co., Ltd.	Manufacture and sales of plastic optical lens monomers	Won 500	51
* 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
* 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
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 Chemicals Functional Composites (Shanghai) Co., Ltd.	Manufacture and distribution of Milastomer™ and Admer™	¥ 680	100
* Mitsui Elastomers Singapore Pte. Ltd.	Elastomer	US\$ 96	100
* Saxin Corporation	Molded synthetic resin	¥ 128	71.4
* Mitsui Chemicals Industrial Products, Co., Ltd.	Civil engineering and construction materials	¥ 400	100
Sun Alloys Europe GmbH	Compounded polymers	Euro 2	50
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
Polyurethane			
* P.T. Cosmo Polyurethane Indonesia	Urethane premixture	US\$ 1.05	81
* Cosmo Polyurethane (Malaysia) Sdn, Bhd	Urethane raw materials	RM 4.4	51
* Foshan Mitsui Chemicals Polyurethanes 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
Kumho Mitsui Chemicals, Inc.	MDI	Won 35,000	50

*Consolidated Subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)	Equity Interest (%)
Basic Chemicals			
* Chiba Phenol Company, Limited	Phenol and acetone	¥ 300	55
* 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
Honshu Chemical Industry, Ltd.	Raw materials for synthetic resins, synthetic fibers, dyes, pharmaceuticals, agricultural chemicals, rubber and other chemicals	¥ 1,501	26.9
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
* Prime Evolve Singapore Pte. Ltd.	Polyethylene	US\$ 20	80
* 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
* Produmaster Advanced Composites Indústria e Comércio de Compostos Plásticos Ltda.	Manufacture and sale of automotive use PP	BRL 1.2	70
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
Films & Sheets			
* Mitsui Chemicals Tohcello, Inc.	Packaging film, Industrial film, Functional Sheets	¥ 3,450	100
* Shikoku Tohcello Co., Ltd.	Packaging film, Industrial film	¥ 450	100
* MC Tohcello (Malaysia) SDN. BHD	Encapsulant sheets for solar panels (SOLAR EVA™)	RM 7.5	100
* Siam Tohcello Co., Ltd.	T.U.X™ (sealant film)	Baht 444.0	55
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.	Sales, 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
* Taiwan Mitsui Chemicals, Inc.	Sales of electronics and information materials	NT\$ 14	100
* Anderson Development Company	Specialty chemicals	US\$ 19.2	100

Corporate Data

(As of March 31, 2013)

Date Incorporated

July 25, 1947

(Inaugurated October 1, 1997)

Paid-in Capital

¥123,053 million

Number of Employees

12,846 (Consolidated)

Shares of Common Stock Issued and Outstanding

1,022,020,076

Number of Shareholders

87,513

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

Phone: +81-3-6253-2100

Facsimile: +81-3-6253-4245

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

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

U.S.A.

Mitsui Chemicals America, Inc.

800 Westchester Avenue, Suite N607,

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

Phone: +1-914-253-0777

Facsimile: +1-914-253-0790

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

e-mail: info@mitsuichem.com

Germany

Mitsui Chemicals Europe GmbH

Oststrasse 10, 40211 Düsseldorf, Germany

Phone: +49-211-173320

Facsimile: +49-211-323486

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

Singapore

Mitsui Chemicals Asia Pacific, Ltd.

3 Harbour Front Place, #10-01 Harbour Front Tower 2,
Singapore 099254

Phone: +65-6534-2611

Facsimile: +65-6535-5161

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

China

Mitsui Chemicals (Shanghai) Co., Ltd.

Room 2309, Bank of China Tower,

200 Yin Cheng Road, Central,

Pudong New Area, Shanghai 200120, China

Phone: +86-21-5888-6336

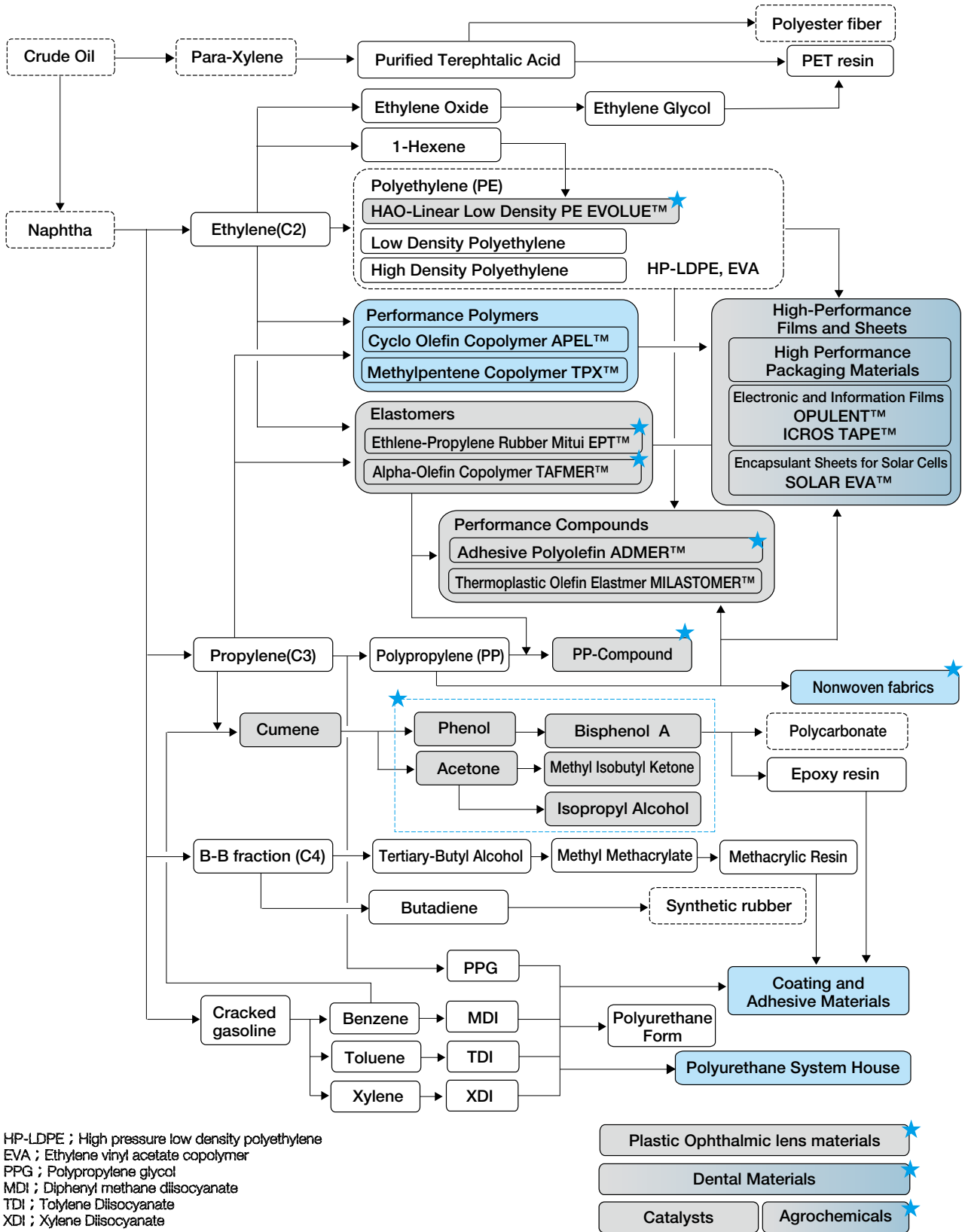
Facsimile: +86-21-5888-6337

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

Main Products Flow Chart

- 5 Priority Businesses
- 5 World-Leading Businesses
- 5 Development Areas
- ★ Products of Key Areas

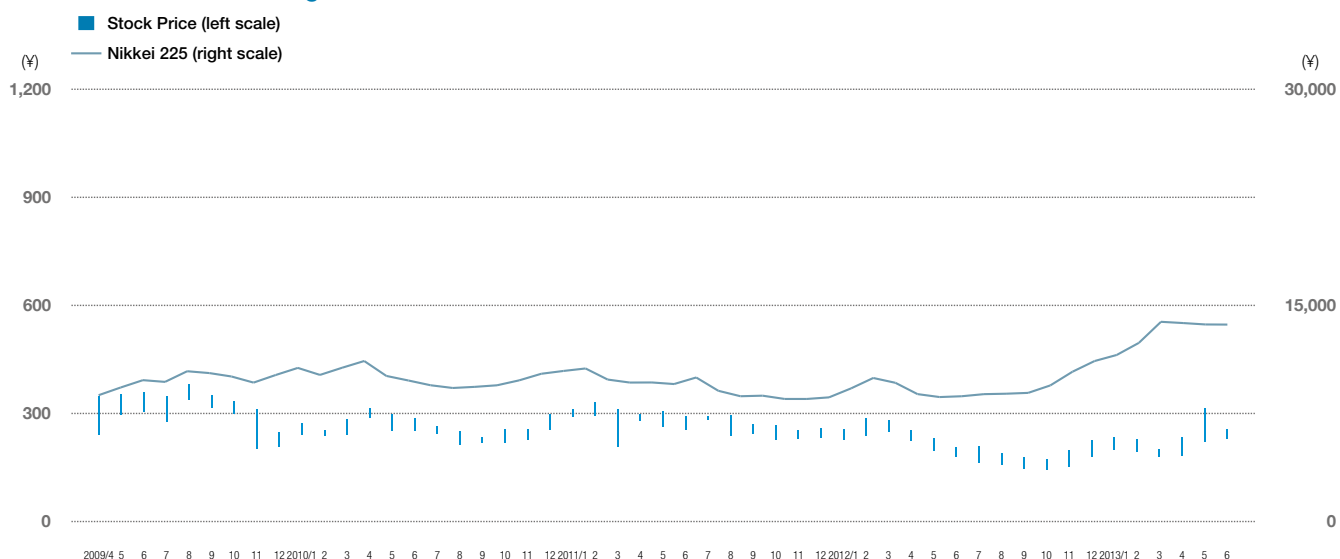
Mitsui Chemicals' Products
 Purchases or Other Products



HP-LDPE ; High pressure low density polyethylene
 EVA ; Ethylene vinyl acetate copolymer
 PPG ; Polypropylene glycol
 MDI ; Diphenyl methane diisocyanate
 TDI ; Tolyene Diisocyanate
 XDI ; Xylene Diisocyanate

Stock Information

Common Stock Price Range



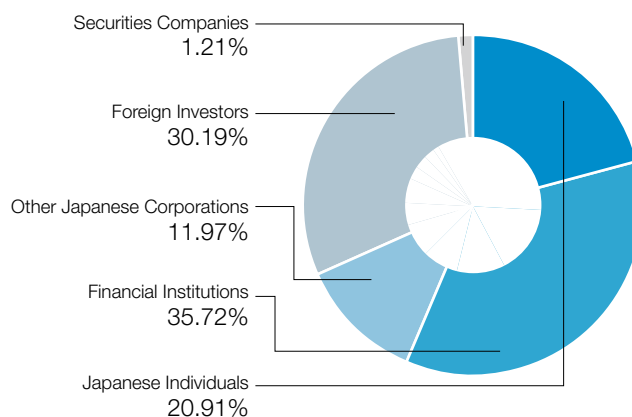
Major Shareholders

(As of March 31, 2013)

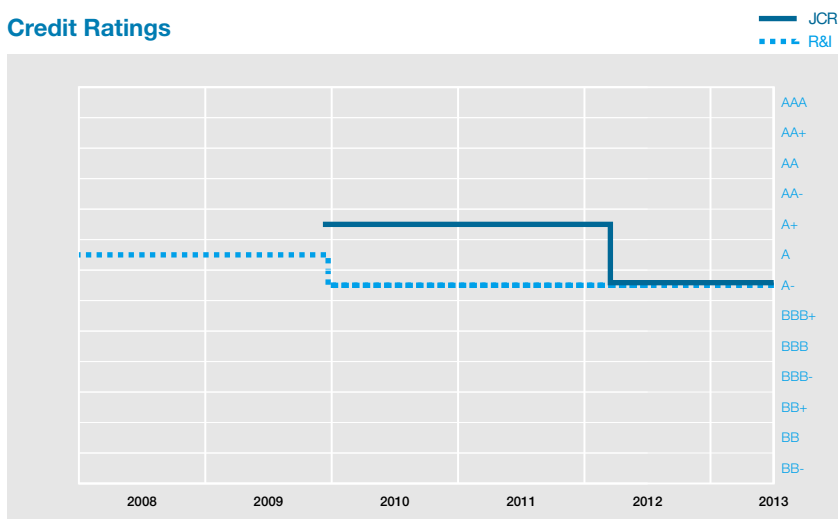
	Number of shares held (Thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	57,845	5.65
The Master Trust Bank of Japan, Ltd. (Trust account)	48,318	4.72
Japan Trustee Services Bank, Ltd. (Toray Industries Inc. Retirement Benefit Trust Account re-entrusted by Chuo 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
JPMorgan Chase Bank 380055	22,323	2.18
Sumitomo Mitsui Banking Corporation	21,946	2.14
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	19,682	1.92
Japan Trustee Services Bank, Ltd. (Trust account 9)	19,287	1.88
Mitsui Life Insurance Co., Ltd. (Standing Proxy: Japan Trustee Services Bank, Ltd.)	17,187	1.68
Mitsui Sumitomo Insurance Company, Limited	16,403	1.60

Composition of Shareholders

(As of March 31, 2013)



Credit Ratings



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

MITSUI CHEMICALS, INC.

Corporate Communications Division

Shiodome City Center, 1-5-2, Higashi-Shimbashi,

Minato-ku, Tokyo 105-7117, Japan

Telephone: +81-3-6253-2100

Facsimile: +81-3-6253-4245

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



Mitsui Chemicals



Responsible Care