



Mitsui Chemicals

ANNUAL REPORT 2014

Year Ended March 31, 2014





Highly Functional
Nonwoven Fabrics
Market Share

Asia No.1



Dental Materials
Business Bases in
Worldwide

24 Countries



PP Compounds
Automotive Materials
Market Share

Global No. 2

Bringing Innovation to

Chemistry must play a prominent role in addressing a variety of social issues.

Mitsui Chemicals contributes to society through the provision of innovative technologies and materials that are widely used in such fields as life, Electronics and information, automotives, housing and construction, healthcare, and agriculture. Areas covered by its business segments include Functional Chemicals, Functional Polymeric Materials, Polyurethane, Basic Chemicals, Petrochemicals, and Films and Sheets.

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Bringing Innovation to Life with Chemistry

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Forward-Looking Statements

This annual report contains forward-looking statements about the future plans, strategies, beliefs, and performance of the Mitsui Chemicals Group as a whole and its individual consolidated companies. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts, and projections based on information currently available to the Mitsui Chemicals Group and are subject to a number of risks, uncertainties, and assumptions, which, without limitation, include



EVOLUE™
 (Highly Functional Sealant)
 Market Share

Asia No. 1



Hybrid Rice Seeds
 Productivity

1.5 times



Ophthalmic Lens
 Monomer
 Market Share

Global No. 1

Life with Chemistry

Social challenges that the Mitsui Chemicals Group must help resolve

- Realizing a cohesive society that is in harmony with the environment
- Realizing health and happiness in an aging society
- Realizing industrial platforms that are in harmony with local communities

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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.



Highly Functional
Nonwoven Fabrics
Market Share

Asia No.1



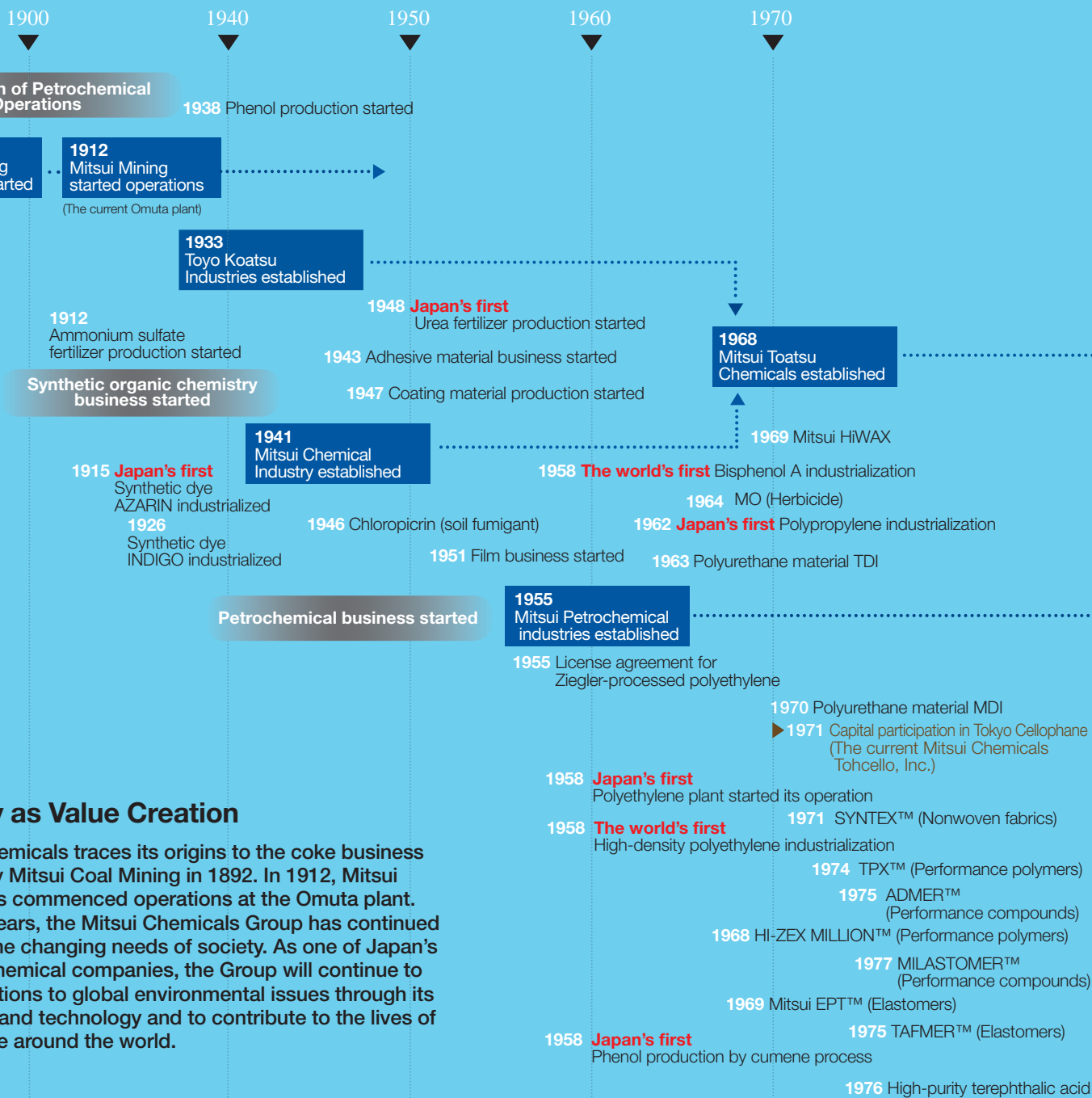
Dental Materials
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Automotive Materials
Market Share

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History as Value Creation

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.



EVOLUE™
(Highly Functional Sealant)
Market Share

Asia No. 1



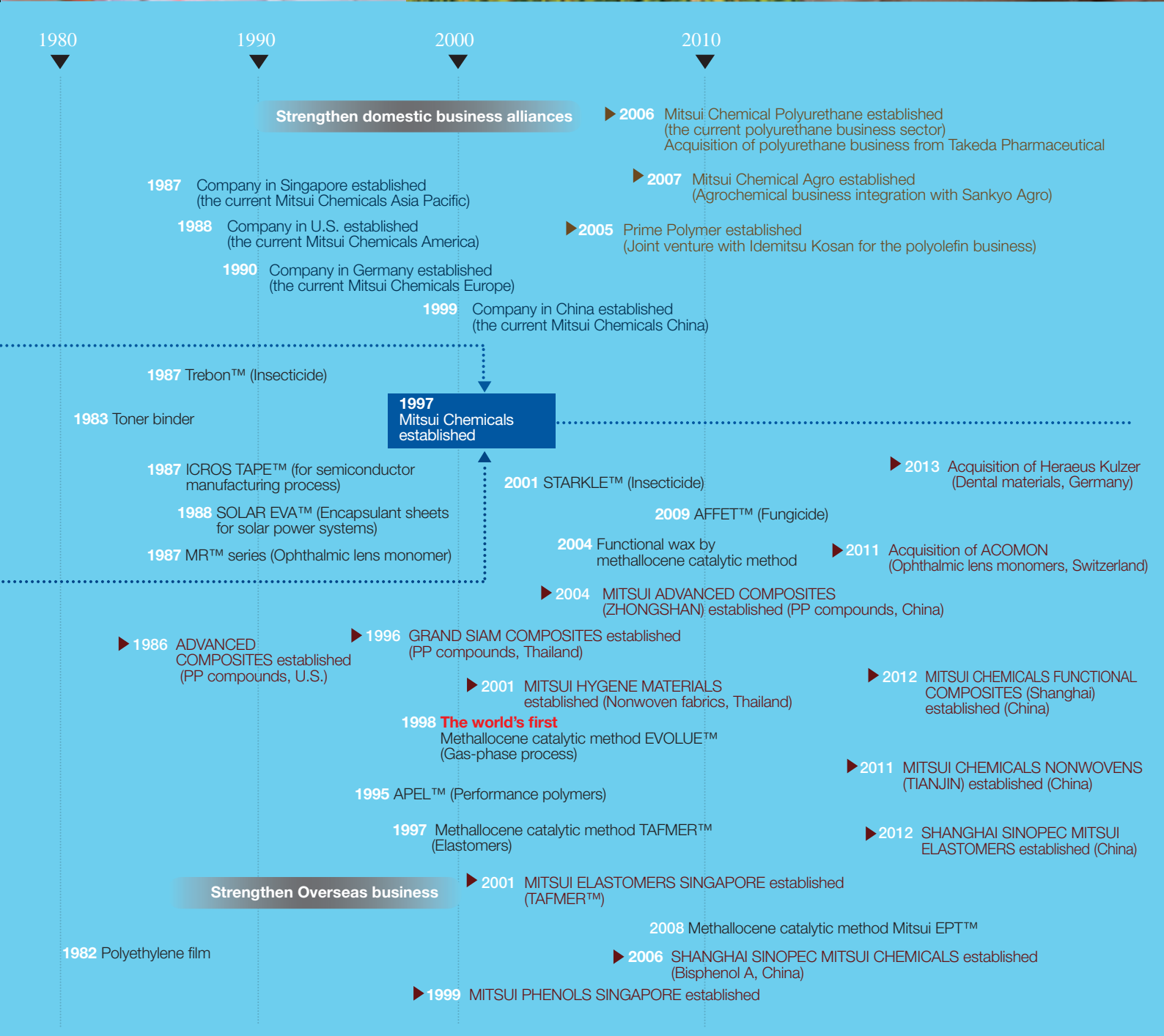
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PP Compounds
Automotive Materials
Market Share

Global No. 2

Creating new value through to help overcome social ch

Social Needs and Challenges

- A declining birthrate and aging population
- Growing awareness of ways to enhance the quality of life
- Improving public health in emerging countries

Mitsui Chemicals Solutions

- Highly functional nonwoven materials for disposable diaper use
- Hygiene materials that address the need for increased quality



See pp. 7, 32

Social Needs and Challenges

- Aging societies in developed countries
- Growing awareness of health in emerging countries
- Growing interest in oral care

Mitsui Chemicals Solutions

- High-quality dental materials based on polymer technologies
- Artificial teeth and dentures that employ CAS/CAM systems



See p. 7

Social Needs and Challenges

- Energy conservation and environmental load reduction
- Diversifying automotive needs

Mitsui Chemicals Solutions

- Materials that help enhance fuel efficiency and lighten weight
- Materials that contribute to higher performance including increased safety as well as improved design and comfort



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EVOLUE™
(Highly Functional Sealant)
Market Share

Asia No. 1



Hybrid Rice Seeds
Productivity

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Ophthalmic Lens
Monomer
Market Share

Global No. 1

h business activities allenges

Social Needs and Challenges

- Growing awareness of food safety issues
- Securing a stable supply of food
- Energy conservation and environmental load reduction

Mitsui Chemicals Solutions

- Packaging materials that contribute to food safety and the reduction of loss
- Enhancing food processing productivity



See pp. 8, 37

Social Needs and Challenges

- Ensuring an adequate supply of food against a backdrop of explosive population growth
- Safe and stable increase in food production

Mitsui Chemicals Solutions

- High-productivity hybrid rice seedlings (non-genetically modified)
- High-performance agrochemicals that contribute to stable production



See p. 8

Social Needs and Challenges

- Aging societies in developed countries
- Growing awareness toward enhancing the quality of life
- Growing interest in vision care

Mitsui Chemicals Solutions

- High-performance ophthalmic lens materials that address a wide range of needs
- Vision care-related high-performance, high-value-added materials



See pp. 7, 32



Global automobile production is expected to increase at an annual rate of 5%. Against this backdrop, consumer needs are becoming increasingly sophisticated with the market calling for lighter weight vehicles that offer more innovative designs and increased comfort. The Mitsui Chemicals Group boasts a wide range of products that meet the highest global standards for quality and help to enhance the performance of automobiles.

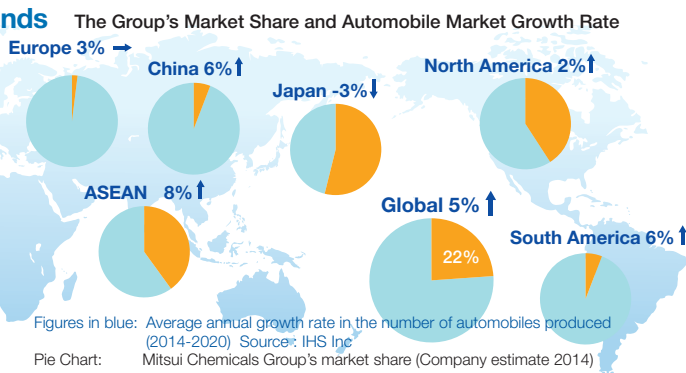
Automotive Materials Lineup

Bumpers	Door sealing	Automobile interiors	Fuel tanks	Exterior paints
PP compounds PRIME POLYPRO™ TAFMER™	Synthetic rubber/Ethylene-propylene-diene terpolymer Mitsui EPT™	Olefin thermoplastic elastomer MILASTOMER™	Adhesive polyolefin ADMER™	Polyurethane coating resins TAKENATE™ TAKELAC™
<ul style="list-style-type: none"> Lightweight Impact resistant Designing 	<ul style="list-style-type: none"> Easy to process Weather and heat resistant 	<ul style="list-style-type: none"> Recyclable Designing Low density, lightweight 	<ul style="list-style-type: none"> Lightweight due to resin fuel tanks Moldable of multiple layers 	<ul style="list-style-type: none"> Weather and friction resistant Designing
Global No. 2, Asia No. 1 <small>(as a PP compound)</small>	Global No. 4, Asia No. 1	Global No. 3, Asia No. 1	Global No. 1	

Aiming to Become the World Leader in PP Compounds

With a share of around 60%, the Group's automotive material PP compound business is the market leader in sales to Japanese automobile manufacturers while ranking second globally. In North America, the Mitsui Chemicals Group is working to expand its market share, which already stands at 30% in the U.S. automobile manufacturing sector.

Building on the strengths of its robust customer base and technological development capabilities in the area of high-quality PP compounds that address various customer needs, the Group is putting in place a structure that is capable of worldwide supply across eight global locations.



Next-Generation Materials: Integrated Metal/Resin Parts

The Company's focus is on integrated parts that combine PP with aluminium. In particular, the use of PP foam allows the production of parts that exhibit the same strength as metal parts at approximately one-third the weight.

In addition, Mitsui Chemicals integrated metal/resin parts can be used for integral injection molding. By eliminating processes using screws or welding, these products help to reduce production costs.

Targets:

Automotive parts as seat frames, instrument panels and outer panels, electrical parts



Joint development with Taisei plans Co., Ltd.

Future Direction

The Group is focusing mainly on automotive materials, an area in which it boasts a robust customer base. Maximize the use of resources beyond company and organizational boundaries to create new businesses based on customer needs and values.

Healthcare

Interest in health continues to increase as birthrates decline and populations age in developed countries as well as in line with economic growth in emerging markets.

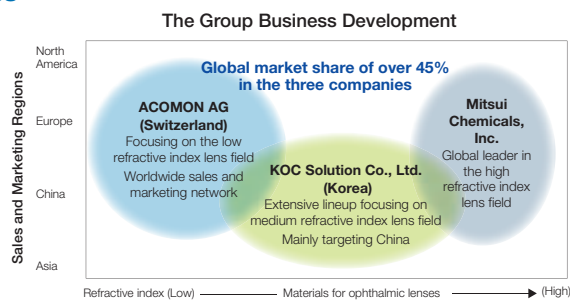
Mitsui Chemicals Group is providing products that improve people's quality of life (QOL) to help realize good health and happiness in an aging society while addressing a variety of needs.

Globally Expanding the Ophthalmic Lens Materials Business

Extending from low to high refractive indices, the Company's ophthalmic lens materials cover a wide range. In particular, the MR™ series of high refractive index lens materials, for which Mitsui Chemicals boasts a leading market share, continue to attract wide acclaim for their thin and lightweight properties. This series is considered the industry's de facto standard.

In addition, Mitsui Chemicals handles coating as well as photochromic and other materials for plastic lenses.

Moving forward, the Company will continue to supply global markets with outstanding material solutions that meet a diverse range of needs.

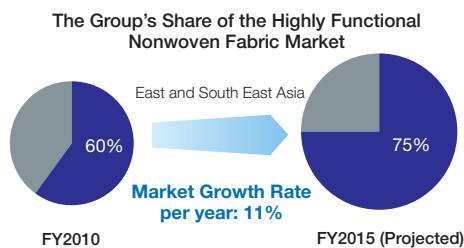


Expanding Highly Functional Hygiene Nonwoven Fabrics in Asia

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 fabrics is forecast to increase.

The Company is harnessing the strengths of its comprehensive R&D and other functions that extend from the creation of base resins to final processing to distinguish itself from competitors and to forge a leading position in the highly functional hygiene nonwoven fabrics market in Asia.

Looking ahead, Mitsui Chemicals will continue to develop and provide products that meet a wide range of needs.

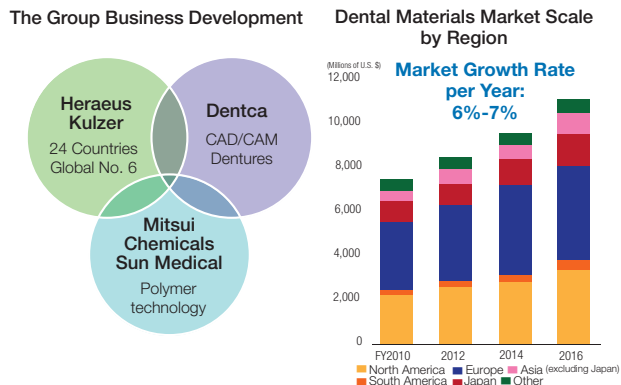


Expanding the Dental Materials Business into a New Pillar

In June 2013, the Mitsui Chemicals Group acquired Heraeus Kulzer, the world's sixth largest dental materials business, as well as Dentca, Inc., a company that develops dentures using new cutting-edge CAD/CAM technologies.

Sun Medical Co., Ltd., a subsidiary of Mitsui Chemicals has been involved in the dental materials business for more than 30 years, primarily in Japan.

Working quickly to leverage synergies between these businesses and polymer technologies, an area in which Mitsui Chemicals excels, the Group will continue to develop and provide dental materials and dentures that attract the acclaim of dentists, dental technicians, and other practitioners within the field.



Future Direction

Harness product development capabilities to expand into peripheral and downstream business fields.

Draw on our ability to create innovative functions based on polymer science to diligently create new businesses.



Food & Packaging

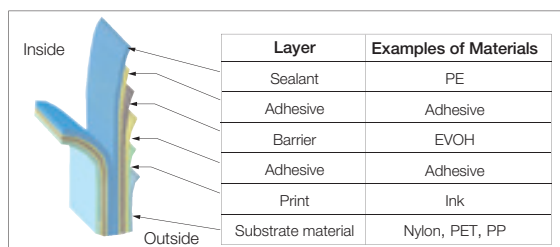
Food-related issues are becoming increasingly severe due to the explosive growth in the global population. The stable production of agricultural products and the reduction of food loss are thus extremely important social challenges.

At the same time, in addition to the pressing need for safe and reliable food there is a need to reduce environmental load. The Mitsui Chemicals Group is working to provide products that address these critical needs.

Enhancing the Functions and Performance of Food Packaging Materials

In Asia, the packaging material market is projected to expand at an annual rate of approximately 10%. This reflects improvements in general living standards throughout the region as well as its development as a base for food processing and exports.

The Mitsui Chemicals Group is delivering a multilayered structure by combining dissimilar materials to provide highly functional packaging materials that fulfill a variety of needs. In doing so, the Company is helping to resolve a host of issues.



<The Group's Product Lineup>

Providing materials such as EVOLUE™, which boasts an approximately 60% share of the Asian market as a highly functional sealant

•Highly functional sealant: EVOLUE™ and T.U.X™

Tough, low odor, heat-sealing strength
Enhance productivity by down-gauged packaging and processing suitability

•Resin modifier: TAFMER™

Facilitates easy opening (Heat-seal strength control)
Contributes to high-speed packaging (Low temperature heat-sealability)
Enhanced impact resistance

•Adhesive resin: ADMER™, TAKENATE™ and TAKELAC™

Multilayered structure of functional materials

Highly Functional Agrochemicals That Contribute to Stable Food Supply

The demand for agrochemicals in emerging countries continues to expand. Brazil is one of the world's leading consumer countries.

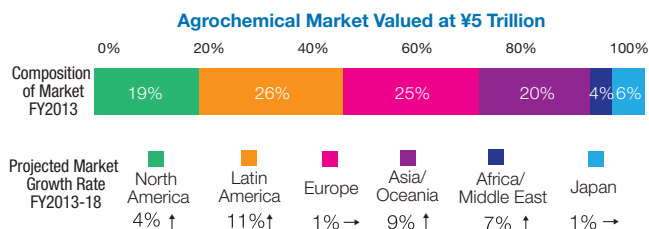
Mitsui Chemicals is promoting the progressive global release of its insecticide, Dinotefuran, and fungicide, Penthiopyrad, which continue to attract acclaim for their high performance.

The Mitsui Chemicals Group is taking steps to strengthen R&D capabilities in Thailand, Brazil, and locations overseas. The Group is also promoting joint development with E. I. du Pont de Nemours and Company as well as BASF SE and will bring new products to the market that address the specific needs of individual regions worldwide.

Overseas Development and Launch Schedule of New Pipeline

	2012	2013	2014	2015	2016	2017	2018	2019	2020~
Insecticide Dinotefuran	•India	•China		•Brazil					
Fungicide Penthiopyrad	•America/Canada		•Europe						
Next generation 5 agents					•Fungicide		•Herbicide		•Fungicide •Insecticide

Market Configuration and Growth Ratio



Future
Direction

Maximize advantage of diverse film and sheet products through the effective use of internal and external resources.
Provide food solutions using the Group's cutting-edge technologies.

Corporate Vision

Corporate Mission

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

Corporate Target

Constantly pursuing innovation and growth to become a chemical group with an undisputed global presence

The Mitsui Chemicals Group's Future Vision



Sustainable Development of Society and the Mitsui Chemicals Group

Target Business Portfolio

Targeted business domains that offer growth potential

Mobility

Healthcare

Food & Packaging

Business domains that support society and industry

Basic Materials

The Mitsui Chemicals Group's Robust Platform

Technologies: polymer science, precision synthesis, and manufacturing process
Customer base, existing businesses, and global structure

The Mitsui Chemicals Group has launched its 2014 Mid-Term Business Plan.

When drawing up the plan, we reviewed our Corporate Vision and reconfirmed the social challenges that we must help to resolve through business activities. Then we set the “Mitsui Chemicals Group’s Future Vision.”

By promoting measures that are geared toward resolving social challenges based on a balanced, three-dimensional management strategy encompassing the economy, environment, and society, Mitsui Chemicals is striving toward sustainable development for both society and the Group.

I plan to stand at the forefront of these endeavors and work diligently to leverage the comprehensive strengths of the Mitsui Chemicals Group in order to substantially enhance corporate value.



Tsutomu Tannowa
President & CEO



Q1

Could you please tell us about the background behind and goals of the 2014 Mid-Term Business Plan?

A1 We strongly believe that the chemical industry must play a prominent role in resolving social issues through the development of innovative products and efficient technologies.

Before launching the 2014 Mid-Term Business Plan, we took steps to define the Group's vision and to reaffirm our purpose and significance. In doing so, we focused largely on determining those areas in which the Group could make solid inroads into resolving social issues. Accordingly, and in order to best contribute to society, our first step was to align our business strategies with the perspectives of customers and to identify as our ideal business portfolio the business domains in which we can utilize the Group's robust business platform.

Taking these factors into consideration, we introduced the 2014 Mid-Term Business Plan with a view to "Creating New Customer Value through Innovation."

Under the 2011 Mid-Term Business Plan, the Mitsui Chemicals Group took steps to expand the high-performance products area and to restructure its bulk and commodity product businesses in order to transform its business portfolio into one more resilient to changing economic conditions.

Reflecting excess supply conditions attributable to the construction and extension of production facilities, mainly in China and Asia, as well as a slump in demand, business conditions remained harsher than expected over a prolonged period. While our gains in high-performance products have been undercut by the downturn in commodity product sales, we remain confident that the painful decision to undertake major structural reform has laid the foundation for future growth.

Striving to create new customer value through innovation, the Mitsui Chemicals Group has formulated a basic market-driven strategy aimed at unifying its collective strengths and is engaging in activities with a cross-organizational approach.

Taking into consideration our competitive advantages in polymer science, precision synthesis, and manufacturing process technologies, as well as our ability to fully harness our customer base, existing businesses, and global structure, we have identified Mobility, Healthcare, and Food and Packaging as the Group's three core targeted business domains offering the most substantial growth potential. Moreover, we continually endeavor to create new customer value through innovation and secure sustainable earnings growth while creating new businesses and products. In addition, we pursue activities in Basic Materials that support society and industry.

Backed by the aforementioned initiatives, the Mitsui Chemicals Group is targeting net sales, operating income, net income, and an ROA of ¥1,800 billion, ¥100 billion, ¥50 billion, and 6%, respectively, for 2020. In conjunction with these numerical objectives, the Group will look to transform its business portfolio to ensure that 90% of operating income is derived from its three growth domains.

In addition, we will be guided by the following policies over the three-year period of the 2014 Mid-Term Business Plan. By the end of the plan, our goal is to secure operating income of ¥60 billion and net income of ¥30 billion.

Policies of the 2014 Mid-Term Business Plan

- Complete the restructuring of the bulk and commodity product businesses
- Expand earnings by recouping growth investments
- Concentrate management resources in targeted business domains
- Accelerate the creation of new businesses and products
- Improve and strengthen the Group's financial structure

The 2014 Mid-Term Business Plan

Creating New Customer Value through Innovation

The Mitsui Chemicals Group has identified specific targeted business domains as well as strategies that make the most of its robust platform. These initiatives are designed to help the Group contribute to society through its business activities and to resolve social challenges.

Across its full lineup of technologies, products, and services, the Group is committed to providing optimal solutions that deliver wide-ranging utility value to the end consumer.

Accordingly, we are looking to transform our business portfolio into one that is capable of generating sustainable earnings growth.

Targeted business domains that drive growth: work to expand earnings and develop next-generation new businesses

Mobility Strategy

Provide Group-wide cross-sectional solutions that take full advantage of comprehensive strengths; realize sound profit growth

Healthcare Strategy

Establish a new growth platform by promoting peripheral and downstream operations that make the most of the Group's product development capabilities

Food & Packaging Strategy

Build a "market-in" business model (one that is marketing-oriented) in Asia, which continues to grow, and secure business opportunities as a third earnings pillar

Business domains that support society and industry: provide a wide range of materials and technologies within and outside the Company

Basic Materials Strategy

Secure stable profits by restructuring businesses and strengthening cost competitiveness taking into account group-wide optimization

Create core businesses for the future that help expand sustainable earnings

New Business and Product Creation Strategy

Entrench marketing-driven development based on customer value and create new next-generation businesses and products

Strengthen the business foundation in response to changes in the environment and transformation of the business portfolio

Business Support Strategy

Establish a platform encompassing human resources, finance and performance management, information systems, and organization, and enhance back office operating efficiency, aiming to realize Group global management

Production and Technology Strategy

Build an optimal production structure in Japan, ensure that fundamental safety measures take root, train human resources, and strengthen the overseas production base platform, aiming to bolster the Group's competitive advantages grounded in the principle of absolute safety

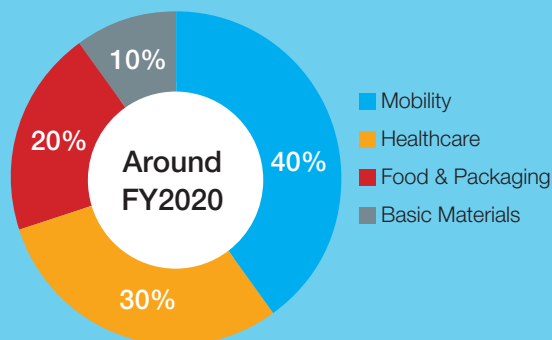
Medium- to Long-Term Performance Targets

	FY2016	Around FY2020
Sales	¥1,750 billion	¥1,800 billion
Operating Income	¥60 billion	¥100 billion
Net Income	¥30 billion	¥50 billion
ROA	4%	6%
Net D/E Ratio	1.20	1.00

(FY 2016 indicates the fiscal year starting from April 1, 2016 and ending as of March 31, 2017)

Business Portfolio

(Operating Income Composition)



Q2 The 2014 Mid-Term Business Plan clearly emphasizes the Group's priority on "Creating New Customer Value through Innovation." What is the rationale behind this emphasis?

A2 When we think of customers, we look well beyond our existing client base. We recognize the need to also pursue value from the perspectives of future customers through to end users. We are therefore directing our energies toward uncovering customer needs and creating new value in order to put forward needed solutions.

In the past, marketing has naturally played a significant role in our business activities and we have worked diligently to address the needs of customers. Until now, however, the main thrust of our marketing activities has been "product-out," that is, production oriented. As we move forward, we recognize the need to incorporate external resources and to draw on all pertinent information, materials, and technologies. Our ability to create genuinely new customer value therefore rests on uncovering deep-seated customer needs and utilizing the abilities of the entire Group to deliver optimal solutions.

Over the years, the Mitsui Chemicals Group has substantially expanded its business through the development and sale of products and services of value to customers, including automotive PP compounds. In addition to strategically promoting activities in the Mobility, Healthcare, and Food and Packaging domains, the R&D Division, which is responsible for promoting a New Business and Product Development Strategy, will increasingly engage in development activities that are market driven and originate from our customers' concept of value. In this manner, we will work to create future core businesses.

(Please refer to Research and Development on p.38)

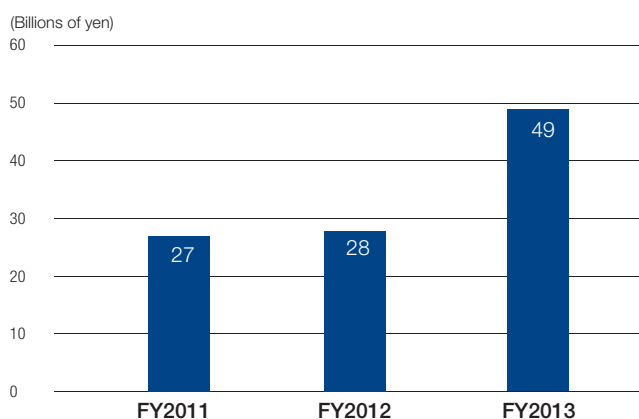
Q3 Please provide us with details of your growth strategies and plans to expand earnings under the 2014 Mid-Term Business Plan?

A3 We will ensure that growth investments under the 2011 Mid-Term Business Plan bear fruit. We will also expand earnings in the three targeted business domains that drive growth under the 2014 Mid-Term Business Plan. Complementing these measures, we will selectively allocate management resources to foster next-generation businesses.

Progress in High-Performance Product Areas under the 2011 Mid-Term Business Plan

With the goal of building a business portfolio that was more resilient to changing economic conditions, the Mitsui Chemicals Group earmarked 90% of its growth-oriented expenditure—a total of ¥140 billion—for investment in the high-performance products area. As a result, operating income in this field grew from ¥27 billion in fiscal 2011 to ¥49 billion in fiscal 2013. From fiscal 2014, we will ensure that the investments undertaken during the period of the 2011 Mid-Term Business Plan continue to generate earnings.

High-Performance Product Area Expansion



Targeted Business Domains that Drive Growth

■ Mobility Strategy (Please refer to p.6)

The Mobility domain encompasses every possible mode of human and commodity transportation and focuses mainly on automotive materials.

Within this domain, we will provide group-wide, cross-organizational solutions that address a wide variety of needs. To this end, we will take full advantage of the comprehensive strengths of the Group, including our polymer science elemental capabilities, such as compound, catalysis, material design, and polymerization technologies, while utilizing the robust customer base that we have nurtured through our automotive materials activities.

Market requirements continue to expand with today's needs encompassing increasingly stringent demands for reduced weight, improved fuel efficiency, enhanced comfort, better design, and increased safety. Currently, the Company is working with Taiseiplas Co., Ltd. to develop integrated metal/resin parts as a next-generation business. These parts are attracting widespread interest for not only their lightness, but their potential to shorten production processes. In addition to the further development of material solutions that address the need for reduced weight, the Mitsui Chemicals Group is looking to cultivate new businesses that focus on customer value and address emerging demand for lithium-ion battery-related materials for automotive use.

Meanwhile, local operations are scheduled to commence at new production facilities in China, where the automotive market is exhibiting remarkable growth, during fiscal 2014. Products include Mitsui EPT™, a highly functional synthetic rubber, ADMER™, an adhesive used for fuel tanks, and MILASTOMER™, which is used as an automotive interior material. (Please refer to Review of Operations on p.33) In the automotive material PP compound business, which is showing steady growth, we are building a production structure that will generate 1,100,000 tons in fiscal 2016. (Please refer to Review of Operations on p.36)

Moving forward, we will continue to complete the construction of new and expansion of existing facilities prioritized under the 2011 Mid-Term Business Plan. In this manner, we will work to secure firm profit growth.

■ Healthcare Strategy (Please refer to p.7)

In the Healthcare domain, the Mitsui Chemicals Group is committed to delivering products and services that help improve people's quality of life (QOL). These efforts are aimed at ensuring the realization of good health and happiness in an aging society. Declining birthrates and aging populations in developed countries together with economic growth in emerging markets are triggering widespread interest in health and increasingly diverse health-related needs. Drawing on its ability to identify innovative functions based on proprietary organic synthesis and polymer science technologies, the Mitsui Chemicals Group is engaging in peripheral and downstream business activities in such fields as ophthalmic lens materials, dental materials, and nonwoven fabrics for hygiene material use.

The Group undertook aggressive investment and M&A activity in this domain during the period of the 2011 Mid-Term Business Plan. In ophthalmic lens materials, where the Group boasts a leading global market share, steps have been taken to upgrade and expand our product lineup from commodity products through to high-value-added items. In nonwoven fabrics for hygiene material use, we are working together with customers to develop high-function products while at the same time putting in place a three-pronged production structure that covers Japan, Thailand, and China. Each of these initiatives is contributing to steady profit growth. (Please refer to Review of Operations on p.32)

Marking a series of milestones, the Mitsui Chemicals Group acquired Heraeus Kulzer, the dental materials business of Heraeus Holding GmbH, the world's sixth largest proponent in its field. We also acquired Dentca, Inc., a company that develops dentures using new cutting-edge computer-aided design (CAD), computer aided manufacturing (CAM), and proprietary three-dimensional modeling and printing technology. Looking ahead, the Mitsui Chemicals Group will promote synergies springing from the application of its polymer technologies—an area in which the Group excels—in its dental materials activities and will swiftly expand dental materials into a third core pillar of earnings in the Healthcare domain.

As a part of efforts to nurture new businesses, we established the New HC Business Development Division (HC standing for healthcare) with the twin aims of creating next-generation businesses and new business models. Going forward, energies will be channeled toward establishing new growth platforms targeting a variety of activities, including peripheral areas in the vision and oral care fields as well as businesses that focus on the five senses and the body.



■ Food & Packaging Strategy (Please refer to Review of Operations on p.8)

The Mitsui Chemicals Group has targeted the Food and Packaging domain as a part of efforts to help tackle the global food problem. The Group's focus is on delivering food solutions that address a host of social needs. In addition to promoting the stable harvest of agricultural produce as well as the reduction of food loss, we will work to ensure the uninterrupted supply of safe and reliable food.

Agrochemicals are playing an increasingly important role in ensuring the stable supply of food. In order to introduce to the market agrochemicals that match specific regional needs, the Mitsui Chemicals Group has entered into capital alliance agreements with relevant manufacturing and sales companies in Thailand and Brazil. At the same time, we engage in joint development activities with such major international agrochemical manufacturers as E. I. du Pont de Nemours and Company and BASF SE. Looking ahead, we will progressively introduce five new active ingredient pipelines to the market from 2016 as a part of our next-generation agrochemical activities. The Mitsui Chemicals Group is also developing a hybrid rice seed business, releasing "Mitsuhikari," which delivers a yield that is 1.5 times that of conventional rice seed.

In food packaging materials, the highly functional packaging film market in Asia is projected to experience rapid growth as Japanese food manufacturers, convenience stores, and related companies continue to enter the market. In line with this growth, the Mitsui Chemicals Group has taken steps to establish a manufacturing base in Thailand to produce the Company's T.U.X™, a highly functional sealant film. As EVOLUE™ is a key raw material in the manufacture of T.U.X™, the Group decided to set up a new EVOLUE™ facility in Singapore that is scheduled to come on line from fiscal 2015. (Please refer to Review of Operations on p.37)

Aiming to build "market-in," that is, market-oriented, business models, mainly in Asia, we will make the most of resources both within and outside the Group, including organic synthesis and film processing technologies—areas in which we boast considerable expertise—and a wide range of products, such as materials, films, and sheets for packaging use. We will work diligently to capture business opportunities that will allow us to grow the Food and Packaging domain into a third key earnings pillar.

Q4

You have identified further developing Basic Materials as one of the strategies under the 2014 Mid-Term Business Plan. Together with your announcement of a major restructuring of the Group's businesses, could you please provide details of your Basic Materials Strategy?

A4 As the name suggests, the Basic Materials domain serves as the cornerstone of the chemicals industry and encompasses such business fields as commodities in the Petrochemicals and Basic Chemicals Sectors, as well as licensing and catalysts.

While the business environment for commodity materials remains harsh, we recognize the need to provide materials and technologies to a wide range of fields both inside and outside the Company, and the role of the Basic Materials business to support society and industry. With this in mind, it is absolutely vital that we rebuild the business to ensure a stable stream of earnings.

During the period of the 2011 Mid-Term Business Plan, the Mitsui Chemicals Group took steps to expand the high-performance products business while at the same time restructuring underperforming bulk and commodity product businesses.

■ Petrochemicals Business (Please refer to p.36)

The Mitsui Chemicals Group has been promoting a continuous stream of initiatives in the Petrochemicals Business since before the launch of the 2011 Mid-Term Business Plan. These initiatives have included the shutdown of commodity product facilities, efforts to strengthen activities in high-value-added derivatives, and thoroughgoing rationalization measures. As a result, we have successfully stabilized the structure of the business.

However, the commodity business continues to suffer due to such wide-ranging factors as the upswing in commodity product imports, shrinking domestic demand, the production of shale oil and gas in the United States, and the impact of coal to olefin (CTO) activities in China. Operating conditions surrounding ethylene manufacturing in Japan are becoming increasingly difficult. We therefore recognize the need to consider further downsizing.

Meanwhile, we recognize the potential for procuring inexpensive raw materials in conjunction with leading partners in upstream fields and for advancing local business development opportunities in downstream businesses. Moving forward, we will closely examine our ability to create markets for high-value-added products, an area in which we excel, and engage in more effective marketing.

■ Basic Chemicals and Polyurethane Raw Materials Businesses

(Please refer to pp.34, 35)

The Mitsui Chemicals Group incurred substantial ongoing losses in the Basic Chemicals business, which includes phenols and purified terephthalic acid (PTA), and polyurethane raw materials business. Due to a variety of factors that include the new construction and expansion of facilities mainly in China and Asia, which has led to an oversupply of products, as well as a slump in demand, conditions in each business continue to deteriorate at a greater than expected pace.

Recognizing the gravity of the current circumstances, we decided to bring forward a host of structural reform measures and announced the details of a series of plant shutdowns and works closure in February 2014. These structural reforms are aimed at putting in place an optimal global production framework that emphasizes local production for local consumption and bolstering competitiveness through thoroughgoing cost-cutting.

In total, Mitsui Chemicals incurred business restructuring costs of ¥36.8 billion as of the end of fiscal 2013. As a result, the Company has reported a net loss for the third consecutive fiscal year. Despite the significant pain and anxiety associated with the direction that management has continued to take, we are committed to bolstering ties with leading partners in each region, promoting alliances, and considering every option as we carry out our structural reforms with a strong sense of crisis. Moving forward, we will work tirelessly to bring about a return to profitability at the earliest possible opportunity. (Please refer to Restructuring measures of Basic Materials on p.23)

Q5

Please explain the Business Support Strategy and the Production and Technology Strategy that Mitsui Chemicals has identified under its 2014 Mid-Term Business Plan as crucial to strengthening the Company's management foundation.

A5

It goes without saying that a robust management foundation that is capable of adapting flexibly to changes in the operating environment is vital to our efforts to contribute to society through our business activities as well as to ensuring sustainable growth both for society and the Group.

We took steps to clarify the mission and role of each organization within the Group as a part of our global management endeavors. Amid efforts to accelerate the pace of our overseas business development activities aimed at being a chemical company with undisputed global presence, this initiative is designed to optimize growth and efficiency across the Group as a whole. Accordingly, we are looking to strengthen our business support mechanisms in order to reinforce our human resource, finance and performance management, information, and organizational platforms based on a uniform groupwide approach. At the same time, we will work earnestly to improve back office efficiency.

Production and technology development are the backbone activities of a chemical company. Putting safety first in everything that we do is therefore an absolute priority. Accordingly, we work to ensure that fundamental safety measures are firmly entrenched throughout the organization. At the same time, we take steps to nurture production- and technology-related human resources. Looking ahead, we will continue to ensure safety as our first priority and, with this as our base, work diligently to secure competitive advantage through superior quality and increased cost efficiency. Moreover, we will focus on building an optimal production structure in Japan while strengthening overseas production bases. (Please refer to Special Feature 2 on p.48)

Approach toward Financial Strategy and Investment

Q6

Please tell us about the Company's financial strategies and investment policies going forward.

A6

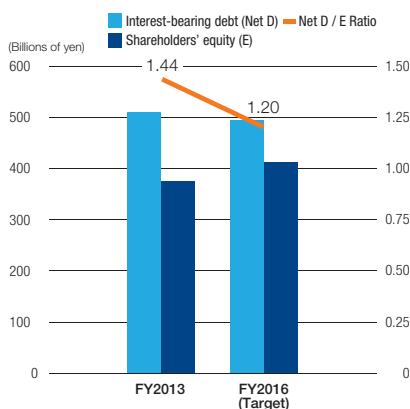
Improvement of the Company's financial health and ability to generate cash flows are key priorities under the 2014 Mid-Term Business Plan.

We have identified the goal of achieving a net D/E ratio of 1.20 by the end of fiscal 2016, the final year of the 2014 Mid-Term Business Plan. In order to achieve this goal, it is absolutely vital that we recoup growth investments made under the 2011 Mid-Term Business Plan, strengthen the profitability of existing businesses, and rebuild the bulk and commodity product businesses.

Turning to investment activities over the next three years, we will adopt a more stringent approach, narrowing investment, which totaled ¥230 billion under the 2011 Mid-Term Business Plan, to ¥140 billion, of which ¥90 billion will be directed toward platform and maintenance investment. We will closely screen and selectively engage in M&A activities taking into account financial conditions. From a growth investment perspective, we will consider the sale of businesses that fall outside the parameters of our vision of the Group's portfolio going forward. This will help secure investment resources for the future.

In an effort to return profits to shareholders, we intend to resume the payment of dividends with a period-outlay of ¥3 per share for fiscal 2014, despite forgoing the payment of a period-end dividend in fiscal 2013. Working toward the stable payment of dividends, we are targeting a dividend payout ratio at least 25% and a DOE of 2% or more (on a consolidated basis).

Financial Improvement



Dividend payout ratio
Over 25%

DOE
Over 2%



Corporate Governance

Q7 What are your thoughts on corporate governance?

A7 The Mitsui Chemicals Group recognizes that reinforcing corporate governance is a key priority of management and essential to garnering the trust of stakeholders, including shareholders, customers, and local communities, as well as to fulfilling its corporate social responsibility.

In addition to having the established an appropriate system, 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 at Board of Directors' meetings.

In addition, we are further enhancing "risk and compliance management" to ensure that we identify and control risks that constitute a threat to the management of business operations as well as to raise compliance awareness among all employees, from newly recruited personnel to management. (Please refer to Corporate Governance on p.40)

Q8 What are your management policies for fiscal 2014, the first year of the 2014 Mid-Term Business Plan, and what are your forecasts for operating results?

A8 It is absolutely vital that we achieve our operating income and net income targets of ¥35 billion and ¥12 billion, respectively, and surpass last year's results.

Also, we recognize that the payment of dividends for the full fiscal year is equally important and we will strive to do so.

Looking at global economic conditions in fiscal 2014, the pace of economic growth in China and emerging markets will continue to slow. On a positive note, Europe and the United States are expected to loosen fiscal restraints and experience a modest recovery. While there were concerns surrounding the impact of the consumption tax rate hike, the Japanese economy is now anticipated to secure positive growth underpinned by the favorable effects of economic measures as well as increased export activity, owing mainly to the weak yen and recovery in overseas economies.

While business conditions are projected to remain severe, the chemical industry is expected to experience an upswing as a result of global economic recovery and a subsequent increase in demand.

Under these circumstances, and in the first year of its 2014 Mid-Term Business Plan, the Mitsui Chemicals Group will place the utmost priority on safe and stable operations, and will strive to advance as follows. In order to bring about a quick return to profitability, energies will also be channeled toward reaping the benefits of investments in high-performance products undertaken under the 2011 Mid-Term Business Plan and ensuring that these benefits are properly reflected in earnings while focusing on the three business domains that drive growth. Turning to bulk and commodity products, including phenols, PTA, and polyurethane raw materials, areas in which profitability must be improved, we will not only carry out the drastic restructuring measures identified during the previous fiscal year, but also adopt every possible measure to ensure improvement.



(Billions of yen)	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)
Fiscal 2014 Forecasts	1,680	35.0	31.0	12.0
Fiscal 2013 Results	1,566	24.9	22.5	△25.1
Increase (Decrease)	114	10.1	8.5	37.1
Increase	7.3%	40.6%	37.6%	—

To a New Growth Stage

Around 2020
¥100 billion
Operating income



Innovation

Mobility



Helping to address a variety of needs across every possible mode of human and commodity transportation

Healthcare



Helping to improve people's in an effort to realize health and happiness in an aging society

Food & Packaging



Helping to solve the global food problem and deliver safety and reliability

Basic Materials



Supporting society and industry by providing a wide range of platform materials and technologies

Focus

Alliance

Rebuilding

Striving to transform our business portfolio and solve social challenges for the sustainable development of society and the Mitsui Chemicals Group

2011, 2014 Mid-Term Business Plan Highlights

Mobility		Capacity	Timing
PP compounds	Secure position as global leader with 8 bases (FY10 740KTA→FY14 992KTA)		
• Acquired Produmaster in Brazil		+55KTA	May 2012
• Increased production capacity (U.S., Mexico, China, Thailand)		+197KTA	As needed
TAFMER™(*)	Secure world's top share		
• Enhanced of specialty TAFMER™ in Singapore		+8KTA	Feb. 2014
Mitsui EPT™	Strengthen market share in Asia		
• Establish a new production base with Singapore in China		+75KTA	2H, 2014
ADMER™(*), MILASTOMER™	Secure world's top share		
• Establish a new production base in China		+11KTA	2H, 2014
Bio-Polyol			
• Established a new production base with joint-venture companies in India		+8KTA	1H, 2015
* Includes Food & Packaging			
Healthcare		Capacity	Timing
Ophthalmic lens monomers	World-leading strategy based on total solutions		
• Expanded ophthalmic lens monomer lineup			
Acquired ACOMON in Switzerland			Apr. 2011
Acquired KOC in Korea			Mar. 2013
• Expanded lens coating businesses			
Established SDC Asian Pacific in Singapore			Sep. 2013
• Newly entered photochromic lens materials market			
Acquired SunSensors™ operations from Corning			May 2014
• Increase Production capacity for XDI (Materials for ophthalmic lens monomers)		+5KTA	Oct. 2015
Dental materials	Secure global bases		
• Acquired Heraeus Kulzer, the dental materials business of Heraeus Holding			
Secure global bases spread over 24 countries			Jun. 2013
• Newly entered denture market			
Acquired Dentca in U.S.			Jun. 2013
Nonwovens	Establish 3 bases in Asia (64KTA→94KTA)		
• Increased production capacity in Japan		+15KTA	Apr. 2012
• Established a new production base in China		+15KTA	Dec. 2013
Food & Packaging		Capacity	Timing
EVOLUE™, T.U.X™	Strengthen market share in Asia		
• Expand EVOLUE™ production			
Increased production capacity in Japan		+50KTA	Nov. 2011
Establish a new production base in Singapore		+300KTA	1H, 2015
• Established a new production base of T.U.X. film in Thailand		+15KTA	Jan. 2014
Agrochemicals	Secure global bases, promotion of global registration		
• Established overseas bases			
Acquired stake in Sotus in Thailand			May 2011
Acquired stake in Iharabras in Brazil			Sep. 2011
Established new R&D base in Thailand			Feb. 2014
• Promote registration of active ingredients			
(India, North America, China, Europe, Brazil)			As needed
• Launch next generation agrochemicals pipeline			From 2016

Restructuring Basic Materials Business

Capacity

Timing

Phenols

Establish local production for local consumption, cost reduction

- Phenols
 - Terminated one facility in Japan ▲250KTA Sep. 2014
 - Establish a new production base with Sinopec in China +250KTA 2H, 2014
- Bisphenol-A
 - Terminated one facility in Japan ▲90KTA Mar. 2014
 - Suspended operation of one facility ▲70KTA From Mar. 2014
- New utility agreement with Tuas Power in Singapore 2H, 2014

PTA

Sustainability through collaboration with local production for local consumption in derivatives (PET)
Promotion of integrated alliance

- Transferred all shares in AMI (Indonesia) to BP Global ▲540KTA Mar. 2014

Polyurethanes

Strengthen specialty isocyanate operations
Establish optimal production system for commodity polyurethane materials

- Terminated one PPG production facility in Japan ▲28KTA Jun. 2012
- Shut-down Kashima Works in Japan
 - Terminate TDI operations ▲117KTA Target Dec. 2016
 - Terminate specialty isocyanate operations ▲2.4KTA Target Dec. 2016
 - Sale of organic acid business to Fusco Chemical
 - Maleic anhydride ▲32KTA Business rights: Oct. 2014
 - Fumaric acid ▲15KTA After terminating operations TDI
- Terminate MDI operations in Japan ▲60KTA Target Dec. 2016
- Increase production capacity for specialty isocyanate XDI in Japan +5KTA Oct. 2015

Ethylene Center

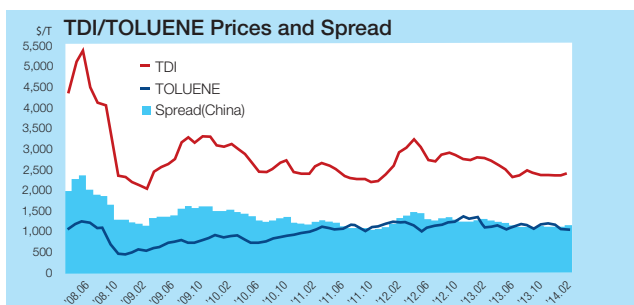
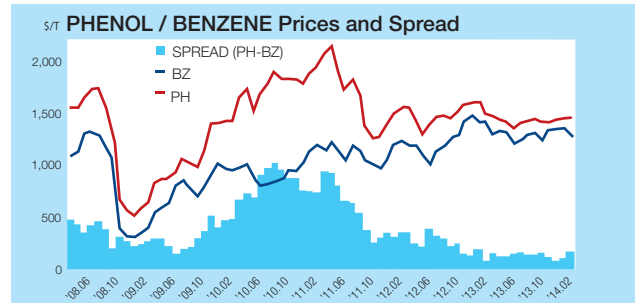
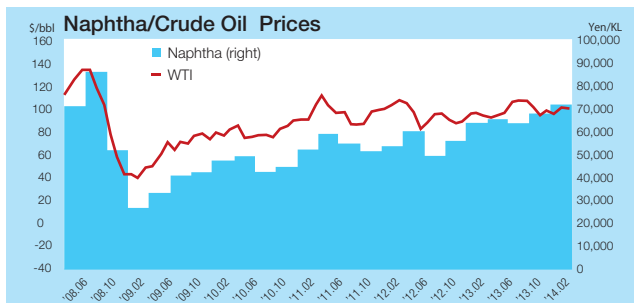
Establish optimal operation system for low run rate

- Implemented low run rate measures in Japan Aug. 2013
- Withdraw from Keiyo Ethylene in Japan Transfer▲22.5% Mar. 2015

Polyolefin

- Terminated two polypropylene (PP) facilities in Japan
 - ▲90KTA Mar. 2011
 - ▲90KTA Jul. 2013
- Terminate two polyethylene (PE) facilities in Japan
 - High-density PE ▲130KTA Apr. 2013
 - Liner Low-density PE ▲60KTA Dec. 2014

Main Products Prices FY2008 - 2013



KTA; kilotons per annum

Consolidated Financial and Non-Financial Highlights

Years ended March 31

(Millions of yen / Thousands of U.S. dollars, except where indicated)		2004/3	2005/3	2006/3	2007/3	2008/3	2009/3
For the Year							
Operating Results (for the year)							
Net sales		¥1,089,518	¥1,227,547	¥1,472,435	¥1,688,062	¥1,786,680	¥1,487,615
Operating income (loss)		53,942	80,491	58,705	91,678	77,176	(45,493)
Net income (loss)		12,466	26,192	44,125	52,297	24,831	(95,237)
Reference: Ordinary income (loss)		47,694	79,737	61,989	95,478	66,146	(50,768)
EBITDA ¹		111,620	148,342	144,352	177,039	150,229	38,938
Net cash provided by operating activities		82,163	96,503	79,709	100,565	92,423	54,882
Net cash used in investing activities		(25,807)	(33,085)	(58,247)	(133,618)	(78,206)	(76,253)
Free cash flows		56,356	63,418	21,462	(33,053)	14,217	(21,371)
Financial Position (at year-end)							
Total current assets		¥440,517	¥497,287	¥608,995	¥733,150	¥726,361	¥529,606
Property, plant and equipment, net		548,799	520,886	532,324	542,340	564,805	522,641
Total investments and other non-current assets		199,150	187,012	187,571	222,693	178,082	136,692
Total assets		1,188,466	1,205,185	1,328,890	1,498,183	1,469,248	1,188,939
Total current liabilities		440,869	440,566	475,074	591,253	569,560	377,858
Total non-current liabilities		325,342	313,389	314,692	336,678	335,461	412,950
Total shareholders' equity & Total accumulated other comprehensive income (loss)		383,365	405,773	464,021	504,509	500,044	349,908
Interest-bearing debt		482,626	422,342	423,938	498,323	485,972	535,391
Other							
Depreciation and amortization		¥56,101	¥56,770	¥70,099	¥70,207	¥72,596	¥81,374
Capital expenditures		45,722	47,135	81,400	72,671	84,667	81,041
R&D expenses		32,894	34,881	37,146	36,943	42,130	40,628
Per Share Data							
Net income (loss) per share (basic)		¥15.78	¥33.26	¥56.20	¥66.68	¥32.22	¥(125.46)
Cash dividends per share		6.00	7.00	8.00	10.00	12.00	9.00
Ratios							
Return on sales		1.14%	2.13%	3.00%	3.10%	1.39%	(6.40%)
Return on equity		3.31%	6.64%	10.15%	10.80%	4.94%	—
Return (operating income (loss)) on assets		4.47%	6.73%	4.63%	6.49%	5.20%	(3.42%)
Net D/E Ratio		1.19	0.97	0.85	0.92	0.93	1.39
D/E Ratio		1.26	1.04	0.91	0.99	0.97	1.53
Social Data²							
Employees	Consolidated	12,348	12,228	12,473	12,511	12,814	12,964
	Non-consolidated	9,164	8,854	8,584	8,695	8,671	8,557
Percentage of women	Non-consolidated	9.1%	9.0%	9.0%	9.3%	9.8%	10.4%
Environmental Data							
Frequency Rate of Lost-Working Injuries ³	Consolidated	—	—	—	—	—	—
Energy Consumption ⁴	Consolidated	—	—	—	—	—	—
Greenhouse Gas Emissions	Domestic ⁵	—	—	5.95	5.89	5.67	5.14
	Consolidated ⁶	—	—	—	—	—	—
Landfill Disposal Volume ⁷	Consolidated	—	—	—	—	53,141	30,098
Landfill rate for industrial waste		—	—	—	—	14.5%	8.7%

1. EBITDA = Operating income + Depreciation and amortization + Equity in earnings of non-consolidated subsidiaries and affiliates

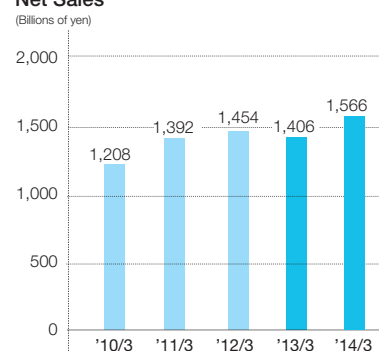
2. Based on the change of aggregations method and revision of law, only to show comparable data continuously. For the details, refer to the topics of the Responsible Care, p59-60.

3. Work-related Significant Occupational Injury frequency rate: The number of deaths or WSOIs per million hours worked

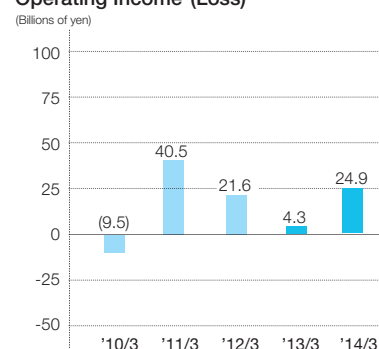
4. Data reflect the total of six manufacturing sites and domestic and overseas consolidated subsidiaries

2010/3	2011/3	2012/3	2013/3	2014/3	
				(Millions of yen)	(Thousands of U.S. dollars)
¥1,207,735	¥1,391,713	¥1,454,024	¥ 1,406,220	¥1,566,046	\$15,216,148
(9,461)	40,548	21,564	4,290	24,899	241,926
(28,010)	24,854	(1,007)	(8,149)	(25,138)	(244,247)
(13,132)	38,851	22,884	9,206	22,522	218,830
71,180	120,792	94,894	57,723	74,741	726,205
70,173	73,196	43,302	18,512	43,476	422,425
(42,913)	(43,204)	(42,452)	(58,136)	(89,781)	(872,338)
27,260	29,992	850	(39,624)	(46,305)	(449,913)
				(Millions of yen)	(Thousands of U.S. dollars)
¥604,556	¥665,976	¥661,311	¥715,396	¥777,015	\$7,549,698
498,183	467,735	430,629	446,637	425,840	4,137,583
135,347	161,916	164,363	175,962	229,307	2,228,012
1,238,086	1,295,627	1,256,303	1,337,995	1,432,162	13,915,293
386,203	442,298	451,507	493,908	507,056	4,926,700
432,879	422,228	389,025	415,173	515,459	5,008,346
377,283	383,740	367,436	376,779	352,843	3,428,323
494,219	480,701	464,773	507,183	581,260	5,647,687
				(Millions of yen)	(Thousands of U.S. dollars)
¥74,878	¥69,237	¥62,749	¥43,864	¥48,143	\$467,771
49,054	45,137	44,814	56,649	113,200	1,099,883
38,131	36,166	33,176	31,997	33,569	326,166
				(Yen)	(U.S. dollars)
¥(33.04)	¥24.80	¥(1.01)	¥(8.14)	¥(25.10)	\$(0.244)
3.00	6.00	6.00	6.00	3.00	0.029
(2.32%)	1.79%	(0.07%)	(0.58%)	(1.6%)	
—	6.53%	(0.27%)	(2.19%)	(6.89%)	
(0.78%)	3.20%	1.69%	0.33%	1.80%	
1.11	1.04	1.12	1.22	1.44	
1.31	1.25	1.27	1.35	1.65	
				(Persons)	
12,892	12,782	12,868	12,846	14,271	
8,297	7,878	7,633	7,266	7,129	
10.8%	11.2%	11.4%	11.7%	11.9%	
—	0.28	0.22	0.49	0.24	
99	103	99	94	89 PJ	
4.93	4.90	4.67	4.53	4.49	Million tons
5.58	5.68	5.46	5.30	5.10	
18,799	18,163	1,147	1,179	630 tons	
6.1%	5.4%	0.4%	0.4%	0.2%	

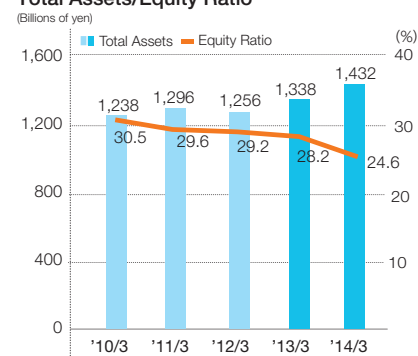
Net Sales



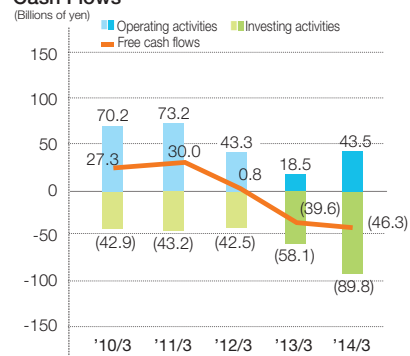
Operating Income (Loss)



Total Assets/Equity Ratio



Cash Flows

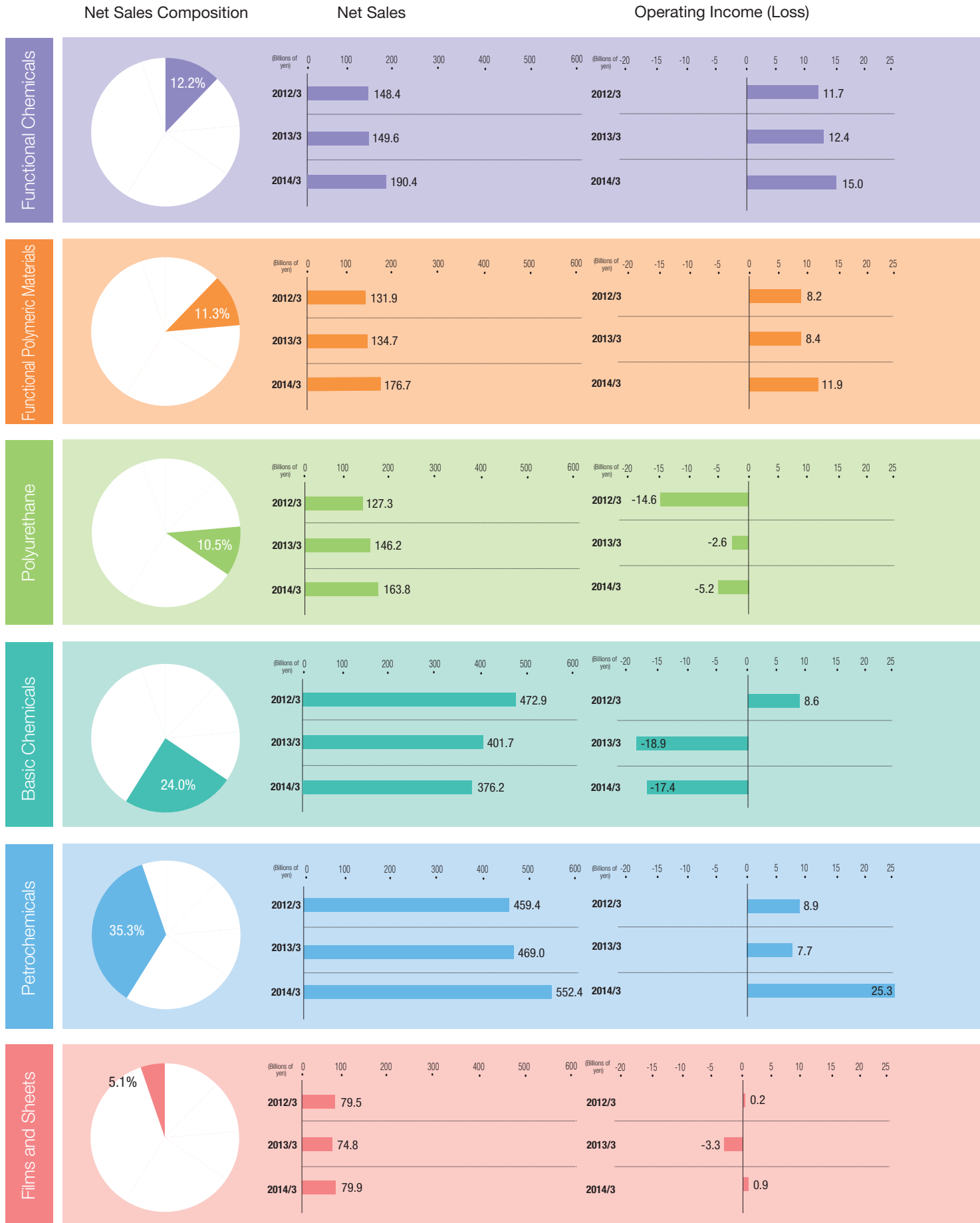


5. Data reflect the total of six manufacturing sites and domestic consolidated subsidiaries

6. GHG emissions for overseas consolidated subsidiaries calculated in accordance with Japan's Law Concerning the Promotion of Measures to Cope with Global Warming (2005 Amendment) based on energy consumption figures. Data reflect the total of domestic and overseas consolidated subsidiaries

7. Data reflect the total of manufacturing sites of domestic and overseas consolidated subsidiaries and companies eligible for RC support

At a Glance



Businesses Segments	Main Products	Main Markets
Health Care Materials	Ophthalmic lens materials (MR™), Medical and dental materials	Medical and Healthcare
Nonwovens	Nonwoven fabrics (SYNTEX™, TAFNEL™), Breathable films, Polyolefin synthetic pulp	Life, Medical and Healthcare, Automotive, Housing and Construction, Agriculture
Agrochemicals	Insecticides, Fungicides, Herbicides	Agriculture
Fine & Performance Chemicals	Acrylamide, Toner binder resin, Semiconductor gas	Life, Electronics and Information
Licensing	Olefin polymerization catalysts	Industrial use
Elastomers	Ethylene-propylene rubber (Mitsui EPT™), Alpha-olefin copolymer (TAFMER™), Liquid polyolefin oligomer (LUCANT™)	Life, Electronics and Information, Automotive, Housing and Construction
Performance Compounds	Adhesive polyolefin (ADMER™), Thermoplastic olefin elastomer (MILASTOMER™), Engineering plastics (ARLEN™)	Life, Electronics and Information, Automotive
Performance Polymers	Specialty polyolefins (TPX™, APEL™, HI-ZEX MILLION™), Semiconductor manufacturing material (Mitsui PELLICLE™)	Life, Electronics and Information, Automotive
Polyurethane Materials	Polyurethane raw materials (TDI, MDI, PPG)	Life, Electronics and Information, Automotive
Coatings & Engineering Materials	Polyurethane resins (TAKENATE™, TAKELEC™), Coating resins (U-VAN™, OLESTER™, ALMATEx™), Wax (HI-WAX™), Sealants for LCDs (LC STRUCTBOND™)	Life, Electronics and Information, Automotive, Housing and Construction
Phenols	Phenol, Bisphenol A, Epoxy resin, Acetone, Methyl isobutyl ketone (MIBK), Isopropylalcohol	Electronics and Information, 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, Electronics and Information, Automotive
Petrochemical Feedstocks	Ethylene, Propylene	Industrial use
Polyolefins	High density polyethylene, Metallocene linear low density polyethylene (Evolue™), Linear low density polyethylene, Polypropylene, Polypropylene Compound	Life, Electronics and Information, Automotive, Housing and Construction
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, ICROST™ TAPE, OPULENT™)	Electronics and Information
Functional Sheets	Foam sheets for logistics and construction Hi-Sheet™, Paulownia™ Encapsulant sheets for solar cells (SOLAR EVA™, SOLAR ASCE™)	Electronics and Information, Automotive, Housing and Construction

FY2013 Segment Sales

Overseas Sales Ratio

Overseas Sales Breakdown

■ Domestic □ Overseas

□ China ■ Asia* ■ America ■ Europe ■ Other

Functional Chemicals

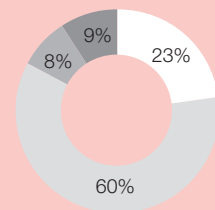
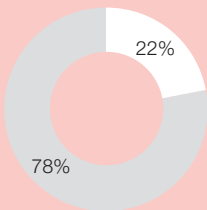
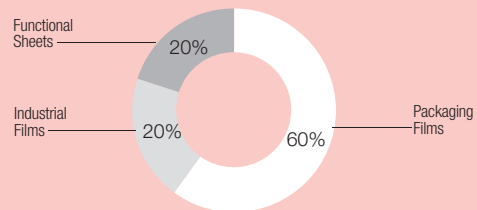
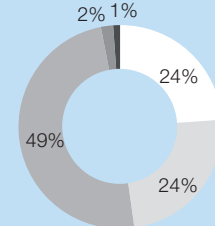
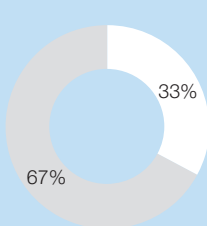
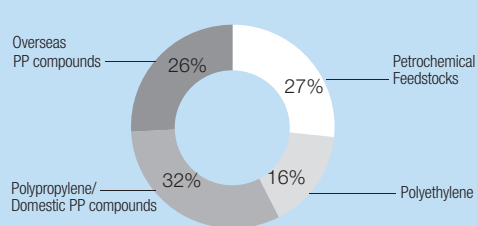
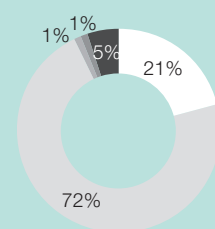
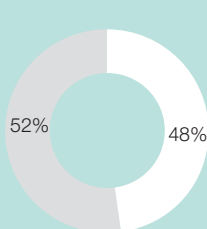
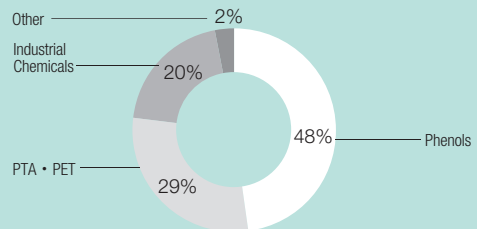
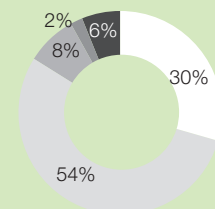
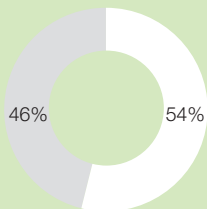
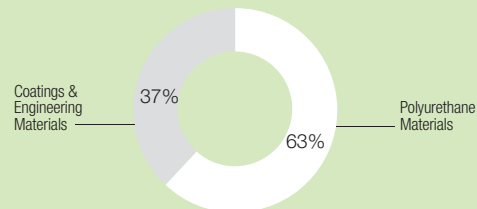
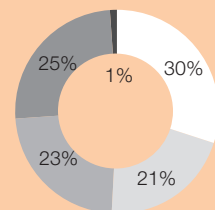
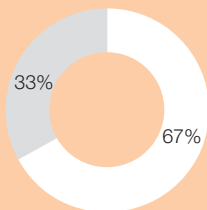
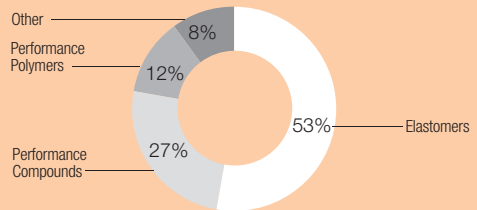
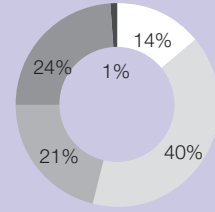
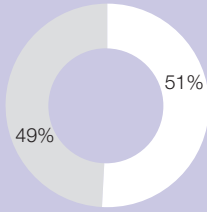
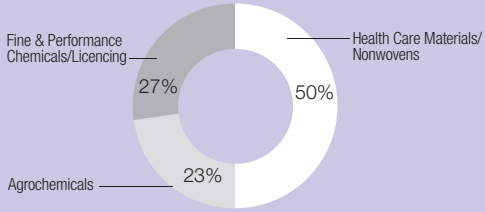
Functional Polymeric Materials

Polyurethane

Basic Chemicals

Petrochemicals

Films and Sheets



*Asia excluding Japan and China

(Factors Resulting in a YoY Increase/Decrease)

Both net sales and operating income from healthcare materials including ophthalmic lens monomers, hygiene nonwoven fabrics, and agrochemicals increased. This was largely attributable to growth in overseas demand, which helped to spur a steady increase in sales volume. The upswing in export sales of agrochemicals was an especially strong factor in driving up earnings, due mainly to the positive effects of the weak yen.

Meanwhile, net sales were bolstered by the acquisition of a dental material business, which was contributed to accounts from the second half of the fiscal year under review.



Functional Chemicals

Net sales and operating income from elastomers used mainly in automotive components and as resin modifiers as well as performance compounds improved. This was mainly due to the favorable effects of the weak yen and successful efforts to capture the growing demand for automobile applications primarily in North America.

In addition, sales of functional polymers were also robust. This largely reflected the positive turnaround since the accident at the Iwakuni-Ohtake Works, the increase in sales for use in smartphones, and the positive effect of the weak yen.



Functional Polymeric Materials

Net sales and operating income from coatings and functional materials for adhesives used in a variety of fields, including packaging, increased. This was largely attributable to growth in overseas demand and the commencement of sales of new products.

In contrast, demand for the application of polyurethane materials in furniture, a mainstay use, was weak. In addition to the prolonged slump in overseas market demand and the market price for TDI, most notably in China, the prices of raw materials and fuels continued to rise. Reflecting these factors, earnings from polyurethane materials declined.



Polyurethane

In addition to delays in the recovery of demand for phenols and PTA in Asia, market conditions remain weak. The persistently harsh operating environment also made terms of trade difficult. This was largely due to the high level of benzene and paraxylene prices.

Increased fixed costs owing to the resumption of operations at the Iwakuni-Ohtake Works and the upswing in production fixed costs reflecting efforts to revive operating utilization ratios were factors that drove down earnings. Meanwhile, performance was affected by the change in status of Siam Mitsui PTA Co., Ltd. to an equity method affiliate. On a positive note, Mitsui Chemicals was successful with various initiatives including effort to cutback costs. These factors led to a decline in revenue and an increase in earnings.



Basic Chemicals

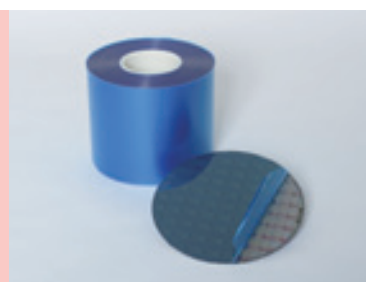
Net sales and operating income increased. This largely reflected the growth in PP compound sales for automotive use owing mainly to the increase in automobile production volumes in North America and a recovery in exports from Japan.

Market conditions improved owing mainly to increases in naphtha cracker operation rates, streamlining efforts, and the upswing in polyolefin prices attributable to rising raw material prices. At the same time fixed costs declined due to the termination of operations at a general purpose polyolefin plant. As a result, earnings increased.



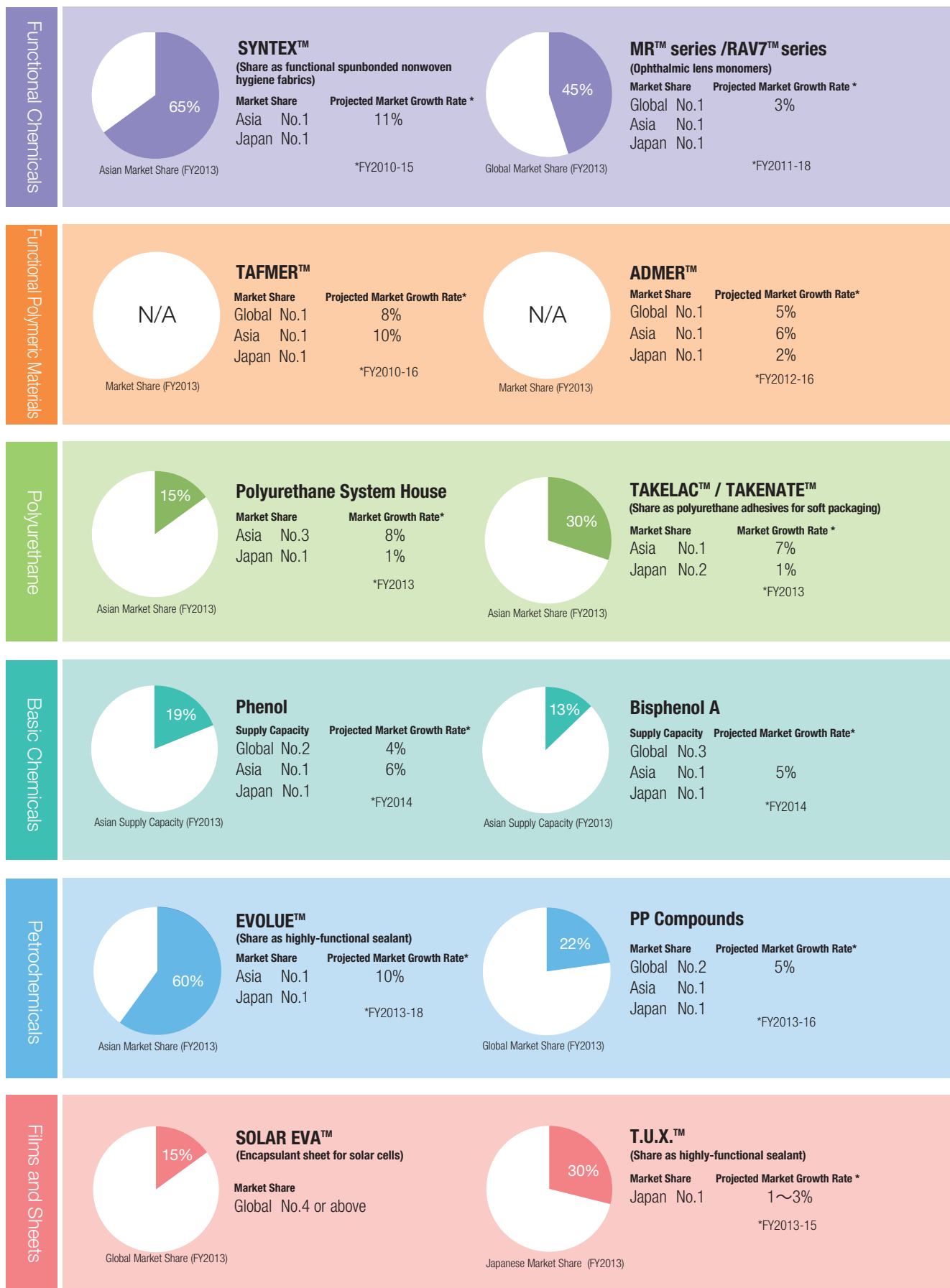
Petrochemicals

Earnings from packaging films increased on the back of higher sales prices that reflected the upswing in raw material costs as well as improved sales owing mainly to the market's recovery in Japan. Sales and earnings from industrial films also grew. This was largely attributable to higher demand from high-value-added fields targeting smartphones and the positive effects of the weak yen. While the business environment for solar cell sheets was harsh, domestic market growth, increased sales of new products, and lower costs in such areas as general expenses coupled with the decrease in depreciation attributable to impairment losses incurred during the previous fiscal year helped to boost earnings.



Films and Sheets

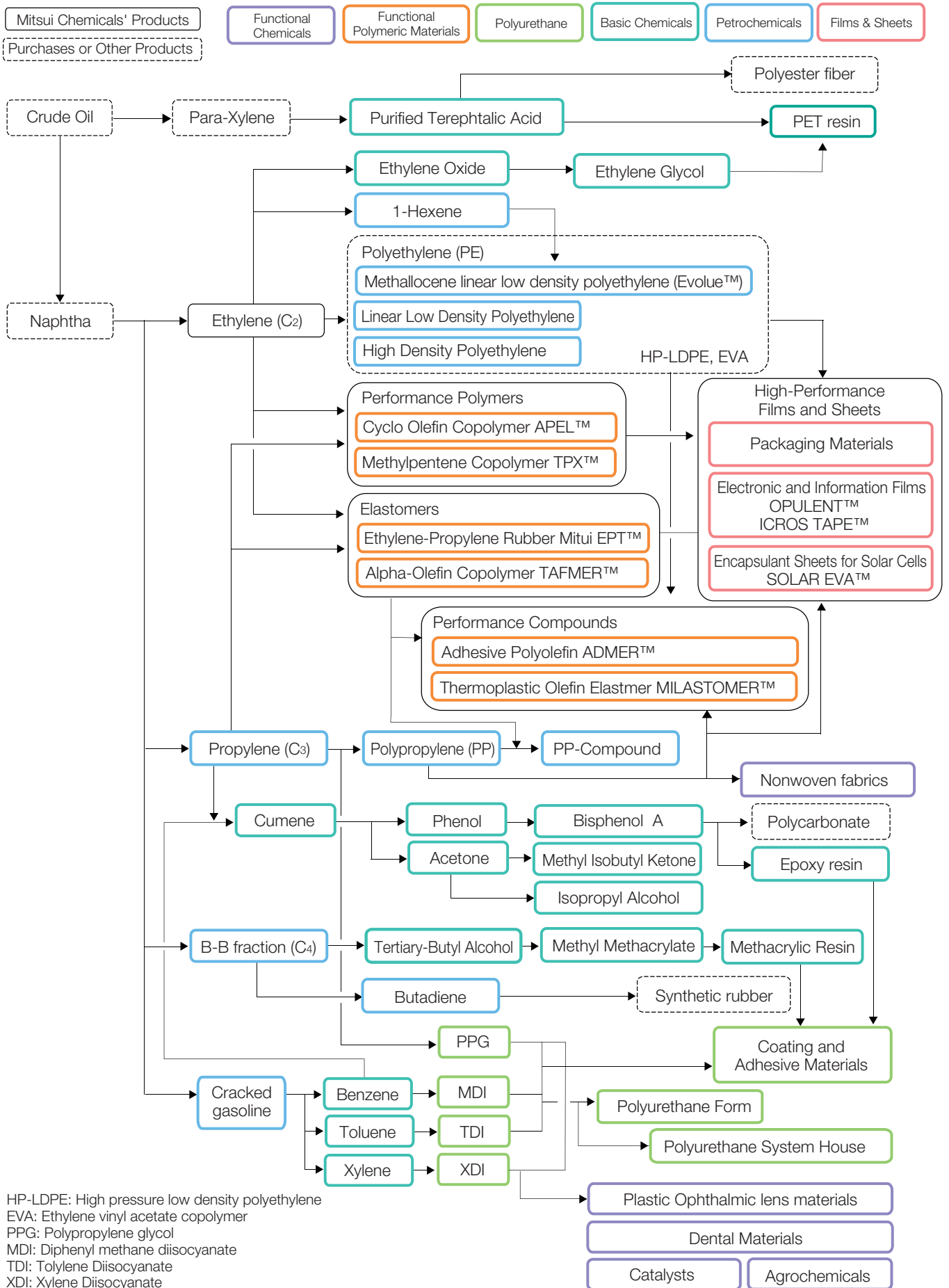
Market Position of Principal Products



Source: Mitsui Chemicals' estimates

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

Mitsui Chemicals' Main Product Flow Chart



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

Functional Chemicals

As a business segment that plays a leading role in the Company's transformation, expand earnings, focusing mainly on healthcare, dental materials, nonwoven fabrics, and agrochemicals

Results

Net Sales

 **¥190.4 billion** **+27.2%**

Operating Income

 **¥15.0 billion** **+20.5%**

Progress in Each Business

- Reinforced the plastic ophthalmic lens monomer business; acquired Acomon AG (2011), KOC Solution Co., Ltd. (2013), and the photochromic lens materials operations of Corning Incorporated (May 2014)
- Newly constructed a large-scale facility for XDI, one of the materials used in high refractive index ophthalmic lenses (commercial operations scheduled for October 2015)
- Increased production capacity for spunbonded nonwoven fabrics in Japan (2012: annual capacity of 34,000 tons to 49,000 tons); Commenced commercial operations in Tianjin, China (December 2013; annual capacity of 15,000 tons)
- Strengthened agrochemicals overseas business development; Acquired equity interests in Sotus International Co., Ltd. of Thailand and Iharabras S.A. of Brazil
- Brought to market the insecticide Dinotefuran in India (2012) and China (March 2013) with launch planned for Brazil in 2015
- Brought to market the fungicide Penthiopyrad in the U.S. and Canada (2012) with launch planned for Europe in 2014
- Developed next-generation agrochemicals and pipelines for five new active ingredients with progressive market launches scheduled from 2016
- Acquired Heraeus Kulzer and DENTCA, Inc. as a part of efforts to expand the dental material business and operations in the healthcare field (June 2013)



Strengthening Efforts to Expand the Plastic Ophthalmic Lens Materials Business Overseas

The Company's MR™ series of plastic ophthalmic lens materials is particularly distinguished for its high refractive index. In addition it offers clear vision as well as outstanding strength and durability. As a lightweight lens for glasses, the MR™ series is attracting high acclaim as the de facto standard.

In an effort to upgrade and expand its product lineup the Company purchased several companies in succession. By acquiring U.S.-based SDC Technologies, Inc., a company that provides high-performance coating materials suitable for plastic lenses, in 2008, Switzerland-based ACOMON AG, which is particularly strong in the low refractive index lens field, in 2011, and KOC Solution Co., Ltd. of Korea, which boasts an extensive lineup of products in the medium refractive index lens field, in 2013 we have significantly reinforced our manufacturing and sales network. The Mitsui Chemicals Group has achieved a 45% share of global plastic ophthalmic lens materials market.

In May 2014, the Company acquired the SunSensor™ photochromic lens material operations of Corning Incorporated. This acquisition represents Mitsui Chemicals full-fledged entry into a market that is experiencing marked growth.

In addition to its existing products, the Mitsui Chemicals Group is promoting the development of outstanding, next-generation materials. Moving forward, we will focus on providing comprehensive solutions that address the diverse needs of customers.



Expanding the Highly Functional Spunbonded Nonwoven Fabric Business in Asia

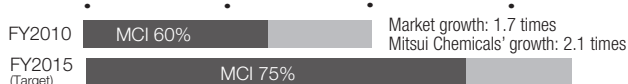
In line with the upswing in demand for higher quality products in the hygiene materials market, Sunrex Industry Co., Ltd., a Mitsui Chemicals subsidiary, set up a cutting-edge facility for the production of highly functional nonwoven fabric in 2012. In another initiative, the Company established Mitsui Chemicals Nonwovens (Tianjin) Co., Ltd. in China, and that company commenced operations in December 2013. As a result, Mitsui Chemicals has put in place a tripolar production and sales structure in Asia. Drawing on this capability in Japan, Thailand, and China, the Company now boasts 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 and has garnered a leading position in the Asian markets for highly functional hygienic materials and nonwoven fabric markets.

Looking ahead, we will reinforce our business development activities in the medical and other fields. We will also engage in solution proposal-type product development in a bid to expand our highly functional nonwoven fabric business.

The Highly Functional Nonwoven Fabric Market in East and Southeast Asia



(FY2010: ended March 31, 2011)

Functional Polymeric Materials

Establish a business portfolio for growth and sustainability and build the segment into a Group-wide earnings pillar by reinforcing the sophistication of high-value-added polymers and accelerating global development



Results

Net Sales

➤ **¥176.7 billion** **+31.2%**

Operating Income

➤ **¥11.9 billion** **+41.0%**

Progress in Each Business

- Increased production capacity of the specialized high performance elastomer brand TAFMER™ in Singapore (February 2014)
- Brought to market and promoted as a high performance sealing material a new brand for highly foamed sponges using elastomer Mitsui EPT™ proprietary metallocene catalytic technologies (2011)
- Established a joint-venture company with China Petroleum & Chemical Corp. (Sinopec) as the part of efforts to promote the business expansion of Mitsui EPT™ (commercial operations scheduled for 2014)
- Established an ADMER™ and MILASTOMER™ compound production base in China (commercial operations scheduled for 2014)
- Brought to market the new polyester engineering plastic PROVEST™ in 2012 and promoted its use as an LED reflective material
- The new elastomer product NOTIO™ SN adopted as a material for the synthetic leather used in high-end luxury brand bags (March 2013)
- Expanded production capacity of the super-high-molecular polyethylene HI-ZEX MILLION™ (2012)
- Expanded the adoption of performance polymers, including APEL™ and TPX™, used in the information and electronics field, such as for smart phone-related products

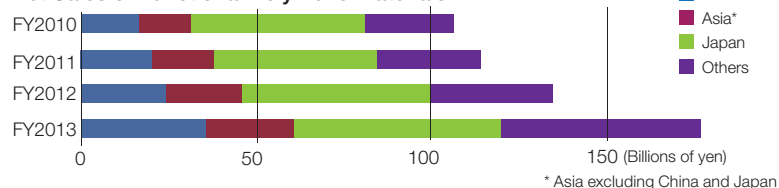
Strengthening Sales and Marketing and Expanding Sales of the Competitively Advantageous Products by Reinforcing Bases throughout Asia

Mitsui Chemicals shifted the head office function for its TAFMER™ activities to Singapore in April 2011. The goals of this transfer were to further boost the Group's leading share of the global market and to better capture a portion of the robust demand in Asia for TAFMER™, which has a wide range of uses, including as a resin modifier for automobile applications and in highly functional packaging. In addition to establishing technical service bases in Shanghai and Singapore, the Mitsui Chemicals Group also set up a functional polymeric materials sales and marketing department within Mitsui Chemicals Asia Pacific, Ltd. in Singapore in 2012. Through these means, we took steps to bolster our sales and marketing capabilities in Asia and put in place a framework that allows us to provide increasingly detailed technological support to address the needs of customers in a timely manner, an area in which we excel. As a result of pushing forward these initiatives, we have steadily increased sales in Asia throughout the three-year period of the 2011 Mid-term Business Plan.

Meanwhile, in China, which is experiencing rapid demand growth with automobile production expected to increase more than 7% annually, the Group established a joint venture with Sinopec to manufacture and market Mitsui EPT™, an ethylene-propylene-diene terpolymer that is widely used in automotive components. The Group also established production bases in China for MILASTOMER™, a thermoplastic elastomer for which the Group holds a top share of the global market for products targeting automobile interiors, and ADMER™, an adhesive polyolefin for which the Group maintains a leading position in markets for products for use in automobile fuel tanks and food packaging materials. Both production bases are scheduled to come online during the second half of 2014.

Looking ahead, we will utilize each of these companies and bases to expand our business, focusing on product areas in which we have a competitive advantage.

Net Sales of Functional Polymeric Materials



Developing New Products and Applications

In conjunction with efforts to expand lineups of existing products in areas in which we hold a competitive advantage, we are actively engaged in the development of new products and applications.

Energies are being channeled toward expanding the lineups of LUBMER™, a material that boasts sliding properties, and MIPELON™, an ultra-high molecular weight polyethylene fine powder, as a part of efforts to further bolster the super-high-molecular polyethylene HI-ZEX MILLION™, a brand that distinguishes the Company from its competitors.

We are also accelerating the pace of our marketing efforts as we work to develop new applications in such wide-ranging areas as lithium-ion battery materials, sliding automotive parts, and cosmetics.

The Mitsui Chemicals Group brought to the market PROVEST™, a heat-resistant polyester engineering plastic, in 2012. Expectations remain high that this product will be increasingly adopted in the LED reflective materials and automotive electrical parts fields.



PROVEST™ is used as an LED reflective materials for illumination

Polyurethane

Build a robust platform in the polyurethane raw materials business that is resilient to changes in market conditions; increase earnings by expanding the scale of the coating and engineering materials business, focusing mainly on specialty isocyanates



Results

Net Sales

▲ ¥163.8 billion +12.1%

Operating Loss

▼ -¥5.2 billion —

Progress in Each Business

- Implemented steps to rebuild the polyurethane raw materials business; Terminated operations at one PPG production base (2012); Decided to terminate TDI operations at Kashima Works and MDI operations at Omuta Works (operations scheduled to end in December 2016)
- Continued to assess the potential of a business tie-up with Saudi Basic Industries Corporation (SABIC) in the polyurethane raw materials business
- Established a joint-venture to engage in biopolyol business activities in the Indian market (September 2013; commercial operations scheduled for the first half of 2015)
- Upgraded and expanded system house business operations in an effort to strengthen the manufacture and sale of polyurethane compounds; Continued working toward a network of six bases in Asia
- Decided to newly construct a large-scale XDI production facility (annual production capacity of 5,000 tons) to expand specialty isocyanate business activities in the coating and engineering materials business
- Promoted new specialty isocyanate business growth in the coating and engineering materials business
- Transparent organic EL (OLED) sealant STRUCTBOND™ XMF-T used in smartphones manufactured by LG Electronics, Inc. (2013)

Expanding System House Earnings in Asia

In order to capture the demand for polyurethane in the Asian market, Mitsui Chemicals is upgrading and expanding its polyurethane system house business operations. This entails strengthening bases that manufacture and sell compounds tailored to customer's 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.

In an effort to address customer needs at each point of consumption, we set up a network of six bases comprising two bases in China and one each in Japan, Malaysia, Thailand, and Indonesia. Total production capacity is 80,000 tons per year.

Currently, Mitsui Chemicals accounts for 20% of the market in Asia and 47% of the market in Japan. Moving forward, we will endeavor to reinforce our system house supply and development structure to better provide solutions that address customers' needs in a timely fashion while further expanding the scale of our business, thereby securing a stable, long-term earnings platform.

Expanding the Coatings and Engineering Materials 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.

As a part of efforts to expand our business, we have decided to newly construct a production facility that will produce 5,000 tons per year of our "only one" specialty isocyanate XDI.

Turning to new specialty isocyanates, we are currently engaged in the pre-marketing of sample products in the Mobility and Healthcare fields. We have received favorable comments from customers regarding the performance of these samples compared with other materials. Looking ahead, we will work diligently to promote full-fledged use.

With respect to such products as paint resins for automobiles and information appliances as well as resins for use in food packaging, demand in Asia is projected to continue to trend upward, expanding between 7% and 10% annually. We aim to aggressively expand sales at overseas subsidiaries and affiliates.



Light metal and resin casing coating materials



Adhesive materials for lamination

Basic Chemicals

Strengthen pricing capabilities by promoting local production for local consumption, reinforcing alliances with business partners and collaboration with customers, and thorough cost reduction; secure stable earnings even under harsh conditions



Results

Net Sales


¥376.2 billion **-6.4%**

Operating Loss


-¥17.4 billion **—**

Progress in Each Business

- Established an optimal phenol production structure

Phenol: Decided to close one facility in Japan in September 2014 (250,000 tons per year); Completed a new plant at Shanghai Sinopec Mitsui Chemicals Co., Ltd. (SSMC), a joint-venture company with Sinopec (250,000 tons per year; Commercial operations to start during the second half of 2014)

Bisphenol A: Closed one facility in Japan (90,000 tons per year; March 2014); Suspended operations at one facility in Singapore (70,000 tons per year; March 2014)
- Rebuilt the PTA business

Sold equity stake in Amoco Mitsui PTA Indonesia, a joint-venture with BP p.l.c. and Mitsui & Co., Ltd. (March 2014)

Converted Siam Mitsui PTA Co., Ltd. (SMPC) in Thailand, a joint-venture with Siam Cement Group, into a non-consolidated affiliate (October 2013); Suspended operations at one of three production facilities
- Switched from propylene to acetone processes in the production of isopropyl alcohol (IPA) using proprietary highly active catalyst technology (April 2013)
- Promoted high 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 (operations began in 2012)

Promoting Efforts to Rebuild the Phenol and PTA Businesses

Market conditions have slumped in the phenol, bisphenol A (BPA), and purified terephthalic acid (PTA) businesses due to a variety of factors, including the growth and expansion of production facilities operated by the flood of new market entrants in China and Asia, which has resulted in the oversupply of products and weak overall demand. Moreover, earnings have continued to deteriorate owing to the sharp rise in raw material prices, the downturn in export profitability, and drop in operating rates.

Taking into account the aforementioned factors, Mitsui Chemicals decided to rebuild each of these businesses with a focus on establishing a local production structure geared toward local consumption. Guided by the 2014 Mid-Term Business Plan, the Company will carry out all necessary measures.

The Phenol and BPA Businesses

While the phenol market in Japan continues to confront oversupply conditions, the balance between supply and demand within China is projected to improve around 2017.

Based on these market trends, Mitsui Chemicals decided to terminate operations at a phenol plant in Japan (annual production capacity of 250,000 tons) and construct a new phenol production facility with the same capacity in China through its joint venture with Sinopec. The new plant has adopted the Company's cutting-edge processes and boasts world-class cost competitiveness. Drawing on the strengths of its alliance with Sinopec, a major entity in the Asia region, positive steps have been taken to secure highly competitive raw materials as well as a robust sales network and to capture a large share of Chinese market.

Moreover, the decision was made to shut down a BPA plant in Japan and to suspend operations at another plant in Singapore.

In addition to these initiatives, the Mitsui Chemicals Group is working to thoroughly reduce costs. Moving forward, the Group will look to strengthen its optimal tripolar production structure in Japan, Singapore, and China while reinforcing competitive strengths.

The PTA Business

The Asia region as a whole continues to confront an oversupply of products with little hope of any narrowing in the gap between supply and demand for the foreseeable future.

Under these circumstances, Mitsui Chemicals has sold all of its shares in P. T. Amoco Mitsui PTA Indonesia (AMI), a joint-venture company, and withdrawn from the market in Indonesia. In addition, exports to China by the joint-venture company, SMPC, have been terminated. At the same time, the decision was made for currently suspended operations at one of SMPC's three plants to continue. SMPC continues to exhibit world-class competitive strengths on the back of rationalization efforts. In addition to improving raw material acetate unit output by upgrading processes, the Company has taken positive steps to reduce utility costs.

Mitsui Chemicals is now the only integrated manufacturer from PTA to PET bottle resins in Japan. In Thailand and Japan, the Group as a whole is coordinating with its derivative PET products businesses, harnessing their strengths to reinforce its local production for local consumption structure while promoting comprehensive alliances that encompass everything from raw materials to derivatives in a bid to rebuild its business.

Petrochemicals

Increase earnings by undertaking structural reforms to strengthen profitability in domestic businesses and capturing overseas demand, which is exhibiting signs of growth



Results

Net Sales



¥552.4 billion +17.8%

Operating Income



¥25.3 billion +230.3%

Progress in Each Business

- Increased PP compound production capacity (scheduled to achieve an annual increase of 260,000 tons from the start of the 2011 Mid-Term Business Plan to 1,000,000 tons by the end of fiscal 2014); Targeting 1,100,000 tons under the 2014 Mid-Term Business Plan
- Established an EVOLUE™ metallocene polymer manufacturing and sales company in Singapore; Commercial operations scheduled to start in 2015 with annual production capacity of 300,000 tons (total annual capacity of 550,000 tons, including production in Japan)
- Introduced a large-scale energy-saving process using LNG cold energy at the ethylene plant; received the fiscal 2012 Energy Conservation Grand Prize (Osaka, February 2012)
- Implemented equipment improvements at the ethylene center as a part of efforts to secure efficiency when operating levels are low (Ichihara, August 2013)
- Decided to withdraw from Keiyo Ethylene Co., Ltd. operations (Ichihara, scheduled for completion by the end of fiscal 2014)
- Continued the termination of operations at inefficient commodities plants (PE termination: 130,000 tons per year in April 2013; scheduled 60,000 tons per year in December 2014; PP termination: 90,000 tons in March 2011; 90,000 tons per year in July 2013)

Drastically Reforming the Petrochemicals Business while Shifting to High-Value-Added Products

Demand for ethylene and commodity ethylene derivatives in Japan is expected to decline due mainly to the pickup in the worldwide construction of new large-scale petrochemical facilities and the impact of shale gas. Against this backdrop, and prior to the 2011 Mid-Term Business Plan, Mitsui Chemicals had taken steps to drastically reform its petrochemicals business and to shift from commodity to high-value-added products.

In addition to utilizing the limited liability partnership (LLP) that it established with Idemitsu Kosan Co., Ltd. to optimize production at the ethylene center, Mitsui Chemicals decided to withdraw from Keiyo Ethylene Co., Ltd. (KEC), a joint-venture formed with Maruzen Petrochemical Co., Ltd. and Sumitomo Chemical Co., Ltd. Moreover, steps were taken to upgrade ethylene production facilities to ensure high operating efficiency, even when operating levels are low. The Company has also promoted the closure of commodity polyethylene (PE) and polypropylene (PP) facilities that lack competitive advantage.

Complementing these initiatives, the Company has been working diligently to globally expand automotive material PP compounds, which it is strategically strengthening, as well as the metallocene linear low-density polyethylene (PE) resin EVOLUE™ that takes full advantage of the Company's proprietary catalyst and processing technology strengths.

Thanks to these measures, the Company has put in place a structure in the petrochemicals business that is capable of generating stable earnings. Looking ahead, energies will be directed to securing increased competitive advantage.

Expanding PP Compound Automotive Materials

Global automobile production is projected to increase at an annual rate of 4%. There are expectations that production will increase at a rate as high as 7% in emerging markets and North America.

Mitsui Chemicals boasts the second highest share of the global PP compound market and accounts for a leading 60% share of PP compound sales to Japanese automobile manufacturers. The Group is also expanding its share of sales to automobile manufacturers in the United States and has already captured around 30% of the North American market.

PP compounds combine polypropylene with other polymers and additional agents to deliver specific functions and performance that polypropylene alone is unable to provide. Taking full advantage of its proven expertise in material design technologies in combination with its proprietary resins, Mitsui Chemicals is developing and providing high-quality PP compounds that address various customer needs. The Group's production network currently includes eight locations worldwide and steps are being taken to put in place a framework that is capable of further increasing production capacity to around one million tons per year during fiscal 2014.

Mitsui Chemicals will work diligently to provide solutions that address a wide variety of customer needs in a timely manner and contribute to the development of the automobile industry.



Bumper



Received the Supplier of the Year Award in both 2012 and 2013 from General Motors Company

Films and Sheets

Strengthen the position of the packaging film, industrial film, and functional sheet businesses in Japan and accelerate global business development with a focus on Asia by maximizing Group synergies



Results

Net Sales

 **¥79.9 billion** **+6.9%**

Operating Loss

 **¥0.9 billion** **—**

Progress in Each Business

- Established the 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 functional packaging film (commercial operation commenced in January 2014; annual production capacity of 15,000 tons)
- 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 (commercial operations commenced in November 2012; annual production capacity of 10,000 tons)
- Strengthened marketing in Asia of Paulownia™, a foam molded sheet used in a variety of products, including returnable automotive component transportation containers, as a part of efforts to cultivate overseas markets for polyolefin foam molded sheets, a niche market in which the Group holds a top share in Japan
- Expanded industrial film business activities in the field of information processing and electronics, such as films for use in semiconductor manufacturing processes, against the backdrop of robust demand for smartphone-related products

Operations Commence at a Base for Highly Functional Packaging Films in Thailand

Commercial operations commenced in January 2014 at Siam Tohcello Co., Ltd. (STC), a base established by the Company in Thailand to manufacture and market T.U.X™, a highly functional sealant film for use mainly in food packaging.

T.U.X™ is manufactured using the Company's linear low-density polyethylene (L-LDPE) EVOLUE™ as its principal 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, and heavy products. In addition, the thickness of T.U.X™ can be reduced. This product is also 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 aggressive entry of new players into the market, including Japanese food manufacturers, supermarkets, and convenience stores, is fueling expectations that the market for highly functional packaging films is about to take off. For its part, Mitsui Chemicals, which boasts a top share of the highly functional sealant film market in Japan, is working through STC to accelerate the pace of business development in Asia and to establish a firm market presence.

Operations Commence at a Base for Solar Cell Encapsulant Materials in Asia and the Full-Fledged Development of New Products

Mitsui Chemicals' EVA-based solar cell encapsulant sheet SOLAR EVA™ has a proven track record that extends over three decades and continues to attract wide acclaim for its long-term reliability. Amid the shift of solar cell panel production bases mainly to China and Southeast Asia as well as increasingly intense price competition, steps were taken to establish the overseas production base MCTI SCIENTEX SOLAR SDN. BHD. (MSS) in Malaysia. Commercial operations at this company commenced in November 2012. As a core production base, MSS is working to address the needs of customers in neighboring countries in a timely manner while endeavoring to further enhance productivity.

In addition, successful steps have been taken to introduce SOLAR ASCETM, an encapsulant sheet that uses polyolefin-based resins as a raw materials, utilizing the Company's polymer technologies as a new encapsulant material in the highly functional domain. Every effort is being made to actively promote SOLAR ASCETM as an encapsulant sheet that can be clearly distinguished from other products. With its ability to minimize potential induced degradation (PID), a longstanding issue for high-voltage, large-scale photovoltaic power stations, SOLAR ASCETM is attracting considerable acclaim for its reliability.

EVA: Ethylene-vinyl acetate copolymer



Research and Development/Intellectual Property

Research and Development (R&D) Basic Policy

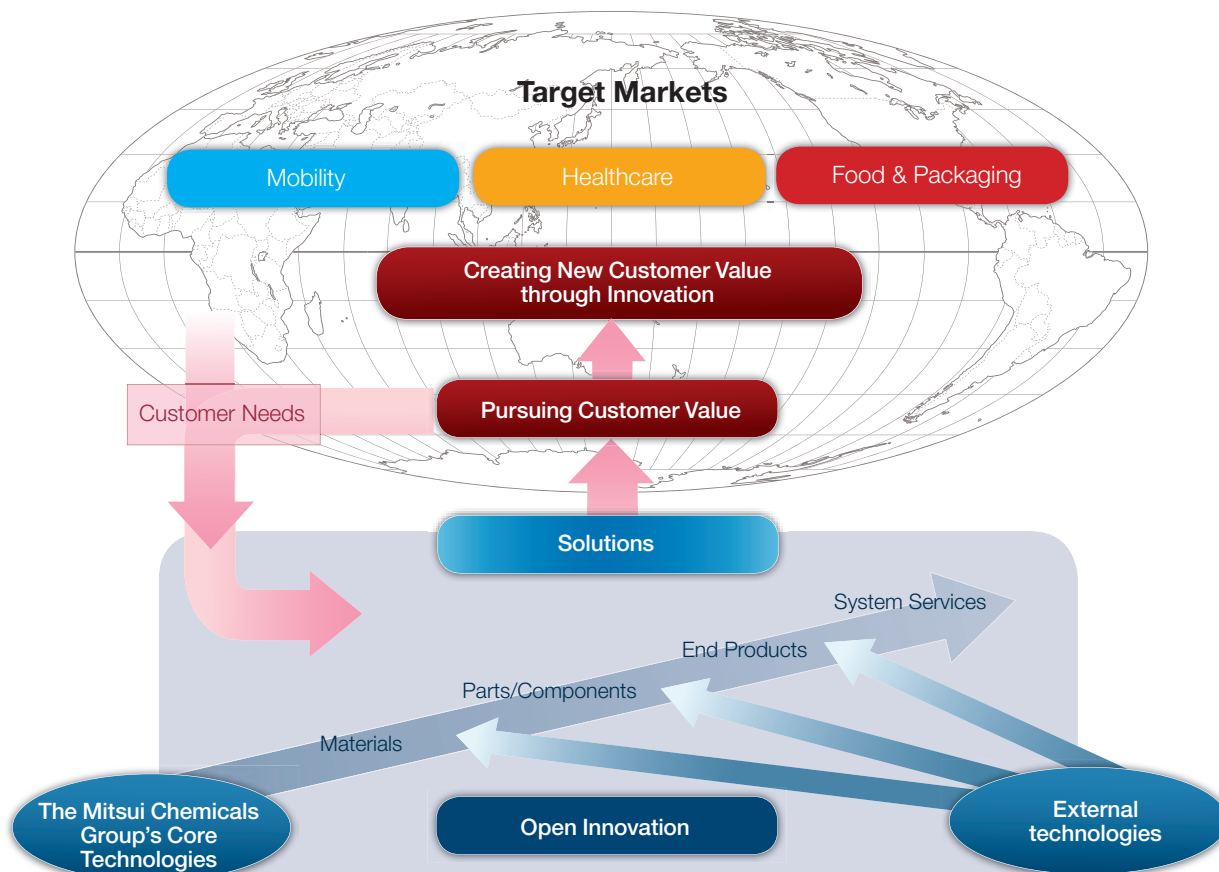
The Mitsui Chemicals Group is committed to helping resolve a variety of social challenges through innovative materials R&D initiatives in order to ensure the sustainable development of both society and the Group.

R&D Strategy

The Mitsui Chemicals Group has prioritized three targeted business domains that offer growth potential: Mobility, Healthcare, and Food & Packaging. In each domain, we are promoting market-driven R&D.

In order to accelerate the pace of efforts aimed at creating new businesses and products that look to the next generation and developing peripheral and downstream areas of existing business, the Group will endeavor to put forward proprietary solutions that address customers' needs. To this end, we will look to exploit the integrated strength of our core technologies and open innovation.

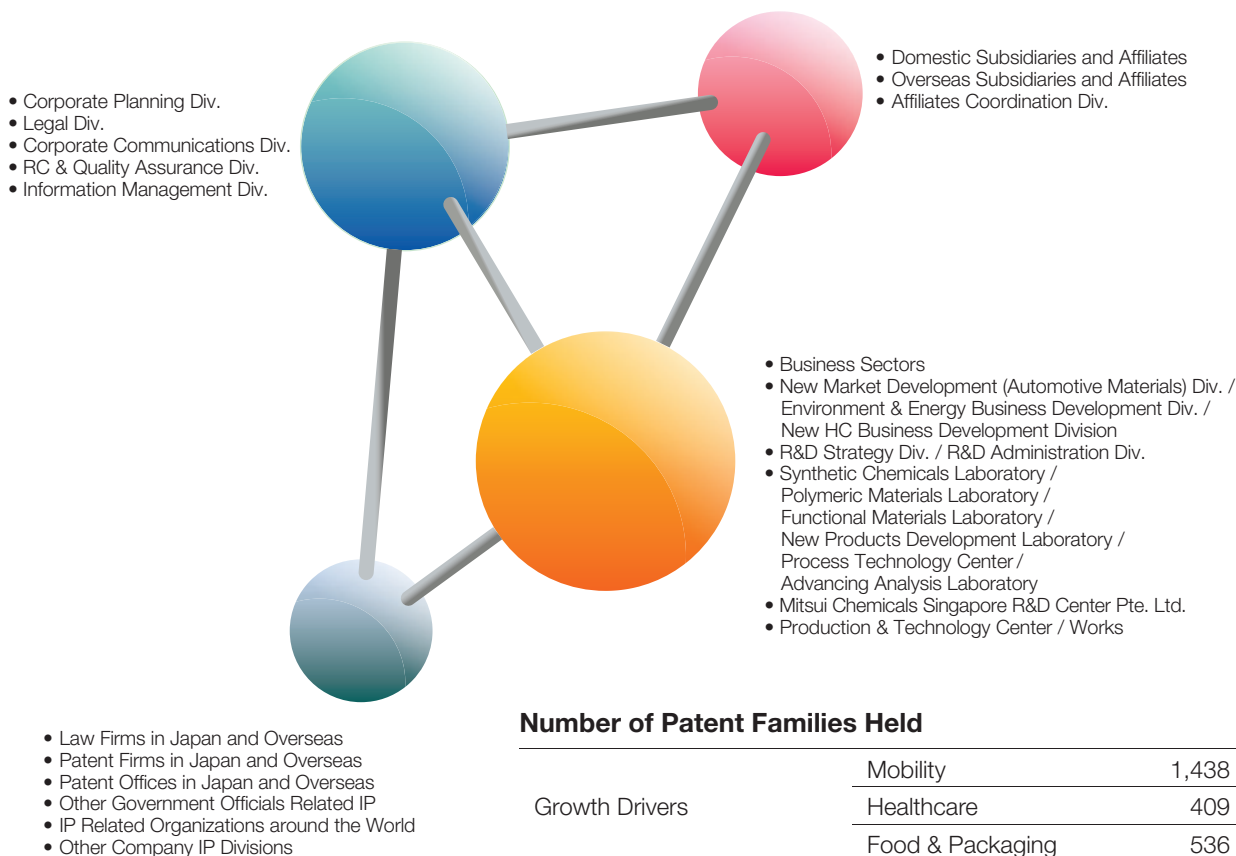
In addition, we will strive further to pursue customer value and explore customer needs, and then we will create the "new customer value" through innovation.



	Mobility	Healthcare	Food & Packaging
The Mitsui Chemicals Group's Core Technologies	<ul style="list-style-type: none"> • High-compounding technologies • Polymerization process technologies • Polymer modification technologies • Catalyst technologies • Material design technologies • Advanced analysis technologies • Computational science 	<ul style="list-style-type: none"> • 3D design and processing technologies • Nonwoven fabric molding technologies • Optical design technologies • Material design technologies • Organic synthesis technologies • Biotechnologies • Advanced analysis technologies • Computational science 	<ul style="list-style-type: none"> • Agrochemical design technologies • Biological evaluation technologies • Film molding technologies • Adhesive technologies • Material design technologies • Advanced analysis technologies • Computational science

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), and copyrights. The Intellectual Property Division devises the intellectual property portfolio management scenarios necessary for the realization of strategies set by the business divisions and shares these scenarios among the business divisions, the R&D divisions, and production and technology divisions. In addition, the Intellectual Property Division collaborates closely with departments in and outside the Group. Every effort is made to maximize business opportunities that take full advantage of the Group's intellectual property rights and minimize associated risks.



Number of Patent Families Held

Growth Drivers	Mobility	1,438
	Healthcare	409
	Food & Packaging	536
Supportive Earnings Platform	Basic Materials	1,099
Other		594
Total		4,076

(As of March 31, 2014)

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, 2014. Approximately two-thirds of these patents are related to the Group's Mobility, Healthcare, and Food & Packaging businesses and are positioned as drivers of growth. Moreover, around 75% of the items for which patent applications were filed in fiscal 2013 have also been positioned as drivers of growth for the Group and represent achievements in each of the technology fields advanced under the its 2011 mid-term priority strategies while being related to the growth driver businesses identified above. Moving forward, the Intellectual Property Division, business divisions, and the R&D Division will continue to work closely together to promote business portfolio transformation and 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, including China, are becoming increasingly important as the Group works to expand globally. Against this backdrop, Mitsui Chemicals is forming close ties with regional holding and local Group companies to grasp the status of intellectual property rights in individual countries 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, while taking into consideration moves to introduce related laws and regulations in each country and comply with the content of related laws and regulations of each country in a timely manner.

Corporate Governance

Corporate Governance Basic Stance

Mitsui Chemicals continuously works to improve management transparency in order to maintain the trust of society as a whole and to fulfill its social responsibilities as a corporate citizen. We have established a system where important decisions are made through extensive discussions in properly convened meetings held in accordance with the Company's regulations. Our system of internal governance recognizes the importance of the Corporate Auditors' function as well as the establishment of an Internal Control Division, an internal auditing organization, and the establishment and maintenance of the Risk and Compliance Management Committee.

Corporate Governance System

General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body.

In order to provide shareholders with the time required to adequately consider agenda items, Mitsui Chemicals ensures the early distribution of a Notification of Convocation (approximately 22 days prior to each meeting). This initiative is also aimed at energizing General Meetings of Shareholders and facilitating the exercise of shareholder voting rights. Moreover, the Company has adopted an electronic voting system that allows shareholders to exercise their voting rights electronically via the Internet.

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 President of Mitsui Chemicals presides over the Executive Compensation Advisory Committee, whose members include the executive vice president and outside experts (three outside auditors).

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

- Remuneration shall be awarded in an amount commensurate with the director's position as one entrusted with the Company's management and be linked to the Company's growth and performance.
- Remuneration shall be structured to take into account the linkage between Company performance and personal performance.
- Remuneration for more senior directors shall reflect their contribution to the growth of the Company over the medium to long term.
- Remuneration shall focus on the director's contribution during their time in office so as to reflect their current contribution.
- Remuneration shall be transparent and allow for full accountability.

The maximum monthly amount of compensation paid to members of the board was determined at ¥60 million by the resolution of the shareholders at the Annual General Meeting of the 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 set at ¥11 million by the resolution of the shareholders at the Annual General Meeting of Shareholders for the Company's 8th Business Term held on June 28, 2005.

Board of Directors

Directors: 9 (two outside directors)

The Board of Directors is responsible for making decisions about important matters related to management and receives reports on a wide range of matters, including the status of business execution from each director, as well as the Company's financial position and operating results. The Board of Directors also oversees the business execution of each director.

In fiscal 2013, the Board of Directors convened 12 times (ordinary meetings are held monthly and extraordinary meetings on an as-required basis).

Representative Director

CSR Committee

Risk & Compliance Committee

Business Sectors, Production & Technology Center, Research Center and Others

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 content of important Company meetings, including those held by the Management Committee, as well as fieldwork audit results—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 content of the proposals put on the agenda of said meeting.

Because the attendees are apprised of the content of 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.

To further enhance the effectiveness of our corporate governance system, we engage in investor relations and public relations activities, wherein we disclose information to shareholders, investors, analysts, the media and others outside the Company.

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 business execution of each director and the Board of Auditors audits the status of business execution of directors and other officers. In addition to appointing highly independent outside members to and promoting independence in the composition of the Board of Directors, Mitsui Chemicals has in place a system that ensures the regular mutual exchange of information between the 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. This system of regular mutual information exchange 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 the above measures ensure that decisions made by the Board of Directors are appropriate and efficient.

Appointment

Appointment

Board of Auditors

Auditors: 5 (three outside auditors)

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 2013, the Board of Auditors convened 18 times (in principle, meetings are held in conjunction with those of the Board of Directors, but in practice meetings are held on an as-required basis).

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 final versions of documents produced by executive directors as well as the minutes of important meetings. 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.

Audit

Accounting Auditor

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.

Accounting Audit

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.

Internal Control Division

The Internal Control Division was established as an internal organization that conducts accounting and business audits of the Mitsui Chemicals Group including affiliates. The Internal Control Division reports to the Management Committee the results of audits, which are based on annual audit plans that are discussed in advance by the Management Committee and instituted.

Audit

Total Compensation for Fiscal 2013

Classification	Number of Persons Receiving Payment	Amounts Paid (Millions of Yen)	Outside Auditors (Included in figures at left)	
			Number of Persons Receiving Payment	Amounts Paid (Millions of Yen)
Members of the Board	13	344	2	20
Auditors	6	87	4	30
Total	19	430	6	50

Figures in the above table include amounts paid to three 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 16th Business Term held on June 25, 2013, covering the period from April 2013 through to the date of retirement.

Major Activities of the Board of Directors and Board of Auditors

Major Activities of the Board of Directors and Board of Auditors		Attendance at Meetings of the Board of Directors and Board of Auditors	
		Board of Directors (Total Number of Meetings Held: 12)	Board of Auditors (Total Number of Meetings Held: 18)
Outside Directors			
Taeko Nagai*	Director Taeko Nagai has mentioned the idea of promoting greater communication mainly with society based on her specialized knowledge and experience not only in education and consumer economics, but also as an outside director of other companies.	12/12	—
Yoshio Suzuki*	Director Yoshio Suzuki primarily speaks from the view of compliance promotion based on his legal knowledge and extensive experience not only in the legal profession but also as an outside director of other companies.	12/12	—
Outside Auditors			
Hideharu Kadowaki	Auditor Hideharu Kadowaki has been involved for many years in financial institution management and has held positions in think tanks and universities, while also serving as an outside director of other companies. Hence, he speaks from the perspective of one concerned with ensuring that the execution of the Company's business is appropriate based on his extensive, all-round knowledge and experience in management.	11/12	17/18
Hiromu Matsuda	Auditor Hiromu Matsuda has been involved for many years in financial institution management and has experience serving as an auditor for other companies; hence, he speaks from the perspective of one concerned with ensuring that the execution of the Company's business is appropriate based on his extensive, all-round knowledge and experience in management.	12/12	17/18
Osamu Sekine	Auditor Osamu Sekine speaks from the perspective of one concerned with ensuring that the execution of the Company's business is appropriate based on his specialist knowledge and extensive experience not only in the legal profession but also as an outside director of other companies.	9/9 (Number of meetings held since appointment: 9)	13/13 (Number of meetings held since appointment: 13)

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

Interview with Outside Director

What are your impressions of the Company?

Mitsui Chemicals is clearly a well-established organization made up of serious-minded individuals who place the utmost emphasis on compliance. At the same time, it is equally clear that the Company's Works, facilities, and offices are a fountain of bold ideas and filled with flexible thinkers. Meanwhile, reporting as well as business operating systems at the Company's Head Office are sound. Specifically, each agenda item is put before the Board of Directors only after every aspect has been evaluated and deliberated to the point where outside directors recognize the issue to be resolved.

What are your thoughts on the Company's direction?

Amid ongoing globalization, the chemical industry continues to confront a harsh operating environment. Against this backdrop, and despite it having taken a little time, I am confident that Mitsui Chemicals has undertaken all necessary and appropriate measures. I also believe that the Company's direction and areas of focus are clear.

Under the newly formulated 2014 Mid-Term Business Plan, the Company must secure information that is pertinent to consumers and ensure that this information is properly reflected in its business. While the majority of Mitsui Chemicals business is solidly based in the B-to-B field, I have consistently advocated the need to identify exactly where requirements lie and to hone the Company's responsiveness to consumers, a group characterized by rapidly shifting patterns of behavior. Currently, Mitsui Chemicals handles items that are one step short of end products, including ophthalmic lens monomers and dental materials. Looking ahead, I would like the Company to take on the new challenge of helping people to coexist with a natural environment that is defined by its limited resources and to build rich lifestyles. Recognizing the need of the Company to further strengthen its business, I would like to support Mitsui Chemicals in its efforts to not only pursue advanced research and development, but at the same time to bolster its "soft powers," including marketing and a structure based on confident and respect. This encompasses such wide-ranging initiatives as helping female employees reach their full potential.



Outside Director
Taeko Nagai

Auditing System

Status of Internal Audits

The Internal Control Division was established as an internal organization that conducts accounting and business audits of the Mitsui Chemicals Group, including affiliates. The Internal Control Division reports to the Management Committee the results of audits, which are based on annual audit plans that are discussed in advance by 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 versions of documents produced by executive directors as well as the minutes 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 the Group's 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 Mitsui Chemicals Group, including subsidiaries and affiliates. The results of audits are reported to the Management Committee.

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.

Interview with Outside Auditor

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

I believe that Mitsui Chemicals has in place a system that makes it easy for auditors to carry out their duties. For example, the president, management, and Internal Control Division meet regularly to exchange opinions. At the same time, auditors can freely communicate among themselves.

Looking at the operations of the Board of Directors, a thoroughgoing process of review and deliberation is in place. This process involves directors responsible for each agenda item providing a detailed explanation and answering questions from outside directors and auditors. Deliberations are brisk and the oversight of each director's execution of duties is fully functioning. I am deeply impressed with the considerable amount of time allotted to and emphasis placed on dialogue between the president and management as well as with outside directors and auditors.

Generally speaking, the duty of an auditor is to put forward opinions and advice that help prevent the occurrence of any violation of the law or untoward incident. In addition to this basic requirement, the operations of Mitsui Chemicals' Board of Directors are distinguished by the great emphasis placed on heeding in-depth comments and engaging in deliberations that assist the Company in improving the quality of its business.

What issues do you believe the Company will face in the future?

Given the various compliance and corporate governance requirements of different countries, along with Mitsui Chemical's completion of a number of large-scale overseas acquisitions in the previous fiscal year, the Company's focus when it comes to personnel is shifting away from Japanese expatriates overseas to local staff. I sense that Mitsui Chemicals is currently in a phase during which it is building an operating framework that is capable of flexibly addressing a variety of cultures and customs.

Communication is an extremely important prerequisite for sound corporate governance. In order to ensure an active operating system going forward, it is vital that all employees accept and share in the goals advanced by management. For this to happen, management must maintain a fresh approach and work tirelessly to harness its leadership resources by making the effort and taking the time to consistently reach and encourage the frontline. At the same time, it is of critical importance raise awareness among all employees of the efforts of management and to foster a greater sense of urgency toward achieving established goals.

Looking ahead, I will continue to monitor the Company's operations from a wide-ranging perspective and to put forward relevant recommendations and advice. In this manner, I will fulfill my mandate from shareholders and contribute to the operations of the Company.



Outside Auditor
Osamu Sekine

Risk and Compliance Management

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, including shareholders, customers and the local community, and to fulfill its 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 Management System

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

*Plan, do, check, act

Risk Hotline

As an adjunct to the aforementioned initiatives, the Group has established a risk hotline to enable employees who uncover potential illegal activities in the Group to report their 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.

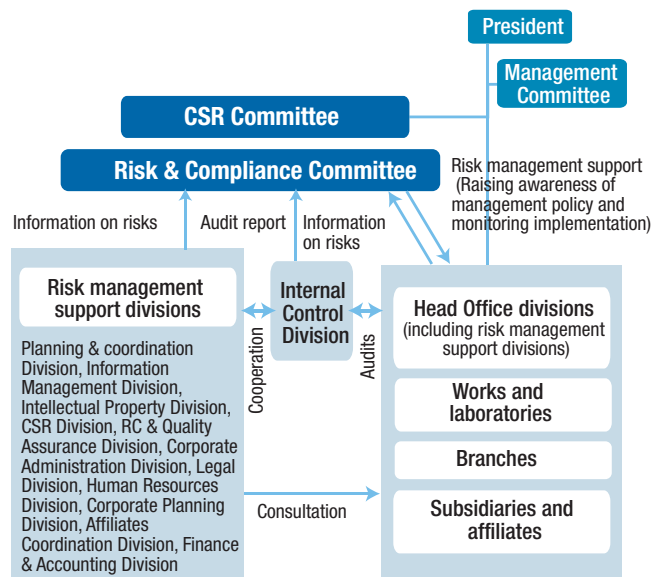
Business Continuity Plan

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 at key centers, including Osaka Works, 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.

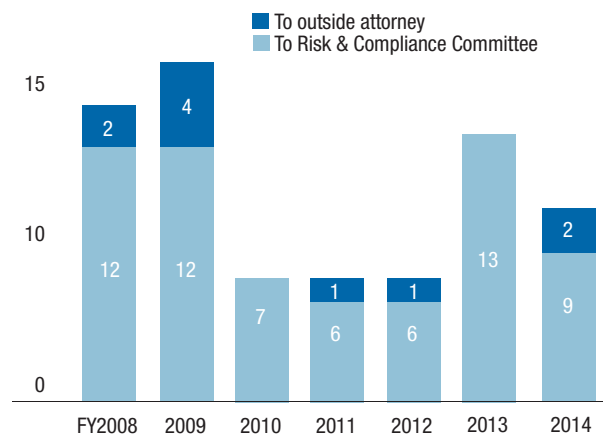
In light of the growing possibility of an earthquake along the Nankai Trough or a major earthquake centered beneath the Tokyo metropolitan region, we conduct comprehensive BCP training encompassing various response measures each year. Based on this training, rules and regulations as well BCPs are reviewed and revised. Every effort is made to ensure awareness and strict adherence within each workplace. Steps are also taken to check and provide all necessary equipment. Moreover, we conduct 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.

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. Furthermore, countermeasures include the setting up of a production structure that is dispersed over

Structure of Group Risk Management System



Report Cases



multiple works for the Group's mainstay products and the securing of a certain level of 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, the Company's rules require that refresher courses be taken every three to five years.

4. Distributing a Compliance Guidebook

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-Oriented Procurement

As we regard all of our suppliers as good partners here at the Mitsui Chemicals Group, in April 2006 we formulated the Mitsui Chemicals Group Purchasing Policy in an effort to get our suppliers involved in our CSR-oriented purchasing activities. We have been purchasing supplies in accordance with the relevant policy ever since.

In selecting suppliers, we adopt a CSR-oriented approach. In specific terms, we will give priority to and seek to build stronger partnerships with companies that satisfy the following requirements. Moreover, we routinely conduct surveys to confirm the level of compliance with requirements. In addition to assessing the results of surveys, we take steps to obtain feed-

back through visits and other measures.

- Strict compliance with laws and social norms
- Respect for human rights and consideration for working environments
- Commitment to environmental preservation and safety assurance
- Sound management
- Commitment to maintaining and improving appropriate standards in areas such as quality, price and delivery dates

Policy on Conflict Minerals

We are fully aware of our need to address so-called conflict minerals here at the Mitsui Chemicals Group. We have conducted our own investigation and confirmed that we do not purchase or use any conflict minerals associated with inhumane acts committed by armed groups on the ground in the

Democratic Republic of Congo or any of its neighboring countries. That includes gold (Au), tantalum (Ta), tungsten (W) and tin (Sn). In the future, if it should come to light that we have used any conflict minerals, we will immediately halt procurement of the relevant minerals.

Upgrading and Expanding IR Activities

In addition to continually enhancing the corporate value of the Mitsui Chemicals Group through a range of measures aimed at reinforcing corporate governance and increasing management transparency, management recognizes the importance of engaging in dialogue with shareholders and investors and actively disclosing information in an appropriate and timely manner. Based on this understanding, we are united in our efforts to strengthen investor relations activities in a bid to repay the trust placed in us by our shareholders and investors.

Mitsui Chemicals Receives the IR Special Award

Mitsui Chemicals was one of the recipients of the 2013 IR Special Award in the Annual IR Grand Prix held by the Japan Investor Relations Association (JIRA). This award recognizes companies that continuously strive to raise the level of their IR activities and that engage in distinctive IR endeavors. Mitsui Chemicals makes every effort to listen to the opinions of capital markets, with top management placing considerable weight on issues that are of particular concern to investors. In addition, we actively organize a variety of events, including presentations, in order to deepen understanding of our businesses.

This award acknowledges the Company's ongoing efforts to enhance its IR activities.

<Some Reasons for the Company's Selection>

- Mitsui Chemicals clearly indicates its willingness to communicate with the investment community through the disclosure of its medium to long term management policy by top management.
- The Company conducts high-quality presentations, including facility tours and briefing sessions by responsible staff that have received high marks.
- The Company's IR Division provides highly useful information to analysts and investors.
- Mitsui Chemicals explains in detail its response to difficulties in its business environment.

Business Presentations and Facility Tours

During fiscal 2013, the Mitsui Chemicals Group held two business presentation meetings for analysts and investors and site tours, including of overseas works, on three occasions.

In each instance, officers responsible for relevant divisions as well as onsite managers outlined details of specific initiatives. As forums for direct dialogue, these events are well received by all participants. Such meetings are valuable opportunities for the Group to garner customer feedback from a wide range of different perspectives.



Lectures

The significance of communicating the opinions of analysts and investors as well as stock market perspectives to management goes without saying. Of equal importance is heightening the awareness of as many employees as possible of the views of a wide variety of stakeholders. Accordingly, Mitsui Chemicals invites experts from outside the Company to present lectures on a variety of topics.

<Lecture by Mikiya Yamada, Analyst at Barclays Securities Japan Limited>

Drawing on his long-standing experience and involvement with the chemical, materials, and securities industries, Mr. Yamada spoke on the Company's issues as seen from the perspective of the stock market as well as the industry's outlook from an overall global and historical perspective. Lectures were held at the Company's Head Office and R&D Center and attended by approximately 300 participants. At the lecture presented at the R&D Center, Mr. Yamada drew on his previous experience as a researcher at a global chemical company to explain in an easy-to-understand manner the relationship between a chemical company's activities and the stock market. In addition to his thoughts on matters of importance to a researcher striving to enhance corporate value, Mr. Yamada provided his encouragement for future activities.



Members of the Board and Auditors

(As of August 26, 2014)



Minoru Koshibe

Tsutomu Tannowa

Yasuji Ohmura



Member of the Board
President & CEO
Tsutomu Tannowa
Overall corporate and group management
Corporate Communications Division,
Representative in China, Representative in Asia,
Representative in Europe, Representative in the
Americas, Safety & Environment Division



Member of the Board
Managing Executive Officer
Akio Ayukawa
Responsibilities: Functional Polymeric Materials
Business Sector, Basic Chemicals Business Sector,
Petrochemicals Business Sector, Mitsui Chemicals
Tohcello, Branch Offices



Corporate Auditor
Shigeru Iwabuchi



Member of the Board
Executive Vice President
Yasuji Omura
Assistant to the President
Responsibilities: Production & Technology Center,
Works, Production System Development, SCM
Division, Purchasing Division, Logistics Division,
Internal Control Division



Member of the Board
Managing Executive Officer
Kenji Ueki
Responsibilities: Mitsui Chemicals Asia Pacific, Mitsui
Chemicals China, Mitsui Chemicals America, Mitsui
Chemicals Europe, Human Resources Division,
Affiliates Coordination Division, CSR Division, CSR
Committee Supporting Officer, Business Efficiency
Promotion Division



Corporate Auditor
Yoshinori Koga



Member of the Board
Executive Vice President
Minoru Koshibe
Assistant to the President
Responsibilities: Functional Chemicals Business
Sector, Polyurethane Business Sector, New HC
Business Development Division, Corporate Planning
Division, H-Project Division



Member of the Board
Outside Director
Taeko Nagai



Outside Auditor
Hideharu Kadowaki



Member of the Board
Senior Managing Executive Officer
Masaharu Kubo
Responsibilities: RC & Quality Assurance Division,
Corporate Administration Division, Legal Division,
Corporate Performance Management Division,
Finance & Accounting Division, Information System
Division, Business Efficiency Promotion Division,
Responsible Care Committee, Risk Compliance
Committee



Member of the Board
Outside Director
Yoshio Suzuki



Outside Auditor
Hiromu Matsuda

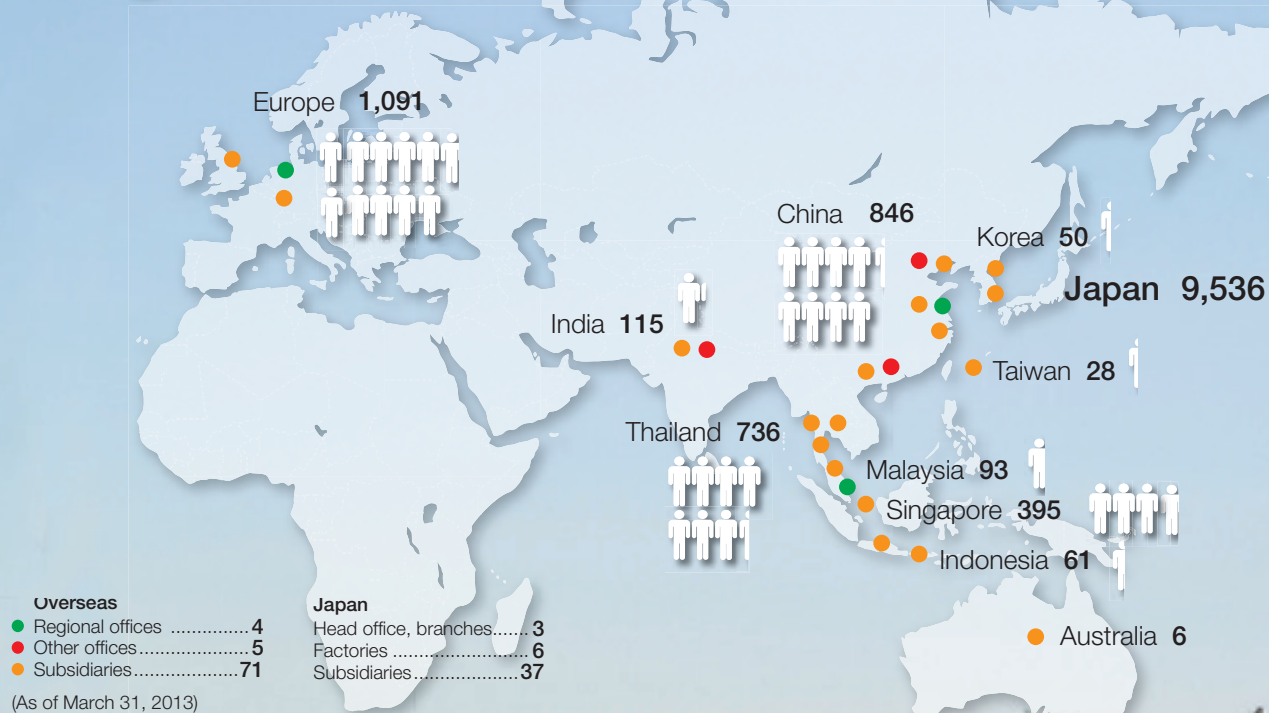


Member of the Board
Managing Executive Officer
Shigeru Isayama
Responsibilities: New Market Development
(Automotive Materials) Division, Environment &
Energy Business Development Division, R&D
Strategy Division, Mitsui Chemicals Singapore R&D
Centre, Synthetic Chemicals Laboratory, Polymeric
Materials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

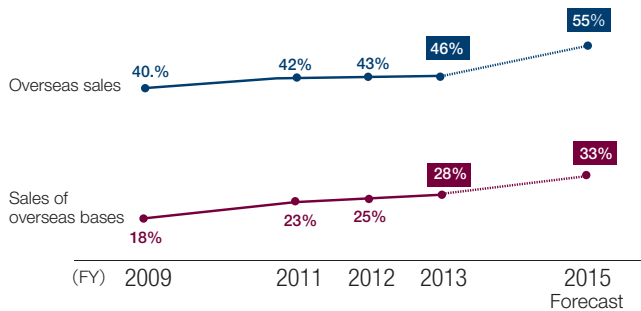


Outside Auditor
Osamu Sekine

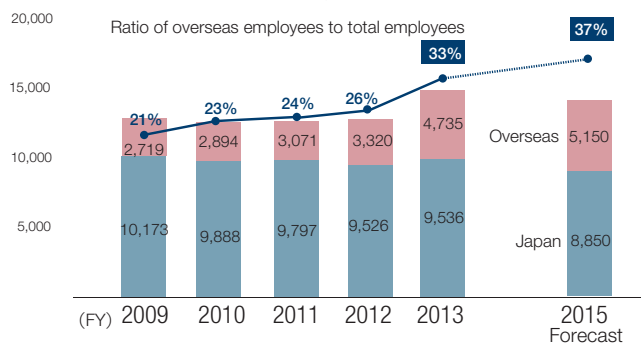
Strategic Global Human Resource and



Ratio of Overseas Sales to Total Sales



Number of Overseas Employees

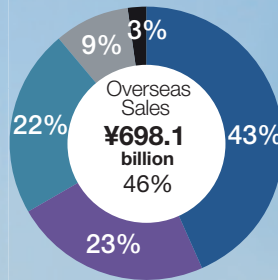
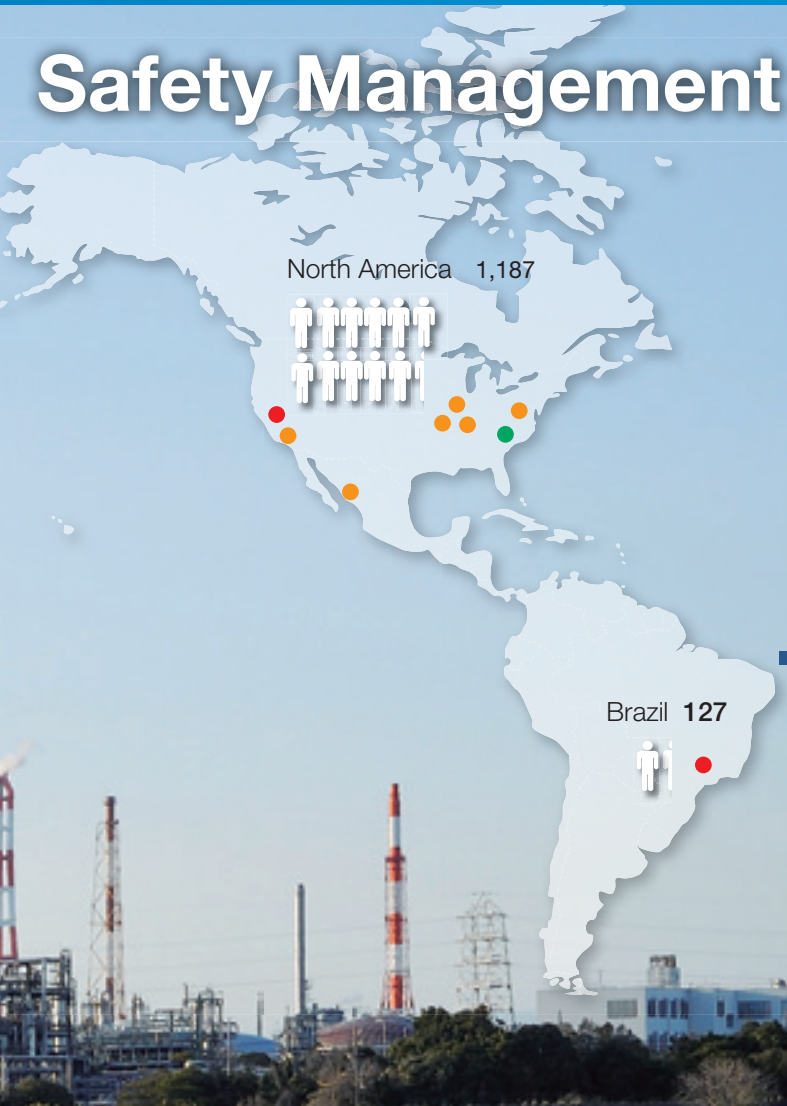


The Mitsui Chemicals Group is aggressively developing overseas businesses with the aim of “being a chemical group with an undisputed global presence that is constantly pursuing innovation and growth”.

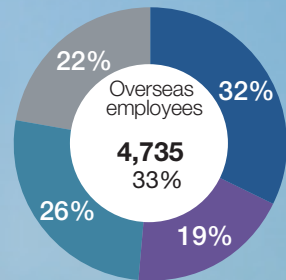
Under the previous Mid-Term Business Plan, Mitsui Chemicals Group transitioned its business model from one based on exports to one based on local production for local consumption, establishing production bases through alliances with leading overseas companies. In addition to these production bases, Mitsui Chemicals Group strengthened technical support and management functions at its overseas bases in order to accelerate decision-making and address local needs more rapidly. Through these measures, Mitsui Chemicals Group steadily expanded operations overseas, and expects to achieve an overseas sales ratio of 55% in fiscal 2015. At the same time, the ratio of employees working overseas and foreign employees has increased as a result of the company focusing on expanding human resources at overseas bases. We expect this ratio to reach almost 40% in fiscal 2016.

Under the 2014 Mid-Term Business Plan, Mitsui Chemicals Group will advance global management to optimize growth and efficiency throughout the Group instead of by region by implementing further measures to strengthen the business foundation.

Safety Management



Consolidated sales ¥15,660 billion (FY2013)



Number of consolidated employees 14,271 (As of March 31, 2014)

■ Asia* ■ China ■ Americas ■ Europe ■ Other

* Asia excluding Japan and China

Development of Global Leaders

Securing and fostering human resources for management positions is vital for ensuring a strong global business foundation. We are building a framework and foundation for the management of global human resources, including the training of human resources able to exhibit leadership in coordinating bases, as well as talented local employees at overseas bases.

We believe that the diversity that arises from mutual exchanges of people from different backgrounds is a strong competitive resource that will strengthen our business foundation.

Ensuring Reliable Supply and Safe Operations

At our production bases overseas, we must ensure a reliable supply of products to our customers. To achieve this, it is absolutely essential to instill hyperawareness with regard to safety among employees and operate our plants in a stable and safe manner. Mitsui Chemicals is strengthening its system of providing technical assistance from mother plants in Japan. At core domestic plants, we are enhancing efforts to ensure the “passing down of skills” from person to person, such as by accumulating and handing down production technologies and fostering a culture of safety. In addition, we are

nurturing skills to create innovative new technologies. Mitsui Chemicals Group plans to implement these measures at overseas production bases as well.

Clarification of Our Core Values

In 2013, we clarified our Core Values. The aim of these Core Values is to capture the spirit of employees working at Mitsui Chemicals Group sites around the world and to act as a unifying force, ensuring that we are all working towards the same goals. These Core Values are the bedrock of our Corporate Mission and Action Guidelines



Developing Global Business Leaders

Human Resource Development: a Cornerstone of Strengthening Our Global Business Foundation

Creating a New “Singapore Way”

I was among the first round of employees to join Mitsui Bisphenol Singapore Pte Ltd. (currently MPS) in 1998. I have had a fulfilling career here, witnessing the construction and launch of new plants while working alongside engineers dispatched from Japan, growing in tandem with the development of the Mitsui Chemicals Group’s business in Singapore.

Getting results through teamwork is an essential element of the organizational culture here at Mitsui Chemicals, as everyone works together while voicing their own opinions. When a problem arises, it is not an individual’s responsibility but the team’s responsibility to think of a solution together. Both individuals and teams are able to grow stronger at the same time.

I think this high level of teamwork enhances the frontline capabilities of Mitsui Chemicals to create high-quality products.

Carrying on this spirit of Mitsui Chemicals, I believe my role is to create a new “Singapore Way” that leverages Singapore’s strength in being able to attract people from different cultures who bring new ideas to the table.

Mock Slew Fai

Plant Manager

Mitsui Phenols Singapore Pte Ltd. (MPS)

(The first locally hired employee to become a plant manager in Singapore (January 2014))

Our Approach to Human Resource Development

Based on its Human Resources Management Policy, the Mitsui Chemicals Group has adopted personnel measures that have been established as a common policy among its Group companies worldwide. Our basic approach to human resource development is to provide the optimum environment for our employees to continually improve their abilities through dialogue with others. We take the long-term perspective and aim to develop human resources who are capable of making a difference on a global basis.

Global Human Resources Management Strategy

In global management, leaders are needed who are able to think strategically from a global perspective and achieve results by rapidly expanding businesses that harmonize with local conditions.

This requires talented local employees who have intimate knowledge of local languages, customs and laws, as well as global leaders with the ability to comprehensively manage bases around the world. We believe it is crucial for global leaders to have communications skills that bind together people from different cultural backgrounds.

The Mitsui Chemicals Group has put in place a global human resources management foundation as one of its medium-term initiatives in the 2011 Mid-Term Business Plan. We are systematically training global leaders by identifying and securing talented people from diverse backgrounds, rounding out their abilities through training programs, and optimally allocating these human resources on a global basis.

Each year, Mitsui Chemicals dispatches around 10 young and mid-career employees for practical job training overseas. Our aim is to develop employees able to assume core leadership positions in global operations in their mid-40s after experiencing actual overseas business situations in their 30s. We also provide global leadership training in order to develop the next generation of managers.

Desirable Traits of a Global Leader

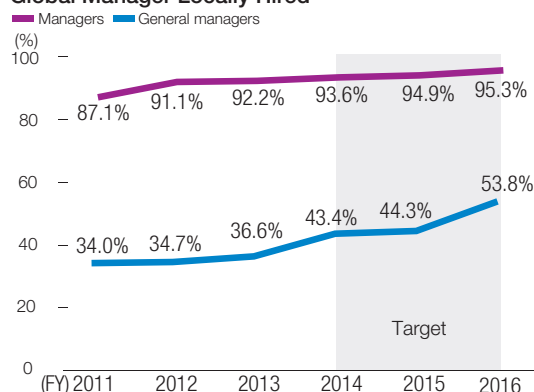
- Able to strategically and efficiently lead global business
- Able to rapidly develop corporate activities in line with regional characteristics around the world

At overseas subsidiaries and affiliates, we offer local employees with the potential to become managers in the future opportunities to learn about management and global leadership through global manager seminars. Employees that complete this training are then assigned to key positions. In fiscal 2013, 20 employees from around the world participated in the global manager seminar held at the Head Office.

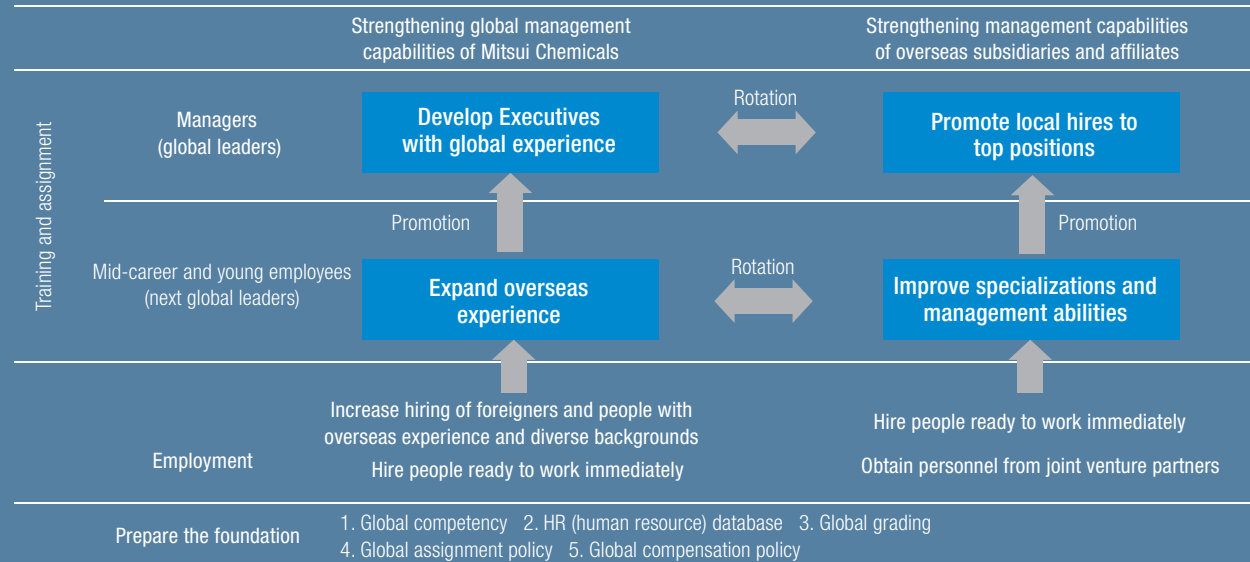
As of fiscal 2013, over 90% of managers and over 35% of general managers at overseas subsidiaries and affiliates are local employees.

Mitsui Chemicals continues to strengthen the foundations of global management by emphasizing the importance of having bosses and veterans look after their employees, one of the unique beneficial characteristics of the culture of a Japanese corporation like Mitsui Chemicals.

Global Manager Locally Hired



Global Human Resource Management Measures



Respect for Diversity & Individuality

A corporate culture that respects diversity is essential in order to attract talented people with vital skills.

In 2006, the Mitsui Chemicals Group established the Promotion and Development of Women Team to make it easier for women to work and enhance their careers. We proactively promoted women to positions of responsibility across a broad swath of the organization and regions.

In response to a changing environment as a result of rapid globalization, we reorganized the team in 2011 to include cross-cultural awareness and renamed it the Diversity Promotion Team, giving it a mandate to actively encourage diversity.

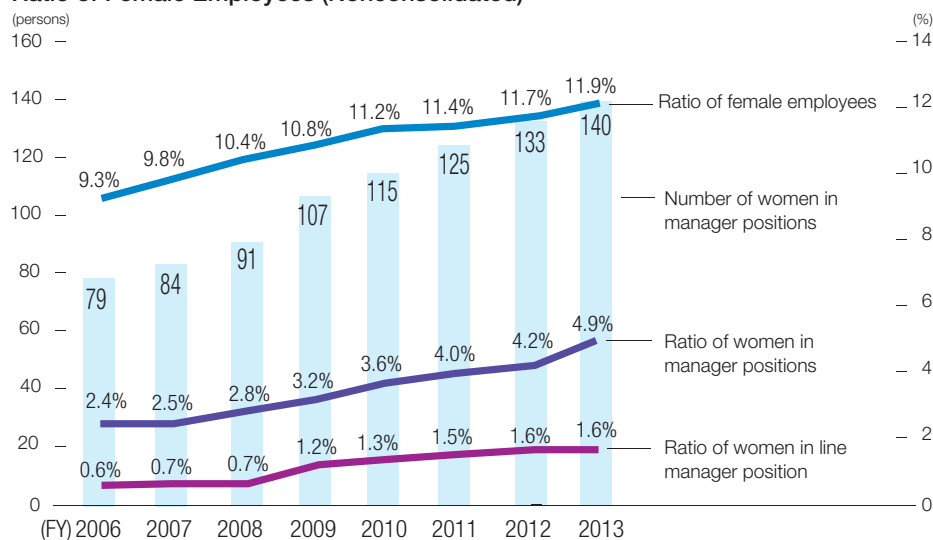
We have also set up a program dedicated to helping foreign employees maintain their lifestyles while working in Japan, as well as a career consultation service that

encourages employees to be proactive about their careers. We continue to enhance our systems to support each and every employee regardless of their gender or nationality.

To promote work-life balance, we have improved support programs for shortened working hours, time off for nursing and home care, babysitting services, and nursing care services. We aim to make working environments even better for employees of all backgrounds.

The Mitsui Chemicals Group is also committed to creating jobs for disabled people and has maintained the legally required rate of disabled employment for ten years in a row. We will continue to improve working environments in the future, so as to create a corporate culture in which disabled employees can put their all into their work.

Ratio of Female Employees (Nonconsolidated)



	FY2009	2010	2011	2012	2013
Percentage of employees with disabilities	1.91%	1.84%	1.89%	1.82%	2.14%

(Nonconsolidated)



Round-Table Talk with Production Section Managers Instilling the importance of passing down skills

We asked the production section managers for their views on the passing down of skills including human resource development and the promotion of a culture of safety awareness.

Both the instructor and the instructed need to be resolute and work together

—What is your focus and what skills are you trying to hand down in the workplace?

Hamasuna: Successful experiences, OJT,* and communication are all very important. For example, when conducting technology assessment meetings, I try to provide instructions that will help in improving skills. This includes discussions and coaching prior to each meeting. I also make it a point to show my face on the front lines on a daily basis.

Anamizu: The attitudes of both the people teaching and those being taught are also very important. How seriously an individual tackles his or her work and confronts each problem makes all the difference. After all, “making people” is a prerequisite of *monozukuri*, or “making things.” So, I think that our role is to create a positive workplace environment. That is why I try to give direct answers to essential questions like “Why is this work necessary?” and “Why is this way of thinking important?” When disseminating information regarding problems, if we just give out instructions that are superficial, the true message will not sink in and there is a possibility that the problems will recur.

Nowadays, you can learn a lot online. But, it is important to experience and sense things on-site that you cannot see in documents and data. Moving your body and hands brings new ideas and ways of thinking.

*On-the-Job Training

Sunada: There are fewer opportunities these days to respond to problems on-site. I want to try and increase opportunities for staff to experience even the smallest successes. By believing in the younger staff and giving them responsibility, I hope to get them excited about work and feel a sense of accomplishment when they finish. This helps to cultivate a sense of responsibility and provides the motivation to think “Next time I’ll do this differently.”

Sakaki: The first step to learning is having an “inquiring mind.” I want engineering and technology staff to visit the front lines and actively participate in discussions. By meeting people face to face instead of sitting in front of a computer, you can discover things you didn’t notice before. I would like staff to always be interested in and question things when dealing with equipment and people. There is no shortcut to honing one’s skills, all you can do is properly carry out the tasks at hand. Even if things work out, if shortcuts are made in the work, the procedures will differ depending on who is teaching, and you cannot call that “passing down skills.” On the other hand, line managers need to ask questions that prompt workers’ awareness and spark greater interest in work. To do this, you need a proper understanding of people and processes. There is a lot you can learn from your subordinates.

Sunada: When we say “passing down skills,” the focus is usually on younger workers. I always think about how we can raise the levels of mid-level workers so that the level of the entire team rises. If everyone can advance a level, the level of the entire organization will be significantly enhanced.



“Believing in the younger staff” leads to a sense of responsibility

Eiyu Sunada

Manager, Ammonia Section, Manufacturing Dept.-2
Osaka Works

How do we effectively hand down skills on-site?

—You’ve mentioned that on-site experience is important. Some think that we should be giving production-related engineering staff more on-site experience at an earlier stage.

Anamizu: There is no point in learning something new unless thought is given to how that new knowledge and skill can be used in the future. It might be effective, therefore, to have staff at around their fifth year, when they are growing the most, to experience on-site work.

Sakaki: I would like staff to gain some experience in finding everyday problems themselves, setting up an improvement plan, and winning the appreciation of the people on-site. Such processes, I think, would help them make up for knowledge they lack and teach them how to better communicate. As long as they experience the worksite with a strong sense of purpose, they are sure to gain something that will benefit them in the future.

—I understand that strengthening our response to non-routine work is essential to the passing down of skills. What measures are being taken for non-routine work?

Hamasuna: Workers are required to create non-routine work instructions whenever engaging in non-routine work. The key is to properly conduct hazard prediction (KY).^{*} Not just the foreman but also the supervisor and section manager go over final work instructions, so they can conduct on-the-spot training.

Sunada: At Osaka Works, we have Non-routine Work Guidelines. Team members create guidelines and the chief and section manager give authorization. This process helps the foreman organize knowledge.

Sakaki: At Iwakuni-Ohtake Works, we create guidelines for construction preparation and restoration. With the startup and shutdown of plants prior to and after repairs, we create a scenario for each task and make it possible for younger staff to prepare beforehand. They collect data their first year, write the scenario in the second year, and make revisions while brushing

up the plan in the following year. The entire process, therefore, will take staff at least three years to complete. You cannot see the results right away. However, when you look at it 10 years down the line, you can see that there is great significance.

Anamizu: At Ichihara Works, we have many plants so we began creating a database to pass down skills almost 10 years ago. People submit questions about their everyday operations, and those with answers respond. This makes it possible to clarify and share knowledge that was never clearly defined or shared. People responding don’t want to give answers that are wrong, so it motivates them to study harder. And that helps to raise the overall level.

Sunada: We conduct emergency training once a month, under instructions from the foreperson. After each session, members are given the opportunity to reflect on the training. The countermeasures are also reflected in check lists. Workers immediately under the substitute foreperson take on the role of foreman once or twice a year as part of their training. This has proved to be a good opportunity for them to survey the entire plant.

Sakaki: Recently, we’ve started emergency response training such as in situations where utility supplies suddenly stop or there is an emergency shutdown, including the manual operation of equipment when automatic functions fail. In order to be able to respond appropriately to emergencies, we feel that it is necessary to simulate extreme situations.

^{*} KY: *Kiken yochi*—an initiative aimed at enhancing safety by predicting and reconfirming risks and sharing information

—Is there any particular skill that you are having trouble with handing down on-site?

Sakaki: I guess it would be how to teach staff things that you think are common sense. My current workplace is the consolidation of several different workplaces. As such, what was thought to be common sense in one area is being questioned when objectively viewed by staff from another place. In this sense, it has become commonplace to query things that were

“Why is this work necessary?” Explanations need to clarify reasons

Takayoshi Anamizu

Manager Elastomer Production Planning & Control Sect.-1 Manufacturing Dept.-2
Ichihara Works





“Passing down technology needs to be in tune with the times”

Syuuichi Hamasuna

Manager, Health Care Products Section, Fine Chemicals Manufacturing Dept., Omuta Works

once thought of as common sense and to say “I don’t think that is right.” That said, there are cases where young workers are not taught about things that veteran employees think are common sense. My biggest concern right now is how to get staff to notice this and how to teach younger workers systematically.

Anamizu: It can be difficult to notice things that you think are “common sense” and to make changes. I was transferred to my current workplace just two months ago. Whenever I question something, I try to get people to understand by repeating my concerns.

Motivate workers through follow-up and communication

—You mentioned that the individual must be serious about learning or they will not acquire skills. What are you doing to raise motivation in the workplace?

Hamasuna: I try not to leave things unresolved. It’s necessary to follow-up on work through conversations and by asking questions.

Anamizu: It’s important for workers to feel that the line manager is watching over them. He “has their back.” To make them feel this way, it’s important to show them their next step in response to improvement proposals. A line manager just writing comments on the KY sheet can communicate that he or she appreciates the work that is being done.

Sakaki: Just saying “Thank you” can make a difference. It’s the accumulation of little things that motivate workers. We need to create a workplace where each individual can do things like this naturally.

Sunada: You need to express gratitude when a job is done well. That way, staff will think “I can do this even better.” An environment where everyone can focus on the work while being constantly motivated and aspiring to do better is also important. Equally important is an atmosphere where everyone is trying to learn.

Hamasuna: Last year, Omuta Works celebrated its centennial. We are concentrating on how to pass on the skills gained over the years to future colleagues so that these skills can be carried through for the next 100 years. In this context, I think we also need to consider and provide training that is in step with the times.

—To sum up what everyone has said, the most important thing is to create opportunities for OJT. That’s where you communicate the purpose, know-how, and know-why of the work. It’s important for both those teaching and those learning to have a high-level of awareness and motivation, so we need to constantly follow-up. It is by maintaining communication that skills will be passed down to future generations. In closing, what would you like to focus on and emphasize going forward?

Sakaki: There is no need to do something new. We need to go back to the basics. How decisively we can do what needs to be done will be key.

Hamasuna: We need more opportunities for veteran employees to speak to younger staff about their experiences. Now that staff have fewer opportunities to experience on-site work, this is increasingly important.

Sunada: These days the focus is on “know-why.” But since many workers don’t have much experience, I think that “know-how” is also very important. Back when I was a regular staff member, we created a database as a place to communicate “know-how.” Everyone wrote about things they experienced during work. This database is still being used and maintained by all our staff.

Anamizu: I also think it is important not to be holed up in your own workplace. I would like to see staff observing training at other sites and how skills are being passed down at other workplaces. You can look at the things you think are obvious objectively to make the passing down of skills smoother.

Moderator: Kazunari Okada

Group Leader Planning & Coordination Division Production & Technology Center

There is no shortcut to honing skills. How we pass on “common sense” is extremely important.

Yoshitsugu Sakaki

Manager Ohtake Manufacturing Section Manufacturing Dept.-2 Iwakuni-Ohtake Works



Fundamental Safety Initiatives

Based on its management policy of making safety the top priority, the Mitsui Chemicals Group has been steadily implementing fundamental safety measures to prevent any major accidents from happening again. The Group is working in unison toward becoming a safe chemical manufacturer that is trusted by society.

Mitsui Chemicals established the Fundamental Safety Committee, chaired by the president, in the wake of the tragic accident at the Iwakuni-Ohtake Works in April 2012 and drew up measures for improving fundamental safety after extensively reviewing safety issues. Specific policies, including those listed below, are being deployed across the company.

Item	Specific measures
1) Allow line managers to focus on and properly manage worksites	
① Reduce the workload of line managers	Reassess size of sections and groups Clarify points of contact with Head Office List current operations and implement measures to reduce workloads
② Train line managers	Clarify the responsibility of line managers to engage with workers on-site Select and train line manager candidates
2) Improve technical skills and ensure skills are passed down	
③ Train engineering and technology staff	Conduct practical and safety training using the training facility at the Plant Operation Technology Training Center Review training programs to provide new employees with three-shift experience at manufacturing sites
④ Build safety technology systems	Reflect safety design concepts in technological standards Organize manager master files
⑤ Review technical assessment systems and structures	Modify technological assessment systems Review examination support structure
3) Ensure safety is the top priority, cultivate professionalism, and give workers a sense of accomplishment	
⑥ Reorganize Safety & Environment Division	Split off from Production & Technology Center Strengthen supervisory and guidance functions for Works Reinforce cross-sectional perspective
⑦ Reinforce safety as a top priority	Observe Safety Day (to ensure that the accident in April 2012 is never forgotten)
⑧ Cultivate and bolster professionalism	Create opportunities for interaction with people from other plants, works, and companies Completely update manuals
⑨ Improve teamwork and workplace communications	Groupwide deployment of small group activities
⑩ Attractive senior (line manager) positions	Clarify paths for career advancement and help employees visualize the benefits of advancement
⑪ Measures to give workers a sense of accomplishment in safety performance and operations	Reassess commendation system

Safety Day Events in 2014

Safety Day events are held at each production site in Japan. Through the President's safety speech, safety talks by the General Managers of the Works, safety lectures by guest speakers, and other activities, all employees reaffirm their commitment to making safety the top priority.

The following is a summary of the president's speech on safety.

"Two years ago an explosion and fire ripped through the resorcinol plant at the Iwakuni-Ohtake Works, claiming the life of one of our own.

In this tragic accident, not only did we suffer immeasurable damages, but our company also lost the trust of society. We must never allow such an accident to happen again.

It is, therefore, with strong determination that I stand before you today, our Safety Day, to renew our vow to make safety a top priority. I ask that each and every one of you once again remember that "Safety is for yourself, your family, your colleagues, and society," and reflect carefully on how to ensure it and take positive action."



The President giving a speech about safety



The safety monument at Iwakuni-Ohtake Works

CSR/Responsible Care

Our Approach to CSR

Since setting up a dedicated CSR department in 2005, the Mitsui Chemicals Group has continued to engage in a variety of activities. Recognizing the need to balance these activities with economic, social, and environmental concerns, we took steps to align our efforts along these three axes from 2007. In 2008, Mitsui Chemicals became a signatory of the United Nations Global Compact and has over recent years worked diligently to address the requirement of international guidance standards such as Millennium Development Goals (MDGs), ISO 26000, and the Global Reporting Initiative (GRI).

In putting together the 2014 Mid-Term Business Plan, we again deliberated on the approach and direction that we should take in connection with our CSR endeavors and reaffirmed our *raison d'être*.

Looking ahead, the Mitsui Chemicals Group will remain sensitive to the new demands of society and act accordingly.

The Mitsui Chemicals Group's *Raison d'Être* and CSR

The Mitsui Chemicals Group's *raison d'être* and mission, at the behest of stakeholders, is to contribute to solving social issues through business activities.

By pursuing integrated activities on all three axes—economic, social, and environmental—we will promote sustainable growth and development in concert with society. Essential to our ongoing existence, our core initiatives related to safety, compliance with laws and regulations, risk management, and social contributions also serve to sustain and enhance the trustworthiness of the Mitsui Chemicals Group. We will continue to reliably implement measures along these lines.



CSR Management

Our CSR Committee, which is chaired by the President and meets twice a year as a rule, is responsible for discussing and finalizing plans and policies relating to CSR activities within the Mitsui Chemicals Group.

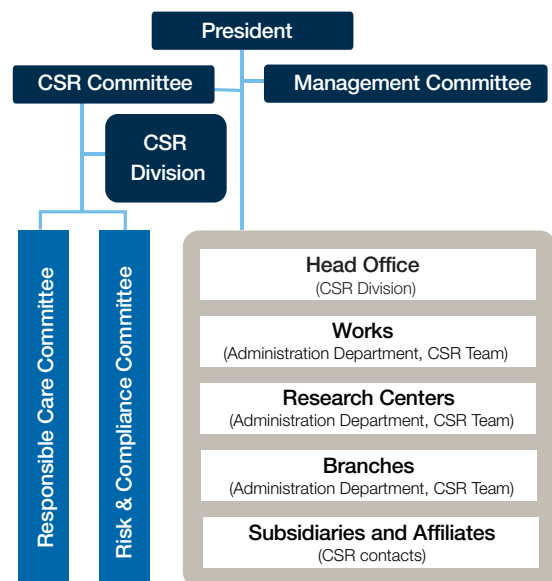
In an effort to shift focus onto active initiatives as part of our group-wide business activities, we extended membership of the CSR Committee to include the heads of all divisions in fiscal 2010 and have been discussing specific initiatives ever since. Having set up supervisory CSR departments at each of our sites, branches and affiliates, we are working to promote CSR in line with their respective characteristics while reinforcing intra-Group collaboration.

“Visualization” of Our Contributions

Mitsui Chemicals has created the Mitsui Sustainability Index (m-SI) to facilitate the “visualization” of its contributions to society and the environment throughout the entire product life cycle. This indicator is used to evaluate our impact on the environment—for example, the effect of reducing GHG and other environmental pollution—making it easier to track the contributions we make to solving social issues through our business activities. It also serves as a guide for how to make even greater contributions to society.

(Please refer to Chemical Management Strategy on p.61)

CSR Promotion Framework



Responsible Care (RC) Policy

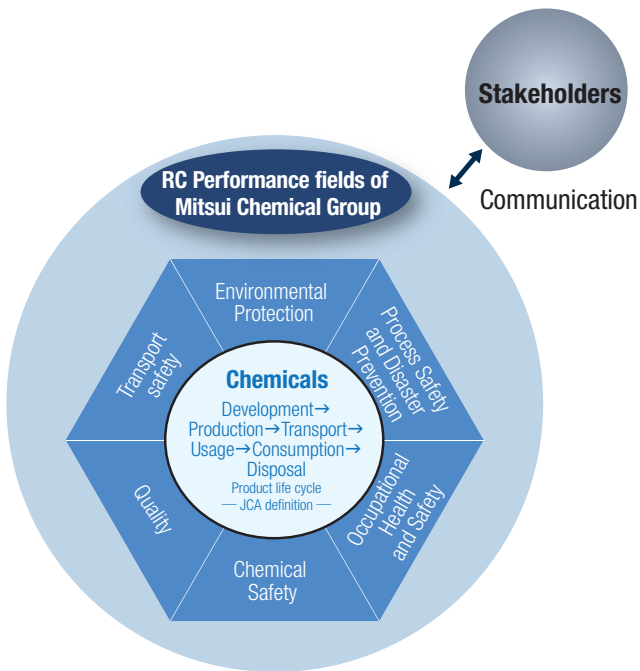
The Mitsui Chemicals Group has established the basic policy on responsible care. This policy is based on the Group's "Basic Policy Regarding the Environment, Safety, Occupational Health, and Quality" approved by the Management Committee.

Basic RC Policy

Based on the principles of their own decision and/or self-responsibility, businesses that manufacture or handle chemical substances, secure environment, safety (process safety, product stewardship, and occupational safety), occupational health, and quality throughout the entire life cycle of chemical substances, ranging from their development, manufacture, transport safety, utilization, and final consumption through disposal.

RC Activities

Based on the aforementioned policy, the Mitsui Chemicals Group engages in RC activities across six performance fields: "environmental protection," "process safety and disaster prevention," "occupational health and safety," "chemical safety," "quality," and "transport safety." The Group also promotes communication with society.



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

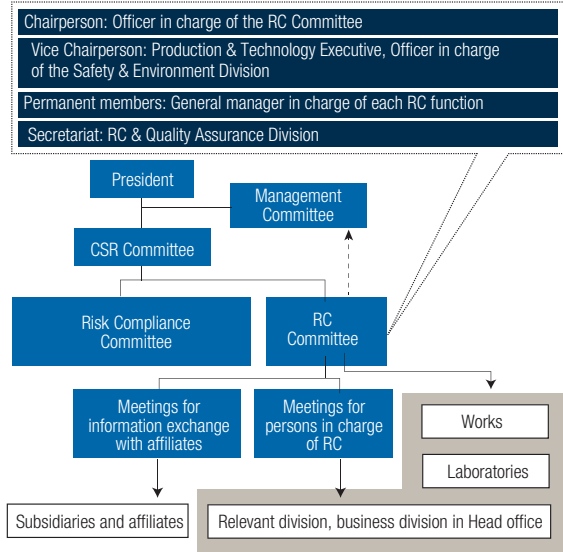
Major SRI Indices including Mitsui Chemicals



RC Promotion System

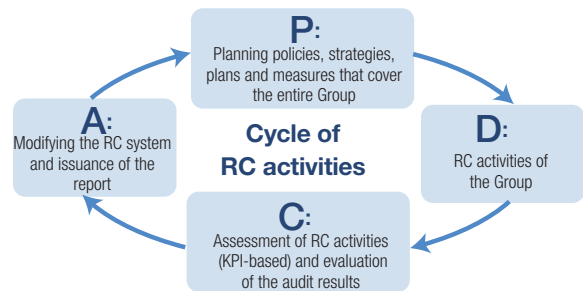
The RC promotion system is structured as follows.

RC Promotion System



The Responsible Care Committee (RC Committee) maps out RC-related policies, strategies, and plans that cover the entire Mitsui Chemical Group. Based on these policies, strategies, and plans, each functional department carries out RC activities. Moreover, the RC Committee conducts KPI*-based assessments of RC performance in addition to evaluating audit results. Based on these assessments and evaluations, steps are taken to review the RC systems and relevant reports are issued to the RC Committee. The RC Committee's deliberations are reported to the Management Committee in order to share the information.

*KPI: Key Performance Indicator



The Mitsui Chemicals Group promotes the self-management of RC activities based on the implementation of a PDCA cycle.

In undertaking RC activities, each functional department engages in the exchange of information and promotes RC activities. In addition, a manager responsible for RC is assigned to each business division. Companywide RC policies and strategies are advanced through periodic meetings via these managers. Actual RC activities are carried out at each works and business division.

Meanwhile, meetings are held to exchange information with domestic subsidiaries and affiliates and to share information relating to RC activity policies and strategies.

Furthermore, SHE* meetings are held with overseas subsidiaries and affiliates by region in order to share the policies and the strategies.

*SHE: Safety, Health, and Environment

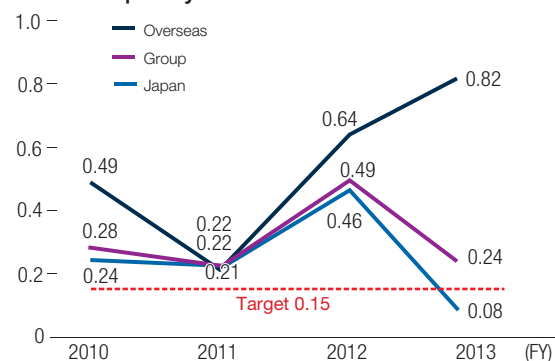
Topic 1: Initiatives Aimed at Preventing Accidents and Occupational Injuries

Guided by a management policy that makes safety a top priority, the Mitsui Chemicals Group as a whole is committed to preventing accidents and occupational injuries. At the same time, every effort is made to improve the Group's ability to ensure process safety and prevent disasters.

The Group continues to reflect seriously on the tragic accident that occurred at the Iwakuni-Ohtake Works in fiscal 2012. We remain committed to implementing all appropriate countermeasures and to promote fundamental safety initiatives in a bid to prevent this kind of accident from ever happening again. Naturally, the goal is to completely eliminate the incidence of major accidents.

The Mitsui Chemicals Group reported a work-related significant occupational injury frequency rate* of 0.24 in fiscal 2013. Regrettably, this was above our target of 0.15. Despite its success in improving the frequency rate in Japan, the Group has experienced an increase in injuries overseas. In fiscal 2014, energies will be channeled toward reinforcing safety measures at overseas affiliates.

WSOI Frequency Rate



- * Mitsui Chemicals' definition of a Work-related Significant Occupational Injury (WSOI):
- An occupational injury that is directly related to operating activities and that resulted in days away from work or loss of life
 - A case leading to restricted work or transfer or a case requiring medical treatment where the cause is considered to be serious with the potential to lead to the loss of life or days away from work
 - Work-related Significant Occupational Injury frequency rate: The number of deaths or WSOLs per million hours worked

Topic 2: Initiatives Aimed at Reducing Greenhouse Gas Emissions and Energy Consumption

The Mitsui Chemicals Group undertook a variety of measures aimed at reducing greenhouse gas (GHG) emissions in Japan by 500,000 tons (compared to fiscal 1990, operating at full capacity) by fiscal 2013. In addition to promoting energy saving initiatives, the Group took steps to switch to alternative fuels and develop innovative processes and technologies. As a result of these endeavors, we have cut GHG emissions by 690,000 tons, substantially surpassing our target. In fiscal 2013, we initiated the switch to alternative fuels for industrial boilers and undertook facility upgrades to enhance efficiency at low run rates. These measures helped to reduce GHG emissions by 50,000 tons.

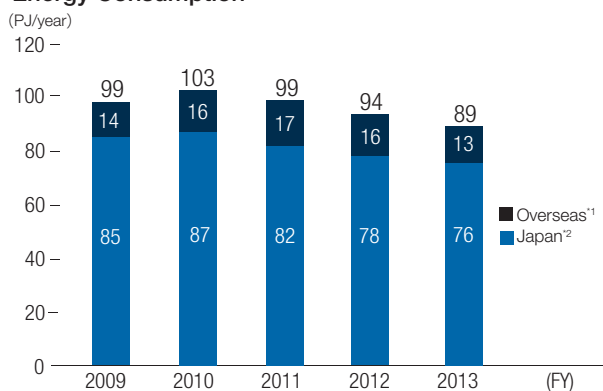
The reduction of overseas GHG emissions is due mainly

to a decrease in the production base as part of restructuring.

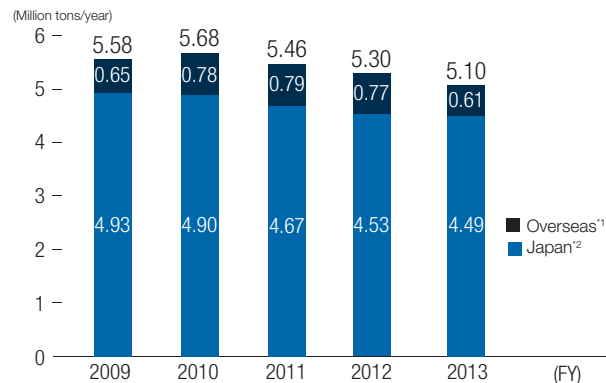
Under the 2014 Mid-Term Business Plan, Mitsui Chemicals is working toward the target of reducing GHG emissions in Japan by 22% (compared to fiscal 2005, operating at full capacity) by fiscal 2016.

As a part of efforts to contribute to the reduction of GHG emissions throughout society, Mitsui Chemicals signed up to one of the largest solar and wind power joint projects in Japan, in Tahara City, Aichi Prefecture. This project is scheduled to come online in October 2014. Moreover, we are helping to promote the shift to renewable energy by upgrading and expanding our lineup of environmentally friendly products.

Energy Consumption



Greenhouse Gas Emissions



*1 Overseas: GHG emissions calculated in accordance with Japan's Law Concerning the Promotion of Measures to Cope with Global Warming (2005 Amendment) based on energy consumption figures for overseas consolidated subsidiaries. (20 companies in FY2013)

*2 Japan: Six manufacturing sites and domestic consolidated subsidiaries (15 companies in FY2013)

*3 Management targets based on operating at full capacity
Graph display based on operating results

Topic 3: Initiatives Aimed at Minimizing Industrial Waste

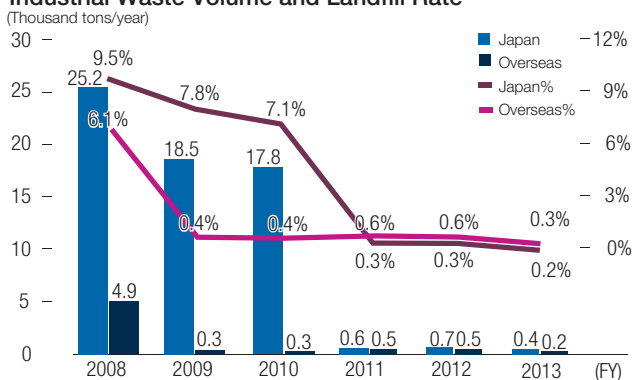
The Mitsui Chemicals Group is working to reduce the amount of industrial waste sent to landfill by promoting the 3Rs (Reduce, Reuse, Recycle). Our commitment to minimize* industrial waste at all domestic manufacturing sites remains unchanged. We have also maintained the ongoing target of reducing the average landfill rate for industrial waste at overseas affiliates to below 1%.

We were again successful in achieving our minimization goal at all domestic manufacturing sites including domestic affiliates** in fiscal 2013, an unbroken record that has continued since fiscal 2011. Moreover, the Group has maintained an average landfill rate for industrial waste at overseas affiliates*2 under 1% since fiscal 2009 with the rate coming in at around

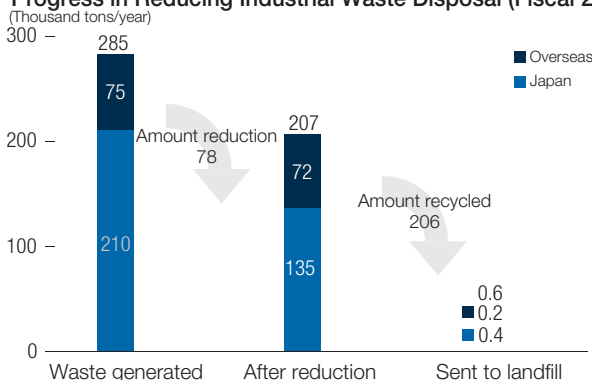
0.3% in fiscal 2013. Efforts to promote minimization overseas are hindered by a variety of issues. This is largely attributable to differences in industrial waste disposal legislation and the structure of industry from country to country. Each Group company is working vigorously to promote resource recycling while reducing the amount of waste. The Group as a whole is working in unison to reduce the amount of industrial waste sent to landfill.

* Maintaining a landfill disposal rate of 1% or less of industrial waste generated
 ** Domestic and overseas affiliates refers to production sites operated by consolidated subsidiaries and companies eligible for RC support (22 companies in Japan and 21 companies overseas)

Industrial Waste Volume and Landfill Rate



Progress in Reducing Industrial Waste Disposal (Fiscal 2013)



Topic 4: Initiatives Aimed at Preserving Air and Water Quality

The Mitsui Chemicals Group continues to promote efforts aimed at preserving air and water quality and maintains emission levels of hazardous air pollutants as well as water contaminants, including chemical oxygen demand (COD), nitrogen and phosphorus, well below the required limits set under Japan's Air Pollution Control Act and all other applicable legal and regulatory requirements.

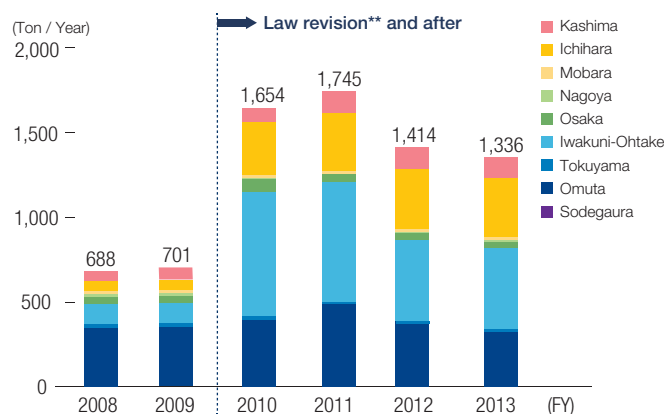
In addition, we submit a report to the Japanese government each year declaring the amounts of designated substances produced or used by the Company that were released into the environment or transferred elsewhere in accordance with the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR* Act). The amount of emissions fluctuated between manufacturing sites in line with operating levels. In overall terms, emissions declined in fiscal 2013.

As the required level of chemicals management continues to increase, we will engage in thoroughgoing activities aimed at managing and reducing emissions in the future.

* PRTR: Pollutant Release and Transfer Register

** Addition of Class 1 Designated Chemical Substances that companies are required to report to the Japanese government under the PRTR Act

Emissions of Substances Subject to the PRTR Act



Topic 5: Environmental Accounting

The Mitsui Chemicals Group invests as much as is necessary in RC as well as other areas, including the aforementioned environmental, occupational health, and occupational safety initiatives. We also compile and publish our environmental accounts in accordance with the Environment Accounting Guidelines set out by Japan's Ministry of the Environment in 2005.

We invested approximately ¥2.2 billion in environmental protection in fiscal 2013, a year-on-year increase of around ¥0.9 billion. The amount of expenditure totaled approximately ¥22.3 billion, up around ¥3.7 billion due to increases in such areas as R&D costs. Including conserved resources and saved energy, the economic impact of our environmental activities this year was equivalent to ¥1.7 billion.

We intend to actively focus on ramping up our environmental protection activities.

Topic 6: Safe Transportation of Products

The Mitsui Chemicals Group has several measures in place to ensure the safe and environmentally sound transportation of products. Our record of zero major transportation accidents stands to this day.

The Mitsui Chemicals Group Logistics Emergency Network (MENET) lays out a set of rules to follow in the event of an accident while transporting products in order to minimize damage. MENET is divided into six areas covering different parts of the country and is ready for mobilization 24 hours a day.

We also conduct emergency contact and mobilization drills twice a year.

Topic 7: Eco Rail Mark Certification



The Mitsui Chemicals Group has been undertaking a modal shift from truck to rail transportation to reduce greenhouse gases emitted during transportation.

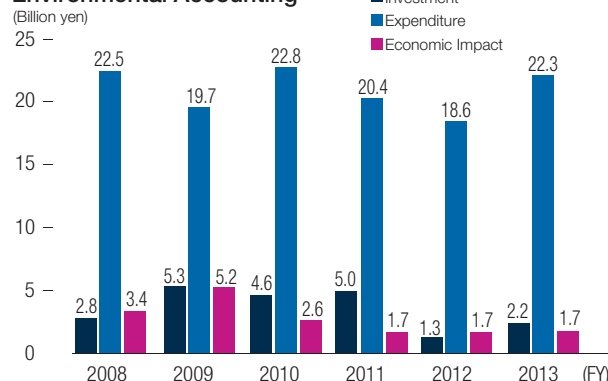
In March 2014, Mitsui Chemicals received Eco Rail Mark certification, identifying it as a company*¹ that works to use environmentally friendly railway cargo transportation, from the Ministry of Land,

Topic 8: Chemical Management Strategy

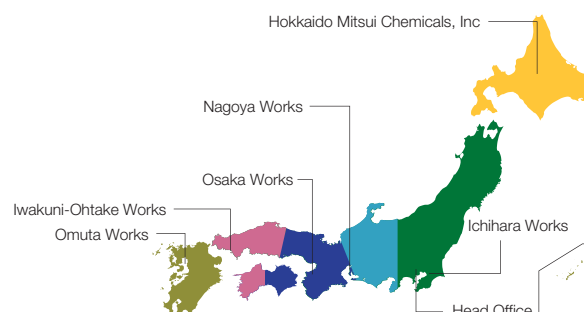
The Mitsui Chemicals Group has reinforced measures for the comprehensive management of chemical substances based on its Chemical Management Strategy that go beyond the framework of chemical safety. Our Chemical Management Strategy is based on three pillars: 1) assessment of environmental impact throughout the product life cycle, from development to disposal, 2) assessment of product risks based on product stewardship, and 3) an integrated information management system.

We independently created the Mitsui Sustainability Index, or m-SI for short, an indicator based on life cycle impact assessments (LCIA) to evaluate environmental impact. Using m-SI, we are working to "visualize" the contribution that our products make to society and the environment throughout their life cycles. Safety summary sheets, which are easy-to-understand reports on the results of our risk assessments, are available on our website. We had finished evaluating 70 products as of the end of fiscal 2013, and plan to complete such assessments for all of our

Environmental Accounting



MENET Support Bases



Infrastructure and Transport's Eco Rail Mark Administration & Nomination Committee. Moreover, eight of our products were registered as certified.*²

*¹ A company that uses rail transport for at least 15% of overland cargo shipments of more than 500 kilometers.

*² Products transported over distances of more than 500 kilometers for which at least 30% of the mode of transport used is rail.

products by 2020.

In April 2013, Mitsui Chemicals launched an integrated information management system able to trace the raw materials used in each chemical substance



and product information. This system has made it possible to quickly share information with customers while improving the management of product information, such as manufacturing and sales data and information on laws and regulations in Japan and overseas for each chemical substance.

These efforts were recognized in an honorable mention by the Chemical Biological Integrated Management Society (CBIMS), a specified nonprofit corporation.

Health Management

Based on the basic principle that healthy employees make for a healthy company, the Mitsui Chemicals Group regards employee health as an important management issue, based on the belief that the health of its employees is key to not only increasing corporate productivity but also improving corporate value. Mitsui Chemicals provides support to its employees so they can take care of their health, both mental and physical.

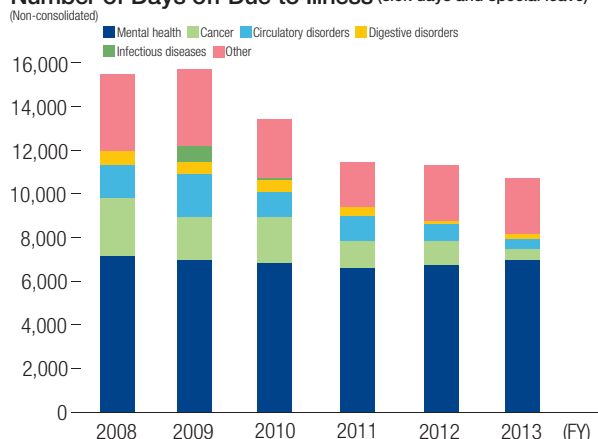
Employee Health

It is now five years since we introduced comprehensive medical checkups that combine regular medical examinations with special medical tests and cancer screening. We have managed to increase the rate of special health guidance (aimed at combating metabolic syndrome) from 25% in fiscal 2009 to 61% in fiscal 2013.

The number of days off due to illness caused by circulatory disorders has decreased considerably to 470 days, from 1,405 days in fiscal 2008, as a result of a major decline in discovery rates for the risk of high blood pressure and the ratio of employees diagnosed as obese.

The ratio of employees being screened for cancer has also increased. The number of days off due to cancer has fallen dramatically to 490 days, from 2,652 days in fiscal 2008 before comprehensive medical check-ups were implemented.

Number of Days off Due to Illness (sick days and special leave)



Mental Health Initiatives

As Companywide measures to address mental health, we provide individual counseling for people who are in need of help as well as mental health-related training for new employees while working to improve communication in the workplace through workplace stress questionnaires and striving to improve the corporate culture.

<Training for New Employees>

Mitsui Chemicals offers instruction to all new employees on the basics of self-healthcare and the development of communication skills. To ensure the early detection of the mental health problems, such as workplace maladjustment, that may arise two or so years after joining a new company, industrial physicians meet with all new employees every six months, providing feedback that their managers can follow up on with them.

<Workplace Stress Questionnaire to Improve the Work Environment>

The workplace stress questionnaire is designed to assess

stress levels at work along two axes (personal stress risks and mental environment) through a combination of work-related stress and mental health questions.

We provide individuals with feedback based on their results and go over the results with the relevant manager in each workplace. We have formulated and implemented stress reduction plans (communication improvement plans) in workplaces deemed to be particularly stressful. We are also working to identify good practices based on workplaces in which there is a positive mental health environment, so that we can roll them out to other workplaces.

As a result, we have seen significant improvement in the workplace in terms of the mental health environment and a reduction in health risks.

Mental environment	Good	↔	Bad
Personal stress risk	Low	↔	High
Fiscal 2012	23.4%	68.7%	7.9%
Fiscal 2013	33.0%	57.3%	9.7%

External Recognition

The Mitsui Chemicals Group's health management initiatives have been recognized for their excellence by external parties.

The Japan Chemical Industry Association presented Mitsui Chemicals with the Responsible Care Award for its Companywide mental health initiatives.

In March 2013, Mitsui Chemicals received a special award from the Development Bank of Japan (DBJ) under the DBJ Health Management Rating scheme. Mitsui Chemicals was given the highest ranking and was recognized as a model company for health management, with attention drawn to the excellence of its initiatives to care for the health of employees. Based on this ranking, Mitsui Chemicals received

a health management syndicated loan* in the amount of ¥17.0 billion arranged by the Development Bank of Japan.



* One of the conditions of this financing scheme is that the company receiving the loan has excellent measures in place to manage the health of its employees, as evaluated by the Development Bank of Japan.



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Management's Discussion and Analysis

Overview

In the fiscal year ended March 31, 2014 (the 12-month period from April 1, 2013 to March 31, 2014, hereinafter, "fiscal 2013"), looking at the global economy, the United States saw a gradual economic recovery, Europe experienced improving economic conditions, and China and emerging markets maintained a pace of gradual economic growth.

The Japanese economy is beginning to slowly recover thanks in part to a demand surge ahead of the April 2014 consumption tax hike. Another contributing factor was improved personal spending as well as expansion in production and exports against the backdrop of a weakening yen and rises in stock prices buoyed by high expectations for the government's economic policies. Despite all this, the economy remained lackluster during the period under review.

In the chemicals industry, although production began to gradually pick up in the latter half of the year, overall improvement was limited owing to stagnant demand for general purpose products, particularly in China.

Against this backdrop, in the final year of the 2011 Mid-Term Business Plan, the Mitsui Chemicals Group (the "Group") worked to leverage the strategic measures taken thus far to propel the Group to greater success. We have focused resources on high functional products, such as healthcare materials, and high value added products, such as elastomers and polypropylene compounds, to firmly expand earnings with the aim of further accelerating a change in our business portfolio. To support this aim, we have also moved ahead with fundamental structural reforms of our volatile volume market businesses: phenols, polyurethane, and purified terephthalic acid. Their business environments continued to be severe because of soaring raw material prices and a significant oversupply in the markets as a result of the emergence of new and expanding production facilities in Asia, especially in China. We have therefore decided to move up the implementation of further business restructuring, including the termination of plants and closing of production sites, in order to fundamentally turn around these businesses. As a result, by recording a substantial extraordinary loss following the decisions on the abovementioned business restructuring plan, net income was severely affected in particular.

Operating Results

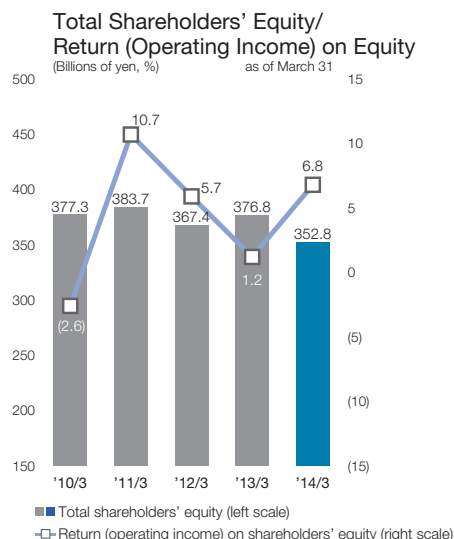
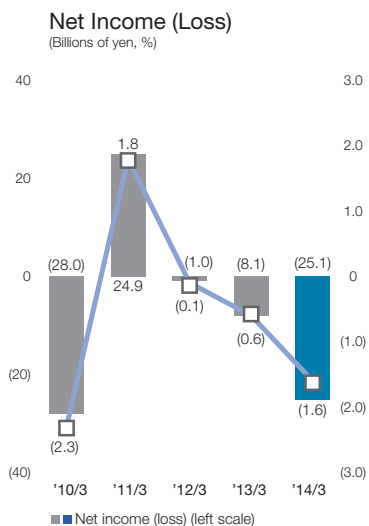
Net Sales

Net sales increased ¥159.8 billion, or 11.4%, compared with the previous fiscal year to ¥1,566.0 billion. This was mainly attributable to a ¥159.7 billion increase because of the positive impact of a rise in sales prices following hikes in naphtha and other raw material and fuel prices as well as an improvement in sales prices due to the weaker yen. In addition, there was a rise of ¥0.1 billion in net sales overall due to the increase in sales volume corresponding to the acquired Heraeus Kulzer Dental Business in the Functional Chemicals and Functional Polymeric Materials segments, offsetting the decrease in sales in Basic Chemicals.

Overseas sales stood at ¥698.1 billion, an increase of 1.3% year on year, to account for 44.6% of total sales.

Operating Income

Operating income was ¥24.9 billion, an increase of ¥20.6 billion or 480.4%, year on year. This result was due to an improvement in terms of trade in the Petrochemicals segment as well as higher sales volume in the Functional Chemicals and Functional Polymeric Materials segments.



Ordinary Income

Ordinary income was ¥22.5 billion, an increase of ¥13.3 billion, or 144.6%, year on year. This result largely reflected higher operating income.

Net Income (Loss) before Income Taxes and Minority Interests

Extraordinary loss was ¥33.0 billion, a deterioration of ¥23.0 billion, year on year. The main reason was the posting of business restructuring expenses for the Polyurethane business and the Phenol business, which are in volatile markets, of ¥25.7 billion.

As a result of the aforementioned factors, net loss before income taxes and minority interests amounted to ¥10.5 billion, a fall of ¥9.7 billion, year on year.

Net Income (Loss)

Net loss after accounting for income taxes and minority interests was ¥25.1 billion, a fall of ¥17.0 billion compared with the previous fiscal year, or a ¥25.10 net loss per share for the period.

Segment Information

Business Segments

The status of each segment during the fiscal year is as follows.

Effective the fiscal year under review, the Group has changed the ordering of its business segments to signify the acceleration of changes to its business portfolio towards functional products.

Functional Chemicals

Net sales in the Functional Chemicals segment increased ¥40.8 billion compared with the previous fiscal year to ¥190.4 billion and comprised 12% of total sales. Operating income grew ¥2.6 billion compared with the corresponding period of the previous fiscal year to ¥15.0 billion mainly due to expanding export sales of agrochemical products.

Sales were particularly favorable for ophthalmic lens materials in healthcare materials, nonwoven fabrics in hygiene materials, and agrochemicals, expanding primarily as a result of higher overseas demand. Sales of catalysts expanded as well, due to recovery from the effects of the suspension of production following the accident at the Iwakuni-Ohtake Works.

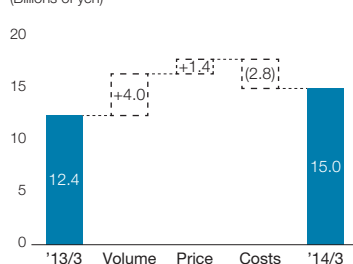
The Group took over the Heraeus Kulzer Dental Business on June 30, 2013 and its half-year operating results have been included in the consolidated financial results.

Functional Chemicals	Millions of yen		
	2014/3	2013/3	Change (%)
Net sales	¥190,384	¥149,633	27.2
Operating income (loss)	14,994	12,448	20.5
Total assets	333,111	224,411	48.4
Depreciation and amortization	11,573	8,381	38.1
Capital expenditures	71,503	14,613	389.3

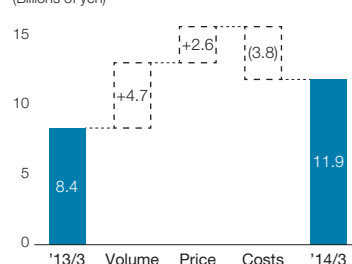
Functional Polymeric Materials

Net sales in the Functional Polymeric Materials segment increased ¥42.0 billion compared with the previous fiscal year to ¥176.7 billion and comprised 11% of total sales. Operating income increased ¥3.5 billion to ¥11.9 billion year on year due mainly to the Company's quick response to increased demand, the effect of the weaker yen and the impact of the unification of the closing period for certain subsidiaries, for which 15-month results are included.

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



Functional Polymeric Materials (Change in operating income)
(Billions of yen)



Profits increased for elastomers and performance compounds, which are used primarily in automotive components and resin modifiers, thanks to the effect of the weaker yen and expanding demand for automotive applications, primarily in North America. Profits from specialty polyolefins, having fully recovered from the effects of the accident at the Iwakuni-Ohtake Works, were boosted by increased sales of smartphones and the effect of the weaker yen.

Functional Polymeric Materials	Millions of yen		
	2014/3	2013/3	Change (%)
Net sales	¥176,736	¥134,674	31.2
Operating income (loss)	11,901	8,438	41.0
Total assets	166,414	166,229	0.1
Depreciation and amortization	7,182	7,105	1.1
Capital expenditures	5,796	4,410	31.4

Polyurethane

Net sales in the Polyurethane segment increased ¥17.6 billion compared with the previous fiscal year to ¥163.8 billion and comprised 11% of total sales. On the other hand, operating loss rose ¥2.6 billion year on year to ¥5.2 billion due to a decline in overseas markets for polyurethane and hikes in raw material and fuel prices.

In adhesive materials, net sales expanded as overseas demand for adhesives used in packaging steadily increased and new sales of OLED adhesive materials commenced. Conditions remained harsh for polyurethane materials, which are used mainly in furniture manufacturing, due to weak demand as well as persistent stagnation in the Chinese market and increases in raw material and fuel prices.

Polyurethane	Millions of yen		
	2014/3	2013/3	Change (%)
Net sales	¥163,820	¥146,150	12.1
Operating income (loss)	(5,244)	(2,643)	—
Total assets	125,390	126,282	(0.7)
Depreciation and amortization	2,904	2,751	5.6
Capital expenditures	4,905	4,279	14.6

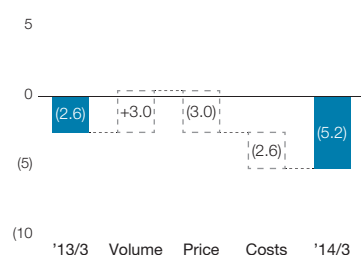
Basic Chemicals

Net sales in the Basic Chemicals segment decreased ¥25.5 billion year on year to ¥376.2 billion and accounted for 24% of total sales. On the other hand, in spite of severe trade conditions for phenols and purified terephthalic acid (PTA), as cost-cutting efforts and the impact of changes in consolidation subsidiaries were realized, operating loss was ¥17.4 billion, ¥1.5 billion less compared with the previous year.

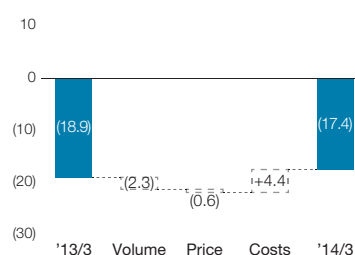
The business environment for phenols, PTA, and other products remained severe against the backdrop of a continued delay in demand recovery and, market stagnation in China.

Basic Chemicals	Millions of yen		
	2014/3	2013/3	Change (%)
Net sales	¥376,219	¥401,736	(6.4)
Operating income (loss)	(17,388)	(18,916)	—
Total assets	188,509	238,599	(21.0)
Depreciation and amortization	8,360	8,405	(0.5)
Capital expenditures	6,615	11,750	(43.7)

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



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



Petrochemicals

Net sales in the Petrochemicals segment increased ¥83.4 billion compared with the previous fiscal year to ¥552.4 billion and comprised 35% of total sales. Operating income increased ¥17.6 billion year on year to ¥25.3 billion primarily because of an improvement in sales volume, terms of trade and an inventory valuation gain accompanying higher naphtha prices and, the impact of unification of the closing period for certain subsidiaries, for which 15-month results were included.

Petrochemicals	Millions of yen		Change (%)
	2014/3	2013/3	
Net sales	¥552,363	¥468,952	17.8
Operating income (loss)	25,350	7,674	230.3
Total assets	410,934	380,104	8.1
Depreciation and amortization	9,578	8,503	12.6
Capital expenditures	17,271	12,651	36.5

Films and Sheets

Net sales in the Films and Sheets segment increased ¥5.1 billion compared with the previous fiscal year to ¥79.9 billion and comprised 5% of total sales. A ¥4.2 billion turnaround from the previous fiscal year resulted in operating income of ¥0.9 billion. This result was due to increased sales of high-value-added products, the effect of the weaker yen, and cost-cutting efforts.

In packaging films, profits increased due to a sales price revision implemented from the beginning of the fiscal year and the recovery of the domestic market demand.

In electronic and optical films, profits rose due to increased demand related to high-value-added products, especially smartphones, and the effect of the weaker yen.

In solar cell sheets, profits rose because of the growing market in Japan as well as efforts to expand sales of new products and minimize costs in spite of the continued severe business environment.

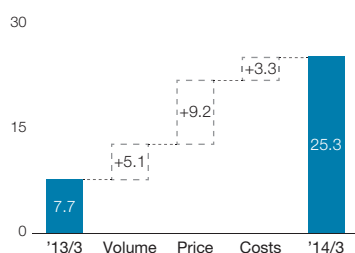
Films and Sheets	Millions of yen		Change (%)
	2014/3	2013/3	
Net sales	¥79,943	¥74,794	6.9
Operating income (loss)	877	(3,319)	—
Total assets	84,166	87,750	(4.1)
Depreciation and amortization	4,776	5,666	(15.7)
Capital expenditures	4,084	5,063	(19.3)

Others

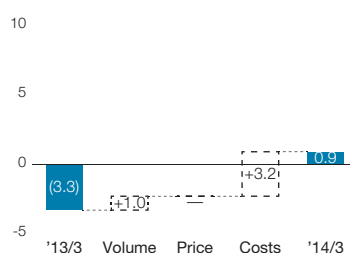
In the Others segment, net sales decreased ¥3.6 billion from the previous fiscal year to ¥26.6 billion, and comprised 2% of total sales. Operating loss was ¥0.6 billion in the fiscal year. The increase from previous fiscal year was nil.

Others	Millions of yen		Change (%)
	2014/3	2013/3	
Net sales	¥26,581	¥30,281	(12.2)
Operating income (loss)	(586)	(573)	—
Total assets	22,190	41,552	(46.6)
Depreciation and amortization	3,427	3,053	12.3
Capital expenditures	2,319	3,883	(40.3)

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



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



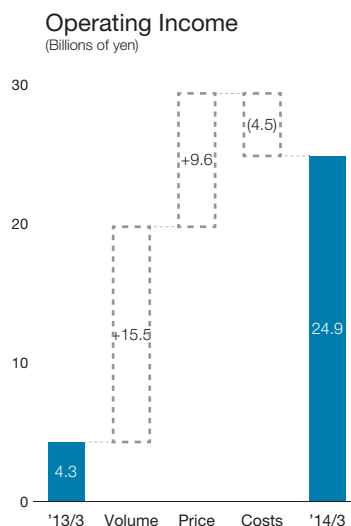
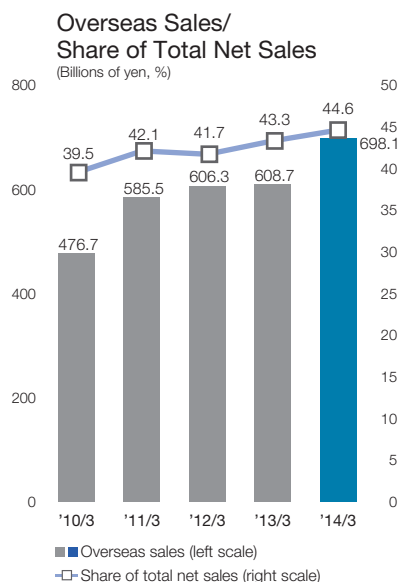
Net Sales

	Billions of yen				
	2014/3	2013/3	Increase (Decrease)		
			Total	Volume contribution	Price contribution
Functional Chemicals	¥ 190.4	¥ 149.6	¥ 40.8	¥32.7	¥ 8.1
Functional Polymeric Materials	176.7	134.7	42.0	22.2	19.8
Polyurethane	163.8	146.2	17.6	7.3	10.3
Basic Chemicals	376.2	401.7	(25.5)	(75.2)	49.7
Petrochemicals	552.4	469.0	83.4	13.6	69.8
Films and Sheets	79.9	74.8	5.1	3.1	2.0
Others	26.6	30.2	(3.6)	(3.6)	—
Total	¥1,566.0	¥1,406.2	¥159.8	¥ 0.1	¥159.7

Operating Income (Loss)

	Billions of yen					
	2014/3	2013/3	Increase (Decrease)			
			Total	Volume contribution	Price*	Fixed and other cost differential
Functional Chemicals	¥ 15.0	¥ 12.4	¥ 2.6	¥ 4.0	¥ 1.4	¥(2.8)
Functional Polymeric Materials	11.9	8.4	3.5	4.7	2.6	(3.8)
Polyurethane	(5.2)	(2.6)	(2.6)	3.0	(3.0)	(2.6)
Basic Chemicals	(17.4)	(18.9)	1.5	(2.3)	(0.6)	4.4
Petrochemicals	25.3	7.7	17.6	5.1	9.2	3.3
Films and Sheets	0.9	(3.3)	4.2	1.0	—	3.2
Others	(0.6)	(0.6)	0.0	—	—	0.0
Adjustments	(5.0)	1.2	(6.2)	—	—	(6.2)
Total	¥ 24.9	¥ 4.3	¥20.6	¥15.5	¥ 9.6	¥(4.5)

*Price = Price contribution + Variable cost differential



Financial Position

Assets

Total assets at the end of the fiscal year stood at ¥1,432.2 billion, up ¥94.2 billion compared with the end of the previous fiscal year.

Liabilities

Total liabilities at the end of the fiscal year increased ¥113.5 billion compared with the previous fiscal year-end to ¥1,022.6 billion. Interest-bearing debt amounted to ¥581.3 billion, a rise of ¥74.1 billion compared with March 31, 2013. As a result, the interest-bearing debt ratio was 40.6%, an increase of 2.7 percentage points.

Net Assets

Net assets at the end of this fiscal year totaled ¥409.6 billion, a decrease of ¥19.3 billion compared with the previous fiscal year-end. The ratio of shareholders' equity to total assets was 24.6%, down 3.6 percentage points from the previous fiscal year-end.

Accounting for the aforementioned factors, the debt-equity ratio stood at 1.65 at the end of this fiscal year, up 0.30 percentage points from the previous fiscal year-end.

As of March 31, 2014, total accumulated other comprehensive income amounted to ¥1.7 billion, up ¥7.2 billion compared with the previous fiscal year end. This was mainly attributable to the year-on-year increase of ¥24.7 billion in foreign currency translation adjustments offsetting the decrease due to ¥21.3 billion in remeasurements of defined benefit plans.

Minority interests climbed ¥4.7 billion compared with the end of the previous fiscal year to ¥56.8 billion, largely reflecting the transfer of a certain subsidiary's shares.

Capital Resources and Liquidity

Cash Flows

Cash and cash equivalents (hereafter called "cash") were up ¥26.2 billion to ¥71.2 billion as of the end of this fiscal year compared with the previous fiscal year-end.

Cash Flows From Operating Activities

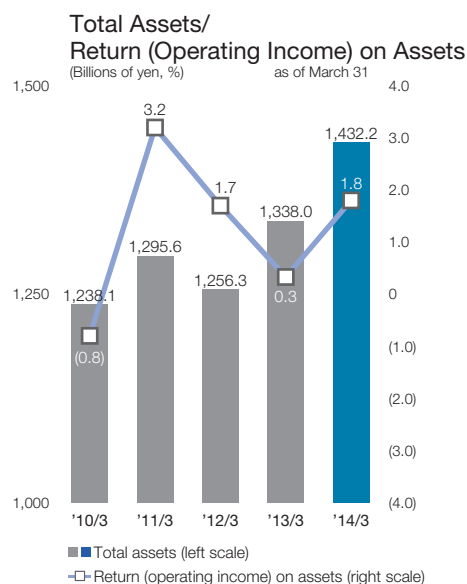
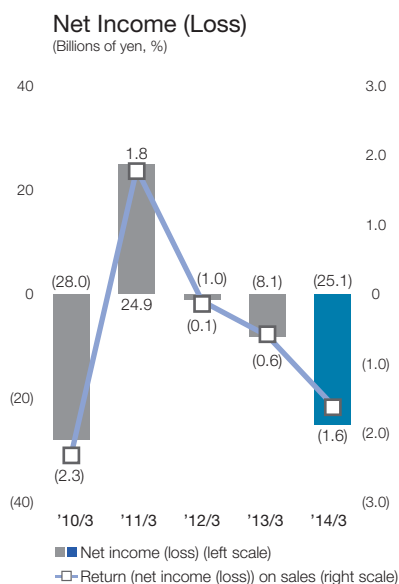
Net cash provided by operating activities grew ¥25.0 billion to ¥43.5 billion. This was due to an increase of depreciation and amortization expenses and a decrease in working capital.

Cash Flows From Investing Activities

Net cash used in investing activities increased ¥31.7 billion compared with the previous fiscal year to ¥89.8 billion. This rise was mainly attributable to higher outflows for the acquisition of the Heraeus Kulzer Dental Business.

Cash Flows From Financing Activities

Net cash provided by financing activities was ¥66.9 billion, up ¥39.6 billion year on year. This was primarily due to an increase of interest-bearing debt.



Cash Flows Related Performance Indicators

	2014/3	2013/3	2012/3	2011/3	2010/3
Shareholders' equity ratio (%)	24.6	28.2	29.2	29.6	30.5
Shareholders' equity ratio on a market value basis (%)	17.7	15.4	20.0	22.7	22.9
Ratio of interest-bearing debt to cash flows	13.4	27.4	10.7	6.6	7.0
Interest coverage ratio (times)	5.6	2.7	6.4	9.5	8.2

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

Fund Procurement

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

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

Financial Liquidity

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

Capital Expenditures (Summary)

Mitsui Chemicals and its consolidated subsidiaries undertook capital expenditures totaling ¥113.2 billion in fiscal 2013. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses.

Expenditures by business segment were as follows.

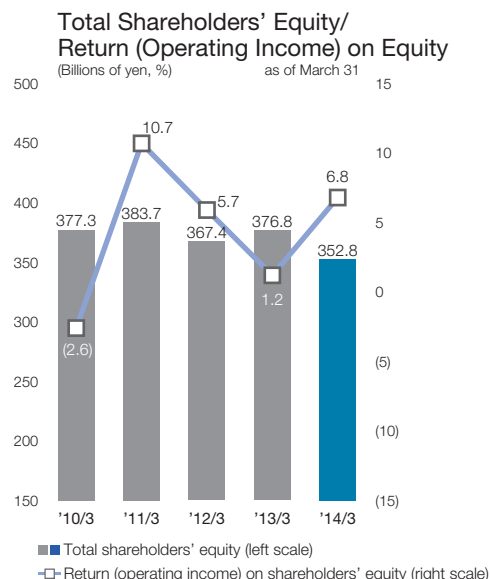
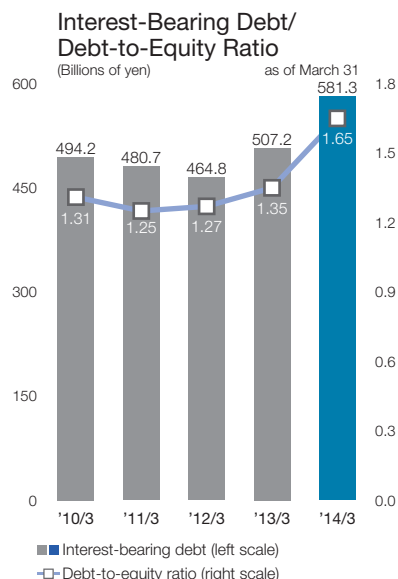
Functional Chemicals

The Group took over the shares and assets of the Heraeus Kulzer Dental Business and completed construction of highly functional non-woven fabrics production facilities of Mitsui Chemicals Nonwovens (Tianjin) Co., Ltd.

The total amount of capital expenditures in the Functional Chemicals segment was ¥71.5 billion.

Functional Polymeric Materials

The total amount of capital expenditures in the Functional Polymeric Materials segment was ¥5.8 billion.



Polyurethane

The total amount of capital expenditures in the Polyurethane segment was ¥4.9 billion.

Basic Chemicals

The total amount of Basic Chemicals-related capital expenditures was ¥6.6 billion.

Petrochemicals

At Prime Evolve Singapore Pte Ltd., production facilities for Evolve, a high performance linear-low density polyethylene resin (LLDPE), was under construction.

The total amount of capital expenditures in the Petrochemicals segment was ¥17.3 billion.

Films and Sheets

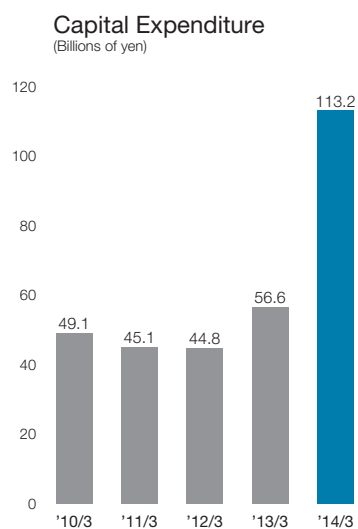
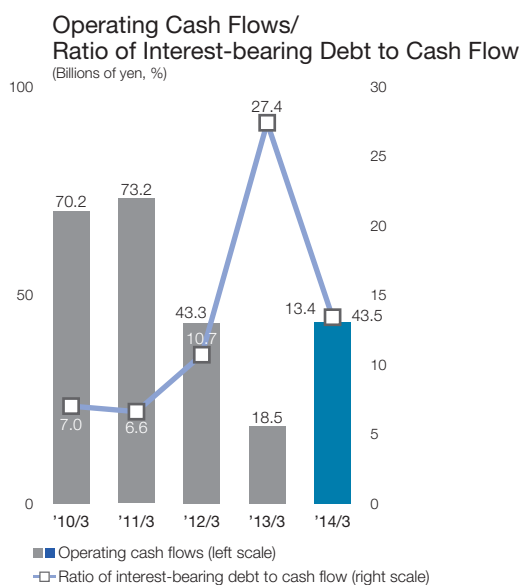
The total amount of Films and Sheets-related capital expenditures was ¥4.1 billion.

Others

The total amount of capital expenditures in the Others segment was ¥2.3 billion.

Corporate expenses

The total amount of capital expenditures in Corporate expenses was ¥0.7 billion, which related to the development of new businesses.



Research and Development

Research and development at Mitsui Chemicals and its consolidated subsidiaries is conducted by their research and development divisions. The research and development expenses of the Group in the fiscal year ended March 31, 2014 amounted to ¥33.6 billion. The organization of research and development is listed as below:

- R&D Strategy Division
- Mitsui Chemicals Singapore R&D Center Pte. Ltd.
- Synthetic Chemicals Laboratory
- Polymeric Materials Laboratory
- Functional Materials Laboratory
- New Products Development Laboratory
- Process Technology Center
- Advancing Analysis Laboratory
- R&D Administration Division

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

Corporate Research

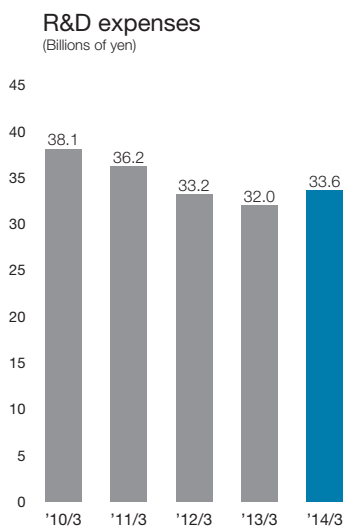
In order to strengthen production technologies for two major areas, Highly Functional Products, such as health care and, High Value-Added Polymers, such as Elastomer™ and PP compounds, the Company is leading the development of fundamental technology. The Company also engages in basic research of computer science and advanced analytical techniques to support its product development. Mitsui Chemicals Singapore R&D Centre Pte Ltd. is driving the development of advanced materials and innovative techniques.

Research and development expenses relating to corporate research amounted to ¥5.2 billion and are allocated among all reportable segments.

Development for New Businesses

The Company is playing a central role in development activities by projects focused on new businesses. In the fiscal year, the Company worked on technology development for solar power consultation and, metal and resin injection assembly technology for improving automobile mileage.

Research and development expenses related to new businesses creation were ¥2.5 billion. It is considered appropriate to present these as corporate expenses.



Functional Chemicals

The Company engages in fine chemical development in health-care materials such as vision-care, dental-care and medical-care, as well as highly functional non-woven fabrics, catalysts for olefin polymerization and bio-method acrylamide catalysts. Mitsui Chemicals Agro, Inc. engages in agrochemical research and development. Heraeus Kulzer GmbH and Sun Medical Co., Ltd. engage in the product development of dental materials. 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 ¥8.7 billion for the fiscal year.

Functional Polymeric Materials

The Company engages in the development of elastomers, performance compounds, and performance polymer resins for use in automobiles, electronic information materials and the fields of lifestyle, industrial materials, environment, and energy. In the fiscal year, the Company placed considerable weight on research and development 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 ¥6.1 billion.

Polyurethane

The Company is active in the development of functional products such as polyurethane foam materials and resins, acrylic resins, and amino resins for use in the automotive-, IT-, energy-, and lifestyle-related fields as well as industrial materials field. In the fiscal year, research and development activities were mainly directed toward the development of eco-friendly materials, specifically, polyurethane foam materials made from non-fossil materials, coating materials and adhesives from specialty isocyanates.

Research and development expenses related to this segment were ¥3.2 billion.

Basic Chemicals

The Company engages in development of production processes for phenol and its derivative products, as well as research and development activities for strengthening its industrial chemical business such as hydroquinone, purified terephthalic acid (PTA), and PET resin.

Research and development expenses related to this segment were ¥1.1 billion.

Petrochemicals

Together with Prime Polymer Co., Ltd., the Company is developing high performance products such as highly functional propylene catalysts to strengthen the polyolefin resin's competitiveness, and PP compound products to cultivate new markets.

Research and development expenses related to this segment were ¥5.0 billion.

Films and Sheets

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

Research and development expenses related to this segment were ¥1.8 billion.

Business Risks

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

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

Please note that the risks discussed below were those deemed relevant as of March 31, 2014.

(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) Impairment of fixed assets

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

(6) Impairment of marketable securities

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

(7) Deferred tax assets

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

(8) Retirement benefits plans

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

(9) Corporate acquisition, capital alliance or business reorganization

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

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

(10) 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.

(11) 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.

(12) 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, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014/3	2013/3	2014/3
ASSETS			
Current assets			
Cash and deposits	¥ 71,979	¥ 46,514	\$ 699,368
Notes and accounts receivable-trade	296,492	298,411	2,880,801
Inventories (Note 5)	301,158	284,643	2,926,137
Deferred tax assets (Note 19)	9,828	11,264	95,492
Accounts receivable - other	89,677	66,108	871,327
Other	8,653	9,035	84,074
Allowance for doubtful accounts	(772)	(579)	(7,501)
Total current assets	777,015	715,396	7,549,698
Noncurrent assets			
Property, plant and equipment (Note 11)			
Buildings and structures	330,822	318,872	3,214,361
Accumulated depreciation	(221,602)	(212,415)	(2,153,148)
Buildings and structures, net	109,220	106,457	1,061,213
Machinery, equipment and vehicles	1,011,771	1,064,514	9,830,655
Accumulated depreciation	(885,662)	(920,466)	(8,605,344)
Machinery, equipment and vehicles, net	126,109	144,048	1,225,311
Land	159,674	164,190	1,551,438
Construction in progress	20,799	22,888	202,089
Other	70,400	64,600	684,026
Accumulated depreciation	(60,362)	(55,546)	(586,494)
Other, net	10,038	9,054	97,532
Total property, plant and equipment	425,840	446,637	4,137,583
Intangible assets			
Goodwill (Note 6)	34,935	3,935	339,438
Other	37,275	10,700	362,175
Total intangible assets	72,210	14,635	701,613
Investments and other assets			
Investment securities (Notes 16 and 17)	108,620	98,269	1,055,383
Net defined benefit asset (Note 7)	13,036	—	126,661
Deferred tax assets (Note 19)	5,448	4,129	52,934
Other	30,919	59,791	300,418
Allowance for doubtful accounts	(926)	(862)	(8,997)
Total investments and other assets	157,097	161,327	1,526,399
Total noncurrent assets	655,147	622,599	6,365,595
Total assets	¥1,432,162	¥1,337,995	\$13,915,293

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

		Millions of yen		Thousands of U.S. dollars (Note 4)
		2014/3	2013/3	2014/3
LIABILITIES AND NET ASSETS	Current liabilities			
	Notes and accounts payable-trade	¥ 219,849	¥ 215,666	\$ 2,136,115
	Short-term loans payable (Note 8)	121,967	106,685	1,185,066
	Current portion of long-term loans payable (Note 8)	41,188	54,011	400,194
	Commercial papers (Note 8)	15,000	15,000	145,744
	Current portion of bonds (Note 8)	13,000	10,000	126,312
	Income taxes payable (Note 19)	4,455	2,963	43,286
	Provision for directors' bonuses	42	23	408
	Provision for repairs	12,324	10,232	119,743
	Provision for business structure improvement	2,337	—	22,707
	Other (Notes 8 and 19)	76,894	79,328	747,125
	Total current liabilities	507,056	493,908	4,926,700
	Noncurrent liabilities			
	Bonds payable (Note 8)	99,000	97,000	961,912
	Long-term loans payable (Note 8)	290,595	223,956	2,823,504
	Deferred tax liabilities (Note 19)	22,923	16,963	222,726
	Provision for retirement benefits (Note 7)	—	50,855	—
	Provision for directors' retirement benefits	295	261	2,866
	Provision for repairs	2,227	3,579	21,638
	Provision for environmental measures	1,621	3,028	15,750
	Provision for business structure improvement	14,213	—	138,098
	Net defined benefit liability (Note 7)	58,324	—	566,693
	Asset retirement obligations	3,770	2,589	36,630
	Other (Notes 8 and 19)	22,491	16,942	218,529
	Total noncurrent liabilities	515,459	415,173	5,008,346
	Total liabilities	1,022,515	909,081	9,935,046
	Net assets			
	Shareholders' equity (Note 12)			
	Capital stock	125,053	125,053	1,215,051
	Capital surplus	91,065	91,065	884,813
	Retained earnings	149,287	180,451	1,450,515
	Treasury stock	(14,341)	(14,264)	(139,341)
	Total shareholders' equity	351,064	382,305	3,411,038
	Accumulated other comprehensive income (Note 13)			
	Valuation difference on available-for-sale securities	16,678	12,862	162,048
	Deferred gains or losses on hedges	(105)	(250)	(1,020)
	Foreign currency translation adjustments	6,551	(18,138)	63,651
	Remeasurements of defined benefit plans	(21,345)	—	(207,394)
	Total accumulated other comprehensive income	1,779	(5,526)	17,285
	Minority interests	56,804	52,135	551,924
	Total net assets	409,647	428,914	3,980,247
	Total liabilities and net assets	¥1,432,162	¥1,337,995	\$13,915,293

Consolidated Statements of Operations

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014/3	2013/3	2014/3
Net sales	¥1,566,046	¥1,406,220	\$15,216,148
Cost of sales (Notes 7 and 10)	1,353,536	1,233,303	13,151,341
Gross profit	212,510	172,917	2,064,807
Selling, general and administrative expenses (Notes 7 and 10)	187,611	168,627	1,822,881
Operating income	24,899	4,290	241,926
Non-operating income and expenses			
Non-operating income			
Interest income	358	256	3,478
Dividends income	3,724	3,445	36,183
Amortization of negative goodwill	679	681	6,597
Equity in earnings of affiliates	786	1,575	7,637
Foreign exchange gains	165	4,102	1,603
Other	4,073	6,752	39,576
Total non-operating income	9,785	16,811	95,074
Non-operating expenses			
Interest expenses	7,372	6,779	71,628
Loss on suspension of operations	869	1,198	8,443
Other	3,921	3,918	38,099
Total non-operating expenses	12,162	11,895	118,170
Ordinary income	22,522	9,206	218,830
Extraordinary income and losses			
Extraordinary income			
Gain on sales of noncurrent assets	128	425	1,244
Gain on sales of investment securities	2,432	1,251	23,630
Reversal of provision for environmental measures	—	3,309	—
Insurance income	4,044	5,472	39,293
Total extraordinary income	6,604	10,457	64,167
Extraordinary losses			
Loss on disposal of noncurrent assets	5,851	4,288	56,850
Loss on sales of noncurrent assets	17	184	165
Impairment loss (Note 11)	4,444	5,582	43,179
Loss on restructuring of subsidiaries and affiliates	2,167	4,120	21,055
Loss on valuation of investment securities	—	794	—
Loss on business withdrawal	1,523	143	14,798
Loss on explosion and fire	—	4,868	—
Contract termination fees	—	480	—
Business structure improvement expenses (Note 11)	25,662	—	249,339
Total extraordinary losses	39,664	20,459	385,386
Net income (loss) before income taxes and minority interests	(10,538)	(796)	(102,389)
Income taxes - current	10,475	6,571	101,778
Income taxes - deferred	897	255	8,716
Total income taxes	11,372	6,826	110,494
Income (loss) before minority interests	(21,910)	(7,622)	(212,883)
Minority interests in income	3,228	527	31,365
Net income (loss)	¥ (25,138)	¥ (8,149)	\$ (244,248)

	Yen		U.S. dollars (Note 4)
Amounts per share of common stock:			
Net income (loss)	¥(25.10)	¥(8.14)	\$(0.244)
Cash dividends applicable to the year	3.00	6.00	0.029

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

Consolidated Statements of Comprehensive Income

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014/3	2013/3	2014/3
Income (loss) before minority interests	¥(21,910)	¥ (7,622)	\$(212,883)
Other comprehensive income (Note 13)			
Valuation difference on available-for-sale securities	3,907	4,825	37,962
Deferred gains or losses on hedges	124	(70)	1,205
Foreign currency translation adjustments	21,892	21,652	212,709
Post retirement liability adjustments for foreign consolidated subsidiaries	22	—	214
Share of other comprehensive income of associates accounted for using the equity method	6,154	3,195	59,794
Total other comprehensive income	32,099	29,602	311,884
Comprehensive income	¥ 10,189	¥21,980	\$ 98,999
Comprehensive income attributable to:			
Owners of Mitsui Chemicals	¥ 5,055	¥15,387	\$ 49,116
Minority interests	5,134	6,593	49,883

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, 2014 and 2013

	Millions of yen									
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized holding gain (loss) on hedging derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at March 31, 2012	¥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	¥125,053	¥91,065	¥180,451	¥(14,264)	¥12,862	¥(250)	¥(18,138)	¥ —	¥52,135	¥428,914
Cash dividends paid	—	—	(6,009)	—	—	—	—	—	—	(6,009)
Net loss	—	—	(25,138)	—	—	—	—	—	—	(25,138)
Purchase of treasury stock	—	—	—	(102)	—	—	—	—	—	(102)
Disposition of treasury stock	—	—	(17)	25	—	—	—	—	—	8
Other changes	—	—	—	—	3,816	145	24,689	(21,345)	4,669	11,974
Balance at March 31, 2014	¥125,053	¥91,065	¥149,287	¥(14,341)	¥16,678	¥(105)	¥ 6,551	¥(21,345)	¥56,804	¥409,647

	Thousands of U.S. dollars (Note 4)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized holding gain (loss) on hedging derivatives	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at March 31, 2013	\$1,215,051	\$884,813	\$1,753,313	\$(138,593)	\$124,971	\$(2,429)	\$(176,234)	\$ —	\$506,558	\$4,167,450
Cash dividends paid	—	—	(58,385)	—	—	—	—	—	—	(58,385)
Net loss	—	—	(244,248)	—	—	—	—	—	—	(244,248)
Purchase of treasury stock	—	—	—	(991)	—	—	—	—	—	(991)
Disposition of treasury stock	—	—	(165)	243	—	—	—	—	—	78
Other changes	—	—	—	—	37,077	1,409	239,885	(207,394)	45,366	116,343
Balance at March 31, 2014	\$1,215,051	\$884,813	\$1,450,515	\$(139,341)	\$162,048	\$(1,020)	\$ 63,651	\$(207,394)	\$551,924	\$3,980,247

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

	Thousand	
	2014/3	2013/3
Number of shares of capital stock at March 31, 2014 and 2013	1,022,020	1,022,020

Consolidated Statements of Cash Flows

mitsui chemicals, inc. and consolidated subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014/3	2013/3	2014/3
Cash flows from operating activities			
Loss before income taxes and minority interests	¥ (10,538)	¥ (796)	\$ (102,390)
Depreciation	45,617	42,227	443,228
Goodwill amortization	2,526	1,637	24,543
Loss on impairment of fixed assets	4,444	5,582	43,179
Increase (decrease) in provision for retirement benefits	—	(2,582)	—
Increase (decrease) in net defined benefit liability	(550)	—	(5,344)
Decrease (increase) in prepaid pension costs	—	3,308	—
Decrease (increase) in net defined benefit asset	2,900	—	28,177
Changes in allowance for doubtful accounts	8	49	78
Provision for repairs	740	814	7,190
Provision for environmental measures	(1,407)	(4,236)	(13,671)
Increase (decrease) in provision for business structure improvement	12,670	—	123,105
Interest and dividend income	(4,082)	(3,700)	(39,662)
Interest expenses	7,372	6,779	71,628
Equity in earnings of non-consolidated subsidiaries and affiliates	(786)	(1,575)	(7,637)
Loss (gain) on sales of investment securities	(2,499)	(1,427)	(24,281)
Loss (gain) on valuation of investment securities	6	794	58
Loss on retirement of noncurrent assets	1,015	1,561	9,862
Loss (gain) on sales of noncurrent assets	(111)	(241)	(1,079)
(Increase) decrease in trade receivables	(7,150)	(16,260)	(69,471)
(Increase) decrease in inventories	(9,003)	(27,976)	(87,476)
Increase (decrease) in trade payables	8,052	14,665	78,236
Other, net	1,148	(5,961)	11,156
Subtotal	50,372	12,662	489,429
Interest and dividends income received	6,580	7,072	63,933
Interest paid	(7,764)	(6,807)	(75,437)
Income taxes paid	(10,641)	(8,098)	(103,392)
Proceeds from insurance income on explosion and fire	4,929	13,683	47,892
Net cash provided by (used in) operating activities	43,476	18,512	422,425
Cash flows from investing activities			
Purchase of property, plant and equipment	(52,096)	(50,050)	(506,180)
Proceeds from sales of property, plant and equipment	451	2,965	4,382
Purchase of intangible assets	(1,396)	(2,037)	(13,564)
Purchase of long-term prepaid expenses	(1,006)	(3,378)	(9,775)
Purchase of investment securities	(8,208)	(6,167)	(79,751)
Proceeds from sales of investment securities	12,490	455	121,356
Payments for transfer of business (Note14)	(40,900)	—	(397,396)
Payments for purchases of newly consolidated subsidiaries, net of cash acquired (Note 14)	—	(4,083)	—
Other, net (Note14)	884	4,159	8,590
Net cash provided by (used in) investing activities	(89,781)	(58,136)	(872,338)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	11,631	6,801	113,010
Increase (decrease) in commercial papers	—	(3,700)	—
Proceeds from long-term loans payable	112,317	76,499	1,091,304
Repayment of long-term loans payable	(54,022)	(26,580)	(524,893)
Proceeds from issuance of bonds	15,000	14,000	145,744
Redemption of bonds	(10,000)	(30,000)	(97,163)
Proceeds from stock issuance to minority shareholders	1,880	1,115	18,267
Proceeds from sales of treasury stock	8	15	78
Purchase of treasury stock	(102)	(48)	(991)
Cash dividends paid	(6,009)	(6,011)	(58,385)
Cash dividends paid to minority shareholders	(3,700)	(4,701)	(35,950)
Other, net	(135)	(122)	(1,312)
Net cash provided by (used in) financing activities	66,868	27,268	649,709
Effect of exchange rate change on cash and cash equivalents	5,735	2,670	55,723
Net increase (decrease) in cash and cash equivalents	26,298	(9,686)	255,519
Cash and cash equivalents at beginning of the year	44,996	54,564	437,194
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(84)	118	(816)
Cash and cash equivalents at end of the year (Note 14)	¥ 71,210	¥ 44,996	\$ 691,897

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, 2014 and 2013

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, are 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, 2014, the Mitsui Chemicals Group comprised 97 consolidated subsidiaries, 21 more than the previous fiscal year. This reflected the 24 new companies, including MC Dental Holdings International LLP and the exclusion of three former subsidiaries, including Siam Mitsui PTA Co., Ltd.

The equity method is applied to 38 non-consolidated subsidiaries and affiliates, four more than the previous fiscal year.

In order to improve the disclosure of consolidated financial information, from the fiscal year ended March 31, 2014, the accounting periods of Mitsui Chemicals America, Inc. and eight other overseas companies were changed from December 31 year-end to March 31 year-end. In addition, the provisional results of Mitsui Chemicals (Shanghai) Co., Ltd., and five other overseas companies, 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, 2013 to March 31, 2014 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 and minority interests.

c. Inventories

Inventories are stated primarily at the lower of cost or market, cost is being determined by the gross-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. Their unrealized holding gains or losses, net of the applicable income taxes, are presented 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.

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

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

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

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

f. Intangible assets (Except for leased assets)

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

g. Research and development expenses

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

h. Leases

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

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

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

<u>Hedging instruments</u>	<u>Items hedged</u>
Forward foreign exchange contracts	Foreign currency receivables and payables
Currency swap contracts	Foreign currency bonds and loans
Interest rate swap contracts	Interest on bonds and loans
Commodity forwards contracts	Raw materials for petrochemicals

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. Retirement benefit plans

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

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

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

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, 2014 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. Provision for repairs

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

o. Provision for environmental measures

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

p. Provision for business structure improvement

Provision for business structure improvement is recorded based on estimated expense at the end of the year.

q. 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.

r. 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.

s. Consolidated taxation system

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

t. Consumption taxes

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

u. Accounting standards issued but not yet effective

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

(1) Overview

The recognition of actuarial gain or loss and past service costs, calculation for retirement benefit obligation and service cost, and enlarged disclosure scope are amended items.

(2) Scheduled date for adoption

With regard to the calculation of retirement benefit obligation and unrecognized past service costs, the Company plans to adopt this accounting standard to its consolidated financial statements from the beginning of the fiscal year ending March 31, 2015. Financial statements for previous periods will not be restated to reflect this change, in line with transitional provisions in the new standard.

(3) Impact of adoption

The impact of the changes is currently under assessment by management.

Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013) and its Implementation Guidance (ASBJ Guidance No.10 of September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013)

(1) Overview

The main revisions are as follows.

- Changes in equity interest of subsidiaries, while the parent company continues to have substantial control, will be treated as capital transactions.
- Acquisition expenses for business combinations will be expensed as incurred.
- Changes in presentation of consolidated financial statements, for example, "net income before minority interests" will be presented as 'net income'.
- Changes in transitional provisions for above accounting standards.

(2) Scheduled date for adoption

The Company plans to adopt these accounting standards for its consolidated financial statements from the beginning of the fiscal year ending March 31, 2016.

(3) Impact of adoption

The impact of the changes are currently being evaluated.

3. Accounting changes

Changes in accounting policies

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

The accounting standard for retirement benefits was revised so that defined benefit obligation after deducting plan assets is recognized as Net defined benefit liability or Net defined benefit asset, as well as actuarial gain or loss and past service costs.

The difference due to the adoption of article 37 of ASBJ Statement No. 26, is presented as

Remeasurement of defined benefit plans in accumulated other comprehensive income as of the balance sheet date.

As a result, Net defined benefit asset and Net defined benefit liability were recorded ¥13,036 million and ¥58,324 million respectively, while accumulated other comprehensive income decreased by ¥21,345 million and minority interest increased by ¥7 million.

Revisions were also made to the method of attributing expected benefits 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. However, as explained previously, the Company did not adopt the revised method of attributing expected benefits to periods and of calculating the discount rate as of March 31, 2014.

4. U.S. dollar amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥102.92=US\$1.00, the approximate rate of exchange in effect on March 31, 2014. The translation should not be construed as a representation that yen amounts have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

5. Inventories

Inventories at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Finished goods	¥206,994	¥194,560	\$2,011,213
Work in process	7,710	5,464	74,912
Raw materials and supplies	86,454	84,619	840,012
Total	¥301,158	¥284,643	\$2,926,137

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 noncurrent assets. The amounts of goodwill and negative goodwill at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Goodwill	¥34,958	¥4,637	\$339,661
Negative goodwill	23	702	223
Difference	¥34,935	¥3,935	\$339,438

7. Retirement benefit plans

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

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

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

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

The changes in the retirement benefit obligation during the year ended March 31, 2014 were as follows:
Movement in defined benefit obligation

	Millions of yen	Thousands of U.S. dollars
	2014/3	2014/3
Defined benefit obligation as of April 1	¥204,874	\$1,990,614
Service cost	5,089	49,446
Interest cost	2,597	25,233
Actuarial gains/losses	(343)	(3,333)
Past service cost	18	175
Benefits paid	(11,998)	(116,576)
Others	8,489	82,482
Defined benefit obligation as of March 31	¥208,726	\$2,028,041

Movement in plan assets

	Millions of yen	Thousands of U.S. dollars
	2014/3	2014/3
Plan asset as of April 1	¥149,058	\$1,448,290
Expected return on plan assets	3,520	34,201
Actuarial gains/losses	9,162	89,021
Employer contributions	6,651	64,623
Benefits paid	(8,449)	(82,093)
Others	3,496	33,968
Plan asset as of March 31	¥163,438	\$1,588,010

Funded status of the pension plans

	Millions of yen	Thousands of U.S. dollars
	2014/3	2014/3
Funded retirement benefit obligation	¥ 159,975	\$ 1,554,363
Plan assets at fair value	(163,438)	(1,588,010)
	(3,463)	(33,647)
Unfunded retirement benefit obligation	48,751	473,678
Net liability for retirement benefits in the balance sheet	45,288	440,031
Net defined benefit liability	58,324	566,692
Net defined benefit asset	(13,036)	(126,661)
Net liability for retirement benefits in the balance sheet	¥ 45,288	\$ 440,031

Retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars
	2014/3	2014/3
Service cost	¥ 5,089	\$ 49,446
Interest cost	2,597	25,233
Amortization of actuarial loss	(3,520)	(34,201)
Return on plan assets	8,419	81,801
Amortization of past service cost	14	136
Premium severance pay	455	4,421
Total	¥13,054	\$126,836

Remeasurements of defined benefit plans before tax effect

	Millions of yen	Thousands of U.S. dollars
	2014/3	2014/3
Past service cost	¥ (63)	\$ (612)
Actuarial gains/losses	21,392	207,851
Total	¥21,329	\$207,239

Plan assets by category (%)

	2014/3
Bonds	34%
Stocks	50%
Cash on hand and in banks	6%
Other	10%
Total	100%

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

	2014/3
Discount rate	Principally 1.2%
Rate of expected return on the pension plan assets	Principally 2.5%

Expenses for defined contribution plans

	Millions of yen	Thousands of U.S. dollars
	2014/3	2014/3
Total	¥182	\$1,768

The following information for the year ended March 31, 2013 based on the accounting standard before amendment.

	Millions of yen
	2013/3
Defined benefit obligation	¥204,874
Unrecognized prior service cost	78
Unrecognized actuarial loss	(39,389)
Plan assets at fair value	(149,058)
Prepaid pension and severance cost	34,350
Liability for severance and retirement benefits	¥50,855

	Millions of yen
	2013/3
Service cost-benefits earned during the year	¥5,031
Interest cost on projected benefit obligation	3,822
Expected return on plan assets	(3,158)
Amortization of actuarial loss	7,922
Amortization of prior service cost	9
Severance and retirement benefit expenses	¥13,626

Discount rate and rate of expected return on the pension plan assets		2013/3
Discount rate		Principally 1.2%
Rate of expected return on the pension plan assets		Principally 2.5%

8. Loans and bonds

1. Loans payable breakdown

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Short-term loans payable (1.05%)	¥121,967	¥106,685	\$1,185,066
Current portion of long-term loans payable (1.68%)	41,188	54,011	400,194
Current portion of lease obligations	140	143	1,360
Long-term loans payable due in 2015 - 2024 (1.27%)	290,595	223,956	2,823,504
Long-term lease obligations due in 2016 - 2028	370	388	3,595
Commercial papers (0.10%)	15,000	15,000	145,744
Total	¥469,260	¥400,183	\$4,559,463

The aforementioned interest rate is an average, shown as the weighted average interest rate on the outstanding balance as of March 31, 2014.

The average interest rate for lease obligation 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 due within 5 years:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥35,727	\$347,134
2017	25,140	244,267
2018	18,611	180,830
2019	23,692	230,198

Maturities of lease obligations due within 5 years:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥23	\$223
2017	23	223
2018	19	185
2019	51	496

2. Bonds payable breakdown

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
0.78% bonds due in 2013	¥ —	¥ 10,000	\$ —
1.52% bonds due in 2015	10,000	10,000	97,163
1.84% bonds due in 2016	10,000	10,000	97,163
2.09% bonds due in 2016	10,000	10,000	97,163
1.96% bonds due in 2017	10,000	10,000	97,163
1.93% bonds due in 2017	10,000	10,000	97,163
1.44% bonds due in 2014	10,000	10,000	97,163
1.246% bonds due in 2020	10,000	10,000	97,163
1.354% bonds due in 2021	10,000	10,000	97,163
0.651% bonds due in 2017	14,000	14,000	136,028
0.682% bonds due in 2018	15,000	—	145,744
1.38% bonds due in 2014	3,000	3,000	29,148
Total	¥112,000	¥107,000	\$1,088,224

Maturities of bonds payable due within 5 years:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥13,000	\$126,312
2016	20,000	194,326
2017	20,000	194,326
2018	24,000	233,191
2019	15,000	145,744

9. Contingent liabilities

Contingent liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
As endorser of trade notes discounted	¥ 200	¥ 96	\$ 1,943
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	17,722	12,035	172,192
As issuer of commitments for guarantees	65	108	632

10. Research and development expenses

Research and development expenses for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Research and development expenses	¥33,569	¥31,997	\$326,166

11. Impairment loss

The Company and its consolidated subsidiaries have categorized their business assets in use based on business divisions or quasi-units. Assets that are to be disposed of due to business withdrawal or other reasons are assessed on individual basis. Idle properties, which are not in use, are also assessed on individual basis.

For business assets in use which are determined to be disposed of due to business withdrawal or other reasons, they are stated at lower of recoverable amount or book value according to the impairment test. The amount which has been written down is extraordinary loss and, recorded to accounts as impairment loss or business structure improvement expenses.

The measurement of recoverable amounts is based on net sales price or value for future use. Net sales price mainly consists of estimated sales price, meanwhile value for future use is considered zero for no expectation on future cash flows.

Idle properties which have a decline in the market price and not been scheduled for any future use are stated at lower of recoverable amount or book value according to the impairment test. The measurement of recoverable amounts is based on net sales price or value, which mainly consists of estimated sales price.

Loss on impairment of fixed assets for the years ended March 31, 2014 and 2013 consisted of the following:

Year ended March 31, 2014

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks*
Kamisu City, Ibaraki Prefecture, etc (Polyurethane business, etc.)	Production facilities, etc.	Land, machinery, others	¥ 6,772	\$ 65,799	Business assets in use
Ichihara City, Chiba Prefecture (Phenols business)	Production facilities	Machinery, buildings and structures, others	¥ 3,353	\$ 32,579	Business assets in use
Mitsui Phenols Singapore Pte Ltd. (Singapore)	Production facilities	Machinery	¥ 2,310	\$ 22,444	Business assets in use
Shimonoseki City, Yamaguchi Prefecture	Production facilities	Machinery, buildings and structures, others	¥ 1,540	\$ 14,963	Business assets in use
Produmaster Advanced Composites (Brasil)	Other	Goodwill	¥ 1,491	\$ 14,487	Business assets in use
Others	2 items	Production facilities, etc.	¥ 949	\$ 9,221	Idle properties
	4 items	Production facilities	¥ 464	\$ 4,508	Business assets in use
Total			¥16,879	\$164,001	

*Business assets in use comprised ¥8,423 million for machinery and vehicles, ¥3,063 million for land, ¥2,151 million for buildings, and structures, ¥1,491 million for goodwill, ¥802 million for other assets. These amounts were showed in impairment loss and business structure improvement expenses as ¥3,495 million and ¥12,435 respectively. And the amounts of the Polyurethane business, the Phenols business and Mitsui Phenols Singapore Pte Ltd. were classified into business structure improvement expenses.

Idle properties comprised ¥933 million for machinery and vehicles, ¥16 million for buildings, structures and others. All of these amounts were included in impairment loss.

Year ended March 31, 2013

Location	Major use	Asset category	Millions of yen	Remarks*
Mitsui Chemicals Tohcello, Inc.	Production facilities, etc.	Machinery, buildings and structures, others	¥2,585	Idle property
Shimonoseki City, Yamaguchi Prefecture, etc.	Production facilities	Machinery, land, buildings and structures, others	¥1,366	Idle property
Yokohama City, Kanagawa Prefecture, etc.	Company housing	Land, buildings and structures	¥1,227	Idle property
Others	3 items	Production facilities	¥ 404	Business assets in use
Total			¥5,582	

*Business assets in use comprised ¥237 million for machinery, ¥166 million for buildings and structures, and ¥1 million for other assets.

Idle properties comprised ¥2,677 million for machinery, ¥1,593 million for buildings and structures, ¥718 million for land, ¥190 million for other assets.

All of these amounts were included in impairment loss.

12. Shareholders' equity

Under the Corporate Law of Japan (the "Law"), the amount paid in for new shares should 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. The Company decided not to pay the year-end dividends at March 31, 2014.

13. Consolidated statements of comprehensive income

Reclassification adjustments and tax effects for components of other comprehensive income (loss) for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Valuation difference on available-for-sale securities:			
Gains arising during the year	¥5,719	¥ 5,186	\$55,567
Reclassification adjustment to profit or loss	(278)	624	(2,701)
Amount before income tax effect	5,441	5,810	52,866
Income tax effect	(1,534)	(985)	(14,904)
Total	3,907	4,825	37,962
Deferred gains or losses on hedges:			
Losses arising during the year	102	8	991
Reclassification adjustment to profit or loss	3	0	29
Adjustments of acquisition cost for assets	26	(65)	253
Amount before income tax effect	131	(57)	1,273
Income tax effect	(7)	(13)	(68)
Total	124	(70)	1,205
Foreign currency translation adjustments:			
Adjustments arising during the year	21,751	21,652	211,339
Reclassification adjustment to profit or loss	141	—	1,370
Total	21,892	21,652	212,709
Post retirement liability adjustments for foreign consolidated subsidiaries			
Adjustments arising during the year	18	—	175
Reclassification adjustment to profit or loss	—	—	—
Amount before income tax effect	18	—	175
Income tax effect	4	—	39
Total	22	—	214
Share of other comprehensive income of associates accounted for using the equity method:			
Losses arising during the year	6,152	3,143	59,775
Reclassification adjustment to profit or loss	2	52	19
Total	6,154	3,195	59,794
Total other comprehensive income	¥32,099	¥29,602	\$311,884

14. Supplementary cash flow information

(1) Cash and cash equivalents at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Cash	¥70,403	¥44,564	\$684,056
Cash equivalents	807	432	7,841
Total	¥71,210	¥44,996	\$691,897

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

During fiscal years ended March 31, 2014 and 2013, related acquisition costs and net disbursement were as follows:

Year ended March 31, 2014	Millions of yen	Thousands of U.S. dollars
Heraeus Kulzer Dental business		
Current assets	¥28,241	\$274,398
Noncurrent assets	34,920	339,293
Goodwill	30,473	296,084
Current liabilities	(16,708)	(162,340)
Noncurrent liabilities	(18,168)	(176,526)
Acquisition value of shares and assets	58,758	570,909
Cash and cash equivalents	(4,851)	(47,134)
Payments due to loans assumed	7,102	69,005
Proceeds from reverse-carve-out, etc. net	(6,655)	(64,661)
Proceeds from sales of shares	(13,454)	(130,723)
Net disbursement due to the acquisition	¥40,900	\$397,396

Year ended March 31, 2013	
Produmaster Advanced composites and KOC Solution Co., Ltd.	Millions of yen
Current assets	¥1,040
Noncurrent assets	798
Goodwill	3,443
Current liabilities	(934)
Noncurrent liabilities	(119)
Acquisition cost of shares	4,228
Cash and cash equivalents	(145)
Net disbursement due to the acquisition	¥4,083

(3) Breakdown of assets and liabilities of the company excluded from the scope of consolidated subsidiaries due to sales of shares.

Fiscal year ended March 31, 2014 and 2013 were as follows

Year ended March 31, 2014		Thousands of
Siam Mitsui PTA Co., Ltd. and one other	Millions of yen	U.S. dollars
Current assets	¥14,670	\$142,538
Noncurrent assets	19,184	186,397
Current liabilities	(11,335)	(110,134)
Noncurrent liabilities	(6,232)	(60,552)

Year ended March 31, 2013	
Mitsui Chemical Fabro	Millions of yen
Current assets	¥3,355
Noncurrent assets	660
Current liabilities	(1,617)
Noncurrent liabilities	(19)
Gain on sales of shares	1,251
Sales value of shares	3,630
Cash and cash equivalents	(162)
Net proceeds	¥3,468

15. Leases

Obligations under noncancelable operating leases at March 31, 2014 and 2013 were as follows:

Future Minimum Lease Payments:

	Millions of yen		Thousands of
	2014/3	2013/3	U.S. dollars
Due within one year	¥152	¥140	\$1,477
Due after one year	186	116	1,807
	¥338	¥256	\$3,284

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

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

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

Loans payable and corporate bonds are primarily for fund raising related to capital investment, with a maximum maturity of 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, interest rate swaps are used for the purpose of hedging interest rate risk associated with bank loans, and commodity swaps are used for the purpose of hedging market price fluctuation risk associated with naphtha transactions.

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 (risks of default of debtors)

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

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

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

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

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

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

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

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

④ Supplemental explanation regarding fair value of financial instruments

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

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value, and differences as of March 31, 2014 and 2013 are as follows. In addition, financial instruments, for which are extremely difficult to measure the fair value, are not included. (Please see Note 2)

Year ended March 31, 2014	Millions of yen		
	Carrying value	Fair value	Differences
Assets			
(1) Cash and deposits	¥ 71,979	¥ 71,979	¥ —
(2) Trade notes and accounts receivable	296,492	296,492	—
(3) Short-term investment securities and investment securities, other securities	46,058	46,058	—
Total	414,529	414,529	—
Liabilities			
(1) Trade notes and accounts payable	219,849	219,849	—
(2) Short-term bank loans	121,967	121,967	—
(3) Commercial papers	15,000	15,000	—
(4) Corporate bonds due after one year	112,000	114,853	2,853
(5) Long-term loans payable due after one year	331,783	339,601	7,818
Total	800,599	811,270	10,671
Derivative transactions(*)	¥ (13)	¥ (13)	¥ —

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

Year ended March 31, 2014	Thousands of U.S. dollars		
	Carrying value	Fair value	Differences
Assets			
(1) Cash and deposits	\$ 699,368	\$ 699,368	\$ —
(2) Trade notes and accounts receivable	2,880,801	2,880,801	—
(3) Short-term investment securities and investment securities, other securities	447,513	447,513	—
Total	4,027,682	4,027,682	—
Liabilities			
(1) Trade notes and accounts payable	2,136,115	2,136,115	—
(2) Short-term bank loans	1,185,066	1,185,066	—
(3) Commercial papers	145,744	145,744	—
(4) Corporate bonds due after one year	1,088,224	1,115,944	27,720
(5) Long-term loans payable due after one year	3,223,698	3,299,660	75,962
Total	7,778,847	7,882,529	103,682
Derivative transactions(*)	\$ (126)	\$ (126)	\$ —

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

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.

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

Assets

1) Cash and deposits, and 2) Trade notes and accounts receivable

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

3) Short-term investment securities and investment securities

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

Liabilities

1) Trade notes and accounts payable, and 2) Short-term bank loans, and 3) Commercial papers

The relevant book values are used, because the carrying amount approximates fair value because of 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 loans are not available, fair value is calculated based on the present value of the total amount of principal and interest, discounted by the rate date

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 against assumed interest to be paid when new loans of the same type are undertaken.

Derivative transactions

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

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

Year ended March 31, 2014	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥11,340	\$110,183
Unlisted preferred securities	2,480	24,096

Year ended March 31, 2013	Millions of yen
Unlisted equity securities	¥11,632
Unlisted preferred securities	6,985

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

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

Year ended March 31, 2014	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	¥ 71,979	¥ —	¥ —	¥ —
Trade notes and accounts receivable	296,492	—	—	—
Total	¥368,471	¥ —	¥ —	¥ —

Year ended March 31, 2014	Thousands of U.S. dollars			
	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Cash and deposits	\$ 699,368	\$ —	\$ —	\$ —
Trade notes and accounts receivable	2,880,801	—	—	—
Total	\$3,580,169	\$ —	\$ —	\$ —

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	¥ —	¥ —	¥ —

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

Year ended March 31, 2014	Millions of yen					
	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans	¥121,967	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds due after one year	13,000	20,000	20,000	24,000	15,000	20,000
Long-term loans payable due after one year	41,188	35,727	25,140	18,611	23,692	187,425
Total	¥176,155	¥55,727	¥45,140	¥42,611	¥38,692	¥207,425

Year ended March 31, 2014	Thousands of U.S. dollars					
	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans	\$1,185,066	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate bonds due after one year	126,312	194,326	194,326	233,191	145,744	194,326
Long-term loans payable due after one year	400,194	347,134	244,267	180,830	230,198	1,821,075
Total	\$1,711,572	\$541,460	\$438,593	\$414,021	\$375,942	\$2,015,401

Year ended March 31, 2013	Millions of yen					
	Due within one year	Due over one year but within two years	Due over two years but within three years	Due over three years but within four years	Due over four years but within five years	Due over five years
Short-term bank loans	¥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

17. Securities

Information on securities held by the Company and its subsidiaries at March 31, 2014 and 2013 was as follows:

(1) Held-to-maturity debt securities

Not applicable for both years ended March 31, 2014 and 2013.

(2) Other securities with maturity date

Year ended March 31, 2014	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 value:						
(1) Equity securities	¥41,889	¥20,742	¥21,147	\$407,006	\$201,535	\$205,471
(2) Others	6	6	0	58	58	0
Securities whose carrying value does not exceed their acquisition value:						
(1) Equity securities	3,356	4,230	(874)	32,608	41,100	(8,492)
(2) Others	807	807	0	7,841	7,841	0
Total	¥46,058	¥25,785	¥20,273	\$447,513	\$250,534	\$196,979

Note: Unlisted equity securities with carrying value of ¥11,340 million and unlisted preferred securities with carrying value of ¥2,480 million as of March 31, 2014 have no market value and their future cash flows cannot be estimated. Those securities' fair value is extremely difficult to measure and not included in the table above.

Year ended March 31, 2013	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition value:			
(1) Equity securities	¥35,663	¥19,460	¥16,203
(2) Others	—	—	—
Securities whose carrying value does not exceed their acquisition value:			
(1) Equity securities	4,029	5,465	(1,436)
(2) Others	432	432	(0)
Total	¥40,124	¥25,357	¥14,767

Note: Unlisted equity securities with carrying value of ¥11,632 million and unlisted preferred securities with carrying value of ¥6,985 million as of March 31, 2013 have no market value and their future cash flows cannot be estimated. Those securities' fair value is extremely difficult to measure and not included in the table above.

(3) Other securities sold during the fiscal years ended March 31, 2014 and 2013

Year ended March 31, 2014	Millions of yen			Thousands of U.S. dollars		
	Sales price	Gain on sales	Loss on sales	Sales price	Gain on sales	Loss on sales
Equity securities	¥ 363	¥280	¥4	\$ 3,527	\$2,721	\$39
Others	713	—	—	6,928	—	—
Total	¥1,076	¥280	¥4	\$10,455	\$2,721	\$39

Year ended March 31, 2013	Millions of yen		
	Sales price	Gain on sales	Loss on sales
Equity securities	¥ 393	¥191	¥—
Others	3,523	—	—
Total	¥3,916	¥191	¥—

Note: Equity securities without market value are included.

(4) Impairment of investment securities

For the fiscal years ended March 31, 2014 and 2013, the Group recognized impairment losses on marketable securities of ¥6 million (¥6 million on other marketable securities with market values) and ¥794 million (¥794 million on other marketable securities with market values) respectively.

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

18. Derivatives

The Company and certain of its subsidiaries had the following derivatives contracts outstanding at March 31, 2014 and 2013.

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

① Currency related

Year ended March 31, 2014	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 for								
(1) Selling U.S. dollar	¥7,806	¥—	¥(38)	¥(38)	\$75,845	\$—	\$(369)	\$(369)
(2) Selling Pound Sterling	114	—	(1)	(1)	1,108	—	(10)	(10)
(3) Selling Euro	956	—	(3)	(3)	9,289	—	(29)	(29)
Total	¥8,876	¥—	¥(42)	¥(42)	\$86,242	\$—	\$(408)	\$(408)

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

Year ended March 31, 2013	Millions of yen			
	Contract amount	(Contract amount over one year)	Fair value	Unrealized gain (loss)
Off-market transactions:				
Forward foreign exchange contracts for				
(1) Selling U.S. dollar	¥11,597	¥—	¥63	¥63
(2) Selling Pound Sterling	78	—	0	0
(3) Selling Euro	482	—	13	13
Total	¥12,157	¥—	¥76	¥76

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

② Interest related

Not applicable for year ended March 31, 2014.

Year ended March 31, 2013	Millions of yen		
	Contract amount	(Contract amount over one year)	Fair value
Off-market transactions:			
Currency swap contracts			
Receive floating rate and pay fixed rate	¥19	¥—	¥0
Total	¥19	¥—	¥0

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

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

① Currency related

Year ended March 31, 2014	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:						
Forward foreign exchange contracts for						
(1) Selling U.S. dollar (hedged item - trade accounts receivable)	¥ 7	¥ —	¥ 0	\$ 68	\$ —	\$ 0
(2) Selling Brazilian real (hedged item - loans receivable)	545	—	32	5,295	—	310
(3) Buying U.S. dollar (hedged item - trade accounts payable)	1,234	—	4	11,990	—	39
(4) Buying JPY (hedged item - trade loans payable)	43	—	(5)	418	—	(49)
(5) Buying Singaporean dollar (hedged item - fixed assets)	3,229	804	(1)	31,374	7,812	(10)
(6) Buying JPY (hedged item - fixed assets)	2,135	429	(5)	20,744	4,168	(49)
(7) Buying Euro (hedged item - fixed assets)	349	87	(1)	3,391	845	(10)
Alternative method(*):						
Forward foreign exchange contracts for						
(1) Selling U.S. dollar (hedged item - trade accounts receivable)	¥ 287	¥ —	(Note 2)	\$ 2,789	\$ —	(Note 2)
(2) Buying U.S. dollar (hedged item - trade accounts payable)	3,769	—	(Note 2)	36,621	—	(Note 2)
Total	¥11,598	¥1,320	¥24	\$112,690	\$12,825	\$231

*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, 2013	Millions of yen		
	Contract amount	(Contract amount over one year)	Fair value
Principle-based accounting method:			
Forward foreign exchange contracts			
(1) Selling U.S. dollar (hedged item - trade accounts receivable)	¥2,985	¥ —	¥ 36
(2) Buying U.S. dollar (hedged item - trade accounts payable)	2,276	—	(20)
(3) Buying Euro (hedged item - trade accounts payable)	22	—	0
(4) Buying JPY (hedged item - trade accounts payable)	122	—	(17)
Alternative method(*):			
Forward foreign exchange contracts			
(1) Selling U.S. dollar (hedged item - trade accounts receivable)	¥ 185	¥ —	(Note 2)
(2) Buying U.S. dollar (hedged item - trade accounts payable)	1,490	—	(Note 2)
Total	¥7,080	¥ —	¥ (1)

*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, 2014	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:						
Interest swap contracts (hedged item - long-term bank loans)						
Receiving floating / Paying fixed rate	¥87,089	¥83,089	(Note)	\$846,182	\$807,316	(Note)
Alternative method:						
Interest swap contracts (hedged item - long-term bank loans)						
Receiving floating / Paying fixed rate	¥20,655	¥20,655	(Note)	\$200,690	\$200,690	(Note)
Total	¥107,744	¥103,744	¥—	\$1,046,872	\$1,008,006	\$—

Note:

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, 2013	Millions of yen		
	Contract amount	(Contract amount over one year)	Fair value
Principle-based accounting method:			
Interest swap contracts (hedged item - long-term bank loans)			
Receiving floating / Paying fixed rate	¥4,703	¥4,703	¥(4)
Alternative method:			
Interest swap contracts (hedged item - long-term bank loans)			
Receiving floating / Paying fixed rate	¥62,060	¥52,060	(Note 2)
Total	¥66,763	¥56,763	¥(4)

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, 2014	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)						
Receiving floating rate and paying fixed rate	¥1,213	¥—	¥5	\$11,786	\$—	\$49
Total	¥1,213	¥—	¥5	\$11,786	\$—	\$49

Note:

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

Year ended March 31, 2013	Millions of yen		
	Contract amount	(Contract amount over one year)	Fair value
Principle-based accounting method:			
Naphtha price swap contracts (hedged item - raw materials)			
Receiving floating rate and paying fixed rate	¥2,353	¥—	¥(111)
Total	¥2,353	¥—	¥(111)

Note:

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

19. Income taxes

(1) The Company and its consolidated domestic subsidiaries are subject to a number of income taxes in Japan which, in the aggregate, resulted in statutory tax rate of approximately 38.01% for the years ended March 31, 2014 and 2013.

(2) The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Deferred tax assets:			
Allowance for doubtful accounts	¥ 459	¥ 471	\$ 4,460
Employees' retirement benefits	—	28,991	—
Net defined benefit liability	30,273	—	294,141
Accrued bonuses	3,859	3,916	37,495
Depreciation	1,724	5,661	16,751
Accrued enterprise tax	644	411	6,257
Tax loss carry forwards	62,822	59,495	610,396
Provision for repairs	5,047	5,865	49,038
Provision for environmental measures	575	1,121	5,587
Provision for business structure improvement	6,176	—	60,008
Loss on valuation of inventories	3,074	3,726	29,868
Loss on valuation of investment securities	5,862	6,687	56,957
Loss on impairment of fixed assets	13,729	5,736	133,395
Other	18,623	12,455	180,947
Subtotal	152,867	134,535	1,485,300
Valuation allowance	(128,873)	(107,034)	(1,252,167)
Total deferred tax assets	23,994	27,501	233,133
Deferred tax liabilities:			
Prepaid pension cost	¥ —	¥ (12,708)	\$ —
Net defined benefit asset	(4,647)	—	(45,152)
Gain on contribution of securities to retirement benefit trust	(3,744)	(3,721)	(36,378)
Net unrealized holding gain on securities	(6,144)	(4,652)	(59,697)
Deferred gain on real properties	(313)	(316)	(3,041)
Retained earnings of overseas consolidated subsidiaries, etc	(3,455)	(2,916)	(33,570)
Valuation differences due to an application of purchase accounting method	(8,820)	(1,974)	(85,698)
Other	(4,550)	(2,836)	(44,208)
Total deferred tax liabilities	(31,673)	(29,123)	(307,744)
Net deferred tax assets (liabilities)	¥ (7,679)	¥ (1,622)	\$ (74,611)

The information regarding significant differences between the statutory tax rate and effective tax rates is not reported for the year ended March 31, 2014 and 2013 because of loss before income taxes and minority interest.

(3) Change of deferred tax assets and deferred tax liabilities due to change in effective statutory tax rate

The amounts of deferred tax assets and deferred tax liabilities were revised due to changes in the corporate tax rate in line with the promulgation of the "Act on Partial Revision of the Income Tax Act" (Act No. 10 of 2014) on March 31, 2014, which repealed the special reconstruction surtax from fiscal years beginning on or after April 1, 2014. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities was reduced from 38.0% to 35.6% for temporary differences expected to be realized or settled in the fiscal year beginning April 1, 2014. This change in the tax rate had the effect of reducing deferred tax assets (net of deferred tax liabilities) by ¥485 million, with income taxes–deferred increasing by that same amount as of and for the fiscal year ended March 31, 2014.

20. Segment information

(1) Overview of Reportable Segments

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

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

The six reportable segments (distinguished by products and services) that therefore comprise The Group's 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, Hygienic materials, Specialty gases, Fine & performance chemicals, Catalysts, Agrochemicals, Dental materials
	Functional Polymeric Materials	Elastomers, Functional compounds, Specialty polyolefins
	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 “significant accounting policies.” Income by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

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

Year ended March 31, 2014	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	¥190,384	¥176,736	¥163,820	¥376,219	¥552,363	¥79,943	¥1,539,465	¥26,581	¥1,566,046
Inter-segment	5,172	18,780	3,413	30,264	160,479	2,609	220,717	59,432	280,149
Total	¥195,556	¥195,516	¥167,233	¥406,483	¥712,842	¥82,552	¥1,760,182	¥86,013	¥1,846,195
II. Segment income (loss)	¥ 14,994	¥ 11,901	¥ (5,244)	¥ (17,388)	¥ 25,350	¥ 877	¥ 30,490	¥ (586)	¥ 29,904
III. Segment assets	¥333,111	¥166,414	¥125,390	¥188,509	¥410,934	¥84,166	¥1,308,524	¥22,190	¥1,330,714
IV. Other items:									
Depreciation and amortization (Note 2)	¥ 9,506	¥ 7,182	¥ 2,904	¥ 8,360	¥ 9,119	¥ 4,776	¥ 41,847	¥ 3,427	¥ 45,274
Amortization of goodwill	2,067	—	—	—	459	—	2,526	—	2,526
Investment in equity method affiliates	6,066	20,440	8,553	22,811	2,270	1,384	61,524	1,533	63,057
Capital expenditures (Note 2)	71,503	5,796	4,905	6,615	17,271	4,084	110,174	2,319	112,493

Year ended March 31, 2014	Reportable Segments						Total	Others (Note 1)	Sum total
	Functional Chemicals	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Films & Sheets			
(Thousands of U.S. dollars)									
I. Net sales:									
Customers	\$1,849,825	\$1,717,217	\$1,591,722	\$3,655,451	\$5,366,916	\$776,749	\$14,957,880	\$258,269	\$15,216,149
Inter-segment	50,253	182,472	33,161	294,053	1,559,260	25,350	2,144,549	577,458	2,722,007
Total	\$1,900,078	\$1,899,689	\$1,624,883	\$3,949,504	\$6,926,176	\$802,099	\$17,102,429	\$835,727	\$17,938,156
II. Segment income (loss)	\$ 145,686	\$ 115,634	\$ (50,952)	\$ (168,947)	\$ 246,308	\$ 8,521	\$ 296,250	\$ (5,694)	\$ 290,556
III. Segment assets	\$3,236,601	\$1,616,926	\$1,218,325	\$1,831,607	\$3,992,751	\$817,781	\$12,713,991	\$215,605	\$12,929,596
IV. Other items:									
Depreciation and amortization (Note 2)	\$ 92,363	\$ 69,782	\$ 28,216	\$ 81,228	\$ 88,603	\$ 46,405	\$ 406,597	\$ 33,298	\$ 439,895
Amortization of goodwill	20,083	—	—	—	4,460	—	24,543	—	24,543
Investment in equity method affiliates	58,939	198,601	83,104	221,638	22,056	13,447	597,785	14,895	612,680
Capital expenditures (Note 2)	694,743	56,316	47,659	64,273	167,810	39,681	1,070,482	22,532	1,093,014

Year ended March 31, 2013	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	¥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

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 in the Consolidated Financial Statements (adjustments)

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Net sales:			
Total reportable segment sales	¥1,760,182	¥1,569,320	\$17,102,429
Net sales classified under "Others"	86,013	85,962	835,727
Elimination of intersegment transactions	(280,149)	(249,062)	(2,722,008)
Net sales recorded in Consolidated Statements of Operations	¥1,566,046	¥1,406,220	\$15,216,148

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Income:			
Total reportable segment income	¥30,490	¥3,682	\$296,250
Income classified under "Others"	(586)	(573)	(5,694)
Elimination of intersegment transactions	(26)	2,750	(253)
Corporate expenses (Note)	(4,979)	(1,569)	(48,377)
Operating income (loss) recorded in Consolidated Statements of Operations	¥24,899	¥4,290	\$241,926

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Assets:			
Total reportable segment assets	¥1,308,524	¥1,223,375	\$12,713,991
Assets classified under "Others"	22,190	41,552	215,604
Elimination of intersegment transactions	(67,855)	(74,877)	(659,298)
Corporate assets (Note)	169,303	147,945	1,644,996
Assets recorded in Consolidated Balance Sheets	¥1,432,162	¥1,337,995	\$13,915,293

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.

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Depreciation and amortization:			
Total amounts of reportable segment	¥41,847	¥39,175	\$406,597
Amounts classified under "Others"	3,427	3,052	33,298
Adjustment amounts (Note)	343	—	3,333
Amounts from Consolidated Financial Statements	¥45,617	¥42,227	\$443,228

Note: Adjustment amounts are depreciation and amortization expenses related to new business development.

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Amortization of goodwill:			
Total amounts of reportable segment	¥2,526	¥1,636	\$24,543
Amounts classified under "Others"	0	1	—
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥2,526	¥1,637	\$24,543

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Amount invested in equity method affiliates:			
Total amounts of reportable segment	¥61,524	¥49,888	\$597,785
Amounts classified under "Others"	1,533	1,128	14,895
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥63,057	¥51,016	\$612,680

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Capital expenditures:			
Total amounts of reportable segment	¥110,174	¥52,766	\$1,070,482
Amounts classified under "Others"	2,319	3,883	22,532
Adjustment amounts (Note)	707	—	6,869
Amounts from Consolidated Financial Statements	¥113,200	¥56,649	\$1,099,883

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

(5) Information on Change in Reportable Segments

The Company reorganized its research and development divisions effective April 1, 2013 as part of its efforts to accelerate creation of new products and new businesses. Along with this reorganization, the Company has reclassified the cost allocation of R&D expenses related to new business development from each segment to Corporate expenses in aggregate.

Related Information

(Information by region)

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Net sales:			
Japan	¥867,958	¥ 797,518	\$8,433,327
China	163,506	164,613	1,588,671
Asia	299,464	303,369	2,909,677
America	153,984	89,053	1,496,152
Europe	62,905	36,555	611,203
Other regions	18,229	15,112	177,118
Total	¥1,566,046	¥1,406,220	\$15,216,148

Notes: 1. Net sales are classified by country and region based on customer location.

2. Major countries and regions located in areas outside of Japan and China are as follows:

(1) Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India

(2) America: The United States, Mexico

(3) Europe: Germany, France

(4) Other regions: Oceania, Africa

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Property, plant and equipment			
Japan	¥341,187	¥358,430	\$3,315,070
Asia	67,046	79,043	651,438
Other regions	17,607	9,164	171,075
Total	¥425,840	¥446,637	\$4,137,583

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)

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Net sales:			
Mitsui & Co., LTD.	¥301,653	¥309,363	\$2,930,946

Note: Related segments are as follows:

Functional Chemicals, Functional Polymeric Materials, Polyurethane, Basic Chemicals, Petrochemicals and Films and Sheets

Information Concerning Impairment Loss of Fixed Assets by Reportable Segment

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Impairment loss:			
Functional Chemicals	¥1,557	¥1,294	\$15,128
Functional Polymeric Materials	26	293	253
Polyurethane	6,835	141	66,411
Basic Chemicals	5,849	259	56,831
Petrochemicals	1,934	650	18,791
Films and Sheets	530	2,723	5,150
Others	148	—	1,437
Corporate Expenses	—	222	—
Total	¥16,879	¥5,582	\$164,001

Note: Business structure improvement expenses are included.

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Amount of amortization:			
Functional Chemicals	¥2,067	¥1,324	\$20,083
Functional Polymeric Materials	—	—	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	459	312	4,460
Films and Sheets	—	—	—
Others	—	1	—
Corporate Expenses	—	—	—
Total	¥2,526	¥1,637	\$24,543

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Unamortized balance:			
Functional Chemicals	¥34,771	¥2,813	\$337,845
Functional Polymeric Materials	—	—	—
Polyurethane	187	—	1,817
Basic Chemicals	—	—	—
Petrochemicals	—	1,824	—
Films and Sheets	—	—	—
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥34,958	¥4,637	\$339,662

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

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Amount of amortization:			
Functional Chemicals	¥ 88	¥ 88	\$ 855
Functional Polymeric Materials	—	—	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Films and Sheets	591	593	5,742
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥679	¥681	\$6,597

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Unamortized balance:			
Functional Chemicals	¥23	¥111	\$223
Functional Polymeric Materials	—	—	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Films and Sheets	—	591	—
Others	—	—	—
Corporate Expenses	—	—	—
Total	¥23	¥702	\$223

21. Information on related party transactions

(1) Related party transactions

Main transactions of the Company with its affiliated company for the year ended March 31, 2014 was as follows:

Name of company	Chiba Chemicals Manufacturing LLP
Type of related party	Affiliated company
Location	Chiyoda-ku, Tokyo
Common stock	¥200 million (US\$1,943 thousand)
Business	Manufacturing petrochemical materials and supplying them to partners
Holding ratio of voting rights	Direct 50%
Relationship	Supply and purchases of raw materials
Transaction amount (Notes 1, 2)	¥819 million (US\$7,958 thousand)
Balance at end of year (Note 2)	Other accounts receivable: ¥19,083 million (US\$185,416 thousand) Accounts payable: ¥17,682 million (US\$171,803 thousand)

Notes: 1. The trade terms of the above transactions were shown on a net basis in the Consolidated Statements of Operations.

2. The trade terms of the above transactions were determined based on consideration of the market prices and others.

(2) Summary of financial information for significant affiliated companies

The Company's significant affiliates are Du Pont-Mitsui Fluorochemicals Company, Ltd. and Siam Mitsui PTA Co., Ltd. for the year ended March 31, 2014.

Du Pont-Mitsui Fluorochemicals Company, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Balance Sheet			
Total current assets	¥15,931	¥14,012	\$154,790
Total noncurrent assets	14,276	14,427	138,710
Total current liabilities	11,876	7,821	115,391
Total noncurrent liabilities	328	3,306	3,187
Total net assets	18,003	17,312	174,922
Statement of Operations			
Net sales	24,525	24,730	238,292
Income before income taxes	6,307	5,341	61,281
Net income	3,972	3,230	38,593

Siam Mitsui PTA Co., LTD.

	Millions of yen		Thousands of U.S. dollars
	2014/3	2013/3	2014/3
Balance Sheet			
Total current assets	¥12,956	—	\$125,884
Total noncurrent assets	26,964	—	261,990
Total current liabilities	12,709	—	123,485
Total noncurrent liabilities	6,343	—	61,630
Total net assets	20,868	—	202,759
Statement of Operations			
Net sales	96,957	—	942,062
Income (loss) before income taxes	(4,175)	—	(40,565)
Net income (loss)	(4,014)	—	(39,001)

22. Business combinations

Acquisition of Dental Business from Heraeus Holding GmbH

(1) Outline of the acquisition

① Seller's name and acquired business

Seller's name	Heraeus Holding GmbH
Name of the acquired business	Heraeus Kulzer Dental Business
Business	Production and sales of dental related products (e.g. restoratives)

② Purpose

The acquisition of Heraeus Kulzer Dental Business will provide the 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.

1) Acquisition date

June 30, 2013

2) Legal form of the acquisition

Cash payment for shares and assets

3) Form of business organization and company names after the acquisition

MCI established its 100% subsidiaries, MC Dental Holdings International LLP (Japan) and MC Dental Holdings Europe GmbH (Germany). These two companies acquired the dental business.

4) Acquired voting interest
100%

On March 24, 2014, MCI sold 19.99% of MC Dental Holdings International LLP's voting shares to the Development Bank of Japan Inc.

(2) Impact on consolidated business performance

Operating results from July 1, 2013 to December 31, 2013 were consolidated in the current period.

(3) Cost of the acquisition:

	Millions of yen	Thousands of U.S. dollars
Direct cost	¥57,902	\$562,592
Related costs	856	8,317
Total cost	¥58,758	\$570,909

(4) Goodwill recognition, measurement and amortization

1) Recognized amount: ¥30,473 million (US\$296,084 thousand)

2) Measurement principle: the excess of the total cost of the acquisition over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed

3) Amortization: straight-line method over 20 years

(5) Identifiable assets acquired and the liabilities assumed:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥28,241	\$274,397
Noncurrent assets	34,920	339,293
Total assets	¥63,161	\$613,690
Current liabilities	¥16,708	\$162,340
Noncurrent liabilities	18,168	176,525
Total liabilities	¥34,876	\$338,865

(6) Purchase price allocation to intangible assets other than goodwill, and their amortization:

Type	Millions of yen	Thousands of U.S. dollars	Amortization period
Customer lists	¥7,812	\$75,904	Generally 20 years
Trademarks and trademark rights	9,467	91,984	Generally 20 years
Patents and technologies	3,802	36,941	Generally 20 years

(7) Impact on consolidated statement of operations as if the full-year financial results were included and its measurement

Net sales: ¥20,107 million (US\$195,365 thousand)

Measurement: the excess of the full-year net sales as if included in consolidation over the net sales which were included in consolidation for the year ended March 31, 2014.

The impact on expenses and other revenues is negligible.

The impact amount is unaudited.

23. Subsequent events

Amendment of employee's retirement benefit plan

The Board of Director's meeting on May 13, 2014 passed a resolution to transfer a portion of the Company's current defined benefit pension plan to defined contribution plan, effective on July 1, 2014. The Company will adopt "Accounting Treatment Concerning Transfer between Retirement Benefit Plans, etc." (ASBJ Guidance No. 1, January 31, 2002) for this change.

The impact on the financial results of the Company for the fiscal year ending March 31, 2015 is currently being evaluated.

Independent Auditors' Report



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
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Mitsui Chemicals, Inc.

We have audited the accompanying consolidated financial statements of Mitsui Chemicals, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Chemicals, Inc. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young Shin Nihon LLC

June 24, 2014
Tokyo, Japan

Major Subsidiaries and Affiliates

(As of March 31, 2014)

*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
* Heraeus Kulzer GmbH	Dental materials	Euro 25.1	80.01
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\$ 5.69	60
* Mitsui Chemicals Functional Composites (Shanghai) Co., Ltd.	Manufacture and distribution of Milastomer™ and Admer™	¥ 970.00	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	85.1
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
Smh Co., Ltd.	Investment to Siam Mitsui PTA Co., Ltd.	Baht 60	50
Shanghai Sinopec Mitsui Chemicals, Co., Ltd.	Bisphenol-A	Yuan 307	50
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\$ 107.5	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 592	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\$ 9.60	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

In July 2014, "Mitsui Chemicals (Shanghai) Co., Ltd." changed its name to "Mitsui Chemicals (China) Co., Ltd."

Corporate Data

(As of March 31, 2014)

Date Incorporated

July 25, 1947

(Inaugurated October 1, 1997)

Paid-in Capital

¥125,053 million

Number of Employees

14,271 (Consolidated)

Shares of Common Stock Issued and Outstanding

1,022,020,076

Number of Shareholders

81,943

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 S306,

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 (China) Co., Ltd.

Room 2309, Bank of China Tower,

200 Yin Cheng Road, Central,

Pudong New Area, Shanghai 200120, China

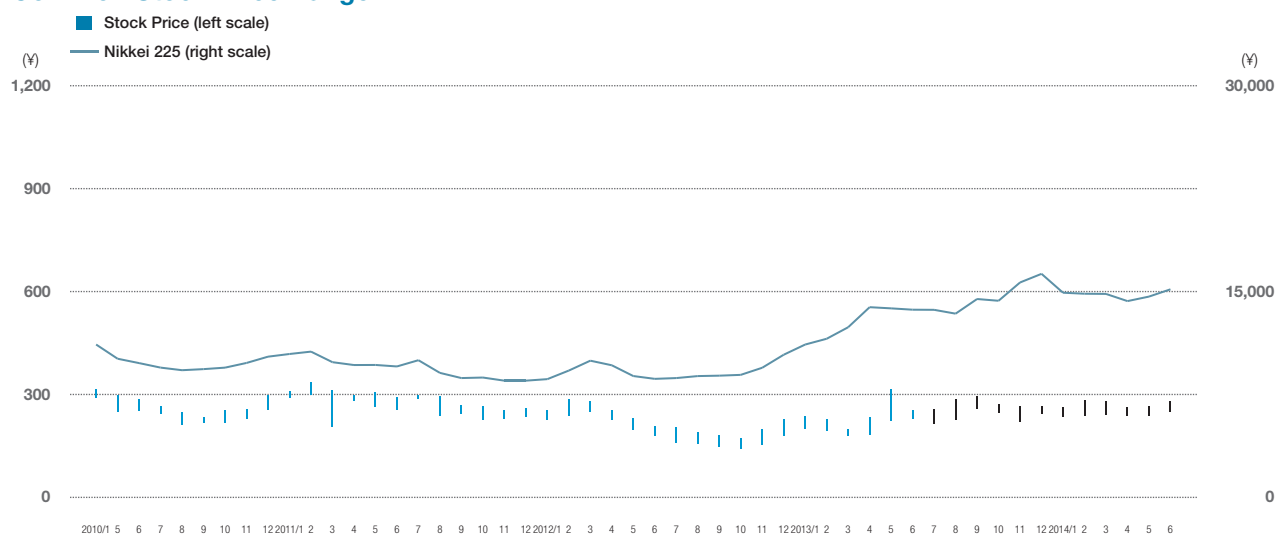
Phone: +86-21-5888-6336

Facsimile: +86-21-5888-6337

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

Stock Information

Common Stock Price Range



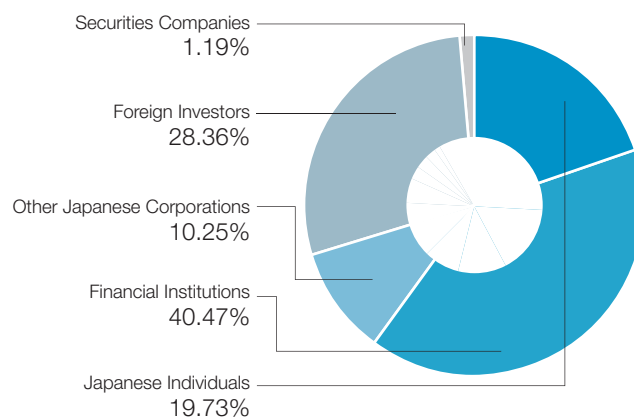
Major Shareholders

(As of March 31, 2014)

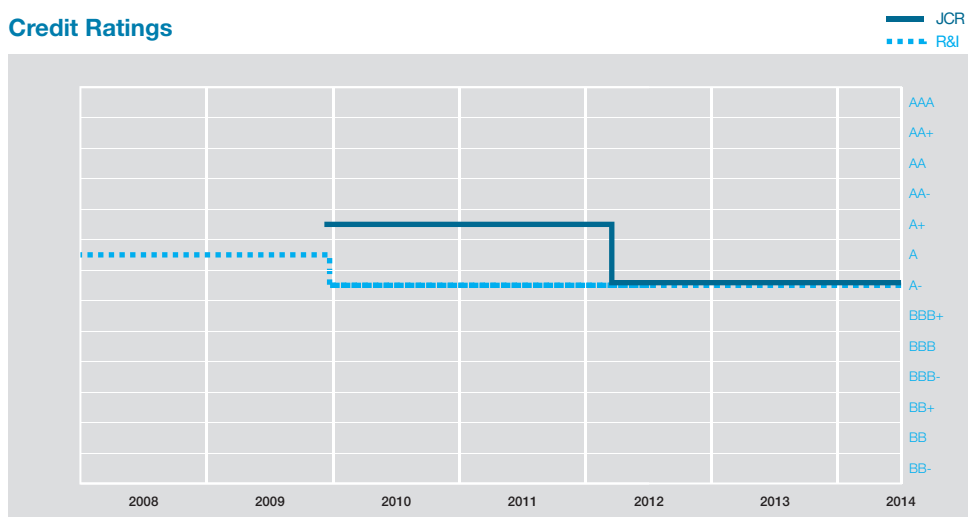
	Number of shares held (Thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	68,756	6.72
The Master Trust Bank of Japan, Ltd. (Trust account)	57,807	5.65
Japan Trustee Services Bank, Ltd. (Toray Industries Inc. Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	37,425	3.66
Japan Trustee Services Bank, Ltd. (Trust account 4)	25,644	2.50
Sumitomo Mitsui Banking Corporation	21,946	2.14
Mitsui & Co., Ltd. (Standing Proxy: Trust & Custody Services Bank, Ltd.)	17,370	1.69
Japan Trustee Services Bank, Ltd. (MITSUI & CO., LTD. Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	17,370	1.69
Mitsui Sumitomo Insurance Company, Limited	16,403	1.60
THE BANK OF NEW YORK MELLON SA / NV 10	15,437	1.51
The Norinchukin Bank	12,732	1.24

Composition of Shareholders

(As of March 31, 2014)



Credit Ratings

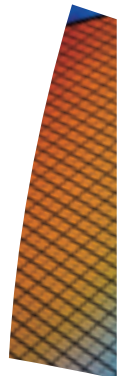


JCR: Japan Credit Rating Agency, Ltd.
R&I: Rating and Investment Information



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Responsible Care