

Business model

*Business restructuring*

Corporate governance

**Corporate vision**

*Creating new customer value*

**Dialogue**

**ANNUAL REPORT 2015**  
Year Ended March 31, 2015

*Engagement*

**Food & Packaging**

HEALTHCARE

**Mobility**

**Resilience**

Risks & Opportunities

SAFETY

*Strategic focus*

**Value creation**



# Dialogue

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

I believe that the chemical industry has an extremely important role to play in addressing a wide variety of global issues.

Reflecting on its Corporate Vision, the Mitsui Chemicals Group again took stock of its purpose and significance. In the course of reassessing the areas in which we can best serve society, we have established the Mitsui Chemicals Group's Future Vision.

Moving forward, we will work diligently to secure sustainable growth in concert with society and engage in activities that help resolve social challenges based on the strategies balanced of the economy, environment and society, through innovative technologies and products while maintaining meaningful dialogue with all stakeholders.

### Corporate Vision

#### Corporate Mission

Contribute broadly to society by providing high-quality products and services to customers through innovation 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

#### Editorial Policy

The Annual Report 2015 is a platform, through which the Mitsui Chemicals Group hopes to engage in meaningful dialogue with its stakeholders. The report provides comprehensive details of the Group's strategies and performance from both the financial and non-financial perspectives.

While we have drawn on the disclosure framework for integrated reports, which continues to attract attention globally, we have taken steps to avoid a rigid format. Our goal has been to provide a suitable document that allows readers to gain a deeper understanding of our efforts toward the creation of value through innovation over the medium to long term.

For a detailed report on the Group's strategies, activities and performance from the environmental and social perspectives, please refer to its CSR website.

<http://jp.mitsuichem.com/csr/index.htm>



**Tsutomu Tannawa**  
President & CEO

Around 2020  
**¥100 billion**  
Operating Income

## Target Business Portfolio



Mobility



Healthcare



Food & Packaging



Basic Materials

## The Mitsui Chemicals Group's Robust Platform

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



# Mobility

Global automobile production is expected to increase at an annual rate of 3%. Against this backdrop, consumer needs are becoming increasingly sophisticated with the market calling for lighter weight vehicles that offer more innovative designs and greater 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.

## Mobility Product Lineups

Although plastic accounts for around 10% (or approximately 100kg) of an automobile's total weight, it comprises 70% of the 30,000 parts that comprise automobiles. The Mitsui Chemicals Group is able to meet a wide array of social needs through highly functional polymeric materials, a field in which the Group excels.

### World-Leading Product Lineups

PP compounds

**PRIME POLYPRO™  
TAFMER™**

- Lightweight
- Impact resistant
- Designing



Global No. 2, Asia No. 1

Bumpers

Olefin thermoplastic elastomers

**MILASTOMER™**

- Recyclable
- Designing
- Low density, lightweight



Global No. 3, Asia No. 1

Interior surfaces

Ethylene propylene rubber

**Mitsui EPT™**

- Easy to process
- Weather and heat resistant



Asia No. 1

Door sealing

Adhesive polyolefin

**ADMER™**

- Moldable of multiple layers
- Lightweight due to resin fuel tanks



Global No.1

Fuel tanks

Hydrocarbon-based synthetic oil

**LUCANT™**

- Improved fuel efficiency
- Extended service life



Gear lubricant oil additives

Tie-up with The Lubrizol Corporation, the leader in the lubricant oil industry

Exterior materials

Glass fiber reinforced plastics materials  
Carbon fiber reinforced plastics materials, etc.

- Lightweight
- Improved fuel efficiency



Use for rear-door, hood interior panels

Commenced in FY2014

### New Product Development

In-vehicle camera lenses

**APEL™**

- Lightweight
- Safety



Developing application based on materials for smartphones

Aiming for adoption around 2016

Lithium ions battery safety material

**STOBA™**

- Safety
- Curb thermal runaway



Exclusive license with Industrial Technology Research Institute of Taiwan

Working to improve performance; developing automotive applications

Aiming to commence mass production by FY2016

Metal/resin integral molding parts

**POLYMETAC™**

- Lightweight
- Reduced production processes



Steering Member

Jointly developed with Taiseiplas Co., Ltd.

Aiming for commercialization for automobiles by around 2020

Integral injection molding eliminates processes using screws or welding  
Provides the same strength as metal parts at one-third the weight by combining PP foam with aluminum

Parts around engine

**ARLEN™**

- Heat resistance
- Improved fuel efficiency



Inserted into water jacket

Commenced in FY2014

“ Our strengths lie in our wide-ranging materials lineups and our technological prowess. Nevertheless, the Mitsui Chemicals Group strives to become ever stronger by proactively infusing promising new technologies from outside the Group into its expanding pool of knowledge. The Mitsui Chemicals Group provides solutions that generate value for customers through new “bundling” concepts to develop combining various elements. ”

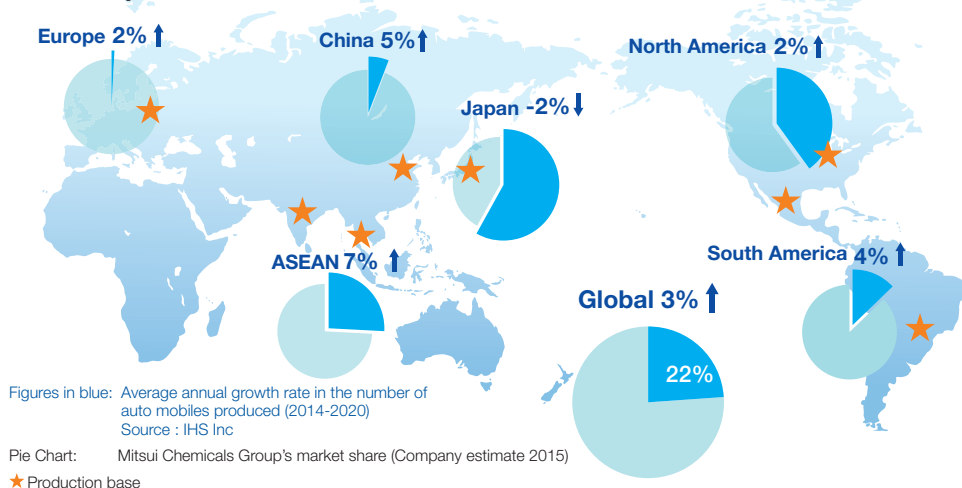


## Aiming to Become the World Leader in PP Compounds

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. Also in North America, the Mitsui Chemicals Group holds a 30% share 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.

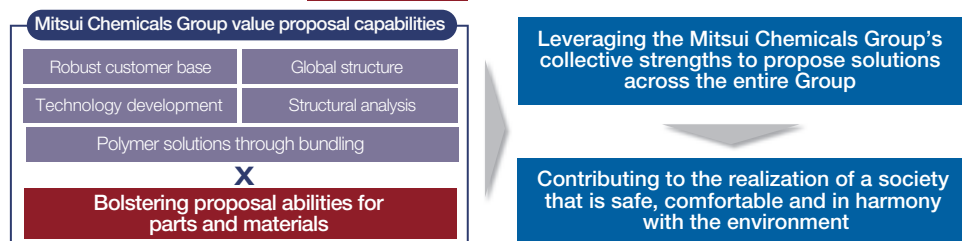
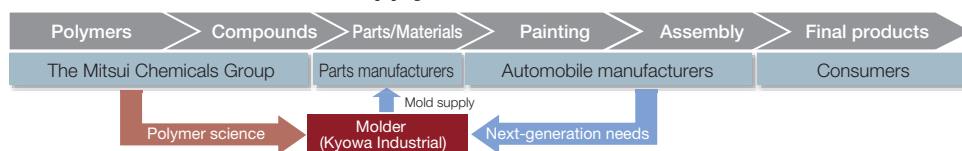
### The Group’s Market Share and Automobile Market Growth Rate



## Enhancing Our Ability to Create Solutions to Achieve Further Growth

In order to improve its ability to collect information and provide solutions, the Mitsui Chemicals Group acquired Kyowa Industrial Co., Ltd., a mold manufacturer possessing capabilities in the areas of planning, design, and trial production. Establishing a platform for achieving further growth, the Group will enhance its ability to create solutions using its collective strengths, in turn, contribute to society.

### Automobile Manufacturer Supply Chain



# Healthcare

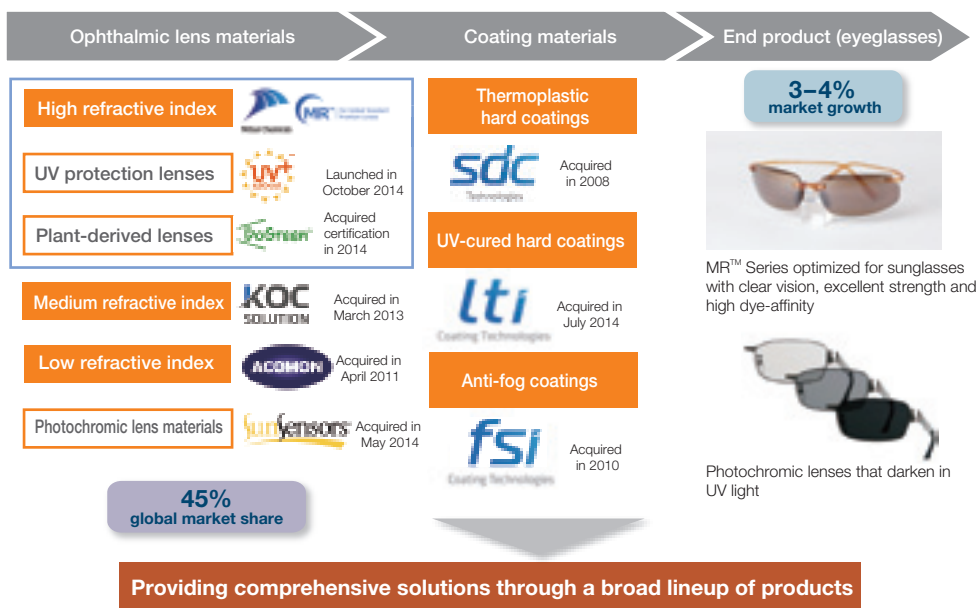
Prompted by lower birthrates and growing elderly populations in advanced countries as well as economic expansion in emerging countries, awareness of healthcare has been growing worldwide. Responding to diverse needs, the Mitsui Chemicals Group provides products that help improve quality of life to help health and happiness in an aging society.

## A World Leader in Vision Care Materials

The Mitsui Chemicals Group offers a wide range of ophthalmic plastic lens materials, from low-refractive to high-refractive indices. In particular, our MR™ Series are world-leading high refractive lens materials, and have become the de facto standard in thin and lightweight lens materials. We are expanding the potential of lens materials by developing original materials with new functionality.

The Mitsui Chemicals Group aims to provide comprehensive solutions for diverse needs, instead of simply providing lens materials for vision correction. We are expanding the potential of lens materials by developing on our own materials with new functionality, while acquiring new coating materials and improving polarized lenses.

### Supply Chain of Vision Care Materials



### Lens Material That Protects the Eyes from Harmful Short-Wavelength Light

Most lenses for glasses sold today are given a coating that cuts ultraviolet light, that is, wavelengths up to 400nm. However, recent research indicates that not only ultraviolet light, but other short-wavelength light of up to 420nm can cause cataracts and age-related macular degeneration. UV<sup>+</sup>420cut™ is a new lens material that helps safeguard eye health by cutting a fuller spectrum of harmful short-wavelength light.



### Plant-Derived High Refractive Index Lens Material

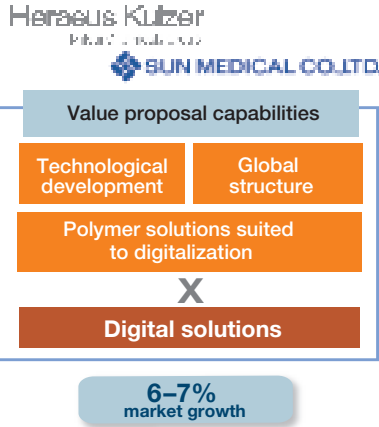
By producing Do Green™ MR™ Series from biomass, the Mitsui Chemicals Group is not only offering the world's first high refractive index lens material based on plant-derived materials, it is helping to provide solutions to the social and economic challenges faced by the farmers and the regions that produce that biomass. The Mitsui Chemicals Group has acquired JORA and USDA biomass product certification in Japan and the United States. In co-sponsorship with the city of Yokohama, we developed Do Green™ sunglasses for the 2015 World Triathlon Yokohama.



## Growth in Dental Materials Business

In 2013, the Mitsui Chemicals Group acquired Heraeus Kulzer GmbH, the sixth-largest maker of dental materials in the world. Group synergies have started to emerge with subsidiary Sun Medical Co., Ltd., which has done business in Japan for 30 years. We plan to introduce several new products based on our excellent polymer science technologies.

Moreover, we are strengthening our digital solutions, for which needs are growing, in a bid to steadily expand the business.



“ We aim to strengthen our core businesses further. In order to steadily grow our three main products, namely, vision care materials, dental materials, and nonwoven fabric for hygiene materials, we are strengthening the development of peripheral products and downstream products by leveraging the production development capabilities of the Group. To realize even more growth, we launched Whole You™ a new brand aimed at creating new healthcare solutions. ”



## Highly Functional Hygiene Nonwoven Fabrics

The disposable diaper market in East Asia and Southeast Asia has been expanding alongside greater needs for high-quality, highly functional nonwoven fabric. The Mitsui Chemicals Group supplies such nonwoven fabric through a three-pronged structure in Asia operating at full capacity. Mitsui Chemicals has a leading share of the market in Asia for highly functional nonwoven fabrics for hygiene materials.

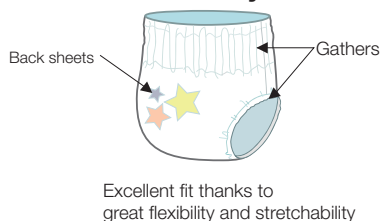
Our strengths are derived from our advanced quality management and comprehensive technologies extending from the creation of base resins to final processing. Our nonwoven fabric has won accolades for its superior flexibility and stretchability.

With an eye to more growth, we are focusing on new fields, such as medical gowns made from nonwoven fabric.

### The Group's Market Share and Market Growth Rate



### Where It Is Mainly Used



## Launched New Brand Whole You™



In November 2014, the Mitsui Chemicals Group established Whole You, Inc. in the United States. Whole You™ provides innovative solutions to those with sensory and physical mobility challenges in the form of products and services that draw on its ability to identify innovative functions based on polymer science. From this base in the United States, the world's largest healthcare market, we will help improve quality of life for people all around the world.





# Food & Packaging

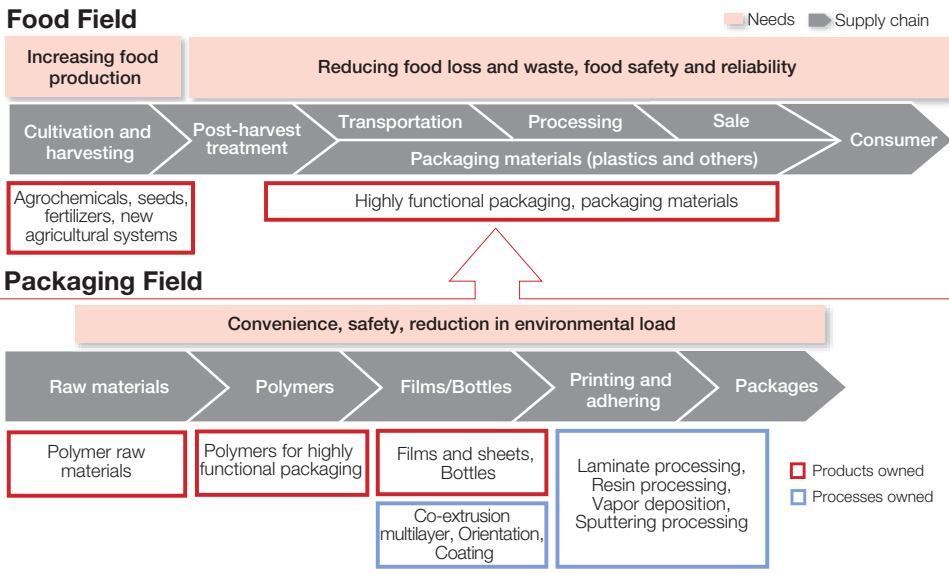
Rapid growth in the world's population has led to severe shortages of food, making it imperative for society to reduce food loss and waste and stabilize agricultural production.

Moreover, needs have been rising for safe and reliable food sources that also have less of an impact on the environment. The Mitsui Chemicals Group provides products that address these needs.

## Supply Chain Needs and Our Businesses

Addressing needs at each stage of the supply chain, the Mitsui Chemicals Group offers a lineup of products and services that meet needs and have the functionality required by makers of end products and consumers.

The Mitsui Chemicals Group provides new functional value by identifying needs along the entire supply chain.



## Global Development of High-Performance Agrochemicals Contributes to Stable Food Supply

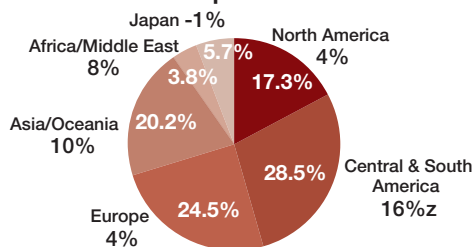
Demand for agrochemicals has been growing in emerging countries such as Brazil, the largest market of agrochemicals in the world.

The Mitsui Chemicals Group has been reinforcing its overseas business through aggressive marketing and technical promotion, while upgrading its overseas bases to accelerate the launch of product formulations that meet local needs in our priority areas (Brazil, India, China and Southeast Asia). The Mitsui Chemicals Group is collaborating with Du Pont, BASF and other world-leading manufacturers of agrochemicals in Europe, the United States, and other regions.



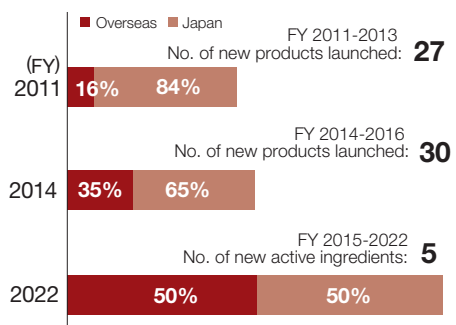
Spreading technologies in overseas countries

### Global Market Composition and Growth Rates



Figures inside pie chart: Market composition in 2014  
Figures around pie chart: Average annual growth rate in 2009-2014  
Source: Phillips McDougall's Industry Overview

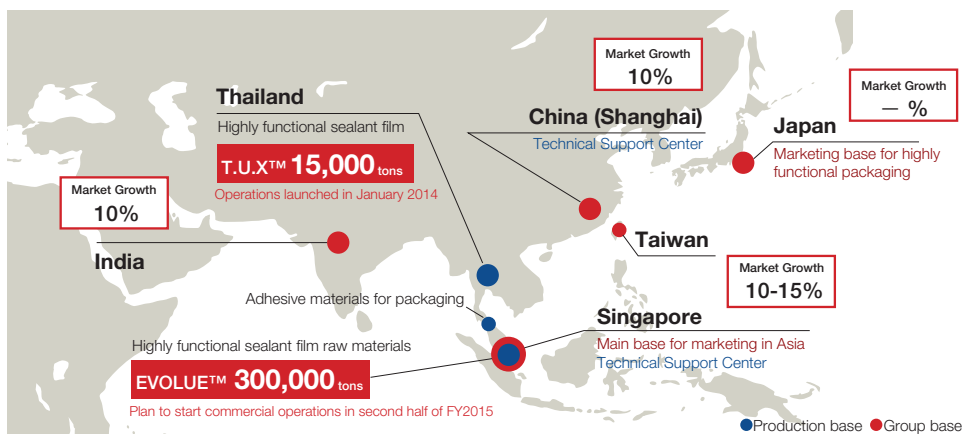
### The Group's Sales Growth





## More Functional Food Packaging and Development in Asia

The packaging materials market in Asia has considerable growth potential as living standards improve and the region develops as a food processing and export center. Keeping ahead of its rivals, the Mitsui Chemicals Group has established production bases in Asia for EVOLUE™, which has a 60% or so share of the market in Asia as a highly functional sealant used for the innermost layer of packaging. We are bolstering business development in Asia through technical support and cross-sectional marketing.



Highly functional packaging meets functionality requirements through the multilayered construction of different materials. We offer a variety of material solutions to help solve problems.

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

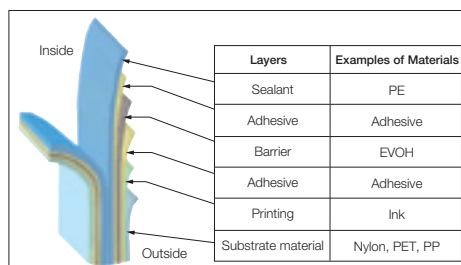
Tough, low odor, heat-sealing strength  
Enhance productivity by down-gauged packaging and processing suitability

### Resin modifier: TAFMER™

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

### Adhesives resin: ADMER™, TAKENATE™, and TAKELAC™

Multilayered structure of functional materials



“ In the food packaging field, our marketing efforts have focused on customer needs across Asia. We aim to reinforce these efforts while steadily increasing the market penetration of EVOLUE™ with the commencement of local production in Singapore. Moreover, we are steadily developing our agrochemicals business overseas. In addition, we are working to uncover new businesses with the aim of ensuring the stable supply of food while providing food safety and reliability. ”

The Mitsui Chemicals Group has been registering its leading insecticide Dinotefuran and fungicide Penthiopyrad in countries around the world, and has received praise for their superior performance. Our technical platform for new active ingredients discovery are based on our comprehensive R&D capabilities, which draw on a wealth of experience in the three technical fields of molecular design, organic synthesis, and biological evaluation. The Mitsui Chemicals Group is steadily advancing the development of new next-generation ingredients.

### Overseas Development and Schedule for New Product Launches

	2012	2013	2014	2015	2016	2017	2018	2019	2020~
Insecticide Dinotefuran	●India	●China			●Brazil				
Insecticide Penthiopyrad	●United States, Canada		●Europe						
Next-generation agrochemicals				●Fungicide		●Herbicide	●Fungicide		
Five new active ingredients							●Insecticide●Insecticide		





# CSR Management

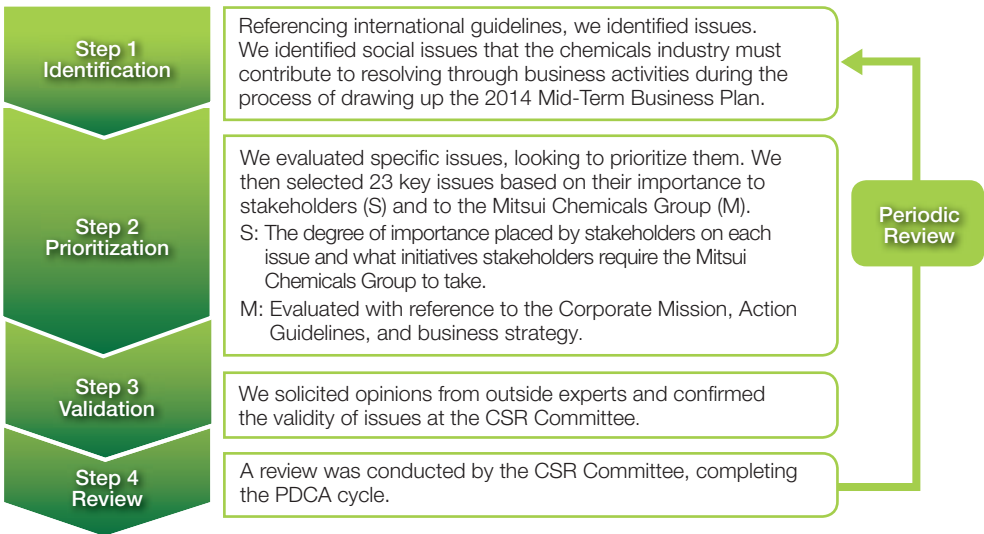
— Strengthening the Business Foundation —

To ensure its sustainable development alongside society, the Mitsui Chemicals Group must have a strong management foundation that enables it to resolve social challenges in line with its Future Vision. We will reinforce our management foundation by emphasizing the balance between economic, environmental, and social considerations.

## Selection of Key Issues (Materiality)

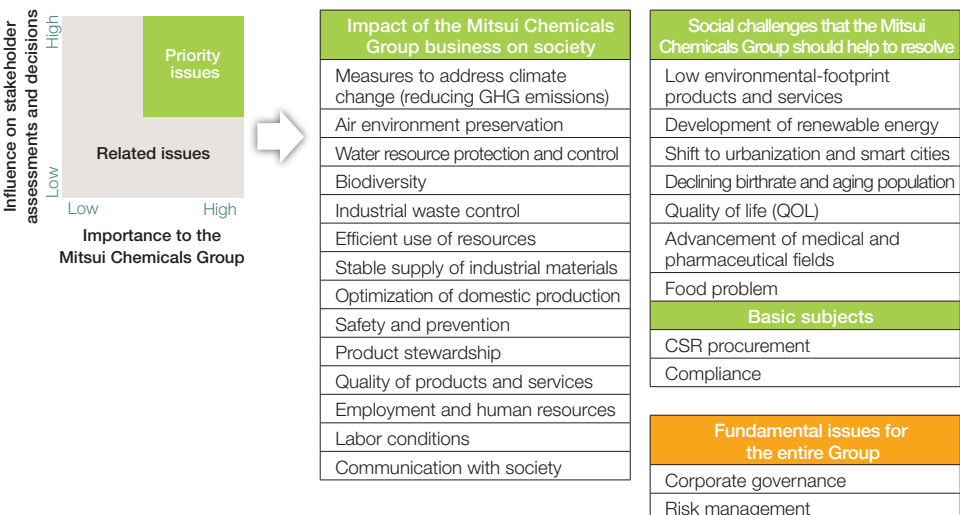
Since establishing a dedicated CSR department in 2005, the Mitsui Chemicals Group has engaged in CSR activities based on the Group's concept of realizing its corporate mission through its main businesses. In 2008, Mitsui Chemicals became a signatory to the United Nations Global Compact and has endeavored to meet the growing call for international guidance.

In drawing up the 2014 Mid-Term Business Plan, we again verified the Mitsui Chemicals Group's CSR concept and direction based on various discussions. To best contribute to society through our business activities, we selected a number of key issues (Materiality). If necessary, this materiality is to be reviewed so as to reflect changes in society.



## Identification of Key Issues (Materiality)

We organized the selected key issues into the three categories presented below while designating corporate governance and risk management as fundamental group-wide issues.

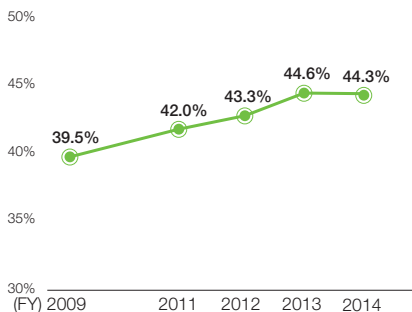


## Safety and Human Resources in Global Management

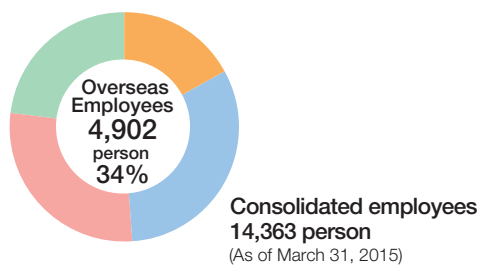
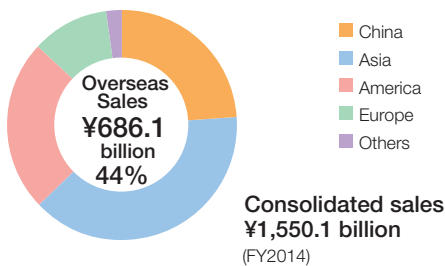
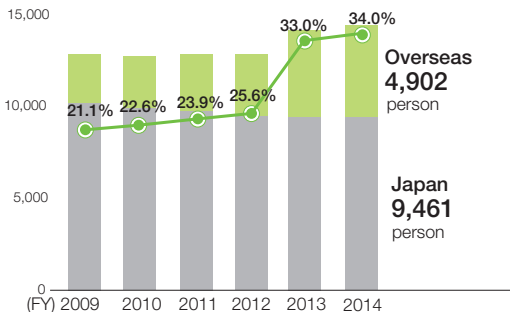
The Mitsui Chemicals Group is aggressively developing overseas with the aim of ensuring that it is a chemical group with an undisputed global presence.

We have transitioned our business model from one based on exports to one based on local production for local consumption by establishing overseas production bases. To address local needs more rapidly, we continually strengthen management functions at our overseas bases. In addition, the ratio of employees working overseas and foreign employees has increased substantially as a result of the Group focusing on expanding human resources at overseas bases in addition to mergers and acquisitions.

### Overseas Sales



### Number of Overseas Employees



### Ensuring Safe Production Activities

At our production bases overseas, we are responsible for the reliable supply of the Mitsui Chemicals Group products to our customers. To achieve this, it is absolutely essential that management ensure safe production activities.

Based on our management policy of making safety the top priority, we are improving efforts to instill an awareness of fundamental safety, accumulating and handing down production technologies, and fostering a culture of safety. We are expanding these same efforts in Japan to our overseas production bases. (Dialogue 5, p. 57)

### Global Human Resources Management

Securing and fostering human resources for management positions is vital for ensuring a strong global business foundation. At every level, whether parent company, overseas subsidiary or affiliate, we have been preparing to implement human resource management under a common global framework.

We believe that the diversity that arises from mutual exchanges of people from different backgrounds will prove a strong competitive resource that will produce wide-ranging value and strengthen our business foundation. (Human Resource Management p. 64)

“As the phrase “Mitsui is People” implies, “human resources” underpin the technologies and businesses that form the core of the Group’s management foundation and respond to outside needs. So that each and every Group employee is proud and inspired to work with great motivation, we have created an environment that will ensure their safety and health, and we place value on people-to-people communication.”



## Message from the President

Corporate Vision  
The Mitsui Chemicals Group's Future Vision

01

### Special Feature

Creating Value in Targeted Business Domains for Growth  
**Mobility, Healthcare and Food & Packaging**  
CSR Management  
—Strengthening the Business Foundation

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# Four



# Growth



# Scenarios



# Speaking with the Leaders of the New Generation



## Encouraging customers to say “Let’s ask Mitsui Chemicals!” as a comprehensive solutions provider

Mobility Strategy Promotion Leader  
New Business and Product Creation  
Strategy Promotion Leader

**Futoshi Hoshino**

Executive Officer  
Center Executive,  
Research & Development Center  
General Manager, R&D Strategy Division

### Integrating the Group’s Comprehensive Strengths

The Mitsui Chemicals Group produces a wide range of mobility-related materials. Along with PP compound operations, the Group has established a substantial number of businesses with robust customer platforms by creating a steady stream of products and maintaining close-knit customer ties. These features serve as an enormous source of strength for the Group and its activities.

However, addressing customers’ requirements on a product-by-product basis has severe limitations as needs become increasingly diverse. Against this backdrop, it is vital that we collect information and produce results by putting in place a structure that is capable of harnessing the Group’s collective strengths while making the most of individual capabilities, all under the direction of the Group’s Mobility Strategy. My role is to ensure that these endeavors contribute to the further growth of our Mobility business.

### Shifting from Selling Materials to Selling Solutions

Until recently, we had responded to requests for products that fulfilled specified performance parameters from automobile manufacturers pursuing added improvements in functionality. Today, we are turning this relationship around as we adopt a more proactive approach and put forward solutions and application proposals for specific components or parts to achieve desired results.

Worldwide, along with the ongoing pursuit of improved automobile performance, we are continually seeing advances in technologies aimed at protecting the environment. Current concepts are going beyond automobiles to encompass every possible form of transportation and mobility. Under these circumstances, the role played by chemical manufacturers is extremely important, particularly in the field of material innovation. Society is testing the Group’s capabilities and trying to assess what exactly it can achieve.

The focus of solutions development is moving increasingly toward higher levels of complexity. For example, we are seeing materials and processing technologies that have not previously been applied together to the automotive field, unconventional manufacturing methods, and combinations of both. These materials, technologies, and methods need not be limited to those of the Group. All things considered, flexibility is essential to the generation of new solutions.

Kyowa Industrial Co., Ltd., a recently acquired manufacturer of molds, is providing the Mitsui Chemicals Group with a base to give shape to forward-looking solutions and proposals.

In the future, I would like to see us better harness the strengths of our network of bases and to establish additional bases where we can create solutions together with customers.

Through these activities, it is important that we encourage customers to say “Let’s ask Mitsui Chemicals!” and to become a company that attracts high expectations.

Around 2020  
**¥40 billion**  
Operating Income



# More than anything else, it is vital that we continue to create and deliver valuable products that meet the needs to customers and consumers.

Healthcare Strategy Promotion Leader  
**Yasunori Nishiyama**

Executive Officer  
Business Sector President,  
Healthcare Business Sector  
General Manager,  
New HC Business Development Division  
President & CEO, Whole You, Inc.



## Establishing the Whole You™ Brand as a Next-Generation Business

The focus of society's healthcare needs is shifting away from the simple absence of illness or chronic disability and the pursuit of a sanitary environment to lifestyles characterized by good health and peace of mind along with living life to the fullest. Against this backdrop, the decision to set up the Whole You™ brand was based on lengthy deliberations and the desire to address this shift and society's increasingly diverse needs.

The Whole You™ brand concept revolves around the overarching goal of enabling people to unlock life's potential and to fully enjoy all the possibilities of their lives by offering innovative solutions to address their sensory and physical mobility challenges.

Good health is much more than the absence of illness and injury. It entails the ability to live life to the fullest. No one should ever be limited in their enjoyment of the important pleasures and possibilities of life. Through the Whole You™ brand, we hope to change the notion of health toward a more active and positive concept.

Based on this vision, we have launched the Whole You™ brand to serve across a wide range of areas that extend through to the BtoP and BtoC fields. The goal is to provide solutions that match the individual needs and aspiration of consumers. As a chemicals company with considerable expertise in materials, we will leverage our strengths in material science and processing technologies to develop innovative products.

As a first step, we launched an oral appliance to help those suffering from obstructive sleep apnea syndrome (OSAS) in May 2015.

In the future, we will make the most of acquired technologies and work to continuously create innovative products that deliver new value through collaboration with local advisers and partnerships. We will nurture the brand in a bid to garner support and foster close-knit ties by developing a strong sense of affinity among patients, consumers, and medical professionals.

## Bolstering Existing Businesses by Making the Most of Inherent Strengths

The Mitsui Chemicals Group boasts considerable strengths in its existing vision care materials, nonwoven fabrics, dental materials, and medical materials businesses. However, we cannot afford to rest on our laurels. It is absolutely vital that we continue to provide products that offer value to the market and society amid an ever-changing operating environment.

Moving forward, we will strengthen our businesses even further and promote sound expansion.

BtoP: Business to Professional

BtoC: Business to Consumer

Around 2020  
**¥30 billion**  
Operating Income



## Aiming to provide tangible functional value to consumers and users to ensure safe and delicious foods.

Food & Packaging Promotion Leader

**Ryoji Kato**

Executive Officer in charge of corporate planning, Mitsui Chemicals Tohcello, Inc.  
General Manager, Food & Packaging Promotion Division, Mitsui Chemicals Inc.

### Laying the Foundations for Further Growth

In the Food & Packaging business, until now each affiliated company and business had been independently in charge of their own products. In order to achieve our objectives for around 2020, however, we must lay a new foundation for the next stage of growth by putting in place a system that is able to leverage group-wide synergies.

The Food & Packaging Business Promotion Division is charged with discovering new businesses and building new business models based on completely different concepts and perspectives.

### Toward the Creation of New Businesses That Provide Functional Value

When creating a new business, our foremost concern is providing functional value, value that the users of our products (i.e., consumers, logistics companies, retailers, food processors, and farmers) can genuinely perceive in terms of product functions and performance.

We have identified and prioritized the social issues that we can help resolve, namely the reduction of food loss and waste, the safety and reliability of food, and the greater production of foodstuffs.

Studying the entire supply chain to address these social issues, we are working to identify the functional value needed at every stage of the supply chain and the combination of functional values that will realize genuine value for our customers. Through these efforts, we aim to provide products and systems that deliver optimal combined functional value as total solutions.

In the packaging field, the Mitsui Chemicals Group needs to cultivate partnerships at each stage of the supply chain in addition to its collaborative relationships within the Group. It is important that we broaden and strengthen the framework for open innovation.

To be able to provide total solutions, we need to strengthen our evaluation platform in this business domain to scientifically secure food safety, reliability and taste. In the food field, our current business centers on high-performance agrochemicals that enhance the production of foodstuffs. For the future, we will continue to look for new business opportunities from a fresh perspective.

In order to ensure safe and delicious food, the Mitsui Chemicals Group aims to provide genuine functional value. We are working to create total solutions and build new business models.

Around 2020  
**¥20 billion**  
Operating Income





**Chemical companies can provide solutions that support a sustainable society.**

**By maintaining healthy lines of communication, we hope to**

**prosper together with society.**

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### **Haruko Kokue**

Director  
Deputy General Manager  
Corporate Communications Division

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#### **Being a Trusted and Respected Company**

To contribute to sustainable development, it is essential that the Mitsui Chemical Group is trusted and respected by stakeholders and society.

We are enforcing the functions of the corporate department as a business support unit to ensure our responsiveness in a rapidly changing business environment. Specifically, we have integrated the CSR, public relations, and investor relations functions into the Corporate Communications Division. This division fields stakeholder requests, helps the Group develop a response, and disseminates pertinent information to the public in order to better convey our position. All our employees work to share relevant data and information on opportunities with one another, taking pride in their jobs. As the bridge linking those outside of and within the Group, the Corporate Communication Division fosters mutual trust through communication and seeks to enhance corporate value.

#### **Blue Value™—Reducing Environmental Load through a Concerted Initiative**

There are many ways chemistry can help realize a cohesive society in harmony with the environment. We concluded that if we could make our environmental contributions more visible, people would come to appreciate our efforts more, allowing us to pursue bolder initiatives to further reduce our environmental load. This was the impetus for creating Blue Value™.

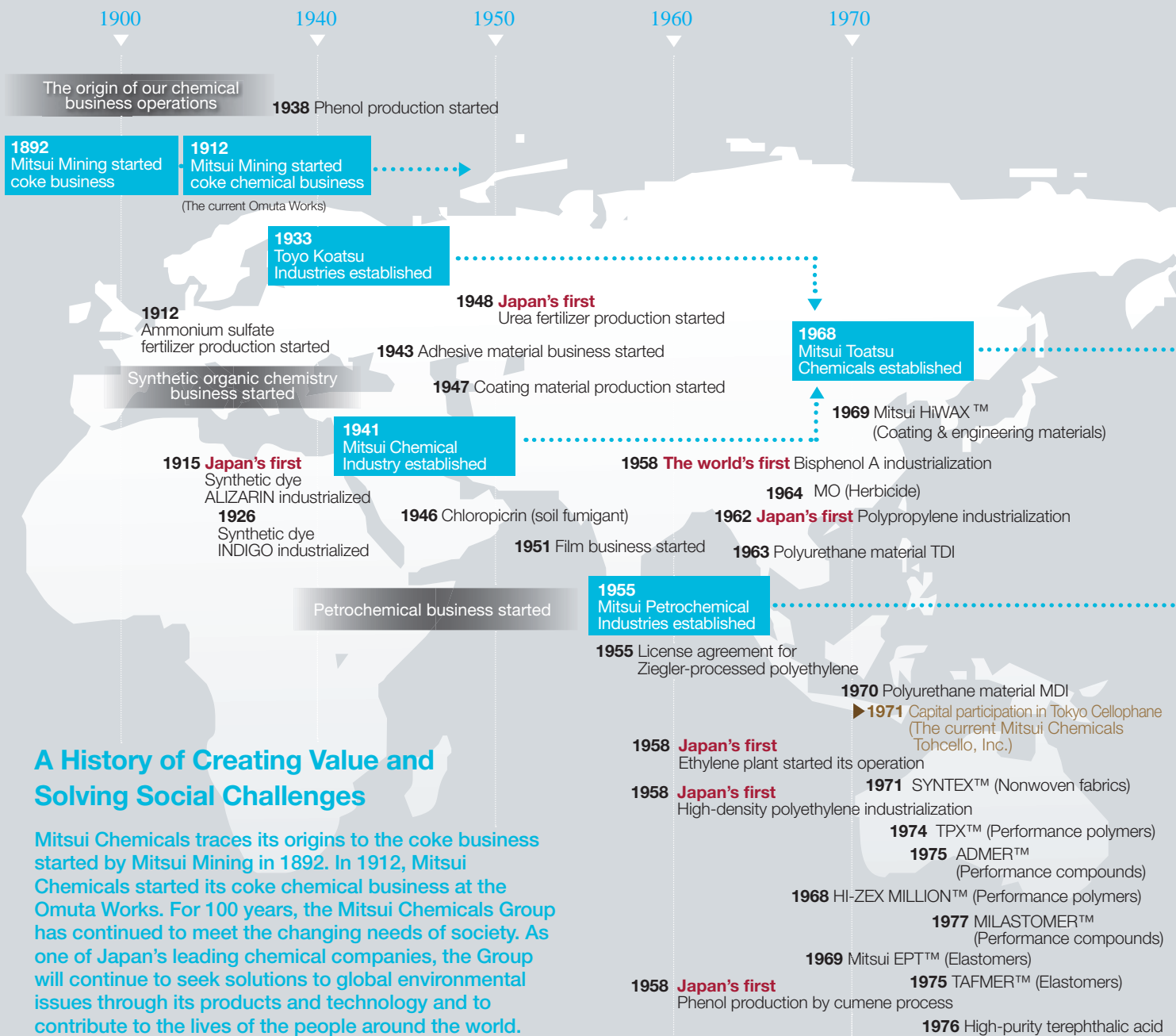
How can we contribute to the environment over the entire value chain, from the acquisition of raw materials to product development to final disposal? Blue Value™ shows the environmental contribution of our products and technologies using the Mitsui Sustainability Index (m-SI). The index has three components: CO<sub>2</sub> reduction, resource protection, and co-existence with nature. It is based on life cycle assessment (LCA\*), which identifies six distinct criteria.

We are now also aiming to develop a more quantitative approach. By communicating the advantages of Blue Value™ both within and outside the Group, we believe that we will increase business opportunities and grow business value.

By sharing Blue Value™ with as many people as possible, we will contribute to the development of a sustainable society.

\* A method of quantitatively assessing the environmental impact of a product throughout its life cycle over the entire value chain, from development to disposal.

(Details about Blue Value™ can be found on our CSR website)



## A History of Creating Value and Solving Social Challenges

Mitsui Chemicals traces its origins to the coke business started by Mitsui Mining in 1892. In 1912, Mitsui Chemicals started its coke chemical business at the Omuta Works. 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.

### PP Compounds' Automotive Materials Market Position

**Global No. 2**

#### Social Needs and Challenges

- Energy conservation and environmental load reduction
- Diversifying automotive needs

#### Our 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



### Highly Functional Nonwoven Fabrics Market Position

**Asia No. 1**

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

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



### Ophthalmic Lens Materials Market Position

**Global No. 1**

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

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



1980 1990 2000 2010

Strengthen domestic business alliances

▶ 2006 Mitsui Chemical Polyurethane established (the current polyurethane business sector)  
Acquisition of polyurethane business from Takeda Pharmaceutical

1987 Company in Singapore established (the current Mitsui Chemicals Asia Pacific)

▶ 2007 Mitsui Chemical Agro established (Agrochemical business integration with Sankyo Agro)

1988 Company in U.S. established (the current Mitsui Chemicals America)

▶ 2005 Prime Polymer established (Joint venture with Idemitsu Kosan for the polyolefin business)

1990 Company in Germany established (the current Mitsui Chemicals Europe)

1999 Company in China established (the current Mitsui Chemicals China)

1987 Trebon™ (Insecticide)

1997 Mitsui Chemicals established

▶ 2015 Mitsui Chemicals & SKC Polyurethanes Inc. established (Korea)

1983 Toner binder

2001 STARKLE™ (Insecticide)

2009 AFFET™ (Fungicide)

▶ 2013 Acquisition of Heraeus Kulzer (Dental materials, Germany)

1987 ICROS™ TAPE (for semiconductor manufacturing process)

2004 Functional wax by metallocene catalytic method

▶ 2011 Acquisition of ACOMON (Ophthalmic lens materials, Switzerland)

1988 SOLAR EVA™ (Encapsulant sheets for solar power systems)

▶ 2004 MITSUI ADVANCED COMPOSITES (ZHONGSHAN) established (PP compounds, China)

1987 MR™ series (Ophthalmic lens materials)

▶ 1996 GRAND SIAM COMPOSITES established (PP compounds, Thailand)

▶ 2014 Whole You established (Healthcare, U.S.)

▶ 1986 ADVANCED COMPOSITES established (PP compounds, U.S.)

▶ 2001 MITSUI HYGIENE MATERIALS established (Nonwoven fabrics, Thailand)

▶ 2012 PRIME EVOLUE SINGAPORE established

1982 Polyethylene film

1998 **The world's first** Metallocene catalytic method EVOLUE™ (Gas-phase process)

▶ 2011 MITSUI CHEMICALS NONWOVENS (TIANJIN) established (China)

1995 APEL™ (Performance polymers)

▶ 2012 SHANGHAI SINOPEC MITSUI ELASTOMERS established (China)

1997 Metallocene catalytic method TAFMER™ (Elastomers)

▶ 2012 MITSUI CHEMICALS FUNCTIONAL COMPOSITES (Shanghai) established (EPT, China)

Strengthen overseas business

▶ 2001 MITSUI ELASTOMERS SINGAPORE established (TAFMER™)

2008 Metallocene catalytic method Mitsui EPT™

▶ 2006 SHANGHAI SINOPEC MITSUI CHEMICALS established (Phenol, Bisphenol A, China)

▶ 1999 MITSUI PHENOLS SINGAPORE established

Dental Materials Business Bases Worldwide

24 Countries

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

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



EVOLUE™ (Highly Functional Sealant) Market Position

Asia No. 1

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

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



Hybrid Rice Seeds Productivity

1.5 times

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

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



Interview with the President

# Dialogue 2



## The Mitsui Chemicals Group has made a steady start in the first year of its 2014 Mid-Term Business Plan

The Mitsui Chemicals Group has identified “Creating New Customer Value through Innovation” as the principal theme of its 2014 Mid-Term Business Plan. In carrying out this plan, we will endeavor to resolve social challenges through our business activities and ensure the sustainable development of both society and the Group as a whole.

In fiscal 2014, ended March 31, 2015, the first year of the 2014 Mid-Term Business Plan, we made steady progress in transitioning toward a growth strategy that is based on customer needs and values as well as in restructuring the basic materials business.

Taking the lead, I am committed to harnessing the comprehensive strengths of the Group and to further enhancing our corporate value.

## Q1 Could you reiterate the overall purpose and goals of the 2014 Mid-Term Business Plan Creating New Customer Value through Innovation?

**A1** The 2014 Mid-Term Business Plan is designed to help us transition from a “product-oriented” to a “market-oriented” focus. Across its full lineup of technologies, products, and services, the Mitsui Chemicals Group is committed to providing optimal solutions that deliver wide-ranging value-in-use to the end consumer. Accordingly, we are looking to transform our business portfolio into one that is capable of generating sustainable earnings growth.

In delivering value-in-use, we must look to our existing client, of course. It is also important that we pursue value from the perspectives of future customers through to end users. In order to create new customer value through innovation, it is also vital that we uncover profound customer needs and utilize the abilities of the entire Group to deliver optimal solutions.

In specifying a target business portfolio that is capable of taking full advantage of the Group’s robust business platform, we have identified Mobility, Healthcare, and Food & Packaging as three targeted business domains that drive growth and Basic Materials as a business domain that supports society and industry.

While strategically promoting activities in each of these domains, we are also engaging in market-driven development activities as a part of our New Business and Product Creation Strategy. Moreover, we are working to create new businesses for the future that provide value in order to meet profound customer needs. **(Please refer to Research and Development on p. 46.)**

As the name suggests, the Basic Materials domain encompasses every possible industry platform. As a part of efforts to provide a wide range of materials and technologies within and outside the Group, we will look to drastically restructure our business. **(Please refer to Progress in Restructuring Basic Materials Business on p. 31.)**

It goes without saying that a robust management foundation that is capable of adapting flexibly to changes in the operating environment is vital to ensure sustainable growth both for society and the Group. Just as we have over an extended period in the past, we will continue to clarify the Basic Strategy required to strengthen our management foundation. Under the 2014 Mid-Term Business Plan, we will continue to pursue a Business Support Strategy that strives to reinforce our human resource, finance and performance management, information, and organizational platforms as well as a Production and Technology Strategy that is designed to secure competitive advantage against the backdrop of ensuring safety as a first priority. **(Please refer to the Special Feature on p. 8; Dialogue 4: Discussion on Safety on p. 57; CSR & Responsible Care on p. 61.)**

Guided by this Basic Strategy, we will target operating income of ¥60 billion, profit attributable to owners of parent of ¥30 billion, ROA of 4%, and ROE of 8% over the three-year period of the 2014 Mid-Term Business Plan.

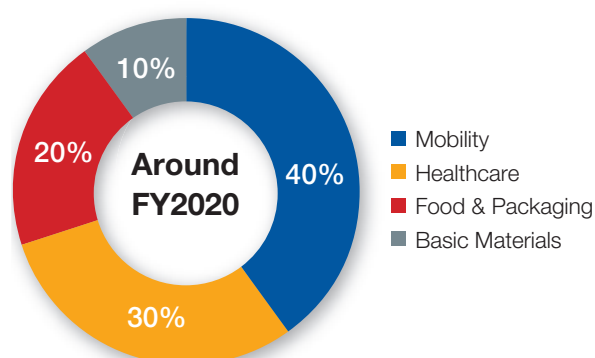
Looking further ahead, we plan to achieve operating income of ¥100 billion, profit attributable to owners of parent of ¥50 billion, ROA of 6%, and ROE of 10% around 2020. We will also transform our business portfolio into one in which 90% of the growth in operating income is derived from the Mobility, Healthcare, and Food & Packaging domains.

### Medium- to Long-Term Performance Targets

	FY2016	Around FY2020
Sales	¥1,750 billion	¥1,800 billion
Operating income	¥60 billion	¥100 billion
Profit attributable to owners of parent	¥30 billion	¥50 billion
ROA	4%	6%
ROE	8%	10%
Net D/E ratio	1.20	1.00

(FY2016 indicates the fiscal year starting April 1, 2016 and ending March 31, 2017)

### Business Portfolio (Breakdown of Operating Income)



## 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 Group

### 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 the 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 the Group's 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

## Q2 What progress has been made in fiscal 2014, the first year of the 2014 Mid-Term Business Plan?

**A2** We have made a strong start with operating income coming in at ¥42.0 billion, well above our initial target of ¥35.0 billion. This result demonstrates our strong commitment to implementing the strategies outlined, and also reflects our uncompromising stance toward maintaining our pace of expansion in targeted business domains that offer growth potential under the plan even as we strive to restructure the basic materials business.

Thanks largely to the positive effects from the growth in sales of major products, we have steadily increased operating income in targeted business domains that offer growth potential.

In addition to improvements in market conditions and the effect on operations of the weak yen in business materials domain, substantial earnings growth can be attributed to the steady progress made in business restructuring efforts announced in February 2014.



### Progress in the Mobility Strategy

(Please refer to the Special Feature on p. 2; Dialogue 1 on p. 12.)

In fiscal 2014, we were successful in capturing a portion of the strong demand for automotive-related materials, which continued to expand mainly in North and Central America. As a result, earnings improved at a greater-than-expected pace.

Regarding the PP compounds used in such large automotive components as bumpers, we took steps to progressively boost production capacity in line with the growth in demand and successful efforts to expand our market share. Reflecting our efforts to increase production in North and Central America throughout fiscal 2014, our PP compound production capacity reached a world-class 1,000,000 tons per year. For products such as EPT, a highly functional synthetic rubber, ADMER™, an adhesive for layered structures used for plastic fuel tanks, and MILASTOMER™, which is used for automotive interiors, operations commenced at a new production facility in China. (Please refer to Review of Operations on p. 41 and 44.)

In another major development in 2014, the Mitsui Chemicals Group acquired Kyowa Industrial Co., Ltd., a manufacturer of molds. Through this acquisition, we are looking to further enhance our ability to put forward solutions that draw on the Group's wide range of materials and technologies and to accelerate the pace of development. We also executed an exclusive licensing agreement to manufacture and distribute STOBA™, the

world's only technology for preventing hazardous lithium-ion battery thermal runaway. By combining this with the Group's technologies, we plan to be in position to quickly push forward commercial applications in the automotive sector.

Beginning with POLYMETAC™, a metal-resin molding technology that is supporting the trend toward increasingly lightweight components, significant progress is being made to develop applications for the Mobility domain that employ other existing products. Looking ahead, we will work diligently to recoup growth investments and to accelerate initiatives under the plan.



PP compound production facility expansion in the United States

## Progress in the Healthcare Strategy

(Please refer to the Special Feature on p. 4; Dialogue 1 on p. 13.)

The Mitsui Chemicals Group made significant strides in expanding its businesses in the ophthalmic lens materials and nonwoven fabrics fields in fiscal 2014.

In the Ophthalmic Lens Materials business, we focused mainly on the acquisition of businesses that would bolster our lineup of value-added lens products while also bringing new products to market. Plans are also in place to expand sales when a large-scale facility that manufactures XDI, a raw material for high refractive index lens materials, begins commercial operations during fiscal 2015.

In nonwoven fabrics for high performance hygiene material use, an area in which we maintain a leading market share in Asia, we were successful in steadily expanding sales. The Mitsui Chemicals Group currently operates three production bases at full capacity in Asia, including a production facility in China that commenced commercial operations in December 2013. The decision has also been made to expand existing facilities in Japan.

(Please refer to Review of Operations on p. 40.)

After acquiring Heraeus Kulzer, a Dental Materials business, in fiscal 2013, the Mitsui Chemicals Group completed rationalization measures aimed at securing a competitive advantage. In order to upgrade and expand its ability to provide solutions in the digital dental materials field, the Group acquired Italy-based EGS Srl, a company that provides digital tools, including 3D scanners and CAD software. Energies are now being channeled toward introducing new products that make the most of synergies with the Mitsui Chemicals Group. Every effort is being made to reinforce strategies with the goal of expanding the Dental Materials Business into a third pillar of the Healthcare domain.

In another step to Create New Customer Value through Innovation, the Mitsui Chemicals Group set up and launched the new healthcare brand, Whole You™ in the United States in November 2014. This initiative is designed to push forward a new business model and to provide products and solutions to the end consumer.

Drawing on its ability to create new functions that draw on the underlying strengths of its proprietary organic synthesis and polymer science technologies, the Mitsui Chemicals Group will work to reinforce its three core businesses and establish the Whole You™ brand as a new growth platform as a part of efforts to achieve its targets for around 2020.



The first series of products released in May 2015  
A mouthpiece to alleviate the discomfort of obstructive sleep apnea syndrome (OSAS)



## Progress in the Food & Packaging Strategy

(Please refer to the Special Feature on p. 6; Dialogue 1 on p. 14.)

Earnings in the Food & Packaging domain increased substantially in fiscal 2014 mainly on the back of contributions from the Agrochemicals business. The Mitsui Chemicals Group has made steady progress in recouping the growth-oriented investment undertaken during the period of the previous Mid-Term Business Plan.

In our Agrochemicals business, we placed considerable emphasis on developing our overseas operations. As a result, agrochemical sales climbed from 27% of overseas sales in fiscal 2013 to 35% in fiscal 2014. At the same time, progress in the development of five next-generation active ingredients is proceeding as planned. These new active ingredients will be successively released to the market from 2016 onward.

In the Packaging business, production of T.U.X™, a highly functional sealant, began in Thailand last year. A new facility in Singapore that will produce EVOLUE™, a key raw material in the manufacture of T.U.X™, is also scheduled to come online in the second half of fiscal 2015. By employing an integrated production system, the Mitsui Chemicals Group is making the most of its competitive strengths. At the same time, we will promote cross-organizational marketing in line with the Group's wide variety of products in Asia where packaging demand is projected to increase. (Please refer to Review of Operations on p. 45.)

The Food & Packaging domain comprises a wide range of business divisions as well as subsidiaries and affiliates that handle related products. In order to secure synergies across the Group as a whole, and to build a business model that is capable of creating customer value from a fresh perspective as a part of efforts to create new businesses, we set up the Food & Packaging Business Promotion Division in April 2015. Drawing on each of these initiatives, we will focus our energies toward achieving the targets set for around 2020.



## Progress in the Basic Materials Strategy and Business Restructuring

(Please refer to Restructuring Basic Materials Business on p. 31.)

Trends in the Petrochemicals business in Japan were generally firm throughout fiscal 2014. Despite booking an inventory valuation loss on raw material naphtha due mainly to the drop in oil prices during the second half of the fiscal year, the overall business performance was stable thanks to high operating rates at production facilities.

In the Bulk and Commodity Product businesses, which include Polyurethane Raw Materials as well as such Basic Chemicals as phenols and purified terephthalic acid (PTA), business conditions remained difficult. Due to favorable effects of activities that are being implemented, profits improved steadily.

Certain business restructuring measures were brought forward and implemented ahead of plan. Looking ahead, we will maintain a firm commitment to carrying out reform measures while looking for new ways to further strengthen our competitive edge.

### Petrochemicals Business

(Please refer to Review of Operations on p. 44.)

The Mitsui Chemicals Group has been working to terminate commodity product facilities, strengthen activities related to high-value-added derivatives, and implement thoroughgoing rationalization measures since before the launch of the 2011 Mid-Term Business Plan. As a result, the Petrochemicals business is enjoying increasing structural stability.

In fiscal 2014, we also terminated operations at a commodity polyethylene facility and completed steps to withdraw from Keiyo Ethylene Co., Ltd., a naphtha cracker joint venture in March 2015. Taking the aforementioned into consideration, the Group's naphtha cracker operating rates are projected to improve. Moreover, we have successfully reinforced our competitive strengths by improving the supply chain balance between naphtha cracker operations and our robust derivative products lineup.

## Basic Chemicals and Polyurethane Raw Materials Businesses

(Please refer to Review of Operations on pp. 42 and 43.)

Conditions for the Basic Chemicals and Polyurethane Raw Materials businesses remain difficult due to the new construction and expansion of facilities, mainly in China and Asia, which has led to an oversupply of products, as well as a prolonged slump in demand.

In our phenol operations, we terminated a facility in Japan in line with original plans. Through a joint venture with China Petroleum & Chemical Corp. (Sinopec), commercial operations commenced at a state-of-the-art facility in December 2014. This facility is distinguished by its cost competitiveness within the region. This initiative is designed to put in place an optimal global structure that focuses on local production geared toward local consumption.

All other measures are proceeding according to plan. In this regard, the Mitsui Chemicals Group is working to further enhance its competitive strengths.

In the Polyurethane Raw Materials business, we decided to bring forward the closure of the Kashima Works and shutdown of the MDI plant at the Omuta Works to May 2016.

As a new initiative, the Mitsui Chemicals Group established Mitsui Chemicals & SKC Polyurethanes Inc. (MCNS), a joint venture with South Korea-based SKC Co., Ltd. The joint venture is the largest comprehensive manufacturer of polyurethane materials in Asia and boasts bases in Europe, the United States, and Asia. To further increase customer value, every effort will be made to become a global leader that provides high-quality products and services.



Operations at MCNS commenced on July 1, 2015

## Q3 What are your thoughts on corporate governance?

**A3** 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 (CSR).

The Mitsui Chemicals Group has put in place a structure and systems that are capable of ensuring the efficacy of its corporate governance as a part of efforts to enhance its corporate value on a continuous and sustainable basis. The Board of Directors is well positioned to engage in the spirited exchange of opinions with outside directors and outside auditors. Both business and operating methods are applied in a manner conducive to efficient and proper decision-making.

Working to reinforce its capabilities even further, the Mitsui Chemicals Group is putting in place a basic policy with respect to the Group's activities in response to steps by the Tokyo Stock Exchange to introduce a Corporate Governance Code. (Please refer to Dialogue 4: Discussion between an Outside Director and a Responsible Officer on p. 48; Corporate Governance on p. 50.)

**Q4** Please tell us about your management policies for fiscal 2015, your forecasts for operating results, and stance toward performance targets around 2020.

**A4** We will work diligently to achieve operating income of ¥52.0 billion in fiscal 2015. Rather than wait until 2020, we will bring forward various measures in an effort to secure operating income of ¥100.0 billion as quickly as possible. Focusing especially on the targeted business domains that drive growth, we will place the utmost importance on growth that is commensurate with increases in our top-line revenue.

Under its 2014 Mid-Term Business Plan, the Mitsui Chemicals Group is placing the utmost priority on well-considered and stable operations. In targeting operating income of ¥60.0 billion or more, the Group as a whole is united in its efforts to recoup growth investments and to realize the benefits of restructuring its business.

In this regard, fiscal 2015 is an important year as new and expanded production facilities come online. It is absolutely vital that the increase in production capacity translates to a definitive increase in earnings. In addition, we will of course continue to emphasize the need to rationalize our basic materials business and reduce costs.

Looking toward 2020, the Mitsui Chemicals Group must nurture new businesses and products as well as sow

the seeds of future growth.

To Create New Customer Value through Innovation, we will actively promote discussion across the organization as a whole as a part of efforts to take full advantage of the Group's inherent strengths. At the same time, we will aggressively pursue open innovation.

In similar fashion to the manner in which we address economic concerns, we will work to overcome a variety of issues from each of the environmental and social perspectives across the entire supply chain. By engaging in management that optimally balances economic, environmental, and social considerations, we will strive to generate increased corporate value.

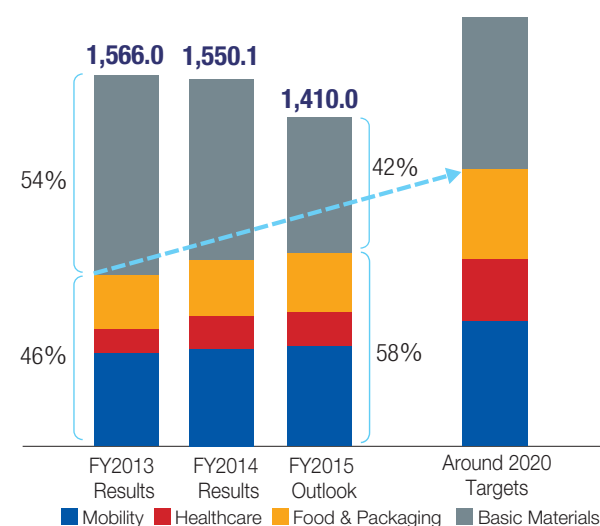
(June 2015)

(Billions of yen)	Net Sales	Operating income	Profit attributable to owners of parent	ROA	ROE	Net D/E ratio
Fiscal 2015 Outlook	1,410.0	52.0	25.0	3.7%	6.0%	1.12
Fiscal 2014 Results	1,550.1	42.0	17.3	3.0%	4.5%	1.22

**Despite the downturn in basic materials business net sales attributable to restructuring and the impact of external factors, the Mitsui Chemicals Group will work diligently to steadfastly expand the net sales of targeted growth businesses.**

### Net Sales

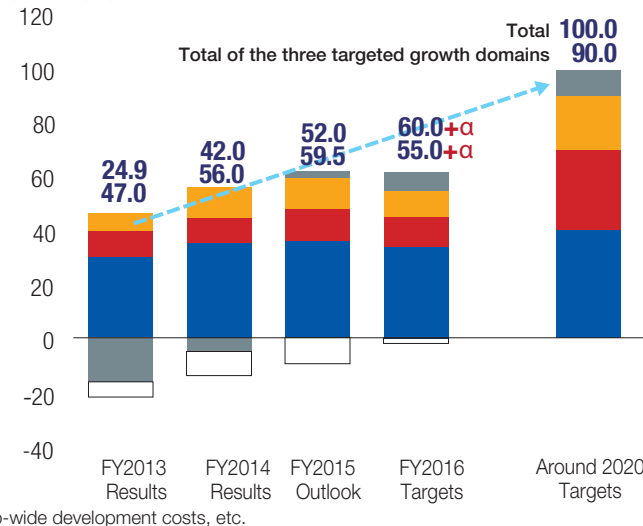
(Billions of yen)



**Operation income from targeted growth business domains in excess of the 2014 Mid-Term Business Plan**

### Operating Income

(Billions of yen)



FY20XX indicates the fiscal year starting April 1, 20XX and ending March 31, 20XX+1. The outlook for FY2015 was announced on May 12, 2015.



**Masaharu Kubo**  
Senior Managing Executive Officer

**We will maintain optimal balance between the needs to strengthen our profitability, secure our financial health, and provide adequate returns to our shareholders as a part of efforts to increase our corporate value on a continuous and sustainable basis.**

Under its 2011 Mid-Term Business Plan, the Mitsui Chemicals Group undertook growth investments totaling ¥140 billion to strengthen profitability with the aim of transforming its business portfolio into one more resilient to changing economic conditions.

Turning to our 2014 Mid-Term Business Plan, it is absolutely imperative that we recoup the growth investments made under the previous plan, strengthen the profitability of existing businesses, and rebuild the bulk and commodity product businesses. In this context, we are working diligently to increase our ability to generate cash flows.

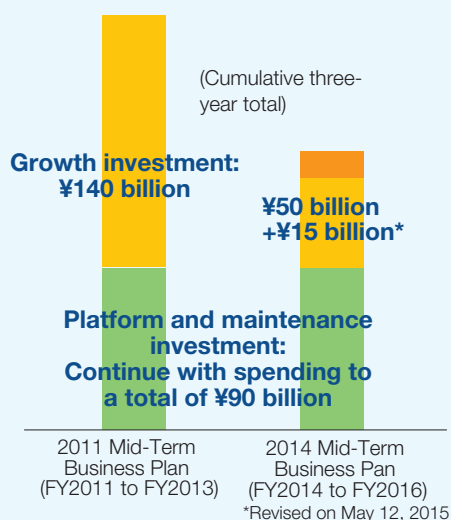
Looking at investment activities over the period of the plan, we will selectively narrow down the amount of growth investments undertaken from ¥140 billion of the 2011 Mid-Term Business Plan to ¥50 billion while directing ¥90 billion toward the platform and maintenance investment necessary to secure safety in a bid to ensure a quick recovery in our financial health.

While expanding activities in targeted business domains that are expected to drive growth, we are rebuilding our business in the Basic Materials domain. Together with efforts to expedite an improvement in our performance, we generated positive consolidated cash flows in fiscal 2014. On this basis, the improvement of cash flows will be continued. From the perspective of our net D/E ratio, a key indicator of financial health, we anticipate achieving our target of 1.20 set for the end of fiscal 2016 ahead of schedule.

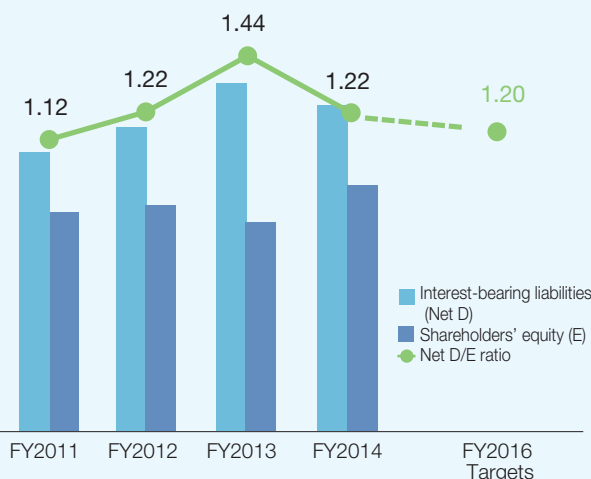
Taking the aforementioned factors into consideration, we have decided to increase the level of growth investment ¥15 billion to ¥65 billion to further accelerate the pace of implementation of our growth strategies.

In endeavoring to ensure the adequate return of profits to shareholders, we plan to pay an annual dividend of ¥5 per share for fiscal 2014 and ¥6 per share, an increase of ¥1 per share, for fiscal 2015. Looking ahead, we will continue to focus on the stable payment of dividends and have set the dividend payout ratio and dividend on equity (DOE) targets at 25% or more and 2% or more, respectively, on a consolidated basis.

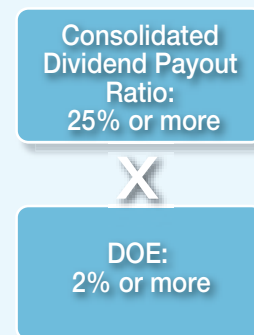
### Accelerating Growth Strategies



### Improving Financial Structure



### Stable Return to Shareholders



Discussion between an Analyst and the President

# Dialogue 3

Dialogue 3



**Takao Kanai,**

Managing Director, Head of Citi Research,  
Citigroup Global Markets Japan Inc.



**Tsutomu Tannowa**

**Continuously Evolving,  
Mitsui Chemicals Maintains an  
Unwavering Commitment to Change**

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## Off to a good start in first year of 2014 Mid-Term Business Plan

**Kanai:** The management policy of Creating New Customer Value through Innovation in the 2014 Mid-Term Business Plan seems to represent a major change in direction for the Mitsui Chemicals Group.

In the three targeted business domains, growth is on the horizon as sales expand, and results are beginning to emerge from the steady progress made on the restructuring plan announced in February 2014. I think that the first fiscal year is an important one, and that employees are well motivated.

**Tannowa:** We got off to an excellent start in the first fiscal year of the 2014 Mid-Term Business Plan. We are on track to reaching our fiscal 2016 target for operating income of at least ¥60 billion. With clear objectives and results emerging already, I believe the atmosphere inside the Group has been quite vibrant.

**Kanai:** Among the three targeted business domains, the Mobility domain in particular has several globally competitive businesses, such as PP compounds and functional compounds, that are riding a wave of strengthening demand. On the global market, I think that results have been steadily materializing everywhere you look. With its mid-term targets already achieved, will the Mitsui Chemicals Group set even higher targets and continue to invest aggressively?

**Tannowa:** Demand for our PP compounds has mainly been from Japanese automakers until now, but we are rapidly expanding our share with the Big Three automakers in the United States. In North America and Mexico, we must reinforce our supply capacity at a pace faster than market growth, or we will lag behind. Our basic approach is to continue investing steadily while monitoring conditions in each region.

**Kanai:** In the Healthcare domain, sales have increased strongly for ophthalmic lens materials and nonwoven fabrics.

**Tannowa:** High refractive index lenses, one of our areas of expertise, is a domain where we have traditionally been strong. Rather than competing on the refractive index front, we have pivoted slightly toward increasing the range of applications and linking this to end-user demand. Our investments and acquisitions are also based on this direction.

**Kanai:** Earnings have been somewhat slow to improve in the dental materials business of Heraeus Kulzer, an acquisition. Is this just a matter of time, with no need for concern?

**Tannowa:** Indeed, we are slightly behind our initial projections for realizing benefits from rationalization, but the transfer of production facilities to Romania has proceeded as planned. I expect to see the results of this restructuring emerge from the second half of this year. However, we must address the issue of increasing earnings in the digital field.

**Kanai:** In the Food & Packaging domain, I see that the agrochemical business is growing strongly overseas. Has there been feedback in this regard?

**Tannowa:** Our efforts promoting business development overseas have shown results. We have a bright outlook for growth as well, with plans to bring to market five new active ingredients in our pipeline.

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## Full steam ahead with restructuring

**Kanai:** I am under the impression that the corporate structure has been beefed up quite a bit and is now more resilient to changes in market conditions, as the earnings structure has changed as a result of expansion in the three business domains and restructuring in Basic Materials. What is your take on this?

**Tannowa:** I think we have made excellent progress on this front.

Our restructuring has proceeded faster than planned back in February 2014. However, every story comes to an end, and there are always risks. I believe it is important to continue pushing forward with restructuring while looking for more areas to improve.

**Kanai:** The scope of the restructuring program is quite extensive, in my opinion. I understand that management made the decision to embark on bold restructuring with a sense of urgency. With so many suppliers and companies with user relationships, I assume there were a number of obstacles to restructuring, not in small part because the Mitsui Chemicals Group has been doing business for such a long time.

**Tannowa:** Our decision to close the Kashima Works was particularly difficult. It took many visits and a lot of discussion, but the employees working there have come to accept the loss of their workplace. We took great care to explain the necessity of taking this measure as a company, as it is equivalent to terminating operations at other plants.

**Kanai:** Basic Materials is still an important business. However, the Group's current growth investments are focused on the three targeted business domains. I imagine that emotions are mixed among the people working in traditional businesses and vary widely from those of workers at businesses that are being strengthened. Has top management's effort to lay out a clear direction given the Group a common path to follow?

**Tannowa:** I think everyone has a firm understanding of why we have had to undertake such far-reaching restructuring. We may invest in unique materials and products that we think we should focus on with the expectation of earning a profit.

**Kanai:** In Basic Materials, there are businesses that can grow and be technologically differentiated.

**Tannowa:** That's right.

**Kanai:** The current business environment has functioned as a tailwind for naphtha-based petrochemicals businesses in Asia, amid a weak yen and low crude oil prices. Would it be correct to say that the Mitsui Chemicals Group does not intend to change its basic approach to restructuring?



**Tannowa:** Current conditions have turned in our favor, but shale gas will continue to pose a threat, and we must also consider the risks posed by China's coal chemical industry. I believe we need to steadfastly stay on course.

Regarding the issue with naphtha crackers, we must decide to what degree it is necessary to restrict cracker capacity as an upstream business and find the product composition that preserves the value added of derivatives, rather than argue about cracker scale only. The value added of derivatives changes with market conditions, so an approach with diverse perspectives is necessary, in my opinion.

**Kanai:** From the standpoint of competitive conditions for petrochemicals, I have been asked by overseas investors if Japanese petrochemical makers will change or delay policies that have already been put in place. My reply remains an emphatic "No."

I believe the Mitsui Chemicals Group and other petrochemical makers will continue to advance without hitting a wall or changing direction.

## Promoting internal change by shifting to market-oriented priorities

**Kanai:** Under the 2014 Mid-Term Business Plan, a major transformation is underway in line with the shift in focus from "product-oriented" to "market-oriented." Can you give a specific example of how the Group has changed internally, from the perspective of this shift in focus?

**Tannowa:** A symbol of this shift in the Mobility business is our acquisition of the mold maker Kyowa Industrial Co., Ltd. Until recently, I had no idea what this business entailed. By the very nature of their business, mold makers come to understand the issues auto-makers face. This is the reason, I believe, that Kyowa Industrial's information-gathering and solutions-proposal capabilities are so well developed. By combining this expertise with our materials and technologies, we aim to enhance our ability to propose solutions. The impact of the acquisition has spread throughout our organization, leading to outcomes that we did not originally anticipate, such as synergies in the PP compounds field in the United States.

Also, our Healthcare business has had a strong "market-oriented" approach to products from the beginning, and we have taken steps such as M&A to fortify the business. By increasing our range of products and solutions, we have been able to offer our products and to pursue improved usability for each customer.

**Kanai:** I think that Whole You™ is a symbolic example of the Mitsui Chemicals Group's aim to pivot toward BtoC, including as an information-gathering function.

**Tannowa:** Throughout the organization, we discussed how quickly we could achieve profit targets and at what development cost. Despite the various challenges before us, we made the decision to proceed because we thought there was genuine value in at least giving it a try. We can see considerable advantages and benefits in dentures in particular, and think this business has potential. Our perceptions have evolved out of necessity because, for us, this way of doing business is completely new.

**Kanai:** In the Mobility business, for example, ideas about specific market strategies have changed; has this accelerated associations across different segments?

**Tannowa:** I would say it has. Across the board, we have seen that organic associations are formed due to the setting up of one unified strategy. I think that the benefits of this are evident in our new materials for automobiles and other developments.

**Kanai:** How about the Food & Packaging domain?

**Tannowa:** We aim to maximize profits through separate strategies for foods and packaging. The Mitsui Chemicals Group is stepping up marketing in the packaging business for other products, centered on EVOLUE™.

## Coming up with interesting projects

**Kanai:** The Mitsui Chemicals Group has prioritized the improvement of its financial structure and scrutinized investment projects more closely. Plans currently call for increasing investments by ¥15 billion. What kind of investments do you have in mind?

**Tannowa:** We have not yet decided on specific investment projects due to the large number of candidate projects.

Basically, our intention is to invest in growth areas where we can create value added. We want this to be the unavoidable outcome when entering new businesses. Even in Basic Materials, we must continue to invest in unique products and technologies.

**Kanai:** Does it seem like there are an increasing number of investment candidates that look compelling to top management?

**Tannowa:** Everyone seems to be coming up with projects that look interesting, even though they may not all be major projects. We aim to screen and invest in projects while holding them in high regard.

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## Accelerating the pace of human resource development to be a truly global company

**Kanai:** While business has expanded overseas in the past, the Mitsui Chemicals Group now looks ready to make an all-out push to expand worldwide. In terms of human resources, decisions will have to be made about deploying Japanese employees around the world or hiring locals, as well as about shaping the human resources system for global business. **I think that the Mitsui Chemicals Group is on the brink of becoming a truly global company.**

**Tannowa:** There are not very many people who can conduct business globally, and such talent cannot be trained in a short period of time. **We have to accelerate the pace of human resource development to keep pace with business expansion.**

The other day, I visited one of our subsidiaries in the United States, and the Japanese employees there seemed to be quite inspired by working overseas and were determined to improve their skill levels. These employees are gaining a management perspective on marketing, investment and finance. Although it is a demanding experience, their pace of growth has been quite rapid. At the same time, we need to nurture local employees.

**Kanai:** I understand that the Mitsui Chemicals Group has a training program. Does the Group have a global human resource system and job performance evaluation system?

**Tannowa:** We have a variety of training programs, including the overseas dispatch training program for young employees to gain experience. I think how we will implement these systems is as important an issue as ensuring the quality and volume of the human resources we need. In this regard, I believe the addition of Heraeus Kulzer to the group represents a big opportunity to advance our management of human resources on a global basis.

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## Improving ROE now more important than ever

**Kanai:** The Mitsui Chemicals Group has disclosed a target of 8% for ROE. Can

you give some background to this target? Also, what measures are being taken to achieve this target?

**Tannowa:** The Mitsui Chemicals Group had long been using ROA as a management benchmark, and began using ROE at the request of investors. However, **I believe the main story of action is to increase profits, rather than artificially manipulating equity.**

**Kanai:** I think that most companies use a combination of performance indicators, such as ROA and ROIC. When looked at from the inside, I believe it is easy to see how much of a return has been made on invested capital. However, these days investors are more focused on ROE as a clear, easy to understand indicator that can be applied to all companies.

Compared with chemical companies overseas, Japanese chemicals makers record somewhat lower ROE. I attribute this to the smaller profits recorded by Japanese companies, rather than differences in their capital makeup. As you said, I think increasing profits would be the best course of action for improving ROE.

**Tannowa:** In terms of being evaluated by global equity markets, I agree that ROE is an important benchmark.

**Kanai:** ROE is indeed a key indicator. **Absolute profit levels are also important, but even more important, in my opinion, is improving ROE.** I think that attention will focus on improvement in ROE, as it progresses from its current 4.5% to 6% or 8%, if such a path seems likely.

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## What can we expect of the Mitsui Chemicals Group?

**Kanai:** Even among Japanese companies, the Mitsui Chemicals Group has best-in-class technologies in polymers, catalysts, precision synthesis and downstream fields. I view the Mitsui Chemicals Group as one of the few leading chemicals makers in the world. Unfortunately, on a historical basis, the Group's technologies and advantages have not always translated into strong earnings.

Nevertheless, over the past 18 months, more specifically since February 2014, I think that the entire



Mitsui Chemicals Group has really come together as one to advance restructuring and move forward under the 2014 Mid-Term Business Plan. Restructuring benefits and top-line growth in the targeted business domains have led to improvement in earnings. From the perspective of a global investor, the Mitsui Chemicals Group's story for stable earnings and ¥100 billion in operating income looks like a viable one.

While it is a fact that there are still issues that need to be addressed, I look forward to seeing the Mitsui Chemicals Group increase profits and quickly raise ROE to the level demanded by equity markets. I believe this is a distinct possibility given the human resources available to the Mitsui Chemicals Group.

**I wish the best for the Mitsui Chemicals Group as it unwaveringly pursues these objectives under the leadership of top management.**

(June 10, 2015)

## 2011, 2014 Mid-Term Business Plan Highlights

Mobility		Capacity	Timing
<b>PP compounds</b>	<b>Secure position as global leader with 8 bases</b> (FY10 740KTA→FY14 992KTA)		
• Acquired Produmaster in Brazil		+55KTA	May 2012
• Increased production capacity (U.S., Mexico, China, Thailand)		+252KTA	As needed
<b>TAFMER™(*)</b>	<b>Secure world's top share</b>		
• Enhanced production of specialty TAFMER™ in Singapore		+8KTA	Feb. 2014
<b>Mitsui EPT™</b>	<b>Strengthen market share in Asia</b>		
• Established a new production base with Sinopec in China		+75KTA	Dec. 2014
<b>ADMER™(*), MILASTOMER™</b>	<b>Secure world's top share</b>		
• Established a new production base in China		+11KTA	Mar. 2015
<b>STOBA™</b>	<b>LIB safety technology first in the world</b>		
• Signing of an exclusive license agreement			Sep, 2014
<b>Bio-Polyol</b>			
• Establish a new production base with joint-venture companies in India		+8KTA	Target 2H, FY2015
			* Includes Food & Packaging
Healthcare		Capacity	Timing
<b>Vision Care</b>	<b>World-leading strategy based on total solutions</b>		
• Strengthen ophthalmic lens materials lineup			
Acquired ACOMON in Switzerland			Apr. 2011
Acquired KOC in Korea			Mar. 2013
Acquired photochromic lens materials SunSensors™ operations from Corning			May 2014
Launched new lens materials UV <sup>+</sup> 420cut™ for eye protection			Oct. 2014
Launched plant-derived high refractive lens materials Do Green™			Jan. 2015
Increase production capacity for XDI (Raw materials for ophthalmic lens monomers)	+5KTA		Target Oct. 2015
• Expansion of lens coating businesses			
Established SDC Asia Pacific in Singapore			Sep. 2013
Acquired LTI in U.S. (hard coating materials)			Jul. 2014
<b>Dental materials</b>	<b>Secure global bases</b>		
• 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
Acquired EGS Solutions (CAD software, 3D scanner for dental materials) in Italy			Jul. 2014
<b>Nonwovens</b>	<b>Secure 3 bases in Asia</b>	(to be 109KTA)	
• Increase production capacity in Japan		+15KTA	Target FY2017, Apr. 2012
• Established a new production base in China		+15KTA	Dec. 2013
		+15KTA	
Food & Packaging		Capacity	Timing
<b>EVOLUE™, T.U.X™</b>	<b>Strengthen market share in Asia</b>		
• Expand EVOLUE™ production			
Increased production capacity in Japan		+50KTA	Nov. 2011
Establish a new production base in Singapore		+300KTA	Target 2H, FY2015
• Established a new production base of T.U.X™ film in Thailand		+15KTA	Jan. 2014
<b>Agrochemicals</b>	<b>Secure global bases, promotion of global registration</b>		
• 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

•Phenol		
Terminated one facility in Japan	-250KTA	Sep. 2014
Established a new production base with Sinopec in China	+250KTA	Dec. 2014
•Bisphenol-A		
Terminated one facility in Japan	-90KTA	Mar. 2014
Suspended operation of one facility in Singapore	-70KTA	Mar. 2014

## PTA

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

•Transferred all shares in AML (Indonesia) to BP Global	-540KTA	Feb. 2014
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## Polyurethanes

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

•Terminated one PPG production facility in Japan	-28KTA	Jun. 2012
•Establish a new Bio-Polyol production base with joint-venture companies in India	+8KTA	Target 2H, FY2015
•Shut-down Kashima Works in Japan		
Terminate TDI operations	-17KTA	Target May 2016
Terminate specialty isocyanate operations	-2.4KTA	Target May 2016
Sold of organic acid business to Fuso Chemical		Business rights: Oct. 2014
Maleic anhydride	-32KTA	After terminating operations of TDI
Fumaric acid	-15KTA	After terminating operations of TDI
•Terminate MDI operations in Japan	-60KTA	Target May 2016
•Increase production capacity for specialty isocyanate XDI in Japan	+5KTA	Oct. 2015
•Start commercial production for 2 new specialty isocyanates in Japan	+2KTA	Target Aug. 2016
•Started new joint venture with Korean SKC		Jul.2015

## Ethylene Center

Establish optimal operation system for low run rate

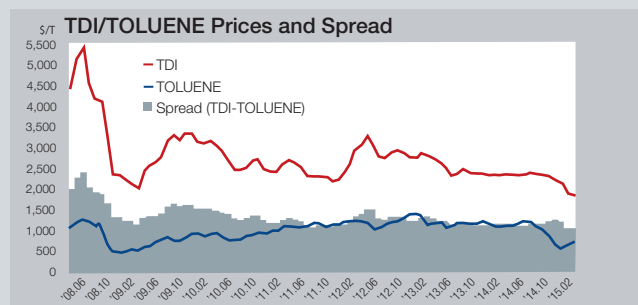
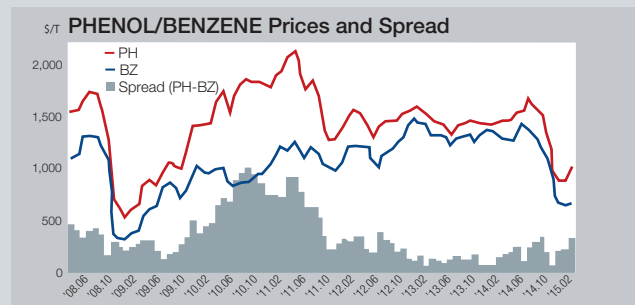
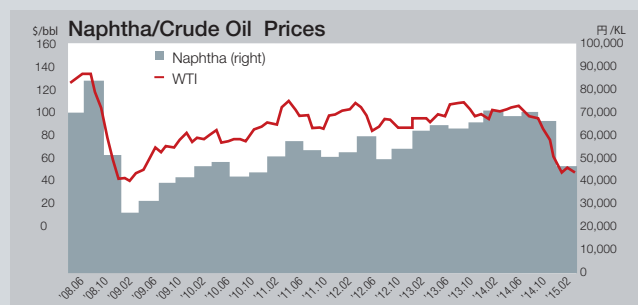
•Implemented low run rate measures in Japan		Aug. 2013
•Withdrawal from Keiyo Ethylene in Japan	Transfer-22.5%	Mar. 2015

## Polyolefin

Establish optimal operation system for low run rate

•Terminated two polypropylene (PP) facilities in Japan	-180KTA	Mar. 2011 Jul. 2013
•Terminated two polyethylene (PE) facilities in Japan	-190KTA	Apr. 2013 Oct. 2014

### Main Products Prices FY2008 - 2014



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)		2005/3	2006/3	2007/3	2008/3	2009/3	2010/3
<b>For the Year</b>							
<b>Operating Results (for the year)</b>							
Net sales		¥1,227,547	¥1,472,435	¥1,688,062	¥1,786,680	¥1,487,615	¥1,207,735
Operating income (loss)		80,491	58,705	91,678	77,176	(45,493)	(9,461)
Net income (loss)		26,192	44,125	52,297	24,831	(95,237)	(28,010)
Reference: Ordinary income (loss)		79,737	61,989	95,478	66,146	(50,768)	(13,132)
EBITDA <sup>1</sup>		144,148	136,905	167,894	155,719	38,873	69,275
Net cash provided by operating activities		96,503	79,709	100,565	92,423	54,882	70,173
Net cash used in investing activities		(33,085)	(58,247)	(133,618)	(78,206)	(76,253)	(42,913)
Free cash flows		63,418	21,462	(33,053)	14,217	(21,371)	27,260
<b>Financial Position (at year-end)</b>							
Total current assets		¥497,287	¥608,995	¥733,150	¥726,361	¥529,606	¥604,556
Property, plant and equipment, net		520,886	532,324	542,340	564,805	522,641	498,183
Total investments and other non-current assets		187,012	187,571	222,693	178,082	136,692	135,347
Total assets		1,205,185	1,328,890	1,498,183	1,469,248	1,188,939	1,238,086
Total current liabilities		440,566	475,074	591,253	569,560	377,858	386,203
Total non-current liabilities		313,389	314,692	336,678	335,461	412,950	432,879
Total shareholders' equity & Total accumulated other comprehensive income (loss)		405,773	464,021	504,509	500,044	349,908	377,283
Interest-bearing debt		422,342	423,938	498,323	485,972	535,391	494,219
<b>Other</b>							
Depreciation and amortization		¥56,770	¥70,099	¥70,207	¥72,596	¥81,374	¥74,878
Capital expenditures		47,135	81,400	72,671	84,667	81,041	49,054
R&D expenses		34,881	37,146	36,943	42,130	40,628	38,131
<b>Per Share Data</b>							
Net income (loss) per share (basic)		¥33.26	¥56.20	¥66.68	¥32.22	¥(125.46)	¥(33.04)
Cash dividends per share		7.00	8.00	10.00	12.00	9.00	3.00
<b>Ratios</b>							
Return (operating income (loss)) on sales		6.56%	3.99%	5.43%	4.32%	(3.06%)	(0.78%)
Return (net income (loss)) on equity		6.64%	10.15%	10.80%	4.94%	—	—
Return (operating income (loss)) on assets		6.73%	4.63%	6.49%	5.20%	—	—
Net D/E Ratio		0.97	0.85	0.92	0.93	1.39	1.11
<b>Social Data<sup>2</sup></b>							
Employees	Consolidated	12,228	12,473	12,511	12,814	12,964	12,892
	Non-consolidated	8,854	8,584	8,695	8,671	8,557	8,297
Percentage of women	Non-consolidated	9.0%	9.0%	9.3%	9.8%	10.4%	10.8%
<b>Environmental Data</b>							
Frequency Rate of Lost-Working Injuries <sup>3</sup>	Consolidated	—	—	—	—	—	—
Energy Consumption	Consolidated <sup>4</sup>	—	—	—	—	—	99
Greenhouse Gas Emissions	Domestic <sup>5</sup>	—	5.95	5.89	5.67	5.14	4.93
	Consolidated <sup>6</sup>	—	—	—	—	—	5.58
Landfill Disposal Volume	Consolidated <sup>7</sup>	—	—	—	53,141	30,098	18,799
Landfill rate for industrial waste	Consolidated <sup>7</sup>	—	—	—	14.5%	8.7%	6.1%

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 details, refer to Responsible Care, p61-63.

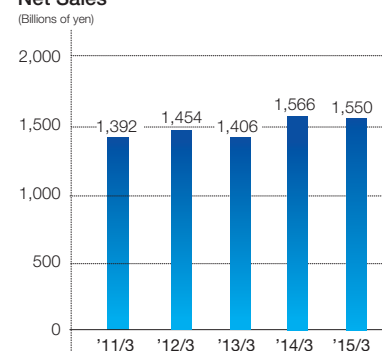
3. Work-related Significant Occupational Injury frequency rate: The number of deaths or WSOLs per million hours worked

4. Data reflect the total of six manufacturing sites and domestic and overseas consolidated subsidiaries (fiscal 2014: domestic 21, overseas 14)

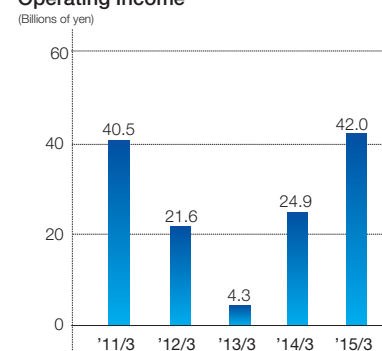
5. Data reflect the total of six manufacturing sites and domestic consolidated subsidiaries (fiscal 2014: domestic 21)

2011/3	2012/3	2013/3	2014/3	2015/3	
				(Millions of yen)	(Thousands of U.S. dollars)
¥1,391,713	¥1,454,024	¥ 1,406,220	¥1,566,046	<b>¥1,550,076</b>	<b>\$12,899,026</b>
40,548	21,564	4,290	24,899	<b>42,040</b>	<b>349,838</b>
24,854	(1,007)	(8,149)	(25,138)	<b>17,261</b>	<b>143,638</b>
38,851	22,884	9,206	22,522	<b>44,411</b>	<b>369,568</b>
117,089	89,854	49,729	73,828	<b>90,218</b>	<b>750,753</b>
73,196	43,302	18,512	43,476	<b>58,287</b>	<b>485,038</b>
(43,204)	(42,452)	(58,136)	(89,781)	<b>(35,036)</b>	<b>(291,554)</b>
29,992	850	(39,624)	(46,305)	<b>23,251</b>	<b>193,484</b>
				(Millions of yen)	(Thousands of U.S. dollars)
¥665,976	¥661,311	¥715,396	¥777,015	<b>¥731,708</b>	<b>\$6,088,939</b>
467,735	430,629	446,637	425,840	<b>433,629</b>	<b>3,608,463</b>
161,916	164,363	175,962	229,307	<b>246,453</b>	<b>2,050,870</b>
1,295,627	1,256,303	1,337,995	1,432,162	<b>1,411,790</b>	<b>11,748,273</b>
442,298	451,507	493,908	507,056	<b>448,499</b>	<b>3,732,204</b>
422,228	389,025	415,173	515,459	<b>491,992</b>	<b>4,094,133</b>
383,740	367,436	376,779	352,843	<b>406,235</b>	<b>3,380,503</b>
480,701	464,773	507,183	581,260	<b>548,713</b>	<b>4,566,140</b>
				(Millions of yen)	(Thousands of U.S. dollars)
¥69,237	¥62,749	¥43,864	¥48,143	<b>¥48,251</b>	<b>\$ 401,523</b>
45,137	44,814	56,649	113,200	<b>47,531</b>	<b>395,531</b>
36,166	33,176	31,997	33,569	<b>32,473</b>	<b>270,226</b>
				(Yen)	(U.S. dollars)
¥24.80	¥(1.01)	¥(8.14)	¥(25.10)	<b>¥ 17.24</b>	<b>\$ 0.14</b>
6.00	6.00	6.00	3.00	<b>5.00</b>	<b>0.04</b>
2.91%	1.48%	0.31%	1.59%	<b>2.71%</b>	
6.53%	—	—	—	<b>4.55%</b>	
3.20%	1.69%	0.33%	1.80%	<b>2.96%</b>	
1.04	1.12	1.22	1.44	<b>1.22</b>	
				(Persons)	
12,782	12,868	12,846	14,271	<b>14,363</b>	
7,878	7,633	7,266	7,129	<b>6,931</b>	
11.2%	11.4%	11.7%	11.9%	<b>11.9%</b>	
0.28	0.22	0.49	0.24	<b>0.18</b>	<b>(Target 0.15)</b>
103	99	94	84	<b>86</b>	PJ
4.90	4.67	4.53	4.49	<b>4.28</b>	Million tons
5.68	5.46	5.30	5.10	<b>4.90</b>	
18,163	1,147	1,179	630	<b>601</b>	tons
5.4%	0.4%	0.4%	0.2%	<b>0.2%</b>	

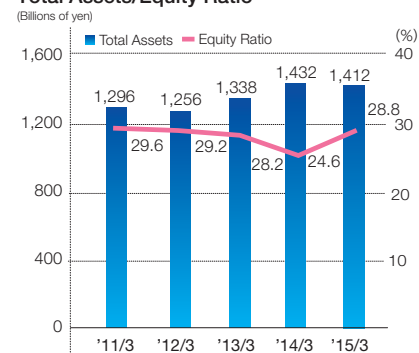
### Net Sales



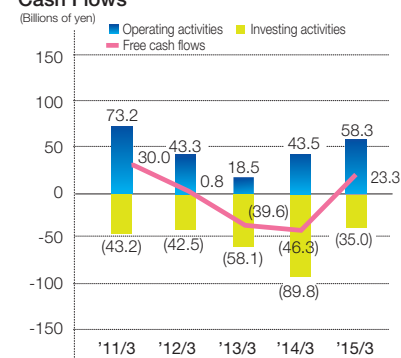
### Operating Income



### Total Assets/Equity Ratio



### Cash Flows



6. GHG emissions for overseas consolidated subsidiaries are 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 (fiscal 2014: domestic 21, overseas 14)

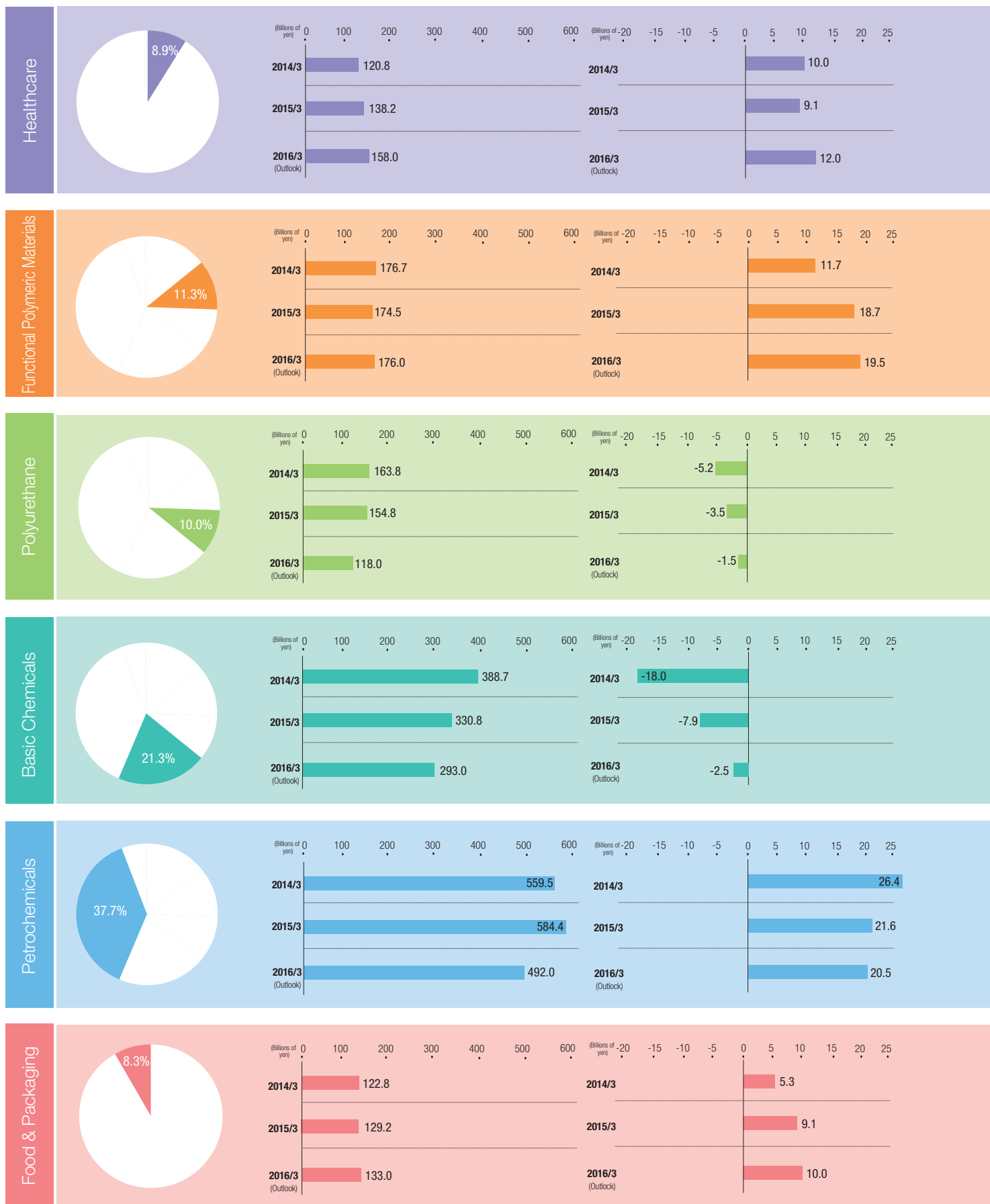
7. Data reflect the total of manufacturing sites of domestic and overseas consolidated subsidiaries and companies eligible for RC support (fiscal 2014: domestic 22, overseas 22)

# At a Glance

## FY2014 Net Sales Composition

## Net Sales

## Operating Income (Loss)



Mitsui Chemicals undertook minor the reorganization in some of its business segments on April, 2015. Specifically, the fine & performance chemicals business and licensing business were moved from the Functional Chemicals segment to the Basic Chemicals segment and the Petrochemicals segment, respectively. The healthcare materials and nonwovens businesses were reorganized into the Healthcare segment. In addition, the Films & Sheets segment and the agrochemicals business of the Functional Chemicals segment were merged to form the new Food & Packaging segment. The amounts presented as results by segment are approximate estimates. The outlook for the year ending March 2016 was announced on May 12, 2015.

## Analysis of YoY changes

Sales volumes of ophthalmic lens materials in the healthcare materials field and hygiene nonwoven fabrics expanded due mainly to growth in overseas demand. While the dental materials business benefitted from a pickup in sales, fixed expenses increased mainly due to the amortization of goodwill expenses associated with business acquisition.

Taking these factors into consideration, revenue increased and earnings decreased for the segment as a whole.



Healthcare

Earnings increased for elastomers, which are primarily used in automotive components and as resin modifiers, as well as performance compounds, mainly as a result of expanding demand for global market automotive applications, mainly in North America and Asia. Turning to functional polymers, earnings also increased. This was largely attributable to successful efforts to capture electronics- and information-related application demand, especially for use in smartphones. Moreover, the weak yen pushed up earnings in this segment.

Despite these improvements, overall earnings declined owing mainly to the previous fiscal year's unification of the accounting periods of certain subsidiaries.



Functional Polymeric Materials

Sales volumes of polyurethane materials, which are mainly used in the manufacture of furniture, declined due to weak market conditions. Despite severe overseas market conditions, the operating loss in this segment narrowed, buoyed by the positive flow-on effects of the weak yen. Earnings from coatings and engineering materials increased. This was largely attributable to growth in overseas demand.



Polyurethane

The operating loss in this segment narrowed substantially mainly from improvements in phenols. This largely reflected improvements in the terms of trade as a result of the widespread carrying out of periodic maintenance at the production facilities of other competitors throughout the industry in Asia as well as the benefits of business restructuring measures undertaken by the Group.

Meanwhile, revenue declined owing primarily to the change in status of a PTA subsidiary in Thailand to an equity-method affiliate.



Basic Chemicals

Trends in the overseas PP compounds business were firm due mainly to the increase in automobile production in North and Central America. In addition, the naphtha cracker operating rate remained high, well above the level recorded in the previous fiscal year.

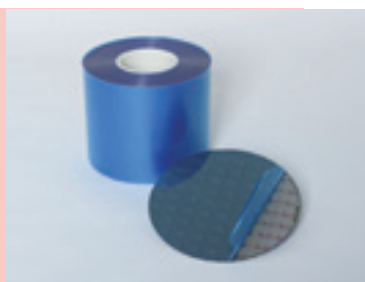
Meanwhile, earnings declined owing mainly to the inventory valuation loss as a result of the sharp drop in crude oil prices. Taking each of these factors into consideration, revenue increased and earnings declined.



Petrochemicals

Trends of industrial films in the films and sheets area were strong due to increased demand for high-value-added products, especially smartphones. Accounting for the effects of the weak yen and efforts to reduce costs, both revenue and earnings improved.

Sales of agrochemicals also expanded mainly due to growth in overseas agrochemical demand. As a result, both revenue and earnings improved.



Food & Packaging

	Business Segments	Main Products	Main Markets
Healthcare	Healthcare	Ophthalmic lens materials (MR™), Medical and dental materials	Medical and Healthcare
	Nonwovens	Nonwoven fabrics (SYNTEX™, TAFNEL™), Breathable films, (ESPOIR™) Polyolefin synthetic pulp (SWP™, KEMBESTO™)	Life, Medical and Healthcare, Automotive, Housing and Construction, Agriculture
Functional Polymeric Materials	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 (ADMERTM), Thermoplastic olefin elastomer (MILASTOMERTM), Engineering plastics (ARLENTM)	Life, Electronics and Information, Automotive
	Performance Polymers	Specialty polyolefins (TPXTM, APELTM, HI-ZEX MILLION™), Semiconductor manufacturing material (Mitsui PELLICLE™)	Life, Electronics and Information, Automotive
Polyurethane	Polyurethane Materials	Polyurethane raw materials (TDI, MDI, PPG)	Life, Electronics and Information, Automotive
	Coatings & Engineering Materials	Polyurethane resins (TAKENATE™, TAKELACT™), Coating resins (U-VAN™, OLESTERTM, ALMATEXTM BONRONTM), Polyolefin resins (HI-WAX™ CHEMIPEARL™, UNISTOLE™), Sealants for displays ( STRUCTBOND™)	Life, Electronics and Information, Automotive, Housing and Construction
Basic Chemicals	Phenols	Phenol, Bisphenol A (BPA), Epoxy resin, Acetone, Methyl isobutyl ketone (MIBK), Isopropylalcohol	Electronics and Information, Automotive, Housing and Construction
	PTA-PET	Purified terephthalic acid (PTA), Polyethylene terephthalate (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
	Fine & Performance Chemicals	Acrylamide, Toner binder resin, Semiconductor gas	Life, Electronics and Information
Petrochemicals	Petrochemical Feedstocks	Ethylene, Propylene	Industrial use
	Polyolefins	High density polyethylene, Metallocene linear low density polyethylene (EVOLUE™), Linear low density polyethylene, Polypropylene (PP), PP compounds	Life, Electronics and Information, Automotive, Housing and Construction
	Licensing	Olefin polymerization catalysts	Industrial use
Food & Packaging	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 process films (Separator SP-PET, ICROSTM TAPE, OPULENT™)	Electronics and Information
	Functional Sheets	Foam sheets for logistics and construction (Hi-Sheet™, Paulownia™) Encapsulant sheets for solar cells (SOLAR EVATM, SOLAR ASCE™)	Electronics and Information, Automotive, Housing and Construction
	Agrochemicals	Insecticides, Fungicides, Herbicides, Non-crop speciality chemicals	Life, Agriculture

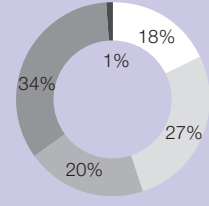
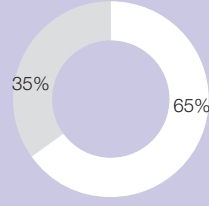
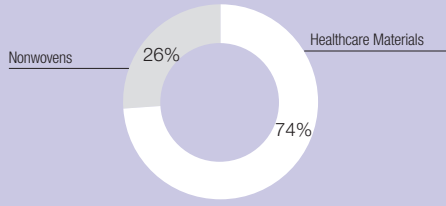
FY2014 Segment Sales

Overseas Sales Ratio

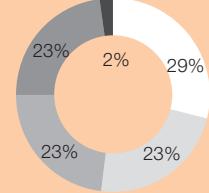
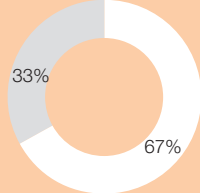
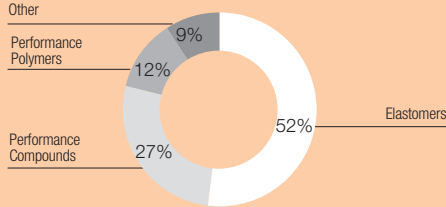
Overseas Sales Breakdown

■ Domestic □ Overseas

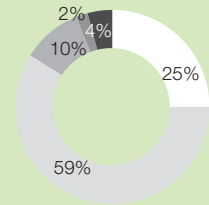
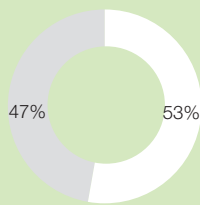
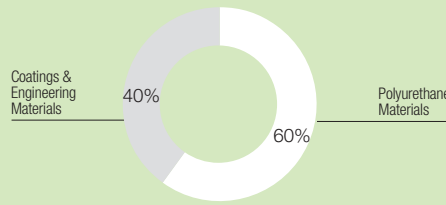
□ China □ Asia\* ■ America ■ Europe ■ Other



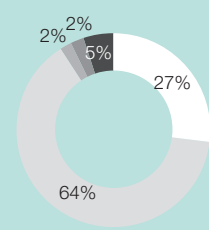
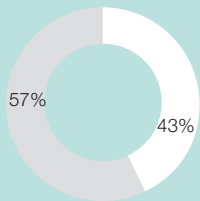
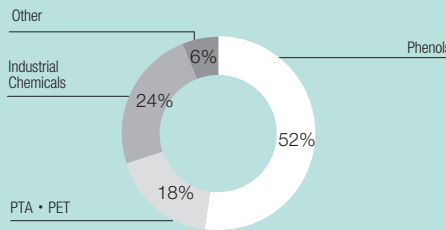
Healthcare



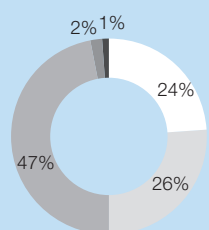
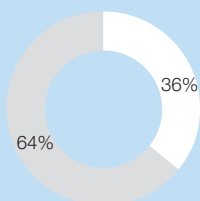
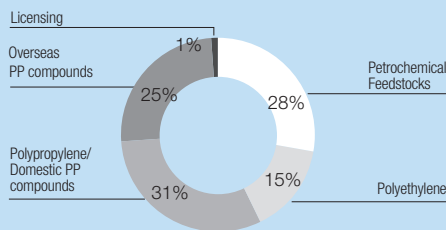
Functional Polymeric Materials



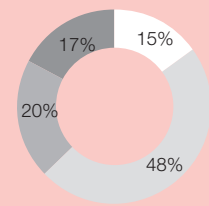
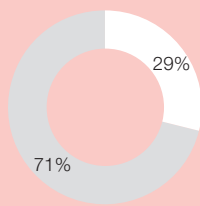
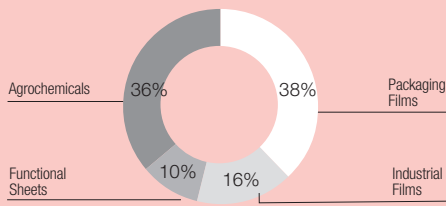
Polyurethane



Basic Chemicals



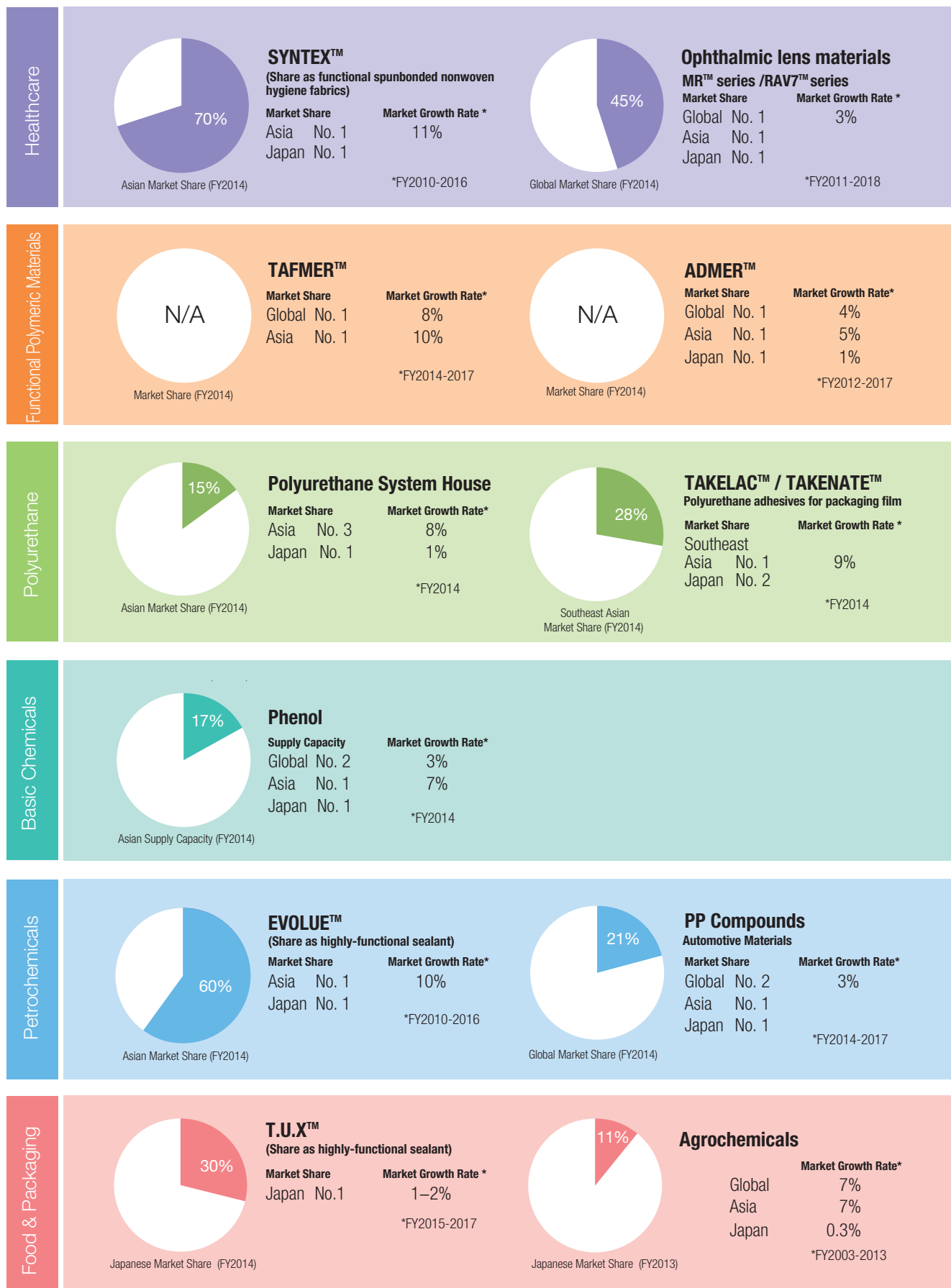
Petrochemicals



Food & Packaging

\*Asia excluding Japan and China

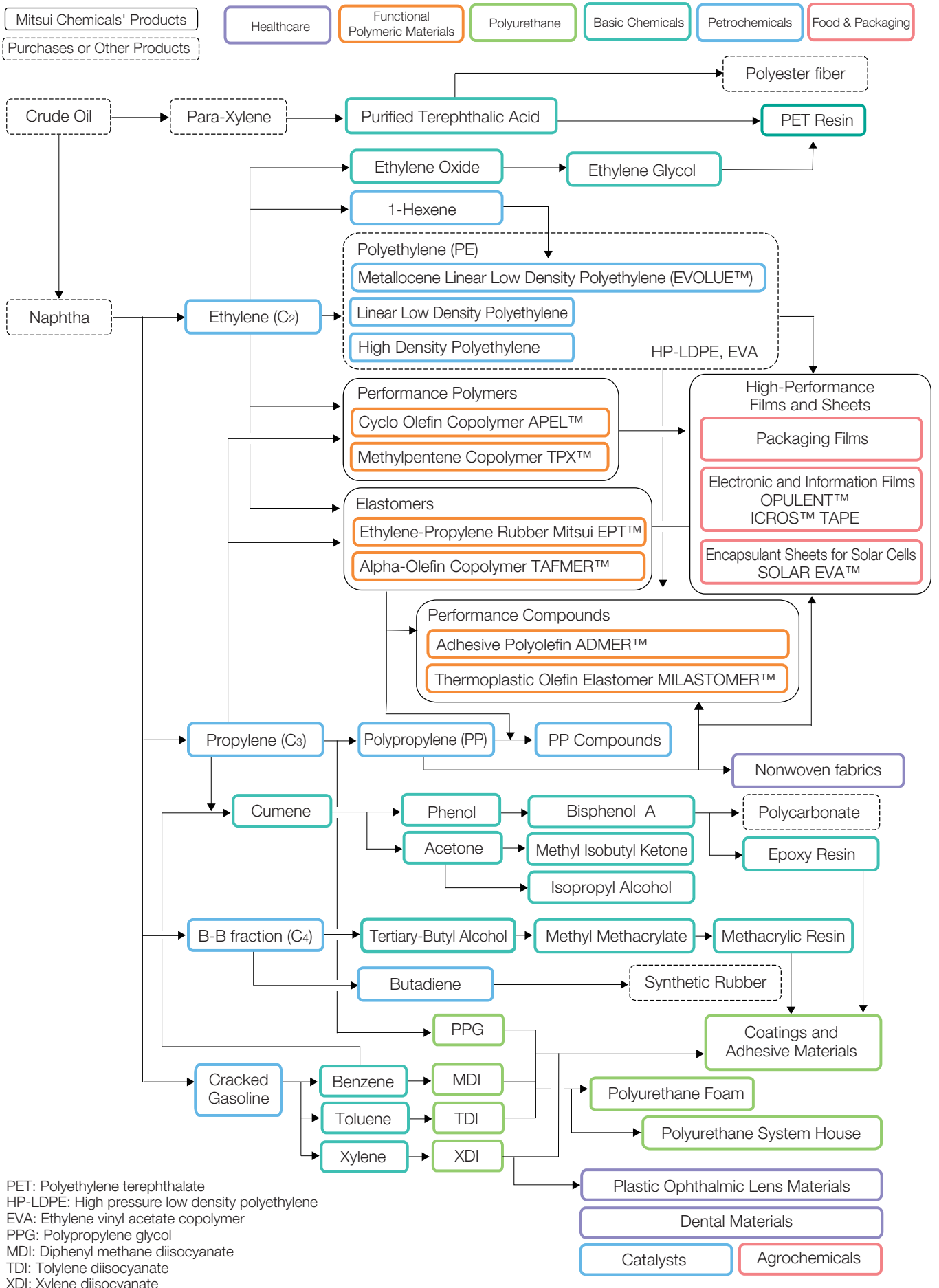
## Market Position of Principal Products



Source: Mitsui Chemicals' estimates  
FY20XX indicates the fiscal year starting April 1, 20XX and ending March 31, 20XX + 1.



# Mitsui Chemicals' Main Products Flow Chart



## Healthcare

Take the lead in transforming Mitsui Chemicals' business portfolio by establishing a new foundation for growth through the strengthening and expansion of existing businesses and peripheral and down-stream development

FY2014  
Results

Net Sales	Operating Income
¥138.2 billion	¥9.1 billion



### Progress in Each Business

- Reinforced the ophthalmic lens materials business
  - Acquired ACOMON AG (2011) of Switzerland, KOC Solution Co., Ltd. (2013) of South Korea, and the photochromic lens materials operations of Corning Incorporated (May 2014) of the United States
  - Launched UV+420cut™, a new material that alleviates strain on the retina (October 2014)
  - Acquired biomass certification for plant-derived high refractive index lens material Do Green™ (January 2015)
  - Constructed a new large-scale facility for XDI, one of the materials used in high refractive index ophthalmic lenses (commercial operations scheduled for October 2015)
- Expanded hard coating materials business of SDC Technologies, Inc. by acquiring U.S.-based Lens Technologies I, LLC. (July 2014)
- Responded to increased demand in Asia for spunbonded nonwoven fabric
  - Increased production capacity (2012) and determined on a plan to further increase production in Japan with commercial operations scheduled to commence during fiscal 2017 (each 15,000 tons per year); Commercial operations commenced in Tianjin, China (December 2013; 15,000 tons per year) bringing the total to 109,000 tons per year
- Expanded the dental material business
  - Acquired Heraeus Kulzer and DENTCA, Inc. (June 2013); Rationalization efforts completed

### Strengthened Efforts to Expand Plastic Ophthalmic Lens Materials Peripheral Businesses

The Mitsui Chemicals Group has a 45% share of the global plastic ophthalmic lens materials market. Its MR™ series of plastic ophthalmic lens materials is particularly distinguished for its high refractive index. In addition, the series 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. With the acquisition of Switzerland-based ACOMON AG, which is particularly strong in the low refractive index lens field, and KOC Solution Co., Ltd. of South Korea, which boasts an extensive lineup of products in the medium refractive index lens field, the Group has significantly reinforced its manufacturing and sales network.

In fiscal 2014, providing new value, the Mitsui Chemicals Group launched UV+420cut™, which blocks 400nm-420nm wavelength light that damages the retinal tissue, and Do Green™, which utilizes plant-derived materials. In addition, the Group entered the fast-growing photochromic lens materials market with SunSensors™.

Focusing on SDC Technologies, Inc, the Mitsui Chemicals Group will expand its production of coating materials, which enhance the functionality of lenses, and provide comprehensive solutions for diversifying customer needs.



USDA Certified Bio-based Products; "USDA BioPreferred®" certification by the United States Department of Agriculture

### Expansion of Highly Functional Spunbonded Nonwoven Fabric Business in Asia

In line with the upswing in demand for higher quality products in the hygiene materials market, 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.

The Mitsui Chemicals Group strengths lie in its ability to engage in comprehensive technologies 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 Group has continued to differentiate itself from competitors and has garnered a leading position in Asian markets for highly functional hygiene nonwoven fabric. Specifically, newly developed products with improved softness and extra stretchability made using special spinning technologies are greatly expanding sales by accommodating customers' increasingly sophisticated needs.

The Mitsui Chemicals Group will respond to growth in demand in Asia by taking full advantage of our annual nonwoven fabric production capacity of 94,000 tons at our production bases in Japan, Thailand, and China and continuing to expand supply capacity.

Furthermore, the Group will strengthen our efforts to expand in the new field of nonwoven fabric for medical use, develop differentiated technologies and new products based on "market-oriented" thinking, and maintain and increase our leading share of the nonwoven fabric market in Asia.



Nonwoven medical gown that delivers excellent comfort and barrier functions

# 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

FY2014  
Results

Net Sales  
**¥174.5**  
billion

Operating Income  
**¥18.7**  
billion



## Progress in Each Business

- Increased production capacity for 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 of highly expanded foamed sponges using elastomer Mitsui EPT™ proprietary metallocene catalytic technologies (2011)
- Commenced commercial production at an EPT manufacturing and marketing joint-venture company established with China Petroleum & Chemical Corp. (Sinopec) (75,000 tons per year; December 2014)
- Commenced ADMER™ and MILASTOMER™ commercial production in China (11,000 tons per year; March 2015)
- Brought to market the new polyester engineering plastic PROVEST™ in 2012 and promoted its use as a LED reflective material
- Adopted the new elastomer product NOTIO™ SN as a material for the synthetic leather used in high-end luxury brand bags (March 2013)
- Expanded the adoption of performance polymers, including APEL™ and TPX™, used in the information and electronics field, such as for smart phone-related products
- Adopted the unique resin TPX™, as a material used in the manufacture of microwave oven cookware (2014)
- Reinforced LUCANT™ sales and marketing functions through the execution of an exclusive distributorship agreement with The Lubrizol Corporation (September 2014)
- Reinforced marketing functions through the establishment of an office in Korea (October 2014)

## Increasing Our Competitive Edge by Reinforcing Bases throughout Asia

In Shanghai, China, business operations of both a joint-venture company established with Sinopec for EPT and business bases for ADMER™ and MILASTOMER™ commenced in 2014.

Mitsui EPT™ has attracted high praise for its proprietary metallocene catalytic technology, which boasts considerable competitive advantages in terms of quality and costs. Demand in China is expanding dramatically in line with the rapid growth in social infrastructure projects in the automobile, railway, and related sectors.

With ADMER™, an adhesive polyolefin, the Mitsui Chemicals Group has won the top share of the global market by gaining trust in the applications of automobile fuel tanks and food packaging materials. MILASTOMER™, the pioneer of the automobile interior skin applications, is now recognized as a highly competitive window frame sealing material and is attracting widespread attention not only from Japanese automobile manufacturers, but also from a large number of the overseas customers. Another aspect of MILASTOMER™ is the synergy derived from the integrated framework between Mitsui EPT™, the principal raw material, and our outstanding compound technology for thermoplastics elastomers.

The Mitsui Chemicals Group's strengths lie in longstanding relationships with customers based on mutual trust and its technical support. Our newly established office in Korea will demonstrate its functions to promptly address local needs and deliver customer value and thereby increase our competitive advantages.



ADMER™; adhesive for fuel tanks



MILASTOMER™; materials for automobile interiors

## Accelerating the Pace of New Product and Application Development in the Mobility Domain

Following in the footprints of Mitsui EPT™ and other products, the Mitsui Chemicals Group is focusing considerably on the development of major products for the target business domain of Mobility.

Drawing on the synergies generated through its alliance with industry leader The Lubrizol Corporation, the Mitsui Chemicals Group is expanding the business of LUCANT™, a viscosity modifier for lubricant applications that contributes significantly to better fuel efficiency and extended service life, in the high-performance gear oil market. Taking full advantage of its excellent heat resistance, the Group is also promoting AJURUM™, a thermoplastic polyimide resin, for turbocharger applications, a large market, to improve fuel efficiency.

In terms of creating applications, APEL™, with its outstanding optical properties, is experiencing rapid growth in the field of photographic lenses for devices such as smart phones and is expanding its target applications to include in-vehicle cameras as alternative to glass, and we are pursuing further development with customers in the field. As the lightest of all commercial thermoplastic resins, TPX™ is being promoted by the Group as a resin matrix that further increases the strength and reduces the weight of carbon-fiber-reinforced plastics.

The Mitsui Chemicals Group will actively pursue development that addresses such social needs as improved safety and better fuel efficiency. In this manner, the Group will work toward expanding its business in the Mobility domain.

# Polyurethane

Reform the business portfolio and expand both the scale of operations and earnings by building a business structure that is resilient to changes in market conditions and accelerating the pace of expansion of new products, including specialty isocyanates

FY2014  
Results

Net Sales	Operating Loss
<b>¥154.8</b> billion	<b>-¥3.5</b> billion



## Progress in Each Business

- Implemented steps to rebuild the polyurethane 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 May 2016)
- Established a joint venture in the biopolyol business in India (September 2013; commercial operations scheduled to commence in the second half of 2015)
- Upgraded and expanded system house operations in an effort to strengthen the manufacture and sale of polyurethane compounds; Continued working toward a network of six bases in Asia
- Established a joint venture with Korea-based SKC Co., Ltd. to strengthen the polyurethane materials business conducted mainly through the system business (July 2015)
- Commenced construction of a large-scale facility for the production of XDI, a specialty isocyanate (5,000 tons per year; commercial operations scheduled to commence in October 2015)
- Decided to commercialize new products, including FORTIMO™ and STABIO™, new specialty isocyanates (April 2015); Commenced construction of a new plant (2,000 tons per year; commercial operations scheduled to commence in August 2016)

## Established a Joint Venture with Korea-Based SKC Co., Ltd.

Mitsui Chemicals, Inc. and Korea-based SKC Co., Ltd. established Mitsui Chemicals & SKC Polyurethanes Inc. to strengthen both companies' global polyurethane material businesses. This joint venture entailed the consolidation of both companies' polyurethane materials operations, including manufacturing, sales, and research and development functions, and marked the launch of Asia's largest comprehensive polyurethane materials manufacturer.

The Mitsui Chemicals Group was previously active in the system house business mainly in Asia through the manufacture and sale of polyurethane compounds tailored to customer needs. Integration with SKC has expanded the network to cover three broad global regions thanks to the addition of bases in Europe and the United States, and enabled the new company to provide value globally.

With separate and diverse customer platforms, the new company will account for a 40% share of its products sold to Japanese and Korean automobile manufacturers and a 25% share of the market for refrigerator insulation materials. Leveraging an expansive network based on the close relationships with customers cultivated by each company, the new company will not only capture demand in growing markets, but also create new applications while securing new users through an abundant product lineup and unrivalled development capabilities to address customer demand. Furthermore, by harnessing a substantial competitive cost advantage through the effective use of proprietary resources, energies will be channeled toward maximizing synergy effects.



## Expanding the Coatings and Engineering Materials Business

The Mitsui Chemicals Group's broad product lineup is enjoying widespread use in the coating, adhesive, molding, and related fields. The Group is increasing its share of high-growth, high-value-added markets by expanding sales of paint resins for automobiles and information appliances as well as resins for use in food packaging, particularly in Asia, where demand remains notably on the rise, and developing new products with new, innovative applications.

In our core business, production of XDI, the specialty isocyanate, will commence at a new facility in October 2015.

The Group is expanding its global endeavors to various areas, including India, in the heat sealing material field by rolling out CHEMIPEARL™, a proprietary polyolefin particulate aqueous dispersion. In the organic EL (OLED) encapsulant materials field, where high growth is expected, STRUCTBOND™ is being increasingly adopted as a sealant for display devices.

The Mitsui Chemicals Group has decided to commercialize FORTIMO™ and STABIO™. FORTIMO™ is a polyurethane elastomer that offers elasticity, durability, and heat resistance superior to that of existing isocyanates. It can be used in automotive elastomeric materials and garment materials using elastic fibers. STABIO™, a polyisocyanate derived mainly from biomass, offers high reactivity and improved chemical resistance. It has a variety of applications, including in automotive paints, plastic paints, and adhesives. In each case, the Mitsui Chemicals Group is endeavoring to further expand sales.



Light metal and resin 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

## FY2014 Results

Net Sales	Operating Loss
<b>¥330.8</b> billion	<b>-¥7.9</b> billion

## Progress in Each Business

- Established an optimal phenol production structure
  - Phenol:  
Terminated one facility in Japan (250,000 tons per year; September 2014); Commenced commercial operations at a new plant at Shanghai Sinopec Mitsui Chemicals Co., Ltd. (SSMC), a joint-venture company with Sinopec (250,000 tons per year; December 2014)
  - Bisphenol A:  
Terminated 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 P.T. 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 using a proprietary highly active catalyst technology in the production of isopropyl alcohol (IPA) (April 2013)

## 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, the Mitsui Chemicals Group decided to rebuild each of these businesses with a focus on establishing a local production structure geared toward local consumption. Moving forward, the Group will carry out all necessary measures to achieve its established goals.

### 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, the Mitsui Chemicals Group terminated operations at a phenol facility in Japan (annual production capacity of 250,000 tons) and constructed a new phenol production facility with the same capacity in China through its joint venture with Sinopec. This facility came online in December 2014.

The new facility has adopted the Group'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, and together with its BPA operations that began in 2009, the Group has secured comprehensive competitive strengths that extend from raw materials to derivatives as well as a robust sales network, making it the world's pre-eminent phenol producer.

Furthermore, in its BPA operations, the Mitsui Chemicals Group terminated a facility in Japan and suspended operations at another facility in Singapore. The Group has now put in place an optimal tripolar production and sales structure for local consumption that encompasses Japan, Singapore, and China and is expected to exhibit high operating rates. By redoubling efforts to reduce costs, every effort will be made to generate stable and increasingly robust profitability.

### 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, the Mitsui Chemicals Group 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. Despite boasting world-class competitive strengths, the Group has also terminated exports to China by the joint-venture company, SMPC. Taking each of the aforementioned into consideration, operations remain suspended at one of SMPC's three plants.

With the termination of production by other companies in March 2015, the Mitsui Chemicals Group remains the sole manufacturer of PTA for external sale in Japan. In addition to pursuing the supply of products to domestic customers, steps will be taken to curb volumes of low-profit exports and further improve costs.

# Petrochemicals

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

FY2014  
Results

Net Sales  
**¥584.4**  
billion

Operating Income  
**¥21.6**  
billion



## Progress in Each Business

- Increased PP compound production capacity (achieved 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); Plans to establish a structure producing more than 1,000,000 tons per year during the period of the 2014 Mid-Term Business Plan
- Established an EVOLUE™ metallocene polymer manufacturing and sales company in Singapore; Constructed a production facility with 300,000 tons per year (commercial operations scheduled to start in the second half of 2015); Working toward a structure that, when combined with facilities in Japan, has a production capacity of 550,000 tons per year
- 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)
- Withdrew from Keiyo Ethylene Co., Ltd. operations (Ichihara, March 2015)
- Continued the terminated operations at inefficient commodities plants
  - PE termination: 130,000 tons per year in April 2013; 60,000 tons per year in October 2014 (down 10% compared with 2010)
  - PP termination: 90,000 tons per year in March 2011; 90,000 tons per year in July 2013 (down 20% compared with 2010)

## Putting in Place a Leading Global Strategy for PP Compound Automotive Materials

The Mitsui Chemicals Group boasts the second highest share of the global polypropylene (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, the Mitsui Chemicals Group is providing highly acclaimed PP compounds that address various customer needs.

Global automobile production is projected to increase at an annual rate of 3%. The Group is looking to expand at a pace that exceeds this rate and, in a bid to capture new customers, is working to reinforce its global production, sales, and development network. Plans are in place to realize a manufacturing framework that spans eight locations worldwide and is capable of producing more than 1,000,000 tons per year in fiscal 2016.

The Mitsui Chemicals Group 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

## Expanding the High-Value-Added PE EVOLUE™ Product Portfolio

To reinforce its petrochemicals business, the Mitsui Chemicals Group is optimally aligning production to domestic demand while cutting back its production capacity for commodity products that offer limited competitive strengths as it shifts to the production of high-value-added products.

Taking full advantage of the Group's proprietary catalyst and processing technology strengths, Mitsui Chemicals' metallocene linear low-density polyethylene (PE) resin EVOLUE™ offers outstanding molding and processing features, is exceptionally strong, and has little or no odor. In particular, EVOLUE™ is attracting high praise as a highly functional sealant food packaging material, and boasts a market share in Asia of approximately 60%.

With a view to capturing further demand in Asia, which is projected to exhibit persistent growth at a forecast annual rate of 10%, the Mitsui Chemicals Group will bring a new plant online in Singapore with a capacity of 300,000 tons per year in the second half of fiscal 2015.

As a next-generation product, metallocene long-chain branching-type, low-density PE EVOLUE™ E, is easy to process while remaining exceptionally strong. Considerable demand is projected for its use in extrusion laminating. In addition, high-density PE EVOLUE™ H, is enjoying growing use in compact blow containers and automobile fuel tanks due to its strong and rigid properties. In the future, the Group will work diligently to bolster its competitive strengths in this field.

# Food & Packaging

Create functional value and build business models by strengthening collaboration across the Group while establishing partnerships at each stage of the supply chain in order to secure business expansion

FY2014  
Results

Net Sales

¥129.2  
billion

Operating Income

¥9.1  
billion



## Progress in Each Business

- Established a joint-venture company in Thailand with SCG Chemicals Co., Ltd. as a part of global expansion efforts focusing on T.U.X™, a highly functional sealant film (15,000 tons per year; commercial operations commenced in January 2014)
- Boost the competitiveness of the solar cell encapsulant sheet business; Established a joint-venture company with SCIENTEX BHD. in Malaysia as a base for the manufacture and sale of the EVA-based SOLAR EVA™ (10,000 tons per year; commercial operations commenced in November 2012); Accelerated the shift to the highly functional PO-based SOLAR ASCE™ (brought to market 2012)
- 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
- Strengthened overseas development in the agrochemicals business
  - Established overseas bases; Acquired stake in Sotus International in Thailand and Iharabras S.A. in Brazil (2011), Established new R&D base in Thailand (2014)
  - Launched the insecticide Dinotefuran in overseas markets: India (2012); China (2013); Brazil (planned for 2016)
  - Launched the fungicide Penthiopyrad in overseas markets: U.S. and Canada (2012); Europe (2014)
- Developed next-generation agrochemicals comprising five new active ingredients pipelines; Plans call for progressive market introduction from 2016 for the fungicide Tolprocarb

## Highly Functional Packaging Sealant Film Business Development Activities in Asia

The Mitsui Chemicals Group established Siam Tohcello Co., Ltd. as a T.U.X™ production and sales base in Thailand. Commercial operations at this company commenced in January 2014. T.U.X™ is manufactured using the Group's linear low-density polyethylene (L-LDPE) EVOLUE™ as its principal raw material. It is a highly functional sealant film for use mainly in food packaging. 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 improvements in living standards associated with economic growth. With changes in dietary habits spurred by the growing acceptance of processed and related foods, the food packaging materials sector is enjoying a high rate of annual growth of around 10%. This in turn is triggering a rapid rise in the highly functional sealant film market. For its part, the Mitsui Chemicals Group, which boasts a top share of this market in Japan, will build on its relationships with Japanese manufacturers and cultivate local users to expand the take-up of T.U.X™ in Southeast Asia. Looking ahead, the Group will further reinforce its market presence.



## Expanding the Agrochemicals Business through Overseas Business Growth

The global agrochemical market is estimated at approximately USD 56,655 millions (2014). The market is projected to grow as the rise in the world's population triggers calls for an increase in food production.

The Mitsui Chemicals Group has identified Brazil, India, China and Southeast Asia, which continue to experience marked growth, as priority areas for the further development of its agrochemicals business. By introducing formulations that meet local needs, the Group will work steadily to expand sales. In other regions, including Europe and the Americas, the Mitsui Chemicals Group is endeavoring to grow its business by collaborating with such leading global manufacturers as Du Pont and BASF. Through these endeavors, the Group successfully lifted its overseas sales as a percentage of overall sales from 16% in 2011 to 35% in 2014. In fields other than agrochemicals, including animal health and public health, the Group is accelerating the pace at which it is expanding its business.

Looking ahead, the Mitsui Chemicals Group will continue to expand its overseas business by aggressively engaging in a variety of activities. In addition to the development of formulations, the Group will expand marketing and technical promotion in priority areas while upgrading and expanding overseas bases. At the same time, energies will be directed toward preparatory steps aimed at bringing next-generation agrochemicals that offer new modes of action to market and contributing to an increase in global food production through further business expansion.



# 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, within the R&D Strategy Division the Group is consolidating a wealth of information pertaining to the market and customer needs as well as trends in industry, academia, and the public sector, including the activities of venture businesses.

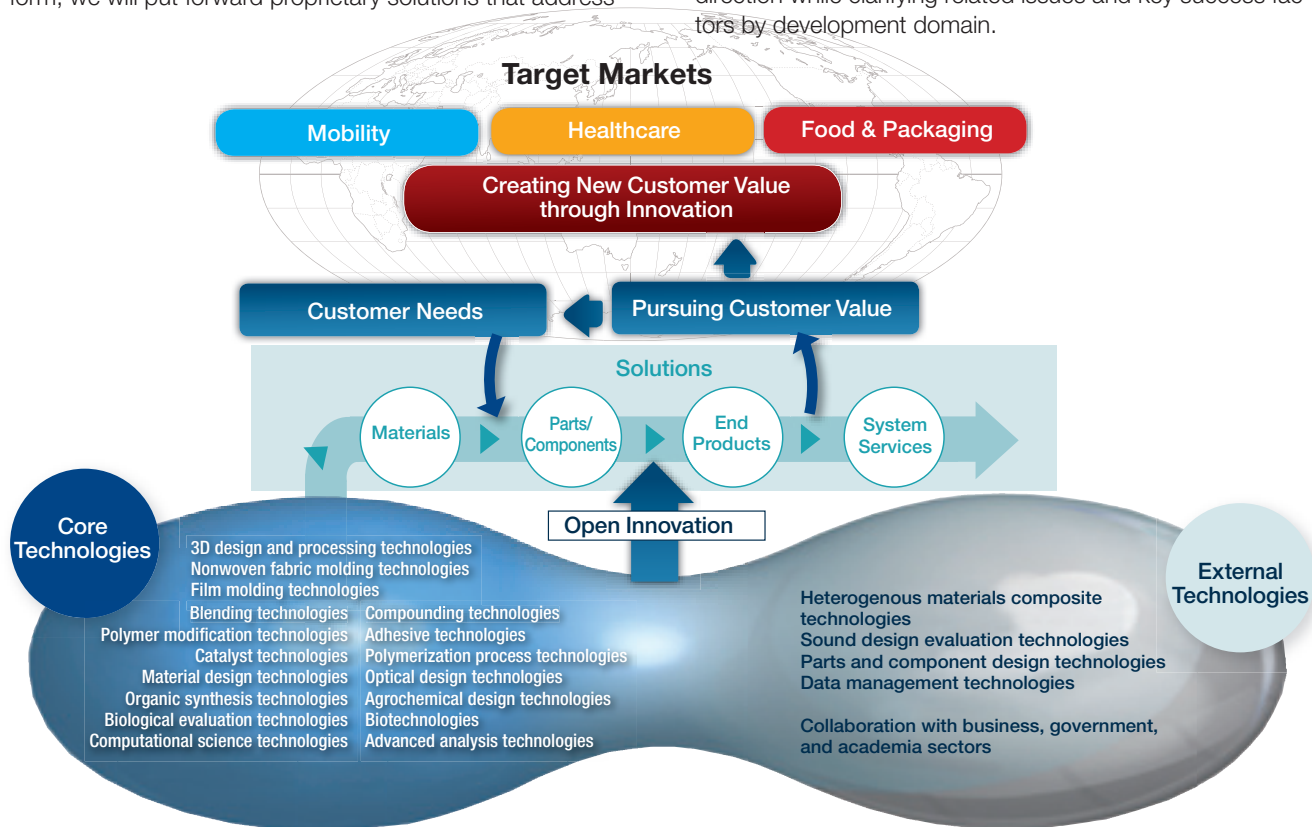
At the same time, we built an R&D management system in order to appropriately share throughout the Group and evaluate this information. Based on this solid information platform, we will put forward proprietary solutions that address

customers' needs by actively exploiting 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 "new customer value" through innovation.

### Development Matrix for the Creation of New Businesses and New Products

The contributions to earnings of new businesses and new products are essential to the Group achieving its target of ¥100 billion in operating income around 2020.

In order to increase the probability that the Group's group development endeavors will succeed, the Mitsui Chemicals Group has taken steps to classify potential opportunities by market and technology and to then identify an appropriate direction while clarifying related issues and key success factors by development domain.



### Matrix for New Business and Product Creation

Technologies	New	<b>1. New products: Technology development areas (Technical innovation)</b> Issues <b>Accelerating large-scale theme development with a clearly identified exit</b> • Taking full advantage of the comprehensive strengths of product and production technology development Examples of development M: Compounds for outer panel use H: New ophthalmic lens materials, functional nonwoven fabrics F: New agrochemical agents, new EVOLUE™, etc.	<b>3. New business areas (Business model innovation)</b> Issues <b>Securing sufficient resources for downstream expansion</b> • Open innovation • Securing safety and reliability Examples of development M: Integrated metal/resin parts; LIB components H: Whole You Dentures, electronic eyeglasses, mouthpieces, etc.
		Existing Businesses (M: Mobility, H: Healthcare, F: Food & Packaging)	<b>2. New products: Market development areas (Application innovation)</b> Issues <b>Co-creation with customers</b> • Selecting lead customers and sharing milestones • Strengthening product prototype proposals Examples of development M: Engineering plastics, robot components F: Overseas agrochemical business development, etc.
		Existing	New
		Markets (Business Model)	



## 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 rights under contract and trade secrets as well as intellectual property rights like patents, confidential know-how, 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.

### 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, 2015. Approximately 60% of these patents are related to the Group's Mobility, Healthcare, and Food & Packaging businesses and are positioned as drivers of growth. Moreover, around two-thirds of the items for which patent applications were filed in fiscal 2014 are related to the growth driver businesses identified above. Moving forward, every possible action will be made to strategically create and utilize the best mix of the wealth of intellectual property assets, including patent rights held by the Group, in order to build and reinforce an intellectual property portfolio that is capable of ensuring business success.

#### Number of Patent Families Held

Growth Drivers	Mobility	1,356
	Healthcare	573
	Food & Packaging	525
Supportive Earnings Platform	Basic Materials	1,054
Other		552
Total		4,060

(As of March 31, 2015)

### Furthering Intellectual Property Strategies in Key Overseas Regions

Measures to counter the risks associated with intellectual property rights in emerging markets, such as those of Asia, are becoming increasingly important as the Group works to expand globally. Against this backdrop, Mitsui Chemicals is forming close ties with regional holding and local Group companies 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 across overseas businesses, while taking into consideration the moves to revise related laws and regulations as well as changes in the business environment, particularly in China, in a timely manner.

### Strengthening the Mitsui Chemicals Group's Intellectual Property Platform

Mitsui Chemicals is strengthening its operating platform to better ensure the uniform group-wide management of its intellectual property assets so as to carry out its intellectual property strategy collaboratively with Group companies. In addition, we have established an intellectual property education and training system. By devising a program to develop human resources who are well versed in areas related

to intellectual property, we are supporting and strengthening efforts to build an abundant pool of personnel with keen intellectual property mind-sets and skills.

### Intellectual Property-Related Contributions to Society

Looking beyond the capabilities of the Group, Mitsui Chemicals actively collaborates with public agencies and other intellectual property-related institutions in order to further strengthen intellectual property platform and to contribute to the development of human resources in Japan and overseas.

#### Mitsui Chemicals' Employee Receives the 2014 Commissioner's Award for Merit in Patent Information Dissemination Activities

Yoshiko Sugawara, Deputy General Manager of the Company's Intellectual Property Division, was awarded the 2014 Commissioner's Award for Patent Information Dissemination Activities, the highest merit award presented by the Japan Patent Information Organization (JAPIO). JAPIO established patent information dissemination awards for individuals and groups to bolster the understanding, use, and research of patent information as well as to strengthen the competence and competitiveness of human resources. This award was presented to Ms. Sugawara in recognition of her unflagging efforts to improve understanding of patent activities for close to 20 years.

The reasons behind her receiving the award include her efforts to help develop human resources through close ties with the Japan Intellectual Property Association, the Japan Patent Office and other such government bodies as well as her participation in organizing the Patent Search Competition, which serves to evaluate and bring recognition to persons working in fields related to patenting and patent research.



# Dialogue 4

**Yoshio Suzuki**

Outside Director

**Masaharu Kubo**

Senior Managing Executive Officer



## Mitsui Chemicals' Ideal for a Fully Functioning Board of Directors

### Cultivating Governance through Dialogue

**Kubo:** Society's interest in corporate governance continues to grow with the introduction of a Corporate Governance Code in Japan. In the dialogue that follows we explore Mitsui Chemicals' ideal for a fully functioning Board of Directors.

The role of Board of Directors is to supervise the process that determines the overall direction the Company will take to increase corporate value and to monitor the execution of associated measures.

Mitsui Chemicals adopted the executive officer system in 2003. By providing officers with a certain level of authority to carry out day-to-day operations, the Company has increased the speed and flexibility of decision making. To ensure the integrity of the decision-making process, executive directors and responsible executive officers report

to the Board of Directors on important matters relating to business execution.

The following is a conversation I had with Yoshio Suzuki, an outside director and member of Mitsui Chemicals' Board of Directors, in which we discuss his impressions of the Company's governance.

**Suzuki:** Mitsui Chemicals' system of corporate governance entails that the progress made by each executive director in achieving agreed upon reform objectives related to organizational structure, human resources, systems, and corporate culture in his or her area of functional responsibility is considered and evaluated along economic, environmental, and social axes.

Striking features of Mitsui Chemicals' governance system include the considerable weight placed on ensuring that outside directors and outside corporate auditors vigorously and freely ask questions and offer opinions during meetings of the Board of Directors and the promotion of dialogue with all levels of management to ensure that the Company's objective-oriented mechanisms function properly.

**Kubo:** Mitsui Chemicals' outside directors and outside corporate auditors come from a variety of backgrounds and are well-versed in a number of fields, including corporate management, finance, the law, education, and consumer affairs. As representatives of the Company's many stakeholders, their comments help to stimulate executive

directors and are of enormous significance.

**Suzuki:** Mitsui Chemicals is at a critical turning point. The Company is working to expand in growth fields and restructure its bulk and commodity product businesses in order to transform its business portfolio. At this important juncture, determining strategies during Board of Directors' meetings and monitoring the execution of those strategies are becoming increasingly important. In its first year under the Mid-Term Business Plan, the Company was successful in quickly securing positive results toward business growth and the restructuring of its businesses. I believe that this is a clear indication that the Board of Directors and our executive officer system are functioning more than adequately.

### Working toward a Board of Directors with Increased Depth That is Capable of Promoting Lively Discussion

**Kubo:** Mitsui Chemicals has long recognized the important role that outside directors play in overseeing management. As a forward-looking initiative, the Company first appointed an outside director to its Board some 20 years ago. In order to heighten the level of independence, steps were taken to appoint multiple outside directors from 2006. When selecting potential candidates, the focus is on expertise and what each individual can bring to the



table irrespective of gender. With the aim of stimulating vigorous debate, Mitsui Chemicals regularly conducts explanatory meetings to promote a deeper understanding of the Company's business. Complementing this initiative, Mitsui Chemicals promotes a variety of activities, including tours of its works as well as subsidiaries and affiliates. What are your thoughts on these endeavors?

**Suzuki:** In my case, responsible officers presented detailed explanations of the Company's operations upon my initial appointment. These presentations encompassed everything from the meaning of technical chemistry terms to details of the Company's business segments and operations.

In addition to works and research and development center in Japan, I recently visited Group bases in China. At each location, there was ample opportunity for detailed discussions with local staff. Such opportunities for first-hand experience are extremely important to getting a proper feel for the Group's worksites.

Thanks to the combination of a genuine understanding of the Company's business, the experience of direct contact with the frontline, and the practical knowledge that each outside director brings to the table, we are able to ask meaningful questions and engage in constant vigorous discussion.

**Kubo:** Quite clearly, visiting works and getting a first-hand feel for the Company's operations goes a long way to increasing understanding.

**Suzuki:** As I toured various works, I was so surprised by how much equipment and piping there was. My visits to these worksites also brought home to me the extraordinary amount of effort that goes into not only maintaining such facilities but preventing accidents and disasters.

As the Company moves further along its current recovery track, I would like to again to remind each and every employee of the Group that Mitsui Chemicals is nothing without safety.

**Kubo:** The number of internal directors has been reduced in an effort to increase the depth of the Board of Directors' functions and capabilities and to speed up the decision-making process. Currently, the Company has seven internal directors. This is around half the previous number.

**Suzuki:** Mitsui Chemicals has taken steps to concentrate its responsibilities and authority. Energies have also been directed toward promoting lively discussion. Moreover, the number of outside directors has been increased without raising the overall number of directors. Thus, every effort is being made to nurture a more objective and independent Board. It would seem that this is another benefit accruing to the adoption of an executive officer system.

**Kubo:** What are your thoughts on how the Board of Directors operates?

**Suzuki:** In the lead-up to each Board of Directors' meeting, the members take care to peruse the minutes of Management Committee meetings. Moreover, the responsible executive officer provides a full explanation in advance based on detailed materials. This is followed by a thoroughgoing Q&A session. Over the course of this process, the focus of discussion at Board of Directors' meetings can shift from a negative position that favors defensive action to a more positive stance and openness to new ideas on business improvement. I see this as a defining feature of Mitsui Chemicals' Board of Directors.

**Kubo:** Is there any particular Board of Directors' meeting or issue that has stood out since you joined the Board as an outside director?

**Suzuki:** I would say the proper management of inventory. In working to transform the business portfolio, Mitsui Chemicals has a tendency to focus on M&A as a vital tool. Given this, cash flow will become an increasingly important issue. However, in the time since my appointment as outside director, I've seen that inventories have tended to exert downward pressure on cash flow.

Drawing on comments from the frontline, the Board of Directors has therefore taken steps to confirm the adequacy of monthly inventories not only in terms of monetary amount, but also on a volume basis.

While we need to take additional steps if we are to reach optimal inventory levels, our efforts to date will generate cash flows that can then be used to fund further growth.

### **Mitsui Chemicals' Unique Approach to Corporate Governance**



**Kubo:** Mitsui Chemicals is a company that has adopted a corporate auditor system. Composed of outside auditors, the Executive Compensation Advisory Committee was established as a discretionary organization to deliberate on executive compensation. The results of these deliberations are then discussed by the Board of Directors. Along with these discretionary mechanisms, we draw on the opinions of outside officers to upgrade and expand governance.

**Suzuki:** As I see it, Mitsui Chemicals' systems are highly efficient. While maintaining its unique identity, the Company continues to consider ways of further enhancing the efficacy of its governance system. I would like to see it succeed in this endeavor.

With an eye to incorporating increasingly diverse perspectives in its management, the Company is looking to appoint a female director in the not so distant future. We are therefore undertaking the important task of identifying candidates and are providing the guidance, tutoring, and experience required for those taking on higher management positions.

**Kubo:** Thank you. Moving forward, I would like the Company to continue to focus on maintaining its identity while determining the optimal organizational design and how best to employ its discretionary advisory committee to ensure a corporate governance system that leads to sustainable growth and improved corporate value.

### **Yoshio Suzuki**

Outside director of Mitsui Chemicals,  
Attorney at Ichibancho Sogo Law Office,  
Professor at the Chuo Law School and  
Outside Corporate Auditor of Samantha  
Thavasa Japan Limited

# Corporate Governance

## Corporate Governance Basic Stance

The Mitsui Chemicals has positioned efforts to enhance corporate governance as one of its key management issues in order to earn the trust of broader society and to fulfill its social responsibilities as a company. As a part of efforts to maintain and increase the Company's corporate value on a continuous and sustainable basis, the Company undertakes a variety of measures. In addition to clarifying administrative authority and decision making in accordance with company regulations, we have drawn a clear distinction between the management supervisory and business execution functions through the adoption of an

### 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, the Mitsui Chemicals attends to the early distribution of a Notification of Convocation (approximately 22 days prior to each meeting) while posting details on its official homepage in advance (approximately 27 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 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 (including 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 2014, the Board of Directors convened 11 times (ordinary meetings are held monthly and extraordinary meetings on an as-required basis).

#### President & CEO

#### CSR Committee

#### Responsible Care Committee

#### Risk & Compliance Committee

Business Sectors, Corporate Divisions, R&D Center, Works and Others

### Total Compensation for Fiscal 2014

Classification	Number of Persons Receiving Payment	Amounts Paid (Millions of Yen)	Outside Officers (Included in figures at left)	
			Number of Persons Receiving Payment	Amounts Paid (Millions of Yen)
Members of the Board	12	324	2	19
Corporate Auditors	5	82	3	29
Total	17	406	5	48

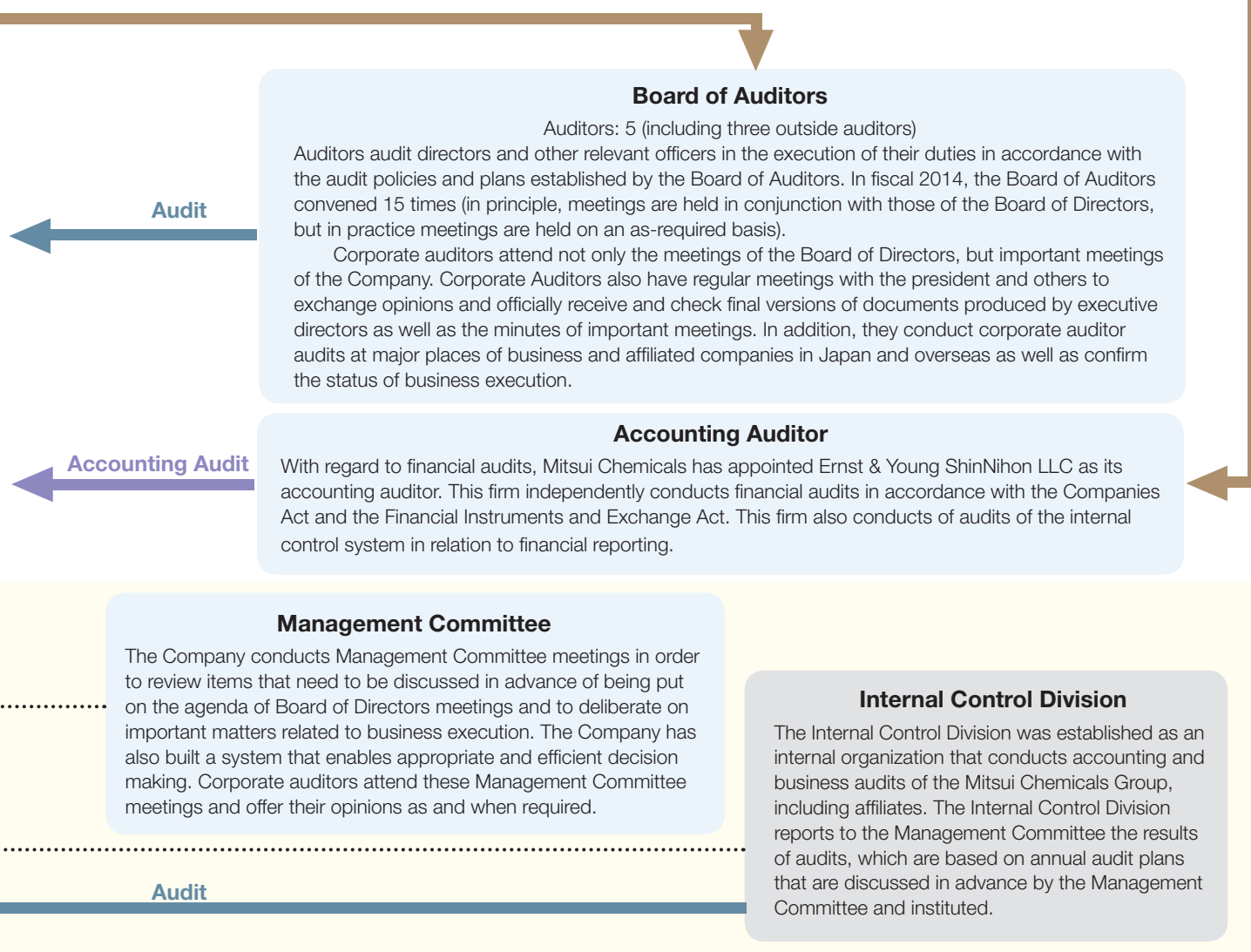
The figures in the table at left include amounts paid to three members of the board who retired as of the close of the Annual General Meeting of Shareholders for the Company's 17th Business Term held on June 24, 2014, covering the period from April 2014 through to the date of retirement. Moreover, the following bonuses were paid to members of the board based on a resolution of shareholders at the Annual General Meeting of Shareholders for the Company's 18th Business Term held on June 24, 2015.

- Seven members of the board in office as of March 31, 2015: ¥38.5 million
- Two members of the board, who retired as of the close of the Annual General Meeting of Shareholders for the Company's 17th Business Term held on June 24, 2014 (covering the period from April 2014 through to the date of retirement): ¥3.5 million

executive officer system. At the same time, the Company strives to engage in smooth and efficient management by implementing various initiatives. For example, the Company has established the Management Committee, which is charged with the responsibility of deliberating on important matters in advance. Every effort is also made to ensure sound and proper management. To this end, we recognize the importance of the corporate auditors' function, ensure the proper audit of business operations by the Internal Control Division and employ an internal control system based on the management of risk and other factors.

Working to ensure management transparency, we engage in vigorous IR and public relations activities while disclosing all appropriate information on a timely basis. In the context of our CSR activities, we work diligently to protect the environment while pursuing the highest levels of safety and quality. In addition to adhering strictly to a policy of statutory and regulatory compliance, we have put in place various committees in order to garner the increased trust of stakeholders, including shareholders.

## Appointment and Dismissal



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 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.

## 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 field-work 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.

## 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: 11)	Board of Auditors (Total Number of Meetings Held: 15)
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 officer of other companies.	11/11	—
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 officer of other companies.	11/11	—
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 officer 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.	11/11	14/15
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.	11/11	14/15
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 officer of other companies.	11/11	14/15

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

## 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 Mitsui Chemicals Group. 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 Group 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, the Group established the Internal Control Division as an internal audit organization. On the basis of annual audit plans determined by the Management Committee, the Division conducts business audits and financial audits of the Group, 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.

# 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. Positioned under the CSR Committee and headed by a board director, this committee is a separate entity that is charged with the responsibility of deliberating on the Group's risk management policy while maintaining and operating 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, analyzing those risks, and taking appropriate countermeasures in the annual budget of each company and division. The Group also uses compliance checklists as part of a risk management PDCA\* cycle designed to monitor progress and to prevent risks from materializing. Moreover, any Group company or division can also enlist specialist help from the risk management supporting divisions.

\*PDCA: 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. Any information pertaining to risks that is acquired through this hotline is properly and promptly reported to the Corporate Auditors.

Our Company regulations clearly state that employees using the hotline to report or seek advice about an incident must not receive unfavorable treatment.

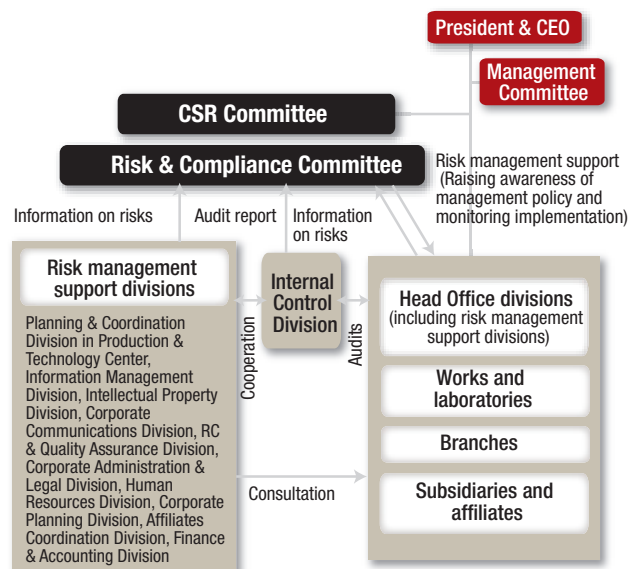
Extending beyond the scope of Mitsui Chemicals Group employees, this hotline is also open to reports and requests for advice from employees working for contractors at our works or other sites and those working for companies supplying us with items such as raw materials or parts.

## Business Continuity Plan

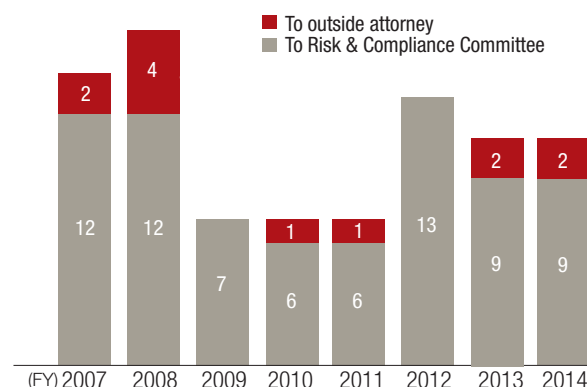
Mitsui Chemicals created a business continuity plan (BCP) in preparation for a major earthquake in the Tokyo metropolitan region. The plan calls for the creation of an emergency headquarters to quickly establish a command and control structure at key centers, including Osaka Works, if the functioning 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 in order to enhance BCP efficacy. 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

## Structure of Group Risk Management System



## Number of Reports Made



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 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.

As a result of these initiatives, Mitsui Chemicals was not involved in any infringements of statutory and regulatory requirements that would materially impact the trust society places in the Company, its business operations, or its earnings in fiscal 2014.

### 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 a 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 feedback 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 the essential 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). If it comes to light that we have used any conflict minerals in the future, we will immediately halt procurement of the relevant minerals.



## IR Activities

### Upgrading and Expanding IR Activities with Utmost Importance Placed on Dialogue

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 critical need to actively disclose information in an appropriate and timely manner. Based on this understanding, we place the utmost importance on dialogue and are united in our efforts to strengthen investor relations activities in order to repay the trust placed in us by our shareholders and investors.

### Upgrading and Expanding Communication through Dialogue

#### Engaging in Direct Dialogue with Management and Key Business Managers

The Mitsui Chemicals Group makes every effort to listen to the opinions of capital markets and places considerable weight on issues that are of particular concern to investors. The president makes it a point to reply to any questions directly and to provide necessary explanations as required. At the same time, the Group strives to engage shareholders, investors and analysts in direct dialogue. Management also works to participate in briefing sessions on the status of the Group's operations, explanatory meetings on the Group's mid-term business plan, IR conferences, and other meetings in addition to visiting investors in Japan and overseas.

Over and above the endeavors of management and the IR Division, all business divisions work in unison to improve the content and quality of business presentations and site tours. In fiscal 2014, two business presentations and five tours of sites in Japan and overseas were held, focusing mainly on businesses that are contributing significantly to growth. These opportunities to engage in direct dialogue with key business and onsite managers are attracting high praise.

In addition, events such as these are valuable opportunities for each division to gather feedback from a wide range of different perspectives and to hear from a variety of stakeholders, including customers.



#### Upgrading and Expanding IR Tools

Mitsui Chemicals strives to complement its direct dialogue with shareholders and investors by upgrading and expanding the content of its IR tools, which include useful information and our web site.

For individual investors to more easily gain an understanding of the Group and its activities, we regularly post a video message from the president detailing progress under our mid-term business plan as well as materials pertaining to our financial results briefings online.

To deepen the understanding of stakeholders even further, we take steps to improve the quality of our annual report. In a related area, Mitsui Chemicals' 2014 annual report received the Award of Excellence sponsored by Nikkei Inc., which publishes Japan's leading daily business journal.

### Mitsui Chemicals Receives the Best IR Award

Mitsui Chemicals was one of the recipients of the 2014 Best IR Awards 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.

This award acknowledges the ongoing efforts of the president and the Company to enhance its IR activities and follows the 2013 IR Special Award received last year.



#### Some Reasons for the Company's Selection

- The president's stance toward direct dialogue with investors
- Management's participation in presentations and facility tours and the open exchange of opinions with investors attending these events as part of the Company's overall efforts to improve IR activities
- The clarity of messages and explanations of various activities undertaken in the past and how they have influenced earnings thereafter
- The efforts of the Company's IR Division to take the opinions of investors into consideration and gather information from each business division in order to create informative and easy to understand presentations and explanations
- The quality of the Company's business presentations, facility tours, earnings announcement meetings and management presentations



# Members of the Board and Auditors

(As of August 26, 2015)



Minoru Koshibe

Tsutomu Tannowa

Yasuji Omura



Member of the Board  
President & CEO  
**Tsutomu Tannowa**  
Overall corporate and group management  
Responsibilities: Representative in Asia,  
Representative in China, Representative in the  
Americas, Representative in Europe, Corporate  
Communications Division, Internal Control Division



Member of the Board  
Managing Executive Officer  
**Shigeru Isayama**  
Responsibilities: New Market Development  
(Automotive Materials) Division, Environment &  
Energy Business Development Division, R&D  
Center, Intellectual Property Division



Corporate Auditor  
**Shigeru Iwabuchi**



Member of the Board  
Executive Vice President  
**Yasuji Omura**  
Assistant to the President  
Responsibilities: Production & Technology Center,  
Fabricated Products Business Coordination  
Division, Works, Production System Development,  
Purchasing Division, Logistics 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 Committee,  
Supporting Officer: Business Efficiency Promotion  
Division



Corporate Auditor  
**Yasushi Nawa**



Member of the Board  
Executive Vice President  
**Minoru Koshibe**  
Assistant to the President  
Responsibilities: Health Care Business Sector,  
Polyurethane Business Sector, Mitsui Chemicals  
Tohcello, Mitsui Chemicals Agro, Food &  
Packaging Business Promotion Division, New HC  
Business Development Division, Corporate  
Planning Division, H-Project Division



Member of the Board  
Outside Director  
**Yoshio Suzuki**



Outside Auditor  
**Hiromu Matsuda**



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



Member of the Board  
Outside Director  
**Yukiko Kuroda**



Outside Auditor  
**Osamu Sekine**



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



Outside Auditor  
**Hiroki Nishio**

# Dialogue 5



**Higashi Ito**  
Chairman of the Japan Society for Safety Engineering

**Tsutomu Tannowa**

## It is my hope that we can foster a culture that is based on safety and become a company that contributes to society through safety.

### We must never forget the tragic accident that happened three years ago.

**Tannowa:** Three years have passed since the tragic accident at Iwakuni-Ohtake Works. In the three years following the accident, a number of very small and minor problems and accidents have occurred. One could argue that these minor incidents could quite easily lead to a major disaster. We must therefore not let the memory of the Iwakuni-Ohtake Works accident fade. We must renew our commitment to never forget. I ask this of all our employees and of myself.

While safety as a top priority is a clearly defined management policy of the Group, I believe that fostering the safety culture necessary to ensure that concrete steps are taken to put this policy into practice is an absolute prerequisite to securing our existence as a going concern.

**Ito:** There is an increasing number of companies that use the words "Safety Comes First," but, Mr. Tannowa, I think you are the first CEO to place such importance on "fostering a safety culture."

It is crucial that top management makes sure its attitude of prioritizing safety spreads throughout the Company, and that management and workers onsite implement measures in line with it.

Corporate activities are based on the need to safely manufacture products and contribute to society through the delivery of products. Safety is a part of everyone's work. It is important for each individual to understand that corporate activities are grounded equally in production and safety.

**Tannowa:** Everyone needs to think of safety as their own issue. You are absolutely right when you say, safety is a part of everyone's work.

### Common backdrop of recent accidents

**Tannowa:** In the past few years there has been a series of serious accidents in the manufacturing industry, including in our Group. What do you think are the causes?

**Ito:** I think there are three main characteristics of these accidents that we need to look at. The first is that these accidents

### Common backdrop of accidents

1. Problems unique to processes that cannot be discovered just by complying with a set of regulations
2. Non-routine work and normalcy bias
3. A lack of competency in responding to emergency situations and insufficient human resource training

occurred at companies that have been passionate in their implementation of safety programs and that have received certification for high-pressure gas. This means that there are problems unique to the process that cannot be discovered just by complying with a set of regulations like those for high-pressure gas. The second characteristic of these accidents is that they occurred during non-routine work, such as when emergency devices were activated. In each case, there was enough time to rectify the problem between the onset of the abnormal conditions and the actual accident, but the

# Dialogue 5 Discussion between the Chairman of the Japan Society for Safety Engineering and the President

accidents still occurred. Behavioral psychology has introduced the concept of “normalcy bias,” which is a mental state where people see minor abnormalities as normal, which, in turn, delays the discovery of a problem. The third characteristic is a lack of competency in responding to emergency situations and insufficient human resource training.

**Tannowa:** The accident at Iwakuni occurred during an emergency shutdown amid non-routine circumstances. Problems that should have been detected were overlooked. We need to heighten our sensitivity to hazards and raise the level of awareness. **There are no shortcuts, we must go back to the basics and every day make a conscious effort to consistently and stubbornly pursue issues no matter how repetitive.**

At the same time, as a Group, we must also properly respond in areas where improvement must be prioritized.

After the accident, we formed the Fundamental Safety Committee with the participation of external specialists. The committee interviewed employees from each level at the Works to confirm and organize issues. They identified three priority issues (listed below). In responding to the first priority issue, for example, we are improving our organizational structure and systems so that line managers can focus on managing safety in the workplace by reducing detailed operations to lessen the burden on these managers.

## Mitsui Chemicals' priority issues to ensure fundamental safety

1. Allowing line managers to focus on the worksite and to properly manage it
2. Improving technical capabilities and securely passing down skills to the younger generation
3. Ensuring that safety is the top priority and cultivating a sense of professionalism

**Ito:** Reducing the workload of managers is an interesting idea. I think it is important to make improvements so that organizations and their members can function properly.

**Tannowa:** On the second issue of passing down skills, we are creating educational and training opportunities to bolster skills. We are currently in the midst of a generational shift, so no matter how careful we are, the accident risk is heightened.

Turning to the third issue of ensuring that safety is the top priority, I believe we need to create a system that instills a sense of accomplishment in workers.

**Ito:** Looking at the conditions that led to recent accidents, I feel that at the core of all these accidents are social, educational, and industrial changes. Particularly with industry, technology is becoming increasingly advanced and varied. This causes hazards in the processes themselves. At the same time, operations are becoming more fragmented, making it difficult for workers to see the entire picture. Meanwhile, veteran employees who understand the history and flow of the entire plant and have an understanding of the “know-why” for each operation, are reaching retirement age.

**Workers need knowledge of both the entire picture and individual techniques in order to respond in an emergency.** One effective employee training method is hazard prediction (KY)\* for emergency scenarios. What happens during a power outage? What would happen if the agitator or cooling device stopped? You set up various scenarios like these for hazard prediction and create thought patterns that look at the entire picture. This way, workers learn to respond by predicting outcomes. Workers need to understand the entire picture and individual techniques.

\* KY: *Kiken yochi*—An initiative aimed at enhancing safety by predicting and reconfirming risks and sharing information

## There are no shortcuts in fostering a safety culture.

**Tannowa:** Mr. Ito, from your perspective, what do you think of safety activities at the Mitsui Chemicals Group?

**Ito:** Mitsui Chemicals' policy that “safety is for yourself, for your family, for your colleagues, and for society,” is the very definition of a safety culture. As you mentioned earlier, you are attempting to enhance safety by fostering a safety culture, and I think you are headed in the right direction.

However, when workers are given too many issues to tackle, they start to feel imposed upon.

**Tannowa:** To prevent workers from feeling imposed upon, it is important that they develop voluntary and proactive habits instead of being passive and receiving orders. It's easy to just say “go forth and foster a culture of safety,” putting it into

practice is actually very difficult. We must also **consider incentives and motivation.** At the same time, it's important to **cultivate a culture of giving compliments.** At the Mitsui Chemicals group, including overseas affiliated companies, we changed the criteria of our group-wide Best Plants Awards to not just cover safety activities but also focus on processes. It would be nice to create more cases where we compliment our employees.

**Ito:** I am also an advocate for complimenting good safety efforts rather than just scolding them for their mistakes. When I was General Manager of the Chiba Plant at Denki Kagaku Kogyo, I received requests from the persons in charge of safety at each worksite, who all said they wanted to conduct safety activities. We assigned them as leaders, they deliberated with their colleagues and, by putting into practice certain proposals, we achieved five and a half years without accidents. This was all because I trusted the people who made the proposals and left it in their hands.

**Tannowa:** When things are left in your hands and you are complimented on your efforts, it gives you a sense that your presence is valued. This is an important factor that leads to a safety culture. **I don't think there is any big trick to fostering a safety culture. It's the accumulation of little bits of attention and consideration that raise morale throughout the organization.**

**Ito:** I think that workers, managers, and top management each have roles to play in ensuring safety.

To ensure safe operations, workers must conduct production activities safely, managers must improve equipment and

## Produce value based on a proper awareness of the division of roles regarding safety

- **Workers:** Conduct production activities safely = produce value
- **Managers:** Improve equipment and operations, provide training, and inspect workplace activities = support the smooth production of value
- **Top management:** Proposes philosophies and policies and allocates human resources and funds = prepares worksites for producing value and leads the organization



operations, provide training, and inspect workplace activities, and top management must propose philosophies and policies and allocate human resources and funds. From the perspective of producing value, workers produce the value, managers provide support for the smooth production of value, and top management prepares worksites for producing value and leads the organization.

**We must understand that while value is born in the worksite, the worksite is also where accidents occur.** We must show our appreciation to the workers at production sites for their daily efforts, which create value, and establish teamwork based on a proper awareness of the division of roles.

### Contribute to society through safety

**Tannowa:** There is also the role of the Company in society. Mr. Ito, you are a leading proponent of safety in the chemical industry. What are your expectations for our Group?

**Ito:** Currently, the Japan Society for Safety Engineering is attempting to raise safety levels in the chemical industry in Japan. You can reach a certain level through government regulations, but since it is impossible to know all the hazards specific to each company, voluntary safety activities are essential. Serving an organizational function, the Process Safety Improvement Center conducts assessments of the safety capabilities of companies in the manufacturing industry that handle chemicals. A campaign is in place to promote improvements in safety activities based

on the results of these assessments.

Mitsui Chemicals employees and former employees also participate in safety activities at the Japan Society for Safety Engineering. They all have extensive worksite experience, make on-target suggestions and possess a high level of understanding. **We hope that Mitsui Chemicals will continue to act as a leader in safety activities in Japan.**

**Tannowa:** Thank you very much. I am very grateful that our employees and former employees are given opportunities to contribute to society through participation in external activities. I hope that this contribution spreads to different industries. After all, there is no limit to the scope of safety.

In April we opened our Plant Operation Technology Training Center to external organizations and are making our equipment and knowledge available to people outside our Group. We hope that other companies will take advantage of our facilities and participate in experience-based training. (See p.60)

**Ito:** I had an opportunity to visit the Center. There are not many companies that can provide this sort of opportunity, and the significance of the Plant Operation Technology Training Center is well-known in our industry, so I am sure there will be many companies lining up.

**Competition used to be about quality and cost, but society has changed, and the importance of safety will continue to grow.** Being a safe company greatly affects a company's reliability and the expansion of their business.

I hope that Mitsui Chemicals will contribute to improving safety levels in Japan.

**Tannowa:** It is my hope that we can be a company that contributes to society through safety.

As I mentioned at the beginning, the Mitsui Chemicals Group lost a precious member in the accident at Iwakuni, and the incident greatly affected the residents and businesses in the local community. At that time, we were also unable to fulfill our responsibilities as a supplier of goods to our customers. We must always remember the impact accidents have and never forget the pain and sorrow they cause.

**"Safety is for yourself, for your family, for your colleagues, and for society."** These words must never ring hollow. These words must be engraved in the hearts of all our employees and with this as our starting point, we must continue to reinforce our safety efforts.

### What is the Japan Society for Safety Engineering (JSSE)?

It is a specified non-profit organization that contributes to the development of industry and academics in realizing safety and security in society through activities to improve and disseminate knowledge and technology to prevent various accidents.

### Higashi Ito

*Chairman of the Japan Society for Safety Engineering*

#### Profile

After attending the doctorate program at Tokyo University, Higashi Ito joined Denki Kagaku Kogyo (Denka) in 1969. After serving in various positions within the company, including as Director and General Manager of the Chiba Plant, Managing Director and General Manager of the Omuta Plant, Managing Director and General Manager of the Ome Plant, and Representative Executive Director and Director of Technology, he became the Executive Vice President of Denka in 2008. In 2010, he was appointed Special Advisor, and in 2014 he took on his current specially appointed temporary position at Denka. Additionally, starting from 2014, he was appointed the Chairman of the Japan Society for Safety Engineering.

## Mitsui Chemicals Opens Its Doors to Provide Hands-On Training Based on the Concepts of “Watching, Touching, Experiencing,” the Curriculum Encompasses Basic Training Programs for Production Operators with a Focus on “Safety, Operations, and Facilities”

In April 2015, Mitsui Chemicals opened the doors of its Plant Operation Technology Training Center, located within its Mobarra Works in Chiba, to provide hands-on training to Japanese industry employees working with hazardous materials.

The Plant Operation Technology Training Center was established in October 2006 to improve production site capabilities by providing instruction for the Company’s production operators. Over the ensuing years, a growing number of employees went through training there and the curriculum was expanded. Meanwhile, with an eye to strengthening the capabilities of the Group as a whole across every facet of the production process, similar training centers emphasizing “safety, good operations, and good facilities” were established at overseas production bases. In this manner, Mitsui Chemicals has fostered human resources who are both willing and capable of taking the initiative and resolving a wide array of on-site issues on their own.

Over the years, the Plant Operation Technology Training Center had played host to a large number of visitors who found the facility highly commendable. The decision to finally

open the center’s doors to outside parties was in response to persistent requests for assistance on technical training.

Building on the Company’s experience and knowledge gained from dealing with a wide range of issues and incidents, the center plans to focus mainly on safety and a curriculum of hands-on training that cannot be undertaken at the production frontlines, thereby contributing to improved safety within the industrial sector.



### <Overview of the Mitsui Chemicals Plant Operation Technology Training Center>

	Japan	Overseas Bases
Oct. 2006	The Mitsui Chemicals Plant Operation Technology Training Center opened within the Mobarra Works	
May. 2007	The Plant Operation Technology Training Center opened within the Nagoya Works	
From 2008	Production operators at overseas Group companies were included in the scope of training	
From 2013	Training programs commenced for junior and mid-career manufacturing engineers as well as employees who are potential candidates for production line management positions	Established in Singapore
2014		Established in Thailand
Apr. 2015	The Mitsui Chemicals Plant Operation Technology Center opened for general use	

#### Defining Features

- The focus of the Curriculum of Hands-On Training is fostering participants who consider, realize, and gain an understanding of the basic knowledge required at production frontline
- Lecturers comprise experienced employees from each of the Group’s areas of operations

#### Aggregate Number of Visitors (Mobarra) As of March 31, 2015

Trainees: Approximately 5,000; Visitors: Approximately 3,800 (including from Japan and overseas)



Pinching and rolling



Falling objects, falling down, falling over



Oxygen deficiency and poisoning

#### <Report>



A training session normally undertaken by the Company’s employees was provided to the employees of other companies who handle hazardous materials in May 2015. Details of the session are posted on the Company’s CSR Report on website. <http://jp.mitsuichem.com/csr/index.htm>

# Responsible Care

## Responsible Care Policy

The Mitsui Chemicals Group has established a basic policy on Responsible Care (RC).

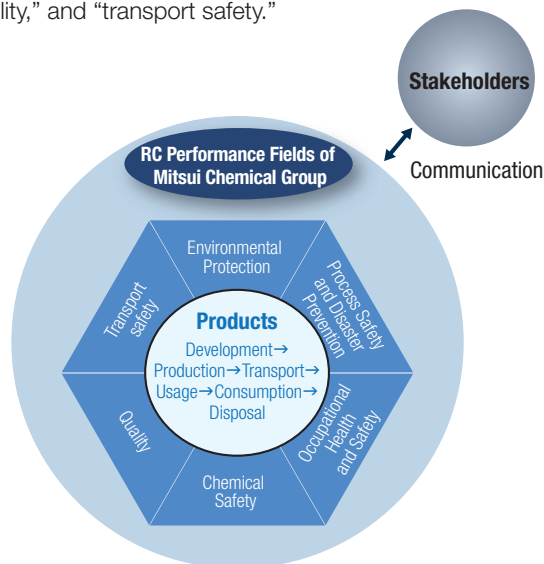
### Responsible Care Policy

The Mitsui Chemicals Group, based on its corporate mission and action guidelines, acknowledges its business challenge is not only to comply with laws and regulations of the countries in which it does business, but to continuously contribute to the improvement of safety, health, the environment, and quality, for the sustainable development of society. We will expand our business focus while continuing to improve and maintain good communication with all our stakeholders and business partners.

- We pledge safety is our top priority and focus on achieving zero accidents and occupational injuries.
- We make efforts to assess risks of our products throughout their lifecycles to ensure the health and safety of all persons and to protect the environment by reducing their environmental impact.
- We contribute to improving quality of life and protecting the environment through our business activities by developing beneficial technology and products.
- We provide high quality products and services that satisfy customer needs and respond to the trust that they place in us.
- We actively promote the well-being of all our employees.

## RC Activities

The Mitsui Chemicals Group has defined six performance fields in which it engages in RC activities. These fields are: "environmental protection," "process safety and disaster prevention," occupational health and safety," "chemical safety," "quality," and "transport safety."



## RC Promotion

The Responsible Care Committee (RC Committee) maps out RC-related policies, strategies, and plans that cover the entire Mitsui Chemical Group, evaluates audit results, and periodically reviews the RC system. In each case, the RC Committee's deliberations are reported to the Management Committee in order to share the information.

RC activities are carried out at each works and business division. Meanwhile, meetings are held to exchange information on these activities with domestic and overseas subsidiaries and affiliates and to share RC activity policies and strategies.

### The Responsible Care Global Charter, Responsible Care Policy, and Shiodome Manifesto

Following a revision to the Responsible Care Global Charter in 2014, Mitsui Chemicals' president reconfirmed the Company's status as a signatory.

Based on the idea of this Charter, and the clear conviction that "the safety has priority over all," Mitsui Chemicals revised its Responsible Care Policy in September 2015.

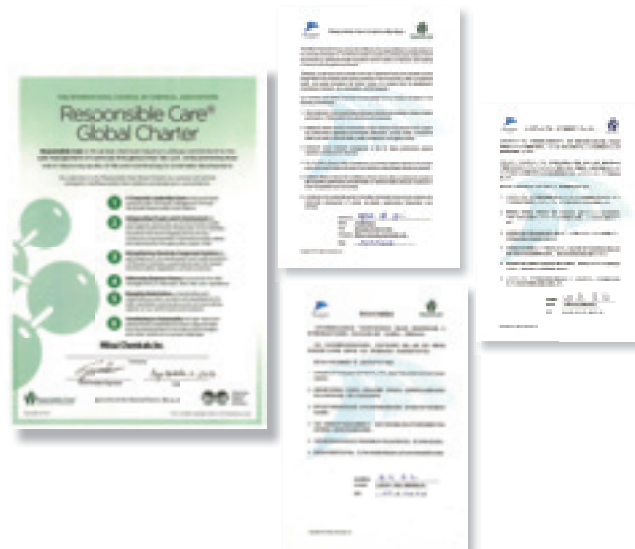
In order to implement the presidents' commitment in the Charter to promote responsible care across the Group as a whole, Mitsui Chemicals put in place the Shiodome Manifesto, which takes into consideration a variety of factors, including the provisions of the Charter, the Company's basic policy, and the RC framework of Mitsui Chemicals Group subsidiaries and affiliates. In order to ensure that all employees understand its content, the Manifesto is produced in Japanese, English, and Chinese and signed by the presidents of all Group companies that support and engage in RC activities.

### A Network that Spans Five Countries and Regions and SHE\* Meetings

In order to reinforce RC activities across the Group as a whole, Mitsui Chemicals has built a promotion network that spans the five countries and regions of Japan, China, Asia, Europe, and the United States. This initiative facilitates the timely collection and analysis of environmental policies and other pertinent information collected from each region and rollout across the Group.

In addition, the Company holds SHE meetings for each region that are attended by the RC officers of each subsidiaries and affiliates. These meetings serve as a forum to communicate the status of activities and best practices as well as to promote improvements in such areas as occupational health and safety as well as environmental protection.

\* SHE: Safety, Health, and Environment



Major SRI Indices including Mitsui Chemicals



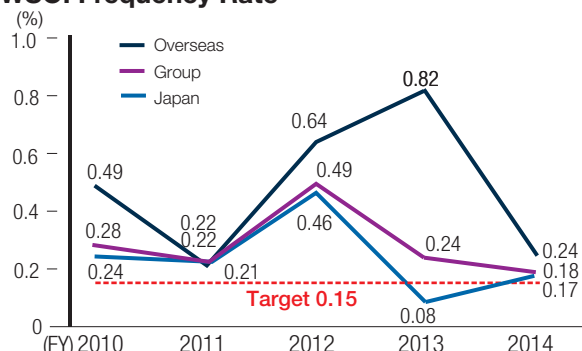
## Topic 1: Initiatives Aimed at Preventing Accidents and Occupational Injuries

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 promoting 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 (WSOI)\* frequency rate of 0.18 in fiscal 2014 (for domestic and overseas combined). Regrettably, this was above our target of 0.15 for a world-class level of safety. Due to our success in substantially improving the frequency rate at overseas subsidiaries and affiliates, the Group has recorded the highest level of safety in the past five years.

### 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 WSOIs per million hours worked

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

Under the 2014 Mid-Term Business Plan, the Mitsui Chemicals Group has identified the goal of reducing greenhouse gas (GHG) emissions in Japan by 22% (compared to fiscal 2005, operating at full capacity) by fiscal 2016. In order to achieve this goal, the Group is actively promoting energy-saving initiatives, taking steps to switch to alternative fuels, and developing innovative process technologies.

With the goal of reducing GHG emissions by 20,000 tons, the Group worked diligently to recover low-pressure steam through the use of compact steam compressors, to promote optimal industrial boiler operations, and to adhere strictly to a policy of energy conservation at plants. As a result of these endeavors, the Group was able to cut GHG emissions by 50,000 tons in fiscal 2014. Moreover, and as a part of the Group's comprehensive business restructuring measures, production was suspended at certain facilities. Steps were also taken to vary production activities. Reflecting these factors, actual emissions amounted to 4,280,000 tons. This represented a 28% decline compared with the level recorded in fiscal 2005.\*\*\*

We also worked hard to reduce GHG emissions overseas. However, due mainly to new facilities coming online and the increase in the production of growth field products, emissions increased slightly year on year.

Turning to initiatives that contribute to the reduction of GHG emissions throughout society, one of Japan's largest hybrid solar and wind power joint projects commenced commercial operations in October 2014 in Tahara City, Aichi Prefecture.

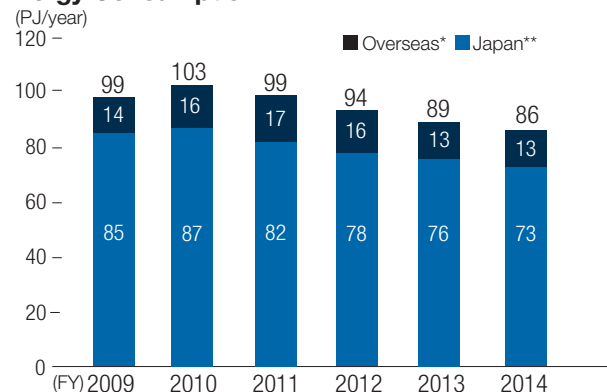
Mitsui Chemicals also calculates indirect CO<sub>2</sub> emissions (Scope 3) in conjunction with Scope 1 and Scope 2 emissions attributable to its business and production activities in order to identify GHG emissions along the entire supply chain, from the purchase of raw materials and after-sale product usage to disposal.

\* 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. (21 companies in FY2014)

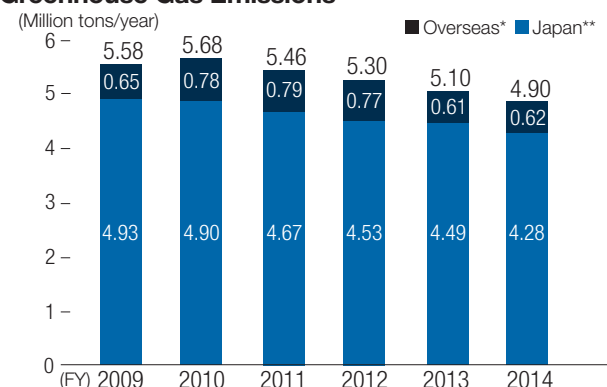
\*\* Japan: Six manufacturing sites and domestic consolidated subsidiaries (14 companies in FY2014)

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

### Energy Consumption



### Greenhouse Gas Emissions



#### Scope 1

Direct emissions attributable to the use of fuels and plant processes.

#### Scope 2

Indirect emissions attributable the use of purchased energy and heat.

#### Scope 3

All other indirect emissions.



### Topic 3: Initiatives Aimed at Minimizing Industrial Waste

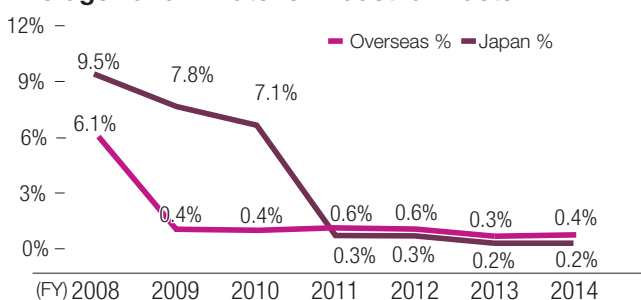
The Mitsui Chemicals Group is working to reduce the amount of industrial waste sent to landfill by promoting the 3Rs (Reduce, Reuse, Recycle). Our commitment to minimize\* industrial waste at all domestic manufacturing sites remains unchanged. We have also maintained the ongoing target of reducing the 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 2014, an unbroken record that has continued since fiscal 2011. Moreover, the Group has maintained an average landfill rate for industrial waste at overseas

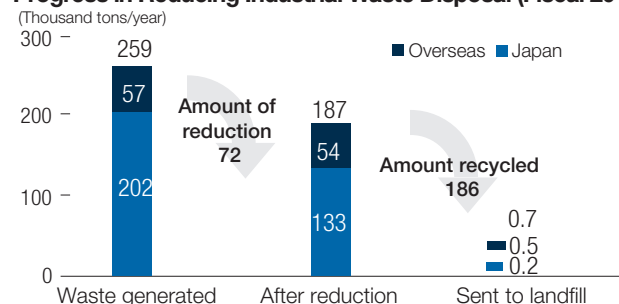
affiliates\*\* of under 1% since fiscal 2009 with the rate coming in at around 0.4% in fiscal 2014. Efforts to promote minimization overseas are hindered by a variety of issues. This is largely attributable to differences in industrial waste disposal legislation and the structure of industry from country 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 22 companies overseas).

#### Average Landfill Rate for Industrial Waste



#### Progress in Reducing Industrial Waste Disposal (Fiscal 2014)



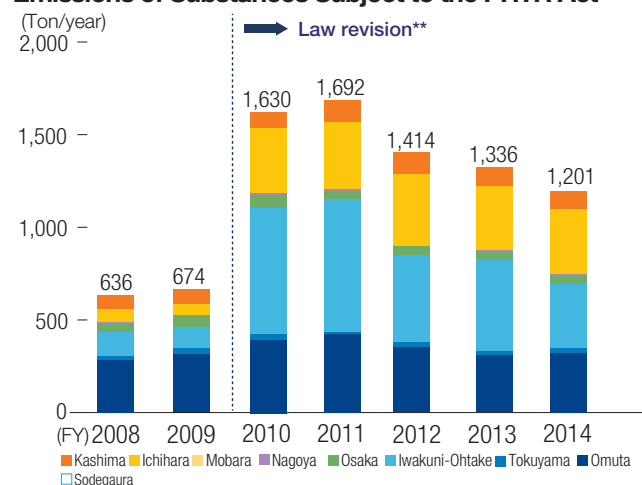
### Topic 4: Initiatives Aimed at Preserving Air and Water Quality

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 2014.

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.

#### Emissions of Substances Subject to the PRTR Act



\* 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

### Topic 5: External Evaluation of Responsible Care Activities

In addition to ensuring safety and minimizing the Group's environmental impact, Mitsui Chemicals has worked diligently to promote RC activities throughout the Group as a whole by providing systematic support to subsidiaries and affiliates and nurturing cooperative relationships. In recognition of these endeavors to roll out RC activities to subsidiaries and affiliates, we received the RC Special Recognition Award presented by the Japan Chemical Industry Association in May 2015.

Turning to the Group's activities in China, Mitsui Chemicals was presented with the RC Merit Award by the Chinese Association of International Chemical Manufacturers in recognition of its performance to date and contributions to both

China's chemical industry and society.

Looking ahead, the Group will continue to work in unison to promote RC activities.



# Human Resource Management

## Our Approach to Human Resource Development

Based on its Human Resource Management Policy, the Mitsui Chemicals Group has enacted 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 expediting our business on a global basis.

## Global Human Resource 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 employees who have intimate local knowledge as well as global leaders with the ability to comprehensively manage bases around the world.

The Mitsui Chemicals Group has put in place a global human resource management foundation as one of its medium-term initiatives to systematically train global leaders by securing talented people from diverse backgrounds, and optimally allocating these human resources on a global basis.

Our aim is to develop the next generation of managerial talent capable of assuming core leadership positions in global operations in their mid-40s after experiencing actual overseas business in their 30s. For this reason, Mitsui Chemicals dispatches young and mid-career employees for practical job training overseas, and offers training in global leadership to eligible management-level personnel. Through these programs, we have fostered a number of top-level leaders in their 40s at overseas subsidiaries and affiliates.

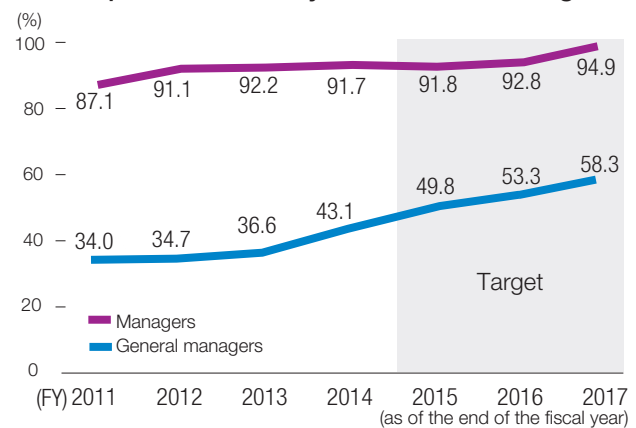
At overseas subsidiaries and affiliates, we will also promote the appointment of local employees to key positions. We offer local employees with the potential to become managers in the future and opportunities to learn about management and global leadership through global manager seminars. More than 90% of managers and 40% of general managers at overseas

## Traits of a Global Leader

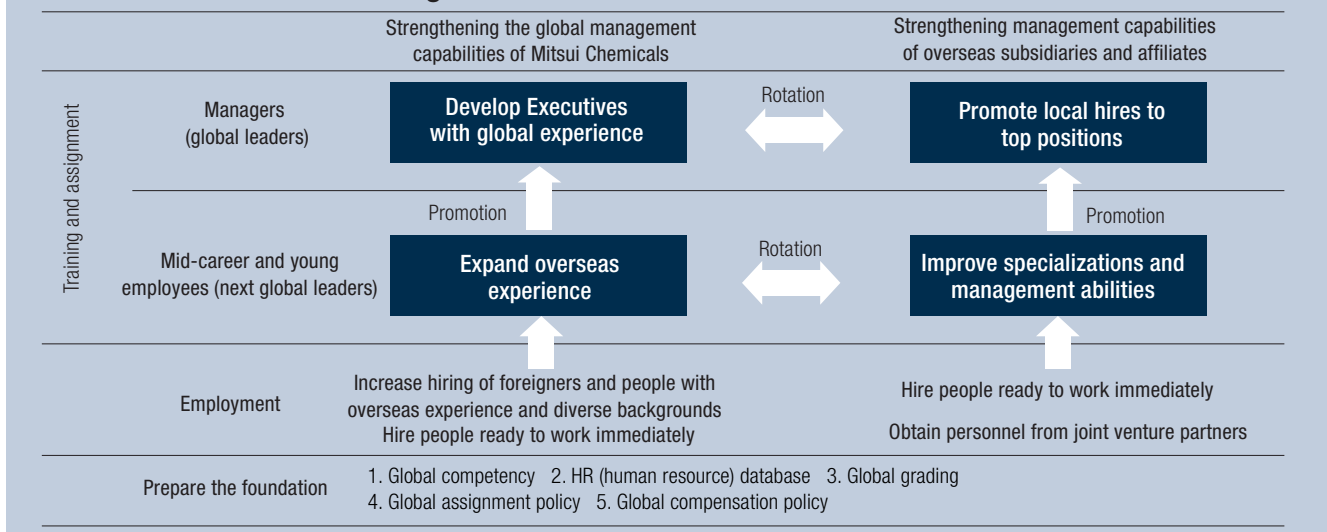
- Able to strategically and efficiently lead global business
- Able to rapidly develop corporate activities suitable to regional characteristics around the world

subsidiaries and affiliates are local employees (excluding mergers and acquisitions). Starting in fiscal 2015, these programs will be integrated into Global Talent Management, a common global framework for hiring, assigning, training, evaluating, and setting remuneration for human resources. We are working across global borders to put in place succession plans for key positions at our bases around the world, standards for selecting candidates to become next-generation managers, and new training processes.

## The Proportion of Locally Hired Global Managers



## Global Human Resource Management Measures



We are currently rolling out a new Global Talent Management system integrating our human resource management systems throughout the Mitsui Chemicals Group, including overseas subsidiaries and affiliates.

## “A strong company we can all be proud of”



### Loh Boon Chye

#### President

SDC Technologies Asia Pacific Pte Ltd.  
(SDC AP)

Appointed in October 2014, participated in global leadership training in 2012

I joined Mitsui Chemicals Asia Pacific in 2009 and have worked in business planning and supply chain management. As a division manager and board member, I believe I have contributed to business growth in Singapore for the Mitsui Chemicals Group.

I currently serve as the president of SDC AP, the Asian base for coating materials for eyeglass lenses, a core business. While I still have a lot to learn, thanks to the outstanding team we have put together, we got off to an excellent start collaborating with our coworkers in the SDC Group, which is expanding overseas.

I will spare no effort in making SDC AP a strong company that each and every employee can be proud of.

I hope the Mitsui Chemicals Group will foster many locally hired employees as well as women in leadership positions, globally promoting the appointment of human resources based on the strengths of employees, who come from diverse backgrounds.

## 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 across the board positions of responsibility throughout 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.

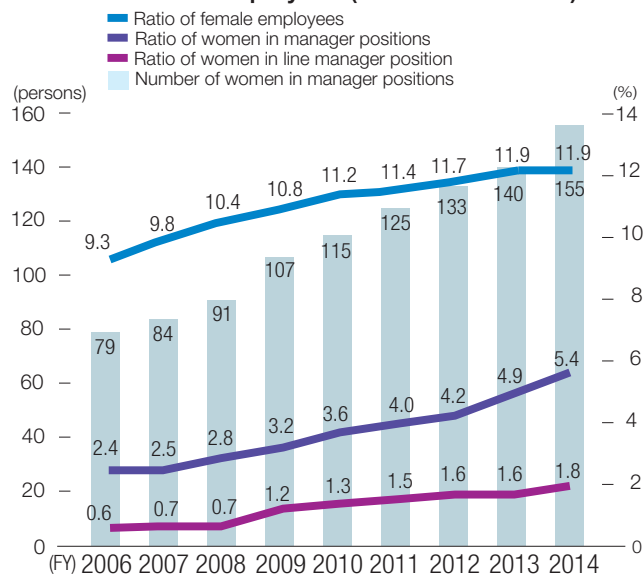
We have also set up a program dedicated to helping foreign employees maintain their lifestyles while working in Japan, as well as a career consultation service that encourages employees to be proactive about their careers. We continue to enhance our systems to support each and every employee regardless 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.

(Fiscal year)	2010	2011	2012	2013	2014
<b>Employees with disabilities (%)</b>	1.84	1.89	1.82	2.18	2.12

## Ratio of Female Employees (Non-consolidated)



		(Fiscal year)	2010	2011	2012	2013	2014
<b>Employees who took childcare leave</b>	Female		20	21	23	19	29
	Male		54	58	48	50	67
	Total		74	79	71	69	96
<b>Employees who took home care leave</b>			0	0	1	1	1

# Health Management

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

## Employee Health

It is now seven years since we introduced comprehensive medical checkups that combine regular medical examinations with specialized 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 approximately 45% today.

The number of days off due to illness caused by cardiovascular disease has decreased considerably to 522 days, from 1,405 days in fiscal 2008, as a result of a major decline in the new discovery of individuals at risk for high blood pressure. In addition, the number of days off due to mental health issues is also exhibiting a downward trend as a result of such initiatives as those presented below.

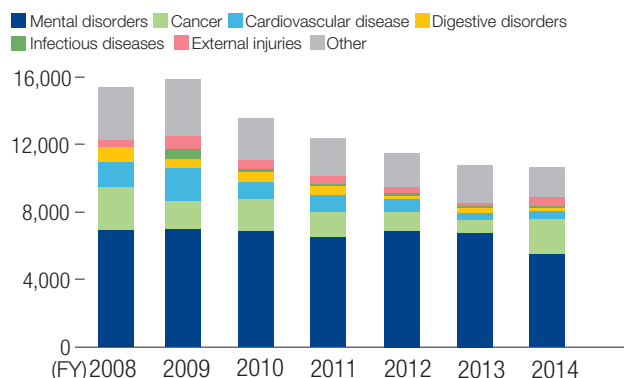
### Mental Health Initiatives

Mitsui Chemicals' efforts to address mental health have several distinguishing features. In addition to providing individual counseling for people who are in need of help, the Company conducts health-related training for new employees while working to improve its corporate culture through workplace stress questionnaires.

#### <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.

Number of Days Off due to Illness (sick days and special leave)



### <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.

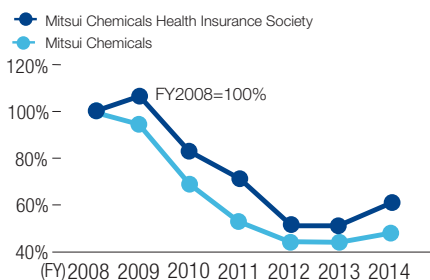
We provide individuals with feedback based on their results and go over the results with the relevant manager in each workplace. We have formulated and implemented stress reduction plans (communication improvement plans) in workplaces deemed to be particularly stressful. We are also working to identify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

## Reducing Healthcare Costs

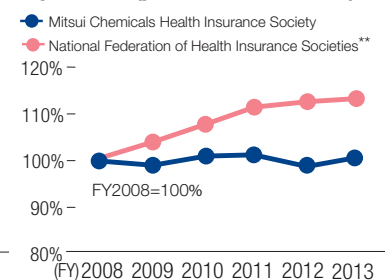
The amount of accident and sickness benefits has declined substantially since fiscal 2008 in line with the decrease in the number of days off due to illness. The amount in fiscal 2014 was held to around 50% that reported in fiscal 2008.

Turning to statutory benefit expenses\* (healthcare costs) per insured worker, the Mitsui Chemicals Health Insurance Society has continued to maintain expenses steady despite an overall rise in costs and it is successfully holding down healthcare costs.

### Trends in Accident and Sickness Benefits



### Growth in Statutory Benefit Expenses\* (per insured worker)



\* Statutory benefit expenses: In addition to healthcare costs, such expenses include accident and sickness benefits, lump sum allowances for childbirth and nursing care, maternity allowances, and funeral expenses  
 \*\* Source: 2013 Health Insurance Society Budget Outlook prepared by the National Federation of Health Insurance Societies

## External Recognition

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

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 for caring 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.

The Ministry of Economy, Trade and Industry in Japan has introduced our health management initiatives and its information disclosure as an exemplary case study.

\* 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 under review (the twelve-month period from April 1, 2014 to March 31, 2015, hereinafter "fiscal 2014"), while economic conditions improved in the United States and minor improvement was seen in Europe, economic growth slowed in China and emerging markets.

In Japan, the economic recovery from the contraction following the surge in demand ahead of the consumption tax hike was impacted by unseasonal weather in summer resulting in lackluster economic recovery during the period under review.

In the Chemical industry, although there were pullbacks in purchasing due to lowered crude oil prices in later half of the period, operating rates at production facilities for certain products continued at high levels. In general, conditions were seen to improve.

Under these circumstances, the Mitsui Chemicals Group (hereinafter "the Group"), which started its 2014 Mid-Term Business Plan in fiscal 2014, continued to focus on its three targeted growth driving domains of Mobility, Healthcare and, Food & Packaging.

In the Mobility domain, the Group aims to strengthen its business by providing solutions to eco-friendly automobile industry. The Group will fully utilize its resources, mainly with its PP compounds, elastomers and a broad resins product portfolio and the strong customer base.

In the Healthcare domain, the Group established a new brand "Whole You™" in the United States, to explore new business opportunities and promote its healthcare products to patients and customers, in addition to continuing to expand its core business in ophthalmic lens materials, dental materials and nonwoven fabrics products.

In the Food & Packaging domain, to accelerate its global expansion of agrochemicals and packaging products with a focus on growing Asian markets, the Group will bolster marketing activities and target business expansion.

In the commodity chemicals, mostly the Petrochemicals and the Basic Chemicals segments, which support a wide variety of industries and society, the Group will continue to pursue optimization of production sites and business restructuring of volatile market products such as polyurethane materials, phenols and PTA.

## Operating Results

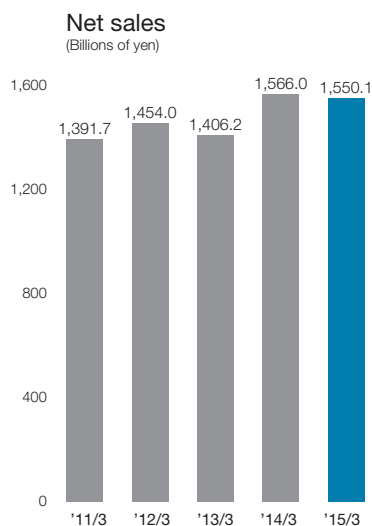
### Net sales

Net sales decreased ¥15.9 billion, or 1.0%, compared with the previous fiscal year to ¥1,550.1 billion. This was mainly attributable to ¥32.8 billion increase in sales prices and ¥48.7 billion decrease in sales volume. Sales prices were higher because of the rise in naphtha, other raw materials and fuel prices as well as the impact of weaker yen. In the factor of sales volume, the improvement of capacity utilization in the Petrochemicals segment and the increased sales of the dental materials business in the Functional Chemicals segment, were set off by the impact of 15-month results of some subsidiaries due to the unification of accounting periods in previous fiscal year and the decrease in the Basic Chemicals segment, because some consolidated subsidiaries were changed to equity method.

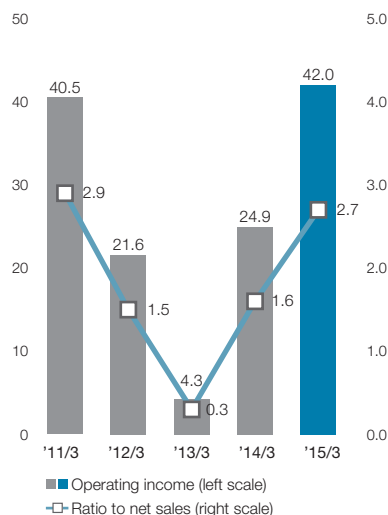
Net sales overseas were ¥686.1 billion, a decrease of 0.3% compared with the previous fiscal year to 44.3% in the total net sales.

### Operating income

Operating income was ¥42.0 billion, an increase of ¥17.1 billion or 68.8% year on year. This result was due to an improvement in terms of trade in the Basic Chemicals and Functional Polymeric Materials segments, and lowered fixed cost in the Basic Chemicals segment.



**Operating income/Ratio to net sales**  
(Billions of yen, %)



### Ordinary income

Ordinary income was ¥44.4 billion, an increase of ¥21.9 billion or 97.2% year on year. This result largely reflected increases in operating income and foreign exchange gain.

### Income (loss) before income taxes and minority interests

Extraordinary income and loss improved by ¥24.4 billion year on year to ¥8.6 billion loss, due to a drop in the business restructuring expenses booked to the Polyurethane business and the Phenol business in the previous fiscal year.

As a result of the aforementioned factors, income and loss before income taxes and minority interests amounted to an income of ¥35.8 billion, an improvement of ¥46.3 billion, year on year.

### Net income (loss)

Net income and loss after accounting for income taxes and minority interests was a net income of ¥17.3 billion, a growth of ¥42.4 billion, compared with the previous fiscal year. Net income per share for the period was ¥17.24.

## Segment Information

### Business Segment

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

#### Functional Chemicals

Net sales increased ¥28.6 billion year on year to ¥219.0 billion and comprised 14% of total sales. On the other hand, operating income fell ¥0.4 billion compared with the previous fiscal year to ¥14.6 billion mainly due to increased fixed costs despite expanded sales.

The dental materials business contributed to sales growth while incurring amortization expenses of goodwill.

Sales were favorable for ophthalmic lens materials in healthcare materials and nonwoven fabrics in hygiene materials as well as for agrochemicals, primarily as a result of higher overseas demand.

Functional Chemicals	Millions of yen		Change (%)
	2015/3	2014/3	
Net sales	¥218,977	¥190,384	15.0
Operating income (loss)	14,608	14,994	(2.6)
Total assets	345,530	333,111	3.7
Depreciation and amortization	14,116	11,573	22.0
Capital expenditures	10,523	71,503	(85.3)

#### Functional Polymeric Materials

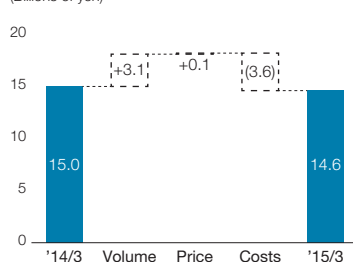
Net sales decreased ¥2.2 billion compared with the previous fiscal year to ¥174.5 billion and comprised 11% of total sales. On the other hand, operating income grew ¥7.0 billion to ¥18.9 billion year on year. The income growth was due to the impact of weaker yen and the Group's prompt response to increased market demand, despite a drop in income from 15-month results of some subsidiaries consolidated in the previous fiscal year due to unification of accounting periods.

Profits increased for elastomers, which are primarily used in automotive components and resin modifiers, mainly from expanding demand in the global automobile market and a weaker yen.

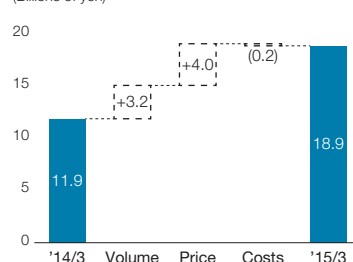
Profits also increased for performance compounds thanks to the impact of weaker yen, expanded demand for automotive applications, primarily in North America and Asia.

Profits from specialty polyolefins were boosted by the weaker yen impact and quick response to demand for IT-related products, especially in smartphones.

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



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



Functional Polymeric Materials	Millions of yen		Change (%)
	2015/3	2014/3	
Net sales	¥174,497	¥176,736	(1.3)
Operating income (loss)	18,850	11,901	58.4
Total assets	177,740	166,414	6.8
Depreciation and amortization	6,978	7,182	(2.8)
Capital expenditures	3,613	5,796	(37.7)

#### Polyurethane

Net sales decreased ¥9.0 billion year on year to ¥154.8 billion, and comprised 10% of total sales. On the other hand, operating loss improved ¥1.7 billion year on year to ¥3.5 billion. Overseas markets for polyurethane materials declined but were positively impacted by a weaker yen.

In coating materials, profit expanded as overseas demand increased. On the flipside, harsh conditions and weak demand continued for polyurethane materials, which are used mainly in furniture manufacturing.

Polyurethane	Millions of yen		Change (%)
	2015/3	2014/3	
Net sales	¥154,785	¥163,820	(5.5)
Operating income (loss)	(3,544)	(5,244)	—
Total assets	129,306	125,390	3.1
Depreciation and amortization	2,766	2,904	(4.8)
Capital expenditures	5,778	4,905	17.8

#### Basic Chemicals

Net sales decreased ¥65.0 billion year on year to ¥311.2 billion and comprised 20% of total sales. On the other hand, operating loss improved by ¥10.0 billion year on year, to ¥7.4 billion. This was mainly attributed to favorable trading terms, which were caused by industrial-wide phenols production facilities' periodic maintenance by Asian competitors, and the result of business structure improvement.

Conditions for phenols continue to be difficult. Although the business environment improved in comparison with the previous fiscal year as a result of delays in competitor plant start-ups, conditions continued to be unfavorable.

Conditions for PTA remained severe mainly due to market stagnation in China.

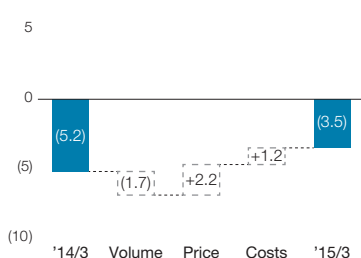
Basic Chemicals	Millions of yen		Change (%)
	2015/3	2014/3	
Net sales	¥311,230	¥376,219	(17.3)
Operating income (loss)	(7,368)	(17,388)	—
Total assets	175,243	188,509	(7.0)
Depreciation and amortization	6,670	8,360	(20.2)
Capital expenditures	4,045	6,615	(38.9)

#### Petrochemicals

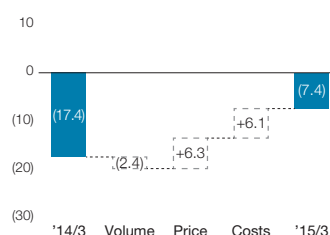
Net sales increased ¥24.4 billion compared with the previous fiscal year to ¥576.8 billion, and comprised 37% of total sales. On the other hand, operating income decreased ¥4.4 billion year on year to ¥20.9 billion primarily due to inventory valuation loss caused by a sudden drop in oil prices.

Operating rate of naphtha crackers grew compared to the previous fiscal year. Profits expanded for overseas businesses mainly due to the increased production of automobiles in North and Central America.

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



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





Petrochemicals	Millions of yen		Change (%)
	2015/3	2014/3	
Net sales	¥576,836	¥552,363	4.4
Operating income (loss)	20,945	25,350	(17.4)
Total assets	380,724	410,934	(7.4)
Depreciation and amortization	9,405	9,578	(1.8)
Capital expenditures	13,638	17,271	(21.0)

#### Films and Sheets

Net sales grew ¥2.8 billion compared with the previous fiscal year to ¥82.7 billion and comprised 6% of total sales. Operating income increased ¥2.8 billion to ¥3.7 billion year on year due to increased sales of high-value-added products, a weak yen, and cost-cutting efforts.

In packaging films, despite a sales price revision implemented from the beginning of the fiscal year, profits decreased due to higher prices of raw materials, contracted demand following a surge ahead of the consumption tax hike and sales price revision and decreased demand caused by unseasonal weather in summer.

In industrial films for electronic and information applications, profits rose due to increased demand related to high-value-added products, especially smartphones.

In encapsulant sheets used in solar modules, profits improved due to efforts to expand sales by new products and cost cuts despite sales prices declines from fierce competition in an ongoing severe business environment.

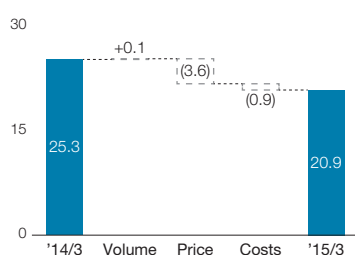
Films and Sheets	Millions of yen		Change (%)
	2015/3	2014/3	
Net sales	¥82,695	¥79,943	3.4
Operating income (loss)	3,697	877	321.6
Total assets	82,945	84,166	(1.5)
Depreciation and amortization	4,443	4,776	(7.0)
Capital expenditures	2,923	4,084	(28.4)

#### Others

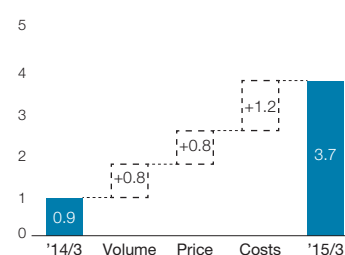
Net sales increased ¥4.5 billion to ¥31.1 billion, comprised 2% of total sales. Operating profit improved by ¥1.4 billion year on year to an income of ¥0.8 billion.

Others	Millions of yen		Change (%)
	2015/3	2014/3	
Net sales	¥31,056	¥26,581	16.8
Operating income (loss)	797	(586)	—
Total assets	44,658	22,190	101.3
Depreciation and amortization	3,813	3,427	11.3
Capital expenditures	6,683	2,319	188.2

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



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



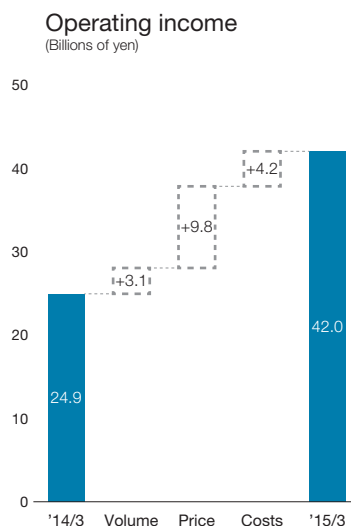
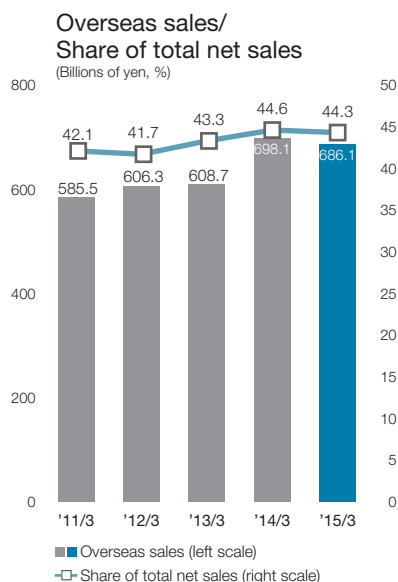
## Net Sales

	Billions of yen				
	2015/3	2014/3	Increase (Decrease)		
			Total	Volume contribution	Price contribution
Functional Chemicals	¥ 219.0	¥ 190.4	¥ 28.6	¥ 23.2	¥ 5.4
Functional Polymeric Materials	174.5	176.7	(2.2)	(13.9)	11.7
Polyurethane	154.8	163.8	(9.0)	(14.0)	5.0
Basic Chemicals	311.2	376.2	(65.0)	(58.0)	(7.0)
Petrochemicals	576.8	552.4	24.4	9.4	15.0
Films and Sheets	82.7	79.9	2.8	0.1	2.7
Others	31.1	26.6	4.5	4.5	—
<b>Total</b>	<b>¥1,550.1</b>	<b>¥1,566.0</b>	<b>¥(15.9)</b>	<b>¥(48.7)</b>	<b>¥32.8</b>

## Operating Income (Loss)

	Billions of yen					
	2015/3	2014/3	Increase (Decrease)			
			Total	Volume contribution	Price*	Fixed and other cost differential
Functional Chemicals	¥14.6	¥ 15.0	¥ (0.4)	¥ 3.1	¥ 0.1	¥(3.6)
Functional Polymeric Materials	18.9	11.9	7.0	3.2	4.0	(0.2)
Polyurethane	(3.5)	(5.2)	1.7	(1.7)	2.2	1.2
Basic Chemicals	(7.4)	(17.4)	10.0	(2.4)	6.3	6.1
Petrochemicals	20.9	25.3	(4.4)	0.1	(3.6)	(0.9)
Films and Sheets	3.7	0.9	2.8	0.8	0.8	1.2
Others	0.8	(0.6)	1.4	—	—	1.4
Adjustments	(6.0)	(5.0)	(1.0)	—	—	(1.0)
<b>Total</b>	<b>¥42.0</b>	<b>¥ 24.9</b>	<b>¥17.1</b>	<b>¥ 3.1</b>	<b>¥ 9.8</b>	<b>¥ 4.2</b>

\*Price = Price contribution + Variable cost differential



## Financial Position

### Assets

Total assets at the end of the fiscal year stood at ¥1,411.8 billion, a decrease of ¥20.4 billion compared with the end of the previous fiscal year.

### Liabilities

Total liabilities at the end of the fiscal year decreased ¥82.1 billion compared with the previous fiscal year-end to ¥940.5 billion. Interest-bearing debt amounted to ¥548.7 billion, a fall of ¥32.6 billion compared with March 31, 2014. As a result, the interest-bearing debt ratio was 38.9%, a decrease of 1.7 percentage points.

### Net Assets

Net assets totaled ¥471.3 billion, an increase of ¥61.7 billion compared with the previous fiscal year-end. The ratio of shareholders' equity to total assets was 28.8%, up 4.2 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the net debt-equity ratio stood at 1.22 at the end of the fiscal year, down 0.22 point from the previous fiscal year-end.

## Capital Resources and Liquidity

### Cash Flows

Cash and cash equivalents (hereinafter called "cash") were down ¥20.6 billion to ¥50.6 billion as of the end of this fiscal year compared with the previous fiscal year-end.

### Cash Flows from Operating Activities

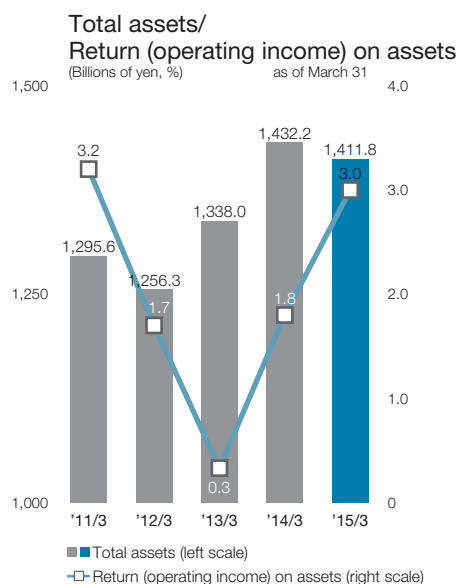
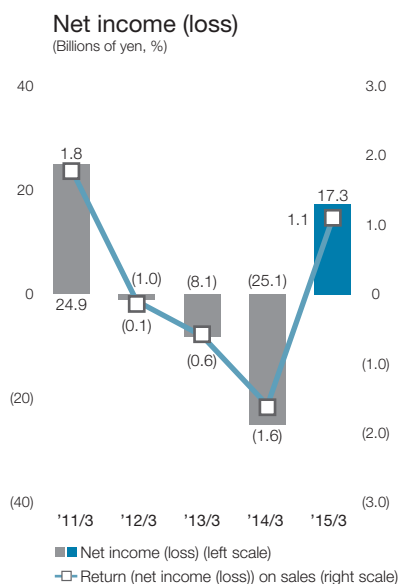
Net cash provided by operating activities grew ¥14.8 billion to ¥58.3 billion due to an increase in income before income taxes and minority interests.

### Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥54.8 billion compared with the previous fiscal year to ¥35.0 billion due to outflows for the acquisition of the Heraeus Kulzer Dental Business in the previous fiscal year.

### Cash Flows from Financing Activities

Net cash used in financing activities was ¥46.6 billion due primarily to repayments of interest-bearing debts.



### Cash Flows Related Performance Indicators

	2015/3	2014/3	2013/3	2012/3	2011/3
Shareholders' equity ratio (%)	28.8	24.6	28.2	29.2	29.6
Shareholders' equity ratio on a market value basis (%)	27.4	17.7	15.4	20.0	22.7
Ratio of interest-bearing debt to cash flows	9.4	13.4	27.4	10.7	6.6
Interest coverage ratio (times)	7.7	5.6	2.7	6.4	9.5

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.

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 ¥47.5 billion in the fiscal 2014. This amount included expenditures on intangible fixed assets as well as long-term prepaid expenses.

Expenditures by business segment were as follows.

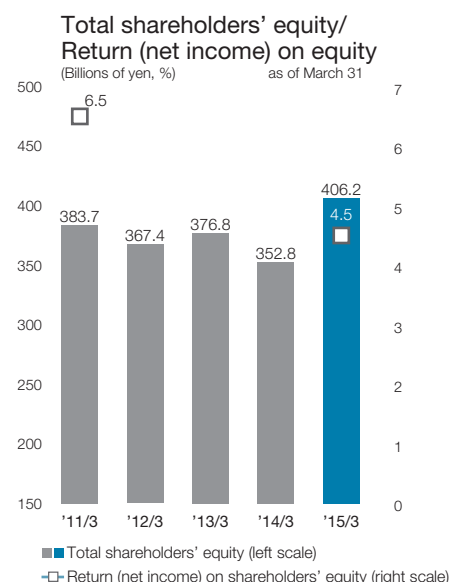
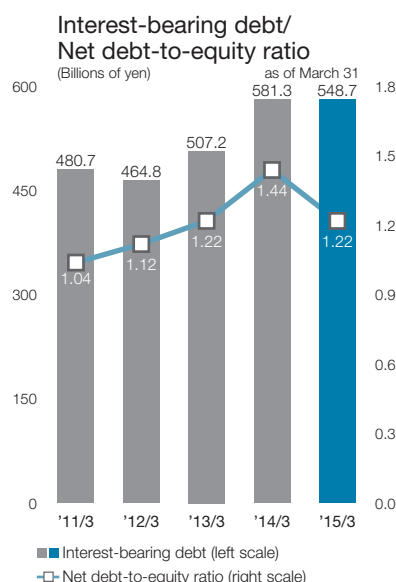
### Functional Chemicals

The total amount of capital expenditures in the Functional Chemicals segment was ¥10.5 billion.

### Functional Polymeric Materials

At Mitsui Chemicals Functional Composites (Shanghai) Co., Ltd., new production facilities for MILASTOMER™, a vulcanized thermoplastic elastomer (TPV), and ADMER™, adhesive polyolefin were constructed.

The total amount of capital expenditures in the Functional Polymeric Materials segment was ¥3.6 billion.



### **Polyurethane**

At the Omuta works, new production facilities for meta-xylylene diisocyanate (XDI) were constructed.

The total amount of capital expenditures in the Polyurethane segment was ¥5.8 billion.

### **Basic Chemicals**

The total amount of capital expenditures in the Basic Chemicals segment was ¥4.0 billion.

### **Petrochemicals**

Prime Evolve Singapore Pte Ltd. constructed production facilities for metallocene linear low density polyethylene (Evolve®).

The total amount of capital expenditures in the Petrochemicals segment was ¥13.6 billion.

### **Films and Sheets**

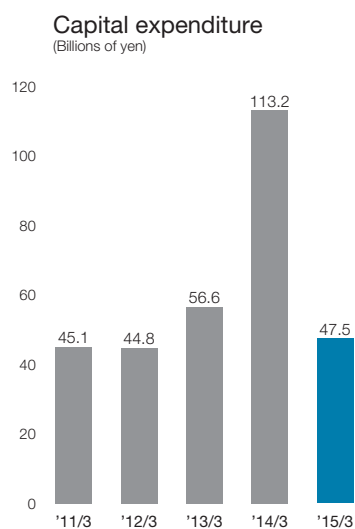
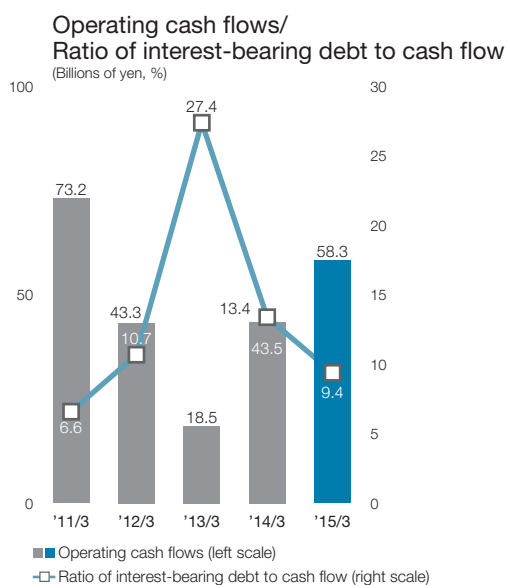
The total amount of capital expenditures in the Films and Sheets segment was ¥2.9 billion.

### **Others**

The total amount of capital expenditures in the Others segment was ¥6.7 billion.

### **Corporate expenses**

The total amount of capital expenditures in the Corporate expenses was ¥0.3 billion, which related to development for 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, 2015 amounted to ¥32.5 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*

The Company is playing a central role in the fundamental technology development for each segment's product family. The Company also engages in the basic research of computer science and advanced analytical techniques to support its product development. Mitsui Chemicals Singapore R&D Centre Pte Ltd. is leading the basic research in consideration of new business creation in Asia.

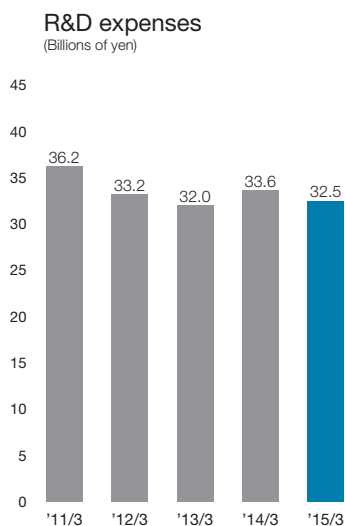
Research and development expenses relating to corporate research amounted to ¥4.4 billion and are allocated among all reportable segments.

### *Development for New Businesses*

The Company is playing a central role in research and development activities by project which is aiming to facilitate new businesses creation in the Mobility domain and the Healthcare domain. In the fiscal year, the Company worked on development and assessment of metal and resin injection assembly technology, which lightens automobiles and improves mileage, components of lithium-ion batteries for a higher safety level and, technology development for solar power consultation.

In the Food & Packaging domain, the Company and Mitsui Chemicals Tohcello, Inc. started collaboration in the research and development for new business development.

Research and development expenses related to new businesses creation were ¥2.8 billion. Those are considered proper to be presented in Corporate expenses and the Others segment.



#### ***Functional Chemicals***

The Company engages in research and development in the Healthcare domain such as vision-care, oral-care materials, and highly functional non-woven fabrics for both hygiene material use and medical use. Heraeus Kulzer GmbH and Sun Medical Co., Ltd. engage in the product development of dental materials. Mitsui Chemicals Agro, Inc. engages in agrochemical research and development in the Food & Packaging domain. In fiscal 2014, efforts were mainly directed toward materials for glass lenses, dental materials and high-functional agrochemicals.

Research and development expenses related to this segment were ¥9.0 billion.

#### ***Functional Polymeric Materials***

The Company engages in the development of elastomers, performance compounds, and performance polymer resins in the Mobility domain. In fiscal 2014, the Company placed considerable weight on development activities encompassing new polyolefin elastomers, new engineering plastic compounds, and special polyolefins for automobile industry.

Research and development expenses related to this segment were ¥5.8 billion.

#### ***Polyurethane***

The Company is active in the development of functional products such as polyurethane foam materials and resins, acrylic resins, amino resins and polyolefin resins in the Mobility domain. In fiscal 2014, development activities were mainly directed toward eco-friendly materials, specifically, polyurethane coating and foam materials made from non-fossil materials, coating materials and adhesives from specialty isocyanates.

Research and development expenses related to this segment were ¥3.4 billion.

#### ***Basic Chemicals***

The Company engages in research and development of phenol and its derivative products, industrial chemicals such as hydroquinone, and purified terephthalic acid (PTA), and PET resin for strengthening the business in the Basic Materials domain.

Research and development expenses related to this segment were ¥0.4 billion.

#### ***Petrochemicals***

Together with Prime Polymer Co., Ltd., the Company is developing high-functional products such as PP compound products in the Mobility domain and high-functional catalysts to strengthen polyolefin resin's competitiveness in the Food & Packaging domain.

Research and development expenses related to this segment were ¥4.9 billion.

#### ***Films and Sheets***

Mitsui Chemicals Tohcello Inc. takes the lead in developing food packaging materials, fabricated products, including films and sheets in fields of IT and energy. In fiscal 2014, priority was placed on food 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 the Group.

Please note that the risks discussed below were those deemed relevant as of March 31, 2015.

### (1) External operating environment

The Mitsui Chemicals Group businesses may be influenced by certain elements of the operating environment outside of the Group, including customer, market, and alliance partner trends as well as the business operations of rival firms. In the event that actual circumstances upon which the Group's business strategies are based change as a result of these environmental influences, the Group's ability to implement these strategies on schedule could be impaired, and anticipated results may not materialize. The Group takes into consideration risks posed by such unavoidable environmental changes. 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, loss of customers, and deterioration in market conditions caused by oversupply due to increased production capacity at rival firms or the market entry of low-priced products. Profitability may also decline due to drastic changes in the cost of raw materials, as well as the impact of supply stoppages due to accidents or bankruptcies at raw material manufacturers. Other conceivable risks include an increase in the tax burden attributable to changes in legal systems. The occurrence of any or all of these risks could adversely impact the Group's business development as well as operating performance and financial position.

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

### (4) Causes of changes in segment operating performance

The Mitsui Chemicals Group engages in the manufacture and sale of a wide array of products led by functional chemicals, functional polymeric materials, polyurethane, basic chemicals, petrochemicals, and films and sheets. Assumed risks for each key business are as follows.

#### *i. Functional Chemicals*

Functional Chemicals segment product earnings could be adversely impacted by price competition caused by the business expansion of rivals. Agrochemicals earnings could be adversely affected by such factors as changing global weather patterns, the appearance of harmful insects, and fluctuations in the cost of tests required for the development and registration of new products.

#### *ii. Functional Polymeric Materials*

Functional Polymeric Materials segment products are primarily produced from ethylene, propylene, and other naphtha derivatives. As described below, segment product earnings could be adversely impacted by temporary delays in passing higher raw material prices onto product prices in the event of a sharp increase in naphtha supply prices caused by circumstances in the Middle East or global economic conditions.

#### *iii. Polyurethane*

Polyurethane segment product earnings could be adversely affected by a rapid deterioration in market conditions caused by a temporary oversupply due to an increase in production facilities at rival firms.

#### *iv. Basic Chemicals*

Basic Chemicals segment products could be adversely impacted by a rapid deterioration in market conditions caused by an oversupply, as these products are vulnerable to fluctuations in this overcrowded market.

#### *v. Petrochemicals*

Petrochemicals segment products are primarily produced from naphtha. Naphtha supply volume and prices could fluctuate sharply due to circumstances in the Middle East or global economic conditions. In the event of a sharp increase or decrease in naphtha prices, segment product earnings could be adversely impacted by delays in passing such fluctuations on to product prices, the emergence of inventory valuation losses, or other factors.

#### *vi. Films and Sheets*

Films and Sheets segment products are primarily produced from polyethylene, polypropylene and other naphtha derivatives handled by the Petrochemicals segment. As described above, segment product earnings could be adversely impacted by delays in passing higher raw material prices on to product prices in the event of a sharp swing in naphtha supply prices caused by circumstances in the Middle East or global economic conditions.



**(5) Financial risks**

Major financial risks faced by the Mitsui Chemicals Group are increased concerns about customer confidence 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.

**(6) 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, may cause impairment losses to be recorded and have an adverse impact on the Group's operating performance and financial position.

**(7) Impairment of marketable securities**

The Mitsui Chemicals Group holds marketable securities with fair values that are mainly from its customers and financial institutions in order to maintain and 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.

**(8) 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 may adversely impact the operating performance and financial position of the Group. Any change in a key parameter that 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.

**(9) 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 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.

**(10) Corporate acquisition, capital alliance and business reorganization**

Aiming for 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 realize the growth synergy benefits or other expected merits due to such factors as a deterioration in the operating environment of the Group and the companies in which it is invested, 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.

**(11) 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 works. 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 Group.

**(12) 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 of the Group's 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 Group.

**(13) 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 and financial position.

**(14) Intellectual property**

Possessing a significant array of proprietary technologies and expertise, the Mitsui Chemicals Group manages information in accordance with strict rules. Nevertheless, information leaks could potentially occur due to unforeseen circumstances. In addition, the Group could potentially be subject to unfavorable court judgment in the event of a future legal dispute concerning intellectual property. The occurrence of such events could adversely impact the Group's operating performance and financial position.

## Consolidated Balance Sheets

mitsui chemicals, inc. and consolidated subsidiaries  
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015/3	2014/3	2015/3
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and deposits	¥ 52,004	¥ 71,979	\$ 432,754
Notes and accounts receivable-trade	299,052	296,492	2,488,575
Inventories (Note 5)	291,295	301,158	2,424,024
Deferred tax assets (Note 19)	9,118	9,828	75,876
Accounts receivable - other	70,981	89,677	590,672
Other	10,079	8,653	83,871
Allowance for doubtful accounts	(821)	(772)	(6,832)
<b>Total current assets</b>	<b>731,708</b>	<b>777,015</b>	<b>6,088,940</b>
<b>Noncurrent assets</b>			
<b>Property, plant and equipment (Note 11)</b>			
Buildings and structures	337,811	330,822	2,811,109
Accumulated depreciation	(229,306)	(221,602)	(1,908,180)
Buildings and structures, net	108,505	109,220	902,929
Machinery, equipment and vehicles	1,012,850	1,011,771	8,428,476
Accumulated depreciation	(888,755)	(885,662)	(7,395,814)
Machinery, equipment and vehicles, net	124,095	126,109	1,032,662
Land	160,188	159,674	1,333,012
Construction in progress	28,994	20,799	241,275
Other	73,035	70,400	607,764
Accumulated depreciation	(61,188)	(60,362)	(509,179)
Other, net	11,847	10,038	98,585
<b>Total property, plant and equipment</b>	<b>433,629</b>	<b>425,840</b>	<b>3,608,463</b>
<b>Intangible assets</b>			
Goodwill (Note 6)	34,978	34,935	291,071
Other	37,785	37,275	314,430
<b>Total intangible assets</b>	<b>72,763</b>	<b>72,210</b>	<b>605,501</b>
<b>Investments and other assets</b>			
Investment securities (Notes 16 and 17)	109,830	108,620	913,955
Net defined benefit asset (Note 7)	25,170	13,036	209,453
Deferred tax assets (Note 19)	5,853	5,448	48,706
Other	33,706	30,919	280,486
Allowance for doubtful accounts	(869)	(926)	(7,231)
<b>Total investments and other assets</b>	<b>173,690</b>	<b>157,097</b>	<b>1,445,369</b>
<b>Total noncurrent assets</b>	<b>680,082</b>	<b>655,147</b>	<b>5,659,333</b>
<b>Total assets</b>	<b>¥1,411,790</b>	<b>¥1,432,162</b>	<b>\$11,748,273</b>

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

		Millions of yen		Thousands of U.S. dollars (Note 4)	
		2015/3	2014/3	2015/3	
<b>LIABILITIES AND NET ASSETS</b>	<b>Current liabilities</b>				
	Notes and accounts payable-trade	¥ 164,193	¥ 219,849	\$ 1,366,339	
	Short-term loans payable (Note 8)	122,062	121,967	1,015,744	
	Current portion of long-term loans payable (Note 8)	36,192	41,188	301,173	
	Commercial papers (Note 8)	—	15,000	—	
	Current portion of bonds (Note 8)	20,142	13,000	167,613	
	Income taxes payable (Note 19)	4,103	4,455	34,143	
	Provision for directors' bonuses	93	42	774	
	Provision for repairs	10,601	12,324	88,217	
	Provision for business structure improvement	1,290	2,337	10,735	
	Asset retirement obligations	25	—	208	
	Other (Notes 8 and 19)	89,798	76,894	747,258	
	Total current liabilities	448,499	507,056	3,732,204	
		<b>Noncurrent liabilities</b>			
	Bonds payable (Note 8)	79,858	99,000	664,542	
	Long-term loans payable (Note 8)	289,138	290,595	2,406,075	
	Deferred tax liabilities (Note 19)	24,421	22,923	203,220	
	Provision for directors' retirement benefits	283	295	2,355	
	Provision for repairs	2,147	2,227	17,866	
	Provision for environmental measures	956	1,621	7,955	
	Provision for business structure improvement	10,846	14,213	90,255	
	Net defined benefit liability (Note 7)	59,193	58,324	492,577	
	Asset retirement obligations	4,268	3,770	35,516	
	Other (Notes 8 and 19)	20,882	22,491	173,772	
	Total noncurrent liabilities	491,992	515,459	4,094,133	
	Total liabilities	940,491	1,022,515	7,826,337	
		<b>Net assets</b>			
	Shareholders' equity (Note 12)				
	Capital stock	125,053	125,053	1,040,634	
	Capital surplus	91,065	91,065	757,801	
	Retained earnings	165,408	149,287	1,376,451	
Treasury stock	(14,454)	(14,341)	(120,280)		
Total shareholders' equity	367,072	351,064	3,054,606		
	<b>Accumulated other comprehensive income (Note 13)</b>				
Valuation difference on available-for-sale securities	21,018	16,678	174,902		
Deferred gain (loss) on hedges	(331)	(105)	(2,754)		
Foreign currency translation adjustments	28,926	6,551	240,709		
Remeasurements of defined benefit plans	(10,450)	(21,345)	(86,960)		
Total accumulated other comprehensive income	39,163	1,779	325,897		
Minority interests	65,064	56,804	541,433		
Total net assets	471,299	409,647	3,921,936		
Total liabilities and net assets	¥1,411,790	¥1,432,162	\$11,748,273		

## Consolidated Statements of Operations

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015/3	2014/3	2015/3
Net sales	¥1,550,076	¥1,566,046	\$12,899,026
Cost of sales (Notes 7 and 10)	1,308,542	1,353,536	10,889,090
Gross profit	241,534	212,510	2,009,936
Selling, general and administrative expenses (Notes 7 and 10)	199,494	187,611	1,660,098
Operating income	42,040	24,899	349,838
Non-operating income and expenses			
Non-operating income			
Interest income	367	358	3,054
Dividends income	4,751	3,724	39,536
Amortization of negative goodwill	23	679	191
Equity in earnings of affiliates	—	786	—
Foreign exchange gains	5,147	165	42,831
Other	4,485	4,073	37,322
Total non-operating income	14,773	9,785	122,934
Non-operating expenses			
Interest expenses	7,353	7,372	61,188
Loss on suspension of operations	1,492	869	12,416
Equity in earnings of affiliates	73	—	607
Other	3,484	3,921	28,993
Total non-operating expenses	12,402	12,162	103,204
Ordinary income	44,411	22,522	369,568
Extraordinary income and losses			
Extraordinary income			
Gain on sales of noncurrent assets	135	128	1,123
Gain on sales of investment securities	2,126	2,432	17,692
Insurance income	—	4,044	—
Total extraordinary income	2,261	6,604	18,815
Extraordinary losses			
Loss on disposal of noncurrent assets	4,446	5,851	36,998
Loss on sales of noncurrent assets	24	17	200
Impairment loss (Note 11)	5,278	4,444	43,921
Loss on restructuring of subsidiaries and affiliates	—	2,167	—
Loss on business withdrawal	—	1,523	—
Loss on revision of retirement benefit plan	181	—	1,506
Contract termination fees	903	—	7,514
Business structure improvement expenses (Note 11)	—	25,662	—
Total extraordinary losses	10,832	39,664	90,139
Income (loss) before income taxes and minority interests	35,840	(10,538)	298,244
Income taxes - current	10,402	10,475	86,561
Income taxes - deferred	1,078	897	8,970
Total income taxes	11,480	11,372	95,531
Income (loss) before minority interests	24,360	(21,910)	202,713
Minority interests in income	7,099	3,228	59,075
Net income (loss)	¥ 17,261	¥ (25,138)	\$ 143,638
	Yen		U.S. dollars (Note 4)
Amounts per share of common stock:			
Net income (loss)	¥17.24	¥(25.10)	\$0.143
Cash dividends applicable to the year	5.00	3.00	0.042

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015/3	2014/3	2015/3
Income (loss) before minority interests	¥24,360	¥(21,910)	\$202,713
Other comprehensive income (Note 13)			
Valuation difference on available-for-sale securities	4,644	3,907	38,645
Deferred gain (loss) on hedges	(412)	124	(3,429)
Foreign currency translation adjustments	22,770	21,892	189,482
Remeasurements of defined benefit plans	10,613	—	88,317
Post retirement liability adjustments for foreign consolidated subsidiaries	—	22	—
Share of other comprehensive income of associates accounted for using the equity method	4,225	6,154	35,158
Total other comprehensive income	41,840	32,099	348,173
Comprehensive income	¥66,200	¥ 10,189	\$550,886
Comprehensive income attributable to:			
Owners of Mitsui Chemicals	¥54,645	¥ 5,055	\$454,731
Minority interests	11,555	5,134	96,155

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, 2015 and 2014

	Millions of yen									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at April 1, 2013	¥125,053	¥91,065	¥180,451	¥(14,264)	¥12,862	¥(250)	¥(18,138)	—	¥52,135	¥428,914
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Restated balance	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 April 1, 2014	¥125,053	¥91,065	¥149,287	¥(14,341)	¥16,678	¥(105)	¥6,551	¥(21,345)	¥56,804	¥409,647
Cumulative effects of changes in accounting policies	—	—	868	—	—	—	—	—	—	868
Restated balance	125,053	91,065	150,155	(14,341)	16,678	(105)	6,551	(21,345)	56,804	410,515
Cash dividends paid	—	—	(2,002)	—	—	—	—	—	—	(2,002)
Net income	—	—	17,261	—	—	—	—	—	—	17,261
Purchase of treasury stock	—	—	—	(125)	—	—	—	—	—	(125)
Disposition of treasury stock	—	—	(6)	12	—	—	—	—	—	6
Other changes	—	—	—	—	4,340	(226)	22,375	10,895	8,260	45,644
<b>Balance at March 31, 2015</b>	<b>¥125,053</b>	<b>¥91,065</b>	<b>¥165,408</b>	<b>¥(14,454)</b>	<b>¥21,018</b>	<b>¥(331)</b>	<b>¥28,926</b>	<b>¥(10,450)</b>	<b>¥65,064</b>	<b>¥471,299</b>

	Thousands of U.S. dollars (Note 4)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gain (loss) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at April 1, 2014	\$1,040,634	\$757,801	\$1,242,298	\$(119,340)	\$138,787	\$ (874)	\$ 54,514	\$(177,623)	\$472,697	\$3,408,894
Cumulative effects of changes in accounting policies	—	—	7,225	—	—	—	—	—	—	7,225
Restated balance	1,040,634	757,801	1,249,523	(119,340)	138,787	(874)	54,514	(177,623)	472,697	3,416,119
Cash dividends paid	—	—	(16,660)	—	—	—	—	—	—	(16,660)
Net income	—	—	143,638	—	—	—	—	—	—	143,638
Purchase of treasury stock	—	—	—	(1,040)	—	—	—	—	—	(1,040)
Disposition of treasury stock	—	—	(50)	100	—	—	—	—	—	50
Other changes	—	—	—	—	36,115	(1,880)	186,195	90,663	68,736	379,829
<b>Balance at March 31, 2015</b>	<b>\$1,040,634</b>	<b>\$757,801</b>	<b>\$1,376,451</b>	<b>\$(120,280)</b>	<b>\$174,902</b>	<b>\$(2,754)</b>	<b>\$240,709</b>	<b>\$(86,960)</b>	<b>\$541,433</b>	<b>\$3,921,936</b>

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

## Consolidated Statements of Cash Flows

MITSUMI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015/3	2014/3	2015/3
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥ 35,840	¥(10,538)	\$ 298,244
Depreciation	45,767	45,617	380,852
Amortization of goodwill	2,484	2,526	20,671
Impairment loss	5,278	4,444	43,921
Increase (decrease) in net defined benefit liability	257	(550)	2,139
Decrease (increase) in net defined benefit asset	(63)	2,900	(524)
Changes in allowance for doubtful accounts	(52)	8	(433)
Provision for repairs	(1,803)	740	(15,004)
Provision for environmental measures	(657)	(1,407)	(5,467)
Increase (decrease) in provision for business structure improvement	(4,336)	12,670	(36,082)
Interest and dividend income	(5,118)	(4,082)	(42,590)
Interest expenses	7,353	7,372	61,188
Equity in earnings of non-consolidated subsidiaries and affiliates	73	(786)	607
Loss (gain) on sales of investment securities	(2,001)	(2,499)	(16,651)
Loss (gain) on valuation of investment securities	6	6	50
Loss on retirement of noncurrent assets	938	1,015	7,806
Loss (gain) on sales of noncurrent assets	(111)	(111)	(924)
(Increase) decrease in trade receivables	5,782	(7,150)	48,115
(Increase) decrease in inventories	19,008	(9,003)	158,176
Increase (decrease) in trade payables	(59,995)	8,052	(499,251)
Other, net	20,152	1,148	167,696
Subtotal	68,802	50,372	572,539
Interest and dividends income received	8,072	6,580	67,171
Interest paid	(7,542)	(7,764)	(62,761)
Income taxes paid	(11,045)	(10,641)	(91,911)
Proceeds from insurance income on explosion and fire	—	4,929	—
Net cash provided by (used in) operating activities	58,287	43,476	485,038
Cash flows from investing activities			
Purchase of property, plant and equipment	(35,091)	(52,096)	(292,011)
Proceeds from sales of property, plant and equipment	681	451	5,667
Purchase of intangible assets	(2,385)	(1,396)	(19,847)
Purchase of long-term prepaid expenses	(685)	(1,006)	(5,700)
Purchase of investment securities	(3,245)	(8,208)	(27,003)
Proceeds from sales and redemption of investment securities (Note 14)	7,499	12,490	62,403
Payments for transfer of business (Note 14)	—	(40,900)	—
Payments for purchase of newly consolidated subsidiaries, net of cash acquired (Note 14)	(2,238)	—	(18,624)
Other, net	428	884	3,561
Net cash provided by (used in) investing activities	(35,036)	(89,781)	(291,554)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(3,896)	11,631	(32,421)
Increase (decrease) in commercial papers	(15,000)	—	(124,823)
Proceeds from long-term loans payable	31,318	112,317	260,614
Repayment of long-term loans payable	(41,400)	(54,022)	(344,512)
Proceeds from issuance of bonds	1,000	15,000	8,322
Redemption of bonds	(13,000)	(10,000)	(108,180)
Proceeds from stock issuance to minority shareholders	156	1,880	1,298
Proceeds from sales of treasury stock	6	8	50
Purchase of treasury stock	(125)	(102)	(1,040)
Cash dividends paid	(2,002)	(6,009)	(16,660)
Cash dividends paid to minority shareholders	(3,552)	(3,700)	(29,558)
Other, net	(111)	(135)	(924)
Net cash provided by (used in) financing activities	(46,606)	66,868	(387,834)
Effect of exchange rate change on cash and cash equivalents	2,767	5,735	23,026
Net increase (decrease) in cash and cash equivalents	(20,588)	26,298	(171,324)
Cash and cash equivalents at beginning of the year	71,210	44,996	592,577
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	(84)	—
Cash and cash equivalents at end of the year (Note 14)	¥ 50,622	¥ 71,210	\$ 421,253

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, 2015 and 2014

## 1. Basis of preparation

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

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

## 2. Significant accounting policies

### a. Consolidation

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

The assets and liabilities of the consolidated subsidiaries, including the portion attributable to minority shareholders, were evaluated using the fair value at the time the Company acquired control of the respective subsidiaries. The excess of the cost of investments in consolidated subsidiaries over the net assets acquired is deferred as goodwill and is amortized over a period of 20 years or less.

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

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

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

As of March 31, 2015, the Group comprised 100 consolidated subsidiaries, three more than the previous fiscal year. This reflected the five new companies, including Whole You, Inc. and the exclusion of two former subsidiaries, including Tohoku Uloid Co., Ltd..

The equity method is applied to 37 non-consolidated subsidiaries and affiliates, one less than the previous fiscal year.

### b. Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. The Company and its domestic consolidated subsidiaries have reported foreign currency translation adjustments as a component of accumulated other comprehensive income (loss) and minority interests.

### c. Inventories

Inventories are stated primarily at the lower of cost or market. Cost is being determined by the weighted-average method.

### d. Securities

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

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

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

### 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 net defined benefit liability and net defined benefit asset have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date.

The retirement benefit obligation for employees 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.

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

Unrecognized prior service cost and unrecognized actuarial gain or loss are recognized as remeasurements of defined benefit plans in accumulated other comprehensive income after adjustment for tax effects.

#### **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.

#### **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 Business Combinations and related standards and implementation guidance

- Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Statement No. 4, September 13, 2013)

#### (1) Overview

The main revisions are as follows.

- Changes in equity interests 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, "income before minority interests" will be presented as "net income".
- Changes in transitional provisions for the above accounting standards.

#### (2) Scheduled date of adoption

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

#### (3) Impact of adoption

The impact of the change will be confirmed.

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### 3. Accounting changes

#### Changes in accounting policies

The Company and its consolidated subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015) to the main clause stipulated in Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits from the fiscal year.

Under the new standard, calculation of liabilities for retirement benefits and service costs has been revised and the method of attributing expected benefits to periods has been changed from straight-line basis to benefit formula basis. The method of determination of the discount rate also revised to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In accordance with transitional accounting as stipulated in Article 37 of the Accounting Standard for Retirement Benefits, the effect of changes in accounting policies arising from initial application is recognized as an adjustment to retained earnings at the beginning of the fiscal year.

As a result, the beginning balance of net defined benefit liability decreased ¥2,190 million, net defined benefit asset decreased ¥1,237 million, investment securities decreased ¥85 million, retained earnings increased ¥868 million respectively. The impact on current period's operating income, ordinary income and income before income taxes and minority interests were not material.

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### 4. U.S. dollar amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥120.17=US\$1.00, the approximate rate of exchange in effect on March 31, 2015. 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Finished goods	¥204,175	¥206,994	\$1,699,051
Work in process	6,383	7,710	53,116
Raw materials and supplies	80,737	86,454	671,857
Total	¥291,295	¥301,158	\$2,424,024

## 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 noncurrent assets. The amounts of goodwill and negative goodwill at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Goodwill	¥34,978	¥34,958	\$291,071
Negative goodwill	—	23	—
Difference	¥34,978	¥34,935	\$291,071

## 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. In addition, some 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 for the years ended March 31, 2015 and 2014 were as follows:  
Movement in defined benefit obligation

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Defined benefit obligation as of April 1	¥208,726	¥204,874	\$1,736,923
Cumulative effects of changes in accounting policies	(953)	—	(7,931)
Restated balance	207,773	204,874	1,728,992
Service cost	5,103	5,089	42,465
Interest cost	2,001	2,597	16,652
Actuarial gains/losses	7,537	(343)	62,719
Prior service cost	(74)	18	(616)
Benefits paid	(13,619)	(11,998)	(113,331)
Decrease due to transfer to defined contribution plan	(11,150)	—	(92,785)
Others	346	8,489	2,879
Defined benefit obligation as of March 31	¥197,917	¥208,726	\$1,646,975

Movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Plan assets as of April 1	¥163,438	¥149,058	\$1,360,056
Expected return on plan assets	3,653	3,520	30,399
Actuarial gains/losses	10,346	9,162	86,095
Employer contributions	5,577	6,651	46,409
Benefits paid	(9,158)	(8,449)	(76,209)
Decrease due to transfer to defined contribution plan	(9,956)	—	(82,849)
Others	(6)	3,496	(50)
Plan asset as of March 31	¥163,894	¥163,438	\$1,363,851

### Funded status of the pension plans

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Funded retirement benefit obligation	¥ 149,939	¥ 159,975	\$ 1,247,724
Plan assets at fair value	(163,894)	(163,438)	(1,363,851)
	(13,955)	(3,463)	(116,127)
Unfunded retirement benefit obligation	47,978	48,751	399,251
Net liability for retirement benefits in the balance sheet	34,023	45,288	283,124
Net defined benefit liability	59,193	58,324	492,577
Net defined benefit asset	(25,170)	(13,036)	(209,453)
Net liability for retirement benefits in the balance sheet	¥ 34,023	¥ 45,288	\$ 283,124

### Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Service cost	¥ 5,103	¥ 5,089	\$ 42,465
Interest cost	2,001	2,597	16,651
Return on plan assets	(3,653)	(3,520)	(30,399)
Amortization of actuarial loss	7,379	8,419	61,405
Amortization of prior service cost	(78)	14	(649)
Premium severance pay	333	455	2,771
Total	¥11,085	¥13,054	\$ 92,244

### Remeasurements of defined benefit plans before tax effect included in other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Prior service cost	¥ 4	¥—	\$ 33
Actuarial gains/losses	(10,617)	—	(88,350)
Total	¥(10,613)	¥—	\$(88,317)

### Remeasurements of defined benefit plans before tax effect included in accumulated other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Unrecognized prior service cost	¥ (62)	¥ (63)	\$ (516)
Unrecognized actuarial gains/losses	11,279	21,392	93,859
Total	¥11,217	¥21,329	\$93,343

### Plan assets by category (%)

	2015/3	2014/3
Bonds	30%	34%
Stocks	55%	50%
Cash on hand and in banks	1%	6%
Other	14%	10%
Total	100%	100%

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

	2015/3	2014/3
Discount rate	Principally 0.5%	Principally 1.2%
Rate of expected return on the pension plan assets	Principally 2.5%	Principally 2.5%
Rate of estimated future salary increases	Principally 1.0-4.9%	Principally 1.0-4.9%

### Expenses for defined contribution plans

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Total	¥484	¥182	\$4,028

### (Amendment of employees' 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 a defined contribution plan, effective on July 1, 2014. The Company applied "Accounting Treatment Concerning Transfer between Retirement Benefit Plans, etc." (ASBJ Guidance No. 1, May 17, 2012) for this change. Due to the transfer, the Company recorded an extraordinary loss of ¥181 million.

## 8. Loans and bonds

### 1. Loans payable breakdown

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Short-term loans payable (0.81%)	¥122,062	¥121,967	\$1,015,744
Current portion of long-term loans payable (1.72%)	36,192	41,188	301,173
Current portion of lease obligations	70	140	583
Long-term loans payable due in 2016 - 2024 (1.17%)	289,138	290,595	2,406,075
Long-term lease obligations due in 2017- 2028	1,251	370	10,410
Commercial papers (-%)	—	15,000	—
<b>Total</b>	<b>¥448,713</b>	<b>¥469,260</b>	<b>\$3,733,985</b>

The aforementioned interest rate is an average, shown as the weighted average interest rate on the outstanding balance as of March 31, 2015.

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

#### Maturities of loans payable due within 5 years:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	26,344	219,223
2018	20,670	172,006
2019	23,529	195,798
2020	54,900	456,853

#### Maturities of lease obligations due within 5 years:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	60	499
2018	93	774
2019	66	549
2020	65	541

### 2. Bonds payable breakdown

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
1.52% bonds due in 2015	¥10,000	¥10,000	\$83,215
1.84% bonds due in 2016	10,000	10,000	83,215
2.09% bonds due in 2016	10,000	10,000	83,215
1.96% bonds due in 2017	10,000	10,000	83,215
1.93% bonds due in 2017	10,000	10,000	83,215
1.44% bonds due in 2014	—	10,000	—
1.246% bonds due in 2020	10,000	10,000	83,215
1.354% bonds due in 2021	10,000	10,000	83,215
0.651% bonds due in 2017	14,000	14,000	116,503
0.682% bonds due in 2018	15,000	15,000	124,824
1.38% bonds due in 2014	—	3,000	—
0.49% bonds due in 2021	1,000	—	8,322
<b>Total</b>	<b>¥100,000</b>	<b>¥112,000</b>	<b>\$832,154</b>

#### Maturities of bonds payable due within 5 years:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥20,142	\$167,613
2017	20,142	167,613
2018	24,142	200,899
2019	15,142	126,005
2020	142	1,182

## 9. Contingent liabilities

### Contingent liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
As endorser of trade notes discounted	¥ 198	¥ 200	\$ 1,648
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	31,115	17,722	258,925
As issuer of commitments for guarantees	6	65	50

## 10. Research and development expenses

Research and development expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Research and development expenses	¥32,473	¥33,569	\$270,226

## 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 are 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, 2015 and 2014 consisted of the following:

Year ended March 31, 2015

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks*
Iwakuni City and Waki-cho, Yamaguchi Prefecture (PTA & PET business)	Production facilities	Machinery, equipment and vehicles, buildings and structures, others	¥1,963	\$16,335	Business assets in use
Omuta City, Fukuoka Prefecture, etc. (Polyurethane business, etc.)	Production facilities, etc.	Machinery, equipment and vehicles, buildings and structures, others	¥1,669	\$13,889	Business assets in use
Others	9 items	Production facilities, etc.	¥1,571	\$13,073	Business assets in use
	1 items	Welfare facilities	¥ 68	\$ 566	Business assets in use
	1 items	Production facilities	¥7	\$ 58	Idle properties
<b>Total</b>			<b>¥5,278</b>	<b>\$43,921</b>	

\*Business assets in use comprised ¥3,548 million for machinery, equipment and vehicles, ¥1,544 million for buildings and structures, ¥179 million for other assets. These amounts were showed in impairment loss as ¥5,271 million respectively.

Idle properties comprised ¥4 million for machinery, equipment and vehicles, ¥3 million for buildings and structures. These amounts were showed in impairment loss as ¥7 million respectively.

Year ended March 31, 2014

Location	Major use	Asset category	Millions of yen	Remarks*
Kamisu City, Ibaraki Prefecture, etc. (Polyurethane business, etc.)	Production facilities, etc.	Land, machinery, equipment and vehicles, others	¥ 6,772	Business assets in use
Ichihara City, Chiba Prefecture (Phenols business)	Production facilities	Machinery, equipment and vehicles, buildings and structures, others	¥ 3,353	Business assets in use
Mitsui Phenols Singapore Pte Ltd. (Singapore)	Production facilities	Machinery, equipment and vehicles	¥ 2,310	Business assets in use
Shimonoseki City, Yamaguchi Prefecture	Production facilities	Machinery, equipment and vehicles, buildings and structures, others	¥ 1,540	Business assets in use
Produmaster Advanced Composites (Brasil)	Other	Goodwill	¥ 1,491	Business assets in use
Others	2 items	Production facilities, etc.	¥ 949	Idle properties
	4 items	Production facilities	¥ 464	Business assets in use
<b>Total</b>			<b>¥16,879</b>	

\*Business assets in use comprised ¥8,423 million for machinery, equipment 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. The amounts of the Polyurethane business, Ichihara City, Chiba Prefecture (Phenols business), and Mitsui Phenols Singapore Pte Ltd. were classified into business structure improvement expenses.

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

## 12. Shareholders' equity

Under the Corporate Law of Japan (the "Law"), the amount paid for new shares is required to be accounted for as common stock, although a company may account for the amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Law provides that an amount equal to 10% of distribution from surplus shall be appropriated and set aside as legal earnings reserve or additional paid-in capital, until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be transferred to common stock by resolution of the shareholders' meeting. The Law also stipulates that the amount of any such excess is available for appropriations by resolution of the shareholders. Legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at March 31, 2015 include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 24, 2015.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 (\$0.03) per share	¥3,003	\$24,990

## 13. Consolidated statements of comprehensive income

Reclassification adjustments and tax effects for components of other comprehensive income (loss) for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Valuation difference on available-for-sale securities:			
Gains arising during the year	¥ 8,009	¥ 5,719	\$ 66,647
Reclassification adjustment to profit or loss	(1,858)	(278)	(15,461)
Amount before income tax effect	6,151	5,441	51,186
Income tax effect	(1,507)	(1,534)	(12,541)
Total	4,644	3,907	38,645
Deferred gains or losses on hedges:			
Losses arising during the year	(852)	102	(7,090)
Reclassification adjustment to profit or loss	—	3	—
Adjustments of acquisition cost for assets	439	26	3,653
Amount before income tax effect	(413)	131	(3,437)
Income tax effect	1	(7)	8
Total	(412)	124	(3,429)
Foreign currency translation adjustments:			
Adjustments arising during the year	22,770	21,751	189,482
Reclassification adjustment to profit or loss	—	141	—
Total	22,770	21,892	189,482
Remeasurements of defined benefit plans:			
Adjustments arising during the year	2,704	—	22,502
Reclassification adjustment to profit or loss	7,374	—	61,363
Amount before income tax effect	10,078	—	83,865
Income tax effect	535	—	4,452
Total	10,613	—	88,317
Post retirement liability adjustments for foreign consolidated subsidiaries:			
Adjustments arising during the year	—	18	—
Reclassification adjustment to profit or loss	—	—	—
Amount before income tax effect	—	18	—
Income tax effect	—	4	—
Total	—	22	—

Share of other comprehensive income of associates accounted for using the equity method:			
Loss arising during the year	4,093	6,152	34,060
Reclassification adjustment to profit or loss	132	2	1,098
Total	4,225	6,154	35,158
Total other comprehensive income	¥41,840	¥32,099	\$348,173

#### 14. Supplementary cash flow information

(1) Cash and cash equivalents at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Cash	¥50,141	¥70,403	\$417,250
Cash equivalents	481	807	4,003
Total	¥50,622	¥71,210	\$421,253

(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, related acquisition costs and net disbursement were as follows:

Year ended March 31, 2015

Kyowa Industrial Co. Ltd. and other 3 subsidiaries	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 3,924	\$ 32,654
Noncurrent assets	3,206	26,679
Goodwill	1,546	12,865
Current liabilities	(4,287)	(35,674)
Noncurrent liabilities	(2,111)	(17,567)
Minority interests	(120)	(99)
Acquisition value of shares and assets	2,158	17,958
Cash and cash equivalents	(964)	(8,022)
Payments due to loans assumed	1,044	8,688
Net disbursement due to the acquisition	¥ 2,238	\$ 18,624

Not applicable for the year ended March 31, 2014.

(3) Breakdown of assets and liabilities of companies that were newly included in the scope of consolidation as consolidated subsidiaries with the transfer of business, related acquisition costs and net disbursement were as follows:

Not applicable for the year ended March 31, 2015.

Year ended March 31, 2014

Heraeus Kulzer Dental business	Millions of yen
Current assets	¥28,241
Noncurrent assets	34,920
Goodwill	30,473
Current liabilities	(16,708)
Noncurrent liabilities	(18,168)
Acquisition value of shares and assets	58,758
Cash and cash equivalents	(4,851)
Payments due to loans assumed	7,102
Proceeds from reverse-carve-out, etc. net	(6,655)
Proceeds from sales of shares	(13,454)
Net disbursement due to the acquisition	¥40,900

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

Year ended March 31, 2015

The impact was immaterial.

Year ended March 31, 2014

Siam Mitsui PTA Co., Ltd. and one other	Millions of yen
Current assets	¥14,670
Noncurrent assets	19,184
Current liabilities	(11,335)
Noncurrent liabilities	(6,232)

## 15. Leases

Obligations under noncancelable operating leases at March 31, 2015 and 2014 were as follows:  
Future Minimum Lease Payments:

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Due within one year	¥113	¥152	\$ 941
Due after one year	88	186	732
	¥201	¥338	\$1,673

## 16. Financial instruments

(1) Status of financial instruments

### 1. Management policy

In light of plans for capital investment, the 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 and other 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 and other 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, loans payable and other items 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 "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 fluctuations)

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 sheet, fair value, and differences as of March 31, 2015 and 2014 are as follows. In addition, financial instruments, for which is extremely difficult to measure the fair value, are not included. (Please see Note 2)

Year ended March 31, 2015	Millions of yen		
	Carrying value	Fair value	Differences
<b>Assets</b>			
(1) Cash and deposits	¥ 52,004	¥ 52,004	¥ —
(2) Trade notes and accounts receivable	299,052	299,052	—
(3) Short-term investment securities and investment securities, other securities	50,017	50,017	—
<b>Total</b>	<b>401,073</b>	<b>401,073</b>	<b>—</b>
<b>Liabilities</b>			
(1) Trade notes and accounts payable	164,193	164,193	—
(2) Short-term bank loans	122,062	122,062	—
(3) Commercial papers	—	—	—
(4) Corporate bonds due after one year	100,000	102,475	2,475
(5) Long-term loans payable due after one year	325,330	335,507	10,177
<b>Total</b>	<b>711,585</b>	<b>724,237</b>	<b>12,652</b>
Derivative transactions(*)	¥ (485)	¥ (485)	¥ —

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

Year ended March 31, 2015	Thousands of U.S. dollars		
	Carrying value	Fair value	Differences
<b>Assets</b>			
(1) Cash and deposits	\$ 432,754	\$ 432,754	\$ —
(2) Trade notes and accounts receivable	2,488,574	2,488,574	—
(3) Short-term investment securities and investment securities, other securities	416,219	416,219	—
<b>Total</b>	<b>3,337,547</b>	<b>3,337,547</b>	<b>—</b>
<b>Liabilities</b>			
(1) Trade notes and accounts payable	1,366,339	1,366,339	—
(2) Short-term bank loans	1,015,744	1,015,744	—
(3) Commercial papers	—	—	—
(4) Corporate bonds due after one year	832,154	852,750	20,596
(5) Long-term loans payable due after one year	2,707,247	2,791,937	84,688
<b>Total</b>	<b>5,921,484</b>	<b>6,026,770</b>	<b>105,284</b>
Derivative transactions(*)	\$ (4,036)	\$ (4,036)	\$ —

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

Year ended March 31, 2014	Millions of yen		
	Carrying value	Fair value	Differences
<b>Assets</b>			
(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	—
<b>Total</b>	<b>414,529</b>	<b>414,529</b>	<b>—</b>
<b>Liabilities</b>			
(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
<b>Total</b>	<b>800,599</b>	<b>811,270</b>	<b>10,671</b>
Derivative transactions(*)	¥ (13)	¥ (13)	¥ —

\*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, 2015	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥9,678	\$80,536
Unlisted preferred securities	—	—

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

Year ended March 31, 2014	Millions of yen
Unlisted equity securities	¥11,340
Unlisted preferred securities	2,480

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, 2015	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	¥ 52,004	¥ —	¥ —	¥ —
Trade notes and accounts receivable	299,052	—	—	—
Total	¥351,056	¥—	¥—	¥—

Year ended March 31, 2015	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	\$ 432,754	\$ —	\$ —	\$ —
Trade notes and accounts receivable	2,488,574	—	—	—
Total	\$2,921,328	\$—	\$—	\$—

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	¥—	¥—	¥—

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

Year ended March 31, 2015	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	¥122,062	¥ —	¥ —	¥ —	¥ —	¥ —
Corporate bonds due after one year	20,142	20,142	24,142	15,142	142	20,290
Long-term loans payable due after one year	36,192	26,344	20,670	23,529	54,900	163,695
Total	¥178,396	¥46,486	¥44,812	¥38,671	¥55,042	¥183,985

Year ended March 31, 2015	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	\$1,015,744	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate bonds due after one year	167,613	167,613	200,899	126,005	1,182	168,844
Long-term loans payable due after one year	301,173	219,223	172,006	195,798	456,853	1,362,195
Total	\$1,484,530	\$386,836	\$372,905	\$321,803	\$458,035	\$1,531,039

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

## 17. Securities

Information on securities held by the Company and its subsidiaries at March 31, 2015 and 2014 was as follows:

### (1) Held-to-maturity debt securities

Not applicable for both years ended March 31, 2015 and 2014.

### (2) Other securities with maturity date

Year ended March 31, 2015	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	¥47,457	¥21,304	¥26,153	\$394,915	\$177,282	\$217,633
(2) Others	6	6	0	50	50	0
Securities whose carrying value does not exceed their acquisition value:						
(1) Equity securities	2,073	2,874	(801)	17,251	23,916	(6,665)
(2) Others	481	481	(0)	4,003	4,003	(0)
Total	¥50,017	¥24,665	¥25,352	\$416,219	\$205,251	\$210,968

Note: Unlisted equity securities with carrying value of ¥9,678 million as of March 31, 2015 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, 2014	Millions of yen		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition value:			
(1) Equity securities	¥41,889	¥20,742	¥21,147
(2) Others	6	6	0
Securities whose carrying value does not exceed their acquisition value:			
(1) Equity securities	3,356	4,230	(874)
(2) Others	807	807	(0)
<b>Total</b>	<b>¥46,058</b>	<b>¥25,785</b>	<b>¥20,273</b>

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.

(3) Other securities sold during the fiscal years ended March 31, 2015 and 2014

Year ended March 31, 2015	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	¥3,681	¥1,951	¥101	\$30,632	\$16,235	\$840
Others	512	—	—	4,260	—	—
<b>Total</b>	<b>¥4,193</b>	<b>¥1,951</b>	<b>¥101</b>	<b>\$34,892</b>	<b>\$16,235</b>	<b>\$840</b>

Year ended March 31, 2014	Millions of yen		
	Sales price	Gain on sales	Loss on sales
Equity securities	¥ 363	¥280	¥4
Others	713	—	—
<b>Total</b>	<b>¥1,076</b>	<b>¥280</b>	<b>¥4</b>

Note: Equity securities without market value are included.

(4) Impairment of investment securities

For the fiscal years ended March 31, 2014 and March 31, 2015, the Group recognized impairment losses on investment securities, in the amount of ¥6 (¥6 million on other marketable securities without market values) and ¥6 million (¥6 million on other marketable securities without 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, 2015 and 2014.

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

Currency related

Year ended March 31, 2015	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	¥2,250	¥—	¥(64)	¥(64)	\$18,723	\$—	\$(533)	\$(533)
(2) Buying U.S. dollar	3,352	—	14	14	27,894	—	117	117
<b>Total</b>	<b>¥5,602</b>	<b>¥—</b>	<b>¥(50)</b>	<b>¥(50)</b>	<b>\$46,617</b>	<b>\$—</b>	<b>\$(416)</b>	<b>\$(416)</b>

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

Year ended March 31, 2014	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	¥7,806	¥ —	¥(38)	¥(38)
(2) Selling Pound Sterling	114	¥ —	(1)	(1)
(3) Selling Euro	956	¥ —	(3)	(3)
<b>Total</b>	<b>¥8,876</b>	<b>¥ —</b>	<b>¥(42)</b>	<b>¥(42)</b>

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, 2015	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 loans receivable)	¥ 485	¥ —	¥ (15)	\$ 4,036	\$ —	\$(125)
(2) Buying U.S. dollar (hedged item - trade accounts payable)	1,294	—	(7)	10,768	—	(58)
(3) Buying JPY (hedged item - loans payable)	43	—	(0)	358	—	(0)
(4) Buying Singaporean dollar (hedged item - fixed assets)	2,404	—	(208)	20,005	—	(1,731)
(5) Buying JPY (hedged item - fixed assets)	1,024	—	(148)	8,521	—	(1,232)
(6) Buying Euro (hedged item - fixed assets)	257	—	(57)	2,139	—	(474)
Alternative method(*):						
Forward foreign exchange contracts for						
(1) Selling U.S. dollar (hedged item - trade accounts receivable)	¥ 226	¥ —	(Note 2)	\$ 1,881	\$ —	(Note 2)
(2) Buying U.S. dollar (hedged item - trade accounts payable)	90	—	(Note 2)	749	—	(Note 2)
(3) Buying Euro (hedged item - trade accounts payable)	1	—	(Note 2)	8	—	(Note 2)
<b>Total</b>	<b>¥5,824</b>	<b>¥ —</b>	<b>¥(435)</b>	<b>\$48,465</b>	<b>\$ —</b>	<b>\$(3,620)</b>

\*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, 2014	Millions of yen		
	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
(2) Selling Brazilian real (hedged item - loans receivable)	545	—	32
(3) Buying U.S. dollar (hedged item - trade accounts payable)	1,234	—	4
(4) Buying JPY (hedged item - trade loans payable)	43	—	(5)
(5) Buying Singaporean dollar (hedged item - fixed assets)	3,229	804	(1)
(6) Buying JPY (hedged item - fixed assets)	2,135	429	(5)
(7) Buying Euro (hedged item - fixed assets)	349	87	(1)
Alternative method(*):			
Forward foreign exchange contracts for			
(1) Selling U.S. dollar (hedged item - trade accounts receivable)	¥ 287	¥ —	(Note 2)
(2) Buying U.S. dollar (hedged item - trade accounts payable)	3,769	—	(Note 2)
<b>Total</b>	<b>¥11,598</b>	<b>¥1,320</b>	<b>¥24</b>

\*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 receivable, 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, and trade accounts payable as hedged items.

2. Interest related

Year ended March 31, 2015	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	¥103,089	¥102,089	(Note)	\$ 857,860	\$ 849,538	(Note)
Alternative method:						
Interest swap contracts						
(hedged item - long-term bank loans)						
Receiving floating / Paying fixed rate	¥ 20,655	¥ 20,655	(Note)	\$ 171,882	\$ 171,882	(Note)
<b>Total</b>	<b>¥123,744</b>	<b>¥122,744</b>	<b>¥—</b>	<b>\$1,029,742</b>	<b>\$1,021,420</b>	<b>\$—</b>

Note:

For certain long-term bank loans for which interest swap contracts are used to hedge the interest rate fluctuations, fair value of derivative financial instrument is included in loans payable as hedged items.

Year ended March 31, 2014	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	¥ 87,089	¥ 83,089	(Note)
Alternative method:			
Interest swap contracts			
(hedged item - long-term bank loans)			
Receiving floating / Paying fixed rate	¥ 20,655	¥ 20,655	(Note)
<b>Total</b>	<b>¥107,744</b>	<b>¥103,744</b>	<b>¥—</b>

Note:

For certain long-term bank loans for which interest swap contracts are used to hedge the interest rate fluctuations, fair value of derivative financial instrument is included in loans payable as hedged items.

3. Commodity related

Not applicable for the year ended March 31, 2015.

Year ended March 31, 2014	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	¥1,213	¥ —	¥5
Total	¥1,213	¥ —	¥5

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 35.6% for the years ended March 31, 2015.

(2) The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Deferred tax assets:			
Allowance for doubtful accounts	¥ 464	¥ 459	\$ 3,861
Net defined benefit liabilities	29,448	30,273	245,053
Accrued bonuses	3,823	3,859	31,813
Depreciation	6,701	6,828	55,763
Accrued enterprise tax	504	644	4,194
Tax loss carryforwards	49,422	62,822	411,267
Provision for repairs	4,330	5,047	36,032
Provision for environmental measures	310	575	2,580
Provision for business structure improvement	5,167	6,176	42,997
Loss on valuation of inventories	3,162	3,074	26,313
Loss on valuation of investment securities	4,410	5,862	36,698
Loss on impairment of fixed assets	7,687	8,663	63,968
Other	14,918	18,585	124,140
Subtotal	130,346	152,867	1,084,679
Valuation allowance	(101,017)	(128,873)	(840,617)
Total deferred tax assets	29,329	23,994	244,062
Deferred tax liabilities:			
Net defined benefit assets	¥ (9,809)	¥ (4,647)	\$ (81,626)
Gain on contribution of securities to retirement benefit trust	(3,343)	(3,744)	(27,819)
Net unrealized holding gain on securities	(7,415)	(6,144)	(61,704)
Deferred gain on real properties	(293)	(313)	(2,438)
Retained earnings of overseas consolidated subsidiaries, etc.	(4,503)	(3,455)	(37,472)
Valuation differences due to an application of purchase accounting method	(8,880)	(8,820)	(73,895)
Other	(4,757)	(4,550)	(39,586)
Total deferred tax liabilities	(39,000)	(31,673)	(324,540)
Net deferred tax liabilities	¥ (9,671)	¥ (7,679)	\$ (80,478)

(3) The following table summarizes the significant differences between the statutory tax rate and effective tax rates for consolidated financial statement purposes for the year ended March 31, 2015:

	2015/3	2014/3
Statutory tax rate	35.6%	—
Non-deductible expenses	3.4	—
Permanently non-deductible items including dividend income	(3.5)	—
Differences of statutory tax rate in overseas consolidated subsidiaries	(8.2)	—
Goodwill amortization	2.0	—
Other	2.7	—
Effective tax rate	32.0%	—

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

(4) Change of deferred tax assets and deferred tax liabilities due to change in effective statutory tax rate  
The “Act on Partial Revision of the Income Tax Act” (Act No. 9 of 2015) and the “Act on Partial Revision of the Local Tax Act” (Act No. 2 of 2015) were promulgated on March 31, 2015, lowering the corporate tax rate from fiscal years beginning on or after April 1, 2015. Accordingly, the statutory effective tax rate used for calculating deferred income tax assets and deferred income tax liabilities is slated to fall from 35.6% to 33.1% for the fiscal year beginning April 1, 2015, resulting in a temporary difference in assets or liabilities extinguished. The rate is scheduled to drop further to 32.3% in the fiscal year beginning April 1, 2016, again resulting in a temporary difference in assets or liabilities extinguished.

As a result of this tax rate change, the amount of deferred tax liabilities (net of deferred tax assets) decreased by ¥667 million, income taxes–deferred increased ¥80 million, valuation difference on available-for-sale securities increased by ¥748 million, and remeasurements of defined benefit plans decreased by ¥1 million.

## 20. Segment information

### (1) Overview of reportable segments

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

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

Segment		Major Products
Reportable Segments	Functional Chemicals	Health care materials, 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 those described under “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, 2015	Reportable Segments							(Millions of yen)	
	Functional Chemicals	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Films & Sheets	Total	Others (Note 1)	Sum total
I. Net sales:									
Customers	¥218,977	¥174,497	¥154,785	¥311,230	¥576,836	¥82,695	¥1,519,020	¥31,056	¥1,550,076
Inter-segment	4,245	20,237	3,090	30,909	145,284	3,196	206,961	61,801	268,762
Total	¥223,222	¥194,734	¥157,875	¥342,139	¥722,120	¥85,891	¥1,725,981	¥92,857	¥1,818,838
II. Segment income (loss)	¥ 14,608	¥ 18,850	¥ (3,544)	¥ (7,368)	¥ 20,945	¥ 3,697	¥ 47,188	¥ 797	¥ 47,985
III. Segment assets	¥345,530	¥177,740	¥129,306	¥175,243	¥380,724	¥82,945	¥1,291,488	¥44,658	¥1,336,146
IV. Other items:									
Depreciation and amortization (Note 2)	¥ 11,688	¥ 6,978	¥ 2,729	¥ 6,670	¥ 9,405	¥ 4,443	¥ 41,913	¥ 3,794	¥ 45,707
Amortization of goodwill	2,428	—	37	—	—	—	2,465	19	2,484
Investment in equity method affiliate	5,066	21,126	9,923	21,532	881	1,512	60,040	3,266	63,306
Capital expenditures (Note 2)	10,523	3,613	5,778	4,045	13,638	2,923	40,520	6,683	47,203

Year ended March 31, 2015	Reportable Segments							(Thousands of U.S. dollars)	
	Functional Chemicals	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Films & Sheets	Total	Others (Note 1)	Sum total
I. Net sales:									
Customers	\$1,822,227	\$1,452,085	\$1,288,050	\$2,589,914	\$4,800,166	\$688,150	\$12,640,592	\$258,434	\$12,899,026
Inter-segment	35,325	168,402	25,714	257,211	1,208,988	26,596	1,722,236	514,279	2,236,515
Total	\$1,857,552	\$1,620,487	\$1,313,764	\$2,847,125	\$6,009,154	\$714,746	\$14,362,828	\$772,713	\$15,135,541
II. Segment income (loss)	\$ 121,561	\$ 156,861	\$ (29,492)	\$ (61,313)	\$ 174,295	\$ 30,765	\$ 392,677	\$ 6,632	\$ 399,309
III. Segment assets	\$2,875,343	\$1,479,071	\$1,076,026	\$1,458,292	\$3,168,212	\$690,231	\$10,747,175	\$371,623	\$11,118,798
IV. Other items:									
Depreciation and amortization (Note 2)	\$ 97,262	\$ 58,068	\$ 22,709	\$ 55,505	\$ 78,264	\$ 36,973	\$ 348,781	\$ 31,572	\$ 380,353
Amortization of goodwill	20,205	—	308	—	—	—	20,513	158	20,671
Investment in equity method affiliate	42,157	175,801	82,575	179,180	7,331	12,582	499,626	27,178	526,804
Capital expenditures (Note 2)	87,568	30,066	48,082	33,660	113,489	24,324	337,189	55,613	392,802

Year ended March 31, 2014	Reportable Segments							(Millions of yen)	
	Functional Chemicals	Functional Polymeric Materials	Polyurethane	Basic Chemicals	Petrochemicals	Films & Sheets	Total	Others (Note 1)	Sum total
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 affiliate	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

Notes: 1. "Others" encompasses 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
	2015/3	2014/3	2015/3
<b>Net sales:</b>			
Total reportable segment sales	¥1,725,981	¥1,760,182	\$14,362,828
Net sales classified under "Others"	92,857	86,013	772,713
Elimination of intersegment transactions	(268,762)	(280,149)	(2,236,515)
Net sales recorded in Consolidated Statements of Operations	¥1,550,076	¥1,566,046	\$12,899,026

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Income:</b>			
Total reportable segment income	¥47,188	¥30,490	\$392,677
Income classified under "Others"	797	(586)	6,632
Elimination of intersegment transactions	(184)	(26)	(1,531)
Corporate expenses (Note)	(5,761)	(4,979)	(47,940)
Operating income recorded in Consolidated Statements of Operations	¥42,040	¥24,899	\$349,838

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

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Assets:</b>			
Total reportable segment assets	¥1,291,488	¥1,308,524	\$10,747,175
Assets classified under "Others"	44,658	22,190	371,623
Elimination of intersegment transactions	(91,512)	(67,855)	(761,521)
Corporate assets (Note)	167,156	169,303	1,390,996
Assets recorded in Consolidated Balance Sheets	¥1,411,790	¥1,432,162	\$11,748,273

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
	2015/3	2014/3	2015/3
<b>Depreciation and amortization:</b>			
Total amounts of reportable segment	¥41,913	¥41,847	\$348,781
Amounts classified under "Others"	3,794	3,427	31,572
Adjustment amounts (Note)	60	343	499
Amounts from Consolidated Financial Statements	¥45,767	¥45,617	\$380,852

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

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Amortization of goodwill:</b>			
Total amounts of reportable segment	¥2,465	¥2,526	\$20,513
Amounts classified under "Others"	19	—	158
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥2,484	¥2,526	\$20,671

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Amount invested in equity method affiliates:</b>			
Total amounts of reportable segment	¥60,040	¥61,524	\$499,626
Amounts classified under "Others"	3,266	1,533	27,178
Adjustment amounts	—	—	—
Amounts from Consolidated Financial Statements	¥63,306	¥63,057	\$526,804

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Capital expenditures:</b>			
Total amounts of reportable segment	¥40,520	¥110,174	\$337,189
Amounts classified under "Others"	6,683	2,319	55,613
Adjustment amounts (Note)	328	707	2,729
Amounts from Consolidated Financial Statements	¥47,531	¥113,200	\$395,531

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

## Related Information

(Information by region)

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Net sales:</b>			
Japan	¥ 863,966	¥ 867,958	\$ 7,189,531
China	165,459	163,506	1,376,874
Asia	265,487	299,464	2,209,262
America	166,400	153,984	1,384,705
Europe	74,273	62,905	618,066
Other regions	14,491	18,229	120,588
Total	¥1,550,076	¥1,566,046	\$12,899,026

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
	2015/3	2014/3	2015/3
<b>Property, plant and equipment:</b>			
Japan	¥332,554	¥341,187	\$2,767,363
Singapore	45,748	—	380,694
Asia	33,399	67,046	277,931
Other regions	21,928	17,607	182,475
Total	¥433,629	¥425,840	\$3,608,463

Note: Major countries and regions located in areas outside of Japan and Singapore are as follows:

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

\*Singapore was included in Asia in 2014

(2) Other regions: North America, Europe

(Information by main customers)

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Net sales:</b>			
Mitsui & Co., LTD.	¥298,933	¥301,653	\$2,487,584

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
	2015/3	2014/3	2015/3
<b>Impairment loss:</b>			
Functional Chemicals	¥ 68	¥ 1,557	\$ 566
Functional Polymeric Materials	138	26	1,148
Polyurethane	1,677	6,835	13,955
Basic Chemicals	1,973	5,849	16,419
Petrochemicals	18	1,934	150
Films and Sheets	952	530	7,922
Others	452	148	3,761
Corporate Expenses	—	—	—
<b>Total</b>	<b>¥5,278</b>	<b>¥16,879</b>	<b>\$43,921</b>

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

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Amount of amortization:</b>			
Functional Chemicals	¥2,428	¥2,067	\$20,205
Functional Polymeric Materials	—	—	—
Polyurethane	37	—	308
Basic Chemicals	—	—	—
Petrochemicals	—	459	—
Films and Sheets	—	—	—
Others	19	—	158
Corporate Expenses	—	—	—
<b>Total</b>	<b>¥2,484</b>	<b>¥2,526</b>	<b>\$20,671</b>

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Unamortized balance:</b>			
Functional Chemicals	¥34,299	¥34,771	\$285,421
Functional Polymeric Materials	—	—	—
Polyurethane	167	187	1,390
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Films and Sheets	—	—	—
Others	512	—	4,260
Corporate Expenses	—	—	—
<b>Total</b>	<b>¥34,978</b>	<b>¥34,958</b>	<b>\$291,071</b>

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

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Amount of amortization:</b>			
Functional Chemicals	¥23	¥ 88	\$191
Functional Polymeric Materials	—	—	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Films and Sheets	—	591	—
Others	—	—	—
Corporate Expenses	—	—	—
<b>Total</b>	<b>¥23</b>	<b>¥679</b>	<b>\$191</b>

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
<b>Unamortized balance:</b>			
Functional Chemicals	¥ —	¥23	\$ —
Functional Polymeric Materials	—	—	—
Polyurethane	—	—	—
Basic Chemicals	—	—	—
Petrochemicals	—	—	—
Films and Sheets	—	—	—
Others	—	—	—
Corporate Expenses	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥23</b>	<b>\$ —</b>

## 21. Information on related party transactions

### (1) Related party transactions

Main transactions of the Company with an affiliated company for the year ended March 31, 2015 were as follows:

Name of company	Chiba Chemicals Manufacturing LLP
Type of related party	Affiliated company
Location	Chiyoda-ku, Tokyo
Common stock	¥200 million (\$1,664 thousand)
Business	Manufacturing petrochemical materials and supplying to partners
Holding ratio of voting rights	Direct 50%
Relationship	Supply and purchases of raw materials
Transaction amount (Notes 1, 2)	¥765 million (US\$6,366 thousand)
Balance at end of year (Note 2)	Other accounts receivable : ¥13,886 million (US\$115,553 thousand) Accounts payable : ¥12,692 million (US\$105,617 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.

Main transactions of the Company with its affiliated company for the year ended March 31, 2014 were 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, 2015.

Du Pont-Mitsui Fluorochemicals Company, Ltd.

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Balance Sheet			
Total current assets	¥14,981	¥15,931	\$124,665
Total noncurrent assets	13,957	14,276	116,144
Total current liabilities	8,995	11,876	74,852
Total noncurrent liabilities	1,585	328	13,190
Total net assets	18,358	18,003	152,767
Statement of Operations			
Net sales	25,559	24,525	212,690
Income before income taxes	6,942	6,307	57,768
Net income	4,361	3,972	36,290

Siam Mitsui PTA Co., LTD. (Note)

	Millions of yen		Thousands of U.S. dollars
	2015/3	2014/3	2015/3
Balance Sheet			
Total current assets	¥ 9,280	¥12,956	\$ 77,224
Total noncurrent assets	29,489	26,964	245,394
Total current liabilities	18,278	12,709	152,102
Total noncurrent liabilities	962	6,343	8,005
Total net assets	19,529	20,868	162,511
Statement of Operations			
Net sales	87,266	96,957	726,188
Income (loss) before income taxes	(4,419)	(4,175)	(36,773)
Net income (loss)	(4,419)	(4,014)	(36,773)

Note: Siam Mitsui PTA Co., Ltd. became an equity method affiliate from a consolidated subsidiary from October 1, 2013 because a part of its shares owned by the Company were sold.

## 22. Additional information

### Joint Venture for Polyurethane Material Businesses with SKC

On December 22, 2014, the Company agreed to the basic terms of the joint venture agreement with SKC Co., Ltd. (Seoul, Korea; "SKC") regarding the combination of their polyurethane material businesses ("business combination") pursuant to the Company's board of directors' resolution on December 17, 2014. The Company and SKC scheduled the start up of the joint venture ("JVC") on July 1, 2015 subject to the completion of legal procedures for approval by authorities in relation to anti-trust laws.

The Company established a new business company in Japan ("Japanese subsidiary") which will absorb the Company's split-off polyurethane material business ("company split"). All shares of the new business company will be held by the JVC.

Outline of the business combination and company split is mentioned below:

#### (1) Purpose

The JVC intends to maximize synergy effects by integrating system product businesses. The knowledge and information accumulated by the Company and SKC over the years will be shared and utilized by the JVC to provide total solutions to customers.

The following outlines the JVC's basic strategy.

##### 1. Satisfy customer needs in growing markets

The JVC will fully utilize the global networks of the Company and SKC covering Far East Asia, China, ASEAN, Europe, and the Americas based on close relationships with customers and the provision of quick and efficient technical services.

##### 2. Explore new businesses globally

The JVC will develop new applications and customers through consolidation of products and technologies of the Company and SKC.

##### 3. Improve profitability

The JVC will secure global top cost competitiveness by optimizing resources / maximizing efficiency and taking advantage of parent company raw materials.

(2) Scheme

The Company will implement actions listed below by July 1, 2015. Items 2, 3 and 4 will be executed on the same day. An outline of the business structure at completion is presented below.

1. Establish the Japanese subsidiary
2. Succession of the split-off polyurethane material business by the Japanese subsidiary (absorption-type split)
3. Establish the JVC
4. Capital injection to the JVC (the Company transfers all shares of the Japanese subsidiary)

(3) Outline of the company split

1. Split-off method

The Company will be the splitting company. The Japanese subsidiary will be the succeeding company.

2. Date

July 1, 2015 (tentative)

3. Consideration and basis of calculation

The consideration will be paid in cash and the amount will be calculated based on the fair value of the split-off assets and liabilities.

4. Others

The Company will transfer all its shares of the Japanese subsidiary on the same day with the company split.

(Outline of the JVC)

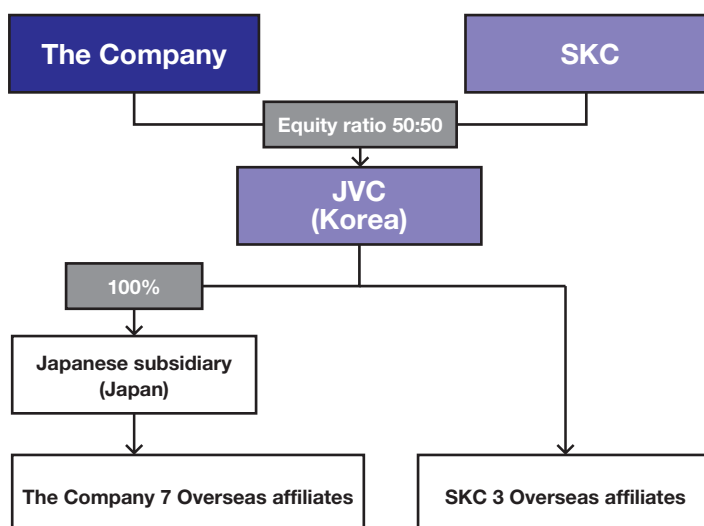
- Company name: Mitsui Chemicals & SKC Polyurethanes Inc.
- Location: Seoul, Korea
- Business: Development, manufacturing, and sales of polyurethane materials
- Paid-in capital: 70 billion Korean won
- Establishment date (tentative): July 1, 2015
- Revenue (Approximately in FY2020): 2,000 million US dollars
- Shareholding ratio: the Company 50%, SKC 50%

(The JVC will be an equity method affiliate.)

(4) Outline of the Japanese subsidiary (succeeding company) (tentative)

- Company name: Mitsui Chemicals & SKC Polyurethanes Inc.
- Location: 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo, Japan
- Business: Development, manufacturing, and sales of polyurethane materials
- Paid-in capital: 18 billion Japanese yen

**Business Structure**



**23. Subsequent Events**

There were no applicable items.

# Independent Auditor's Report



Ernst & Young ShinNihon LLC  
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Tokyo, Japan 100-0011

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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, 2015, 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, 2015, 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 ShinNihon L.L.C.*

June 24, 2015  
Tokyo, Japan

## Major Subsidiaries and Affiliates

(As of March 31, 2015)

The classification of group companies to each segment is pursuant to the change in the segment classification as of April 1, 2015.

\*Consolidated Subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)	Equity Interest (%)
<b>Healthcare</b>			
* Yamamoto Chemicals, Inc.	Dyes, pigments and industrial chemicals	¥ 350	100
* ESCO Company, LLC	Color formers and catalysts	US\$ 18	100
* Toyo Beauty Supply Corporation	Cosmetics	¥ 40	60
* SDC Technologies, Inc.	High performance coating materials for plastics and non-ferrous metals	US\$ 84	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 fibers	¥ 240	100
* Mitsui Hygiene Materials (Thailand) Co., Ltd.	Spunbonded nonwoven fabrics and breathable films	Baht 1,310	100
* Mitsui Chemicals Nonwovens (Tianjin) Co., Ltd.	Spunbonded nonwoven fabrics	Yuan 164	100
* Sun Medical Co., Ltd.	Dental materials	¥ 100	70
* Heraeus Kulzer GmbH	Dental materials	Euro 25.1	80.01
* Mitsui Fine Chemicals, Inc.	Fine chemical products	¥ 400	100
<b>Functional Polymeric Materials</b>			
* Sun Alloys Co., Ltd.	Compounded polymers	¥ 50	100
* Zhang Jia Gang Free Trade Zone Mitsui Link-Upon Advanced Materials, Inc.	Engineering plastic compounds	US\$ 5.69	60
* Mitsui Chemicals Functional Composites (Shanghai) Co., Ltd.	Manufacture and distribution of Milastomer™ and Admer™	¥ 970	100
* Mitsui Elastomers Singapore Pte. Ltd.	Elastomer	US\$ 96	100
* Saxin Corporation	Molded synthetic resins	¥ 128	71.4
* Mitsui Chemicals Industrial Products, Co., Ltd.	Civil engineering and construction materials, and piping materials	¥ 400	100
Shanghai Sinopec Mitsui Elastomers, Co., Ltd.	EPT	Yuan 637	50
Du Pont-Mitsui Polychemicals Co., Ltd.	Ethylene vinyl acetate copolymers and other ethylenic copolymers	¥ 6,480	50
Du Pont-Mitsui Fluorochemicals Co., Ltd.	Fluorocarbon resin and gas, and other related chemicals	¥ 2,880	50
<b>Polyurethane</b>			
* P.T. Cosmo Polyurethane Indonesia	Polyurethane system house products	US\$ 1.05	81
* Cosmo Polyurethane (Malaysia) Sdn. Bhd.	Polyurethane system house products	RM 4.4	51
* Foshan Mitsui Chemicals Polyurethanes Co., Ltd.	Polyurethane system house products	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
* Thai Mitsui Specialty Chemicals Co., Ltd.	Polyurethane system house products, and specialty chemicals	Baht 318	51.9
* Cosmo Scientex (M) Sdn. Bhd.	Urethane prepolymers for flexible packaging applications	RM 10	70
* Tianjin Cosmo Polyurethane Co., Ltd.	Polyurethane system house products	Yuan 90	85.1
Kumho Mitsui Chemicals, Inc.	MDI	Won 35,000	50
<b>Basic Chemicals</b>			
* Mitsui Phenols Singapore Pte. Ltd.	Phenol, acetone and Bisphenol-A	US\$ 120	95
* Yongsan Mitsui Chemicals, Inc.	Acrylamide	Won 5,606	50
* Image Polymers Company, LLC	Toner resin	US\$ 9.6	100
Siam Mitsui PTA Co., Ltd.	PTA	Baht 4,800	50
Shanghai Sinopec Mitsui Chemicals, Co., Ltd.	Phenol, acetone and Bisphenol-A	Yuan 947	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.	Fine chemicals	¥ 1,500	26.9



\*Consolidated Subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)	Equity Interest (%)
<b>Petrochemicals</b>			
* Osaka petrochemical Industries, Ltd.	Ethylene, propylene and other basic petrochemical products	¥ 100	100
* Prime Polymer Co., Ltd.	Polyethylene and polypropylene	¥ 20,000	65
* Evolve Japan Co., Ltd.	Polyethylene	¥ 400	75
* Prime Evolve Singapore Pte. Ltd.	Polyethylene	US\$ 115	80
* Advanced Composites, Inc.	Polypropylene compound	US\$ 44.3	62.8
* Advanced Composites Mexicana S.A. de C.V.	Polypropylene compound	US\$ 2.6	100
* Mitsui Advanced Composites (Zhongshan) Co., Ltd.	Polypropylene compound	US\$ 15.31	70
* Mitsui Prime Advanced Composites India Pvt. Ltd.	Polypropylene compound	Rupee 1,980	90
* Grand Siam Composites Co., Ltd.	Polypropylene compound	Baht 64	48.2
* Produmaster Advanced Composites Indústria e Comércio de Compostos Plásticos Ltda.	Polypropylene compound	BRL 1.2	70
Chiba Chemicals Manufacturing LLP	Joint operation of ethylene complex in Chiba	¥ 200	50
<b>Food &amp; Packaging</b>			
* Mitsui Chemicals Tohcello, Inc.	Packaging films, industrial films, functional sheets	¥ 3,450	100
* MC Tohcello (Malaysia) Sdn. Bhd.	Functional sheets	RM 7.5	100
* Siam Tohcello Co., Ltd.	T.U.X™ (sealant film)	Baht 592	55
* Mitsui Chemicals Agro Inc.	Agrochemical formulation products and public health insecticides	¥ 350	100
<b>Others</b>			
* Whole You, Inc.	Medical devices	US\$ 12	100
* Kyowa Industrial Co., Ltd.	Molds for automobile and the other products	¥ 95	100
* Mitsui Chemicals Singapore R&D Centre Pte. Ltd.	Research and development for the MCI Group (contract base)	US\$ 7	100
* Mitsui Chemical Analysis & Consulting Service, Inc.	Performing analysis, physical property measurements, and safety tests on chemicals	¥ 140	100
* MC Operation Support, Ltd.	Operation support for MCI production sites	¥ 10	100
* MC Business Support, Ltd.	Placements, temporary work and insurance and travel agency	¥ 50	100
* Hokkaido Mitsui Chemicals, Inc.	Industrial plastics	¥ 1,500	100
* Shimonoseki Mitsui Chemicals, Inc.	Phosphoric acid and fertilizers	¥ 3,000	100
* Toyo Phosphoric Acid, Inc.	Phosphoric acid	¥ 1,500	60
* Mitsui Chemicals America, Inc.	Sales and marketing of Mitsui Chemicals products, representative office function, and support of headquarter	US\$ 169	100
* Mitsui Chemicals Asia Pacific, Ltd.	Sales and marketing of Mitsui Chemicals products, representative office function, and support of headquarter	S\$ 3	100
* Mitsui Chemicals Europe GmbH	Sales and marketing of Mitsui Chemicals products, representative office function, and support of headquarter	Euro 1.2	100
* Mitsui Chemicals(China) Co., Ltd.	Sales and marketing of Mitsui Chemicals products	US\$ 9.6	100
* Mitsui Chemicals India, Pvt. Ltd.	Sales and marketing of Mitsui Chemicals products	Rupee 134	100
* Mitsui Chemicals Do Brasil Comercio Ltda.	Sales and marketing of Mitsui Chemicals products	US\$ 1.4	100
* Taiwan Mitsui Chemicals, Inc.	Sales and marketing of Mitsui Chemicals products	NT\$ 14	100
* Anderson Development Company	Specialty chemicals	US\$ 19.2	100

## Corporate Data

(As of March 31, 2015)

### Date Incorporated

July 25, 1947

(Inaugurated October 1, 1997)

### Paid-in Capital

¥125,053 million

### Subsidiaries & Affiliates

Consolidated : Japan 29, Overseas 71

Non-consolidated: Japan 19, Overseas 18

### Number of Employees

14,363 (Consolidated)

### Shares of Common Stock Issued and Outstanding

1,022,020,076

### Number of Shareholders

72,779

### Stock Listing

Tokyo

### Transfer Agent

Sumitomo Mitsui Trust Bank, Limited

### Offices

#### Head Office

Shiodome City Center, 1-5-2, Higashi-Shimbashi,  
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URL: <http://www.mitsuichem.com/>

e-mail: WEB\_MASTER@mitsuichemicals.com

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Facsimile: +1-914-253-0790

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#### Germany

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Facsimile: +49-211-323486

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#### Singapore

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Phone: +65-6534-2611

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

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Pudong New Area, Shanghai 200120, China

Phone: +86-21-5888-6336

Facsimile: +86-21-5888-6337

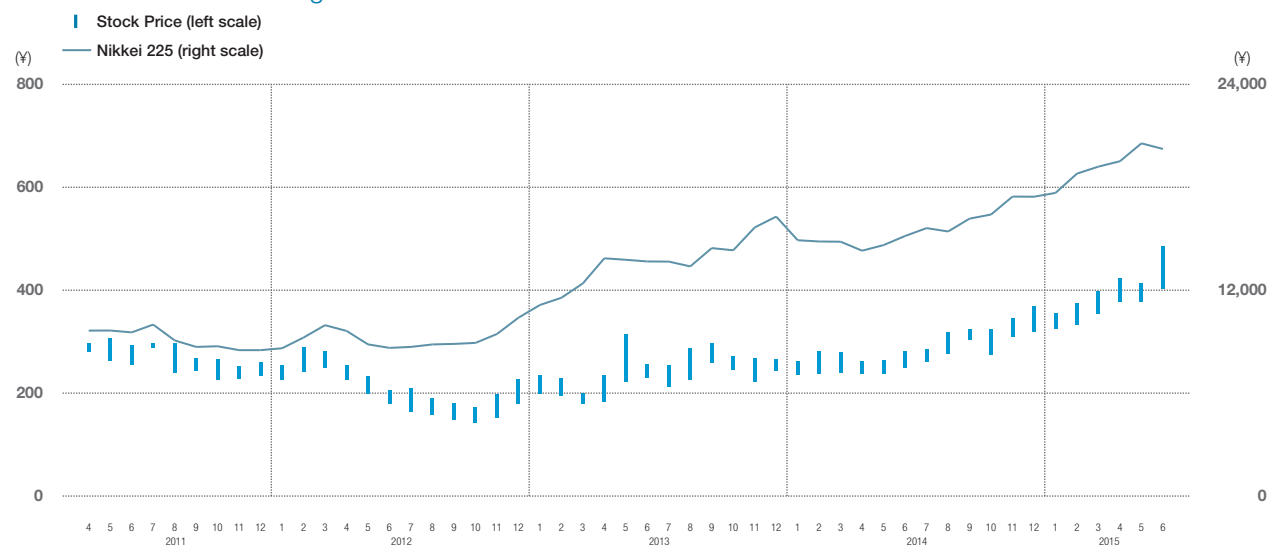
URL: <http://mccn.mitsuichemicals.com/>

### Forward-Looking Statements

This annual report contains forward-looking statements about the future plans, strategies, beliefs, and performance of the Mitsui Chemicals Group as a whole and its individual consolidated companies. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts, and projections based on information currently available to the Mitsui Chemicals Group and are subject to a number of risks, uncertainties, and assumptions, which, without limitation, include economic trends, fluctuations in foreign currency exchange rates, fluctuations in the price of raw materials, competition in markets where the Company is active, personal consumption, market demand, the tax system, and other legislation. As such, actual results may differ materially from those projected and the Mitsui Chemicals Group cannot guarantee that these forward-looking statements are accurate or will be achieved.

# Stock Information

## Common Stock Price Range



## Major Shareholders

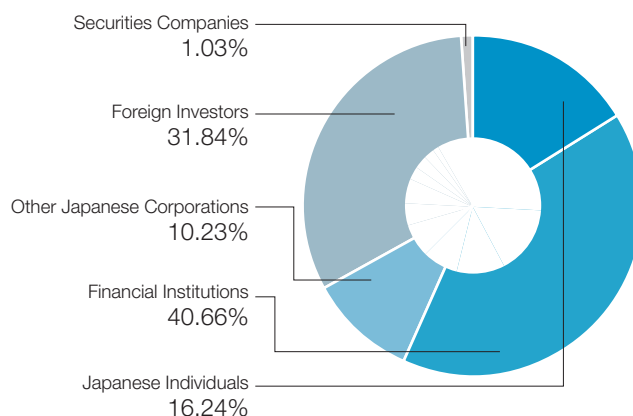
(As of March 31, 2015)

Major Shareholders	Number of shares held (Thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	75,475	7.38
The Master Trust Bank of Japan, Ltd. (Trust account)	56,471	5.52
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)	22,320	2.18
Japan Trustee Services Bank, Ltd. (Trust account 9)	22,009	2.15
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 Norinchukin Bank	12,732	1.24

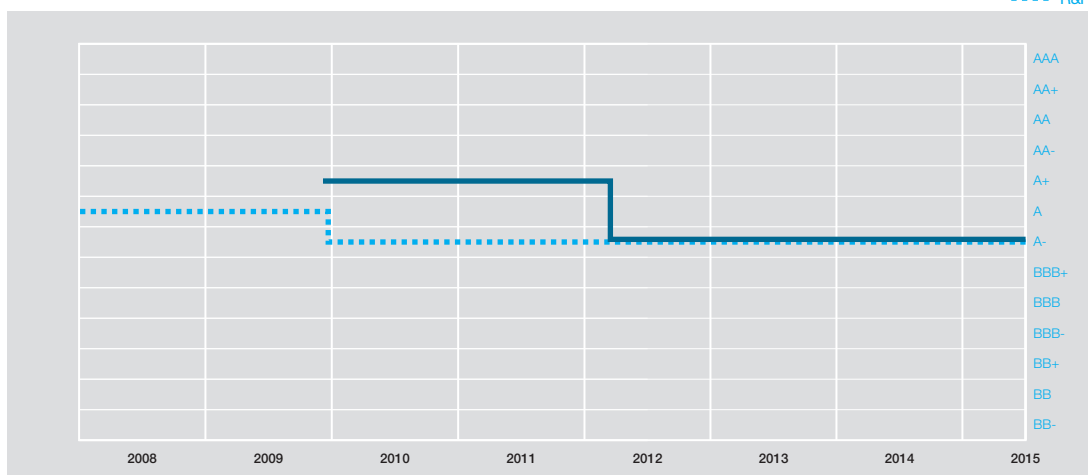
\*The company's holdings of treasury stock (21,154,633 shares) are not included in the above figures.

## Composition of Shareholders

(As of March 31, 2015)



## Credit Ratings



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



**Corporate Communications Division**

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Responsible Care