

Basic View on Corporate Governance

The Mitsui Chemicals Group is constantly engaged in business activities to realize its Corporate Vision, which consists of its Corporate Mission and Corporate Target. We recognize that efforts to achieve effective corporate governance as part of that a process will allow us to: (i) maintain and develop trusting relationships with Mitsui Chemicals' shareholders and all other diverse stakeholders of the Group, and (ii) create a framework that can execute transparent, fair, timely, and decisive decision making, through which the Group can achieve sustainable growth and increased corporate value over the medium- to long-term.

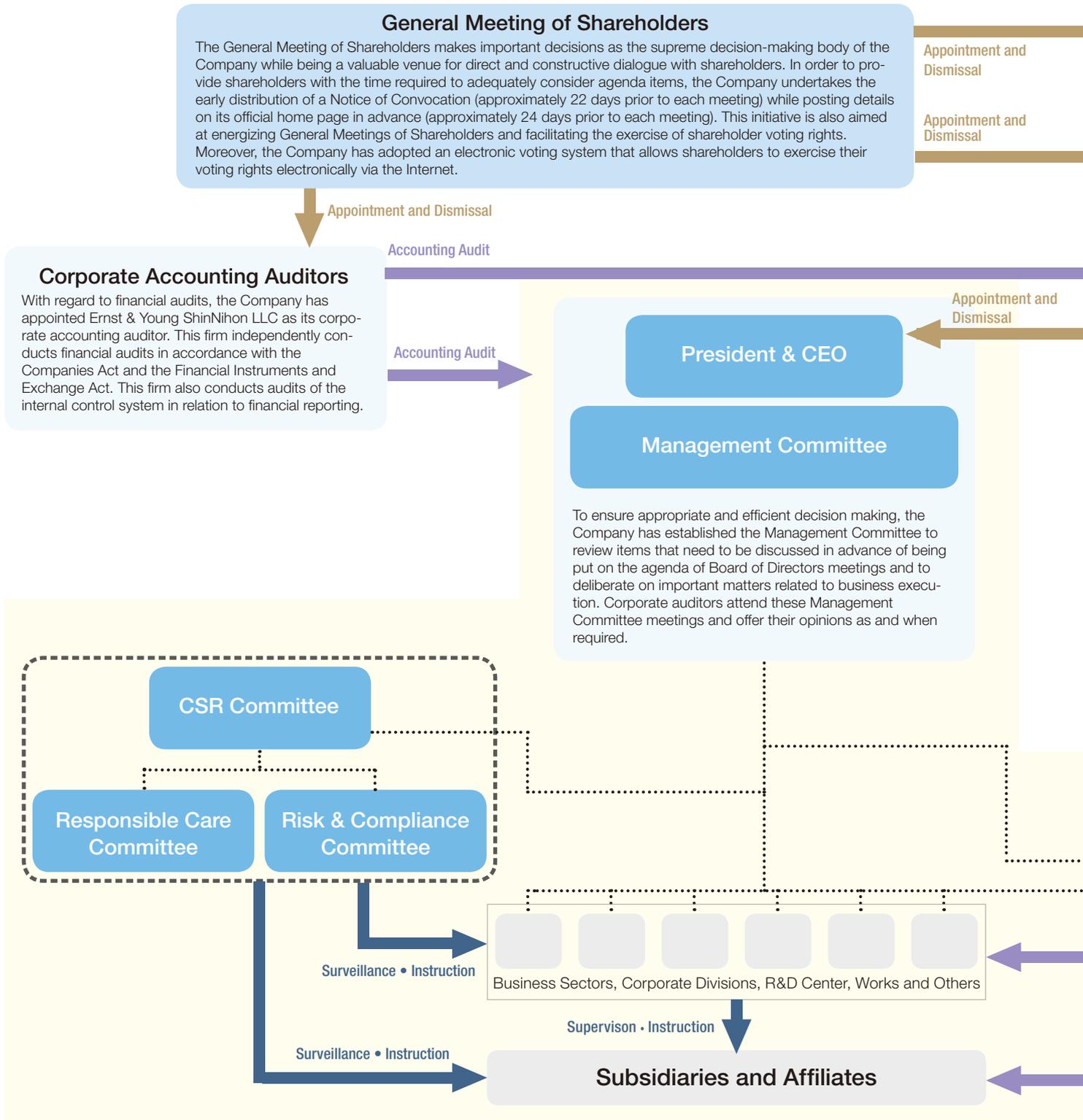
Accordingly, the Company holds the enhancement of our corporate governance to be one of its key management issues, and it is undertaking measures to achieve this aim.



Please also visit our website:

(URL: <http://www.mitsuichem.com/corporate/governance/index.htm>) as the Company has posted the Corporate Governance Guidelines outlining the basic view and policy, etc. concerning the Company's Corporate Governance.

Corporate Governance Framework

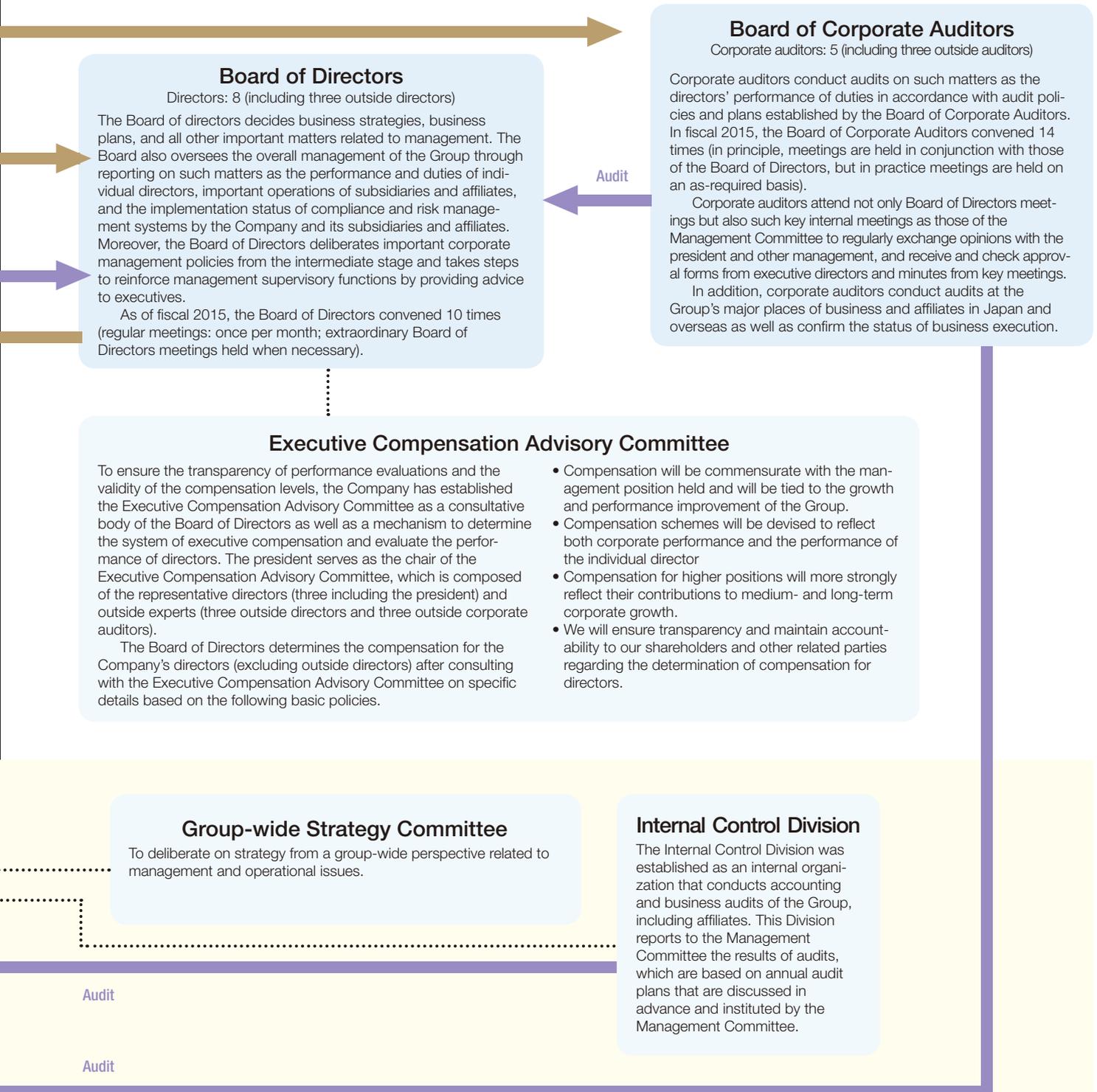


Corporate Governance Framework

The Board of Directors of the Mitsui Chemicals makes key management decisions and oversees the operations of each individual director, and, as a company with a Board of Corporate Auditors, the status of each director's performance of his or her duties is audited by the corporate auditors and the Board of Corporate Auditors independently from the Board of Directors.

Within this framework, the Company strives to realize smooth and efficient management, undertaking initiatives aimed at, for example, clarifying official authority and decision-making procedures in light of Company rules, clarifying management supervision and business execution roles by introducing an executive officer system, ensuring that important matters are referred to the Management Committee for discussion, and ensuring a broad range of perspectives inform strategic discussions undertaken at the Companywide Strategy Conference. In addition, as part of its internal control system the Company's corporate auditors conduct audits to ensure the propriety of business operations while the Internal Control Division works to ensure sound risk management.

Furthermore, the Mitsui Chemicals Group proactively undertakes IR and PR activities, ensures the timely and appropriate disclosure of information, and strives to maintain transparency. In its CSR activities, the Group works to protect the environment, ensure safety and quality, and comply with laws and regulations. It has also established various committees to build on the relationships of trust it enjoys with its stakeholders, including its shareholders.



Board of Directors

Directors: 8 (including three outside directors)

The Board of directors decides business strategies, business plans, and all other important matters related to management. The Board also oversees the overall management of the Group through reporting on such matters as the performance and duties of individual directors, important operations of subsidiaries and affiliates, and the implementation status of compliance and risk management systems by the Company and its subsidiaries and affiliates. Moreover, the Board of Directors deliberates important corporate management policies from the intermediate stage and takes steps to reinforce management supervisory functions by providing advice to executives.

As of fiscal 2015, the Board of Directors convened 10 times (regular meetings: once per month; extraordinary Board of Directors meetings held when necessary).

Board of Corporate Auditors

Corporate auditors: 5 (including three outside auditors)

Corporate auditors conduct audits on such matters as the directors' performance of duties in accordance with audit policies and plans established by the Board of Corporate Auditors. In fiscal 2015, the Board of Corporate Auditors convened 14 times (in principle, meetings are held in conjunction with those of the Board of Directors, but in practice meetings are held on an as-required basis).

Corporate auditors attend not only Board of Directors meetings but also such key internal meetings as those of the Management Committee to regularly exchange opinions with the president and other management, and receive and check approval forms from executive directors and minutes from key meetings.

In addition, corporate auditors conduct audits at the Group's major places of business and affiliates in Japan and overseas as well as confirm the status of business execution.

Executive Compensation Advisory Committee

To ensure the transparency of performance evaluations and the validity of the compensation levels, the Company has established the Executive Compensation Advisory Committee as a consultative body of the Board of Directors as well as a mechanism to determine the system of executive compensation and evaluate the performance of directors. The president serves as the chair of the Executive Compensation Advisory Committee, which is composed of the representative directors (three including the president) and outside experts (three outside directors and three outside corporate auditors).

The Board of Directors determines the compensation for the Company's directors (excluding outside directors) after consulting with the Executive Compensation Advisory Committee on specific details based on the following basic policies.

- Compensation will be commensurate with the management position held and will be tied to the growth and performance improvement of the Group.
- Compensation schemes will be devised to reflect both corporate performance and the performance of the individual director
- Compensation for higher positions will more strongly reflect their contributions to medium- and long-term corporate growth.
- We will ensure transparency and maintain accountability to our shareholders and other related parties regarding the determination of compensation for directors.

Group-wide Strategy Committee

To deliberate on strategy from a group-wide perspective related to management and operational issues.

Internal Control Division

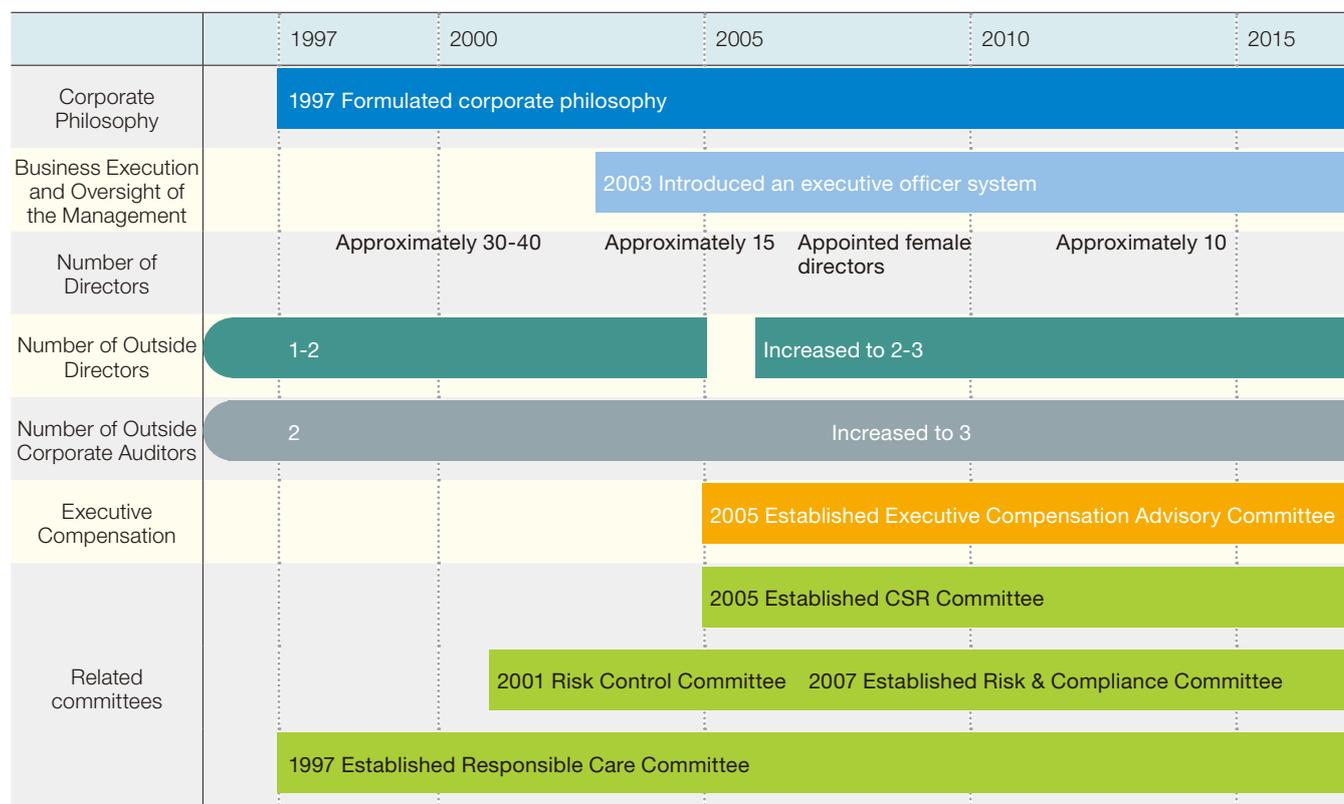
The Internal Control Division was established as an internal organization that conducts accounting and business audits of the Group, including affiliates. This Division reports to the Management Committee the results of audits, which are based on annual audit plans that are discussed in advance and instituted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

Audit

Audit

History of Corporate Governance Reforms

We have continuously instituted reforms since the founding of the Mitsui Chemicals with the aim of raising the effectiveness of our corporate governance to an even higher level. In regard to the Board of Directors, we have been promoting initiatives aimed at creating a system with greater emphasis on management audits. We have been employing experienced managers as outside directors since 2015, and in 2016 we undertook reforms to help establish a system that continues to ensure business execution is carried out mainly by executive officers.



Evaluation of the Effectiveness of the Board of Directors

In principle, the Mitsui Chemicals analyzes and evaluates the effectiveness of the Board of Directors every year in accordance with "3. Structure and Operation of the Board of Directors," Section 1, Chapter 4 (4) of the Company's Corporate Governance Guidelines, by such methods as self-evaluation performed by respective directors.

The Company conducted its fiscal 2015 survey of all directors and corporate auditors in mid-February 2016. Based on the survey results, a report together with the outcome of a mid-March meeting consisting only of outside directors and outside corporate auditors were presented at the end of March to a meeting of the Board of Directors where future challenges and measures were discussed.

As a result, the Company's Board of Directors confirmed that information necessary for deliberation was appropriately provided, that opinions were expressed by outside directors and outside cor-

porate auditors from their independent positions and that active discussions were held. Meanwhile, the Board of Directors confirmed and shared the conclusion that there remains the challenge of further engaging in discussions concerning medium- to long-term management issues, such as strategy and corporate direction with the aim of further reinforcing the supervisory functions of the Board of Directors, and that toward its realization, it is necessary to review criteria for resolution/report items for the Board of Directors and the deliberation process.

The Company will review and implement necessary measures as appropriate to reinforce the supervisory functions of the Company's Board of Directors based on the result of the evaluation of effectiveness.

Total Compensation for Directors and Corporate Auditors in Fiscal 2015

Compensation for directors (excluding outside directors) will be composed of monthly compensation (a fixed amount) and bonuses. The proportion of compensation composed of bonuses will be configured to function as an appropriate incentive for the sustained growth of the Group.

Compensation for outside directors and corporate auditors will be composed solely of monthly compensation (a fixed amount), the level of which will be established referring to third-party surveys regarding compensation for corporate managers in Japan and other information.

The amount of Board of Directors compensation of under ¥60 million per month was approved at the 8th General Meeting of Shareholders held on June 28, 2005.

The amount of corporate auditor compensation of under ¥11 million per month was approved at the 8th General Meeting of Shareholders held on June 28, 2005.

Total Compensation for Fiscal 2015

Classification	Number of Persons Receiving Payment	Amounts Paid (Millions of Yen)	Outside Officers	
			Number of Persons Receiving Payment	Amounts Paid (Millions of Yen)
Members of the Board	10	428	3	20
Corporate Auditors	7	94	4	31
Total	17	522	7	51

The figures in the table above include amounts paid to one member of the board and two corporate auditors who retired as of the close of the Annual General Meeting of Shareholders for the Company's 18th Business Term held on June 24, 2015, covering the period from April 2015 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 19th Business Term held on June 24, 2016.

- Seven members of the board in office as of March 31, 2016: ¥102 million

Outside Directors and Outside Corporate Auditors

Mitsui Chemicals believes that management's accountability and transparency is best served by obtaining opinions from independent outside directors and corporate auditors at meetings of the Board of Directors. The Company also believes that appropriate decision making at meetings of the Board of Directors is made possible by obtaining advice from persons with specialized knowledge.

To ensure that these objectives are achieved, the content of materials presented at Board of Directors meetings is explained to outside directors and outside corporate auditors in advance. In addition, the Company provides newly elected outside directors and outside corporate auditors with opportunities to deepen their understanding of the Company's business. These opportunities include explanations of the Company's business activities and tours of business locations.

When selecting candidates for outside directors and outside corporate auditors, the Company considers each individual based on the selection criteria set out in the Company's Corporate

Governance Guidelines. Moreover, all the outside directors and outside corporate auditors of the Company not only satisfy the selection criteria but also meet the criteria for independence set by the financial instruments exchange and the Independence Standards for Independent Outside Directors and Independent Outside Corporate Auditors provided as an Appendix to the Company's Corporate Governance Guidelines. All the outside directors and outside corporate auditors also put themselves in the position of a stakeholder, and provide beneficial and candid advice regarding improving the corporate value of the Mitsui Chemicals Group. As outside directors and outside corporate auditors have no risk of a conflict of interest with general shareholders, even from a practical standpoint, the Company regularly submits a notice to the Tokyo Stock Exchange to this effect stating that all its outside directors and outside corporate auditors are independent officers. Furthermore, there are no special interests between the Company and any of its outside directors and outside corporate auditors.

Major Activities of the Board of Directors and Board of Auditors and Attendance at Meetings 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: 10)	Board of Auditors (Total Number of Meetings Held: 14)
Outside Directors			
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.	10/10	—
Yukiko Kuroda*	Director Yukiko Kuroda primarily speaks from the view of globalization or validity ensures the business execution based on her extensive experience as a corporate manager and in-depth knowledge based on experience as a consultant.	8/8 (All eight meetings held after her appointment)	—
Outside Corporate Auditors			
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.	10/10	13/14
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.	10/10	14/14
Hiroki Nishio*	Hiroki Nishio has been involved in the management of financial institutions as well as private-sector companies for many years and has experience serving as an outside officer of other companies. Based on his all-round knowledge and experience in management, Mr. Nishio advocates sound and efficient corporate management with a view to ensuring that the Company's business is executed in an appropriate manner and improving the profitability and stability of business.	8/8 (All eight meetings held after his appointment)	11/11 (All 11 meetings held after his appointment)

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

Internal Control System

At a Board of Directors' meeting held on May 10, 2006, the Company formulated its basic policy on establishing an internal control system with the aim of putting in place a structure that would enable the Company to engage in proper and highly effective operations. Over the ensuing period, the Company has continued to promote this system in accordance with its basic policy. In accordance with a resolution of the Board of Directors at a meeting held

on March 31, 2015, effective from the fiscal year ended March 31, 2016, items related to the Company's subsidiary management and audit systems have been incorporated into the internal control system. After confirming the operating status of the internal control systems, a report on the results was disclosed in the Convocation Notice to Shareholders.

 URL: <http://www.mitsuichem.com/ir/library/index.htm>

Corporate Auditor System and the Status of Audits

As a measure of their independence from the Board of Directors, corporate auditors conduct audits of directors and the performance of their duties as well as audits of such wide-ranging matters as internal corporate control, business performance, and the Group's financial status. Pursuant to relevant laws and ordinances, corporate auditors therefore request reports on the Company's businesses, exercise their authority in the election and dismissal of accounting auditors, and investigate the status of operations and assets. Specifically, corporate auditors attend not only the meetings of the Board of Directors but also Management Committee and other important meetings, have regular meetings with the president and others to exchange opinions, and officially receive and check the final-decision documents of executive directors and records of important meetings. 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. 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.

With regard to financial audits, the Company 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.

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

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.