

Creating New Customer Value through Innovation

The Mitsui Chemicals Group is endeavoring to help resolve a variety of social challenges through our business activities. In this regard, every effort is being made to ensure the sustainable growth and development of both society and the Group.

In fiscal 2015, the second year of its 2014 Mid-Term Business Plan, the Mitsui Chemicals Group reported steady progress in transforming its portfolio. Throughout the fiscal year under review, the Group worked diligently to carry out key elements of the plan by expanding targeted business domains to drive growth and restructuring its bulk and commodity product operations in the Basic Materials Business.

Under the 2014 Mid-Term Business Plan, the Mitsui Chemicals Group is committed to “Creating New Customer Value through Innovation.” Guided by this overarching theme, the Group is transitioning from its former product-oriented approach to a market-oriented approach. Looking at every facet of its operations, including technologies, products and services, the Group is taking into consideration such wide-ranging factors as utility value to end consumers as it works diligently to build an innovative business portfolio that is capable of maximizing sustainable earnings by providing optimal solutions that deliver value and address profound needs.

We have defined those domains in which we are able to leverage the strengths of the Group's robust platform as our “Optimum Business Portfolio.” This portfolio comprises the three “Mobility,” “Healthcare” and “Food & Packaging” targeted business domains that are expected to drive growth along with the “Basic Materials” business, which supports both industry and society.

Based on our “New Business and Product Creation Strategy,” we are working to entrench the Group's focus on market-driven research and development while simultaneously creating core businesses that will provide value and address profound needs in the future. (See p. 26)

Naturally, we recognize the critical role that a robust management foundation plays in ensuring sustainable growth and development and addressing changes in the environment. Under the 2014 Mid-Term Business Plan, we will endeavor to nurture a diverse pool of human resources capable of excelling on the world stage as a part of efforts to push forward our “Business Support Strategy,” which is designed to reinforce our financial, information and organization platforms. With safety as a top priority, we will also promote our “Production and Technology Strategy” in order to strengthen our competitiveness. In a bid to bolster our business platform, we are therefore working diligently to clarify and carry out each of the aforementioned basic strategies. (See p. 52)

Tsutomu Tannowa
President & CEO



Our Vision

Share Our Vision

Our Value Creation Stories

Our Strategic Focus

Our Operations

Our Resources

Our Foundation

Financial Section

Fiscal 2015 Overview

In fiscal 2015, operating income came in at ¥70.9 billion, up 69% compared with the previous fiscal year. This result surpassed the fiscal 2016 target of the 2014 Mid-Term Business Plan.

With such positive factors as lower raw material costs and the weak yen, the Mitsui Chemicals Group has taken significant steps toward ensuring that its business portfolio is less susceptible to changes in economic conditions, an overarching theme of its 2014 Mid-Term Business Plan.

Looking at the global economy, the United States, Europe and especially the United Kingdom and Germany saw modest but constant recovery in fiscal 2015. In contrast, economic growth continued to slow in China and other emerging markets. In Japan, the economy continued to gradually improve amid a rise in corporate earnings and an improvement in the employment environment.

Under these circumstances, the Mitsui Chemicals Group worked intensively to expand business in targeted business domains for growth while also restructuring the Basic Materials business. As a result, earnings grew in each business.

In the Mobility domain, functional polymeric materials products and especially polypropylene compounds and elastomers contributed to steady returns on growth-oriented investments aimed at capturing increased demand driven by expanding automobile production and sales, particularly in North and Central America. Looking ahead, we will continue to reinforce our capacity when appropriate in line with the timing with our customers' needs. In response to the increased use of electrical components in automobiles and the growing focus on such new trends as automated driving systems, we will strive to deliver a broad product lineup that offers a higher level of sophistication while putting forward comprehensive proposals to resolve a host of social issues. (See pp. 18 and 42)

In the Healthcare domain, sales volumes of ophthalmic lens materials and nonwoven fabrics for hygiene materials grew steadily due to increased overseas demand. Commercial operations commenced at a large-scale facility producing XDI, a principal raw material used in the manufacture of high-refractive index lens products. Turning to the Group's highly functional non-woven fabrics used in premium disposable diapers, the decision was made to expand capacity at two production facilities in Japan as well as a breathable film facility in Thailand. In this manner, we are doing all that is necessary to secure a supply structure that is capable of maximizing the benefits of robust demand. In dental materials, there were signs of a delay in meeting profit targets set when businesses were first acquired.

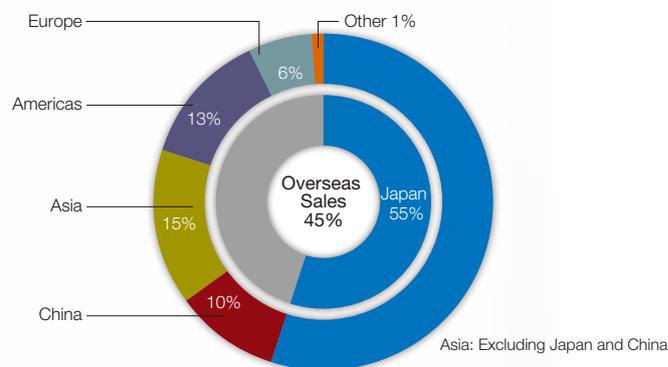
The Group is looking to improve business performance in this area by identifying all relevant issues and implementing effective measures. (See pp. 20 and 44)

In the Food & Packaging domain, specifically agrochemicals, the Mitsui Chemicals Group enhanced its overseas bases by stepping up its investment in the Brazilian company Iharabras S.A. and acquiring additional shares of the Thai company Sotus International Co., Ltd. We are working to further develop our overseas operations involving existing products. Plans are also in place to release new products as part of efforts to create a new pipeline. Sales trends affecting the functional films and sheets used in food packaging materials as well as such electronics products as smartphones were firm. This, in turn, helped to expand earnings. Moving forward, we will strive to expand our activities in high-value-added areas. (See pp. 22 and 46)

In the Basic Materials domain, positive effects have steadily materialized thanks to the establishment of an optimized domestic production system, efforts to maintain stable operations at full capacity, and the implementation of other business restructuring measures. The Mitsui Chemicals Group recognizes that the Basic Materials domain is the wellspring of its manufacturing activities and the foundation on which all industries stand. In order to broadly provide materials and technologies both within and outside the Group, every effort will be made to further stabilize our earnings structure. (See p. 48)

Under the 2014 Mid-Term Business Plan, we have continued to promote global management and worked diligently to expand our overseas business in line with the strategy of each business. As a result, overseas sales as a percentage of total sales has risen to 45% in 2015.

We will continue to promote measures aimed at transforming our business portfolio with the aim of securing sustainable growth and direct our energies toward further expansion.



FY2015 Consolidated Sales
¥1,343.9 billion



Accelerating the Pace of Business Strategy Implementation

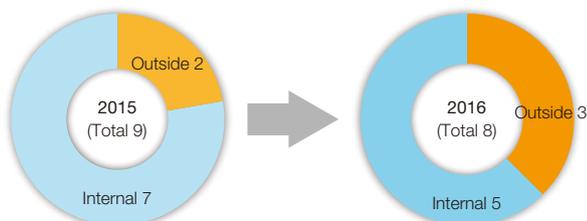
Overhauling Our Governance Structure

Based on its Corporate Governance Guidelines established in September 2015, the Mitsui Chemicals Group undertook a review of its corporate governance structure. Every effort was made to put in place a flexible management structure that exhibits increased transparency and is capable of making bold decisions in a timely manner.



In April 2016, we took steps to restructure our organization and established four business units to pursue synergies between businesses and accelerate the pace at which we transform our portfolio.

We also undertook a review of the effectiveness our management structure with regard to strengthening corporate governance and ensuring that oversight is conducted in a timely manner. Until now, each in-house member of the Board has been responsible for overseeing both the monitoring and executive functions of particular businesses. With the decision to restructure, steps have been taken to draw a greater distinction between supervisory and executive responsibilities. Members of the Board are now asked to focus on business oversight while the authority delegated to executive officers has been expanded to allow them to better concentrate on business execution. This structure ensures the speedy implementation of Group strategies. Moreover, we have reduced the number of internal directors while increasing the ratio of outside directors. In doing so, we have strengthened the monitoring and oversight functions of the Board of Directors.



Strengthening the Board of Directors by Altering the composition

The Mitsui Chemicals Group regularly evaluates the effectiveness of its governance. Outside directors review the results of each evaluation and the Board of Directors serves as a forum at which future issues and measures are deliberated upon. Moving forward, we will continue to do what is necessary to further enhance the oversight function of the Board. (See p. 64)

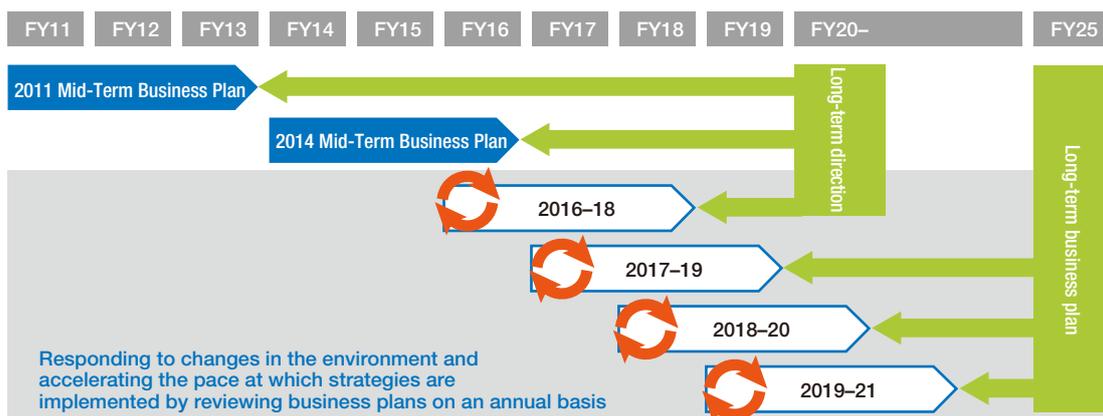
Changes to Business Plan Systems

The Mitsui Chemicals Group has changed its business plan system from a mid-term structure covering a three- to four-year period to a rolling review structure that looks three years into the future and is formulated at the same time each annual budget is drawn up. This allows us to better adapt to changes in our operating environment while increasing the speed and precision at which we carry out strategies.

Increasing uncertainty, beginning with movements in foreign currency exchange rates and crude oil prices, continue to negatively impact the operating environment surrounding the Mitsui Chemicals Group. With economic conditions shifting at a dizzying pace, it has become extremely difficult to predict the future. Under these conditions, the value of numerical targets becomes rather pointless. Far more important are the timing and effect of actions taken in response to changes in the operating environment. In accordance with the rolling business plan system, the Group will commit to numerical targets limited to the first year of

each plan. Targets for the second and third years will be reviewed thereafter, taking into account changes in business conditions as well as the Group's strategies. With this in mind, we have identified targets through to fiscal 2018.

This is not to say that we are focusing entirely on the present. In order to effectively utilize this rolling system, we must place equal emphasis on the short and long term when determining an optimal direction. Currently, we are taking steps to put in place a long-term vision that carries the Group to 2025.



Toward Sustainable Growth

As with our fiscal 2016 operating income target of ¥70.0 billion, we will look to achieve our 2020 operating income target of ¥100.0 billion in advance of the stated fiscal 2019 deadline. We will work diligently to realize sustainable growth through our business activities for both society and the Group.

In fiscal 2016, the global economy is showing signs of increased instability. In addition to the decision by the United Kingdom to leave the European Union, trends in foreign currency exchange rates and business conditions remain unclear. Taking each of these factors into consideration, the danger of increased downside risk seems very real. Despite this forecast, the Mitsui Chemicals Group is projecting operating income and profit attributable to owners of parent to come in at around ¥70.0 billion and ¥36.0 billion, respectively, roughly the same levels recorded in fiscal 2015. The Group's operations are currently progressing steadily. This is largely due to higher sales, the effects of such factors as the shutdown of Kashima Works, and the suspension of MDI production at Omuta Works as well as the positive flow-on effects of measures implemented in each business domain. While growth investments already made are expected to contribute progressively to profits, we believe that efforts to accelerate the pace of new business and product creation will play an increasingly important role from fiscal 2017. Looking ahead, we will work diligently to achieve our targets in advance.

In 2015, the call was made to all stakeholders in the international community to participate in achieving the 17 sustainable development goals (SDGs) that stand at the heart of the "Transforming Our World: The 2030 Agenda for Sustainable Development" adopted during the United Nations Sustainable Development Summit in September 2015. In addition, the Paris Agreement within the United Nations Framework Convention on Climate Change held in December 2015 was adopted by consensus by participating developed and emerging nations.

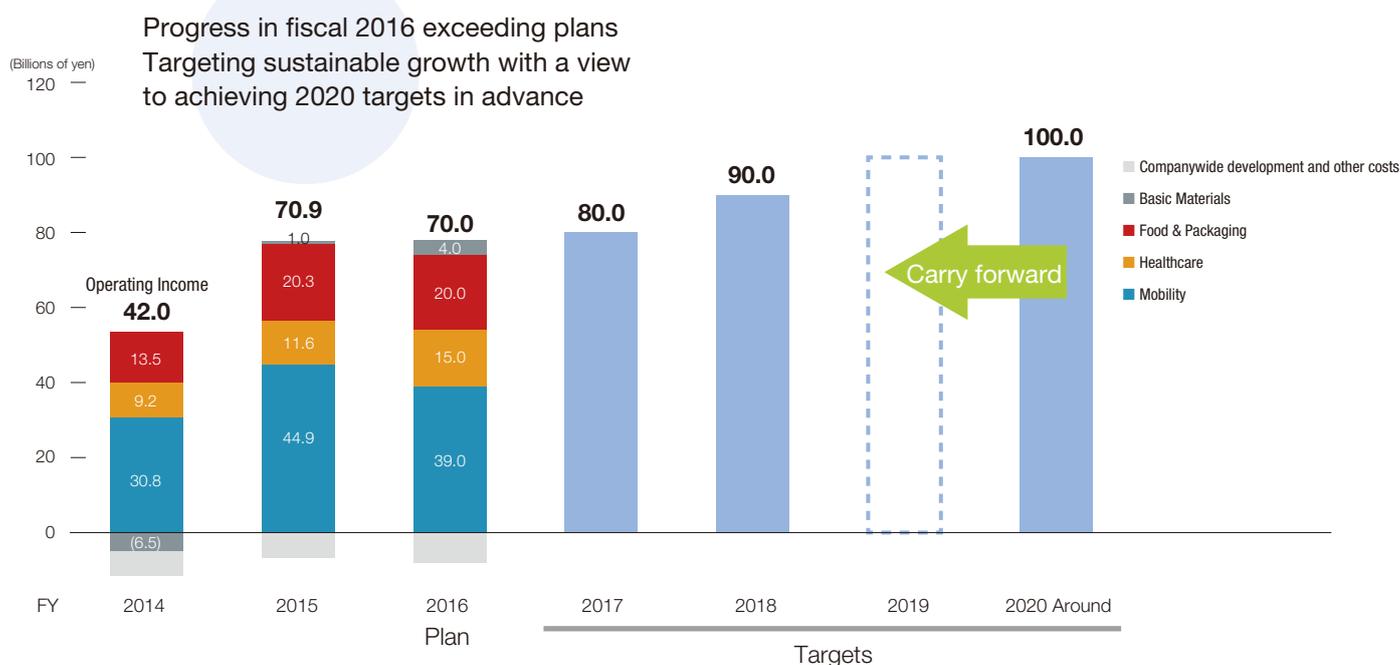
Representative of a growing trend, 2015 was a historic year that saw all stakeholders in the international community coming together to voice their concerns regarding such wide-ranging issues as poverty, hunger, natural resources and energy, climate change and the environment, and the need to secure a sustainable society.

The Mitsui Chemicals Group is, in turn, committed to engaging in balanced management while actively addressing the environmental and social concerns of its stakeholders. Moving forward, the Group will make every effort to secure the sustainable growth and development of society and the Group through its business activities.

(June 2016)

	Net Sales	Operating Income	Profit attributable to owners of parent	ROA	ROE	Net D/E (Times)	Dividends (Yen per Share)
FY2016 Plan	1,250.0	70.0	36.0	5.6%	9.1%	0.92	9
FY2015 Results	1,343.9	70.9	23.0	5.3%	5.8%	1.03	8

(As of May 13, 2016)





Masaharu Kubo
CFO & 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 the current 2014 Mid-term Business Plan, we have worked diligently to bolster our capabilities, aiming to quickly generate robust cash flows and restore us to sound financial health. To this end, we have strengthened the profitability of existing businesses and rebuilt the bulk and commodity product businesses.

As a result, we are seeing growth in the targeted Mobility, Healthcare, and Food & Packaging business domains as well as steady progress in rebuilding business activities in the Basic Materials domain. In fiscal 2015, the Mitsui Chemicals Group achieved its earnings goal a year ahead of schedule. At ¥70.9 billion, operating income substantially exceeded the fiscal 2016 target of ¥60 billion. The Group was also successful in attaining consolidated cash flows in excess of ¥100 billion. With regard to financial health, we are well positioned to record a net D/E ratio of less than 1.00 in fiscal 2016, the target we had set for around 2020.

Taking the aforementioned factors into consideration, we have decided to increase the amount earmarked for growth investments to ¥88 billion, ¥38 billion more than the ¥50 billion originally intended for this purpose at the start of the current Mid-term Business Plan. To further accelerate the pace at which we implement our growth strategies, we will focus mainly on increasing production of those products for which there is an urgent need to ensure supply capacity capable of meeting robust demand. Such growth investments are, in turn, expected to help boost earnings from fiscal 2017.

In endeavoring to ensure the adequate return of profits to shareholders, we are striving to raise our annual dividend, increasing it each fiscal year since 2013, when it fell to ¥3 per share. For fiscal 2016, our goal is to pay an annual dividend of ¥9 per share. With dividend payout ratio and dividend on equity (DOE) targets of 25% or more and 2% or more, respectively, we will work tirelessly to improve the return of profits to shareholders while recognizing the need to ensure our continuous and sustained growth and the development of our corporate value.

(June 2016)

