The current state of our business is detailed in the “Business Report” attached to the Convocation Notice for the 15th Ordinary General Meeting of Shareholders. However, we have also prepared this document so that shareholders can understand our business more easily. We hope that you find this helpful and informative.

**Introduction**

We posted net sales of ¥1,454.0 billion for fiscal 2011, up ¥62.3 billion from the previous fiscal year. This was mainly resulted from the revision of our sales prices due to price hikes of raw materials and fuels such as naphtha, and an increase in sales prices of basic chemicals due to improved market conditions in the first half of fiscal 2011.

We had a net loss of ¥1.0 billion for fiscal 2011, down ¥25.9 billion from the previous fiscal year, mainly due to the recognition of an impairment loss on production facilities relating to our polyurethane business in the second half. For details on the restructuring of this business sector, please see the column “Restructuring of the polyurethane business sector” on the right.

Despite a steady increase in operating income during the first half of fiscal 2011, we posted an operating loss of ¥7.1 billion in the second half due to a persistent difficult operating environment for our polyurethane business and falling market prices of basic chemicals. As a result, operating income for the entire fiscal year was ¥21.6 billion, down ¥18.9 billion from the previous fiscal year.

With these initiatives mentioned above, a steady earnings recovery is currently in progress. We expect that this business sector will return to profitability during fiscal 2012 at the earliest.
Global expansion of highly competitive businesses

**Creation of core businesses for the future**

We have determined to carry out the Japan's largest solar/wind power generation project in Tahara city, Aichi prefecture, through collaboration with Chubu Electric Power Co., Ltd. and several other companies who have expertise and experience of renewable energies. We are currently examining the feasibility of the project.

Creation of core businesses for the future

**Expansion of businesses more resilient to changing economic conditions**

We plan to launch the manufacturing of ammonia, a raw material used to produce fertilizers, using high-quality materials at low cost through collaboration with Mitsui & Co., Ltd. and a government-owned company in Brazil. The demand for fertilizers is expected to increase due to the increasing global demand for food.

Expansion of businesses more resilient to changing economic conditions

**Drastic cost reduction and restructuring**

Our manufacturing technology of TDI and MDI receives high acclaim from SABIC for its capabilities to manufacture high-quality products steadily and safely. We are also considering further business alliances with SABIC in the future.

Drastic cost reduction and restructuring

---

**Global expansion of highly competitive businesses**

We have acquired ACOMON AG, a Switzerland-based manufacturer and distributor of plastic optical lens materials. This acquisition will enhance our product lines ranging from low and medium to high refractive index monomer, which is our strength. The distribution channels will also be added with that of ACOMON around the world, thereby achieving the top global market share in optical lens monomers.

The 100% share acquisition of ACOMON AG, a Switzerland-based manufacturer and distributor of plastic optical lens materials

---

**Establishment of a new joint company in Thailand for production and distribution of highly functional packaging films**

Our wholly-owned subsidiary Mitsui Chemicals Tohcello, Inc. (MCTI) is a leading manufacturer of highly functional packaging films in Japan. We plan to start manufacturing the product in 2014 in Asia where markets have been expanding along with its economic growth.

Establishment of a joint company in Thailand for production and distribution of highly functional packaging films

---

**Conclusion of a license agreement with Saudi Basic Industries Corporation ("SABIC") for manufacturing technology of TDI and MDI, the core materials used to produce polyether.**

(for details, please see "Column" on page 1)

Conclusion of a license agreement with Saudi Basic Industries Corporation ("SABIC") for manufacturing technology of TDI and MDI, the core materials used to produce polyether.

---

**Expansion of businesses more resilient to changing economic conditions**

We have concluded a joint-venture agreement with Sinopec to establish a joint company to manufacture EPT, which is widely used in industrial products including automotive parts, and whose demand is expected to continue to increase significantly. The new plant is scheduled for commercial operation in the first quarter of fiscal 2014, and will be the world’s largest state-of-the-art plant in EPT production.

Conclusion of an agreement to establish a new joint company for ethylene-propylene-diene terpolymer (EPT) with China Petroleum & Chemical Corp. (Sinopec) in China

---

**Global expansion of highly competitive businesses**

We have completed a joint-venture agreement with Siemens to establish a joint company to manufacture EPT, which is widely used in industrial products including automotive parts, and whose demand is expected to continue to increase significantly. The new plant is scheduled for commercial operation in the first quarter of fiscal 2014, and will be the world’s largest state-of-the-art plant in EPT production.

Expansion of businesses more resilient to changing economic conditions

---

**Global expansion of highly competitive businesses**

We have determined to carry out the Japan’s largest solar wind power generation project in Tahara city, Aichi prefecture, through collaboration with Chubu Electric Power Co., Ltd. and several other companies who have expertise and experience of renewable energies. We are currently examining the feasibility of the project.

Participation in the Tahara Solar-Wind Joint Project for renewable energy generation, aiming to promote the development of new materials

---

**Expansion of businesses more resilient to changing economic conditions**

We have determined to carry out the Japan’s largest solar wind power generation project in Tahara city, Aichi prefecture, through collaboration with Chubu Electric Power Co., Ltd. and several other companies who have expertise and experience of renewable energies. We are currently examining the feasibility of the project.

Participation in the Tahara Solar-Wind Joint Project for renewable energy generation, aiming to promote the development of new materials

---

**Expansion of highly competitive businesses**

We have acquired ACOMON AG, a Switzerland-based manufacturer and distributor of plastic optical lens materials. This acquisition will enhance our product lines ranging from low and medium to high refractive index monomer, which is our strength. The distribution channels will also be added with that of ACOMON around the world, thereby achieving the top global market share in optical lens monomers.

The 100% share acquisition of ACOMON AG, a Switzerland-based manufacturer and distributor of plastic optical lens materials

---

**Establishment of a new production base in Brazil for polypropylene (PP) automotive materials**

With our subsidiary Prime Polymer Co., Ltd., we have established a new company to manufacture and distribute PP automotive materials in Brazil, in order to capture the increasing demand for the products. This will strengthen our world’s largest supply capacity of the products. By sufficiently taking advantage of such a growing demand, we will strive to further enhance our business of PP automotive materials.

Establishment of a new production base in Brazil for polypropylene (PP) automotive materials

---

**Expansion of businesses more resilient to changing economic conditions**

We plan to launch the manufacturing of ammonia, a raw material used to produce fertilizers, using high-quality materials at low cost through collaboration with Mitsui & Co., Ltd. and a government-owned company in Brazil. The demand for fertilizers is expected to increase due to the increasing global demand for food.

Expansion of businesses more resilient to changing economic conditions

---

**Agrochemical products**

Our wholly-owned subsidiary Mitsui Chemicals Agro, Inc. has acquired a 15% stake in Sonat International Co., Ltd. in Thailand and an 11.89% stake in Panavera S.A. Indústrias Químicas in Brazil. We plan to expand our agrochemical business, which we regard as resilient to economic fluctuations, in these two countries where there have been economic booms.

Agrochemical products

---

**Investment in agrochemical manufacturing and distribution companies in Thailand and Brazil**

Our wholly-owned subsidiary Mitsui Chemicals Agro, Inc. has acquired a 15% stake in Sonat International Co., Ltd. in Thailand and an 11.89% stake in Panavera S.A. Indústrias Químicas in Brazil. We plan to expand our agrochemical business, which we regard as resilient to economic fluctuations, in these two countries where there have been economic booms.

Expansion of businesses more resilient to changing economic conditions

---

**Conclusion of a license agreement with Saudi Basic Industries Corporation ("SABIC") for manufacturing technology of TDI and MDI, the core materials used to produce polyether.**

(for details, please see "Column" on page 1)

Conclusion of a license agreement with Saudi Basic Industries Corporation ("SABIC") for manufacturing technology of TDI and MDI, the core materials used to produce polyether.
Conclusion

During fiscal 2011, the global economy has been facing extremely tough challenges due to the economic slowdown triggered by the European financial crisis and the tightening of monetary policies among emerging countries, in addition to the Japanese yen soaring to its highest level and the effect of the floods in Thailand. Under such circumstances, the Group continues to make united and concerted efforts to become a globally renowned chemical company through the steady implementation of the basic strategies of its 2011 Mid-Term Business Plan. We hope that all of our shareholders will extend even greater support and encouragement to the Group.