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(Securities Code No.: 4183)

June 2, 2020

Mitsui Chemicals, Inc.
5-2, Higashi-Shimbashi 1-chome,
Minato-ku, Tokyo, Japan
Hashimoto Osamu, President & CEO

CONVOCATION NOTICE FOR
THE 23rd ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

Notice is hereby given that the 23rd Ordinary General Meeting of Shareholders of Mitsui Chemicals, Inc. (the “Company”) will be held as detailed below; we request your attention in reviewing this Convocation Notice.

Date and Time: Wednesday, June 24, 2020 at 10:00 a.m. (Reception desk opens at 9:00 a.m.)

Place: Nihonbashi Mitsui Hall, 4th floor of Coredo Muromachi 1,
2-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo, Japan

Agenda

- A. Reports**
1. Business report, consolidated financial statements and the results of auditing consolidated financial statements by accounting auditors and Board of Corporate Auditors for the 23rd fiscal year (April 1, 2019 to March 31, 2020)
 2. Non-consolidated financial statements for the 23rd fiscal year (April 1, 2019 to March 31, 2020)

B. Proposals

- No. 1:** Appropriation of surplus
No. 2: Election of eight (8) Directors
No. 3: Election of one (1) Corporate Auditor

* You may exercise your voting rights in writing (by mail) or electronically (via the Internet, etc.). We kindly ask you to exercise your voting rights as indicated by the information provided concerning exercise of voting rights on the following page, after reviewing this Convocation Notice.

* Any revisions made to the reference materials; business report, non-consolidated financial statements and consolidated financial statements will be posted on the Company’s website (<https://jp.mitsuicheicals.com/jp/index.htm>).

Exercise of voting rights

Exercise of voting rights in writing (by mail)

Indicate your approval or disapproval for each of the proposals on the enclosed Voting Rights Exercise Form and send the completed form to the Company.

Votes to be received by: **5:40 p.m.** on Tuesday, **June 23, 2020**.

Exercise of voting rights via the Internet, etc.

Access the website designated by the Company for exercising voting rights (<https://www.web54.net>), and indicate your approval or disapproval for each of the proposals.

In exercising voting rights via the Internet, enter the voting right exercise code and the password shown on the Voting Rights Exercise Form, and follow the instructions on the display.

Votes to be transmitted by: **5:40 p.m.** on Tuesday, **June 23, 2020**.

Please use the contact number below if you have any difficulties when voting by the Internet using a personal computer or smartphone.

Dedicated line for Transfer Agent Web Support, Sumitomo Mitsui Trust Bank, Limited:

Tel: 0120-652-031 (Toll free, within Japan only)

(9:00 a.m. to 9:00 p.m. Japan time)

Institutional investors may use the electronic voting rights exercise platform operated by Investor Communications Japan Inc.

* When voting rights are exercised in duplicate, both in writing and via the Internet, the vote that is received last shall be deemed effective. However, if votes arrive on the same day, the vote cast via the Internet, etc. shall be deemed effective.

When voting rights are exercised via the Internet, etc. more than once, the last vote shall be deemed effective.

REFERENCE MATERIALS

Proposals and Reference Matters

No. 1: Appropriation of surplus

We propose the following appropriation of surplus:

Year-end dividends

The Company gives top priority to the issue of increasing corporate value through business growth and expansion and regards the return of profits to shareholders as a key management issue.

In appropriating profits, we give consideration to all aspects including returns on shareholder investment and the securing of internal reserves for our future growth and expansion.

With regard to shareholder returns, the Company targets a total return ratio, which is the ratio of combined dividends and share buybacks to profit attributable to owners of parent, of at least 30%.

Aiming to improve earnings, we allot internal reserves for not only loans and investments to further accelerate the growth and expansion of our businesses and more quickly realize the business portfolios that we should pursue but also research and development to create new innovative technologies.

After giving comprehensive consideration to various matters including performance results for the fiscal year under review and the outlook for the future business environment, the Company proposes that the year-end dividend be as follows.

(1) Type of dividend property

Cash

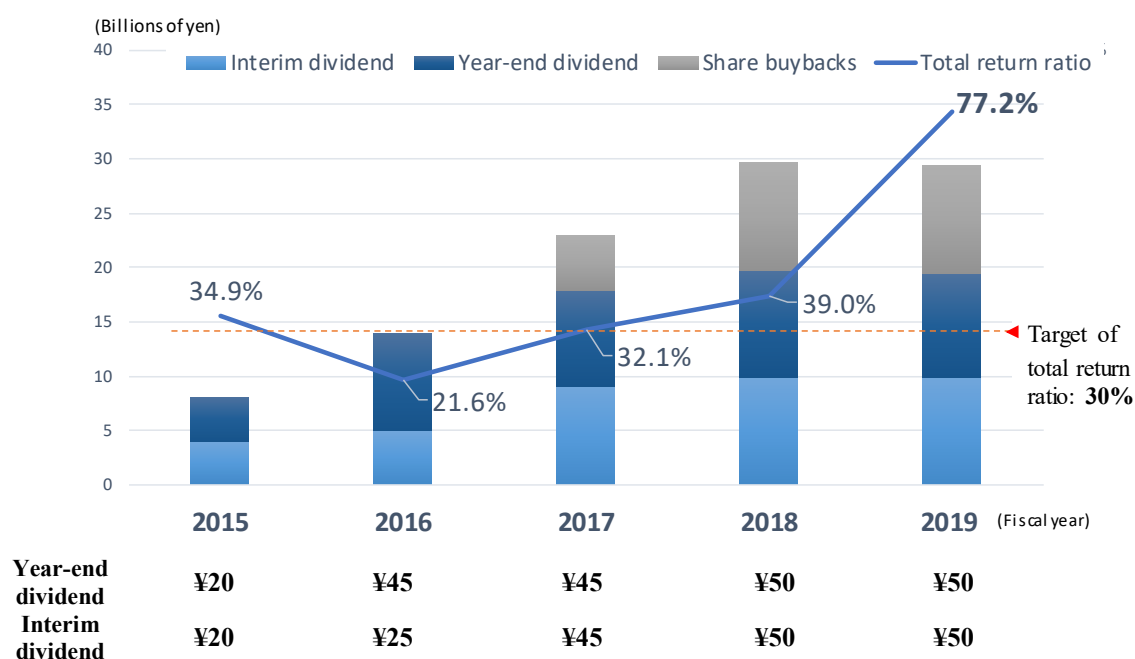
(2) Allocation of dividend property and total amount thereof

We propose a year-end dividend of ¥50 per share. The total amount of dividends will be ¥9,551,147,600.

(3) Effective date of dividends from surplus

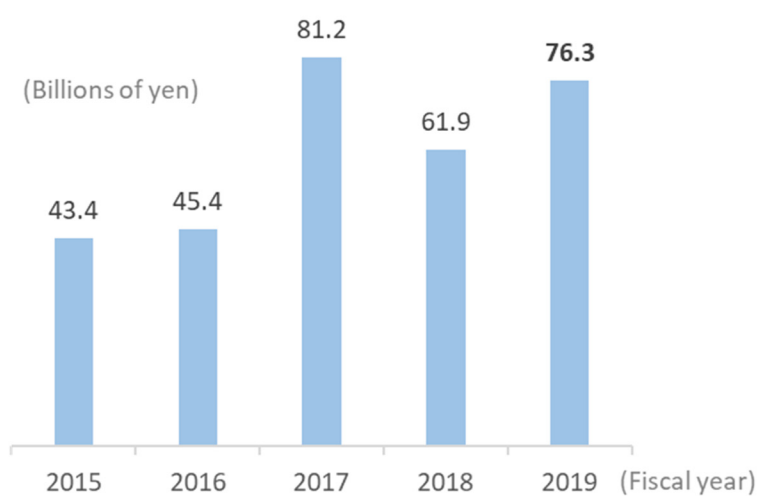
June 25, 2020

<Reference: Transition in total return ratio>

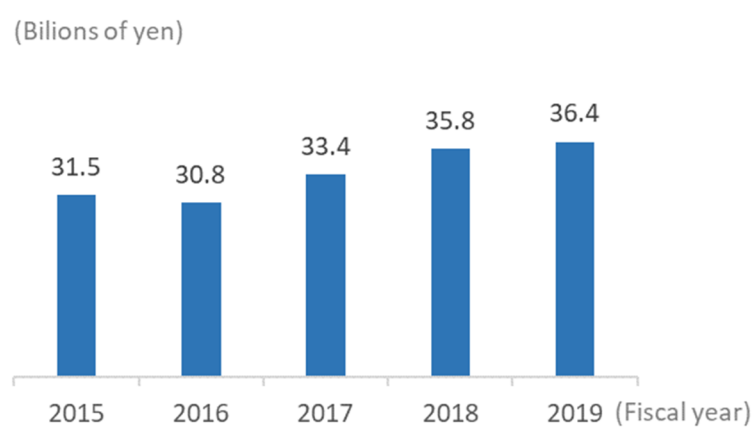


Total return ratio: (Total shareholder dividends + Total share buybacks) / Profit attributable to owners of parent

<Reference: Transition in capital investment>



<Reference: Transition in Research and development (R&D) expenses>



No. 2: Election of eight (8) Directors

As the terms of office of all eight (8) Directors will expire at the close of this Ordinary General Meeting of Shareholders, we propose the election of eight (8) Directors. To enhance corporate governance and increase the transparency of management, three (3) of the eight (8) are candidates for Outside Directors. Director candidates are as follows.

6 males (75%) 2 females (25%)

| Candidate Number | Name | | Current Positions and Areas of Responsibility at the Company | Term of Office | Board of Directors Meeting Attendance |
|------------------|---------------------|--------------------------------------|---|----------------|---------------------------------------|
| 1 | Tannowa Tsutomu | Reelection | Representative Director, Member of the Board, Chairman | 8 years | 12/12 |
| 2 | Hashimoto Osamu | Reelection | Representative Director, Member of the Board, President & CEO Supervision of General Business Execution (CEO) | 2 years | 12/12 |
| 3 | Matsuo Hideki | Reelection | Representative Director, Member of the Board, Executive Vice President Assistant to the President (CTO) Supervising R&D Center In charge of RC & Quality Assurance Div., Production & Technology Center, Fabricated Products Business Coordination Div., Intellectual Property Div., New Business Incubation Center, and Responsible Care Committee | 4 years | 12/12 |
| 4 | Shimogori Takayoshi | Reelection | Member of the Board, Senior Managing Executive Officer Business Sector President, Food & Packaging Business Sector Supervising Health Care Business Sector, New Health Care Business Development Div., and H-Project Div. | 3 years | 12/12 |
| 5 | Nakajima Hajime | New | Managing Executive Officer CFO In charge of Finance & Accounting Div. | — | — |
| 6 | Kuroda Yukiko | Reelection Outside Independent | Member of the Board | 5 years | 12/12 |
| 7 | Bada Hajime | Reelection Outside Independent | Member of the Board | 4 years | 11/12 |
| 8 | Yoshimaru Yukiko | Reelection Outside Independent | Member of the Board | 1 year | 10/10 |

Reelection: Reelected candidate for Member of the Board

New: New candidate for Member of the Board

Outside: Candidate for Outside Director

Independent: Candidate for Independent Officer as stipulated by the stock exchange

Notes: 1. There are no conflicts of interests between the Company and the above candidates for Directors.

2. The Company has concluded a liability limitation contract with Kuroda Yukiko, Bada Hajime and Yoshimaru Yukiko in accordance with Article 427, Paragraph 1 of the Companies Act to limit the liability for damages as provided in Article 423, Paragraph 1 of the Companies Act. Under this contract, the maximum liability for damages shall be the amount provided by laws and regulations. If Kuroda Yukiko, Bada Hajime and Yoshimaru Yukiko are reelected as Outside Directors, the Company will continue the said contract with them.

| Candidate Number | Name (Date of Birth) | Career Summary | Number of Shares of the Company Owned |
|------------------|---|---|---|
| 1 | <p>Tannowa Tsutomu (68 years old)</p> <p>Date of Birth: Oct. 26, 1951</p> <p>Term of Office: 8 years</p> <p>Board of Directors Meeting Attendance: 12/12 (100%)</p> <p><Reelection></p> | <p>Apr. 1976 Joined Mitsui Toatsu Chemicals, Inc.</p> <p>Apr. 2007 Executive Officer of the Company</p> <p>Apr. 2010 Managing Executive Officer of the Company</p> <p>Jun. 2012 Member of the Board, Managing Executive Officer of the Company</p> <p>Apr. 2013 Member of the Board, Senior Managing Executive Officer of the Company</p> <p>Apr. 2014 Representative Director, Member of the Board, President & CEO of the Company</p> <p>Apr. 2020 Representative Director, Member of the Board, Chairman of the Company (to present)</p> <p>Positions and areas of responsibility at the Company</p> <p>Representative Director, Member of the Board, Chairman</p> <p>Reasons for nomination</p> <p>Tannowa Tsutomu is substantially well-versed regarding affairs of the Company, on the basis of his wide experience with respect to personnel, business centered around basic chemicals, factories and so on. Moreover, serving as the President of the Company since 2014, he has played a firm leadership role in moving the Company forward, and has accordingly achieved success in spearheading initiatives geared to turning around the Company's business performance. We deem him capable of making further contributions that increase the Company's corporate value through continued instructions and supervision based on his experience so far, and accordingly believe that he is the right person for the post of Director.</p> | 52,694 |

| Candidate Number | Name (Date of Birth) | Career Summary | Number of Shares of the Company Owned |
|------------------|--|--|---|
| 2 | Hashimoto Osamu (56 years old) | Apr. 1987 Joined the Company | 11,792 |
| | | Apr. 2015 Executive Officer of the Company | |
| | | Apr. 2017 Managing Executive Officer of the Company | |
| | | Jun. 2018 Member of the Board, Managing Executive Officer of the Company | |
| | | Apr. 2019 Member of the Board, Senior Managing Executive Officer of the Company | |
| | Date of Birth: Oct. 19, 1963 | Apr. 2020 Representative Director, Member of the Board, President & CEO of the Company (to present) | |
| | | Positions and areas of responsibility at the Company | |
| | | Representative Director, Member of the Board, President & CEO | |
| | | Supervision of General Business Execution (CEO) | |
| | | Reasons for nomination | |
| | Term of Office: 2 years | Hashimoto Osamu is substantially well-versed regarding affairs of the Company, on the basis of his wide experience with respect to personnel, business and business plans centered around health care and so on. Additionally, he has experience in operations that overlook the Company's corporate management overall as General Manager of Corporate Planning Div. Moreover, in recent years, he has achieved success by playing an important role to realize long-term management plans with an eye to fiscal 2025 as Business Sector President of Health Care Business Sector. We deem him capable of making further contributions that increase the Company's corporate value, and accordingly believe that he is the right person for the post of Director. | |
| | Board of Directors Meeting Attendance: 12/12 (100%) | | |
| | <Reelection> | | |

| Candidate Number | Name (Date of Birth) | Career Summary | Number of Shares of the Company Owned |
|------------------|---|--|---|
| 3 | Matsuo Hideki (63 years old) | Apr. 1982 Joined Mitsui Toatsu Chemicals, Inc. | 20,500 |
| | | Apr. 2013 Executive Officer of the Company | |
| | | Apr. 2014 Managing Executive Officer of the Company | |
| | | Jun. 2016 Member of the Board, Managing Executive Officer of the Company | |
| | | Apr. 2017 Member of the Board, Senior Managing Executive Officer of the Company | |
| | | Apr. 2018 Representative Director, Member of the Board, Senior Managing Executive Officer of the Company | |
| | Apr. 2020 Representative Director, Member of the Board, Executive Vice President of the Company (to present) | | |
| | Date of Birth: Jun. 27, 1956 | Positions and areas of responsibility at the Company | |
| | Term of Office: 4 years | Representative Director, Member of the Board, Executive Vice President Assistant to the President (CTO) Supervising R&D Center | |
| | Board of Directors Meeting Attendance: 12/12 (100%) | In charge of RC & Quality Assurance Div., Production & Technology Center, Fabricated Products Business Coordination Div., Intellectual Property Div., New Business Incubation Center, and Responsible Care Committee | |
| | <Reelection> | Reasons for nomination | |
| | | Matsuo Hideki is well-versed in the Company's operations involving production technology and safety promotion, on the basis of his many years of experience in factories both in Japan and abroad. He is also extensively knowledgeable about global management given his experience serving as the head of an overseas subsidiary. We deem him capable of making further contributions that increase the Company's corporate value, and accordingly believe that he is the right person for the post of Director. | |

| Candidate Number | Name (Date of Birth) | Career Summary | Number of Shares of the Company Owned |
|------------------|--|--|---|
| 4 | <p>Shimogori Takayoshi (58 years old)</p> <p>Date of Birth: Oct. 1, 1961</p> <p>Term of Office: 3 years</p> <p>Board of Directors Meeting Attendance: 12/12 (100%)</p> <p><Reelection></p> | <p>Apr. 1985 Joined the Company</p> <p>Apr. 2014 Executive Officer of the Company General Manager, Performance Compound Business Div., Functional Polymeric Materials Business Sector</p> <p>Apr. 2015 Executive Officer of the Company Business Sector President, Functional Polymeric Materials Business Sector</p> <p>Apr. 2016 Managing Executive Officer of the Company Business Sector President, Mobility Business Sector</p> <p>Apr. 2017 Managing Executive Officer of the Company Business Sector President, Food & Packaging Business Sector, and Business Sector President, Mobility Business Sector</p> <p>Jun. 2017 Member of the Board, Managing Executive Officer of the Company Business Sector President, Food & Packaging Business Sector, and Business Sector President, Mobility Business Sector</p> <p>Mar. 2018 Director, Chairman of ARRK CORPORATION (to present)</p> <p>Apr. 2018 Member of the Board, Senior Managing Executive Officer of the Company Business Sector President, Food & Packaging Business Sector (to present)</p> <p>Positions and areas of responsibility at the Company</p> <p>Member of the Board, Senior Managing Executive Officer Business Sector President, Food & Packaging Business Sector Supervising Health Care Business Sector, New Health Care Business Development Div., and H-Project Div.</p> <p>Significant Concurrent Positions</p> <p>Director, Chairman of ARRK CORPORATION</p> <p>Reasons for nomination</p> <p>Shimogori Takayoshi is well-versed primarily in the areas of functional polymeric materials and petrochemicals, based on his extensive experience developed over many years. He is also extensively knowledgeable about global management given his experience serving as the deputy head of an overseas subsidiary. We deem him capable of making further contributions that increase the Company's corporate value, and accordingly believe that he is the right person for the post of Director.</p> | 16,958 |

| Candidate Number | Name (Date of Birth) | Career Summary | Number of Shares of the Company Owned |
|------------------|--|---|---|
| 5 | Nakajima Hajime (59 years old) Date of Birth: Oct. 10, 1960 <New> | Apr. 1984 Joined Mitsui Toatsu Chemicals, Inc. | 5,771 |
| | | Apr. 2013 General Manager, Performance Management Div. of the Company | |
| | | Apr. 2015 Senior Director of the Company General Manager, Finance & Accounting Div. | |
| | | Apr. 2017 Executive Officer of the Company General Manager, Finance & Accounting Div. | |
| | | Apr. 2020 Managing Executive Officer of the Company (to present) | |
| | | Positions and areas of responsibility at the Company | |
| | | Managing Executive Officer CFO In charge of Finance & Accounting Div. | |
| | | Reasons for nomination | |
| | | Having served in accounting roles for many years, Nakajima Hajime is substantially well-versed primarily in the areas of finance and accounting of the Mitsui Chemicals Group. He is also extensively knowledgeable with experiences in business planning. We deem him capable of making contributions that increase the Company's corporate value, and accordingly believe that he is the right person for the post of Director. | |

| Candidate Number | Name (Date of Birth) | Career Summary | Number of Shares of the Company Owned |
|------------------|---|--|---|
| 6 | Kuroda Yukiko (56 years old) Date of Birth: Sep. 24, 1963 Term of Office: 5 years Board of Directors Meeting Attendance: 12/12 (100%) <Reelection> <Candidate for Outside Director> <Independent Officer> | Apr. 1986 Joined Sony Corporation | 0 |
| | | Jan. 1991 Representative Director of People Focus Consulting | |
| | | Jun. 2010 Outside Audit & Supervisory Board Member of Astellas Pharma Inc. | |
| | | Mar. 2011 Outside Director of CAC Corporation (currently CAC Holdings Corporation) (to present) | |
| | | Apr. 2012 Managing Director and Founder of People Focus Consulting (to present) | |
| | | Jun. 2013 Outside Director of Marubeni Corporation | |
| | | Jun. 2015 Member of the Board of the Company (to present) | |
| | | Jun. 2018 Outside Director of Seven Bank, Ltd. (to present) | |
| | | Jun. 2018 Independent Director of Terumo Corporation (to present) | |
| | | Positions and areas of responsibility at the Company | |
| | | Member of the Board | |
| | | Significant concurrent positions | |
| | | Managing Director and Founder of People Focus Consulting Outside Director of CAC Holdings Corporation Outside Director of Seven Bank, Ltd. Independent Director of Terumo Corporation | |
| | | Reasons for nomination | |
| | | Kuroda Yukiko has actively provided opinions, primarily from the perspective of stakeholders outside the Company at meetings of the Company's Board of Directors, that are based on her extensive experience as a corporate manager and in-depth knowledge based on experience as a consultant. We expect that she will continue providing useful advice on the Company's corporate management, and accordingly believe that she is the right person for the post of Outside Director. | |

- Notes: 1. Kuroda Yukiko concurrently serves as executive director of People Focus Consulting. In fiscal 2018 and 2019, the Company commissioned facilitation training services of People Focus Consulting. However, the Company's payments to People Focus Consulting for the services rendered are deemed insignificant given that the payments amount to less than 1% of People Focus Consulting's net sales for said fiscal years.
2. Kuroda Yukiko's name on the government family register is Matsumoto Yukiko.

| Candidate Number | Name (Date of Birth) | Career Summary | Number of Shares of the Company Owned |
|------------------|--|--|---|
| 7 | <p>Bada Hajime (71 years old)</p> <p>Date of Birth: Oct. 7, 1948</p> <p>Term of Office: 4 years</p> <p>Board of Directors Meeting Attendance: 11/12 (92%)</p> <p><Reelection> <Candidate for Outside Director> <Independent Officer></p> | <p>Apr. 1973 Joined Kawasaki Steel Corporation (currently JFE Steel Corporation)</p> <p>Jun. 2000 Director of Kawasaki Steel Corporation</p> <p>Apr. 2003 Senior Vice President of JFE Steel Corporation</p> <p>Apr. 2005 Representative Director, President and CEO of JFE Steel Corporation</p> <p>May 2006 Chairman of The Japan Iron and Steel Federation</p> <p>Apr. 2010 Representative Director, President and CEO of JFE Holdings, Inc.</p> <p>Apr. 2015 Director of JFE Holdings, Inc.</p> <p>Jun. 2015 Advisor of JFE Holdings, Inc.</p> <p>Jun. 2016 Member of the Board of the Company (to present)</p> <p>Jun. 2016 Outside Corporate Auditor of ASAGAMI CORPORATION (to present)</p> <p>Jun. 2018 Outside Director of NSK Ltd. (to present)</p> <p>Jun. 2019 Honorary Advisor of JFE Holdings, Inc. (to present)</p> <p>Positions and areas of responsibility at the Company</p> <p>Member of the Board</p> <p>Significant concurrent positions</p> <p>Honorary Advisor of JFE Holdings, Inc. Outside Corporate Auditor of ASAGAMI CORPORATION Outside Director of NSK Ltd.</p> <p>Reasons for nomination</p> <p>Bada Hajime, based on his extensive experience as a corporate manager, and in-depth knowledge based on active experience serving as the head of a trade organization, proactively provides comments from a fundamental perspective that overlooks the entire Group to the Company's Board of Directors. We expect that he will continue to provide useful advice to the Company's corporate management, and accordingly believe that he is the right person for the post of Outside Director.</p> | 2,100 |

| Candidate Number | Name (Date of Birth) | Career Summary | Number of Shares of the Company Owned |
|------------------|---|---|---|
| 8 | Yoshimaru Yukiko (60 years old) Date of Birth: Feb. 1, 1960 Term of Office: 1 year Board of Directors Meeting Attendance: 10/10 (100%) <Reelection> <Candidate for Outside Director> <Independent Officer> | Apr. 1982 Joined Oki Electric Industry Co., Ltd. Apr. 1998 Director of Oki America Inc., and Head of New York Office of Oki Electric Industry Co., Ltd. Oct. 2004 General Manager of Diversity Development Office of NISSAN MOTOR CO., LTD. Apr. 2008 Joined Nifco Inc. Jun. 2011 Executive Officer of Nifco Inc. Apr. 2018 Outside Director of Sekisui House, Ltd. (to present) Jun. 2019 Member of the Board of the Company (to present) | 200 |
| | | Positions and areas of responsibility at the Company | |
| | | Member of the Board | |
| | | Significant concurrent positions | |
| | | Outside Director of Sekisui House, Ltd. | |
| | | Reasons for nomination | |
| | | Yoshimaru Yukiko, based on her experience as an officer of other companies in areas such as diversity promotion, and in-depth knowledge acquired through her extensive global experience, actively provides opinions from the global perspective at meetings of the Company's Board of Directors. We expect that she will continue providing useful advice on the Company's corporate management, and accordingly believe that she is the right person for the post of Outside Director. | |
| | | | |

Note: Yoshimaru Yukiko served as Executive Officer of Nifco Inc. until June 2018. In fiscal 2017, 2018 and 2019, the Company sold our products to Nifco Inc. However, the Company's receipts from Nifco Inc. for such sales are deemed insignificant given that the receipts amount to less than 1% of the Company's net sales for said fiscal years.

No. 3: Election of one (1) Corporate Auditor

As the term of office of Corporate Auditor Ayukawa Akio will expire at the close of this Ordinary General Meeting of Shareholders, we propose the election of one (1) Corporate Auditor. The Corporate Auditor candidate is Kubo Masaharu.

The consent of the Board of Corporate Auditors has been obtained for this proposal.

If this proposal is approved as originally proposed, the Board of Corporate Auditors is scheduled to be comprised of the following persons.

| Candidate | Name | | Positions at the Company | Term of Office | Board of Directors Meeting Attendance | Board of Corporate Auditors Meeting Attendance |
|-----------|-------------------|-------------------------------|-----------------------------|----------------|---------------------------------------|--|
| — | Isayama Shigeru | Incumbent | Full-time Corporate Auditor | 2 years | 12/12 | 17/17 |
| ○ | Kubo Masaharu | New | Full-time Corporate Auditor | — | — | — |
| — | Shinbo Katsuyoshi | Incumbent Outside Independent | Corporate Auditor | 3 years | 11/12 | 14/17 |
| — | Tokuda Shozo | Incumbent Outside Independent | Corporate Auditor | 3 years | 12/12 | 17/17 |
| — | Fujitsuka Mikio | Incumbent Outside Independent | Corporate Auditor | 1 year | 9/10 | 12/13 |

Incumbent: Incumbent Corporate Auditor

New: New candidate for Corporate Auditor

Outside: Outside Corporate Auditor

Independent: Independent Officer as stipulated by the stock exchange

- Notes:
1. There are no conflicts of interests between the Company and Kubo Masaharu.
 2. The term of office of Corporate Auditor of the Company is four (4) years, and Shinbo Katsuyoshi, Isayama Shigeru, and Tokuda Shozo and Fujitsuka Mikio were elected (reelected for Tokuda Shozo) as Corporate Auditors and assumed the office at the 20th Ordinary General Meeting of Shareholders held on June 27, 2017, the 21st Ordinary General Meeting of Shareholders held on June 26, 2018 and the 22nd Ordinary General Meeting of Shareholders held on June 25, 2019 respectively.

| Name (Date of Birth) | Career Summary | | Number of Shares of the Company Owned |
|--|----------------|--|---|
| Kubo Masaharu (63 years old) Date of Birth: Feb. 9, 1957 <New> | Apr. 1980 | Joined the Company | 50,900 |
| | Apr. 2010 | Executive Officer of the Company | |
| | Apr. 2013 | Managing Executive Officer of the Company | |
| | Jun. 2013 | Member of the Board, Managing Executive Officer of the Company | |
| | Apr. 2014 | Member of the Board, Senior Managing Executive Officer of the Company | |
| | Apr. 2016 | Representative Director, Member of the Board, Senior Managing Executive Officer of the Company | |
| | Apr. 2017 | Representative Director, Member of the Board, Executive Vice President of the Company | |
| | Apr. 2020 | Member of the Board of the Company (to present) | |
| | | Reasons for nomination | |
| | | Kubo Masaharu has substantial knowledge of general and legal affairs based on his extensive experience developed over many years. Having served as CFO in recent years, he is well-versed with respect to general corporate management of the Mitsui Chemicals Group, particularly in the finance and accounting realm. As he has sufficient knowledge as Corporate Auditor to ensure appropriate execution of business, we believe that he is the right person for the post of Corporate Auditor. | |

Principles and Procedures for the Board of Directors to Elect Senior Management and Nominate Candidates for Directors and Corporate Auditors

The Company has established the Human Resource Advisory Committee as a consultative body to the Board of Directors in order to ensure the suitability and transparency of procedures for electing directors and corporate auditors. The Human Resource Advisory Committee deliberates the proposed list of candidates for directors and corporate auditors based on the standards for election of directors and corporate auditors, and reports the results of the deliberation to the Board of Directors. The Board of Directors decides upon the final list of the candidates for directors and corporate auditors with maximum respect given to the results report of the Human Resource Advisory Committee. A proposal on candidates for corporate auditors will be resolved by the Board of Directors after an agreement is obtained by the Board of Corporate Auditors. The current Human Resource Advisory Committee is composed of the Company's chairman, president and outside directors.

Independence Standards for Independent Outside Directors and Independent Outside Corporate Auditors

In order to be designated by the Company as an independent outside director and an independent outside corporate auditor such director or corporate auditor must not fall under any of the following items.

- (1) A person who currently is or has been in the past an executive (such as an executive director, executive officer, senior director, general manager, or other such officer who executes operations) of the Company or a subsidiary of the Company.
- (2) A person for whom the Company is a major business partner* or, if that person is a juridical person, an executive of that person.
*If a business partner has received payments of 2% or more of its annual sales from the Company in any of the past three fiscal years, then the Company is a major business partner thereto.
- (3) A major business partner* of the Company or, if that partner is a juridical person, an executive of that partner.
*If the Company has received payments of 2% or more of its annual sales from a business partner in any of the past three fiscal years, or if a business partner has loaned a monetary amount of 2% or more of the Company's total assets to the Company in any of the past three fiscal years, then that business partner is a major business partner to the Company.
- (4) A large shareholder (a person directly or indirectly holding 10% or more of total voting rights) of the Company or, if that shareholder is a juridical person, an executive of that shareholder.
- (5) An executive of a juridical person for whom the Company is a large shareholder (directly or indirectly holding 10% or more of total voting rights).
- (6) An accounting auditor of either the Company or a consolidated subsidiary of the Company, or a person who is in charge of auditing either the Company or a consolidated subsidiary of the Company as an employee of such accounting auditor.
- (7) An attorney-at-law, judicial scrivener, patent attorney, certified public accountant, certified public tax accountant, consultant, or other such professional who has received money or other assets, other than officer remuneration, from the Company exceeding an annual amount of ¥10 million in any of the past three fiscal years (if a group such as a corporation or association receives such assets, this includes any person belonging to such group for which the assets received from the Company exceed 2% of the group's annual revenue).
- (8) A person who has received donations from the Company exceeding an annual amount of ¥10 million in any of the past three fiscal years (if a group such as a corporation or association receives such donations, this includes any executive of such group for which the donations received from the Company exceed 2% of the group's annual revenue).
- (9) A person whose close relative (meaning a spouse or a relative within the second degree of kinship) falls under any item of (1) to (8) above.
- (10) A person who has fallen under any item of (2) to (9) above in the past three years.
- (11) Notwithstanding the provisions of each preceding item, a person regarding whom there are found to be special circumstances that may cause a conflict of interest with the Company.

Consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

| Item | Amount | Item | Amount |
|--|------------------|---|------------------|
| ASSETS | 1,480,067 | LIABILITIES | 872,046 |
| Current Assets: | 781,347 | Current Liabilities: | 478,498 |
| Cash and deposits | 149,348 | Notes and accounts payable-trade | 128,458 |
| Notes and accounts receivable-trade | 275,332 | Short-term loans payable | 106,040 |
| Inventories | 288,006 | Current portion of long-term loans payable | 42,186 |
| Accounts receivable-other | 55,959 | Commercial papers | 60,000 |
| Other current assets | 16,211 | Current portion of bonds | 10,426 |
| Allowance for doubtful accounts | (3,509) | Lease obligations | 3,240 |
| | | Accounts payable-other | 78,165 |
| | | Income taxes payable | 5,383 |
| | | Provision for directors' bonuses | 241 |
| | | Provision for repairs | 10,666 |
| | | Other | 33,693 |
| Non-current Assets: | 698,720 | Non-current Liabilities: | 393,548 |
| Property, plant and equipment | 485,531 | Bonds payable | 76,012 |
| Buildings and structures, net | 119,915 | Long-term loans payable | 233,775 |
| Machinery, equipment and vehicles, net | 139,508 | Lease obligations | 22,564 |
| Land | 156,646 | Deferred tax liabilities | 14,553 |
| Construction in progress | 29,910 | Provision for directors' retirement benefits | 262 |
| Other | 39,552 | Provision for repairs | 5,626 |
| Intangible assets | 28,941 | Provision for environmental measures | 410 |
| Goodwill | 4,412 | Net defined benefit liability | 26,350 |
| Software | 8,001 | Asset retirement obligations | 3,165 |
| Other | 16,528 | Other | 10,831 |
| | | NET ASSETS | 608,021 |
| Investments and other assets | 184,248 | Shareholders' Equity: | 541,888 |
| Investment securities | 110,340 | Capital stock | 125,298 |
| Net defined benefit asset | 36,084 | Capital surplus | 89,514 |
| Deferred tax assets | 11,610 | Retained earnings | 366,330 |
| Other | 29,022 | Treasury stock | (39,254) |
| Allowance for doubtful accounts | (2,808) | Accumulated Other Comprehensive Income: | (14,299) |
| | | Valuation difference on available-for-sale securities | 1,495 |
| | | Deferred gains or losses on hedges | 5 |
| | | Foreign currency translation adjustments | (2,188) |
| | | Remeasurements of defined benefit plans | (13,611) |
| | | Non-controlling Interests: | 80,432 |
| Total | 1,480,067 | Total | 1,480,067 |

Consolidated Statement of Income

(April 1, 2019 to March 31, 2020)

(Millions of yen)

| Item | Amount | |
|--|--------|------------------|
| Net sales: | | 1,338,987 |
| Cost of sales: | | 1,041,840 |
| Gross profit | | 297,147 |
| Selling, general and administrative expenses: | | 225,511 |
| Operating income | | 71,636 |
| Non-operating income: | | |
| Interest and dividends income | 4,827 | |
| Equity in earnings of affiliates | 3,165 | |
| Rent income | 783 | |
| Insurance income | 253 | |
| Other | 3,246 | 12,274 |
| Non-operating expenses: | | |
| Interest expenses | 5,501 | |
| Loss on suspension of operations | 2,824 | |
| Foreign exchange losses | 3 | |
| Provision of allowance for doubtful accounts | 2,707 | |
| Loss on disaster | 1,873 | |
| Other | 5,485 | 18,393 |
| Ordinary income | | 65,517 |
| Extraordinary income: | | |
| Gain on sales of non-current assets | 453 | |
| Gain on sales of investment securities | 192 | |
| Gain on contribution of securities to retirement benefit trust | 19,243 | |
| Insurance income | 4,916 | 24,804 |
| Extraordinary losses: | | |
| Loss on disposal of non-current assets | 4,200 | |
| Loss on sales of non-current assets | 32 | |
| Impairment loss | 2,508 | |
| Loss on restructuring of subsidiaries and affiliates | 2,298 | |
| Loss on valuation of investment securities | 24 | |
| Loss on valuation of investments in capital | 12,105 | |
| Loss on sale of businesses | 694 | 21,861 |
| Profit before income taxes | | 68,460 |
| Income taxes - current | 12,302 | |
| Income taxes - deferred | 9,869 | 22,171 |
| Profit | | 46,289 |
| Profit attributable to non-controlling interests | | 8,345 |
| Profit attributable to owners of parent | | 37,944 |

Consolidated Statements of Changes in Net Assets

(April 1, 2019 to March 31, 2020)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of current period | 125,205 | 89,406 | 348,202 | (29,869) | 532,944 |
| Cumulative effects of changes in accounting policies | | | (307) | | (307) |
| Restated balance | 125,205 | 89,406 | 347,895 | (29,869) | 532,637 |
| Changes during period | | | | | |
| Issuance of new shares | 92 | 92 | | | 185 |
| Dividends of surplus | | | (19,509) | | (19,509) |
| Profit attributable to owners of parent | | | 37,944 | | 37,944 |
| Purchase of treasury shares | | | | (9,389) | (9,389) |
| Disposal of treasury shares | | (0) | | 4 | 4 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 16 | | | 16 |
| Net changes of items other than shareholders' equity | | | | | — |
| Total changes during period | 92 | 108 | 18,435 | (9,385) | 9,251 |
| Balance at the end of current period | 125,298 | 89,514 | 366,330 | (39,254) | 541,888 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|------------------------------------|--|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at the beginning of current period | 21,421 | (3) | 4,195 | (6,642) | 18,971 | 79,824 | 631,739 |
| Cumulative effects of changes in accounting policies | | | | | | | (307) |
| Restated balance | 21,421 | (3) | 4,195 | (6,642) | 18,971 | 79,824 | 631,432 |
| Changes during period | | | | | | | |
| Issuance of new shares | | | | | | | 185 |
| Dividends of surplus | | | | | | | (19,509) |
| Profit attributable to owners of parent | | | | | | | 37,944 |
| Purchase of treasury shares | | | | | | | (9,389) |
| Disposal of treasury shares | | | | | | | 4 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | 16 |
| Net changes of items other than shareholders' equity | (19,926) | 8 | (6,383) | (6,969) | (33,270) | 608 | (32,662) |
| Total changes during period | (19,926) | 8 | (6,383) | (6,969) | (33,270) | 608 | (23,411) |
| Balance at the end of current period | 1,495 | 5 | (2,188) | (13,611) | (14,299) | 80,432 | 608,021 |

(As of March 31, 2020)

| Item | Amount | Item | Amount |
|--|------------------|---|------------------|
| ASSETS | 1,097,875 | LIABILITIES | 741,918 |
| Current Assets: | 412,840 | Current Liabilities: | 432,901 |
| Cash and deposits | 72,731 | Accounts payable-trade | 77,024 |
| Notes receivable-trade | 391 | Short-term loans payable | 95,609 |
| Accounts receivable-trade | 158,999 | Current portion of long-term loans payable | 37,629 |
| Securities | 5,000 | Commercial papers | 60,000 |
| Merchandise and products | 72,186 | Current portion of bonds payable | 10,000 |
| Work in process | 1,731 | Lease obligations | 207 |
| Raw materials and supplies | 39,575 | Accounts payable-other | 61,058 |
| Advance payments | 2,264 | Accrued expenses | 8,530 |
| Prepaid expenses | 2,313 | Income taxes payable | 652 |
| Short-term loans receivable | 3,112 | Advances received | 352 |
| Accounts receivable-other | 54,868 | Deposits received | 72,274 |
| Other | 2,117 | Provision for directors' bonuses | 68 |
| Allowance for doubtful accounts | (2,447) | Provision for repairs | 9,031 |
| | | Provision for loss on guarantees | 450 |
| | | Other | 17 |
| Non-current Assets: | 685,035 | Non-current Liabilities: | 309,017 |
| Property, plant and equipment | 291,456 | Bonds payable | 75,000 |
| Buildings | 42,514 | Long-term loans payable | 216,104 |
| Structures | 23,468 | Lease obligations | 2,334 |
| Machinery and equipments | 65,072 | Deferred tax liabilities | 1,601 |
| Vehicles | 251 | Provision for retirement benefits | 4,493 |
| Tools, furniture and fixtures | 5,458 | Provision for repairs | 2,171 |
| Land | 136,530 | Provision for environmental measures | 409 |
| Lease assets | 2,541 | Asset retirement obligations | 731 |
| Construction in progress | 15,622 | Other | 6,174 |
| Intangible assets | 7,490 | | |
| Goodwill | 82 | | |
| Industrial property | 1,445 | | |
| Other rights | 120 | | |
| Software | 5,843 | | |
| Investments and other assets | 386,089 | NET ASSETS | 355,957 |
| Investment securities | 24,487 | Shareholders' Equity: | 354,869 |
| Shares of subsidiaries and affiliates | 228,878 | Capital stock | 125,298 |
| Investment in capital | 1 | Capital surplus | 94,026 |
| Investment in capital of subsidiaries and affiliates | 46,751 | Legal capital surplus | 54,027 |
| Long-term loans receivable | 3,583 | Other capital surplus | 39,999 |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 237 | Retained earnings | 174,799 |
| Long-term loans receivable from subsidiaries and affiliates | 33,224 | Legal retained earnings | 12,506 |
| Long-term prepaid expenses | 652 | Other retained earnings | 162,293 |
| Prepaid pension cost | 41,842 | Reserve for dividends | 10,000 |
| Other | 9,196 | General reserve | 28,070 |
| Allowance for doubtful accounts | (2,762) | Retained earnings brought forward | 124,223 |
| | | Treasury stock | (39,254) |
| | | Valuation and Translation | |
| | | Adjustments: | 1,088 |
| | | Valuation difference on available-for-sale securities | 1,088 |
| Total | 1,097,875 | Total | 1,097,875 |

Non-consolidated Statement of Income

(April 1, 2019 to March 31, 2020)

(Millions of yen)

| Item | Amount | |
|--|---------|----------------|
| Net sales: | | 672,194 |
| Cost of sales: | | 572,293 |
| Gross profit | | 99,901 |
| Selling, general and administrative expenses: | | 91,838 |
| Operating income | | 8,063 |
| Non-operating income: | | |
| Interest and dividends income | 25,405 | |
| Rent income | 1,506 | |
| Other | 2,485 | 29,396 |
| Non-operating expenses: | | |
| Interest expenses | 3,305 | |
| Loss on suspension of operations | 2,472 | |
| Foreign exchange losses | 345 | |
| Provision of allowance for doubtful accounts | 2,703 | |
| Provision for loss on guarantees | 97 | |
| Other | 4,875 | 13,797 |
| Ordinary income | | 23,662 |
| Extraordinary income: | | |
| Gain on sales of non-current assets | 358 | |
| Gain on sales of investment securities | 177 | |
| Insurance income | 4,545 | |
| Gain on contribution of securities to retirement benefit trust | 19,243 | 24,323 |
| Extraordinary losses: | | |
| Loss on disposal of non-current assets | 3,321 | |
| Loss on sales of non-current assets | 1 | |
| Impairment loss | 753 | |
| Loss on valuation of shares of subsidiaries and affiliates | 391 | |
| Loss on valuation of investments in capital | 12,105 | 16,571 |
| Profit before income taxes | | 31,414 |
| Income taxes - current | (1,949) | |
| Income taxes - deferred | 8,797 | 6,848 |
| Profit | | 24,566 |

Non-consolidated Statements of Changes in Net Assets

(April 1, 2019 to March 31, 2020)

(Millions of yen)

(millions of yen)

| | Shareholders' equity | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-------------------------|--------------------------------|-------------------------|----------|-----------------|----------------------------|
| | Share capital | Capital surplus | | | Retained earnings | | | Treasury shares | Total shareholders' equity |
| Legal capital surplus | | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings (Note) | Total retained earnings | | | |
| Balance at the beginning of current period | 125,205 | 53,935 | 39,999 | 93,934 | 12,506 | 157,433 | 169,939 | (29,869) | 359,209 |
| Cumulative effects of changes in accounting policies | | | | | | (197) | (197) | | (197) |
| Restated balance | 125,205 | 53,935 | 39,999 | 93,934 | 12,506 | 157,236 | 169,742 | (29,869) | 359,012 |
| Changes during period | | | | | | | | | |
| Issuance of new shares | 92 | 92 | | 92 | | | | | 185 |
| Dividends of surplus | | | | | | (19,509) | (19,509) | | (19,509) |
| Profit | | | | | | 24,566 | 24,566 | | 24,566 |
| Purchase of treasury shares | | | | | | | | (9,389) | (9,389) |
| Disposal of treasury shares | | | (0) | (0) | | | | 4 | 4 |
| Net changes of items other than shareholders' equity | | | | | | | | | |
| Total changes during period | 92 | 92 | (0) | 92 | — | 5,057 | 5,057 | (9,385) | (4,143) |
| Balance at the end of current period | 125,298 | 54,027 | 39,999 | 94,026 | 12,506 | 162,293 | 174,799 | (39,254) | 354,869 |

| | Valuation and translation adjustments | | Total net assets |
|--|---|---|------------------|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at the beginning of current period | 19,986 | 19,986 | 379,195 |
| Cumulative effects of changes in accounting policies | | | (197) |
| Restated balance | 19,986 | 19,986 | 378,998 |
| Changes during period | | | |
| Issuance of new shares | | | 185 |
| Dividends of surplus | | | (19,509) |
| Profit | | | 24,566 |
| Purchase of treasury shares | | | (9,389) |
| Disposal of treasury shares | | | 4 |
| Net changes of items other than shareholders' equity | (18,898) | (18,898) | (18,898) |
| Total changes during period | (18,898) | (18,898) | (23,041) |
| Balance at the end of current period | 1,088 | 1,088 | 355,957 |

Note: Breakdown of other retained earnings

(Millions of yen)

| | Reserve for dividends | General reserve | Retained earnings brought forward | Total |
|--|-----------------------|-----------------|-----------------------------------|----------|
| Balance at the beginning of current period | 10,000 | 28,070 | 119,363 | 157,433 |
| Cumulative effects of changes in accounting policies | | | (197) | (197) |
| Restated balance | 10,000 | 28,070 | 119,166 | 157,236 |
| Changes during period | | | | |
| Dividends of surplus | | | (19,509) | (19,509) |
| Profit | | | 24,566 | 24,566 |
| Total changes during period | – | – | 5,057 | 5,057 |
| Balance at the end of current period | 10,000 | 28,070 | 124,223 | 162,293 |