

For Immediate Release

March 31, 2003

Mitsui Chemicals and Sumitomo Chemical to Cancel
Business Consolidation

Mitsui Chemicals, Inc.

Mitsui Chemicals, Inc. ("Mitsui") and Sumitomo Chemical Company, Ltd. ("Sumitomo") have agreed to cancel the planned business consolidation at this time. The two parties have been continuing their mutual consultations aimed at consolidating all their businesses on an equal standing by the scheduled October 2003.

In order to establish a secure platform for future development and to achieve further improvements in corporate value meeting the shareholders' expectations in the face of worsening business competition on a global scale, Mitsui and Sumitomo had judged that the best alternative would be to consolidate their entire businesses and entered into "Basic Agreement for Business Consolidation" on November 17, 2000.

Subsequently, the two companies set up various subcommittees for studying the business as well as the institutional aspects of the envisaged consolidation under auspices of the joint Business Consolidation Study Committee, and have been vigorously making preparations for the consolidation and conducting various studies.

At the same time, Mitsui and Sumitomo have been continuing their mutual consultations on the terms and conditions for the consolidation with assistance from their respective financial advisors and other experts.

However, with regard to the consolidation ratio, the most critical item among the consolidation terms and conditions, a gap between the positions of the two sides could not be bridged in spite of their continued efforts in the best of faith to negotiate for a consolidation ratio to be included as a resolution item in the agenda of the respective ordinary general shareholders' meeting in June this year.

Thus, despite having come so far, Mitsui and Sumitomo have now arrived at a mutual conclusion that achievement of a final agreement satisfactory to their respective shareholders would be impossible.

The companies must regretfully note that they could not meet the expectations of the shareholders, the customers and many other parties concerned in spite of all their support and understanding toward realizing the envisaged consolidation. Nevertheless, Mitsui and Sumitomo request the kindest understanding of those parties, that the outcome is a result of the best efforts expended by the two parties toward achieving a negotiated agreement.

Mitsui and Sumitomo would continue to search for future directions in their mutual relationship from now on, such as strategic alliances and collaborations in specific businesses. But they would each pursue its own business operation without mutual constraint or limitation. As for the joint venture company established in April last year, namely, Sumitomo Mitsui Polyolefin Co., Ltd. (SMPO), the two parents request all those parties concerned for their continued kindest support and cooperation for SMPO.

Mitsui finds it indeed a matter of great disappointment having to cancel the consolidation with Sumitomo. For Mitsui, Fiscal Year 2003 is the year for completing its three-year Medium-term Corporate Plans which were started in 2001. Mitsui had planned, in so doing, to realize the “Strong Mitsui Chemicals Group” aspired to until now, and to continue firmly and seamlessly into the Fiscal Year 2004 Medium-term Corporate Plans of the newly consolidated company.

Pursuant to the cancellation of the consolidation this time, Mitsui would need to review its business strategy to a certain extent, but there will be no change in the basic strategy. Mitsui intends to exert its fullest efforts toward realizing a “Mitsui Chemicals Group with a strong competitive position in the global market” which it has instituted as the corporate objective since its foundation as Mitsui Chemicals in 1997. Namely, Mitsui will dedicate itself to:

- ◆ In the Petrochemicals and Basic Chemicals Sector:
Pursuing greater focus in the core businesses and aim for expanded profits
- ◆ In the Performance Materials Sector:
Aiming for expanded profits in the core businesses and accelerating further expansion of new products by leveraging Mitsui’s much acclaimed

technological strength.

As clearly spelled out in its corporate mission statement, Mitsui is determined to “contribute broadly to society by providing high-quality products and services to customers through innovations and creation of materials, while keeping in harmony with the environment.” In that regard, Mitsui requests all its stakeholders to provide it with their kindest understanding and support as usual in connection with the conduct of its business.

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Note: Please be reminded that the information contained herein constitutes insider information under the Japanese Securities and Exchange Law, and that transactions of stocks and shares of either Mitsui Chemicals or Sumitomo Chemical are not permitted until 12 hours will have elapsed after the subject press announcement is made at 14.00 p.m. on March 31, 2003 Japanese time.