



December 17, 2004

Mitsui Chemicals' Subsidiary Files for Rehabilitation Proceedings Under Japanese Civil Rehabilitation Law

Kuko Enterprise Co., Ltd. (KEC), a subsidiary of Japan's major chemicals manufacturer Mitsui Chemicals, Inc. (MCI), resolved at its board of director's meeting held on December 17, 2004, to file for initiating the procedures for protection under the Japanese Civil Rehabilitation Law and proceeded to petition accordingly to the Tokyo District Court on the same day, MCI announced today.

The operator of a golf club called **Hakuho Country Club (HCC)** in Narita, Chiba Prefecture east of Tokyo since 1983, KEC has decided on the latest move in view of its accumulated debt of ¥7.7 billion.

Despite KEC's all-out management efforts in the challenging business environment following the collapse of the bubble economy in Japan, the company's operations have become financially severely strained due to a continuous stream of membership withdrawals from HCC, as deadlines for the refund of the members' security deposits arrived one after the other starting Fiscal Year 1994. It was in order to resolve the security deposit issue once and for all and thereby secure HCC's golfing facilities as well as protect the members' rights, that KEC has opted to make a completely new start based on the civil rehabilitation ("minji saisei") proceedings this time.

KEC was established in December 1976 with a capital of ¥785 million, with 28,500 shares outstanding. Its major shareholders as of September 30, 2004, were: MCI with shareholding at 78.95%, BSG Co., Ltd. (MCI's wholly owned subsidiary) at 15.44%, and Taisei Corporation, a major constructor, at 5.61%. KEC's employee headcount stands at 33. For the fiscal year ending March 31, 2004, KEC's sales recorded ¥757 million yen, with operating income, current income and net income registering ¥18 million, ¥13 million and ¥13 million, respectively.

As for the future of KEC, the company is expected to become a wholly owned subsidiary of Unimat Holding Corporation (UHC) under the Civil Rehabilitation Plan, with HCC continuing to operate as in the past. MCI and UHC are expected to henceforth provide support to KEC so that it would be capable of

making refunds in the amounts of roughly half the face value of the security deposits. UHC is a Tokyo-based company with much experience in rehabilitating golf business, and is engaged in a variety of businesses through its affiliates, such as office coffee supply business through Unimat Officeco Corporation which is the top company in such business, or resort business in Okinawa Area in Japan. It owns and operates ten golf courses in Japan through its subsidiaries.

As for the impact of the foregoing situation upon MCI's financial performance for Fiscal Year 2004 ending March 31, 2005, it is already accounted for in MCI's 2nd-Half 2004 (September 2004 – March 2005) intermediate settlement of accounts. By an early adoption of "Accounting Standards relating to Tangible Assets Impairment", a one-time loss of ¥7.3 billion has been allocated under "Loss on Restructuring of Subsidiaries and Affiliates" item to reflect the depreciated value of KEC's golf course assets.

According to KEC's aforementioned petition filed with Tokyo District Court, the company is planning to repay about half of all creditor claims. In such a case, the monetary amount of "Loss on Restructuring of Subsidiaries and Affiliates" is projected to decrease from the initially anticipated ¥7.3 billion. However, the size of the loss reduction cannot be reliably estimated at this time, as KEC is still in the process of formulating the details of the rehabilitation plan. As soon as the monetary amount becomes clear, MCI intends to disclose the financial impact of the latest event on its consolidated group performance for Fiscal Year 2004.

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