

**Notice of a Stock Swap to make Yamamoto Chemicals
a Wholly-Owned Subsidiary of Mitsui Chemicals**

Mitsui Chemicals, Inc., (hereafter referred to as “MCI”) and Yamamoto Chemicals Inc., (hereafter referred to as “YCI”) held their respective board of directors meetings today and resolved that MCI will make YCI a wholly-owned subsidiary through a stock swap.

Be advised of the formal decisions regarding the matters as stated below.

1. Objective of the Stock Swap

MCI made its Medium-term Business Plan in fiscal 2004 ended March 31, 2005. Based on the plan, MCI is in the process of changing its business structure by expanding and growing Performance Materials Business as well as strengthening earnings and consolidated management with aim of “Strong & Excellent Mitsui Chemicals Group with a strong competitive position in the global market”.

In particular, information and electronics materials business is one of the most important business categories in Performance Materials Sector for MCI. The company, therefore, solidifies its management resources in that area to expand the business.

Meanwhile, YCI, which is 31.7%-owned by MCI, produces and sells color formers for carbonless and thermal papers in addition to functional dye.

MCI will reinforce the partnership of the two companies and further enhance corporate value as written below (i) and (ii) by integrating YCI as a wholly owned subsidiary of MCI through the stock swap.

- (i) Propelling the efficient operation of color formers
- (ii) Promoting effective manufacturing, marketing and R&D in functional dye and accelerating new product development

YCI, which will become a wholly-owned subsidiary of MCI, will be delisted from the Osaka Stock Exchange by the effective date of stock swap.

2. Conditions of stock swap

(1) Schedule of stock swap

December 16, 2005: Meetings of the Boards of Directors to approve the Stock Swap Agreement

December 16, 2005: Signing of the Stock Swap Agreement

February 24, 2006 (tentative): Extraordinary general shareholders meeting to authorize the stock swap agreement (YCI)

April 1, 2006 (tentative): Effective date of stock swap

Note: Based on the Simplified Method for Stock Swap stipulated in Section 1 of Article 358 of the Japanese Commercial Code, MCI is entitled to undertake the stock swap without the authorization through its shareholders meeting.

(2) Stock swap ratio

	MCI	YCI
Corporate name	(100% parent company)	(wholly-owned subsidiary)
Exchange ratio	1	1.10

Notes:

1) Ratio of allocations of shares

1.10 MCI shares will be allocated to one YCI share. In addition, MCI's shares will not be allocated to 3,150,107 shares of YCI, which is owned by MCI.

2) Basis for calculating the stock swap ratio

Mizuho Securities Co., Ltd., appointed by MCI as a third party, and Nomura Securities Co., Ltd., appointed by YCI as a third party, were respectively requested to evaluate the stock swap ratio between the two companies. MCI and YCI, using the evaluations as a reference and after discussions between themselves, agreed upon the stock swap ratio indicated above.

3) Methods of calculation and basis thereof by the third party institutions
Mizuho Securities evaluated the stock swap ratio based on the market price analysis and discounted cash flow (DCF) analysis for MCI and YCI. Nomura Securities evaluated the stock swap ratio based on the market price analysis for MCI and the market price analysis and the DCF analysis for YCI, respectively.

4) Number of new MCI shares to be allocated in the stock swap

7,463,723 ordinary shares

MCI will issue new 2,863,723 shares out of 7,463,723 ordinary shares to be allocated in the stock swap. MCI plans to allocate its 4,600,000 shares in Treasury Stock.

(3) Cash Distribution in Stock Swap

There will be no cash distribution in the stock swap.

3. Outline of Parties to Stock Swap (As of September 30, 2005)

(1) Name	Mitsui Chemicals, Inc. (100% parent company)	Yamamoto Chemicals, Inc. (Wholly Owned Subsidiary)
(2) Principal Businesses	- Functional Chemicals & Engineered Materials - Functional Polymeric Materials - Basic Chemicals - Petrochemicals	- dyes, pigments, industrial chemicals
(3) Date of Incorporation	July, 1947	May, 1948
(4) Location of Headquarters	Minato-ku, Tokyo	Yao-shi, Osaka
(5) Representatives	President: Kenji Fujiyoshi	President: Satoshi Numata
(6) Capital Amount	103,226 million yen	2,134 million yen
(7) Number of Shares Issued and Outstanding	789,156,353 shares	9,935,310 shares
(8) Shareholders' Equity	359,429 million yen	11,570 million yen
(9) Total Asset	852,347 million yen	12,850 million yen
(10) Fiscal Year End	March 31	March 31
(11) Number of Employees	4,398	100
(12) Principal Suppliers and Customers	Suppliers Mitsui & Co., Ltd. Exxon Mobil Business Service Customers Mitsui & Co., Ltd. Marubeni Corporation Mitsubishi Corporation	Suppliers Mitsui Chemicals, Inc. Mitsui & Co., Ltd. Mitsui Fine Chemicals, Inc. Customers Mitsui Chemicals, Inc. Mitsui & Co., Ltd.
(13) Principal Shareholders and Their Shareholding Ratios	Japan Trustee Services Bank, Ltd. (Trust Account) 9.84% The Master Trust Bank of Japan, Ltd. (Trust Account) 8.98% Mitsui Asset Trust and Banking Company, Ltd. (Trust account for Toray Industries Inc.) 4.74% Sumitomo Mitsui Banking Corporation 2.76% Shinsei Bank, Limited 2.70%	Mitsui Chemicals, Inc. 31.70% Mitsui & Co., Ltd. 13.94% Yamamoto 10.87% Mitsui Fine Chemicals, Inc. 3.36%
(14) Principal Banks	Sumitomo Mitsui Banking Corporation The Chuo Mitsui Trust and Banking Co., Ltd. Mizuho Corporate Bank, Ltd.	Sumitomo Mitsui Banking Corporation The Chuo Mitsui Trust and Banking Co., Ltd. The Senshu Bank, Ltd.
(15) Relationship between the two companies	Capital	MCI holds 31.70% of YCI's stock.
	Personnel	MCI has sent some of directors and stuffs.
	Trading	MCI sells some raw materials to YCI and buys some part of products from YCI.

(16) Performance of Recent 3 Fiscal Year

(Millions of Yen)

Fiscal Year	Mitsui Chemicals, Inc. (100% parent company)			Yamamoto Chemicals, Inc. (Wholly Owned Subsidiary)		
	Ended March, 2003	Ended March, 2004	Ended March, 2005	Ended March, 2003	Ended March, 2004	Ended March, 2005
Net Sales	700,754	718,405	833,525	4,719	4,885	4,681
Operating Income	29,376	28,246	42,872	305	179	128
Net Income	8,522	6,909	6,306	246	194	18
Net Income per Share	10.74	8.73	7.94	24.76	19.57	1.83
Dividend per Share	6.00	6.00	7.00	10.0	10.0	10.0
Shareholders Equity per Share	435.17	450.47	455.61	1,155.92	1,187.49	1,178.27

4. Status of the Companies after the stock swap

(1) Corporate name, business, address of head offices and representatives

The corporate name, business, address of head offices and representatives of the two parties remain unchanged as stated in the outline of MCI and YCI.

(2) Capital and others

Paid-in capital:

MCI's paid-in capital will not be increased due to the stock swap.

Capital surplus:

The increase in capital surplus shall be in amount equal to the net assets of YCI as of the effective date of the stock swap, multiplied by the ratio of (i) the number of the shares to be transferred to MCI as a result of the stock swap to (ii) the total number of issued and outstanding shares of YCI, less the book value of the treasury stock to be allocated in lieu of the issuance of new shares of MCI.

(3) Outlook for financial performance

MCI is expected to have no material impact on its consolidated financial performance of this fiscal year due to the stock swap to make YCI a wholly-owned subsidiary of MCI.

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