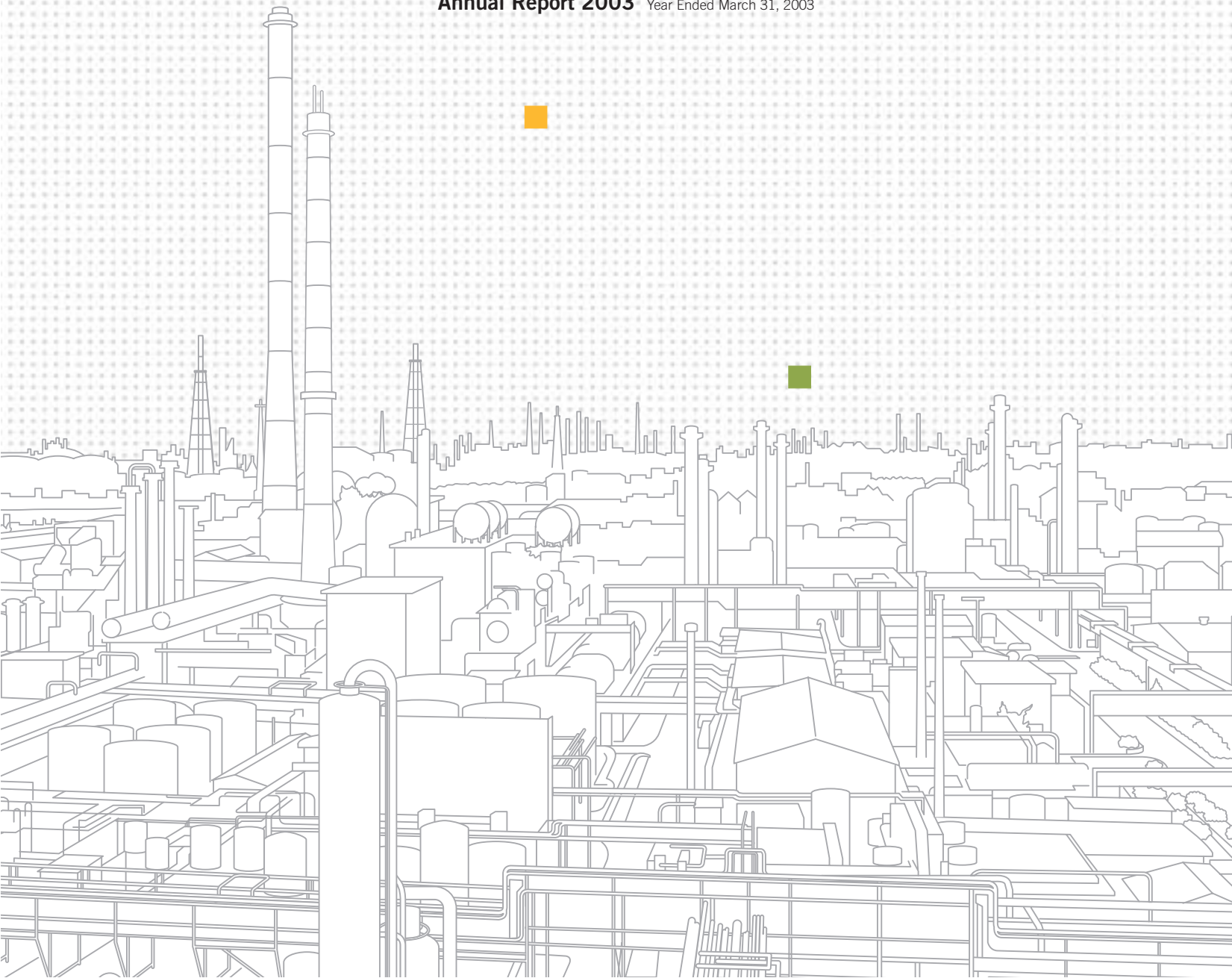


**A CLEAR DIRECTION**

**Annual Report 2003** Year Ended March 31, 2003



## REALIZATION OF CORPORATE VISION

Chemistry has spawned a host of technologies and materials spanning every industry imaginable. As an industry in its own right, chemistry aspires to consistently give rise to new prosperity in the society it serves.

Aiming to create a strong group by becoming a diversified chemical company with a strong position in the global market, Mitsui Chemicals is developing innovative substances and materials that contribute to the enrichment of society at large while striving to achieve a harmonious balance with the natural environment. As the final year of its latest 3-year management plan unfolds, Mitsui Chemicals stands ready to implement the bold, decisive measures required to usher in a more prosperous future.

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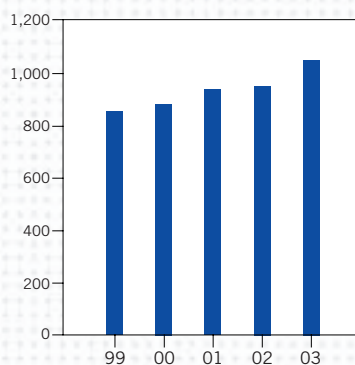
## CONSOLIDATED FINANCIAL HIGHLIGHTS

					(For the years ended March 31)
	2003	2002	2001	Change	2003
	(Millions of yen)			(%)	(Thousands of U.S. dollars)
Net sales . . . . .	<b>¥1,053,182</b>	¥ 952,680	¥ 939,782	10.5	<b>\$ 8,761,913</b>
Operating income . . . . .	<b>56,458</b>	42,382	54,512	33.2	<b>469,700</b>
Net income . . . . .	<b>20,320</b>	7,651	17,068	165.6	<b>169,052</b>
Stockholders' equity . . . . .	<b>370,738</b>	366,988	352,988	1.0	<b>3,084,343</b>
Total assets . . . . .	<b>1,225,194</b>	1,297,863	1,314,513	(5.6)	<b>10,192,962</b>

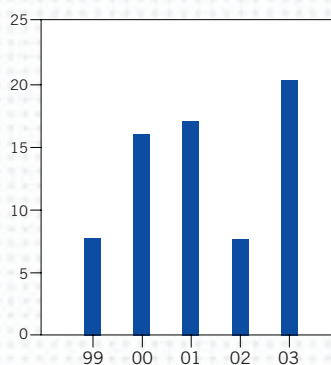
Notes: 1) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.2=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2003.

2) Changes are between the years ended March 31, 2003 and 2002.

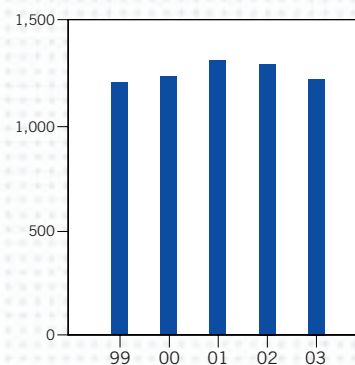
**NET SALES**  
(Billions of yen)



**NET INCOME**  
(Billions of yen)



**TOTAL ASSETS**  
(Billions of yen)



### FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements about the future plans, strategies, beliefs and performance of the Mitsui Chemicals Group as a whole and its individual consolidated companies. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Mitsui Chemicals Group and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, fluctuations in foreign currency exchange rates, fluctuations in the price of raw materials, competition in markets where the Company is active, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected and the Mitsui Chemicals Group cannot guarantee that these forward-looking statements are accurate or will be achieved.

## TO OUR SHAREHOLDERS

The Japanese economy continued to experience difficulties during Fiscal 2003, ended March 31, 2003. Personal consumption was generally flat, and while capital expenditures hit bottom in the latter half of the year owing to improvements in corporate profits, the economy suffered a tandem decline in public investments and housing investments, in addition to unemployment proceeding at a high level.

In the chemical industry, both production and shipments moved along at roughly the same level as the previous year. The business environment remained severe, however, due to higher prices for raw materials.

Given such a situation, Mitsui Chemicals Group endeavored to improve profits group-wide by directing its fullest efforts on sales activities, while at the same time pursuing thorough cost reductions.

As a result, on a consolidated basis, the Group attained net sales of ¥1,053.2 billion (up ¥100.5 billion over Fiscal 2002), while operating income was ¥56.5 billion (an increase of ¥14.1 billion), ordinary income was ¥48.7 billion (an ¥11.3 billion increase) and net income recorded ¥20.3 billion (a ¥12.6 billion increase).

In addition, Mitsui Chemicals and Sumitomo Chemical Co., Ltd. continued their negotiations toward a full-scale business consolidation, targeted for October 2003, based on a spirit of mutual equality. However, the parties proved unable to close the gap between their views regarding the most important condition for the consolidation, namely, the consolidation ratio. After reaching the mutual conclusion that a final agreement acceptable to their respective shareholders could not be achieved, the parties agreed to cancel their envisaged consolidation plans.

While Sumitomo Chemical and Mitsui Chemicals agreed to cancel their planned business consolidation, Mitsui Chemicals intends to achieve even greater speed in its management and operation while steadfastly maintaining the basic strategy stipulated in its Medium-Term Corporate Plans. In so doing, Mitsui Chemicals will strive for the realization of its corporate mission, namely, to become a “diversified chemical group with a strong competitive position in the global market.”

Mitsui Chemicals has set for itself the following four missions with the objective of realizing a stronger and more excellent Mitsui Chemicals Group.



**Hiroyuki Nakanishi**  
Chairman and President



1. Successful attainment of managerial targets by establishing a consolidated corporate planning system and achieving its smooth and seamless execution.
2. Promotion of an innovative corporate culture and consolidation of Mitsui Chemicals Group company strategies into an organically whole group strategy.
3. For the petrochemicals & basic chemicals sector, a redoubled focus on core businesses and intensified top-line/bottom-line growth.
4. In the performance materials sector, selection of core businesses as well as intensified top-line/bottom-line growth, and accelerated new product development.

In its three-year Medium-Term Corporate Plans begun in Fiscal 2002, Mitsui Chemicals is intensely implementing various measures under the three keywords: "Expansion & Growth," "Establishment of Group Management," and "Caring for Environment, Safety and Quality."

In particular, with regard to the "Expansion & Growth" initiative, Mitsui Chemicals is making steady progress in its redoubled efforts to strengthen core businesses. In Singapore, the company's phenol and bisphenol A (BPA) plants are now all completed and deployed at full-strength, and the TAFMER<sup>®</sup> Elastomer plant is already constructed and on line. In Thailand, in addition to the construction of the Nonwoven Fabrics plant which is already up and running commercially, phased expansion of capacity at the Purified Terephthalic Acid (PTA) plant as well as construction of the Polyethylene-Terephthalate (PET) Resin plant are all proceeding on schedule.

As for acceleration of new product development, strengthened by the consolidation in April 2002 of company-wide R&D sites and functions at Sodegaura, located across the bay from Tokyo, the company's R&D is now showing sure and steady results. Moreover, having hosted "The First Mitsui Chemicals International Symposium on Catalysis Science" in March 2003, Mitsui Chemicals has received wide acclaim for the gathering's cutting-edge content and the great attendance.

In terms of global reach, Mitsui Chemicals continues to build a strong groundwork both in Japan and abroad based on a series of commercial start-ups already in place or forthcoming.

In addition to the projects in Singapore and Thailand mentioned above, there is the new TDI (raw material for polyurethane) plant at Kashima, an area north of Tokyo, which is slated for completion in mid-2003. Mitsui Chemicals will also complete at its Osaka Works a new state-of-the-art polypropylene plant, which serves as the foundation of the works' petrochemicals restructuring initiative based on shifting to a greater propylene-weighted operation in its olefins complex.

Global economic prospects remained uncertain during Fiscal 2004, as protracted deflation in Japan continued to sap the economy's strength. This resulted in weak consumer spending and a lower pace of capital expenditures, leaving a tough economic landscape with no immediate signs of relief in sight. The business environment for Mitsui Chemicals is no exception to this adversity. At this stage, higher prices for raw materials and intensifying competition as industry rivals from around the globe ramp up their activities in Asia markets are likely to keep challenging operating conditions in place for some time to come.

In order to strengthen the management supervision, decision-making and operation execution functions of its management corps, Mitsui Chemicals decided to adopt the Executive Officer System starting from June 2003. At the same time, the Board of Directors was also largely reduced in size. Thus, Mitsui Chemicals intends to accelerate the managerial decision-making process and achieve smooth and speedy execution of its various divisional operations, while furthering endeavors to strengthen and upgrade the company's management setup toward realizing a stronger Mitsui Chemicals Group.

The officers of Mitsui Chemicals' entire management will continue its efforts to raise the company's entrepreneurial value and accommodate the expectations of shareholders, investors, business partners and other stakeholders. In this regard, we respectfully request your continued support and cooperation.



*Hiroyuki Nakanishi*  
*Chairman and President*  
Mitsui Chemicals, Inc.



Mitsui Chemicals will move to the Shiodome City Center this autumn.

## PRESIDENT NAKANISHI SPEAKS: A STRONGER AND MORE EXCELLENT MITSUI CHEMICALS

### **Q1: Could you summarize Mitsui Chemicals' latest Medium-Term Corporate Plans, particularly regarding future business growth and expansion?**

“Expansion & Growth of the Mitsui Chemicals Group” is the dominant theme. This actually consists of four distinct missions. Together, these form the basis of a Group management planning system through which we will foster an innovative corporate culture and bring cohesiveness to Group strategies. Essentially, this plan will bolster efforts to integrate operations throughout the entire Group. We also continue to promote better selectivity and focus in our core businesses—petrochemicals & basic chemicals and performance materials—with the aim of attaining improved profitability. In particular, we hope to quicken the pace of new product development in performance materials to groom future earners.

#### MISSION OF CORPORATE PLANS

##### “EXPANSION & GROWTH OF THE MITSUI CHEMICALS GROUP”

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Recently, we reviewed the fundamental strategies laid out in our plans. In the first such strategy, “Expansion & Growth,” we reexamined individual strategies that place increased emphasis on obtaining higher profitability and efficiency in businesses. The main focus was the petrochemicals business, which is most subject to restructuring. The second fundamental strategy is “Establishment of Group Management,” where we are currently conducting an extensive reevaluation of the business processes of the entire Group and its operations to spark innovation. Improved business processes will allow us to trim total assets, thereby strengthening the Group’s financial position. Finally, in “Caring for Environment, Safety and Quality,” we are reexamining the core measures being taken Group-wide to eliminate workplace injuries and accidents caused by human error.

#### BASIC STRATEGIES IN THE YEARS AHEAD

##### Strategy 1: Expansion & Growth

- Structural reform of the petrochemical business
- Establishment of production sites in Asia including China

##### Strategy 2: Establishment of Group Management

- Reevaluation of the business processes throughout the entire Group to accelerate business reform
- Streamline total Group assets to improve financial position

##### Strategy 3: Caring for Environment, Safety and Quality

- Eliminate workplace injuries and accidents due to human error

Let me switch gears now to introduce a few of the strategies spawned by Expansion & Growth for operations in and outside of Japan in Fiscal 2004.

First is the Olefins Conversion Unit, which is scheduled for completion in August 2004 at Osaka Works. This unit signifies the first stage in steps taken domestically to restructure Mitsui Chemicals’ petrochemicals business. Completion of this project will effectively ramp up annual propylene output 1.5 times to 420,000 tons, and transform our Osaka Works into a center of propylene production.





Since the latter half of the 1950s, the petrochemicals industry in Japan has focused largely on the development of ethylene and ethylene derivatives from the thermal cracking of naphtha. In recent years, however, ethylene derivatives, produced using inexpensive ethane gas from oil-producing countries, have made the competitive landscape difficult. Devising ways to compete against these cheap alternatives has presented very serious challenges, and is the reason that sweeping structural reform has become the pressing concern for Japan's petrochemicals industry that it is today. This is also our motivation for switching over to a cost-competitive industrial complex centered on propylene-based and aromatic products showcasing our superior technology.

We intend to bolster our annual capacity to supply raw propylene by ensuring that stockpiles produced in-house and procured from local refineries exceed 600,000 tons. This enhanced capacity will provide a springboard for scrap-and-build activities in polypropylene that will see the construction of plants producing 300,000 tons of the material annually. This new construction makes possible the complete production in-house of all cumene, an intermediate used to produce phenol. Ultimately, these actions should yield a sturdy and robust range of propylene-based products, and improve the competitiveness of Osaka Works by a wide margin through its transformation into a propylene complex.

Separately, we are aggressively pushing global business expansion, focused primarily on Asia, where we expect demand to increase along with economic growth. Our actions in this regard thus far have all been in line with the objective of expansion and growth for the Mitsui Chemicals Group. Current projects in the area of global business expansion are as follows:

- Petrochemicals: Production of polypropylene (PP) compounds in Thailand will be increased by 8,000 tons per year.
- Basic Chemicals: In Thailand, new facilities for producing 100,000 tons of PET resin annually, and annual PTA production boosted by 100,000 tons (total of 900,000 tons per year) will be completed; in Singapore, facilities producing an additional 70,000 tons of BPA (annual total of 210,000 tons) started operation.
- Functional Polymeric Materials: New facilities in Singapore for producing 100,000 tons of TAFMER® per year started operation, as well as new facilities in Malaysia for annual production of adhesive resins for packaging totaling 8,000 tons will be completed.
- Functional Chemicals & Engineered Materials: New facilities in Thailand for production of 14,000 tons of nonwoven fabric per year started operation.

As we have steadily reaped the benefits of well-placed overseas investments, the expansion of our core businesses in Asian markets has further highlighted the dominant presence in these fields of the Mitsui Chemicals Group. Looking ahead, finding ways to best develop our business in rapidly growing China will undoubtedly remain a central issue for management for some time.

Catalysis science is the technological backbone that will provide our businesses with the support needed for expansion and growth. A core discipline, it is a driving force in the fields of life sciences, information technology, nanotechnology and new materials, and the environment. In fact, catalysis science provides the technological foundation for the creation of high-performance materials and substances, where functions are controlled on the nano-level. From this perspective, it is no overstatement to label the advance of catalysis science as key to the sustained growth of the chemical industry in the 21st century. Although we have engaged in R&D and applied research for a host of highly advanced catalysts, including biological catalysts, catalysts for asymmetric synthesis and polymerization, we recognize that it is also necessary to conduct comprehensive research into catalysis science as a source of next-generation technology in its own right. To this end, we established the Catalysis Science Laboratory in April 2002.

## **Q2: Could you tell us why you canceled the proposed business consolidation with Sumitomo Chemical Co., Ltd.?**

Pursuing global leadership in the chemical industry of the 21st century, Mitsui Chemicals and Sumitomo Chemical had continued consultations aimed at consolidating all their businesses on an equal standing.

However, we reached an impasse on several crucial matters, including the consolidation ratio. This eventually resulted in the decision to cancel the consolidation.

For Mitsui Chemicals, two questions remained at the forefront during our discussions for this consolidation: how to make sure it was in the best interests of shareholders?, and how could a dynamic company be formed? From our perspective, any compromise on the consolidation ratio that our shareholders were not completely comfortable with was simply out of the question.

Although the decision to shelve the business consolidation has inevitably led us to reformulate certain strategies, Mitsui Chemicals' basic strategies remain unchanged. Thus, we continue to strive tirelessly towards the goal stated at the company's launch in 1997—to become “a strong and excellent Mitsui Chemicals Group.”



### **Q3: What has Mitsui Chemicals done regarding corporate governance and compliance?**

We view well-established corporate governance and compliance as a crucial management issue, not only in terms of maintaining the trust of shareholders and other stakeholders, but as the fundamental social responsibility borne by any corporate citizen. We have taken a number of initiatives in this regard.

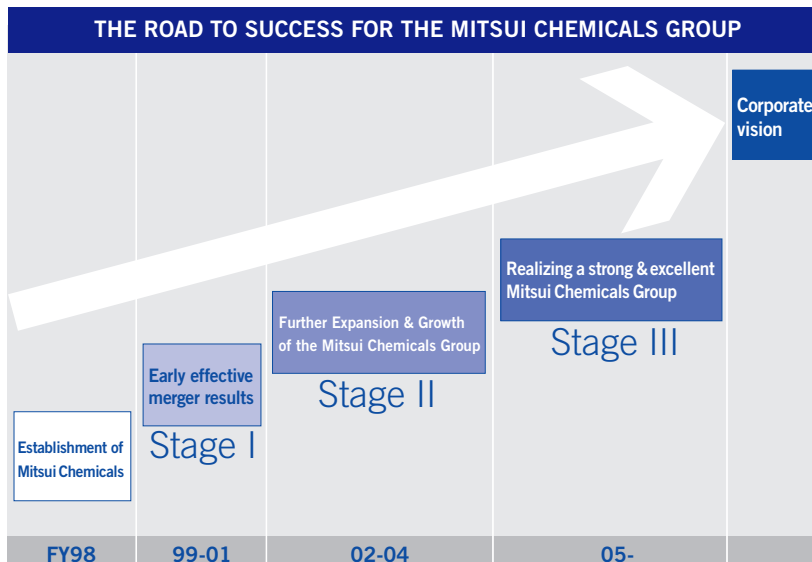
Where corporate governance is concerned, finding new ways to improve transparency is the underlying policy guiding our thinking. When it comes to major management decisions, the system we have in place ensures that such matters are widely discussed and analyzed beforehand through the various committees and institutions established for this purpose in our corporate regulations. In parallel, we also boast a fully developed system for internal oversight, replete with an outside director, an internal auditing office, and the Risk Management Committee reporting directly to the company president. As for external measures, the focus of our efforts is the promotion of investor and public relations activities for the proactive disclosure of corporate information to shareholders, analysts and the news media, helping to maintain our edge in terms of corporate governance. Moreover, to achieve better execution of business activities and faster decision-making capabilities, we adopted an executive officer system and simultaneously halved the number of board members in June 2003. We have also introduced a new business group scheme as an upgrade to our previous system of business divisions. By leveraging these changes, we hope to gain smoother and faster operations in each of our businesses, while strengthening and optimizing our management activities.

In terms of compliance, our *Action Guidelines* encapsulates Mitsui Chemicals' fundamental policies defining the scope of actions that managers and employees are permitted to take on the company's behalf. As far legal compliance, this manual exhorts our employees to "observe all laws, regulations and our corporate rules and act according to our conscience." Our Group Risk Management System is tasked with ensuring the routine observance of compliance at the company. In essence, compliance is considered as a substantial source of risk, which is managed by a diligent "plan, do, check, act" (PDCA) cycle. To uncover potential risk at the earliest possible stage, we have established a "Risk Hotline System" for employees to report violations directly to and receive advice from the Risk Management Committee. We also have in-house regulations that protect those who come forward in this manner from any reprisals for their actions.

Mitsui Chemicals holds regular seminars to educate and inform the employees of subsidiaries and affiliates on the issue of compliance. Additionally, we have prepared procedural guidelines for compliance with laws prohibiting business monopolies and ensuring the safe management of exports, as well as the handling of confidential information. Distributing these guidelines to all employees is also helping to raise their awareness concerning these important compliance issues.

# MEDIUM-TERM CORPORATE PLANS

## 1. Medium-Term Corporate Plans – Positioning and Policies



When the Mitsui Chemicals of today was created in 1997, we formulated a management vision that would guide us through the first decade. The 10-year period was divided into three parts which have corresponding medium-term corporate plans. During the current three-year plan, which ends in March 2004, the Mitsui Chemicals Group is aiming for more progress in expansion & growth, and to become a group with even more vitality and growth potential. Some individual strategies stipulated in the plans will need to be revised because of the cancellation of the proposed business consolidation with Sumitomo Chemical Co., Ltd., but the basic strategies remain the same. We are currently assembling our next medium-term corporate plans, a blueprint for building an even stronger and more excellent Mitsui Chemicals Group.

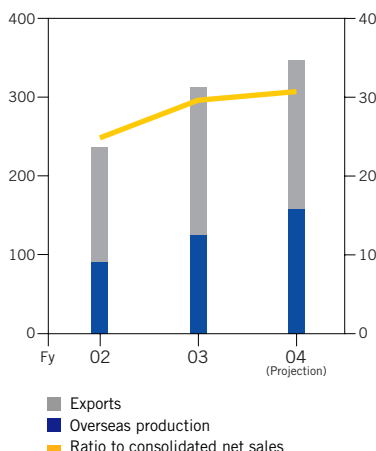
### MISSION OF CORPORATE PLANS

#### “EXPANSION & GROWTH OF THE MITSUI CHEMICALS GROUP”

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4. In the performance materials sector, selection of core businesses as well as intensified top-line/bottom-line growth, and accelerated new product development.



### NET SALES OVERSEAS (Billions of yen, %)



**Timing is crucial to global expansion**  
Overseas sales have picked up speed since Fiscal 2001 driven by overseas production.

## 2-1. Fundamental Strategy I – Expansion & Growth

### KEY ISSUES OF EXPANSION & GROWTH

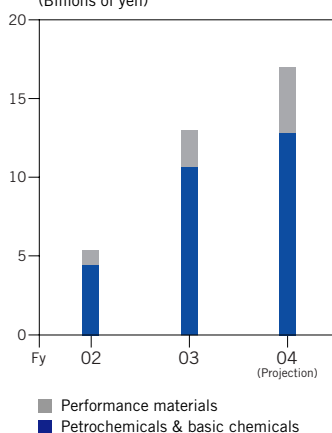
- Restructuring petrochemical business in Japan
- Supply Chain Management (SCM) reform
- Overseas expansion of core businesses

In petrochemicals & basic chemicals, we will target growing demand in Asia. Investments are being made to enlarge manufacturing capacity in a timely manner, particularly in aromatic chemicals. As we build a competitive petrochemical business in Asia, we are making progress in establishing a more competitive olefin center in Japan. Our goal is to center domestic petrochemical operations on polypropylene, a plan that includes building an Olefins Conversion Unit at Osaka Works.

### STRATEGIES FOR RESTRUCTURING PETROCHEMICAL BUSINESS IN JAPAN

1. Shift from commodities to specialty products
2. Greater emphasis on propylene and aromatic derivatives
  - Increase of propylene production by adopting Olefins Conversion Unit
  - Scrap and build of polypropylene plants
  - In-house production of cumene
3. Diversification of feedstocks

### OPERATING INCOME FROM OVERSEAS PRODUCTION (Billions of yen)



**Sharp increase in operating income from overseas production**  
Petrochemicals & basic chemicals recorded higher earnings, mainly in PP compounds, PTA and phenol. Elastomers and nonwoven cloth lifted earnings in performance materials.

In performance materials, full-scale operation of high-performance elastomer TAFMER® began at Mitsui Elastomers Singapore Pte. Ltd. in April 2003, while Mitsui Takeda Chemicals, Inc. completed work to increase production capacity at its Kashima TDI plant in July 2003. We will continue to grow larger and stronger in global markets by making more investments in carefully targeted fields.

Another objective is developing new products in the performance materials sector. Annual sales from newly introduced materials in Fiscal 2003 have grown to ¥60 billion, but with a Fiscal 2004 sales target of ¥150 billion, greater speed is needed.

Regarding global expansion goals, we continue to increase sales and earnings steadily at overseas bases, and are working faster to formulate strategies for China.

In Fiscal 2004, Mitsui Chemicals is taking various actions to strengthen and expand its businesses.

Petrochemicals	Location	Actions	FY2002	FY2003	FY2004
Petrochemical feedstocks	Ichihara Ichihara & Osaka Osaka	Independent management Optimal framework Capacity up +140,000t/y	●	●	●
Polyolefin	Osaka	Capacity up +300,000t/y			●
PP	North America	Capacity up +55,000t/y		●	●
PP compound (Acquisition)	North America	(Operations begin)		●	●
PP compound (Consolidation)	Europe	(Operations begin)		●	●
PP compound (Assignment)	Thailand	Capacity up +6,000t/y		●	●
PP compound	Thailand	Capacity up +8,000t/y		●	●

Basic Chemicals	Location	Actions	FY2002	FY2003	FY2004
PTA	Iwakuni-Ohtake Indonesia Thailand Thailand	Capacity up +60,000t/y Capacity up +30,000t/y Capacity up +400,000t/y Capacity up +100,000t/y	●	●	●
PET resin	Iwakuni-Ohtake Hofu Indonesia Thailand	Capacity up +15,000t/y Capacity up +16,000t/y Capacity up +25,000t/y Capacity up +100,000t/y	●	●	●
New Catalyst for PET resin*				●	●
Phenol	Singapore Singapore	Capacity up +200,000t/y Capacity up +50,000t/y	●	●	●
BPA	Singapore Singapore	Capacity up +70,000t/y Capacity up +70,000t/y	●	●	●
Acrylamide (AAM)	Korea	Capacity up +5,000t/y	●	●	●

Functional Polymeric Materials	Location	Actions	FY2002	FY2003	FY2004
Elastomer	TAFMER Singapore	Capacity up +100,000t/y		●	●
Specialty Polymers	TPX Iwakuni-Ohtake	Capacity up +500t/y		●	●
Coating and Dispersion Materials				●	●
New Hofman PAM*				●	●
Recording & Printing Materials*				●	●
Urethane chemicals (Business Consolidation)	TDI Kashima	(Operations begin) Capacity up +60,000t/y	●	●	●

Functional Chemicals & Engineered Materials	Location	Actions	FY2002	FY2003	FY2004
Nonwoven fabrics	Thailand	Capacity up +14,000t/y		●	●
High-performance films & sheets				●	●
Orientated PP films	Tokushima	Capacity up +20,000t/y		●	●
Semiconductor materials				●	●
(Marketing Company)	Taiwan		●	●	●
NF <sub>3</sub>	Shimonoseki	Capacity up +300t/y	●	●	●
Aluminium nitride*				●	●
Electronic circuit board materials				●	●
Electronic circuit board materials	Atsugi	Capacity up +3,000,000pc/m	●	●	●
Information materials				●	●
Plasma display panel filter*			●	●	●
Filter for plasma display materials*				●	●
Toner materials	UK	Capacity up +2,000t/y		●	●
Synthetic crystals				●	●
Laser Diode Chips (JV)		(Operations begin)		●	●
Agrochemicals				●	●
Starkle		(Sales begin)		●	●
Catalyst				●	●
ME Catalyst*				●	●

\* new business enterprise

● Facilities complete ● Facilities begin operation ● Marketing operations begin



## 2-2. Fundamental Strategy II – A Consolidated Management System

Following integrations and other actions during the past fiscal year, the number of subsidiaries and affiliates has fallen from 176 to 163. More reductions are foreseen as this process continues.

Numerous measures are being taken to solidify the Group's base of operations. Among these measures, we are placing priority on reducing inventories of all types and on putting in place a risk management system that encompasses the entire Group. Also, raising operating efficiency remains another objective. The centerpiece of this drive is the planned introduction at the 2005 beginning of fiscal year of a new data management system structured mainly around SAP R/3 software.

## 2-3. Fundamental Strategy III – The Environment, Safety and Quality

Mitsui Chemicals bases its very existence on adherence to the highest standards of environmental protection, safety and quality. In this regard, we are reaffirming our commitment to:

- Eliminate accidents at works and ensure safe and stable operations.
- Reduce customer complaints and prevent product liability lawsuits.
- Retain an aggressive stance regarding environmental issues and report results to employees and the public.
- Relentlessly pursue business opportunities associated with the company's environmental protection activities.

## 3. Ongoing and Remaining Key Issues

We are currently assembling our next medium-term corporate plans as described in the table below.

REMAINING KEY ISSUES	Schedule	
	FY2004	FY2005
1. Further selection and focus on core business		●
2. Reorganization of management system	●	
3. Introduction of SAP R/3		●
4. Strengthen financial position <ul style="list-style-type: none"><li>• ¥130 billion reduction in interest-bearing debt</li><li>• Revision of accounting standards</li></ul>	●	●
5. Optimization of the number of employees	●	
6. Introduction of new personnel and remuneration systems	●	

## CORPORATE GOVERNANCE AND COMPLIANCE

Mitsui Chemicals places the highest priority on enhancing its governance and compliance systems, regarding these functions as essential to earning the trust of shareholders and other members of society, as well as to fulfilling its social responsibilities. Measures being taken with regard to these two areas are outlined below.

### **(1) Corporate Governance**

In line with the basic stance of constantly working to make management more transparent, all important decisions are reached only after undergoing a series of meetings as prescribed by company regulations. This creates a system in which issues are fully debated before being implemented. In addition, there is a system of internal controls that includes elements such as an external director, the establishment of an internal auditing office, and a risk management committee overseen directly by the company president. To ensure the effectiveness of corporate governance, there are high-profile investor and public relations programs that provide information to shareholders, analysts, the media and others outside the company.

In June 2003, Mitsui Chemicals adopted the Executive Officer System to strengthen the function of business execution, the role of the directors and the determination of policies and oversight of management. At the same time, the number of directors was reduced

by half, to enhance the speed of decision making by the directors. Moreover, the business group structure was adopted to strengthen the previous Group System. These moves will permit the smooth and agile management of all business operations, providing a framework in which the company can work on further strengthening and upgrading its management activities.

### **(2) Compliance**

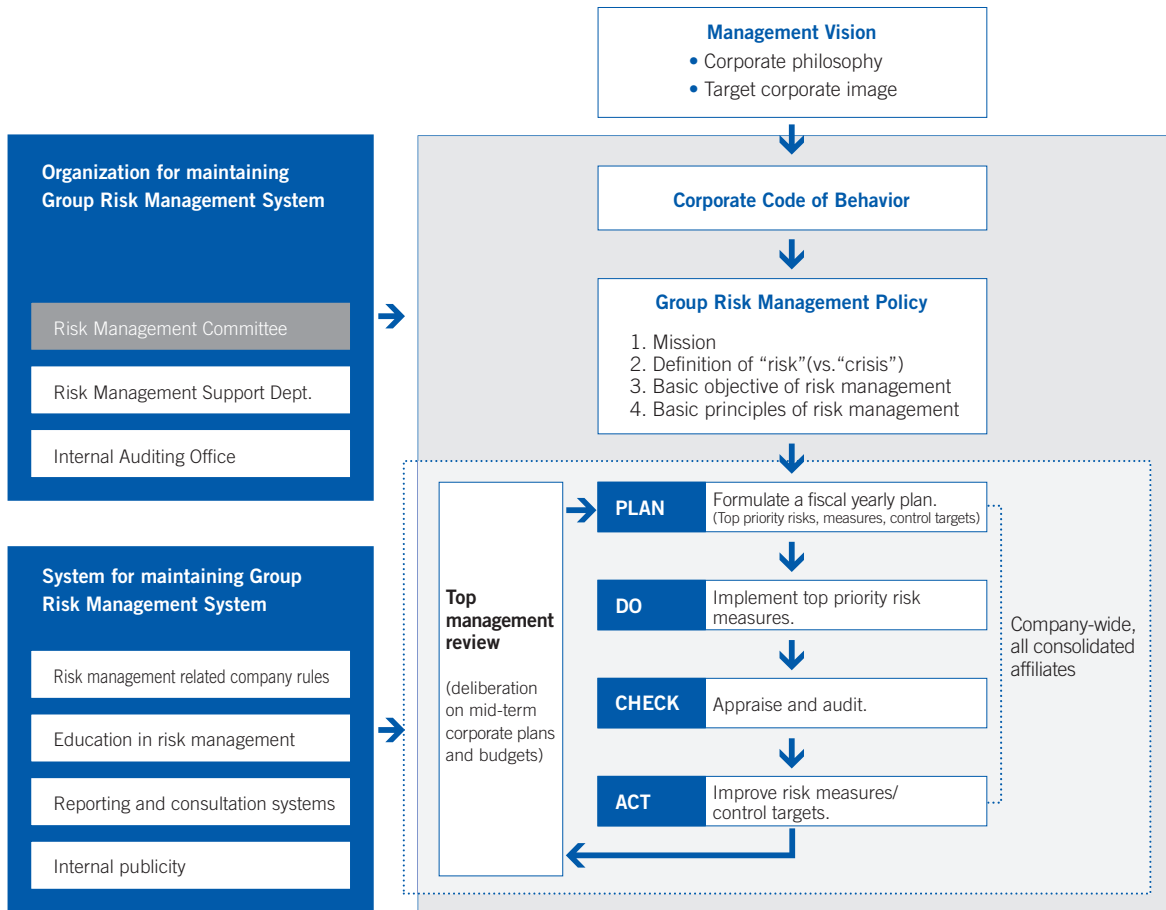
Mitsui Chemicals has formulated its Action Guidelines to serve as the fundamental standards for guiding the actions of each and every officer and employee of the Mitsui Chemicals Group. Within this code, individuals are told that they must observe all laws, regulations and our corporate rules and act according to our conscience.

Management of compliance on a daily basis is overseen within the scope of the group risk management system. Specifically, Mitsui Chemicals positions compliance as the greatest risk factor, executing a PDCA cycle to

manage this risk. A reporting and consultation system is in place so that employees can contact the Risk Management Committee directly for either of these purposes. There are clearly prescribed internal regulations to prevent the unfair treatment of employees who contact the committee.

To train and provide guidance to employees, a compliance education program is conducted on a regular basis, covering all Mitsui Chemicals Group employees. To further heighten employee awareness of specific regulations, the company prepares and distributes three handbooks: the Anti-Monopoly Law Compliance Handbook; the National Security Export Regulations Handbook; and the Corporate Information Management Handbook.

## MITSUI CHEMICALS GROUP RISK MANAGEMENT SYSTEM








Legal Compliance Education Program

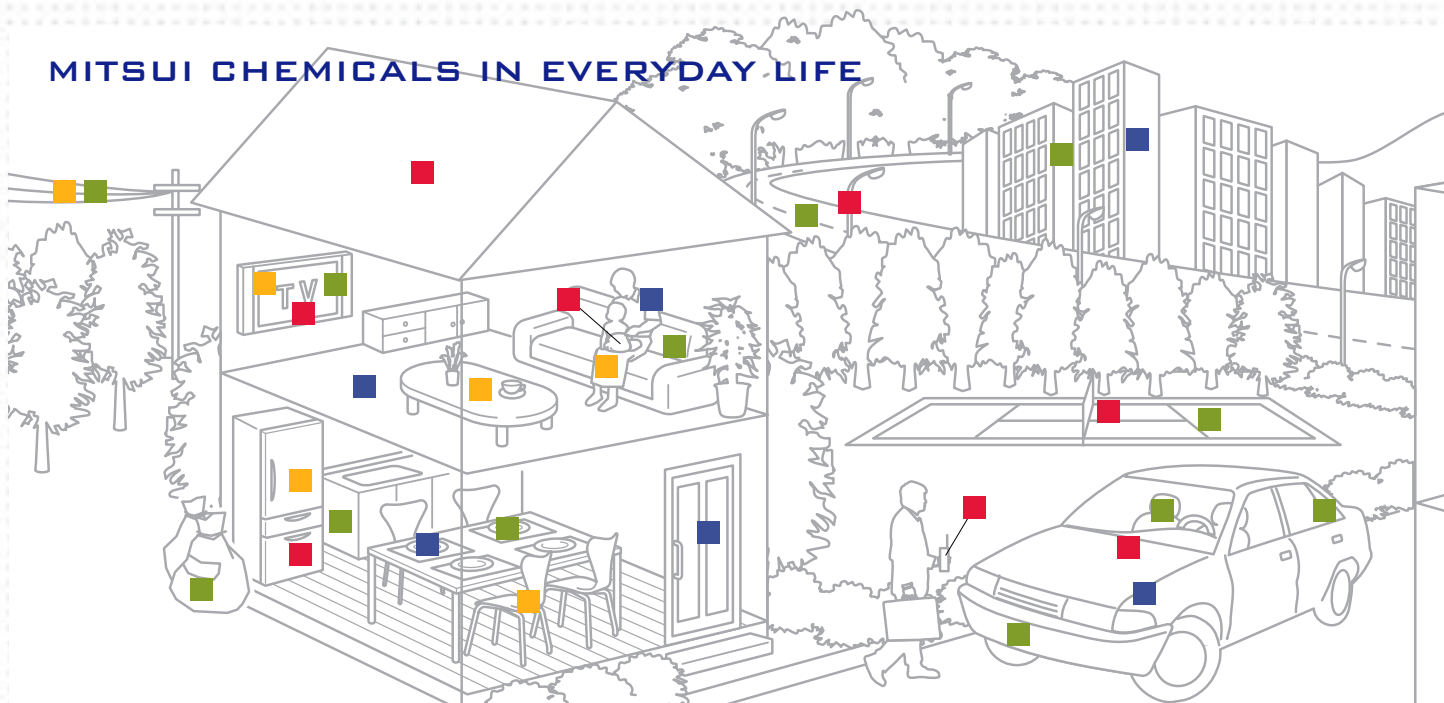


Cards printed with *Action Guidelines* distributed to employees



## AT A GLANCE

Business Group	Business
 <b>Petrochemicals</b>	<ul style="list-style-type: none"> <li>• Petrochemical Feedstocks</li> <li>• Styrenics</li> <li>• Licensing</li> <li>• Polyolefin</li> </ul>
 <b>Basic Chemicals</b>	<ul style="list-style-type: none"> <li>• Fiber Intermediates</li> <li>• PET Resin</li> <li>• Phenols</li> <li>• Industrial Chemicals</li> </ul>
 <b>Functional Polymeric Materials</b>	<ul style="list-style-type: none"> <li>• Elastomers</li> <li>• Performance Polymers</li> <li>• Specialty Resins</li> <li>• Urethane</li> </ul>
 <b>Functional Chemicals &amp; Engineered Materials</b>	<ul style="list-style-type: none"> <li>• Functional Fabricated Products</li> <li>• Electronics Materials</li> <li>• Information Materials</li> <li>• Agrochemicals</li> <li>• Fine &amp; Performance Chemicals</li> <li>• Pharmaceutical Chemicals</li> </ul>
 <b>Other</b>	<ul style="list-style-type: none"> <li>• Engineering, warehousing, freight transportation and others</li> </ul>



Core Business	Prospective Core Business	Market Position			
<ul style="list-style-type: none"> <li>Petrochemical Feedstocks</li> <li>Linear Low Density Polyethylene</li> <li>Polypropylene</li> </ul>		<u>Products</u> Ethylene Polyethylene Polypropylene	<u>Japan</u> No. 2 No. 1 No. 1	<u>Asia</u> No. 4 No. 1 No. 2	
<ul style="list-style-type: none"> <li>Purified Terephthalic Acid</li> <li>Phenol/Bisphenol</li> <li>PET Resin</li> </ul>	<ul style="list-style-type: none"> <li>Ethylene Oxide, Ethylene Glycol &amp; Derivatives</li> <li>Aniline</li> </ul>	<u>Products</u> PTA PET resin Phenol Bisphenol A	<u>Japan</u> No. 1 No. 1 No. 1 No. 2	<u>Asia</u> No. 2 No. 2 No. 1 No. 1	
<ul style="list-style-type: none"> <li>Elastomers</li> <li>High-Performance Dispersion</li> <li>Urethane Chemicals (TDI/MDI/PPG)</li> <li>Urethane Resin</li> </ul>	<ul style="list-style-type: none"> <li>ADMER (Adhesive Resin)</li> <li>Specialty Polymers</li> <li>Additives</li> <li>High-Performance Adhesives</li> </ul>	<u>Products</u> TAFMER TDI MDI PPG	<u>Japan</u> No. 1 No. 1 No. 3 No. 1	<u>Asia</u> No. 1 No. 1 No. 3 No. 3	<u>World</u> No. 1 – – –
<ul style="list-style-type: none"> <li>Hygiene Materials</li> <li>Semiconductor Materials</li> <li>Electronic Circuit Board Materials</li> <li>Flat Panel Display Materials</li> <li>Fine Chemicals</li> <li>Healthcare Products</li> </ul>	<ul style="list-style-type: none"> <li>High-Performance Films and Sheets</li> <li>Construction Materials</li> <li>Toner Resins</li> <li>Agrochemicals</li> <li>Catalysts</li> <li>Hydroquinone, Resorcinol and Meta/Paracresol</li> </ul>	<u>Products</u> Spunbonded nonwoven fabrics Pellicles ICROS® tape (silicon wafer protective tape) NF <sub>3</sub> gas Reflector for LCD backlight CCD plastic package Optical filter for Plasma Display Panel Toner binder	<u>Japan</u> No. 1 No. 1 No. 1 No. 2 No. 1 No. 1 No. 1 No. 1	<u>Asia</u> No. 1 No. 2 No. 1 No. 1 No. 1 No. 1 No. 1 No. 1	<u>World</u> No. 3 No. 2 No. 1 No. 2 No. 1 No. 1 No. 1 No. 1



## REVIEW OF OPERATIONS

### P Petrochemicals

Mineo Kimura  
Business Group President  
Petrochemicals  
Business Group



To prepare for the full-scale assault of cost competitive ethane-based petrochemicals from the Middle East, the Petrochemicals Business Group is placing strong emphasis on shifting from ethylene-based to propylene-based products. The Group is also focusing attention on boosting the reputation of its higher alpha olefin LLDPE, HDPE for specialized piping, polypropylene (PP) compounds for automotive applications and other polyolefin products in the market, to enhance overall petrochemical profitability.

#### Greater Emphasis on Propylene Products at Osaka Works

Amid concerns over the deteriorating competitiveness of ethylene products and the demand-supply balance, Osaka Works has been targeted for a complete switchover to a propylene complex. To achieve this shift in function, a new plant specializing in the manufacture of propylene products is currently being built onsite, and is scheduled for completion in August 2004.

The new plant will be the first in Japan to adopt Olefins Conversion Unit technology developed by ABB Lummus Global, Inc. of the United States, and will manufacture propylene from butene and ethylene produced in-house.

These factors will culminate in olefin production capacity at the Osaka Works of 410,000 tons of ethylene and 420,000 tons of propylene on an annual basis. New construction will boost propylene production an additional 140,000 tons per year.

To augment the cost-competitiveness of PP, Mitsui Chemicals is building a technologically advanced plant employing the company's proprietary Hypol II process. With an annual production capacity of 300,000 tons, this plant will replace 3 older facilities to be closed as part of sweeping cost-reduction plans. This change has provided an opportunity for Mitsui Chemicals to restructure the PP business from the ground up through streamlined distribution activities and a streamlined product mix.

#### Global Expansion of PP Compounds

PP compounds, which the company has worked to develop on the global market, are a vital link in efforts to enhance the market distinctiveness of Mitsui Chemicals' products. Currently, the company's global production capacity annually for PP compounds is on the order of 300,000 tons. Details regarding production in overseas regions are as follows. **North America:** Color & Composite Technologies, Inc. was merged with ATC Inc., to launch Advanced Composites, Inc. Hopes are high that this new company, with an

annual production capacity of 120,000 tons, will deliver marked improvements in product development capacity and overall cost-competitiveness.

**Europe:** With the dissolution of a local joint venture in June 2002, all operations in Europe have since shifted to Mitsui Chemicals Europe GmbH.

**Thailand:** Grand Siam Composite Co, Ltd. has further entrenched its position as the top PP compound manufacturer in the region by boosting annual production capacity by an additional 30,000 tons.

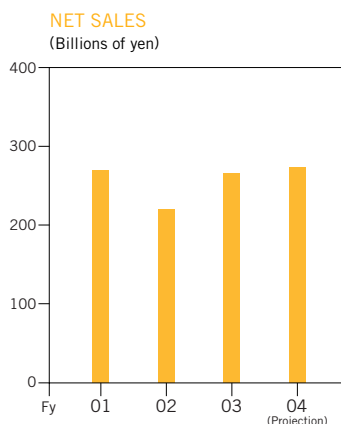
**China:** Business operations were formerly consigned to a joint venture. Since May 2003, operations have shifted to a system centered on Mitsui Chemicals (Shanghai) Co., Ltd.

#### Improved Cost Structure for Petrochemicals

Mitsui Chemicals has formed a SCM project team tasked with bringing renewed innovation to every aspect of the petrochemicals supply chain. This team will promote regional alliances between local petrochemical suppliers, oil refineries, oil and gas companies, and other energy-related enterprises that will surpass the traditional scope of business partnerships. In so doing, the team's overarching objective is to achieve wide-ranging cost reductions in the shortest time possible.

#### Licensing of CX Process Technology

As of January 2003, the cumulative annual production capacity through licensed CX technology (the slurry phase process producing HDPE) reached 4 million tons. As a value-added service, Mitsui Chemicals holds regular meetings designed to hone the technological capabilities, streamline the operations, and improve the overall performance of its licensees.







1.

- 1. Progress on constructing PP plant at Osaka Works
- 2. CX process technology licensed to NPC of Thailand
- 3. Streamlined logistics through SCM



2.



3.



The primary goals for the Basic Chemicals Business Group going forward will be steadily growing earnings by cornering rising demand in Asia, mainly for its core purified terephthalic acid (PTA), PET resin, phenol, bisphenol A (BPA), ethylene oxide (EO), ethylene glycol (EG) and other products.

**PTA**

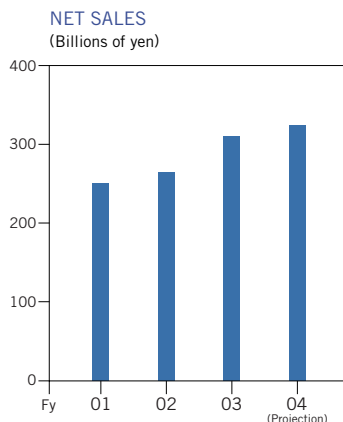
Demand for PTA in Asia stood at approximately 18 million tons during 2002, with an annual growth rate of about 7% projected in the years ahead. To meet increasing demand, Mitsui Chemicals has taken steps to shore up capacity at its existing facilities in Thailand and Indonesia. By the end of 2003, total production capacity is expected to top out at 1,940,000 tons annually, including annual output in Japan, Thailand and Indonesia of 710,000 tons, 800,000 tons, and 430,000 tons, respectively. In the case of Thailand, capacity should be 900,000 tons in March 2004. Clearly, Mitsui Chemicals has an imposing presence in Asia as a major supplier of PTA. Looking ahead, the company will work to enhance competitiveness by enacting cost reductions and ensuring a full complement of timely supply solutions, including the creation of new bases as the need arises.

Armed with a stronger competitive edge, Mitsui Chemicals aims to expand business in this domain.

**PET Resin**

Demand in Asia for PET bottle-grade resin was nearly 1.9 million tons during 2002, with annual growth estimates in the neighborhood of 14-15% for the years ahead. The company has moved proactively to ramp up output at its bases in Japan, Indonesia and Thailand. At the end of 2003, the company's total annual production capacity of PET resin should amount to 363,000 tons, of which resin produced in Japan by Mitsui Chemicals' Iwakuni-Ohtake Works and on an outsourcing basis by Kanebo Gohsen, Ltd. will account for 148,000 tons and 40,000 tons, respectively. Resin produced in Indonesia is expected to account for 75,000 tons, while Thailand should contribute 100,000 tons, the completion of which is scheduled at the end of 2003.

Mitsui Chemicals developed and marketed in 2002 a next-generation, titanium-based catalyst used in PET resin as an alternative to antimony. Backed by a strong market reception and growing interest from various sectors, full-scale marketing of PET resin produced with this new catalyst is set to get underway in 2003. Mitsui Chemicals is also actively engaged in the recycling of PET bottles in Japan.



**Phenol and BPA**

Mitsui Chemicals has carved out entrenched market positions in Japan and the rest of Asia in phenol and BPA. Currently, the company controls leading shares for both products, including 40% of the phenol market and 30% of the BPA market. In 2002, demand for phenol in Asia was close to 2 million tons, with BPA demand at around 1 million tons. With demand soaring for these products in Asia, Mitsui Chemicals is aggressively promoting business expansion to bolster its business foundations. Currently, Mitsui Chemicals' annual phenol production capacity totals 750,000 tons, with bases in Japan supplying 500,000 tons and Singapore 250,000 tons. Annual BPA production capacity reached 420,000 tons at the beginning of 2003, with Japan and Singapore each contributing 210,000 tons. The level of competitiveness yielded by Mitsui Chemicals' integrated production system has boosted its phenol business to the upper echelons of the industry. The company has also begun weighing its options for the development of new production sites in the years ahead to cope with more growth in phenol and BPA demand.

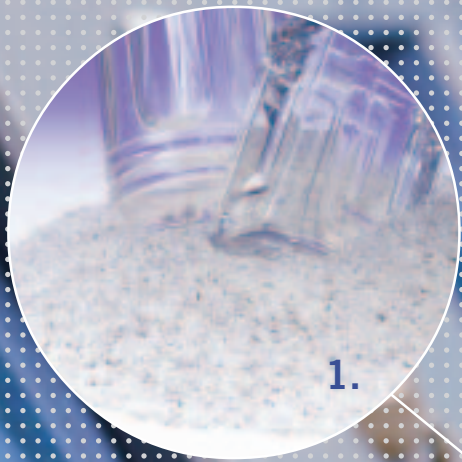
**EO and EG**

Mitsui Chemicals produces a combined total of 218,000 tons of EO and EG in Japan, with most sold to the Japanese market. Recently, greater attention has been focused on expansion of the company's range of EO derivatives, particularly ethanol amine and ethoxylate.

**Aniline**

Mitsui Chemicals currently produces 124,000 tons of aniline in Japan annually. The main application for aniline is methylene diphenyl diisocyanate (MDI), a raw material for production of urethane.





- 1. PET products
- 2. Thai Pet Resin Co., Ltd.
- 3. Siam Mitsui PTA Co., Ltd. (Thailand)





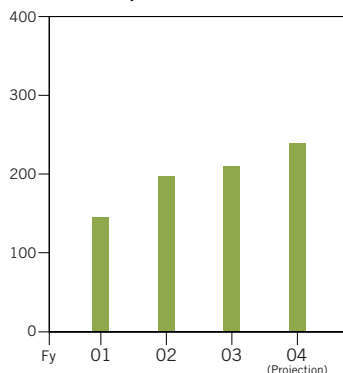


The Functional Polymeric Materials Business Group is mainly involved in the manufacture of elastomers, performance polymers and urethane for sale to customers on a global scale. The Group aims to become the leader in these markets by offering highly competitive products that embody functions unmatched by other suppliers.

#### Elastomers

Mitsui Elastomers Singapore Pte Ltd., a wholly owned subsidiary, completed construction of a plant to produce high-performance elastomers, which are sold under the TAFMER® brand. The plant, which has an annual production capacity of 100,000 tons, and using advanced metallocene technology, began commercial operations as planned in April 2003. Along with its Japanese plants, Mitsui Chemicals now has two TAFMER® production sites. The additional capacity further strengthens the company's position as the world's leading manufacturer of the high performance elastomer. Mitsui Chemicals is the first manufacturer of this elastomer and has been leading the elastomers business by creating new markets for this TAFMER® through enthusiastic research and development.

NET SALES  
(Billions of yen)



#### Performance Polymers

TPX® (methylpentene copolymer) has long been used in separator films, healthcare devices and food containers. New applications have emerged in recent years, such as electric material separation films, heat-resistant wrapping materials and as a raw material for photographic paper. To meet the resulting growth in demand, Mitsui Chemicals plans to raise annual production capacity from 6,800 to 7,500 tons while working on developing additional uses for TPX®, thus paving the way to continued growth in earnings in this business.

#### Industrial Resins

The New Hofman PAM (polyacrylamide) offers much better characteristics as well as a lower cost relative to performance than conventional paper strengthening agents. This resin is widely used by paperboard manufacturers in Japan and other countries. Mitsui Chemicals plans to increase sales in China and other overseas markets by conducting an aggressive expansion program.

#### Urethane Chemicals and Resins

Mitsui Takeda Chemicals, Inc. plans to begin commercial-scale operations in August 2003 at a new section of its toluene diisocyanate (TDI) plant in Kashima, that will raise annual production capacity by 60,000 tons. Employing the latest technology, the plant will make Mitsui Takeda Chemicals one of the world's most cost-competitive suppliers of TDI, a key

material in the manufacture of urethane. The immediate goal is to reinforce its position as Asia's number-one supplier of TDI. To make this business less vulnerable to movements in raw materials prices, exchange rates and other market variables, more actions will be taken to become more cost competitive. Measures include improving contract terms with customers, streamlining the supply chain, raising productivity and enhancing quality. The company is also focusing on supplying products that precisely address users' needs and taking other actions to improve operating results.

#### LACEA

Commercial operations of the polylactic acid (PLA) business began in April 2002 following the start of full-scale production at the PLA plant of Cargill Dow LLC of the U.S., Mitsui Chemicals' partner in this business. PLA resin, which Mitsui Chemicals sells under the LACEA® name, is a biodegradable plastic derived from plant sugars, allowing it to be easily recycled. By promoting this quality, Mitsui Chemicals is developing applications for this plastic for use as a wrapping material, compostable bag material and agricultural materials. PLA is attracting a lot of attention from industrial companies as a means of increasing the recycling of materials, thus limiting growth in CO<sub>2</sub> emissions. To meet expected growth in demand for industrial applications, Mitsui Chemicals will continue to explore ways to fabricate higher performance grades of PLA plastics.





1. Mitsui Elastomers Singapore Pte. Ltd. (MELS)
2. P. T. Arjuna Utama Kimia produces adhesives
3. MELS engineers & staff







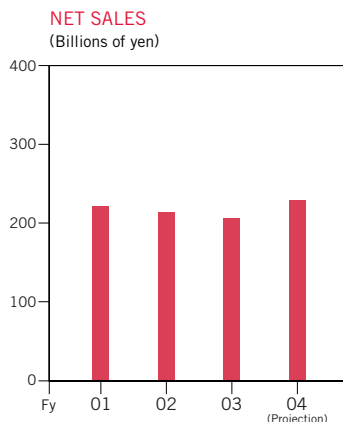
The Functional Chemicals & Engineered Materials Business Group is utilizing exclusive processing technologies, prioritizing the development of strategic products and channeling resources to markets with the greatest potential in order to achieve long-term growth in sales and earnings.

#### Functional Fabricated Products

Mitsui Hygiene Materials (Thailand) Co., Ltd., a wholly owned subsidiary, started commercial operation in March 2003 at a PP spunbonded nonwoven fabric plant with an annual production capacity of 14,000 tons. Mitsui Chemicals has been increasing output of this material, used primarily in disposable diapers, in step with rising demand throughout Asia. Plans call for increasing capacity again to continue enlarging this business in Asian markets.

#### Electronic Materials

As cellular phones become increasingly slender while offering more functions, demand is soaring for two-layer flexible printed circuit substrates. Mitsui Chemicals manufactures a two-layer substrate using polyimide for outstanding resistance to heat. Production is to be expanded to generate higher sales of this product.



#### Information Materials

Mitsui Chemicals is targeting opportunities spawned by the steep growth in demand for Plasma Display Panel (PDP), a market where 1.6 million units are expected to be sold in the current fiscal year. The company is the world's largest manufacturer of PDP optical filters, offering filters with excellent color compensation and electromagnetic shielding. Mitsui Chemicals plans to step up production capacity while speeding up the development of new products to achieve continued growth.

#### Agrochemicals

In May 2002, Mitsui Chemicals began selling Starkle/Albarin, a safe and effective broad spectrum insecticide. In 2003, several multi-function versions were introduced, including Dr. Oryze Starkle Granules, which contains fungicide to control rice blast disease. In the domestic rice paddy insecticide market, this new agrochemical is attracting much attention because of its minimal effect on the environment.

#### Fine & Performance Chemicals

Mitsui Chemicals ranks first in the manufacture of monomers for optical plastic lenses having an index of refraction of more than 1.60. Lenses made from this material are slender and light, attributes that are fueling growth in sales worldwide. Under the current medium-term plan, preparations are

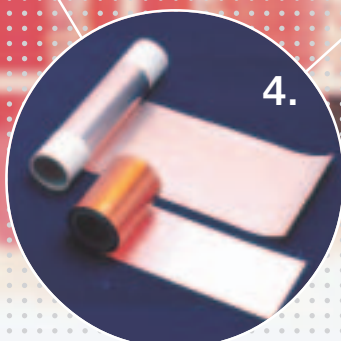
proceeding toward the introduction of a material that is shock-resistant and has 1.70 refractive index.

Mitsui Chemicals has independently developed a pollution-free process for creating hydroquinone and resorcinol. Hydroquinone is a chemical frequently used in film development as a polymerization inhibitor, as well as a substance for organic rubber agents. Resorcinol is utilized the world over as a raw material for automobile tire cords and wood epoxies, sunscreens, and agrochemicals. Mitsui Chemicals intends to continue expanding this business domain in line with customer needs.

#### Pharmaceutical Chemicals

Recent advances in the discovery of links between the genome and certain disorders have led to work by pharmaceutical companies, mainly in Europe and the United States, on the development of antisense drugs that eliminate genetic messengers carrying diseases. Mitsui Chemicals has utilized its bioscience expertise to become first in the world to use nucleic acid synthesis technology to develop intermediates for antisense drugs, establishing the number one position in this market. This accomplishment is a major contributor to growth in sales of pharmaceutical chemicals.





- 1. Mitsui Hygiene Materials (Thailand) Co., Ltd.
- 2. Starkle, newly introduced insecticides
- 3. Optical plastic lens
- 4. All Polyimide laminates NEOFLEX™

## RESEARCH & DEVELOPMENT

Mitsui Chemicals has formulated an R&D strategy to raise organizational creativity and spur faster, more efficient R&D.

### R&D Fundamental Policies

#### Mission of R&D

In the petrochemicals & basic chemicals sector, the mission is to develop technology that provides the company with a competitive edge over rivals and contributes to business expansion in the growing Asian markets.

In the performance materials sector, the mission is to develop distinctive, competitive technologies and promote the growth of new products and new businesses.

#### Fiscal 2004 Targets

In the petrochemicals & basic chemicals sector, ensure that key technologies in core businesses are of world-class quality.

In the performance materials sector, accelerate development of new products.

#### R&D Strategy

##### (1) Core Technologies

In the petrochemicals & basic chemicals sector, develop top-niche technologies in core business areas.

In the performance materials sector, produce superior products through the development of innovative, state-of-the-art technologies.

##### (2) Next-Generation Technologies

Secure key technologies for the next generation of products in the field of “green” chemistry, process innovation and product innovation.

##### (3) New Product Development

Accelerate development of products in the key areas of information & communications, and healthcare & amenity.

##### (4) Management

Secure core R&D human resources and make extensive use of alliances with academic and public-sector partners.

Upgrade the comprehensive technical strengths of the Mitsui Chemicals Group.

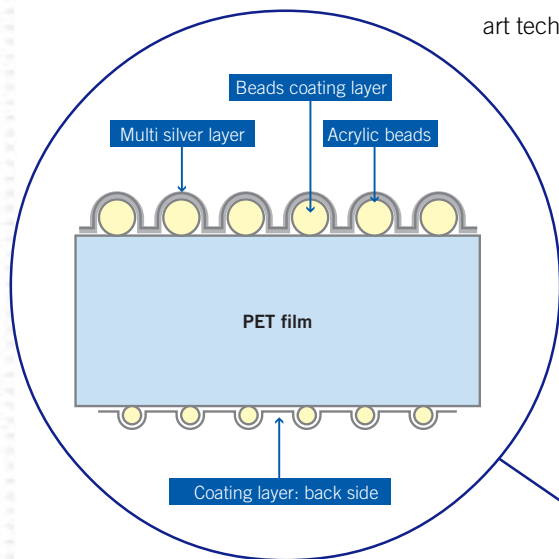
#### R&D Resources

Earmark 60% of R&D resources for new product development.

Channel 90% of new product development R&D resources into the 3 main fields of information & communications (35%), healthcare & amenity (35%) and the environment (20%).

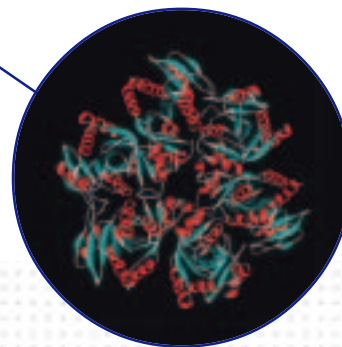
#### Pharmaceutical-use nucleosides

Mitsui Chemicals has utilized a combination of bio- and synthesis technologies to successfully produce nucleosides, a class of substances that have attracted attention in the post-genome era as raw materials for antisense drugs, DNA chips and similar applications. Until now, nucleosides had mainly been harvested from salmon. Mitsui Chemicals' new method realizes a pure, stable source of nucleosides free from biological impurities. The key feature of this technology, however, is the ability to produce all four known varieties of this important material.



#### LCD backlight high performance reflecting sheet (ENHANSTAR™)

High luminosity (15% greater than previous products) and low power consumption are the defining features of ENHANSTAR™, a brand of high-performance reflecting sheets used in backlight LCDs, ranging in size from mobile phone screens to notebook PCs. By applying multi-layer sputtering technology to the convex and concave sides of Mitsui Chemicals' exclusively designed film, fine layers of deposited silver give the film a luminance factor greater than 97.5%. This characteristic results in optimal light diffusion, making ENHANSTAR™ the ideal choice for a variety of applications. The convex surface of the sheet also prevents direct contact with the optical waveguide, providing added protection against electrical interference.





## Technology Forums

Mitsui Chemicals has established a number of Mitsui Chemicals Technology Forums to provide an opportunity for its researchers to discuss research themes with professors and scientists working in cutting-edge fields at universities and national research institutes that the company invites to serve as advisors. The goals are to be able to make objective evaluations of the company's technology based on advice from these researchers and to speed up the development of new technologies and products through collaboration with academia and the public sector. There are currently five forums: catalysis, polymer sciences (including nanotechnology), bio-sciences, synthetic chemicals and information and electronics, attended by a total of 14 advisers, each a prominent scientist in their respective field. Conferences and seminars are held every one to three months.

## First Mitsui Chemicals International Symposium on Catalysis Science

In April 2002, Mitsui Chemicals established the Catalysis Science Laboratory on the grounds of its Sodegaura Center. This new laboratory is dedicated to comprehensive research in catalysis science, a field that continues to gain attention as a next-generation technology. To commemorate the founding of this laboratory, the company held the First Mitsui Chemicals International Symposium on Catalysis Science on March 17 and 18, 2003 (MICS 2003) at the Kazusa Akademia Park in the nearby city of Kisarazu. The keynote addresses were given by two Nobel laureates in chemistry: Ryoji Noyori of Nagoya University, who was recognized in 2001, and Jean-Marie Lehn of Louis Pasteur University, who received the Nobel Prize in 1987. Ten Japanese scientists conducting

pioneering research involving catalysts at universities and other companies were also invited to give presentations. The 2-day event was attended by 1,100 people representing both the public and private sectors. Time was also allotted between events, the banquet and other scheduled activities to allow participants the chance to get acquainted with one another.

This was the first time that a private-sector company has sponsored an international conference of this kind. The event greatly enhanced Mitsui Chemicals' stature in the field of catalysis science while laying the groundwork for new approaches in cooperation among companies, government agencies and academic institutions. As such, the symposium generated a very positive response from all participants as well as the media and other industry observers.



### Synthetic pulp for high performance printing paper (Mitsui SWP™)

Mitsui Chemicals has successfully merged branched polyolefin fibers and papermaking technology to develop a new type of printing paper created by combining fine synthetic polymer pulp and traditional wood pulp. The new printing paper is noted for its smooth texture, durability, and heat-seal properties. Mitsui Chemicals is the world's sole manufacturer of synthetic pulp. Promising applications for this new paper include inkjet paper, as well as water-resistant and in-mold labels.

President Nakanishi's speech at MICS 2003





## RESPONSIBLE CARE

Upholding the spirit of Responsible Care (RC), Mitsui Chemicals is active in a number of areas. It is committed to protecting the environment and the health of people, preventing accidents at its facilities, and maintaining the health and safety of its employees. This commitment is unyielding throughout the entire lifecycle of the chemical substances the company produces.

### RC Management System

Part of Mitsui Chemicals' corporate philosophy is to act in "harmony with the global environment." True to this creed, the company strives to reduce risk based on up-to-date information gathered from throughout the organization. With respect to environmental preservation, occupational safety and hygiene, and quality management, Mitsui Chemicals has established a unified RC management system that complies with international standards such as ISO 14001, OHSAS 18001 and ISO 9000s, and covers the prevention of accidents and assurance of product safety.

As part of these efforts, the Ichihara Works, Mobara Center, Osaka Works, Iwakuni-Ohtake Works, Omuta Works and Yamaguchi Styrene Plant have obtained ISO 14001 certification.

Subsidiary Shimonoseki Mitsui Chemicals, Inc. has also earned this certification.

The company has set levels of RC that it aims to achieve and has rigorously adopted a plan, do, check and act (PDCA) cycle as a driving force behind these systems.

1. Actively addressing environmental issues
2. Achieving zero accidents, injuries and product liability incidents
3. Winning the trust and satisfaction of customers and society

Underpinning the drive to achieve these targets is the RC Committee. Headed by the company's president, the RC Committee evaluates the accomplishments of the previous fiscal year and drafts RC plans for the year ahead. The RC Committee consists of two

subcommittees—the Environmental Health & Safety Committee, and the Quality Management Committee—each headed by the director in charge of these two areas. The director heading the committee or his representative carries out RC audits of works, laboratories and facilities of major group companies in Japan and overseas.

The company's risk assessment of chemical substances evaluates the potential hazards they pose to people and the environment throughout their entire lifecycle. The results of these assessments are used by the Technology Evaluation Committee when evaluating new product launches, and when upgrading and enhancing production facilities for existing products.

### Balancing Environmental Preservation and Economics

Mitsui Chemicals' environmental protection strategy is updated every year. One of the main issues is formulating a policy to minimize negative effects on the environment of manufacturing activities for each product. In order to verify that products and manufacturing processes



are developed in line with this policy, the company has established management indicators to monitor actions to reduce the environmental load and set up a system to perform an eco-efficiency analysis for the manufacturing stage.

The company is introducing an environmental accounting system that quantitatively measures environmental costs and benefits. This facilitates the best use of resources and efficient environmental activities.

### **Addressing Environmental Issues**

Mitsui Chemicals promotes environmental preservation on two fronts: the reduction of environmental load in the course of its business activities and the appropriate management of chemical substances. Specific actions include managing substances subject to control under the PRTR (Pollutant Release and Transfer Register) Act, reducing emissions of hazardous air pollutants and CO<sub>2</sub>, reducing the emission of waste materials, and promoting recycling.

### **Preventing Accidents and Disasters**

Mitsui Chemicals is dedicated to winning the trust and respect of society through its voluntary efforts to prevent accidents and disasters. As a first step, the company is working to develop a system that eliminates the possibility of accidents.

### **Ensuring the Safety of Products**

Chemical product safety is one of the keys to ensuring that RC targets are achieved and maintained in all areas. Mitsui Chemicals is thus focusing on a framework to promote product safety. This includes cooperating with activities by industry, organizations, governments and other bodies. For example, the company is participating in international efforts to compile information on high production volume (HPV) chemicals.

Mitsui Chemicals maintains Material Safety Data Sheets (MSDS), allowing the company to provide customers with advice and information on the safe handling and use of its products.

### **Occupational Health and Safety**

Placing the highest priority on ensuring the safety of its employees, Mitsui Chemicals aims to offer a suitable working environment and preserve employees' health through voluntary practices.

The Nagoya Works, Ichihara Works and Mobarra Center have obtained OHSAS 18001 certification, an occupational health and safety standard, and are using risk management methodology to ensure safety. Mitsui Chemicals' remaining three works plan to obtain this certification by the end of Fiscal 2004.

### **Communications With the Community and Employees**

Mitsui Chemicals seeks to encourage strong relationships with the community and employees through open communication. The company conducts education programs so each employee may further develop their individual skills and talents, and it invites the participation of labor unions in RC planning. In addition, based on its stance of contributing to society, Mitsui Chemicals uses a variety of methods to share information with local communities regarding its activities. These methods include participation in regional conferences, inviting the public to tour its facilities, and issuing magazines and other regional publications with detailed RC data.



Japan International Cooperation Agency (JICA) trainees attending an environmental workshop at Iwakuni-Ohtake Works

## BOARD OF DIRECTORS

<b>Chairman &amp; President</b>	<b>Hiroyuki Nakanishi</b>	
<b>Executive Vice Presidents</b>	<b>Yozo Kinoshita</b>	Business Group President, Basic Chemicals Business Group (Assistant to the President, Business Groups, Polymer Business Development Division, Branch Offices, Production & Technology Center)
	<b>Ryutaro Koyasu</b>	Assistant to the President, Corporate Divisions (Except for Corporate Planning Division, Management Accounting Division), Risk Management Committee
<b>Senior Managing Directors</b>	<b>Koichi Tominaga</b>	Business Group President, Functional Chemicals & Engineered Materials Business Group
	<b>Yoshihiko Kataoka</b>	Purchasing Division, Logistics Division, Information Management Division, Work Process Innovation Division
	<b>Masafumi Kataita</b>	Business Group President, Functional Polymeric Materials Business Group
	<b>Kenji Fujiyoshi</b>	Corporate Planning Division, Management Accounting Division
	<b>Mineo Kimura</b>	Business Group President, Petrochemicals Business Group
<b>Managing Directors</b>	<b>Shinji Tanikawa</b>	Human Resources Division, Labor Relations Division
	<b>Ritsuo Yamamoto</b>	Legal & Administrative Division, Corporate Communications Division (Public Relations)
	<b>Akihiro Yamaguchi</b>	Center Executive, R&D Center (Intellectual Property Division)
	<b>Toshikazu Tanaka</b>	Business Group Vice President, Basic Chemicals Business Group
<b>Board Directors</b>	<b>Katsunosuke Maeda</b>	Chairman of the Board, Toray Industries, Inc.
	<b>Yoshiyuki Sakaki</b>	President, Sumitomo Mitsui Polyolefin Co., Ltd.



Left:  
**Yozo Kinoshita**  
Executive Vice President

Center:  
**Hiroyuki Nakanishi**  
Chairman & President

Right:  
**Ryutaro Koyasu**  
Executive Vice President





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## SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31

(Millions of yen except per share amounts)	Reported Basis		
	2003	2002	2001
Net sales . . . . .	<b>¥1,053,182</b>	¥ 952,680	¥ 939,782
Cost of sales . . . . .	<b>823,523</b>	730,059	720,524
SG&A . . . . .	<b>173,201</b>	180,239	164,746
Operating income . . . . .	<b>56,458</b>	42,382	54,512
Other income (expenses) . . . . .	<b>(17,496)</b>	(32,142)	(26,118)
Income before income taxes, minority interests and equity in earnings of non-consolidated subsidiaries and affiliates . . . . .	-	-	-
Income before income taxes and minority interests . . . . .	<b>38,962</b>	10,240	28,394
Income taxes . . . . .	<b>13,465</b>	1,830	10,523
Income before minority interests and equity in earnings of non-consolidated subsidiaries and affiliates . . . . .	-	-	-
Income before minority interests . . . . .	<b>25,497</b>	8,410	17,871
Equity in earnings of non-consolidated subsidiaries and affiliates . . . . .	-	-	-
Net income (loss) . . . . .	<b>20,320</b>	7,651	17,068
Total current assets . . . . .	<b>445,239</b>	486,642	563,245
Property, plant and equipment, net . . . . .	<b>580,830</b>	583,949	552,759
Total investments and other non-current assets . . . . .	<b>199,125</b>	227,272	198,509
Total assets . . . . .	<b>1,225,194</b>	1,297,863	1,314,513
Total current liabilities . . . . .	<b>451,613</b>	525,532	532,586
Total long-term liabilities . . . . .	<b>359,638</b>	365,708	388,159
Total stockholders' equity . . . . .	<b>370,738</b>	366,988	352,988
Depreciation and amortization . . . . .	<b>56,850</b>	56,609	51,755
Capital expenditures . . . . .	<b>68,753</b>	117,564	61,524
R&D expenses . . . . .	<b>37,114</b>	39,012	36,543
Return on sales . . . . .	<b>1.93%</b>	0.80%	1.82%
Return on equity . . . . .	<b>5.48%</b>	2.13%	4.89%
Return (operating income) on assets . . . . .	<b>4.48%</b>	3.24%	4.27%
Net income per share (basic) . . . . .	<b>¥ 25.72</b>	¥ 9.70	¥ 21.63
Net income per share (diluted) . . . . .	<b>¥ 25.47</b>	-	¥ 21.44
Cash dividends per share . . . . .	<b>¥ 6.00</b>	¥ 6.00	¥ 6.00



			Restated Basis					
2000	1999	1998	1998	1997	1996	1995	1994	1993
¥ 884,246	¥ 855,942	¥ 681,234	¥ 927,688	¥ 899,896	¥ 909,843	¥ 856,747	¥ 787,224	¥ 838,043
659,327	632,036	532,414	721,409	690,208	686,466	647,131	603,646	637,352
169,180	165,680	110,497	157,010	163,501	165,134	164,813	162,276	164,074
55,739	58,226	38,323	49,269	46,187	58,243	44,801	21,302	36,617
(29,603)	(36,099)	(14,334)	(20,063)	(17,103)	(27,189)	(24,868)	(16,052)	(15,082)
-	-	-	-	29,084	31,054	19,933	5,250	21,535
26,136	22,127	23,989	29,206	-	-	-	-	-
8,182	12,674	11,290	14,963	14,879	19,431	14,628	5,032	12,397
-	-	-	-	14,205	11,623	5,305	218	9,138
17,954	9,453	12,699	14,243	-	-	-	-	-
-	-	-	-	779	1,940	555	(920)	82
16,042	7,739	11,702	13,010	14,185	12,766	4,883	(1,281)	8,894
544,837	548,668	616,871	616,871	598,660	598,250	568,255	539,133	594,323
530,827	513,268	530,860	530,860	479,906	489,766	501,889	507,014	501,200
161,515	146,232	150,505	150,505	179,256	180,051	179,316	175,237	168,317
1,237,179	1,208,168	1,298,236	1,298,236	1,257,822	1,268,067	1,249,461	1,221,384	1,263,840
528,643	482,912	612,583	612,583	616,726	551,185	500,432	467,575	523,151
346,242	378,274	349,972	349,972	312,223	392,491	431,731	440,794	423,716
345,690	329,685	318,532	318,532	319,565	315,272	307,724	306,994	311,804
52,634	51,081	38,422	52,802	52,695	52,586	54,028	48,390	43,604
54,435	52,058	46,428	60,060	45,117	46,670	37,396	57,513	75,708
38,141	39,295	28,036	40,451	37,275	41,172	43,330	44,390	46,109
1.81%	0.90%	1.72%	1.40%	1.58%	1.40%	0.57%	(0.16%)	1.06%
4.75%	2.39%	4.81%	4.08%	4.47%	4.10%	1.59%	(0.41%)	2.86%
4.56%	4.65%	4.27%	3.86%	3.66%	4.63%	3.63%	1.71%	2.90%
¥ 20.57	¥ 9.97	¥ 21.53	-	-	-	-	-	-
¥ 20.41	-	¥ 20.98	-	-	-	-	-	-
¥ 6.00	¥ 6.00	¥ 6.00	-	-	-	-	-	-

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW

In the year under review, personal consumption remained largely unchanged from the previous fiscal year, but the decline in capital investment was finally halted as corporate profit improved in the second half. With public investment and private housing investment both recording sharp declines and unemployment stuck at high levels, difficult conditions persisted for the Japanese economy.

Production and shipments in the chemicals sector were much the same as in the previous fiscal year, but the operating environment remained severe as feedstock prices stabilized at higher levels.

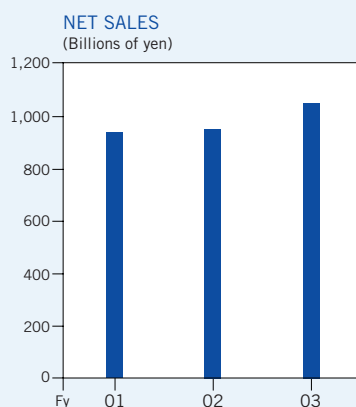
In these challenging circumstances, group-wide efforts focused on improving profit by directing resources toward boosting sales, while at the same time working on extensive cost reductions.

As these and other initiatives yielded results, net income rose to a record ¥20,320 million (US\$169 million).

The consolidated financial statements include the accounts of 76 consolidated subsidiaries, and 87 non-consolidated subsidiaries and affiliates accounted for by the equity method. The former group represents a reduction of three companies from the previous term, due to, among other events, the merger of subsidiaries with Grand Polymer Co., Ltd., while the latter group shows a decline of 10, due to divestiture of non-consolidated subsidiaries and affiliates, including Kanto Natural Gas Development Co., Ltd.

## OPERATING RESULTS

Consolidated net sales increased ¥100,502 million (US\$836 million), or 10.5%, compared to the previous fiscal year, to ¥1,053,182 million (US\$8,762 million). This reflects a higher sales volume resulting from capacity additions, mainly for petrochemicals & basic chemicals in Southeast Asia, and the effect of price increases.



Gross profit rose ¥7,038 million (US\$59 million), or 3.2%, to ¥229,659 million (US\$1,911 million) as the cost of sales increased only ¥93,464 million (US\$778 million).

Benefiting from lower selling, general and administrative expenses, which fell by ¥7,038 million (US\$59 million), operating income surged by ¥14,076 million (US\$117 million), or 33.2%, to ¥56,458 million (US\$470 million). The operating margin increased by 1.0 percentage point from the 4.4% recorded in the previous fiscal year to 5.4%.

## SEGMENT INFORMATION

### > Business Segment

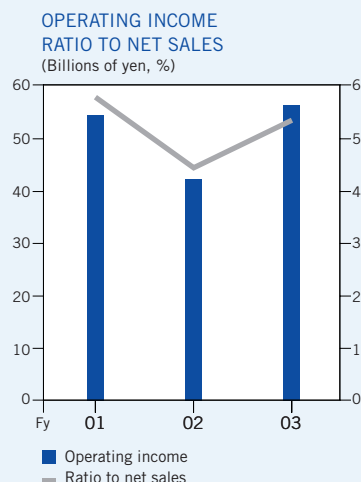
#### *Petrochemicals*

	(Millions of yen)		
	2003	2002	Change (%)
Total sales	¥266,479	¥221,669	20.2
Operating income	13,027	10,053	29.6
Total assets	262,341	310,507	(15.5)
Depreciation and amortization	12,634	13,105	(3.6)
Capital expenditures	11,346	16,405	(30.8)

Total segment operating income rose ¥2,974 million (US\$25 million) to ¥13,027 million (US\$108 million) compared to the previous fiscal year as sales climbed ¥44,810 million (US\$373 million) to ¥266,479 million (US\$2,217 million), representing 25% of aggregate net sales.

#### Significant factors:

Ethylene and propylene production rose 3% from the previous fiscal year. This reflects strong demand for derivatives and fewer plant shutdowns for maintenance compared to the previous fiscal year.



In polyethylene, sales declined 5% compared to the previous fiscal year despite slight volume gains as sales were affected by lower prices in the domestic and Asian markets.

Polypropylene sales declined only 1% as favorable demand from the automobile sector and for packaging films and textiles offset sluggish demand from the sundries and distribution sectors.

Inclusion of ATC, Inc., a U. S. polypropylene compound manufacturing subsidiary, within the scope of consolidation from the current fiscal year also contributed to the sales gain.

Operating income climbed 29.6% as polyethylene and polypropylene compound sales volume and cost reductions negated the effect of raw material prices, which stayed at higher levels throughout the year.

### Basic Chemicals

	(Millions of yen)		
	2003	2002	Change (%)
Total sales	¥311,051	¥265,223	17.3
Operating income	13,629	7,237	88.3
Total assets	364,773	364,315	0.1
Depreciation and amortization	15,073	13,470	11.9
Capital expenditures	22,378	28,554	(21.6)

Segment operating income rose ¥6,392 million (US\$53 million) to ¥13,629 million (US\$113 million) on a sales gain of ¥45,828 million (US\$381 million) to ¥311,051 million (US\$2,588 million). Basic chemicals accounted for 30% of aggregate net sales.

#### Significant factors:

In purified terephthalic acid (PTA), sales climbed 57%, reflecting sharply higher sales in China and other Asian markets, as production

volume at our Thai manufacturing subsidiary, Siam Mitsui PTA Co., Ltd., increased as the second production plant at the company came on stream.

In polyethylene terephthalate (PET) resins, demand growth slowed in Japan and competition intensified as imports rose. However, sales rose 5%, reflecting our concerted efforts at expanding sales.

In phenol, sales surged 34% underpinned by rising shipments and higher prices.

In bisphenol A, sales were up 20%, buoyed by efforts to expand sales volumes and additional volume made available as the second production plant at Mitsui Bisphenol Singapore Pte. Ltd., a subsidiary, began operations.

Demand in Japan and Asia for ethylene oxide, ethanolamine and acrylamide remained healthy, resulting in a 4% increase in sales.

Operating income rose sharply from the previous fiscal year despite higher raw material prices, the result of higher product prices and rising volumes of purified terephthalic acid, polyethylene terephthalate, phenol and bisphenol A.

### Functional Polymeric Materials

	(Millions of yen)		
	2003	2002	Change (%)
Total sales	¥211,257	¥198,091	6.6
Operating income	12,345	11,941	3.4
Total assets	287,126	294,784	(2.6)
Depreciation and amortization	15,782	15,681	0.6
Capital expenditures	21,715	55,410	(60.8)

Total segment operating income increased ¥404 million (US\$3 million) to ¥12,345 million (US\$103 million) and sales climbed



¥13,166 million (US\$110 million) to ¥211,257 million (US\$1,758 million), accounting for 20% of aggregate net sales.

**Significant factors:**

Sales of elastomers, including ethylene-propylene diene terpolymers and alpha-olefin copolymers rose 8% as demand tracked rising automobile production in Japan and efforts to create new applications to spur a switch to elastomers were successful in the automotive parts, building materials, and packaging materials fields.

In specialty resins, sales were up 26% supported by growing IT-related demand.

Paper-making materials and coating materials sales were flat due to soft demand for use in board paper, paints and other general-purpose materials, which offset growing demand for use in communications paper.

Additive materials such as wax and petroleum resins rose 8%, driven by demand for new applications.

Sales of polyurethane raw materials such as TDI and MDI climbed 8%, reflecting higher export volumes and recovery in TDI export prices.

Operating income rose marginally mainly because of higher polyurethane raw materials sales volumes.

**Functional Chemicals and Engineered Materials**

(Millions of yen)

	2003	2002	Change (%)
Total sales	¥207,021	¥215,172	(3.8)
Operating income	13,743	10,559	30.2
Total assets	259,750	277,246	(6.3)
Depreciation and amortization	12,378	13,231	6.4
Capital expenditures	12,514	15,922	21.4

Total segment operating income increased ¥3,184 million (US\$26 million) to ¥13,743 million (US\$114 million) despite an ¥8,151 million (US\$68 million) drop in sales to ¥207,021 million (US\$1,722 million), representing 20% of aggregate net sales.

**Significant factors:**

Sales of hygiene materials and packaging films rose 7% and 3%, respectively, due to higher sales volume resulting from an aggressive sales drive.

Construction material sales dropped 5% as the operating environment worsened – public works projects declined and there was falling construction demand in the private sector.

Semiconductor materials recorded a 17% increase in sales due to demand rebound in the semiconductor market.

Display materials recorded a 53% increase in sales due to rapid growth of the plasma display panel market.

Fine chemicals such as raw materials for electronics and information materials and resin materials saw sales decrease 25% as Mitsui Chemicals scaled down or pulled out of unprofitable products in this category.

Despite effects stemming from efforts to scale back and pull out of unprofitable product line, sales of healthcare products, including monomers for optical lenses and pharmaceutical intermediates, dipped a mere 1%. Further declines were largely offset by strong demand for high-index plastic lenses.

In agrochemicals such as insecticides, sales rose 14% driven by favorable demand for new insecticides.

Total segment sales were affected by divestiture of certain consolidated subsidiaries engaged in this business.

Operating income climbed 30.2% as a higher volume of electronics and information materials compensated for lower prices and

a rising volume of packaging films and monomers for optical plastic lenses and a reduction in fixed costs contributed to profit.

### Others

(Millions of yen)			
	2003	2002	Change (%)
Total sales	¥57,374	¥52,525	9.2
Operating income	3,390	2,601	30.3
Total assets	88,034	96,184	(8.5)
Depreciation and amortization	1,476	1,685	(12.4)
Capital expenditures	800	1,273	(37.2)

Total segment sales increased ¥4,849 million (US\$40 million) to ¥57,374 million (US\$477 million) accounting for 5% of aggregate net sales. Operating income rose ¥789 million (US\$7 million) to ¥3,390 million (US\$28 million).

#### Significant factors:

Sales dropped 25% as construction orders in plant and maintenance operations, affected by sluggish private sector capital investment and other factors, faltered.

Warehousing and logistics services saw a 9% drop in sales as the volume of goods handled fell and competition intensified.

On the positive side, marketing subsidiaries in Europe, the U. S. and Asia reported higher sales, reflecting a growing volume of goods handled.

### > Geographic Distribution

#### Japan

Despite a difficult operating environment as raw material prices stabilized at higher levels, both sales and operating income rose as

Mitsui Chemicals concentrated on boosting profit through multiple initiatives, including extensive cost reductions.

As a result, domestic sales climbed ¥66,903 million (US\$557 million) to ¥927,879 million (US\$7,719 million), representing 88% of aggregate net sales. Operating income rose ¥5,924 million (US\$49 million) to ¥43,109 million (US\$359 million).

#### Outside Japan

Sales and operating income rose, helped by the start of operations at Mitsui Bisphenol Singapore Pte. Ltd., a Singapore-based bisphenol manufacturing and marketing subsidiary, and Siam Mitsui PTA Co., Ltd., a Thailand-based purified terephthalic acid manufacturing and marketing subsidiary, and the inclusion in consolidation of ATC, Inc., a North America-based polypropylene compound manufacturing subsidiary.

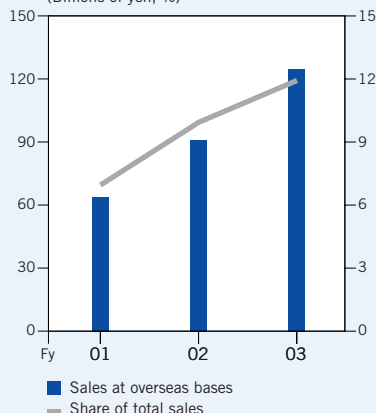
As a result of the above and other factors, operating income increased ¥7,674 million (US\$64 million) to ¥13,109 million (US\$109 million) on a sales gain of ¥33,599 million (US\$280 million) to ¥125,303 million (US\$1,042 million).

#### > Overseas Sales

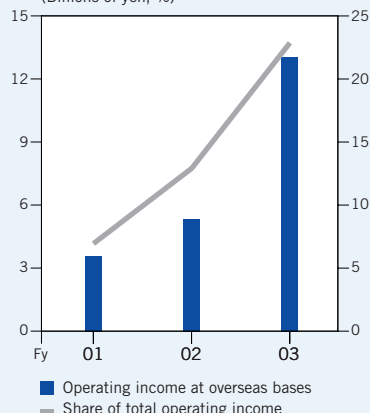
Overseas sales increased ¥76,236 million (US\$634 million), a sharp 32.1% gain, to ¥314,032 million (US\$2,613 million), representing 29.8% of aggregate net sales, a 4.8 percentage point increase from the previous fiscal year.

By region, Asia accounted for ¥229,541 million (US\$1,910 million), or 21.8% of aggregate net sales. Sales in the Americas totaled ¥51,632 million (US\$430 million) and accounted for 4.9% of aggregate net sales. Europe sales totaled ¥26,541 million (US\$221 million), representing 2.5% of aggregate net sales. Sales in other

SALES AT OVERSEAS BASES  
SHARE OF TOTAL SALES  
(Billions of yen, %)



OPERATING INCOME AT OVERSEAS BASES  
SHARE OF TOTAL OPERATING INCOME  
(Billions of yen, %)



regions totaled ¥6,318 million (US\$53 million), or 0.6% of aggregate net sales.

Sales in Asia recorded a dramatic increase of ¥63,040 million (US\$524 million), or 37.9% from the previous fiscal year, contributing significantly to overseas sales growth.

### OTHER INCOME (EXPENSE)

Other income (expense) recorded expense of ¥17,496 million (US\$146 million), a sharp decline of ¥14,646 million (US\$122 million), or 45.6%, from the previous fiscal year.

The breakdown of other income (expense) is as follows:

Although interest and dividend income declined ¥395 million (US\$3 million), or 17.6%, to ¥1,853 million (US\$15 million), interest expenses also fell sharply, declining ¥1,707 million (US\$14 million), or 15.8%, to ¥9,106 million (US\$76 million), as a result of efforts to reduce interest-bearing liabilities. Consequently, the balance of financial expenses recorded an outflow of ¥7,253 million (US\$60 million), a ¥1,312 million (US\$11 million), or 15.3%, improvement compared to the previous fiscal year.

Mitsui Chemicals booked a loss on sales and disposal of property, plant and equipment of ¥5,097 million (US\$42 million), a decline of ¥1,323 million (US\$ 11 million), or 20.6%, from the previous fiscal year. Much of the loss is attributed to the removal and consolidation of production facilities implemented in the regular course of business and the sales of idle assets, including employee housing.

Gain on sales of investment securities totaled ¥14,704 million (US\$122 million), as we aggressively sold off securities. However, this gain was partially offset by ¥9,326 million (US\$78 million) in write-downs of investment securities.

Loss on restructuring of subsidiaries and affiliates was roughly halved to ¥1,368 million (US\$11 million).

On April 18, 2002, Mitsui Chemicals received approval from Japan's Ministry of Health, Labour and Welfare for an exemption from obligations for payment of future benefits with respect to the substitutional portion of the benefits under National Welfare Pension Fund Plan, from which Mitsui Chemicals booked ¥3,330 million (US\$28 million) as profit. The net retirement benefit obligation at transition, being amortized mainly over a five-year period, declined ¥4,416 million (US\$37 million), or 41.9%, to ¥6,118 million (US\$51 million). Among other losses, Mitsui Chemicals booked ¥3,981 million (US\$33 million) as special early retirement payments for employees transferred to Mitsui Chemicals subsidiaries and affiliates.

Consequently, income before income taxes and minority interests increased ¥28,722 million (US\$239 million), or 280.5%, to ¥38,962 million (US\$324 million).

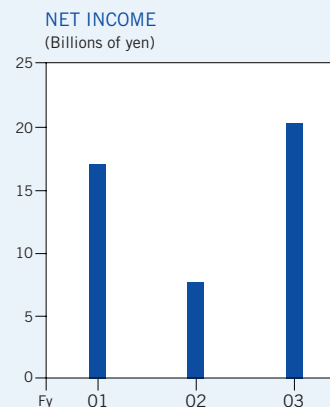
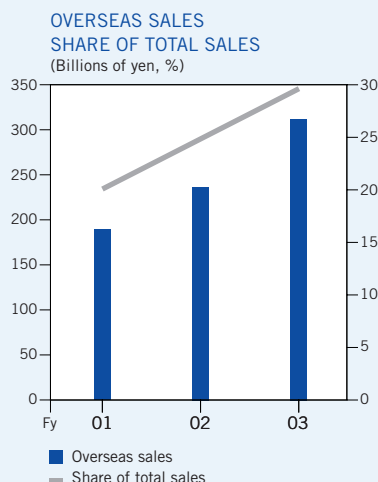
### NET INCOME

Income before minority interests increased ¥17,087 million (US\$142 million), or 203.2%, to ¥25,497 million (US\$212 million), while income taxes increased ¥11,635 million (US\$97 million).

Minority interests increased ¥4,418 million (US\$37 million) to ¥5,177 million (US\$43 million).

As a result of the above, net income rose sharply by ¥12,669 million (US\$105 million), or 165.6%, to a record ¥20,320 million (US\$169 million).

Net income per share thus increased ¥16.02 (US\$0.13) to ¥25.72 (US\$0.21).





## FINANCIAL POSITION

### OVERVIEW

Total assets as of March 31, 2003 were ¥1,225,194 million (US\$10,193 million), a decrease of ¥72,669 million (US\$605 million), or 5.6%, reflecting concerted efforts to consolidate total assets and bring down interest-bearing liabilities. Interest-bearing liabilities are to be reduced by ¥130 billion (US\$1 billion) over a three-year period starting from fiscal year 2001. As part of this program, interest-bearing liabilities declined sharply by ¥102,739 million (US\$855 million), or 16.3%, to ¥528,997 million (US\$4,401 million) in the fiscal year ended March 31, 2003.

The shareholders' equity ratio rose to the 30% level for the first time after the merger.

Furthermore, return (operating income) on assets, an indicator of the efficiency of utilization of consolidated total assets, rose by 1.3 percentage points from 3.2% to 4.5%.

### ASSETS

Current assets as of March 31, 2003 were ¥445,239 million (US\$3,704 million), down ¥41,403 million (US\$344 million), or 8.5%, from the previous fiscal year-end. This included a ¥26,377 million (US\$219 million) decline in receivables to ¥244,828 million (US\$2,037 million) as Mitsui Chemicals enforced shorter payment terms and securitized receivables, and a ¥15,020 million, (US\$125 million) decline in inventories to ¥159,441 million (US\$1,326 million) as a result of strict inventory control.

Non current assets decreased ¥31,266 million (US\$260 million), or 3.9%, to ¥779,955 million (US\$6,489 million). This reflects a

decline of ¥28,147 million (US\$234 million), or 12.4%, in investments and other non-current assets to ¥199,125 million (US\$1,657 million) as a result of the sales and write-downs of investment securities due to sluggish stock market conditions and other factors.

### LIABILITIES

On the other side of the balance sheet, liabilities decreased ¥79,989 million (US\$665 million), or 9.0%, to ¥811,251 million (US\$6,749 million).

Total current liabilities decreased ¥73,919 million (US\$615 million), or 14.1%, to ¥451,613 million (US\$3,757 million), despite a ¥27,099 million (US\$225 million) increase in payables to ¥171,476 million (US\$1,427 million), a result of growing sales.

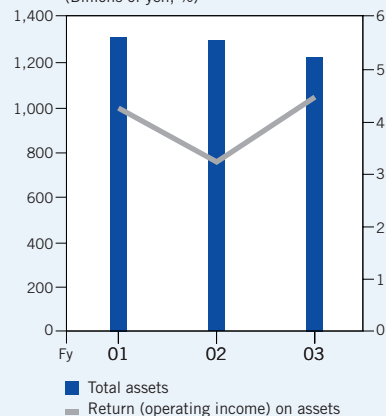
This total included a ¥65,864 million (US\$548 million), or 33.7%, reduction in short-term bank loans to ¥129,533 million (US\$1,078 million) due mainly to stepped up repayment of interest-bearing liabilities.

Total long-term liabilities decreased ¥6,070 million (US\$50 million), or 1.7%, to ¥359,638 million (US\$2,992 million) as Mitsui Chemicals, among other actions, repaid interest-bearing liabilities.

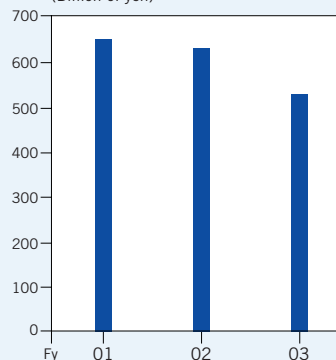
### MINORITY INTERESTS

Minority interests increased ¥3,570 million (US\$30 million) to ¥43,205 million (US\$359 million), reflecting the favorable business results of overseas consolidated subsidiaries.

**TOTAL ASSETS**  
**RETURN (OPERATING INCOME) ON ASSETS**  
(Billions of yen, %)



**INTEREST-BEARING LIABILITIES**  
(Billion of yen)



## STOCKHOLDERS' EQUITY

Total stockholders' equity increased ¥3,750 million (US\$31 million) to ¥370,738 million (US\$3,084 million).

The increase reflects a ¥13,165 million (US\$110 million) increase in retained earnings, a ¥3,707 million (US\$31 million) decline in the net unrealized holding gain on securities due to sluggish stock market conditions and a ¥3,754 million (US\$31 million) decline in foreign currency translation adjustments.

Equity per share rose ¥6.67 to ¥471.88 (US\$3.93). Return on equity improved by 3.4 percentage points to 5.5%.

## CASH FLOWS

### CASH FLOWS FROM OPERATING ACTIVITIES

Net cash provided by operating activities increased ¥43,007 million (US\$358 million) to ¥144,140 million (US\$1,199 million).

The principal sources of cash from operating activities were an increase in income before income taxes and minority interests of ¥28,722 million (US\$239 million) and a decline in working capital, a result of reduction in inventories and other factors.

### CASH FLOWS FROM INVESTING ACTIVITIES

Net cash used in investing activities declined ¥79,290 million (US\$660 million) from the previous fiscal year to ¥40,777 million (US\$339 million). The decline is mainly the result of a sharp rise in cash used in investing activities in the previous fiscal year due to the purchase of a business by consolidated subsidiary Mitsui Takeda Chemicals, Inc.

## CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities increased ¥71,562 million (US\$595 million) to ¥103,076 million (US\$858 million), due mainly to utilizing the free cash flow of ¥103,363 million (US\$860 million) for the repayment of interest-bearing liabilities.

Thus cash and cash equivalents as of March 31, 2003 decreased ¥135 million (US\$1 million) to ¥26,616 million (US\$221 million).

## CAPITAL EXPENDITURES (SUMMARY)

Capital expenditures at Mitsui Chemicals and its consolidated subsidiaries in the current fiscal year ended March 31, 2003 totaled ¥68,753 million (US\$572 million).

Capital expenditures by business segment are detailed below. Capital expenditure includes investments in intangible assets as well as long-term pre-paid expenses.

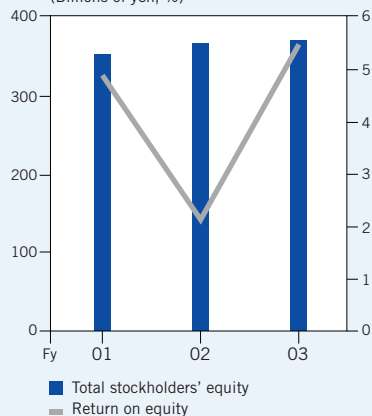
### *Petrochemicals*

Capital expenditure at Mitsui Chemicals was largely for a large scrap and build program for polypropylene facilities. Capital expenditure in the petrochemicals segment, including the above, totaled ¥11,346 million (US\$94 million).

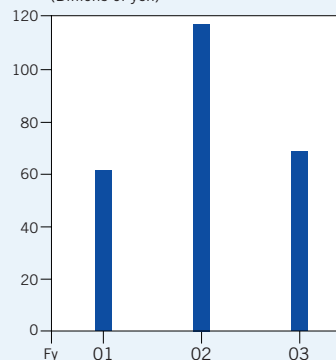
### *Basic Chemicals*

Mitsui Bisphenol Singapore Pte. Ltd. added bisphenol A production capacity. Mitsui Phenol Singapore Pte. Ltd. increased phenol and acetone production capacity. As a result, capital expenditure in the basic chemicals segment, including the above, totaled ¥22,378 million (US\$186 million).

**TOTAL STOCKHOLDERS' EQUITY  
RETURN ON EQUITY**  
(Billions of yen, %)



**CAPITAL EXPENDITURES**  
(Billions of yen)



### **Functional Polymeric Materials**

Mitsui Takeda Chemicals, Inc. increased production capacity for polyurethane raw materials and Mitsui Elastomers Singapore Pte. Ltd. completed the construction of an elastomer production facility. As a result, segment capital expenditures totaled ¥21,715 million (US\$181 million).

### **Functional Chemicals and Engineered Materials**

Mitsui Hygiene Materials Thailand Co., Ltd. completed the construction of a hygiene materials production facility. Segment capital expenditures, including the above, were ¥12,514 million (US\$104 million).

### **Others**

Segment capital expenditures were ¥800 million (US\$7 million).

## **RESEARCH AND DEVELOPMENT**

Research and development at Mitsui Chemicals and its consolidated subsidiaries is carried out at the four business divisions of Mitsui Chemicals, R&D centers of the corporate research and development division and research divisions of consolidated subsidiaries.

Research and development expenditures of the Mitsui Chemicals Group in fiscal 2003 totaled ¥37,114 million (US\$309 million). Mitsui Chemical's research and development division employs approximately 1,200 researchers.

Major research themes at the corporate research level and research themes, achievements and R&D expenses at each business division are as follows:

### **Corporate Research and Development**

Corporate R&D activities focus on strengthening and fostering our position in basic technologies for the development of next-generation polyolefin catalysts, phosphazene catalysts, new polyolefin resins and next-generation performance materials, as well as accelerating the development of next-generation performance products.

Corporate R&D also focuses on fundamental research such as in computational science and combinatorial chemistry.

R&D expenditures for corporate R&D totaled ¥9,951 million (US\$83 million).

### **Petrochemicals**

In petrochemicals, the mission is to develop new products to strengthen Mitsui Chemical's competitive advantage in polyolefins and create new markets.

Segment capital expenditures totaled ¥3,925 million (US\$33 million).

### **Basic Chemicals**

R&D in basic chemicals is concentrated at the parent company, where the objective is to strengthen Mitsui Chemical's position in core businesses, including purified terephthalic acid, bisphenol A, acrylamide, and PET resins.

Mitsui Chemicals developed and launched more transparent PET resins, developed using a new catalyst, in fiscal 2003. South Korean subsidiary Yongsan Mitsui Chemicals, Inc. started manufacturing acrylamide using a biotech method developed by Mitsui Chemicals.

Segment R&D expenditures in fiscal 2003 totaled ¥2,068 million (US\$17 million).

### **Functional Polymeric Materials**

Mitsui Chemicals is cooperating with Group companies in the development of elastomers, performance polymers, industrial resins and urethane resins.

In addition to developing new products to create new markets, research also focuses on developing new paper coating materials.

Mitsui Chemicals launched new acryl resins for construction materials and a chemical to make paper recycling easier. The launching of a biodegradable polymer (polylactic acid) underscores our commitment to addressing environmental concerns.

Segment research and development expenditures in fiscal 2003 totaled ¥9,705 million (US\$81 million)

### **Functional Chemicals and Engineering Materials**

Mitsui Chemicals is conducting joint research with its major subsidiaries in resin products, electronics and information materials, agrochemicals, and fine chemicals.

The focus of research is on the development of thermoplastic materials, surface protective films and materials for plasma display panels, heat-resistant resins, new insecticides, functional coloring materials and other functional chemicals. Development of environment-friendly products, such as a catalyst to break down dioxin, is also a major research theme.

New products launched in fiscal 2003 include Starkle, a high-performance insecticide, hybrid rice strains that produces higher yields and delicious rice, new optical filters for plasma displays, optical surface protection film, and reflector film for large-size LCD panels.

Segment R&D expenditures in fiscal 2003 totaled ¥11,465 million (US\$95 million).



# CONSOLIDATED BALANCE SHEETS

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES  
March 31, 2003 and 2002

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
<b>Current assets:</b>			
Cash and cash equivalents (Note 4) . . . . .	¥ 26,616	¥ 26,751	\$ 221,431
Short-term investments . . . . .	532	209	4,426
Receivables:			
Trade notes and accounts . . . . .	228,378	257,768	1,899,984
Other . . . . .	16,450	13,437	136,855
Inventories (Note 5) . . . . .	159,441	174,461	1,326,464
Deferred tax assets - current (Note 9) . . . . .	11,102	10,706	92,363
Other current assets . . . . .	4,192	4,148	34,875
Allowance for doubtful accounts . . . . .	(1,472)	(838)	(12,246)
<b>Total current assets . . . . .</b>	<b>445,239</b>	<b>486,642</b>	<b>3,704,152</b>
<b>Property, plant and equipment (Note 7):</b>			
Land . . . . .	195,470	198,447	1,626,207
Buildings and structures . . . . .	270,479	268,465	2,250,241
Machinery and equipment . . . . .	894,889	861,344	7,445,000
Construction in progress . . . . .	35,397	38,255	294,484
	<b>1,396,235</b>	<b>1,366,511</b>	<b>11,615,932</b>
Accumulated depreciation . . . . .	(815,405)	(782,562)	(6,783,736)
<b>Property, plant and equipment, net . . . . .</b>	<b>580,830</b>	<b>583,949</b>	<b>4,832,196</b>
<b>Investments and other non-current assets:</b>			
Investment securities (Notes 6 and 7):			
Non-consolidated subsidiaries and affiliates . . . . .	64,235	68,622	534,401
Other . . . . .	51,521	77,776	428,627
Long-term receivables . . . . .	6,486	7,072	53,960
Deferred tax assets - non-current (Note 9) . . . . .	38,538	35,584	320,616
Other non-current assets . . . . .	41,414	43,736	344,542
Allowance for doubtful accounts . . . . .	(3,069)	(5,518)	(25,532)
<b>Total investments and other non-current assets . . . . .</b>	<b>199,125</b>	<b>227,272</b>	<b>1,656,614</b>
<b>Total assets . . . . .</b>	<b>¥1,225,194</b>	<b>¥1,297,863</b>	<b>\$10,192,962</b>

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
<b>Current liabilities:</b>			
Short-term bank loans (Note 7) . . . . .	¥ 129,533	¥ 195,397	\$ 1,077,646
Current portion of long-term debt (Note 7) . . . . .	80,079	106,528	666,215
Commercial paper (Note 7) . . . . .	25,500	30,500	212,146
Payables:			
Trade notes and accounts . . . . .	126,265	97,853	1,050,457
Other . . . . .	45,211	46,524	376,131
Employees' savings deposits . . . . .	2,854	3,187	23,744
Accrued expenses . . . . .	25,623	27,060	213,170
Reserve for periodic repairs . . . . .	4,063	1,276	33,802
Accrued income taxes (Note 9) . . . . .	6,767	15,011	56,298
Other current liabilities . . . . .	5,718	2,196	47,571
<b>Total current liabilities . . . . .</b>	<b>451,613</b>	<b>525,532</b>	<b>3,757,180</b>
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Note 7) . . . . .	293,885	299,311	2,444,967
Accrued retirement benefits (Note 8) . . . . .	56,108	54,195	466,789
Reserve for periodic repairs . . . . .	820	2,491	6,822
Other non-current liabilities . . . . .	8,825	9,711	73,419
<b>Total long-term liabilities . . . . .</b>	<b>359,638</b>	<b>365,708</b>	<b>2,991,997</b>
Minority interests . . . . .	43,205	39,635	359,442
Contingent liabilities (Note 11)			
<b>Stockholders' equity:</b>			
Common stock (Note 10):			
Authorized – 3,000,000,000 shares			
Issued – 789,156,353 shares in 2003 and 2002 . . . . .	103,226	103,226	858,785
Additional paid-in capital . . . . .	66,901	66,901	556,581
Retained earnings (Notes 10 and 16) . . . . .	202,540	189,375	1,685,025
Net unrealized holding gain on securities . . . . .	3,147	6,854	26,181
Foreign currency translation adjustments . . . . .	(2,991)	763	(24,883)
Treasury stock, at cost: 3,683,317 shares in 2003 and 288,845 shares in 2002 . . . . .	(2,085)	(131)	(17,346)
<b>Total stockholders' equity . . . . .</b>	<b>370,738</b>	<b>366,988</b>	<b>3,084,343</b>
<b>Total liabilities, minority interests and stockholders' equity . . . . .</b>	<b>¥1,225,194</b>	<b>¥1,297,863</b>	<b>\$10,192,962</b>

## CONSOLIDATED STATEMENTS OF INCOME

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
Net sales	¥1,053,182	¥952,680	\$8,761,913
Cost of sales (Notes 8 and 13)	823,523	730,059	6,851,273
Gross profit	229,659	222,621	1,910,640
Selling, general and administrative expenses (Notes 8 and 13)	173,201	180,239	1,440,940
Operating income	56,458	42,382	469,700
Other income (expenses):			
Interest expense	(9,106)	(10,813)	(75,757)
Interest and dividend income	1,853	2,248	15,416
Equity in earnings of non-consolidated subsidiaries and affiliates	4,604	4,184	38,303
Gain on sales of investment securities (Note 6)	14,704	3,013	122,329
Loss on sales and disposal of property, plant and equipment	(5,097)	(6,420)	(42,404)
Loss on restructuring of subsidiaries and affiliates	(1,368)	(2,784)	(11,381)
Net retirement benefits obligation at transition (Note 8)	(6,118)	(10,534)	(50,899)
Loss on write-downs of investment securities	(9,326)	(10,306)	(77,587)
Special early retirement payments for employees	(3,981)	–	(33,120)
Gain on exemption from the substitutional portion of National Welfare Pension Fund Plan (Note 8)	3,330	–	27,704
Other, net	(6,991)	(730)	(58,161)
	(17,496)	(32,142)	(145,557)
Income before income taxes and minority interests	38,962	10,240	324,143
Income taxes (Note 9):			
Current	14,702	20,183	122,313
Deferred	(1,237)	(18,353)	(10,291)
	13,465	1,830	112,022
Income before minority interests	25,497	8,410	212,121
Minority interests in earnings of consolidated subsidiaries	(5,177)	(759)	(43,069)
Net income	¥ 20,320	¥ 7,651	\$ 169,052
Amounts per share of common stock:			
Net income			
Basic	¥25.72	¥9.70	\$0.214
Diluted	25.47	–	0.212
Cash dividends applicable to the year	6.00	6.00	0.050

The accompanying notes are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2003 and 2002

	Millions of yen						
	Number of shares of common stock (Thousands)	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2001	789,156	¥103,226	¥66,901	¥187,120	¥ -	¥(4,253)	¥ (6)
Net income	-	-	-	7,651	-	-	-
Decrease resulting from decrease in a consolidated subsidiary	-	-	-	(112)	-	-	-
Decrease resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	-	-	-	(444)	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(106)	-	-	-
Cash dividends paid	-	-	-	(4,734)	-	-	-
Net unrealized holding gain on securities	-	-	-	-	6,854	-	-
Foreign currency translation adjustments	-	-	-	-	-	5,016	-
Net increase in treasury stock	-	-	-	-	-	-	(125)
<b>Balance at March 31, 2002</b>	<b>789,156</b>	<b>¥103,226</b>	<b>¥66,901</b>	<b>¥189,375</b>	<b>¥ 6,854</b>	<b>¥ 763</b>	<b>¥ (131)</b>
Net income	-	-	-	20,320	-	-	-
Decrease resulting from decrease in a consolidated subsidiary	-	-	-	(2,008)	-	-	-
Decrease resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	-	-	-	(329)	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(86)	-	-	-
Cash dividends paid	-	-	-	(4,732)	-	-	-
Net unrealized holding gain on securities	-	-	-	-	(3,707)	-	-
Foreign currency translation adjustments	-	-	-	-	-	(3,754)	-
Net increase in treasury stock	-	-	-	-	-	-	(1,954)
<b>Balance at March 31, 2003</b>	<b>789,156</b>	<b>¥103,226</b>	<b>¥66,901</b>	<b>¥202,540</b>	<b>¥ 3,147</b>	<b>¥(2,991)</b>	<b>¥(2,085)</b>

	Thousands of U.S. dollars (Note 3)						
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock, at cost	
Balance at March 31, 2002	\$858,785	\$556,581	\$1,575,499	\$ 57,022	\$ 6,348	\$ (1,090)	
Net income	-	-	169,052	-	-	-	
Decrease resulting from decrease in a consolidated subsidiary	-	-	(16,706)	-	-	-	
Decrease resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	-	-	(2,737)	-	-	-	
Bonuses to directors and corporate auditors	-	-	(715)	-	-	-	
Cash dividends paid	-	-	(39,368)	-	-	-	
Net unrealized holding gain on securities	-	-	-	(30,841)	-	-	
Foreign currency translation adjustments	-	-	-	-	(31,231)	-	
Net increase in treasury stock	-	-	-	-	-	(16,256)	
<b>Balance at March 31, 2003</b>	<b>\$858,785</b>	<b>\$556,581</b>	<b>\$1,685,025</b>	<b>\$ 26,181</b>	<b>\$(24,883)</b>	<b>\$(17,346)</b>	

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2002	2003
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests . . . . .	¥ 38,962	¥ 10,240	\$ 324,143
Depreciation and amortization . . . . .	56,850	56,609	472,962
Provision for allowance for doubtful accounts . . . . .	(1,806)	3,291	(15,025)
Reserve for periodic repairs . . . . .	1,116	(334)	9,285
Interest and dividend income . . . . .	(1,853)	(2,248)	(15,416)
Interest expense . . . . .	9,106	10,813	75,757
Equity in earnings of non-consolidated subsidiaries and affiliates . . . . .	(4,604)	(4,184)	(38,303)
Gain on sales of investment securities . . . . .	(14,704)	(3,269)	(122,329)
Loss on sales of investment securities . . . . .	1,188	15	9,884
Loss on write-downs of investment securities . . . . .	9,326	10,306	77,587
Gain on sales of property, plant and equipment . . . . .	(1,218)	(1,358)	(10,133)
Loss on sales and disposal of property, plant and equipment . . . . .	3,572	5,485	29,717
Gain on exemption from the substitutional portion of National Welfare Pension Fund Plan . . . . .	(3,330)	-	(27,704)
Net retirement benefits obligation at transition . . . . .	6,118	10,534	50,899
Decrease in trade receivables . . . . .	34,133	52,364	283,968
Decrease in inventories . . . . .	15,473	558	128,727
Increase (decrease) in trade payables . . . . .	30,960	(32,811)	257,571
Other, net . . . . .	(7,910)	2,378	(65,808)
Subtotal . . . . .	171,379	118,389	1,425,782
Interest and dividends received . . . . .	4,498	6,350	37,421
Interest paid . . . . .	(9,190)	(10,994)	(76,456)
Income taxes paid . . . . .	(22,547)	(12,612)	(187,579)
Net cash provided by operating activities . . . . .	144,140	101,133	1,199,168
<b>Cash flows from investing activities:</b>			
Acquisition of property, plant, equipment and others . . . . .	(69,399)	(80,642)	(577,363)
Proceeds from sale of property, plant, equipment and others . . . . .	4,044	13,265	33,644
Purchases of investment securities . . . . .	(6,588)	(1,190)	(54,809)
Proceeds from sale of investment securities . . . . .	33,604	5,272	279,567
Net decrease in loans receivable . . . . .	888	6,835	7,388
Purchases of consolidated subsidiaries . . . . .	(3,136)	-	(26,090)
Proceeds from sales of a consolidated subsidiary . . . . .	-	581	-
Purchase of minority interests in a subsidiary . . . . .	-	(6,500)	-
Purchase of business . . . . .	-	(59,071)	-
Other, net . . . . .	(190)	1,383	(1,580)
Net cash used in investing activities . . . . .	(40,777)	(120,067)	(339,243)
<b>Cash flows from financing activities:</b>			
Net decrease in short-term loans . . . . .	(72,553)	(33,811)	(603,602)
Proceeds from long-term debt . . . . .	80,197	74,007	667,196
Repayments of long-term debt . . . . .	(106,189)	(65,612)	(883,436)
Issuance of common stock from minority stockholders . . . . .	800	71	6,656
Proceeds from sale of treasury stock . . . . .	-	153	-
Purchases of treasury stock . . . . .	(1,133)	(279)	(9,426)
Cash dividends paid . . . . .	(4,732)	(4,734)	(39,368)
Other, net . . . . .	534	(1,309)	4,443
Net cash used in financing activities . . . . .	(103,076)	(31,514)	(857,537)
Effect of exchange rate changes on cash and cash equivalents . . . . .	(437)	1,141	(3,636)
Net decrease in cash and cash equivalents . . . . .	(150)	(49,307)	(1,248)
Cash and cash equivalents at beginning of the year . . . . .	26,751	76,142	222,554
Increase (decrease) in cash resulting from changes in number of consolidated subsidiaries . . . . .	15	(84)	125
Cash and cash equivalents at end of the year (Note 4) . . . . .	¥ 26,616	¥ 26,751	\$ 221,431

The accompanying notes are an integral part of these consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES  
For the years ended March 31, 2003 and 2002

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## 1. BASIS OF PREPARATION

The accompanying consolidated financial statements of Mitsui Chemicals, Inc. (the "Company") and its consolidated subsidiaries have been prepared in accordance with accounting principles and practices generally accepted in Japan and have been compiled from those prepared by the Company as required under the Securities and Exchange Law of Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

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## 2. SIGNIFICANT ACCOUNTING POLICIES

### *a. Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company exerts control through majority voting rights or the existence of certain conditions evidencing substantial control by the Company.

Investments in non-consolidated subsidiaries and affiliates, in which the Company has the ability to exercise significant influence over their operating and financial policies, are accounted for by the equity method.

Non-consolidated subsidiaries and affiliates in the process of liquidation are stated at cost or less.

In the elimination of investments in subsidiaries, the portion of the assets and liabilities of a subsidiary attributable to the subsidiary's shares acquired by the Company is recorded based on their fair value as of the respective dates when such shares were acquired.

The amounts of such assets and liabilities attributable to minority stockholders of the subsidiaries are recorded based on the financial statements of the subsidiary.

The excess of the cost of investments in consolidated subsidiaries over the net assets acquired is deferred as a consolidation difference and is amortized over a period of twenty years or less.

All significant intercompany transactions and accounts have been eliminated in consolidation.

### *b. Foreign currency translation*

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. The Company and its domestic consolidated subsidiaries have reported foreign currency translation adjustments as a component of stockholders' equity and minority interests.

### *c. Inventories*

The Company: Inventories are stated primarily at cost by the last-in, first-out method.

Consolidated subsidiaries: Inventories are stated primarily at cost by the gross average method.

### *d. Securities*

Held-to-maturity debt securities are stated at amortized cost.

Available-for-sale securities with known fair market value are stated at fair market value.

Unrealized gain or loss on these securities is reported, net of the applicable income taxes, as a separate component of shareholders' equity. Realized gain or loss on sales of such securities is computed by the moving-average method.

Other securities are stated at cost by the moving-average method.

### *e. Property, plant and equipment*

Property, plant and equipment is stated at cost. Depreciation is calculated principally by the straight-line method over the estimated useful lives of the respective assets.

Maintenance, repairs and minor renewals are currently charged to income; major renewals and improvements are capitalized.

### *f. Software cost*

The Company and its consolidated subsidiaries amortize software cost for internal use by the straight-line method over its estimated useful life (five years).

### *g. Research and development expenses*

Expenses relating to research and development activities are charged to income as incurred.



#### ***h. Leases***

The Company and its consolidated subsidiaries lease certain equipment under noncancelable leases referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the lessees are accounted for in the same manner as operating leases.

#### ***i. Derivatives and hedge accounting***

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize any changes in the fair value as gains or losses unless the derivatives are being utilized for hedging purposes.

If the derivatives meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in the fair value of the derivatives positions until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts used as hedges meet certain hedging criteria, the existing foreign currency receivables or payables are translated at their contract rates.

In addition, if interest-rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

#### ***j. Allowance for doubtful accounts***

The allowance for doubtful accounts is provided at amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amounts with respect to identified doubtful accounts and an amount calculated by a formula based on actual collection losses incurred in the past with respect to the remaining receivables.

#### ***k. Employees' retirement benefits***

The Company: The Company's employees are covered by a contributory funded pension plan and an employees' retirement benefit plan.

Consolidated Subsidiaries: Employees of the consolidated subsidiaries are covered by an employees' retirement benefit plan and a tax-qualified non-contributory pension plan or the Company's contributory funded pension plan.

Under these plans, all eligible employees are entitled to certain benefits based on their level of wages and salary at the time of retirement or termination, length of service and certain other factors.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts calculated actuarially under certain assumptions.

The Company and its consolidated subsidiaries have provided an allowance for employees' severance and retirement benefits at March 31, 2003 and 2002 based on the estimated amounts of the projected benefit obligation less the fair value of the pension plan assets at those dates.

The excess of the projected benefit obligation over the total fair value of the pension plan assets as of April 1, 2000 and the liabilities for employees' severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥ 53,848 million (\$447,987 thousand), of which ¥398 million (\$3,311 thousand) was recognized as an expense as a result of the contribution of investment securities worth ¥398 million (\$3,311 thousand) to the employees' retirement benefit trust in 2000. The remaining net transition obligation amounting to ¥53,450 million (\$444,676 thousand) is being recognized in expenses in equal amounts primarily over 5 years commencing the year ended March 31, 2001. The unrecognized net retirement benefit obligation at transition related to the exemption from the substitutional portion of National Welfare Pension Fund Plan was recognized as an expense effective the date permission was received from Ministry of Health, Labor and Welfare. Prior service cost is recognized as incurred or is amortized by the straight-line method within the average estimated remaining service years of the eligible employees. Actuarial gain or loss is recognized by the straight-line method within the average estimated remaining service years of the eligible employees commencing the following year in which the gain or loss was recognized.

Employees of Japanese companies are compulsorily covered by National Welfare Pension Fund Plan operated by the National government. Employers are legally required to deduct the employees' welfare pension insurance contributions from their salaries and to remit these to National Welfare Pension Fund Plan together with the employers' own contributions. For companies that have established their own employees' pension plan which meets certain legal requirements, it is possible to transfer a portion of National Welfare Pension Fund Plan insurance contributions (referred to as the "substitutional portion" of National Welfare Pension Fund Plan) to their own employees' pension plan with the government's permission and under its supervision.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Company decided to restructure their employees' pension plan and were permitted by the Minister of Health, Labor and Welfare on April 18, 2002 to be released from their future obligation for payments for the substitutional portion of National Welfare Pension Fund Plan. Pension assets for the substitutional portion maintained by the employees' pension plan are to be transferred back to the government's scheme.

The Company applied the transitional provisions as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Accounting for Retirement Benefits (Interim Report)," and the effect of transferring the substitutional portion was recognized on the date permission was received from the Ministry of Health, Labor and Welfare. As the result, in the year ended March 31, 2003, the Company recorded gains on the release from the substitutional portion of National Welfare Pension Fund Plan amounting to ¥3,330 million (\$27,704 thousand), which was calculated based on the amount of the substitutional portion of the projected benefit obligations as of the permission date less the related pension plan assets determined pursuant to the government formula (¥41,897 million (\$348,561 thousand)), the related unrecognized actuarial loss (¥25,777 million (\$214,451 thousand)), and the related unrecognized net retirement benefit obligation at transition (¥12,790 million (\$106,406 thousand)).

The amount of pension plan assets expected to be transferred back to the government totaled approximately ¥47,175 million (\$392,471 thousand) as at March 31, 2003.

***l. Reserve for periodic repairs***

The Company and several consolidated subsidiaries provide a reserve for the costs of periodic repairs of production facilities at the plants.

***m. Amounts per share of common stock***

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent the actual amount applicable to each respective year.

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share and the related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per Share," issued by the Accounting Standards Board of Japan).

The effect on earnings per share of the initial adoption of this accounting standard was immaterial.

***n. Consolidated statements of cash flows***

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not in excess of three months from the date of purchase are considered cash and cash equivalents.

***o. Accounting change***

Effective April 1, 2002, the Company adopted a new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002). The initial adoption of this accounting standard had no impact on the financial statements.

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**3. U.S. DOLLAR AMOUNTS**

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the exchange rate of ¥120.2=US\$1.00, the approximate rate of exchange at March 31, 2003. The translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate.

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**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash	¥26,616	¥26,031	\$221,431
Cash equivalents	—	720	—
	¥26,616	¥26,751	\$221,431

## 5. INVENTORIES

Inventories at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Finished goods . . . . .	<b>¥110,209</b>	¥126,936	<b>\$ 916,880</b>
Work in process . . . . .	<b>7,274</b>	5,388	<b>60,516</b>
Raw materials and supplies . . . . .	<b>41,958</b>	42,137	<b>349,068</b>
	<b>¥159,441</b>	¥174,461	<b>\$1,326,464</b>

## 6. SECURITIES

A. The following tables summarize the acquisition cost, book value and fair value of securities with known fair value as of March 31, 2003 and 2002:

(a) Held-to-maturity debt securities

Securities with known fair value equal to or lower than their book value

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Book value . . . . .	<b>¥10</b>	¥10	<b>\$83</b>
Fair value . . . . .	<b>10</b>	10	<b>83</b>
Difference . . . . .	<b>0</b>	0	<b>0</b>

(b) Available-for-sale securities

Securities with book value exceeding their acquisition cost

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Equity securities:			
Acquisition cost . . . . .	<b>¥ 9,208</b>	¥23,718	<b>\$ 76,606</b>
Book value . . . . .	<b>17,565</b>	40,952	<b>146,131</b>
Difference . . . . .	<b>8,357</b>	17,234	<b>69,526</b>

Other securities

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Equity securities:			
Acquisition cost . . . . .	<b>¥18,227</b>	¥20,124	<b>\$151,639</b>
Book value . . . . .	<b>15,189</b>	16,911	<b>126,364</b>
Difference . . . . .	<b>(3,038)</b>	(3,213)	<b>(25,275)</b>



B. The following tables summarize the book value of securities with no known fair value as of March 31, 2003 and 2002:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
(a) Held-to-maturity debt securities:			
Local government bonds . . . . .	¥ 66	¥ 73	\$ 549
(b) Available-for-sale securities:			
Unlisted equity securities . . . . .	¥18,304	¥19,443	\$152,280
Beneficiary certificates of bond investment trust . . . . .	—	720	—
Total . . . . .	¥18,304	¥20,163	\$152,280

C. Available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
Local government bonds:		
Due within one year . . . . .	¥ 8	\$ 67
Due over one year but within five years . . . . .	36	300
Due over five years but within ten years . . . . .	32	266
Due over ten years . . . . .	—	—
Total . . . . .	¥76	\$633

D. Information related to available-for-sale securities for the year ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Sales – total . . . . .	¥19,065	¥5,210	\$158,611
Related gain – total . . . . .	9,933	3,013	82,637
Related loss – total . . . . .	516	54	4,293

## 7. SHORT-TERM DEBT AND LONG TERM DEBT

At March 31, 2003 and 2002, short-term debt is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
0.39%-6.30% bank loans . . . . .	<b>¥129,533</b>	¥195,397	<b>\$1,077,646</b>
Commercial paper . . . . .	<b>¥ 25,500</b>	¥ 30,500	<b>\$ 212,146</b>

At March 31, 2003 and 2002, long-term debt is summarized as follows:

1.875% bonds due 2002 . . . . .	¥ –	¥ 10,000	\$ –
2.100% bonds due 2003 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
2.250% bonds due 2004 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
2.500% bonds due 2002 . . . . .	–	10,000	–
2.950% bonds due 2004 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
2.100% bonds due 2002 . . . . .	–	10,000	–
1.975% bonds due 2002 . . . . .	–	10,000	–
2.400% bonds due 2004 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
2.250% bonds due 2003 . . . . .	–	10,000	–
2.700% bonds due 2005 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
2.950% bonds due 2008 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
2.700% bonds due 2008 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
1.875% bonds due 2003 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
1.850% bonds due 2003 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
1.775% bonds due 2003 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
2.475% bonds due 2005 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
2.070% bonds due 2010 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
1.350% bonds due 2005 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
1.940% bonds due 2011 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
1.840% bonds due 2011 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
1.620% bonds due 2011 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
0.670% bonds due 2006 . . . . .	<b>10,000</b>	10,000	<b>83,195</b>
0.790% bonds due 2007 . . . . .	<b>10,000</b>	–	<b>83,195</b>
1.040% bonds due 2009 . . . . .	<b>10,000</b>	–	<b>83,195</b>
1.360% bonds due 2012 . . . . .	<b>10,000</b>	–	<b>83,195</b>
0.560% bonds due 2007 . . . . .	<b>10,000</b>	–	<b>83,195</b>
0.500% bonds due 2006 . . . . .	<b>10,000</b>	–	<b>83,195</b>
2.750% bonds due 2004 . . . . .	<b>3,000</b>	3,000	<b>24,958</b>
1.650% bonds due 2003 . . . . .	–	3,000	–
0.880% bonds due 2005 . . . . .	<b>1,000</b>	–	<b>8,319</b>
1.600% bonds due 2004 . . . . .	<b>100</b>	100	<b>832</b>
2.600% bonds due 2008 . . . . .	<b>500</b>	500	<b>4,160</b>
0.460% bonds due 2005 . . . . .	<b>120</b>	–	<b>998</b>
0.400% bonds due 2006 . . . . .	<b>102</b>	–	<b>849</b>
2.000% notes due 2002 . . . . .	–	746	–
Floating rate notes due 2002 . . . . .	–	1,006	–
1.8% convertible debentures due 2003 . . . . .	–	17,611	–
1.8% convertible debentures due 2004 . . . . .	<b>9,858</b>	9,858	<b>82,013</b>
Loans, principally from banks and insurance companies:			
Secured, at rates from 0.77% to 8.00% maturing through 2010 . . . . .	<b>26,166</b>	50,529	<b>217,687</b>
Unsecured, at rates from 0.69% to 7.51% maturing through 2011 . . . . .	<b>113,118</b>	99,489	<b>941,076</b>
	<b>373,964</b>	405,839	<b>3,111,182</b>
Less current portion . . . . .	<b>80,079</b>	106,528	<b>666,215</b>
	<b>¥293,885</b>	¥299,311	<b>\$2,444,967</b>

Convertible debentures, unless previously redeemed, are convertible into shares of common stock of the Company at the following conversion prices:

	Conversion price per share		Convertible at any time up to and including
1.8% convertible debentures due 2003	¥1,371.20	\$(11.41)	March 28, 2003
1.8% convertible debentures due 2004	¥1,617.00	\$(13.45)	March 30, 2004

The aggregate annual maturities of long-term debt subsequent to March 31, 2003 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2004	¥ 80,079	\$ 666,215
2005	77,643	645,948
2006	35,286	293,561
2007	41,402	344,443
2008 and thereafter	139,554	1,161,015
	¥373,964	\$3,111,182

At March 31, 2003, the assets pledged as collateral for long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥ 1,907	\$ 15,865
Property, plant and equipment, net of accumulated depreciation	151,112	1,257,171

## 8. ACCRUED RETIREMENT BENEFITS

The liability for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Projected benefit obligation	¥211,096	¥ 297,186	\$1,756,206
Unrecognized prior service cost	31	35	258
Unrecognized actuarial loss	(75,253)	(76,387)	(626,065)
Less fair value of pension plan assets	(67,667)	(135,493)	(562,953)
Less unrecognized net retirement benefits obligation at transition	(12,237)	(31,146)	(101,805)
Prepaid pension and severance cost	138	–	1,148
Liability for severance and retirement benefits	¥ 56,108	¥ 54,195	\$ 466,789



Included in the consolidated statements of income for the years ended March 31, 2003 and 2002 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Service cost-benefits earned during the year . . . . .	¥ 6,701	¥ 8,210	\$ 55,749
Interest cost on projected benefit obligation . . . . .	5,028	8,558	41,830
Expected return on plan assets . . . . .	(2,125)	(4,713)	(17,679)
Amortization of net retirement benefits obligation at transition . . . . .	6,118	10,534	50,899
Amortization of actuarial differences . . . . .	4,066	2,054	33,827
Amortization of prior service cost . . . . .	(4)	(2,912)	(34)
Severance and retirement benefit expenses . . . . .	19,784	21,731	164,592
Gain on exemption from the substitutional portion of National Welfare Pension Fund Plan . . . . .	(3,330)	–	(27,704)
Net . . . . .	¥16,454	¥21,731	\$136,888

The discount rate and rate of expected return on the pension plan assets assumed by the Company and its consolidated subsidiaries were as follows:

	2003	2002
Discount rate . . . . .	2.5%	2.5%
Rates of expected return on the pension plan assets . . . . .	2.5%	3.5%

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year over the estimated total service years. Prior service cost is recognized as incurred or is amortized by the straight-line method over 10 years. Actuarial gain/loss is recognized by the straight-line method over 10 to 13 years commencing the following year in which the gain or loss was recognized.

## 9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of income taxes in Japan which, in the aggregate, indicate a statutory tax rate of approximately 41.9% for the years ended March 31, 2003 and 2002. The overseas consolidated subsidiaries are subject to the income taxes of their countries of domicile.

The following table summarizes the significant differences between the statutory tax rate and effective tax rate for consolidated financial statement purposes for the years ended March 31, 2003 and 2002.

	2003	2002
Statutory tax rate . . . . .	41.9%	41.9%
Non-taxable dividend income . . . . .	–	(2.1)
Non-deductible expenses . . . . .	1.8	7.6
Equity in earnings of non-consolidated subsidiaries and affiliates . . . . .	(5.0)	(17.1)
Loss carryforwards of consolidated subsidiaries . . . . .	–	(10.4)
Elimination of unrecognized gain on sales of consolidated subsidiaries and affiliates . . . . .	–	2.4
Tax credit . . . . .	–	(4.5)
Effect of changes in tax rate . . . . .	3.1	–
Differences in statutory tax rate of overseas consolidated subsidiaries . . . . .	(8.2)	–
Other . . . . .	1.0	0.1
Effective tax rate . . . . .	34.6%	17.9%

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Allowance for doubtful accounts . . . . .	¥ 969	¥ 2,285	\$ 8,062
Employees' retirement benefits . . . . .	21,451	20,786	178,461
Accrued bonuses . . . . .	4,105	3,260	34,151
Depreciation . . . . .	5,525	5,460	45,965
Enterprise tax . . . . .	540	1,459	4,492
Loss carryforwards of consolidated subsidiaries . . . . .	2,500	3,553	20,799
Reserve for periodic repairs . . . . .	2,026	1,532	16,855
Elimination of unrecognized gain on sale of business . . . . .	4,150	5,534	34,526
Loss on write-downs of investment securities . . . . .	7,023	4,838	58,428
Other . . . . .	8,481	7,390	70,557
Subtotal . . . . .	56,770	56,097	472,296
Valuation allowance . . . . .	(996)	(1,334)	(8,286)
Total deferred tax assets . . . . .	55,774	54,763	464,010
Deferred tax liabilities:			
Net unrealized holding gain on securities . . . . .	(2,126)	(5,487)	(17,687)
Deferred gain on real properties . . . . .	(4,472)	(4,725)	(37,205)
Reserve for special depreciation . . . . .	(360)	(476)	(2,995)
Other . . . . .	(2,190)	(1,507)	(18,220)
Total deferred tax liabilities . . . . .	(9,148)	(12,195)	(76,107)
Net deferred tax assets . . . . .	¥46,626	¥ 42,568	\$387,903

The aggregate statutory income tax rate will be reduced for the years commencing on April 1, 2004 or later due to a recent revision to local tax law. At March 31, 2003, the Company and consolidated domestic subsidiaries applied the reduced aggregate statutory tax rate of 40.6% in calculating deferred tax assets and liabilities that are expected to be recovered or settled in years commencing April 1, 2004 or later. As a result, deferred taxes assets decreased by ¥943 million (\$7,845 thousand) and provision for deferred income taxes, net of unrealized holding gain on securities and minority interests increased by ¥1,009 million (\$8,394 thousand), ¥65 million (\$541 thousand) and ¥1 million (\$8 thousand), respectively, compared with which would have been reported if the currently applicable statutory tax rate of 41.9% had been applied.

## 10. STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital are equal to or exceed 25% of common stock, they are available for distributions and certain other purposes by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

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## 11. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of trade notes discounted . . . . .	¥ 80	\$ 666
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates . . . .	24,388	202,895
As issuer of commitments for guarantees . . . . .	812	6,755

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## 12. LEASES

Lease payments under finance leases, which are accounted for in the same manner as operating leases for the year ended March 31, 2003 were ¥3,414 million (\$28,403 thousand). Future lease payments under such finance leases as of March 31, 2003, inclusive of interest, were ¥8,355 million (\$69,509 thousand), including ¥2,805 million (\$23,336 thousand) due within one year.

Future lease payments under operating leases as of March 31, 2003 were ¥14 million (\$116 thousand), including ¥8 million (\$67 thousand) due after one year.

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## 13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Research and development expenses . . . . .	¥37,114	¥39,012	\$308,769

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## 14. DERIVATIVES

The Company and certain of its consolidated subsidiaries utilize derivatives transactions only for the purpose of hedging the currency risk associated with transactions denominated in foreign currencies or the interest rate risk associated with loans payable.

As the counterparties to the above derivatives transactions are major financial institutions, management of the Company believes that there is no significant risk of default by these counterparties.

All derivatives transactions the Company and certain of its consolidated subsidiaries enter into are approved by the directors of the financial section. The conditions and results of such transactions are reported semiannually to the Board of Directors.

The following summarizes derivatives used by the Companies as hedging instruments and items hedged:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts and currency swap contracts	Foreign currency trade receivables and trade payables
Interest-rate swap contracts	Interest on bonds and loans payable

The Companies assess the effectiveness of the hedges semiannually by comparing the cumulative changes in cash flows from, or the changes in the fair value of, the hedged items with the corresponding changes in the value of the derivatives positions.

Market value information on the derivatives positions open as of March 31, 2003 and 2002 has not been disclosed as deferred hedge accounting has been applied.

## 15. SEGMENT INFORMATION

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2003, and 2002 is summarized as follows:

Year ended March 31, 2003	Millions of yen						
	Petrochemicals	Basic Chemicals	Functional Polymeric Materials	Functional Chemicals & Engineered Materials	Others	Eliminations	Consolidated
I. Sales and operating income:							
Customers . . . . .	¥266,479	¥311,051	¥211,257	¥207,021	¥ 57,374	¥ –	¥1,053,182
Inter-segment . . . . .	45,941	50,603	15,436	13,222	105,717	(230,919)	–
Total sales . . . . .	312,420	361,654	226,693	220,243	163,091	(230,919)	1,053,182
Operating expenses . . . . .	299,393	348,025	214,348	206,500	159,701	(231,243)	996,724
Operating income . . . . .	¥ 13,027	¥ 13,629	¥ 12,345	¥ 13,743	¥ 3,390	¥ 324	¥ 56,458
II. Assets, depreciation and capital expenditures:							
Total assets . . . . .	¥262,341	¥364,773	¥287,126	¥259,750	¥ 88,034	¥ (36,830)	¥1,225,194
Depreciation and amortization . . . . .	12,634	15,073	15,782	12,378	1,476	(493)	56,850
Capital expenditures . . . . .	11,346	22,378	21,715	12,514	800	–	68,753

Year ended March 31, 2003	Thousands of U.S. dollars						
	Petrochemicals	Basic Chemicals	Functional Polymeric Materials	Functional Chemicals & Engineered Materials	Others	Eliminations	Consolidated
I. Sales and operating income:							
Customers . . . . .	\$2,216,963	\$2,587,779	\$1,757,546	\$1,722,304	\$ 477,321	\$ –	\$ 8,761,913
Inter-segment . . . . .	382,205	420,990	128,419	110,000	879,509	(1,921,123)	–
Total sales . . . . .	2,599,168	3,008,769	1,885,965	1,832,304	1,356,830	(1,921,123)	8,761,913
Operating expenses . . . . .	2,490,790	2,895,383	1,783,261	1,717,970	1,328,627	(1,923,818)	8,292,213
Operating income . . . . .	\$ 108,378	\$ 113,386	\$ 102,704	\$ 114,334	\$ 28,203	\$ 2,695	\$ 469,700
II. Assets, depreciation and capital expenditures:							
Total assets . . . . .	\$2,182,537	\$3,034,717	\$2,388,736	\$2,160,982	\$ 732,396	\$ (306,406)	\$10,192,962
Depreciation and amortization . . . . .	105,108	125,399	131,298	102,978	12,280	(4,101)	472,962
Capital expenditures . . . . .	94,393	186,173	180,657	104,110	6,655	–	571,988



Year ended March 31, 2002	Millions of yen						Eliminations	Consolidated
	Petrochemicals	Basic Chemicals	Functional Polymeric Materials	Functional Chemicals & Engineered Materials	Others			
I. Sales and operating income:								
Customers . . . . .	¥221,669	¥265,223	¥198,091	¥215,172	¥ 52,525	¥ -	¥ 952,680	
Inter-segment . . . . .	101,058	11,564	13,729	11,969	115,588	(253,908)	-	
Total sales . . . . .	322,727	276,787	211,820	227,141	168,113	(253,908)	952,680	
Operating expenses . . . . .	312,674	269,550	199,879	216,582	165,512	(253,899)	910,298	
Operating income . . . . .	¥ 10,053	¥ 7,237	¥ 11,941	¥ 10,559	¥ 2,601	¥ (9)	¥ 42,382	
II. Assets, depreciation and capital expenditures:								
Total assets . . . . .	¥310,507	¥364,315	¥294,784	¥277,246	¥ 96,184	¥ (45,173)	¥1,297,863	
Depreciation and amortization . . . . .	13,105	13,470	15,681	13,231	1,685	(563)	56,609	
Capital expenditures . . . . .	16,405	28,554	55,410	15,922	1,273	-	117,564	

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 by geographic area were as follows:

Year ended March 31, 2003	Millions of yen			Consolidated
	Domestic (in Japan)	Outside Japan	Eliminations	
I. Sales and operating income:				
Customers . . . . .	<b>¥ 927,879</b>	<b>¥125,303</b>	<b>¥ -</b>	<b>¥1,053,182</b>
Inter-segment . . . . .	<b>31,775</b>	<b>13,402</b>	<b>(45,177)</b>	<b>-</b>
Total sales . . . . .	<b>959,654</b>	<b>138,705</b>	<b>(45,177)</b>	<b>1,053,182</b>
Operating expenses . . . . .	<b>916,545</b>	<b>125,596</b>	<b>(45,417)</b>	<b>996,724</b>
Operating income . . . . .	<b>¥ 43,109</b>	<b>¥ 13,109</b>	<b>¥ 240</b>	<b>¥ 56,458</b>
II. Assets . . . . .	<b>¥1,120,607</b>	<b>¥150,933</b>	<b>¥(46,346)</b>	<b>¥1,225,194</b>

Year ended March 31, 2003	Thousands of U.S. dollars			Consolidated
	Domestic (in Japan)	Outside Japan	Eliminations	
I. Sales and operating income:				
Customers . . . . .	<b>\$7,719,459</b>	<b>\$1,042,454</b>	<b>\$ -</b>	<b>\$ 8,761,913</b>
Inter-segment . . . . .	<b>264,351</b>	<b>111,498</b>	<b>(375,849)</b>	<b>-</b>
Total sales . . . . .	<b>7,983,810</b>	<b>1,153,952</b>	<b>(375,849)</b>	<b>8,761,913</b>
Operating expenses . . . . .	<b>7,625,166</b>	<b>1,044,892</b>	<b>(377,845)</b>	<b>8,292,213</b>
Operating income . . . . .	<b>\$ 358,644</b>	<b>\$ 109,060</b>	<b>\$ 1,996</b>	<b>\$ 469,700</b>
II. Assets . . . . .	<b>\$9,322,854</b>	<b>\$1,255,682</b>	<b>\$(385,574)</b>	<b>\$10,192,962</b>

Year ended March 31, 2002	Millions of yen			
	Domestic (in Japan)	Outside Japan	Eliminations	Consolidated
I. Sales and operating income:				
Customers . . . . .	¥ 860,976	¥ 91,704	¥ –	¥ 952,680
Inter-segment . . . . .	27,034	3,782	(30,816)	–
Total sales . . . . .	888,010	95,486	(30,816)	952,680
Operating expenses . . . . .	850,825	90,051	(30,578)	910,298
Operating income . . . . .	¥ 37,185	¥ 5,435	¥ (238)	¥ 42,382
II. Assets . . . . .				
	¥1,212,506	¥129,456	¥(44,099)	¥1,297,863

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 are summarized by geographic area as follows:

Year ended March 31, 2003	Millions of yen				
	Asia	North America and Latin America	Europe	Others	Overseas sales
Overseas sales . . . . .	<b>¥229,541</b>	<b>¥51,632</b>	<b>¥26,541</b>	<b>¥6,318</b>	<b>¥ 314,032</b>
Consolidated net sales . . . . .					<b>¥1,053,182</b>
Ratio of overseas sales to consolidated net sales . . . . .	<b>21.8%</b>	<b>4.9%</b>	<b>2.5%</b>	<b>0.6%</b>	<b>29.8%</b>

Year ended March 31, 2003	Thousands of U.S. dollars				
	Asia	North America and Latin America	Europe	Others	Overseas sales
Overseas sales . . . . .	<b>\$1,909,659</b>	<b>\$429,551</b>	<b>\$220,807</b>	<b>\$52,562</b>	<b>\$2,612,579</b>

Year ended March 31, 2002	Millions of yen				
	Asia	North America and Latin America	Europe	Others	Overseas sales
Overseas sales . . . . .	¥166,501	¥41,049	¥23,709	¥6,537	¥237,796
Consolidated net sales . . . . .					¥952,680
Ratio of overseas sales to consolidated net sales . . . . .	17.5%	4.3%	2.5%	0.7%	25.0%

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**16. SUBSEQUENT EVENT**

The following appropriations of retained earnings at March 31, 2003 were duly approved at a meeting of the Company's stockholder held on June 27, 2003 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 (\$0.02) per share . . . . .	<b>¥2,360</b>	<b>\$19,634</b>
Bonuses to directors and corporate auditors . . . . .	<b>¥ 62</b>	<b>\$ 516</b>

## REPORT OF INDEPENDENT AUDITORS

To the Stockholders and the Board of Directors of Mitsui Chemicals, Inc.

We have audited the accompanying consolidated balance sheets of Mitsui Chemicals, Inc. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion independently on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Chemicals, Inc. and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Tokyo Japan  
June 27, 2003

*Asahi & Co.*  
*Shin Nihon & Co.*

*See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Mitsui Chemicals, Inc. and consolidated subsidiaries under Japanese accounting principles and practices.*



## MAJOR SUBSIDIARIES AND AFFILIATES

\* Consolidated subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)	Equity Interest (%)
<b>Domestic</b>			
<b>Petrochemicals Business Group</b>			
Japan Polystyrene Inc.	Polystyrene	¥ 2,000	50
Sumitomo Mitsui Polyolefin Co., Ltd.	Polyolefin	¥ 7,000	50
<b>Basic Chemicals Business Group</b>			
* Shimonoeki Mitsui Chemicals, Inc.	Phosphoric acid and fertilizers	¥ 4,000	100
Mitsui Chemicals Air Water, Inc.	Liquid hyperpure carbon dioxide, gas and dry ice	¥ 480	50
* Mitsui Toatsu Inorganic Chemicals, Inc.	Inorganic chemicals	¥ 100	50
<b>Functional Polymeric Materials Business Group</b>			
* Molding and Compounding Industries, Ltd.	Synthetic resin compounds and wood preservatives	¥ 300	100
* Saxin Corporation	Engineering plastic moldings	¥ 128	71.4
* Sunbake Co., Ltd.	Wood adhesives	¥ 700	60
Japan Composite Co., Ltd.	Unsaturated polyester resins and molding materials for FRP	¥ 1,005	65
Takeda U-PLEX Co., Ltd.	Civil engineering and construction materials mainly of urethane resins	¥ 100	60
Nippon A&L Inc.	SBR latex and ABS resin	¥ 5,996	33
* Hokkaido Mitsui Chemicals, Inc.	Wood adhesives, paper resins and foliar activator	¥ 2,000	100
Mitsui Cytec, Ltd.	Organic flocculant and methylated amino resins for paint	¥ 620	50
* Mitsui Takeda Chemicals, Inc.	Urethane raw materials, urethane derivatives and organic acids	¥ 20,008	51
<b>Functional Chemicals &amp; Engineered Materials Business Group</b>			
* Sun Technochemicals Co., Ltd.	Epoxy resin hardening agent, various amines, special solvents and dimethyl carbonate derivatives	¥ 300	100
* Sun Medical Co., Ltd.	Dental materials	¥ 100	70
* Sunrex Industry Co., Ltd.	Spunbonded nonwoven fabrics and plastic film	¥ 240	100
* Tohcello Co., Ltd.	Plastic film	¥ 2,370	64.9
Nippon Aluminum Alkyls, Ltd.	Manufacture and sale of organic compounds, such as alkylaluminum and their derivatives	¥ 400	50
Nippon Alkyl Phenol Co., Ltd.	Manufacture and sale of alkylphenols	¥ 450	50
Nippon Amorphous Metals Co., Ltd.	Amorphous alloys	¥ 886	35
* Hi-Sheet Industries, Ltd.	Plastic products	¥ 100	100
* Printec Corp.	Printed wiring boards and electronic appliances	¥ 250	100
Honshu Chemical Industry, Ltd.	Raw materials for synthetic resins, synthetic fibers, dyes, pharmaceuticals, agricultural chemicals, rubber and other chemicals	¥ 1,500	26.9
* Miike Dyes Works, Ltd.	Dyestuffs, pigments and intermediates	¥ 1,300	100
* Mitsui Chemicals Industrial Products, Ltd.	Civil engineering and construction materials	¥ 400	95.2
* Mitsui Kagaku Fine Chemicals, Inc.	Fine and speciality chemicals	¥ 100	50
* Mitsui Kagaku Platech Co., Ltd.	Agricultural materials, food packaging materials and industrial materials	¥ 1,250	100
Yamamoto Chemicals, Inc.	Dyes, pigments and industrial chemicals	¥ 2,134	31.7
<b>Others</b>			
GEM Polymers, Ltd.	Polyphenylene ether, 2,6-xyleneol and orthocresol	¥ 840	49
Daika Polymers Co., Ltd.	Fabricated plastics	¥ 371.9	32
Toyo Gas Engineering Co., Ltd.	Design and construction of plant equipment	¥ 480	50
GE Plastics Japan Ltd.	Bisphenol-A and engineering plastics	¥ 9,800	41
* Mitsui Chemicals Engineering Co., Ltd.	Engineering, plant construction and machine maintenance	¥ 400	100
* Mitsui Chemicals Logistics, Inc.	Logistics freight transport, packaging	¥ 600	100
* Mitsui Chemical Analysis & Consulting Service, Inc.	Performing analysis, physical property measurements, and safety tests on chemicals	¥ 130	100
Du Pont-Mitsui Fluorochemicals Co., Ltd.	Fluorocarbon resin and gas, and other chemicals	¥ 2,880	50
Du Pont-Mitsui Polychemicals Co., Ltd.	Ethylene vinyl acetate copolymer and other plastics	¥ 6,480	50
* Mitsui Toatsu Fertilizers, Inc.	Compound fertilizers, synthetic soil and liquid fertilizers	¥ 500	100
* MCI Logistics (west), Inc.	General trucking and warehousing	¥ 400	100
* MCI Logistics (east), Inc.	General trucking and warehousing	¥ 400	100

\* Consolidated subsidiary

Companies	Major Products or Lines of Business		Paid-in Capital (In millions)	Equity Interest (%)
<b>Overseas</b>				
<b>Asia</b>				
* Mitsui Bisphenol Singapore Pte. Ltd.	Bisphenol-A	US\$	40.1	100
* Mitsui Chemicals Asia, Ltd.	Marketing of Mitsui Chemicals products	S\$	24.9	100
* Mitsui Elastomers Singapore Pte. Ltd.	Elastomers	US\$	35	100
* Mitsui Phenol Singapore Pte. Ltd.	Phenol and acetone	US\$	54	90
* MTK Chemicals Pte. Ltd.	Coating resins	S\$	3.6	65
P.T. Amoco Mitsui PTA Indonesia	PTA	US\$	160	45
* P.T. Arjuna Utama Kimia	Adhesives and formalin	US\$	2.6	59
* P.T. Cosmo Polyurethane Indonesia	Urethane premixture	US\$	10.5	81
* P.T. Mitsui Eterindo Chemicals	Acrylamide	US\$	3	70
P.T. Petnesia Resindo	Polyethylene terephthalate resin for bottles	US\$	28.6	41.6
* Cosmo Scientex (M) Sdn. Bhd.	Urethane prepolymers for flexible packaging applications and providing technical services and assistance with customers	RM	10	70
Malayan Adhesives & Chemicals Sdn. Bhd.	Adhesives and formalin	M\$	14	32
Eternal Plastics Co., Ltd.	Polystyrene	Baht	240	32.2
Grand Siam Composite Co., Ltd.	Polypropylene compound	Baht	60	48
* Mitsui Hygiene Materials (Thailand) Co., Ltd.	Spunbonded nonwoven fabrics	Baht	182.9	100
* Siam Mitsui PTA Co., Ltd.	PTA	Baht	2,800	49
* Thai Mitsui Specialty Chemicals Co., Ltd.	Specialty chemicals	Baht	318	44
Thai Pet Resin Co., Ltd.	Polyethylene terephthalate resin for bottles	Baht	900	40
* Mitsui Chemicals (Shanghai) Co., Ltd.	Marketing of Mitsui Chemicals products	US\$	0.3	100
Mitsui Hi-Polymer (Asia) Ltd.	Sales of high-density polyethylene	US\$	4.6	50
Tianjin Cosmo Polyurethane Co., Ltd.	Urethane premixture	Yuan	29.5	45
Croslene Chemical Industries Ltd.	Urethane resins	NT\$	200	50
* Taiwan Mitsui Chemicals, Inc.	Sales of electronics and information materials	Yuan	14	100
Kumho Mitsui Chemicals, Inc.	MDI	Won	50,000	50
* Yongsan Mitsui Chemicals, Inc.	Acrylamide	Won	3,850	50
<b>U.S.A.</b>				
* Advanced Composites, Inc.	Polypropylene compound	US\$	14.1	62.8
* Anderson Development Company	Specialty chemicals	US\$	19.2	100
* ESCO Company Limited Partnership	Color former and catalyst	US\$	21	51
Image Polymers Company	Toner resin	US\$	17.2	50
* Mitsui Chemicals America, Inc.	Manufacture of ADMER and marketing of Mitsui Chemicals products	US\$	51.7	100
Polyimide Laminate Systems, LLC	Polyimide flexible laminate	US\$	0.1	50
<b>Europe</b>				
* Mitsui Chemicals Europe GmbH.	Manufacture of polypropylene compound, ADMER and marketing of Mitsui Chemicals products	DM	2.4	100
Image Polymers Europe UK Partnership	Toner resin	Pound	13.0	50
* Mitsui Petrochemicals (Netherlands) B.V.	Binder split yarn	NL	1	100

(As of March 31, 2003)

## CORPORATE DATA

### Date Incorporated

July 25, 1947  
(Inaugurated October 1, 1997)

### Paid-in Capital

¥103,226 million

### Number of Employees

12,660 (Consolidated)  
4,916 (Non-consolidated)

### Shares of Common Stock Issued and Outstanding

789,156,353

### Number of Stockholders

110,882

### Stock Listings

Tokyo, Osaka

### Transfer Agent

The Chuo Mitsui Trust & Banking Co., Ltd.

(As of March 31, 2003)

### Offices

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Germany

#### ***MITSUI CHEMICALS EUROPE GmbH***

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Facsimile: 49-211-323486

Singapore

#### ***MITSUI CHEMICALS ASIA, LTD.***

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Singapore 049513, Singapore  
Phone: 65-534-2611  
Facsimile: 65-535-5161

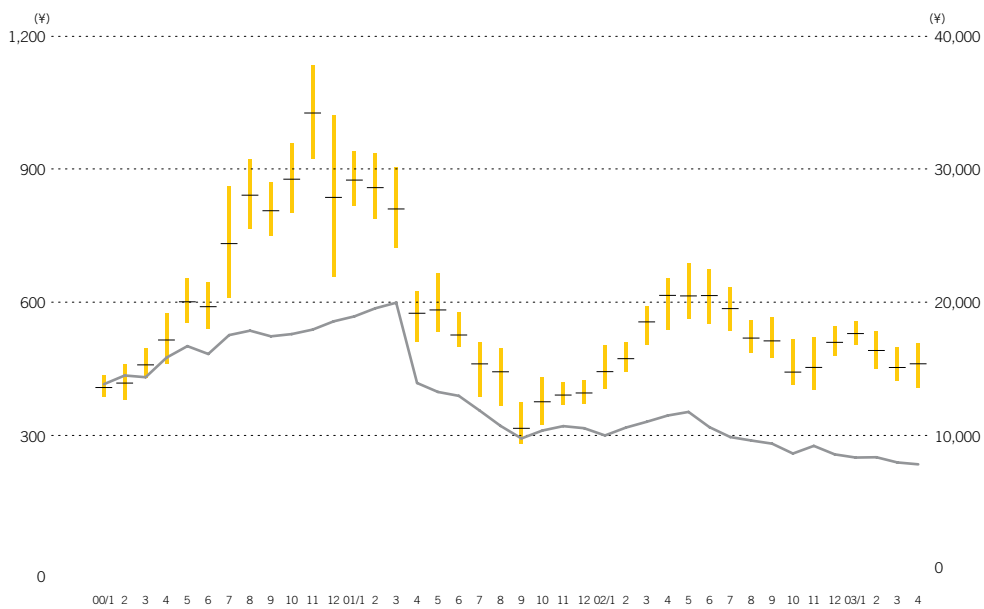
China

#### ***MITSUI CHEMICALS (Shanghai) Co., Ltd.***

Room 2309, Bank of China Tower, 200 Yincheng Road Central  
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Facsimile: 86-21-6841-4100  
e-mail: Sadatoshi.Fujimaki@mitsui-chem.co.jp

## Common Stock Price Range

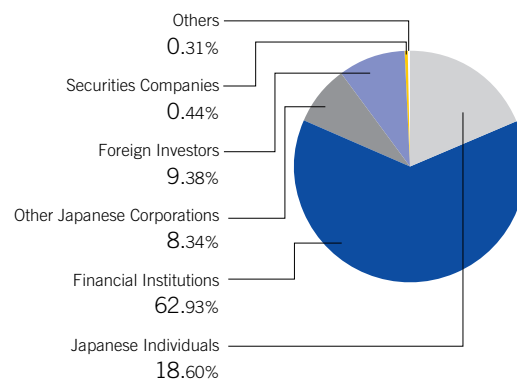
■ Stock Price Range  
— Nikkei 225 (right scale)



## Major Shareholders

	Number of shares held (Thousand)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	80,585	10.21
Japan Trustee Services Bank, Ltd. (Trust account)	69,092	8.75
Mitsui Asset Trust and Banking Company, Ltd. (Trust account for Toray Industries Inc.)	37,425	4.74
The Chuo Mitsui Trust and Banking Company, Limited	31,849	4.03
Sumitomo Mitsui Banking Corporation	21,729	2.75
Shinsei Bank, Limited	21,376	2.70
Mitsui Asset Trust and Banking Company, Ltd. (Trust account for Mitsui & Co., Ltd.)	18,688	2.36
Mitsui Mutual Life Insurance, Co.	18,030	2.28
Mitsui Sumitomo Insurance Company, Limited	16,993	2.15
The Norinchukin Bank	12,732	1.61
Total	328,499	41.62

## Composition of Stockholders





# Mitsui Chemicals, Inc.

## Investor Relations Group

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