

MITSUI CHEMICALS, INC.

Annual Report 2004

Year Ended March 31, 2004

STRONG & EXCELLENT



Mitsui Chemicals' Company Symbol



Mitsui Chemicals

The three curving bands of the symbol stand for Growth and Vitality, Chemical Technology and Innovation, and Society's Trust in Mitsui Chemicals (MCI) Group. They represent the group's ceaseless and uninterrupted growth far into the future. The refreshing blue color shows MCI Group as being in harmony with the environment and making its contributions to society. The gradations of the color offers the image of a Strong and Excellent company which MCI Group aspires to become.

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ON THE COVER

The picture on the front cover is the Siam Mitsui PTA Co., Ltd. No.2 plant in Thailand.

CONSOLIDATED FINANCIAL HIGHLIGHTS

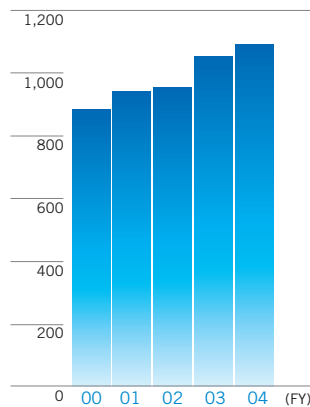
(For the years ended March 31)

	Millions of yen			%	Thousands of U.S. dollars
	FY2004	FY2003	FY2002	Change	FY2004
Net sales	¥1,089,518	¥1,053,182	¥ 952,680	3.5	\$10,308,620
Operating income	53,942	56,458	42,382	(4.5)	510,379
Net income	12,466	20,320	7,651	(38.7)	117,949
Total assets	1,188,466	1,225,194	1,297,863	(3.0)	11,244,829
Stockholders' equity	383,365	370,738	366,988	3.4	3,627,259
Capital expenditures	45,722	68,753	117,564	(33.5)	432,605
R&D expenses	32,894	37,114	39,012	(11.4)	311,231
Return on equity	3.31%	5.51%	2.13%		
Return (operating income) on assets	4.47%	4.48%	3.24%		

Notes: 1) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥105.69=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2004.
2) Changes are between the years ended March 31, 2004 and 2003.

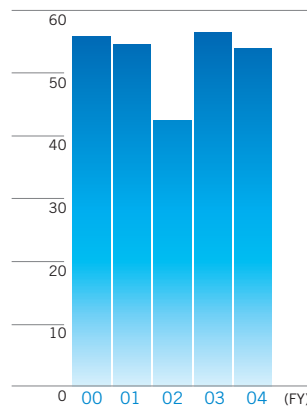
NET SALES

(Billions of yen)



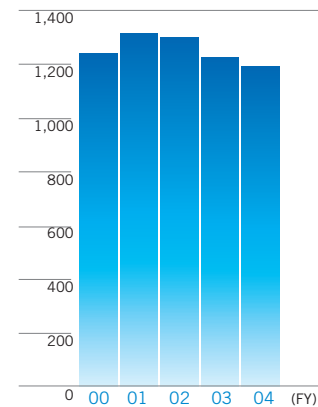
OPERATING INCOME

(Billions of yen)



TOTAL ASSETS

(Billions of yen)



<Remarks>

In this report, FY (XX) indicates the fiscal year starting from April 1 of (XX-1) and ending at March 31 of (XX). For example, FY 04 indicates the fiscal year from April 1, 2003 to March 31, 2004.

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 STOCKHOLDERS

The Japanese economy generally followed the path of flat performance in the first half of Fiscal 2004 (April 1, 2003 - March 31, 2004), beset by an uncertain future outlook on the overseas economic situation. However, it began to make a gradual recovery in the second half of the year owing to an increase in exports buoyed by economic resurgence abroad, primarily in the United States and Asia, and a pick-up in capital investment driven by improved corporate profits.

Japan's chemical industry, meanwhile, continued to find itself in a severe business environment, even though production and shipment levels were comparable to the previous year, due to sharp upswings in raw materials prices and a steady appreciation of the Japanese yen.

In such a climate, the entire Mitsui Chemicals Group mounted a group-wide campaign to improve sales and profits, taking actions such as making an all-out effort to promote sales and executing thorough cost reductions.

As a result, on a consolidated basis, the Group attained net sales of ¥1,089.5 billion (up ¥36.3 billion from Fiscal 2003), operating income of ¥53.9 billion (down ¥2.6 billion), ordinary income of ¥47.7 billion (down ¥1.0 billion) and net income of ¥12.5 billion (down ¥7.8 billion).

On a non-consolidated basis, Mitsui Chemicals recorded net sales of ¥718.4 billion (up ¥17.6 billion from Fiscal 2003), operating income of ¥28.2 billion (down ¥1.2 billion), ordinary income of ¥30.8 billion (up ¥5.5 billion) and net income of ¥6.9 billion (down ¥1.6 billion).

As for Fiscal 2005, while the deflationary tendency and the yen's rising trend remain of some concern, the gradual upturn in the Japanese economy is expected to continue as recovery overtones in the global economic landscape, particularly in the U.S. and Asia, support higher exports and capital investments.

In contrast, our Group's operating environment is expected to remain very challenging, given the real concern of high raw materials costs squeezing sales and profits and competition from chemical companies around the globe further intensifying, particularly in the Asian markets.

Toward achieving its corporate target to become a "Strong and Excellent Mitsui Chemicals Group with a strong competitive position in the global market," Mitsui Chemicals has formulated a new four-year Medium-Term Business Plan starting Fiscal 2005.

The latest plan is founded on three basic strategies: "I. Change Business Structure"; "II. Reinforce Consolidated Management System"; and "III. Secure Safety, Environment and Quality." Building upon such strategies and embracing the keywords: "Challenge for Change," and "Shift from Commodities to Specialties,"

the company will promote an innovative corporate culture enabling a speedy structural change and optimization of the entire Mitsui Chemicals Group.

Specifically, the company will channel resources into the priority core businesses of Functional Polymers, Information and Electronics Materials and Healthcare Materials, toward achieving further expansion and growth in the Performance Materials Sector. Mitsui Chemicals will also nurture and enhance a new products portfolio by vigorously advancing the development of novel functional olefin polymers, fully leveraging the company's technological competency in catalysis and polymer sciences.

As for strengthening the profitability of the Petrochemicals & Basic Chemicals Sector, Mitsui Chemicals intends to institute fundamental changes in the business structure primarily aimed at transforming the Osaka Works into a propylene center, and to concentrate more than ever on its core businesses: polypropylene (PP) compounds, purified terephthalic acid (PTA), polyethylene terephthalate (PET) resin, phenol and bisphenol A (BPA).

Where securing safety, environment and quality is concerned, Mitsui Chemicals considers it extremely important for the total organization to have a strong and renewed awareness that, above all else, "compliance with laws and regulations is at the very root of survival as a corporation." In addition to implementing a company-wide compliance education program, the company has introduced various measures such as distributing to each and every employee a reminder booklet entitled "Our Action Guidelines." The booklet lists a set of behavioral guidelines relating to the execution of duty, such as voluntarily acting to secure safety and protect the global environment.

To earn society's redoubled trust, the entire Mitsui Chemicals organization pledges an ever stronger commitment to "Compliance with laws and regulations."

In terms of ensuring safety, Mitsui Chemicals is proceeding with a comprehensive review of the company-wide operating setup, getting back to the very basics in manufacturing, from the viewpoint of preventing accidents, work-related injuries and violation of laws and regulations.

In closing, may we take this opportunity to request from our stockholders their continued support and cooperation.



Hiroyuki Nakanishi
Chairman and President
Mitsui Chemicals, Inc.



START OF THE NEW MEDIUM BUSINESS PLAN

Corporate Vision (Fig. 1)

Corporate Mission

Contribute broadly to society by providing high-quality products and services to customers through innovations and creation of materials, while keeping harmony with the global environment.

- Promoting human well-being
- Increasing customer satisfaction
- Promoting the happiness and fulfillment of employees
- Contributing to stockholders
- Contributing to local communities

Targeted Corporate Image

Strong and Excellent Mitsui Chemicals Group with a strong competitive position in the global market.

Business Sectors

Petrochemicals & Basic Chemicals Sector and Performance Materials Sector

-TERM

Since implementing the new corporate structure in June 2003, the company's management has engaged in various discussions on how to strengthen the Mitsui Chemicals Group, i.e., how — despite an increasingly severe operating environment — to cultivate a more robust competitive strength, earn the trust of customers and society as a whole, and still maintain the Group's existence as a dynamic workplace shared by employees full of vitality. Namely, the discussions centered on how to realize a "Strong & Excellent Mitsui Chemicals Group with a strong competitive position in the global market." Such was exactly the subject Mitsui Chemicals pursued in formulating the New Medium-Term Business Plan ["MT-Plan"] ("Jump") after clearing the FY1999 MT-Plan ("Hop") and the FY2002 MT-Plan ("Step").

Described below, is Mitsui Chemicals Group's blueprint for the future under the New MT-Plan.

Corporate Vision and the Road to Success

1. Corporate Vision (Fig. 1)

Our Corporate Vision remains essentially unchanged from before. However, we have gone so far as to delete the phrase: "Diversified chemical group" from our Targeted Corporate Image, and replaced it with "Strong & Excellent Mitsui Chemicals Group" instead.

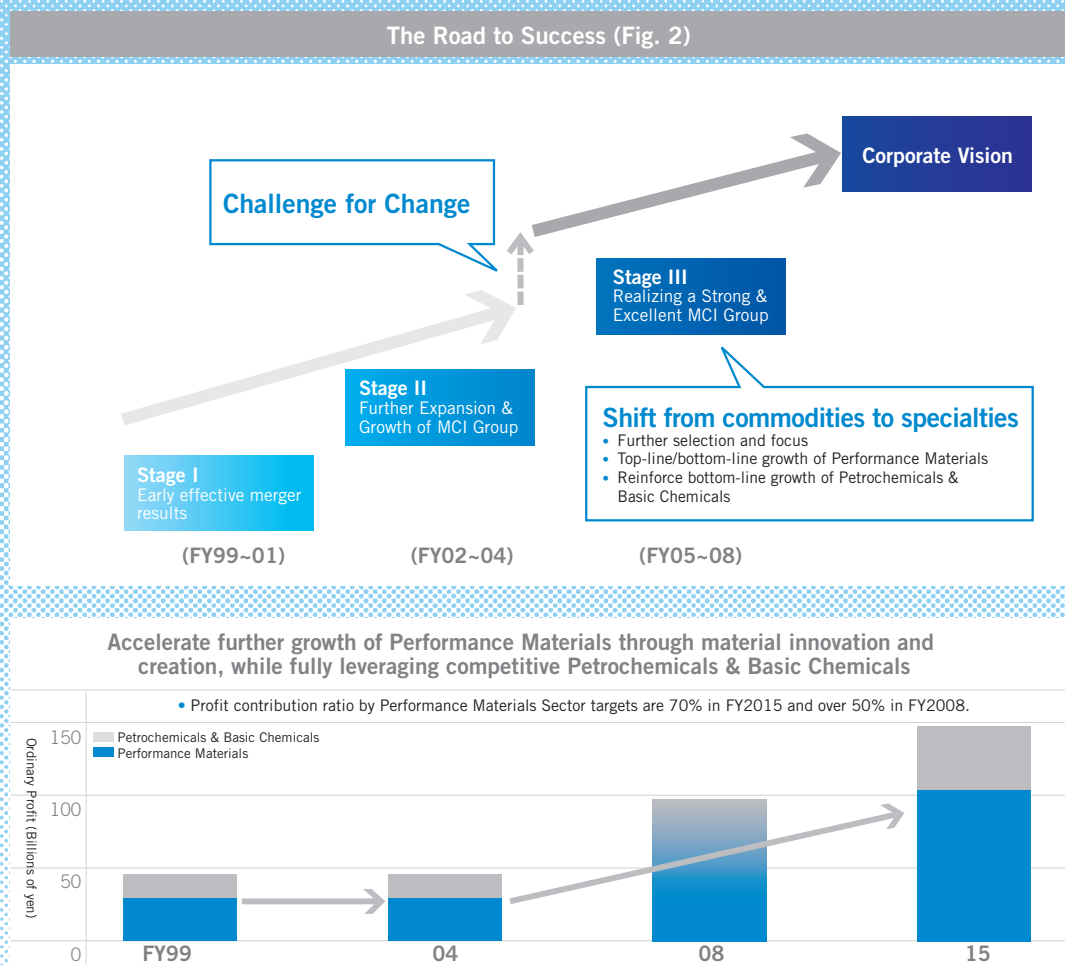
Behind making such a change was the reason that "Diversified chemical company" tends to be misconstrued as a chemical company that is indiscriminately engaged in a multitude of businesses. The replacement represents our desire to send clear signals both internally and externally, that we have been clearly establishing our business sectors in our MT-Plan and aligning our business portfolio accordingly by "Selection and Focus."

2. The Road to Success (Fig. 2)

In order to realize our Corporate Vision, we have laid down the direction for future growth. The key concept is the “Shift from Commodities to Specialties,” based on which Mitsui Chemicals will endeavor to increase the proportion of Performance Materials in total profit to 70% in the next 10 years. Energized by the keyword “Challenge for Change,” we will meet head-on the challenge to “Change Business Structure” under

our New MT-Plan. In other words, by executing selection and focus, we will pursue the two objectives: “Expand and Grow Performance Materials” and “Strengthen Profitability of Petrochemicals & Basic Chemicals.”

The solid arrow in Fig. 2 for the New MT-Plan is discontinuous with the arrow representing the previous MT-Plans. The upward shift of the arrow for the New MT-Plan pointing to the future expresses our determination to take on that challenge.



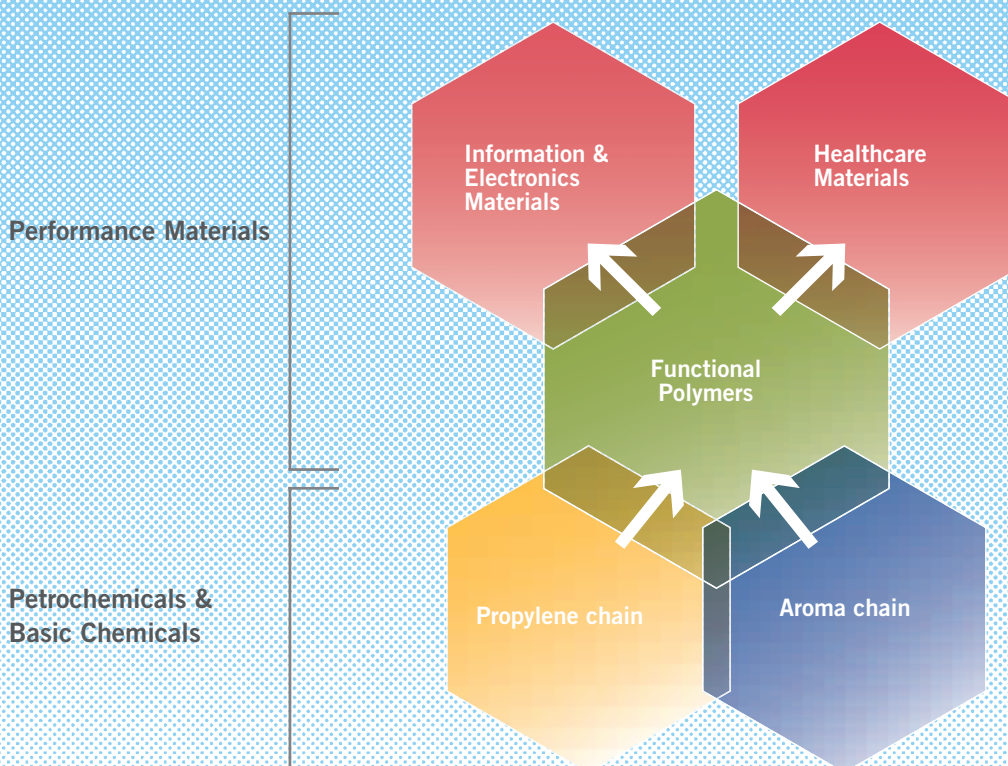
3. Changing the Business Structure (Fig. 3)

Seeking to change our business structure, we will reconfigure the company's businesses and organization during the period of the New MT-Plan. Fig. 3 shows the state of reconfiguration at the present stage.

More specifically, in Petrochemicals & Basic Chemicals (P&BC), we will strengthen profitability by

concentrating management resources into businesses centered on the propylene and the aroma chains. With P&BC thus enhanced in competitiveness as a platform, in Performance Materials, we will next set our sights on expanding and growing Functional Polymers, and thereafter on expanding and growing Information and Electronics Materials and Healthcare Materials.

Change Business Structure (Fig. 3)



Consolidated Management Targets and Basic Strategy

1. Consolidated Management Targets (Fiscal 2008) (Fig. 4)

Covering a period of four years through Fiscal 2008, until the end of the first 10 years since Mitsui Chemicals was established, the New MT-Plan sets out the Consolidated Management Targets as shown in Fig. 4.

We have designated Ordinary Income to be the primary management target, setting a target of ¥100 billion to be attained by Fiscal 2008. Given the basic objective of achieving “Shift from Commodities to Specialties,” we have laid down the objective to have the Performance Materials part exceed 50% of the total. Consolidated Sales is simply designated a reference. Return on Assets (ROA) has been chosen as a target covering efficiency in corporate management

and pegged at 7%, while Debt-to-Equity (D/E) Ratio has been adopted for the first time as an indicator of sound financial health supporting growth. We are targeting 1.0 for this ratio.

2. Basic Strategies (Fig. 5)

Mitsui Chemicals has established the following three basic strategies in order to achieve the objectives of the new. They are:

- Basic Strategy I: Change Business Structure
- Basic Strategy II: Reinforce Consolidated Management System
- Basic Strategy III: Secure Safety, Environment and Quality

Basic Strategy I is being applied to: (1) expand and grow Performance Materials and (2) strengthen profitability of Petrochemicals & Basic Chemicals.

Consolidated Management Targets (Fiscal 2008) (Fig. 4)

Profitability

- Ordinary Income ¥100.0 billion
- Contribution of Performance Materials Over 50%

Efficiency

- Return on Assets 7%

Financial Position

- Interest-bearing Liabilities/ Stockholders' Equity (D/E) Ratio 1.0

Reference

- Net Sales ¥1.3 trillion

Basic Strategies (Fig. 5)

Basic Strategy I:

Change business structure

1. Expand & Grow Performance Materials

Develop businesses with focus on:

- Highly functional products
- High-growth markets

- High-profit businesses

by innovation of materials and products fully leveraging limited management resources

2. Strengthen Profitability of Petrochemicals & Basic Chemicals

Strengthen profitability by:

- Drastically reconfiguring business structure and
- Focusing on internationally competitive core businesses

Basic Strategy II:

Reinforce consolidated management system

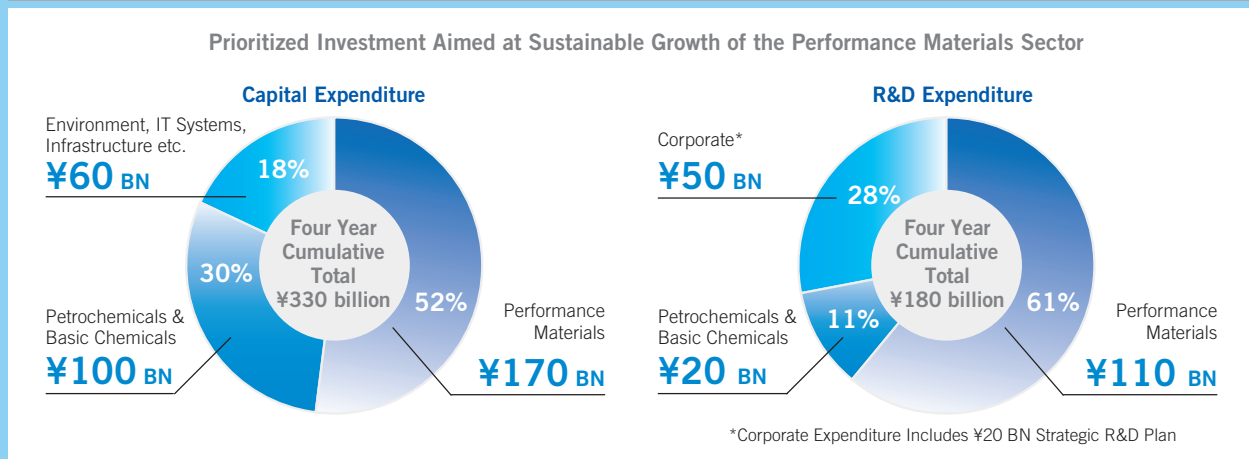
Strengthen consolidated management platform and innovate work process of entire MCI Group

Basic Strategy III:

Secure safety, environment & quality

Recognizing that safety always comes first, promote the Responsible Care spirit to permeate the entire MCI Group and actively pursue Environment, Safety and Quality assurance

Management Resources Plan (FY05~08) (Fig. 6)



Strategic Allocation of Management Resources (Fig. 6)

In line with Basic Strategy I: “Change Business Structure,” we will strategically allocate management resources toward assuring sustainable growth in Performance Materials. In Petrochemicals & Basic Chemicals, we will be intensely selective in committing the resources necessary to strengthen profitability. Further selection and focus will be promoted without regard to the business field, as we work to globalize our core businesses and accelerate new product development.

Reinforcing of Consolidated Management System

Basic Strategy II: “Reinforce Consolidated Management System” is charged with achieving change across the entire Mitsui Chemicals Group. From the viewpoint of optimizing the Group inclusive of the affiliates, function-specific strategies will be implemented in such fields as human resources management, finance, intellectual property and information systems.

Specifically, the strategy is aimed at securing and nurturing managers as well as other key personnel,

and achieving efficient management of the affiliates’ resources, all on a consolidated basis.

Securing Safety, Environment and Quality

Basic Strategy III: “Secure Safety, Environment and Quality” is the most important prerequisite for the continued existence of Mitsui Chemicals Group. The strategy goes back to the very basics of manufacturing and incorporates such actions as reviewing the company-wide operating setup from the viewpoint of preventing accidents, work-related injuries and violation of laws and regulations, based on the invaluable lesson learned in connection with some irregularities experienced in safety inspection procedures at the Osaka Works last year.

The New MT-Plan has taken off on a new path of future growth. The entire Group will work in unison to continue tackling “Challenge for Change” toward definitely realizing a “Strong & Excellent Mitsui Chemicals Group with a strong competitive position in the global market.”

CORPORATE GOVERNANCE AND COMPLIANCE

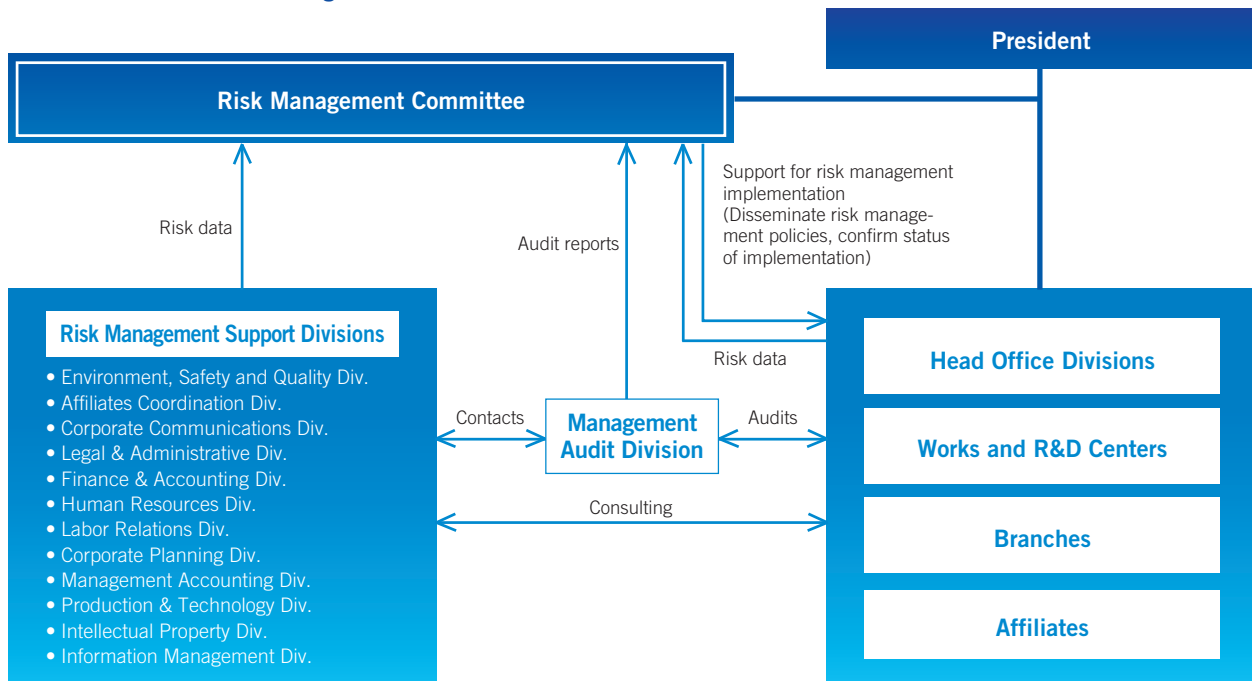
Mitsui Chemicals places the highest priority with respect to management on corporate governance and compliance, recognizing its importance in earning the trust of stockholders and society at large and fulfilling the company's social responsibilities. Mitsui Chemicals' initiatives in this area are outlined below.

Corporate Governance

As a basic mechanism for continually improving management transparency, Mitsui Chemicals has in place a system whereby important decisions are made only after wide-ranging debate in a series of meetings, as prescribed by company regulations. There is also a system of internal controls that include an internal auditing office, and the Risk

Management Committee, which is directly overseen by the president. Mitsui Chemicals additionally works to ensure the efficacy of its system of corporate governance by engaging in investor relations and public relations activities and faithfully disclosing information to stockholders, analysts, the media and others outside the company.

The Position of the Risk Management Committee





Compliance education program.



Cards printed with Corporate Action Guidelines distributed to employees.

In June of last year Mitsui Chemicals instituted an Executive Officer System to clarify the roles and responsibilities of the company's business execution function and its decision-making and auditing function. It also reduced the number of directors by half. The company additionally implemented a system of business groups to further strengthen its previous system of business divisions. These changes will allow the divisions to carry out their work smoothly and rapidly, as Mitsui Chemicals endeavors to further strengthen and enhance its management activities.

Compliance

Mitsui Chemicals has laid down Corporate Action Guidelines that stipulate fundamental rules for guiding the actions of each and every employee and officer of the Mitsui Chemicals Group. With regard to compliance, the guidelines call for all members of the company to obey all laws and company regulations and act in accordance with the dictates of conscience.

Day-to-day compliance management is conducted within the company's risk management system for the group. Specifically, compliance is positioned as the highest-priority risk and risk management is executed on the basis of a "plan, do, check, and act" (PDCA) cycle. There is also a risk hotline through which employees can directly report to, or consult with, the Risk Management Committee on any illegal actions within the company. Clearly stipulated company regulations exist to ensure employees who contact the committee do not receive any unfair treatment.

In the year under review, Mitsui Chemicals conducted a total of ten training sessions for managers, at the head office, every factory and branch office, on company-wide compliance issues. The sessions incorporated examples of legal violations both inside and outside the company. The company also promoted a number of other measures, which included distributing the "Our Action Guidelines" booklet to every member of the Mitsui Chemicals Group, including affiliated companies both inside and

outside Japan. The guidelines summarize items for the attention of employees when carrying out their work. In order to help further raise awareness of these issues, the company also created, and provided to employees, the Anti-Monopoly Law Compliance Handbook, the National Security Export Regulations Handbook, and the Corporate Information Management Handbook.

RESPONSIBLE CARE INITIATIVES

Mitsui Chemicals promotes Responsible Care (RC) in its drive to achieve harmony with the global environment. The company is committed to protecting the environment and the health of people everywhere, preventing accidents at its facilities, maintaining the health and safety of its employees, and ensuring safety of its products by working to reduce environmental impact across the entire lifecycle of its products, from development to disposal.

RC Management System

Responsible Care is an integral part of our business philosophy and corporate mission, through which Mitsui Chemicals is building and promoting an RC management system that dovetails with its other management systems. Seeking to maximize social contributions and minimize potential risks, the company engages in the PDCA cycle for its management systems in the areas of environmental preservation, process safety and disaster prevention, occupational safety and hygiene, product safety, quality management, distribution safety, and communication with communities. One example is that all of Mitsui Chemicals' plants and works have acquired certification under international standards such as ISO14001, OHSAS18001, and ISO9001: 2000, and are managed under a common system that complies with the international standards.

Environmental Preservation Initiatives

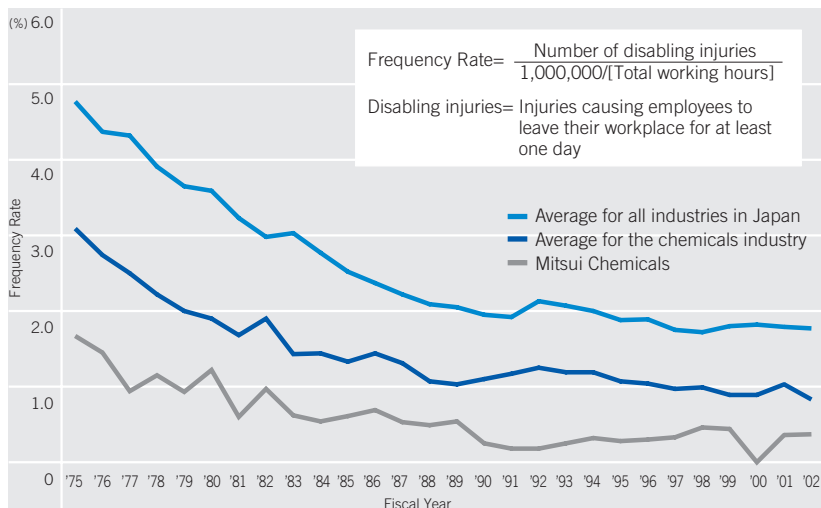
In line with its policy to minimize environmental impact at the product manufacturing stage, Mitsui Chemicals has established management

indicators for measures to reduce its environmental footprint. Mitsui Chemicals' approach to protecting the environment is two-fold. First, engage in environmental impact reduction initiatives based on these indicators in the course of business activities. Second, ensure the appropriate management of chemical substances. More specific initiatives include compliance with the Pollutant Release and Transfer Register, reduction of harmful air pollutant emissions, reduction of CO₂ emissions, limitations on disposal of waste products, and recycling activities.

Process Safety and Disaster Prevention Initiatives

Mitsui Chemicals garners the esteem and trust of society through voluntary, proactive initiatives aimed at eliminating accidents and disasters. Another high priority is extensive implementation of preventive measures. The company is also working to bolster its systems to ensure accidents do not occur through establishing a Safety Audit Department and other initiatives.

Employee Accidents: Disabling Injuries Frequency Rate





Plant tour for stakeholders to look around the facilities related to the environment.

Occupational Safety and Hygiene Initiatives

The number of employee accidents is approaching a minimum in the chemical industry and in all manufacturing industries as a whole. Mitsui Chemicals places highest priority on ensuring the safety of its employees, creating appropriate workplace environments and encouraging employee health through voluntary practices. For example, the company engages in activities to eliminate occupational accidents through working to reduce risk in accordance with the OHSAS18001 system. It also promotes mental health education and conducts stress tests.

Initiatives for Product Safety for Customers and Consumers

Mitsui Chemicals is devoted to maintaining the safety of its chemical products. These efforts form the foundation for promoting and faithfully achieving the objectives of each RC area. The company actively participates in industry, association and government activities, including the High Production Volume Program and other international activities aimed at sharing safety-related information.

In addition, the company provides Material Safety Data Sheets (MSDS) and other information needed for appropriate product handling to ensure the safety of customers who handle Mitsui Chemicals products.

Quality Management Initiatives

Mitsui Chemicals' works have acquired the ISO9001: 2000 certification as revised in 2000. The company developed a quality management system incorporating continual improvements and customer satisfaction based on the ISO9001: 2000 standard. Mitsui Chemicals is also working to provide products with reduced environmental impact that satisfy customer needs through the quality management system.

Distribution Safety Initiatives

To ensure the safe transportation of the products manufactured at its plants, Mitsui Chemicals has established appropriate rules, including the MSDS system, and is working to ensure that all those concerned are thoroughly informed of these systems.

In Japan, the company has developed the Mitsui Chemicals Emergency Measure Covering

Network (MENET), a system to minimize the damage of accidents during transportation

Communication with Communities and Employees

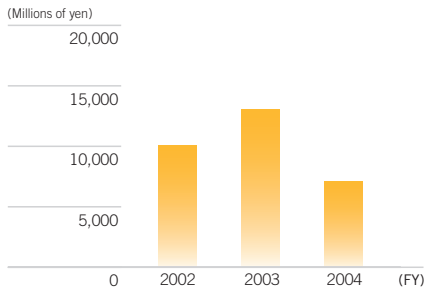
In light of its commitment to contribute to local communities, Mitsui Chemicals works to deepen relations with communities and disclose information via a variety of channels. It issues regional publications with information on RC activities, conducts environment-related volunteer activities, holds study tours of its plants, and participates in community meetings, among other activities.

The company also conducts human resources development by providing educational opportunities for all employees, has discussions about RC initiatives with the labor union, and develops safety-related activities in conjunction with its partner companies.

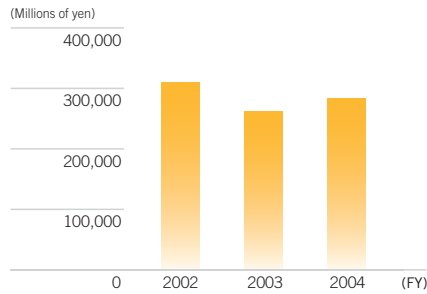
AT A GLANCE

	Business Group	Business	Net Sales								
Petrochemicals	Petrochemicals	<ul style="list-style-type: none"> • Petrochemical Feedstocks • Polyethylene • Polypropylene • Styrenics • Licensing 	<p>(Millions of yen)</p> <table border="1"> <tr><th>FY</th><th>2002</th><th>2003</th><th>2004</th></tr> <tr><td>Net Sales (Millions of yen)</td><td>240,000</td><td>280,000</td><td>270,000</td></tr> </table>	FY	2002	2003	2004	Net Sales (Millions of yen)	240,000	280,000	270,000
FY	2002	2003	2004								
Net Sales (Millions of yen)	240,000	280,000	270,000								
Basic Chemicals	Basic Chemicals	<ul style="list-style-type: none"> • Fiber Intermediates • PET Resin • Phenols • Industrial Chemicals 	<p>(Millions of yen)</p> <table border="1"> <tr><th>FY</th><th>2002</th><th>2003</th><th>2004</th></tr> <tr><td>Net Sales (Millions of yen)</td><td>280,000</td><td>320,000</td><td>330,000</td></tr> </table>	FY	2002	2003	2004	Net Sales (Millions of yen)	280,000	320,000	330,000
FY	2002	2003	2004								
Net Sales (Millions of yen)	280,000	320,000	330,000								
Functional Polymeric Materials	Functional Polymeric Materials	<ul style="list-style-type: none"> • Elastomers • Performance Polymers • Specialty Resins • Urethane Chemicals 	<p>(Millions of yen)</p> <table border="1"> <tr><th>FY</th><th>2002</th><th>2003</th><th>2004</th></tr> <tr><td>Net Sales (Millions of yen)</td><td>210,000</td><td>220,000</td><td>230,000</td></tr> </table>	FY	2002	2003	2004	Net Sales (Millions of yen)	210,000	220,000	230,000
FY	2002	2003	2004								
Net Sales (Millions of yen)	210,000	220,000	230,000								
Functional Chemicals & Engineered Materials	Functional Chemicals & Engineered Materials	<ul style="list-style-type: none"> • Functional Fabricated Products • Electronics Materials • Information Materials • Agrochemicals • Fine & Performance Chemicals • Pharmaceutical Chemicals 	<p>(Millions of yen)</p> <table border="1"> <tr><th>FY</th><th>2002</th><th>2003</th><th>2004</th></tr> <tr><td>Net Sales (Millions of yen)</td><td>220,000</td><td>210,000</td><td>220,000</td></tr> </table>	FY	2002	2003	2004	Net Sales (Millions of yen)	220,000	210,000	220,000
FY	2002	2003	2004								
Net Sales (Millions of yen)	220,000	210,000	220,000								
Others	Others	<ul style="list-style-type: none"> • Engineering, warehousing, freight transportation and others 	<p>(Millions of yen)</p> <table border="1"> <tr><th>FY</th><th>2002</th><th>2003</th><th>2004</th></tr> <tr><td>Net Sales (Millions of yen)</td><td>60,000</td><td>60,000</td><td>60,000</td></tr> </table>	FY	2002	2003	2004	Net Sales (Millions of yen)	60,000	60,000	60,000
FY	2002	2003	2004								
Net Sales (Millions of yen)	60,000	60,000	60,000								

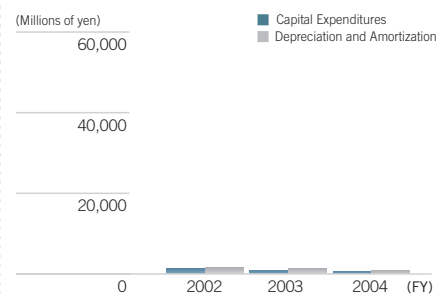
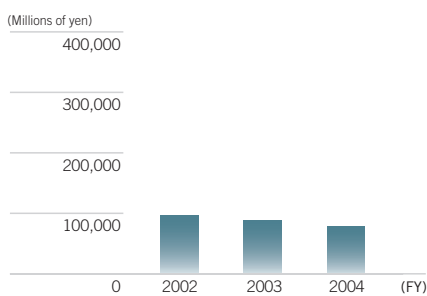
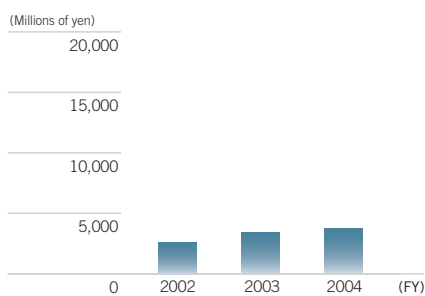
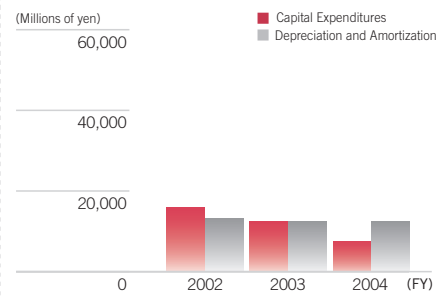
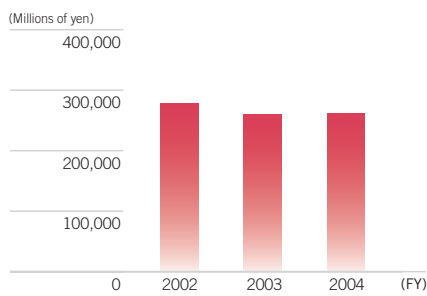
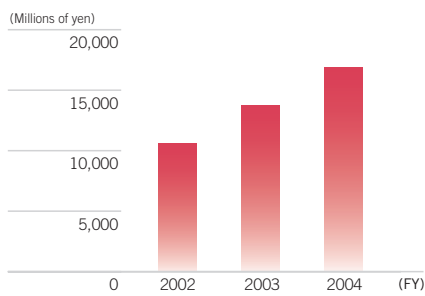
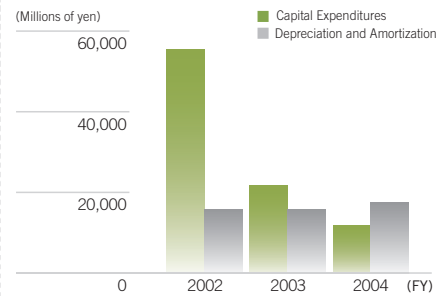
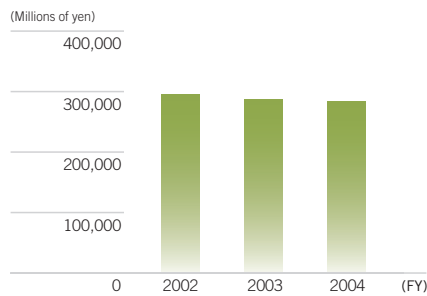
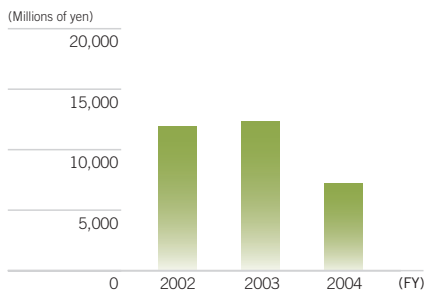
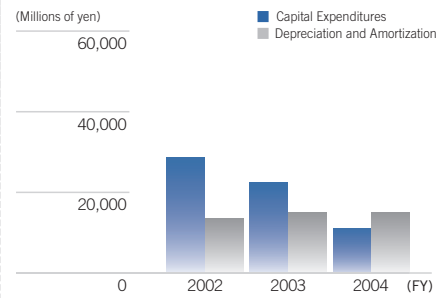
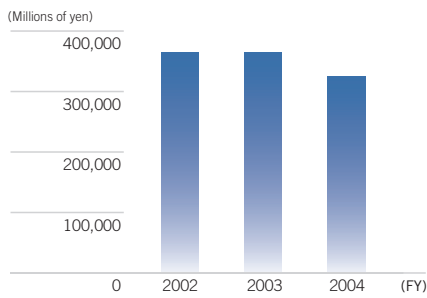
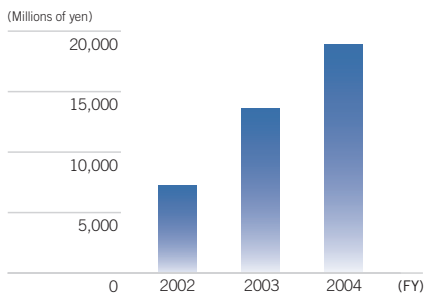
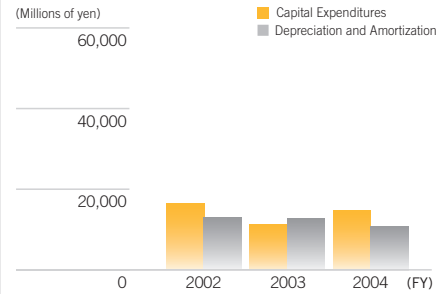
Operating Income



Total Assets



Capital Expenditures/Depreciation and Amortization



REVIEW OF OPERATIONS

Petrochemicals Business Group

Mineo Kimura

*Business Group President
Petrochemicals
Business Group*



Amid intensifying global competition in oil refining and the petrochemicals business, the Mitsui Chemicals Group is working toward broad-based optimization through cooperation and partnerships that transcend traditional frameworks. We are cooperating in raw materials, fuel, products, plant infrastructure and other areas with companies close to our works in Chiba and Osaka, where mainstay petrochemical plants are located. Endeavoring to reduce costs structurally in the petrochemicals business, the group is reorganizing its system of supply chain management by pursuing greater efficiency (overall optimization) for the entire supply chain through sharing information on customer needs. In so doing it seeks to bolster the international competitiveness of its industrial complex.

Alliances initiated with the Idemitsu Group

Comprehensive Alliance with Idemitsu Group

As a part of its efforts to reduce costs structurally, Mitsui Chemicals signed a letter of intent with the Idemitsu Group on February 3 of this year covering comprehensive deliberations on a possible alliance. By making this business tie-up a reality, Mitsui Chemicals will radically reform the structure of its petrochemicals business, promoting diversification of cracker feedstocks, creation of propylene centers, and differentiation.

Partnership with Idemitsu Petrochemical in the polyolefin business

As the first concrete phase of the companies' comprehensive alliance,

Mitsui Chemicals and Idemitsu Petrochemical Co., Ltd. are to consolidate their polyolefin businesses and agreed to establish a new company in April 2005. The new company will have:

- 1) Capital of ¥20.0 billion (equity ratio, Mitsui : Idemitsu = 65:35),
- 2) Net sales of ¥220.0 billion (combined total for Fiscal 2005),
- 3) Annual production capacity of 1,360,000 tons for PP and 714,000 tons for PE.

The new company will strategically consolidate every aspect of the polyolefin businesses of both companies around the world, from production to sales and research, and will work to maximize corporate value through expanding the scale of the business and taking advantage of synergies.



Mitsui and Idemitsu Group will consolidate polyolefin business.



The new PP plant at the Osaka Works.



The groundbreaking ceremony of the new PP compound plant in Southern China.

Initiatives for diversification of raw materials

Supply and demand for naphtha is expected to be stringent for the foreseeable future given increased demand for petrochemical derivatives, led by China. With the continuing high price of crude oil, the high price of naphtha is exerting a substantial impact on the company's financial performance. In order to minimize this impact, Mitsui Chemicals is working to diversify the types of oil it procures (utilization of heavy oil), the regions where procurement takes place, and the types of contracts it has with suppliers. In particular, the company is using gas oil, made tax-exempt under the 2004 tax reforms, as a cracker feedstock.

Promoting creation of propylene centers

Demand for propylene-based derivatives in the Asian market is firm, and demand for propylene going forward is expected to be tight. Mitsui Chemicals possesses polypropylene (PP), phenol and other prominent propylene-based derivatives. In order to respond to demand for these products, the

company established the Olefin Conversion Unit in the Osaka Works, as it continues to promote the creation of propylene centers. The facility will be completed in August 2004. The company will give consideration to radically enhancing its propylene operations through partnerships with neighboring companies in the Chiba region as well.

Executing scrap and build strategy through construction of a large-scale polypropylene plant

As of April 2004 trial operations have ended and commercial operations begun at the state-of-the-art, large-scale plant constructed in the Osaka Works. The facility was built to boost the cost competitiveness of PP and uses the company's proprietary Hypol II process. One line has a world-class annual production capacity of 300,000 tons. Prior to this, the company suspended operations at two small-scale plants (in Sakai, with total annual capacity of 120,000 tons) and plans to end operations at another plant (at the Osaka Works with annual capacity of 110,000 tons) in the first half of this year.

Through this scrap and build strategy, Mitsui Chemicals is making substantial grade reductions and thoroughly streamlining distribution systems while boosting profitability and pushing forward with reforming the structure of its PP business.

Global strategy for the polypropylene compound business

As a means of differentiating its PP operations, Mitsui Chemicals is accelerating the global development of its PP compounds for automotive materials, for which high quality is a requirement, through strengthening its four-pronged, global supply system. Complementing the company's presences in North America (ACP), Europe (MCIE) and Thailand (GSC), it established Mitsui Advanced Composites (Zhongshan) Co., Ltd. in April 2004 in southern China (Zhongshan, Guangdong Province), a region where rapid growth is anticipated. The new company will have an annual capacity of 15,000 tons when operations begin in the spring of 2005.

Basic Chemicals Business Group

Toshikazu Tanaka

*Business Group President
Basic Chemicals
Business Group*



Centering on its businesses of purified terephthalic acid (PTA), PET resin, phenol, bisphenol A (BPA), ethylene oxide (EO) and ethylene glycol (EG), the Basic Chemicals Business Group is committed to capturing demand in the growing Asian market and, in so doing, securing and increasing stable revenues over the long term.



Siam Mitsui PTA Co., Ltd.

PTA

Demand in Asia for PTA exceeded 20 million tons in 2003 and, led by China, annual growth going forward is anticipated to be over 6%. Mitsui Chemicals is working to enhance its overseas production sites to steadily corner this growing demand, beginning construction on a third PTA line at its plant in Thailand. The line should be completed by the third quarter of 2005. This will bring the company's annual production capacity to 2.61 million tons (750,000 tons in Japan, 1.4 million tons by the JV in Thailand, and 450,000 tons by the JV in Indonesia) and secure it a position as one of Asia's largest suppliers. With its sights set on the growing Chinese market, Mitsui Chemicals has also submitted an application for investment approval to Zhangjiagang in Jiangsu Province.



Thai PET Resin Co., Ltd.



Mitsui Phenol Singapore Pte. Ltd.

PET resin

Demand in Asia for PET resin was 2.15 million tons in 2003 and is anticipated to grow at an annual rate of over 10% going forward. In order to readily take advantage of this growing demand, Mitsui Chemicals initiated operations at a 100,000 ton facility in Thailand in April 2004. With this development, the company's annual production capacity stands at 363,000 tons (188,000 tons in Japan, 100,000 tons in Thailand, and 75,000 tons in Indonesia), and it is accelerating revenue growth on the back of synergies with the PTA business, which is a raw material for PET resin. Additionally, as a part of the Responsible Care activities it is vigorously promoting, Mitsui Chemicals is energetically involved in the recycling of PET bottles by leveraging its advanced technological capabilities.

Phenol and BPA

Led by China, there has been sustained rapid growth in Asian demand for phenol and BPA, and the annual growth rate going forward is expected to be over 11%. Mitsui Chemicals has made timely reinforcements to its Singapore facility in order to reliably seize upon this growing demand. Annual production capacity in 2004 for phenol is 750,000 tons (500,000 tons in Japan, 250,000 tons in Singapore) and 420,000 tons for BPA (210,000 tons each in Japan and Singapore), and this will ensure that the company maintains its top market shares (39% for phenol, 32% for BPA) as Asia's largest supplier. To further shore up this position, the company concluded a letter of intent for an alliance with SINOPEC Corp. to construct a new BPA facility in China. The facility will have a capacity of 120,000 tons and is scheduled to go on line in 2007. Mitsui Chemicals is also moving forward with deliberations on a plan for the next phenol project.

EO, EG and others

In addition to the activities outlined above, the Basic Chemicals Business Group is also developing a wide range of other businesses, including EO and EG, methyl methacrylate (MMA) and aniline, while establishing a firm position in their respective markets. With annual production capacity at 218,000 tons, the company has ensured stable revenues from the EO and EG business. The MMA business is continuing to expand, led by transparent resins and LCD display materials, for which demand has recently skyrocketed. For the aniline business, the company is developing stable operations primarily in Japan by leveraging its annual production capacity of 124,000 tons.

Functional Polymeric Materials Business Group

Yozo Kinoshita

*Business Group President
Functional Polymeric Materials
Business Group*



The Functional Polymeric Materials Business Group supplies functional polymers and their raw materials such as elastomers, performance polymers, specialty resins, urethane raw materials and urethane resins. Functional polymers are playing a leading role in Mitsui Chemicals' drive to reform its business portfolio, and the company is working to further strengthen its market position in this area.



Mitsui Elastomers Singapore Pte. Ltd.

Accelerating global development of the elastomers business

On April 1, 2003 the wholly owned subsidiary Mitsui Elastomers Singapore Pte Ltd. began commercially operating its plant for the high-performance elastomer TAFMER®.

With an annual capacity of 100,000 tons, the new plant is the world's largest manufacturing facility of its kind. It leverages cutting-edge manufacturing technology that

perfectly demonstrates the exceptional polymer technology of Mitsui Chemicals. Demand for TAFMER®, a resin modifier that dramatically improves the impact strength and elasticity of resins, is growing as Asian economies progress and their industries become more advanced. With the launch of commercial operations at the new plant, Mitsui Chemicals now has two production sites for the product, in Japan and Singapore. The company plans to maintain its leading share of the Asian market, including Japan, and work to further expand business in this area. In addition, Mitsui Chemicals is accelerating worldwide development of the thermoplastic olefinic elastomer Milastomer™, and the adhesive polyolefin ADMER® with sites in Japan, the U.S., Europe and Asia.



APEL® used for Pic-up lens of DVD recorder.



TDI Plant in Mitsui Takeda Chemicals' Kashima Works.

Expansion of the performance polymers business

In November 2003 Mitsui Chemicals upped annual production capacity of TPX® at Iwakuni-Ohtake Works from 68,000 tons to 75,000 tons. TPX is a high-performance polyolefin manufactured and sold by Mitsui Chemicals and characterized by transparency, heat-resistance and releasability.

Demand has recently been growing dramatically in applications including release films for flexible printed circuit boards, release films for synthetic leather and wrapping films for household use. The company increased production capacity in order to respond to this increase in demand and to ensure a stable supply system.

In addition, the company is doubling production capacity for the cycloolefin copolymer APEL® and polyolefin wax Mitsui Hi-wax and metallocene-catalyzed performance PE wax EXCEREX™. It is also working to expand the market for the ultrahigh molecular-weight polyethylene HI-ZEX MILLION® in promising IT fields in China.

Commercial operations commence at the new TDI plant in the Kashima Works

On August 1, 2003 Mitsui Takeda Chemicals, Inc., a joint venture of Mitsui Chemicals and Takeda Chemical Industries, Ltd., commenced commercial operations at a new plant in the Kashima Works for tolylene diisocyanate (TDI), a raw material used in urethane resins.

The new TDI plant has an annual production capacity of 60,000 tons. Along with existing annual capacity at Kashima Works of 60,000 tons and the Omuta Works of 120,000 tons, this brings Mitsui Takeda Chemicals' total TDI capacity to 240,000 tons, thereby solidifying the company's position as Asia's largest manufacturer of TDI.

Additionally, Mitsui Chemicals will work to augment capacity at its South Korean production site for diphenylmethane diisocyanate (MDI), double capacity after one year at the Malaysian base for urethane resins, and promote market expansion in building material, adhesive and paint applications.

Functional Chemicals & Engineered Materials Business Group



Koichi Tominaga

*Business Group President
Functional Chemicals & Engineered Materials
Business Group*

Information and Electronics materials and Healthcare materials are the two major areas of Mitsui Chemicals' Functional Chemicals & Engineered Materials Business Group, where the company is concentrating managerial resources for further expansion of business and profit.

Mitsui Chemicals will:

- Expand existing core businesses through enhanced sales promotion of highly competitive products and expansion of product.
- Develop new products based on the concepts of "materials innovation" and "technology creation" to form next-generation core businesses.
- Develop businesses prescient of the needs of consumers by sharing development roadmaps with leading customers at the cutting-edge of their respective product markets.
- Enhance global deployment trilaterally in Asia, the Americas and Europe.

Information and Electronics Materials

Mitsui Chemicals possesses exceptional core technologies, namely, technologies for polymer science, optical performance design, lamination and adhesion design, specialty gas synthesis, and clean rooms. The company is working to bolster profitability primarily in globally competitive businesses that are backed by these technologies.



Optical filter FILTOP® used in PDP.

Based on its technological capabilities rooted in chemistry, the company is devoting energies to developing next-generation core products in the areas of imaging materials such as thermal CTP plates for wet offset printers that do not require developing, optical circuit materials, and energy-related materials.

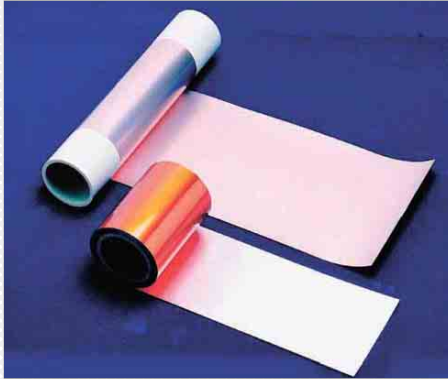
Expanding the semiconductor gases business

Dramatic growth in demand is anticipated for nitrogen trifluoride, a cleaning gas used in manufacturing processes for semiconductors and LCD. Mitsui Chemicals plans to increase domestic production capacity near the beginning of 2005. With this, the company's capacity will

increase 150%, when including U.S. subsidiary Anderson Development Company. Mitsui Chemicals will also strengthen its semiconductor gases business by enhancing production of monosilane, which is also used in manufacturing processes for semiconductors and LCD.

Strengthening the flexible circuit laminate business

Mitsui Chemicals is committed to further strengthening its NEOFLEX® business, a flexible laminate with a large share of the global market. To this end, the company is planning to substantially augment its domestic production capacity in the fall of 2004 in response to growing demand,



NEOFLEX® all polyimide laminates.



Optical plastic lenses.

primarily for mobile phone applications. Additionally, leveraging its proprietary polyimide technology, the company developed heat-resistant NEOFLEX, which has heat-resistant properties at a world-leading 360°C. The full-fledged market launch for this product began in 2004.

Expanding the PDP optical filter business

In July 2004, Mitsui Chemicals commenced local production in Europe of the PDP optical filter FILTOP® in order to strengthen its business activities in the European market, in which demand is growing rapidly. Annual capacity is at 300,000 units and the production site is located in a partner company in Schwäbisch Hall, Germany. In addition, plans are underway to expand annual capacity in Japan to 1.9 million units by the end of 2004. The company is also studying establishing production sites in North America and China. Additionally, Mitsui Chemicals is working on development of a new film-type filter to strengthen its position as market leader.

Healthcare Materials

Mitsui Chemicals is working to increase profit in its three existing core businesses, which consist of hygiene materials like nonwoven fabrics, vision care materials, and agrochemicals. In addition to medical intermediates, such as amino acid derivatives, diagnostic pharmaceuticals, and deoxynucleoside, a raw material for antisense drugs, the company is devoting efforts to develop next-generation products in the area of personal care, for example, raw materials for cosmetics and dental materials. Moreover, Mitsui Chemicals established the Life In Project Department in February 2004 in order to anticipate needs by sharing developing roadmaps with lead customers and clarify the direction of R&D activities.

Strengthening optical plastic lens monomers business

Among optical plastic lenses, the market is growing for premium products with a refractive index of 1.60 or above. Mitsui Chemicals has a global market share of over 80% for the monomers of which these

products are made. It plans to develop a new product with a refractive index of 1.70 to be ready for sales launch in the fall of 2004. The company will accelerate global development based on close, cooperative relationships with its lead customers. Additionally, Mitsui Chemicals is engaged in development of new vision care materials including protective films for lens processing.

Expansion in agrochemicals

Mitsui Chemicals is steadily augmenting its product lineup for the insecticide Starkle (Albarin), which is safe and extremely effective. The lineup of Starkle products on sale includes eight types of insecticides and two types of insecticides in combination with fungicide. Domestic sales in Fiscal 2004 related to these products totaled approximately ¥4.0 billion. In the coming fiscal year the company will have another six registered products as it further promotes expansion of its business activities in this area.

RESEARCH & DEVELOPMENT

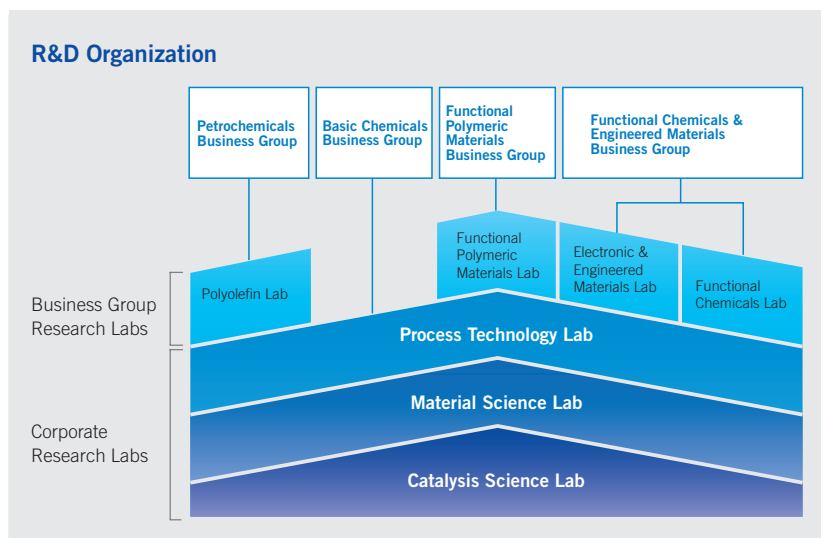
Mitsui Chemicals' research and development organization consists of four business group research laboratories with the mission of strengthening and broadening the key technology base of the company's core businesses, and three corporate research laboratories engaged in the R&D of key technologies for next-generation products. Mitsui Chemicals manages these functionally differentiated labs cross-organizationally, while at the same time promoting academe-industry collaborations both inside and outside Japan, toward further improving the speed and efficiency of R&D.

Expanding and Enhancing the Technology Platforms

Among the various conceptual tools in R&D aimed at accelerating new product development is the so-called "technology platform." "Technology platform" means a "technological infrastructure with a competitive advantage." Mitsui Chemicals' R&D activities are based on its technology platform in four areas, namely:

- 1) technologies for the material design and manufacture of polyolefins and polyols,
- 2) process technologies such as solid phase polymerization and emulsification,
- 3) plastics processing and conversion technologies such as film and foam production, and
- 4) application technologies for electronic circuit materials and crop protection products.

Beginning with the fiscal year under review, the company newly incorporated into its technology platform the concept of commercialization technology focusing on "differentiated functions" such as adhesion, mass transfer control and transparency. Through technology platform management, Mitsui Chemicals intends to drive technological synergies across its entire research organization and



accelerate the creation of new technologies and new products primarily targeting the three business domains: "Functional Polymers," "Information and Electronics Materials" and "Healthcare Materials."

Constructing a Global Science Network

The company has established Mitsui Chemicals Technology Forums in the four areas comprising catalysis science, polymer science, nano-materials, and



Mitsui Chemicals Symposium on Advanced Materials at ISIS-ULP

Date: November 22, 2004
Venue: ISIS-University Louis Pasteur (Strasbourg, France)



The 2nd Mitsui Chemicals International Symposium on Catalysis Science

Date: March 22-23, 2005
Venue: Kazusa Akademia Hall (Kisarazu, Chiba Prefecture, Japan)



Ultrahigh molecular weight polyethylene MILLION™ Film.



Products made from bio-based polymer LACEA™.

information and electronics materials. One of the objectives of the forums is inviting professors engaged in cutting-edge research in Japan as advisors who are asked to objectively evaluate the competency level of Mitsui Chemicals' proprietary technologies. The forum is also aimed at accelerating the development of next-generation technologies by promoting academe-industry collaborations.

Overseas, Mitsui Chemicals is interacting with leading professors from the U.S. and Europe in the fields of supramolecules and catalysis science. They include Professor Jean-Marie Lehn of France's Université Louis Pasteur, a Nobel Prize winner in chemistry with whom the company has always maintained an especially close relationship.

To provide the researchers from around the world with a forum enabling spirited discussions and stimulating interchanges beyond the confines of organizational barriers, Mitsui Chemicals is planning and hosting a variety of symposia.

It is through such interactions that Mitsui Chemicals is constructing a science network that extends around the globe.

Recent Accomplishments

Introduced below are two new products in the Functional Polymers sector which have been created by fully leveraging the technology platform and science network explained above.

MILLION Film, an Ultrahigh Molecular Weight Polyethylene (PE) film

In spite of its superior qualities such as high tensile strength, high abrasion resistance and excellent self-lubrication, one of the company's principal products — the ultrahigh molecular weight polyethylene MILLION™ — was earlier difficult to process by normal processing methods such as extrusion and injection molding. But Mitsui Chemicals subsequently successfully established the world's first solvent-free thin film extrusion technology for converting MILLION™ into a film with a thickness of only 10 μ m but having six times the strength of conventional PE films. The company is further working to develop new applications for MILLION™, such as stretching the abrasion-resistant, high-strength film into filaments and processing

them into nonwovens with even better impact resistance.

LACEA™ – A Bio-based Polymer

Mitsui Chemicals upholds "Harmony with the global environment" as a part of its corporate vision.

One of the products held in high expectation in terms of reduced environmental impact, polylactic acid resin LACEA™ is made from raw materials derived from plants such as corn. Because of its bio-based origin, LACEA™ is expected to help conserve fossil fuel resources and reduce carbon dioxide emission. A new concept which the company has introduced in order to indicate LACEA™'s uniqueness is the "Bio-based Content" showing the proportion of bio-based ingredient contained in the polymer. Mitsui Chemicals intends to push ahead with providing LACEA™ with high functionalities such as improved heat resistance and impact resistance demanded by the market, by fully utilizing the company's differentiated technologies for copolymerization, alloying and polymer processing and fabrication.

BOARD OF DIRECTORS

(As of June 29, 2004)

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



Right:
Yozo Kinoshita
Executive Vice President

Center:
Hiroyuki Nakanishi
Chairman and President

Left:
Ryutaro Koyasu
Executive Vice President

FINANCIAL SECTION

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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)	2004	2003	2002
Net sales	¥1,089,518	¥1,053,182	¥ 952,680
Cost of sales	861,965	823,523	730,059
SG&A	173,611	173,201	180,239
Operating income	53,942	56,458	42,382
Other income (expenses)	(31,708)	(17,496)	(32,142)
Income before income taxes, minority interests and equity in earnings of non-consolidated subsidiaries and affiliates	—	—	—
Income before income taxes and minority interests	22,234	38,962	10,240
Income taxes	7,923	13,465	1,830
Income before minority interests and equity in earnings of non-consolidated subsidiaries and affiliates	—	—	—
Income before minority interests	14,311	25,497	8,410
Equity in earnings of non-consolidated subsidiaries and affiliates	—	—	—
Net income (loss)	12,466	20,320	7,651
Total current assets	440,517	445,239	486,642
Property, plant and equipment, net	548,799	580,830	583,949
Total investments and other non-current assets	199,150	199,125	227,272
Total assets	1,188,466	1,225,194	1,297,863
Total current liabilities	440,869	451,613	525,532
Total long-term liabilities	325,342	359,638	365,708
Total stockholders' equity	383,365	370,738	366,988
Depreciation and amortization	56,101	56,850	56,609
Capital expenditures	45,722	68,753	117,564
R&D expenses	32,894	37,114	39,012
Return on sales	1.14%	1.93%	0.80%
Return on equity	3.31%	5.51%	2.13%
Return (operating income) on assets	4.47%	4.48%	3.24%
Net income per share (basic)	¥ 15.78	¥ 25.72	¥ 9.70
Net income per share (diluted)	—	¥ 25.47	—
Cash dividends per share	¥ 6.00	¥ 6.00	¥ 6.00

Reported Basis				Restated Basis				
2001	2000	1999	1998	1998	1997	1996	1995	1994
¥ 939,782	¥ 884,246	¥ 855,942	¥ 681,234	¥ 927,688	¥ 899,896	¥ 909,843	¥ 856,747	¥ 787,224
720,524	659,327	632,036	532,414	721,409	690,208	686,466	647,131	603,646
164,746	169,180	165,680	110,497	157,010	163,501	165,134	164,813	162,276
54,512	55,739	58,226	38,323	49,269	46,187	58,243	44,801	21,302
(26,118)	(29,603)	(36,099)	(14,334)	(20,063)	(17,103)	(27,189)	(24,868)	(16,052)
–	–	–	–	–	29,084	31,054	19,933	5,250
28,394	26,136	22,127	23,989	29,206	–	–	–	–
10,523	8,182	12,674	11,290	14,963	14,879	19,431	14,628	5,032
–	–	–	–	–	14,205	11,623	5,305	218
17,871	17,954	9,453	12,699	14,243	–	–	–	–
–	–	–	–	–	779	1,940	555	(920)
17,068	16,042	7,739	11,702	13,010	14,185	12,766	4,883	(1,281)
563,245	544,837	548,668	616,871	616,871	598,660	598,250	568,255	539,133
552,759	530,827	513,268	530,860	530,860	479,906	489,766	501,889	507,014
198,509	161,515	146,232	150,505	150,505	179,256	180,051	179,316	175,237
1,314,513	1,237,179	1,208,168	1,298,236	1,298,236	1,257,822	1,268,067	1,249,461	1,221,384
532,586	528,643	482,912	612,583	612,583	616,726	551,185	500,432	467,575
388,159	346,242	378,274	349,972	349,972	312,223	392,491	431,731	440,794
352,988	345,690	329,685	318,532	318,532	319,565	315,272	307,724	306,994
51,755	52,634	51,081	38,422	52,802	52,695	52,586	54,028	48,390
61,524	54,435	52,058	46,428	60,060	45,117	46,670	37,396	57,513
36,543	38,141	39,295	28,036	40,451	37,275	41,172	43,330	44,390
1.82%	1.81%	0.90%	1.72%	1.40%	1.58%	1.40%	0.57%	(0.16%)
4.89%	4.75%	2.39%	4.81%	4.08%	4.47%	4.10%	1.59%	(0.41%)
4.27%	4.56%	4.65%	4.27%	3.86%	3.66%	4.63%	3.63%	1.71%
¥ 21.63	¥ 20.57	¥ 9.97	¥ 21.53	–	–	–	–	–
¥ 21.44	¥ 20.41	–	¥ 20.98	–	–	–	–	–
¥ 6.00	¥ 6.00	¥ 6.00	¥ 6.00	–	–	–	–	–

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

In this fiscal year (2004), the year ended March 31, 2004, production and shipment volumes in the Japanese chemical industry were about the same as one year earlier, but chemical companies continued to face difficulties because of sharp increases in feedstock prices and the value of the yen.

In this environment, the Mitsui Chemicals Group concentrated on sales activities, an exhaustive cost reduction program and other initiatives to improve earnings. The results of these actions are discussed below.

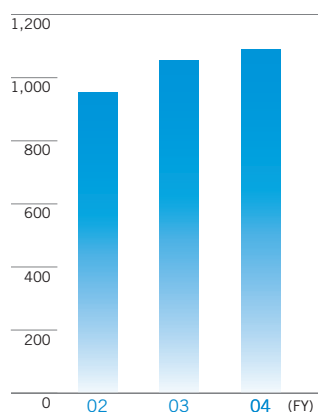
The number of consolidated subsidiaries decreased by two compared with the previous fiscal year to 74 due to the merger of three service companies around Chiba Works, among other factors. The number of non-consolidated subsidiaries and affiliates accounted for by the equity method decreased by four to 83 because of the sale of stock held in Mitsui Cytec Inc. and other actions.

OPERATING RESULTS

NET SALES

Net sales increased ¥36,336 million (US\$344 million) compared to the previous fiscal year to ¥1,089,518 million (US\$10,309 million). Growth in sales volume raised sales by about ¥21.9 billion (US\$0.21 billion) and higher prices raised sales by about ¥14.4 billion (US\$0.14 billion). These increases were primarily due to the start of operations at plants in Southeast Asia and to price increases in petrochemical and basic chemical sector.

NET SALES
(Billions of yen)



OPERATING INCOME

Operating income decreased ¥2,516 million (US\$24 million) to ¥53,942 million (US\$510 million). Volume raised operating income by about ¥12.6 billion (US\$0.12 billion) and prices by about ¥14.4 billion (US\$0.14 billion), but higher operating costs, primarily for feedstocks, had a negative impact of about ¥29.6 billion (US\$0.28 billion).

SEGMENT INFORMATION

> Business Segment

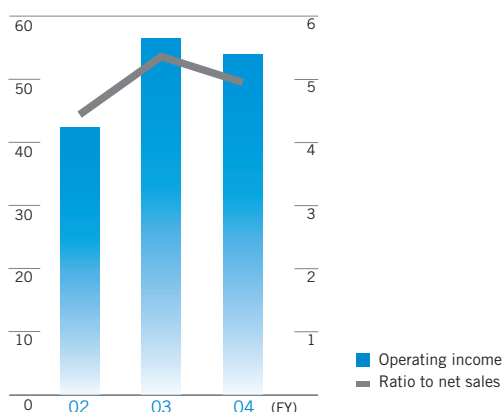
Petrochemicals

(Millions of yen)			
	2004	2003	Change (%)
Total sales	¥260,363	¥266,479	(2.3)
Operating income	7,126	13,027	(45.3)
Total assets	283,920	262,341	8.2
Depreciation and amortization	10,873	12,634	(13.9)
Capital expenditures	14,786	11,346	30.3

Production volumes of ethylene and propylene decreased 3% compared with the previous fiscal year. Demand was strong due to the recovery of the Japanese economy. However, production was held back by scheduled maintenance at the Ichihara and Osaka Works and by the temporary suspension in operations at the Osaka Works caused by irregularities in safety inspection procedures.

Polyethylene sales increased 4% as growth in sales volume coincided with higher prices for polyethylene products, mainly in Japan and Asia.

**OPERATING INCOME
RATIO TO NET SALES**
(Billions of yen, %)



Polypropylene sales decreased 4%. Prices climbed but the sales volume was lower because of the aforementioned maintenance problem at the Osaka Works.

As a result, segment sales decreased ¥6,116 million (US\$58 million) to ¥260,363 million (US\$2,463 million), which was 24% of total sales. Volume lowered sales by about ¥13.5 billion (US\$0.13 billion) and prices increased sales by about ¥7.4 billion (US\$0.07 billion).

Operating income decreased ¥5,901 million (US\$56 million) to ¥7,126 million (US\$67 million). Volume had a negative effect of about ¥1.5 billion (US\$0.01 billion), prices a positive effect of about ¥7.4 billion (US\$0.07 billion), and expenses a negative effect of about ¥11.8 billion (US\$0.11 billion).

Basic Chemicals

	(Millions of yen)		
	2004	2003	Change (%)
Total sales	¥324,092	¥311,051	4.2
Operating income	18,929	13,629	38.9
Total assets	325,067	364,773	(10.9)
Depreciation and amortization	14,903	15,073	(1.1)
Capital expenditures	11,069	22,378	(50.5)

Regarding purified terephthalic acid (PTA), sales increased 12%. Growth was due to higher sales in China and other Asian markets following the start of operations in the second half of the previous fiscal year at the second PTA production plant of Thai manufacturing subsidiary Siam Mitsui PTA Co., Ltd., and to higher prices for PTA products.

In polyethylene terephthalate (PET) resins, sales decreased 11%. This was a reflection of lower sales volume because of slower growth in demand in Japan for PET bottles due to cool summer weather in 2003 and increasing imports.

In phenol, sales were up 13% as sales volume rose along with demand and the sharply higher cost of feedstocks pushed up prices.

In bisphenol A, sales rose 28% as the third production plant at Mitsui Bisphenol Singapore Pte Ltd. began operations in the first half of this fiscal year and prices of bisphenol A products climbed.

In ethylene oxide, ethylene glycol and ethanolamine, sales rose 12% because of strong demand in Japan and Asia.

In this fiscal year, the acrylamide business was transferred to the functional polymeric materials, while hydroquinone and other businesses were transferred to the functional chemicals and engineered materials segments.

As a result, segment sales increased ¥13,041 million (US\$123 million) to ¥324,092 million (US\$3,066 million), accounting for 30% of total sales. Despite the transfer of products to other segments, which reduced sales by about ¥14.0 billion (US\$0.13 billion), higher volumes raised sales by about ¥9.7 billion (US\$0.09 billion) and prices increased sales by about ¥17.3 billion (US\$0.16 billion).

Operating income increased ¥5,300 million (US\$50 million) to ¥18,929 million (US\$179 million), with sales volumes contributing about ¥3.9 billion (US\$0.04 billion) and prices about ¥17.3 billion (US\$0.16 million). Higher expenses lowered operating income by about ¥15.9 billion (US\$0.15 billion).

Functional Polymeric Materials

(Millions of yen)

	2004	2003	Change (%)
Total sales	¥224,802	¥211,257	6.4
Operating income	7,209	12,345	(41.6)
Total assets	282,809	287,126	(1.5)
Depreciation and amortization	17,515	15,782	11.0
Capital expenditures	11,751	21,715	(45.9)

Sales of elastomers, including ethylene-propylene diene terpolymers and alpha-olefin copolymers, increased 8% despite a small decline in automobile production in Japan. Growth was mainly the result of the development of new applications and new overseas markets, as well as of the beginning of operations in the first half of this fiscal year at Mitsui Elastomers Singapore Pte Ltd.

In specialty resins and functional resins, sales were up 17% and 20%, respectively, because of strong demand for use in IT-related applications.

In paper-making materials and coating materials, sales decreased 2%. Although demand was strong for data-recording grades of paper, there was a downturn in coating materials and other general-purpose materials because of a low volume of public works projects.

In wax, petroleum resins and other additive materials, sales increased 3%. While the outbreak of SARS and the yen's strength brought down wax exports, sales of petroleum resins posted solid growth due to a higher market share in Japan and an increase in exports.

In acrylamide, sales decreased 10% because of weak operating results at major users of this material in Japan along with the impact on exports of the SARS outbreak and an appreciating yen.

In urethane raw materials such as TDI and MDI, sales decreased 2%. While volumes climbed because of higher export volumes, sales were brought down by lower sales volume in Japan and a drop in TDI export prices.

As a result, total segment sales increased ¥13,545 million (US\$128 million) to ¥224,802 million (US\$2,127 million), representing 20% of total sales. The transfer of product from other segment boosted sales by about ¥5.7 billion (US\$0.05 billion) and volume raised sales by about ¥11.7 billion (US\$0.11 billion), although prices lowered sales by about ¥3.9 billion (US\$0.04 billion).

Operating income was down ¥5,136 million (US\$49 million) to ¥7,209 million (US\$68 million). This was the net result of an increase of about ¥4.5 billion (US\$0.04 billion) from volume, and decreases of about ¥3.9 billion (US\$0.04 billion) from prices and approximately ¥5.8 billion (US\$0.05 billion) from expenses.

Functional Chemicals and Engineered Materials

(Millions of yen)

	2004	2003	Change (%)
Total sales	¥218,266	¥207,021	5.4
Operating income	16,871	13,743	22.8
Total assets	261,359	259,750	0.6
Depreciation and amortization	12,316	12,378	(0.5)
Capital expenditures	7,578	12,514	(39.4)

In hygiene materials, sales increased 2% due to the start of operations at subsidiary Mitsui Hygiene Materials (Thailand) Co., Ltd. in the second half of the previous fiscal year. This output offset the impact of falling demand and rising competition from imports in Japan.

In packaging films, sales increased 1% due to generally strong results even though there was a shift to other materials in some categories of industrial-use films.

In construction materials, sales fell 15% because of a declining demand from architectural and civil engineering construction, including public works projects.

In semiconductor materials, sales increased 2% because of continuing expansion of semiconductor markets and aggressive sales activities.

In display materials, sales were up 67%. Growth was driven by the rapid expansion of the plasma display panel market and rising demand for LCD panels.

In fine chemicals such as raw materials for electronics and information materials, sales were down 17% due to the continuation of challenging operating conditions. Sales volumes declined due to the withdrawal from unprofitable product categories and the closure by customers of business operations using these materials.

Sales of healthcare products, including monomers for optical lenses and pharmaceutical intermediates, increased 4% as strong sales of high-index plastic lenses outweighed weakness in pharmaceutical products.

In insecticides and other agrochemicals, sales increased 7% because of brisk sales of new insecticides.

As a result, segment sales rose ¥11,245 million (US\$106 million) to ¥218,266 million (US\$2,065 million), accounting for 20% of total sales. The transfer of products from another segment increased sales by about ¥8.3 billion (US\$0.08 billion) and volume raised sales by about ¥9.4 billion (US\$0.09 billion), although prices reduced sales by about ¥6.4 billion (US\$0.06 billion).

Operating income was up ¥3,128 million (US\$30 million) to ¥16,871 million (US\$160 million). Volume raised operating income by about ¥5.7 billion (US\$0.05 billion), prices had a negative effect of about ¥6.4 billion (US\$0.06 billion) and expenses raised operating income by about ¥3.9 billion (US\$0.04 billion).

Others

(Millions of yen)			
	2004	2003	Change (%)
Total sales	¥61,995	¥57,374	8.1
Operating income	3,743	3,390	10.4
Total assets	77,412	88,034	(12.1)
Depreciation and amortization	951	1,476	(35.6)
Capital expenditures	538	800	(32.8)

In plant construction and maintenance operations, rising private-sector capital expenditures brought an end to the decline in construction orders, resulting in sales to external customers that were about the same as in the previous fiscal year. In warehousing and logistics services, sales to external customers dropped 37% because of the sale of certain operations. However, total sales in this category increased because of growth in the volume of goods handled at sales subsidiaries in Europe and Asia.

As a result, segment sales increased ¥4,621 million (US\$44 million) to ¥61,995 million (US\$587 million), the result of a ¥4.6 billion (US\$0.04 billion) contribution by higher volume, and accounted for 6% of total sales.

Operating income increased ¥353 million (US\$3 million) to ¥3,743 million (US\$35 million). Volume contributed about ¥0.1 billion (US\$0.9 million) and expenses, mainly raw materials, about ¥0.2 billion (US\$1.9 million).

> Geographic Distribution

Japan

In the petrochemicals & basic chemicals sector, sales volumes were down but prices rose because of a sharp rise in the cost of feedstocks. Sales volumes increased in performance materials, particularly for functional chemicals and engineered materials. However, operating income was lower because of pressure on profit margins caused by the higher cost of raw materials.

As a result, sales in Japan increased ¥842 million (US\$8 million) to ¥928,721 million (US\$8,787 million), which was 85% of total sales, and operating income fell ¥4,823 million (US\$46 million) to ¥38,286 million (US\$362 million).

Asia

This segment has been newly established due to the growing importance of Asia in the company's operations. The following comparisons are based on reclassifications of segment information from the previous fiscal year in line with the establishment of the new geographic segment.

Segment sales and earnings increased because of the start of operations at two new plants: Siam Mitsui PTA Co., Ltd., which began manufacturing and selling PTA in the second half of the previous fiscal year; and Mitsui Bisphenol Singapore Pte Ltd., which began manufacturing and selling bisphenol A in the first half of this fiscal year.

As a result, segment sales increased ¥30,814 million (US\$292 million) to ¥95,516 million (US\$904 million), which was 9% of total sales. Operating income increased ¥2,943 million (US\$28 million) to ¥11,490 million (US\$109 million).

Others

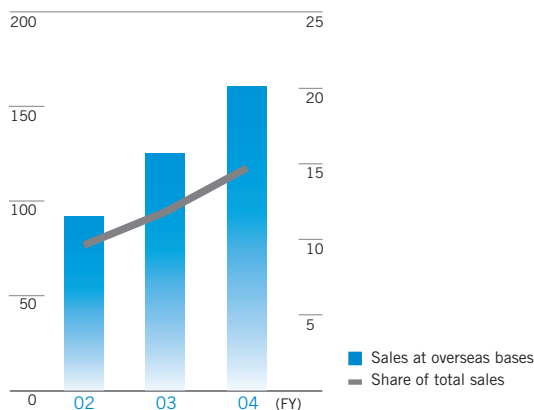
This segment was reorganized following the establishment of the Asia segment, which was formerly included. The following comparisons are based on reclassifications of segment information from the previous fiscal year in line with the establishment of the new geographic segment.

Sales increased due to strong sales of plastics for automotive applications by U.S.-based sales subsidiary Mitsui Chemicals America, Inc. and, in Europe, via measures taken by German-based sales subsidiary Mitsui Chemicals Europe GmbH to increase sales of PDP optical filters. However, operating income was lower because of the higher cost of raw materials and purchased products.

As a result, segment sales increased ¥4,680 million (US\$44 million) to ¥65,281 million (US\$618 million), which was 6% of total sales. Operating income decreased ¥396 million (US\$4 million) to ¥4,166 million (US\$39 million).

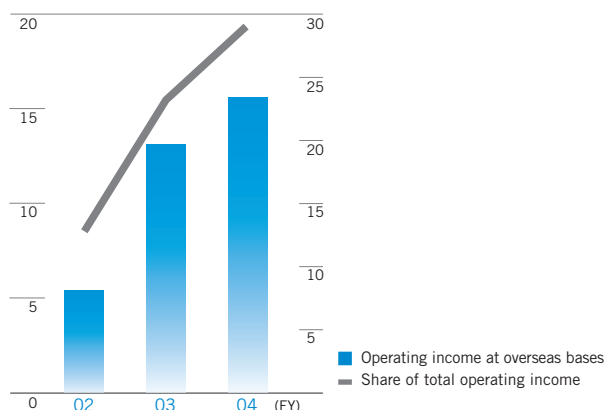
SALES AT OVERSEAS BASES SHARE OF TOTAL SALES

(Billions of yen, %)



OPERATING INCOME AT OVERSEAS BASES SHARE OF TOTAL OPERATING INCOME

(Billions of yen, %)



> Overseas Sales

Overseas sales increased ¥30,545 million (US\$289 million) to ¥344,577 million (US\$3,260 million), rising 1.8 percentage points to 31.6% of total sales, the first time this figure has exceeded 30%.

By region, Asia accounted for ¥257,920 million (US\$2,440 million), or 23.7%, of total sales, the Americas for ¥51,090 million (US\$483 million), or 4.7%, Europe for ¥30,833 million (US\$292 million), or 2.8%, and other regions for ¥4,734 million (US\$45 million), or 0.4%.

The ¥28,379 million (US\$269 million) increase in sales in Asia made a large contribution to the growth in total overseas sales.

OTHER INCOME (EXPENSE)

Other income (expense) was a net expense of ¥31,708 million (US\$300 million), ¥14,212 million (US\$134 million) higher than the net expense in the previous fiscal year.

The major components of other income (expense) were as follows.

Interest and dividend income decreased ¥428 million (US\$4 million) to ¥1,425 million (US\$13 million), but interest expense decreased ¥1,691 million (US\$16 million) to ¥7,415 million (US\$70 million) because of a reduction in interest-bearing liabilities. The result was an improvement of ¥1,263 million (US\$12 million) in net financial expenses.

Regarding investment securities, there was a decrease of ¥9,365 million (US\$89 million) in gain on sales of investment securities to ¥5,339 million (US\$51 million) and a decrease of ¥9,066 million (US\$86 million) in write-downs of investment securities to ¥260 million (US\$2 million).

Loss on sales and disposal of property, plant and equipment increased ¥5,665 million (US\$54 million) to ¥10,762 million (US\$102 million), mainly the result of the removal and rebuilding of polypropylene production facilities at the Osaka Works and the re-location of the head office.

Loss on restructuring of subsidiaries and affiliates increased ¥5,494 million (US\$52 million) to ¥6,862 million (US\$65 million), mainly the result of the January 2004 filing for protection under Japan's Civil Rehabilitation Law by affiliate Daika Polymers Co., Ltd.

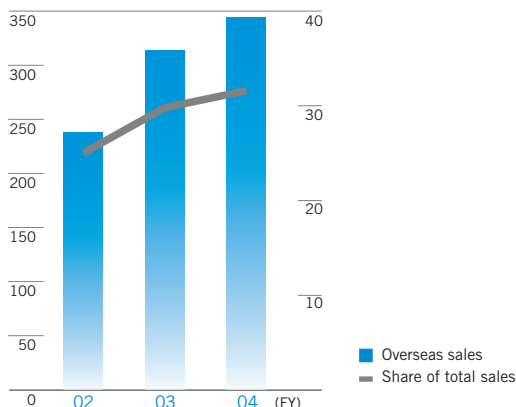
Due to these items, income before income taxes and minority interests decreased ¥16,728 million (US\$158 million) to ¥22,234 million (US\$210 million).

NET INCOME

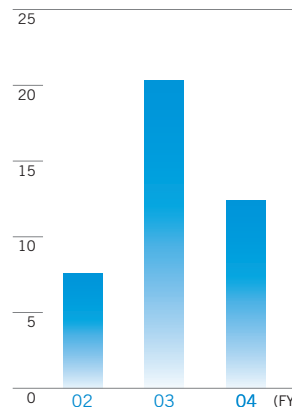
After deduction of income taxes and minority interests, net income was ¥12,466 million (US\$118 million), ¥7,854 million (US\$74 million) less than in the previous fiscal year. Net income per share (basic) decreased ¥9.94 (US\$0.09) to ¥15.78 (US\$0.15).

As there was a decline in net income and an increase in net sales from ¥1,053,182 million (US\$9,965 million) to ¥1,089,518 million (US\$10,309 million), the return on sales decreased from 1.93% to 1.14%.

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



NET INCOME
(Billions of yen)



FINANCIAL POSITION

OVERVIEW

Total assets decreased because of continuing efforts to streamline the balance sheet. There were decreases in receivables as payment terms were shortened, and in inventories, assets were sold and strict criteria applied to new investments and loans. However, the return on assets (operating income) declined from 4.48% to 4.47% because of the decrease in operating income. The debt-equity ratio, which is being adopted in the year ending March 31, 2005 as an indicator of financial soundness, was 1.26 as of March 31, 2004. This figure has been steadily improving since the year ended March 31, 2001 due to efforts to reduce interest-bearing liabilities.

ASSETS

Total assets were ¥1,188,466 million (US\$11,245 million) as of March 31, 2004, ¥36,728 million (US\$348 million) less than one year earlier due to ongoing measures to reduce assets along with depreciation and declines in the assets of overseas subsidiaries because of the yen's appreciation.

LIABILITIES

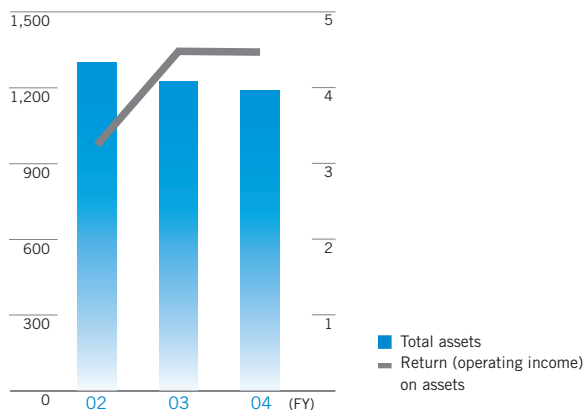
Liabilities decreased ¥45,040 million (US\$426 million) to ¥766,211 million (US\$7,250 million), mainly a reflection of the use of cash flows from asset reductions and other sources to reduce interest-bearing liabilities by ¥46,371 million (US\$439 million).

MINORITY INTERESTS

Minority interests decreased ¥4,315 million (US\$41 million) to ¥38,890 million (US\$368 million).

TOTAL ASSETS RETURN (OPERATING INCOME) ON ASSETS

(Billions of yen, %)



STOCKHOLDERS' EQUITY

Total stockholders' equity increased ¥12,627 million (US\$119 million) to ¥383,365 million (US\$3,627 million).

Retained earnings increased ¥7,569 million (US\$72 million) to ¥210,109 million (US\$1,988 million), mainly the result of an increase in net income of ¥12,466 million (US\$118 million) and dividend payments of ¥4,719 million (US\$45 million).

Additional paid-in capital increased ¥11 million (US\$0.1 million) to ¥66,912 million (US\$633 million) due to the sales of treasury stock.

The net unrealized holding gain on securities increased ¥10,822 million (US\$102 million) to ¥13,969 million (US\$132 million) because of higher prices of listed securities.

Foreign currency translation adjustments were ¥8,423 million (US\$80 million), due to the effects of a stronger yen.

Treasury stock was ¥2,428 million (US\$23 million).

These last two items had the effect of lowering stockholders' equity.

Due to the factors discussed above, the equity ratio increased from 30.3% to 32.3%.

CAPITAL RESOURCES AND LIQUIDITY

CASH FLOWS

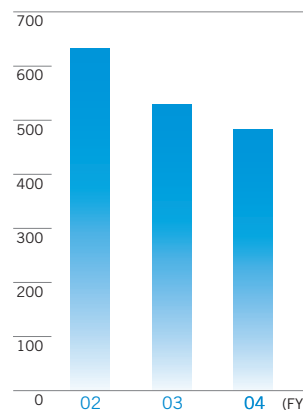
There was a net increase of ¥1,389 million (US\$13 million) in cash and cash equivalents to ¥28,005 million (US\$265 million) as of March 31, 2004.

Cash Flows From Operating Activities

Net cash provided by operating activities was ¥82,163 million (US\$777 million), ¥61,977 million (US\$586 million) less than in the previous fiscal year. The large decline was mainly attributable to changes in working capital items that reflect factors unique to the previous fiscal year, chiefly a decline in receivables due to their

INTEREST-BEARING LIABILITIES

(Billions of yen)



securitization and sale, and the fiscal year-end falling on a banking holiday. Inventory reductions and other actions, however, are producing a steady decline in working capital.

The above factors were responsible for an increase in the debt repayment multiple from 3.7 years to 5.9 years and a decrease in the interest coverage ratio from 15.7 to 10.8.

Cash Flows From Investing Activities

Net cash used in investing activities was ¥25,807 million (US\$244 million), ¥14,970 million (US\$142 million) less than in the previous fiscal year. The decline was mainly the result of adopting a more selective approach to new investments and loans.

Cash Flows From Financing Activities

Net cash used in financing activities was ¥54,328 million (US\$514 million). This was mainly a reflection of the use of free cash flows (sum of operating and investing cash flows) of ¥56,356 million (US\$533 million) to reduce interest-bearing liabilities, resulting in a year-on-year decrease of ¥48,748 million (US\$461 million).

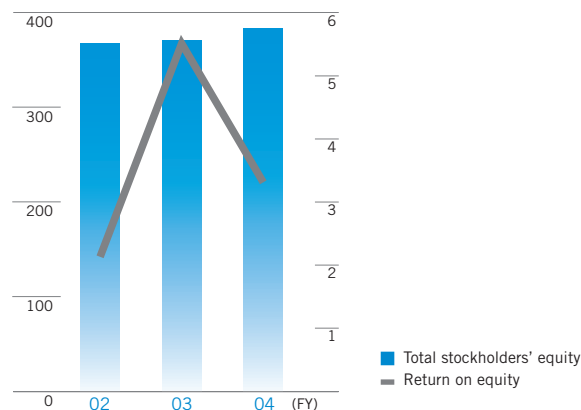
Cash Flow Related Performance Indicators

	2004	2003	2002	2001
Equity ratio	32.3	30.3	28.3	26.9
Market cap equity ratio	42.3	29.8	34.9	31.6
Debt repayment multiple	5.9	3.7	6.2	11.0
Interest coverage ratio	10.8	15.7	9.2	4.6

Notes: 1. The equity ratio is stockholders' equity divided by total assets.
 2. The market cap equity ratio is market capitalization divided by total assets.
 3. The debt repayment multiple is interest-bearing liabilities divided by operating cash flows.
 4. The interest coverage ratio is operating cash flows divided by interest expense.

TOTAL STOCKHOLDERS' EQUITY RETURN ON EQUITY

(Billions of yen, %)



* All figures are based on consolidated financial figures.

* Market capitalization is calculated by multiplying the year-end share price by the number of shares issued and outstanding at year-end (excluding treasury stock).

* Operating cash flow figures are from the consolidated statements of cash flows, interest-bearing liabilities is the sum of all liabilities that bear interest as shown on the consolidated balance sheets, and interest expense is the figure shown on the consolidated statements of cash flows.

FUND PROCUREMENT

The basic policy regarding fund procurement activities is as follows:

- 1) Maintain a high credit rating so that low-cost funds can be procured, mainly through bonds, loans and commercial paper, whenever necessary.
- 2) A certain level of indirect financing will be used to preserve the stability of fund procurement activities.
- 3) Securitization and other schemes will be used to liquidate assets to diversify means of fund procurement.

FINANCIAL LIQUIDITY

Regarding financial liquidity, a sufficient level of internal liquidity will be preserved along with backup sources of liquidity such as credit and overdraft facilities.

CAPITAL EXPENDITURES (SUMMARY)

Capital expenditures amounted to ¥45,722 million (US\$433 million). Capital expenditures include investments in intangible assets as well as long-term prepaid expenses. Expenditures by business segment were as follows.

Petrochemicals

Capital expenditures were ¥14,786 million (US\$140 million), including the removal and rebuilding of polypropylene production facilities and the construction of a new propylene production facility.

Basic Chemicals

Capital expenditures were ¥11,069 million (US\$105 million), including the expansion of PTA production facilities at Siam Mitsui PTA Co., Ltd.

Functional Polymeric Materials

Capital expenditures were ¥11,751 million (US\$111 million), including the expansion of urethane raw material production facilities at Mitsui Takeda Chemicals, Inc.

Functional Chemicals and Engineered Materials

Capital expenditures were ¥7,578 million (US\$72 million), including the construction of a hygiene materials production facility at Mitsui Hygiene Materials (Thailand) Co., Ltd.

Others

Capital expenditures were ¥538 million (US\$5 million).

RESEARCH AND DEVELOPMENT

Research and development is conducted by the four business groups of Mitsui Chemicals, the R&D centers of the corporate research and development division, and the research divisions of consolidated subsidiaries.

In this fiscal year, research and development expenditures were ¥32,894 million (US\$311 million) and the number of researchers employed at research and development divisions was 1,150.

Major themes, accomplishments and expenses at the corporate and business division levels were as follows.

Corporate Research and Development

These R&D activities, which are conducted primarily by Mitsui Chemicals, mainly involve strengthening and fostering basic technologies for the development of next-generation polyolefin catalysts and phosphazene catalysts, new polyolefin resins, next-generation performance materials, as well as activities to develop next-generation performance products. Corporate research is also engaged in fundamental research in fields such as computational science and combinatorial chemistry.

Corporate R&D expenditures were ¥5,583 million (US\$53 million).

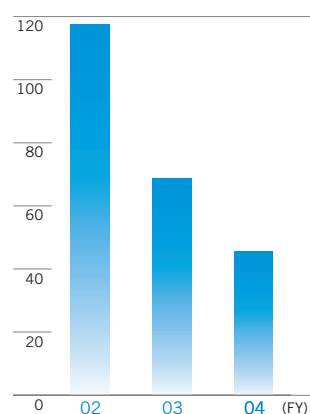
Petrochemicals

In petrochemicals, the central theme is the development of new products to make Mitsui Chemicals more competitive in polyolefin resins and create new markets.

Segment R&D expenditures were ¥3,772 million (US\$36 million).

CAPITAL EXPENDITURES

(Billions of yen)



Basic Chemicals

R&D activities mainly concern measures to strengthen core businesses such as PTA, bisphenol A and PET resins.

Segment R&D expenditures totaled ¥1,822 million (US\$17 million).

Functional Polymeric Materials

R&D activities in this segment, centered on elastomers, functional polymeric materials, industrial resins and urethane resins, are conducted primarily by Mitsui Chemicals and Mitsui Takeda Chemicals.

During this fiscal year, development and subsequent sales commenced of elastomers for sports shoes, as well as highly reactive and other new functional urethane resins and related raw materials.

Segment R&D expenditures totaled ¥9,768 million (US\$92 million).

Functional Chemicals and Engineering Materials

R&D activities in this segment, which are conducted mainly by Mitsui Chemicals, target electronic materials, information materials, agrochemical products, fine chemical products and fabricated polymer products.

During this fiscal year, major products that were developed and commercialized included a high-performance non-woven fabric; a 2-layer flexible copper-clad laminate with heat resistance; a raw material for high-index eyeglass lenses; and a reflective sheet for next-generation LCD panels.

Segment R&D expenditures totaled ¥11,949 million (US\$113 million).

CONSOLIDATED BALANCE SHEETS

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
March 31, 2004 and 2003

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Current assets:			
Cash and cash equivalents (Notes 4 and 7)	¥ 28,005	¥ 26,616	\$ 264,973
Short-term investments	137	532	1,296
Receivables:			
Trade notes and accounts	226,342	228,378	2,141,565
Other	16,106	16,450	152,389
Inventories (Note 5)	153,232	159,441	1,449,825
Deferred tax assets – current (Note 9)	12,155	11,102	115,006
Other current assets	5,579	4,192	52,787
Allowance for doubtful accounts	(1,039)	(1,472)	(9,831)
Total current assets	440,517	445,239	4,168,010
Property, plant and equipment (Note 7):			
Land	189,958	195,470	1,797,313
Buildings and structures	268,641	270,479	2,541,783
Machinery and equipment	885,101	894,889	8,374,501
Construction in progress	19,291	35,397	182,524
	1,362,991	1,396,235	12,896,121
Accumulated depreciation	(814,192)	(815,405)	(7,703,586)
Property, plant and equipment, net	548,799	580,830	5,192,535
Investments and other non-current assets:			
Investment securities (Notes 6 and 7)			
Non-consolidated subsidiaries and affiliates	58,424	64,235	552,786
Other	61,796	51,521	584,691
Long-term receivables	2,154	6,486	20,380
Deferred tax assets – non-current (Note 9)	33,476	38,538	316,738
Other non-current assets	46,705	41,414	441,906
Allowance for doubtful accounts	(3,405)	(3,069)	(32,217)
Total investments and other non-current assets	199,150	199,125	1,884,284
Total assets	¥1,188,466	¥1,225,194	\$11,244,829

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)
	2004	2003	2004
Current liabilities:			
Short-term bank loans (Note 7)	¥ 126,060	¥ 129,533	\$ 1,192,734
Current portion of long-term debt (Note 7)	77,298	80,079	731,365
Commercial paper (Note 7)	27,700	25,500	262,087
Payables:			
Trade notes and accounts	134,131	126,265	1,269,098
Other	37,938	45,211	358,955
Employees' savings deposits	2,546	2,854	24,089
Accrued expenses	25,461	25,623	240,903
Reserve for periodic repairs	2,498	4,063	23,635
Accrued income taxes (Note 9)	5,922	6,767	56,032
Other current liabilities	1,315	5,718	12,442
Total current liabilities	440,869	451,613	4,171,340
Long-term liabilities:			
Long-term debt due after one year (Note 7)	251,568	293,885	2,380,244
Accrued employees' retirement benefits (Note 8)	64,217	56,108	607,598
Reserve for periodic repairs	2,017	820	19,084
Other non-current liabilities	7,540	8,825	71,341
Total long-term liabilities	325,342	359,638	3,078,267
Minority interests	38,890	43,205	367,963
Contingent liabilities (Note 11)			
Stockholders' equity:			
Common stock (Note 10):			
Authorized – 3,000,000,000 shares			
Issued – 789,156,353 shares in 2004 and 2003	103,226	103,226	976,687
Additional paid-in capital	66,912	66,901	633,097
Retained earnings (Notes 10 and 16)	210,109	202,540	1,987,974
Net unrealized holding gain on securities	13,969	3,147	132,170
Foreign currency translation adjustments	(8,423)	(2,991)	(79,696)
Treasury stock, at cost: 4,269,533 shares in 2004 and 3,683,317 shares in 2003	(2,428)	(2,085)	(22,973)
Total stockholders' equity	383,365	370,738	3,627,259
Total liabilities, minority interests and stockholders' equity	¥1,188,466	¥1,225,194	\$11,244,829

CONSOLIDATED STATEMENTS OF INCOME

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Net sales	¥1,089,518	¥1,053,182	\$10,308,620
Cost of sales (Notes 8 and 13)	861,965	823,523	8,155,597
Gross profit	227,553	229,659	2,153,023
Selling, general and administrative expenses (Notes 8 and 13)	173,611	173,201	1,642,644
Operating income	53,942	56,458	510,379
Other income (expenses):			
Interest expense	(7,415)	(9,106)	(70,158)
Interest and dividend income	1,425	1,853	13,483
Equity in earnings of non-consolidated subsidiaries and affiliates	2,915	4,604	27,581
Gain on sales of investment securities (Note 6)	5,339	14,704	50,516
Loss on sales and disposal of property, plant and equipment	(10,762)	(5,097)	(101,826)
Loss on restructuring of subsidiaries and affiliates	(6,862)	(1,368)	(64,926)
Net retirement benefits obligation at transition (Note 8)	(6,118)	(6,118)	(57,886)
Loss on write-downs of investment securities	(260)	(9,326)	(2,460)
Special early retirement payments for employees	(4,977)	(3,981)	(47,091)
Gain on exemption from the substitutional portion of National Welfare Pension Fund Plan (Note 8)	–	3,330	–
Other, net	(4,993)	(6,991)	(47,242)
	(31,708)	(17,496)	(300,009)
Income before income taxes and minority interests	22,234	38,962	210,370
Income taxes (Note 9):			
Current	11,100	14,702	105,024
Deferred	(3,177)	(1,237)	(30,059)
	7,923	13,465	74,965
Income before minority interests	14,311	25,497	135,405
Minority interests in earnings of consolidated subsidiaries	(1,845)	(5,177)	(17,456)
Net income	¥ 12,466	¥ 20,320	\$ 117,949

	Yen		U.S. dollars (Note 3)
Amounts per share of common stock:			
Net income			
Basic	¥15.78	¥25.72	\$0.149
Diluted	–	25.47	–
Cash dividends applicable to the year	6.00	6.00	0.057

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

MITSUMI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2004 and 2003

	Number of shares of common stock (Thousands)	Millions of yen					
		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	789,156	¥103,226	¥66,901	¥189,375	¥ 6,854	¥ 763	¥ (131)
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)
Balance at March 31, 2003	789,156	¥103,226	¥66,901	¥202,540	¥ 3,147	¥ (2,991)	¥ (2,085)
Gain on sales of treasury stock	-	-	11	-	-	-	-
Net income	-	-	-	12,466	-	-	-
Decrease resulting from increase in a consolidated subsidiary	-	-	-	(18)	-	-	-
Decrease resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	-	-	-	(73)	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(87)	-	-	-
Cash dividends paid	-	-	-	(4,719)	-	-	-
Net unrealized holding gain on securities	-	-	-	-	10,822	-	-
Foreign currency translation adjustments	-	-	-	-	-	(5,432)	-
Net increase in treasury stock	-	-	-	-	-	-	(343)
Balance at March 31, 2004	789,156	¥103,226	¥66,912	¥210,109	¥13,969	¥(8,423)	¥(2,428)

	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, 2003	\$976,687	\$632,993	\$1,916,359	\$ 29,776	\$(28,300)	\$(19,728)
Gain on sales of treasury stock	-	104	-	-	-	-
Net income	-	-	117,949	-	-	-
Decrease resulting from increase in a consolidated subsidiary	-	-	(171)	-	-	-
Decrease resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	-	-	(691)	-	-	-
Bonuses to directors and corporate auditors	-	-	(823)	-	-	-
Cash dividends paid	-	-	(44,649)	-	-	-
Net unrealized holding gain on securities	-	-	-	102,394	-	-
Foreign currency translation adjustments	-	-	-	-	(51,396)	-
Net increase in treasury stock	-	-	-	-	-	(3,245)
Balance at March 31, 2004	\$976,687	\$633,097	\$1,987,974	\$132,170	\$(79,696)	\$(22,973)

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, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	2004
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 22,234	¥ 38,962	\$ 210,370
Depreciation and amortization	56,101	56,850	530,807
Provision for allowance for doubtful accounts	(97)	(1,806)	(918)
Reserve for periodic repairs	(368)	1,116	(3,482)
Interest and dividend income	(1,425)	(1,853)	(13,483)
Interest expense	7,415	9,106	70,158
Equity in earnings of non-consolidated subsidiaries and affiliates	(2,915)	(4,604)	(27,581)
Gain on sales of investment securities	(5,339)	(14,704)	(50,516)
Loss on sales of investment securities	85	1,188	804
Loss on write-downs of investment securities	260	9,326	2,460
Gain on sales of property, plant and equipment	(982)	(1,218)	(9,291)
Loss on sales and disposal of property, plant and equipment	6,249	3,572	59,126
Gain on exemption from the substitutional portion of National Welfare Pension Fund Plan	–	(3,330)	–
Net retirement benefits obligation at transition	6,118	6,118	57,886
Decrease in trade receivables	210	34,133	1,987
Decrease in inventories	4,901	15,473	46,371
Increase in trade payables	8,030	30,960	75,977
Other, net	(2,970)	(7,910)	(28,100)
Subtotal	97,507	171,379	922,575
Interest and dividends received	4,203	4,498	39,767
Interest paid	(7,602)	(9,190)	(71,927)
Income taxes paid	(11,945)	(22,547)	(113,019)
Net cash provided by operating activities	82,163	144,140	777,396
Cash flows from investing activities:			
Acquisition of property, plant, equipment and others	(49,743)	(69,399)	(470,650)
Proceeds from sales of property, plant, equipment and others	1,752	4,044	16,577
Purchases of investment securities	(1,920)	(6,588)	(18,166)
Proceeds from sales of investment securities	19,947	33,604	188,731
Purchases of consolidated subsidiaries	–	(3,136)	–
Purchases of business	(1,511)	–	(14,297)
Proceeds from sale of a business	6,100	–	57,716
Other, net	(432)	698	(4,087)
Net cash used in investing activities	(25,807)	(40,777)	(244,176)
Cash flows from financing activities:			
Net decrease in short-term loans	(319)	(72,553)	(3,018)
Proceeds from long-term debt	41,706	80,197	394,607
Repayments of long-term debt	(83,109)	(106,189)	(786,347)
Issuance of common stock by minority stockholders	–	800	–
Proceeds from sales of treasury stock	100	–	946
Purchases of treasury stock	(443)	(1,133)	(4,192)
Cash dividends paid	(4,719)	(4,732)	(44,649)
Other, net	(7,544)	534	(71,379)
Net cash used in financing activities	(54,328)	(103,076)	(514,032)
Effect of exchange rate changes on cash and cash equivalents	(662)	(437)	(6,264)
Net increase (decrease) in cash and cash equivalents	1,366	(150)	12,924
Cash and cash equivalents at beginning of the year	26,616	26,751	251,831
Increase in cash resulting from changes in number of consolidated subsidiaries	23	15	218
Cash and cash equivalents at end of the year (Note 4)	¥ 28,005	¥ 26,616	\$ 264,973

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, 2004 and 2003

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 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 are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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.

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 its 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 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 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 respective 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 is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed.

j. Allowance for doubtful accounts

The allowance for doubtful accounts is provided at amounts sufficient to cover probable 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

Employees of the Company and the consolidated subsidiaries are covered by an employees' retirement benefit plan and a non-contributory defined benefit 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, 2004 and 2003 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 (\$509,490 thousand), of which ¥398 million (\$3,766 thousand) was recognized as an expense as a result of the contribution of investment securities worth ¥398 million (\$3,766 thousand) to the employees' retirement benefit trust in 2000. The remaining net transition obligation amounting to ¥53,450 million (\$505,724 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 substitutional portion of National Welfare Pension Fund Plan was recognized as an expense effective the date permission for the release from future obligation for payments for the substitutional portion was received from the 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 year following the year in which the gain or loss was recognized.

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.

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.

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 ¥105.69=US\$1.00, the approximate rate of exchange in effect on March 31, 2004. The convenience 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 the above or any other rate.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash	¥27,986	¥26,616	\$264,793
Cash equivalents	19	–	180
Total	¥28,005	¥26,616	\$264,973

5. INVENTORIES

Inventories at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished goods	¥ 99,859	¥110,209	\$ 944,829
Work in process	6,899	7,274	65,276
Raw materials and supplies	46,474	41,958	439,720
Total	¥153,232	¥159,441	\$1,449,825

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, 2004 and 2003:

(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
	2004	2003	2004
Book value	¥11	¥10	\$104
Fair value	11	10	104
Difference	0	0	0

(b) Available-for-sale securities

Securities with book value exceeding their acquisition cost

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Equity securities:			
Acquisition cost	¥16,553	¥ 9,208	\$156,618
Book value	39,826	17,565	376,819
Difference	23,273	8,357	220,201

Other securities

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Equity securities:			
Acquisition cost	¥2,253	¥18,227	\$21,317
Book value	1,605	15,189	15,186
Difference	(648)	(3,038)	(6,131)

B. The following tables summarize the book value of securities with no known fair value as of March 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
(a) Held-to-maturity debt securities:			
Local government bonds	¥ 57	¥ 66	\$ 539
(b) Available-for-sale securities:			
Unlisted equity securities	¥19,922	¥18,304	\$188,495

C. Available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
			2004
Local government bonds:			
Due within one year	¥17		\$161
Due over one year but within five years	26		246
Due over five years but within ten years	25		237
Due over ten years	-		-
Total	¥68		\$644

D. Information related to available-for-sale securities for the years ended March 31, 2004 and 2003 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Sales total	¥12,823	¥19,065	\$121,327
Related gain total	4,171	9,933	39,464
Related loss total	85	516	804

7. SHORT-TERM DEBT AND LONG-TERM DEBT

At March 31, 2004 and 2003, short-term debt is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
0.37%-6.70% bank loans	¥126,060	¥129,533	\$1,192,734
Commercial paper	¥ 27,700	¥ 25,500	\$ 262,087

At March 31, 2004 and 2003, long-term debt is summarized as follows:

2.1% bonds due in 2003	¥ -	¥ 10,000	\$ -
2.25% bonds due in 2004	10,000	10,000	94,616
2.95% bonds due in 2004	10,000	10,000	94,616
2.4% bonds due in 2004	10,000	10,000	94,616
2.7% bonds due in 2005	10,000	10,000	94,616
2.95% bonds due in 2008	10,000	10,000	94,616
2.7% bonds due in 2008	10,000	10,000	94,616
1.875% bonds due in 2003	-	10,000	-
1.85% bonds due in 2003	-	10,000	-
1.775% bonds due in 2003	-	10,000	-
2.475% bonds due in 2005	10,000	10,000	94,616
2.07% bonds due in 2010	10,000	10,000	94,616
1.35% bonds due in 2005	10,000	10,000	94,616
1.94% bonds due in 2011	10,000	10,000	94,616
1.84% bonds due in 2011	10,000	10,000	94,616
1.62% bonds due in 2011	10,000	10,000	94,616
0.67% bonds due in 2006	10,000	10,000	94,616
0.79% bonds due in 2007	10,000	10,000	94,616
1.04% bonds due in 2009	10,000	10,000	94,616
1.36% bonds due in 2012	10,000	10,000	94,616
0.56% bonds due in 2007	10,000	10,000	94,616
0.50% bonds due in 2006	10,000	10,000	94,616
2.75% bonds due in 2004	3,000	3,000	28,385
0.78% bonds due in 2013	10,000	-	94,616
0.88% bonds due in 2005	1,000	1,000	9,462
1.6% bonds due in 2004	100	100	946
2.6% bonds due in 2008	-	500	-
0.46% bonds due in 2005	120	120	1,135
0.4% bonds due through 2006	68	102	643
0.57% bonds due in 2007	100	-	946
1.8% convertible debentures due in 2004	-	9,858	-
Loans, principally from banks and insurance companies:			
Secured, at rates of 0.86% to 7.75% maturing through 2009	26,901	26,166	254,527
Unsecured, at rates of 0.39% to 5.90% maturing through 2014	107,577	113,118	1,017,861
	328,866	373,964	3,111,609
Less current portion	77,298	80,079	731,365
	¥251,568	¥293,885	\$2,380,244

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

	Conversion price per share		Convertible at any time up to and including
1.8% convertible debentures due in 2004	¥1,617.00	\$(15.30)	March 30, 2004

The aggregate annual maturities of long-term debt subsequent to March 31, 2004 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥ 77,298	\$ 731,365
2006	34,849	329,729
2007	42,097	398,306
2008	37,730	356,987
2009 and thereafter	136,892	1,295,222
	¥328,866	\$3,111,609

At March 31, 2004, the assets pledged as collateral for long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 70	\$ 662
Investment securities	255	2,413
Property, plant and equipment, net of accumulated depreciation	127,990	1,210,994

8. ACCRUED EMPLOYEES' RETIREMENT BENEFITS

The liability for severance and retirement benefits included in the consolidated balance sheets as of March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligation	¥216,754	¥211,096	\$2,050,847
Unrecognized prior service cost	28	31	265
Unrecognized actuarial loss	(62,762)	(75,253)	(593,831)
Less fair value of pension plan assets	(83,959)	(67,667)	(794,389)
Less unrecognized net retirement benefits obligation at transition	(6,119)	(12,237)	(57,896)
Prepaid pension and severance cost	275	138	2,602
Liability for severance and retirement benefits	¥ 64,217	¥ 56,108	\$ 607,598

Included in the consolidated statements of income for the years ended March 31, 2004 and 2003 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service cost-benefits earned during the year	¥ 5,589	¥ 6,701	\$ 52,881
Interest cost on projected benefit obligation	5,122	5,028	48,463
Expected return on plan assets	(1,628)	(2,125)	(15,404)
Amortization of net retirement benefits obligation at transition	6,118	6,118	57,886
Amortization of actuarial loss	6,281	4,066	59,429
Amortization of prior service cost	(4)	(4)	(38)
Severance and retirement benefit expenses	21,478	19,784	203,217
Gain on exemption from the substitutional portion of National Welfare Pension Fund Plan	—	(3,330)	—
Net severance and retirement benefit expenses	¥21,478	¥16,454	\$203,217

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

	2004	2003
Discount rate	2.50%	2.50%
Rate of expected return on the pension plan assets	2.50%	2.50%

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 year following the 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, resulted in a statutory tax rate of approximately 41.9% for the years ended March 31, 2004 and 2003. 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 rates for consolidated financial statement purposes for the years ended March 31, 2004 and 2003:

	2004	2003
Statutory tax rate	41.9%	41.9%
Non-deductible expenses	3.2	1.8
Equity in earnings of non-consolidated subsidiaries and affiliates	(5.5)	(5.0)
Loss carryforwards of consolidated subsidiaries	9.8	—
Tax credit	(7.6)	—
Effect of change in tax rate	—	3.1
Differences of statutory tax rate in overseas consolidated subsidiaries	(4.6)	(8.2)
Other	(1.6)	1.0
Effective tax rates	35.6%	34.6%

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Allowance for doubtful accounts	¥ 2,986	¥ 969	\$ 28,253
Employees' retirement benefits	25,239	21,451	238,802
Accrued bonuses	4,773	4,105	45,161
Depreciation	5,342	5,525	50,544
Enterprise tax	815	540	7,711
Loss carryforwards of consolidated subsidiaries	6,089	2,500	57,612
Reserve for periodic repairs	1,788	2,026	16,918
Elimination of unrecognized gain on sale of a business	2,767	4,150	26,180
Loss on write-down of inventories	1,307	–	12,366
Loss on write-down of investment securities	4,105	7,023	38,840
Other	8,761	8,481	82,893
Subtotal	63,972	56,770	605,280
Valuation allowance	(3,374)	(996)	(31,924)
Total deferred tax assets	60,598	55,774	573,356
Deferred tax liabilities:			
Net unrealized holding gain on securities	(9,033)	(2,126)	(85,467)
Deferred gain on real properties	(3,791)	(4,472)	(35,869)
Reserve for special depreciation	(236)	(360)	(2,233)
Retained earnings of overseas consolidated subsidiaries, etc.	(1,979)	–	(18,724)
Other	(2,840)	(2,190)	(26,871)
Total deferred tax liabilities	(17,879)	(9,148)	(169,164)
Net deferred tax assets	¥ 42,719	¥46,626	\$ 404,192

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 shareholders' meeting or may be transferred to common stock by resolution of the Board of Directors. The Code also stipulates that, to the extent that the sum of additional paid-in capital and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the stockholders. 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.

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the stockholders' approval has been obtained. Retained earnings at March 31, 2004 include amounts representing the year-end cash dividends and bonuses to directors and corporate auditors approved at the stockholders' meeting held on June 29, 2004 as discussed in Note 16.

11. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of trade notes discounted	¥ 1,013	\$ 9,585
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	17,525	165,815
As issuer of commitments for guarantees	783	7,408

12. LEASES

Lease payments under finance leases, which are accounted for in the same manner as operating leases for the year ended March 31, 2004 were ¥3,108 million (\$29,407 thousand). Future lease payments under such finance leases as of March 31, 2004, inclusive of interest, were ¥7,237 million (\$68,474 thousand), including ¥2,552 million (\$24,146 thousand) due within one year.

Future lease payments under operating leases as of March 31, 2004 were ¥50 million (\$473 thousand), including ¥25 million (\$237 thousand) due after one year.

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Research and development expenses	¥32,894	¥37,114	\$311,231

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

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency trade receivables and trade payables, planned transactions denominated in foreign currency
Interest-rate swap contracts	Interest on loans payable

The Companies assess the effectiveness of the hedges semiannually by comparing the cumulative changes in cash flows from, or the changes in 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, 2004 and 2003 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, 2004, and 2003 is summarized as follows:

Year ended March 31, 2004	Millions of yen						
	Petrochemicals	Basic Chemicals	Functional Polymeric Materials	Functional Chemicals & Engineered Materials	Others	Eliminations	Consolidated
I. Sales and operating income:							
Customers	¥260,363	¥324,092	¥224,802	¥218,266	¥ 61,995	¥ -	¥1,089,518
Inter-segment	60,605	53,632	18,600	14,463	125,436	(272,736)	-
Total sales	320,968	377,724	243,402	232,729	187,431	(272,736)	1,089,518
Operating expenses	313,842	358,795	236,193	215,858	183,688	(272,800)	1,035,576
Operating income	¥ 7,126	¥ 18,929	¥ 7,209	¥ 16,871	¥ 3,743	¥ 64	¥ 53,942
II. Assets, depreciation and capital expenditures:							
Total assets	¥283,920	¥325,067	¥282,809	¥261,359	¥ 77,412	¥ (42,101)	¥1,188,466
Depreciation and amortization . .	10,873	14,903	17,515	12,316	951	(457)	56,101
Capital expenditures	14,786	11,069	11,751	7,578	538	-	45,722

Year ended March 31, 2004	Thousands of U.S. dollars						
	Petrochemicals	Basic Chemicals	Functional Polymeric Materials	Functional Chemicals & Engineered Materials	Others	Eliminations	Consolidated
I. Sales and operating income:							
Customers	\$2,463,459	\$3,066,440	\$2,126,994	\$2,065,153	\$ 586,574	\$ -	\$10,308,620
Inter-segment	573,422	507,446	175,986	136,843	1,186,829	(2,580,526)	-
Total sales	3,036,881	3,573,886	2,302,980	2,201,996	1,773,403	(2,580,526)	10,308,620
Operating expenses	2,969,458	3,394,787	2,234,772	2,042,369	1,737,988	(2,581,133)	9,798,241
Operating income	\$ 67,423	\$ 179,099	\$ 68,208	\$ 159,627	\$ 35,415	\$ 607	\$ 510,379
II. Assets, depreciation and capital expenditures:							
Total assets	\$2,686,347	\$3,075,664	\$2,675,835	\$2,472,883	\$ 732,444	\$ (398,344)	\$11,244,829
Depreciation and amortization . .	102,876	141,007	165,721	116,529	8,998	(4,324)	530,807
Capital expenditures	139,900	104,731	111,184	71,700	5,090	-	432,605

Year ended March 31, 2003	Millions of yen						Consolidated
	Petrochemicals	Basic Chemicals	Functional Polymeric Materials	Functional Chemicals & Engineered Materials	Others	Eliminations	
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

Geographic segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003 is summarized as follows:

Year ended March 31, 2004	Millions of yen					Consolidated
	Japan	Asia	Others	Eliminations		
I. Sales and operating income:						
Customers	¥ 928,721	¥ 95,516	¥65,281	¥ -	¥1,089,518	
Inter-segment	32,441	19,471	2,606	(54,518)	-	
Total sales	961,162	114,987	67,887	(54,518)	1,089,518	
Operating expenses	922,876	103,497	63,721	(54,518)	1,035,576	
Operating income	¥ 38,286	¥ 11,490	¥ 4,166	¥ -	¥ 53,942	
II. Assets	¥1,088,003	¥111,064	¥36,181	¥(46,782)	¥1,188,466	

Year ended March 31, 2004	Thousands of U.S. dollars					Consolidated
	Japan	Asia	Others	Eliminations		
I. Sales and operating income:						
Customers	\$ 8,787,217	\$ 903,737	\$617,666	\$ -	\$10,308,620	
Inter-segment	306,945	184,227	24,657	(515,829)	-	
Total sales	9,094,162	1,087,964	642,323	(515,829)	10,308,620	
Operating expenses	8,731,914	979,251	602,905	(515,829)	9,798,241	
Operating income	\$ 362,248	\$ 108,713	\$ 39,418	\$ -	\$ 510,379	
II. Assets	\$10,294,285	\$1,050,847	\$342,331	\$(442,634)	\$11,244,829	

Year ended March 31, 2003	Millions of yen					Consolidated
	Japan	Asia	Others	Eliminations		
I. Sales and operating income:						
Customers	¥ 927,879	¥ 64,702	¥60,601	¥ -	¥1,053,182	
Inter-segment	31,775	10,360	3,042	(45,177)	-	
Total sales	959,654	75,062	63,643	(45,177)	1,053,182	
Operating expenses	916,545	66,515	59,081	(45,417)	996,724	
Operating income	¥ 43,109	¥ 8,547	¥ 4,562	¥ 240	¥ 56,458	
II. Assets	¥1,120,607	¥110,969	¥39,964	¥(46,346)	¥1,225,194	

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2004 and 2003 are summarized by geographic area as follows:

Year ended March 31, 2004	Millions of yen				
	Asia	North America and Latin America	Europe	Others	Overseas sales
Overseas sales	¥257,920	¥51,090	¥30,833	¥4,734	¥ 344,577
Consolidated net sales					¥1,089,518
Ratio of overseas sales to consolidated net sales	23.7%	4.7%	2.8%	0.4%	31.6%

Year ended March 31, 2004	Thousands of U.S. dollars				
	Asia	North America and Latin America	Europe	Others	Overseas sales
Overseas sales	\$2,440,344	\$483,395	\$291,731	\$44,791	\$3,260,261

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

16. SUBSEQUENT EVENTS

A. The following appropriations of retained earnings at March 31, 2004 were duly approved at a meeting of the Company's stockholders held on June 29, 2004.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 (\$0.03) per share	¥2,358	\$22,311
Bonuses to directors and corporate auditors	¥ 47	\$ 445

B. Revision of severance and retirement benefits

On April 1, 2004, the Company decided to revise its system for severance and retirement benefits in order to reflect more strongly employees' occupational roles and their work performance.

As a result, the Company's projected benefit obligation reduced by ¥11,788 million (\$111,534 thousand) and income before income taxes and minority interests for the year ending March 31, 2005 is expected to increase by the same amount.

C. Polyolefin Business Integration

At a meeting held on May 17, 2004, the Board of Directors of the Company finalized a basic agreement among the Company, Idemitsu Kosan Co., Ltd. and Idemitsu Petrochemical Co., Ltd. to combine their respective polyolefin businesses. The agreement was concluded on the same day.

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, 2004 and 2003, 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 independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, generally accepted in Japan. Those standards 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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 29, 2004

Shin Nihon & Co.

KPMG AZSA & CO.

SUBSIDIARIES AND MAJOR AFFILIATES

(As of March 31, 2004)

* Consolidated subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)	Equity Interest (%)
Petrochemicals Business Group			
* Ube Polypro, Ltd.	Polypropylene	¥ 475	100
* Osaka petrochemical Industries, Ltd.	Ethylene, propylene and other basic petrochemical products	¥ 5,000	100
* Cosumosu Co., Ltd.	Direct contracting and miscellaneous	¥ 45	100
* Evolve Japan Co., Ltd.	Polyethelene	¥ 400	75
* Himawari Co., Ltd.	Direct contracting and miscellaneous	¥ 85	100
* Advanced Composites, Inc.	Polypropylene compound	US\$ 14.1	62.8
* Advanced Composites Mexicana S.A.DE C.V.	Compounded polymers	US\$ 2.6	100
Keiyo Ethylene Co., Ltd.	Ethylene, propylene and other basic petrochemical products	¥ 6,000	22.5
Japan Polystyrene Inc.	Polystyrene	¥ 2,000	50
Du Pont-Mitsui Polychemicals Co., Ltd.	Ethylene vinyl acetate copolymer and other plastics	¥ 6,480	50
Eternal Plastics Co., Ltd.	Polystyrene	Baht 240	43.75
Grand Siam Composites Co., Ltd.	Polypropylene and polypropylene compound	Baht 60	48
Mitsui Hi-Polymer (Asia) Ltd.	Sales of high-density polyethylene	US\$ 4.6	50
Basic Chemicals Business Group			
* San-eito Co., Ltd.	Direct contracting and miscellaneous	¥ 10	50
* Shimonoseki Mitsui Chemicals, Inc.	Phosphoric acid and fertilizers	¥ 4,000	100
* Chiba Phenol Company, Limited	Phenol and acetone	¥ 300	55
* Toyo Phosphoric Acid, Inc.	Phosphoric Acid	¥ 1,500	83.3
* Mitsui Toatsu Fertilizers, Inc.	Compound fertilizers, synthetic soil and liquid fertilizers	¥ 500	100
* Mitsui Toatsu Inorganic Chemicals, Inc.	Inorganic chemicals	¥ 100	50
* Mitsui Bisphenol Singapore Pte. Ltd.	Bisphenol-A	US\$ 40.1	100
* Mitsui Phenol Singapore Pte. Ltd.	Phenol and acetone	US\$ 54	90
* Siam Mitsui PTA Co., Ltd.	PTA	Baht 2,800	51
* Smh Co., Ltd.	Investment to Siam Mitsui PTA Co., Ltd.	Baht 60	51
P.T. Amoco Mitsui PTA Indonesia	PTA	US\$ 160	45
P.T. Indonesia PET Bottle	PET bottles	US\$ 5	25
P.T. Petnesia Resindo	Polyethylene terephthalate resin for bottles	US\$ 28.6	41.6
Thai PET Resin Co., Ltd.	Polyethylene terephthalate resin for bottles	Baht 900	40
Functional Polymeric Materials Business Group			
* Molding and Compounding Industries, Ltd.	Synthetic resin compounds and wood preservatives	¥ 300	100
* Saxin Corporation	Engineering plastic moldings	¥ 128	71.4
* Sun Alloys Co., Ltd.	Compounded polymers	¥ 50	100
* Sanseikaihatsu Co., Ltd.	Direct contracting and miscellaneous	¥ 490	100
* Sansei Container Manufacturing Company Ltd.	Metal container	¥ 90	100
* 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
* Chiba Polyol Corporation	Polypropylene glycol	¥ 100	90
* Tohoku Uloid Co., Ltd.	Formalin, wood adhesives and fertilizers	¥ 80	100
* Bohsoh Fine Co., Ltd.	Compounded polymers	¥ 20	100
* Hokuto Indutry, Ltd.	Synthetic resin molding compounds and molded parts	¥ 40	74.88
* Hokkaido Mitsui Chemicals, Inc.	Wood adhesives, paper resins and foliar activator	¥ 2,000	100
* Mitsui Chemicals Aquapolymer, Inc.	Organic flocculant	¥ 460	100
* Mitsui Takeda Chemicals, Inc.	Urethane raw materials, urethane derivatives, composite materials and organic acids	¥ 20,008	51
* Anderson Development Company	Specialty chemicals	US\$ 19.2	100
* Cosmo Scientex (M) Sdn. Bhd.	Urethane prepolymers for flexible packaging applications and providing technical services and assistance to customers	RM 10	70
* Mitsui Elastomers Singapore Pte. Ltd.	Elastomers	US\$ 35	100
* MTK Chemicals Pte. Ltd.	Coating resins	S\$ 3.6	65
* P.T. Arjuna Utama Kimia	Adhesives and formalin	US\$ 2.6	58.88
* P.T. Cosmo Polyurethane Indonesia	Urethane premixture	US\$ 10.5	81
* P.T. Mitsui Eterindo Chemicals	Acrylamide	US\$ 3	70
* Thai Mitsui Specialty Chemicals Co., Ltd.	Specialty chemicals	Baht 318	51.88

* Consolidated subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)	Equity Interest (%)
* Yongsan Mitsui Chemicals, Inc.	Acrylamide	Won 3,850	50
Gem Pc Ltd.	Engineering plastics	¥ 3,600	42
Nippon A&L Inc.	SBR latex and ABS resin	¥ 5,996	33
GE Plastics Japan Ltd.	Bisphenol-A and engineering plastics	¥ 9,800	41
Du Pont-Mitsui Fluorochemicals Co., Ltd.	Fluorocarbon resin and gas, and other chemicals	¥ 2,880	50
Kumho Mitsui Chemicals, Inc.	MDI	Won 50,000	50
Malayan Adhesives & Chemicals Sdn. Bhd.	Adhesives and formalin	M\$ 14	32
Tianjin Cosmo Polyurethane Co., Ltd.	Urethane premixture	Yuan 29.5	45
Functional Chemicals & Engineered Materials Business Group			
* Kyuushyu Fine Chemicals, Inc.	Agricultural chemicals and industrial chemicals	¥ 50	100
* Sanchu Chemicals, Inc.	Agricultural chemicals and industrial chemicals	¥ 10	100
* Sun Technochemicals Co., Ltd.	Epoxy resin hardening agent, various amines, special solvents and dimethyl carbonate derivatives	¥ 300	100
* Santou Chemicals, Inc.	Agricultural chemicals and industrial chemicals	¥ 30	100
* Sun Medical Co., Ltd.	Dental materials	¥ 100	70
* Sunrex Industry Co., Ltd.	Spunbonded nonwoven fabrics and plastic film	¥ 240	100
* JI Chemicals, Inc.	Iodide chemicals	¥ 100	100
* Chukyou Kousan Co., Ltd.	Direct contracting and miscellaneous	¥ 20	100
* Tohcello Co., Ltd.	Plastic film	¥ 2,370	62.94
* Toyo Beauty Supply Corporation	Cosmetics	¥ 40	60
* Nippon Corrosion Resistant Material Co., Ltd.	Corrosion resistant materials	¥ 30	80
* Hi-Sheet Industries, Ltd.	Plastic products	¥ 100	100
* Printec Corp.	Printed wiring boards and electronic appliances	¥ 250	100
* 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
* Mitsui Toatsu Agricultural Chemicals, Inc.	Agricultural chemicals and industrial chemicals	¥ 50	100
* ESCO Company Limited Partnership	Color former and catalyst	US\$ 21	51
* Mitsui Hygiene Materials (Thailand) Co., Ltd.	Spunbonded nonwoven fabrics	Baht 182.9	100
* Mitsui Petrochemicals (Netherlands) B.V.	Binder splited yarn	NL 1	100
* Taiwan Mitsui Chemicals, Inc.	Sales of electronics and information materials	Yuan 14	100
MCI Great Britain Limited	Investment to Image Polymers Europe UK Partnership	Pound 2.26	100
Honshu Chemical Industry, Ltd.	Raw materials for synthetic resins, synthetic fibers, dyes, pharmaceuticals, agricultural chemicals, rubber and other chemicals	¥ 1,500	26.9
Yamamoto Chemicals, Inc.	Color former, Catalyst	¥ 2,134	31.7
Image Polymers Company	Toner resin	US\$ 17.2	50
Image Polymers Europe UK Partnership	Toner resin	Pound 13	50
MC Albemarle Pte Limited	Marketing of aluminum alkyl	S\$ 0.12	50
Polyimide Laminate Systems, LLC	Polyimide flexible laminate	US\$ 0.1	50
Others			
* MC Human Resource, Inc.	Placement, temporary work and payroll services	¥ 40	100
* Mitsui Chemicals Logistics, Inc.	Logistics freight transport, packaging	¥ 600	100
* MCI Logistics (west), Inc.	General trucking and warehousing	¥ 400	100
* MCI Logistics (east), Inc.	General trucking and warehousing	¥ 400	100
* San-Business Services, Ltd.	Travel and general damage insurance agency	¥ 50	100
* Mitsui Chemicals Engineering Co., Ltd.	Engineering, plant construction and machine maintenance	¥ 400	100
* Mitsui Chemical Analysis & Consulting Service, Inc.	Performing analysis, physical property measurements, and safety tests on chemicals	¥ 130	100
* Mitsui Chemicals America, Inc.	Manufacture of ADMER and marketing of Mitsui Chemicals products	US\$ 51.7	100
* Mitsui Chemicals Asia, Ltd.	Marketing of Mitsui Chemicals products	S\$ 24.9	100
* Mitsui Chemicals Europe GmbH.	Manufacture of polypropylene compound, ADMER and marketing of Mitsui Chemicals products	DM 2.4	100
* Mitsui Chemicals (Shanghai) Co., Ltd.	Marketing of Mitsui Chemicals products	US\$ 0.3	100
Toyo Engineering Corporation	Engineering, plant construction	¥ 13,017.67	25.23

CORPORATE DATA

(As of March 31, 2004)

Date Incorporated

July 25, 1947
(Inaugurated October 1, 1997)

Paid-in Capital

¥103,226 million

Number of Employees

12,348 (Consolidated)
5,045 (Non-consolidated)

Shares of Common Stock Issued and Outstanding

789,156,353

Number of Stockholders

106,856

Stock Listings

Tokyo

Transfer Agent

The Chuo Mitsui Trust & Banking Co., Ltd.

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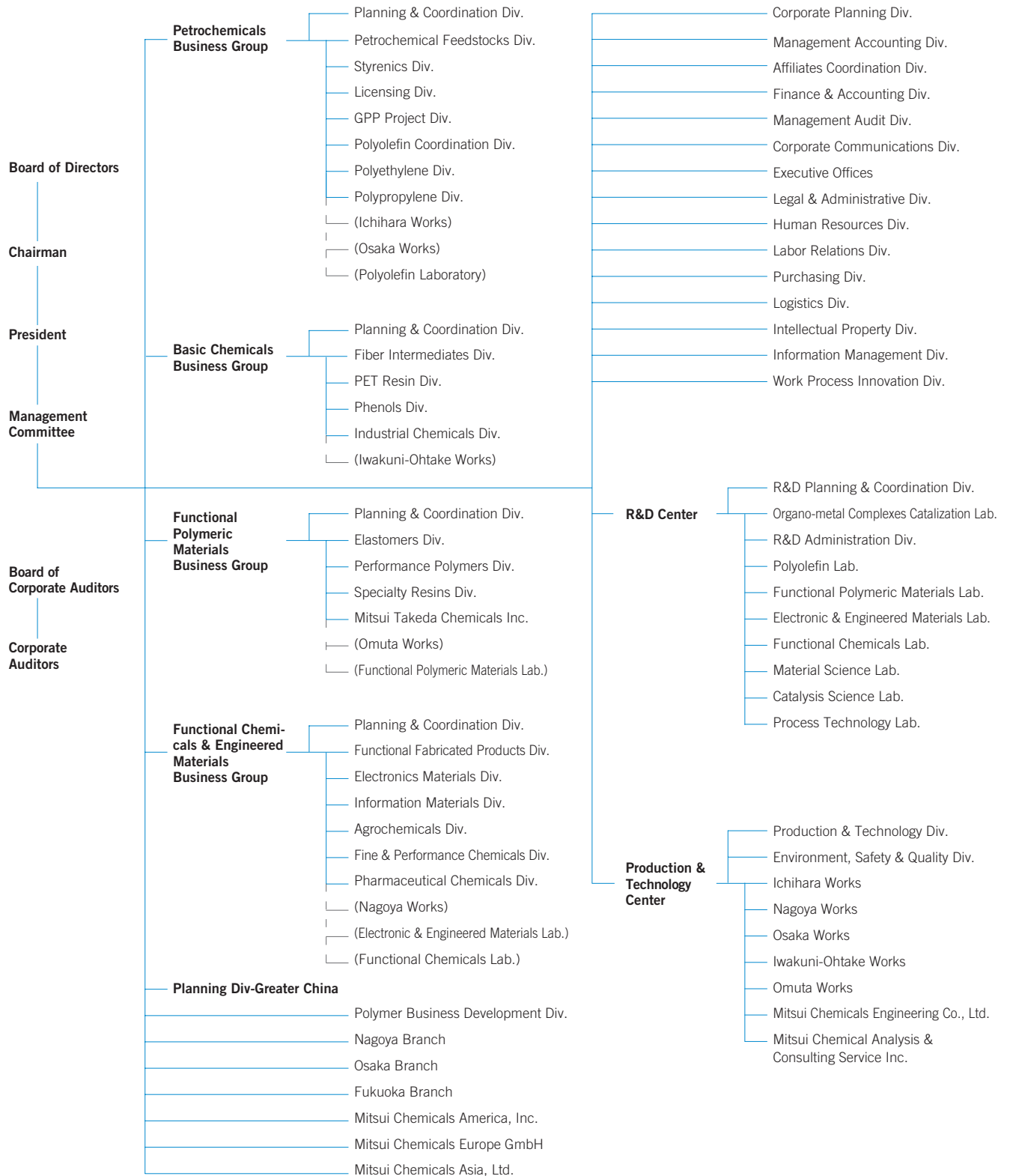
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Pudong New Area, Shanghai 200120, China
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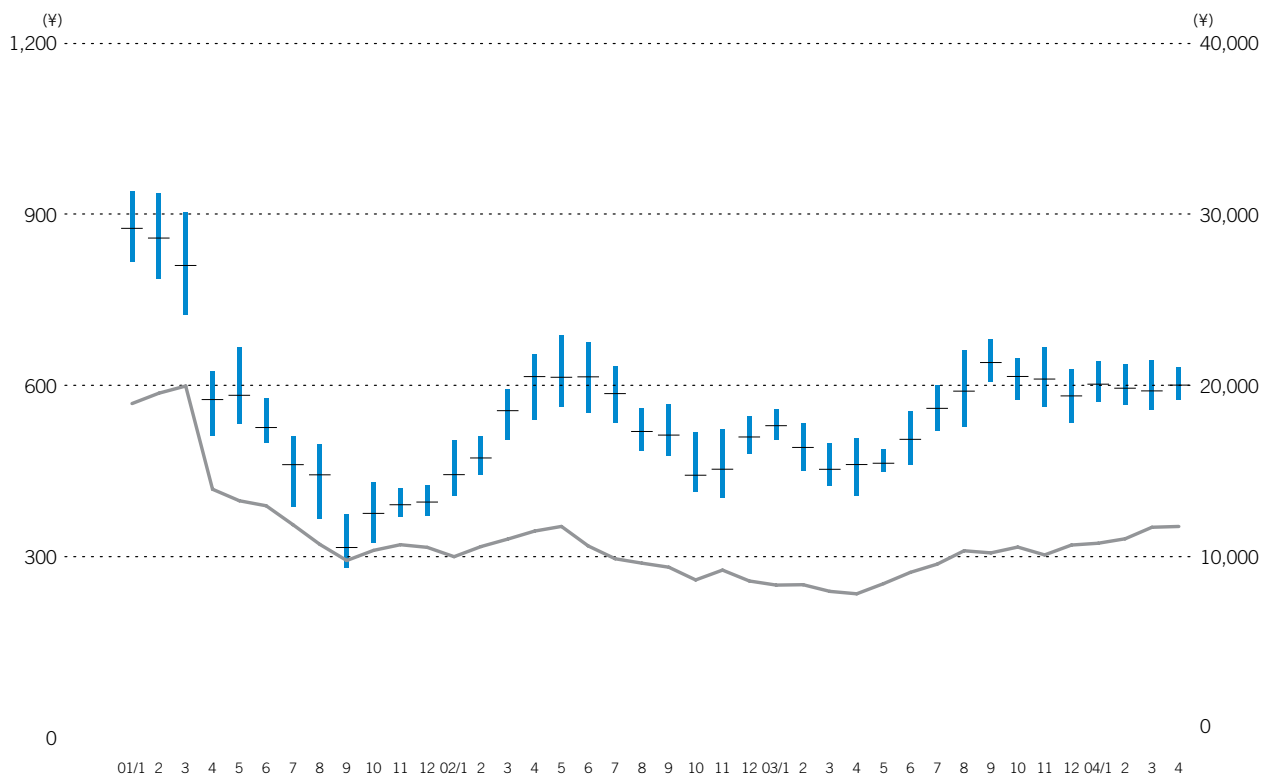
Organization Chart

(As of June 29, 2004)



Common Stock Price Range

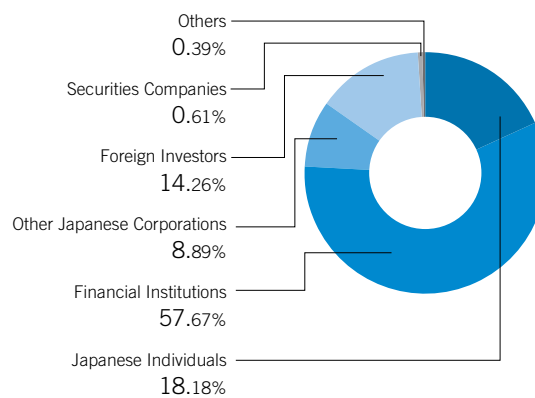
- Stock Price Range
- Nikkei 225 (right scale)



Major Stockholders

	Number of shares held (Thousand)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	108,021	13.68
The Master Trust Bank of Japan, Ltd. (Trust account)	91,847	11.63
Mitsui Asset Trust and Banking Company, Ltd. (Trust account for Toray Industries Inc.)	37,425	4.74
Shinsei Bank, Limited	21,376	2.70
Sumitomo Mitsui Banking Corporation	18,697	2.36
Mitsui Mutual Life Insurance, Co. (Standing Proxy: Japan Trustee Services Bank, Ltd.)	18,030	2.28
Mitsui & Co., Ltd.	17,217	2.18
The Chuo Mitsui Trust and Banking Company, Limited	16,100	2.04
Mitsui Sumitomo Insurance Company, Limited	15,652	1.98
The Norinchukin Bank	12,732	1.61
Total	357,097	45.20

Composition of Stockholders







Mitsui Chemicals

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