

April 3, 2007  
Mitsui Chemicals, Inc.

## **Introduction of Countermeasures to Large-Scale Acquisitions of Shares (Takeover Defense Measures)**

Mitsui Chemicals, Inc. (“MCI”) hereby announces as follows that at a meeting of its Board of Directors held on April 3, 2007, as described below more in detail, it has determined the terms of a plan for countermeasures to large-scale acquisitions of shares in MCI (takeover defense measures) (the “Plan”) as described below, and has registered the issuance of stock acquisition rights as a part of the Plan, for the purpose of ensuring and enhancing the corporate value of MCI and the common interests of its shareholders. The Plan will be subject to shareholder approval at the ordinary general meeting of shareholders scheduled to be held on June 26, 2007 (the “Ordinary General Meeting of Shareholders”).

### **1. Basic Policy on the Composition of Parties Controlling Decisions on MCI’s Financial and Operating Policies**

MCI believes that the composition of MCI’s shareholders should be determined through free market transactions of MCI’s shares and that the final decisions as to whether or not to accept a large-scale acquisition that would result in a transfer of the control of MCI should be made based on the will of all shareholders.

However, there is an emergence of a trend towards unilateral and forceful acquisitions of large numbers of shares without obtaining the approval of the management team of the target companies in our recent capital markets. There are some forms of corporate acquisition that benefit neither the target company’s corporate value nor the common interests of its shareholders, including those that apparently harm the corporate value and the common interests of its shareholders given their objectives, those that could in effect coerce shareholders into selling their shares, those that do not provide sufficient time or information for the target company’s board of directors and shareholders to consider the terms of the offer or for the company’s board of directors to propose any alternatives, and those that require the target companies to negotiate with the acquirer in order to

procure more favorable terms for shareholders than the terms presented by the acquirer.

MCI believes that it is not appropriate for parties conducting inappropriate large-scale acquisitions with the potential to harm MCI's corporate value and the common interests of its shareholders, including the above examples, or conducting actions similar to such acquisitions, to serve as the controlling party for decisions on MCI's financial and operating policies.

## **2. Initiatives for Realizing the Basic Policy**

Since its establishment in October 1997 MCI's corporate mission has been to contribute broadly to society by providing high-quality products and services to customers through innovations and creation of materials, while keeping in harmony with the global environment, and on this basis it has worked to ensure and enhance corporate value and shareholders' common interests.

Under its fiscal 2004 medium-term business plan, which ends with fiscal 2007, and based on the key concept of "Challenge for Change," MCI has aggressively promoted a conversion from quantitative business growth to qualitative growth. Specifically, MCI has put petrochemicals and basic chemicals, for which it possesses competitive propylene and aroma chains, at the core of its operations and has worked for further expansion and growth in the area of performance materials, which consists of the functional polymers, information and electronics materials and healthcare materials businesses. MCI has also endeavored to reform its business structure and bolster profitability.

Additionally, this year marks the tenth anniversary of MCI's establishment, so it formulated a basic framework for management of the Mitsui Chemicals Group called the "Grand Design" for its next ten to fifteen years of growth. The Grand Design revises MCI's corporate target to "'Chemistry, Innovation, Dreams' – The Mitsui Chemicals Group is constantly pursuing innovation and materializing dreams with the wonder of chemistry –" in anticipation of its next fifteen to twenty years. Moreover, MCI also established its long-term management target, which

covers the next eight to ten years and defines financial goals, environmental goals, the business portfolio and a direction for reinforcing business infrastructure, and will work to raise corporate value on a sustained basis.

Under its next medium-term business plan, which will begin in fiscal 2008, MCI will formulate and execute specific initiatives for promptly achieving these goals.

Based on the Grand Design, MCI reorganized itself into three business sectors, performance materials, advanced chemicals and basic chemicals, in order to more quickly realize its target business portfolio and accelerate new product development. MCI is also striving to convert to performance evaluations on three axes: financial, the traditional indicator, environmental, which consists largely of greenhouse gas reduction, and social, which primarily entails initiatives related to compliance with laws and regulations, eliminating work-related injuries and chemical safety regulations.

The source of MCI's corporate value lies in its high level of technological capabilities, which enable the development of high-performance, high-quality products. In order to further strengthen these capabilities and provide a foundation for raising corporate value over the medium- to long-term, MCI has formulated a research and development strategy that consists of 1) technology development in core businesses, including performance materials, basic chemicals, and petrochemicals, 2) research on next-generation technologies to develop cutting-edge fields in chemistry, and 3) integration of knowledge to expand opportunities for joint development through joint industry-academic research. MCI is currently putting this strategy into practice. In addition, capable personnel with advanced levels of expertise are indispensable to sustain and utilize such technologies. MCI works to acquire and develop capable personnel based on a deep level of trust that has been cultivated with employees over many years.

Moreover, MCI believes that fulfilling its social responsibilities as a corporation and earning the broad trust of society are absolutely necessary

to raising corporate value on a sustained basis. Among these responsibilities, MCI regards the enhancement of corporate governance to be an issue of the utmost importance, and is pursuing initiatives to this end, including the appointment of outside directors, emphasizing the role of statutory auditors, building and promoting internal control systems, and strengthening the activities of the Risk Management Committee. In order to further raise the trust of shareholders, customers, business partners, employees, local communities and all other stakeholders, MCI is working to further enhance and strengthen CSR activities that include ensuring environmental soundness, safety and quality, public service initiatives, and full compliance with laws and regulations.

### **3. Initiatives to Prevent Decisions on MCI's Financial and Operating Policies from Being Controlled by an Inappropriate Party According to the Basic Policy**

#### **(1) Purpose of Introducing the Plan**

Centering on its medium-term business plan, MCI is engaged in initiatives to ensure and enhance both its corporate value and common interests of its shareholders while effectively utilizing the sources of the corporate value that it has built up over many years.

Recently however, as explained above, the situation is such that there exists the possibility of MCI's corporate value and the common interest of its shareholders being harmed by inappropriate large-scale acquisitions of MCI's shares. In order for MCI to ensure and enhance its corporate value on a sustained basis into the future amid the intense competition that marks the chemicals industry, it is necessary to aggressively conduct these initiatives in particular: business portfolio reform against a backdrop of MCI's innovative corporate culture, research and development from a medium- to-long-term perspective and appropriate allocation of management resources, and preservation of relationships of mutual trust with stakeholders through ensuring environmental soundness, safety and quality. Unless such initiatives are going to be steadily implemented by the acquirer of MCI's shares, MCI's corporate value and the common interests of its shareholders would be harmed.

Given these circumstances, MCI's Board of Directors ("Board of Directors") determined that, for occasions when it receives an acquisition proposal for MCI's shares from an acquirer, it is necessary to introduce a mechanism that enables the Board of Directors to ensure necessary time and information for the shareholders to decide whether or not to accept such proposal and for the Board of Directors to make an alternative proposal to the shareholders, and to negotiate with the acquirer for the benefit of the shareholders, and, thus, deters acquisitions that are detrimental to MCI's corporate value and the common interests of its shareholders.

For the reasons above, as a part of MCI's efforts to prevent decisions on its financial and operating policies from being controlled by inappropriate parties according to its basic policy, Board of Directors has made the decision to introduce the Plan on the condition that it is approved by shareholders at the Ordinary General Meeting of Shareholders. Currently, there have been no facts of MCI receiving specific proposals for large-scale acquisitions from a third party. Stock information on MCI as of September 30, 2006 is shown in the attached "MCI Stock Information (as of September 30, 2006)".

## (2) Plan Outline

### (a) Establishment of Procedures for Triggering the Plan

The Plan establishes procedures, in the case that there is an Acquisition (as defined in section (3) (a), 'Procedures for Triggering the Plan') of MCI's shares, for requesting the acquirer or party proposing Acquisitions (collectively referred to as "Acquirer") to provide information in advance related to the Acquisitions, for securing time to collect information with respect to and consider the Acquisitions, and for MCI to propose the management team's plan or an alternative proposal to shareholders, or to negotiate with the Acquirer. These actions are taken for the purpose of ensuring and enhancing MCI's corporate value and common interests of its shareholders (see (3) 'Procedures for Triggering the Plan').

### (b) Gratis Allotment of the Stock Acquisition Rights and Use of an Independent Committee

If the Acquirer effects an Acquisition that is deemed to have the potential

to damage MCI's corporate value and common interests of its shareholders, such as an Acquisition conducted without following the procedures established by this Plan (see (4) 'Requirements of Gratis Allotment of the Stock Acquisition Rights' below for details), MCI shall make an allotment of stock acquisition rights with an exercise condition that does not allow the Acquirers to exercise and an acquisition provision to the effect that the stock acquisition rights may be acquired by MCI from persons other than the Acquirers in exchange for MCI's shares (the "Stock Acquisition Rights"; details provided below in (5) 'Outline of Gratis Allotment of the Stock Acquisition Rights') to all shareholders at that time by means of a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) (prescribed by Article 277 and relevant provisions onwards of the Corporation Law).

In order to avoid arbitrary decisions by MCI's Board of Directors, decisions with respect to the matters such as the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights or the acquisition of the Stock Acquisition Rights shall pass through the judgment of an Independent Committee made up only of people independent of MCI's management team, namely, (i) MCI's outside Directors, (ii) MCI's outside Statutory Auditors, or (iii) distinguished professionals from outside MCI (experienced corporate managers, former government officials, people with substantial experience in investment banking, attorneys, certified public accountants, academic experts or the like) ("Independent Committee"), in accordance with the Independent Committee Rules (see Appendix 1 for a summary), and transparency will be ensured by disclosing information to shareholders on a timely basis. The names and career summaries of the persons slated to make up the Independent Committee when the Plan is initially introduced are provided in Appendix 2.

(c) Exercise of the Stock Acquisition Rights and MCI's Acquisition of the Stock Acquisition Rights

Should a gratis allotment of the Stock Acquisition Rights be conducted in accordance with the Plan and MCI shares are granted to shareholders other than the Acquirer through the exercise of the Stock Acquisition Rights by shareholders other than the Acquirer or in exchange for the

Stock Acquisition Rights acquired by MCI, the ratio of shareholder voting rights held by the Acquirer may be diluted by up to fifty percent.

### (3) Procedures for Triggering the Plan

#### (a) Targeted Acquisitions

Under the Plan, a gratis allotment of the Stock Acquisition Rights is conducted in accordance with following procedures set forth by the Plan in case where there is an acquisition corresponding to 1) or 2) below or any similar action (collectively referred to as the “Acquisition”).

- 1) An acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariiai*)<sup>1</sup> of a holder (*hoyuusha*)<sup>2</sup> amounting to 20% or more of the share certificates, etc. (*kabuken tou*)<sup>3</sup> issued by MCI; or
- 2) A tender offer (*koukai kaitsuke*)<sup>4</sup> that would result in the ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariiai*)<sup>5</sup> of share certificates, etc. (*kabuken tou*)<sup>6</sup> relating to the tender offer and the ownership ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*)<sup>7</sup> totaling at least 20% of the share certificates, etc. issued by MCI.

#### (b) Request to the Acquirer for the provision of informations

Except when approved otherwise by the Board of Directors, any Acquirer conducting an Acquisition described in section (a) above shall be required

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<sup>1</sup> Defined in Article 27-23(4) of the Securities and Exchange Law of Japan. This definition is applied throughout this document.

<sup>2</sup> Including persons described as a holder under Article 27-23(3) of the Securities and Exchange Law of Japan.

<sup>3</sup> Defined in Article 27-23(1) of the Securities and Exchange Law of Japan. Unless otherwise provided for in this document, the same is applied throughout this document.

<sup>4</sup> Defined in Article 27-2(6) of the Securities and Exchange Law of Japan. The same is applied throughout this document.

<sup>5</sup> Defined in Article 27-2(8) of the Securities and Exchange Law of Japan. The same is applied throughout this document.

<sup>6</sup> Defined in Article 27-2(1) of the Securities and Exchange Law of Japan. The same is applied in (2).

<sup>7</sup> Defined in Article 27-2(7) of the Securities and Exchange Law of Japan (including persons who are deemed to fall under the above by the board of directors of the Company); provided, however, that persons provided for in Article 3(2) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Law of Japan. The same is applied throughout this document.

to submit information necessary to consider the details of the Acquisitions described in the following items (“Necessary Information”), and a written undertaking that the Acquirer will upon the Acquisition comply with the procedures set out in the Plan (collectively referred to as “Offer Prospectus”) to MCI prior to executing the Acquisition using the format prescribed by MCI.

When the aforementioned Offer Prospectus is received, the Board of Directors shall promptly deliver it to the Independent Committee. In the case the Independent Committee receives the Offer Prospectus and decides that its contents are inadequate as Necessary Information, the Acquirer may be asked by the Independent Committee or the Board of Directors to provide additional Necessary Information after an appropriate response deadline is established. In this case, the Acquirer is required to submit the additional Necessary Information by the deadline.

- 1) Details on the Acquirer and its group (including joint holders<sup>8</sup>, persons having a special relationship, (and in the case of funds) fund members and other members) (including the specific name, capital structure and financial information)
- 2) Purpose, method and terms of the Acquisition (including the type and amount of compensation, timing, scheme of any related transactions, legality of methods and possibility of execution)
- 3) Basis of price calculations for the Acquisition (including facts and assumptions on which the calculation is premised, calculation methods, numerical data used in the calculation and synergies expected to arise from the series of transactions related to the Acquisition, and, more specifically, synergies distributed to minority shareholders)
- 4) Information on the backing for funds for the Acquisition (specific names of fund providers (including all indirect providers), fundraising methods, and terms of any related transactions)
- 5) Management policies, business plans, capital policies and dividend policies for MCI Group following execution of the Acquisition
- 6) Policy on how MCI’s employees, business partners, customers and

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<sup>8</sup> Defined in Article 27-23(5) of the Securities and Exchange Law of Japan, including persons who the board of directors deems are regarded as a joint holder under Article 27-23(6) of the Securities and Exchange Law of Japan. The same is applied throughout this document.

other stakeholders will be treated following execution of the Acquisition

7) Other information reasonably judged to be necessary by the Independent Committee

When it is deemed that a Acquirer has commenced an Acquisition without following the procedures established in the Plan, the Independent Committee shall, in principle, recommend to the Board of Directors to implement a gratis allotment of the Stock Acquisition Rights in accordance with section (d) 1) below, except in particular circumstances where it should continue with its requests for submission of the Offer Prospectus and Necessary Information to conduct discussion and negotiation with the Acquirer.

(c) Consideration of Acquisition terms, Negotiation with Acquirer, Submission of Alternatives

1) Information Disclosure Requirements for MCI's Board of Directors

When the Acquirer submits the Offer Prospectus and Necessary Information that has been additionally requested by the Independent Committee (if any) , the Independent Committee may, in order to compare the details of the Offer Prospectus and the Necessary Information with the business plan of MCI's Board of Directors and the like from the perspective of ensuring and enhancing MCI's corporate value and the common interests of its shareholders, request the Board of Directors to promptly provide an opinion on the terms of the Acquirer's Acquisition (including qualified opinions; the same shall apply hereafter), supporting documents, alternatives (if any) and any other information or documents deemed appropriate and necessary by the Independent Committee within a reasonable period of time (in principle, within 60 days) set by the Independent Committee.

2) Consideration by the Independent Committee

In the case where the Independent Committee deems that the Acquirer and (when the Board of Directors is requested to provide information and documents in accordance with section 1) above) the Board of Directors have provided sufficient information and documents (including those additionally requested), the committee shall set a consideration period of no more than 60 days in principle (however, in

accordance with section (d) 3) below, the Independent Committee may extend or re-extend the period by resolution; the “Committee Consideration Period”).

Based on the information and documents provided by the Acquirer and the Board of Directors, the Independent Committee shall consider the Acquirer’s Acquisition terms, consider any alternative proposals submitted by the Board of Directors, collect information on and compare the business plans of the Acquirer and the Board of Directors and the like during the Committee Consideration Period from the perspective of ensuring and enhancing MCI’s corporate value and the common interests of its shareholders. Also, if necessary, the Independent Committee shall conduct discussions and negotiations with the Acquirer, itself or through the Board of Directors, in order to improve the terms of the Acquisition from the perspective of ensuring and enhancing MCI’s corporate value and the common interests of its shareholders, and shall present MCI’s alternative proposal to shareholders.

The Acquirer must promptly respond when the Independent Committee requests the Acquirer, itself or through the Board of Directors, to provide materials for consideration or any other information, or to discuss or negotiate with the Independent Committee within the Committee Consideration Period. The Acquirer must not commence the Acquisition until the Committee Consideration Period ends.

In order to ensure that decisions made by the Independent Committee contribute to ensuring and enhancing MCI’s corporate value and the common interests of its shareholders , the Independent Committee may seek the advice of independent third parties (including financial advisors, certified public accountants, attorneys, consultants and other experts) at MCI’s expense.

### 3) Disclosure of Information to Shareholders

The Independent Committee shall disclose, by itself or through the Board of Directors, to shareholders the fact that an Offer Prospectus

has been submitted, a summary of it, a summary of the Necessary Information, and any other information the Independent Committee deems appropriate to disclose at a time deemed appropriate by the Independent Committee.

(d) Judgment Methods of the Independent Committee

When an Acquirer emerges, the Independent Committee shall provide a recommendation to the Board of Directors in accordance with the following procedures.

When the Independent Committee provides a recommendation or makes a resolution as described in sections 1) to 3) below with respect to the Board of Directors, or when the Independent Committee otherwise believes it appropriate, the Independent Committee shall promptly disclose information related to the fact and the outline of the recommendation or the resolution, and other matters the Independent Committee considers are appropriate to disclose (in the case of resolving to extend or re-extend the Committee Consideration Period in accordance with 3) below, including the fact and the outline of the reason for such extension or re-extension).

1) Independent Committee Recommends the Triggering of the Plan

If the Acquirer fails to comply with the procedures prescribed in (b) or (c) above, or if as a result of the consideration of the terms of the Acquirer's Acquisition and discussions or negotiations with the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer corresponds to any of the requirements set out at section (4) 'Requirements for Gratis Allotment of the Stock Acquisition Rights' below, the Independent Committee shall recommend to the Board of Directors that a gratis allotment of the Stock Acquisition Rights be implemented irrespective of whether the Committee Consideration Period has started or ended.

However, when the Independent Committee determines any of the following circumstances apply, even after the recommendation for the implementation of the gratis allotment of the Stock Acquisition Rights has been made, the Independent Committee may make a new judgment and

recommend this to the Board of Directors. Such recommendation could include suspending the gratis allotment of the Stock Acquisition Rights up to the effective date of the gratis allotment, or MCI's acquisition of the Stock Acquisition Rights without consideration up to the day prior to the first day of the exercise period for the Stock Acquisition Rights following the effective date for the gratis allotment.

- (i) When the Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after the initial recommendation
- (ii) When changes occur in the facts or information that formed the basis for the initial recommendation and the Acquisition by the Acquirer no longer corresponds to any of the requirements set out at section (4) 'Requirements for Gratis Allotment of the Stock Acquisition Rights' below.

## 2) Independent Committee Recommends the Non-Triggering of the Plan

If as a result of the consideration of the terms of the Acquirer's Acquisition and discussions or negotiations with the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer does not correspond to any of the requirements set out at (4) 'Requirements for Gratis Allotment of the Stock Acquisition Rights' below, or the Board of Directors does not provide the opinion prescribed in section (c) 1) above or information and documents requested by the Independent Committee within the specified timeframe despite the requirement by the Independent Committee, the Independent Committee shall recommend to the Board of Directors that the gratis allotment of the Stock Acquisition Rights not be implemented, irrespective of whether or not the Committee Consideration Period has ended.

However, if the Independent Committee determines that changes have occurred in the facts or information that formed the basis for the recommendation and the Acquisition by the Acquirer corresponds to any of the requirements set out at (4) 'Requirements for Gratis Allotment of the Stock Acquisition Rights' below, even after the recommendation for the non-implementation of the gratis allotment of the Stock Acquisition Rights has been made, the Independent Committee may make a new judgment and recommend this to the Board of Directors. Such

recommendation could include the implementation of a gratis allotment of the Stock Acquisition Rights.

### 3) Independent Committee Extends the Committee Consideration Period

If the Independent Committee does not provide a recommendation for the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights by the end of the initial Committee Consideration Period, the Independent Committee will, to the extent that it is necessary for actions such as consideration of the terms of the Acquirer's Acquisition, discussion or negotiation with the Acquirer, or consideration of alternative proposals, adopt a resolution to extend the Committee Consideration Period. (The same procedures shall apply when the period is extended again following the extension period.)

When the Committee Consideration Period is extended by the aforementioned resolution, the Independent Committee shall continue with information collection, consideration process and the like and shall use best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights or provide an alternative proposal within the extension period.

### (e) Resolutions by the Board of Directors

When the aforementioned recommendation is received from the Independent Committee, the Board of Directors, in exercising their role under the Corporation Law, shall promptly make a resolution relating to the implementation or non-implementation of a gratis allotment of the Stock Acquisition Rights (including the resolution of suspending the gratis allotment of the Stock Acquisition Rights or MCI's acquisition of the Stock Acquisition Rights without consideration) respecting any recommendation of the Independent Committee described above to the maximum extent.

When the aforementioned resolution has been made, the Board of Directors shall promptly disclose a summary of the resolution and other information it deems appropriate.

## (4) Requirements for Gratis Allotment of the Stock Acquisition Rights

When the Acquisition by the Acquirer corresponds to any of the following conditions (a) through (g), MCI intends to implement the gratis allotment of the Stock Acquisition Rights by a resolution of the Board of Directors, as stated above in section (e) of (3) 'Procedures for Triggering the Plan'. In accordance with section (d) of (3) 'Procedures for Triggering the Plan', the determination as to whether the Acquisition corresponds to the following requirements will always be made through the Independent Committee.

(a) An Acquisition not in compliance with the procedures prescribed in the Plan such as provision of information or ensuring the Committee Consideration Period, etc. set out at section (b) of (3) 'Procedures for Triggering the Plan'

(b) An Acquisition that threatens to cause obvious harm to MCI's corporate value and the common interests of its shareholders through actions including any of the following actions

1) A buyout of share certificates to require such share certificates to be compulsorily purchased by MCI at an inflated price

2) Management that achieves an advantage for the Acquirer to the detriment of MCI, such as temporary control of MCI's management for the low-cost acquisition of its material assets

3) Diversion of MCI's assets to secure or repay debts of the Acquirer or its group company

4) Temporary control of MCI's management to bring about a disposal of high-value assets that have no current relevance to MCI's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends

(c) An Acquisition that threatens to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms for the second stage that are unfavorable or do not set clear terms

for the second stage)

(d) An Acquisition that does not provide MCI with the period of time reasonably necessary to present an alternative to the Acquisition

(e) An Acquisition in which the Necessary Information or any other information considered reasonably necessary to assess the Acquisition terms is not adequately provided to MCI's shareholders

(f) An Acquisition whose terms (including the type and amount of compensation, timing, legality of methods, possibility of execution, and policies on the treatment of MCI's employees, business partners, customers and other stakeholders following the execution of the Acquisition) are conspicuously inadequate or inappropriate given the intrinsic value of MCI

(g) An Acquisition that materially threatens to be against MCI's corporate value and, in turn, the common interests of its shareholders by destroying relationships with MCI's employees, business partners, customers and other parties that are indispensable to MCI in generating corporate value

#### (5) Outline of Gratis Allotment of the Stock Acquisition Rights

An outline of the gratis allotment of the Stock Acquisition Rights under the Plan is described below (for particulars regarding the gratis allotment of the Stock Acquisition Rights, see Appendix 3, 'Terms and Conditions of the Stock Acquisition Rights').

##### (a) Number of the Stock Acquisition Rights

The number of the Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares in MCI (excluding the number of shares in MCI at that time) on a certain date (the "Allotment Date") that is separately determined by the Board of Directors in a resolution relating to the gratis allotment of the Stock Acquisition Rights ("Gratis Allotment Resolution").

##### (b) Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights to those shareholders, other than MCI, who are entered or recorded in MCI's final shareholder register or beneficial shareholder register on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share in MCI held.

(c) Effective Date of Gratis Allotment of the Stock Acquisition Rights

The Board of Directors will separately determine the effective date of the gratis allotment of the Stock Acquisition Rights in the Gratis Allotment Resolution.

(d) Class and Number of Shares to Be Acquired upon Exercise of the Stock Acquisition Rights

The class of shares to be acquired upon exercise of each Stock Acquisition Right is to be the common stock of MCI, and the number of shares to be acquired upon exercise of each Stock Acquisition Right (the "Applicable Number of Shares") shall be one share except as separately adjusted.

(e) The Amount of Properties to Be Contributed upon Exercise of the Stock Acquisition Rights

Contribution upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined by MCI's Board of Directors in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share of MCI.

(f) Exercise Period of the Stock Acquisition Rights

The commencement date of the exercise period will be the effective date of gratis allotment of the Stock Acquisition Rights or a date separately determined by the Board of Directors in the Gratis Allotment Resolution, and the exercise period will be a period from one month to two months as separately determined by the Board of Directors in the Gratis Allotment Resolution; provided, however, that if MCI acquires the Stock Acquisition Rights pursuant to the provisions of section (i) 2)

below, the exercise period of the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

(g) Conditions for the Stock Acquisition Rights

As a general rule, the following parties may not exercise the Stock Acquisition Rights (the parties falling under i) through vi) below shall collectively be referred as “Specified Acquirers”):

- i) Specified Large Holders<sup>9</sup>;
- ii) Joint holders of Specified Large Holders;
- iii) Specified Large Purchasers<sup>10</sup>;
- iv) Persons having a Special Relationship with Specified Large Purchasers;
- v) Any transferee of or successor to the Stock Acquisition Rights of any person falling under i) through iv) without the approval of the Board of Directors; or
- vi) Any Affiliated Party<sup>11</sup> of any person falling under i) through v).

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<sup>9</sup> “Specified Large Holder” means a person who is a holder of share certificates, etc. issued by MCI and whose holding ratio of share certificates, etc. in respect of such share certificates, etc. is regarded as at least 20% by MCI’s board of directors. Provided however, a person that MCI’s board of directors recognizes as a person whose acquisition or holding of share certificates, etc. of MCI is not contrary to MCI’s corporate value or the common interests of shareholders and a person determined by MCI’s board of directors in the Gratis Allotment Resolution is not Specified Large Holder. The same is applied throughout this document.

<sup>10</sup> “Specified Large Purchaser” means a person who makes a public announcement of purchase, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies in this footnote 10) of share certificates, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies hereinafter in this footnote 10) issued by MCI through tender offer and whose ratio of ownership of share certificates, etc. in respect of such share certificates, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7(1) of the Order of the Enforcement of the Securities and Exchange Law) is at least 20% when combined with the ratio of ownership of share certificates, etc. of a person having a Special Relationship. Provided however, a person that MCI’s board of directors recognizes as a person whose acquisition or holding of share certificates, etc. of MCI is not contrary to MCI’s corporate value or the common interests of shareholders and a person determined by MCI’s board of directors in the Gratis Allotment Resolution is not Specified Large Purchaser. The same is applied throughout this document.

<sup>11</sup> An “Affiliated Party” of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any person who is deemed by MCI’s board of directors to fall under the above), or a person deemed by MCI’s board of directors to act in concert with such given party. ‘Control’ is defined as a condition that a company controls decisions on financial and business policies of other companies (Article 3-3 of Rules for the Enforcement of the Corporation Law).

Further, nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and regulations to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided however, that certain nonresidents such as those who may use any exemption provision under the applicable laws and regulations in such foreign country will be able to exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by such nonresidents will be subject to acquisition by MCI in exchange for shares of MCI as set out in (i) below). For details of the terms used above, see Appendix 3, 'Terms and Conditions of the Stock Acquisition Rights'.

(h) Restriction on Assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Board of Directors.

(i) Acquisition of the Stock Acquisition Rights by MCI

1) At any time on or before the date immediately prior to the commencement date of the exercise period, if the Board of Directors recognizes that it is appropriate for MCI to acquire the Stock Acquisition Rights, MCI may, on a day that falls on a date separately determined by the Board of Directors, acquire all the Stock Acquisition Rights without consideration.

2) On a day that falls on a date separately determined by the Board of Directors, MCI may acquire all the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Board of Directors, that are held by the parties other than Specified Acquirers and, in exchange, deliver shares of MCI in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. MCI may implement such acquisition more than once.

For definitions and details of the terms used above, see Appendix 3, 'Terms and Conditions of the Stock Acquisition Rights'.

(6) Effective Period of the Plan

The effective period of the Plan shall be from the conclusion of the Ordinary General Meeting of Shareholders until the conclusion of the ordinary general meeting of shareholders for the fiscal year ended March 2010. In the case a gratis allotment of the Stock Acquisition Rights is implemented based on the Plan, it shall be resolved by the Board of Directors during the effective period of the Plan.

(7) Abolition, Revision and Amendment of the Plan

If, even before the expiration of the effective period, there is 1) a resolution for abolishing the Plan made at MCI's general meeting of shareholders or 2) a resolution for abolishing the Plan made by the Board of Directors comprised of the directors chosen at MCI's general meeting of shareholders following the implementation of the Plan, the Plan shall be abolished at that time. Accordingly, the Plan may be abolished in accordance with the will of MCI's shareholders.

Further, even during the effective period of the Plan, the Board of Directors may revise or amend the Plan if such revision or amendment is not against the intention of the resolution of the ordinary general meeting of shareholders for introducing the Plan and subject to the approval of the Independent Committee.

When the Plan is abolished, revised or amended, MCI shall promptly disclose the fact of such abolishment, revision or amendment, the details of the revisions or amendments (in such cases), and other matters deemed appropriate by the Board of Directors or the Independent Committee.

The provisions of laws and regulations referred to in the Plan are subject to the prevailing provisions effective as of April 3, 2007. If necessary due to the formulation, amendment or abolishment of laws or regulations, the provisions or definitions set out in the Plan may be read accordingly as required to a reasonable extent, taking into consideration the purpose of such formulation, amendment or abolishment.

**4. The Plan Complies with the Basic Policy and is not Designed to Harm the Common Interests of MCI's Shareholders Nor to Preserve the Position of MCI's Executives, and Supporting Reasons**

(1) The Plan Designed to Fully Satisfy the Requirements of the Guidelines for Takeover Defense Measures

The Plan fully satisfies the three principles (principle of ensuring and enhancing corporate value and shareholders' common interests, principle of advance disclosure and shareholders' will, and principle of ensuring the necessity and reasonableness) established in the Guidelines Regarding Takeover Defense Measures for the Purpose of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests announced on May 27, 2005 by the Ministry of Economy, Trade and Industry and the Ministry of Justice.

(2) The Plan Introduced for the Purpose of Ensuring and Enhancing Shareholders' Common Interests

As stated in section 3. (1) 'Purpose of Introducing the Plan', the Plan is to be introduced for the purpose of ensuring and enhancing MCI's corporate value and the common interests of its shareholders by introducing a mechanism that enables, in the case where an Acquisition of MCI's shares is conducted, Board of Directors to ensure necessary time and information for the shareholders to decide whether or not to accept the Acquisition and for the Board of Directors to make an alternative proposal, and to negotiate with the Acquirer for the benefit of the shareholders.

(3) The Plan Prioritizes the Will of Shareholders

As stated in section 3. (1) 'Purpose of Introducing the Plan', the Plan is to be introduced upon a resolution at the Ordinary General Meeting of Shareholders. Also, as stated in section 3.(7) 'Abolition, Revision and Amendment of the Plan', if, even before the end of the effective period for the Plan, a resolution is made at a general meeting of shareholders to abolish the Plan, the Plan shall be abolished at that time. In this sense, the existence of the Plan reflects the will of the shareholders.

(4) The Plan Prioritizes the Decisions of Highly Independent Outside Parties and Provides for Information Disclosure

In the introduction of the Plan, MCI will establish the Independent Committee as an organization that will eliminate arbitrary decisions by

the Board of Directors and objectively make the substantive decisions as to the triggering or other operation of the Plan for the benefit of the shareholders.

The Independent Committee is comprised of three or more members who are independent of the management team involved in business execution for MCI and who are either (i) MCI's outside directors, (ii) MCI's outside statutory auditors, or (iii) distinguished professionals from outside MCI. (As stated in section (b) of 3. (2) 'Plan Outline', the names and career summaries of the people slated to make up the Independent Committee when the Plan is initially introduced are provided in Appendix 2.)

When an Acquisition is effected for MCI's shares, as stated in 3. (3) 'Procedures for Triggering the Plan', the Independent Committee, in accordance with the Independent Committee Rules, makes the substantive decisions as to whether or not the Acquisition will harm MCI's corporate value and the common interests of its shareholders, and the Board of Directors, in exercising their role under the Corporation Law, shall make the resolution respecting those decisions to the maximum extent.

In this way strict oversight will be conducted by the Independent Committee so that the Plan is not arbitrarily triggered by the Board of Directors. Summaries of the decisions of the Independent Committee are also disclosed to all shareholders. These mechanisms ensure the Plan will be transparently operated to contribute to MCI's corporate value and the common interests of its shareholders.

(5) The Plan Establishes Rational, Objective Requirements for Triggering  
As stated in section (d) of 3.(3) 'Procedures for Triggering the Plan' and in section 3.(4) 'Requirements for Gratis Allotment of the Stock Acquisition Rights', the Plan is established so that it will not be triggered unless rational and detailed objective requirements set out in advance have been satisfied. These requirements constitute a mechanism for preventing the Board of Directors from arbitrarily triggering the Plan.

(6) The Plan Provides for the Acquisition of Opinions from Third-Party Experts

As stated in section (c) of 3.(3) ‘Procedures for Triggering the Plan’, when an Acquirer emerges, the Independent Committee is allowed to seek the advice of independent third parties (including financial advisors, certified public accountants, attorneys, consultants and other experts) at the expense of MCI. This provides a mechanism for more strongly ensuring the fairness and objectivity of the decisions made by the Independent Committee.

(7) The Term of Office of Directors to be set at One Year

MCI plans to submit to the Ordinary General Meeting of Shareholders for its resolution a proposal to amend the Articles of Incorporation that would include reducing the term of office of directors to one year. Such reduction of the term of office of directors, through the election of directors in every year, will make it possible for the will of shareholders to be reflected in matters concerning the Plan.

(8) The Plan Does Not Constitute a Dead-Hand Takeover Defense Measure or Slow-Hand Takeover Defense Measure

As stated above in 3.(7) ‘Abolition, Revision or Amendment of the Plan’, the Plan can be abolished by a Board of Directors comprised of directors appointed by MCI’s general meeting of shareholders, so it would be possible for a party that made a large-scale acquisition of MCI’s shares to appoint directors at MCI’s general shareholder meeting and have the plan abolished by the Board of Directors comprised of the so-appointed directors.

Accordingly, the Plan does not constitute a dead-hand takeover defense measure (a takeover defense measure in which even if the majority of the Board members are replaced, the triggering of the measure cannot be stopped).

Also, because MCI has not adopted a staggered board system, the Plan does not constitute a slow-hand takeover defense measure (a takeover defense measure that extends the amount of time required to stop the triggering due to the impossibility of replacing all the Board members at once).

## **5. Impact on Shareholders**

### **(1) Impact on Shareholders at the Time of the Introduction of the Plan**

At the time of its introduction, the Plan will have no specific impact directly on the rights or interests of shareholders or investors. This is because at that time, no actual gratis allotment of the Stock Acquisition Rights will be implemented.

### **(2) Impact on Shareholders at the Time of the Gratis Allotment of the Stock Acquisition Rights**

#### **(a) Procedures of the Gratis Allotment of the Stock Acquisition Rights and the Procedures for Entry of Name Change**

When the Gratis Allotment Resolution is made by the Board of Directors, MCI will decide the allotment date in the same resolution and give public notice of the allotment date. In this case, MCI will make a gratis allotment of the Stock Acquisition Rights to the shareholders who are entered or recorded in the last shareholder register of beneficial shareholder register as of the allotment date (“Entitled Shareholders”), at a ratio of one Stock Acquisition Right for each one share in MCI held. Accordingly, it will be necessary for shareholders to promptly arrange for the procedures for entry of name change in time for the allotment date (procedures for entry of name change are not necessary for those share certificates deposited with the Japan Securities Depository Center, Inc.). All Entitled Shareholders will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of the Stock Acquisition Rights, and no further procedures, such as the application for such gratis allotment, will be necessary.

Even if the Gratis Allotment Resolution has already been made, MCI may cancel the gratis allotment of the Stock Acquisition Rights up until its effective date, or acquire the Stock Acquisition Rights without consideration up until the day prior to the first day of the exercise period for the Stock Acquisition Rights following the effective date of the gratis allotment of the Stock Acquisition Rights, respecting any recommendation of the Independent Committee as described above in section (d)1) of 3.(3) ‘Procedures for Triggering the Plan’ to the maximum extent. In such cases, the per-share value of MCI’s stock will

not be diluted, which may, by changes in the price of the stock, make a commensurate impact on the investors who have traded based on the presumption that dilution will occur .

(b) Procedures for Exercising the Stock Acquisition Rights

In principle, MCI will send to the Entitled Shareholders the request form for exercise of the Stock Acquisition Rights (in a form prescribed by MCI that includes the necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date for the Stock Acquisition Rights, as well as representations and warranties regarding matters such as whether the shareholders themselves satisfy the conditions for the exercise of the Stock Acquisition Rights, indemnity clauses and other covenants) and other documents necessary for exercise of the Stock Acquisition Rights. Following the gratis allotment of the Stock Acquisition Rights, the shareholders will be issued one share in MCI per one Stock Acquisition Right, in principle, upon submitting the necessary documents and making a cash payment to the payment handling office in the amount equivalent to the exercise price determined by the Board of Directors in the Gratis Allotment Resolution during the exercise period of the Stock Acquisition Rights. The exercise price per one Stock Acquisition Right will be within the range between a minimum of one yen and a maximum of any amount equivalent to one-half the fair market value of one share in MCI.

If the shareholders do not exercise their Stock Acquisition Rights or pay the amount equivalent to the exercise price, the shares they hold in MCI will be diluted by the exercise of the Stock Acquisition Rights by other shareholders.

However, in accordance with the provisions stated in (c) below, MCI may acquire the Stock Acquisition Rights from all shareholders other than Specified Acquirers and, in exchange, deliver shares in MCI to them. If MCI takes these acquisition procedures, all shareholders other than Specified Acquirers will receive shares in MCI without exercising the Stock Acquisition Rights or paying the amount equivalent to the exercise price, and, in principle, shares in MCI they hold will not be

diluted.

(c) Procedures for Acquisition of the Stock Acquisition Rights by MCI

If the Board of Directors determines to acquire the Stock Acquisition Rights, MCI will acquire the Stock Acquisition Rights from all shareholders other than Specified Acquirers on the date separately determined by the Board of Directors in accordance with the statutory procedures, and, in exchange, deliver shares in MCI to these shareholders. In this case, the applicable shareholders will receive one share in MCI, in principle, for each Stock Acquisition Right as compensation for the acquisition of the Stock Acquisition Rights by MCI without paying the amount equivalent to the exercise price. Further, in this case, applicable shareholders may be separately requested to submit a written pledge in a format prescribed by MCI that includes representations and warranties regarding matters such as the fact that they are not Specified Acquirers, indemnity clauses and other covenants.

In addition to the above, details on allotment methods, exercise methods and methods of acquisition by MCI for the Stock Acquisition Rights will be publicly disclosed or notified to shareholders after the Gratis Allotment Resolution. Shareholders are requested to check these details at that time.

### Summary of the Independent Committee Rules

- The Independent Committee shall be established by resolution of the Board of Directors.
- There shall be at least three (3) members of the Independent Committee and they shall be selected by the Board of Directors from (i) MCI's outside directors, (ii) MCI's outside statutory auditors, or (iii) distinguished professionals from outside MCI, who are independent of the management team involved in MCI's business execution. However, distinguished professionals from outside MCI must be experienced corporate managers, former government officials, people with substantial experience in investment banking, attorneys, certified public accountants, academic experts, or have equivalent qualifications, and they must execute an agreement with Company that includes a care-of-a-good-manager clause, as specified separately by the Board of Directors.
- The term of office of members of the Independent Committee shall be until the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within one year from the appointment. However, this provision shall not apply when otherwise provided for by resolution of the Board of Directors. The term of office of the Independent Committee members who are also outside Directors or outside Statutory Auditors shall end when they cease to be directors or auditors. However, when such a committee member satisfies the requirements for distinguished professionals from outside MCI, the Board of Directors may reappoint that person as a committee member by following established procedure.
- The Independent Committee shall make decisions regarding the matters listed below and shall make recommendations to the Board of Directors regarding those decisions while providing information on their basis. The Board of Directors, in exercising their role under the Corporation Law, shall make resolutions

relating to the implementation or non-implementation of gratis allotments of Stock Acquisition Rights respecting the recommendation to the maximum extent. Each member of the Independent Committee and each director of MCI must make decisions from the perspective of whether or not it contributes to the interests of MCI, and must not seek to pursue individual profit for themselves or MCI's management team.

- 1) Implementation or non-implementation of the gratis allotment of the Stock Acquisition Rights
  - 2) Cancellation of the gratis allotment of the Stock Acquisition Rights, or MCI's acquisition of the Stock Acquisition Rights without consideration
  - 3) Other matters requiring a decision by the Board of Directors on which the Board of Directors asks the Independent Committee to consult
- In addition to the matters described above, the Independent Committee shall also conduct the matters listed below.
    - 1) Decision on whether or not an Acquisition should be made subject to the Plan
    - 2) Decisions on the information to be provided by the Acquisition and Board of Directors and response deadlines
    - 3) Establishment and extension of the Committee Consideration Period
    - 4) Examination and consideration on the terms of the Acquisition by the Acquirer
    - 5) Negotiations or discussions with Acquirers, directly or through the Board of Directors
    - 6) Requests for the Board of Directors to submit alternative proposals, consideration of alternative proposals formulated by the Board of Directors, and presentation of alternative proposals to shareholders
    - 7) Approval of revisions or amendments to the Plan
    - 8) Matters that may be conducted by the Independent Committee as set out in the Plan
    - 9) Matters that may be conducted by the Independent Committee as separately determines by the Board of Directors
  - In the case the Independent Committee decides that the

information contained in the Offer Prospectus is not adequate as Necessary Information, it shall request the Acquirer to provide additional Necessary Information. Also, when the Acquirer submits the Offer Prospectus and Necessary Information that the Independent Committee has requested for additional submission, the Independent Committee may request the Board of Directors to provide an opinion on the terms of the Acquirer's Acquisition, supporting documentation, alternative proposals (if any), and other information or documents deemed appropriate and necessary by the Independent Committee within a reasonable, prescribed time period.

- When necessary, the Independent Committee shall conduct discussions or negotiations with the Acquirer, itself or through the Board of Directors, in order to improve the terms of the Acquirer's Acquisition from the perspective of ensuring and enhancing MCI's corporate value and the common interests of shareholders, and shall present alternative proposals to shareholders.
- The Independent Committee may request MCI's Directors, Statutory Auditors, executive officers, employees or other people deemed necessary by the Independent Committee to attend meetings and explain matters requested by the Independent Committee.
- The Independent Committee may seek the advice of independent third parties (including financial advisors, certified public accountants, attorneys, consultants and other experts) at MCI's expense.
- Each member of the Independent Committee shall have the right to convene a meeting of the Independent Committee when an Acquisition is effected or at any other time.
- Resolutions by the Independent Committee shall be adopted by a majority vote with all members of the Independent Committee present, in principle. However, if a member is involved in an accident or there are other unavoidable reasons, resolutions may be adopted by a majority vote when a majority of the members of the Independent Committee are present.

Candidates for the Independent Committee

Isao Ijuin

April 1964

Registered as an attorney

February 1975

Became partner in Nagashima & Ohno law firm (Currently, Nagashima Ohno & Tsunematsu)

April 2004

Professor, Graduate School of Law, Sophia University (to present)

Member of the Management Council, Chiba University (to present)

January 2005

Advisor to Nagashima Ohno & Tsunematsu (to present)

June 2005

Corporate auditor for Mitsui Chemicals (to present)

Akemi Ori

January 1990

Joined Tokio Marine and Fire Insurance Co., Ltd.

June 1996

Senior Consultant, Tokio Marine Risk Consulting Co., Ltd.

April 2003

Assistant Professor of Law, School of Law, Kanto Gakuin University (to present)

June 2006

Became a Director of Mitsui Chemicals (to present)

Tetsuji Tanaka

April 1967

Entered Bank of Japan

May 1993

Counselor, International Office, Bank of Japan

October 1993

Loaned from Bank of Japan to the Kyrgyz Republic (Supreme Advisor to

the National Bank of the Kyrgyz Republic; Special Economic Adviser to the President of the Kyrgyz Republic)

April 1995

Director of the Central Asia/Kyrgyz and Japan Center

November 1995

Assessor, Bank of Japan

December 1995

Overseas advisor to the President of the Kyrgyz Republic and the Governor of the National Bank of the Kyrgyz Republic (to present)

June 1997

Special advisor to the Republic of Uzbekistan Bank Association (to present)

February 1998

Full-time advisor to Toshiba Corporation (to present)

December 2002

Advisor to the Minister of the Economy and Budgetary Planning, the Republic of Kazakhstan (to present)

February 2003

Senior advisor to the President of the United Nations University (to present)

June 2005

Deputy Vice President and Head of the Central Asia and Caucasus Research Institute (to present)

June 2007

Scheduled to become a Director of Mitsui Chemicals

Atsuko Toyama

April 1962

Joined the Ministry of Education

June 1991

Director-General of the Local Education Support Bureau, Ministry of Education

July 1992

Director-General of the Higher Education Bureau, Ministry of Education

July 1994

Commissioner of the Agency for Cultural Affairs

June 1996

Ambassador Extraordinary and Plenipotentiary, Embassy of Japan in Turkey

April 2000

Director-General of the National Museum of Western Art in Tokyo

April 2001

Minister of Education, Culture, Sports, Science and Technology

April 2004

President of Matsushita Education Foundation (to present)

Advisor to Japan Science and Technology Agency (to present)

April 2005

President of the New National Theater Foundation (to present)

Yukio Machida

April 1969

Appointed as public prosecutor

August 1999

Director-General, Immigration Bureau, Ministry of Justice

December 2000

Director-General, General Affairs Department, Supreme Public Prosecutors' Office

July 2001

Director-General, Criminal Affairs Department, Supreme Public Prosecutors' Office

June 2002

Director-General, Public Security Investigation Agency

January 2004

Superintending Prosecutor, Sendai High Public Prosecutors' Office

December 2004

Deputy Prosecutor-General

July 2005

Retired as Public Prosecutor

September 2005

Registered as an attorney and joined Nishimura & Partners law firm (to present)

June 2006

Became a Director of Mitsui Chemicals (to present)

## Terms and Conditions of the Stock Acquisition Rights

### **1. Determination on Gratis Allotment of the Stock Acquisition Rights**

#### (1) Terms and Number of Gratis Allotment of the Stock Acquisition Rights

The terms of stock acquisition rights to be allotted to the shareholders (individually or collectively, the “Stock Acquisition Rights”) are based on the terms set forth in section 2. below. The number of the Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares of MCI (excluding the number of shares owned by MCI at that time) on a certain date (the “Allotment Date”) separately determined by MCI’s Board of Directors (the “Board of Directors”) in a resolution relating to the gratis allotment of Stock Acquisition Rights (the “Gratis Allotment Resolution”).

#### (2) Shareholders Eligible for Allotment

MCI will allot the Stock Acquisition Rights to those shareholders, other than MCI itself, who are entered or recorded in MCI’s final shareholder register or beneficial shareholder register on the Allotment Date, at a ratio of one Stock Acquisition Right for every share in MCI held.

#### (3) Effective Date of Gratis Allotment of Stock Acquisition Rights

The Board of Directors will separately determine the effective date of gratis allotment of the Stock Acquisition Rights in the Gratis Allotment Resolution.

### **2. Terms of the Stock Acquisition Rights**

#### (1) Class and Number of Shares to Be Acquired upon Exercise of the Stock Acquisition Rights

1) The class of shares to be acquired upon exercise of each stock Acquisition Right is to be the common stock of MCI, and the number of shares in MCI is to be acquired upon exercise of one Stock Acquisition Right (the “Applicable Number of Shares”) shall be one share. However,

in the event of stock split or stock consolidation by MCI, the Applicable Number of Shares per Stock Acquisition Right shall be adjusted using the following formula and fractions of a share resulting from the adjustment shall be rounded down to the nearest whole share, and no cash adjustment shall be made.

The Adjusted Applicable Number of Shares per Stock Acquisition Right =  
The Applicable Number of Shares per Stock Acquisition Right before  
Adjustment x The ratio of stock split or stock consolidation

2) The Adjusted Applicable Number of Shares shall be applied on and after the allotment date in relation to the stock split in case of the stock split, whereas it shall be applied on and after the effective date of the stock consolidation in case of the stock consolidation.

3) In addition to the adjustment stated in the preceding section 1), if any adjustment of the Applicable Number of Shares becomes necessary in cases where MCI conducts actions that change or could change the number of shares issued by MCI, such as a gratis stock allotment, merger or demerger, MCI shall conduct a reasonable adjustment regarding the Applicable Number of Shares after taking into account the various conditions of such actions.

(2) The Amount of Properties to Be Contributed upon Exercise of the Stock Acquisition Rights

1) Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount equal to the Exercise Price (as defined in 2) below).

2) The amount per share of MCI of properties to be contributed upon exercise of the Stock Acquisition Rights (the "Exercise Price") will be an amount separately determined by the Board of Directors in the Gratis Allotment Resolution, but within the range between a minimum of one yen and a maximum of the amount equivalent to one-half (1/2) of the fair market value per share of MCI. The fair market value means an amount equivalent to the average closing price (including quotations) for regular

transactions of MCI's common stock on the Tokyo Stock Exchange on each day during the ninety (90) day period prior to the date of the Gratis Allotment Resolution (excluding the days on which trades are not made) with any fractions of a yen after such calculation to be rounded up to the nearest whole yen.

### (3) Exercise Period of the Stock Acquisition Rights

The commencement date of the exercise period will be the Effective date of gratis allotment of Stock Acquisition Rights or a date separately determined by the Board of Directors in the Gratis Allotment Resolution, and the exercise period will be a period from one month to two months as separately determined by the Board of Directors in the Gratis Allotment Resolution; provided, however, that if MCI acquires the Stock Acquisition Rights in accordance with the provision of section (7) 2) below, the exercise period of the Stock Acquisition Rights with respect to that acquisition will up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will become the preceding business day.

### (4) Conditions for the Exercise of the Stock Acquisition Rights

#### 1) The following parties may not exercise the Stock Acquisition Rights

- (i) Specified Large Holders;
- (ii) Joint holders of Specified Large Holders;
- (iii) Specified Large Purchasers;
- (iv) Persons having a Special Relationship with Specified Large Purchasers;
- (v) Any transferee of or successor to the Stock Acquisition Rights of any person falling under (i) through (iv) without the approval of the Board of Directors; or
- (vi) Any Affiliated Party of any party falling under (i) through (v) (any party set out in (i) through (vi) shall be hereinafter referred to as the "Specified Acquirers").

The terms used above shall have the following meanings:

- (a) “Specified Large Holder” means a person who is a holder (including any person who is described as a holder under Article 27-23(3) of the Securities and Exchange Law) of share certificates, etc. (as defined in Article 27-23(1) of the Securities and Exchange Law; the same applies hereinafter unless otherwise provided for) issued by MCI and whose holding ratio of share certificates, etc. (as defined in Article 27-23(4) of the Securities and Exchange Law) in respect of such share certificates, etc. is regarded as at least 20% by the Board of Directors.
- (b) “Joint holder” means a person who is defined in Article 27-23(5) of the Securities and Exchange Law, and includes any person who is deemed as a joint holder under Article 27-23(6) of the Securities and Exchange Law (including any person who is deemed to fall under the above by the Board of Directors).
- (c) “Specified Large Purchaser” means a person who makes a public announcement of purchase, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies hereinafter) of share certificates, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies hereinafter in this subsection (c)) issued by MCI through tender offer (as defined in Article 27-2(6) of the Securities and Exchange Law) and whose ratio of ownership of share certificates, etc. (as defined in Article 27-2(8) of the Securities and Exchange Law; the same applies hereinafter) in respect of such share certificates, etc. owned by such person after such purchase, etc. (including similar ownership as prescribed in Article 7(1) of the Order of the Enforcement of the Securities and Exchange Law) is at least 20%.
- (d) “Person having a Special Relationship” is defined in Article 27-2(7) of the Securities and Exchange Law (including persons who are deemed to fall under the above by the Board of Directors); provided, however, that those persons provided for in Article 3(2) of the Cabinet Ordinance concerning Disclosure of a Tender Offer by an Acquiror other than the Issuing Company are

excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Law.

- (e) An “Affiliated Party” of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any person who is deemed by the Board of Directors to fall under the above), or a person deemed by the Board of Directors to act in concert with such given party.

2) Notwithstanding 1) above, the parties set out in (a) through (d) below are not Specified Large Holders or Specified Large Purchasers:

- (a) MCI, its subsidiaries (as defined in Article 8(3) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in Article 8(5) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.);
- (b) a person that the Board of Directors recognizes as a person that fell under the requirements as set forth in 1)(i) above with no intention to control MCI and that ceased to fall under the requirements as set forth in 1)(i) above due to a disposal of the share certificates, etc. of MCI held within ten (10) days after falling under the requirements as set forth in 1)(i) above (provided, however, that the ten (10) day period may be extended by the Board of Directors);
- (c) a person that the Board of Directors recognizes as a person that involuntarily fell under the requirements as set forth in 1)(i) above by MCI acquiring treasury stock or for any other reason (excluding cases where the person thereafter newly acquires MCI’s share certificates, etc. at its own discretion); or
- (d) a person that the Board of Directors recognizes as a person whose acquisition or holding of share certificates, etc. of MCI is not contrary to MCI’s corporate value or the common interests of its

shareholders (including a person previously determined as a Specified Acquirer by the Board of Directors, but whose acquisition or holding of share certificates, etc., of MCI is later determined by the Board of Directors not to be contrary to MCI's corporate value or the common interests of its shareholders, and if the Board of Directors determines that an acquisition or holding is not contrary to MCI's corporate value or common interests of its shareholders under certain conditions, such recognition is effective to the extent that these conditions are satisfied.)

3) Under the applicable foreign laws and regulations, if a person located under a jurisdiction of such laws and regulations is required for the purposes of exercising the Stock Acquisition Rights to (i) perform certain procedures, (ii) satisfy certain conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the "Governing Law Exercise Procedures and Conditions"), such person may exercise the Stock Acquisition Rights only if the Board of Directors recognizes that it fully performs or satisfies the Governing Law Exercise Procedures and Conditions, and such person may not exercise the Stock Acquisition Rights if the Board of Directors does not recognize that it satisfies the Governing Law Exercise Procedures and Conditions. MCI shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and Conditions which are required in order for the person under such jurisdiction to exercise the Stock Acquisition Rights. In addition, if a person located under such jurisdiction is not permitted to exercise the Stock Acquisition Rights under such laws and regulations, such person who locates in such jurisdiction shall not exercise the Stock Acquisition Rights.

4) Notwithstanding 3) above, a person located in the United States may exercise the Stock Acquisition Rights, only if (i) such person represents and warrants that it is an accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, as amended, and (ii) such person covenants to resell the shares of MCI to be acquired upon exercise of the Stock Acquisition Rights held by such person only through a regular transaction at the Tokyo Stock Exchange (not on the basis of any

previous arrangements and without previous solicitation). In such case only, MCI shall perform or satisfy the Governing Law Exercise Procedures and Conditions under Regulation D of the U.S. Securities Act of 1933, as amended, and U.S. state laws that are required to be performed or satisfied by MCI for exercise of the Stock Acquisition Rights by a person located in the United States. A person located in the United States shall not exercise the Stock Acquisition Rights if the Board of Directors determines that such person is not permitted to legally exercise the Stock Acquisition Rights under the U.S. Securities regulations due to a change in the law of the United States or some other reason, even though such person satisfies the conditions as described in (i) and (ii) above.

5) A holder of the Stock Acquisition Rights may exercise the Stock Acquisition Rights only if the holder submits to MCI a written statement in which the holder undertakes representations and warranties, including, but not limited to, the fact that the holder is not a Specified Acquirer, nor a person that has any intention to exercise the Stock Acquisition Rights on behalf of a Specified Acquirer and that the holder satisfies the conditions for the exercise of the Stock Acquisition Rights, provisions for indemnification and other matters prescribed by MCI and any written statement required under the laws and ordinances.

6) Even if a holder of the Stock Acquisition Rights is unable to exercise the Stock Acquisition Rights in accordance with the provisions of this section (4), MCI shall not be liable to such holder of the Stock Acquisition Rights for damages or any other obligations.

#### (5) Capital and Capital Reserve to Be Increased upon Issuance of the Shares by the Exercise of the Stock Acquisition Rights

The Board of Directors shall determine the capital and capital reserve to be increased upon issuance of shares by the exercise of the Stock Acquisition Rights in the Gratis Allotment Resolution.

#### (6) Restrictions on Assignments of the Stock Acquisition Rights

1) Any acquisition of the Stock Acquisition Rights by assignments

requires approval of the Board of Directors.

2) If a person who intends to assign the Stock Acquisition Rights is located outside Japan and is unable to exercise the Stock Acquisition Rights in accordance with the provisions of sections (4) 3) and (4) 4) (excluding a Specified Acquirers) then the Board of Directors shall determine if it gives such approval as described in the above section considering the following matters.

(a) Whether or not a written undertaking prepared and signed or sealed with printed name by the transferor and transferee (including provisions for representations and warranties with respect to the matters described in (b) (c) and (d) below and provisions for indemnification) is submitted with respect to the acquisition by assignment of all or part of the Stock Acquisition Rights by a person who locates in such jurisdiction.

(b) Whether or not it is clear that the transferor and transferee are not Specified Acquirers;

(c) Whether or not it is clear that the transferee is not located in such jurisdiction and does not intend to accept the Stock Acquisition Rights for a person located in such jurisdiction;

(d) Whether or not it is clear that the transferee does not intend to accept the Stock Acquisition Rights for Specified Acquirers.

#### (7) Acquisition of the Stock Acquisition Rights by MCI

1) At any time on or before the date immediately prior to the Board of Directors recognizes that it is appropriate for MCI to acquire the Stock Acquisition Rights, MCI may, on a day that falls on a date separately determined by the Board of Directors, acquire all of the Stock Acquisition Rights without consideration.

2) On a day that falls on a date separately determined by the Board of Directors, MCI may acquire all of the Stock Acquisition Rights that have not been exercised before or on the day immediately prior to such date

determined by the Board of Directors, that are held by persons other than Specified Acquirers and, in exchange, deliver shares of MCI in the number of the Applicable Number of Shares for every one Stock Acquisition Right. MCI may implement such acquisition more than once.

(8) Delivery and Terms of the Stock Acquisition Rights in Cases of Merger (limited to a merger where MCI ceases to exist due to such merger), Absorption-type Demerger (*kyushu bunkatsu*), Incorporate-type Demerger (*shinsetsu bunkatsu*), Share Exchange (*kabushiki koukan*), and Share Transfer (*kabushiki iten*).

The Board of Directors will separately determine these matters in the Gratis Allotment Resolution.

(9) Issuance of Certificates Representing the Stock Acquisition Rights  
Certificates representing the Stock Acquisition Rights will not be issued.

(10) Revision due to Amendments to Laws and Regulations

The provisions of the laws and regulations referred to above are subject to the prevailing provisions effective as of April 3, 2007. If it becomes necessary after such date to amend the terms and conditions or definitions of terms set out in the sections above due to the formulation, amendment or abolishment of the laws and regulations, the terms and conditions or definitions of terms set out in the sections above shall be read accordingly as required to a reasonable extent, taking into consideration the purposes of such formulation, amendment or abolishment.

## MCI Stock Information (as of September 30, 2006)

1. Authorized Shares: 3,000,000,000

2. Shares of Common Stock Issued and Outstanding: 792,020,076

## 3. Major Shareholders

Shareholder	Address	Number of shares held (Thousands)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo, Japan	61,868	7.81
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11 Harumi, Chuo-ku, Tokyo, Japan	55,317	6.98
Japan Trustee Services Bank, Ltd. (Toray Industries Inc. Retirement Benefit Trust Account re-entrusted by The Mitsui Asset Trust and Banking Company, Limited)	1-8-11 Harumi, Chuo-ku, Tokyo, Japan	37,425	4.72
Japan Trustee Services Bank, Ltd. (Trust Account No. 4)	1-8-11 Harumi, Chuo-ku, Tokyo, Japan	31,338	3.95
Sumitomo Mitsui Banking Corporation	1-1-2 Yurakucho, Chiyoda-ku, Tokyo, Japan	21,946	2.77
State Street Bank and Trust Company (Standing Proxy: Mizuho Corporate Bank, Ltd.)	P.O. Box 351, Boston, Massachusetts 02101, U.S.A. (6-7 Kabutocho, Nihonbashi, Chuo-ku, Tokyo, Japan)	20,124	2.54
Mitsui & Co., Ltd. (Standing agent: Trust & Custody Services Bank, Ltd.)	1-2-1 Otemachi, Chiyoda-ku, Tokyo, Japan (1-8-12 Harumi, Chuo-ku, Tokyo, Japan)	18,740	2.36
Mitsui Life Insurance Co., Ltd. (Standing Proxy: Japan Trustee Services Bank, Ltd.)	1-2-3 Otemachi, Chiyoda-ku, Tokyo, Japan (1-8-11 Harumi, Chuo-ku, Tokyo, Japan)	18,330	2.31
The Chuo Mitsui Trust and Banking Company, Ltd. (Standing Proxy: Japan Trustee Services Bank, Ltd.)	3-33-1 Shiba, Minato-ku, Tokyo, Japan (1-8-11 Harumi, Chuo-ku, Tokyo, Japan)	16,317	2.06
Mitsui Sumitomo Insurance Co., Ltd.	2-27-2 Shinkawa, Chuo-ku, Tokyo, Japan	15,652	1.97
Total	-	297,059	37.50

## Note:

AllianceBernstein Japan Ltd. submitted a copy of their large shareholdings report on May 23, 2006 that stated that as of May 16, 2006 the joint shareholdings of AllianceBernstein L. P. and others was as shown below. However, these shareholdings were not included in the above list of major shareholders because Mitsui Chemicals could not confirm the number of shares held as of September 30, 2006.

Shareholder	Address	Number of shares held	Percentage of shares held (%)
AllianceBernstein L. P.	1345 Avenue of the Americas, New York, New York 10105, U.S.A.	121,492,500	15.34
AXA Investment Managers Paris	La Defense SEDEX, Coeur Defense Tour B-100, Esplanade du General de Gaulle, Paris 92932, France	26,000	0.00
AXA Rosenberg Investment Management Ltd.	1-17-3 Shirokane, Minato-ku, Tokyo, Japan	7,506,000	0.95
AllianceBernstein Japan Ltd.	Otemachi First Square, 1-5-1 Otemachi, Chiyoda-ku, Tokyo, Japan	2,487,000	0.31