Mitsui Chemicals

Acting Now, Growing Stronger

Annual Report 2001

Year Ended March 31, 2001

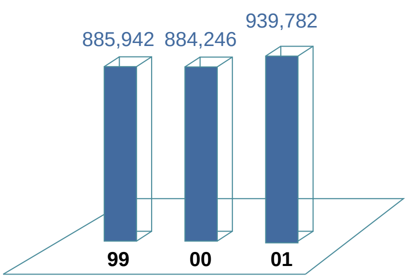
Consolidated Financial Highlights

(For the years ended March 31)

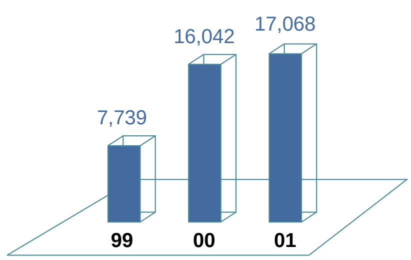
	2001	2000	1999	Change	2001
	(Millions of yen)			(%)	(Thousands of U.S. dollars)
Net sales	¥ 939,782	¥ 884,246	¥ 855,942	6.3%	$ 7,585,004
Operating income	54,512	55,739	58,226	(2.2)%	439,968
Net income	17,068	16,042	7,739	6.4%	137,757
Stockholders' equity	352,988	345,690	329,685	2.1%	2,848,976
Total assets	1,314,513	1,237,179	1,208,168	6.3%	10,609,467

Notes: 1) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥123.9=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2001.
2) Changes are between the years ended March 31, 2001 and 2000.

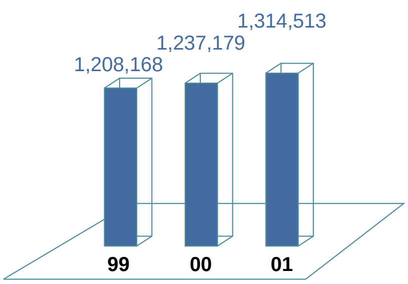
Net Sales (¥ Million)



Net Income (¥ Million)



Total Assets (¥ Million)



Contents

Left: Goro Watanabe Chairman   Right: Hiroyuki Nakanishi President

Acting Now, Growing Stronger

This phrase encapsulates the main thrust of management at Mitsui Chemicals, Inc. (Mitsui Chemicals). In this message, we will reflect on our results for the past year and review the accomplishments of our Stage I Medium-Term Corporate Plans. We will also spell out our vision for Mitsui Chemicals, with reference to our next-stage plans.

Sales and Net Income Rise in Face of Challenging Business Environment

The Japanese economy continued its weak recovery in Fiscal 2001, ended March 31, 2001. Flaccid consumer spending, however, is hampering the upturn. Also making the business environment difficult is the recent slowdown in the U.S. economy and sluggish economic growth in Asia, which has felt the repercussions of the U.S.'s waning momentum.

The chemical industry continued to benefit from healthy domestic demand, thanks to growth in IT-related business. On the other hand, falling exports and the effects of rising crude oil prices pose challenges.

In this climate, we channeled our energies into sales activities and made further cost reductions, as we worked to improve earnings across the Group.

These efforts yielded growth on our top and bottom lines. Consolidated net sales climbed 6.3% over the previous year to ¥939.8 billion and net income rose by 6.4% to ¥17.1 billion. Operating income, however, decreased 2.2% to ¥54.5 billion, mainly because higher feedstock prices couldn't be fully passed on in product prices.

Steady Execution of Our Medium-Term Corporate Plans

After our merger in October 1997, Mitsui Chemicals' ultimate goal is to become "a diversified chemical company with a strong competitive position in the global market." Mitsui Chemicals launched its Medium-Term Corporate Plans in Fiscal 1999 (April 1998—March 1999), with Fiscal 2001 as the final year. The goal of the plans was to quickly capture synergies from the merger.

Overall, we executed our main strategies as planned. We focused on selected core businesses and prospective core businesses, funneling management resources into them at home and overseas. For example, in April 2001 we consolidated our core urethane raw materials operations and related businesses in Mitsui Takeda Chemicals, Inc., which we established with Takeda Chemical Industries, Ltd.

We have also made steady progress in rebuilding and realigning businesses that are unprofitable or have structural problems.

In terms of our "Globalization" strategy, we are steadily strengthening our foothold in Asian markets in our core petrochemicals & basic chemicals operations. There were several positive steps made in this direction during Fiscal 2001. Our phenol and bisphenol projects in Singapore progressed smoothly. In March 2001, we completed construction of a phenol plant. Furthermore, we decided to ramp up production capacity at a purified terephthalic acid (PTA) plant in Thailand and to commercialize elastomer operations in Singapore.

Based on our strategy of promoting "Early Effective Merger Results," we executed plans to reduce the personnel head count, to optimize production facilities, to integrate R&D facilities, and to realign and combine subsidiaries and affiliates. Regarding the optimization of production facilities, in April 2000 we formed Hokkaido Mitsui Chemicals, Inc. by integrating our Hokkaido Works with the Sapporo Branch. In October 2000, we turned Shimonoseki Works into an independent profit center with the establishment of Shimonoseki Mitsui Chemicals, Inc. At the same time, we placed Mobara Works under the wing of Ichihara Works.

In R&D, we completed consolidation of R&D facilities related to the chemical field into the Sodegaura Center. As a result, 670 researchers, representing approximately half of all the company's researchers, were working at this center at fiscal year end.

In our Group Strategy, we introduced a comprehensive SAP/R3 ERP package in April 2001 to underpin a management system that places emphasis on the consolidated business structure.

Next-Stage Medium-Term Corporate Plans—Expansion & Growth

With the aim of achieving full-fledged expansion and growth, we have formulated our new Stage II Medium-Term Corporate Plans that run from Fiscal 2002 (April 2001—March 2002) through Fiscal 2004. These plans set out to build a management system for consolidated operations and to unify the Group's strategies. In addition, we will sharpen our focus on, and raise earnings in core businesses in the petrochemicals & basic chemicals sector. In the performance materials sector, we will clarify core businesses and speed up new product development. The table below shows the targets of the new plans.

Targets of Stage II Medium-Term Corporate Plans (Fiscal 2004)

Business scale	
Net sales	¥1,150 billion
Petrochemicals & Basic Chemicals	50%
Performance Materials	50%
Profitability	
Ordinary income	¥92 billion (Return on net sales of 8%)
Efficiency	
Ordinary income to total assets (Return on assets)	7%
Effect	
Consolidated cash flows	¥170 billion (Cumulative over 3 years)

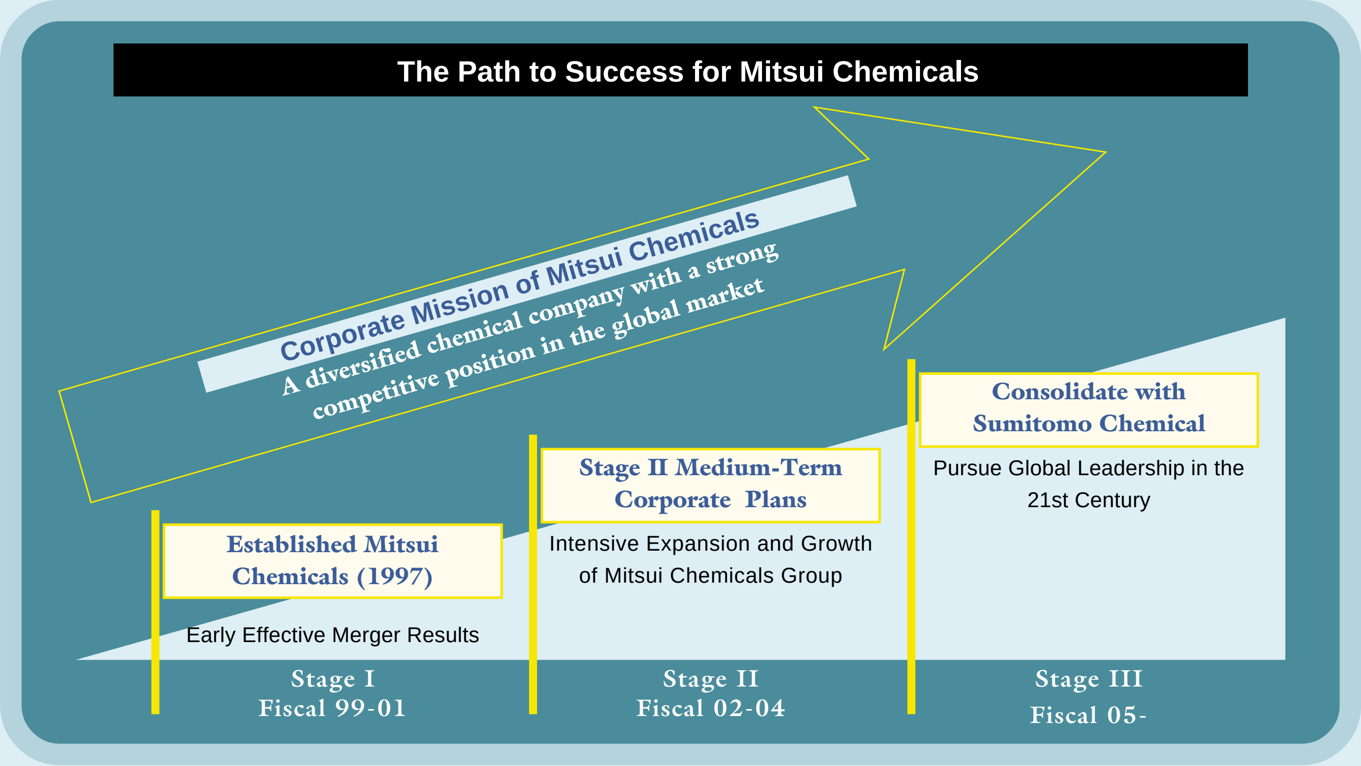
Executing the following seven basic strategies will be instrumental to achieving the plans' targets:

- **Expansion & Growth**
  - (1) Intensive expansion and growth
  - (2) Accelerate new product development in the performance materials sector
  - (3) Globalization
- **Establishment of Group Management**
  - (4) Establish consolidated management system
  - (5) Strengthen the Mitsui Chemicals Group
  - (6) Strengthen the infrastructure for Group management
- **Caring for Environment, Safety and Quality**
  - (7) Promote "Responsible Care" activity and quality management

Entire Business Consolidation With Sumitomo Chemicals

Mitsui Chemicals' business environment is changing at a speed and on a scale far exceeding expectations. Chemical companies in Europe and the U.S. are dynamically realigning and expanding the scale of their businesses to bring about a dramatic lift in competitiveness. And newcomers in Asia are becoming increasingly powerful year after year.

To drive expansion and achieve growth in the 21st century as "a diversified chemical company with a strong competitive position in the global market," we arrived at the conclusion that alliances with other leading players would be essential. An alliance would give us greater size and enable us to capture synergies in terms of products, technologies and markets.



This is why we reached an agreement with Sumitomo Chemical Company, Ltd. to consolidate all of our respective businesses. Sumitomo Chemical shares the same recognition of the business environment and is pursuing a similar strategy. This alliance will make possible our goal of being a global leader in the chemical industry of the 21st century.

In specific terms, we have agreed to establish a holding company called Sumitomo Mitsui Chemical Company, Limited in October 2003 and to consolidate our respective businesses in it at the end of March 2004. In a related move, our polyolefin operations will be combined with those of Sumitomo Chemical in Fiscal 2002, ahead of the full-scale merger.

Major Issues in Fiscal 2002

In preparation for the consolidation with Sumitomo Chemical, we must enhance our corporate vitality and put in place the systems to facilitate consolidation. In this sense, our Stage II Medium-Term Corporate Plans carry special significance. It is no exaggeration to say that Fiscal 2002, the first year of the plans, will have a major bearing on their overall success.

Several negative variables cloud the outlook for our markets in Fiscal 2002. They include the ripple effects from the U.S. slowdown, softening consumer spending and stagnant capital expenditures. Also, raw materials prices are likely to remain at a high level for the near future and competition is expected to intensify as national borders lose their significance in business. It is with this backdrop that we will tackle the following major issues.

First is steeling and expanding core businesses by allocating management resources to them and being even more selective in where we channel our energies. Furthermore, leveraging “ACCEL21”, our corporate new-product development program, we will speed up the development of new products that will drive our growth. We are hoping to capture synergies as early as possible from integrating R&D functions in the Sodegaura Center. Regarding overseas projects, we will push ahead with the formulation and execution of our plans.

The second main focus is on strengthening consolidated management of the Mitsui Chemicals Group. Group companies will be selectively reinforced and expanded in accordance with their respective missions. Moreover, budgets will be formulated and results managed on a consolidated basis.

The third focus is environmental measures. We are convinced that reducing our impact on the environment is both our social responsibility and the major prerequisite for our existence. Fiscal 2002 will see us redouble efforts to practice Responsible Care, promote environmental initiatives, and ensure vigorous safety and quality management.

Finally, we will gather all our energies to prepare for the business consolidation with Sumitomo Chemical. The most immediate priority is ensuring the smooth integration of our polyolefins businesses.

Management is united in its resolve to meeting the expectations of shareholders, investors and business partners. We look forward to your continuing support as we strive to achieve our goals.

August 2001

Goro Watanabe
Chairman

Hiroyuki Nakanishi
President

Acting Now, Growing Stronger

STAGE II MEDIUM-TERM CORPORATE PLANS

Mitsui Chemicals has launched its Stage II Medium-Term Corporate Plans to give further impetus to its drive to become "a diversified chemical company with a strong competitive position in the global market." The new plans start in the current fiscal year and run through Fiscal 2004. The main theme is "Further Expansion & Growth of the Mitsui Chemicals Group." The plans will be reviewed and revised on a yearly basis to reflect changes in the business environment in Japan and overseas.

Expansion & Growth

INTENSIVE EXPANSION & GROWTH

Place emphasis on high-performance products, high-growth markets and high-profit businesses to optimize the use of management resources.

ACCELERATE NEW PRODUCT DEVELOPMENT IN THE PERFORMANCE MATERIALS SECTOR

Step up the pace of new product development to quickly expand businesses in the performance materials sector.

GLOBALIZATION

Target markets in the U.S., Europe and Asia and develop core and prospective core businesses to establish a strong, globally competitive position.

Establishment of Group Management

ESTABLISHMENT OF CONSOLIDATED MANAGEMENT SYSTEM

Construct a system that facilitates the seamless management of the Mitsui Chemicals Group.

STRENGTHEN THE MITSUI CHEMICALS GROUP

Clarify the missions and domains of Group members and strengthen and expand their operations to bolster the competitiveness of the Mitsui Chemicals Group and give impetus to growth.

STRENGTHEN THE INFRASTRUCTURE FOR GROUP MANAGEMENT

Build a stronger operating base to underpin implementation of the company's basic strategy.

Caring for Environment, Safety and Quality

PROMOTE "RESPONSIBLE CARE" AND QUALITY MANAGEMENT

Forge ahead with the efficient and steady execution of strategies with a spirit of "Responsible Care" and proactively address environmental, safety and quality issues.

Expansion & Growth

INTENSIVE EXPANSION & GROWTH

- In the petrochemicals & basic chemicals sector: bolster core businesses.
  In the performance materials sector: select core businesses and channel resources into them in order to strengthen and expand these businesses.
- Consider various alternatives including alliances.
  Sell or withdraw from unsustainable businesses.
- Choose from among various alternatives, including consolidation of operations with other companies and acquisitions, to promote the reinforcement and expansion of core businesses and prospective core businesses.

The following table shows the areas where resources will be channeled. During the three years of the new plans, Mitsui Chemicals will earmark approximately 80% of the total amount budgeted for investments in these core businesses and prospective core businesses.

		Core Businesses	Prospective Core Businesses
PETROCHEMICALS & BASIC CHEMICALS	Basic Chemicals	• Petrochemical Feedstocks • Purified Terephthalic Acid • Phenol/Bisphenol • Acrylamide and Derivatives	• Ethylene Oxide, Ethylene Glycol and Derivatives • Hydroquinone, Resorcinol, Aniline and Meta/Paracresol
	Polymers	• Polyethylene • Polypropylene • PET Resin • Elastomers	• Admer (Adhesive Resin)
PERFORMANCE MATERIALS	Functional & Fine Chemicals	• High-Performance Dispersion • Urethane Chemicals (TDI/MDI/PPG) • Urethane Resin • Fine Chemicals • Healthcare Products	• Additives • Agrochemicals • Catalysts • High-Performance Adhesives • Specialty Polymers
	Engineered Materials	• Hygiene Materials • Semiconductor Materials • Electronic Circuit Board Materials	• High-Performance Films and Sheets • Construction Materials • Toner Resins

In Fiscal 2001, Mitsui Chemicals took various actions to strengthen, expand and realign its businesses.

Expansion & Growth

>> Resumed ethylene oxide operations at Ichihara Works (September 2000)
>> Completed phenol plant construction in Singapore (March 2001)
>> Established Yongsan Mitsui Chemicals, Inc. in South Korea to produce and market acrylamide (July 2000)
>> Completed capacity expansion at MDI plant in South Korea (December 2000)
>> Completed projects to ramp up production capacity of NF_3 gas, a cleaning gas used in semiconductor and LCD production, at Shimonoseki Mitsui Chemicals, Inc. and Anderson Development Company in the U.S.
>> Established Mitsui Takeda Chemicals Inc., a joint venture with Takeda Chemical Industries, Ltd., for manufacture, sales and research in urethane chemicals (April 2001)

Business Realignment

>> Transferred the sodium cyanide business to Asahi Kasei Corporation (October 2000)
>> Withdrew from vinyl chloride operations in Vietnam (August 2000)
>> Sunbake Co., Ltd., established with Sumitomo Bakelite Co., Ltd. for wood adhesive business, started operations (April 2000)

Mitsui Chemicals will take the following actions during the course of its new plans to strengthen and expand its businesses.

>> Dissolve Ukishima Petrochemicals Co., Ltd., a joint venture with Nippon Petrochemicals Co., Ltd.
>> Double production capacity at its Thai purified terephthalic acid (PTA) plant (Slated to come on stream in January 2003)
>> Formulate and execute a plan for a third Asian PTA base
>> Start commercial operations at Singapore phenol plant (August 2001)
>> Expand production capacity at Singapore bisphenol A plant (Completion of second and third plants in December 2001 and October 2002, respectively)
>> Ramp up production capacity at Indonesian PET resin plant (Completed in June 2001)
>> Formulate and execute a plan for a third Asian PET resin base
>> Build elastomer plant in Singapore (Completion in December 2002)
>> Formulate and execute plan to increase TDI and MDI production capacity at Mitsui Takeda Chemicals, Inc.
>> Strengthen Japan, U.S. and European framework in hygiene materials (Establish base in Thailand)
>> Strengthen Japan, U.S. and European framework in information and electronics materials

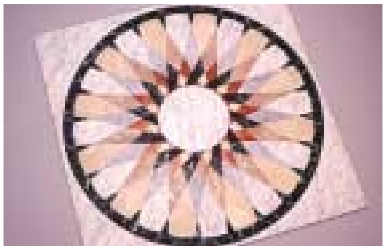
ACCELERATE NEW PRODUCT DEVELOPMENT IN THE PERFORMANCE MATERIALS SECTOR

- Make full use of program "ACCEL21" to speed up new product development
- Use alliances and acquisitions to bolster ability to develop new products

New products targeted for commercialization in and after Fiscal 2001 are as follows.

Performance resins	•Biodegradable plastics
Electronic and information materials	•Optical filters for plasma display panels (PDPs) (Commercialized in April 2001) •Organic high-heat-resistant IC substrate (Commercialized in May 2001) •Resins for organic high-heat-resistant IC substrate
Resin processed products	•Preglon®, polypropylene sheet reinforced with long glass fibers (Commercialized in April 2000) •Polyurethane sheets combined with Preglon® sheets •New type of nonwoven fabrics
Fine chemicals	•Halogen-free insecticide •Monomer for high-index plastic lens materials •Dye for recording media


Biodegradable plastics, LACEA®


Preglon®

GLOBALIZATION

Petrochemicals & Basic Chemicals Sector

- Concentrate on the growing Asian market
- Reinforce production technologies and secure competitive feedstocks to bolster cost competitiveness

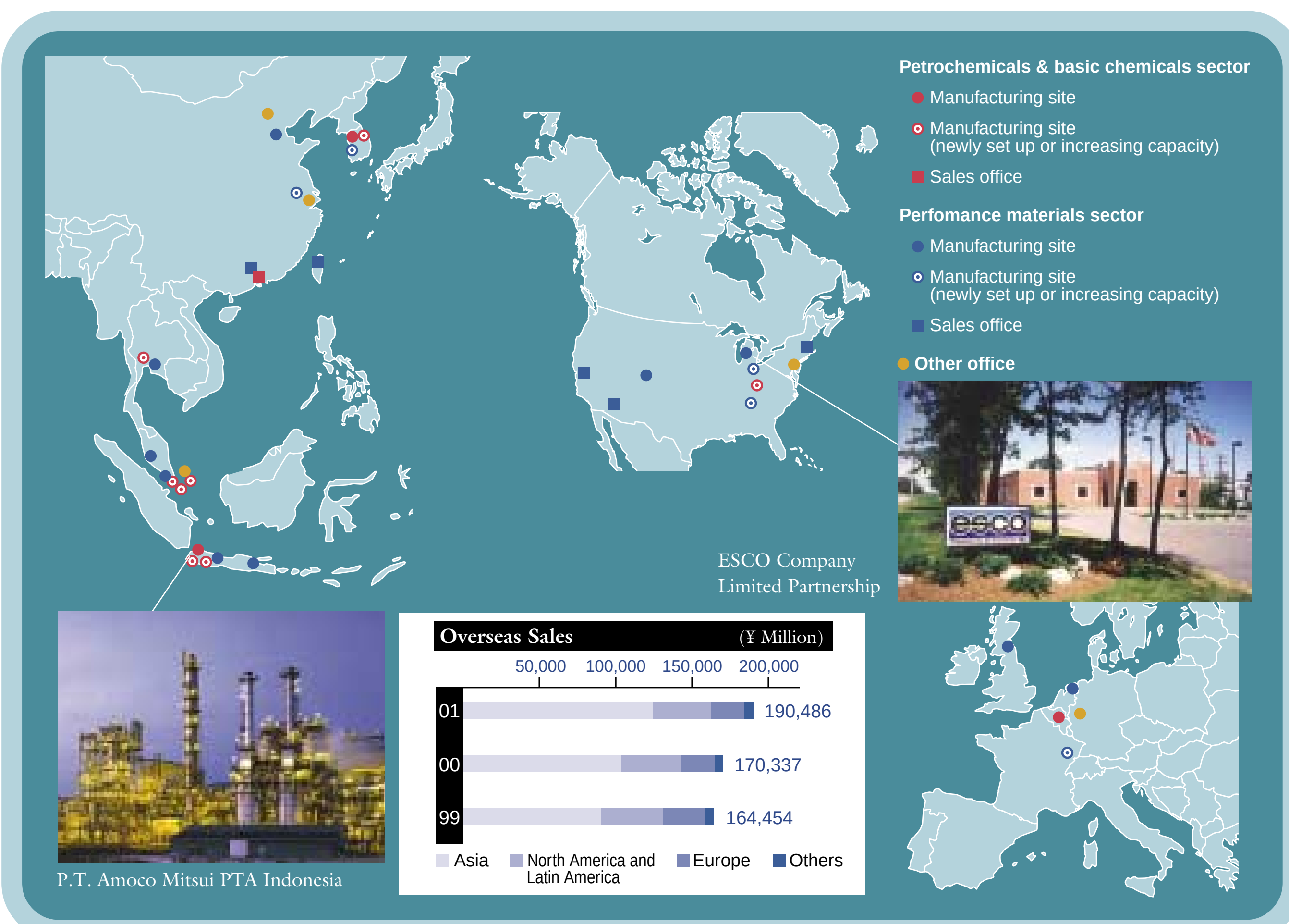
Performance Materials Sector

- Establish solid market positions overseas for products in which Mitsui Chemicals has a technological edge or products with high performance

Alliances With Influential Companies

- Make use of alliances with leading companies to raise the speed and improve the effectiveness and the efficiency of business development.

In Fiscal 2001, overseas sales, the aggregate of exports and interests in sales of the company's overseas affiliates, were ¥190,486 million, accounting for 20.2% of net sales. Mitsui Chemicals aims to raise overseas sales to ¥340 billion in Fiscal 2004, the final year of its new Stage II Medium-Term Corporate Plans.



ESCO Company Limited Partnership

P.T. Amoco Mitsui PTA Indonesia

Establishment of Group Management

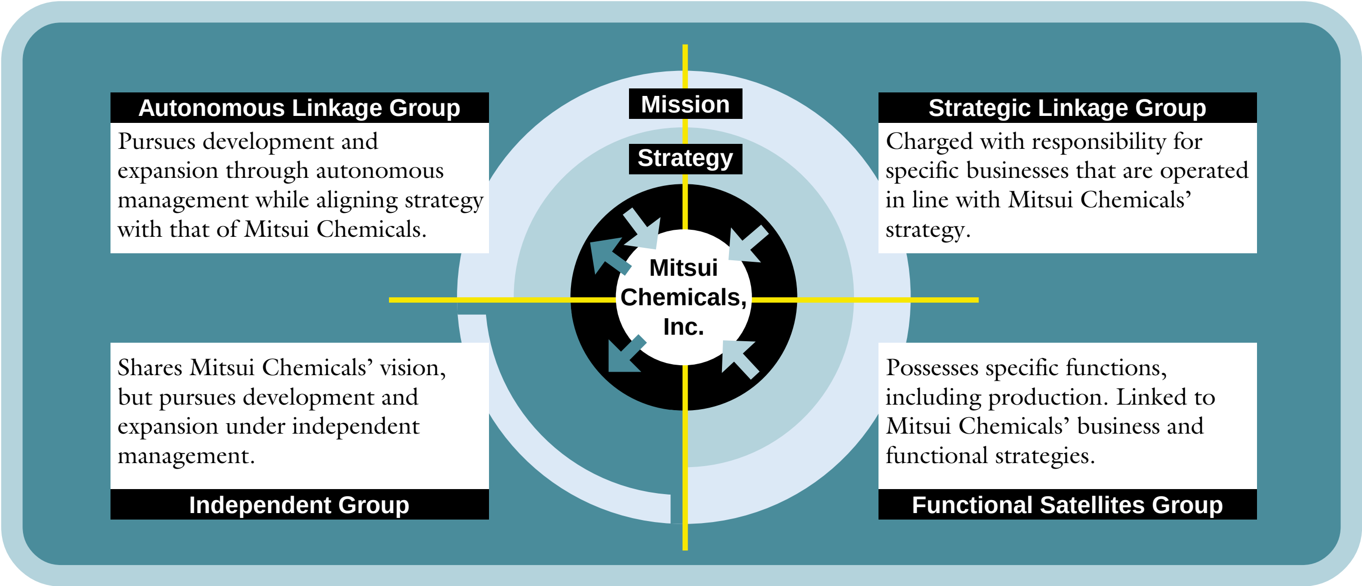
STRENGTHEN THE MITSUI CHEMICALS GROUP

- Grouping of subsidiaries and affiliates
  Make Group companies that are synergistic with Mitsui Chemicals' basic strategy into subsidiaries
  Realign or consolidate Group companies that lack consistency with basic strategy
- Strengthen and expand Group companies that are synergistic with Mitsui Chemicals' basic strategy
- Strengthen and expand the Mitsui Chemicals Group by deepening ties with leading Japanese and overseas companies

ESTABLISHMENT OF CONSOLIDATED MANAGEMENT SYSTEM

- Build a management system for operating results for each category of Group companies

Build and implement a system for evaluating operating results of four different categories of Group companies: Companies that are linked to strategy (Strategic Linkage Group, Functional Satellites Group); companies that are aligned with Mitsui Chemicals' strategy (Autonomous Linkage Group); and companies that share only the same vision (Independent Group)



Caring for Environment, Safety and Quality

PROMOTE "RESPONSIBLE CARE" AND QUALITY MANAGEMENT

- Actively address environmental issues and report results both inside and outside the company
- Eliminate accidents at works and ensure safe and stable operations
- Upgrade product management and address quality issues to reduce customer complaints and prevent product liability lawsuits
- Seize business opportunities while participating in activities to reduce environmental impact
  (Examples: polyolefin film for agricultural use and biodegradable polymers)

A Global Leader in the 21st Century

Entire Business Consolidation With Sumitomo Chemical

During the year, Mitsui Chemicals reached an agreement with Sumitomo Chemical Company, Ltd. to consolidate their respective businesses by October 2003. Mitsui Chemicals is convinced that a merger is the best way to develop and increase its corporate value. Expanding the size of its operations is essential to becoming more competitive amid a difficult operating environment.

The new company, to be named Sumitomo Mitsui Chemical Company, Limited, aims to become "a global leader in the chemical industry in the 21st century" by conducting businesses on a global scale.

CONSOLIDATION METHOD AND STRUCTURE

Company name:

Sumitomo Mitsui Chemical Company, Limited

Head Office:

Minato-ku, Tokyo

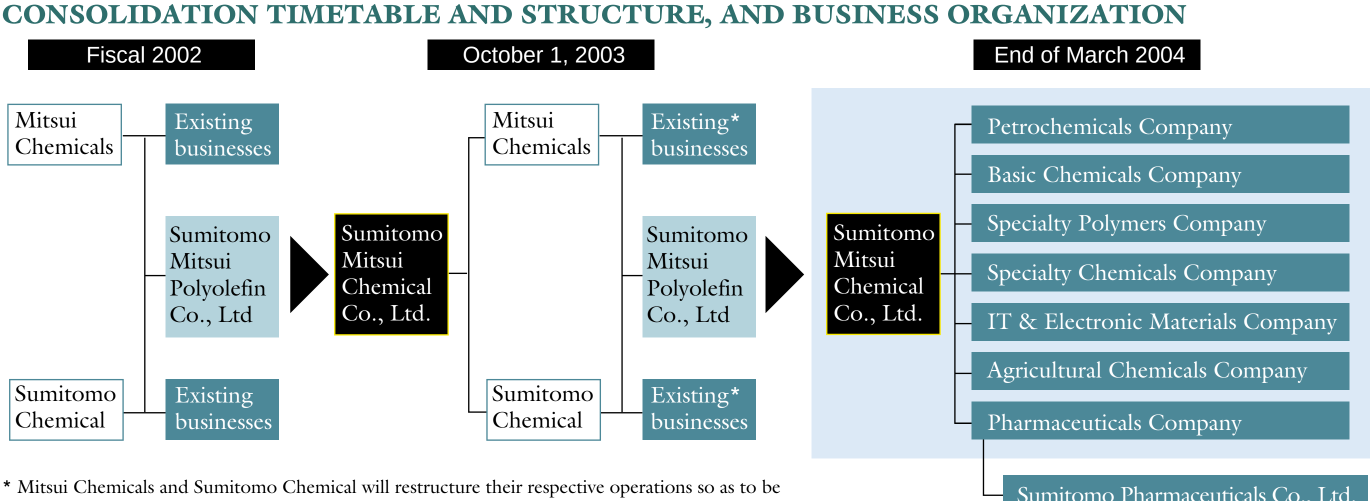
Merger Timetable and Method:

A holding company will be established through a joint transfer of shares on October 1, 2003. At the end of March 2004, Sumitomo Chemical, Mitsui Chemicals and Sumitomo Mitsui Polyolefin Company, Limited will be absorbed by the holding company to form a single entity.

Business Organization:

Seven internal companies will be formed and each will be vested with the responsibilities and authority of business management and operations according to the specific nature of its businesses.

CONSOLIDATION TIMETABLE AND STRUCTURE, AND BUSINESS ORGANIZATION



* Mitsui Chemicals and Sumitomo Chemical will restructure their respective operations so as to be compatible with the new organizational structure to be formed in March 2004.

CAPTURING CONSOLIDATION SYNERGIES

Financial targets have been set for the new company for Fiscal 2007 on a consolidated basis: net sales of ¥3 trillion and recurring income of ¥250 billion.

Synergies in products, technologies and markets are expected to drive expansion and growth. In addition, the merger will eliminate overlap to yield greater efficiency in the use of corporate resources.

SYNERGIES FOR EXPANSION & GROWTH

- The fusion of research and technology platforms will speed up the development of new technologies and products
- The combination of marketing networks will open up and grow new markets in Japan and overseas
- Higher cash flows will be strategically allocated to bolster core businesses, conduct M&As and take other actions

SYNERGIES FOR GREATER EFFICIENCY

- Rationalization of services/administrative departments at headquarters and branches
- Optimization of logistics systems, reduction in distribution costs and greater efficiency from centralized purchasing
- Integration of production bases and facilities, establishment of optimum production framework
- Focusing investments of R&D resources by the integration of research themes
- Rebuilding businesses by the realignment and consolidation of Group companies

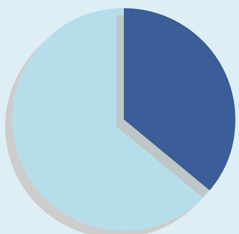
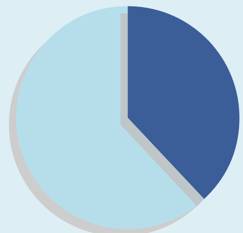
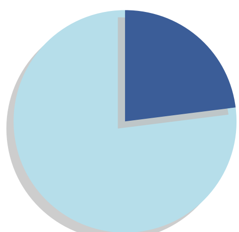
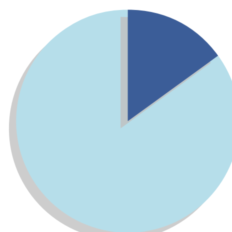
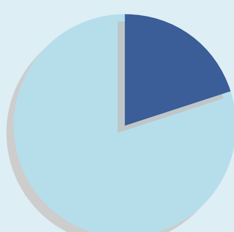
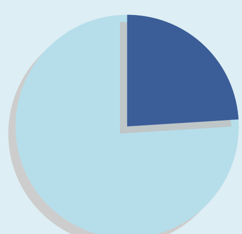
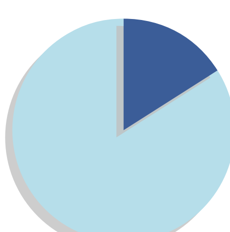
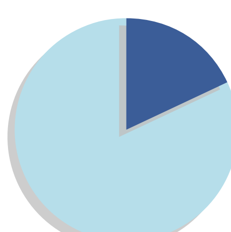
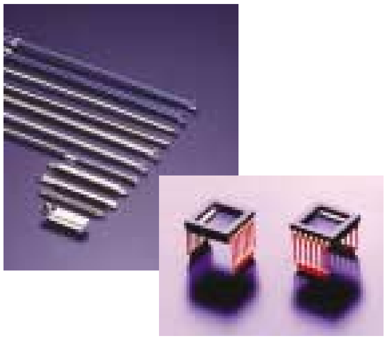
CONSOLIDATION OF POLYOLEFIN BUSINESSES

Ahead of the across-the-board consolidation of all businesses, Mitsui Chemicals and Sumitomo Chemical will merge their respective polyolefin businesses into a new company in Fiscal 2002. The basic aim is to capture maximum synergies as early as possible from the strategic integration of manufacturing, marketing and R&D functions of both companies worldwide, including related companies. Details of the new company are as follows:

Company name:
Sumitomo Mitsui Polyolefin Company, Limited
Capital:
¥7 billion (Mitsui Chemicals : Sumitomo Chemical = 50 : 50)
Business lines:
Manufacturing, marketing and research of polyethylene and polypropylene

The combination of the two companies' operations, including Sumitomo Chemical's The Polyolefin Company (Singapore) Pte. Ltd. in Singapore and Mitsui Chemicals' Mitsui Hi-Polymer (Asia) Ltd. in Hong Kong, is expected to result in a company with estimated net sales of ¥300 billion in Fiscal 2005. Combined net sales of the two companies in Fiscal 2001 were about ¥250 billion.

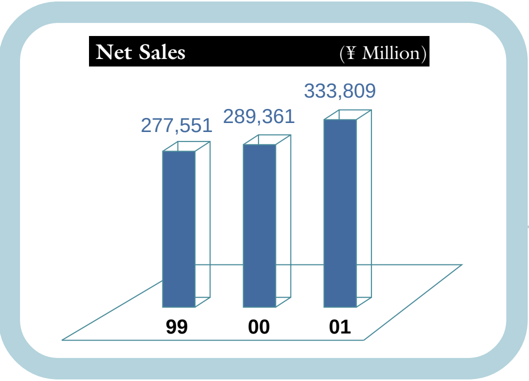
The new company is being formed in response to growing challenges in the polyolefin market. It will meet the needs of customers around the world by drawing on the collective and complementary strengths of the merger partners, advancing scrap-and-build programs in Japan, and cooperating with the parent companies' petrochemical complex project in Singapore, among other actions.

	SHARE OF SALES	SHARE OF OPERATING INCOME	
BASIC CHEMICALS	 36%	 39%	
POLYMERS	 23%	 15%	
FUNCTIONAL & FINE CHEMICALS	 20%	 24%	
ENGINEERED MATERIALS	 16%	 17%	
OTHERS	5%	5%	

BUSINESS SECTIONS	MAJOR PRODUCTS	MARKET POSITION		
		JAPAN	ASIA	
• Petrochemical feedstocks • Fiber intermediates • Phenols • Industrial chemicals	Ethylene	No. 2	No. 4	
	Purified terephthalic acid	No. 1	No. 3	
	Phenol	No. 1	No. 1	
	Bisphenol A	No. 1	No. 1	
	Acrylamide	No. 2	No. 1	
		JAPAN	ASIA	
• Polyethylene • Elastomers • PET resin • Styrenics • Polypropylene	Polyethylene (HDPE)	No. 2	No. 4	
	Alpha-olefin copolymer	No. 1	No. 1	
	PET resin	No. 1	No. 3	
	Polypropylene	No. 2	No. 3	
		JAPAN	ASIA	WORLD
• Specialty resins • Urethane chemicals • Performance polymers • Agrochemicals • Fine chemicals	Acrylic emulsion (for specialty papers)	No. 1	No. 1	No. 1
	TDI	No. 1	No. 1	No. 4
	MDI	No. 3	No. 4	No. 6
	Functional dyes (phthalocyanine dye for CD-Rs)	–	No. 2	No. 2
	Chemicals for plastic lenses with high refractive index	No. 1	No. 1	No. 1
		JAPAN	ASIA	WORLD
• Fabricated polymer products • Electronics & information materials	Spunbonded nonwoven fabrics (for hygiene applications)	No. 1	No. 1	No. 3
	Silicon wafer protective tape	No. 1	No. 1	No. 1
	Pellicles	No. 1	No. 1	No. 1
	NF_3 gas	No. 1	No. 2	No. 2
	Reflector for LCD backlight	No. 1	No. 1	No. 1
	CCD packages	No. 1	No. 1	No. 1
• Engineering, warehousing and freight transportation and others				

Basic Chemicals

Segment sales increased 15% to ¥333,809 million and operating income rose 1% to ¥20,740 million. The highlights of the segment were as follows:

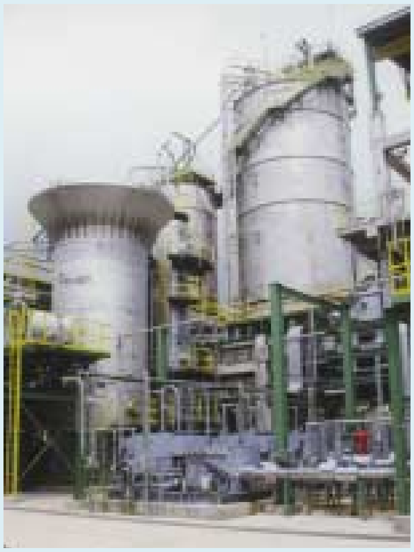


RAMPING UP PRODUCTION CAPACITY AT THAI PTA PLANT

In March 2001, work started on a project to double production capacity of purified terephthalic acid (PTA) to 800,000 tons per year at Siam Mitsui PTA Co., Ltd., a Thai joint venture established with Cementhai Chemicals Co., Ltd. Mitsui Chemicals owns a 50.02% equity interest in Siam Mitsui PTA. The additional capacity is slated to come on stream in January 2003.

Demand for PTA in Asia has grown rapidly, climbing at an average annual rate of 13% over the past 5 years. More growth is expected, particularly for use as a feedstock in polyester fiber and PET bottles.

The additional capacity will allow Mitsui Chemicals to meet growing regional demand and to strengthen its PTA operations in Asia. Mitsui Chemicals owns a 45% stake in P.T. Amoco Mitsui PTA Indonesia (annual production capacity of 420,000 tons) in Indonesia, and a 15% stake in Samsung Petrochemical Co., Ltd. (annual production capacity of 1,400,000 tons) in South Korea.

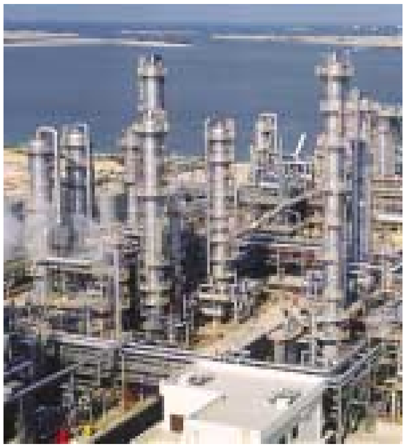


DISSOLUTION OF UKISHIMA PETROCHEMICALS JOINT VENTURE

Mitsui Chemicals reached an agreement with Nippon Petrochemicals Co., Ltd. to dissolve Ukishima Petrochemicals Co., Ltd., their 50-50 joint venture, by the end of September 2001. The two companies have been jointly operating ethylene units through Ukishima Petrochemicals. The dissolution will result in Nippon Petrochemicals operating the 1st ethylene unit (annual production capacity of 404,000 tons) within the grounds of its Kawasaki Operations Center on an independent footing. Mitsui Chemicals, meanwhile, will do likewise with the 2nd ethylene unit (annual production capacity of 553,000 tons) at its Ichihara Works.

Accordingly, Mitsui Chemicals will have two ethylene complexes in Eastern Japan (Ichihara Works and Keiyo Ethylene Co., Ltd.) and one in Western Japan at Osaka Petrochemical Industries, Ltd. This structure will make possible efficient integrated management of the company's ethylene complexes and give impetus to the further rationalization of petrochemical complexes, and allow for more agile decision-making. This should translate into greater competitiveness for the company's entire petrochemicals complex.

BOLSTERING PHENOL OPERATIONS IN SINGAPORE



• Construction of Phenol Plant Completed

Mitsui Chemicals' Singapore-based subsidiary, Mitsui Phenol Singapore Pte. Ltd., is nearing the completion of steps to commercialize phenol operations in response to growing demand for phenol in the ASEAN region. March 2001 marked a milestone with the completion of a plant on Jurong Island that is capable of producing 200,000 tons of phenol and 120,000 tons of acetone a year. Commercial operations are slated to get underway in August this year.

• BPA Plant to Get Additional Production Capacity

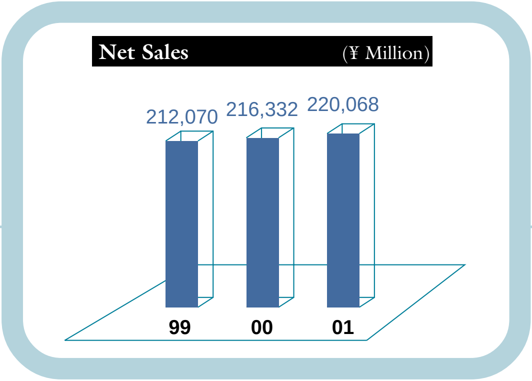
The polycarbonate resin market has been witnessing surging demand, particularly in the Asian region. That has spelled good news for Bisphenol A (BPA), a major phenol derivative and key raw material for polycarbonate resin. To cater to this growing demand, production capacity will be increased to 210,000 tons per year at Mitsui Chemicals' 100%-owned subsidiary Mitsui Bisphenol Singapore Pte Ltd. Construction is scheduled for completion in October 2002. Commercial production started at Mitsui Bisphenol Singapore's BPA plant in September 1999 and work is already progressing on schedule to double existing capacity to 140,000 tons by November 2001.

STRENGTHENING AND EXPANDING ACRYLAMIDE OPERATIONS IN SOUTH KOREA

To galvanize acrylamide operations in South Korea, Mitsui Chemicals established in July 2000 Yongsan Mitsui Chemicals, Inc., a 50-50 joint venture with the Yongsan Group. Initially, the new joint venture will only market acrylamide. In January 2003, however, plans call for the acrylamide production facilities of Yongsan Chemicals, Inc., an existing joint venture between the same partners, to be transferred to Yongsan Mitsui Chemicals.

Demand for acrylamide has grown in industrialized countries for use in paper strengthening agents, flocculants and oil recovery agents. Higher demand is foreseen in developing countries too, particularly in Asia. With this backdrop in mind, a 5,000-ton plant will be constructed at Yongsan Mitsui Chemicals. Slated for completion in March 2002, this facility will employ Mitsui Chemicals' proprietary biotech process technology.

This additional capacity will bolster Mitsui Chemicals' already strong position as Asia's largest supplier of acrylamide. It presently has a total annual production capacity of 55,000 tons, comprising 38,000 tons in Japan, 12,000 tons in South Korea, and 5,000 tons at joint venture P.T. Mitsui Eterindo Chemicals in Indonesia.



Polymers

Segment sales increased 2% to ¥220,068 million, while operating income decreased 13% to ¥7,957 million. The highlights of the segment were as follows:

TAFMER® PLANT TO BE CONSTRUCTED IN SINGAPORE

Mitsui Chemicals is working toward the launch of its elastomers business in Singapore to meet growing demand in Asia. Activities will center on TAFMER®, alpha-olefin copolymers produced by metallocene catalyst technology.

To this end, Mitsui Chemicals had decided to construct a TAFMER® plant with an annual capacity of 100,000 tons by the end of 2002 in Singapore. In a related move, the company established Mitsui Elastomers Singapore Pte Ltd. in February 2001 as a wholly owned subsidiary for elastomers production and sales.

Mitsui Chemicals has been steadily expanding its elastomers business, which is one of its core businesses, and TAFMER® has been at the center of that drive. TAFMER® is used as an additive to polyethylene, polypropylene and other thermoplastics to strengthen resistance against impact and tearing. In addition to the existing facilities at Ichihara Works (production capacity: 70,000 tons per year), Mitsui Chemicals augmented its production capacity by converting a PE plant at Iwakuni-Ohtake Works into a TAFMER® production facility in July 2000.

After the completion of the new TAFMER® plant in the Merbau area of Jurong Island, Singapore, Mitsui Chemicals will have an aggregate production capacity of 170,000 tons per year, including capacity in Japan (Cessation of production at Iwakuni-Ohtake Works is planned soon after the new plant comes on line). This additional capacity will cement the company's position as a leading manufacturer of alpha-olefin copolymers in the world.

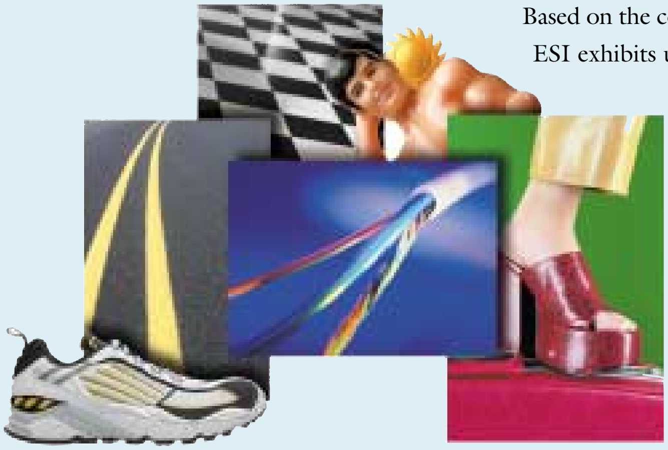
EXPANSION PLANNED AT INDONESIAN PET RESIN PLANT

Demand for PET bottle-grade resin in Asia was estimated at approximately 800,000 tons per year in Fiscal 2001 and is expected to grow at an annual rate of 14–15% in the coming years. In Japan, Mitsui Chemicals' Iwakuni-Ohtake Works has an annual production capacity of 133,000 tons, and its Hofu Works under consignment operation with Kanebo Gohsen, Ltd. can produce 24,000 tons a year.

In order to cope with growing demand in Asia, P.T. Petnesia Resindo, an Indonesian affiliated company in which Mitsui Chemicals owns a 41.6% stake, decided to increase its annual production capacity to 75,000 tons at the end of 2001. The new capacity will come on stream in 2002. Mitsui Chemicals aims to rapidly expand its PET bottle-grade resin operations in Asia by leveraging its technological and customer service capabilities.

COOPERATING ON THE DEVELOPMENT OF ESI

Mitsui Chemicals and The Dow Chemical Company reached an agreement on a joint development program under which Mitsui Chemicals will develop markets in Japan for ethylene styrene interpolymers (ESI) from Dow—a new and novel family of thermoplastic polymers made possible by INSITE® Technology.



Based on the copolymerization of ethylene and styrene and, potentially, other monomers, ESI exhibits unique properties such as stress relaxation and high mineral filler loading capability that will contribute to new applications.

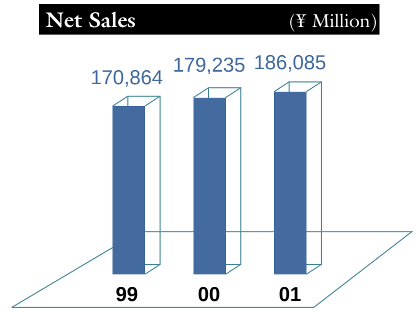
This joint development program will enable Mitsui Chemicals to develop a new and highly valued growth business for ESI in Japan.

Dow has already begun operating a 50-million-pound (22,700-ton) grassroots ESI product development plant in Sarnia, Ontario, Canada. Dow continues to work with global customers on a variety of applications for ESI.

Mitsui Chemicals established the ES Business Development Unit on October 1, 2000.

Functional & Fine Chemicals

Segment sales rose 4% to ¥186,085 million, but operating income dropped 1% to ¥13,114 million. The highlights of the segment were as follows:



URETHANE CHEMICALS MERGER PLANNED WITH TAKEDA CHEMICAL INDUSTRIES

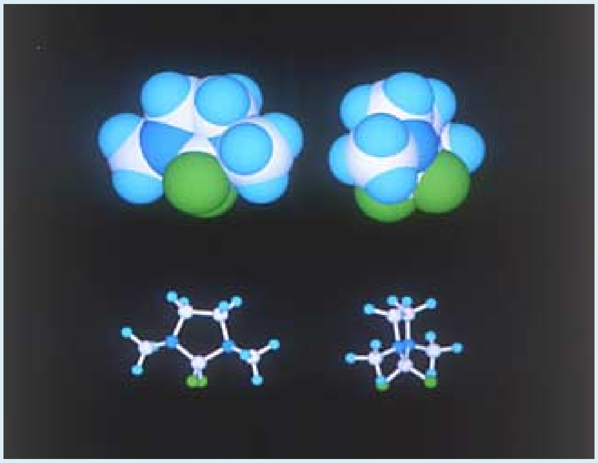
In April 2001, Mitsui Chemicals and Takeda Chemical Industries, Ltd. established Mitsui Takeda Chemicals, Inc., into which the two partners merged their respective urethane chemicals, urethane derivatives and composite materials businesses. Mitsui Chemicals concluded that this alliance would be the most effective way to strengthen the profitability of Mitsui Chemicals' core urethane operations and allow it to compete with European and U.S. companies, which have strengthened their competitive positions through their own strategic alliances.

Mitsui Takeda Chemicals aims to establish a firm position as the top company in the urethane chemicals and urethane derivatives market in Asia. Mitsui Takeda Chemicals is capitalized at ¥20 billion, with Mitsui Chemicals owning a 51% stake and Takeda Chemical a 49% stake. Mitsui Chemicals is scheduled to acquire all of Takeda Chemical's holding in Mitsui Takeda Chemicals five years after the start of its commercial operations.

CAPACITY EXPANSION PROJECT COMPLETED AT SOUTH KOREAN MDI PLANT

In December 2000, Kumho Mitsui Chemicals, Inc., a joint venture on equal terms between Mitsui Chemicals and Kumho Petrochemicals, Inc. in South Korea, completed a project to expand production capacity of MDI, a urethane raw material. Commercial production at the plant, where production capacity was increased from 30,000 tons to 50,000 tons per annum, started in January 2001. Mitsui Chemicals' annual MDI production capacity is now 110,000 tons, including capacity at Mitsui Takeda Chemicals. This strengthens its position in the Asian market.

Demand for urethane chemicals and derivatives in Asia is expected to increase in the future. Thanks to Mitsui Takeda Chemicals' broad product line-up, including TDI, MDI, polyol and urethane resins, Mitsui Chemicals will aggressively develop markets in Asia.



NEW FLUORINATION AGENT DEVELOPED

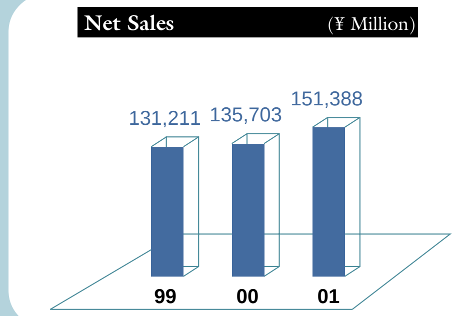
Mitsui Chemicals has developed a new fluorination agent, DFI (2,2-difluoro-1,3-dimethylimidazolidine). DFI forms a fluorine compound having a functional group such as alcohol, carboxylic acid, aldehyde and ketone. DFI by itself shows thermal stability up to 150°C.

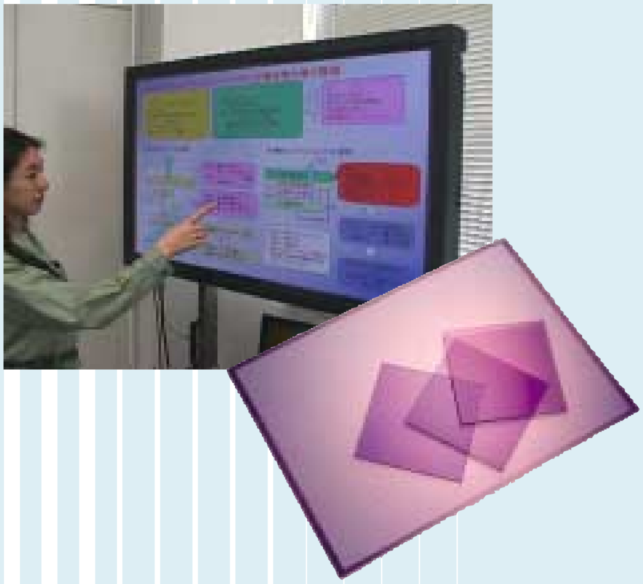
Because of this, DFI is expected to find a broad spectrum of applications. These include uses in the development of pharmaceutical and agrochemical intermediates.

Initially, Mitsui Chemicals will proceed with the development of markets for DFI centered on reagents for organic synthesis. At the same time, Mitsui Chemicals will work to expand its fine chemicals business through the development and contract synthesis of intermediates for pharmaceuticals and agrochemicals using DFI.

Engineered Materials

Segment sales increased 12% to ¥151,388 million, but operating income decreased 3% to ¥9,331 million. The highlights of the segment were as follows:





PDP OPTICAL FILTERS LAUNCHED

During the year, Mitsui Chemicals brought to market optical filters for use in plasma display panels (PDPs) under the brand name FILTOP®. These filters were made by combining a transparent conductive film manufactured using multilayer sputtering with a unique functional dye. FILTOP® filters possess a high color quality rooted in Mitsui Chemicals' proprietary optical design technology, allowing them to produce vivid, life-like images.

Featuring large screens and slender profiles, PDP TVs are expected to find a home in many living rooms in the coming years. Over 1 million units are expected to be shipped in Fiscal 2002 alone. Leveraging its advantage as one of first-mover manufacturers in the PDP optical filter market, Mitsui Chemicals intends to step up its operation to respond to the expected growth in the PDP market.

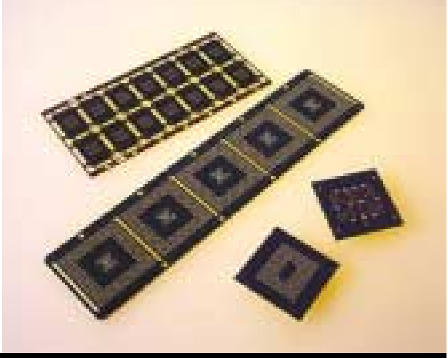
COMMERCIALIZATION OF HEAT-RESISTANT SUBSTRATE FOR SEMICONDUCTOR PACKAGES

Mitsui Chemicals has commercialized a new substrate for semiconductor packages developed by one of its Strategic Business Development Units (SBDUs).

With advances in semiconductor performance, semiconductors are being attached to substrates at higher temperatures. This has increased demands for heat resistance above that of existing substrates. Mitsui Chemicals' product uses proprietary material that can withstand extremely high temperatures due to its Tg300°C, and exhibit lower warping after semiconductor assembly; so-called dimensional stability. These characteristics have won them high marks from semiconductor manufacturers.

Production of the substrate is being carried out by wholly owned Printec Corp., a specialist in processing printed wiring boards. Mitsui Chemicals has plans in hand to start operating a new production line compatible with fine-line substrates that achieve higher performance in October 2001.

In the communications field, the market for high-performance semiconductor substrates is expected to grow considerably. Backed by proprietary materials and process technologies, Mitsui Chemicals is committed to meeting this rising demand by responding accurately to the exacting requirements of customers.



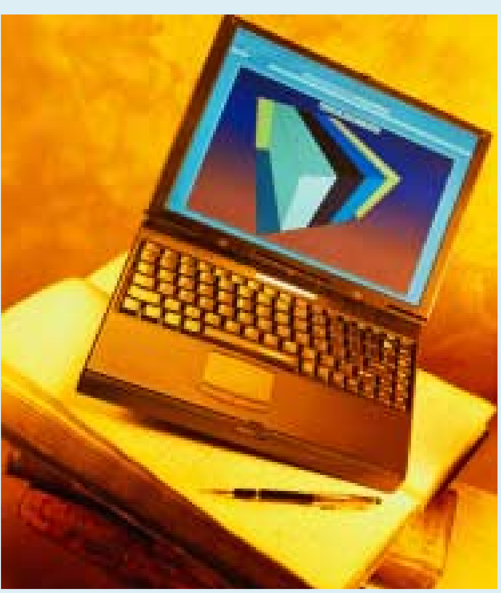
NF_3 GAS TARGETED FOR EXPANSION

The market for NF_3 gas (nitrogen trifluoride), used as a cleaning gas in semiconductor and LCD production, has grown in recent years. Mitsui Chemicals is responding by steadily ramping up production capacity to ensure a stable supply.

In March 2001, for example, additional capacity came on stream at the NF_3 plant of U.S. subsidiary Anderson Development Company.

In Japan, capacity was expanded in July 2000 and February 2001 at wholly owned subsidiary Shimonoseki Mitsui Chemicals, Inc. Construction is presently progressing at the same plant on an additional line, which should start operating in January 2002.

This move will increase Mitsui Chemicals' total NF_3 production capacity to 600 tons a year. A distinguishing feature of Mitsui Chemicals' operations is a stable supply framework using bases in Japan and the U.S., both of which supply products of identical quality.



HIGH-PURITY HI COMMERCIALIZED

Mitsui Chemicals has applied itself to the development of high-purity hydrogen iodide (HI) and developed markets for this product, focusing on the dry etching of Indium Tin Oxide (ITO) used in TFT-LCDs. These efforts have won a strong response from customers and provided impetus for the commercialization of high-purity HI operations, a market in which high growth is forecast.

Mitsui Chemicals' HI is manufactured using proprietary techniques that do not require metal iodides as raw materials. As a result, it boasts purity of at least 99.999%, thus offering excellent, stable quality. Furthermore, the HI is manufactured at a cost that affords greater competitiveness. Mitsui Chemicals already has a 30-ton annual production capacity at the Mobara Center of its Ichihara Works.

Wet etching is the mainstream technique for ITO etching of TFT-LCDs. However, dry etching is expected to be rapidly adopted, reflecting two main trends: higher definition LCDs and low-cost TFT-LCDs. Mitsui Chemicals plans to meet expanding demand for etching gas, while retaining a high market share as a first-mover manufacturer of high-purity HI.

Research & Development Strategy

MISSION AND GOALS

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

A mission statement has been formulated for each of the company's businesses:

■ In the petrochemicals & basic chemicals sector, constantly improve world-class technologies that allow us to compete effectively with other chemical producers and that contribute to business expansion in the growing Asian markets

■ In the performance materials sector, develop distinctive, competitive technologies that give impetus to new product and business development

In order to achieve the management vision of Mitsui Chemicals, certain R&D targets have been set for Fiscal 2003:

■ In the petrochemicals & basic chemicals sector, develop world-class technologies in core business areas

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

R&D STRATEGY

Guided by the above mission statements and goals, Mitsui Chemicals' R&D Strategy focuses on the following six areas:

(1) Developing technologies in core businesses and pursuing them to their limits

The global restructuring of the chemical industry is creating much larger and more tightly focused R&D programs at the company's competitors. In response, Mitsui Chemicals will refine its key basic technologies in core businesses in the petrochemicals & basic chemicals sector. In performance materials, the company's focus is on differentiating key basic technologies in core businesses.

(2) Accelerating development of products for information & communications, and healthcare & amenity

To accelerate the creation of new products and businesses, the company will channel resources into R&D on materials in fields related to information & communications, and healthcare & amenity.

Moreover, it will speed up the development and nurturing of new products under the "ACCEL21" program, while actively engaging with customers in joint development programs from the very first stages of R&D.

(3) Establishing key basic technologies for next-generation products

In performance materials, the company is expanding its technological spheres by reinforcing key basic technologies that will form the basis of next-generation products. These include thin-film processing, super-critical liquid applications, fluorination, nano-technologies and biotechnologies. Mitsui Chemicals is also strengthening its basic technologies, including combinatorial chemistry (reaction and high-throughput screening) and computational sciences (molecular design, and computational engineering) to develop next-generation products.

(4) Contributing to society through the development of environmental technologies and creation of business opportunities

Mitsui Chemicals is aiming to contribute to society through the development of technologies for reuse, recycling, replacement and remediation, and by creating business opportunities in the environmental field. One example is the development of dioxin decomposition catalysts.

(5) Strengthening Group technological competitiveness

One corporate theme is to create a framework for sharing information relating to intellectual properties across the Mitsui Chemicals Group. In addition, the company will assist in the development of new products at Group companies.

(6) Tapping the strategic and innovative potential of the organization

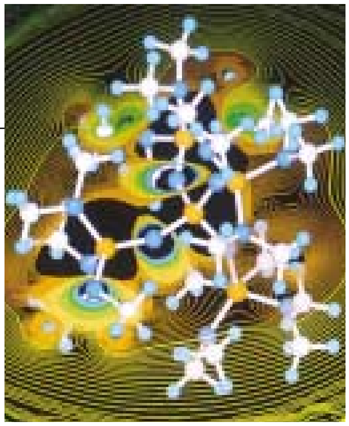
Mitsui Chemicals will enhance and take full advantage of the "Technology Platform" introduced in Fiscal 2000. In addition, to nurture researchers and upgrade their skills, the company will extend the Research Fellow system to young researchers. This will include offering opportunities to study abroad, holding academic conferences and providing forums for the announcement of dissertations and research findings. Moreover, the company will aggressively recruit specialists in selected disciplines.

Car Parts Made of Plastic, Not Metal

Mitsui Chemicals has developed AURUM®, an easily processed thermoplastic polymide resin boasting superior heat, wear and friction resistance. To lower costs and reduce vehicle weight, U.S. car manufacturers are replacing metal parts (such as thrust washers) in engine transmissions with those made of AURUM®.

Nonwoven Fabrics With Cashmere-Like Smoothness

Mitsui Chemicals is a world leader in the technological development of polyolefin non-woven fabrics. Fabrics made of newly developed ultra-fine spunbonded fibers (0.8 denier) are ideal for use in personal hygiene products such as disposable diapers and sanitary napkins.



Super-High-Active Catalyst for Highly Elastic Urethane Materials

Mitsui Chemicals has developed a new non-metallic catalyst (phosphazene catalyst) having the super-high catalytic activity required for manufacturing high-purity raw materials (polyoles) for urethane foams. The urethane foams made from high-purity polyoles exhibit excellent elastic cushioning characteristics. Cushioning is a desirable quality in shoe soles and car seats, making them more comfortable and resilient.

Responsible Care

Guided by the basic policy for Responsible Care (RC), Mitsui Chemicals takes particular care to reduce its impact on the environment and to assure safety and quality throughout the lifecycle of its products, from R&D and manufacturing to distribution, use and disposal. Through RC activities, Mitsui Chemicals aims to win the trust of its customers and the wider society.

RC FRAMEWORK

Mitsui Chemicals is concentrating on the following goals to meet accepted standards of RC:

- Actively addressing environmental issues
- Achieving zero accidents, injuries and product liability occurrence
- Winning the trust and satisfaction of customers and society

Underpinning the drive to achieve these goals is the RC Committee. Headed by the company's president, the RC Committee evaluates the accomplishments of the previous fiscal year and drafts RC plans for the year ahead. The RC Committee consists of two subcommittees—the Environmental, Health & Safety Committee, and the Quality Management Committee—each headed by a director. The director heading the committee or his representative carries out audits of works, research centers and so on at least once a year.

To enhance the transparency of RC activities, Mitsui Chemicals promotes acquisition of ISO 9000 series certification and receives external audits.

And as part of its environmental protection program, Mitsui Chemicals plans to have all its works ISO 14001 certified by the end of March 2003. In March 2001, Ichihara Works obtained ISO 14001 certification.

ISO 14001 certification

ACTIVE INVOLVEMENT IN ENVIRONMENTAL PROTECTION

(1) Voluntary Reduction of Chemical Substance Emissions

To reduce the environmental load of its activities, Mitsui Chemicals has established clear targets within its company-wide guidelines and is pushing ahead with the reduction of harmful substances, industrial waste and other emissions derived from corporate activities. Guidelines have been developed for the reduction of air, water, soil and groundwater pollutants discharged, as well as waste, to reduce environmental loads in a planned manner, based on a comprehensive company-wide program.

CO_2 emissions have also been targeted for reduction. This will be accomplished by promoting energy conservation, which will be crucial to improving the company's manufacturing technology. Mitsui Chemicals met its 2010 target of a 10% reduction in basic energy units consumed, compared to Fiscal 1991 levels, in Fiscal 2001. Having accomplished this feat far ahead of schedule, the company is now focusing on reducing total volumes of CO_2 emissions as well.

Moreover, Mitsui Chemicals has developed plans to significantly reduce the discharge of major harmful air pollutants by Fiscal 2004. One goal is a 95% reduction in benzene emissions, compared with the base year emissions of Fiscal 2001.

Mitsui Chemicals handles 124 substances subject to control under the PRTR (Pollutant Release and Transfer Register) Act. The company will continue to gather data and work to reduce environmental loads, while stepping up disclosure of pertinent information relating to these substances.

(2) Compliance With Laws

A number of laws are being drafted that target environmental issues. In March 2000, for example, the PRTR Act came into force in Japan. To assure full compliance with all environmental regulations, Mitsui Chemicals keeps abreast of the latest developments, while implementing related initiatives at its works and other facilities.

(3) Recycling and Reducing Waste Products

To reduce industrial waste, Mitsui Chemicals is devoted to controlling the waste generated in production processes and recycling byproducts. Specific targets have been set. Disposal of waste products at landfills is to be reduced by 76% by Fiscal 2011, against the base year of Fiscal 1991. Significant progress has already been made. In the year ended March 31, 2001, Mitsui Chemicals had achieved a 68% reduction and looks set to achieve its target ahead of schedule in the year ending March 2004.

All of the company's works are intently focused on reducing industrial waste. Ichihara Works, for example, is using ash as feedstock for cement, and employing ozone treatment equipment for activated sludge to reduce sludge emissions to zero.

METHODS TO EVALUATE ENVIRONMENTAL MANAGEMENT

Mitsui Chemicals is embracing environmental accounting as part of its drive to efficiently reduce environmental loads. An environmental accounting system is used to assess environmental costs and loads as well as cost savings.

The company gives due consideration to environmental efficiency of new products at the development stage. Eco-efficiency evaluations and lifecycle assessments are employed to help determine the basic direction and goals of each new product development program.

ACCIDENT- AND INJURY-FREE OPERATION

Prevention of accidents and injuries is a theme that pervades the entire company, from top management to employees at production sites. Everybody is a participant. Directors conduct safety audits at works more than once a year to check on actual operating conditions and to heighten awareness of safety issues.

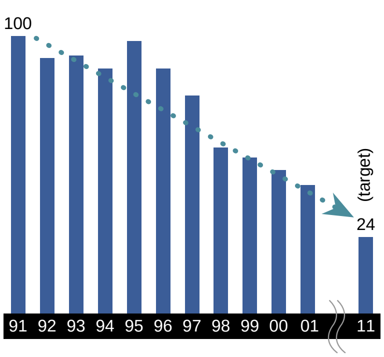
Mitsui Chemicals is also preparing to introduce an occupational health and safety management system (OHSAS18001), forming a framework for clearly identifying risks, and implementing ongoing reforms to eradicate accidents and injuries. Plans call for Nagoya Works to obtain OHSAS18001 certification during the current fiscal year and for all works to do likewise by March 2003.

PRODUCT SAFETY PROMOTIONS

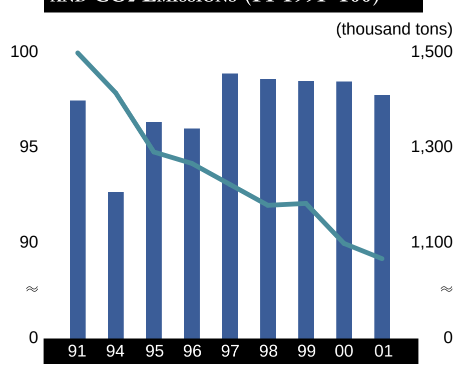
As a manufacturer of basic materials, the company must ensure product safety for customers. To this end, it is working to compile safety data and raise the level of safety evaluations.

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

FINAL DISPOSALS AT LANDFILLS (FY 1991=100)



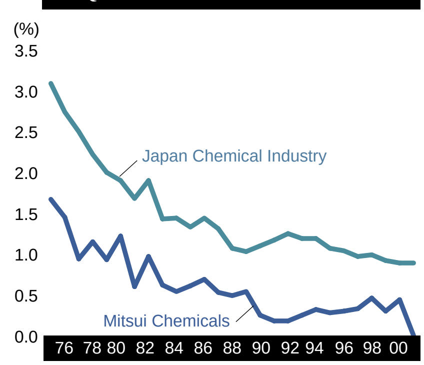
THE SPECIFIC CONSUMPTION OF ENERGY AND CO_2 EMISSIONS (FY 1991=100)



The Specific Consumption of Energy

CO_2 Emissions (right scale)

EMPLOYEE ACCIDENT FREQUENCY RATE



Note: Frequency Rate=Number of disabling injuries X 1,000,000/[Total working hours]
Disabling injuries=Injuries causing employees to leave their workplace for at least one day.

Goro Watanabe
Chairman

Hiroyuki Nakanishi
President

Yozo Kinoshita
Executive Vice President

Chairman
Goro Watanabe

President
Hiroyuki Nakanishi

Executive Vice President
Yozo Kinoshita
Group Executive, Basic Chemicals Group
(Assistant to the President)

Senior Managing Directors
Nobuyuki Sugahara
(Human Resources Division, Legal & Administrative Division, Labor Relations Division)

Ryutaro Koyasu
(Affiliates Coordinations Division, Finance & Accounting Division, Management Audit Division, Corporate Communications Division (Investor relations))

Koichi Tominaga
(Corporate Planning Division, Management Accounting Division, Sumitomo-Mitsui Alliance Promotion Division)

Managing Directors
Katsumasa Kokeguchi
General Manager, Iwakuni-Ohtake Works, Production & Technology Center

Yoshihiko Kataoka
(Purchasing Division, Logistics Division, Information Management Division, Work Process Innovation Division)

Kazuyoshi Isogaya
Group Executive, Functional Chemicals & Engineered Materials Group

Shoichi Asao
Group Executive, Production & Technology Center

Shinji Tanikawa
General Manager, Labor Relations Division

Masafumi Kataita
Group Executive, Functional Polymeric Materials Group

Ritsuo Yamamoto
(Corporate Communications Division (Public relations), Legal & Administrative Division)

Kenji Fujiyoshi
General Manager, S Project Center

Akihiro Yamaguchi
Group Executive, R&D Center
General Manager, R&D Administration Division, R&D Center
(Intellectual Property Division)

Mineo Kimura
Group Executive, Petrochemicals Group
(Licensing Division)

Board Directors
Katsunosuke Maeda
(Chairman of the Board, Toray Industries, Inc.)

Yoshiyuki Sakaki
To be appointed President, Sumitomo Mitsui Polyolefin Company, Limited

Koji Yoshida
Executive Vice President, Mitsui Takeda Chemicals, Inc.

Satoshi Numata
General Manager, Fine Chemicals Division, Functional Chemicals & Engineered Materials Group

Yoshiyuki Shinohara
General Manager, Planning & Coordination Division, Petrochemicals Group

Yasuhiro Takeda
General Manager, Ichihara Works, Production & Technology Center

Toshikazu Tanaka
General Manager, Phenols Division, Basic Chemicals Group

Yoshihito Ezoe
General Manager, Corporate Planning Division

Manabu Fujise
General Manager, Elastomers Division, Functional Polymeric Materials Group

Toshimi Hachimori
General Manager, Omuta Works, Production & Technology Center

Kenji Suzuki
General Manager, Fabricated Polymer Products Division, Functional Chemicals & Engineered Materials Group

Isamu Takeuchi
General Manager, Osaka Works, Production & Technology Center

Keiichi Sano
General Manager, Fiber Intermediates Division, Basic Chemicals Group

Corporate Auditors
Tsutomu Takase
Kazuhiro Asano
Keno Yamamoto
Keiu Nishida

(As of June 28, 2001)

Financial Section

(Millions of yen except per share amounts)	Reported Basis					Restated Basis
	2001	2000	1999	1998	1997	1998
Net sales	**¥ 939,782**	¥ 884,246	¥ 855,942	¥ 681,234	¥399,548	¥ 927,688
Cost of sales	**720,524**	659,327	632,036	532,414	304,778	721,409
SG&A	**164,746**	169,180	165,680	110,497	70,474	157,010
Operating income	**54,512**	55,739	58,226	38,323	24,296	49,269
Other income (expenses)	**(26,118)**	(29,603)	(36,099)	(14,334)	(7,242)	(20,063)
Income before income taxes, minority interests and equity in earnings of nonconsolidated subsidiaries and affiliates	**–**	–	–	–	17,054	–
Income before income taxes and minority interests	**28,394**	26,136	22,127	23,989	–	29,206
Income taxes	**10,523**	8,182	12,674	11,290	7,534	14,963
Income before minority interests and equity in earnings of nonconsolidated subsidiaries and affiliates	**–**	–	–	–	9,520	–
Income before minority interests	**17,871**	17,954	9,453	12,699	–	14,243
Equity in earnings of nonconsolidated subsidiaries and affiliates	**–**	–	–	–	2,375	–
Net income	**17,068**	16,042	7,739	11,702	11,569	13,010
Total current assets	**563,245**	544,837	548,668	616,871	243,791	616,871
Property, plant and equipment, net	**552,759**	530,827	513,268	530,860	189,820	530,860
Total investments and other non-current assets	**198,509**	161,515	146,232	150,505	64,349	150,505
Total assets	**1,314,513**	1,237,179	1,208,168	1,298,236	497,960	1,298,236
Total current liabilities	**532,586**	528,643	482,912	612,583	236,703	612,583
Total long-term liabilities	**388,159**	346,242	378,274	349,972	89,047	349,972
Stockholders' equity—net	**352,988**	345,690	329,685	318,532	167,656	318,532
Depreciation and amortization	**51,755**	52,634	51,081	38,422	23,936	52,802
Capital expenditures	**61,524**	54,435	52,058	46,428	17,853	60,060
R&D expenses	**36,543**	38,141	39,295	28,036	15,181	40,451
Return on sales	**1.82%**	1.81%	0.90%	1.72%	2.90%	1.40%
Return on equity	**4.89%**	4.75%	2.39%	4.81%	6.99%	4.08%
Return on assets	**1.34%**	1.31%	0.62%	1.30%	2.34%	1.02%
Net income per share (basic)	**¥21.63**	¥20.57	¥9.97	¥21.53	¥37.12	–
Net income per share (diluted)	**¥21.44**	¥20.41	–	¥20.98	¥35.87	–
Cash dividends per share	**¥6.00**	¥6.00	¥6.00	¥6.00	¥6.00	–

OPERATING RESULTS

Net sales increased ¥55,536 million (US$448 million), or 6.3%, over the previous year to ¥939,782 million (US$7,585 million). An improved chemicals market in Southeast Asia boosted overseas sales volumes, including exports, and product prices were raised in order to counter the soaring prices of fuel and raw materials, including naphtha.

Cost of sales rose ¥61,197 million (US$494 million), or 9.3%, to ¥720,524 million (US$5,815 million).

Gross profit decreased ¥5,661 million (US$46 million), or 2.5%, to ¥219,258 million (US$1,770 million) due primarily to sharply higher fuel and raw materials prices, including naphtha. These negative factors outweighed such positive factors as higher shipment volumes, higher product prices, personnel reductions and reduced fixed production costs, as well as the benefits of rationalization measures, including energy and resource conservation.

Selling, general and administrative expenses declined ¥4,434 million (US$36 million), or 2.6%, to ¥164,746 million (US$1,330 million), chiefly on account of a cost-cutting drive.

Research and development expenses decreased 4.2% to ¥36,543 million (US$295 million). This primarily reflected enhanced R&D efficiency, including cutbacks in research administration staff in the course of consolidating R&D sites and functions. Overall, the ratio of R&D expenses to total net sales was 3.9%.

As a result of the foregoing, operating income decreased ¥1,227 million (US$10 million), or 2.2%. The operating income margin was 5.8%, representing a 0.5 percentage point deterioration from the 6.3% recorded a year earlier.

>> Segment Information

BUSINESS SEGMENTS

For accounting purposes, 76 major subsidiaries are consolidated and 108 other subsidiaries and affiliates are accounted for by the equity method. Mitsui Chemicals has five business segments.

Basic Chemicals: Petrochemical feedstocks, fiber intermediates, phenolics, industrial chemicals and chemical fertilizers.
Polymers: Polyethylene, elastomers, polypropylene, PET resin and styrene monomers.
Functional & Fine Chemicals: Industrial resins, performance polymers, fine chemicals and agrochemicals.
Engineered Materials: Fabricated polymer products and electronic & information materials.
Others: Plant construction and maintenance, warehousing and logistics.

Basic Chemicals

(Millions of yen)			
	2001	2000	Change (%)
Total sales	**¥333,809**	¥289,361	15.4%
Operating income	**20,740**	20,506	1.1%
Total assets	**445,567**	414,965	7.4%
Depreciation and amortization	**14,817**	14,617	1.4%
Capital expenditures	**25,300**	18,732	35.1%

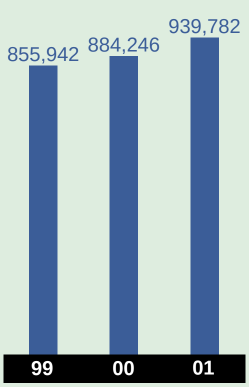
Ethylene and propylene production facilities operated at full capacity throughout the year, supported by strong demand for derivatives, and there was a decline in the number of plants that underwent scheduled maintenance. As a result, production volume rose 6%.

In purified terephthalic acid (PTA), external sales increased 18% year on year. Results were buoyed by rising demand overseas and higher product prices due to rising raw materials prices.

In phenol, sales climbed 27% over the previous year. This was attributable to strong demand overall, reflecting high growth in demand for phenol for Bisphenol A (BPA) production and an upturn in demand for use in phenol resin production. The company also raised product prices to counter higher raw materials prices.

BPA sales surged 31% due to continuing strong demand, fueled by higher demand for use in polycarbonate resin production, and higher product prices as raw material prices rose. Another contributory factor was the start of commercial production at the BPA plant of Mitsui Bisphenol Singapore Pte Ltd.

Net Sales
(¥ Million)



Domestic demand for ethylene oxide, ethanolamine and acrylamide was generally healthy, resulting in a 1% increase in sales.

Chemical fertilizer sales dropped 7% year on year due to general market malaise and government-imposed acreage reduction.

As a result, overall Basic Chemicals net sales rose ¥44,448 million (US$359 million) to ¥333,809 million (US$2,694 million), accounting for 35.5% of total net sales. Operating income increased ¥234 million (US$2 million) to ¥20,740 million (US$167 million).

Polymers

	(Millions of yen)		
	2001	2000	Change (%)
Total sales	**¥220,068**	¥216,332	1.7%
Operating income	**7,957**	9,106	(12.6%)
Total assets	**287,369**	294,603	(2.5%)
Depreciation and amortization	**14,705**	17,354	(15.3%)
Capital expenditures	**7,785**	14,427	(46.0%)

Polyethylene sales increased 6% on higher sales in Japan, particularly of linear low-density polyethylene.

Polypropylene sales rose 4% on account of higher sales volumes spurred by robust domestic demand.

Elastomers, including ethylene-propylene diene terpolymers and alpha-olefin copolymers, returned a favorable performance. Although domestic automobile production was flat, initiatives to increase sales and encourage companies to replace existing materials with elastomers were successful, mainly in the automotive parts industry. Elastomer sales rose 6% year on year.

In polyethylene terephthalate (PET) resin, the company recorded a 26% increase in sales despite a dramatic rise in imported products. This result was attributable to sharply higher demand for large and small PET bottles, which was fueled by a heat wave during the summer in Japan.

At the end of the previous fiscal year, polyvinyl chloride (PVC) operations were transferred to a joint venture company.

Segment sales increased ¥3,736 million (US$30 million) to ¥220,068 million (US$1,776 million), accounting for 23.4% of total net sales. Operating income, however, decreased ¥1,149 million (US$9 million) to ¥7,957 million (US$64 million).

Functional & Fine Chemicals

	(Millions of yen)		
	2001	2000	Change (%)
Total sales	**¥186,085**	¥179,235	3.8%
Operating income	**13,114**	13,243	(1.0%)
Total assets	**340,276**	283,282	20.1%
Depreciation and amortization	**12,392**	11,277	9.9%
Capital expenditures	**12,659**	8,263	53.2%

Sales of polyurethane raw materials such as TDI and MDI increased 10% over the previous year, reflecting increased TDI production capacity and strong growth in exports.

Additive materials such as wax and petroleum resins encountered lackluster market conditions during the year. Nevertheless, sales were on a par with the previous year as the company developed new customers in the information and environment fields. During the year, wood-adhesive operations were transferred to a joint-venture company.

Fine chemicals such as ingredients for electronics & information materials and resin materials remained in a slump, negatively impacted by intensifying competition and falling prices. Sales decreased 7% as a result.

Healthcare products, including monomers for optical plastic lenses and pharmaceutical intermediates, recorded a 10% year-on-year decline in sales as a result of inventory corrections at customers.

Although agrochemicals such as pesticides faced competition from new competing products, sales as a whole were solid and largely unchanged from the previous fiscal year.

As a result, Functional & Fine Chemicals sales increased ¥6,850 million (US$55 million) to ¥186,085 million (US$1,502 million), accounting for 19.8% of total net sales. Operating income declined ¥129 million (US$1 million) to ¥13,114 million (US$106 million).

Engineered Materials

	(Millions of yen)		
	2001	2000	Change (%)
Total sales	**¥151,388**	¥135,703	11.6%
Operating income	**9,331**	9,644	(3.2%)
Total assets	**191,194**	176,581	8.3%
Depreciation and amortization	**8,622**	8,017	7.5%
Capital expenditures	**13,240**	10,245	29.2%

Spunbonded nonwoven fabrics performed well due to growth in sales volumes for personal hygiene applications. Sales increased 10%.

Although product prices fell, sales of packaging films as a whole were solid, supported mainly by higher demand for high-value-added products and polyolefin-type general-purpose products. Sales rose 3%.

Sales of agricultural films decreased 10% due to conversion to films made of alternative raw materials.

Industrial materials saw sales fall 5% despite higher sales volumes. This result reflected the sale of part of the company's operations to another company.

Sales of semiconductor materials climbed 24% thanks to growth in the global semiconductor market. In electronic circuit materials, sales rose 12% on the back of higher demand for use in PCs and communications instruments.

Toner binder sales were on a par with the previous fiscal year as demand remained firm, particularly for use in digital equipment.

Engineered Materials segment sales increased ¥15,685 million (US$127 million) to ¥151,388 million (US$1,222 million), accounting for 16.1% of total net sales. Operating income decreased ¥313 million (US$3 million) to ¥9,331 million (US$75 million).

Others

	(Millions of yen)		
	2001	2000	Change (%)
Total sales	**¥ 48,432**	¥ 63,615	(23.9%)
Operating income	**2,732**	1,658	64.8%
Total assets	**108,428**	107,706	0.7%
Depreciation and amortization	**1,715**	2,085	(17.7%)
Capital expenditures	**2,540**	2,768	(8.2%)

Plant construction and maintenance operations recorded a 24% decrease in sales outside the Group due to stiff competition and declining capital expenditures by customers.

Warehousing and logistics services saw sales decline 5% as the volume of goods handled fell and competition intensified.

Segment sales decreased ¥15,183 million (US$123 million) to ¥48,432 million (US$391 million), representing 5.2% of total net sales. Operating income, meanwhile, increased ¥1,074 million (US$9 million) to ¥2,732 million (US$22 million).

>> Geographic Distribution

Domestic

The business environment was severe as characterized by the sharp rise in raw material prices. However, the company took steps to improve profits such as by reining in costs. Sales benefited from rising demand in the petrochemicals & basic chemicals sector. As a result, domestic sales were ¥875,632 million (US$7,067 million), accounting for 93% of total net sales, and operating income was ¥50,906 million (US$411 million).

Outside Japan

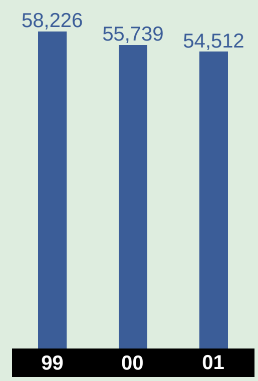
Sales in the Asian region increased in line with the start-up of commercial operations at Mitsui Bisphenol Singapore's BPA plant. Sales outside Japan were ¥64,150 million (US$518 million), accounting for 7% of total net sales, and operating income was ¥3,573 million (US$29 million).

>> Overseas sales

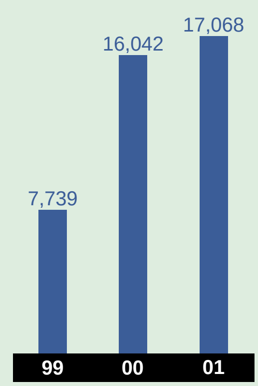
Overseas net sales increased ¥20,149 million (US$163 million), or 11.8%, to ¥190,486 million (US$1,537 million), representing 20.2% of total net sales.

By region, Asia accounted for ¥124,451 million (US$1,004 million), or 13.2%, of total net sales. This represented a year-on-year increase in sales of ¥21,085 million (US$170 million), or 20.4%, reflecting an upturn in Southeast Asia. Sales in North and Latin America totaled ¥37,781 million (US$305 million), accounting for 4.0% of total net

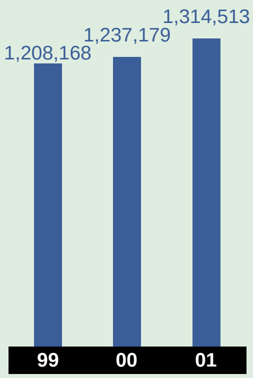
Operating Income
(¥ Million)



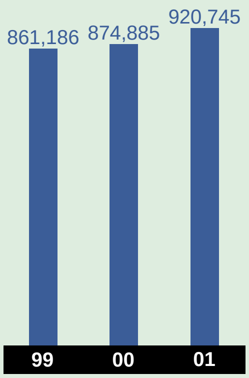
Net Income
(¥ Million)



Total Assets
(¥ Million)



Total Liabilities
(¥ Million)



sales. Europe represented ¥21,788 million (US$176 million), or 2.3%, of total net sales. Sales in other regions accounted for ¥6,466 million (US$52 million), or 0.7%, of total net sales. Sales in North and Latin America, Europe and other regions combined decreased ¥936 million (US$8 million), or 1.4%, year on year.

>> Other Income (Expenses)

Interest and dividend income decreased 17.4% to ¥1,495 million (US$12 million). Interest expense totaled ¥11,772 million (US$95 million), resulting in net financial expenses of ¥10,277 million (US$83 million), a ¥1,278 million (US$10 million) improvement from the previous fiscal year. This reflected primarily lower interest rates.

Equity in earnings of non-consolidated subsidiaries and affiliates totaled ¥5,858 million (US$47 million), an increase of ¥824 million (US$7 million) over the ¥5,034 million (US$40 million) recorded in Fiscal 2000.

The company recorded a loss on disposal of property, plant and equipment (net) of ¥4,054 million (US$33 million) and a loss on restructuring of subsidiaries and affiliates of ¥1,269 million (US$10 million). The company also booked a ¥12,168 million (US$98 million) charge for amortization of the net retirement benefits obligation at transition that is being amortized over 5 years beginning with the fiscal year ended March 31, 2001.

As a result of the foregoing, other income (expenses) was an expense of ¥26,118 million (US$211 million), a decrease of ¥3,485 million (US$28 million) compared with the expense in the previous fiscal year.

>> Net Income

Income before income taxes and minority interests increased ¥2,258 million (US$18 million) to ¥28,394 million (US$229 million). Income taxes were ¥10,523 million (US$85 million), ¥2,341 million (US$19 million) higher than in the previous fiscal year. Minority interests in earnings of consolidated subsidiaries were ¥803 million (US$6 million), representing a decrease of ¥1,109 million (US$9 million) from the previous term. Consequently, net income increased ¥1,026 million (US$8 million), or 6.4%, to ¥17,068 million (US$138 million). Net income per share rose by ¥1.03 (US$0.01) to ¥21.44 (US$0.17).

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FINANCIAL POSITION

As of March 31, 2001, total assets stood at ¥1,314,513 million (US$10,609 million), up ¥77,334 million (US$624 million), or 6.3%, from a year ago.

Total current assets increased ¥18,408 million (US$149 million), or 3.4%, to ¥563,245 million (US$4,546 million). Despite ongoing asset consolidation initiatives such as shorter payment terms and inventory cutbacks, receivables increased ¥4,651 million (US$38 million) to ¥309,417 million (US$2,497 million) and inventories rose ¥17,146 million (US$138 million) to ¥165,706 million (US$1,337 million). This reflected increased sales volumes, as well as the raising of selling prices aimed at passing on higher costs due to soaring fuel and raw material prices.

On the other hand, as financial markets stabilized, the company reduced cash and cash equivalents in line with its policy of consolidating assets. In addition, marketable securities declined by ¥51,586 million (US$416 million) due to changes to accounting standards for financial instruments.

Property, plant and equipment rose ¥21,932 million (US$177 million), or 4.1%, to ¥552,759 million (US$4,461 million) due mainly to the consolidation for the first time of Siam Mitsui PTA Co., Ltd., Mitsui Takeda Chemical, Inc. and 32 other companies. Total investments and other non-current assets increased ¥36,994 million (US$299 million), or 22.9%, to ¥198,509 million (US$1,602 million). Investment securities rose ¥42,369 million (US$342 million), or 42.4%, to ¥142,357 million (US$1,149 million), due mainly to the reclassification of some marketable securities as investment securities. Deferred tax assets decreased ¥1,933 million (US$16 million), or 7.4%, to ¥24,021 million (US$194 million).

On the other side of the balance sheet, liabilities increased ¥45,860 million (US$370 million), or 5.2%, to ¥920,745 million (US$7,431 million).

Total current liabilities rose ¥3,943 million (US$32 million), or 0.7%, to ¥532,586 million (US$4,299 million). Payables increased ¥6,482 million (US$52 million), or 4.0%, to ¥170,555 million (US$1,377 million), reflecting higher raw materials and fuel costs.

Short-term bank loans decreased ¥9,095 million (US$73 million), or 4.7%, to ¥185,968 million (US$1,501 million). Current portion of long-term debt, on the other hand, decreased ¥23,998 million (US$194 million), or 28.9%, to ¥58,983 million (US$476 million). Meanwhile, the outstanding balance of commercial paper increased ¥36,500 million (US$295 million), or 94.8%, to ¥75,000 million (US$605 million).

Total long-term liabilities increased ¥41,917 million (US$338 million), or 12.1%, to ¥388,159 million (US$3,133 million). This primarily reflected a ¥17,449 million (US$141 million), or 8.0%, increase in straight bonds to ¥235,541 million (US$1,901 million).

Interest-bearing liabilities increased ¥34,454 million (US$278 million), or 5.6%, to ¥651,530 million (US$5,259 million).

Stockholders' equity rose ¥7,298 million (US$59 million), or 2.1%, to ¥352,988 million (US$2,849 million), reflecting mainly a ¥11,546 million (US$93 million) increase in retained earnings. Stockholders' equity as a proportion of total assets decreased 1.0 percentage point from 27.9% to 26.9%. Equity per share rose 2.1% to ¥447.31 (US$3.6).

CASH FLOWS

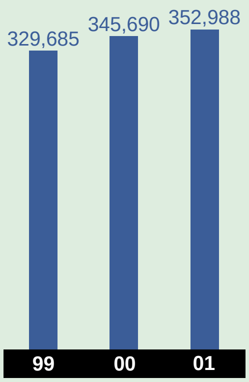
Cash flows from operating activities decreased ¥7,518 million (US$61 million), or 11.2%, to ¥59,356 million (US$479 million). Although net income increased ¥1,026 million (US$8 million), higher sales volume and an increase in working capital due to higher fuel and raw materials costs, notwithstanding the company's efforts to raise the selling prices, affected cash flows from operating activities.

Investing activities used net cash of ¥48,903 million (US$395 million), ¥5,936 million (US$48 million), or 13.8%, more than in the previous fiscal year. Cash was used for the acquisition of property, plant and equipment, but was provided by efforts to consolidate assets, such as sales of property, plant and equipment and marketable securities.

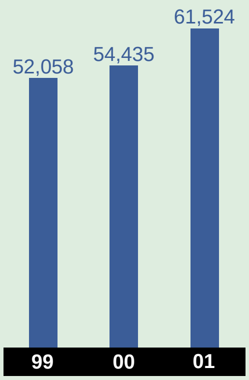
Financing activities provided net cash of ¥30,158 million (US$243 million), an increase of ¥76,956 million (US$621 million), mainly reflecting decreases in long-term debt and straight bonds. Offsetting this was an increase in commercial paper and funds procured from the issuance of shares by Mitsui Takeda Chemical.

As a result, cash and cash equivalents as of the end of March 2001 were ¥76,142 million (US$615 million), representing an increase of ¥46,109 million (US$372 million), or 153.5%, from a year ago.

Stockholders' Equity–Net
(¥ Million)



Capital Expenditure
(¥ Million)



Consolidated Balance Sheets

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2001**	2000	**2001**
Current assets:			
Cash and cash equivalents (Note 4)	**¥ 76,142**	¥ 30,033	**$ 614,544**
Short-term investments	**1,537**	894	**12,405**
Marketable securities	**–**	51,586	**–**
Receivables:			
Trade notes and accounts (Note 15)	**296,931**	291,528	**2,396,538**
Other	**12,486**	13,238	**100,774**
Inventories (Note 5)	**165,706**	148,560	**1,337,417**
Deferred tax assets—current (Note 9)	**7,713**	5,639	**62,252**
Other current assets	**3,592**	4,722	**28,991**
Allowance for doubtful accounts	**(862)**	(1,363)	**(6,957)**
Total current assets	**563,245**	544,837	**4,545,964**
Property, plant and equipment (Note 7):			
Land	**194,327**	196,769	**1,568,418**
Buildings and structures	**265,674**	257,489	**2,144,262**
Machinery and equipment	**858,597**	824,634	**6,929,758**
Construction in progress	**33,205**	15,049	**267,998**
	1,351,803	1,293,941	**10,910,436**
Accumulated depreciation	**(799,044)**	(763,114)	**(6,449,104)**
Property, plant and equipment, net	**552,759**	530,827	**4,461,332**
Investments and other non-current assets:			
Investment securities (Notes 6 and 7)			
Non-consolidated subsidiaries and affiliates	**65,660**	70,123	**529,944**
Other	**76,697**	29,865	**619,023**
Long-term receivables	**13,499**	30,958	**108,951**
Deferred tax assets—non-current (Note 9)	**24,021**	25,954	**193,874**
Other non-current assets	**20,421**	24,103	**164,818**
Allowance for doubtful accounts	**(1,789)**	(19,488)	**(14,439)**
Total investments and other non-current assets	**198,509**	161,515	**1,602,171**
Total assets	**¥1,314,513**	¥1,237,179	**$10,609,467**

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

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Current liabilities:			
Short-term bank loans (Note 7)	¥ 185,968	¥ 195,063	$ 1,500,952
Current portion of long-term debt (Note 7)	58,983	82,981	476,053
Commercial paper (Note 7)	75,000	38,500	605,327
Payables:			
Trade notes and accounts (Note 15)	125,733	125,773	1,014,794
Other	44,822	38,300	361,759
Employees' savings deposits	3,557	3,982	28,709
Accrued expenses	27,601	26,296	222,768
Reserve for periodic repairs	2,833	–	22,865
Accrued income taxes (Note 9)	7,364	14,247	59,435
Other current liabilities	725	3,501	5,852
Total current liabilities	532,586	528,643	4,298,514
Long-term liabilities:			
Long-term debt due after one year (Note 7)	331,579	300,532	2,676,182
Accrued retirement benefits (Note 8)	47,647	23,572	384,560
Reserve for periodic repairs	1,268	–	10,234
Other non-current liabilities	7,665	22,138	61,865
Total long-term liabilities	388,159	346,242	3,132,841
Minority interests	40,780	16,604	329,136
Contingent liabilities (Note 11)			
Stockholders' equity:			
Common stock, ¥50 par value (Note 10);			
Authorized — 3,000,000,000 shares			
Issued — 789,156,353 shares in 2001 and 2000	103,226	103,226	833,140
Additional paid-in capital	66,901	66,901	539,960
Retained earnings (Notes 7, 10 and 17)	187,120	175,574	1,510,250
Foreign currency translation adjustments	(4,253)	–	(34,326)
Treasury stock, at cost:			
16,283 shares in 2001 and 15,572 shares in 2000	(6)	(11)	(48)
Stockholders' equity—net	352,988	345,690	2,848,976
Total liabilities and stockholders' equity	¥1,314,513	¥1,237,179	$10,609,467

Consolidated Statements of Income

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2000	**2001**
Net sales	**¥939,782**	¥884,246	**$7,585,004**
Cost of sales (Notes 8 and 13)	**720,524**	659,327	**5,815,367**
Gross profit	**219,258**	224,919	**1,769,637**
Selling, general and administrative expenses (Notes 8 and 13)	**164,746**	169,180	**1,329,669**
Operating income	**54,512**	55,739	**439,968**
Other income (expenses):			
Interest expense	**(11,772)**	(13,366)	**(95,012)**
Interest and dividend income	**1,495**	1,811	**12,066**
Equity in earnings of non-consolidated subsidiaries and affiliates	**5,858**	5,034	**47,280**
Loss on disposal of property, plant and equipment	**(7,994)**	(5,616)	**(64,520)**
Loss on restructuring of subsidiaries and affiliates	**(1,269)**	(8,262)	**(10,242)**
Net retirement benefits obligation at transition (Note 8)	**(12,168)**	–	**(98,208)**
Past service liabilities of the contributory funded pension plan	**–**	(15,321)	**–**
Other, net	**(268)**	6,117	**(2,163)**
	(26,118)	(29,603)	**(210,799)**
Income before income taxes and minority interests	**28,394**	26,136	**229,169**
Income taxes (Note 9):			
Current	**10,502**	20,698	**84,762**
Deferred	**21**	(12,516)	**169**
	10,523	8,182	**84,931**
Income before minority interests	**17,871**	17,954	**144,238**
Minority interests in earnings of consolidated subsidiaries	**(803)**	(1,912)	**(6,481)**
Net income	**¥ 17,068**	¥ 16,042	**$ 137,757**

	Yen		U.S. dollars (Note 3)
Amounts per share of common stock:			
Net income			
Basic	**¥21.63**	¥20.57	**$0.175**
Diluted	**21.44**	20.41	**0.173**
Cash dividends applicable to the year	**6.00**	6.00	**0.048**

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

Consolidated Statements of Stockholders' Equity

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2001 and 2000

	Number of shares of common stock (Thousands)	Millions of yen				
		Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 1999	779,868	¥ 102,762	¥ 63,575	¥ 164,027	¥ –	¥(679)
Net income	–	–	–	16,042	–	–
Shares issued in exchange of stocks	9,288	464	3,326	–	–	–
Increase resulting from increase of non-consolidated subsidiaries and affiliates on equity method	–	–	–	140	–	–
Increase resulting from decrease of non-consolidated subsidiaries and affiliates on equity method	–	–	–	53	–	–
Bonuses to directors and corporate auditors	–	–	–	(16)	–	–
Cash dividends paid	–	–	–	(4,672)	–	–
Net decrease of treasury stock	–	–	–	–	–	668
Balance at March 31, 2000	789,156	¥ 103,226	¥ 66,901	¥ 175,574	¥ –	¥ (11)
Net income	–	–	–	17,068	–	–
Decrease resulting from increase of non-consolidated subsidiaries and affiliates on equity method	–	–	–	(682)	–	–
Decrease resulting from decrease of non-consolidated subsidiaries and affiliates on equity method	–	–	–	(3)	–	–
Bonuses to directors and corporate auditors	–	–	–	(103)	–	–
Cash dividends paid	–	–	–	(4,734)	–	–
Net decrease of treasury stock	–	–	–	–	–	5
Foreign currency translation adjustments	–	–	–	–	(4,253)	–
Balance at March 31, 2001	**789,156**	**¥103,226**	**¥66,901**	**¥187,120**	**¥(4,253)**	**¥ (6)**

	Thousands of U.S. dollars (Note 3)				
	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2000	$ 833,140	$ 539,960	$ 1,417,062	$ –	$(89)
Net income	–	–	137,757	–	–
Decrease resulting from increase of non-consolidated subsidiaries and affiliates on equity method	–	–	(5,505)	–	–
Decrease resulting from decrease of non-consolidated subsidiaries and affiliates on equity method	–	–	(25)	–	–
Bonuses to directors and corporate auditors	–	–	(831)	–	–
Cash dividends paid	–	–	(38,208)	–	–
Net decrease of treasury stock	–	–	–	–	41
Foreign currency translation adjustments	–	–	–	(34,326)	–
Balance at March 31, 2001	**$833,140**	**$539,960**	**$1,510,250**	**$(34,326)**	**$(48)**

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

Consolidated Statements of Cash Flows

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2000	2001
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 28,394	¥ 26,136	$ 229,169
Depreciation and amortization	51,755	52,634	417,716
Provision for allowance for doubtful accounts	654	7,082	5,278
Reserve for periodic repairs	3,138	–	25,327
Interest and dividend income	(1,495)	(1,811)	(12,066)
Interest expense	11,772	13,366	95,012
Equity in earnings of non-consolidated subsidiaries and affiliates	(5,858)	(5,034)	(47,280)
Gain on sales of securities	–	(4,275)	–
Write-down of marketable and investment securities	–	413	–
Gain on sales of property, plant and equipment	(3,940)	–	(31,800)
Loss on sales and disposal of property, plant and equipment	3,970	5,654	32,042
Past service liabilities of the contributory funded pension plan	–	15,321	–
Net retirement benefits obligation at transition	12,168	–	98,208
Increase in trade receivables	(8,092)	(14,883)	(65,311)
Increase in inventories	(11,083)	(4,760)	(89,451)
Increase in trade payables	10,061	19,109	81,203
Other, net	(7,347)	(15,307)	(59,298)
Subtotal	84,097	93,645	678,749
Interest and dividend received	6,138	6,554	49,540
Interest paid	(13,024)	(13,367)	(105,117)
Income taxes paid	(17,855)	(19,958)	(144,108)
Net cash provided by operating activities	59,356	66,874	479,064
Cash flows from investing activities			
Purchases of marketable securities	–	(223)	–
Proceeds from sales of marketable securities	–	8,074	–
Acquisition of property, plant, equipment and others	(57,696)	(49,296)	(465,666)
Proceeds from sales of property, plant, equipment and others	8,242	6,395	66,521
Purchases of investment securities	(3,766)	(6,621)	(30,395)
Proceeds from sales of investment securities	3,924	1,611	31,671
Net increase in loans receivable	(1,102)	(5,318)	(8,894)
Proceeds from purchases of consolidated subsidiaries	2,785	–	22,478
Proceeds from sale of a consolidated subsidiary	–	7,370	–
Other, net	(1,290)	(4,959)	(10,412)
Net cash used in investing activities	(48,903)	(42,967)	(394,697)
Cash flows from financing activities			
Net increase (decrease) in short-term loans	22,828	(8,989)	184,245
Proceeds from long-term debt	78,580	19,739	634,221
Repayments of long-term debt	(85,249)	(36,068)	(688,047)
Repayment of employees' saving deposits resulting from changes in the in-house savings program	–	(21,508)	–
Issuance of common stock from minority stockholders	19,650	2,847	158,596
Proceeds from sales of treasury stock	535	4,131	4,318
Purchases of treasury stock	(540)	(2,189)	(4,358)
Cash dividends paid	(4,734)	(4,672)	(38,208)
Other, net	(912)	(89)	(7,361)
Net cash provided by (used in) financing activities	30,158	(46,798)	243,406
Effect of exchange rate changes on cash and cash equivalents	589	(1,600)	4,754
Net increase (decrease) in cash and cash equivalents	41,200	(24,491)	332,527
Cash and cash equivalents at beginning of the year	30,033	53,497	242,397
Increase in cash and cash equivalents due to merger	162	–	1,307
Increase in cash resulting from changes in numbers of consolidated subsidiaries	4,747	1,027	38,313
Cash and cash equivalents at end of the year (Note 4)	¥ 76,142	¥ 30,033	$ 614,544

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

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2001 and 2000

1. BASIS OF PREPARATION

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in 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 has the power of control through majority voting rights or the existence of certain conditions evidencing control by the Company.

Investments in non-consolidated subsidiaries and affiliates of which the Company has the ability to exercise significant influence over 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 the fair values 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 investment in the consolidated subsidiaries over the net assets acquired is deferred as a consolidation difference and amortized within twenty years.

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. Prior to April 1, 2000, receivables and payables denominated in foreign currencies were translated at their historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999 (the "Revised Accounting Standard"). Under the Revised Accounting Standard, receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rate.

As a result of adopting the Revised Accounting Standard, income before income taxes and minority interests increased by ¥597 million ($4,818 thousand).

Due to the adoption of the Revised Accounting Standard, the Company has reported foreign currency translation adjustments in stockholders' equity and minority interests. The prior year's amount, which is included in assets, has not been reclassified.

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

Prior to April 1, 2000, listed securities were stated at the lower of cost or market, cost being determined by the moving average method. Unlisted securities were stated at moving average cost.

Effective April 1, 2000, the Company and its consolidated subsidiaries have adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Upon applying the New Accounting Standard, all companies are required to examine the intent of holding each security and to classify those securities as (a) securities held for trading purposes (hereafter, “trading securities”), (b) debt securities intended to be held to maturity (hereafter, “held-to-maturity debt securities”), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”).

The Company and its consolidated subsidiaries hold no trading securities. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities are stated at moving average cost.

As a result of adopting the New Accounting Standard for financial instruments, income before income taxes and minority interests increased by ¥1,906 million ($15,383 thousand). Also, based on the examination of the intent in holding each security, upon application of the New Accounting Standard on April 1, 2000, held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date have been included in current assets, and other securities have been included in investments and other non-current assets. As a result, at April 1, 2000, securities in current assets decreased by ¥51,557 million ($416,118 thousand) and investment securities increased by the same amount compared with what would have been reported under the previous accounting policy.

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 the 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 lease agreements 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 New Accounting Standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state their derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as a hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer the recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

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

Also, if interest rate swap contracts are used as a hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

j. Allowance for doubtful accounts

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

k. Employees' retirement benefits

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

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

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

Prior to April 1, 2000, past service liabilities of the contributory funded pension plan are charged to income as incurred, and the liability for the employees' severance indemnity pension plan is provided to cover the amount which would be required if all employees voluntarily retired at the balance sheet date.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a New Accounting Standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated under certain assumptions.

The Company and its consolidated subsidiaries have provided an allowance for employees' severance and retirement benefits at March 31, 2001 based on the estimated amounts of the projected benefit obligation and the fair value of the plan assets at that date.

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 ($434,608 thousand), of which ¥398 million ($3,212 thousand) was recognized as an expense as a result of the contribution of investment securities worth ¥398 million ($3,212 thousand) to the employees' retirement benefit trust in 2000. The remaining net transition obligation amounting to ¥53,450 million ($431,396 thousand) will be recognized in expenses in equal amounts primarily over 5 years commencing with the year ended March 31, 2001. Prior service costs are recognized in expenses by the straight-line method within the average estimated remaining service years of the eligible employees. The actuarial gain or loss is recognized by the straight-line method within the average estimated remaining service years of the eligible employees commencing with the following year.

As a result of the adoption of the New Accounting Standard for the year ended March 31, 2001, employees' severance and retirement benefit expenses increased by ¥15,018 million ($121,211 thousand), operating income decreased by ¥3,110 million ($25,101 thousand) and income before income taxes and minority interests decreased by ¥15,002 million ($121,082 thousand) compared with what would have been recorded under the previous accounting standard.

l. Reserve for periodic repairs

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

Through the year ended March 31, 2000, certain consolidated subsidiaries provided for costs of periodic repairs of production facilities. Effective for the year ended March 31, 2001, the Company and certain other consolidated subsidiaries owning similar production facilities have changed the method for providing for costs of periodic repairs.

This change was made to more accurately match revenues and expenses, and is expected to contribute to more accurately computing earnings. Two factors prompted the change. Firstly, periodic repairs of certain production facilities, mainly in the Basic Chemicals and Polymers segments, are now conducted once every few years rather than annually due to advances in maintenance technologies. Secondly, the Company expects to apply a reserve to more production facilities than in the past.

As a result of this change, inventories increased by ¥90 million ($726 thousand), current liabilities by ¥1,578 million ($12,736 thousand) and long-term liabilities by ¥604 million ($4,875 thousand) for the year ended March 31, 2001. It also had the effect of reducing operating income by ¥461 million ($3,721 thousand) and income before income taxes and minority interests by ¥2,091 million ($16,877 thousand).

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 at the time of purchase are considered to be 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 the exchange rate of ¥123.9=US$1, the approximate rate of exchange at March 31, 2001. The translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Cash	¥71,721	¥28,187	$578,862
Cash equivalents	4,421	1,846	35,682
	¥76,142	¥30,033	$614,544

5. INVENTORIES

Inventories at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Finished goods	¥121,592	¥107,305	$ 981,372
Work in process	4,213	5,143	34,003
Raw materials and supplies	39,901	36,112	322,042
	¥165,706	¥148,560	$1,337,417

6. SECURITIES

A. The following table summarizes the acquisition costs, book value and fair value of securities with available fair value as of March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
Book value:		
Non-current	¥54,571	$440,444
Fair value:		
Non-current	69,494	560,888
Net unrealized gain	¥14,923	$120,444

B. The following table summarizes the book value of securities with no available fair value as of March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
(a) Held-to-maturity debt securities		
Local government bonds	¥ 85	$ 686
(b) Available-for-sale securities		
Unlisted equity securities	21,636	174,625
Beneficiary certificates of bond investment trust	1,177	9,500
	¥22,813	$184,125

C. Available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Local government bonds		
Due within one year	¥ 6	$ 48
Due over one year but within five years	35	283
Due over five years but within ten years	31	250
Due over ten years	13	105
	¥85	$686

D. Total sales of available-for-sale securities for the year ended March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Sales—total	¥3,220	$25,989
Related gain—total	922	7,441
Related loss—total	135	1,090

7. SHORT-TERM DEBT AND LONG-TERM DEBT

At March 31, 2001 and 2000, short-term debts were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
0.42%–8.74% bank loans	¥185,968	¥195,063	$1,500,952
Commercial paper	¥ 75,000	¥ 38,500	$ 605,327

At March 31, 2001 and 2000, long-term debts were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
1.875% bonds due 2002	¥ 10,000	¥ 10,000	$ 80,710
2.1% bonds due 2003	10,000	10,000	80,710
2.25% bonds due 2004	10,000	10,000	80,710
2.5% bonds due 2002	10,000	10,000	80,710
2.95% bonds due 2004	10,000	10,000	80,710
2.1% bonds due 2002	10,000	10,000	80,710
1.975% bonds due 2002	10,000	10,000	80,710
2.4% bonds due 2004	10,000	10,000	80,710
2.25% bonds due 2003	10,000	10,000	80,710
2.7% bonds due 2005	10,000	10,000	80,710
1.975% bonds due 2001	–	10,000	–
2.0% bonds due 2002	10,000	10,000	80,710
2.95% bonds due 2008	10,000	10,000	80,710
2.7% bonds due 2008	10,000	10,000	80,710
1.875% bonds due 2003	10,000	10,000	80,710
1.425% bonds due 2001	10,000	10,000	80,710
1.85% bonds due 2003	10,000	10,000	80,710
1.775% bonds due 2003	10,000	10,000	80,710
2.475% bonds due 2005	10,000	10,000	80,710
2.07% bonds due 2010	10,000	–	80,710
1.35% bonds due 2005	10,000	–	80,710
1.94% bonds due 2011	10,000	–	80,710
1.84% bonds due 2011	10,000	–	80,710
5.3% bonds due 2000	–	20,000	–
3.5% bonds due 2001	–	10,000	–
2.75% bonds due 2004	3,000	3,000	24,213
1.65% bonds due 2003	3,000	3,000	24,213
2.60% bonds due 2008	500	500	4,036
2.79% notes due 2001	1,074	958	8,668
2.00% notes due 2002	670	–	5,408
Floating rate notes due 2001	1,056	942	8,523
Floating rate notes due 2001	1,589	1,418	12,825
Floating rate notes due 2002	902	805	7,280
1.8% convertible debentures due 2003	17,611	17,611	142,139
1.8% convertible debentures due 2001	–	9,544	–
1.8% convertible debentures due 2004	9,858	9,858	79,564
Loans, principally from banks and insurance companies:			
Secured, at rates of 0.86% to 8.75% maturing through 2013	66,459	64,976	536,392
Unsecured, at rates of 0.7% to 7.91% maturing through 2011	64,843	50,901	523,354
	390,562	383,513	3,152,235
Less current portion	58,983	82,981	476,053
	¥331,579	¥300,532	$2,676,182

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

	Conversion price per share	Convertible at any time up to and including
1.8% convertible debentures due 2003	¥1,371.20 ($11.07)	March 28, 2003
1.8% convertible debentures due 2001	1,617.00 (13.05)	March 29, 2001
1.8% convertible debentures due 2004	1,617.00 (13.05)	March 30, 2004

The indenture covering the 1.8% convertible debentures due 2003 provides for restriction of cash dividends which places a limitation on the payment of cash dividends which relates to earnings of the Company determined in accordance with Japanese accounting practices.

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31,		
2002	¥ 58,983	$ 476,053
2003	96,065	775,343
2004	74,557	601,751
2005	68,902	556,110
2006 and thereafter	92,055	742,978
	¥390,562	$3,152,235

At March 31, 2001, assets pledged as collateral for long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥ 2,668	$ 21,533
Property, plant and equipment, net of accumulated depreciation	248,706	2,007,312

8. ACCRUED RETIREMENT BENEFITS

As explained in Note 2(k), "Significant Accounting Policies," effective April 1, 2000, the Company and its consolidated subsidiaries adopted the New Accounting Standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liability for severance and retirement benefits included in the liabilities section of the consolidated balance sheet as of March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 253,640	$ 2,047,135
Unrecognized prior service costs	39	314
Unrecognized actuarial loss	(26,629)	(214,923)
Less fair value of pension plan assets	(137,723)	(1,111,566)
Less unrecognized net retirement benefits obligation at transition	(41,680)	(336,400)
Liability for severance and retirement benefits	¥ 47,647	$ 384,560

Included in the consolidated statement of income for the year ended March 31, 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen	Thousands of U.S. dollars
Service costs-benefits earned during the year	¥ 8,632	$ 69,669
Interest cost on projected benefit obligation	8,119	65,529
Expected return on plan assets	(5,689)	(45,916)
Amortization of net retirement benefits obligation at transition	12,168	98,208
Severance and retirement benefit expenses	¥23,230	$187,490

The discount rate and the rate of expected return on pension plan assets assumed by the Company were 3.5% and principally 4.0%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Prior service costs are recognized in expenses by the straight-line method over 10 years. The actuarial gain/loss is recognized by the straight-line method over 10 to 13 years commencing with the following year.

9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of income taxes in Japan which, in the aggregate, indicate a statutory rate of approximately 41.9% for the years ended March 31, 2001 and 2000. Foreign consolidated subsidiaries are subject to income taxes of the countries in which they 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, 2001 and 2000.

	2001	2000
Statutory tax rate	41.9%	41.9%
Non-taxable dividend income	(0.5)	(2.2)
Non-deductible expenses	2.7	3.8
Effect of change in tax rate	–	(2.9)
Equity in earnings of non-consolidated subsidiaries and affiliates	(8.6)	(8.1)
Other	1.6	(1.2)
Effective tax rates	37.1%	31.3%

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets			
Allowance for doubtful accounts	¥ 573	¥ 8,459	$ 4,625
Employees' retirement benefits	17,337	7,003	139,927
Accrued bonuses	2,097	1,274	16,925
Depreciation	6,638	4,822	53,575
Enterprise tax	835	1,239	6,739
Loss carryforwards of consolidated subsidiaries	2,170	1,146	17,514
Past service liabilities of the contributory funded pension plan	–	6,132	–
Reserve for periodic repairs	1,718	–	13,866
Other	8,161	8,302	65,868
Subtotal	39,529	38,377	319,039
Valuation allowance	(1,778)	(1,356)	(14,350)
Total deferred tax assets	37,751	37,021	304,689
Deferred tax liabilities:			
Deferred gains on real properties	(5,263)	(4,669)	(42,478)
Reserve for special depreciation	(883)	(769)	(7,127)
Other	(1,340)	(1,050)	(10,815)
Total deferred tax liabilities	(7,486)	(6,488)	(60,420)
Net deferred tax assets	¥30,265	¥30,533	$244,269

10. STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum equal to par value thereof, is required to be designated as stated capital. The portion which is not transferred to stated capital is determined by resolution of the Board of Directors. Proceeds not transferred to stated capital are credited to additional paid-in capital.

The Code provides that a certain amount of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors shall be appropriated to the legal reserve until such reserve equals 25% of common stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. Legal reserve is included in retained earnings.

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

11. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
As endorser of trade notes discounted	¥ 216	$ 1,743
Endorsed notes	319	2,575
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	26,417	213,212
As issuer of letters of awareness and commitments for guarantees	1,773	14,310

The Company, together with ten other companies and the Japanese government, is a defendant in lawsuits brought in 1989, 1990 and 1997 before the Nagoya District Court by inhabitants of the southern part of Nagoya City and its surrounding area.

The plaintiffs are claiming damages for air pollution and are also seeking an injunction to prevent discharge of contaminants by the defendants.

The Company has applied for dismissal of these lawsuits on their merits. The management of the Company believes that these lawsuits will not have a material adverse effect on the Company's financial position or results of operations on a consolidated basis.

12. LEASES

Lease payments under finance leases, which are accounted for in the same manner as operating leases for the year ended March 31, 2001 were ¥4,209 million ($33,971 thousand). Future lease payments under such finance leases as of March 31, 2001, inclusive of interest, were ¥11,722 million ($94,609 thousand), including ¥3,309 million ($26,707 thousand) due within one year.

Future lease payments under operating leases as of March 31, 2001 were ¥44 million ($355 thousand), including ¥27 million ($218 thousand) due after one year.

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Research and development expenses	**¥36,543**	¥38,141	**$294,939**

14. FINANCIAL DERIVATIVE TRANSACTIONS

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

The counterparties to the above financial derivative transactions are major financial institutions and, therefore, the management of the Company believes that there is no significant risk of default by counterparties. All derivative transactions the Company and certain of its consolidated subsidiaries enter into are approved by directors of the financial section. The conditions and results of such transactions are reported semiannually to the Board of directors.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

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

The Companies evaluate hedge effectiveness semiannually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

Market value information of derivatives as of March 31, 2001 is not disclosed as hedge accounting has been applied.

15. EFFECT OF BANK HOLIDAY ON SETTLEMENT

As financial institutions in Japan were closed on March 31, 2001, ¥4,724 million ($38,128 thousand) of trade notes receivable, ¥1,581 million ($12,760 thousand) of trade notes payable maturing on March 31, 2001 were settled on the following business day, April 2, 2001 and accounted for accordingly.

16. SEGMENT INFORMATION

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2001, and 2000 was summarized as follows:

	Millions of yen						
Year ended March 31, 2001	Basic Chemicals	Polymers	Functional & Fine Chemicals	Engineered Materials	Others	Eliminations	Consolidated
I. Sales and operating income:							
Customers	¥333,809	¥220,068	¥186,085	¥151,388	¥ 48,432	¥ –	¥ 939,782
Inter-segment	119,142	30,413	3,580	9,134	109,027	(271,296)	–
Total sales	452,951	250,481	189,665	160,522	157,459	(271,296)	939,782
Operating expenses	432,211	242,524	176,551	151,191	154,727	(271,934)	885,270
Operating income	¥ 20,740	¥ 7,957	¥ 13,114	¥ 9,331	¥ 2,732	¥ 638	¥ 54,512
II. Assets, depreciation and capital expenditures:							
Total assets	¥445,567	¥287,369	¥340,276	¥191,194	¥108,428	¥ (58,321)	¥1,314,513
Depreciation and amortization	14,817	14,705	12,392	8,622	1,715	(496)	51,755
Capital expenditures	25,300	7,785	12,659	13,240	2,540	–	61,524

	Thousands of U.S. dollars						
Year ended March 31, 2001	Basic Chemicals	Polymers	Functional & Fine Chemicals	Engineered Materials	Others	Eliminations	Consolidated
I. Sales and operating income:							
Customers	$2,694,181	$1,776,174	$1,501,897	$1,221,856	$ 390,896	$ –	$ 7,585,004
Inter-segment	961,598	245,464	28,894	73,721	879,960	(2,189,637)	–
Total sales	3,655,779	2,021,638	1,530,791	1,295,577	1,270,856	(2,189,637)	7,585,004
Operating expenses	3,488,386	1,957,417	1,424,948	1,220,266	1,248,805	(2,194,786)	7,145,036
Operating income	$ 167,393	$ 64,221	$ 105,843	$ 75,311	$ 22,051	$ 5,149	$ 439,968
II. Assets, depreciation and capital expenditures:							
Total assets	$3,596,182	$2,319,362	$2,746,376	$1,543,132	$ 875,125	$ (470,710)	$10,609,467
Depreciation and amortization	119,588	118,684	100,016	69,588	13,842	(4,002)	417,716
Capital expenditures	204,197	62,833	102,171	106,860	20,500	–	496,561

	Millions of yen						
Year ended March 31, 2000	Basic Chemicals	Polymers	Functional & Fine Chemicals	Engineered Materials	Others	Eliminations	Consolidated
I. Sales and operating income:							
Customers	¥289,361	¥216,332	¥179,235	¥135,703	¥ 63,615	¥ –	¥ 884,246
Inter-segment	95,121	23,565	2,718	18,108	81,439	(220,951)	–
Total sales	384,482	239,897	181,953	153,811	145,054	(220,951)	884,246
Operating expenses	363,976	230,791	168,710	144,167	143,396	(222,533)	828,507
Operating income	¥ 20,506	¥ 9,106	¥ 13,243	¥ 9,644	¥ 1,658	¥ 1,582	¥ 55,739
II. Assets, depreciation and capital expenditures:							
Total assets	¥414,965	¥294,603	¥283,282	¥176,581	¥107,706	¥ (39,958)	¥1,237,179
Depreciation and amortization	14,617	17,354	11,277	8,017	2,085	(716)	52,634
Capital expenditures	18,732	14,427	8,263	10,245	2,768	–	54,435

As a result of a change in the method of accounting for reserve for periodic repairs, operating income at March 31, 2001 of Basic Chemicals, Polymers and Functional & Fine Chemicals decreased by ¥134 million ($1,082 thousand), ¥314 million ($2,534 thousand) and ¥22 million ($178 thousand), and Engineered Materials increased by ¥9 million ($73 thousand). Total assets at March 31, 2001 of Basic Chemicals, Polymers and Functional & Fine Chemicals increased by ¥33 million ($266 thousand), ¥53 million ($428 thousand) and ¥5 million ($40 thousand), and Engineered Materials decreased by ¥1 million ($8 thousand).

As a result of a change in the method of accounting for accrued retirement benefits, operating income at March 31, 2001 of Basic Chemicals, Polymers, Functional & Fine Chemicals, Engineered Materials and Others decreased by ¥977 million ($7,885 thousand), ¥544 million ($4,391 thousand), ¥486 million ($3,923 thousand), ¥1,096 million ($8,846 thousand) and ¥7 million ($56 thousand).

Geographic segment information was not shown as aggregate sales of overseas consolidated subsidiaries were less than 10% of the consolidated net sales for the year ended March 31, 2000 and the assets of overseas consolidated subsidiaries were less than 10% of the consolidated total assets at March 31, 2000.

The operations of the Company and its consolidated subsidiaries for the year ended March 31, 2001 by geographic area were as follows:

	Millions of yen			
Year ended March 31, 2001	Domestic (in Japan)	Outside Japan	Eliminations	Consolidated
I. Sales and operating income:				
Customers	¥ 875,632	¥ 64,150	¥ –	¥ 939,782
Inter-segment	25,585	3,734	(29,319)	–
Total sales	901,217	67,884	(29,319)	939,782
Operating expenses	850,311	64,311	(29,352)	885,270
Operating income	¥ 50,906	¥ 3,573	¥ 33	¥ 54,512
II. Assets	¥1,256,475	¥100,660	¥(42,622)	¥1,314,513

	Thousands of U.S. dollars			
Year ended March 31, 2001	Domestic (in Japan)	Outside Japan	Eliminations	Consolidated
I. Sales and operating income:				
Customers	$ 7,067,248	$517,756	$ –	$ 7,585,004
Inter-segment	206,497	30,137	(236,634)	–
Total sales	7,273,745	547,893	(236,634)	7,585,004
Operating expenses	6,862,881	519,056	(236,901)	7,145,036
Operating income	$ 410,864	$ 28,837	$ 267	$ 439,968
II. Assets	$10,141,041	$812,429	$(344,003)	$10,609,467

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2001 and 2000 were summarized by geographic area as follows:

	Millions of yen				
Year ended March 31, 2001	Asia	North America and Latin America	Europe	Others	Overseas sales
Overseas sales	**¥124,451**	**¥37,781**	**¥21,788**	**¥6,466**	**¥190,486**
Consolidated net sales					**¥939,782**
Ratio of overseas sales to consolidated net sales	**13.2%**	**4.0%**	**2.3%**	**0.7%**	**20.2%**

	Thousands of U.S. dollars				
Year ended March 31, 2001	Asia	North America and Latin America	Europe	Others	Overseas sales
Overseas sales	**$1,004,447**	**$304,931**	**$175,851**	**$52,187**	**$1,537,416**

	Millions of yen				
Year ended March 31, 2000	Asia	North America and Latin America	Europe	Others	Overseas sales
Overseas sales	¥103,366	¥39,031	¥22,603	¥5,337	¥170,337
Consolidated net sales					¥884,246
Ratio of overseas sales to consolidated net sales	11.7%	4.4%	2.6%	0.6%	19.3%

17. SUBSEQUENT EVENT

Appropriations of retained earnings at March 31, 2001 were duly approved at the stockholders' meeting held on June 28, 2001 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends ¥3 ($0.024) per share	¥2,367	$19,104
Bonuses to directors and corporate auditors	¥ 74	$ 597

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 at March 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Mitsui Chemicals, Inc. and consolidated subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period, except for the change, with which we concur, in the method of accounting for the reserve for periodic repairs, referred to in Note 2, and the related effects on the segment information referred to in Note 16 to the consolidated financial statements and except for the New Accounting Standards adopted as noted in the following paragraph.

As described in Note 2 to the consolidated financial statements, effective April 1, 2000, Mitsui Chemicals, Inc. and consolidated subsidiaries prospectively adopted New Accounting Standards for financial instruments, employees' retirement benefits and the translation of foreign currencies.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 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.

Asahi & Co.

Century Ota Showa & Co.

Tokyo, Japan
June 28, 2001

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

∗ Consolidated subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)		Equity Interest (%)	Tel	Fax
Basic Chemicals						
∗ Chiba Phenol Company, Limited	Phenol	¥	300	55	81-3-3592-4329	81-3-3592-4281
Keiyo Ethylene Co., Ltd.	Ethylene, propylene and other basic petrochemical products	¥	6,000	22.5	81-3-3552-9373	81-3-3552-9443
Kyodo Monomer Inc.	Methylmethacrylate	¥	400	50	81-3-3592-4340	81-3-3592-4236
Kyodo Tansan Co.	Liquid hyperpure carbon dioxide gas and dry ice	¥	100	30	81-143-55-3074	81-143-55-3796
Nippon Epoxy Polymers Co., Ltd.	Basic liquid epoxy resins	¥	200	50	81-3-3592-4328	81-3-3592-4281
Nippon Fine Gas, Inc.	Industrial gases	¥	100	50	81-722-68-3321	81-722-68-1132
∗ Osaka Petrochemical Industries, Ltd.	Ethylene, propylene and other basic petrochemical products	¥	5,000	100	81-3-3592-4191	81-3-3592-4269
Senboku Oxygen Co., Ltd.	Oxygen, nitrogen and argon	¥	200	40	81-3-3581-0233	81-3-3592-4266
∗ Shimonoseki Mitsui Chemicals, Inc.	Phosphoric acid and fertilizers	¥	4,000	100	81-832-66-1122	81-832-67-8188
Ukishima Petrochemicals Co., Ltd.	Ethylene, propylene and other basic petrochemical products	¥	100	50	81-3-3504-8513	81-3-3592-4230
P.T. Amoco Mitsui PTA Indonesia	PTA	US$	160	45	62-21-252-6854	62-21-252-6856
∗ P.T. Mitsui Eterindo Chemicals	Acrylamide	US$	3	70	62-21-572-3201	62-21-572-4338
∗ Mitsui Phenol Singapore Pte. Ltd.	Phenol	US$	54	90	65-534-0537	65-534-4509
∗ Mitsui Bisphenol Singapore Pte Ltd	Bisphenol A	S$	86	100	65-535-1678	65-535-7232
∗ Siam Mitsui PTA Co., Ltd.	PTA	Baht	2,800	50	66-2-586-5282	66-2-586-5285
Yongsan Chemicals, Inc.	Maleic anhydride and acrylamide	Won	6,000	36.7	82-2-718-9111	82-2-718-7330
∗ Yongsan Mitsui Chemicals, Inc.	Acrylamide	Won	1,000	50	82-2-718-7333	82-2-718-7330
Polymers						
Du Pont-Mitsui Polychemicals Co., Ltd.	Ethylene vinyl acetate copolymer and other plastics	¥	6,480	50	81-3-3580-5531	81-3-3592-1540
∗ Evolue Japan Co., Ltd.	Metallocene catalyst-based LLDPE	¥	400	75	81-3-3592-4349	81-3-3592-4239
∗ Grand Polymer Co., Ltd.	Polypropylene	¥	13,500	66.7	81-3-3535-0721	81-3-3535-0735
Japan Polystyrene Inc.	Polystyrene	¥	2,000	50	81-3-5640-1551	81-3-5640-1573
Nishioki Utility Co.	Utility	¥	100	50	81-3-5419-6160	81-3-5419-6245
∗ Ube Polypro Co., Ltd.	Polypropylene	¥	475	54.2	81-3-3535-0721	81-3-3535-0735
P.T. Petnesia Resindo	Polyethylene terephthalate resin for bottles	US$	29	41.6	62-21-551-6251	62-21-552-0645
Mitsui Hi-Polymer (Asia) Ltd.	Sales of high-density polyethylene	US$	5	50	85-22-528-1777	85-22-520-0780
Grand Siam Composite Co., Ltd.	Polypropylene compound	Baht	60	32	66-2-586-2517	66-2-586-2522
∗ Color & Composite Technologies, Inc.	Polypropylene compound	US$	10	64.8	1-937-492-9187	1-937-498-4837
FM Technologies S.A.	Polypropylene compound	BFr.	40	50	32-2-288-9111	32-2-288-9550
Functional & Fine Chemicals						
∗ Chiba Polyol Corporation	Polyol	¥	100	90	81-3-3592-4391	81-3-3592-4245
GEM PC Ltd.	Polycarbonate	¥	3,600	42	81-3-5644-0551	81-3-5695-4860
GEM Polymers, Ltd.	Polyphenylene ether, 2.6-xylenol and orthocresol	¥	840	49	81-3-3667-9695	81-3-3667-5858
GE Plastics Japan Ltd.	Bisphenol A and engineering plastics	¥	9,800	41	81-3-5695-4888	81-3-5695-4860
∗ Hokkaido Mitsui Chemicals, Inc.	Wood adhesives, paper resins, foliar activator	¥	2,000	100	81-125-54-3131	81-125-52-6818
Honshu Chemical Industry Co., Ltd.	Raw materials for synthetic resins, synthetic fibers, dyes, pharmaceuticals, agricultural chemicals, rubber and other chemicals	¥	1,500	26.9	81-3-3272-1481	81-3-3272-1480
JI Chemicals, Inc.	Iodine derivatives	¥	100	70	81-3-3592-4461	81-3-3592-4253
∗ Mitecs Corporation	Dimethyl carbonate and derivatives	¥	400	100	81-3-3580-3686	81-3-3580-3689
Mitsui Cytec, Ltd.	Organic flocculant and methylated amino resins for paint	¥	620	50	81-3-3231-6071	81-3-3231-6080
∗ Mitsui Kagaku Fine Chemicals Inc.	Sales of fine chemical products	¥	100	76.9	81-3-5695-0295	81-3-5695-0296
Nippon Alkyl Phenol Co., Ltd.	2.6 DTBP, 2.4 DTBP and other alkylphenols	¥	450	50	81-3-3591-4125	81-3-3591-4126

✶ Consolidated subsidiary

	Companies	Major Products or Lines of Business	Paid-in Capital (In millions)		Equity Interest (%)	Tel	Fax
	Nippon Aluminum Alkyls, Ltd.	Triethyl aluminum and derivatives	¥	400	50	81-3-3504-0811	81-3-3504-0876
	Nippon A&L Inc.	SBR ratex and ABS resin	¥	5,996	33	81-6-6220-3633	81-6-6220-3699
✶	Saxin Corporation	Engineering plastic moldings	¥	128	69.6	81-775-46-3121	81-775-46-3636
✶	Sun Medical Co., Ltd.	Dental materials and medical devices	¥	100	70	81-77-582-9981	81-77-582-9984
✶	Sun Technochemicals Co., Ltd.	Sales of industrial organic chemical products	¥	100	100	81-3-3241-1380	81-3-3241-1759
✶	Sunbake Co., Ltd.	Wood adhesives	¥	700	60	81-3-3592-4168	81-3-3592-4264
	Taisho MTC Ltd.	Taurine	¥	400	40	81-3-3592-4461	81-3-3592-4251
	Toyo Fiber Glass, Co.	Glass fiber	¥	300	40	81-125-52-2849	81-125-54-3935
	Yamamoto Chemicals, Inc.	Color former, catalyst	¥	2,134	35.1	81-729-49-4561	81-729-49-5479
✶	P.T. Arjuna Utama Kimia	Adhesives and formalin	US$	3	58.9	62-31-841-1413	62-31-843-2672
✶	P.T. Cosmo Polyurethane Indonesia	Urethane premixture	US$	1	81	62-21-572-3101	62-21-572-3108
✶	MTK Chemicals PTE. Ltd.	Coating resins	S$	4	65	65-265-7955	65-265-6898
	Malayan Adhesives & Chemicals Sdn. Bhd.	Adhesives	M$	14	32	60-3-559-1801	60-3-550-2168
✶	Thai Mitsui Specialty Chemicals Co., Ltd.	Specialty chemicals	Baht	318	47.9	66-2-634-1970	66-2-237-9792
	Tianjin Cosmo Polyurethane Co., Ltd.	Urethane premixture	Yuan	30	45	86-22-2437-5389	86-22-2437-5387
	Cosmo Polyurethane (HK) Co., Ltd.	Sales of TDI	HK$	2	33.3	85-22-736-3083	85-22-375-1265
	Kumho Mitsui Chemicals, Inc.	MDI	Won	50,000	50	82-2-399-7400	82-2-720-6295
✶	Esco Company Limited Partnership	Color former, catalyst	US$	21	51	1-231-726-3106	1-231-727-6452
✶	Anderson Development Company	Specialty chemicals	US$	18	100	1-517-263-2121	1-517-263-1000
	Engineered Materials						
✶	Hi-Sheet Industries, Ltd.	Plastic products	¥	100	100	81-3-3274-0300	81-3-3274-0311
✶	Mitsui Chemicals Industrial Products, Ltd.	Civil engineering and construction materials	¥	400	95.2	81-3-3837-0281	81-3-3837-1945
✶	Mitsui Kagaku Platech Co., Ltd.	Molded plastic products	¥	1,250	100	81-3-3259-1405	81-3-3259-1468
✶	Printec Corp.	Printed wiring boards, electronic appliances	¥	250	100	81-46-224-5731	81-46-224-5708
✶	Sunrex Industry Co., Ltd.	Spunbonded nonwoven fabrics and plastic film	¥	240	100	81-593-36-2200	81-593-36-2208
✶	Tohcello Co., Ltd.	Plastic film	¥	2,370	62.9	81-3-3272-3461	81-3-3272-4805
	Image Polymers Company	Toner resin	US$	15	50	1-978-658-0691	1-978-658-7882
✶	Mitsui Advanced Media, Inc.	CD-Rs	US$	10	100	1-719-262-2460	1-719-592-0057
	Polyimide Laminate Systems LLC	Sales of substrate material for HDD suspension	US$	0.1	50	1-480-917-5223	1-480-917-5256
	Image Polymers Europe UK Partnership	Toner resin	Pound	13	50	44-1324-494887	44-1324-494615
✶	Mitsui Advanced Media S.A.	CD-Rs	Fr.	76	100	33-3-89-83-4646	33-3-89-83-4074
✶	Mitsui Petrochemicals (Netherlands) B.V.	Binder splited yarn	NLG	1	100	31-5154-23881	31-5154-19698
	Others						
✶	Mitsui Chemical Analysis & Consulting Service, Inc.	Physical property measurements, analysis and safety tests on chemicals	¥	130	100	81-438-64-2400	81-438-64-2402
✶	Mitsui Chemicals Engineering Co., Ltd.	Engineering, plant construction and machine maintenance	¥	400	100	81-3-3538-1701	81-3-3538-1712
✶	MTB Co., Ltd.	Freight transport, warehousing	¥	600	100	81-3-3845-6521	81-3-3845-6716
✶	Sansei Kaihatu Co., Ltd.	General damage insurance agency	¥	490	100	81-944-52-8411	81-944-52-7253
✶	Mitsui Chemicals Asia, Ltd.	Marketing of Mitsui Chemicals' products	S$	24	100	65-534-2611	65-535-5161
✶	Mitsui Chemicals (Shanghai) Co., Ltd.	Marketing of Mitsui Chemicals' products	US$	0.3	100	86-21-6841-3716	86-21-6841-4100
✶	Mitsui Chemicals America, Inc.	Manufacture of ADMER® and marketing of Mitsui Chemicals' products	US$	51	100	1-914-253-0777	1-914-253-0790
✶	Mitsui Chemicals Europe GmbH.	Manufacture of ADMER® and marketing of Mitsui Chemicals' products	DM	2	100	49-211-173320	49-211-323486

(As of March 31, 2001)

Date Incorporated
July 25, 1947
(Inaugurated October 1, 1997)

Paid-in Capital
¥103,226 million

Number of Employees
12,844

Shares of Common Stock Issued and Outstanding
789,156,353

Number of Stockholders
124,390

Stock Listings
Tokyo, Osaka

Transfer Agent
The Chuo Mitsui Trust & Banking Co., Ltd.

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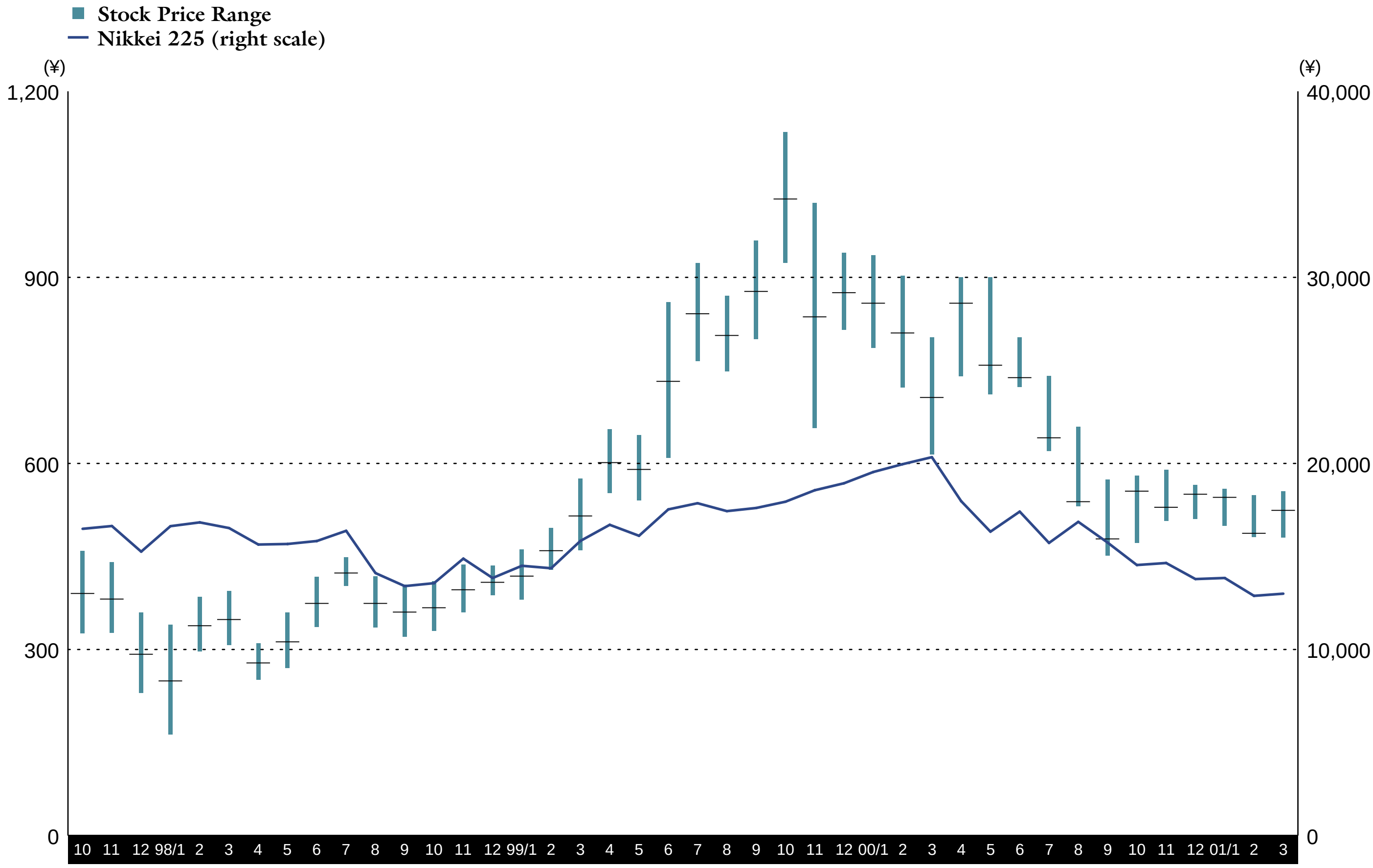
(As of March 31, 2001)

Common Stock Price Range



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