



Mitsui Chemicals

MITSUI CHEMICALS

CSR Report 2006

Contributing to Society through
“Dream-Inspiring Innovation”



CSR of the Mitsui Chemicals Group

Although the term CSR actually stands for “corporate social responsibility,” we have added the concept of “social contribution” to CSR. The Mitsui Chemicals Group aims at contribution to society not only by volunteer activities, monetary donations and the like, which represent social contribution in the narrower sense, but also “social contribution” through our business activities as advocated in our corporate vision, for all stakeholders. (For more information, refer to “Promotion of CSR” on pages 7 - 8.)

Corporate Vision

Corporate Mission

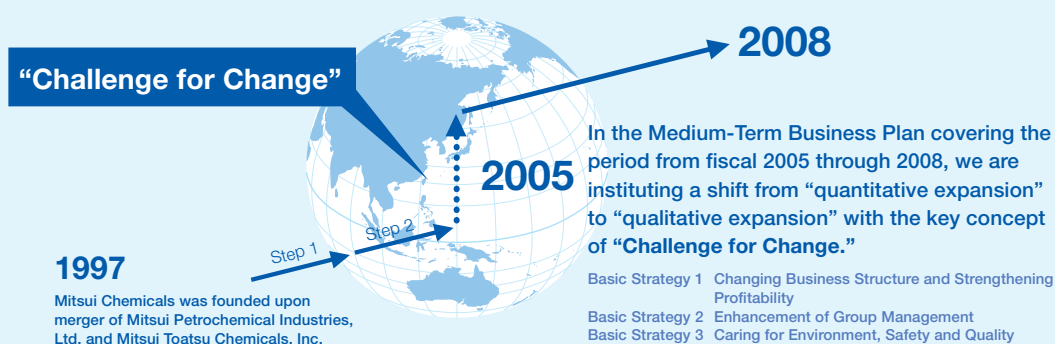
Contribute broadly to society by providing high-quality products and services to customers through innovations and creation of materials, while keeping harmony with the global environment.

- Promoting human well-being
- Contributing to value of shareholders' investments
- Promoting the happiness and fulfillment of employees
- Increasing customer satisfaction
- Contributing to local communities

Corporate Target

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

Medium-Term Business Plan



Editorial Policy

This report is issued in order to communicate with our stakeholders by informing them of the CSR activities in the Mitsui Chemicals Group.

The sections of this report are “Specials,” “Management,” “Social Report,” “Environmental Report” and others. In the “Social Report” section, our efforts are described by category of stakeholders.

The “Specials” section features the following activities:

“Dream-Inspiring Innovation”

The relationship between our group’s products and society are described, along with the efforts our employees make for innovation.


“CSR Supporters”

The focus is placed on employee-involved CSR activities of our group.

“Dialogues with Stakeholders”

We hosted dialogues with outside experts as well as members of the local community, one of a very important group of stakeholders.

We asked independent commentators to attend the dialogue with outside experts.

Relevant information and data with the  mark are available on our website.

URL: <http://www.mitsui-chem.co.jp/e/index.htm>

Scope of the Report

Period: In this report, FY(XX) indicates the fiscal year starting from April 1 of (XX-1) and ending at March 31 of (XX). For example, FY2006 indicates the fiscal year from April 1, 2005 to March 31, 2006.

(Some sections cover activities in the period beyond April 2006)

Scope: The data presented in this report were taken mainly from sites of Mitsui Chemicals, Inc. Some data on subsidiaries and affiliates is also available with mention to the fact in the text.

Guidelines Referred to in Preparing the Report

Sustainability Reporting Guidelines 2002 of the Global Reporting Initiative (GRI)

Environmental Reporting Guideline 2003 of Japan’s Ministry of the Environment

Environmental Accounting Guideline 2005 of Japan’s Ministry of the Environment

 [Sustainability Reporting Guidelines 2002 cross-reference list](#)

Date of Issue

November 2006 (next issue scheduled to be released November 2007)

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Promoting CSR Activities Joined by All Employees

In June 2005, we established an organization for promoting corporate social responsibility, including the CSR Committee. Since then, we have been working to promote our theme of CSR with “Proactive Efforts for CSR” as a key issue.

Although the term CSR actually stands for “corporate social responsibility,” we have added the concept of “social contribution” to CSR. This reflects our belief that CSR is to aim at contributing to all of our stakeholders through our business activities while keeping harmony with the global environment, as advocated in our corporate vision.

CSR activities cannot be successful unless joined by all people in the company, from the President to individual employees. In the past year, we have worked to secure a base for promoting CSR with a focus on raising and formalizing awareness among employees. We place

We will Contribute to Society through “Dream-Inspiring Innovation.”

great importance on the CSR Supporters system, which we have established as an integral part of our CSR joined by all employees.

New “Action Guidelines” Formulated

Following the implementation of the CSR Supporters system, many employees had extensive discussions and the “Mitsui Chemicals Group Action Guidelines” were formulated as the norm for our behavior. We will make steady and unified efforts to entrench the Guidelines as the shared value among all directors and employees throughout our group.

One of the three key concepts of the “Mitsui Chemicals Group Action Guidelines” is “Dream-Inspiring Innovation.” We are proud of being a chemical manufacturer engaged in creation and it is our joy to provide society with dream-inspiring products and services through our business activities.

The environment is a key theme of our management strategies in creating a sustainable society. The core of “Dream-Inspiring Innovation” is to contribute to global environmental preservation through the entire life cycle of our products, including proposals to our customers for energy and resource conservation and promotion of product and energy recycling, as well as environmental load reduction in our manufacturing operations.

Listening to Stakeholders’ Opinions

We value the stakeholders’ viewpoint in accomplishing the goal of our CSR activities of contributing to society through “Dream-Inspiring Innovation.”

Not only top management, but also individual employees, must always bear in mind what are the expectations of customers, shareholders, local residents and all other stakeholders for our CSR activities, and what we should do to contribute to the public.

To this end, we must also provide our stakeholders with information on our attitude to CSR activities in an

easily understandable way. In addition to the existing “Basic Policy Regarding the Environment, Safety, Occupational Health, and Quality,” we formulated and announced three individual policies in fiscal 2005: a Purchasing Policy, Social Activities Policy and Human Resources Management Policy.

We will further promote two-way communication with our stakeholders. For example, we held a panel exhibition of our products after completion of the general meeting of shareholders that took place recently, at the same venue. That was the first opportunity for us to explain our business operations in simple terms for the many participants of the meeting. We maintain communication with local residents in areas near our works through day-to-day forms of dialogue, including local public relations papers and community meetings.

We will endeavor to earn even greater trust of the stakeholders.

Our CSR activities cannot be successful without the unified initiatives of all employees to make steady, continual progress. CSR activities befitting the Mitsui Chemicals Group must be conducted in a way that is comprehensible to the public.

I believe that Mitsui Chemicals will be able to make its own style not only through the efforts of top management and employees, but also in the context of association with all stakeholders.

We hope that you will understand our CSR activities, provide further support and send us your candid opinions after reading our report issued for the second time with the title “CSR Report.”



Kenji Fujiyoshi
President
MITSUI CHEMICALS, INC.

Profile of the Mitsui Chemicals Group

The Mitsui Chemicals Group formulated a four-year medium-term business plan (P1) starting in fiscal 2005. We are pursuing the two objectives of expanding and growing our functional materials sector and strengthening the profitability of our petrochemicals and basic chemicals sectors with emphasis on our basic strategies of “Changing Business Structure” and “Strengthening Profitability.”

Corporate Profile

(as of March 31, 2006)

Company Name

Mitsui Chemicals, Inc.

Head Office

Shiodome City Center, 1-5-2,
Higashi-Shimbashi, Minato-ku,
Tokyo 105-7117, Japan

President

Kenji Fujiyoshi

Paid-in Capital

¥103,226 million

Employees

12,473 (Consolidated)
4,459 (Non-consolidated)

Domestic manufacturing sites

Ichihara Works (including
Mobara Center), Nagoya Works,
Osaka Works, Iwakuni-Ohtake
Works, and Omuta Works

R&D laboratory

Sodegaura Center

Domestic sales offices

Head Office and three branches
(Nagoya, Osaka, and Fukuoka)

Overseas office

Beijing Office



Site data

Financial Performance in Fiscal 2006 (Consolidated)

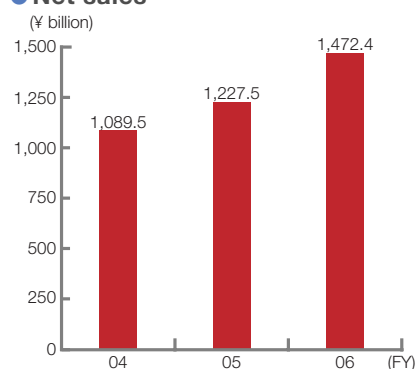
The Mitsui Chemicals Group attained net sales of ¥1.47 trillion, an increase of ¥245 billion compared to the previous year. These increases were primary due to our efforts to reflect the upswings in prices of fuels and naphtha and other raw materials in the form of product prices. We also attribute the gain to an increase in the volume of products sold as a result of the foundation of Prime Polymer Co., Ltd., a joint venture with Idemitsu Kosan Co., Ltd., and other factors.

The Mitsui Chemicals Group recorded an operating income of ¥58.7 billion, a decrease of ¥21.8 billion compared to the previous year. The loss is attributable to the significant increase in prime costs due to the upswings in prices of naphtha and other materials, which could not be compensated for by our efforts to maintain reasonable product prices.

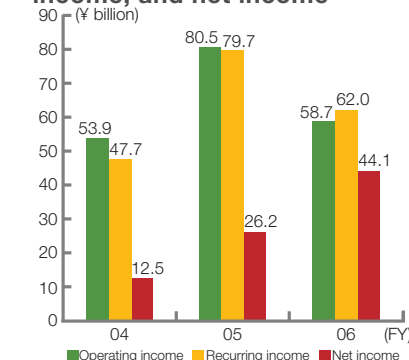
The Mitsui Chemicals Group recorded a recurring income of ¥62.0 billion, ¥17.7 billion lower than the previous year, despite an improvement of ¥4.1 billion in non-operating profits compared to the previous year. The improved balance is thanks to an increase of ¥3.2 billion in non-operating incomes, including ¥1.2 billion from equity in earnings of non-consolidated subsidiaries and affiliates and ¥2.0 billion in exchange profit, compared to the previous year, and to a decrease of ¥0.9 billion in non-operating losses due to a decrease in interest payments after a reduction of interest-bearing debts, a loss on sales and disposal of fixed assets, and others.

A profit of ¥10.3 billion from the establishment of a retirement benefit trust and other gains were reckoned up as extraordinary incomes of ¥22.3 billion, whereas a loss from the disposition and sale of fixed assets of ¥7.9 billion, an impairment loss of ¥1.5 billion, and others amounted to extraordinary losses of ¥11.4 billion. Accordingly, this term's net income amounted to ¥44.1 billion, an increase of ¥17.9 billion compared to the previous year.

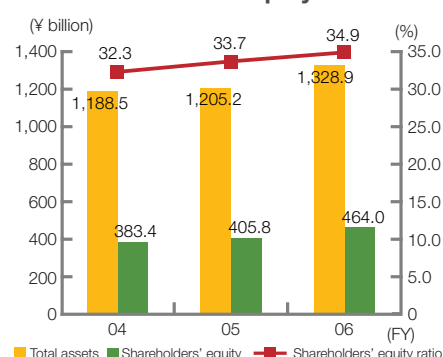
Net sales



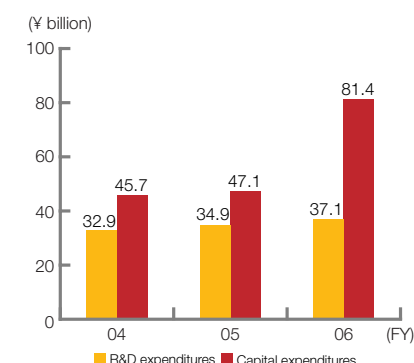
Operating income, recurring income, and net income



Total assets, shareholders' equity, and shareholders' equity ratio

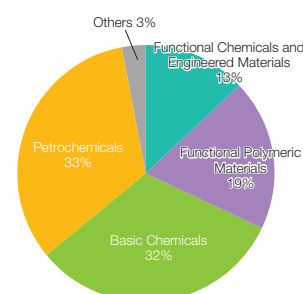


R&D and capital expenditures

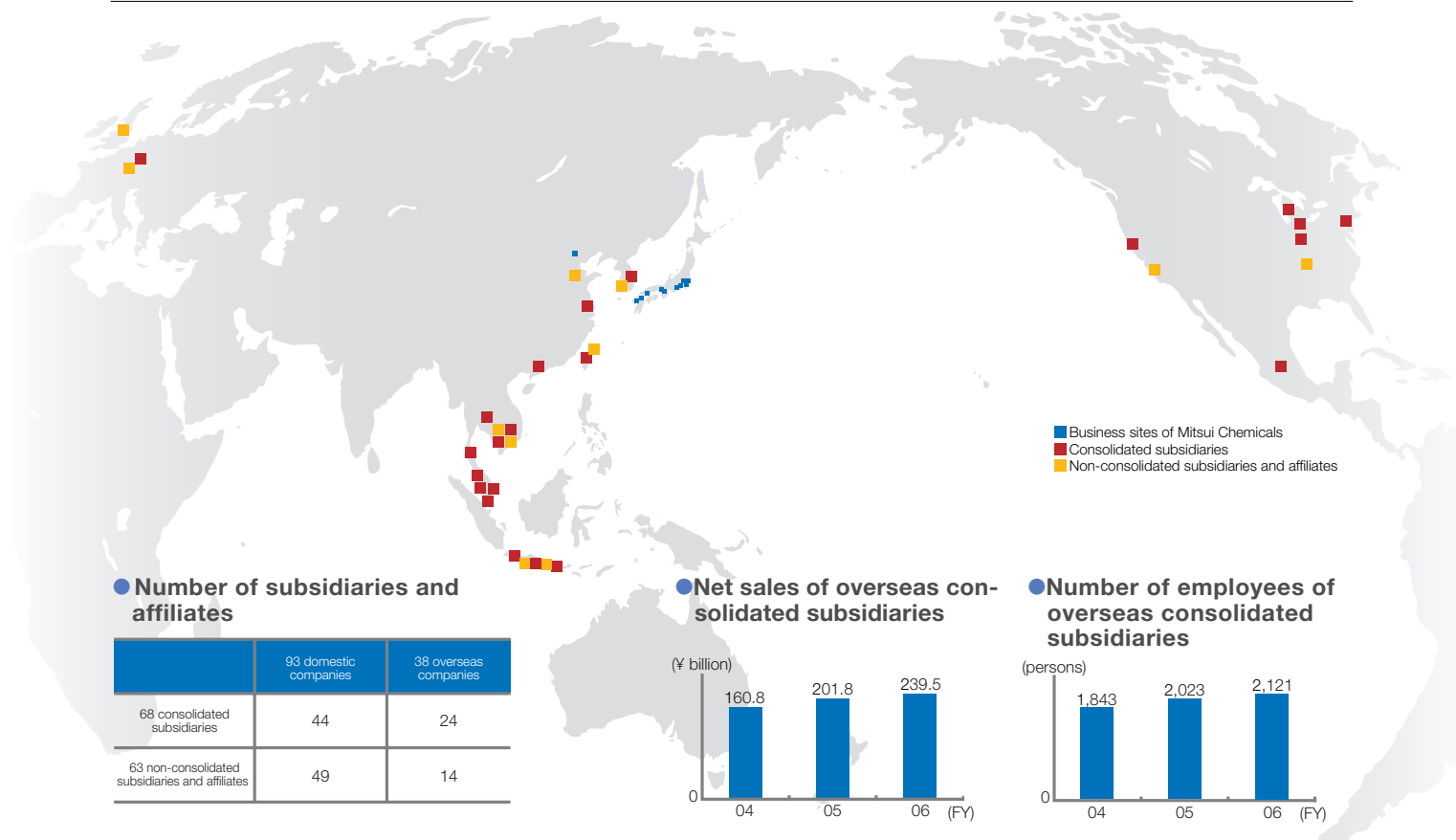


Net sales by segment

Fiscal 2006 net sales (consolidated): ¥1.47 trillion



Globalization of Our Business Operations



Business Outline

The Mitsui Chemicals Group provides society with a broad range of products used in consumable and durable materials. The products supplied by our group are used in common products in an immense variety of areas, including

automobiles, electronics and information, medical products, agriculture, housing and construction, and day-to-day needs. Our group conducts business activities in the four segments shown below.

Functional chemicals and engineered materials

Products offering new capabilities achieved by combining technologies for organic synthesis, polymerization and processing.

Major products

Non-woven fabrics, semiconductor materials (nitrogen trifluoride, ICROS™ tapes, and MITSUI PEL-LICLE), optical filters for plasma display panels, high-performance insecticides, and glass lens material monomers

Functional polymeric materials

Material products offering sophisticated functions, such as high heat resistance, flexibility and optical performance, manufactured using catalysis and polymer technologies.

Major products

Elastomers (MITSUI EPT, MILAS-TOMER™, and TAFMER™); functional polymeric materials (TPX™ and Apel™), specialty resins (LC STRUCTBOND and Hi-WAX), urethane feedstock and urethane resin

Basic chemicals

Raw materials for polyester fibers, PET resin, phenol resin, polycarbonate resin and others.

Major products

Purified terephthalic acid, PET resin for bottles, Phenol, Bisphenol A, Ethylene oxide, and Ethylene glycol

Petrochemicals

Raw materials for a broad range of useful substances prepared by chemically treating petroleum and natural gas.

Major products

Ethylene, Propylene, Polyethylene, and Polypropylene

Promotion of CSR

Every employee of the Mitsui Chemicals Group acts at his or her own initiative to enhance the sustainable development of society and company by making contributions to each of our stakeholders.

Formulating the “Mitsui Chemicals Group Action Guidelines”

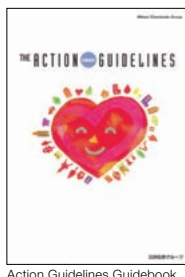
Taking a CSR viewpoint, we totally revised our Corporate Action Guidelines, formulated in 2002, and established the “Mitsui Chemicals Group Action Guidelines” on February 8, 2006.

We believed that the first step in promoting CSR was to clarify our expectations for employee behavior, setting a unified standard to guide this behavior. Hence, we spent a year listening to employees’ opinions and formulated clear and simple guidelines that would resonate and be comprehensible to them as the norm for their behavior.

We have established three pillars as the bases for the Mitsui Chemicals Group Action Guidelines.

“Always in Good Faith,” describes those behavior that we believe essential to the existence of our company. “For People and Society” summarizes our commitment to respect our stakeholders. “Dream-Inspiring Innovation” symbolizes the infinite possibilities of chemistry to create things never seen before, and was chosen because of the expressed will of the Mitsui Chemicals Group employees to create a company that nurtures individuals’ dreams and of which all its members can be proud.

We distributed the Action Guidelines Guidebook, which describes the background and particulars of the Guidelines, both in English and in



Action Guidelines Guidebook

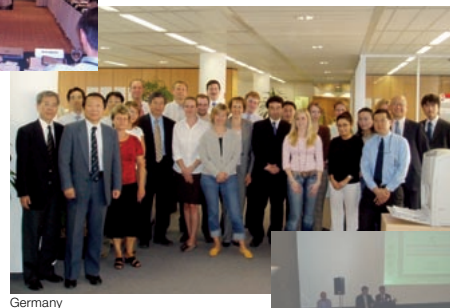
Japanese, to about 15,000 employees of our group companies worldwide.

Mitsui Chemicals held a “Read the Action Guidelines Guidebook Forum” at each workplace to help employees deepen their understanding of the Action Guidelines. The participants exchanged opinions about their daily actions at individual workplaces.

We also held explanatory meetings for domestic and overseas subsidiaries and affiliates. Consolidated subsidiaries were asked to adopt the Action Guidelines by the end of fiscal 2006.



Singapore



Germany

Overseas explanatory meetings



United States

MITSUI CHEMICALS GROUP ACTION GUIDELINES

Every officer and employee of the Mitsui Chemicals Group will act in accordance with the following action guidelines to enhance the sustainable development of society and the company by making contributions to each of our stakeholders.

*Our stakeholders: customers, suppliers, shareholders/investors, local communities, academia/chemical industry, government, employees/labor market, global environment

We will always act in good faith.

Compliance with laws and regulations

We will give priority to compliance with laws and regulations over any pursuit of profit.

Honesty

We will live up to our conscience with honest words and actions.

Non-tolerance of discrimination

We will not tolerate discrimination based on gender, race, nationality, age, religion or disabilities.

Justice and fairness

We will strictly observe fair competition and trade.

Transparency

We will promptly report and provide precise information without distinguishing between favorable and unfavorable information.

We will have a high regard for people and society.

Safety first

We will act with a mind-set focused on safety-first policy above all.

Contribution to the global environment

We will conduct R&D, manufacturing and sale of products that will contribute to the protection of the global environment.

Customer satisfaction

We will promptly provide high-quality products and services by accurately grasping customer needs.

Contribution to communities

We will contribute to the development of local communities as members of those communities.

Health enhancement

We will be mindful of enhancing our health and making our workplaces vibrant.

Respect for diversity

We will have mutual respect for the diversity of per-

We will aim for the “Dream-Inspiring Innovation.”

Challenging spirit

We will unflinchingly challenge with full trust in our potential without fear of failure.

Creativity

We will create novel values by enhancing our sensitivity.

Workplace-oriented approach

We will always consider and act proactively based on the actual data and facts at the workplace.

Self-improvement

We will aim to be world-class professionals with a global view.

Technology dissemination

We will cultivate the next generation by passing on our experiences and technologies.

Teamwork

We will integrate individual strength into the organization through active communication.

Formulating Individual Policies

In addition to the Basic Policy Regarding the Environment, Safety, Occupational Health and Quality (page 25), we formulated the "Purchasing Policy" (page 30), "Social Activities Policy" (page 32), and "Human Resources Management Policy" (page 36) on April 1, 2006.

CSR Promotion System

The CSR Committee, chaired by the President with membership by concerned directors and general managers, is responsible for drafting company-wide policies and programs consistent with CSR.

Individual line organizations plan and conduct specific CSR activities (environment, safety and quality management, risk management, compliance, social activities, etc.). Company-wide support is provided by the Responsible Care Committee, Risk Management Committee, and Social Activities Committee.



CSR Committee meeting

CSR Supporters System

A big feature of the Mitsui Chemicals Group's CSR activities is our CSR Supporters system. The CSR Supporters (page 51) are employees involved in voluntary activities to make the Mitsui Chemicals Group a good and trustworthy company which earns the trust of its stakeholders and of which all employees can be proud of. A total of about 200 CSR Supporters have been appointed at all sites. More than 40% of them were appointed at their own request.

The CSR Supporters held proactive discussions on norms of employee behavior and significantly contributed to the formulation of the Action Guidelines that are comprehensible to and resonate with themselves.

Another important activity of the CSR Supporters is the "Proposals to President" project (page 16), which allows them to use their own ideas to plan our good and trustworthy company. Meetings of the Read the CSR Report 2005 Forum were held under the lead of the CSR Supporters at all business sites of our group (page 50). Many opinions expressed by the participants were reflected in the editorial policy for this 2006 CSR Report.

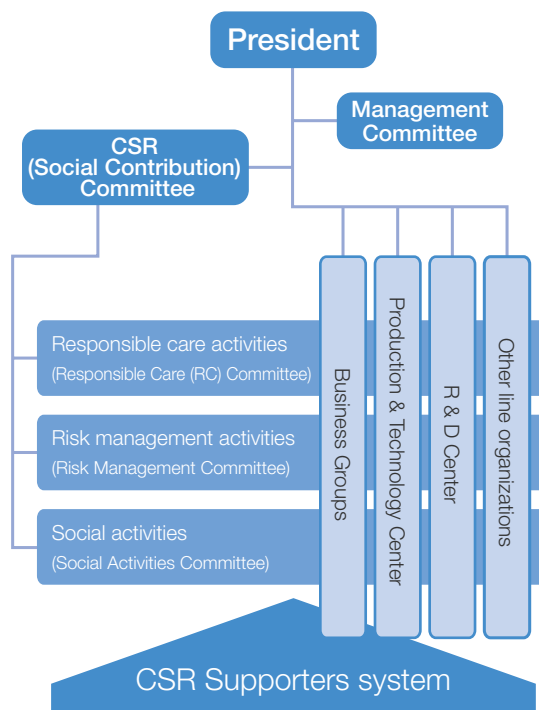


Read the CSR Report 2005 Forum

Scheme of the Action Guidelines and Individual Policies



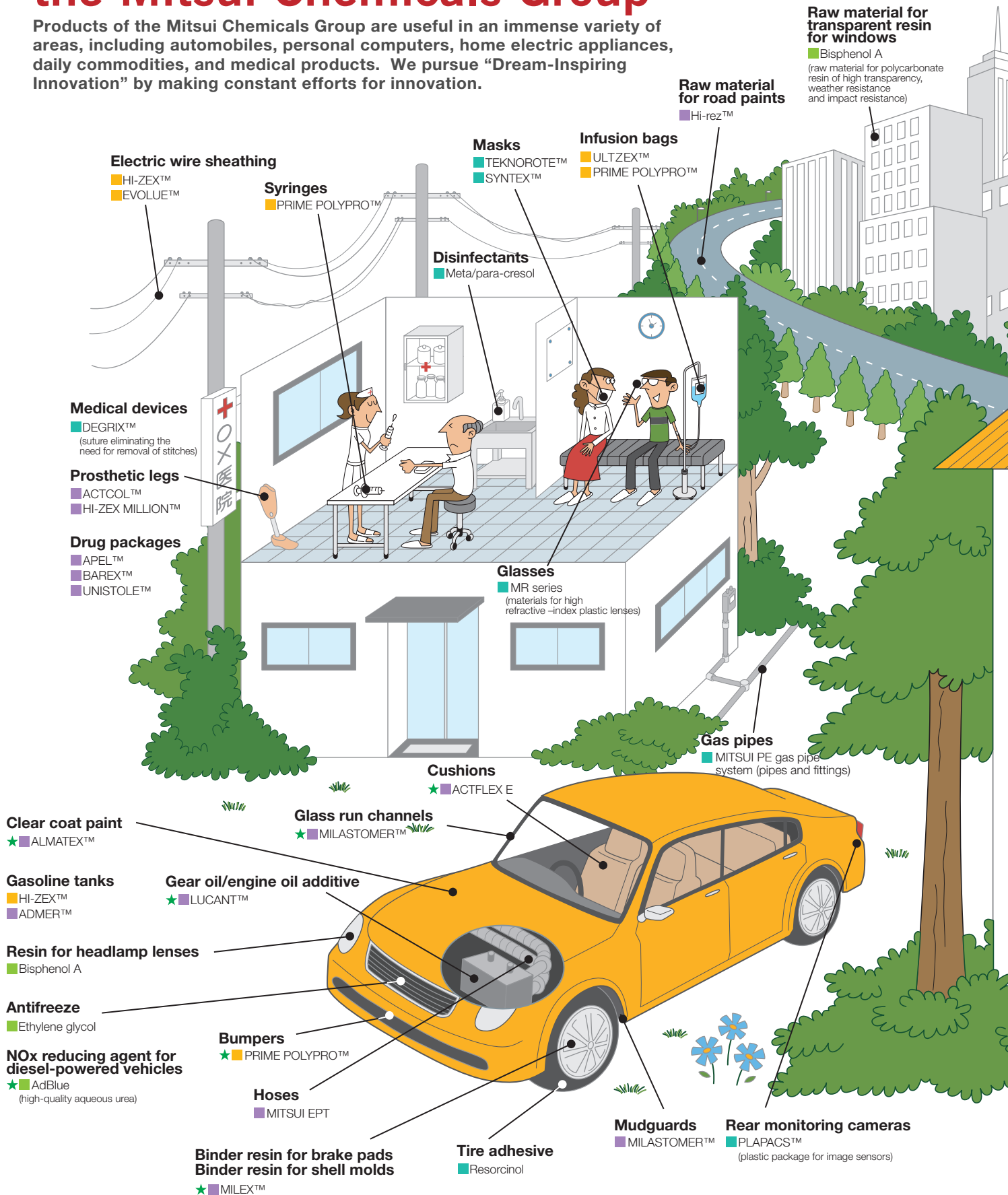
CSR Promotion System

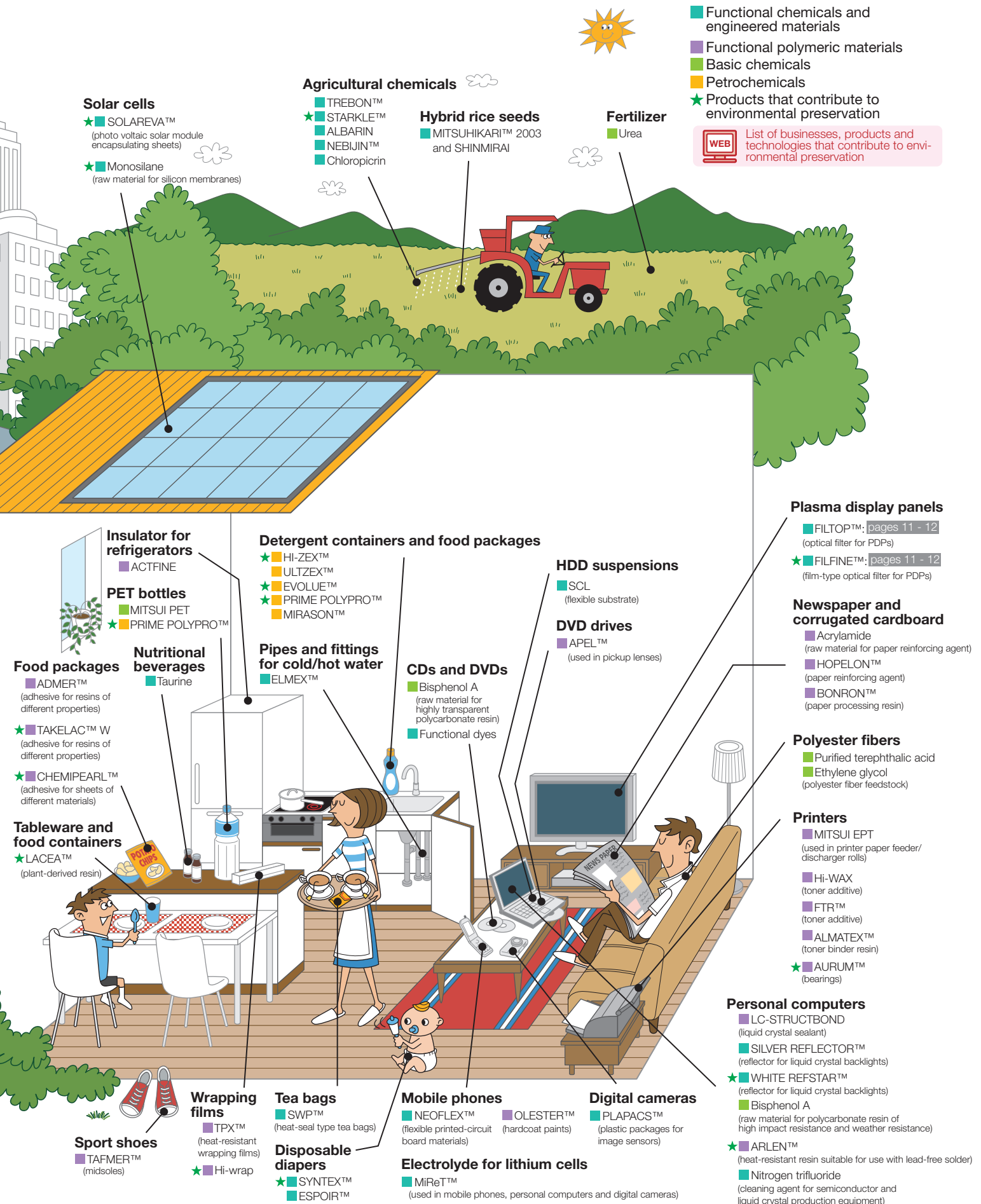




Useful Products of the Mitsui Chemicals Group

Products of the Mitsui Chemicals Group are useful in an immense variety of areas, including automobiles, personal computers, home electric appliances, daily commodities, and medical products. We pursue "Dream-Inspiring Innovation" by making constant efforts for innovation.







How the “PDP Filter” was Born

The plasma display panel (PDP) filters “FILTOP™/FILFINE™”, placed on the front surface of a plasma television display, feature the unique functions of cutting electromagnetic waves and near infrared rays from the plasma, and adjusting the colors to provide vivid images. Mitsui Chemicals began developing PDP filters in 1995. Since their launch, the production has increased dramatically one after another. Currently, these items get a No.1 ranking in market share. Described below are interviews with employees who have been working to support the remarkable growth of our PDP filters.

Before Anyone Knew about Plasma Television

When Mitsui Chemicals began developing the PDP filter “FILTOP” some ten years ago, most people equated televisions with cathode ray tube technology. People did not even know that plasma televisions were under development. So why did Mitsui Chemicals begin developing filters for these televisions?

“The whole thing started when one of our customers involved in developing plasma televisions asked us about the availability of a filter capable of insulating electromagnetic waves,” says Fumiharu Yamazaki, Manager of the Information Materials Division, Functional Chemicals & Engineered Materials Business Group, looking back on the past. At the time, Yamazaki was stationed in a research department and in charge of the development of “a transparent electroconductive film” capable of cutting electro-



Fumiharu Yamazaki
Manager, Information Materials
Division, Functional Chemicals &
Engineered Materials
Business Group

magnetic waves. He visited the customer and was informed of the fact that a dedicated film needed to be developed because of a lack of insulation for electromagnetic waves and also infrared rays.

Hence, Tomoyuki Okamura, Senior Researcher at the Information Materials Group in the Electronic & Engineered Materials Laboratory, was appointed to take this charge. He assumed this position soon after joining the company, and has since then been engaged in the development and improvement of PDP filters.

the customer, I was finally able to design the specifications,” says Okamura. He thought of superposing a heat reflecting film (infrared insulator) on a transparent electroconductive film.

Researcher Took Charge of Production, Inspection, and Shipment

Simply superposing the two films, however, would double the manufacturing cost. Hence, Okamura learned about producing nanotechnology-based membranes in pursuit of a method of conferring two functions on a single film and devoted himself to research while making trial models at the Nagoya Works for half a year. As a result, he succeeded for the first time in the world in creating a PDP film based on a membrane less than several microns thick. The film comprised a number of membranes superposed on glass substrate.

“That’s when something unexpected occurred,” says Okamura. When he was about to brush up the products,

the customer gave an order for 70 PDP filters for 21-inch televisions—to be delivered within two weeks.

“That’s when it got difficult,” Okamura continues. In

those days, there was no dedicated facility for producing the new product in the Nagoya Works, so the films were produced with existing facility. Okamura monitored the entire course of production, from the feed of raw materials to the yield of completed films, while literally following the films moving through the production line.

The finished films were then applied to glass plates. Since no suitable facility was available, Okamura manually applied the 70 films one by one. He also performed inspection, packaging, and shipment. “It’s really unusual for a researcher to do all those tasks,” says Yamazaki.



Tomoyuki Okamura
Senior Researcher,
Information Materials Group,
Electronic &
Engineered Materials Laboratory

Start up the Manufacturing Department to Cope with Increased Production

With much of the work still done manually, Yoshihiro Sakai, Assistant Manager at the FILFINE Team of the FPD Products Manufacturing Section, FPD Products Manufacturing Department, Nagoya Works, took the lead in bringing the department into full operation. Although orders were increasing gradually, only three members belonged to the department. In addition to production, they took charge of all other operations, including ordering of raw materials, packaging and shipment of finished products.

“In those days, we had many challenges, but our experience, built from scratch but now extending through the entire manufacturing process, became our strongest asset,” says Sakai.

In 1999, we received an order for PDP filters for 42-inch televisions. Since then, production has increased dramatically. As many companies began producing plasma televisions, we received more orders from more customers.

“Now, our production capacity is 100 times greater than when we started. At times we had a hard time keeping up with the accelerated production pace,” Sakai reflects. As the number of



Yoshihiro Sakai
Assistant Manager, Filfine Team,
FPD Products Manufacturing Section,
FPD Products Manufacturing Department,
Nagoya Works



production workers increased gradually and the facility was also innovated, productivity increased dramatically.

We will continue to expand the manufacturing staff at the Nagoya Works. "The most important thing in manufacturing is human resources. No good product can be produced unless all persons involved join forces," says Sakai.

Building the Foundations for the Functional Chemicals & Engineered Materials Business

During that period, Okamura was working to improve the color adjustment function. For example, fine color tone differences exist within the same color just as there are a variety of white colors, such as bluish white and greenish white. Taking note of this fact, he worked with the Pigment Team to combine membrane design and pigment technologies to obtain colors exactly meeting customer demands. "As a result, our PDP filters gained high appreciation from customers for their excellence in beautiful col-

ors," says Okamura confidently.

Other improvements included integration of films. In April 2005, we launched FILFINE, a more advanced form of PDP filter featuring thinness and light weight without the use of a glass plate.

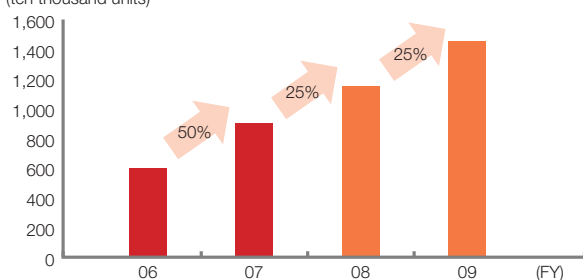
Our PDP filters are unique in that the product, which is used directly by consumers, has been produced by a materials manufacturer that does not often handle finished products. Another noteworthy outcome of this product is that it enabled a manufacturer of petrochemicals and basic chemicals to develop a functional chemicals business, with this as the core product.

Among our various company-wide R & D activities, only a few actually result in the launch of products. Even so, Okamura has been able to develop and commercialize PDP filters, which was the subject of his first assignment at Mitsui Chemicals. He says, "I remember feeling deeply impressed by plasma televisions in a store just after its launch on the market." He talks about his hope "to apply the various functions of PDP filters to other products."

Yamazaki now works in sales of PDP filters. "The speed at which the level of production has grown is quite rare. We have been working feverishly in this area, and will continue to create products that satisfy customers and consumers," he says in confidence.

Forecasts for world PDP quantitative demand

(ten thousand units)



Features

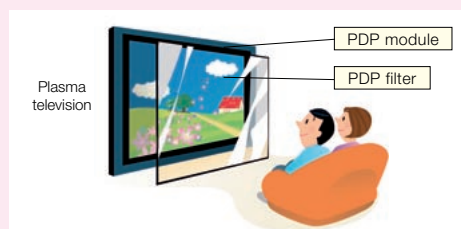
Improved color reproducibility : Unique functional pigments correct the light emission from the PDP module.

Electromagnetic wave shield : It blocks electromagnetic waves from PDP.

Insulation of near infrared rays : It insulates near infrared rays, a cause of remote controller malfunction.

PDP module protection : It protects the PDP module against mechanical impact from the front.

Surface reflection reduction : It prevents reflection and glare to provide clear images.





EXCEREX™, an Additive that Dramatically Increases Productivity

EXCEREX™, an additive for increasing productivity during processing of raw materials, was launched in October 2004. It is based on a polyethylene wax synthesized using a metallocene catalyst. Following is the story of how it was developed, with the conviction of the staff members concerned and the trust of customers.

A Great Discovery Rewrites the Conventional Knowledge

EXCEREX™ dramatically increases productivity during the processing of polyethylene, polypropylene and other raw materials into films, bottles and the like, offering faster processing speeds and fewer failures when blended in small amounts. Naturally, this product never harms the properties and appearance of the finished product. EXCEREX™ has drawn praise from our customers, who tell us that when they use the product, they are surprised at just how effective it is.

A result of an effort for “Dream-Inspiring Innovation,”



Director, Specialty Olefin Oligomer Department, Specialty Resins Division, Functional Polymeric Materials Business Group

Yasushi Amada

EXCEREX™ followed an exceptional course to development and launch. “Initially, even people of Mitsui Chemicals did not recognize the effectiveness of EXCEREX™,” says Yasushi Amada at the Specialty Resins Division of the Functional Polymeric Materials Business Group. EXCEREX™ is classified as an olefin oligomer. Traditionally, olefin oligomers have been viewed as unwanted inter-

rupters of the polyethylene and polypropylene molding process. As such, olefin

Retirees and Senior Employees Facilitate Trial Use

When Amada declared that “Adding olefin oligomers to raw materials, rather than removing them, will enhance productivity,” many found this statement paradoxical and unbelievable. Based on his experience and the available data, however, he was confident that although olefin oligomers originally contained in raw materials harm moldability, they could be very effective if added later.

Because no method was internally available for demonstrating this effectiveness, however, Amada decided to test EXCEREX™ at our customers’ plants. This developmental approach was quite peculiar in that the manufacturer of the product, though doubtful about the benefits, asked its customer to help test for them.

Amada asked a number of companies that process polyethylene or polypropylene into sheets, films, and bottles, respectively, including those where retired employees of Mitsui Chemicals were in service or his senior colleagues were on second, to evaluate the benefits of EXCEREX™.

The results were excellent. All the processors confirmed the benefits Amada expected. EXCEREX™ is effective in facilitating the blending of raw materials, improving their lubricancy, and increasing their heat and impact resistance. With these effects, EXCEREX™ decreased the likelihood of undesirable burning even when production speed

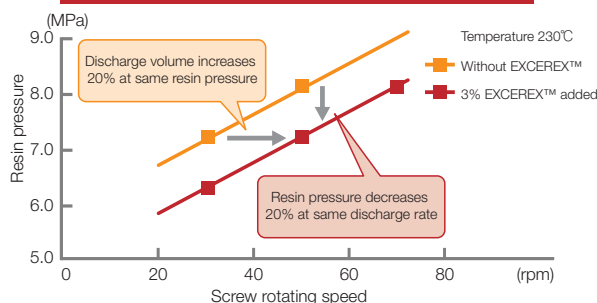
was raised, resulting in lower failure rates, when added at a concentration of 1-2% to raw materials. Additionally, EXCEREX™ is free from ingredients that can adversely affect finished products because it is synthesized with a metallocene catalyst, so there is no concern about quality problems. Amada dreams of expanding the sales territory of EXCEREX™ beyond Japan to the rest of the world.



EXCEREX™

Benefits of EXCEREX™

The rotating speed can be increased while maintaining the same resin pressure.



Customer Comment

Mr. Fuyuki Hase

General Manager, Hakodate Works, Sanoh Poli Co., Ltd.



We achieved a 20% increase in production simply by adding 0.5% EXCEREX™ to the feed-stock resin to lower the molding temperature from 180 °C to 165 °C and increase the screw rotating speed from 70 rpm to 90-100 rpm. Power consumption also decreased. In the past, we had to change clogged screens with new ones every two or three days. After introducing EXCEREX™, however, this frequency fell to once a week or so*. This product is delightful to both top management and on-site workers.

* The effectiveness of EXCEREX™ may vary depending on the molding machine and raw material used.

“WARM Business” Receives the Clean Japan Center Chairman’s Award

The “WARM Business” at Shimonoseki Mitsui Chemicals, Inc. has received the Clean Japan Center Chairman’s Award. It was recognized that the “WARM Business” has greater contribution to the creation of a recycling-oriented society than landfill disposal, energy recovery by burning or recovery as cement mixture.

Contributing to the Creation of Recycling-oriented Society

Shimonoseki Mitsui Chemicals went into operation at Hikoshima, Shimonoseki City in 1922. It was the first company in Japan to produce ammonia and methanol on an industrial scale and got to be called “the pilot plant of the world” in those days. Later, its businesses expanded by emphasizing selection and focus. Currently, the company manufactures phosphoric acid and its derivatives. It also produces industrial resins and purified fluorine-series gases, including nitrogen trifluoride, as a contract manufacturer for Mitsui Chemicals.

Shimonoseki Mitsui Chemicals conducts the WARM Business for recycling waste acids, waste alkalis and sludge. WARM (Waste Acid Recycling and Mud recycling) projects, likewise the word “warm”, the image of being gentle to the global environment as accentuated by the word “warm.” This business was launched on the strength of the company’s long build-up of separation and purification technologies and came in response to growing interest in the creation of a recycling-oriented society and the increasing number of inquiries from our customers about recycling.

The waste sulfuric acid, phosphoric acid, fluoric acid, alkalis and sludge received from our customers are treated using the closed system illustrated right, which integrates equipment for producing fluorine-based products, purified phosphoric acid and gypsum with a waste-

water treatment unit. This system converts the calcium, phosphorus, fluorine and sulfuric acid contained in the waste into industrial products.

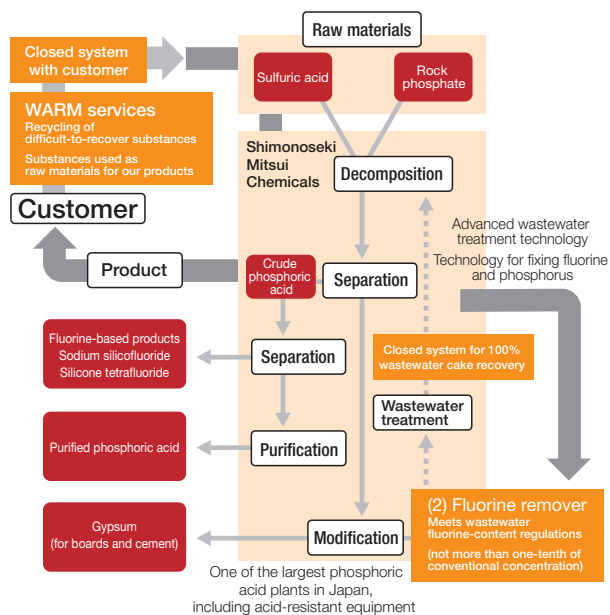
Because the recovery takes place only after determining the impact of converting these wastes to our products, the preparatory period before the start of trading is necessarily longer than usual. Even so, our customers report a high degree of satisfaction. In fiscal 2006, we received the Chairman’s Award from the Clean Japan Center* in recognition for recycling more than 10,000 tons of waste (mainly waste liquids from the electronics industry).



Clean Japan Center Chairman’s Award

* **Clean Japan Center:** A non-profit foundation established in 1975 to promote recycling in Japan, with unified support from the governmental and private sectors, including the Ministry of Economy, Trade and Industry, the Japan Chamber of Commerce and Industry, and the Japan Business Federation.

Overview of the WARM business



WARM Business recycling equipment



Gouichi Matsunaga
Planning & Technical
Department, Shimonoseki
Mitsui Chemicals, Inc.



Katsuyoshi Okada
Development
Department, Toyo
Kohsan Co., Ltd.



Kenzo Kawasaki
Ikeda Kogyo Co., Ltd.

Staff Comments

We receive various waste acids, waste alkalis and sludge at the rate of more than 100 tankers or trucks every month.

It's often a challenge because the place of recovery varies depending on the type of waste, and also because the quantity and date of arrival often change all at once.

However, we feel highly rewarded with our duties since we provide customer satisfaction and help conserve the global environment.



CSR Supporters System Instituted to Promote a Good Company CSR with self-thinking and debate of employees

Under the CSR Supporters system, instituted in October 2005, a total of 216 employees have been appointed as CSR Supporters, including newly recruited employees and general managers of works. Many of these volunteered while some were recommended by others. They are proactively involved in a broad range of activities, including attending the "Supporters camp" for formulating the Mitsui Chemicals Group Action Guidelines and launching the "Proposals to the President" project. Following is a round-table talk by four of the CSR Supporters from the Head Office, two works and a laboratory. Members talked about their thoughts and impressions of these activities.

Stimulated by Exchanges across Age Groups and Departments

Mishima: I volunteered as a CSR Supporter simply out of curiosity. I was attracted by the system, which enables me to converse with people at other departments of no direct relevance to my duties. Since there had been no chance for me previously to say something to my company, this was a very good opportunity.

Ochiai: At my position as a researcher, I have very few opportunities to converse with people at other departments. I joined the CSR Supporter system hoping to be able to talk to them. I had been thinking that I could not change the corporate culture of my company by myself. At present, however, I'm confident that every employee is able to change this company through the CSR Supporters system. I like my company and would like to make it even better.

Yoshimoto: I was appointed as a CSR Supporter with the recommendation of my superior. Participating in the "Supporters camp" was very stimulating. In the group discussion, we talked about our company with other members of different ages and types of jobs, from a broad range of viewpoints, so I found something fresh because I could see things from a different point of view.

Ochiai: At the camp, our discussion group included a newly recruited employee. I felt motivated hearing this person talking eagerly about "what Mitsui Chemicals should be."

Many Passionate Employees at Mitsui Chemicals

Kawabata: I applied voluntarily for the CSR Supporters system soon after reading the notice about it. This is because I wanted to get acquainted with people in other departments, with whom I otherwise have no chance to converse. I enjoyed myself participating in the Supporters camp, which reminded me of my feeling when I was a new-comer to the company. Although I was initially at a loss about what I should do, I realized that there were many things I could do after I heard about some cases at other companies. I was surprised at the passionate discussions by the attentive participants of the camp.

Mishima: I had been thinking that many of the people in my company were cool, that is to say, detached. At the Supporters camp, I was surprised to find how many were in fact quite passionate.

They delivered strong messages from their own viewpoints about how they wanted to improve our company.

Ochiai: I felt that every participant liked our company. Usually, I have almost no opportunities to talk about what our company should be. When I was involved in the group discussion, I was surprised at the proactive attitudes of the other participants, including the person who said, "I want to improve my company, so I must grow too."

Always Aware of the Action Guidelines in Day-to-Day Operations

Ochiai: The CSR Supporters were given the chance to discuss changes to former Corporate Action Guidelines, and I gained a better understanding of the new Action Guidelines, in which many of our opinions were incorporated.

Mishima: Certainly, the former Corporate Action Guidelines seemed like something handed to us, whereas the new Action Guidelines feel like "something we created by ourselves." However, people other than the CSR Supporters may still see the new Action Guidelines as something just handed to them.

Kawabata: However, because the Supporters' opinions voiced during the camp are all available on the intranet, other employees may have become somewhat familiarized with the new Action Guidelines. I come from China, so I translated the Guidelines into my mother tongue soon after their formulation and sent a copy to the local staff of a subsidiary in China. They were quick to brush up my translation and prepared the Chinese version of the Action Guidelines. CSR activities have begun overseas.

Yoshimoto: As a CSR Supporter involved in writing the Action Guidelines, I always bear their contents in mind when doing my day-to-day duties. However, I sometimes feel anxious about, for example, the balance between safety and deadlines. The Action Guidelines advocate safety as the top priority on the one hand. On the other, for the production schedule, overtime work is sometimes unavoidable in order to inspect and arrange equipment, even during the hot summer, and sometimes we have to have two shifts, one of them at night. In such cases, we are more nervous than usual about safety. This is a typical problem of manufacturing plants.



Shigeki Yoshimoto
Mechanical Section,
Technical Department,
Osaka Works



Eiko Mishima
Planning Section,
Technology Department,
Nagoya Works

“Proposals to the President” Project Goes into Operation

Kawabata: Once the Action Guidelines were formulated, the only thing left to do was to put them into action. The “Proposals to the President” project, comprising six themes based on Supporters’ opinions, were instituted as part of CSR activities. I participate in the “Wonders-in-Chemistry Class” program. As I have a son who is a schoolboy, I hope that through these activities I can learn something that I can teach him in turn.

Ochiai: I joined the “MCI Global Environment Supporters” program since I had wanted to study environmental issues. I feel highly rewarded by my duties because I can receive a broad range of opinions and advice on my ideas from group leaders, team leaders and outside advisors.

Yoshimoto: I’m a member of the “MCI Disaster Recovery Team.” I come from the Kansai area, where the Great Hanshin-Awaji quake struck. I joined the team since I wanted to return kindness to those who gave assistance to my locality at the time of the disaster. To this end, I hope that my experience in providing damage recovery support at our supplier in Kobe will also be helpful.



Takako Kawabata
Planning &
Coordination Division,
Petrochemicals Business
Group

Mishima: I’m also a member of the “MCI Disaster Recovery Team”. The Nagoya Works is surrounded by many apartment houses and immediately adjoins an apartment house beyond the boundary wall. In this situation, I had always thought of how to provide the local residents with safety and even peace of mind.

All Employees are CSR Supporters

Kawabata: I report in detail on the Supporters camp and the status of the project at meetings of my division. Many colleagues remark that what I am doing is interesting. It is an important task of the CSR Supporters to expand CSR activities to overseas subsidiaries and affiliates. I will be happy to see employees of overseas group companies feeling unified as part of the Mitsui Chemicals Group.

Mishima: Unfortunately, it seems that many employees at the Nagoya Works are not fully aware of CSR activities. I want to encourage them to be involved in the project. I think that essentially all employees are CSR Supporters, and I would like to make them aware of this system as involving all employees, rather than a special project for selected people.

Yoshimoto: I find a positive feature of the CSR Supporter system to be its concept of “Do what we can do whenever possible.” If instead we say, “You must do this,” that is a burden on employees. Although I’m now staying out of the activities because I have just been sent to a new job site, I want to promote the activities to the employees around me as part of my mission as a CSR Supporter.

Ochiai: There are still only a few people around me interested in the CSR Supporters system. Since many researchers are already passionate by nature, I would like to try to motivate them to take part in CSR activities. I hope that CSR will become a common topic in their daily conversations.



Takashi Ochiai
Molecular Catalysis Group,
Catalysis Science Laboratory

The participants in the CSR Supporters camp had group discussions on their dreams and proposals for ensuring that the Mitsui Chemicals Group is a good company through the “Proposals to the President” project. Six themes selected from among these proposals were approved at the March 2006 meeting of the CSR Committee. Currently, an implementation plan is being drafted by a panel of employees under the lead of the CSR Supporters.



CSR Supporters camp

Outline of the “Proposals to the President” project

Theme	Description
Wonders-in-Chemistry Class	Lab sessions for students of elementary schools to raise interest in chemistry
MCI Disaster Recovery Team	Support for victims of disasters by providing useful goods incorporating our group's products
MCI Global Environment Supporters	Investigating utilization of our own technologies for global environmental preservation and raising awareness among employees
One-Coin Club	Fund for donations to NPOs and others by monthly donations of a set amount of money by volunteered employees
MICI Expert Volunteers	Databank for employee volunteers with various special skills, ranging from work to hobbies
MCI Cleanup Campaign in (Kujyukuri)	Cleanup campaign to raise awareness of the environment and local communities (first event took place at Kujyukuri beach)



Specials 3 Dialogues with Stakeholders

Expectations for CSR Activities of the Mitsui Chemicals Group

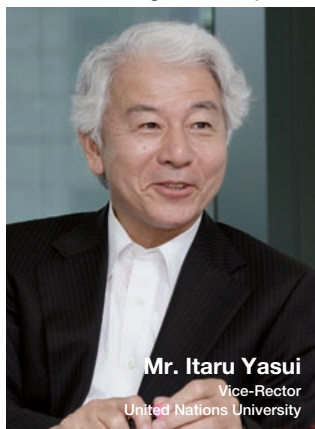
On June 2, 2006, we held the second stakeholder dialogue, attended by outside experts, concerning our relationship with stakeholders and what Mitsui Chemicals should be as a chemical company.

Continue CSR Efforts through Grass-roots Activities/Commendation System May Be Effective

Ota: I heard that you have established the CSR Supporters system, and that 216 internal supporters are already in action. That's wonderful! I think, however, that it is not easy to maintain the initial aspirations and energy in any such effort, so I encourage you to think of ideas for breaking through this problem.

Yasui: Continuity is important but difficult to achieve. I think there are two keys to successful activities: one is for management personnel to state that they will continuously work to create a transparent situation in the company, and the other is for employees to be positively involved in the activities under such conditions. However, the best thing is to reward people for a activity well done. I suggest establishing an internal commendation system, such as a President's Award.

Okamoto: I agree with you on the importance of reward-



ing people. At IBM Japan, where I was serving in the past, the "Eco-Marathon" project lets employees save points for their actions to conserve the environment. Employees with good achievements and their families are invited to company-wide environmental symposiums.

Mizuo: At Shiseido Company, where I held a post in the past, the

"Grass-Roots Compliance" activities are conducted by internally appointed code leaders. Both legal compliance and CSR efforts require not only top management's leadership but also employees' grass-roots activities. I hope that you will continue with the CSR Supporter system, because it is a form of grass-roots activity.

Human Resource Practice Requires Work-Life Balance/Set Numerical Targets for Appointment of Women to Managerial Positions

Ota: I've also been informed that you endeavor to appoint women to managerial positions. I was surprised at one fact in the material you have furnished, which reveals that the average length of service of female employees is 17.4 years. This is very long. I must point out, however, that the ratio of female employees in managerial positions is low for this figure. This may be due to some problems in fostering and allocating female employees. I strongly encourage you to increase this ratio. Even if top management formulates a clear policy, it may fail prematurely if a manager is negative in promoting the appointment of female employees to managerial positions. Therefore, it is also important to set specific numerical targets to exert pressure on managers.

Mizuo: There are a number of companies where female





Mr. Kyoji Okamoto
President, Bremen Consulting

employees work actively. This is a result of various positive actions based on the concept that “activating women activates the organization.” It is important that top management and middle management have the same awareness.

Ota: In the near future, human resource management that provides work-life balance, both for male and female employees, will be an essential part of corporate management.

Such personnel allocation measures are important because recruiting as many excellent human resources as possible and allowing them to serve with the company as long as possible would also lead to the sustainable development of the company.

Okamoto: I think that good human resource practice, such as short shifts and working at home, would be highly effective for sustainable development. It would also be ideal that employees feel there is nothing uncomfortable even if their superior is a woman.

Conduct Business from a Long-term Viewpoint/Clear Messages with a Focus on Core Activity

Okamoto: Generally speaking, your CSR activities are so much across-the-board. I fear that your activities as a whole may be obscure because of a lack of core activity.

Mizuo: I'd like to mention your communication concerning CSR. For example, I suggest you announce your CSR activities to the general public by presenting your messages through full-page newspaper ads, addressing such topics as “Where Mitsui Chemicals plans to go,” “This is Dream-Inspiring Innovation,” and “Mitsui Chemicals: We make dreams.” Because what the consumer most wants in a product is the feeling of confidence, safety, ethics, and even some vision or dream, I recommend you keep these in mind in promoting public communication.

Yasui: In these times, we must reconsider the role of chemistry in society. Probably three key points are relevant

to the outlook for the coming decade. First, we must increase efficiency, or limit the use of energy and natural resources. Second, added value must be increased. This means that precious resources should be used to produce products of greater value and higher price, rather than less valuable and cheaper products. Third, environmental impacts must be reduced. This involves many factors, like preventing pollution, reducing toxicity, ensuring product safety, preventing disaster and limiting waste. I believe that, in the future, chemistry should pursue these three goals.

Okamoto: I would like to suggest that you incorporate the concept of biomimicry, (the technology for mimicking what we learn from nature) in your CSR initiatives. For example, the environmental load of manufacturing operations can be significantly reduced by mimicking the behavior of spiders that discharge threads 10 times stronger than iron at normal temperature under normal pressure, instead of employing high-temperature, high-pressure conditions.

Yasui: Should a history of mankind be written 1,000 years from now, the present era would be described as “an age when fossil fuels were available but then used up for some reason.” Accordingly, we must consider how to wean ourselves from fossil fuels in resolving the issues of resources and energy. To this end, both energy and raw materials need to be renewable.

On the other, Japan's industry would seem to be based on assembly work but its true strength is its ability to supply materials. Mitsui Chemicals should be proud of its role supporting Japan's assembly industry, and even the destiny of Japan, as a member of the material industry.

With this fact in mind, your CSR activities should focus on conducting your manufacturing business with a rather long-term view. Only such a company will be able to see sustainable development.



Mr. Junichi Mizuo
Ph.D. in Business Administration
Professor and Director of the Institute
of Economics, Surugadai University
COE Professor, Tokyo Institute of
Technology

Notes on the Comments

Hachimori: As we conduct R & D and product development, we will keep your suggestions always in mind. To date, we have manufactured products in response to customers' demands, but from this point forward we are putting more emphasis on manufacturing that anticipates the demands of customers and society.

Yamashita: We would like to expand the coverage of the CSR Supporters system. Since all of our employees want to help support the Earth in the future, we aim to conduct CSR activities with their wishes in mind, and to enable them to feel rewarded by being a member of this company.



Toshimi Hachimori
Managing Executive Officer
Deputy Center Executive,
Production & Technology Center



Katsunari Yamashita
Managing Executive Officer
General Manager, CSR Division



Specials 3 Dialogues with Stakeholders

Community Meeting at the Osaka Works

Mitsui Chemicals sees local communities as important stakeholders in our business activities, and holds community meetings to converse with residents of areas near each of our works every year to promote communication with them. On June 21, 2006, we held such a meeting at the Osaka Works, which is located in the Sakai-Senboku Coastal Industrial Area in the south of Osaka Prefecture.

Participation by 18 Members of Neighborhood Associations

The Osaka Works, one of Mitsui Chemicals' major manufacturing sites, produces polypropylene, phenol, ethylene oxide and others. Prior to the community meeting, we held a plant tour to a number of facilities, including wastewater treatment facility, control room and flare stack (surplus gas burning facility), and provided an explanation about our efforts for safety and environmental preservation. A total of 21 persons participated in the meeting: Mr. Keiji Sakaguchi, Manager of the Residents Activities Promoting Team of the Secretarial Section, Policy Promoting Department, Takaishi City; Mr. Yuichi Watanabe, Chemical Substances Advisor; Mr. Takayasu Masutani, President of Takaishi City Residents' Association, and 18 representatives of neighborhood associations of the areas neighboring our works. The community meeting was successful with many opinions and questions presented one by one.

Safety Measures in the Event of Earthquakes

Neighborhood association: I have long lived in this district. Since the industrial area was formed here, I have had a feeling of uncertainty about safety in the event of an accident. I'm now somewhat eased after hearing your explanation but I'd like to ask you about your measures against earthquakes in the Tonankai and Nankai regions. Can you ensure the safety of residents living in the surrounding districts?

Plant manager: Chemical plants are subject to strict legal regulations governing building earthquake-resistant. Accordingly, the buildings and equipment at our works are designed to have sufficient strength to resist big earthquakes. Regarding the possible Tonankai and Nankai earthquakes, our works are predicted to be hit by tsunamis. However, it is estimated it would take about 1.5 hours for the tsunamis to reach here. We prepare constantly for the safe shutdown of our operations and hold shutdown drills every month.

Neighborhood association: In the event of an earthquake, is there

no danger from tankers at anchor in the harbor? And how do you prepare for an earthquake whose hypocenter is directly below here?

Plant manager: Regarding the tankers, we have arranged our facilities so that they can depart immediately from the coast in the event of an earthquake. It should be noted, however, that many factories are located in this area, and emergency actions, including the order of tanker evacuation, are being considered under the leadership of the Marine Safety Agency. As for the effects of an inland earthquake, residential areas would not be affected, based on government predictions. The inside of our works is designed for adequate anti-quake performance to prevent chemical substances from being leaked. Additionally, we maintain and manage our equipment on a regular basis. If a chemical substance should be leaked, the event is immediately sensed by a detector. As soon as a detector puts out an alarm, equipment affected by the leak are separated from adjoining areas by remote control and carried to the detoxification facility, where the substance is treated safely. If the power supply is cut off, we start up an in-house power generation system.

Neighborhood association: I've understood how you prepare yourself for earthquakes. Then, what are your actions against leaks or spills of hazardous substances in cases other than quakes?

Plant manager: We are always striving to prevent leaks and spills. But if such an accident should occur, we will block the affected area by remote control and detoxify the substance in question, as I have just explained.

Watanabe: I would like to advise you about how you should see the chemical plants at ordinary times. I suggest you watch the changes in the names and volumes of chemical substances discharged from this works, which appear in the CSR Report.



***Chemical Substances Advisor:** An independent advisor who provides objective information and easily understandable advice on chemical substances

Enhance Information Disclosure and Environmental Preservation

Neighborhood association: In the event of an accident and the like, we would like to be informed of the fact and receive relevant information. If something unusual happens, we may be subject to criticism by residents in our neighborhood associations. Please provide accurate information on what has happened to enable us to take appropriate measures.

Neighborhood association: Petroleum is a limited resource. Are you considering any other means to continue to exist as a chemical company that is gentle to the earth but with an inexhaustible source of energy?

Head Office manager: It is predicted that the proven petroleum reserves will be exhausted in 30 years, and we have a sense of crisis. We are now formulating a new long-term business plan, which considers the utilization of new resources. For example, we are investigating the feasibility of the use of plant materials, and we have already launched a polymer product based on polylactic acid from corn.

Neighborhood association: Do you think of recycling your products into raw materials?

Head Office manager: We are making efforts for recycling our products at individual works. Products that fail testing in the manufacturing process are returned to feedstock and used again. Also, we use by-product oils from the manufacturing process as fuels.

Masutani: Although I had long been hoping to take a plant tour here, my wish never came true because the number of visitors invited is limited for tours, or because private visits by small groups are not permitted. I've been living in this district since before the industrial area was formed, and I'm now very much impressed at this occasion. I'm glad to hear that you are planning to hold plant tours for neighborhood associations.



Mr. Keiji Sakaguchi
Manager,
Residents Activities Promoting Team,
Secretariat Section, Policy Promoting
Department, Takaishi City

Sakaguchi (Takaishi City): I thank you for sponsoring this tour since there were previously no occasions to exchange opinions in this industrial area. I feel relieved to hear you say that you will hold similar tours for other neighborhood associations.

Plant manager: We are planning to expand the coverage of our community meetings to include all the 52 neighborhood associations near our works. And we hope to use

your opinions and suggestions to enhance our works management. We will continue to be proactive in keeping pace with the local community.



Notes on the Comments

This was the first occasion for us to exchange opinions with local residents from neighborhood associations. We had been anxious to provide a comprehensible explanation about our operations as a chemical manufacturer, which involve products and facilities that are unfamiliar to the general public. At the community meeting after the plant tour, we received many frank opinions and questions, and accomplished the essential objective of deepening our mutual understanding through dialogue.

We have received a number of questions and suggestions about the possible effects of future earthquakes and tsunamis. We have been reminded of many issues for which we must prepare, and felt strongly the necessity of our efforts for the safe and stable operation of our plants to reassure local residents.

We will continue to be a manufacturing site open to the local community by holding community meetings like this to assure dialogue with as many local residents as possible.



Takashi Saito
Director, Administration
Department, Osaka Works

Goals and Results

The Mitsui Chemicals Group promotes various social and environmental activities for the sustainable development of society and companies.

Described below are goals and results for fiscal 2006 activities and planned efforts for fiscal 2007.

Category		FY 2006	
		Strategic issues	Goals
Management	Promoting CSR	Building a CSR promotion system enabling cooperation across the group	Operating the CSR Committee to ensure cooperation in relevant activities
		Conducting individual activities involving group company employees	Establishing a system that reflects opinions and interests of individual workplaces
		Revising the Corporate Action Guidelines	New Action Guidelines formulated by the end of March 2006
		Formulating important individual policies	Policies concerning human resources, purchasing and social activities formulated by the end of March 2006
	Corporate governance	Upgrading the system of internal governance	Appointment of outside directors
	Compliance	Enhancing risk management	Providing compliance education
	RC management	Strict compliance with laws and regulations	No violations of laws
Social contributions	Customers and suppliers	Reducing incidence of claims and complaints by upgrading the supply chain	Zero product liability incidents; reducing claims and complaints by 30% from the previous year
		Establishing a chemical product safety management system that enables us to respond to domestic and overseas customers' needs and policies	Establishment of a new system for appropriate chemical product safety management
		Building database for safety information on raw materials	Database system started: April 2006
	Shareholders	Increasing the convenience of attending general meetings of shareholders	Holding shareholders' meeting on a day when few others are being held
		Enhancing dissemination of IR information	Holding press conferences for settlement of accounts for 1st and 3rd quarters Holding Internet conferences on days of announcement of settlement of accounts
	Local communities	Enhancing risk communication	Dialogues with local residents living in vicinity of works
	Employees	Compliance with the Law concerning Stabilization of Employment of Older Persons as Amended	Preparation for introducing a system for re-recruitment of the elderly
		Conducting more effective safety management for strengthening production site capabilities	Injury rate (lost-time injuries + non-lost-time injuries): 0.4
		Prevention of mental health problems and lifestyle diseases and reduction of health risks	Rate of lost-time for mental health not more than 0.3, and lower incidence of poor mental health Decreasing cases of risk levels 3, 4 and 5
	Industrial and academic sectors	Exchanges with the industrial and academic sectors through scientific activities	Provision of opportunities for international symposiums
Environmental preservation	Preventing global warming	Early institution of a program for measures to reduce CO ₂ emissions in preparation for the enactment of the Kyoto Protocol and introduction of environmental taxation	Goals and plans for 2010 clarified
	Reducing environmental loads	Reduction of environmental loads from a long-term viewpoint	Goals and plans for 2010 clarified
	Preventing accidents and disasters	Conducting more effective safety management for strengthening production site capabilities	Zero accidents
		Enhancing activities for elimination of logistics accidents and labor accidents	No major logistics accidents

Results	Rating	FY 2007 planned efforts	Refer to
CSR strategies integrating the activities of the three individual committees were formulated at a meeting of the CSR Committee on November 25.		Promoting cooperation among individual organizations	7,8
The CSR Supporters system was established; 216 CSR Supporters, mainly Mitsui Chemicals employees, were appointed.		Expanding the CSR Supporters system to subsidiaries and affiliates and appointment of CSR Supporters for second term	7,8,15,16
The Mitsui Chemicals Group Action Guidelines were formulated (reported at the February 8 meeting of the Board of Directors).		Implementation of the Mitsui Chemicals Group Action Guidelines and promotion of their adoption at consolidated subsidiaries	7,8
The Human Resources Management Policy, Purchasing Policy and Social Activities Policy were adopted at a meeting of the CSR Committee (held on March 15).		Dissemination of the three new individual policies	7,8 30,32,36
Two outside directors were appointed (June 27, 2006).		Responding to the New Corporate Law	23
Ten sessions, including subsidiaries and affiliates, were held in the year.		Continued legal compliance education and ensuring employees are involved in programs by e-learning system	24
No violations of laws but RC audit suggested upgrading management.		Ensuring stricter compliance with laws and regulations	25,26
No product liability incidents occurred; claims and complaints decreased by 52%.		Establishing a quality assurance system for customer satisfaction Establishing the Quality Assurance Division (June 27) Prevention of product liability problems and reduction of claims and complaints	28
The Product Safety Dept. was established (January 15).		Enhancing the chemical product safety management system to meet domestic and overseas needs	29
Environmentally controlled substances were specified and data collection from their sellers was instituted.		Further use of database	30
Held on June 28, avoiding days with many other meetings.		Holding the meeting on June 27, a day earlier Providing product samples and panel displays to facilitate shareholder understanding of the Mitsui Chemicals Group	31
Instituted press conferences starting from 3rd quarter. Instituted Internet conferences for announcement of settlement of accounts starting from 3rd quarter.		Enhancing announcements of settlement of accounts Enhancing communication with domestic and overseas shareholders	
Dialogue meetings held at Nagoya Works (August 23) and Omuta Works (June 9, November 21, December 13, February 27, March 27).		Enhancing environmental risk communication at Osaka Works (June 21)	19,20,32-34
A system for re-recruitment of the elderly was established.		Operating system for re-recruitment of the elderly	37
Injury rate: 1.2 (of which lost-time injuries: 0.5). Workplace culture was evaluated and improved by external safety diagnosis.		Preventing labor accidents with new approaches	38
Rate of lost time for mental health: 0.33.		Further efforts for preventing mental health problems and lifestyle diseases	39
Ratio of cases of risk levels 3, 4 and 5 decreased from 9% to 6%.		Continued efforts for reducing health risks	
Held the Singapore International Symposium (SIS2006) (April 17-18, 2006).		Holding the 3rd Mitsui Chemicals International Symposium on Catalysis Science (MICS2007) Recruiting candidates for 2007 recipients of the Mitsui Chemicals Catalysis Science Award and hosting a ceremony to recognize the winners	40
A plan for CO ₂ reduction at Mitsui Chemicals was formulated. No plan has been established for domestic off-site subsidiaries and affiliates.		Formulation and implementation of greenhouse gas reduction policy for 2010	43
A plan for accomplishing the goal of "zero emissions" of waste was formulated and implemented. Plans for reduction of volatile organic compounds (VOCs) for individual plants were formulated.		Proactive efforts for reducing environmental loads (waste, VOCs, etc.)	44-46
Three accidents occurred. The Process Safety & Disaster Prevention Technology Dept. established (January 15). Education to foster workplace safety engineers (SEs) implemented.		Promoting the effective use of safety technologies, mainly through the Process Safety & Disaster Prevention Technology Dept.	47
No major logistics accidents occurred but product leak troubles occurred.		Enhancing activities to eliminate logistics troubles	48

Self-evaluation (performance percentage)

95% or more, 70% to less than 95%, less than 70%

Corporate Governance

The Mitsui Chemicals Group places our highest priority on enhancing corporate governance as one of our key management issues in order to earn the trust of shareholders, customers, local residents and all other stakeholders, and to fulfill our social responsibilities as a corporate citizen.

Mitsui Chemicals' Policy of Corporate Governance

We continually improve management transparency to maintain the trust of society at large, and to fulfill our social responsibilities as a corporate citizen. Mitsui Chemicals has established a system where important decisions are made through extensive discussions in the proper meeting as prescribed by company regulations. Our system of internal governance includes recognizing the importance of the Corporate Auditors' function, establishment of a Management Audit Division, an internal auditing office, and establishment and maintenance of the Risk Management Committee.

Further, to enhance the effectiveness of our corporate governance system, we promote investor relations and public relations activities, where we disclose information to shareholders, investors, analysts, the media and others outside our company.

Implementation of Corporate Governance Measures

Board of Directors

Mitsui Chemicals' Board of Directors holds meetings once a month as a rule to make decisions concerning key business management issues. At the meetings, individual directors report on business management status, financial conditions, business achievements and other topics and Board members discuss and make appropriate decisions.

Executive Officer System

Mitsui Chemicals has adopted an Executive Officer System to clarify the roles and responsibilities relating to the company's management supervision function and its business management function. This system is effective for the speed up of management decision-making and allow our various divisions to carry out their work smoothly and quickly.

Corporate Audits and Internal Audits

Corporate Auditors attend important meetings, including those of the board of directors, to regularly communicate with top management and others. They also receive and check documents of the approval for decisions by business managing directors and minutes of important meetings.

Another task of Corporate Auditors is to communicate with the independent accounting auditor and the Management Audit Division, an internal organization, about their respective annual auditing plans, auditing results, and others, in order to promote mutual cooperation in auditing.

The Management Audit Division monitors accounts and business operations in our group based on the annual plan discussed and formulated by the Management Committee, and reports the Management Committee of the findings.

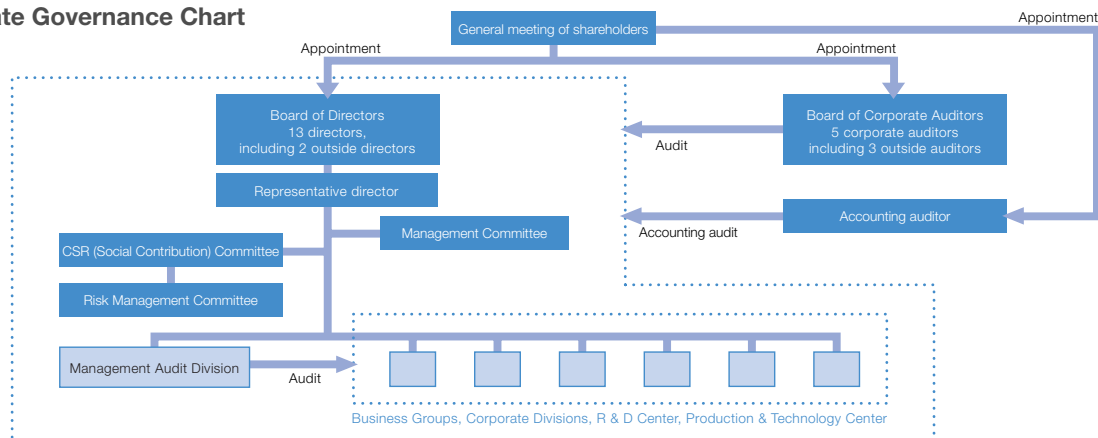
Management Committee

Mitsui Chemicals has established the Management Committee to debate those issues to be referred to the Board of Directors that require prior discussion and key issues concerning business management so that decision-making is proper and efficient.

Risk Management Committee

We have adopted the Mitsui Chemicals Group Risk Management System to ensure early detection of risks and prevent those risks from manifesting themselves. We have organized the Risk Management Committee, chaired by a director in charge, to draw up risk management policies and maintain and operate the system.

Corporate Governance Chart



Compliance with Laws and Regulations

The Mitsui Chemicals Group regards legal compliance as the key issue for earning the trust of stakeholders, including shareholders, customers and local residents, to fulfill our social responsibilities as a corporate citizen. We work to maintain this awareness among employees.

Compliance System

By adopting the Mitsui Chemicals Group Risk Management System in April 2002, and through the company-wide system shown at the lower right, we are working to manage corporate risks stemming from all events potentially threatening the business activities of the Mitsui Chemicals Group.

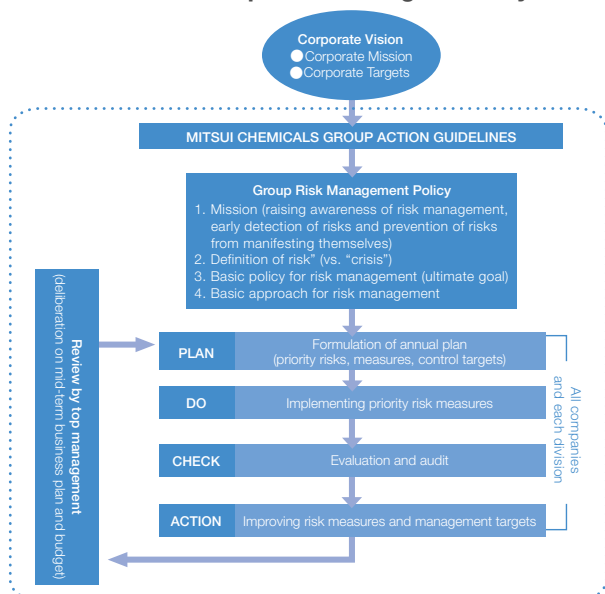
Under the group's Risk Management System, non-compliance with laws and regulations is considered the top priority risk. Individual organizations enhance their efforts for early detection of suspicious activity and for prevention of risks from manifesting themselves.

There is also a risk hotline through which employees of the Mitsui Chemicals Group can directly report to, or consult with, the Risk Management Committee on matters of compliance. Since its establishment in 2002, this system has been utilized about five times every year. In addition to the existing internal contact liaison (the Risk Management Committee), an outside liaison (a law office) was newly designated in September 2005. Under this system, company regulations are clearly stipulated to ensure that employees who contact the committee do not receive any unfair treatment.

Basic Principles for Group Risk Management

1. The line managers should ensure that PDCA procedures are carried out when conducting day-to-day risk management.
2. Any employee who has obtained information regarding risks should promptly report all such information to his or her line superior.
3. Any employee who has obtained any information regarding risk should not keep it within his or her department, but should share it promptly with other departments and seek cooperation.
4. Each individual employee should be keenly aware that he or she is personally responsible for risk management, and should maintain an awareness of risk at all times.

Scheme of the Group Risk Management System



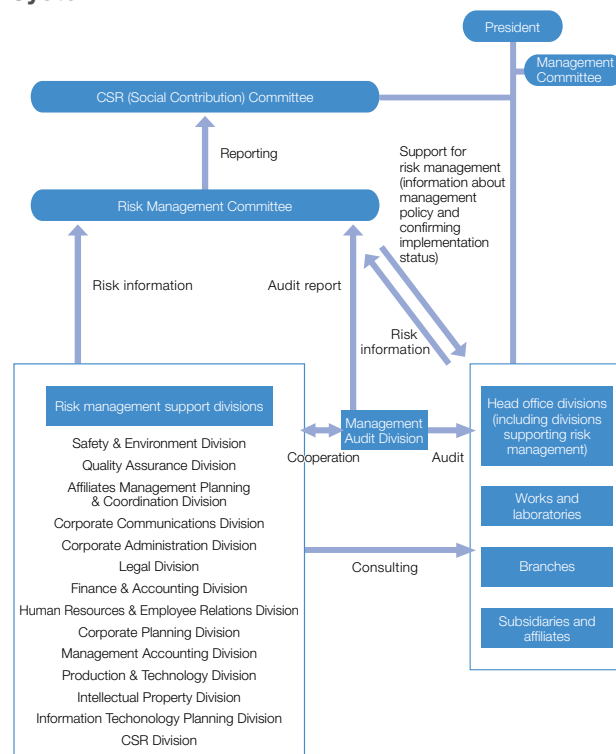
Training Sessions on Compliance Issues

In 2003, we distributed the Compliance Guidebook to every member of the Mitsui Chemicals Group to raise awareness of compliance issues for all employees. The guidebook summarized points of attention for our employees when carrying out their work. In June 2006, we totally revised the Guidebook in view of subsequent legal amendments and social trends. The new Compliance Guidebook was also distributed to every member of the Mitsui Chemicals Group. It has been useful in routine programs to raise and maintain awareness of compliance issues. Reading meetings are held at individual workplaces.

Furthermore, awareness-raising training sessions are conducted for management-level employees, line managers, newly appointed managerial personnel, and newly recruited employees. The trainees are encouraged to take the initiative in their workplaces to improve awareness in the group as a whole.

Regarding individual laws and regulations on business implementation, the Mitsui Chemicals Group conducts training sessions, some of them by e-learning system, on compliance issues for our group employees several times every year. In fiscal 2006, a total of about 7,000 employees participated in these sessions.

Organization of the Group Risk Management System



Responsible Care Management

The Mitsui Chemicals Group is implementing responsible care (RC)*1 initiatives to harmonize our operations with the global environment. We are working to secure employees' safety and health, facility and product safety, and to reduce our environmental load.

Basic Policy Regarding the Environment, Safety, Occupational Health, and Quality

The Mitsui Chemicals Group is developing business activities based on a corporate mission which states: "Contribute broadly to society by providing high-quality products and services to customers through innovations, and creation of materials and products while keeping harmony with the global environment."

We conduct our business and manufacturing activities within the spirit of the MITSUI CHEMICALS GROUP ACTION GUIDELINES, with a high regard for customers recognizing that complying with laws and regulations and securing environmental preservation and safety are fundamental to corporate management. We are implementing this basic policy in relation to environment, safety (disaster prevention, product safety, occupational safety), occupational health and quality.

1. Environment

- Contribute to environmental preservation by developing new products and technologies.
- Assess and reduce the environment load of products through their entire life cycle, from product research and development to final disposal.

2. Occupational Health and Safety

- Give priority to securing safety, and aim for accident and injury-free operations.
- Promote the formation of an appropriate work environment and support for health enhancement of employees.
- Implement safety measures and procedures in handling chemical substances to prevent injury or harm to people connected with our activities, i.e., customers, employees and others involved in construction and logistics.

3. Quality

- Supply high-quality products and services that earn the trust and satisfaction of customers so that customers feel confident when using products for their intended applications.

4. Promoting Self-management

- Strive for continuous improvement in measures by way of self-management related to the environment, occupational health, safety, and quality, beginning with compliance with all applicable laws and regulations based on the principles of RC.

Established October 1, 1997
Revised April 1, 2006

*1 RC encompasses all those activities implemented by manufacturers of chemical substances in order to avoid pollution of the environment. These activities include improvements to methods and processes undertaken in order to preserve the environment or to protect the health of the general public, to protect employees' health, and to prevent damage to facilities. For further details, visit the website of the Japan Responsible Care Council (JRCC).



Responsible Care

http://www.nikkakyo.org/organizations/jrcc/top_e.html

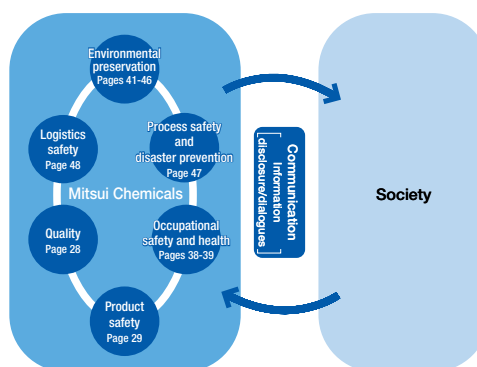
RC Management System

Mitsui Chemicals considers RC to be an integral part of our business philosophy and corporate mission. We have linked RC with other objectives to establish a unified management system.

We promote RC activities in many areas: environmental preservation; disaster prevention; occupational safety and health; product safety; quality; logistics safety; and social communication. We are working proactively to comply with legal regulations and also to minimize potential risks and disclose related information through a management system integrating an environmental management system (ISO 14001: year 2004 version), a quality management system (ISO 9001: year 2000 version) and an occupational safety and health management system (OHSAS 18001). Our goal is to attain sustainable development by running this management system as part of our overall corporate governance.

We use the "plan / do / check / act" (PDCA) cycle based on the RC management system in-house to minimize potential risks. We will encourage our subsidiaries and affiliates to do the same so as to promote RC activities throughout the Mitsui Chemicals Group.

Relationship between Mitsui Chemicals' RC Management System and Society



Flow of the RC management system



RC Promotion System

We promote RC activities under the supervision of the RC Committee, which is chaired by the director, in accordance with the CSR (Social Contribution) Committee Rules. Meetings take place twice a year to draft policies, strategies and plans concerning company-wide RC activities, evaluate RC performance, and review the system. Administrators of RC promotion (general managers) lead the activities in each division.

RC Committee

1. Organization

Chair: Designated director for RC Committee

Vice-chair: Designated director for occupational health

Members: Deputy Center Executive of Production & Technology Center, Managing Executive Officers with secondary responsibility for purchasing and logistics, general managers of works, General Managers of Planning & Coordination Divisions of Business Groups, Center Executive of R & D Center, General Manager of Logistics Division, General Manager of Human Resources & Employee Relations Division, General Manager of Production & Technology Division, General Manager of CSR Division, General Manager of Safety & Environment Division, General Manager of Quality Assurance Division

Secretariat: Safety & Environment Division

2. Tasks

- (1) To draft policies, strategies, plans, and measures concerning RC activities across the entire company
- (2) To evaluate company-wide RC performance, and to notify the facts and raise awareness of company-wide RC activities among employees
- (3) To evaluate RC audit results
- (4) To discuss important matters, including reviews of the RC system

Acquiring International Standard Certifications

Mitsui Chemicals has acquired certifications under international standards for quality, environmental preservation and occupational safety and health. All works have been certified under ISO 9001 (year 2000 version), ISO 14001 (year 2004 version), and OHSAS 18001. For ISO 14001, all works renewed the certification to the year 2004 version.

Mitsui Chemicals Group promotes certification by ISO 9001 (year 2000 version) and ISO 14001 (year 2004 version) international standards at domestic and overseas group companies.



Status of international certifications and RC audit results at group companies

RC Audits

Audits of Environment, Safety, Occupational Health and Quality at Operation Sites

The internal audits of environment, safety, occupational health and quality for Mitsui Chemicals' works (including on-site subsidiaries and affiliates*) and R&D center laboratories take place at the end of each fiscal year. These sites are audited for the accomplishment of respective annual goals as directed in the audit rules. The panel of auditors consists of the RC director, the RC managers of relevant departments, and other internal RC authorities. They not only hear reports but also conduct field audits through visits to sites and opinion exchange meetings with site managers.

The fiscal 2006 RC audit included a check of efforts related to an "Emergency Declaration," issued by the RC director at the end of November 2005, to prevent the recurrence of labor accidents, which had been occurring frequently.

*2 On-site subsidiaries and affiliates: Mitsui Chemicals' subsidiaries and affiliates located on the premises of regarding environmental and safety activities works, and under the control of the works Mitsui Chemicals' (37 companies).

Legal Compliance Audits at Works

We promote group-wide legal compliance efforts as a key issue. Company-wide measures include enhancing our audits and educational programs on legal compliance. In addition to legal compliance audits (performed by the Safety Audit Departments and the Safety Audit Sections of works) and autonomous inspection audits for safety practice certifications (by the Safety Audit Departments), we are making a concerted, group-wide effort through the head office auditing group to ensure strict compliance with laws and regulations.

In fiscal 2006, we conducted legal compliance audits based on the three safety laws (High-Pressure Gas Safety Law, Fire Services Law and Industrial Safety and Health Law), the Poisonous and Deleterious Substances Control Law and the Water Pollution Control Law twice for five of our domestic works. Our works certified for safety practices according to the High-Pressure Gas Safety Law (Ichihara Works and Iwakuni-Ohtake Works) and the Osaka Works were also audited concerning safety practice inspection and certification completion three times each.

The Osaka Works, which was decertified in October 2003 because of improperness in autonomous safety inspections required under the Japanese High-Pressure Gas Safety Law, was re-certified on March 31, 2006.

Environment, Safety, Occupational Health and Quality Audits for Subsidiaries and Affiliates

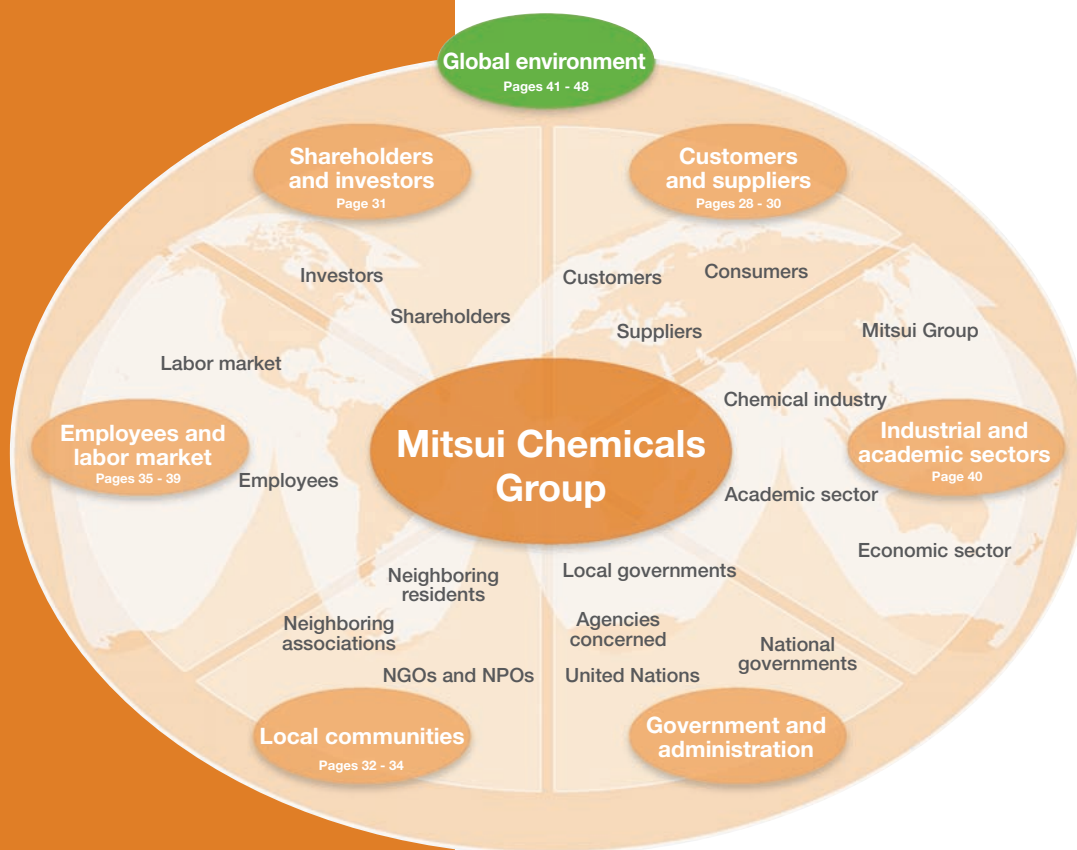
At Mitsui Chemicals, extensive audits of our subsidiaries and affiliates concerning RC activities are conducted by the relevant divisions in charge of respective subsidiaries and affiliates, and the Safety & Environment Division and the Quality Assurance Division. These units conduct investigations and evaluations of RC management based on reports from individual companies and inspection at sites. They also provide advice and guidance concerning remedial measures for the efforts at each company and they facilitate exchange of RC-related information. Additionally, these audits ensure that the excellent work of individual companies spreads to other companies.

In fiscal 2006, environmental and safety audits were conducted for 26 subsidiaries or affiliates (30 plants) and quality audits for 23 subsidiaries or affiliates (24 plants).

Social Report

The Mitsui Chemicals Group's business activities necessarily affect our various stakeholders around the world.

This section describes the efforts of the Mitsui Chemicals Group relevant to our stakeholders toward sustainable development of society and our enterprise.



Along with Customers and Suppliers

The Mitsui Chemicals Group is determined to supply products and services that earn the satisfaction of customers. Accordingly, we are striving to have dialogues with customers and suppliers and working to enhance our quality assurance and product safety management systems.

Dialogues with Customers

On May 26, 2006, our Functional Polymeric Materials Business Group held the Second Mitsui Chemicals Functional Polymers Forum at Roppongi Academy Hills with the participation of about 200 invited customers. Featuring collaboration among processors, manufacturers of finished products, and Mitsui Chemicals, the forum offered seminars and poster sessions with the key theme of "Creation of New Business Values through Quick and Specific Linkage of Needs and Seeds."

We create opportunities for dialogue with our customers, including routine visits for interviews and various exhibitions.



Second Mitsui Chemicals Functional Polymers Forum

Product Quality Assurance

Establishment of Quality Assurance Division

On June 27, 2006, Mitsui Chemicals established the Quality Assurance Division in its head office to reorganize the company-wide quality management system and raise the level of global quality management (quality assurance and quality control). We transferred the product quality assurance tasks from relevant business divisions to the new dedicated division to enhance the independence of quality assurance.

The Quality Assurance Division's many responsibilities include fixing product quality specifications, concluding

delivery specifications with customers, responding to complaints, preventing emerging and recurrent quality problems, auditing quality management conditions, approving changes concerning product quality and approving shipments. Other quality management tasks, such as quality design, process control and quality improvements, are undertaken by individual business divisions and relevant works as before.

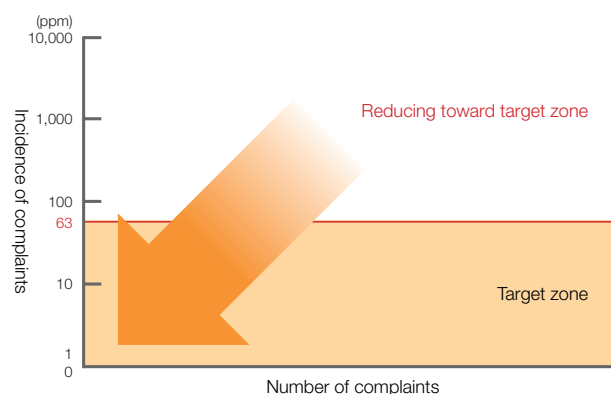
We will strive to enhance our quality assurance in the new organization to earn more trust from our customers.

Responding to Complaints

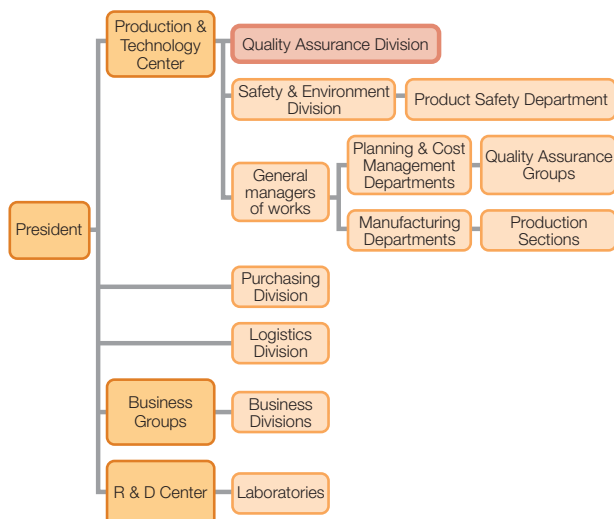
Mitsui Chemicals has been operating a "Complaint Management Workflow System" since fiscal 2005. We conduct computer-based surveys and analyses on complaints, suggestions and other input from customers to help prevent recurrent problems with product quality.

In fiscal 2005, we introduced the new approach of complaint rate (failure rate) management as an indicator for quality management levels. We are determined to watch the trends for complaints in terms of the indicator and the number of complaints and to consider appropriate preventive measures.

Reducing incidence of complaints



Quality Management Organization



Staff Comment

Akio Matsunaga
Quality Assurance Division

The Quality Assurance Division is the newest division established on June 27, 2006 in Mitsui Chemicals' Head Office. It assumes the heavy responsibility of assuring the quality of our products and enhancing quality management in the Mitsui Chemicals Group. Our hope is that this division's activities will soon be recognized not only internally, but also by our customers.

Along with Customers and Suppliers

Assurance of Safety of Chemical Substances and Products

Establishing the Product Safety Department

Mitsui Chemicals established the Product Safety Dept. in January 2006 to enhance our internal system for evaluating the safety of chemical substances and products. This is a company-wide organization responsible for safety tests and assessments, legal compliance and information management from scientific and expert viewpoints.

Existing functions concerning the safety of chemical substances and products were integrated into the new organization to enhance the system's ability to ensure safety and to make the management system more comprehensible to outside persons.

Safety Evaluation of Chemical Substances and Products

Our "ACCEL 21" product development and upgrading system specifies "responsible care (RC) actions" for chemicals under development. Specifically, a risk assessment is conducted before launching a new product, and safety measures appropriate to the degree of risk are established and implemented. We conduct two types of risk assessment. The first concerns workers who handle the product and the environmental impacts of the product. The second concerns the intended use (foods, medical products, cosmetics, etc.) of finished products.

In addition to the legally required safety tests, we undertake our own tests during risk assessment. Similar testing takes place in advance not only in cases where a new chemical substance is developed, but in cases of changes in manufacturing process or in the formula for existing products. If there is a considerable concern about the risks as based on assessment results, the feasibility of the product is discussed at "product safety meetings" and appropriate measures are taken.

Providing Safety Information and Responding to GHS

We prepare and provide material safety data sheets (MSDS's) for all of our products, including those not subject in the legal regulations. Additionally, warning labels are applied to product containers to draw the attention of the handler.

The United Nations has recommended that all member countries should introduce and disseminate GHS*¹ by 2008. In Japan, chemical manufactures will have to apply container labels meeting the GHS requirements to the substances specified in the Industrial Safety and Health Law implementing in December 2006. We are revising our classifications as well as our MSDS's and container labels to be in keeping with GHS categories not only for products covered by the law, but also for all other chemical substances and products we handle.

*¹ GHS: An abbreviation for Globally Harmonized System of Classification and Labeling of Chemicals

Joining the Japan Challenge Program

"The Japan Challenge Program" was instituted to accelerate the collection of safety information on existing chemical substances and disseminate it widely to the public with collaboration between industry and government. The program encourages companies to voluntarily collect safety information for 166 substances not presently covered under international data collection initiatives (substances that are manufactured or imported in amounts of not less than 1,000 tons per year in Japan). This information will be gathered and disclosed by 2008. Mitsui Chemicals is actively involved in this program, and we are compiling necessary data on four substances.

Developing a Safety Information Database to Support RC Activities

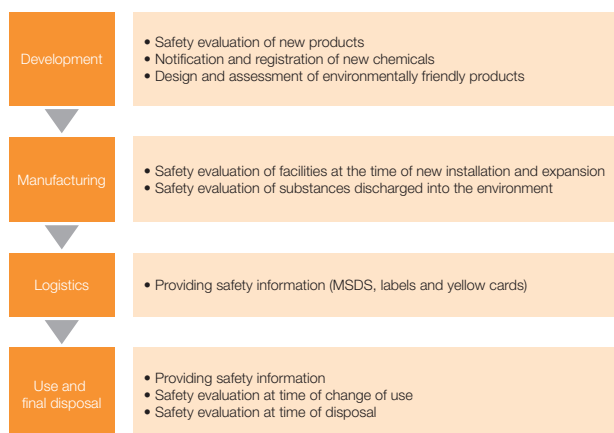
Mitsui Chemicals has developed a "safety information database for RC activities", allowing centralized management and sharing of safety data on chemicals and products throughout the company.

This database includes information specific to the substances that we handle, whether they be finished products, raw materials or ingredients. This information includes composition, intended use, hazards, applicable laws, classification, contents of hazardous substances. Also in the database is documented information (MSDS, Yellow Cards, accident information, etc.). Up-to-date information is accessible anywhere throughout the company.

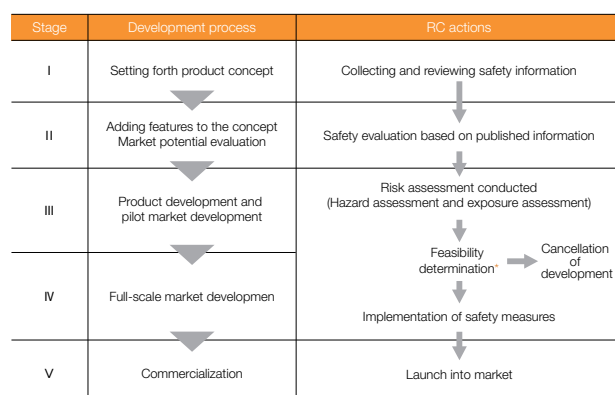
We will operate this database as an information management system to appropriately respond to new chemical legislation (REACH*², GHS and green procurement).

*² REACH: An abbreviation for Registration, Evaluation, Authorization and Restriction of Chemicals, new legislation about to be adopted by the European Union to control chemical substances.

Our efforts for product safety



New product safety evaluation system in ACCEL 21



* Feasibility determination: If there is a considerable concern about risks, feasibility is discussed at "product safety meetings".

Formulating the Purchasing Policy

The Mitsui Chemicals Group Purchasing Policy seeks understanding and cooperation by our suppliers concerning our purchasing activities.

The Mitsui Chemicals Group considers every supplier to be a good partner. Accordingly, we will strictly practice fair competition and trade in good faith. Following the three key pillars of the Group Action Guidelines (“We will always act in good faith,” “We will have a high regard for people and society” and “We will aim for ‘Dream-Inspiring Innovation’”) we have selected key items to be observed by the Purchasing Division.

Mitsui Chemicals and the purchasing departments of our group companies will conduct purchasing activities based on this policy from a global viewpoint.

CSR Procurement

We give priority to companies that satisfy the CSR requirements specified in our Purchasing Policy to build better partnerships with our suppliers.

As of September 2006, we are instituting a CSR procurement survey project for our suppliers. Based on the findings of the survey, we may ask our suppliers to make improvements.

Laws Applicable to Raw Materials Purchases and Survey of Products with Environmental Load

In recent years, there have been increased demands for the appropriate management of substances with environmental load and the disclosure of relevant information reaching back all the way to the raw materials purchased. This trend is conspicuous in the automobile and electric/electronics industries worldwide.

Against this background, in fiscal 2006 we instituted a project to survey responses to legal regulations covering materials purchased by our group and the presence of substances with environmental load therein. We have built a system for unified management of the findings in a database.

The substances that we survey were selected with reference to the Material Composition Survey and Response Manual of the Japan Green Procurement Survey Standardization Initiative (JGPSSI), a voluntary organization of companies belonging to the Japan Electronics and Information Technology Industry Association (JEITA).



Staff Comment

Yoshiko Numata
Purchasing Division

When I joined this company, I was not aware of environmental issues and didn't even know what green procurement was. In my position, I ask our suppliers to cooperate in our CSR procurement survey, and when I do so, I see myself as a global citizen. The duties of the Purchasing Division have been changing with the times.

Mitsui Chemicals Group Purchasing Policy

The purchasing departments of the Mitsui Chemicals Group consider every supplier to be a good partner for the Mitsui Chemicals Group in conducting purchasing activities that contribute to increasing the corporate value of our member companies. We understand the importance of fair competition and we trade in good faith seeking mutual sustainable development of corporate activities. We conduct purchasing activities following the Purchasing Policy stipulated below.

1. Legal Compliance

We will strictly observe laws and social norms in conducting purchasing activities.

2. Equal Opportunity and Transparency

We will be open to suppliers, both domestic and abroad, and provide equal opportunities for fair trade in good faith.

3. Harmony with the Global Environment

We will endeavor to purchase goods and materials with less impact on the global environment.

4. Choosing Suppliers from the Viewpoint of CSR

Seeking to build better partnerships, we will preferentially choose those companies that satisfy the following requirements:

- Strictly observe laws and social norms.
- Respect human rights and emphasize considerations for the labor environment.
- Be proactive for environmental preservation and safety assurance.
- Practice sound management.
- Provide appropriate quality, prices, delivery deadlines, etc. and strive to maintain and improve them.

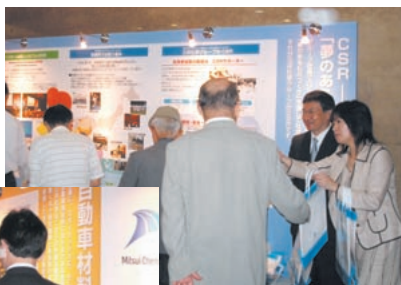
Along with Shareholders

We are determined to increase the transparency of our management and to continue stable payments of dividends and distribute profits in consideration of consolidated results from medium and long-term viewpoints to earn the trust of shareholders and investors.

Dialogues with Shareholders

At Mitsui Chemicals, general meetings of shareholders are opportunities for candid dialogues with our shareholders. Accordingly, we strive to answer shareholder questions straightforwardly to facilitate their understanding of us.

At the shareholders' meeting on June 27, 2006, we held an exhibition on the Mitsui Chemicals Group's products and CSR activities in the venue lobby after completion of the meeting.



Exhibition at the general meeting of shareholders

Information Disclosure

Adequate fluidity of shares and the participation of many individual investors in the stock market are essential to the vitalization of the stock market and the setting of appropriate stock prices. Therefore, we endeavor to disclose information appropriately.

Establishing a Division to handle IR matters

One director is given the specific task of overseeing IR* and public relations and under his leadership we disclose information. We have established the Corporate Communications Division as a contact liaison for the media, analysts and general public, and do our best to provide reliable information at appropriate times and to respond to inquiries courteously and properly.

*IR: Investor Relations, referring to the act of providing information to investors.

Explanatory Meeting for Analysts and Investors

We hold meetings to discuss our management status with analysts and institutional investors after announcing the annual settlement of accounts (May) and intermediate settlement (November).

IR Information on Website

Summary of financial statements, timely disclosure information, annual security report, materials for analysts and

institutional investors, status of corporate governance and convocation notice for the shareholders' meetings (including an English version) are posted on our website immediately after disclosing relevant information (press releases).



Annual Report and shareholders' leaflet



Basic Policy on Distribution of Profits

We place top priority on increasing company value by business expansion and growth. Accordingly, we view the return of profits to shareholders as a key issue of our management.

Regarding the distribution of profits, we endeavor to continue stable dividends and to return profits in consideration of consolidated achievements from medium and long-term viewpoints, considering both the return of profits to shareholders and our internal reserves.

We allocate internal reserves mainly to investments focusing on functional products, markets for high-growth areas and highly profitable businesses to improve our business achievements.



Staff Comment

Yasuyuki Katsumata
Corporate Administration Division

Part of my job is the timely disclosure of clearly worded corporate information to facilitate the running of the general meetings of shareholders. I try to prepare relevant documents from the viewpoint of our shareholders, which means illustrated presentations of our corporate outline and sales data and readable business reports.

Along with Local Communities

Coexist with local communities through active communications with the public, such as plant tours and other events at individual works, employee volunteer activities and issuing public relations papers.

Formulating the Social Activities Policy

We conduct social activities befitting our group on the basis of the Mitsui Chemicals Group Action Guidelines. To this end, we have formulated the Social Activities Policy bearing in mind the results of our long course of activities heretofore and society's CSR expectations.

A major feature of this policy is a well-defined scope of activities. The use and advancement of chemical technology is our primary business and therefore the area in which we can best make our mark. Based on results of activities up to now, it is also the field in which we can most expect steady development in the future. The policy also states that we will create a corporate culture that enables each employee to voluntarily participate in social activities.

We are reconsidering our activities from the perspective of this policy and conducting social activities with unified goals for the group as a whole.

Mitsui Chemicals Group Social Activities Policy

The Mitsui Chemicals Group will make constant efforts to:

1. Contribute to society at large by using and innovating chemical technology,
2. Coexist with local communities through active communication with the public,
3. Conduct activities that help foster the next generation responsible for ensuring the future on which the future of the earth relies,
4. Conduct activities for protecting the global environment,
5. Proactively act to promote international exchange and cooperation, and
6. Create a corporate environment that enables each employee to actively participate in social activities.

Dialogues with the Local Community

Meetings with Community Center Councils

At the Omuta Works, we hold regular meetings to exchange opinions with the community center councils in the areas adjoining the plant to facilitate mutual understanding. We describe the current situation at the works and ask the participants to express their honest opinions and suggestions concerning our operations there. In fiscal 2006, we began a new initiative to conduct cleanup activities in collaboration with three community center councils and 15 companies twice a year.



Issuing Public Relations Papers

In order to help local people understand the activities at our works and to promote communication with local communities, public relations papers are issued at least twice a year at each work.

The papers feature opinions from local residents, as well as descriptions of products manufactured at individual works and the status of environmental preservation efforts. The paper of the Osaka Works also features questions from local residents followed by our answers.



PR papers of individual works
(from left, Ichihara, Nagoya, Osaka, Iwakuni-Ohtake and Omuta Works)

Q 1) Why do flames shoot from the flare stack? The flames are easily visible from my house. I had trouble explaining it to my grandchild when he told me something was on fire. 2) An older person living in the vicinity of the works commented, "I don't like the red flame and great noise that comes from the stack." (50-year-old woman)

A At our works, we regularly inspect and maintain equipment but during shutdown or upon restart, flammable gas remaining in the equipment must be removed. To treat the gas safely, we burn it in the flare stack. Please understand that the flare stack is a safety apparatus.

Dialogue with local residents in PR paper
(from Takashinohama, the Osaka Works public relations paper)

Fifth Local Meeting for Discussion on RC Issues for wakuni-Ohtake District

At the Iwakuni-Ohtake Works, we held the fifth local meeting to discuss RC issues for the Iwakuni-Ohtake district jointly with five members of the Japan Responsible Care Council and two other companies on March 28, 2006. The meeting was attended by a total of 120 people from area neighborhood associations, governmental agencies, school personnel, neighboring companies and members of JRCC in other districts. After we and one other company reported on efforts for safety and prevention of disaster, we gave a plant tour to the participants.



Along with Local Communities

Activities Contributing to Local Communities

Participating in Mobara City Tanabata Festival

For 26 consecutive years, the Ichihara Works Mobara Center has participated in the Mobara Odori event of the Mobara City Tanabata Festival and always receive high prize, an event with a history spanning a half-century. A party of 110 employees from the Mobara Center, Functional Chemicals Laboratory, subsidiaries, affiliates and contractors came to this year's event with the motto of "Harmonization with Local Communities" and drew a cheer from local residents for their splendid dancing performance.



Cleanup Events around Business Sites

Mitsui Chemicals and many of its subsidiaries and affiliates conduct a regular cleanup campaign to straighten up the areas around their works and laboratories. We have also conducted cleanup campaigns in collaboration with the community, involving nine neighboring companies around Osaka Works (about 700 participants) and 14 neighboring companies and the community centers in the four school districts around the Omuta Works (about 1,000 participants).



Kashima Factory, Mitsui Chemicals Polyurethanes, Ltd.

Yao Factory, Yamamoto Chemicals, Inc.



Opening Facilities to the Public

The Nagoya Works opens its facilities both indoors and out to local residents. The large field, located near a railway station, is used more than 200 days per year for such events as boys' soccer games, elderly persons' ground golf meets, and baseball tournaments sponsored by municipalities. A total of about 9,000 people use it every year.



Nurturing a New Generation

Wonders-in-Chemistry Class

We started the "Wonders-in-Chemistry Class" for children at the Sodegaura Center in fiscal 2005. In fiscal 2006, its second year, two sessions were held, one for fifth and sixth graders from local elementary schools in Sodegaura, Chiba (111 participated) on August 2-3, and one for children of employees working at the Sodegaura Center on August 24 (49 participated). The participants enjoyed "Dream-Inspiring Innovation" through lab tours and marvelous experiments. We will increase the number of venues to provide greater access to raise young people's awareness of the wonders and fascination of chemistry under the lead of the CSR Supporters.



Staff Comment

Miyuki Konno

Polymerization Catalysis Group,
Catalysis Science Laboratory

During the planning stages, I was anxious about whether the participating children would really enjoy and understand the experiments. But once they were in the program I could hear them say things like "Great!" and "Beautiful!" It also reminded us about the wonders and fascination of chemistry.

Donating School Supplies to Elementary Schools (Indonesia)

P.T. Cosmo Polyurethane Indonesia and other Japan-affiliated companies located in Indonesia make it a rule to donate school supplies, such as notebooks, pencils and erasers, to all pupils at two area elementary schools every April and October.

Employees, including those who graduated from the same elementary schools, hand over the gifts to each child.



16th Minami-Mitsui Chemicals Cup Soccer Meet

The Ichihara Works supports the boys' soccer meet sponsored by a local soccer club every December. This year's meet was joined by a total of 20 teams, which fought a hard battle for the championship cup. Ichihara Works warms up the event by offering miso soup every year. We



will continue to support the event to encourage the next generation to grow soundly.

Donation to Business School of Institut Teknologi Bandung (Indonesia)

The Business School of the Institut Teknologi Bandung (ITB) of Indonesia conducts case studies and collects data on business activities of Japan-affiliated companies and summarizes the findings into teaching materials for their MBA students. Mitsui Chemicals donated \$75,500 (about ¥8.5



million) to cover part of the expenses. A retired employee of Mitsui Chemicals provides guidance for local staff as the leader of the studies and data collection.

Scholarships for Students Studying Environmental Issues (United States)

Every year, Mitsui Chemicals America, Inc. and Anderson Development Company (ADC) offer scholarships for two selected seniors at high schools located near ADC who wish to study environmental issues at university. Eighteen



students have received this scholarship since it was first offered in 1998.

International Exchanges

Training for German Students

We accepted two German students referred by the Federation of Japan-Germany Societies for three weeks from the end of August 2005. As interns, they were proactively engaged in training at our Head Office and their attitudes encouraged employees at the hosting workplaces.



Accepting JICA Trainees

The Iwakuni-Ohtake Works has accepted trainees from abroad as part of our project for international cooperation in the environmental field since 1995. In October 2005, we provided a training program for 10 students of JICA's Southwest Asian Area Anti-pollution Administration Course in the Iwakuni-Ohtake Works. The students expressed a wish to be leaders in environmental efforts in their own countries by conveying what they had learned about harmony with the environment and social contribution.



Support for Disaster Recovery

Volunteer Activities for Typhoon Damage Recovery

Fourteen employees from the Iwakuni-Ohtake Works, subsidiaries and contractors provided voluntary support for recovery from the damage of Typhoon No. 14 of September 2005. They visited houses of victims in Mikawa Town (now incorporated into Iwakuni City), Yamaguchi Prefecture, and were involved in operations, including mud removal from under floors and disposal of garbage.



Contributions for Disaster Recovery

Mitsui Chemicals has donated money for disaster recovery worldwide.

- Mitsui Chemicals donated 1 million yen to the American Red Cross through the Japan Business Federation in response to a massive hurricane that struck the southern US in August 2005. Subsidiaries and affiliates located in the country also donated a total of over \$20,000.
- Mitsui Chemicals donated 1 million yen to the Indian and Pakistan governments through the Japan Chamber of Commerce and Industry in response to a massive earthquake that struck northern Pakistan in October 2005.
- Mitsui Chemicals donated 10 million yen to the Indonesian government through the Indonesian Embassy in Japan in response to a massive earthquake that struck central Java in Indonesia in May 2006.

Along with Employees

The Mitsui Chemicals Group strives to motivate its employees in their lives and work so that they may achieve happiness and fulfillment. Giving top priority to occupational safety and health, we are constantly developing an appropriate work environment and promoting our employees' own activities to stay healthy.

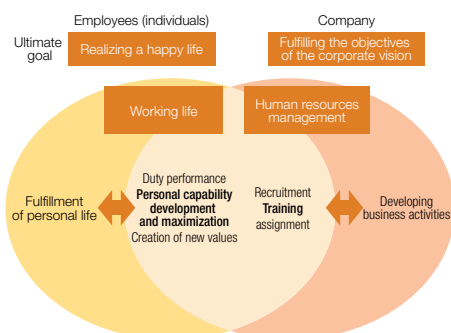
Fostering Human Resources

Stance on Fostering Human Resources

"Aspiring to a strong and competitive position in the global market, we provide an ideal working environment for employees who continue to develop themselves in close communication with others, with the aim of realizing employee happiness and fulfillment." This is quoted from our basic policy on human resource development.

We have based our unique educational system on this concept, so that employees set forth their own goals, freely choose the programs they need from those offered and independently strengthen their skills. We provide maximum possible support for employees who have high aspirations to deepen their expertise and acquire knowledge outside their current areas.

Relationship between employees and company



Internship System

We offer internships to domestic and overseas students to familiarize them with chemistry on an actual job site where products are created in the chemical industry. We will continue to speak up for the significance of chemical technology, the utility of chemical products, and "Dream-Inspiring Innovation" by raising public awareness of the wonders and the fascination of chemistry.



Fiscal 2006 internship students

Relationship between Mitsui Chemicals and Labor Based on Frank Dialogues and Mutual Understanding

Under the shared philosophy of "developing cooperation between labor and management through frank dialogues and mutual understanding" as advocated in our labor agreements, regular meetings are held to exchange opinions with the Mitsui Chemicals Labor Union.

Comment from Labor Union

Takahiro Akita President, Mitsui Chemicals Labor Union

Since the merger of labor unions in October 2002, we have been constantly endeavoring to have two-way communication under the shared philosophy of "frank dialogue and mutual understanding" as advocated in the labor agreements, and we have built a stable relationship between labor and management with a sense of unity.

We employees cannot work with a sense of security or make a daily living unless the Mitsui Chemicals Group achieves sustainable development while earning the trust of society. Through its business activities the group carries out CSR activities that lead to social contribution, and the Mitsui Chemicals Labor Union provides active support for these initiatives, for example by having a member of the union's executive committee take part in the CSR Supporters system.

At labor-management meetings and other occasions, we have made various proposals concerning all aspects of business management, from the viewpoints of legal compliance and creating a sound and comfortable workplace that allows

each employee to feel motivated in life and work. In these ways we have played a role as a check and balance to management.

"Promoting the happiness and fulfillment of employees," as advocated in the corporate vision statement, has the same objective as "Promoting the happiness of our members," the organizational vision for our union. We will continue to support and promote the CSR activities of the Mitsui Chemicals Group while providing checks and balances as a labor union through the exchange of frank opinions between labor and management. We are determined to help the company conduct business activities based on the Action Guidelines formulated under the themes of "Always in Good Faith," "For People and Society," and "Dream-Inspiring Innovation" in harmonization with each employee's feeling of being motivated to live and work, and to allow "Shift from Commodities to Specialties" as advocated in the medium-term business plan.



Human Resources Management Policy Established

The Mitsui Chemicals Group has formulated the Human Resources Management Policy to express our attitude toward employees and the labor market, two of our most important groups of stakeholders. This policy provides our basic stance on Human Resources management.

Human Resources Management Policy of Mitsui Chemicals Group

The Mitsui Chemicals Group ("MCI"), based on "the Action Guidelines", will establish organization and engage in recruiting, assignment, training, evaluation and compensation towards realization of "Corporate Mission" and "Corporate Targets" stipulated in Corporate Vision.

1. "Dream-Inspiring Innovation"

(1) MCI will expect employees to try the following actions stipulated in "the Action Guidelines", highly appreciate such employees and offer appropriate environment for them to give full rein to their strengths:

- To challenges unflinchingly with full trust in your potential and no fear of failure.
- To create novel values by enhancing your sensitivity.
- To consider and act proactively based on the actual data and facts at workplace.
- To aim to be world-class professionals with a global view.
- To cultivate the next generation by passing on our experience and technologies.
- To integrate individual strengths into the organization through active communication.

2. "Always in Good Faith"

- (1) MCI will require employees to "act in good faith" as stipulated in the "the Action Guidelines", highly appreciate such employees and offer appropriate environment for them to give full rein to their strengths.
- (2) MCI will comply with all labor and employment laws wherever it operates.
- (3) MCI will disclose its rules and operate fairly and with justice according to the rules regarding recruiting, assignment, training, evaluation and compensation of employees without any discrimination against gender, race, nationality, age, religion and disabilities.

3. "For People and Society"

- (1) MCI will expect employees to "have a high regard for people and society" as stipulated in the "the Action Guidelines", highly appreciate such employees and offer appropriate environment for them to give full rein to their strengths.
- (2) MCI will protect employees' safety and health in the workplace.
- (3) MCI will not tolerate any form of harassment, support and respect the protection of human rights.

4. Human Resources Practices

MCI, based on the above, will conduct Human Resources Practices under the following policies:

	A. Toward sustainable growth of the company	B. Toward happiness and fulfillment of employees
Organization	To create organization based on the strategy and conduct job allocation suited for realization of the strategy	To conduct job allocation in consideration of each personal motivation and capability
Recruiting	To carefully recruit human resources that contribute to the organization's growth	To give opportunities for employment equally to motivated and capable human resources
Assignment	To promote proactively human resources that yield fruitful results	To allocate suitable jobs for employees so that they can exercise their motivation and capabilities
Training	To foster world-class professionals from a long-term perspective	To assist employees in making self-reliant efforts to become world-class employees
Evaluation	To evaluate achievement appropriately	To conduct fair evaluation that leads to enhancement of motivation and capability
Compensation	To conduct compensation system that is competitive from the aspects of cost	To conduct compensation system that is competitive from the aspects of securing motivated and capable human resources

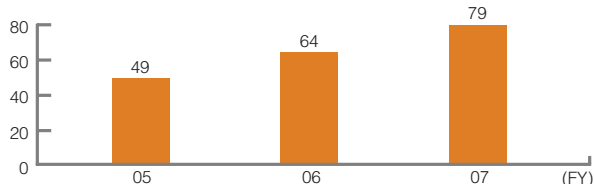
Along with Employees

Regard for Diversity of Personalities and Views

Promoting Gender Equality

Mitsui Chemicals established the Promotion and Development of Women Team on May 1, 2006, to promote positive action for gender equality. Specifically, we are improving the workplace culture, supporting talent development, reforming the workplace environment, providing opportunities for raising awareness among female employees and conducting regular self-checks to find how often women are appointed to managerial positions.

Number of female employees in managerial posts



Promoting Employment of People with Disabilities

Mitsui Chemicals has been striving to increase the employment of people with disabilities. We met our legally required employment ratio (1.8%) in fiscal 2006, as in the previous year. We will continue to promote the employment of people with disabilities while improving the workplace environment so that they can maximize their capabilities and work safely in the company.

Employment rate for the handicapped

FY2004	1.76%
FY2005	1.86%
FY2006	1.93%

Support for Employee "Work / Life Balance"

A declining birth rate, an aging population and the predominance of the nuclear family characterize the Japan of recent years. In response, we have introduced programs to help secure appropriate appointments and income for employees in need for child or family care to help them reconcile the demands of jobs and home and allow them to work with confidence.

Support programs

Considerations for time off and leaves	<ul style="list-style-type: none"> • Nursing care holidays • Special holidays • Childcare leave • Extended care leave
Considerations for working hours	<ul style="list-style-type: none"> • Shorter work hours for those bringing infants to nurseries • Shorter work hours for caregivers • Limitation of overtime work (childcare and family care) • Limitation of late night work (childcare and family care)
Income considerations	<ul style="list-style-type: none"> • Maternity pay • Childcare assistance • Family care assistance • Home helper service assistance

Re-employing the Elderly

In response to the revised Law concerning Stabilization of Employment of Older Persons, we introduced a re-employment system for the elderly in April 2006.

We provide various opportunities for skilled and talented older employees to work in confidence after retirement to accommodate their diverse life plans.

Providing an Environment for Employees to Work in Confidence

We have introduced a variety of forms of employment, including flex time and discretionary work, to allow employees to work efficiently and comfortably. We also strive to appropriately manage work hours to prevent overwork and have employees who work long hours meet with an industrial physician for advice.

Commendation Systems

We have established internal commendation systems, including company-wide commendations and production section commendations, to increase employee motivation to accomplish business goals and to reform corporate culture.

Staff Comment

Chiho Tanaka

Team Leader, Promotion and Development of Women Team, Human Resources & Employee Relations Division



The Promotion and Development of Women Team was established in response to President Fujiyoshi's top-down decision. A company where female employees are active is vital as a whole. To this end, we pursue four endeavors: helping female employees develop their talents, improving the workplace culture (or awareness) to enable female employees to work more actively, building networks where women can consult with others face-to-face, and providing an environment where employees can work with confidence and achieve work / life balance.

Creating a Safe Workplace

Mitsui Chemicals strives to prevent labor accidents through activities to create a safe workplace, based on the Occupational Safety and Health Management System (OHSAS 18001). An integral part of this program is to raise employees' awareness of safety and to improve risk responsiveness at our facilities. In fiscal 2006, we implemented a company-wide safety campaign focusing on keeping safety practices meaningful and not mere mannerisms and also evaluating workplace culture by external safety assessment and appointing Instructors of Occupational Safety Technology. Unfortunately, however, labor accidents increased significantly.

Reducing Safety Risks

We strive to reduce safety risks in accordance with OHSAS 18001. At the end of fiscal 2006, 224,457 specific tasks were examined, of which 220 (0.1%) were rated as risk levels V or IV (the unacceptable levels), a decrease from the fiscal 2005 number of 493 (0.18%). Immediate measures are being taken to reduce the risk levels for these operations. We are also planning to mitigate the dangers in operations rated as level III, which represents risks to be controlled systematically.

Occurrence of Labor Accidents

In fiscal 2006, both the labor injury rate (lost-time injuries + non-lost-time injuries, including on-site subsidiaries and affiliates (page 26) as well as contractors) and the lost-time injury rate increased significantly, to 1.2 (from 0.7 in fiscal 2005) and 0.5 (from 0.2 in fiscal 2005), respectively. In particular, employees of work contractors were involved in an increased number of labor accidents, 2.8 times the previous year's. Many of the labor accidents were caused by human factors, as in the previous year, accounting for more than 50% of the total cases.

In November 2005, a serious labor accident occurred in which a worker's left hand was caught in a rotor. Noting this accident and the frequent occurrence of labor accidents at contractors, the Production & Technology Center Executive issued an emergency declaration. We again raised awareness of safety management by providing direct explanations at all works concerning safety management as the responsibility of line managers and also addressing safety management at contractors.

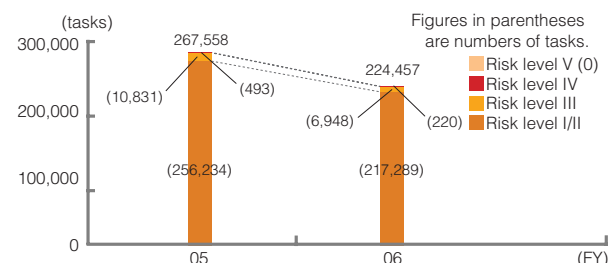
Evaluating and Improving Workplace Culture by External Safety Assessment

External experts conducted safety assessment for us at all of our works. As a result, the overall safety rating was determined to be slightly lower than the average for manufacturing industries, and a problem was pointed out concerning a discrepancy in safety awareness between managers and operators. In fiscal 2007, we will take bottom-up measures (raising awareness among operators through safety education and building a sense of fellowship among operators through safety discussions attended by representatives of workplaces) to eliminate this discrepancy and to further raise safety awareness.

Providing Field Guidance and Support at Domestic and Overseas Operation Sites

We are determined to provide appropriate guidance and support for various activities at manufacturing sites. In fiscal 2007, we are dispatching Instructors of Occupational Safety Technology to overseas subsidiaries and affiliates. Group company retirees with strong safety awareness are also dispatched to domestic operation sites.

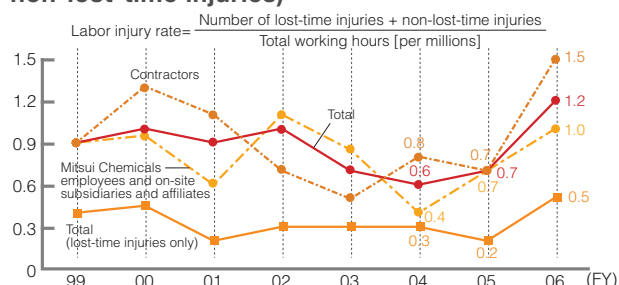
Breakdown of safety risk assessments



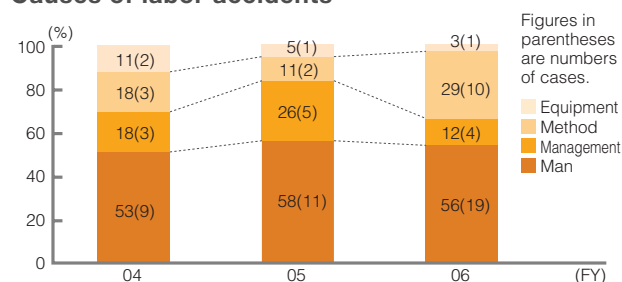
Risk level table

Risk level	Measures
V	Take immediate measures or discontinue operation.
IV	Take measures within a given period.
III	Draft measures within a given period and implement them systematically.
II	Equipment upgrading is unnecessary. Improve procedures.
I	No action is necessary.

Changes in labor injury rate (lost-time injuries + non-lost-time injuries)



Causes of labor accidents



Staff Comment

Yoshiaki Wada

Instructor of Occupational Safety Technology,
Safety & Environment Division



In my position, I provide safety education for managers and foreman class members at overseas subsidiaries and affiliates to support their RC activities. I hope to help improve the safety levels at subsidiaries with my 40 years of field experience and from what I have learned through internal and external educational programs.

Along with Employees

Promoting Employee Health

Our philosophy in implementing health measures is that employee health is linked directly to corporate soundness. We have health management offices at the head office, Sodegaura Center and all five works, where exclusively contracted industrial physicians, health nurses and health managers are available to improve the health of group company employees.

Reducing Occupational and Health Risks

We endeavor to reduce occupational and health risks and to improve the workplace environment by using occupational health and safety management systems (OHSAS 18001) and workplace visits by industrial physicians and health managers.

In fiscal 2006, the number of risk events increased to 42,953 from the fiscal 2005 level of 41,833 because of reviews of risks and identification of new ones. However, we had no cases of risk level V, which represents an unacceptable level of risk, and significantly decreased cases of risk levels III and IV, which represent relatively high levels, thanks to upgrading of equipment and changes to working procedures.

Changes in occupational and health risks

	FY2004	FY2005	FY2006
Total number of cases	34,771	41,833	42,953
Risk level III	11.62%	8.71%	5.84%
Risk level IV	0.24%	0.34%	0.15%
Risk level V	0.009%	0.007%	0%

Risk level

V : Take immediate measures or discontinue operation.

IV : Take measures within a given period.

III : Draft measures within a given period and implement them systematically.

II : Equipment upgrading is unnecessary. Improve procedures.

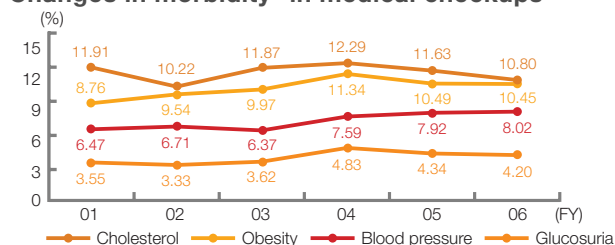
I : No action is necessary.

Health Management

Industrial physicians, health nurses and others check the health status of employees through regular medical check-ups and health consultations and provide thorough health advice. At all of our business sites, we are conducting a variety of health promotion activities, including walking events, relay road races, inter-workplace sports competitions, fitness classes and dietary habit improvement programs. As a result of these efforts, the risk for lifestyle-related disease has tended to decrease.

In fiscal 2006, we made active use of health promotion classes, implemented an Internet-based self-health promotion program and provided health promotion support with health nurses. These efforts resulted in better lifestyles and improved cholesterol levels.

Changes in morbidity* in medical checkups



*Morbidity: Ratio of subjects at risk for each item

Regarding the asbestos issue, we conducted a company-wide survey on our past operations involving asbestos. Medical checkups were performed on both active and retired employees and a contact liaison was made available. We also provide support for hospital visits.

Mental Health Measures and Communication Enhancement Plan

We have continued to implement Internet-based training (e-learning) for employees based on taking stress checks and cognitive behavioral therapy. Self-assertion has also been added to the e-learning program.

We also conducted the Occupational Stress Questionnaire as part of the program for systematic mental health measures. Workers and workplaces received the results as feedback. In addition, the Communication Enhancement Plan to promote stress management for the entire workplace was implemented company-wide based on the findings of the survey. As a result, about 60% of the workplaces implementing the plan achieved improvements in internal communication.

Lost-time illness statistics revealed that at last we are stemming the increase in the number of work days lost for mental health reasons.

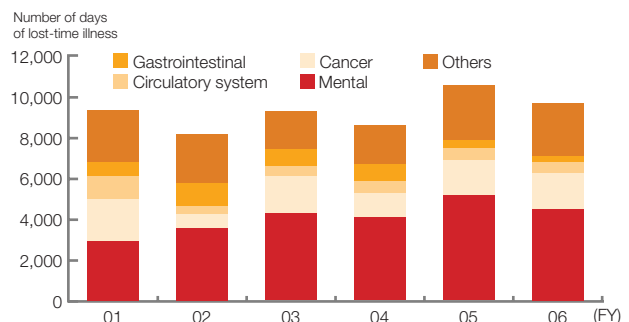


Health building class (fitness class at the head office)



Mental Health Promotion Plan

Breakdown of lost-time illness



Staff Comments

Mayumi Yokoo (left)

Nao Iwahara (right)

Health Care Section,
Human Resources &
Employee Relations Division



At our posts, we are working at individual business sites to achieve the goal of "Being mindful of enhancing our health and making our workplaces vibrant" in order to provide the health management that employees expect. We are doing our best to provide programs that enable each employee to build their health comfortably, while pursuing new ideas every day.

Along with the Industrial and Academic Sectors

We conduct a broad range of activities for sustainable development of chemistry and the chemical industry, based on our global science network. These activities include sponsoring international symposiums and the Mitsui Chemicals Catalysis Science Award.

Contributing to Science and Technology

In the 21st century, science and technology will further contribute to the development of human life and economic society and hence to the sustainable development of the world. A truly affluent society cannot be created unless different industries and businesses based on science and technology challenge themselves to create new wisdom beyond the barriers of fields and sectors.

We sponsor international symposiums both in Japan and abroad. With a focus on the field of functional materials that will contribute to the development of affluent society and the catalysis science that creates these materials, we provide opportunities for exchange among researchers worldwide and between industrial and academic sectors. In 2004, we established the Mitsui Chemicals Catalysis Science Award to commend researchers all over the world who have contributed to the development of catalysis science.

Singapore International Symposium 2006

Mitsui Chemicals hosted the Singapore International Symposium (SIS2006) jointly with Singapore's Agency for Science, Technology and Research (A★STAR) and Economic Development Board (EDB) at Biopolis, Singapore on April 17 and 18, 2006.

The Mitsui Chemicals Group has been conducting business in Singapore for 40 years. Based on this experience, we held the symposium to foster partnerships between research institutions and corporations in the field of advanced materials and chemicals in Asia. The event included lectures by prominent researchers and poster sessions. The symposium was joined by about 300 persons from the industrial, governmental and academic sectors mainly from Southeast Asia, who actively exchanged opinions and expanded relationships.



Staff Comment

Ms. CHAN Weixuan
Senior Officer,
The Agency for Science, Technology
and Research, Singapore

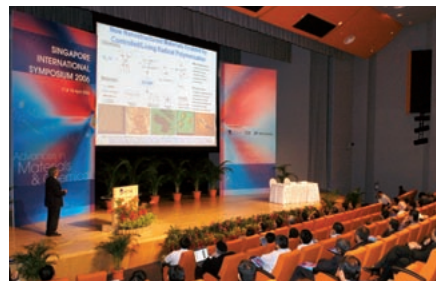
The cooperative spirit that lies at the heart of Mitsui Chemicals International Symposium (MICS) remained strong at the Singapore International Symposium (SIS2006). SIS2006 was highly successful in fostering research dialogues across various organizations and strengthening the R&D network in Singapore and around the region. I had the privilege of interacting with great people from Mitsui Chemicals, SIS2006 Speakers and all who attended the Symposium. May there be many more successful Symposiums to come.

International symposiums held by Mitsui Chemicals

International symposium	Venue	Year held
The first Mitsui Chemicals International Symposium on Catalysis Science (MICS2003)	Kisarazu, Chiba Prefecture (Kazusa Akademia Hall)	2003
Mitsui Chemicals Symposium at ISIS-UPL	France (Louis Pasteur University)	2004
The second Mitsui Chemicals International Symposium on Catalysis Science (MICS2005)	Kisarazu, Chiba Prefecture (Kazusa Akademia Hall)	2005

Mitsui Chemicals Catalysis Science Award

Title of award	Year 2005 recipients	Outline of award
Mitsui Chemicals Catalysis Science Award	Prof. Eric N. Jacobsen Harvard University	Candidates: Researchers aged 45 years or younger belonging to institutions of higher learning or public research institutions Prizes: Commemorative plaque and a cash of 5 million yen
	Prof. Shu Kobayashi The University of Tokyo	
Mitsui Chemicals Catalysis Science Award of Encouragement	Associate Prof. Ryoichi Kuwano Kyushu University	Candidates: Researchers aged 35 years or younger belonging to institutions of higher learning or public research institutions Prizes: Commemorative plaque and a cash of 1 million yen
	Associate Prof. Kenichiro Itami Nagoya University	



A lecture session at the Singapore International Symposium



Poster session



Staff Comment

Michio Tanaka
R&D Planning & Coordination Division

I acted as secretariat for the symposium and the Catalysis Science Award. Although I was nervous about it, I learned much and was impressed greatly at these occasions. I'd like to express my deep thanks to everyone who helped. I hope I will be able to make further contributions through various events.

Environmental Report

The Mitsui Chemicals Group works to stay in harmony with the global environment as it conducts its business worldwide.

Described below are the results of our efforts to reduce environmental loads of our operations and our initiatives for global environmental preservation.

Environmental Impacts of Mitsui Chemicals

Inputs

Energy	
Total fuel heat (GJ)	62,649,838
Purchased electricity (GWh)	1,266
Total purchased gas (million Nm ³)	380
Purchased materials	
Purchased raw materials (thousand tons)	7,427
Other purchased materials (thousand tons)	26
Water resources	
Tap water and sewage water (million m ³)	0.8
Underground water (million m ³)	0.7
Industrial water (million m ³)	93
Seawater (million m ³)	456

Mitsui Chemicals*

Outputs

Products, etc.	
Products shipped (thousand tons)	7,073
Electricity delivered (GWh)	202
Steam delivered (thousand tons)	831
Fuel delivered (thousand tons)	198
Atmospheric emissions	
CO ₂ (thousand tons)	5,586
NO _x (tons)	3,475
SO _x (tons)	757
Hazardous air pollutants (tons)	110
Non-methane VOCs (tons)	5,323
Soot and Dust (tons)	224
Industrial waste	
External recycling (tons)	76,371
External final disposal (landfill) (tons)	30,816
Water discharged	
COD (tons)	1,331
Total nitrogen (tons)	1,469
Total phosphorus (tons)	35
Effluent (million m ³)	528

* The data for Mitsui Chemicals reported in this section include those for on-site subsidiaries and affiliates (page 26).



Business Activities and Environmental Load

The Mitsui Chemicals Group has introduced an environmental accounting system and is actively investing in environmental preservation. We are working for the sustainable development of society and our group companies by introducing eco-efficiency as the indicator of a good balance between economic benefit and environmental load in our business operations.

Environmental Accounting

Mitsui Chemicals has made significant investments in RC activities, including environmental preservation and occupational health and safety. We have introduced an environmental accounting system in accordance with the Guidelines of Japan's Ministry of the Environment. We operate this system to quantitatively express and disclose our environmental preservation costs and effects to give transparency to our efforts.

Fiscal 2006 Results

The investments in environmental preservation amounted to approximately 3.4 billion yen and the expenses amounted to approximately 19.5 billion yen. The investments were spent to take measures against volatile organic compounds (VOCs) released into the atmosphere, to take actions against offensive odors, to reduce wastewater volume and to reduce wastewater sludge. The economic benefit of our environmental preservation activities, including resource and energy conservation, amounted to approximately 4.5 billion yen.

The investments in measures concerning occupational safety, disaster prevention and occupational health amounted to approximately 1.5 billion yen, spent mainly to improve equipment to prevent fires, explosions and labor accidents, and to implement measures against trespassing on the premises of our works.



List of investments concerning occupational safety, disaster prevention and occupational health

Major Environmental Enhancement Plans

We are implementing environmental preservation plans, including reductions of VOC and wastewater sludge with the aim of meeting our targets in Fiscal2007-Fiscal2008.



List of major environmental enhancement plans

Economic benefits of environmental preservation

(100 million yen)

Classification		Type of benefit	Value of benefit
Revenue	Income from recycling	Waste recycling	3
	Income from energy conservation	Energy conservation	42
	Income from resource conservation	Improved raw material efficiency	
Total			45

Environmental preservation costs

Classification		Major efforts	Investments	Expenses
(1)	Within-business-area costs (environmental preservation costs to reduce the environmental load of production and service activities within the business area)		34	143
(Breakdown)	(1)-1 Cost of preventing pollution	Measures against VOCs released into the atmosphere, measures against offensive odors, wastewater sludge reductions, etc.	(27)	(124)
	(1)-2 Cost of preserving the global environment	Energy conservation equipment	(3)	(1)
	(1)-3 Cost of recycling resources	Waste plastic recycling	(4)	(18)
(2)	Upstream/downstream costs (costs to reduce the environmental loads occurring upstream or downstream of production and service activities)		-	-
(3)	Management activity costs (environmental preservation costs associated with management actions)	Maintenance of environmental management systems, employee education, etc.	0	9
(4)	R&D costs (environmental preservation costs associated with research and development activities)	Development of products and processes for environmental load reductions, etc.	0	30
(5)	Social activity costs (environmental preservation costs associated with social activities)	Shared expenses for pollution, costs for greening, etc.	0	3
(6)	Environmental damage costs (costs related to environmental damage)	Environmental pollution (Nagoya Works) remediation, etc.	0	10
Total			34	195

*1 Scope: Mitsui Chemicals, Inc. and on-site subsidiaries and affiliates (page 26)

*2 Period: April 1, 2005 - March 31, 2006

Assessment of Environmental Impacts

Assessing Environmental Impact of Production Activities Using Eco-efficiency

The 1992 Earth Summit advocated improved eco-efficiency as fundamental to sustainable development. Eco-efficiency is an indicator of the environmental impact created in relation to products or services provided and is defined as the ratio obtained by dividing the value of the product or service by its environmental impact. Mitsui Chemicals is testing the use of the eco-efficiency concept to assess the balance between environmental preservation and economy in our business activities as a whole. To determine eco-efficiency, all forms of environmental load must be integrated. To this end, we use our own weighting coefficients as determined by the panel method developed by Professor Nagata of Waseda University, which is suitable for the chemical industry and Japan's environmental conditions.

Eco-efficiency = net sales / integrated environmental load indicator

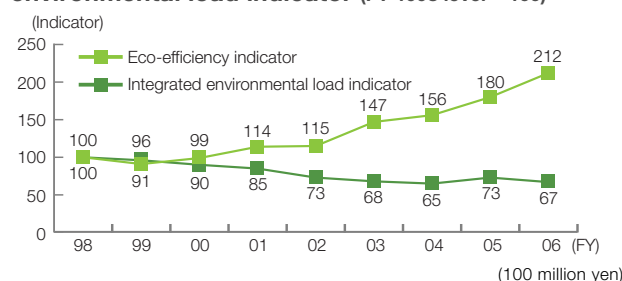
Eco-Efficiency Evaluation for the Business Activities of Mitsui Chemicals as a Whole

The eco-efficiency of the business activities of Mitsui Chemicals as a whole is calculated by dividing non-consolidated net sales by the integrated environmental load. Compared to the level of base year fiscal 1998, which is set at a benchmark value of 100, the eco-efficiency indicator improved steadily to 212 in fiscal 2006. This is attributed to an increase in net sales associated with upswings in prices of fuels and raw materials and a decrease in environmental load. We will continue to produce products with more added value in ways that create less environmental load as assessed by the eco-efficiency indicator.



Eco-efficiency indicator and integrated environmental load indicator

Changes in eco-efficiency indicator and integrated environmental load indicator (FY 1998 level = 100)



(100 million yen)

Commitment to Global Warming Prevention

The Mitsui Chemicals Group is striving to reduce greenhouse gas emissions to do our part in preserving the global environment through various approaches, including energy conservation at production sites and air-conditioning temperature adjustment at offices.

Greenhouse Gas Emission Reduction

Greenhouse gas (GHG^{*1}) emissions from Mitsui Chemicals and its domestic off-site subsidiaries and affiliates^{*2} (22 companies) amounted to 6.09 million tons in fiscal 2006, a decrease from the fiscal 2005 level of 6.36 million tons. This was mainly because of the energy savings resulting from a switch to purchased electricity with the stoppage of self-generating equipment at works, as well as changes we made to reaction conditions and decreased production due to regular shutdown for major facilities. Most of our GHG emissions result from energy use.

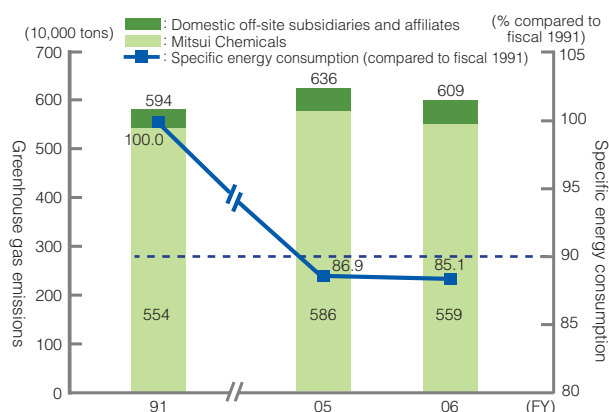
In the meantime, as to the chemical industry's goal of reducing fiscal 2011 specific energy consumption (energy consumption per unit of production) to less than 90% of the fiscal 1991 level, we attained to decrease to 86.9%.

GHG emissions for the entire Mitsui Chemicals Group are still 2.5% higher than in the base year 1991. We will make constant efforts to conserve energy for reducing these emissions and, if necessary, will consider applying the Kyoto Mechanism.

^{*1} GHG: An abbreviation for greenhouse gas. GHGs are gases that prevent solar heat from leaving the atmosphere, thus keeping the ground surface warm (i.e., the greenhouse effect). The Kyoto Protocol has specified CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆ as GHGs.

^{*2} Off-site subsidiaries and affiliates: Mitsui Chemicals' subsidiaries and affiliates located outside the premises of our works, having a manufacturing department and a share ratio exceeding 50%.

Changes in greenhouse gas emissions and specific energy consumption



* The figures for greenhouse gas emissions were obtained by recalculating our past data in accordance with the Law Concerning the Promotion of Measures to Cope with Global Warming as amended. These are total values of energy-related CO₂ emissions and other emissions converted to equivalents of CO₂ emissions, such as process-related emissions of CO₂, methane, dinitrogen monoxide and chlorofluorocarbons. The figures for specific energy consumption were also recalculated using the coefficient specified by the Energy Conservation Law as amended and a changed method of calculating units of production.

Installation of Biomass Boiler

Shimonoseki Mitsui Chemicals, Inc. had been producing steam with several heavy oil boilers but partially discontinued this in October 2005. Instead, the company installed a biomass boiler fired with wood chips in cooperation with an ESCO business operator^{*3}, and began producing steam from the new equipment. This installation is expected to reduce the emissions of greenhouse gases from fossil fuels by about 45% every year.



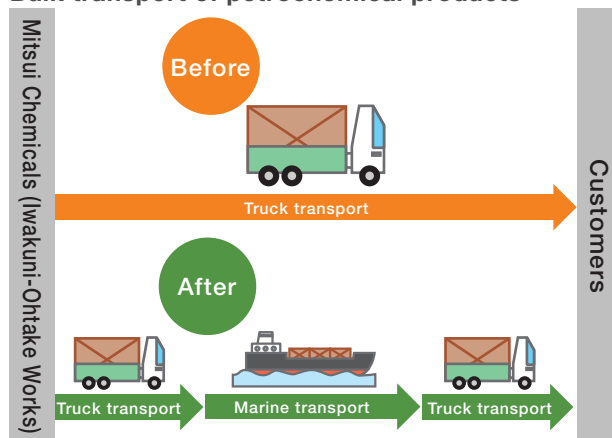
Biomass boiler at Shimonoseki Mitsui Chemicals, Inc.

^{*3} ESCO operator: ESCO is an abbreviation for energy service company. This is a form of business undertaken by a company with skills and experience in energy conservation seeking to improve energy efficiency at its customers by installing energy conserving equipment and providing technical know-how, human resources, funds and so on, and selling the energy generated from the equipment.

Reducing CO₂ Emissions from Logistics

The "Bulk Transport of Petrochemical Products" project of Mitsui Chemicals was designated as a model project for the Conference on Green Partnership in Japan, sponsored by Japan's Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure and Transport, and others. In cooperation with a logistics contractor, we have developed a type of bulk cargo container based on the general-purpose containers for resins produced at the Iwakuni-Ohtake Works. We are shifting from truck transport to marine transport to reduce 700 tons of CO₂ emissions from our logistic operations in fiscal 2007.

Bulk transport of petrochemical products



Commitment to Environmental Load Reduction

The Mitsui Chemicals Group is working to preserve the environment in two ways: reduction of the environmental load of our business activities, and appropriate management of chemical substances. We will continue to monitor our environmental load and make proactive efforts to preserve the global environment.

Reduction of Discharges and Emissions of Chemical Substances

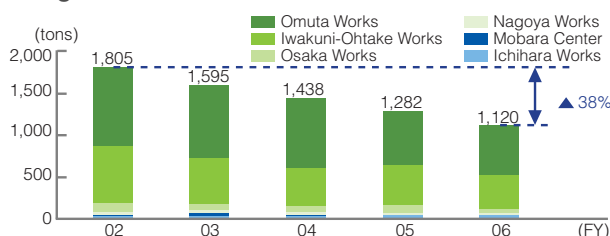
Chemical Substances Designated by PRTR Law

In June 2002, it became mandatory to notify the national government of the transfer amounts, discharges, etc. of all chemical substances designated under the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR^{*1} Law). We have steadily reduced the release of designated chemical substances into the environment over the last four years; the total amount released fell by 38% in fiscal 2006 compared to fiscal 2002.

^{*1} PRTR: An abbreviation for Pollutant Release and Transfer Register

WEB PRTR data by works

Changes in emissions of chemical substances designated in the PRTR Law



Volatile Organic Compounds (VOCs)

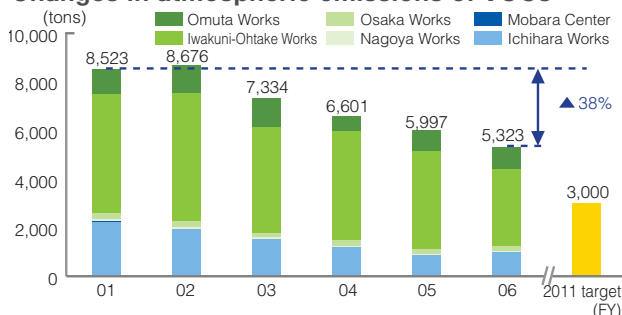
In May 2004, the Air Pollution Prevention Law was amended to regulate emissions of volatile organic compounds (VOCs^{*2}).

The Japanese government has set a numerical goal of reducing VOC emissions from stationary sources by 30% compared to fiscal 2001 levels by the end of fiscal 2011.

We have effected voluntary initiatives that have reduced VOC emissions by about 38% in fiscal 2006 compared to fiscal 2001. We have set a goal of further reducing VOC emissions by about 65% to 3,000 tons by fiscal 2011.

^{*2} VOC: An abbreviation for volatile organic compound

Changes in atmospheric emissions of VOCs



Hazardous Air Pollutants

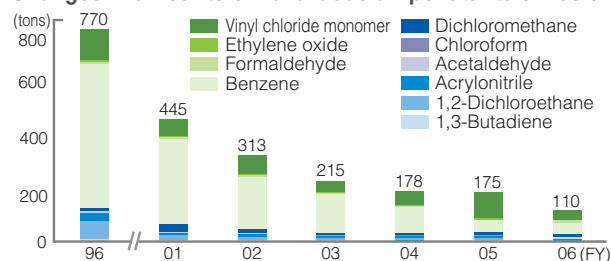
We presently use 10 substances designated in the Air Pollution Prevention Law; we make strong efforts to reduce their use in line with our voluntary guidelines.

The emission of benzene from the Iwakuni-Ohtake Works increased significantly in fiscal 2005. We installed oxidation catalytic combustion equipment to detoxify it and to recover heat in December 2005. For the emission of vinyl chloride monomer from the Omuta Works, measures to recover, detoxify and burn the emission gas will be taken in fiscal 2007. Measures are being considered for the emission of vinyl chloride monomer from the Osaka Works.



Oxidation catalytic combustion equipment at Iwakuni-Ohtake Works

Changes in amounts of hazardous air pollutants emission



Risk Management for Air Pollutants

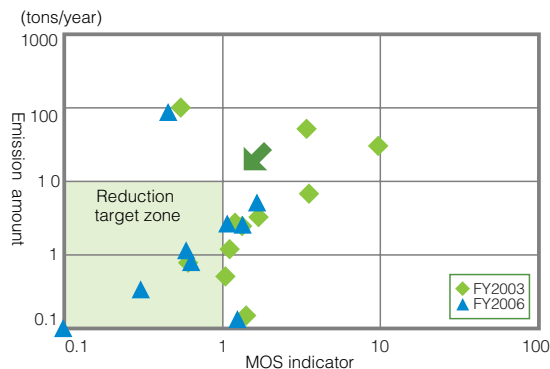
We conduct risk management for each air pollutant to maintain its concentration below the maximum allowance for human health as based on its harmfulness and estimated concentration in the atmosphere at the boundary of works.

We evaluate the concentrations of air pollutants with the MOS indicator^{*3}. Since fiscal 2004, we have been striving to reduce the MOS indicator of every substance below 1.0. In fiscal 2006, we reduced the discharge as shown in the figure below, and we will continue to achieve further reductions.

^{*3} MOS: An abbreviation for Margin of Safety

MOS indicator = (estimated concentration of test substance at the boundary of works) / (maximum allowable environmental concentration or voluntary control concentration of substance)

MOS reduction status



Commitment to Environmental Load Reduction

Industrial Waste Reduction

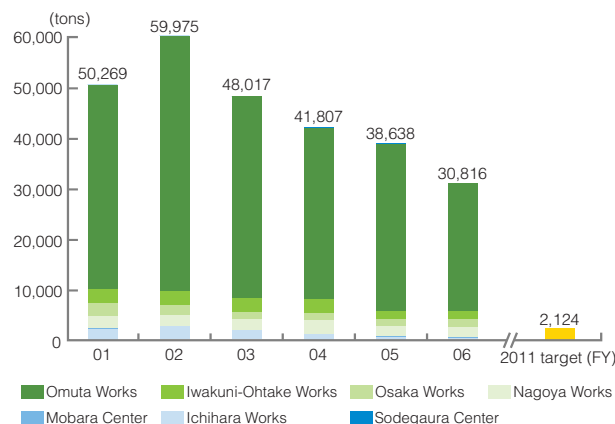
In fiscal 2005, we set a new goal of accomplishing zero emissions at all works by fiscal 2011. At Mitsui Chemicals, zero emissions is defined as a ratio of final disposal amount to the amount of industrial waste produced of not more than 1%.

We place top priority on the 3R* concept in handling industrial waste generated from our operations. Major types of waste are sludge and by-products (carbon, waste plastics, waste oil, etc.). We make proactive efforts for recycling (for cement raw materials, thermal recycling, etc.) and reusing these items. For difficult-to-recycle wastes, we try to reduce the volume generated.

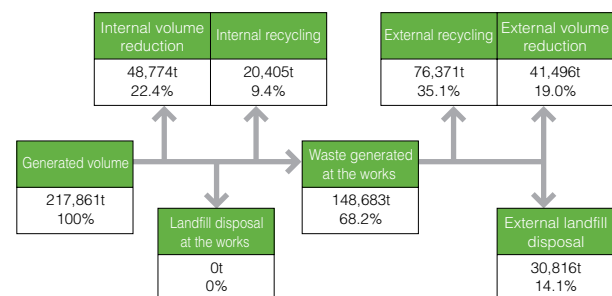
In fiscal 2006, the Ichihara Works attained the zero emissions goal by reaching 0.6%. The ratio was 3.0% for Mobara Center, 11.6% for Nagoya Works, 5.9% for Osaka Works, 4.2% for Iwakuni-Ohtake Works and 27.2% for Omuta Works. These works plants continue to push toward the zero emissions goal.

* 3R: An acronym for reduce (volume reduction), reuse (reuse of used articles) and recycle (efficient use of regenerated resources).

Changes in final disposal volume of industrial waste



Waste disposal by destination



Internal volume reduction: Volume reduced as a result of waste plastic incineration and waste acid neutralization

Internal and external recycling: Value including waste plastic recycling and the fuel use of waste oil

Generated volume: Sum of sludge, waste plastics, soot and dust, etc.

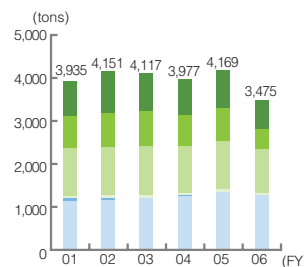
(the figures for sludge are based on dewatered weight)

Reduction of Air and Water Pollutants

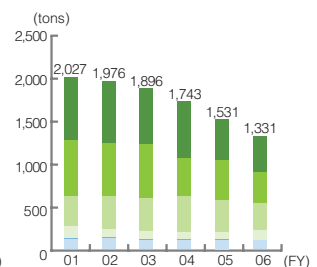
Mitsui Chemicals has been striving to reduce the burdens of atmospheric emissions of hazardous air pollutants (NOx, SOx, soot and dust, etc.) and of discharge of water pollutants (COD, nitrogen, phosphorus, etc.). As a result, we are well within the regulatory control levels specified by laws and municipal ordinances. We will maintain these low levels.

Changes in environmental loads in the atmosphere and water

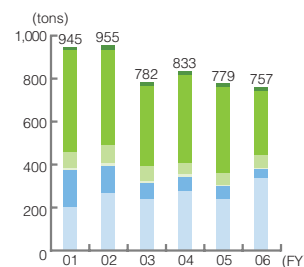
NOx emissions



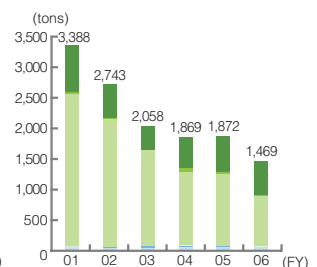
COD discharges



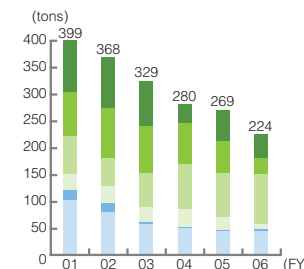
SOx emissions



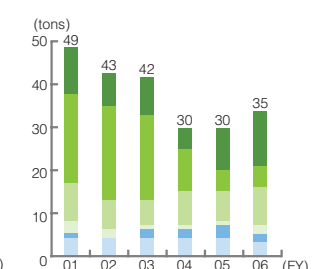
Total nitrogen discharges



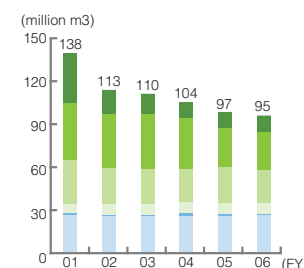
Soot and dust emissions



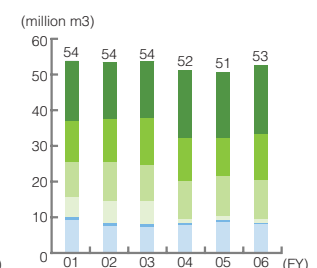
Total phosphorus discharges



Water consumption



Water discharges



Legend: Omuta Works (dark green), Iwakuni-Ohtake Works (medium green), Osaka Works (light green), Nagoya Works (very light green), Mobara Center (blue), Ichihara Works (light blue), Sodegaura Center (dark blue).

Measures against Soil Pollution

Mitsui Chemicals conducts voluntary surveys of soil and underground water pollutants at all its works and takes appropriate countermeasures. At the Nagoya Works, underground water pollution with volatile organic compounds (VOCs) was discovered in 2004. A survey report was submitted to the Nagoya City government and made available to the general public. We make continual efforts to disclose relevant information by holding explanatory meetings and plant tours for members of the neighborhood associations of the areas around our works and by issuing public relations papers.

Recovery, Storage and Disposal of PCBs

Mitsui Chemicals properly recovers and stores PCB waste (electrical equipment containing PCB-based insulation oil, such as transformers and condensers) produced as a result of our business operations. These are items of "specially controlled industrial waste" specified in the Law Concerning Special Measures for the Promotion of Appropriate Disposal of PCB (Polyvinyl Chloride) Waste.

The law stipulates that handlers of PCB waste are obliged to appropriately dispose of it by July 15, 2016. We are planning to gradually dispose of our PCB waste in accordance with the capacity of the regional disposal facility of Japan Environmental Safety Corporation to operate and accept such waste.

Responding to Environmental Complaints

Our works are striving to preserve complete accountability and to respond quickly to the complaints we receive from time to time. We received five complaints in fiscal 2006.

Examples of complaints and responses

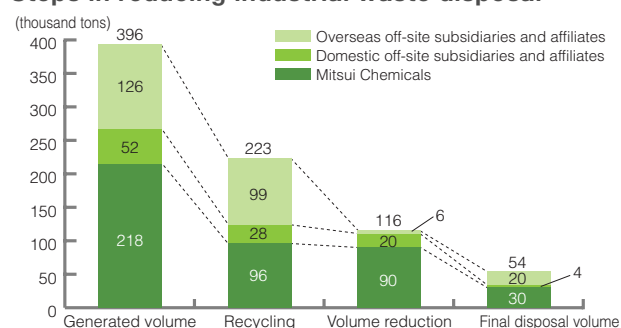
Works	Description of complaint	Response
Nagoya	A complaint of vibration and noise from heavy-duty vehicles entering and exiting works.	Operators of vehicles causing the problem were asked to try not to make noise.
Iwakuni-Ohtake	A complaint of noise from releasing steam.	The silencer was repaired.
Omuta	A complaint of noise from high-pressure steam from a safety valve.	The safety valve was repaired and the monitoring equipment was upgraded to enable earlier detection of similar failures.
	A complaint of noise during facility dismantling work.	The noise level was lowered by decreasing the output of concrete crushers.
	A complaint of noise from steam piping.	The noise level was lowered by adjusting the steam flow rate and installing a soundproof wall.

Mitsui Chemicals Group's Commitment to Environmental Preservation

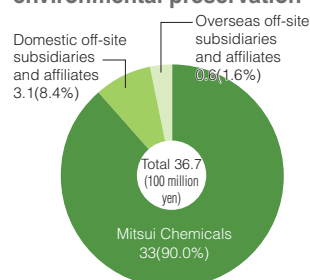
Described below are environmental data for Mitsui Chemicals' off-site subsidiaries and affiliates (page 43) (24 domestic and 15 overseas).

Many of the off-site subsidiaries and affiliates in Japan are involved in processing Mitsui Chemicals' products to increase their added value, whereas most of the overseas subsidiaries and affiliates are high-volume manufacturers of commodity chemical products. These subsidiaries and affiliates account for 44% of the total final disposal volume of industrial waste for our group as a whole. While Mitsui Chemicals endeavors to achieve the zero emissions goal for industrial waste, our subsidiaries and affiliates will also strive to reduce this waste.

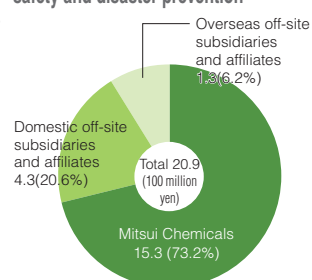
Steps in reducing industrial waste disposal



Investments in efforts for environmental preservation



Investments in efforts for occupational safety and disaster prevention



Staff Comment

Satoshi Ishikawa
Manager, Environment & Safety
Department, Osaka Works

We have long been involved in environmental preservation activities to stay in harmony with local communities. In recent years, our efforts have been globalized to include global warming prevention and ozone layer protection. We will conduct proactive efforts for environmental preservation as part of our CSR activities.

Commitment to Accident and Disaster Prevention

The Mitsui Chemicals Group places its highest priority on securing safety. It is constantly involved in programs and other efforts to prevent accidents. Our ambition is to construct a safety system, based on preventative measures, that ensures zero accidents.

Prevention of Accidents and Disasters at Production

Establishment of Process Safety & Disaster Prevention Technology Department

At the Mitsui Chemicals Group, we are reconsidering the company-wide evaluation system for process safety and disaster prevention. On January 15, 2006, the Process Safety & Disaster Prevention Technology Dept. was established as the core for safety and disaster prevention technology under the Safety & Environment Division to strengthen its function.

Purposes of establishing the Process Safety & Disaster Prevention Technology Dept.

- To merge two separate organizations, integrating their functions and enhancing efficiency.
 - Process Technology Lab., Chemical Safety Engineering Team (responsible mainly for process safety)
 - Physical Hazard Team of MC-ANAC (responsible mainly for material safety)
- To enhance our ability to deal with the growing need for assessing highly risky substances and reaction processes during new product development.
- To enhance the gate check function in safety assessments at the various stages of development of new products and new installation and modification of equipment.
- To upgrade safety programs by adding safety technology education and training functions in response to increasing accidents concerning safety technology.

The Process Safety & Disaster Prevention Technology Dept. is responsible for tasks concerning safety technologies in the Safety & Environment Division.

Revision of the company-wide evaluation system for process safety and disaster prevention



Securing Safety

In addition to the establishment of the Process Safety & Disaster Prevention Technology Dept., we are conducting the following activities to ensure safety:

- Product safety evaluation meetings were held (327 times) concerning development of new products, development of production technologies and new installation and modification of facilities.
- Seeking educational program improvements that will ensure that safety technologies get passed on to a new generation, we have trained workplace safety engineers as key persons to resolve safety problems at each workplace (41 employees).
- We have completed safety technology inspections with focuses on static electricity sources, explosive air-chemical mixtures, toxic gases and so on at Mitsui Chemicals works. A new program for safety technology inspections for subsidiaries and affiliates was instituted in fiscal 2006.

- A safety information database to support company-wide RC activities was built that enables easy access to information for safety assessments, including hazard data on flash point, ignition point, explosive range, etc., and past accident cases.

Plans and Drills for Local Safety and Disaster Prevention

In preparation for emergencies, the Mitsui Chemicals Group performs disaster prevention drills, which include firefighting, paging emergency personnel and practicing for emergency call. Disaster prevention plans are prepared annually by individual workplaces and drills are conducted that are appropriate to the operations of each workplace. Additionally, periodic general disaster prevention drills are planned for entire works and conducted in the presence of the local public fire service and the self-defense firefighting unit. Joint disaster prevention drills with mutual assistance are conducted with the local public fire service and with neighboring companies.



Disaster prevention drill at Iwakuni-Ohtake Works



Disaster prevention drill at Thai Mitsui Specialty Chemicals Co., Ltd.

Efforts to Prevent Accidents

In fiscal 2006, the following three accidents occurred at our works sites. We took immediate measures against each case. We are striving to forestall similar accidents by taking preventive measures based on what we have learned from these accidents.

- A minor fire occurred while removing clogs in a baking kiln (Osaka Works).
- A minor fire occurred while cleaning the inside of a manufacturing equipment system (Iwakuni-Ohtake Works).
- Lubricant oil ignited in a nitrogen circulator-compressor (Osaka Works).



Staff Comment

Yoshiyuki Nakanowatari
Environment & Safety Department,
Ichihara Works

The tasks of plant safety engineers include identifying safety problems at individual works and providing technical advice on preventive measures based on safety technology. To this end, we are working to improve the safety level at our works by making full use of the safety technology network under the lead of the Process Safety & Disaster Prevention Technology Dept.

Safe Transport of Products

Dialogues with Logistics Contractors

The Mitsui Chemicals Group conducts safety activities in collaboration with logistics contractors to increase the levels of safety, quality and environmental preservation in logistics.

The Ichihara Branch of Mitsui Chemicals Logistics, Inc. holds a Logistics Improvement Reporting Meeting as part of these activities. At the meeting, individual logistics contractors announce the results of their activities during the year. In fiscal 2006, 24 groups from 16 companies participated in the meeting, and one group was commended for most excellent performance and three groups for excellent performance.

This activity is undertaken voluntarily by logistics managers and staff and is very helpful in raising awareness among logistics professionals of safe transport of products.



Logistics Improvement Reporting Meeting

Safety Measures Using MSDS and Yellow Card

Since we handle many hazardous chemical substances, toxic and deleterious substances and high-pressure gases, we practice great caution during product transportation.

We provide material safety data sheets (MSDS's) containing information on product hazards and harmfulness for logistics contractors to ensure safety during product transportation.

Additionally, we require their drivers to carry a Yellow Card bearing information on measures to take and facts to report in the event of an accident.



Yellow Card

Efforts to Eliminate Labor Accidents and Logistics Accidents

In September 2005, a liquid transfer hose came off from a tanker truck and a product leaked during unloading. We attributed this accident to failure to check the hose and thereby notice its deterioration.

Based on what we learned from this accident, we have checked all hoses used for loading and unloading. We also decided to take constant measures to assign control numbers to all hoses, to appoint hose managers and to perform regular checks.

Minimizing Damage in the Event of Accident

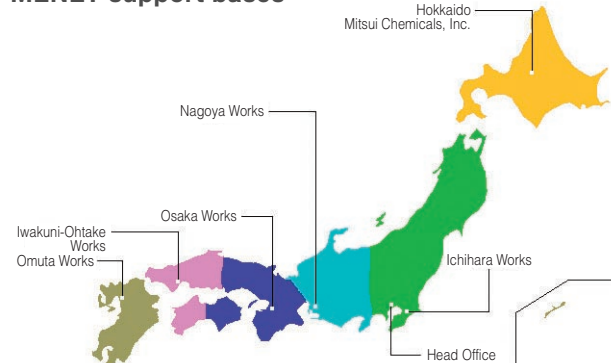
The Mitsui Chemicals Group operates the Mitsui Chemicals Group Logistics Emergency Network (MENET), an around-the-clock safety system for taking emergency action to minimize damage in the event of an accident while carrying a product.

The system is operated by Mitsui Chemicals Logistics, Inc. In this system, Japan is divided into six areas. Upon hearing of an accident, employees are immediately dispatched from the nearest support base to take action. Anti-disaster equipment and materials are always available at support bases to enable speedy action. To ensure that the system works effectively, Mitsui Chemicals Logistics conducts MENET drills twice a year.



MENET drill

MENET support bases



Staff Comment

Tadahiro Ohashi
Planning & Coordination Team,
Ichihara Branch, Mitsui Chemicals Logistics, Inc.

At the Ichihara Branch, we are striving to eliminate labor accidents and other problems with a workplace-oriented approach that entails workplace patrols joined by all employees and dialogues with contractors. We will continue to ensure that PDCA procedures are carried out to enhance our activities.



Staff Comment

Tokuji Iijima
Sankyo Kairiku Unyu K.K.

We conducted "Kaizen Activities" to minimize erroneous deliveries on routes where there were frequent problems. The procedures for labeling cargo items and lots were modified to require drivers to write the recipient's name by themselves so as to prevent the delivery of cargo to the wrong destination.

Independent Comments on the 2006 Report



Mr. Masahiko Kawamura
Chief Senior Researcher
Insurance Research Group,
NLI Research Institute

Continuing its achievements from 2005, its “first year of CSR management,” the Mitsui Chemicals Group has demonstrated steady progress. You have formulated individual policies in rapid succession, including the Purchasing Policy, Social Activities Policy and Human Resources Management Policy, in accordance with the newly formulated the Mitsui Chemicals Group Action Guidelines, which can be described as your CSR charter. The unique approach of the CSR Supporters system went into full operation, and the Read the CSR Report 2005 Forum is also expected to help raise awareness among employees. It is also noteworthy that you have established the Promotion and Development of Women Team.

For the time being the group is seeking to secure its footing in Japan, but it is also essential to apply and expand the concept of CSR to your overseas consolidated subsidiaries. I appreciate the explanatory meetings for the Action Guidelines at overseas subsidiaries and affiliates as representing your first step to the global development of your CSR activities. I suggest you consider how to operate your business while working with the values and social issues in play at your overseas sites.

In this year's report, individual CSR measures are explained well but I feel that your medium to long-term strategic approach is harder to understand. You need to present a comprehensive view of your CSR management strategy and give a timeline when you list out processes. How your CSR initiatives tie in with your 2004 medium-term business plan entitled “Challenge for Change” is obscure.

The purpose of CSR reports is to tell the reader about the PDCA cycle of CSR management. Hence, they should reflect top management's commitment, indicate the basic policies and specific goals that have been established, clarify the scope of coverage of the CSR organization and disclose the results and problems that have occurred while establishing and executing the CSR system. This year's report focuses largely on P (planning) and D (doing). An overview of C (checking) and A (acting) is given in the Goals and Results section, but its description is on a single-year basis and uses too many qualitative expressions.

I sincerely hope that the coming year's issue will be a Mitsui Chemicals Group CSR Management Report (I put deliberate emphasis on “Group” and “Management”) with an expanded reporting boundary and with quantitative goals on the social aspect and more extensive descriptions of goals and problems.



Mr. Masaru Masuda
President, ChemoBio Integrated
Management Society
President, Society-Technology
Innovation Society
Professor, Ochanomizu University

I appreciate your attitude of viewing CSR as contributing to society through your manufacturing business activities, rather than leaving it at social responsibility, and the fact that you are steadily promoting CSR day to day as an essential part of your business activities. Following this basic recognition, you have made efforts to enhance your CSR system, such as by setting up the CSR Supporters system, and the establishment of the Mitsui Chemicals Group Action Guidelines and four individual policies demonstrates good progress in the second year of your CSR activities.

I commend your commitment to “innovations and creation of materials” in your Corporate Mission and your declaration of “Dream-Inspiring Innovation” in the Action Guidelines, both of which seem like powerful statements of self-assertion appropriate to a chemical company. I encourage you to apply the concept of “Dream-Inspiring Innovation” to a broad range of values that you provide your customers and values you provide to members of society.

Based on your long experience with responsible care (RC) activities, you have newly established the Product Safety Department and the Proceeds Safety & Disaster Prevention Technology Department. I appreciate this because it adds a CSR perspective and reflects your effort for qualitative improvement of your RC activities. In particular, regarding the integrated management of chemical substances, I hope that you will independently set forth independent policies and goals beyond the coverage of legal compliance and accomplish these in the context of “Dream-Inspiring Innovation” while enhancing your scientific knowledge and fostering human resources. I also hope that you will promote sharing of hazard and exposure information with relevant persons and expand the common awareness of risk management.

This year's report includes descriptions of CSR Supporters' activities and other efforts at individual production sites, with a list of goals and results. I understand your intent to emphasize voluntary behavior of each employee in this way. However, some sections of the report seem to convey too much information, such as “Dialogues with Stakeholders” and “Useful Products of the Mitsui Chemicals Group.” As a result, the context of “contributing to society through manufacturing business activities” is incomprehensible. Straightforwardly expressing your willingness to steadily pursue innovation under the theme of “Dream-Inspiring Innovation” is the most appropriate way to show your stance as a chemical company. I suggest you try some more to improve the layout of the CSR Report, and that includes considering what content should go instead into the Annual Report.

Notes on the Comments

Katsunari Yamashita,
Managing Executive Officer, General Manager, CSR Division

Thank you very much for your valuable opinions concerning the CSR activities of the Mitsui Chemicals Group. In fiscal 2006, we took a solid first step toward full-scale CSR by enhancing our CSR promotion system and formulating the Mitsui Chemicals Group Action Guidelines as the norm of employee behavior.

However, our CSR activities have just begun. We think it is important to enhance our activities by ensuring that PDCA procedures for CSR activities are carried out while listening to stakeholder opinions.

To this end, we will set forth our own future goals from medium and

long-term perspectives and promote CSR activities in cooperation with our subsidiaries and affiliates, both domestic and overseas, as you have suggested. As a manufacturer of chemical products, we emphasize constant efforts for self-management of chemical substances based on voluntary adherence to the principles of RC.

We will bear these opinions and suggestions in mind and promote CSR activities so as to contribute to society through “Dream-Inspiring Innovation.”

Opinions Voiced at the Read the CSR Report 2005 Forum

Overall	<ul style="list-style-type: none"> Too much weight is placed on RC; enhance reporting of other CSR activities. Include a description of activities of overseas subsidiaries and affiliates. Use larger fonts and reduce the number of letters per page to improve readability. Add notes to explain jargon and technical terms.
Management	<ul style="list-style-type: none"> Work out the Group's own viewpoint and future goals for our CSR activities. Present actual results of use of the risk hotline.
Responsible Care (RC)	<ul style="list-style-type: none"> Make the description of eco-efficiency easier to understand. Describe in a comprehensible way the products, technologies and businesses that contribute to society.
Social Report	<ul style="list-style-type: none"> Present the content according to the category of stakeholders.
Others	<ul style="list-style-type: none"> Present numerical data on our website.

Particulars of the Read the CSR Report 2005 Forum

Venues : A total of 8 sites: Mitsui Chemicals domestic manufacturing sites (Ichihara Works, Ichihara Works Mobara Center, Nagoya Works, Osaka Works, Iwakuni-Ohtake Works and Omuta Works), Sodegaura Center (laboratory) and Head Office

Time : Mid-January - Early February 2006

Participants : CSR Supporters and interested employees

History of Activities for Sustainable Growth

	Initiatives of the Mitsui Chemicals Group	Trends in Japan	World trends
2000s	<p>April 2006: Human Resources Management Policy, Purchasing Policy and Social Activities Policy formulated</p> <p>February: Mitsui Chemicals Group Action Guidelines formulated</p> <p>November 2005: 1st Assembly of the CSR Committee</p> <p>First issue of the CSR Report with the new title published</p> <p>June 2005: CSR Committee, Social Activities Committee and CSR Division established</p> <p>March: Second Mitsui Chemicals International Symposium on Catalysis Science held</p> <p>August 2004: ISO 9001, ISO 14001 and OHSAS 18001 certification acquired at all works</p> <p>October 2003: New human resources system introduced</p> <p>March: First Mitsui Chemicals International Symposium on Catalysis Science held</p> <p>October 2002: Framework for environment-related business established</p> <p>June: OHSAS 18001 certification acquired (Nagoya Works)</p> <p>April: Risk Management Committee established</p> <p>March: ISO14001 certification acquired (Omuta Works, Osaka Works, Shimonoseki Mitsui Chemicals)</p> <p>June 2001: Concept of eco-efficiency introduced</p> <p>Environmental accounting system introduced</p> <p>March: ISO 14001 certification acquired (Ichihara Works)</p> <p>October 2000: Company-wide mental health promotion project formulated</p> <p>January: First issue of "The Responsible Care Report" published</p>	<p>2006: New Corporate Law enacted</p> <p>VOC emissions control enacted through amendment of the Air Pollution Prevention Law</p> <p>Law Concerning Relief from Health Damage by Asbestos enacted</p> <p>2005: Personal Information Protection Law enacted</p> <p>2003: Japan Business Federation established the Social Responsibility Management Committee</p> <p>Japanese Association of Corporate Executives published the Corporate White Paper on "Market Evolution" and "CSR Management: Toward Building Integrity and Creating Stakeholder Value"</p> <p>Law Concerning the Examination and Regulation of Manufacture etc. of Chemical Substances amended</p> <p>International Conference on Green Sustainable Chemistry held</p> <p>2002: Soil Pollution Prevention Law enacted</p> <p>Kyoto Protocol ratified</p> <p>Enforcement Ordinance for the Waste Disposal and Public Cleansing Law amended</p> <p>2001: Law Concerning Special Measures for the Promotion of Proper Treatment of Waste PCB enacted</p> <p>2000: Law Regarding the Promotion of the Use of Recycled Resources amended</p> <p>Green Purchasing Law enacted</p> <p>Basic Law for Establishing the Recycling-oriented Society enacted</p>	<p>2006: WEEE RoHS Directive enforced</p> <p>2005: Kyoto Protocol enacted</p> <p>2004: ISO decision to standardize CSR</p> <p>Stockholm Convention on Persistent Organic Pollutants enforced</p> <p>Globally Harmonized System of Classification and Labeling of Chemicals (GHS) published</p> <p>2003: 3rd World Water Forum held (Japan)</p> <p>2002: The Johannesburg Summit held</p> <p>Report of the OECD Environmental Performance Review on Japan published</p> <p>Guidelines for Waste Plastics (Basel Convention WG) adopted</p> <p>Sustainability Reporting Guidelines 2002 of the GRI published</p> <p>2001: COP7 (Marrakesh Conference) held</p> <p>International Freshwater Conference held (Germany)</p> <p>2000: 2nd World Water Forum held (Netherlands)</p> <p>COP6 (Hague Conference) held</p> <p>Sustainability Reporting Guidelines of the GRI published</p>
1990s	<p>October 1999: Voluntary guidelines for reduction of environmental load of atmospheric emissions (to 2005) formulated</p> <p>April 1998: 1st Assembly of the Responsible Care Committee</p> <p>Sludge decomposition process using ozone introduced (zero emissions)</p> <p>October 1997: Corporate Vision and basic policies on the environment, safety and quality formulated</p> <p>Mitsui Chemicals founded; Mitsui Petrochemical Industries, Ltd. and Mitsui Toatsu Chemicals, Inc. merged</p>	<p>1999: PRTR Law enacted</p> <p>Law Concerning Special Measures against Dioxins enacted</p> <p>1998: Law for Promoting Measures against Global Warming enacted</p> <p>1995: The Japan Responsible Care Council founded</p>	<p>1999: United Nations proposal for the Global Compact</p> <p>COP5 (Bonn Conference) held</p> <p>1998: COP4 (Buenos Aires Conference) held</p> <p>1997: COP3 (Kyoto Conference) held</p> <p>Kyoto Protocol adopted</p> <p>1st World Water Forum held (Morocco)</p> <p>1996: CSR Europe founded</p> <p>1992: "United Nations Conference on Environment and Development (Earth Summit)" held in Rio de Janeiro, Brazil</p> <p>"Rio Declaration of Environment and Development" adopted</p> <p>"Agenda 21" adopted</p>

Editors' Postscript

Aiming to produce a readable and comprehensible report, we, as the members of the CSR Report Working Group (listed below), held the Read the CSR Report 2005 Forum to hear opinions and suggestions from CSR Supporters. We also had discussions amongst ourselves on how to improve the contents of the report. We hope that this year's report will assist communication with Mitsui Chemicals' stakeholders.

Yukihito Yukimune (Planning & Coordination Division, Functional Chemicals & Engineered Materials Business Group)
Ritsuko Yasutake (Planning & Coordination Division, Functional Polymeric Materials Business Group)
Keiichi Arai (Planning & Coordination Division, Basic Chemicals Business Group)
Takashi Hirabayashi (Planning & Coordination Division, Petrochemicals Business Group)
Atsushi Nakamura (Safety & Environment Division)
Teruyuki Endo (Purchasing Division)

Mitsuo Hoshino (Logistics Division)
Michio Tanaka (R&D Planning & Coordination Division)
Yasunori Nishiyama (Corporate Planning Division)
Yoshinori Takatama (Affiliates Management, Planning & Coordination Division)
Takehiro Suzuki (Corporate Communications Division)
Yasuyuki Katsumata (Corporate Administration Division)
Hironori Tomoto (Human Resources & Employee Relations Division)
Yukio Takahashi, Takao Ouchi, Ken Migita, and Ritsuko Fukuda (CSR Division)

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Takuya Iida		Hideshi Ishimoto		Kouji Komazaki
Yoshihiro Irizato		Mie Oikawa		Tomomi Satozawa
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Masaharu Ishiguro		Satoru Ohtani		Kazuki Nakamura
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Tomoko Kubota		Misao Saitou		Mitsuharu Ikeuchi
Youhei Gennai		Mitsuo Satou		Hiroyasu Oochi
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Emiko Satou		Toshio Suzuki		Mari Kusumoto
Yukie Sawamura		Masahiro Suzuki		Fumitaka Kurosawa
Akihiko Sunada		Yasuhiro Suzuki		Yumi Gotoh
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Shoichi Takahashi		Masayoshi Tsunoda		Akira Suzuki
Mitsugu Tanaka		Hiroki Nagaiwa		Michiru Sekiguchi
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Kiyoshi Nakamura		Kouji Noda		Kazuoki Nakai
Hiroshi Nishi		Kouji Hatakenaka		Kentaro Nakayama
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Toru Morita		Takuya Matsumoto		Hiromi Minami
Mina Yabe		Hisao Muraki		Masaya Yamada
Yukihito Yukimune		Takayuki Mori		Masayoshi Yamamoto
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	Fumio Hayakawa		Kazuhiro Shino		Yasunori Noda
	Eiko Mishima		Takehiko Shimamura		Ryouhei Noda
	Chikako Miyashita		Hiroyuki Shimo		Makoto Matsuoka
	Shusuke Yamanaka		Yasuhiko Shiraki		Toshihiro Migita
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Symbol on the front cover

The three curving bands stand for Growth and Vitality, Chemical Technology and Innovation, and Society's Trust in the Mitsui Chemicals Group. They represent the group's ceaseless and uninterrupted growth far into the future.



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