

**We will redouble our efforts
toward securing profitability
through Emergency
Measures.**



Chairman **Kenji Fujiyoshi**

President & CEO **Toshikazu Tanaka**

Fiscal 2009 (The Fiscal Year Ended March 31, 2009) Business Environment and Results

In fiscal 2009, the Japanese economy experienced a precipitous slowdown. From the first half of the fiscal year under review, the prices of such raw materials as crude oil and iron ore surged markedly. In addition to the drop in corporate-sector earnings, repercussions from the U.S. subprime mortgage problem, which triggered a global financial crisis, significantly impacted the real economy. As a result, domestic economic conditions deteriorated rapidly.

In the chemical industry, companies took steps to revise product prices upward in the wake of sharp upswings in material and fuel costs, particularly during the first half of the fiscal year. Despite these endeavors, conditions remained harsh, with substantial downward pressure placed on earnings. After hitting historic highs, the prices of raw materials and fuels dropped rapidly from early autumn. Demand also plummeted sharply on the back of the global recession. Impacted by unprecedented volatility and change, the chemical industry confronted an extremely difficult business environment.

Amid this climate of abrupt and dramatic fluctuation in operating conditions, the Mitsui Chemicals Group reported a significant drop in earnings. This was mainly attributable to the substantial decline in demand from the Group's mainstay business partners in the automotive and electronic information material fields that resulted in lower sales volumes and an unavoidable reduction in production facility and equipment utilization. Faced with this downturn in its overall performance, the Company took steps to implement Emergency Measures, reexamining every facet of its business activities. In the fiscal year under review, Mitsui Chemicals reduced compensation paid to directors and management personnel, drastically cut back operating overheads, undertook a comprehensive zero-based review of all investment projects and thoroughly rationalized inventories.

Despite the aforementioned endeavors, the Group suffered an across-the-board decline in its operating results. In addition to the drop in operating income, Mitsui Chemicals recorded a loss on valuation of inventories that reflected the overall decrease in market prices and undertook to reverse a portion of its deferred tax assets. Taking into account each of the aforementioned factors, the Group reported net sales of ¥1,487.6 billion, down ¥299.1 billion compared with the previous fiscal year. From a profit perspective, the Mitsui Chemicals Group recorded an operating loss of ¥45.5 billion, a negative turnaround of ¥122.7 billion. Loss before income taxes and minority interests was ¥65.4 billion, ¥110.0 billion lower than the income before income taxes and minority interests disclosed in the previous fiscal year. After deducting income taxes and minority interests in earnings of consolidated subsidiaries, net income plummeted ¥120.0 billion year on year to a net loss of ¥95.2 billion. Recognizing the Company's responsibility to ensure an adequate return to its shareholders, Mitsui Chemicals has declared an annual dividend of ¥9 per share, comprising an interim dividend of ¥6 per share and a fiscal year-end dividend of ¥3 per share, for the fiscal year under review.

Priority Issues

In the fiscal year ending March 31, 2010, the global economy is expected to confront substantial change. As a nation historically dependent on exports, Japan is expected to experience extremely harsh operating conditions. This is mainly due to the persistent and significant decline in overall demand. Moreover, the planned commencement of operations at large-scale ethylene production facilities in the Middle East and Asia will further increase competition, and the Mitsui Chemicals Group foresees a prolonged downturn in the business environment.

Working to lay the foundations for profit recovery, the Group has positioned the fiscal year ending March 31, 2010, as a critical period in which to improve earnings. Commensurate with changes in its business environment, the Company will endeavor to overcome its difficulties through the implementation of Emergency Measures. With the aim of bolstering its earning capacity and capabilities, the Mitsui Chemicals Group is conducting a thorough review of its existing business strategies. Supported by basic policies aimed at cementing its foothold in the domestic market while expanding activities overseas, the Group is dedicated to securing a return to profitability from the fiscal year ending March 31, 2011 and beyond.

Guided by its Medium-Term Business Plan, a four-year roadmap launched in April 2008, the Mitsui Chemicals Group has also adopted a three-dimension management approach that focuses on balancing economic, environmental and social dimensions. Against the backdrop of projected harsh operating conditions, Mitsui Chemicals will work diligently to address the following priority issues in the fiscal year ending March 31, 2010.

(Economy)

- (1) Survival in the domestic market and overseas expansion focusing mainly on Asia
- (2) Consolidation, strict selection and focus as well as expansion in performance materials
- (3) Reinforcement and expansion of operations that are in relative terms immune to fluctuations in the economic environment

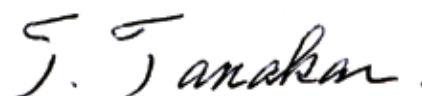
(Environment)

Achievement of the greenhouse gas (GHG) reduction plan and proposal of further reduction targets

(Society)

- (1) Eradication of occupational accidents and injuries based on a unified Group-wide commitment
- (2) Elimination of statutory and regulatory infractions through a heightened Group-wide awareness of compliance

Working tirelessly to address these priority issues and to achieve each of our medium-to long-term goals, we ask for the continued support and understanding of stakeholders.



President & CEO **Toshikazu Tanaka**