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Selected Consolidated Financial and Operating Data

Years ended March 31

(Millions of yen except per share amounts)

	2009	2008	2007
For the Year			
Net sales	¥1,487,615	¥1,786,680	¥1,688,062
Cost of sales	1,341,106	1,509,308	1,402,022
SG&A	192,002	200,196	194,362
Operating income (loss)	(45,493)	77,176	91,678
Other income (expenses)	(19,936)	(32,623)	(7,136)
Income (loss) before income taxes and minority interests	(65,429)	44,553	84,542
Income taxes	40,619	19,430	27,416
Income (loss) before minority interests	(106,048)	25,123	57,126
Net income (loss)	(95,237)	24,831	52,297
Reference: Ordinary income (loss)	(50,768)	66,146	95,478
At Year-End			
Total current assets	529,606	726,361	733,150
Property, plant and equipment, net	522,641	564,805	542,340
Total investments and other non-current assets	136,692	178,082	222,693
Total assets	1,188,939	1,469,248	1,498,183
Total current liabilities	377,858	569,560	591,253
Total long-term liabilities	412,950	335,461	336,678
Total shareholders' equity	349,908	500,044	504,509
Per Share			
Net income (loss) per share (basic)	¥(125.46)	¥32.22	¥66.68
Net income per share (diluted)	—	—	—
Cash dividends per share	¥9.00	¥12.00	¥10.00
Ratios			
Return on sales	(6.40%)	1.39%	3.10%
Return on equity	—	4.94%	10.80%
Return (operating income (loss)) on assets	(3.42%)	5.20%	6.49%
Other			
Depreciation and amortization	81,374	72,596	70,207
Capital expenditures	81,041	84,667	72,671
R&D expenses	40,628	42,130	36,943

Reported Basis

2006	2005	2004	2003	2002	2001	2000	1999	1998
¥1,472,435	¥1,227,547	¥1,089,518	¥1,053,182	¥952,680	¥939,782	¥884,246	¥855,942	¥681,234
1,217,564	968,230	861,965	823,523	730,059	720,524	659,327	632,036	532,414
196,166	178,826	173,611	173,201	180,239	164,746	169,180	165,680	110,497
58,705	80,491	53,942	56,458	42,382	54,512	55,739	58,226	38,323
14,220	(25,839)	(31,708)	(17,496)	(32,142)	(26,118)	(29,603)	(36,099)	(14,334)
72,925	54,652	22,234	38,962	10,240	28,394	26,136	22,127	23,989
27,681	23,053	7,923	13,465	1,830	10,523	8,182	12,674	11,290
45,244	31,599	14,311	25,497	8,410	17,871	17,954	9,453	12,699
44,125	26,192	12,466	20,320	7,651	17,068	16,042	7,739	11,702
61,989	79,737	47,694	48,716	37,394	49,067	55,902	43,870	32,507
608,995	497,287	440,517	445,239	486,642	563,245	544,837	548,668	616,871
532,324	520,886	548,799	580,830	583,949	552,759	530,827	513,268	530,860
187,571	187,012	199,150	199,125	227,272	198,509	161,515	146,232	150,505
1,328,890	1,205,185	1,188,466	1,225,194	1,297,863	1,314,513	1,237,179	1,208,168	1,298,236
475,074	440,566	440,869	451,613	525,532	532,586	528,643	482,912	612,583
314,692	313,389	325,342	359,638	365,708	388,159	346,242	378,274	349,972
464,021	405,773	383,365	370,738	366,988	352,988	345,690	329,685	318,532
¥56.20	¥33.26	¥15.78	¥25.72	¥9.70	¥21.63	¥20.57	¥9.97	¥21.53
—	—	—	¥25.47	—	¥21.44	¥20.41	—	¥20.98
¥8.00	¥7.00	¥6.00	¥6.00	¥6.00	¥6.00	¥6.00	¥6.00	¥6.00
3.00%	2.13%	1.14%	1.93%	0.80%	1.82%	1.81%	0.90%	1.72%
10.15%	6.64%	3.31%	5.51%	2.13%	4.89%	4.75%	2.39%	4.81%
4.63%	6.73%	4.47%	4.48%	3.24%	4.27%	4.56%	4.65%	4.27%
70,099	56,770	56,101	56,850	56,609	51,755	52,634	51,081	38,422
81,400	47,135	45,722	68,753	117,564	61,524	54,435	52,058	46,428
37,146	34,881	32,894	37,114	39,012	36,543	38,141	39,295	28,036

Management's Discussion and Analysis

Overview

In fiscal 2009, ended March 31, 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 conditions deteriorated rapidly from the third quarter ended December 31, 2008.

In the chemical industry, companies took steps to revise product prices in the wake of sharp upswings in material and fuel costs. 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 a 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 volume and an unavoidable reduction in production facility and equipment utilization. Faced with this downturn in its overall performance, the Group took steps to implement emergency measures, reexamining every facet of its business activities. In the fiscal year under review, the Mitsui Chemicals Group 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, the Mitsui Chemicals Group recorded a loss on valuation of inventories reflecting the overall decrease in market prices and undertook to reverse a

portion of its deferred tax assets. The following summary of operating results for the fiscal year ended March 31, 2009 takes into account these and other factors.

As of March 31, 2009, the Mitsui Chemicals Group comprised 66 consolidated subsidiaries, three more than the previous fiscal year. This reflects the acquisition and consolidation of seven new companies, including U.S.-based SDC Technologies Inc., and the exclusion due to amalgamation and other reasons of four former subsidiaries, including Mitsui Chemicals Engineering Co., Ltd. The equity method is applied to 32 non-consolidated subsidiaries and affiliates, six fewer than the previous fiscal year.

Operating Results

Net Sales

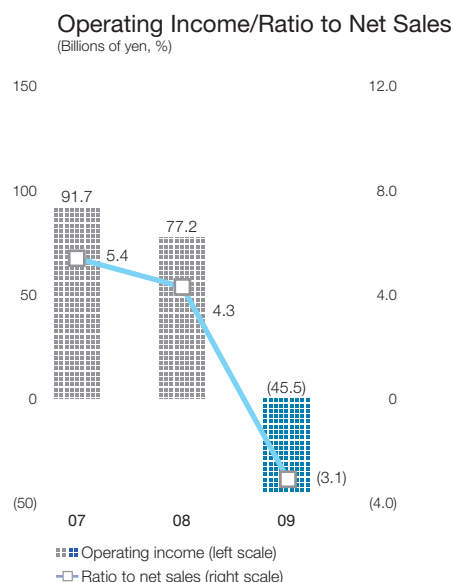
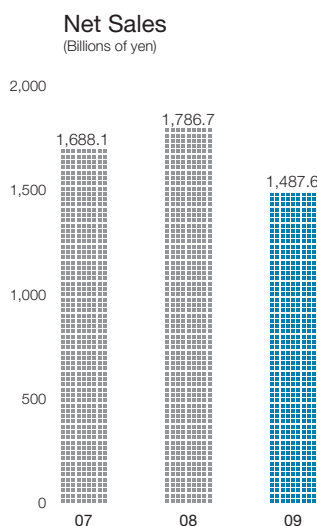
Net sales fell 16.7% compared with the previous fiscal year to ¥1,487.6 billion (US\$15.1 billion), a decrease of ¥299.1 billion (US\$3.0 billion). Although increased prices drove up sales ¥5.2 billion (US\$0.1 billion), the decrease was mainly attributable to a ¥304.3 billion (US\$3.1 billion) drop in sales volume across all business segments that reflected the slump in demand.

Operating Loss

Operating loss for the fiscal year under review was ¥45.5 billion (US\$0.5 billion), plummeting ¥122.7 billion (US\$1.2 billion) year on year. Despite the positive effects of emergency measures, including efforts to curtail fixed expenses, the Mitsui Chemicals Group was unable to adequately preserve its profit margins due to a variety of factors. These factors included the decrease in sales volume, amendments to commercial terms of trade, most notably selling and purchasing price variances and movements in fixed and other costs, which caused profit to contract ¥76.4 billion (US\$0.8 billion), ¥31.7 billion (US\$0.3 billion) and ¥14.6 billion (US\$0.1 billion), respectively.

Further contributing to the operating loss was a loss on valuation of inventories of ¥19.2 billion (US\$0.2 billion) that reflected the downturn in market conditions and prices.

Results on an individual business segment and principal product basis were as follows



Segment Information

Business Segment

Changes of net sales and operating income by segment were as follows:

Net Sales

	Billions of yen				
	2009	2008	Total	Volume contribution	Price contribution
Performance materials	431.8	504.1	(72.3)	(81.9)	9.6
Advanced chemicals	118.7	122.1	(3.4)	(5.0)	1.6
Basic chemicals	912.8	1,111.2	(198.4)	(192.6)	(5.8)
Others	24.3	49.3	(25.0)	(24.8)	(0.2)
Eliminations	—	—	—	—	—
Total	1,487.6	1,786.7	(299.1)	(304.3)	5.2

Operating Income (Loss)

	Billions of yen					
	2009	2008	Total	Volume contribution	Price*	Fixed cost and other cost differential
Performance materials	(16.0)	35.9	(51.9)	(27.4)	(13.2)	(11.3)
Advanced chemicals	7.3	10.8	(3.5)	(0.5)	(1.0)	(2.0)
Basic chemicals	(32.0)	33.4	(65.4)	(46.5)	(16.0)	(2.9)
Others	0.1	3.4	(3.3)	(2.0)	(1.5)	0.2
Eliminations	(4.9)	(6.3)	1.4	—	—	1.4
Total	(45.5)	77.2	(122.7)	(76.4)	(31.7)	(14.6)

*Price = Price contribution + Variable cost differential

Performance Materials

	Millions of yen		
	2009	2008	Change (%)
Net sales	¥431,834	¥504,060	(14.3)
Operating income (loss)	(16,018)	35,857	—
Total assets	432,205	489,968	(11.8)
Depreciation and amortization	37,569	29,564	27.1
Capital expenditures	39,894	50,383	20.8

Automotive and industrial material sales decreased 6% year on year. In the first half of the fiscal year, domestic demand increased. In this sector, steps were taken to cultivate new customers, focusing mainly on Asian markets. These factors were offset, however, by the sharp decline in automotive market demand from early autumn, which contributed to weak results.

Industrial material sales decreased 7% compared with the previous fiscal year. This was again attributable to the abrupt drop in demand from early autumn and countered growth in demand in the first half of the fiscal year for base resins for paint and polyolefin-based waxes.

Hygiene material sales increased 8% compared with the previous fiscal year as demand for non-woven fabrics expanded in East and Southeast Asia, particularly in the Thai and Chinese markets.

Special polyolefin and engineering plastics saw a drop in demand mainly for IT-related uses. This led to a year-on-year decline in sales of 19%.

Semiconductor material sales were weak falling 24% compared with the previous fiscal year. This was attributable to the downturn in market demand as well as falling prices.

Energy material sales surged 47% year on year on the back of robust demand for solar cell encapsulant materials.

Polyurethane sales decreased 27%. In addition to the sudden slowdown in demand for TDI/MDI, this downturn was caused by deterioration in market conditions overseas and appreciation in the value of the yen.

Reflecting the aforementioned factors, segment sales declined ¥72.3 billion (US\$0.7 billion) compared with the previous fiscal year to ¥431.8 billion (US\$4.4 billion), comprising 29% of total sales. In the fiscal year under review, lower year-on-year sales volume had a negative impact of ¥81.9 billion (US\$0.8 billion), while higher sales prices increased revenues by ¥9.6 billion (US\$0.1 billion).

The segment recorded an operating loss of ¥16.0 billion (US\$0.2 billion), down ¥51.9 billion (US\$0.5 billion) year on year. Despite efforts to curtail costs, this was attributable to a variety of factors, including hikes in raw material and fuel prices during the first half of the fiscal year, a slump in demand from early autumn and deterioration in market conditions and prices, which resulted in a loss on valuation of inventories. In specific terms, decreased sales volume, selling and purchasing price variances and movements in fixed and other costs lowered operating income by ¥27.4 billion (US\$0.3 billion), ¥13.2 billion (US\$0.1 billion) and ¥11.3 billion (US\$0.1 billion), respectively, resulting in an operating loss.

Advanced Chemicals

	Millions of yen		
	2009	2008	Change (%)
Net sales	¥118,658	¥122,113	(2.8)
Operating income	7,311	10,761	(32.1)
Total assets	162,777	159,030	2.4
Depreciation and amortization	7,622	6,328	20.4
Capital expenditures	18,951	6,238	203.8

Optical lens materials as well as healthcare materials such as pharmaceutical intermediates showed steady growth. In the fiscal year under review, sales climbed 8% year on year.

Chemical products including polymerization inhibitors and adhesive materials for tires and lumber experienced difficult conditions. Despite efforts to revise product prices in the wake of sharp hikes in the prices of raw materials and fuels during the first half of the fiscal year, sales decreased 26% due to a sluggish economy resulting in low demand.

Agrochemical product sales edged up 2% compared with the previous fiscal year. This was mainly attributable to firm sales of insecticides.

As a result, segment sales fell ¥3.4 billion (US\$0.03 billion) to ¥118.7 billion (US\$1.2 billion), accounting for 8% of total sales. The year-on-year decline in sales volume brought revenues down ¥5.0 billion (US\$0.1 billion). Sales prices, on the other hand contributed ¥1.6 billion (US\$0.02 billion).

Despite growth in sales of insecticides, operating income contracted ¥3.5 billion (US\$0.04 billion) year on year to ¥7.3 billion (US\$0.1 billion). Results were impacted by the sudden slump in demand mainly for chemical products from early autumn and the sharp rise in raw material and fuel prices during the first half of the fiscal year under review. In the full fiscal year ended March 31, 2009, the sales volume was down ¥0.5 billion (US\$0.01 billion) from the previous fiscal year. Fluctuations in selling and purchasing price had a negative ¥1.0 billion (US\$0.01 billion) impact on operating income while rising fixed and other costs had an adverse effect of ¥2.0 billion (US\$0.02 billion).

Basic Chemicals

	Millions of yen		
	2009	2008	Change (%)
Net sales	¥912,779	¥1,111,166	(17.9)
Operating income (Loss)	(32,006)	33,450	—
Total assets	485,687	697,856	(30.4)
Depreciation and amortization	29,840	30,767	(3.0)
Capital expenditures	17,694	20,648	(14.3)

Ethylene and propylene production declined 13% and 18%, respectively, year on year due to production adjustments from August 2008 in response to weak derivative demand.

Phenol sales decreased 30% compared with the previous fiscal year. In addition to the drop in demand from early autumn forcing a downward adjustment in production, poor results were attributable to weak sales prices due mainly to the decline in raw material and fuel prices.

Bisphenol A sales decreased 21%. Mirroring conditions for phenol, production was adjusted downward owing to falling demand for polycarbonate and epoxy resins, the principal uses for bisphenol A, from early autumn and the drop in sales prices due to lower raw material and fuel prices.

Purified terephthalic acid (PTA) sales decreased 26% compared with the previous fiscal year owing to stagnant demand and the decline in sales prices, which reflected weak raw material and fuel prices.

Polyethylene terephthalate (PET) resin sales declined 16% year on year due mainly to the drop in demand in Japan for bottled drinks.

Ethylene, glycol, ethylene oxide and derivative sales were impacted by the slump in demand. Sales of these products fell 23% year on year.

Polyethylene and polypropylene sales decreased 8% and 11%, respectively. Despite product price revisions to accommodate sharp hikes in raw material and fuel prices during the first half of the fiscal year under review, this was attributable to the sudden drop in demand from early autumn.

Taking into consideration the aforementioned factors, segment sales totaled ¥912.8 billion (US\$9.3 billion), down ¥198.4 billion (US\$2.0 billion) year on year. This represented 61% of total sales. The lower sales volume had a negative impact of ¥192.6 billion (US\$2.0 billion) on revenue, while the downturn in sales prices had an adverse effect of ¥5.8 billion (US\$0.1 billion) year on year.

In the fiscal year under review, the Mitsui Chemicals Group reported an operating loss of ¥32.0 billion (US\$0.3 billion) in this segment, down ¥65.4 billion (US\$0.7 billion) compared with the previous fiscal year. This substantial negative turnaround was the result of lower sales due to the across-the-board drop in demand and the loss on valuation of inventories owing to weak market conditions and prices. In specific terms, the decreased sales volume, selling and purchasing price variances and movements in fixed and other costs lowered operating income by ¥46.5 billion (US\$0.5 billion), ¥16.0 billion (US\$0.2 billion) and ¥2.9 billion (US\$0.03 billion), respectively, resulting in an operating loss.

Others

	Millions of yen		
	2009	2008	Change (%)
Net sales	¥24,344	¥49,341	(50.7)
Operating income	84	3,390	(97.5)
Total assets	46,244	71,897	(35.7)
Depreciation and amortization	4,816	3,811	26.4
Capital expenditures	2,730	5,589	(51.2)

Compared with the previous fiscal year, the reduction in sales volume of ¥24.8 billion (US\$0.3 billion) significantly impacted revenue in the others segment. As a result, segment sales contracted ¥25.0 billion (US\$0.3 billion) to ¥24.3 billion (US\$0.2 billion), accounting for 2% of total sales.

Operating income dropped ¥3.3 billion (US\$0.03 billion) year on year to ¥0.1 billion (US\$1 million). Principal contributing factors were the decrease in sales volume and amendments to commercial terms of trade including both selling and purchasing price variances, which accounted for ¥2.0 billion (US\$0.02 billion) and ¥1.5 billion (US\$0.02 billion), respectively, of this downturn.

Geographic Distribution

Japan

Despite successful efforts to revise product prices in response to sharp hikes in the cost of raw materials and fuels in the first half of the fiscal year under review, overall year-on-year sales in Japan declined. This was mainly attributable to the sharp and dramatic drop in demand from early autumn. In addition to the impact of lower sales volume, earnings in Japan were significantly affected by the Group's inability to sufficiently maintain profit margins in the wake of violent fluctuations in raw materials and fuel prices. As a result, the Mitsui Chemicals Group recorded an operating loss in Japan.

Taking into consideration the aforementioned factors, sales in Japan decreased ¥262.2 billion (US\$2.7 billion) compared with the previous fiscal year to ¥1,204.4 billion (US\$12.3 billion), accounting for 81% of total net sales. In the fiscal year under review, the Mitsui Chemicals Group reported an operating loss in Japan of ¥41.5 billion (US\$0.4 billion), a negative turnaround of ¥113.6 billion (US\$1.2 billion).

Asia

Mitsui Phenols Singapore Pte. Ltd., a subsidiary involved in the manufacture and sale of phenol and bisphenol A in Singapore, and Siam Mitsui PTA Co., Ltd., a subsidiary engaged in the manufacture and sale of PTA in Thailand, reported lower year-on-year sales. This downturn was exacerbated by deterioration in market conditions as well as a decline in product prices. As a result, sales in Asia decreased, contributing to an operating loss for the fiscal year under review.

In specific terms, sales in Asia contracted ¥27.8 billion (US\$0.3 billion) to ¥187.8 billion (US\$1.9 billion), accounting for 13% of total net sales. In the fiscal year ended March 31, 2009, earnings in the region fell ¥4.4 billion (US\$0.04 billion) year on year for an operating loss of ¥3.2 billion (US\$0.03 billion).

Others

In the United States, a subsidiary involved in the manufacture and sale of resin compounds for automotive use saw its sales volume decline on the back of weak automobile sector demand. In addition to the resulting drop in sales, year-on-year earnings in other regions deteriorated from operating income to operating loss.

As a result, sales in this segment decreased ¥9.1 billion (US\$0.1 billion) compared with the previous fiscal year to ¥95.4 billion (US\$1.0 billion), representing 6% of total net sales. From operating income in the fiscal year ended March 31, 2008, segment earnings fell ¥4.8 billion (US\$0.05 billion) for an operating loss of ¥0.9 billion (US\$0.01 billion).

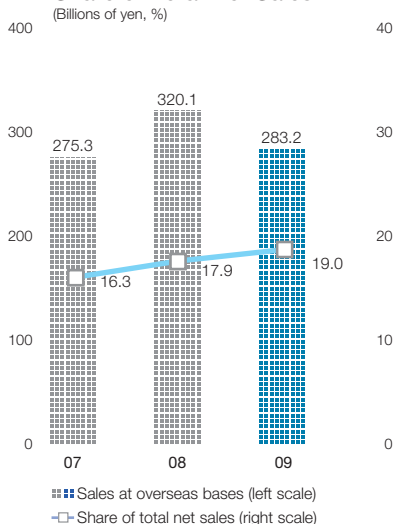
Overseas Sales

In the fiscal year under review, overseas sales amounted to ¥527.9 billion (US\$5.4 billion), a year-on-year decrease of ¥168.4 billion. While accounting for 35.5% of total net sales, this was 3.5 percentage points lower than the previous fiscal year.

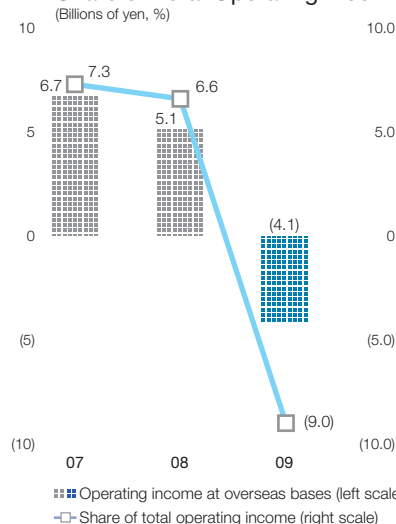
Looking at overseas sales on a geographic basis, Asia accounted for ¥388.0 billion (US\$3.9 billion), or 26.1% of the Group's total net sales; North and Latin America contributed ¥75.9 billion (US\$0.8 billion), or 5.1%; Europe generated ¥52.1 billion (US\$0.5 billion), or 3.5%; and other regions recorded ¥11.9 billion (US\$0.1 billion), or 0.8%.

Comparing these figures with those for the previous fiscal year, the downturn was particularly significant in Asia, where sales declined ¥156.3 billion (US\$1.6 billion) year on year. This decrease was the major contributing factor to the slump in overseas sales.

Sales at Overseas Bases/
Share of Total Net Sales



Operating Income at Overseas Bases/
Share of Total Operating Income



Other Income (Expenses)

Other income (expenses) improved ¥12.7 billion (US\$0.1 billion) year on year, to a net expense of ¥19.9 billion (US\$0.2 billion). The main items affecting other income and expenses were as follows.

Equity in earnings of non-consolidated subsidiaries and affiliates amounted to ¥3 billion (US\$0.03 billion).

As a part of its business structure reform efforts to the Mitsui Chemicals Group incurred losses on disposal and sales of noncurrent assets of ¥7.1 billion (US\$0.1 billion), an impairment loss of ¥3.9 billion (US\$0.04 billion) and losses on restructuring of subsidiaries and affiliates and sales of investment securities of ¥2.7 billion (US\$0.03 billion).

In the fiscal year under review, the Mitsui Chemicals Group also reported foreign exchange losses of ¥4.4 billion (US\$0.04 billion) and environmental expenses of ¥1.4 billion (US\$0.01 billion).

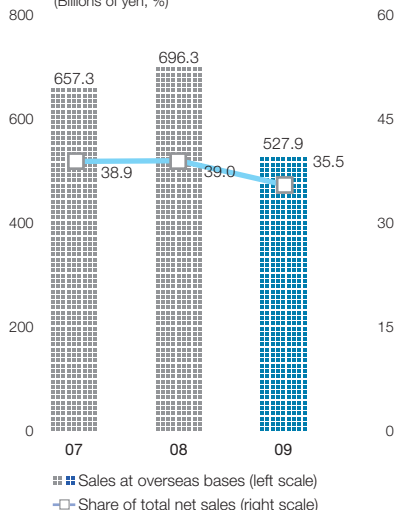
Accounting for other income and expenses, the Mitsui Chemicals Group recorded a net loss before income taxes and minority interests of ¥65.4 billion (US\$0.7 billion). This represented a negative ¥110.0 billion (US\$1.1 billion) turn-around compared with the previous fiscal year.

Net Loss

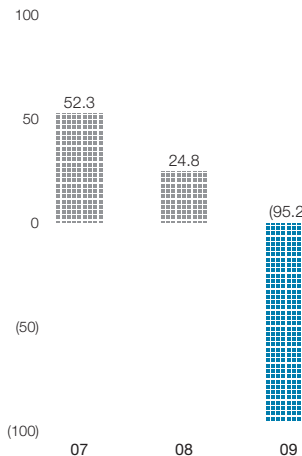
Net loss after accounting for corporate income taxes and minority interests was ¥95.2 billion (US\$1.0 billion), a fall of ¥120.0 billion (US\$1.2 billion) compared with the previous year. This translated into a net loss per share for the period of ¥125.46 (US\$ 1.3).

Summarizing these results, net sales decreased 16.7% from ¥1,786.7 billion to ¥1,487.6 billion (US\$15.1 billion). From net income of ¥24.8 billion in the fiscal year ended March 31, 2008, the Mitsui Chemicals Group reported a net loss of ¥95.2 billion (US\$1.0 billion) in the fiscal year under review. Accordingly, return (net income/loss) on sales deteriorated from 1.39% to negative 6.40%.

**Overseas Sales/
Share of Total Net Sales**
(Billions of yen, %)



Net Income
(Billions of yen)



Financial Position

Overview

Total assets decreased ¥280.3 billion (US\$2.9 billion) from ¥1,469.2 billion as of the end of the previous fiscal year to ¥1,188.9 billion (US\$12.1 billion) as of March 31, 2009. Impacted by the negative year-on-year turnaround of ¥122.7 billion (US\$1.2 billion), from operating income of ¥77.2 billion to an operating loss of ¥45.5 billion (US\$0.5 billion), return (operating income/loss) on assets deteriorated from 5.20% in the fiscal year ended March 31, 2008 to negative 3.42% in the fiscal year under review.

The debt-to-equity ratio was 1.53 as of the end of the fiscal year under review, up 0.56 of a point year on year.

Assets

Total assets as of March 31, 2009 stood at ¥1,188.9 billion (US\$12.1 billion), down ¥280.3 billion (US\$2.9 billion) compared with the end of the previous fiscal year (March 31, 2008).

Liabilities

Total liabilities decreased ¥114.2 billion (US\$1.2 billion) year on year to ¥790.8 billion (US\$8.1 billion). Interest-bearing debt amounted to ¥535.4 billion (US\$5.5 billion), an increase of ¥49.4 billion (US\$0.5 billion) compared with March 31, 2008. As a result, the interest-bearing debt ratio was 45.0%, up 11.9 percentage points.

Net Assets

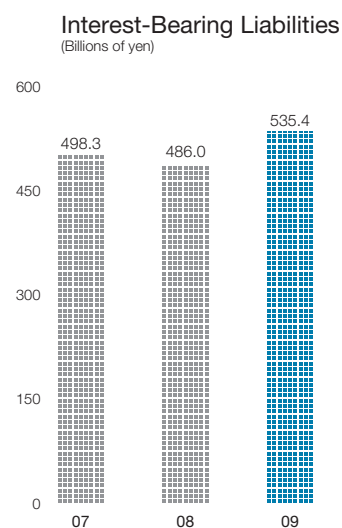
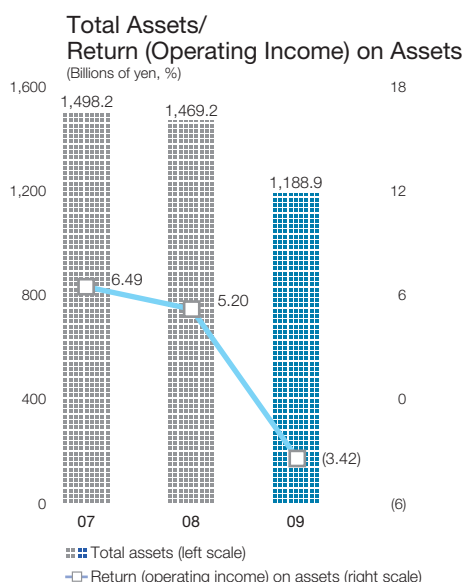
Total net assets stood at ¥398.1 billion (US\$4.1 billion) as of March 31, 2009, down ¥166.1 billion (US\$1.7 billion) compared with the previous fiscal year-end.

Of this total, shareholders' equity was ¥364.4 billion (US\$3.7 billion) as of the end of the fiscal year under review, ¥115.1 billion (US\$1.2 billion) lower than March 31, 2008. This was mainly attributable to the net loss of ¥95.2 billion (US\$1.0 billion) for the period and a decrease of ¥9.1 billion (US\$0.1 billion) due to the payment of dividends. A share buyback program was initiated in September 2008 to provide the Mitsui Chemicals Group with additional flexibility in pursuit of its capital policies. This program was undertaken in response to changes in the Group's business environment. The aggregate total of the share buyback program was ¥10.0 billion (US\$ 0.1 billion).

Valuation and translation adjustments were down ¥35.0 billion (US\$0.4 billion) compared with the previous fiscal year-end to negative ¥14.5 billion (US\$0.1 billion). This mainly reflected an ¥11.8 billion (US\$0.1 billion) decline in net unrealized holding gain on securities caused by the fall in listed stock prices.

Minority interests stood at ¥48.2 billion (US\$0.5 billion) as of the end of the fiscal year under review, a decrease of ¥16.0 billion (US\$0.2 billion) compared with the previous fiscal year-end.

As a result, the equity ratio declined 4.6 percentage points to 29.4% as of March 31, 2009.



Capital Resources and Liquidity

Cash Flows

Cash and cash equivalents (hereafter called "cash") increased ¥22.4 billion (US\$0.2 billion) to ¥ 47.9 billion (US\$0.5 billion) as of the fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥54.9 billion (US\$0.6 billion), a decrease of ¥37.5 billion (US\$0.4 billion) compared with the previous fiscal year. Despite a decline in income taxes paid and the implementation of various emergency measures including efforts to curtail inventories, which resulted in working capital savings, cash flow from operating activities decreased due mainly to the net loss before income taxes and minority interests for the period.

As a result, the ratio of interest-bearing debt to operating cash flows increased from 5.3 in the previous fiscal year to 9.8, while the interest coverage ratio fell from 9.7 times to 5.9 in the fiscal year under review.

Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥1.9 billion (US\$0.02 billion) compared with the previous fiscal year to ¥76.3 billion (US\$0.8 billion). Despite the acquisition of U.S.-based SDC Technologies, which produces and sells such products as coating material for glass lenses, this decrease was attributable to lower payments for the purchase of property, plant and equipment.

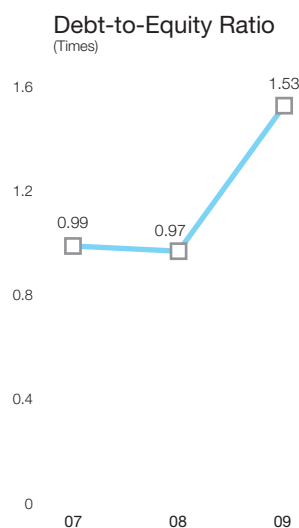
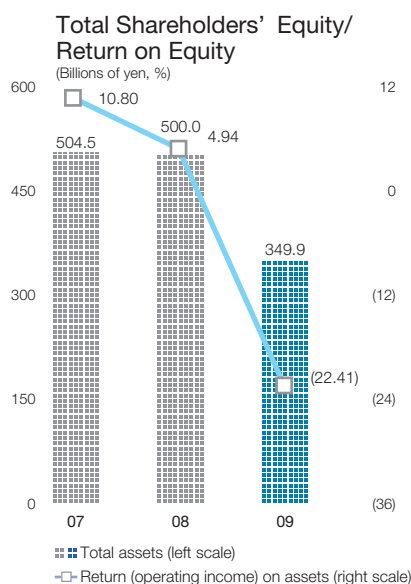
Cash Flows from Financing Activities

Net cash provided by financing activities amounted to ¥48.3 billion (US\$0.5 billion). Major cash outflows comprised the acquisition of treasury stock and payment of cash dividends. This was offset by the increase in interest-bearing debt amid financial instability.

Cash Flow-Related Performance Indicators

	2009	2008	2007	2006	2005
Shareholders' Equity Ratio (%)	29.4	34.0	33.7	34.9	33.7
Shareholders' Equity Ratio on a Market Value Basis (%)	15.1	34.6	53.0	51.0	39.0
Ratio of Interest-bearing Debt to Cash Flows	9.8	5.3	5.0	5.3	4.4
Interest Coverage Ratio (Times)	5.9	9.7	12.8	13.4	14.7

Note: Shareholders' Equity Ratio: Shareholders' equity to total assets
 Shareholders' Equity Ratio on a Market Value Basis: Market capitalization to total assets
 Ratio of Interest-bearing Debt to Cash Flows: Interest-bearing debt to cash flows
 Interest Coverage Ratio: Cash flows to interest paid
 Each of the indicators was calculated using consolidated financial figures. The market capitalization was calculated by multiplying the closing share price as of the end of the period with the number of shares outstanding (excluding treasury stock).
 Operating cash flow figures have been used for cash flow calculations. The operating cash flow figures used are cash flows from operating activities as reported in the consolidated statements of cash flows. Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid. Interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.



Fund Procurement

In connection with its fund procurement activities, the Mitsui Chemicals Group adopts the following basic policies. Maintain a high credit rating so that low-cost funds can be procured, mainly through bonds, loans and commercial paper whenever necessary. Utilize a certain level of indirect financing to preserve the stability of fund procurement activities. Employ securitization and other schemes to liquidate assets in an effort to diversify fund procurement means.

Financial Liquidity

With regard to asset efficiency, the Mitsui Chemicals Group will ensure sufficient levels of liquidity in hand while at the same time securing alternative sources of fund procurement, including credit and overdraft facilities.

Capital Expenditures (Summary)

Mitsui Chemicals and its consolidated subsidiaries undertook capital expenditures totaling ¥81.1 billion (US\$0.8 billion) in the fiscal year ended March 31, 2009. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses.

Expenditures by business segment were as follows.

Performance Materials

In the fiscal year under review, Mitsui Chemicals undertook the construction of facilities for the production of wafer circuit surface protection tapes. In addition, Mitsui Elastomers Singapore Pte. Ltd. continued construction of an alpha-olefin copolymer production facility. The total cost of these and other performance material-related capital expenditures was ¥39.9 billion (US\$0.4 billion).

Advanced Chemicals

Mitsui Chemicals expanded production capacity at its optical lens monomer production facility. The total cost of this and other capital expenditures in the advanced chemicals category amounted to ¥19.0 billion (US\$0.2 billion).

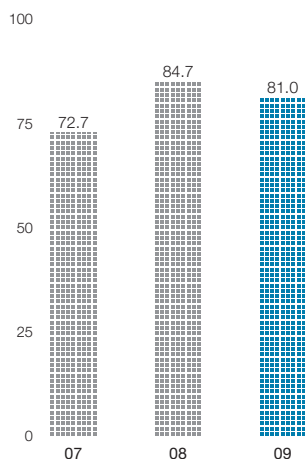
Basic Chemicals

Osaka Petrochemical Industries, Ltd. undertook construction to increase the production capacity of its butane cracking furnace. Capital expenditures in this and other items in the basic chemicals category totaled ¥17.7 billion (US\$0.2 billion).

Others and Corporate

The total cost of other and corporate capital expenditures in the fiscal year under review was ¥4.5 billion (US\$0.05 billion).

Capital Expenditures
(Billions of yen)



Research and Development

Research and development at Mitsui Chemicals and its consolidated subsidiaries is conducted by the development centers of the Performance Materials and Advanced Chemicals business sectors; the production technology center of the production/technology business sectors; the research laboratories of the corporate research center; and the R&D divisions of consolidated subsidiaries. Research and development expenditures by Mitsui Chemicals and its consolidated subsidiaries in the fiscal year ended March 31, 2009 amounted to ¥40.6 billion (US\$0.4 billion).

Corporate Research and Development

Mitsui Chemicals took the lead in cultivating and improving basic technologies that can be applied to the research and development of a new generation of catalysts for use in the production of functional polymers and basic chemicals, new polyolefin resins and next-generation high-performance materials as well as applied research and development of next-generation high-performance materials. Total corporate research and development expenditures in the fiscal year ended March 31, 2009 were ¥5.5 billion (US\$0.1 billion).

Strategic Research and Development

In order to expand and develop functional materials operations, Mitsui Chemicals took a central role in a new functional polymer development promotion project. In addition to a multi-purpose semi-commercial plant the Company develops highly functional elastomers for use in automobiles and electronic materials as well as next-generation functional films. Total strategic research and development expenditures in the fiscal year under review amounted to ¥3.7 billion (US\$0.04 billion).

Performance Materials

Mitsui Chemicals and Mitsui Chemicals Polyurethane, Inc. took the lead in developing functional polymers and urethane resins for use in automotive-, IT-, energy- and lifestyle- related as well as industrial - fields in addition to finished products made from these materials. In the fiscal year ended March 31, 2009, research activities were mainly directed toward new elastomers, new resins for optical lenses, semiconductor materials, sealant materials for electronic and electric parts, functional finished products and solar battery-related materials. Research and development expenditures in the performance materials category totaled ¥16.5 billion (US\$0.2 billion) in the fiscal year under review.

Advanced Chemicals

Mitsui Chemicals plays a central role in the research and development of fine chemicals. Also, together with Sankyo Agro Co., Ltd., the Company takes the lead in the research and development of agrochemicals. In the fiscal year under review, considerable research and development weight was placed on display materials and agrochemicals. Emphasis was also given to the development and sale of organic electroluminescent dyes and various compounds based on the Starkle brand of insecticide. Research and development expenditures in this category were ¥7.6 billion (US\$0.1 billion) in the fiscal year ended March 31, 2009.

Basic Chemicals

In basic chemicals, Mitsui Chemicals took the lead, focusing on the development of new processes for innovative catalysts that can be used in the production of propylene, phenol and bisphenol A. In an effort to enhance the competitiveness of their polyolefin resins, Mitsui Chemicals and Prime Polymer Co., Ltd. took key roles in developing high-performance catalysts. These companies are also leading efforts to develop new high-performance brands aimed at cultivating new markets. Research and development expenditures in the basic chemicals category were ¥7.3 billion (US\$0.1 billion) in the fiscal year under review.

Business Risks

The Mitsui Chemicals Group recognizes that management activities may be threatened by a wide range of conceivable and apparent risks. For this reason, the Group is dedicated to crafting initiatives able to prevent or minimize the escalation of these risks.

The items detailed below represent some of the risks that could potentially and adversely impact the Group's future operating performance and financial position. Readers are cautioned that this partial list does not constitute all of the risks faced by Mitsui Chemicals.

Please note that the risks discussed below were those deemed relevant as of March 31, 2009.

(1) External operating environment

Mitsui Chemicals Group businesses may be influenced by certain elements of the operating environment outside of the Group, including customers, market trends and the business operations of rival firms. With respect to products, a variety of risks could conceivably result in a decline in profitability. These include, but are not limited to, an erosion of market demand, the decision by customers to source products from overseas, deterioration in market conditions caused by oversupply due to increased production capacity at rival firms or the market entry of low-priced imports, and the appearance of alternative products. Profitability may also decline due to the changing cost of raw materials, as well as the impact of supply stoppages due to accidents or bankruptcies at raw material manufacturers. Any or all of these risks could impair the Group's production activities. Consequently, the occurrence of such risks could adversely impact the Group's operating performance.

(2) Overseas activities (Country risk)

The Mitsui Chemicals Group is involved in a wide range of activities outside of Japan, from the export of products to production at overseas bases. These activities overseas are subject to various risks, including deterioration in political and economic conditions, regulations regarding imports and foreign capital, deterioration in public safety and security, and the outbreak of terrorism or warfare. The occurrence of such risks could impair Group business activities overseas, which may adversely impact operating performance.

(3) Changes in laws and tightening of regulations

The business development of the Mitsui Chemicals Group is subject to a wide range of legal acts and ordinances, which include a variety of licensing and regulatory requirements. Consequently, the Group remains keenly aware that its continued survival as a corporation is contingent on strict compliance with laws and regulations. To this end, the Group has enacted training programs that incorporate examples of legal violations within and outside Mitsui Chemicals together with other initiatives aimed at promoting legal compliance.

Other risks faced by the Mitsui Chemicals Group are the prospect of major changes to or a tightening of laws relevant to the Group, or unexpected amendments to laws and regulations overseas. Restrictions placed on Group activities, as well as increased costs associated with compliance with amended laws or more stringent regulations, could impair Group business activities, thus adversely impacting operating performance.

(4) Financial risks

Among the financial risks faced by the Mitsui Chemicals Group are increased concerns about confidence in customers due to deteriorating economic conditions, currency exchange losses due to dramatic fluctuations in exchange rates, and rising interest rates and a reluctance to lend by financial institutions with respect to fund procurement. The occurrence of any one of these risks could adversely impact the Group's financial position.

(5) Accidents and disasters

In an effort to ensure workplace safety, the Mitsui Chemicals Group vigorously promotes OHSAS 18001 certification of the occupational health and safety management systems used in its production activities at plants. Business continuity plans have also been formulated to quickly reestablish the business chain of command in the event that head office functions are affected by a major earthquake in the Tokyo metropolitan area. Nevertheless, the Group faces risks from a variety of unforeseen events, including damage to production facilities caused by natural disasters such as major earthquakes and typhoons, plant accidents, and accidents during the course of product transport or storage at warehousing facilities outside the Group. The occurrence of these risks may not only impede plant operations or the supply of products to customers, thereby adversely impacting the Group's operating performance and financial position, but could also potentially undermine the social standing of the Mitsui Chemicals Group.

(6) Quality

To uphold its quality assurance system, the Mitsui Chemicals Group vigorously promotes efforts to obtain ISO 9001 certification of the quality management systems at each of its plants. Nevertheless, the Group faces risks from the discovery of unforeseen quality defects in its products and product liability lawsuits. Because many Group products are used as raw materials in finished consumer goods, the appearance of large-scale customer recalls due to product defects could potentially result in massive damages. The occurrence of these risks may not only adversely impact the Group's operating performance and financial position, but could also potentially undermine the social standing of the Mitsui Chemicals Group.

(7) The environment

As a group that handles a wide range of chemical substances, the Mitsui Chemicals Group has made harmony with the environment one of its long-term management targets. In addition to ensuring compliance with environmental laws and regulations, the Group promotes initiatives for reducing greenhouse gas (GHG) emissions and minimizing the amount of industrial waste sent to landfill for final disposal.

Environmental risks relevant to the Group include the incurrence of new social responsibilities due to tighter environmental regulations or changes in public sentiment regarding environmental protection, as well as the discovery of environmental pollution stemming from actions taken by the Group prior to the enactment of environmental laws. These and other situations could increase costs associated with legal compliance and environmental countermeasures and have other consequences, which could adversely impact the Group's operating performance.

Consolidated Balance Sheets

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

March 31, 2009, 2008 and 2007

ASSETS	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Current assets:				
Cash and cash equivalents (Note 4)	¥ 47,949	¥ 25,502	¥ 40,443	\$ 488,130
Short-term investments	499	430	2,467	5,080
Receivables:				
Trade notes and accounts receivable	174,845	332,953	346,659	1,779,955
Other	29,460	69,371	57,062	299,908
Inventories (Note 5)	250,654	269,229	257,069	2,551,705
Deferred tax assets — current (Note 10)	5,310	18,268	19,283	54,057
Other current assets (Note 6)	21,183	11,066	10,669	215,647
Allowance for doubtful accounts	(294)	(458)	(502)	(2,993)
Total current assets	529,606	726,361	733,150	5,391,489
Property, plant and equipment (Notes 7 and 9):				
Land	169,822	172,140	173,106	1,728,820
Buildings and structures	308,596	303,888	296,416	3,141,566
Machinery and equipment	1,093,374	1,087,996	1,059,529	11,130,754
Construction in progress	30,277	50,448	22,651	308,226
	1,602,069	1,614,472	1,551,702	16,309,366
Accumulated depreciation	(1,079,428)	(1,049,667)	(1,009,362)	(10,988,782)
Property, plant and equipment, net	522,641	564,805	542,340	5,320,584
Investments and other non-current assets:				
Investment securities (Note 6):				
Non-consolidated subsidiaries and affiliates	37,025	47,019	55,578	376,922
Other	55,901	74,434	114,901	569,083
Long-term receivables	4,520	6,621	6,463	46,014
Deferred tax assets — non-current (Note 10)	4,992	18,299	7,389	50,820
Other non-current assets (Note 7)	36,097	33,743	40,253	367,474
Allowance for doubtful accounts	(1,843)	(2,034)	(1,891)	(18,762)
Total investments and other non-current assets	136,692	178,082	222,693	1,391,551
Total assets	¥1,188,939	¥1,469,248	¥1,498,183	\$12,103,624

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

LIABILITIES AND NET ASSETS	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Current liabilities:				
Short-term bank loans (Note 7)	¥ 149,304	¥ 96,329	¥ 133,690	\$ 1,519,943
Current portion of long-term debt (Note 7)	27,938	36,860	42,213	284,414
Commercial paper (Note 7)	14,200	80,000	51,000	144,559
Payables:				
Trade notes and accounts payable	98,394	239,031	242,866	1,001,670
Other	52,806	67,440	56,379	537,575
Employees' savings deposits	579	712	1,261	5,894
Accrued expenses	18,260	22,584	23,701	185,890
Accrual for directors' bonuses	49	122	160	499
Reserve for periodic repairs	12,433	8,703	11,601	126,570
Accrued income taxes (Note 10)	2,930	15,513	25,101	29,828
Other current liabilities (Notes 7 and 10)	965	2,266	3,281	9,824
Total current liabilities	377,858	569,560	591,253	3,846,666
Long-term liabilities:				
Long-term debt due after one year (Note 7)	343,622	272,783	271,420	3,498,137
Accrued employees' retirement benefits (Note 8)	33,373	33,564	50,353	339,743
Accrued directors' and corporate auditors' retirement benefits	443	369	1,288	4,510
Reserve for periodic repairs	2,658	4,874	2,290	27,059
Provision for environmental measures	11,948	11,106	—	121,633
Other non-current liabilities (Notes 7 and 10)	20,906	12,765	11,327	212,827
Total long-term liabilities	412,950	335,461	336,678	4,203,909
Contingent liabilities (Note 12)				
Net assets:				
Shareholders' equity (Note 11):				
Common stock:				
Authorized—3,000,000,000 shares				
Issued – 792,020,076 shares in 2009, 2008 and 2007,	103,226	103,226	103,226	1,050,860
Capital surplus	69,238	69,238	69,257	704,856
Retained earnings	221,721	326,932	311,703	2,257,162
Treasury stock, at cost:				
40,428,862 shares in 2009, 22,287,515 shares in 2008, and 20,407,827 shares in 2007	(29,827)	(19,826)	(18,280)	(303,644)
	364,358	479,570	465,906	3,709,234
Valuation and translation adjustments:				
Net unrealized holding gain on securities	7,319	19,125	34,290	74,509
Net unrealized holding gain (loss) on hedging derivatives	(3)	39	21	(31)
Foreign currency translation adjustments	(21,766)	1,310	4,292	(221,582)
	(14,450)	20,474	38,603	(147,104)
Minority interests	48,223	64,183	65,743	490,919
Total net assets	398,131	564,227	570,252	4,053,049
Total liabilities and net assets	¥1,188,939	¥1,469,248	¥1,498,183	\$12,103,624

Consolidated Statements of Operations

mitsui chemicals, inc. and consolidated subsidiaries

For the years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Net sales	¥1,487,615	¥1,786,680	¥1,688,062	\$15,144,202
Cost of sales (Notes 8 and 14)	1,341,106	1,509,308	1,402,022	13,652,713
Gross profit	146,509	277,372	286,040	1,491,489
Selling, general and administrative expenses (Notes 8 and 14)	192,002	200,196	194,362	1,954,617
Operating income (loss)	(45,493)	77,176	91,678	(463,128)
Other income (expenses):				
Interest expense	(9,323)	(9,512)	(8,096)	(94,910)
Interest and dividend income	3,988	3,972	2,721	40,599
Equity in earnings of non-consolidated subsidiaries and affiliates	2,992	5,947	5,979	30,459
Loss on disposal of inventories	—	(5,462)	(2,656)	—
Foreign exchange losses	(4,398)	(6,149)	—	(44,772)
Gain on sales of investment securities (Note 6)	1,635	743	1,938	16,645
Loss on valuation of investment securities	(1,932)	—	—	(19,668)
Loss on sales and disposal of property, plant and equipment	(7,093)	(5,399)	(5,979)	(72,208)
Loss on impairment of fixed assets (Note 9)	(3,935)	(719)	(1,347)	(40,059)
Loss on restructuring of subsidiaries and affiliates	(2,243)	(2,871)	(1,997)	(22,834)
Gain on change in interests in consolidated subsidiary	—	—	3,102	—
Environmental expenses	(1,400)	(11,746)	—	(14,252)
Other, net	1,773	(1,427)	(801)	18,048
	(19,936)	(32,623)	(7,136)	(202,952)
Income (loss) before income taxes and minority interests	(65,429)	44,553	84,542	(666,080)
Income taxes (Note 10):				
Current	5,700	20,067	28,875	58,027
Deferred	34,919	(637)	(1,459)	355,482
	40,619	19,430	27,416	413,509
Income (loss) before minority interests	(106,048)	25,123	57,126	(1,079,589)
Minority interests in earnings of consolidated subsidiaries	10,811	(292)	(4,829)	110,058
Net income (loss)	¥ (95,237)	¥ 24,831	¥ 52,297	\$ (969,531)

	Millions of yen			U.S. dollars (Note 3)
	2009	2008	2007	2009
Amounts per share of common stock:				
Net income (loss)	¥(125.46)	¥32.22	¥66.68	\$(1.277)
Cash dividends applicable to the year	9.00	12.00	10.00	0.092

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

Consolidated Statements of Changes in Net Assets

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2009, 2008 and 2007

	Millions of yen									
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized holding gain (loss) on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	789,156	¥103,226	¥66,945	¥269,191	¥ (3,593)	¥29,016	¥—	¥ (764)	¥75,103	¥539,124
Share exchange (Note 17)	2,864	—	2,310	—	2,667	—	—	—	—	4,977
Cash dividends paid	—	—	—	(6,299)	—	—	—	—	—	(6,299)
Bonuses to directors and corporate auditors	—	—	—	(103)	—	—	—	—	—	(103)
Net income	—	—	—	52,297	—	—	—	—	—	52,297
Purchase of treasury stock	—	—	—	—	(17,866)	—	—	—	—	(17,866)
Disposition of treasury stock	—	—	2	—	36	—	—	—	—	38
Changes resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	—	—	—	(3,383)	476	—	—	—	—	(2,907)
Other changes	—	—	—	—	—	5,274	21	5,056	(9,360)	991
Balance at March 31, 2007	792,020	¥103,226	¥69,257	¥311,703	¥(18,280)	¥34,290	¥21	¥4,292	¥65,743	¥570,252
Cash dividends paid	—	—	—	(9,256)	—	—	—	—	—	(9,256)
Net income	—	—	—	24,831	—	—	—	—	—	24,831
Purchase of treasury stock	—	—	—	—	(1,809)	—	—	—	—	(1,809)
Disposition of treasury stock	—	—	(19)	(22)	263	—	—	—	—	222
Changes resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	—	—	—	(324)	—	—	—	—	—	(324)
Other changes	—	—	—	—	—	(15,165)	18	(2,982)	(1,560)	(19,689)
Balance at March 31, 2008	792,020	¥103,226	¥69,238	¥326,932	¥(19,826)	¥19,125	¥39	¥1,310	¥64,183	¥564,227
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	(588)	—	—	—	—	—	(588)
Cash dividends paid	—	—	—	(9,128)	—	—	—	—	—	(9,128)
Net loss	—	—	—	(95,237)	—	—	—	—	—	(95,237)
Purchase of treasury stock	—	—	—	—	(10,629)	—	—	—	—	(10,629)
Disposition of treasury stock	—	—	—	(258)	628	—	—	—	—	370
Other changes	—	—	—	—	—	(11,806)	(42)	(23,076)	(15,960)	(50,884)
Balance at March 31, 2009	792,020	¥103,226	¥69,238	¥221,721	¥(29,827)	¥ 7,319	¥ (3)	¥(21,766)	¥48,223	¥398,131

	Thousands of U.S. dollars (Note 3)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized holding gain (loss) on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total net assets	
Balance at March 31, 2008	\$1,050,860	\$704,856	\$3,328,230	\$(201,832)	\$194,696	\$397	\$13,336	\$653,395	\$5,743,938	
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	(5,986)	—	—	—	—	—	(5,986)	
Cash dividends paid	—	—	(92,925)	—	—	—	—	—	(92,925)	
Net loss	—	—	(969,531)	—	—	—	—	—	(969,531)	
Purchase of treasury stock	—	—	—	(108,205)	—	—	—	—	(108,205)	
Disposition of treasury stock	—	—	(2,626)	6,393	—	—	—	—	3,767	
Other changes	—	—	—	—	(120,187)	(428)	(234,918)	(162,476)	(518,009)	
Balance at March 31, 2009	\$1,050,860	\$704,856	\$2,257,162	\$(303,644)	\$ 74,509	\$ (31)	\$(221,582)	\$490,919	\$4,053,049	

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

Consolidated Statements of Cash Flows

mitsui chemicals, inc. and consolidated subsidiaries

For the years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥ (65,429)	¥ 44,553	¥ 84,542	\$ (666,080)
Depreciation and amortization	76,742	68,185	66,705	781,248
Goodwill amortization	4,632	4,411	3,502	47,155
Loss on impairment of fixed assets	3,935	719	1,347	40,059
Gain on change in interests in consolidated subsidiaries	—	—	(3,102)	—
Changes in allowance for doubtful accounts	(330)	81	—	(3,359)
Reserve for periodic repairs	1,514	(314)	5,382	15,413
Accrued directors' and corporate auditors' retirement benefits	—	(917)	66	—
Provision for environmental measures	842	11,106	—	8,572
Interest and dividend income	(3,988)	(3,972)	(2,721)	(40,599)
Interest expenses	9,323	9,512	8,096	94,910
Equity in earnings of non-consolidated subsidiaries and affiliates	(2,992)	(5,947)	(5,979)	(30,459)
(Gain) Loss on sales of investment securities	(1,151)	(396)	1,662	(11,718)
Loss on write-downs of investment securities	1,932	844	—	19,668
Gain on sales of property, plant and equipment	(771)	(2,443)	(389)	(7,849)
Loss on sales and disposal of property, plant and equipment	2,707	4,343	4,441	27,558
(Increase) decrease in trade receivables	150,474	12,804	(42,697)	1,531,854
(Increase) decrease in inventories	7,190	(11,913)	(27,039)	73,196
Increase (decrease) in trade payables	(131,389)	(2,718)	20,105	(1,337,565)
Other, net	25,206	5,145	(3,519)	256,602
Subtotal	78,447	133,083	110,402	798,606
Interest and dividend received	8,362	9,570	7,436	85,127
Interest paid	(9,282)	(9,600)	(7,854)	(94,493)
Income taxes paid	(22,645)	(40,630)	(9,419)	(230,531)
Net cash provided by operating activities	54,882	92,423	100,565	558,709
Cash flows from investing activities				
Acquisition of property, plant, equipment and others	(73,411)	(86,363)	(67,433)	(747,338)
Proceeds from sales of property, plant, equipment and others	2,485	3,028	1,406	25,298
Purchases of investment securities	(10,199)	(8,663)	(16,494)	(103,828)
Proceeds from sales of investment securities	12,002	9,776	5,443	122,183
Payments for purchase of minority interests in a subsidiary	—	(136)	(27,309)	—
Payments for purchases of newly consolidated subsidiaries, net of cash acquired	(8,684)	(58)	(24,875)	(88,405)
Other, net	1,554	4,210	(4,356)	15,820
Net cash used in investing activities	(76,253)	(78,206)	(133,618)	(776,270)
Cash flows from financing activities				
Net increase (decrease) in short-term loans	(3,597)	(10,177)	58,116	(36,618)
Proceeds from long-term debt	107,189	34,185	59,611	1,091,204
Repayments of long-term debt	(34,086)	(40,215)	(48,344)	(347,002)
Proceeds from sales of treasury stock	370	222	38	3,767
Purchases of treasury stock	(10,629)	(1,809)	(17,866)	(108,205)
Cash dividends paid	(9,128)	(9,256)	(6,299)	(92,925)
Other, net	(1,784)	(1,684)	(4,088)	(18,161)
Net cash provided by (used in) financing activities	48,335	(28,734)	41,168	492,060
Effect of exchange rate changes on cash and cash equivalents	(4,598)	(139)	608	(46,809)
Net increase (decrease) in cash and cash equivalents	22,366	(14,656)	8,723	227,690
Cash and cash equivalents at beginning of the year	25,502	40,443	31,221	259,615
Increase (decrease) in cash resulting from changes in numbers of consolidated subsidiaries	81	(285)	499	825
Cash and cash equivalents at end of the year (Note 4)	¥ 47,949	¥ 25,502	¥ 40,443	\$ 488,130

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

Notes to Consolidated Financial Statements

mitsui chemicals, inc. and consolidated subsidiaries

For the years ended March 31, 2009, 2008 and 2007

1. BASIS OF PREPARATION

The accompanying consolidated financial statements of Mitsui Chemicals, Inc. (the "Company") and its consolidated subsidiaries have been prepared in accordance with accounting principles generally accepted in Japan and have been compiled from those prepared by the Company as required under the Financial Instruments and Exchange Law of Japan (formerly Securities and Exchange Law), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Effective April 1, 2008, the Company adopted the "Practical solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement (PITF No. 18)." In accordance with PITF No. 18, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared with necessary adjustments for certain items.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company exerts control through majority voting rights or the existence of certain conditions evidencing substantial control by the Company.

Investments in non-consolidated subsidiaries and affiliates, in which the Company has the ability to exercise significant influence over their operating and financial policies, are accounted for by the equity method.

Non-consolidated subsidiaries and affiliates in the process of liquidation are stated at cost or less.

As of March 31, 2009, the numbers of consolidated subsidiaries and non-consolidated subsidiaries and affiliates accounted for by the equity method were 66 and 32, respectively.

In the elimination of investments in subsidiaries, the portion of the assets and liabilities of a subsidiary attributable to the subsidiary's shares acquired by the Company is recorded based on its fair value as of the respective dates when such shares were acquired.

The amounts of assets and liabilities attributable to minority shareholders of the subsidiaries are recorded based on the financial statements of each subsidiary. The excess of the cost of investments in consolidated subsidiaries over the net assets acquired is deferred as a consolidation difference and is amortized over a period of twenty years or less.

All significant intercompany transactions and accounts have been eliminated in consolidation.

b. Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. The Company and its domestic consolidated subsidiaries have reported foreign currency translation adjustments as a component of valuation and translation adjustments and minority interests.

c. Inventories

Inventories are stated primarily at cost by the last-in, first-out method (the balance sheet amount is written down based on the decrease in profitability).

Previously, inventories were stated primarily at the lower of cost or market, cost being determined by the last-in, first-out method. Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). As a result of adopting this standard, for the year ended March 31, 2009, operating loss decreased by ¥7,207 million (\$73,369 thousand) and loss before income taxes and minority interests decreased by ¥9,699 million (\$98,738 thousand) compared to the amounts that would have been reported if the previous methods had been applied consistently.

d. Securities

Securities other than equity securities issued by subsidiaries and affiliates, which is held by the Company and its subsidiaries, are classified into two categories: held-to-maturity or available-for-sale securities.

Held-to-maturity securities are carried at amortized cost.

Marketable securities classified as available-for-sale securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are stated at cost by the moving-average method. Cost of securities sold is determined by the moving-average method.

e. Property, plant and equipment (Except for assets leased)

Property, plant and equipment are stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the respective assets except for buildings, which are depreciated using the straight-line method.

Maintenance, repairs and minor renewals are currently charged to income; major renewals and improvements are capitalized.

For the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, changed the depreciation method from the straight-line method to the declining-balance method for the property, plant and equipment except for buildings.

As a result of this change, depreciation and amortization increased by ¥1,220 million and operating income and income before income taxes and minority interests decreased by ¥1,214 million compared to the amounts that would have been reported if the previous methods had been applied consistently.

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation. As a result of this change, for the year ended March 31, 2008, depreciation and amortization increased by ¥1,872 million and operating income and income before income taxes and minority interests decreased by ¥1,848 million compared to the amounts that would have been reported if the previous methods had been applied consistently.

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007 and were already depreciated to 5% of the acquisition cost. The depreciation of the difference of the acquisition cost and the nominal amount was calculated by the straight-line method over next five years after these assets were depreciated to 5% of the acquisition cost. The depreciation was charged to depreciation expense. As a result of this change, for the year ended March 31, 2008, depreciation and amortization increased by ¥993 million and operating income and income before income taxes and minority interests decreased by ¥967 million compared to the amounts that would have been reported if the previous methods had been applied consistently. The effect of this change on segment information is disclosed in note 16.

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries revised the useful life of machinery in response to the revision of the Corporate Tax Law. As a result, for the year ended March 31, 2009, this change had only minor impact on operating loss and loss before income taxes and minority interests.

f. Intangible assets (Except for assets leased)

Amortization of intangible assets of the Company and its consolidated subsidiaries is calculated by the straight-line method.

The cost of software intended for internal use is amortized using the straight-line method over its estimated useful life (five years).

g. Research and development expenses

Expenses relating to research and development activities are charged to income as incurred.

h. Leases

The Company and its consolidated subsidiaries lease certain machinery and equipment under noncancelable leases referred to as finance leases.

Previously, finance leases other than those which transfer the ownership of the leased property to the lessees are accounted for in the same manner as operating leases. Effective the year ended March 31, 2009, the Company adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, revised on March 30, 2007), and such transactions are now accounted for as ordinary sale and purchase transactions.

Depreciation of leased assets is computed by the straight-line method over the respective lease terms.

In addition, finance lease transactions starting before March 31, 2008 that do not transfer ownership of the leased property to the lessees are accounting for as operating leases.

As a result, in the year ended March 31, 2009, this change had only minor impact on operating loss and loss before income taxes and minority interests.

i. Derivatives and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize any changes in fair value as gains or losses unless the derivatives are being utilized for hedging purposes.

If the derivatives meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of the derivatives positions until the related losses or gains on the hedged items are recognized.

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

In addition, if interest-rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed.

j. Allowance for doubtful accounts

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

k. Employees' retirement benefits

Employees of the Company and its domestic consolidated subsidiaries are covered by an employees' retirement benefit plan and two non-contributory defined benefit pension plans.

In addition, the Company and certain of its consolidated subsidiaries have set up an employees' retirement benefit trust.

Under these plans, all eligible employees are entitled to certain benefits based on their abilities, occupational roles, work performances, length of service and certain other factors.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts calculated actuarially under certain assumptions.

The Company and its consolidated subsidiaries have provided an allowance for employees' severance and retirement benefits based on the estimated amounts of the projected benefit obligation less the fair value of the pension plan assets.

Prior service cost is recognized as incurred or is amortized by the straight-line method over certain years (10 years) within the average estimated remaining service years of the eligible employees. Actuarial gain or loss is recognized by the straight-line method over certain years (10 to 13 years) within the average estimated remaining service years of the eligible employees commencing the year following the year in which the gain or loss was recognized.

l. Accrual for directors' bonuses

Effective the year ended March 31, 2007, the Company provided on accrual for bonuses to directors.

Directors' bonuses had been previously accounted for as a decrease in retained earnings. Effective the year ended March 31, 2007, the Company adopted a new accounting standard, "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4, November 29, 2005).

As a result of adopting the standard, directors' bonuses have been accounted for as an expense, not as a decrease in retained earnings.

The Company provided an accrual for the estimated amount of directors' bonuses at the end of the year. The effect on net income was not material.

Reflecting a significant deterioration in its performance for the year ended March 31, 2009, the Company has reduced compensation paid to directors and management personnel. In addition, all directors will return to the Company, in full, the bonuses that they have received during the year ended March 31, 2009. Accounting for these activities, the Company has not provided for accrual for directors' bonuses during the year ended March 31, 2009.

m. Directors' and corporate auditors' retirement benefits

Certain domestic consolidated subsidiaries accrue liabilities for the aggregate amount payable for directors' and corporate auditors' retirement benefits, pursuant to the internal regulations.

Effective from the meeting of the Company's shareholders held on June 28, 2005, the Company abolished its system of retirement benefits for directors and corporate auditors, but plans to pay out a suitable level of benefits applicable to directors and corporate auditors for their time in office up to the date of abolishment upon their retirement. Accordingly, while no further liabilities will be incurred for directors' and corporate auditors' retirement benefits due to the system's abolishment, the remaining balance of liabilities will be cancelled as said directors and corporate auditors retire.

Several domestic consolidated subsidiaries have abolished the system of retirement benefits for directors and corporate auditors.

As a result, effective from the year ended March 31, 2008, Accrued directors' and corporate auditors' retirement benefits of the Company and those subsidiaries are shown in Other noncurrent liabilities.

n. Reserve for periodic repairs

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

For the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, provided a reserve for the costs of annual repairs.

As a result of this change, for the year ended March 31, 2007, operating income decreased by ¥731 million and income before income taxes and minority interests decreased by ¥1,762 million compared to the amounts that would have been reported if the previous accounting policy had been applied consistently.

o. Provision for environmental measures

Effective from the year ended March 31, 2008, the Company provided a provision for environmental measures. As a result, income before income taxes and minority interests decreased by ¥11,106 million for the year ended March 31, 2008.

p. Amounts per share of common stock

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent the actual amount applicable to each respective year.

q. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not in excess of three months from the date of purchase are considered cash and cash equivalents.

r. Accounting standard for presentation of net assets in the balance sheet

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard entitled "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, December 9, 2005).

Under the new accounting standard and the related guidance, "Net unrealized holding gain on hedging derivatives," "Share subscription rights," and "Minority interests" are required to be shown in net assets.

At March 31, 2007, the amount corresponding to conventional "Total shareholders' equity" in the consolidated balance sheet was ¥504,488 million. At March 31, 2008, the amount corresponding to conventional "Total shareholders' equity" in the consolidated balance sheet was ¥500,005 million.

s. Accounting standard for statement of changes in net assets

Effective the year ended March 31, 2007, the Company and its consolidated domestic subsidiaries have adopted a new accounting standard entitled "Accounting Standard for Statement of Changes in Net Assets" (ASBJ Statement No. 6, December 27, 2005) and "Guidance on Accounting Standard for Statement of Changes in Net Assets" (ASBJ Guidance No. 9, December 27, 2005).

t. Accounting standards for business combinations and divestitures

Effective the year ended March 31, 2007, the Company and its consolidated domestic subsidiaries have adopted a new accounting standard entitled "Accounting Standard for Business Combinations in Japan" (Business Accounting Council, October 31, 2003), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 27, 2005), and its guidance entitled "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised November 15, 2007).

u. Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective the year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006) and has made necessary adjustment to the consolidated financial statements.

As a result, in the year ended March 31, 2009, this change had only minor impact on operating loss and loss before income taxes and minority interests.

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥98.23=US\$1.00, the approximate rate of exchange in effect on March 31, 2009. The translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

Cash and cash equivalents at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Cash	¥47,949	¥21,752	¥32,568	\$488,130
Cash equivalents	—	3,750	7,875	—
Total	¥47,949	¥25,502	¥40,443	\$488,130

The following is the summary of assets acquired and liabilities assumed through the acquisition of share of SDC Technologies, Inc. and other four companies for the year ended March 31, 2009, relating acquisition costs and net disbursement:

	Millions of yen		Thousands of U.S. dollars
	Millions of yen	U.S. dollars	U.S. dollars
Current assets	¥ 711	\$ 7,238	
Non-current assets	6,241	63,535	
Goodwill	6,685	68,055	
Current liabilities	(2,456)	(25,003)	
Long-term liabilities	(2,276)	(23,170)	
Acquisition value of shares	8,905	90,655	
Cash and cash equivalents	(221)	(2,250)	
Net disbursement due to the acquisition	¥ 8,684	\$ 88,405	

5. INVENTORIES

Inventories at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Finished goods	¥183,314	¥188,192	¥183,135	\$1,866,171
Work in process	3,826	4,313	5,685	38,949
Raw materials and supplies	63,514	76,724	68,249	646,585
Total	¥250,654	¥269,229	¥257,069	\$2,551,705

6. SECURITIES

A. The following tables summarize the acquisition cost and book value of marketable securities as of March 31, 2009, 2008 and 2007:

Available-for-sale securities

Securities with book value exceeding their acquisition cost

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Equity securities and bonds:				
Acquisition cost	¥17,484	¥19,409	¥30,386	\$177,990
Book value	31,311	49,210	85,033	318,752
Difference	13,827	29,801	54,647	140,762

Securities with book value not exceeding their acquisition cost

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Equity securities and bonds:				
Acquisition cost	¥8,320	¥5,508	¥8,153	\$84,699
Book value	6,308	5,155	7,803	64,217
Difference	(2,012)	(353)	(350)	(20,482)

B. The following table summarizes the book value of non-marketable securities as of March 31, 2009, 2008 and 2007:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
(a) Held-to-maturity debt securities:				
Government and municipal bonds	¥ 25	¥ 41	¥ 48	\$ 255
(b) Available-for-sale securities:				
Unlisted equity securities	¥13,476	¥21,475	¥22,200	\$137,188
Unlisted preferred securities	¥ 5,400	—	—	\$ 54,973

C. The redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Bonds:				
Due within one year	¥1,101	¥1,716	¥ 449	\$11,208
Due over one year but within five years	816	1,924	3,628	8,307
Due over five years but within ten years	—	1	6	—
Due over ten years	101	100	93	1,028
Total	¥2,018	¥3,741	¥4,176	\$20,543

D. Information related to sales of available-for-sale securities for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Sales – total	¥1,815	¥771	¥2,860	\$18,477
Related gain – total	1,424	586	1,082	14,497
Related loss – total	20	27	2	204

7. SHORT-TERM DEBT AND LONG-TERM DEBT

At March 31, 2009, 2008 and 2007, short-term debts were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
0.50% – 7.35% bank loans	¥149,304	¥ 96,329	¥133,690	\$1,519,943
Commercial paper	¥ 14,200	¥ 80,000	¥ 51,000	\$ 144,559

At March 31, 2009, 2008 and 2007, long-term debts were as follows:

Bonds payable guaranteed by a bank:

0.80% bonds due in 2010	¥ 33	¥ 55	¥ 77	\$ 336
Unsecured bonds payable:				
2.95% bonds due in 2008	—	10,000	10,000	—
2.7% bonds due in 2008	—	10,000	10,000	—
2.07% bonds due in 2010	10,000	10,000	10,000	101,802
1.94% bonds due in 2011	10,000	10,000	10,000	101,802
1.84% bonds due in 2011	10,000	10,000	10,000	101,802
1.62% bonds due in 2011	10,000	10,000	10,000	101,802
0.79% bonds due in 2007	—	—	10,000	—
1.04% bonds due in 2009	10,000	10,000	10,000	101,802
1.36% bonds due in 2012	10,000	10,000	10,000	101,802
0.56% bonds due in 2007	—	—	10,000	—
0.78% bonds due in 2013	10,000	10,000	10,000	101,802
1.52% bonds due in 2015	10,000	10,000	10,000	101,802
1.57% bonds due in 2013	10,000	10,000	10,000	101,802
1.84% bonds due in 2016	10,000	10,000	10,000	101,802
2.09% bonds due in 2016	10,000	10,000	10,000	101,802
1.4% bonds due in 2012	10,000	10,000	10,000	101,802
1.96% bonds due in 2017	10,000	10,000	10,000	101,802
1.42% bonds due in 2012	10,000	10,000	—	101,802
1.93% bonds due in 2017	10,000	10,000	—	101,802
1.26% bonds due in 2009	2,000	2,000	2,000	20,360
1.45% bonds due in 2011	1,000	1,000	1,000	10,180
Loans, principally from banks and insurance companies:				
Secured, at rates of 1.07% to 5.10% maturing through 2010	1,050	3,671	6,166	10,689
Unsecured, at rates of 0.75% to 11.65% maturing through 2019	217,477	132,917	134,390	2,213,956
Lease obligations	327	—	—	3,329
	371,887	309,643	313,633	3,785,880
Less current portion	27,951	36,860	42,213	284,546
	¥343,936	¥272,783	¥271,420	\$3,501,334

The aggregate annual maturities of long-term debt excluding lease obligations subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 27,938	\$ 284,414
2011	50,359	512,664
2012	39,471	401,822
2013	43,432	442,146
2014 and thereafter.	210,360	2,141,505
Total	¥371,560	\$3,782,551

The aggregate annual maturities of lease obligations subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 13	\$ 132
2011	75	764
2012	35	356
2013	35	356
2014 and thereafter.	169	1,721
Total	¥327	\$3,329

At March 31, 2009, the assets pledged as collateral for long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥10,603	\$107,941
Other non-current assets	127	1,293

8. ACCRUED EMPLOYEES' RETIREMENT BENEFITS

The liability for severance and retirement benefits included in the consolidated balance sheets as of March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Projected benefit obligation	¥208,611	¥207,245	¥210,847	\$2,123,699
Unrecognized prior service cost	(80)	12	16	(815)
Unrecognized actuarial loss	(73,851)	(48,362)	(36,888)	(751,817)
Less fair value of pension plan assets	(101,662)	(126,690)	(124,821)	(1,034,938)
Prepaid pension and severance cost	355	1,359	1,199	3,614
Liability for severance and retirement benefits	¥ 33,373	¥ 33,564	¥ 50,353	\$ 339,743

Included in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 are severance and retirement benefit expenses which comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Service cost – benefits earned during the year	¥ 5,525	¥ 5,655	¥ 5,414	\$ 56,245
Interest cost on projected benefit obligation	5,050	5,110	5,021	51,410
Expected return on plan assets	(2,910)	(2,954)	(2,611)	(29,624)
Amortization of actuarial loss	6,232	4,958	4,522	63,443
Amortization of prior service cost	10	(4)	(4)	102
Severance and retirement benefit expenses	¥13,907	¥12,765	¥12,342	\$141,576

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

	2009	2008	2007
Discount rate	2.50%	2.50%	2.50%
Rate of expected return on the pension plan assets	Principally 2.5%	2.50%	2.50%

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year over the estimated total service years. Prior service cost is recognized as incurred or is amortized by the straight-line method over 10 years. Actuarial gain/loss is recognized by the straight-line method over 10 to 13 years commencing the year following the year in which the gain or loss was recognized.

9. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the year ended March 31, 2009 consisted of the following:

Location	Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks
Nagoya City, Aichi Prefecture	Production Facilities	Machinery and equipment, buildings and structures, others	¥1,046	\$10,648	Business assets in use
Nerima City, Tokyo Metropolis	Company house for employees	buildings and structures, land	¥ 695	\$ 7,075	At the point of recording: business assets in use/ At the end of the year: idle property
Others	7 items	Production Facilities	¥1,608	\$16,370	Business assets in use
	5 items	Company house for employees, etc.	¥ 586	\$ 5,966	Business assets in use or idle property
Total			¥3,935	\$40,059	

The Company and its consolidated subsidiaries have categorized assets used for business activities based on business divisions or units based on business divisions. Of these assets, those assets that are to be disposed of due to withdrawal from a business or for another reason are assessed on an individual basis. Those assets that are idle or not being used for production activities are assessed on an individual basis.

Regarding assets used for business activities, the book value for assets to be disposed of due to withdrawal from a business or for another reason is, in cases where the recoverable amount is below book value, reduced to the recoverable amount. The resulting impairment loss amounting to ¥3,909 million (\$39,794 thousand) was recorded as other expenses. This impairment loss comprised ¥1,948 million (\$19,831 thousand) for machinery and equipment, ¥1,078 million (\$10,974 thousand) for buildings and structures, ¥645 million (\$6,566 thousand) for land, and ¥238 million (\$2,423 thousand) for other assets.

In addition, the calculation of recoverable amounts based on either net sales price or utility value. The estimated sales prices were used as net sales price, meanwhile since there were no future cash flows, the utility values were zero.

The book value of assets that are idle or not being used for production activities is, in cases where there are no specific plans for future use and where the recoverable amount is below its book value due to a decline in the market price of land or another reason, reduced to the recoverable amount. The resulting impairment loss amounting to ¥26 million (\$265 thousand) was recorded as other expenses. This impairment loss comprised ¥22 million (\$224 thousand) for land and ¥4 million (\$41 thousand) for other assets.

In addition, the calculation of recoverable amounts based on net sales price which was based on the estimated sales prices.

10. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a number of income taxes in Japan which, in the aggregate, resulted in statutory tax rate of approximately 40.6% for the years ended March 31, 2008 and 2007. The consolidated overseas subsidiaries are subject to the income taxes of their countries of domicile.

The following table summarizes the significant differences between the statutory tax rate and effective tax rates for consolidated financial statement purposes for the years ended March 31, 2008 and 2007:"

	2009	2008	2007
Statutory tax rate	—	40.6%	40.6%
Non-deductible expenses		2.1	1.9
Equity in earnings of non-consolidated subsidiaries and affiliates		(5.4)	(2.9)
Gain on change in interests in consolidated subsidiaries		—	(1.5)
Increase (decrease) in valuation allowance		—	(4.2)
Tax credits		(2.5)	(4.4)
Differences of statutory tax rates in consolidated overseas subsidiaries		8.4	1.6
Other		0.4	1.3
Effective tax rate	—	43.6%	32.4%

The description regarding significant differences between the statutory tax rate and effective tax rates has been omitted for the year ended March 31, 2009 because of loss before income taxes and minority interests.

The significant components of the Companies' and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Deferred tax assets:				
Allowance for doubtful accounts	¥ 572	¥ 1,086	¥ 1,036	\$ 5,823
Employees' retirement benefits	21,272	19,827	22,142	216,553
Accrued bonuses	3,819	4,704	5,286	38,878
Depreciation	5,145	7,089	8,225	52,377
Accrued enterprise taxes	204	1,020	2,242	2,077
Loss carryforwards of consolidated subsidiaries	29,971	2,296	2,851	305,110
Reserve for periodic repairs	6,122	5,503	5,613	62,323
Provision for environmental measures	4,851	4,509	—	49,384
Loss on write-down of inventories	3,644	3,352	1,937	37,097
Loss on write-down of investment securities	5,767	5,707	4,216	58,709
Loss on impairment of fixed assets	5,291	3,865	3,883	53,863
Other	6,475	10,282	8,188	65,917
Subtotal	93,133	69,240	65,619	948,111
Valuation allowance	(81,176)	(11,274)	(10,202)	(826,387)
Total deferred tax assets	11,957	57,966	55,417	121,724
Deferred tax liabilities:				
Net unrealized holding gain on securities	¥ (3,768)	¥ (9,393)	¥(19,067)	\$ (38,359)
Deferred gain on real properties	(3,381)	(3,510)	(3,675)	(34,419)
Reserve for special depreciation	—	—	(12)	—
Retained earnings of consolidated overseas subsidiaries, etc	(1,375)	(10,620)	(8,708)	(13,998)
Employees' retirement benefit trust	—	—	—	—
Other	(2,283)	(2,305)	(2,221)	(23,241)
Total deferred tax liabilities	(10,807)	(25,828)	(33,683)	(110,017)
Net deferred tax assets	¥ 1,150	¥32,138	¥21,734	\$ 11,707

11. SHAREHOLDERS' EQUITY

Under the Corporate Law of Japan (the "Law"), the amount paid for new shares is required to be accounted for as common stock, although a company may account for the amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Law provides that an amount equal to 10% of distribution from surplus shall be appropriated and set aside as legal earnings reserve or additional paid-in capital, until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be transferred to common stock by resolution of the shareholders' meeting. The Law also stipulates that the amount of any such excess is available for appropriations by resolution of the shareholders. Legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at March 31, 2009 include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 24, 2009.

The amounts of cash dividends relating to the year ended March 31, 2009 that has been approved is shown below.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 (\$0.03) per share	¥2,255	\$22,956

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
As endorser of trade notes discounted	¥ 6	¥ 38	¥ 86	\$ 61
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	8,195	10,839	14,327	83,427
As issuer of commitments for guarantees	542	637	662	5,518

13. LEASES

A. At March 31, 2009, 2008 and 2007, assets leased under finance lease transactions starting before March 31, 2008 that do not transfer ownership to the lessees were as follows:

(a) Equivalent purchase amount, accumulated depreciation amount, accumulated impairment amount and balance at year-end:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Machinery and equipment:				
Equivalent purchase amount	¥7,638	¥10,327	¥12,497	\$77,756
Equivalent accumulated depreciation amount	4,499	5,834	7,598	45,801
Equivalent accumulated impairment amount	—	—	—	—
Equivalent balance at year-end	3,139	4,493	4,899	31,955

(b) Future minimum lease payments:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Due within one year	¥1,143	¥1,730	¥1,803	\$11,636
Due after one year	1,996	2,763	3,096	20,320
Total	¥3,139	¥4,493	¥4,899	\$31,956
Impairment of lease assets amount on the balance sheet	¥ —	¥ —	¥ —	\$ —

(c) Paid lease fees, equivalent depreciation expense amount and impairment loss:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Paid lease fees	¥1,766	¥2,006	¥2,369	\$17,978
Reversal of leased asset impairment loss	—	—	103	—
Equivalent depreciation expense amount	1,766	2,006	2,266	17,978
Impairment loss on lease assets	¥ —	¥ —	¥ —	\$ —

B. Obligations under noncancelable operating leases at March 31, 2009, 2008 and 2007, were as follows:

Future Minimum Lease Payments:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Due within one year	¥25	¥33	¥15	\$255
Due after one year	40	51	46	407
Total	¥65	¥84	¥61	\$662

14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Research and development expenses	¥40,628	¥42,130	¥36,943	\$413,601

15. DERIVATIVES

The Company and its consolidated subsidiaries utilize derivatives transactions only for the purpose of hedging the currency risk associated with transactions denominated in foreign currencies and the interest-rate risk associated with loans payable.

As the counterparties to the above financial derivatives transactions are major financial institutions, management of the Company believes that there is no significant risk of default by these counterparties.

All derivatives transactions the Company and its consolidated subsidiaries enter into are approved by the directors of the financial section. The conditions and results of such transactions are reported semiannually to the Management Meeting.

The following summarizes the derivatives used by the Company and its consolidated subsidiaries as hedging instruments and the items hedged:

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

The Company and its consolidated subsidiaries assess the effectiveness of the hedges semiannually by comparing the cumulative changes in cash flows from, or the changes in fair value of, the hedged items and the corresponding changes in the value of the derivatives positions.

The Company and certain of its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2009:

	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Selling U.S. dollar	¥ 616	¥ 636	¥(20)	\$ 6,271	\$ 6,475	\$(204)
Buying U.S. dollar	6,758	6,788	30	68,798	69,103	305

The Company and certain of its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2008:

	Millions of yen		
	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Buying U.S. dollar	¥6,757	¥6,379	¥(378)
Foreign currency swaps:			
Receiving Singapore dollar, paying U.S. dollar	242	51	51

The contract amounts of forward foreign exchange contracts and foreign currency swaps presented above exclude those for which deferral hedge accounting has been applied.

16. SEGMENT INFORMATION

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009, 2008 and 2007 is summarized as follows:

Year ended March 31, 2009	Millions of yen					Consolidated
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	
I. Sales and operating income (loss):						
Customers	¥431,834	¥118,658	¥ 912,779	¥24,344	—	¥1,487,615
Inter-segment	18,902	2,918	134,706	72,255	(228,781)	—
Total sales	450,736	121,576	1,047,485	96,599	(228,781)	1,487,615
Operating expenses	466,754	114,265	1,079,491	96,515	(223,917)	1,533,108
Operating income (loss)	¥ (16,018)	¥ 7,311	¥ (32,006)	¥ 84	¥ (4,864)	¥ (45,493)
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥432,205	162,777	¥ 485,687	¥46,244	¥ 62,026	¥1,188,939
Depreciation and amortization	37,569	7,622	29,840	4,816	1,527	81,374
Loss on impairment of fixed assets	1,291	208	2,410	26	—	3,935
Capital expenditures	39,894	18,951	17,694	2,730	1,772	81,041
Year ended March 31, 2009	Thousands of U.S. dollars					Consolidated
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	
I. Sales and operating income (loss):						
Customers	\$4,396,152	\$1,207,961	\$ 9,292,263	\$247,826	\$ —	\$15,144,202
Inter-segment	192,426	29,706	1,371,333	735,570	(2,329,035)	—
Total sales	4,588,578	1,237,667	10,663,596	983,396	(2,329,035)	15,144,202
Operating expenses	4,751,644	1,163,239	10,989,423	982,541	(2,279,517)	15,607,330
Operating income (loss)	\$ (163,066)	\$ 74,428	\$ (325,827)	\$ 855	\$ (49,518)	\$ (463,128)
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	\$4,399,929	\$1,657,101	\$4,944,386	\$470,773	\$ 631,436	\$12,103,625
Depreciation and amortization	382,460	77,593	303,777	49,028	15,545	828,403
Loss on impairment of fixed assets	13,143	2,117	24,534	265	—	40,059
Capital expenditures	406,128	192,925	180,128	27,792	18,039	825,012
Year ended March 31, 2008	Millions of yen					Consolidated
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	
I. Sales and operating income:						
Customers	¥504,060	¥122,113	¥1,111,166	¥ 49,341	¥ —	¥1,786,680
Inter-segment	18,685	3,034	143,177	149,511	(314,407)	—
Total sales	522,745	125,147	1,254,343	198,852	(314,407)	1,786,680
Operating expenses	486,888	114,386	1,220,893	195,462	(308,125)	1,709,504
Operating income	¥ 35,857	¥ 10,761	¥ 33,450	¥ 3,390	¥ (6,282)	¥ 77,176
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥489,968	¥159,030	¥697,856	¥71,897	¥50,497	¥1,469,248
Depreciation and amortization	29,564	6,328	30,767	3,811	2,126	72,596
Loss on impairment of fixed assets	605	41	—	60	13	719
Capital expenditures	50,383	6,238	20,648	5,589	1,809	84,667

Millions of yen

Year ended March 31, 2007	Functional Chemicals & Engineered Materials	Functional Polymeric Materials	Basic Chemicals	Petrochemicals	Others	Eliminations or Corporate	Consolidated
I. Sales and operating income:							
Customers	¥213,955	¥317,258	¥553,471	¥559,927	¥ 43,451	¥ —	¥1,688,062
Inter-segment	5,114	18,869	48,963	128,700	131,440	(333,086)	—
Total sales	219,069	336,127	602,434	688,627	174,891	(333,086)	1,688,062
Operating expenses	205,546	313,894	591,446	643,291	172,809	(330,602)	1,596,384
Operating income	¥ 13,523	¥ 22,233	¥ 10,988	¥ 45,336	¥ 2,082	¥ (2,484)	¥ 91,678
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥265,064	¥327,878	¥326,966	¥438,063	¥ 62,485	¥ 77,727	¥1,498,183
Depreciation and amortization	12,914	18,318	16,781	18,838	2,572	784	70,207
Loss on impairment of fixed assets	141	303	148	—	—	755	1,347
Capital expenditures	18,707	24,032	8,343	14,132	2,703	4,754	72,671

Effective the year ended March 31, 2008, the Company and its consolidated subsidiaries changed their business segment classification. Business segment information based on the new classification for the year ended March 31, 2007 is summarized as follows:

Millions of yen

Year ended March 31, 2007	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
I. Sales and operating income:						
Customers	¥496,250	¥ 93,929	¥1,037,771	¥ 60,112	¥ —	¥1,688,062
Inter-segment	17,231	3,511	126,261	151,421	(298,424)	—
Total sales	513,481	97,440	1,164,032	211,533	(298,424)	1,688,062
Operating expenses	487,555	85,752	1,110,969	207,956	(295,848)	1,596,384
Operating income	¥ 25,926	¥ 11,688	¥ 53,063	¥ 3,577	¥ (2,576)	¥ 91,678
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥476,989	¥160,005	¥ 710,138	¥ 88,552	¥ 62,499	¥1,498,183
Depreciation and amortization	30,012	5,437	31,241	2,621	896	70,207
Loss on impairment of fixed assets	176	268	148	—	755	1,347
Capital expenditures	42,084	7,930	14,940	4,113	3,604	72,671

(Year ended March 31, 2009)

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) and changed the evaluation standard and the evaluation method for inventories.

The effect of this change was as follows:

Millions of yen, Thousands of U.S. dollars

Year ended March 31, 2009	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
Effect in operating income	¥893	¥848	¥5,393	¥73	—	¥7,207
Effect in operating income	\$9,091	\$8,633	\$54,902	\$743	—	\$73,369

(Year ended March 31, 2008)

Effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation.

These changes have had the effect of increasing depreciation and reducing operating income as follows:

	Millions of yen					Consolidated
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	
Year ended March 31, 2008						
Effect in depreciation	¥ 722	¥ 97	¥ 667	¥ 69	¥ 317	¥ 1,872
Effect in operating income	¥(711)	¥(92)	¥(659)	¥(69)	¥(317)	¥(1,848)

Effective the year ended March 31, 2008, accompanying the revision of Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007 and were already depreciated to 5% of the acquisition cost.

The depreciation was calculated by the straight-line method within next five years after these assets were depreciated to 5 % of the acquisition cost. Depreciation was charged to depreciation expense.

These changes have had the effect of increasing depreciation and reducing operating income as follows:

	Millions of yen					Consolidated
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	
Year ended March 31, 2008						
Effect in depreciation	¥ 297	¥ 117	¥ 528	¥ 51	—	¥ 993
Effect in operating income	¥(295)	¥(103)	¥(518)	¥(51)	—	¥(967)

(Year ended March 31, 2007)

Effective the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, changed the depreciation method from the straight-line method to the declining-balance method for the property, plant and equipment except for buildings.

As a result of this change, for the year ended March 31, 2007, depreciation cost increased by ¥1,220 million and operating income decreased by ¥1,214 million in Functional Polymeric Materials.

Effective the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, provided a reserve for the costs of annual repairs.

As a result of this change, for the year ended March 31, 2007, operating income decreased by ¥731 million in Functional Polymeric Materials.

Geographic segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009, 2008 and 2007 is summarized as follows:

Year ended March 31, 2009	Millions of yen				Consolidated
	Japan	Asia*	Others**	Eliminations	
I. Sales and operating loss:					
Customers	¥1,204,422	¥187,759	¥95,434	¥ —	¥1,487,615
Inter-segment	62,410	67,913	1,737	(132,060)	—
Total sales	1,266,832	255,672	97,171	(132,060)	1,487,615
Operating expenses	1,308,333	258,858	98,062	(132,145)	1,533,108
Operating loss	¥ (41,501)	¥ (3,186)	¥ (891)	¥ 85	¥ (45,493)
II. Total assets	¥1,084,167	¥137,951	¥50,318	¥ (83,497)	¥1,188,939

Year ended March 31, 2009	Thousands of U.S. dollars				Consolidated
	Japan	Asia*	Others**	Eliminations	
I. Sales and operating loss:					
Customers	\$12,261,244	\$1,911,422	\$971,536	\$ —	\$15,144,202
Inter-segment	635,346	691,367	17,683	(1,344,396)	—
Total sales	12,896,590	2,602,789	989,219	(1,344,396)	15,144,202
Operating expenses	13,319,078	2,635,223	998,290	(1,345,261)	15,607,330
Operating loss	\$ (422,488)	\$ (32,434)	\$ (9,071)	\$ 865	\$ (463,128)
II. Total assets	\$11,037,025	\$1,404,367	\$512,247	\$ (850,015)	\$12,103,624

Year ended March 31, 2008	Millions of yen				
	Japan	Asia*	Others**	Eliminations	Consolidated
I. Sales and operating income:					
Customers	¥1,466,628	¥215,553	¥104,499	¥ —	¥1,786,680
Inter-segment	69,586	102,320	1,758	(173,664)	—
Total sales	1,536,214	317,873	106,257	(173,664)	1,786,680
Operating expenses	1,464,153	316,708	102,321	(173,678)	1,709,504
Operating income	¥ 72,061	¥ 1,165	¥ 3,936	¥ 14	¥ 77,176
II. Total assets	¥1,300,926	¥188,424	¥ 52,047	(¥ 72,149)	¥1,469,248

Year ended March 31, 2007	Millions of yen				
	Japan	Asia*	Others**	Eliminations	Consolidated
I. Sales and operating income:					
Customers	¥1,412,809	¥178,414	¥96,839	¥ —	¥1,688,062
Inter-segment	53,439	87,652	2,299	(143,390)	—
Total sales	1,466,248	266,066	99,138	(143,390)	1,688,062
Operating expenses	1,381,467	262,103	96,389	(143,575)	1,596,384
Operating income	¥ 84,781	¥ 3,963	¥ 2,749	¥ 185	¥ 91,678
II. Total assets	¥1,327,744	¥179,844	¥51,778	¥ (61,183)	¥1,498,183

*Asia: China, Taiwan, Korea, Thailand, Singapore

**Others: North America, Europe

(Year ended March 31, 2009)

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) and changed the evaluation standard and the evaluation method for inventories.

As a result of this change, for the year ended March 31, 2009, operating loss decreased by ¥7,207 million (\$73,369 thousand) in Domestic (in Japan).

(Year ended March 31, 2008)

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation.

As a result of this change, for the year ended March 31, 2008, depreciation cost increased by ¥1,872 million and operating income decreased by ¥1,848 million in Domestic (in Japan).

Effective the year ended March 31, 2008, accompanying the revision of Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007 and were already depreciated to 5% of the acquisition cost.

The depreciation was calculated by the straight-line method within next five years after these assets were depreciated to 5% of the acquisition cost. Depreciation was charged to depreciation expense.

As a result of this change, for the year ended March 31, 2008, depreciation cost increased by ¥993 million and operating income decreased by ¥967 million in Domestic (in Japan).

(Year ended March 31, 2007)

Effective the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, changed the depreciation method from the straight-line method to the declining-balance method for the property, plant and equipment except for buildings.

As a result of this change, for the year ended March 31, 2007, depreciation cost increased by ¥1,220 million and operating income decreased by ¥1,214 million in Domestic (in Japan).

Effective the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, provided a reserve for the costs of annual repairs.

As a result of this change, for the year ended March 31, 2007, operating income decreased by ¥731 million in Domestic (in Japan).

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2009, 2008 and 2007 are summarized by geographic area as follows:

Year ended March 31, 2009	Millions of yen				Overseas sales
	Asia*	North America and Latin America	Europe**	Others***	
Overseas sales	¥388,008	¥75,895	¥52,116	¥11,927	¥527,946
Consolidated net sales					¥1,487,615
Ratio of overseas sales to consolidated net sales	26.1%	5.1%	3.5%	0.8%	35.5%

Year ended March 31, 2009	Thousands of U.S. dollars				Overseas sales
	Asia*	North America and Latin America	Europe**	Others***	
Overseas sales	\$3,949,995	\$772,625	\$530,551	\$121,419	\$5,374,590

Year ended March 31, 2008	Millions of yen				Overseas sales
	Asia*	North America and Latin America	Europe**	Others***	
Overseas sales	¥544,347	¥84,029	¥52,409	¥15,481	¥696,266
Consolidated net sales					¥1,786,680
Ratio of overseas sales to consolidated net sales	30.5%	4.7%	2.9%	0.9%	39.0%

Year ended March 31, 2007	Millions of yen				Overseas sales
	Asia*	North America and Latin America	Europe**	Others***	
Overseas sales	¥509,454	¥81,645	¥52,960	¥13,246	¥657,305
Consolidated net sales					¥1,688,062
Ratio of overseas sales to consolidated net sales	30.2%	4.8%	3.1%	0.8%	38.9%

*Asia: China, Taiwan, Korea, Thailand, Singapore

**Europe: Germany, France

***Others: Oceania, Africa

17. GOODWILL AND NEGATIVE GOODWILL

Goodwill and negative goodwill arising from the difference of cost and underlying net assets at the date of acquisition are amortized over a period of less than 20 years on a straight-line basis, except that immaterial amounts are charged or credited to income as incurred.

The amounts of goodwill were offset by negative goodwill and the difference arising from the offsetting was included in intangible assets. Offsetting amounts of goodwill and negative goodwill at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Goodwill	¥11,783	¥12,280	¥15,876	\$119,953
Negative goodwill	1,342	2,126	3,194	13,662
Difference	¥10,441	¥10,154	¥12,682	\$106,291

18. BUSINESS COMBINATIONS

Effective the year ended March 31, 2007, the Company adopted new accounting standard "Accounting Standards for Business Combinations in Japan" (Business Accounting Council, October 31, 2003), and "Accounting Standard for Business Divestitures and the related Implementation Guidance" (ASBJ Statement No. 7, December 27, 2005), and its guidance; "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised November 15, 2007).

For the year ended March 31, 2007, Making Yamamoto Chemicals Inc. a wholly-owned subsidiary by share exchange

A. Corporate name and business of the entity combined, legal form of business combinations, corporate name after business combinations, and overview of the transaction including purpose.

(a) Corporate name and business of the entity combined

Name : Yamamoto Chemicals, Inc.

Business : dyes, pigments, industrial chemicals

(b) Legal form of business combinations

Share exchange

(c) Corporate name after business combinations

Yamamoto Chemicals, Inc. (name remains unchanged.)

(d) Overview of the transactions including purpose

The Company and Yamamoto Chemicals, Inc. agreed to make Yamamoto Chemicals, Inc. as a wholly-owned subsidiary. And the Company completed the procedures on April 1, 2006.

The Company reinforces the partnership of the two companies and further enhance corporate values as written below in (i) and (ii) by integrating Yamamoto Chemicals, Inc. as a wholly-owned subsidiary of the Company through the share exchange.

(i) Propelling the efficient operation of color formers

(ii) Promoting effective manufacturing, marketing and R&D in functional dye and accelerating new product development.

B. Matters related to additional acquisition of shares of subsidiaries

(a) Acquisition cost and its breakdown

Consideration for acquisition

Share of the Company ¥4,833 million

Expenditure directly required for acquisition —

Acquisition cost total ¥4,833 million

(b) Ratio of allocations of shares

1.10 share of the Company were allocated to one share of Yamamoto Chemicals, Inc.

(c) Basis for calculating the share exchange ratio

The Company and Yamamoto Chemical's agreed upon the ratio of the allocation of shares, referring the evaluations from third parties.

(d) Number of new shares of the Company allocated to share exchange

Number of shares 7,463,723 ordinary shares

Value of shares ¥5,083 million

(e) Negative goodwill

Negative goodwill ¥2,782 million were booked, due to the difference between the earning power of Yamamoto Chemicals, Inc. and the cost for making Yamamoto Chemicals, Inc. as a wholly owned subsidiary. Amortization is done by equal amortization over 5 years.

(f) Assets and liability gained by acquisition

Current assets ¥4,973 million

Non current assets ¥8,128 million

Assets Total ¥13,101 million

Current liabilities ¥1,514 million

Long-term liabilities ¥66 million

Liabilities Total ¥1,580 million

19. SUBSEQUENT EVENTS

There were no applicable items under this category.



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Report of Independent Auditors

The Board of Directors
Mitsui Chemicals, Inc.

We have audited the accompanying consolidated balance sheets of Mitsui Chemicals, Inc. and consolidated subsidiaries as of March 31, 2009, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Chemicals, Inc. and consolidated subsidiaries as of March 31, 2009, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Supplemental Information

- (1) As discussed in Note 16 to the consolidated financial statements, effective April 1, 2007, Mitsui Chemicals, Inc. and consolidated subsidiaries changed business segment classification.
- (2) As discussed in Note 2.c to the consolidated financial statements, effective April 1, 2008, Mitsui Chemicals, Inc. and domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006).

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

June 24, 2009