

August 3, 2005

Mitsui Chemicals Announces First Quarter 2005 Performance

Mitsui Chemicals, Inc. (MCI) of Japan announced financial performance for First Quarter 2005 covering April 1 through June 30, 2005 (1Q/05).

Summary of the announcement was as follows:

1. First Three Month (1Q/05) Performance

(1) Net Sales and Incomes

million yen

	April 1, 2005 - June 30, 2005 (1Q, Fiscal 2005)	April 1, 2004 - June 30, 2004 (1Q, Fiscal 2004)	<reference> April 1, 2004 - March 31, 2005 (Full-year, Fiscal 2004)
Net sales	347,347	281,411	1,227,547
Operating income	16,005	14,491	80,491
Ordinary income	16,522	14,486	79,737
Net income	16,539	10,568	26,192

(2) Balance Sheets

million yen

	June 30, 2005	March 31, 2005		June 30, 2005	March 31, 2005
Current assets	542,804	497,287	Current liabilities	460,530	440,566
Property, plant & equipment	532,115	520,886	Long-term liabilities	313,886	313,389
Investments & other non-current assets	193,417	187,012	Minority interests	72,188	45,457
			Stockholders' equity	421,732	405,773
Total assets	1,268,336	1,205,185	Total liabilities & stockholders' equity	1,268,336	1,205,185

(3) Overview of 1Q/05 Performance (April 1 - June 30)

While the chemical industry underwent a steady transition both in production and shipment, business environment in 1Q/05 continued to be severe due to hike of the already high feedstock prices in place, to yet another higher level.

Given such a situation, Mitsui Chemicals, Inc. ("the company") made concerted endeavors to improve revenue and profits by driving powerful sales promotion initiatives, in addition to implementing thorough-going cost reduction measures.

As a result, **Net Sales** recorded ¥347,347 million (23.4% increase) representing an increase of ¥65,936 million over the previous First Quarter 2004, or 1Q/04, owing mainly to the increased sales supported by the revised product prices on the back of soaring prices

of raw materials such as naphtha, by significantly expanding sales volumes mostly in the basic chemicals sector with demand expansion for Asia including China, and by sales increase with the foundation of Prime Polymer Co., Ltd., the company's joint-venture in polyolefins with Idemitsu Kosan K.K. established in April this year.

While cost of sales inflated due to the rising prices of raw materials such as naphtha, the above-mentioned revised product prices, all-out cost reduction and volume effect helped **Operating Income** attain ¥16,005 million for the quarter, representing an increase of ¥1,514 million (10.4% increase) compared to 1Q/04. Meanwhile, the company and some of its consolidated subsidiaries changed the method for depreciating tangible assets from straight line method to fixed rate method, starting this quarter.

Ordinary Income reached ¥16,522 million, up ¥2,036 million (14.1% increase) from 1Q/04. This owes to Non-operating Profit and Loss with an increase of ¥522 million compared to 1Q/04, with factors such as ¥509-million increase in capital return on equity method and decrease in interest expense by compression effect of interest-bearing liabilities.

As a result, **Return on Sales (ROS)** marked 4.8%.

The company also recorded ¥8,876 million as **Special Income** for the quarter, mainly owing to ¥8,553 million of gain on change in interests in consolidated subsidiary associated with the foundation of Prime Polymer Co., Ltd. On the other hand, **Special Loss** amounted to ¥993 million, including loss on sales and disposal of property, plant and equipment. This resulted in **Special Income and Loss** of ¥7,883 million representing an increase of ¥3,258 million over 1Q/04.

Taking the foregoing into account, **Income Before Income Tax and Minority Interests** for the quarter recorded ¥24,405 million showing an improvement of ¥5,294 million over 1Q/04. **Net Income** for the quarter after deducting corporate and other income taxes as well as minority interests and equity in earnings of non-consolidated subsidiaries and affiliates amounted to ¥16,539 million showing an improvement of ¥5,971 million over 1Q/04. **Net income per Share** for 1Q/05 was ¥21.11.

2. Fiscal 2005 Full-year and Half-year Performance Outlook

million yen

	Net Sales	Operating Income	Ordinary Income	Net Income
Half-year Outlook (April 1, 2005 - September 30, 2005)	720,000	27,000	26,000	19,000
Full-year Outlook (April 1, 2005 - March 31, 2006)	1,500,000	81,000	80,000	49,000

The company's performance for First Quarter 2005 is undergoing a transition nearly at the initially projected level. Under the continued difficult business environment, the company intends to reach the outlook for initially projected consolidated performance, with concentrating the efforts on operating activities and cost reduction. Under the circumstances, the company has not revised the projected consolidated performance as announced on May 16, 2005, at this point in time.

Note: The above-mentioned outlook constitutes projection based on information available at this point in time, and therefore involves certain risk and uncertainty. Therefore, there is a possibility that actual performance figures would differ largely from the outlook due to various factors that may arise henceforth.