



Summary of Financial Results for the Fiscal Year Ended March 31, 2006

Mitsui Chemicals, Inc. (4183)

I. Financial Results (April 1, 2005 – March 31, 2006)

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents			
	Fiscal Year Ended March 31,			
	2006	%	2005	%
Net Sales.....	1,472,435	19.9	1,227,547	12.7
Operating Income.....	58,705	(27.1)	80,491	49.2
Recurring Income.....	61,989	(22.3)	79,737	67.2
Net Income	44,125	68.5	26,192	110.1
Net Income per Share (yen)	56.20		33.26	
Net Income per Share, Diluted (yen)	—		—	
Net Income / Shareholders' Equity (ROE).....	10.1%		6.6%	
Recurring Income / Total Assets	4.9%		6.7%	
Recurring Income / Net sales	4.2%		6.5%	

(2) Consolidated Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	As of March 31,	
	2006	2005
Total Assets	1,328,890	1,205,185
Shareholders' Equity	464,021	405,773
Shareholders' Equity Ratio (%)	34.9	33.7
Shareholders' Equity per Share	592.42	517.63

Notes: Number of shares outstanding at the end of the year (consolidated):
 As of March 31, 2004: 163,588,924 shares
 As of March 31, 2003: 173,438,827 shares

(3) Consolidated Cash Flows

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2006	2005
Cash Flows from Operating Activities	79,709	96,503
Cash Flows from Investing Activities	(58,247)	(33,085)
Cash Flows from Financing Activities.....	(19,590)	(62,213)
Cash and Cash Equivalents, End of Year	31,221	28,068



2. Outlook for the Year Ending March 31, 2007 (April 1, 2006 – March 31, 2007)

Consolidated	Millions of Yen	
	Full Year	First Half
Net Sales	1,700,000	840,000
Operating Income	70,000	26,000
Recurring Income	70,000	27,000
Net Income	35,000	13,000
Net Income per Share (yen)	44.70	

*The outlook shown above are prepared based on information available as of the issuing date of this report, and therefore the actual results may differ from the projected figures due to various unknown factors.

Notes:



II. Business Results and Financial Position

1. Overview of the Current Fiscal Year

1) Business results and overall condition

Despite firm production and shipments for all but a few products, the Chemicals industry faced an extremely challenging business environment as raw material and fuel prices continued to rise rapidly during the fiscal year. This was particularly true in the second half, when already high raw material and fuel prices rose even higher. The Group worked to improve profitability of all Group companies through stringent cost reduction while focusing all efforts on marketing activities in response to this business environment. As a result of these efforts, consolidated operating results for the current fiscal year were as follows:

(Units: millions of yen)

	Net sales	Operating income	Recurring income	Net income
Current year	1,472,435	58,705	61,989	44,125
Previous year	1,227,541	80,491	79,737	26,192
Change	244,888	(21,786)	(17,748)	17,733
Change (%)	19.9%	(27.1)%	(22.3)%	68.5%

Sales increased by 19.9% year-on-year to 1.47 trillion yen, an increase of 244.9 billion yen over the previous year. The primary contributing factors were 105 billion yen from price hikes to bring product prices in line with rapidly rising raw material and fuel prices for naphtha, etc. and 139.9 billion yen from an increase in volume sales resulting from the establishment of Prime Polymer Co., Ltd., a joint venture with Idemitsu Kosan Co., Ltd., in April 2005.

Overseas sales were 523.3 billion yen, comprising 35.5% of Group sales.

Despite the revision in product prices, a substantial increase in the cost of goods sold, due to the steep rise in raw material and fuel prices such as naphtha, caused operating income to decline 27.1% year-on-year to 58.7 billion yen, a decrease of 21.8 billion yen compared with the previous year.

The method of accounting for depreciation of tangible fixed assets has changed for the Company and some consolidated subsidiaries, beginning with the current period.

A 4.1 billion yen improvement in net non-operating profits over the previous year resulted in a 22.3% year-on-year decline in recurring income to 62.0 billion yen, or a decline of 17.7 billion yen over the previous year. The improvement in net non-operating profit resulted from an increase in non-operating income of 3.2 billion yen over the previous year due to a 1.2 billion yen increase in profits from equity interests and a 2.0 billion yen increase due to foreign exchange gains, and to a 900 million yen decline in non-operating expenses over the previous year due to a decline in interest payments as interest-bearing debt was reduced, and also to a decline in losses on the disposition of defective goods and other factors.

The recurring income margin (Return on Sales) was 4.2%, owing to these factors.

Extraordinary income was 22.3 billion yen, due to 9.4 billion yen in profit from the equity interest taken in Prime Polymer Co., Ltd. and to a 10.3 billion yen gain from the establishment of a retirement benefit trust. Extraordinary losses were 11.4 billion yen, due to 7.9 billion yen in losses on the disposition and sale of fixed assets and to 1.5 billion yen in impairment losses. This resulted in net extraordinary profits of 10.9 billion yen, an improvement of 35.9 billion yen over the previous year.

The above factors resulted in net profit before taxes and other adjustments for the current period of 72.9 billion yen, an increase of 18.2 billion yen over the previous year.

Current fiscal year's net profit after adjustment for taxes and minority interests rose 68.5% year-on-year to 44.1 billion yen, an increase of 17.9 billion yen over the previous year. This represents earnings per share of 56.20 yen for the current fiscal year.



2) Results by business segment

(Units: millions of yen)

		April1, 2005 to March 31, 2006	April1, 2004 to March 31, 2005	Increase (Decrease)
Functional Chemicals and Engineered Materials	Net sales	192,680	183,434	9,246
	Operating income	10,799	9,055	1,744
Functional Polymeric Materials	Net sales	281,738	262,861	18,877
	Operating income	10,066	8,478	1,588
Basic Chemicals	Net sales	474,310	427,202	47,108
	Operating income	21,862	36,046	(14,184)
Petrochemicals	Net sales	487,039	316,564	170,475
	Operating income	15,867	25,418	(9,551)
Other	Net sales	36,658	37,486	(828)
	Operating income	586	1,281	(695)
Eliminations	Net sales	—	—	—
	Operating income	(475)	213	(688)
Consolidated total	Net sales	1,472,435	1,227,547	244,888
	Operating income	58,705	80,491	(21,786)

Functional Chemicals and Engineered Materials

In the Hygienic Materials business, demand for nonwoven fabric posted strong growth in East and Southeast Asia, particularly in the Thai and Chinese markets; however, overseas sales of permeable film declined under severe conditions, resulting in a 5% decline in sales compared with the previous year.

Sales of Construction Materials were in line with the previous year, supported mainly by demand for civil engineering materials. Sales of Semiconductor Materials rose 13% over the previous year, remaining firm due to the active expansion of sales for semiconductor gas, despite the adverse impact from price declines in the semiconductor and liquid crystal markets. Market expansion sustained strong sales for Display Materials despite the impact of price declines for plasma display panels, resulting in a 45% increase in sales over the previous year.

Sales for Healthcare Businesses such as monomers for ophthalmic lens and Pharmaceutical Intermediates were strong due to firm sales for plastic lens material with a high refractive index. This resulted in sales growth of 1% over the previous year.

Sales for Chemical Products Businesses such as polymerization inhibitors and adhesive ingredients for tires and wood were strong due to product price hikes reflecting the steep rise in materials prices. This led to a 22% increase in sales over the previous year.



The Agrochemicals business sustained a 2% decline in sales over the previous year due to stagnant sales of insecticides and other products.

The above factors contributed to a 9.3 billion increase in segment sales over the previous year to 192.7 billion yen, comprising 13% of Group sales. Operating income increased 1.7 billion yen over the previous year to 10.8 billion yen.

Functional Polymeric Materials

Sales for products such as Ethylene Propylene Rubber and Alpha Olefin Copolymer in the Elastomer Business remained firm as the Company made steady progress in gaining new customers and developing the market for various uses of flexible resin, with a focus on Asia, in addition to benefiting from expanding domestic demand for auto parts in particular. This resulted in an 18% increase in sales over the previous year.

Sales of specialty Polyolefin rose 12% over the previous year, mainly due to growing demand for its use in the IT industry.

Sales of Engineering Plastics increased 1% over the previous year despite stagnant sales volume, mainly for use in electronic components. This was due to growth in new grades in China, which has emerged as a new source of demand.

Resins used as raw materials for paper manufacturing and coating applications saw sales volume stagnate for the construction and general materials industries, but coating resins for cell phone applications and for thermal and heat-sensitive papers were strong, sustaining 1% growth in sales over the previous year.

Sales for Waxes, Petroleum Resins and other additives were strong due to product price hikes, which reflected the steep rise in materials prices, recording 9% growth over the previous year.

Both sales volume and pricing were stable for Acryl Amides used as Flocculants, recording 5% growth in sales over the previous year.

Sales of Urethane raw materials grew 13% over the previous year as pricing held firm for MDI and PPG, and export prices recovered for TDI in the second half of the year.

Sales for urethane resins, coating materials, adhesives and construction and casting materials were strong on the back of increased demand both domestically and overseas, recording growth of 11% over the previous year.

The above factors resulted in an increase of 18.9 billion yen in segment sales over the previous year to 281.7 billion yen. This comprised 19% of Group sales. Operating income rose to 10.1 billion yen, an increase of 1.6 billion yen over the previous year.

Basic Chemicals

Sales for Purified Terephthalic Acid (PTA) recorded 23% growth over the previous year. Contributing factors were product price revisions in the face of the steep rise in materials prices, growth in sales in response to a huge increase in demand in Asia, particularly in China, and production capacity expansion for Siam Mitsui PTA Co., Ltd. in Thailand resulting in sales growth.

Sales for Polyethylene Terephthalate (PET) declined 4% from the previous year despite product price hikes reflecting the steep rise in materials prices. This was due to a drop in the growth rate for domestic PET bottle demand and to a rise in imports.

Sales for Phenol and Bisphenol A rose 4% and 19% year-on-year, respectively. This was due to product price hikes reflecting the steep rise in materials prices.

Sales for Ethylene Glycol, Ethylene Oxide and associated derivative products rose 8% over the previous year, supported by strong demand.

Unfortunately, the Company was not able to fully cover rising costs due to the steep rise in materials prices for each product.



The above factors contributed to a 47.1 billion yen increase in segment sales over the previous year to 474.3 billion yen, comprising 32% of Group sales. Operating income declined 14.2 billion yen from the previous year to 21.8 billion yen.

Petrochemicals

Overseas and domestic demand for Ethylene and Propylene experienced growth, supported by the steady economic recovery worldwide, but production volume for both Ethylene and Propylene declined by 4% and 2%, respectively, due to periodic maintenance at the Ichihara and Osaka Ethylene plants.

Despite price revisions for Polyethylene and Polypropylene in the face of rapidly rising materials prices, the Company was unable to fully cover cost increases as materials prices rose yet further, leading to a very severe environment. However, the increase in volume handled by Idemitsu Kosan Co., Ltd. accompanying the establishment of Prime Polymer Co., Ltd. led to year-on-year sales growth of 57% for Polyethylene and 72% for Polypropylene.

The above factors contributed to a 170.4 billion yen increase in segment sales over the previous year to 487.0 billion yen, comprising 33% of Group sales. Operating income declined 9.5 billion yen from the previous year to 15.9 billion yen.

Other

External sales for the Plant Construction and Maintenance Business declined 3% from the previous year, as the external sales structure was re-evaluated to focus efforts on developing business within the Mitsui Chemicals Group.

External sales for the Warehousing and Transport Business rose 18% over the previous year due to growth in cargo volume handled.

Sales for this segment, inclusive of other business, declined 800 million yen from the previous year to 36.7 billion yen, comprising 3% of total sales. Operating income declined 700 million yen from the previous year to 600 million yen.



2. Outlook for Fiscal 2006

1) Overall outlook

Future trends in the price of crude oil are obscure, so the possibility exists that profits will come under pressure, depending on trends in raw material and fuel prices, which are presently high. The Group also anticipates severe conditions to persist as competition with chemical companies worldwide increases, particularly in Asian markets.

In response to these conditions, the Group is working to improve operating results by continuing to implement stringent cost cutting measures, through marketing activities involving the entire Group and by focusing more closely on building a product pricing structure that will keep pace with the steep rises in raw material and fuel prices.

Based on these factors, the Group's operating results forecast for next fiscal year is as follows.

(Units: billions of yen)

	Net sales	Operating income	Recurring income	Net income
FY 2006	1,700.0	70.0	70.0	35.0
FY 2005	1,472.4	58.7	62.0	44.1
Change	227.6	11.3	8.0	(9.1)
Change (%)	15%	19%	13%	(21)%

The assumptions underlying this forecast are an exchange rate of 115 yen/ 1 US dollar and a price for domestically produced naphtha of 52,000 yen/Kl.

2) Outlook by business segment

(Units: billions of yen)

	Net sales						Total
	Functional Chemicals and Engineered Materials	Functional Polymeric Materials	Basic Chemicals	Petro-chemicals	Other	Elimination or corporate	
FY 2006	230.0	320.0	540.0	570.0	40.0	--	1,700.0
FY 2005	192.7	281.7	474.3	487.0	36.7	--	1,472.4
Change	37.3	38.3	65.7	8.3	3.3	--	227.6
Change (%)	19%	14%	14%	17%	9%	--	16%

(Units: billions of yen)

	Operating income						Total
	Functional Chemicals and Engineered Materials	Functional Polymeric Materials	Basic Chemicals	Petro-chemicals	Other	Elimination or corporate	
FY 2006	15.0	13.0	22.0	20.0	--	--	70.0
FY 2005	10.8	10.1	21.8	15.9	0.6	(0.5)	58.7
Change	4.2	2.9	0.2	4.1	(0.6)	0.5	11.3
Change (%)	39%	29%	1%	26%	--	--	19%

3) Retained earnings and dividend forecast for the next fiscal year

The Group projects dividends of four yen per share both for the interim and fiscal year end, totaling eight yen per share for the full year.



III. Consolidated Financial Statements

1. Consolidated Balance Sheets

	Millions of Yen		
	As of March 31, 2006	As of March 31, 2005	Change
	Amount	Amount	
Assets			
Current Assets			
Cash and deposits	31,354	28,218	3,136
Trade notes and accounts receivable.....	290,914	225,416	65,498
Inventories	219,705	184,367	35,338
Deferred tax assets	13,804	17,178	(3,374)
Other current assets	53,722	42,568	11,154
Allowance for doubtful receivables.....	(504)	(460)	(44)
Total Current Assets	608,995	497,287	111,708
Fixed Assets			
Tangible Fixed Assets			
Buildings and structures	121,006	119,837	1,169
Machinery and equipment	219,067	200,504	18,563
Land.....	168,556	172,138	(3,582)
Construction in progress.....	13,828	19,186	(5,358)
Others	9,867	9,221	646
Total Tangible Fixed Assets	532,324	520,886	11,438
Intangible Fixed Assets			
Total Intangible Fixed Assets	23,319	24,103	(784)
Investments and Other Assets:			
Investments in securities	146,177	121,538	24,639
Long-term receivables	1,871	1,946	(75)
Deferred tax assets.....	5,454	28,957	(23,503)
Other assets	12,677	14,014	(1,337)
Allowance for doubtful receivables	(1,927)	(3,546)	1,619
Total Investments and Other Assets	164,252	162,909	1,343
Total Fixed Assets	719,895	707,898	11,997
Total Assets	1,328,890	1,205,185	123,705
Liabilities			
Current Liabilities			
Trade notes and accounts payable.....	213,182	154,918	58,264
Short-term loans payable	125,817	123,347	2,470
Long-term loans due within one year	24,334	23,415	919



	Millions of Yen		
	As of	As of	Change
	March 31, 2006	March 31, 2005	
	Amount	Amount	
Commercial paper	1,200	21,000	(19,800)
Bond due within one year	20,122	11,154	8,968
Income tax payable	5,383	22,178	(16,795)
Reserve for periodic repairs	4,901	7,536	(2,635)
Other current liabilities.....	80,135	77,018	3,117
Total Current Liabilities.....	475,074	440,566	34,508
Long-term Liabilities			
Bonds	142,077	132,100	9,977
Long-term loans payable.....	110,388	111,326	(938)
Deferred tax payable	3,550	2,901	649
Accrued employees' retirement benefits	47,230	59,299	(12,069)
Other long-term liabilities.....	1,233	2,178	(945)
Reserve for periodic repairs	3,608	1,067	2,541
Other long-term liabilities.....	6,606	4,518	2,088
Total Long-term Liabilities.....	314,692	313,389	1,303
Total Liabilities.....	789,766	753,955	35,811
Minority interests.....	75,103	45,457	29,646
Shareholders' Equity			
Common stock	103,226	103,226	—
Additional paid-in capital.....	66,945	66,913	32
Retained earnings	269,191	231,497	37,694
Net unrealized holding gains on securities	29,016	16,572	12,444
Foreign currency translation adjustments	(764)	(9,349)	8,585
Treasury stock, at cost	(3,593)	(3,086)	(507)
Others.....	—	—	—
Total Shareholders' Equity	464,021	405,773	58,248
Total Liabilities, Shareholders' Equity.....	1,328,890	1,205,185	123,705



2. Consolidated Statements of Income

	Millions of Yen		
	Fiscal Year ended March 31,		
	2006	2005	Change
Net Sales	1,472,435	1,227,547	244,888
Cost of sales	1,217,564	968,230	249,334
Gross profit	254,871	259,317	(4,446)
Selling, general and administrative expenses	196,166	178,826	17,340
Operating Income	58,705	80,491	(21,786)
Non-operating Income and Expenses			
Non-operating Income			
Interest income	347	163	184
Dividend income	1,525	1,242	283
Equity in earnings of non-consolidated subsidiaries and affiliates	8,101	6,887	1,214
Foreign exchange gain	2,182	230	1,952
Other income	6,258	6,750	(492)
Non-operating Income	18,413	15,272	3,141
Non-Operating Expenses			
Interest expense	6,027	6,347	(320)
Commercial paper interest paid	8	6	2
Loss on disposal of deficient products	3,698	4,563	(865)
Other expenses	5,396	5,110	286
Non-operating Expenses	15,129	16,026	(897)
Recurring Income	61,989	79,737	(17,748)
Extraordinary Gain and Loss			
Gains on sale of fixed assets	1,157	714	443
Gains on sale of investment securities	244	4,487	(4,243)
Gain on interests in consolidated subsidiaries	9,366	77	9,289
Gain on funded employees' benefits trust	10,280	—	10,280
Immediate recognition of reduction in prior service cost due to revision of system for severance and retirement benefits	—	11,788	(11,788)
Other extraordinary gains	1,255	—	1,255
Extraordinary Gains	22,302	17,066	5,236
Losses on disposal of fixed assets	7,167	6,501	666
Losses on sales of fixed assets	684	332	352
Loss on impairment of fixed assets	1,519	17,689	(16,170)
Loss on related activities	597	5,525	(4,928)
Net retirement benefits obligation at transition	—	6,119	(6,119)
Other extraordinary losses	1,399	5,985	(4,586)
Extraordinary Losses	11,366	42,151	(30,785)
Net Income Before Income Taxes	72,925	54,652	18,273



	Millions of Yen		
	Fiscal Year ended March 31,		
	2006	2005	Change
Income Taxes.....	27,681	23,053	4,628
Minority Interests in earnings of Consolidated Subsidiaries.....	1,119	5,407	(4,288)
Net Income	44,125	26,192	17,933



3. Consolidated Statements of Cash Flows

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2006	2005
I. Cash flows from operating activities		
Income before income taxes before adjustments.....	72,925	54,652
Depreciation and amortization	70,099	56,770
Loss on impairment of fixed assets	1,519	17,689
Gain on interests in consolidated subsidiaries	(9,366)	(77)
Reserve for periodic repairs	(1,021)	4,088
Provision for allowance for doubtful accounts	(1,628)	(441)
Accrued directors' and corporate auditors' retirement benefits	(945)	1,798
Loss on sale of investment securities.....	522	(4,415)
Loss on write-down of investment securities	17	3,106
Loss on disposal of tangible fixed assets	2,302	4,847
Loss on sale of fixed assets	(473)	(382)
Interest and dividend income.....	(1,872)	(1,405)
Interest expense	6,027	6,347
Equity in earnings of non-consolidated subsidiaries and affiliates ...	(8,101)	(6,887)
Gain on funded of retirement benefits trust	(10,280)	--
Immediate recognition of reduction in prior service cost due to revision of system for severance and retirement benefits.....	--	(11,788)
Net retirement benefits obligation at transition	--	6,119
Decrease (increase) in trade notes and account receivable	(44,459)	(14,923)
Decrease (increase) in inventories	(14,934)	(31,994)
Increase (decrease) in trade notes and accounts payable	45,039	19,264
Others	(2,567)	4,565
Sub Total.....	102,804	106,933
Interest and dividends received.....	8,013	5,217
Interest paid	(5,933)	(6,559)
Income taxes paid.....	(25,175)	(9,088)
Net cash provided by operating activities	79,709	96,503
II. Cash flows from investing activities		
Acquisition of tangible and intangible fixed assets	(63,829)	(41,228)
Proceeds from sale of tangible and intangible fixed assets	6,232	2,729
Purchase of investment in securities	(1,068)	(1,940)
Proceeds from sales of investment securities	1,492	8,972
Others	(1,074)	(1,618)
Net cash used in investing activities	(58,247)	(33,085)



	Millions of Yen	
	Fiscal Year Ended March 31,	
	2006	2005
III. Cash flows from financing activities		
Increase (decrease) in short-term debt	(4,763)	(1,684)
Increase (decrease) in commercial paper	(19,800)	(6,700)
Proceeds from long-term loans	19,590	26,296
Payments of long-term loans	(23,723)	(25,515)
Proceeds from issue of corporate bonds.....	30,154	2,000
Redemption of bonds.....	(11,209)	(53,134)
Dividends paid to minority interest.....	305	2,156
Payment for dividends by Parent company	(6,278)	(4,716)
Other	(3,866)	(1,916)
Net cash used in financing activities.....	(19,590)	(63,213)
IV. Exchange rate adjustments on cash and cash equivalents.....	1,253	(140)
V Net increase in cash and cash equivalents.....	3,125	65
VI. Cash and cash equivalents at beginning of year	28,068	28,005
VII. Increase due to inclusion of consolidations.....	28	(2)
VIII. Cash and cash equivalents at end of year.....	31,221	28,068