



Summary of Financial Results for the First Quarter Ended June 30, 2006

I. Financial Results (April 1, 2006 – June 30, 2006)

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents				
	First Quarter ended June 30,				Fiscal Year March 31,
	2006	%	2005	%	2006
Net Sales.....	401,899	15.7	347,347	23.4	1,472,435
Operating Income.....	16,748	4.6	16,005	10.4	58,705
Recurring Income.....	19,095	15.6	16,522	14.1	61,989
Net Income.....	8,909	(46.1)	16,539	56.5	44,125
Net Income per Share (yen).....	11.27		21.11		56.20
Net Income per Share, diluted (yen).....	—		—		—

Note: Percentages for operating revenues, operating income, recurring income and net income represent changes compared with the previous period.

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	First Quarter ended June 30,		Fiscal Year March 31,
	2006	2005	2006
Total Assets.....	1,356,217	1,268,336	1,328,890
Net Assets	531,958	421,732	464,021
Ratio of Shareholders' Equity to Total Assets	34.6%	33.3%	34.9%
Net Assets per Share (Yen).....	594.34	538.23	592.42

(3) Cash Flows

	Millions of Yen - Except Per Share Data and Percents		
	First Quarter ended June 30,		Fiscal Year ended March 31,
	2006	2005	2006
Cash Flows from Operating Activities.....	15,272	—	79,709
Cash Flows from Investing Activities.....	(39,003)	—	(58,247)
Cash Flows from Financing Activities.....	29,448	—	(19,590)
Cash and Cash Equivalents at End of Period....	37,677	—	31,221

Note: The Company began disclosing consolidated cash flow information in the current consolidated fiscal year, thus no information is given for the same period last year.



**2. Consolidated Operating Performance Outlook for Fiscal Year 2006
(April 1, 2006 – March 31, 2007)**

	Millions of Yen	
	First Half Ending Sept. 30, 2006	Full Year Ending March 31, 2006
Net Sales	840,000	1,700,000
Operating Income	27,000	70,000
Recurring Income.....	26,000	70,000
Net Income	13,000	35,000

(Reference) Projected net income per share for Fiscal Year ending March 31, 2007: 44.70 yen

* The outlook shown above is prepared based on information available as of the time of writing, and therefore actual results may differ significantly from the projections due to risks and various unknown factors. Please refer to 'III. Outlook for Fiscal Year Ending March 31, 2006' on page 6 for more information.



II. Qualitative Information Related to Financial Progress in the Consolidated Business

1. Overview

Despite firm production and shipments for all but a few products, the chemical industry continues to face an extremely challenging business environment due to high prices for raw materials and fuel, which have risen even higher.

Efforts were made to improve profitability throughout the Group by concentrating efforts on marketing activities and through stringent cost cutting, among other measures.

As a result, sales rose to 401.9 billion yen, an increase of 54.6 billion yen or 15.7% over the same period last year. The sales increase resulted from efforts to revise product prices based on increases in sales volume and the rapid rise in fuel prices such as naphtha.

Operating income increased 0.7 billion yen over the same period last year to 16.7 billion yen, an increase of 4.6%. This resulted from a substantial rise in the cost of goods sold due to the extreme rise in fuel prices such as naphtha, despite efforts to revise product pricing.

Recurring income increased by 2.6 billion yen, or 15.6%, from the same period last year, to 19.1 billion yen. Factors affecting this were a 1.5 billion yen increase in non-operating income over the same period last year due to a 0.3 billion yen rise in investment profits from equity interests and a 0.4 billion yen decrease in non-operating expenses. As a result, an increase of 1.9 billion yen was recorded for net non-operating income over the same period last year.

This resulted in a recurring income margin (Return on Sales) of 4.8%.

Extraordinary income was 1.0 billion yen due to 0.9 billion yen in equity interest in a third party share allocation by Toyo Engineering Corporation, an affiliate of the company, among other factors. Extraordinary losses were 2.5 billion yen due in part to 1.1 billion yen in loss on restructuring of subsidiaries and affiliates. This resulted in a net extraordinary loss of 1.5 billion yen, a decline of 9.4 billion yen compared with the first quarter of last fiscal year.

Quarterly net income before taxes and other adjustments declined 6.8 billion yen from the same period last year to 17.6 billion yen due to the above factors.

Net income for the quarter, after the deduction of minority interest gains and corporate and other taxes, declined 7.6 billion yen from the same period last year to 8.9 billion yen, a quarterly net profit of 11.27 yen per share.

2. Results by Business Segment

Functional Chemicals & Engineered Materials

Demand for hygienic materials and non-woven fabric expanded in East and Southeast Asia, primarily for the Thai and Chinese markets, resulting in strong sales.

Sales declined due to the spin-off of the waterproof materials business despite strong growth centered on construction materials and civil engineering materials.

Sales for Semiconductor Materials remained firm despite the impact of price declines in the semiconductor market and the liquid crystal display market due to active expansion of sales for semiconductor gas.

Market expansion sustained strong sales for Display Materials despite the impact of price declines for plasma display panels.



Sales were firm in Healthcare Businesses, supported by robust sales in monomers for ophthalmic lens and pharmaceutical intermediates.

Sales for Chemical Products Businesses such as polymerization retardants and adhesive ingredients for tires and wood were strong due to product price revisions reflecting the steep rise in materials prices and increased unit sales. However, this did not completely cover the rise in costs.

Expanded sales of insecticides and other products resulted in strong sales for the Agrochemicals Business.

The above factors resulted in 51.0 billion yen in sales for this segment, 6.7 billion yen higher than the sales for the same period last year and comprising 13% of total Group sales. Operating income also increased by 1.3 billion yen to 2.8 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 plastic, with a focus on Asia, in addition to benefiting from expanding domestic demand for auto parts in particular.

Expansion in demand for Specialty Polyolefin focused on IT-related applications led to strong sales. Overall sales volume for engineering plastics were sluggish, resulting in weak sales despite increased sales for new grades in China, primarily for use in electronic components. Resins used as raw materials for paper manufacturing and coating applications saw sales volume stagnate for the construction and general material industries, but coating resins for cell phone applications and for heat- and pressure-sensitive paper were strong, sustaining strong sales for resins overall.

Sales of additives such as Waxes, Petroleum Resins, and other additives were strong due to upward revision in product prices reflecting the steep rise in materials prices.

Both sales volume and pricing were stable for Acryl Amides used as Flocculants, sustaining firm sales. Sales of Urethane raw materials were strong due especially to improved market conditions for TDI in East and Southeast Asia, particularly in China, and to sustained price levels for PPG, despite pressure on MDI prices overseas.

Sales for Urethane Resins, Coating Materials, adhesives and construction casting materials were all strong on the back of increased demand both domestically and overseas.

The above factors resulted in an increase of 10.2 billion yen in segment sales over the same period last year to 74.1 billion yen, comprising 18% of Group sales. Operating income also increased by 3.3 billion yen to 3.2 billion yen.

Basic Chemicals

Although price revisions for Purified Terephthalic Acid (PTA) did not completely cover the steep rise in materials prices, sales grew as sales in Thailand expanded on the back of increased production capacity for Siam Mitsui PTA Co., Ltd.

Sales for Polyethylene Terephthalate (PET) were sluggish due to the drop in growth for domestic PET bottle demand and the rise in imports.

Sales volume for Phenol languished, severely pressuring sales due to the long cessation of production at one production plant, Chiba Phenol Co., Ltd., during the first quarter for construction of additional production capacity.

While sales volume for Bisphenol A recorded strong growth, supported by voracious demand in Asian markets, sales were sluggish due to weak market prices in China.



Sales were strong for Ethylene Glycol, Ethylene Oxide and other derivative products, supported by strong demand.

The above factors contributed to a 11.3 billion yen increase in segment sales over the same period last year, to 131.1 billion yen, comprising 33% of Group sales. Operating income declined by 7.5 billion yen to 1.9 billion yen.

Petrochemicals

Production volume for both Ethylene and Propylene remained strong as ethylene plants maintained high operating ratios against a background of strong demand both domestically and overseas.

Sales of Polyethylene and Polypropylene increased due to upward price revisions to cover the rapid rise in raw material prices, but further increases in already high raw material prices made it difficult to completely cover rising costs.

The above factors contributed to an increase of 24.7 billion yen in segment sales over the same period last year to 135.0 billion yen, comprising 33% of Group sales. Operating income increased 4.0 billion yen to 9.0 billion yen.

Others

Sales for this segment increased 1.7 billion yen over the same period last year to 10.7 billion yen and comprised 3% of Group sales. A 0.3 billion yen operating income was recorded due to a 0.2 billion yen increase in operating income.

3. Financial Position

Despite continued efforts to reduce assets, total assets as of the end of the current quarter increased 27.3 billion yen over the end of last period, to 1.4 trillion yen, due to the acquisition of shares from Takeda Pharmaceutical Co., Ltd. in order to acquire Mitsui Chemicals Polyurethanes, Inc. as a wholly owned subsidiary.

Liabilities as of the end of the current quarter were up 34.5 billion yen over the end of last period, to 824.3 billion yen. Interest-bearing debt rose 35.7 billion yen, to 459.6 billion yen. This resulted in a 2.0 point rise in the interest-bearing debt ratio over the end of last period, to 33.9%.

Net assets as of the end of the current quarter were down 7.2 billion yen from the end of last period, to 531.9 billion yen (compared to total minority interests and shareholders' equity of 539.1 billion at the end of last period). Ratio of shareholders' equity to total assets was 34.6%, almost level with the end of the previous period.

The above factors contributed to a debt-equity ratio of 0.98 increased by a 0.07 point compared to the end of the previous period.

4. Cash Flows

Cash and cash equivalents as of the end of current quarter ("cash") increased 6.5 billion yen over the end of the previous period to 37.7 billion yen.

Cash Flow from Operating Activities

Cash inflow from operating activities was 15.3 billion yen. While net income before taxes and other adjustments for the current quarter was 17.6 billion yen, this was adversely impacted by the increased need for working capital due to high raw material prices.

Cash Flow from Investing Activities

Cash outflow from investing activities was 39.0 billion yen. This was primarily due to the acquisition of shares in Mitsui Chemicals Polyurethanes, Inc.



Cash Flow from Financing Activities

Cash procured from financing activities was 29.4 billion yen. This resulted from interest-bearing debt acquired to finance the negative cash flow resulting from the combination of cash inflow from operating activities and cash outflow from investment activities.

III. Outlook for Fiscal Year Ending March 31, 2006

Despite the anticipated continuance of a challenging business environment, we expect to achieve our initial forecast for full year consolidated operating results by focusing all efforts on marketing activities and cost cutting and are, therefore, not revising the forecast for operating results announced May 15, 2006 at this time.



IV. Consolidated Financial Statements

1. Consolidated Balance Sheets (Summary)

	Millions of Yen		
	As of June 30, 2006	As of June 30, 2005	Change
Assets			
Current Assets	620,106	608,995	11,111
Fixed Assets	736,111	719,895	16,216
Total Assets	1,356,217	1,328,890	27,327
Liabilities			
Current Liabilities	504,478	475,074	29,404
Long-term Liabilities	319,781	314,692	5,089
Total Liabilities	824,259	789,766	34,493
Net Assets			
Shareholders' Equity	446,365	—	446,365
Common stock.....	103,226	—	103,226
Additional paid-in capital.....	69,256	—	69,256
Retained earnings.....	274,859	—	274,859
Treasury stock, at cost	(976)	—	(976)
Valuation transition adjustment and others	23,461	—	23,461
Minority interest in consolidated subsidiaries	62,132	—	62,132
Total Net Assets	531,958	—	531,958
Total Liabilities and Net Assets	1,356,217	—	1,356,217
Minority interests	—	75,103	(75,103)
Shareholders' Equity			
Common stock.....	—	103,226	(103,226)
Additional paid-in capital	—	66,945	(66,945)
Retained earnings.....	—	269,191	(269,191)
Others.....	—	24,659	(24,659)
Total Shareholders' Equity	—	464,021	(464,021)
Total Liabilities and Shareholders' Equity	—	1,328,890	27,327
(Reference)			
Interest-bearing debts	459,628	423,938	35,690



2. Consolidated Statements of Income (Summary)

	Millions of Yen			
	April 1, 2006 to December 31, 2006	April 1, 2005 to June 30, 2005	Change	April 1, 2005 to March 31, 2006
Net Sales	401,899	347,347	54,552	1,472,435
Cost of sales	336,804	283,610	53,194	1,217,564
Gross profit	65,095	63,737	1,358	254,871
Selling, general and administrative expenses	48,347	47,732	615	196,166
Operating Income	16,748	16,005	743	58,705
Non-operating Income and Expenses				
Non-operating Income				
Equity in earnings of non-consolidated subsidiaries and affiliates.....	2,095	1,818	277	8,101
Other, net	3,883	2,669	1,214	10,312
Non-operating Income	5,978	4,487	1,491	18,413
Non-operating Expense	3,631	3,970	(339)	15,129
Recurring Income	19,095	16,522	2,573	61,989
Extraordinary Gain and Loss				
Gain on change in interests in consolidated subsidiaries.....	919	8,553	(7,634)	9,366
Gain on securities contributed to employees' retirement benefits trust	—	—	—	10,280
Other extraordinary gains	109	323	(214)	2,656
Extraordinary Gains	1,028	8,876	(7,848)	22,302
Losses on disposal or sale of fixed assets	169	964	(795)	7,851
Loss of impairment of fixed assets.....	—	—	—	1,519
Loss on restructuring of subsidiaries and affiliates	1,070	—	1,070	597
Other extraordinary losses.....	1,238	29	1,209	1,399
Extraordinary Losses	2,477	993	1,484	11,366
Net Income Before Income Taxes	17,646	24,405	(6,759)	72,925
Corporate Income Taxes	6,690	7,341	(651)	27,681
Minority Interest in Net Income of Consolidated Subsidiaries	2,047	525	1,522	1,119
Net Income	8,909	16,539	(7,630)	44,125



3. Consolidated Statements of Cash Flows (Summary)

	Millions of Yen	
	April 1, 2006 to June 30, 2006	April 1, 2005 to March 31, 2006
I. Cash flows from operating activities	15,272	79,709
II. Cash flows from investing activities	(39,003)	(58,247)
III. Cash flows from financing activities	29,448	(19,590)
IV. Exchange rate adjustments on cash and cash equivalents	68	1,253
V Net increase in cash and cash equivalents	5,785	3,125
VI. Cash and cash equivalents at beginning of period	31,221	28,068
VII. Increase due to inclusion of consolidations	671	28
VIII. Cash and cash equivalents at end of period	37,677	31,221



VI. Segment Information

Net Sales and Operating Income by Segment

(Millions of Yen)

		April 1, 2006 to June 30, 2006	April 1, 2005 to June 30, 2005	Change	April 1, 2005 to March 31, 2006
Functional Chemicals and Engineered Materials	Net sales	50,945	44,314	6,631	192,690
	Operating income	2,859	1,488	1,371	10,799
Functional Polymeric Materials	Net sales	74,088	63,896	10,192	281,738
	Operating income	3,180	(98)	3,273	10,066
Basic Chemicals	Net sales	131,109	119,766	11,343	474,310
	Operating income	1,948	9,365	(7,417)	21,862
Petrochemicals	Net sales	135,037	110,329	24,708	487,039
	Operating income	8,984	5,022	3,962	15,867
Other	Net sales	10,720	9,042	1,678	36,658
	Operating income	265	134	131	586
Total	Net sales	401,899	347,347	54,552	1,472,435
	Operating income	17,236	15,916	1,320	59,180
Elimination and corporate	Net sales	—	—	—	—
	Operating income	(488)	89	(577)	(475)
Consolidated total	Net sales	—	—	—	—
	Operating income	16,748	16,005	743	58,705