



Summary of Financial Results for the First Quarter Ended June 30, 2007

I. Financial Results (April 1, 2007 – June 30, 2007)

1. Consolidated Financial Results

(1) Results of Operations

| | Millions of Yen - Except Per Share Data and Percents | | | | |
|--|--|-------|-----------------------------|--------|-----------|
| | First Quarter ended June 30, | | Fiscal Year ended March 31, | | |
| | 2007 | % | 2006 | % | 2007 |
| Net Sales | 441,239 | 9.8 | 401,899 | 15.7 | 1,688,062 |
| Operating Income | 25,080 | 49.7 | 16,748 | 4.6 | 91,678 |
| Recurring Income..... | 28,009 | 46.7 | 19,095 | 15.6 | 95,478 |
| Net Income | 18,056 | 102.7 | 8,909 | (46.1) | 52,297 |
| Net Income per Share (yen) | 23.41 | | 11.27 | | 66.68 |
| Net Income per Share, diluted (yen)..... | — | | — | | — |

Note: Percentages for net sales, 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 ended March 31, |
| | 2007 | 2006 | 2007 |
| Total Assets | 1,497,790 | 1,356,217 | 1,498,183 |
| Net Assets | 588,724 | 531,958 | 570,252 |
| Ratio of Shareholders' Equity to Total Assets | 34.9% | 34.6% | 33.7% |
| Shareholders' Equity per Share (Yen)..... | 678.14 | 594.34 | 653.84 |

(3) Cash Flows

| | Millions of Yen - Except Per Share Data and Percents | | |
|---|--|----------|-----------------------------|
| | First Quarter ended June 30, | | Fiscal Year ended March 31, |
| | 2007 | 2006 | 2007 |
| Cash Flows from Operating Activities..... | 22,103 | 15,272 | 100,565 |
| Cash Flows from Investing Activities | (13,398) | (39,003) | (133,618) |
| Cash Flows from Financing Activities | (10,941) | 29,448 | 41,168 |
| Cash and Cash Equivalents at End of Period... | 37,943 | 37,677 | 40,443 |



2. Consolidated Operating Performance Outlook for Fiscal Year 2008 (April 1, 2007 – March 31, 2008)

| | Millions of Yen - Except Per Share Data and Percents | | | |
|----------------------------------|--|--------|-----------|--------|
| | First Half | % | Full Year | % |
| Net Sales | 890,000 | 6.7 | 1,800,000 | 6.6 |
| Operating Income | 38,000 | 13.5 | 90,000 | (1.8) |
| Recurring Income | 35,000 | (4.7) | 87,000 | (8.9) |
| Net Income | 18,000 | (11.3) | 43,000 | (17.8) |
| Net Income per Share (yen) | 23.33 | | 55.73 | |

* Percentages for net sales, operating income, recurring income and net income represent changes compared with the previous period.

3. Others

Changes in status for significant subsidiaries during the period (transfer of designated subsidiaries with changes in the scope of consolidation):

None

Use of simplified accounting methods:

Yes

Changes in accounting methods from the most recent consolidated fiscal period:

Yes

Please see "VI. Other" on page 6 for the details.

Note: 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 "Part III. Outlook for Fiscal Year Ending March 31, 2008" on page 6 for more information.



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

1. Overview

Extremely severe conditions persisted for the chemical industry as already high raw materials and fuel prices rose even higher. Faced with these circumstances, the Mitsui Chemicals Group concentrated all of its efforts on market activities while working to reduce costs in every way possible to improve profit.

These efforts resulted in the following operating results.

(100 millions of Yen)

| | Net Sales | Operating Income | Recurring Income | Net Income |
|-----------------------|-----------|------------------|------------------|------------|
| Current Quarter, 2007 | 4,412 | 251 | 280 | 181 |
| Same Quarter, 2006 | 4,019 | 167 | 191 | 89 |
| Change | 393 | 84 | 89 | 92 |
| Change (%) | 9.8% | 49.7% | 46.7% | 102.7% |

Net sales rose 9.8% over the first quarter in the previous fiscal year (the “previous term”) to 441.2 billion yen, an increase of 39.3 billion yen, due to improvement of overseas market conditions and revision of product prices to cover rapidly rising prices for raw materials and fuel, including naphtha.

Although the cost of products sold rose significantly due to the rapid rise in raw materials and fuel prices, concentrated efforts to raise product prices and an improvement in overseas market conditions contributed to a 49.7% increase in **operating income** over the previous term to 25.1 billion yen, an increase of 8.4 billion yen. Please note that the treatment of tangible fixed assets has changed from the current consolidated fiscal year due to revisions in the Corporate Tax Code. See “4. Changes in Accounting Policy and Supplementary Information” on page 11 regarding the impact on operating results for the current quarter.

Recurring income rose 8.9 billion yen to 28 billion yen, an increase of 46.7% over the previous term. This resulted from a 1 billion yen increase in non-operating income mainly derived from profit on foreign exchange, offset by a 0.5 billion yen increase in non-operating expenses over the previous term due to a rise in interest payments and other factors.

These factors resulted in **return on sales (ROS)** of 6.3%.

Gains from the sale of fixed assets and other factors resulted in **extraordinary income** of 1.7 billion yen. **Extraordinary losses** of 0.4 billion yen were recorded due to losses on the disposition and sale of fixed assets, and other factors. The above factors resulted in a 2.8 billion yen improvement in net extraordinary income over the previous term to 1.3 billion yen.

These factors resulted in **net income before taxes and minority interests** of 29.3 billion yen, an increase of 11.7 billion yen on the previous term.

Net income in the current first quarter after adjustment for corporate income and other taxes and minority interests rose 9.2 billion yen to 18.1 billion yen, an increase of 102.7% compared with the previous term. This represents earnings per share of 23.41 yen for the quarter.



2. Results by Business Segment

Performance Materials

Sales were strong for materials such as ethylene propylene rubber and alpha-olefin copolymer for the automotive and industrial businesses due to steady progress in developing markets for soft resin and other purposes and securing new clients, primarily in the Asia market, in addition to growth in domestic demand.

Sales for industrial materials declined due to the withdrawal from certain products such as petroleum resin, despite the strong performance of base resin for paints for use on data recording paper and cell phones.

Hygienic material sales were strong, thanks to strong growth in demand for non-woven fabrics in East and Southeast Asia, particularly in the Thai and Chinese markets.

Specialty polyolefin and engineering plastics saw demand rise, mainly for uses related to electronic components, recording strong growth in sales.

Semiconductor material sales were strong as we aggressively expanded sales of semiconductor gas. This covered the price declines seen for the semiconductor and liquid crystal display markets.

Conditions were severe for optical materials as sales suffered under the impact of sluggish demand and price declines for plasma display panels in the North American market.

Sales for urethane materials rose as PPG product prices were raised in the face of the steep rise in material prices and due to the improvement in market conditions for TDI in East and Southeast Asia.

Sales were strong for urethane resin, underpinned by the growth in domestic and overseas demand for use in construction materials, casting, adhesives and other uses.

These factors contributed to segment sales of 118.8 billion yen, an increase of 2.2 billion yen on the previous term, comprising 27% of total sales. Operating income rose 4.8 billion yen to 8.1 billion yen.

Advanced Chemicals

Sales were strong due to health-care business such as materials for ophthalmic lenses and pharmaceutical intermediates.

Sales rose for polymer retardants, adhesives for tires and lumber, and other products in our chemical products business due to aggressive efforts to expand sales and an upward revision in prices in the face of the steep rise in material prices; however, this did not fully cover the corresponding rise in costs.

The inclusion of Sankyo Agro Co., Ltd. as a consolidated subsidiary resulted in a large increase in sales for our agrochemical business.

These factors contributed to an increase in sales for this segment of 6.3 billion yen to 29.4 billion yen compared to the previous term, comprising 7% of total sales. Operating income rose 0.1 billion yen to 3.3 billion yen.



Basic Chemicals

Production volumes for both ethylene and propylene remained high as strong domestic and overseas demand for ethylene and propylene sustained a high operating rate at our ethylene plants.

Sales of phenol was boosted by resumed production at the phenol plant, which had ceased production while construction to expand capacity in the same quarter last year, combined with an upward revision in the product price in light of the steep rise in materials prices.

Sales for bisphenol A rose due to an upward revision in prices to cover for the steep rise in material prices and to strong sales volume which was supported by vigorous demand in the Asian markets.

Sales for purified terephthalic acid were sluggish due to the downturn in market conditions for China.

PET resin (polyethylene terephthalate) sales rose due to an upward revision in price to cover for the steep rise in material prices.

Sales for ethylene glycol, ethylene oxide and derivative products rose due to an upward revision in price to cover for the steep rise in material prices.

Although sales for polyethylene and polypropylene rose due to an upward revision in prices to reflect the steep rise in material prices, this did not cover the increase in costs totally since the timing of the price revision was late and the already high material prices rose yet further.

These factors contributed to an increase in sales for this segment of 31.3 billion yen to 279.9 billion yen compared to the previous term, comprising 63% of total sales. Operating income rose 4.1 billion yen to 14.1 billion yen.

Others

Sales for this segment, such as warehouse transportation business, etc., decreased 0.5 billion yen compared to the previous term to 13.1 billion yen, comprising 3% of total sales. Operating income was 0.7 billion yen, as in the previous term.

3. Financial Position

Total assets at the end of the first quarter decreased 0.4 billion yen from the end of the last period to 1,497.8 billion yen.

Liabilities at the end of the first quarter compared with the end of the last period decreased by 18.8 billion yen to 909.1 billion yen. Interest-bearing debt comprised 496.8 billion yen of this, a decrease of 1.5 billion yen. The interest-bearing debt ratio therefore improved by 0.1 percentage point from the end of the previous term to 33.2%.

Net assets as of the end of the first quarter were 588.7 billion yen, an increase of 18.4 billion yen over the end of the last period. The ratio of shareholders' equity to total assets was 34.9%, an improvement of 1.2 percentage points from the end of the last period.

These factors contributed to a debt-equity ratio of 0.95 as of the end of the first quarter, an improvement of 0.04 points compared to the end of the last period.



4. Cash Flows

Cash and cash equivalents as of the end of the first quarter ("cash") decreased 2.5 billion yen over the end of the last period to 37.9 billion yen.

Cash Flow from Operating Activities

Cash inflow from operating activities was 22.1 billion yen, an increase of 6.8 billion yen compared with the previous term, due to increases in net income before income taxes.

Cash Flow from Investing Activities

Cash outflow for investment activities was 13.4 billion yen, a decline of 25.6 billion yen over the previous term. The decline was a result of expenditures for the acquisition of shares in Mitsui Chemicals Polyurethanes, Inc., and other factors.

Cash Flow from Financing Activities

Cash flow used in financing activities was 10.9 billion yen, due to repayment of interest-bearing liabilities. Cash flow provided in financing activities during the previous term was 29.4 billion yen, due to fund procurement by interest-bearing debt.

III. Outlook for Fiscal Year Ending March 31, 2008

Results for the current quarter were favorable compared to the initial plan. However, the Company is not revising its forecast for operating results as announced on May 10, 2007 at present, since severe conditions may persist for the first half and full year due to further increases in the price of materials and other factors.

IV. Others

Changes to major subsidiaries during the period:

No

Adoption of Concise Method on Accounting Procedure:

A simple accounting method has been used for booking some reserves.

Change of Accounting Procedure from the Latest Consolidated Fiscal Year:

The business segments on which data by business segment is reported have been revised from the current consolidated fiscal year. Please see "VI. Segment Information" on page 11 for the details.



V. Consolidated Financial Statements

1. Consolidated Balance Sheets (Summary)

| | Millions of Yen | | |
|--|------------------------|-------------------------|-----------------|
| | As of June 30, 2007 | As of March 31, 2007 | Change |
| Assets | | | |
| Current Assets | 722,343 | 733,150 | (10,807) |
| Cash and time deposits | 33,344 | 35,035 | (1,691) |
| Trade notes and accounts receivable | 344,230 | 346,659 | (2,429) |
| Inventories | 250,911 | 257,069 | (6,158) |
| Others | 93,858 | 94,387 | (529) |
| Fixed Assets | 775,447 | 765,033 | 10,414 |
| Tangible fixed assets | 551,961 | 542,340 | 9,621 |
| Intangible fixed assets | 26,352 | 27,374 | (1,022) |
| Others | 197,134 | 195,319 | 1,815 |
| Total Assets | 1,497,790 | 1,498,183 | (393) |
| Liabilities | | | |
| Current Liabilities | 555,146 | 591,253 | (36,107) |
| Accounts payable and notes payable | 244,072 | 244,900 | (828) |
| Short term loan payable | 124,932 | 133,690 | (8,758) |
| Long-term debt to be repaid within one year | 21,390 | 22,191 | (801) |
| Commercial papers | 46,000 | 51,000 | (5,000) |
| Bond redemption due within one year | 20,022 | 20,022 | -- |
| Others | 98,730 | 119,450 | (20,720) |
| Fixed Liabilities | 353,920 | 336,678 | 17,242 |
| Bond | 163,055 | 153,055 | 10,000 |
| Long term loans payable | 121,352 | 118,365 | 2,987 |
| Allowance for retirement benefits | 52,775 | 50,353 | 2,422 |
| Others | 16,738 | 14,905 | 1,833 |
| Total Liabilities | 909,066 | 927,931 | (18,865) |



Millions of Yen

| | As of June 30, 2007 | As of March 31, 2007 | Change |
|--|------------------------|-------------------------|---------------|
| Net Assets | | | |
| Shareholders' Equity | 479,115 | 465,906 | 13,209 |
| Common stock | 103,226 | 103,226 | -- |
| Capital surplus | 69,258 | 69,257 | 1 |
| Retained earnings | 325,117 | 311,703 | 13,414 |
| Treasury stock, at cost | (18,486) | (18,280) | (206) |
| Valuation transition adjustment and others | 44,001 | 38,603 | 5,398 |
| Minority interest in consolidated subsidiaries .. | 65,608 | 65,743 | (135) |
| Total Net Assets | 588,724 | 570,252 | 18,472 |
| Total Liabilities and Net Assets | 1,497,790 | 1,498,183 | (393) |
| (Reference) | | | |
| Balance of interest-bearing debt, total | 496,751 | 498,323 | (1,572) |



2. Consolidated Statements of Income (Summary)

| | Millions of Yen | | | |
|---|------------------------|------------------------|----------------|------------------------------------|
| | As of June 30, 2007 | As of June 30, 2006 | Change | April 1, 2006 to March 31, 2007 |
| Net Sales | 441,239 | 401,899 | 39,340 | 1,668,062 |
| Cost of sales..... | 367,450 | 336,804 | 30,646 | 1,402,022 |
| Gross profit | 73,789 | 65,095 | 8,694 | 286,040 |
| Selling, general and administrative expenses | 48,709 | 48,347 | 362 | 194,362 |
| Operating Income | 25,080 | 16,748 | 8,332 | 91,678 |
| Non-operating income and expenses | | | | |
| Non-operating income | | | | |
| Investment gains from companies accounted for by the equity method | 1,403 | 2,095 | (692) | 5,979 |
| Others, net..... | 5,612 | 3,883 | 1,729 | 14,476 |
| Non-operating income | 7,015 | 5,978 | 1,037 | 20,455 |
| Non-operating expenses | 4,086 | 3,631 | 455 | 16,655 |
| Recurring Income | 28,009 | 19,095 | 8,914 | 95,478 |
| Extraordinary Gain and Loss | | | | |
| Loss on sales / disposal of fixed assets | 1,620 | 17 | 1,603 | 389 |
| Loss on affiliate business | -- | 919 | (919) | 3,102 |
| Others | 128 | 92 | 36 | 1,563 |
| Extraordinary Gains | 1,748 | 1,028 | 720 | 5,054 |
| Losses on disposal or sale of fixed assets | 439 | 169 | 270 | 5,979 |
| Loss on restructuring of subsidiaries and affiliates | -- | 1,070 | (1,070) | 1,997 |
| Others | 28 | 1,238 | (1,210) | 8,014 |
| Extraordinary Losses | 467 | 2,477 | (2,010) | 15,990 |
| Net Income Before Income Taxes | 29,290 | 17,646 | 11,644 | 84,542 |
| Corporate Income Taxes | 10,385 | 6,690 | 3,695 | 27,416 |
| Minority Interest in Net Income of Consolidated Subsidiaries | 849 | 2,047 | (1,198) | 4,829 |
| Net Income | 18,056 | 8,909 | 9,147 | 52,297 |



3. Consolidated Statements of Cash Flows (Summary)

Millions of Yen

| | As of June 30, 2007 | As of June 30, 2006 | Change | April 1, 2006 to March 31, 2007 |
|---|------------------------|------------------------|-----------------|------------------------------------|
| I. Cash flows from operating activities | 22,103 | 15,272 | 6,831 | 100,565 |
| Income before income taxes and Minority interests | 29,290 | 17,646 | 11,644 | 84,542 |
| Depreciation or amortization | 15,573 | 14,899 | 674 | 66,705 |
| Depreciation of goodwill | 1,005 | 1,076 | (71) | 3,502 |
| Decrease (increase) in trade notes and accounts receivable | 3,310 | 3,395 | (85) | (42,697) |
| Decrease (increase) of inventory assets | 6,845 | (5,034) | 11,879 | (27,039) |
| Increase (decrease) in purchase liabilities | (3,042) | (512) | (2,530) | 20,105 |
| Others | (30,878) | (16,198) | (14,680) | (4,553) |
| II. Cash flows from investing activities | (13,398) | (39,003) | 25,605 | (133,618) |
| Purchase of tangible and intangible fixed assets | (18,083) | (8,354) | (9,729) | (67,433) |
| Proceeds from tangible and intangible fixed assets | 1,963 | 59 | 1,904 | 1,406 |
| Purchase of investment securities | (5,273) | (1,560) | (3,713) | (16,494) |
| Proceeds from sales and redemption investment securities | 7,249 | 42 | 7,207 | 5,443 |
| Proceeds from minority interests | (136) | (24,900) | 24,764 | (27,309) |
| Others | 882 | (4,290) | 5,172 | (29,231) |
| III. Cash flows from financing activities | (10,941) | 29,448 | (40,389) | 41,168 |
| IV. Exchange rate adjustments of cash and cash equivalents | 21 | 68 | (47) | 608 |
| V. Net increase in cash and cash equivalents | (2,215) | 5,785 | (8,000) | 8,723 |
| VI. Cash and cash equivalents at beginning of period | 40,443 | 31,221 | 9,222 | 31,221 |
| VII. Balance of Cash and cash equivalents due to changes in the scope of consolidation | (285) | 671 | (956) | 499 |
| VIII. Cash and cash equivalents at end of period | 37,943 | 37,677 | 266 | 40,443 |



4. Changes in Accounting Policy and Supplementary Information

Tangible Fixed Assets

Due to revisions in the Corporate Tax Law, depreciation expenses for tangible fixed assets acquired on or after April 1, 2007 will be booked according to the depreciation method specified in the Revised Corporate Tax Law from the current consolidated fiscal period. Furthermore, depreciation expenses for the residual book value of tangible fixed assets acquired on or before March 31, 2007 that have been depreciated to the allowable limits have been booked as even depreciation over five years from the current consolidated fiscal period.

The above factors have resulted in depreciation expenses 393 million yen higher for the current quarter than would have been the case under the former method. Operating income, recurring income, and quarterly net income before taxes are each 380 million yen lower. The impact on the segment data has been recorded in the respective categories.

VI. Segment Information

Net Sales and Operating Income by Segment

(Millions of Yen)

| | | April 1 to June 30, 2007 | April 1 to June 30, 2006 | Change |
|---------------------------|------------------|-----------------------------|-----------------------------|--------|
| Performance Materials | Net sales | 118,806 | 116,558 | 2,248 |
| | Operating income | 8,095 | 3,247 | 4,848 |
| Advanced Chemicals | Net sales | 29,389 | 23,149 | 6,240 |
| | Operating income | 3,241 | 3,227 | 14 |
| Basic Chemicals | Net sales | 279,970 | 248,622 | 31,348 |
| | Operating income | 14,114 | 10,002 | 4,112 |
| Others | Net sales | 13,074 | 13,570 | (496) |
| | Operating income | 707 | 731 | (24) |
| Total | Net sales | 441,239 | 401,899 | 39,340 |
| | Operating income | 26,157 | 17,207 | 8,950 |
| Elimination and corporate | Net sales | — | — | — |
| | Operating income | (1,077) | (459) | (618) |
| Consolidated total | Net sales | -- | -- | -- |
| | Operating income | 25,080 | 16,748 | 8,332 |



(Notes)

1. Revisions to Business Segments

The Company implemented an Organizational Reform on April 1, 2007 aimed at “accelerating new product development” and “rapid creation of a targeted business portfolio” around the three domains of its Performance Materials Business, Advanced Chemicals Business, and Basic Chemicals Business. The Reform reinforces efforts to achieve the goals of the Grand Design, which sets forth the fundamental framework for management of the Mitsui Chemicals Group. Segment categories have been revised for the current consolidated fiscal year to reflect the operating results for each business accurately.

Fine Chemical Products, Agrochemical Products, and Other businesses from the former Functional Chemicals segment now constitute the Advanced Chemicals segment; the rest of the Functional Chemicals and Engineered Materials segment and Functional Polymeric Materials Segment mainly form the Performance Materials segment. The primary components of the Basic Chemicals segment are the former Basic Chemicals segment and the Petrochemical segment.

We have reorganized the amounts for the same quarter of the previous fiscal year to reflect the business segments following the revision.

2. Main Products in Each Segment

| | Main Products |
|-----------------------|--|
| Performance Materials | Automotive and industrial materials (elastomers), packaging and engineering materials (specialty resins), living and energy materials (functional fabricated products), specialty information and electronics materials (electronics materials, information materials, and performance polymers), and polyurethane |
| Advanced Chemicals | Fine and performance chemicals, and agrochemicals |
| Basic Chemicals | Petrochemical feedstocks (ethylene, propylene, etc.), phenol, fiber intermediates and PET resin, industrial chemicals, polyethylene, and polypropylene |
| Others | Warehouse transportation business, etc. |

Parenthetic main products' names show the previous names in the previous fiscal year.

3. Changes in Accounting Policy and Supplementary Information

As noted in “4. Changes in Accounting Policy and Supplementary Information” on page 11, the method for handling tangible fixed assets has been revised for the current consolidated fiscal year onward. These revisions have resulted in increased depreciation expenses for the various segments compared with levels under the former method. Depreciation expenses for the current quarter were higher by 129 million yen for Performance Materials, 50 million yen for Advanced Chemicals, 156 million yen for Basic Chemicals, 17 million yen for Other, and 41 million yen for elimination and corporate respectively. Operating income for each segment was lower; declining by 123 million yen for Performance Materials, 43 million yen for Advanced Chemicals, 156 million yen for Basic Chemicals, 17 million yen for Other, and 41 million yen for elimination and corporate respectively.