



Summary of Financial Results for the First Half Ended September 30, 2008

Mitsui Chemicals, Inc. (4183)

I. Consolidated Financial Results (April 1, 2008 – September 30, 2008)

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents			
	First Half ended September 30,			
	2008	%	2007	%
Net Sales.....	905,615	—	881,591	5.7
Operating Income	9,989	—	42,733	27.6
Recurring Income.....	13,343	—	40,488	10.2
Net Income	7,640	—	20,152	(0.7)
Net Income per Share (yen).....	9.97		26.13	
Net Income per Share, diluted (yen).....	—		—	

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	First Half ended September 30,	FY ended March 31,
	2008	2008
Total Assets	1,477,783	1,469,248
Net Assets.....	543,070	564,227
Shareholders' Equity Ratio	32.6%	34.0%
Shareholders' Equity per Share (yen).....	641.42	649.63
Note: Equity:		
Fiscal half ended September 30, 2008		482,071 million yen
Fiscal year ended March 31, 2008		500,044 million yen



2. Dividends

	Fiscal year ended March 31,		
	2008	2009	2009 (forecast)
Annual Dividends per Share			
First quarter (yen)	—	—	—
Interim (yen)	6.00	6.00	—
Third quarter (yen)	—	—	—
End of year (yen)	6.00	—	7.00
Annual Dividends (yen)	12.00	—	13.00

* Revisions to dividend forecast in the quarter: None

3. Outlook for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

Consolidated	Millions of Yen - Except Per Share Data and Percents	
	Full Year	%
Net Sales	1,880,000	5.2
Operating Income	45,000	(41.7)
Recurring Income	48,000	(27.4)
Net Income	22,000	(11.4)
Net Income per Share (yen)	29.27	

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

* Revisions to financial forecast in the quarter: Yes



II. Operating Results and Financial Position

1. Operating Results

The chemical industry continued to face severe business conditions not only due to extremely weak production and shipping within Japan due to sluggish demand, but also to historically high raw material prices. Conditions have become increasingly severe.

Under these circumstances, the Mitsui Chemicals Group recorded earnings through the second quarter (for the six months from April 1, 2008 through September 30, 2008 and referred to as the current quarter) as shown below.

Figures for earnings through the second quarter of the previous fiscal year and year-on-year changes have been provided for reference. Since this is the first fiscal year that the Mitsui Chemicals Group has adopted a system of reporting quarterly earnings, figures for earnings through the second quarter of the previous fiscal year have not been reviewed by an independent auditor.

	Net sales	Operating income	Recurring income	Net income
Current Second Quarter	905.6	10.0	13.3	7.6
Previous Second Quarter	881.6	42.7	40.5	20.2
Change	24.0	(32.7)	(27.2)	(12.6)
Change (%)	2.7%	(76.6)%	(67.0)%	(62.1)%

Sales rose 2.7% over the second quarter in the previous fiscal year (the "previous term") to 905.6 billion yen, an increase of 24.0 billion yen. This was the result of several factors.

Sales volume declined by 54.4 billion yen due to sluggish demand, however sales were boosted 78.4 billion yen due to various price hikes following improved overseas market conditions, and revisions to product prices as the price of raw materials such as naphtha rose.

Despite product price revisions and higher overseas market prices, sharp increases in raw material prices coupled with higher fixed costs, including depreciation and repair expenses, significantly increased cost of goods. As a result, **operating income** declined 32.7 billion yen, a 76.6% decrease from the previous term, to 10.0 billion yen.

Recurring income declined by 27.2 billion yen from the previous term to 13.3 billion yen, a 67.0% decrease, due to an increase in non-operating income of 5.5 billion yen compared with the previous term. The increase in non-operating income was due to a decrease in losses from disposal of defective product and an increase in currency conversion gains.

Extraordinary income was 2.2 billion yen, owing to factors including a 1.5 billion yen gain on sale of investment securities. However, **extraordinary expenses** of 4.0 billion yen were incurred as a result of 1.7 billion yen in losses on the disposal and sale of fixed assets and 1.4 billion yen in environmental expenditure. As a result, **extraordinary losses** were 1.8 billion yen, representing an increase in income of 6.2 billion yen compared with the previous term.

These factors resulted in **net income before taxes** of 11.5 billion yen, a decrease of 21.0 billion yen as compared with the previous term.

Net income after the deduction of corporate taxes and minority interest declined by 12.6 billion yen compared with the previous term to 7.6 billion yen, a 62.1% decrease. Net income per share for the period was 9.97 yen.



Performance Materials

Sales of **automotive and industrial materials** such as ethylene propylene rubber and alpha olefin copolymer increased as a result of efforts to develop the market for elastomer use and new clients, especially in Asia.

Sales of **industrial materials** increased, due in most part to good sales performance for base resin for paints used on thermal recording paper and for use in cell phones and automobiles.

Sales of **hygiene materials** increased as demand for non-woven fabrics expanded in East and Southeast Asia, particularly in the Thai and Chinese markets.

Specialty Polyolefin and Engineering Plastics saw growth in demand, mainly for household digital equipment.

Semiconductor material sales were weak due to the impact of a decline in demand and falling prices in the semiconductor market.

Sales of **energy materials** increased following robust demand for solar cell encapsulant materials.

Polyurethanes sales were firm with improved pricing and stronger demand for TDI in East and Southeast Asia and an increase in sales for new environmentally-friendly products related to paints and adhesives.

These factors contributed to a 10.6 billion yen increase in segment sales over the previous term to 257.3 billion yen, comprising 28% of total sales.

Despite group efforts to achieve cost reductions, operating income declined 9.8 billion yen to 9.2 billion yen, attributable to sharp increases in raw material prices.

Advanced Chemicals

Healthcare materials such as **optical lenses** and pharmaceutical intermediates showed growth in the term, backed by sound sales.

Sales of **chemical products** such as polymerization inhibitors and adhesive materials for tires and lumber were flat as sales volume failed to grow despite product price revisions in response to jumps in the price of raw materials.

Agrochemical products recorded growth in sales with an increase in sales of insecticides.

The above factors resulted in segment sales of 60.9 billion yen, an increase of 2.7 billion yen over the previous term, comprising 7% of total sales. Despite growth in sales of products such as insecticides, however, operating income decreased by 1.4 billion yen to 3.6 billion yen as a result of sharp raw material price hikes.



Basic Chemicals

Ethylene and propylene production levels remained the same as in the previous period, as production interruptions owing to regularly scheduled maintenance at the Ichihara plant last year were offset against downward production adjustments since August this year due to weakening demand following raw materials price hikes.

Phenol sales declined as supply of the same brand shifted from external sales to internal consumption since shares of the affiliated company GE Plastics Japan Ltd. were sold off and the company's bisphenol A plant was purchased.

Bisphenol A sales were flat due to stronger competition as a result of the construction of a series of new plants in Asia.

PTA (purified terephthalic acid) sales were weak with sluggish conditions in the Chinese market.

PET resins (polyethylene terephthalate) sales were firm supported by demand for (bottled) drinks.

Ethylene glycol, ethylene oxide and derivatives sales increased with price revisions in the face of rapidly rising raw material prices.

Polyethylene and polypropylene sales increased following price revisions in response to rapidly rising raw material prices. The increase, however, did not fully cover rising costs.

The above factors resulted in segment sales of 573.3 billion yen, an increase of 22.2 billion yen over the previous term, comprising 63% of total sales. Operating loss fell 19.8 billion yen to 0.2 billion yen due to rapidly rising raw material costs.

Others

As a result, segment sales fell 11.5 billion yen against the previous term to 14.1 billion yen, accounting for 2% of total sales. Operating loss for the term declined by 1.6 billion yen to 0.2 billion yen.



2. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the second quarter increased by 8.6 billion yen from the end of the preceding full fiscal year to 1,477.8 billion yen.

Total liabilities at the end of the quarter increased by 29.7 billion yen from the end of the preceding year to 934.7 billion yen. **Interest-bearing debt** comprised 506.1 billion yen, an increase of 20.1 billion yen. As a result, the interest-bearing debt ratio increased 1.1 points from the end of the previous fiscal year to 34.2%.

Net assets as of the end of the second quarter were 543.1 billion yen, a decrease of 21.1 billion yen from the previous full fiscal year. The **ratio of shareholders' equity to total assets** was 32.6%, a 1.4 point decrease from the end of the previous year. A share buyback program was initiated in September 2008 to provide additional flexibility in capital strategy in response to changes in the business environment. A total of 10.0 billion yen was used for the repurchase of shares.

These factors contributed to a **debt-equity ratio** of 1.05 as of the end of the second quarter, a 0.08 point increase on the end of previous full year.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") decreased by 2.0 billion yen from the end of the previous full year to 23.5 billion yen at the end of the second quarter.

Cash Flow from Operating Activities

Cash inflow from operating activities during the second quarter was 32.6 billion yen, a decrease of 30.8 billion yen from the previous second quarter. The year-on-year decline was the result of various factors including net income before income taxes falling and working capital increasing dramatically due to an increase in inventories, although tax payments declined.

Cash Flow from Investment Activities

Cash outflow for investment activities during the second quarter was 43.1 billion yen, an increase of 9.0 billion yen from the previous second quarter. The year-on-year increase was due to various factors including the June 2008 acquisition of U.S.-based SDC Technologies, which produces and sells products such as coating material for lenses for glasses, and a decline in revenue from the disposal of investment securities and fixed assets.

Cash Flow from Financing Activities

Cash flow provided from financing activities during the second quarter was 9.5 billion yen, due to fund procurement by interest-bearing debt. Cash flow used in financing activities in the previous second quarter was 23.3 billion yen, due to repayment of interest-bearing liabilities.



3. Outlook for the Fiscal Year Ending March 31, 2009 (July 31 Projection)

(1) Overall Outlook for Operating Results

Consolidated earnings projections announced on July 31, 2008 were revised downward as discussed below.

These revisions were based on the assumptions of an exchange rate of 100 yen/dollar from October through March and 103 yen/dollar for the full fiscal year, and an average price of 60,000 yen/kl for domestic naphtha from October through March and 69,000 yen/kl for the full fiscal year.

Sales are expected to fall short of previously released projections because of a decline in product prices, particularly in the basic chemicals business segment, and an overall decline in sales due to sluggish demand.

Unfavorable trade terms and declining sales will also contribute to operating income from the performance materials and advanced chemicals segments falling short of initial projections. However, operating income from the basic chemicals segment is now forecast to surpass initial projections since the terms of trade have improved even though sales are expected to decline. As a result, previously announced projections of overall operating income remain unchanged.

(Billions of Yen)

	Net sales	Operating income	Recurring income	Net income
FY2008 at July 31	1,960.0	45.0	48.0	22.0
Revised FY 2008	1,880.0	45.0	48.0	22.0
Difference	(800)	—	—	—

(2) Outlook by Business Segment

(Billions of Yen)

Net Sales						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
FY2008 at July 31	550.0	130.0	1,260.0	20.0	—	1,960.0
Revised FY 2008	520.0	120.0	1,210.0	30.0	—	1,880.0
Difference	(300)	(100)	(500)	100	—	(800)

(Billions of Yen)

Operating Income						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
FY2008 at July 31	27.0	13.0	7.0	4.0	(6.0)	45.0
Revised FY 2008	19.0	9.0	22.0	—	(5.0)	45.0
Difference	(8.0)	(4.0)	15.0	(4.0)	1.0	—



III. Consolidated Financial Statements

1. Consolidated Balance Sheet (Summary)

	Millions of Yen	
	As of September 30, 2008	As of March 31, 2008
Assets		
Current Assets	746,855	726,361
Fixed Assets	730,928	742,887
Total Assets	1,477,783	1,469,248
Liabilities		
Current Liabilities	580,506	569,560
Long-term Liabilities	354,207	335,461
Total Liabilities	934,713	905,021
Net Assets		
Shareholders' Equity		
Common stock	103,226	103,226
Capital surplus	69,238	69,238
Retained earnings	329,117	326,932
Treasury stock, at cost	(29,919)	(19,826)
Total Shareholders' Equity	471,662	479,570
Valuation and Translation Adjustments		
Net unrealized holding gain on securities	16,206	19,125
Net unrealized holding gain on hedging derivatives	(138)	39
Foreign currency translation adjustments	(5,659)	1,310
Total Valuation and Translation Adjustments	10,409	20,474
Minority Interests	60,999	64,183
Total Net Assets	543,070	564,227
Total Liabilities and Net Assets	1,477,783	1,469,248



2. Consolidated Statement of Income (Summary)

(Millions of Yen)

	April 1, 2008 to Sept 30, 2008
Net Sales	905,615
Cost of sales	796,035
Gross Profit	109,580
Selling, general and administrative expenses.....	99,591
Operating Income	9,989
Non-operating Income and Expenses	
Non-operating Income	
Interest income.....	277
Dividend income.....	2,024
Rent income	378
Equity in earnings of non-consolidated subsidiaries and affiliates.....	3,352
Net gain on foreign currency transactions	1,915
Other, net	2,492
Total non-operating Income	10,438
Non-operating Expenses	
Interest expense.....	4,213
Commercial paper interest paid	307
Other expenses	2,564
Total non-operating Expenses	7,084
Recurring Income	13,343
Extraordinary Gain	
Gain on sale of fixed assets	636
Gain on sale of investment securities	1,521
Total extraordinary gains.....	2,157
Extraordinary Loss	
Loss on disposal of fixed assets	1,286
Loss on sale of fixed assets	401
Loss on impairment.....	428
Loss on related activities.....	458
Environmental measure expenses.....	1,400
Others	22
Total extraordinary losses	3,995
Net Income Before Income Taxes	11,505
Corporate Income Taxes	3,045
Minority Interest in Net Income of Consolidated Subsidiaries	820
Net Income	7,640



3. Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	April 1, 2008 to Sept 30, 2008
I. Cash flows from operating activities	32,642
II. Cash flows from investing activities	(43,144)
III. Cash flows from financing activities	9,517
IV. Effect of exchange rate changes on cash and cash equivalents	(1,135)
V. Net increase in cash and cash equivalents	(2,120)
VI. Cash and cash equivalents at beginning of period	25,502
VII. Increase (decrease) in cash and cash equivalents resulting from changes of scope of consolidation	81
VIII. Cash and cash equivalents at end of period	23,463



4. Segment Information

Business Segment Information

Current first half (April 1 – September 30, 2008)

(Millions of Yen)

	Performance Materials	Advanced Chemicals	Basic Chemicals	Other	Total	Elimination / corporate	Consolidated
Sales							
(1) Sales from external clients	257,344	60,926	573,259	14,086	905,615	—	905,615
(2) Internal sales or transfer between segment	10,403	1,656	91,538	42,959	146,556	(146,556)	—
Total	267,747	62,582	664,797	57,045	1,052,171	(146,556)	905,615
Operating income (loss)	9,209	3,551	(186)	(182)	12,392	(2,403)	9,989

Regional Segment Information

Current first half (April 1 – September 30, 2008)

(Millions of Yen)

	Japan	Asia	Others	Total	Elimination	Consolidated
Sales						
(1) Sales from external clients	747,502	107,345	50,768	905,615	—	905,615
(2) Internal sales or transfer between segment	35,580	39,558	627	75,765	(75,765)	—
Total	783,082	146,903	51,395	981,380	(75,765)	905,615
Operating income	7,730	976	1,084	9,790	199	9,989

Overseas Sales

Current first half (April 1 – September 30, 2008)

(Millions of Yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales (Millions of Yen)	247,004	39,603	30,927	7,585	325,119
II. Consolidated sales (Millions of Yen)					905,615
III. Overseas sales as a percentage of consolidated sales (%)	27.3	4.4	3.4	0.8	35.9