

September 13, 2004

## Mitsui Chemicals Announces Early Adoption of Tangible Assets Impairment Accounting and '04 First Half Performance Outlook

### 1. Early Adoption of Tangible Assets Impairment Accounting

Mitsui Chemicals, Inc. (MCI) of Japan has decided to effect an early adoption of "Accounting Standards relating to Tangible Assets Impairment" in order to strengthen the company's financial health as soon as possible. Accordingly, MCI is scheduled to proceed with the impairment accounting process mainly with respect to the idle facilities and report a special loss of around ¥24 billion each for the company's consolidated and non-consolidated financial performance outlook for the half-year term ending September 30, 2004.

### 2. MCI's Financial Performance Outlook for First Half Fiscal 2004

(1) The company's consolidated financial performance outlook for the First Half of Fiscal 2004 ending September 30, 2004 (1H/04), as revised taking into account the various factors explained below, are as follows.

(April 1, 2004-September 30, 2004)

Consolidated, Unit: million yen

|  | Net Sales | Operating Income | Ordinary Income | Net Income |
|--|-----------|------------------|-----------------|------------|
| Last estimates(A)<br>(announced on May 17, 2004)           | 570,000   | 21,000           | 16,000          | 6,000      |
| Amended estimates(B)                                       | 590,000   | 24,000           | 23,000          | -7,000     |
| Difference(B-A)  | 20,000    | 3,000            | 7,000           | -13,000    |
| Ratio  | 3.5%      | 14.3%            | 43.8%           | -216.7%    |
| Results of the 1H/03<br>(April 1, 2003-September 30, 2003) | 525,564   | 18,826           | 14,392          | 3,706      |

(2) The company's revised non-consolidated financial performance outlook for 1H/04 is as follows:

(April 1, 2004-September 30, 2004)

Non-consolidated, Unit: million yen

|  | Net Sales | Operating Income | Ordinary Income | Net Income |
|--|-----------|------------------|-----------------|------------|
| Last estimates(A)<br>(announced on May 17, 2004)           | 380,000   | 10,000           | 9,000           | 5,000      |
| Amended estimates(B)                                       | 400,000   | 11,000           | 12,000          | -11,000    |
| Difference(B-A)  | 20,000    | 1,000            | 3,000           | -16,000    |
| Ratio  | 5.3%      | 10.0%            | 33.3%           | -320.0%    |
| Results of the 1H/03<br>(April 1, 2003-September 30, 2003) | 343,767   | 7,990            | 10,320          | 2,810      |

### 3. Factors Underlying the Revised Outlook for 1H/04

#### (1) Consolidated Performance Outlook

MCI's Consolidated Net Sales for 1H/04 is projected to exceed the

level forecast in May 2004 by ¥20 billion, due to the higher-than-expected rise in product prices, driven by a further price appreciation of the feedstocks such as naphtha continuing from the beginning of the year.

Operating Income and Ordinary Income are expected to exceed their earlier projections by ¥3 billion and ¥7 billion, respectively, owing to such factors as the good performance of the Asian subsidiaries and the reduction in fixed costs by rationalization efforts. With regard to Ordinary Income, its upward revision derives from the improved Operating Income and the improved non-operating incomes such as investment income based on the Equity Method.

However, because of the early adoption of the Tangible Assets Impairment accounting as mentioned above, MCI's Consolidated Net Income for the period is expected to be ¥13 billion less compared with the earlier projection figure.

## (2) Non-consolidated Performance Outlook

MCI's Non-consolidated Net Sales for 1H/04 is projected to exceed the level forecast in May 2004 by ¥20 billion, due to the higher-than-expected rise in product prices, driven by a further price appreciation of the feedstocks such as naphtha continuing from the beginning of the year.

Ordinary Income is expected to exceed its earlier projection by ¥3 billion, owing to such factors as the volume effect of performance materials sales, reduction of fixed costs by rationalization efforts and increased non-operating incomes such as dividend receipts.

However, because of the early adoption of the Tangible Assets Impairment accounting as mentioned above, MCI's Non-consolidated Net Income for the period is expected to be ¥16 billion less compared with the earlier projection figure.

## (3) Consolidated and Non-consolidated Performance Outlook for the Entire Fiscal 2004

As mentioned above, as compared with the earlier forecast, MCI's consolidated as well as non-consolidated financial performance for the First Half of Fiscal 2004 is projected to show increased Net Sales and Operating Income as well as Ordinary Income, while a shortfall is expected for Net Income.

With regard to the company's projected financial performance for the entire Fiscal 2004, it is still expected that a severe business environment will continue to prevail based on the outlook that the price of feedstock such as naphtha would remain high, on a path exceeding the previously anticipated level. Under the circumstances, Mitsui Chemicals intends to review the figures at the time of announcing the actual First Half Fiscal 2004 performance, as a result of carefully following the developments from now on.

*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.*

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