



Summary of Financial Results for the Third Quarter Ended December 31, 2006

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

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents				
	Third Quarter ended December 31,		Fiscal Year ended March 31,		
	2006	%	2005	%	2006
Net Sales	1,255,432	17.0	1,072,742	18.8	1,472,435
Operating Income	67,618	68.3	40,179	(20.4)	58,705
Recurring Income.....	73,194	67.7	43,635	(11.0)	61,989
Net Income	45,637	60.5	28,434	417.5	44,125
Net Income per Share (yen)	57.88		36.30		56.20
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		
	As of December 31,		As of March 31,
	2006	2005	2006
Total Assets	1,447,853	1,354,426	1,328,890
Net Assets	557,547	442,284	464,021
Ratio of Shareholders' Equity to Total Assets ..	34.0%	32.7%	34.9%
Net Assets per Share (Yen).....	636.82	564.94	592.42

(3) Cash Flows

	Millions of Yen - Except Per Share Data and Percents		
	Third Quarter ended December 31,		Fiscal Year ended March 31,
	2006	2005	2006
Cash Flows from Operating Activities.....	60,895	28,521	79,709
Cash Flows from Investing Activities	(89,794)	(46,783)	(58,247)
Cash Flows from Financing Activities	37,723	26,907	(19,590)
Cash and Cash Equivalents at End of Period...	40,838	37,532	31,221



2. Consolidated Operating Performance Outlook for Fiscal Year 2007

(April 1, 2006 – March 31, 2007)

	Millions of Yen
	Full Year Ending March 31, 2007
Net Sales	1,700,000
Operating Income	85,000
Recurring Income	90,000
Net Income	52,000
Net Income per share (yen)	67.35

* 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, 2007 - on page 7 for more information.

3. Revision of projection for dividend per share for fiscal year 2007

	Dividend per share (Yen)		
	Interim	Year - end	Full Year
Previous projection (Announced on May 15, 2006)	—	4.00	8.00
Currently revised projection	—	5.00	9.00
Actual dividend for the current period	4.00	—	—
Actual dividend for fiscal year 2006	4.00	4.00	8.00



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.

(Billions of Yen)

	Net Sales	Operating Income	Recurring Income	Net Income
Apr.1, 2006 – Dec 31, 2006	1,255.4	67.6	73.2	45.6
Apr.1, 2005 – Dec. 31, 2005	1,072.7	40.2	43.6	28.4
Change	182.7	27.4	29.6	17.2
Change (%)	17.0%	68.3%	67.7%	60.5%

Sales rose 17.0% over the third quarter in the previous fiscal year to 1,255.4 billion yen, an increase of 182.7 billion yen. Efforts to raise product prices to cover rapidly rising prices for raw materials and fuel, including naphtha accounted for 106.8 billion yen of this increase, while volume effects from increased sales volume sold accounted for 75.9 billion yen.

Although the cost of products sold rose significantly due to the rapid rise in raw materials and fuel prices such as naphtha, concentrated efforts to raise product prices and the benefits of high sales volume contributed to a 68.3% increase in operating income over the third quarter of the previous year to 67.6 billion yen, an increase of 27.4 billion yen.

Recurring income rose 29.6 billion yen to 73.2 billion yen, an increase of 67.7% over the third quarter of the previous year due to a 2.2 billion yen improvement in non-operating income and expenses over the third quarter of the previous year. This resulted from a 2.6 billion yen increase in non-operating income derived from profit on foreign exchange, offset by a 0.4 billion yen increase in non-operating expenses over the third quarter of the previous year due to a rise in interest payments.

These factors resulted in return on sales (ROS) of 5.8%.

Extraordinary income of 3.9 billion yen was recorded due to contributions such as the 3.1 billion yen gain on change in interests in subsidiaries by the establishment of MT Aqua Polymer, Inc. Extraordinary losses of 8.3 billion yen were incurred as a result of 2.7 billion in losses on the disposal and sale of fixed assets and 3.4 billion yen in losses on the sale of securities held for investment, as well as business losses related to the fertilizer business. As a result, net extraordinary losses were 4.4 billion yen, representing a decrease in income of 9.6 billion yen compared with the third quarter of the previous year.

These factors resulted in net income before taxes and minority interests of 68.8 billion yen, an increase of 20 billion yen over the previous third quarter.

Net income after adjustment for corporate income and other taxes and minority interests rose 17.2 billion yen to 45.6 billion yen, an increase of 60.5% compared with the third quarter of the previous year. This represents earnings per share of 57.88 yen for the current third quarter.



2. Results by Business Segment

Functional Chemicals & Engineered Materials

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.

Despite support from firm demand, particularly for civil engineering materials, the spin-off of the waterproof materials business resulted in a decline in construction material 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.

Display material sales were solid due to market growth for plasma display panels. However, the rapid decline in prices had a significant impact.

Sales of monomers for ophthalmic lenses and pharmaceutical intermediates were strong in the healthcare business, leading to sales growth.

Sales of polymerization inhibitors and adhesives for tires and wood boosted sales in the chemical products business, but this was not sufficient to fully cover higher costs.

Sales of pesticides and other products expanded, bolstering sales in the agrochemicals business.

These factors contributed to segment sales of 157.3 billion yen, an increase of 16.5 billion yen over the third quarter of the previous year, comprising 12% of total sales. Operating income rose 2.1 billion yen to 9.1 billion yen.

Functional Polymeric Materials

Sales of the elastomer business including ethylene propylene rubber and alpha olefin copolymer were firm due to growth in domestic demand, primarily for automotive components, acquisition of new clients concentrated in the Asian market and favorable progress in developing markets for soft resin use.

Sales of specialty polyolefin were strong thanks to growth in demand for use in optical and electronic materials.

Sales of engineering plastics were sluggish despite the growth in sales for new grades for use in electronic components in China, as overall unit volume failed to grow.

Sales of coating resins rose due to robust sales for use in heat and pressure-sensitive paper and in cell phones.

Sales of additives such as waxes and petroleum resins increased due to upward revision in product prices reflecting the steep rise in material prices.

Acryl amide sales for use as an ingredient in papermaking were strong as sales volume increased.

Sales for urethane materials were robust due to upward revisions in PPG product prices and improved pricing for TDI in East and Southeast Asia and particularly in China, despite the sluggish market conditions for MDI 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.

These factors contributed to an increase in sales for this segment of 29.2 billion yen to 235.2 billion yen compared to the third quarter in the previous year, comprising 19% of total sales. Operating income rose 9.7 billion yen to 15.1 billion yen.



Basic Chemicals

Sales for purified terephthalic acid (PTA) rose due to upward revision in pricing in the face of rapidly rising material prices and the contribution to sales growth provided by the capacity expansion at Siam Mitsui PTA Co., Ltd. in Thailand.

Sales for polyethylene terephthalate (PET) were strong due to upward revision in pricing to compensate for rapidly rising material prices. This offset sluggish sales volume triggered by slumping domestic demand for PET bottles and an increase in imports.

Phenol sales increased on the back of robust demand in the Asian market and upward revision in product prices reflecting the steep rise in material prices.

Despite firm unit volume, sales for bisphenol A declined due to stagnation in market conditions in China.

Sales for ethylene glycol, ethylene oxide and derivative products were firm, attributable to price revisions that offset a decline in unit volume caused by periodical repairs conducted at plants.

Despite these results, the upward revision in prices of the various products did not fully cover rising costs due to steep rises in material prices.

These factors contributed to a 61.0 billion yen increase in sales for this segment over the third quarter of the previous year to 409.2 billion yen, comprising 33% of total sales. Operating income declined 7.9 billion yen to 9.6 billion yen.

Petrochemicals

Demand for ethylene and propylene grew both domestically and overseas, supported by an increase in production volume compared to the third quarter of the previous year due to the fact that fewer plants were scheduled for periodical repairs.

Upward revision in product prices in the face of steep increases in the price of materials contributed to sales growth for polyethylene and polypropylene.

These factors contributed to a 71.4 billion yen increase in sales for this segment to 421.6 billion yen, comprising 34% of total sales. Operating income rose 23.4 billion yen to 34.1 billion yen.

Others

Sales for this segment rose 4.6 billion yen over the third quarter of the previous year to 32.1 billion yen, comprising 2% of total sales. Operating income improved by 1.6 billion yen to 1.3 billion yen.

3. Financial Position

Total assets at the end of the third quarter increased by 119.0 billion yen over the third quarter of the previous year to 1,447.9 billion yen, despite ongoing efforts to reduce total assets. This was a result of an increase in accounts receivable accompanying the growth in sales, an increase in inventory due to the steep rise in raw material and fuel prices, and the acquisition of shares from Takeda Pharmaceutical Co., Ltd. in order to acquire Mitsui Chemicals Polyurethanes, Inc. as a wholly owned subsidiary.

Liabilities at the end of the third quarter increased by 100.5 billion yen over the end of the previous period. to 890.3 billion yen. Interest-bearing debt comprised 492.7 billion yen of this, an increase of 68.8 billion yen. The interest-bearing debt ratio therefore improved by 2.1 percentage point from the end of last period to 34.0%.

Net assets as of the end of the third quarter were 557.6 billion yen, an increase of 18.5 billion yen over the end of last period (compared to a total of 539.1 billion yen for minority equity interest and shareholders' equity at the



end of last period). The ratio of shareholders' equity to total assets was 34.0%, a decline of 0.9 percentage points from the end of the previous period.

In December 2006, the Company purchased own stock for a total amount of 16.8 billion yen to allow for greater flexibility in carrying out its capital policies to address changes in the business environment.

These factors contributed to a debt-equity ratio of 1.00 as of the end of the third quarter, an increase of 0.09 points compared to the end of the previous period.

4. Cash Flows

Cash and cash equivalents as of the end of this period ("cash") increased 9.6 billion yen over the end of the previous period to 40.8 billion yen.

Cash Flow from Operating Activities

Cash inflow from operating activities was 60.9 billion yen, an increase of 32.4 billion yen compared with the third quarter of the previous year. Despite an increase in working capital due to increases in accounts receivable and inventory, this growth in cash flow compared to the third quarter in the previous year can be attributed to an increase in net income before taxes and minority interests and a decrease in corporate income taxes paid.

Cash Flow from Investing Activities

Cash outflow for investment activities was 89.8 billion yen, an increase of 43.0 billion yen over the third quarter of the previous year. The increase 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 from financing activities was 37.7 billion yen, an increase of 10.8 billion yen over the third quarter of the previous year, primarily due to raise of funds exceeding that of the previous third quarter.



III. Outlook for Fiscal Year Ending March 31, 2007

The Company projects a very severe environment for the chemical industry, and will continue to focus all of our energy on marketing activities while working to reduce costs in every way possible and improve revenue.

Based on these factors, our outlook for the full fiscal year is as follows. These forecasts represent upward revisions to the full-year outlook announced on November 10, 2006.

(Billions of Yen)

	Net Sales	Operating Income	Recurring Income	Net Income
FY 2007(Outlook)	1,700.0	85.0	90.0	52.0
FY 2006	1472.4	58.7	62.0	44.1
Change	227.6	26.3	28.0	7.9
Change (%)	15.5%	44.8%	45.2%	17.9%

Please note that the following underlying assumptions have been used for the matters noted above: An exchange rate of JPY 117/ USD for the full year (JPY 120/ USD for the fourth quarter), and a domestic naphtha standard price of JPY 50,250/kl for the full year (JPY 50,000/kl for the fourth quarter).

The outlook shown above is prepared based on information as of the time of writing, and therefore actual results may differ significantly from the projections due to risks and various unknown factors. We intend to engage the full efforts of all Group companies in order to achieve our goals.

The Company will pay dividends of 5 yen per share at the end of this fiscal year, an increase of 1 yen per share compared to our initial plan. We have already issued dividends of 4 yen per share in the interim period, resulting in 9 yen dividends per share throughout the year.



IV. Consolidated Financial Statements

1. Consolidated Balance Sheets (Summary)

	Millions of Yen		
	As of December 31, 2006	As of March 31, 2006	Change
Assets			
Current Assets	694,302	608,995	85,307
Fixed Assets	753,551	719,895	33,656
Total Assets	1,447,853	1,328,890	118,963
Liabilities			
Current Liabilities	577,506	475,074	102,432
Long-term Liabilities	312,800	314,692	(1,892)
Total Liabilities	890,306	789,766	100,540
Net Assets			
Shareholders' Equity	459,544	—	459,544
Common stock.....	103,226	—	103,226
Additional paid-in capital	69,257	—	69,257
Retained earnings.....	304,891	—	304,891
Treasury stock, at cost.....	(17,830)	—	(17,830)
Valuation transition adjustment and others	32,117	—	32,117
Minority interest in consolidated subsidiaries	65,886	—	65,886
Total Net Assets	557,547	—	557,547
Total Liabilities and Net Assets	1,447,853	—	—
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 Net Assets* /			
Total Liabilities and Shareholders' Equity**	1,447,853*	1,328,890**	118,963
(Reference)			
Interest-bearing debts	492,720	423,938	68,782



2. Consolidated Statements of Income (Summary)

	Millions of Yen			
	April 1, 2006 to Dec. 31, 2006	April 1, 2005 to Dec. 31, 2005	Change	April 1, 2005 to March 31, 2006
Net Sales	1,255,432	1,072,742	182,690	1,472,435
Cost of sales	1,044,365	886,506	157,859	1,217,564
Gross profit	211,067	186,236	24,831	254,871
Selling, general and administrative expenses	143,449	146,057	(2,608)	196,166
Operating Income	67,618	40,179	27,439	58,705
Non-operating Income and Expenses				
Non-operating Income				
Equity in earnings of non-consolidated subsidiaries and affiliates	5,649	6,215	(566)	8,101
Other, net	10,496	7,357	3,139	10,312
Non-operating Income	16,145	13,572	2,573	18,413
Non-operating Expenses	10,569	10,116	453	15,129
Recurring Income	73,194	43,635	29,559	61,989
Extraordinary Gain and Loss				
Gain on reverse of allowance for doubtful accounts	—	1,125	(1,125)	1,255
Gain on change in interests in consolidated subsidiaries	3,102	9,116	(6,014)	9,366
Gain on securities contributed to employees' retirement benefits trust	—	—	—	10,280
Other extraordinary gains	738	632	106	1,401
Extraordinary Gains	3,840	10,873	(7,033)	22,302
Losses on disposal or sale of fixed assets	2,644	4,352	(1,708)	7,851
Loss on impairment of fixed assets	35	542	(507)	1,519
Loss on restructuring of subsidiaries and affiliates	2,076	—	2,076	597
Loss on sale of investment securities ...	1,293	289	1,004	904
Other extraordinary losses	2,214	473	1,741	495
Extraordinary Losses	8,262	5,656	2,606	11,366
Net Income Before Income Taxes	68,772	48,852	19,920	72,925
Corporate Income Taxes	17,762	20,422	(2,660)	27,681
Minority Interest in Net Income of Consolidated Subsidiaries	5,373	(4)	5,377	1,119
Net Income	45,637	28,434	17,203	44,125



3. Consolidated Statements of Cash Flows (Summary)

	Millions of Yen		
	April 1, 2006 to Dec. 31, 2006	April 1, 2005 to Dec. 31, 2005	April 1, 2005 to March 31, 2006
I. Cash flows from operating activities	60,895	28,521	79,709
II. Cash flows from investing activities.....	(89,794)	(46,783)	(58,247)
III. Cash flows from financing activities	37,723	26,907	(19,590)
IV. Exchange rate adjustments on cash and cash equivalents	277	820	1,253
V Net increase in cash and cash equivalents	9,101	9,465	3,125
VI. Cash and cash equivalents at beginning of period.....	31,221	28,068	28,068
VII. Increase due to inclusion of consolidations	516	(1)	28
VIII. Cash and cash equivalents at end of period.....	40,838	37,532	31,221



VI. Segment Information

Net Sales and Operating Income by Segment

(Millions of Yen)

		April 1, 2006 to Dec. 31, 2006	April 1, 2005 to Dec. 31, 2005	Change	April 1, 2005 to March 31, 2006
Functional Chemicals and Engineered Materials	Net sales	157,315	140,837	16,478	192,690
	Operating income	9,062	6,991	2,071	10,799
Functional Polymeric Materials	Net sales	235,233	206,043	29,190	281,738
	Operating income	15,058	5,423	9,635	10,066
Basic Chemicals	Net sales	409,182	348,157	61,025	474,310
	Operating income	9,630	17,459	(7,829)	21,862
Petrochemicals	Net sales	421,576	350,212	71,364	487,039
	Operating income	34,091	10,691	23,400	15,867
Other	Net sales	32,126	27,493	4,633	36,658
	Operating income	1,339	(245)	1,584	586
Total	Net sales	1,255,432	1,072,742	182,690	1,472,435
	Operating income	69,180	40,319	28,861	59,180
Elimination and corporate	Net sales	—	—	—	—
	Operating income	(1,562)	(140)	(1,422)	(475)
Consolidated total	Net sales	1,255,432	1,072,742	182,690	1,472,435
	Operating income	67,618	40,179	27,439	58,705