Explanation of Financial Results

November 4, 2008
Mitsui Chemicals
OVERVIEW: Operations in First Half FY2008

First Half of FY2008

- Record increases in domestic naphtha prices
  Domestic standard naphtha prices were at record highs in July-September

- World markets impacted by U.S. sub-prime loan crisis
  Slowdown in demand for chemical material resulted in production cutbacks after June

- Beijing Olympic related shipping restrictions impacted market demands

Impact on Operations

- Prices did not reflect material cost increases
- Profitability impacted by interval between material purchase and sell through of finished goods
- Production cutback to adjust to demand slowdown for Phenol and Ethylene cracker
## Operating Profit for the First Half FY2008

**Against preceding year FY**

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2007 Apr-Sep Results</th>
<th>FY2008 Apr-Sep Results</th>
<th>Loss</th>
<th>Breakdown of Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Volume</td>
</tr>
<tr>
<td>Performance</td>
<td>19.0</td>
<td>9.2</td>
<td>(9.8)</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advanced</td>
<td>5.0</td>
<td>3.6</td>
<td>(1.4)</td>
<td>0</td>
</tr>
<tr>
<td>Chemicals</td>
<td>19.6</td>
<td>(0.2)</td>
<td>(19.8)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Basic</td>
<td></td>
<td>(2.6)</td>
<td>(1.7)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Others</td>
<td>(0.9)</td>
<td>(2.6)</td>
<td>(1.7)</td>
<td>(0.6)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42.7</td>
<td>10.0</td>
<td>(32.7)</td>
<td>(5.0)</td>
</tr>
</tbody>
</table>

Unit: billion yen

( ) = minus

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3
## Operating Profit for the First Half of FY2008

### Against Forecast of July 31

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2008 Apr-Sep Forecast</th>
<th>FY2008 Apr-Sep Results</th>
<th>Loss</th>
<th>Breakdown of Loss</th>
<th>Volume</th>
<th>Price*</th>
<th>Costs</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Materials</td>
<td>10.0</td>
<td>9.2</td>
<td>(0.8)</td>
<td>(4.0)</td>
<td>1.6</td>
<td>1.6</td>
<td>• TDI</td>
<td></td>
</tr>
<tr>
<td>Advanced Chemicals</td>
<td>5.0</td>
<td>3.6</td>
<td>(1.4)</td>
<td>(0.8)</td>
<td>(0.6)</td>
<td>0</td>
<td>• HQ, RS</td>
<td></td>
</tr>
<tr>
<td>Basic Chemicals</td>
<td>2.0</td>
<td>(0.2)</td>
<td>(2.2)</td>
<td>(2.7)</td>
<td>0.8</td>
<td>(0.3)</td>
<td>• H related</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>(1.0)</td>
<td>(2.6)</td>
<td>(1.6)</td>
<td>(0.2)</td>
<td>(0.4)</td>
<td>(1.0)</td>
<td>• Services</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16.0</strong></td>
<td><strong>10.0</strong></td>
<td><strong>(6.0)</strong></td>
<td>(7.7)</td>
<td>1.4</td>
<td>0.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Price includes both selling and purchasing price variances

Unit: billion yen

( ) = minus
Market Slowdown

North America / Polypropylene (PP) Automotive Materials

- Jul-Sep North America Automobile Production Figures
  - 20% decrease against preceding year

- Decrease in Japanese Automobile Sales
  - "T" company sales in North America in Sep
  - 20% decrease against preceding year

Forecasted fall in North America PP automotive materials sales volume

Reference: Ward's
\textbf{U.S. Automobile Industry Sales (Jan–Sep 2008)}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{chart.png}
\caption{U.S. Automobile Industry Sales (Jan–Sep 2008) % against preceding year}
\end{figure}

1H: Sharp decline in sales against preceding year due to high fuel costs.
2H: Market slowdown continues in September due to unfavorable economic conditions. October figures are at a record 20 year low.
Significant decline in Japanese automobile sales volume. Record 15 year low.
- Automobile production expected to slow down in 2008 and 2009
- Companies “H” and “T” will review model selection and revise plant expansion plans
- Detroit “Big 3” market share expected to continue to fall

<China / TDI (Urethane Materials)>

- U.S.  Slowdown in consumption of household materials
  (September new house construction was at a record low since 1991 minus 6.3% against the preceding year)
- China  Exports slow due to poor economic conditions in U.S.
  (Chinese TDI demand low resulting in price drops)
- Mitsui has cutback TDI production
  (Late October: 50% production cutback)

New Houses/US
Reference: Dept of Commerce

TDI Spot Market/China
Unit: x10,000

Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep
50  60  70  80  90  100  110

0611  0625  0709  0723  0806  0820  0903  0917  1001  1015
3,000  3,500  4,000  4,500  5,000  5,500  6,000

( $/T)
### Oil · Naphtha Prices

<table>
<thead>
<tr>
<th>Date</th>
<th>Oil Price (WTI)</th>
<th>Domestic Naphtha Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/1/2008</td>
<td>66,700</td>
<td>85,200 (Forecast)</td>
</tr>
<tr>
<td>7/1/2008</td>
<td>70,900</td>
<td></td>
</tr>
</tbody>
</table>

Data: October 27 2008

Forecast for second half of FY: 60,000
NAPHTHA FORMULA: Polyolefin Prices

Changes in domestic Naphtha prices

Change in Naphtha price to determine Polyolefin sales price (client sales)

1000yen/kl
MAIN PRODUCT: Phenol

[ First Half ]
>Increased material costs/demand slowdown
>Production cutback from June

[ Forecast for Second Half ]
>Production adjustment to respond to demand slowdown
MAIN PRODUCT: Bisphenol A (BPA)

[ First Half ]
> Increased material costs/slowdown in polycarbonate product demand due to poor economic conditions
> Production cutback from June

[ Forecast for Second Half ]
> Production adjustment to respond to demand slowdown
> Commence plant operations at BPA Plant (Shanghai)
MAIN PRODUCT: Tolylene Diisocyanate (TDI)

[ First Half ]
> Favorable market conditions in China
> Favorable market price

[ Forecast for Second Half ]
> Poor market conditions in U.S. will affect China exports to U.S.
> Decrease in production
MAIN PRODUCT: Purified Terephthalic Acid (PTA)

[ First Half ]
> Increase in material costs/
slowdown in demand
> Continue 20% production cutback

[ Forecast for Second Half ]
> Supply overabundance
> Recovery forecasted for 2009
> Continue production cutback

PTA

PX (× unit)

PTA-PX

Jan  Apr  Jul  Oct
2005

Jan  Apr  Jul  Oct
2006

Jan  Apr  Jul  Oct
2007

Jan  Apr  Jul  Oct
2008

2007
Apr-Sep

2008
Apr-Sep
FORECAST & MEASURES: Second Half of FY2008

- Poor economic conditions slows demand for Naphtha despite low prices
- Chemical product demand recovery forecasted for 2010

Measures

1. **Selective investment**
   - Operations: First Half streamlined investments by approximately 30 billion yen
   - Safety, Environment: No change

2. **Acceleration of 2008 Long-term Plan Target**
   - No change in plans but actualization will be accelerated

3. **Inventory management/cost cutting**
Expansion of Solar Cell Operations

1. Establishment of division to concentrate on solar cell business (Aug 1)
   - Intensify market strategy and new product development capabilities

2. Expand solar cell encapsulant production capacity
   - 9,000 → 20,000 T (Nagoya 2009)
   - Strengthen position as a global leader
3. Co-development of monosiliane gas production process with Tokuyama

Schedule
Development completion: 2010
Actualization: 2012

Synergy
= Mitsui Chemicals =
Leader in
Monosiliane Gas
Siliane gas production technology

×
= Tokuyama =
Diverse silicone product range
Silicone production technology
### Mitsui Chemicals Group Solar Cell Operations

<table>
<thead>
<tr>
<th>Product</th>
<th>Use</th>
<th>Annual Production</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Solar Eva</strong></td>
<td>encapsulant</td>
<td>9,000T</td>
<td>Approx. 30% (global leader)</td>
</tr>
<tr>
<td>monosiliane gas</td>
<td>special gas</td>
<td>150T</td>
<td>Approx. 15% (global 3rd)</td>
</tr>
<tr>
<td><em>Takelac, Takenate</em></td>
<td>adhesives</td>
<td>—</td>
<td>Approx. 70〜80% (domestic leader ※)</td>
</tr>
</tbody>
</table>

Other, NF3 (special gas), *Milastomer* (use: aluminum frame gasket material)

※Share of sealant for solar cells

Solar Cell Related Sales: approximately 8 billion yen

2011 Target: 20 billion yen
<table>
<thead>
<tr>
<th>Plant</th>
<th>Date/Capacity</th>
<th>Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPT (Ichihara)</td>
<td>From Apr 2008</td>
<td>First Half Operations: Full capacity to meet healthy demands</td>
</tr>
<tr>
<td></td>
<td>+75KT expansion</td>
<td>After Oct Operations: Full capacity despite poor economic conditions and slow automobile sales</td>
</tr>
<tr>
<td>APEL (Osaka)</td>
<td>From May 2008</td>
<td>First Half Operations: Production to meet healthy demands for optical lens</td>
</tr>
<tr>
<td></td>
<td>+3KT expansion</td>
<td>After Oct Operations: Production to meet healthy demands</td>
</tr>
<tr>
<td>Tafmer (Singapore)</td>
<td>Under construction</td>
<td>July Operations: Commence construction scheduled for December 2009 completion</td>
</tr>
<tr>
<td></td>
<td>+100KT expansion</td>
<td>Current Condition: Construction as scheduled</td>
</tr>
</tbody>
</table>

EPT (Ichihara Plant)  
2nd APEL (Osaka Plant)  
Construction site Tafmer Plant (Singapore)
NEW PLANTS: Basic Chemicals

China/Bisphenol A Plant
• Capacity : 120KT
• Completion: Jul 2008
• Operation : Dec 2008

India/Polypropylene Automotive Materials
• Capacity : 15KT
• Completion: Oct 2008
• Operation : Apr 2009
FORECAST: Second Half FY2008

**Domestic Naphtha Prices**

- (7/31) 80,450 Yen/kl
- (10/31) 78,050 Yen/kl
- Apr-Jun: 60,000 Yen/kl

**Exchange Rate**

- 106 Yen/$ (10/31)
- 105 Yen/$ (7/31)
- 100 Yen/$

**Oil (Brent)**

- (7/31) 130$/bbl
- (10/31) 120$/bbl
- Apr-Jun: 144$/bbl
- Jan-Mar: 90$/bbl

**Graphs**

- Yen/kl vs. Time:
  - Apr-Jun: 60,000 Yen/kl
  - Jul-Sep: 93,000 Yen/kl
- $/bbl vs. Time:
  - Apr-Jun: 144$/bbl
  - Jul-Sep: 130$/bbl
## FORECAST: Operating Income in FY2008

Unit: billion yen

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2007 Results</th>
<th>FY2008 Forecast</th>
<th>Loss</th>
<th>Volume</th>
<th>Price*</th>
<th>Costs</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Materials</td>
<td>359</td>
<td>19.0</td>
<td>(16.9)</td>
<td>3.4</td>
<td>(5.9)</td>
<td>(14.4)</td>
<td>• Depreciation costs</td>
</tr>
<tr>
<td>Advanced Chemicals</td>
<td>108</td>
<td>9.0</td>
<td>(1.8)</td>
<td>0</td>
<td>(0.2)</td>
<td>(1.6)</td>
<td></td>
</tr>
<tr>
<td>Basic Chemicals</td>
<td>334</td>
<td>22.0</td>
<td>(11.4)</td>
<td>(14.8)</td>
<td>7.1</td>
<td>(3.7)</td>
<td>• PO, PH</td>
</tr>
<tr>
<td>Others</td>
<td>△29</td>
<td>(5.0)</td>
<td>(2.1)</td>
<td>(0.6)</td>
<td>(0.6)</td>
<td>(0.9)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>77.2</strong></td>
<td><strong>45.0</strong></td>
<td><strong>(32.2)</strong></td>
<td><strong>(12.0)</strong></td>
<td><strong>0.4</strong></td>
<td><strong>(20.6)</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Price includes both selling and purchasing price variances

( ) = minus
FORECAST: Operating Income in FY2008

Unit: billion yen

Revision in previous forecast (annual)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Increase/Decrease</th>
<th>Breakdown of Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume</td>
<td>Price*</td>
</tr>
<tr>
<td>Performance Materials</td>
<td>(8.0)</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Advanced Chemicals</td>
<td>(4.0)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Basic Chemicals</td>
<td>15.0</td>
<td>(14.7)</td>
</tr>
<tr>
<td>Other</td>
<td>(3.0)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>TOTAL</td>
<td>(25.2)</td>
<td>25.9</td>
</tr>
</tbody>
</table>

*Price includes both selling and purchasing price variances
DIVIDENDS: Policy from FY2008

Consolidated Dividend Payout Ratio (DPR) over 25%
Additionally DOE over 2.0%

<CONSOLIDATED DPR>

<table>
<thead>
<tr>
<th>Interim Period</th>
<th>End of Second Interim Period (forecast)</th>
<th>FY (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 yen/ share</td>
<td>7 yen/ share</td>
<td>13 yen/ share</td>
</tr>
</tbody>
</table>

Current Term Net Income
Dividends (Consolidated)
Dividend per share

Unit: 100 million yen

Consolidated Dividend
More than 25%
DIVIDENDS: Policy from FY2008

<Consolidated Shareholders’ Dividend on Equity (DOE)>

Unit: 100 million yen

- Average Equity
- DOE (consolidated)
- Dividend per share

--- | --- | --- | --- | ---
7 Yen | 8 Yen | 10 Yen | 12 Yen | 13 Yen Forecast
1.4% | 1.4% | 1.6% | 1.8% | More than 2.0%

連結配当性向 25%以上

DOE

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