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Mitsui Chemicals Announces Nine-month Performance for 2004

Mitsui Chemicals, Inc. (MCI) of Japan announced its group consolidated financial performance for the first nine months covering April1 through December 31, 2004 (1-3Q/04).
Summary of the announcement was as follows:

1. First Nine Month (1- 3Q/04) Performance

(1) Net Sales and Incomes

consolidated, million yen

	April 1, 2004 ～ December 31, 2004 (1-3Q, Fiscal 2004)	April 1, 2003 ～ December 31, 2003 (1-3Q,Fiscal 2003)	<reference> April 1, 2003 ～ March 31, 2004 (Full-year, Fiscal 2003)
Net sales	902,994	797,053	1,089,518
Operating income	50,505	35,600	53,942
Ordinary income	49,011	30,209	47,694
Net income	5,494	10,968	12,466

(2)Balance Sheets

consolidated, million yen

	December 31, 2004	March 31, 2004		December 31, 2004	March 31, 2004
Current assets	492,190	440,517	Current liabilities	451,322	440,869
Property, plant & equipment	522,353	548,799	Long-term liabilities	330,833	325,342
Investments & other non-current assets	195,058	199,150	Minority interests	40,687	38,890
			Stockholders' equity	386,759	383,365
Total assets	1,209,601	1,188,466	Total liabilities & stockholders' equity	1,209,601	1,188,466

(3) Qualitative Review of 1- 3Q/04 Performance (April 1 ～ December 31)

While production and shipments both moved along a steady path, the chemical industry remained trapped in a severe business environment during the period owing to a further steep rise in the raw materials and fuel prices.

Under such a circumstance, Mitsui Chemicals and its consolidated affiliates pushed ahead with concerted group-wide endeavors to improve revenue and profits by driving powerful sales promotion initiatives, in addition to implementing thorough-going cost reduction measures.

As a result, **Consolidated Sales** for the first three quarters of Fiscal 2004 recorded ¥903 billion representing an increase of ¥105.9 billion over the same period the previous year. This increase was due to the Company and it's affiliates' concentrated efforts to raise product prices in view of the sharp rise in the prices of fuels and feedstocks such as naphtha, and to the large boost in sales of mainly basic chemicals in response to expanded demand from Asia led by China.

While Cost of Sales inflated due to the escalating prices of fuel and feedstocks such as naphtha, **Operating Income** registered ¥50.5 billion, higher by ¥14.9 billion as compared to the same period of Fiscal 2003. This was owing to the utmost efforts expended on lifting the product prices and the effect of increased sales volume.

Ordinary Income recorded ¥49 billion, showing an increase of ¥18.8 billion over the first three quarters of Fiscal 2003. This improvement is attributed to positive factors such as a gain of ¥1.9 billion in investment income as computed by the Equity Method, as well as to an increase of ¥3.9 billion in Non-operating Income due to decreased interest payments enjoying the merits of compressed interest-bearing debt.

Consequently, **Return on Sales** ratio for the period was 5.4%.

Special Income for the period registered ¥12.8 billion owing to a recent revision of the Group Employee Retirement Fund Program, which resulted in a reduction of ¥11.8 billion in the mandatory reserves for the retirement fund.

On the other hand, **Special Loss** amounted to ¥39.8 billion because of the following factors: (1) An impairment loss of ¥16.8 billion due to an early adoption of Fixed Assets Impairment Accounting and "Loss on Restructuring of Subsidiaries and Affiliates" of ¥7.4 billion deriving from such impairment loss, (2) a ¥3.2 billion loss in total allocated to the Executive Officers' Retirement Pay Reserves Program which was introduced starting Fiscal 2004 in order to promote a healthier financial position, as well as to accounting for the previous fiscal year's Facilities Maintenance Reserve needed for regular maintenance of plants and equipment conducted every year, (3) Fixed Assets Disposal Loss of ¥4.7 billion, and (4) a ¥4.6 billion shortfall attributed to the statutory change in the Employee Retirement Fund Accounting Method.

As a result, **Net Income before Tax** for the period was ¥22 billion, exceeding that of the same period previous year by ¥4.1 billion.

*Further deducting corporate tax and profits to minority shareholders, **Net Income** for the period came out to be ¥5.5 billion, which is a ¥5.5 billion decrease from the same period previous year, so that **Net Income per Share** for the period was ¥7.00.*

2. Fiscal 2004 Full-year Performance Outlook

consolidated, million yen

	Net Sales	Operating Income	Ordinary Income	Net Income
Full-year Outlook (April 1, 2004 ～March 31, 2005)	1,260,000	72,000	70,000	15,000

The Company's consolidated performance for the current period has developed roughly in line with the initial plan. As for the projected performance for the entire Fiscal 2004, with the severe business environment being expected to continue, the plan is to concentrate all-out sales promotion and cost reduction efforts in order to achieve the initially targeted consolidated performance. Under the circumstances, the Company at this point in time has not revised the projected consolidated performance as announced on November 17, 2004.

Moreover, regarding the potential impact of the filing by one of the Company's affiliates -- Kuko Enterprise Co., Ltd. (KEC) -- for protection under the Japanese Civil Rehabilitation Law with Tokyo District Court on December 17, 2004, the loss to the Company resulting from such a filing has not been established at this time. Under the circumstances, while a one-time KEC-related loss of ¥7.4 billion has been allocated under "Loss on Restructuring of Subsidiaries and Affiliates" in the Company's Intermediate Settlement of Accounts as of September 30, 2004, and such amount would be accounted for accordingly in this period also, the Company is prepared to disclose the final impact upon the consolidated performance for the entire Fiscal 2004 when the monetary amount of KEC-related loss will have become clear.

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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.