



Summary of Financial Results for the First Half Ended September 30, 2006

I. Consolidated Financial Results (April 1, 2006 – September 30, 2006)

1. Results of Operations

	Millions of Yen - Except Per Share Data and Percents				
	First Half Ended September 30,				Fiscal Year Ended March 31,
	2006	%	2005	%	2006
Net Sales	833,985	20.2	693,624	17.8	1,472,435
Operating Income	33,488	43.5	23,329	(20.8)	58,705
Recurring Income	36,744	52.0	24,173	14.1)	61,989
Net Income	20,292	17.9	17,215	–	44,125
Net Income per Share (yen)	25.67		21.97		56.20
Net Income per Share, diluted (yen).....	–		–		–

Notes:

1) Equity in earnings of affiliates and non-consolidated subsidiaries:		
First half ended September 30, 2006		3,437 million yen
First half ended September 30, 2005		3,867 million yen
Fiscal year ended March 31, 2006		8,101 million yen
2) Average number of shares outstanding during the period (consolidated):		
First half ended September 30, 2006		790,429,737 shares
First half ended September 30, 2005		783,442,846 shares
Fiscal year ended March 31, 2006		783,187,517 shares
3) Changes in accounting policies:		Yes
4) Percentages for operating revenues, operating income, recurring income and net income represent changes compared with the previous interim period.		

2. Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		Fiscal Year Ended March 31,
	2006	2005	2006
Total Assets	1,393,551	1,268,111	1,328,890
Shareholders' Equity	545,244	428,915	464,021
Shareholders' Equity Ratio	34.6%	33.8	34.9
Shareholders' Equity per Share (yen).....	610.46	547.66	592.42

Note:

Number of shares outstanding at end of period (consolidated):		
First half ended September 30, 2006		790,896,140 shares
First half ended September 30, 2005		783,183,860 shares
Fiscal year ended March 31, 2006		783,082,651 shares



3. Cash Flows

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		Fiscal Year Ended March 31,
	2006	2005	2006
Cash Flows from Operating Activities	49,076	44,401	79,709
Cash Flows from Investing Activities	(57,647)	(31,382)	(58,247)
Cash Flows from Financing Activities	8,543	(15,090)	(19,590)
Cash and Cash Equivalents at End of Period.....	31,807	26,378	31,221

II. 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
Recurring Income	75,000
Net Income	40,000

(Reference) Projected net income per share for Fiscal Year ending March 31, 2007: 50.58 yen

* 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 '5. Outlook for the Fiscal Year Ending March 31, 2007' on page 6 for more information.



III. Operating Results and Financial Position

Operating Results

1. Overview

Extremely severe conditions persisted for the chemical industry as already high fuel prices rose even higher. Faced with these circumstances, the Mitsui Chemicals Group concentrated all efforts on marketing activities while working to reduce costs in every way possible. These efforts resulted in the following operating results.

(Units: Billions of Yen)

	Net sales	Operating income	Recurring income	Net income
Apr.1, 2006 – Sep. 30, 2006 (1H FY2006)	834.0	33.5	36.7	20.3
Apr.1, 2005 – Sep. 30, 2005 (1H FY2005)	693.6	23.3	24.2	17.2
Change	140.4	10.2	12.5	3.1
Change (%)	20.2%	43.5%	52.0%	17.9%

Sales rose 20.2% over the first half of the previous fiscal year to 834.0 billion yen, an increase of 140.4 billion yen. Efforts to raise product prices to cover rapidly rising prices for raw materials and fuel accounted for 76.1 billion yen of this increase, while volume efficiencies from increased unit volume sold accounted for 64.3 billion yen. Overseas sales were 327.6 billion yen, comprising 39.3% of total sales.

Although the cost of goods sold rose significantly due to the rapid rise in raw materials and fuel prices for naphtha and other resources, concentrated efforts to raise product prices and the benefits of high unit volume contributed to a 43.5% increase in **operating income** over the first half of the previous year to 33.5 billion yen, an increase of 10.2 billion yen.

Recurring income rose 12.5 billion yen to 36.7 billion yen, an increase of 52.0% over the first half of the previous year due to a 2.3 billion yen improvement in non-operating income over the first half of the previous year. This resulted from a 1.7 billion yen increase in non-operating income, of which 1.0 billion yen derived from foreign currency gains, and a 600 million decline in non-operating expenses due to lower losses on the disposition of defective products.

These factors resulted in **return on sales (ROS)** of 4.4%.

Extraordinary income of 1.6 billion yen was recorded due to contributions such as the 900 million yen in income derived from equity interest gains, which accompanied the third-party share issue for Toyo Engineering Corporation. **Extraordinary losses** of 7.9 billion yen were incurred as a result of 2.3 billion in losses on the disposition 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 6.3 billion yen, representing a decrease in income of 12.3 billion yen compared with the first half of the previous year. These factors resulted in **net income before taxes and minority interests** of 30.4 billion yen, an increase of 200 million yen over the previous first half.

Net income after adjustment for corporate income and other taxes and minority interests rose 3.1 billion yen to 20.3 billion yen, an increase of 17.9% compared with the first half of the previous year. This represents earnings per share of 25.67 yen for the current first half.



2. Results by Business Segment

Functional Chemicals & Engineered Materials

Hygienic material sales rose 9% over the first half of the previous year due to strong growth in demand for non-woven fabrics in East and Southeast Asia, particularly in the Thai and Chinese markets.

Construction material sales declined 17% from the first half of the previous year due to sluggish demand for civil engineering materials and to the spin-off of the waterproof materials business.

Semiconductor material sales rose 20% over the first half of the previous year 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 rose 43% over the first half of the previous year 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 22% growth in sales over the first half of the previous year.

Sales of polymerization retardants and adhesives for tires and wood led to 13% growth for the **chemical products business** due to upward revision of product prices in the face of rapidly rising material prices. However, this was not sufficient to cover all increased costs.

Sales of pesticides and other products were strong, leading to 13% growth in **agrochemicals business** sales over the first half of the previous year.

These factors contributed to segment sales of 104.2 billion yen, an increase of 13.4 billion yen over the first half of the previous year, comprising 13% of total sales. Operating income rose 2.6 billion yen to 5.9 billion yen.

Functional Polymeric Materials

Sales of ethylene propylene rubber and alpha olefin copolymer in the **elastomer business** boosted sales 14% over the first half of the previous year 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** rose 13% over the first half of the previous year due to growth in demand for use in optical and electronic materials.

Sales of **engineering plastics** declined 4% from the first half of the previous year 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 5% over the first half of the previous year due to robust sales for use in heat and pressure-sensitive paper and in cell phones.

Sales of **additives** such as waxes, petroleum resins, and other additives rose 32% over the first half of the previous year due to upward revision in product prices reflecting the steep rise in material prices.

Acryl amide sales for use as an ingredient in papermaking rose 18% over the first half of the previous year as sales volume remained strong.

Sales for **urethane materials** rose 28% over the first half of the previous year 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, contributing to sales growth of 6% over the first half of the previous year.

These factors contributed to an increase in sales for this segment of 22.5 billion yen to 152.0 billion yen, comprising 18% of total sales. Operating income rose 6.3 billion yen to 6.1 billion yen.

Basic Chemicals

Sales for **purified terephthalic acid (PTA)** rose 42% over the first half of the previous year 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)** declined 2% from the first half of the previous year due to sluggish domestic demand for PET bottles and an increase in imports.

Phenol sales rose 17% over the first half of the previous year due to robust demand in the Asian market and upward revision in product prices reflecting the steep rise in material prices.

Sales for **bisphenol A** declined 2% from the first half of the previous year despite firm unit volume supported by demand in Asian markets. This was due to stagnation in market conditions in China.

Sales for **ethylene glycol, ethylene oxide and derivative products** rose 13% over the first half of the previous year, supported by robust demand.

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 43.5 billion yen increase in sales for this segment over the first half of the previous year to 276.3 billion yen, comprising 33% of total sales. Operating income declined 9.1 billion yen to 4.3 billion yen.

Petrochemicals

Demand for **ethylene and propylene** grew both domestically and overseas, supported by a strong economic recovery worldwide. This was also supported by an increase in production volume of 16% for ethylene and 22% for propylene compared to the first half of the previous year due to the fact that fewer plants were scheduled for regular maintenance.

Upward revision in product prices in the face of steep increases in the price of materials contributed to sales growth of 21% for polyethylene and 20% for polypropylene over the first half of the previous year. However, further increases of already high material prices prevented this from adequately covering the rise in costs.

These factors contributed to a 58.0 billion yen increase in sales for this segment to 281.2 billion yen, comprising 34% of total sales. Operating income rose 10.4 billion yen to 17.5 billion yen.

Others

Although the system for external sales was reassessed in light of the Group's desire to concentrate on business development for this segment, external sales for **plant construction and maintenance services** rose 4% over the same period last year due to a backlog of construction orders from the previous fiscal year.

External sales for the **warehouse transport business** rose 30% over the first half of the previous year due to an increase in volume handled. Sales for this segment, including miscellaneous businesses, rose 3.0 billion yen over the first half of the previous year to 20.3 billion yen, comprising 2% of total sales. Operating income improved by 1.2 billion yen to 800 million yen.



3. Financial Position

Total assets at the end of the first half increased by 64.7 billion yen over the first half of the previous year to 1.39 trillion 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 first half increased by 58.5 billion yen over the end of the previous period, to 848.3 billion yen. **Interest-bearing debt** comprised 439.7 billion yen of this, an increase of 15.8 billion yen. While total assets have increased, ongoing efforts have succeeded in reducing interest-bearing debt. The **interest-bearing debt ratio** therefore improved by 0.3 percentage point from the end of last period to 31.6%.

Net assets as of the end of the first half were 545.3 billion yen, an increase of 6.2 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 34.6%, a decline of 0.3 percentage point from the end of the previous period.

These factors contributed to a **debt-equity ratio** of 0.91 as of the end of the first half, equivalent to the end of the previous period.

Cash Flows

Cash and cash equivalents as of the end of this period ("cash") increased 0.6 billion yen over the end of the previous period to 31.8 billion yen.

Cash Flow from Operating Activities

Cash inflow from operating activities was 49.1 billion yen, an increase of 4.7 billion yen compared with the first half of the previous year, as a result of an increase in working capital due to increases in trade accounts receivable and inventory and a decrease in corporate income taxes paid.

Cash Flow from Investing Activities

Cash outflow for investment activities was 57.6 billion yen, an increase of 26.2 billion yen over the first half 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 8.5 billion yen, an increase of 23.6 billion yen over the first half of the previous year, primarily due to procurement of funds exceeding that of the previous first half.

4. Interim Dividends

In line with the previous period, the Company has decided to issue dividends of 4 yen per share in the current interim period.

5. Outlook for the Fiscal Year Ending March 31, 2007

We project a very severe environment for the chemical industry due to uncertainty over elements of the U.S. economy, the threat of pressure on profits posed by the potential of even higher raw material and fuel prices, and sustained competition from chemical companies worldwide, particularly in Asia.



In this environment, we are working to improve operating results by concentrating on speeding up our strategic efforts to secure profits. Such efforts will include ongoing, thorough attention to cutting costs and configuration of a product pricing structure that will keep pace with steep rises in raw material and fuel prices.

Based on these factors, our forecast for the full fiscal year is as follows.

(Units: Billions of Yen)

	Net sales	Operating income	Recurring income	Net income
FY2006	1,700.0	75.0	75.0	40.0
FY2005	1,472.4	58.7	62.0	44.1
Change	227.6	16.3	13.0	(4.1)
Change (%)	15.5%	27.8%	21.0%	(9.3%)

(Units: Billions of Yen)

	Net Sales						Total
	Functional Chemicals & Engineered Materials	Functional Polymeric Materials	Basic Chemicals	Petro-chemicals	Others	Elimination and corporate	
FY2006	220.0	320.0	550.0	570.0	40.0	—	1,700.0
FY2005	192.7	281.7	474.3	487.0	36.7	—	1,472.4
Change	27.3	38.3	75.7	83.0	3.3	—	227.6
Change (%)	14.2%	13.6%	16.0%	17.0%	9.0%	—	15.5%

(Units: Billions of Yen)

	Operating Income						Total
	Functional Chemicals & Engineered Materials	Functional Polymeric Materials	Basic Chemicals	Petro-chemicals	Others	Elimination and corporate	
FY2006	15.0	14.0	13.5	32.5	—	—	75.0
FY2005	10.8	10.1	21.8	15.9	0.6	(0.5)	58.7
Change	4.2	3.9	(8.3)	16.6	(0.6)	0.5	16.3
Change (%)	38.9%	38.6%	(38.1)%	104.4%	(100.0)%	—	27.8%

The Company will pay dividends of 4 yen per share at the fiscal year ended, resulting in 8 yen dividends per share through the year.

Please note that the following underlying assumptions have been used for the matters noted above: An exchange rate of JPY 115/ USD 1 for the full year (JPY 115/ USD 1 for the second half), and a domestic naphtha standard price of JPY 51,700/kl for the full year (JPY 52,000/kl for the second half).

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.



V. Consolidated Financial Statements

1. Consolidated Balance Sheet (Summary)

	Millions of Yen			
	As of September 30, 2006	As of March 31, 2006	Change	As of September 30, 2005
Assets				
Current Assets	657,287	608,995	48,292	537,652
Fixed Assets	736,264	719,895	16,369	730,459
Total Assets	1,393,551	1,328,890	64,661	1,268,111
Liabilities				
Current Liabilities	546,647	475,074	71,573	446,957
Long-term Liabilities	301,660	314,692	(13,032)	322,994
Total Liabilities	848,307	789,766	58,541	769,951
Net Assets				
Shareholders' Equity				
Common stock	103,226	—	—	—
Additional paid-in capital	69,257	—	—	—
Retained earnings	282,710	—	—	—
Treasury stock, at cost	(729)	—	—	—
Total Shareholders' Equity	454,464	—	—	—
Appraisal and Translation Differences				
Unrealized holding gains on other securities	29,140	—	—	—
Gain/ loss on deferred hedge	25	—	—	—
Translation adjustments	(820)	—	—	—
Total Appraisal and Translation Differences	28,345	—	—	—
Minority Interests	62,435	—	—	—
Total Net Assets	545,244	—	—	—
Total Liabilities and Net Assets	1,393,551	—	—	—
Minority Interests	—	75,103	—	69,245
Shareholders' Equity				
Common stock	—	103,226	—	103,226
Additional paid-in capital	—	66,945	—	66,915
Retained earnings	—	269,191	—	245,452



	Millions of Yen			
	As of September 30, 2006	As of March 31, 2006	Change	As of September 30, 2005
Unrealized holding gains on other securities	—	29,016	—	22,808
Foreign currency translation adjustment	—	(764)	—	(6,050)
Treasury stock, at cost	—	(3,593)	—	(3,436)
Total Shareholders' Equity	—	464,021	—	428,915
Total Liabilities and Shareholders' Equity ...	—	1,328,890	—	1,268,111



2. Consolidated Statement of Income (Summary)

	Millions of Yen			
	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	Change	April 1, 2005 to March 31, 2006
Net Sales	833,985	693,624	140,361	1,472,435
Cost of sales.....	704,718	572,902	131,816	1,217,564
Gross Profit	129,267	120,722	8,545	254,871
Selling, general and administrative expenses	95,779	97,393	(1,614)	196,166
Operating Income	33,488	23,329	10,159	58,705
Non-operating Income and Expenses				
Non-operating Income				
Interest income.....	257	111	146	347
Dividend income.....	1,003	816	187	1,525
Rental fee received	376	558	(182)	942
Foreign exchange gain.....	1,854	876	978	2,182
Equity in earnings of non-consolidated subsidiaries and affiliates	3,437	3,867	(430)	8,101
Other, net	3,504	2,408	1,096	5,316
Non-operating Income	10,431	8,636	1,795	18,413
Non-operating Expenses				
Interest expense.....	3,783	2,919	864	6,027
Commercial paper interest paid	28	3	25	8
Loss on disposal of deficient products	1,159	1,523	(364)	3,698
Other expenses.....	2,205	3,347	(1,142)	5,396
Non-operating Expenses	7,175	7,792	(617)	15,129
Recurring Income	36,744	24,173	12,571	61,989
Extraordinary Gain and Loss				
Gains on sale of fixed assets	122	403	(281)	1,157
Gains on sale of investment securities..	480	97	383	244
Gain on return of reserve for doubtful debt.....	—	1,113	(1,113)	1,255
Gain on change in equity.....	919	9,116	(8,197)	9,366
Immediate recognition of reduction in prior service cost due to the revision of system for severance and retirement benefits	—	—	—	10,280
Other extraordinary gains.....	48	6	42	—
Extraordinary Gains	1,569	10,735	(9,166)	22,302
Losses on disposal of fixed assets.....	2,255	3,387	(1,132)	7,167
Losses on sale of fixed assets	17	470	(453)	684
Loss of impairment of fixed assets.....	35	542	(507)	1,519
Loss on related activities	2,076	—	2,076	597
Loss on sale of investment securities ...	1,291	289	1,002	904
Prior-period expenses for periodic repairs	1,031	—	1,031	—
Temporary depreciation	1,180	—	1,180	—



	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	Change	April 1, 2005 to March 31, 2006
Other extraordinary losses	3	—	3	495
Extraordinary Losses	7,888	4,688	3,200	11,366
Net Income Before Income Taxes.....	30,425	30,220	205	72,925
Corporate Income Taxes	10,256	3,940	6,316	8,026
Adjustment of Corporate Income Taxes	(2,624)	11,750	(14,374)	19,655
Minority Interest in Net Income of Consolidated Subsidiaries	2,501	(2,685)	5,186	1,119
Net Income	20,292	17,215	3,077	44,125



3. Consolidated Statement of Cash Flows (Summary)

	Millions of Yen		
	April 1, 2006 to September 30, 2006	April 1, 2005 to September 30, 2005	April 1, 2005 to March 31, 2006
I. Cash flows from operating activities.....	49,076	44,401	79,709
II. Cash flows from investing activities	(57,647)	(31,382)	(58,247)
III. Cash flows from financing activities	8,543	(15,090)	(19,590)
IV. Exchange rate adjustments on cash and cash equivalents.....	(192)	382	1,253
V Net increase in cash and cash equivalents	(220)	(1,689)	3,125
VI. Cash and cash equivalents at beginning of period	31,221	28,068	28,068
VII. Increase due to inclusion of consolidations.....	806	(1)	28
VIII. Cash and cash equivalents at end of period.....	31,807	26,378	31,221



VI. Segment Information

Net Sales and Operating Income by Segment

(Billions of Yen)

		April, 2006 to September 30, 2006	April, 2005 to September 30, 2005	Change	April, 2005 to March 31, 2006
Functional Chemicals and Engineered Materials	Net sales	104.2	90.8	13.4	192.7
	Operating income	5.9	3.3	2.6	10.8
Functional Polymeric Materials	Net sales	152.0	129.5	22.5	281.7
	Operating income	6.1	(0.2)	6.3	10.1
Basic Chemicals	Net sales	276.3	232.8	43.5	474.3
	Operating income	4.3	13.4	(9.1)	21.8
Petrochemicals	Net sales	281.2	223.2	58.0	487.0
	Operating income	17.5	7.1	10.4	15.9
Other	Net sales	20.3	17.3	3.0	36.7
	Operating income	0.8	(0.4)	1.2	0.6
Elimination and corporate	Net sales	—	—	—	—
	Operating income	(1.1)	0.1	(1.2)	(0.5)
Consolidated total	Net sales	834.0	693.6	140.4	1,472.4
	Operating income	33.5	23.3	10.2	58.7