# Summary of Financial Results
# for the Fiscal 2011 First Half Ended September 30, 2010

## Mitsui Chemicals, Inc. (4183)

## Consolidated Financial Results (April 1, 2010–September 30, 2010)

### 1. Consolidated Financial Results

### (1) Results of Operations

| | Millions of Yen (Except per Share Data and Percentages) | | | |
|---|---|---|---|---|
| | First Half Ended September 30, | | | |
| | 2010 | % | 2009 | % |
| Net Sales | 672,823 | 22.4 | 549,869 | (39.3) |
| Operating Income (Loss) | 17,357 | — | (19,010) | — |
| Ordinary Income (Loss) | 14,604 | — | (22,131) | — |
| Net Income (Loss) | 17,126 | — | (31,363) | — |
| Net Income (Loss) per Share (yen) | 17.09 | | (40.59) | |
| Net Income (Loss) per Share, Diluted (yen) | — | | — | |

*Figures in the percentage column indicate the percentage increase/(decrease) for each item compared with the corresponding period of the previous fiscal year.

### (2) Financial Position

| | Millions of Yen (Except per Share Data and Percentages) | |
|---|---|---|
| | At September 30, 2010 | At March 31, 2010 |
| Total Assets | 1,259,438 | 1,238,086 |
| Net Assets | 422,992 | 419,004 |
| Shareholders' Equity Ratio | 30.2% | 30.5% |
| Shareholders' Equity per Share (yen) | 379.79 | 376.41 |

| | | |
|---|---|---|
| Note: Shareholders' Equity | At September 30, 2010 | 380,627 million yen |
| | At March 31, 2010 | 377,283 million yen |

## 2. Dividends

| | Fiscal Year Ended/Ending March 31, | | |
|---|---|---|---|
| | 2010 | 2011 | 2011 (Forecast*) |
| Annual Dividends per Share (yen) | | | |
| First Quarter | — | — | |
| Interim | 0.00 | 3.00 | |
| Third Quarter | — | — | — |
| End of Term | 3.00 | | 3.00 |
| Annual Dividends | 3.00 | | 6.00 |

Note: Revisions to dividend forecast in the first half: None

## 3. Forecast of Operating Results for the Fiscal Year Ending March 31, 2011 (April 1, 2010–March 31, 2011)

| | Millions of Yen (Except per Share Data and Percentages) | |
|---|---|---|
| | Full Fiscal Year | % |
| Net Sales | 1,340,000 | 11.0 |
| Operating Income | 35,000 | — |
| Ordinary Income | 29,000 | — |
| Net Income | 24,000 | — |
| Net Income per Share (yen) | 23.95 | |

Note: Revisions to forecast of operating results in the first half: Yes
*Figures in the percentage column indicate the percentage increase/(decrease) for each item compared with the corresponding period of the previous fiscal year.

## 4. Other

(For more details, please refer to “Other Information” in the attached documents)

(1) Significant changes in subsidiaries during the period: None
*Changes in certain subsidiaries that result in changes in the scope of consolidation in the half.

(2) Adoption of simplified accounting and special accounting treatments: Yes
*Simplified accounting and special accounting treatments in the preparation of quarterly consolidated financial statements.

(3) Change in accounting principles, procedures, and presentation for consolidated financial statements
  1) Changes due to revisions of accounting standards, etc: Yes
  2) Changes other than 1): None
*Accounting principles, procedures, and presentation that are fundamental to the preparation of quarterly consolidated financial statements.

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at term-end (including treasury stock):

| | |
|---|---|
| At September 30, 2010: | 1,022,020,076 shares |
| At March 31, 2010: | 1,022,020,076 shares |

2) Number of shares of treasury stock at term-end:

| | |
|---|---|
| At September 30, 2010: | 19,807,906 shares |
| At March 31, 2010: | 19,701,571 shares |

3) Average number of shares (Quarterly cumulative period)

| | |
|---|---|
| First half ended September 30, 2010: | 1,002,251,141 shares |
| First half ended September 30, 2009: | 772,722,061 shares |

*Cautionary Statement and Other Explanatory Notes*

**Presentation of quarterly review procedure implementation status*

*This quarterly earnings report is exempt from the quarterly review procedure based upon the Financial Instruments and Exchange Act.*

**The aforementioned forecasts are based on management's assumptions and beliefs in light of currently available information and, accordingly, entail risks and uncertainties. Actual results may differ materially from forecasts due to a variety of factors. Please refer to* 1. Qualitative Information Concerning Consolidated Results (3) Qualitative Information Concerning Consolidated Results Forecasts *in the attached documents.*

Attached Documents

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*The Company held an Internet briefing with institutional investors and analysts on Tuesday, November 2, 2010 and a management overview briefing on Monday, November 8, 2010. The Company displays the documents used in and recordings of these briefings, which are held in Japanese, on its website.

# 1. Qualitative Information Concerning Consolidated Results

## (1) Qualitative Information Concerning Consolidated Operating Results

**(Overview)**
In the fiscal period under review (the six-month period from April 1, 2010 to September 30, 2010, hereafter, "the first half"), the operating environment continued to be on the upswing, driven by increased exports attributable to brisk demand in Asia, centered on China. However, a clouded economic outlook in countries worldwide and a constantly appreciating yen has caused the foundations of the recovery to soften. Under these conditions, the Mitsui Chemicals Group reported the following operating results for the first half.

(Billions of Yen)

| | Net Sales | Operating Income (Loss) | Ordinary Income (Loss) | Net Income (Loss) |
|---|---|---|---|---|
| First Half of the Current Fiscal Year | 672.8 | 17.4 | 14.6 | 17.1 |
| First Half of the Previous Fiscal Year | 549.9 | (19.0) | (22.1) | (31.4) |
| Change | 122.9 | 36.4 | 36.7 | 48.5 |
| Change (%) | 22.4 | — | — | — |

**Net Sales** rose 122.9 billion yen, or 22.4%, compared with the first half of the previous fiscal year to 672.8 billion yen. This was attributable to the effect of 63.3 billion yen in sales price revisions associated with rising naphtha and other raw material and fuel costs, as well as the impact of 59.6 billion yen in increased sales volume in line with recovery in demand, beginning with the automotive sector.

**Operating income** for the first half was 17.4 billion yen, an improvement of 36.4 billion yen year on year. This was the result of increased sales volume associated with recovery in demand, beginning with the automotive sector, as well as improved trading conditions in the Petrochemicals and Basic Chemicals segments.

**Ordinary income** was 14.6 billion yen, an improvement of 36.7 billion yen year on year. In addition to a turnaround from an operating loss, this was due to an increase in equity in earnings of non-consolidated subsidiaries and affiliates.

**Extraordinary income** amounted to 11.0 billion yen, a year-on-year improvement of 16.9 billion yen. This was due to a reversal of provision for retirement benefits of 14.6 billion yen, which is explained in "Other Information" ("Supplemental Information"). This improvement occurred despite the recording of 1.0 billion yen in losses due to this being the first fiscal year that the Accounting Standard for Asset Retirement Obligations has been applied.

As a result of the aforementioned factors, **net income before income taxes and minority interests** amounted to 25.6 billion yen, up 53.6 billion yen year on year.

**Net income** after accounting for income taxes and minority interests in income improved 48.5 billion yen compared with the same period of the previous fiscal year to 17.1 billion yen, which translated to a net income per share for the period of 17.09 yen.

**(Results by segment)**
Mitsui Chemicals changed its segment classifications in line with the restructuring of its organization in April 1, 2010. Comparisons with the corresponding period of the previous fiscal year are adjusted to correspond to segments following the change.

### Petrochemicals

The Petrochemicals segment enjoyed steady overall sales.

In **ethylene and propylene**, production volume fell for both of these products, reflecting the carrying out of (scheduled) periodic maintenance undertaken sequentially from May 2010, by both Osaka Petrochemical Industries, Ltd. and Keiyo Ethylene Co., Ltd.

In **polyethylene and polypropylene**, net sales were strong due to the positive impact of a rise in sales prices on the back of a hike in raw material and fuel prices.

As a result of the above, this segment's sales rose 48.9 billion yen compared with the same period of the previous fiscal year to 211.2 billion yen, and comprised 31% of total sales. Operating income improved 12.9 billion yen year on year to 6.2 billion yen. This was attributable to an increase in sales volume and healthy market conditions despite the impact of plant troubles.

## Basic Chemicals

The Basic Chemicals segment recorded favorable overall sales.

In **phenols**, net sales remained strong due to expanded demand in Asia, particularly in China.

In **bisphenol A**, net sales were robust owing to a rebound in demand for its main application, primarily polycarbonate resin.

In **purified terephthalic acid (PTA)**, net sales were favorable thanks to increased sales volume on the back of expanded demand and a rise in sales prices in the wake of increased raw material and fuel prices.

In **polyethylene terephthalate (PET)** resins, sluggish demand caused somewhat stagnant net sales.

In **ethylene oxide and derivatives**, net sales increased owing to a rise in sales prices accompanying a rise in raw material and fuel prices.

As a result, net sales for this segment rose 50.3 billion yen to 206.0 billion yen year on year, accounting for 31% of total sales. Operating income improved 11.5 billion yen year on year to 6.5 billion yen thanks to a rise in sales volume (excluding certain products) and strong markets.

## Polyurethane

The Polyurethane segment experienced robust overall sales.

In **polyurethane materials**, although demand recovered in the automotive market, the surging strength of the yen resulted in sluggish sales.

In **coating materials**, net sales were strong owing to expanded demand in the Asian automotive and consumer electronics markets, particularly in China.

In **adhesive materials**, net sales were robust. This was attributable to firm demand for adhesives used in soft packaging in Japan, as well as an increase in demand in China and the ASEAN region.

In **molding materials**, net sales were favorable thanks to steady domestic demand for waterproofing and housing equipment-related materials—in light of the expanding housing renovation market—as well as a rebound in demand in the IT-related market.

As a result, net sales in this segment increased 3.7 billion yen compared with the corresponding period of the previous fiscal year to 71.2 billion yen, comprising 11% of total sales. Operating loss rose 0.9 billion yen year on year, to 4.3 billion yen. This was the result of deteriorating performance on account of the appreciating yen and the effect of difficulties on the side of raw material suppliers.

## Functional Polymeric Materials

The Functional Polymeric Materials segment enjoyed strong overall sales.

In **elastomers**, which are used primarily in automotive components and resin modifiers, net sales were robust due to a steady increase in demand for industrial materials and a recovery in demand in the automotive market, particularly in Asia.

In **performance compounds**, which are used mainly in packaging materials, as well as in automotive and electronic components, net sales were strong. This was attributable to a rebound in demand in the automotive and electronic component segments.

In **specialty polyolefin and engineering plastics**, net sales were favorable due to a significant recovery in demand centering on IT-related applications.

As a result, net sales of this segment increased 13.5 billion yen compared with the same period of the previous fiscal year to 52.6 billion yen, accounting for 8% of total sales. Operating income improved 9.6 billion yen to 4.5 billion yen year on year, primarily owing to a rise in sales volume.

## Fabricated Products

The Fabricated Products segment experienced strong overall net sales.

In **hygiene materials**, net sales were steady thanks to expanded demand for disposable diapers in China and Southeast Asia.

In **semiconductor materials**, net sales were robust due to a recovery in demand in the semiconductor market.

In **energy materials**, net sales were favorable thanks to expanded demand in the solar cell encapsulent market.

In **packaging films**, net sales were strong due to efforts to expand sales amid slumping demand.

As a result, net sales in this segment increased 5.6 billion yen compared with the same period of the previous fiscal year to 65.5 billion yen, comprising 10% of total sales. Operating income improved 1.4 billion yen year on year to 1.2 billion yen due to such factors as a rise in sales volume.

## Functional Chemicals

The Functional Chemicals segment experienced steady overall net sales.

In **optical lens materials and healthcare materials**, which include medical materials, net sales were favorable thanks to a rebound in demand, which began in the second half of the previous fiscal year.

In **chemical products** and **specialty gas**, net sales were sluggish compared with the corresponding period of the previous fiscal year due to the reorganization of and elimination of unprofitable items from the chemical product portfolio and an accident related to specialty gas that occurred in autumn of the previous fiscal year.

In **catalysts**, net sales experienced a slowdown due to the impact of the appreciating yen, despite an upswing in demand since the previous fiscal year.

In **agrochemical products**, net sales were stagnant due to declining sales volumes for such products as insecticides.

As a result, this segment experienced a 2.0 billion yen increase in sales year on year to 56.9 billion yen, accounting for 8% of total sales. Operating income rose 2.1 billion yen compared with the same period of the previous fiscal year to 4.5 billion yen. This was thanks to recovery in demand for certain products and other factors.

## Others
In the Others segment, net sales decreased 1.1 billion yen year on year to 9.4 billion yen, comprising 1% of total sales. Operating income deteriorated 0.9 billion yen year on year to 0.1 billion yen.

## (2) Qualitative Information Concerning Consolidated Financial Position
### Status of Assets, Liabilities and Net Assets

**Total assets** at the end of the first half stood at 1,259.4 billion yen, up 21.3 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the first half increased 17.3 billion yen compared with the previous fiscal year-end to 836.4 billion yen. **Interest-bearing debt** amounted to 499.5 billion yen, an increase of 5.3 billion yen compared with March 31, 2010. As a result, the interest-bearing debt ratio was 39.7%, an improvement of 0.2 of a percentage point.

**Net assets** stood at 423.0 billion yen, a rise of 4.0 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 30.2%, a decrease of 0.3 of a percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **debt-equity ratio** stood at 1.31 as of the end of the first half, the same level as the end of the previous fiscal year.

### Cash Flow Status
Cash and cash equivalents (hereafter, "cash") were up 19.5 billion yen to 92.5 billion yen as of the end of the first half.

### Cash Flows from Operating Activities
Net cash provided by operating activities was 35.6 billion yen. This decline of 24.6 billion yen compared with the same period of the previous fiscal year was mainly due to an increase in working capital following a rise in inventories and a rise in income taxes paid that offset the income before income taxes and minority interests recorded for the period.

### Cash Flows from Investing Activities
Net cash used in investing activities decreased 11.1 billion yen compared with the same period of the previous fiscal year to 17.7 billion yen. This decline was mainly attributable to lower payments for the purchase of property, plant and equipment on a year-on-year basis.

### Cash Flows from Financing Activities
Net cash provided by financing activities amounted to 2.2 billion yen, reflecting an increase in interest-bearing debt. Net cash used in financing activities in the corresponding period of the previous fiscal year amounted to 14.5 billion yen due to repayments of interest-bearing debt.

## (3) Qualitative Information Concerning Consolidated Results Forecasts
Consolidated earnings projections for the full-year results for the fiscal year ending March 31, 2011, announced on May 11, 2010, have been revised as follows.

Financial performance revisions are based on the following assumptions:
a) Exchange rate for the full year is 85 yen/dollar (October to March is 80 yen/dollar)
b) Average price of domestic naphtha for the full year period is 45,600 yen /kl (October to March is 45,000 yen/kl)

As a result, net sales are forecast to be lower than the previously announced figures. This is on account of lower sales prices due to the appreciation of the yen and comes despite expectations of increased sales in all segments, excluding the Polyurethane segment.

Although expectations are for the Polyurethane segment to see decreased sales and deteriorated trading conditions, no change has been made to previously announced consolidated operating income forecasts. In addition to the effect of increased sales, this is because of Companywide reductions in fixed costs and other factors.

Interim dividends will remain at 3 yen, as announced on May 11, 2010, and year-end dividends are also set at 3 yen. Consequently, the annual dividend will remain at 6 yen.

(Billions of Yen)

| | Net Sales | Operating Income (Loss) | Ordinary Income (Loss) | Net Income (Loss) |
|---|---|---|---|---|
| Previous Forecast | 1,400.0 | 35.0 | 29.0 | 24.0 |
| Revised Forecast | 1,340.0 | 35.0 | 29.0 | 24.0 |
| Change | (60.0) | — | — | — |

Net Sales by Segment

(Billions of Yen)

| | Petrochemicals | Basic Chemicals | Polyurethane | Functional Polymeric Materials | Fabricated Products | Functional Chemicals | Others | Adjustment | Total |
|---|---|---|---|---|---|---|---|---|---|
| Previous Forecast | 441.0 | 409.0 | 178.0 | 100.0 | 133.0 | 124.0 | 15.0 | — | 1,400.0 |
| Revised Forecast | 413.0 | 398.0 | 153.0 | 100.0 | 134.0 | 125.0 | 17.0 | — | 1,340.0 |
| Change | (28.0) | (11.0) | (25.0) | — | 1.0 | 1.0 | 2.0 | — | (60.0) |

Operating Income by Segment

(Billions of Yen)

| | Petrochemicals | Basic Chemicals | Polyurethane | Functional Polymeric Materials | Fabricated Products | Functional Chemicals | Others | Adjustment | Total |
|---|---|---|---|---|---|---|---|---|---|
| Previous Forecast | 12.0 | 5.5 | 6.0 | 4.0 | 1.5 | 10.0 | — | (4.0) | 35.0 |
| Revised Forecast | 11.0 | 12.0 | (6.0) | 7.5 | 2.0 | 12.0 | — | (3.5) | 35.0 |
| Change | (1.0) | 6.5 | (12.0) | 3.5 | 0.5 | 2.0 | — | 0.5 | — |

## 2. Other Information

(1) Overview of Significant Changes in Subsidiaries
Not applicable

(2) Overview of Simplified Accounting and Special Accounting Treatments
(a) Simplified Accounting Treatments
Not applicable
(b) Special Accounting Treatments for Quarterly Consolidated Financial Statements
Calculation of tax expense
The effective tax rate after the adoption of tax effect accounting applicable to the whole fiscal year, including the period under review, was reasonably estimated against pretax net income. Then, tax expenses for the first half were calculated by multiplying the first half pretax net income by the estimated effective tax rate. The deferred income taxes were included in the "income taxes."

(3) Overview of Changes in Accounting Principles, Procedures, and Presentation
(Changes in accounting principles)

(a) Application of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Effective from the first quarter of the current fiscal year, the Company has adopted new accounting standards, “Accounting Standard for Equity Method of Accounting for Investments” (Accounting Standards Board of Japan [ASBJ] Statement No. 16, March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (Practical Issues Task Force [PITF] No. 24, March 10, 2008). This change had no impact on ordinary income and net income before income taxes and minority interests.

(b) Application of Accounting Standards for Asset Retirement Obligations

Effective from the first quarter of the current fiscal year, the Company has adopted new accounting standards, “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). This change had only minor impact on operating income and ordinary income. Net income before income taxes and minority interests decreased by 999 million yen. The change in the asset retirement obligation due to the application of these accounting standards is 2,219 million yen.

(c) Application of Accounting Standard for Measurement of Inventories

Effective from the first quarter of the current fiscal year, the Company has adopted new accounting standards, “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, September 26, 2008), and, as such, the method of valuation of inventories has changed from the last-in first- out method to the weighted-average method. As a result, operating income, ordinary income, and net income before income taxes and minority interests increased by 157 million yen, respectively.

(d) Application of Accounting Standards for Business Combinations

Effective from the first quarter of the current fiscal year, the Company has adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, revised December 26, 2008), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 December 26, 2008). In connection with the adoption of these standards, the method for evaluating subsidiaries’ assets and liabilities changed from the partial revaluation under parent company approach to the full revaluation under economic unit approach. However, this change had only minor impact on assets, liabilities and income.

(Supplemental Information)

Review of Retirement Benefits and Pension Levels

In April 2010, the Company reviewed retirement benefits and pension levels as one initiative to improve its medium- to long-term profit structure. As part of this review, calculations made under the premise that the interest rate on benefits will change and, therefore, caused retirement allowance liabilities to decline by 14,618 million yen. Because this reduction in retirement allowance liabilities corresponds to the prior service cost, during the first quarter of the consolidated fiscal year ending March 31, 2011, such liabilities were processed collectively in accordance with the Company’s accounting treatment methods. Consequently, extraordinary income of 14,618 million yen was recorded as reversal of provision for retirement benefits.

## 3. Consolidated Financial Statements

### (1) Consolidated Balance Sheets (Summary)

| | Millions of Yen | |
|---|---|---|
| | As of September 30, 2010 | As of March 31, 2010 |
| **Assets** | | |
| **Current Assets** | **615,741** | **604,556** |
| **Fixed Assets** | **643,697** | **633,530** |
| **Total Assets** | **1,259,438** | **1,238,086** |
| **Liabilities** | | |
| **Current Liabilities** | **411,529** | **386,203** |
| **Long-Term Liabilities** | **424,917** | **432,879** |
| **Total Liabilities** | **836,446** | **819,082** |
| **Net Assets** | | |
| **Shareholders' Equity** | | |
| Common stock | 125,053 | 125,053 |
| Capital surplus | 91,065 | 91,065 |
| Retained earnings | 196,988 | 182,922 |
| Treasury stock, at cost | (14,190) | (14,215) |
| **Total Shareholders' Equity** | **398,916** | **384,825** |
| **Valuation and Translation Adjustments** | | |
| Net unrealized holding gain on securities | 7,959 | 13,095 |
| Net unrealized holding loss on hedging derivatives | (25) | 0 |
| Foreign currency translation adjustments | (26,223) | (20,637) |
| **Total Valuation and Translation Adjustments** | **(18,289)** | **(7,542)** |
| **Minority Interests** | **42,365** | **41,721** |
| **Total Net Assets** | **422,992** | **419,004** |
| **Total Liabilities and Net Assets** | **1,259,438** | **1,238,086** |

## (2) Consolidated Income Statements

| | Millions of Yen | |
|---|---|---|
| | April 1, 2010 to September 30, 2010 | April 1, 2009 to September 30, 2009 |
| **Net Sales** | **672,823** | **549,869** |
| Cost of Sales | 568,029 | 482,210 |
| **Gross Profit** | **104,794** | **67,659** |
| Selling, general and administrative expenses | 87,437 | 86,669 |
| **Operating Income (Loss)** | **17,357** | **(19,010)** |
| **Non-operating Income and Expenses** | | |
| **Non-operating Income** | | |
| Interest income | 77 | 366 |
| Dividend income | 1,101 | 1,443 |
| Rent income | 313 | 350 |
| Equity in earnings of non-consolidated subsidiaries and affiliates | 2,787 | 1,492 |
| Other | 2,502 | 2,078 |
| **Non-operating Income** | **6,780** | **5,729** |
| **Non-operating Expenses** | | |
| Interest expenses | 3,907 | 4,388 |
| Interest on commercial paper | 4 | 23 |
| Foreign exchange losses | 2,625 | — |
| Other | 2,997 | 4,439 |
| **Non-operating Expenses** | **9,533** | **8,850** |
| **Ordinary Income (Loss)** | **14,604** | **(22,131)** |
| **Extraordinary Income and Loss** | | |
| **Extraordinary Income** | | |
| Gain on sales of noncurrent assets | 274 | 296 |
| Gain on sales of investment securities | 32 | 32 |
| Reversal of provision for retirement benefits | 14,618 | — |
| **Extraordinary Income** | **14,924** | **328** |
| **Extraordinary Loss** | | |
| Loss on disposal of noncurrent assets | 1,560 | 3,313 |
| Loss on sales of noncurrent assets | 66 | 69 |
| Impairment loss | 575 | 597 |
| Loss on restructuring of subsidiaries and affiliates | 701 | 441 |
| Loss on sales of investment securities | — | 110 |
| Loss on valuation of investment securities | 80 | 1,716 |
| Loss on adjustment for change of accounting standard for asset retirement obligations | 970 | — |
| **Extraordinary Loss** | **3,952** | **6,246** |
| **Net Income (Loss) before Income Taxes and Minority Interests** | **25,576** | **(28,049)** |
| **Income Taxes** | **5,088** | **5,374** |
| **Income before Minority Interests** | **20,488** | **—** |
| **Minority Interests in Income (Loss)** | **3,362** | **(2,060)** |
| **Net Income (Loss)** | **17,126** | **(31,363)** |

## (3) Consolidated Cash Flow Statements

| | | Millions of Yen | |
|---|---|---|---|
| | | April 1, 2010 to September 30, 2010 | April 1, 2009 to September 30, 2009 |
| I. | Cash Flows from Operating Activities | 35,636 | 60,199 |
| II. | Cash Flows from Investing Activities | (17,691) | (28,848) |
| III. | Cash Flows from Financing Activities | 2,226 | (14,535) |
| IV. | Effect of Exchange Rate Changes on Cash and Cash Equivalents | (595) | 776 |
| V. | Net Increase in Cash and Cash Equivalents | 19,576 | 17,592 |
| VI. | Cash and Cash Equivalents at Beginning of Period | 72,962 | 47,949 |
| VII. | Increase in Cash and Cash Equivalents Resulting from Changes in Scope of Consolidation | — | 369 |
| VIII | Cash and Cash Equivalents at End of Period | 92,538 | 65,910 |

## (4) Notes Regarding Going Concern Assumption

None

## (5) Segment Information

(a) Overview of Reportable Segments

The reportable segments of Mitsui Chemicals comprise those entities for which obtaining separate financial reports is possible and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to said segments.

Mitsui Chemicals positions segments distinguished by their products and services within its headquarters. Each segment proposes comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

The six reportable segments (distinguished by products and services) that therefore comprise Mitsui Chemicals operations are: Petrochemicals, Basic Chemicals, Polyurethane, Functional Polymeric Materials, Fabricated Products, and Functional Chemicals.

| Segment | | Major Products |
|---|---|---|
| Reportable Segments | Petrochemicals | Ethylene, propylene, polyethylene, polypropylene |
| | Basic Chemicals | Phenols, bisphenol-A, PTA, PET, ethylene oxide |
| | Polyurethane | Polyurethane materials, coating materials, adhesive materials, and molding materials |
| | Functional Polymeric Materials | Elastomers, performance compounds, specialty polyolefin, engineering plastics |
| | Fabricated Products | Hygiene materials, semiconductor materials, energy materials, packaging films |
| | Functional Chemicals | Optical lens materials, healthcare materials, chemical products, specialty gas, catalysts, and agrochemical products |
| Others | Others | Other related businesses, etc. |

(b) Information concerning net sales, profits and losses for each reportable segment

The previous first half (April 1, 2009 – September 30, 2009) (Millions of yen)

| | Reportable Segment | | | | | | | Others | Sum total | Adjusted amount | Amounts in consolidated income statement for the first half |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Petro-chemicals | Basic Chemicals | Polyurethane | Functional Polymeric Materials | Fabricated Products | Functional Chemicals | Total | | | | |
| Net sales | | | | | | | | | | | |
| (1) To external customers | 162,347 | 155,743 | 67,483 | 39,086 | 59,862 | 54,852 | 539,373 | 10,496 | 549,869 | - | 549,869 |
| (2) Internal sales among segments and transfers | 52,159 | 10,119 | 1,824 | 4,526 | 141 | 2,340 | 71,109 | 29,219 | 100,328 | (100,328) | - |
| Total | 214,506 | 165,862 | 69,307 | 43,612 | 60,003 | 57,192 | 610,482 | 39,715 | 650,197 | (100,328) | 549,869 |
| Segment income (loss) | (6,754) | (5,024) | (3,393) | (5,157) | (195) | 2,442 | (18,081) | 1,036 | (17,045) | (1,965) | (19,010) |

The current first half (April 1, 2010 – September 30, 2010) (Millions of yen)

| | Reportable Segment | | | | | | | Others (Note 1) | Sum total | Adjusted amount (Note 2) | Amounts in consolidated income statement for the first half (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Petro-chemicals | Basic Chemicals | Polyurethane | Functional Polymeric Materials | Fabricated Products | Functional Chemicals | Total | | | | |
| Net sales | | | | | | | | | | | |
| (1) To external customers | 211,180 | 205,987 | 71,228 | 52,634 | 65,518 | 56,883 | 663,430 | 9,393 | 672,823 | - | 672,823 |
| (2) Internal sales among segments and transfers | 60,915 | 11,941 | 2,000 | 7,773 | 158 | 2,480 | 85,267 | 25,477 | 110,744 | (110,744) | - |
| Total | 272,095 | 217,928 | 73,228 | 60,407 | 65,676 | 59,363 | 748,697 | 34,870 | 783,567 | (110,744) | 672,823 |
| Segment income (loss) | 6,157 | 6,511 | (4,305) | 4,454 | 1,234 | 4,508 | 18,559 | 122 | 18,681 | (1,324) | 17,357 |

Notes

1. The “Other Business” category incorporates operations not included in reportable segments.
2. Adjustment is as follows: Included within segment income (loss) of ¥(1,324) million is the elimination of intersegment transactions of ¥108 million and corporate of ¥(1,432) million. Corporate mainly comprises strategic R&D expenses not usually attributed to segments.
3. Segment income (loss) is adjusted with operating income (loss) under consolidated statements of income.

(c) Information on Change to Reportable Segments

(Change of Reportable Segments)

In line with the reorganization that took effect from April 1, 2010, Mitsui Chemicals has from the consolidated first quarter of the current fiscal year reorganized its previous three segments of Performance Materials, Advanced Chemicals, and Basic Chemicals into the six segments of Petrochemicals, Basic Chemicals, Polyurethane, Functional Polymeric Materials, Fabricated Products, and Functional Chemicals.

In the Basic Chemicals Business area, feedstocks, polyethylene, and polypropylene operations were reclassified into the Petrochemicals segment, while phenols, PTA & PET, and industrial chemicals were reclassified into the Basic Chemicals segment.

In the Performance Materials area, MCI reclassified polyurethane and coating materials into the Polyurethane segment. Automotive & industrial materials, information & electronics materials (except for functional film and certain other materials) were restructured into the Functional Polymeric Materials segment, and functional film, solar & cell & battery components, and living & energy materials were restructured into the Fabricated Products segment. The Advanced Chemicals area was reorganized into the Functional Chemicals segment.

Segment information for the corresponding period of the previous fiscal year is prepared based on reportable segments adopted in the current first half under review.

(Significant Changes in Calculation Method of Segment Income or Loss)

As stated in “2. Other Information (3) Overview of Changes in Accounting Principles, Procedures, and Presentation (c) Application of Accounting Standard for Measurement of Inventories” on page 6, Mitsui Chemicals has from the first quarter applied ASBJ Statement No. 9 (September 26, 2008) Accounting Standard for Measurement of Inventories, and has changed from the “last-in, first-out” method to the “weighted-average” method for the valuation of inventories.

In accordance with this change, as compared to application of the previous method, segment income in the consolidated first half increased in Petrochemicals and in Basic Chemicals, by 710 million yen and 449 million yen, respectively, while Functional Polymeric Materials, Fabricated Products, Functional Chemicals and Others segments decreased, by 536 million yen, 124 million yen, 285 million yen and 351 million yen, respectively. In addition, the Polyurethane segment loss decreased by 294 million yen.

(d) Information on Impairment Losses Related to Fixed Assets and Goodwill by Reportable Segment

This does not apply as Mitsui Chemicals does not recognize critical impairment loss on fixed assets, and because the amount of goodwill did not exert any material impact.

(Supplemental Information)

From the first quarter of the current fiscal year, Mitsui Chemicals has applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

### (6) Notes in the Event of Significant Changes in Amount of Shareholders’ Equity

None