



Summary of Financial Results for the First Half Ended September 30, 2007

Mitsui Chemicals, Inc. (4183)

I. Consolidated Financial Results (April 1, 2007 – September 30, 2007)

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents				
	First Half Ended September 30,		FY Ended 3/31		
	2007	%	2006	%	2007
Net Sales	881,591	5.7	833,985	20.2	1,688,062
Operating Income	42,733	27.6	33,488	43.5	91,678
Recurring Income	40,488	10.2	36,744	52.0	95,478
Net Income	20,152	(0.7)	20,292	17.9	52,297
Net Income per Share (yen)	26.13		25.67		66.68
Net Income per Share, diluted (yen).....	—		—		—

Note: Equity in earnings of non-consolidated subsidiaries and affiliates:

First half ended September 30, 2007	3,128 million yen
First half ended September 30, 2006	3,437 million yen
Fiscal year ended March 31, 2007	5,979 million yen

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		FY Ended 3/31
	2007	2006	2007
Total Assets	1,509,325	1,393,551	1,498,183
Net Assets	589,396	545,244	570,252
Shareholders' Equity Ratio	34.6%	34.6%	33.7%
Shareholders' Equity per Share (yen).....	678.18	610.46	653.84

Note: Equity: First half ended September 30, 2007	522,878 million yen
First half ended September 30, 2006	482,809 million yen
Fiscal year ended March 31, 2007	504,509 million yen



(3) Cash Flows

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		FY Ended 3/31,
	2007	2006	2007
Cash Flows from Operating Activities	63,365	49,076	100,565
Cash Flows from Investing Activities	(34,120)	(57,647)	(133,618)
Cash Flows from Financing Activities	(23,296)	8,543	41,168
Cash and Cash Equivalents at End of Period.....	46,629	31,807	40,443

2. Dividends

Consolidated dividends per share (yen)	As of March 31,	
	FY 2007	FY 2008 (*forecast)
End of interim period	4.00	6.00
End of second interim period	6.00	6.00*
Fiscal year	10.00	12.00*

3. Consolidated Operating Performance Outlook for FY 2008 (April 1, 2007 – March 31, 2008)

	Millions of Yen - Except Per Share Data and Percents	
	Full Year	%
Net Sales	1,800,000	6.6
Operating Income	90,000	(1.8)
Recurring Income	87,000	(8.9)
Net Income	43,000	(17.8)
Net Income per Share (yen)	55.77	

* Percentages for net sales, operating income, recurring income and net income represent changes compared with the previous period.



II. Non-consolidated Financial Results (April 1, 2007 – September 30, 2007)

1. Non-consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents				
	First Half Ended September 30,		FY Ended 3/31,		
	2007	%	2006	%	2007
Net Sales	510,756	4.1	490,591	23.7	991,787
Operating Income	13,700	41.0	9,714	(21.8)	31,720
Recurring Income	16,902	12.7	15,001	(22.1)	38,373
Net Income	8,558	(8.7)	9,406	—	20,996
Net Income per Share (yen)	11.14		11.89		26.76

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	First Half Ended September 30,		FY Ended 3/31,
	2007	2006	2007
Total Assets	1,063,433	966,436	1,032,467
Net Assets	388,641	390,781	387,012
Shareholders' Equity Ratio	36.5%	40.4%	37.5%
Shareholders' Equity per Share (yen).....	504.07	494.10	501.56
Note: Equity:	First half ended September 30, 2007	388,641 million yen
	First half ended September 30, 2006	390,781 million yen
	Fiscal year ended March 31, 2007	387,012 million yen

2. Non-Consolidated Operating Performance Outlook for FY 2008 (April 1, 2007 – March 31, 2008)

	Millions of Yen - Except Per Share Data and Percents	
	Full Year	%
Net Sales	1,050,000	5.9
Operating Income	26,000	(18.0)
Recurring Income	31,000	(19.2)
Net Income	22,000	4.8
Net Income per Share (yen)	28.53	

* Percentages for net sales, operating income, recurring income and net income represent changes compared with the previous period.

Note: 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 "Business Results" on page 4 and "Outlook for the Fiscal Year Ending March 31, 2007" on page 6 for more information.



III. Operating Results and Financial Position

1. Operating Results

(1) Overview

Severe business conditions persisted for the chemical industry as domestic production and shipments remained sluggish and already high prices for raw materials rose yet further.

The Group faced these conditions by concentrating all of our efforts on marketing activities and working to achieve significant cost reductions to improve profitability for the Group.

These efforts resulted in the following operating results:

	Net sales	Operating income	Recurring income	Net income
Current interim	881.6	42.7	40.5	20.2
Previous interim	834.0	33.5	36.7	20.3
Change	47.6	9.2	3.8	(0.1)
Change (%)	5.7%	27.6%	10.2%	(0.7)%

Sales rose 5.7% over the previous interim period to 881.6 billion yen, an increase of 47.6 billion yen. This was achieved through 70.1 billion yen in benefits from raising product prices amidst the rising prices for raw materials such as naphtha and price hikes achieved as conditions in overseas markets improved, despite the negative impact of 22.5 billion yen from a decline in unit volume sold. Overseas sales were 356.6 billion yen, comprising 40.4% of total sales.

The cost of goods sold rose significantly due to rising prices for raw materials such as naphtha and other factors. However, the revision in product prices and improving conditions overseas led to a 9.2 billion yen increase in **operating income** from the previous interim period to 42.7 billion yen, an increase of 27.6%. Please note that we have changed the method of accounting for tangible fixed assets from the current interim period due to changes in the Corporation Tax Law.

Recurring income rose by 3.8 billion yen over the previous interim period to 40.5 billion yen (a 10.2% increase) due to a net non-operating loss of 5.4 billion yen compared with the previous interim period. Non-operating income rose by 600 million yen over the previous interim period due to increased dividends received, among other factors; however, increased expenses from interest paid and losses on the disposition of defective products caused a 6.0 billion yen increase in non-operating expenses from the previous interim period. This resulted in a **Return on Sales (ROS)** of 4.6%.

Extraordinary income was 1.8 billion yen, owing to such factors as a 1.7 billion yen profit on the sale of fixed assets. **Extraordinary expenses**, however were 9.8 billion yen, owing to 1.9 billion yen in losses on the liquidation and sale of fixed assets, losses of 3.1 billion yen on loss on restructuring of subsidiaries and affiliates and losses on the sale of investment securities, and losses of 4.8 billion yen of allowance for environmental costs. The above factors resulted in a decline of 1.7 billion yen compared with the previous interim period for a **net extraordinary loss** of 8.0 billion yen.

The above factors resulted in **net income before tax** of 32.5 billion yen for the current interim period, an increase of 2.1 billion yen over the previous interim period.

Net income for the interim period declined by 100 million yen from the previous interim period to 20.2 billion yen, after corporate taxes and minority interests were taken into account (a decline of 0.7%). Net income per share for the interim period was 26.13 yen.



(2) Results by Business Segment

Performance Materials

Sales for **automotive and industrial materials** such as ethylene propylene rubber and alpha olefin copolymer rose 20% compared with the previous interim period on the back of growth in domestic demand as well as gaining entry into new clients and steady progress in developing markets for elastomers, etc., primarily for the Asian market.

Industrial materials saw steady growth in base resin for paints used on thermal recording paper and for use in cell phones; however, our withdrawal from doing business in some petrochemical resins led to a 4% decline in sales compared to the previous interim period.

Hygienic materials were strong as demand for non-woven fabrics expanded in East and Southeast Asia, particularly for the Thai and Chinese markets. This resulted in a 6% increase in sales over the previous interim period.

Specialty Polyolefin and Engineering Plastics saw growth in demand, mainly for IT-related uses. This led to a 21% increase in sales over the previous interim period.

Semiconductor materials saw strong volume growth due to robust growth in sales for semiconductor gas; however, the negative impact of declining prices for the semiconductor and liquid crystal markets resulted in sales level with the previous interim period.

Sales of **optical materials** declined 41% compared with the previous interim period due to stagnant demand for plasma display panels in the North American market and to price declines.

Urethane material sales rose 27% over the previous interim period due to improvement in pricing for TDI in East and Southeast Asia and to an upward revision in the price for PPG in the face of the steep rise in raw material prices.

Growth in sales was strong for **urethane resins** as both domestic and overseas demand rose, mainly for construction material, casting, adhesives and other uses. Sales rose 6% over the previous interim period.

The above factors resulted in an 8.4 billion yen increase in segment sales over the previous interim period to 246.7 billion yen, comprising 28% of total sales. Operating income rose 10.8 billion yen to 19.0 billion yen.

Advanced Chemicals

Healthcare materials such as **ophthalmic lenses** and pharmaceutical intermediates showed steady growth in sales of 3%, compared with the previous interim period.

Chemical products such as polymerization inhibitors, and adhesive materials for tires and lumber saw 14% growth in sales over the previous interim period due to active marketing efforts to expand sales and to product price revisions in the face of rise prices for raw materials. However, this was unable to fully cover the rise in costs.

Agrochemical products recorded growth in sales of 144% over the previous interim period due to the acquisition of Sankyo Agro Co., Ltd.

The above factors resulted in segment sales of 58.2 billion yen, an increase of 11.7 billion yen over the previous interim period, comprising 7% of total sales. Operating income rose by 200 million yen to 5.0 billion yen.



Basic Chemicals

Ethylene and propylene saw strong demand both domestically and overseas; however, production volume for both ethylene and propylene was down by 10% and 11%, respectively, due to regularly scheduled maintenance on the Ichihara and Osaka plants.

Phenol sales rose 47% over the previous interim period, owing to the resumption of production after the temporary stoppage for capacity expansion at the plant last interim period and to revision of product prices in the face of rapidly rising material prices.

Bisphenol A sales volume was strong, supported by robust demand in the Asian market. This, together with product price revisions in the face of rapidly rising material prices, resulted in a 29% increase in sales over the previous interim period.

Sluggish conditions in the Chinese market caused sales of **PTA (purified terephthalic acid)** to decline by 5%, compared with the previous interim period.

PET resins (polyethylene - terephthalate) saw sales level with the previous interim period on strong domestic demand for PET bottles.

Sales for **ethylene glycol, ethylene oxide and derivatives** of these rose 4% over the previous interim period due to price hikes in the face of rapidly rising raw material prices.

Sales for polyethylene and polypropylene rose 3% and 10%, respectively, due to two times upward revisions in product prices in the face of rapidly rising prices for raw materials. This did not fully cover the rise in costs, however, due to the delay in revising prices and to the fact that raw materials prices, which were already high, rose even further.

The above factors resulted in segment sales of 551.1 billion yen, an increase of 32.3 billion yen over the previous interim period, comprising 62% of total sales. Operating income declined by 200 million yen to 19.6 billion yen.

Others

Sales for this segment declined by 4.8 billion yen from the previous interim period to 25.6 billion yen, comprising 3% of total sales. Operating income declined by 500 million yen to 1.4 billion yen.

2. Outlook for the Fiscal Year Ending March 31, 2008

(1) Overall Forecast for Full Year Operating Results

Severe conditions are expected to persist for the chemical industry due to concerns over a deceleration in the world economy stemming from the sub-prime loan problem in the U.S. and over further steep rises in raw material prices.

The Group will strive to improve operating results amid this environment by working for stringent cost reduction, developing a structure under which product prices keep pace with the steep rise in raw material prices and by putting every effort into speeding up the execution of our strategy.



Our forecast for full year operating results based on these efforts is as follows:

(Units: Billions of Yen)

Period	Net sales	Operating income	Recurring income	Net income
FY 03/2008	1,800.0	90.0	87.0	43.0
FY 03/2007	1,688.1	91.7	95.5	52.3
Change	111.9	(1.7)	(8.5)	(9.3)
Change (%)	6.6%	(1.8)%	(8.9)%	(17.8)%

The underlying exchange rate assumption is ¥117/\$US for the full year (¥115/\$US for the second half); the assumption for the domestic standard naphtha price is ¥60,380/kl (¥62,000/kl for the second half).

(2) Forecast for Full Year Operating Results by Business Segment

(Units: Billions of Yen)

Sales						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and corporate	Total
FY 03/2008	510.0	120.0	1,120.0	50.0	--	1,800.0
FY 03/2007	496.3	93.9	1,037.8	60.1	--	1,688.1
Change	13.7	26.1	82.2	(10.1)	--	111.9
Change (%)	2.8%	27.8%	7.9%	(16.8)%	--	6.6%

(Units: Billions of Yen)

Operating Income						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and corporate	Total
FY 03/2008	38.0	12.0	43.0	2.0	(5.0)	90.0
FY 03/2007	25.9	11.7	53.1	3.6	(2.6)	91.7
Change	12.1	0.3	(10.1)	(1.6)	(2.4)	(1.7)
Change (%)	46.7%	2.6%	(19.0)%	(44.4)%	--	(1.8)%

3. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets as of the end of the current interim period increased by 11.1 billion yen over the end of the previous period to 1.5 trillion yen.

Total liabilities as of the end of the current interim period declined by 8.0 billion yen from the end of last period to 919.9 billion yen. Of this, **interest-bearing debt** declined by 10.5 billion yen to 487.8 billion yen. The interest-bearing debt ratio therefore improved by 1.0 point to 32.3%.

Net assets as of the end of the current interim period increased by 19.1 billion yen over the end of last period to 589.4 billion yen. The **ratio of shareholders' equity to total assets** improved by 0.9 point over the end of last period to 34.6%.

These factors contributed to a **debt-equity ratio** of 0.93 as of the end of the current interim period; a 0.06 point improvement over the end of last period.



(2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") increased by 6.2 billion yen to 46.6 billion yen at the end of the current interim period.

Cash Flow from Operating Activities

Cash inflow from operating activities increased 14.3 billion yen compared to the previous interim period to 63.4 billion yen. The increase over the previous interim period was due to factors such as the decline in working capital due to decrease in account receivables and inventory, despite the increase in corporate and other taxes paid.

Cash Flow from Investment Activities

Cash outflow for investment activities decreased by 23.5 billion yen from the previous interim period to 34.1 billion yen. The decline from the previous interim period was due to the expenditure last interim period for acquisition of shares in Mitsui Chemicals Polyurethanes Inc., among other factors.

Cash Flow from Financing Activities

Cash outflow due to financing activities was 23.3 billion yen. This was due to the repayment of interest-bearing debt, among other factors. During the previous interim period 8.5 billion yen in funds were procured via interest-bearing debt.

(3) Full Year Forecast

We continue to work toward the reduction of consolidated interest-bearing debt and to improve the efficiency of total consolidated assets to achieve steady progress toward the financial goals set forth in the medium-term business plan for the four years, beginning in fiscal 2004. We will also continue to carefully weigh the necessity of investment and lending proposals and will exercise strict discrimination in this regard. We will continue to procure stable, low-cost funds in the course of financing activities.

(4) Trend in Cash Flow Indicators

	FY 03/2004	FY 03/2005	FY 03/2006	FY 03/2007	Interim 03/2008
Shareholder's equity ratio (%)	32.3	33.7	34.9	33.7	34.6
Shareholders' equity ratio on a market value basis (%)	42.3	39.0	51.0	53.0	58.3
Ratio of interest-bearing debt to cash flow	5.9	4.4	5.3	5.0	--
Interest coverage ratio (times)	10.8	14.7	13.4	12.8	13.2

Note:

- *Shareholder's equity ratio*: Shareholders' equity to total assets
 - *Shareholders' equity ratio on a market value basis*: Market capitalization to total assets
 - *Ratio of interest-bearing debt to cash flow*: Interest-bearing debt to cash flow (not recorded for the interim period)
 - *Interest coverage ratio*: Cash flow to interest paid
- Each of the indicators was calculated from the consolidated financial figures.
 - The market capitalization was calculated by multiplying the closing share price at the end of the period with the number of shares outstanding (excluding treasury shares).
 - Operating cash flow has been used for cash flow.
 - The operating cash flow used is the cash flow derived from operating activities on the consolidated statement of cash flow. Interest-bearing debt is the debt on which interest is being paid out of the total debt booked on the consolidated balance sheet. For interest paid, the amount of interest paid on the consolidated statement of cash flow has been used.



4. Dividend Policy

(1) Basic Policy

The company's approach to profit distribution is guided by a basic policy that takes into account a comprehensive range of factors, from the need to return profits to shareholders, to the company's level of internal reserves. The company's goal is to return profits through the payment of a stable and consistent dividend, with due consideration given to consolidated performance from a medium- to long-term perspective.

Internal reserves, meanwhile, are allocated for priority investment in high-performance products, high-growth markets, and highly profitable businesses, all in order to boost business performance.

(2) Dividend for the current period

In light of the above basic policy, the Company has declared an interim dividend of 6 yen as of the end of the current interim period, an increase of 2 yen, compared with the previous interim period. We are also expecting to declare a year-end dividend of 6 yen per share, making the full year dividend 12 yen per share, a 2 yen increase over the previous period.



V. Consolidated Financial Statements

1. Consolidated Balance Sheet (Summary)

	Millions of Yen			
	As of Sept. 30, 2007	As of Sept. 30, 2006	Change	As of 3/ 31/2007
Assets				
Current Assets	733,184	657,287	34	733,150
Fixed Assets	776,141	736,264	11,108	765,033
Total Assets	1,509,325	1,393,551	11,142	1,498,183
Liabilities				
Current Liabilities	569,292	546,647	(21,961)	591,253
Long-term Liabilities	350,637	301,660	13,959	336,678
Total Liabilities	919,929	848,307	(8,002)	927,931
Net Assets				
Shareholders' Equity				
Common stock	103,226	103,226	—	103,226
Capital surplus	69,259	69,257	2	69,257
Retained earnings	327,213	282,710	15,510	311,703
Treasury stock, at cost	(18,884)	(729)	(604)	(18,280)
Total Shareholders' Equity	480,814	454,464	14,908	465,906
Valuation and Translation Adjustments				
Net unrealized holding gain on securities	32,486	29,140	(1,804)	34,290
Net unrealized holding gain on hedging derivatives	2	25	(19)	21
Foreign currency translation adjustments	9,576	(820)	5,284	4,292
Total Valuation and Translation Adjustments	42,064	28,345	3,461	38,603
Minority Interests	66,518	62,435	775	65,743
Total Net Assets	589,396	545,244	19,144	570,252
Total Liabilities and Net Assets	1,509,325	1,393,551	11,142	1,498,183



2. Consolidated Statement of Income (Summary)

	Millions of Yen			
	April 1, 2007 to Sept. 30, 2007	April 1, 2006 to Sept. 30, 2006	Change	April 1, 2006 to March 31, 2007
Net Sales	881,591	833,985	47,606	1,688,062
Cost of sales	740,235	704,718	35,517	1,402,022
Gross Profit	141,356	129,267	12,089	286,040
Selling, general and administrative expenses	98,623	95,779	2,844	194,362
Operating Income	42,733	33,488	9,245	91,678
Non-operating Income and Expenses				
Non-operating Income				
Interest income	303	257	46	592
Dividend income	1,923	1,003	920	2,129
Equity in earnings of non-consolidated subsidiaries and affiliates	3,128	3,437	(309)	5,979
Net gain on foreign currency transactions	1,533	1,854	(321)	3,264
Other, net	4,108	3,880	228	8,491
Non-operating Income	10,995	10,431	564	20,455
Non-operating Expenses				
Interest expense	4,719	3,783	936	7,991
Commercial paper interest paid	158	28	130	105
Loss on disposal of deficient products	3,442	1,159	2,283	3,185
Other expenses	4,921	2,205	2,716	5,374
Non-operating Expenses	13,240	7,175	6,065	16,655
Recurring Income	40,488	36,744	3,744	95,478
Extraordinary Gain and Loss				
Gains on sale of fixed assets	1,664	122	1,542	389
Gains on sale of investment securities ..	130	480	(350)	1,515
Gain on change in equity	—	919	(919)	3,102
Other extraordinary gains	—	48	(48)	48
Extraordinary Gains	1,794	1,569	225	5,054
Losses on disposal of fixed assets	1,851	2,255	(404)	5,862
Losses on sale of fixed assets	8	17	(9)	117
Loss of impairment of fixed assets	13	35	(22)	1,347
Loss on restructuring of subsidiaries and affiliates	2,823	2,076	747	1,997
Loss on sale of investment securities ...	283	1,291	(1,008)	3,600
Prior-period expenses for periodic repairs	—	1,031	(1,031)	1,031
Temporary depreciation	—	1,180	(1,180)	1,180
Loss on allowance for environmental- related costs	4,790	—	4,790	—
Other extraordinary losses	—	3	(3)	856
Extraordinary Losses	9,768	7,888	1,880	15,990
Net Income Before Income Taxes	32,514	30,425	2,089	84,542



Corporate Income Taxes	10,053	10,256	(203)	28,875
Adjustment of Corporate Income Taxes	916	(2,624)	3,540	(1,459)
Total Income Taxes	10,969	7,632	3,337	27,416
Minority Interest in Net Income of Consolidated Subsidiaries	1,393	2,501	(1,108)	4,829
Net Income	20,152	20,292	(140)	52,297



3. Consolidated Statement of Cash Flows (Summary)

	Millions of Yen		
	April 1, 2007 to Sept. 30, 2007	April 1, 2006 to Sept. 30, 2006	April 1, 2006 to March 31, 2007
I. Cash flows from operating activities.....	63,365	49,076	100,565
II. Cash flows from investing activities	(34,120)	(57,647)	(133,618)
III. Cash flows from financing activities	(23,296)	8,543	41,168
IV. Effect of exchange rate changes on cash and cash equivalents	522	(192)	608
V Net increase in cash and cash equivalents	6,471	(220)	8,723
VI. Cash and cash equivalents at beginning of period	40,443	31,221	31,221
VII. Increase (decrease) in cash resulting from changes in numbers of consolidated subsidiaries.....	(285)	806	499
VIII. Cash and cash equivalents at end of period.....	46,629	31,807	40,443



VI. Segment Information

Net Sales and Operating Income by Segment

(Billions of Yen)

		April1, 2007 to Sept. 30, 2007	April1, 2006 to Sept. 30, 2006	Change	FY 3/2007
Performance Materials	Net sales	246.7	238.3	8.4	496.3
	Operating income	19.0	8.2	10.8	25.9
Advanced Chemicals	Net sales	58.2	46.5	11.7	93.9
	Operating income	5.0	4.8	0.2	11.7
Basic Chemicals	Net sales	551.1	518.8	32.3	1,037.8
	Operating income	19.6	19.8	(0.2)	53.1
Other	Net sales	25.6	30.4	(4.8)	60.1
	Operating income	1.4	1.9	(0.5)	3.6
Elimination and corporate	Net sales	—	—	—	—
	Operating income	(2.3)	(1.2)	(1.1)	(2.6)
Total	Net sales	881.6	834.0	47.6	1,688.1
	Operating income	42.7	33.5	9.2	91.7