



Summary of Financial Results for the Year Ended March 31, 2008

Mitsui Chemicals, Inc. (4183)

I. Consolidated Financial Results (April 1, 2007 – March 31, 2008)

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents			
	Fiscal Year Ended March 31,			
	2008	%	2007	%
Net Sales.....	1,786,680	5.8	1,688,062	14.6
Operating Income.....	77,176	(15.8)	91,678	56.2
Recurring Income.....	66,146	(30.7)	95,478	54.0
Net Income	24,831	(52.5)	52,297	18.5
Net Income per Share (yen).....	32.22		66.68	
Net Income per Share, diluted (yen)	—		—	
Ratio of Net Income to Shareholders' Equity (ROE).....	4.9%		10.8%	
Ratio of Recurring Income to Total Assets (ROA)	4.5%		6.8%	
Ratio of Operating Income to Net Sales	4.3%		5.4%	

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

Fiscal year ended March 31, 2008	5,947 million yen
Fiscal year ended March 31, 2007	5,979 million yen

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	Fiscal Year Ended March 31,	
	2008	2007
Total Assets	1,469,248	1,498,183
Net Assets.....	564,227	570,252
Shareholders' Equity Ratio	34.0%	33.7%
Shareholders' Equity per Share (yen).....	649.63	653.84

Note: Equity: Fiscal year ended March 31, 2008 500,044 million yen
 Fiscal year ended March 31, 2007 504,509 million yen



(3) Cash Flows

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2008	2007
Cash Flows from Operating Activities.....	92,423	100,565
Cash Flows from Investing Activities	(78,206)	(133,618)
Cash Flows from Financing Activities	(28,734)	41,168
Cash and Cash Equivalents at End of Period.....	25,502	40,443

2. Dividends

	As of March 31,		
	2008	2007	2009 (*forecast)
Annual Dividends per Share			
Interim (yen)	6.00	4.00	6.00*
End of Term (yen)	6.00	6.00	7.00*
Annual Dividends (yen)	12.00	10.00	13.00*
Total Dividends (millions of yen)	9,924	7,794	
Payout ratio (consolidated)	37.24%	15.00%	34.50%*
Net assets dividend yield (consolidated)	1.84%	1.6%	

3. Outlook for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

Consolidated	Millions of Yen - Except Per Share Data and Percents			
	First Half	%	Full Year	%
Net Sales	930,000	5.5	1,900,000	6.3
Operating Income	25,000	(41.5)	66,000	(14.5)
Recurring Income	24,000	(40.7)	64,000	(3.2)
Net Income	12,000	(40.5)	29,000	(16.8)
Net Income per Share (yen)	15.59		37.68	

* 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 "Outlook for the Fiscal Year Ending March 31, 2009" 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 its 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:

(Units: Billions of Yen)

	Net sales	Operating income	Recurring income	Net income
Current year	1,786.7	77.2	66.1	24.8
Previous year	1,688.1	91.7	95.5	52.3
Change	98.6	(14.5)	(29.4)	(27.5)
Change (%)	5.8%	(15.8)%	(30.7)%	(52.5)%

Sales rose 5.8% over the previous fiscal period to 1,786.7 billion yen, an increase of 98.6 billion yen. This was achieved through 135.4 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 a 36.8 billion yen decline in unit volume sold. Overseas sales totaled 696.3 billion yen, making up 39.0% of overall sales.

Despite product price revisions and higher overseas market prices, sharp increases in naphtha, other raw material and fuel prices, and higher fixed costs, including repair expenses and depreciation, significantly increased cost of goods sold. As a result, **operating income** declined 14.5 billion yen year on year, a 15.8% decrease, to 77.2 billion yen.

Recurring income declined by 29.4 billion yen from the previous fiscal period to 66.1 billion yen, a 30.7% decrease, due to a decrease in non-operating income of 14.9 billion yen compared with the previous fiscal period. The decrease in non-operating income was due to increases in currency conversion losses, defective product disposal losses, and interest payments, despite an increase in dividend income.

These factors resulted in **Return on Sales (ROS)** of 3.7%.

Extraordinary income was 2.9 billion yen, owing to such factors as a 2.4 billion yen profit on the sale of fixed assets. However, **extraordinary expenses** of 24.4 billion yen were incurred as a result of 5.4 billion in losses on the liquidation and sale of fixed assets, 3.2 billion yen in losses on the sale of securities held for investment and restructuring of subsidiaries and affiliates, 2.6 billion yen in business liquidation losses associated with termination of the plasma display panel-use optical filter operation, and 11.7 billion yen loss on allowance for environmental costs. As a result, net extraordinary losses were 21.5 billion yen, representing a decrease in income of 10.5 billion yen compared with the previous fiscal period.

These factors resulted in **net income before taxes** of 44.6 billion yen, a decrease of 39.9 billion yen as compared with the previous fiscal period.

Net income after the deduction of corporate taxes and minority interest declined by 27.5 billion yen compared with the previous fiscal period to 24.8 billion yen, a 52.5% decrease. Net income per share for the period was 32.22 yen.



(2) Results by Business Segment

Performance Materials

Sales of **automotive and industrial materials** such as ethylene propylene rubber and alpha olefin copolymer rose 20% compared with the previous fiscal period as a result of growth in domestic demand as well as steady progress in developing the market for elastomers and new clients, particularly those in the Asia.

There was a decline in sales of **industrial materials** of 3% compared with the previous fiscal period as a result of the company's withdrawal from businesses related to some petrochemical resins although sales of base resin for paints used on thermal recording paper and for use in cell phones and cars were healthy.

Sales of **hygiene materials** were strong as demand for non-woven fabrics expanded in East and Southeast Asia, particularly in the Thai and Chinese markets. This resulted in a 4% increase in sales over the previous fiscal period.

Specialty Polyolefin and Engineering Plastics saw growth in demand, mainly for IT-related uses. This led to a 16% increase in sales over the previous fiscal period.

Semiconductor material sales were strong as we aggressively expanded sales of semiconductor gas. This offset the price declines seen in the semiconductor and liquid crystal display markets, and sales rose 6% over the previous period.

Sales of **optical materials** declined 52% compared with the previous fiscal period due to stagnant demand for plasma display panels in the North American market and to price declines. We decided that this situation was unlikely to change in the near future and terminated the plasma display panel-use optical filter operation as of March 31, 2008.

Urethane materials sales rose 12% over the previous period due to an improvement in pricing for TDI in East and Southeast Asia and an upward revision in the price for PPG following the steep rise in raw material prices.

Growth in sales was strong for **urethane resins** as both domestic and overseas demand rose, mainly for curing agents for paints and adhesives. Sales rose 2% over the previous fiscal period.

These factors resulted in a 7.8 billion yen increase in segment sales over the previous fiscal period to 504.1 billion yen, comprising 28% of total sales.

Despite the influence of the steep rises in raw material prices, operating income rose 10 billion yen to 35.9 billion yen, attributable to price revisions and improvement of overseas market conditions.

Advanced Chemicals

Healthcare materials such as **ophthalmic lenses** and pharmaceutical intermediates showed steady growth in sales of 16%, compared with the previous fiscal period.

Chemical products such as polymerization inhibitors, and adhesive materials for tires and lumber saw 10% growth in sales over the previous fiscal period due to active marketing efforts to expand sales and to product price revisions in the face of rising prices for raw materials. However, this was unable to fully cover the rise in costs.

Agrochemical products recorded growth in sales of 134% over the previous fiscal period due to the acquisition of Sankyo Agro Co., Ltd.

The above factors resulted in segment sales of 122.1 billion yen, an increase of 28.2 billion yen over the previous fiscal period, comprising 7% of total sales. The consolidation of subsidiary Sankyo Agro also contributed to increasing earnings, but operating incomes fell 900 million yen to 10.8 billion yen owing to steep rises in the prices of raw materials and fuel.



Basic Chemicals

Ethylene and propylene saw strong demand both domestically and overseas. However, production volume for both ethylene and propylene was down by 5% and 6%, respectively, due to regularly scheduled maintenance on the Ichihara and Osaka plants.

Phenol sales rose 25% over the previous fiscal period, attributable to price revisions following the steep rise in 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 raw material prices, resulted in a 25% increase in sales over the previous fiscal period.

Sluggish conditions in the Chinese market caused sales of **PTA (purified terephthalic acid)** to decline by 15%, compared with the previous fiscal period.

Sales of **PET resins (polyethylene terephthalate)** declined 3% year on year. Although domestic demand for PET bottles was firm, an upturn in overseas prices prompted overseas affiliates to reduce procurement volumes.

Sales for **ethylene glycol, ethylene oxide and derivatives** of these rose 13% over the previous fiscal period due to price revisions in the face of rapidly rising raw material prices.

Polyethylene and polypropylene sales rose 10% and 16%, respectively, compared with the previous fiscal period, following price revisions in response to rapidly rising raw material prices. This did not fully cover the rise in costs, however, due to the delay in revising prices.

The above factors resulted in segment sales of 1,111.2 billion yen, an increase of 73.4 billion yen over the previous fiscal period, comprising 62% of total sales. Operating incomes fell 19.7 billion yen year on year to 33.4 billion yen because of weak Chinese market prices for purified terephthalic acid and delays in revising prices of polyethylene and polypropylene.

Others

Sales in this segment, which includes the plant construction and maintenance business, warehouse and transportation business, and testing and analysis business, fell 10.8 billion yen year on year to 49.3 billion yen, accounting for 3% of total sales. Operating income declined by 200 million yen to 3.4 billion yen, compared with the previous fiscal period.



2. Outlook for the Fiscal Year Ending March 31, 2009

(1) Overall Outlook for Operating Results

We expect the business environment in the chemicals industry to remain challenging, with large-scale ethylene plants scheduled to enter production in the Middle East and Asia and a further rise in raw material and fuel prices a possibility.

The Group will strive to improve operating results amid this environment by working for stringent cost reductions, 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)

	Net sales	Operating income	Recurring income	Net income
FY2008	1,900.0	66.0	64.0	29.0
FY2007	1,786.7	77.2	66.1	24.8
Change	113.3	(11.2)	(2.1)	4.2
Change (%)	6.3%	(14.5)%	(3.2)%	16.9%

The underlying exchange rate assumption is ¥100/\$US for the full year; the assumption for the domestic standard naphtha price is ¥72,000/kl.

(2) Outlook by Business Segment

(Units: Billions of Yen)

Net Sales						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
FY2008	550.0	130.0	1,200.0	20.0	--	1,900.0
FY2007	504.1	122.1	1,111.2	49.3	--	1,786.7
Change	45.9	7.9	88.8	(29.3)	--	113.3
Change (%)	9.1%	6.5%	8.0%	(59.4)%	--	6.3%

(Units: Billions of Yen)

Operating Income						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
FY2008	25.0	12.0	31.0	4.0	(6.0)	66.0
FY2007	35.9	10.8	33.4	3.4	(6.3)	77.2
Change	(10.9)	1.2	(2.4)	0.6	0.3	(11.2)
Change (%)	(30.4)%	11.1%	(7.2)%	17.6%	--	(14.5)%



3. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the fiscal period decreased by 29 billion yen over the end of the previous period to 1,469.2 billion yen.

Total liabilities at the end of the fiscal period decreased by 22.9 billion yen over the end of the previous period to 905 billion yen. **Interest-bearing debt** comprised 486 billion yen of this, a decrease of 12.3 billion yen. As a result, the interest-bearing debt ratio improved 0.2 point from the end of the previous fiscal year to 33.1%.

Net assets as of the end of the fiscal period were 564.2 billion yen, a decrease of 6.1 billion yen over the end of last period. The **ratio of shareholders' equity to total assets** was 34.0%, a 0.3 point improvement from the end of the previous period.

These factors contributed to a **debt-equity ratio** of 0.97 as of the end of the current fiscal period; a 0.02 point improvement over the end of last period.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") decreased by 14.9 billion yen to 25.5 billion yen at the end of the current fiscal period.

Cash Flow from Operating Activities

Cash inflow from operating activities decreased 8.1 billion yen compared to the previous fiscal period to 92.4 billion yen. The year-on-year decline was due to a significant increase in working capital in the preceding fiscal year because of higher accounts receivable and inventory assets, and a decrease in net profits before taxes and other adjustments and an increase in tax payments in the current term.

Cash Flow from Investment Activities

Cash outflow for investment activities decreased by 55.4 billion yen from the previous fiscal period to 78.2 billion yen. The decline from the previous fiscal period was due to the expenditure last fiscal period for acquisition of shares in Sankyo Agro Co., Ltd. and Mitsui Chemicals Polyurethanes, Inc., and other factors in the previous fiscal period.

Cash Flow from Financing Activities

Cash outflow due to financing activities was 28.7 billion yen. The funds were used for the repayment of interest-bearing debt and dividend distributions. During the previous fiscal period 41.2 billion yen in funds were procured via interest-bearing debt.

(3) Full Year Forecast

We expect consolidated interest-bearing debt to increase because of aggressive investment and loan activities in line with the basic strategies outlined in the four-year medium-term business plan that begins in FY2008, but at the same time we will work to shrink assets and in other ways improve total consolidated asset efficiency.

The Company will continue to scrupulously select investment and loan projects based on their need. In financing activities, we will continue to raise stable and low-cost money.



(4) Trend in Cash Flow Indicators

	FY2003 (As of March 31, 2004)	FY2004 (As of March 31, 2005)	FY2005 (As of March 31, 2006)	FY2006 (As of March 31, 2007)	FY2007 (As of March 31, 2008)
Shareholder's equity ratio (%)	32.3	33.7	34.9	33.7	34.0
Shareholders' equity ratio on a market value basis (%)	42.3	39.0	51.0	53.0	34.6
Ratio of interest-bearing debt to cash flow	5.9	4.4	5.3	5.0	5.3
Interest coverage ratio (times)	10.8	14.7	13.4	12.8	9.7

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
- *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 for the Current Fiscal Year

Mitsui Chemicals believes that the enhancement of corporate value by business growth and expansion as an important management issue, and regards the distribution of profits to shareholders as one of the Company's most important management policies.

In allocating profits, the Company considers together the return of earnings to our shareholders and internal reserves, and promotes a dividend policy of continued stable dividends that reflects consolidated earnings in the medium term. We use internal reserves for investments in highly functional products high-growth markets and high-growth businesses with the aim of improving earnings.

(2) Dividend for the Current Fiscal Year

The Company will pay dividends of 6 yen per share at the end of this fiscal year. We have already issued dividends of 6 yen per share in the interim period, resulting in a 12 yen dividend per share for the year, 2 yen higher than the previous fiscal year.



(3) Basic Policy for the Next Fiscal Year

Our basic policy on profit distribution will change in the next fiscal year with the formulation of the four-year medium-term business plan that begins in FY2008.

Mitsui Chemicals believe that the enhancement of corporate value by business growth and expansion as an important management issue, and regards the distribution of profits to shareholders as one of the Company's most important management policies.

With regard to the distribution of profits, we will take a comprehensive approach that considers returns to all our shareholders and retaining sufficient funds within the company to finance our business expansion and growth strategies.

With regard to dividends, we will work continually to return profits commensurate with consolidated earnings and maintain a stable dividend from a medium- to long-term perspective, taking into the account consolidated dividend payout ratio and consolidated dividend on equity (DOE) ratio. Specifically, we will aim for a consolidated dividend payout ratio of over 25% and a consolidated DOE ratio of over 2%.

With regard to retained earnings, we will allocate funds to expanded investment and loan activities aimed at further accelerating business expansion and growth and creating the desirable business portfolio, and to R&D to create new, innovative technologies, and thereby raise the level of earnings.

(4) Dividend for the next fiscal year

Based on the aforementioned basic policies, we plan to distribute in the coming fiscal year a dividend of 6 yen per share at the interim period and 7 yen per share at the end of the term, for a total of 13 yen per share.



V. Consolidated Financial Statements

1. Consolidated Balance Sheet (Summary)

	Millions of Yen		
	As of March 31, 2008	As of March 31, 2007	Change
Assets			
Current Assets	726,361	733,150	(6,789)
Fixed Assets	742,887	765,033	(22,146)
Total Assets	1,469,248	1,498,183	(28,935)
Liabilities			
Current Liabilities	569,560	591,253	(21,693)
Long-term Liabilities	335,461	336,678	(1,217)
Total Liabilities	905,021	927,931	(22,910)
Net Assets			
Shareholders' Equity			
Common stock	103,226	103,226	—
Capital surplus	69,238	69,257	(19)
Retained earnings	326,932	311,703	15,229
Treasury stock, at cost.....	(19,826)	(18,280)	(1,546)
Total Shareholders' Equity	479,570	465,906	13,664
Valuation and Translation Adjustments			
Net unrealized holding gain on securities ...	19,125	34,290	(15,165)
Net unrealized holding gain on hedging derivatives	39	21	18
Foreign currency translation adjustments ...	1,310	4,292	(2,982)
Total Valuation and Translation Adjustments	20,474	38,603	(18,129)
Minority Interests	64,183	65,743	(1,560)
Total Net Assets	564,227	570,252	(6,025)
Total Liabilities and Net Assets	1,469,248	1,498,183	(28,935)



2. Consolidated Statement of Income (Summary)

	Millions of Yen		
	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007	Change
Net Sales	1,786,680	1,688,062	98,618
Cost of sales.....	1,509,308	1,402,022	107,286
Gross Profit	277,372	286,040	(8,668)
Selling, general and administrative expenses	200,196	194,362	5,834
Operating Income	77,176	91,678	(14,502)
Non-operating Income and Expenses			
Non-operating Income			
Interest income.....	640	592	48
Dividend income.....	3,332	2,129	1,203
Equity in earnings of non-consolidated subsidiaries and affiliates	5,947	5,979	(32)
Net gain on foreign currency transactions	—	3,264	(3,264)
Other, net	9,814	8,491	1,323
Non-operating Income	19,733	20,455	(722)
Non-operating Expenses			
Interest expense.....	9,102	7,991	1,111
Commercial paper interest paid	410	105	305
Loss on disposal of deficient products	9,185	3,185	6,000
Loss on foreign currency transactions	6,149	—	6,149
Other expenses.....	5,917	5,374	543
Non-operating Expenses	30,763	16,655	14,108
Recurring Income	66,146	95,478	(29,332)
Extraordinary Gain and Loss			
Gains on sale of fixed assets	2,443	389	2,054
Gains on sale of investment securities..	187	1,515	(1,328)
Gain on change in equity.....	—	3,102	(3,102)
Other extraordinary gains.....	266	48	218
Extraordinary Gains	2,896	5,054	(2,158)
Losses on disposal of fixed assets.....	5,280	5,862	(582)
Losses on sale of fixed assets	119	117	2
Loss on impairment.....	719	1,347	(628)
Loss on related activities	2,871	1,997	874
Loss on sale of investment securities ...	347	3,600	(3,253)
Prior-period expenses for periodic repairs.....	—	1,031	(1,031)
Temporary depreciation	—	1,180	(1,180)
Environment measure expenses.....	11,746	—	11,746
Loss on business withdrawal	2,556	—	2,556
Other extraordinary losses	851	856	(5)
Extraordinary Losses	24,489	15,990	8,499
Net Income Before Income Taxes	44,553	84,542	(39,989)



Corporate Income Taxes	20,067	28,875	(8,808)
Adjustment of Corporate Income Taxes	(637)	(1,459)	822
Total Income Taxes	19,430	27,416	(7,986)
Minority Interest in Net Income of Consolidated Subsidiaries	292	4,829	(4,537)
Net Income	24,831	52,297	(27,466)



3. Consolidated Statement of Cash Flows (Summary)

	Millions of Yen		
	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007	Change
I. Cash flows from operating activities.....	92,423	100,565	(8,142)
II. Cash flows from investing activities	(78,206)	(133,618)	55,412
III. Cash flows from financing activities	(28,734)	41,168	(69,902)
IV. Effect of exchange rate changes on cash and cash equivalents.....	(139)	608	(747)
V Net increase in cash and cash equivalents	(14,656)	8,723	(23,379)
VI. Cash and cash equivalents at beginning of period.....	40,443	31,221	9,222
VII. Increase (decrease) in cash resulting from changes in numbers of consolidated subsidiaries.....	(285)	499	(784)
VIII. Cash and cash equivalents at end of period.....	25,502	40,443	(14,941)



VI. Segment Information

Net Sales and Operating Income by Segment

(Unit: Billions of Yen)

		April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007	Change	April 1, 2008 to March 31, 2009 (forecast)
Performance Materials	Net sales	504.1	496.3	7.8	550.0
	Operating income	35.9	25.9	10.0	25.0
Advanced Chemicals	Net sales	122.1	93.9	28.2	130.0
	Operating income	10.8	11.7	(0.9)	12.0
Basic Chemicals	Net sales	1,111.2	1,037.8	73.4	1,200.0
	Operating income	33.4	53.1	(19.7)	31.0
Other	Net sales	49.3	60.1	(10.8)	20.0
	Operating income	3.4	3.6	(0.2)	4.0
Elimination and corporate	Net sales	—	—	—	—
	Operating income	(6.3)	(2.6)	(3.7)	(6.0)
Total	Net sales	1,786.7	1,688.1	98.6	1,900.0
	Operating income	77.2	91.7	14.5	66.0