

Summary of Financial Results for the First Half Ended September 30, 2009

Mitsui Chemicals, Inc. (4183)

I. Consolidated Financial Results (April 1, 2009–September 30, 2009)

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen (Except per Share Data and Percentages)			
	First Half Ended September 30,			
	2009	%	2008	%
Net Sales.....	549,869	(39.3)	905,615	—
Operating Income (Loss).....	(19,010)	—	9,989	—
Ordinary Income (Loss).....	(22,131)	—	13,343	—
Net Income (Loss).....	(31,363)	—	7,640	—
Net Income (Loss) per Share (yen)	(40.59)		9.97	
Net Income 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)	
	First Half Ended September 30, 2009	FY Ended March 31, 2009
Total Assets	1,193,970	1,188,939
Net Assets.....	367,541	398,131
Shareholders' Equity Ratio	27.6%	29.4%
Shareholders' Equity per Share (yen)	426.94	465.56

Note: Equity

First half ended September 30, 2009		329,884 million yen
Fiscal year ended March 31, 2009		349,908 million yen

2. Dividends

	Fiscal Year Ended/Ending March 31,		
	2009	2010	2010 (Forecast*)
Annual Dividends per Share			
First Quarter (yen)	—	—	
First Half (yen)	6.00	0.00	
Third Quarter (yen)	—		—
End of Term (yen)	3.00		—
Annual Dividends (yen)	9.00		—

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

The Company defines in its Articles of Incorporation the end of term date as the dividend record date. However, at the present time the dividend amount for this record date is undecided.

3. Forecast of Operating Results for the Fiscal Year Ending March 31, 2010 (April 1, 2009–March 31, 2010)

	Millions of Yen (Except per Share Data and Percentages)	
	Full Fiscal Year	%
Net Sales	1,210,000	(18.7)
Operating Loss	(15,000)	—
Ordinary Loss	(23,000)	—
Net Loss	(39,000)	—
Net Loss per Share (yen)	(50.47)	

Note: Revisions in this quarter to the full year operating results forecast: 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. Others

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): Yes

Decrease: 1 (Mitsui Chemicals Polyurethanes, Inc.)

For details, please refer to page 9, “4. Other Information (1)” of “Operating Results and Financial Position.”

(2) Adoption of simplified accounting treatment and special accounting treatments for quarterly consolidated financial statements: Yes

For details, please refer to page 9, “4. Other Information (2)” of “Operating Results and Financial Position.”

(3) Change in accounting principles, procedures and presentation for quarterly consolidated financial statements (entries of changes in material matters that are basic to preparation of quarterly consolidated financial statements)

- 1) Changes due to revisions of accounting standards, etc: None
- 2) Changes other than 1): None

(4) Number of shares outstanding (common stock)

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

First half ended September 30, 2009: 792,020,076 shares

Fiscal year ended March 31, 2009: 792,020,076 shares

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

First half ended September 30, 2009: 19,341,043 shares

Fiscal year ended March 31, 2009: 40,428,862 shares

3) Average number of outstanding shares (during the first half ended September 30):

First half ended September 30, 2009: 772,722,061 shares

First half ended September 30, 2008: 766,565,324 shares

Cautionary Statement and Other Explanatory Notes

1. Consolidated earnings projections for full-year results announced on July 31, 2009 were revised, as noted in Revised Consolidated Financial Performance Outlook (FY2009), released on October 30, 2009.
2. 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 page 8, "3. Outlook for the Fiscal Year Ending March 31, 2010" in "Operating Results and Financial Position."

II. Operating Results and Financial Position

1. Operating Results

In the fiscal period under review (the six-month period from April 1, 2009 to September 30, 2009, hereafter “the first half”), although the economies of China and other emerging markets were on an upswing, the operating environment for the world economy as a whole remained stagnant. Given this situation, Japan continued to see depressed demand and was confronted with ongoing difficult conditions. Under this situation, 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)
Current First Half	549.9	(19.0)	(22.1)	(31.4)
Previous First Half	905.6	10.0	13.3	7.6
Change	(355.7)	(29.0)	(35.4)	(39.0)
Change (%)	(39.3)	—	—	—

Net Sales fell 39.3% compared with the same period of the previous fiscal year to 549.9 billion yen, a decrease of 355.7 billion yen. Against the backdrop of overall sluggish market conditions and despite signs of recovery in demand for certain products, this was attributable to a drop in sales volume equivalent to 112.2 billion yen and the impact of falling product prices equivalent to 243.5 billion yen.

Operating loss for the first half was 19.0 billion yen, a fall of 29.0 billion yen year on year. Occurring despite the effect of such emergency measures as cost cutting, this loss reflected the decline in sales volume together with deteriorating trading conditions.

Ordinary loss was 22.1 billion yen, a decrease of 35.4 billion yen year on year. In addition to a decline in equity in earnings of non-consolidated subsidiaries and affiliates, foreign exchange income became a loss. These and other factors contributed to a net non-operating loss of 3.1 billion yen, a worsening of 6.4 billion yen compared with the first half of the previous year.

Extraordinary loss amounted to 5.9 billion yen, a year-on-year deterioration of 4.1 billion yen. Contributing factors included losses totaling 3.4 billion yen on the sales and disposal of noncurrent assets, an impairment loss of 0.6 billion yen and an 0.4 billion yen loss on related activities, each attributable to structural business reforms, together with a loss of 1.7 billion yen on valuation of investment securities.

As a result of the aforementioned factors, **net loss before income taxes and minority interests** amounted to 28.0 billion yen, down 39.5 billion yen year on year.

Net loss after accounting for income taxes and losses in minority interests plummeted 39.0 billion yen compared with the same period of the previous fiscal year to 31.4 billion yen, which translated into a net loss per share for the period of 40.59 yen.

Performance Materials

Net sales in each area of the Performance Materials segment were impacted by harsh business

conditions. With the exception of energy materials, the reasons were as follows:

Automotive market demand for such **automotive and industrial materials** as ethylene propylene rubber and alpha olefin copolymer continued on a course of decline dating back to the autumn of the previous year, offsetting progress achieved in the cultivation of new customers, primarily in the Asian market which has shown signs of recovery.

In **industrial materials**, automotive, consumer electronics and housing equipment market demand continued to decelerate.

Hygiene material sales were impacted by declining demand from certain non-woven fabric customers and low prices in line with falling prices of raw materials.

Weakening demand continued for **special polyolefin and engineering plastics**, mainly for IT-related uses.

Demand for **semiconductor materials** continued to fall in the semiconductor and liquid crystal display markets.

Net sales of **energy materials** demonstrated solid growth on account of expanded demand in the solar cell encapsulant market.

Polyurethane sales were impacted by weak demand for urethane resins and urethane raw materials as well as deteriorating overseas market conditions for TDI/MDI.

Reflecting the aforementioned factors, segment sales declined 82.4 billion yen compared with the same period of the previous fiscal year to 174.9 billion yen, comprising 32% of total sales. In addition, Mitsui Chemicals recorded an operating loss of 9.5 billion yen, down 18.7 billion yen year on year. Despite ongoing efforts to curtail costs, this was attributable to a variety of factors, including a decline in sales volume and worsening market conditions.

Advanced Chemicals

Net sales in each area of the Advanced Chemicals segment were impacted by severe conditions. The reasons were as follows:

Sluggish consumption of **optical lens materials** as well as **medical and healthcare materials** continued in line with the economic contraction first felt in the autumn of the previous year.

Slowing demand and low prices continued for **chemical products**, including polymerization inhibitors and adhesive materials for tires and lumber.

Agrochemical product sales volume for insecticides and other products was stagnant.

As a result, year-on-year segment sales fell 10.0 billion yen to 50.9 billion yen, accounting for 9% of total sales. Cost-cutting measures were unable to offset the decline in sales caused by sluggish consumption and slowing demand, resulting in operating income of 2.9 billion yen, a decline of 0.7 billion yen.

Basic Chemicals

Net sales in each area of the Basic Chemicals segment were impacted by severe conditions. The reasons were as follows:

Production of both **ethylene and propylene** contracted year on year due to production adjustments in response to weak derivative demand and periodic maintenance undertaken at the Ichihara Works from late June 2009.

The Phenol sales volume grew; however, the Company felt the impact of falling sales prices due to the decline in prices of raw materials and fuels.

Bisphenol A sales were impacted by a decline in sales prices due to lower raw material and fuel prices, although sales volume demonstrated upward momentum, primarily for polycarbonate and epoxy resins, the principal uses for bisphenol A.

Purified terephthalic acid (PTA) sales were hit by falling sales prices in line with weak raw material and fuel prices, despite a recovery in sales volume.

Polyethylene terephthalate (PET) resin sales were affected by a drop in demand in Japan for pet bottles as a result of the cool summer weather.

Ethylene glycol, ethylene oxide and derivative sales were impacted by the slump in prices that resulted from falling prices of raw materials and fuels.

Polyethylene and polypropylene saw an upswing in sales volume; however, results were impacted by the drop in sales prices accompanying falling prices of raw materials and fuels.

Taking into consideration the aforementioned factors, segment sales totaled 313.6 billion yen, down 259.7 billion yen year on year. This represented 57% of total sales. In addition, Mitsui Chemicals reported an operating loss of 11.5 billion yen in this segment, down 11.3 billion yen compared with the same period of the previous fiscal year. This was the result of lower sales volume, excluding certain products, due to stagnant demand.

Others

Segment sales contracted 3.6 billion yen to 10.5 billion yen year on year, accounting for 2% of total sales. On the other hand, operating income improved by 1.2 billion yen for a 1.0 billion yen profit.

2. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the first half stood at 1,194.0 billion yen, up 5.1 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the first half increased 35.6 billion yen compared with the previous fiscal year-end to 826.4 billion yen. On the other hand, **interest-bearing debt** amounted to 524.4 billion yen, a decline of 11.0 billion yen compared with March 31, 2009. As a result, the interest-bearing debt ratio was 43.9%, an improvement of 1.1 percentage points.

Net assets stood at 367.6 billion yen, a decrease of 30.5 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 27.6%, down 1.8 percentage points from the previous fiscal year-end. Effective April 1, 2009, treasury stock held by the Company was used in a share exchange that resulted in Tohcello Co., Ltd. becoming a wholly owned subsidiary. As a result, both treasury stock and minority interests fell, by 15.6 billion yen and 9.8 billion yen, respectively. The treasury stock disposal loss of 8.4 billion yen incurred through the share exchange was posted to retained earnings.

As a result, although repayment of interest-bearing debt progressed, the **debt-equity ratio** was 1.59 as of the end of the first half, up 0.06 of a point compared with the end of the previous fiscal year due to a decline in equity in line with the posting of a net loss.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called “cash”) increased 18.0 billion yen to 65.9 billion yen as of the end of the first half.

Cash Flow from Operating Activities

Net cash provided by operating activities was 60.2 billion yen, an increase of 27.6 billion yen compared with the same period of the previous fiscal year. Despite a net loss before income taxes and minority interests for the period, factors contributing to the increase included the implementation of various emergency measures, such as efforts to curtail inventories, which resulted in working capital savings, as well as a refund in income taxes paid.

Cash Flow from Investing Activities

Net cash used in investing activities decreased 14.3 billion yen compared with the same period of the previous fiscal year to 28.8 billion yen. This decline was attributable to lower payments for the purchase of property, plant and equipment in line with a strict selective approach toward investment activities.

Cash Flow from Financing Activities

Net cash used in financing activities amounted to 14.5 billion yen. Contributing factors included the repayment of interest-bearing debt. Net cash provided by financing activities in the same period of the previous fiscal year totaled 9.5 billion yen. This was a result of factors that included the procurement of interest-bearing debt.

3. Outlook for the Fiscal Year Ending March 31, 2010

(1) Overall Outlook for Operating Results

Consolidated earnings projections for full-year results announced on July 31, 2009 were revised, as noted in *Revised Consolidated Financial Performance Outlook (FY2009)*, released on October 30, 2009. In light of the first half results, presented as follows, the Company has revised its results forecast for the full year.

The operating environment in the first half of the consolidated fiscal year continued to be severe. Nonetheless, the Performance Materials segment witnessed improved trading conditions for urethane and in the Basic Chemicals segment, sales of synthetic fiber raw materials increased. In addition, the emergency Company-wide measures Mitsui Chemicals implemented, namely, thorough cost-cutting efforts, worked to enhance earnings structure. On account of these developments, actual operating, ordinary, and net income showed improvement compared with projections.

Despite improvements in the first half of the consolidated fiscal year, at the present time the full-year outlook, specifically performance in the third and fourth quarter, remains unclear. Accordingly, the amount of improvement in the first half reflects the revised performance forecasts for the full fiscal year. As one emergency measure, the Company is steadily implementing thorough cost-cutting to improve its earnings structure and expects higher targets will be attainable.

The Company plans to determine year-end dividends as soon as results for the fiscal year are clarified, and will take the perspective of a need for stable distribution and other factors into overall consideration. Consequently, as announced on May 11, 2009, dividends for the interim period were set at ¥0, and are yet to be determined for the full fiscal year.

(Billions of Yen)

	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Income (Loss)
Previous Projections	1,170.0	(23.0)	(32.0)	(45.0)
Revised Projections	1,210.0	(15.0)	(23.0)	(39.0)
Difference	40.0	8.0	9.0	6.0

The above is based on the following assumptions: exchange rate of 93 yen/dollar (90 yen/dollar from October to March) and an average price of domestic naphtha for the full fiscal year of 39,600 yen/kl (42,000 yen/kl from October to March).

(2) Outlook by Business Segment

(Billions of Yen)

Net Sales						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
Previous Projections	380.0	120.0	645.0	25.0	—	1,170.0
Current Projections	380.0	115.0	690.0	25.0	—	1,210.0
Difference	—	(5.0)	45.0	—	—	40.0

(Billions of Yen)

Operating Income (Loss)						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
Previous Projections	(15.0)	8.0	(11.0)	—	(5.0)	(23.0)
Current Projections	(10.5)	9.0	(9.5)	1.0	(5.0)	(15.0)
Difference	4.5	1.0	1.5	1.0	—	8.0

4. Other Information

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation):

In the first quarter, the consolidated subsidiary (specified subsidiary) Mitsui Chemicals Polyurethanes, Inc. was integrated into Mitsui Chemicals, Inc., and therefore ceased to exist as a company. Consequently, it is no longer included within the scope of consolidation.

- (2) Adoption of simplified accounting treatment and special accounting treatments for quarterly consolidated financial statements:

- 1) Simplified accounting methods

None

- 2) Special accounting treatments for quarterly consolidated financial statements

Calculation of tax expense:

The effective tax rate after 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 two quarters were calculated by multiplying the quarterly pretax net income by the estimated effective tax rate. The deferred income taxes were included in the “income taxes.”

- (3) Change in accounting principles, procedures and presentation for quarterly consolidated financial Statements:

None

III Consolidated Financial Statements

1. Consolidated Balance Sheet (Summary)

	Millions of Yen	
	As of September 30, 2009	As of March 31, 2009
Assets		
Current Assets	540,615	529,606
Fixed Assets	653,355	659,333
Total Assets	1,193,970	1,188,939
Liabilities		
Current Liabilities	373,556	377,858
Long-term Liabilities	452,873	412,950
Total Liabilities	826,429	790,808
Net Assets		
Shareholders' Equity		
Common stock	103,226	103,226
Capital surplus	69,238	69,238
Retained earnings	179,607	221,721
Treasury stock, at cost	(14,200)	(29,827)
Total Shareholders' Equity	337,871	364,358
Valuation and Translation Adjustments		
Net unrealized holding gain on securities	10,943	7,319
Net unrealized holding loss on hedging derivatives.....	(17)	(3)
Foreign currency translation adjustments	(18,913)	(21,766)
Total Valuation and Translation Adjustments...	(7,987)	(14,450)
Minority Interests	37,657	48,223
Total Net Assets	367,541	398,131
Total Liabilities and Net Assets	1,193,970	1,188,939

2. Consolidated Statements of Income

	Millions of Yen	
	April 1, 2009 to September 30, 2009	April 1, 2008 to September 30, 2008
Net Sales	549,869	905,615
Cost of Sales	482,210	796,035
Gross Profit	67,659	109,580
Selling, general and administrative expenses ...	86,669	99,591
Operating Income (Loss)	(19,010)	9,989
Non-operating Income and Expenses		
Non-operating Income		
Interest income	366	277
Dividend income	1,443	2,024
Rent income	350	378
Equity in earnings of non-consolidated subsidiaries and affiliates	1,492	3,352
Foreign exchange income.....	--	1,915
Other	2,078	2,492
Non-operating Income	5,729	10,438
Non-operating Expenses		
Interest expenses	4,388	4,213
Interest on commercial paper.....	23	307
Other	4,439	2,564
Non-operating Expenses	8,850	7,084
Ordinary Income (Loss)	(22,131)	13,343
Extraordinary Income and Loss		
Extraordinary Income		
Gain on sales of noncurrent assets	296	636
Gain on sales of investment securities	32	1,521
Extraordinary Income	328	2,157
Extraordinary Loss		
Loss on disposal of noncurrent assets	3,313	1,286
Loss on sales of noncurrent assets	69	401
Impairment loss	597	428
Loss on restructuring of subsidiaries and affiliates	441	458
Loss on sales of investment securities	110	--
Loss on valuation of investment securities ...	1,716	--
Environmental measure expenses.....	--	1,400
Other	--	22
Extraordinary Loss	6,246	3,995
Net Income (Loss) before Income Taxes and Minority Interests	(28,049)	11,505
Income Taxes	5,374	3,045
Minority Interests in Income (Loss)	(2,060)	820
Net Income (Loss)	(31,363)	7,640

3. Consolidated Statements of Cash Flows (Summary)

		Millions of Yen	
		April 1, 2009 to September 30, 2009	April 1, 2008 to September 30, 2008
I.	Cash Flows from Operating Activities	60,199	32,642
II.	Cash Flows from Investing Activities	(28,848)	(43,144)
III.	Cash Flows from Financing Activities	(14,535)	9,517
IV.	Effect of Exchange Rate Changes on Cash and Cash Equivalents	776	(1,135)
V.	Net Increase in Cash and Cash Equivalents	17,592	(2,120)
VI.	Cash and Cash Equivalents at Beginning of Period	47,949	25,502
VII.	Increase in Cash and Cash Equivalents Resulting from Changes in Scope of Consolidation	369	81
VIII.	Cash and Cash Equivalents at End of Period	65,910	23,463

4. Notes regarding assumption of ongoing concern

None

5. Segment Information

Business Segment Information

Previous First Half (April 1 – September 30, 2008)		(Millions of Yen)					
	Performance Materials	Advanced Chemicals	Basic Chemicals	Other	Total	Elimination / Corporate	Consolidated
Sales							
(1) Sales from external clients	257,344	60,926	573,259	14,086	905,615	-	905,615
(2) Internal sales or transfer between segments	10,403	1,656	91,538	42,959	146,556	(146,556)	-
Total	267,747	62,582	664,797	57,045	1,052,171	(146,556)	905,615
Operating Income (Loss)	9,209	3,551	(186)	(182)	12,392	(2,403)	9,989

Current First Half (April 1 – September 30, 2009)		(Millions of Yen)					
	Performance Materials	Advanced Chemicals	Basic Chemicals	Other	Total	Elimination / Corporate	Consolidated
Sales							
(1) Sales from external clients	174,880	50,902	313,591	10,496	549,869	-	549,869
(2) Internal sales or transfer between segments	6,052	1,393	35,497	29,252	72,194	(72,194)	-
Total	180,932	52,295	349,088	39,748	622,063	(72,194)	549,869
Operating Income (Loss)	(9,528)	2,893	(11,531)	1,039	(17,127)	(1,883)	(19,010)

Notes: 1 Method of Business Segment Organization

Organized into four areas in consideration of factors that include similarities in product type and manufacturing method, business segments are based on categories adopted in accordance with internal management.

2 Main Products in Each Segment

	Main Products
Performance Materials	Automotive and industrial materials, living and energy materials, information and electronics materials, polyurethane, coating and engineering materials
Advanced Chemicals	Fine and performance chemicals, and agrochemicals
Basic Chemicals	Petrochemical feedstocks, phenol, synthetic fiber raw materials and PET resin, industrial chemicals, polyethylene and polypropylene

Regional Segment Information

Previous First Half (April 1 – September 30, 2008)

(Millions of Yen)

	Japan	Asia	Other	Total	Elimination	Consolidated
Sales						
(1) Sales from external clients	747,502	107,345	50,768	905,615	-	905,615
(2) Internal sales or transfer between segment	35,580	39,558	627	75,765	(75,765)	-
Total	783,082	146,903	51,395	981,380	(75,765)	905,615
Operating Income	7,730	976	1,084	9,790	199	9,989

Current First Half (April 1 – September 30, 2009)

(Millions of Yen)

	Japan	Asia	Other	Total	Elimination	Consolidated
Sales						
(1) Sales from external clients	461,577	59,860	28,432	549,869	-	549,869
(2) Internal sales or transfer between segment	28,061	29,494	549	58,104	(58,104)	-
Total	489,638	89,354	28,981	607,973	(58,104)	549,869
Operating Income (Loss)	(20,636)	2,358	(795)	(19,073)	63	(19,010)

- Notes: 1 Country or regional categories are based on proximity.
 2 Country or regional categories other than Japan:
 (1) Asia: China, Taiwan, South Korea, Thailand and Singapore
 (2) Other: Americas and Europe

Overseas Sales

Previous First Half (April 1 – September 30, 2008)

	Asia	Americas	Europe	Other Regions	Total
. Overseas Sales (Millions of Yen)	247,004	39,603	30,927	7,585	325,119
. Consolidated Sales (Millions of Yen)					905,615
Overseas sales as a percentage of consolidated sales (%)	27.3	4.4	3.4	0.8	35.9

Current First Half (April 1 – September 30, 2009)

	Asia	Americas	Europe	Other Regions	Total
. Overseas Sales (Millions of Yen)	162,950	21,671	18,455	3,112	206,188
. Consolidated Sales (Millions of Yen)					549,869
Overseas sales as a percentage of consolidated sales (%)	29.6	3.9	3.4	0.6	37.5

Notes: 1 Country or regional categories are based on proximity.

2 Principal countries or regions of each category

(1) Asia: China, Taiwan, South Korea, Thailand and Singapore

(2) Americas: United States and Mexico

(3) Europe: Germany and France

(4) Other: Oceania and Africa regions

3. Overseas sales encompass sales for the Company and consolidated subsidiaries made outside of Japan.

6. Notes in the event of significant changes in shareholder equity

None