



Summary of Financial Results for the Third Quarter Ended December 31, 2008

Mitsui Chemicals, Inc. (4183)

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

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents			
	Third Quarter ended December 31,			
	2008	%	2007	%
Net Sales	1,252,059	—	1,337,771	6.6
Operating Income	11,997	—	70,256	3.9
Recurring Income	9,035	—	67,801	(7.4)
Net Income	3,550	—	36,016	(21.1)
Net Income per Share (yen)	4.66		46.71	
Net Income per Share, diluted (yen).....	—		—	

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents	
	Third Quarter ended December 31,	
	2008	2007
Total Assets	1,432,473	1,469,248
Net Assets	517,549	564,227
Shareholders' Equity Ratio	32.1%	34.0%
Shareholders' Equity per Share (yen).....	611.54	649.63
Note: Equity: Third quarter ended December 31, 2008		459,636 million yen
Fiscal year ended March 31, 2008		500,044 million yen



2. Dividends

	Fiscal year ended March 31,		
	2008	2009	2009 (forecast)
Annual Dividends per Share			
First quarter (yen)	—	—	—
Interim (yen)	6.00	6.00	—
Third quarter (yen)	—	—	—
End of year (yen)	6.00	—	3.00
Annual Dividends (yen)	12.00	—	9.00

* Revisions to dividend forecast in the quarter: Yes

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

Consolidated	Millions of Yen - Except Per Share Data and Percents	
	Full Year	%
Net Sales	1,450,000	(18.8)
Operating Income	(25,000)	—
Recurring Income	(30,000)	—
Net Income	(13,000)	—
Net Income per Share (yen)	(17.13)	

* Revisions to financial forecast in the quarter: Yes



II. Operating Results and Financial Position

1. Operating Results

The business environment through the third quarter of the current fiscal year (the nine months from April 1, 2008, through December 31, 2008; referred to below as the “current quarter”) became more severe as a result of unprecedented extensive changes in the business environment, including the recent sharp decrease in the price of raw materials, which had hit historic highs between July and September, and the rapid decline in demand due to the global financial crisis that originated with the U.S. sub-prime mortgage problem.

Under these circumstances, the Mitsui Chemicals Group recorded earnings through the current quarter as shown below.

Figures for earnings through the previous third quarter have been provided for reference. Since this is the first fiscal year that the Mitsui Chemicals Group has adopted a system of reporting quarterly earnings, previous third quarter earnings figures have not been reviewed by an independent auditor.

(Billions of Yen)

	Net sales	Operating income	Recurring income	Net income
Current Third Quarter	1,252.1	12.0	9.0	3.6
Previous Third Quarter	1,337.8	70.3	67.8	36.0
Change	(85.7)	(58.3)	(58.8)	(32.4)
Change (%)	(6.4)%	(82.9)%	(86.7)%	(90.1)%

Sales fell 6.4% over the third quarter in the previous fiscal year to 1,252.1 billion yen, a decrease of 85.7 billion yen. Sales in the first half were boosted by 76.3 billion yen as a result of price hikes for reasons including improved overseas market conditions and hikes in raw materials prices, such as naphtha. However sales in the third quarter declined by 162.0 billion yen as a result of various market conditions, including the sudden decline in demand.

Operating income declined 82.9% compared with the previous third quarter, to 12.0 billion yen, a decline of 58.3 billion yen. Sales volume declined and product prices fell following the collapse in the price of raw materials despite positive factors in the first half including revisions to product prices and the improvement in overseas market conditions.

Recurring income declined by 58.8 billion yen from the previous third quarter to 9 billion yen, a 86.7% decrease, due to a decrease in non-operating income of 0.5 billion yen compared with the previous third quarter. The decrease in non-operating income was due to an increase in currency conversion gains despite a decrease in losses from disposal of defective product.

Extraordinary income was 2.2 billion yen, owing to factors including a 1.5 billion yen gain on sale of investment securities. However, **extraordinary expenses** of 6.5 billion yen were incurred as a result of 2.5 billion yen in losses on the disposal and sale of fixed assets and 1.4 billion yen in environmental expenditure. As a result, **extraordinary losses** were 4.3 billion yen, representing an increase in income of 3.9 billion yen compared with the previous third quarter.

These factors resulted in **net income before taxes** of 4.7 billion yen, a decrease of 54.9 billion yen compared with the previous third quarter.

Net income after the deduction of corporate taxes and minority interest declined by 32.4 billion yen compared with the previous third quarter to 3.6 billion yen, a 90.1% decrease. Net income per share for the period was 4.66 yen.



2. Results by Business Segment

Performance Materials

Sales of **automotive and industrial materials** were firm through the current quarter as a result of steady progress in developing new customers, particularly in Asian markets, despite sudden declines in demand in the automobile industry since the beginning of autumn.

Sales of **engineering materials** were around the same level as those through the previous third quarter due to dramatic declines in base resin for paints since the beginning of autumn.

Sales of **hygiene materials** increased as demand for non-woven fabrics expanded in East and Southeast Asia, particularly in the Thai and Chinese markets.

Sales of **specialty polyolefin and engineering plastics** fell as a result of the decline in demand, particularly for IT related uses.

Sales of **semiconductor material** were weak due to decline in demand and falling prices in the semiconductor market.

Sales of **energy materials** were strong following robust demand for solar cell encapsulant materials.

As for sales of **polyurethanes**, conditions were severe due to numerous factors including the sudden slowdown in growth in demand for TDI/MDI, the deterioration in market conditions overseas, and the appreciation of yen rates.

These factors contributed to a 19.9 billion yen decrease in segment sales over the previous third quarter to 360.1 billion yen, comprising 29% of total sales.

Furthermore, operating income shrank 21.8 billion yen to 9.8 billion yen, owing to factors including falling demand and jumps in raw materials prices in the first half, even though progress was made in cost reduction measures.

Advanced Chemicals

Optical lenses and healthcare materials such as pharmaceutical intermediates enjoyed continued strong sales in the term.

Sales of **chemical products** such as polymerization inhibitors, and adhesive materials for tires and lumber, saw slow demand due to sluggish economic conditions although product prices were revised to accommodate raw material price hikes in the first half.

Agrochemical products sales were firm with an increase in sales of insecticides.

The above factors resulted in segment sales of 88.9 billion yen, a decrease of 0.1 billion yen over the previous third quarter, comprising 7% of total sales. Despite growth in sales of products such as insecticides, operating income decreased by 2.6 billion yen to 5.1 billion yen as growth in demand slowed and prices of raw materials jumped in the first half.



Basic Chemicals

Production of both **ethylene and propylene** for the term fell below levels of the previous third quarter, despite maintenance at the Ichihara plant in the previous year, as adjustments were made to production in August following the decline in demand for ethylene and propylene materials.

As for sales of **phenol**, conditions were difficult due to both adjustments in production following a decline in demand since early autumn and cuts in product prices due to drops in raw material prices.

Sales conditions for **bisphenol A** were also difficult, as for phenol, with adjustments in production in response to falling demand for polycarbonate resin and epoxy resins, the main uses for bisphenol A, since early autumn, and falling product prices due to raw material price decreases.

PTA (purified terephthalic acid) sales were weak with sluggish conditions in the Chinese market.

Sales of **PET resins (polyethylene terephthalate)** decreased and despite revisions to product prices to accommodate jumps in the price of raw materials during the first half, results were poor.

Ethylene glycol, ethylene oxide and derivatives sales were weak with sluggish demand.

Polyethylene and polypropylene sales remained on par with the previous third quarter as demand declines with the economic slowdown offset product prices revisions to accommodate jumps in the price of raw materials during the first half.

The above factors resulted in segment sales of 783.2 billion yen, a decrease of 47.6 billion yen over the previous term, comprising 62% of total sales. Operating income declined by 31.7 billion yen to 0.7 billion yen as growth in demand slowed and the price of raw materials jumped in the first half.

Others

Segment sales fell 18.1 billion yen against the previous third quarter to 19.9 billion yen, accounting for 2% of total sales. Operating income for the term declined by 2.6 billion yen to 0.1 billion yen.



2. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the third quarter decreased 36.7 billion yen from the end of the preceding fiscal year to 1,432.5 billion yen.

Total liabilities at the end of the quarter increased 9.9 billion yen from the end of the preceding fiscal year to 914.9 billion yen. **Interest-bearing debt** comprised 550.9 billion yen, an increase of 64.9 billion yen. As a result, the interest-bearing debt ratio increased 5.4 points from the end of the previous fiscal year to 38.5%.

Net assets as of the end of the third quarter were 517.6 billion yen, a decrease of 46.6 billion yen from the previous fiscal year. The **ratio of shareholders' equity to total assets** was 32.1%, a 1.9 point decrease from the end of the previous fiscal year. A share buyback program was initiated in September 2008 to provide additional flexibility in capital strategy in response to changes in the business environment. A total of 10.0 billion yen was used for the repurchase of shares.

These factors contributed to a **debt-equity ratio** of 1.20 as of the end of the third quarter, a 0.23 point increase on the end of previous full year.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") increased by 4.4 billion yen to 29.9 billion yen at the end of the third quarter (the nine months from April 1, 2008 to December 31, 2008; referred to below as the "third quarter").

Cash Flow from Operating Activities

Cash inflow from operating activities during the third quarter was 12.8 billion yen, a decrease of 63.5 billion yen from the previous third quarter. The year-on-year decline was the result of various factors including working capital increasing dramatically, due to an increase in inventories, and net income before income taxes falling although tax payments declined.

Cash Flow from Investment Activities

Cash outflow for investment activities during the third quarter was 61.0 billion yen, an increase of 3.4 billion yen from the previous third quarter. The increase was due to the acquisition of U.S.-based SDC Technologies, which produces and sells products such as coating material for lenses for glasses, in June 2008, and a decline in both proceeds from sales of property, plant, equipment and others and proceeds from sales of investment securities despite a decline in the acquisition of property, plant, equipment and others.

Cash Flow from Financing Activities

Cash flow provided from financing activities during the third quarter was 54.8 billion yen, due to fund procurement by interest-bearing debt. The cash outflow of the previous third quarter was 8.9 billion yen for financing activities, as while the Group raised funds through interest-bearing debt, it also paid dividends.



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

(1) Revised Outlook for Operating Results

As in the Revised Consolidated and Non-Consolidated Financial Performance Outlook (FY2008), Revised Cash Dividend Projection, and Emergency Measures, released on January 30, 2009, revisions were made to consolidated earnings forecasts for the full fiscal year, announced on October 31, 2008, as discussed below.

These revisions were based on the assumptions of an exchange rate of 90 yen/dollar from January through March (100 yen/dollar for the full fiscal year) and an average price of 26,000 yen/kl for domestic naphtha from January through March (58,000 yen/kl for the full fiscal year).

As a result, sales are expected to fall short of previously announced forecasts with declining sales in both the performance materials segment and the basic chemicals segment due to the sudden fall in demand from the automobile and electronics industries.

Operating income, recurring income, and net income are expected to be impacted by sales decreases of the Performance Materials Business Sector and the Basic Chemicals Business Sector and unfavorable trade conditions including inventory valuation based on principles of cost or market, whichever is lower. Advanced Chemicals Business Sector operations are expected to be favorable.

(Billions of Yen)

	Net sales	Operating income	Recurring income	Net income
FY2009 at October 31	1,880.0	45.0	48.0	22.0
Revised FY 2009	1,450.0	(25.0)	(30.0)	(13.0)
Difference	(430.0)	(70.0)	(78.0)	(35.0)

Taking into comprehensive consideration various factors including the downward revision in earnings forecasts discussed above, Mitsui Chemicals Group expects to pay a year-end dividend of 3 yen per share, which is 4 yen per share less than originally projected. Since the Group already paid an interim dividend of 6 yen per share on December 2, 2008, an annual dividend of 9 yen per share is projected to be paid.

(2) Outlook by Business Segment

(Billions of Yen)

Net Sales						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
FY2009 at October 31	520.0	120.0	1,210.0	30.0	—	1,880.0
Revised FY 2009	410.0	120.0	890.0	30.0	—	1,450.0
Difference	(110.0)	—	(320.0)	—	—	(430.0)

(Billions of Yen)

Operating Income						
	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Elimination and Corporate	Total
FY2009 at October 31	19.0	9.0	22.0	—	(5.0)	45.0
Revised FY 2009	(6.0)	8.0	(21.0)	—	(6.0)	(25.0)
Difference	(25.0)	(1.0)	(43.0)	—	(1.0)	(70.0)



III. Consolidated Financial Statements

1. Consolidated Balance Sheet (Summary)

	Millions of Yen	
	As of December 31, 2008	As of March 31, 2008
Assets		
Current Assets	726,169	726,361
Fixed Assets	706,304	742,887
Total Assets	1,432,473	1,469,248
Liabilities		
Current Liabilities	537,481	569,560
Long-term Liabilities	377,443	335,461
Total Liabilities	914,924	905,021
Net Assets		
Shareholders' Equity		
Common stock	103,226	103,226
Capital surplus	69,238	69,238
Retained earnings	320,468	326,932
Treasury stock, at cost	(29,859)	(19,826)
Total Shareholders' Equity	463,073	479,570
Valuation and Translation Adjustments		
Net unrealized holding gain on securities	8,051	19,125
Net unrealized holding gain on hedging derivatives	(11)	39
Foreign currency translation adjustments	(11,477)	1,310
Total Valuation and Translation Adjustments	(3,437)	20,474
Minority Interests	57,913	64,183
Total Net Assets	517,549	564,227
Total Liabilities and Net Assets	1,432,473	1,469,248



2. Consolidated Statement of Income (Summary)

(Millions of Yen)

	April 1 to Dec 31, 2008
Net Sales	1,252,059
Cost of sales	1,093,369
Gross Profit	158,690
Selling, general and administrative expenses	146,693
Operating Income	11,997
Non-operating Income and Expenses	
Non-operating Income	
Interest income	393
Dividend income	2,437
Rent income	564
Equity in earnings of non-consolidated subsidiaries and affiliates	3,928
Other, net	3,982
Total non-operating Income	11,304
Non-operating Expenses	
Interest expense	6,426
Commercial paper interest paid	526
Net loss on foreign currency transactions	3,699
Other expenses	3,615
Total non-operating Expenses	14,266
Recurring Income	9,035
Extraordinary Gain	
Gain on sale of fixed assets	679
Gain on sale of investment securities	1,523
Total extraordinary gains	2,202
Extraordinary Loss	
Loss on disposal of fixed assets	2,089
Loss on sale of fixed assets	403
Loss on impairment	640
Loss on related activities	458
Loss on valuation of investment securities	1,233
Environmental measure expenses	1,400
Others	357
Total extraordinary losses	6,580
Net Income Before Income Taxes	4,657
Corporate Income Taxes	2,091
Minority Interest in Net Income of Consolidated Subsidiaries	(984)
Net Income	3,550



3. Consolidated Statement of Cash Flows (Summary)

(Millions of Yen)

	April 1 to Dec 31, 2008
I. Cash flows from operating activities	12,816
II. Cash flows from investing activities	(60,964)
III. Cash flows from financing activities	54,764
IV. Effect of exchange rate changes on cash and cash equivalents.	(2,318)
V. Net increase in cash and cash equivalents	4,298
VI. Cash and cash equivalents at beginning of period	25,502
VII. Increase (decrease) in cash and cash equivalents resulting from changes of scope of consolidation	81
VIII. Cash and cash equivalents at end of period	29,881



4. Segment Information

Business Segment Information

Current third quarter (April 1 – December 31, 2008)

(Millions of Yen)

	Performance Materials	Advanced Chemicals	Basic Chemicals	Other	Total	Elimination / corporate	Consolidated
Sales							
(1) Sales from external clients	360,079	88,868	783,236	19,876	1,252,059	—	1,252,059
(2) Internal sales or transfer between segment	15,793	2,461	120,825	61,438	200,517	(200,517)	—
Total	375,872	91,329	904,061	81,314	1,452,576	(200,517)	1,252,059
Operating income (loss)	9,793	5,122	703	89	15,707	(3,710)	11,997

Regional Segment Information

Current third quarter (April 1 – December 31, 2008)

(Millions of Yen)

	Japan	Asia	Others	Total	Elimination	Consolidated
Sales						
(1) Sales from external clients	1,014,278	161,828	75,953	1,252,059	—	1,252,059
(2) Internal sales or transfer between segment	47,517	58,278	1,154	106,949	(106,949)	—
Total	1,061,795	220,106	77,107	1,359,008	(106,949)	1,252,059
Operating income	10,768	271	851	11,890	107	11,997

Overseas Sales

Current third quarter (April 1 – December 31, 2008)

(Millions of Yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	331,229	59,868	42,995	10,365	444,457
II. Consolidated sales					1,252,059
III. Overseas sales as a percentage of consolidated sales (%)	26.5	4.8	3.4	0.8	35.5