Mitsui Chemicals

ANNUAL REPORT 2009

Year Ended March 31, 2009

Competitive

Growing

Expanding

Under its "Grand Design," Mitsui Chemicals, Inc. aims to achieve sustained development through balanced management that addresses economic, environmental and social concerns. To this end, our three core operating business sectors are implementing the following.

Performance Materials

Growing *along with the crucial and expanding environmental technology market, we are boosting sales by focusing on the functional film sheet business, including solar cell-related products.*

>See page 18-19

Advanced Chemicals

Expanding *our vision care, agrochemical and catalyst operations, we are building a business structure that is immune to market fluctuations and cultivating next-generation businesses.*

>See page 20-21

Basic Chemicals

Competitive *worldwide, we are bolstering our international standing by leveraging partnerships to optimize product operations in Japan and by shifting toward high-value-added products while expanding into the growing Asian markets, particularly China and India.*

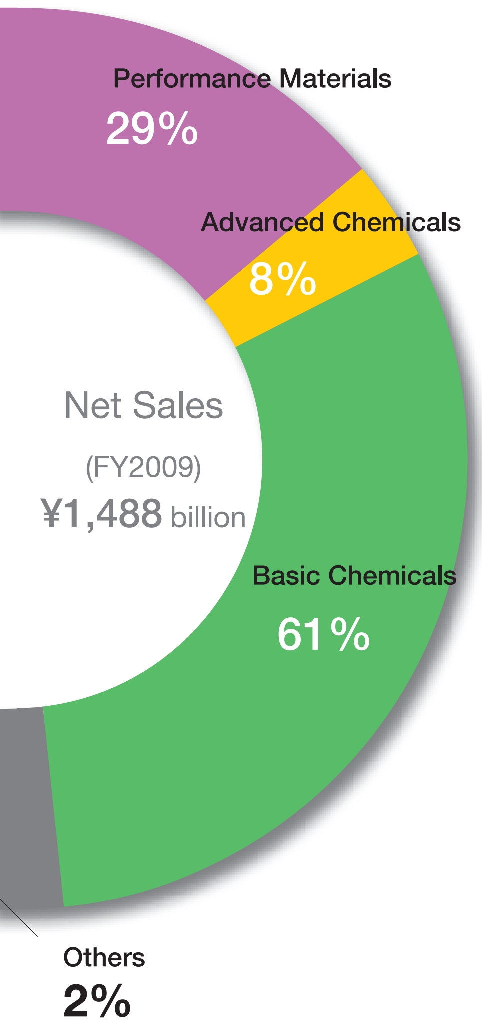
>See page 22-23

Contents

At a Glance

Business Outline

The Mitsui Chemicals Group divides its business activities into three segments, offering society a variety of products used in both consumable and durable goods, spanning a broad range of fields, from automobiles, electronics and IT to medical, health-related, agricultural, housing, construction and household products.



Performance Mate

Providing raw material with differentiating functions using unique catalyst and polymer technologies.

MAIN BUSINESSES
- Automotive & Industrial Materials
- Living & Energy Materials
- Information & Electronics Materials
- Polyurethane
- Coatings & Engineering Materials

Advanced Chemic

Providing fine chemicals and agricultural chemicals with the world-class levels of functionality.

MAIN BUSINESSES
- Fine & Performance Chemicals
- Agrochemicals

Basic Chemicals

Providing a variety of raw materials that support our lifestyle by chemically processing oil and natural gas.

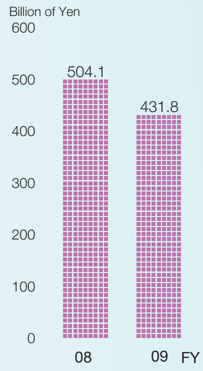
MAIN BUSINESSES
- Feedstocks
- Phenols
- PTA & PET
- Industrial Chemicals
- Polyolefin
- Licensing

rials

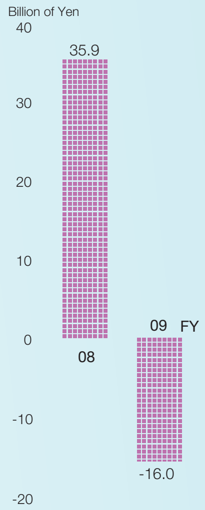
MAIN PRODUCTS

- EPT
- MILASTOMER™
- TAFMER™
- Polyethylene wax
- Nonwoven fabrics for hygiene materials and breathable films
- TPX™
- APEL™
- NF3 gas
- NEOFLEX™
- PLAPACS™
- ICROS TAPE™
- Toner binder resin
- Urethane chemicals (TDI/ MDI/PPG)
- Polyurethane
- SOLAR EVA™

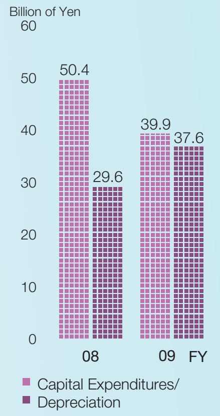
Net Sales



Operating Income (Loss)



Capital Expenditures/ Depreciation



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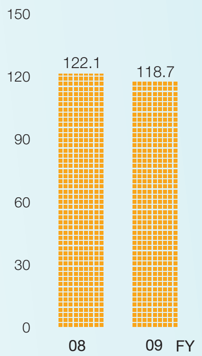
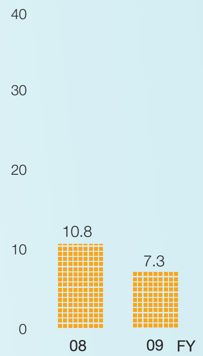
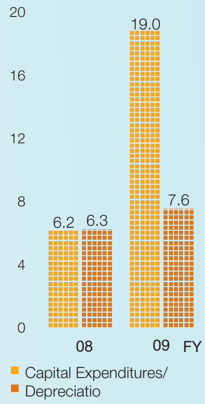
MAIN PRODUCTS

- Ophthalmic lens materials
- Plastics/glass coating materials
- Pharmaceutical chemicals
- Dental-related materials
- Olefin polymerization catalysts
- Polymerization inhibitors and materials for wood/ tire adhesives
- Insecticides
- Fungicides
- Herbicides
- Paddy rice seeds

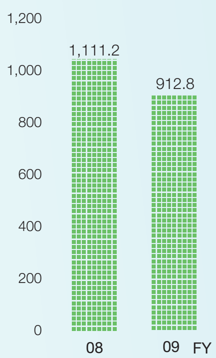


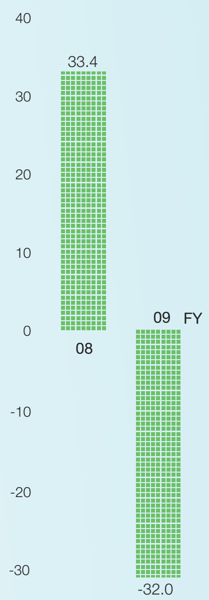


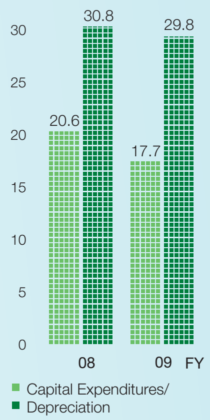


MAIN PRODUCTS

- Ethylene
- Propylene
- Phenol
- Bisphenol A
- Acetone
- Purified terephthalic acid (PTA)
- PET resins
- Ethylene glycol
- Ethylene oxide
- Polyethylene
- Polypropylene
- Licensing







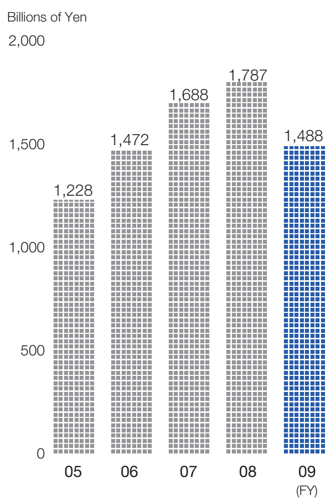
Consolidated
Financial Highlights

For the years ended March 31

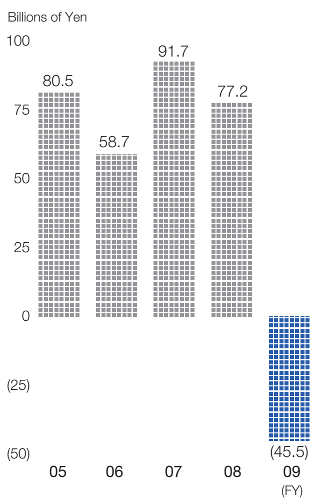
	Millions of yen			% Change	Thousands of U.S. dollars
	FY2009	FY2008	FY2007	FY2009/FY2008	FY2009
For the year:					
Net sales	¥1,487,615	¥1,786,680	¥1,688,062	(11.9)	$15,144,202
Operating income (loss)	(45,493)	77,176	91,678	—	(463,128)
Net income (loss)	(95,237)	24,831	52,297	—	(969,531)
Capital expenditures	81,041	84,667	72,671	(4.3)	825,012
R&D expenses	40,628	42,130	36,943	(3.6)	413,601
Cash Flows					
Net cash provided by operating activities	¥ 54,882	¥ 92,423	¥ 100,565	(40.6)	$ 558,709
Net cash used in investing activities	(76,253)	(78,206)	(133,618)	2.5	(776,270)
Free cash flows	(21,371)	14,217	(33,053)	—	(217,561)
At year-end:					
Total assets	¥1,188,939	¥1,469,248	¥1,498,183	(19.1)	$12,103,624
Total shareholders' equity	349,908	500,044	504,509	(30.0)	3,562,130
	Yen			% Change	U.S. dollars
Per share of common stock:					
Net income (loss)	¥(125.46)	¥ 32.22	¥ 66.68	—	$ (1.28)
Shareholders' equity	465.56	649.63	653.84	(28.3)	4.74
Cash dividends	9.00	12.00	10.00	(25.0)	0.09
Performance indicators:					
Return on equity	—	4.94%	10.80%		
Return (operating income) on assets	(3.42%)	5.20%	6.49%		

Notes: 1) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥98.23=U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009.
2) Changes are between the years ended March 31, 2009 and 2008.
3) Total shareholders' equity = Total net assets - Minority interests (as recorded on the balance sheet)

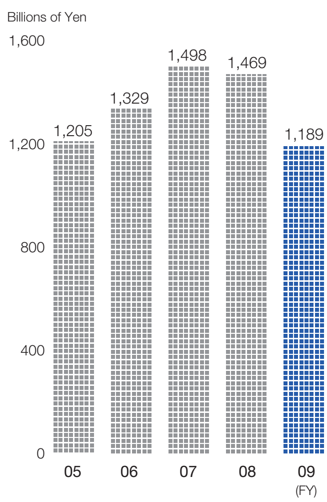
Net Sales



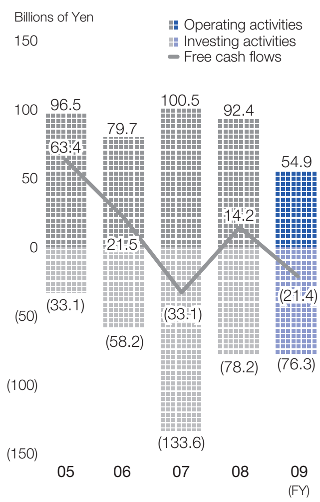
Operating Income (Loss)



Total Assets



Cash Flows



Remarks
In this report, FY (XX) indicates the fiscal year starting from April 1 of (XX-1) and ending at March 31 of (XX). For example, FY09 indicates the fiscal year from April 1, 2008 to March 31, 2009.

To Our Stakeholders

We will redouble our efforts toward securing profitability through Emergency Measures.

Chairman **Kenji Fujiyoshi**

President & CEO **Toshikazu Tanaka**

Fiscal 2009 (The Fiscal Year Ended March 31, 2009) Business Environment and Results

In fiscal 2009, the Japanese economy experienced a precipitous slowdown. From the first half of the fiscal year under review, the prices of such raw materials as crude oil and iron ore surged markedly. In addition to the drop in corporate-sector earnings, repercussions from the U.S. subprime mortgage problem, which triggered a global financial crisis, significantly impacted the real economy. As a result, domestic economic conditions deteriorated rapidly.

In the chemical industry, companies took steps to revise product prices upward in the wake of sharp upswings in material and fuel costs, particularly during the first half of the fiscal year. Despite these endeavors, conditions remained harsh, with substantial downward pressure placed on earnings. After hitting historic highs, the prices of raw materials and fuels dropped rapidly from early autumn. Demand also plummeted sharply on the back of the global recession. Impacted by unprecedented volatility and change, the chemical industry confronted an extremely difficult business environment.

Amid this climate of abrupt and dramatic fluctuation in operating conditions, the Mitsui Chemicals Group reported a significant drop in earnings. This was mainly attributable to the substantial decline in demand from the Group's mainstay business partners in the automotive and electronic information material fields that resulted in lower sales volumes and an unavoidable reduction in production facility and equipment utilization. Faced with this downturn in its overall performance, the Company took steps to implement Emergency Measures, reexamining every facet of its business activities. In the fiscal year under review, Mitsui Chemicals reduced compensation paid to directors and management personnel, drastically cut back operating overheads, undertook a comprehensive zero-based review of all investment projects and thoroughly rationalized inventories.

Despite the aforementioned endeavors, the Group suffered an across-the-board decline in its operating results. In addition to the drop in operating income, Mitsui Chemicals recorded a loss on valuation of inventories that reflected the overall decrease in market prices and undertook to reverse a portion of its deferred tax assets. Taking into account each of the aforementioned factors, the Group reported net sales of ¥1,487.6 billion, down ¥299.1 billion compared with the previous fiscal year. From a profit perspective, the Mitsui Chemicals Group recorded an operating loss of ¥45.5 billion, a negative turnaround of ¥122.7 billion. Loss before income taxes and minority interests was ¥65.4 billion, ¥110.0 billion lower than the income before income taxes and minority interests disclosed in the previous fiscal year. After deducting income taxes and minority interests in earnings of consolidated subsidiaries, net income plummeted ¥120.0 billion year on year to a net loss of ¥95.2 billion. Recognizing the Company's responsibility to ensure an adequate return to its shareholders, Mitsui Chemicals has declared an annual dividend of ¥9 per share, comprising an interim dividend of ¥6 per share and a fiscal year-end dividend of ¥3 per share, for the fiscal year under review.

Priority Issues

In the fiscal year ending March 31, 2010, the global economy is expected to confront substantial change. As a nation historically dependent on exports, Japan is expected to experience extremely harsh operating conditions. This is mainly due to the persistent and significant decline in overall demand. Moreover, the planned commencement of operations at large-scale ethylene production facilities in the Middle East and Asia will further increase competition, and the Mitsui Chemicals Group foresees a prolonged downturn in the business environment.

Working to lay the foundations for profit recovery, the Group has positioned the fiscal year ending March 31, 2010, as a critical period in which to improve earnings. Commensurate with changes in its business environment, the Company will endeavor to overcome its difficulties through the implementation of Emergency Measures. With the aim of bolstering its earning capacity and capabilities, the Mitsui Chemicals Group is conducting a thorough review of its existing business strategies. Supported by basic policies aimed at cementing its foothold in the domestic market while expanding activities overseas, the Group is dedicated to securing a return to profitability from the fiscal year ending March 31, 2011 and beyond.

Guided by its Medium-Term Business Plan, a four-year roadmap launched in April 2008, the Mitsui Chemicals Group has also adopted a three-dimension management approach that focuses on balancing economic, environmental and social dimensions. Against the backdrop of projected harsh operating conditions, Mitsui Chemicals will work diligently to address the following priority issues in the fiscal year ending March 31, 2010.

(Economy)

(1) Survival in the domestic market and overseas expansion focusing mainly on Asia

(2) Consolidation, strict selection and focus as well as expansion in performance materials

(3) Reinforcement and expansion of operations that are in relative terms immune to fluctuations in the economic environment

(Environment)

Achievement of the greenhouse gas (GHG) reduction plan and proposal of further reduction targets

(Society)

(1) Eradication of occupational accidents and injuries based on a unified Group-wide commitment

(2) Elimination of statutory and regulatory infractions through a heightened Group-wide awareness of compliance

Working tirelessly to address these priority issues and to achieve each of our medium-to long-term goals, we ask for the continued support and understanding of stakeholders.

T. Tanaka.

President & CEO **Toshikazu Tanaka**

An Interview with the President

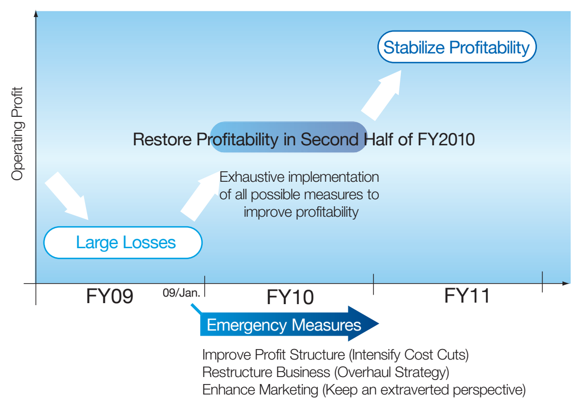
Mitsui Chemicals has been implementing a set of Emergency Measures since January 2009. In an interview with the newly appointed President and CEO, Toshikazu Tanaka, we discuss the details of these measures and what led to their formulation.

Q1: In this period of unprecedented economic crisis, how is the Company forging a path to profitability?

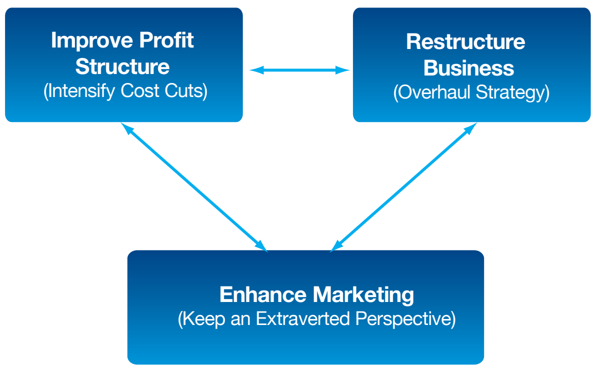
A. In response to sharp hikes in the cost of such raw materials as crude oil and naphtha in the first half of fiscal 2009, Mitsui Chemicals took steps to adjust its product prices. Just as these efforts were beginning to bear fruit, the abrupt downturn in the global economy placed considerable downward pressure on the Group's principal Basic Chemicals Business Sector. Impacted by the drop in demand from both the automotive and electronic information material fields, we are bearing the brunt of a harsh operating environment. Against this backdrop of dramatic fluctuation and change, we have positioned fiscal 2010 as a period in which Mitsui Chemicals must improve its disappointing results. Through the exhaustive implementation of all possible measures to boost performance, we plan to restore profitability in the second half of the fiscal year ending March 31, 2010. Turning to fiscal 2011, the Company has drawn up additional Emergency Measures aimed at entrenching this profit growth trajectory.

Our efforts and goals extend beyond a single-minded focus on expenses. As a part of the Group's Emergency Measures, Mitsui Chemicals will improve its profit structure by intensifying cost-cutting initiatives, restructure its business by overhauling strategies and commence steps to reinforce its marketing capabilities.

Path to Profitability



Basic Policies of Emergency Measures



Q2: Please tell us how you plan to improve your profit structure.

A. Put simply, we are working to intensify cost cuts. In the January to March 2009 quarter, we reduced personnel costs a total of ¥2.5 billion. This was largely attributable to reductions in wages and compensation paid to directors, management and staff. From an operating expense perspective, we realized cost savings of ¥1.5 billion through reductions in fixed costs at production sites. Successful efforts to optimize production processes and promote increased energy efficiency also generated variable cost benefits of ¥1.0 billion. Thanks to the aforementioned factors, we realized total cost savings of ¥5.0 billion from January 1, 2009 to March 31, 2009.

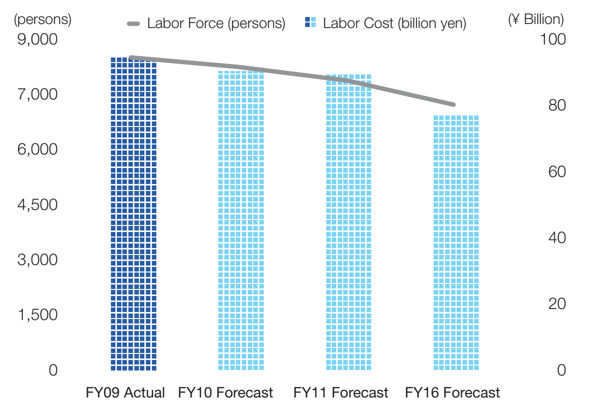
Looking ahead, we will further intensify our cost-cutting efforts. With the aim of improving the Group's profit structure, Mitsui Chemicals is targeting total cost cuts of ¥30.0 billion for the full fiscal year ending March 31, 2010.

Not satisfied with a short-term reduction in wages and compensation, we will continue to reduce personnel expenses over the medium to long term. In this context, we will adjust our personnel complement to achieve optimal balance between the approximately 400 employees that retire each year and our annual intake of new recruits. With a target date of March 2016, we intend to reduce our workforce by 1,270 employees. Building on this cutback in the Group's labor force, Mitsui Chemicals will continue to review wages, compensation and other working conditions with the aim of trimming labor costs a further ¥20.0 billion through to FY2016.

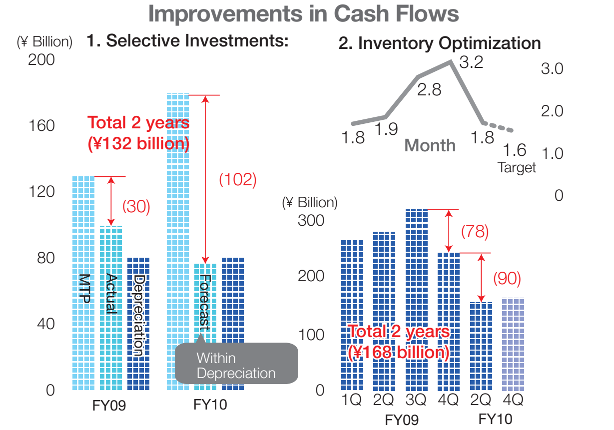
In addition, we are striving to improve our cash flow. In principle, Mitsui Chemicals engages in investment and loan activities within the general scope of depreciation and amortization. By adopting a more selective approach toward investment, we improved cash flow ¥30.0 billion in fiscal 2009 compared with the medium-term business plan. Together with projected cutbacks of ¥102.0 billion in fiscal 2010, we are targeting a two-year reduction in investments of ¥132.0 billion.

In an effort to optimize inventories, we are targeting a reduction of ¥168.0 billion in fiscal 2010 compared with the third quarter of fiscal 2009. Looking at another key indicator, inventory months on hand, we plan to streamline the current annual average of between 1.8 months and 1.9 months to 1.6 months as of the end of fiscal 2010.

Cutback in Personnel Expenses (med/long term)



Improvements in Cash Flows



Q3: Why has Mitsui Chemicals restructured its business?

A. Impacted by structural changes in industry worldwide, Mitsui Chemicals has adopted a basic policy of ensuring its survival in the domestic market while expanding overseas with a focus on Asia.

To meet the challenges of a contracting domestic market, we will optimize production in the Chiba area in collaboration with Idemitsu Kosan Co., Ltd.; integrate refineries to improve business structure; strengthen and expand businesses to ensure our domestic market survival; and expand the high-performance film sheet business.

Overseas, we will aim to expand business in China in collaboration with Sinopac while participating in the collaborative construction of a refinery in Vietnam.

Q4: What specific measures have you formulated to ensure the Company's survival in the domestic market?

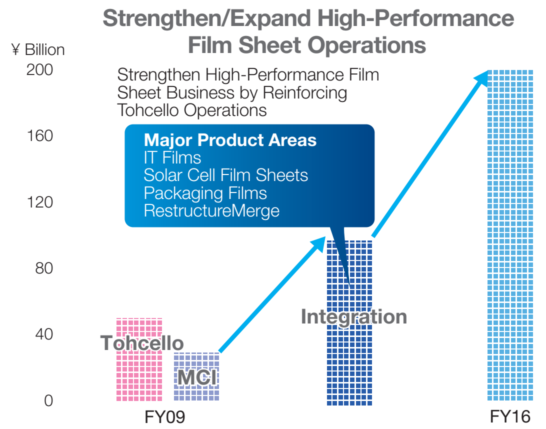
A. In order to survive in the domestic market, Mitsui Chemicals has identified four key measures. First, we will optimize production in the Chiba area in collaboration with Idemitsu Kosan. Given the commencement of operations on the part of large-scale ethylene production facilities in the Middle East and Asia, Japan's petrochemicals industry now finds it imperative to reinforce its ability to compete in overseas markets.

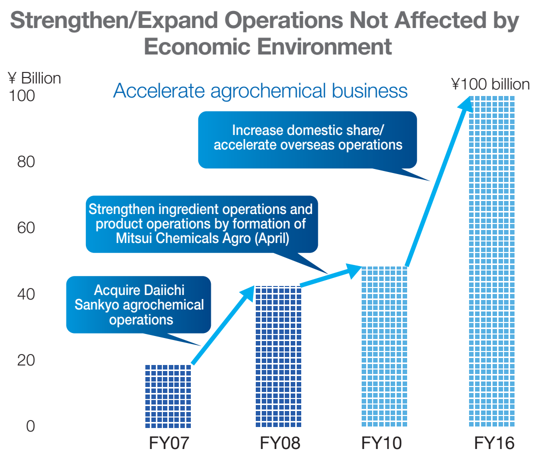
Following the decision in 2004 by Mitsui Chemicals and Idemitsu Kosan to conduct a comprehensive study toward realizing a cooperative setup in the Chiba area, both companies have worked steadily to forge a productive relationship. Among a host of initiatives aimed at increasing competitiveness, Mitsui Chemicals and Idemitsu Kosan established Prime Polymer Co., Ltd., a joint-venture company for the production of polyolefins, and joined the Research Association of Refinery Integration for Group-Operation (RING), an association that seeks to revitalize Japan's refining and petrochemical complexes. In an effort to advance collaborative ties to the next level, the two companies have reached an agreement to establish an optimal production structure in the Chiba area. In this manner, a solid foundation is being laid to further enhance competitive strength and standing.

While each company boasts significant capabilities in its own right, collaboration through production optimization focusing on naphtha cracker units, coupled with the integration of refineries as well as petrochemical derivative facilities are expected to secure us a leading position in the domestic market.

Confronted with a contracting domestic market, business expansion throughout the Asian region and the commencement of operations at large-scale production facilities in the Middle East and Asia resulting in the outflow of general-purpose resins, we will improve our business structure by accelerating steps to consolidate and decommission facilities as a second key initiative.

The third way in which we are working to ensure our domestic market survival involves strengthening and expanding businesses that are not affected by cyclical fluctuation. In the Advanced Chemicals Business Sector, for example, the





Consolidation/Decommission of Facilities to Improve Structure

Fundamental Policy	Improve Structure	Consolidation /Decommission
Replace Portfolio	New hexane-1 Facility (2011)	Ichihara/Ethylene Glycol (2009)
	Rearrange Low Earners	Osaka/polystyrene (2009)
Concentrate on Plants with Competitive Edge	PTA production to new plant	Iwakuni/plant 2 PTA (2009)
	EPT production to new plant	Ichihara/plant 2 EPT (review)
	PP production cut	2 plants under review
Expand Overseas Operations	Commence China Bisphenol A	Nagoya/Bisphenol A (2009)

Company's agrochemical and vision care operations continue to generate stable earnings despite the current harsh operating environment. Our policy, therefore, is to further strengthen and expand business in these two areas. Kicking off these endeavors, we split off the Agrochemicals Division, absorbing it into Sankyo Agro Co., Ltd. to form Mitsui Chemicals Agro, Inc. on April 1, 2009. With the aim of consolidating our active ingredient and formulation activities, we are targeting net sales of ¥100.0 billion in the agrochemicals business in 2016.

Fourth, we will leverage our established strengths in specialty polymers to further reinforce and expand our high-performance film sheet operations. To this end, Mitsui Chemicals increased its existing shareholding in Tohcello Co., Ltd. in April 2009, including the company in its scope of consolidation as a wholly owned subsidiary. By positioning Tohcello at the heart of our high-performance film sheet business and further reinforcing operations, we are targeting an approximate twofold increase in net sales to ¥200.0 billion compared with fiscal 2010.

Q5: The Mitsui Chemicals Group is also looking to expand overseas. What measures do you plan to implement in this regard?

A. Following the course of their natural development, markets that are now mature are steadily declining. Our goal, therefore, is to actively pursue demand throughout Asia, including in China and India, emerging markets that are expected to enjoy significant growth.

As one of two key measures, we will intensify our China operations by collaborating with China Petroleum & Chemical Corporation (Sinopec). Building on a relationship that extends over two decades, we established a joint venture in Shanghai in January 2009 for the annual production of 120,000 tons of bisphenol-A. In a more recent development, the two companies concluded a memorandum of understanding in April 2009 to foster closer ties in the petrifaction field.

Looking ahead, we plan to boost collaboration beyond petrifaction to include phenol operations that encompass such high-performance products as ethylene propylene terpolymers. By securing a strong foothold in this lucrative market, we will position China as a core business.

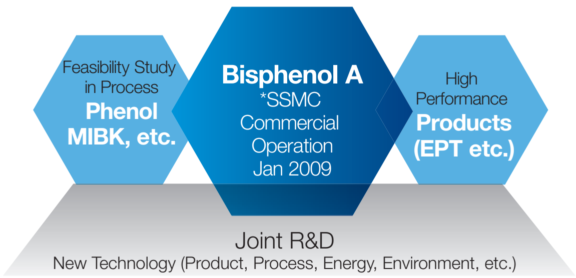
In addition to China, we see Vietnam as a market of significant potential. Taking the lead in the collaborative construction of a refinery in Vietnam, Japanese participants are coordinating with oil-producing and developing countries to establish a business scheme of considerable interest.

In another venture focusing entirely on Asia, we are participating in a project in which Japanese interests are taking the lead involving the extraction of local petroleum for the Vietnamese market using Japanese technology.

With feasibility studies well under way, we anticipate final determination by March 31, 2010.

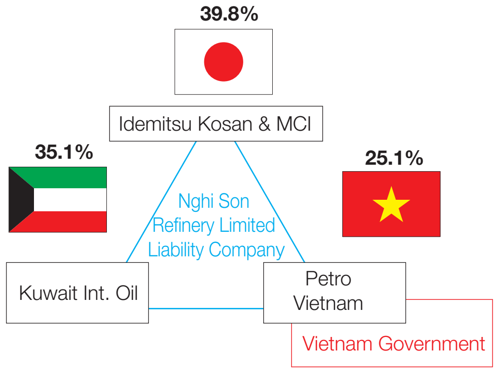
Intensify China Operations through Collaboration with Sinopec

Growth Strategy for Expanding Chinese Market



*SSMC: Shanghai Sinopec Mitsui Chemicals, Co., Ltd. (MCI 50%, Sinopec 50% joint venture)

Outline of Participation in Nghi Son, Vietnam Project (Second Refinery Project in Vietnam)



Q6: What is your basic stance toward strengthening marketing capabilities?

A. In order to address drastic changes in the economic environment, we must identify possible impacts on our business operations by carefully looking at the outside environment. In addition, all of us, including top management, must pursue closer communication with customers to reinforce relationships of trust. This will be the first step in reinforcing of our marketing capabilities. As they strive to achieve closer ties, not only front-line sales personnel but also other employees in such divisions as R&D, distribution, manufacturing and quality assurance should work to fully understand the purpose of the marketing capability reinforcement initiative and support each other through robust collaboration. Specifically, we are planning to develop marketing personnel, reinforce the collaboration between the R&D and operating divisions and strengthen marketing activities in the Asian region.

Against the backdrop of global economic recession, Mitsui Chemicals focuses on emergency measures that address earnings issues. In the medium to long term, however, Mitsui Chemicals is aiming to enhance corporate value based on the Corporate Vision set out in the Grand Design.

Grand Design

The Mitsui Chemicals Group formulated a Grand Design, which lays out the Group's corporate growth targets for the next 10 to 15 years.

Management Target

Our Corporate Mission

The Mitsui Chemicals Group is "to contribute broadly to society by providing high-quality products and services to customers through innovations and creation of materials, while keeping in harmony with the global environment."

Our Corporate Target

We established the following target: "Chemistry, Innovation, Dreams."

The Mitsui Chemicals Group is constantly pursuing innovation and materializing dreams with the wonder of chemistry.

Business Plan

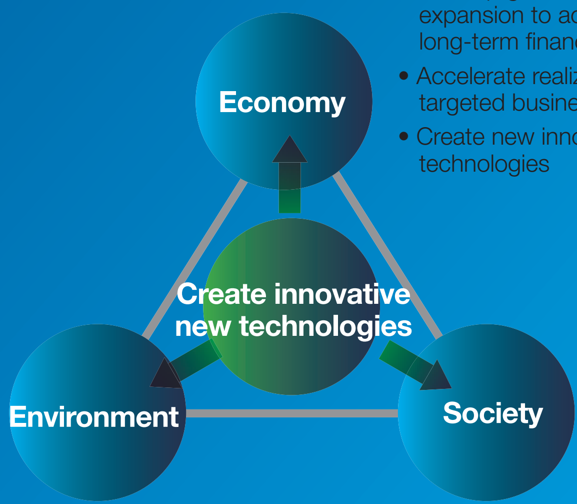
We started the 4-year Mid-term Business Plan in fiscal 2008. We face the challenge of "Creating New Value" through the creation of innovative new technologies and the establishment of three-pronged management focused on the economy, the environment and society.

Grand Design

The 2008 Medium-term Business Plan

Complete 3-dimensional strategy consisting of economy, environment and society • Create innovative new technologies

- Gear up growth and expansion to achieve long-term financial goals
- Accelerate realization of targeted business goals
- Create new innovative technologies



- Development of technologies utilizing non-fossil resources
- Constrain of increase in GHG basic unit

- Achieve world top class safety level
- Eradicate violation against laws and regulations
- Raise awareness for safety group-widely
- Establish best-suit framework to realize labor safety

Corporate Governance

Basic Philosophy

As a key management issue, Mitsui Chemicals places the highest priority on enhancing corporate governance in order to retain the trust of shareholders and to fulfill its social responsibilities as a company. Accordingly, we ensure compliance with relevant laws and regulations and work continually to improve management transparency. As illustrated in the diagram below, Mitsui Chemicals has established a system that ensures that major decisions are implemented only after thorough discussion and examination by relevant committees and that all such decisions are compliant with relevant laws and Company regulations. Overseen by the Internal Control Division and the Risk & Compliance Committee, our internal control system emphasizes the corporate auditor function. Moreover, to enhance the effectiveness of corporate governance, we actively promote investor relations and public relations activities involving the disclosure of information to shareholders, investors, analysts, the media and others.

Composition and Management of the Board of Directors

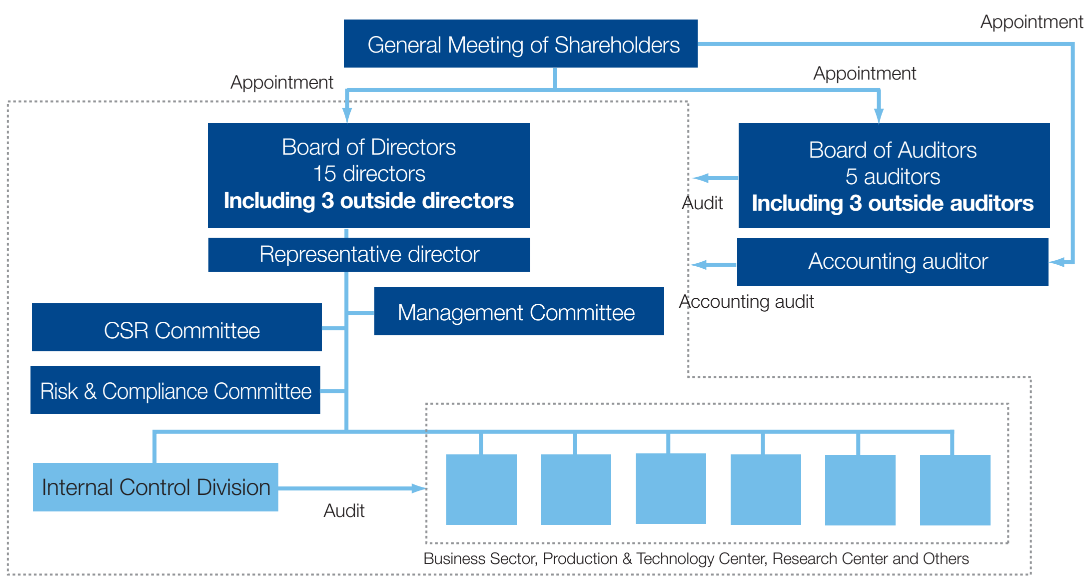
Chaired by the President and CEO, Mitsui Chemicals maintains a Board of Directors that comprises 15 directors as of June,24,2009.

In addition to its monthly ordinary meetings, the Board of Directors holds extraordinary meetings on an as-required basis. A total of 12 meetings were held during the fiscal year ended March 31, 2009.

Three outside executives are appointed to the Board of Directors with the aim of enhancing transparency and objectivity. This initiative also serves to strengthen the Board's ability to adequately monitor directors in their execution of business. To the extent possible, directors are required to attend Board meetings, at which they collectively reach decisions regarding major matters touching on management and oversee individual directors' execution of duties. With members boasting diverse backgrounds and experience in such areas as the legal profession, academia and finance, Board of Directors' meetings provide a forum for lively discussion and debate broadly based on the perspectives of governance and compliance.

In order to clarify the division of responsibilities between management oversight and business execution, Mitsui Chemicals has adopted an executive officer system. This system helps to accelerate the management decision-making process, facilitates the smooth and timely business execution of each division and further strengthens and enhances the Company's management structure and systems.

Corporate Governance Diagram



Auditing System

Mitsui Chemicals has established a Board of Auditors comprising five corporate auditors, three of whom are appointed from outside the Group. In order to carry out their audit function, corporate auditors exchange opinions about the yearly audit plan and audit results with the accounting auditor and the Internal Control Division while pursuing mutual coordination with respect to other pertinent matters. In the context of the Group's corporate governance and decision-making processes, corporate auditors attend various important internal meetings and regularly exchange opinions with the president and other members of senior management. With representatives from the corporate, legal and administrative sectors, the Board of Auditors provide a wealth of wide-ranging expertise and knowledge while enforcing the objectivity of the Group's audit process.

Complementing the aforementioned corporate auditor and internal audit systems, Mitsui Chemicals' accounting audit is conducted independently by certified public accountants Mari Sono, Kanji Tamitsu, Shuji Sudo and Shigeyuki Kano of Ernst & Young ShinNihon LLC. Both on an individual and board basis, corporate auditors frequently communicate and exchange opinions with the accounting auditor. Through mutual collaboration, all concerned parties endeavor to enhance the accounting audit function.

The Internal Control Division

Mitsui Chemicals established the Internal Control Division as an internal auditing unit responsible for auditing the accounting practices and business operations of the Mitsui Chemicals Group, including Group companies, based on annual audit plans deliberated and decided on in advance by the Management Committee. The principal role of the Internal Control Division is to ensure that the Group adheres strictly to all laws and regulations, and audit results are reported to the Management Committee. In addition to evaluating the effectiveness of the Group's financial reporting procedures and capabilities, as prescribed under the Financial Instruments and Exchange Law, the Internal Control Division provides instructional advice and guidance on an as-required basis to secure steady improvements in the adequacy and efficiency of business operations in individual divisions.

The Mitsui Chemicals Group's internal control systems as they relate to financial reporting have been deemed effective as of March 31, 2009.

Risk & Compliance Management

Risk Management System Basic Policy

The Mitsui Chemicals Group is committed to thoroughly managing threats to its business activities in the form of risk, including that related to accidents, fire, market trends, business strategies and efforts to fulfill its social responsibility. The Risk & Compliance Committee, headed by the board director responsible for risk management, was established to review the Group's risk management policy as well as maintain and operate its risk management system in accordance with established risk management regulations.

Mitsui Chemicals' basic risk management philosophy emphasizes early discovery as the principal means of preventing the materialization of risks. To this end, the Company introduced a Plan, Do, Check and Action cycle pertaining to risk management in line operations, for which the president bears ultimate responsibility. Mitsui Chemicals is boosting its readiness to prevent risk across the entire Group, including at subsidiaries and affiliates.

As an adjunct to the aforementioned initiatives, the Company has established a risk hotline to facilitate the prompt reporting of identified risk. Employees who uncover potential internal illegal activities can report their suspicions to and consult directly with the Risk & Compliance Committee or an outside attorney. In accordance with the Group's internal rules and regulations, employees are assured that any consultation or report of a compliance violation will not result in their suffering adverse repercussions or penalties. In the fiscal year ended March 31, 2009, Mitsui Chemicals received 16 reports and requests for consultation.

Business Continuity Plan

Mitsui Chemicals has formulated a business continuity plan (BCP*) to go into effect in the event of a major earthquake in the Tokyo metropolitan area. The plan calls for the creation of an emergency headquarters to quickly establish a command and control structure in the event head office functions become paralyzed as well as emergency customer response centers to provide prompt and appropriate support to the Group's customers. In addition, BCPs have been created for coping with outbreaks of new strains of influenza and large-scale accidents anywhere within the Group's plant network.

*: Business Continuity Plan (BCP): A practical plan for how an organiza tion will minimize the decrease in business activity levels as well as recover and restore partially or completely interrupted critical functions within a predetermined time after a disaster or extended disruption.

Compliance

The complete awareness, understanding and appreciation of compliance of every employee are necessary and essential to a sound compliance structure and system. This includes full knowledge of the laws and regulations that must be observed. In its efforts to promote compliance throughout the Group, Mitsui Chemicals utilizes four broad tools: awareness-raising training to increase compliance awareness; workplace discussions encompassing case studies of various statutory and regulatory violations; training on the observance of laws and regulations to advance compliance knowledge; and a compliance handbook, which employees can refer to at any time.

Training on the Observance of Laws and Regulations

The Mitsui Chemicals Group conducts training on statutory and regulatory compliance in an effort to improve employee knowledge of compliance matters. Training courses are currently divided into 15 subjects, each dealing with a specific law that is vital for employees in the conduct of their business activities. Of the aforementioned 15 subjects, e-learning classes have been created for 14 subjects.

The subjects that employees must study are determined by individual duties. In order to ensure that employees keep abreast of the latest information and requirements, refresher courses must be taken every three years. As of fiscal 2009, a cumulative total of 29,000 employees had completed the relevant training requirements.

Promoting Compliance through Guidebook Distribution

In 2003, the Mitsui Chemicals Group published a compliance guidebook containing important information on how to better observe compliance. In an effort to boost awareness and understanding, updated editions in both Japanese and English were published in 2006 and distributed to all Group employees. In addition to the existing Japanese and English editions, a Chinese-language guidebook encompassing relevant Chinese laws and regulations was published in 2009 and distributed to the employees of local subsidiaries in China.

Through published materials, the Mitsui Chemicals Group strives to continuously promote compliance.

Takeover Defense Measures

Following the ordinary general meeting of shareholders held on June 26, 2007, Mitsui Chemicals adopted countermeasures against the large-scale acquisition of its shares effective for a period of three years.

Mitsui Chemicals believes that the composition of its shareholders should be determined through free market transactions and that the final decision of whether to accept or reject a large-scale acquisition of the Company's shares that would result in a transfer of control should be based on the will of all shareholders.

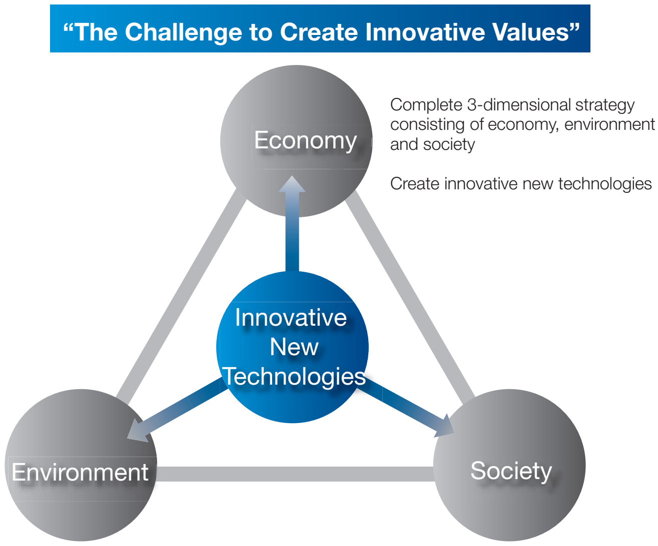
Therefore, Mitsui Chemicals has adopted certain countermeasures to ensure that when deciding whether or not to approve a large-scale acquisition of the Company's shares, shareholders are provided with sufficient information and time necessary to make an informed decision and to prevent actions antithetical to the interests of shareholders.

For detailed information, please refer to the Company's website: http://www.mitsuichem.com/ir/pdf/070403e.pdf

R&D Sustaining "CSR through Our Main Businesses"

Based on the Grand Design, the Mitsui Chemicals Group's basic management framework, as well its 2008 Medium-Term Business Plan, Mitsui Chemicals has adopted a balanced approach to management that focuses on the three dimensions of Economy (economic growth), the Environment (harmony with the global environment) and Society (harmony with society). Broadly contributing to society through our main businesses is a concept that we have positioned at the foundation of our CSR efforts. To this end, Mitsui Chemicals believes it is absolutely vital to create innovative new technologies, and is taking up the challenge to create innovative values.

Basic Concept of the 08 MTP



Direction of R&D

Mitsui Chemicals develops technologies and materials in harmony with the environment while maintaining a competitive advantage in its three business sectors: Performance Materials, Advanced Chemicals and Basic Chemicals. In addition to obtaining and maintaining superior levels of R&D competitiveness to drive forward the growth and expansion of the Mitsui Chemicals Group, we aim to vigorously address such themes as global warming, the conservation of fossil fuel resources and other issues that will be of global importance over the next 10 to 15 years by creating innovative new technologies that harmonize with the global environment.

Creation of Innovative New Technologies

Economy
- Strengthening of functional polymers portfolio
- Development of innovative processes for olefin and aroma products

Environment
Development of technologies to utilize non-fossil resources
- Development of bio-based polyurethane
- Development of bio-olefins derived from inedible resources

Technologies to reduce greenhouse gas
- Development technologies for chemical fixation of CO_2

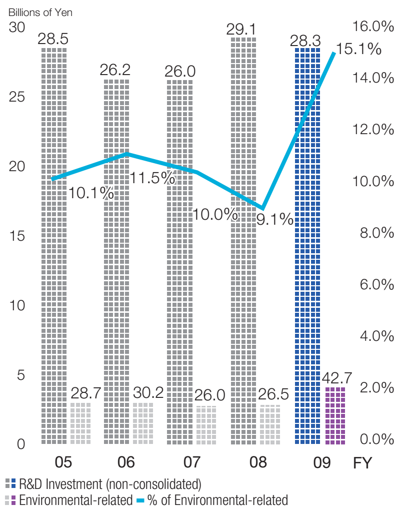
Society
- Development of innovative, highly safe processes

Investment in Environmental Technologies as an Opportunity for Growth

Increasing interest in environmental preservation has made environmental technologies a growth area. Mitsui Chemicals has therefore set management targets that include objectives related to environmental performance. We aim to be actively involved in addressing environmental issues, rather than just viewing such issues as constraints on economic progress. Under the 2008 Medium-Term Business Plan, emphasizing the importance of positioning environmental technologies as a future pillar of growth, we have devoted 15% of R&D investment* to the development of environment-related technologies, an increase of 6 percentage points compared with the same period last year. Moreover, regarding corporate research, we are concentrating on the development of next-generation environmental technologies, doubling the investment to 30% from the same period a year ago.

*Non-consolidated

R&D Investment



Case Study 1

Ensuring Clean Technology that Reduces Greenhouse Gases

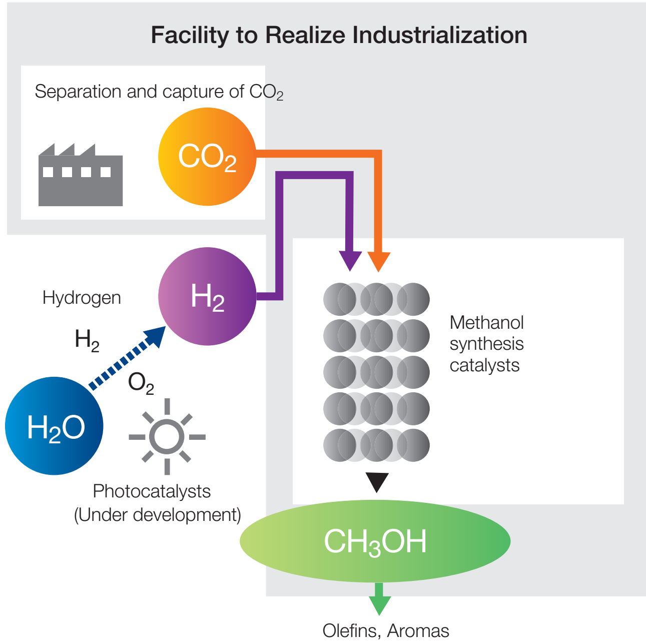
MCI Osaka Works is the Site of the Successful Synthesis of Methanol using CO_2 as a Raw Material

In anticipation of a shift away from oil to other resources as raw materials for chemical products, at Mitsui Chemicals we are advancing research into catalysis science. From 1990 to 1999, the Company took part in the "Chemical CO_2 fixation Project," an initiative launched by the Research Institute of Innovative Technology for the Earth (RITE), and since then has continued to develop catalysts that synthesize methanol from CO_2 and hydrogen.

Methanol is normally created from carbon monoxide (CO) and hydrogen. The manufacture of methanol from CO_2, on the other hand, is made problematic due to this molecule's high stability and low reactive properties.

Now, at a pilot facility located at the MCI Osaka Works, we have achieved the world's first successful synthesis of methanol using CO_2 as a raw material. As methanol is a raw material for an array of chemical products, current annual production of this substance amounts to 40 million tons worldwide. If the raw material for methanol were changed to CO_2, it is conceivable that an enormous amount of CO_2 could be turned into a resource, thus contributing to reduction of greenhouse gases.

CO_2 Fixation Chart



Comment from Pilot Facility Engineer

Our pilot facility has the capacity to produce approximately 100 tons of methanol per year. In addition to confirming the ability to withstand catalyst operations , we accumulated the design data required to put a manufacturing plant into full operation in trials. Together with the entire Group, Mitsui Chemicals emits 5.14 million tons of CO_2 every year. However, if this manufacturing method were to be fully utilized, not only would CO_2 emissions balance out at zero, we would generate 3.7 million tons of methanol every year.

Toshihiro Takai Unit Leader, Process Unit Process Technology Center, Production & Technology Center

Case Study 2

Making Plastic from Non-Petroleum Materials

Utilizing Inedible Castor Oil* for Plant-Derived Polyurethane

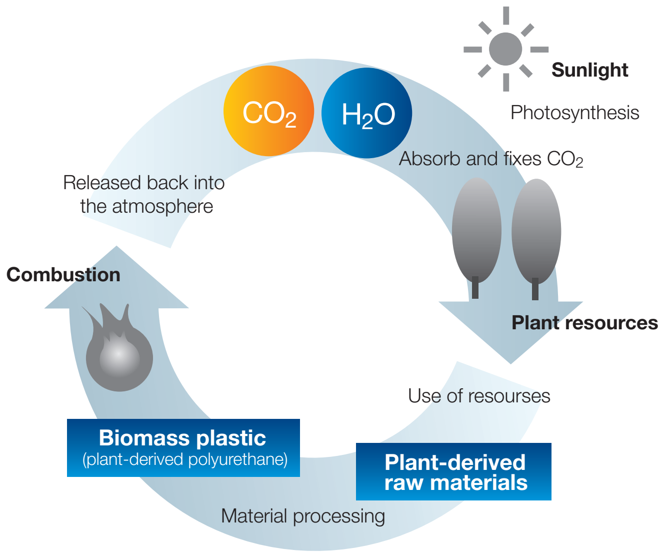
Aiming to bring about a “Copernican Revolution” in plastics manufacturing by replacing petroleum with non-petroleum materials, Mitsui Chemicals has succeeded in the development of polyurethane derived from inedible castor oil.

Plant-derived polyurethane is a type of “biomass plastic.” Biomass plastics are made from plants that have absorbed CO_2 from the atmosphere. When they are incinerated for thermal recycling they emit only as much CO_2 as they have absorbed; therefore, they do not increase the CO_2 concentration in the atmosphere. This is called “carbon neutral”. Isocyanate and polyol are the major raw materials of polyurethane. Mitsui Chemicals has been able to utilize inedible castor oil for polyol production, thereby developing a technology that contributes to the realization of carbon-neutral products.

Polyurethane made from plant-derived castor oil-based polyol can be produced at various hardness levels, from flexible foam-like, low-resilience foam pillows and automotive seat cushions to rigid foam-like insulation. Thanks to promotional efforts, this product was adopted for automotive seat cushions in fiscal 2010. Mitsui Chemicals will continue to promote technological innovation aimed at wider product applications in pursuit of economic competitiveness.

*Castor oil: Oil from the seeds of the castor plant (Ricinus communis), which is in the spurge family (Euphorbiaceae).

The “Carbon Neutral” Approach



The amount of CO_2 that is fixed during cultivation is the same as the amount of CO_2 that is released when the vegetable matter is incinerated. For this reason, the level of carbon moving in either direction is considered to be zero.

Pursuing Further Technological Innovation

The current plant-derived polyurethane replaces only polyol with a non-petroleum-derived material. Mitsui Chemicals will achieve 100% petroleum-free polyurethane when it develops a plant-derived substitute material for isocyanate. Therefore, Mitsui Chemicals is working full out to develop 100% plant-derived polyurethane.

Polyurethane Foam Made from “Inedible” Castor Oil

Plant-derived polyurethane developed by Mitsui Chemicals uses as its raw material inedible oil from castor seeds, which can be grown with little or no impact on food production, and thus helps to address issues related to food.

On the far left are castor seeds used as raw materials. To the right, castor oil is processed and refined into ricinoleic acid, which is used to make castor oil-based polyol, shown on the far right.

Two types of polyurethane foam with different level of hardness, which are made from castor oil.

Case Study 3

Innovating the Chemical Manufacturing Process with Biocatalyst Technology

Practical Application of "Next-Generation Fermentation"—Development of Biocatalysts for Manufacturing Useful Chemicals

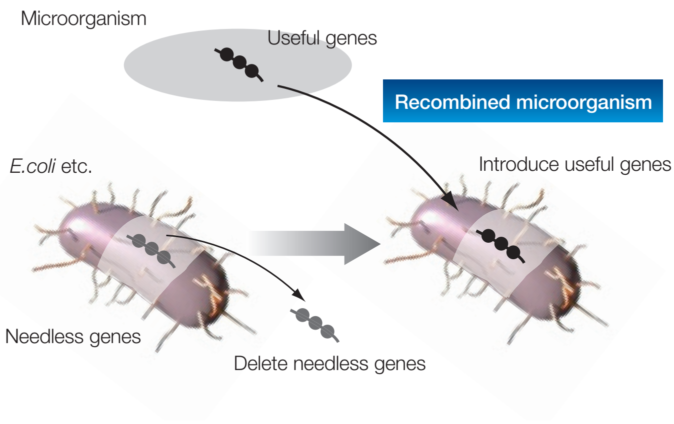
Mitsui Chemicals positively engages in the development of technologies for utilizing non-fossil resources through the application of biocatalyst technology. In particular, fermentation technologies offer highly promising ways of converting non-fossil materials into chemicals using sugars, including glucose, as raw materials. Owing to the recent advance in gene-recombination technologies, it is now possible to produce certain chemicals that once could not be created by conventional fermentation methods. The new methodology is called next-generation fermentation.

Currently, Mitsui Chemicals' Catalysis Science Laboratory is developing an innovative manufacturing technology for useful chemicals using next-generation fermentation. The process includes the isolation of useful genes from a microorganism that produces a target compound, and introduction of these genes into another microorganism, such as *E. coli*, which can be widely used on an industrial scale. Subsequently, unnecessary genes involved in the production of unwanted byproducts will be removed to create an ideal recombinant microorganism. The new microorganism, or a biocatalyst, can be used to manufacture useful chemicals.

The practical application of biocatalysts for manufacturing useful chemicals will enable the commercialization of propylene derivatives, phenols and polylactate derived from inedible biomass materials such as wood. This would revolutionize the conventional chemical manufacturing process. At the end of April 2009, the Company completed the construction of a medium-scale testing facility in Mobara, Chiba Prefecture, and commenced testing of fermentative production using a biocatalyst. Working in association with the Process Technology Center, the Company is striving to accelerate the development of both biological catalysts and bioprocesses, with the aim of realizing the earliest possible practical application.

Mitsui Chemicals' Biocatalyst Technology

This is only an image of a microorganism.



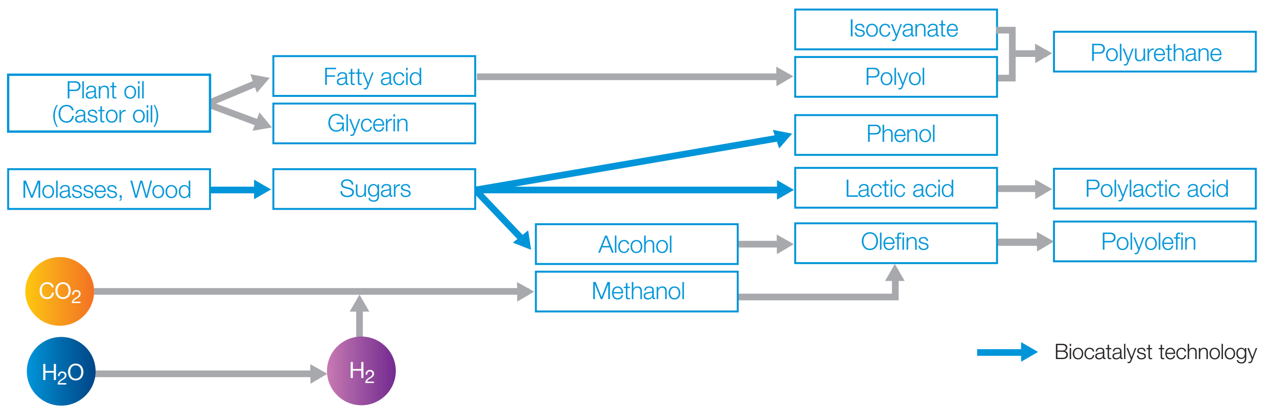
Mitsui Chemicals' Advantage in Biocatalyst Development Technology

Mitsui Chemicals possesses *E. coli* that can be used to efficiently and selectively produce such chemicals as isopropyl alcohol (a raw material of propylene) and L-/D-lactic acids (a raw material of polylactic acid), boasting a world-class record in this area. With regard to D-lactic acid, for example, our biocatalyst has a five times higher productivity than the wild type *E. coli*, while its production of byproducts is one sixtieth of that of the wild-type level.

This achievement is attributable to the Company's competitive edge: its high gene recombination technology. Based on this technology, Mitsui Chemicals has developed technologies for introducing useful genes and deleting unnecessary genes, technologies that are 100 times more efficient than the technologies possessed by our competitors.

In short, the development of biocatalysts by Mitsui Chemicals has led to the possibility of manufacturing many useful chemicals that can be used now and in the future.

R&D Direction Regarding Environmental Concerns —Utilization of Inedible Resources —



Global Science Network Accelerates R&D Activities

Human Resources Management for Mitsui Chemicals' R&D

With the establishment of the Human Resources Management Policy, the Mitsui Chemicals Group is taking action under two policies, namely, "toward the sustainable growth of the Group" and "toward the happiness and self-fulfillment of employees." Fundamental to Mitsui Chemicals' way of thinking is the importance of treating its people well, an approach that enables the Company and its employees to stimulate and help each other to improve.

In its R&D activities, the Mitsui Chemicals Group actively promotes the dispatching of its researchers to major universities both in Japan and overseas for the purpose of conducting joint research projects. In addition, the Research Fellow System supports those who have advanced knowledge and techniques while also providing a goal for other researchers aiming to become R&D specialists. The Group is also keen to provide professional technological training as well as educational programs focusing on marketing and intellectual property. In this manner, the Mitsui Chemicals Group places particular emphasis on efforts to both nurture and effectively utilize R&D personnel.

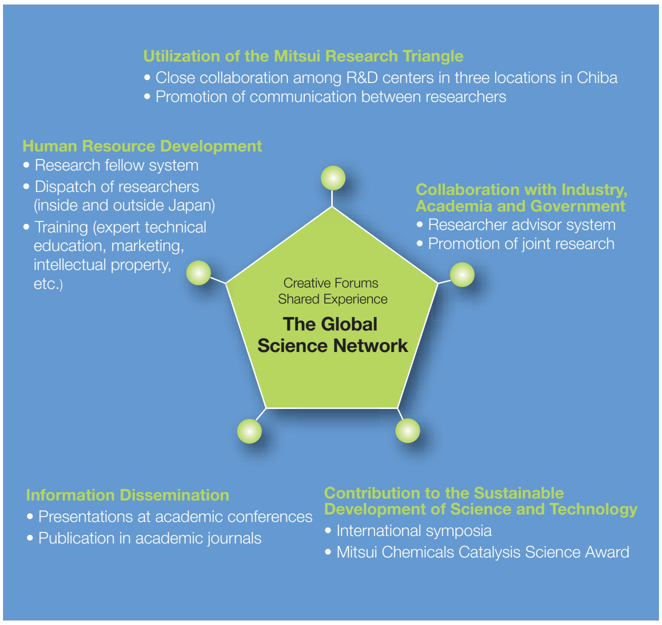
Mitsui Chemicals takes great pride in its Sodegaura Center, which, with over 1,200 researchers and engineers from Mitsui Chemicals and its Group companies, is the largest domestic R&D facility operated by a Japanese chemical company. This is a venue for "creative collaboration" and "experience sharing" where researchers from diverse backgrounds and with different approaches actively exchange opinions and ideas. The Sodegaura Center also serves as a venue for nurturing R&D personnel and for creating innovative new technologies and new materials.

Making Effective Use of the Global Science Network

Against a backdrop of rapid development of globalization, the Mitsui Chemicals Group makes across-the-board efforts to acquire and develop human resources who can leverage their capabilities in the global market. By doing so, the Group is striving to secure its competitive edge.

Apart from the internship and scholarship systems, the Mitsui Chemicals Group particularly emphasizes special R&D initiatives. The Group, for example, is building a "Global Science Network" that includes leading researchers from around the world in an effort to expand its knowledge base.

In addition, many young researchers and students attend various international symposia involving leading scientists, including Nobel Prize Laureates. Accordingly, such symposia have become the venue to foster scientists of the future as well as for providing a means to experience the magnificence of science in more detail.



Development of a Comfortable Workplace

With the recognition of the growing importance of employees' "work-life balance" to its business foundations, Mitsui Chemicals has developed a comfortable working environment by providing various programs ranging from child and family care. These include shorter working hours, leave to care for sick or elderly relatives at home, subsidies for babysitting and home-care services and housing and leisure support. The Company has participated in the Work-Life Balance Project of the Ministry of Health, Labour and Welfare as a model company since fiscal 2008, and cooperated in the setting of specific measures to "create a working environment that facilitates a balance between childcare/family care and work" and "support efforts to create a time for relaxation."

Bringing Together the World’s Top Specialists in Catalysis Science

The Mitsui Chemicals International Symposium on Catalysis Science

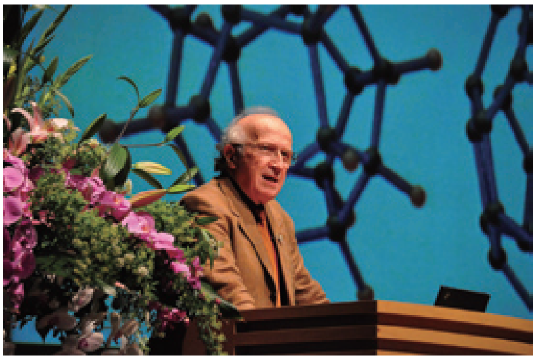
In March 2009, the Fourth Mitsui Chemicals International Symposium on Catalysis Science (MICS2009) was held. With the aim of “contributing broadly to society through innovations and the creation of materials while keeping in harmony with the global environment,” together with the aim of furthering the development of catalysis science, Mitsui Chemicals has been organizing the Mitsui Chemicals International Symposium on Catalysis Science (MICS) since 2003. The themes of the first, second and third symposia were “Advanced Catalysts for Polymers,” “Green Catalysts for Specialty Chemicals” and “Polymerization Catalysis–Current Status and Future Prospects.” At each symposium, world famous scientists in the field of catalysis science were invited to deliver lectures, after which they engaged in lively discussions with enthusiastic symposium participants.

The Fourth Mitsui Chemicals International Symposium (MICS2009), under the theme of “Catalysis Science and Its Contribution to Future Human Development,” discussed the current status and future prospects of catalysis science, which plays a key role in resolving issues encompassing the environment, energy and preservation of precious resources in the 21st century as well the sustainable development of future mankind.

On the first day, the Nobel Prize Laureate in Chemistry for 1981, Professor Roald Hoffmann of Cornell University, delivered a plenary lecture.

The symposium was held free of charge and was attended by 1,600 people from around the world. Of particular note were the more than 300 students who attended and who will be the scientists of the future. Mitsui Chemicals intends to continue hosting the International Symposium as a forum for an extensive as well as an intensive interchange of opinions among researchers worldwide for the purpose of building upon existing knowledge.


Kazusa Academia Hall (Kisarazu, Chiba Prefecture)


Professor Roald Hoffmann (Cornell University, U.S.A.)


Professor Henri B. Kagan (Universite Paris-Sud.)

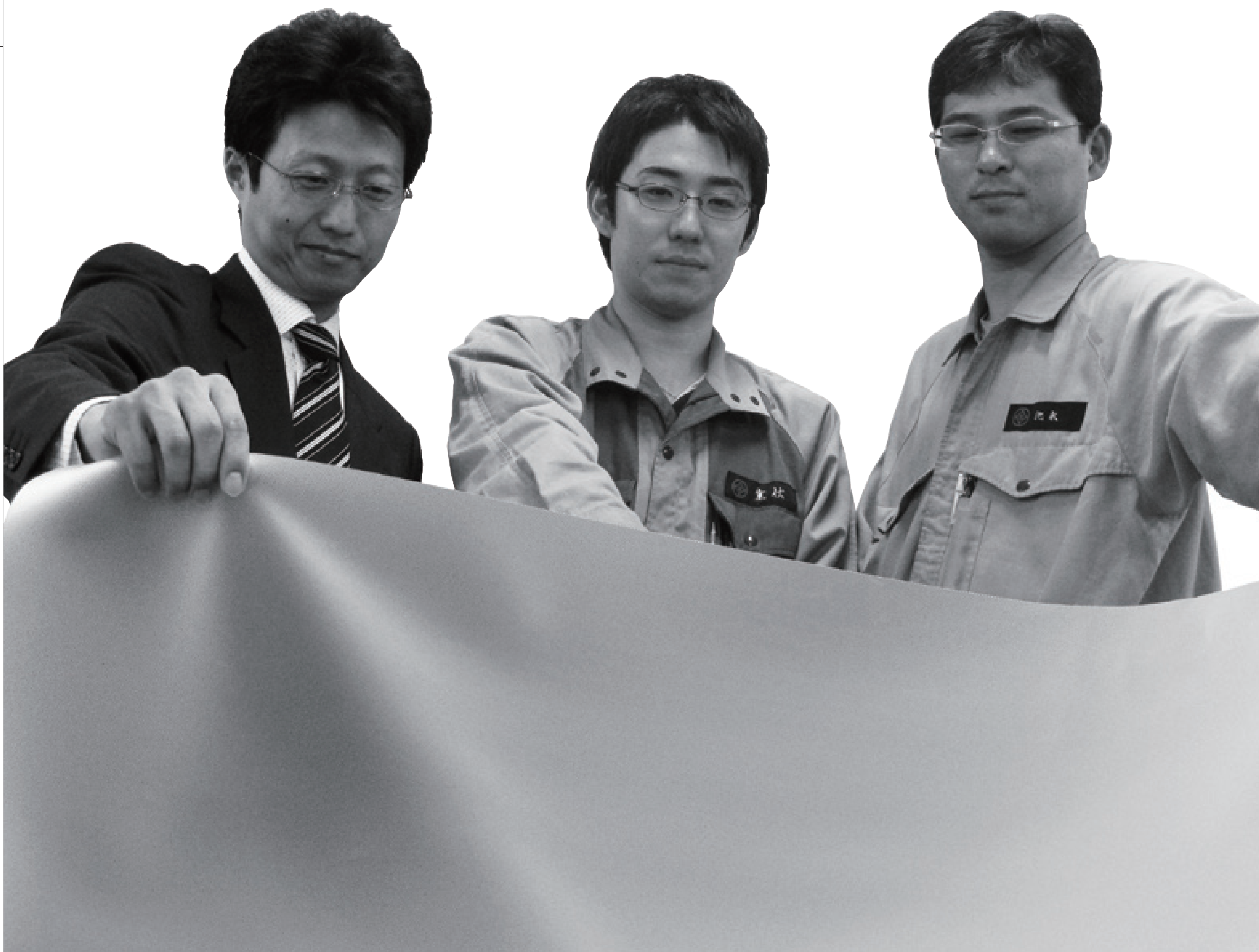
Professor Hoffmann’s Achievements

Professor Roald Hoffmann, a theoretical chemist, has taught his colleagues how to think about the electrons influencing molecular structure and reactivity. He has developed approximate methods for calculating electronic structure and introduced new ways of thinking about electrons in molecules that have led to a better understanding of stereoselectivity in organic chemical reactions (The Woodward-Hoffmann rules). He was awarded the 1981 Nobel Prize in Chemistry jointly with Dr. Ken-ichi Fukui “for their theories, developed independently, concerning the course of chemical reactions.” He is not only a chemist but also a writer of poems, plays and nonfiction, often related to science, but reaching a general audience.

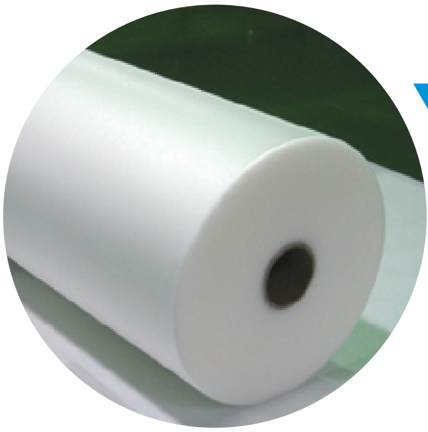
Prof. Hoffmann kindly lectured at MICS2009 under the title “Chemistry's Essential Tensions: Different Ways of Looking at a Science," a theme that focused on chemistry and its relationship with history, culture and art.

Growing

Performance materials Business Sector positions the burgeoning energy sector as a key market and is striving to reinforce the foundations of its solar cell-related business, with the aim of achieving ¥20 billion in sales in fiscal 2012.

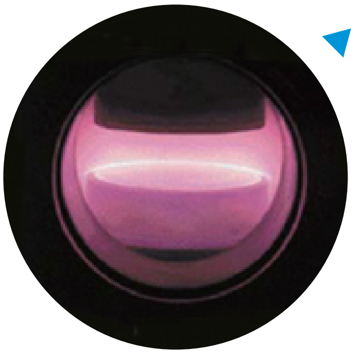


Expanding Business for Photovoltaic and Secondary Battery-Related Materials



Establishment of Solar Cell Battery Components Development Dept. —Demonstrating Our Collective Strength

In August 2008, Mitsui Chemicals set up the Solar Cell & Battery Components Development Dept., which was given the mission of immediately constructing a comprehensive business strategy for Photovoltaic and Secondary battery-related materials and accelerating the development of new products. Having positioned the high-growth renewable energy market as one of its focus areas, Mitsui Chemicals is taking the following steps to expand the energy market's photovoltaic- related business.

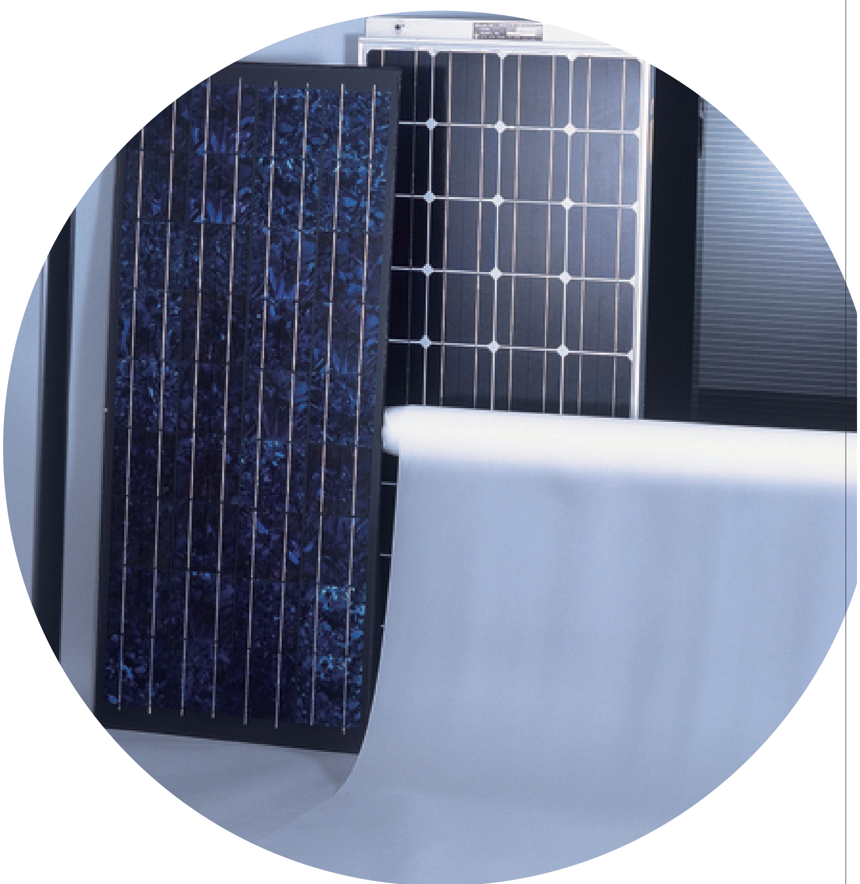


Development of New Manufacturing Process for Monosilane Gas (Joint Development with Tokuyama Corporation)

In collaboration with Tokuyama Corporation, Mitsui Chemicals decided to develop a new manufacturing process for monosilane gas SiH_4 used in the manufacturing process for thin-film photovoltaic, semiconductors and LCD displays. Mitsui Chemicals will install a test plant for the new manufacturing process this fiscal year and is moving ahead to full-scale commercial production in 2012.

Expansion of Production Capacity for Photovoltaic Encapsulating Sheets (Mitsui Chemicals Fabro, Inc.)

Mitsui Chemicals Fabro, Inc., a wholly owned subsidiary of Mitsui Chemicals, Inc., decided to expand production capacity for Photovoltaic encapsulating sheets (SOLAR EVA™). The existing production capacity of 9,000 tons per year will be expanded to 20,000 tons per year, with plans for additional expansion.



Expanding

Advanced Chemicals Business Sector is to be Mitsui Chemicals' "third pillar" by expanding the business scale of prospective growth fields such as, vision care materials, agrochemicals, and catalysts, especially through the aggressive leveraging of business collaboration with other companies.

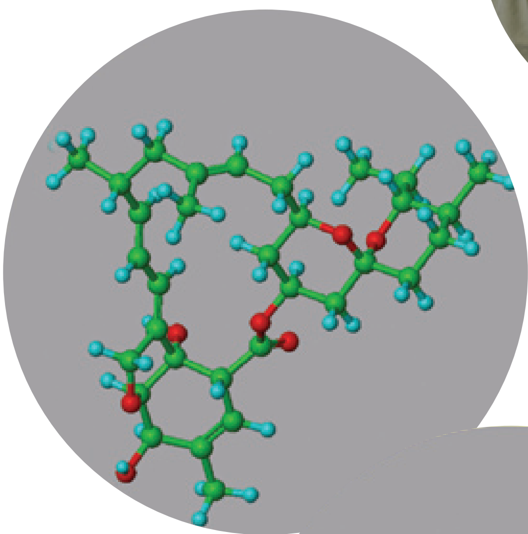
Mitsui Chemicals Agro, Inc.

A Member of the Mitsui Chemicals Group

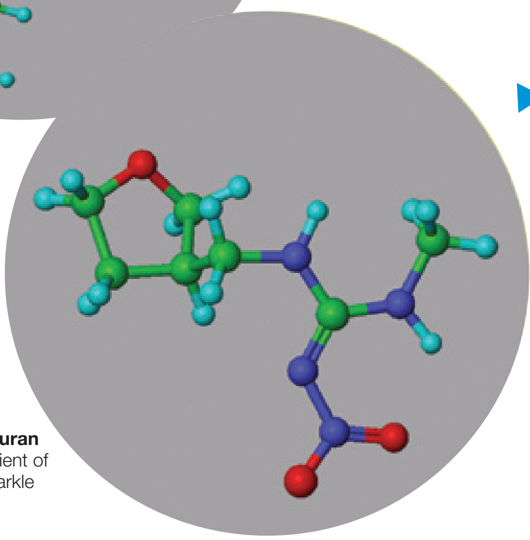
As an integral component of the core advanced chemicals business, Mitsui Chemicals Agro leverages the management resource capabilities it has cultivated in the areas of R&D, technology and sales to create new value as a drug-discovery-oriented company. The company works diligently to provide in a timely manner competitive high-performance agrochemical and non-crop specialty products and services that are superior in terms of safety and function and that exert minor impact on the environment.

Business Strategies

Mitsui Chemicals Agro will take steps to increase its share of the domestic market by strengthening its R&D capabilities, expanding its product lineup and further promoting sales. Overseas, the company will aggressively pursue market development in Europe, North America and Asia, all of which are expected to experience significant increases in demand. Net sales of approximately ¥50.0 billion are forecast in fiscal 2010 with plans to double this figure in 2015 by complementing the above measures with efforts to expand the scale and scope of sales activities through strategic collaboration and tie-ups.



Molecular model of Milbemectin
Milbemectin is an active ingredient of our insecticide/miticide, "Milbeknock™", "Koromite™" and "Matsu guard™"



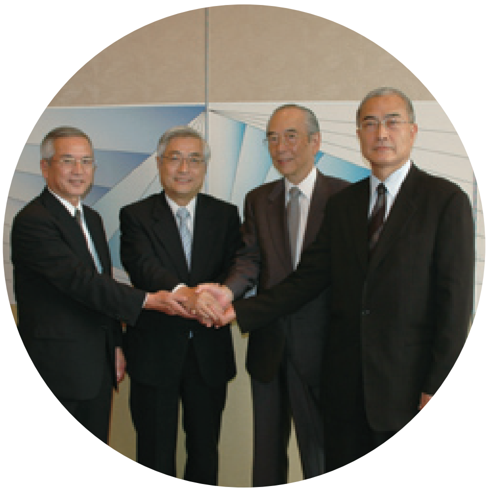
Molecular model of Dinotefuran
Dinotefuran is an active ingredient of our insecticide, "Starkle™," "Starkle mate™" and "Albarin™".

Product Development

Mitsui Chemicals Agro develops active ingredients and formulations for insecticides, fungicides and herbicides. In fiscal 2010, we introduced two new active ingredients. There are now eight chemical compounds in our development pipeline that will be evaluated for usefulness in Japan and abroad. In the current fiscal year, we plan to launch 13 new chemical formulations.

Competitive

Basic Chemicals make up 60% of Mitsui Chemicals' net sales and are a revenue source that the Company counts on. Although fierce competition from the mass influx into Asia of inexpensive ethylene products from the Middle East is expected, we will work to strengthen our international competitiveness by increasing sales of competitive products that are based on our unique technologies, forging more regional partnerships and expanding the number of production sites.



Overseas strategies:

Ensure greater cost-competitiveness through the use of our own unique technologies and fortify and expand businesses in which we hold a competitive edge by increasing the number of production sites in Asia.

1. Leveraging our innovative in-house developed catalysis and process technologies, we will dramatically improve the cost-competitiveness of new plants for producing phnol, bisphenol A and propylene, which are to be constructed in the next period.

2. We will capture growth markets in Asia by building new production sites.

- Phenol/bisphenol A: In addition to the bisphenol A plant that came on stream in Shanghai, through our alliance with Sinopec, we will build a new phenol and second bisphenol A plant in China as well as new phenol and bisphenol A plants in Singapore.
- Polypropylene Compound: In addition to the new production site completed in India, we will expand existing sites in North America, Thailand and China.

Domestic strategies:

Reshuffle our business portfolio with differentiated technologies and design a top-class business petroleum complex by forging regional partnerships with oil refining companies.

1. Shut down plant producing EG, for which competition is intensifying. Utilize surplus ethylene, increase production capacity for metallocene products (Evolue™, m-HDPE and m-PP) and produce 1-hexene internally using our high-performance catalyst developed in-house.

2. Strengthen our cost-competitiveness through regional partnerships that have helped us to obtain the stable procurement of aroma raw materials, to increase the production of propylene that utilizes C_4-fraction by-products, and to use cold LNG energy. Taking this a step further, by working together with Idemitsu Kosan to optimize production of naphtha cracker, refinery equipment and petrochemical products, we will achieve competitiveness as a top-class domestic petroleum complex.

Main Products

Flat panel displays
- **NOTIO™**
(Polyolefin Elastomer Designed by controlled crystal structure on a nano scale)
- **Functional dyes**
- **PRIME POLYPRO™**

Digital cameras
- **PLAPACS™**
(plastic packages for image sensors)

CDs and DVDs
- **Bisphenol A**
(raw material for highly transparent polycarbonate resin)

HDD suspensions
- **NEOFLEX™**
(All polyimide flexible copper clad laminates)

DVD drives
- **APEL™**
(resin used in pickup lenses)

Disposable diapers
- **SYNTEX™**
(nonwoven fabrics for soft diapers)
- **ESPOIR™**
(liquid impermeable and water vapor permeable microporous film)

Drug
- **Taurine**

PET bottles
- **Mitsui PET**
- **PRIME POLYPRO™**

Personal computers
- **LC-STRUCTBOND™**
(liquid crystal sealant)
- **ICROS TAPE™**
(protective tape used when grind a backside of semiconductorwafer)
- **Mitsui MP**
(dust-proof membrane applied on photo mask)
- **OPULENT™**
(release film for the process of manufacturing flexible circuit boards)
- **ARLEN™**
(heat-resistant resin suitable for use with lead-free solder)
- **Nitrogen trifluoride**
(cleaning agent for semiconductor and liquid crystal production equipment)
- **Monosilane**
(raw material for silicon membranes)
- **Bisphenol A**
(raw material for polycarbonate resin of high impact resistance and weather resistance)

Mobile phones
- **NEOFLEX™**
(flexible printed-circuit board materials)
- **PLAPACS™**
(pre-mold plastic package for image sensors that excels in humidity resistance and dimensional accuracy)
- **APEL™**
(materials for compact and highly precise camera lens)
- **OPULENT™**
(release film for printed circuit board)

Lithium battery
- **MiReT™**

Printers
- **Mitsui EPT**
(used in printer paper feeder/discharger rolls)
- **Hi-WAX**
(toner additive)
- **FTR™**
(toner additive)
- **ALMATEX™**
(toner binder resin)
- **Takenate™**
(Casting prepolymer)
- **Hipren™**
(Casting prepolymer)
- **AURUM™**
(thermoplastic polyimide)

Newspaper and corrugated cardboard
- **Acrylamide**
(raw material for paper reinforcing agent)
- **BONRON™**
(paper processing resin)

Sneakers
- **TAFMER™**
(midsoles)

Insulator for refrigerators
- **Cosmonate™**
(TDI)
- **Actcol™**
(PPG)

Tea bags
- **SWP™**
(heat-seal type tea bags)

Polyester fibers
- **Purified terephthalic acid**
- **Ethylene glycol**
(polyester fiber feedstock)

Detergent and food packages
- **HI-ZEX™**
- **ULTZEX™**
- **EVOLUE™**
- **PRIME POLYPRO™**
- **MIRASON™**

Termicide
- **Mikeblock™**
- **Vermitol™**
- **Lenatop™**

Food packages
- **ADMER™**
(adhesive for resins of different properties)
- **CHEMIPEARL™**
(adhesive for resins of different properties)
- **TPX™**
(methylpentenecopolymer)
- **Mitsui HI-WRAP**
- **Takenate™**
(Main components for packing adhesives)
- **Takelac™**
(Main components for Packing adhesives)

Gas pipes
- **Mitsui PE gas pipe system**
(pipes and fittings)

Pipes and fittings for cold/hot water
- **ELMEX™**

Instrument panels
- **MILASTOMER™**
- **Cosmonate™**
(TDI)
- **Actcol™**
(PPG)
- **PRIME POLYPRO™**
- **TAFMER™**

Cushions
- **Cosmonate™**
(TDI)
- **Actcol™**
(PPG)
- **TAFNEL™**
(spunbonded nonwoven polypropylene matting)

Gear oil/ engine oil additive
- **LUCANT™**

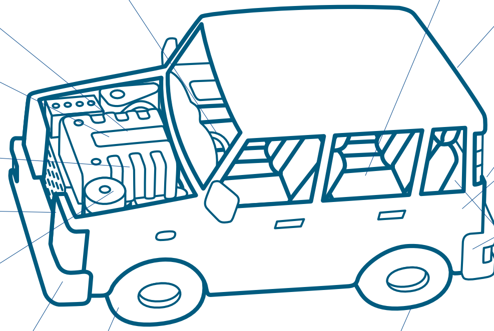
Hoses
- **Mitsui EPT**

Antifreeze
- **Ethylene glycol**

Resin for headlamp lenses
- **Bisphenol A**
(raw material for polycarbonate resin of high transparency and impact resistance)

Battery separator
- **HI-ZEX MILLION™**
(ultrahigh molecularweight polyethylene)

Bumpers
- **PRIME POLYPRO™**
- **TAFMER™**
(material modified with impactresistant resin)
- **UNISTOLE™**
(primer for painting resin)



Mud guard
- **MILASTOMER™**

Tire adhesive
- **Resorcinol**

Rear monitoring cameras
- **PLAPACS™**
(plastic package for image sensors)

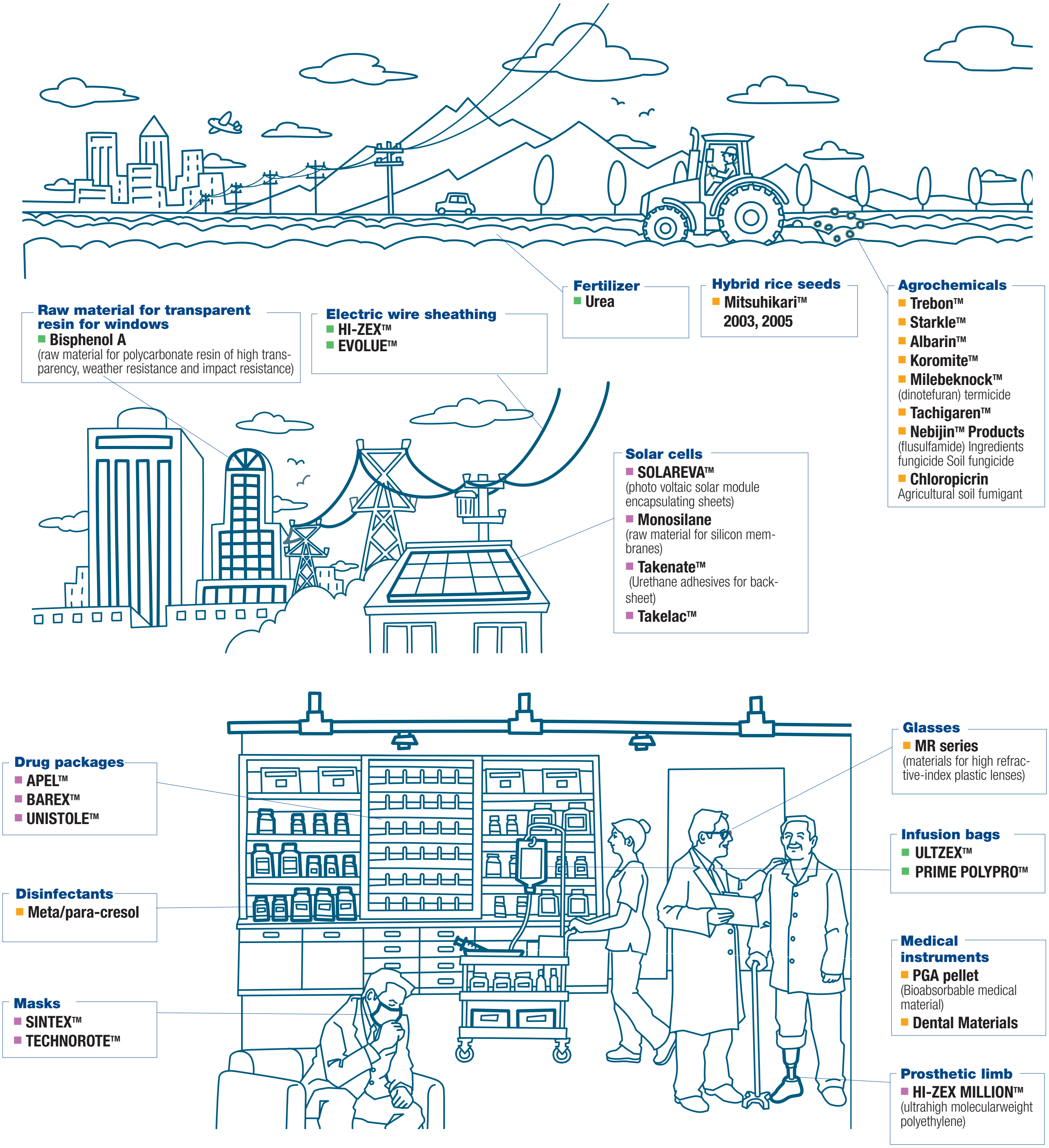
Gasoline tanks
- **HI-ZEX™**
- **ADMER™**

Clear coat paint
- **ALMATEX™**

NOx reducing additive agent diesel-powered vehicles
- **AdBlue*™**
(high-quality aqueous urea)

* Adblue is trademark of Verband der Automobilindustire.

Glass run channel
- **LUBMER™**



The Mitsui Chemicals Group divides its business activities into three segments, offering society a variety of products used in both consumable and durable goods, spanning a broad range of fields, from automobiles, electronics and IT to medical, health-related, agricultural, housing, construction and household products.

Performance Materials

Materials with unique functions from Mitsui Chemicals' original catalyst and polymer technology

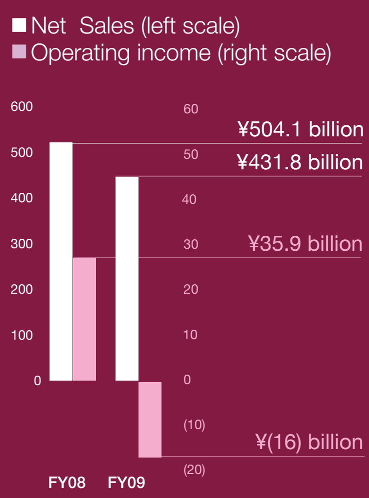
Advanced Chemicals

Performance products from Mitsui Chemicals' organic chemistry and bio-chemistry

Basic Chemicals

A variety of raw materials useful in our daily lives, processed through chemical technologies from petroleum and natural gas

Review of
Operations



> **“Leveraging its global network, focusing mainly on Asia, Mitsui Chemicals strives to secure robust demand by strengthening and expanding its activities in competitively priced, lightweight, environmentally friendly products.”**

Yukio Hara
Business Sector President
Performance Materials Business Sector

Performance Materials Business Sector

MAIN PRODUCTS

- EPT (ethylene-propylene diene terpolymer)
- MILASTOMER™ (thermoplastic olefin elastomer)
- TAFMER™ (alpha-olefin copolymers)
- Polyethylene wax
- Nonwoven fabrics for hygiene materials and breathable films
- TPX™ (methylpentene copolymers)
- APEL™ (cycloolefin copolymers)
- HI-ZEX MILLION™ (ultra-high molecular weight polyethylene)
- NF3 gas
- ICROS TAPE™ (protective tape for silicon wafer)
- NEOFLEX™ (flexible printed circuit board materials)
- PLAPACS™ (packages for CCD/CMOS image sensors)
- Toner binder resins
- Urethane chemicals (TDI/MDI/PPG)
- Polyurethane
- SOLAR EVA™(photovoltaic solar module encap sulating sheets)

Overview

Automotive and industrial material sales decreased 6% year on year. In the first half of the fiscal year, domestic demand increased. In this sector, steps were taken to cultivate new customers, focusing mainly on Asian markets. These factors were offset, however, by the sharp decline in automotive market demand from early autumn, which contributed to weak results.

Industrial material sales contracted 7% compared with the previous fiscal year. This was again attributable to the abrupt drop in demand from early autumn and countered growth in demand in the first half of the fiscal year for base resins for paint and polyolefin-based waxes.

Hygiene material sales increased 8% compared with the previous fiscal year as demand for non-woven fabrics expanded in East and Southeast Asia, particularly in the Thai and Chinese markets. Special polyolefin and engineering plastics saw a drop in demand mainly for IT-related uses. This led to a year-on-year decline in sales of 19%.

Semiconductor material sales were weak falling 24% compared with the previous fiscal year. This was attributable to the downturn in market demand as well as falling prices.

Energy material sales surged 47% year on year on the back of robust demand for solar cell encapsulent materials. Polyurethane sales decreased 27%. In addition to the sudden slowdown in demand for TDI/MDI, this downturn was caused by deterioration in market conditions overseas and appreciation in the value of the yen.

Reflecting the aforementioned factors, segment sales declined ¥72.3 billion compared with the previous fiscal year to ¥431.8 billion, comprising 29% of total sales. The segment recorded an operating loss of ¥16.0 billion, down ¥51.9 billion year on year. Despite efforts to curtail costs, this was attributable to a variety of factors, including hikes in raw material and fuel prices during the first half of the fiscal year, a slump in demand from early autumn and deterioration in market conditions and prices, which resulted in a loss on valuation of inventories.

Tohcello Co., Ltd. Becomes a Wholly Owned Subsidiary of Mitsui Chemicals through a Share Exchange

On April 1, 2009, through a share exchange, Mitsui Chemicals became the parent company of Tohcello Co., Ltd. With this acquisition, the Performance Materials Business Sector strengthened and expanded its functional film sheet business by integrating the process of converting resins to film.

Tohcello views the packaging film business, mainly for domestic food packaging, and the industrial film business, including silicone-coated film and heat-resistant release film, as its two key businesses. The packaging film business provides a continuous profit stream that can be reinvested into the business, while the industrial film business is aimed at increasing revenue through the introduction of new products, especially in new business fields.

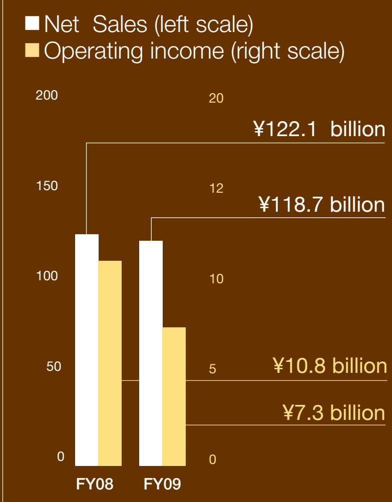
Making Tohcello a wholly owned subsidiary will help both companies reinforce their alliance and further increase corporate value. This initiative will not only help to strengthen product development capabilities and cost-competiveness by ensuring an integrated system from resins to film, but also increase the flexibility and efficiency of management through prompt decision making and shared management strategies while reinforcing business by maximizing the Group's film sheet business synergies centered on Tohcello.

Mitsui Chemicals and Mitsui Chemicals Polyurethanes, Inc. Merge

On April 1, 2009, Mitsui Chemicals and Mitsui Chemicals Polyurethanes, Inc. (MCPU), a wholly owned subsidiary of Mitsui Chemicals, engaged in the polyurethane business, merged.

Under the Performance Materials Business Sector's basic strategy as set out in its 2008 Medium-term Business Plan of "expanding the functional polymer business," Mitsui Chemicals has positioned the polyurethane business—a functional polymer business—as the Company's core business.

To sharpen its competitive edge in the expanding urethane business, Mitsui Chemicals is merging with MCPU so as to expand business scale through the injection of rapid-acting and focused management resources while optimizing synergistic effects.



> “Through strategic collaboration and tie-ups, Mitusi Chemicals is accelerating efforts to foster next generation businesses as well as to expand its activities in each of the vision care, agrochemicals and catalyst domains.”

Kiichi Suzuki
Business Sector President
Advanced Chemicals Business Sector

Advanced Chemicals Business Sector

MAIN PRODUCTS

- Ophthalmic lens materials
- Plastics/glass coating materials
- Pharmaceutical chemicals
- Dental-related materials
- Olefin polymerization catalysts
- Polymerization inhibitors and materials for wood/tire adhesives
- Insecticides
- Fungicides
- Herbicides
- Paddy rice seeds

Overview

Ophthalmic lens materials as well as such healthcare materials as pharmaceutical intermediates showed steady growth. In the fiscal year under review, sales increased 8% year on year.

Chemical products, including polymerization inhibitors and materials for wood/tire adhesives experienced difficult conditions. Despite efforts to revise product prices in the wake of sharp hikes in the prices of raw materials and fuels during the first half of the fiscal year, sales decreased 26% due to a sluggish economy resulting in low demand.

Agrochemical product sales edged up 2% compared with the previous fiscal year. This was mainly attributable to firm sales of insecticides.

As a result, segment sales fell ¥3.4 billion to ¥118.7 billion, accounting for 8% of total sales. Despite growth in sales of insecticides and other products, operating income contracted ¥3.5 billion year on year to ¥7.3 billion. Results were impacted by the sharp rise in raw material and fuel prices during the first half of the fiscal year under review and the sudden slump in demand, mainly for chemical products, from early autumn.

Acquisition of U.S.-Based SDC Technologies, Inc.

As a part of the Group's efforts to open up several promising new areas, including entry into ophthalmic lens coating materials, Mitsui Chemicals acquired all of the outstanding shares of Silvue Technologies Group, Inc., the holding company for SDC Technologies, Inc., which manufactures and sells high-performance coating materials for plastics and non-ferrous metals, in June 2008.

Looking ahead, every effort will be made to strengthen and expand the core Vision Care Material business by leveraging technological synergies inherent in each company's existing activities.

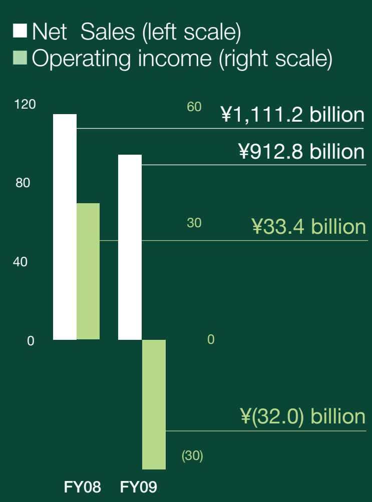
Business and Capital Tie-up with Shofu Inc.

To develop the medical materials business,particularly dental-related materials, into a next-generation core business, Mitsui Chemicals, Sun Medical Co., Ltd. (MCI subsidiary) and Shofu Inc. concluded an agreement for a business and capital tie-up in May 2009.

With the business environment becoming increasingly adverse due to governmental control of medical remuneration and the globalization of markets, the tie-up will fortify each company's business capability by promoting the efficient use of management resources especially in its area of specialization while increasing market presence and raising corporate value.

Agrochemicals Division and Sankyo Agro Co., Ltd. Merge

In March 2007, Mitsui Chemicals acquired Sankyo Agro Co., Ltd. from Sankyo Co., Ltd. (currently Daiichi Sankyo Co., Ltd.). To bolster its standing in the core agrochemicals business, this wholly owned subsidiary was merged with the Company's Agrochemicals Division in April 2009 to form Mitsui Chemicals Agro, Inc. Striving to maximize the synergistic effects of the merger by integrating the former Agrochemicals Division's capabilities in active ingredient discovery, development and manufacturing with the former Sankyo Agro's renowned formulation technology and sales/marketing capabilities, the new company is working to create a comprehensive operational structure that extends from the early discovery of active ingredients to the distribution of end-use products in the agrochemicals market.



> "In the Basic Chemicals Business Sector, Mitsui Chemicals is endeavoring to reinforce its ability to compete in overseas markets by strengthening and enhancing its competitive advantage based on proprietary technologies while launching new businesses built on unique capabilities."

Junichi Nakagawa
Business Sector President
Basic Chemicals Business Sector

Basic Chemicals Business Sector

MAIN PRODUCTS

- Ethylene
- Propylene
- Phenol
- Bisphenol A
- Acetone
- Purified terephthalic acid (PTA)
- PET resins
- Ethylene glycol
- Ethylene oxide
- Polyethylene
- Polypropylene
- Licensing

Overview

Ethylene and propylene production declined 13% and 18%, respectively, year on year due to production adjustments from August 2008 in response to weak derivative demand.

Phenol sales decreased 30% compared with the previous fiscal year. In addition to the drop in demand from early autumn forcing a downward adjustment in production, poor results were attributable to weak sales prices due mainly to the decline in raw material and fuel prices.

Bisphenol A sales decreased 21%. Production was adjusted downward from early autumn, owing to falling demand for polycarbonate and epoxy resins, the principal uses for bisphenol A and sales prices dropped due to lower raw material and fuel prices.

Purified terephthalic acid (PTA) sales decreased 26% compared with the previous fiscal year owing to stagnant demand and the decline in sales prices, which reflected weak raw material and fuel prices.

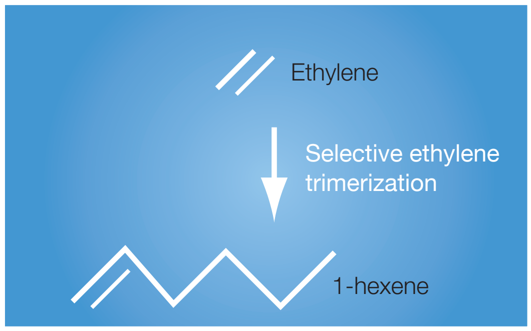
Polyethylene terephthalate (PET) resin sales declined 16% year on year due mainly to the drop in demand in Japan for bottled drinks.

Ethylene glycol, ethylene oxide and derivatives sales were impacted by the slump in demand. Sales of these products fell 23% year on year.

Polyethylene and polypropylene sales decreased 8% and 11%, respectively. Despite product price revisions to accommodate sharp hikes in raw material and fuel prices during the first half of the fiscal year under review, this was attributable to the sudden drop in demand from early autumn.

Taking into consideration the aforementioned factors, segment sales totaled ¥912.8 billion, down ¥198.4 billion year on year. This represented 61% of total sales. In the fiscal year under review, the Mitsui Chemicals Group reported an operating loss of ¥32.0 billion in this segment, down ¥65.4 billion compared with the previous fiscal year. This substantial negative turnaround was the result of lower sales due to the across-the-board drop in demand and the loss on valuation of inventories owing to weak market conditions and prices.

Pursuing High-Value-Added Ethylene Products at Ichihara Works



In preparation for intense competition expected from the massive inflow of ethylene products that use low-priced ethane gas from the Middle East as their raw material, Mitsui Chemicals has stepped up its production of high value-added ethylene products at the Ichihara Works.

1. Closure of the Ichihara Works' EOG Plant

As the business environment for ethylene glycol, the raw material used in polyester fiber and antifreeze, is expected to become extremely adverse due to a drastic increase in plant production capacity in the Middle East and Asia, Mitsui Chemicals decided to close the Ichihara Works' EOG plant (EO: 119,000 tons/annum) in July 2009. The 80,000 tons per year of ethylene used at the Ichihara Works EOG Plant will be diverted to the production of higher value-added products at the new plant following the closure of the production facility.

2. Construction of New Plant for High-Value-Added Products

MCI will construct a new 1-hexene plant at the Ichihara Works. The new plant will have a production capacity of 30,000 tons per year and utilize selective ethylene trimerization based on the Company's proprietary new catalyst technology. With a total investment cost of ¥7.5 billion, plans are in place for construction to commence in November 2009. Scheduled to begin operations in December 2010, the new plant will consume an additional 40,000 tons per year of surplus ethylene.

1-hexene is mainly used as a co-monomer of HAO-LLDPE Evolue™ and HDPE (High-density polyethylene). Global consumption is approximately 650,000 tons per year with a predicted annual growth rate of 6% to 7%. Prime Polymer Co., Ltd. (Prime Polymer) is in the final stage of its plan to increase its Evolue™ production capacity by 60,000 tons per year from the current 240,000 tons to 300,000 tons per year. The planned expansion in capacity will increase the annual consumption of ethylene by 40,000 tons.

China Petroleum & Chemical Corporation (Sinopec Corp.) and Mitsui Chemicals Sign Memorandum Concerning Expansion of Alliance

To further strengthen their alliance and partnership in the petrochemicals field, Sinopec Corp. and Mitsui Chemicals signed a memorandum to this purpose on April 15, 2009. Under the memorandum, both companies mainly agree to study potential alliances in the areas of phenol/acetone, bisphenol A and their derivatives (for example, MIBK), technical exchange and joint R&D, joint ventures in other projects, and engineering services.

In addition to the existing alliance with Sinopec Corp., Mitsui Chemicals will reinforce its foothold in Asia and speed up business expansion in China by strengthening the strategic alliance.

Intellectual Property Strategy

The Intellectual Property Division is dedicated to developing and implementing strategies to achieve "management objectives focusing on the three dimensions of 'economy', 'environment' and 'society'" and “creation of new value with innovative new technologies", the fundamental goals of the Mitsui Chemicals Group's 2008 Medium-term Business Plan.

1. Mission and Goals

Mission:

Increase the total value of the Mitsui Chemicals Group by further developing and capitalizing upon intellectual property.

Goals:

Economy

Contribute to Group-wide business objectives with the comprehensive integration of Group business strategy, R&D strategy and intellectual property strategy.

Environment

Develop intellectual property strategy based on the combination of reduction of GHG emissions and utilizing non-fossil resources.

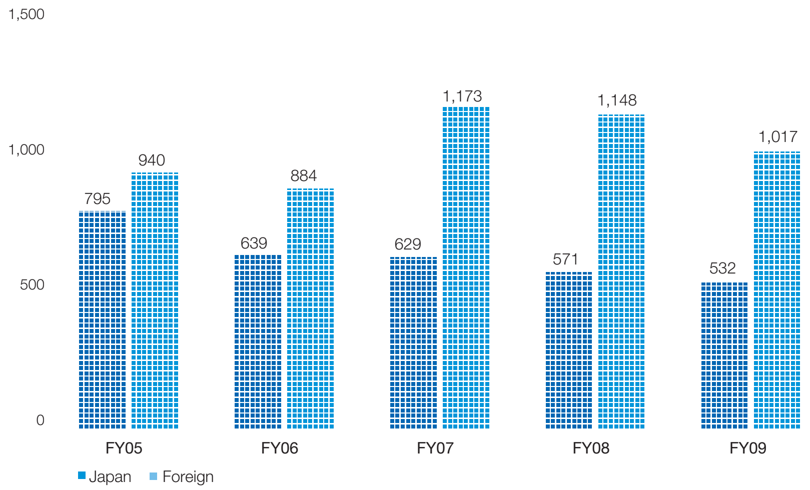
Society

Ensure complete compliance with intellectual property laws.

2. Facilitating Cooperation between Business, R&D and Intellectual Property Divisions

Mitsui Chemicals regards the intellectual properties as a wide range of intangible assets contributing to the business of Mitsui Chemicals, which include not only conventional patents, utility models, designs, trademarks and copyrights, but also employee expertise and a variety of internal information. In order to execute the intellectual property strategy, Intellectual Property Division is subdivided into four units: IP management; Business Support; R&DE Support; and Intelligence & Information Center, which achieve firm cooperative ties for supporting the business strategy and R&D strategy. For the purpose of further enhancing the quality of the intellectual property networks, the Intellectual Property Division constructs and analyzes the intellectual property portfolios that contain various kinds of intellectual properties, as one of the projects under this organizational framework. The Division contributes to boosting the corporate value of Mitsui Chemicals by sharing its intellectual property portfolio with the business and R&D divisions to enhance overall business strategy and R&D strategy.

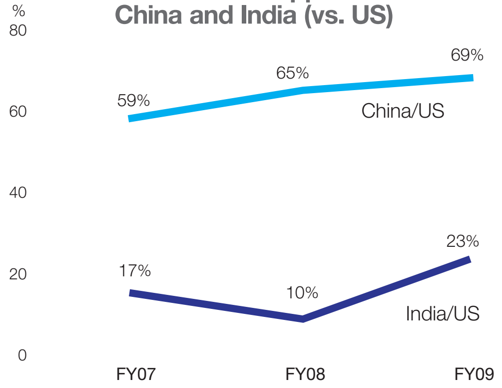
Number of Japanese and Foreign Patent Applications (Non-consolidated)



3. Reinforcing and Expanding Group Intellectual Property Capabilities

Mitsui Chemicals promotes the integration of its intellectual property portfolio with those of its affiliates. Analysis of this intellectual property portfolio contributes to reinforcing and expanding the Group intellectual property capabilities. Additionally, in cooperation with external experts, the Company further enriches its intellectual property education program that is designed appropriately according to each job class and level within the Group, aiming to cultivate human resources with knowledge and skills for managing intellectual properties.

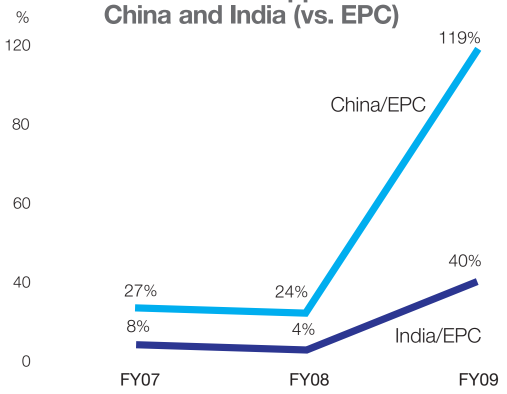
Number of Patent Applications in China and India (vs. US)



4. Developing Intellectual Property Activities in Asia

In recent years, for expanding business operations in Asia, the necessity of the intellectual property risk management and its importance have been increasing. Mitsui Chemicals strives to understand and analyze the status of intellectual properties in each country, then take measures for them appropriately, while reinforcing their risk management by the co-work with its regional holding companies in Asia. In production bases and main consumer countries of Mitsui Chemicals' products in Asia, the Company develops the patent application strategies for every product in each country for securing its intellectual property right.

Number of Patent Applications in China and India (vs. EPC)



*EPC.....European Patent Convention

5. Application of Intellectual Property Licensing

In addition to the Basic Chemicals Business Sector, Mitsui Chemicals aims to promote the licensing of intellectual properties of the Performance Materials Business Sector as a new approach to promoting the Performance Materials Business. By developing the licensing strategy taking into account of the market values of the intellectual properties, the Intellectual Property Division contributes to the further expansion of the Performance Materials Business.

Directors and Auditors

(As of June 24, 2009)

Chairman	**Kenji Fujiyoshi**	
President & CEO	**Toshikazu Tanaka**	
Executive Vice President	**Akihiro Yamaguchi**	[Assistant to the President: Research Center, Internal Control Division] Center Executive, Research Center General Manager, Internal Control Division
	Koichi Sano	[Assistant to the President: Supply Chain Management Center, Finance, Accounting & IR Division] Center Executive, Supply Chain Management Center
Senior Managing Directors	**Kiichi Suzuki**	[Advanced Chemicals Business Sector] Business Sector President, Advanced Chemicals Business Sector
	Hiroshi Tokumaru	[Corporate Social Responsibility Center, CSR Committee] Center Executive, Corporate Social Responsibility Center
	Junichi Nakagawa	[Basic Chemicals Business Sector] Business Sector President, Basic Chemicals Business Sector
	Yoshiyuki Funakoshi	[Production & Technology Center] Center Executive, Production & Technology Center
Managing Directors	**Yukio Hara**	[Performance Materials Business Sector] Business Sector President, Performance Materials Business Sector
	Yasuji Omura	[Corporate Management Center, Branch Offices Mitsui Chemicals America, Mitsui Chemicals Europe, Mitsui Chemicals Asia Pacific, and Mitsui Chemicals Shanghai] Representative in China Center Executive, Corporate Management Center General Manager, Corporate Planning Division, Corporate Management Center
Board Directors	**Shigeru Isayama**	Business Sector Vice President, Performance Materials Business Sector General Manager, Business Planning & Development Division, Performance Materials Business Sector
	Terunori Fujita	Deputy Center Executive, Research Center General Manager, Catalysis Science Laboratory, Research Center
Outside Directors	**Yukio Machida**	**Akemi Ori** **Tetsuji Tanaka**
Corporate Auditors	**Yasuo Takeshita**	**Hidenori Toki**
Outside Auditors	**Isao Ijuin**	**Hisao Muramoto** **Hideharu Kadowaki**

Financial Section

Selected Consolidated
Financial and Operating Data

Years ended March 31

(Millions of yen except per share amounts)	2009	2008	2007
For the Year			
Net sales	¥1,487,615	¥1,786,680	¥1,688,062
Cost of sales	1,341,106	1,509,308	1,402,022
SG&A	192,002	200,196	194,362
Operating income (loss)	(45,493)	77,176	91,678
Other income (expenses)	(19,936)	(32,623)	(7,136)
Income (loss) before income taxes and minority interests	(65,429)	44,553	84,542
Income taxes	40,619	19,430	27,416
Income (loss) before minority interests	(106,048)	25,123	57,126
Net income (loss)	(95,237)	24,831	52,297
Reference: Ordinary income (loss)	(50,768)	66,146	95,478
At Year-End			
Total current assets	529,606	726,361	733,150
Property, plant and equipment, net	522,641	564,805	542,340
Total investments and other non-current assets	136,692	178,082	222,693
Total assets	1,188,939	1,469,248	1,498,183
Total current liabilities	377,858	569,560	591,253
Total long-term liabilities	412,950	335,461	336,678
Total shareholders' equity	349,908	500,044	504,509
Per Share			
Net income (loss) per share (basic)	¥(125.46)	¥32.22	¥66.68
Net income per share (diluted)	—	—	—
Cash dividends per share	¥9.00	¥12.00	¥10.00
Ratios			
Return on sales	(6.40%)	1.39%	3.10%
Return on equity	—	4.94%	10.80%
Return (operating income (loss)) on assets	(3.42%)	5.20%	6.49%
Other			
Depreciation and amortization	81,374	72,596	70,207
Capital expenditures	81,041	84,667	72,671
R&D expenses	40,628	42,130	36,943

Reported Basis								
2006	2005	2004	2003	2002	2001	2000	1999	1998
¥1,472,435	¥1,227,547	¥1,089,518	¥1,053,182	¥952,680	¥939,782	¥884,246	¥855,942	¥681,234
1,217,564	968,230	861,965	823,523	730,059	720,524	659,327	632,036	532,414
196,166	178,826	173,611	173,201	180,239	164,746	169,180	165,680	110,497
58,705	80,491	53,942	56,458	42,382	54,512	55,739	58,226	38,323
14,220	(25,839)	(31,708)	(17,496)	(32,142)	(26,118)	(29,603)	(36,099)	(14,334)
72,925	54,652	22,234	38,962	10,240	28,394	26,136	22,127	23,989
27,681	23,053	7,923	13,465	1,830	10,523	8,182	12,674	11,290
45,244	31,599	14,311	25,497	8,410	17,871	17,954	9,453	12,699
44,125	26,192	12,466	20,320	7,651	17,068	16,042	7,739	11,702
61,989	79,737	47,694	48,716	37,394	49,067	55,902	43,870	32,507
608,995	497,287	440,517	445,239	486,642	563,245	544,837	548,668	616,871
532,324	520,886	548,799	580,830	583,949	552,759	530,827	513,268	530,860
187,571	187,012	199,150	199,125	227,272	198,509	161,515	146,232	150,505
1,328,890	1,205,185	1,188,466	1,225,194	1,297,863	1,314,513	1,237,179	1,208,168	1,298,236
475,074	440,566	440,869	451,613	525,532	532,586	528,643	482,912	612,583
314,692	313,389	325,342	359,638	365,708	388,159	346,242	378,274	349,972
464,021	405,773	383,365	370,738	366,988	352,988	345,690	329,685	318,532
¥56.20	¥33.26	¥15.78	¥25.72	¥9.70	¥21.63	¥20.57	¥9.97	¥21.53
—	—	—	¥25.47	—	¥21.44	¥20.41	—	¥20.98
¥8.00	¥7.00	¥6.00	¥6.00	¥6.00	¥6.00	¥6.00	¥6.00	¥6.00
3.00%	2.13%	1.14%	1.93%	0.80%	1.82%	1.81%	0.90%	1.72%
10.15%	6.64%	3.31%	5.51%	2.13%	4.89%	4.75%	2.39%	4.81%
4.63%	6.73%	4.47%	4.48%	3.24%	4.27%	4.56%	4.65%	4.27%
70,099	56,770	56,101	56,850	56,609	51,755	52,634	51,081	38,422
81,400	47,135	45,722	68,753	117,564	61,524	54,435	52,058	46,428
37,146	34,881	32,894	37,114	39,012	36,543	38,141	39,295	28,036

Overview

In fiscal 2009, ended March 31, 2009, the Japanese economy experienced a precipitous slowdown. From the first half of the fiscal year under review, the prices of such raw materials as crude oil and iron ore surged markedly. In addition to the drop in corporate-sector earnings, repercussions from the U.S. subprime mortgage problem, which triggered a global financial crisis, significantly impacted the real economy. As a result, domestic conditions deteriorated rapidly from the third quarter ended December 31, 2008.

In the chemical industry, companies took steps to revise product prices in the wake of sharp upswings in material and fuel costs. Despite these endeavors, conditions remained harsh, with substantial downward pressure placed on earnings. After hitting historic highs, the prices of raw materials and fuels dropped rapidly from early autumn. Demand also plummeted sharply on the back of the global recession. Impacted by unprecedented volatility and change, the chemical industry confronted an extremely difficult business environment.

Amid a climate of abrupt and dramatic fluctuation in operating conditions, the Mitsui Chemicals Group reported a significant drop in earnings. This was mainly attributable to the substantial decline in demand from the Group's mainstay business partners in the automotive and electronic information material fields that resulted in lower sales volume and an unavoidable reduction in production facility and equipment utilization. Faced with this downturn in its overall performance, the Group took steps to implement emergency measures, reexamining every facet of its business activities. In the fiscal year under review, the Mitsui Chemicals Group reduced compensation paid to directors and management personnel, drastically cut back operating overheads, undertook a comprehensive zero-based review of all investment projects and thoroughly rationalized inventories.

Despite the aforementioned endeavors, the Group suffered an across-the-board decline in its operating results. In addition to the drop in operating income, the Mitsui Chemicals Group recorded a loss on valuation of inventories reflecting the overall decrease in market prices and undertook to reverse a portion of its deferred tax assets. The following summary of operating results for the fiscal year ended March 31, 2009 takes into account these and other factors.

As of March 31, 2009, the Mitsui Chemicals Group comprised 66 consolidated subsidiaries, three more than the previous fiscal year. This reflects the acquisition and consolidation of seven new companies, including U.S.-based SDC Technologies Inc., and the exclusion due to amalgamation and other reasons of four former subsidiaries, including Mitsui Chemicals Engineering Co., Ltd. The equity method is applied to 32 non-consolidated subsidiaries and affiliates, six fewer than the previous fiscal year.

Operating Results

Net Sales

Net sales fell 16.7% compared with the previous fiscal year to ¥1,487.6 billion (US$15.1 billion), a decrease of ¥299.1 billion (US$3.0 billion). Although increased prices drove up sales ¥5.2 billion (US$0.1 billion), the decrease was mainly attributable to a ¥304.3 billion (US$3.1 billion) drop in sales volume across all business segments that reflected the slump in demand.

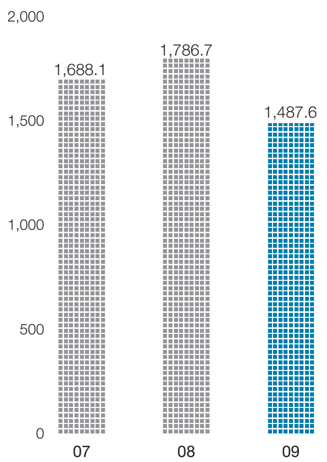
Operating Loss

Operating loss for the fiscal year under review was ¥45.5 billion (US$0.5 billion), plummeting ¥122.7 billion (US$1.2 billion) year on year. Despite the positive effects of emergency measures, including efforts to curtail fixed expenses, the Mitsui Chemicals Group was unable to adequately preserve its profit margins due to a variety of factors. These factors included the decrease in sales volume, amendments to commercial terms of trade, most notably selling and purchasing price variances and movements in fixed and other costs, which caused profit to contract ¥76.4 billion (US$0.8 billion), ¥31.7 billion (US$0.3 billion) and ¥14.6 billion (US$0.1 billion), respectively.

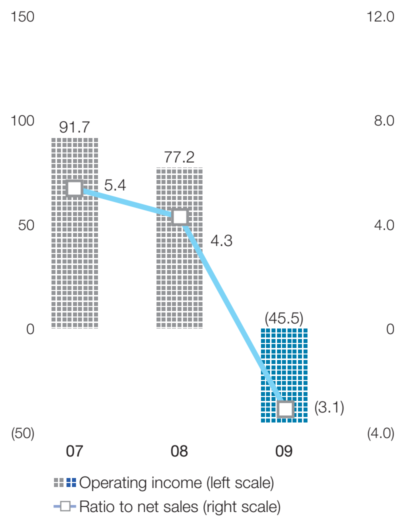
Further contributing to the operating loss was a loss on valuation of inventories of ¥19.2 billion (US$0.2 billion) that reflected the downturn in market conditions and prices.

Results on an individual business segment and principal product basis were as follows

Net Sales
(Billions of yen)



Operating Income/Ratio to Net Sales
(Billions of yen, %)



Segment Information

Business Segment

Changes of net sales and operating income by segment were as follows:

Net Sales

	Billions of yen				
			Change		
	2009	2008	Total	Volume contribution	Price contribution
Performance materials	431.8	504.1	(72.3)	(81.9)	9.6
Advanced chemicals	118.7	122.1	(3.4)	(5.0)	1.6
Basic chemicals	912.8	1,111.2	(198.4)	(192.6)	(5.8)
Others	24.3	49.3	(25.0)	(24.8)	(0.2)
Eliminations	—	—	—	—	—
Total	1,487.6	1,786.7	(299.1)	(304.3)	5.2

Operating Income (Loss)

	Billions of yen					
			Change			
	2009	2008	Total	Volume contribution	Price*	Fixed cost and other cost differential
Performance materials	(16.0)	35.9	(51.9)	(27.4)	(13.2)	(11.3)
Advanced chemicals	7.3	10.8	(3.5)	(0.5)	(1.0)	(2.0)
Basic chemicals	(32.0)	33.4	(65.4)	(46.5)	(16.0)	(2.9)
Others	0.1	3.4	(3.3)	(2.0)	(1.5)	0.2
Eliminations	(4.9)	(6.3)	1.4	—	—	1.4
Total	(45.5)	77.2	(122.7)	(76.4)	(31.7)	(14.6)

*Price = Price contribution + Variable cost differential

Performance Materials

	Millions of yen		
	2009	2008	Change (%)
Net sales	¥431,834	¥504,060	(14.3)
Operating income (loss)	(16,018)	35,857	—
Total assets	432,205	489,968	(11.8)
Depreciation and amortization	37,569	29,564	27.1
Capital expenditures	39,894	50,383	20.8

Automotive and industrial material sales decreased 6% year on year. In the first half of the fiscal year, domestic demand increased. In this sector, steps were taken to cultivate new customers, focusing mainly on Asian markets. These factors were offset, however, by the sharp decline in automotive market demand from early autumn, which contributed to weak results.

Industrial material sales decreased 7% compared with the previous fiscal year. This was again attributable to the abrupt drop in demand from early autumn and countered growth in demand in the first half of the fiscal year for base resins for paint and polyolefin-based waxes.

Hygiene material sales increased 8% compared with the previous fiscal year as demand for non-woven fabrics expanded in East and Southeast Asia, particularly in the Thai and Chinese markets.

Special polyolefin and engineering plastics saw a drop in demand mainly for IT-related uses. This led to a year-on-year decline in sales of 19%.

Semiconductor material sales were weak falling 24% compared with the previous fiscal year. This was attributable to the downturn in market demand as well as falling prices.

Energy material sales surged 47% year on year on the back of robust demand for solar cell encapsulent materials.

Polyurethane sales decreased 27%. In addition to the sudden slowdown in demand for TDI/MDI, this downturn was caused by deterioration in market conditions overseas and appreciation in the value of the yen.

Reflecting the aforementioned factors, segment sales declined ¥72.3 billion (US$0.7 billion) compared with the previous fiscal year to ¥431.8 billion (US$4.4 billion), comprising 29% of total sales. In the fiscal year under review, lower year-on-year sales volume had a negative impact of ¥81.9 billion (US$0.8 billion), while higher sales prices increased revenues by ¥9.6 billion (US$0.1 billion).

The segment recorded an operating loss of ¥16.0 billion (US$0.2 billion), down ¥51.9 billion (US$0.5 billion) year on year. Despite efforts to curtail costs, this was attributable to a variety of factors, including hikes in raw material and fuel prices during the first half of the fiscal year, a slump in demand from early autumn and deterioration in market conditions and prices, which resulted in a loss on valuation of inventories. In specific terms, decreased sales volume, selling and purchasing price variances and movements in fixed and other costs lowered operating income by ¥27.4 billion (US$0.3 billion), ¥13.2 billion (US$0.1 billion) and ¥11.3 billion (US$0.1 billion), respectively, resulting in an operating loss.

Advanced Chemicals

	Millions of yen		
	2009	2008	Change (%)
Net sales	¥118,658	¥122,113	(2.8)
Operating income	7,311	10,761	(32.1)
Total assets	162,777	159,030	2.4
Depreciation and amortization	7,622	6,328	20.4
Capital expenditures	18,951	6,238	203.8

Optical lens materials as well as healthcare materials such as pharmaceutical intermediates showed steady growth. In the fiscal year under review, sales climbed 8% year on year.

Chemical products including polymerization inhibitors and adhesive materials for tires and lumber experienced difficult conditions. Despite efforts to revise product prices in the wake of sharp hikes in the prices of raw materials and fuels during the first half of the fiscal year, sales decreased 26% due to a sluggish economy resulting in low demand.

Agrochemical product sales edged up 2% compared with the previous fiscal year. This was mainly attributable to firm sales of insecticides.

As a result, segment sales fell ¥3.4 billion (US$0.03 billion) to ¥118.7 billion (US$1.2 billion), accounting for 8% of total sales. The year-on-year decline in sales volume brought revenues down ¥5.0 billion (US$0.1 billion). Sales prices, on the other hand contributed ¥1.6 billion (US$0.02 billion).

Despite growth in sales of insecticides, operating income contracted ¥3.5 billion (US$0.04 billion) year on year to ¥7.3 billion (US$0.1 billion). Results were impacted by the sudden slump in demand mainly for chemical products from early autumn and the sharp rise in raw material and fuel prices during the first half of the fiscal year under review. In the full fiscal year ended March 31, 2009, the sales volume was down ¥0.5 billion (US$0.01 billion) from the previous fiscal year. Fluctuations in selling and purchasing price had a negative ¥1.0 billion (US$0.01 billion) impact on operating income while rising fixed and other costs had an adverse effect of ¥2.0 billion (US$0.02 billion).

Basic Chemicals

	Millions of yen		
	2009	2008	Change (%)
Net sales	¥912,779	¥1,111,166	(17.9)
Operating income (Loss)	(32,006)	33,450	—
Total assets	485,687	697,856	(30.4)
Depreciation and amortization	29,840	30,767	(3.0)
Capital expenditures	17,694	20,648	(14.3)

Ethylene and propylene production declined 13% and 18%, respectively, year on year due to production adjustments from August 2008 in response to weak derivative demand.

Phenol sales decreased 30% compared with the previous fiscal year. In addition to the drop in demand from early autumn forcing a downward adjustment in production, poor results were attributable to weak sales prices due mainly to the decline in raw material and fuel prices.

Bisphenol A sales decreased 21%. Mirroring conditions for phenol, production was adjusted downward owing to falling demand for polycarbonate and epoxy resins, the principal uses for bisphenol A, from early autumn and the drop in sales prices due to lower raw material and fuel prices.

Purified terephthalic acid (PTA) sales decreased 26% compared with the previous fiscal year owing to stagnant demand and the decline in sales prices, which reflected weak raw material and fuel prices.

Polyethylene terephthalate (PET) resin sales declined 16% year on year due mainly to the drop in demand in Japan for bottled drinks.

Ethylene, glycol, ethylene oxide and derivative sales were impacted by the slump in demand. Sales of these products fell 23% year on year.

Polyethylene and polypropylene sales decreased 8% and 11%, respectively. Despite product price revisions to accommodate sharp hikes in raw material and fuel prices during the first half of the fiscal year under review, this was attributable to the sudden drop in demand from early autumn.

Taking into consideration the aforementioned factors, segment sales totaled ¥912.8 billion (US$9.3 billion), down ¥198.4 billion (US$2.0 billion) year on year. This represented 61% of total sales. The lower sales volume had a negative impact of ¥192.6 billion (US$2.0 billion) on revenue, while the downturn in sales prices had an adverse effect of ¥5.8 billion (US$0.1 billion) year on year.

In the fiscal year under review, the Mitsui Chemicals Group reported an operating loss of ¥32.0 billion (US$0.3 billion) in this segment, down ¥65.4 billion (US$0.7 billion) compared with the previous fiscal year. This substantial negative turnaround was the result of lower sales due to the across-the-board drop in demand and the loss on valuation of inventories owing to weak market conditions and prices. In specific terms, the decreased sales volume, selling and purchasing price variances and movements in fixed and other costs lowered operating income by ¥46.5 billion (US$0.5 billion), ¥16.0 billion (US$0.2 billion) and ¥2.9 billion (US$0.03 billion), respectively, resulting in an operating loss.

Others

	Millions of yen		
	2009	2008	Change (%)
Net sales	¥24,344	¥49,341	(50.7)
Operating income	84	3,390	(97.5)
Total assets	46,244	71,897	(35.7)
Depreciation and amortization	4,816	3,811	26.4
Capital expenditures	2,730	5,589	(51.2)

Compared with the previous fiscal year, the reduction in sales volume of ¥24.8 billion (US$0.3billion) significantly impacted revenue in the others segment. As a result, segment sales contracted ¥25.0 billion (US$0.3 billion) to ¥24.3 billion (US$0.2 billion), accounting for 2% of total sales.

Operating income dropped ¥3.3 billion (US$0.03 billion) year on year to ¥0.1 billion (US$1million). Principal contributing factors were the decrease in sales volume and amendments to commercial terms of trade including both selling and purchasing price variances, which accounted for ¥2.0 billion (US$0.02 billion) and ¥1.5 billion (US$0.02 billion), respectively, of this downturn.

Geographic Distribution

Japan

Despite successful efforts to revise product prices in response to sharp hikes in the cost of raw materials and fuels in the first half of the fiscal year under review, overall year-on-year sales in Japan declined. This was mainly attributable to the sharp and dramatic drop in demand from early autumn. In addition to the impact of lower sales volume, earnings in Japan were significantly affected by the Group's inability to sufficiently maintain profit margins in the wake of violent fluctuations in raw materials and fuel prices. As a result, the Mitsui Chemicals Group recorded an operating loss in Japan.

Taking into consideration the aforementioned factors, sales in Japan decreased ¥262.2 billion (US$2.7 billion) compared with the previous fiscal year to ¥1,204.4 billion (US$12.3 billion), accounting for 81% of total net sales. In the fiscal year under review, the Mitsui Chemicals Group reported an operating loss in Japan of ¥41.5 billion (US$0.4 billion), a negative turnaround of ¥113.6 billion (US$1.2 billion).

Asia

Mitsui Phenols Singapore Pte. Ltd., a subsidiary involved in the manufacture and sale of phenol and bisphenol A in Singapore, and Siam Mitsui PTA Co., Ltd., a subsidiary engaged in the manufacture and sale of PTA in Thailand, reported lower year-on-year sales. This downturn was exacerbated by deterioration in market conditions as well as a decline in product prices. As a result, sales in Asia decreased, contributing to an operating loss for the fiscal year under review.

In specific terms, sales in Asia contracted ¥27.8 billion (US$0.3 billion) to ¥187.8 billion (US$1.9 billion), accounting for 13% of total net sales. In the fiscal year ended March 31, 2009, earnings in the region fell ¥4.4 billion (US$0.04 billion) year on year for an operating loss of ¥3.2 billion (US$0.03 billion).

Others

In the United States, a subsidiary involved in the manufacture and sale of resin compounds for automotive use saw its sales volume decline on the back of weak automobile sector demand. In addition to the resulting drop in sales, year-on-year earnings in other regions deteriorated from operating income to operating loss.

As a result, sales in this segment decreased ¥9.1 billion (US$0.1 billion) compared with the previous fiscal year to ¥95.4 billion (US$1.0 billion), representing 6% of total net sales. From operating income in the fiscal year ended March 31, 2008, segment earnings fell ¥4.8 billion (US$0.05 billion) for an operating loss of ¥0.9 billion (US$0.01 billion).

Overseas Sales

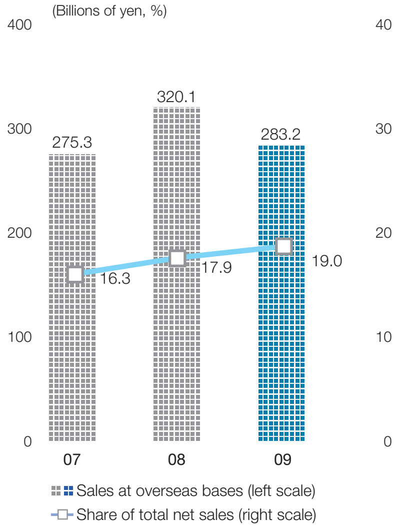
In the fiscal year under review, overseas sales amounted to ¥527.9 billion (US$5.4 billion), a year-on-year decrease of ¥168.4 billion. While accounting for 35.5% of total net sales, this was 3.5 percentage points lower than the previous fiscal year.

Looking at overseas sales on a geographic basis, Asia accounted for ¥388.0 billion (US$3.9 billion), or 26.1% of the Group's total net sales; North and Latin America contributed ¥75.9 billion (US$0.8 billion), or 5.1%; Europe generated ¥52.1 billion (US$0.5 billion), or 3.5%; and other regions recorded ¥11.9 billion (US$0.1 billion), or 0.8%.

Comparing these figures with those for the previous fiscal year, the downturn was particularly significant in Asia, where sales declined ¥156.3 billion (US$1.6 billion) year on year. This decrease was the major contributing factor to the slump in overseas sales.

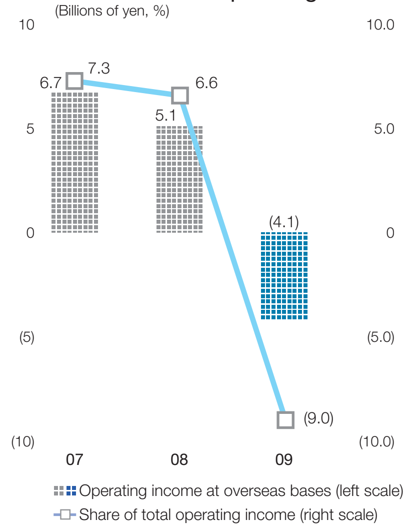
Sales at Overseas Bases/
Share of Total Net Sales

(Billions of yen, %)



Operating Income at Overseas Bases/
Share of Total Operating Income

(Billions of yen, %)



Other Income (Expenses)
Other income (expenses) improved ¥12.7 billion (US$0.1 billion) year on year, to a net expense of ¥19.9 billion (US$0.2 billion). The main items affecting other income and expenses were as follows.

Equity in earnings of non-consolidated subsidiaries and affiliates amounted to ¥3 billion (US$0.03 billion).

As a part of its business structure reform efforts to the Mitsui Chemicals Group incurred losses on disposal and sales of noncurrent assets of ¥7.1 billion (US$0.1 billion), an impairment loss of ¥3.9 billion (US$0.04 billion) and losses on restructuring of subsidiaries and affiliates and sales of investment securities of ¥2.7 billion (US$0.03 billion).

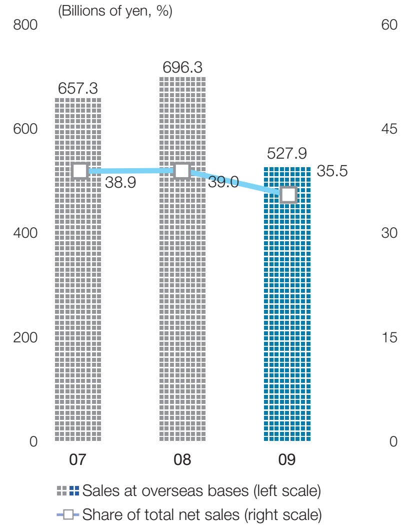
In the fiscal year under review, the Mitsui Chemicals Group also reported foreign exchange losses of ¥4.4 billion (US$0.04 billion) and environmental expenses of ¥1.4 billion (US$0.01 billion).

Accounting for other income and expenses, the Mitsui Chemicals Group recorded a net loss before income taxes and minority interests of ¥65.4 billion (US$0.7 billion). This represented a negative ¥110.0 billion (US$1.1 billion) turnaround compared with the previous fiscal year.

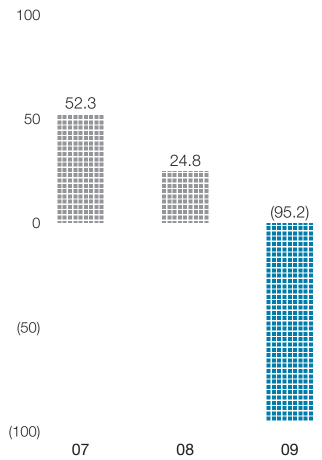
Net Loss
Net loss after accounting for corporate income taxes and minority interests was ¥95.2 billion (US$1.0 billion), a fall of ¥120.0 billion (US$1.2 billion) compared with the previous year. This translated into a net loss per share for the period of ¥125.46 (US$ 1.3).

Summarizing these results, net sales decreased 16.7% from ¥1,786.7 billion to ¥1,487.6 billion (US$15.1 billion). From net income of ¥24.8 billion in the fiscal year ended March 31, 2008, the Mitsui Chemicals Group reported a net loss of ¥95.2 billion (US$1.0 billion) in the fiscal year under review. Accordingly, return (net income/loss) on sales deteriorated from 1.39% to negative 6.40%.

Overseas Sales/
Share of Total Net Sales
(Billions of yen, %)



Net Income
(Billions of yen)



Financial Position

Overview

Total assets decreased ¥280.3 billion (US$2.9 billion) from ¥1,469.2 billion as of the end of the previous fiscal year to ¥1,188.9 billion (US$12.1 billion) as of March 31, 2009. Impacted by the negative year-on-year turnaround of ¥122.7 billion (US$1.2 billion), from operating income of ¥77.2 billion to an operating loss of ¥45.5 billion (US$0.5 billion), return (operating income/loss) on assets deteriorated from 5.20% in the fiscal year ended March 31, 2008 to negative 3.42% in the fiscal year under review.

The debt-to-equity ratio was 1.53 as of the end of the fiscal year under review, up 0.56 of a point year on year.

Assets

Total assets as of March 31, 2009 stood at ¥1,188.9 billion (US$12.1 billion), down ¥280.3 billion (US$2.9 billion) compared with the end of the previous fiscal year (March 31, 2008).

Liabilities

Total liabilities decreased ¥114.2 billion (US$1.2 billion) year on year to ¥790.8 billion (US$8.1 billion). Interest-bearing debt amounted to ¥535.4 billion (US$5.5 billion), an increase of ¥49.4 billion (US$0.5 billion) compared with March 31, 2008. As a result, the interest-bearing debt ratio was 45.0%, up 11.9 percentage points.

Net Assets

Total net assets stood at ¥398.1 billion (US$4.1 billion) as of March 31, 2009, down ¥166.1 billion (US$1.7 billion) compared with the previous fiscal year-end.

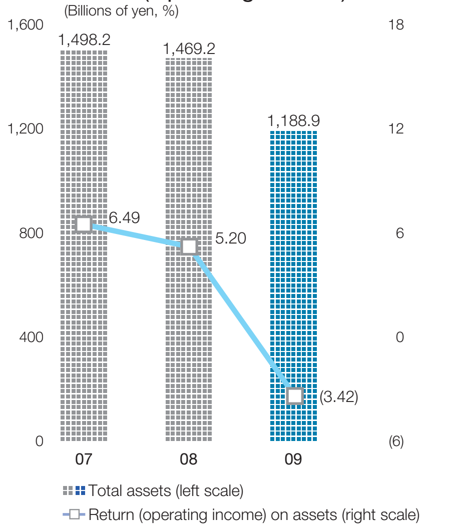
Of this total, shareholders' equity was ¥364.4 billion (US$3.7 billion) as of the end of the fiscal year under review, ¥115.1 billion (US$1.2 billion) lower than March 31, 2008. This was mainly attributable to the net loss of ¥95.2 billion (US$1.0 billion) for the period and a decrease of ¥9.1 billion (US$0.1 billion) due to the payment of dividends. A share buyback program was initiated in September 2008 to provide the Mitsui Chemicals Group with additional flexibility in pursuit of its capital policies. This program was undertaken in response to changes in the Group's business environment. The aggregate total of the share buyback program was ¥10.0 billion (US$ 0.1 billion).

Valuation and translation adjustments were down ¥35.0 billion (US$0.4 billion) compared with the previous fiscal year-end to negative ¥14.5 billion (US$0.1 billion). This mainly reflected an ¥11.8 billion (US$0.1 billion) decline in net unrealized holding gain on securities caused by the fall in listed stock prices.

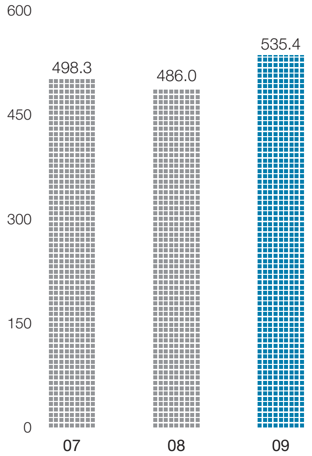
Minority interests stood at ¥48.2 billion (US$0.5 billion) as of the end of the fiscal year under review, a decrease of ¥16.0 billion (US$0.2 billion) compared with the previous fiscal year-end.

As a result, the equity ratio declined 4.6 percentage points to 29.4% as of March 31, 2009.

Total Assets/
Return (Operating Income) on Assets
(Billions of yen, %)



Interest-Bearing Liabilities
(Billions of yen)



Capital Resources and Liquidity

Cash Flows

Cash and cash equivalents (hereafter called "cash") increased ¥22.4 billion (US$0.2 billion) to ¥ 47.9 billion (US$0.5 billion) as of the fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥54.9 billion (US$0.6 billion), a decrease of ¥37.5 billion (US$0.4 billion) compared with the previous fiscal year. Despite a decline in income taxes paid and the implementation of various emergency measures including efforts to curtail inventories, which resulted in working capital savings, cash flow from operating activities decreased due mainly to the net loss before income taxes and minority interests for the period.

As a result, the ratio of interest-bearing debt to operating cash flows increased from 5.3 in the previous fiscal year to 9.8, while the interest coverage ratio fell from 9.7 times to 5.9 in the fiscal year under review.

Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥1.9 billion (US$0.02 billion) compared with the previous fiscal year to ¥76.3 billion (US$0.8 billion). Despite the acquisition of U.S.-based SDC Technologies, which produces and sells such products as coating material for glass lenses, this decrease was attributable to lower payments for the purchase of property, plant and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities amounted to ¥48.3 billion (US$0.5 billion). Major cash outflows comprised the acquisition of treasury stock and payment of cash dividends. This was offset by the increase in interest-bearing debt amid financial instability.

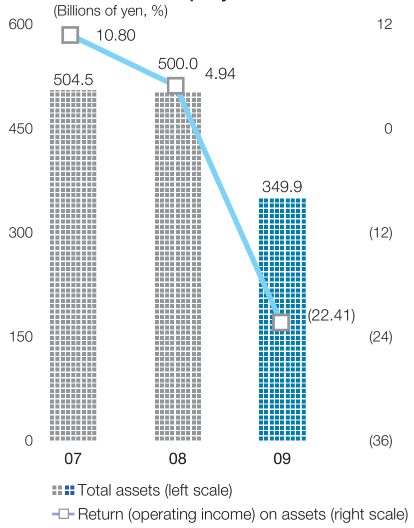
Cash Flow-Related Performance Indicators

	2009	2008	2007	2006	2005
Shareholders' Equity Ratio (%)	29.4	34.0	33.7	34.9	33.7
Shareholders' Equity Ratio on a Market Value Basis (%)	15.1	34.6	53.0	51.0	39.0
Ratio of Interest-bearing Debt to Cash Flows	9.8	5.3	5.0	5.3	4.4
Interest Coverage Ratio (Times)	5.9	9.7	12.8	13.4	14.7

Note: Shareholders' 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 Flows: Interest-bearing debt to cash flows
Interest Coverage Ratio: Cash flows to interest paid
Each of the indicators was calculated using consolidated financial figures. The market capitalization was calculated by multiplying the closing share price as of the end of the period with the number of shares outstanding (excluding treasury stock).
Operating cash flow figures have been used for cash flow calculations. The operating cash flow figures used are cash flows from operating activities as reported in the consolidated statements of cash flows. Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid. Interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.

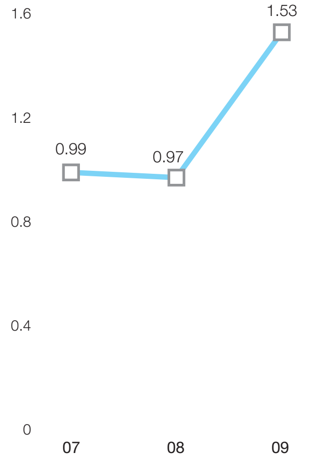
Total Shareholders' Equity/ Return on Equity

(Billions of yen, %)



Debt-to-Equity Ratio

(Times)



Fund Procurement

In connection with its fund procurement activities, the Mitsui Chemicals Group adopts the following basic policies.
Maintain a high credit rating so that low-cost funds can be procured, mainly through bonds, loans and commercial paper whenever necessary.
Utilize a certain level of indirect financing to preserve the stability of fund procurement activities.
Employ securitization and other schemes to liquidate assets in an effort to diversify fund procurement means.

Financial Liquidity

With regard to asset efficiency, the Mitsui Chemicals Group will ensure sufficient levels of liquidity in hand while at the same time securing alternative sources of fund procurement, including credit and overdraft facilities.

Capital Expenditures (Summary)

Mitsui Chemicals and its consolidated subsidiaries undertook capital expenditures totaling ¥81.1 billion (US$0.8 billion) in the fiscal year ended March 31, 2009. This amount includes expenditures on intangible fixed assets as well as long-term prepaid expenses.

Expenditures by business segment were as follows.

Performance Materials

In the fiscal year under review, Mitsui Chemicals undertook the construction of facilities for the production of wafer circuit surface protection tapes. In addition, Mitsui Elastomers Singapore Pte. Ltd. continued construction of an alpha-olefin copolymer production facility. The total cost of these and other performance material-related capital expenditures was ¥39.9 billion (US$0.4 billion).

Advanced Chemicals

Mitsui Chemicals expanded production capacity at its optical lens monomer production facility. The total cost of this and other capital expenditures in the advanced chemicals category amounted to ¥19.0 billion (US$0.2 billion).

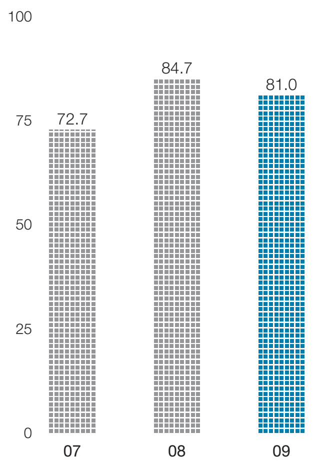
Basic Chemicals

Osaka Petrochemical Industries, Ltd. undertook construction to increase the production capacity of its butane cracking furnace. Capital expenditures in this and other items in the basic chemicals category totaled ¥17.7 billion (US$0.2 billion).

Others and Corporate

The total cost of other and corporate capital expenditures in the fiscal year under review was ¥4.5 billion (US$0.05 billion).

Capital Expenditures
(Billions of yen)



Research and Development

Research and development at Mitsui Chemicals and its consolidated subsidiaries is conducted by the development centers of the Performance Materials and Advanced Chemicals business sectors; the production technology center of the production/technology business sectors; the research laboratories of the corporate research center; and the R&D divisions of consolidated subsidiaries. Research and development expenditures by Mitsui Chemicals and its consolidated subsidiaries in the fiscal year ended March 31, 2009 amounted to ¥40.6 billion (US$0.4 billion).

Corporate Research and Development

Mitsui Chemicals took the lead in cultivating and improving basic technologies that can be applied to the research and development of a new generation of catalysts for use in the production of functional polymers and basic chemicals, new polyolefin resins and next-generation high-performance materials as well as applied research and development of next-generation high-performance materials. Total corporate research and development expenditures in the fiscal year ended March 31, 2009 were ¥5.5 billion (US$0.1 billion).

Strategic Research and Development

In order to expand and develop functional materials operations, Mitsui Chemicals took a central role in a new functional polymer development promotion project. In addition to a multipurpose semi-commercial plant the Company develops highly functional elastomers for use in automobiles and electronic materials as well as next-generation functional films. Total strategic research and development expenditures in the fiscal year under review amounted to ¥3.7 billion (US$0.04 billion).

Performance Materials

Mitsui Chemicals and Mitsui Chemicals Polyurethane, Inc. took the lead in developing functional polymers and urethane resins for use in automotive-, IT-, energy- and lifestyle- related as well as industrial - fields in addition to finished products made from these materials. In the fiscal year ended March 31, 2009, research activities were mainly directed toward new elastomers, new resins for optical lenses, semiconductor materials, sealant materials for electronic and electric parts, functional finished products and solar battery-related materials. Research and development expenditures in the performance materials category totaled ¥16.5 billion (US$0.2 billion) in the fiscal year under review.

Advanced Chemicals

Mitsui Chemicals plays a central role in the research and development of fine chemicals. Also, together with Sankyo Agro Co., Ltd., the Company takes the lead in the research and development of agrochemicals. In the fiscal year under review, considerable research and development weight was placed on display materials and agrochemicals. Emphasis was also given to the development and sale of organic electroluminescent dyes and various compounds based on the Starkle brand of insecticide. Research and development expenditures in this category were ¥7.6 billion (US$0.1 billion) in the fiscal year ended March 31, 2009.

Basic Chemicals

In basic chemicals, Mitsui Chemicals took the lead, focusing on the development of new processes for innovative catalysts that can be used in the production of propylene, phenol and bisphenol A. In an effort to enhance the competitiveness of their polyolefin resins, Mitsui Chemicals and Prime Polymer Co., Ltd. took key roles in developing high-performance catalysts. These companies are also leading efforts to develop new high-performance brands aimed at cultivating new markets. Research and development expenditures in the basic chemicals category were ¥7.3 billion (US$0.1 billion) in the fiscal year under review.

Business Risks

The Mitsui Chemicals Group recognizes that management activities may be threatened by a wide range of conceivable and apparent risks. For this reason, the Group is dedicated to crafting initiatives able to prevent or minimize the escalation of these risks.

The items detailed below represent some of the risks that could potentially and adversely impact the Group's future operating performance and financial position. Readers are cautioned that this partial list does not constitute all of the risks faced by Mitsui Chemicals.

Please note that the risks discussed below were those deemed relevant as of March 31, 2009.

(1) External operating environment

Mitsui Chemicals Group businesses may be influenced by certain elements of the operating environment outside of the Group, including customers, market trends and the business operations of rival firms. With respect to products, a variety of risks could conceivably result in a decline in profitability. These include, but are not limited to, an erosion of market demand, the decision by customers to source products from overseas, deterioration in market conditions caused by oversupply due to increased production capacity at rival firms or the market entry of low-priced imports, and the appearance of alternative products. Profitability may also decline due to the changing cost of raw materials, as well as the impact of supply stoppages due to accidents or bankruptcies at raw material manufacturers. Any or all of these risks could impair the Group's production activities. Consequently, the occurrence of such risks could adversely impact the Group's operating performance.

(2) Overseas activities (Country risk)

The Mitsui Chemicals Group is involved in a wide range of activities outside of Japan, from the export of products to production at overseas bases. These activities overseas are subject to various risks, including deterioration in political and economic conditions, regulations regarding imports and foreign capital, deterioration in public safety and security, and the outbreak of terrorism or warfare. The occurrence of such risks could impair Group business activities overseas, which may adversely impact operating performance.

(3) Changes in laws and tightening of regulations

The business development of the Mitsui Chemicals Group is subject to a wide range of legal acts and ordinances, which include a variety of licensing and regulatory requirements. Consequently, the Group remains keenly aware that its continued survival as a corporation is contingent on strict compliance with laws and regulations. To this end, the Group has enacted training programs that incorporate examples of legal violations within and outside Mitsui Chemicals together with other initiatives aimed at promoting legal compliance.

Other risks faced by the Mitsui Chemicals Group are the prospect of major changes to or a tightening of laws relevant to the Group, or unexpected amendments to laws and regulations overseas. Restrictions placed on Group activities, as well as increased costs associated with compliance with amended laws or more stringent regulations, could impair Group business activities, thus adversely impacting operating performance.

(4) Financial risks

Among the financial risks faced by the Mitsui Chemicals Group are increased concerns about confidence in customers due to deteriorating economic conditions, currency exchange losses due to dramatic fluctuations in exchange rates, and rising interest rates and a reluctance to lend by financial institutions with respect to fund procurement. The occurrence of any one of these risks could adversely impact the Group's financial position.

(5) Accidents and disasters

In an effort to ensure workplace safety, the Mitsui Chemicals Group vigorously promotes OHSAS 18001 certification of the occupational health and safety management systems used in its production activities at plants. Business continuity plans have also been formulated to quickly reestablish the business chain of command in the event that head office functions are affected by a major earthquake in the Tokyo metropolitan area. Nevertheless, the Group faces risks from a variety of unforeseen events, including damage to production facilities caused by natural disasters such as major earthquakes and typhoons, plant accidents, and accidents during the course of product transport or storage at warehousing facilities outside the Group. The occurrence of these risks may not only impede plant operations or the supply of products to customers, thereby adversely impacting the Group's operating performance and financial position, but could also potentially undermine the social standing of the Mitsui Chemicals Group.

(6) Quality

To uphold its quality assurance system, the Mitsui Chemicals Group vigorously promotes efforts to obtain ISO 9001 certification of the quality management systems at each of its plants. Nevertheless, the Group faces risks from the discovery of unforeseen quality defects in its products and product liability lawsuits. Because many Group products are used as raw materials in finished consumer goods, the appearance of large-scale customer recalls due to product defects could potentially result in massive damages. The occurrence of these risks may not only adversely impact the Group's operating performance and financial position, but could also potentially undermine the social standing of the Mitsui Chemicals Group.

(7) The environment

As a group that handles a wide range of chemical substances, the Mitsui Chemicals Group has made harmony with the environment one of its long-term management targets. In addition to ensuring compliance with environmental laws and regulations, the Group promotes initiatives for reducing greenhouse gas (GHG) emissions and minimizing the amount of industrial waste sent to landfill for final disposal.

Environmental risks relevant to the Group include the incurrence of new social responsibilities due to tighter environmental regulations or changes in public sentiment regarding environmental protection, as well as the discovery of environmental pollution stemming from actions taken by the Group prior to the enactment of environmental laws. These and other situations could increase costs associated with legal compliance and environmental countermeasures and have other consequences, which could adversely impact the Group's operating performance.

Consolidated Balance Sheets

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 3)
ASSETS	2009	2008	2007	2009
Current assets:				
Cash and cash equivalents (Note 4)	¥ 47,949	¥ 25,502	¥ 40,443	$ 488,130
Short-term investments	499	430	2,467	5,080
Receivables:				
Trade notes and accounts receivable	174,845	332,953	346,659	1,779,955
Other	29,460	69,371	57,062	299,908
Inventories (Note 5)	250,654	269,229	257,069	2,551,705
Deferred tax assets — current (Note 10)	5,310	18,268	19,283	54,057
Other current assets (Note 6)	21,183	11,066	10,669	215,647
Allowance for doubtful accounts	(294)	(458)	(502)	(2,993)
Total current assets	529,606	726,361	733,150	5,391,489
Property, plant and equipment (Notes 7 and 9):				
Land	169,822	172,140	173,106	1,728,820
Buildings and structures	308,596	303,888	296,416	3,141,566
Machinery and equipment	1,093,374	1,087,996	1,059,529	11,130,754
Construction in progress	30,277	50,448	22,651	308,226
	1,602,069	1,614,472	1,551,702	16,309,366
Accumulated depreciation	(1,079,428)	(1,049,667)	(1,009,362)	(10,988,782)
Property, plant and equipment, net	522,641	564,805	542,340	5,320,584
Investments and other non-current assets:				
Investment securities (Note 6):				
Non-consolidated subsidiaries and affiliates	37,025	47,019	55,578	376,922
Other	55,901	74,434	114,901	569,083
Long-term receivables	4,520	6,621	6,463	46,014
Deferred tax assets — non-current (Note 10)	4,992	18,299	7,389	50,820
Other non-current assets (Note 7)	36,097	33,743	40,253	367,474
Allowance for doubtful accounts	(1,843)	(2,034)	(1,891)	(18,762)
Total investments and other non-current assets	136,692	178,082	222,693	1,391,551
Total assets	¥1,188,939	¥1,469,248	¥1,498,183	$12,103,624

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	2007	Thousands of U.S. dollars (Note 3) 2009
Current liabilities:				
Short-term bank loans (Note 7)	¥ 149,304	¥ 96,329	¥ 133,690	$ 1,519,943
Current portion of long-term debt (Note 7)	27,938	36,860	42,213	284,414
Commercial paper (Note 7)	14,200	80,000	51,000	144,559
Payables:				
Trade notes and accounts payable	98,394	239,031	242,866	1,001,670
Other	52,806	67,440	56,379	537,575
Employees' savings deposits	579	712	1,261	5,894
Accrued expenses	18,260	22,584	23,701	185,890
Accrual for directors' bonuses	49	122	160	499
Reserve for periodic repairs	12,433	8,703	11,601	126,570
Accrued income taxes (Note 10)	2,930	15,513	25,101	29,828
Other current liabilities (Notes 7 and 10)	965	2,266	3,281	9,824
Total current liabilities	377,858	569,560	591,253	3,846,666
Long-term liabilities:				
Long-term debt due after one year (Note 7)	343,622	272,783	271,420	3,498,137
Accrued employees' retirement benefits (Note 8)	33,373	33,564	50,353	339,743
Accrued directors' and corporate auditors' retirement benefits	443	369	1,288	4,510
Reserve for periodic repairs	2,658	4,874	2,290	27,059
Provision for environmental measures	11,948	11,106	—	121,633
Other non-current liabilities (Notes 7 and 10)	20,906	12,765	11,327	212,827
Total long-term liabilities	412,950	335,461	336,678	4,203,909
Contingent liabilities (Note 12)				
Net assets:				
Shareholders' equity (Note 11):				
Common stock:				
Authorized—3,000,000,000 shares				
Issued – 792,020,076 shares in 2009, 2008 and 2007,	103,226	103,226	103,226	1,050,860
Capital surplus	69,238	69,238	69,257	704,856
Retained earnings	221,721	326,932	311,703	2,257,162
Treasury stock, at cost:				
40,428,862 shares in 2009, 22,287,515 shares in 2008, and 20,407,827 shares in 2007	(29,827)	(19,826)	(18,280)	(303,644)
	364,358	479,570	465,906	3,709,234
Valuation and translation adjustments:				
Net unrealized holding gain on securities	7,319	19,125	34,290	74,509
Net unrealized holding gain (loss) on hedging derivatives	(3)	39	21	(31)
Foreign currency translation adjustments	(21,766)	1,310	4,292	(221,582)
	(14,450)	20,474	38,603	(147,104)
Minority interests	48,223	64,183	65,743	490,919
Total net assets	398,131	564,227	570,252	4,053,049
Total liabilities and net assets	¥1,188,939	¥1,469,248	¥1,498,183	$12,103,624

Consolidated Statements of Operations

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Net sales	¥1,487,615	¥1,786,680	¥1,688,062	$15,144,202
Cost of sales (Notes 8 and 14)	1,341,106	1,509,308	1,402,022	13,652,713
Gross profit	146,509	277,372	286,040	1,491,489
Selling, general and administrative expenses (Notes 8 and 14)	192,002	200,196	194,362	1,954,617
Operating income (loss)	(45,493)	77,176	91,678	(463,128)
Other income (expenses):				
Interest expense	(9,323)	(9,512)	(8,096)	(94,910)
Interest and dividend income	3,988	3,972	2,721	40,599
Equity in earnings of non-consolidated subsidiaries and affiliates	2,992	5,947	5,979	30,459
Loss on disposal of inventories	—	(5,462)	(2,656)	—
Foreign exchange losses	(4,398)	(6,149)	—	(44,772)
Gain on sales of investment securities (Note 6)	1,635	743	1,938	16,645
Loss on valuation of investment securities	(1,932)	—	—	(19,668)
Loss on sales and disposal of property, plant and equipment	(7,093)	(5,399)	(5,979)	(72,208)
Loss on impairment of fixed assets (Note 9)	(3,935)	(719)	(1,347)	(40,059)
Loss on restructuring of subsidiaries and affiliates	(2,243)	(2,871)	(1,997)	(22,834)
Gain on change in interests in consolidated subsidiary	—	—	3,102	—
Environmental expenses	(1,400)	(11,746)	—	(14,252)
Other, net	1,773	(1,427)	(801)	18,048
	(19,936)	(32,623)	(7,136)	(202,952)
Income (loss) before income taxes and minority interests	(65,429)	44,553	84,542	(666,080)
Income taxes (Note 10):				
Current	5,700	20,067	28,875	58,027
Deferred	34,919	(637)	(1,459)	355,482
	40,619	19,430	27,416	413,509
Income (loss) before minority interests	(106,048)	25,123	57,126	(1,079,589)
Minority interests in earnings of consolidated subsidiaries	10,811	(292)	(4,829)	110,058
Net income (loss)	¥ (95,237)	¥ 24,831	¥ 52,297	$ (969,531)

	Millions of yen			U.S. dollars (Note 3)
Amounts per share of common stock:				
Net income (loss)	¥(125.46)	¥32.22	¥66.68	$(1.277)
Cash dividends applicable to the year	9.00	12.00	10.00	0.092

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated
Statements of Changes in Net Assets

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2009, 2008 and 2007

		Millions of yen								
	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized holding gain (loss) on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	789,156	¥103,226	¥66,945	¥269,191	¥ (3,593)	¥29,016	¥—	¥ (764)	¥75,103	¥539,124
Share exchange (Note 17)	2,864	—	2,310	—	2,667	—	—	—	—	4,977
Cash dividends paid	—	—	—	(6,299)	—	—	—	—	—	(6,299)
Bonuses to directors and corporate auditors	—	—	—	(103)	—	—	—	—	—	(103)
Net income	—	—	—	52,297	—	—	—	—	—	52,297
Purchase of treasury stock	—	—	—	—	(17,866)	—	—	—	—	(17,866)
Disposition of treasury stock	—	—	2	—	36	—	—	—	—	38
Changes resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	—	—	—	(3,383)	476	—	—	—	—	(2,907)
Other changes	—	—	—	—	—	5,274	21	5,056	(9,360)	991
Balance at March 31, 2007	792,020	¥103,226	¥69,257	¥311,703	¥(18,280)	¥34,290	¥21	¥4,292	¥65,743	¥570,252
Cash dividends paid	—	—	—	(9,256)	—	—	—	—	—	(9,256)
Net income	—	—	—	24,831	—	—	—	—	—	24,831
Purchase of treasury stock	—	—	—	—	(1,809)	—	—	—	—	(1,809)
Disposition of treasury stock	—	—	(19)	(22)	263	—	—	—	—	222
Changes resulting from decrease in non-consolidated subsidiaries and affiliates accounted for by the equity method	—	—	—	(324)	—	—	—	—	—	(324)
Other changes	—	—	—	—	—	(15,165)	18	(2,982)	(1,560)	(19,689)
Balance at March 31, 2008	792,020	¥103,226	¥69,238	¥326,932	¥(19,826)	¥19,125	¥39	¥1,310	¥64,183	¥564,227
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	(588)	—	—	—	—	—	(588)
Cash dividends paid	—	—	—	(9,128)	—	—	—	—	—	(9,128)
Net loss	—	—	—	(95,237)	—	—	—	—	—	(95,237)
Purchase of treasury stock	—	—	—	—	(10,629)	—	—	—	—	(10,629)
Disposition of treasury stock	—	—	—	(258)	628	—	—	—	—	370
Other changes	—	—	—	—	—	(11,806)	(42)	(23,076)	(15,960)	(50,884)
Balance at March 31, 2009	792,020	¥103,226	¥69,238	¥221,721	¥(29,827)	¥ 7,319	¥ (3)	¥(21,766)	¥48,223	¥398,131

	Thousands of U.S. dollars (Note 3)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Net unrealized holding gain (loss) on hedging derivatives	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	$1,050,860	$704,856	$3,328,230	$(201,832)	$194,696	$397	$13,336	$653,395	$5,743,938
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	(5,986)	—	—	—	—	—	(5,986)
Cash dividends paid	—	—	(92,925)	—	—	—	—	—	(92,925)
Net loss	—	—	(969,531)	—	—	—	—	—	(969,531)
Purchase of treasury stock	—	—	—	(108,205)	—	—	—	—	(108,205)
Disposition of treasury stock	—	—	(2,626)	6,393	—	—	—	—	3,767
Other changes	—	—	—	—	(120,187)	(428)	(234,918)	(162,476)	(518,009)
Balance at March 31, 2009	$1,050,860	$704,856	$2,257,162	$(303,644)	$ 74,509	$ (31)	$(221,582)	$490,919	$4,053,049

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated
Statements of Cash Flows

MITSUI CHEMICALS, INC. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2009	2008	2007	2009
Cash flows from operating activities				
Income (loss) before income taxes and minority interests	¥ (65,429)	¥ 44,553	¥ 84,542	$ (666,080)
Depreciation and amortization	76,742	68,185	66,705	781,248
Goodwill amortization	4,632	4,411	3,502	47,155
Loss on impairment of fixed assets	3,935	719	1,347	40,059
Gain on change in interests in consolidated subsidiaries	—	—	(3,102)	—
Changes in allowance for doubtful accounts	(330)	81	—	(3,359)
Reserve for periodic repairs	1,514	(314)	5,382	15,413
Accrued directors' and corporate auditors' retirement benefits	—	(917)	66	—
Provision for environmental measures	842	11,106	—	8,572
Interest and dividend income	(3,988)	(3,972)	(2,721)	(40,599)
Interest expenses	9,323	9,512	8,096	94,910
Equity in earnings of non-consolidated subsidiaries and affiliates	(2,992)	(5,947)	(5,979)	(30,459)
(Gain) Loss on sales of investment securities	(1,151)	(396)	1,662	(11,718)
Loss on write-downs of investment securities	1,932	844	—	19,668
Gain on sales of property, plant and equipment	(771)	(2,443)	(389)	(7,849)
Loss on sales and disposal of property, plant and equipment	2,707	4,343	4,441	27,558
(Increase) decrease in trade receivables	150,474	12,804	(42,697)	1,531,854
(Increase) decrease in inventories	7,190	(11,913)	(27,039)	73,196
Increase (decrease) in trade payables	(131,389)	(2,718)	20,105	(1,337,565)
Other, net	25,206	5,145	(3,519)	256,602
Subtotal	78,447	133,083	110,402	798,606
Interest and dividend received	8,362	9,570	7,436	85,127
Interest paid	(9,282)	(9,600)	(7,854)	(94,493)
Income taxes paid	(22,645)	(40,630)	(9,419)	(230,531)
Net cash provided by operating activities	54,882	92,423	100,565	558,709
Cash flows from investing activities				
Acquisition of property, plant, equipment and others	(73,411)	(86,363)	(67,433)	(747,338)
Proceeds from sales of property, plant, equipment and others	2,485	3,028	1,406	25,298
Purchases of investment securities	(10,199)	(8,663)	(16,494)	(103,828)
Proceeds from sales of investment securities	12,002	9,776	5,443	122,183
Payments for purchase of minority interests in a subsidiary	—	(136)	(27,309)	—
Payments for purchases of newly consolidated subsidiaries, net of cash acquired	(8,684)	(58)	(24,875)	(88,405)
Other, net	1,554	4,210	(4,356)	15,820
Net cash used in investing activities	(76,253)	(78,206)	(133,618)	(776,270)
Cash flows from financing activities				
Net increase (decrease) in short-term loans	(3,597)	(10,177)	58,116	(36,618)
Proceeds from long-term debt	107,189	34,185	59,611	1,091,204
Repayments of long-term debt	(34,086)	(40,215)	(48,344)	(347,002)
Proceeds from sales of treasury stock	370	222	38	3,767
Purchases of treasury stock	(10,629)	(1,809)	(17,866)	(108,205)
Cash dividends paid	(9,128)	(9,256)	(6,299)	(92,925)
Other, net	(1,784)	(1,684)	(4,088)	(18,161)
Net cash provided by (used in) financing activities	48,335	(28,734)	41,168	492,060
Effect of exchange rate changes on cash and cash equivalents	(4,598)	(139)	608	(46,809)
Net increase (decrease) in cash and cash equivalents	22,366	(14,656)	8,723	227,690
Cash and cash equivalents at beginning of the year	25,502	40,443	31,221	259,615
Increase (decrease) in cash resulting from changes in numbers of consolidated subsidiaries	81	(285)	499	825
Cash and cash equivalents at end of the year (Note 4)	¥ 47,949	¥ 25,502	¥ 40,443	$ 488,130

The accompanying notes are an integral part of these consolidated financial statements.

1. BASIS OF PREPARATION

The accompanying consolidated financial statements of Mitsui Chemicals, Inc. (the "Company") and its consolidated subsidiaries have been prepared in accordance with accounting principles generally accepted in Japan and have been compiled from those prepared by the Company as required under the Financial Instruments and Exchange Law of Japan (formerly Securities and Exchange Law), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Effective April 1, 2008, the Company adopted the "Practical solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement (PITF No. 18)." In accordance with PITF No. 18, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared with necessary adjustments for certain items.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company exerts control through majority voting rights or the existence of certain conditions evidencing substantial control by the Company.

Investments in non-consolidated subsidiaries and affiliates, in which the Company has the ability to exercise significant influence over their operating and financial policies, are accounted for by the equity method.

Non-consolidated subsidiaries and affiliates in the process of liquidation are stated at cost or less.

As of March 31, 2009, the numbers of consolidated subsidiaries and non-consolidated subsidiaries and affiliates accounted for by the equity method were 66 and 32, respectively.

In the elimination of investments in subsidiaries, the portion of the assets and liabilities of a subsidiary attributable to the subsidiary's shares acquired by the Company is recorded based on its fair value as of the respective dates when such shares were acquired.

The amounts of assets and liabilities attributable to minority shareholders of the subsidiaries are recorded based on the financial statements of each subsidiary. The excess of the cost of investments in consolidated subsidiaries over the net assets acquired is deferred as a consolidation difference and is amortized over a period of twenty years or less.

All significant intercompany transactions and accounts have been eliminated in consolidation.

b. Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. The Company and its domestic consolidated subsidiaries have reported foreign currency translation adjustments as a component of valuation and translation adjustments and minority interests.

c. Inventories

Inventories are stated primarily at cost by the last-in, first-out method (the balance sheet amount is written down based on the decrease in profitability).

Previously, inventories were stated primarily at the lower of cost or market, cost being determined by the last-in, first-out method. Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006). As a result of adopting this standard, for the year ended March 31, 2009, operating loss decreased by ¥7,207 million ($73,369 thousand) and loss before income taxes and minority interests decreased by ¥9,699 million ($98,738 thousand) compared to the amounts that would have been reported if the previous methods had been applied consistently.

d. Securities

Securities other than equity securities issued by subsidiaries and affiliates, which is held by the Company and its subsidiaries, are classified into two categories: held-to-maturity or available-for-sale securities.

Held-to-maturity securities are carried at amortized cost.

Marketable securities classified as available-for-sale securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are stated at cost by the moving-average method. Cost of securities sold is determined by the moving-average method.

e. Property, plant and equipment (Except for assets leased)

Property, plant and equipment are stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the respective assets except for buildings, which are depreciated using the straight-line method.

Maintenance, repairs and minor renewals are currently charged to income; major renewals and improvements are capitalized.

For the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, changed the depreciation method from the straight-line method to the declining-balance method for the property, plant and equipment except for buildings.

As a result of this change, depreciation and amortization increased by ¥1,220 million and operating income and income before income taxes and minority interests decreased by ¥1,214 million compared to the amounts that would have been reported if the previous methods had been applied consistently.

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation. As a result of this change, for the year ended March 31, 2008, depreciation and amortization increased by ¥1,872 million and operating income and income before income taxes and minority interests decreased by ¥1,848 million compared to the amounts that would have been reported if the previous methods had been applied consistently.

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007 and were already depreciated to 5% of the acquisition cost. The depreciation of the difference of the acquisition cost and the nominal amount was calculated by the straight-line method over next five years after these assets were depreciated to 5% of the acquisition cost. The depreciation was charged to depreciation expense. As a result of this change, for the year ended March 31, 2008, depreciation and amortization increased by ¥993 million and operating income and income before income taxes and minority interests decreased by ¥967 million compared to the amounts that would have been reported if the previous methods had been applied consistently. The effect of this change on segment information is disclosed in note 16.

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries revised the useful life of machinery in response to the revision of the Corporate Tax Law. As a result, for the year ended March 31, 2009, this change had only minor impact on operating loss and loss before income taxes and minority interests.

f. Intangible assets (Except for assets leased)

Amortization of intangible assets of the Company and its consolidated subsidiaries is calculated by the straight-line method.
The cost of software intended for internal use is amortized using the straight-line method over its estimated useful life (five years).

g. Research and development expenses

Expenses relating to research and development activities are charged to income as incurred.

h. Leases

The Company and its consolidated subsidiaries lease certain machinery and equipment under noncancelable leases referred to as finance leases.

Previously, finance leases other than those which transfer the ownership of the leased property to the lessees are accounted for in the same manner as operating leases. Effective the year ended March 31, 2009, the Company adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, revised on March 30, 2007), and such transactions are now accounted for as ordinary sale and purchase transactions.

Depreciation of leased assets is computed by the straight-line method over the respective lease terms.

In addition, finance lease transactions starting before March 31, 2008 that do not transfer ownership of the leased property to the lessees are accounting for as operating leases.

As a result, in the year ended March 31, 2009, this change had only minor impact on operating loss and loss before income taxes and minority interests.

i. Derivatives and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize any changes in fair value as gains or losses unless the derivatives are being utilized for hedging purposes.

If the derivatives meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of the derivatives positions until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts used as hedges meet certain hedging criteria, the existing foreign currency receivables or payables are translated at their respective contract rates.

In addition, if interest-rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed.

j. Allowance for doubtful accounts

The allowance for doubtful accounts is provided at amounts sufficient to cover probable losses on collection. It consists of the estimated uncollectible amounts with respect to identified doubtful accounts and an amount calculated by a formula based on actual collection losses incurred in the past with respect to the remaining receivables.

k. Employees' retirement benefits

Employees of the Company and its domestic consolidated subsidiaries are covered by an employees' retirement benefit plan and two non-contributory defined benefit pension plans.

In addition, the Company and certain of its consolidated subsidiaries have set up an employees' retirement benefit trust.

Under these plans, all eligible employees are entitled to certain benefits based on their abilities, occupational roles, work performances, length of service and certain other factors.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts calculated actuarially under certain assumptions.

The Company and its consolidated subsidiaries have provided an allowance for employees' severance and retirement benefits based on the estimated amounts of the projected benefit obligation less the fair value of the pension plan assets.

Prior service cost is recognized as incurred or is amortized by the straight-line method over certain years (10 years) within the average estimated remaining service years of the eligible employees. Actuarial gain or loss is recognized by the straight-line method over certain years (10 to 13 years) within the average estimated remaining service years of the eligible employees commencing the year following the year in which the gain or loss was recognized.

l. Accrual for directors' bonuses

Effective the year ended March 31, 2007, the Company provided on accrual for bonuses to directors.

Directors' bonuses had been previously accounted for as a decrease in retained earnings. Effective the year ended March 31, 2007, the Company adopted a new accounting standard, "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4, November 29, 2005).

As a result of adopting the standard, directors' bonuses have been accounted for as an expense, not as a decrease in retained earnings.

The Company provided an accrual for the estimated amount of directors' bonuses at the end of the year. The effect on net income was not material.

Reflecting a significant deterioration in its performance for the year ended March 31, 2009, the Company has reduced compensation paid to directors and management personnel. In addition, all directors will return to the Company, in full, the bonuses that they have received during the year ended March 31, 2009. Accounting for these activities, the Company has not provided for accrual for directors' bonuses during the year ended March 31, 2009.

m. Directors' and corporate auditors' retirement benefits

Certain domestic consolidated subsidiaries accrue liabilities for the aggregate amount payable for directors' and corporate auditors' retirement benefits, pursuant to the internal regulations.

Effective from the meeting of the Company's shareholders held on June 28, 2005, the Company abolished its system of retirement benefits for directors and corporate auditors, but plans to pay out a suitable level of benefits applicable to directors and corporate auditors for their time in office up to the date of abolishment upon their retirement. Accordingly, while no further liabilities will be incurred for directors' and corporate auditors' retirement benefits due to the system's abolishment, the remaining balance of liabilities will be cancelled as said directors and corporate auditors retire.

Several domestic consolidated subsidiaries have abolished the system of retirement benefits for directors and corporate auditors.

As a result, effective from the year ended March 31, 2008, Accrued directors' and corporate auditors' retirement benefits of the Company and those subsidiaries are shown in Other noncurrent liabilities.

n. Reserve for periodic repairs

The Company and several consolidated subsidiaries provide a reserve for the costs of periodic repairs of production facilities at plants.

For the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, provided a reserve for the costs of annual repairs.

As a result of this change, for the year ended March 31, 2007, operating income decreased by ¥731 million and income before income taxes and minority interests decreased by ¥1,762 million compared to the amounts that would have been reported if the previous accounting policy had been applied consistently.

o. Provision for environmental measures

Effective from the year ended March 31, 2008, the Company provided a provision for environmental measures. As a result, income before income taxes and minority interests decreased by ¥11,106 million for the year ended March 31, 2008.

p. Amounts per share of common stock

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent the actual amount applicable to each respective year.

q. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not in excess of three months from the date of purchase are considered cash and cash equivalents.

r. Accounting standard for presentation of net assets in the balance sheet

Effective the year ended March 31, 2007, the Company has adopted a new accounting standard entitled "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8, December 9, 2005).

Under the new accounting standard and the related guidance, "Net unrealized holding gain on hedging derivatives," "Share subscription rights," and "Minority interests" are required to be shown in net assets.

At March 31, 2007, the amount corresponding to conventional "Total shareholders' equity" in the consolidated balance sheet was ¥504,488 million. At March 31, 2008, the amount corresponding to conventional "Total shareholders' equity" in the consolidated balance sheet was ¥500,005 million.

s. Accounting standard for statement of changes in net assets

Effective the year ended March 31, 2007, the Company and its consolidated domestic subsidiaries have adopted a new accounting standard entitled "Accounting Standard for Statement of Changes in Net Assets" (ASBJ Statement No. 6, December 27, 2005) and "Guidance on Accounting Standard for Statement of Changes in Net Assets" (ASBJ Guidance No. 9, December 27, 2005).

t. Accounting standards for business combinations and divestitures

Effective the year ended March 31, 2007, the Company and its consolidated domestic subsidiaries have adopted a new accounting standard entitled "Accounting Standard for Business Combinations in Japan" (Business Accounting Council, October 31, 2003), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 27, 2005), and its guidance entitled "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised November 15, 2007).

u. Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

Effective the year ended March 31, 2009, the Company adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006) and has made necessary adjustment to the consolidated financial statements.

As a result, in the year ended March 31, 2009, this change had only minor impact on operating loss and loss before income taxes and minority interests.

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers, using ¥98.23=US$1.00, the approximate rate of exchange in effect on March 31, 2009. The translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

Cash and cash equivalents at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Cash	¥47,949	¥21,752	¥32,568	$488,130
Cash equivalents	—	3,750	7,875	—
Total	¥47,949	¥25,502	¥40,443	$488,130

The following is the summary of assets acquired and liabilities assumed through the acquisition of share of SDC Technologies, Inc. and other four companies for the year ended March 31, 2009, relating acquisition costs and net disbursement:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 711	$ 7,238
Non-current assets	6,241	63,535
Goodwill	6,685	68,055
Current liabilities	(2,456)	(25,003)
Long-term liabilities	(2,276)	(23,170)
Acquisition value of shares	8,905	90,655
Cash and cash equivalents	(221)	(2,250)
Net disbursement due to the acquisition	¥ 8,684	$ 88,405

5. INVENTORIES

Inventories at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Finished goods	¥183,314	¥188,192	¥183,135	$1,866,171
Work in process	3,826	4,313	5,685	38,949
Raw materials and supplies	63,514	76,724	68,249	646,585
Total	¥250,654	¥269,229	¥257,069	$2,551,705

6. SECURITIES

A. The following tables summarize the acquisition cost and book value of marketable securities as of March 31, 2009, 2008 and 2007:

Available-for-sale securities

Securities with book value exceeding their acquisition cost

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Equity securities and bonds:				
Acquisition cost	¥17,484	¥19,409	¥30,386	$177,990
Book value	31,311	49,210	85,033	318,752
Difference	13,827	29,801	54,647	140,762

Securities with book value not exceeding their acquisition cost

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Equity securities and bonds:				
Acquisition cost	¥8,320	¥5,508	¥8,153	$84,699
Book value	6,308	5,155	7,803	64,217
Difference	(2,012)	(353)	(350)	(20,482)

B. The following table summarizes the book value of non-marketable securities as of March 31, 2009, 2008 and 2007:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
(a) Held-to-maturity debt securities:				
Government and municipal bonds	¥ 25	¥ 41	¥ 48	$ 255
(b) Available-for-sale securities:				
Unlisted equity securities	¥13,476	¥21,475	¥22,200	$137,188
Unlisted preferred securities	¥ 5,400	—	—	$ 54,973

C. The redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Bonds:				
Due within one year	¥1,101	¥1,716	¥ 449	$11,208
Due over one year but within five years	816	1,924	3,628	8,307
Due over five years but within ten years	—	1	6	—
Due over ten years	101	100	93	1,028
Total	¥2,018	¥3,741	¥4,176	$20,543

D. Information related to sales of available-for-sale securities for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Sales – total	¥1,815	¥771	¥2,860	$18,477
Related gain – total	1,424	586	1,082	14,497
Related loss – total	20	27	2	204

7. SHORT-TERM DEBT AND LONG-TERM DEBT

At March 31, 2009, 2008 and 2007, short-term debts were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
0.50% – 7.35% bank loans	¥149,304	¥ 96,329	¥133,690	$1,519,943
Commercial paper	¥ 14,200	¥ 80,000	¥ 51,000	$ 144,559

At March 31, 2009, 2008 and 2007, long-term debts were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Bonds payable guaranteed by a bank:				
0.80% bonds due in 2010	¥ 33	¥ 55	¥ 77	$ 336
Unsecured bonds payable:				
2.95% bonds due in 2008	—	10,000	10,000	—
2.7% bonds due in 2008	—	10,000	10,000	—
2.07% bonds due in 2010	10,000	10,000	10,000	101,802
1.94% bonds due in 2011	10,000	10,000	10,000	101,802
1.84% bonds due in 2011	10,000	10,000	10,000	101,802
1.62% bonds due in 2011	10,000	10,000	10,000	101,802
0.79% bonds due in 2007	—	—	10,000	—
1.04% bonds due in 2009	10,000	10,000	10,000	101,802
1.36% bonds due in 2012	10,000	10,000	10,000	101,802
0.56% bonds due in 2007	—	—	10,000	—
0.78% bonds due in 2013	10,000	10,000	10,000	101,802
1.52% bonds due in 2015	10,000	10,000	10,000	101,802
1.57% bonds due in 2013	10,000	10,000	10,000	101,802
1.84% bonds due in 2016	10,000	10,000	10,000	101,802
2.09% bonds due in 2016	10,000	10,000	10,000	101,802
1.4% bonds due in 2012	10,000	10,000	10,000	101,802
1.96% bonds due in 2017	10,000	10,000	10,000	101,802
1.42% bonds due in 2012	10,000	10,000	—	101,802
1.93% bonds due in 2017	10,000	10,000	—	101,802
1.26% bonds due in 2009	2,000	2,000	2,000	20,360
1.45% bonds due in 2011	1,000	1,000	1,000	10,180
Loans, principally from banks and insurance companies:				
Secured, at rates of 1.07% to 5.10% maturing through 2010	1,050	3,671	6,166	10,689
Unsecured, at rates of 0.75% to 11.65% maturing through 2019	217,477	132,917	134,390	2,213,956
Lease obligations	327	—	—	3,329
	371,887	309,643	313,633	3,785,880
Less current portion	27,951	36,860	42,213	284,546
	¥343,936	¥272,783	¥271,420	$3,501,334

The aggregate annual maturities of long-term debt excluding lease obligations subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 27,938	$ 284,414
2011	50,359	512,664
2012	39,471	401,822
2013	43,432	442,146
2014 and thereafter.	210,360	2,141,505
Total	¥371,560	$3,782,551

The aggregate annual maturities of lease obligations subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 13	$ 132
2011	75	764
2012	35	356
2013	35	356
2014 and thereafter.	169	1,721
Total	¥327	$3,329

At March 31, 2009, the assets pledged as collateral for long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥10,603	$107,941
Other non-current assets	127	1,293

8. ACCRUED EMPLOYEES' RETIREMENT BENEFITS

The liability for severance and retirement benefits included in the consolidated balance sheets as of March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Projected benefit obligation	¥208,611	¥207,245	¥210,847	$2,123,699
Unrecognized prior service cost	(80)	12	16	(815)
Unrecognized actuarial loss	(73,851)	(48,362)	(36,888)	(751,817)
Less fair value of pension plan assets	(101,662)	(126,690)	(124,821)	(1,034,938)
Prepaid pension and severance cost	355	1,359	1,199	3,614
Liability for severance and retirement benefits	¥ 33,373	¥ 33,564	¥ 50,353	$ 339,743

Included in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 are severance and retirement benefit expenses which comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Service cost – benefits earned during the year	¥ 5,525	¥ 5,655	¥ 5,414	$ 56,245
Interest cost on projected benefit obligation	5,050	5,110	5,021	51,410
Expected return on plan assets	(2,910)	(2,954)	(2,611)	(29,624)
Amortization of actuarial loss	6,232	4,958	4,522	63,443
Amortization of prior service cost	10	(4)	(4)	102
Severance and retirement benefit expenses	¥13,907	¥12,765	¥12,342	$141,576

The discount rate and rate of expected return on the pension plan assets assumed by the Company and its consolidated subsidiaries were as follows:

	2009	2008	2007
Discount rate	2.50%	2.50%	2.50%
Rate of expected return on the pension plan assets	Principally 2.5%	2.50%	2.50%

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year over the estimated total service years. Prior service cost is recognized as incurred or is amortized by the straight-line method over 10 years. Actuarial gain/loss is recognized by the straight-line method over 10 to 13 years commencing the year following the year in which the gain or loss was recognized.

9. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the year ended March 31, 2009 consisted of the following:

Location		Major use	Asset category	Millions of yen	Thousands of U.S. dollars	Remarks
Nagoya City, Aichi Prefecture		Production Facilities	Machinery and equipment, buildings and structures, others	¥1,046	$10,648	Business assets in use
Nerima City, Tokyo Metropolis		Company house for employees	buildings and structures, land	¥ 695	$ 7,075	At the point of recording: business assets in use/ At the end of the year: idle property
Others	7 items	Production Facilities	Machinery and equipment, buildings and structures, others	¥1,608	$16,370	Business assets in use
	5 items	Company house for employees, etc.	buildings and structures, land, others	¥ 586	$ 5,966	Business assets in use or idle property
Total				¥3,935	$40,059	

The Company and its consolidated subsidiaries have categorized assets used for business activities based on business divisions or units based on business divisions. Of these assets, those assets that are to be disposed of due to withdrawal from a business or for another reason are assessed on an individual basis. Those assets that are idle or not being used for production activities are assessed on an individual basis.

Regarding assets used for business activities, the book value for assets to be disposed of due to withdrawal from a business or for another reason is, in cases where the recoverable amount is below book value, reduced to the recoverable amount. The resulting impairment loss amounting to ¥3,909 million ($39,794 thousand) was recorded as other expenses. This impairment loss comprised ¥1,948 million ($19,831 thousand) for machinery and equipment, ¥1,078 million ($10,974 thousand) for buildings and structures, ¥645 million ($6,566 thousand) for land, and ¥238 million ($2,423 thousand) for other assets.

In addition, the calculation of recoverable amounts based on either net sales price or utility value. The estimated sales prices were used as net sales price, meanwhile since there were no future cash flows, the utility values were zero.

The book value of assets that are idle or not being used for production activities is, in cases where there are no specific plans for future use and where the recoverable amount is below its book value due to a decline in the market price of land or another reason, reduced to the recoverable amount. The resulting impairment loss amounting to ¥26 million ($265 thousand) was recorded as other expenses. This impairment loss comprised ¥22 million ($224 thousand) for land and ¥4 million ($41 thousand) for other assets.

In addition, the calculation of recoverable amounts based on net sales price which was based on the estimated sales prices.

10. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a number of income taxes in Japan which, in the aggregate, resulted in statutory tax rate of approximately 40.6% for the years ended March 31, 2008 and 2007. The consolidated overseas subsidiaries are subject to the income taxes of their countries of domicile.

The following table summarizes the significant differences between the statutory tax rate and effective tax rates for consolidated financial statement purposes for the years ended March 31, 2008 and 2007:"

	2009	2008	2007
Statutory tax rate	—	40.6%	40.6%
Non-deductible expenses		2.1	1.9
Equity in earnings of non-consolidated subsidiaries and affiliates		(5.4)	(2.9)
Gain on change in interests in consolidated subsidiaries		—	(1.5)
Increase (decrease) in valuation allowance		—	(4.2)
Tax credits		(2.5)	(4.4)
Differences of statutory tax rates in consolidated overseas subsidiaries		8.4	1.6
Other		0.4	1.3
Effective tax rate	—	43.6%	32.4%

The description regarding significant differences between the statutory tax rate and effective tax rates has been omitted for the year ended March 31, 2009 because of loss before income taxes and minority interests.

The significant components of the Companys' and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Deferred tax assets:				
Allowance for doubtful accounts	¥ 572	¥ 1,086	¥ 1,036	$ 5,823
Employees' retirement benefits	21,272	19,827	22,142	216,553
Accrued bonuses	3,819	4,704	5,286	38,878
Depreciation	5,145	7,089	8,225	52,377
Accrued enterprise taxes	204	1,020	2,242	2,077
Loss carryforwards of consolidated subsidiaries	29,971	2,296	2,851	305,110
Reserve for periodic repairs	6,122	5,503	5,613	62,323
Provision for environmental measures	4,851	4,509	—	49,384
Loss on write-down of inventories	3,644	3,352	1,937	37,097
Loss on write-down of investment securities	5,767	5,707	4,216	58,709
Loss on impairment of fixed assets	5,291	3,865	3,883	53,863
Other	6,475	10,282	8,188	65,917
Subtotal	93,133	69,240	65,619	948,111
Valuation allowance	(81,176)	(11,274)	(10,202)	(826,387)
Total deferred tax assets	11,957	57,966	55,417	121,724
Deferred tax liabilities:				
Net unrealized holding gain on securities	¥ (3,768)	¥ (9,393)	¥(19,067)	$ (38,359)
Deferred gain on real properties	(3,381)	(3,510)	(3,675)	(34,419)
Reserve for special depreciation	—	—	(12)	—
Retained earnings of consolidated overseas subsidiaries, etc	(1,375)	(10,620)	(8,708)	(13,998)
Employees' retirement benefit trust	—	—	—	—
Other	(2,283)	(2,305)	(2,221)	(23,241)
Total deferred tax liabilities	(10,807)	(25,828)	(33,683)	(110,017)
Net deferred tax assets	¥ 1,150	¥32,138	¥21,734	$ 11,707

11. SHAREHOLDERS' EQUITY

Under the Corporate Law of Japan (the "Law"), the amount paid for new shares is required to be accounted for as common stock, although a company may account for the amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Law provides that an amount equal to 10% of distribution from surplus shall be appropriated and set aside as legal earnings reserve or additional paid-in capital, until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be transferred to common stock by resolution of the shareholders' meeting. The Law also stipulates that the amount of any such excess is available for appropriations by resolution of the shareholders. Legal earnings reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at March 31, 2009 include amounts representing the year-end cash dividends approved at the shareholders' meeting held on June 24, 2009.

The amounts of cash dividends relating to the year ended March 31, 2009 that has been approved is shown below.

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥3 ($0.03) per share	¥2,255	$22,956

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
As endorser of trade notes discounted	¥ 6	¥ 38	¥ 86	$ 61
As guarantor of indebtedness, principally of non-consolidated subsidiaries and affiliates	8,195	10,839	14,327	83,427
As issuer of commitments for guarantees	542	637	662	5,518

13. LEASES

A. At March 31, 2009, 2008 and 2007, assets leased under finance lease transactions starting before March 31, 2008 that do not transfer ownership to the lessees were as follows:

(a) Equivalent purchase amount, accumulated depreciation amount, accumulated impairment amount and balance at year-end:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Machinery and equipment:				
Equivalent purchase amount	¥7,638	¥10,327	¥12,497	$77,756
Equivalent accumulated depreciation amount	4,499	5,834	7,598	45,801
Equivalent accumulated impairment amount	—	—	—	—
Equivalent balance at year-end	3,139	4,493	4,899	31,955

(b) Future minimum lease payments:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Due within one year	¥1,143	¥1,730	¥1,803	$11,636
Due after one year	1,996	2,763	3,096	20,320
Total	¥3,139	¥4,493	¥4,899	$31,956
Impairment of lease assets amount on the balance sheet	¥ —	¥ —	¥ —	$ —

(c) Paid lease fees, equivalent depreciation expense amount and impairment loss:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Paid lease fees	¥1,766	¥2,006	¥2,369	$17,978
Reversal of leased asset impairment loss	—	—	103	—
Equivalent depreciation expense amount	1,766	2,006	2,266	17,978
Impairment loss on lease assets	¥ —	¥ —	¥ —	$ —

B. Obligations under noncancelable operating leases at March 31, 2009, 2008 and 2007, were as follows:

Future Minimum Lease Payments:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Due within one year	¥25	¥33	¥15	$255
Due after one year	40	51	46	407
Total	¥65	¥84	¥61	$662

14. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Research and development expenses	¥40,628	¥42,130	¥36,943	$413,601

15.DERIVATIVES

The Company and its consolidated subsidiaries utilize derivatives transactions only for the purpose of hedging the currency risk associated with transactions denominated in foreign currencies and the interest-rate risk associated with loans payable.

As the counterparties to the above financial derivatives transactions are major financial institutions, management of the Company believes that there is no significant risk of default by these counterparties.

All derivatives transactions the Company and its consolidated subsidiaries enter into are approved by the directors of the financial section. The conditions and results of such transactions are reported semiannually to the Management Meeting.

The following summarizes the derivatives used by the Company and its consolidated subsidiaries as hedging instruments and the items hedged:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency trade receivables and trade payables, planned transactions denominated in foreign currencies
Interest-rate swap contracts	Interest on loans payable

The Company and its consolidated subsidiaries assess the effectiveness of the hedges semiannually by comparing the cumulative changes in cash flows from, or the changes in fair value of, the hedged items and the corresponding changes in the value of the derivatives positions.

The Company and certain of its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2009:

	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Selling U.S. dollar	¥ 616	¥ 636	¥(20)	$ 6,271	$ 6,475	$(204)
Buying U.S. dollar	6,758	6,788	30	68,798	69,103	305

The Company and certain of its consolidated subsidiaries had the following derivatives contracts outstanding at March 31, 2008:

	Millions of yen		
	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Buying U.S. dollar	¥6,757	¥6,379	¥(378)
Foreign currency swaps:			
Receiving Singapore dollar, paying U.S. dollar	242	51	51

The contract amounts of forward foreign exchange contracts and foreign currency swaps presented above exclude those for which deferral hedge accounting has been applied.

16. SEGMENT INFORMATION

Business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009, 2008 and 2007 is summarized as follows:

	Millions of yen					
Year ended March 31, 2009	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
I. Sales and operating income (loss):						
Customers	¥431,834	¥118,658	¥ 912,779	¥24,344	—	¥1,487,615
Inter-segment	18,902	2,918	134,706	72,255	(228,781)	—
Total sales	450,736	121,576	1,047,485	96,599	(228,781)	1,487,615
Operating expenses	466,754	114,265	1,079,491	96,515	(223,917)	1,533,108
Operating income (loss)	¥ (16,018)	¥ 7,311	¥ (32,006)	¥ 84	¥ (4,864)	¥ (45,493)
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥432,205	162,777	¥ 485,687	¥46,244	¥ 62,026	¥1,188,939
Depreciation and amortization	37,569	7,622	29,840	4,816	1,527	81,374
Loss on impairment of fixed assets	1,291	208	2,410	26	—	3,935
Capital expenditures	39,894	18,951	17,694	2,730	1,772	81,041

	Thousands of U.S. dollars					
Year ended March 31, 2009	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
I. Sales and operating income (loss):						
Customers	$4,396,152	$1,207,961	$ 9,292,263	$247,826	$ —	$15,144,202
Inter-segment	192,426	29,706	1,371,333	735,570	(2,329,035)	—
Total sales	4,588,578	1,237,667	10,663,596	983,396	(2,329,035)	15,144,202
Operating expenses	4,751,644	1,163,239	10,989,423	982,541	(2,279,517)	15,607,330
Operating income (loss)	$ (163,066)	$ 74,428	$ (325,827)	$ 855	$ (49,518)	$ (463,128)
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	$4,399,929	$1,657,101	$4,944,386	$470,773	$ 631,436	$12,103,625
Depreciation and amortization	382,460	77,593	303,777	49,028	15,545	828,403
Loss on impairment of fixed assets	13,143	2,117	24,534	265	—	40,059
Capital expenditures	406,128	192,925	180,128	27,792	18,039	825,012

	Millions of yen					
Year ended March 31, 2008	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
I. Sales and operating income:						
Customers	¥504,060	¥122,113	¥1,111,166	¥ 49,341	¥ —	¥1,786,680
Inter-segment	18,685	3,034	143,177	149,511	(314,407)	—
Total sales	522,745	125,147	1,254,343	198,852	(314,407)	1,786,680
Operating expenses	486,888	114,386	1,220,893	195,462	(308,125)	1,709,504
Operating income	¥ 35,857	¥ 10,761	¥ 33,450	¥ 3,390	¥ (6,282)	¥ 77,176
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥489,968	¥159,030	¥697,856	¥71,897	¥50,497	¥1,469,248
Depreciation and amortization	29,564	6,328	30,767	3,811	2,126	72,596
Loss on impairment of fixed assets	605	41	—	60	13	719
Capital expenditures	50,383	6,238	20,648	5,589	1,809	84,667

Year ended March 31, 2007	Millions of yen Functional Chemicals & Engineered Materials	Functional Polymeric Materials	Basic Chemicals	Petrochemicals	Others	Eliminations or Corporate	Consolidated
I. Sales and operating income:							
Customers	¥213,955	¥317,258	¥553,471	¥559,927	¥ 43,451	¥ —	¥1,688,062
Inter-segment	5,114	18,869	48,963	128,700	131,440	(333,086)	—
Total sales	219,069	336,127	602,434	688,627	174,891	(333,086)	1,688,062
Operating expenses	205,546	313,894	591,446	643,291	172,809	(330,602)	1,596,384
Operating income	¥ 13,523	¥ 22,233	¥ 10,988	¥ 45,336	¥ 2,082	¥ (2,484)	¥ 91,678
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:							
Total assets	¥265,064	¥327,878	¥326,966	¥438,063	¥ 62,485	¥ 77,727	¥1,498,183
Depreciation and amortization	12,914	18,318	16,781	18,838	2,572	784	70,207
Loss on impairment of fixed assets	141	303	148	—	—	755	1,347
Capital expenditures	18,707	24,032	8,343	14,132	2,703	4,754	72,671

Effective the year ended March 31, 2008, the Company and its consolidated subsidiaries changed their business segment classification. Business segment information based on the new classification for the year ended March 31, 2007 is summarized as follows:

Year ended March 31, 2007	Millions of yen Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
I. Sales and operating income:						
Customers	¥496,250	¥ 93,929	¥1,037,771	¥ 60,112	¥ —	¥1,688,062
Inter-segment	17,231	3,511	126,261	151,421	(298,424)	—
Total sales	513,481	97,440	1,164,032	211,533	(298,424)	1,688,062
Operating expenses	487,555	85,752	1,110,969	207,956	(295,848)	1,596,384
Operating income	¥ 25,926	¥ 11,688	¥ 53,063	¥ 3,577	¥ (2,576)	¥ 91,678
II. Assets, depreciation, loss on impairment of fixed assets and capital expenditures:						
Total assets	¥476,989	¥160,005	¥ 710,138	¥ 88,552	¥ 62,499	¥1,498,183
Depreciation and amortization	30,012	5,437	31,241	2,621	896	70,207
Loss on impairment of fixed assets	176	268	148	—	755	1,347
Capital expenditures	42,084	7,930	14,940	4,113	3,604	72,671

(Year ended March 31, 2009)

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) and changed the evaluation standard and the evaluation method for inventories.

The effect of this change was as follows:

	Millions of yen, Thousands of U.S. dollars Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
Year ended March 31, 2009						
Effect in operating income	¥893	¥848	¥5,393	¥73	—	¥7,207
Effect in operating income	$9,091	$8,633	$54,902	$743	—	$73,369

(Year ended March 31, 2008)

Effective the year ended March 31, 2008, the Company and its consolidated domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation.

These changes have had the effect of increasing depreciation and reducing operating income as follows:

	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
	Millions of yen					
Year ended March 31, 2008						
Effect in depreciation	¥ 722	¥ 97	¥ 667	¥ 69	¥ 317	¥ 1,872
Effect in operating income	¥(711)	¥(92)	¥(659)	¥(69)	¥(317)	¥(1,848)

Effective the year ended March 31, 2008, accompanying the revision of Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007 and were already depreciated to 5% of the acquisition cost.

The depreciation was calculated by the straight-line method within next five years after these assets were depreciated to 5 % of the acquisition cost. Depreciation was charged to depreciation expense.

These changes have had the effect of increasing depreciation and reducing operating income as follows:

	Performance Materials	Advanced Chemicals	Basic Chemicals	Others	Eliminations or Corporate	Consolidated
	Millions of yen					
Year ended March 31, 2008						
Effect in depreciation	¥ 297	¥ 117	¥ 528	¥ 51	—	¥ 993
Effect in operating income	¥(295)	¥(103)	¥(518)	¥(51)	—	¥(967)

(Year ended March 31, 2007)

Effective the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, changed the depreciation method from the straight-line method to the declining-balance method for the property, plant and equipment except for buildings.

As a result of this change, for the year ended march 31, 2007, depreciation cost increased by ¥1,220 million and operating income decreased by ¥1,214 million in Functional Polymeric Materials.

Effective the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, provided a reserve for the costs of annual repairs.

As a result of this change, for the year ended March 31, 2007, operating income decreased by ¥731 million in Functional Polymeric Materials.

Geographic segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009, 2008 and 2007 is summarized as follows:

Year ended March 31, 2009	Japan	Asia*	Others**	Eliminations	Consolidated
	Millions of yen				
I. Sales and operating loss:					
Customers	¥1,204,422	¥187,759	¥95,434	¥ —	¥1,487,615
Inter-segment	62,410	67,913	1,737	(132,060)	—
Total sales	1,266,832	255,672	97,171	(132,060)	1,487,615
Operating expenses	1,308,333	258,858	98,062	(132,145)	1,533,108
Operating loss	¥ (41,501)	¥ (3,186)	¥ (891)	¥ 85	¥ (45,493)
II. Total assets	¥1,084,167	¥137,951	¥50,318	¥ (83,497)	¥1,188,939

Year ended March 31, 2009	Japan	Asia*	Others**	Eliminations	Consolidated
	Thousands of U.S. dollars				
I. Sales and operating loss:					
Customers	$12,261,244	$1,911,422	$971,536	$ —	$15,144,202
Inter-segment	635,346	691,367	17,683	(1,344,396)	—
Total sales	12,896,590	2,602,789	989,219	(1,344,396)	15,144,202
Operating expenses	13,319,078	2,635,223	998,290	(1,345,261)	15,607,330
Operating loss	$ (422,488)	$ (32,434)	$ (9,071)	$ 865	$ (463,128)
II. Total assets	$11,037,025	$1,404,367	$512,247	$ (850,015)	$12,103,624

Year ended March 31, 2008	Millions of yen Japan	Asia*	Others**	Eliminations	Consolidated
I. Sales and operating income:					
Customers	¥1,466,628	¥215,553	¥104,499	¥ —	¥1,786,680
Inter-segment	69,586	102,320	1,758	(173,664)	—
Total sales	1,536,214	317,873	106,257	(173,664)	1,786,680
Operating expenses	1,464,153	316,708	102,321	(173,678)	1,709,504
Operating income	¥ 72,061	¥ 1,165	¥ 3,936	¥ 14	¥ 77,176
II. Total assets	¥1,300,926	¥188,424	¥ 52,047	(¥ 72,149)	¥1,469,248

Year ended March 31, 2007	Millions of yen Japan	Asia*	Others**	Eliminations	Consolidated
I. Sales and operating income:					
Customers	¥1,412,809	¥178,414	¥96,839	¥ —	¥1,688,062
Inter-segment	53,439	87,652	2,299	(143,390)	—
Total sales	1,466,248	266,066	99,138	(143,390)	1,688,062
Operating expenses	1,381,467	262,103	96,389	(143,575)	1,596,384
Operating income	¥ 84,781	¥ 3,963	¥ 2,749	¥ 185	¥ 91,678
II. Total assets	¥1,327,744	¥179,844	¥51,778	¥ (61,183)	¥1,498,183

*Asia: China, Taiwan, Korea, Thailand, Singapore
**Others: North America, Europe

(Year ended March 31, 2009)
Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted " Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) and changed the evaluation standard and the evaluation method for inventories.

As a result of this change, for the year ended March 31, 2009, operating loss decreased by ¥7,207 million ($73,369 thousand) in Domestic (in Japan).

(Year ended March 31, 2008)
Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after April 1, 2007 due to the revision of Japanese Corporate Tax Law and its regulation.

As a result of this change, for the year ended March 31, 2008, depreciation cost increased by ¥1,872 million and operating income decreased by ¥1,848 million in Domestic (in Japan).

Effective the year ended March 31, 2008, accompanying the revision of Japanese Corporate Tax Law, the Company and its consolidated domestic subsidiaries started the depreciation for the property, plant and equipment, which were acquired on or before March 31, 2007 and were already depreciated to 5% of the acquisition cost.

The depreciation was calculated by the straight-line method within next five years after these assets were depreciated to 5 % of the acquisition cost. Depreciation was charged to depreciation expense.

As a result of this change, for the year ended March 31, 2008, depreciation cost increased by ¥993 million and operating income decreased by ¥967 million in Domestic (in Japan).

(Year ended March 31, 2007)
Effective the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, changed the depreciation method from the straight-line method to the declining-balance method for the property, plant and equipment except for buildings.

As a result of this change, for the year ended march 31, 2007, depreciation cost increased by ¥1,220 million and operating income decreased by ¥1,214 million in Domestic (in Japan).

Effective the year ended March 31, 2007, to unify the accounting policy among the Mitsui Chemicals Group, several consolidated subsidiaries, which were additionally wholly-owned by the Company, provided a reserve for the costs of annual repairs.

As a result of this change, for the year ended March 31, 2007, operating income decreased by ¥731 million in Domestic (in Japan).

Overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2009, 2008 and 2007 are summarized by geographic area as follows:

	Millions of yen				
Year ended March 31, 2009	Asia*	North America and Latin America	Europe**	Others***	Overseas sales
Overseas sales	¥388,008	¥75,895	¥52,116	¥11,927	¥527,946
Consolidated net sales					¥1,487,615
Ratio of overseas sales to consolidated net sales	26.1%	5.1%	3.5%	0.8%	35.5%

	Thousands of U.S. dollars				
Year ended March 31, 2009	Asia*	North America and Latin America	Europe**	Others***	Overseas sales
Overseas sales	$3,949,995	$772,625	$530,551	$121,419	$5,374,590

	Millions of yen				
Year ended March 31, 2008	Asia*	North America and Latin America	Europe**	Others***	Overseas sales
Overseas sales	¥544,347	¥84,029	¥52,409	¥15,481	¥696,266
Consolidated net sales					¥1,786,680
Ratio of overseas sales to consolidated net sales	30.5%	4.7%	2.9%	0.9%	39.0%

	Millions of yen				
Year ended March 31, 2007	Asia*	North America and Latin America	Europe**	Others***	Overseas sales
Overseas sales	¥509,454	¥81,645	¥52,960	¥13,246	¥657,305
Consolidated net sales					¥1,688,062
Ratio of overseas sales to consolidated net sales	30.2%	4.8%	3.1%	0.8%	38.9%

*Asia: China, Taiwan, Korea, Thailand, Singapore
**Europe: Germany, France
***Others: Oceania, Africa

17. GOODWILL AND NEGATIVE GOODWILL

Goodwill and negative goodwill arising from the difference of cost and underlying net assets at the date of acquisition are amortized over a period of less than 20 years on a straight-line basis, except that immaterial amounts are charged or credited to income as incurred.

The amounts of goodwill were offset by negative goodwill and the difference arising from the offsetting was included in intangible assets. Offsetting amounts of goodwill and negative goodwill at March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Goodwill	¥11,783	¥12,280	¥15,876	$119,953
Negative goodwill	1,342	2,126	3,194	13,662
Difference	¥10,441	¥10,154	¥12,682	$106,291

18.BUSINESS COMBINATIONS

Effective the year ended March 31, 2007, the Company adopted new accounting standard “Accounting Standards for Business Combinations in Japan” (Business Accounting Council, October 31, 2003), and “Accounting Standard for Business Divestitures and the related Implementation Guidance” (ASBJ Statement No. 7, December 27, 2005), and its guidance; “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, revised November 15, 2007).

For the year ended March 31, 2007, Making Yamamoto Chemicals Inc. a wholly-owned subsidiary by share exchange

A. Corporate name and business of the entity combined, legal form of business combinations, corporate name after business combinations, and overview of the transaction including purpose.

(a) Corporate name and business of the entity combined
Name : Yamamoto Chemicals, Inc.
Business : dyes, pigments, industrial chemicals

(b) Legal form of business combinations
Share exchange

(c) Corporate name after business combinations
Yamamoto Chemicals, Inc. (name remains unchanged.)

(d) Overview of the transactions including purpose

The Company and Yamamoto Chemicals, Inc. agreed to make Yamamoto Chemicals, Inc. as a wholly-owned subsidiary. And the Company completed the procedures on April 1, 2006.

The Company reinforces the partnership of the two companies and further enhance corporate values as written below in (i) and (ii) by integrating Yamamoto Chemicals, Inc. as a wholly-owned subsidiary of the Company through the share exchange.

(i) Propelling the efficient operation of color formers

(ii) Promoting effective manufacturing, marketing and R&D in functional dye and accelerating new product development.

B. Matters related to additional acquisition of shares of subsidiaries

(a) Acquisition cost and its breakdown

Consideration for acquisition	
Share of the Company	¥4,833 million
Expenditure directly required for acquisition	—
Acquisition cost total	¥4,833 million

(b) Ratio of allocations of shares

1.10 share of the Company were allocated to one share of Yamamoto Chemicals, Inc.

(c) Basis for calculating the share exchange ratio

The Company and Yamamoto Chemical's agreed upon the ratio of the allocation of shares, referring the evaluations from third parties.

(d) Number of new shares of the Company allocated to share exchange

Number of shares	7,463,723 ordinary shares
Value of shares	¥5,083 million

(e) Negative goodwill

Negative goodwill ¥2,782 million were booked, due to the difference between the earning power of Yamamoto Chemicals, Inc. and the cost for making Yamamoto Chemicals, Inc. as a wholly owned subsidiary. Amortization is done by equal amortization over 5 years.

(f) Assets and liability gained by acquisition

Current assets	¥4,973 million
Non current assets	¥8,128 million
Assets Total	¥13,101 million
Current liabilities	¥1,514 million
Long-term liabilities	¥66 million
Liabilities Total	¥1,580 million

19. SUBSEQUENT EVENTS

There were no applicable items under this category.

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Report of Independent Auditors

The Board of Directors
Mitsui Chemicals, Inc.

We have audited the accompanying consolidated balance sheets of Mitsui Chemicals, Inc. and consolidated subsidiaries as of March 31, 2009, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsui Chemicals, Inc. and consolidated subsidiaries as of March 31, 2009, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Supplemental Information

(1) As discussed in Note 16 to the consolidated financial statements, effective April 1, 2007, Mitsui Chemicals, Inc. and consolidated subsidiaries changed business segment classification.

(2) As discussed in Note 2.c to the consolidated financial statements, effective April 1, 2008, Mitsui Chemicals, Inc. and domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006).

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

June 24, 2009

Subsidiaries and Major Affiliates

(As of March 31, 2009)

*Consolidated subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)		Equity Interest (%)
Performance Materials				
* Chiba Polyol Corporation	Polypropylene glycol	¥	100	90
* Japan Composite Co., Ltd.	Unsaturated polyester resins and molding materials for FRP	¥	1,005	65
* MC Industries, Ltd.	Synthetic resin compounds and wood preservatives	¥	300	100
* Mitsui Chemicals Fabro, Inc.	Functional fabricated products	¥	400	100
* Mitsui Chemicals Industrial Products, Co., Ltd.	Civil engineering and construction materials	¥	400	100
* Mitsui Chemicals Polyurethans, Inc.	Urethane raw materials, urethane derivatives and organic acids	¥	20,008	100
* Cosomo Polyurethane (Malaysia) Sdn, Bhd	Urethane raw materials	RM	2.5	51
* Saxin Corporation	Molded synthetic resin	¥	128	71.4
* Shimonoseki Mitsui Chemicals, Inc.	Phosphoric acid and fertilizers	¥	3,000	100
* Sun Alloys Co., Ltd.	Compounded polymers	¥	50	100
* Sunrex Industry Co., Ltd.	Spunbonded nonwoven fabrics and plastic film	¥	240	100
* Toyo Phosphoric Acid, Inc.	Phosphoric acid	¥	1,500	60
* Tohcello Co., Ltd.	Plastic film	¥	3,450	53.4
* Tohoku Uloid Co., Ltd.	Synthetic resins, wood adhesives, formalin and other chemical products	¥	80	100
* Anderson Development Company	Specialty chemicals	US$	19.20	100
* Cosmo Scientex (M) Sdn. Bhd.	Urethane prepolymers for flexible packaging applications and providing technical services and assistance to customers	RM	10	70
* Image Polymers Company	Toner resin	US$	9.6	100
* Image Polymers Europe Limited	Toner resin	Pound	4.4	100
* Mitsui Elastomers Singapore Pte. Ltd.	Elastomer	US$	96	100
* Mitsui Hygiene Materials (Thailand) Co., Ltd.	Spunbonded nonwoven fabrics	Baht	1,310	100
* P.T. Cosmo Polyurethane Indonesia	Urethane premixture	US$	1.05	81
* Taiwan Mitsui Chemicals, Inc.	Sales of electronics and information materials	NT$	14	100
* Thai Mitsui Specialty Chemicals Co., Ltd.	Specialty chemicals	Baht	318	51.9
* Tianjin Cosmo Polyurethane Co., Ltd.	Urethane premixture	Yuan	90	70
* Zhang Jia Gang Free Trade Zone Mitsui Link-Upon Advanced Materials, Inc.	Engineering plastic compound	US$	4.66	60
Kumho Mitsui Chemicals, Inc.	MDI	Won	35,000	50
Polyimide Laminate Systems, LLC	Polyimide flexible laminate	US$	0.10	50
Sun Alloys Europe GmbH	Compounded polymers	Euro	2	50
Advanced Chemicals				
* Mitsui Fine Chemicals, Inc.	Fine chemical products	¥	400	80.03
* Sankyo Agro Co., Ltd.	Agrochemical formulation products and public health insecticides	¥	350	100
* Sun Medical Co., Ltd.	Dental materials	¥	100	70
* Toyo Beauty Supply Corporation	Cosmetics	¥	40	60
* Utsunomiya Chemical Industry Co., Ltd.	Agrochemical formulation products and public health insecticides	¥	20	100
* Yamamoto Chemicals, Inc.	Dyes, pigments and industrial chemicals	¥	350	100
* ESCO Company Limited Partnership	Color former and catalyst	US$	18	100
* Yongsan Mitsui Chemicals, Inc.	Acrylamide	Won	3,850	50
* SDC Technologies, Inc.	High performance coating materials for plastics and non-ferrous metals	US$	81	100
Honshu Chemical Industry, Ltd.	Raw materials for synthetic resins, synthetic fibers, dyes, pharmaceuticals, agricultural chemicals, rubber and other chemicals	¥	1,501	27.1
MT AquaPolymer, Inc.	Organic flocculant	¥	460	49

*Consolidated subsidiary

Companies	Major Products or Lines of Business	Paid-in Capital (In millions)		Equity Interest (%)
Basic Chemicals				
* Chiba Phenol Company, Limited	Phenol and acetone	¥	300	55
* Evolue Japan Co., Ltd.	Polyethylene	¥	400	75
* Kyodo Monomer Co., Ltd.	Methacrylic acid and methyl methacrylate	¥	400	100
* Mitsui Toatsu Inorganic Chemicals, Inc.	Inorganic chemicals	¥	100	100
* Osaka petrochemical Industries, Ltd.	Ethylene, propylene and other basic petrochemical products	¥	5,000	100
* Prime Polymer Co., Ltd.	Polyolefin	¥	20,000	65
* Ube Polypropylene Co., Ltd.	Polypropylene	¥	475	100
* Advanced Composites, Inc.	Polypropylene compound	US$	44.3	62.8
* Advanced Composites Mexicana S.A. de C.V.	Polypropylene compound	US$	2.60	100
* Mitsui Advanced Composites (Zhongshan) Co., Ltd.	Polypropylene compound	US$	15.31	70
* Mitsui Phenols Singapore Pte Ltd.	Phenol, acetone and Bisphenol-A	US$	120	95
* Mitsui Prime Advanced Composites India Pvt Ltd.	Polypropylene compound	Rupee	1,130	93
* Prime Polymer Asia Co., Ltd.	Polyolefin	HK$	1	100
* Siam Mitsui PTA Co., Ltd.	PTA	Baht	3,300	50
* Smh Co., Ltd.	Investment to Siam Mitsui PTA Co., Ltd.	Baht	60	51
Japan Polystyrene Inc.	Polystyrene	¥	2,000	50
Keiyo Ethylene Co., Ltd.	Ethylene, propylene and other basic petrochemical products	¥	6,000	22.5
Grand Siam Composites Co., Ltd.	Polypropylene compound	Baht	63.7	48.2
P.T. Amoco Mitsui PTA Indonesia	PTA	US$	160	45
P.T. Petnesia Resindo	Polyethylene terephthalate resin for bottles	US$	28	49.6
Shanghai Sinopec Mitsui Chemicals, Co., Ltd.	Bisphenol-A	Yuan	307	50
Thai Pet Resin Co., Ltd.	Polyethylene terephthalate resin for bottles	Baht	900	40
Others				
* Hokkaido Mitsui Chemicals, Inc.	Wood adhesives, paper resins and foliar activator	¥	1,500	100
* MC Business Support, Ltd.	Placements, temporary work and insurance and travel agency	¥	50	100
* MC Operation Support, Ltd.	Operation support for MCI Production sites	¥	10	100
* MCI Logistics (west), Inc.	General trucking and warehousing	¥	400	100
* Mitsui Chemical Analysis & Consulting Service, Inc.	Performing analysis, physical property measurements, and safety tests on chemicals	¥	140	100
* Sanseikaihatsu Co., Ltd.	Consignment from Mitsui Chemicals and miscellaneous	¥	490	100
* Mitsui Chemicals America, Inc.	Manufacture and sales of ADMER and marketing of Mitsui Chemicals products	US$	156	100
* Mitsui Chemicals Asia Pacific, Ltd.	Marketing of Mitsui Chemicals products	S$	3	100
* Mitsui Chemicals Europe GmbH	Manufacture of polypropylene compound, ADMER and marketing of Mitsui Chemicals products	Euro	1.2	100
* Mitsui Chemicals (Shanghai) Co., Ltd.	Marketing of Mitsui Chemicals products	US$	0.30	100
Du Pont-Mitsui Fluorochemicals Co., Ltd.	Fluorocarbon resin and gas, and other chemicals	¥	2,880	50
Du Pont-Mitsui Polychemicals Co., Ltd.	Ethylene vinyl acetate copolymer and other ethylenic copolymers	¥	6,480	50
Mitsui Chemicals India, PVT. LTD.	Sale, market development and market research for the MCI Group's products	Rupee	134	100

Corporate Data

(As of March 31, 2009)

Date Incorporated
July 25, 1947
(Inaugurated October 1, 1997)

Paid-in Capital
¥103,226 million

Number of Employees
12,964 (Consolidated)

Shares of Common Stock Issued and Outstanding
792,020,076

Number of Shareholders
85,589

Stock Listing
Tokyo

Transfer Agent
The Chuo Mitsui Trust & Banking Co., Ltd.

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Mitsui Chemicals
Organization Chart

(As of April 1, 2009)

- Board of Directors
  - Chairman
    - President & CEO
      - Management Committee

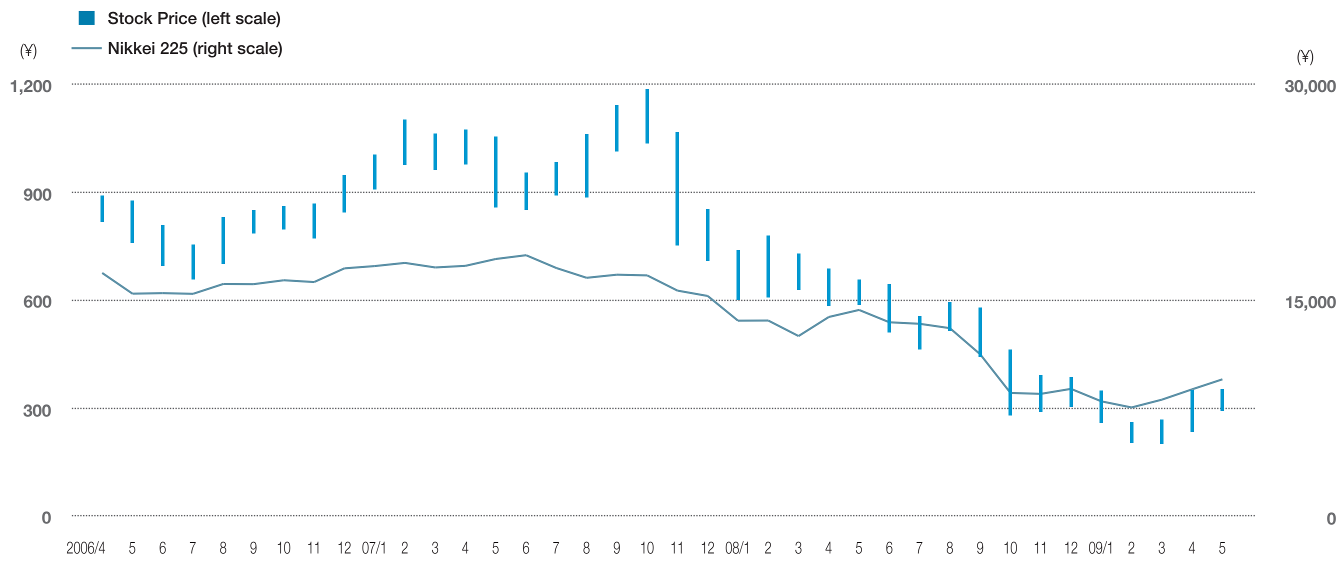
- Board of Corporate Auditors
  - Corporate Auditors

- Performance Materials Business Sector
  - Business Planning & Development Div.
    - Administration & Accounting Div.
    - Automotive & Industrial Materials Div.
    - Living & Energy Materials Div.
    - Information & Electronics Materials Div.
    - Polyurethane Div.
    - Coatings & Engineering Materials Div.
  - Development Center
    - Materials Lab.
    - Product Development Lab.
    - Technology Lab.
  - (Tohcello Co., Ltd.)
- Advanced Chemicals Business Sector
  - Business Planning , Development & Administration Div.
  - Fine & Performance Chemicals Div.
  - (Mitsui Chemicals Agro, Inc.)
- Basic Chemicals Business Sector
  - Business Planning, Development & License Div.
  - Administration & Accounting Div.
  - Feedstocks Div.
  - Phenols Div.
  - PTA & PET Div.
  - Industrial Chemicals Div.
  - (Prime Polymer Co., Ltd.)
- Nagoya Branch
- Osaka Branch
- Fukuoka Branch
- Mitsui Chemicals America, Inc.
- Mitsui Chemicals Europe GmbH
- Mitsui Chemicals Asia Pacific, Ltd.
- Mitsui Chemicals (Shanghai) Co., Ltd.

- Production & Technology Center
  - Planning & Coordination Div.
  - Process Technology Center
  - Kashima Works
  - Ichihara Works
  - Nagoya Works
  - Osaka Works
  - Iwakuni-Ohtake Works
  - Omuta Works
- Supply Chain Management Center
  - Planning & Coordination Div.
  - Purchasing Div.
  - Logistics Div.
  - Information Technology Planning Div.
- Research Center
  - Planning & Coordination Div.
  - Intellectual Property Div.
  - Catalysis Science Lab.
  - Material Science Lab.
- Corporate Social Responsibility Center
  - CSR & Corporate Communications Div.
  - Safety & Environment Div.
  - Quality Assurance Div.
  - Corporate Administration Div.
  - Legal Div.
  - Human Resources & Employee Relations Div.
- Corporate Management Center
  - Corporate Planning Div.
  - Group Management Div.
  - Management Accounting Div.
- Finance, Accounting & IR Div.
- Internal Control Div.

Stock Information

Common Stock Price Range



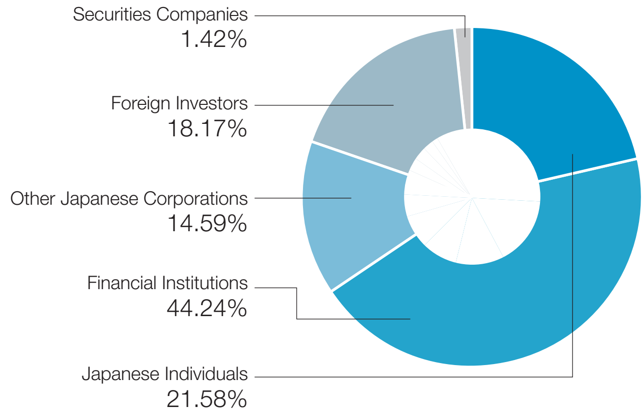
Major Shareholders

(As of March 31, 2009)

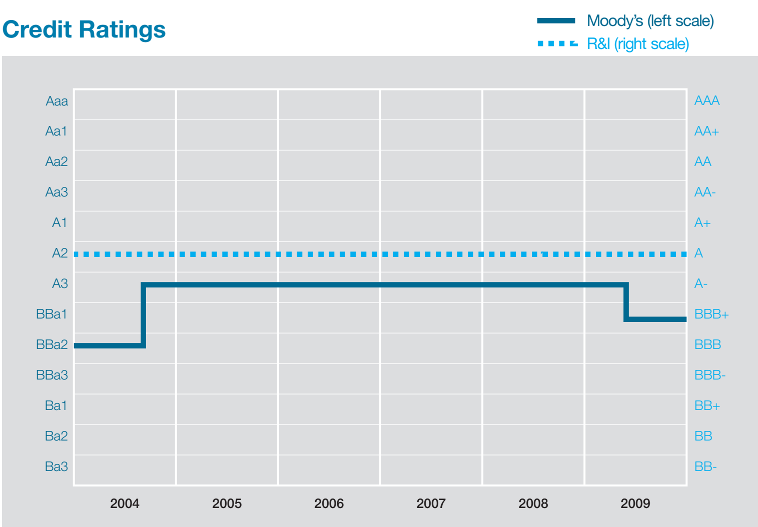
	Number of shares held (Thousands)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	58,249	7.35
Japan Trustee Services Bank, Ltd. (Trust account)	41,797	5.27
Japan Trustee Services Bank, Ltd. (Toray Industries Inc. Retirement Benefit Trust Account re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Ltd.)	37,425	4.72
Japan Trustee Services Bank, Ltd. (Trust account 4G)	37,341	4.71
Mitsui & Co., Ltd. (Standing Proxy: Trust & Custody Services Bank, Ltd.)	34,740	4.38
Sumitomo Mitsui Banking Corporation	21,946	2.77
Japan Trustee Services Bank, Ltd. (Trust account 4)	21,730	2.74
Mitsui Life Insurance Co., Ltd.	18,030	2.27
Mitsui Sumitomo Insurance Co., Ltd.	16,321	2.06
The Chuo Mitsui Trust and Banking Co., Ltd.	16,317	2.06

Composition of Shareholders

(As of March 31, 2009)



Credit Ratings



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Mitsui Chemicals

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