



Summary of Financial Results for the Nine Months Ended December 31, 2007

Mitsui Chemicals, Inc. (4183)

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

1. Consolidated Financial Results

(1) Results of Operations

	Millions of Yen - Except Per Share Data and Percents				
	Nine Months Ended December 31,				FY Ended 3/31
	2007	%	2006	%	2007
Net Sales	1,337,771	6.6	1,255,432	17.0	1,688,062
Operating Income	70,256	3.9	67,618	68.3	91,678
Recurring Income	67,801	(7.4)	73,194	67.7	95,478
Net Income	36,016	(21.1)	45,637	60.5	52,297
Net Income per Share (yen)	46.71		57.88		66.68
Net Income per Share, diluted (yen).....	—		—		—

(2) Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	Nine Months Ended December 31,		FY Ended 3/31
	2007	2006	2007
Total Assets	1,519,208	1,447,853	1,498,183
Net Assets	587,535	557,547	570,252
Shareholders' Equity Ratio	34.3%	34.0%	33.7%
Shareholders' Equity per Share (yen).....	676.77	636.82	653.84

(3) Cash Flows

	Millions of Yen		
	Nine Months Ended December 31,		FY Ended 3/31,
	2007	2006	2007
Cash Flows from Operating Activities	76,319	60,895	100,565
Cash Flows from Investing Activities	(57,591)	(89,794)	(133,618)
Cash Flows from Financing Activities	(8,866)	37,723	41,168
Cash and Cash Equivalents at End of Period.....	49,761	40,838	40,443



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

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

No revisions to the earnings forecasts announced with mid- term results on Nov. 9, 2007.

3. Other Information

1. Transfer of important subsidiaries during the period under review (Transfer of specific subsidiaries that results in a change in the scope of consolidation): No
2. Simplified methods applied for accounting: Yes
3. Changes in accounting methods since most recent fiscal year: Yes

Note: The outlook shown above is prepared based on information available as of the time of writing, and therefore actual results may differ significantly from the projections due to risks and various unknown factors. Please refer to “ Consolidated Operating Results” on pages 3 – 5 and “Outlook for the Fiscal Year Ending March 31, 2008” on page 6 for more information.



II. Operating Results and Financial Position

1. Consolidated Operating Results

(1) Overview

Severe business conditions persisted for the chemical industry as already high prices for raw materials rose yet further.

The Group faced these conditions by concentrating its efforts on marketing activities and working to achieve significant cost reductions to improve profitability.

These efforts resulted in the following operating results:

(Units: Billions of Yen)

	Net sales	Operating income	Recurring income	Net income
Nine months ended Dec. 31, 2007	1,337.8	70.3	67.8	36.0
Nine months ended Dec.31, 2006	1,255.4	67.6	73.2	45.6
Change	82.4	2.7	(5.4)	(9.6)
Change (%)	6.6%	3.9%	(7.4)%	(21.1)%

Sales rose 6.6% over the same period last year to 1,337.8 billion yen, an increase of 82.4 billion yen. This was achieved through 96.4 billion yen in benefits from raising product prices amidst the rising prices for raw materials such as naphtha and price hikes achieved as conditions in overseas markets improved, despite the negative impact of a 14.0 billion yen decline in unit volume sold.

The cost of goods sold rose significantly due to rising prices for raw materials such as naphtha and other factors. However, the revision in product prices and improving conditions overseas led to a 2.7 billion yen increase in **operating income** from the same period last year to 70.3 billion yen, an increase of 3.9%.

Recurring income declined by 5.4 billion yen from the same period last year to 67.8 billion yen, a 7.4% decrease, due to a decrease in non-operating income of 8.1 billion yen compared with the same period last year. The fall in non-operating income was due to smaller foreign currency exchange gains and reduced income from equity-method investments, as well as an increase in interest payments and losses on the disposition of defective products.

This resulted in a **Return on Sales (ROS)** of 5.1%.

Extraordinary income was 2.3 billion yen, owing to such factors as a 2.1 billion yen profit on the sale of fixed assets. **Extraordinary expenses**, on the other hand, were 10.5 billion yen, owing to a 2.6 billion yen loss on the liquidation and sale of fixed assets, a 2.8 billion yen loss on restructuring of subsidiaries and affiliates, and a 4.8 billion yen loss on allowance for environmental costs. As a result, net extraordinary losses increased 3.8 billion yen compared with the same period last year to 8.2 billion yen.

The above factors resulted in **net income before tax** of 59.6 billion yen, a decrease of 9.2 billion yen compared with the same period last year.

Net income after the deduction of corporate taxes and minority interest declined by 9.6 billion yen compared with the same period last year to 36.0 billion yen, a 21.1% decrease. Net income per share for nine months ended Dec. 2007 was 46.71 yen.



(2) Results by Business Segment

Performance Materials

Sales of **automotive and industrial materials** such as ethylene propylene rubber and alpha olefin copolymer were firm as a result of growth in domestic demand as well as steady progress in developing the market for elastomers and new clients, particularly those in the Asia.

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

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

There was growth in demand for **specialty polyolefin and engineering plastics**, mainly for IT-related uses, which resulted in firm sales.

Sales of **semiconductor materials** were healthy because of an aggressive expansion of sales of semiconductor gas although declining prices in the semiconductor and liquid crystal markets negatively affected earnings.

The segment saw sales of **optical materials** weaken due to stagnant demand for plasma display panels in the North American market and to price declines.

Urethane material sales were healthy as a result of an improvement in the market for TDI in East and Southeast Asia and to increases in the price for PPG following steep rises in raw material prices.

There was strong growth in sales of **urethane resins** as both domestic and overseas demand rose, mainly for curing agents for paints and adhesives.

The above factors resulted in a 10.8 billion yen increase in segment sales over the same period last year to 380.0 billion yen, and segment sales accounted for 28% of total sales. Operating income rose 14.1 billion yen to 31.6 billion yen.

Advanced Chemicals

There was steady growth in sales of **healthcare materials** such as **ophthalmic lenses** and pharmaceutical intermediates.

Sales of **chemical products** such as polymerization inhibitors and adhesive materials for tires and lumber rose because of aggressive marketing efforts to expand sales and revisions to product prices due to jumps in the price for raw materials. However, this was unable to fully cover the rise in costs.

There was growth in sales of **agrochemical products** since Sankyo Agro Co., Ltd., was turned into a consolidated subsidiary.

The above factors resulted in segment sales of 89.0 billion yen, an increase of 20.9 billion yen over the same period last year, and sales accounted for 7% of total sales. Operating income declined 400 million yen to 7.7 billion yen.



Basic Chemicals

There was firm demand for **ethylene and propylene** both domestically and overseas; however, production volume for both products declined due to regularly scheduled maintenance on the Ichihara and Osaka plants.

Phenol sales were healthy owing to revision of product prices in response to rapidly rising material prices.

Sales volume of **bisphenol A** was strong, supported by robust demand in the Asian market. This, together with revisions to product prices in response to rising material costs, resulted in firm sales.

Sluggish conditions in the Chinese market caused sales of **PTA (purified terephthalic acid)** to weaken.

PET resins (polyethylene - terephthalate) sales were at the same level as those for the same period last year on strong domestic demand for PET bottles.

Sales of **ethylene glycol, ethylene oxide and derivatives** of these were strong due to price revisions resulting from rapidly rising raw material prices.

Polyethylene and polypropylene sales rose following price revisions in response to rapidly rising raw material prices. This did not fully cover the rise in costs, however, due to the delay in revising prices.

The above factors resulted in segment sales of 830.8 billion yen, an increase of 58.3 billion yen over the same period last year, and sales for the segment accounted for 62% of total sales. Operating income declined by 8.1 billion yen to 32.4 billion yen.

Others

Sales for this segment declined by 7.6 billion yen from the same period last year to 38.0 billion yen and accounted for 3% of total sales. Operating income declined by 500 million yen to 2.7 billion yen.



2. Financial Position

Total assets as of Dec. 31, 2007 increased by 21.0 billion yen as compared to Dec 31, 2006 to 1,519.2 billion yen.

Total liabilities as of Dec. 31, 2007 rose by 3.8 billion yen as compared to Dec. 31, 2006 to 931.7 billion yen. Of this, **interest-bearing debt** rose 5.5 billion yen to 503.8 billion yen. The interest-bearing debt ratio therefore improved 0.1 percentage points to 33.2%.

Net assets as of Dec. 31, 2007 increased by 17.2 billion yen as compared to Dec. 31, 2006 to 587.5 billion yen. The **ratio of shareholders' equity to total assets** improved by 0.6 percentage points as compared to Dec. 31, 2006 to 34.3%.

These factors contributed to a **debt-equity ratio** of 0.97 as of Dec. 31, 2007, a 0.02 percentage point improvement as compared to Dec. 31, 2006.

3. Cash Flow Status

Cash and cash equivalents (hereafter called "cash") increased by 9.3 billion yen to 49.8 billion yen as of Dec. 31, 2007.

Cash Flow from Operating Activities

Cash inflow from operating activities increased 15.4 billion yen as compared to Dec. 31, 2006 to 76.3 billion yen. The increase was the result of several factors such as a substantial increase in working capital due to an increase in account receivables and inventory.

Cash Flow from Investment Activities

Cash outflow for investment activities decreased by 32.2 billion yen as compared to Dec. 31, 2006 to 57.6 billion yen. The decline was due to expenditures for the acquisition of shares in Mitsui Chemicals Polyurethanes Inc., among other factors.

Cash Flow from Financing Activities

Cash outflow due to financing activities was 8.9 billion yen. This was due to the payment of dividends, among other factors, although further interest-bearing debt was taken on. As of Dec. 31, 2006, 37.7 billion yen in funds were procured via interest-bearing debt.

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

Earnings for the third quarter were in line with initial forecasts, and we expected to achieve our initial forecasts for the full fiscal year. Therefore, there have been no revisions to the earnings forecasts announced with mid-term results on November 9, 2007.



III. Consolidated Financial Statements (Summary)

(1) Consolidated Balance Sheets (Summary)

	Millions of Yen		
	As of Dec 31, 2007	As of March 31, 2007	Change
Assets			
Current Assets	755,565	733,150	22,415
Fixed Assets	763,643	765,033	(1,390)
Total Assets	1,519,208	1,498,183	21,025
Liabilities			
Current Liabilities	595,810	591,253	4,557
Long-term Liabilities	335,863	336,678	(815)
Total Liabilities	931,673	927,931	3,742
Net Assets			
Shareholders' Equity	491,723	465,906	25,817
Common stock.....	103,226	103,226	—
Additional paid-in capital	69,240	69,257	(17)
Retained earnings.....	338,451	311,703	26,748
Treasury stock, at cost.....	(19,194)	(18,280)	(914)
Valuation transition adjustment and others	29,838	38,603	(8,765)
Minority interest in consolidated subsidiaries	65,974	65,743	231
Total Net Assets	587,535	570,252	17,283
Total Liabilities and Net Assets	1,519,208	1,498,183	21,025
(Reference)			
Interest-bearing debts	503,836	498,323	5,513

**(2) Consolidated Statement of Income (Summary)**

	Millions of Yen			
	Nine Months Ended Dec. 31, 2007	Nine Months Ended Dec. 31, 2006	Change	Fiscal Year March 31, 2007
Net Sales	1,337,771	1,255,432	82,339	1,688,062
Cost of sales	1,117,738	1,044,365	73,373	1,402,022
Gross profit	220,033	211,067	8,966	286,040
Selling, general and administrative expenses	149,777	143,449	6,328	194,362
Operating Income	70,256	67,618	2,638	91,678
Non-operating Income and Expenses				
Non-operating Income				
Equity in earnings of non-consolidated subsidiaries and affiliates	4,822	5,649	(827)	5,979
Other, net	9,998	10,496	(498)	14,476
Non-operating Income	14,820	16,145	(1,325)	20,455
Non-operating Expenses	17,275	10,569	6,706	16,655
Recurring Income	67,801	73,194	(5,393)	95,478
Extraordinary Gain and Loss				
Gain on sale of fixed assets	2,143	168	1,975	389
Gain on change in interests in consolidated subsidiaries	—	3,102	(3,102)	3,102
Other extraordinary gains	132	570	(438)	1,563
Extraordinary Gains	2,275	3,840	(1,565)	5,054
Losses on disposal and sale of fixed assets	2,542	2,644	(102)	5,979
Loss on restructuring of subsidiaries and affiliates	2,823	2,076	747	1,997
Loss on sale of investment securities ...	283	1,293	(1,010)	3,600
Environmental measure expenses	4,790	—	4,790	—
Other extraordinary losses	13	2,249	(2,236)	4,414
Extraordinary Losses	10,451	8,262	2,189	15,990
Net Income Before Income Taxes	59,625	68,772	(9,147)	84,542
Corporate Income Taxes	21,754	17,762	3,992	27,416
Minority Interest in Net Income of Consolidated Subsidiaries	1,855	5,373	(3,518)	4,829
Net Income	36,016	45,637	(9,621)	52,297

**(3) Consolidated Statement of Cash Flows (Summary)**

Millions of Yen				
	Nine Months Ended Dec. 31, 2007	Nine Months Ended Dec. 31, 2006	Change	FY 3/31/2007
I. Cash flows from operating activities	76,319	60,895	15,424	100,565
II. Cash flows from investing activities	(57,591)	(89,794)	32,203	(133,618)
III. Cash flows from financing activities.....	(8,866)	37,723	(46,589)	41,168
IV. Effect of exchange rate changes on cash and cash equivalents	(259)	277	(536)	608
V Net increase in cash and cash equivalents	9,603	9,101	502	8,723
VI. Cash and cash equivalents at beginning of period	40,443	31,221	9,222	31,221
VII. Increase (decrease) in cash resulting from changes in numbers of consolidated subsidiaries	(285)	516	(801)	499
VIII. Cash and cash equivalents at end of period.....	49,761	40,838	8,923	40,443



IV. Segment Information

Net Sales by Segment

(Millions of Yen)

	Nine Months Ended Dec 31, 2007	Nine Months Ended Dec 31, 2006	Change
Performance Materials	379,963	369,252	10,711
Advanced Chemicals	88,986	68,122	20,864
Basic Chemicals	830,785	772,503	58,282
Other	38,037	45,555	(7,518)
Total	1,337,771	1,255,432	82,339

Operating Income by Segment

(Millions of Yen)

	Nine Months Ended Dec 31, 2007	Nine Months Ended Dec 31, 2006	Change
Performance Materials	31,624	17,459	14,165
Advanced Chemicals	7,651	8,108	(457)
Basic Chemicals	32,404	40,530	(8,126)
Other	2,642	3,163	(521)
Total	74,321	69,260	5,061
Eliminations and Corporate	(4,065)	(1,642)	(2,423)
Consolidated Total	70,256	67,618	2,638