



# Financial Summary

Results of FY2006 & Outlook for FY2007

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## Mitsui Chemicals, Inc.

<Remarks>

FY2006 indicates the fiscal year starting from April 1 of 2006 and ending at March 31 of 2007

FY2007 indicates the fiscal year starting from April 1 of 2007 and ending at March 31 of 2008

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# **1. Results of FY2006**

**(April 1, 2006 – March 31, 2007)**

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# 1) Operation Topics in FY2006

Project	Action	Production Capacity	Location	Date
◆Performance Materials				
1)Cyclic Olefin Copolymer (APEL)	Starting commercial operation	+600 t/y (2.8→3.4K t/y)	Iwakuni	Apr. 06
2)Film-type PDP optical filter	Starting commercial operation	+960K sheet/y (840→1800K sheet/y)	Nagoya	Apr. 06
3)Photovoltaic Solar Module Encapsulating Sheet	Starting commercial operation	+4K t/y (5.2→9.2K t/y)	Nagoya	Aug. 06
4)Breathable Film for Hygiene Use	Starting commercial operation	6K t/y	Thailand (MHM)	Aug. 06
5)Business Integration of Polymer Flocculant	Establishment of MT AquaPolymer			Oct. 06
6)Acquisition of an Agrochemical company from the Daiichi Sankyo Group	Acquisition			Mar. 07
◆Petro- & Basic Chemicals				
7)A new BPA company	Establishment		Shanghai, China (SSMC)	Apr. 06
8)A new BPA Plant	Starting construction	120K t/y	Shanghai, China (SSMC)	Jly. 06
9)LNR (Facility for producing Benzene)	Re-starting	125K t/y	Idemitsu Chiba Refinery	Oct. 06

## 2) Consolidated Financial Highlights

(Billions of yen)

Items	FY2005	FY2006	Increase (Decrease)	%
Sales	1,472.4	1,688.1	215.7	15%
Operating income	58.7	91.7	33.0	56%
(Equity in earnings of non-consolidated subsidiaries&affiliates)	8.1	6.0	(2.1)	(26%)
Recurring income	62.0	95.5	33.5	54%
Net income	44.1	52.3	8.2	19%
Earnings Per Share (Yen/Share)	56.20	66.68	10.48	
Exchange Rate (Yen/US\$)	113	117	4	
Domestic Standard Naphtha Price (Yen/KL)	42,350	49,950	7,600	
Interest-bearing liabilities	423.9	498.3	74.4	18%
Equity	464.0	504.5	40.5	9%
Total assets	1,328.9	1,498.2	169.3	13%
D/E Ratio	0.91	0.99	0.08	
Dividend (Yen/Share)	8.00	10.00	2.00	

### 3) Statements of Income

(Billions of yen)

Items	FY2005	FY2006	Increase (Decrease)	%
<b>Sales</b>	1,472.4	1,688.1	215.7	15%
<b>Operating income</b>	58.7	91.7	33.0	56%
Equity in earnings of non-consolidated subsidiaries&affiliates	8.1	6.0	(2.1)	(26%)
Financing income and expense	(4.2)	(5.3)	(1.1)	26%
Other gains and losses	(0.6)	3.1	3.7	(617%)
<b>Reccuring income</b>	62.0	95.5	33.5	54%
Special gains	22.3	5.0	(17.3)	(78%)
Special losses	(11.4)	(16.0)	(4.6)	40%
<b>Income before tax and minority interest</b>	72.9	84.5	11.6	16%
Income taxes	27.7	27.4	(0.3)	(1%)
Minority interest in net income of consolidated subsidiaries	1.1	4.8	3.7	336%
<b>Net income</b>	44.1	52.3	8.2	19%

## 4) Sales (by Business Segment)

(Billions of yen)

Segment	FY2005	FY2006	Incr. (Decr.)	Breakdown	
				Volume	Price
Functional Chemi'ls & Engineered Mat'ls	192.7	214.0	21.3	21.6	(0.3)
Functional Polymeric Materials	281.7	317.3	35.6	11.7	23.9
Basic Chemicals	474.3	553.5	79.2	25.1	54.1
Petrochemicals	487.0	559.9	72.9	6.7	66.2
Others	36.7	43.4	6.7	6.5	0.2
Total	1,472.4	1,688.1	215.7	71.6	144.1

## 5) Operating Income (by Business Segment)

(Billions of yen)

Segment	FY2005	FY2006	Incr. (Decr.)	Breakdown		
				Volume	Price*	Costs
Functional Chemi'ls & Engineered Mat'ls	10.8	13.5	2.7	5.2	(2.2)	(0.3)
Functional Polymeric Materials	10.1	22.2	12.1	0.9	10.1	1.1
Basic Chemicals	21.8	11.0	(10.8)	4.4	(15.8)	0.6
Petrochemicals	15.9	45.4	29.5	6.1	23.3	0.1
Others	0.1	(0.4)	(0.5)	0.2	(0.4)	(0.3)
Total	58.7	91.7	33.0	16.8	15.0	1.2

\*Price : including both selling and purchase price variances



## 6) Special Gains and Losses



(Billions of yen)

Items	FY2005	FY2006	Incr. (Decr.)
Special gains	20.9	5.0	(15.9)
Gain on sales of fixed assets and investment securities	1.4	1.9	0.5
Gain on change in interests in consolidated subsidiaries	9.4	3.1	(6.3)
Gain on securities contributed to employees' retirement benefit trust	10.3	0.0	(10.3)
Others	1.2	0.0	(1.2)
Special losses	(11.4)	(16.0)	(4.6)
Loss on sales and disposal of property, plant and equipment	(7.9)	(6.0)	1.9
Loss on impairment of fixed assets	(1.5)	(1.3)	0.2
Loss on restructuring of subsidiaries and affiliates etc.	(1.5)	(5.6)	(4.1)
Others	(0.5)	(3.1)	(2.6)

# 7) Consolidated Balance Sheet



(Billions of Yen)

Items	End of 06/3	End of 07/3	Incr. (Decr.)	Items	End of 06/3	End of 07/3	Incr. (Decr.)
Current assets	609.0	733.2	124.2	Liabilities	789.8	927.9	138.1
Cash and cash equivalents	31.2	40.4	9.2	Notes and accounts payables	213.2	244.9	31.7
Notes and accounts receivables	290.9	346.7	55.8	Interest-bearing liabilities	423.9	498.3	74.4
Inventories	219.7	257.1	37.4	Other liabilities	152.7	184.7	32.0
Other current assets	67.2	89.0	21.8	Net assets	539.1	570.3	31.2
Fixed assets	719.9	765.0	45.1	Common stock	103.2	103.2	0.0
Tangible fixed assets	532.3	542.3	10.0	Additional paid-in capital	66.9	69.3	2.4
Intangible fixed assets	23.3	27.4	4.1	Retained earnings	269.2	311.7	42.5
Investment securities and others	164.3	195.3	31.0	Treasury stock, at cost	(3.6)	(18.3)	(14.7)
				Valuation transition adjustment and others	28.3	38.6	10.3
				Minority interest in consolidated subsidiaries	75.1	65.8	(9.3)
Total	1,328.9	1,498.2	169.3	Total	1,328.9	1,498.2	169.3

"Minority interest in consolidated subsidiaries" as of FY06 March end is included in "Net assets".

## 8) Consolidated Statements of Cash Flow



(Billions of yen)

Items	FY2005	FY2006	Incr. (Decr.)
I. Cash flows from operating activities[A]	79.7	100.5	20.8
II. Cash flows from investing activities[B]	(58.2)	(133.6)	(75.4)
Free cash flows[A+B]	21.5	(33.1)	(54.6)
III. Cash flows from financing activities	(19.6)	41.2	60.8
IV. Others	1.2	0.6	(0.6)
Net incr.(decr.) in cash and cash equivalents	3.1	8.7	5.6

## 2. Outlook for FY2007

(April 1, 2007 – March 31, 2008)

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This summary contains forward-looking statements about the future plans, strategies, belief and performance of the Mitsui Chemicals Group as a whole and its individual consolidated companies. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Mitsui Chemicals Group and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, fluctuations in foreign currency exchange rates, fluctuations in the price of raw materials, competition in markets where the Company is active, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected and the Mitsui Chemicals Group cannot guarantee that these forward-looking statements are accurate or will be achieved.

# 1) Operation Topics in FY2007

Project	Action	Production Capacity	Location	Date
◆Performance Materials				
1) Acquisition of Toner resin business from Sekisui Chemical	Acquisition			Apr. 07
2) Augmentation of MDI Production capacity (Completion in Jun.09) (Kumho Mitsui Chemicals)	Reached an agreement with Korea Kumho Petrochemicals	+65K t/y (65→130K t/y)	Korea	Apr. 07
3)EPT	Plant completed	75K t/y	Ichihara	Oct. 07
4) Nonwoven polypropylene fabric for hygiene use	Increase capacity	+16K t/y (14→30K t/y)	Thailand (MHM)	Dec.07

# 1) Operation Topics in FY2007

Project	Action	Production Capacity	Location	Date
◆ Basic Chemicals				
5) Polypropylen Automotive Materials (ACP, GSC, MCZ)	Increase capacity	+63K t/y (237→300K t/y)	North America Thailand China	May.07
6) Phenol (Mitsui Phenols Singapore)	Increase capacity	+50K t/y (250→300K t/y)	Singapore	Jly.07
7) Highly efficient production system of Propylene (Starting actual proof test of production in Mid 09)	Starting construction	150K t/y	Ichihara	07
◆ Others				
8) Restructuring Fertilizer business	Divesture			Apr.07

## 2) Consolidated Financial Highlights

(Billions of yen)

Items	FY2006	FY2007 Outlook		Increase (Decrease)	%
		Interim	Full Year		
Sales	1,688.1	890.0	1,800.0	111.9	7%
Operating income	91.7	38.0	90.0	(1.7)	(2%)
(Equity in earnings of non-consolidated subsidiaries&affiliates)	6.0	3.0	6.0	0.0	0%
Recurring income	95.5	35.0	87.0	(8.5)	(9%)
Net income	52.3	18.0	43.0	(9.3)	(18%)
Earnings Per Share (Yen/Share)	66.68	23.33	55.73	(10.95)	
Exchange Rate (Yen/US\$)	117	120	120	3	
Domestic Standard Naphtha Price (Yen/KL)	49,950	56,000	56,000	6,050	
Dividend (Yen/Share)	10.00	6.00	12.00	2.00	

### 3) Sales (by Business Segment)

(Billions of yen)

Segment	FY2006 (a)	FY2007 Outlook		Incr. (Decr.) (b)-(a)	Breakdown	
		Interim	Full Year(b)		Volume	Price
Functional Chemi'ls & Engineered Mat'ls	214.0	120.0	250.0	36.0	46.2	(10.2)
Functional Polymeric Materials	317.3	160.0	330.0	12.7	10.1	2.6
Basic Chemicals	553.5	290.0	580.0	26.5	1.6	24.9
Petrochemicals	559.9	300.0	600.0	40.1	8.2	31.9
Others	43.4	20.0	40.0	(3.4)	(3.4)	0.0
<b>Total</b>	<b>1,688.1</b>	<b>890.0</b>	<b>1,800.0</b>	<b>111.9</b>	<b>62.7</b>	<b>49.2</b>



## 4) Operating Income (by Business Segment)

(Billions of yen)

Segment	FY2006 (a)	FY2007 outlook		Incr. (Decr.) (b)-(a)	Breakdown		
		Interim	Full Year(b)		Volume	Price*	Costs
Functional Chemi'ls & Engineered Mat'ls	13.5	6.0	18.0	4.5	8.0	(1.0)	(2.5)
Functional Polymeric Materials	22.2	10.0	24.0	1.8	4.0	0.0	(2.2)
Basic Chemicals	11.0	9.0	17.0	6.0	1.0	5.0	0.0
Petrochemicals	45.4	15.0	35.0	(10.4)	(2.0)	(6.0)	(2.4)
Others	(0.4)	(2.0)	(4.0)	(3.6)	0.0	0.0	(3.6)
Total	91.7	38.0	90.0	(1.7)	11.0	(2.0)	(10.7)

\*Price : including both selling and purchase price variances

## 5) Change of Business Segments(Sales)

The company reorganized four business groups into three business sectors as of April 1,2007 and will change business segments accordingly as below.

(Billions of yen)

Old Segment	FY2007 Old	➔	New Segment	FY2007 New
Functional Chemi'ls & Engineered Mat'ls	250.0		Performance Materials	530.0
Functional Polymeric Materials	330.0		Advanced Chemicals	120.0
Basic Chemicals	580.0		Basic Chemicals	1,110.0
Petrochemicals	600.0		Others	40.0
Others	40.0			
<b>Total</b>	<b>1,800.0</b>		<b>Total</b>	<b>1,800.0</b>

## 6) Change of Business Segments(Operating Income)

The company reorganized four business groups into three business sectors as of April 1,2007 and will change business segments accordingly as below.

(Billions of yen)

Old Segment	FY2007 Old		New Segment	FY2007 New
Functional Chemi'ls & Engineered Mat'ls	18.0	➔	Performance Materials	33.0
Functional Polymeric Materials	24.0		Advanced Chemicals	12.0
Basic Chemicals	17.0		Basic Chemicals	49.0
Petrochemicals	35.0		Others	(4.0)
Others	(4.0)			
<b>Total</b>	<b>90.0</b>		<b>Total</b>	<b>90.0</b>

# 7) Special Gains and Losses



(Billions of yen)

	FY2006 (a)	FY2007 Outlook		Incr. (Decr.) (b)-(a)
		Interim	Full Year(b)	
Special gains	5.0	0.0	0.0	(5.0)
Gain on sales of fixed assets and investment securities	1.9	0.0	0.0	(1.9)
Gain on change in interests in consolidated subsidiaries	3.1	0.0	0.0	(3.1)
Special losses	(16.0)	(1.0)	(5.0)	11.0
Loss on sales and disposal of property, plant and equipment	(6.0)	(1.0)	(5.0)	1.0
Loss on impairment of fixed assets	(1.3)	0.0	0.0	1.3
Loss on restructuring of subsidiaries and affiliates etc.	(5.6)	0.0	0.0	5.6
Others	(3.1)	0.0	0.0	3.1

## 8) Consolidated Statements of Cash Flow

(Billions of yen)

Items	FY2006 (a)	FY2007 Outlook		Incr. (Decr.) (b)-(a)
		Interim	Full Year(b)	
I. Cash flows from operating activities[A]	100.5	50.0	130.0	29.5
II. Cash flows from investing activities[B]	(133.6)	(60.0)	(130.0)	3.6
Free cash flows[A+B]	(33.1)	(10.0)	0.0	33.1
III. Cash flows from financing activities	41.2	10.0	0.0	(41.2)
IV. Others	1.1	0.0	0.0	(1.1)
Net incr.(decr.) in cash and cash equivalents	9.2	0.0	0.0	(9.2)

# 9) Consolidated Accounting Fundamentals



Items		FY2005	FY2006	FY2007 Outlook	
				Interim	Full Year
Exchange Rate	Yen/US\$	113	117	120	120
Domestic Standard Naphtha Price	Yen/KL	42,350	49,950	56,000	56,000
R&D Expenditures	¥ Billions	37.1	36.9	22.0	44.0
Depreciation & Amortization	¥ Billions	70.1	70.2	33.5	72.0
Capital Expenditure (including Investments)	¥ Billions	81.4	72.7	56.0	115.0
Financing income and expense	¥ Billions	(4.2)	(5.4)	(4.0)	(8.0)
Interest-bearing liabilities	¥ Billions	423.9	498.3	510.0	505.0
Number of Employees	person	12,473	12,511	12,600	12,600

## <Company Names>

- ACP(Advanced Composites, Inc.)
- GSC (Grand Siam Composites Co., Ltd.)
- MCZ (Mitsui Chemicals Plastic Compounds (Zhongshan) Co., Ltd.)
- MHM (Mitsui Hygiene Materials Thailand)
- SSMC(Shanghai Sinopec Mitsui Chemicals,Co.,Ltd)

## <Product Names>

- PDP(Plasma Display Panel)
- MDI(Methylene diphenyl isocyanate)

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