

# Summary of Consolidated Financial Results for First Quarter of FY2012

Aug. 7, 2012  
Mitsui Chemicals, Inc.

## 1. Summary of Income Statement

(Unit : Billions of Yen)

	1st Q of FY2011	1st Q of FY2012	Incr. (Decr.)	FY2011	Outlook for FY2012 (announced Aug 7)	
					First Half	Full Year
Net sales	386.7	352.3	(34.4)	1,454.0	695.0	1,510.0
Operating income	22.0	6.9	(15.1)	21.6	5.0	32.0
Ordinary income	23.3	4.7	(18.6)	22.9	1.0	29.0
Net income	12.3	(2.2)	(14.5)	(1.0)	(12.0)	8.0
Comprehensive income	18.2	3.4	(14.8)	(3.7)		
Exchange rate Yen / US\$	82	80	(2)	79	79	79
Domestic standard naphtha price Yen / KL	59,000	60,600	1,600	54,900	53,300	51,700

## 2. Net Sales and Operating Income (Loss) (by business segment)

·Net Sales

(Unit : Billions of Yen)

	1st Q of FY2011	1st Q of FY2012	Incr. (Decr.)	Breakdown		FY2011	Outlook for FY2012 (announced Aug 7)	
				Volume	Price		First Half	Full Year
Petrochemicals	116.0	123.1	7.1	4.6	2.5	459.4	239.0	470.0
Basic Chemicals	140.5	99.8	(40.7)	(27.4)	(13.3)	472.9	190.0	482.0
Polyurethane	30.2	32.7	2.5	1.2	1.3	127.3	68.0	147.0
Functional Polymeric Materials	33.1	33.1	-	(0.8)	0.8	131.8	68.0	140.0
Functional Chemicals	35.9	36.2	0.3	0.7	(0.4)	148.4	74.0	155.0
Films and Sheets	22.2	19.0	(3.2)	(2.4)	(0.8)	79.6	39.0	81.0
Others	8.8	8.4	(0.4)	(0.4)	-	34.6	17.0	35.0
Total	386.7	352.3	(34.4)	(24.5)	(9.9)	1,454.0	695.0	1,510.0

·Operating Income (Loss)

(Unit : Billions of Yen)

	1st Q of FY2011	1st Q of FY2012	Incr. (Decr.)	Breakdown			FY2011	Outlook for FY2012 (announced Aug 7)	
				Volume	Price※	Fixed Costs etc.		First Half	Full Year
Petrochemicals	6.0	3.5	(2.5)	0.2	(4.6)	1.9	8.9	2.5	15.0
Basic Chemicals	12.8	(0.8)	(13.6)	(4.7)	(11.3)	2.4	8.6	(5.5)	(2.5)
Polyurethane	(2.6)	(0.2)	2.4	0.1	0.7	1.6	(14.6)	(1.0)	-
Functional Polymeric Materials	2.0	2.7	0.7	(0.9)	0.5	1.1	8.2	4.5	9.0
Functional Chemicals	2.7	3.8	1.1	0.7	(0.1)	0.5	11.6	6.5	14.0
Films and Sheets	1.7	(0.3)	(2.0)	(0.6)	(1.2)	(0.2)	0.3	(1.0)	(1.0)
Others	(0.3)	-	0.3	-	-	0.3	0.1	-	(1.0)
Adjustment	(0.3)	(1.8)	(1.5)	-	-	(1.5)	(1.5)	(1.0)	(1.5)
Total	22.0	6.9	(15.1)	(5.2)	(16.0)	6.1	21.6	5.0	32.0

The Company and its consolidated subsidiaries changed their business segment effective, April 2012. Each sales and operating income by changed segment in FY2011 is approximate estimates to compare with FY2012 outlook.

※ Price includes both selling and purchasing price variances

## 3. Special Gains and Losses

(Unit : Billions of Yen)

	1st Q of FY2011	1st Q of FY2012	Incr. (Decr.)	FY2011	Outlook for FY2012 (announced Aug 7)	
					First Half	Full Year
Gain on sales of fixed assets	0.2	0.1	(0.1)	2.9	0.1	0.1
Gain on contribution of securities to retirement benefit trust	-	-	-	7.4	-	-
Reversal of provision for environmental measures	-	-	-	2.2	-	-
Loss on sales and disposal of fixed assets	(0.3)	(0.2)	0.1	(3.0)	(2.0)	(5.0)
Loss on impairment	-	-	-	(12.9)	-	-
Loss on related activities etc.	-	-	-	(0.7)	-	-
Loss on valuation of investment securities	-	(0.1)	(0.1)	(1.1)	(0.1)	(0.1)
Loss on explosion and fire	-	(3.5)	(3.5)	-	(5.0)	(3.0)
Others	(1.3)	-	1.3	(1.3)	(2.0)	(3.0)
Total	(1.4)	(3.7)	(2.3)	(6.5)	(9.0)	(11.0)

## 4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2012	As of Jun. 30, 2012	Incr. (Decr.)		As of Mar. 31, 2012	As of Jun. 30, 2012	Incr. (Decr.)
Current assets	661.3	672.2	10.9	Interest-bearing liabilities	464.8	477.0	12.2
Tangible fixed assets	430.6	433.8	3.2	Other liabilities	375.7	380.5	4.8
Intangible fixed assets	11.6	14.0	2.4	Shareholders' equity	367.4	364.9	(2.5)
Investments and others	152.8	149.8	(3.0)	Minority interests	48.4	47.4	(1.0)
Total assets	1,256.3	1,269.8	13.5	Total liabilities and net assets	1,256.3	1,269.8	13.5
[ Inventory ]	248.4	268.9	20.5	[ D/E Ratio ]	1.27	1.31	0.04

## 5. Summary of Cash Flow

(Unit : Billions of Yen)

	1st Q of FY2011	1st Q of FY2012	Incr. (Decr.)	FY2011	Outlook for FY2012 (announced Aug 7) Full Year
Cash flows from operating activities	2.6	(21.8)	(24.4)	43.3	35.0
Cash flows from investing activities	(12.4)	(15.5)	(3.1)	(42.5)	(72.0)
Free cash flows	(9.8)	(37.3)	(27.5)	0.8	(37.0)
Cash flows from financing activities	(5.0)	5.8	10.8	(26.7)	27.0
Others	0.1	0.7	0.6	(0.6)	-
Net incr.(decr.) in cash and cash equivalents	(14.7)	(30.8)	(16.1)	(26.5)	(10.0)

## 6. Topic

## •Siam Tohcello Co., Ltd.

A newly established joint-venture company between Mitsui Chemicals Tohcello, Inc., a 100% subsidiary of the company and SCG Chemicals Co.,Ltd. for manufacture and distribution of highly functional linear low density polyethylene (LLDPE) sealant film (T.U.X.™) in Thailand, April 2012

## •Produmaster Advanced Composites Indústria e Comércio de Compostos Plásticos Ltda.

Acquisition of a company for manufacture and distribution of the automotive use polypropylene in Brazil, May 2012

## •Shanghai Sinopec Mitsui Elastomers, Co., Ltd.:

A newly established joint-venture company between the Company and China Petroleum & Chemical Corp. for manufacture and distribution of EPT (ethylene-propylene-diene terpolymer) in China, May 2012

## 7. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim	3rd Q	End of Term	Annual Dividends
FY2011 Result	-	3.00	-	3.00	6.00
FY2012 Forecast	-	3.00	-	3.00	6.00

## 8. Number of shares outstanding (common stock)

	FY2011	1st Q of FY2012
Number of shares outstanding at term-end (including treasury stock)	1,022,020,076	1,022,020,076
Number of shares of treasury stock at term-end	20,250,111	20,258,366
Average number of shares	1,001,907,871 *	1,001,764,795

\*1st Q of FY2011

## Qualitative Information Concerning Quarterly Consolidated Results

### (1) Qualitative Information Concerning Consolidated Operating Results

#### (Overview)

In the fiscal period under review (the three-month period from April 1, 2012 to June 30, 2012, hereafter called “the Quarter”), the operating environment remained severe despite a rebound in personal consumption, reflecting disaster recovery-related demand in Japan. These harsh conditions were mainly attributable to ongoing economic disruptions caused by the European financial crisis; stagnant demand accompanying slower economic growth in China; a downturn in emerging markets; persistently high yen rates; and rising raw material and fuel prices.

In addition, the explosion and fire at production facilities located in the Company’s Iwakuni-Ohtake Works on April 22, 2012 resulted in the suspension of operations at a substantial portion of the facility. Currently, plants in the Iwakuni area of the Works (with exception of the Resorcinol Plant, the cause of the accident, and some other plants) have resumed operations, having completed the confirmation of safety and conditions as well as with approval from authorities. All plants in the Ohtake area have resumed routine operations.

Under these conditions, the Mitsui Chemicals Group reported the following operating results for the Quarter.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)
Current Quarter	352.3	6.9	4.7	(2.2)
Quarter in previous fiscal year	386.7	22.0	23.3	12.3
Change	(34.4)	(15.1)	(18.6)	(14.5)
Change (%)	(8.9)	(68.4)	(79.9)	—

**Net Sales** decreased 34.4 billion yen, or 8.9%, compared with the first quarter of the previous fiscal year to 352.3 billion yen. This was mainly attributable to a 24.5 billion yen decrease in sales volume in the Basic Chemicals segment following the accident at the Iwakuni-Ohtake Works as well as a 9.9 billion yen decline in sales due to a market downturn in the Basic Chemicals segment.

**Operating income** was 6.9 billion yen, a decrease of 15.1 billion yen, or 68.4%, year on year. Despite the effect of the Company’s cost-cutting efforts and a reduction in depreciation expenses due to a change in the depreciation calculation method, this decline was primarily the result of a deterioration in terms of trade in the Petrochemicals and Basic Chemicals segments.

**Ordinary income** was 4.7 billion yen, a decrease of 18.6 billion yen, or 79.9%, year on year. This result largely reflected lower operating income and a 3.5 billion yen year-on-year decline in non-operating income due mainly to a decrease in equity in earnings of non-consolidated subsidiaries and affiliates.

**Extraordinary income and loss** decreased 2.3 billion yen year on year to a loss of 3.7 billion yen due mainly to the recording of a 3.5 billion yen loss on the explosion and fire at the Iwakuni-Ohtake Works.

As a result of the aforementioned factors, **net income before income taxes and minority interests** amounted to 1.0 billion yen, down 20.9 billion yen, or 95.3%, year on year.

**Net income** after accounting for income taxes and minority interests in income declined 14.5 billion yen compared with the first quarter of the previous fiscal year to a net loss of 2.2 billion yen, or 2.16 yen net loss per share for the period.

### **(Results by Business Segment)**

The status of each segment during the Quarter is as follows.

Mitsui Chemicals restructured its organization in April 1, 2012 in order to reach the targets established in the Mitsui Chemicals 2011 Mid-Term Business Plan as early as possible, and thereby establish a new growth foundation. Consequently, from the fiscal period under review onward, certain business segments have been reorganized. Please refer to the appendix on page 8 for more details about the major products and important affiliated companies in each segment.

Comparisons with the corresponding period of the previous fiscal year are adjusted to correspond to segments following the change.

### **Petrochemicals**

The Petrochemicals segment experienced an increase in overall net sales.

In **ethylene and propylene**, production volume decreased year on year due to a decline in demand.

In **polyethylene**, net sales decreased due to a decline in sales volume.

In **polypropylene**, net sales increased because of higher sales volume and the positive impact of a rise in sales prices following a hike in raw material and fuel prices.

As a result of the above, this segment's net sales increased 7.1 billion yen compared with the first quarter of the previous fiscal year to 123.1 billion yen and comprised 35% of total sales. On the other hand, operating income decreased 2.5 billion yen year on year to 3.5 billion yen because of a deterioration in terms of trade.

### **Basic Chemicals**

The Basic Chemicals segment recorded a decrease in overall net sales.

In **phenols**, net sales decreased primarily due to the European financial crisis and slower economic growth in China.

In **bisphenol A**, net sales declined because of weak demand for its main application, polycarbonate resin and epoxy resin.

In **purified terephthalic acid (PTA)**, net sales decreased as a result of the suspension of production following the accident at the Iwakuni-Ohtake Works.

In **polyethylene terephthalate (PET)** resins, net sales declined as a result of the suspension of production following the accident at the Iwakuni-Ohtake Works.

In **ethylene oxide and derivatives**, net sales fell because of sluggish demand.

As a result, this segment's net sales decreased 40.7 billion yen to 99.8 billion yen year on year and accounted for 28% of total sales. In addition, operating income decreased 13.6 billion yen year on year to report an operating loss of 0.8 billion yen. This negative turnaround was attributable to lower sales volume following the accident at the Iwakuni-Ohtake Works as well as a market downturn.

### **Polyurethane**

The Polyurethane segment experienced steady overall net sales.

In **polyurethane materials**, net sales were favorable due to the resumption of normal operations at

the Kashima Works (production at which had been suspended following the Great East Japan Earthquake) and an upswing in overseas market conditions.

In **coating materials**, net sales were firm mainly because of a rebound in automobile production. This result occurred despite a suspension in the production of certain products following the accident at the Iwakuni-Ohtake Works.

In **adhesive materials**, net sales were weak due to stagnant demand for adhesives used in packaging.

In **molding materials**, net sales were sluggish because the front loading of post-disaster demand tapered off.

As a result, net sales in this segment increased 2.5 billion yen compared with the first quarter of the previous fiscal year to 32.7 billion yen and comprised 9% of total sales. Operating loss improved 2.4 billion yen year on year to 0.2 billion yen due to an increase in sales volume for polyurethane materials, an improvement in overseas markets, and a decrease in fixed costs.

### Functional Polymeric Materials

The Functional Polymeric Materials segment enjoyed firm overall net sales.

In **elastomers**, which are used primarily in automotive components and resin modifiers, net sales were sluggish due to economic downturns in Europe as well as China and the rest of Asia.

In **performance compounds**, net sales were strong because of a steady expansion in demand for packaging material-related applications as well as a recovery in demand for automotive and electronic component-related applications, which had been stagnant following the disaster.

In **specialty polyolefins**, overall net sales were weak because of the suspension of production following the accident at the Iwakuni-Ohtake Works.

As a result, net sales in this segment totaled 33.1 billion yen, virtually unchanged from the first quarter of the previous fiscal year and accounted for 10% of total sales. Operating income increased 0.7 billion yen to 2.7 billion yen year on year mainly due to a reduction in fixed costs.

### Functional Chemicals

The Fabricated Products segment experienced firm overall net sales.

In **healthcare materials**, net sales were favorable thanks to expanded overseas demand for ophthalmic lens materials.

In **hygiene materials**, net sales were steady due to ongoing vigorous demand for disposable diapers both in Japan and overseas.

In **specialty gas**, net sales decreased due to weak demand mainly in the semiconductor industry. In addition, net sales of **specialty chemicals** were sluggish because of lower demand, reflecting high yen rates.

In **catalysts**, net sales were stagnant due to the suspension of production following the accident at the Iwakuni-Ohtake Works.

In **agrochemical products**, net sales were firm primarily as a result of higher overseas demand.

As a result, net sales in this segment increased 0.3 billion yen compared with the first quarter of the previous fiscal year to 36.2 billion yen and comprised 10% of total sales. Operating income grew 1.1

billion yen compared the first quarter of the previous fiscal year to 3.8 billion yen due to an increase in the sales volume of healthcare materials.

### **Films and Sheets**

The Films and Sheets segment recorded a decrease in overall net sales.

In **packaging films**, net sales declined due to a downturn in front-loaded, disaster-related demand and sluggish demand caused mainly by inclement weather.

In **electronic and optical films**, despite increased demand for high-value-added products, net sales decreased overall due to lower production among customers, a decline in sales prices, and the accident at the Iwakuni-Ohtake Works.

In **solar cell sheets**, net sales were weak primarily because of a drop in sales prices. This result occurred despite favorable the sales volume accompanying a recovery in demand in the solar cell encapsulant market.

As a result, net sales in this segment decreased 3.2 billion yen compared with the first quarter of the previous fiscal year to 19.0 billion yen and comprised 6% of total sales. Operating income decreased 2.0 billion yen year on year to report an operating loss of 0.3 billion yen. This result was due to deterioration in terms of trade following a drop in sales prices.

### **Others**

In the Others segment, net sales decreased 0.4 billion yen year on year to 8.4 billion yen, comprising 2% of total sales. On the other hand, operating loss improved 0.3 billion yen compared with the first quarter of the previous fiscal year.

## **(2) Qualitative Information Concerning Consolidated Financial Position**

### **Status of Assets, Liabilities and Net Assets**

**Total assets** at the end of the Quarter stood at 1,269.8 billion yen, up 13.5 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the Quarter increased 17.0 billion yen compared with the previous fiscal year-end to 857.5 billion yen. **Interest-bearing debt** amounted to 477.0 billion yen, a rise of 12.2 billion yen compared with March 31, 2012. As a result, the interest-bearing debt ratio was 37.6%, an improvement of 0.6 of a percentage point.

**Net assets** totaled 412.3 billion yen, a decrease of 3.5 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 28.7%, a decrease of 0.5 of a percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **debt-equity ratio** stood at 1.31 at the end of the Quarter, an improvement of 0.04 of a percentage point from the previous fiscal year-end.

## **(3) Qualitative Information Concerning Consolidated Results Forecasts**

### **(Overall Outlook for Operating Results)**

The forecast of operating results for 1st half of fiscal 2012 that was not announced on June 14, 2012 have been forecasted as follow, taking into account first quarter performance.

The Forecast of operating results for full-year for the fiscal year ending March 31, 2013 have not changed since June 14, 2012.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
First half	695.0	5.0	1.0	(12.0)
Full fiscal year	1,510.0	32.0	29.0	8.0

For the first quarter (April–June), the underlying exchange rate assumption is ¥80/US\$1.00, and the assumption for the domestic standard naphtha price is ¥60,600/kl. For the second quarter (July–September), the underlying exchange rate assumption and assumption for the domestic standard naphtha price are ¥78/US\$1.00 and ¥46,000/kl, respectively. In the third and fourth quarters (October–March), the underlying exchange rate assumption and assumption for the domestic standard naphtha price are ¥78/US\$1.00 and ¥50,000/kl, respectively.

The Company estimates the impact of the accident on FY2012 consolidated profit and loss (before tax) to be approximately 6 billion yen.

As such, actual results may differ substantially from those projected in the outlook due to a variety of factors and the Mitsui Chemicals Group makes no guarantee that these outlooks will be achieved.

#### (Outlook on Impact of the accident on Financial Performance Forecast for Fiscal 2012)

(Billions of Yen)

	First half	Full fiscal year	Notes
Operating Income	(3.0)	(3.0)	Losses related to production suspension, decline in sales, and procurement of substitute supplies, etc.
Special Gains and Losses	(5.0)	(3.0)	Expenses for recompense, dismantling and restoration, Fixed costs related to the suspension of plants following the accident, and insurance income, etc.
Total	(8.0)	(6.0)	

#### (Outlook by Business Segment)

Outlook by business segment is as follows.

(Billions of Yen)

	Net Sales								Total
	Petrochemicals	Basic Chemicals	Polyurethane	Functional Polymeric Materials	Functional Chemicals	Films and Sheets	Others	Elimination and Corporate	
First half	239.0	190.0	68.0	68.0	74.0	39.0	17.0	—	695.0
Full fiscal year	470.0	482.0	147.0	140.0	155.0	81.0	35.0	—	1,510.0

(Billions of Yen)

	Operating Income (Loss)								Total
	Petrochemicals	Basic Chemicals	Polyurethane	Functional Polymeric Materials	Functional Chemicals	Films and Sheets	Others	Elimination and Corporate	
First half	2.5	(5.5)	(1.0)	4.5	6.5	(1.0)	0.0	(1.0)	5.0
Full fiscal year	15.0	(2.5)	0.0	9.0	14.0	(1.0)	(1.0)	(1.5)	32.0

## Appendix

(Change in Reported segments classification methods)

The Company reorganized effective April 1st 2012 as part of the Company's effort to accelerate new growth strategies outlined in its 2011 Mid-Term Business Plan. Along with this reorganization, some business segment categorization has changed. The Fabricated Product Business Segment was dissolved. Pellicle business in the segment was changed to the Functional Polymeric Materials Business Segment, and nonwovens fabric business in the segment was changed to the Functional Chemicals Business Segment. Film and sheet business became a new Films and Sheets Business.

Former Segments	Current Segments	Main Products	Major Subsidiaries & Affiliates
Petrochemicals	Petrochemicals	Ethylene, Propylene Polyethylene, Polypropylene	Osaka petrochemical Industries, Ltd Prime Polymer Co., Ltd. Advanced Composites, Inc. Keiyo Ethylene Co., Ltd.
Basic Chemicals	Basic Chemicals	Phenol, Bisphenol A, Purified terephthalic acid, Polyethylene-terephthalate, Ethylene oxide	Chiba Phenol Company,Limited Mitsui Phenols Singapore Pte Ltd. Siam Mitsui PTA Co., Ltd. Shanghai Sinopec Mitsui Chemicals,CO., LTD. P.T.Amoco Mitsui PTA Indonesia P.T.Petnesia Resindo Thai PET Resin Co.,Ltd.
Polyurethane	Polyurethane	Polyurethanes, Coating materials Adhesives, Construction materials	Kumho Mitsui Chemicals Polyurethane Co., Ltd
Functional Polymeric	Functional Polymeric	Elastomers, Functional compounds, Specialty polyolefins, * Pellicles	Mitsui Elastomers Singapore Pte. Ltd.
Functional Chemicals	Functional Chemicals	Health care materials (Materials for high refractive-index ophthalmic lenses etc.), Functional chemicals, Specialty gases, Hygienic materials(**Spunbonded nonwoven polypropylene fabric) Catalysts,Agrochemicals,Licensing	Shimonoseki Mitsui Chemicals, Inc. Mitsui Hygiene Materials (Thailand) Co., Ltd. ACOMON AG Mitsui Chemicals Agro, INC.
Fabricated Products	Films and Sheets	Packing films, Electronic & optical films, Solar cell sheets	Mitsui Chemicals Tohcello, Inc

\* Pellicles; Dust proof membrane applied on photomask during lithography process

(Change in method of depreciation of property, plant and equipment)

The Company and domestic consolidated subsidiaries plan to apply the straight-line method from fiscal year 2012 instead of the declining-balance method for the depreciation of property, plant and equipment.