

Summary of Consolidated Financial Results for Second Quarter of FY2013

Nov. 1, 2013
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

	2nd Q of FY2012	2nd Q of FY2013	Incr. (Decr.)	
Net sales	680.5	731.6	51.1	
Operating income	1.5	11.0	9.5	
Ordinary income (loss)	(2.5)	10.7	13.2	
Net income (loss)	(15.3)	1.0	16.3	
Comprehensive income	(17.8)	18.9	36.7	
Exchange rate	Yen / US\$	79	99	20
Domestic standard naphtha price	Yen / KL	55,200	64,700	9,500

FY2012	Outlook for FY2013	Incr. (Decr.)
1,406.2	1,550.0	143.8
4.3	25.0	20.7
9.2	21.0	11.8
(8.1)	1.0	9.1
22.0		
83	99	16
57,500	64,900	7,400

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

• Net Sales

(Unit : Billions of Yen)

	2nd Q of FY2012	2nd Q of FY2013	Incr. (Decr.)	Breakdown	
				Volume	Price
Functional Chemicals	71.3	77.8	6.5	2.6	3.9
Functional Polymeric Materials	67.4	81.0	13.6	4.6	9.0
Polyurethane	67.9	76.3	8.4	3.7	4.7
Basic Chemicals	190.3	204.1	13.8	(19.6)	33.4
Petrochemicals	228.7	241.3	12.6	(14.3)	26.9
Films and Sheets	37.6	39.4	1.8	1.4	0.4
Others	17.3	11.7	(5.6)	(5.6)	-
Total	680.5	731.6	51.1	(27.2)	78.3

FY2012	Outlook for FY2013	Incr. (Decr.)
149.6	190.0	40.4
134.7	176.0	41.3
146.2	172.0	25.8
401.7	371.0	(30.7)
469.0	537.0	68.0
74.8	77.0	2.2
30.2	27.0	(3.2)
1,406.2	1,550.0	143.8

• Operating Income (Loss)

(Unit : Billions of Yen)

	2nd Q of FY2012	2nd Q of FY2013	Incr. (Decr.)	Breakdown		
				Volume	Price	Fixed Costs etc.
Functional Chemicals	7.2	7.9	0.7	0.7	0.8	(0.8)
Functional Polymeric Materials	4.7	7.4	2.7	2.7	1.1	(1.1)
Polyurethane	(1.8)	(4.1)	(2.3)	(0.1)	(1.3)	(0.9)
Basic Chemicals	(7.0)	(8.0)	(1.0)	(1.5)	1.2	(0.7)
Petrochemicals	1.5	9.8	8.3	1.0	7.1	0.2
Films and Sheets	(1.5)	0.9	2.4	0.6	0.2	1.6
Others	(1.2)	(0.6)	0.6	-	-	0.6
Adjustment	(0.4)	(2.3)	(1.9)	-	-	(1.9)
Total	1.5	11.0	9.5	3.4	9.1	(3.0)

FY2012	Outlook for FY2013	Incr. (Decr.)
12.4	16.5	4.1
8.4	13.0	4.6
(2.6)	(2.0)	0.6
(18.9)	(16.0)	2.9
7.7	19.5	11.8
(3.3)	(0.5)	2.8
(0.6)	0.0	0.6
1.2	(5.5)	(6.7)
4.3	25.0	20.7

MCI has changed the order of its business segment listing to signify acceleration of changes to its business portfolio towards functional products from FY2013.

Price includes both selling and purchasing price variances

3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	2nd Q of FY2012	2nd Q of FY2013	Incr. (Decr.)
Gain on sales of fixed assets	0.4	0.0	(0.4)
Reversal of provision for environmental measures	-	-	-
Loss on sales and disposal of fixed assets	(1.6)	(0.9)	0.7
Loss on Impairment	(1.0)	-	1.0
Loss on restructuring of subsidiaries and affiliates	(0.9)	(0.0)	0.9
Loss on valuation of investment securities	(0.8)	-	0.8
Insurance income	-	-	-
Loss on explosion and fire	(4.6)	-	4.6
Others	(0.5)	(1.5)	(1.0)
Total	(9.0)	(2.4)	6.6

FY2012	Outlook for FY2013	Incr. (Decr.)
1.7	0.0	(1.7)
3.3	-	(3.3)
(4.5)	(4.0)	0.5
(5.6)	-	5.6
(4.1)	(0.0)	4.1
(0.8)	-	0.8
5.5	-	(5.5)
(4.9)	-	4.9
(0.6)	(3.0)	(2.4)
(10.0)	(7.0)	3.0

4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets			Liabilities and Net assets			
	As of Mar. 31, 2013	As of Sep. 30, 2013	Incr. (Decr.)	As of Mar. 31, 2013	As of Sep. 30, 2013	Incr. (Decr.)	
Current assets	715.4	729.0	13.6	Interest-bearing liabilities	507.2	588.9	81.7
Tangible fixed assets	446.6	457.2	10.6	Other liabilities	401.9	394.5	(7.4)
Intangible fixed assets	14.6	65.9	51.3	Shareholders' equity	376.8	389.2	12.4
Investments and others	161.4	174.1	12.7	Minority interests	52.1	53.6	1.5
Total assets	1,338.0	1,426.2	88.2	Total liabilities and net assets	1,338.0	1,426.2	88.2
[Inventory]	284.6	291.1	6.5	[D/E Ratio]	1.35	1.51	0.16

5. Summary of Cash Flow

(Unit : Billions of Yen)

	2nd Q of FY2012	2nd Q of FY2013	Incr. (Decr.)	FY2012	Outlook for FY2013	Incr. (Decr.)
Cash flows from operating activities	19.0	34.5	15.5	18.5	55.0	36.5
Cash flows from investing activities	(28.4)	(79.9)	(51.5)	(58.1)	(120.0)	(61.9)
Free cash flows	(9.4)	(45.4)	(36.0)	(39.6)	(65.0)	(25.4)
Cash flows from financing activities	(1.1)	68.0	69.1	27.3	55.0	27.7
Others	0.5	1.4	0.9	2.7	-	(2.7)
Net incr.(decr.) in cash and cash equivalents	(10.0)	24.0	34.0	(9.6)	(10.0)	(0.4)
Cash and cash equivalents at the end of period	44.6	69.0	24.4	45.0	35.0	(10.0)

6. Accounting Fundamentals

		2nd Q of FY2012	2nd Q of FY2013	Incr. (Decr.)	FY2012	Outlook for FY2013	Incr. (Decr.)
R & D expenses	¥ Billions	15.1	15.3	0.2	32.0	34.0	2.0
Depreciation & amortization	¥ Billions	20.7	23.0	2.3	43.8	49.0	5.2
Capital expenditures	¥ Billions	24.1	76.8	52.7	56.6	116.0	59.4
(Excluding business combination)	¥ Billions	21.7	20.8	(0.9)	52.3	60.0	7.7
Financing incomes & expenses	¥ Billions	(1.7)	(1.7)	0.0	(3.1)	(4.0)	(0.9)
Interest-bearing liabilities	¥ Billions	470.8	588.9	118.1	507.2	575.0	67.8
Number of employees	person	13,011	14,431	1,420	12,846	14,700	1,854
Number of group companies	company	106	137	31	110	135	25

Outlook for FY2012 is announced on November 1, 2013.

7. Topic

- **Heraeus Dental Business**

Acquisition of dental business for manufacture and distribution of a dental materials from Heraeus Holding GmbH in Germany, June 2013

- **DENTCA**

Acquisition of a company for manufacture and distribution of dentures using new cutting edge computer-aided design (CAD), computer aided manufacturing (CAM) technology in USA, June 2013

- **Formosa Mitsui Advanced Chemicals**

A newly established joint-venture company between the Company and Formosa Plastics Corporation for manufacture and distribution of electrolyte solution in China, September 2013

8. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim	3rd Q	End of Term	Annual Dividends
FY2012 Result	-	3.00	-	3.00	6.00
FY2013 Outlook	-	3.00	-	not decided	not decided

9. Number of shares outstanding (common stock)

	FY2012	2nd Q of FY2013
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	21,419,265	20,501,411
Average number of shares	1,001,757,126 *	1,001,553,684

*2nd Q of FY2012

1. Qualitative Information Concerning Quarterly Consolidated Results

(1) Qualitative Information Concerning Consolidated Operating Results

(Overview)

In the fiscal period under review (the six-month period from April 1, 2013 to September 30, 2013, hereafter called “the first half”), the operating environment remained unclear in Japan, although there were signs of economic recovery as production and exports grew against a backdrop of a weakening yen and improved personal spending. The pace of growth in China and emerging markets continued to slow.

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

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income(Loss)	Net Income (Loss)
First half of the current fiscal year	731.6	11.0	10.7	1.0
First half of the previous fiscal year	680.5	1.5	(2.5)	(15.3)
Change	51.1	9.5	13.2	16.3
Change (%)	7.5	642.7	-	-

Net Sales increased 51.1 billion yen, or 7.5%, compared with the first half of the previous fiscal year to 731.6 billion yen. This was mainly attributable to a 78.3 billion yen increase because of the positive impact of a rise in sales price following hikes in naphtha and other raw material and fuel prices as well as an improvement in sales price due to the weaker yen, and the positive impact of a rise in sales price due to the weaker yen in the Functional Polymeric Materials segment. This rise in net sales occurred despite a 27.2 billion yen decrease in sales volume in the Petrochemicals and Basic Chemicals segment,

Operating income was 11.0 billion yen, an increase of 9.5 billion yen, or 642.7%, year on year. This result was due to an improvement in terms of trade in the Petrochemicals segment as well as higher sales volume in the Functional Polymeric Materials segment.

Ordinary income was 10.7 billion yen, an increase of 13.2 billion yen, year on year. This result largely reflected higher operating income and a 3.7 billion yen year-on-year turnaround in non-operating income due mainly to an improvement exchange gain and loss.

Extraordinary income and loss improved 6.6 billion yen year on year to a loss of 2.4 billion yen due mainly to the recovery from effects of the accident at the Iwakuni-Ohtake Works.

As a result of the aforementioned factors, **net income before income taxes and minority interests** amounted to 8.3 billion yen, up 19.8 billion yen, year on year.

Net income after accounting for income taxes and minority interests in income improved 16.3 billion yen compared with the first half of the previous fiscal year to a net income of 10.0 billion yen, or 1.03 yen net gain per share for the period.

(Results by Business Segment)

The status of each segment during the first half is as follows.

From the fiscal period under review onwards, MCI has changed the order of its business segment listing to signify acceleration of changes to its business portfolio towards functional products.

Functional Chemicals

The Functional Chemicals segment experienced favorable 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 favorable due to ongoing vigorous demand for disposable diapers both in Japan and overseas.

In **specialty gas**, net sales remained severe due to weak demand mainly in the semiconductor industry. Net sales of **specialty chemicals** were firm attributable to an increase in export value due to lower yen rates.

In **catalysts**, net sales were favorable due to recovery from the effects of 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 6.5 billion yen compared with the first half of the previous fiscal year to 77.8 billion yen and comprised 11% of total sales. Operating income grew 0.7 billion yen compared with the first half of the previous fiscal year to 7.9 billion yen mainly due to expanding export sales of agrochemical products.

Functional Polymeric Materials

The Functional Polymeric Materials segment enjoyed favorable overall net sales.

In **elastomers**, which are used primarily in automotive components and resin modifiers, net sales were favorable thanks to the effect of the weaker yen and expanding demand for automotive applications, primarily in North America.

In **performance compounds**, net sales were strong because of the effect of the weaker yen and expanding demand for automotive applications, primarily in North America and Asia.

In **specialty polyolefins**, overall net sales were favorable due to the recovery from effects of the accident at the Iwakuni-Ohtake Works, increased sales of smartphones, and the effect of the weaker yen.

As a result, net sales in this segment increased 13.6 billion yen compared with the first half of the previous fiscal year to 81.0 billion yen and comprised 11% of total sales. Operating income increased 2.7 billion yen to 7.4 billion yen year on year mainly due to the Company's quick response to increased demand and the effect of the weaker yen.

Polyurethane

The Polyurethane segment experienced favorable overall net sales.

In **polyurethane materials**, net sales were favorable due to an increase in the overseas sales volume and the effect of the weaker yen.

In **coating materials**, net sales were firm mainly because of an increase in the overseas sales volume for adhesive materials for lamination use and resins for coatings and paint as well as the effect of the weaker yen.

In **adhesive materials**, net sales were favorable due to a strong increase in demand for adhesives used in packaging and the effect of the weaker yen.

In **molding materials**, net sales were firm because of expanding demand in the Japanese housing market.

As a result, net sales in this segment increased 8.4 billion yen compared with the first half of the previous fiscal year to 76.3 billion yen and comprised 10% of total sales. On the other hand, operating loss rose 2.3 billion yen year on year to 4.1 billion yen due to a fall in overseas markets for polyurethane and hikes in raw material and fuel prices.

Basic Chemicals

The Basic Chemicals segment recorded firm overall net sales.

In **phenols**, net sales were sluggish due to effects primarily from the European financial crisis and slowing pace of growth in China.

In **bisphenol A**, net sales increased because of the positive impact of a rise in sales prices following hikes in raw material and fuel prices, although there were effects from weak demand for its main application, polycarbonate resin and epoxy resin.

In **purified terephthalic acid (PTA)**, net sales were firm primarily due to the positive impact of a rise in sales prices following hikes in raw material and fuel prices, although the sales volume decreased due to pace of growth in China slowed.

In **polyethylene terephthalate (PET)** resins, net sales increased due to the positive impact of a rise in sales prices following hikes in raw material and fuel prices as well as the effect of the weaker yen.

In **ethylene oxide and derivatives**, net sales rose because of the positive impact of a rise in sales prices following hikes in raw material and fuel prices.

As a result, this segment's net sales increased 13.8 billion yen to 204.1 billion yen year on year and accounted for 28% of total sales. On the other hand, operating loss rose 1.0 billion yen year on year to 8.0 billion yen due to low-cost beginning inventory and cost-cutting efforts, even as terms of trade, particularly for phenols and PTA, remained severe.

Petrochemicals

The Petrochemicals segment experienced an increase in overall net sales.

In **ethylene and propylene**, production volume was on par with the previous fiscal year. On the other hand, net sales increased due to the positive impact of a rise in sales prices following hikes in raw material and fuel prices.

In **polyethylene**, net sales increased due to the positive impact of a rise in sales prices following hikes in raw material and fuel prices even though the sales volume decreased.

In **polypropylene**, net sales were firm because of higher sales volume overseas even though the sales volume decreased in Japan.

As a result of the above, this segment's net sales increased 12.6 billion yen compared with the first half of the previous fiscal year to 241.3 billion yen and comprised 33% of total sales. Operating income increased 8.3 billion yen year on year to 9.8 billion yen because of an improvement in terms of trade.

Films and Sheets

The Films and Sheets segment recorded firm overall net sales.

In **packaging films**, net sales were firm due to sales price revision at the beginning of the fiscal year.

In **electronic and optical films**, net sales were firm due to increased demand in the high-value-added products field, especially smartphones, and the effect of the weaker yen.

In **solar cell sheets**, net sales were firm primarily because of the growing market in Japan and efforts to develop sales channels for new products, although the solar cell encapsulant market is showing a slightly downward trend.

As a result, net sales in this segment increased 1.8 billion yen compared with the first half of the previous fiscal year to 39.4 billion yen and comprised 5% of total sales. A 2.4 billion yen year-on-year turnaround from an operating loss in the previous period resulted in operating income of 0.9 billion yen. This result was due to increased sales of high-value-added products, the effect of the weaker yen, and cost-cutting efforts.

Others

In the Others segment, net sales decreased 5.6 billion yen with the previous fiscal year to 11.7 billion yen, comprised 2% of total sales. Operating loss improved 0.6 billion yen year on year to a loss of 0.6 billion yen.

(2) Qualitative Information Concerning Consolidated Financial Position Status of Assets, Liabilities and Net Assets

Total assets at the end of the first half stood at 1,426.2 billion yen, up 88.2 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the first half increased 74.3 billion yen compared with the previous fiscal year-end to 983.4 billion yen. **Interest-bearing debt** amounted to 588.9 billion yen, a rise of 81.7 billion yen compared with March 31, 2013. As a result, the interest-bearing debt ratio was 41.3%, an increase of 3.4 percentage points.

Net assets totaled 442.8 billion yen, a rise of 13.9 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 27.3%, down 0.9 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **debt-equity ratio** stood at 1.51 at the end of the first half, up 0.16 point from the previous fiscal year-end.

Cash Flow Status

Cash and cash equivalents (hereafter called "cash") were up 24.4 billion yen to 69.0 billion yen as of the end of the first half compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities increased 15.5 billion yen to 34.5 billion yen. The rise was due to an increase of net income before income taxes and minority interests and lower working capital mainly following the redemption of inventory.

Cash Flows from Investing Activities

Net cash used in investing activities increased 51.5 billion yen compared with the same period of the previous fiscal year to 79.9 billion yen. This rise was mainly attributable to higher outflows for the acquisition of dental business.

Cash Flows from Financing Activities

Net cash used in financing activities was 68.0 billion yen, up 69.1 billion yen year on year. This was primarily due to the procurement of interest-bearing debt.

(3) Qualitative Information Concerning Consolidated Results Forecasts (Revision of Financial Results Forecasts for Fiscal 2013 and Reason for the difference)

Consolidated operating results forecasts for the full fiscal year disclosed on May 10, 2013 have been revised as follows based on results recorded in the first half.

Financial performance revisions are based on the following assumptions:

- a) Exchange rate for the full year is 99 yen/US\$ (October to March is 99 yen/US\$)
- b) Average price of domestic naphtha for the full year is 64,900 yen/kl (October to March is 65,000yen/kl)

As a result, operating income, ordinary income and net income are expected to be lower than previously announced forecasts mainly due to deterioration in the terms of trade generated by higher raw materials in the Polyurethane and Basic Chemicals segments. This is forecast to occur despite improvement in term of trade generated depreciation in the yen.

(Revision of Financial Results Forecasts for Fiscal 2013)

(April 1,2013-March 31,2014)

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net income per share
Previous Forecast (A) (announced May 10,2013)	1,600.0	28.0	23.0	5.0	4.99yen
Revised Forecast (B)	1,550.0	25.0	21.0	1.0	1.00yen
Difference (B-A)	(50.0)	(3.0)	(2.0)	(4.0)	
Ratio (%)	(3.1)	(10.7)	(8.7)	(80.0)	
FY2012Actual(Reference) (April1,2012-Mar 31,2013)	1,406.2	4.3	9.2	(8.1)	(8.14 yen)

(Revision Business Segment)

Revision of Fiscal 2013 by business segment is as follows.

(Billions of Yen)

	Net Sales								Total
	Functional Chemicals	Functional Polymeric Materials	Poly urethane	Basic Chemicals	Petro chemicals	Films and Sheets	Others	Adjustment	
Previous forecast	170.0	183.0	186.0	427.0	528.0	78.0	28.0	—	1,600.0
Revised forecast	190.0	176.0	172.0	371.0	537.0	77.0	27.0	—	1,550.0
Difference	20.0	(7.0)	(14.0)	(56.0)	9.0	(1.0)	(1.0)	—	(50.0)

(Billions of Yen)

	Operating Income (Loss)								Total
	Functional Chemicals	Functional Polymeric Materials	Poly urethane	Basic Chemicals	Petro chemicals	Films and Sheets	Others	Adjustment	
Previous forecast	15.5	10.5	7.0	(14.0)	16.0	(2.0)	0.5	(5.5)	28.0
Revised forecast	16.5	13.0	(2.0)	(16.0)	19.5	(0.5)	0.0	(5.5)	25.0
Difference	1.0	2.5	(9.0)	(2.0)	3.5	1.5	(0.5)	—	(3.0)

(Revision of Cash Dividends Forecasts for Fiscal 2013)

We decided to pay the interim dividends of 3 yen per share as announced on May 10 2013. We previously projected to pay the year-end dividends at 3 yen per share. However no projection of the year-end dividends is made due to uncertainty of business forecast for the second half.

(Yen per share)

	1Q	2Q	3Q	4Q	Annual
Previous Forecast		3.0		3.0	6.0
Revised Forecast		3.0		Not decided	Not decided
FY2012Actual(Reference)		3.0		3.0	6.0

(4) Information on Differences between Financial Results Forecast and Actual Results for the First Half of Fiscal 2013

(Difference between Forecast and Actual Operating Results)

Differences have arisen between forecasts announced on August 5, 2013 and actual operating results for the first half of the fiscal year. The reason for the differences is as follows.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net income per share
Previous Forecast (A) (announced Aug 5,2013)	728.0	12.0	12.0	3.0	3.00yen
Actual (B)	731.6	11.0	10.7	1.0	1.03yen
Difference (B-A)	3.6	(1.0)	(1.3)	(2.0)	
Ratio (%)	0.5	(8.5)	(10.7)	(65.7)	
FY2012Actual(Reference) (April1,2012-Sep 30,2012)	680.5	1.5	(2.5)	(15.3)	(15.26 yen)

(Reason for Difference)

Operating income, ordinary income and net income fell below previously announced forecasts primarily due to deterioration in the terms of trade in the Polyurethane segments.

2. Subsequent Events

(Change in material scope of consolidation)

Mitsui chemicals decided to sell a part of shares of Siam Mitsui PTA Co.,Ltd, a subsidiary of joint venture in Thailand, to the another partner on October 31 2013 and transfer the subsidiary to equity-method company. As a result, the business performance will be booked as equity method income in our PL since October 1st 2013.