

Summary of Consolidated Financial Results for Third Quarter of FY2013

Feb. 6, 2014
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

		3rd Q of FY2012	3rd Q of FY2013	Incr. (Decr.)	FY2012	Outlook for FY2013 [※]	Incr. (Decr.)
Net sales		1,007.4	1,108.8	101.4	1,406.2	1,570.0	163.8
Operating income		2.5	15.1	12.6	4.3	25.0	20.7
Ordinary income (loss)		1.4	14.1	12.7	9.2	21.0	11.8
Net income (loss)		(9.7)	(18.5)	(8.8)	(8.1)	(23.0)	(14.9)
Comprehensive income		(6.2)	8.1	14.3	22.0		
Exchange rate	Yen / US\$	80	99	19	83	100	17
Domestic standard naphtha price	Yen / KL	55,400	65,700	10,300	57,500	67,300	9,800

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

·Net Sales

(Unit : Billions of Yen)

	3rd Q of FY2012	3rd Q of FY2013	Incr. (Decr.)	Breakdown		FY2012	Outlook for FY2013 [※]	Incr. (Decr.)
				Volume	Price			
Functional Chemicals	105.0	127.4	22.4	16.6	5.8	149.6	190.0	40.4
Functional Polymeric Materials	98.8	120.9	22.1	8.7	13.4	134.7	176.0	41.3
Polyurethane	106.0	118.3	12.3	4.5	7.8	146.2	170.0	23.8
Basic Chemicals	278.8	287.2	8.4	(40.4)	48.8	401.7	345.0	(56.7)
Petrochemicals	338.4	376.9	38.5	(10.0)	48.5	469.0	574.0	105.0
Films and Sheets	56.9	60.0	3.1	1.8	1.3	74.8	85.0	10.2
Others	23.5	18.1	(5.4)	(5.4)	-	30.2	30.0	(0.2)
Total	1,007.4	1,108.8	101.4	(24.2)	125.6	1,406.2	1,570.0	163.8

·Operating Income (Loss)

(Unit : Billions of Yen)

	3rd Q of FY2012	3rd Q of FY2013	Incr. (Decr.)	Breakdown			FY2012	Outlook for FY2013 [※]	Incr. (Decr.)
				Volume	Price [※]	Fixed Costs etc.			
Functional Chemicals	9.5	12.1	2.6	1.8	1.1	(0.3)	12.4	16.5	4.1
Functional Polymeric Materials	6.6	9.3	2.7	3.3	1.1	(1.7)	8.4	13.0	4.6
Polyurethane	(1.8)	(4.8)	(3.0)	0.2	(2.5)	(0.7)	(2.6)	(4.0)	(1.4)
Basic Chemicals	(12.6)	(13.9)	(1.3)	(1.4)	(0.1)	0.2	(18.9)	(18.5)	0.4
Petrochemicals	4.3	15.4	11.1	1.6	9.4	0.1	7.7	23.0	15.3
Films and Sheets	(2.2)	1.2	3.4	1.3	0.2	1.9	(3.3)	0.5	3.8
Others	(0.2)	(0.5)	(0.3)	-	-	(0.3)	(0.6)	0.0	0.6
Adjustment	(1.1)	(3.7)	(2.6)	-	-	(2.6)	1.2	(5.5)	(6.7)
Total	2.5	15.1	12.6	6.8	9.2	(3.4)	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)

	3rd Q of FY2012	3rd Q of FY2013	Incr. (Decr.)	FY2012	Outlook for FY2013 [※]	Incr. (Decr.)
Gain on sales of fixed assets	1.7	0.0	(1.7)	1.7	0.0	(1.7)
Reversal of provision for environmental measures	-	-	-	3.3	-	(3.3)
Loss on sales and disposal of fixed assets	(2.7)	(1.4)	1.3	(4.5)	(2.0)	2.5
Loss on Impairment	(1.7)	-	1.7	(5.6)	-	5.6
Loss on restructuring of subsidiaries and affiliates	(1.0)	0.0	1.0	(4.1)	0.0	4.1
Loss on valuation of investment securities	(0.8)	-	0.8	(0.8)	-	0.8
Insurance income	4.6	0.7	(3.9)	5.5	0.7	(4.8)
Loss on explosion and fire	(4.8)	-	4.8	(4.9)	-	4.9
Business structure improvement expenses	-	(22.2)	(22.2)	-	(32.0)	(32.0)
Others	(0.6)	-	0.6	(0.6)	1.3	1.9
Total	(5.3)	(22.9)	(17.6)	(10.0)	(32.0)	(22.0)

Business structure improvement expenses in current fiscal year include all extraordinary losses related to the business restructuring plan.

4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2013	As of Dec. 31, 2013	Incr. (Decr.)		As of Mar. 31, 2013	As of Dec. 31, 2013	Incr. (Decr.)
Current assets	715.4	756.2	40.8	Interest-bearing liabilities	507.2	593.3	86.1
Tangible fixed assets	446.6	428.9	(17.7)	Other liabilities	401.9	435.5	33.6
Intangible fixed assets	14.6	72.1	57.5	Shareholders' equity	376.8	375.4	(1.4)
Investments and others	161.4	187.7	26.3	Minority interests	52.1	40.7	(11.4)
Total assets	1,338.0	1,444.9	106.9	Total liabilities and net assets	1,338.0	1,444.9	106.9
[Inventory]	284.6	294.5	9.9	[D/E Ratio]	1.35	1.58	0.23

5. Summary of Cash Flow

(Unit : Billions of Yen)

	3rd Q of FY2012	3rd Q of FY2013	Incr. (Decr.)	FY2012	Outlook for FY2013 [※]	Incr. (Decr.)
Cash flows from investing activities	(41.2)	(99.4)	(58.2)	(58.1)	(114.0)	(55.9)
Free cash flows	(32.4)	(72.2)	(39.8)	(39.6)	(75.0)	(35.4)
Cash flows from financing activities	12.5	81.5	69.0	27.3	85.0	57.7
Others	0.3	3.3	3.0	2.7	0.0	(2.7)
Net incr.(decr.) in cash and cash equivalents	(19.6)	12.6	32.2	(9.6)	10.0	19.6
Cash and cash equivalents at the end of period	35.0	57.6	22.6	45.0	55.0	10.0

※ Outlook for FY2013 is announced on February 6, 2014.

6. Topics

• 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

• Vithal Castor Polyols PVT.LTD.

A newly established joint-venture company with Itoh Oil Chemical Co., Ltd and India's Jayant Agro-Organics Ltd. to produce "bio-polyol", the main raw materials of which are non-edible plant derived fatty acid in India, October 2013

7. 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	-	0.00	3.00

8. Number of shares outstanding (common stock)

	FY2012	3rd 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	20,709,975
Average number of shares	1,001,741,390 *	1,001,513,491

*3rd 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 nine-month period from April 1, 2013 to December 31, 2013, hereafter the “third quarter”), economic growth in China and emerging markets maintain a pace of gradual growth. The situation in Japan remained unclear even as the economy continued to slowly recover thanks in part to both steady domestic demand and a surge in demand ahead of the April 2014 consumption tax hike. The recovery has been underwhelming, however, mainly due to weakened consumer confidence and a slowing in the rebound of exports.

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)
Current third quarter	1,108.8	15.1	14.1	(18.5)
Third quarter in previous fiscal year	1,007.4	2.5	1.4	(9.7)
Change	101.4	12.6	12.7	(8.8)
Change (%)	10.1	512.8	879.8	—

Net Sales increased 101.4 billion yen, or 10.1%, compared with the third quarter of the previous fiscal year to 1,108.8 billion yen. This was mainly attributable to a 125.6 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. This rise in net sales occurred despite a 24.2 billion yen decrease in sales volume mainly in the Petrochemicals and Basic Chemicals segment.

Operating income was 15.1 billion yen, an increase of 12.6 billion yen, or 512.8%, 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 Chemicals and Functional Polymeric Materials segment.

Ordinary income was 14.1 billion yen, an increase of 12.7 billion yen, or 879.8%, year on year. This result largely reflected higher operating income.

Extraordinary income and loss was 22.9 billion yen, a decrease of 17.6 billion yen, year on year. The main reason was the post of business restructuring expenses for Polyurethane business and Phenol business, which are in volatile markets, of 20.6 billion yen. The details are disclosed in *Notice on Extraordinary losses for business restructuring plan Revisions of Financial Forecasts and Cash Dividend Projection for Fiscal 2013* on February 6, 2014.

As a result of the aforementioned factors, **net loss before income taxes and minority interests** amounted to 8.8 billion yen, a fall of 4.9 billion yen, year on year.

Net loss after accounting for income taxes and minority interests was 18.5 billion yen, a fall of 8.8 billion yen compared with the third quarter of the previous fiscal year, or 18.43 yen net loss per share for the period.

(Results by Business Segment)

The status of each segment during the third quarter 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

Net sales in the Functional Chemicals segment increased 22.4 billion yen compared with the third quarter of the previous fiscal year to 127.4 billion yen and comprised 11% of total sales. Operating income grew 2.6 billion yen compared with the corresponding period of the previous fiscal year to 12.1 billion yen mainly due to expanding export sales of agrochemical products.

Sales were particularly favorable for **ophthalmic lens** materials in healthcare materials, **nonwoven fabrics** in hygiene materials, and **agrochemicals**, expanding primarily as a result of higher overseas demand. Sales of **catalysts** expanded as well, due to recovery from the effects of the suspension of production following the accident at the Iwakuni-Ohtake Works.

The Group took over the Heraeus Kulzer Dental Business on June 30, 2013 and its operating results have been included in consolidated results from the third quarter.

Functional Polymeric Materials

Net sales in the Functional Polymeric Materials segment increased 22.1 billion yen compared with the third quarter of the previous fiscal year to 120.9 billion yen and comprised 11% of total sales. Operating income increased 2.7 billion yen to 9.3 billion yen year on year due mainly to the Company's quick response to increased demand and the effect of the weaker yen.

Profits increased for **elastomers** and **performance compounds**, which are used primarily in automotive components and resin modifiers, thanks to the effect of the weaker yen and expanding demand for automotive applications, primarily in North America. Profits from **specialty polyolefins**, having fully recovered from the effects of the accident at the Iwakuni-Ohtake Works, were boosted by increased sales of smart phones and the effect of the weaker yen.

Polyurethane

Net sales in the Polyurethane segment increased 12.3 billion yen compared with the third quarter of the previous fiscal year to 118.3 billion yen and comprised 11% of total sales. On the other hand, operating loss rose 3.0 billion yen year on year to 4.8 billion yen due to a decline in overseas markets for polyurethane and hikes in raw material and fuel prices.

In adhesive materials, net sales expanded as overseas demand for **adhesives used in packaging** steadily increased and new sales of **OLED adhesive materials** commenced. Conditions remained harsh for **polyurethane materials**, which are used mainly in furniture manufacturing, due to weak demand as well as persistent stagnation in the Chinese market and increases in raw material and fuel prices.

Basic Chemicals

Net sales in the Basic Chemicals segment increased 8.4 billion yen year on year to 287.2 billion yen and accounted for 26% of total sales. On the other hand, operating loss rose 1.3 billion yen year on year to 13.9 billion yen as cost-cutting efforts were unable to fully offset

severe trade conditions, particularly for phenols and purified terephthalic acid (PTA).

Although net sales increased because of the positive impact of a rise in sales prices following hikes in raw material and fuel prices, the business environment for **phenols, PTA,** and other products remained severe against the backdrop of continued delay in demand recovery and market stagnation in China.

Petrochemicals

Net sales in the Petrochemicals segment increased 38.5 billion yen compared with the third quarter of the previous fiscal year to 376.9 billion yen and comprised 34% of total sales. Operating income increased 11.1 billion yen year on year to 15.4 billion yen primarily because of improvement in terms of trade and low-cost beginning inventory accompanying higher naphtha prices.

Net sales of overseas businesses rose primarily due to the growth of automobile production volume in North America. In addition, the operating rate of naphtha crackers was higher compared with the initially forecast.

Films and Sheets

Net sales in the Films and Sheets segment increased 3.1 billion yen compared with the third quarter of the previous fiscal year to 60.0 billion yen and comprised 5% of total sales. A 3.4 billion yen turnaround from an operating loss in the third quarter of the previous fiscal year resulted in operating income of 1.2 billion yen. This result was due to increased sales of high-value-added products, the effect of the weaker yen, and cost-cutting efforts.

In **packaging films**, profits increased due to a sales price revision implemented at the beginning of the fiscal year.

In **electronic and optical films**, profits rose due to increased demand related to high-value-added products, especially smartphones, and the effect of the weaker yen.

In **solar cell sheets**, profits rose because of the growing market in Japan as well as efforts to expand sales of new products and minimize costs.

Others

In the Others segment, net sales decreased 5.4 billion yen with the previous fiscal year to 18.1 billion yen, comprised 2% of total sales. Operating loss increased 0.3 billion yen year on year to a loss of 0.5 billion yen.

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

Total assets at the end of the third quarter stood at 1,444.9 billion yen, up 106.9 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the third quarter increased 119.7 billion yen compared with the previous fiscal year-end to 1,028.8 billion yen. **Interest-bearing debt** amounted to 593.3 billion yen, a rise of 86.1 billion yen compared with March 31, 2013. As a result, the interest-bearing debt ratio was 41.1%, an increase of 3.2 percentage points.

Net assets totaled 416.1 billion yen, a fall of 12.8 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 26.0%, down 2.2 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **debt-equity ratio** stood at 1.58 at the end of

the third quarter, up 0.23 point from the previous fiscal year-end.

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

By Notice on Extraordinary Losses for Business Restructuring Plan, Revisions in Financial Forecasts and Cash Dividend Projection for Fiscal 2013, which was announced on February 6, 2014, consolidated financial forecasts for the full-year disclosed on November 1, 2013 have been revised as follows.

Financial forecasts revisions are based on the following assumptions:

- a) Exchange rate for the full year is 100 yen/US\$ (January to March is 103 yen/US\$)
- b) Average price of domestic naphtha for the full year is 67,300 yen/kl (January to March is 72,000yen/kl)

In addition to the impact of extraordinary losses for business restructuring recorded in the 3rd quarter, taking into account the influence of considered additional business restructuring measures, which were recorded to business restructuring expense, net income is expected to decline from the previously announced outlook.

(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 (Loss)	Net income per share
Previous Forecast (A) (announced November 1, 2013)	1,550.0	25.0	21.0	1.0	1.00 yen
Revised Forecast (B)	1,570.0	25.0	21.0	(23.0)	(22.97 yen)
Difference (B-A)	20.0	—	—	(24.0)	—
Ratio (%)	1.3	—	—	—	—
FY2012Actual(Reference) (April1,2012-Mar 31,2013)	1,406.2	4.3	9.2	(8.1)	(8.14 yen)

(Revision by 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	190.0	176.0	172.0	371.0	537.0	77.0	27.0	—	1,550.0
Revised forecast	190.0	176.0	170.0	345.0	574.0	85.0	30.0	—	1,570.0
Difference	—	—	(2.0)	(26.0)	37.0	8.0	3.0	—	20.0

(Billions of Yen)

	Operating Income (Loss)								
	Functional Chemicals	Functional Polymeric Materials	Poly urethane	Basic Chemicals	Petro chemicals	Films and Sheets	Others	Adjustment	Total
Previous forecast	16.5	13.0	(2.0)	(16.0)	19.5	(0.5)	0.0	(5.5)	25.0
Revised forecast	16.5	13.0	(4.0)	(18.5)	23.0	0.5	0.0	(5.5)	25.0
Difference	—	—	(2.0)	(2.5)	3.5	1.0	—	—	—

(Revision of Cash Dividends Forecasts for Fiscal 2013)

We regret that it will not pay the year-end dividends because a large net loss, business restructuring expense will be posted for the year. As a result, our annual dividend forecast for fiscal 2013 will be 3 yen per share.

(Yen per Share)

	1Q	2Q	3Q	4Q	Annual
Previous Forecast	—	3.0	—	Not decided	Not decided
Revised Forecast	—	3.0	—	0.0	3.0
FY2012Actual(Reference)	—	3.0	—	3.0	6.0