

Summary of Consolidated Financial Results for First Quarter of FY2013

Aug. 1, 2013
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

	1st Q of FY2012	1st Q of FY2013	Incr. (Decr.)
Net sales	352.3	363.1	10.8
Operating income	6.9	9.3	2.4
Ordinary income	4.7	9.9	5.2
Net income(loss)	(2.2)	4.7	6.9
Comprehensive income	3.4	16.1	12.7
Exchange rate	Yen / US\$	80	99
Domestic standard naphtha price	Yen / KL	60,600	65,500

FY2012	Outlook for FY2013 (announced Aug 1)	
	First Half	Full Year
1,406.2	728.0	1,600.0
4.3	12.0	28.0
9.2	12.0	23.0
(8.1)	3.0	5.0
22.0		
83	100	98
57,500	64,300	63,700

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

·Net Sales

(Unit : Billions of Yen)

	1st Q of FY2012	1st Q of FY2013	Incr. (Decr.)	Breakdown	
				Volume	Price
Functional Chemicals	36.2	38.5	2.3	1.2	1.1
Functional Polymeric Materials	33.1	39.9	6.8	5.1	1.7
Polyurethane	32.7	36.1	3.4	0.7	2.7
Basic Chemicals	99.8	105.2	(5)	(9.8)	15.2
Petrochemicals	123.1	118.0	(5.1)	(11.1)	6.0
Films and Sheets	19.0	19.7	0.7	0.1	0.6
Others	8.4	5.7	(2.7)	(2.7)	-
Total	352.3	363.1	10.8	(16.5)	27.3

FY2012	Outlook for FY2013 (announced Aug 1)	
	First Half	Full Year
149.6	78.0	170.0
134.7	80.0	183.0
146.2	83.0	186.0
401.7	197.0	427.0
469.0	238.0	528.0
74.8	39.0	78.0
30.2	13.0	28.0
1,406.2	728.0	1,600.0

·Operating Income (Loss)

(Unit : Billions of Yen)

	1st Q of FY2012	1st Q of FY2013	Incr. (Decr.)	Breakdown		
				Volume	Price*	Fixed Costs etc.
Functional Chemicals	3.8	3.9	0.1	0.3	0.4	(0.6)
Functional Polymeric Materials	2.7	3.8	1.1	1.4	0.6	(0.9)
Polyurethane	(0.2)	(1.7)	(1.5)	(0.3)	(0.2)	(1.0)
Basic Chemicals	(0.8)	(2.7)	(1.9)	(0.9)	(0.3)	(0.7)
Petrochemicals	3.5	7.1	3.6	(0.3)	5.4	(1.5)
Films and Sheets	(0.3)	0.7	1.0	0.2	(0.1)	0.9
Others	0.0	(0.3)	(0.3)	-	-	(0.3)
Adjustment	(1.8)	(1.5)	0.3	-	-	0.3
Total	6.9	9.3	2.4	0.4	5.8	(3.8)

FY2012	Outlook for FY2013 (announced Aug 1)	
	First Half	Full Year
12.4	8.5	15.5
8.4	6.5	10.5
(2.6)	(0.5)	7.0
(18.9)	(7.0)	(14.0)
7.7	8.5	16.0
(3.3)	0.0	(2.0)
(0.6)	0.0	0.5
1.2	(4.0)	(5.5)
4.3	12.0	28.0

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)

	1st Q of FY2012	1st Q of FY2013	Incr. (Decr.)
Gain on sales of fixed assets	0.1	0.0	(0.1)
Reversal of provision for environmental measures	-	-	-
Loss on sales and disposal of fixed assets	(0.2)	(0.5)	(0.3)
Loss on Impairment	-	-	-
Loss on restructuring of subsidiaries and affiliates	-	-	-
Loss on valuation of investment securities	(0.1)	-	0.1
Insurance income	-	-	-
Loss on explosion and fire	(3.5)	-	3.5
Others	-	(1.5)	(1.5)
Total	(3.7)	(2.0)	1.7

FY2012	Outlook for FY2013 (announced Aug 1)	
	First Half	Full Year
1.7	-	-
3.3	-	-
(4.5)	(1.5)	(5.0)
(5.6)	-	-
(4.1)	-	-
(0.8)	-	-
5.5	-	-
(4.9)	-	-
(0.6)	(1.5)	(3.0)
(10.0)	(3.0)	(8.0)

4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2013	As of Jun. 30, 2013	Incr. (Decr.)		As of Mar. 31, 2013	As of Jun. 30, 2013	Incr. (Decr.)
Current assets	715.4	732.5	17.1	Interest-bearing liabilities	507.2	588.3	81.1
Tangible fixed assets	446.6	454.8	8.2	Other liabilities	401.9	392.3	(9.6)
Intangible fixed assets	14.6	64.8	50.2	Shareholders' equity	376.8	388.1	11.3
Investments and others	161.4	168.4	7.0	Minority interests	52.1	51.8	(0.3)
Total assets	1,338.0	1,420.5	82.5	Total liabilities and net assets	1,338.0	1,420.5	82.5
[Inventory]	284.6	295.7	11.1	[D/E Ratio]	1.35	1.52	0.17

5. Summary of Cash Flow

(Unit : Billions of Yen)

	1st Q of FY2012	1st Q of FY2013	Incr. (Decr.)	FY2012	Outlook for FY2013 (announced May 10)	
					First Half	Full Year
Cash flows from operating activities	(21.8)	(2.9)	18.9	18.5	11.0	47.0
Cash flows from investing activities	(15.5)	(81.6)	(66.1)	(58.1)	(83.0)	(117.0)
Free cash flows	(37.3)	(84.5)	(47.2)	(39.6)	(72.0)	(70.0)
Cash flows from financing activities	5.8	74.7	68.9	27.3	64.0	62.0
Others	0.7	1.0	0.3	2.7	-	-
Net incr.(decr.) in cash and cash equivalents	(30.8)	(8.8)	22.0	(9.6)	(8.0)	(8.0)
Cash and cash equivalents at the end of period	23.8	36.2	12.4	45.0	37.0	37.0

6. 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 manufactures and distributes dentures using new cutting edge computer-aided design (CAD), computer aided manufacturing (CAM) technology, in USA June 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	-	3.00	6.00

8. Number of shares outstanding (common stock)

	FY2012	1st 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	20,452,780
Average number of shares	1,001,764,795 *	1,001,576,308

*1st 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 three-month period from April 1, 2013 to June 30, 2013, hereafter called “the Quarter”), the operating environment continued to improve in Japan as personal spending as well as production and exports of businesses headed towards recovery against a backdrop of a weakening yen and rising stock prices caused by expectations regarding the effects of governmental economic policies. However, 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 Quarter.

	(Billions of Yen)			
	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)
Current Quarter	363.1	9.3	9.9	4.7
Quarter in previous fiscal year	352.3	6.9	4.7	(2.2)
Change	10.8	2.4	5.2	6.9
Change (%)	3.1	34.0	110.6	—

Net Sales increased 10.8 billion yen, or 3.1%, compared with the first quarter of the previous fiscal year to 363.1 billion yen. This was mainly attributable to a 27.3 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. This rise in net sales occurred despite a 16.5 billion yen decrease in sales volume in the Petrochemicals and Basic Chemicals segment,

Operating income was 9.3 billion yen, an increase of 2.4 billion yen, or 34.0%, 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 9.9 billion yen, an increase of 5.2 billion yen, or 110.6%, year on year. This result largely reflected higher operating income and a 2.8 billion yen year-on-year turnaround in non-operating income due mainly to an improvement exchange gain and loss.

Extraordinary income and loss improved 1.7 billion yen year on year to a loss of 2.0 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 7.9 billion yen, up 6.9 billion yen, or 678.1%, year on year.

Net income after accounting for income taxes and minority interests in income improved 6.9 billion yen compared with the first quarter of the previous fiscal year to a net income of 4.7 billion yen, or 4.72 yen net gain per share for the period.

(Results by Business Segment)

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

From the Quarter 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 were sluggish due to weak demand mainly in the semiconductor industry. In addition, net sales of **specialty chemicals** were firm because of the lower yen rates.

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

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

As a result, net sales in this segment increased 2.3 billion yen compared with the first quarter of the previous fiscal year to 38.5 billion yen and comprised 11% of total sales. Operating income grew 0.1 billion yen compared with the first quarter of the previous fiscal year to 3.9 billion yen mainly due to expanding export sales.

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 because of the recovery from effects of the accident at the Iwakuni-Ohtake Works, increased sales of smart phones, and the effect of the weaker yen.

As a result, net sales in this segment increased 6.8 billion yen compared with the first quarter of the previous fiscal year to 39.9 billion yen and comprised 11% of total sales. Operating income increased 1.1 billion yen to 3.8 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 sluggish because of stagnant demand for resilient paving materials and resins used in housing construction.

As a result, net sales in this segment increased 3.4 billion yen compared with the first quarter of the previous fiscal year to 36.1 billion yen and comprised 10% of total sales. On the other hand, operating loss rose 1.5 billion yen year on year to 1.7 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 increased 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 amid sluggish demand.

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 demand was weak for its main application, polycarbonate resin and epoxy resin.

In **purified terephthalic acid (PTA)**, net sales decreased primarily due to slowing pace of growth in China.

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 an increase in the sales volume accompanying a recovery in demand.

As a result, this segment's net sales increased 5.4 billion yen to 105.2 billion yen year on year and accounted for 29% of total sales. On the other hand, operating loss rose 1.9 billion yen year on year to 2.7 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 a decrease in overall net sales.

In **ethylene and propylene**, production volume was on par with the previous fiscal year. On the other hand, net sales of by-products decreased due to the market slowdown.

In **polyethylene**, net sales remained on par year on year due to hikes in raw material and fuel prices even though the sales volume decreased.

In **polypropylene**, net sales were favorable 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 decreased 5.1 billion yen compared with the first quarter of the previous fiscal year to 118.0 billion yen and comprised 32% of total sales. On the other hand, operating income increased 3.6 billion yen year on year to 7.1 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 and the effect of the weaker yen.

In **solar cell sheets**, net sales were favorable primarily because of efforts to develop sales channels for new products, although the sales volume decreased due to the shrinking of the solar cell encapsulant market.

As a result, net sales in this segment increased 0.7 billion yen compared with the first quarter of the previous fiscal year to 19.7 billion yen and comprised 5% of total sales. A 1.0 billion yen year-on-year turnaround from an operating loss in the previous period resulted in operating income of 0.7 billion yen. This result was due to increased sales of high-value-added products and cost-cutting efforts.

Others

In the Others segment, net sales decreased 2.7 billion yen with the previous fiscal year to 5.7 billion yen, comprised 2% of total sales. Operating loss rose 0.3 billion yen year on year to a loss of 0.3 billion yen.

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

Total assets at the end of the Quarter stood at 1,420.5 billion yen, up 82.5 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the Quarter increased 71.5 billion yen compared with the previous fiscal year-end to 980.6 billion yen. **Interest-bearing debt** amounted to 588.3 billion yen, a rise of 81.1 billion yen compared with March 31, 2013. As a result, the interest-bearing debt ratio was 41.4%, up 3.5 percentage points from the previous fiscal year-end.

Net assets totaled 439.9 billion yen, a rise of 11.0 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 1.52 at the end of the Quarter, up 0.17 point from the previous fiscal year-end.

**(3) Qualitative Information Concerning Consolidated Results Forecasts
(Revisions of Financial Results Forecasts for the first half of Fiscal 2013 and Reason for the difference)**

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

Financial performance revisions are based on the following assumptions:

- a) Exchange rate for the first half period is 100 yen/US\$
- b) Average price of domestic naphtha for the first half period is 64,300 yen /kl

As a result, operating income, ordinary income and net income are expected to be higher than previously announced forecasts mainly due to higher sales volume and improvement in the terms of trade generated by a drop in the yen.

Previously announced financial result forecast for the full year remains unchanged due to uncertainties which may influence results.

**Revisions of Financial Results Forecasts for the first half of Fiscal 2013
(April 1,2013-September 30,2013)**

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net income per share
Previous Forecast (A) (announced May 10,2013)	745.0	5.0	3.0	(3.0)	(3.00yen)
Revised Forecast (B)	728.0	12.0	12.0	3.0	3.00 yen
Difference (B-A)	(17.0)	7.0	9.0	6.0	
Ratio (%)	(2.3)	140.0	300.0	—	
FY2012Actual(Reference) (April1,2012-Sep 30,2012)	680.5	1.5	(2.5)	(15.3)	(15.26 yen)

(Revision Business Segment)

Revision of the first half 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	78.0	83.0	89.0	208.0	238.0	38.0	11.0	—	745.0
Revised forecast	78.0	80.0	83.0	197.0	238.0	39.0	13.0	—	728.0
Difference	—	(3.0)	(6.0)	(11.0)	—	1.0	2.0	—	(17.0)

(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	6.5	4.5	2.5	(9.0)	4.5	(1.0)	0.0	(3.0)	5.0
Revised forecast	8.5	6.5	(0.5)	(7.0)	8.5	0.0	(1.0)	(3.0)	12.0
Difference	2.0	2.0	(3.0)	2.0	4.0	1.0	(1.0)	—	7.0

2. Business combinations

(Acquisition of Dental Business from Heraeus Holding GmbH)

(1) Outline of business combination

i. Name and operations of the acquired company

Trade name	Heraeus Kulzer Dental
Type of business	Production, sales and marketing of dental related products (e.g. restoratives)
Seller's Company name	Heraeus Holding GmbH

ii. Purpose for business combination

The acquisition of Heraeus Dental will provide the Mitsui Chemicals Group with a global platform for its dental materials business, in which it targets expansion and growth as a core business, into the growing overseas dental materials market that is expected to significantly grow in the future. In addition, the Group expects to be able to respond to customer needs by the synergy of Mitsui Chemicals' rich R&D resources and knowledge of chemical areas such as polymer technology and Heraeus Kulzer Dental's strong product development capabilities.

iii. Date of business combination

June 30, 2013

iv. Legal form of business combination

Acquisition of shares and assets with cash

v. Grounds for determining the acquiring company

100% wholly holding companies in Japan and Germany were established to purchase the shares and assets.

vi. Acquired voting right rate

Voting right ratio after the acquisition: 100%

(2) Inclusion of the performance of the acquired business in the quarterly consolidated statements of income for the period under review.

The acquisition date is June 30, 2013. Therefore, its performance of the acquired business is not included.

(3) Acquisition costs of the acquired company and its details

Consideration for the acquisition	¥60,595 million
Expenses related directly to the acquisition, including advisory expenses	¥465 million
Total	¥61,060 million

However, the acquisition price is now going through the process of adjustment to reflect the change in working capital as per the purchase agreement. The acquisition cost of the shares and assets is therefore tentative as of the end of the period under review.

(4) Amount of goodwill recognized, reason for recognition, and amortization method and period

i. Amount of goodwill occurred

¥46,760 million

ii. Amortization method and period

Equally amortized over 20 years

iii. The acquisition cost is not complete. And the acquired assets and assumed liabilities are measured on provisional calculation values. Therefore, the amount of Goodwill is tentative.