Summary of Consolidated Financial Results for FY2013

May 13, 2014
Mitsui Chemicals, Inc.

1.Summary of Income Statement

(Unit : Billions of Yen)

	FY2012	FY2013	Increase (Decrease)	Outlook for FY2014 Interim	Outlook for FY2014 Full Year
Net Sales	1,406.2	1,566.0	159.8	815.0	1,680.0
Operating income	4.3	24.9	20.6	12.0	35.0
Ordinary income	9.2	22.5	13.3	10.0	31.0
Net income (loss)	(8.1)	(25.1)	(17.0)	1.0	12.0
Comprehensive income	22.0	10.2	(11.8)		

2. Net Sales and Operating Income (Loss) by Business Segment

・Net Sales

(Unit : Billions of Yen)

	FY2012	FY2013	Incr. (Decr.)	Breakdown: Volume	Breakdown: Price	Outlook for FY2014 Interim	Outlook for FY2014 Full Year
Functional Chemicals	149.6	190.4	40.8	32.7	8.1	104.0	221.0
Functional Polymeric Materials	134.7	176.7	42.0	22.2	19.8	90.0	181.0
Polyurethane	146.2	163.8	17.6	7.3	10.3	86.0	182.0
Basic Chemicals	401.7	376.2	(25.5)	(75.2)	49.7	188.0	374.0
Petrochemicals	469.0	552.4	83.4	13.6	69.8	293.0	612.0
Films and Sheets	74.8	79.9	5.1	3.1	2.0	42.0	85.0
Others	30.2	26.6	(3.6)	(3.6)	-	12.0	25.0
Total	1,406.2	1,566.0	159.8	0.1	159.7	815.0	1,680.0

・Operating Income (Loss)

(Unit : Billions of Yen)

	FY2012	FY2013	Incr. (Decr.)	Breakdown: Volume	Breakdown: Price※	Breakdown: Fixed Costs etc.	Outlook for FY2014 Interim	Outlook for FY2014 Full Year
Functional Chemicals	12.4	15.0	2.6	4.0	1.4	(2.8)	7.5	16.5
Functional Polymeric Materials	8.4	11.9	3.5	4.7	2.6	(3.8)	6.5	14.5
Polyurethane	(2.6)	(5.2)	(2.6)	3.0	(3.0)	(2.6)	(2.0)	1.0
Basic Chemicals	(18.9)	(17.4)	1.5	(2.3)	(0.6)	4.4	(5.0)	(9.0)
Petrochemicals	7.7	25.3	17.6	5.1	9.2	3.3	9.5	19.5
Films and Sheets	(3.3)	0.9	4.2	1.0	-	3.2	0.0	1.0
Others	(0.6)	(0.6)	0.0	-	-	0.0	(0.5)	(0.5)
Total	1.2	(5.0)	(6.2)	-	-	(6.2)	(4.0)	(8.0)
Total	4.3	24.9	20.6	15.5	9.6	(4.5)	12.0	35.0

The Company and its consolidated subsidiaries changed their business segment, effective April 2013.
※ Price includes both selling and purchasing price variances.

3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	FY2012	FY2013	Increase (Decrease)	Outlook for FY2014 Interim	Outlook for FY2014 Full Year
Gain on sales of fixed assets	1.7	2.5	0.8	-	-
Reversal of provision for environmental measures	3.3	-	(3.3)	-	-
Loss on sales and disposal of fixed assets	(4.5)	(2.3)	2.2	(2.0)	(5.0)
Loss on Impairment	(5.6)	(0.5)	5.1	-	-
Loss on restructuring of subsidiaries and affiliates	(4.1)	-	4.1	-	-
Loss on valuation of investment securities	(0.8)	-	0.8	-	-
Insurance income	5.5	4.1	(1.4)	-	-
Loss on explosion and fire	(4.9)	-	4.9	-	-
Business structure improvement expenses	-	(36.8)	(36.8)	-	-
Others	(0.6)	-	0.6	(1.0)	(1.0)
Total	(10.0)	(33.0)	(23.0)	(3.0)	(6.0)

Business structure improvement expenses in current fiscal year include all extraordonary 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 Mar. 31, 2014	Increase (Decrease)		As of Mar. 31, 2013	As of Mar. 31, 2014	Increase (Decrease)
Current assets	715.4	777.1	61.7	Interest-bearing liabilities	507.2	581.3	74.1
Tangible fixed assets	446.6	425.8	(20.8)	Other liabilities	401.9	441.3	39.4
Intangible fixed assets	14.6	72.2	57.6	Shareholders' equity	376.8	* 352.8	(24.0)
Investments and others	161.4	157.1	(4.3)	Minority interest	52.1	56.8	4.7
Total assets	1,338.0	1,432.2	94.2	Total liabilities and net assets	1,338.0	1,432.2	94.2
[Inventory]	284.6	301.2	16.6	[D/E Ratio]	1.35	1.65	0.30

*The amount includes (21.3) billion yen of remeasurements of defined benefit plans. D/E ratio before the remeasurements is 1.55.

5. Summary of Cash Flow

(Unit : Billions of Yen)

	FY2012	FY2013	Increase (Decrease)	Outlook for FY2014 Interim	Outlook for FY2014 Full Year
Cash flows from operating activities	18.5	43.5	25.0	5.0	45.0
Cash flows from investing activities	(58.1)	(89.8)	(31.7)	(23.0)	(53.0)
Free cash flows	*(39.6)*	*(46.3)*	*(6.7)*	*(18.0)*	*(8.0)*
Cash flows from financing activities	27.3	66.9	39.6	6.0	(4.0)
Others	2.7	5.6	2.9	-	-
Net incr.(decr.) in cash and cash equivalents	(9.6)	26.2	35.8	(12.0)	(12.0)
Cash and cash equivalents at the end of year	45.0	71.2	26.2		

6. Accounting Fundamentals

		FY2012	FY2013	Increase (Decrease)	Outlook for FY2014 Interim	Outlook for FY2014 Full Year
R & D expenses	¥Billions	32.0	33.6	1.6	16.5	33.5
Depreciation & amortization	¥Billions	43.8	48.1	4.3	23.0	48.0
Capital expenditures	¥Billions	56.6	113.2	56.6	24.0	54.0
(Exclude business acquisition)	¥Billions	52.3	53.8	1.5	24.0	54.0
Financing incomes & expenses	¥Billions	(3.1)	(3.3)	(0.2)	(2.5)	(4.5)
Interest-bearing liabilities	¥Billions	507.2	581.3	74.1	590.0	580.0
Net D/E ratio		1.22	1.44	0.22	1.47	1.39
Number of employees	person	12,846	14,271	1,425	14,750	14,700
Exchange rate	Yen / US$	83	100	17	103	103
Domestic standard naphtha price	Yen / KL	57,500	67,300	9,800	70,000	70,000

7. Scope of Consolidation and Equity Method

(Unit : Number of Companies)

	As of Mar. 31, 2013	As of Mar. 31, 2014	Increase (Decrease)	Outlook for FY2014 As of Sep. 30, 2014	Outlook for FY2014 As of Mar. 31, 2015
Consolidated subsidiaries	76	97	21	94	94
Non-consolidated subsidiaries and affiliates	34	38	4	37	37
Total	110	135	25	131	131

8. Topics

・Heraeus Kulzer Dental Business

Acquisition of dental business for manufacture and distribution of 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.

9. 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 Result	-	3.00	-	0.00	3.00
FY2014 Outlook	-	0.00	-	3.00	3.00

10. Number of shares outstanding (common stock)

	FY2012	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	20,419,265	20,788,036
Average number of shares	1,001,710,405	1,001,447,485

1. Operating Results
(1) Overview
In the fiscal year ended March 31, 2014 (the twelve month period from April 1, 2013 to March 31, 2014, hereinafter, “fiscal 2013”), looking at the global economy, the United States saw gradual economic recovery, Europe experienced improving economic conditions, and China and emerging markets maintained a pace of gradual economic growth.

The Japanese economy is beginning to slowly recover thanks in part to a demand surge ahead of the April 2014 consumption tax hike. Another contributing factor was improved personal spending as well as expansion in production and exports against the backdrop of a weakening yen and rises in stock prices buoyed by high expectations for the government’s economic policies. Despite all this the economy remained lackluster during the period under review.

In the chemicals industry, although production began to gradually pick up in the latter half of the year, overall improvement was limited owing to stagnant demand for general purpose products, particularly in China.

Against this backdrop, in the final year of the 2011 Mid-Term Business Plan, the Mitsui Chemicals Group worked to leverage the strategic measures taken thus far to propel the Group to greater success. We have focused resources on high functional products, such as healthcare materials, and high value added products, such as elastomers and polypropylene compounds, to firmly expand earnings with the aim of further accelerating a change in our business portfolio. To support this aim, we have also moved ahead with fundamental structural reforms of our volatile volume market businesses: phenols, polyurethane, and purified terephthalic acid. Their businesses environment continued to be severe because of the soaring raw material prices and a significant oversupply in the markets as the emergence of new and expanding production facilities in Asia, especially in China. We have therefore decided to move up the implementation of further business restructuring, including termination of plants and closing of production sites, in order to fundamentally turn around these businesses. As a result, by recording a substantial extraordinary loss following the decisions of abovementioned business restructuring plan, net income was severely affected in particular.

The Group performance in fiscal 2013 suffered, as illustrated below.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)
Current Fiscal Year	1,566.0	24.9	22.5	(25.1)
Previous Fiscal Year	1,406.2	4.3	9.2	(8.1)
Change	159.8	20.6	13.3	(17.0)
Change (%)	11.4	480.4	144.6	—

Net Sales increased 159.8 billion yen, or 11.4%, compared with the previous fiscal year to 1,566.0 billion yen. This was mainly attributable to a 159.7 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 a rise of 0.1 billion yen in net sales overall occurred due to the increase in sales volume in acquired Heraeus Kulzer Dental Business of Functional Chemicals and Functional Polymeric Materials, which covers the decrease in Basic Chemicals.

Overseas sales stood at 698.1 billion yen, increased 1.3% year on year to account for 44.6% of total sales.

Operating income was 24.9 billion yen, an increase of 20.6 billion yen or 480.4%, 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 22.5 billion yen, an increase of 13.3 billion yen, or 144.6%, year on year. This result largely reflected higher operating income.

Extraordinary loss was 33.0 billion yen, a worse of 23.0 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 25.7 billion yen.

As a result of the aforementioned factors, **net loss before income taxes and minority interests** amounted to 10.5 billion yen, a fall of 9.7 billion yen, year on year.

Net loss after accounting for income taxes and minority interests was 25.1 billion yen , a fall of 17.0 billion yen compared with the previous fiscal year, or 25.10 yen net loss per share for the period.

(2) Results by Business Segment

The status of each segment during the fiscal year is as follows.

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

Functional Chemicals

Net sales in the Functional Chemicals segment increased 40.8 billion yen compared with the previous fiscal year to 190.4 billion yen and comprised 12% of total sales. Operating income grew 2.6 billion yen compared with the corresponding period of the previous fiscal year to 15.0 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 of half year have been included in consolidated results.

Functional Polymeric Materials

Net sales in the Functional Polymeric Materials segment increased 42.0 billion yen compared with the previous fiscal year to 176.7 billion yen and comprised 11% of total sales. Operating income increased 3.5 billion yen to 11.9 billion yen year on year due mainly to the Company’s quick response to increased demand, the effect of the weaker yen and the impact of unification of closing period for certain subsidiaries, which consolidated their 15-month results.

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 17.6 billion yen compared with the previous fiscal year to 163.8 billion yen and comprised 11% of total sales. On the other hand, operating loss rose 2.6 billion yen year on year to 5.2 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 decreased 25.5 billion yen year on year to 376.2 billion yen and accounted for 24% of total sales. On the other hand, in spite of severe trade conditions for phenols and purified terephthalic acid (PTA), as cost-cutting efforts and impact of changes in consolidation subsidiaries, operating loss was 17.4 billion yen, 1.5 billion yen less comparing to the previous year.

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 83.4 billion yen compared with the previous fiscal year to 552.4 billion yen and comprised 35% of total sales. Operating income increased 17.6 billion yen year on year to 25.3 billion yen primarily because of improvement in sales volume, terms of trade and inventory evaluation gain accompanying higher naphtha prices and, impact of unification of closing period for certain subsidiaries, which consolidated their 15-month results.

Films and Sheets

Net sales in the Films and Sheets segment increased 5.1 billion yen compared with the previous fiscal year to 79.9 billion yen and comprised 5% of total sales. A 4.2 billion yen turnaround from the previous fiscal year 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.

In **packaging films**, profits increased due to a sales price revision implemented from the beginning of the fiscal year and the recovery of the domestic market demand.
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 in spite of the continued severed business environment.

Others

In the Others segment, net sales decreased 3.6 billion yen with the previous fiscal year to 26.6 billion yen, comprised 2% of total sales. Operating loss was 0.6 billion yen, which was the same as the previous year.

(3) Outlook for Fiscal 2014 (Year Ending March 31, 2015)
(Overall of Financial Outlook for Fiscal 2014)

Projections call for the global economy in fiscal 2014 to gradually head toward recovery, especially in the United States and Europe, as the effects of austerity measures dissipate, even though the pace of economic growth in China and emerging markets continues to slow.

The Japanese economy is expected to grow, supported by economic policies and growth in exports along with the weaker yen and improvements in overseas economies, although there is some trepidation regarding the impact the consumption tax increase may have.

The chemical industry is expected to recover, boosted by an increase in demand accompanying the global economic recovery, although the operational environment is expected to remain severe.
Under these circumstances, the projected business performance for the Group for fiscal 2014 is as follows.

(¥ billion yen)	Net Sales	Operating Income	Ordinary Income	Net Income
FY2014	1,680.0	35.0	31.0	12.0
FY2013	1,566.0	24.9	22.5	(25.1)
Difference	114.0	10.1	8.5	37.1
Ratio (%)	7.3	40.6	37.6	—

Outlook above are based on the following assumptions:
a) Exchange rate for the full year is 103 yen/US$
b) Average price of domestic naphtha is 70,000 yen /kl

(Outlook by Business Segment)

Outlook by business segment is as follows.

(Billions of Yen)

	Net Sales								
	Functional Chemicals	Functional Polymeric Materials	Poly urethane	Basic Chemicals	Petro chemicals	Films and Sheets	Others	Adjust-ment	Total
FY2014	221.0	181.0	182.0	374.0	612.0	85.0	25.0	—	1,680.0
FY2013	190.4	176.7	163.8	376.2	552.4	79.9	26.6	—	1,566.0
Difference	30.6	4.3	18.2	(2.2)	59.6	5.1	(1.6)	—	114.0
Ratio(%)	16.1	2.4	11.1	(0.6)	10.8	6.4	(6.0)	—	7.3

(Billions of Yen)

	Operating Income (Loss)								
	Functional Chemicals	Functional Polymeric Materials	Poly urethane	Basic Chemicals	Petro chemicals	Films and Sheets	Others	Adjust-ment	Total
FY2014	16.5	14.5	1.0	(9.0)	19.5	1.0	(0.5)	(8.0)	35.0
FY2013	15.0	11.9	(5.2)	(17.4)	25.3	0.9	(0.6)	(5.0)	24.9
Difference	1.5	2.6	6.2	8.4	(5.8)	0.1	0.1	(3.0)	10.1
Ratio(%)	10.0	21.8	—	—	(22.9)	11.1	—	—	40.6

(4) Information on Extraordinary Loss due to Business Restructuring Plan

In the 4th quarter of fiscal year 2013, business structure improvement expenses of 5.1 billion yen, due to the restructuring of Polyurethane business and Phenol business, was recorded as below.
Therefore, including the amount recorded in previous quarter, business structure improvement expenses was recorded 25.7 billion yen for the whole fiscal year.

a) Extraordinary loss in Polyurethane materials business

Because of the stagnation of the market demand, there was indication that MCI's fixed assets may be impaired. As the result of the impairment test on the recoverable amount of the fixed assets, the company posted impairment loss in 4th quarter of current fiscal year.

b) Extraordinary loss in Phenol business
The company decided to suspend one production line of Bisphenol-A series products in Mitsui Phenols Singapore Pte Ltd., its subsidiary in Singapore. Consequentially, the company posted impairment loss in 4th quarter of current fiscal year.

2. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year stood at 1,432.2 billion yen, up 94.2 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the fiscal year increased 113.5 billion yen compared with the previous fiscal year-end to 1,022.6 billion yen. **Interest-bearing debt** amounted to 581.3 billion yen, a rise of 74.1 billion yen compared with March 31, 2013. As a result, the interest-bearing debt ratio was 40.6%, an increase of 2.7 percentage points.

Net assets totaled 409.6 billion yen, a fall of 19.3 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 24.6%, down 3.6 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **debt-equity ratio** stood at 1.65 at the end of the fiscal year, up 0.30 point from the previous fiscal year-end. The **net debt-equity ratio** stood at 1.44 at the end of the fiscal year, up 0.22 point from the previous fiscal year-end.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") were up 26.2 billion yen to 71.2 billion yen as of the end of this fiscal year compared with the previous fiscal year-end.

Cash Flows from Operating Activities
Net cash provided by operating activities grew 25.0 billion yen to 43.5 billion yen. It was due to an increase of depreciation and amortization expenses and a decrease in working capital.

Cash Flows from Investing Activities
Net cash used in investing activities increased 31.7 billion yen compared with the previous fiscal year to 89.8 billion yen. This rise was mainly attributable to higher outflows for the acquisition of the Heraeus Kulzer Dental Business.

Cash Flows from Financing Activities
Net cash used in financing activities was 66.9 billion yen, up 39.6 billion yen year on year. This was primarily due to an increase of interest-bearing debt.

(3) Trends in Cash Flow Indicators

	FY2009 (As of March 31, 2010)	FY2010 (As of March 31, 2011)	FY2011 (As of March 31, 2012)	FY2012 (As of March 31, 2013)	FY2013 (As of March 31, 2014)
Shareholders' Equity Ratio (%)	30.5	29.6	29.2	28.2	24.6
Shareholders' Equity Ratio on a Market Value Basis (%)	22.9	22.7	20.0	15.4	17.7
Ratio of Interest-bearing Debt to Cash Flows	7.0	6.6	10.7	27.4	13.4
Interest Coverage Ratio (Times)	8.2	9.5	6.4	2.7	5.6

Notes:
- Shareholders' Equity Ratio: Shareholders' equity to total assets.
- Shareholders' Equity Ratio on a Market Value Basis: Market capitalization to total assets.
- Ratio of Interest-bearing Debt to Cash Flows: Interest-bearing debt to cash flows.
- Interest Coverage Ratio: Cash flows to interest paid.
- Each of the indicators was calculated using consolidated financial figures.
- The market capitalization was calculated by multiplying the closing share price as of the end of the period with the number of shares outstanding (excluding treasury stock).
- Operating cash flow figures have been used for cash flow calculations.
- The operating cash flow figures used are cash flows from operating activities as reported in the consolidated statements of cash flows. Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid. Interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.

3. Basic Policy on the Appropriation of Profits, Cash Dividends for Fiscal 2013 and 2014 (Year Ending March 31, 2014 and March 31, 2015)

(1) Basic Policy on the Appropriation of Profits

The Group believes that the enhancement of corporate value through business growth and expansion is an important management issue and regards the distribution of profits to shareholders as one of the Group's most important management policies.

In allocating profits, the Group considers both the need to return earnings to shareholders as well as the need to maintain a level of internal reserves sufficient to fueling and sustaining future growth.

Taking into consideration the consolidated dividend payout ratio and the dividend on equity (DOE) ratio, the Group strives to promote a policy of consistent stable dividends that reflect consolidated earnings results over the medium term. In this context, the Group targets a consolidated dividend payout ratio of 25% or more and DOE of 2% or more.

From an internal reserves perspective, the Group actively engages in investment and financing to further accelerate growth and expansion while swiftly realizing a robust business portfolio as well as research and development expenditure aimed at creating innovative technologies. To this end, the Group constantly endeavors to improve its business performance and results.

(2) Cash Dividends for Fiscal 2013 and 2014

In current fiscal year, the Group posted a large amount of extraordinary loss due to its decision on the radical restructuring plan for its business in volatile markets plans. This resulted a net loss of 25.1 billion yen. Under such circumstances, the Group decided not to pay the year-end dividends. Because the Group paid an interim dividend of 3 yen per share on December 3, 2013, the annual dividend for the fiscal year under review will be 3 yen per share.

Turning to dividends for the fiscal year ending March 31, 2015, the Group plans to pay interim and year-end dividends as 0 yen and 3 yen per share, respectively. The Group therefore plans an annual dividend of 3 yen per share.

4. Consolidated Balance sheets

	Millions of yen	
	FY2012 At the end of March 31, 2013	FY2013 At the end of March 31, 2014
Assets		
Current assets		
Cash and deposits	46,514	71,979
Notes and accounts receivable-trade	298,411	296,492
Inventories	284,643	301,158
Deferred tax assets	11,264	9,828
Accounts receivable-other	66,108	89,677
Other	9,035	8,653
Allowance for doubtful accounts	(579)	(772)
Total current assets	**715,396**	**777,015**
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	318,872	330,822
Accumulated depreciation	(212,415)	(221,602)
Buildings and structures, net	106,457	109,220
Machinery, equipment and vehicles	1,064,514	1,011,771
Accumulated depreciation	(920,466)	(885,662)
Machinery, equipment and vehicles, net	144,048	126,109
Land	164,190	159,674
Construction in progress	22,888	20,799
Other	64,600	70,400
Accumulated depreciation	(55,546)	(60,362)
Other, net	9,054	10,038
Total property, plant and equipment	**446,637**	**425,840**
Intangible assets		
Goodwill	3,935	34,935
Other	10,700	37,275
Total intangible assets	**14,635**	**72,210**
Investments and other assets		
Investment securities	98,269	108,620
Net defined benefit asset	-	13,036
Deferred tax assets	4,129	5,448
Other	59,791	30,919
Allowance for doubtful accounts	(862)	(926)
Total investments and other assets	**161,327**	**157,097**
Total noncurrent assets	**622,599**	**655,147**
Total assets	**1,337,995**	**1,432,162**

	Millions of yen	
	FY2012 At the end of March 31, 2013	FY2013 At the end of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	215,666	219,849
Short-term loans payable	106,685	121,967
Current portion of long-term loans payable	54,011	41,188
Commercial papers	15,000	15,000
Current portion of bonds	10,000	13,000
Income taxes payable	2,963	4,455
Provision for directors' bonuses	23	42
Provision for repairs	10,232	12,324
Provision for business structure improvement	-	2,337
Other	79,328	76,894
Total current liabilities	**493,908**	**507,056**
Noncurrent liabilities		
Bonds payable	97,000	99,000
Long-term loans payable	223,956	290,595
Deferred tax liabilities	16,963	22,923
Provision for retirement benefits	50,855	-
Provision for directors' retirement benefits	261	295
Provision for repairs	3,579	2,227
Provision for environmental measures	3,028	1,621
Provision for business structure improvement	-	14,213
Net defined benefit liability	-	58,324
Asset retirement obligations	2,589	3,770
Other	16,942	22,491
Total noncurrent liabilities	**415,173**	**515,459**
Total liabilities	**909,081**	**1,022,515**
Net assets		
Shareholders' equity		
Capital stock	125,053	125,053
Capital surplus	91,065	91,065
Retained earnings	180,451	149,287
Treasury stock	(14,264)	(14,341)
Total shareholders' equity	**382,305**	**351,064**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,862	16,678
Deferred gains or losses on hedges	(250)	(105)
Foreign currency translation adjustment	(18,138)	6,551
Remeasurements of defined benefit plans	-	(21,345)
Total accumulated other comprehensive income	**(5,526)**	**1,779**
Minority interests	**52,135**	**56,804**
Total net assets	**428,914**	**409,647**
Total liabilities and net assets	**1,337,995**	**1,432,162**

5. Consolidated Income Statements and Consolidated Comprehensive Income Statements

(Consolidated Income Statements)

	Millions of yen	
	FY2012 At the end of March 31, 2013	FY2013 At the end of March 31, 2014
Net sales	**1,406,220**	**1,566,046**
Cost of sales	1,233,303	1,353,536
Gross profit	**172,917**	**212,510**
Selling, general and administrative expenses	168,627	187,611
Operating income	**4,290**	**24,899**
Non-operating income and expenses		
Non-operating income		
Interest income	256	358
Dividends income	3,445	3,724
Amortization of negative goodwill	681	679
Equity in earnings of affiliates	1,575	786
Foreign exchange Gains	4,102	165
Other	6,752	4,073
Total non-operating income	**16,811**	**9,785**
Non-operating expenses		
Interest expenses	6,779	7,372
Loss on suspension of operations	1,198	869
Other	3,918	3,921
Total non-operating expenses	**11,895**	**12,162**
Ordinary income	**9,206**	**22,522**
Extraordinary income and loss		
Extraordinary income		
Gain on sales of noncurrent assets	425	128
Gain on sales of investment securities	1,251	2,432
Reversal of provision for environmental measures	3,309	-
Insurance income	5,472	4,044
Total extraordinary income	**10,457**	**6,604**
Extraordinary loss		
Loss on disposal of noncurrent assets	4,288	5,851
Loss on sales of noncurrent assets	184	17
Impairment loss	5,582	4,444
Loss on restructuring of subsidiaries and affiliates	4,120	2,167
Loss on valuation of investment securities	794	-
Loss on business withdrawal	143	1,523
Loss on explosion and fire	4,868	-
Contract termination Fees	480	-
Business structure improvement expenses	-	25,662
Total extraordinary loss	**20,459**	**39,664**
Net Income (loss) before income taxes and minority interests	**(796)**	**(10,538)**
Income taxes－current	**6,571**	**10,475**
Income taxes－deffered	**255**	**897**
Total income taxes	**6,826**	**11,372**
Income (loss) before minority interests	**(7,622)**	**(21,910)**
Minority interests in income	**527**	**3,228**
Net income (loss)	**(8,149)**	**(25,138)**

(Consolidated Comprehensive Income Statements)

	Millions of yen	
	FY2012 At the end of March 31, 2013	FY2013 At the end of March 31, 2014
Income before minority interests	**(7,622)**	**(21,910)**
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	4,825	3,907
Deferred gains or losses on hedges	(70)	124
Post retirement liability adjustments for foreign consolidated subsidiaries	-	22
Foreign currency translation adjustment	21,652	21,892
Share of other comprehensive income of associates accounted for using equity method	3,195	6,154
Total other comprehensive income (loss)	**29,602**	**32,099**
Comprehensive income (loss)	**21,980**	**10,189**
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	15,387	5,055
Comprehensive income attributable to minority interests	6,593	5,134

6. Consolidated Statements of Cash Flows

	Millions of yen	
	FY2012 At the end of March 31, 2013	FY2013 At the end of March 31, 2014
Loss before income taxes and minority interests	(796)	(10,538)
Depreciation	42,227	45,617
Amortization of goodwill	1,637	2,526
Impairment loss	5,582	4,444
Increase (decrease) in provision for retirement benefits	(2,582)	-
Increase(decrease) in net defined benefit liability	-	(550)
Decrease (increase) in prepaid pension costs	3,308	-
Decrease (increase) in net defined benefit asset	-	2,900
Increase (decrease) in allowance for doubtful accounts	49	8
Increase (decrease) in provision for repairs	814	740
Increase (decrease) in provision for environmental measures	(4,236)	(1,407)
Increase (decrease) in provision for business structure improvement	-	12,670
Interest and dividend income	(3,700)	(4,082)
Interest expenses	6,779	7,372
Share of (profit) loss of entities accounted for using equity method	(1,575)	(786)
Loss (gain) on sales of investment securities	(1,427)	(2,499)
Loss (gain) on valuation of investment securities	794	6
Loss on retirement of non-current assets	1,561	1,015
Loss (gain) on sales of non-current assets	(241)	(111)
Decrease (increase) in notes and accounts receivable - trade	(16,260)	(7,150)
Decrease (increase) in inventories	(27,976)	(9,003)
Increase (decrease) in notes and accounts payable - trade	14,665	8,052
Other, net	(5,961)	1,148
Subtotal	**12,662**	**50,372**
Interest and dividends income received	7,072	6,580
Interest expenses paid	(6,807)	(7,764)
Income taxes paid	(8,098)	(10,641)
Proceeds from insurance income on explosion and fire	13,683	4,929
Ⅰ Net cash provided by (used in) operating activities	**18,512**	**43,476**
Purchase of property, plant and equipment	(50,050)	(52,096)
Proceeds from sales of property, plant and equipment	2,965	451
Purchase of intangible assets	(2,037)	(1,396)
Purchase of long-term prepaid expenses	(3,378)	(1,006)
Purchase of investment securities	(6,167)	(8,208)
Proceeds from sales and redemption of investment securities	455	12,490
Payments for transfer of business	-	(40,900)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(4,083)	-
Other, net	4,159	884
Ⅱ Net cash provided by (used in) investing activities	**(58,136)**	**(89,781)**

	Millions of yen	
	FY2012 At the end of March 31, 2013	FY2013 At the end of March 31, 2014
Net increase (decrease) in short-term loans payable	6,801	11,631
Increase (decrease) in commercial papers	(3,700)	-
Proceeds from long-term loans payable	76,499	112,317
Repayment of long-term loans payable	(26,580)	(54,022)
Proceeds from issuance of bonds	14,000	15,000
Redemption of bonds	(30,000)	(10,000)
Proceeds from stock issuance to minority shareholders	1,115	1,880
Proceeds from sales of treasury stock	15	8
Purchase of treasury stock	(48)	(102)
Cash dividends paid	(6,011)	(6,009)
Cash dividends paid to minority shareholders	(4,701)	(3,700)
Other, net	(122)	(135)
Ⅲ Net cash provided by (used in) financing activities	**27,268**	**66,868**
Effect of exchange rate change on cash and cash equivalents	2,670	5,735
Ⅴ Net increase (decrease) in cash and cash equivalents	**(9,686)**	**26,298**
Ⅵ Cash and cash equivalents at beginning of period	**54,564**	**44,996**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	118	(84)
Ⅷ Cash and cash equivalents at end of period	**44,996**	**71,210**

7. Segment Information

(1) Overview of Reportable Segments

The reportable segments of Mitsui Chemicals comprise those entities for which obtaining separate financial reports is possible and those are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to said segments.

Mitsui Chemicals positions segments distinguished by their products and services within its headquarters. Each segment proposes comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

The six reportable segments (distinguished by products and services) that therefore comprise Mitsui Chemicals operations are: Functional Chemicals, Functional Polymeric Materials, Polyurethane, Basic Chemicals, Petrochemicals and Films and Sheets.

Segments		Major Products
Reportable Segments	Functional Chemicals	Healthcare materials, hygiene materials, specialty gas, catalysts, chemical products, agrochemical products and dental materials
	Functional Polymeric Materials	Elastomers, performance compounds, specialty polyolefin
	Polyurethane	Polyurethane materials, coating materials, adhesive materials, and molding materials
	Basic Chemicals	Phenols, bisphenol-A, PTA, PET, ethylene oxide
	Petrochemicals	Ethylene, propylene, polyethylene, polypropylene
	Films and Sheets	Packaging films, electronic and optical films, and solar cell sheets
Others	Others	Other related businesses, etc.

(2) Methods to Determine Net Sales, Income or Loss, Assets, and Others by Reportable Business Segment

Profit by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

(3) Information concerning Net Sales, Income or Loss, Assets, and Others by Reportable Business Segment

The previous fiscal year (April 1, 2012 – March 31, 2013) (Millions of yen)

	Reportable Segment							Others (Note 1)	Sum total
	Functional Chemicals	Functional Polymeric Materials	Polyure-thane	Basic Chemicals	Petro chemicals	Films and sheets	Total		
Net sales									
1) To external customers	149,633	134,674	146,150	401,736	468,952	74,794	1,375,939	30,281	1,406,220
2) Internal sales among segments and transfers	5,986	16,321	4,540	28,357	136,314	1,863	193,381	55,681	249,062
Total	155,619	150,995	150,690	430,093	605,266	76,657	1,569,320	85,962	1,655,282
Segment income (loss)	12,448	8,438	(2,643)	(18,916)	7,674	(3,319)	3,682	(573)	3,109
Segment assets	224,411	166,229	126,282	238,599	380,104	87,750	1,223,375	41,552	1,264,927
Other items									
Depreciation and amortization (Note 2)	7,057	7,105	2,751	8,405	8,191	5,666	39,175	3,052	42,227
Amortization of goodwill	1,324	—	—	—	312	—	1,636	1	1,637
Amount invested in equity method affiliate	4,388	18,538	6,164	17,345	2,234	1,219	49,888	1,128	51,016
Capital expenditures (Note 2)	14,613	4,410	4,279	11,750	12,651	5,063	52,766	3,883	56,649

Notes: 1. "Others" category incorporates operations not included in reportable segments.
2. Depreciation and amortization, and capital expenditures include amortization costs and expenditures under long-term prepaid expenses.

The fiscal year under review (April 1, 2013 – March 31, 2014) (Millions of yen)

	Reportable Segment: Functional Chemicals	Functional Polymeric Materials	Polyure-thane	Basic Chemicals	Petro chemicals	Films and sheets	Total	Others (Note 1)	Sum total
Net sales									
1) To external customers	190,384	176,736	163,820	376,219	552,363	79,943	1,539,465	26,581	1,566,046
2) Internal sales among segments and transfers	5,172	18,780	3,413	30,264	160,479	2,609	220,717	59,432	280,149
Total	195,556	195,516	167,233	406,483	712,842	82,552	1,760,182	86,013	1,846,195
Segment income (loss)	14,994	11,901	(5,244)	(17,388)	25,350	877	30,490	(586)	29,904
Segment assets	333,111	166,414	125,390	188,509	410,934	84,166	1,308,524	22,190	1,330,714
Other items									
Depreciation and amortization (Note 2)	9,506	7,182	2,904	8,360	9,119	4,776	41,847	3,427	45, 274
Amortization of goodwill	2,067	—	—	—	459	—	2,526	—	2,526
Amount invested in equity method affiliate	6,066	20,440	8,553	22,811	2,270	1,384	61,524	1,533	63,057
Capital expenditures (Note 2)	71,503	5,796	4,905	6,615	17,271	4,084	110,174	2,319	112,493

Notes: 1. “Others” category incorporates operations not included in reportable segments.
2. Depreciation and amortization, and capital expenditures include amortization costs and expenditures for long-term prepaid expenses.

(4) Reconciliation of Differences between Total Amounts of Reportable Segments and Consolidated Financial Statements (adjustment of difference)

(Millions of yen)

Net Sales	FY 2012	FY 2013
Total reportable segment sales	1,569,320	1,760,182
Net sales classified under “Others”	85,962	86,013
Elimination of intersegment transactions	(249,062)	(280,149)
Net sales recorded in Consolidated Income Statements	1,406,220	1,566,046

(Millions of yen)

Income	FY 2012	FY 2013
Total reportable segment income	3,682	30,490
Income classified under “Others”	(573)	(586)
Elimination of intersegment transactions and etc	2,750	(26)
Corporate expenses (note)	(1,569)	(4,979)
Operating income (loss) recorded in Consolidated Income Statements	4,290	24,899

Note: Corporate expenses mainly comprise general & administrative expenses which are usually not attributed to segments.

(Millions of yen)

Assets	FY 2012	FY 2013
Total reportable segment assets	1,223,375	1,308,524
Assets classified under “Others”	41,552	22,190
Elimination of intersegment transactions	(74,877)	(67,855)
Corporate assets (note)	147,945	169,303
Assets recorded in Consolidated Balance Sheets	1,337,995	1,432,162

Note: Corporate assets are mainly attributed to the Company’s surplus management funds (cash and savings), long-term investment funds (investment securities), deferred tax assets and administrative departments.

(Millions of yen)

Other items	Reportable segments		Others		Adjustments (note)		Amounts from consolidated financial	
	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
Depreciation and amortization	39,175	41,847	3,052	3,427	—	343	42,227	45,617
Amortization of goodwill	1,636	2,526	1	—	—	—	1,637	2,526
Investment in equity method affiliate	49,888	61,524	1,128	1,533	—	—	51,016	63,057
Capital expenditures	52,766	110,174	3,883	2,319	—	707	56,649	113,200

Note: Adjustments incorporate depreciation expenses, amortization expesens and capital expenditures which are related to R&D of new business.

8. Segment Related Information

Information by Region

The previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

a. Net Sales

(Millions of yen)

Japan	China	Asia	America	Europe	Other regions	Total
797,518	164,613	303,369	89,053	36,555	15,112	1,406,220

Notes: 1. Net sales are classified by country and region based on customer location.
2. Major countries and regions located in areas outside of Japan and China are as follows:
(1) Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India
(2) America: The United States, Mexico
(3) Europe: Germany, France
(4) Other regions: Oceania, Africa

b. Tangible Assets

(Millions of yen)

Japan	Asia	Other regions	Total
358,430	79,043	9,164	446,637

Note: Major countries and regions located in areas outside of Japan are as follows:
(1) Asia: China, Taiwan, South Korea, Thailand, Malaysia, Singapore, India
(2) Other regions: North America, Europe

The consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

a. Net Sales

(Millions of yen)

Japan	China	Asia	America	Europe	Other regions	Total
867,958	163,506	299,464	153,984	62,905	18,229	1,566,046

Notes: 1. Net sales are classified by country and region based on customer location.
2. Major countries and regions located in areas outside of Japan and China are as follows:
(1) Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India
(2) America: The United States, Mexico
(3) Europe: Germany, France
(4) Other regions: Oceania, Africa

b. Tangible Assets

(Millions of yen)

Japan	Asia	Other regions	Total
341,187	67,046	17,607	425,840

Note: Major countries and regions located in areas outside of Japan are as follows:
(1) Asia: China, Taiwan, South Korea, Thailand, Malaysia, Singapore, India
(2) Other regions: North America, Europe

Information Concerning Impairment Loss of Fixed Assets by Reportable Segment

The previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

(Millions of yen)

	Functional Chemicals	Functional Polymeric Materials	Polyure-thane	Basic Chemicals	Petro chemicals	Films and sheets	Others	Corporate Expenses	Total
Impairment loss	1,294	293	141	259	650	2,723	–	222	5,582

The consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

(Millions of yen)

	Functional Chemicals	Functional Polymeric Materials	Polyure-thane	Basic Chemicals	Petro chemicals	Films and sheets	Others	Corporate Expenses	Total
Impairment loss	1,557	26	6,835	5,849	1,934	530	148	–	16,879

Information Concerning the Amount of Amortization and Unamortized Balance of Goodwill by Reportable Segn

The previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

(Millions of yen)

	Functional Chemicals	Functional Polymeric Materials	Polyure-thane	Basic Chemicals	Petro chemicals	Films and sheets	Others	Corporate Expenses	Total
Amount of amortization	1,324	–	–	–	312	–	1	–	1,637
Unamortized balance	2,813	–	–	–	1,824	–	–	–	4,637

The consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

(Millions of yen)

	Functional Chemicals	Functional Polymeric Materials	Polyure-thane	Basic Chemicals	Petro chemicals	Films and sheets	Others	Corporate Expenses	Total
Amount of amortization	2,067	–	–	–	459	–	–	–	2,526
Unamortized balance	34,771	–	187	–	–	–	–	–	34,958

Information Concerning the Amount of Amortization and Unamortized Balance of Negative Goodwill by Reportable Segment

The previous consolidated fiscal year (April 1, 2012 – March 31, 2013)

(Millions of yen)

	Functional Chemicals	Functional Polymeric Materials	Polyure-thane	Basic Chemicals	Petro chemicals	Films and sheets	Others	Corporate Expenses	Total
Amount of	88	–	–	–	–	593	–	–	681
Unamortized balance	111	–	–	–	–	591	–	–	702

The consolidated fiscal year under review (April 1, 2013 – March 31, 2014)

(Millions of yen)

	Functional Chemicals	Functional Polymeric Materials	Polyure-thane	Basic Chemicals	Petro chemicals	Films and sheets	Others	Corporate Expenses	Total
Amount of	88	–	–	–	–	591	–	–	679
Unamortized balance	23	–	–	–	–	–	–	–	23

9. Business Combination
（Acquisition of Dental Business from Heraeus Holding GmbH）

① Outline of the acquisition

(1) Seller’s name and acquired business

Seller’s name	Heraeus Holding GmbH
Name of the acquired business	Heraeus Kulzer Dental Business
Business	Production and sales of dental related products (e.g. restoratives)

(2) Purpose

The acquisition of Heraeus Kulzer Dental Business 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 Dental's strong product development capabilities.

(3) Acquisition date

June 30, 2013

(4) Legal form of the acquisition

Cash payment for shares and assets

(5) Form of business organization and company names after the acquisition

MCI established its 100% subsidiaries, MC Dental Holdings International LLP.(Japan) and MC Dental Holdings Europe GmbH (Germany). These 2 companies acquired the dental business.

(6) Acquired voting interest

100%

On Mar. 24, 2014, MCI sold 19.99% of MC Dental Holdings International LLP.’s voting shares to Development Bank of Japan Inc.

② Impact on consolidated business performance

Operating results from Jul. 1, 2013 to Dec. 31, 2013 were consolidated in the current period.

③ Cost of the acquisition (in million yen):

Direct cost	57,902
Related costs	856
Total cost	58,758

④ Goodwill recognition, measurement and amortization

(1) Recognized amount: 30,473 million yen

(2) Measurement principle: the excess of the total cost of the acquisition over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed

(3) Amortization: straight-line over 20 years

⑤ Identifiable assets acquired and the liabilities assumed (in million yen):

Current assets	28,241
Fixed assets	34,920
Total assets	63,161
Current liabilities	16,708
Fixed liabilities	18,168
Total liabilities	34,876

⑥ Purchase price allocation to intangible assets other than goodwill, and their amortization (in million yen):

Type	Amount	Amortization period
Customer lists	7,812	Generally 20 years
Trademarks and trademark rights	9,467	Generally 20 years
Patents and technologies	3,802	Generally 20 years

⑦ Impact on consolidated income statement as if the full-year financial results were consolidated and its measurement

Net sales 20,107 million yen

Measurement: the excess of the full-year net sales as if to be consolidated over the net sales which were consolidated in current period.

The impact on expenses and other revenues is negligible.

The impact amount is unaudited.