

# Summary of Consolidated Financial Results for First Quarter of FY2015

Jul. 31, 2015  
Mitsui Chemicals, Inc.

## 1. Summary of Income Statement

(Unit : Billions of Yen)

	1st Q of FY2014	1st Q of FY2015	Incr. (Decr.)
Net sales	389.2	379.1	(10.1)
Operating income	10.4	22.7	12.3
Ordinary income	8.6	23.3	14.7
Profit attributable to owners of parent	3.4	16.8	13.4
Comprehensive income	4.6	21.2	16.6
Exchange rate	Yen / US\$	102	121
Domestic standard naphtha price	Yen / KL	69,900	49,000

FY2014	Outlook for FY2015 (announced Jul. 31)	
	First Half	Full Year
1,550.1	730.0	1,440.0
42.0	33.0	65.0
44.4	31.0	58.0
17.3	18.0	32.0
66.2		
110	121	120
63,500	47,000	48,500

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

·Net Sales

(Unit : Billions of Yen)

	1st Q of FY2014	1st Q of FY2015	Incr. (Decr.)	Breakdown	
				Volume	Price
Healthcare	34.2	46.5	12.3	11.6	0.7
Functional Polymeric Materials	42.6	46.4	3.8	1.0	2.8
Polyurethane	35.7	38.5	2.8	3.6	(0.8)
Basic Chemicals	85.6	74.8	(10.8)	1.4	(12.2)
Petrochemicals	151.7	131.0	(20.7)	3.5	(24.2)
Food & Packaging	30.7	32.8	2.1	1.7	0.4
Others	8.7	9.1	0.4	0.4	-
Total	389.2	379.1	(10.1)	23.2	(33.3)

FY2014	Outlook for FY2015 (announced Jul. 31)	
	First Half	Full Year
138.2	82.0	156.0
174.5	91.0	178.0
154.8	70.0	123.0
330.8	156.0	302.0
584.4	247.0	506.0
129.2	64.0	135.0
38.2	20.0	40.0
1,550.1	730.0	1,440.0

·Operating Income (Loss)

(Unit : Billions of Yen)

	1st Q of FY2014	1st Q of FY2015	Incr. (Decr.)	Breakdown		
				Volume	Price※	Fixed Costs etc.
Healthcare	2.5	1.9	(0.6)	0.7	0.3	(1.6)
Functional Polymeric Materials	3.9	7.6	3.7	1.0	2.5	0.2
Polyurethane	(2.2)	(1.7)	0.5	-	0.7	(0.2)
Basic Chemicals	(3.1)	1.0	4.1	0.1	2.9	1.1
Petrochemicals	7.5	10.8	3.3	0.7	4.9	(2.3)
Food & Packaging	3.1	4.7	1.6	1.0	1.0	(0.4)
Others	0.1	(0.4)	(0.5)	-	-	(0.5)
Adjustment	(1.4)	(1.2)	0.2	-	-	0.2
Total	10.4	22.7	12.3	3.5	12.3	(3.5)

FY2014	Outlook for FY2015 (announced Jul. 31)	
	First Half	Full Year
9.1	4.5	11.0
18.7	13.5	24.5
(3.5)	(3.0)	(5.0)
(7.9)	0.0	0.0
21.6	15.0	29.5
9.1	7.5	13.0
0.9	-	-
(6.0)	(4.5)	(8.0)
42.0	33.0	65.0

With the aim of accelerating the changes to business portfolio, MCI has undertaken minor reorganization in some of its business segments from FY2015.

The amounts of FY2014 are approximate estimates to compare with FY2015 actuals.

※ Price includes both selling and purchasing price variances.

## 3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	1st Q of FY2014	1st Q of FY2015	Incr. (Decr.)
Gain on sales of non-current assets	0.2	0.3	0.1
Loss on sales and disposal of fixed assets	(0.2)	(0.7)	(0.5)
Impairment loss	(0.2)	-	0.2
Loss on restructuring of subsidiaries and affiliates	-	(0.1)	(0.1)
Others	(0.2)	-	0.2
Total	(0.4)	(0.5)	(0.1)

FY2014	Outlook for FY2015 (announced Jul. 31)	
	First Half	Full Year
2.3	0.3	0.3
(4.5)	(2.2)	(6.2)
(5.3)	-	-
-	(0.1)	(0.1)
(1.1)	-	-
(8.6)	(2.0)	(6.0)

## 4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2015	As of Jun. 30, 2015	Incr. (Decr.)		As of Mar. 31, 2015	As of Jun. 30, 2015	Incr. (Decr.)
Current assets	731.7	717.2	(14.5)	Interest-bearing liabilities	548.7	534.8	(13.9)
Tangible fixed assets	433.6	431.2	(2.4)	Other liabilities	391.8	372.6	(19.2)
Intangible fixed assets	72.8	68.0	(4.8)	Shareholders' equity	406.2	422.6	16.4
Investments and others	173.7	178.5	4.8	Non-controlling interests	65.1	64.9	(0.2)
Total assets	1,411.8	1,394.9	(16.9)	Total liabilities and net assets	1,411.8	1,394.9	(16.9)
[ Inventory ]	291.3	280.0	(11.3)	[ Net D/E Ratio ]	1.22	1.13	(0.09)

## 5. Summary of Cash Flow

(Unit : Billions of Yen)

	1st Q of FY2014	1st Q of FY2015	Incr. (Decr.)	FY2014	Outlook for FY2015 (announced Jul. 31)	
					First Half	Full Year
Cash flows from operating activities	12.0	35.5	23.5	58.3	50.0	87.0
Cash flows from investing activities	(7.5)	(12.1)	(4.6)	(35.0)	(30.0)	(53.0)
Free cash flows	4.5	23.4	18.9	23.3	20.0	34.0
Cash flows from financing activities	(21.8)	(18.8)	3.0	(46.6)	(21.0)	(29.0)
Others	(0.4)	-	0.4	2.7	-	-
Net incr.(decr.) in cash and cash equivalents	(17.7)	4.6	22.3	(20.6)	(1.0)	5.0
Cash and cash equivalents at the end of period	53.5	55.2	1.7	50.6		

## 6. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim	3rd Q	End of Term	Annual Dividends
FY2014 Result	-	2.00	-	3.00	5.00
FY2015 Outlook	-	3.00	-	3.00	6.00

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

	FY2014	1st Q of FY2015
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	21,154,633	21,220,559
Average number of shares	1,001,205,692 *	1,000,821,370

\*1st Q of FY2014

## 8. Topics

- Construction of high-performance polyurethane plant began at Omuta Works (April 2015)  
(Production facility for new aliphatic isocyanates FORTIMO™, and STABIO™, 2,000t/annum, commercial operation in August 2016 (tentative))

## 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, 2015 to June 30, 2015, hereinafter the “first quarter”), while economic conditions improved in the United States and minor improvement was seen in Europe, economic growth slowed in China and emerging markets.

In Japan, the economy continued to gradually improve amid improvements in corporate earnings and a return of consumer confidence as well as a recovery in housing construction.

Under these conditions, the Mitsui Chemicals Group (hereinafter “the Group”) reported the following operating results for the first quarter.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
The first quarter	379.1	22.7	23.3	16.8
Same period of previous year	389.2	10.4	8.6	3.4
Change	(10.1)	12.3	14.7	13.4
Change (%)	(2.6)	118.1	171.0	397.0

**Net Sales** decreased 10.1 billion yen, or 2.6%, compared with the corresponding period of the previous fiscal year to 379.1 billion yen. This was mainly attributable to 23.2 billion yen increase in sales volume and 33.3 billion yen decrease in sales prices. Sales volume increased due to the impact of 6-month results of Healthcare business’s unification of accounting periods. In the factor of Sales prices were lowered because of the fall in naphtha, other raw materials and fuel prices.

**Operating income** was 22.7 billion yen, an increase of 12.3 billion yen or 118.1% year on year. This result was due to increased sales volume and improvement in terms of trade with lowered raw materials prices.

**Ordinary income** was 23.3 billion yen, increased 14.7 billion yen or 171.0% year on year. This result reflected an increase in operating income, and an increase of 2.3 billion yen in non-operating income due to an improvement in exchange gain and loss.

**Extraordinary income and loss** was a loss of 0.5 billion yen because loss on disposal of fixed assets was increased year on year.

As a result of the aforementioned factors, **income before income taxes** amounted to an income of 22.7 billion yen, an improvement of 14.5 billion yen, or 177.9% year on year.

**Profit attributable to owners of parent** was 16.8 billion yen, increased 13.4 billion yen, compared with the corresponding period of the previous fiscal year. Earnings per share for the period was 16.80 yen.

#### (Results by Business Segment)

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

With the aim of accelerating the business strategies outlined in the fiscal 2014 Mid-Term Business Plan, specifically the new business and new product creation strategy and the business support strategy, the Company undertook minor reorganization in some of its

business segments on April 1, 2015. Specifically, the fine & performance chemicals business and the license business have been moved from the Functional Chemicals segment to the Basic Chemicals segment and the Petrochemicals segment, respectively. The healthcare materials, non-woven fabric, and dental materials businesses were reorganized into the Healthcare segment. In addition, the Film and Sheet segment and the agrochemical business of the Functional Chemicals segment were merged to form the new Food and Packaging segment.

Figures for the same period of the previous fiscal year have been adjusted to reflect the new segments.

### Healthcare

Net sales increased 12.3 billion yen year on year to 46.5 billion yen and comprised 12% of total sales. On the other hand, operating income fell 0.6 billion yen compared with the same period of the previous fiscal year to 1.9 billion yen mainly due to increased fixed costs despite expanded sales.

Sales of **healthcare materials**, for example ophthalmic lens materials, and **non-woven fabric**, are expanded due mainly to rising demand overseas.

Amortization of goodwill and other fixed expenses increased for **dental materials** impacted by 6-month results of unification of accounting periods.

### Functional Polymeric Materials

Net sales increased 3.8 billion yen compared with the same period of the previous fiscal year to 46.4 billion yen and comprised 12% of total sales. Operating income grew 3.7 billion yen to 7.6 billion yen year on year. The growth in income was due to the effect of a weaker yen and the Group's prompt response to increased market demand.

Profits increased for **elastomers**, which are primarily used in automotive components and as resin modifiers, mainly from expanding global demand and the effect of a weaker yen.

Profits also increased for **performance compounds** thanks to the effect of a weaker yen and firm demand for automotive applications, primarily in North America and Asia.

Profits from **functional polymers** were boosted by the effect of a weaker yen and quick response to demand for IT-related products.

### Polyurethane

Net sales rose 2.8 billion yen compared with the same period of the previous year to 38.5 billion yen and comprised 10% of total sales. Operating loss improved 0.5 billion yen year on year to 1.7 billion yen. Overseas markets for polyurethane materials declined but benefited from the effect of a weaker yen, lower raw material prices, and other factors.

In **coating materials**, profit expanded due mainly to increased overseas demand and favorable trading terms. At the same time, harsh conditions and weak demand continued for **polyurethane materials**, which are used mainly in furniture manufacturing.

### Basic Chemicals

Net sales decreased 10.8 billion yen compared with the same period of the previous fiscal year to 74.8 billion yen and accounted for 20% of total sales. On the other hand, operating loss experienced a turnaround of 4.1 billion yen year on year, to an operating income of 1.0 billion yen. This was mainly attributable to business structure improvement.

Market conditions continued to be difficult for **phenols**. Although the business environment improved in comparison with the same period of the previous fiscal year, conditions continued to be unfavorable as a result of delays in competitor plant start-ups.

Conditions for **PTA** remained severe mainly due to market stagnation in China.

### **Petrochemicals**

Net sales decreased 20.7 billion yen compared with the same period of the previous fiscal year to 131.0 billion yen. This comprised 35% of total sales. On the other hand, operating income increased 3.3 billion yen year on year to 10.8 billion yen primarily due to favorable trading terms.

Naphtha cracker operating rates grew compared with the same period of the previous fiscal year. Profits expanded for overseas businesses mainly due to the increased production of automobiles in North and Central America.

### **Food and Packaging**

Net sales grew 2.1 billion yen compared with the same period of the previous fiscal year to 32.8 billion yen and comprised 9% of total sales. Operating income increased 1.6 billion yen to 4.7 billion yen year on year due to increased sales and favorable trading terms.

In **performance films and sheets**, profits rose due mainly to increased demand related to high-value-added products, especially smartphones, efforts to expand sales by introducing new products, and the effect of a weaker yen.

In **agrochemicals**, sales increased compared with the same period of the previous fiscal year, which was impacted by the hike of consumption tax. Profits expanded due primarily to a weaker yen.

### **Others**

Net sales increased 0.4 billion yen to 9.1 billion yen, comprised 2% of total sales. Operating loss was 0.4 billion yen, a worse of 0.5 billion yen year on year.

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

**Total assets** at the end of the first quarter stood at 1,394.9 billion yen, a decrease of 16.9 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the first quarter decreased 33.1 billion yen compared with the previous fiscal year-end to 907.4 billion yen. **Interest-bearing debt** amounted to 534.8 billion yen, a fall of 13.9 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 38.3%, a decrease of 0.6 percentage points.

**Net assets** totaled 487.5 billion yen, an increase of 16.2 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 30.3%, up 1.5 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 1.13 at the end of the first quarter, down 0.09 point from the previous fiscal year-end.

## **(3) Qualitative Information Concerning Consolidated Results Forecasts (Revision of Financial Results Forecasts for Fiscal 2015 and Reasons for the Difference)**

Revisions on financial forecasts for the first half of FY 2015, which were announced on July 22, 2015, under the title of *Notice on Revision of Consolidated Financial Outlook*, are as follows.

Outlook above are based on the following assumptions:

- a) Exchange rate for the first half is 121 yen/US\$
- b) Average price of domestic naphtha is 47,000 yen /kl

Regarding financial forecasts for the full year, the Petrochemicals segment's profit is expected to grow from continuing high operating rates of naphtha crackers throughout the year, in addition to expanding PP compound business mainly in North and Central America.

Although the business environment of the second half prospects uncertain, operating income, ordinary income and net income attributable to owners of parent of the full year are expected to be higher than the previous forecast.

Outlook for the full year are based on the following assumptions:

- a) Exchange rate for the full year is 120 yen/US\$
- b) Average price of domestic naphtha is 48,500 yen /kl

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
First half	730.0	33.0	31.0	18.0
Full year	1,440.0	65.0	58.0	32.0

#### (Revision by Business Segment)

Outlook by FY2015 business segment are as follows.

(Billions of Yen)

	Net Sales								
	Healthcare	Functional Polymeric Materials	Poly urethane	Basic Chemicals	Petro chemicals	Food & Packaging	Others	Adjustment	Total
First half	82.0	91.0	70.0	156.0	247.0	64.0	20.0	—	730.0
Full year	156.0	178.0	123.0	302.0	506.0	135.0	40.0	—	1,440.0

(Billions of Yen)

	Operating Income (Loss)								
	Healthcare	Functional Polymeric Materials	Poly urethane	Basic Chemicals	Petro chemicals	Food & Packaging	Others	Adjustment	Total
First half	4.5	13.5	(3.0)	0.0	15.0	7.5	—	(4.5)	33.0
Full year	11.0	24.5	(5.0)	0.0	29.5	13.0	—	(8.0)	65.0