

# Summary of Consolidated Financial Results for Third Quarter of FY2015

Feb. 2, 2016  
Mitsui Chemicals, Inc.

## 1. Summary of Income Statement

(Unit : Billions of Yen)

	3rd Q of FY2014	3rd Q of FY2015	Incr. (Decr.)	
Net sales	1,165.2	1,031.8	(133.4)	
Operating income	32.7	56.4	23.7	
Ordinary income	36.6	52.7	16.1	
Profit attributable to owners of parent	19.0	33.6	14.6	
Comprehensive income	52.1	28.5	(23.6)	
Exchange rate	Yen / US\$	107	122	15
Domestic standard naphtha price	Yen / KL	68,900	45,600	(23,300)

FY2014	Outlook for FY2015 (announced Feb. 2)	
	FY2015	Incr. (Decr.)
1,550.1	1,355.0	(195.1)
42.0	70.0	28.0
44.4	60.0	15.6
17.3	35.0	17.7
66.2		
110	121	11
63,500	44,200	(19,300)

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

·Net Sales

(Unit : Billions of Yen)

	3rd Q of FY2014	3rd Q of FY2015	Incr. (Decr.)	Breakdown	
				Volume	Price
Healthcare	102.4	117.7	15.3	16.1	(0.8)
Functional Polymeric Materials	128.4	127.0	(1.4)	(3.0)	1.6
Polyurethane	116.3	88.4	(27.9)	(21.6)	(6.3)
Basic Chemicals	254.6	200.4	(54.2)	(2.0)	(52.2)
Petrochemicals	442.9	374.4	(68.5)	14.4	(82.9)
Food & Packaging	93.5	95.9	2.4	3.5	(1.1)
Others	27.1	28.0	0.9	0.9	-
Total	1,165.2	1,031.8	(133.4)	8.3	(141.7)

FY2014	Outlook for FY2015 (announced Feb. 2)	
	FY2015	Incr. (Decr.)
138.2	155.0	16.8
174.5	180.0	5.5
154.8	110.0	(44.8)
330.8	250.0	(80.8)
584.4	490.0	(94.4)
129.2	130.0	0.8
38.2	40.0	1.8
1,550.1	1,355.0	(195.1)

·Operating Income (Loss)

(Unit : Billions of Yen)

	3rd Q of FY2014	3rd Q of FY2015	Incr. (Decr.)	Breakdown		
				Volume	Price※	Fixed Costs etc.
Healthcare	6.0	7.7	1.7	2.1	0.9	(1.3)
Functional Polymeric Materials	11.7	20.5	8.8	0.5	8.2	0.1
Polyurethane	(2.8)	(5.8)	(3.0)	(0.4)	(2.6)	0.0
Basic Chemicals	(6.1)	(0.9)	5.2	0.4	3.5	1.3
Petrochemicals	19.5	29.3	9.8	2.0	7.6	0.2
Food & Packaging	7.6	10.8	3.2	1.8	1.9	(0.5)
Others	0.9	(0.3)	(1.2)	-	-	(1.2)
Adjustment	(4.1)	(4.9)	(0.8)	-	-	(0.8)
Total	32.7	56.4	23.7	6.4	19.5	(2.2)

FY2014	Outlook for FY2015 (announced Feb. 2)	
	FY2015	Incr. (Decr.)
9.1	11.0	1.9
18.7	26.0	7.3
(3.5)	(8.0)	(4.5)
(7.9)	(2.0)	5.9
21.6	38.0	16.4
9.1	13.0	3.9
0.9	(0.5)	(1.4)
(6.0)	(7.5)	(1.5)
42.0	70.0	28.0

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 Income and Losses

(Unit : Billions of Yen)

	3rd Q of FY2014	3rd Q of FY2015	Incr. (Decr.)
Gain on sales of fixed assets	1.9	3.9	2.0
Gain on transfer of business	-	3.7	3.7
Loss on sales and disposal of fixed assets	(2.4)	(3.4)	(1.0)
Impairment loss	(1.8)	(4.1)	(2.3)
Loss on business of subsidiaries and affiliates	-	(0.9)	(0.9)
Others	(1.1)	-	1.1
Total	(3.4)	(0.8)	2.6

FY2014	Outlook for FY2015 (announced Feb. 2)	
	FY2015	Incr. (Decr.)
2.3	3.9	1.6
-	3.7	3.7
(4.5)	(6.6)	(2.1)
(5.3)	(4.1)	1.2
-	(0.9)	(0.9)
(1.1)	-	1.1
(8.6)	(4.0)	4.6

#### 4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net Assets		
	As of Mar. 31, 2015	As of Dec. 31, 2015	Incr. (Decr.)		As of Mar. 31, 2015	As of Dec. 31, 2015	Incr. (Decr.)
Current assets	731.7	662.5	(69.2)	Interest-bearing liabilities	548.7	493.4	(55.3)
Tangible fixed assets	433.6	417.4	(16.2)	Other liabilities	391.8	361.1	(30.7)
Intangible fixed assets	72.8	61.8	(11.0)	Shareholders' equity	406.2	422.4	16.2
Investments and others	173.7	199.0	25.3	Non-controlling interests	65.1	63.8	(1.3)
<b>Total assets</b>	<b>1,411.8</b>	<b>1,340.7</b>	<b>(71.1)</b>	<b>Total liabilities and net assets</b>	<b>1,411.8</b>	<b>1,340.7</b>	<b>(71.1)</b>
[ Inventories ]	291.3	258.4	(32.9)	[ Net D/E Ratio ]	1.22	1.00	(0.22)

#### 5. Summary of Cash Flows

(Unit : Billions of Yen)

	3rd Q of FY2014	3rd Q of FY2015	Incr. (Decr.)	FY2014	Outlook for FY2015 (announced Feb. 2)	
					FY2015	Incr. (Decr.)
Cash flows from operating activities	27.5	107.9	80.4	58.3	140.0	81.7
Cash flows from investing activities	(25.6)	(28.7)	(3.1)	(35.0)	(50.0)	(15.0)
<i>Free cash flows</i>	1.9	79.2	77.3	23.3	90.0	66.7
Cash flows from financing activities	(27.5)	(60.1)	(32.6)	(46.6)	(80.0)	(33.4)
Others	2.1	(1.1)	(3.2)	2.7	-	(2.7)
Net incr.(decr.) in cash and cash equivalents	(23.5)	18.0	41.5	(20.6)	10.0	30.6
Cash and cash equivalents at the end of period	47.7	68.6	20.9	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	-	4.00	-	4.00	8.00

#### 7. Number of Shares Outstanding (Common Stock)

	FY2014	3rd 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	21,447,231
Average number of shares	1,001,142,152 *	1,000,747,068

\*3rd 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))
- Mitsui Chemicals & SKC Polyurethanes Inc. commences operations (July 2015)
- Construction starts at breathable film facility in Thailand (November 2015)  
(4,200tons/annum, commercial operations in January 2017 (tentative))
- Whole You™ launches Whole You Nexteeth™, its first denture product, and a new oral device for obstructive sleep apnea and snoring (November 2015)
- Mitsui Chemicals participates in subsidiary of Taiwan's Sentronic International Corp. (December 2015)  
(Bolstering business development of metal resin integrally molded POLYMETAC™)

## 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, 2015, to December 31, 2015, hereinafter the “third quarter”), the economy of the United States continued to improve, backed by robust personal consumption and a steady housing market, while European economies, particularly those of the United Kingdom and Germany, saw modest but constant recovery. However, economic growth continued to slow in China and other emerging markets.

In Japan, the economy continued to gradually improve amid a rise in corporate earnings and an improvement in the employment environment.

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

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
The third quarter	1,031.8	56.4	52.7	33.6
The third quarter of previous year	1,165.2	32.7	36.6	19.0
Change	(133.4)	23.7	16.1	14.6
Change (%)	(11.4)	72.6	44.0	76.6

**Net Sales** decreased 133.4 billion yen, or 11.4%, compared with the corresponding period of the previous fiscal year to 1,031.8 billion yen. This was mainly attributable to 8.3 billion yen increase in sales volume and 141.7 billion yen decrease in sales prices. Sales volume increased due to the impact of 12-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 56.4 billion yen, an increase of 23.7 billion yen or 72.6% year on year. This result was due to increased sales volume and improvement in terms of trade as the effect of improved price margin and a weaker yen.

**Ordinary income** was 52.7 billion yen increased 16.1 billion yen or 44.0% year on year. This result reflected mainly an increase in operating income in spite of foreign exchange loss.

**Extraordinary income and loss** was a loss of 0.8 billion yen because of loss on disposal of fixed assets although gain on sales of fixed assets and gain on transfer of business were booked as extraordinary income.

As a result of the aforementioned factors, **income before income taxes** amounted to an income of 51.9 billion yen, an improvement of 18.7 billion yen, or 56.1% year on year.

**Profit attributable to owners of parent** was 33.6 billion yen, increased 14.6 billion yen, compared with the corresponding period of the previous fiscal year. Earnings per share for the period was 33.59 yen.

## (Results by Business Segment)

The status of each segment during the third 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 15.3 billion yen year on year to 117.7 billion yen and comprised 11% of total sales. Operating income increased 1.7 billion yen compared with the same period of the previous fiscal year to 7.7 billion yen mainly due to expanded sales despite increased fixed costs.

Sales of **healthcare materials**, such as ophthalmic lens materials, and **non-woven fabrics**, are expanded due mainly to rising overseas demand.

Amortization of goodwill and other fixed expenses increased for **dental materials** impacted by 12-month results of unification of accounting periods.

### Functional Polymeric Materials

Net sales decreased 1.4 billion yen compared with the same period of the previous fiscal year to 127.0 billion yen and comprised 12% of total sales. Operating income grew 8.8 billion yen to 20.5 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 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 fell 27.9 billion yen compared with the same period of the previous year to 88.4 billion yen and comprised 9% of total sales. Operating loss increased 3.0 billion yen year on year to 5.8 billion yen, reflecting a decline in overseas markets for polyurethane materials.

In **coating materials**, profit expanded due mainly to increased overseas demand and improved trading terms.

The Company transferred its **polyurethane materials** business to Mitsui Chemicals & SKC Polyurethanes Inc., established in July 2015. Conditions remained harsh in this business as income from contracted manufacturing worsened due to stagnant overseas market

conditions.

### Basic Chemicals

Net sales decreased 54.2 billion yen compared with the same period of the previous fiscal year to 200.4 billion yen and accounted for 20% of total sales. On the other hand, operating loss improved 5.2 billion yen year on year, to 0.9 billion yen. This was mainly attributable to the effect of business structure improvement.

Market conditions continued to be difficult for **phenols**. Although the market environment improved in comparison with the same period of the previous fiscal year, conditions continued to be unfavorable as a result of plant start-ups by competitors and slowdown of China's economy.

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

### Petrochemicals

Net sales decreased 68.5 billion yen compared with the same period of the previous fiscal year to 374.4 billion yen. This comprised 36% of total sales. On the other hand, operating income increased 9.8 billion yen year on year to 29.3 billion yen, primarily due to firm demand in domestic market and favorable foreign exchange rate.

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

### Food and Packaging

Net sales grew 2.4 billion yen compared with the same period of the previous fiscal year to 95.9 billion yen and comprised 9% of total sales. Operating income increased 3.2 billion yen to 10.8 billion yen year on year due to increased sales and favorable trading terms.

In **performance films and sheets**, profits rose due mainly to satisfactory sales performance in packaging materials and increased demand related to high value-added products, especially smartphones, expanded sales by 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 of overseas business expanded due primarily to a weaker yen.

### Others

Net sales increased 0.9 billion yen to 28.0 billion yen, comprised 3% of total sales. Operating loss was 0.3 billion yen, a worsening of 1.2 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 third quarter stood at 1,340.7 billion yen, a decrease of 71.1 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the third quarter decreased 86.0 billion yen compared with the previous fiscal year-end to 854.5 billion yen. **Interest-bearing debt** amounted to 493.4 billion yen, a fall of 55.3 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 36.8%, a decrease of 2.1 percentage points.

**Net assets** totaled 486.2 billion yen, an increase of 14.9 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 31.5%, up

2.7 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 1.00 at the end of the third quarter, down 0.22 point from the previous fiscal year-end.

### (3) Qualitative Information Concerning Consolidated Results Forecasts (Financial Results Forecasts for Fiscal 2015)

Financial forecast is based on the following assumptions:

- a) Exchange rate for the fiscal year is 121 yen/US\$ (Jan – Mar: 120 yen/US\$)
- b) Average price of domestic naphtha for the fiscal year is 44,300 yen/kl (Jan – Mar: 40,000 yen/kl)

Financial forecast for Fiscal 2015 announced previously is not revised. However, outlook by business segment are revised.

#### (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
Previous forecast	155.0	175.0	116.0	259.0	480.0	130.0	40.0	—	1,355.0
Revised forecast	155.0	180.0	110.0	250.0	490.0	130.0	40.0	—	1,355.0
Difference	—	5.0	(6.0)	(9.0)	10.0	—	—	—	—

(Billions of Yen)

	Operating Income (Loss)								
	Healthcare	Functional Polymeric Materials	Poly urethane	Basic Chemicals	Petro chemicals	Food & Packaging	Others	Adjustment	Total
Previous forecast	11.0	24.5	(7.0)	1.0	35.5	13.0	(0.5)	(7.5)	70.0
Revised forecast	11.0	26.0	(8.0)	(2.0)	38.0	13.0	(0.5)	(7.5)	70.0
Difference	—	1.5	(1.0)	(3.0)	2.5	—	—	—	—