

# Summary of Consolidated Financial Results for Second Quarter of FY2015

Oct. 30, 2015  
Mitsui Chemicals, Inc.

## 1. Summary of Income Statement

(Unit : Billions of Yen)

	2nd Q of FY2014	2nd Q of FY2015	Incr. (Decr.)
Net sales	776.0	708.6	(67.4)
Operating income	18.6	41.4	22.8
Ordinary income	19.4	41.2	21.8
Profit attributable to owners of parent	7.4	28.5	21.1
Comprehensive income	21.3	23.2	1.9

FY2014	Outlook for FY2015 (announced Oct. 30)	
	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		

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

### ·Net Sales

(Unit : Billions of Yen)

	2nd Q of FY2014	2nd Q of FY2015	Incr. (Decr.)	Breakdown	
				Volume	Price
Healthcare	68.4	82.1	13.7	14.4	(0.7)
Functional Polymeric Materials	85.7	86.5	0.8	(1.6)	2.4
Polyurethane	75.0	63.2	(11.8)	(10.4)	(1.4)
Basic Chemicals	174.4	141.4	(33.0)	(2.3)	(30.7)
Petrochemicals	294.0	252.7	(41.3)	8.2	(49.5)
Food & Packaging	61.4	63.9	2.5	2.6	(0.1)
Others	17.1	18.8	1.7	1.7	-
Total	776.0	708.6	(67.4)	12.6	(80.0)

FY2014	Outlook for FY2015 (announced Oct. 30)	
	FY2015	Incr. (Decr.)
138.2	155.0	16.8
174.5	175.0	0.5
154.8	116.0	(38.8)
330.8	259.0	(71.8)
584.4	480.0	(104.4)
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)

	2nd Q of FY2014	2nd Q of FY2015	Incr. (Decr.)	Breakdown		
				Volume	Price*	Fixed Costs etc.
Healthcare	4.5	4.6	0.1	1.4	0.6	(1.9)
Functional Polymeric Materials	7.1	13.9	6.8	0.8	5.7	0.3
Polyurethane	(3.5)	(3.3)	0.2	0.0	(0.8)	1.0
Basic Chemicals	(4.9)	1.0	5.9	0.4	3.5	2.0
Petrochemicals	12.5	20.4	7.9	1.2	7.7	(1.0)
Food & Packaging	5.3	7.8	2.5	1.4	1.4	(0.3)
Others	0.4	(0.1)	(0.5)	-	-	(0.5)
Adjustment	(2.8)	(2.9)	(0.1)	-	-	(0.1)
Total	18.6	41.4	22.8	5.2	18.1	(0.5)

FY2014	Outlook for FY2015 (announced Oct. 30)	
	FY2015	Incr. (Decr.)
9.1	11.0	1.9
18.7	24.5	5.8
(3.5)	(7.0)	(3.5)
(7.9)	1.0	8.9
21.6	35.5	13.9
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)

	2nd Q of FY2014	2nd Q of FY2015	Incr. (Decr.)
Gain on sales of fixed assets	0.2	1.2	1.0
Gain on transfer of business	-	3.7	3.7
Loss on sales and disposal of fixed assets	(1.5)	(2.1)	(0.6)
Impairment loss	(1.8)	(2.7)	(0.9)
Loss on business of subsidiaries and affiliates	-	(0.2)	(0.2)
Others	(0.2)	-	0.2
Total	(3.3)	(0.1)	3.2

FY2014	Outlook for FY2015 (announced Oct. 30)	
	FY2015	Incr. (Decr.)
2.3	1.2	(1.1)
-	3.7	3.7
(4.5)	(6.0)	(1.5)
(5.3)	(2.7)	2.6
-	(0.2)	(0.2)
(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 Sept. 30, 2015	Incr. (Decr.)		As of Mar. 31, 2015	As of Sept. 30, 2015	Incr. (Decr.)
Current assets	731.7	660.1	(71.6)	Interest-bearing liabilities	548.7	491.6	(57.1)
Tangible fixed assets	433.6	421.2	(12.4)	Other liabilities	391.8	368.8	(23.0)
Intangible fixed assets	72.8	64.3	(8.5)	Shareholders' equity	406.2	423.6	17.4
Investments and others	173.7	199.9	26.2	Non-controlling interests	65.1	61.5	(3.6)
Total assets	1,411.8	1,345.5	(66.3)	Total liabilities and net assets	1,411.8	1,345.5	(66.3)
[ Inventory ]	291.3	263.9	(27.4)	[ Net D/E Ratio ]	1.22	1.00	(0.22)

#### 5. Summary of Cash Flows

(Unit : Billions of Yen)

	2nd Q of FY2014	2nd Q of FY2015	Incr. (Decr.)	FY2014	Outlook for FY2015 (announced Oct. 30)	
					FY2015	Incr. (Decr.)
Cash flows from operating activities	15.1	86.7	71.6	58.3	140.0	81.7
Cash flows from investing activities	(16.8)	(12.7)	4.1	(35.0)	(50.0)	(15.0)
Free cash flows	(1.7)	74.0	75.7	23.3	90.0	66.7
Cash flows from financing activities	(11.7)	(58.5)	(46.8)	(46.6)	(80.0)	(33.4)
Others	0.5	(0.7)	(1.2)	2.7	-	(2.7)
Net incr.(decr.) in cash and cash equivalents	(12.9)	14.8	27.7	(20.6)	10.0	30.6
Cash and cash equivalents at the end of period	58.3	65.4	7.1	50.6		

#### 6. Accounting Fundamentals

		2nd Q of FY2014	2nd Q of FY2015	Incr. (Decr.)	FY2014	Outlook for FY2015 (announced Oct. 30)	
						FY2015	Incr. (Decr.)
R & D expenses	¥ Billions	15.8	15.7	(0.1)	32.5	33.0	0.5
Depreciation & amortization	¥ Billions	23.7	25.3	1.6	48.2	53.0	4.8
Capital expenditures	¥ Billions	19.1	21.1	2.0	47.5	53.0	5.5
( Excluding business combination )	¥ Billions	16.0	21.1	5.1	43.1	53.0	9.9
Financing incomes & expenses	¥ Billions	(1.6)	(2.5)	(0.9)	(2.3)	(5.0)	(2.7)
Interest-bearing liabilities	¥ Billions	576.2	491.6	(84.6)	548.7	475.0	(73.7)
Net D/E Ratio		1.39	1.00	(0.39)	1.22	0.98	(0.24)
Number of employees	person	14,345	13,626	(719)	14,363	13,500	(863)
Exchange rate	Yen / US\$	103	122	19	110	121	11
Domestic standard naphtha price	Yen / KL	70,400	48,100	(22,300)	63,500	44,100	(19,400)
Number of group companies	company	138	132	(6)	137	131	(6)

#### 7. 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

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

	FY2014	2nd 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	21,278,490
Average number of shares	1,001,180,875 *	1,000,787,101

\*2nd Q of FY2014

#### 9. 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)
- Commercial operations at world's first large scale XDI plant at Omuta Works in Japan (5,000t/annum) (November 2015)
- Commercial operations at new Evolve™ plant in Singapore (300,000 t/annum) (2nd half of FY2015)
- New bio-polyol facilities in India (8,000tons/annum) (2nd half of FY2015)

## Qualitative Information Concerning Quarterly Consolidated Results

### (1) Qualitative Information Concerning Consolidated Operating Results (Overview)

In the fiscal period under review (the six-month period from April 1, 2015, to September 30, 2015, hereinafter the “first half”), the economy of the United States continued to improve, backed by rising personal consumption and a steady housing market, while economic conditions in Europe showed signs of gradual recovery, particularly in the United Kingdom and Germany. However, economic growth continued to slow in China and other emerging markets.

In Japan, the economy continued to gradually improve amid rising corporate earnings and a pickup in housing construction.

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

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
The first half	708.6	41.4	41.2	28.5
The first half of previous year	776.0	18.6	19.4	7.4
Change	(67.4)	22.8	21.8	21.1
Change (%)	(8.7)	122.9	112.0	286.5

**Net Sales** decreased 67.4 billion yen, or 8.7%, compared with the corresponding period of the previous fiscal year to 708.6 billion yen. This was mainly attributable to 12.6 billion yen increase in sales volume and 80.0 billion yen decrease in sales prices. Sales volume increased due to the impact of nine-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 41.4 billion yen, an increase of 22.8 billion yen or 122.9% 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 41.2 billion yen increased 21.8 billion yen or 112.0% year on year. This result reflected mainly an increase in operating income, and an increase in share of profit of entities accounted for using equity method.

**Extraordinary income and loss** was a loss of 0.1 billion yen because loss on disposal of fixed assets was increased although gain on transfer of business and gain on sales of fixed assets were booked as extraordinary income.

As a result of the aforementioned factors, **income before income taxes** amounted to an income of 41.1 billion yen, an improvement of 25.0 billion yen, or 154.7% year on year.

**Profit attributable to owners of parent** was 28.5 billion yen, increased 21.1 billion yen, compared with the corresponding period of the previous fiscal year. Earnings per share for the period was 28.44 yen.

#### (Results by Business Segment)

The status of each segment during the first half 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 13.7 billion yen year on year to 82.1 billion yen and comprised 11% of total sales. Operating income increased 0.1 billion yen compared with the same period of the previous fiscal year to 4.6 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 nine-month results of unification of accounting periods.

### Functional Polymeric Materials

Net sales increased 0.8 billion yen compared with the same period of the previous fiscal year to 86.5 billion yen and comprised 12% of total sales. Operating income grew 6.8 billion yen to 13.9 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 fell 11.8 billion yen compared with the same period of the previous year to 63.2 billion yen and comprised 9% of total sales. On the other hand, operating loss improved 0.2 billion yen year on year to 3.3 billion yen, reflecting the effect of a weak yen and lower raw material prices, despite 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 33.0 billion yen compared with the same period of the previous fiscal

year to 141.4 billion yen and accounted for 20% of total sales. On the other hand, operating loss experienced a turnaround of 5.9 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 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.

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

### Petrochemicals

Net sales decreased 41.3 billion yen compared with the same period of the previous fiscal year to 252.7 billion yen. This comprised 36% of total sales. On the other hand, operating income increased 7.9 billion yen year on year to 20.4 billion yen, primarily due to sustained favorable trading terms amid stable crude oil prices.

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 2.5 billion yen compared with the same period of the previous fiscal year to 63.9 billion yen and comprised 9% of total sales. Operating income increased 2.5 billion yen to 7.8 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, 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 1.7 billion yen to 18.8 billion yen, comprised 3% of total sales. Operating loss was 0.1 billion yen, a worsening 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 half stood at 1,345.5 billion yen, a decrease of 66.3 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the first half decreased 80.1 billion yen compared with the previous fiscal year-end to 860.4 billion yen. **Interest-bearing debt** amounted to 491.6 billion yen, a fall of 57.1 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 36.5%, a decrease of 2.4 percentage points.

**Net assets** totaled 485.1 billion yen, an increase of 13.8 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 first half, down 0.22 point from the previous fiscal year-end.

## Cash Flow Status

Cash and cash equivalents (hereafter called “cash”) increased 14.8 billion yen to 65.4 billion yen as of the end of the first half compared with the previous fiscal year-end.

### Cash Flows from Operating Activities

Net cash provided by operating activities increased 71.6 billion yen to 86.7 billion yen. This was due to an increase of income before income taxes and improved working capital, which mainly consists of decreased account receivables and inventories.

### Cash Flows from Investing Activities

Net cash used in investing activities decreased 4.1 billion yen to 12.7 billion yen compared with the same period of the previous fiscal year. This mainly attributed to proceeds from transfer of polyurethane materials business.

### Cash Flows from Financing Activities

Net cash used in financing activities increased 46.8 billion yen to 58.5 billion yen compared with the same period of the previous fiscal year. This was primarily due to the repayment of interest-bearing debt.

## (3) Qualitative Information Concerning Consolidated Results Forecasts

Revisions on financial forecasts for the FY 2015, which were announced on Oct 30, 2015, as *Differences between Financial Forecasts and Actual Results for the First Half and Revisions of Financial Forecasts for FY2015 and Cash Dividend Projection, and Information on Profit of Entities Accounted for Using Equity Method and Extraordinary Income Accompanying Integration of the Polyurethane Materials Businesses with SKC* are as follows.

### (Revision of Financial Results Forecasts for Fiscal 2015 and Reasons for the Difference)

Financial forecast revisions are based on the following assumptions:

- Exchange rate for the fiscal year is 121 yen/US\$ (Oct – Mar: 120 yen/US\$)
- Average price of domestic naphtha for the fiscal year is 44,100 yen/kl (Oct – Mar: 40,000 yen/kl)

Based on the actual results of the first half, operating income, ordinary income and profit attributable to owners of parent are expected to be higher than the previously announced outlook.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Earnings per Share
Previous forecast (A)	1,440.0	65.0	58.0	32.0	31.97 yen
Revised forecast (B)	1,355.0	70.0	60.0	35.0	34.97 yen
Difference (B-A)	(85.0)	5.0	2.0	3.0	—
Ratio (%)	(5.9)	7.7	3.4	9.4	—
FY2014 Actual (Reference) (Apr1, 2014 - Mar 31, 2015)	1,550.1	42.0	44.4	17.3	17.24 yen

**(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	156.0	178.0	123.0	302.0	506.0	135.0	40.0	—	1,440.0
Revised forecast	155.0	175.0	116.0	259.0	480.0	130.0	40.0	—	1,355.0
Difference	(1.0)	(3.0)	(7.0)	(43.0)	(26.0)	(5.0)	—	—	(85.0)

(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	(5.0)	0.0	29.5	13.0	—	(8.0)	65.0
Revised forecast	11.0	24.5	(7.0)	1.0	35.5	13.0	(0.5)	(7.5)	70.0
Difference	—	—	(2.0)	1.0	6.0	—	(0.5)	0.5	5.0

**(Revision of Cash Dividends Forecasts for Fiscal 2015)**

The Group initially announced an interim dividend of 3 yen per share for FY2015. However, as the Group's first half performance exceeded expectations, dividends of 4 yen per share will be paid, an increase of 1 yen per share over that previously announced.

The year-end dividend will also be 4 yen per share, an increase of 1 yen per share over that previously announced, reflecting latest performance.

Accordingly, annual dividends per share will be 8 yen, an increase of 2 yen per share over that previously announced.

(Yen)

	Annual Dividends per Share (Yen)				
	1 <sup>st</sup> Q	Interim	3 <sup>rd</sup> Q	End of Term	Annual Dividends
Previous forecast	—	3.0	—	3.0	6.0
Revised forecast	—	4.0	—	4.0	8.0
FY2014Actual(Reference)	—	2.0	—	3.0	5.0

**(4) Information on Share of Profit of Entities Accounted for Using Equity Method and Extraordinary Income Accompanying Integration of the Polyurethane Materials Businesses with SKC on July 1st 2015**

Share of profit of entities accounted for using equity method and extraordinary income was booked, as the announcement on Oct 30, 2015, *Differences between Financial Forecasts and Actual Results for the First Half and, Revisions of Financial Forecasts for FY2015 and*

*Cash Dividend Projection, and Information on Share of Profit of Entities Accounted for Using Equity Method and Extraordinary Income Accompanying Integration of Polyurethane Materials Businesses with SKC.*

**(Recording share of profit of entities accounted for using equity method in non-operating income)**

Share of profit of entities accounted for using equity method was 3.2 billion yen from gain on bargain purchase incurred during investment in a joint venture company with the Korean SKC.

**(Recording extraordinary income)**

Gain on transfer of business in extraordinary income was recorded at 3.7 billion yen for succeeding business to the joint venture company in Japan with SKC.

**(5) Information on Differences between Financial Forecasts and Actual Results for the First Half of Fiscal 2015**

**(Difference between Forecast and Actual Operating Results)**

There is a difference between forecasts announced on July 22, 2015 and actual operating results for the first half of the fiscal year. The reason for the differences is as follows.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Earnings per Share
Previous forecast (A) (announced Jul 22, 2015)	730.0	33.0	31.0	18.0	17.99 yen
Actual (B)	708.6	41.4	41.2	28.5	28.44yen
Difference (B-A)	(21.4)	8.4	10.2	10.5	
Ratio (%)	(2.9)	25.5	32.9	58.1	
FY2014 Actual (Reference) (Apr 1 - Sept 30, 2014)	776.0	18.6	19.4	7.4	7.36 yen

**(Reason for Difference)**

Operating income rose higher than previously announced forecasts primarily due to improvement in trading terms for the Petrochemicals segment, the Functional Polymeric Materials segment and the Basic Chemicals segment.

Ordinary income and profit attributable to owners of parent rose higher due to an increase in operating income and, share of profit of entities accounted for using equity method and extraordinary income.