

# Summary of Consolidated Financial Results for the First Quarter of FY2014

Aug. 1, 2014  
Mitsui Chemicals, Inc.

## 1. Summary of Income Statement

(Unit : Billions of Yen)

	1st Q of FY2013	1st Q of FY2014	Incr. (Decr.)	
Net sales	363.1	389.2	26.1	
Operating income	9.3	10.4	1.1	
Ordinary income	9.9	8.6	(1.3)	
Net income(loss)	4.7	3.4	(1.3)	
Comprehensive income	16.1	4.6	(11.5)	
Exchange rate	Yen / US\$	99	102	3
Domestic standard naphtha price	Yen / KL	65,500	69,900	4,400

FY2013	Outlook for FY2014 (announced Aug. 1)	
	First Half	Full Year
1,566.0	770.0	1,680.0
24.9	16.0	35.0
22.5	13.0	31.0
(25.1)	4.0	12.0
10.2		
100	102	103
67,300	70,500	70,200

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

·Net Sales

(Unit : Billions of Yen)

	1st Q of FY2013	1st Q of FY2014	Incr. (Decr.)	Breakdown	
				Volume	Price
Functional Chemicals	38.5	53.3	14.8	14.0	0.8
Functional Polymeric Materials	39.9	42.6	2.7	0.6	2.1
Polyurethane	36.1	35.7	(0.4)	(0.7)	0.3
Basic Chemicals	105.2	81.0	(24.2)	(23.6)	(0.6)
Petrochemicals	118.0	149.9	31.9	19.3	12.6
Films and Sheets	19.7	19.8	0.1	(0.3)	0.4
Others	5.7	6.9	1.2	1.2	-
Total	363.1	389.2	26.1	10.5	15.6

FY2013	Outlook for FY2014 (announced Aug. 1)	
	First Half	Full Year
190.4	104.0	221.0
176.7	90.0	181.0
163.8	71.0	182.0
376.2	160.0	374.0
552.4	293.0	612.0
79.9	42.0	85.0
26.6	10.0	25.0
1,566.0	770.0	1,680.0

·Operating Income (Loss)

(Unit : Billions of Yen)

	1st Q of FY2013	1st Q of FY2014	Incr. (Decr.)	Breakdown		
				Volume	Price※	Fixed Costs etc.
Functional Chemicals	3.9	4.7	0.8	2.0	(0.3)	(0.9)
Functional Polymeric Materials	3.8	3.9	0.1	1.4	(1.2)	(0.1)
Polyurethane	(1.7)	(2.1)	(0.4)	0.1	(0.7)	0.2
Basic Chemicals	(2.7)	(2.8)	(0.1)	(1.0)	(0.4)	1.3
Petrochemicals	7.1	7.2	0.1	0.9	(1.2)	0.4
Films and Sheets	0.7	0.8	0.1	0.3	(0.5)	0.3
Others	(0.3)	0.1	0.4	-	-	0.4
Corporate expenses	(1.5)	(1.4)	0.1	-	-	0.1
Total	9.3	10.4	1.1	3.7	(4.3)	1.7

FY2013	Outlook for FY2014 (announced Aug. 1)	
	First Half	Full Year
15.0	8.5	16.5
11.9	8.0	14.5
(5.2)	(3.0)	1.0
(17.4)	(6.0)	(9.0)
25.3	11.5	19.5
0.9	1.5	1.0
(0.6)	0.0	(0.5)
(5.0)	(4.5)	(8.0)
24.9	16.0	35.0

※ Price includes both selling and purchasing price variances

## 3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	1st Q of FY2013	1st Q of FY2014	Incr. (Decr.)
Gain on sales of fixed assets	0.0	0.2	0.2
Insurance income	-	-	-
Loss on sales and disposal of fixed assets	(0.5)	(0.2)	0.3
Impairment loss	-	(0.2)	(0.2)
Business structure improvement expenses	-	-	-
Others	(1.5)	(0.2)	1.3
Total	(2.0)	(0.4)	1.6

FY2013	Outlook for FY2014 (announced Aug. 1)	
	First Half	Full Year
2.5	0.2	0.2
4.1	-	-
(2.3)	(2.8)	(5.8)
(0.5)	(0.2)	(0.2)
(36.8)	-	-
-	(0.2)	(0.2)
(33.0)	(3.0)	(6.0)

## 4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2014	As of Jun. 30, 2014	Incr. (Decr.)		As of Mar. 31, 2014	As of Jun. 30, 2014	Incr. (Decr.)
Current assets	777.1	742.7	(34.4)	Interest-bearing liabilities	581.3	560.0	(21.3)
Tangible fixed assets	425.8	419.4	(6.4)	Other liabilities	441.3	417.0	(24.3)
Intangible fixed assets	72.2	69.9	(2.3)	Shareholders' equity	352.8	357.1	4.3
Investments and others	157.1	158.6	1.5	Minority interests	56.8	56.5	(0.3)
Total assets	1,432.2	1,390.6	(41.6)	Total liabilities and net assets	1,432.2	1,390.6	(41.6)
[ Inventory ]	301.2	309.7	8.5	[ Net D/E Ratio ]	1.44	1.41	(0.03)

## 5. Summary of Cash Flow

(Unit : Billions of Yen)

	1st Q of FY2013	1st Q of FY2014	Incr. (Decr.)	FY2013	Outlook for FY2014 (announced Aug. 1)	
					First Half	Full Year
Cash flows from operating activities	(2.9)	12.0	14.9	43.5	5.0	45.0
Cash flows from investing activities	(81.6)	(7.5)	74.1	(89.8)	(23.0)	(53.0)
Free cash flows	(84.5)	4.5	89.0	(46.3)	(18.0)	(8.0)
Cash flows from financing activities	74.7	(21.8)	(96.5)	66.9	6.0	(4.0)
Others	1.0	(0.4)	(1.4)	5.6	-	-
Net incr.(decr.) in cash and cash equivalents	(8.8)	(17.7)	(8.9)	26.2	(12.0)	(12.0)
Cash and cash equivalents at the end of period	36.2	53.5	17.3	71.2		

## 6. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim	3rd Q	End of Term	Annual Dividends
FY2013 Result	-	3.00	-	0.00	3.00
FY2014 Outlook	-	0.00	-	3.00	3.00

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

	FY2013	1st Q of FY2014
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	20,788,036	20,827,655
Average number of shares	1,001,576,308 *	1,001,205,692

\*1st Q of FY2013

## 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, 2014 to Jun 30, 2014, hereafter the “First quarter”), the United States saw economic recovery, Europe experienced improving economic conditions, and China and emerging markets continued to maintain a pace of gradual economic growth. In Japan, the economy is beginning to slowly recover but remained lackluster during the period under review due in part to a contraction following a surge in demand ahead of the consumption tax hike.

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

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Current First quarter	389.2	10.4	8.6	3.4
First quarter in previous fiscal year	363.1	9.3	9.9	4.7
Change	26.1	1.1	(1.3)	(1.3)
Change (%)	7.2	12.0	(12.9)	(28.4)

**Net Sales** increased 26.1 billion yen, or 7.2%, compared with the first quarter of the previous fiscal year to 389.2 billion yen. This was mainly attributable to a 10.5 billion yen increase in sales volume because of the improved production ratio in the Petrochemicals segment and, the sales of the dental materials business in the Functional chemicals segment, which was acquired last year, and 15.6 billion yen increase in sales prices due to the rise in naphtha and other raw material and fuel prices as well as an improvement in sales prices due to the weaker yen.

**Operating income** was 10.4 billion yen, an increase of 1.1 billion yen, or 12.0%, year on year. This result was mainly due to an improvement in sales volume of agrochemicals and healthcare materials in the Functional Chemicals segment.

**Ordinary income** was 8.6 billion yen, a decrease of 1.3 billion yen, or 12.9%, year on year. This result largely reflected the loss in foreign exchange in spite of an operating income increase. The non-operating income was a worse of 2.4 billion yen year on year.

**Extraordinary income and loss** was a loss of 0.4 billion yen, an improvement of 1.6 billion yen, year on year. The main reason was the stop of posting loss on business withdraw, which incurred in the first quarter of the previous fiscal year.

As a result of the aforementioned factors, **net income before income taxes and minority interests** amounted to 8.2 billion yen, an improvement of 0.3 billion yen, or 3.2%, year on year.

**Net income** after accounting for income taxes and minority interests was 3.4 billion yen , a fall of 1.3 billion yen compared with the first quarter of the previous fiscal year, or 3.38 yen net income per share for the period.

## (Results by Business Segment)

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

### Functional Chemicals

Net sales in this segment increased 14.8 billion yen compared with the first quarter of the previous fiscal year to 53.3 billion yen and comprised 14% of total sales. Operating income grew 0.8 billion yen compared with the corresponding period of the previous fiscal year to 4.7 billion yen mainly due to expanding export sales of agrochemical products.

The **dental materials** business, which was acquired last year, also contributed to the growth of sales.

Sales were particularly favorable for ophthalmic lens materials in **healthcare materials** and nonwoven fabrics in **hygiene materials** as well as for **agrochemicals**, expanding primarily as a result of higher overseas demand.

### Functional Polymeric Materials

Net sales in this segment increased 2.7 billion yen compared with the first quarter of the previous fiscal year to 42.6 billion yen and comprised 11% of total sales. Operating income rose 0.1 billion yen to 3.9 billion yen year on year due to the Group's quick response to increased demand and shift of the increase in raw material prices over to sale prices.

Profits increased for **elastomers**, which are used primarily in automotive components and resin modifiers, thanks to expanding demand primarily in North America.

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

Profits from **specialty polyolefins** were boosted by the effect of the weaker yen and the Group's quick response to demand for IT-related uses, especially in smartphones.

### Polyurethane

Net sales in this segment decreased 0.4 billion yen compared with the first quarter of the previous fiscal year to 35.7 billion yen and comprised 9% of total sales. Operating loss increased 0.4 billion yen year on year to 2.1 billion yen due to a decline in overseas markets for polyurethane and hikes in raw materials and fuel prices.

In **coating materials**, net sales expanded as overseas demand increased. Conditions remained harsh for **polyurethane materials**, which are used mainly in furniture manufacturing, due to weak demand as well as continued market stagnation and increases in raw materials and fuel prices.

### Basic Chemicals

Net sales in this segment decreased 24.2 billion yen year on year to 81.0 billion yen and accounted for 21% of total sales. In spite of cost-cutting efforts and impact of changes in consolidation subsidiaries, effects from inventories helped widen operating loss to 2.8 billion yen, 0.1 billion yen more compared 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 this segment increased 31.9 billion yen compared with the first quarter of the previous fiscal year to 149.9 billion yen and comprised 38% of total sales. Operating income increased 0.1 billion yen year on year to 7.2 billion yen primarily because of improvement in sales volume and trade conditions despite a decrease in inventory evaluation gain and a deterioration in market conditions for by-products, primarily those of butadiene.

Operating rate of naphtha crackers grew compared to the corresponding period of the previous fiscal year. Profits expanded for overseas businesses mainly due to the increased production of automobiles in North America.

## Films and Sheets

Net sales in this segment increased 0.1 billion yen compared with the first quarter of the previous fiscal year to 19.8 billion yen and comprised 5% of total sales. Operating income increased 0.1 billion yen to 0.8 billion yen year on year due to increased sales of high-value-added products, the effect of the weaker yen, and cost-cutting efforts.

In **packaging films**, profits decreased despite a sales price revision implemented from the beginning of the fiscal year, as raw material prices rose and demand contracted following a surge ahead of the consumption tax hike and sales price revision.

In **industrial films** for electronic and information applications, profits rose due to increased demand related to high-value-added products, especially smartphones, and the effect of the weaker yen.

In **encapsulant sheets** applied to the solar module, profits fell because of the continued severe business environment, which led to such negative factors as a decline in sales prices in tandem with fiercer competition, in spite of efforts to expand sales of new products and minimize costs.

## Others

In the Others segment, net sales was 6.9 billion yen, an increase of 1.2 billion yen with the previous fiscal year, comprised 2% of total sales. Operating income increased 0.4 billion yen year on year, to a profit of 0.1 billion yen.

## (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 1,390.6 billion yen, down 41.6 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the First quarter decreased 45.6 billion yen compared with the previous fiscal year-end to 977.0 billion yen. **Interest-bearing debt** amounted to 560.0 billion yen, a decline of 21.3 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 40.3%, an improvement of 0.3 percentage points.

**Net assets** totaled 413.6 billion yen, a rise of 4.0 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 25.7%, up 1.1 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 1.41 at the end of the First quarter, an improvement of 0.03 point from the previous fiscal year-end.

**(3) Qualitative Information Concerning Consolidated Results Forecasts  
(Revision of Financial Results Forecasts for the First Half of Fiscal 2014 and Reasons for the difference)**

Regarding financial forecasts for the first half of fiscal 2014, which was announced on May 13, 2014, concerning the consolidated financial results of the First quarter, forecasts for the first half were revised as follows.

Financial forecasts revisions are based on the following assumptions:

- a) Exchange rate for the first half is 102 yen/US\$
- b) Average price of domestic naphtha for the first half is 70,500 yen/kl

Therefore, with the improvement in sales volume of functional product lines and better trading terms in the Petrochemicals segment, operating income was expected to be higher than the previously announced outlook. Consequently, ordinary income and net income were expected to be higher than the previously announced outlook.

Financial forecasts for the full fiscal year were kept the same because of uncertainties in current phase.

**(Revision of Financial Results Forecasts for the First Half of Fiscal 2014)  
(April 1, 2014 - September 30, 2014)**

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)	Net income per share
Previous Forecast (A)	815.0	12.0	10.0	1.0	1.00 yen
Revised Forecast (B)	770.0	16.0	13.0	4.0	4.00 yen
Difference (B-A)	(45.0)	4.0	3.0	3.0	—
Ratio (%)	(5.5)	33.3	30.0	300.0	—
(Reference) FH of FY2013 Actual (April 1, 2013 - September 30, 2013)	731.6	11.0	10.7	1.0	1.03 yen

**(Revision by Business Segment)**

Revision of the first half of Fiscal 2014 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	Corporate expenses	Total
Previous forecast	104.0	90.0	86.0	188.0	293.0	42.0	12.0	—	815.0
Revised forecast	104.0	90.0	71.0	160.0	293.0	42.0	10.0	—	770.0
Difference	—	—	(15.0)	(28.0)	—	—	(2.0)	—	(45.0)

(Billions of Yen)

	Operating Income (Loss)								
	Functional Chemicals	Functional Polymeric Materials	Poly urethane	Basic Chemicals	Petro chemicals	Films and Sheets	Others	Corporate expenses	Total
Previous forecast	7.5	6.5	(2.0)	(5.0)	9.5	0.0	(0.5)	(4.0)	12.0
Revised forecast	8.5	8.0	(3.0)	(6.0)	11.5	1.5	0.0	(4.5)	16.0
Difference	1.0	1.5	(1.0)	(1.0)	2.0	1.5	0.5	(0.5)	4.0