

Summary of Consolidated Financial Results for Third Quarter of FY2014

Feb. 4, 2015
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

| | 3rd Q of FY2013 | 3rd Q of FY2014 | Incr. (Decr.) | |
|---------------------------------|-----------------|-----------------|---------------|-------|
| Net sales | 1,108.8 | 1,165.2 | 56.4 | |
| Operating income | 15.1 | 32.7 | 17.6 | |
| Ordinary income | 14.1 | 36.6 | 22.5 | |
| Net income (loss) | (18.5) | 19.0 | 37.5 | |
| Comprehensive income | 8.1 | 52.1 | 44.0 | |
| Exchange rate | Yen / US\$ | 99 | 107 | 8 |
| Domestic standard naphtha price | Yen / KL | 65,700 | 68,900 | 3,200 |

| FY2013 | Outlook for FY2014 (announced Feb. 4) | |
|---------|---------------------------------------|---------------|
| | FY2014 | Incr. (Decr.) |
| 1,566.0 | 1,564.0 | (2.0) |
| 24.9 | 40.0 | 15.1 |
| 22.5 | 42.0 | 19.5 |
| (25.1) | 15.0 | 40.1 |
| 10.2 | | |
| 100 | 109 | 9 |
| 67,300 | 62,500 | Δ4,800 |

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

·Net Sales

(Unit : Billions of Yen)

| | 3rd Q of FY2013 | 3rd Q of FY2014 | Incr. (Decr.) | Breakdown | |
|--------------------------------|-----------------|-----------------|---------------|-----------|-------|
| | | | | Volume | Price |
| Functional Chemicals | 127.4 | 158.4 | 31.0 | 26.9 | 4.1 |
| Functional Polymeric Materials | 120.9 | 128.4 | 7.5 | 2.5 | 5.0 |
| Polyurethane | 118.3 | 116.3 | (2.0) | (5.3) | 3.3 |
| Basic Chemicals | 287.2 | 240.2 | (47.0) | (56.7) | 9.7 |
| Petrochemicals | 376.9 | 437.5 | 60.6 | 30.1 | 30.5 |
| Films and Sheets | 60.0 | 62.6 | 2.6 | 0.4 | 2.2 |
| Others | 18.1 | 21.8 | 3.7 | 3.7 | - |
| Total | 1,108.8 | 1,165.2 | 56.4 | 1.6 | 54.8 |

| FY2013 | Outlook for FY2014 (announced Feb. 4) | |
|---------|---------------------------------------|---------------|
| | FY2014 | Incr. (Decr.) |
| 190.4 | 219.0 | 28.6 |
| 176.7 | 173.0 | (3.7) |
| 163.8 | 162.0 | (1.8) |
| 376.2 | 317.0 | (59.2) |
| 552.4 | 578.0 | 25.6 |
| 79.9 | 84.0 | 4.1 |
| 26.6 | 31.0 | 4.4 |
| 1,566.0 | 1,564.0 | (2.0) |

·Operating Income (Loss)

(Unit : Billions of Yen)

| | 3rd Q of FY2013 | 3rd Q of FY2014 | Incr. (Decr.) | Breakdown | | |
|--------------------------------|-----------------|-----------------|---------------|-----------|--------|------------------|
| | | | | Volume | Price* | Fixed Costs etc. |
| Functional Chemicals | 12.1 | 10.4 | (1.7) | 1.7 | 0.1 | (3.5) |
| Functional Polymeric Materials | 9.3 | 11.9 | 2.6 | 2.1 | 0.1 | 0.4 |
| Polyurethane | (4.8) | (2.8) | 2.0 | (0.7) | 1.6 | 1.1 |
| Basic Chemicals | (13.9) | (5.6) | 8.3 | (2.1) | 5.4 | 5.0 |
| Petrochemicals | 15.4 | 19.0 | 3.6 | 1.0 | 1.7 | 0.9 |
| Films and Sheets | 1.2 | 3.1 | 1.9 | 1.0 | - | 0.9 |
| Others | (0.5) | 0.8 | 1.3 | - | - | 1.3 |
| Adjustment | (3.7) | (4.1) | (0.4) | - | - | (0.4) |
| Total | 15.1 | 32.7 | 17.6 | 3.0 | 8.9 | 5.7 |

| FY2013 | Outlook for FY2014 (announced Feb. 4) | |
|--------|---------------------------------------|---------------|
| | FY2014 | Incr. (Decr.) |
| 15.0 | 16.5 | 1.5 |
| 11.9 | 17.0 | 5.1 |
| (5.2) | (1.0) | 4.2 |
| (17.4) | (7.5) | 9.9 |
| 25.3 | 18.0 | (7.3) |
| 0.9 | 4.0 | 3.1 |
| (0.6) | 0.5 | 1.1 |
| (5.0) | (7.5) | (2.5) |
| 24.9 | 40.0 | 15.1 |

* Price includes both selling and purchasing price variances.

3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

| | 3rd Q of FY2013 | 3rd Q of FY2014 | Incr. (Decr.) |
|--|-----------------|-----------------|---------------|
| Gain on sales of non-current assets | 0.0 | 1.9 | 1.9 |
| Loss on sales and disposal of fixed assets | (1.4) | (2.4) | (1.0) |
| Loss on impairment | - | (1.8) | (1.8) |
| Insurance income | 0.7 | - | (0.7) |
| Business structure improvement expenses | (22.2) | - | 22.2 |
| Others | - | (1.1) | (1.1) |
| Total | (22.9) | (3.4) | 19.5 |

| FY2013 | Outlook for FY2014 (announced Feb. 4) | |
|--------|---------------------------------------|---------------|
| | FY2014 | Incr. (Decr.) |
| 2.5 | 1.9 | (0.6) |
| (2.3) | (4.0) | (1.7) |
| (0.5) | (1.8) | (1.3) |
| 4.1 | - | (4.1) |
| (36.8) | - | 36.8 |
| - | (3.1) | (3.1) |
| (33.0) | (7.0) | 26.0 |

4. Summary of Balance Sheet

(Unit : Billions of Yen)

| | Assets | | | | Liabilities and Net Assets | | |
|-------------------------|---------------------|---------------------|---------------|----------------------------------|----------------------------|---------------------|---------------|
| | As of Mar. 31, 2014 | As of Dec. 31, 2014 | Incr. (Decr.) | | As of Mar. 31, 2014 | As of Dec. 31, 2014 | Incr. (Decr.) |
| Current assets | 777.1 | 786.4 | 9.3 | Interest-bearing liabilities | 581.3 | 565.4 | (15.9) |
| Tangible fixed assets | 425.8 | 429.8 | 4.0 | Other liabilities | 441.3 | 426.8 | (14.5) |
| Intangible fixed assets | 72.2 | 70.0 | (2.2) | Shareholders' equity | 352.8 | 395.3 | 42.5 |
| Investments and others | 157.1 | 163.5 | 6.4 | Minority interests | 56.8 | 62.2 | 5.4 |
| Total assets | 1,432.2 | 1,449.7 | 17.5 | Total liabilities and net assets | 1,432.2 | 1,449.7 | 17.5 |
| [Inventory] | 301.2 | 329.3 | 28.1 | [Net D/E Ratio] | 1.44 | 1.30 | (0.14) |

5. Summary of Cash Flows

(Unit : Billions of Yen)

| | 3rd Q of FY2013 | 3rd Q of FY2014 | Incr. (Decr.) | FY2013 | Outlook for FY2014 (announced Feb. 4) | |
|--|-----------------|-----------------|---------------|--------|---------------------------------------|---------------|
| | | | | | FY2014 | Incr. (Decr.) |
| Cash flows from operating activities | 27.2 | 27.5 | 0.3 | 43.5 | 63.0 | 19.5 |
| Cash flows from investing activities | (99.4) | (25.6) | 73.8 | (89.8) | (45.0) | 44.8 |
| <i>Free cash flows</i> | (72.2) | 1.9 | 74.1 | (46.3) | 18.0 | 64.3 |
| Cash flows from financing activities | 81.5 | (27.5) | (109.0) | 66.9 | (42.0) | (108.9) |
| Others | 3.3 | 2.1 | (1.2) | 5.6 | - | (5.6) |
| Net incr.(decr.) in cash and cash equivalents | 12.6 | (23.5) | (36.1) | 26.2 | (24.0) | (50.2) |
| Cash and cash equivalents at the end of period | 57.6 | 47.7 | (9.9) | 71.2 | | |

6. Dividends

| | Annual Dividends per Share (Yen) | | | | |
|----------------|----------------------------------|---------|-------|-------------|------------------|
| | 1st Q | Interim | 3rd Q | End of Term | Annual Dividends |
| FY2013 Result | - | 3.00 | - | - | 3.00 |
| FY2014 Outlook | - | 2.00 | - | 3.00 | 5.00 |

7. Number of Shares Outstanding (Common Stock)

| | FY2013 | 3rd 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 | 21,060,635 |
| Average number of shares | 1,001,513,491 * | 1,001,142,152 |

*3rd Q of FY2013

8. Topics

- Acquisition of US Corning " SunSensorsTM" Photochromic Lens Material (May 2014)
- Acquisition of Italian E.G.S., Srl, a 3D scanner & CAD software company for dental materials (July 2014)
- Acquisition of Kyowa Industrial Co., Ltd, a mold manufacturer with superior planning and prototyping capabilities (September 2014)
- Commercial operations at "Shanghai Sinopec Mitsui Elastomers, Co., Ltd." new EPT production facility in China (75,000 tons/annum) (December 2014)
- Commercial operations at "Shanghai Sinopec Mitsui Chemical, Co., Ltd." new phenols plant in China (Phenol: 250,000 tons/annum, Acetone: 150,000 tons/annum) (December 2014)
- Joint venture agreement between Mitsui Chemicals, Inc. and SKC in polyurethane material business (December 2014)

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 Apr 1, 2014 to Dec 31, 2014, hereafter “the third quarter”), we observed the economic recovery in the United States, and gradual improving economic conditions in Europe, while China and emerging markets’ pace of economic growth had been slowing down. In Japan, in spite of a contraction following a surge in demand ahead of the consumption tax hike, the pace of economic recovery remained lackluster during the period under review.

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

(Billions of Yen)

| | Net Sales | Operating Income | Ordinary Income | Net Income |
|-------------------------------------|-----------|------------------|-----------------|------------|
| The third quarter | 1,165.2 | 32.7 | 36.6 | 19.0 |
| Same period of previous fiscal year | 1,108.8 | 15.1 | 14.1 | (18.5) |
| Change | 56.4 | 17.6 | 22.5 | 37.5 |
| Change (%) | 5.1 | 116.0 | 160.3 | - |

Net Sales increased 56.4 billion yen, or 5.1%, compared with the corresponding period of the previous fiscal year to 1,165.2 billion yen. This was mainly attributable to 54.8 billion yen increase in sales prices and 1.6 billion yen increase in sales volume. Sales prices were higher because of the rise in naphtha, other raw material and fuel prices as well as the impact of weaker yen. In the factor of sales volume, the improvement of capacity utilization in the Petrochemicals segment, and the increased sales of the dental materials business, which was acquired in the last fiscal year, in the Functional Chemicals segment, together covered negative impact from the Basic Chemicals segment.

Operating income was 32.7 billion yen, an increase of 17.6 billion yen or 116.0% year on year. This result was mainly due to the favorable trading terms in the Basic Chemicals segment, in addition to lowered fixed costs.

Ordinary income was 36.6 billion yen, increased 22.5 billion yen or 160.3% year on year. This result largely reflected an increase in operating income and the improved non-operating income/loss of 4.9 billion yen, mainly from increase in foreign exchange gain.

Extraordinary income and loss improved by 19.5 billion yen year on year to 3.4 billion yen loss, because the business restructuring expenses booked in the same period of the previous fiscal year were no longer there.

As a result of the aforementioned factors, **net income and loss before income taxes and minority interests** amounted to 33.2 billion yen, an improvement of 42.0 billion yen, year on year.

Net income and loss after accounting for income taxes and minority interests was 19.0 billion yen, a growth of 37.5 billion yen, compared with the same period of the previous fiscal year. Net income per share for the period was 19.01 yen.

(Results by Business Segment)

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

Functional Chemicals

Net sales increased 31.0 billion yen year on year to 158.4 billion yen and comprised 14% of total sales. Operating income fell 1.7 billion yen compared with the corresponding period of the previous fiscal year to 10.4 billion yen mainly due to increased fixed costs in spite of expanded sales.

The **dental materials** business contributed to the growth of sales while amortization expenses of goodwill also incurred.

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

Functional Polymeric Materials

Net sales increased 7.5 billion yen compared with the third quarter of the previous fiscal year to 128.4 billion yen and comprised 11% of total sales. Operating income grew 2.6 billion yen to 11.9 billion yen year on year because the Group promptly responded to increased market demand.

Profits increased for **elastomers**, which are primarily used in automotive components and resin modifiers. The expanding demand in North America's automobile market was the main contributor.

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

Profits from **specialty polyolefins** were boosted by the weaker yen impact and quick response to demand for IT-related products, especially in smartphones.

Polyurethane

Net sales decreased 2.0 billion yen year on year to 116.3 billion yen. It comprised 10% of total sales. Operating loss improved 2.0 billion yen year on year to 2.8 billion yen. Overseas markets for polyurethane materials declined but the weaker yen gave a positive impact.

In **coating materials**, profit expanded as overseas demand increased. On the other hand, **polyurethane materials**, which are used mainly in furniture manufacturing, are still in harsh conditions of weak demand.

Basic Chemicals

Net sales decreased 47.0 billion yen year on year to 240.2 billion yen and accounted for 21% of total sales. Operating loss improved by 8.3 billion yen year on year, to 5.6 billion yen. This was mainly attributable to favorable trading terms, which were caused by industrial-wide phenols production facilities' periodic maintenance in Asia, and the impact of changes in consolidation subsidiaries.

Aside from indications of improving market condition for phenols, the business environment for both **phenols** and **PTA** remained severe against the slow recovery of demand and market stagnation in China.

Petrochemicals

Net sales increased 60.6 billion yen compared with the same period of the previous fiscal year to 437.5 billion yen. This comprised 37% of total sales. Operating income increased 3.6 billion yen year on year to 19.0 billion yen primarily because of the favorable trading terms.

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 and Central America.

Films and Sheets

Net sales grew 2.6 billion yen compared with the same period of the previous fiscal year to 62.6 billion yen and comprised 5% of total sales. Operating income increased 1.9 billion yen to 3.1 billion yen year on year due to increased sales of high-value-added products, the impact of weaker yen, and cost-cutting efforts.

In **packaging films**, despite a sales price revision implemented from the beginning of the fiscal year, profits decreased due to higher prices of raw materials, contracted demand following a surge ahead of the consumption tax hike and sales price revision and decreased demand caused by unseasonal weather in summer.

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

In **encapsulant sheets** applied to solar modules, profits fell due to a continuing severe business environment, which was caused by a decline in sales prices in tandem with fiercer competition, in spite of efforts to expand sales by new products and minimize costs.

Others

Net sales increased 3.7 billion yen to 21.8 billion yen, comprised 2% of total sales. Operating profit improved by 1.3 billion yen year on year to 0.8 billion yen.

(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 1,449.7 billion yen, up 17.5 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the third quarter decreased 30.4 billion yen compared with the previous fiscal year-end to 992.2 billion yen. **Interest-bearing debt** amounted to 565.4 billion yen, a decline of 15.9 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 39.0%, an improvement of 1.6 percentage point.

Net assets totaled 457.5 billion yen, a rise of 47.9 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 27.3%, up 2.7 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 1.30 at the end of the third quarter, a decrease of 0.14 point from the previous fiscal year-end.

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

Based on the actual result of the third quarter, revisions on financial forecasts for the FY 2014, which were announced on Nov 5, 2014, are as follows.

Financial forecast revisions are under the following assumptions:

- Exchange rate for the fiscal year is 109 yen/US\$ (Jan – Mar: 115 yen/US\$)
- Average price of domestic naphtha for the fiscal year is 62,500 yen/kl (Jan – Mar: 43,000 yen/kl)

Ordinary income and net income are expected to be higher than the previously announced outlook because of the foreign exchange gain brought by weaker yen.

(Revision of Financial Results Forecasts for Fiscal 2014)

(Billions of Yen)

| | Net Sales | Operating Income | Ordinary Income | Net Income (Loss) | Net Income per Share |
|---|-----------|------------------|-----------------|-------------------|----------------------|
| Previous Forecast (A) | 1,623.0 | 40.0 | 38.0 | 14.0 | 13.98 yen |
| Revised Forecast (B) | 1,564.0 | 40.0 | 42.0 | 15.0 | 14.98 yen |
| Difference (B-A) | (59.0) | - | 4.0 | 1.0 | — |
| Ratio (%) | (3.6) | - | 10.5 | 7.1 | — |
| FY2013 Actual (Reference) (Apr1, 2013 - Mar 31, 2014) | 1,566.0 | 24.9 | 22.5 | (25.1) | (25.10) yen |

(Revision by Business Segment)

Revision of FY 2014 by business segment is as follows.

(Billions of Yen)

| | Net Sales | | | | | | | | Total |
|-------------------|----------------------|--------------------------------|---------------|-----------------|-----------------|------------------|--------|--------------------|---------|
| | Functional Chemicals | Functional Polymeric Materials | Poly urethane | Basic Chemicals | Petro chemicals | Films and Sheets | Others | Corporate expenses | |
| Previous forecast | 220.0 | 177.0 | 162.0 | 346.0 | 603.0 | 84.0 | 31.0 | - | 1,623.0 |
| Revised forecast | 219.0 | 173.0 | 162.0 | 317.0 | 578.0 | 84.0 | 31.0 | - | 1,564.0 |
| Difference | (1.0) | (4.0) | - | (29.0) | (25.0) | - | - | - | (59.0) |

(Billions of Yen)

| | Operating Income (Loss) | | | | | | | | Total |
|-------------------|-------------------------|--------------------------------|---------------|-----------------|-----------------|------------------|--------|--------------------|-------|
| | Functional Chemicals | Functional Polymeric Materials | Poly urethane | Basic Chemicals | Petro chemicals | Films and Sheets | Others | Corporate expenses | |
| Previous forecast | 16.5 | 14.5 | (3.5) | (7.5) | 24.0 | 3.0 | 0.5 | (7.5) | 40.0 |
| Revised forecast | 16.5 | 17.0 | (1.0) | (7.5) | 18.0 | 4.0 | 0.5 | (7.5) | 40.0 |
| Difference | - | 2.5 | 2.5 | - | (6.0) | 1.0 | - | - | - |