

Financial Summary

Results of the First Quarter of FY2014 & Forecast for FY2014

Mitsui Chemicals, Inc.

Aug 1, 2014

<Remarks>

FY2014 indicates the fiscal year starting on April 1, 2014 and ending on March 31, 2015.

Contents

1. Results of the First Quarter of FY2014 (April 1, 2014 – June 30, 2014)

1) Review on 1st Quarter of FY2014 (Business Overview and Topics)	··· 1
2) Consolidated Financial Highlights	··· 2,3
3) Sales and Operating Income/Loss by business segment (compared with corresponding period of FY2013)	··· 4
4) Non-Operating Income and Expenses	··· 5
5) Extraordinary Gains and Losses	··· 6
6) Consolidated Balance Sheet	··· 7
7) Consolidated Statement of Cash Flow	··· 8

2. Outlook for FY2014 (April 1, 2014 – March 31, 2015)

1) Topics for and after 2nd Quarter of FY2014	··· 9
2) Consolidated Financial Highlights of Outlook	··· 10
3) Sales and Operating Income/Loss by business segment (compared with FY2013 results)	··· 11
4) Sales and Operating Income/Loss by business segment (1st half of FY2014 compared with previous outlook)	··· 12
5) Non-Operating Income and Expenses	··· 13
6) Extraordinary Gains and Losses	··· 14
(Appendix) Trends in Main Product Prices	··· 15

Please note that this document has been translated from the original Japanese into English for the convenience of our stakeholders. The information was originally provided in Japanese. If there is any discrepancy, the Japanese language version is the official document and is available on our Japanese language website.

1. Results of the First Quarter of FY2014

(April 1, 2014 – June 30, 2014)

1) Review on 1st Quarter of FY2014 (Business Overview and Topics)

<Business Overview>

- Demand for healthcare materials, such as ophthalmic lens monomers and nonwoven fabrics, is good owing to expanded overseas demand.
- Strong demand for automotive related elastomers and PP compounds continues in North America.
- Demand for functional polymers is healthy, owing to expanded electronic and information applications such as the smartphone.
- Domestic polyolefin business was stable. Terms of trade improved and backlash from increase in consumption tax was insignificant. Domestic demand for Evolve™ continued to be good.
- In bulk & commodity products, demand for phenol and PTA followed predictions. Market downturn for TDI continued. Business restructuring and cost cuts are progressing as scheduled.

<Topics>

(Major growth investments)

- Acquisition of US Corning " SunSensors™" Photochromic Lens Material (May 2014)
- Exclusive global development and license agreement with BASF for a new insecticide (Jun 2014)

(Business restructure and streamlining)

- Termination of BPA facility in Chiba (90,000 tons/annum) and suspension of one BPA line in Singapore (70,000 tons/annum) → Mar 2014

2) Consolidated Financial Highlights

(Billions of Yen)

() Denotes a minus

Items	FY2013 1st Q	FY2014 1st Q	Increase (Decrease)	%
Sales	363.1	389.2	26.1	7%
Operating income (loss)	9.3	10.4	1.1	12%
Non-operating income/expenses	0.6	(1.8)	(2.4)	-
Ordinary income (loss)	9.9	8.6	(1.3)	(13%)
Extraordinary gains/losses	(2.0)	(0.4)	1.6	-
Net income (loss) before income taxes and minority interests	7.9	8.2	0.3	3%
Net income (loss)	4.7	3.4	(1.3)	(28%)
Exchange Rate (Yen/US\$)	99	102	3	
Domestic Standard Naphtha Price (Yen/KL)	65,500	69,900	4,400	

2) Consolidated Financial Highlights

(Billions of Yen)

() Denotes a minus

Items	End of FY2013	End of FY2014 1st Q	Increase (Decrease)	%
Interest-bearing liabilities	581.3	560.0	(21.3)	(4%)
Interest-bearing liabilities (net)	509.3	504.7	(4.6)	(1%)
Equity	352.8	357.1	4.3	1%
Net D/E Ratio(Times)	1.44	1.41	(0.03)	-
Equity ratio(%)	24.6	25.7	1.1	-

Items	FY2013 1st Q	FY2013 (a)	FY2014 1st Q(b)	Incr. (Decr.) (b)-(a)	Notes
Number of consolidated companies					
Number of consolidated subsidiaries	99	97	96	△1	
Number of non-consolidated subsidiaries and affiliates to which the equity method is applied	35	38	37	△1	
Total	134	135	133	△2	

3) Sales and Operating Income/Loss by business segment (compared with corresponding period of FY2013)

(Billions of Yen)

() Denotes a minus

Segment	Sales			Operating Income/Loss			Breakdown		
	FY2013 1st Q	FY2014 1st Q	Incr. (Decr.)	FY2013 1st Q	FY2014 1st Q	Incr. (Decr.)	Volume	* Price	Costs
Functional Chemicals	38.5	53.3	14.8	3.9	4.7	0.8	2.0	(0.3)	(0.9)
Functional Polymeric Materials	39.9	42.6	2.7	3.8	3.9	0.1	1.4	(1.2)	(0.1)
Polyurethane	36.1	35.7	(0.4)	(1.7)	(2.1)	(0.4)	0.1	(0.7)	0.2
Basic Chemicals	105.2	81.0	(24.2)	(2.7)	(2.8)	(0.1)	(1.0)	(0.4)	1.3
Petrochemicals	118.0	149.9	31.9	7.1	7.2	0.1	0.9	(1.2)	0.4
Films and Sheets	19.7	19.8	0.1	0.7	0.8	0.1	0.3	(0.5)	0.3
Others	5.7	6.9	1.2	(1.8)	(1.3)	0.5	0.0	0.0	0.5
Total	363.1	389.2	26.1	9.3	10.4	1.1	3.7	(4.3)	1.7

* Price : Terms of trade, including both sale and purchase price variances

4) Non-Operating Income and Expenses

(Billions of yen)

() Denotes a minus

Items	FY2013 1st Q	FY2014 1st Q	Incr. (Decr.)
Equity in earnings of non-consolidated subsidiaries and affiliates	0.8	0.3	(0.5)
Interest expenses, interest and dividend income	(1.0)	(1.1)	(0.1)
Gain (loss) on foreign exchange	1.2	(1.0)	(2.2)
Other	(0.4)	0.0	0.4
Total	0.6	(1.8)	(2.4)

5) Extraordinary Gains and Losses

(Billions of yen)

() Denotes a minus

Items	FY2013 1st Q	FY2014 1st Q	Incr. (Decr.)
Extraordinary gains (a)	0.0	0.2	0.2
Gain on sales of fixed assets	0.0	0.2	0.2
Extraordinary losses (b)	(2.0)	(0.6)	1.4
Loss on sales and disposal of fixed assets	(0.5)	(0.2)	0.3
Impairment loss	0.0	(0.2)	(0.2)
Others	(1.5)	(0.2)	1.3
Extraordinary gains and losses (a)+(b)	(2.0)	(0.4)	1.6

6) Consolidated Balance Sheet

(Billions of Yen)

() Denotes a minus

Items	End of Mar.2014	End of Jun.2014	Incr. (Decr.)	Items	End of Mar.2014	End of Jun.2014	Incr. (Decr.)
Current assets	777.1	742.7	(34.4)	Liabilities	1,022.6	977.0	(45.6)
Cash and deposits	72.0	55.3	(16.7)	Notes and accounts payables	219.8	205.4	(14.4)
Notes and accounts receivables	296.5	275.9	(20.6)	Interest-bearing liabilities	581.3	560.0	(21.3)
Inventories	301.2	309.7	8.5	Other liabilities	221.5	211.6	(9.9)
Other current assets	107.4	101.8	(5.6)				
Fixed assets	655.1	647.9	(7.2)	Net assets	409.6	413.6	4.0
Tangible and intangible fixed assets	498.0	489.3	(8.7)	Shareholders' equity	351.0	355.3	4.3
[Intangible fixed assets]	[72.2]	[69.9]	(2.3)	Other accumulated Comprehensive income	1.8	1.8	0.0
Investments & other non-current assets	157.1	158.6	1.5	Minority interest	56.8	56.5	(0.3)
Total	1,432.2	1,390.6	(41.6)	Total	1,432.2	1,390.6	(41.6)

Contingent liabilities as guarantor of indebtedness

17.8 20.7 2.9

7) Consolidated Statement of Cash Flow

(Billions of yen)

() Denotes a minus

Items	FY2013 1st Q	FY2014 1st Q	Incr. (Decr.)
I. Cash flows from operating activities[A]	(2.9)	12.0	14.9
II. Cash flows from investing activities[B]	(81.6)	(7.5)	74.1
Free cash flows[A+B]	(84.5)	4.5	89.0
III. Cash flows from financing activities	74.7	(21.8)	(96.5)
IV. Others	1.0	(0.4)	(1.4)
Net incr.(decr.) in cash and cash equivalents	(8.8)	(17.7)	(8.9)

2. Outlook for FY2014 (April 1, 2014 – March 31, 2015)

This summary contains forward-looking statements about the future plans, strategies, belief and performance of the Mitsui Chemicals Group as a whole and its individual consolidated companies. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Mitsui Chemicals Group and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, fluctuations in foreign currency exchange rates, fluctuations in the price of raw materials, competition in markets where the Company is active, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected and the Mitsui Chemicals Group cannot guarantee that these forward-looking statements are accurate or will be achieved.

1) Outlook of Topics on and after 2nd Quarter of FY2014

<Topics>

(Major growth investment)

- Overseas PP compounds augmentation for global 1 million tons/annum (End of FY2014)
- Commercial operations at "Shanghai Sinopec Mitsui Elastomers, Co., Ltd." new EPT production facility in China (75,000 tons/annum)
- Commercial operations at "Mitsui Chemicals Functional Composites (Shanghai) Co., Ltd." new functional compounds (Milastomer™, Admer™) production facility in China (11,000 tons/annum)

(Business restructure and streamlining)

- Business transfer agreement for maleic anhydride and fumaric acid (Jul 2014)
 Transfer date : Oct 2014 (tentative)
 Transfer Amount : approx. 1 billion yen (transfer price decided at time of transfer)
 Production capacity : Maleic Anhydride 32,000 tons/annum, Fumaric Acid 15,000 tons/annum
- Termination of Chiba Phenol (250,000 tons/annum) in Sep 2014 (tentative)
- Commercial operations at "Shanghai Sinopec Mitsui Chemical, Co., Ltd." new phenols plant in China "(Phenol :250,000 tons/annum, Acetone : 150,000 tons/annum)
- Termination of LLDPE plant in Chiba (60,000 tons/annum) in Dec 2014 (tentative)

2) Consolidated Financial Highlights of Outlook

(Billions of yen)

() Denotes a minus

Items	FY2013 (a)		FY2014 Outlook (b)		Incr.(Decr.) (b)-(a)		FY2014 Outlook (on May 13 2014)	
	1st half	Full Year	1st half	Full Year	1st Half	Full Year	1st half	Full Year
Sales	731.6	1,566.0	770.0	1,680.0	38.4	114.0	815.0	1,680.0
Operating income (loss)	11.0	24.9	16.0	35.0	5.0	10.1	12.0	35.0
Non-operating income (expenses)	(0.3)	(2.4)	(3.0)	(4.0)	(2.7)	(1.6)	(2.0)	(4.0)
Ordinary income (loss)	10.7	22.5	13.0	31.0	2.3	8.5	10.0	31.0
Special gains/losses	(2.4)	(33.0)	(3.0)	(6.0)	(0.6)	27.0	(3.0)	(6.0)
Net income (loss) before income taxes and minority interests	8.3	(10.5)	10.0	25.0	1.7	35.5	7.0	25.0
Net income (loss)	1.0	(25.1)	4.0	12.0	3.0	37.1	1.0	12.0
Exchange Rate (Yen/US\$)	99	100	102	103	3	3	103	103
Domestic Standard Naphtha Price (Yen/KL)	64,700	67,300	70,500	70,200	5,800	2,900	70,000	70,000
Items	FY2013		FY2014 Outlook		Incr.(Decr.)		FY2014 Outlook	
	1st half	Full Year	1st half	Full Year	1st half	Full Year	1st half	Full Year
Dividend (Yen /Share)	3.0	3.0	-	3.0	(3.0)	-	-	3.0

3) Sales and Operating Income/Loss by business segment

(compared with FY2013 results)

(Billions of Yen)

() Denotes a minus

Segment	Sales				Operating income/loss			
	FY2013		FY2014 Outlook		FY2013		FY2014 Outlook	
	1st half	Full Year	1st half	Full Year	1st half	Full Year	1st half	Full Year
Functional Chemicals	77.8	190.4	104.0	221.0	7.9	15.0	8.5	16.5
Functional Polymeric Materials	81.0	176.7	90.0	181.0	7.4	11.9	8.0	14.5
Polyurethane	76.3	163.8	71.0	182.0	(4.1)	(5.2)	(3.0)	1.0
Basic Chemicals	204.1	376.2	160.0	374.0	(8.0)	(17.4)	(6.0)	(9.0)
Petrochemicals	241.3	552.4	293.0	612.0	9.8	25.3	11.5	19.5
Films and Sheets	39.4	79.9	42.0	85.0	0.9	0.9	1.5	1.0
Others	11.7	26.6	10.0	25.0	(2.9)	(5.6)	(4.5)	(8.5)
Total	731.6	1,566.0	770.0	1,680.0	11.0	24.9	16.0	35.0

4) Sales and Operating Income/Loss by business segment

(1st half of FY2014 compared with previous outlook)

(Billions of Yen)

() Denotes a minus

Segment	Sales (1 st half FY2014)			Operating Income/Loss (1 st half FY2014)			Comments
	Previous Outlook	Current Outlook	Incr. (Decr.)	Previous Outlook	Current Outlook	Incr. (Decr.)	
Functional Chemicals	104.0	104.0	0.0	7.5	8.5	1.0	Sales increase in agrochemicals and healthcare materials
Functional Polymeric Materials	90.0	90.0	0.0	6.5	8.0	1.5	Sales increase in elastomers, functional compounds, and functional polymers
Polyurethane	86.0	71.0	(15.0)	(2.0)	(3.0)	(1.0)	Downturn in TDI market
Basic Chemicals	188.0	160.0	(28.0)	(5.0)	(6.0)	(1.0)	Increase in raw materials prices (2nd Q: benzene and paraxylene)
Petrochemicals	293.0	293.0	0.0	9.5	11.5	2.0	Improvement in terms of trade for polyolefins and increases in naphtha cracker operating rates
Films and Sheets	42.0	42.0	0.0	0.0	1.5	1.5	Sales increases in industrial films for electronic and information applications, and cost cuts
Others	12.0	10.0	(2.0)	(4.5)	(4.5)	0.0	
Total	815.0	770.0	(45.0)	12.0	16.0	4.0	

5) Non-Operating Income and Expenses

(Billions of yen)

() Denotes a minus

Items	FY2013 (a)		FY2014 Outlook (b)		Incr.(Decr.) (b)-(a)		FY2014 (Outlook on May 13)	
	1st half	full year	1st half	full year	1st half	full year	1st half	full year
Equity in earnings of non-consolidated subsidiaries and affiliates	1.5	0.8	0.0	2.0	(1.5)	1.2	0.5	2.0
Interest expenses, interest and dividend income	(1.7)	(3.3)	(2.0)	(4.5)	(0.3)	(1.2)	(2.5)	(4.5)
Gain (loss) on foreign exchange	0.2	0.2	(1.0)	(1.0)	(1.2)	(1.2)	0.0	0.0
Other	(0.3)	(0.1)	0.0	(0.5)	0.3	(0.4)	0.0	(1.5)
Total	(0.3)	(2.4)	(3.0)	(4.0)	(2.7)	(1.6)	(2.0)	(4.0)

6) Extraordinary Gains and Losses

(Billions of yen)

() Denotes a minus

Items	FY2013 (a)		FY2014 Outlook (b)		Incr.(Decr.) (b)-(a)		FY2013 (Outlook on May 13)	
	1st half	full year	1st half	full year	1st half	full year	1st half	full year
Extraordinary gains and losses								
Gain on sales of fixed assets	0.0	2.5	0.2	0.2	0.2	(2.3)	0.0	0.0
Insurance income	0.0	4.1	0.0	0.0	0.0	(4.1)	0.0	0.0
Loss on sales and disposal of fixed assets	(0.9)	(2.3)	(2.8)	(5.8)	(1.9)	(3.5)	(2.0)	(5.0)
Impairment loss	0.0	(0.5)	(0.2)	(0.2)	(0.2)	0.3	0.0	0.0
Business restructure improvement expenses	(1.5)	(36.8)	0.0	0.0	1.5	36.8	0.0	0.0
Others	0.0	0.0	(0.2)	(0.2)	(0.2)	(0.2)	(1.0)	(1.0)

(Appendix) Trends in Main Product Prices

(Naphtha prices are Domestic Standard Naphtha Price)

(PE, PP, PH, BPA(Japan) : Change in Prices and Raw Materials Prices in Japan / BPA(China), PTA, TDI : Chinese Market Price)

Year	2011	2012				2013				2014	
Month	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.
Naphtha (Yen/KL)	51,700	54,100	60,600	49,800	55,800	63,800	65,500	63,900	67,800	72,000	69,900
PE (Yen/KG)	about (5)	about (5)	about +20	about (20)	about +10	about +15	about +5		about +10	about +10	
PP (Yen/KG)	about (5)	about (5)	about +20	about (20)	about +10	about +15	about +5		about +10	about +10	
PH (Yen/KG)											
BZ(ACP) (US\$/T)	\$1,000	\$1,160	\$1,160	\$1,110	\$1,320	\$1,430	\$1,310	\$1,250	\$1,290	\$1,330	\$1,270
BPA(Japan) (Yen/KG)		(30)	+25	(14) From Aug.	+13 From Nov	+36 From Mar				+21 From Mar	
	negotiation based on BZ price and BPA market price										
BPA (China) (US\$/T)	\$1,570	\$1,730	\$1,690	\$1,690	\$1,750	\$1,920	\$1,740	\$1,660	\$1,630	\$1,660	\$1,670
PTA (China) (US\$/T)	\$1,110	\$1,180	\$1,070	\$1,030	\$1,120	\$1,170	\$1,050	\$1,080	\$1,020	\$940	\$910
PX(ACP) (US\$/T)	\$1,480	\$1,560	\$1,500	\$1,340	\$1,530	\$1,630	\$1,410	\$1,450	\$1,440	\$1,300	\$1,260
TDI (US\$/T)	\$2,180	\$2,560	\$3,030	\$2,830	\$2,770	\$2,680	\$2,530	\$2,375	\$2,340	\$2,330	\$2,320



Mitsui Chemicals, Inc.

Corporate Communications Division

TEL: +81 3 6253 2100

FAX: +81 3 6253 4245

URL: <http://www.mitsuichem.com/index.htm>

Inquiry form URL: https://www.mitsuichem.com/contact_us/