Questions from the Internet Briefing for Institutional Investors and Analysts on the Company's Consolidated Financial Results for the First Quarter of Fiscal 2014

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Reference	Financial Summary Results of the First Quarter of FY2014 & Forecast for FY2014

<On a Group-Wide Basis>

Q1. Although the Company upwardly revised its operating income forecast for the 1H of FY2014, from the 1Q to the 2Q operating income is projected to decline 4.8 billion yen (1H FY2014 forecast: 16.0 billion yen; 1Q: 10.4 billion yen; 2Q: 5.6 billion yen). What is the rationale behind this forecast? (P4)

A1. Negative impact of regular maintenance was around 2.0 billion yen

Petrochemicals: Naphtha cracker maintenance in the 2Q figured negatively at around 3.0 billion yen

Polyurethane: Maintenance implemented in the 1Q figured positively as 1.0 billion yen in the 2Q

Others: Postponement of new business-related expenses

Market conditions: Factoring in of high price of basic chemical raw materials (benzene and paraxylene)

There are no changes to other terms of trade or sales volume.

Q2. What are the operating rates for major products?

A2. Petrochemicals

Naphtha cracker: Projected to exceed the 1H estimate of 90%

PP and PE: Full capacity excluding regular maintenance

Basic Chemicals

Phenols: 80-90%. Scheduled full capacity following the shutdown of the Chiba Phenol Co., Ltd. plant in September

Bisphenol-A: Full capacity following suspension and termination of operations at one facility in both Japan and Singapore (March 2014)

Polyurethane

TDI: Around 50% in the 1Q due to regular maintenance. Scheduled full capacity from the 2Q

<High Functional Chemicals>

Q3. What are the reasons behind the increase in operating income from the 4Q of FY2013 to the 1Q of FY2014? What are the reasons for the decrease in earnings in the 2Q? (FY2013: 4Q 2.9 billion yen; FY2014: 1Q 4.7 billion yen; 2Q 3.8 billion yen (forecast))

A3. 1Q operating income increase is mainly attributed to the increase in overseas exports of agrochemicals.

A slight adjustment has been made for the 2Q to take into account the front-loading of agrochemicals in Japan and overseas in the 1Q.

There is no major change in profit for ophthalmic lens monomers and nonwoven fabrics.

Q4. Overseas agrochemical volumes have increased. Is this a sustainable trend?

A4. The effects of strategic efforts to expand overseas sales are beginning to emerge. Overseas sales of insecticides are particularly strong. One factor for the increase is the broadening of insecticide applications into pet and other non-crop specialty chemical fields.

Q5. What has been the impact on the earnings of the Heraeus dental material business?

A5. Trends have been strong in both Germany (December settlement date: 1Q (January to March)) and Japan. Taking into consideration the rush in demand prior to Japan's consumption tax rate hike, a minor revision is anticipated in the 2Q.

As structural reforms continue to progress as planned, earnings are expected to benefit in earnest from FY2015.

<Polyurethane>

Q6. Looking at revisions to results forecasts, TDI market conditions that were expected to improve in the 2Q are now forecast to remain unchanged from the 1Q. What is the current situation and is there any risk of a further deterioration in market conditions?

A6. The price of the raw material toluene continues to climb. While increase proposals at being made in Europe, the U.S., and China, conditions remain unchanged with ongoing difficulties in transferring rising costs to product prices. Demand is weak. There is no movement to sell at lower prices and adjustments to reduce production are being made. As a result, further deterioration is not expected.

<Basic Chemicals>

Q7. Amid weak demand, increases in the price of benzene have been successfully passed on through higher phenol prices. As a result, spreads have for the most part been maintained. Can this be attributed to adjustments in production?

A7. One factor that has contributed to the stable spread is the overlapping regular maintenance In Asia including Chinese manufacturers during the early spring. In addition, signs that the rise in benzene price are being successfully passed on through higher phenol prices are beginning to emerge due to adjustments to production.

Q8. The rationale behind the downward revision is difficult to understand. Is it because market conditions are expected to deteriorate compared with forecasts at the start of the 2Q? (1H operating loss 5.0 billion yen ⇒ 6.0 billion yen) (P12)

A8. While market conditions cannot be said to be worsening, a deterioration in the spread is expected from the 2Q owing mainly to the volatility in raw material prices.

Specifically, the price of phenols is projected to deteriorate owing mainly to the temporary sharp rise in the cost of raw materials including benzene from July.

Volatility in the cost of such raw materials as paraxylene has also been factored in to negatively impact the export of PTA from Japan.

<Petrochemicals>

Q9. 1Q FY2014 operating income was essentially unchanged year on year, does this include Irregular items such as the gain on inventory valuation recorded in the previous year. (1Q year-on-year operating income comparison: FY2013 7.1 billion yen (including a gain on inventory valuation of approximately 2.0 billion yen: FY2014 7.2 billion yen) (P4)

A9. There are no Irregular items.

Cracker operating rates are on the rise. At the same time, sales of polyolefins in Japan as well as PP compounds overseas are increasing. Due mainly to stable naphtha prices, spreads on polyolefin sales in Japan improved excluding formula sales. While inventories had a negative impact on a year-on-year basis, profits were essentially on par with the previous period.

Q10. What were the major positive and negative factors that contributed to the increase or decrease in results from the 4Q FY2013 to the 1Q FY2014 and from the 1Q FY2014 to the 2Q FY2014?
(4Q FY2013: 9.9 billion yen; 1Q FY2014: 7.2 billion yen; 2Q FY2014 (Forecast): 4.3 billion yen) (P4 & P12)

A10. Change in the account settlement date of an overseas subsidiary contributed positively as approximately 2.0 billion yen to results in the 4Q. Accordingly, performance in real terms was essentially unchanged from the 1Q. Overseas PP compound results remained strong. In profit terms there was no major change from a comprehensive perspective from raw materials to polyolefins in Japan.

Over the 1Q and 2Q periods, and looking at current conditions, no major change is anticipated outside regular maintenance factors.

<Films and Sheets>

Q11. What factors contributed to the upward revision in 1H operating income? 0 billion yen ⇒ 1.5 billion yen) (P12)

A11. The upward revision is largely attributable to ongoing robust sales of films for semiconductor manufacturing processes mainly overseas on the back of strong smartphone and other related device demand. Continuous efforts to reduce costs are also beginning to have an effect.

There are no major changes forecasted for such items as packing films and solar cell encapsulant sheets in Japan.

<Others>

Q12. Group-wide expenses are increasing from the 1Q to the 2Q. Will expenses remain at 2Q levels thereafter? (1Q: 1.3 billion yen ⇒ 3.2 billion yen) (P12)

A12. Group-wide expenses including R&D expenditures have been included in the “Others” segment to reflect the accelerated pace of new business development.

Expenses were projected to rise evenly at the beginning of the year. Expenses are now being carried forward into the 2Q. The total amount will not change therefore no increase is expected in the future.

Q13. Compared with the previous year, income before income taxes and minority interests is increasing. In contrast, net income is decreasing. What are the reasons for this? Were there any Irregular factors relating to income taxes and minority interests in income? (P2)

A13. Looking at overseas subsidiaries, income taxes increased due mainly to business growth in such countries and regions as North America where income tax rates are relatively high. Moreover, the amounts of minority interests in income adjustments also increase due to the upswing in profits at subsidiaries in which the Company does not hold a 100% equity interest. As a result, net income declined compared with the previous year.