

Summary of Consolidated Financial Results for Second Quarter of FY2022



Nov 8, 2022

Mitsui Chemicals, Inc.

1. Summary of Operating Results

(Unit : Billions of Yen)

	2nd Q of FY2021	2nd Q of FY2022	Incr. (Decr.)	FY2021	Forecast for FY2022 (announced Nov. 8)	
					FY2022	Incr. (Decr.)
Sales revenue	743.5	951.1	207.6	1,612.7	2,000.0	387.3
Operating income before special items	94.3	77.6	(16.7)	161.8	140.0	(21.8)
Operating income	96.6	72.5	(24.1)	147.3	156.0	8.7
Net income	81.0	48.6	(32.4)	118.6	115.0	(3.6)
Net income attributable to owners of the parent	76.0	44.4	(31.6)	110.0	105.0	(5.0)

※Mitsui Chemicals, Inc. (hereafter “the Company”) finalized the provisional accounting treatment for the business combination at the end of the previous period. The summarized quarterly consolidated financial statements for the same period of the previous year reflect the revision of the initially allocated amounts of acquisition cost as the Company finalized the provisional accounting treatment for the business combination.

2. Sales Revenue and Operating Income before Special Items by Business Segment

· Sales revenue

(Unit : Billions of Yen)

	2nd Q of FY2021	2nd Q of FY2022	Incr. (Decr.)	Breakdown		FY2021	Forecast for FY2022 (announced Nov. 8)	
				Volume	Price		FY2022	Incr. (Decr.)
Life & Healthcare Solutions	102.8	122.1	19.3	11.6	7.7	225.2	260.0	34.8
Mobility Solutions	199.4	255.4	56.0	4.4	51.6	432.7	550.0	117.3
ICT Solutions	101.7	118.2	16.5	(4.8)	21.3	207.1	240.0	32.9
Basic & Green Materials	334.5	448.3	113.8	1.3	112.5	737.1	937.0	199.9
Others	5.1	7.1	2.0	-	2.0	10.6	13.0	2.4
Total	743.5	951.1	207.6	12.5	195.1	1,612.7	2,000.0	387.3

· Operating income before special items

(Unit : Billions of Yen)

	2nd Q of FY2021	2nd Q of FY2022	Incr. (Decr.)	Breakdown			FY2021	Forecast for FY2022 (announced Nov. 8)	
				Volume	Price ※	Fixed Costs etc.		FY2022	Incr. (Decr.)
Life & Healthcare Solutions	11.7	13.8	2.1	3.0	1.3	(2.2)	24.9	30.5	5.6
Mobility Solutions	16.3	23.4	7.1	(0.6)	11.6	(3.9)	33.2	48.0	14.8
ICT Solutions	16.7	15.0	(1.7)	(2.7)	3.7	(2.7)	30.2	31.5	1.3
Basic & Green Materials	49.6	27.3	(22.3)	(6.0)	(7.2)	(9.1)	77.8	37.0	(40.8)
Others	0.2	(1.4)	(1.6)	-	-	(1.6)	(0.4)	(3.0)	(2.6)
Adjustment	(0.2)	(0.5)	(0.3)	-	-	(0.3)	(3.9)	(4.0)	(0.1)
Total	94.3	77.6	(16.7)	(6.3)	9.4	(19.8)	161.8	140.0	(21.8)

※Price includes both selling and purchasing price variances.

※Changes in Reported Segments Classification Methods

The Company revised our business portfolio and the reportable segments to realize a new long-term business plan, “VISION 2030”. The details are described in 1. Operating Results (2) Results by Business Segment on page 2 and “Organization Restructuring Effective April 2022” released on November 25, 2021. Please also refer to those below.

<https://jp.mitsuichemicals.com/sites/default/files/media/document/2021/211125e.pdf>

Accordingly, segment information for the corresponding period of the previous fiscal year is based on this reclassification.

3. Summary of Statement of Financial Position

(Unit : Billions of Yen)

	Assets				Liabilities and Equity		
	As of Mar. 31, 2022	As of Sept. 30, 2022	Incr. (Decr.)		As of Mar. 31, 2022	As of Sept. 30, 2022	Incr. (Decr.)
Current assets	1,033.5	1,131.4	97.9	Interest-bearing liabilities	715.1	773.2	58.1
Property, plant and equipment & right-of-use assets	553.6	585.1	31.5	Other liabilities	412.8	433.5	20.7
Goodwill and intangible assets	63.3	63.7	0.4	Equity attributable to owners of the parent	712.7	776.3	63.6
Other non-current assets	284.6	300.0	15.4	Non-controlling interests	94.4	97.2	2.8
Total assets	1,935.0	2,080.2	145.2	Total liabilities and equity	1,935.0	2,080.2	145.2
[Inventories]	369.0	451.3	82.3	[Net D/E Ratio]	0.75	0.73	(0.02)

4. Summary of Statement of Cash Flows

(Unit : Billions of Yen)

	2nd Q of FY2021	2nd Q of FY2022	Incr. (Decr.)	FY2021	Forecast for FY2022 (announced Nov. 8)	
					FY2022	Incr. (Decr.)
Cash flows from operating activities	62.6	21.9	(40.7)	92.6	81.0	(11.6)
Cash flows from investing activities	(39.5)	(14.0)	25.5	(205.2)	(69.0)	136.2
Free cash flows	23.1	7.9	(15.2)	(112.6)	12.0	124.6
Cash flows from financing activities	(23.4)	5.5	28.9	89.2	(9.0)	(98.2)
Others	1.1	13.7	12.6	8.6	14.0	5.4
Net incr.(decr.) in cash and cash equivalents	0.8	27.1	26.3	(14.8)	17.0	31.8
Cash and cash equivalents at the end of period	196.8	208.3	11.5	181.2		

5. Accounting Fundamentals

		2nd Q of FY2021	2nd Q of FY2022	Incr. (Decr.)	FY2021	Forecast for FY2022 (announced Nov. 8)	
						FY2022	Incr. (Decr.)
R & D expenses	¥ Billions	17.8	20.5	2.7	38.1	43.0	4.9
Depreciation & amortization	¥ Billions	39.8	44.9	5.1	84.2	98.0	13.8
Capital expenditures	¥ Billions	93.2	89.2	(4.0)	207.1	180.0	(27.1)
Financing incomes & expenses	¥ Billions	(2.2)	(1.8)	0.4	(6.0)	(2.0)	4.0
Interest-bearing liabilities	¥ Billions	562.2	773.2	211.0	715.1	773.0	57.9
Net D/E Ratio	percentage	0.54	0.73	0.19	0.75	0.74	(0.01)
Number of employees	person	18,593	19,007	414	18,780	19,100	320
Exchange rate	Yen / US\$	110	134	24	112	137	25
Domestic standard naphtha price	Yen / KL	50,600	83,750	33,150	56,600	78,900	22,300
Number of group companies	company	154	161	7	161	167	6

6. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual
FY2021 Result	-	55.00	-	65.00	120.00
FY2022 Result/Forecast	-	60.00	-	60.00	120.00

The year-end dividend for FY2021 consists of 60.00 yen regular dividend and 5.00 yen memorial dividend.

7. Number of Shares Outstanding (common stock)

	FY2021	2nd Q of FY2022
Number of shares outstanding at term-end (including treasury stock)	204,653,315	204,763,815
Number of shares of treasury stock at term-end	11,417,375	11,419,597
Average number of shares	195,795,294 ※	193,289,826

※2nd Q of FY2021

1. Operating Results

(1) Overview

In the fiscal period under review (the six-month period from Apr 1, 2022 to Sept 30, 2022, hereinafter the “first half”), the world economy has been showing recovery due to the normalization of economic and social activities, following the easing impact from the coronavirus. However, there are growing concerns about economic slowdown, as the situation in Ukraine caused raw materials and fuel prices to increase mainly in Europe, and China restricts economic activities. In Japan as well, the economic and social activities have been normalizing and recovering. On the other hand, there are growing concerns about economic slowdown due to higher raw materials and fuel prices and progress of weakening of the yen.

The Mitsui Chemicals Group (hereafter “the Group”) reported the following operating results for the first half as follows. The Group has applied operating income before special items as a management indicator, which is operating income excluding non-recurring items.

The Company finalized the provisional accounting treatment for the business combination at the end of the previous period. The summarized quarterly consolidated financial statements for the same period of the previous year reflect the revision of the initially allocated amounts of acquisition cost as the Company finalized the provisional accounting treatment for the business combination.

(Billions of Yen)

	Sales Revenue	Operating Income before Special Items	Operating Income	Net Income Attributable to Owners of the Parent
First half	951.1	77.6	72.5	44.4
Same period of previous fiscal year	743.5	94.3	96.6	76.0
Difference	207.6	(16.7)	(24.1)	(31.6)
Ratio (%)	27.9	(17.7)	(24.9)	(41.6)

Sales revenue increased 207.6 billion yen, or 27.9%, compared with the corresponding period of the previous fiscal year to 951.1 billion yen. This was mainly attributable to increase in sales prices due to higher naphtha and other raw materials and fuel prices.

Operating income before special items was 77.6 billion yen, a decrease of 16.7 billion yen, or 17.7%, year on year. This result was due to fall in overseas market prices of Bisphenol A and increase of fixed costs.

Operating income was 72.5 billion yen, decreased 24.1 billion yen, or 24.9%, year on year. This result was mainly due to the decrease of operating income before special items.

Financial income/expenses improved 0.4 billion yen year on year to 1.8 billion yen loss.

As a result of the aforementioned factors, **income before income taxes** amounted to 70.7 billion yen, a decrease of 23.7 billion yen, or 25.2%, year on year.

Net income attributable to owners of the parent after accounting for income taxes and non-controlling interests was 44.4 billion yen, a decrease of 31.6 billion yen, or 41.6%, compared with the corresponding period of the previous fiscal year. Basic earnings per share for the period were 229.46 yen.

(2) Results by Business Segment

The status of each segment during the first half is as follows.

The Company revised our business portfolio to realize VISION 2030, a long-term business plan starting in 2021 and running through to 2030.

Consequently, from the first quarter of fiscal 2022, reportable segments were reviewed and reclassified from previous four segments of "Healthcare", "Mobility", "Food & Packaging", and "Basic Materials" into four segments of "Life & Healthcare Solutions", "Mobility Solutions", "ICT Solutions", and "Basic & Green Materials".

Accordingly, segment information for the corresponding period of the previous fiscal year is based on this reclassification.

Major products manufactured and sold by business segments are as follows:

Segments		Major Products and Businesses
Reportable Segments	Life & Healthcare Solutions	Vision care materials, nonwoven fabrics, oral care materials, personal care materials and, agrochemicals
	Mobility Solutions	Elastomers, performance compounds, polypropylene compounds and, comprehensive services regarding to the development of automotive and industrial products (Solution business)
	ICT Solutions	Materials and components for semiconductor and electronic component manufacturing processes, optical materials, lithium-ion battery materials, next-gen battery materials and, high-performance food packaging materials
	Basic & Green Materials	Ethylene, propylene, polyethylene, polypropylene, catalysts, phenols, PTA, PET, polyurethane materials and, industrial chemical products
Others	Others	Other related businesses, etc.

Life & Healthcare Solutions

Sales revenue increased 19.3 billion yen compared with the corresponding period of the previous fiscal year to 122.1 billion yen and comprised 13% of total sales. Operating income before special items increased 2.1 billion yen to 13.8 billion yen, mainly due to healthy sales in vision care materials and agrochemicals.

In **vision care materials**, the Group captured demand and sales remained healthy for ophthalmic lens materials.

In **oral care materials**, sales remained same level as the corresponding period of the previous fiscal year.

In **agrochemicals**, overseas sales were healthy.

Mobility Solutions

Sales revenue increased 56.0 billion yen year on year to 255.4 billion yen and comprised 27% of total sales. Operating income before special items increased 7.1 billion yen to 23.4 billion yen. This was mainly due to improved terms of trade, resulting from sales price revision and favorable foreign exchange conditions.

In **elastomers**, terms of trade were improved due to sales price revision and favorable foreign exchange conditions.

In **performance compounds and polypropylene compound**, sales increased due to recovery of production volume in automotive industry. Terms of trade were improved due to sales price revision and favorable foreign exchange conditions.

In **solution business**, sales remained same level as the corresponding period of the previous fiscal year due to prolonged delay of the development of prototyping.

ICT Solutions

Sales revenue increased 16.5 billion yen compared with the same period of the previous fiscal year to 118.2 billion yen and comprised 12% of total sales. On the other hand, operating income before special items decreased 1.7 billion yen to 15.0 billion yen. This was mainly affected by slowing demand for semiconductor materials, although terms of trade were improved by favorable foreign exchange conditions.

In **semiconductor & optical materials and coatings & engineering materials**, terms of trade were improved due to favorable foreign exchange conditions.

In **industrial films**, terms of trade were improved due to favorable foreign exchange conditions, while sales decreased from slowing demand for semiconductor materials.

Basic & Green Materials

Sales revenue increased 113.8 billion yen compared with the same period of the previous fiscal year to 448.3 billion yen and accounted for 47% of total sales. On the other hand, operating income before special items decreased 22.3 billion yen to 27.3 billion yen, due to fall in overseas market prices of Bisphenol A.

Naphtha cracker operating rates decreased due to decline in demand of downstream products. Sales of **polyethylene and polypropylene** were affected by slowing demand.

Others

Sales revenue increased 2.0 billion yen to 7.1 billion yen, comprised 1% of total sales. On the other hand, operating income before special items was 1.4 billion yen loss, decrease of 1.6 billion yen compared to the same period of the previous year.

2. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the first half stood at 2,080.2 billion yen, an increase of 145.2 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of first half increased 78.8 billion yen compared with the previous fiscal year-end to 1,206.7 billion yen. **Interest-bearing debt** amounted to 773.2 billion yen, an increase of 58.1 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 37.2%, an increase of 0.2 percentage point.

Total equity was 873.5 billion yen, an increase of 66.4 billion yen compared with the previous fiscal year-end. The **ratio of equity attributable to owners of the parent** was 37.3%, an increase of 0.5 percentage point.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.73 at the end of the fiscal year, 0.02 point decrease from the previous fiscal year-end.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called "net cash") at the end of the first half increased 27.1 billion yen to 208.3 billion yen compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased 40.7 billion yen to 21.9 billion yen due to increase of working capital.

Cash Flows from Investing Activities

Net cash used in investing activities decreased 25.5 billion yen to 14.0 billion yen due to proceeds from a paid-in capital reduction of investment securities.

Cash Flows from Financing Activities

Net cash provided by financing activities was 5.5 billion yen, due primarily to increase of borrowings of interest-bearing debt. The same period of the previous fiscal year was 23.4 billion yen expenditure.

3. Outlook for Fiscal 2022 (Year Ending March 31, 2023)

(1) Overview

Revised financial forecasts are based on the following assumptions:

- a) Exchange rate for the full year is 137 yen/US\$ (Oct – Mar:140 yen/US\$)
- b) Average price of domestic naphtha is 78,900 yen /kl (Oct – Mar:74,000 yen/kl)

Considering the recent business condition in the first half, sales revenue is expected to be lower than previously announced.

On the other hand, in the fiscal year ending March 31, 2023, operating income, net income, and net income attributable to owners of the parent are expected to increase by recognizing gain from share transfer associated with sale of a consolidated subsidiary.

(Billions of Yen)

	Sales Revenue	Operating Income before Special Items	Operating Income	Net Income	Net Income Attributable to Owners of the Parent	Basic Earnings per Share (yen)
Previous forecast (A)	2,160.0	140.0	138.0	110.0	100.0	517.50
Revised forecast (B)	2,000.0	140.0	156.0	115.0	105.0	543.15
Difference (B-A)	(160.0)	0.0	18.0	5.0	5.0	
Ratio (%)	(7.4)	0.0	13.0	4.5	5.0	
(Reference) FY2021	1,612.7	161.8	147.3	118.6	110.0	565.45

Note: The Company has resolved at a meeting of its Board of Directors held on November 8, 2022 to repurchase its own shares. Outlook for basic earnings per share is calculated without considering the impact of this matter.

(2) Revision by Business Segment

Outlook by FY2022 business segment is as follows.

(Billions of Yen)

	Sales Revenue						
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Others	Adjustment	Total
Previous forecast	246.0	538.0	244.0	1,119.0	13.0	-	2,160.0
Revised forecast	260.0	550.0	240.0	937.0	13.0	-	2,000.0
Difference	14.0	12.0	(4.0)	(182.0)	0.0	-	(160.0)

(Billions of Yen)

	Operating Income before Special Items						
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Others	Adjustment	Total
Previous forecast	27.0	41.5	36.5	46.0	(7.0)	(4.0)	140.0
Revised forecast	30.5	48.0	31.5	37.0	(3.0)	(4.0)	140.0
Difference	3.5	6.5	(5.0)	(9.0)	4.0	0.0	0.0

4. Subsequent Events

(Repurchase and Cancellation of Own Shares)

The Company has resolved at a meeting of its Board of Directors held on November 8, 2022 to repurchase its own shares in accordance with Article 156 of the Companies Act applicable pursuant to paragraph 3 Article 165 of the Act and to cancel its own shares in accordance with Article 178 of the Act as below.

1. Reason for Repurchase and Cancellation

In order to improve the shareholder return as well as capital efficiency

2. Detail of Repurchase

(1) Class and total number of shares to be repurchased

Common stock up to 4,000,000 shares

(2) Total amount of repurchase

Up to 10.0 billion yen

(3) Repurchase period

From November 9, 2022 to February 28, 2023

(4) Repurchase method

Market purchases based on the discretionary dealing contract regarding repurchase of own shares

3. Detail of Cancellation

(1) Class and total number of shares to be cancelled

Common stock 4,000,000 shares

(2) Cancellation date

December 8, 2022