

Summary of Consolidated Financial Results for Third Quarter of FY2022



Feb 3, 2023
Mitsui Chemicals, Inc.

1. Summary of Operating Results

(Unit : Billions of Yen)

	3rd Q of FY2021	3rd Q of FY2022	Incr. (Decr.)	FY2021	Forecast for FY2022 (announced Feb. 3)	
					FY2022	Incr. (Decr.)
Sales revenue	1,165.1	1,428.9	263.8	1,612.7	1,910.0	297.3
Operating income before special items	134.3	110.3	(24.0)	161.8	130.0	(31.8)
Operating income	138.6	107.0	(31.6)	147.3	147.0	(0.3)
Net income	110.1	71.6	(38.5)	118.6	104.0	(14.6)
Net income attributable to owners of the parent	102.7	64.9	(37.8)	110.0	95.0	(15.0)
Exchange rate Yen / US\$	111	137	26	112	135	23
Domestic standard naphtha price Yen / KL	54,000	80,000	26,000	56,600	77,000	20,400

※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)

	3rd Q of FY2021	3rd Q of FY2022	Incr. (Decr.)	Breakdown		FY2021	Forecast for FY2022 (announced Feb. 3)	
				Volume	Price		FY2022	Incr. (Decr.)
Life & Healthcare Solutions	158.9	186.8	27.9	14.2	13.7	225.2	260.0	34.8
Mobility Solutions	311.4	390.8	79.4	10.0	69.4	432.7	530.0	97.3
ICT Solutions	155.3	179.6	24.3	(11.9)	36.2	207.1	225.0	17.9
Basic & Green Materials	531.6	660.5	128.9	(20.3)	149.2	737.1	880.0	142.9
Others	7.9	11.2	3.3	-	3.3	10.6	15.0	4.4
Total	1,165.1	1,428.9	263.8	(8.0)	271.8	1,612.7	1,910.0	297.3

· Operating income before special items

(Unit : Billions of Yen)

	3rd Q of FY2021	3rd Q of FY2022	Incr. (Decr.)	Breakdown			FY2021	Forecast for FY2022 (announced Feb. 3)	
				Volume	Price ※	Fixed Costs etc.		FY2022	Incr. (Decr.)
Life & Healthcare Solutions	18.3	21.6	3.3	4.5	4.1	(5.3)	24.9	30.5	5.6
Mobility Solutions	24.0	38.9	14.9	1.8	21.6	(8.5)	33.2	51.0	17.8
ICT Solutions	25.2	23.0	(2.2)	(5.8)	6.7	(3.1)	30.2	27.0	(3.2)
Basic & Green Materials	67.5	29.8	(37.7)	(11.8)	(12.5)	(13.4)	77.8	27.5	(50.3)
Others	0.2	(2.0)	(2.2)	-	-	(2.2)	(0.4)	(2.0)	(1.6)
Adjustment	(0.9)	(1.0)	(0.1)	-	-	(0.1)	(3.9)	(4.0)	(0.1)
Total	134.3	110.3	(24.0)	(11.3)	19.9	(32.6)	161.8	130.0	(31.8)

※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 Dec. 31, 2022	Incr. (Decr.)		As of Mar. 31, 2022	As of Dec. 31, 2022	Incr. (Decr.)
Current assets	1,033.5	1,132.3	98.8	Interest-bearing liabilities	715.1	811.0	95.9
Property, plant and equipment & right-of-use assets	553.6	593.5	39.9	Other liabilities	412.8	411.9	(0.9)
Goodwill and intangible assets	63.3	66.3	3.0	Equity attributable to owners of the parent	712.7	765.7	53.0
Other non-current assets	284.6	293.6	9.0	Non-controlling interests	94.4	97.1	2.7
Total assets	1,935.0	2,085.7	150.7	Total liabilities and equity	1,935.0	2,085.7	150.7
[Inventories]	369.0	455.3	86.3	[Net D/E Ratio]	0.75	0.80	0.05

4. Summary of Statement of Cash Flows

(Unit : Billions of Yen)

	3rd Q of FY2021	3rd Q of FY2022	Incr. (Decr.)	FY2021	Forecast for FY2022 (announced Feb. 3)	
					FY2022	Incr. (Decr.)
Cash flows from operating activities	54.3	44.1	(10.2)	92.6	90.0	(2.6)
Cash flows from investing activities	(104.0)	(67.3)	36.7	(205.2)	(64.5)	140.7
Free cash flows	(49.7)	(23.2)	26.5	(112.6)	25.5	138.1
Cash flows from financing activities	63.1	29.0	(34.1)	89.2	(14.0)	(103.2)
Others	2.4	6.4	4.0	8.6	6.5	(2.1)
Net incr.(decr.) in cash and cash equivalents	15.8	12.2	(3.6)	(14.8)	18.0	32.8
Cash and cash equivalents at the end of period	211.8	193.4	(18.4)	181.2		

5. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual Total
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.

6. Number of Shares Outstanding (common stock)

	FY2021	3rd Q of FY2022
Number of shares outstanding at term-end (including treasury stock)	204,653,315	200,763,815
Number of shares of treasury stock at term-end	11,417,375	9,041,596
Average number of shares	194,943,251 ※	193,044,998

※3rd Q of FY2021

1. Operating Results

(1) Overview

In the fiscal period under review (the nine-month period from Apr 1, 2022 to Dec 31, 2022, hereinafter the “third quarter”), 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 the rapid spread of infection in China, following the shift from zero-COVID policy. 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 high level of raw materials and fuel prices and rise in cost of living.

The Mitsui Chemicals Group (hereafter “the Group”) reported the following operating results for the third quarter 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
Third quarter	1,428.9	110.3	107.0	64.9
Same period of previous fiscal year	1,165.1	134.3	138.6	102.7
Difference	263.8	(24.0)	(31.6)	(37.8)
Ratio (%)	22.6	(17.8)	(22.8)	(36.7)

Sales revenue increased 263.8 billion yen, or 22.6%, compared with the corresponding period of the previous fiscal year to 1,428.9 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 110.3 billion yen, a decrease of 24.0 billion yen, or 17.8%, year on year. This result was due to fall in overseas market prices of Bisphenol A and increase of fixed costs.

Operating income was 107.0 billion yen, decreased 31.6 billion yen, or 22.8%, year on year. This result was mainly due to the decrease of operating income before special items.

Financial income/expenses worsened 0.4 billion yen year on year to 6.8 billion yen loss.

As a result of the aforementioned factors, **income before income taxes** amounted to 100.2 billion yen, a decrease of 32.0 billion yen, or 24.2%, year on year.

Net income attributable to owners of the parent after accounting for income taxes and non-controlling interests was 64.9 billion yen, a decrease of 37.8 billion yen, or 36.7%, compared with the corresponding period of the previous fiscal year. Basic earnings per share for the period were 336.43 yen.

(2) Results by Business Segment

The status of each segment during the third quarter 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 27.9 billion yen compared with the corresponding period of the previous fiscal year to 186.8 billion yen and comprised 13% of total sales. Operating income before special items increased 3.3 billion yen to 21.6 billion yen, mainly due to healthy sales in agrochemicals.

In **vision care materials**, 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 79.4 billion yen year on year to 390.8 billion yen and comprised 27% of total sales. Operating income before special items increased 14.9 billion yen to 38.9 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 24.3 billion yen compared with the same period of the previous fiscal year to 179.6 billion yen and comprised 13% of total sales. On the other hand, operating income before special items decreased 2.2 billion yen to 23.0 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**, terms of trade were improved due to favorable foreign exchange conditions despite of decrease in sales.

In **coatings & engineering materials**, sales remained same level as the corresponding period of the previous fiscal year.

In **industrial films**, sales decreased from slowing demand for semiconductor materials.

Basic & Green Materials

Sales revenue increased 128.9 billion yen compared with the same period of the previous fiscal year to 660.5 billion yen and accounted for 46% of total sales. On the other hand, operating income before special items decreased 37.7 billion yen to 29.8 billion yen, due to fall in overseas market prices of Bisphenol A, and decline in inventory valuation gain, which was resulting from drop of current naphtha and raw materials prices.

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

Others

Sales revenue increased 3.3 billion yen to 11.2 billion yen, comprised 1% of total sales. On the other hand, operating income before special items was 2.0 billion yen loss, decrease of 2.2 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 third quarter stood at 2,085.7 billion yen, an increase of 150.7 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of third quarter increased 95.0 billion yen compared with the previous fiscal year-end to 1,222.9 billion yen. **Interest-bearing debt** amounted to 811.0 billion yen, an increase of 95.9 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 38.9%, an increase of 1.9 percentage point.

Total equity was 862.8 billion yen, an increase of 55.7 billion yen compared with the previous fiscal year-end. The **ratio of equity attributable to owners of the parent** was 36.7%, a decrease of 0.1 percentage point.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.80 at the end of the fiscal year, 0.05 point increase from the previous fiscal year-end.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called “net cash”) at the end of the third quarter increased 12.2 billion yen to 193.4 billion yen compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased 10.2 billion yen to 44.1 billion yen due to lower income before income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities decreased 36.7 billion yen to 67.3 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 decreased 34.1 billion yen to 29.0 billion yen due primarily to decrease of borrowings of interest-bearing debt.

3. Forecast 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 135 yen/US\$ (Jan – Mar:130 yen/US\$)
- b) Average price of domestic naphtha is 77,000 yen /kl (Jan – Mar:68,000 yen/kl)

Considering the recent business condition in the third quarter, sales revenue and incomes are expected to be lower than previously announced. This is mainly due to decline in inventory valuation gain, which is resulting from drop of current naphtha and raw material prices, and lower sales volume for ICT-related products as a result of slowing demand for semiconductor materials.

(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)	2,000.0	140.0	156.0	115.0	105.0	543.15
Revised forecast (B)	1,910.0	130.0	147.0	104.0	95.0	492.96
Difference (B-A)	(90.0)	(10.0)	(9.0)	(11.0)	(10.0)	
Ratio (%)	(4.5)	(7.1)	(5.8)	(9.6)	(9.5)	
(Reference) FY2021	1,612.7	161.8	147.3	118.6	110.0	565.45

(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	260.0	550.0	240.0	937.0	13.0	-	2,000.0
Revised forecast	260.0	530.0	225.0	880.0	15.0	-	1,910.0
Difference	0.0	(20.0)	(15.0)	(57.0)	2.0	-	(90.0)

(Billions of Yen)

	Operating Income before Special Items						
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Others	Adjustment	Total
Previous forecast	30.5	48.0	31.5	37.0	(3.0)	(4.0)	140.0
Revised forecast	30.5	51.0	27.0	27.5	(2.0)	(4.0)	130.0
Difference	0.0	3.0	(4.5)	(9.5)	1.0	0.0	(10.0)