

Summary of Consolidated Financial Results for Second Quarter of FY2023



Nov 8, 2023
Mitsui Chemicals, Inc.

1. Summary of Operating Results

(Unit : Billions of Yen)

	2nd Q of FY2022	2nd Q of FY2023	Incr. (Decr.)	Forecast for FY2023 (announced Nov. 8)		
				FY2022	FY2023	Incr. (Decr.)
Sales revenue	951.1	823.7	(127.4)	1,879.5	1,757.0	(122.5)
Operating income before special items	77.6	42.0	(35.6)	113.9	112.0	(1.9)
Operating income	72.5	31.2	(41.3)	129.0	97.0	(32.0)
Net income	48.6	24.3	(24.3)	90.1	85.0	(5.1)
Net income attributable to owners of the parent	44.4	20.7	(23.7)	82.9	76.0	(6.9)

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

·Sales revenue

(Unit : Billions of Yen)

	2nd Q of FY2022	2nd Q of FY2023	Incr. (Decr.)	Breakdown		FY2022	Forecast for FY2023 (announced Nov. 8)	
				Volume	Price		FY2023	Incr. (Decr.)
Life & Healthcare Solutions	122.1	119.1	(3.0)	(6.7)	3.7	258.2	303.0	44.8
Mobility Solutions	255.4	261.3	5.9	8.0	(2.1)	521.6	547.0	25.4
ICT Solutions	118.2	113.4	(4.8)	(11.0)	6.2	235.7	251.0	15.3
Basic & Green Materials	448.3	322.1	(126.2)	(106.2)	(20.0)	849.0	639.0	(210.0)
Others	7.1	7.8	0.7	-	0.7	15.0	17.0	2.0
Total	951.1	823.7	(127.4)	(115.9)	(11.5)	1,879.5	1,757.0	(122.5)

·Operating income before special items

(Unit : Billions of Yen)

	2nd Q of FY2022	2nd Q of FY2023	Incr. (Decr.)	Breakdown			FY2022	Forecast for FY2023 (announced Nov. 8)	
				Volume	Price ※	Fixed Costs etc.		FY2023	Incr. (Decr.)
Life & Healthcare Solutions	13.8	11.2	(2.6)	(4.3)	3.1	(1.4)	29.2	36.0	6.8
Mobility Solutions	23.4	26.9	3.5	1.0	6.8	(4.3)	49.3	57.0	7.7
ICT Solutions	15.0	11.4	(3.6)	(5.4)	4.9	(3.1)	23.8	28.0	4.2
Basic & Green Materials	27.3	(7.1)	(34.4)	(11.1)	(15.6)	(7.7)	17.8	(3.0)	(20.8)
Others	(1.4)	(0.5)	0.9	-	-	0.9	(2.8)	(2.5)	0.3
Adjustment	(0.5)	0.1	0.6	-	-	0.6	(3.4)	(3.5)	(0.1)
Total	77.6	42.0	(35.6)	(19.8)	(0.8)	(15.0)	113.9	112.0	(1.9)

※Price includes both selling and purchasing price variances.

3. Summary of Statement of Financial Position

(Unit : Billions of Yen)

	Assets				Liabilities and Equity		
	As of Mar. 31, 2023	As of Sept. 30, 2023	Incr. (Decr.)		As of Mar. 31, 2023	As of Sept. 30, 2023	Incr. (Decr.)
Current assets	1,094.3	1,082.5	(11.8)	Interest-bearing liabilities	794.7	772.5	(22.2)
Property, plant and equipment & right-of-use assets	600.9	625.4	24.5	Other liabilities	390.2	402.3	12.1
Goodwill and intangible assets	67.5	74.0	6.5	Equity attributable to owners of the parent	786.8	831.3	44.5
Other non-current assets	305.5	322.5	17.0	Non-controlling interests	96.5	98.3	1.8
Total assets	2,068.2	2,104.4	36.2	Total liabilities and equity	2,068.2	2,104.4	36.2
[Inventories]	441.9	441.0	(0.9)	[Net D/E Ratio]	0.77	0.68	(0.09)

4. Summary of Statement of Cash Flows

(Unit : Billions of Yen)

	2nd Q of FY2022	2nd Q of FY2023	Incr. (Decr.)	FY2022	Forecast for FY2023 (announced Nov. 8)	
					FY2023	Incr. (Decr.)
Cash flows from operating activities	21.9	85.8	63.9	101.2	130.0	28.8
Cash flows from investing activities	(14.0)	(35.5)	(21.5)	(106.3)	(119.0)	(12.7)
Free cash flows	7.9	50.3	42.4	(5.1)	11.0	16.1
Cash flows from financing activities	5.5	(45.2)	(50.7)	2.5	(21.0)	(23.5)
Others	13.7	11.2	(2.5)	7.7	11.0	3.3
Net incr.(decr.) in cash and cash equivalents	27.1	16.3	(10.8)	5.1	1.0	(4.1)
Cash and cash equivalents at the end of period	208.3	202.6	(5.7)	186.3		

5. Accounting Fundamentals

		2nd Q of FY2022	2nd Q of FY2023	Incr. (Decr.)	FY2022	Forecast for FY2023 (announced Nov. 8)	
						FY2023	Incr. (Decr.)
R & D expenses	¥ Billions	20.5	21.5	1.0	43.0	45.0	2.0
Depreciation & amortization	¥ Billions	44.9	46.3	1.4	92.1	96.0	3.9
Capital expenditures	¥ Billions	89.2	89.7	0.5	168.0	180.0	12.0
Financing incomes & expenses	¥ Billions	(1.8)	1.8	3.6	(11.7)	1.0	12.7
Interest-bearing liabilities	¥ Billions	773.2	772.5	(0.7)	794.7	813.0	18.3
Net D/E Ratio	percentage	0.73	0.68	(0.05)	0.77	0.73	(0.04)
Number of employees	person	19,007	19,543	536	18,933	19,800	867
Exchange rate	Yen / US\$	134	141	7	135	145	10
Domestic standard naphtha price	Yen / KL	83,750	65,550	(18,200)	76,600	70,300	(6,300)
Number of group companies	company	161	163	2	165	163	(2)

6. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual Total
FY2022 Result	-	60.00	-	60.00	120.00
FY2023 Result/Forecast	-	70.00	-	70.00	140.00

7. Number of Shares Outstanding (common stock)

	FY2022	2nd Q of FY2023
Number of shares outstanding at term-end (including treasury stock)	200,763,815	200,843,815
Number of shares of treasury stock at term-end	10,697,729	10,702,408
Average number of shares	193,289,826 ※	190,103,457

※2nd Q of FY2022

1. Operating Results

(1) Overview

In the fiscal period under review (the six-month period from April 1, 2023 to Sept 30, 2023, hereinafter the “first half”), economic recovery continued worldwide, particularly in the service industry, which includes such businesses as restaurants and lodging. Meanwhile, the pace of recovery in manufacturing industries since the COVID-19 pandemic has slowed amid weak global demand and moves to tighten monetary policy. In Japan as well, economic activity has continued to recover. On the other hand, there are growing concerns about an economic downturn due to a rise in the cost of living and a slowdown in overseas demand.

The Mitsui Chemicals Group (hereinafter “the Group”) reported operating results for the first half as follows. The Group employs operating income before special items (excluding non-recurring items) as a management indicator.

(Billions of Yen)

	Sales Revenue	Operating Income before Special Items	Operating Income	Net Income Attributable to Owners of the Parent
First half	823.7	42.0	31.2	20.7
Same period of previous fiscal year	951.1	77.6	72.5	44.4
Difference	(127.4)	(35.6)	(41.3)	(23.7)
Difference (%)	(13.4)	(45.8)	(56.9)	(53.4)

Sales revenue decreased 127.4 billion yen, or 13.4%, compared with the corresponding period of the previous fiscal year to 823.7 billion yen. This was mainly attributable to a decrease in sales volume due to weak demand and the sale of subsidiaries.

Operating income before special items was 42.0 billion yen, a decrease of 35.6 billion yen, or 45.8%, year on year. This result was due to a decrease in sales volume resulting from weak demand and a decrease in share of profit of investments accounted for using equity method.

Operating income was 31.2 billion yen, a decrease of 41.3 billion yen, or 56.9%, year on year. This result was due to the decrease in operating income before special items.

Financial income/expenses improved 3.6 billion yen year on year to income of 1.8 billion yen.

As a result of the aforementioned factors, **income before income taxes** amounted to 33.0 billion yen, a decrease of 37.7 billion yen, or 53.3%, year on year.

Net income attributable to owners of the parent after accounting for income taxes and non-controlling interests was 20.7 billion yen, a decrease of 23.7 billion yen, or 53.4%, compared with the corresponding period of the previous fiscal year. Basic earnings per share for the period amounted to 108.82 yen.

(2) Results by Business Segment

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

Life & Healthcare Solutions

Sales revenue decreased 3.0 billion yen compared with the corresponding period of the previous fiscal year to 119.1 billion yen and comprised 14% of total sales. Operating income before special items decreased 2.6 billion yen to 11.2 billion yen, mainly because sales remained weak in vision care materials.

In **vision care materials**, sales remained weak for ophthalmic lens materials due to inventory adjustments by customers.

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

In **agrochemicals**, overseas sales remained steady.

Mobility Solutions

Sales revenue increased 5.9 billion yen year on year to 261.3 billion yen and comprised 32% of total sales. Operating income before special items increased 3.5 billion yen to 26.9 billion yen, mainly due to improved terms of trade, resulting from sales price revisions and favorable foreign exchange conditions.

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

In **polypropylene compounds**, sales increased due to a recovery of production volume in the automotive industry.

In **solutions business**, orders for the development of prototypes increased.

ICT Solutions

Sales revenue decreased 4.8 billion yen compared with the same period of the previous fiscal year to 113.4 billion yen and comprised 14% of total sales. Operating income before special items decreased 3.6 billion yen to 11.4 billion yen year on year. 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 **performance films and sheets**, sales decreased from slowing demand for semiconductor materials.

In **coatings & engineering materials**, terms of trade improved due to sales price revisions and favorable foreign exchange conditions..

Basic & Green Materials

Sales revenue decreased 126.2 billion yen compared with the same period of the previous fiscal year to 322.1 billion yen and accounted for 39% of total sales. Operating income before special items decreased 34.4 billion yen, resulting in a 7.1-billion-yen loss. This was attributable to a decrease in sales volume due to slowing demand, and decline in inventory valuation gain.

Sales of **polyolefin** and **phenols** decreased compared with the corresponding period of the previous fiscal year due to slowing demand. **Naphtha cracker** operating rates remained at a low level due to slowing demand for downstream products.

Others

Sales revenue increased 0.7 billion yen to 7.8 billion yen and comprised 1% of total sales. Operating loss before special items improved 0.9 billion yen compared with the same period of the previous fiscal year to a loss of 0.5 billion yen.

2. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the first half stood at 2,104.4 billion yen, an increase of 36.2 billion yen compared with the end of the previous fiscal year-end.

Total liabilities at the end of first half decreased 10.1 billion yen compared with the previous fiscal year-end to 1,174.8 billion yen. **Interest-bearing debt** amounted to 772.5 billion yen, a decrease of 22.2 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 36.7%, a decrease of 1.7 percentage point.

Total equity was 929.6 billion yen, an increase of 46.3 billion yen compared with the previous fiscal year-end. The **ratio of equity attributable to owners of the parent** was 39.5%, an increase of 1.5 percentage point.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.68 at the end of the fiscal year, a 0.09-percentage 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 16.3 billion yen to 202.6 billion yen compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities increased 63.9 billion yen to 85.8 billion yen, due to decrease of working capital, despite of lower income before income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities increased 21.5 billion yen to 35.5 billion yen, compared with the same period of the previous fiscal year, due to an increase in cash outflows from capital expenditure.

Cash Flows from Financing Activities

Net cash used in financing activities was 45.2 billion yen, compared with 5.5-billion-yen income in the same period of the previous fiscal year, due primarily to a decrease of interest-bearing debt.

3. Outlook for Fiscal 2023 (Year Ending March 31, 2024)

(1) Overview

Revised financial forecasts are based on the following assumptions:

- a) Exchange rate for the full year is 145 yen/US\$ (Oct – Mar: 149 yen/US\$)
- b) Average price of domestic naphtha is 70,300 yen/kl (Oct – Mar: 75,000yen/kl)

In light of business conditions in the first half, sales revenue and income are expected to be lower than previously announced. This is mainly due to a decline in sales volume, which is affected by a decrease in cracker operating rates owing to slowing demand for downstream products.

(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)	1,850.0	125.0	115.0	95.0	84.0	441.96
Revised forecast (B)	1,757.0	112.0	97.0	85.0	76.0	399.74
Difference (B-A)	(93.0)	(13.0)	(18.0)	(10.0)	(8.0)	
Difference (%)	(5.0)	(10.4)	(15.7)	(10.5)	(9.5)	
(Reference) FY2022 Actual (Apr. 1, 2022 - Mar. 31, 2023)	1,879.5	113.9	129.0	90.1	82.9	431.17

(2) Revision by Business Segment

The FY2023 outlook by 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	288.0	554.0	266.0	726.0	16.0	-	1,850.0
Revised forecast	303.0	547.0	251.0	639.0	17.0	-	1,757.0
Difference	15.0	(7.0)	(15.0)	(87.0)	1.0	-	(93.0)

(Billions of Yen)

	Operating Income before Special Items						
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Others	Adjustment	Total
Previous forecast	36.0	57.0	28.0	10.0	(2.5)	(3.5)	125.0
Revised forecast	36.0	57.0	28.0	(3.0)	(2.5)	(3.5)	112.0
Difference	0.0	0.0	0.0	(13.0)	0.0	0.0	(13.0)

4. Subsequent Events

(Establishment of a new company in the nonwoven fabrics business)
Mitsui Chemicals, Inc. (hereinafter "the Company") and Asahi Kasei Corporation (hereinafter "Asahi Kasei") established Mitsui Chemicals Asahi Life Materials Co., Ltd. (hereinafter "MAL") on October 2, 2023, and MAL succeeded to the nonwoven fabrics business operated by each company. The investment ratio in MAL is 60.62% by the Company and 39.38% by Asahi Kasei, making MAL a consolidated subsidiary of the Company.

(1) Outline of business combinations

- a) Description of acquired business and acquired ratio of holding capital with voting rights
Description of business: Asahi Kasei's operations involving manufacture, development, and sale of nonwoven fabric-related products in Japan and Thailand
Acquired ratio of holding capital with voting rights: 60.62%

- b) Acquisition date
October 2, 2023

- c) Primary reason for business combination
As competition in the nonwoven fabrics business is expected to become more intense, the Company and Asahi Kasei have made maintaining their competitiveness and continuously expanding their businesses in this area their top priorities. Given the current rise in consumer demand centered on such properties as environmental friendliness and stable supply, the two companies have been jointly discussing measures and possible ways to strengthen their business operations.

As a result, we concluded that it would be best to transform our businesses into one that can expect sustainable growth, and so, through business integration, we jointly established a new company.

- d) Acquisition method and type of consideration
Acquisition of a majority of the shares of a new company jointly established by the Company and Asahi Kasei

IFRS 3 "Business Combinations" applies for this business combination, but since the initially planned accounting procedures were not completed by the release date of the consolidated financial statements, detailed information on the procedures is not stated.

(2) Acquisition consideration to be furnished as of the acquisition date

The acquisition consideration will be the fair value of MAL's common stock delivered on the business combination date; however, as MAL's fair value measurement has not yet been completed, the amount is omitted.

(3) Assets acquired, liabilities undertaken and goodwill

Description is omitted because the fair value measurement of assets acquired, liabilities undertaken, and purchase price allocation have not been completed as of the end of the second quarter.