

Summary of Consolidated Financial Results for First Quarter of FY2018

Aug 2, 2018
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

	1st Q of FY2017	1st Q of FY2018	Incr. (Decr.)	FY2017	Outlook for FY2018 (announced Aug. 2)	
					Interim	Full Year
Net sales	309.0	356.3	47.3	1,328.5	725.0	1,490.0
Operating income	27.3	26.3	(1.0)	103.5	47.0	106.0
Ordinary income	28.3	31.4	3.1	110.2	52.0	112.0
Profit attributable to owners of parent	22.7	23.5	0.8	71.6	36.0	80.0
Comprehensive income	29.0	25.7	(3.3)	93.1		
Exchange rate	Yen / US\$	111	109	(2)	111	110
Domestic standard naphtha price	Yen / KL	39,100	48,700	9,600	41,900	50,900
					108	49,900

2. Net Sales and Operating Income (Loss) (by business segment)

·Net Sales

(Unit : Billions of Yen)

	1st Q of FY2017	1st Q of FY2018	Incr. (Decr.)	Breakdown		FY2017	Outlook for FY2018 (announced Aug. 2)	
				Volume	Price		Interim	Full Year
Mobility	77.7	97.3	19.6	14.3	5.3	331.0	193.0	388.0
Health Care	34.2	36.2	2.0	1.6	0.4	139.1	73.0	150.0
Food & Packaging	45.8	47.5	1.7	0.8	0.9	195.8	100.0	210.0
Basic Materials	145.3	170.1	24.8	7.7	17.1	637.7	347.0	717.0
Others	6.0	5.2	(0.8)	-	(0.8)	24.9	12.0	25.0
Total	309.0	356.3	47.3	24.4	22.9	1,328.5	725.0	1,490.0

·Operating Income (Loss)

(Unit : Billions of Yen)

	1st Q of FY2017	1st Q of FY2018	Incr. (Decr.)	Breakdown			FY2017	Outlook for FY2018 (announced Aug. 2)	
				Volume	Price*	Fixed Costs etc.		Interim	Full Year
Mobility	11.5	10.8	(0.7)	1.1	(0.5)	(1.3)	42.3	21.5	45.0
Health Care	2.9	3.6	0.7	0.5	(0.2)	0.4	10.8	5.5	13.0
Food & Packaging	4.6	3.3	(1.3)	0.1	(0.3)	(1.1)	19.9	10.5	23.0
Basic Materials	10.8	11.0	0.2	1.6	0.0	(1.4)	38.9	14.0	33.0
Others	(0.7)	(1.0)	(0.3)	-	-	(0.3)	(0.9)	0.0	0.0
Adjustment	(1.8)	(1.4)	0.4	-	-	0.4	(7.5)	(4.5)	(8.0)
Total	27.3	26.3	(1.0)	3.3	(1.0)	(3.3)	103.5	47.0	106.0

* Price includes both selling and purchasing price variances.

3. Extraordinary Income and Losses

(Unit : Billions of Yen)

	1st Q of FY2017	1st Q of FY2018	Incr. (Decr.)	FY2017	Outlook for FY2018 (announced Aug. 2)	
					Interim	Full Year
Gain on sales of non-current assets & investment securities	2.5	0.1	(2.4)	3.6	0.1	0.1
Loss on sales and disposal of non-current assets	(0.0)	(0.4)	(0.4)	(2.4)	(2.9)	(4.9)
Impairment loss	-	-	-	(15.0)	-	-
Loss on valuation of investment securities	-	(0.2)	(0.2)	(5.1)	(0.2)	(0.2)
Others	-	-	-	2.9	-	-
Total	2.5	(0.5)	(3.0)	(16.0)	(3.0)	(5.0)

4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2018	As of Jun. 30, 2018	Incr. (Decr.)		As of Mar. 31, 2018	As of Jun. 30, 2018	Incr. (Decr.)
Current assets	731.3	751.9	20.6	Interest-bearing liabilities	463.7	481.5	17.8
Tangible fixed assets	432.9	432.5	(0.4)	Other liabilities	380.4	372.7	(7.7)
Intangible fixed assets	31.5	30.8	(0.7)	Shareholders' equity	511.6	525.7	14.1
Investments and others	235.6	238.8	3.2	Non-controlling interests	75.6	74.1	(1.5)
Total assets	1,431.3	1,454.0	22.7	Total liabilities and net assets	1,431.3	1,454.0	22.7
[Inventories]	274.3	285.6	11.3	[Net D/E Ratio]	0.75	0.73	(0.02)

Note: Balance sheet as of FY2017 is restated due to amendments to accounting standards for tax effect accounting.

5. Summary of Cash Flow

(Unit : Billions of Yen)

	1st Q of FY2017	1st Q of FY2018	Incr. (Decr.)	FY2017	Outlook for FY2018 (announced May. 15)	
					Interim	Full Year
Cash flows from operating activities	22.1	25.5	3.4	82.7	62.0	105.0
Cash flows from investing activities	(9.1)	(15.1)	(6.0)	(75.1)	(45.0)	(100.0)
Free cash flows	13.0	10.4	(2.6)	7.6	17.0	5.0
Cash flows from financing activities	(22.4)	4.4	26.8	(10.2)	(17.0)	(5.0)
Others	0.2	0.3	0.1	(1.5)	-	-
Net incr.(decr.) in cash and cash equivalents	(9.2)	15.1	24.3	(4.1)	0.0	0.0
Cash and cash equivalents at the end of period	73.7	93.9	20.2	78.8		

6. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual
FY2017 Result	-	9.00	-	45.00	-
FY2018 Outlook	-	50.00	-	50.00	100.00

Note: FY2017's year-end dividend is calculated based on the number of shares after the 5-to-1 share consolidation, which was conducted on October 1, 2017. Annual dividends in FY2017 are expressed as "-".

7. Number of shares outstanding (common stock)

	FY2017	1st Q of FY2018
Number of shares outstanding at term-end (including treasury stock)	204,454,615	204,454,615
Number of shares of treasury stock at term-end	5,766,674	5,769,093
Average number of shares	200,063,352 *	198,686,437

*1st Q of FY2017

Note: The Group conducted 5-to-1 share consolidation on October 1, 2017. "Average number of shares" is calculated assuming 5-to-1 share consolidation was conducted in the beginning of the previous year.

1. Operating Results

(1) Overview

In the fiscal period under review (the three-month period from Apr 1, 2018 to Jun 30, 2018, hereinafter the “first quarter”), the economy of the United States enjoyed constant recovery. On the other hand, the state of trade policy in the United States and geopolitical risks remained and careful attention was paid to fluctuations in the global economy. In Japan, the economy continued to gradually recover amid steady corporate profits and improvements in the employment and incomes.

The Mitsui Chemicals Group (hereinafter the “Group”) reported the following operating results for the first quarter.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
First quarter	356.3	26.3	31.4	23.5
Same period of previous year	309.0	27.3	28.3	22.7
Change	47.3	(1.0)	3.1	0.8
Change (%)	15.3	(3.4)	11.0	3.4

Net Sales increased 47.3 billion yen, or 15.3%, compared with the corresponding period of the previous fiscal year to 356.3 billion yen. This was mainly attributable to healthy sales and increase in sales prices due to the rise in naphtha, other raw materials and fuel prices.

Operating income was 26.3 billion yen, a decrease of 1.0 billion yen or 3.4% year on year. This result was due to unfavorable terms of trade and increase of fixed costs although sales were healthy.

Ordinary income was 31.4 billion yen, increased 3.1 billion yen or 11.0% year on year. This result was due to increase in share of profit of entities accounted for using equity method and improved foreign exchange gains and losses.

Extraordinary income and losses were 0.5 billion yen loss, due to a decrease in gain on sales of non-current assets.

As a result of the aforementioned factors, **profit before income taxes** amounted to 30.9 billion yen, an increase of 0.1 billion yen, or 0.3% year on year.

Profit attributable to owners of parent after accounting for income taxes and non-controlling interests was 23.5 billion yen, an increase of 0.8 billion yen, or 3.4% compared with the corresponding period of the previous fiscal year. Earnings per share for the period were 118.14 yen.

(2) Results by Business Segment

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

Mobility

Net sales increased 19.6 billion yen compared with the same period of the previous fiscal year to 97.3 billion yen and comprised 27% of total sales. On the other hand, operating income decreased 0.7 billion yen to 10.8 billion yen year on year. The decrease in income was due to an increase of raw material prices and fix costs in spite of an increase in sales volume.

In **elastomers**, which are primarily used in automotive components and as resin modifiers, business performance was affected by an increase of raw material prices although the Group was able to meet healthy demand.

In **performance compounds**, the Group was able to satisfy stable demand especially in Asia and Europe.

In **performance polymers**, which are primarily used in information communication technology (ICT) - related products, sales remained steady.

In overseas **polypropylene compound** businesses, the Group was able to meet increasing production volume of the automobile industry mainly in Asia.

The Group consolidated its newly consolidated subsidiaries of ARRK Group in **solution** business as of January 2018.

Health Care

Net sales increased 2.0 billion yen year on year to 36.2 billion yen and comprised 10% of total sales. Operating income increased 0.7 billion yen compared with the previous fiscal year to 3.6 billion yen, mainly due to healthy sales overall although increase of raw material prices had an impact.

In **vision care materials**, sales of ophthalmic lens materials were healthy.

In **nonwoven fabrics**, sales were stable.

In **dental materials**, sales were stable.

Food & Packaging

Net sales increased 1.7 billion yen compared with the previous fiscal year to 47.5 billion yen and comprised 13% of total sales. On the other hand, operating income decreased 1.3 billion yen to 3.3 billion yen year on year, due to increase of raw material prices and fixed costs although sales were overall healthy.

In **coatings & engineering materials**, profit was affected by increase of raw material prices although sales were healthy.

In **performance films and sheets**, sales were overall healthy although profits had impacts from an increase of raw material prices.

In **agrochemicals**, fixed costs increased although sales were healthy.

Basic Materials

Net sales increased 24.8 billion yen compared with the same period of the previous fiscal year to 170.1 billion yen and comprised 48% of total sales. Operating income increased 0.2 billion yen year on year, to 11.0 billion yen. This was mainly attributable to the effect of firm domestic demand and rise of market environment.

Naphtha cracker operating rates kept at high level as the same period of the previous fiscal year. Performances of **polyethylene** and **polypropylene** were firm, backed by domestic demand.

In **phenols**, demand was firm and the oversea market environment was at higher level than the same period of the previous fiscal year.

Others

Net sales decreased 0.8 billion yen to 5.2 billion yen, comprised 2% of total sales. Operating loss was 1.0 billion yen, an increase of 0.3 billion yen year on year.

2. Consolidated Financial Position Status of Assets, Liabilities and Net Assets

Total assets at the end of the first quarter stood at 1,454.0 billion yen, an increase of 22.7 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the first quarter increased 10.1 billion yen compared with the previous fiscal year-end to 854.2 billion yen. **Interest-bearing debt** amounted to 481.5 billion yen, an increase of 17.8 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 33.1%, an increase of 0.7 percentage point.

Net assets totaled 599.8 billion yen, an increase of 12.6 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 36.2%, 0.5 percentage point increase from the previous fiscal year-end.

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

Consolidated balance sheet as of FY2017 is restated due to amendments to accounting standards for tax effect accounting. Consequently, comparison with the end of the previous fiscal year is calculated based on the restated figures.

3. Outlook for Fiscal 2018 (Year Ending March 31, 2019)

(Financial Forecasts for Fiscal 2018)

Regarding financial forecasts for the first half, because sale prices are expected to increase due to increase of naphtha, other raw materials and fuel prices, net sales in Mobility and Basic Materials are expected to increase.

Therefore, based on the outlook for the first half, net sales for the full year are expected to be higher than the previous forecast.

Outlook for the first half are based on the following assumptions:

- a) Exchange rate is 110 yen/US\$
- b) Average price of domestic naphtha is 50,900 yen /kl

Outlook for the full year are based on the following assumptions:

- a) Exchange rate for the full year is 108 yen/US\$
- b) Average price of domestic naphtha is 49,900 yen /kl

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
First half	725.0	47.0	52.0	36.0
Full year	1,490.0	106.0	112.0	80.0

(Financial Forecasts by Business Segment)

Outlook for FY2018 business segment is as follows.

(Billions of Yen)

	Net Sales						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
First half	193.0	73.0	100.0	347.0	12.0	—	725.0
Full year	388.0	150.0	210.0	717.0	25.0	—	1,490.0

(Billions of Yen)

	Operating Income (Loss)						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
First half	21.5	5.5	10.5	14.0	0.0	(4.5)	47.0
Full year	45.0	13.0	23.0	33.0	0.0	(8.0)	106.0