

# Summary of Consolidated Financial Results for Third Quarter of FY2021

Feb 3, 2022  
Mitsui Chemicals, Inc.

## 1. Summary of Operating Results

(Unit : Billions of Yen)

	3rd Q of FY2020	3rd Q of FY2021	Incr. (Decr.)	FY2020	Forecast for FY2021 (announced Nov. 5)	
					FY2021	Incr. (Decr.)
Sales revenue	857.4	1,165.1	307.7	1,211.7	1,630.0	418.3
Operating income before special items	52.2	134.3	82.1	85.1	160.0	74.9
Operating income	51.9	136.0	84.1	78.1	145.0	66.9
Net income	37.0	107.5	70.5	64.2	114.0	49.8
Net income attributable to owners of the parent	33.0	100.1	67.1	57.9	103.0	45.1
Exchange rate	Yen / US\$	106	111	5	106	112
Domestic standard naphtha price	Yen / KL	28,800	54,000	25,200	31,300	56,200
					24,900	

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

### · Sales revenue

(Unit : Billions of Yen)

	3rd Q of FY2020	3rd Q of FY2021	Incr. (Decr.)	Breakdown		FY2020	Forecast for FY2021 (announced Nov. 5)	
				Volume	Price		FY2021	Incr. (Decr.)
Mobility	220.8	296.9	76.1	25.3	50.8	315.5	435.0	119.5
Health Care	105.7	124.1	18.4	17.8	0.6	143.9	165.0	21.1
Food & Packaging	139.3	165.8	26.5	25.1	1.4	197.7	230.0	32.3
Basic Materials	381.8	567.3	185.5	19.4	166.1	541.4	786.0	244.6
Others	9.8	11.0	1.2	-	1.2	13.2	14.0	0.8
Total	857.4	1,165.1	307.7	87.6	220.1	1,211.7	1,630.0	418.3

### · Operating income before special items

(Unit : Billions of Yen)

	3rd Q of FY2020	3rd Q of FY2021	Incr. (Decr.)	Breakdown			FY2020	Forecast for FY2021 (announced Nov. 5)	
				Volume	Price ※	Fixed Costs etc.		FY2021	Incr. (Decr.)
Mobility	19.5	35.9	16.4	6.1	8.9	1.4	30.2	50.0	19.8
Health Care	14.8	16.6	1.8	8.8	(2.1)	(4.9)	19.9	21.5	1.6
Food & Packaging	15.2	19.9	4.7	7.9	(1.8)	(1.4)	22.0	27.0	5.0
Basic Materials	5.3	65.7	60.4	4.9	43.4	12.1	19.6	72.5	52.9
Others	(0.5)	(0.3)	0.2	-	-	0.2	(1.1)	(2.0)	(0.9)
Adjustment	(2.1)	(3.5)	(1.4)	-	-	(1.4)	(5.5)	(9.0)	(3.5)
Total	52.2	134.3	82.1	27.7	48.4	6.0	85.1	160.0	74.9

※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, 2021	As of Dec. 31, 2021	Incr. (Decr.)	As of Mar. 31, 2021	As of Dec. 31, 2021	Incr. (Decr.)	
Current assets	787.6	1,021.6	234.0	Interest-bearing liabilities	563.8	673.6	109.8
Property, plant and equipment & right-of-use assets	502.0	539.9	37.9	Other liabilities	312.2	399.5	87.3
Goodwill and intangible assets	20.8	26.5	5.7	Equity attributable to owners of the parent	607.9	691.1	83.2
Other non-current assets	247.7	268.8	21.1	Non-controlling interests	74.2	92.6	18.4
Total assets	1,558.1	1,856.8	298.7	Total liabilities and equity	1,558.1	1,856.8	298.7
[ Inventories ]	258.8	342.0	83.2	[ Net D/E Ratio ]	0.60	0.67	0.07

## 4. Summary of Statement of Cash Flows

(Unit : Billions of Yen)

	3rd Q of FY2020	3rd Q of FY2021	Incr. (Decr.)	FY2020	Forecast for FY2021 (announced Feb. 3)	
					FY2021	Incr. (Decr.)
Cash flows from operating activities	140.5	54.3	(86.2)	174.3	89.0	(85.3)
Cash flows from investing activities	(65.0)	(104.0)	(39.0)	(77.5)	(172.0)	(94.5)
<i>Free cash flows</i>	75.5	(49.7)	(125.2)	96.8	(83.0)	(179.8)
Cash flows from financing activities	(34.1)	63.1	97.2	(69.0)	45.0	114.0
Others	(1.6)	2.4	4.0	3.6	3.0	(0.6)
Net incr.(decr.) in cash and cash equivalents	39.8	15.8	(24.0)	31.4	(35.0)	(66.4)
Cash and cash equivalents at the end of period	204.4	211.8	7.4	196.0		

## 5. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual Total
FY2020 Result	-	50.00	-	50.00	100.00
FY2021 Result/Forecast	-	55.00	-	65.00	120.00 ※

※The Company plans to pay annual dividends of 120.00 yen per share. The breakdown is 115.00 regular dividend and 5.00 memorial dividend.

## 6. Number of Shares Outstanding (common stock)

	FY2020	3rd Q of FY2021
Number of shares outstanding at term-end (including treasury stock)	204,608,615	204,653,315
Number of shares of treasury stock at term-end	8,664,390	11,415,434
Average number of shares	193,620,695 ※	194,943,251

※3rd Q of FY2020

## 1. Operating Results

### (1) Overview

In the fiscal period under review (the nine-month period from Apr 1, 2021 to Dec 31, 2021, hereinafter the “third quarter”), although the global spread of the coronavirus continued to remain, there were signs of the economic recovery due to wide availability of vaccines. In Japan as well, the economy continued to be impacted by the spread of the coronavirus but signs of recovery were visible mainly in the manufacturing sector. On the other hand, the economy suffered increase of crude oil prices and deceleration of automotive production, in addition to the spread of the coronavirus mutant (omicron variant), which must be carefully monitored.

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.

(Billions of Yen)

	Sales Revenue	Operating Income before Special Items	Operating Income	Net Income Attributable to Owners of the Parent
Third quarter	1,165.1	134.3	136.0	100.1
Same period of previous fiscal year	857.4	52.2	51.9	33.0
Difference	307.7	82.1	84.1	67.1
Ratio (%)	35.9	157.3	162.0	203.2

**Sales revenue** increased 307.7 billion yen, or 35.9%, compared with the corresponding period of the previous fiscal year to 1,165.1 billion yen. This was mainly attributable to increase in sales prices due to higher naphtha and other raw materials and fuel prices, in addition to higher sales volume in each segment as economic activities have resumed.

**Operating income before special items** was 134.3 billion yen, an increase of 82.1 billion yen or 157.3% year on year. This result was due to favorable terms of trade as a result of higher overseas market prices of Bisphenol A, in addition to higher sales volume in each segment and improved share of profit of investments accounted for using equity method.

**Operating income** was 136.0 billion yen, increased 84.1 billion yen or 162.0% year on year. This result was mainly due to the increase of operating income before special items.

**Financial income/expenses** worsened 1.2 billion yen year on year to 6.4 billion yen loss, due to increased provision of allowance for doubtful accounts, although foreign exchange gains and losses were improved.

As a result of the aforementioned factors, **income before income taxes** amounted to 129.6 billion yen, an increase of 82.9 billion yen or 177.6% year on year.

**Net income attributable to owners of the parent** after accounting for income taxes and non-controlling interests was 100.1 billion yen, an increase of 67.1 billion yen or 203.2% compared with the corresponding period of the previous fiscal year. Basic earnings per share for the period were 513.32 yen.

### (2) Results by Business Segment

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

## Mobility

Sales revenue increased 76.1 billion yen compared with the corresponding period of the previous fiscal year to 296.9 billion yen and comprised 25% of total sales. Operating income before special items increased 16.4 billion yen to 35.9 billion yen year on year. The increase in income was due to recovery of production volume in automotive industry.

In **elastomers, performance compounds** and overseas **polypropylene compound**, the Group captured demand and sales remained healthy.

In **performance polymers**, the Group captured demand and sales remained healthy for ICT-related products.

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.

## Health Care

Sales revenue increased 18.4 billion yen year on year to 124.1 billion yen and comprised 11% of total sales. Operating income before special items increased 1.8 billion yen to 16.6 billion yen, mainly due to healthy sales in vision care materials.

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

In **nonwoven fabrics**, sales of masks stayed healthy but sales of medical gowns have declined.

In **dental materials**, the Group captured demand and sales remained healthy mainly in Europe.

## Food & Packaging

Sales revenue increased 26.5 billion yen compared with the same period of the previous fiscal year to 165.8 billion yen and comprised 14% of total sales. Operating income before special items increased 4.7 billion yen to 19.9 billion yen year on year, due to healthy sales in coatings & engineering materials and performance films and sheets.

In **coatings & engineering materials**, the Group captured demand and sales remained firm.

In **performance films and sheets**, sales were mainly firm in ICT-related industrial films and sheets.

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

## Basic Materials

Sales revenue increased 185.5 billion yen compared with the same period of the previous fiscal year to 567.3 billion yen and accounted for 49% of total sales. Operating income before special items increased 60.4 billion yen to 65.7 billion yen, due to higher overseas market of prices of Bisphenol A and inventory revaluation gain, which was resulting from the higher naphtha and raw material prices.

**Naphtha cracker** operating rates were higher than the same period of the previous fiscal year due to increased demand of downstream products. Sales of **polyethylene and polypropylene** were affected by higher demand in the domestic economy.

## Others

Sales revenue increased 1.2 billion yen compared with the same period of the previous fiscal year to 11.0 billion yen and comprised 1% of total sales. Operating loss before special items was 0.3 billion yen loss, decrease of 0.2 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 1,856.8 billion yen, an increase of 298.7 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the third quarter increased 197.1 billion yen compared with the previous fiscal year-end to 1,073.1 billion yen. **Interest-bearing debt** amounted to 673.6 billion yen, an increase of 109.8 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 36.3%, an increase of 0.1 percentage point.

**Total equity** was 783.7 billion yen, an increase of 101.6 billion yen compared with the previous fiscal year-end. The **ratio of equity attributable to owners of the parent** was 37.2%, a decrease of 1.8 percentage point.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.67 at the end of the fiscal year, 0.07 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 15.8 billion yen to 211.8 billion yen compared with the previous fiscal year-end.

#### Cash Flows from Operating Activities

Net cash provided by operating activities decreased 86.2 billion yen to 54.3 billion yen due to increase of working capital, despite of higher income before income taxes.

#### Cash Flows from Investing Activities

Net cash used in investing activities increased 39.0 billion yen to 104.0 billion yen due to increase of cash outflows from capital expenditure and purchase of investments accounted for using equity method, despite of proceeds of shares of subsidiaries.

#### Cash Flows from Financing Activities

Net cash provided by financing activities was 63.1 billion yen due primarily to increase of borrowings of interest-bearing debt.

## 3. Forecast for Fiscal 2021 (Year Ending March 31, 2022)

### (1) Overview

Financial forecast is based on the following assumptions:

- a) Exchange rate for the full year is 112 yen/US\$ (Jan – Mar:114 yen/US\$)
- b) Average price of domestic naphtha is 56,200 yen/kl (Jan – Mar:63,000 yen/kl)

Financial forecast for Fiscal 2021 announced previously is not revised.

(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)
FY2021 forecast	1,630.0	160.0	145.0	114.0	103.0	529.52
(Reference) FY2020	1,211.7	85.1	78.1	64.2	57.9	298.00

## (2) Revision by Business Segment

Forecast by FY2021 business segment announced previously is not revised.

(Billions of Yen)

	Sales Revenue						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
FY2021 forecast	435.0	165.0	230.0	786.0	14.0	-	1,630.0

(Billions of Yen)

	Operating Income before Special Items						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
FY2021 forecast	50.0	21.5	27.0	72.5	(2.0)	(9.0)	160.0

## 4. Revision of dividend forecast

The Company is committed to enhancing shareholder returns through the stable and continuous dividends and agile and flexible acquisition of the Company's own shares, while taking business performance into account.

In light of the above policy and current financial situation, the Company has raised the regular year-end dividend, bringing it to ¥60 per share, or ¥5 higher than the most recent forecast. In addition, on October 1, 2022, the Company will celebrate its 25th anniversary. To show our appreciation to our shareholders, at the end of fiscal 2021 the Company plans to pay out a ¥5 per share memorial dividend.

In summary, the year-end dividend forecast for fiscal year ended March 31, 2022 will total ¥65 per share, due to the regular dividend being ¥60 higher than previously announced and the inclusion of a ¥5 memorial dividend. As a result, coupled with a ¥55 interim dividend, annual dividend forecast will total ¥120 (¥115 regular dividend, ¥5 memorial dividend) per share.

Period	Annual Dividends per Share (yen)		
	Interim (2nd Q)	Year-end (4th Q)	Annual Total
Previous forecast (announced on May 13, 2021)		55.00	110.00
Current revised forecast		65.00 (60.00 regular dividend, 5.00 memorial dividend)	120.00 (115.00 regular dividend, 5.00 memorial dividend)
Actual dividend for current year	55.00		
FY2020 Actual	50.00	50.00	100.00

## 5. Subsequent events

(Polyurethane Raw Materials Business Transfer due to Dissolution of Joint Venture)

### (1) Outline of business combinations

#### a) Name and description of acquired business

Name of acquired business: Mitsui Chemicals & SKC Polyurethanes Inc. Japan (hereinafter "MCNSJ")

Description of business: Researching, manufacturing and selling polyurethane raw materials (TDI, MDI, PPG and system products)

#### b) Acquisition date

January 1, 2022

#### c) Primary reason for business combination

Mitsui Chemicals (hereinafter "MCI") and SKC Co., Ltd. (hereinafter "SKC") established Mitsui Chemicals & SKC Polyurethanes Inc. in July 2015 as a joint venture for their operations in polyurethane raw materials.

However, over this period, discrepancies have started to arise between Mitsui Chemicals' policy of steadily improving earnings through the likes of high-performance products and bio-products and SKC's policy of quickly expanding global market in scale.

Now it has been determined that if both companies are to further develop and grow their businesses here, it would be beneficial for each party to run its own operations in line with its specific strategy. The decision to dissolve the current partnership then followed from this and the business is to be acquired from MCNSJ.

#### d) Acquisition method and type of consideration

A business transfer in exchange for a cash consideration

IFRS 3 "Business Combinations" is applied for the business combination, but accounting for the business combination is not completed, and detailed information on the business combination is not stated.

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

The planned acquisition consideration is 10.7 billion yen; however, the actual amount may differ due to future price adjustments.

(3) Assets acquired, liabilities undertaken and goodwill

The Company omits a description. This is because the fair value measurement of assets acquired, liabilities undertaken and purchase price allocation had not been completed as of the end of the third quarter.

(Mitsui Chemicals Agro to Acquire Meiji Seika Pharma's Agrochemicals Business)

(1) Outline of business combinations

a) Name and description of acquired business and acquired ratio of holding capital with voting rights

Name of acquired business: MMAG Co., Ltd. and 2 other companies

Description of business: R&D, manufacturing and selling agrochemicals

Acquired ratio of holding capital with voting rights: 100%

b) Acquisition date

January 4, 2022

c) Primary reason for business combination

The deal will see Meiji Seika Pharma's agrochemicals business portfolio of active ingredients, domestic and international customer base and drug discovery, formulation and natural product technologies integrated with that of Mitsui Chemicals Agro, Inc., thereby enabling the Mitsui Chemicals subsidiary to enhance its presence in the Japanese market and speed up its expansion into agrochemical markets overseas, where future growth is anticipated. The move will also help bolster Mitsui Chemicals Agro, Inc.'s ongoing creation of new active ingredients along with its development of products that meet the needs of the market, promising then to accelerate the fulfillment of Mitsui Chemicals Agro, Inc.'s growth strategy and, more broadly, Mitsui Chemicals' Long-Term Business Plan.

d) Acquisition method and type of consideration

Acquisition of shares in exchange for a cash consideration

IFRS 3 "Business Combinations" is applied for the business combination, but accounting for the business combination is not completed, and detailed information on the business combination is not stated.

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

The planned acquisition consideration is 42.2 billion yen; however, the actual amount may differ due to future price adjustments.

(3) Assets acquired, liabilities undertaken and goodwill

The Company omits a description. This is because the fair value measurement of assets acquired, liabilities undertaken and purchase price allocation had not been completed as of the end of the third quarter.

(Capital Partnership with Japan MDM)

MCI has concluded a business and capital alliance agreement to acquire all the shares of Japan Medical Dynamic Marketing, Inc. (Japan MDM; Shinjuku-ku, Tokyo; President: Okawa Masao) held by its biggest shareholder, NGK Spark Plug Co., Ltd. (Nagoya, Aichi; President & COO: Kawai Takeshi), on December 7, 2021 and completed the acquisition on January 7, 2022.

As a result of this share acquisition, MCI interest in Japan MDM became 30%, and Japan MDM became an equity method affiliate of MCI.

The planned acquisition cost of the shares is 17.7 billion yen; however, the actual amount may differ due to future price adjustments.