

Summary of Consolidated Financial Results for Third Quarter of FY2018

Feb 5, 2019
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

	3rd Q of FY2017	3rd Q of FY2018	Incr. (Decr.)	
Net sales	959.8	1,114.8	155.0	
Operating income	75.7	74.6	(1.1)	
Ordinary income	78.9	86.2	7.3	
Profit attributable to owners of parent	60.9	57.9	(3.0)	
Comprehensive income	89.1	61.9	(27.2)	
Exchange rate	Yen / US\$	112	111	(1)
Domestic standard naphtha price	Yen / KL	39,900	52,100	12,200

FY2017	Outlook for FY2018 (announced Feb. 5)	
	FY2018	Incr. (Decr.)
1,328.5	1,495.0	166.5
103.5	100.0	(3.5)
110.2	110.0	(0.2)
71.6	80.0	8.4
93.1		
111	111	0
41,900	49,100	7,200

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

·Net Sales

(Unit : Billions of Yen)

	3rd Q of FY2017	3rd Q of FY2018	Incr. (Decr.)	Breakdown	
				Volume	Price
Mobility	234.8	294.5	59.7	45.9	13.8
Health Care	103.4	109.7	6.3	5.2	1.1
Food & Packaging	144.6	146.5	1.9	(1.6)	3.5
Basic Materials	459.0	545.7	86.7	14.4	72.3
Others	18.0	18.4	0.4	-	0.4
Total	959.8	1,114.8	155.0	63.9	91.1

FY2017	Outlook for FY2018 (announced Feb. 5)	
	FY2018	Incr. (Decr.)
331.0	396.0	65.0
139.1	147.0	7.9
195.8	203.0	7.2
637.7	724.0	86.3
24.9	25.0	0.1
1,328.5	1,495.0	166.5

·Operating Income (Loss)

(Unit : Billions of Yen)

	3rd Q of FY2017	3rd Q of FY2018	Incr. (Decr.)	Breakdown		
				Volume	Price*	Fixed Costs etc.
Mobility	32.9	31.5	(1.4)	2.9	(1.9)	(2.4)
Health Care	7.9	9.7	1.8	2.7	(1.2)	0.3
Food & Packaging	14.5	11.8	(2.7)	0.0	(1.5)	(1.2)
Basic Materials	26.5	27.5	1.0	0.0	7.1	(6.1)
Others	(0.7)	(1.6)	(0.9)	-	-	(0.9)
Adjustment	(5.4)	(4.3)	1.1	-	-	1.1
Total	75.7	74.6	(1.1)	5.6	2.5	(9.2)

FY2017	Outlook for FY2018 (announced Feb. 5)	
	FY2018	Incr. (Decr.)
42.3	43.0	0.7
10.8	13.5	2.7
19.9	20.5	0.6
38.9	31.0	(7.9)
(0.9)	(2.0)	(1.1)
(7.5)	(6.0)	1.5
103.5	100.0	(3.5)

* Price includes both selling and purchasing price variances.

3. Extraordinary Income and Losses

(Unit : Billions of Yen)

	3rd Q of FY2017	3rd Q of FY2018	Incr. (Decr.)
Gain on sales of non-current assets & investment securities	3.5	3.5	0.0
Gain on transfer of business	0.6	0.7	0.1
Gain on forgiveness of debts	2.0	-	(2.0)
Loss on sales and disposal of non-current assets	(1.1)	(2.0)	(0.9)
Impairment loss	-	(0.9)	(0.9)
Loss on valuation of investment securities	-	(0.2)	(0.2)
Loss on fire	-	(6.3)	(6.3)
Other	-	-	-
Total	5.0	(5.2)	(10.2)

FY2017	Outlook for FY2018 (announced Feb. 5)	
	FY2018	Incr. (Decr.)
3.6	3.5	(0.1)
0.6	0.7	0.1
2.0	-	(2.0)
(2.4)	(2.5)	(0.1)
(15.0)	(0.9)	14.1
(5.1)	(0.2)	4.9
-	(6.3)	(6.3)
0.3	3.7	3.4
(16.0)	(2.0)	14.0

4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2018	As of Dec. 31, 2018	Incr. (Decr.)		As of Mar. 31, 2018	As of Dec. 31, 2018	Incr. (Decr.)
Current assets	731.3	786.8	55.5	Interest-bearing liabilities	463.7	477.6	13.9
Tangible fixed assets	432.9	432.0	(0.9)	Other liabilities	380.4	387.5	7.1
Intangible fixed assets	31.5	29.6	(1.9)	Shareholders' equity	511.6	537.5	25.9
Investments and others	235.6	231.2	(4.4)	Non-controlling interests	75.6	77.0	1.4
Total assets	1,431.3	1,479.6	48.3	Total liabilities and net assets	1,431.3	1,479.6	48.3
[Inventories]	274.3	315.7	41.4	[Net D/E Ratio]	0.75	0.71	(0.04)

Note: Balance sheet as of Mar. 31, 2018 is restated due to amendments to accounting standards for tax effect accounting.

5. Summary of Cash Flow

(Unit : Billions of Yen)

	3rd Q of FY2017	3rd Q of FY2018	Incr. (Decr.)	FY2017	Outlook for FY2018 (announced Feb. 5)	
					FY2018	Incr. (Decr.)
Cash flows from operating activities	58.4	67.4	9.0	82.7	100.0	17.3
Cash flows from investing activities	(36.4)	(32.2)	4.2	(75.1)	(75.0)	0.1
Free cash flows	22.0	35.2	13.2	7.6	25.0	17.4
Cash flows from financing activities	(41.8)	(20.3)	21.5	(10.2)	(25.0)	(14.8)
Others	(0.2)	0.1	0.3	(1.5)	0.0	1.5
Net incr.(decr.) in cash and cash equivalents	(20.0)	15.0	35.0	(4.1)	0.0	4.1
Cash and cash equivalents at the end of period	62.9	93.8	30.9	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 Result/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	3rd Q of FY2018
Number of shares outstanding at term-end (including treasury stock)	204,454,615	204,510,215
Number of shares of treasury stock at term-end	5,766,674	9,296,012
Average number of shares	200,070,115 *	198,172,081

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 nine-month period from Apr 1, 2018 to Dec 31, 2018, hereinafter the “third quarter”), the economy of the United States enjoyed constant recovery. On the other hand, the state of trade policy in the United States, geopolitical risks and volatility of oil prices remained and careful attention was paid to fluctuations in the global economy. In Japan, although attention was paid to the impact of successive natural disasters on the economy, it 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 third quarter.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
Third quarter	1,114.8	74.6	86.2	57.9
Same period of previous year	959.8	75.7	78.9	60.9
Change	155.0	(1.1)	7.3	(3.0)
Change (%)	16.1	(1.5)	9.3	(4.9)

Net Sales increased 155.0 billion yen, or 16.1%, compared with the corresponding period of the previous fiscal year to 1,114.8 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 74.6 billion yen, a decrease of 1.1 billion yen or 1.5% year on year. This result was due to increase of raw material prices and fixed costs, although sales were healthy.

Ordinary income was 86.2 billion yen, increased 7.3 billion yen or 9.3% year on year. This result was due to increase in share of profit of entities accounted for using equity method.

Extraordinary income and losses were 5.2 billion yen loss, due to a loss on fire.

As a result of the aforementioned factors, **profit before income taxes** amounted to 81.0 billion yen, a decrease of 2.8 billion yen, or 3.4% year on year.

Profit attributable to owners of parent after accounting for income taxes and non-controlling interests was 57.9 billion yen, a decrease of 3.0 billion yen, or 4.9% compared with the corresponding period of the previous fiscal year. Earnings per share for the period were 292.23 yen.

(2) Results by Business Segment

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

Mobility

Net sales increased 59.7 billion yen compared with the same period of the previous fiscal year to 294.5 billion yen and comprised 26% of total sales. On the other hand, operating income decreased 1.4 billion yen to 31.5 billion yen year on year. The decrease in income was due to increase of raw material prices and fixed 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 increase of raw material prices although the Group was able to meet healthy demand.

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

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

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 6.3 billion yen year on year to 109.7 billion yen and comprised 10% of total sales. Operating income increased 1.8 billion yen compared with the same period of the previous fiscal year to 9.7 billion yen, mainly due to firm sales overall although increase of raw material prices had an effect.

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

In **nonwoven fabrics**, sales were affected by decreasing export of disposable diapers from Japan overall but high performance grade products were stable.

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

Food & Packaging

Net sales increased 1.9 billion yen compared with the same period of the previous fiscal year to 146.5 billion yen and comprised 13% of total sales. On the other hand, operating income decreased 2.7 billion yen to 11.8 billion yen year on year, due to increase of raw material prices and fixed costs although sales were overall firm.

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

In **performance films and sheets**, sales were overall firm but profit was affected by increase of raw material prices.

In **agrochemicals**, sales were firm.

Basic Materials

Net sales increased 86.7 billion yen compared with the same period of the previous fiscal year to 545.7 billion yen and comprised 49% of total sales. Operating income increased 1.0 billion yen year on year, to 27.5 billion yen. This was mainly attributable to the effect of healthy domestic demand and rise of market environment.

Naphtha cracker operating rates were lower than the same period of the previous fiscal year due to a fire at Osaka Works' utility plant, but kept at high level overall. 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 increased 0.4 billion yen to 18.4 billion yen, comprised 2% of total sales. Operating loss was 1.6 billion yen, an increase of 0.9 billion yen year on year.

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

Total assets at the end of the third quarter stood at 1,479.6 billion yen, an increase of 48.3 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the third quarter increased 21.0 billion yen compared with the previous fiscal year-end to 865.1 billion yen. **Interest-bearing debt** amounted to 477.6 billion yen, an increase of 13.9 billion yen. As a result, the interest-bearing debt ratio was 32.3%, 0.1 percentage point decrease from the previous fiscal year-end.

Net assets totaled 614.5 billion yen, an increase of 27.3 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 36.3%, 0.6 percentage point increase from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.71 at the end of the third quarter, 0.04 percentage 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)

(1) Overview

Revised financial forecasts are based on the following assumptions:

- a) Exchange rate for the full year is 111 yen/US\$ (Jan – Mar: 110 yen/US\$)
- b) Average price of domestic naphtha is 49,100 yen /kl (Jan – Mar: 40,000 yen/kl)

Net sales are expected to be lower mainly in Basic Materials due to revision of sales prices as a result of drop in naphtha, other raw materials and fuel prices. In addition, operating income in Basic Materials and ordinary income are expected to be lower than previously announced, primarily due to worsening of terms of trade.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Earnings per Share (yen)
Previous forecast (A)	1,540.0	106.0	117.0	80.0	402.56
Revised forecast (B)	1,495.0	100.0	110.0	80.0	405.28
Difference (B-A)	(45.0)	(6.0)	(7.0)	0.0	
Ratio (%)	(2.9)	(5.7)	(6.0)	0.0	
(Reference) FY2017 Actual (Apr 1, 2017 - Mar 31, 2018)	1,328.5	103.5	110.2	71.6	358.38

Note: Mitsui Chemicals, Inc. (the "Company") conducted repurchase of its own shares of up to 5,000,000 shares, due on January 31, 2019. As a result, the Company completed the repurchase with 3,676,700 shares by January 4, 2019. Outlook for earnings per share has taken into account of repurchased shares in calculating average number of shares.

(2) Revision by Business Segment

Outlook by FY2018 business segment is as follows.

(Billions of Yen)

	Net Sales						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
Previous forecast	401.0	147.0	206.0	761.0	25.0	-	1,540.0
Revised forecast	396.0	147.0	203.0	724.0	25.0	-	1,495.0
Difference	(5.0)	0.0	(3.0)	(37.0)	0.0	-	(45.0)

(Billions of Yen)

	Operating Income (Loss)						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
Previous forecast	42.5	13.0	21.5	37.0	(1.0)	(7.0)	106.0
Revised forecast	43.0	13.5	20.5	31.0	(2.0)	(6.0)	100.0
Difference	0.5	0.5	(1.0)	(6.0)	(1.0)	1.0	(6.0)