

Summary of Consolidated Financial Results for FY2017

May 15, 2018
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

	FY2016	FY2017	Incr. (Decr.)
Net sales	1,212.3	1,328.5	116.2
Operating income	102.1	103.5	1.4
Ordinary income	97.2	110.2	13.0
Profit attributable to owners of parent	64.8	71.6	6.8
Comprehensive income	85.4	93.1	7.7

Outlook for FY2018 (announced May 15)	
Interim	Full Year
715.0	1,480.0
47.0	106.0
52.0	112.0
36.0	80.0

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

· Net Sales

(Unit : Billions of Yen)

	FY2016	FY2017	Incr. (Decr.)	Breakdown	
				Volume	Price
Mobility	293.3	331.0	37.7	22.8	14.9
Health Care	134.2	139.1	4.9	4.3	0.6
Food & Packaging	182.5	195.8	13.3	7.8	5.5
Basic Materials	565.6	637.7	72.1	13.4	58.7
Others	36.7	24.9	(11.8)	-	(11.8)
Total	1,212.3	1,328.5	116.2	48.3	67.9

Outlook for FY2018 (announced May 15)	
Interim	Full Year
190.0	385.0
73.0	150.0
100.0	210.0
340.0	710.0
12.0	25.0
715.0	1,480.0

· Operating Income (Loss)

(Unit : Billions of Yen)

	FY2016	FY2017	Incr. (Decr.)	Breakdown		
				Volume	Price*	Fixed Costs etc.
Mobility	40.7	42.3	1.6	3.4	1.8	(3.6)
Health Care	10.1	10.8	0.7	2.0	0.4	(1.7)
Food & Packaging	20.6	19.9	(0.7)	3.9	(2.1)	(2.5)
Basic Materials	38.5	38.9	0.4	(0.2)	1.9	(1.3)
Others	(0.3)	(0.9)	(0.6)	-	-	(0.6)
Adjustment	(7.5)	(7.5)	0.0	-	-	0.0
Total	102.1	103.5	1.4	9.1	2.0	(9.7)

Outlook for FY2018 (announced May 15)	
Interim	Full Year
21.5	45.0
5.5	13.0
10.5	23.0
14.0	33.0
0.0	0.0
(4.5)	(8.0)
47.0	106.0

* Price includes both selling and purchasing price variances.

3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	FY2016	FY2017	Incr. (Decr.)
Gain on sales of non-current assets & investment securities	2.6	3.6	1.0
Gain on transfer of business	-	0.6	0.6
Gain on revision of retirement benefit plan	-	0.3	0.3
Gain on forgiveness of debts	-	2.0	2.0
Loss on sales and disposal of non-current assets	(7.3)	(2.4)	4.9
Impairment loss	(4.1)	(15.0)	(10.9)
Loss on valuation of investment securities	(0.2)	(5.1)	(4.9)
Others	(2.4)	-	2.4
Total	(11.4)	(16.0)	(4.6)

Outlook for FY2018 (announced May 15)	
Interim	Full Year
-	-
-	-
-	-
-	-
(3.0)	(5.0)
-	-
-	-
-	-
(3.0)	(5.0)

4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2017	As of Mar. 31, 2018	Incr. (Decr.)		As of Mar. 31, 2017	As of Mar. 31, 2018	Incr. (Decr.)
Current assets	678.9	749.5	70.6	Interest-bearing liabilities	439.9	463.7	23.8
Tangible fixed assets	409.4	432.9	23.5	Other liabilities	371.0	393.8	22.8
Intangible fixed assets	35.2	31.5	(3.7)	Shareholders' equity	449.7	511.1	61.4
Investments and others	202.0	230.2	28.2	Non-controlling interests	64.9	75.5	10.6
Total assets	1,325.5	1,444.1	118.6	Total liabilities and net assets	1,325.5	1,444.1	118.6
[Inventories]	247.5	274.3	26.8	[Net D/E Ratio]	0.79	0.75	(0.04)

5. Summary of Cash Flow

(Unit : Billions of Yen)

	FY2016	FY2017	Incr. (Decr.)	Outlook for FY2018	
				Interim	Full Year
Cash flows from operating activities	100.4	82.7	(17.7)	62.0	105.0
Cash flows from investing activities	(47.4)	(75.1)	(27.7)	(45.0)	(100.0)
Free cash flows	53.0	7.6	(45.4)	17.0	5.0
Cash flows from financing activities	(47.6)	(10.2)	37.4	(17.0)	(5.0)
Others	(0.7)	(1.5)	(0.8)	-	-
Net incr.(decr.) in cash and cash equivalents	4.7	(4.1)	(8.8)	0.0	0.0
Cash and cash equivalents at the end of period	82.9	78.8	(4.1)		

6. Accounting Fundamentals

		FY2016	FY2017	Incr. (Decr.)	Outlook for FY2018	
					Interim	Full Year
R & D expenses	¥Billions	30.8	33.4	2.6	18.0	36.0
Depreciation & amortization	¥Billions	44.1	45.7	1.6	24.0	50.0
Capital expenditures	¥Billions	45.4	81.2	35.8	46.0	84.0
Financing incomes & expenses	¥Billions	(2.1)	(0.7)	1.4	(0.5)	(1.5)
Interest-bearing liabilities	¥Billions	439.9	463.7	23.8	460.0	480.0
Net D/E Ratio	Percentage	0.79	0.75	(0.04)	0.71	0.70
Number of employees	Person	13,423	17,277	3,854	17,700	17,700
Exchange rate	Yen / US\$	108	111	3	105	105
Domestic standard naphtha price	Yen / KL	34,700	41,900	7,200	49,000	49,000

7. Scope of Consolidation and Equity Method

	As of Mar. 31, 2017	As of Mar. 31, 2018	Incr. (Decr.)	Outlook for FY2018	
				Interim	Full Year
Consolidated subsidiaries	94	115	21	115	115
Non-consolidated subsidiaries and affiliates	37	39	2	40	40
Total	131	154	23	155	155

8. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim	3rd Q	Year-end	Annual
FY2016 Result	-	5.00	-	9.00	14.00
FY2017 Result	-	9.00	-	45.00	-
FY2018 Outlook	-	50.00	-	50.00	100.00

Note: FY2017 result is calculated based on the number of shares before the 5-to-1 share consolidation, which was conducted on October 1, 2017. After the consideration of 5-to-1 share consolidation, annual dividend was 70 yen (including 10 yen memorial dividend) in FY2016 and 90 yen in FY2017.

9. Number of shares outstanding (common stock)

	FY2016	FY2017
Number of shares outstanding at term-end (including treasury stock)	204,404,015	204,454,615
Number of shares of treasury stock at term-end	4,336,714	5,766,674
Average number of shares	200,091,324	199,747,458

Note: The Group conducted 5-to-1 share consolidation on October 1, 2017. "Number of shares outstanding at term-end (including treasury stock)", "Number of shares of treasury stock at term-end" and "Average number of shares" are 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 twelve-month period from Apr 1, 2017 to March 31, 2018, hereinafter the “fiscal 2017”), the economy of the United States and Europe enjoyed constant recovery. However, the state of geopolitical risks and government policy trends in major countries remained and careful attention was paid to fluctuations in the global economy.

In Japan, the economy continued to gradually recover amid improvements in the employment and incomes.

In the domestic chemical industry, despite higher crude oil prices, naphtha crackers operated at a consistently high capacity due to a steady expansion in demand and the effects of business structure improvement, including a reduction of superfluous domestic facilities.

Under these circumstances, the Mitsui Chemicals Group (hereafter “the Group”) launched 2025 Long-Term Business Plan for business expansion and growth in the three business domains; Mobility, Health Care, and Food & Packaging, while also creating and developing Next Generation Business and further enhancing competitiveness in the area of Basic Materials.

In Mobility, performance materials products—especially elastomers and polypropylene compounds—have kept up with expanding global demand for automotive components and IT products. In addition to ongoing demand propelled by the trend toward lighter and more advanced automobiles, the market is seeing the emergence of new needs related to electric and self-driving automobiles. To meet these wide-ranging needs, the Group added the new product development support company ARRK Corporation to its consolidated subsidiaries and tightened its focus on strengthening its ability to offer solutions.

In Healthcare, sales of ophthalmic lens materials remained healthy, which boast the largest share of the global market. In addition, the Group launched sales of the next-generation eyewear TouchFocus™, which combines liquid crystal technology with the Group’s lens technology to enable the wearer to easily switch between near- and far-sightedness at a touch. In nonwoven fabrics, the Group worked to expand production capacity in line with market growth to meet demand for premium disposable diapers, which are gaining popularity in Asia. In addition, the Group launched the nonwoven fabric AIRYFA™, which is both soft and strong while remaining gentle on skin. In dental materials, the Group recorded an impairment loss for intangible assets, including goodwill as a result of revised business plan due to decreasing sales in Germany and a delay in the launch of digital goods. In response to this, the Group has worked to strengthen its sales activities and its business regime of digital goods with the aim of sustainably growing its dental materials business.

In Food & Packaging, the sales volume of performance films and sheets expanded as the Group captured robust demand. The Group established a new subsidiary in Taiwan, a major source of global demand, for manufacturing and marketing ICROS™ Tape, which commands the largest share of the global market for protective tape used in semiconductor manufacturing processes. In agrochemicals, the Group decided to form an alliance with the major European companies BASF and Bayer in new product development, thereby accelerating the global expansion of the agrochemical business.

In Basic Materials, which is centered on petrochemicals and basic chemicals, the Group maintained high-capacity operations at its naphtha crackers and other plants due to strong domestic demand, in addition to continuous progress of business structure improvement. The Group also worked to ensure greater competitiveness by cutting costs and expanding lineup of differentiated products.

The Group reported the following operating results for fiscal 2017.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
Fiscal 2017	1,328.5	103.5	110.2	71.6
Previous fiscal year	1,212.3	102.1	97.2	64.8
Change	116.2	1.4	13.0	6.8
Change (%)	9.6	1.3	13.4	10.4

Net Sales increased 116.2 billion yen, or 9.6%, compared with the previous fiscal year to 1,328.5 billion yen. This was mainly attributable to increase in sales prices due to the rise in naphtha and other raw materials and fuel prices, and changes in foreign exchange rates.

Net sales overseas were 588.0 billion yen, an increase of 1.8% compared with the previous fiscal year to 44.3% in the total net sales.

Operating income was 103.5 billion yen, an increase of 1.4 billion yen or 1.3% year on year. This result was due to healthy sales although fixed costs increased from major scheduled maintenance.

Ordinary income was 110.2 billion yen, increased 13.0 billion yen or 13.4% year on year. This result was due to the increase in share of profit of entities accounted for using equity method, in addition to increased operating income.

Extraordinary income and losses worsened 4.6 billion yen year on year to 16.0 billion yen loss, due to impairment loss for intangible assets, including goodwill in the dental materials business, in spite of gain on sales of fixed assets and gain on forgiveness of debts from non-controlling interest of a liquidated subsidiary.

As a result of the aforementioned factors, **profit before income taxes** amounted to 94.2 billion yen, an increase of 8.4 billion yen, or 9.8% year on year.

Profit attributable to owners of parent after accounting for income taxes and non-controlling interests was 71.6 billion yen, an increase of 6.8 billion yen, or 10.4% compared with the previous fiscal year. The Group conducted 5-to-1 share consolidation on October 1, 2017 and net income per share for the period was 358.38 yen.

(2) Results by Business Segment

The status of each segment during fiscal 2017 is as follows.

Mobility

Net sales increased 37.7 billion yen compared with the previous fiscal year to 331.0 billion yen and comprised 25% of total sales. Operating income increased 1.6 billion yen to 42.3 billion yen year on year. The increase in income was due to the effect of an increase in sales volume and the favorable trading terms.

In **elastomers**, which are primarily used in automotive components and as resin modifiers, the Group was able to meet healthy demand.

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

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 4.9 billion yen year on year to 139.1 billion yen and comprised 10% of total sales. Operating income increased 0.7 billion yen to 10.8 billion yen year on year, mainly due to steady sales although raw material prices increased.

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

In **nonwoven fabrics**, sales of premium disposable diapers remained firm, but profits were impacted by an increase in raw material prices.

In **dental materials**, sales volume decreased mainly in Germany.

Food & Packaging

Net sales increased 13.3 billion yen compared with the previous fiscal year to 195.8 billion yen and comprised 15% of total sales. On the other hand, operating income decreased 0.7 billion yen to 19.9 billion yen year on year, due to increases in raw material prices and fixed costs of R&D in spite of steady sales.

In **coatings & engineering materials**, although sales were healthy, profits were impacted by an increase in raw material prices.

In **performance films and sheets**, sales volume increased although profits had impacts from an increase in raw material prices.

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

Basic Materials

Net sales increased 72.1 billion yen compared with the previous fiscal year to 637.7 billion yen and accounted for 48% of total sales. Operating income increased 0.4 billion yen year on year, to 38.9 billion yen. This was mainly attributable to the effect of firm domestic demand and business structure improvement.

Naphtha cracker operating rates kept at high level as the previous fiscal year.

Performances of **polyethylene** and **polypropylene** were firm, backed by domestic demand.

In **phenols**, the overseas market environment was at higher level than the previous fiscal year and the result of business structure improvement emerged.

Others

Net sales decreased 11.8 billion yen to 24.9 billion yen, comprised 2% of total sales. Operating loss was 0.9 billion yen, increase of 0.6 billion yen compared to the previous year.

2. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of fiscal year stood at 1,444.1 billion yen, an increase of 118.6 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of fiscal year increased 46.6 billion yen compared with the previous fiscal year-end to 857.5 billion yen. **Interest-bearing debt** amounted to 463.7 billion yen, an increase of 23.8 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 32.1%, a decrease of 1.1 percentage point.

Net assets totaled 586.6 billion yen, an increase of 72.0 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 35.4%, 1.5 percentage point increase from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.75 at the end of the fiscal year, 0.04 point decrease from the previous fiscal year-end.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") decreased 4.1 billion yen to 78.8 billion yen as of the end of this fiscal year compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased 17.7 billion yen to 82.7 billion yen due to worsening of working capital although profit before income taxes increased.

Cash Flows from Investing Activities

Net cash used in investing activities increased 27.7 billion yen compared with the previous fiscal year to 75.1 billion yen, mainly due to cash outflows from the tender offer for ARRK Corporation shares.

Cash Flows from Financing Activities

Net cash used in financing activities decreased 37.4 billion yen compared with the previous fiscal year to 10.2 billion yen due primarily to the increase in borrowings of interest-bearing debts.

(3) Trends in Cash Flow Indicators

	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Shareholders' Equity Ratio (%)	24.6	28.8	30.3	33.9	35.4
Shareholders' Equity Ratio on a Market Value Basis (%)	17.7	27.4	29.8	41.5	46.2
Ratio of Interest-bearing Debt to Cash Flows	13.4	9.4	3.2	4.4	5.6
Interest Coverage Ratio (Times)	5.6	7.7	20.7	17.3	14.8

Notes:

- Shareholders' Equity Ratio: Shareholders' equity to total assets.
- Shareholders' Equity Ratio on a Market Value Basis: Market capitalization to total assets.
- Ratio of Interest-bearing Debt to Cash Flows: Interest-bearing debt to cash flows.
- Interest Coverage Ratio: Cash flows to interest paid.
- Each of the indicators was calculated using consolidated financial figures.
- The market capitalization was calculated by multiplying the closing share price as of the end of the period with the number of shares outstanding (excluding treasury stock).
- Operating cash flow figures have been used for cash flow calculations.
- Interest-bearing debt is the portion of total debt booked on the consolidated balance sheet on which interest is being paid. Interest paid is the amount of interest paid as reported in the consolidated statements of cash flows.

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

(1) Overall of Financial Outlook for Fiscal 2018

The fiscal 2018 global economy is expected to steadily grow. The U.S. economy continues to expand, driven mainly by domestic demand. In Europe, gradual growth is expected due to better employment and incomes, while in Southeast Asia, regional demand is expected to stably grow. However, concerns over the risk of an economic slowdown remain due to the tightening of environmental regulations in China and the potential risk for a correction in the U.S. stock market.

In Japan, personal consumption is expected to gradually increase in tandem with continued improvement in employment. Private-sector capital investment is expected to remain firm due mainly to demand related to renovating and repairing old structures. Exports are forecast to stably increase, especially in the semiconductor field.

Under these conditions, the Group forecasts its business performance and earnings growth for fiscal 2018 as follows.

(Billions of Yen)	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
FY2018	1,480.0	106.0	112.0	80.0
FY2017	1,328.5	103.5	110.2	71.6
Difference	151.5	2.5	1.8	8.4
Ratio (%)	11.4	2.4	1.6	11.8

Outlook above are based on the following assumptions:

- Exchange rate for the full year is 105 yen/US\$
- Average price of domestic naphtha is 49,000 yen /kl

(2) Outlook by FY2018 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
FY2018	385.0	150.0	210.0	710.0	25.0	-	1,480.0
FY2017	331.0	139.1	195.8	637.7	24.9	-	1,328.5
Difference	54.0	10.9	14.2	72.3	0.1	-	151.5
Ratio(%)	16.3	7.8	7.2	11.3	0.7	-	11.4

(Billions of Yen)

	Operating Income (Loss)						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
FY2018	45.0	13.0	23.0	33.0	0	(8.0)	106.0
FY2017	42.3	10.8	19.9	38.9	(0.9)	(7.5)	103.5
Difference	2.7	2.2	3.1	(5.9)	0.9	(0.5)	2.5
Ratio(%)	6.4	20.0	15.4	(15.2)	-	5.9	2.4

4. Basic Policy on Appropriation of Profits, Cash Dividends for Fiscal 2017 and 2018 (Year Ending March 31, 2018 and March 31, 2019)

(1) Basic Policy on Appropriation of Profits

In addition to continually raising dividends in line with performance trends, the Mitsui Chemicals (hereafter “the Company”) will flexibly acquire treasury stock depending on the stock price and market environment, therefore to enhance returns to shareholders.

Specifically, the Company will aim to gradually achieve a total return ratio of 30% or more.

Note: Total return ratio = (dividends paid + treasury stock acquired) / profit attributable to owners of parent

(2) Cash Dividends for Fiscal 2017 and 2018

In current fiscal year, the Group plans to pay a year-end dividend of 45 yen per share, an increase of 5 yen per share over that previously announced. Because a 9 yen interim dividend was already paid out on December 4, 2017 and 5-to-1 share consolidation was conducted on October 1, 2017, interim dividend after the 5-to-1 share consolidation was 45 yen per share. As a result, dividends for the full fiscal year after the 5-to-1 share consolidation will total 90 yen per share.

For the purpose to enhance returns to shareholders, the Company acquired treasury stocks of 5.0 billion yen, which resulted in the total return ratio to 32.1%.

Turning to dividends for the fiscal year ending March 31, 2019, the Company plans to pay an interim dividend of 50 yen per share and a year-end dividend of 50 yen per share, respectively. The Company therefore plans the annual dividend for the fiscal year to be 100 yen per share.

5. Consolidated Balance sheets

	Millions of yen	
	FY2016 As of March 31, 2017	FY2017 As of March 31, 2018
Assets		
Current assets		
Cash and deposits	84,120	80,209
Notes and accounts receivable-trade	271,706	306,899
Inventories	247,544	274,342
Deferred tax assets	16,192	18,226
Accounts receivable-other	52,279	60,356
Other	7,628	10,193
Allowance for doubtful accounts	(531)	(673)
Total current assets	678,938	749,552
Non-current assets		
Property, plant and equipment		
Buildings and structures	335,957	343,555
Accumulated depreciation	(232,255)	(236,725)
Buildings and structures, net	103,702	106,830
Machinery, equipment and vehicles	988,248	997,563
Accumulated depreciation	(861,563)	(865,884)
Machinery, equipment and vehicles, net	126,685	131,679
Land	155,441	159,018
Construction in progress	11,465	20,462
Other	72,481	76,136
Accumulated depreciation	(60,345)	(61,217)
Other, net	12,136	14,919
Total property, plant and equipment	409,429	432,908
Intangible assets		
Goodwill	7,407	5,684
Other	27,781	25,792
Total intangible assets	35,188	31,476
Investments and other assets		
Investment securities	141,873	159,428
Net defined benefit asset	31,103	41,549
Deferred tax assets	6,755	5,242
Other	24,610	26,369
Allowance for doubtful accounts	(2,371)	(2,420)
Total investments and other assets	201,970	230,168
Total non-current assets	646,587	694,552
Total assets	1,325,525	1,444,104

	Millions of yen	
	FY2016	FY2017
	As of	As of
	March 31, 2017	March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	145,658	162,179
Short-term loans payable	90,276	94,348
Current portion of long-term loans payable	18,582	24,834
Commercial papers	—	20,000
Current portion of bonds	24,142	15,426
Accounts payable-other	69,531	69,299
Income taxes payable	5,735	7,956
Provision for directors' bonuses	140	158
Provision for repairs	12,173	13,585
Other	26,546	35,413
Total current liabilities	392,783	443,198
Non-current liabilities		
Bonds payable	35,574	31,864
Long-term loans payable	268,654	274,099
Deferred tax liabilities	24,169	26,560
Provision for directors' retirement benefits	251	250
Provision for repairs	3,878	2,880
Provision for environmental measures	732	675
Net defined benefit liability	55,200	55,220
Asset retirement obligations	4,196	4,330
Other	25,453	18,424
Total non-current liabilities	418,107	414,302
Total liabilities	810,890	857,500
Net assets		
Shareholders' equity		
Capital stock	125,053	125,125
Capital surplus	90,491	89,327
Retained earnings	236,961	290,538
Treasury stock	(14,708)	(19,842)
Total shareholders' equity	437,797	485,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,337	26,558
Deferred gains or losses on hedges	(25)	(16)
Foreign currency translation adjustments	4,211	5,037
Remeasurements of defined benefit plans	(12,628)	(5,603)
Total accumulated other comprehensive income	11,895	25,976
Non-controlling interests	64,943	75,480
Total net assets	514,635	586,604
Total liabilities and net assets	1,325,525	1,444,104

6. Consolidated Income Statements and Consolidated Comprehensive Income Statements

(Consolidated Income Statements)

	Millions of yen	
	FY2016	FY2017
	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018
Net sales	1,212,282	1,328,526
Cost of sales	919,268	1,019,160
Gross profit	293,014	309,366
Selling, general and administrative expenses	190,865	205,875
Operating income	102,149	103,491
Non-operating income and expenses		
Non-operating income		
Interest income	941	1,471
Dividends income	2,679	3,317
Share of profit of entities accounted for using equity method	208	7,063
Rent income	718	744
Insurance income	151	2,318
Other	1,985	2,408
Total non-operating income	6,682	17,321
Non-operating expenses		
Interest expenses	5,749	5,478
Loss on suspension of operations	557	588
Foreign exchange losses	1,257	1,201
Provision of allowance for doubtful accounts	1,370	—
Other	2,702	3,340
Total non-operating expenses	11,635	10,607
Ordinary income	97,196	110,205
Extraordinary income and losses		
Extraordinary income		
Gain on sales of non-current assets	253	2,778
Gain on sales of investment securities	2,381	767
Gain on transfer of business	—	591
Gain on forgiveness of debts	—	2,010
Gain on revision of retirement benefit plan	—	326
Total extraordinary income	2,634	6,472
Extraordinary losses		
Loss on disposal of non-current assets	7,375	2,389
Loss on sales of non-current assets	10	9
Impairment loss	4,111	15,012
Loss on valuation of investment securities	196	5,059
Contract termination fees	2,366	—
Total extraordinary losses	14,058	22,469
Profit (loss) before income taxes	85,772	94,208
Income taxes—current	15,704	18,819
Income taxes—deferred	(3,789)	(3,629)
Total income taxes	11,915	15,190
Profit (loss)	73,857	79,018
Profit (loss) attributable to non-controlling interests	9,018	7,433
Profit (loss) attributable to owners of parent	64,839	71,585

(Consolidated Comprehensive Income Statements)

	Millions of yen	
	FY2016	FY2017
	April 1, 2016 to	April 1, 2017 to
	March 31, 2017	March 31, 2018
Profit (loss)	73,857	79,018
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	5,647	6,405
Deferred gains or losses on hedges	0	(5)
Foreign currency translation adjustment	(3,870)	(2,311)
Remeasurements of defined benefit plans	11,380	6,975
Share of other comprehensive income of entities accounted for using equity method	(1,614)	3,049
Total other comprehensive income (loss)	11,543	14,113
Comprehensive income (loss)	85,400	93,131
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of parent	77,184	85,667
Comprehensive income (loss) attributable to non-controlling interests	8,216	7,464

7. Consolidated Statements of Cash Flows

	Millions of yen	
	FY2016	FY2017
	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018
Profit (loss) before income taxes	85,772	94,208
Depreciation	42,809	44,835
Amortization of goodwill	1,248	819
Impairment loss	4,111	15,012
Increase(decrease) in net defined benefit liability	(2,314)	323
Decrease (increase) in net defined benefit asset	(3,989)	(4,393)
Increase (decrease) in allowance for doubtful accounts	1,353	(7)
Increase (decrease) in provision for repairs	3,671	414
Increase (decrease) in provision for environmental measures	(54)	(57)
Interest and dividend income	(3,620)	(4,788)
Insurance income	(151)	(2,318)
Interest expenses	5,749	5,478
Share of (profit) loss of entities accounted for using equity method	(208)	(7,063)
Loss (gain) on sales of investment securities	(2,379)	(814)
Loss (gain) on valuation of investment securities	196	5,059
Loss on retirement of non-current assets	709	1,067
Loss (gain) on sales of non-current assets	(243)	(2,769)
Decrease (increase) in notes and accounts receivable - trade	(27,375)	(23,381)
Decrease (increase) in inventories	(8,014)	(26,419)
Increase (decrease) in notes and accounts payable - trade	27,580	13,786
Other, net	(11,485)	(15,314)
Subtotal	113,366	93,678
Interest and dividends income received	7,699	9,011
Interest expenses paid	(5,818)	(5,583)
Proceeds from insurance income	151	2,752
Income taxes paid	(14,958)	(17,198)
Net cash provided by (used in) operating activities	100,440	82,660
Purchase of property, plant and equipment	(39,530)	(49,587)
Proceeds from sales of property, plant and equipment	1,082	337
Purchase of intangible assets	(1,968)	(3,085)
Proceeds from sales of intangible assets	9	2,502
Purchase of investment securities	(10,390)	(3,986)
Proceeds from sales and redemption of investment securities	4,179	1,521
Proceeds from transfer of business	—	1,486
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(16,350)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	30	—
Purchase of long-term prepaid expenses	(1,431)	(1,346)
Payments of long-term loans receivable	(3)	(5,208)
Other, net	627	(1,325)
Net cash provided by (used in) investing activities	(47,395)	(75,041)

	Millions of yen	
	FY2016	FY2017
	April 1, 2016 to March 31, 2017	April 1, 2017 to March 31, 2018
Net increase (decrease) in short-term loans payable	4,154	4,072
Increase (decrease) in commercial papers	—	20,000
Proceeds from long-term loans payable	10,000	29,711
Repayment of long-term loans payable	(27,818)	(19,476)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	(20,142)	(24,284)
Proceeds from share issuance to non-controlling shareholders	8	—
Proceeds from sales of treasury shares	1	7
Purchase of treasury shares	(103)	(5,141)
Cash dividends paid	(9,005)	(18,007)
Dividends paid to non-controlling interests	(4,006)	(6,397)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(548)	(552)
Other, net	(116)	(138)
Net cash provided by (used in) financing activities	(47,575)	(10,205)
Effect of exchange rate change on cash and cash equivalents	(737)	(1,170)
Net increase (decrease) in cash and cash equivalents	4,733	(3,756)
Cash and cash equivalents at beginning of period	78,151	82,884
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(300)
Cash and cash equivalents at end of period	82,884	78,828

8. Segment Information

(1) Overview of Reportable Segments

The reportable segments of the Group comprise those entities for which obtaining separate financial reports is possible and those are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to said segments.

The Group positions segments distinguished by their products and services within its headquarters. Each segment proposes comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

The four reportable segments (distinguished by products and services) that therefore comprise the Group's operations are: Mobility, Health Care, Food & Packaging and Basic Materials.

Segments		Major Products and Businesses
Reportable Segments	Mobility	Elastomers, performance compounds, functional polymers, polypropylene compounds and comprehensive services regarding to the development of automotive and industrial products (Solution business)
	Health Care	Vision care materials, nonwoven fabrics, dental materials and, personal care materials
	Food & Packaging	Coating & engineering materials, performance films and sheets and, agrochemical products
	Basic Materials	Ethylene, propylene, polyethylene, polypropylene, catalysts, phenols, PTA, PET, polyurethane materials and, industrial chemical products
Others	Others	Other related businesses, etc.

(2) Methods to Determine Net Sales, Income or Loss, Assets, and Others by Reportable Business Segment

Profit by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

(3) Information concerning Net Sales, Income or Loss, Assets, and Others by Reportable Business Segment

The previous fiscal year (April 1, 2016 – March 31, 2017)

(Millions of yen)

	Reportable Segment					Others (Note 1)	Sum total
	Mobility	Health Care	Food & Packaging	Basic Materials	Total		
Net sales							
1) To external customers	293,283	134,198	182,468	565,617	1,175,566	36,716	1,212,282
2) Internal sales among segments and transfers	10,217	2,166	5,132	57,379	74,894	50,747	125,641
Total	303,500	136,364	187,600	622,996	1,250,460	87,463	1,337,923
Segment income (loss)	40,716	10,118	20,606	38,504	109,944	(353)	109,591
Segment assets	241,814	206,186	209,310	544,307	1,201,617	59,396	1,261,013
Other items							
Depreciation and amortization (Note 2)	9,241	9,049	6,687	13,341	38,318	4,134	42,452
Amortization of goodwill	—	1,148	—	—	1,148	100	1,248
Amount invested in equity method affiliate	16,666	4,628	2,322	46,381	69,997	2,760	72,757
Capital expenditures (Note 2)	10,447	8,745	7,145	14,221	40,558	3,936	44,494

Notes:

1. "Others" category incorporates operations not included in reportable segments.

2. Depreciation and amortization, and capital expenditures include amortization costs and expenditures under long-term prepaid expenses.

The fiscal year under review (April 1, 2017 – March 31, 2018)

(Millions of yen)

	Reportable Segment					Others (Note 1)	Sum total
	Mobility	Health Care	Food & Packaging	Basic Materials	Total		
Net sales							
1) To external customers	331,038	139,120	195,840	637,700	1,303,698	24,828	1,328,526
2) Internal sales among segments and transfers	10,954	2,376	1,238	66,690	81,258	54,210	135,468
Total	341,992	141,496	197,078	704,390	1,384,956	79,038	1,463,994
Segment income (loss)	42,296	10,830	19,924	38,903	111,953	(906)	111,047
Segment assets	316,313	200,684	221,550	606,896	1,345,443	50,052	1,395,495
Other items							
Depreciation and amortization (Note 2)	10,264	9,501	6,961	14,467	41,193	3,118	44,311
Amortization of goodwill	131	586	—	—	717	102	819
Amount invested in equity method affiliate	17,220	4,920	2,878	54,977	79,995	2,660	82,655
Capital expenditures (Note 2)	32,179	16,018	9,508	15,752	73,457	6,110	79,567

Notes: 1. "Others" category incorporates operations not included in reportable segments.
2. Depreciation and amortization, and capital expenditures include amortization costs and expenditures for long-term prepaid expenses.

(4) Reconciliation of Differences between Total Amounts of Reportable Segments and Consolidated Financial Statements (adjustment of difference)

(Millions of yen)

Net Sales	FY 2016	FY 2017
Total reportable segment sales	1,250,460	1,384,956
Net sales classified under "Others"	87,463	79,038
Elimination of intersegment transactions	(125,641)	(135,468)
Net sales recorded in Consolidated Income Statements	1,212,282	1,328,526

(Millions of yen)

Income	FY 2016	FY 2017
Total reportable segment income	109,944	111,953
Income classified under "Others"	(353)	(906)
Elimination of intersegment transactions and etc	(596)	26
Corporate expenses (note)	(6,846)	(7,582)
Operating income (loss) recorded in Consolidated Income Statements	102,149	103,491

Note: Corporate expenses mainly comprise general & administrative expenses which are usually not attributed to segments and R&D expenses for new business.

(Millions of yen)

Assets	FY 2016	FY 2017
Total reportable segment assets	1,201,617	1,345,443
Assets classified under "Others"	59,396	50,052
Elimination of intersegment transactions	(116,819)	(130,898)
Corporate assets (note)	181,331	179,507
Assets recorded in Consolidated Balance Sheets	1,325,525	1,444,104

Note: Corporate assets are mainly attributed to the Company's surplus management funds (cash and deposits), long-term investment funds (investment securities), deferred tax assets and administrative departments.

(Millions of yen)

Other items	Reportable segments		Others		Adjustments (note)		Amounts from consolidated financial	
	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17
Depreciation and amortization	38,318	41,193	4,134	3,118	357	524	42,809	44,835
Amortization of goodwill	1,148	717	100	102	—	—	1,248	819
Investment in equity method affiliate	69,997	79,995	2,760	2,660	—	—	72,757	82,655
Capital expenditures	40,558	73,457	3,936	6,110	889	1,681	45,383	81,248

Note: Adjustments incorporate depreciation expenses, amortization expenses and capital expenditures which are related to R&D of new business.

9. Segment Related Information

Information by Region

The previous consolidated fiscal year (April 1, 2016 – March 31, 2017)

a. Net Sales (Millions of yen)

Japan	China	Asia	America	Europe	Other regions	Total
697,065	121,188	167,617	153,434	66,082	6,896	1,212,282

- Notes:
- Net sales are classified by country and region based on customer location.
 - Major countries and regions located in areas outside of Japan and China are as follows:
 - Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India
 - America: The United States, Mexico
 - Europe: Germany, France
 - Other regions: Oceania, Africa

b. Tangible Assets

(Millions of yen)

Japan	Singapore	Asia	Other regions	Total
321,672	42,279	23,022	22,456	409,429

- Note:
- Major countries and regions located in areas outside of Japan and Singapore are as follows:
- Asia: China, Taiwan, South Korea, Thailand, Malaysia, India
 - Other regions: North America, Europe

The consolidated fiscal year under review (April 1, 2017 – March 31, 2018)

a. Net Sales

(Millions of yen)

Japan	China	Asia	America	Europe	Other regions	Total
740,562	144,699	189,448	162,219	82,960	8,638	1,328,526

- Notes:
- Net sales are classified by country and region based on customer location.
 - Major countries and regions located in areas outside of Japan and China are as follows:
 - Asia: Taiwan, South Korea, Thailand, Malaysia, Singapore, India
 - America: The United States, Mexico
 - Europe: Germany, France
 - Other regions: Oceania, Africa

b. Tangible Assets

(Millions of yen)

Japan	Singapore	Asia	Other regions	Total
345,017	35,920	27,129	24,842	432,908

- Note:
- Major countries and regions located in areas outside of Japan and Singapore are as follows:
- Asia: China, Taiwan, South Korea, Thailand, Malaysia, India
 - Other regions: North America, Europe

Information Concerning Impairment Loss of Fixed Assets by Reportable Segment

The previous fiscal year (April 1, 2016 – March 31, 2017)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Impairment loss	51	85	405	461	2,769	340	4,111

The fiscal year under review (April 1, 2017 – March 31, 2018)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Impairment loss	395	14,350	7	—	150	110	15,012

- Note:
- In the Health Care segment, the Group re-examined the future recoverability of investments in its dental material business and executed an impairment test based on Japan-GAAP after considering current business conditions. As a result, an impairment loss for intangible assets, including goodwill arising from the 2013 acquisition, was forecasted at 14,350 million yen.

Information Concerning the Amount of Amortization and Unamortized Balance of Goodwill by Reportable Segment

The previous fiscal year (April 1, 2016 – March 31, 2017)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Amount of amortization	—	1,148	—	—	100	—	1,248
Unamortized balance	—	7,104	—	—	303	—	7,407

The fiscal year under review (April 1, 2017 – March 31, 2018)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Amount of amortization	131	586	—	—	102	—	819
Unamortized balance	5,110	519	—	—	55	—	5,684

- Notes:
1. In the Mobility segment, the Group recorded goodwill and amortization of goodwill from its subsidiary MC Investment 01 Corporation's acquisition of ARK shares. As a result, unamortized balance in this segment increased 5,110 million yen compared with the previous fiscal year.
 2. In the Health Care segment, unamortized balance decreased by 6,585 million yen as the Group recorded goodwill impairment loss in FY2017.