

Summary of Consolidated Financial Results for First Quarter of FY2019

Aug 1, 2019
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

| | 1st Q of FY2018 | 1st Q of FY2019 | Incr. (Decr.) | |
|---|-----------------|-----------------|---------------|---------|
| Net sales | 356.3 | 342.8 | (13.5) | |
| Operating income | 26.3 | 20.7 | (5.6) | |
| Ordinary income | 31.4 | 19.8 | (11.6) | |
| Profit attributable to owners of parent | 23.5 | 12.5 | (11.0) | |
| Comprehensive income | 25.7 | 8.6 | (17.1) | |
| Exchange rate | Yen / US\$ | 109 | 110 | 1 |
| Domestic standard naphtha price | Yen / KL | 48,800 | 45,400 | (3,400) |

| FY2018 | Outlook for FY2019 (announced Aug. 1) | |
|---------|---------------------------------------|-----------|
| | Interim | Full Year |
| 1,482.9 | 685.0 | 1,540.0 |
| 93.4 | 38.0 | 105.0 |
| 103.0 | 36.0 | 110.0 |
| 76.1 | 20.0 | 76.0 |
| 79.2 | | |
| 111 | 110 | 110 |
| 49,400 | 42,700 | 46,000 |

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

·Net Sales

(Unit : Billions of Yen)

| | 1st Q of FY2018 | 1st Q of FY2019 | Incr. (Decr.) | Breakdown | |
|------------------|-----------------|-----------------|---------------|-----------|--------|
| | | | | Volume | Price |
| Mobility | 97.3 | 94.1 | (3.2) | 0.4 | (3.6) |
| Health Care | 36.2 | 35.2 | (1.0) | (0.7) | (0.3) |
| Food & Packaging | 47.5 | 45.6 | (1.9) | (2.4) | 0.5 |
| Basic Materials | 170.1 | 163.5 | (6.6) | 2.1 | (8.7) |
| Others | 5.2 | 4.4 | (0.8) | - | (0.8) |
| Total | 356.3 | 342.8 | (13.5) | (0.6) | (12.9) |

| FY2018 | Outlook for FY2019 (announced Aug. 1) | |
|---------|---------------------------------------|-----------|
| | Interim | Full Year |
| 395.4 | 195.0 | 430.0 |
| 146.6 | 70.0 | 160.0 |
| 199.4 | 90.0 | 210.0 |
| 716.5 | 320.0 | 720.0 |
| 25.0 | 10.0 | 20.0 |
| 1,482.9 | 685.0 | 1,540.0 |

·Operating Income (Loss)

(Unit : Billions of Yen)

| | 1st Q of FY2018 | 1st Q of FY2019 | Incr. (Decr.) | Breakdown | | |
|------------------|-----------------|-----------------|---------------|-----------|--------|------------------|
| | | | | Volume | Price* | Fixed Costs etc. |
| Mobility | 10.8 | 10.1 | (0.7) | (0.1) | (0.2) | (0.4) |
| Health Care | 3.6 | 3.8 | 0.2 | (0.2) | 0.3 | 0.1 |
| Food & Packaging | 3.3 | 3.3 | 0.0 | (0.8) | 0.3 | 0.5 |
| Basic Materials | 11.0 | 6.1 | (4.9) | (0.8) | (4.4) | 0.3 |
| Others | (1.0) | (1.0) | 0.0 | - | - | 0.0 |
| Adjustment | (1.4) | (1.6) | (0.2) | - | - | (0.2) |
| Total | 26.3 | 20.7 | (5.6) | (1.9) | (4.0) | 0.3 |

| FY2018 | Outlook for FY2019 (announced Aug. 1) | |
|--------|---------------------------------------|-----------|
| | Interim | Full Year |
| 42.7 | 21.0 | 44.5 |
| 13.6 | 6.0 | 15.5 |
| 17.8 | 7.5 | 20.5 |
| 27.8 | 9.0 | 33.0 |
| (1.4) | (1.5) | (1.5) |
| (7.1) | (4.0) | (7.0) |
| 93.4 | 38.0 | 105.0 |

* Price includes both selling and purchasing price variances.

3. Extraordinary Income and Losses

(Unit : Billions of Yen)

| | 1st Q of FY2018 | 1st Q of FY2019 | Incr. (Decr.) |
|---|-----------------|-----------------|---------------|
| Gain on sales of non-current assets & investment securities | 0.1 | 0.1 | 0.0 |
| Gain on transfer of business | - | - | - |
| Insurance income | - | - | - |
| Loss on sales and disposal of non-current assets | (0.4) | (0.3) | 0.1 |
| Impairment loss | - | (0.6) | (0.6) |
| Loss on valuation of investment securities | (0.2) | - | 0.2 |
| Loss on business of subsidiaries and affiliates | - | (0.6) | (0.6) |
| Loss on fire | - | - | - |
| Total | (0.5) | (1.4) | (0.9) |

| FY2018 | Outlook for FY2019 (announced Aug. 1) | |
|--------|---------------------------------------|-----------|
| | Interim | Full Year |
| 3.7 | 0.1 | 0.1 |
| 0.7 | - | - |
| 11.4 | - | - |
| (4.4) | (1.9) | (3.9) |
| (1.4) | (0.6) | (0.6) |
| (0.2) | - | - |
| - | (0.6) | (0.6) |
| (7.5) | - | - |
| 2.3 | (3.0) | (5.0) |

4. Summary of Balance Sheet

(Unit : Billions of Yen)

| | Assets | | | | Liabilities and Net assets | | |
|-------------------------|---------------------|---------------------|---------------|----------------------------------|----------------------------|---------------------|---------------|
| | As of Mar. 31, 2019 | As of Jun. 30, 2019 | Incr. (Decr.) | | As of Mar. 31, 2019 | As of Jun. 30, 2019 | Incr. (Decr.) |
| Current assets | 786.7 | 753.5 | (33.2) | Interest-bearing liabilities | 485.0 | 508.4 | 23.4 |
| Tangible fixed assets | 443.1 | 465.1 | 22.0 | Other liabilities | 384.4 | 355.1 | (29.3) |
| Intangible fixed assets | 29.4 | 29.9 | 0.5 | Shareholders' equity | 551.9 | 549.2 | (2.7) |
| Investments and others | 241.9 | 242.1 | 0.2 | Non-controlling interests | 79.8 | 77.9 | (1.9) |
| Total assets | 1,501.1 | 1,490.6 | (10.5) | Total liabilities and net assets | 1,501.1 | 1,490.6 | (10.5) |
| [Inventories] | 301.9 | 302.4 | 0.5 | [Net D/E Ratio] | 0.68 | 0.76 | 0.08 |

5. Summary of Cash Flow

(Unit : Billions of Yen)

| | 1st Q of FY2018 | 1st Q of FY2019 | Incr. (Decr.) | FY2018 | Outlook for FY2019 (announced Aug. 1) | |
|--|-----------------|-----------------|---------------|--------|---------------------------------------|-----------|
| | | | | | Interim | Full Year |
| Cash flows from operating activities | 25.5 | 11.6 | (13.9) | 109.5 | 53.0 | 125.0 |
| Cash flows from investing activities | (15.1) | (19.6) | (4.5) | (64.3) | (53.0) | (120.0) |
| Free cash flows | 10.4 | (8.0) | (18.4) | 45.2 | 0.0 | 5.0 |
| Cash flows from financing activities | 4.4 | (11.6) | (16.0) | (14.1) | (20.0) | (15.0) |
| Others | 0.3 | (0.8) | (1.1) | (0.1) | - | - |
| Net incr.(decr.) in cash and cash equivalents | 15.1 | (20.4) | (35.5) | 31.0 | (20.0) | (10.0) |
| Cash and cash equivalents at the end of period | 93.9 | 89.4 | (4.5) | 109.8 | | |

6. Dividends

| | Annual Dividends per Share (yen) | | | | |
|----------------|----------------------------------|-----------------|-------|------------------|--------|
| | 1st Q | Interim (2nd Q) | 3rd Q | Year-end (4th Q) | Annual |
| FY2018 Result | - | 50.00 | - | 50.00 | 100.00 |
| FY2019 Outlook | - | 50.00 | - | 50.00 | 100.00 |

7. Number of shares outstanding (common stock)

| | FY2018 | 1st Q of FY2019 |
|---|---------------|-----------------|
| Number of shares outstanding at term-end (including treasury stock) | 204,510,215 | 204,510,215 |
| Number of shares of treasury stock at term-end | 9,452,793 | 9,454,561 |
| Average number of shares | 198,686,437 * | 195,056,129 |

*1st Q of FY2018

1. Operating Results

(1) Overview

In the fiscal period under review (the three-month period from Apr 1, 2019 to Jun 30, 2019, 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, the Chinese economy’s deceleration and geopolitical risks remained unsettled, and careful attention was paid to fluctuations in the global economy. In Japan, although the economy continued to gradually recover amid improvements in the employment and incomes, the prospects of the economy became increasingly uncertain.

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 | 342.8 | 20.7 | 19.8 | 12.5 |
| Same period of previous year | 356.3 | 26.3 | 31.4 | 23.5 |
| Change | (13.5) | (5.6) | (11.6) | (11.0) |
| Change (%) | (3.8) | (21.3) | (36.9) | (46.7) |

Net Sales decreased 13.5 billion yen, or 3.8%, compared with the corresponding period of the previous fiscal year to 342.8 billion yen. This was mainly attributable to decrease in sales prices due to the rise in naphtha, other raw materials and fuel prices.

Operating income was 20.7 billion yen, a decrease of 5.6 billion yen or 21.3% year on year. This result was due to unfavorable terms of trade.

Ordinary income was 19.8 billion yen, decreased 11.6 billion yen or 36.9% year on year. This result was due to decrease in share of profit of entities accounted for using equity method and worsening of foreign exchange gains and losses.

Extraordinary income and losses were 1.4 billion yen loss, due to the recognition of impairment loss.

As a result of the aforementioned factors, **profit before income taxes** amounted to 18.4 billion yen, a decrease of 12.5 billion yen, or 40.4% year on year.

Profit attributable to owners of parent after accounting for income taxes and non-controlling interests was 12.5 billion yen, a decrease of 11.0 billion yen, or 46.7% compared with the corresponding period of the previous fiscal year. Earnings per share for the period were 64.19 yen.

(2) Results by Business Segment

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

Mobility

Net sales decreased 3.2 billion yen compared with the same period of the previous fiscal year to 94.1 billion yen and comprised 27% of total sales. Operating income decreased 0.7 billion yen to 10.1 billion yen year on year. The decrease in income was due to increase of fixed costs.

In **elastomers**, sales were affected by slowing demand mainly in Asia.

In **performance compounds**, profit was affected by deceleration of automotive production in the United States, Europe and China.

In **performance polymers**, the Group captured demand and sales remained healthy, despite the demand for information communication technology (ICT) - related products were stagnating in general.

In overseas **polypropylene compound** businesses, the Group was able to capture sales volume mainly from Japanese customers while the global production were decelerating.

In **solution** business, demand for the development of automotive was firm mainly in Japan and Asia.

Health Care

Net sales decreased 1.0 billion yen year on year to 35.2 billion yen and comprised 10% of total sales. On the other hand, operating income increased 0.2 billion yen compared with the same period of the previous fiscal year to 3.8 billion yen, mainly due to favorable terms of trade.

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

In **nonwoven fabrics**, sales were affected by decreasing export of disposable diapers from Japan.

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

Food & Packaging

Net sales decreased 1.9 billion yen compared with the same period of the previous fiscal year to 45.6 billion yen and comprised 13% of total sales. On the other hand, operating income was 3.3 billion yen year on year, similar to the same period of the previous fiscal year. The increase in income was due to favorable terms of trade, despite of decreasing sales volume.

In **coatings & engineering materials**, sales were stable and terms of trade were in favor.

In **performance films and sheets**, sales volume decreased in the area of film packaging.

In **agrochemicals**, demand was firm but sales volume decreased due to advanced shipment in the previous quarter.

Basic Materials

Net sales decreased 6.6 billion yen compared with the same period of the previous fiscal year to 163.5 billion yen and comprised 48% of total sales. Operating income decreased 4.9 billion yen year on year, to 6.1 billion yen. This was mainly attributable to the effect of overseas market, although domestic demand was healthy.

Naphtha cracker operating rates were lower than the same period of the previous fiscal year due to facility defects at Ichihara Works, but kept at high level overall. Performances of **polyethylene** and **polypropylene** were firm, backed by domestic demand.

In **phenols**, demand was healthy but the overseas market environment was at lower level than the same period of the previous fiscal year.

Others

Net sales decreased 0.8 billion yen to 4.4 billion yen, comprised 2% of total sales. Operating loss was 1.0 billion yen, similar to the same period of the previous fiscal year.

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

Total assets at the end of the first quarter stood at 1,490.6 billion yen, a decrease of 10.5 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the first quarter decreased 5.9 billion yen compared with the previous fiscal year-end to 863.5 billion yen. **Interest-bearing debt** amounted to 508.4 billion yen, an increase of 23.4 billion yen. As a result, the interest-bearing debt ratio was 34.1%, 1.8 percentage point increase from the previous fiscal year-end.

Net assets totaled 627.1 billion yen, a decrease of 4.6 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 36.8%, similar to the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.76 at the end of the first quarter, 0.08 percentage point increase from the previous fiscal year-end.

For overseas consolidated subsidiaries following International Financial Reporting Standard (IFRS) and US GAAP, IFRS 16 – Leases and ASC Topic842 – Leases were applied from the first quarter. As the closing balance of lease assets and leases liabilities increased by 21.6 billion yen and 21.7 billion yen respectively, net D/E ratio increased in effect from the previous fiscal year-end.

3. Outlook for Fiscal 2019 (Year Ending March 31, 2020)

(1) Overview

Revised financial forecasts are based on the following assumptions:

- a) Exchange rate for the full year is 110 yen/US\$ (Apr – Sept: 110 yen/US\$)
- b) Average price of domestic naphtha is 46,000 yen /kl (Apr – Sept: 42,700 yen/kl)

Considering the recent business condition in the first quarter, net sales and incomes in the first half are expected to be lower than previously announced. As the economy in the second half is uncertain and its outlook cannot be assured at the moment, outlook for the full year is unchanged from the previous announcement.

(Billions of Yen)

| | Net Sales | Operating Income | Ordinary Income | Profit Attributable to Owners of Parent |
|------------|-----------|------------------|-----------------|---|
| First half | 685.0 | 38.0 | 36.0 | 20.0 |
| Full year | 1,540.0 | 105.0 | 110.0 | 76.0 |

(2) Revision by Business Segment

Outlook by FY2019 business segment is as follows.

(Billions of Yen)

| | Net Sales | | | | | | |
|------------|-----------|-------------|------------------|-----------------|--------|------------|---------|
| | Mobility | Health Care | Food & Packaging | Basic Materials | Others | Adjustment | Total |
| First half | 195.0 | 70.0 | 90.0 | 320.0 | 10.0 | — | 685.0 |
| Full year | 430.0 | 160.0 | 210.0 | 720.0 | 20.0 | — | 1,540.0 |

(Billions of Yen)

| | Operating Income (Loss) | | | | | | |
|------------|-------------------------|-------------|------------------|-----------------|--------|------------|-------|
| | Mobility | Health Care | Food & Packaging | Basic Materials | Others | Adjustment | Total |
| First half | 21.0 | 6.0 | 7.5 | 9.0 | (1.5) | (4.0) | 38.0 |
| Full year | 44.5 | 15.5 | 20.5 | 33.0 | (1.5) | (7.0) | 105.0 |