

# Summary of Consolidated Financial Results for Second Quarter of FY2019

Nov 6, 2019  
Mitsui Chemicals, Inc.

## 1. Summary of Income Statement

(Unit : Billions of Yen)

	2nd Q of FY2018	2nd Q of FY2019	Incr. (Decr.)	FY2018	Outlook for FY2019 (announced Nov. 6)	
					FY2019	Incr. (Decr.)
Net sales	720.9	674.9	(46.0)	1,482.9	1,365.0	(117.9)
Operating income	49.7	34.5	(15.2)	93.4	84.0	(9.4)
Ordinary income	58.4	32.6	(25.8)	103.0	79.0	(24.0)
Profit attributable to owners of parent	41.8	11.8	(30.0)	76.1	42.0	(34.1)
Comprehensive income	56.1	7.4	(48.7)	79.2		

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

### ·Net Sales

(Unit : Billions of Yen)

	2nd Q of FY2018	2nd Q of FY2019	Incr. (Decr.)	Breakdown		FY2018	Outlook for FY2019 (announced Nov. 6)	
				Volume	Price		FY2019	Incr. (Decr.)
Mobility	195.2	187.5	(7.7)	4.8	(12.5)	395.4	385.0	(10.4)
Health Care	71.2	69.7	(1.5)	0.1	(1.6)	146.6	145.0	(1.6)
Food & Packaging	96.6	93.0	(3.6)	(4.4)	0.8	199.4	200.0	0.6
Basic Materials	346.3	315.8	(30.5)	7.9	(38.4)	716.5	615.0	(101.5)
Others	11.6	8.9	(2.7)	(2.8)	0.1	25.0	20.0	(5.0)
Total	720.9	674.9	(46.0)	5.6	(51.6)	1,482.9	1,365.0	(117.9)

### ·Operating Income (Loss)

(Unit : Billions of Yen)

	2nd Q of FY2018	2nd Q of FY2019	Incr. (Decr.)	Breakdown			FY2018	Outlook for FY2019 (announced Nov. 6)	
				Volume	Price*	Fixed Costs etc.		FY2019	Incr. (Decr.)
Mobility	20.1	19.8	(0.3)	(0.3)	1.1	(1.1)	42.7	41.0	(1.7)
Health Care	6.3	6.0	(0.3)	0.0	0.6	(0.9)	13.6	14.5	0.9
Food & Packaging	8.8	7.9	(0.9)	(1.3)	1.0	(0.6)	17.8	19.5	1.7
Basic Materials	18.4	4.9	(13.5)	(1.3)	(12.0)	(0.2)	27.8	17.5	(10.3)
Others	(1.2)	(1.1)	0.1	-	-	0.1	(1.4)	(1.5)	(0.1)
Adjustment	(2.7)	(3.0)	(0.3)	-	-	(0.3)	(7.1)	(7.0)	0.1
Total	49.7	34.5	(15.2)	(2.9)	(9.3)	(3.0)	93.4	84.0	(9.4)

\* Price includes both selling and purchasing price variances.

## 3. Extraordinary Income and Losses

(Unit : Billions of Yen)

	2nd Q of FY2018	2nd Q of FY2019	Incr. (Decr.)	FY2018	Outlook for FY2019 (announced Nov. 6)	
					FY2019	Incr. (Decr.)
Gain on sales of non-current assets & investment securities	0.2	0.5	0.3	3.7	0.5	(3.2)
Gain on transfer of business	0.7	-	(0.7)	0.7	-	(0.7)
Insurance income	-	-	-	11.4	-	(11.4)
Loss on sales and disposal of non-current assets	(1.2)	(1.2)	0.0	(4.4)	(4.9)	(0.5)
Impairment loss	(0.7)	(0.7)	0.0	(1.4)	(0.7)	0.7
Loss on business of subsidiaries and affiliates	-	(0.6)	(0.6)	-	(0.6)	(0.6)
Loss on valuation of investment securities	(0.2)	0.0	0.2	(0.2)	0.0	0.2
Loss on valuation of investments in capital	-	(7.3)	(7.3)	-	(7.3)	(7.3)
Loss on fire	(1.5)	-	1.5	(7.5)	-	7.5
Total	(2.7)	(9.3)	(6.6)	2.3	(13.0)	(15.3)

## 4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2019	As of Sept. 30, 2019	Incr. (Decr.)		As of Mar. 31, 2019	As of Sept. 30, 2019	Incr. (Decr.)
Current assets	786.7	738.9	(47.8)	Interest-bearing liabilities	485.0	501.8	16.8
Tangible fixed assets	443.1	470.8	27.7	Other liabilities	384.4	348.5	(35.9)
Intangible fixed assets	29.4	29.2	(0.2)	Shareholders' equity	551.9	546.0	(5.9)
Investments and others	241.9	235.0	(6.9)	Non-controlling interests	79.8	77.6	(2.2)
Total assets	1,501.1	1,473.9	(27.2)	Total liabilities and net assets	1,501.1	1,473.9	(27.2)
[ Inventories ]	301.9	293.6	(8.3)	[ Net D/E Ratio ]	0.68	0.69	0.01

## 5. Summary of Cash Flow

(Unit : Billions of Yen)

	2nd Q of FY2018	2nd Q of FY2019	Incr. (Decr.)	FY2018	Outlook for FY2019 (announced Nov. 6)	
					FY2019	Incr. (Decr.)
Cash flows from operating activities	53.5	74.5	21.0	109.5	130.0	20.5
Cash flows from investing activities	(26.8)	(41.7)	(14.9)	(64.3)	(110.0)	(45.7)
Free cash flows	26.7	32.8	6.1	45.2	20.0	(25.2)
Cash flows from financing activities	(12.0)	(19.1)	(7.1)	(14.1)	(30.0)	(15.9)
Others	0.6	(1.3)	(1.9)	(0.1)	-	0.1
Net incr.(decr.) in cash and cash equivalents	15.3	12.4	(2.9)	31.0	(10.0)	(41.0)
Cash and cash equivalents at the end of period	94.1	122.2	28.1	109.8		

## 6. Accounting Fundamentals

		2nd Q of FY2018	2nd Q of FY2019	Incr. (Decr.)	FY2018	Outlook for FY2019 (announced Nov. 6)	
						FY2019	Incr. (Decr.)
R & D expenses	¥ Billions	17.7	18.2	0.5	35.8	38.0	2.2
Depreciation & amortization	¥ Billions	24.3	25.6	1.3	49.5	53.0	3.5
Capital expenditures	¥ Billions	24.5	35.5	11.0	61.9	100.0	38.1
Financing incomes & expenses	¥ Billions	(0.3)	(0.4)	(0.1)	(0.7)	(1.5)	(0.8)
Interest-bearing liabilities	¥ Billions	467.0	501.8	34.8	485.0	502.0	17.0
Net D/E Ratio	percentage	0.67	0.69	0.02	0.68	0.70	0.02
Number of employees	person	17,640	18,126	486	17,743	18,200	457
Exchange rate	Yen / US\$	110	109	(1)	111	109	(2)
Domestic standard naphtha price	Yen / KL	51,150	42,800	(8,350)	49,400	41,900	(7,500)
Number of group companies	company	156	155	(1)	155	155	0

## 7. 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 Result/Outlook	-	50.00	-	50.00	100.00

## 8. Number of shares outstanding (common stock)

	FY2018	2nd Q of FY2019
Number of shares outstanding at term-end (including treasury stock)	204,510,215	204,580,115
Number of shares of treasury stock at term-end	9,452,793	9,456,439
Average number of shares	198,713,149 *	195,090,185

\*2nd Q of FY2018

## 1. Operating Results

### (1) Overview

In the fiscal period under review (the six-month period from Apr 1, 2019 to Sept 30, 2019, hereinafter the “first half”), 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 sluggish and uncertain.

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

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
First half	674.9	34.5	32.6	11.8
Same period of previous year	720.9	49.7	58.4	41.8
Change	(46.0)	(15.2)	(25.8)	(30.0)
Change (%)	(6.4)	(30.7)	(44.2)	(71.8)

**Net Sales** decreased 46.0 billion yen, or 6.4%, compared with the corresponding period of the previous fiscal year to 674.9 billion yen. This was mainly attributable to decrease in sales prices due to the fall in naphtha, other raw materials and fuel prices, despite of firm sales.

**Operating income** was 34.5 billion yen, a decrease of 15.2 billion yen or 30.7% year on year. This result was due to unfavorable terms of trade.

**Ordinary income** was 32.6 billion yen, decreased 25.8 billion yen or 44.2% 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, in addition to the decrease of operating income.

**Extraordinary income and losses** were 9.3 billion yen loss, due to a loss on valuation of investments in capital and loss on disposal of non-current assets.

As a result of the aforementioned factors, **profit before income taxes** amounted to 23.3 billion yen, a decrease of 32.4 billion yen, or 58.2% year on year.

**Profit attributable to owners of parent** after accounting for income taxes and non-controlling interests was 11.8 billion yen, a decrease of 30.0 billion yen, or 71.8% compared with the corresponding period of the previous fiscal year. Earnings per share for the period were 60.27 yen.

### (2) Results by Business Segment

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

#### Mobility

Net sales decreased 7.7 billion yen compared with the same period of the previous fiscal year to 187.5 billion yen and comprised 28% of total sales. Operating income decreased 0.3 billion yen to 19.8 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 1.5 billion yen year on year to 69.7 billion yen and comprised 10% of total sales. Operating income decreased 0.3 billion yen compared with the same period of the previous fiscal year to 6.0 billion yen, mainly due to increase of fixed costs, despite of 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 3.6 billion yen compared with the same period of the previous fiscal year to 93.0 billion yen and comprised 14% of total sales. Operating income decreased 0.9 billion yen compared with the same period of the previous fiscal year to 7.9 billion yen. The decrease in income was due to decreasing sales volume, despite of favorable terms of trade.

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

In **performance films and sheets**, sales were firm in industrial films and sheets, although sales volume decreased in the area of packaging films.

In **agrochemicals**, demand was firm but sales volume decreased due to time lag of shipment.

## Basic Materials

Net sales decreased 30.5 billion yen compared with the same period of the previous fiscal year to 315.8 billion yen and comprised 47% of total sales. Operating income decreased 13.5 billion yen year on year, to 4.9 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 and a typhoon, but kept at high level overall. Performances of **polyethylene** and **polypropylene** were firm, backed by domestic demand.

In **olefins** and **phenols**, overseas market was at lower level than the same period of the previous fiscal year.

## Others

Net sales decreased 2.7 billion yen to 8.9 billion yen, comprised 1% of total sales. On the other hand, operating loss was 1.1 billion yen, decrease of 0.1 billion yen year on year.

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

**Total assets** at the end of the first half stood at 1,473.9 billion yen, a decrease of 27.2 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the first half decreased 19.1 billion yen compared with the previous fiscal year-end to 850.3 billion yen. **Interest-bearing debt** amounted to 501.8 billion yen, an increase of 16.8 billion yen. As a result, the interest-bearing debt ratio was 34.0%, 1.7 percentage point increase from the previous fiscal year-end.

**Net assets** totaled 623.6 billion yen, a decrease of 8.1 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 37.0%, 0.2 percentage point increase from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.69 at the end of the first half, 0.01 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 a result, the closing balance of lease assets and leases liabilities increased by 21.3 billion yen and 21.1 billion yen respectively.

## 3. Cash Flow Status

Cash and cash equivalents (hereafter called “cash”) increased 12.4 billion yen to 122.2 billion yen as of the end of the first half compared with the previous fiscal year-end.

### Cash Flows from Operating Activities

Net cash provided by operating activities increased 21.0 billion yen to 74.5 billion yen compared with the same period of the previous fiscal year due primarily to improvement of working capital.

### Cash Flows from Investing Activities

Net cash used in investing activities increased 14.9 billion yen compared with the same period of the previous fiscal year to 41.7 billion yen due primarily to increase of cash outflows from capital investment.

### Cash Flows from Financing Activities

Net cash used in financing activities increased 7.1 billion yen compared with the same period of the previous fiscal year to 19.1 billion yen, because proceeds from issuance of bonds are no longer recorded.

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

In the announcement under the title of *Differences between Financial Forecasts and Actual Results for the First Half and Revisions of Financial Forecasts for FY2019* on November 6, 2019, the Group revised its financial forecasts for FY2019 as follows.

### (1) Overview

Revised financial forecasts are based on the following assumptions:

- a) Exchange rate for the full year is 109 yen/US\$ (Oct – Mar: 108 yen/US\$)
- b) Average price of domestic naphtha is 41,900 yen /kl (Oct – Mar: 41,000 yen/kl)

Considering the recent business condition in the first half, net sales and incomes are expected to be lower than previously announced.

(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	105.0	110.0	76.0	389.53
Revised forecast (B)	1,365.0	84.0	79.0	42.0	215.27
Difference (B-A)	(175.0)	(21.0)	(31.0)	(34.0)	
Ratio (%)	(11.4)	(20.0)	(28.2)	(44.7)	
(Reference) FY2018 Actual (Apr 1, 2018 - Mar 31, 2019)	1,482.9	93.4	103.0	76.1	385.60

## (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
Previous forecast	430.0	160.0	210.0	720.0	20.0	-	1,540.0
Revised forecast	385.0	145.0	200.0	615.0	20.0	-	1,365.0
Difference	(45.0)	(15.0)	(10.0)	(105.0)	0.0	-	(175.0)

(Billions of Yen)

	Operating Income (Loss)						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
Previous forecast	44.5	15.5	20.5	33.0	(1.5)	(7.0)	105.0
Revised forecast	41.0	14.5	19.5	17.5	(1.5)	(7.0)	84.0
Difference	(3.5)	(1.0)	(1.0)	(15.5)	0.0	0.0	(21.0)

## 5. Other Information

Based on the Group's development of global business activities, it has taken the decision to voluntarily adopt International Financial Reporting Standards (IFRS) from the first quarter of FY2020 for the purpose of improving international comparability of financial information in capital market and enhance its business management by unifying accounting standard across the Group.