

Summary of Consolidated Financial Results for FY2018

May 15, 2019
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

	FY2017	FY2018	Incr. (Decr.)
Net sales	1,328.5	1,482.9	154.4
Operating income	103.5	93.4	(10.1)
Ordinary income	110.2	103.0	(7.2)
Profit attributable to owners of parent	71.6	76.1	4.5
Comprehensive income	93.1	79.2	(13.9)

Outlook for FY2019	
Interim	Full Year
745.0	1,540.0
42.0	105.0
44.0	110.0
28.0	76.0

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

·Net Sales

(Unit : Billions of Yen)

	FY2017	FY2018	Incr. (Decr.)	Breakdown	
				Volume	Price
Mobility	331.0	395.4	64.4	49.0	15.4
Health Care	139.1	146.6	7.5	5.9	1.6
Food & Packaging	195.8	199.4	3.6	(2.7)	6.3
Basic Materials	637.7	716.5	78.8	18.1	60.7
Others	24.9	25.0	0.1	-	0.1
Total	1,328.5	1,482.9	154.4	70.3	84.1

Outlook for FY2019	
Interim	Full Year
210.0	430.0
75.0	160.0
100.0	210.0
350.0	720.0
10.0	20.0
745.0	1,540.0

·Operating Income (Loss)

(Unit : Billions of Yen)

	FY2017	FY2018	Incr. (Decr.)	Breakdown		
				Volume	Price*	Fixed Costs etc.
Mobility	42.3	42.7	0.4	4.6	(1.4)	(2.8)
Health Care	10.8	13.6	2.8	2.5	(0.1)	0.4
Food & Packaging	19.9	17.8	(2.1)	(0.6)	(0.7)	(0.8)
Basic Materials	38.9	27.8	(11.1)	(0.5)	(2.6)	(8.0)
Others	(0.9)	(1.4)	(0.5)	-	-	(0.5)
Adjustment	(7.5)	(7.1)	0.4	-	-	0.4
Total	103.5	93.4	(10.1)	6.0	(4.8)	(11.3)

Outlook for FY2019	
Interim	Full Year
21.0	44.5
6.0	15.5
7.5	20.5
12.0	33.0
(1.0)	(1.5)
(3.5)	(7.0)
42.0	105.0

* Price includes both selling and purchasing price variances.

3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	FY2017	FY2018	Incr. (Decr.)
Gain on sales of non-current assets & investment securities	3.6	3.7	0.1
Gain on transfer of business	0.6	0.7	0.1
Gain on revision of retirement benefit plan	0.3	-	(0.3)
Gain on forgiveness of debts	2.0	-	(2.0)
Insurance income	-	11.4	11.4
Loss on sales and disposal of non-current assets	(2.4)	(4.4)	(2.0)
Impairment loss	(15.0)	(1.4)	13.6
Loss on valuation of investment securities	(5.1)	(0.2)	4.9
Loss on fire	-	(7.5)	(7.5)
Total	(16.0)	2.3	18.3

Outlook for FY2019	
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, 2018	As of Mar. 31, 2019	Incr. (Decr.)		As of Mar. 31, 2018	As of Mar. 31, 2019	Incr. (Decr.)
Current assets	731.3	786.7	55.4	Interest-bearing liabilities	463.7	485.0	21.3
Tangible fixed assets	432.9	443.1	10.2	Other liabilities	380.4	384.4	4.0
Intangible fixed assets	31.5	29.4	(2.1)	Shareholders' equity	511.6	551.9	40.3
Investments and others	235.6	241.9	6.3	Non-controlling interests	75.6	79.8	4.2
Total assets	1,431.3	1,501.1	69.8	Total liabilities and net assets	1,431.3	1,501.1	69.8
[Inventories]	274.3	301.9	27.6	[Net D/E Ratio]	0.75	0.68	(0.07)

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)

	FY2017	FY2018	Incr. (Decr.)	Outlook for FY2019	
				Interim	Full Year
Cash flows from operating activities	82.7	109.5	26.8	58.0	125.0
Cash flows from investing activities	(75.1)	(64.3)	10.8	(53.0)	(120.0)
Free cash flows	7.6	45.2	37.6	5.0	5.0
Cash flows from financing activities	(10.2)	(14.1)	(3.9)	(4.0)	(15.0)
Others	(1.5)	(0.1)	1.4	-	-
Net incr.(decr.) in cash and cash equivalents	(4.1)	31.0	35.1	1.0	(10.0)
Cash and cash equivalents at the end of period	78.8	109.8	31.0		

6. Accounting Fundamentals

		FY2017	FY2018	Incr. (Decr.)	Outlook for FY2019	
					Interim	Full Year
R & D expenses	¥Billions	33.4	35.8	2.4	19.0	38.0
Depreciation & amortization	¥Billions	45.7	49.5	3.8	27.0	53.0
Capital expenditures	¥Billions	81.2	61.9	(19.3)	40.0	105.0
Financing incomes & expenses	¥Billions	(0.7)	(0.7)	0.0	(1.0)	(2.0)
Interest-bearing liabilities	¥Billions	463.7	485.0	21.3	496.0	495.0
Net D/E Ratio	percentage	0.75	0.68	(0.07)	0.68	0.65
Number of employees	person	17,277	17,743	466	18,200	18,200
Exchange rate	Yen / US\$	111	111	0	110	110
Domestic standard naphtha price	Yen / KL	41,900	49,400	7,500	46,000	46,000

7. Scope of Consolidation and Equity Method

	As of Mar. 31, 2018	As of Mar. 31, 2019	Incr. (Decr.)	Outlook for FY2019	
				Interim	Full Year
Consolidated subsidiaries	115	116	1	116	116
Non-consolidated subsidiaries and affiliates	39	39	-	39	39
Total	154	155	1	155	155

8. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim	3rd Q	Year-end	Annual
FY2017 Result	-	9.00	-	45.00	-
FY2018 Result	-	50.00	-	50.00	100.00
FY2019 Outlook	-	50.00	-	50.00	100.00

Note: The Group conducted 5-to-1 share consolidation on October 1, 2017. Interim dividend in FY2017 is calculated based on the number of shares before the 5-to-1 share consolidation and annual dividends are expressed as "-". Year-end dividend in FY2017 is 90 yen based on the number of shares after the 5-to-1 share consolidation.

9. Number of shares outstanding (common stock)

	FY2017	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	9,452,793
Average number of shares	199,747,458	197,393,654

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 twelve-month period from Apr 1, 2018 to March 31, 2019, hereinafter the “fiscal 2018”), 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 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.

In the domestic chemical industry, despite fluctuations in crude oil prices, naphtha crackers operated at a consistently high capacity on the back of firm domestic demand.

Under these circumstances, based on the 2025 Long-Term Business Plan, the Mitsui Chemicals Group (hereafter “the Group”) worked 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, the Group responded to the expansion of new needs, namely, light-weighted, electric-powered and more comfortable products in the automotive and ICT industries. The Group is constructing its first production base in Europe for polypropylene compounds used in automotive bumpers. In addition, the Group decided to establish a new plant for LUCANT™, which contributes to the higher functionality of lubricants, in order to greatly boost production. Also, the Group worked to enhance its ability to offer customer-driven solutions with ARRK Corporation, which is a global development support company that was made into a consolidated subsidiary in January 2018.

In Health Care, in line with the declining birthrates and aging populations of advanced countries and the growing economies in emerging markets, health consciousness is rising and individual wants and needs are diversifying. Sales of our ophthalmic lens materials, which boast the largest share of the global market, remained healthy. In addition, the Group accelerated the rollout of the next-generation eyewear TouchFocus™, which enables the wearer to easily switch between near- and far-sightedness at a touch. In nonwoven fabrics, the Group started operations at two expanded domestic plants to meet demand for premium disposable diapers, which are gaining popularity in Asia. In addition, the Group focused on expanding sales of the high-performance nonwoven fabric AIRYFA™, which is both soft and strong.

In Food & Packaging, food security is becoming a major social issue as the global population continues to grow. With standards of living in Asia rising, the packaging field is seeing growing needs for more highly functional products with a smaller environmental footprint. In performance films and sheets, the Group deftly responded to robust demand by optimizing and expanding its production system. In addition, new plant construction proceeded in Taiwan, a major source of demand, for facilities to produce ICROS™ Tape, which commands the largest share of the global market for protective tape used in semiconductor manufacturing processes. In agrochemicals, the Group accelerated the development of new products and continued building its business base in regions with high demand, especially Asia, thereby accelerating the global expansion of the agrochemical business.

In Basic Materials, which is centered on petrochemicals and basic chemicals, the Group provides materials to various manufacturing fields, including automobiles, residences, consumer electronics, infrastructure and packaging. In fiscal 2018, demand remained firm despite the effects of fluctuations in naphtha prices. Osaka Works’ utility plant, where a fire

occurred in June 2018, resumed operations in August following a swift recovery. The Group will continue striving to prevent a recurrence and to ensure safe and stable operations. In addition, the Group will continue working to establish a stable earnings base resilient to economic fluctuations mainly by expanding its lineup of differentiated products and maintaining a high utilization rate through local production for local consumption.

The Group reported the following operating results for fiscal 2018.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
Fiscal 2018	1,482.9	93.4	103.0	76.1
Previous fiscal year	1,328.5	103.5	110.2	71.6
Change	154.4	(10.1)	(7.2)	4.5
Change (%)	11.6	(9.7)	(6.6)	6.3

Net Sales increased 154.4 billion yen, or 11.6%, compared with the previous fiscal year to 1,482.9 billion yen. This was mainly attributable to healthy sales and increase in sales prices due to the rise in naphtha and other raw materials and fuel prices.

Net sales overseas were 672.1 billion yen, an increase of 1.0% compared with the previous fiscal year to 45.3% in the total net sales.

Operating income was 93.4 billion yen, a decrease of 10.1 billion yen or 9.7% year on year. This result was due to increase of raw material prices and fixed costs, although sales were healthy.

Ordinary income was 103.0 billion yen, decreased 7.2 billion yen or 6.6% year on year. This result was due to decrease of operating income, in spite of increase of share of profit of entities accounted for using equity method.

Extraordinary income and losses improved 18.3 billion yen year on year to 2.3 billion yen profit. This result was due to a decrease of impairment loss and because insurance income was received, in spite of a loss on fire and increase of loss on sales and disposal of non-current assets.

As a result of the aforementioned factors, **profit before income taxes** amounted to 105.3 billion yen, an increase of 11.1 billion yen, or 11.8% year on year.

Profit attributable to owners of parent after accounting for income taxes and non-controlling interests was 76.1 billion yen, an increase of 4.5 billion yen, or 6.3% compared with the previous fiscal year. Earnings per share for the period were 385.60 yen.

(2) Results by Business Segment

The status of each segment during fiscal 2018 is as follows.

Mobility

Net sales increased 64.4 billion yen compared with the previous fiscal year to 395.4 billion yen and comprised 27% of total sales. Operating income increased 0.4 billion yen to 42.7 billion yen year on year. The increase in income was due to expansion of sales volume in spite of increase in raw material prices and fixed costs.

In **elastomers**, which are primarily used in automotive components and as resin modifiers, the Group 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 satisfy healthy demand especially in Asia and Europe.

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 South East Asia.

The Group consolidated its newly consolidated subsidiaries of ARRK Group in **solution** business as of January 2018.

Health Care

Net sales increased 7.5 billion yen year on year to 146.6 billion yen and comprised 10% of total sales. Operating income increased 2.8 billion yen to 13.6 billion yen year on year, mainly due to firm sales overall.

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.

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

Food & Packaging

Net sales increased 3.6 billion yen compared with the previous fiscal year to 199.4 billion yen and comprised 13% of total sales. On the other hand, operating income decreased 2.1 billion yen to 17.8 billion yen year on year, due to decrease of sales volume and increase of raw material prices and fixed costs.

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

In **performance films and sheets**, profit was affected by decrease of sales volume and increase of raw material prices.

In **agrochemicals**, sales were firm.

Basic Materials

Net sales increased 78.8 billion yen compared with the previous fiscal year to 716.5 billion yen and accounted for 48% of total sales. On the other hand, operating income decreased 11.1 billion yen year on year, to 27.8 billion yen. This was mainly attributable to the effect of stock revaluation caused by fluctuations in naphtha prices in spite of firm domestic demand.

Naphtha cracker operating rates were lower than 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 previous fiscal year.

Others

Net sales increased 0.1 billion yen to 25.0 billion yen, comprised 2% of total sales. On the other hand, operating loss was 1.4 billion yen, increase of 0.5 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 1,501.1 billion yen, an increase of 69.8 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of fiscal year increased 25.3 billion yen compared with the previous fiscal year-end to 869.4 billion yen. **Interest-bearing debt** amounted to 485.0 billion yen, an increase of 21.3 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 32.3%, a decrease of 0.1 percentage point.

Net assets totaled 631.7 billion yen, an increase of 44.5 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 36.8%, 1.1 percentage point increase from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.68 at the end of the fiscal year, 0.07 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.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") increased 31.0 billion yen to 109.8 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 increased 26.8 billion yen to 109.5 billion yen due to increase of profit before income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities decreased 10.8 billion yen compared with the previous fiscal year to 64.3 billion yen, mainly because cash outflows from the tender offer for ARRK Corporation shares in the previous fiscal year is no longer recorded.

Cash Flows from Financing Activities

Net cash used in financing activities increased 3.9 billion yen compared with the previous fiscal year to 14.1 billion yen due primarily to the acquisition of treasury stock.

(3) Trends in Cash Flow Indicators

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Shareholders' Equity Ratio (%)	28.8	30.3	33.9	35.7	36.8
Shareholders' Equity Ratio on a Market Value Basis (%)	27.4	29.8	41.5	46.6	34.7
Ratio of Interest-bearing Debt to Cash Flows	9.4	3.2	4.4	5.6	4.4
Interest Coverage Ratio (Times)	7.7	20.7	17.3	14.8	19.9

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.
- Consolidated balance sheet as of FY2017 is restated due to amendments to accounting standards for tax effect accounting. Consequently, shareholders' equity ratio and shareholders' equity ratio on a market value basis are calculated based on the restated figures.

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

(1) Overall of Financial Outlook for Fiscal 2019

In fiscal 2019, growth in the global economy is expected to slow down overall owing to the diminishing effects of various policies in the United States and stagnation in the Chinese economy. Uncertainty is growing in the global economy due mainly to prolonged trade tensions between the United States and China as well as the pending exit of the United Kingdom from the European Union.

In Japan, careful attention will still need to be paid to fluctuations in the economy due primarily to the slowdown in the global economy and a rise in the consumption tax rate.

Under these conditions, the Group forecasts its business performance and earnings growth for fiscal 2019 as follows.

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
FY2019	1,540.0	105.0	110.0	76.0
FY2018	1,482.9	93.4	103.0	76.1
Difference	57.1	11.6	7.0	(0.1)
Ratio (%)	3.8	12.4	6.8	(0.2)

Outlook above are based on the following assumptions:

a) Exchange rate for the full year is 110 yen/US\$

b) Average price of domestic naphtha is 46,000 yen /kl

(2) Outlook by FY2019 Business Segment

Outlook by FY2019 business segment is as follows.

(Billions of Yen)

	Net Sales						Total
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	
FY2019	430.0	160.0	210.0	720.0	20.0	-	1,540.0
FY2018	395.4	146.6	199.4	716.5	25.0	-	1,482.9
Difference	34.6	13.4	10.6	3.5	(5.0)	-	57.1
Ratio(%)	8.8	9.1	5.3	0.5	(20.0)	-	3.8

(Billions of Yen)

	Operating Income (Loss)						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
FY2019	44.5	15.5	20.5	33.0	(1.5)	(7.0)	105.0
FY2018	42.7	13.6	17.8	27.8	(1.4)	(7.1)	93.4
Difference	1.8	1.9	2.7	5.2	(0.1)	0.1	11.6
Ratio(%)	4.2	14.0	15.2	18.7	-	-	12.4

4. Basic Policy on Appropriation of Profits, Cash Dividends for Fiscal 2018 and 2019 (Year Ending March 31, 2019 and March 31, 2020)

(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 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 2018 and 2019

Considering the recent business conditions, the Company plans to pay a year-end dividend of 50 yen per share in current fiscal year.

Because a 50 yen interim dividend was already paid out on December 4, 2018, dividends for the full fiscal year will total 100 yen per share.

For the purpose to enhance returns to shareholders, the Company acquired treasury stocks of 10.0 billion yen, which resulted in the total return ratio to 39.0%.

Turning to dividends for the fiscal year ending March 31, 2020, 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	
	FY2017 As of March 31, 2018	FY2018 As of March 31, 2019
Assets		
Current assets		
Cash and deposits	80,209	111,056
Notes and accounts receivable-trade	306,899	310,591
Inventories	274,342	301,890
Accounts receivable-other	60,356	55,288
Other	10,193	8,570
Allowance for doubtful accounts	(673)	(718)
Total current assets	731,326	786,677
Non-current assets		
Property, plant and equipment		
Buildings and structures	343,555	352,569
Accumulated depreciation	(236,725)	(241,112)
Buildings and structures, net	106,830	111,457
Machinery, equipment and vehicles	997,563	1,030,949
Accumulated depreciation	(865,884)	(889,978)
Machinery, equipment and vehicles, net	131,679	140,971
Land	159,018	156,556
Construction in progress	20,462	18,515
Other	76,136	78,508
Accumulated depreciation	(61,217)	(62,944)
Other, net	14,919	15,564
Total property, plant and equipment	432,908	443,063
Intangible assets		
Goodwill	5,684	5,061
Other	25,792	24,324
Total intangible assets	31,476	29,385
Investments and other assets		
Investment securities	159,428	151,847
Net defined benefit asset	41,549	42,653
Deferred tax assets	10,673	11,386
Other	26,369	38,511
Allowance for doubtful accounts	(2,420)	(2,448)
Total investments and other assets	235,599	241,949
Total non-current assets	699,983	714,397
Total assets	1,431,309	1,501,074

	Millions of yen	
	FY2017	FY2018
	As of	As of
	March 31, 2018	March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	162,179	163,908
Short-term loans payable	94,348	92,733
Current portion of long-term loans payable	24,834	57,571
Commercial papers	20,000	10,000
Current portion of bonds	15,426	426
Accounts payable-other	69,299	79,245
Income taxes payable	7,956	9,372
Provision for directors' bonuses	158	175
Provision for repairs	13,585	13,089
Asset retirement obligations	—	5
Other	35,320	32,234
Total current liabilities	443,105	458,758
Non-current liabilities		
Bonds payable	31,864	66,438
Long-term loans payable	274,099	254,850
Deferred tax liabilities	13,240	11,471
Provision for directors' retirement benefits	250	243
Provision for repairs	2,880	2,682
Provision for environmental measures	675	551
Net defined benefit liability	55,220	56,428
Asset retirement obligations	4,330	3,203
Other	18,424	14,711
Total non-current liabilities	400,982	410,577
Total liabilities	844,087	869,335
Net assets		
Shareholders' equity		
Capital stock	125,125	125,205
Capital surplus	89,327	89,406
Retained earnings	291,000	348,202
Treasury stock	(19,842)	(29,869)
Total shareholders' equity	485,610	532,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	26,558	21,421
Deferred gains or losses on hedges	(16)	(3)
Foreign currency translation adjustments	5,037	4,195
Remeasurements of defined benefit plans	(5,603)	(6,642)
Total accumulated other comprehensive income	25,976	18,971
Non-controlling interests	75,636	79,824
Total net assets	587,222	631,739
Total liabilities and net assets	1,431,309	1,501,074

6. Consolidated Income Statements and Consolidated Comprehensive Income Statements

(Consolidated Income Statements)

	Millions of yen	
	FY2017 April 1, 2017 to March 31, 2018	FY2018 April 1, 2018 to March 31, 2019
Net sales	1,328,526	1,482,909
Cost of sales	1,019,160	1,166,577
Gross profit	309,366	316,332
Selling, general and administrative expenses	205,875	222,905
Operating income	103,491	93,427
Non-operating income and expenses		
Non-operating income		
Interest income	1,471	2,063
Dividends income	3,317	2,799
Share of profit of entities accounted for using equity method	7,063	10,807
Rent income	744	819
Insurance income	2,318	419
Other	2,408	3,890
Total non-operating income	17,321	20,797
Non-operating expenses		
Interest expenses	5,478	5,534
Loss on suspension of operations	588	893
Foreign exchange losses	1,201	372
Other	3,340	4,453
Total non-operating expenses	10,607	11,252
Ordinary income	110,205	102,972
Extraordinary income and losses		
Extraordinary income		
Gain on sales of non-current assets	2,778	79
Gain on sales of investment securities	767	3,663
Gain on transfer of business	591	743
Gain on forgiveness of debts	2,010	—
Gain on revision of retirement benefit plan	326	—
Insurance income	—	11,368
Total extraordinary income	6,472	15,853
Extraordinary losses		
Loss on disposal of non-current assets	2,389	4,352
Loss on sales of non-current assets	9	75
Impairment loss	15,012	1,454
Loss on valuation of investment securities	5,059	171
Loss on fire	—	7,476
Total extraordinary losses	22,469	13,528
Profit (loss) before income taxes	94,208	105,297
Income taxes – current	18,819	18,879
Income taxes – deferred	(3,629)	(105)
Total income taxes	15,190	18,774
Profit (loss)	79,018	86,523
Profit (loss) attributable to non-controlling interests	7,433	10,408
Profit (loss) attributable to owners of parent	71,585	76,115

(Consolidated Comprehensive Income Statements)

	Millions of yen	
	FY2017	FY2018
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
Profit (loss)	79,018	86,523
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	6,405	(5,581)
Deferred gains or losses on hedges	(5)	4
Foreign currency translation adjustment	(2,311)	1,632
Remeasurements of defined benefit plans	6,975	(969)
Share of other comprehensive income of entities accounted for using equity method	3,049	(2,383)
Total other comprehensive income (loss)	14,113	(7,297)
Comprehensive income (loss)	93,131	79,226
Comprehensive income (loss) attributable to		
Comprehensive income (loss) attributable to owners of parent	85,667	69,109
Comprehensive income (loss) attributable to non-controlling interests	7,464	10,117

7. Consolidated Statements of Cash Flows

	Millions of yen	
	FY2017	FY2018
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
Profit (loss) before income taxes	94,208	105,297
Depreciation	44,835	48,853
Amortization of goodwill	819	651
Impairment loss	15,012	1,454
Increase(decrease) in net defined benefit liability	323	417
Decrease (increase) in net defined benefit asset	(4,393)	(1,085)
Increase (decrease) in allowance for doubtful accounts	(7)	97
Increase (decrease) in provision for repairs	414	(694)
Increase (decrease) in provision for environmental measures	(57)	(126)
Interest and dividend income	(4,788)	(4,862)
Insurance income	(2,318)	(11,787)
Interest expenses	5,478	5,534
Share of (profit) loss of entities accounted for using equity method	(7,063)	(10,807)
Loss (gain) on sales of investment securities	(814)	(3,650)
Loss (gain) on valuation of investment securities	5,059	171
Loss on retirement of non-current assets	1,067	1,050
Loss (gain) on sales of non-current assets	(2,769)	(4)
Decrease (increase) in notes and accounts receivable - trade	(23,381)	(3,255)
Decrease (increase) in inventories	(26,419)	(26,629)
Increase (decrease) in notes and accounts payable - trade	13,786	1,300
Other, net	(15,314)	9,870
Subtotal	93,678	111,795
Interest and dividends income received	9,011	8,975
Interest expenses paid	(5,583)	(5,507)
Proceeds from insurance income	2,752	11,353
Income taxes paid	(17,198)	(17,124)
Net cash provided by (used in) operating activities	82,660	109,492
Purchase of property, plant and equipment	(49,587)	(53,191)
Proceeds from sales of property, plant and equipment	337	4,016
Purchase of intangible assets	(3,085)	(2,564)
Proceeds from sales of intangible assets	2,502	—
Purchase of investment securities	(3,986)	(23,952)
Proceeds from sales and redemption of investment securities	1,521	9,434
Proceeds from transfer of business	1,486	743
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(16,350)	—
Purchase of long-term prepaid expenses	(1,346)	(189)
Payments of long-term loans receivable	(5,208)	(90)
Other, net	(1,325)	1,538
Net cash provided by (used in) investing activities	(75,041)	(64,255)

	Millions of yen	
	FY2017	FY2018
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
Net increase (decrease) in short-term loans payable	4,072	(1,739)
Increase (decrease) in commercial papers	20,000	(10,000)
Proceeds from long-term loans payable	29,711	38,221
Repayment of long-term loans payable	(19,476)	(25,166)
Proceeds from issuance of bonds	10,000	35,000
Redemption of bonds	(24,284)	(15,426)
Proceeds from share issuance to non-controlling shareholders	—	355
Proceeds from sales of treasury shares	7	5
Purchase of treasury shares	(5,141)	(10,033)
Cash dividends paid	(18,007)	(18,878)
Dividends paid to non-controlling interests	(6,397)	(6,335)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(552)	—
Other, net	(138)	(138)
Net cash provided by (used in) financing activities	(10,205)	(14,134)
Effect of exchange rate change on cash and cash equivalents	(1,170)	(92)
Net increase (decrease) in cash and cash equivalents	(3,756)	31,011
Cash and cash equivalents at beginning of period	82,884	78,828
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(300)	—
Cash and cash equivalents at end of period	78,828	109,839

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, 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 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	395,365	146,598	199,435	716,524	1,457,922	24,987	1,482,909
2) Internal sales among segments and transfers	11,652	2,783	1,349	75,760	91,544	58,049	149,593
Total	407,017	149,381	200,784	792,284	1,549,466	83,036	1,632,502
Segment income (loss)	42,736	13,622	17,791	27,776	101,925	(1,375)	100,550
Segment assets	348,824	195,713	232,533	598,707	1,375,777	55,129	1,430,906
Other items							
Depreciation and amortization (Note 2)	12,582	9,412	7,496	14,826	44,316	3,857	48,173
Amortization of goodwill	527	86	—	—	613	38	651
Amount invested in equity method affiliate	22,427	5,602	2,849	58,135	89,013	2,451	91,464
Capital expenditures (Note 2)	17,256	6,579	15,019	18,453	57,307	3,870	61,177

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 2017	FY 2018
Total reportable segment sales	1,384,956	1,549,466
Net sales classified under "Others"	79,038	83,036
Elimination of intersegment transactions	(135,468)	(149,593)
Net sales recorded in Consolidated Income Statements	1,328,526	1,482,909

(Millions of yen)

Income	FY 2017	FY 2018
Total reportable segment income	111,953	101,925
Income classified under "Others"	(906)	(1,375)
Elimination of intersegment transactions and etc	26	(33)
Corporate expenses (note)	(7,582)	(7,090)
Operating income (loss) recorded in Consolidated Income Statements	103,491	93,427

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 2017	FY 2018
Total reportable segment assets	1,345,443	1,375,777
Assets classified under "Others"	50,052	55,129
Elimination of intersegment transactions	(130,898)	(125,293)
Corporate assets (note)	166,712	195,461
Assets recorded in Consolidated Balance Sheets	1,431,309	1,501,074

Note: 1. 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.
2. 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.

(Millions of yen)

Other items	Reportable segments		Others		Adjustments (note)		Amounts from consolidated financial statements	
	FY17	FY18	FY17	FY18	FY17	FY18	FY17	FY18
Depreciation and amortization	41,193	44,316	3,118	3,857	524	680	44,835	48,853
Amortization of goodwill	717	613	102	38	—	—	819	651
Investment in equity method affiliate	79,995	89,013	2,660	2,451	—	—	82,655	91,464
Capital expenditures	73,457	57,307	6,110	3,870	1,681	747	81,248	61,924

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, 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

The consolidated fiscal year under review (April 1, 2018 – March 31, 2019)

a. Net Sales

(Millions of yen)

Japan	China	Asia	America	Europe	Other regions	Total
810,846	182,764	198,638	177,594	104,639	8,428	1,482,909

- 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
350,860	36,011	28,068	28,124	443,063

- 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, 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.

The fiscal year under review (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Impairment loss	248	49	420	82	—	655	1,454

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

The previous fiscal year (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 ARRK 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.

The fiscal year under review (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Corporate Expenses	Total
Amount of amortization	527	86	–	–	38	–	651
Unamortized balance	4,628	416	–	–	17	–	5,061