

# Summary of Consolidated Financial Results for Third Quarter of FY2016

Feb. 2, 2017  
Mitsui Chemicals, Inc.

## 1. Summary of Income Statement

(Unit : Billions of Yen)

	3rd Q of FY2015	3rd Q of FY2016	Incr. (Decr.)	FY2015	Outlook for FY2016 (announced Feb. 2)	
					FY2016	Incr. (Decr.)
Net sales	1,031.8	870.1	(161.7)	1,343.9	1,185.0	(158.9)
Operating income	56.4	71.6	15.2	70.9	97.0	26.1
Ordinary income	52.7	69.5	16.8	63.2	91.0	27.8
Profit attributable to owners of parent	33.6	50.0	16.4	23.0	55.0	32.0
Comprehensive income	28.5	61.0	32.5	(14.4)		
Exchange rate Yen / US\$	122	107	(15)	120	109	(11)
Domestic standard naphtha price Yen / KL	45,600	32,300	(13,300)	42,800	34,700	(8,100)

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

### ·Net Sales

(Unit : Billions of Yen)

	3rd Q of FY2015	3rd Q of FY2016	Incr. (Decr.)	Breakdown		FY2015	Outlook for FY2016 (announced Feb. 2)	
				Volume	Price		FY2016	Incr. (Decr.)
Mobility	240.7	216.1	(24.6)	10.4	(35.0)	318.2	295.0	(23.2)
Healthcare	125.2	100.0	(25.2)	(12.0)	(13.2)	161.1	137.0	(24.1)
Food & Packaging	144.3	132.0	(12.3)	(0.8)	(11.5)	195.2	183.0	(12.2)
Basic Materials	493.6	395.4	(98.2)	(26.5)	(71.7)	630.8	535.0	(95.8)
Others	28.0	26.6	(1.4)	(1.4)	-	38.6	35.0	(3.6)
Total	1,031.8	870.1	(161.7)	(30.3)	(131.4)	1,343.9	1,185.0	(158.9)

### ·Operating Income (Loss)

(Unit : Billions of Yen)

	3rd Q of FY2015	3rd Q of FY2016	Incr. (Decr.)	Breakdown			FY2015	Outlook for FY2016 (announced Feb. 2)	
				Volume	Price※	Fixed Costs etc.		FY2016	Incr. (Decr.)
Mobility	34.9	31.1	(3.8)	3.9	(7.5)	(0.2)	44.9	41.0	(3.9)
Healthcare	8.4	7.9	(0.5)	(0.6)	(0.4)	0.5	11.6	12.5	0.9
Food & Packaging	15.7	14.9	(0.8)	0.8	(1.0)	(0.6)	20.3	20.5	0.2
Basic Materials	2.4	23.9	21.5	(0.5)	17.0	5.0	1.0	32.0	31.0
Others	(0.2)	(0.7)	(0.5)	-	-	(0.5)	(0.1)	0.0	0.1
Adjustment	(4.8)	(5.5)	(0.7)	-	-	(0.7)	(6.8)	(9.0)	(2.2)
Total	56.4	71.6	15.2	3.6	8.1	3.5	70.9	97.0	26.1

With the aim of accelerating the business strategies outlined in the 2014 Mid-Term Business Plan, the Group undertook minor reorganization in some of its business segments on April 1, 2016.

※ Price includes both selling and purchasing price variances.

## 3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	3rd Q of FY2015	3rd Q of FY2016	Incr. (Decr.)	FY2015	Outlook for FY2016 (announced Feb. 2)	
					FY2016	Incr. (Decr.)
Gain on sales of non-current assets & investment securities	3.9	2.0	(1.9)	5.1	2.0	(3.1)
Gain on transfer of business	3.7	-	(3.7)	3.7	-	(3.7)
Loss on sales and disposal of non-current assets	(3.4)	(2.8)	0.6	(5.6)	(8.6)	(3.0)
Impairment loss	(4.1)	(0.4)	3.7	(24.1)	(0.4)	23.7
Loss on restructuring of subsidiaries and affiliates	(0.9)	-	0.9	(1.0)	-	1.0
Others	-	-	-	-	(3.0)	(3.0)
Total	(0.8)	(1.2)	(0.4)	(21.9)	(10.0)	11.9

## 4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2016	As of Dec. 31, 2016	Incr. (Decr.)		As of Mar. 31, 2016	As of Dec. 31, 2016	Incr. (Decr.)
Current assets	628.2	647.2	19.0	Interest-bearing liabilities	473.0	451.3	(21.7)
Tangible fixed assets	413.4	409.6	(3.8)	Other liabilities	342.7	336.3	(6.4)
Intangible fixed assets	40.2	36.9	(3.3)	Shareholders' equity	381.9	427.1	45.2
Investments and others	177.1	184.3	7.2	Non-controlling interests	61.3	63.3	2.0
Total assets	1,258.9	1,278.0	19.1	Total liabilities and net assets	1,258.9	1,278.0	19.1
[ Inventories ]	240.7	240.9	0.2	[ Net D/E Ratio ]	1.03	0.85	(0.18)

## 5. Summary of Cash Flow

(Unit : Billions of Yen)

	3rd Q of FY2015	3rd Q of FY2016	Incr. (Decr.)	FY2015	Outlook for FY2016 (announced Feb. 2)	
					FY2016	Incr. (Decr.)
Cash flows from operating activities	107.9	73.8	(34.1)	145.9	100.0	(45.9)
Cash flows from investing activities	(28.7)	(29.8)	(1.1)	(36.4)	(52.0)	(15.6)
Free cash flows	79.2	44.0	(35.2)	109.5	48.0	(61.5)
Cash flows from financing activities	(60.1)	(35.5)	24.6	(79.0)	(45.0)	34.0
Others	(1.1)	(0.5)	0.6	(2.9)	(0.5)	2.4
Net incr.(decr.) in cash and cash equivalents	18.0	8.0	(10.0)	27.6	2.5	(25.1)
Cash and cash equivalents at the end of period	68.6	86.2	17.6	78.2		

## 6. Dividends

	Annual Dividends per Share (yen)				
	1st Q	2nd Q	3rd Q	4th Q	Annual
FY2015 Result	-	4.00	-	4.00	8.00
FY2016 Outlook	-	5.00	-	6.00	11.00

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

	FY2015	3rd Q of FY2016
Number of shares outstanding at term-end (including treasury stock)	1,022,020,076	1,022,020,076
Number of shares of treasury stock at term-end	21,483,760	21,622,347
Average number of shares	1,000,747,068 *	1,000,490,861

\*3rd Q of FY2015

## 8. Topics

- Mitsui Chemicals commences operations at Korean subsidiary (April 2016)
- Construction starts at new facility for high performance nonwovens at Nagoya Works in Japan (April 2016, 15,000 tons/annum, commercial operations in FY2017)
- New system house base starts operations in Mexico (April 2016)
- Termination of MDI plant at Omuta Works in Japan (May 2016, 60,000 tons/annum)
- Mitsui Chemicals Agro and PI Industries entered into an agreement to establish a joint venture for agrochemical registration in India (May 2016)
- Construction starts to expand facilities for polypropylene compounds (July 2016, Total for U.S., Mexico, and India 50,000 tons/annum, commercial operations in FY2017)
- Construction starts to expand facilities for premium high performance nonwovens in Japan (July 2016, 6,000 tons/annum, commercial operations in FY2017)
- Taiwan joint venture for electrolyte solution starts operations (July 2016, 1,500 tons/annum)
- Mitsui Chemicals Agro reached an agreement for the business and capital tie-up with Cuulong in Vietnam (August 2016)
- Startup of Evolve™ Plant in Singapore (August 2016, 300,000 tons/annum)
- NTT Com and Mitsui Chemicals Succeeded Quality Prediction of Chemical Products using AI (September 2016)
- New High Performance Sunglass Lens Material NeoContrast™ (September 2016)

- Developing rapid diagnostic system identifying the sepsis-causing bacteria (October 2016)  
(Joint research with University of Toyama, selected as a program in Innovation Setup Scheme by Japan Agency for Medical Research and Development)
- Construction completion of electrolyte solution production facilities at Nagoya Works in Japan (October 2016)  
(5,000 tons/annum, commercial operations in FY2017)
- Construction starts to expand production capacity of electrolyte solution for Taiwan joint venture (October 2016)  
(3,500 tons/annum, commercial operations in FY2017)

## 1. Operating Results

### (1) Overview

In the fiscal period under review (the nine-month period from Apr 1, 2016 to Dec 31, 2016, hereinafter the “third quarter”), the economy of the United States and Europe continued to improve. However, careful attention needs to be paid to fluctuations in the global economy, including those caused by the United Kingdom’s decision to leave the European Union and the U.S. presidential election. In Japan, despite signs of delayed recovery in some sectors, the economy continued to gradually improve amid rising employment and incomes as well as the continually weakening yen and rising stock prices following the November U.S. presidential election.

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

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
The third quarter	870.1	71.6	69.5	50.0
Same period of previous year	1,031.8	56.4	52.7	33.6
Change	(161.7)	15.2	16.8	16.4
Change (%)	(15.7)	27.0	31.9	48.8

**Net Sales** decreased 161.7 billion yen, or 15.7%, compared with the corresponding period of the previous fiscal year to 870.1 billion yen. This was mainly attributable to 131.4 billion yen decrease in sales prices and 30.3 billion yen decrease in sales volume. Sales prices were lower because of the drop in naphtha, other raw materials and fuel prices and changes in foreign exchange rates. Sales volume fell, due to the impact of unification of accounting periods in the dental materials and other businesses and transfer of polyurethane materials business in the previous fiscal year.

**Operating income** was 71.6 billion yen, increased 15.2 billion yen or 27.0% year on year. This result was due to healthy sales in the Mobility segment and reduced fixed costs attributable to the effect of business structure improvement in the Basic Materials segment.

**Ordinary income** was 69.5 billion yen, increased 16.8 billion yen or 31.9% year on year. This result largely reflected an increase in operating income, although foreign exchange gains and losses were worse.

**Extraordinary income and losses** amounted to 1.2 billion yen loss, mainly due to loss on disposal of non-current assets.

As a result of the aforementioned factors, **profit before income taxes** amounted to 68.3 billion yen, an increase of 16.4 billion yen, or 31.6% year on year.

**Profit attributable to owners of parent** after accounting for income taxes and non-controlling interests was 50.0 billion yen, an increase of 16.4 billion yen, or 48.8% compared with the corresponding period of the previous fiscal year. Earnings per share for the period was 50.01 yen.

### (2) Results by Business Segment

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

With the aim of accelerating the business strategies outlined in the 2014 Mid-Term Business Plan, the Group undertook minor reorganization in some of its business segments on April 1,

2016. Specifically, overseas polypropylene compound businesses, which had been components of the Petrochemicals segment, were integrated with the former Functional Polymeric Materials segment, which, in turn, has been reclassified as the Mobility segment. Moreover, the Group reclassified the Food & Packaging segment by incorporating the coatings & engineering materials business that had been a part of the Polyurethane segment. The former Basic Chemicals segment was integrated with the Petrochemicals segment—after relocating its overseas polypropylene compound businesses—as well as the polyurethane materials business, which had been a part of the Polyurethane segment, thereby forming the new Basic Materials segment.

Accordingly, segment information for the corresponding period of the previous fiscal year is based on this reclassification.

### Mobility

Net sales decreased 24.6 billion yen compared with the same period of the previous fiscal year to 216.1 billion yen and comprised 25% of total sales. Operating income decreased 3.8 billion yen to 31.1 billion yen year on year. The decrease in income was due to the effect of a stronger yen and the unfavorable trading terms in spite of an increase in sales volume.

In **elastomers**, which are primarily used in automotive components and as resin modifiers, the business performances were affected by the unfavorable trading terms and the effect of a stronger yen despite its healthy sales.

In **performance compounds**, sales expanded. This was contributed to the start-up of the subsidiary in China, in spite of the impact of a stronger yen.

In **functional polymers**, which are primarily used in ICT (information communication technology) -related products, the business performances were affected by stronger yen, in spite of the healthy sales.

In overseas **polypropylene compound** businesses, although the production volume increased mainly in North America, trading terms including the effect of foreign exchange turned unfavorable.

### Healthcare

Net sales decreased 25.2 billion yen year on year to 100.0 billion yen and comprised 12% of total sales. Operating income decreased 0.5 billion yen compared with the same period of the previous fiscal year to 7.9 billion yen, mainly due to the decrease in sales volume of non-woven fabrics although vision-care materials enjoyed healthy sales and fixed costs of dental materials were reduced.

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

In **non-woven fabrics**, consumption of premium paper diapers remained firm, but sales volume was impacted by the usage of distribution stock.

In **dental materials**, although the sales volume decreased due to unification of accounting periods in the previous fiscal period, sales were healthy mainly in Europe and North America. Because of the impairment loss booked in the previous fiscal year, amortization expenses of goodwill and other fixed expenses decreased.

### Food & Packaging

Net sales decreased 12.3 billion yen compared with the same period of the previous fiscal year to 132.0 billion yen and comprised 15% of total sales. Operating income decreased 0.8 billion yen to 14.9 billion yen year on year, due to the impact of stronger yen, in spite of healthy sales and improvement in trading terms.

In **coatings & engineering materials**, sales were healthy. Trading terms were improved at an overseas subsidiary.

In **performance films and sheets**, sales of packaging materials were healthy.

In **agrochemicals**, sales volume decreased in both domestic and overseas markets. Performance was affected by a stronger yen.

### Basic Chemicals

Net sales decreased 98.2 billion yen compared with the same period of the previous fiscal year to 395.4 billion yen and accounted for 45% of total sales. On the other hand, operating income increased 21.5 billion yen year on year, to 23.9 billion yen. This was mainly attributable to the effect of business structure improvement and firm domestic demand.

**Naphtha cracker** operating rates grew compared with the same period of the previous fiscal year. Performances of **polyethylene** and **polypropylene** were firm, backed by domestic demand.

In **phenols**, the market environment was severe but slowly improved in comparison with the same period of the previous fiscal year. The effect of business structure improvement gradually emerged.

In purified terephthalic acid (**PTA**), although conditions remained severe mainly due to market stagnation in China, the effect of business structure improvement gradually emerged.

In **polyurethane materials**, income was improved, mainly due to the reduction of fixed costs resulting from business structure improvement.

### Others

Net sales decreased 1.4 billion yen to 26.6 billion yen, comprised 3% of total sales. Operating loss was 0.7 billion yen, a worsening of 0.5 billion yen year on year.

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

**Total assets** at the end of the third quarter stood at 1,278.0 billion yen, an increase of 19.1 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the third quarter decreased 28.1 billion yen compared with the previous fiscal year-end to 787.6 billion yen. **Interest-bearing debt** amounted to 451.3 billion yen, a fall of 21.7 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 35.3%, a decrease of 2.3 percentage point.

**Net assets** totaled 490.4 billion yen, an increase of 47.2 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 33.4%, up 3.1 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.85 at the end of the third quarter, improved 0.18 point from the previous fiscal year-end.

## 3. Outlook for Fiscal 2016 (Year Ending March 31, 2017)

Revisions on financial forecasts and cash dividend projection for FY2016, which were announced on Feb 2, 2017, under the title of *Revision of Consolidated Financial Forecasts for FY2016 and Cash Dividend*, are as follows.

**(Revision of Financial Forecasts for Fiscal 2016)**

Outlook for the full year are based on the following assumptions:

- a) Exchange rate for the full year is 109 yen/US\$ (Jan – Mar: 115 yen/US\$)  
 b) Average price of domestic naphtha is 34,700 yen /kl (Jan – Mar: 42,000 yen/kl)

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Earnings per Share
Previous forecast (A)	1,174.0	88.0	80.0	50.0	49.97 yen
Revised forecast (B)	1,185.0	97.0	91.0	55.0	54.97 yen
Difference (B-A)	11.0	9.0	11.0	5.0	
Ratio (%)	0.9	10.2	13.8	10.0	
(Reference) FY2015 Actual (Apr1, 2015 - Mar 31, 2016)	1,343.9	70.9	63.2	23.0	22.95 yen

**(Revision by Business Segment)**

Outlook by FY2016 business segment is as follows.

(Billions of Yen)

	Net Sales						Total
	Mobility	Healthcare	Food & Packaging	Basic Materials	Others	Adjustment	
Previous forecast	295.0	142.0	182.0	516.0	39.0	—	1,174.0
Revised forecast	295.0	137.0	183.0	535.0	35.0	—	1,185.0
Difference	0.0	(5.0)	1.0	19.0	(4.0)	—	11.0

(Billions of Yen)

	Operating Income (Loss)						Total
	Mobility	Healthcare	Food & Packaging	Basic Materials	Others	Adjustment	
Previous forecast	40.0	15.0	19.0	22.0	1.0	(9.0)	88.0
Revised forecast	41.0	12.5	20.5	32.0	0.0	(9.0)	97.0
Difference	1.0	(2.5)	1.5	10.0	(1.0)	0.0	9.0

**(Cash Dividends Forecasts for Fiscal 2016)**

The Group previously announced a revision of fourth quarter dividend of 5 yen per share for FY2016. However, as the Group's operating income of fiscal 2016 is expected to realize a higher growth on full year base, considering the recent business conditions, a fourth quarter dividend of 6 yen per share will be paid, an increase of 1 yen per share over that previously announced.

The Group paid a second quarter dividend of 5 yen per share on Dec 2 2016. Annual dividends per share will be 11 yen, an increase of 1 yen per share over that previously announced.

(Yen)

	Annual Dividends per Share				
	1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q	Annual
Previous forecast	—	5.0	—	5.0	10.0
Revised forecast	—	5.0	—	6.0	11.0
(Reference) FY2015Actual	—	4.0	—	4.0	8.0