

Summary of Consolidated Financial Results for First Quarter of FY2017

Aug 2, 2017
Mitsui Chemicals, Inc.

1. Summary of Income Statement

(Unit : Billions of Yen)

	1st Q of FY2016	1st Q of FY2017	Incr. (Decr.)	FY2016	Outlook for FY2017 (announced Aug. 2)	
					Interim	Full Year
Net sales	293.7	309.0	15.3	1,212.3	620.0	1,300.0
Operating income	25.5	27.3	1.8	102.1	46.0	100.0
Ordinary income	23.3	28.3	5.0	97.2	46.0	100.0
Profit attributable to owners of parent	16.2	22.7	6.5	64.8	33.0	68.0
Comprehensive income	(1.8)	29.0	30.8	85.4		
Exchange rate Yen / US\$	108	111	3	108	111	110
Domestic standard naphtha price Yen / KL	31,600	39,100	7,500	34,700	38,050	40,000

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

·Net Sales

(Unit : Billions of Yen)

	1st Q of FY2016	1st Q of FY2017	Incr. (Decr.)	Breakdown		FY2016	Outlook for FY2017 (announced Aug. 2)	
				Volume	Price		Interim	Full Year
Mobility	74.7	77.7	3.0	1.3	1.7	293.3	154.0	314.0
Health Care	35.1	34.2	(0.9)	0.7	(1.6)	134.2	66.0	141.0
Food & Packaging	44.4	45.8	1.4	0.5	0.9	182.5	95.0	195.0
Basic Materials	130.7	145.3	14.6	(2.6)	17.2	565.6	291.0	621.0
Others	8.8	6.0	(2.8)	-	(2.8)	36.7	14.0	29.0
Total	293.7	309.0	15.3	(0.1)	15.4	1,212.3	620.0	1,300.0

·Operating Income (Loss)

(Unit : Billions of Yen)

	1st Q of FY2016	1st Q of FY2017	Incr. (Decr.)	Breakdown			FY2016	Outlook for FY2017 (announced Aug. 2)	
				Volume	Price [※]	Fixed Costs etc.		Interim	Full Year
Mobility	12.0	11.5	(0.5)	0.3	(0.2)	(0.6)	40.7	21.5	43.0
Health Care	3.2	2.9	(0.3)	0.3	(0.2)	(0.4)	10.1	5.0	13.0
Food & Packaging	5.7	4.6	(1.1)	0.1	(0.4)	(0.8)	20.6	9.0	21.0
Basic Materials	7.0	10.8	3.8	0.0	3.4	0.4	38.5	14.5	31.0
Others	(0.4)	(0.7)	(0.3)	-	-	(0.3)	(0.3)	(1.0)	(1.0)
Adjustment	(2.0)	(1.8)	0.2	-	-	0.2	(7.5)	(3.0)	(7.0)
Total	25.5	27.3	1.8	0.7	2.6	(1.5)	102.1	46.0	100.0

※ Price includes both selling and purchasing price variances.

3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	1st Q of FY2016	1st Q of FY2017	Incr. (Decr.)	FY2016	Outlook for FY2017 (announced Aug. 2)	
					Interim	Full Year
Gain on sales of non-current assets & investment securities	0.2	2.5	2.3	2.6	2.5	2.5
Loss on sales and disposal of non-current assets	(0.8)	0.0	0.8	(7.3)	(1.5)	(6.5)
Impairment loss	(0.3)	-	0.3	(4.1)	-	-
Loss on valuation of investment securities	-	-	-	(0.2)	-	-
Others	-	-	-	(2.4)	-	-
Total	(0.9)	2.5	3.4	(11.4)	1.0	(4.0)

4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2017	As of Jun. 30, 2017	Incr. (Decr.)		As of Mar. 31, 2017	As of Jun. 30, 2017	Incr. (Decr.)
Current assets	678.9	643.3	(35.6)	Interest-bearing liabilities	439.9	431.0	(8.9)
Tangible fixed assets	409.4	409.9	0.5	Other liabilities	371.0	335.0	(36.0)
Intangible fixed assets	35.2	36.1	0.9	Shareholders' equity	449.7	465.8	16.1
Investments and others	202.0	206.9	4.9	Non-controlling interests	64.9	64.4	(0.5)
Total assets	1,325.5	1,296.2	(29.3)	Total liabilities and net assets	1,325.5	1,296.2	(29.3)
[Inventories]	247.5	251.6	4.1	[Net D/E Ratio]	0.79	0.77	(0.02)

5. Summary of Cash Flow

(Unit : Billions of Yen)

	1st Q of FY2016	1st Q of FY2017	Incr. (Decr.)	FY2016	Outlook for FY2017 (announced Aug. 2)	
					Interim	Full Year
Cash flows from operating activities	20.9	22.1	1.2	100.4	48.0	102.0
Cash flows from investing activities	(11.2)	(9.1)	2.1	(47.4)	(32.0)	(82.0)
Free cash flows	9.7	13.0	3.3	53.0	16.0	20.0
Cash flows from financing activities	(9.7)	(22.4)	(12.7)	(47.6)	(16.0)	(20.0)
Others	(2.8)	0.2	3.0	(0.7)	-	-
Net incr.(decr.) in cash and cash equivalents	(2.8)	(9.2)	(6.4)	4.7	0.0	0.0
Cash and cash equivalents at the end of period	75.4	73.7	(1.7)	82.9		

6. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual
FY2016 Result	-	5.00	-	9.00	14.00
FY2017 Outlook	-	8.00	-	40.00	-

Note: FY2017 outlook is calculated based on the number of shares after the 5-to-1 share consolidation, which will be conducted on October 1, 2017. Without the consideration of the share consolidation, FY2017's year-end dividend is expected to be 8 yen per share, and the annual dividend is expected to be 16 yen per share. FY2016's year-end dividend is comprised by a 7 yen regular dividend and a 2 yen memorial dividend.

7. Number of shares outstanding (common stock)

	FY2016	1st Q of FY2017
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	21,683,571	21,714,254
Average number of shares	1,000,524,717 *	1,000,316,760

*1st Q of FY2016

1. Operating Results

(1) Overview

In the fiscal period under review (the three-month period from Apr 1, 2017 to Jun 30, 2017, hereinafter the “first quarter”), the economy of the United States and Europe enjoyed constant recovery. However, careful attention needs to be paid to fluctuations in the global economy, including those caused by geopolitical risks and government policy trends in major countries. In Japan, although the economy was less than robust, improvements in the employment environment and workers’ salaries supported a modest but constant recovery.

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	309.0	27.3	283.9	22.7
Same period of previous year	293.7	25.5	23.3	16.2
Change	15.3	1.8	5.0	6.5
Change (%)	5.2	6.8	21.4	40.1

Net Sales increased 15.3 billion yen, or 5.2%, compared with the corresponding period of the previous fiscal year to 309.0 billion yen. This was mainly attributable to increase in sales prices due to the rise in naphtha, other raw materials and fuel prices and changes in foreign exchange rates.

Operating income was 27.3 billion yen, an increase of 1.8 billion yen or 6.8% year on year. This result was due to healthy sales and improved terms of trade in the Basic Materials segment.

Ordinary income was 28.3 billion yen, increased 5.0 billion yen or 21.4% year on year. This result was due to the increase in share of profit of entities accounted for using equity method and improved foreign exchange gains and losses, in addition to increased operating income.

Extraordinary income was 2.5 billion yen, due to an increase in gain on sales of non-current assets.

As a result of the aforementioned factors, **profit before income taxes** amounted to 30.8 billion yen, an increase of 8.4 billion yen, or 37.7% year on year.

Profit attributable to owners of parent after accounting for income taxes and non-controlling interests was 22.7 billion yen, an increase of 6.5 billion yen, or 40.1% compared with the corresponding period of the previous fiscal year. Earnings per share for the period was 22.70 yen.

(2) Results by Business Segment

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

Mobility

Net sales increased 3.0 billion yen compared with the same period of the previous fiscal year to 77.7 billion yen and comprised 25% of total sales. On the other hand, operating income decreased 0.5 billion yen to 11.5 billion yen year on year. The decrease in income was due to 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,

business performance was affected by a weaker yen, and the Group was able to clearly meet healthy demand.

In **performance compounds**, the Group was able to satisfy stable 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, although the production volume of the automobile industry increased mainly in Asia, trading terms turned unfavorable.

Health Care

Net sales decreased 0.9 billion yen year on year to 34.2 billion yen and comprised 11% of total sales. Operating income decreased 0.3 billion yen compared with the previous fiscal year to 2.9 billion yen, mainly due to the increase in raw material prices for nonwoven fabrics although vision care materials enjoyed healthy sales.

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

In **nonwoven fabrics**, consumption of premium paper diapers remained firm, but terms of trade were impacted by an increase in raw material prices.

In **dental materials**, although demand was stable, sales volume decreased mainly due to shipping timing.

Food & Packaging

Net sales increased 1.4 billion yen compared with the previous fiscal year to 45.8 billion yen and comprised 15% of total sales. On the other hand, operating income decreased 1.1 billion yen to 4.6 billion yen year on year, due to a deterioration in trading terms in spite of healthy sales overall.

In **coatings & engineering materials**, sales were healthy.

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

In **agrochemicals**, sales volume decreased mainly due to shipping timing in spite of firm demand.

Basic Materials

Net sales increased 14.6 billion yen compared with the same period of the previous fiscal year to 145.3 billion yen and accounted for 47% of total sales. Operating income increased 3.8 billion yen year on year, to 10.8 billion yen. This was mainly attributable to the effect of firm domestic demand and business structure improvement.

Naphtha cracker operating rates kept at the same level as 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 in comparison with the same period of the previous fiscal year. But the effect of business structure improvement emerged.

In **purified terephthalic acid (PTA)**, conditions remained severe mainly due to market stagnation in China.

Others

Net sales decreased 2.8 billion yen to 6.0 billion yen, comprised 2% of total sales. Operating loss was 0.7 billion yen, a worsening of 0.3 billion yen year on year.

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

Total assets at the end of the first quarter stood at 1,296.2 billion yen, a decrease of 29.3 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the first quarter decreased 44.9 billion yen compared with the previous fiscal year-end to 766.0 billion yen. **Interest-bearing debt** amounted to 431.0 billion yen, a fall of 8.9 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 33.3%, an increase of 0.1 percentage point.

Net assets totaled 530.2 billion yen, an increase of 15.6 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 35.9%, up 2.0 percentage point from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.77 at the end of the first quarter, improved 0.02 point from the previous fiscal year-end.

3. Outlook for Fiscal 2017 (Year Ending March 31, 2018)

(Financial Forecasts for Fiscal 2017)

Regarding financial forecasts for the second half, because sales are expected to be healthy in the Mobility, the Health Care and the Food & Packaging segments and, terms of trade are expected to be favorable in the Basic Materials segment, profits are expected to increase.

Regarding financial forecasts for the full year, although the business environment in the second half remains uncertain and, the risk of fluctuations in foreign exchange rates and changes in the economic environment still remain, sales are expected to be continuously healthy. Therefore, based on the outlook for the first half, full-year's operating income, ordinary income and profit attributable to owners of parent are expected to be higher than the previous forecast.

Outlook for the first half are based on the following assumptions:

- a) Exchange rate is 111 yen/US\$
- b) Average price of domestic naphtha is 38,050 yen /kl

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

- a) Exchange rate for the full year is 110 yen/US\$
- b) Average price of domestic naphtha is 40,000 yen /kl

(Billions of Yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
First half	620.0	46.0	46.0	33.0
Full year	1,300.0	100.0	100.0	68.0

(Financial Forecasts by Business Segment)

Outlook by FY2017 business segment is as follows.

(Billions of Yen)

	Net Sales						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
First half	154.0	66.0	95.0	291.0	14.0	—	620.0
Full year	314.0	141.0	195.0	621.0	29.0	—	1,300.0

(Billions of Yen)

	Operating Income (Loss)						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
First half	21.5	5.0	9.0	14.5	(1.0)	(3.0)	46.0
Full year	43.0	13.0	21.0	31.0	(1.0)	(7.0)	100.0