

# Summary of Consolidated Financial Results for Second Quarter of FY2017

Nov 1, 2017  
Mitsui Chemicals, Inc.

## 1. Summary of Income Statement

(Unit : Billions of Yen)

	2nd Q of FY2016	2nd Q of FY2017	Incr. (Decr.)
Net sales	568.7	620.9	52.2
Operating income	45.4	48.2	2.8
Ordinary income	41.9	49.9	8.0
Profit attributable to owners of parent	27.8	38.2	10.4
Comprehensive income	7.7	53.4	45.7

FY2016	Outlook for FY2017 (announced Nov. 1)	
	FY 2017	Incr. (Decr.)
1,212.3	1,300.0	87.7
102.1	103.0	0.9
97.2	105.0	7.8
64.8	73.0	8.2
85.4		

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

### ·Net Sales

(Unit : Billions of Yen)

	2nd Q of FY2016	2nd Q of FY2017	Incr. (Decr.)	Breakdown	
				Volume	Price
Mobility	141.7	153.4	11.7	2.8	8.9
Health Care	67.2	68.1	0.9	0.6	0.3
Food & Packaging	88.3	95.0	6.7	3.8	2.9
Basic Materials	253.2	292.2	39.0	6.7	32.3
Others	18.3	12.2	(6.1)	-	(6.1)
Total	568.7	620.9	52.2	13.9	38.3

FY2016	Outlook for FY2017 (announced Nov. 1)	
	FY 2017	Incr. (Decr.)
293.3	314.0	20.7
134.2	143.0	8.8
182.5	195.0	12.5
565.6	621.0	55.4
36.7	27.0	(9.7)
1,212.3	1,300.0	87.7

### ·Operating Income (Loss)

(Unit : Billions of Yen)

	2nd Q of FY2016	2nd Q of FY2017	Incr. (Decr.)	Breakdown		
				Volume	Price*	Fixed Costs etc.
Mobility	21.1	22.0	0.9	0.7	2.1	(1.9)
Health Care	5.4	4.8	(0.6)	1.2	(0.3)	(1.5)
Food & Packaging	11.0	10.1	(0.9)	1.3	(0.7)	(1.5)
Basic Materials	11.8	15.4	3.6	0.8	4.4	(1.6)
Others	(0.3)	(0.5)	(0.2)	-	-	(0.2)
Adjustment	(3.6)	(3.6)	0.0	-	-	0.0
Total	45.4	48.2	2.8	4.0	5.5	(6.7)

FY2016	Outlook for FY2017 (announced Nov. 1)	
	FY 2017	Incr. (Decr.)
40.7	43.0	2.3
10.1	13.0	2.9
20.6	22.0	1.4
38.5	33.0	(5.5)
(0.3)	(1.0)	(0.7)
(7.5)	(7.0)	0.5
102.1	103.0	0.9

\* Price includes both selling and purchasing price variances.

## 3. Extraordinary Gains and Losses

(Unit : Billions of Yen)

	2nd Q of FY2016	2nd Q of FY2017	Incr. (Decr.)
Gain on sales of non-current assets & investment securities	0.5	3.2	2.7
Gain on forgiveness of debts	-	2.0	2.0
Loss on sales and disposal of non-current assets	(2.4)	(0.4)	2.0
Impairment loss	(0.3)	-	0.3
Loss on valuation of investment securities	-	-	-
Others	-	-	-
Total	(2.2)	4.8	7.0

FY2016	Outlook for FY2017 (announced Nov. 1)	
	FY 2017	Incr. (Decr.)
2.6	3.2	0.6
-	2.0	2.0
(7.3)	(6.2)	1.1
(4.1)	-	4.1
(0.2)	-	0.2
(2.4)	-	2.4
(11.4)	(1.0)	10.4

## 4. Summary of Balance Sheet

(Unit : Billions of Yen)

	Assets				Liabilities and Net assets		
	As of Mar. 31, 2017	As of Sept. 30, 2017	Incr. (Decr.)		As of Mar. 31, 2017	As of Sept. 30, 2017	Incr. (Decr.)
Current assets	678.9	692.4	13.5	Interest-bearing liabilities	439.9	438.0	(1.9)
Tangible fixed assets	409.4	416.0	6.6	Other liabilities	371.0	369.1	(1.9)
Intangible fixed assets	35.2	36.5	1.3	Shareholders' equity	449.7	486.1	36.4
Investments and others	202.0	214.8	12.8	Non-controlling interests	64.9	66.5	1.6
Total assets	1,325.5	1,359.7	34.2	Total liabilities and net assets	1,325.5	1,359.7	34.2
[ Inventories ]	247.5	259.1	11.6	[ Net D/E Ratio ]	0.79	0.70	(0.09)

## 5. Summary of Cash Flow

(Unit : Billions of Yen)

	2nd Q of FY2016	2nd Q of FY2017	Incr. (Decr.)	FY2016	Outlook for FY2017 (announced Nov. 1)	
					FY 2017	Incr. (Decr.)
Cash flows from operating activities	67.5	49.1	(18.4)	100.4	101.0	0.6
Cash flows from investing activities	(20.6)	(21.0)	(0.4)	(47.4)	(80.0)	(32.6)
Free cash flows	46.9	28.1	(18.8)	53.0	21.0	(32.0)
Cash flows from financing activities	(22.3)	(16.6)	5.7	(47.6)	(21.0)	26.6
Others	(3.4)	(0.5)	2.9	(0.7)	-	0.7
Net incr.(decr.) in cash and cash equivalents	21.2	11.0	(10.2)	4.7	0.0	(4.7)
Cash and cash equivalents at the end of period	99.4	93.9	(5.5)	82.9		

## 6. Accounting Fundamentals

		2nd Q of FY2016	2nd Q of FY2017	Incr. (Decr.)	FY2016	Outlook for FY2017 (announced Nov. 1)	
						FY 2017	Incr. (Decr.)
R & D expenses	¥ Billions	14.8	16.2	1.4	30.8	35.0	4.2
Depreciation & amortization	¥ Billions	21.5	22.1	0.6	44.1	46.0	1.9
Capital expenditures	¥ Billions	18.7	27.0	8.3	45.4	74.0	28.6
Financing incomes & expenses	¥ Billions	(1.1)	(0.7)	0.4	(2.1)	(2.5)	(0.4)
Interest-bearing liabilities	¥ Billions	455.2	438.0	(17.2)	439.9	445.0	5.1
Net D/E Ratio		0.92	0.70	(0.22)	0.79	0.70	(0.09)
Number of employees	person	13,487	13,521	34	13,423	13,600	177
Exchange rate	Yen / US\$	105	111	6	108	111	3
Domestic standard naphtha price	Yen / KL	31,450	37,800	6,350	34,700	39,900	5,200
Number of group companies	company	132	130	(2)	131	131	-

## 7. 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	-	9.00	-	40.00	-

Note: FY2017 outlook is calculated based on the number of shares after the 5-to-1 share consolidation, which was 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 17 yen per share. FY2016's year-end dividend is comprised by a 7 yen regular dividend and a 2 yen memorial dividend.

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

	FY2016	2nd Q of FY2017	
Number of shares outstanding at term-end (including treasury stock)	204,404,015	204,454,615	
Number of shares of treasury stock at term-end	4,336,714	4,355,424	
Average number of shares	200,102,531 *	200,083,164	*2nd Q of FY2016

Note: The Group conducted 5-to-1 share consolidation on October 1, 2017. "Number of shares outstanding at term-end (including treasury stock)", "Number of shares of treasury stock at term-end" and "Average number of shares" are 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 six-month period from Apr 1, 2017 to Sept 30, 2017, hereinafter the “first half”), the economy of the United States and Europe enjoyed constant recovery. However, the state of geopolitical risks and government policy trends in major countries remained and careful attention was paid to fluctuations in the global economy. In Japan, the economy continued to gradually recover amid improvements in the employment and individual income.

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
The first half	620.9	48.2	49.9	38.2
Same period of previous year	568.7	45.4	41.9	27.8
Change	52.2	2.8	8.0	10.4
Change (%)	9.2	6.3	19.2	37.5

**Net Sales** increased 52.2 billion yen, or 9.2%, compared with the corresponding period of the previous fiscal year to 620.9 billion yen. This was mainly attributable to increase in sales prices due to the rise in naphtha and other raw materials and fuel prices, and changes in foreign exchange rates.

**Operating income** was 48.2 billion yen, an increase of 2.8 billion yen or 6.3% year on year. This result was due to healthy sales and improved terms of trade although fixed costs increased from major scheduled maintenance.

**Ordinary income** was 49.9 billion yen, increased 8.0 billion yen or 19.2% 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 4.8 billion yen, due to an increase in gain on sales of non-current assets and investment securities, and gain on forgiveness of debts from non-controlling interest of a liquidated subsidiary.

As a result of the aforementioned factors, **profit before income taxes** amounted to 54.7 billion yen, an increase of 15.0 billion yen, or 37.8% year on year.

**Profit attributable to owners of parent** after accounting for income taxes and non-controlling interests was 38.2 billion yen, an increase of 10.4 billion yen, or 37.5% compared with the corresponding period of the previous fiscal year. The Group conducted 5-to-1 share consolidation on October 1, 2017 and earnings per share for the period were 190.84 yen.

### (2) Results by Business Segment

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

#### Mobility

Net sales increased 11.7 billion yen compared with the same period of the previous fiscal year to 153.4 billion yen and comprised 25% of total sales. Operating income increased 0.9 billion yen to 22.0 billion yen year on year. The increase in income was due to the effect of an increase in sales volume and the favorable trading terms.

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 meet healthy demand.

In **performance compounds**, the Group was able to satisfy healthy 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, the Group was able to meet increasing production volume of the automobile industry mainly in Asia.

## Health Care

Net sales increased 0.9 billion yen year on year to 68.1 billion yen and comprised 11% of total sales. On the other hand, operating income decreased 0.6 billion yen compared with the same period of the previous fiscal year to 4.8 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**, sales of premium paper diapers remained firm, but profits were impacted by an increase in raw material prices.

In **dental materials**, although demand remained steady, sales volume decreased in comparison due in part to advanced shipment in the same period of previous fiscal year.

## Food & Packaging

Net sales increased 6.7 billion yen compared with the same period of the previous fiscal year to 95.0 billion yen and comprised 15% of total sales. On the other hand, operating income decreased 0.9 billion yen to 10.1 billion yen year on year, due to increases in raw material prices and fixed costs of R&D in spite of steady sales.

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

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

In **agrochemicals**, although fixed costs of R&D increased, sales remained steady.

## Basic Materials

Net sales increased 39.0 billion yen compared with the same period of the previous fiscal year to 292.2 billion yen and accounted for 47% of total sales. Operating income increased 3.6 billion yen year on year, to 15.4 billion yen. This was mainly attributable to the effect of firm domestic demand and business structure improvement.

**Naphtha cracker** operating rates kept at high level as the same period of the previous fiscal year. Performances of **polyethylene** and **polypropylene** were firm, backed by domestic demand.

In **phenols**, the overseas market environment was severe in comparison with the same period of the previous fiscal year but the result of business structure improvement emerged.

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

## Others

Net sales decreased 6.1 billion yen to 12.2 billion yen, comprised 2% of total sales. Operating loss was 0.5 billion yen, a worsening of 0.2 billion yen year on year.

## 2. Financial Position

### (1) Status of Assets, Liabilities and Net Assets

**Total assets** at the end of the first half stood at 1,359.7 billion yen, an increase of 34.2 billion yen compared with the end of the previous fiscal year.

**Total liabilities** at the end of the first half decreased 3.8 billion yen compared with the previous fiscal year-end to 807.1 billion yen. **Interest-bearing debt** amounted to 438.0 billion yen, a fall of 1.9 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 32.2%, a decrease of 1.0 percentage point.

**Net assets** totaled 552.6 billion yen, an increase of 38.0 billion yen compared with the previous fiscal year-end. The **ratio of shareholders' equity to total assets** was 35.8%, 1.9 percentage point up from the previous fiscal year-end.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.70 at the end of the first half, 0.09 point down from the previous fiscal year-end.

### (2) Cash Flow Status

Cash and cash equivalents (hereafter called "cash") increased 11.0 billion yen to 93.9 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 decreased 18.4 billion yen to 49.1 billion yen due to worsening of working capital although profit before income taxes increased.

#### Cash Flows from Investing Activities

Net cash used in investing activities increased 0.4 billion yen compared with the previous fiscal year to 21.0 billion yen.

#### Cash Flows from Financing Activities

Net cash used in financing activities decreased 5.7 billion yen compared with the previous fiscal year to 16.6 billion yen due primarily to the decrease in repayments of interest-bearing debts.

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

In the announcement under the title of *Revision of Consolidated Financial Forecasts for FY2017 and Cash Dividend* on November 1, 2017, the Group revised financial forecasts and cash dividend projection for FY2017 as follows.

#### (1) Revision of Financial Forecasts for Fiscal 2017

##### (Overview)

Revised financial forecasts are based on the following assumptions:

- a) Exchange rate for the full year is 111 yen/US\$ (Oct – Mar: 110 yen/US\$)
- b) Average price of domestic naphtha is 39,900 yen /kl (Oct – Mar: 42,000 yen/kl)

Concerning the Group's financial performance in the first half, operating income, ordinary income and profit attributable to owners of parent are expected to be higher 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)	1,300.0	100.0	100.0	68.0	339.85
Revised forecast (B)	1,300.0	103.0	105.0	73.0	364.83
Difference (B-A)	0	3.0	5.0	5.0	
Ratio (%)	—	3.0	5.0	7.4	
(Reference) FY2016 Actual (Apr 1, 2016 - Mar 31, 2017)	1,212.3	102.1	97.2	64.8	※ 324.05

※ The Group conducted 5-to-1 share consolidation on October 1, 2017. Earnings per share for FY2016 are calculated assuming 5-to-1 share consolidation was conducted in the beginning of the previous year. Without the consideration of the share consolidation, earnings per share are 64.81 yen.

##### (Revision by Business Segment)

Outlook by FY2017 business segment is as follows.

(Billions of Yen)

	Net Sales						Total
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	
Previous forecast	314.0	141.0	195.0	621.0	29.0	—	1,300.0
Revised forecast	314.0	143.0	195.0	621.0	27.0	—	1,300.0
Difference	0.0	2.0	0.0	0.0	(2.0)	—	0.0

(Billions of Yen)

	Operating Income (Loss)						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
Previous forecast	43.0	13.0	21.0	31.0	(1.0)	(7.0)	100.0
Revised forecast	43.0	13.0	22.0	33.0	(1.0)	(7.0)	103.0
Difference	0.0	0.0	1.0	2.0	0.0	0.0	3.0

## (2) Cash Dividend Forecasts for Fiscal 2017

The Group initially announced an interim dividend of 8 yen per share for FY2017. However, as the Group's first half performance exceeded expectations, considering the recent business conditions, dividends of 9 yen per share will be paid, an increase of 1 yen per share over that previously announced.

The year-end dividend will be the same amount as previously announced.

FY2017 outlook is calculated based on the number of shares after the 5-to-1 share consolidation, which was 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 17 yen per share. FY2016's year-end dividend is comprised by a 7 yen regular dividend and a 2 yen memorial dividend.

(Yen)

	Annual Dividend per Share				
	1 <sup>st</sup> Q	Interim	3 <sup>rd</sup> Q	End of Term	Annual Dividends
Previous forecast	—	8.0	—	40.0	—
Revised forecast	—	9.0	—	40.0	—
(Reference) FY2016Actual	—	5.0	—	9.0	14.0

## 4. Subsequent Events

### (1) Share consolidation and change in number of shares constituting one share unit

A proposal for the consolidation of shares and a change in the number of shares constituting one share unit was submitted and approved at the Ordinary General Meeting of Shareholders held on June 27, 2017. This took effect on October 1, 2017.

#### (Purpose of the share consolidation and change in number of shares constituting one share unit)

Japanese stock exchanges have announced the *Action Plan for Consolidating Trading Units* with the aim of unifying trading units for common stocks of all listed domestic companies to 100 shares.

As a company listed on the Tokyo Stock Exchange, the Group shall respect this intention and decided to change its trading share unit from 1,000 shares to 100 units. In conjunction with that above, the Group decided to consolidate its common stocks at the ratio of 1 share for each 5 shares in order to achieve an appropriate investment unit considered to be desirable by the stock exchanges (at least 50,000 yen and less than 500,000 yen).

#### (Details of the share consolidation)

##### a) Type of shares subject to consolidation:

Common stocks

##### b) Method and ratio of the consolidation:

Share consolidation was conducted on October 1, 2017, at a ratio of 1 share for each 5 shares owned by shareholders recorded in the latest Register of Shareholders as of September 30, 2017.

##### c) Share reduction resulting from the consolidation:

Number of outstanding shares before consolidation (as of September 30, 2017)	1,022,273,076 shares
Number of shares decreased due to consolidation	817,818,461 shares
Number of shares outstanding after consolidation	204,454,615 shares

#### (Treatment when there is less than one share)

If the share consolidation results in fractional shares of less than one share, such shares shall be subject to a bulk sale in accordance with the provisions of the Companies Act. The proceeds shall be distributed to shareholders who held such fractional shares in proportion to their respective shareholdings.

#### (Number of authorized shares on the effective date)

The Group reduced the total number of authorized shares from 3,000,000,000 shares to 600,000,000 shares.

#### (Details of the change in number of shares constituting one share unit)

As of October 1, 2017, the number of the Group's shares that constitute one trading unit was changed from 1,000 to 100.

#### (Impact on per-share information)

The impact on per-share information is presented in the relevant sections.