

Summary of Consolidated Financial Results for Second Quarter of FY2021

Nov 5, 2021
Mitsui Chemicals, Inc.

1. Summary of Operating Results

(Unit : Billions of Yen)

	2nd Q of FY2020	2nd Q of FY2021	Incr. (Decr.)	FY2020	Forecast for FY2021 (announced Nov. 5)	
					FY2021	Incr. (Decr.)
Sales revenue	537.0	743.5	206.5	1,211.7	1,630.0	418.3
Operating income before special items	18.6	94.3	75.7	85.1	160.0	74.9
Operating income	17.9	94.5	76.6	78.1	145.0	66.9
Net income	11.0	78.9	67.9	64.2	114.0	49.8
Net income attributable to owners of the parent	9.6	73.9	64.3	57.9	103.0	45.1

2. Sales Revenue and Operating Income before Special Items by Business Segment

· Sales revenue

(Unit : Billions of Yen)

	2nd Q of FY2020	2nd Q of FY2021	Incr. (Decr.)	Breakdown		FY2020	Forecast for FY2021 (announced Nov. 5)	
				Volume	Price		FY2021	Incr. (Decr.)
Mobility	132.0	191.1	59.1	30.9	28.2	315.5	435.0	119.5
Health Care	66.0	80.9	14.9	14.6	0.3	143.9	165.0	21.1
Food & Packaging	89.6	107.0	17.4	15.9	1.5	197.7	230.0	32.3
Basic Materials	242.6	357.4	114.8	13.8	101.0	541.4	786.0	244.6
Others	6.8	7.1	0.3	-	0.3	13.2	14.0	0.8
Total	537.0	743.5	206.5	75.2	131.3	1,211.7	1,630.0	418.3

· Operating income before special items

(Unit : Billions of Yen)

	2nd Q of FY2020	2nd Q of FY2021	Incr. (Decr.)	Breakdown			FY2020	Forecast for FY2021 (announced Nov. 5)	
				Volume	Price*	Fixed Costs etc.		FY2021	Incr. (Decr.)
Mobility	8.2	24.1	15.9	8.8	7.2	(0.1)	30.2	50.0	19.8
Health Care	7.2	10.9	3.7	8.4	(1.5)	(3.2)	19.9	21.5	1.6
Food & Packaging	9.5	12.7	3.2	5.7	(1.8)	(0.7)	22.0	27.0	5.0
Basic Materials	(4.6)	48.6	53.2	3.5	38.7	11.0	19.6	72.5	52.9
Others	(0.3)	(0.2)	0.1	-	-	0.1	(1.1)	(2.0)	(0.9)
Adjustment	(1.4)	(1.8)	(0.4)	-	-	(0.4)	(5.5)	(9.0)	(3.5)
Total	18.6	94.3	75.7	26.4	42.6	6.7	85.1	160.0	74.9

*Price includes both selling and purchasing price variances.

3. Summary of Statement of Financial Position

(Unit : Billions of Yen)

	Assets			Liabilities and Equity			
	As of Mar. 31, 2021	As of Sept. 30, 2021	Incr. (Decr.)	As of Mar. 31, 2021	As of Sept. 30, 2021	Incr. (Decr.)	
Current assets	787.6	903.3	115.7	Interest-bearing liabilities	563.8	562.2	(1.6)
Property, plant and equipment & right-of-use assets	502.0	535.2	33.2	Other liabilities	312.2	365.5	53.3
Goodwill and intangible assets	20.8	26.8	6.0	Equity attributable to owners of the parent	607.9	677.7	69.8
Other non-current assets	247.7	227.1	(20.6)	Non-controlling interests	74.2	87.0	12.8
Total assets	1,558.1	1,692.4	134.3	Total liabilities and equity	1,558.1	1,692.4	134.3
[Inventories]	258.8	310.5	51.7	[Net D/E Ratio]	0.60	0.54	(0.06)

4. Summary of Statement of Cash Flows

(Unit : Billions of Yen)

	2nd Q of FY2020	2nd Q of FY2021	Incr. (Decr.)	Forecast for FY2021 (announced Nov. 5)		
				FY2020	FY2021	Incr. (Decr.)
Cash flows from operating activities	111.1	62.6	(48.5)	174.3	144.0	(30.3)
Cash flows from investing activities	(39.4)	(39.5)	(0.1)	(77.5)	(175.0)	(97.5)
<i>Free cash flows</i>	71.7	23.1	(48.6)	96.8	(31.0)	(127.8)
Cash flows from financing activities	(5.7)	(23.4)	(17.7)	(69.0)	27.0	96.0
Others	(1.0)	1.1	2.1	3.6	0.0	(3.6)
Net incr.(decr.) in cash and cash equivalents	65.0	0.8	(64.2)	31.4	(4.0)	(35.4)
Cash and cash equivalents at the end of period	229.6	196.8	(32.8)	196.0		

5. Accounting Fundamentals

		2nd Q of FY2020	2nd Q of FY2021	Incr. (Decr.)	Forecast for FY2021 (announced Nov. 5)		
					FY2020	FY2021	Incr. (Decr.)
R & D expenses	¥ Billions	16.3	17.8	1.5	33.8	39.0	5.2
Depreciation & amortization	¥ Billions	37.9	39.8	1.9	76.6	83.0	6.4
Capital expenditures	¥ Billions	41.5	93.2	51.7	93.2	137.0	43.8
Financing incomes & expenses	¥ Billions	(2.2)	(2.1)	0.1	(3.2)	(6.0)	(2.8)
Interest-bearing liabilities	¥ Billions	606.5	562.2	(44.3)	563.8	627.0	63.2
Net D/E Ratio	percentage	0.68	0.54	(0.14)	0.60	0.63	0.03
Number of employees	person	18,155	18,593	438	18,051	19,000	949
Exchange rate	Yen / US\$	107	110	3	106	112	6
Domestic standard naphtha price	Yen / KL	27,600	50,600	23,000	31,300	55,300	24,000
Number of group companies	company	152	154	2	154	163	9

6. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual
FY2020 Result	-	50.00	-	50.00	100.00
FY2021 Result/Forecast	-	55.00	-	55.00	110.00

7. Number of Shares Outstanding (common stock)

	FY2020	2nd Q of FY2021
Number of shares outstanding at term-end (including treasury stock)	204,608,615	204,653,315
Number of shares of treasury stock at term-end	8,664,390	9,568,473
Average number of shares	192,454,789 *	195,795,294

*2nd Q of FY2020

1. Operating Results

(1) Overview

In the fiscal period under review (the six-month period from Apr 1, 2021 to Sept 30, 2021, hereinafter the “first half”), although the global spread of the coronavirus continued to remain, there were signs of the economic recovery due to wide availability of vaccines mainly in developed countries. In Japan as well, the economy continued to be impacted by the spread of the coronavirus but signs of recovery were visible mainly in the manufacturing sector, as the vaccination has expanded. On the other hand, the economy suffered increase of crude oil prices and deceleration of automotive production, which must be carefully monitored.

The Mitsui Chemicals Group (hereafter “the Group”) reported the following operating results for the first half as follows. The Group has applied operating income before special items as a management indicator, which is operating income excluding non-recurring items.

(Billions of Yen)

	Sales Revenue	Operating Income before Special Items	Operating Income	Net Income Attributable to Owners of the Parent
First half	743.5	94.3	94.5	73.9
Same period of previous fiscal year	537.0	18.6	17.9	9.6
Difference	206.5	75.7	76.6	64.3
Ratio (%)	38.5	407.6	427.9	670.1

Sales revenue increased 206.5 billion yen, or 38.5%, compared with the corresponding period of the previous fiscal year to 743.5 billion yen. This was mainly attributable to increase in sales prices due to higher naphtha and other raw materials and fuel prices, in addition to higher sales volume in each segment as economic activities have resumed.

Operating income before special items was 94.3 billion yen, an increase of 75.7 billion yen or 407.6% year on year. This result was due to favorable terms of trade as a result of higher overseas market prices of Bisphenol A, in addition to higher sales volume in each segment and improved share of profit (loss) of investments accounted for using equity method.

Operating income was 94.5 billion yen, increased 76.6 billion yen or 427.9% year on year. This result was mainly due to the increase of operating income before special items.

Financial income/expenses improved 0.1 billion yen year on year to 2.1 billion yen loss, due to improved foreign exchange gains and losses, although reversal of allowance for doubtful accounts in the corresponding period of the previous fiscal year was no longer booked.

As a result of the aforementioned factors, **income before income taxes** amounted to 92.4 billion yen, an increase of 76.7 billion yen or 486.5% year on year.

Net income attributable to owners of the parent after accounting for income taxes and non-controlling interests was 73.9 billion yen, an increase of 64.3 billion yen or 670.1% compared with the corresponding period of the previous fiscal year. Basic earnings per share for the period were 377.64 yen.

(2) Results by Business Segment

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

Mobility

Sales revenue increased 59.1 billion yen compared with the corresponding period of the previous fiscal year to 191.1 billion yen and comprised 26% of total sales. Operating income before special items increased 15.9 billion yen to 24.1 billion yen year on year. The increase in income was due to recovery of production volume in automotive industry.

In **elastomers, performance compounds** and overseas **polypropylene compound**, the Group captured demand and sales remained healthy.

In **performance polymers**, the Group captured demand and sales remained healthy for ICT-related products.

In **solution business**, sales remained same level as the corresponding period of the previous fiscal year due to prolonged delay of the development of prototyping.

Health Care

Sales revenue increased 14.9 billion yen year on year to 80.9 billion yen and comprised 11% of total sales. Operating income before special items increased 3.7 billion yen to 10.9 billion yen, mainly due to healthy sales in vision care materials.

In **vision care materials**, the Group captured demand and sales remained healthy for ophthalmic lens materials.

In **nonwoven fabrics**, sales of masks stayed healthy but sales of medical gowns have declined.

In **dental materials**, the Group captured demand and sales remained healthy mainly in Europe.

Food & Packaging

Sales revenue increased 17.4 billion yen compared with the same period of the previous fiscal year to 107.0 billion yen and comprised 14% of total sales. Operating income before special items increased 3.2 billion yen to 12.7 billion yen year on year, due to healthy sales in coatings & engineering materials and performance films and sheets.

In **coatings & engineering materials**, the Group captured demand and sales remained firm.

In **performance films and sheets**, sales were mainly firm in ICT-related industrial films and sheets.

In **agrochemicals**, overseas sales were healthy.

Basic Materials

Sales revenue increased 114.8 billion yen compared with the same period of the previous fiscal year to 357.4 billion yen and accounted for 48% of total sales. Operating income before special items increased 53.2 billion yen to 48.6 billion yen, due to higher overseas market of prices of Bisphenol A and inventory revaluation gain, which was resulting from the higher naphtha and raw material prices.

Naphtha cracker operating rates were higher than the same period of the previous fiscal year due to increased demand of downstream products. Sales of **polyethylene and polypropylene** were affected by higher demand in the domestic economy.

Others

Sales revenue increased 0.3 billion yen compared with the same period of the previous fiscal year to 7.1 billion yen and comprised 1% of total sales. Operating income before special items was 0.2 billion yen loss, increase of 0.1 billion yen compared to the same period of the previous year.

2. Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets at the end of the first half stood at 1,692.4 billion yen, an increase of 134.3 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of first half increased 51.7 billion yen compared with the previous fiscal year-end to 927.7 billion yen. **Interest-bearing debt** amounted to 562.2 billion yen, a decrease of 1.6 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 33.2%, a decrease of 3.0 percentage point.

Total equity was 764.7 billion yen, an increase of 82.6 billion yen compared with the previous fiscal year-end. The **ratio of equity attributable to owners of the parent** was 40.0%, an increase of 1.0 percentage point.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.54 at the end of the fiscal year, 0.06 point decrease from the previous fiscal year-end.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called “net cash”) at the end of the first half increased 0.8 billion yen to 196.8 billion yen compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased 48.5 billion yen to 62.6 billion yen due to increase of working capital, despite of higher income before income taxes.

Cash Flows from Investing Activities

Net cash used in investing activities increased 0.1 billion yen to 39.5 billion yen due to increase of cash outflows from capital expenditure, despite of proceeds of shares of subsidiaries.

Cash Flows from Financing Activities

Net cash used in financing activities increased 17.7 billion yen to 23.4 billion yen due primarily to increase of repayments of interest-bearing debt.

3. Forecast for Fiscal 2021 (Year Ending March 31, 2022)

(1) Overview

Revised financial forecasts are based on the following assumptions:

- a) Exchange rate for the full year is 112 yen/US\$ (Oct – Mar:114 yen/US\$)
- b) Average price of domestic naphtha is 55,300 yen/kl (Oct – Mar:60,000 yen/kl)

Based on the Group’s performance in the first half, incomes are expected to be higher than previously announced due to higher overseas market prices of Bisphenol A.

(Billions of Yen)

	Sales Revenue	Operating Income before Special Items	Operating Income	Net Income	Net Income Attributable to Owners of the Parent	Basic Earnings per Share (yen)
Previous forecast (A)	1,490.0	141.0	139.0	110.0	99.5	507.72
Revised forecast (B)	1,630.0	160.0	145.0	114.0	103.0	529.51
Difference (B-A)	140.0	19.0	6.0	4.0	3.5	
Ratio (%)	9.4	13.5	4.3	3.6	3.5	
(Reference) FY2020	1,211.7	85.1	78.1	64.2	57.9	298.00

(2) Revision by Business Segment

Forecast by FY2021 business segment is as follows.

(Billions of Yen)

	Sales Revenue						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
Previous forecast	410.0	160.0	226.0	680.0	14.0	-	1,490.0
Revised forecast	435.0	165.0	230.0	786.0	14.0	-	1,630.0
Difference	25.0	5.0	4.0	106.0	0.0	-	140.0

(Billions of Yen)

	Operating Income before Special Items						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
Previous forecast	49.0	21.5	27.0	53.0	(2.0)	(7.5)	141.0
Revised forecast	50.0	21.5	27.0	72.5	(2.0)	(9.0)	160.0
Difference	1.0	0.0	0.0	19.5	0.0	(1.5)	19.0