

Summary of Consolidated Financial Results for First Quarter of FY2022



August 5, 2022
Mitsui Chemicals, Inc.

1. Summary of Operating Results

(Unit : Billions of Yen)

	1st Q of FY2021	1st Q of FY2022	Incr. (Decr.)	FY2021	Forecast for FY2022 (announced Aug. 5)	
					First Half	Full year
Sales revenue	370.6	476.1	105.5	1,612.7	1,020.0	2,160.0
Operating income before special items	51.9	44.6	(7.3)	161.8	82.5	140.0
Operating income	53.2	42.9	(10.3)	147.3	80.5	138.0
Net income	45.7	30.0	(15.7)	118.6	62.0	110.0
Net income attributable to owners of the parent	42.6	28.0	(14.6)	110.0	57.0	100.0

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

·Sales revenue

(Unit : Billions of Yen)

	1st Q of FY2021	1st Q of FY2022	Incr. (Decr.)	Breakdown		FY2021	Forecast for FY2022 (announced Aug. 5)	
				Volume	Price		First Half	Full year
Life & Healthcare Solutions	52.3	58.7	6.4	4.7	1.7	225.2	123.0	246.0
Mobility Solutions	100.9	120.6	19.7	(3.5)	23.2	432.7	255.0	538.0
ICT Solutions	50.6	59.2	8.6	2.0	6.6	207.1	120.0	244.0
Basic & Green Materials	163.3	234.3	71.0	7.2	63.8	737.1	515.0	1,119.0
Others	3.5	3.3	(0.2)	-	(0.2)	10.6	7.0	13.0
Total	370.6	476.1	105.5	10.4	95.1	1,612.7	1,020.0	2,160.0

·Operating income before special items

(Unit : Billions of Yen)

	1st Q of FY2021	1st Q of FY2022	Incr. (Decr.)	Breakdown			FY2021	Forecast for FY2022 (announced Aug. 5)	
				Volume	Price ※	Fixed Costs etc.		First Half	Full year
Life & Healthcare Solutions	6.4	6.2	(0.2)	1.2	(0.7)	(0.7)	24.9	12.5	27.0
Mobility Solutions	9.6	9.5	(0.1)	(2.0)	3.7	(1.8)	33.2	20.5	41.5
ICT Solutions	9.2	9.2	(0.0)	(0.6)	2.1	(1.5)	30.2	17.0	36.5
Basic & Green Materials	27.0	20.8	(6.2)	(1.1)	(3.0)	(2.1)	77.8	33.0	46.0
Others	(0.2)	(0.7)	(0.5)	-	-	(0.5)	(0.4)	1.5	(7.0)
Adjustment	(0.1)	(0.4)	(0.3)	-	-	(0.3)	(3.9)	(2.0)	(4.0)
Total	51.9	44.6	(7.3)	(2.5)	2.1	(6.9)	161.8	82.5	140.0

※Price includes both selling and purchasing price variances.

※Changes in Reported Segments Classification Methods

Mitsui Chemicals, Inc. (hereafter "the Company") revised our business portfolio and the reportable segments to realize a new long-term business plan, "VISION 2030". The details are described in 1. Operating Results, (2) Results by Business Segment and "Organization Restructuring Effective April 2022" released on November 25, 2021. Please also refer to those below.

<https://jp.mitsuichemicals.com/sites/default/files/media/document/2021/211125e.pdf>

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

3. Summary of Statement of Financial Position

(Unit : Billions of Yen)

	Assets				Liabilities and Equity		
	As of Mar. 31, 2022	As of Jun. 30, 2022	Incr. (Decr.)		As of Mar. 31, 2022	As of Jun. 30, 2022	Incr. (Decr.)
Current assets	1,033.5	1,133.3	99.8	Interest-bearing liabilities	715.1	783.8	68.7
Property, plant and equipment & right-of-use assets	553.6	561.2	7.6	Other liabilities	412.8	422.9	10.1
Goodwill and intangible assets	63.3	64.0	0.7	Equity attributable to owners of the parent	712.7	749.6	36.9
Other non-current assets	284.6	293.6	9.0	Non-controlling interests	94.4	95.8	1.4
Total assets	1,935.0	2,052.1	117.1	Total liabilities and equity	1,935.0	2,052.1	117.1
[Inventories]	369.0	433.4	64.4	[Net D/E Ratio]	0.75	0.79	0.04

4. Summary of Statement of Cash Flows

(Unit : Billions of Yen)

	1st Q of FY2021	1st Q of FY2022	Incr. (Decr.)	FY2021	Forecast for FY2022 (announced May. 13)
				Full year	
Cash flows from operating activities	28.7	(10.6)	(39.3)	92.6	93.0
Cash flows from investing activities	(23.1)	(33.3)	(10.2)	(205.2)	(130.0)
Free cash flows	5.6	(43.9)	(49.5)	(112.6)	(37.0)
Cash flows from financing activities	13.7	44.4	30.7	89.2	29.0
Others	0.4	9.2	8.8	8.6	0.0
Net incr.(decr.) in cash and cash equivalents	19.7	9.7	(10.0)	(14.8)	(8.0)
Cash and cash equivalents at the end of period	215.7	190.9	(24.8)	181.2	

5. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual Total
FY2021 Result	-	55.00	-	65.00	120.00
FY2022 Forecast	-	60.00	-	60.00	120.00

The year-end dividend for FY2021 consists of 60.00 yen regular dividend and 5.00 yen memorial dividend.

6. Number of Shares Outstanding (common stock)

	FY2021	1st Q of FY2022
Number of shares outstanding at term-end (including treasury stock)	204,653,315	204,653,315
Number of shares of treasury stock at term-end	11,417,375	11,418,449
Average number of shares	195,942,753 ※	193,235,150

※1st Q of FY2021

1. Operating Results

(1) Overview

In the fiscal period under review (the three-month period from Apr 1, 2022 to June 30, 2022, hereinafter the "first quarter"), although the economic recovery has continued to remain due to the normalization of economic and social activities following the easing impact from the coronavirus, the situation in Ukraine is still uncertain and the impact of restricted economic activity in China remains. In Japan as well, the economic and social activities have been normalizing and recovering. On the other hand, there are growing concerns about economic slowdown due to higher raw material prices and progress of weakening of the yen.

The Group reported the following operating results for the first quarter 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 quarter	476.1	44.6	42.9	28.0
Same period of previous fiscal year	370.6	51.9	53.2	42.6
Difference	105.5	(7.3)	(10.3)	(14.6)
Ratio (%)	28.5	(14.2)	(19.3)	(34.3)

Sales revenue increased 105.5 billion yen, or 28.5%, compared with the corresponding period of the previous fiscal year to 476.1 billion yen. This was mainly attributable to increase in sales prices due to higher naphtha and other raw materials and fuel prices.

Operating income before special items was 44.6 billion yen, a decrease of 7.3 billion yen, or 14.2%, year on year. This result was due to decrease in sales resulting from deceleration of automotive production and increase of fixed costs.

Operating income was 42.9 billion yen, decreased 10.3 billion yen, or 19.3%, year on year. This result was mainly due to the decrease of operating income before special items.

Financial income/expenses worsened 0.8 billion yen year on year to 2.1 billion yen loss.

As a result of the aforementioned factors, **income before income taxes** amounted to 40.8 billion yen, a decrease of 11.1 billion yen, or 21.3%, year on year.

Net income attributable to owners of the parent after accounting for income taxes and non-controlling interests was 28.0 billion yen, a decrease of 14.6 billion yen, or 34.3%, compared with the corresponding period of the previous fiscal year. Basic earnings per share for the period were 144.86 yen.

(2) Results by Business Segment

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

The Company revised our business portfolio to realize VISION 2030, a long-term business plan starting in 2021 and running through to 2030.

Consequently, from the first quarter of fiscal 2022, reportable segments were reviewed and reclassified from previous four segments of "Healthcare", "Mobility", "Food & Packaging",

and "Basic Materials" into four segments of "Life & Healthcare Solutions", "Mobility Solutions", "ICT Solutions", and "Basic & Green Materials".

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

Major products manufactured and sold by business segments are as follows:

Segments		Major Products and Businesses
Reportable Segments	Life & Healthcare Solutions	Vision care materials, nonwoven fabrics, oral care materials, personal care materials and, agrochemicals
	Mobility Solutions	Elastomers, performance compounds, polypropylene compounds and, comprehensive services regarding to the development of automotive and industrial products (Solution business)
	ICT Solutions	Materials and components for semiconductor and electronic component manufacturing processes, optical materials, lithium-ion battery materials, next-gen battery materials and, high-performance food packaging materials
	Basic & Green Materials	Ethylene, propylene, polyethylene, polypropylene, catalysts, phenols, PTA, PET, polyurethane materials and, industrial chemical products
Others	Others	Other related businesses, etc.

Life & Healthcare Solutions

Sales revenue increased 6.4 billion yen compared with the corresponding period of the previous fiscal year to 58.7 billion yen and comprised 12% of total sales. On the other hand, operating income before special items decreased 0.2 billion yen to 6.2 billion yen, mainly due to worsening terms of trade, which was resulting from the higher raw material prices in nonwoven fabrics despite of healthy sales in vision care materials and agrochemicals.

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

In **nonwoven fabrics**, terms of trade were worsened due to higher raw material prices.

In **oral care materials**, sales remained same level as the corresponding period of the previous fiscal year.

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

Mobility Solutions

Sales revenue increased 19.7 billion yen year on year to 120.6 billion yen and comprised 25% of total sales. On the other hand, operating income before special items decreased 0.1 billion yen to 9.5 billion yen. This was mainly attributable to decrease in sales resulting from deceleration of automotive production although terms of trade were improved due to sales price revision and favorable foreign exchange conditions.

In **elastomers, performance compounds and polypropylene compound**, terms of trade were improved due to sales price revision and favorable foreign exchange conditions despite of decrease in sales resulting from deceleration of automotive production.

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

ICT Solutions

Sales revenue increased 8.6 billion yen compared with the same period of the previous fiscal year to 59.2 billion yen and comprised 13% of total sales. Operating income before special items were at similar level as the same period of the previous fiscal year to 9.2 billion yen. This was mainly attributable to favorable terms of trade due to favorable foreign exchange conditions in semiconductor and optical materials.

In **semiconductor & optical materials and coatings & engineering materials**, terms of trade were improved due to favorable foreign exchange conditions.

In **performance films and sheets**, sales remained same level as the corresponding period of the previous fiscal year in industrial films.

Basic & Green Materials

Sales revenue increased 71.0 billion yen compared with the same period of the previous fiscal year to 234.3 billion yen and accounted for 49% of total sales. On the other hand, operating income before special items decreased 6.2 billion yen to 20.8 billion yen, due to fall in overseas market prices of Bisphenol A.

Naphtha cracker operating rates were firm despite of decline in demand of downstream products. Sales of **polyethylene and polypropylene** remained same level as the corresponding period of the previous fiscal year.

Others

Sales revenue decreased 0.2 billion yen to 3.3 billion yen, comprised 1% of total sales. Operating income before special items was 0.7 billion yen loss, increase of 0.5 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 quarter stood at 2,052.1 billion yen, an increase of 117.1 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of first quarter increased 78.8 billion yen compared with the previous fiscal year-end to 1,206.7 billion yen. **Interest-bearing debt** amounted to 783.8 billion yen, an increase of 68.7 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 38.2%, an increase of 1.2 percentage point.

Total equity was 845.4 billion yen, an increase of 38.3 billion yen compared with the previous fiscal year-end. The **ratio of equity attributable to owners of the parent** was 36.5%, a decrease of 0.3 percentage point.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.79 at the end of the fiscal year, 0.04 point increase from the previous fiscal year-end.

(2) Cash Flow Status

Cash and cash equivalents (hereafter called "net cash") at the end of the first quarter increased 9.7 billion yen to 190.9 billion yen compared with the same period of the previous fiscal year.

Cash Flows from Operating Activities

Net cash used in operating activities was 10.6 billion yen, the same period of the previous fiscal year was 28.7 billion yen income, due to increase of working capital.

Cash Flows from Investing Activities

Net cash used in investing activities increased 10.2 billion yen to 33.3 billion yen due to increase of cash outflows from capital expenditure.

Cash Flows from Financing Activities

Net cash provided by financing activities increased 30.7 billion yen to 44.4 billion yen due primarily to increase of borrowings of interest-bearing debt.

3. Outlook for Fiscal 2022 (Year Ending March 31, 2023)

(1) Overview

According to “Notice for Revisions of Financial Forecasts” announced on August 5, 2022, financial forecasts for the first half and the full-year have been revised.

Revised financial forecasts are based on the following assumptions for the first half and the full-year:

- a) Exchange rate is 130 yen/US\$
- b) Average price of domestic naphtha is 86,000 yen /kl

Regarding the financial forecast for the first half, which had been left undecided, in light of the first quarter results, the Company decided to announce a forecast based on the current available information and predictions.

In the full year, sales revenue is expected to be higher than previously announced in Basic & Green Materials segment due to increase in sales prices, owing to higher naphtha prices.

(Billions of Yen)

	Sales Revenue	Operating Income before Special Items	Operating Income	Net Income Attributable to Owners of the Parent
First half	1,020.0	82.5	80.5	57.0
Fiscal 2022	2,160.0	140.0	138.0	100.0

(2) Outlook by FY2022 Business Segment

Outlook by FY2022 business segment is as follows.

(Billions of Yen)

	Sales Revenue						
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Others	Adjustment	Total
First half	123.0	255.0	120.0	515.0	7.0	-	1,020.0
Fiscal 2022	246.0	538.0	244.0	1,119.0	13.0	-	2,160.0

(Billions of Yen)

	Operating Income before Special Items						
	Life & Healthcare Solutions	Mobility Solutions	ICT Solutions	Basic & Green Materials	Others	Adjustment	Total
First half	12.5	20.5	17.0	33.0	1.5	(2.0)	82.5
Fiscal 2022	27.0	41.5	36.5	46.0	(7.0)	(4.0)	140.0

4. Subsequent events

(Refund of equity interest in Mitsui Chemicals & SKC Polyurethanes Inc. through a paid-in capital reduction)

At the Board of Directors meeting held on September 29, 2021, the Company decided to dissolve the joint venture agreement establishing Mitsui Chemicals & SKC Polyurethanes Inc. (hereinafter "MCNS") as a joint venture integrating the polyurethane raw materials operations of the Company and SKC Co., Ltd.

On the same day, a contract was formed regarding the dissolution of the joint venture.

On July 14, 2022, MCNS made a refund of its capital contribution to the Company through a paid-in capital reduction and the Company received 38.2 billion yen net of related costs for dissolution of the joint venture.

There will be no effect on the assets held for sale recorded in the summary of consolidated statement of financial position in first quarter.

Assets held for sale recorded will be reversed in the second quarter of the fiscal year, but the impact on the summary of consolidated statement of income will be immaterial.