

Summary of Consolidated Financial Results for Third Quarter of FY2020

Feb 9, 2021
Mitsui Chemicals, Inc.

1. Summary of Operating Results

(Unit : Billions of Yen)

	3rd Q of FY2019	3rd Q of FY2020	Incr. (Decr.)	FY2019※	Forecast for FY2020 (announced Feb. 9)	
					FY2020	Incr. (Decr.)
Sales revenue	1,005.3	857.4	(147.9)	1,349.5	1,215.0	(134.5)
Operating income before special items	59.9	52.2	(7.7)	72.3	77.0	4.7
Operating income	55.2	51.9	(3.3)	64.6	72.5	7.9
Net income	37.3	37.0	(0.3)	42.6	53.5	10.9
Net income attributable to owners of the parent	31.0	33.0	2.0	34.0	48.0	14.0
Exchange rate Yen / US\$	109	106	(3)	109	106	(3)
Domestic standard naphtha price Yen / KL	42,300	28,800	(13,500)	42,900	31,400	(11,500)

Note: The Group has voluntarily adopted International Financial Reporting Standards (IFRS) from the first quarter, and has applied operating income before special items as a management indicator, which is operating income excluding non-recurring items.

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

• Sales revenue

(Unit : Billions of Yen)

	3rd Q of FY2019	3rd Q of FY2020	Incr. (Decr.)	Breakdown		FY2019※	Forecast for FY2020 (announced Feb. 9)	
				Volume	Price		FY2020	Incr. (Decr.)
Mobility	277.6	220.8	(56.8)	(47.5)	(9.3)	367.9	315.0	(52.9)
Health Care	106.9	105.7	(1.2)	(1.5)	0.3	143.2	145.0	1.8
Food & Packaging	144.9	139.3	(5.6)	(1.0)	(4.6)	201.3	200.0	(1.3)
Basic Materials	462.8	381.8	(81.0)	(5.5)	(75.5)	619.5	540.0	(79.5)
Others	13.1	9.8	(3.3)	-	(3.3)	17.6	15.0	(2.6)
Total	1,005.3	857.4	(147.9)	(55.5)	(92.4)	1,349.5	1,215.0	(134.5)

• Operating income before special items

(Unit : Billions of Yen)

	3rd Q of FY2019	3rd Q of FY2020	Incr. (Decr.)	Breakdown			FY2019※	Forecast for FY2020 (announced Feb. 9)	
				Volume	Price*	Fixed Costs etc.		FY2020	Incr. (Decr.)
Mobility	33.0	19.5	(13.5)	(10.5)	(1.8)	(1.2)	43.1	28.0	(15.1)
Health Care	9.5	14.8	5.3	(0.5)	0.6	5.2	13.2	19.0	5.8
Food & Packaging	11.6	15.2	3.6	0.2	2.3	1.1	17.0	21.5	4.5
Basic Materials	11.2	5.3	(5.9)	(5.1)	4.6	(5.4)	9.4	14.0	4.6
Others	0.5	(0.5)	(1.0)	-	-	(1.0)	(2.9)	(1.0)	1.9
Adjustment	(5.9)	(2.1)	3.8	-	-	3.8	(7.5)	(4.5)	3.0
Total	59.9	52.2	(7.7)	(15.9)	5.7	2.5	72.3	77.0	4.7

*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, 2020	As of Dec. 31, 2020	Incr. (Decr.)	As of Mar. 31, 2020	As of Dec. 31, 2020	Incr. (Decr.)	
Current assets	781.8	765.0	(16.8)	Interest-bearing liabilities	599.4	590.3	(9.1)
Property, plant and equipment & right-of-use assets	499.7	503.8	4.1	Other liabilities	321.4	303.5	(17.9)
Goodwill and intangible assets	26.2	25.8	(0.4)	Equity attributable to owners of the parent	529.2	564.7	35.5
Other non-current assets	222.8	234.4	11.6	Non-controlling interests	80.5	70.5	(10.0)
Total assets	1,530.5	1,529.0	(1.5)	Total liabilities and equity	1,530.5	1,529.0	(1.5)
[Inventories]	284.3	256.5	(27.8)	[Net D/E Ratio]	0.81	0.67	(0.14)

4. Summary of Statement of Cash Flows

(Unit : Billions of Yen)

	3rd Q of FY2019	3rd Q of FY2020	Incr. (Decr.)	FY2019※	Forecast for FY2020 (announced Feb. 9)	
					FY2020	Incr. (Decr.)
Cash flows from operating activities	105.4	140.5	35.1	142.2	160.0	17.8
Cash flows from investing activities	(78.4)	(65.0)	13.4	(109.1)	(90.0)	19.1
<i>Free cash flows</i>	27.0	75.5	48.5	33.1	70.0	36.9
Cash flows from financing activities	(5.9)	(34.1)	(28.2)	(6.4)	(72.0)	(65.6)
Others	(0.8)	(1.6)	(0.8)	(1.6)	0.0	(1.6)
Net incr.(decr.) in cash and cash equivalents	20.3	39.8	19.5	25.1	(2.0)	(27.1)
Cash and cash equivalents at the end of period	159.8	204.4	44.6	164.6		

5. Dividends

	Annual Dividends per Share (yen)				
	1st Q	Interim (2nd Q)	3rd Q	Year-end (4th Q)	Annual
FY2019 Result	-	50.00	-	50.00	100.00
FY2020 Forecast	-	50.00	-	50.00	100.00

6. Number of Shares Outstanding (common stock)

	FY2019	3rd Q of FY2020
Number of shares outstanding at term-end (including treasury stock)	204,580,115	204,608,615
Number of shares of treasury stock at term-end	13,557,163	8,659,464
Average number of shares	195,100,629 *	193,620,695

*3rd Q of FY2019

※ Actual FY2019 are shown as reference for IFRS results before audit.

1. Operating Results

(1) Overview

In the fiscal period under review (the nine-month period from Apr 1, 2020 to Dec 31, 2020, hereinafter the “third quarter”), the global economy remained extremely harsh due to the spread of coronavirus. Although economic activities have incrementally restarted and the market has shown signs of recovery, some countries have restricted economic activities once again. In Japan as well, the situation has remained extremely difficult due to the pandemic, but economic activities have also incrementally restarted and the market has shown signs of recovery under the current government policies.

In the Mitsui Chemicals Group (hereafter “the Group”), although the spread of coronavirus has been putting a damper on sales in each segment, sales and overseas market conditions are improving compared with the previous forecast. While the reduction of fixed costs has also been progressing, the Group’s financial performance is recovering.

However in Japan, with the further spread of infection since the end of the third quarter and the government’s declaration of a state of emergency in January 2021, the outlook has become more unclear.

The Group continues to minimize negative impact on profit and loss by controlling inventories and reducing fixed costs. The status of other responses is as follows.

1. Measures taken to ensure the health and safety of customers and employees from the perspective of maintaining functions for preventing the spread of infection and continuing business

Mitsui Chemicals, Inc. (hereafter “the Company”) has been recommending teleworking and minimizing number of employees working at the workplace. In addition, for operations that are necessary to maintain business functions and can only be done at the workplace, the Company is taking such measures as staggering work times, ensuring thorough handwashing, and requiring masks to be worn.

2. Operational status of main business locations (suspension of operations at plants, impact on sales and production activities, and outlook on reopenings at the time of disclosure)

At present, there has been no impact to the production at the Company’s main manufacturing facilities located at each business location.

3. Production and supply status of major products (inventory levels, procurement of raw materials, securement of alternative methods, and outlook)

Each segment has been impacted by a decrease in sales, but the Company is working collaboratively and sharing information with customers as well as thoroughly and properly managing inventory by flexibly adjusting production based on the latest demand forecasts. In addition, at present, there has been no major disruption in the procurement of raw materials for major products.

4. Customer trends (trends in orders, and outlook)

In the automotive field, some of the major customers for our main products appear to have scaled back production. The Company will continue to carefully monitor the situation to minimize the impact.

The Company will continue to respond to coronavirus from the perspectives of business continuity and social contribution.

The Group reported the following operating results for the third quarter, which have been prepared in accordance with International Financial Reporting Standards (IFRS). 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
Third quarter	857.4	52.2	51.9	33.0
Same period of previous year	1,005.3	59.9	55.2	31.0
Change	(147.9)	(7.7)	(3.3)	2.0
Change (%)	(14.7)	(13.0)	(6.0)	6.5

Sales revenue decreased 147.9 billion yen, or 14.7%, compared with the corresponding period of the previous fiscal year to 857.4 billion yen. This was mainly attributable to decrease in sales resulting from the spread of coronavirus, in addition to decrease in sales prices due to the fall in naphtha and other raw materials and fuel prices.

Operating income before special items was 52.2 billion yen, a decrease of 7.7 billion yen or 13.0% year on year. This result was due to declining share of profit (loss) of investments accounted for using equity method and decrease in sales resulting from the spread of coronavirus, despite of favorable terms of trade and reduction of fixed costs.

Operating income was 51.9 billion yen, decreased 3.3 billion yen or 6.0% year on year. This result was mainly due to decrease of operating income before special items.

Financial income/expenses worsened 3.9 billion yen year on year to 5.2 billion yen loss, because a decline of dividend income received and deterioration of foreign exchange gains and losses.

As a result of the aforementioned factors, **income before income taxes** amounted to 46.7 billion yen, a decrease of 7.2 billion yen or 13.4% year on year.

Net income attributable to owners of the parent after accounting for income taxes and non-controlling interests was 33.0 billion yen, an increase of 2.0 billion yen or 6.5% compared with the corresponding period of the previous fiscal year. Basic earnings per share for the period were 170.44 yen.

(2) Results by Business Segment

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

Mobility

Sales revenue decreased 56.8 billion yen compared with the same period of the previous fiscal year to 220.8 billion yen and comprised 26% of total sales. Operating income before special items decreased 13.5 billion yen to 19.5 billion yen year on year. The decrease in income was due to slowing demand for automobile.

In **elastomers, performance compounds, overseas polypropylene compound, and solution business**, sales decreased due to the impact of coronavirus.

In **performance polymers**, the Group captured demand and sales remained healthy for information communication technology (ICT) - related products.

Health Care

Sales revenue decreased 1.2 billion yen year on year to 105.7 billion yen and comprised 12% of total sales. On the other hand, operating income before special items increased 5.3 billion yen to 14.8 billion yen, mainly due to healthy sales in nonwoven fabrics.

In **vision care materials**, sales of ophthalmic lens materials decreased due to the impact of coronavirus.

In **nonwoven fabrics**, sales of masks, medical gowns and disposable diapers stayed healthy.

In **dental materials**, sales decreased due to the impact of coronavirus.

Food & Packaging

Sales revenue decreased 5.6 billion yen compared with the same period of the previous fiscal year to 139.3 billion yen and comprised 16% of total sales. On the other hand, operating income before special items increased 3.6 billion yen to 15.2 billion yen year on year, due to healthy sales in agrochemicals.

In **coatings & engineering materials**, sales decreased due to the impact of coronavirus.

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

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

Basic Materials

Sales revenue decreased 81.0 billion yen compared with the same period of the previous fiscal year to 381.8 billion yen and accounted for 45% of total sales. Operating income before special items decreased 5.9 billion yen to 5.3 billion yen, due to inventory revaluation loss, resulting from the fall in raw material prices.

Naphtha cracker operating rates were lower than the same period of the previous fiscal year due to decreased demand of downstream products, which was impacted by coronavirus. Performances of **polypropylene** was affected by slowing demand for automotive products.

For Bisphenol A and Acetone, overseas market was at higher level than the same period of the previous fiscal year.

Others

Sales revenue decreased 3.3 billion yen to 9.8 billion yen, comprised 1% of total sales. Operating income before special items was 0.5 billion yen loss, decrease of 1.0 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 third quarter stood at 1,529.0 billion yen, a decrease of 1.5 billion yen compared with the end of the previous fiscal year.

Total liabilities at the end of the third quarter decreased 27.0 billion yen compared with the previous fiscal year-end to 893.8 billion yen. **Interest-bearing debt** amounted to 590.3 billion yen, a decrease of 9.1 billion yen compared with the previous fiscal year-end. As a result, the interest-bearing debt ratio was 38.6%, a decrease of 0.6 percentage point.

Total equity was 635.2 billion yen, an increase of 25.5 billion yen compared with the previous fiscal year-end. The **ratio of equity attributable to owners of the parent** was 36.9%, an increase of 2.3 percentage point.

Accounting for the aforementioned factors, the **net debt-equity ratio** stood at 0.67 at the end of the fiscal year, 0.14 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 third quarter increased 39.8 billion yen to 204.4 billion yen compared with the previous fiscal year-end.

Cash Flows from Operating Activities

Net cash provided by operating activities increased 35.1 billion yen to 140.5 billion yen due to improvement of working capital.

Cash Flows from Investing Activities

Net cash used in investing activities decreased 13.4 billion yen compared with the previous fiscal year to 65.0 billion yen, mainly due to decrease of cash outflows from capital expenditure.

Cash Flows from Financing Activities

Net cash used in financing activities increased 28.2 billion yen compared with the previous fiscal year to 34.1 billion yen due primarily to increase of repayments of interest-bearing debt.

3. Forecast for Fiscal 2020 (Year Ending March 31, 2021)

In the announcement under the title of “Notice for Revisions of Financial Forecasts” on February 9, 2021, the Group revised its financial forecasts for FY2020 as follows.

(1) Overview

Revised financial forecasts are based on the following assumptions:

- a) Exchange rate for the full year is 106 yen/US\$ (Jan – Mar: 106 yen/US\$)
- b) Average price of domestic naphtha is 31,400 yen /kl (Jan – Mar: 39,000 yen/kl)

Based on the Group’s performance in the third quarter, sales revenue and incomes are expected to be higher than previously announced.

Moreover, although the spread of coronavirus has been putting a damper on sales in each segment, sales and overseas market conditions are improving compared with the previous forecast. While the reduction of fixed costs has also been progressing, the Group’s financial performance is recovering. The Group expects demand to further improve and overseas market to stay stable.

However, it is still unclear as to when the pandemic will be contained, and the impact on the Group’s performance is difficult to fully predict. Depending on how the pandemic progresses, it may largely affect to the Group’s future financial performance.

(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)	1,175.0	50.0	52.0	37.5	33.0	169.92
Revised forecast (B)	1,215.0	77.0	72.5	53.5	48.0	247.16
Difference (B-A)	40.0	27.0	20.5	16.0	15.0	
Ratio (%)	3.4	54.0	39.4	42.7	45.5	
(Reference) FY2019	1,349.5	72.3	64.6	42.6	34.0	174.52

(2) Revision by Business Segment

Forecast by FY2020 business segment is as follows.

(Billions of Yen)

	Sales Revenue						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
Previous forecast	300.0	140.0	195.0	525.0	15.0	-	1,175.0
Revised forecast	315.0	145.0	200.0	540.0	15.0	-	1,215.0
Difference	15.0	5.0	5.0	15.0	0.0	-	40.0

(Billions of Yen)

	Operating Income before Special Items						
	Mobility	Health Care	Food & Packaging	Basic Materials	Others	Adjustment	Total
Previous forecast	24.0	16.0	18.5	(3.0)	(1.0)	(4.5)	50.0
Revised forecast	28.0	19.0	21.5	14.0	(1.0)	(4.5)	77.0
Difference	4.0	3.0	3.0	17.0	0.0	0.0	27.0