

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for Fiscal 2020

Date	May 13, 2021
Speaker	NAKAJIMA Hajime, Member of the Board, Managing Executive Officer & CFO
Reference	Results for FY2020 & Outlook for FY2021

Q&A

■ Mobility Segment

Q1. In regard to operating income before special items in the Mobility segment in FY2021, I think ICT-related sales have been firm. Please explain the reason that income from performance polymers is expected to level off. Also, out of the increase in fixed costs in the Mobility segment, please explain to what extent performance polymers are impacted.

A1. Performance polymer sales have been firm, but we expect an increase in fixed costs with the launch of operations at the new EUV pellicle facility, so we expect income to remain flat. The increase in fixed costs in the Mobility segment is primarily related to new facilities. In addition to the EUV pellicle facility, we plan new LUCANT™ operations in Ichihara and new TAFMER™ operations in Singapore, so performance polymers account for less than half.

Q2. Please explain the background behind improved terms of trade in the Mobility segment in FY2021.

A2. Terms of trade worsened in Q4 FY2020 (January to March) due largely to the time-lag effect of products adopting the sales price formula method, reflecting the sharp rise in raw material prices. However, in FY2021, the time-lag effect will have been resolved, and price revisions are underway, so we expect the terms of trade to improve.

Q3. Please explain the year-on-year comparison of the overseas PP compound sales volume with FY2020 (full year) and Q4 FY2020 (January to March) by region. Also, please explain your outlook for FY2021.

A3. The full-year sales volume was down 15% globally. By region, the sales volume increased in China but decreased in North America and Thailand. The Q4 sales volume was up just under 10% globally. It decreased slightly in North America, but increased in Thailand and significantly in China.

In FY2021, we expect the sales volume will be generally on par with that of FY2019 in each region.

Q4. Please explain the APEL™ sales trend and your plans for the EUV pellicle in the ICT field of the Mobility segment. Also, around when do you expect EUV pellicle sales revenue to reach the same level as existing pellicles (ArF and KrF)?

A4. APEL™ sales are firm. In regard to construction to increase its capacity, we expect it to be completed in March 2022 as planned. As for the EUV pellicle, we anticipate that the launching of the new facility will go smoothly, but there are also fixed costs to be borne, so we do not expect a major contribution to income in FY2021. In addition, with the semiconductor industry in full swing, demand for existing pellicles is also tight, so it is not possible at this time to state definitively whether EUV pellicle sales revenue will reach the same level as that of existing

products. However, as miniaturization of semiconductors progresses, we expect to see growth in EUV pellicles.

■ Health Care Segment

Q5. Please explain the reasons why operating income before special items was down from Q3 FY2020 (October to December) to Q4 FY2020 (January to March) in the Health Care segment.

A5. Q3 sales recovered significantly as a result of the bounce back from the substantial drop in the first half of FY2020 (April to September), primarily in vision care materials. In Q4, that reactive increase resolved itself, so both sales and income decreased.

Q6. Please explain the sales trend in the Health Care segment in FY2021.

A6. Sales of vision care materials and dental materials are firm. As for nonwovens, we expect a decrease in operating income before special items due to the increase in sales in response to COVID-19 being resolved and rising raw material prices.

Q7. Please explain the forecast for expansion of vision care materials in the United States.

A7. COSTCO made the decision to introduce eyeglass lenses made with our products in FY2020, and is also focusing on online sales, so we expect to steadily expand our trading area going forward. However, we expect the contribution to results to be limited in FY2021.

Q8. Please explain the increase in the sales volume of dental materials in FY2021, separating the COVID-19 recovery from sales expansion efforts such as your digital strategy.

A8. The primary factor behind the increase is the recovery of sales from COVID-19. We are also making progress on our digitalization strategy and have incorporated factors such as expansion of 3D printer ink sales.

■ Food & Packaging Segment

Q9. Please explain the situation with agrochemical sales in FY2020.

A9. Sales were steady both in Japan and overseas in FY2020. In particular, dinotefuran and TENEBENAL™ sold well overseas.

Q10. Please tell us about the sales trend for ICROS™ Tape.

A10. ICROS™ sales remain firm against the backdrop of a brisk semiconductor market.

■ Basic Materials Segment

Q11. Please explain the background behind the increased operating income before special items in the Basic Materials segment from Q3 FY2020 (October to December) to Q4 FY2020 (January to March).

A11. The sharp rise in bisphenol A (BPA) prices contributed significantly to the increase in income. This increase in income was not just in Japan but at our bases in Singapore and China as well.

Q12. Please tell us about the operating rates for major products in the Basic Materials segment in the second half of FY2020 and in FY2021.

A12. In the second half of FY2020, an earthquake caused a power outage at Ichihara Works. Although this had an impact, high operating rates have been maintained for the most part for crackers and polyolefins. Full operating rates have been maintained for the most part for phenols. In FY2021, we expect to maintain full operations for crackers, polyolefins, and phenols.

■ **Group-wide**

Q13. In regard to capital expenditure in FY2021, please explain the background behind the increased monetary amount of regular maintenance from FY2020. Also, please explain the reason why depreciation and amortization do not increase much.

A13. A major quadrennial maintenance operation is planned in Ichihara in FY2021. On the other hand, after capitalization, regular maintenance is depreciated over four years until the next major regular maintenance, so depreciation and amortization do not increase significantly on a single-year basis.

Please note that this document has been translated from the original Japanese into English for the convenience of our stakeholders. The information was originally provided in Japanese. If there is any discrepancy, the Japanese language version is the official document and is available on our Japanese language website.