

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for 1st Quarter of Fiscal 2021

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Reference	Results for 1st Quarter of FY2021 & Outlook for FY2021

Q&A

■ Mobility

Q1. Please explain the factors behind the upward revision in the Mobility segment.

A1. In regard to sales, automotive applications were down due to the shortage of semiconductors in Q1, but we expect a recovery in Q2. As such, there have been no significant changes in 1H since the previous forecast. We also expect ICT materials sales to remain firm as initially anticipated. As for terms of trade, although raw material prices are up, we expect an increase in operating income before special items as a result of improved profitability with price revisions and inventory valuation gains. Improvements have also been made in regard to equity in earnings.

Q2. Please explain the background behind the increased sales revenue and decreased operating income before special items from Q1 FY2021 (April to June) to Q2 FY2021 (July to September) in the Mobility segment.

A2. In addition to the worsening terms of trade due to rising prices of raw materials, we expect an increase in fixed costs, primarily development costs associated with normalization of business activities.

Q3. Please explain the trend in overseas PP compound sales in Q1 FY2021 (April to June) as well as going into Q2 FY2021 (July to September).

A3. Sales were down from Q4 FY2020 in Q1 FY2021 due to the semiconductor shortage. Going into Q2 FY2021, we expect a recovery from Q1. At the same time, there is concern that the current resurgence of COVID-19 in ASEAN could cause a decrease in automobile production, so we will monitor the situation closely.

Q4. Please explain the situation with the launch of operations at the EUV pellicle facility and the sales situation.

A4. Commercial operations have begun at the EUV pellicle facility, and we expect sales to increase going forward.

■ Health Care

Q5. Please provide a breakdown of the difference in sales volume in the Health Care segment between Q1 FY2021 (April to June) and Q1 FY2020 (April to June).

A5. It is roughly 50-50 vision care and dental materials.

Q6. Please explain the background behind the decreased operating income before special items from Q1 FY2021 (April to June) to Q2 FY2021 (July to September) in the Health Care segment.

A6. We expect a decrease in operating income before special items due to decreased sales of dental materials during the low demand season, worsening of terms of trade for nonwovens due to

rising raw material prices, regular maintenance in vision care, and other factors.

Q7. Please provide a breakdown of the decrease in operating income before special items in nonwovens comparing Q1 FY2021 (April to June) and Q1 FY2020 (April to June).

A7. Operating income before special items decreased due to the deterioration of terms of trade resulting from the rise in raw material prices and the difference in sales composition resulting from the decrease in medical gowns and other products.

Q8. Please explain the situation with sales of ophthalmic lens materials and the situation of business development in the North American market.

A8. Sales remain firm. Also, our expansion into the North American market is proceeding as planned.

Q9. Please explain the performance trend of dental materials.

A9. Sales have started to firm up and are at a higher level than initially anticipated. The recent improvement in business performance is largely a result of the recovery in demand for existing products. However, we are also making progress on initiatives to tap digitalization needs like 3D printers.

■ Food & Packaging

Q10. Please explain the background behind the increase in operating income before special items from Q4 FY2020 (January to March) to Q1 FY2021 (April to June) despite the low demand season for agrochemicals in the Food & Packaging segment.

A10. Agrochemicals were in the low demand season in Japan, but in industrial films, ICROS™ sales remained firm. In addition, under IFRS, levies such as property tax are recorded in Q4. As such, there was no recording of levies such as property tax in Q1 FY2021, leading to a decrease in fixed costs.

Q11. Please explain the situation with price revision efforts for packaging films in the Food & Packaging segment.

A11. Raw material prices are expected to increase from Q1 to Q2, so we expect terms of trade to worsen, but we are also working on price revisions to improve profitability.

Q12. Please explain the situation with agrochemical and ICROS™ sales.

A12. As for agrochemicals, dinotefuran sales remain firm in Brazil, and the number of countries where TENEBENAL™ is registered is increasing, so we expect sales to increase. In industrial films, ICROS™ sales are also firm, and we expect an increase in its sales from Q1 going into Q2 FY2021.

■ Basic Materials

Q13. Please explain the background behind the increase in operating income before special items from Q4 FY2020 (January to March) to Q1 FY2021 (April to June) in the Basic Materials segment.

A13. Operating income before special items was up owing to improvement in the bisphenol A (BPA) and acetone market conditions, improvement in equity in earnings associated with market

condition improvements, and the combined impact of inventory valuation and time-lag of sales price formula resulting from the increase in naphtha prices. In addition, under IFRS, levies such as property tax are recorded in Q4. As such, there was no recording of levies such as property tax in Q1 FY2021, leading to a decrease in fixed costs.

Q14. Please provide a breakdown of the improvement in terms of trade for Basic Materials from the figures previously announced. Also, please explain the decrease in inventory valuation gains from Q1 FY2021 (April to June) to Q2 FY2021 (July to September).

A14. The improvement in terms of trade from the previous forecast is from improvement in the bisphenol A market conditions as well as the combined impact of inventory valuation and time-lag of sales price formula resulting from the increase in naphtha prices. Raw material prices are not anticipated to increase significantly going into Q2, so we expect inventory valuation gains to decrease compared to Q1.

Q15. Please explain your assumptions regarding the bisphenol A market conditions, touching on the supply and demand situation.

A15. From Q4 FY2020 to Q1 FY2021, market conditions improved, primarily as a result of the cold wave in North America. On the other hand, going into Q2, we anticipate that the impact of the cold wave in North America will dissipate, leading to a decline in market conditions. However, the supply and demand situation remains tight, and we expect that the BPA market conditions will stay at a higher level than initially anticipated owing to regular maintenance in Asia, the container shortage, and other factors.

■ Group-wide

Q16. The full-year outlook shows higher profit than previously announced. Please explain your thoughts on shareholder returns.

A16. Our policy is to aim for a DOE of 3.0% or more and a total return ratio of 30% or more. We will consider shareholder return measures taking the FY2021 earnings forecast, stock price trend, and market environment into account.

Q17. Please explain your thinking on the 2H performance trend.

A17. We will have to continue monitoring the risk of a resurgence of COVID-19, but at this point in time, we expect sales to remain firm. At the same time, it is difficult to forecast raw material prices and market conditions.

Q18. Why is the effective tax rate low?

A18. This is due to a different composition of income and improvement in equity in earnings.

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