

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for 3rd Quarter of Fiscal 2021

Date	February 3, 2022
Speaker	KOIKE Taro, Director, IR Department, Corporate Communications Division
Reference	Results for 3rd Quarter of FY2021 & Outlook for FY2021

Q&A

■ **Mobility**

**Q1. Please explain the background behind the increased operating income before special items from Q3 FY2021 (October to December) to Q4 FY2021 (January to March) in the Mobility segment.**

**A1.** We expect an increase in operating income before special items mainly as a result of the volume associated with recovery in automobile production. In addition, as the supply and demand situation for TAFMER™ is tight, we have been able to revise the selling price, so the terms of trade have improved. We expect ICT materials sales to remain firm as they were in the third quarter. On the other hand, we also have information that the pace of automobile production recovery is slowing down, so we will keep an eye on the trend.

**Q2. Performance does not seem to have improved in the solutions business in the Mobility segment. Please explain the situation.**

**A2.** Performance has been slow to improve because orders for prototyping and other projects have not recovered due to the prolonged impact of COVID-19 and the semiconductor shortage.

**Q3. Please explain what is happening with the launch of the new APEL™ plant.**

**A3.** Things are proceeding according to schedule. We believe it will begin contributing to performance in H1 FY2022.

■ **Health Care**

No questions.

■ **Food & Packaging**

**Q4. Please explain the background behind the significant increase in operating income before special items in the Food & Packaging segment in the first nine months of FY2021 (April to December) compared to the year-ago period.**

**A4.** Operating income before special items was up owing to increased semiconductor-related and overseas agrochemical sales.

■ **Basic Materials**

**Q5. Please explain the background behind the decreased operating income before special items from Q2 FY2021 (July to September) to Q3 FY2021 (October to December) in the Basic Materials segment.**

**A5.** Although the terms of trade have improved for some ammonia products and derivatives, the terms of trade worsened for bisphenol A due to the downturn in the market, and this resulted in a decrease in operating income before special items.

**Q6. Please explain the background behind the decreased operating income before special items from Q3 FY2021 (October to December) to Q4 FY2021 (January to March) in the Basic Materials segment.**

**A6.** A major factor pushing operating income before special items downward is the worsening of terms of trade, consisting of around 3 billion yen associated with shrinking of the combined impact of inventory valuation and time-lag effects of sales price formula and around 3 billion yen associated with the downturn in the bisphenol A market. Fixed costs are also increased as levies such as property tax are recorded as a lump sum in Q4 under IFRS accounting standards.

**Q7. Are there any concerns in relation to shifts in supply and demand in Q4 FY2021 (January to March) in the Basic Materials segment?**

**A7.** Going from Q3 into Q4, we have incorporated a recovery in automotive products into our projections. We also expect others to remain firm for the most part.

■ **Group-wide**

**Q8. Please explain the status of equity in earnings of non-consolidated subsidiaries and affiliates since previously announced forecast for H2 FY2021.**

**A8.** We forecast higher earnings at an elastomer company in China in the Mobility segment, and lower earnings at a phenol company in China in the Basic Materials segment.

**Q9. Please explain your thinking on the margin for major products in the three target domains.**

**A9.** We have adopted sales price formulas for many automotive products in the Mobility segment. We have been negotiating selling prices for other products as well. We have also adopted sales price formulas for many nonwovens products in the Health Care segment. With raw material prices rising, terms of trade continue to deteriorate. Raw material prices continue to rise for packaging films in the Food & Packaging segment, but we will continue to work on raising our prices. Overall, various costs are on the rise, so we will secure a margin by passing those on in selling prices as much as possible.

**Q10. Please explain the impact of rising raw material prices on your statement of financial position and cash flow statement.**

**A10.** Rising raw material prices have an impact that includes increased monetary amounts of inventory and working capital. However, we have been engaged in thorough work to strengthen our inventory management, so at the current market price level, we have been able to manage the impact.

**Q11. Please explain your thinking on the 25th anniversary memorial dividend. What about dividends for FY2022? Would it be correct to say that you have your sights on 120 yen per share for the full year and that you are confident about performance going into the next fiscal year?**

**A11.** The 25th anniversary memorial dividend is a one-off return. We believe that we will again be able to secure profit growth to a certain extent in the three target domains in the next fiscal year. Taking things like that into account, we are currently considering 120 yen per share for the full year as a basis in accordance with our shareholder return policy.

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.