Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for Fiscal 2022

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Reference	Results for FY2022 & Outlook for FY2023

Q&A

■Life & Healthcare Solutions

Q1. Please explain the FY2023 forecast for operating income before special items in Life & Healthcare Solutions.

A1. We expect that around half of the 10 billion yen increase in profit resulting from volume difference will come from sales expansion in the agrochemicals business. Furthermore, we expect sales expansion in vision care with the new plant expected to start its operations in the second half, steady sales expansion in oral care, and effects from the establishment of a joint venture in nonwovens. At the same time, fixed and other costs will increase largely as a result of operations at the new plant and the increase in research expenses such as laboratory costs, primarily related to agrochemicals.

■Mobility Solutions

Q2. Please explain your thoughts on the recovery in demand for Mobility Solutions in FY2023.

A2. Automobile production recovered in FY2022, but the semiconductor shortage continued to have an impact. In FY2023, while we expect that impact will continue and lead to regional disparities in recovery, we anticipate an overall recovery in production. In China, we expect to see an effect from the lifting of the zero-COVID policy and the use of preferential tax treatment for electric vehicles, so we anticipate a recovery in Q2 or later.

■ICT Solutions

Q3. Please explain the background behind the decreased operating income before special items from Q3 FY2022 (October to December) to Q4 FY2022 (January to March) in the ICT Solutions segment.

A3. The sales volume declined due to a decrease in demand for ICROS™ Tape and other semiconductor-related products, terms of trade have deteriorated with appreciation of the yen and other factors, and costs have increased due to levies such as property tax being recorded as a lump sum in Q4 under IFRS accounting standards.

Q4. Please explain the FY2023 forecast for operating income before special items in the ICT Solutions segment.

A4. We expect a recovery in the semiconductor market starting in H2 of FY2023. EUV pellicle sales expanded in FY2022, and we expect further growth in FY2023 as well. As for ICROS™ Tape, we expect a recovery in semiconductor demand in H2, but we will keep an eye on the market trend. In regard to APEL™, the recovery in the smartphone-related market is lagging, but we are actively expanding its applications in the non-smartphone field of extended reality (XR), so we expect future sales growth. We expect to see an improvement in terms of trade from the effect of raising selling prices in FY2022 and FY2023, primarily in the packaging material field.

Q5. Please explain the sales trends of EUV pellicles.

A5. In FY2022, we were able to expand sales steadily. We expect a further expansion of sales in FY2023 as we improve the transmittance of our EUV pellicles.

■Basic & Green Materials

Q6. Please explain the background behind the operating loss before special items in Q4 FY2022 (January to March) in the Basic & Green Materials segment.

A6. The operating loss was due to the loss from the combined impact of inventory valuation and time-lag effects of sales price formula, the decrease in polyolefins and phenols sales volumes and low cracker operating rates resulting from sluggish demand, the deterioration of the phenols market conditions, and an increase in costs due to levies such as property tax being recorded as a lump-sum in Q4 under IFRS accounting standards.

Q7. Please explain the FY2023 forecast for operating income before special items in the Basic & Green Materials segment, including the background behind the recovery in demand, the impact of inventory valuation, and the background behind the positive impact of business restructuring on profit.

A7. Regarding the impact of inventory, in FY2022, there was an inventory valuation gain of around 5.5 billion yen from the combined impact of inventory valuation and the time-lag effects of sales price formula. However, in FY2023, despite the increase in naphtha prices, we expect the gain to shrink to around 1 billion yen. As such, we expect that operating income before special items will be down around 4.5 billion yen from FY2022. With business restructuring, we expect the transfer of shares in the phenols business in Singapore to increase profit by around 3 to 4 billion yen. As for the trend in demand, polyolefin-related demand is sluggish in the Asian market in response to stagnant demand in China due to the lockdowns and other factors. The demand situation in Q4 FY2022 was very difficult, but we believe we are beginning to see signs of a recovery. We expect a recovery in Q2 FY2023 or later with the recovery of the Chinese market.

Q8. Please explain the operating rates for ethylene crackers in Q4 FY2022 and FY2023.

A8. The operating rate was low, being just under 80% for Q4 FY2022. In FY2023, we expect it to be just over 80% for the full year due partly to the low operating rate in Q1. We expect full-scale recovery to be in H2 or later.

Q9. The domestic ethylene cracker operating rates remain low. Please explain your thoughts on the restructuring of crackers in Japan.

A9. We have two ethylene crackers, one in eastern Japan and one in western Japan. In the Chiba area (in eastern Japan), we have launched a three-company collaboration to jointly study various measures such as those for achieving carbon neutrality. In regard to western Japan, we are also internally exploring possibilities toward realizing carbon neutrality. Our policy toward the restructuring of crackers is to pursue competitive crackers that are also carbon neutral, so we intend to collaborate with those who share this vision.

■**Group-wide**

Q10. Please explain the factors behind the decrease in FY2022 operating income before special items in the three growth domains from the FY2022 forecast figures.

A10. In the Life & Healthcare Solutions segment, research and other expenses increased for agrochemicals. In the Mobility Solutions segment, the downswing in automobile production and the production adjustments in elastomers led to a decrease in profit. In the ICT Solutions segment, sales were down due to sluggish demand for ICROS™ Tape, APEL™, and other ICT-related products.

Q11. Please explain the reason why the H1 FY2023 forecasts were not disclosed.

A11. We decided to disclose forecasts on a full-year basis because of the difficulty at this time in determining when overall demand will recover.

Q12. Please explain the forecast for equity in earnings of non-consolidated subsidiaries and affiliates in FY2023.

A12. We expect equity in earnings to decrease from FY2022 to around 15 billion yen in FY2023, as we expect factors such as our joint venture in China to be impacted by a deterioration in market conditions.