

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for 2nd Quarter of Fiscal 2023

Date	November 8, 2023
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Reference	Results for 1st Half of FY2023 & Outlook for FY2023

Q&A	
<b>■Life &amp; Healthcare Solutions</b>	
<b>Q1. Please explain why operating income before special items in the Life &amp; Healthcare Solutions segment was down in H1 from the forecast.</b>	
<b>A1.</b>	In vision care, sales volume decreased in H1 due to inventory adjustment by some customers. The agrochemicals sales volume decreased as some exports were pushed back into H2.
<b>Q2. Please explain the background behind the increased operating income before special items from H1 to H2 in the Life &amp; Healthcare Solutions segment.</b>	
<b>A2.</b>	In vision care, inventory adjustment by some customers continued until Q2, but the sales volume has been recovering recently, so we expect a sales volume increase in H2. Agrochemicals exports declined in Q1 due to some distribution inventory adjustments. However, they began recovering in Q2, and we expect continued sales volume growth in South America, India, China, and other countries in H2. We also expect the impact of yen depreciation on top of it being domestic demand season in H2, so we expect an increase in operating income before special items in H2.
<b>Q3. Please explain the sales trends for dinotefuran and TENEBENAL™.</b>	
<b>A3.</b>	Sales of dinotefuran and TENEBENAL™ are growing overseas. For FY2023, we expect about a 10% increase in sales of dinotefuran compared to FY2022, and sales of TENEBENAL™ are expected to increase significantly due to the expansion of the number of countries where the product is launched.
<b>■Mobility Solutions</b>	
<b>Q4. Please explain the H1 and H2 sales volumes for PP compounds and TAFMER™ in the Mobility Solutions segment.</b>	
<b>A4.</b>	TAFMER™ sales remain firm for solar cell encapsulants. As for PP compounds, H1 sales were up just under 10% year-on-year. By region, sales in North America and Japan were up, while sales in Europe and ASEAN remained mostly flat. We also expect overall sales to increase by just under 10% year-on-year in FY2023, driven primarily by sales in North America and Japan.
<b>Q5. Please explain the impact of the UAW strike on the Mobility Solutions segment.</b>	
<b>A5.</b>	We expect the UAW strike to impact H2 negatively, but we do not expect the impact to be very significant. The impact of the strike in FY2019 was less than 1 billion yen, and we expect this impact to be around the same or perhaps even smaller.
<b>Q6. Please explain the reasons for the increase in orders in the solutions business in the Mobility Solutions segment and your downstream strategy for mobility.</b>	
<b>A6.</b>	Orders are beginning to increase at ARRK CORPORATION and KYOWA INDUSTRIAL CO., LTD. in response to the recovery in automobile production, particularly in North America and Japan. We are considering

plasticization of parts and megacasting as targets for our solutions business.

#### ■ICT Solutions

**Q7. Please explain the background behind the increased operating income before special items from Q1 (April to June) to Q2 (July to September) in the ICT Solutions segment.**

A7. The increase was mainly from improved terms of trade, reflecting lower raw material prices and depreciation of the yen in Q2.

**Q8. Please explain the background behind the increased operating income before special items from H1 to H2 in the ICT Solutions segment when there is typically a seasonal decrease in demand in Q4 (January to March). Also, please explain the trend in sales of each product from H1 to H2.**

A8. Although we expect a decline in the sales volume seasonally in Q4, semiconductor-related demand seems to have bottomed out recently, so we expect the sales volume to improve in H2. We do not expect a recovery in demand in the smartphone market, but APEL™ sales are bottoming out, so we expect to see an increase in sales volume from H1 to H2. As for ICROS™ Tape, we believe that demand has bottomed out, as is the case for semiconductor-related products in general. We expect an increase in sales volume from H1 to H2 as demand recovers in Q3 and we enter demand season, even though Q4 will be an off-demand season.

**Q9. Please explain the market penetration of EUV pellicle products with 90% EUV transmittance, including new customers, along with the sales trend from H1 to H2.**

A9. We cannot speak on the situation of customers, but overall, we are seeing solid orders. Some orders were left over for products with 88% EUV transmittance in H1, but in H2, we are shipping products with 90% EUV transmittance. The delay in shipments of products with 90% EUV transmittance was not due to quality issues but customer circumstances. Currently, we are receiving steady orders, and although it does not completely make up for the H1 delay, we expect a roughly 30% increase in sales volume compared to FY2022.

**Q10. I understand that EUV pellicles are not widely used for memory, but please explain if you see a prospect for their use in DRAM.**

A10. We think their use in DRAM applications will take some more time.

#### ■Basic & Green Materials

**Q11. Please explain the background behind the decreased operating income before special items from Q1 (April to June) to Q2 (July to September) in the Basic & Green Materials segment.**

A11. The impact of inventory valuation and time-lag effects of sales price formula was about 2 billion yen and the impact from mechanical issues in addition to regular maintenance was about 4 billion yen, so there was 6.3 billion yen decrease from Q1 to Q2 in operating income before special items. The operating rates for ethylene crackers were slightly below 80% in Q1, but operating rates dropped in Q2 due partly to mechanical issues, so the operating rates were just above 70% for H1.

**Q12. Please explain the background behind the increased operating income before special items from H1 to H2 in the Basic & Green Materials segment.**

A12. We are forecasting an 11.2 billion yen increase in operating income before special items from H1 to H2. In addition to the impact of inventory valuation and time-lag effects of sales price formula of around 8 billion yen, we expect recovery from the H1 regular maintenance and mechanical issues. We do not expect a substantial recovery of the sales volume or improvement in market conditions. In H2, we expect cracker operating rates to be

around 80%.

**Q13. Considering the low cracker operating rates in Japan and the fact that other companies are talking about restructuring, joint ventures, and other strategies, please explain your thoughts on business restructuring in the Basic & Green Materials segment.**

**A13.** The operating income before special items situation remains challenging. China continues to plan for expansion of production capacity, so we do not expect the supply and demand situation in the commodity market to improve. This structural issue is not something that will improve based on external factors, so we must proceed with the next phase of structural reforms. We will continue to work on restructuring for commodities in Japan. However, these products are part of interconnected production chains of petrochemical complexes, so we will have to make improvements while maintaining the overall balance. We will work with related companies in each region, dividing our efforts into what can be done in the short term, in the medium term, and in the long term.

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.