

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for 3rd Quarter of Fiscal 2020

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Speaker	KOIKE Taro, Director, IR Department, Corporate Communications Division
Reference	Results for 3rd Quarter of FY2020 & Outlook for FY2020

Q&A

■ Mobility Segment

Q1. Please explain the factors behind the increase in Mobility sales revenue from Q3 FY2020 (October to December) to Q4 FY2020 (January to March).

A1. In addition to the recovery trend in sales associated with firm demand, we expect rising raw material prices to impact price revisions.

Q2. Please explain how the trends in overseas PP compound sales volume compare between Q3 FY2020 (October to December) and Q3 FY2019 (October to December) by region.

A2. Compared to Q3 FY2019, the sales volume was up globally (overall). By region, the sales volume was up in the three regions of North America, Europe, and Asia and down in South America.

Q3. Please explain the trend in overseas PP compounds from Q2 FY2020 (July to September) to Q3 FY2020 (October to December) and from Q3 FY2020 (October to December) to Q4 FY2020 (January to March) by region. Also, please explain what kind of an impact you expect the semiconductor shortage to have on sales.

A3. From Q2 to Q3 there was a more than 10% increase in global sales. By region, sales increased primarily in ASEAN, Europe, and India. Sales remained firm on par with Q2 in North America and China. We expect Q4 sales to be around the same level as Q3. At this point in time, we do not expect the semiconductor shortage to have a major impact, but we will continue to monitor the situation, including the risk of the issue becoming protracted.

Q4. Please explain the APEL™ sales trend and your plans for the EUV pellicle facility in the ICT field of the Mobility segment.

A4. APEL™ sales remain firm. There is no change to the plan for the EUV pellicle facility (completion of construction in Q4 FY2020 and launch of commercial operations in Q2 FY2021).

■ Health Care Segment

Q5. Please explain the trend in Health Care from Q2 FY2020 (July to September) to Q3 FY2020 (October to December) and from Q3 FY2020 (October to December) to Q4 FY2020 (January to March).

A5. From Q2 to Q3, sales increased significantly in vision care materials following the decline in the first half. Nonwovens sales were down as the impact of COVID-19 became diminished. Dental materials sales were on the rise.

From Q3 to Q4, we expect operating income before special items to decline in each business. We expect a decline in vision care materials sales, including inventory adjustment. Our work with the North American retailer has just begun, so we expect it to start contributing to sales

going forward. Nonwovens sales are expected to remain on the decline. In regard to dental materials, we expect sales to increase, but we also expect an increase in costs associated with the normalization of business activities.

Q6. There is concern over the impact of COVID-19, especially in Europe. What kind of an impact do you expect lock downs and other measures in each country to have on Q4 FY2020 (January to March) Health Care segment results?

A6. The impact of COVID-19 remains unpredictable, but we do not expect the decrease in sales to be as big as it was in Q1.

■ Food & Packaging Segment

Q7. In regard to the Food & Packaging segment in Q3 FY2020 (October to December), considering that agrochemicals are in an off-demand season, the profit level seems high. Please explain the background behind this.

A7. In addition to firm sales of ICROS™ Tape in industrial films, sales of agrochemicals were up overseas.

Q8. Please tell us about the sales trend for ICROS™ Tape.

A8. ICROS sales remain firm against the backdrop of a brisk semiconductor market.

Q9. Demand for TENEBENAL™ is expected to grow, so I think it will be necessary to expand the facilities. What is the status of your consideration?

A9. We are moving forward with our consideration so that we can respond in a timely manner in line with demand.

■ Basic Materials Segment

Q10. Please explain the 17.0 billion yen upward revision of operating income before special items in the Basic Materials segment from the previous forecast by factor.

A10. We expect an increase in operating income before special items as a result of improvement of conditions in the phenols market, improvement of share of profit of investments accounted for using the equity method arising from improved market conditions, improvement in the conditions of the petrochemicals market, an increase in the sales volume, and shrinking of the combined negative impact of inventory valuation loss and the time lag of the sales price formula arising from the increase in the price of naphtha.

Q11. Please explain the trend in Basic Materials from Q2 FY2020 (July to September) to Q3 FY2020 (October to December) and from Q3 FY2020 (October to December) to Q4 FY2020 (January to March) by factor.

A11. From Q2 to Q3, operating income before special items was up owing to improvement in the conditions of the phenols market, an increase in sales led by polyolefins, and a decrease in fixed costs arising from the completion of regular maintenance.

From Q3 to Q4, we expect profit to be pushed upward by improvement in share of profit of investments accounted for using the equity method as a result of improvement in market conditions, and by the combined impact of inventory valuation loss and the time lag of the sales price formula. On the other hand, we expect profit to be pushed downward due to changing the

recording of levies such as property tax to Q4 according to IFRS, and an increase in repair expenses and loss on disposal of noncurrent assets.

Q12. Please tell us about the operating rates of crackers, phenol, and polyolefins in the Basic Materials segment in the second half.

A12. The operating rates of crackers, phenol, and polyolefins remained high in Q3. We expect their operating rates to remain high in Q4 as well.

■ **Group-wide**

Q13. Q3 FY2020 (October to December) operating income before special items of 33.6 billion yen seems to be a high level. Please explain the trends in each business, including special factors. Also, please explain the forecast for profit in Q4 FY2020 (January to March).

A13. The Mobility segment is recovering steadily as the automobile production volume increases. In the Health Care segment, vision care materials sales were up following the decline in the first half. In the Food & Packaging segment, sales of ICROS™ Tape in industrial films increased from Q2 to Q3. In the Basic Materials segment, in the midst of firm demand, there were plant problems overseas and operational delays at new plants, so it was a rising market overseas.

Going into Q4, we expect sales to remain firm in the three target domains, but we have incorporated some sales adjustments for products that saw significant increases in sales in Q3. We have also incorporated an increase in costs arising from the normalization of business activities. In the Basic Materials segment, we expect overseas market conditions to remain high.

Q14. Please tell us about the impact of COVID-19.

A14. Factors that push profit downward include a decrease in sales, primarily in the Mobility and Basic Materials segments. Factors that push profit upward include an improvement in the conditions of the acetone market in response to special demand for use as a disinfectant, and a decrease in fixed costs arising from restrictions on business activities. They also include a certain degree of profit pushed upward in nonwovens arising from an increase in demand for masks and medical gowns as a result of COVID-19.

Q15. You said that you recorded restructuring costs under non-recurring items. Please explain the progress on structural improvements.

A15. We are continuing to look into it.

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.