

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for 1st Quarter of Fiscal 2022

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Reference	Results for 1st Quarter of FY2022 & Outlook for FY2022

Q&A

■Life & Healthcare Solutions

Q1. Please explain the thinking behind the full-year forecast for Life & Healthcare Solutions, including why you did not revise the forecast.

A1. Sales are growing steadily in H1 FY2022. We also expect sales to grow steadily in H2. Considering the seasonal effect on vision care in China in Q4, and the impact of demand seasons for agrochemicals in Q2-Q3 overseas and in Q4 in Japan, we believe the forecast is appropriate. However, the outlook for the business environment remains unclear at this time, so we are leaving the full-year forecast as-is.

Q2. Please explain the reason you expect operating income before special items to increase in Q2 FY2022 (July to September) compared to Q2 FY2021 (July to September) in the Life & Healthcare Solutions segment.

A2. We expect an increase in operating income before special items owing primarily to firm overseas sales of agrochemicals.

■Mobility Solutions

Q3. Please explain the status of recovery in automobile production from Q1 FY2022 (April to June) to Q2 FY2022 (July to September).

A3. We expect a recovery in automobile production owing in part to the recovery from the lockdowns in China and the easing of the supply and demand balance in the semiconductor market, but we will continue monitoring the situation.

Q4. Please explain the background behind the increased sales volume of TAFMER™ for use in solar cell encapsulants.

A4. The solar cell market is expanding, especially in China, against the backdrop of environmental problems. On top of this, the adoption of polyolefin-based materials, which are superior in terms of long-term durability, is rapidly expanding in solar cell encapsulants. As a result, the TAFMER™ sales volume is also growing.

■ICT Solutions

Q5. Please explain the trends in your major products in the ICT Solutions segment from Q4 FY2021 (January to March) to Q1 FY2022 (April to June) and from Q1 FY2022 to Q2 FY2022 (July to September).

A5. ICROS™ Tape sales were firm in Q1 FY2022 owing to the abatement of the seasonal effect in China in Q4 FY2021. In Q2, we expect a decrease in sales as customers enter an inventory adjustment phase. Due to the impact of lockdowns in China, APEL™ sales decreased from

Q4 FY2021 to Q1 FY2022. In Q2, we expect its sales to recover but do not expect a significant sales increase. EUV pellicle sales are steadily increasing.

Q6. Please explain the sales situation of EUV pellicles.

A6. Sales increased steadily in Q1, and we expect sales to go according to plan for FY2022 as well.

■Basic & Green Materials

Q7. Please explain the background behind the increase in operating income before special items from Q4 FY2021 (January to March) to Q1 FY2022 (April to June) in the Basic & Green Materials segment.

A7. The bisphenol A (BPA) market conditions weakened, which negatively affected operating income before special items. However, terms of trade improved due to the combined impact of inventory valuation and time-lag effects of sales price formula in Q1 FY2022, driven by rising naphtha prices; equity in earnings improved due to the dissolution of the JV in the polyurethane business; and costs decreased as there was no recording of levies such as property tax in Q1, which are recorded as a lump sum in Q4 under IFRS. As a result, operating income before special items increased in the Basic & Green Materials segment.

Q8. Please tell us about the impact of inventory valuation in H1 FY2022. The assumed domestic standard naphtha price in H1 is 86,000 yen/kl. Please explain what the impact would be if it were to drop.

A8. We expect the combined impact of inventory valuation and time-lag effects of sales price formula to be around 10.0 billion yen in Q1 and 6.0 billion yen in Q2. If naphtha prices were to drop, the expected impact on inventory valuation in Q2 would decrease.

Q9. Please explain the operating rates in the Basic & Green Materials segment in Q1 FY2022 (April to June) and Q2 FY2022 (July to September).

A9. For crackers, we plan to reduce production slightly in Q2 from Q1, but for H1, we expect a high operating rate of around 90%. We also expect high operating rates for polyolefins. As for phenol and BPA, the operating rates were high in Q1, but we plan to reduce production in Q2 according to demand.

Q10. Please explain the market conditions for BPA.

A10. In Q1 of FY2022, there was a decrease in demand due to lockdowns in China, and the supply and demand environment worsened due to new plants coming into operation. This resulted in a decline in the market conditions. We expect a further decline in Q2 with sluggish demand expected to continue.

Q11. Please explain the background behind the decrease in operating income before special items from Q1 FY2022 (April to June) to Q2 FY2022 (July to September) in the Basic & Green Materials segment.

A11. The decrease is due to reduction of the combined impact of inventory valuation and time-lag effects of sales price formula, decline of the BPA and phenol market conditions, and an increase in maintenance and repair expenses associated with major regular maintenance at

Osaka Works.

■Group-wide

Q12. Please explain the reason why you have not revised your forecasts for the growth domains even though you revised your exchange rate assumptions.

A12. In Q1 FY2022, the sales volume decreased compared to the outlook announced on May 13, 2022, but we were able to secure a level of profit on par with the year-ago level owing to weaker yen. We expect a recovery in sales from Q2, but the future remains uncertain, so at this time we have not updated the profit outlook.

Q13. Please explain the direction of terms of trade and the increase in fixed costs in the growth domains from Q1 FY2022 (April to June) to Q2 FY2022 (July to September).

A13. We do not expect terms of trade to change significantly in Life & Healthcare Solutions. We expect an improvement in terms of trade in Mobility owing to time-lag effects of sales price formula. In ICT Solutions, we expect a slight worsening of terms of trade due in part to rising utility costs. In regard to the increase in fixed costs, we expect a total of around 6.0 to 7.0 billion yen in the growth domains.

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.