

Q&A Summary for CEO Presentation Business Results & Outlook in November 2020

Date	November 26, 2020 15:00-16:30
Place	Online conference
Speakers and Respondents	HASHIMOTO Osamu, President & CEO MATSUO Hideki, Executive Vice President & CTO NAKAJIMA Hajime, Managing Executive Officer & CFO
Reference	CEO Presentation Business Results and Outlook posted on November 26, 2020

Q&A

■ Mobility

Q1. Please explain your supply system amid growing demand for APEL™.

A1. We are responding to demand by implementing debottlenecking and other measures. In the time up to the completion of new plants, we will continue to make full use of existing plants for which we implemented debottlenecking to meet demand from customers.

Q2. Please explain how you position your solutions business.

A2. In the solutions business, we acquired shares of Kyowa Industrial Co., Ltd., which manufactures and sells molds, and ARRK Corporation, which engages in design. Also within the Group, we have set up the Mobility Development Center, a research and development organization that provides solutions dedicated to the automotive field. We aim to meet expectations of customers by providing solutions tailored to their needs through design, building on our traditional business model of providing materials. With major shifts in the market expected in the future, such as the transition to EVs and lightweighting, we will provide total packages that encompass the supply of raw materials as well as the function of proposing solutions, and use this to ensure that we capture growth opportunities in the market.

■ Health Care

Q3. In vision care materials, how will your market share change with replacement of polycarbonate (PC) in North America? Also, do you expect structural changes due to the impact of COVID-19, such as increasing demand for eye care as a result of weakening eyesight or other factors? What is your future outlook?

A3. Polycarbonate held a strong position in North America, which is a large market for vision care materials, but we succeeded in developing products that are competitive against polycarbonate by making improvements in strength and other features. In addition, we have started an initiative with a leading retailer in North America to develop the market for our products. Moreover, we are also strengthening our coating materials to increase the added value of our products. With this, we will aim for sales expansion and continuous growth through further development into the North American and Chinese markets going forward. Because demand for high-end products is increasing at the moment due to COVID-19, we recognize that demand for some of our products is also rising.

■ Food & Packaging

Q4. How much contribution will dinotefuran and TENEBENAL™ make to earnings growth?

A4. We have completed registration of dinotefuran in Brazil and are increasing the number of countries where TENEBENAL™ is registered, thus building up a system to accelerate overseas expansion. We think that they will be gradually contributing to higher profits going forward.

■ Basic Materials

Q5. Please explain your view on the profit level of the Basic Materials segment.

A5. Although we think that it will be difficult to return to the previously indicated profit level, we consider a profit level of at least double-digit billion yen, excluding the impact of COVID-19, as a basis.

Q6. The Basic Materials segment uses about one third of your Group's invested capital, or about ¥500 billion. Therefore, taking WACC into consideration, I think that a profit of at least about ¥25 billion is necessary. Please explain your thoughts on this, including your view on ROIC.

A6. We employ ROIC as part of our criteria for evaluating our businesses. In light of return on invested capital, we want to improve the ROIC in the Basic Materials segment to the level of WACC plus some extra percentage points following the implementation of improvement measures, and we will also aim to improve profitability.

Q7. Do you consider the possibility of withdrawing from businesses in your contingency plan to improve earnings in the Basic Materials segment?

A7. To improve earnings in the Basic Materials segment, we will actively take steps aimed at reducing volatility and raising the profit level. Going forward, we will successively implement specific measures for improvement, but for businesses that still struggle after these measures, we will assess them in light of the balance of the overall cracker chain—which is linked to our target domains—and our basing strategy, instead of making judgments solely based on the profitability of these businesses. Based on this assessment, we may consider downsizing the business, reviewing our investment stake, or withdrawing from the business.

■ Group-wide

Q8. Please explain your outlook on your business performance in FY2021. Also, what areas do you think will grow?

A8. Assuming that the impact of COVID-19 will diminish, we can expect that the business performance in FY2021 will be on a par with or better than that of FY2019. In our target domains, although we need to be cautious given the impact of COVID-19, we think that we can expect higher profits. In the Mobility segment, we intend to secure returns from investments in new plants and existing plants with increased capacity that will start commercial operations in FY2021. In the Health Care segment, we intend to expand sales in new markets for vision care and expand the scope of business through M&A. For nonwovens, while the positive transient impact from COVID-19 will disappear, we expect that demand will remain firm. In the Food & Packaging segment, we can expect continued firm demand for agrochemicals. In the Basic Materials segment, we expect that it will record a profit in the second half of FY2020. Because we will continue to develop specific measures for improvement and put them into action, we think that they will gradually take effect.

Q9. I think that the chemical industry has been contributing from the past to the reduction of greenhouse gas (GHG) emissions across society. Going forward, I think that energy consumption will not readily decline only with efforts by the chemical industry. In this regard, please explain the reason behind your declaration to become a carbon neutral company and the direction of your "main efforts."

A9. We recognize that carbon neutrality is a tough goal to meet. Looking ahead, we cannot afford to lose sight of this challenge if we are to keep contributing to society as a chemical company, which

is why we have made the declaration. Although bringing GHG emissions to net zero from the level in the baseline year is a high hurdle, we want to demonstrate our determination to work toward carbon neutrality in earnest as a company. We have achieved a GHG emissions reduction of about 25% since 2005, and we must continue this effort in the future. However, we think that it will be difficult to achieve our goal of net zero emissions unless we develop new technologies, including change in fuels and raw materials, the manufacture of bio-polyolefins, the use of renewable energy, and higher energy efficiency, in addition to the efforts to reduce energy consumption we have made to date. Further, because it will be difficult to meet our goal solely by reducing energy consumption, we will collaborate with industry, government, and academia to develop technologies such as carbon capture and utilization (CCU), and combine these technologies to achieve an optimal energy structure and carbon neutrality.

Q10. I think that investment will be necessary to implement your "main efforts," which account for 60% of your initiatives for carbon neutrality. What do you think about the increase in costs as a result of this?

A10. Because we think that we have to satisfy both economic and environmental considerations, we will not neglect earnings as we work on these initiatives. We think that we need to address issues at the global level, including Scope 3. As we stated the expansion of our Blue Value™ products, we intend to increase the lines of our products that contribute to the reduction of GHG emissions, and ESG will become a target of new businesses.

Q11. Please explain your reason for acquiring a 51% share of Honshu Chemical Industry through the completion of the takeover bid.

A11. We have made the decision to make a takeover bid for Honshu Chemical Industry with this shareholder structure based on the idea that, if we are to maximize synergy with Honshu Chemical Industry, we can expect better business development by taking advantage of the respective strengths of Mitsui Chemicals and Mitsui & Co., such as the former's technology and people and the latter's raw materials procurement and global sales channels, and collaborating with Honshu Chemical Industry's unique products.

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.