

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for Fiscal 2021

Date	May 13, 2022
Speaker	NAKAJIMA Hajime, Member of the Board, Senior Managing Executive Officer & CFO
Reference	Results for FY2021 & Outlook for FY2022

Q&A	
<p>■ Life & Healthcare Solutions (Health Care)</p> <p>Q1. Please explain the background behind the decreased operating income before special items from Q3 (October to December) of FY2021 to Q4 (January to March) of FY2021 in the Health Care segment. Also, please explain the background behind the decrease from the previous outlook.</p> <p>A1. Operating income before special items decreased as a result of a decrease in sales due to the seasonal effect in China and the worsening of terms of trade due to rising raw material prices. The decrease from the previous outlook was due primarily to the impact of rising raw material prices.</p> <p>Q2. Please explain the business trends in the Life & Healthcare Solutions segment in FY2022 in terms of the sales price increase for nonwovens and the oral care product sales trend.</p> <p>A2. We have reflected the rising raw material prices for nonwovens in our selling prices, but we are currently seeing a further impact from rising raw material prices, so we will continue to implement price revisions. In regard to oral care, we expect firm sales, including in our response to digitalization needs.</p> <p>■ Mobility Solutions (Mobility)</p> <p>Q3. Please explain the background behind the increased operating income before special items from Q3 (October to December) of FY2021 to Q4 (January to March) of FY2021 in the Mobility segment.</p> <p>A3. Operating income before special items increased mainly as a result of the volume growth of elastomers and overseas PP compounds associated with the recovery in automobile production. The PP compounds sales volume increased by around 10% overall, driven by increases in North America, Europe, and India.</p> <p>Q4. Please explain your forecast for automobile production in FY2022.</p> <p>A4. We assume global automobile production of around 83 million vehicles. The current lockdowns in China will have an impact, but once that is resolved, we expect automobile production to recover.</p> <p>■ ICT Solutions</p> <p>Q5. Please explain the background behind the decreased operating income before special items from Q3 (October to December) of FY2021 to Q4 (January to March) of FY2021 in the ICT Solutions segment.</p> <p>A5. Sales have decreased due to the seasonal effect in China. Fixed costs have also increased</p>	

because levies such as property tax are recorded as a lump sum in the fourth quarter under IFRS accounting standards.

Q6. Please explain the business trends in the ICT Solutions segment in FY2022.

A6. We have completed construction of the new APEL™ plant and have begun trial operation. We believe the plant will start contributing to revenue in Q2. The launch of EUV pellicle operations has been smooth, and we expect an increase in sales. We also expect an increase in ICROS™ Tape sales on par with market growth. On the other hand, smartphone production has decreased as a result of the current lockdowns in China, so there is concern of an impact on results in April to June. As for improving terms of trade, we are raising packaging film prices through sales price revisions and working to improve income in the APEL™ business through a shift to high-value-added products. We are also steadily working on sales price revisions for ICT-related materials as well to cover the increase in raw material prices and logistics costs.

■ Basic & Green Materials

Q7. Please explain the inventory valuation and market trends in the Basic Materials (Basic & Green Materials) segment in FY2022.

A7. With rising naphtha prices, operating income before special items was up 17 billion yen owing to the combined impact of inventory valuation and time-lag effects of sales price formula in FY2021. On the other hand, our assumption is that naphtha prices will not increase significantly in FY2022, so we do not expect inventory valuation and time-lag effects of sales price formula will have an impact in FY2022. Additionally, the overseas market for bisphenol A rose significantly in H1 FY2021, but it fell going into H2. In FY2022, we expect a further drop from H2 FY2021.

Q8. Please explain the increase in sales volume in the Basic & Green Materials segment in FY2022.

A8. We expect a recovery in automobile production and demand. The increase also includes the impact of making Honshu Chemical Industry Co., Ltd. a consolidated subsidiary.

Q9. Please explain the impact of optimization and restructuring on FY2022 results.

A9. The shutdown of purified terephthalic acid (PTA) production in Japan is happening in FY2023, so it will not have an impact. We recorded an impairment in FY2021 in the polyurethane business. In conjunction with this impairment, we expect a decrease in depreciation and amortization in FY2022.

■ Group-wide

Q10. Please explain major investment projects in FY2022.

A10. In addition to the new high-performance PP facility (scrap-and-build-based restructuring), ophthalmic lens materials capacity expansion, and other investments that were decided in FY2021, they include investments related to production facility maintenance and safety.

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.