

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for 2nd Quarter of Fiscal 2022

Date	November 8, 2022
Speaker	NAKAJIMA Hajime, Member of the Board, Senior Managing Executive Officer & CFO
Reference	Results for 1st Half of FY2022 & Outlook for FY2022

Q&A

■Life & Healthcare Solutions

**Q1. Please explain the thinking behind the full-year forecast for the Life & Healthcare Solutions segment.**

**A1.** Vision care sales remain firm. As for agrochemicals, overseas sales, particularly of TENEBENAL™ and dinotefuran, have been expanding steadily. In nonwovens, we have been raising the selling prices of our products and we expect to see improvement in the terms of trade.

**Q2. Please explain the terms of trade for vision care materials.**

**A2.** The terms of trade have recently worsened due to rising prices of raw materials and fuels. As sales price formulas are not applied to vision care materials products, we have been negotiating with customers on selling prices, so there is some time lag before the price is increased. We will continue to work on sales price revisions in the aim of improving the terms of trade.

■Mobility Solutions

**Q3. Please explain the background behind the increased operating income before special items from Q1 FY2022 (April to June) to Q2 FY2022 (July to September) in the Mobility Solutions segment.**

**A3.** The terms of trade improved as a result of the implementation of sales price revisions, the impact of yen depreciation, and a shift to high value-added products.

**Q4. Please explain the background behind why there is only a slight increase in operating income before special items from H1 FY2022 (April to September) to H2 FY2022 (October to March) in the Mobility Solutions segment.**

**A4.** We expect the sales volume to increase against the backdrop of recovery in automobile production, but we also expect an increase in fixed costs as we invest further resources to accelerate development of new businesses and products.

**Q5. Please explain the change in the PP compound sales volume in FY2022 over FY2021.**

**A5.** In Q1 FY2022, the sales volume was down several percent year on year, but in Q2 it was up a little more than 10% from the year-ago period. As a result, it was up several percent in H1 FY2022 year on year. We are also expecting around a 10% year-on-year recovery in H2 FY2022.

## ■ICT Solutions

**Q6. Please explain the background behind the increased operating income before special items from H1 FY2022 (April to September) to H2 FY2022 (October to March) in the ICT Solutions segment.**

**A6.** We expect an increase in operating income before special items owing to an improvement in the terms of trade as the price of raw materials drops and the yen depreciates. On the other hand, when it comes to sales volume, while we expect EUV pellicle sales to remain firm, we forecast semiconductor and smartphone markets to remain sluggish from H1 through H2, and therefore do not expect a significant increase in the sales volume of ICROS™ Tape, APEL™, and other ICT-related products.

## ■Basic & Green Materials

**Q7. Please explain the background behind the decreased operating income before special items from Q1 FY2022 (April to June) to Q2 FY2022 (July to September) in the Basic & Green Materials segment.**

**A7.** In Q1, the combined impact of inventory valuation and time-lag effects of sales price formula resulted in an inventory valuation gain of around 10 billion yen owing to higher naphtha prices. That gain shrank to around 2 billion yen in Q2 due to a drop in naphtha prices from Q1 to Q2, which resulted in a decrease in operating income before special items. There was also an increase in maintenance and repair expenses and other costs associated with major regular maintenance at Osaka Works in Q2.

**Q8. Please explain the background behind the decreased operating income before special items from H1 FY2022 (April to September) to H2 FY2022 (October to March) in the Basic & Green Materials segment.**

**A8.** In H1, the combined impact of inventory valuation and time-lag effects of sales price formula resulted in an inventory valuation gain of around 12 billion yen, but in H2, we are expecting that impact to result in an inventory valuation loss of around 2 billion yen due to a drop in naphtha prices. Also, in addition to the deterioration in equity in earnings arising primarily from declining market conditions, costs are expected to increase as levies such as property tax are recorded as a lump sum in Q4 under IFRS accounting standards. As such, we are expecting a decrease in operating income before special items.

**Q9. Please explain the operating rates for ethylene crackers.**

**A9.** With the decline in the sales volumes of polyolefins and phenols, the operating rates were around 80% in H1. We also expect the operating rates to be just under 90% in H2.

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