Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for 1st Quarter of Fiscal 2026

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Reference	Results for 1st Quarter of FY2026 & Outlook for 1st Half of FY2026

Q&A

■**Group-wide Performance**

Q1. I understand that the full-year forecast has not been revised this time. Please explain your progress against the previously announced full-year forecast of 105.0 billion yen in operating income before special items. You have factored in a full-year negative impact of 15 billion yen from the Middle East conflict. Please also explain the current progress and outlook for this impact.

A1. The H1 plan of 76.0 billion yen in operating income before special items includes a net positive impact of approximately 12 billion yen from temporary inventory valuation gains and losses in Basic & Green Materials (B&GM) due to higher naphtha prices. This consists of inventory valuation gains of approximately 16 billion yen in Q1 and inventory valuation losses of approximately 4 billion yen in Q2. Whether this net positive impact will remain or reverse will depend on future trends in naphtha prices, and the situation is extremely difficult to forecast. Sales of semiconductor-related products and other products are trending above the initial plan, and overall progress is broadly in line with our outlook.

Regarding the impact of the Middle East conflict, we had expected a full-year negative impact of 15 billion yen, which includes the impact of production cutbacks, reduced sales, and deterioration in production yields and energy efficiency due to lower operating rates and other factors. In contrast, the H1 outlook now shows a negative impact of approximately 6 billion yen, excluding inventory valuation gains and losses. We will continue to closely monitor the Middle East situation and work to minimize losses.

■**Life & Healthcare Solutions**

Q2. For Life & Healthcare Solutions, operating income before special items increased by 0.6 billion yen year on year in Q1 (April to June), while the H1 plan is roughly flat year on year. This implies that the Q2 (July to September) plan factors in a year-on-year decline of approximately 0.6 billion yen. Please explain the factors behind the increase or decrease, including the respective conditions in vision care, oral care, and agrochemicals.

A2. In Q1, compared with the same period of the previous year, sales in vision care remained firm, thanks to healthy demand for high-refractive-index lenses. However, operating income before special items was broadly flat due to factors such as higher fixed costs associated with capacity-expansion studies. In oral care, sales tend to be concentrated in Q4 (January to March), and sales volume declined in Q1 compared with the previous quarter. However, benefits from business restructuring contributed to earnings. Agrochemicals remained firm, thanks to healthy demand in Japan.

For H1, in vision care, we expect Q2 earnings to increase year on year, supported by continued capture of firm demand for high-refractive-index lenses and the absence of the impact from the trouble at Omuta Works in the previous fiscal year. In oral care, we expect sales volume to increase in Q2 compared with Q1. In addition, we will continue to steadily realize the benefits of business restructuring and work to raise the earnings base compared with previous fiscal year. In agrochemicals, we expect Q2 sales to remain roughly in line with Q1. In the previous fiscal year, there were concentrated shipments in Q2, so for H1 we expect sales volume to decline year on year. For the full year, we will continue to proceed with sales as planned based on annual contracts and other arrangements.

Q3. Please explain the earnings impact of the acquisition of Ultradent Products, Inc. in the United States. Is it reasonable to think that the profit contribution to H2 earnings will be limited?

A3. After the acquisition is completed, we will examine the earnings impact as we proceed with post-merger integration (PMI). Once the impact on earnings becomes visible, we would like to provide explanations in a timely and appropriate manner.

■Mobility Solutions

Q4. For Mobility Solutions, please explain the quarter-on-quarter increase or decrease in operating income before special items in Q1 (April to June) and Q2 (July to September), including the sales conditions for TAFMER™ and regional trends in PP compounds.

A4. In Q1, operating income before special items increased by 1.3 billion yen compared with the previous quarter. Although there was a negative impact from the Middle East conflict, foreign exchange gains from yen depreciation contributed to earnings. In response to higher raw material prices, we implemented price revisions at an early stage with customers' understanding. As a result, we were able to minimize the impact of time-lag effects on the price formulas.

The new TAFMER™ plant began commercial operation in April, but force majeure declarations by raw material suppliers are continuing, and the raw material procurement environment remains unstable. Placing priority on profitability, we are working to secure volumes for differentiated applications and automotive and industrial applications, while adjusting sales for solar cell encapsulant applications, where the supply-demand environment is challenging. In Q2 as well, we will assess raw material procurement and demand trends, conduct optimal operations, and work to maximize earnings.

PP compounds remained firm in Q1 compared with the previous quarter. Global automobile production was largely unchanged overall, although production in China increased due to a seasonal factor in previous quarter.

■ICT Solutions

Q5. For ICT Solutions, sales revenue increased by 8.8 billion yen year on year in Q1 (April to June), while the impact from volume in the analysis of changes in operating income before special items was relatively small at 1.7 billion yen. Is it correct to understand that this was because the increase in sales revenue included the impact of price revisions for nonwovens and other products due to higher raw material prices, while these had little impact on operating income before special items? Please also explain sales trends for pellicles and ICROS™ Tape.

A5. The increase in sales revenue included the impact of product price revisions for nonwovens and other products due to higher raw material prices.

Regarding sales trends for semiconductor-related products, ICROS™ Tape posted an increase of approximately 20% in volume in Q1 compared with the previous quarter. Although this represented growth from a low-demand period in the previous quarter, we expect volume to increase by approximately 10% year on year in both Q1 and Q2 (July to September), and sales remain firm. Sales of pellicles also remained firm, with sales revenue in Q1 (April to June) increasing by slightly less than 20% both year on year and compared with the previous quarter.

Q6. Please explain the progress toward the launch of CNT pellicle for EUV lithography. Please also explain why ICT's Q2 plan does not show a large quarter-on-quarter increase in operating income before special items.

A6. For CNT pellicle for EUV lithography, pilot operation of the new plant has begun, and customer evaluations of pilot products are currently progressing smoothly. In Q2, while factoring in higher fixed costs, including start-up costs for CNT pellicles, we aim to increase operating income before special items.

■Basic & Green Materials

Q7. Please explain the factors behind the change in operating income before special items in Basic & Green Materials (B&GM) from Q4 (January to March) of the previous fiscal year to Q1 (April to June) of the current fiscal year.

A7. B&GM's operating income before special items increased by 25.4 billion yen from Q4 to Q1. Compared with Q4, Q1 saw an improvement of approximately 17 billion yen due to inventory valuation gains and losses and other factors. In addition, the absence of the impact from approximately 3 billion yen in levies such as property tax recorded in Q4, as well as improvement in equity in earnings, also contributed to the increase in earnings.

Q8. Please explain the factors behind the change in operating income before special items in B&GM from Q1 (April to June) to Q2 (July to September).

A8. B&GM's operating income before special items is expected to decline by 24.6 billion yen from Q1 to Q2. Of this, inventory valuation gains and losses and other factors are expected to have a negative impact of approximately 20 billion yen in Q2 compared with Q1. This is because Q1 included inventory valuation gains from a sharp rise in raw material prices, with an absolute amount of approximately 16 billion yen, while Q2 factors in inventory valuation losses, with an absolute amount of approximately 4 billion yen, as raw material prices are expected to decline compared with Q1. In addition, Q2 will include major regular maintenance at Osaka Works, which is expected to be a negative earnings factor of approximately 3 billion yen to 4 billion yen. Excluding these factors, B&GM's operating income before special items would remain positive, and underlying earnings are trending steadily.

Q9. Please explain how the effects of the integration of Sumitomo Chemical's polyolefins business into B&GM have been reflected in the earnings forecast.

A9. Regarding the integration of Sumitomo Chemical's polyolefins business, since July we have been conducting operations together with Prime Polymer on an integrated basis. Regarding the reflection of this in earnings, we expect the impact on Q2 to be limited.

Q10. In the Japanese chemical industry overall, the recent recovery in ethylene production volume in June has been slow. In addition, data on imports and exports on an ethylene-equivalent basis show that imports of polyolefins and other products increased significantly in April and May. If this situation becomes established going forward, could it affect operating rates for ethylene production facilities or the supply-demand environment? Please explain your view.

A10. In Q1 (April to June), operating rates were low due to constraints on raw material procurement. In Q2 (July to September), although there will be a special factor of major regular maintenance at Osaka Works, we expect operating rates to be slightly below 80%. We will determine future operations of ethylene production facilities while monitoring the supply-demand environment.

In addition, we plan to integrate ethylene production facilities in the Chiba area in FY2027. We will continue to optimize our operations, including ethylene production facilities and derivatives, while identifying markets and applications where we can differentiate ourselves, and we will aim to build a competitive business structure.

■Group-wide

Q11. Please explain your approach to shareholder returns, including your thinking and decision-making conditions for increasing dividends.

A11. We have a policy of enhancing shareholder returns. However, because the outlook for the Middle East situation remains uncertain, we are carefully considering shareholder returns while monitoring the impact on profit or loss for the period and operating cash flow. Even under the challenging Middle East situation, we would like to carefully assess whether we have established the ability to secure operating cash flow at the 200-billion-yen level in a stable manner over the medium- to long-term, while appropriately managing working capital, and then consider and decide on shareholder returns.