

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for 1st Quarter of Fiscal 2020

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Reference	Results for 1st Quarter of FY2020 & Outlook for FY2020

Q&A

■ **Mobility**

Q1. Please explain the business situation of the Mobility segment in Q1 (April - June) of FY2020 and from Q2 (July - September) onwards.

A1. In Q1, the volume of PP compounds decreased significantly year on year, and their sales declined in all regions but China. Sales of elastomers and performance compounds decreased, and the solution businesses also saw drop in orders received. From Q2, we expect that sales will increase mainly in PP compounds and performance compounds due to reduction of the impact of COVID-19. Sales of products for ICT applications remained firm in Q1, and we expect that they will also be at a similar level in Q2 and onwards.

Q2. Please explain the movement of operating income before special items from Q1 (April - June) to Q2 (July - September) in the Mobility segment.

A2. We expect that operating income before special items in the Mobility segment will increase due to a rise in sales resulting from reduction of the impact of COVID-19.

■ **Health Care**

Q3. Please explain the sales situation in Q1 (April - June) and the trends in Q2 (July - September) in the Health Care segment.

A3. Sales of vision care and dental materials decreased due to the impact of COVID-19. Sales of nonwovens increased associated with a rise in demand. From Q2, we expect that sales of vision care and dental materials will also recover.

Q4. Please explain the movement of operating income before special items from Q1 (April - June) to Q2 (July - September) in the Health Care segment.

A4. We expect that operating income before special items in the Health Care segment will increase due to the recovery in sales of dental materials and a rise in sales of nonwovens associated with increase in demand.

Q5. Please explain the upward revision of operating income before special items in the Health Care segment from the previously announced forecast.

A5. We expect that operating income before special items will increase mainly due to a rise in the sales volume of nonwovens.

Q6. What is the reason why operating income before special items in the Health Care segment is expected to increase in the second half year on year?

A6. We expect that sales of nonwovens will increase year on year and that vision care and dental materials will recover from the impact of COVID-19.

■ Food & Packaging

Q7. Please explain the movement of operating income before special items from Q1 (April - June) to Q2 (July - September) in the Food & Packaging segment.

A7. We expect that operating income before special items in the Food & Packaging segment will decrease, reflecting an expected downward rebound in functional films & sheets after a demand increase in Q1 driven by a buildup of inventories at customers of ICROS™ Tape, as well as an expected rise in fixed costs.

Q8. What is the sales situation of agrochemicals in Q2 (July - September)?

A8. We expect that sales will be firm because Q2 is a demand season overseas.

■ Basic Materials

Q9. Please explain the movement of operating income before special items from Q1 (April - June) to Q2 (July - September) in the Basic Materials segment, including the regular maintenance factor.

A9. We expect that operating income before special items in the Basic Materials segment will increase due to the elimination of the combined impact of inventory valuation loss and the time lag of the sales price formula in Q1, despite the effects of decline in market conditions for acetone and increase in fixed costs. While regular maintenance will be conducted for crackers from Q1 to Q2, its impact on operating income before special items will be minor because the numbers of days of regular maintenance are almost the same in Q1 and in Q2.

Q10. Please explain the factors behind the forecast that an operating loss before special items in the Basic Materials segment is expected also in the second half.

A10. We expect that weak demand due to the impact of COVID-19 will continue to some extent. In addition to this, we expect an inventory valuation loss of around ¥2 billion because the high inventory valuation at the beginning of the fiscal year will remain to some extent in the second half, following a sharp fall in raw material prices in the first half starting from the end of FY2019.

Q11. What are your assumptions for operating rates in the Basic Materials segment?

A11. While we conducted operation adjustments for crackers and polyolefin in Q1 (April - June) because of the impact of COVID-19, we expect that their operating rates will improve from Q2 (July - September). Phenol facilities have been operating at full capacity.

Q12. What are your assumptions for market conditions for key products in the Basic Materials segment?

A12. With regard to olefins, in Q1 (April - June), market conditions for C2 rose on the back of the recovery of demand in China, and market conditions for C4 have remained sluggish due to the slowdown in automobile production. From Q2 (July - September), we expect that market conditions for C2 will decline due to an expected increase in supply and that market conditions for C4 will continue to be sluggish. For phenol, market conditions improved in Q1 (April - June) because demand recovered gradually in China and supply quantity dropped due to prolonged regular maintenance in Asia and the Middle East. We

expect that market conditions will decline from Q2 (July - September) with the completion of regular maintenance, the operation of new plants, and other factors. For acetone, market conditions improved significantly in Q1 (April - June) due to special demand for isopropyl alcohol (IPA) owing to the impact of COVID-19 and the prolonged regular maintenance for phenol. We expect that market conditions will decline from Q2 (July - September) due to the receding of special demand for IPA and the elimination of supply decrease caused by regular maintenance.

■ Group-wide

Q13. Please explain the impact of inventory valuation loss.

A13. We expect that the effects of inventory valuation differences (a loss of about ¥20 billion) and the time lag of the sales price formula will have, in total, a negative impact of about ¥15 billion on income in FY2020, mainly in the Basic Materials segment.

Q14. Please explain the reason why inventories decreased and its impact on income.

A14. Inventories decreased, mainly in the Basic Materials segment, due to a fall in raw material prices and inventory control. As a result, inventory fixed costs increased.

Q15. Please explain your view on dividend forecast.

A15. We regard boosting shareholder returns as an important management issue, and providing stable dividends is our basic policy. Although we expect a year-on-year decrease in net income attributable to owners of the parent, we forecast the same amount of dividends as in the previous fiscal year in the dividend forecast because we think that this decrease is transient caused by the impact of COVID-19.

Q16. What is the reason why the amount of upward revision in net income attributable to owners of the parent from the previously announced forecast is larger than the amount of upward revision in operating income?

A16. There was change in non-controlling interests due to change in income/loss of affiliates.

Q17. Please explain the background for your plan to increase cash and cash equivalents.

A17. Its background is to secure short-term liquidity in preparation for downside risks to our business performance associated with the impact of COVID-19.

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.