

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for Fiscal 2016

Date	May 12, 2017
Speaker	Osamu Yoshida, Deputy General Manager, Corporate Communications Division
Reference	Results of FY2016 & Outlook for FY2017

Q&A

■ Mobility

**Q1. Tell us about operating income trends from the 3Q and 4Q of FY2016 to over FY2017.**

**A1.** Business performance trends are stable on the back of firm sales. Operating results are expected to remain stable throughout FY2017. We anticipate increases in the production capacity of each product will gradually contribute to earnings growth.

**Q2. Recent trends in automobile sales in North America appear weak. Explain what impact this will have on the PP compound business. Will this effect current effort to increase production capacity in North America?**

**A2.** Automobile production is projected to experience modest growth climbing around 1% in FY2017 on a global basis. In North America, trends are expected to be slightly weak. As conditions currently stand, we are not anticipating any major impact on construction work in progress to increase PP compound production capacity.

■ Health Care

**Q3. Explain what factors contributed to the decrease in operating income of FY2016 compared with the previous outlook.**

**A3.** While ongoing steps were taken to adjust inventories up to the end of FY2016, sales of nonwovens are expected to enter a recovery phase in the future. Despite longer than expected delays in the growth of new products in the vision care materials business, results are forecast to pick up in earnest from the 2H of FY2017.

■ Basic Materials

**Q4. Tell us about operating income trends from the 3Q and over the 4Q of FY2016.**

**A4.** Despite the increase in expenses due to such factors as the carryover of maintenance costs, profit levels remained high from the 3Q and over the 4Q. This largely reflected successful steps to maintain high operating rates at naphtha cracker and other facilities as well as overseas petrochemical and other market conditions, where prices continued to surge. This sharp rise in prices across overseas markets is expected to gradually settle. This trend is factored into our outlook.

**Q5. Tell us about operating income trends from the 1H and over the 2H of FY2017.**

**A5.** Plans are in place to conduct periodic large-scale repairs and maintenance at Ichihara Works in the 1H of FY2017. These periodic repairs and maintenance will not have an impact in the 2H. Meanwhile, we anticipate overseas petrochemical and other market conditions will gradually weaken.

**Q6. What are the operating rates for major products in the 4Q of FY2016 and FY2017?**

<b>A6.</b> Cracker	4Q: Full capacity	FY2017: Approx. full capacity, excl. regular maintenance
Polyolefins	4Q: Approx. full capacity	FY2017: Approx. full capacity, excl. regular maintenance
Phenols	4Q: Full capacity	FY2017: Approx. full capacity, excl. regular maintenance
PTA	4Q: Around 80% in Japan	FY2017: Around 80% in Japan
TDI	4Q: Full capacity	FY2017: Approx. full capacity, excl. regular maintenance

**Q7. Tell us about the current status of polyurethane materials global supply.**

**A7.** Major European manufacturers are announcing details of delays in restoring supply capacities as a result of certain difficulties. We have also heard of concerns regarding delays in the construction of new and expansion of other existing facilities compared with plans.

**Q8. Tell us about the current status of supply and demand for phenols in Asia.**

**A8.** While there are plans for new facilities of other companies to commence commercial operation, further application of derivatives is progressing. Taking these factors into consideration, we are looking at a moderate tightening in supply and demand.

**Q9. Explain what is the level of ethylene and butadiene export capacity should operations for crackers and their derivatives run at full capacity.**

**A9.** The ratio of internal consumption for ethylene is high. Accordingly, export capacity is limited. In addition, outside sales of butadiene are concentrated in Japan.

**Q10. Market prices for ethylene continue to hover at a high level. Explain what is your outlook and thoughts for the future.**

**A10.** The pace of ethylene demand growth is exceeding GDP. We anticipate supply and demand will remain tight for the foreseeable future. New ethane cracker facilities will progressively come online from the 2H of this year. As a result, we expect supply and demand will gradually ease.

■ **Group-Wide Issues**

**Q11. Looking at consolidated results in the 4Q, there would appear to be virtually no incidence of tax expenses. Explain why this is so.**

**A11.** Tax expenses declined owing mainly to the application of operating losses carried-forward and the posting cumulative deferred tax assets by the Company on a non-consolidated basis and by certain subsidiaries.

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.