

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results of the Second Quarter of Fiscal 2017

Date	November 1, 2017
Speaker	Osamu Yoshida, Deputy General Manager, Corporate Communications Division
Reference	Results of the First Half of FY2017 & Outlook for FY2017

Q&A

■ Mobility

Q1. Please tell us why segment operating income has fallen from the 1H of FY2017 and through to the 2H.

A1. While expecting demand to remain solid and factoring in benefits from sales volume growth, we expect operating income to decline compared with 1H after baking in the impact primarily from worsening terms of trades caused mainly by rising raw materials prices and the time lag of fixed costs.

Q2. Please explain the status of polypropylene (PP) compound sales in 2Q results.

A2. PP compound sales were solid globally. While automobile production volumes fell in North America, declines in Mitsui Chemicals' materials sales volumes were only minor owing to the progressive application of the Company's PP compound in large-sized models that use a large volume of plastic per vehicle such as SUVs and pickup trucks. In addition, total sales rose compared with the same period in the previous fiscal year, reflecting strong sales mainly in Thailand, China, and India.

Q3. In the Mobility segment, could you tell us about product trends other than PP compounds as well as the impact on operating income in the 2H of FY2017 from new and expanded competitor facilities in the Middle East.

A3. We expect the sales for segment products to remain solid driven by steady demand. However, taking into consideration the impact of competitors' new and enhanced facilities, we anticipate that the terms of trade will soften.

■ Health Care

Q4. Could you please explain the reason for the increase in segment operating income from the 1H to the 2H of FY2017?

A4. In vision care, we expect ophthalmic lens monomer sales to remain solid. In addition, we have factored in profit growth from new product sales. In nonwoven fabrics, sales have recovered thanks to demand normalizing following a phase of distribution inventory adjustments last year, but earnings are still being affected by rising raw materials prices. That being said, we expect earnings to rebound later on. In dental materials, we have factored in profit gains on seasonal factors and sales expansion.

Q5. Could you explain the impact of nonwoven facility enhancements on FY2017 operating income?

A5. As we planned to commence commercial operation at the new nonwoven facility in March, there has been no major impact both in terms of profits and losses from rises in sales and fixed costs.

■Food & Packaging

Q6. Please tell us about the impact on packaging film operating income in the 2H of FY2017 from increases in raw materials prices.

A6. We are not anticipating major deterioration in terms of trade since the packaging film demand remains steady, and the weak yen and the required level of quality in the Japanese market make it difficult for imported products to enter.

Q7. Could you please tell us when new active ingredients of agrochemical will be released?

A7. We expect to release a new insecticide to the market in FY2020.

Q8. Could you explain the status of ICROS Tape sales and production capacity?

A8. Sales volumes for ICROS are increasing amid strong semiconductor demand. At this time, we have decided to construct a new facility in Taiwan based on current production capacity and future sales growth targets.

■Basic Materials

Q9. Could you please explain the reason for the decrease in operating income from the 1Q of FY2017 through to 2Q?

A9. The decline in operating income chiefly reflects regular naphtha cracker maintenance conducted in 2Q, rises in maintenance costs, and the time lag of costs.

Q10. Please tell us the reason why profits grew from the 1H to the 2H of FY2017.

A10. While expecting terms of trade to worsen due to raw material price rises and softening olefin market prices, we estimate profit growth after factoring the disappearance in the 2H of the impact of regular naphtha cracker maintenance undertaken in the 1H as well as higher product sales.

Q11. Please tell us about your outlook for olefin market conditions.

A11. Olefin market prices have remained at high levels amid currently solid demand. However, we expect market conditions to gradually soften in line with our initial outlook, as we think shale-based olefins will be offered during the course of FY2018, although this has lagged in certain projects.

Q12. Would it be possible for you to briefly explain your assumptions for butadiene market conditions in your 2H FY2017 operating income forecast?

A12. Though market conditions have become structured in such a way to respond sensitively to problems and other factors given the small size of the external sales market, we assume steady market price levels in our earnings targets.

Q13. Could you please explain the Asian market forecast for TDI and phenols?

A13. The market price for TDI is expected to remain high in 2017, and gradually soften thereafter. As for phenol market prices, while prices improved temporarily in the aftermath of hurricanes that struck the United States, we expect the market price for phenols to remain generally around \$200/t given that American phenol makers have resumed operations.

Q14. What are the operating rates for major products in the 2Q and 2H of FY2017?

A14. Cracker	2Q: Generally full capacity (excl. regular maintenance)	2H: Full capacity
Polyolefin	2Q: Full capacity (excl. regular maintenance)	2H: Full capacity
Phenols	2Q: Almost full capacity (excl. regular maintenance)	2H: Almost full capacity
PTA	2Q: Around 80% in Japan	2H: Around 80% in Japan
TDI	2Q: Generally full capacity (excl. regular maintenance)	2H: Generally full capacity

■ **Group-Wide Issues**

Q15. Could you please explain the reasons for the improvement in equity in earnings from non-consolidated affiliates and subsidiaries for the 1H of FY2017 compared with the same period in the previous fiscal year?

A15. Improvements in this area mainly reflect contributions from better urethane joint venture earnings accompanying improvements in TDI market prices.

Q16. Please tell us about your stance on shareholder returns.

Q16. While we have not changed our year-end dividend forecast, we will suitably review our estimate after taking into consideration conditions in the 3Q and 4Q. In tandem with this, we will also consider flexibly undertaking stock buybacks based on share price levels and other factors.

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.