

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

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Speaker	Osamu Yoshida, Deputy General Manager, Corporate Communications Division
Reference	Results of FY2017 & Outlook for FY2018

Q&A

■ Mobility

**Q1. Please explain the trends of each business in the Mobility segment.**

**A1.** Demand for PP compounds increased globally, particularly in Asia, while automobile production in North America declined in FY2017. We expect that sales will continue to increase mainly in Asia and Europe, etc. in FY2018. In terms of ICT applications, sales of APEL® made progress as planned in the Company, despite the production adjustment of smartphones in 4Q of FY2017. We expect that sales of APEL® will also remain solid in FY2018.

**Q2. We recognize that the operating rates for major products are high in the Mobility segment, but a volume difference in operating income in FY2017 is significantly positive in comparison with FY2016. Will this trend continue in FY2018 as well?**

**A2.** Regarding PP compounds, we expanded our facilities in FY2017, and we expect that this effect will make a contribution in FY2018. In addition, for performance compounds and performance polymers, we plan to expand sales in FY2018 because we still have spare capacity. For elastomers, we will pursue a higher profit margin through the improvement of the sales mix because the operating rate is full. We will also make an early decision on new facilities and the expansion of facilities.

**Q3. Of the increase in operating income from FY2017 to FY2018 in the Mobility segment, what impact does the acquisition of shares of ARRK Corporation have? In addition, what is a major factor for the higher income?**

**A3.** Regarding the impact of acquiring shares of ARRK Corporation, we have factored in an amount obtained by subtracting the amortization of goodwill, etc. from the operating income of ARRK Corporation, but the increase in income in FY2018 is mainly driven by growth in the existing businesses. The expansion of the sales volume is also a factor for the higher income.

**Q4. What is the reason for the downward swing of operating income in 4Q (January – March) of FY2017 from the previously announced forecast value in the Mobility segment? In addition, what is the reason for the increase in income from 1H to 2H of FY2018?**

**A4.** In 4Q of FY2017, sales remained solid, but the time lag between rising raw material prices and price revisions had an impact. The major factor for the difference between 1H and 2H of FY2018 is the concentration of the regular maintenance of elastomers in 1H.

**Q5. What are the factors for the decline in ROS in 4Q (January – March) of FY2017 in the Mobility segment?**

**A5.** The generation of expenses associated with the acquisition of shares of ARRK Corporation in 4Q of FY2017 and rising raw materials prices are the major factors. However, expenses for the

acquisition of shares of ARRK Corporation are temporary, and we are also driving forward price revisions. We therefore expect that the profit margin will bounce back in FY2018.

#### ■ Health Care

**Q6. What is the reason why operating income in 4Q (January – March) of FY2017 fell short of the previously announced forecast value in the Health Care segment? Please also tell us about the factors for the higher income in FY2018 and the trends of each business.**

**A6.** The major factor for the shortage of operating income in 4Q of FY2017 from the planned value was sluggish sales of dental materials. In FY2018, we expect sales of ophthalmic lens monomer to remain solid in vision care. In nonwoven fabrics, while we anticipate sales expansion due to the startup of new facilities and the easing of deteriorated terms of trade caused by the time lag between rising raw material prices and price revisions in FY2017, we expect the burden of fixed costs for new facilities to increase. In dental materials, the burden of the amortization of goodwill will decline, but we have a slightly cautious view of sales.

**Q7. What is the reason for the increase in operating income in the Health Care segment from 1H to 2H of FY2018?**

**A7.** Sales expansion due to the operation of new facilities of nonwoven fabrics is the major factor.

#### ■ Food & Packaging

**Q8. In the Food & Packaging segment, operating income declined from the previously announced forecast value in 4Q (January – March) of FY2017, but you plan to increase operating income significantly by ¥3.1 billion in FY2018 from FY2017. What is the major reason for this?**

**A8.** In 4Q of FY2017, the terms of trade deteriorated due to the time lag between rising raw material prices and price revisions. In FY2018, we expect the terms of trade to improve due to price revisions, and also expect sales expansion of each product.

**Q9. What is the reason for the increase in operating income in the Food & Packaging segment from 1H to 2H of FY2018?**

**A9.** Seasonal differences in agrochemicals are the major factor.

#### ■ Basic Materials

**Q10. Please explain the trends of operating income in the Basic Materials segment from 3Q (October – December) to 4Q (January – March) of FY2017 and from 2H of FY2017 to 1H of FY2018.**

**A10.** From 3Q to 4Q of FY2017, the phenol market conditions rose and the operating rates of petrochemical feedstocks and polyolefins remained high. From 2H of FY2017 to 1H of FY2018, we expect operating income to decline due to the effects of large-scale regular maintenance of crackers at Osaka Works and the implementation of regular maintenance of other products.

**Q11. Operating income in the Basic Materials segment increases ¥5 billion from 1H to 2H of FY2018. What is the impact of regular maintenance? What is your view of the market conditions for petrochemical products?**

**A11.** The impact of regular maintenance is normally around ¥3 billion, but the impact will be greater

in FY2018 because of large-scale regular maintenance. In addition, we also plan to carry out regular maintenance for phenols, etc. We have a cautious view of the market conditions for petrochemical products and expect that the market conditions will weaken in 2H.

**Q12. Please tell us about the demand and supply conditions of phenols and trends of the phenol market conditions.**

**A12.** In 1H of FY2017, the market conditions in China were weak due to the influx of inexpensive US products but rose in 2H, reflecting the effects of hurricanes, the suspension of plants of Shell in the United States and the possibility that an antidumping tax would be applied to exports to China. In FY2018, the season of regular maintenance has now arrived, and the startup of new and expanded plants is delayed. While new and expanded plants are expected to operate in earnest going forward, demand is likely to remain solid on the back of the strong demand of polycarbonate. In addition, given that new plants of caprolactam based on a manufacturing method using phenols will start up in China, we expect that the demand and supply and market conditions will be normalized.

**Q13. Can you explain the demand and supply conditions of TDI and the trends of the TDI market conditions?**

**A13.** In FY2017, the market conditions remained at a high level, mainly due to the delay in the operation of new and expanded plants and the effects of forces majeure such as the cold wave in North America. In FY2018, the demand and supply conditions are expected to be relaxed due to the full-fledged operation of new and expanded plants, and we expect that the market conditions will weaken in association with this.

**■ Group-Wide Issues**

**Q14. What is the reason for the decline in profit attributable to non-controlling interests in 4Q (January – March) of FY2017?**

**A14.** The impairment loss of dental materials posted in 4Q of FY2017 is the major factor.

**Q15. What is the current situation of price revisions?**

**A15.** Partly because raw material prices continue to rise, price revisions have yet to be completed. However, given that demand continues to be solid and that logistics and utilities costs are also rising, we will continue to work on the revisions.

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