Presentation

[Title]

Mitsubishi Chemical Group Forecasts FY2024 Core Operating Income to Increase 20% YoY to Become a Green Specialty Chemical Company

[Lead]

The following is a transcription of the Mitsubishi Chemical Group Corporation's earnings presentation for the fiscal year ended March 31, 2024, which was released on May 15, 2024.

[Speakers]

Manabu Chikumoto, Representative Corporate Executive Officer, President and CEO

Minoru Kida, Vice President and CFO

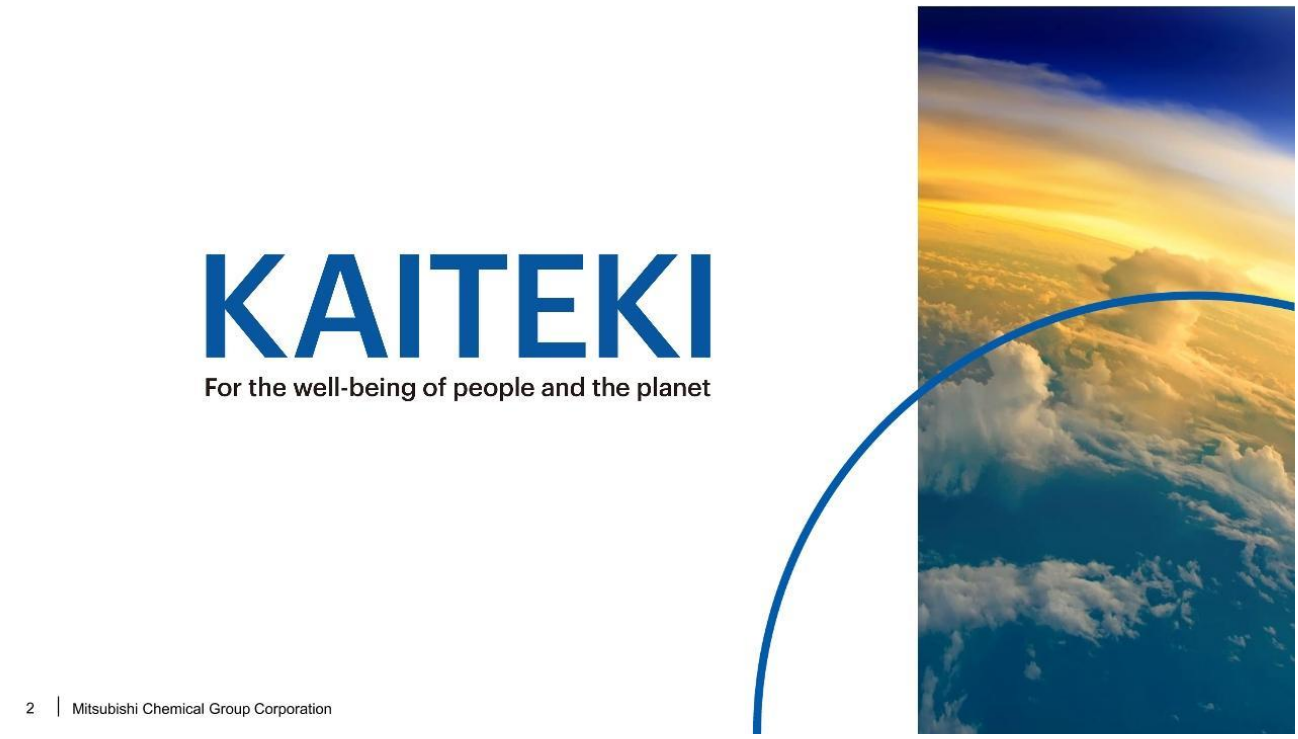
Akihiro Tsujimura, Executive Vice President (Head of Pharma)

[Text]

Financial Results for the Fiscal Year Ended March 31, 2024

Manabu Chikumoto (hereafter, Chikumoto): Good evening, ladies and gentlemen. I am CEO Chikumoto. Thank you very much for taking time out of your busy schedule to attend today's financial results briefing. We also thank you for your continued understanding and support of our business operations.

KAITEKI



I will explain our group's purpose and future management direction.

Our purpose is Realization of KAITEKI. We intend to operate our business with a thorough focus on this purpose.

I used to work in the corporate strategy department and at that time, in 2020, we announced KAITEKI Vision 30. Four years later, the global situation has become increasingly complex with pandemics, rapidly evolving climate change, and increasing geopolitical risks, and the chemical industry is facing major challenges such as carbon neutrality and the circular economy.

We are in the process of reviewing KAITEKI Vision 30 and formulating a new vision and strategy for the year 2035. I would like to create a corporate entity in which the employees of our group have a sense of unity and conviction, and voluntarily strive toward the realization of KAITEKI.

Future Directions

Future directions. We will accelerate reforms to enhance corporate value by leveraging the solid management foundation built under our management policy "Forging the future."

To this end, we will first formulate a new management vision, KAITEKI Vision 35. We will then clarify the policies for the entire group's business portfolio and promote business growth strategies.

Specifically, we will continue structural reforms and rationalization, invest in growth, and accelerate green initiatives. In addition, we will reorganize our petrochemicals business, and we will select and concentrate on our specialty materials business.

We are pleased to announce our transformation into a green specialty chemical company that leads innovations to realize KAITEKI.

Operational Summary

Summary

MITSUBISHI CHEMICAL GROUP

FY2023 Actual

- Sales volume declined significantly on a year-on-year basis in Specialty Materials and Basic Materials as demand in the semiconductor market and for broader industrial materials remained weak and the business environment continued to be severe throughout fiscal 2023. Looking at the Group on the whole, while sales revenue decreased 5% year on year, core operating income increased 4% year on year, excluding the impact of the arbitration related to Gilenya in the previous fiscal year*, reflecting the continued brisk performance of Industrial Gases and RADICAVA in North America in Health Care.
- Core operating income increased as a result of the relentless efforts to promote price management and cost reduction activities, which resulted in the year-on-year improvement in price gap and cost reduction amounting to ¥100.6 billion.
- FCF increased ¥111.5 billion year on year to ¥219.1 billion due to the sale of non-core businesses and steady progress in working capital reduction activities.

FY2024 Forecast

- While the business environment surrounding Specialty Materials and Basic Materials is expected to remain uncertain and full-fledged recovery will likely take longer, there have been signs of rebound in demand for some products. Demand is anticipated to pick up moderately toward the second half of fiscal 2024, despite some different levels of strength in demand among regions and products. Business performance of Industrial Gases and Health Care is projected to remain brisk. We will continue to promote self-help efforts such as business structure reform, price management, and cost reduction.
- Core operating income in fiscal 2024 is forecast at ¥250.0 billion, a rise of 20% compared to fiscal 2023. Net income attributable to owners of the parent is expected to be ¥52.0 billion, down 57% compared to fiscal 2023 when a significant amount of special items profit related to business divestiture was recorded.

* The impact of collectively recognizing revenue in 4Q FY2022 following an arbitration award relating to royalities for Gilenya, a treatment agent for multiple sclerosis in the Health Care segment. (¥125.9 billion)

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Minoru Kida (Kida): Good evening, ladies and gentlemen. I am CFO Kida. I will explain our financial results for the fiscal year ended March 31, 2024 and our forecast for the fiscal year ending March 31, 2025.

First, here is a summary. In the fiscal year ended March 31, 2024, the business environment surrounding the chemical industry was very severe throughout the period due to sluggish demand in the semiconductor-related market and broader industrial materials. Under these circumstances, sales volumes in Specialty Materials and Basic Materials declined significantly from the previous year.

On the other hand, performance of Industrial Gases and RADICAVA in North America in Health Care remained strong, and overall group sales revenue declined only 5% from the previous year. Core operating income increased 4% over the previous year, excluding the impact of the one-time revenue recognition of royalties on Gilenya, a multiple sclerosis drug, in the previous year.

Despite this difficult business environment, we were able to improve the price gap and reduce costs compared to the previous year by vigorously pursuing price management and cost reduction activities.

In addition, free cash flow was JPY219.1 billion, an improvement of JPY111.5 billion from the previous year, due to steady progress in the sale of non-core businesses and activities to reduce working capital.

As we enter the fiscal year ending March 31, 2025, the business environment remains uncertain, but there are signs of a recovery in demand for some products. Demand for Specialty Materials and Basic Materials, which was very weak in the previous fiscal year, is expected to recover gradually in, although there are some differences by region and product.

We expect continued strong performance in Industrial Gases and Health Care. We intend to continue to promote self-help efforts such as business structure reform, price management, and cost reduction.

Core operating income for the year ending March 31, 2025 is projected to be JPY250 billion, up 20% from the previous year, and net income attributable to owners of the parent is expected to be JPY52 billion, down 57% from the previous year, when the Company posted significant special items profit.

Consolidated Statements of Operations

Consolidated Statements of Operations

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	FY2022	FY2023	Difference	%
Exchange Rate (¥/$)	136.0	145.3	9.3	7%
Naphtha Price (¥/kl)	76,600	69,100	(7,500)	(10%)
Sales Revenue	4,634.5	**4,387.2**	**(247.3)**	(5%)
Core Operating Income *1	325.6	**208.1**	**(117.5)**	(36%)
Special Items	(142.9)	**53.7**	**196.6**	
Operating Income	182.7	**261.8**	**79.1**	43%
Income before Taxes	168.0	**240.5**	**72.5**	43%
Net Income	135.5	**178.4**	**42.9**	
Net Income Attributable to Owners of the Parent	96.4	**119.6**	**23.2**	24%
Net Income Attributable to Non-Controlling Interests	39.1	**58.8**	**19.7**	
*1 Share of profit of associates and joint ventures included	11.9	**7.6**	**(4.3)**	

Core operating income is calculated as operating income (loss) excluding certain gains and expenses attributable to non-recurring factors (losses incurred by business withdrawal and streamlining, etc.).

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This is the consolidated P/L for the fiscal year ended March 31, 2024.

The average exchange rate for the full year was JPY145.3 to the US dollar, representing a 7% depreciation of the yen from the previous year. The unit price of naphtha was JPY69,100, down about 10% from the previous year.

Sales revenue was JPY4,387.2 billion, down 5% from the previous year, and core operating income was JPY208.1 billion, down 36% from the previous year. Compared to the latest forecast released last November, sales revenue is down 2% and core operating income is down 17%.

Special items profit was JPY53.7 billion. This is an increase of JPY196.6 billion compared to the previous year, which saw the closure of the Cassel Site in the UK in MMA and a major loss related to the settlement of Medicago Inc. in Health Care.

Operating income was JPY261.8 billion and income before taxes was JPY240.5 billion. Net income attributable to owners of the parent was JPY119.6 billion, an increase of approximately JPY23.2 billion from the previous year. This is an 11% decrease compared to the previous forecast of JPY135 billion.

Sales Revenue and Core Operating Income by Business Segment

Sales Revenue and Core Operating Income by Business Segment

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	FY2022		FY2023		Difference			
	Sales Revenue	Core Operating Income	Sales Revenue	Core Operating Income	Sales Revenue	%	Core Operating Income	%
Total Consolidated	**4,634.5**	**325.6**	**4,387.2**	**208.1**	**(247.3)**	(5%)	**(117.5)**	(36%)
Specialty Materials	**1,233.7**	**51.5**	**1,172.9**	**5.3**	**(60.8)**	(5%)	**(46.2)**	(90%)
Polymers & Compounds	338.7	26.2	318.8	17.5	(19.9)		(8.7)	
Films & Molding Materials	517.7	18.0	491.3	(13.0)	(26.4)		(31.0)	
Advanced Solutions	377.3	7.3	362.8	0.8	(14.5)		(6.5)	
Industrial Gases	**1,177.9**	**121.0**	**1,246.9**	**163.0**	**69.0**	6%	**42.0**	35%
Health Care	**535.4**	**144.2**	**437.2**	**56.3**	**(98.2)**	(18%)	**(87.9)**	(61%)
MMA	**305.2**	**(4.0)**	**281.6**	**0.8**	**(23.6)**	(8%)	**4.8**	-
Basic Materials	**1,121.8**	**12.1**	**1,008.6**	**(19.3)**	**(113.2)**	(10%)	**(31.4)**	-
Petrochemicals	753.7	2.5	704.9	0.0	(48.8)		(2.5)	
Carbon Products	368.1	9.6	303.7	(19.3)	(64.4)		(28.9)	
Others	**260.5**	**0.8**	**240.0**	**2.0**	**(20.5)**	(8%)	**1.2**	150%

[Inventory valuation gain/loss]	FY2022	FY2023	Difference
Polymers & Compounds	1.4	0.3	(1.1)
Petrochemicals	19.0	3.7	(15.3)
Carbon Products	(0.9)	2.5	3.4
Total	19.5	6.5	(13.0)

The page shows sales revenue and core operating income by business segment.

Specialty Materials reported a 5% decline in sales revenue and a 90% decline in core operating income from the previous year. Demand remained sluggish throughout the year, and the performance of Films & Molding Materials, in particular, was affected by the adjustment phase in the semiconductor and electronics-related markets, and fell far short of the previous forecast.

Industrial Gases continued to perform well, with a 6% increase in sales revenue and a 35% increase in core operating income over the previous year, a significant increase over the previous forecast.

In the previous fiscal year, Health Care recognized royalty income of JPY125.9 billion for prior periods in a lump-sum payment in recognition of the outcome of an arbitration award concerning royalties for Gilenya, a multiple sclerosis treatment. As a result, the current fiscal year's sales revenue fell 18% from the previous year and core operating income declined 61%, landing roughly in line with the previous forecast.

Excluding the impact of Gilenya from the previous fiscal year, the increase in sales of the oral formulation of RADICAVA in the US and cost reduction efforts contributed significantly to the 208% increase in core operating income over the previous fiscal year.

MMA reported an 8% decrease in sales revenue and a JPY4.8 billion increase in core operating income compared to the previous fiscal year. Although demand remained sluggish for a long time, the Company was profitable for the full year thanks to cost reductions resulting from the closure of the plant in the UK.

Basic Materials posted a loss of JPY19.3 billion. Compared to the previous fiscal year, sales revenue decreased by 10% and core operating income decreased by JPY31.4 billion, which is lower than the previous forecast. Of the factors contributing to the YoY decrease, the impact of inventory valuation gains/losses was a negative JPY11.9 billion.

Petrochemicals managed to avoid a loss for the full year, despite the impact of an impairment loss in the derivatives business in Q4. Carbon Products posted a full-year loss of JPY19.3 billion due to the lack of improvement in the coke market throughout the period.

Analysis of Core Operating Income

Analysis of Core Operating Income

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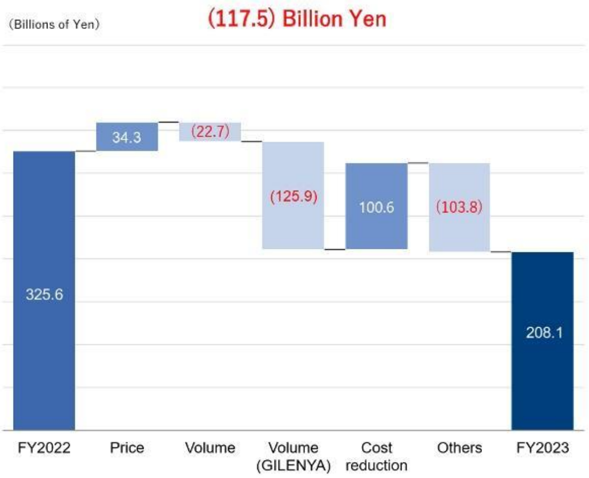


(Billions of Yen)

	FY2022	FY2023	Difference	Price	Volume	Cost reduction	Others *1
Total Consolidated	325.6	208.1	(117.5)	34.3	(148.6)	100.6	(103.8)
Specialty Materials	51.5	5.3	(46.2)	24.3	(57.4)	16.0	(29.1)
Industrial Gases	121.0	163.0	42.0	24.9	(4.0)	30.8	(9.7)
Health Care	144.2	56.3	(87.9)	(1.3)	(87.6)	33.6	(32.6)
MMA	(4.0)	0.8	4.8	(5.2)	6.1	6.8	(2.9)
Basic Materials	12.1	(19.3)	(31.4)	(8.2)	(6.2)	3.9	(20.9)
Others	0.8	2.0	1.2	(0.2)	0.5	9.5	(8.6)

* Items included are impacts from differences of inventory valuation gain/loss (13.0) billion yen and differences of share of profit of associates and joint ventures (4.3) billion yen, etc.

	Difference	Price	Volume	Cost reduction	Others
Changes in exchange rates	13.2	17.3	0.0	-	(4.1)
Changes in foreign currency translation included in above		12.6			

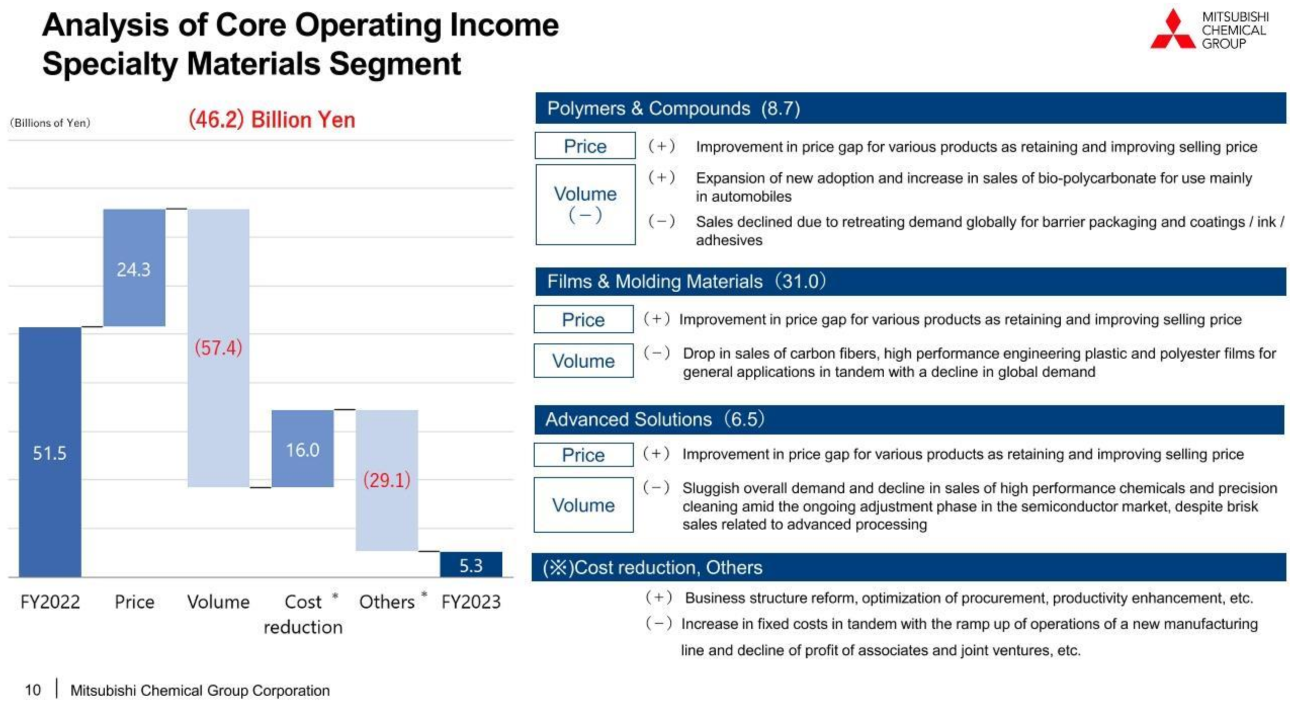
Here you see the breakdown of the JPY117.5 billion decrease in core operating income from the previous year. First, please note that excluding the JPY125.9 billion impact of Gilenya in the Health Care segment in the previous fiscal year, core operating profit increased by JPY8.4 billion.

The volume was a negative factor mainly in Specialty Materials and Basic Materials, but the positive impact of the price gap exceeded it due to the promotion of price management.

In addition, cost reductions had the effect of increasing income by JPY100.6 billion, 26% above the initial annual reduction target of JPY80 billion for the fiscal year. Of this amount, the contribution in Q4 was approximately JPY18.6 billion.

On the other hand, others had a negative impact of JPY103.8 billion. This includes a JPY13 billion deterioration in inventory valuation gains/losses as well as a one-time factor related to Health Care. In addition, there was a decrease in equity in earnings of affiliates and an increase in fixed costs due to inflation and other factors.

Analysis of Core Operating Income of Specialty Materials Segment



Here are the details by segment. Specialty Materials reported a JPY46.2 billion decrease from the previous year. Price gap was a positive impact of JPY24.3 billion and cost reduction was a positive impact of JPY16 billion.

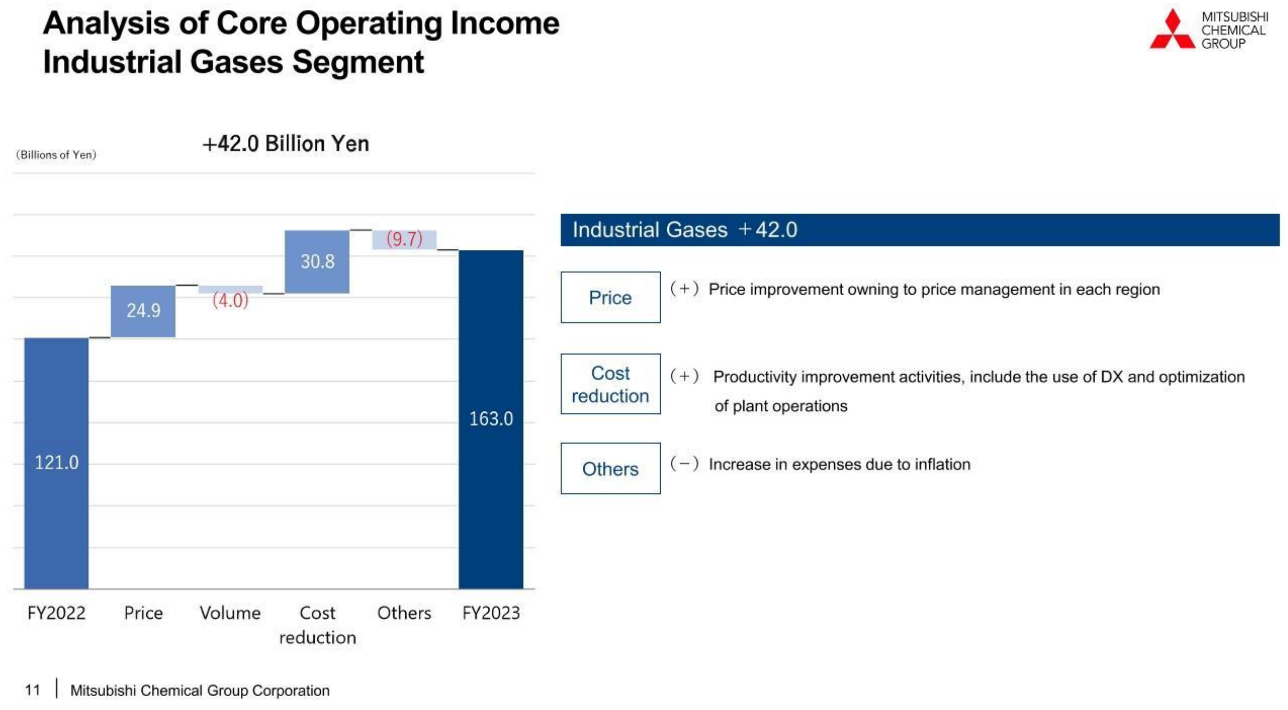
Amid soft demand, each sub-segment worked to maintain and improve selling prices to improve price gaps, and also promoted cost reduction activities.

On the other hand, the volume difference had a significant negative impact due to sluggish demand. In Polymers & Compounds, the market for automotive applications recovered, and there was an increase in new adoption of bio-polycarbonate and higher sales. On the other hand, demand for barrier packaging materials, coatings, inks, and adhesives applications was soft.

In Films & Molding Materials, demand for high-performance engineering plastics for semiconductor applications and carbon fibers for wind power generation applications showed recovery from Q3 to Q4. However, the volume was down significantly compared to the previous year.

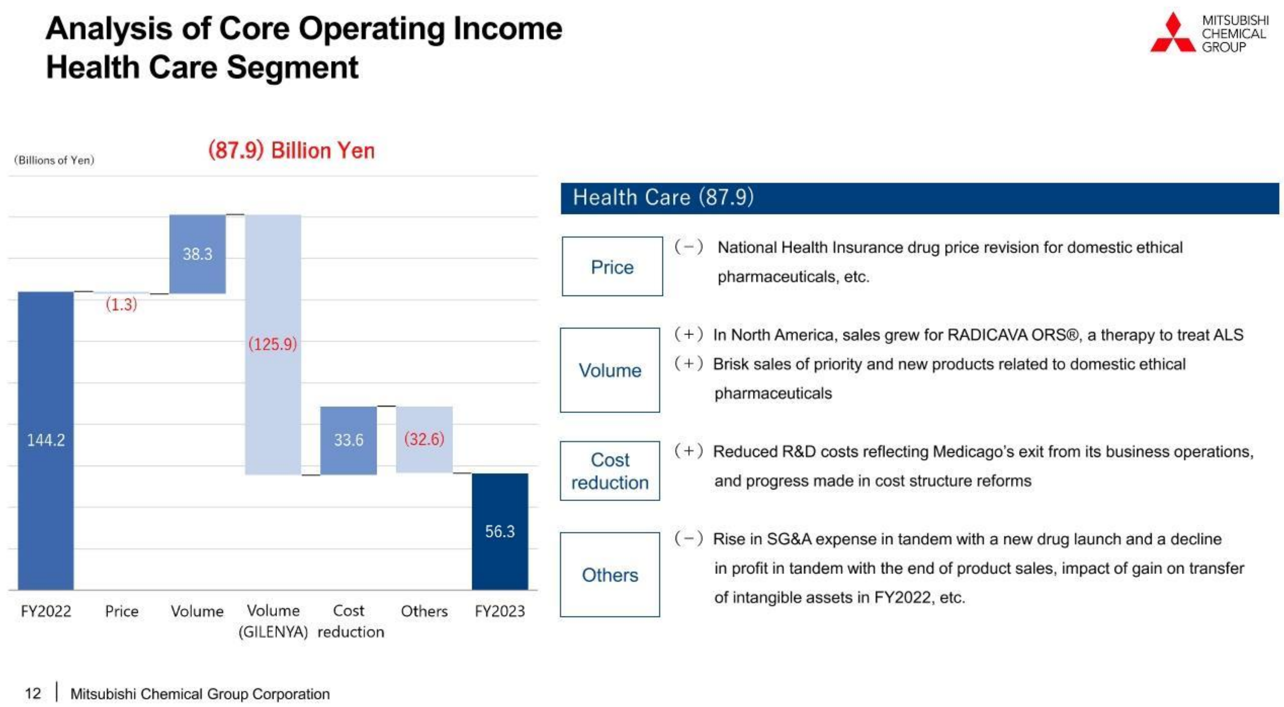
In advanced solutions, the adjustment phase in the semiconductor market continued. Some products for cutting-edge processes showed a recovery trend, and some products, such as photolithography materials, performed well. However, demand for high-performance chemicals and precision cleaning services was generally weaker than in the previous fiscal year, resulting in lower sales.

Analysis of Core Operating Income of Industrial Gas Segment



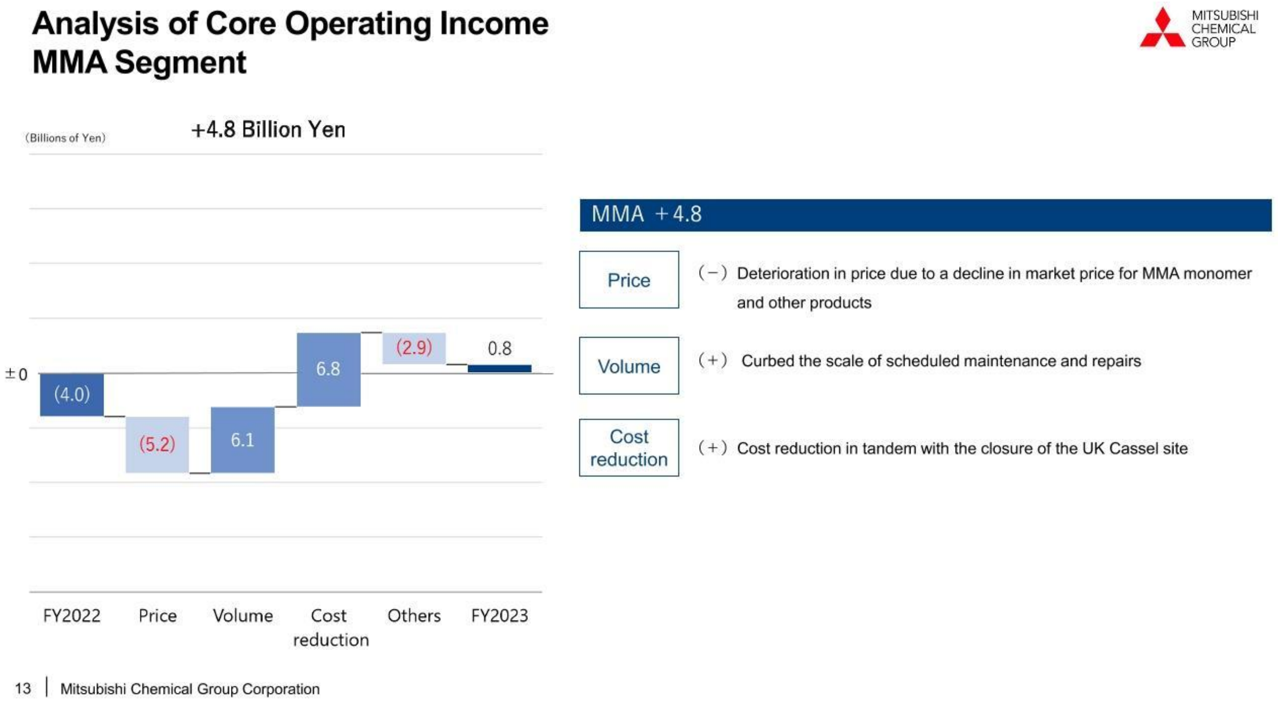
Industrial Gases performed very well, posting an increase of JPY42 billion in core operating income from the previous year. Although volumes are not very strong, the price pass-through that we are implementing in each region, as well as productivity improvement efforts, have been successful and contributed to the increase in income.

Analysis of Core Operating Income of Health Care Segment



Health Care reported a YoY decline of JPY87.9 billion in core operating income due to the impact of the revenue recognition of Gilenya in the previous fiscal year. On the other hand, sales of the oral formulation of RADICAVA in North America grew significantly, and sales of key domestic pharmaceutical products and new products were also strong. In addition, cost reductions, such as a decrease in R&D expenses due to the decision made in the previous fiscal year to withdraw from the Medicago business, also contributed significantly to the results.

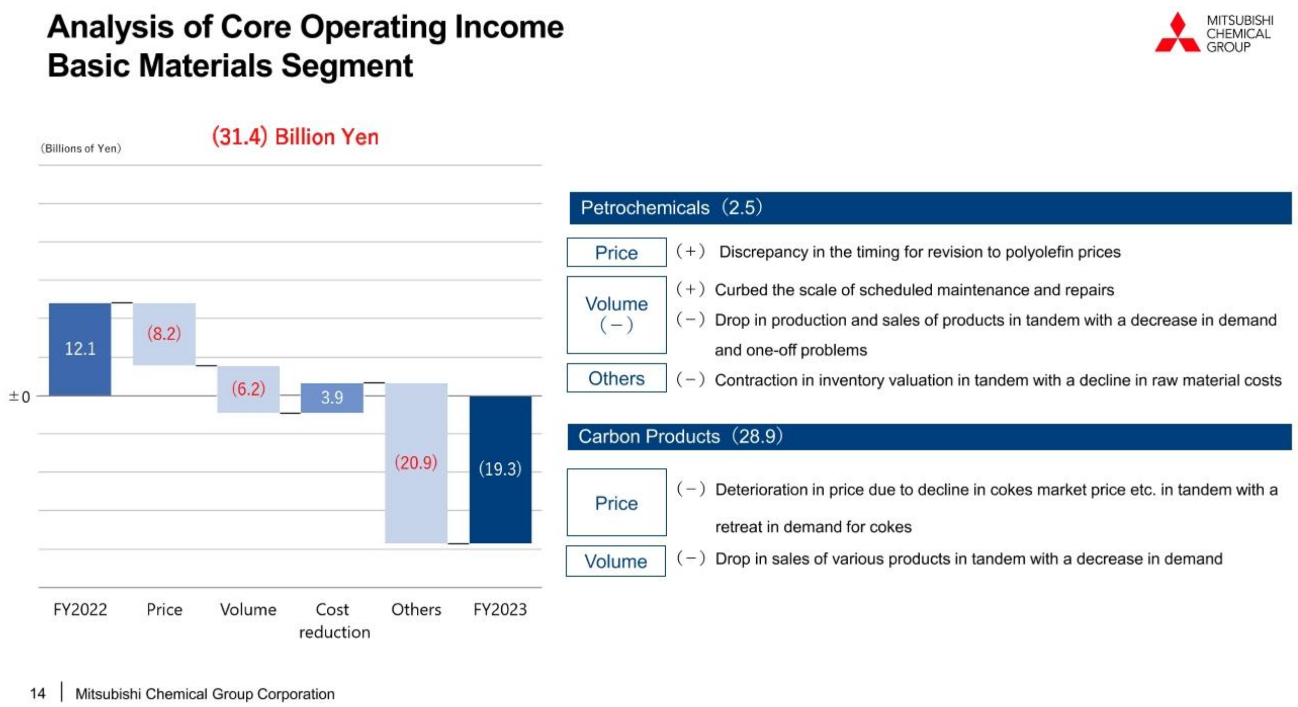
Analysis of Core Operating Income of MMA Segment



MMA increased core operating income by JPY4.8 billion from the previous year. While the price gap was affected by the monomer market's decline from the previous period, the volume improved due to the reduced scale of periodic repairs and higher capacity utilization compared to the previous period.

In addition, the decision made in the previous fiscal year to close the Cassel Site in the UK has allowed us to accumulate the benefits of cost reductions.

Analysis of Core Operating Income of Basic Materials Segment



Basic Materials reported a YoY decrease of JPY31.4 billion in core operating income. Regarding the price gap, although there was a positive factor due to the periodic price revision of polyolefin in the Petrochemicals, it had a negative impact in total due to the deterioration caused by the decline in the coke market.

The volume was a negative factor due to sluggish demand. Others, including an inventory valuation loss of JPY11.9 billion, were a major contributor to the decline in income.

Consolidated Special Items

Consolidated Special Items

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	FY2022	FY2023	Difference
Total Special Items	(142.9)	53.7	196.6
Gain on sales of shares of subsidiaries and associates	3.3	36.5	33.2
Gain on step acquisitions	-	27.0	27.0
Reversal of provision for loss on plant closure	-	12.0	12.0
Gain on reversal of asset retirement obligations	-	4.7	4.7
Gain on forgiveness of debts	-	3.8	3.8
Impairment loss	(93.4)	(23.8)	69.6
Loss on sale and disposal of fixed assets	(3.9)	(9.7)	(5.8)
Loss on business liquidation	(3.3)	(4.8)	(1.5)
Special retirement expenses	(10.6)	(2.0)	8.6
Provision for loss on business liquidation	(5.7)	(1.8)	3.9
Loss on arbitration award	(3.5)	(1.1)	2.4
Provision for loss on plant closure	(26.7)	(0.1)	26.6
Others	0.9	13.0	12.1

Consolidated special items totaled JPY53.7 billion. Last year, the Company posted a loss due to the very significant costs of the withdrawal of Medicago and the closure of MMA's Cassel Site in the UK.

On the other hand, in the fiscal year ended March 2024, in addition to gains from the sale of some consolidated subsidiaries, there is a JPY27 billion impact from the gain on the step acquisition of CPC as a subsidiary, resulting in a largely positive outcome.

Consolidated Cash Flows

Consolidated Cash Flows

(Billions of Yen)

	FY2022	FY2023
Net cash provided by (used in) operating activities	**355.2**	**465.1**
Income before taxes	168.0	240.5
Depreciation and amortization	269.6	275.4
Change in operating receivables/payables	5.8	(16.8)
Change in Inventories	(45.2)	30.3
Others	(43.0)	(64.3)
Net cash provided by (used in) investment activities	**(247.6)**	**(246.1)**
Capital expenditure	(281.0)	(274.5)
Sale of assets	42.6	72.3
Investment and loans receivable, etc.	(9.2)	(43.9)
Free cash flow	**107.6**	**219.1**

	FY2022	FY2023
Net cash provided by (used in) financing activities	**(60.8)**	**(241.7)**
Interest bearing debts	3.1	(166.6)
Dividends, etc.	(63.9)	(75.1)
Net increase (decrease) in cash and cash equivalents	**46.8**	**(22.7)**
Effect of exchange rate changes and changes in scope of consolidation	4.6	20.4
Total	**51.4**	**(2.3)**

Here you see the statement of cash flows.

Net cash provided by operating activities was JPY465.1 billion. We continued to strengthen cash management throughout the Company and kept inventory quantities well under control despite weak demand. As a result, cash flow from inventories improved from an outflow of JPY45.2 billion in the previous year to an inflow of JPY30.3 billion in the fiscal year under review.

Net cash used in investing activities was JPY246.1 billion. This is the result of capital investment for the future, mainly in industrial gases and specialty materials. In addition, cash flow from sales of assets amounted to JPY72.3 billion due to the transfer of Qualicaps Co., Ltd. and the sale of cross-shareholding shares.

As a result, free cash flow was JPY219.1 billion, generating a larger amount of cash than in the previous year. Net cash used in financing activities totaled JPY241.7 billion.

Consolidated Statement of Financial Positions

Consolidated Statements of Financial Positions

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	Mar.31.2023	Mar.31.2024	Difference
Cash & cash equivalents	297.2	294.9	(2.3)
Trade receivables	808.8	852.4	43.6
Inventories	797.9	799.2	1.3
Others	245.7	245.1	(0.6)
Current assets	**2,149.6**	**2,191.6**	**42.0**
Fixed assets	2,367.1	2,524.4	157.3
Goodwill	727.7	832.9	105.2
Investments & Other	529.9	555.6	25.7
Non-current assets	**3,624.7**	**3,912.9**	**288.2**
Total assets	**5,774.3**	**6,104.5**	**330.2**

(Billions of Yen)

	Mar.31.2023	Mar.31.2024	Difference
Interest-bearing debt	2,375.8	2,338.2	(37.6)
Trade payables	476.3	501.5	25.2
Others	933.8	989.3	55.5
Liabilities	**3,785.9**	**3,829.0**	**43.1**
Share capitals, Retained earnings, etc,.	1,426.2	1,502.9	76.7
Other components of equity	138.4	260.6	122.2
Equity attributable to owners of the parent	**1,564.6**	**1,763.5**	**198.9**
Non-controlling interests	423.8	512.0	88.2
Equity	**1,988.4**	**2,275.5**	**287.1**
Total liabilities & equity	**5,774.3**	**6,104.5**	**330.2**

	Mar.31.2023	Mar.31.2024	Difference
Net Interest-bearing debt *1	2,078.6	2,043.3	(35.3)
Net D/E ratio	1.33	1.16	(0.17)
ROE *2	6.4%	7.2%	0.8%

*1 Net interest-bearing debt (End of Mar.31, 2024)
= interest-bearing debt (2,338.2billion yen)
- {cash and cash equivalents (294.9 billion yen) + investments of surplus funds-}
Note : Interest-bearing debt includes lease obligations.
*2 Ratio of net income attributable to owners of the parent.

Consolidated BS. Total assets amounted to JPY6,104.5 billion, up JPY330.2 billion from the previous year. The main factor was foreign exchange effects, which contributed JPY324 billion to the increase. Net interest-bearing debt decreased by JPY35.3 billion from the end of the previous year, and the net debt-to-equity ratio improved by 0.17 points to 1.16 from 1.33 at the end of the previous period.

Sales Revenue and Core Operating Income by Business Segment [Quarterly Data]

Sales Revenue and Core Operating Income by Business Segment [Quarterly Data]

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

		FY2022					FY2023				
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Total Consolidated	Sales Revenue	1,106.5	1,163.3	1,136.4	1,228.3	4,634.5	1,061.2	1,088.7	1,095.2	1,142.1	4,387.2
	Core Operating Income	**72.1**	**50.5**	**55.3**	**147.7**	**325.6**	**50.8**	**68.8**	**64.3**	**24.2**	**208.1**
Specialty Materials	Sales Revenue	316.7	310.4	305.6	301.0	1,233.7	290.9	291.8	290.7	299.5	1,172.9
	Core Operating Income	**22.3**	**21.3**	**11.6**	**(3.7)**	**51.5**	**9.2**	**7.9**	**0.2**	**(12.0)**	**5.3**
Polymers & Compounds	Sales Revenue	87.3	83.3	84.0	84.1	338.7	79.4	81.2	79.8	78.4	318.8
	Core Operating Income	**7.2**	**9.2**	**5.4**	**4.4**	**26.2**	**7.1**	**5.8**	**3.4**	**1.2**	**17.5**
Films & Molding Materials	Sales Revenue	136.1	131.0	128.5	122.1	517.7	124.2	121.6	117.7	127.8	491.3
	Core Operating Income	**11.1**	**7.4**	**3.7**	**(4.2)**	**18.0**	**1.6**	**(0.6)**	**(3.8)**	**(10.2)**	**(13.0)**
Advanced Solutions	Sales Revenue	93.3	96.1	93.1	94.8	377.3	87.3	89.0	93.2	93.3	362.8
	Core Operating Income	**4.0**	**4.7**	**2.5**	**(3.9)**	**7.3**	**0.5**	**2.7**	**0.6**	**(3.0)**	**0.8**
Industrial Gases	Sales Revenue	273.9	295.4	297.1	311.5	1,177.9	306.8	301.4	314.2	324.5	1,246.9
	Core Operating Income	**29.5**	**24.8**	**30.0**	**36.7**	**121.0**	**39.8**	**40.5**	**42.2**	**40.5**	**163.0**
Health Care	Sales Revenue	98.2	104.9	116.8	215.5	535.4	101.9	117.4	118.6	99.3	437.2
	Core Operating Income	**4.0**	**0.5**	**15.5**	**124.2**	**144.2**	**10.0**	**22.4**	**23.0**	**0.9**	**56.3**
MMA	Sales Revenue	87.8	79.0	69.3	69.1	305.2	69.0	69.4	68.7	74.5	281.6
	Core Operating Income	**2.8**	**2.0**	**(4.6)**	**(4.2)**	**(4.0)**	**(0.9)**	**2.6**	**(2.0)**	**1.1**	**0.8**
Basic Materials	Sales Revenue	269.1	307.0	286.2	259.5	1,121.8	242.7	248.6	257.5	259.8	1,008.6
	Core Operating Income	**15.2**	**2.2**	**0.3**	**(5.6)**	**12.1**	**(8.0)**	**(4.6)**	**2.2**	**(8.9)**	**(19.3)**
Petrochemicals	Sales Revenue	177.5	203.0	196.1	177.1	753.7	157.5	177.2	186.1	184.1	704.9
	Core Operating Income	**5.8**	**3.3**	**(1.0)**	**(5.6)**	**2.5**	**(4.4)**	**1.9**	**4.5**	**(2.0)**	**0.0**
Carbon Products	Sales Revenue	91.6	104.0	90.1	82.4	368.1	85.2	71.4	71.4	75.7	303.7
	Core Operating Income	**9.4**	**(1.1)**	**1.3**	**0.0**	**9.6**	**(3.6)**	**(6.5)**	**(2.3)**	**(6.9)**	**(19.3)**
Others	Sales Revenue	60.8	66.6	61.4	71.7	260.5	49.9	60.1	45.5	84.5	240.0
	Core Operating Income	**(1.7)**	**(0.3)**	**2.5**	**0.3**	**0.8**	**0.7**	**0.0**	**(1.3)**	**2.6**	**2.0**

* From Q1 FY2023, the current financial reporting segments has been reclassified into Specialty Materials, Industrial Gases, Health Care, MMA, Basic Materials, and Others. In addition, the company is reclassifying the managing segments for some of its businesses. Accordingly, for purposes of comparison, we are restated the results for FY2022.
* Breakdown figures of segment are approximation for reference purpose only.

This slide supplements the transition of core operating income from Q3 to Q4. Core operating income for Q4 was JPY24.2 billion, a decrease of JPY40.1 billion from Q3.

Specialty Materials posted a loss of JPY12 billion in Q4. Compared to Q3, there was a recovery in demand for each product, including barrier packaging applications, high-performance engineering plastics, carbon fibers, and polyester films. However, the decrease in income was due to adjustments in operations in some businesses to optimize inventories, as well as the impact of year-end closing adjustments and other one-time factors.

Industrial Gases continued to perform well in Q4 following Q3.

Although sales of RADICAVA in North America were strong in Q4 as well, the health care segment reported a decrease in income due to a reactionary drop in domestic prescription drug sales brought forward to Q3, as well as the concentration of SG&A and R&D expenses at the end of the fiscal year.

In MMA, there was no significant recovery in demand in Q4 following Q3, but supply factors have kept the supply-demand balance tight in Asia. The price gap impact improved due to higher market prices. The occupancy rate increased compared to Q3, when periodic repairs were concentrated, and the business returned to profitability in Q4.

Basic Materials posted a loss of JPY8.9 billion in Q4. In Petrochemicals, price gaps improved due to the postponement of polyolefin price revisions. However, the business posted a loss of JPY2 billion in Q4 due to a reduction in inventory valuation gains and impairment losses on fixed assets in some of its derivatives businesses.

Carbon products posted a loss of JPY6.9 billion due to deteriorating price gaps and shrinking inventory valuation gains as coke market conditions remained soft.

Change of Reporting Segments

Change of Reporting Segments

MITSUBISHI CHEMICAL GROUP

Following the organizational revision as of April 1, 2024, the reporting segments for fiscal 2024 and thereafter will be changed as follows.

Previous Reporting Segments (~FY2023) (Billions of Yen)

	FY2023 Sales Revenue	FY2023 Core Operating Income
Total Consolidated	4,387.2	208.1
Specialty Materials	1,172.9	5.3
Polymers & Compounds	318.8	17.5
Films & Molding Materials	491.3	(13.0)
Advanced Solutions	362.8	0.8
Industrial Gases	1,246.9	163.0
Health Care	437.2	56.3
MMA	281.6	0.8
Basic Materials	1,008.6	(19.3)
Petrochemicals	704.9	0.0
Carbon Products	303.7	(19.3)
Others	240.0	2.0

① Performance Polymers, Soarnol, and Gohsenol
② Packaging, Industrial & Medical Films, Acetyl Firms, Polyester Films, and Fiber
③ Aqua Solution, Life Solution, Infrastructure Solution, Semiconductor, Electronics, and Battery Materials

New Reporting Segments (FY2024~) (Billions of Yen)

	FY2023 Sales Revenue	FY2023 Core Operating Income
Total Consolidated	4,387.2	208.1
Specialty Materials	1,050.4	7.4
① ② Advanced Films & Polymers	465.7	17.4
③ Advanced Solutions	362.9	2.0
④ Advanced Composites & Shapes	221.8	(12.0)
Industrial Gases	1,246.9	163.0
Pharma	437.2	56.3
MMA & Derivatives	368.4	1.9
MMA	281.6	0.7
⑤ Coating & Additives	86.8	1.2
Basic Materials & Polymers	1,079.5	(21.7)
⑥ ⑦ Materials & Polymers	775.8	(2.3)
Carbon Products	303.7	(19.4)
Others (*)	204.8	1.2

④ Engineering Shapes & Solutions, Carbon Fiber and Composite Materials
⑤ Coating Material, Additives & Fine
⑥ Sustainable Polymers, and Engineering Plastic
⑦ Basic Petrochemicals, Polyolefins, and Basic Chemical Derivatives
(*) Some trading company functions transferred to individual segments

Before I explain our forecast for the fiscal year ending March 31, 2025, I would like to report the change in our reporting segments. In accordance with the reorganization on April 1, 2024, the reportable segments for the fiscal year ending March 31, 2025 and thereafter will be changed as shown on the slide.

Specialty materials will now be disclosed in three sub-segments: Advanced Films & Polymers, Advanced Solutions, and Advanced Composites & Shapes.

The first, Advanced Films & Polymers, includes businesses that were previously primarily in Polymers & Compounds and Films & Molding Materials.

The second, Advanced Solutions, is almost identical to the traditional Advanced Solutions.

The third category, Advanced Composites & Shapes, includes the traditional Molding Materials business.

Coating & Additives will be disclosed separately as one sub-segment under the MMA segment.

Basic Materials & Polymers is the addition of the former sustainable polymers and engineering plastic businesses in the traditional Polymers to the traditional petrochemicals business.

By combining businesses with greater affinity for each other as the same segment, we will further strengthen collaboration among businesses and accelerate growth. We apologize for any inconvenience this may cause to investors and analysts, and we hope you will understand.

Consolidated Statements of Operations

Consolidated Statements of Operations

	FY2023 Actual	1H	2H	FY2024 Forecast	Difference	%
Exchange Rate (¥/$)	145.3	150.0	150.0	150.0	4.7	
Naphtha Price (¥/kl)	69,100	75,000	75,000	75,000	5,900	
Sales Revenue	4,387.2	2,251.0	2,372.0	**4,623.0**	**235.8**	5%
Core Operating Income	208.1	110.0	140.0	**250.0**	**41.9**	20%
Special Items	53.7	(26.0)	(14.0)	**(40.0)**	**(93.7)**	
Operating Income	261.8	84.0	126.0	**210.0**	**(51.8)**	(20%)
Income before Taxes	240.5	66.0	105.0	**171.0**	**(69.5)**	(29%)
Net Income	178.4	42.0	74.0	**116.0**	**(62.4)**	(35%)
Net Income Attributable to Owners of the Parent	119.6	10.0	42.0	**52.0**	**(67.6)**	(57%)
Net Income Attributable to Non-Controlling Interests	58.8	32.0	32.0	**64.0**	**5.2**	

(Billions of Yen)

I would now like to explain our full-year forecast for the fiscal year ending March 31, 2025. We assume an exchange rate of JPY150 per US dollar and a naphtha unit price of JPY75,000.

Full-year sales revenue is projected to be JPY4,623.0 billion, a 5% increase over the fiscal year ended March 31, 2024. Core operating income is projected to be JPY250.0 billion, up 20% from the fiscal year ended March 31, 2024; operating income is projected to be JPY210.0 billion, down 20%; and net income attributable to owners of the parent is projected to be JPY52.0 billion, down 57%.

Sales Revenue and Core Operating Income by Business Segment

Sales Revenue and Core Operating Income by Business Segment

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

Segment		FY2023 Actual	1H	2H	FY2024 Forecast	Difference
Total Consolidated	Sales Revenue	4,387.2	2,251.0	2,372.0	**4,623.0**	235.8
	Core Operating Income	**208.1**	**110.0**	**140.0**	**250.0**	**41.9**
Specialty Materials	Sales Revenue	1,050.4	551.0	578.0	**1,129.0**	78.6
	Core Operating Income	**7.4**	**10.0**	**14.0**	**24.0**	**16.6**
Advanced Films & Polymers	Sales Revenue	465.7	240.0	248.0	**488.0**	22.3
	Core Operating Income	**17.4**	**10.0**	**10.0**	**20.0**	**2.6**
Advanced Solutions	Sales Revenue	362.9	180.0	192.0	**372.0**	9.1
	Core Operating Income	**2.0**	**1.0**	**3.0**	**4.0**	**2.0**
Advanced Composites & Shapes	Sales Revenue	221.8	131.0	138.0	**269.0**	47.2
	Core Operating Income	**(12.0)**	**(1.0)**	**1.0**	**0.0**	**12.0**
Industrial Gases	Sales Revenue	1,246.9	646.0	646.0	**1,292.0**	45.1
	Core Operating Income	**163.0**	**87.0**	**87.0**	**174.0**	**11.0**
Pharma	Sales Revenue	437.2	220.0	229.0	**449.0**	11.8
	Core Operating Income	**56.3**	**22.0**	**20.0**	**42.0**	**(14.3)**
MMA & Derivatives	Sales Revenue	368.4	194.0	192.0	**386.0**	17.6
	Core Operating Income	**1.9**	**7.0**	**9.0**	**16.0**	**14.1**
MMA	Sales Revenue	281.6	149.0	145.0	**294.0**	12.4
	Core Operating Income	**0.7**	**6.0**	**8.0**	**14.0**	**13.3**
Coating & Additives	Sales Revenue	86.8	45.0	47.0	**92.0**	5.2
	Core Operating Income	**1.2**	**1.0**	**1.0**	**2.0**	**0.8**
Basic Materials & Polymers	Sales Revenue	1,079.5	552.0	621.0	**1,173.0**	93.5
	Core Operating Income	**(21.7)**	**(13.0)**	**9.0**	**(4.0)**	**17.7**
Materials & Polymers	Sales Revenue	775.8	399.0	432.0	**831.0**	55.2
	Core Operating Income	**(2.3)**	**1.0**	**8.0**	**9.0**	**11.3**
Carbon Products	Sales Revenue	303.7	153.0	189.0	**342.0**	38.3
	Core Operating Income	**(19.4)**	**(14.0)**	**1.0**	**(13.0)**	**6.4**
Others	Sales Revenue	204.8	88.0	106.0	**194.0**	(10.8)
	Core Operating Income	**1.2**	**(3.0)**	**1.0**	**(2.0)**	**(3.2)**

* Breakdown figures of segment are approximation for reference purpose only.

This page shows forecasts by business segment. As comparative information in conjunction with the change in disclosure segments indicated earlier, we have reclassified the results for the fiscal year ended March 31, 2024, to the new segments.

Specialty Materials is expected to increase its income by JPY16.6 billion over the fiscal year ended March 2024. Of these, Advanced Films & Polymers expects a recovery in demand for polyester films and other products.

Advanced Solutions expects a recovery in demand for semiconductor-related business through.

Advanced Composites & Shapes is a business that experienced a particularly large drop in demand volume in the previous fiscal year. Based on the recent recovery trend, we also expect a recovery in demand for high-performance engineering plastics for semiconductor and general industrial applications, as well as for carbon fibers for wind power generation, sports applications, automobiles, and other various applications.

In Industrial Gases, we assume further income growth of JPY11 billion over the fiscal year ended March 31, 2024. We have factored in the expectation that demand will remain strong globally in the fiscal year ending March 31, 2025, as well as the positive effects of cost reductions, including the promotion of productivity improvements, to increase income.

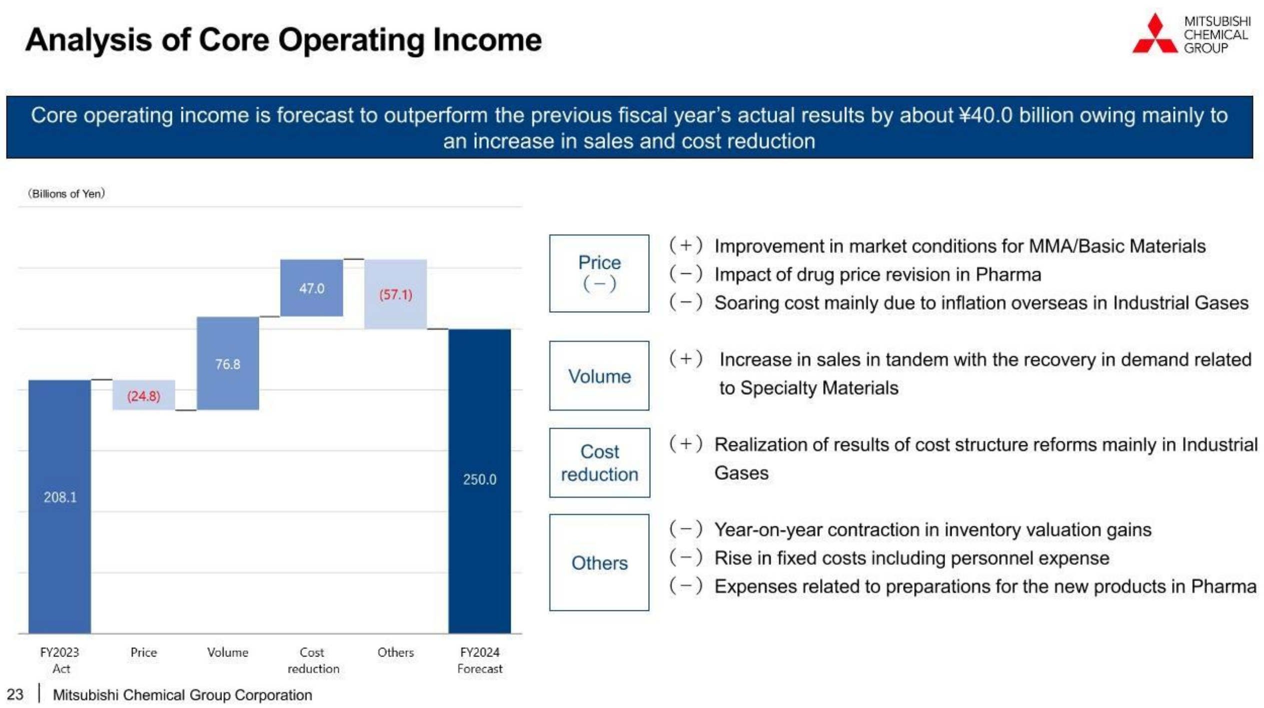
Pharma is forecasted to decrease its income by JPY14.3 billion from the fiscal year ended March 2024. We expect sales of RADICAVA, Mounjaro, etc. to remain strong. On the other hand, we have factored in the impact of NHI price revisions for prescription drugs in Japan, as well as the impact of increased SG&A and R&D expenses for the launch of new products.

MMA & Derivatives is expected to increase income by JPY14.1 billion over the year ended March 31, 2024. Of this amount, the MMA business is forecasted to increase income by JPY13.3 billion. In light of current market trends in Asia, we have factored in an improvement in price gaps and capacity utilization compared to the previous year, as well as cost reductions due to structural reforms in Hiroshima.

Basic Materials & Polymers is projected to increase income by JPY17.7 billion over the fiscal year ended March 31, 2024. We expect inventory valuation gains to shrink in both the petrochemicals and carbon businesses. On the other hand, we expect an improvement in the coking coal price gap due to lower coking coal prices, an improvement in the volume in the petrochemicals business, including the elimination of the impact of troubles in the previous year, and cost reductions to make positive contributions to the segment.

From 1H to 2H, we expect a trend toward higher earnings due to a reduction in the scale of scheduled maintenance in the petrochemicals business and an improvement in inventory valuation gains/losses in the carbon products business.

Analysis of Core Operating Income



Factors contributing to the increase or decrease in core operating income. From the fiscal year ended March 31, 2024 to the fiscal year ending March 31, 2025, we forecast an increase of JPY41.9 billion in core operating income for the Group as a whole.

The price gap will be a negative factor due to the impact of NHI price revisions for prescription drugs in Japan in Pharma and rising costs in Europe and the US in industrial gases. On the other hand, we assume an improvement in price gaps in MMA & Derivatives and Basic Materials & Polymers.

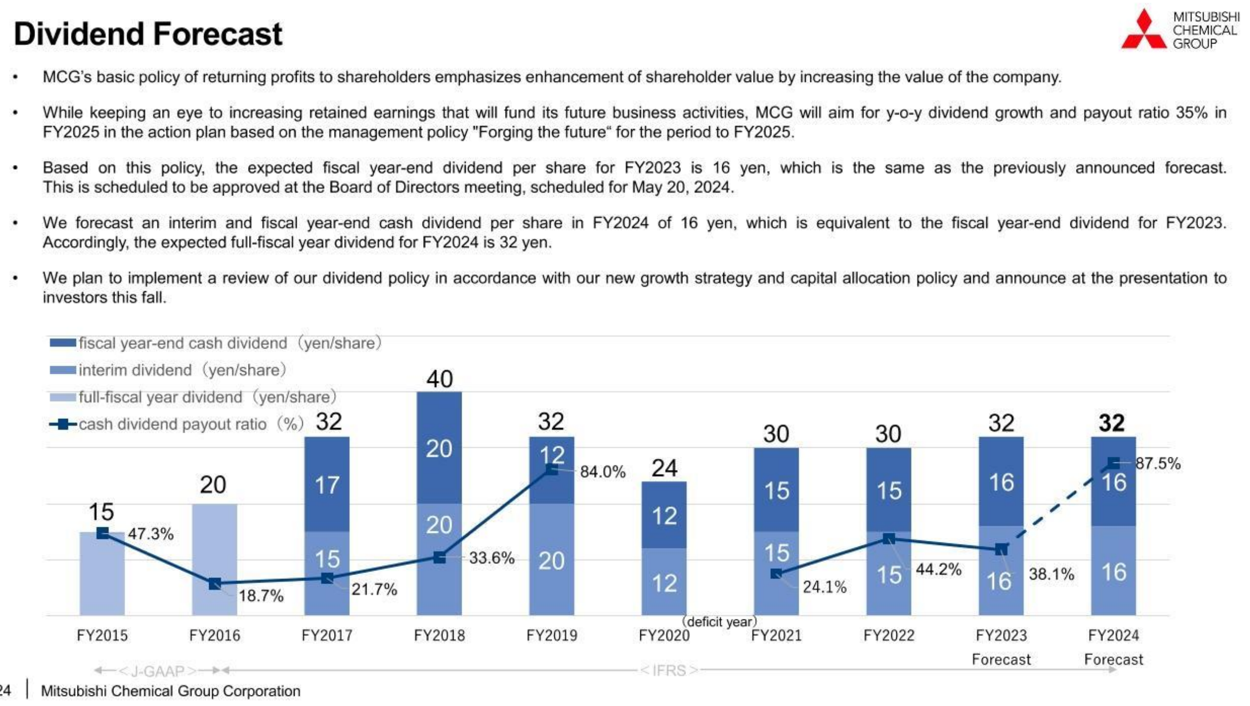
As for the volume, we expect a recovery in demand in each market, especially in Specialty Materials, including semiconductors.

With regard to cost reduction, each business continues to build on its plans during the current period. Although the management structure has changed, we will firmly continue and promote rationalization to improve profitability.

Included in others is the impact of reduced inventory valuation gains in Basic Materials & Polymers, as well as higher fixed costs due to inflation and other factors in each business, and higher sales and R&D expenses for new product launches in Pharma.

We believe that the JPY250 billion in core operating income in our earnings forecast is a must-achieve target. We will accelerate our business portfolio reform and growth strategy to further increase income in actual results.

Dividend Forecast



I will now explain dividends. The year-end dividend per share for the fiscal year ended March 31, 2024 will be JPY16, as previously announced in the forecast, and will be resolved at the Board of Directors' meeting on May 20, 2024.

For the fiscal year ending March 31, 2025, we forecast that the dividend per share at the end of Q2 and at the end of the fiscal year will be JPY16, the same amount as the year-end dividend for the fiscal year ended March 31, 2024. As a result, the annual dividend forecast per share for the fiscal year ending March 31, 2025 is JPY32.

We plan to announce our future dividend policy after reviewing it based on our new growth strategy and capital allocation policy in preparation for our business presentation scheduled in the fall.

Question & Answer

Q&A: Timing of management policy announcement and efforts to maintain employee motivation and restore profitability under the new structure

Participant: I would like to ask President Chikumoto, the new president. You said that you would announce various strategies this fall, but at the press conference last December, you said that you would make an announcement at an earlier date. Let me confirm this.

It has been a little over a month since the new organization was formed. With all the changes that have taken place over the past three years, how are you bringing your employees back together and moving toward the new structure?

In addition, the earning power of chemical specialties has dropped significantly. How will this be recovered?

Chikumoto: We have been told by many of you that it is too late to announce our strategy in the fall, and we would like to do so at the earliest possible time. Frankly speaking, we will continue to implement what we can.

With the new structure in place, discussions by the new management team began around February. We recognize that the new members are well aware of what this entails and the state of the Company.

We are currently spending a half or full day almost every week making decisions on the various agendas. We hope to announce our various visions and strategies in the fall, but what we can do in the meantime will be done one after the other. We would like to make announcements in sequence and would appreciate your understanding.

We would like to work on this as quickly as possible so that people can say at the time of announcement, "Is this a summary of what you've done so far?"

We have a very critical feeling regarding employee motivation. In particular, in the petrochemical, carbon, and other departments I was in charge of last year, some very talented people left the Company, and operators became very anxious and went to other companies.

Fortunately, such turnover stopped around this past January or February. Employees are very excited, asking, "What's coming out of the new management team?" and I believe they are very motivated.

The other is to focus on our purpose. Why we are in business and why we come to work hard every day are all connected to this purpose. We would like to operate our business with a focus on KAITEKI once again.

As for earning power, it is difficult to get better quickly, but one way is through pricing policies. It is important to have a reasonable pricing policy and to operate at a reasonable level. We believe that the idea of "just making lots of stuff and selling it cheaply" is impossible under our new management policy.

As Mr. Kida mentioned, we would like to further accelerate rationalization, which is already a global movement. We hope that you will have high expectations in that area.

Q&A: Q4 transitory factors and outlook for future improvement

Participant: In Q4 under review, there were some one-time losses, especially in specialty materials, which had a significant loss. Can you please explain this quantitatively? Also, how much effect do you expect from its elimination in the new term?

Kida: First, let me summarize Specialty Materials. One of the several major items was impairment loss, with an impairment impact of approximately JPY4 billion.

Next is inventory adjustment. As I mentioned earlier, we have implemented considerable inventory reduction this fiscal year and have improved our working capital as a result. For this purpose, the plant was shut down for a certain period of time and inventory adjustments were also made. The impact of this inventory adjustment was a negative factor of approximately JPY2.5 billion.

In addition, as part of the settlement of accounts, the Company writes down inventories and writes off losses on uncollectible receivables due to one-time factors.

Broadly speaking, these three factors can be considered. In summary, impairment losses amount to about JPY4 billion, inventory adjustments to about JPY2.5 billion, and the impact of the settlement of accounts to about JPY2 billion.

Participant: Are these numbers for the two segments combined?

Kida: No, what I just told you is about the figures for Specialty Materials.

Participant: Was the impairment loss of Basic Materials not very large?

Kida: Basic Materials recorded an impairment loss on a phenol and bisphenol A plant. The impact of this impairment is JPY4.2 billion, which is very large for a single item.

Q&A: Sales revenue outlook for RADICAVA and Mounjaro

Pharmaceuticals: Details of Revenue (Forecasts of FY2024)

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	FY2023	1H	2H	FY2024	Difference	%
Domestic ethical drugs	300.8	152.4	163.2	**315.6**	**14.8**	4.9%
Priority and New products	171.7	80.9	83.2	**164.1**	**(7.6)**	(4.4%)
Stelara	65.3	30.8	27.5	**58.3**	**(7.0)**	(10.7%)
Simponi	43.3	21.5	20.9	**42.4**	**(0.9)**	(2.1%)
Tenelia	12.0	4.1	7.6	**11.7**	**(0.3)**	(2.1%)
Canaglu	11.8	5.9	5.5	**11.4**	**(0.4)**	(3.4%)
Canalia	10.8	3.5	4.7	**8.2**	**(2.6)**	(24.3%)
Vafseo	2.2	1.2	1.2	**2.4**	**0.2**	8.7%
Uplizna	6.1	3.6	4.6	**8.2**	**2.2**	35.6%
Rupafin	9.3	3.6	5.2	**8.8**	**(0.5)**	(5.6%)
Dysval	5.4	3.6	2.8	**6.4**	**0.9**	17.0%
Radicut	5.5	3.2	3.1	**6.3**	**0.8**	15.2%
Vaccines	34.3	23.8	20.7	**44.5**	**10.1**	29.5%
Influenza vaccine	10.6	7.5	4.9	**12.4**	**1.8**	17.0%
Tetrabik	8.8	2.2	1.2	**3.4**	**(5.4)**	(61.5%)
GOBIK	1.2	6.8	8.5	**15.2**	**14.0**	1,139.0%
JEBIK V	3.3	2.0	1.5	**3.5**	**0.2**	4.9%
Mearubik	5.0	2.6	2.0	**4.7**	**(0.3)**	(6.6%)
Varicella vaccine	4.1	2.0	2.0	**4.0**	**(0.2)**	(3.7%)
Long-listed drugs, etc.	94.8	47.8	59.3	**107.1**	**12.3**	13.0%
Remicade	29.7	12.8	11.9	**24.7**	**(5.0)**	(16.8%)
Overseas ethical drugs	111.7	55.4	54.2	**109.6**	**(2.0)**	(1.8%)
Radicava	79.2	40.8	39.9	**80.7**	**1.5**	1.9%
Royalty revenue, etc.	16.9	Undisclosed	Undisclosed	**Undisclosed**	-	-
Royalty from INVOKANA	6.6	Undisclosed	Undisclosed	**Undisclosed**	-	-
Royalty from GILENYA	5.4	Undisclosed	Undisclosed	**Undisclosed**	-	-

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Participant: I would like to ask you about Health Care. There was an announcement that a competitor to RADICAVA was being withdrawn after failing to prove its efficacy in phase III clinical trials. What is the background behind your forecast of a slight decrease in sales revenue for the current fiscal year?

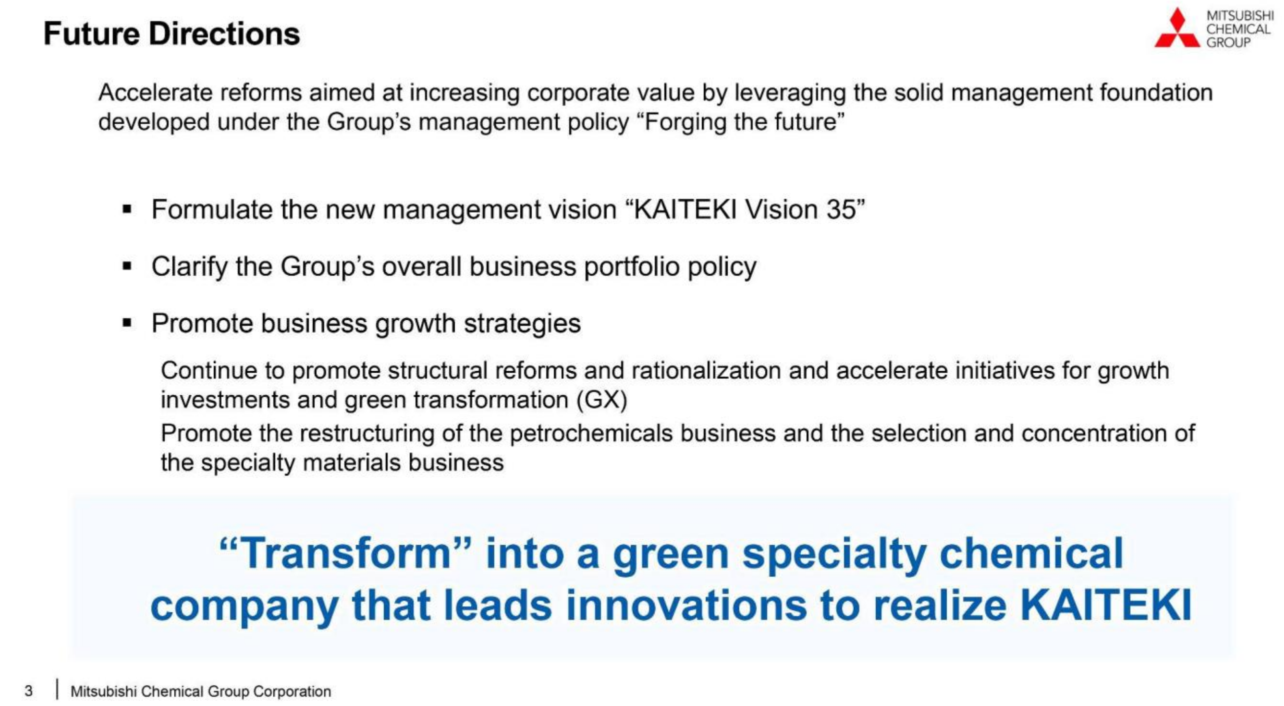
Also, you have disclosed figures for Mounjaro for the fiscal year ended March 31, 2024, but what are your projections for the fiscal year ending March 31, 2025, if any?

Akihiro Tsujimura (hereafter, Tsujimura): I, Tsujimura, Executive Vice President, will answer. First, I believe you are referring to the PHOENIX trial by Amylyx Pharmaceuticals, Inc. when you talk about a competing drug for RADICAVA. We see the withdrawal of this product from the market as unfortunate, as it will mean one less treatment option for our patients.

It is conceivable that a certain number of patients will move from Relyvrio to RADICAVA, but we have not quantitatively included it in this outlook.

Due to our contract with Eli Lilly, we are unable to disclose figures for Mounjaro for the fiscal year ending March 31, 2025. Sales of Mounjaro are recorded in the "long-listed drugs, etc." section of the details of revenue on page 52; we would like you to make an inference from this figure.

Q&A: Group-wide portfolio policy and synergies from the pharma business



Participant: I would like to ask President Chikumoto. On page three of the slide, there is a phrase "Clarify the Group's overall business portfolio policy." I have also read the interviews in some industry magazines and other publications. President Chikumoto, could you please reiterate your view of the Company's current business portfolio?

What is the significance of managing businesses of a different nature, chemical and pharmaceutical, and what are your thoughts on the current situation where industrial gases occupy a large profit position? Also, regarding the carbon business, there was talk of "withdrawing" from the business under the previous system, but what is President Chikumoto's view now?

I know this may be difficult to answer at this point, but could you please explain your business portfolio as far as possible?

Chikumoto: Quite simply, I would say that everything is a consideration. It is true that industrial gases are very profitable and growing steadily. There are still many profitable products in the pharma business, including RADICAVA. We are very grateful for this.

On the other hand, we feel ashamed to say that the earning power of chemicals is weakening. There is no such thing as "doing something that will immediately increase profitability."

In fact, one of the things we have been working on recently is a pricing policy. Not being bound by the past, we have been working for the past year to achieve prices that will encourage customers to purchase our products at the prices we originally wanted to sell them at, after careful consultation with and understanding of our customers.

We are also working diligently to reduce costs, and are making progress overseas as well. We would like to increase the profitability of chemicals by including that as well.

As for the carbon business, overseas market conditions remained poor, but began to improve slightly around March and April. Fundamentally, however, the spread remains poor. We are working on how to build a structure that will not fall into the red even in situations where the price of coking coal in Australia increases due to the steel recession or other special factors. Furthermore, we believe that one of the key considerations is how to do this in the future.

We take an impartial look at every project, including all possibilities. We will let you know when we have made a decision, but at this point nothing has been decided yet.

Participant: Can you tell us a little more about the synergies with pharma and the challenges of managing pharma and chemistry?

Chikumoto: I believe that synergies between pharma and chemicals are difficult to achieve. On the other hand, I personally feel that it also would be difficult to find very large synergies with industrial gases.

Q&A: MMA market outlook and Q4 forecast

Participant: I have a question regarding MMA. In Q4, income appeared to be a bit sluggish, despite rising market conditions. Let me ask if there were any impairment losses, disposals, etc.

In addition, the plan for the new fiscal year calls for a significant increase in income, but given the current market conditions, the increase appears to be a bit mild. How do you view the recent surge in market conditions?

I suppose there are compounding factors, such as operating adjustments, raw material shortages, concentration of scheduled maintenance, logistical disruptions, etc. Do you believe that the current MMA market is not sustainable? Please tell us a little more about the outlook for the MMA market and the trends in your business performance for the new year.

Kida: We don't think there is much of a transitory impact. If anything, the current market conditions are very tight in Asia due to supply factors. For example, acetone does not appear in the market due to poor market conditions for phenol, and cyanide, a byproduct, does not appear due to poor acrylonitrile operations, thereby tightening the production of ACH method MMA monomer and preventing it from appearing. We assume that this situation will continue to some extent.

At the same time, however, as I mentioned earlier in our earnings forecast, core operating income of JPY250 billion is a goal that we must achieve. Since we believe that we must achieve this in the end, we have included a degree of caution in our earnings forecast.

Therefore, although it is difficult to tell you the extent of the current situation, the current market situation is not transitory and is expected to continue to some extent. I think it is important to consider that the MMA for this fiscal year incorporates the assumption that prices will remain at the current level and transition relatively moderately.

Participant: In response to the current market conditions above USD2,000, what level of market assumptions do you have in mind? Also, please provide an update on the investment in increased production in Louisiana, if possible.

Kida: The current price is above USD2,000, but USD2,000 is getting somewhere in our opinion at the moment. We are still in the process of considering Alpha 3 (a project to build a new MMA monomer plant in the US using Alpha method) in Louisiana, and although no decision has been made as of yet, we will continue to study the matter diligently.

Q&A: Factors contributing to losses in specialty materials in Q4

Participant: I would like to ask about specialty materials' income and loss for Q4 of the fiscal year ended March 31, 2024. You mentioned earlier that in Q4 there were negative factors of about JPY8.5 billion, including one-time impairments and inventory write-downs.

However, since a deficit of about JPY12 billion was posted in Q4, the actual deficit would have been about JPY4 billion even if these items were excluded.

On the other hand, sales improved by about JPY9 billion QoQ in Specialty Materials. Could you please explain why the actual profit/loss is worse despite the increase in sales?

Kida: Q4 was quite a difficult period for Specialty Materials. As we mentioned a bit earlier as a factor for the full year, the full-year impact was quite large in Q4 for several businesses. In barrier packaging materials in particular, although a gradual recovery in demand has been observed, the Company has had considerable difficulty in adjusting its operations.

In this sense, films and molding materials suffered the most. Although there has been some recovery, mainly in semiconductor applications, engineering plastics have yet to fully recover.

In addition, we recently made CPC a wholly owned subsidiary, and the amortization of intangibles in the purchase price allocation (PPA) at the time of acquisition was higher than we had originally anticipated, and this was another factor that pushed down income.

Participant: Do you mean that the increase in sales was partly due to the effect of the acquisition of a carbon fiber material manufacturer (CPC)?

Kida: Yes, you are right.

Q&A: Potential growth of the 5-in-1 vaccine GOBIK Aqueous Suspension Injection Syringes

"GOBIK Aqueous Suspension Syringes", combination vaccine for five diseases[*1] launched in Japan (March 2024)

MITSUBISHI CHEMICAL GROUP

- **Reduce the number of shots of routine vaccinations and the burden on infants and guardians**
  - Jointly developed by Research Foundation for Microbial Diseases of Osaka University and first approved [*2] in Japan as the combination vaccine for five diseases
  - Co-promoted[*3] with Pfizer Japan Inc.
  - Routine vaccinations started from April 2024

[*1] GOBIK is a vaccine that combined the antigenic components of TETRABIK (adsorbed diphtheria-purified pertussis-tetanus-inactivated polio [Sabin strain] combined vaccine) with those of Haemophilus influenzae type b (Hib).

[*2] Marketing authorization holder is Research Foundation for Microbial Diseases of Osaka University.

[*3] Co-promotion of "GOBIK Aqueous Suspension Syringes", Pertussis, Diphtheria, Tetanus, Inactivated Polio and Hib Combined Vaccine (Press release on January 23, 2024).

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Participant: I would like to ask you about the GOBIK Aqueous Suspension Injection Syringes, the 5-in-1 vaccine that you introduced in the pharmaceutical section. The plan for the current fiscal year assumes that sales will grow by about JPY15 billion. I would like to know the sales potential of this product and whether we can expect a positive effect on marginal profit if sales increase as planned.

Tsujimura: I believe that the sales potential is high because the vaccine will be a 5-in-1 vaccine instead of a 4-in-1 vaccine. As for the cost of the vaccine, there is no drug price, but it is the cost of administering the vaccination, which is the sum of the unit price of the vaccine and the cost of the vaccination. Therefore, the cost of the 5-in-1 vaccine itself is lower than that of the 4-in-1 and Hib vaccines.

However, since only one dose of vaccination is required for the child, we believe that the burden on the infant and parents is less than that of the 4-in-1 and the Hib vaccines, and we feel that the potential for growth is very high.

Participant: Sales are expected to increase considerably this fiscal year; do you anticipate further growth in the future? Can we also expect to see further growth in profit margins?

Tsujimura: I can't make any statements about profit margins, but we will continue to work hard to increase sales. We would like to expand the sales channel for GOBIK Aqueous Suspension Injection Syringes as much as possible through co-promotion with Pfizer Inc.

Our sales forecast for the current fiscal year is JPY15.2 billion, and we naturally hope to grow beyond that.

Q&A: Price impact of long-listed drugs

Participant: I would like to ask about the pharmaceutical sales forecast. The increase in sales of Mounjaro expected to lead to an additional JPY12.3 billion in sales of long-listed drugs, etc. However, your company owns quite a few long-term listed products, many of which have significantly lower unit prices, such as TANATRIL, CEREDIST, DEPAS, URSO, and TALION.

For example, the price of CEREDIST drops by about 70%, and some other prices drop at the level of 30% or 40%. In light of this, even if RADICAVA grows as expected, the effect of the decline in the unit price of long-term listed products will be greater.

Also, with regard to Mounjaro, your company is not participating in clinical trials, and since it is a drug that does not have a very high marginal profit margin, it does not appear that it will have a significant effect on the increase in sales. However, why is it that the impact of the decline in the Pharma's unit price has been contained to this extent?

Am I correct in understanding that the substantial growth of RADICAVA makes the impact of the decline in selling prices of long-listed products so small?

Tsujimura: It is difficult to answer the question about Mounjaro because we cannot disclose it, but we expect sales of long-term listed drugs, etc. to increase by JPY12.3 billion compared to the previous year. Since this amount of increase has been achieved after offsetting the effects of the decline in drug prices for long-term listed products, we believe that sales of Mounjaro itself are expected to be substantial.

In addition, as already notified to the medical community, as of June 4, all previous shipping restrictions for Mounjaro will be lifted and shipments will return to normal. As such, please consider that the effect of increased revenues from Mounjaro has been factored into the forecast to some extent.

Participant: I think that once shipments return to normal, Mounjaro will grow rapidly and sales will really be in line with the plan. However, I understand that Mounjaro does not have a high marginal profit margin. Still, will the effect of the fall in pharma prices be limited to that extent?

Tsujimura: We think so.

Participant: So you are saying that the marginal profit margin of Mounjaro is somewhat high?

Tsujimura: I cannot make a clear statement on that point.

Q&A: Capital allocation approach to improve financial strength

Participant: I would like to ask you about your financial strategy. We understand that your company's financial position is currently quite fragile. If Alpha 3 were to be implemented, it would be a fairly large investment, perhaps on the order of JPY300 billion.

However, looking at your company's R&D allocation, although you spend a fairly large amount in pharma, your total investment in specialty materials is probably less than that of your peers. In light of what you said at the beginning about "achieving the new management vision 'KAITEKI Vision 35,'" it seems to me that the amount is not enough.

Will you announce about your company's preferred financial structure later this fall or before then? Or do you now have an idea of how much you want to achieve? What are your thoughts?

Kida: This is the most difficult question of all, and one that we ask ourselves and discuss internally on a daily basis.

One of our major goals for improving our financial position, which we have advocated from the beginning, is the net debt-to-equity ratio, which we intend to bring to a level of 1 or even below 1. This will probably not change when a new mid-term management plan is developed.

On the other hand, as you have pointed out, we understand very well that there are concerns about how the source funds will be used as we allocate funds to various things.

As Mr. Chikumoto explained earlier in the portfolio section, we will consider all possibilities. From the perspective of whether we are the best owner, we will consider everything, including not only pharma and industrial gases, but also basic materials and specialty materials.

From this, we believe that certain hypotheses may be deduced from the perspective of capital allocation.

Next, I would like to discuss how we will respond to the planning of a large, individual and specific project such as Alpha 3 from the perspective of finance. In addition to procuring direct and indirect financing, I believe that we must also consider the option of searching businesses to participate in the project with us, or seeking third-party financing for certain parts of the project.

We believe that our approach will be to make decisions one by one through a combination of what we have just discussed.

Participant: Am I correct in understanding that your attitude is to secure appropriate management resources while considering everything with an open mind, including bringing in outside capital?

Kida: It is quite difficult to describe "external capital," but we will consider it on a project-by-project basis rather than on a company-by-company basis. For example, there are many options, such as working with someone else, or having someone else hold the capacity for a certain period of time for a large capital investment. We intend to consider a wide range of such matters.

Q&A: Future approach to human capital

Participant: I would like to ask President Chikumoto. I think it is wonderful that you will formulate KAITEKI Vision 35 as a future direction. I had wondered why KAITEKI Vision 30 was gone in 6 months.

It is very important to set a direction and unite the minds of employees, but will the current personnel system and other systems be changed? Or will they be included and considered as a whole? What is your view on human capital, one of the three elements of management?

Chikumoto: I also believe that the personnel system should not be left as it is now. First, we develop a vision, and based on that vision, we create a strategy to achieve the vision. One of the items we would like to support this strategy is to determine HR policies, including things like rewards and awards, organization, and processes to promote the management of the Company.

Also, as mentioned in an earlier question, we would like to increase our R&D expenditures. This does not mean that we should research and develop everything, but that we should concentrate on what we are good at. Please understand that we believe that selection and concentration are necessary for this purpose, and that all of our businesses are now in consideration.

Q&A: Future portfolio review

Participant: I would like to ask President Chikumoto. Regarding the portfolio review that you mentioned a little bit in your earlier answer, do you expect the plan that will be issued this fall to set some direction for the discussions on, for example, health care and industrial gases?

Chikumoto: I think the principle is to tell everyone various things at the stage when we have completed the study or when a certain process has progressed. In that vein, I hope that when we're in the process of putting it all together and talking about it in the fall, you'll ask, "Haven't you already announced that?"

Also, I would like to make decisions that need to be made in sequence, without waiting for the fall.

Participant: Am I correct in understanding that this includes a review of the business portfolio?

Chikumoto: Of course.

Q&A: The concept and probability of the must-be-achieved target for this fiscal year

Participant: I would like to ask Mr. Kida. You have commented several times that core operating income must reach JPY250 billion. Could you please explain the purpose of that comment?

I believe that your company's performance will vary extremely widely depending on the external environment. Do you mean it is possible to boost core operating income because changes in the external environment can be controlled to some extent through self-help efforts? Or is the forecast a bit conservative?

Looking at the situation in Q4 under review, it is difficult to say with any certainty that the external environment will improve easily. Please explain about that.

Kida: As you point out, the chemical business in particular is easily affected by the external environment, and in some aspects it is strongly dependent on the external environment. This is true for both the volume and the price gap factors.

In the fiscal year ended March 31, 2024, specialty materials was particularly affected by the adjustment phase of certain customers, such as semiconductors and wind turbines for wind power generation.

In addition, it is affected by the economy. Wind power generation, in particular, is a semi-public utility and is therefore subject to the economy. Therefore, I think your point about extremely large changes depending on the external environment is really true.

I explained earlier that the forecast for the next fiscal year is a must-achieve target. This includes our certain strong desire and will. We believe that we must become a company that implements what it says. This is a kind of determination not only on my part, but also on the part of the entire management team, led by Mr. Chikumoto.

The JPY250 billion figure is derived, of course, after considering certain downside and upside factors to the internally planned figure and taking them into account. We are not confident, but we are very determined to achieve these figures.

In addition, as was commented earlier about self-help efforts, we have incorporated plans for cost reductions of just under JPY50 billion into this JPY250 billion for the current fiscal year as well. We are also factoring in something quite large in Industrial Gases.

As you can see from the analysis of the previous period for each business, despite cost reductions, the item others was a major negative factor. Much of this is related to business restructuring. In terms of manifesting the effects of this reform, we have included in the JPY250 billion this time the bisphenol A case I mentioned earlier, as well as the cost reduction effect associated with the halting of ACH method MMA production in Hiroshima.

In a sense, the JPY250 billion is certainly made up by the view on external environment. However, we are also firmly committed to reaping the fruits of our past efforts to reduce and streamline costs through self-help efforts, as I have just explained. I hope you understand that we arrived at the JPY250 billion figure as a result.

[END]