August 1, 2024

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Notice Regarding the Structural Reform of the Coal Business

Mitsubishi Chemical Group Corporation (MCG) hereby announces the resolution adopted at its Executive Officers' Meeting held today to set out a structural reform policy and optimize the production system of the coke business of its consolidated subsidiary, Mitsubishi Chemical Corporation (MCC), with the aim of improving the profitability of MCC’s coal business.

1. Summary

In line with its management policy of “Forging the future” announced in December 2021, MCG regards its coal business as a domain to be exited, considering the carve-out of the business.

At the same time, in light of the demand trends in the domestic steel industry, MCG has been transforming its coal business into an international export expansion business model by downsizing the number of coke ovens and reinforcing the export shipment facility at MCC’s Kagawa Plant. However, the demand for steel materials is sluggish at the moment mainly in China, leading to a slump in the overseas coke market, and the coke business environment is in a difficult situation.

Against this background, MCG considers it more urgent to review the production system and sales policy of its coal business than carving it out, and has decided to further reduce the production scale of the coke ovens owned by the Kagawa Plant. Furthermore, MCG will review its domestic and overseas sales portfolios and implement additional streamlining measures to transform its coal business structure into one that is not affected by market fluctuations.

MCG will continue to review the mid- to long-term positioning of the coal business in the business portfolio of the entire MCG Group while steadily promoting this structural reform.

2. Details and schedule of production system optimization

(1) Plant subject to production system optimization: Kagawa Plant
(2) Business: Coke production
(3) Production capacity: Reduce the number of coke ovens from the current 250 to 150
(4) Timeline: Discontinue production through the targeted 100 ovens by the end of March 2025

3. Future outlook

Along with this structural reform resolved at its Executive Officers' Meeting held today, MCG aims to make its coal business profitable from the fiscal year ending March 31, 2026 onwards through sales margin improvement based on the review on its sales portfolio and cost reductions. Furthermore, following the decision to reduce the scale of production, MCG expects to record an impairment loss on fixed assets of about seven billion yen in the second quarter of the fiscal year ending March 31, 2025, as a non-recurring loss. MCG intends to record the cost of removing equipment and other related expenses in the second quarter of the fiscal year ending March 31, 2025 onwards, but it is currently examining the amount of the financial impact. In case any matters that need to be made public take place, MCG will promptly disclose their details.

Reference: Consolidated performance forecast for the current fiscal year (announced on August 1, 2024) and consolidated results for the previous fiscal year

	Sales revenue	Core operating income	Operating income	Net income	Net income attributable to owners of the parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Million yen	Yen
Consolidated earnings forecast for the current fiscal year (FY March 2025)	4,623,000	250,000	210,000	116,000	52,000	36.55
Consolidated results for the previous fiscal year (FY March 2024)	4,387,218	208,116	261,831	178,439	119,596	84.07