Presentation

[Title]
Mitsubishi Chemical Group Sees Growth in Sales Revenue and Core Operating Income Year on Year, on Track with Latest Full-Year Forecast

[Lead]
The following is a transcription of Mitsubishi Chemical Group Corporation’s 3Q FY2024 financial results presentation, which was announced on February 6, 2025.

[Speakers]
Minoru Kida, Vice President and CFO
Akihiro Tsujimura, Executive Vice President (Head of Pharma)

Summary

Summary

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FY2024 3Q (Nine Months) Actual

- The business environment during the third quarter of fiscal 2024 generally remained stable, despite some different levels of strength in demand among regions and industries. Display-related sales continued to be strong in the second half of fiscal 2024 following the first half of fiscal 2024 on the back of subsidy policy in China, and semiconductor-related sales remained on a moderate recovery path, driven by demand related to generative AI. On the other hand, sales were sluggish in some regions and sectors, such as automotive and food-related markets.
- In the chemicals business, there were year-on-year improvements both in price gap, chiefly for MMA and Basic Materials & Polymers, and sales volume for Specialty Materials. In addition, our Group-wide cost reduction efforts, which had reached 87% against the initial target, continued to contribute to income. As a result, sales revenue increased 3% year on year, and core operating income rose 34% year on year.
- Net income attributable to owners of the parent decreased 43% year on year due mainly to the recording of structure reform expenses under special items.

FY2024 Forecast

- Core operating income for the first three quarters of the fiscal 2024 was 85% against the full-year forecast announced on November 1, 2024, showing a steady progress. On the other hand, deterioration in price gap for MMA monomer is anticipated in the fourth quarter of fiscal 2024, on top of seasonal factors for Specialty Materials and Pharma. Therefore, we reiterate our full-year forecast of 290.0 billion yen.
- Net income attributable to owners of the parent has exceeded our full-year forecast due mainly to the effect of the cheaper yen in the third quarter of fiscal 2024. We also reiterate our initial forecast of 52.0 billion yen for net income attributable to owners of the parent as several business structure reform projects are considered in the fourth quarter of fiscal 2024 and losses under special items are expected to be recorded. Dividend forecast also remains unchanged from our initial forecast of a year-end dividend of 16 yen per share and an annual dividend of 32 yen per share.
- We will continue to relentlessly pursue portfolio transformation and profit improvement based on the "three criteria for business selection" and "three disciplined approaches in business operations" under the guiding principles for our business operations in the New Medium-Term Management Plan 2029.

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Kida: I am Kida, Vice President and CFO. I will explain the financial results for 3Q FY2024.

The business environment during the 3Q of FY 2024 generally remained stable, despite some different levels of strength in demand among regions and industries.

Display-related sales continued to be strong in 2H following 1H on the back of subsidy policy in China. Semiconductor-related sales remained on a moderate recovery path, driven by demand related to generative AI.

On the other hand, sales were sluggish in some regions and sectors, such as automotive and food-related markets.

In Chemical Business, there were year-on-year significant improvements in price gap, chiefly for both MMA and Basic Materials & Polymers, and sales volume for Specialty Materials. In addition, our Group-wide cost reduction efforts accumulated significantly, reaching ¥41.1 billion, or 87% of the initial target of ¥47.0 billion, which contributed to profits.

As a result, sales revenue increased by 3% YoY, and core operating income rose by 34% YoY. Net income attributable to owners of the parent decreased by 43% YoY due mainly to the recording of structural reform-related expenses under special items.

Core operating income through 3Q was 85% against the full-year forecast announced on November 1, 2024, showing a steady progress. On the other hand, deterioration in price gap for MMA monomer is anticipated in 4Q, on top of seasonal factors for Specialty Materials and Pharma. Therefore, we reiterate our full-year forecast of ¥290.0 billion.

Net income attributable to owners of the parent has exceeded our full-year forecast due mainly to the effect of the cheaper yen in 3Q. However, we also reiterate our initial forecast of ¥52.0 billion for net income attributable to owners of the parent as several business structure reform projects are considered in 4Q and losses under special items are expected to be recorded.

Dividend forecast also remains unchanged from our initial forecast of a year-end dividend of ¥16 per share and an annual dividend of ¥32 per share.

We will continue to relentlessly pursue portfolio transformation and profit improvement based on the “three criteria for business selection” and “three disciplined approaches in business operations” under the guiding principles for our business operations in the New Medium-Term Management Plan 2029.

Consolidated Statement of Operations

Consolidated Statements of Operations

MITSUBISHI CHEMICAL GROUP

Exchange Rate (¥/$)	143.8	153.0	9.2	6%
Naphtha Price (¥/kl)	67,900	76,300	8,400	12%

(Billions of Yen)

	Nine Months Ended Dec. 31, 2023	Nine Months Ended Dec. 31, 2024	Difference	%
Sales Revenue	3,245.1	**3,331.5**	**86.4**	3%
Core Operating Income *1	183.9	**247.2**	**63.3**	34%
Special Items	28.6	**(57.7)**	**(86.3)**	
Operating Income	212.5	**189.5**	**(23.0)**	(11%)
Income before Taxes	191.8	**161.5**	**(30.3)**	(16%)
Net Income	144.3	**106.8**	**(37.5)**	
Net Income Attributable to Owners of the Parent	103.9	**59.4**	**(44.5)**	(43%)
Net Income Attributable to Non-Controlling Interests	40.4	**47.4**	**7.0**	
*1 Share of profit of associates and joint ventures included	6.5	**7.1**	**0.6**	

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.).

I will now explain the consolidated statement of operations. The average exchange rate through 3Q was ¥153, reflecting a 6% weaker yen compared to the previous period. The unit price of naphtha increased by 12%, reaching ¥76,300.

Sales revenue totaled ¥3,331.5 billion, an increase of ¥86.4 billion, or up 3% YoY. This increase can primarily be attributable to foreign exchange effects of some ¥98.0 billion followed by higher selling prices of ¥60.0 billion, and volume factors of ¥16.0 billion. Combined, these three factors led to a total increase of around ¥174.0 billion.

On the other hand, business restructuring, including the sale of shares in Kansai Coke and Chemicals Company, Limited, led to a sales revenue decrease of about ¥88.0 billion from businesses we exited and sold. This resulted in a total sales revenue increase of ¥86.4 billion.

Core operating income overall was ¥247.2 billion, up 34% YoY. I will explain the details of this later. Special items were negative ¥57.7 billion, a deterioration of ¥86.3 billion YoY.

Operating income was ¥189.5 billion, income before taxes was ¥161.5 billion, and net income attributable to owners of the parent was ¥59.4 billion. While this represents a decrease of ¥44.5 billion YoY, it reflects strong progress against the full-year forecast of ¥52.0 billion announced in November 2024.

Sales Revenue and Core Operating Income by Business Segment

Sales Revenue and Core Operating Income by Business Segment

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	Nine Months Ended Dec. 31, 2023		Nine Months Ended Dec. 31, 2024		Difference			
	Sales Revenue	Core Operating Income	Sales Revenue	Core Operating Income	Sales Revenue	%	Core Operating Income	%
Total Consolidated	3,245.1	183.9	3,331.5	247.2	86.4	3%	63.3	34%
Specialty Materials	776.9	19.4	812.8	34.4	35.9	5%	15.0	77%
Advanced Films & Polymers	347.5	20.8	358.4	29.5	10.9		8.7	
Advanced Solutions	270.1	3.2	267.0	10.7	(3.1)		7.5	
Advanced Composites & Shapes	159.3	(4.6)	187.4	(5.8)	28.1		(1.2)	
MMA & Derivatives	256.6	2.6	308.9	32.6	52.3	20%	30.0	-
MMA	191.6	1.7	238.8	30.3	47.2		28.6	
Coating & Additives	65.0	0.9	70.1	2.3	5.1		1.4	
Basic Materials & Polymers	822.3	(14.9)	773.8	(12.1)	(48.5)	(6%)	2.8	-
Materials & Polymers	594.3	(2.4)	594.9	9.2	0.6		11.6	
Carbon Products	228.0	(12.5)	178.9	(21.3)	(49.1)		(8.8)	
Others	129.0	(1.1)	121.1	0.3	(7.9)	(6%)	1.4	-
Chemicals Business	1,984.8	6.0	2,016.6	55.2	31.8	2%	49.2	820%
Pharma	337.9	55.4	349.1	54.5	11.2	3%	(0.9)	(2%)
Industrial Gases	922.4	122.5	965.8	137.5	43.4	5%	15.0	12%
Group Business	1,260.3	177.9	1,314.9	192.0	54.6	4%	14.1	8%

[Inventory valuation gain/loss]	Nine Months Ended Dec. 31, 2023	Nine Months Ended Dec. 31, 2024	Difference
Advanced Films & Polymers	0.1	0.0	(0.1)
Materials & Polymers	1.0	0.8	(0.2)
Carbon Products	0.9	(9.3)	(10.2)
Total	2.0	(8.5)	(10.5)

- From Q1 FY2024, the current financial reporting segments has been reclassified into Specialty Materials, Industrial Gases, Pharma, MMA & Derivatives, Basic Materials & Polymers, 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 FY2023.
- Breakdown figures of segment are approximation for reference purpose only.
- Based on careful examination of results for FY2023 of new business segment basis, the figures has been changed partially from those announced on May 15,2024.
- In line with the New Medium-Term Management Plan 2029 announced in November 2024, the order of reporting segments has been changed from the third quarter of FY2024.

We will now present sales revenue and core operating income by business segment. Specialty Materials saw a 5% increase in sales revenue and a 77% rise in core operating income YoY. Demand was especially strong in the display-related market, and Advanced Films & Polymers and Advanced Solutions, contributed to high progress, exceeding the latest forecast announced in November 2024.

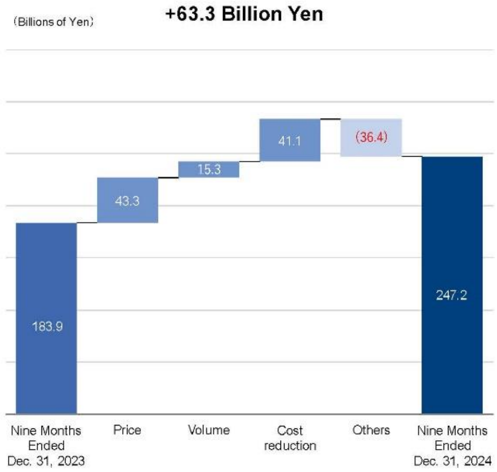
MMA & Derivatives experienced a 20% increase in sales revenue and a ¥30.0 billion rise in core operating income YoY. This growth was driven by higher market prices for MMA monomer, leading to a significant increase in sales revenue and core operating income compared to the previous period.

Basic Materials & Polymers experienced a 6% decline in sales revenue and managed to narrow its deficit to ¥2.8 billion YoY. Materials & Polymers improved significantly YoY, securing a double-digit profit despite this being the year for the periodic repair in Ibaraki Plant. Meanwhile, Carbon Products continues to suffer from inventory valuation gains and losses. It faced a worsening impact of around ¥10.2 billion compared to the previous period, resulting in a ¥21.3 billion deficit.

Under the mid-term management plan through fiscal year 2029, Chemicals Business, identified as a growth driver, achieved a 2% increase in sales revenue and a ¥49.2 billion rise in core operating income YoY, showing significant improvement. Pharma saw steady sales growth of RADICAVA in North America, resulting in a 3% sales revenue increase YoY. However, core operating income dropped by 2% YoY due to higher costs including SG&A expenses. Industrial Gases continues to perform well, with a 5% increase in sales revenue and a 12% rise in core operating income YoY.

Analysis of Core Operating Income

Analysis of Core Operating Income



(Billions of Yen)

	Nine Months Ended Dec. 31, 2023	Nine Months Ended Dec. 31, 2024	Difference	Price	Volume	Cost reduction	Others *1
Total Consolidated	183.9	247.2	63.3	43.3	15.3	41.1	(36.4)
Specialty Materials	19.4	34.4	15.0	2.1	12.4	7.6	(7.1)
MMA & Derivatives	2.6	32.6	30.0	26.5	4.1	2.7	(3.3)
Basic Materials & Polymers	(14.9)	(12.1)	2.8	14.9	0.7	4.2	(17.0)
Others	(1.1)	0.3	1.4	0.4	0.1	2.6	(1.7)
Chemicals Business	6.0	55.2	49.2	43.9	17.3	17.1	(29.1)
Pharma	55.4	54.5	(0.9)	(1.5)	2.5	1.1	(3.0)
Industrial Gases	122.5	137.5	15.0	0.9	(4.5)	22.9	(4.3)
Group Business	177.9	192.0	14.1	(0.6)	(2.0)	24.0	(7.3)

*1 Items included are impacts from differences of inventory valuation gain/loss (10.5) billion yen and differences of share of profit of associates and joint ventures +0.6 billion yen, etc.

Changes in exchange rates	10.8	13.2	-	-	(2.4)
Changes in foreign currency translation included in above		9.8			

The slide shows the breakdown of the ¥63.3 billion increase YoY in core operating income. The price gap brought a positive ¥43.3 billion. Of this, foreign exchange effects, primarily from the Industrial Gases and Pharma, contributed a ¥13.2 billion gain.

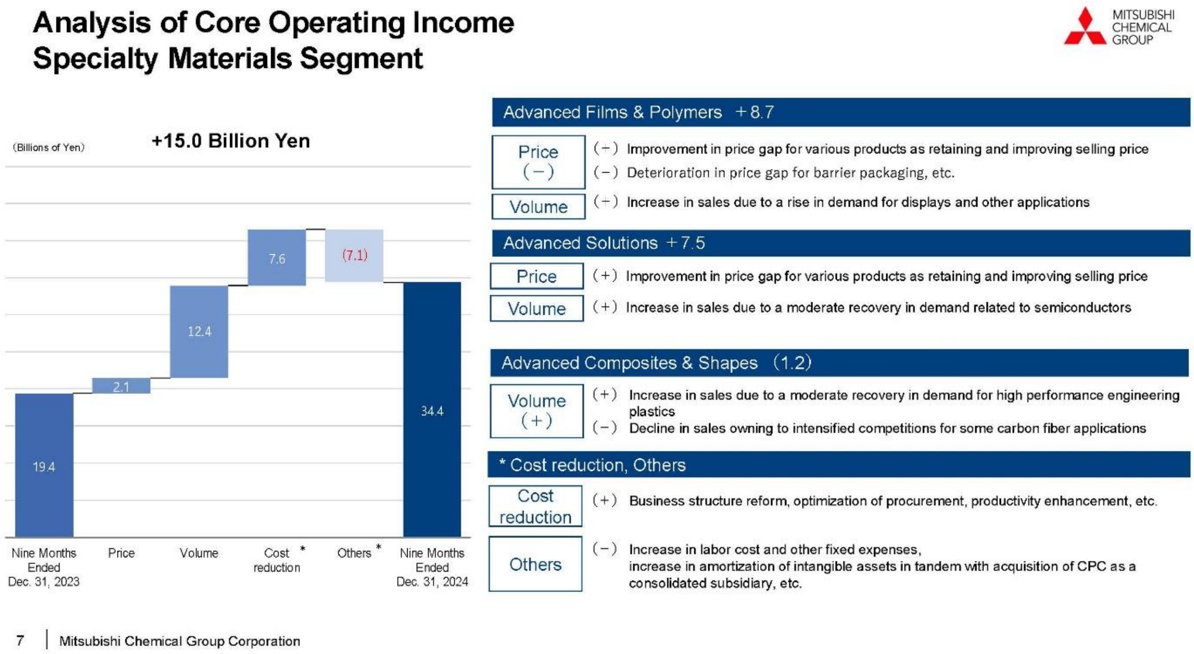
Without considering foreign exchange effects, the increase in MMA monomer prices in MMA & Derivatives and the improvements in price gap for polyolefins in Basic Materials & Polymers have both contributed to the growth.

The sales volume resulted in a positive ¥15.3 billion. Of this, the sales volume in Specialty Materials contributed a positive ¥12.4 billion, with all subsegments showing positive results.

Cost reduction had a positive impact of ¥41.1 billion, progressing as planned toward the annual reduction target of ¥47.0 billion.

Other factors had a negative impact of ¥36.4 billion. Inventory valuation gains and losses, mainly driven by Carbon Products, worsened by ¥10.5 billion. Moreover, rising labor costs and inflation-driven increases in fixed expenses impacted all businesses.

Analysis of Core Operating Income: Specialty Materials Segment



Let me explain the details by segment. First, Specialty Materials saw an increase of ¥15.0 billion YoY in core operating income.

The price gap added ¥2.1 billion. Although sales for barrier packaging materials declined compared to the previous period, efforts to retain and improve selling prices for other products overall lead to an improvement in price gaps. The sales volume resulted in a positive ¥12.4 billion.

In Advanced Films & Polymers, demand for polyester films and OPL films for polarizers increased due to higher capacity utilization rates among panel manufacturers, driven by anticipated growth in TV demand from major shopping events in China and international sports events in 1H.

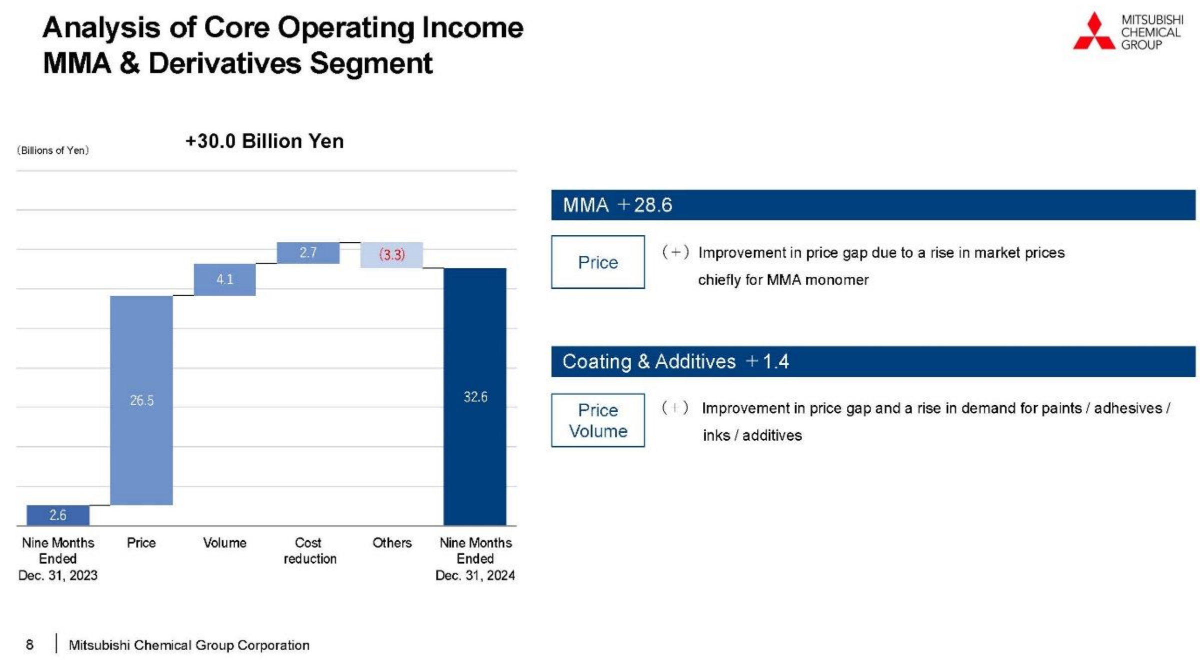
Although we anticipated a downturn in 3Q due to the effects of 1H, strong customer operations continued, supported by subsidy policies in China, resulting in stable performance.

In Advanced Solutions, while there are still some differences by product and area, demand for semiconductor-related products recovered moderately. Volume increased in the areas of materials for semiconductor manufacturing processes, precision cleaning business, and water treatment equipment.

Advanced Composites & Shapes primarily focuses on semiconductor manufacturing equipment applications. The demand for high-performance engineering plastics has recovered, leading to an increase in volume. On the other hand, while volume for carbon fiber in wind turbines increased, volume for higher-margin pressure vessel applications declined due to intensifying competition, resulting in a negative sales volume.

Cost reductions amounted to a positive ¥7.6 billion, driven by the withdrawal from the acrylic fiber business, structural reforms, procurement optimization, and self-help efforts to enhance productivity. Other factors led to a negative ¥7.1 billion, driven by increase in labor cost and other fixed expenses, and increase in amortization of intangible assets following the acquisition of CPC as a consolidated subsidiary, etc.

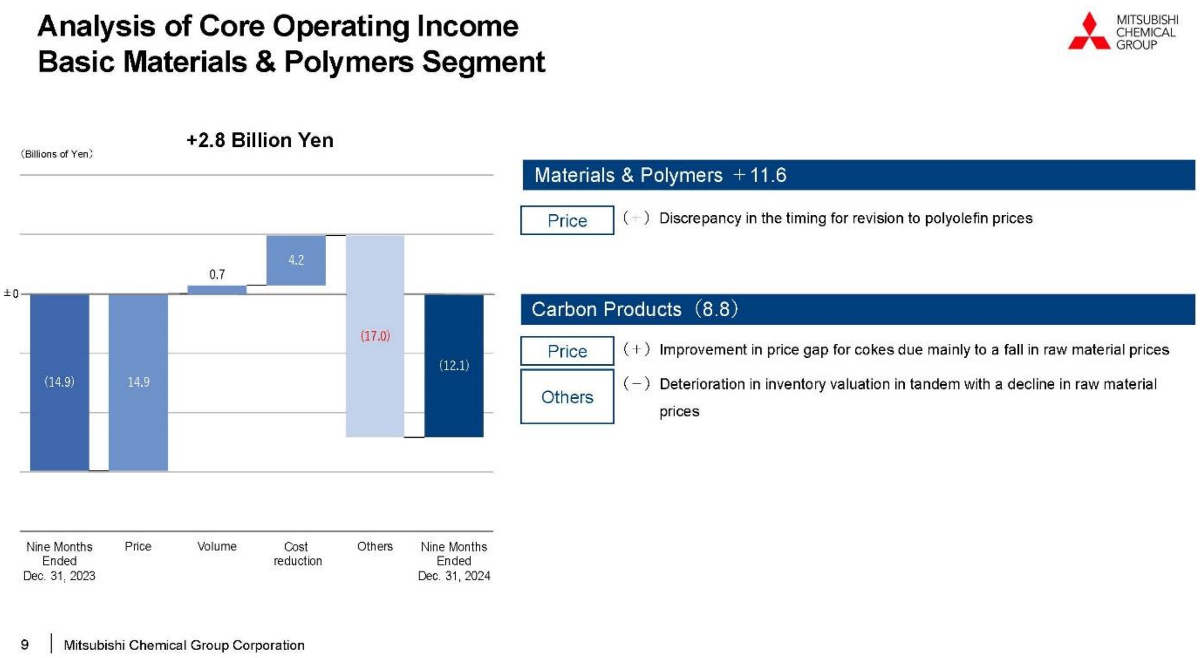
Analysis of Core Operating Income: MMA & Derivatives Segment



MMA & Derivatives saw a significant increase of ¥30.0 billion YoY in core operating income. The price gap added ¥26.5 billion, making a substantial contribution to this strong performance.

Market conditions of MMA monomer improved YoY, resulting in an expansion of spreads. Additionally, price gaps improved in Coating & Additives business. Both MMA monomer and Coatings & Additives showed YoY improvement in sales volume, leading to a positive ¥4.1 billion.

Analysis of Core Operating Income: Basic Materials & Polymers Segment



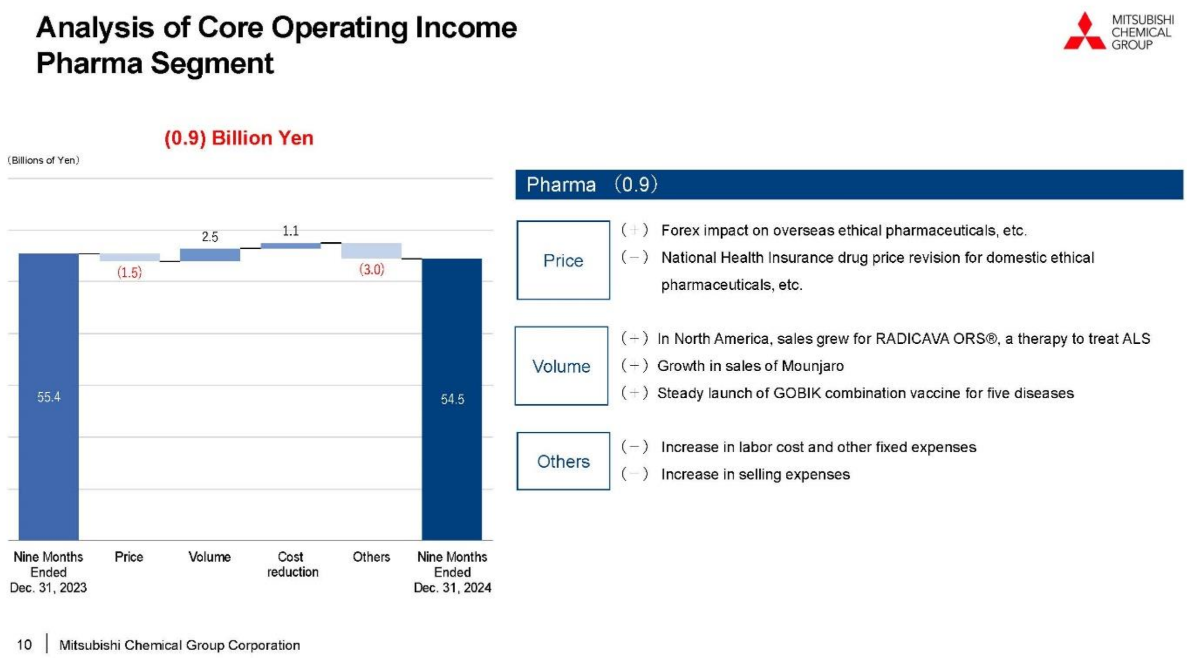
Basic Materials & Polymers managed to narrow its deficit to ¥2.8 billion YoY. The price gap added ¥14.9 billion. Materials & Polymers saw improvements, driven by the effect of timing differences for revision to polyolefin sales prices. Carbon Products also saw improvements, as the coke spread turned positive in 3Q, leading to a better price gap YoY.

As for sales volume, the impact of the problems from the previous period has been resolved in Materials & Polymers. However, the positive impact was offset by the negative effects of the periodic repair at the ethylene center in Ibaraki Plant, resulting in a net gain of only ¥700 million.

Cost reduction had a positive impact of ¥4.2 billion, adding up the structural reforms in the petrochemical derivatives business, as well as the optimization of equipment procurement and repair costs.

Other factors with a negative impact of ¥17.0 billion include ¥10.4 billion in inventory valuation gains or losses. Most of this is related to Carbon Products, where falling raw coal prices caused a large deterioration in inventory valuation.

Analysis of Core Operating Income: Pharma Segment

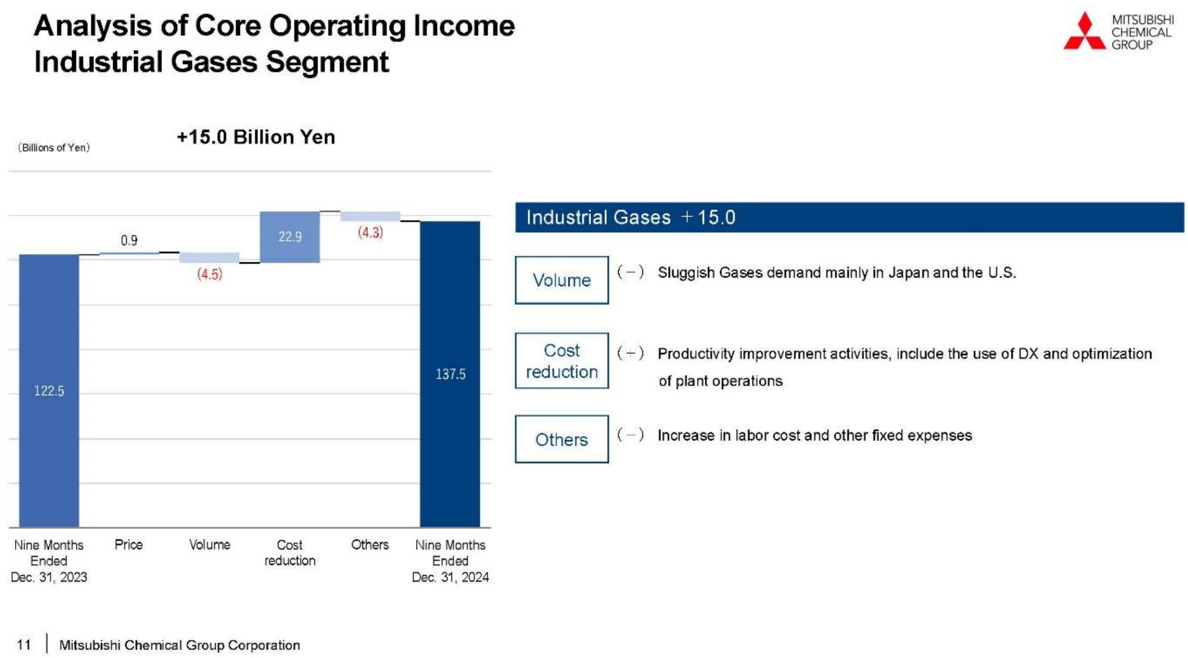


Pharma saw a decline of ¥900 million YoY in core operating income. While foreign exchange provided a positive boost to the price gap, the impact of domestic drug price revisions caused a ¥1.5 billion negative effect.

The sales volume resulted in a positive ¥2.5 billion. Sales of RADICAVA ORS in North America remained strong, driving the profitability of Pharma. Sales of Mounjaro, and GOBIK, a vaccine for five diseases, in the domestic market also grew.

Cost reduction resulted in a positive ¥1.1 billion, while other factors, including increased SG&A expenses in Japan and the U.S., led to a negative impact of ¥3.0 billion.

Analysis of Core Operating Income: Industrial Gases Segment



Industrial Gases saw an increase of ¥15.0 billion YoY in core operating income. Cost reduction effects from productivity improvement activities across various regions have played a major role in this growth, leading to the YoY increase.

Consolidated Special Items

Consolidated Special Items

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(Billions of Yen)

	Nine Months Ended Dec. 31, 2023	Nine Months Ended Dec. 31, 2024	Difference
Total Special Items	28.6	(57.7)	(86.3)
Gain on sales of shares of subsidiaries and associates	27.6	11.3	(16.3)
Gain on sale of carbon credit	-	2.7	2.7
Reversal of provision for loss on plant closure	6.4	1.9	(4.5)
Gain on sale of property, plant and equipment	1.6	1.6	(0.0)
Impairment loss	(13.7)	(42.9)	(29.2)
Special retirement expenses	(1.2)	(18.3)	(17.1)
Loss on sale and disposal of fixed assets	(2.4)	(6.4)	(4.0)
Cancellation penalty	(0.2)	(3.3)	(3.1)
Provision for loss on business liquidation	(1.7)	(1.9)	(0.2)
Loss on business liquidation	(4.2)	(0.8)	3.4
Others	16.4	(1.6)	(18.0)

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Consolidated special items resulted in a total loss of ¥57.7 billion through 3Q. After a ¥35.7 billion loss in 1H, we added loss of ¥22.0 billion under special items during 3Q.

As announced last month, we decided to cancel the plan to build a new MMA monomer plant in the U.S. This led to a total loss of ¥16.8 billion under special items. This includes ¥13.0 billion in impairment losses related to engineering costs related to this investment plan, ¥3.3 billion in penalties for contract terminations with external companies, and ¥500 million in other losses.

As outlined in the New Medium-Term Management Plan with the “three disciplined approaches in business operations,” we are committed to upholding strict investment discipline within and outside the company. We will continue to rigorously select investment opportunities, keeping a strong focus on returns on invested capital.

Consolidated Cash Flows

Consolidated Cash Flows

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	Nine Months Ended Dec. 31, 2023	Nine Months Ended Dec. 31, 2024
Net cash provided by (used in) operating activities	**285.0**	**342.8**
Income before taxes	191.8	161.5
Depreciation and amortization	204.5	207.5
Change in operating receivables/payables	(18.3)	10.0
Change in Inventories	7.6	(28.2)
Others	(100.6)	(8.0)
Net cash provided by (used in) investment activities	**(119.3)**	**(211.0)**
Capital expenditure	(197.5)	(243.8)
Sale of assets	71.5	38.2
Investment and loans receivable, etc.	6.7	(5.4)
Free cash flow	**165.7**	**131.8**

	Nine Months Ended Dec. 31, 2023	Nine Months Ended Dec. 31, 2024
Net cash provided by (used in) financing activities	**(103.8)**	**(153.5)**
Interest bearing debts	(31.0)	(91.6)
Dividends, etc.	(72.8)	(61.9)
Net increase (decrease) in cash and cash equivalents	**61.9**	**(21.7)**
Effect of exchange rate changes and changes in scope of consolidation	7.7	10.3
Total	**69.6**	**(11.4)**

Now I will explain the consolidated cash flow statement. Net cash provided by operating activities was ¥342.8 billion. Net cash provided by operating receivables or payables was ¥10.0 billion, net cash used in inventories was ¥28.2 billion. As a result, total working capital resulted in an ¥18.2 billion outflow.

This was primarily due to increased operating receivables from vaccine sales in Pharma, and buildup of inventory for certain high-demand items. We will continue to focus on proper management of working capital in each business segment.

Net cash used in investing activities was ¥211.0 billion. Net cash used in capital expenditure was ¥243.8 billion, which included growth investments in Industrial Gases and Specialty Materials, as well as maintenance and renewal investments in Materials & Polymers, associated with the periodic repairs in Ibaraki Plant.

Net cash provided by sale of assets was ¥38.2 billion, including proceeds from the sale of shares in affiliates, as well as disposal of cross shareholdings and non-essential assets as part of our business portfolio review. As a result, free cash flow totaled an inflow of ¥131.8 billion, and net cash used in financing activities was ¥153.5 billion.

Consolidated Statements of Financial Positions

Consolidated Statements of Financial Positions

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	Mar.31.2024	Dec.31.2024	Difference
Cash & cash equivalents	294.9	283.5	(11.4)
Trade receivables	852.4	823.7	(28.7)
Inventories	799.2	812.4	13.2
Others	245.1	230.6	(14.5)
Current assets	**2,191.6**	**2,150.2**	**(41.4)**
Fixed assets	2,524.4	2,537.8	13.4
Goodwill	832.9	849.4	16.5
Investments & Other	555.6	554.6	(1.0)
Non-current assets	**3,912.9**	**3,941.8**	**28.9**
Total assets	**6,104.5**	**6,092.0**	**(12.5)**

(Billions of Yen)

	Mar.31.2024	Dec.31.2024	Difference
Interest-bearing debt	2,338.2	2,283.8	(54.4)
Trade payables	501.5	458.1	(43.4)
Others	989.3	988.7	(0.6)
Liabilities	**3,829.0**	**3,730.6**	**(98.4)**
Share capitals, Retained earnings, etc,.	1,502.9	1,521.0	18.1
Other components of equity	260.6	286.9	26.3
Equity attributable to owners of the parent	**1,763.5**	**1,807.9**	**44.4**
Non-controlling interests	512.0	553.5	41.5
Equity	**2,275.5**	**2,361.4**	**85.9**
Total liabilities & equity	**6,104.5**	**6,092.0**	**(12.5)**
Net Interest-bearing debt *1	2,043.3	2,000.3	(43.0)
Net D/E ratio	1.16	1.11	(0.05)
ROE *2	7.2%	-	-

*1 Net interest-bearing debt (End of Dec.31, 2024)
= interest-bearing debt (2,283.8billion yen)
- {cash and cash equivalents (283.5billion yen) + investments of surplus funds-}
Note : Interest-bearing debt includes lease obligations.
*2 Ratio of net income attributable to owners of the parent.

Total assets were ¥6,092.0 billion, a decrease of ¥12.5 billion from the end of FY2023. The main factor was the impact of foreign exchange rates, with the yen depreciating against major currencies compared to Mar. 31, 2024, contributing to an increase of ¥87.0 billion. However, the sale of Kansai Coke and Chemicals Company, Limited and other business divestitures caused a total decrease of about ¥110.0 billion, resulting in a net reduction in assets.

Net interest-bearing debt decreased by ¥43.0 billion from the end of FY2023. The net debt-to-equity (D/E) ratio improved by 0.05 points to 1.11 from 1.16 at the end of FY2023.

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)

		FY2023					FY2024			
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	Total
Total Consolidated	Sales Revenue	1,061.2	1,088.7	1,095.2	1,142.1	4,387.2	1,129.4	1,112.7	1,089.4	3,331.5
	Core Operating Income	50.8	68.8	64.3	24.2	208.1	82.6	89.8	74.8	247.2
Specialty Materials	Sales Revenue	262.6	257.6	256.7	266.9	1,043.8	276.9	265.9	270.0	812.8
	Core Operating Income	9.9	8.9	0.6	(12.0)	7.4	11.5	13.0	9.9	34.4
Advanced Films & Polymers	Sales Revenue	118.1	115.8	113.6	111.6	459.1	120.4	118.8	119.2	358.4
	Core Operating Income	8.6	8.0	4.2	(2.5)	18.3	9.2	10.3	10.0	29.5
Advanced Solutions	Sales Revenue	88.7	88.8	92.6	92.8	362.9	88.3	86.9	91.8	267.0
	Core Operating Income	0.5	2.3	0.4	(2.6)	0.6	3.1	4.1	3.5	10.7
Advanced Composites & Shapes	Sales Revenue	55.8	53.0	50.5	62.5	221.8	68.2	60.2	59.0	187.4
	Core Operating Income	0.8	(1.4)	(4.0)	(6.9)	(11.5)	(0.8)	(1.4)	(3.6)	(5.8)
MMA & Derivatives	Sales Revenue	84.4	86.4	85.8	91.4	348.0	108.1	108.5	92.3	308.9
	Core Operating Income	0.1	3.1	(0.6)	2.9	5.5	10.9	15.8	5.9	32.6
MMA	Sales Revenue	63.3	64.6	63.7	69.6	261.2	84.3	85.1	69.4	238.8
	Core Operating Income	(0.1)	2.7	(0.9)	2.4	4.1	9.8	14.9	5.6	30.3
Coating & Additives	Sales Revenue	21.1	21.8	22.1	21.8	86.8	23.8	23.4	22.9	70.1
	Core Operating Income	0.2	0.4	0.3	0.5	1.4	1.1	0.9	0.3	2.3
Basic Materials & Polymers	Sales Revenue	264.9	274.3	283.1	284.2	1,106.5	268.4	263.6	241.8	773.8
	Core Operating Income	(9.6)	(6.1)	0.8	(10.5)	(25.4)	(7.2)	(4.1)	(0.8)	(12.1)
Materials & Polymers	Sales Revenue	179.7	202.9	211.7	208.5	802.8	193.4	196.5	205.0	594.9
	Core Operating Income	(6.0)	0.4	3.2	(3.6)	(6.0)	1.1	3.9	4.2	9.2
Carbon Products	Sales Revenue	85.2	71.4	71.4	75.7	303.7	75.0	67.1	36.8	178.9
	Core Operating Income	(3.6)	(6.5)	(2.4)	(6.9)	(19.4)	(8.3)	(8.0)	(5.0)	(21.3)
Others	Sales Revenue	40.6	51.6	36.8	75.8	204.8	36.0	42.8	42.3	121.1
	Core Operating Income	0.3	0.3	(1.7)	2.4	1.3	1.5	(2.3)	1.1	0.3
Chemicals Business	Sales Revenue	652.5	669.9	662.4	718.3	2,703.1	689.4	680.8	646.4	2,016.6
	Core Operating Income	0.7	6.2	(0.9)	(17.2)	(11.2)	16.7	22.4	16.1	55.2
Pharma	Sales Revenue	101.9	117.4	118.6	99.3	437.2	112.5	120.0	116.6	349.1
	Core Operating Income	10.0	22.4	23.0	0.9	56.3	18.5	22.9	13.1	54.5
Industrial Gases	Sales Revenue	306.8	301.4	314.2	324.5	1,246.9	327.5	311.9	326.4	965.8
	Core Operating Income	40.1	40.2	42.2	40.5	163.0	47.4	44.5	45.6	137.5
Group Business	Sales Revenue	408.7	418.8	432.8	423.8	1,684.1	440.0	431.9	443.0	1,314.9
	Core Operating Income	50.1	62.6	65.2	41.4	219.3	65.9	67.4	58.7	192.0

- From Q1 FY2024, the current financial reporting segments has been reclassified into Specialty Materials, Industrial Gases, Pharma, MMA & Derivatives, Basic Materials & Polymers, 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 FY2023.
- Breakdown figures of segment are approximation for reference purpose only.
- Based on careful examination of results for FY2023 of new business segment basis, the figures has been changed partially from those announced on May 15,2024.
- In line with the New Medium-Term Management Plan 2029 announced in November 2024, the order of reporting segments has been changed from the third quarter of FY2024.

I will now provide supplemental information on the trend of core operating income from 2Q to 3Q FY2024, as well as the outlook for 4Q. Core operating income for 3Q FY2024 dropped by ¥15.0 billion to 74.8 billion from 2Q.

Let’s look at each segment. Specialty Materials saw a decrease in core operating income, from ¥13.0 billion in 2Q to ¥9.9 billion in 3Q, a drop of ¥3.1 billion.

Advanced Films & Polymers saw a reactionary decline from 1H in some display film sales, but the impact of the subsidy policies in China and pre-tariff demand in the U.S. allowed us to maintain sales volumes above expectations. 4Q is typically a low-demand period, and on top of that, expenses tend to concentrate towards the end of the period. As a result, we expect a decrease in core operating income compared to 3Q.

Advanced Solutions saw an upswing compared to the November forecast in core operating profit in each of its businesses compared to expectations. Compared to 2Q, the infrastructure-related business experienced a rise in sales revenue driven by seasonal factors. Some businesses experienced lower sales revenue, and the EV sector, particularly the electrolyte business, saw worsening price gaps, leading to flat performance.

4Q is likely to see a drop in sales of display-related materials, along with higher expenses towards the end of the period. As a result, we anticipate a decrease in core operating income compared to 3Q.

Advanced Composites & Shapes, primarily focused in Europe and the U.S., saw a drop in production due to the seasonal factor of the Christmas season. As a result, sales volumes of high-performance engineering plastics and carbon fiber decreased.

Performance has declined compared to both 2Q and the November forecasts. However, we anticipate an improvement in core operating income in 4Q, due to resolved seasonal factors and reduced PPA amortization from CPC in Italy we fully acquired last year in the carbon fiber business.

The carbon fiber business is still experiencing a tough environment, influenced by competition. As outlined in the mid-term management plan, we are focusing on expanding the sales of high-value-added products, particularly for the mobility market, and actively working to get new products adopted.

MMA & Derivatives saw a decrease in core operating income, from ¥15.8 billion in 2Q to ¥5.9 billion in 3Q, a drop of ¥9.9 billion. The MMA monomer market in Asia tightened due to supply factors in 1H, driving up market prices. However, with other MMA manufacturers restarting operations, the market balance has relaxed considerably, leading to a decline in market prices.

So far, there has not been any significant change in the Asian market from 3Q to 4Q. Since 3Q reflects a shift in the favorable market conditions from 1H, we expect a further decline in core operating income for 4Q. With the Chinese New Year just wrapping up, we are hopeful for a recovery in the business environment and are closely monitoring market trends and shipments.

Basic Materials & Polymers managed to narrow its deficit by ¥3.2 billion, from a ¥4.1 billion deficit in 2Q to an ¥800 million deficit in 3Q. Materials & Polymers experienced flat core operating income from 2Q to 3Q. However, with increased expenses and reduced demand in 4Q, along with a slight market downturn, we expect core operating income to decline.

Carbon Products has seen the coke spread turn positive due to the decline in raw coal prices. The deficit shrank from 2Q to 3Q due to improvements in inventory valuation gains and losses, and is expected to shrink again in the fourth quarter due to further improvements in inventory valuation gains and losses.

We are currently reducing production capacity at the Kagawa Plant and revising our sales portfolio toward the end of March. We will continue driving structural reforms to achieve profitability in FY2025.

Pharma saw a decrease in core operating income, from ¥22.9 billion in 2Q to ¥13.1 billion in 3Q, a drop of ¥9.8 billion. While sales of key domestic products stayed strong, sales revenue dropped from the influenza vaccines, which had been sold ahead of schedule in 2Q, and from long-listed drugs under the selective treatment system. Furthermore, a decline in sales of RADICAVA due to seasonal factors and a decrease in gain from sale of intangible assets resulted in a decrease in core operating income compared to 2Q.

We expect a decline in core operating income for 4Q due to the typical pre-price revision stockpiling of domestic ethical drugs, as well as the concentration of SG&A expenses and R&D costs.

Industrial Gases saw increased core operating income in 3Q from 2Q, thanks to the rise in equipment construction in Japan. We anticipate the positive trend to continue through 4Q.

That concludes my presentation.

Q&A: Impact of the Project Cancellation in the U.S

Questioner: The project in the U.S. was canceled, despite having the strongest competitive advantage in MMA. While disciplined investment makes sense, can we truly secure customer commitment for commodity products? If we wait for that, we could lose out on investment opportunities. How do you view this situation?

Kida: We have no doubt that we are the best owners for MMA. With our technical expertise, quality, and cost efficiency, combined with intangible strengths, we will continue to maintain our presence, just as we always have.

As you pointed out, I truly realize that it is very difficult to secure long-term commitments for both quantity and price from key customers. However, I have recently noticed a change in the materials industry, where the previous trend of suppliers bearing all the risks in business is no longer the case.

Since we are conducting business with the funds entrusted to us, we must adhere to strict investment discipline. Furthermore, when we consider the return on invested capital (ROIC), we concluded that we could not move forward this time.

However, as I mentioned earlier, we still believe we are the best owners. While we wrote down the value on our balance sheet, we still retain valuable intangible assets in a sense. We will continue to seek investment opportunities moving forward.

Q&A: Impact of Changes in the Chinese Market on the rest of Asia

Questioner: You mentioned taking a “wait-and-see” stance on the market earlier, but it appears that China’s market is rising slightly. How do you see this affecting the rest of Asia?

Kida: In China, prices have significantly softened since 3Q. There was a lack of raw materials when prices remained high. However, with key manufacturers restarting operations, prices dropped sharply. This cycle has been continuing now, with Chinese competitors, in particular, restarting production when prices rise slightly, leading to a drop in prices once production picks up again.

As we saw with the China National Day last time, this time we had the Chinese New Year. Major holidays can cause shifts in the market.

Now that the Chinese New Year is over, we are carefully watching the market movements, but we expect prices to rebound slightly. The ICIS price in Asia has been around $1,600, but our current forecast suggests it will increase by $100 in 4Q.

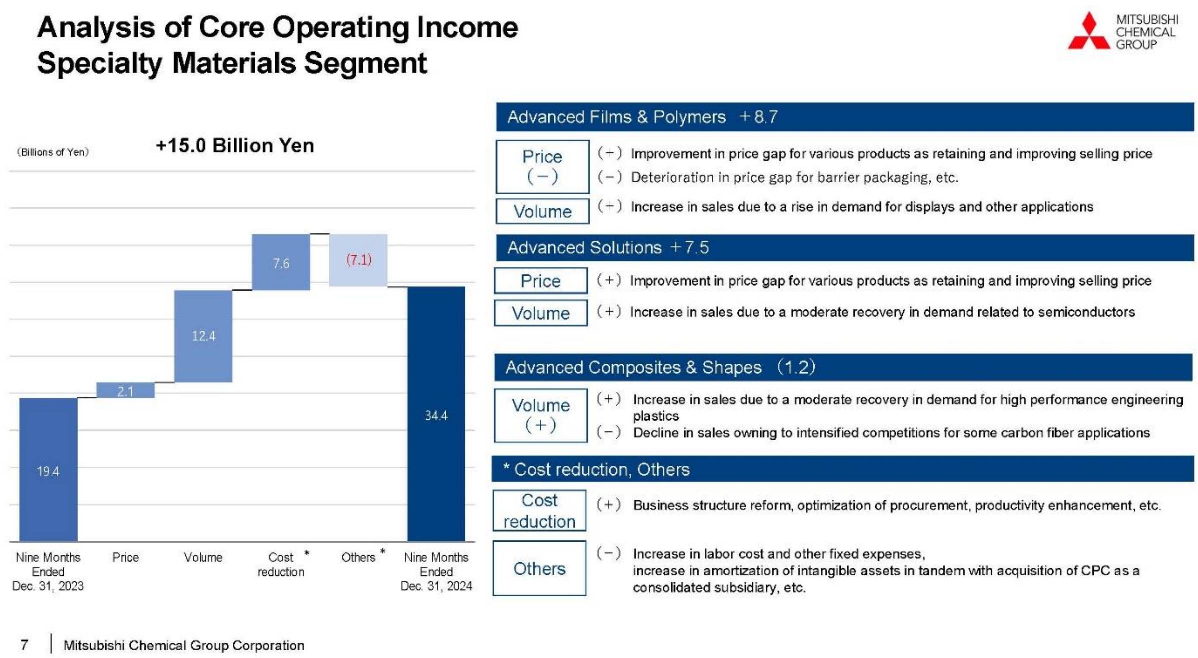
Although we cannot be overly optimistic, we notice that competitors are steadily learning, so we anticipate a modest upward trend in market conditions for 4Q.

Q&A: Sale of Mitsubishi Tanabe Pharma Corporation: Impact on Profit and Loss and Capital Balance

Questioner: There has been a lot of speculation regarding the sale of Mitsubishi Tanabe Pharma Corporation. While you mentioned that nothing has been decided yet, could you share your views, as much as possible, on the potential profit or loss from a sale at exactly ¥500.0 billion, and how it would affect your capital balance?

Kida: We receive this question from many people. Some speculate the book value, citing the figure of ¥500.0 billion in the newspapers. However, the truth is that we do not have any specific information at this point, so it is difficult for us to answer.

Q&A: Impact of Pricing Policy in Specialty Materials



Questioner: During the recent management policy briefing, you emphasized the importance of pricing policy for Specialty Materials. However, from the analysis of core operating income in 3Q, it appears the policy has not contributed that significantly. Did it have any real effect? You have also announced several business sales recently. How do you feel about the improvement in profitability from these moves?

Kida: You’re right that the price policy may not have had a major impact in 3Q. Since the end of 2Q, we have started concrete efforts to eliminate negative margins, led by me and Director Chikumoto, rather than being a project-driven initiative within the company.

We started by focusing on the domestic market and significantly reduced negative margins by the end of 3Q. Despite this, we have also seen some new low-margin deals and we are continuously implementing measures to tackle this. In 4Q, we will move forward with a stronger initiative, and we expect to see even greater results.

Q&A: Expansion of Deficit in Advanced Composites & Shapes

Questioner: Advanced Composites & Shapes is facing growing deficit, making the situation much tougher than planned. How soon will optimizing carbon fiber capacity boost profitability? Please explain the path to improving the struggling carbon fiber composites.

Kida: We understand your concerns. As you pointed out, we are currently facing an imbalance between upstream and downstream. While details are still under review, we plan to tackle the surplus equipment issue within the current fiscal year. I see the first phase as lowering fixed costs in these areas and transforming to upstream to align with the downstream.

At the same time, we will change the product portfolio from what it was before. Specifically, while we have focused on large tow in the past, looking at the moves of our competitors, I believe the era of large tow is over.

We are accelerating the deployment of our core strengths and advanced technology to deliver higher-quality products to the market, aiming for a recovery in FY2025.

Questioner: How soon will the effects of optimizing carbon fiber capacity become evident?

Kida: While it will unfold step by step, I would rather not discuss the specific timing here.

Q&A: Quarterly Trends by Market

Core Markets Trends

MITSUBISHI CHEMICAL GROUP

Market	Key Products	3Q FY2024 Summary	Forecast for 4Q FY2024 Onward
EV/Mobility	Electrolytes Fiber reinforced plastics & composites Compounds	Demand growth slowed, except for some regions, due to a negative impact of a decline in production in Japan as well as Europe and the U.S.	Global automobile production expected to weaken in 2025. In the medium/long-term, moderate growth to continue in general
Semiconductors	High functional cleaning agents & Cleaning services Epoxy resins Semicon equipment components Photolithography materials	While AI-related sales were favorable, sales related to industrial machinery, consumer equipment (home appliances) and automobile applications remained weak	Sales related to AI are expected to continue to be strong. Sales related to industrial machinery, consumer equipment (home appliances) and automobile applications to recover moderately from 2H of 2025 and thereafter In the medium/long-term, forecast ongoing market growth owing to further expansion in demand
Electronics	Optical films Display related materials	High operations of panel manufacturers continued on the back of the effect of subsidy policy in China and a rise in demand looking ahead of the U.S. tariff hikes	High operations of panel manufacturers are expected to continue toward 1Q FY2025 Robust demand to continue in the medium to long term in tandem with the trend toward larger TVs
Medical	Resins / shapes for implant	Remained brisk globally, despite inventory adjustments by customers for some products	Inventory adjustments for some products are expected to continue toward 1Q FY2025 Market growth is expected to continue in the medium to long term due to the increase in the aging population and the prevalence of lifestyle-related diseases and chronic diseases
Food	Emulsifiers Packaging film Packaging materials	Food packaging market remained sluggish globally due mainly to the impact of inflation	Global demand in the food packaging material market to recover moderately In the medium/long term, anticipate an expansion in demand underscored mainly by a reduction in food loss

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Questioner: Could you provide an update on the market trends from the previous quarter for each market, as shown on page 26 of the presentation? Also, “Forecast for 4Q FY2024 Onward” on the right side of the slide covers a longer time frame. Could you provide insights on the outlook for 4Q compared to 3Q?

Kida: Focusing on specific products, while we anticipated a further drop in display-related products from 2Q to 3Q. However, demand was still strong, supported by the subsidy policies in China, which was the biggest factor, and sales exceeded our expectations.

For semiconductors, demand for polymers for photoresists remained strong, and sales performed very well. From around 3Q, we expected inventory adjustments for silicon wafers to be completed, leading to a recovery.

Therefore, we expected the recovery of materials like synthetic quartz powder, used in the process of pulling ingots for silicon wafers. However, inventory adjustments are still ongoing, and progress has been slower than initially anticipated.

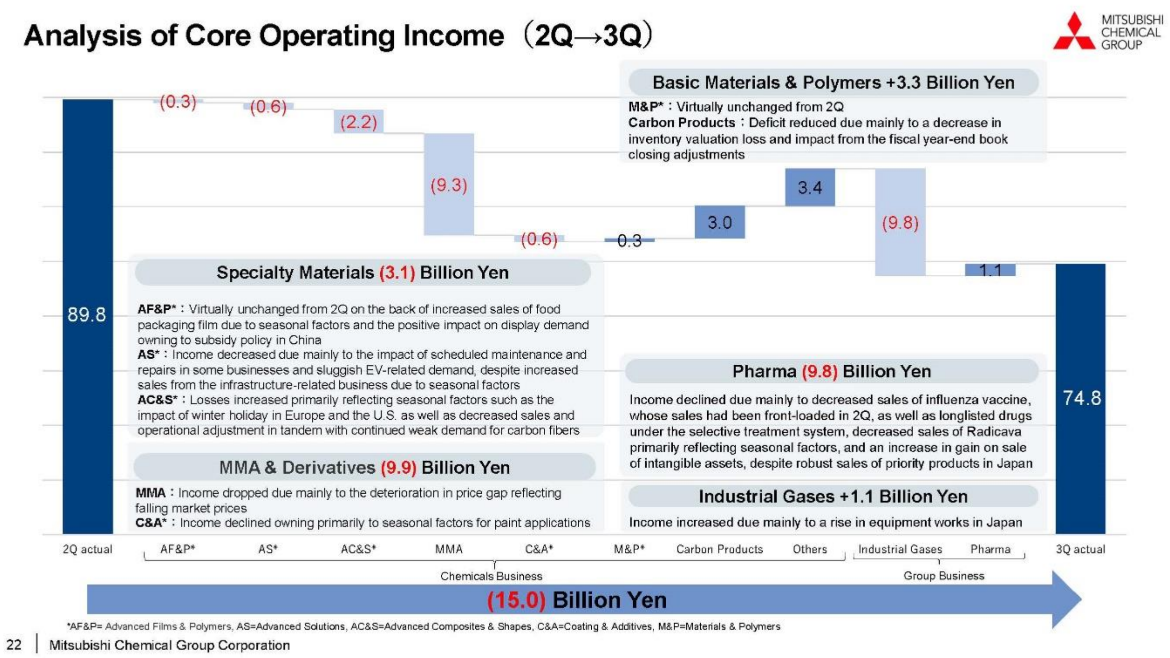
One area of concern in EV/Mobility is batteries. Specifically, electrolyte sales declined slightly due to a reaction to the excessive expectations for EVs, as recent media reports indicate, on top of the fact that competition is getting tougher to begin with. We foresee this trend continuing into 4Q and beyond.

Looking at only 4Q, we expect the display sector to face more challenges compared to 3Q. This is due not only to market conditions but also to supply-side factors, such as our periodic repairs, which will lead to a slight decline in sales. As for semiconductors, we anticipate stability, though there remain some unclear aspects.

In carbon fiber, our profitability is recovering due to seasonal factors as well as the launch of new products. I believe the key to 4Q will be how much we can recover from the areas where we have lost ground to competition in a market that is very sluggish overall.

Additionally, the outlook for food is unclear. In particular, packaging materials will gradually recover in the long term. However, our view is that 4Q will still be challenging, as it is partly affected by the economies of developed countries, mainly in Europe.

Q&A: Sales of Soarnol



Questioner: In 2Q, EVOH *Soarnol* showed growth compared to 1Q, and as stated on page 22, it continued to rise in 3Q compared to 2Q. Given the seasonality in 3Q, is it expected to decline heading into 4Q?

Kida: While seasonality is a factor, the primary issue is the declining demand. I think a large part of the decline, although transient, will be due to customer inventory adjustments at year-end and other customer factors.

Questioner: You commented that it is weak, but has it bottomed out? Is it correct to say that it grew from 1Q to 2Q and continued to rise in 3Q?

Kida: The quantity is gradually returning, but not as much as we expected.

Q&A: Recovery in Basic Materials & Polymers

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

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(Billions of Yen)

		FY2023					FY2024			
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	Total
Total Consolidated	Sales Revenue	1,061.2	1,088.7	1,095.2	1,142.1	4,387.2	1,129.4	1,112.7	1,089.4	3,331.5
	Core Operating Income	50.8	68.8	64.3	24.2	208.1	82.6	89.8	74.8	247.2
Specialty Materials	Sales Revenue	262.6	257.6	256.7	266.9	1,043.8	276.9	265.9	270.0	812.8
	Core Operating Income	9.9	8.9	0.6	(12.0)	7.4	11.5	13.0	9.9	34.4
Advanced Films & Polymers	Sales Revenue	118.1	115.8	113.6	111.6	459.1	120.4	118.8	119.2	358.4
	Core Operating Income	8.6	8.0	4.2	(2.5)	18.3	9.2	10.3	10.0	29.5
Advanced Solutions	Sales Revenue	88.7	88.8	92.6	92.8	362.9	88.3	86.9	91.8	267.0
	Core Operating Income	0.5	2.3	0.4	(2.6)	0.6	3.1	4.1	3.5	10.7
Advanced Composites & Shapes	Sales Revenue	55.8	53.0	50.5	62.5	221.8	68.2	60.2	59.0	187.4
	Core Operating Income	0.8	(1.4)	(4.0)	(6.9)	(11.5)	(0.8)	(1.4)	(3.6)	(5.8)
MMA & Derivatives	Sales Revenue	84.4	86.4	85.8	91.4	348.0	108.1	108.5	92.3	308.9
	Core Operating Income	0.1	3.1	(0.6)	2.9	5.5	10.9	15.8	5.9	32.6
MMA	Sales Revenue	63.3	64.6	63.7	69.6	261.2	84.3	85.1	69.4	238.8
	Core Operating Income	(0.1)	2.7	(0.9)	2.4	4.1	9.8	14.9	5.6	30.3
Coating & Additives	Sales Revenue	21.1	21.8	22.1	21.8	86.8	23.8	23.4	22.9	70.1
	Core Operating Income	0.2	0.4	0.3	0.5	1.4	1.1	0.9	0.3	2.3
Basic Materials & Polymers	Sales Revenue	264.9	274.3	283.1	284.2	1,106.5	268.4	263.6	241.8	773.8
	Core Operating Income	(9.6)	(6.1)	0.8	(10.5)	(25.4)	(7.2)	(4.1)	(0.8)	(12.1)
Materials & Polymers	Sales Revenue	179.7	202.9	211.7	208.5	802.8	193.4	196.5	205.0	594.9
	Core Operating Income	(6.0)	0.4	3.2	(3.6)	(6.0)	1.1	3.9	4.2	9.2
Carbon Products	Sales Revenue	85.2	71.4	71.4	75.7	303.7	75.0	67.1	36.8	178.9
	Core Operating Income	(3.6)	(6.5)	(2.4)	(6.9)	(19.4)	(8.3)	(8.0)	(5.0)	(21.3)
Others	Sales Revenue	40.6	51.6	36.8	75.8	204.8	36.0	42.8	42.3	121.1
	Core Operating Income	0.3	0.3	(1.7)	2.4	1.3	1.5	(2.3)	1.1	0.3
Chemicals Business	Sales Revenue	652.5	669.9	662.4	718.3	2,703.1	689.4	680.8	646.4	2,016.6
	Core Operating Income	0.7	6.2	(0.9)	(17.2)	(11.2)	16.7	22.4	16.1	55.2
Pharma	Sales Revenue	101.9	117.4	118.6	99.3	437.2	112.5	120.0	116.6	349.1
	Core Operating Income	10.0	22.4	23.0	0.9	56.3	18.5	22.9	13.1	54.5
Industrial Gases	Sales Revenue	306.8	301.4	314.2	324.5	1,246.9	327.5	311.9	326.4	965.8
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Group Business	Sales Revenue	408.7	418.8	432.8	423.8	1,684.1	440.0	431.9	443.0	1,314.9
	Core Operating Income	50.1	62.6	65.2	41.4	219.3	65.9	67.4	58.7	192.0

- From Q1 FY2024, the current financial reporting segments has been reclassified into Specialty Materials, Industrial Gases, Pharma, MMA & Derivatives, Basic Materials & Polymers, 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 FY2023.
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Questioner: Regarding Basic Materials & Polymers, the core operating income of Carbon Products in 3Q was a loss of ¥5.0 billion, still in the red.

You mentioned that you expect improvement in the 4Q, and I believe that terms of trade will improve as you will not be forced to sell at a lower price by reducing the number of coke ovens by 100. You expected to secure profitability in FY2025. Will you be profitable from 1H? Or will it take a little more time, considering price reimbursement and negotiation with customers?

In addition, Materials & Polymers is improving, but your company's cracker utilization rate remains at a low level, although it is estimated to be higher than that of other companies. Please tell us how you see the risk of further downward pressure on revenue in the next fiscal year due to a decrease in regular repairs by other companies.

Kida: First, with regard to cokes, we have been able to capture a spread between cokes and raw coal, mainly due to the decline in raw coal prices since around last December, and we are now able to produce stably.

As a result, if we can operate based on current prices, the deficit will shrink further, and we expect to reach breakeven. However, raw coal with significant inventory is having a major impact, and the increase in inventory valuation losses is causing the deficit to rise.

However, since a considerable amount of time has passed and we are nearing the end of clearing out high-cost raw material inventory, we hope to reach profitability in 1H of FY2025. However, there is a chance it may be delayed until 2H. We plan to achieve profitability by at least mid-year, or certainly by the end of the year.

Regarding how we will change the sales portfolio including the raw material coal issue, as I mentioned earlier, we will stop doing business in the coke market as much as possible, and move towards the tolling business.

We are actively negotiating with a range of customers. While some customers are tough, others are progressing relatively well as we expected. We will continue to push this forward.

If our plans do not work out, we will likely have to consider further reducing our capabilities. This is a more pessimistic scenario.

To answer your question directly, we currently expect to turn profitable by the end of 1H or the beginning of 2H.

In contrast, with regard to the petrochemical business, the cracker utilization is about 70% of the domestic total, but at the moment, it is running at roughly 90%. The olefin business, known as petrochemical raw materials, is performing relatively well, and polyolefins are also in a good position.

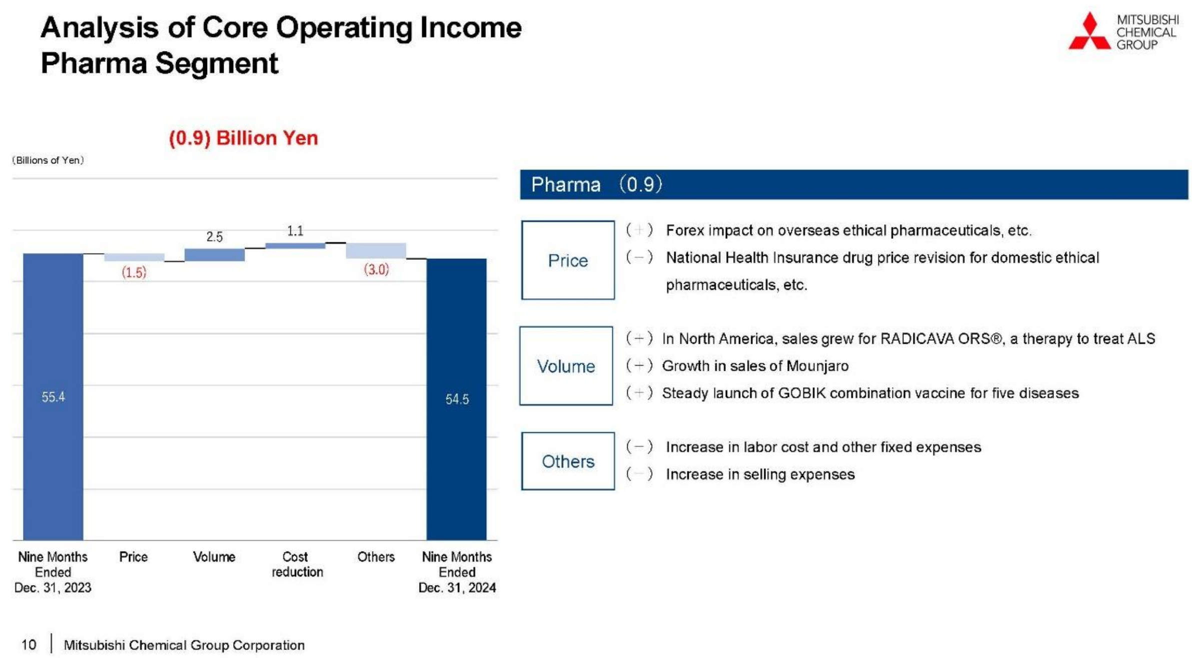
However, products like 14BG, acrylic acid, and ethylene oxide, which are non-polymer derivatives, are struggling significantly. While customer demand for these products remain the same, we are observing changes in various supply chains. Additionally, customers' products are also being imported from other countries, which highlights some structural issues.

However, we cannot just stand by. We are currently exploring options that would allow the plant itself to be converted to ensure steady profitability by reducing some of its capacity and maintaining optimal operating rates.

Questioner: By enhancing flexibility in this way, do you envision that in about 3 years you will be approaching an appropriate ROIC also in the petrochemical business?

Kida: That's exactly right. However, I do not think we will reach an ROIC high enough to match Specialty Materials in three years. We would like to create a situation where there is basically no deficit, unless major plant problems arise.

Q&A: Sales Volume in Pharma



Questioner: It looks like there has not been much of a sales volume in Pharma. The report only lists positive factors. Are there no negative factors? Is the preparation for the ND0612 application going well? Is it correct to understand that R&D expenses will not rise significantly from FY2024 to FY2025?

Mr. Akihiro Tsujimura (hereinafter, Tsujimura): The only decrease in sales volume is seen in long-listed drugs under the selective treatment system. We have various long-listed drugs, and are directly impacted by this system. The system started last October, and we did not initially expect this impact. We recognize that the quantity has decreased significantly.

Pharmaceuticals: Details of Revenue (FY2024 3Q Actual)

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	3Q	Nine Months Ended Dec.31, 2023	3Q	Nine Months Ended Dec.31, 2024	Difference	%
Domestic ethical drugs	81.3	234.0	81.4	237.4	3.4	1.5%
Priority and New products	46.4	132.5	43.6	124.8	(7.8)	(5.9%)
Stelara	17.5	51.4	15.3	45.6	(5.8)	(11.4%)
Simponi	11.5	34.0	10.9	32.5	(1.5)	(4.4%)
Tenelia	3.7	9.2	3.8	8.7	(0.5)	(5.9%)
Canaglu	3.2	9.3	3.1	9.2	(0.1)	(0.8%)
Canalia	2.7	8.2	2.3	5.8	(2.4)	(28.7%)
Vafseo	0.6	1.8	0.6	1.8	0.0	1.6%
Uplizna	2.0	4.5	3.5	8.2	3.7	81.0%
Rupafin	2.4	6.1	2.4	6.2	0.1	1.7%
Dysval	1.3	3.8	0	1.8	(2.0)	(52.7%)
Radicut	1.6	4.2	1.7	4.9	0.8	18.3%
Vaccines	10.1	28.7	10.4	38.0	9.3	32.2%
Influenza vaccine	4.6	11.3	1.6	13.5	2.2	19.2%
GOBIK	-	-	4.6	11.4	11.4	
Tetrabik	2.3	6.9	0.7	2.2	(4.8)	(68.8%)
JEBIK V	0.8	2.5	0.8	2.6	0.1	3.0%
Mearubik	1.0	3.8	1.4	4.1	0.4	9.8%
Varicella vaccine	1.1	3.1	1.0	3.0	(0.1)	(3.9%)
Long-listed drugs, etc.	24.8	72.7	27.3	74.6	1.9	2.6%
Remicade	7.8	23.6	6.2	18.6	(5.0)	(21.1%)
Overseas ethical drugs	27.9	83.8	29.3	94.9	11.0	13.2%
Radicava	20.0	59.8	22.4	73.1	13.2	22.1%
Royalty revenue, etc.	7.2	13.9	3.1	9.9	(4.0)	(28.6%)
Royalty from INVOKANA	1.4	4.4	1.7	5.3	0.9	20.4%
Royalty from GILENYA	3.4	5.3	0.9	3.0	(2.3)	(42.8%)

Questioner: Looking at the total sales of long-listed drugs, they have increased through 3Q. In addition to the decline in price from Remicade, are there any other products affected by sales volume?

Tsujimura: The inclusion of Mounjaro in the long-listed drugs, etc., makes it harder to see clearly.

Questioner: I see that Mounjaro is included in the “etc.” of long-listed drugs, etc.

Tsujimura: That’s correct. We have received the complete response letter (CRL) for ND0612 and are steadily moving forward to reapply in the first half of this year. I do not believe the R&D expenses will rise significantly.

Q&A: Impact of the Negative Margin Policy

Questioner: You commented on your pricing strategy in an earlier question. Regarding the elimination of negative margins, as of November, you had explained that, “We will list all products and eliminate the least profitable first,” which gave us the impression of you having formulated a very thorough pricing strategy. Could you explain instances where eliminating something just leads to it resurfacing later?

I believe the effect will not be immediate. My assumption was that by the end of March, you would have negotiated with some customers and that we would begin to see gradual improvements in profit margins around 3Q of FY2025. Could you let me know if my understanding differs from yours?

Kida: For example, in a given 3Q, we will review sales performance by combining items and customers. If we find any negative-margin deals, we will address them. This way, the deals with negative margins in 2Q will be mostly resolved in 3Q. However, new negative-margin deals, which were not initially identified, can emerge in 3Q.

Therefore, after reflecting on our efforts, I have learned that completely eliminating negative margins requires more time and a long-term review of all combinations.

As for the timeline, I think it is actually difficult to see a linear improvement in revenues as soon as we start, since these things are a gradual buildup. I expect that 4Q will bring slightly better results than 3Q.

As I mentioned earlier, it will take about a year to eliminate the targets we need to address, after identifying them over a longer period. The impact will likely accumulate over time, so I envision it taking a full year for the full effect to build up.

Q&A: Forecast for the Wind Power Business

Questioner: I'd like to confirm the outlook for the wind power business in relation to the carbon fibers from Advanced Composites & Shapes. Under the Trump administration, investment in wind power seems to be facing challenges. How do you view your company's exposure to the U.S. and the outlook for your business moving forward?

Kida: Since the wind power business has traditionally been centered in Europe, we have not been focused on U.S. renewable energy policies.

As you may know, we sell large tow for wind power applications. Large tow is lower in quality but more cost-effective, so it is more about targeting volume than profit margin. It is a market where products can sell even without high technical standards.

In this environment, competition has intensified even more than before. Therefore, we believe that the birth of the Trump administration, the outlook for wind power, and our wind turbine business are not connected.

Q&A: Growth Strategy and Progress of Mobility

Questioner: The mid-term management plan you shared indicates that mobility is set to grow significantly. Could you update on the progress of the strategy to drive this growth?

Kida: There is basically no significant change from what we have talked about and focused on before. In the mobility sector, most people are familiar with luxury sports cars, but our main focus is on new mobility.

New mobility does not mean things like flying cars that still require a lot of development time. Instead, we are focusing on autonomous robot taxis, and we have built a well-structured pipeline similar to that of pharmaceuticals.

While development speed may vary depending on the partner company's circumstances, we believe that progress is steady so far.

Questioner: Do you expect any of the new mobility projects to start contributing at some point in FY2025, or will it take a bit longer?

Kida: I believe the projects will be able to make clear contributions or actively engage in sales around FY2026. Nothing significant will likely be declared by the end of FY2025.

Q&A: Management Criteria Based on Changes in the Business Portfolio

Questioner: Reports are circulating about the sale of Mitsubishi Tanabe Pharma Corporation. If true, I believe that it will significantly affect the numerical management targets, even if the three principles set forth in the mid-term management plan are adhered to. Amid these rapid actions, which goal will you prioritize when the environment changes?

For example, if you aim for ¥570.0 billion in core operating income, will you drive growth in another business to fill the gap, or will you focus on metrics like profit margin and ROIC? Please tell us your priorities.

Kida: We will use ROIC as the benchmark.

Questioner: If the business portfolio changes, should we understand that, even if the gross numbers shift, you will continue to aim for an 8% ROIC through various actions?

Kida: That’s correct. However, I believe that changes in the portfolio will naturally cause the ROIC target to fluctuate up or down.

Q&A: Profit Decline Forecast for 4Q and Outlook for FY2025

Questioner: Let me clarify the assessment of 3Q and your approach for the upcoming year once again. Progress up to 3Q is strong, with stable external conditions and demand, which gives us a good evaluation of the progress. However, as you mentioned, you expect a decline in core operating income across all segments in 4Q.

Are you providing that explanation because the full-year target remains the same, or do you actually foresee a net ¥42.7 billion in 4Q?

Given that, if we proceed with the current pace in 3Q and 4Q, there might be some carbon rationalization and price effects for FY2025, but I do not foresee a substantial increase in core operating income. Considering the current external conditions and the slow return of demand, how do you view FY2025?

Kida: I believe the reason for viewing 4Q as weak comes from both factors. Considering FY2025 with a sense of continuity, external factors will greatly impact MMA & Derivatives, and I think there will be limits to how much we can improve through internal efforts.

For Specialty Materials, there is some decline in display applications, especially in Advanced Films & Polymers. However, for other applications like ceramic capacitors, we are planning some growth heading into next year.

In Advanced Solutions, we expect some products that have not seen strong demand return in FY2025.

The key focus remains on Advanced Composites & Shapes. The only unprofitable business in Specialty Materials is carbon composite materials. While we have a plan to make it profitable, we believe the key challenge will be maintaining a high likelihood of success.

Questioner: Will Specialty Materials show the largest rate of change? Or will Basic Materials & Polymers show a larger change, thanks to resolving the carbon deficit?

Kida: We expect a significant improvement in the change rate for Basic Materials & Polymers.

Greetings from Mr. Kida

Kida: Thank you all for taking the time to attend our financial results briefing today. Our core chemical business has improved significantly from the tough conditions of the same period last year. Normally, we'd take a moment to breathe easy, but we must accelerate our efforts to improve capital efficiency and profitability.

With the various initiatives outlined in the New Medium-Term Management Plan, and most importantly, by maintaining discipline, we aim to meet your expectations. We look forward to your continued support. Thank you for today.