

Mitsubishi Chemical Group Corporation

IR Day

Q&A Summary

December 18, 2025

Event Overview

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(Q&A: 28 minutes)

[Venue] Marunouchi Hall (Internet distribution)

[Venue Area]

[Number of attendees] 22 people

[Speakers] 3 people

Director and President

Manabu Chikumoto

Executive Officer Chief Transformation Officer

Ken Araki

Executive Officer Chief Financial Officer

Minoru Kida

[Analyst Name]*	SMBC Nikko Securities	Tsuyoshi Miyamoto
	Mizuho Securities	Mikiya Yamada
	Morgan Stanley MUFG Securities	Takato Watabe
	Daiwa Securities	Merlin Hidemitsu

*Only the analyst who made the statement during the Q&A session or the analyst whose question was read on behalf of SCRIPTS Asia was able to identify

Note: This Q&A has been translated into English using machine translation.

Q&A

Watabe [Q]: I am looking forward to progress from now after a very powerful presentation.

There are two questions. First, let's talk about the growth of Specialty Materials. It is said that the semiconductor field is growing, but your company's FY24 plan is 70 billion yen in sales and 3.5 billion yen in operating profit. I think the scale is a little larger when combined with high-performance engineering plastics and IOWN, but it seems that the profitability is low for claiming to be "only one". Please tell us about this background and your policy for business expansion with future profitability.

Next, let's talk about carbon fiber. We expect to see considerable growth for robotaxis, but I would like to ask you about the accuracy of this. Can you elaborate on the competitiveness of your major customers in the robotaxi space and the rationale for growth, such as the carbon fiber usage per vehicle?

Chikumoto [A]: First of all, regarding semiconductors, as of last year, the revenue contribution was still limited. This is because there is a single-digit gap in profitability between Tier 1 and Tier 2 (secondary suppliers). Products for Tier 1, such as photoresists, can be expected to make a reasonable profit, but when it comes to supplying raw materials for Tier 2, the scale is about one-tenth of that. The numbers you pointed out are because they include such product lines. On the other hand, synthetic quartz and other products are close to Tier 1, and their profitability is very high. The specific figures for this fiscal year will be supplemented by Kida, who is in charge.

Kida [A]: Let me add about the numbers. First of all, it depends on how much is defined as "semiconductor-related", but for example, water treatment is also included in a broad sense. Limiting ourselves to direct semiconductor materials, we expect core operating income to be around 70~8 billion yen this fiscal year. The "Advanced Solutions" as a whole, which we always show, expects a profit of about 20 billion yen, and semiconductor materials are about one-third of that. However, in terms of profit margins, it is relatively high in our portfolio. Therefore, the challenge is how to strengthen this business foundation in the future. In addition to expanding existing products, the company plans to enhance its portfolio with new products.

Chikumoto [A]: Looking at Advanced Solutions as a whole, the current profitability is in the tens of billions of yen, but it is still showing a high growth rate this fiscal year, and it is expected to expand by about 1.5 times in the next fiscal year.

As for carbon fiber, it has not yet been fully launched for robotaxis. Currently, the scale is about 10 units per week, but I think it will expand to tens of thousands of units per year when it is full-fledged. What is noteworthy about the carbon fiber and composites business is that the effect of optimizing upstream carbon fiber manufacturing capacity is significant. As a result, we have achieved a significant improvement in the entire business that is expected to turn into a single-month surplus. The downstream field such as composites and parts is inherently profitable, but our upstream equipment has been oversized. We have sorted out this balance and are currently actively investing in the composite parts field, mainly CPC. Since we achieved a profit improvement of more than 10 billion yen from last year to this year, we expect to further expand profits in the next fiscal year.

Yamada [Q]: The first point is about human capital management. This year is a year of defense, with changes in personnel composition and treatment, and management renewals, giving the impression that the company has recovered from the chaos caused by mass resignations a few years ago. Please tell us if there are any shortcomings in human capital management at this time.

The second point is about next year's policy. It is said that "90% of the offense (offense)", but in what specific areas will you go on the offensive? Also, is it safe to understand that the remaining defense issues this year indicate the direction of the three projects mentioned above?

Chikumoto [A]: First, we will thoroughly and speedily proceed with the reforms of the three businesses that require structural reforms. Some projects require coordination with partners, so it will take time, but we plan to clarify the direction by at least the end of March and incorporate the results in the next fiscal year. In particular, we believe that it is possible to turn a profit in the MMA business next fiscal year.

I cannot provide details about the petrochemical business, but it is progressing smoothly. We are currently discussing between the three companies, but I personally do not think this is the

goal. As with the recent consolidation in the polymer business, we believe that the convergence will converge towards further consolidation in the future, just like the steel and oil refining industries.

The most lacking thing in human capital management is the selection of young people. In this regard, we plan to strengthen our hands-on management system and promote the appointment of young people through personnel announcements and organizational restructuring scheduled for the future. We will make the most of the effectiveness of the NSP (Next Stage Support Program) and create an organization that can be held accountable to those who ultimately decide to leave the company.

Yamada [Q]: Let me confirm just one point. At last year's briefing, you said that "connection" is the keyword, and that is the theme of human capital. Are you currently realizing that concept?

Araki [A]: I'm Araki, who is in charge of transformation.

I will explain the keyword "connect". Historically, Mitsubishi Chemical has formed the current Mitsubishi Chemical through the merger of multiple companies, and the lack of collaboration between departments has been an issue. Therefore, we have been promoting "connecting" initiatives for about nine months with the aim of not only connecting commercial (sales and sales) but also revitalizing communication.

As for progress, we have assigned ambassadors (personnel) who will play a role in connecting the four areas of focus defined in the medium-term management plan, especially in the four fields of "food," "medical," "communications and semiconductors," and "mobility," which are directly related to industry, and they will unite each business unit and R&D department to carry out cross-selling and proposal activities to customers.

It is still early to report specific sales figures in a short period of time, including new product development, but we evaluate that the pipeline of projects is building up smoothly.

Miyamoto [Q]: I understand the description of the chemical business on page 11 of the business portfolio, but please tell us about the position of the industrial gas business. Also, what do you think about the current synergy between the chemical business and the industrial gas business? If Japan Oxygen Holdings is de-consolidated, about 4~50% of your company's

interest-bearing debt (debt) is likely to be related to the company, so financial indicators such as net D/E ratio may drop dramatically from the current medium-term management target of 0.8 times. In that case, will large-scale M&A using funds such as partial sales or large-scale share buybacks be considered? Please tell us about the position of Japan Oxygen.

Chikumoto [A]: If we were to apply Japan Oxygen to our business portfolio, it would be positioned as a "profit base". However, the company is publicly listed, and we cannot freely use its cash. Also, as I mentioned last time, if we were to sell our shares, the "appearance (performance figures)" on the consolidated financial results would deteriorate significantly, so we need to carefully consider these aspects as well. To be honest, we have no plans to change the capital structure at this time. We maintain a very good relationship with each other, and as the largest shareholder, we govern and exchange human resources. For the time being, we will maintain the current system.

Miyamoto [Q]: What are your current views on synergy?

Chikumoto [A]: Currently, there is no synergy, but it is limited. As an industrial gas company, there is a possibility of cooperation in gases for semiconductors and gases for food, but it has not yet reached that point in whether we are actually able to operate as a business. Please understand that although the potential is great, it is not so great at the moment.

Miyamoto [M]: I see. If that is the case, if it is deconsolidated, the "appearance" such as core operating income and net income may drop significantly, but I think that a decline in EPS (earnings per share) can be prevented by repurchasing shares through the sale of shares. I felt that it would be good to actively consider it.

Chikumoto [A]: If we can show a little more power to earn money from the chemical business alone, it may be time to consider various options. This topic is constantly being discussed and is on the agenda of the Board of Directors every time. We also place great importance on the perspective of shareholders and are strongly aware of the evaluation from the stock market when managing our management.

Miyamoto [Q]: Sure. The second point is about carbon fiber composite parts. At the time of the first half of the financial results, it was expected that shipments for robotaxi would begin in earnest from the fourth quarter, but what is your current feeling? Please tell us about your response to the growth of robotaxis, including the transition to serial production.

Chikumoto [A]: Currently, the number of units produced has increased from 5 units per week to about 10 units per week, but for the time being, we would like to increase this to about 10 units per day, not "weekly".

Miyamoto [Q]: How did you feel about the full-scale start of shipments in the fourth quarter?

Chikumoto [A]: There is no doubt that it is on the rise. However, further acceleration is needed. We are also expecting to improve productivity by introducing one of the world's largest presses, and we are preparing a system to respond to the increase in orders. The progress itself is going well and there is no doubt about it. I also believe that the key is whether the speed of expansion will be in line with our predictions.

Umebayashi [Q]: If you look at page 7 of the document, I think that in order to achieve the target in the four years from 2026 to 2029, it is necessary to add about 31.5 billion yen in profits, excluding the effects of the three measures. Currently, your company's sales of Specialty Materials are about 1.08 trillion yen, so even if we conservatively assume a marginal profit margin of 30%, if we can increase sales by about 100 billion yen, we can fully clear it or expect an upside. If you increase revenue by 100 billion yen, an annual growth rate of about 3% is sufficient. I think the source of this growth will be in the areas of "next generation" and "growth drivers" on page 13 of the document. So, what is the current sales scale of these two areas? I would like to confirm the probability of a scenario in which sales increase by 100 billion yen and marginal profit increase by 30 billion yen, please tell us about the current scale and future prospects.

Araki [A]: Currently, the sales scale of the product line, which is positioned as a "growth driver," is just over 300 billion yen. As you pointed out, if we can expect an increase in sales of about 100 billion yen from here, we believe that the profit target currently set in the medium-term management plan is achievable, even if we consider it on a marginal profit basis.

Umebayashi [Q]: Thank you. In that case, if we can achieve sales growth of about 10% per year in this growth area, even if there is a slight increase in costs, the marginal profit margin is estimated to be 40% or more, so is it okay to imagine that it is possible to achieve the target?

Araki [A]: Exactly. In addition, as a positive point, the profitability of the carbon fiber business has improved significantly, as Chikumoto mentioned. Since the fixed cost burden has been

reduced, we believe that if sales increase mainly in composite parts, we can expect a significant upside in terms of profit from the perspective of marginal profit.

Umebayashi [Q]: Sure. As a confirmation, is it correct to understand that the improvement effect of the composite business is a separate frame from the "three policy effects (43.5 billion yen)" on page 7 and is not included here?

Chikumoto [A]: The breakdown of 43.5 billion yen is "price policy," "asset optimization," and "investment effect," but to be honest, there are some improvement effects that are included in the current situation and some that are not. For example, the CPC (Composite Parts business) has already achieved a monthly surplus, but this is a faster progress than expected. At first, we thought that it would be difficult to make a profit unless the robotaxi business was in full swing, but in fact, we have already achieved profitability as of October last year due to the accumulation of other projects. This is where robotaxi projects will come in the future. In other words, growth factors other than the expected policy effects have appeared, and as a result, the current performance has also improved. We expect to be able to enjoy all the results of our efforts so far in the next fiscal year, so we believe that the impact will be quite significant. In that sense, I feel that the target of 144 billion yen is too conservative for me.

Umebayashi [Q]: It's clear. Thank you very much. The second point is brief. It is said that 90% of the next term will be "offense", but is it okay to understand that the remaining 10% of "defense" is the part that could not be completed during this term? Is it related to the petrochemical business or is it something else?

Chikumoto [A]: We will complete all three major businesses that require structural reform within this fiscal year. Decide on a policy, do what needs to be done, and organize what needs to be organized. The remaining "10% defense" in the next fiscal year is the consolidation of small-scale bases in the high-performance engineering plastic, carbon fiber, and parts businesses. Some of these projects will physically take time until around 2026, and we will calmly proceed with rationalization as a remaining issue. Everything that needs to be done has already been decided.

Nakata [Q]: This is Nakata from JPMorgan Securities. Regarding structural reforms, it is said that the three projects will be completed within this fiscal year, but compared to last year, it

seems that the sense of crisis has increased even more. First, let me confirm the background to whether this sense of crisis is based on the deterioration of the external environment over the past year, or whether it is due to further deterioration in the current situation from the second quarter onwards.

On top of that, can we assume that the effects of structural reforms will greatly contribute to the increase in profits in the next fiscal year? While the cost reduction effect of structural reforms is understandable, there is also a concern that if the top line is sluggish, it will be difficult to achieve the growth target for FY2026~2029 on page 8 of the document. Could you provide additional information on the path to achieving the FY2029 target by balancing structural reform and top-line growth?

Chikumoto [A]: The current sense of crisis is particularly noticeable in the MMA business. Last year, there were tens of billions of yen in revenue, but now the impact is so great that spreads have worsened due to the impact of China's large increase in production, and the income and expenditure have become negative. Regarding Basic Materials & Polymers, we are becoming more strict about plants that are not competitive in some businesses, and we believe that we have no choice but to optimize production capacity.

As for Basic Materials & Polymers, we instruct them to do what they can because "there is no point in talking about what they can't do." In MMA, we will promote the optimization of the capacity of uncompetitive plants, while also trying to capture demand in India and other countries, where there is a lot of room for market development. For carbon fiber, we will shrink our general-purpose yarn sales business and focus on growth areas such as high-quality products and robotaxi products.

In terms of top-line growth, semiconductors, high-performance films, and high-performance engineering plastics have grown more than expected, driving earnings. In addition to the 200 billion yen investment here, we aim to achieve our overall goals by investing in the development of GaN (gallium nitride) and medical products to accelerate growth.

However, rather than promising to steadily hit the planned figures at Basic Materials & Polymers after the completion of structural reforms, the specialty field is currently growing faster than expected, so we will cover the reduction in Basic Materials & Polymers with specialty growth to achieve the target as a whole. I hope you understand that there is a shift towards such a profit structure.

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