Mitsubishi Chemical Group Corporation

Earnings Conference Call for the Fiscal Year Ended March 31, 2026

May 13, 2026

Event Summary

[Company Name]	Mitsubishi Chemical Group Corporation
[Company ID]	4188-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Earnings Conference Call for the Fiscal Year Ended March 31, 2026
[Fiscal Period]	FY2026 Annual
[Date]	May 13, 2026
[Number of Pages]	26
[Time]	16:30 – 17:33 (Total: 63 minutes, Presentation: 29 minutes, Q&A: 34 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	2 Manabu Chikumoto — Director of the Board, Representative Corporate Executive Officer, President and Chief Executive Officer Minoru Kida — Vice President, Chief Financial Officer

Presentation

Chikumoto: Good afternoon. I am Chikumoto, President and CEO of Mitsubishi Chemical Group. Thank you very much for joining us for today for earnings call. Our CFO, Kida, will provide more detailed explanations later.

For FY2025 results, core operating income is down 2% to JPY225billion. However, due to the substantial amount of nonrecurring items totaling JPY194.9 billion, operating income declined 79% to JPY30.1 billion, and the profit attributable to owners of the parent fell 74% to JPY11.8 billion, resulting in an extremely challenging result. However, these results reflect our strong determination to fully carry out what must be done by FY2025.

For the Company's future growth, as a result, we made decisive structural reforms such as essential sustainable growth, the withdrawal of the coke and carbon materials business, restructuring in Western Japan, dissolution of overseas MMA joint ventures and voluntary retirement and the next stage support program.

We also almost completed to recognize major impairment losses associated with the structural reform within the FY2025.

On the other hand, in our Soarnol business, which is one of the Company's growth drivers, we recorded substantial impairment loss of approximately JPY30 billion following the review of the planned construction in the UK. Furthermore, FY2025 results fell short of our previous forecast. We take these matters very seriously.

We would like to sincerely apologize to our shareholders and all our stakeholders for the concerns that we have caused you. We recognize that this is quite exceptional in nature. At this point, similar impairment risks have not materialized in any of our other investment projects.

Going forward, management will implement even stricter oversight and monitoring than before to ensure the investment plans progress as scheduled. In addition, with regard to this matter, we determined that it was necessary to take responsibility for a failure to uphold the three principles of disciplined business management that we had pledged. Accordingly, Chikumoto, the President and CEO; and Egawa, the Management Executive Officer responsible for the Sano business is going to have a 20% voluntary decline in compensation for six months

In 2026, while continuing to pursue structural reform and cost reductions, we expect significant growth in the Specialty Materials business.

In Germany and in Europe, we have commenced operations of a large-scale investment project for the polyester film business, and it will contribute earning contribution.

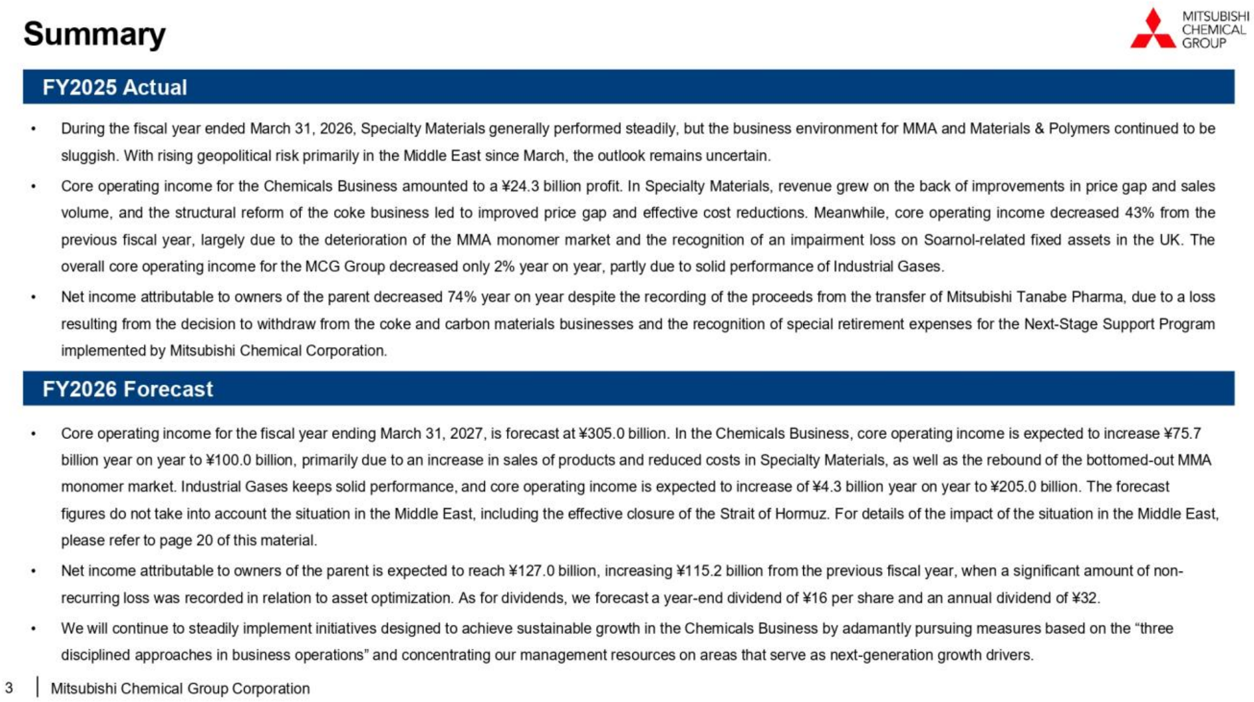
In the semiconductor and battery business, we expect to continue to expect existing businesses such as synthesized quartz and precision cleaning for semiconductors and anode materials, along with significant growth in the new projects.

In the carbon fiber business, operations will begin in full scale for existing mobility application, but also business related to robot taxis and new types of mobility solutions.

In addition, we have aerospace industry to bear fruit. By capturing steady growth in the Specialty Materials businesses, the core operating income will increase substantially and operating income and profit attributable to owners of the parent in FY2026.

We need to continue to closely monitor uncertainties in the external environment, including the one in Middle East, and we will carefully assess the potential impact.

CFO, Kida will provide a more detailed explanation on this point later. A detailed explanation of the growth strategy for each business will be provided at the investor briefing on May 25.



Kida: I would like to summarize the results of FY2025.

Business conditions in Specialty Materials remained generally solid. However, MMA and Basic Materials and Polymers continue to face challenging conditions and market is soft. Since March, uncertainty has also increased due to the rising geopolitical risks, particularly in the Middle East. Core operating income in the chemicals segment was positive JPY24.3 billion. In addition to earnings growth, driven mainly by improved margins and higher volumes in Specialty Materials, we also benefited from better margins and cost reductions resulting from structural reform in the coke business.

On the other hand, worsening MMA monomer market conditions, together with the impairment loss related to Soarnol assets in the UK had a significant impact, resulting in a 43% decline YoY, supported by solid performance in industrial gases. However, the Group as a whole limited the decline to 2% YoY. Profit attributable owners of the parent decreased 74% YoY. Although we recorded gains related to the transfer of Mitsubishi Tanabe Pharma, this was outweighed by losses associated with the decline to withdraw from the coke and carbon material businesses as well as special retirement payment related to the next stage support program at Mitsubishi Chemical Corporation.

Now, let me go to 2026. The core operating income is expected to be JPY305 billion. Core operating income in the chemicals segment is expected to increase JPY75.7 billion YoY to JPY100 billion. This reflects higher sales volume across products in specialty chemicals, continued cost reduction and recovery in MMA monomer market conditions. Industrial Gas is expected to be solid. Core operating income is projected to be JPY4.3 billion YoY to JPY205 billion, but this does not include the Middle East impact.

Profit attributable owners of the parent is forecasted to increase JPY115.2 billion YoY to JPY127 billion compared with the previous year when we recorded substantial nonrecurring losses related to asset optimization.

Asset for shareholder returns, we forecast a dividend of JPY60 per share and annual dividend of JPY32 per share. We will thoroughly implement measures based on the three principles of disciplined business management, further concentrate management resources on next-generation and growth driver businesses and steadily execute initiative for the chemicals segment.

Consolidated Statements of Operations

MITSUBISHI CHEMICAL GROUP

	FY2024	FY2025	Difference	%
Exchange Rate (¥/$)	152.6	151.1	(1.5)	(1%)
Naphtha Price (¥/kl)	75,600	65,200	(10,400)	(14%)

(Billions of Yen)

	FY2024	FY2025	Difference	%
Sales Revenue	3,947.6	**3,704.0**	**(243.6)**	(6%)
Core Operating Income *1	228.8	**225.0**	**(3.8)**	(2%)
Special Items	(87.2)	**(194.9)**	**(107.7)**	
Operating Income	141.6	**30.1**	**(111.5)**	(79%)
Income before Taxes	99.2	**0.7**	**(98.5)**	(99%)
Net Income (Loss) from Continuing Operations	58.1	**(16.4)**	**(74.5)**	
Net Income from Discontinued Operations	47.5	**94.8**	**47.3**	
Net Income	105.6	**78.4**	**(27.2)**	
Net Income Attributable to Owners of the Parent	45.0	**11.8**	**(33.2)**	(74%)
Net Income Attributable to Non-Controlling Interests	60.6	**66.6**	**6.0**	
*1 Share of profit of associates and joint ventures included	7.8	**7.0**	**(0.8)**	

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.).

4 | Mitsubishi Chemical Group Corporation

I will explain the results for the fiscal year ended March 2026. The average exchange rate for the full year was JPY151.1 per US dollar, representing a 1% appreciation of the yen YoY. The naphtha price was JPY65,200, down 14% from the previous fiscal year.

Sales revenue was JPY3.704 trillion, a decrease of JPY243.6 billion YoY. The main factors were JPY109 billion decrease in sales price, JPY106 billion decrease in volume, JPY66 billion decrease from business restructuring, and a positive JPY 37 billion impact from foreign exchange rates.

Core operating income was JPY225 billion, down JPY3.8 billion from the previous fiscal year. This fell below our October full year forecast of JPY250 billion, primarily due to the JPY30.3 billion impairment loss following the review of our or investment plan in the United Kingdom.

Special items amounted to negative JPY194.9 billion, worsening by JPY107.7 billion YoY. Operating income was JPY30.1 billion.

Income before taxes was JPY0.7 billion, and net income from discontinued operation was JPY94.8 billion, including gains from the transfer of Mitsubishi Tanaba and Pharma Corporation.

Net income attributable to owners of the parent was JPY11.8 billion, down JPY33.2 billion YoY.

Sales Revenue and Core Operating Income by Business Segment

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	FY2024		FY2025		Difference			
	Sales Revenue	Core Operating Income	Sales Revenue	Core Operating Income	Sales Revenue	%	Core Operating Income	%
Total Consolidated	**3,947.6**	**228.8**	**3,704.0**	**225.0**	**(243.6)**	(6%)	**(3.8)**	(2%)
Specialty Materials	**1,071.3**	**23.9**	**1,059.6**	**32.3**	**(11.7)**	(1%)	**8.4**	35%
Advanced Films & Polymers	470.8	34.0	449.6	7.4	(21.2)		(26.6)	
Advanced Solutions	350.2	1.4	343.5	22.9	(6.7)		21.5	
Advanced Composites & Shapes	250.3	(11.5)	266.5	2.0	16.2		13.5	
MMA & Derivatives	**417.6**	**35.7**	**351.9**	**(1.5)**	**(65.7)**	(16%)	**(37.2)**	-
MMA	307.5	32.3	245.5	(8.3)	(62.0)		(40.6)	
Coating & Additives	110.1	3.4	106.4	6.8	(3.7)		3.4	
Basic Materials & Polymers	**986.6**	**(14.6)**	**790.7**	**(4.2)**	**(195.9)**	(20%)	**10.4**	-
Materials & Polymers	778.2	12.8	685.3	(1.9)	(92.9)		(14.7)	
Carbon Products	208.4	(27.4)	105.4	(2.3)	(103.0)		25.1	
Others	**171.0**	**(2.3)**	**149.3**	**(2.3)**	**(21.7)**	(13%)	**0.0**	-
Chemicals Business	**2,646.5**	**42.7**	**2,351.5**	**24.3**	**(295.0)**	(11%)	**(18.4)**	(43%)
Industrial Gases	**1,301.1**	**186.1**	**1,352.5**	**200.7**	**51.4**	4%	**14.6**	8%

[Inventory valuation gain/loss]	FY2024	FY2025	Difference
Advanced Films & Polymers	0.2	0.2	0.0
Materials & Polymers	2.0	(6.1)	(8.1)
Carbon Products	(9.4)	1.9	11.3
Total	(7.2)	(4.0)	3.2

- Breakdown figures of segment are approximation for reference purpose only.
- Figures for FY2024, the Pharma business has been reclassified as a discontinued operation, and the figures of some business have been changed partially from those announced on May 13, 2025. .

Next, I will explain the sales revenue and core operating income by business segment. In the chemicals business overall, sales revenue decreased 11%, and profit decreased 43% YoY.

Sales revenue decreased by JPY295 billion due mainly to business divestitures resulting from steady progress in structural reforms as well as declines in market prices and raw material prices.

Core operating income was supported by solid performance in Specialty Materials, while carbon products steadily improved. However, for the chemicals business overall, profit decreased by JPY18.4 billion due mainly to the deterioration of the MMA monomer market and the recognition of impairment losses on Soarnol-related fixed assets. Details for each segment will be explained on the following pages. Industrial Gases showed steady progress with revenue up 4% and income up 8% YoY.

Analysis of Core Operating Income

(3.8) Billion Yen

(Billions of Yen)

(Billions of Yen)

	FY2024	FY2025	Difference	Price	Volume	Cost reduction	Others *1
Total Consolidated	228.8	**225.0**	**(3.8)**	**(26.6)**	**4.1**	**62.2**	**(43.5)**
Specialty Materials	23.9	**32.3**	**8.4**	**8.1**	**15.5**	**13.8**	**(29.0)**
MMA & Derivatives	35.7	**(1.5)**	**(37.2)**	**(40.3)**	**(3.4)**	**0.5**	**6.0**
Basic Materials & Polymers	(14.6)	**(4.2)**	**10.4**	**11.4**	**0.9**	**7.1**	**(9.0)**
Others	(2.3)	**(2.3)**	**0.0**	**3.8**	**(0.9)**	**7.3**	**(10.2)**
Chemicals Business	42.7	**24.3**	**(18.4)**	**(17.0)**	**12.1**	**28.7**	**(42.2)**
Industrial Gases	186.1	**200.7**	**14.6**	**(9.6)**	**(8.0)**	**33.5**	**(1.3)**

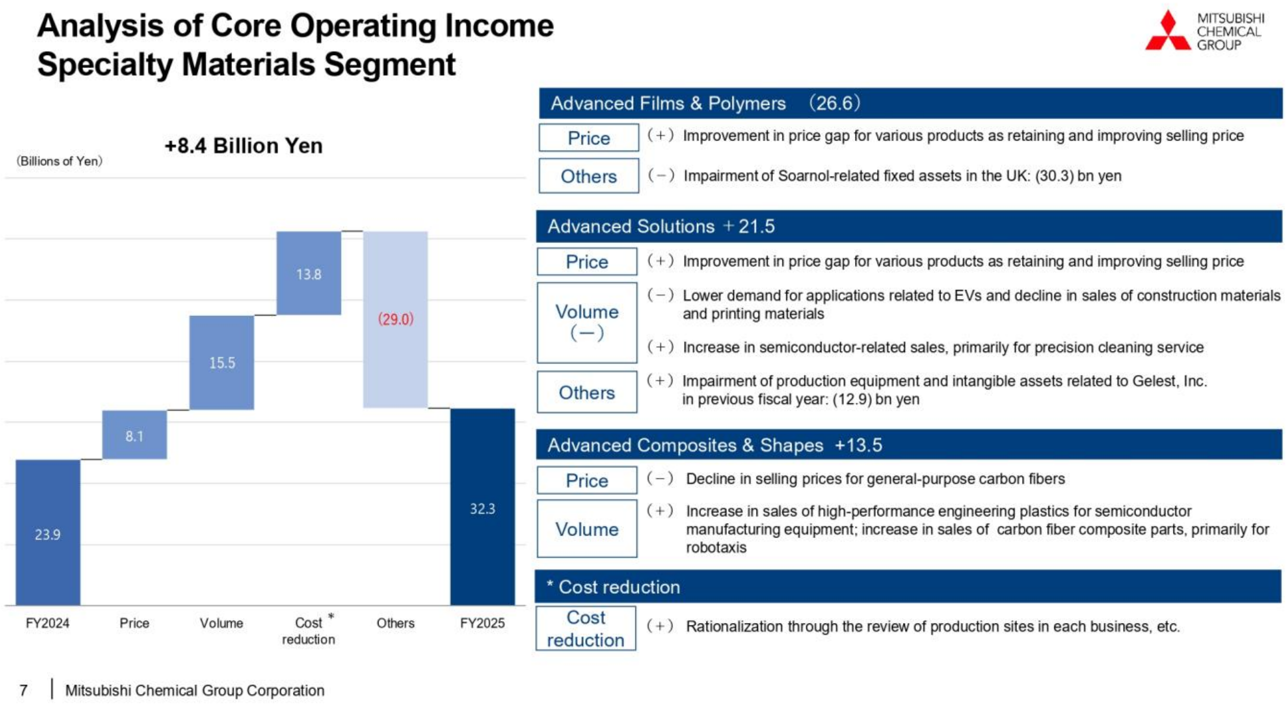
*1 Items included are impacts from differences of inventory valuation gain/loss +3.2 billion yen and differences of share of profit of associates and joint ventures (0.8) billion yen, etc.

	Difference	Price	Volume	Cost reduction	Others
Changes in exchange rates	3.5	3.5	-	-	-
Changes in foreign currency translation included in above		5.0			

6 | Mitsubishi Chemical Group Corporation

Here is the breakdown of the JPY3.8 billion YoY decrease in core operating income. The price gap was a negative JPY26.6 billion. While price gap in MMA and Derivatives deteriorated significantly due to falling market prices, Specialty Materials maintained and improved selling prices, and price gap improved for polyolefins and carbon products in Basic Materials and polymers. Volume was positive JPY4.1 billion.

While demand in Europe and the US was generally weak, particularly in Industrial Gases, sales of carbon fiber composite parts mainly for robot axis increased. Cost reduction contributed to a positive JPY62.2 billion with both industrial gases and chemicals accumulating savings across their respective businesses. Others resulted in a negative JPY43.5 billion. This includes impairment losses on [inaudible]-related fixed assets in U.K. and higher costs associated with inflation.

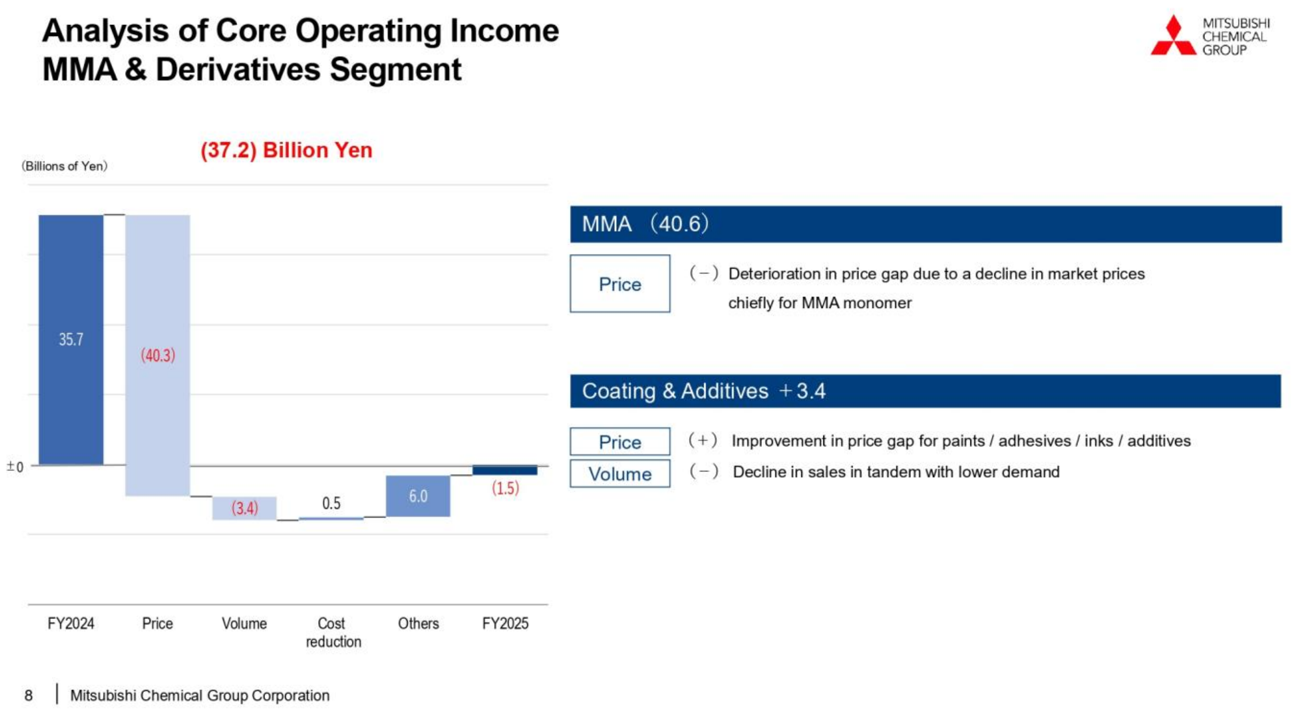


Now, I will provide details by segment. Core operating income for Specialty Materials increased by JPY8.4 billion YoY. The price gap improved by JPY8.1 billion.

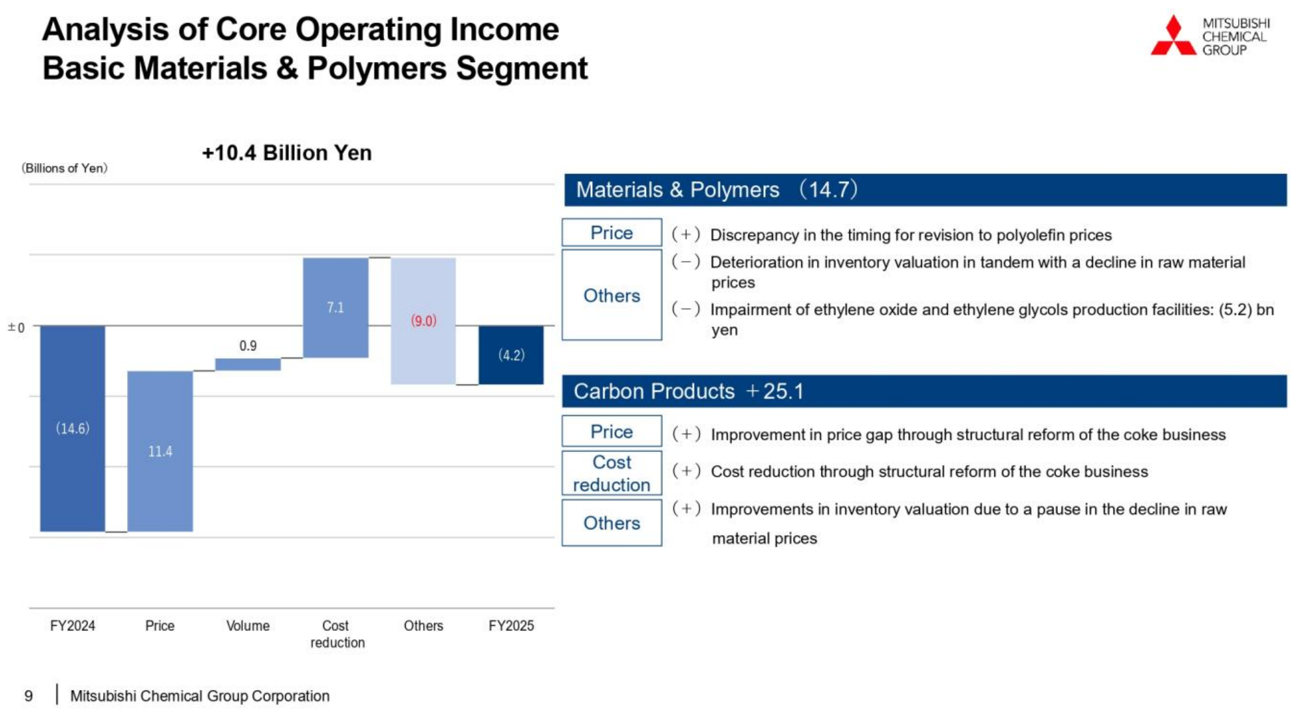
Advanced films and polymers and advanced solutions saw price gap improvement by maintaining or raising prices for semiconductor-related and other products. The volume gap contributed a positive JPY15.5 billion. In advanced solutions, semiconductor-related businesses, particularly precision cleaning services, saw higher sales volumes, but volume was negatively impacted by lower demand for EV electrolytes, mainly in Europe and the US.

Advanced composites and shapes, volume improved due to increased sales of high-performance engineering plastics for semiconductor manufacturing equipment and carbon fiber composite parts mainly for robotaxis.

Cost reductions added JPY13.8 billion through structural reforms in businesses and rationalization impact from production base optimization. The negative JPY29 billion in others was due to the asset impairment loss in the UK and inflation-driven costs.

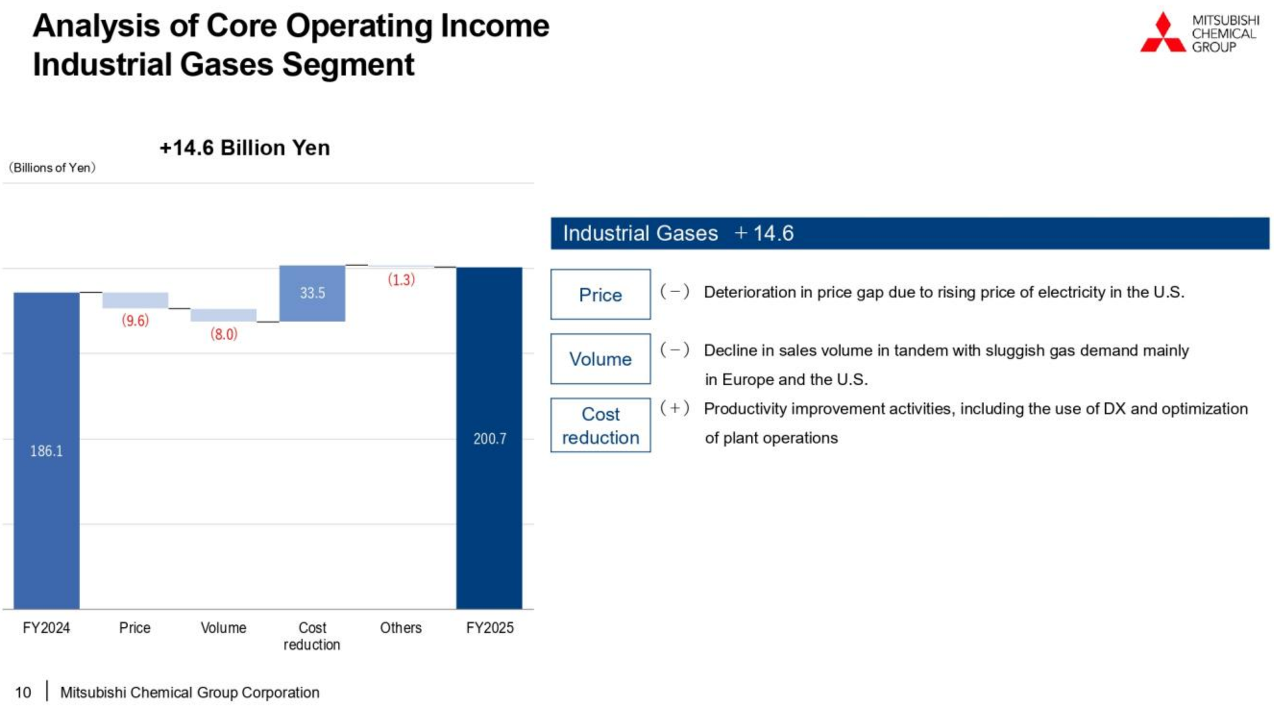


MMA and Derivatives saw a decrease in core operating income of JPY37.2 billion. The price gap deteriorated by JPY40.3 billion. While the price gap in coating and additives improved, the MMA monomer market fell sharply, narrowing spreads.



Basic Materials and polymers narrowed its loss by JPY10.4 billion. The price gap was JPY11.4 billion. In Materials and Polymers, profit improved due to the timing lag in polyolefin sales price adjustments and the ability to maintain sales prices at a relatively high level during the decline in naphtha prices

In the carbon business as well, the price gap improved YoY as the reduction of production capacity in Kagawa was completed and loss-making transactions based on market prices were reduced. Cost reductions added JPY7.1 billion, primarily from structural reforms in carbon business. The negative JPY9 billion in others reflects impairment losses on ethylene oxide and glycol manufacturing equipment, along with poor inventory valuation in Materials and Polymers.



Core operating income in Industrial Gases increased JPY14.6 billion YoY, although earnings margins were negatively impacted by higher electricity costs in the United States, and sales volumes declined mainly in Europe and North America. Earnings increased due to cost reductions driven by productivity improvement initiatives across each region.

Consolidated Special Items

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	FY2024	FY2025	Difference
Total Special Items	(87.2)	**(194.9)**	**(107.7)**
Gain on business transfer	1.0	**8.0**	**7.0**
Gain on sales of shares of subsidiaries and associates	5.6	**2.4**	**(3.2)**
Reversal of provision for restructuring costs	1.8	**1.5**	**(0.3)**
Impairment loss	(74.8)	**(61.4)**	**13.4**
Provision for restructuring costs	-	**(59.2)**	**(59.2)**
Special retirement expenses	(5.4)	**(53.1)**	**(47.7)**
Loss of associates and joint ventures	-	**(9.3)**	**(9.3)**
Loss on sale and disposal of fixed assets	(15.2)	**(6.9)**	**8.3**
Loss on disposal of inventories	(1.2)	**(4.8)**	**(3.6)**
Others	1.0	**(12.1)**	**(13.1)**

11 | Mitsubishi Chemical Group Corporation

Next, specialty items. Total non-specialty items for the full year amounted to negative JPY194.9 billion.

In Q4, we recognized an additional JPY122.6 billion in specialty item losses. In Q4, we recorded a number of expenses, including JPY59.2 billion in restructuring provisions, JPY30.6 billion in impairment losses, and JPY15.8 billion in specialty retirement payment. These expenses mainly resulted from the promotion of various structural reform measures, including the withdrawal from the coke and carbon material business.

Although the full-year total reached to a substantial amount of JPY194.9 billion, we believe these structural reforms were necessary to support growth from 2026 and onward.

Consolidated Cash Flows

MITSUBISHI CHEMICAL GROUP

	FY2024	FY2025
Net cash provided by (used in) operating activities	**552.8**	**436.3**
Income before taxes	150.7	135.0
Depreciation and amortization	275.9	271.2
Change in operating receivables/payables	30.7	(16.3)
Change in Inventories	13.4	(0.4)
Others	82.1	46.8
Net cash provided by (used in) investment activities	**(275.4)**	**124.5**
Capital expenditure	(325.0)	(292.1)
Sale of assets	54.0	541.6
Investment and loans receivable, etc.	(4.4)	(125.0)
Free cash flow	**277.4**	**560.8**

(Billions of Yen)

	FY2024	FY2025
Net cash provided by (used in) financing activities	**(246.7)**	**(375.2)**
Interest bearing debts	(182.9)	(250.7)
Dividends, etc.	(63.8)	(124.5)
Net increase (decrease) in cash and cash equivalents	**30.7**	**185.6**
Effect of exchange rate changes and changes in scope of consolidation	0.5	15.4
Total	**31.2**	**201.0**

12 | Mitsubishi Chemical Group Corporation

Let me explain the cash flow. The operating cash flow totaled to inflow of JPY436.3 billion. Cash flow from operating receivables and payables was an outflow of JPY16.3 billion, mainly due to a decline in trade payables resulted from the lower naphtha prices.

Investing cash flows resulted in an inflow of JPY124.5 billion.

Cash flow-related Capex was outflow of JPY292.1 billion. Growth investment projects in Specialty Materials continue to progress, including capacity expansion for carbon fiber composites in Italy and capacity expansion of Soarnol in the UK for barrier packaging appreciation applications. Cash flow from asset sales was positive JPY541.6 billion. As a part of the ongoing portfolio review, we recorded proceeds from sales of shares in affiliates, mainly Mitsubishi Tanabe Pharma as well as proceeds from the sales of cross shareholdings and strategic holding.

Other investment of financial activities resulted in an outflow of JPY125 billion. This includes expenditures related to the acquisition of subsidiaries in Australia and New Zealand Industrial Gases segments.

As a result, free cash flow was positive JPY560.8 billion.

Financial cash flow was outflow of JPY375.2 billion, mainly due to debt repayment and dividend payments and share buyback.

Consolidated Statements of Financial Positions

(Billions of Yen)

	Mar.31.2025	Mar.31.2026	Difference
Cash & cash equivalents	326.1	527.1	201.0
Trade receivables	764.8	671.9	(92.9)
Inventories	759.4	669.1	(90.3)
Others	211.3	227.1	15.8
Current assets	**2,061.6**	**2,095.2**	**33.6**
Fixed assets	2,446.5	2,474.3	27.8
Goodwill	827.6	891.0	63.4
Investments & Other	558.9	416.1	(142.8)
Non-current assets	**3,833.0**	**3,781.4**	**(51.6)**
Total assets	**5,894.6**	**5,876.6**	**(18.0)**

(Billions of Yen)

	Mar.31.2025	Mar.31.2026	Difference
Interest-bearing debt	2,178.5	2,021.9	(156.6)
Trade payables	424.6	383.7	(40.9)
Others	1,006.9	1,056.3	49.4
Liabilities	**3,610.0**	**3,461.9**	**(148.1)**
Share capitals, Retained earnings, etc,.	1,512.4	1,438.4	(74.0)
Other components of equity	228.2	323.3	95.1
Equity attributable to owners of the parent	**1,740.6**	**1,761.7**	**21.1**
Non-controlling interests	544.0	653.0	109.0
Equity	**2,284.6**	**2,414.7**	**130.1**
Total liabilities & equity	**5,894.6**	**5,876.6**	**(18.0)**

	Mar.31.2025	Mar.31.2026	Difference
Net Interest-bearing debt *1	1,852.3	1,464.8	(387.5)
Net D/E ratio	1.06	0.83	(0.23)
ROE *2	2.6%	0.7%	(1.9%)

*1 Net interest-bearing debt (End of Mar.31, 2026)
= interest-bearing debt (2,021.9billion yen)
- (cash and cash equivalents (527.1billion yen) + investments of surplus funds 30.0billion yen)
Note : Interest-bearing debt includes lease obligations.
*2 Ratio of net income attributable to owners of the parent.

13 | Mitsubishi Chemical Group Corporation

Next is the consolidated statement. Total assets were JPY5,876.6 billion, down JPY18 billion from the end of previous fiscal year. This mainly reflects a decrease of approximately JPY630 billion due to the business restructuring centered on the sales of the MTPC.

On the other hand, assets increased due to cash proceeds remaining on hand at the end of March from the MTPC sale as well as the impact of foreign exchange movement.

Netting these factors, total assets reduced to approximately JPY18 billion overall. Net increase interest-bearing debt decreased to JPY387.5 billion from the end of the previous year, and the net D/E ratio, debt-to-equity ratio improved significantly to 0.83 from 1.06 at the end of the last year.

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

(Billions of Yen)

Segment	Item	FY2024 1Q	FY2024 2Q	FY2024 3Q	FY2024 4Q	FY2024 Total	FY2025 1Q	FY2025 2Q	FY2025 3Q	FY2025 4Q	FY2025 Total
Total Consolidated	Sales Revenue	1,017.0	992.8	972.9	964.9	3,947.6	880.7	918.4	938.2	966.7	3,704.0
	Core Operating Income	63.6	65.9	60.7	38.6	228.8	56.6	69.5	59.5	39.4	225.0
Specialty Materials	Sales Revenue	274.3	263.5	267.5	266.0	1,071.3	258.3	261.6	265.9	273.8	1,059.6
	Core Operating Income	11.0	13.1	9.3	(9.5)	23.9	14.1	19.0	12.1	(12.9)	32.3
Advanced Films & Polymers	Sales Revenue	118.9	117.7	117.9	116.3	470.8	113.7	112.0	114.1	109.8	449.6
	Core Operating Income	8.7	10.4	9.4	5.5	34.0	11.8	10.5	9.0	(23.9)	7.4
Advanced Solutions	Sales Revenue	87.2	85.7	90.5	86.8	350.2	82.5	87.6	85.5	87.9	343.5
	Core Operating Income	3.1	4.1	3.5	(9.3)	1.4	3.7	8.8	4.2	6.2	22.9
Advanced Composites & Shapes	Sales Revenue	68.2	60.1	59.1	62.9	250.3	62.1	62.0	66.3	76.1	266.5
	Core Operating Income	(0.8)	(1.4)	(3.6)	(5.7)	(11.5)	(1.4)	(0.3)	(1.1)	4.8	2.0
MMA & Derivatives	Sales Revenue	111.9	112.4	96.3	97.0	417.6	91.2	86.9	85.7	88.1	351.9
	Core Operating Income	11.0	15.8	6.2	2.7	35.7	3.9	0.3	(2.6)	(3.1)	(1.5)
MMA	Sales Revenue	84.1	85.0	69.3	69.1	307.5	65.6	60.1	58.9	60.9	245.5
	Core Operating Income	9.9	14.8	5.8	1.8	32.3	2.5	(1.5)	(4.3)	(5.0)	(8.3)
Coating & Additives	Sales Revenue	27.8	27.4	27.0	27.9	110.1	25.6	26.8	26.8	27.2	106.4
	Core Operating Income	1.1	1.0	0.4	0.9	3.4	1.4	1.8	1.7	1.9	6.8
Basic Materials & Polymers	Sales Revenue	272.2	266.6	245.8	202.0	986.6	191.5	195.6	205.9	197.7	790.7
	Core Operating Income	(7.0)	(4.7)	(0.3)	(2.6)	(14.6)	(3.6)	1.2	(0.5)	(1.3)	(4.2)
Materials & Polymers	Sales Revenue	196.5	198.9	208.2	174.6	778.2	166.7	173.1	177.7	167.8	685.3
	Core Operating Income	1.2	3.2	4.6	3.8	12.8	(0.7)	4.0	(0.5)	(4.7)	(1.9)
Carbon Products	Sales Revenue	75.7	67.7	37.6	27.4	208.4	24.8	22.5	28.2	29.9	105.4
	Core Operating Income	(8.2)	(7.9)	(4.9)	(6.4)	(27.4)	(2.9)	(2.8)	(0.0)	3.4	(2.3)
Others	Sales Revenue	31.1	38.4	36.9	64.6	171.0	26.7	40.3	35.4	46.9	149.3
	Core Operating Income	1.2	(2.8)	(0.1)	(0.6)	(2.3)	(2.8)	1.0	(0.9)	0.4	(2.3)
Chemicals Business	Sales Revenue	689.5	680.9	646.5	629.6	2,646.5	567.7	584.4	592.9	606.5	2,351.5
	Core Operating Income	16.2	21.4	15.1	(10.0)	42.7	11.6	21.5	8.1	(16.9)	24.3
Industrial Gases	Sales Revenue	327.5	311.9	326.4	335.3	1,301.1	313.0	334.0	345.3	360.2	1,352.5
	Core Operating Income	47.4	44.5	45.6	48.6	186.1	45.0	48.0	51.4	56.3	200.7

- Breakdown figures of segment are approximation for reference purpose only.
- Figures for FY2024, the Pharma business has been reclassified as a discontinued operation, and the figures of some business have been changed partially from those announced on May 13, 2025.

14 | Mitsubishi Chemical Group Corporation

This page provides additional details on the changes in core operating income from Q3 to Q4. Cash operating income in Q4 was JPY39.4 billion, down JPY20.1 billion from Q3.

Specialty Materials recorded a loss of JPY12.9 billion in Q4, a decline of JPY25 billion from the JPY12.1 billion of profit recorded in Q3. Although results benefited from the end of winter holiday impact in Europe and North America, improved performance in the composite parts business, mainly for robotaxis and rationalization efforts and effects from the partial suspension of general-purpose carbon fiber production lines, earnings declined significantly due to the impairment losses related to Soarnol assets.

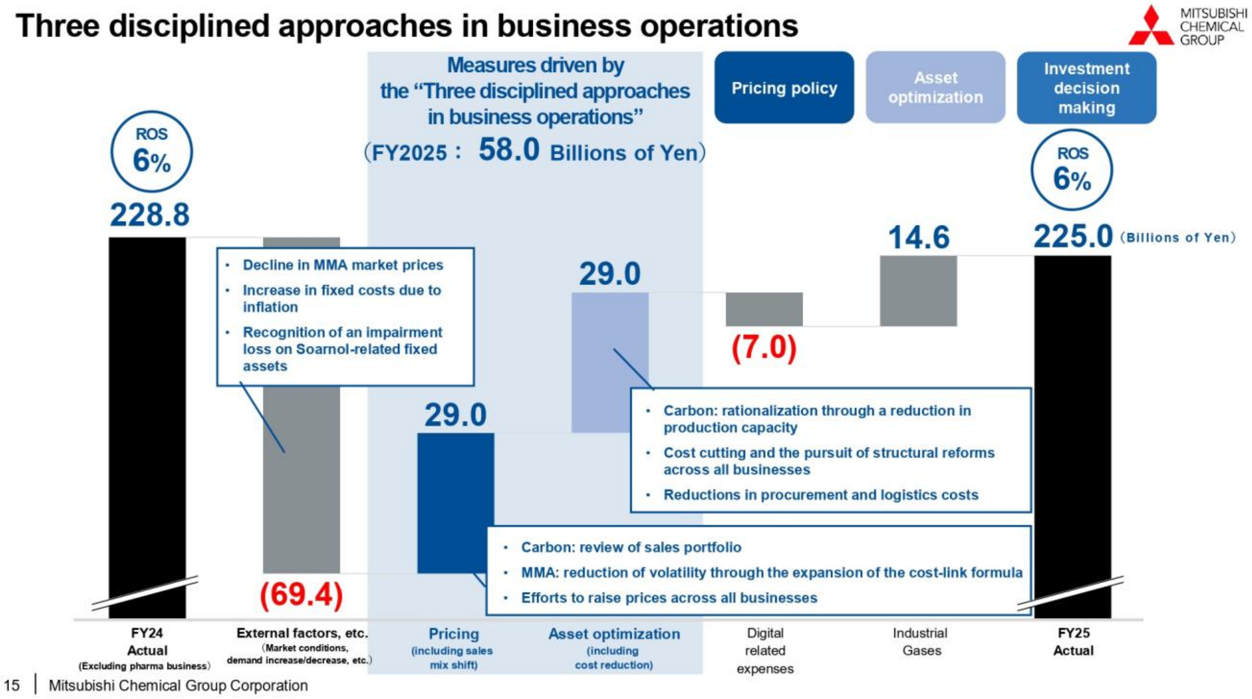
MMA and Derivatives recorded a loss of JPY3.1 billion in Q4, largely unchanged from JPY2.6 billion in Q3.

Basic Materials and Polymers recorded a loss of JPY1.3 billion in Q4, a decline of JPY0.8 billion from the JPY0.5 billion loss in Q3.

In Carbon, earnings returned to profitability due to improvement in inventory valuation gains and losses.

On the other hand, Materials and Polymers losses widened mainly due to impairment losses related to ethylene oxide and ethylene glycol production facilities.

Industrial Gases increased from JPY51.4 billion in Q3 to JPY56.3 billion. In Q4, an improvement of JPY4.9 billion, driven by pricing management and productivity improvement initiatives.



Under our current medium-term management plan, we have set the three principles of disciplined business management to improve profitability, chemical business, pricing discipline, investment discipline, and asset optimization.

In FY2025, the impact of measures based on these three principles of disciplined management amounted to JPY58 billion. The impact of pricing discipline was JPY29 billion.

In carbon, this was driven by reducing loss-making export sales and shifting to cost-linked pricing formulas.

In MMA, the expansion of cost-linked pricing formulas also contributed to the improvement.

In other businesses as well, price increase initiatives were promoted mainly in Specialty Materials, resulting in a full-year impact of JPY29 billion.

Asset optimization delivered an effect of JPY29 billion. This was driven by cost reductions from capacity reductions in carbon business as well as a number of structural reforms across businesses, including the withdrawal from unprofitable operations.

Regarding the selection of concentration in chemicals business, we have made decisive equivalent to approximately JPY490 billion over the past two years against the JPY400 billion targeted for the business restructuring and investment and divestment set out in the medium-term management plan, thereby establishing a foundation of growth.

Change of Reporting Segments

MITSUBISHI CHEMICAL GROUP

Following the organizational revision as of April 1, 2026, the reporting segments for fiscal 2026 and thereafter will be changed as follows.

Previous Reporting Segments (~FY2025) (Billions of Yen)

	FY2025 Sales Revenue	FY2025 Core Operating Income	
Total Consolidated	**3,704.0**	**225.0**	
Specialty Materials	**1,059.6**	**32.3**	
Advanced Films & Polymers	449.6	7.4	① ⑥
Advanced Solutions	343.5	22.9	② ④ ⑨
Advanced Composites & Shapes	266.5	2.0	③ ⑦
MMA & Derivatives	**351.9**	**(1.5)**	
MMA	245.5	(8.3)	
Coating & Additives	106.4	6.8	⑤
Basic Materials & Polymers	**790.7**	**(4.2)**	
Materials & Polymers	685.3	(1.9)	⑧
Carbon Products	105.4	(2.3)	
Others	**149.3**	**(2.3)**	
Chemicals Business	**2,351.5**	**24.3**	
Industrial Gases	**1,352.5**	**200.7**	

① Soarnol, Gohsenol, Packaging & Barrier Films, Industrial & Medical Films, Acetyl & Optical Firms, Polyester Films
② Food & Healthcare
③ Engineering Shapes, Carbon Fiber and Composite Materials
④ Semiconductor, Electronics, and Battery Materials

New Reporting Segments (FY2026~) (Billions of Yen)

	FY2025 Sales Revenue	FY2025 Core Operating Income
Total Consolidated	**3,704.0**	**225.0**
Specialty Materials	**1,177.8**	**44.9**
① ② Films & Performance Materials	385.7	1.4
③ Composites & Shapes	252.2	3.1
④ ⑤ Information Electronics	175.4	9.3
⑥ ⑦ ⑧ Polymer Compounds	225.3	20.4
⑨ Water & Infrastructure	139.2	10.7
MMA & Derivatives	**344.7**	**(2.0)**
MMA	245.5	(8.3)
Functional Chemicals	99.2	6.3
Basic Materials	**679.7**	**(16.4)**
Basic Chemicals	574.3	(14.1)
Carbon Products	105.4	(2.3)
Others	**149.3**	**(2.2)**
Chemicals Business	**2,351.5**	**24.3**
Industrial Gases	**1,352.5**	**200.7**

⑤ Fine Chemicals
⑥ Performance Polymers
⑦ Certain materials, such as Glass Fiber Composite
⑧ Engineering Plastic, Polypropylene Compounds
⑨ Infrastructure Solution, Aqua Solution

17 | Mitsubishi Chemical Group Corporation

Next, I will discuss the full-year forecast for the fiscal year ending March 2027. Before the forecast details, I will explain the changes in reporting segments. Following the reorganization on April 1, 2026, our reporting segments will change from the fiscal year ending March 2027, as shown on the slide.

Specialty Materials will be divided into five segments: films and Performance Materials, Composites and Shapes, Information Electronics, Polymer Compounds, and Water and nfrastructure.

Films and Performance Materials mainly consists of businesses formerly under Advanced Films and Polymers.

Composites and Shapes mainly includes businesses from the former Advanced Composites and Shapes.

Information Electronics focuses on semiconductor and battery and electronics businesses previously in Advanced Solutions.

Polymer Compounds combines performance polymers previously included in Advanced Films and Polymers with engineering plastics and polypropylene compounds from the Materials and Polymers.

Water and Infrastructure includes water and environmental and infrastructure businesses from the former Advanced Solutions.

MMA and Derivatives remains largely unchanged and mainly consists of businesses previously included in MMA and Derivatives.

Basic Materials mainly consists of businesses from the former Basic Materials and Polymers.

We reorganized these groups to enable management to more directly oversee each business and achieve the goals of KAITEKI Vision 35 and our midterm management plan. We apologize for any conveniences to investors and analysts and appreciate your understanding.

FY2026 Forecast : Consolidated Statement

MITSUBISHI CHEMICAL GROUP

- The results forecast figures do not take into account the impact of the Middle East situation, including the effective closure of the Strait of Hormuz.
- In the event that the current situation continues until the end of September 2026, we expect core operating income to fall short of the forecast for FY2026 by approximately 18.0 billion yen.

Exchange Rate (¥/$)	151.1	150.0	150.0	150.0	(1.1)
Naphtha Price (¥/kl)	65,200	63,000	63,000	63,000	(2,200)

(Billions of Yen)

	FY2025 Actual	FY2026 1H	FY2026 2H	FY2026 Forecast	Difference	%
Sales Revenue	3,704.0	1,861.0	1,939.0	**3,800.0**	**96.0**	3%
Core Operating Income	225.0	139.0	166.0	**305.0**	**80.0**	36%
Special Items	(194.9)	4.0	(9.0)	**(5.0)**	**189.9**	
Operating Income	30.1	143.0	157.0	**300.0**	**269.9**	897%
Financial Income/Expenses	(29.4)	(14.0)	(16.0)	**(30.0)**	**(0.6)**	
Income before Taxes	0.7	129.0	141.0	**270.0**	**269.3**	-
Income Taxes	(17.1)	(31.0)	(39.0)	**(70.0)**	**(52.9)**	
Net Income (Loss) from Continuing Operations	(16.4)	98.0	102.0	**200.0**	**216.4**	-
Net Income from Discontinued Operations	94.8	-	-	**-**	**(94.8)**	
Net Income	78.4	98.0	102.0	**200.0**	**121.6**	155%
Net Income Attributable to Owners of the Parent	11.8	59.0	68.0	**127.0**	**115.2**	974%
Net Income Attributable to Non-Controlling Interests	66.6	39.0	34.0	**73.0**	**6.4**	

18 | Mitsubishi Chemical Group Corporation

I will now present the full-year forecast for the fiscal year ending March 31, 2027. Our forecast assumes an exchange rate of JPY150 to the US dollar and naphtha price of JPY63,000.

Sales revenue is forecast at JPY3.8 trillion, an increase of JPY96 billion from FY2025.

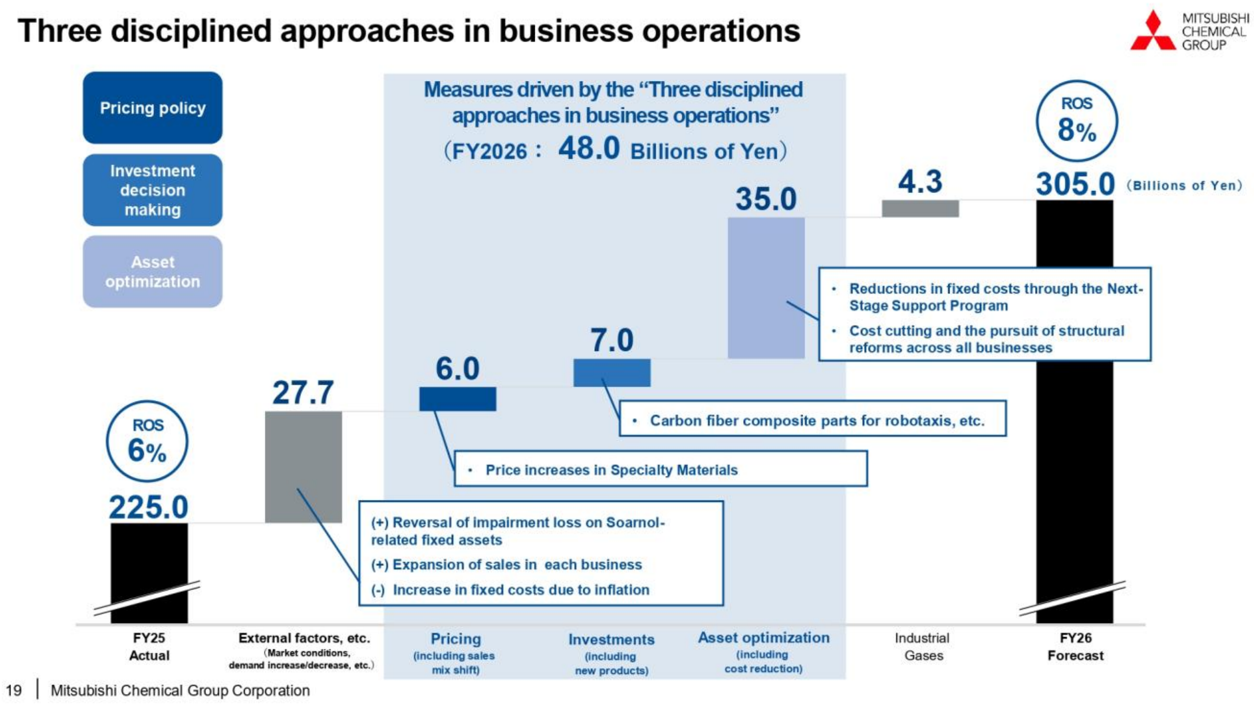
Core operating income is expected to reach JPY305 billion, up JPY80 billion. Operating income is forecast at JPY300 billion.

Income before tax is at JPY270 billion and net income from continuing operations at JPY200 billion.

Net income attributable to owners of the parent is expected to be JPY227 billion, an increase of JPY115.2 billion.

This forecast does not include the impact of Middle East tensions such as the potential closure of the Strait of Hormuz. If the current situation persists through September, we estimate a downside impact of approximately JPY18 billion on forecast core operating income for the FY2026.

Three disciplined approaches in business operations



In FY2026, we expect the benefits from the measures based on the three disciplined approaches and business operations to be JPY48 billion. As part of our pricing policy, we will continue promoting price increases centered on Specialty Materials. Regarding investment benefits, we expect profit contributions from the full-scale shipment of carbon fiber composite parts for robotaxis. As for asset optimization, we expect benefits from fixed cost reduction through the next support program implemented in FY2025 as well as from our continued efforts to promote cost reductions and structural reforms in each business.

FY2026 Forecast : Sales Revenue and COI by Business Segment

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

		FY2025 Actual	1H	2H	FY2026 Forecast	Difference
Total Consolidated	Sales Revenue	3,704.0	1,861.0	1,939.0	3,800.0	96.0
	Core Operating Income	225.0	139.0	166.0	305.0	80.0
Specialty Materials	Sales Revenue	1,177.8	606.0	631.0	1,237.0	59.2
	Core Operating Income	44.9	38.0	52.0	90.0	45.1
Films & Performance Materials	Sales Revenue	385.7	187.0	197.0	384.0	(1.7)
	Core Operating Income	1.4	16.0	18.0	34.0	32.6
Composites & Shapes	Sales Revenue	252.2	139.0	144.0	283.0	30.8
	Core Operating Income	3.1	3.0	9.0	12.0	8.9
Information Electronics	Sales Revenue	175.4	91.0	95.0	186.0	10.6
	Core Operating Income	9.3	5.0	6.0	11.0	1.7
Polymer Compounds	Sales Revenue	225.3	122.0	121.0	243.0	17.7
	Core Operating Income	20.4	10.0	11.0	21.0	0.6
Water & Infrastructure	Sales Revenue	139.2	67.0	74.0	141.0	1.8
	Core Operating Income	10.7	4.0	8.0	12.0	1.3
MMA & Derivatives	Sales Revenue	344.7	176.0	173.0	349.0	4.3
	Core Operating Income	(2.0)	5.0	6.0	11.0	13.0
MMA	Sales Revenue	245.5	125.0	125.0	250.0	4.5
	Core Operating Income	(8.3)	1.0	3.0	4.0	12.3
Functional Chemicals	Sales Revenue	99.2	51.0	48.0	99.0	(0.2)
	Core Operating Income	6.3	4.0	3.0	7.0	0.7
Basic Materials	Sales Revenue	679.7	329.0	354.0	683.0	3.3
	Core Operating Income	(16.4)	(6.0)	1.0	(5.0)	11.4
Basic Chemicals	Sales Revenue	574.3	279.0	304.0	583.0	8.7
	Core Operating Income	(14.1)	(6.0)	2.0	(4.0)	10.1
Carbon Products	Sales Revenue	105.4	50.0	50.0	100.0	(5.4)
	Core Operating Income	(2.3)	0.0	(1.0)	(1.0)	1.3
Others	Sales Revenue	149.3	66.0	93.0	159.0	9.7
	Core Operating Income	(2.2)	1.0	3.0	4.0	6.2
Chemicals Business	Sales Revenue	2,351.5	1,177.0	1,251.0	2,428.0	76.5
	Core Operating Income	24.3	38.0	62.0	100.0	75.7
Industrial Gases	Sales Revenue	1,352.5	684.0	688.0	1,372.0	19.5
	Core Operating Income	200.7	101.0	104.0	205.0	4.3

- The results forecast figures do not take into account the impact of the Middle East situation, including the effective closure of the Strait of Hormuz.
- In the event that the current situation continues until the end of September 2026, we expect core operating income to fall short of the forecast for FY2026 by approximately 6.0 billion yen for Specialty Materials, by approximately 10.0 billion yen for MMA & Derivatives, and by approximately 2.0 billion yen for Basic Materials. We expect the impact on Industrial Gases to be limited.

* Segment breakdown figures are estimates for illustrative purposes only.

20 | Mitsubishi Chemical Group Corporation

Here is the forecast by business segment.

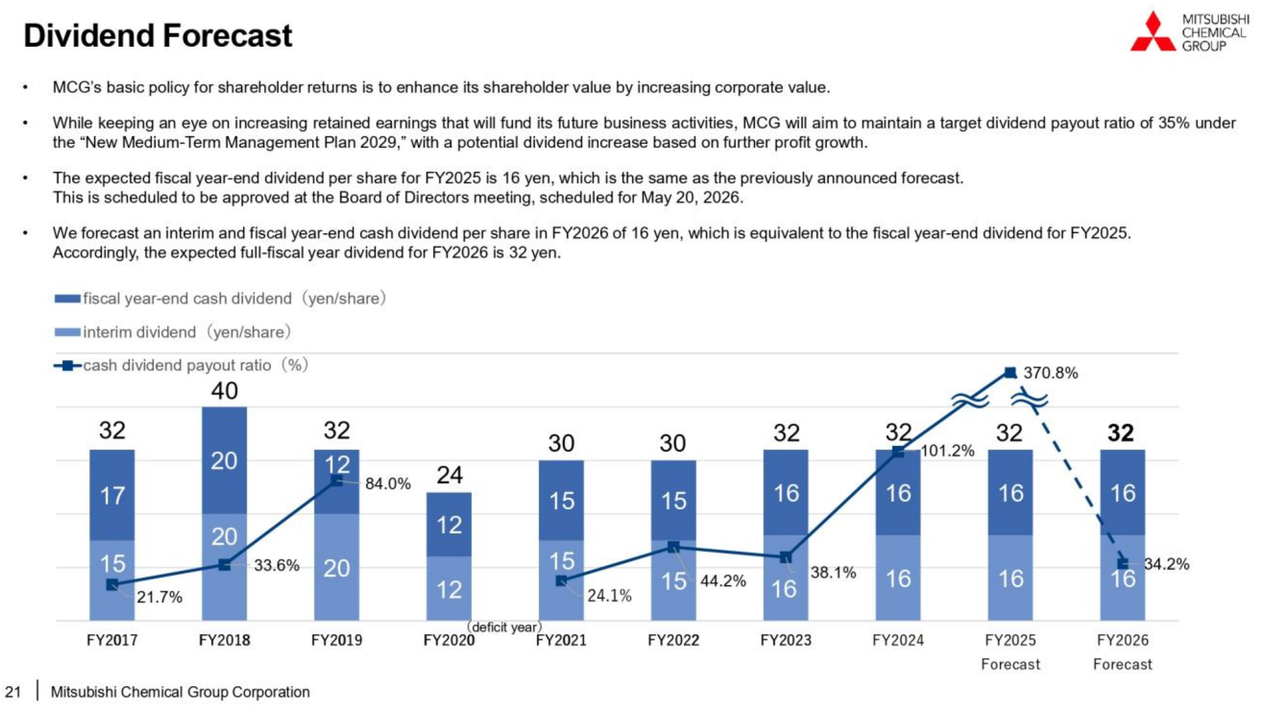
Specialty Materials will be affected by higher costs associated with inflation, we expect increased sales and business position as growth drivers, including polyester film for MLCCs, for barrier packaging applications, semiconductor-related businesses and composite parts mainly for robotaxis in addition to the absence of impairment losses on so-related fixed assets.

MMA and Derivatives is expected to turn profitable through higher volume and a gradual recovery in the MMA monomer market.

In Basic Materials, the price gap is expected to deteriorate due to timing differences in polyolefin price revisions.

Losses are expected to narrow due to improvements in inventory valuation gains and losses and the absence of impairment losses on ethylene oxide and ethylene glycol products and facilities.

Industrial Gas is forecast to grow profits through pricing management and productivity improvement initiatives.



I will now discuss the dividend forecast. The forecast year-end dividend per share for FY2025 remains unchanged at JPY16 and is scheduled to be resolved at the Board of Directors meeting on May 20. Regarding the dividend forecast for FY2026, we plan to set both the interim and the year-end dividends at JPY16 per share, the same amount as the year-end dividend for FY2025. As a result, the forecast for the annual dividend for FY2026 is JPY32 per share.

This concludes my presentation.

Watabe [Q]: I'd like to ask about the JPY18 billion negative impact cited as a result of the situation in the Middle East. Does this figure include, on a net basis, items such as inventory valuation gains resulting from rising raw material prices? Additionally, in terms of direct impacts, in addition to the current situation at SAMAC, there have been reports on trends in Thai raw materials and domestic naphtha. Could you please explain in a bit more detail the impact of the situation in the Middle East, including procurement aspects—such as overseas raw materials and auxiliary materials—as well as the effects on SAMAC and inventory valuation?

Kida [A]: I will explain the JPY18 billion negative impact. First, regarding the impact from inventory receipts and shipments mentioned in your question, this is partially included. However, based on our assessment, we do not anticipate a significant direct increase in naphtha procurement costs that we would be unable to pass on to customers. Furthermore, we do not view the situation as critical to the point where procuring naphtha itself would become significantly difficult.

The primary cause of the negative impact we are currently forecasting is indirect effects stemming from the supply chain. Specifically, we are making a conservative estimate of the ripple effects across the entire supply chain, including the impact of reduced delivery volumes resulting from our customers facing shortages of components other than those we supply, as well as concerns that the supply of externally procured items (such as auxiliary materials) other than our main raw materials may be partially disrupted for certain product groups.

Looking at this by segment, we anticipate that more than half of this JPY18 billion - approximately JPY10 billion - will be attributable to the negative impact on MMA. As you know, one of our major production sites (SAMAC) is located in the Middle East, so we expect supply chain issues related to that site to have the greatest impact.

Watabe [Q]: Just to confirm, the assumption is that if the situation in the Middle East continues until around September, a negative impact of approximately JPY10 billion is expected for MMA. I understand that other impacts will depend on how the situation develops going forward. I'd also like to ask about the first-half outlook for basic chemicals. Since the current naphtha price assumption is just over JPY60,000, this table shows a projected loss for the first half. However, given the current naphtha market conditions, I suspect that actual results may be significantly higher due to factors such as the difference between purchase and sales prices. What are your thoughts on this?

Kida [A]: As you mentioned, during periods when naphtha prices are rising—such as in April—a positive difference between purchase and sales prices occurs on a monthly basis. However, when prices eventually settle back to their original levels, that positive impact will fade away. Therefore, when viewed on a full-year basis, we believe that the positive and negative effects from the difference between receipts and payments will either offset each other during the fiscal year or, at most, be partially carried over to the next fiscal year. Consequently, at this point, we do not anticipate that the Basic Chemicals segment will see a significant positive impact from the difference between receipts and payments.

Miyamoto [Q]: I'd like to ask about page 27 of the materials. You are projecting a total profit increase of JPY45.1 billion for Specialty Materials in the new fiscal year. Could you please provide details on the actual profit increase of approximately JPY15.0 billion after excluding the impairment loss (JPY30.3 billion)? In particular, the profit increase for Composites & Shapes is significant, and we anticipate that shipments for robo-taxis will begin in earnest. Do you anticipate that shipment volumes for robotaxis will increase by about 3 to 4 times? Please explain the factors driving the profit growth for the Specialty Materials segment as a whole—with a focus on Composites & Shapes—including the volume assumptions and the impact on fixed costs.

Kida [A]: In addition to what is stated in the materials, I will provide further details on the actual factors driving profit growth in each segment.

Composites & Shapes: Regarding robotaxis, while we cannot disclose specific unit numbers due to contractual obligations, our figures are largely in line with the estimate you provided. Monthly production volumes have been increasing since the second half of last fiscal year, and with monthly output expected to expand to three to four times the current level this fiscal year, we anticipate that our upfront investments will begin to yield returns as full-scale shipments take off. In addition, we are proceeding with restructuring efforts—such as consolidating unprofitable operations—beyond CPC in Italy. Amid these efforts, inquiries for drone and aerospace applications—from both the public and private sectors—are increasing, and we anticipate that these will gradually materialize and generate revenue.

Films & Performance Materials: Since we recorded an impairment loss of JPY30.3 billion this fiscal year, the elimination of this impact will be the primary factor driving results next fiscal year. In terms of additional business drivers, we anticipate the start of operations for a new polyester production line in Germany (beginning in May), the commencement of shipments to Asia for MLCCs (for new customers and those awaiting certification), and continued growth in Soanol, which is seeing steady sales growth.

Information & Electronics: It will still be some time before the effects of new investments in synthetic quartz and photoresists (such as LisoMax) fully materialize. However, since demand for synthetic quartz remains very strong even with our current facilities, we plan to sell at full capacity within our existing limits. We continue to see strong demand for our existing semiconductor-related products.

In summary, we expect three product categories—composites, Soanol, and semiconductor-related products—to drive significant growth in sales volume this fiscal year. GaN, our next-generation product, will begin contributing substantially to earnings starting next year.

Miyamoto [Q]: As a follow-up, I'd like to ask about the impact of the situation in the Middle East. You mentioned that the Specialty segment expects a negative impact of approximately JPY6 billion—is this primarily due to an inability to fully pass on higher raw material costs to prices? Could you please elaborate on the details of this impact, such as which products are difficult to price up or whether there are any materials for which there is a shortage?

Kida [A]: At this point, there are no apparent issues, such as clear disruptions to production due to raw material shortages on our part. The majority of the negative impact on the Specialty segment that we are currently projecting (approximately JPY6 billion) is not due to a shortfall in cost recovery through price pass-through. As I mentioned earlier regarding the company-wide impact, this projection reflects indirect effects stemming from the supply chain, where our customers' operational rates have declined due to shortages of raw materials and components (from sources other than us), resulting in a decrease in the volume of our deliveries. Therefore, this figure does not include any negative impact resulting from delays in passing on price increases.

Okazaki [Q]: Regarding the situation in the Middle East, you mentioned that if the current conditions persist through September, you anticipate a negative impact of approximately JPY2 billion on the Basic Materials segment. Could you please explain the breakdown and rationale behind this? My understanding is that, prior to the conflict, the ethylene operating rate was around 90 percent. Could you explain what the operating conditions might look like in the first half of the fiscal year, including the impact on derivatives and other products?

Kida [A]: First, regarding cracker operating conditions: while the overall domestic operating rate has remained at around 75%, we have been fortunate to have supportive customers and have been able to maintain a relatively high level. Although our Ibaraki Plant has been undergoing scheduled maintenance since May 9, our Okayama Plant is currently maintaining an operating rate of about 80%. While we cannot make definitive predictions about the situation after the maintenance is complete, we currently view the likelihood of a significant decline in cracker operating rates from this level as relatively low.

Regarding the JPY2 billion negative impact on Basic Materials, this reflects minor production cuts due to shortages of certain raw materials, as well as supply chain concerns on the customer side. Since we have already implemented countermeasures such as changing transportation routes and diversifying suppliers, the accurate explanation at this point is that "we do not anticipate a significant reduction in production." However, as some uncertainty remains regarding the outlook, we will continue to monitor the situation closely.

Okazaki [Q]: In other words, while the negative impact in monetary terms is not large, it primarily reflects the risk of minor production cuts. Is it correct to understand that, when factoring in the impact of scheduled maintenance and other factors, this does not represent a significant deviation from our initial operating assumptions for the period?

Kida [A]: That is correct. While we anticipate a certain level of risk of production cuts, we do not expect the situation to deviate significantly from our current projections.

Okazaki [Q]: This relates to my previous question. If the current high naphtha prices were to continue through the end of September, is it correct to understand that, separate from the impact of this production cut, a certain inventory valuation gain would occur in the first half of the fiscal year?

Kida [A]: If naphtha prices continue to rise as they are now, a certain inventory valuation gain (positive impact) will occur in the first half of the fiscal year. However, even if prices remain high, if they stabilize at a certain level, there will be no positive impact; conversely, if they begin to decline, a negative impact will result. While we need to closely monitor the trend in inventory valuation gains in the short term, when averaged out over the full fiscal year, we do not expect this to result in a significant difference (an upward deviation in profits).

Omura [Q]: Regarding Materials & Polymers, could you please explain the trends from the third quarter through the fourth quarter? While naphtha prices have risen significantly on a spot basis since March, my understanding is that they have not risen as much on a domestic naphtha equivalent basis. How did this impact the results for the month of March? Also, I believe inventory levels were lower than usual; could you please explain how that factor affected the figures? Furthermore, regarding the first-half forecast, could you explain, if you have any current thoughts, how the situation is expected to recover from the first quarter through the second quarter?

Kida [A]: Regarding the petrochemicals segment, I recognize that the trends, particularly from the third quarter to the fourth quarter, are difficult to interpret. This includes an impairment loss of JPY5.2 billion on ethylene oxide, which serves as a distorting factor when analyzing the data. Broadly speaking, for the portion falling into FY25, we estimate that operating profit was negatively impacted by approximately JPY1 billion. While the impact of lower operating rates is not particularly significant when viewed for the full year, there was also an effect from the rise in naphtha prices toward the end of the period. That is our assessment for FY25.

Regarding the first half of FY26, and particularly the quarterly outlook, to be honest, it is difficult for us to provide a definitive answer at this time. For example, looking solely at the April monthly figures, the numbers appear extremely favorable. This is due to a significant profit arising from the difference between naphtha purchases and sales. However, it remains to be seen how long this trend will continue. It is difficult to formulate a detailed forecast regarding how the situation will specifically unfold from the first quarter through the second quarter, and unfortunately, we do not have specific figures at this time.

Omura [Q]: If I look only at the April monthly figures, is it correct to understand that, on paper, a substantial profit has been generated?

Kida [A]: As you say, if we look purely at the difference between receipts and payments, there was a significant positive result in April.

Omura [Q]: Is it correct to understand that this significant positive result stems from the fact that we were able to pass on price increases earlier than usual?

Kida [A]: The profit I mentioned earlier is strictly due to the “receipts and payments” of inventory.

On the other hand, regarding the price pass-through you mentioned, we are currently in discussions with some of our customers. As a matter of convention, pricing for petrochemical products often uses a “formula that references raw material prices from the previous quarter (previous Q).” However, given the current surge in raw material prices, continuing to deliver products at the lower base prices from the previous quarter during the current quarter risks worsening profitability and making it impossible to maintain production. Therefore, to avoid such a situation, we are currently in the process of requesting that our customers shorten the time lag in price pass-through—for example, by switching to a system that “references the previous month’s prices”—through discussions with them.

Nakata [Q]: I understand that significant profits are being generated from the naphtha inventory variance in the petrochemicals segment. On the other hand, when looking at the integrated business as a whole—including polyolefins and other segments—is it correct to understand that in April, the positive inventory variance outweighed the deterioration in spreads, resulting in substantial overall profits?

Kida [A]: Regarding the April monthly financial results, since they span the Golden Week holiday period, the figures have not yet been fully finalized at this time. Based on qualitative reports from the business units, we consider it virtually certain that the positive impact from the naphtha receipt-payment difference made a significant contribution in April. However, regarding the total profit for the business as a whole, and whether that profit is attributable to the "receipt-payment difference" or to "securing a substantive spread," we will need to analyze this once the final figures are confirmed. Based on the results of that analysis, we plan to consider our operational strategies for May and beyond.

Nakata [Q]: Earlier, you mentioned that you are discussing with customers ways to shorten the time lag in price determination, such as shifting from a "previous quarter" reference to a "previous month" reference. Over what timeframe do you expect customers to accept this change? I understand that, in addition to the petrochemicals business, you have been working to change the price determination method in the MMA business for some time; do you expect this process to accelerate significantly in light of the current environmental changes?

Kida [A]: While there are still some uncertainties at this point, progress varies depending on the type of contract we have with our customers. First, for customers under "case-by-case" pricing—where price negotiations take place for each shipment—we are requesting changes to the terms, and we believe that in many cases, they are showing a relatively high level of understanding. On the other hand, for customers in the petrochemicals and other sectors where a "formula" is applied, our sales representatives are currently engaged in individual discussions. At this point, we are not yet in a position to provide specific figures regarding what percentage of customers have accepted the changes or the extent of acceptance in terms of sales.

Watabe [Q]: Looking back at our FY25 performance, we fell short of our initial plan by approximately JPY25 billion. Regarding the factors behind this, is it correct to understand that while we recorded impairment losses totaling approximately JPY35 billion on assets such as soanol, ethylene oxide, and ethylene glycol, the gas business contributed a positive impact of JYP4 to 5 billion? Also, on page 19 of the materials, under the "Three Principles of Disciplined Business Operations," a positive profit contribution of JPY35 billion from asset optimization and other measures is listed. I estimate that approximately JPY15 billion of this comes from the Next Stage Support Program, but what factors are included in the remaining JPY20 billion?

Kida [A]: First, I will address the review of FY25's performance. As you noted, during the current fiscal year, we recorded impairment losses totaling JPY35.5 billion—JPY30.3 billion for soanol and JPY5.2 billion for ethylene oxide, ethylene glycol, and other products. When comparing the actual results—excluding the impact of these impairment losses—to the initial guidance, the figures are as follows:

・Chemicals Business: Core operating profit of JPY24.3 billion + impairment charges = approximately JPY59.8 billion on a substantive basis (very close to the guidance of JPY61.0 billion)

・Specialty Materials: Core operating profit of JPY32.3 billion + impairment charges = approximately JPY62.6 billion on a substantive basis (within the guidance range of JPY65.0 billion)

The majority of the shortfall was due to impairment charges; in terms of underlying performance, we had reached a level close to our plan. As the person in charge of finance, I can personally attest that this is the result of our sustained efforts to pass on price increases and reduce fixed costs across each business segment, which have now taken root and are yielding tangible results.

Next, I will explain the breakdown of the "JPY35 billion" in profit growth factors for the next fiscal year. Broadly speaking, it consists of the following three points:

・Effects of workforce restructuring (Next Stage Support Program, etc.): Although slightly more conservative than you may have estimated, this amounts to just over JPY10 billion.

・Cumulative cost reductions across all business segments: Just over JPY10 billion, achieved through the consolidation of production sites, reductions in fixed and variable costs, and improvements in unit costs.

・Cost reductions in logistics and procurement: Several billion yen, achieved through initiatives such as consolidating purchases and shipments that were previously handled separately into a single location.

While it is difficult to provide exact figures, this is generally the breakdown.

Miyamoto [Q]: I'd like to ask about the MMA business. You mentioned that the base-case scenario for the new fiscal year anticipates a gradual improvement in market conditions, but what specific market conditions—including utilization rates and demand trends—are you assuming? Also, you mentioned earlier that you anticipate "a downside risk of approximately JPY10 billion for MMA" due to the situation in the Middle East. On the other hand, the current MMA market price is at a high level exceeding $2,000, and even considering the high costs of raw materials such as methanol, we believe this has a positive impact on margins. What margin assumptions are included in this JPY10 billion downside risk?

Kida [A]: First, regarding the MMA market assumptions, prior to the conflict, we had anticipated that the market would settle at a level slightly below $1,400 for this fiscal year. Although the Chinese market fell to the $1,100 range at one point, based on the operating conditions and cost levels of our competitors, we expected it to recover to a certain extent, with the spread returning to a level that would ensure profitability. On the other hand, the current situation shows the Southeast Asian market index at around $2,000. Since the spread against naphtha is also at a high level of just under $1,000, one could simply say that the spread has widened. However, with actual prices in China at a more challenging level, the overall market outlook remains extremely difficult to predict.

Regarding your question about the "JPY10 billion negative factor," this is not due to a deterioration in the spread but is primarily based on the anticipated impact of a decline in "volume." In particular, we take a very cautious view that production and shipments from our Middle Eastern facility (SAMAC) may become significantly more difficult compared to before the conflict. We have estimated this figure at JPY10 billion based on a conservative assessment of the decline in shipment volumes should the current situation persist, and this figure does not include much of the impact from spread fluctuations.

Miyamoto [Q]: Understood. If the current situation persists, a negative impact of approximately JPY10 billion will result from reduced production at our Middle Eastern facility; however, if current market conditions are maintained, there is a possibility that margins could exceed our initial assumption (just under $1,400). Is that a correct understanding?

Kida [A]: It is also very difficult to forecast the positive impact on margins at this point. For example, looking at the results for April alone, we expect MMA to post a slight profit. However, because various factors—such as regional price differences and logistics constraints—are intricately intertwined, we believe it will still take some time to assess the overall impact on earnings.

[END]