Mitsubishi Chemical Group Corporation

First Quarter Earnings Conference Call for the Fiscal Year Ending March 31, 2027

July 31, 2026

Event Summary

[Company Name]	Mitsubishi Chemical Group Corporation	
[Company ID]	4188-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	First Quarter Earnings Conference Call for the Fiscal Year Ending March 31, 2027	
[Fiscal Period]	FY2027 Q1	
[Date]	July 31, 2026	
[Number of Pages]	23	
[Time]	16:45 – 17:45 (Total: 60 minutes, Presentation: 22 minutes, Q&A: 38 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	1	
	Minoru Kida	Vice President, Chief Financial Officer
[Analyst Names]*	Takato Watabe	Morgan Stanley MUFG Securities
	Go Miyamoto	SMBC Nikko Securities
	Shunta Omura	UBS Securities
	Mikiya Yamada	Mizuho Securities
	Shigeki Okazaki	Nomura Securities
	Hidemitsu Umebayashi	Daiwa Securities
	Yuta Nishiyama	Citigroup Global Markets

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

First, I'd like to explain the financial results summary for Q1. During Q1, I'd like to give you the summary. During Q1, Specialty Materials continued to perform steadily. Amid unstable situations in the Middle East, the business environment remained challenging with naphtha price soaring and risk of raw materials procurement rising. However, we're seeing inventory valuation gains and a temporary increase in demand.

The core operating income for the chemicals business increased YoY by JPY48.4 billion to JPY60 billion. Contributing factors to core operating income were the effects of sustained pricing strategies and strong performance of semiconductor-related products in Specialty Materials and improved conditions in the MMA monomer market in MMA.

In basic chemicals, inventory valuation gains resulting from rising raw material prices contributed to higher profits despite the expanded scale of scheduled maintenance where we had scheduled maintenance in Ibaraki.

This year, production slowed down to prioritize continued operation of cracker plants in response to the situation in the Middle East and a decrease in sales volume caused by an influx of lower prices overseas products. Partly due to the solid performance of Industrial Gases, the overall core operating income for the Group increased YoY by JPY57.5 billion to JPY114.1 billion. Net income attributable to owners of the parent increased YoY by JPY38.1 billion to JPY57.7 billion.

Next, I'd like to discuss our earnings forecast. In light of the Q1 results and current business environment, we have revised upward our H1 forecast for core operating income and net income attributable to owners of the parent from JPY139 billion to JPY194 billion and from JPY59 billion to JPY86 billion, respectively. Meanwhile, our full-year forecast remains unchanged from the previously announced figures due to uncertainties in trends in raw material prices. We have not created any new forecast, and there is no change.

From the previously announced figures, our dividend forecast also remains unchanged for year-end dividend of JPY16 per share and annual dividend of JPY32 per share. We'll continue to rigorously adhere to the three disciplined approaches in business operations, concentrate our management resources on areas that serve as next-generation growth drivers, and steadily implement proactive growth initiatives to achieve sustainable growth and enhance corporate value.

Consolidated Statements of Operations

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	FY2025 1Q	FY2026 1Q	Difference	%	<Reference> FY2026 1H Forecast (Announced on May 13)	% to 1H Forecast
Exchange Rate (¥/$)	143.8	160.7	16.9	12%	150.0	
Naphtha Price (¥/kl)	66,300	118,900	52,600	79%	63,000	
(Billions of Yen)						
Sales Revenue	880.7	**1,004.2**	**123.5**	14%	1,861.0	54%
Core Operating Income *1	56.6	**114.1**	**57.5**	102%	139.0	82%
Special Items	4.3	**4.3**	**(0.0)**		4.0	
Operating Income	60.9	**118.4**	**57.5**	94%	143.0	83%
Income before Taxes	50.2	**111.8**	**61.6**	123%	129.0	87%
Net Income from Continuing Operations	33.0	**83.3**	**50.3**		98.0	
Net Income from Discontinued Operations	3.0	**-**	**(3.0)**			
Net Income	36.0	**83.3**	**47.3**		98.0	
Net Income Attributable to Owners of the Parent	19.6	**57.7**	**38.1**	194%	59.0	98%
Net Income Attributable to Non-Controlling Interests	16.4	**25.6**	**9.2**		39.0	
*1 Share of profit of associates and joint ventures included	1.5	**3.9**	**2.4**			

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

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I will now explain the overview of Q1. The average exchange rate for the full year was JPY160.7 to the US dollar, representing a 12% depreciation of the yen YoY. The naphtha unit price was JPY118,900, up 79% YoY.

Sales revenue totaled JPY1,004.2 billion, up JPY123.5 billion or 14% YoY. The breakdown of the increase was as follows: JPY88 billion increase due to higher selling prices, JPY33 billion decrease due to lower sales volume, and JPY68 billion increase due to foreign exchange effects.

The core operating income was JPY114.1 billion, up JPY57.5 billion YoY. This represents 82% of the H1 earnings forecast announced in May. I will explain the details of this later. Special items amounted to positive JPY4.3 billion.

Operating income was JPY118.4 billion, and income before taxes was JPY111.8 billion. Quarterly net income attributable to owners of the parent was JPY57.7 billion, up JPY38.1 billion YoY.

Sales Revenue and Core Operating Income by Business Segment

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(Billions of Yen)

	FY2025 1Q		FY2026 1Q		Difference			
	Sales Revenue	Core Operating Income	Sales Revenue	Core Operating Income	Sales Revenue	%	Core Operating Income	%
Total Consolidated	**880.7**	**56.6**	**1,004.2**	**114.1**	**123.5**	14%	**57.5**	102%
Specialty Materials	**285.9**	**17.4**	**332.5**	**38.3**	**46.6**	16%	**20.9**	120%
Films & Performance Materials	97.8	9.8	104.9	15.2	7.1		5.4	
Composites & Shapes	58.7	(1.3)	79.0	6.4	20.3		7.7	
Information Electronics	40.6	0.6	47.7	5.8	7.1		5.2	
Polymer Compounds	53.7	5.4	67.6	8.5	13.9		3.1	
Water & Infrastructure	35.1	2.9	33.3	2.4	(1.8)		(0.5)	
MMA & Derivatives	**89.6**	**3.7**	**99.9**	**8.0**	**10.3**	11%	**4.3**	116%
MMA	65.6	2.6	71.8	4.2	6.2		1.6	
Functional Chemicals	24.0	1.1	28.1	3.8	4.1		2.7	
Basic Materials	**165.5**	**(6.7)**	**185.0**	**14.8**	**19.5**	12%	**21.5**	-
Basic Chemicals	140.7	(3.8)	155.5	12.1	14.8		15.9	
Carbon Products	24.8	(2.9)	29.5	2.7	4.7		5.6	
Others	**26.7**	**(2.8)**	**26.8**	**(1.1)**	**0.1**	0%	**1.7**	-
Chemicals Business	**567.7**	**11.6**	**644.2**	**60.0**	**76.5**	13%	**48.4**	417%
Industrial Gases	**313.0**	**45.0**	**360.0**	**54.1**	**47.0**	15%	**9.1**	20%

[Inventory valuation gain/loss]	FY2025 1Q	FY2026 1Q	Difference
Polymer Compounds	0.0	0.1	0.1
Basic Chemicals	(8.0)	38.9	46.9
Carbon Products	(0.5)	1.0	1.5
Total	(8.5)	40.0	48.5

- Breakdown figures of segment are approximation for reference purpose only.
- From Q1 FY2026, we have reviewed the managing segments for certain businesses. Accordingly, for purposes of comparison, we have restated the results for FY2025.

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Next, I will explain sales revenue and core operating income by business segment.

For the chemicals business as a whole, revenue increased by JPY76.5 billion, and profit increased by JPY48.4 billion YoY. As revenue, despite shipment restrictions at some sites due to the situation in the Middle East and expansion and scale of scheduled maintenance and repairs compared to the previous period, there was an increase of JPY76.5 billion due to soaring product market prices, an increase in sales volume driven by customers' efforts to secure inventory against the backdrop of the situation in the Middle East, higher selling prices for various products, particularly in Specialty Materials, and the impact of foreign exchange rates.

The core operating income for the chemicals business increased by JPY48.4 billion, driven largely by strong performance of Specialty Materials as well as significant inventory valuation gains in Basic Materials resulting from rising naphtha prices.

Industrial Gases segment showed steady progress with revenue up 15% and profit up 20% YoY.

Details for each segment will be explained later on a separate page.

Analysis of Core Operating Income

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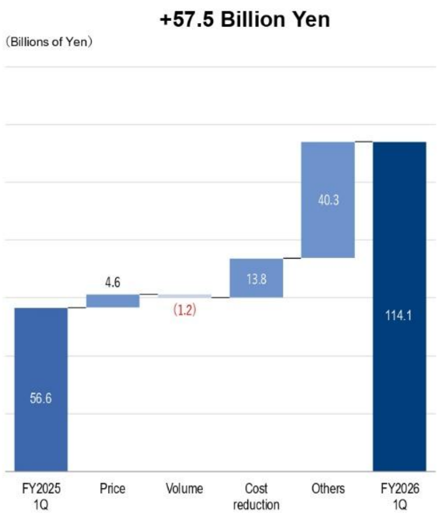

(Billions of Yen)

	FY2025 1Q	FY2026 1Q	Difference	Price	Volume	Cost reduction	Others *1
Total Consolidated	56.6	**114.1**	**57.5**	**4.6**	**(1.2)**	**13.8**	**40.3**
Specialty Materials	17.4	**38.3**	**20.9**	**11.9**	**9.1**	**4.9**	**(5.0)**
MMA & Derivatives	3.7	**8.0**	**4.3**	**7.7**	**(5.1)**	**0.8**	**0.9**
Basic Materials	(6.7)	**14.8**	**21.5**	**(17.7)**	**(6.3)**	**1.5**	**44.0**
Others	(2.8)	**(1.1)**	**1.7**	**1.0**	**0.4**	**1.3**	**(1.0)**
Chemicals Business	11.6	**60.0**	**48.4**	**2.9**	**(1.9)**	**8.5**	**38.9**
Industrial Gases	45.0	**54.1**	**9.1**	**1.7**	**0.7**	**5.3**	**1.4**

*1 Items included are impacts from differences of inventory valuation gain/loss +48.5 billion yen and differences of share of profit of associates and joint ventures +2.4 billion yen, etc.

Changes in exchange rates	8.3	8.3	-	-	-
Changes in foreign currency translation included in above		5.0			

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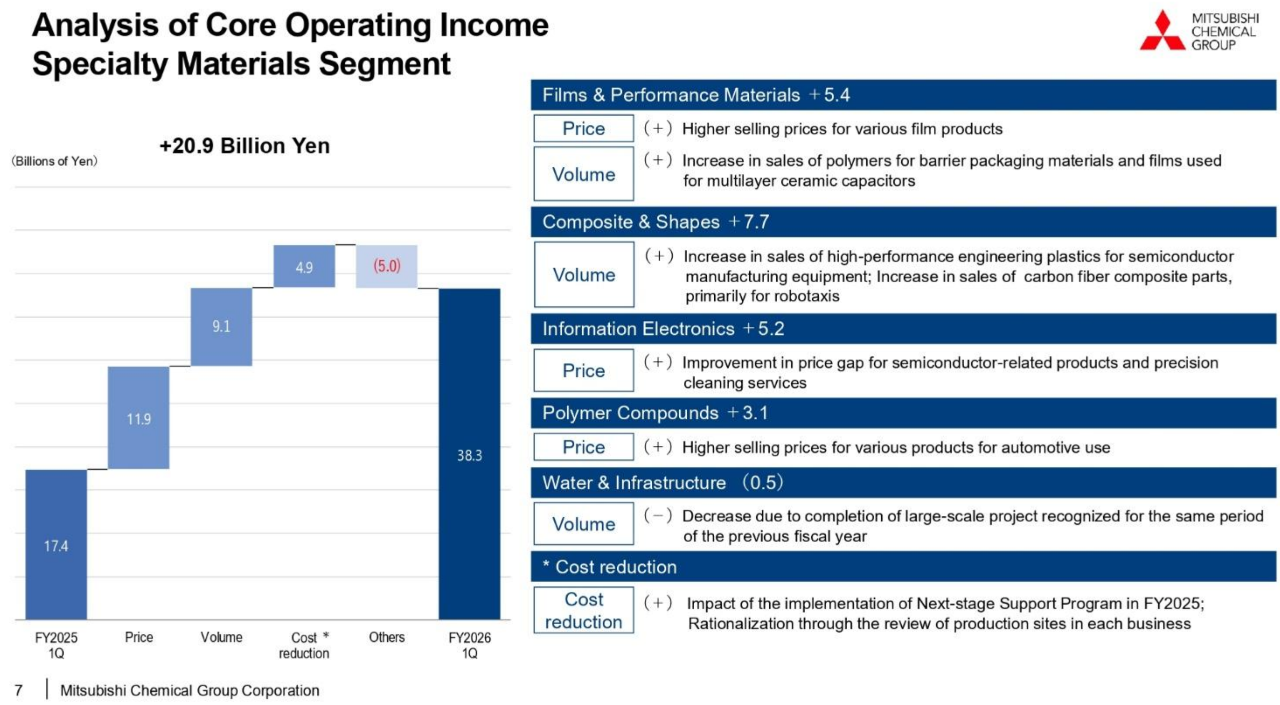
The following is a breakdown of the JPY57.5 billion YoY increase in the core operating income. The price gap was positive at JPY4.6 billion. While the price gap deteriorated for polyolefins in the Basic Materials amid rising naphtha prices, it improved due to improved selling prices in Specialty Materials and rising market prices for MMA monomers in MMA & Derivatives. The volume resulted in a drop of JPY1.2 billion.

In Specialty Materials, although sales of various products were expanded, the volume worsened due to restrictions on shipments from certain MMA sites caused by the situation in the Middle East as well as an increase in the scale of scheduled maintenance and repairs in basic chemicals.

Cost reductions resulted in a positive impact of JPY13.8 billion, with Industrial Gases and chemicals segments each achieving cumulative effects.

Others resulted in a positive impact of JPY40.3 billion. This figure includes a JPY48.5 billion gain on inventory valuations due to soaring naphtha prices.



I will now explain the details by segment.

Specialty Materials posted a YoY profit increase of JPY20.9 billion. The sales gap was positive at JPY11.9 billion, improving across all subsegments, including semiconductor-related products. The volume contributed to a rise of JPY9.1 billion.

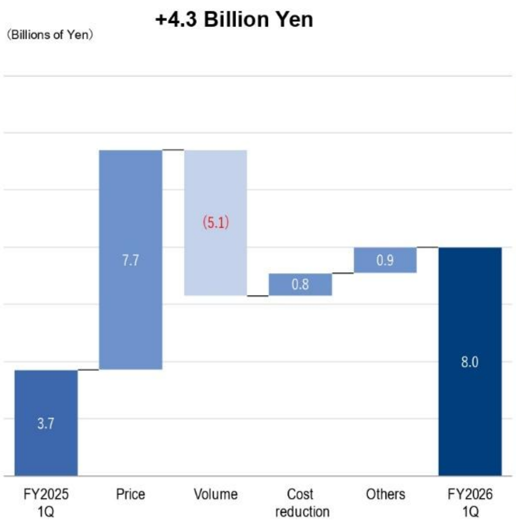
In Films and Performance Materials, the volume improved due to increased sales of polymers for barrier packaging materials and films for multilayer ceramic capacitors.

In Composites & Shapes, the volume improved due to increased sales of high-performance engineering plastics for semiconductor manufacturing equipment and carbon fiber composite parts, primarily for robotaxis.

Cost reductions totaled JPY4.9 billion, driven by the cumulative effects of rationalization measures, such as the Next-stage Support Program and the review of production sites across business units.

The negative JPY5 billion of others was attributable to cost increases resulting from inflation.

Analysis of Core Operating Income
MMA & Derivatives Segment



MMA +1.6

- Price (+) Improvement in price gap due to a rise in market prices chiefly for MMA monomer
- Volume (−) Decline in sales due to reduced operations and an affected supply system due to the situation in the Middle East

Functional Chemicals +2.7

- Price (+) Improvement in price gap chiefly for additives

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MMA & Derivatives posted JPY4.3 billion increase in profit YoY.

The sales gap was positive at JPY7.7 billion. Market prices for MMA monomers improved from a year before, leading to a widening of spreads, as I said before.

In functional chemicals as well, sales gap improved due to higher sales prices for additives.

The volume resulted in a drop of JPY5.1 billion.

On the other hand, in the MMA segment, the volume deteriorated due to shipping restrictions at some sites and sluggish operating rates caused by the situation in the Middle East.

Analysis of Core Operating Income Basic Materials Segment

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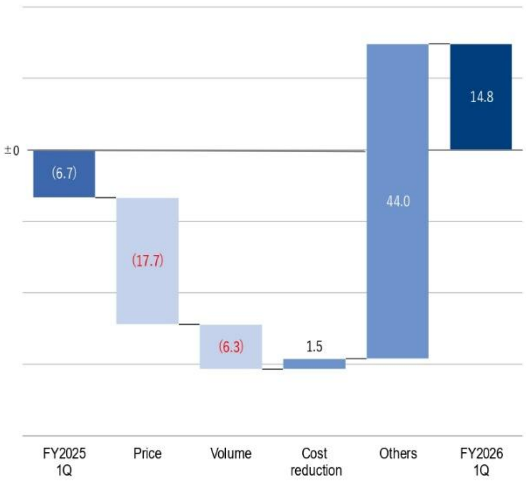
+21.5 Billion Yen



Basic Chemicals ＋15.9

Price	(－) Discrepancy in the timing for revision to polyolefin prices
Volume	(－) Expanded the scale of scheduled maintenance and repairs; Decrease in sales due to an influx of lower-priced overseas products
Others	(＋) Improvement in inventory valuation in tandem with a rise in raw material prices

Carbon Products ＋5.6

Volume	(＋) Increase in sales of carbon products in Japan
Others	(＋) Improvement in inventory valuation in tandem with a rise in raw material prices

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Operating income in Basic Materials increased by JPY21.5 billion YoY. Prices had a negative impact of JPY17.7 billion.

In basic chemicals, polyolefin selling prices lagged behind rising naphtha prices. Volume had a negative impact of JPY6.3 billion. Volume worsened due to larger scheduled maintenance in basic chemicals and lower sales from an influx of low-priced overseas products.

Others had a positive impact of JPY44 billion, which includes JPY48.4 billion in inventory valuation gains from rising naphtha prices.

Analysis of Core Operating Income Industrial Gases Segment

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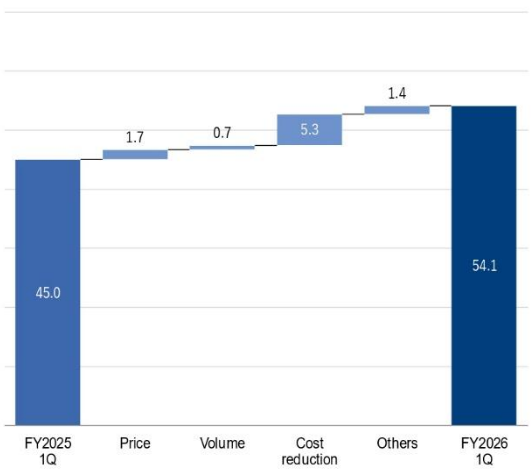
+9.1 Billion Yen



Industrial Gases ＋9.1

Others	(＋) Business expansion through acquisition
Cost reduction	(＋) Productivity improvement activities, including the use of DX and optimization of plant operations

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Lastly, Industrial Gases. Core operating income increased by JPY9.1 billion YoY.

Earnings grew, thanks to business expansion through acquiring industrial gas businesses in Australia and New Zealand as well as cost reductions from productivity initiatives across regions.

Consolidated Special Items

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(Billions of Yen)

	FY2025 1Q	FY2026 1Q	Difference
Total Special Items	4.3	**4.3**	**(0.0)**
Gain on sales of fixed assets	-	**12.8**	**12.8**
Impairment loss	(0.1)	**(3.9)**	**(3.8)**
Loss of associates and joint ventures	(0.0)	**(2.9)**	**(2.9)**
Others	4.5	**(1.7)**	**(6.2)**

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Next, special items. Special items in Q1 had a positive impact of JPY4.3 billion. We recorded a JPY12.8 billion gain on sale of fixed assets from the land transfer for Nippon Sanso Holdings' head office location. Offset by losses from structural reforms, special items totaled positive JPY4.3 billion.

Consolidated Cash Flows

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(Billions of Yen)

	FY2025 1Q	FY2026 1Q
Net cash provided by (used in) operating activities	**60.2**	**35.1**
Income before taxes	55.9	111.8
Depreciation and amortization	67.3	70.1
Change in operating receivables/payables	18.3	(10.0)
Change in Inventories	(0.4)	(38.1)
Others	(80.9)	(98.7)
Net cash provided by (used in) investing activities	**(35.8)**	**(26.3)**
Capital expenditure	(63.9)	(66.2)
Sale of assets	7.8	42.0
Investment and loans receivable, etc.	20.3	(2.1)
Free cash flow	**24.4**	**8.8**

	FY2025 1Q	FY2026 1Q
Net cash provided by (used in) financing activities	**(38.7)**	**(93.4)**
Interest bearing debts	24.3	(62.5)
Dividends, etc.	(63.0)	(30.9)
Net increase (decrease) in cash and cash equivalents	**(14.3)**	**(84.6)**
Effect of exchange rate changes and changes in scope of consolidation	(23.3)	2.6
Total	**(37.6)**	**(82.0)**

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Now, let me explain cash flows. Operating cash flow was an inflow of JPY35.1 billion.

Inventory cash flow was an outflow of JPY38.1 billion, mainly due to higher raw material prices, such as naphtha.

Other cash flows were an outflow of JPY98.7 billion, including severance payments for last year's Next-stage Support Program.

Investing cash flow was an outflow of JPY26.3 billion. Capital expenditure was JPY66.2 billion. Growth investments in Specialty Materials progressed, including capacity expansion in carbon fiber and composite engineering in Italy.

Cash flow from asset sales was positive JPY42 billion, driven by proceedings from selling cross shareholdings. As a result, free cash flow was positive JPY8.8 billion.

Financing cash flow was an outflow of JPY93.4 billion, mainly for interest-bearing debt repayments and dividend payments.

Consolidated Statements of Financial Positions

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	Mar.31.2026	Jun.30.2026	Difference
Cash & cash equivalents	527.1	445.1	(82.0)
Trade receivables	671.9	679.6	7.7
Inventories	669.1	710.9	41.8
Others	227.1	235.4	8.3
Current assets	**2,095.2**	**2,071.0**	**(24.2)**
Fixed assets	2,474.3	2,487.5	13.2
Goodwill	891.0	900.8	9.8
Investments & Other	416.1	421.7	5.6
Non-current assets	**3,781.4**	**3,810.0**	**28.6**
Total assets	**5,876.6**	**5,881.0**	**4.4**

(Billions of Yen)

	Mar.31.2026	Jun.30.2026	Difference
Interest-bearing debt	2,021.9	1,979.6	(42.3)
Trade payables	383.7	380.4	(3.3)
Others	1,056.3	1,020.1	(36.2)
Liabilities	**3,461.9**	**3,380.1**	**(81.8)**
Share capitals, Retained earnings, etc,.	1,438.4	1,487.8	49.4
Other components of equity	323.3	333.6	10.3
Equity attributable to owners of the parent	**1,761.7**	**1,821.4**	**59.7**
Non-controlling interests	653.0	679.5	26.5
Equity	**2,414.7**	**2,500.9**	**86.2**
Total liabilities & equity	**5,876.6**	**5,881.0**	**4.4**
Net Interest-bearing debt *1	1,464.8	1,504.5	39.7
Net D/E ratio	0.83	0.83	0.00
ROE *2	0.7%	-	-

*1 Net interest-bearing debt (End of Jun.30, 2026)
= interest-bearing debt (1,979.6billion yen)
- {cash and cash equivalents (445.1billion 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.

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Here is the consolidated statement of financial position. Total assets increased by JPY4.4 billion from the previous fiscal year-end to JPY5,881 billion. Cash and cash equivalents decreased by JPY82 billion due to debt prepayments.

Meanwhile, inventories rose by JPY41.8 billion on soaring raw material prices, and foreign exchange impacts also lifted total assets.

Netting these factors, total assets increased by about JPY4 billion. Net D/E ratio stood at 0.83, remaining at the same level as the end of the previous fiscal year.

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

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(Billions of Yen)

		FY2025					FY2026
		1Q	2Q	3Q	4Q	Total	1Q
Total Consolidated	Sales Revenue	880.7	918.4	938.2	966.7	3,704.0	1,004.2
	Core Operating Income	**56.6**	**69.5**	**59.5**	**39.4**	**225.0**	**114.1**
Specialty Materials	Sales Revenue	285.9	293.0	295.1	303.8	1,177.8	332.5
	Core Operating Income	**17.4**	**22.3**	**14.7**	**(9.5)**	**44.9**	**38.3**
Films & Performance Materials	Sales Revenue	97.8	95.9	98.0	94.0	385.7	104.9
	Core Operating Income	**9.8**	**8.9**	**7.4**	**(24.7)**	**1.4**	**15.2**
Composites & Shapes	Sales Revenue	58.7	58.8	62.7	72.0	252.2	79.0
	Core Operating Income	**(1.3)**	**0.3**	**(0.9)**	**5.0**	**3.1**	**6.4**
Information Electronics	Sales Revenue	40.6	43.6	44.2	46.9	175.3	47.7
	Core Operating Income	**0.6**	**4.3**	**1.1**	**3.3**	**9.3**	**5.8**
Polymer Compounds	Sales Revenue	53.7	58.0	56.2	57.5	225.4	67.6
	Core Operating Income	**5.4**	**5.0**	**4.9**	**5.1**	**20.4**	**8.5**
Water & Infrastructure	Sales Revenue	35.1	36.7	34.0	33.4	139.2	33.3
	Core Operating Income	**2.9**	**3.8**	**2.2**	**1.8**	**10.7**	**2.4**
MMA & Derivatives	Sales Revenue	89.6	85.1	83.9	86.1	344.7	99.9
	Core Operating Income	**3.7**	**0.0**	**(2.5)**	**(3.2)**	**(2.0)**	**8.0**
MMA	Sales Revenue	65.6	60.1	58.9	60.9	245.5	71.8
	Core Operating Income	**2.6**	**(1.5)**	**(4.3)**	**(5.1)**	**(8.3)**	**4.2**
Functional Chemicals	Sales Revenue	24.0	25.0	25.0	25.2	99.2	28.1
	Core Operating Income	**1.1**	**1.5**	**1.8**	**1.9**	**6.3**	**3.8**
Basic Materials	Sales Revenue	165.5	166.1	178.3	169.8	679.7	185.0
	Core Operating Income	**(6.7)**	**(1.9)**	**(3.3)**	**(4.5)**	**(16.4)**	**14.8**
Basic Chemicals	Sales Revenue	140.7	143.6	150.2	139.8	574.3	155.5
	Core Operating Income	**(3.8)**	**1.0**	**(3.3)**	**(8.0)**	**(14.1)**	**12.1**
Carbon Products	Sales Revenue	24.8	22.5	28.1	30.0	105.4	29.5
	Core Operating Income	**(2.9)**	**(2.9)**	**(0.0)**	**3.5**	**(2.3)**	**2.7**
Others	Sales Revenue	26.7	40.2	35.6	46.8	149.3	26.8
	Core Operating Income	**(2.8)**	**1.1**	**(0.8)**	**0.3**	**(2.2)**	**(1.1)**
Chemicals Business	Sales Revenue	567.7	584.4	592.9	606.5	2,351.5	644.2
	Core Operating Income	**11.6**	**21.5**	**8.1**	**(16.9)**	**24.3**	**60.0**
Industrial Gases	Sales Revenue	313.0	334.0	345.3	360.2	1,352.5	360.0
	Core Operating Income	**45.0**	**48.0**	**51.4**	**56.3**	**200.7**	**54.1**

- Breakdown figures of segment are approximation for reference purpose only.
- From Q1 FY2026, we have reviewed the managing segments for certain businesses. Accordingly, for purposes of comparison, we have restated the results for FY2025.

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This page supplements the change in core operating income for Q4 of FY2025 to Q1 of FY2026.

Q1 core operating income reached JPY114.1 billion, up JPY74.7 billion compared to Q4.

Specialty Materials posted JPY38.3 billion in Q1, an improvement of JPY47.8 billion from negative JPY9.5 billion in Q4.

Earnings grew significantly, reflecting the reversal of the JPY30.3 billion impairment loss on Soarnol-related fixed assets recorded in Q4, steady sales centered on semiconductor-related products and higher sales volume as customers build up inventories amid the Middle East situation.

MMA & Derivatives posted JPY8 billion in Q1, turning profitable by JPY11.2 billion from negative JPY3.2 billion in Q4. This was driven by rising MMA monomer market prices and increased sales volumes from customer inventory in functional chemicals.

Basic Materials recorded JPY14.8 billion in Q1, up JPY19.3 billion from negative JPY4.5 billion in Q4. In addition to resolving the JPY5.2 billion impairment loss on ethylene oxide and ethylene production facilities in Q4, earnings for inventory valuation gains improved despite worse price differentials for polyolefins from soaring naphtha prices.

Industrial Gases decreased by JPY2.2 billion from JPY56.3 billion in Q4 to JPY54.1 billion in Q1, mainly due to a reduction of electronics-related equipment and construction concentrated in Q4.

Consolidated Statements of Operations

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

< Reference >

	1Q Actual	2Q Forecast	FY2026 1H Forecast	FY2026 1H Forecast (Announced on May 13)	Difference	%	FY2025 1H Actual	%
Exchange Rate (¥/$)	160.7	155.0	157.9	150.0	7.9		146.1	
Naphtha Price (¥/kl)	118,900	86,000	102,450	63,000	39,450		64,700	
Sales Revenue	1,004.2	1,038.8	**2,043.0**	1,861.0	**182.0**	10%	1,799.1	14%
Core Operating Income	114.1	79.9	**194.0**	139.0	**55.0**	40%	126.1	54%
Special Items	4.3	(9.3)	**(5.0)**	4.0	**(9.0)**		(39.6)	
Operating Income	118.4	70.6	**189.0**	143.0	**46.0**	32%	86.5	118%
Financial Income/Expenses	(6.6)	(7.4)	**(14.0)**	(14.0)	**0.0**		(17.8)	
Income before Taxes	111.8	63.2	**175.0**	129.0	**46.0**		68.7	
Income Taxes	(28.5)	(16.5)	**(45.0)**	(31.0)	**(14.0)**		(21.1)	
Net Income	83.3	46.7	**130.0**	98.0	**32.0**		142.5	
Net Income Attributable to Owners of the Parent	57.7	28.3	**86.0**	59.0	**27.0**	46%	110.1	(22%)
Net Income Attributable to Non-Controlling Interests	25.6	18.4	**44.0**	39.0	**5.0**		32.4	

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Next, I'll explain the revised financial forecast for H1.

Based on Q1 results and current business conditions, we have revised our H1 forecast.

In our May 13 forecast, H1 core operating income was set at JPY139 billion. With Q1 core operating income reaching JPY 114.1 billion, we have already achieved 82% of that forecast, a very strong start.

This strong performance was driven by robust demand for semiconductor products, higher sales volume from customer inventory building amid Middle East tensions, higher MMA monomer prices, and inventory valuation gains from rising naphtha prices.

Our Q2 assumptions are JPY155 to the US dollar and naphtha price of JPY86,000 per kiloliter.

Sales revenue is projected at JPY1,038.8 billion. Despite lower sales volumes following Q1 customer stockpiling, sales are expected to increase over Q1 as scheduled maintenance in basic chemical ends.

Core operating income is expected to decline QoQ due to smaller inventory valuation gains and payback from customer stockpiling, but the H1 total will reach JPY194 billion, upside of JPY55 billion from the May forecast.

Our new forecast for operating income is JPY189 billion, and income before tax is JPY175 billion.

Net income attributable to owners of the parent is projected at JPY86 billion, an upside of JPY27 billion.

Sales Revenue and Core Operating Income by Business Segment

MITSUBISHI CHEMICAL GROUP

(Billions of Yen) <Reference>

		1Q Actual	2Q Forecast	FY2026 1H Forecast	FY2026 1H Forecast (Announced on May 13)	Difference	FY2025 1H Actual
Total Consolidated	Sales Revenue	1,004.2	1,038.8	**2,043.0**	1,861.0	182.0	1,799.1
	Core Operating Income	**114.1**	**79.9**	**194.0**	**139.0**	**55.0**	**126.1**
Specialty Materials	Sales Revenue	332.5	317.5	**650.0**	606.0	44.0	578.9
	Core Operating Income	**38.3**	**26.7**	**65.0**	**38.0**	**27.0**	**39.7**
Films & Performance Materials	Sales Revenue	104.9	96.1	**201.0**	187.0	14.0	193.8
	Core Operating Income	**15.2**	**8.8**	**24.0**	**16.0**	**8.0**	**18.7**
Composites & Shapes	Sales Revenue	79.0	70.0	**149.0**	139.0	10.0	117.5
	Core Operating Income	**6.4**	**3.6**	**10.0**	**3.0**	**7.0**	**(1.0)**
Information Electronics	Sales Revenue	47.7	48.2	**96.0**	91.0	5.0	84.1
	Core Operating Income	**5.8**	**4.2**	**10.0**	**5.0**	**5.0**	**4.9**
Polymer Compounds	Sales Revenue	67.6	66.4	**134.0**	122.0	12.0	111.6
	Core Operating Income	**8.5**	**7.5**	**16.0**	**10.0**	**6.0**	**10.4**
Water & Infrastructure	Sales Revenue	33.3	36.7	**70.0**	67.0	3.0	71.9
	Core Operating Income	**2.4**	**2.6**	**5.0**	**4.0**	**1.0**	**6.7**
MMA & Derivatives	Sales Revenue	99.9	111.1	**211.0**	176.0	35.0	174.7
	Core Operating Income	**8.0**	**2.0**	**10.0**	**5.0**	**5.0**	**3.7**
MMA	Sales Revenue	71.8	82.2	**154.0**	125.0	29.0	125.7
	Core Operating Income	**4.2**	**(0.2)**	**4.0**	**1.0**	**3.0**	**1.1**
Functional Chemicals	Sales Revenue	28.1	28.9	**57.0**	51.0	6.0	49.0
	Core Operating Income	**3.8**	**2.2**	**6.0**	**4.0**	**2.0**	**2.6**
Basic Materials	Sales Revenue	185.0	218.0	**403.0**	329.0	74.0	331.6
	Core Operating Income	**14.8**	**(2.8)**	**12.0**	**(6.0)**	**18.0**	**(8.6)**
Basic Chemicals	Sales Revenue	155.5	186.5	**342.0**	279.0	63.0	284.3
	Core Operating Income	**12.1**	**(4.1)**	**8.0**	**(6.0)**	**14.0**	**(2.8)**
Carbon Products	Sales Revenue	29.5	31.5	**61.0**	50.0	11.0	47.3
	Core Operating Income	**2.7**	**1.3**	**4.0**	**0.0**	**4.0**	**(5.8)**
Others	Sales Revenue	26.8	37.3	**64.0**	66.0	(2.0)	66.9
	Core Operating Income	**(1.1)**	**1.1**	**0.0**	**1.0**	**(1.0)**	**(1.7)**
Chemicals Business	Sales Revenue	644.2	683.7	**1,328.0**	1,177.0	151.0	1,152.1
	Core Operating Income	**60.0**	**27.0**	**87.0**	**38.0**	**49.0**	**33.1**
Industrial Gases	Sales Revenue	360.0	355.0	**715.0**	684.0	31.0	647.0
	Core Operating Income	**54.1**	**52.9**	**107.0**	**101.0**	**6.0**	**93.0**

* Segment breakdown figures are estimates for illustrative purposes only.

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Here is the H1 forecast by business segment.

Specialty Materials, core operating income is expected at JPY65 billion, up JPY27 billion from the May forecast. Factors include robust semiconductor demand, volume growth from customer inventory stockpiling due to Middle East conditions, and improved selling prices across products.

MMA & Derivatives is forecast at JPY10 billion, up JPY5 billion, driven by rising MMA on our market prices, which I've been explaining.

Basic Materials is forecast at JPY12 billion, up JPY18 billion, mainly due to larger inventory valuation gains from higher naphtha prices.

Industrial Gases is expected at JPY107 billion, up JPY6 billion, partly owing to a weaker yen.

That concludes my presentation.

Question & Answer

Watabe [Q]: I understand that the first quarter was strong, particularly in the Specialty segment, but I have a few questions. First, for which specific products did this temporary increase in demand occur? Is it correct to assume that the decline in profits from the first quarter to the second quarter was entirely due to the reversal of this demand surge? Could you also explain these special factors, such as the recovery status of businesses that experienced shipment restrictions and the projected amounts for inventory receipts and shipments in the second quarter?

Kida [A]: Regarding your question about the temporary increase in demand, it is difficult to pinpoint which specific products drove it. While we understand that such trends were relatively limited in the semiconductor-related sector, we have generally observed a widespread trend among customers to build up inventory as a precaution against emergencies. Therefore, we believe it is difficult to explain this by citing specific products.

Furthermore, while it is difficult to break down and present the quantitative impact on a product-by-product basis, we have factored in a rebound-driven decline for the second quarter. Our second-quarter figures are fundamentally based on the assumption that we will return to the levels of the initial budget, and we do not anticipate a significant downward deviation. We would appreciate it if you could understand the impact of the so-called "panic buying" (the trend of securing inventory in preparation for emergencies) observed in the first quarter in this light.

Next, regarding your question about shipment restrictions: MMA is the area most significantly affected. We have not been operating our plant in Saudi Arabia since April. For us, ensuring safety takes absolute priority over continuing operations; we cannot operate a chemical plant in a region where there is a risk of missile strikes, so our MMA plant in Saudi Arabia has been shut down since April.

Furthermore, regarding our other MMA sites, the issue is less one of shipment restrictions and more the impact of raw material shortages. At some sites in Southeast Asia, production has been halted due to raw material shortages, resulting in a partial reduction in output. For the second quarter as well, we have formulated our earnings forecast based on the assumption that the MMA plant in Saudi Arabia will remain shut down.

Furthermore, regarding naphtha, the current price is JPY118,900, and the forecast for the second quarter is JPY86,000. While we anticipate a certain degree of decline, the outlook is extremely difficult to predict, and we are currently monitoring the situation closely.

Watabe [Q]: Has the rebound decline already begun in June?

Kida [A]: For some products, we have observed a rebound decline starting around June. In the domestic market in particular, we have assured our customers that we will continue to provide a stable supply of ethylene and its derivatives. While demand was relatively strong in April, our customers have gradually scaled back their purchases since May. We believe this pullback has already occurred to some extent during the first quarter.

However, there are still instances of temporary bulk purchases in China, and we have confirmed that customer inventory levels are rising, particularly for MMA. Consequently, we anticipate a certain degree of pullback in the second quarter.

Miyamoto [Q]: I'd like to ask about Composites & Shapes. Profit increased by JPY1.4 billion from the fourth quarter to the first quarter. Looking at the breakdown on page 22, it appears that both sub-segments saw an increase in profit. Could you please elaborate a bit more on the details for each?

On the other hand, you are projecting a quarter-over-quarter profit decline of nearly JPY3.0 billion for the second quarter. Could you explain the reason for such a significant drop? Is the kind of panic buying you mentioned earlier also occurring in this segment? Also, regarding Zoox, they have mentioned that mass production will begin soon—could you provide a bit more detail on the progress there?

Kida [A]: As for Composites & Shapes, we finally turned a profit in the fourth quarter of last fiscal year, and profits rose from JPY5 billion in Q4 to JPY6.4 billion in Q1.

In Engineering Shapes, shipments of engineering plastics for semiconductor manufacturing equipment were very strong in Q1, but we believe this included a certain degree of panic buying. Since these products are used in semiconductor manufacturing equipment, we cannot allow supply to be interrupted, and we recognize that the sense of urgency on the customer side was significantly higher compared to other products. For this reason, we anticipate a certain degree of pullback in this sector during Q2.

On the other hand, regarding carbon fiber composites, sales to Zoox are proceeding as planned, and monthly production volume is steadily increasing. We believe it is achievable to meet the volume targets set for this fiscal year. Additionally, Zoox has obtained approval in the U.S. to begin commercial operations. The project as a whole is progressing steadily, and as the number of vehicles increases, we intend to ensure a seamless supply without any shortages.

Miyamoto [Q]: It seems possible that profits for carbon fiber composites could increase from Q1 to Q2. Is this due to an expectation of rising fixed costs, or is the forecast simply conservative?

Kida [A]: We are not taking a particularly conservative view regarding composites, but looking at the trend from Q1 to Q2, we believe there was front-loaded demand for composite parts in Q1, specifically ahead of the price increase. On the other hand, for carbon fiber, we anticipate an increase in volume heading into Q2. We are also introducing new products such as intermediate and downstream products, and we expect growth in this area.

Miyamoto [Q]: With JPY10 billion in the first half alone compared to the full-year target of JPY12 billion, it appears you are on track for a significant upside. Compared to your initial assumptions at the start of the fiscal year, which products in particular are showing strong progress on a full-year basis?

Kida [A]: Regarding engineering shapes, demand for semiconductor manufacturing equipment is extremely robust, and we anticipate a certain degree of upside. Furthermore, regarding carbon fiber, we have implemented large-scale structural reforms over the past two years. The benefits of streamlining the entire supply chain are steadily materializing, and we have also launched the new products I mentioned earlier. We believe these measures will lead to a certain degree of upward deviation from our forecast. However, regarding the outlook for the full year, there are still elements of uncertainty. For this reason, we have decided not to revise our full-year earnings forecast at this time.

Omura [Q]: I'd like to ask about Information & Electronics. You've revised your forecast upward by JPY5 billion this time; since sales have also been revised upward by the same amount—JPY5 billion—is it correct to interpret this as the effect of price revisions beginning to materialize? Please also let us know if there are any other factors involved. Additionally, wafer manufacturers have mentioned soaring prices for wafer-related materials. Does this suggest that the environment has become more conducive to your company successfully implementing price adjustments for synthetic quartz? Could you also provide an update on trends regarding other semiconductor materials, including this point?

Kida [A]: Regarding your question on whether the upward revisions to sales and profits are due to price adjustments, to put it simply, while price adjustments have played a role, changes in the product mix have had a very significant impact. As you surmised, synthetic quartz is currently a major driver of our profits. This is not only due to price pass-through but also significantly due to growth in volume. While the number of synthetic quartz customers was originally limited, inquiries from new customers have been increasing since the second half of last year, leading to a substantial rise in shipment volumes.

On the other hand, some of our semiconductor-related products have not reached projected volume targets. In some cases, we've observed that customers are reducing their usage of the process materials we supply due to process improvements. While there are products experiencing declines in certain areas, the synthetic quartz and cleaning businesses are showing remarkable growth. Consequently, we recognize that the primary factor behind this upward revision is not only the effect of price adjustments but also the significant shift in the composition of our product mix (an improvement in the product mix).

Omura [Q]: Regarding products such as lithography and encapsulation materials, is it becoming easier to implement price revisions?

Kida [A]: At present, we do not perceive that price revisions are being accepted more easily than before. On the other hand, we do not view the pricing environment as being any more severe than in the past, and we do not see any particular changes in the environment.

Omura [Q]: Is it correct to understand that price adjustments currently being implemented are limited to offsetting the cost of raw materials due to the surge in naphtha prices?

Kida [A]: It is difficult to give a definitive answer at this point, and we are unable to make a clear judgment. However, our policy remains unchanged: we will continue to firmly pass on price increases for petrochemical-derived basic raw materials. We believe we are responding appropriately to the current situation.

Yamada [Q]: I'd like to confirm the details regarding the inventory variance. You explained that the inventory variance resulted in a surplus of approximately JPY40 billion. On the other hand, looking at the inventory balance, it has increased by JPY41.8 billion compared to the end of the previous quarter. Since approximately JPY6 billion of this amount is attributable to Nippon Oxygen Holdings, the actual increase in inventory amounts to about JPY36 billion.

Considering the sales trend for Specialty Materials (an increase from 4Q to 1Q, and flat from 1Q to 2Q), inventory in that segment should be rising. If that is the case, I infer that significant production cuts are being implemented in the other segments to keep inventory in check. Is my understanding correct?

If that is the case, combined with the impact of scheduled maintenance, the allocation of fixed costs and the difference in operating rates should have a positive effect from Q1 to Q2. However, it appears that such profit-boosting factors are not factored into the Q2 outlook for Basic Materials. Please explain your approach to inventory going forward.

Kida [A]: Regarding what is generally referred to as "inventory valuation gains," our company captures this as "receipts minus disbursements." Specifically, we calculate this as (current-period receipt price – issuance price) × quantity issued. For example, if we had a low-priced naphtha inventory of JPY60,000 at the beginning of the period and received high-priced naphtha at JPY120,000 during the period, this figure quantifies the amount by which the cost was reduced due to the lower-priced inventory on hand, even though the cost would normally have been JPY120,000. The receipt price of naphtha has been gradually declining. However, as we enter the second quarter, while the purchase price is declining, the sales price is influenced by past higher purchase prices, causing a temporary reversal where "purchase price < sales price." If prices continue to fall, this gap will eventually narrow, but the reality is that the outlook is difficult to predict depending on naphtha price trends.

This positive impact from the purchase-sales price differential was significant in the first half of the fiscal year. However, for the second quarter, we are projecting a naphtha price of JPY86,000, and we anticipate that this positive differential will diminish considerably. This is the primary factor behind the decline in profits from the first quarter to the second quarter. On the other hand, with the recent escalation of geopolitical risks and the rise of Brent crude oil to the $90 range, crude oil and naphtha markets are currently on the rise again. Since the situation from the second quarter onward will fluctuate depending on where naphtha prices settle, it is extremely difficult to make a definitive judgment.

Furthermore, regarding our approach to inventory, while the value of inventory has increased due to rising costs, as you pointed out, inventory volumes for Specialty Materials are also trending upward. We must avoid entering a period of declining sales while still holding high-value inventory, so we need to drastically reduce inventory in the second quarter. From an operational standpoint, I myself will approach inventory control from the second quarter onward with a strong sense of urgency.

Yamada [Q]: Based on the definition of the inventory receipt-to-disbursement variance, assuming the quantity remains constant, the inventory value should have increased by the positive amount of the variance (JPY40 billion). However, the actual increase in inventory did not reach that level. Given that the inventory quantity in Specialty Materials has increased, I speculate that production in other segments was significantly curtailed during the first quarter. Is this understanding correct? Earlier, you mentioned that you plan to further reduce inventory in the second quarter. If that is the case, I expect that the negative impact on inventory valuation should be kept to a minimum should naphtha prices fall in the future. Is my understanding correct that you are working toward that goal?

Kida [A]: We are indeed making efforts in the direction you expect. However, I would appreciate your understanding regarding the lack of detailed information on inventory trends by product. Regarding the actual situation in the first quarter, we do not have the impression that there was a company-wide, conscious effort to significantly reduce inventory. However, as a result, there were items—such as MMA, which I mentioned earlier—where production fell short of plan due to various factors. On the other hand, there were also items for which we produced more to meet customer demand, so it is difficult to make a blanket statement. We will proceed with inventory control in the second quarter in a very cautious and meticulous manner.

Okazaki [Q]: I have a few questions regarding the MMA business. First, regarding profit trends, please explain the rationale behind the forecast that shifts from a JPY5.1 billion loss in Q4 to a JPY4.2 billion profit in Q1, followed by a JPY200 million loss in Q2. Please provide an explanation that includes the actual results for Q1, the assumptions for Q2, and a comparison with current market conditions.

Next, regarding operating status: The assumption is that operations in Saudi Arabia were suspended in Q1 and will remain suspended through Q2. Could you please explain the conditions for resuming operations, as well as the operating trends in other regions from Q4 through Q2?

Finally, regarding the progress of structural reforms, could you please share what you can—including measures currently under consideration?

Kida [A]: The primary factor driving the change in outlook from Q1 to Q2 is the narrowing of the spread. Looking back at Q1, product prices remained at high levels—with the ICIS market price exceeding $2,000—which was a major factor in achieving profitability. However, as we enter Q2, we expect this spread to decline significantly. The current ICIS market price has settled at the $1,600–$1,700 level, and in China, it is even lower. Therefore, we cannot make a forecast as optimistic as the one for the first quarter.

Regarding operating conditions, operations in Saudi Arabia remain suspended as I mentioned earlier. In other regions as well, such as Southeast Asia and parts of China, we are facing difficulties in securing raw materials and are being forced to operate at low capacity.

As for future operations in China, the outlook for our upstream operations remains uncertain. We operate two plants in China: one in Shanghai and the other in Huizhou. However, it is difficult to predict how the upstream situation at these plants will develop, making it extremely challenging to forecast Q2 operations. That said, we have prepared our Q2 outlook based on the assumption that there will be no significant improvement from the current low operating levels.

As for the conditions for resuming operations in Saudi Arabia, we do not expect to make the decision to resume operations unless there is a long-term stabilization of the situation. Additionally, we are steadily moving forward with structural reforms. Currently, our subsidiary in Taiwan has decided to sell its shares. Regarding other areas—such as India and the United States—we are currently in discussions, and we will present several specific measures in the future.

Okazaki [Q]: Regarding the market conditions assumption for the second quarter, is it correct to assume a level of around $1,600 to $1,700, which reflects current market conditions? Also, regarding capacity utilization, is it correct to understand that we are assuming no significant change from the first to the second quarter, and that the decline in profits is primarily the result of factoring in the drop in market conditions?

Kida [A]: That understanding is generally correct. We believe the impact will stem not only from the decline in product prices but also from the resulting narrowing of spreads.

Okazaki [Q]: So, the assumption is that capacity utilization will remain unchanged between Q1 and Q2, and the company will post a loss due to the deterioration in spreads?

Kida [A]: We are projecting based largely on that assumption.

Umebayashi [Q]: I'd like to ask about the quarter-over-quarter changes in Films & Performance Materials. While we are closely monitoring the trend since the fourth quarter, it appears that the decline in profits is particularly sharp—with sales decreasing by approximately JPY9 billion from the first-quarter results to the second-quarter forecast, while profits are projected to fall by just over JPY6 billion. In addition to the impact of inventory reduction in Q2, which you mentioned earlier, could you please explain the factors leading to such a significant decline in profit from Q1 to Q2, including changes in terms of trade and the disappearance of positive factors present in Q1?

Kida [A]: You also mentioned the trend since Q4, but I understand the main focus of your question to be the factors behind the profit decline from Q1 to Q2, so I will answer based on that premise. The main factors are the following two points.

First, we are anticipating a certain degree of demand pullback across a wide range of sectors. This segment serves a very broad customer portfolio and operates in diverse businesses, including automotive, electrical and electronics, as well as food packaging applications such as Dia-Wrap. In the second quarter, we expect to see a pullback in demand across each of these sectors.

Second, we expect demand in our display-related business to level off. In the first quarter, demand for LCDs in particular was strong, and performance was very robust. We believe this was largely driven by increased demand for televisions associated with sporting events such as the FIFA World Cup. As we enter the second quarter, we expect this temporary surge in demand to subside, and these factors are the main contributors to the decline.

Umebayashi [Q]: So, in addition to the overall decline in sales volume and the decrease in high-margin LCD-related products, we'll also be reducing inventory—is that correct? Does this mean the decline in profits will be significant?

Kida [A]: That is correct. However, there are also sectors where demand remains relatively strong, such as for MLCCs (multi-layer ceramic capacitors), and we do not currently anticipate a significant slowdown in these areas during the second quarter.

Nishiyama [Q]: I'd like to ask about the Information & Electronics segment. Looking at the first-quarter results, I get the impression that profits, particularly in the semiconductor-related business, were exceptionally strong. Could you confirm whether there were any one-time factors behind these profits? Also, looking at the quarter-over-quarter comparison from the first to the second quarter, you are projecting a modest increase in revenue but a significant decline in profits. Could you provide further details on these trends in revenue and profits?

Kida [A]: Regarding the Information & Electronics segment, the strong performance was driven by robust results in the synthetic quartz and semiconductor cleaning businesses. Based on actual demand, we do not anticipate a significant decline in market conditions from the first quarter to the second quarter. However, the two main factors contributing to the projected decline in profits from the first to the second quarter are as follows.

First is the narrowing of profit margins. Rather than a decline in sales prices, we expect margins to narrow slightly as rising raw material costs catch up.

Second, the absence of a one-time accounting adjustment that occurred in Q1. Regarding gallium nitride, which we view as a next-generation product, we had previously treated related expenses as a reversal of costs as part of our R&D activities; however, starting this fiscal year, we have decided to recognize them as revenue. Consequently, the recognition of inventory for sale at the beginning of Q1 resulted in that amount being recorded as temporary profit. This one-time factor will not be present in Q2.

To summarize, although Q1 included some one-time factors related to accounting treatment, we do not anticipate any significant difference between Q1 and Q2 in terms of actual business conditions, such as sales volume and prices to customers. Essentially, we hope you will understand that the strong performance seen in Q1 is expected to continue into Q2.

Nishiyama [Q]: Regarding the one-time factors in Q1, would you say the scale was just over JPY1.5 billion? Also, while the profit margin in Q2 will be lower than in Q1, it remains at a high level compared to our initial guidance. Is it correct to view this as a steady improvement in profitability?

Kida [A]: Yes, we recognize that profitability is steadily improving. Regarding the scale of the one-time factors in Q1, they did not reach the JPY1.5 billion figure you mentioned. We will refrain from disclosing the exact amount.

[END]