Mitsubishi Chemical Group Corporation

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

November 5, 2026

Event Summary

[Company Name]	Mitsubishi Chemical Group Corporation
[Company ID]	4188-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	First Half Earnings Conference Call for the Fiscal Year Ending March 31, 2027
[Fiscal Period]	FY2027 Q2
[Date]	November 5, 2026
[Number of Pages]	25
[Time]	17:15 – 18:17 (Total: 62 minutes, Presentation: 22 minutes, Q&A: 40 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
[Analyst Names]*	Hidemitsu Umebayashi	Daiwa Securities
	Takato Watabe	Morgan Stanley MUFG Securities
	Shunta Omura	UBS Securities
	Shigeki Okazaki	Nomura Securities
	Takashi Nishihira	Okasan Securities
	Mikiya Yamada	Mizuho Securities
	Go Miyamoto	SMBC Nikko Securities

Presentation

Chikumoto: Hello, everyone. Thank you for joining us today for our interim financial results briefing. While our CFO, Mr. Kida, will provide a detailed explanation of our financial performance later, I would like to briefly share our management's perspective on these results.

In the first half of the fiscal year, we saw revenue growth in our Specialty Materials business, including semiconductor materials, precision cleaning services, high-performance engineering plastics, and carbon fiber.

We also believe that the results of our ongoing reforms—including pricing strategies, the review of unprofitable businesses, the optimization of production systems, and the reduction of fixed costs—are beginning to show in our financial performance.

I believe and feel that the very earnings structure of our company is beginning to change. We will continue to implement these reforms to achieve sustainable performance improvement and growth.

While steadily advancing the restructuring of our petrochemicals and MMA businesses, we will further accelerate the growth of our Specialty Materials business. By combining our broad range of technologies, we will build an organization and a workforce capable of creating new value.

I often tell our employees to "take initiative and create opportunities themselves." Results can only be achieved when we have people who take the initiative to act on their own. I believe that the challenges undertaken by each and every individual are the driving force behind our sustainable growth. We will continue to steadily implement these initiatives in the second half of the fiscal year and beyond, striving to enhance our corporate value.

Now, Mr. Kida will explain the details of our financial results.

Kida: Hello, everyone. This is Kida. I'd now like to explain our interim financial results.

Summary

FY2026 1H Actual

- During the first half of the fiscal year ending March 31, 2027, the Specialty Materials and Industrial Gases segments performed steadily. Meanwhile, raw material markets remain volatile as naphtha prices have recently rebounded after trending downward from their spike driven by the Middle East situation.
- In the Chemicals Business, core operating income was ¥95.1 billion, an increase of ¥62.0 billion over the same period of the previous fiscal year. The increase in profit was driven by higher sales volumes, particularly for semiconductor-related products in the Specialty Materials segment, as well as cost reductions, including workforce optimization measures undertaken in the previous fiscal year. In Basic Chemicals, the expansion of the scope for scheduled maintenance and the influx of low-priced products from overseas triggered a decline in sales, but core operating income increased due to an improvement in inventory valuation gains and losses along with the rise in naphtha prices. Partly due to the solid performance of Industrial Gases, the overall core operating income for the MCG Group increased year on year by ¥76.7 billion to ¥202.8 billion.
- Net income attributable to owners of the parent for 1H of FY2026 was ¥90.2 billion. This was a decline of ¥19.9 billion year on year, due to the gain recognized on the sale of the former Mitsubishi Tanabe Pharma Corporation in 1H of FY2025.

FY2026 Forecast

- In our forecast for the full fiscal year, core operating income has been revised upward from ¥305.0 billion to ¥340.0 billion, and net income attributable to owners of the parent has been revised upward from ¥127.0 billion to ¥145.0 billion. In 2H of FY2026, while we forecast continued favorable sales for semiconductor-related products, we also expect the impact of the Kumamoto earthquake, a weakening of demand following the temporary increase in 1H due to growing instability in the Middle East, and ongoing uncertainty regarding the production and supply system in the Middle East.
- Our dividend forecast also remains unchanged: a year-end dividend of ¥16 per share and an annual dividend of ¥32 per share.
- We will continue to rigorously adhere to the "three disciplined approaches in business operations," concentrate our management resources on areas that serve as "Next generation" and "Growth driver", and steadily implement proactive growth initiatives to achieve sustainable growth and enhance corporate value.

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Kida: Let me discuss the H1 results. First is a summary. During H1, Specialty Materials and Industrial Gases performed steadily. Meanwhile, raw material markets remain volatile as naphtha prices have recently rebounded after trending downward from their spike driven by the Middle East situation.

In the chemicals business, core operating income was ¥95.1 billion, up ¥62 billion over the same period of the previous year. The increase was driven by higher sales volumes, particularly for semiconductor-related products in Specialty Materials, as well as cost reductions, including workforce optimization in the previous year. In Basic Materials, expanded scale of scheduled maintenance and the influx of low-priced products from overseas caused a decline in sales, but core operating income increased due to an improvement in inventory valuation with the rise in naphtha prices. Together with solid performance of Industrial Gases, the overall core operating income for the Group increased YoY by ¥76.7 billion to ¥202.8 billion.

Net income attributable to owners of the parent for H1 came to ¥90.2 billion. This was a decline of ¥19.9 billion YoY due to the gain on the sale of the former Mitsubishi Tanabe Pharma Corporation in H1 of FY2025.

In the forecast for the full fiscal year, core operating income has been upward revised from ¥305 billion to ¥340 billion, and net income attributable to owners of the parent has been upward revised from ¥127 billion to ¥145 billion. In H2, we forecast continued favorable sales for semiconductor-related products, but we also expect the impact of the Kumamoto earthquake in August 2026, a weakening of demand following the temporary increase in H1 due to growing instability in the Middle East, and ongoing uncertainty regarding the production and supply system in that region.

Our dividend forecast remains unchanged. We are expecting a year-end dividend of ¥16 per share and an annual dividend of ¥32 per share. We will continue to rigorously adhere to the three disciplined approaches in business operations, focus our management resources on areas that serve as next generation and growth drivers, and steadily implement proactive growth initiatives to achieve sustainable growth and enhance corporate value.

Consolidated Statement of Operations

Exchange Rate (¥/$)	146.1	160.0	13.9	10%
Naphtha Price (¥/kl)	64,700	108,300	43,600	67%

(Billions of Yen)

	FY2025 1H	FY2026 1H	Difference	%
Sales Revenue	1,799.1	**2,037.1**	**238.0**	13%
Core Operating Income *1	126.1	**202.8**	**76.7**	61%
Special Items	(39.6)	**(3.1)**	**36.5**	
Operating Income	86.5	**199.7**	**113.2**	131%
Income before Taxes	68.7	**182.4**	**113.7**	165%
Net Income from Continuing Operations	47.6	**137.0**	**89.4**	
Net Income from Discontinued Operations	94.9	**-**	**(94.9)**	
Net Income	142.5	**137.0**	**(5.5)**	
Net Income Attributable to Owners of the Parent	110.1	**90.2**	**(19.9)**	(18%)
Net Income Attributable to Non-Controlling Interests	32.4	**46.8**	**14.4**	
*1 Share of profit of associates and joint ventures included	2.4	**5.0**	**2.6**	

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

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Now, regarding the consolidated statement of operations. The exchange rate was ¥160 to the US dollar, 10% weakening of the yen. The naphtha price was ¥108,300 per kiloliter, up 67%. Sales revenue came in at ¥2,037.1 billion, up ¥238 billion or 13% YoY. There was a positive impact of ¥187 billion from selling prices, a negative impact of ¥60 billion from sales volume, a positive impact of ¥109 billion from foreign exchange, and a positive impact of ¥2 billion from restructuring.

Core operating income came to ¥202.8 billion, up ¥76.7 billion YoY. This outperformed by ¥8.8 billion the H1 forecast of ¥194 billion announced in July. Main factors were stronger-than-expected demand for semiconductor-related products and a variance in projected inventory valuation gain and loss due to the smaller decline in naphtha prices.

Special items came to a negative ¥3.1 billion. Operating income was ¥199.7 billion, and income before taxes came to ¥182.4 billion. Net income attributable to owners of the parent reached ¥90.2 billion, down ¥19.9 billion YoY. While net income from continuing operations increased by ¥89.4 billion YoY, the overall result was significantly impacted by previous year's gain of ¥94.9 billion on the sale of the former Mitsubishi Tanabe Pharma Corporation under net income from discontinued operations.

Sales Revenue and Core Operating Income by Business Segment

(Billions of Yen)

	FY2025 1H		FY2026 1H		Difference			
	Sales Revenue	Core Operating Income	Sales Revenue	Core Operating Income	Sales Revenue	%	Core Operating Income	%
Total Consolidated	**1,799.1**	**126.1**	**2,037.1**	**202.8**	**238.0**	13%	**76.7**	61%
Specialty Materials	**578.9**	**39.7**	**653.5**	**70.4**	**74.6**	13%	**30.7**	77%
Films & Performance Materials	193.7	18.7	199.2	25.0	5.5		6.3	
Composites & Shapes	117.5	(1.0)	156.1	11.8	38.6		12.8	
Information Electronics	84.2	4.9	95.6	10.3	11.4		5.4	
Polymer Compounds	111.7	10.4	134.3	17.1	22.6		6.7	
Water & Infrastructure	71.8	6.7	68.3	6.2	(3.5)		(0.5)	
MMA & Derivatives	**174.7**	**3.7**	**200.2**	**9.0**	**25.5**	15%	**5.3**	143%
MMA	125.7	1.1	144.8	1.3	19.1		0.2	
Functional Chemicals	49.0	2.6	55.4	7.7	6.4		5.1	
Basic Materials	**331.6**	**(8.6)**	**388.3**	**14.1**	**56.7**	17%	**22.7**	-
Basic Chemicals	284.3	(2.8)	330.3	9.8	46.0		12.6	
Carbon Products	47.3	(5.8)	58.0	4.3	10.7		10.1	
Others	**66.9**	**(1.7)**	**61.9**	**1.6**	**(5.0)**	(7%)	**3.3**	-
Chemicals Business	**1,152.1**	**33.1**	**1,303.9**	**95.1**	**151.8**	13%	**62.0**	187%
Industrial Gases	**647.0**	**93.0**	**733.2**	**107.7**	**86.2**	13%	**14.7**	16%

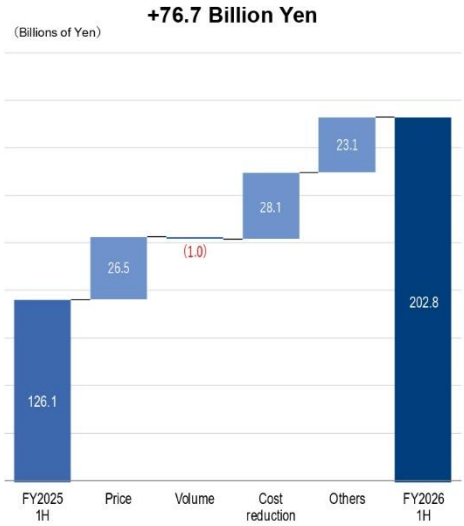
[Inventory valuation gain/loss]	FY2025 1H	FY2026 1H	Difference
Polymer Compounds	0.2	0.7	0.5
Basic Chemicals	(10.2)	36.2	46.4
Carbon Products	(1.3)	2.2	3.5
Total	(11.3)	39.1	50.4

- 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.

Next, on sales revenue and core operating income by business segment. For chemical business, sales revenue increased by ¥151.8 billion and core operating income increased by ¥62 billion YoY. Sales revenue increased by ¥151.8 billion. This despite shipment constraints at certain sites due to the Middle East situation and an expanded scope of scheduled maintenance compared to the previous fiscal year, thanks to surging market prices for products, higher selling prices across various products centered on Specialty Materials, and the foreign exchange. Core operating income for the chemicals business increased by ¥62 billion, significantly driven by strong performance in Specialty Materials as well as substantial inventory valuation gains in Basic Materials resulting from the rise in naphtha prices.

Industrial Gases continue to progress stably, with sales revenue up 13% and core operating income up 16% YoY. Further details for each segment will be explained later.

Analysis of Core Operating Income



(Billions of Yen)

	FY2025 1H	FY2026 1H	Difference	Price	Volume	Cost reduction	Others *1
Total Consolidated	126.1	**202.8**	**76.7**	**26.5**	**(1.0)**	**28.1**	**23.1**
Specialty Materials	39.7	**70.4**	**30.7**	**22.0**	**12.0**	**10.0**	**(13.3)**
MMA & Derivatives	3.7	**9.0**	**5.3**	**13.7**	**(8.8)**	**2.0**	**(1.6)**
Basic Materials	(8.6)	**14.1**	**22.7**	**(15.3)**	**(7.9)**	**3.5**	**42.4**
Others	(1.7)	**1.6**	**3.3**	**3.3**	**(0.9)**	**2.8**	**(1.9)**
Chemicals Business	33.1	**95.1**	**62.0**	**23.7**	**(5.6)**	**18.3**	**25.6**
Industrial Gases	93.0	**107.7**	**14.7**	**2.8**	**4.6**	**9.8**	**(2.5)**

*1 Items included are impacts from differences of inventory valuation gain/loss +50.4 billion yen and differences of share of profit of associates and joint ventures +2.6 billion yen, etc.

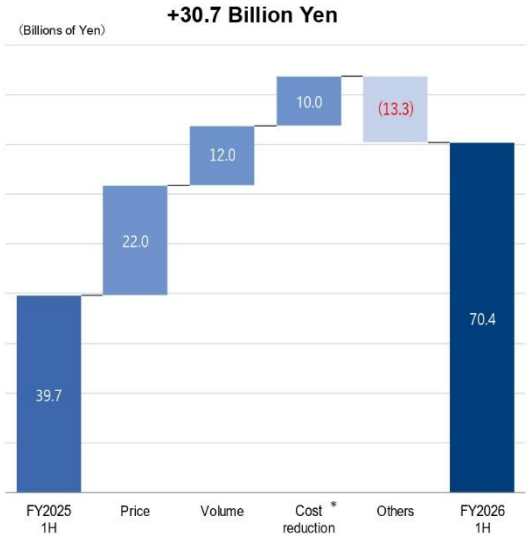
Changes in exchange rates	13.1	13.1	-	-
Changes in foreign currency translation included in above		7.9		

This slide shows the breakdown of the ¥76.7 billion YoY increase in core operating income. Prices contributed to a positive ¥26.5 billion. While price gap deteriorated in polyolefins in Basic Materials during the naphtha price surge, price gap improved overall due to higher selling prices in Specialty Materials and rising market prices for MMA monomers in MMA and Derivatives.

Volume had a negative impact of ¥1 billion. Although sales volume expanded in Specialty Materials centered on semiconductor-related products, there were shipment constraints from certain sites for MMA stemming from the Middle East situation and expanded scale of scheduled maintenance in Basic Chemicals compared with the previous fiscal year. Cost reduction provided a positive ¥28.1 billion as both Industrial Gases and chemicals accumulated cost-saving benefits in their respective businesses. Others contributed a positive ¥23.1 billion. This includes an improvement of ¥50.4 billion in inventory valuation gain and loss in tandem with rising material prices, including but not limited to naphtha.

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Analysis of Core Operating Income
Specialty Materials Segment



Films & Performance Materials +6.3

Price	(+) Higher selling prices for various film products
Volume	(+) Increase in sales of films used for multilayer ceramic capacitors

Composites & Shapes +12.8

Volume	(+) Increase in sales of high-performance engineering plastics for semiconductor manufacturing equipment; Increase in sales of carbon fiber composite parts, primarily for robotaxis

Information Electronics +5.4

Price	(+) Improvement in price gap for semiconductor-related products and precision cleaning services
Volume	(+) Increase in sales of semiconductor-related products, particularly synthetic silica; Increase in sales of precision cleaning services

Polymer Compounds +6.7

Price	(+) Higher selling prices for various products for automotive use

Water & Infrastructure (0.5)

Volume	(−) Decrease due to completion of large-scale project recognized for the same period of the previous fiscal year

*** Cost reduction**

Cost reduction	(+) Impact of the implementation of Next-stage Support Program in FY25; Rationalization through the review of production sites in each business

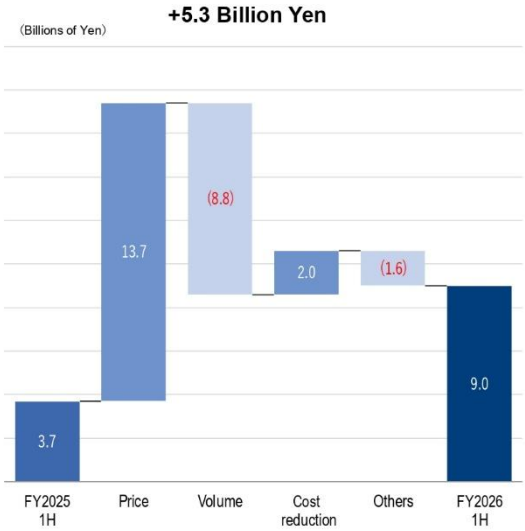
Now, further details by business segment. Please note that major factors for the YoY difference have not changed significantly since Q1. In Specialty Materials, core operating income was up ¥30.7 billion YoY. Prices had a positive ¥22 billion impact. The price factor improved across all subsegments, particularly semiconductor-related products. Volume had a positive impact of ¥12 billion.

In Composites and Shapes, there was higher sales volume of high-performance engineering plastics for semiconductor manufacturing equipment and carbon fiber composite parts, primarily for robotaxis.

In Information Electronics, sales volume increased for semiconductor-related products, particularly synthetic silica and precision cleaning services. Cost reduction had a positive impact of ¥10 billion, with labor expenses coming down after last year's workforce optimization and rationalization through the review of production sites in each business. Others had a negative impact of ¥13.3 billion, mainly due to cost increases accompanying inflation.

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Analysis of Core Operating Income
MMA & Derivatives Segment



MMA +0.2

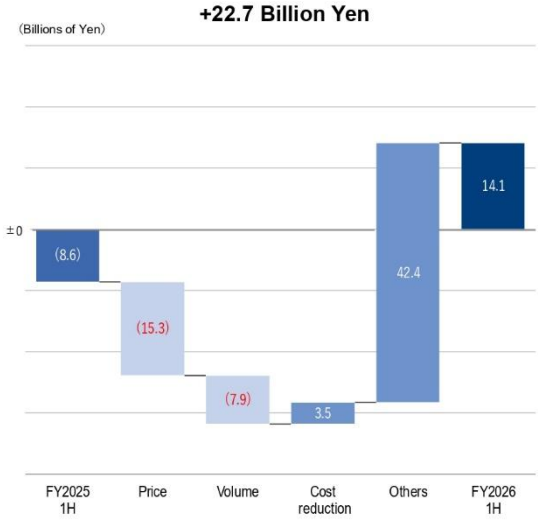
Price	(+) Improvement in price gap due to a rise in market prices chiefly for MMA monomer
Volume	(−) Decline in sales due to reduced operations and an affected supply system due to the situation in the Middle East

Functional Chemicals +5.1

Price	(+) Improvement in price gap chiefly for additives

For MMA and Derivatives, core operating income increased by ¥5.3 billion. Prices contributed to a positive ¥13.7 billion. Market prices for MMA monomers were higher and widened the spread. In functional chemicals, the price gap improved chiefly for additives with higher selling prices. Sales volume had a negative impact of ¥8.8 billion. In MMA, sales volume declined due to reduced operations and constrained shipments at certain sites due to the Middle East situation.

Analysis of Core Operating Income
Basic Materials Segment



Basic Chemicals ＋12.6

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 ＋10.1

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

Basic Materials reported an increase in profit of ¥22.7 billion YoY. The price gap was a negative ¥15.3 billion.

In the Basic Chemicals business, the timing of polyolefin price revision was out of sync with the rising naphtha price trend.

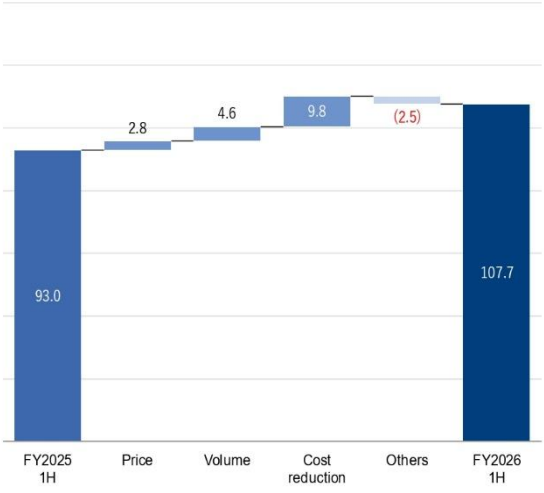
The volume variance was a negative ¥7.9 billion. In the basic chemicals business, it worsened due to an expansion in the scale of scheduled maintenance and repair and decline in sales caused by the influx of low-priced products from overseas.

Others were positive at 42.4 billion, including ¥49.9 billion improvement in inventory valuation resulting from rising naphtha prices.

Analysis of Core Operating Income
Industrial Gases Segment

+14.7 Billion Yen

(Billions of Yen)



Industrial Gases ＋14.7	
Volume	(＋) Increase in sales in tandem with a rise in demand mainly in Asia and Oceania
Cost reduction	(＋) Productivity improvement activities, including the use of DX and optimization of plant operations

Industrial Gas reported an increase in profit of ¥14.7 billion YoY.

This was driven by higher sales resulting from growing demand in Asia and Oceania as well as cost reduction through productivity improvement promoted in various regions.

Consolidated Special Items

(Billions of Yen)

	FY2025 1H	FY2026 1H	Difference
Total Special Items	(39.6)	**(3.1)**	**36.5**
Gain on sale of property, plant and equipment	0.8	**13.7**	**12.9**
Reversal of impairment loss	-	**2.1**	**2.1**
Impairment loss	(11.8)	**(7.3)**	**4.5**
Special retirement expenses	(32.3)	**(3.2)**	**29.1**
Loss of associates and joint ventures	(0.0)	**(2.3)**	**(2.3)**
Loss on sale and disposal of fixed assets	(0.3)	**(1.9)**	**(1.6)**
Disaster-related loss	-	**(1.6)**	**(1.6)**
Others	4.0	**(2.6)**	**(6.6)**

Special items.

Special items for H1 resulted in a net loss of ¥3.1 billion.

We recorded a gain on the sale of property, plant and equipment of ¥13.7 billion, primarily from the transfer of land associated with the relocation of Nippon Sanso Holdings headquarters. On the other hand, we also recorded losses related to the implementation of structural reforms and disaster-related losses stemming from Kumamoto earthquake, resulting in a net loss of ¥3.1 billion.

Consolidated Statement of Cash Flow

(Billions of Yen)

	FY2025 1H	FY2026 1H
Net cash provided by (used in) operating activities	**161.6**	**157.8**
Income before taxes	203.2	182.4
Depreciation and amortization	134.4	140.1
Change in operating receivables/payables	5.6	(2.4)
Change in Inventories	(7.5)	(76.4)
Others	(174.1)	(85.9)
Net cash provided by (used in) investing activities	**174.0**	**(94.9)**
Capital expenditure	(131.8)	(140.0)
Sale of assets	503.6	46.4
Investment and loans receivable, etc.	(197.8)	(1.3)
Free cash flow	**335.6**	**62.9**

(Billions of Yen)

	FY2025 1H	FY2026 1H
Net cash provided by (used in) financing activities	**(292.3)**	**(164.0)**
Interest bearing debts	(199.8)	(131.0)
Dividends, etc.	(92.5)	(33.0)
Net increase (decrease) in cash and cash equivalents	**43.3**	**(101.1)**
Effect of exchange rate changes and changes in scope of consolidation	4.5	(1.9)
Total	**47.8**	**(103.0)**

I'll now explain the cash flows on this page.

Operating cash flow resulted in a net inflow of ¥157.8 billion. Cash flow from inventory amounted to a net outflow of ¥76.4 billion, primarily due to rising raw material prices such as naphtha and the buildup of inventory prior to scheduled maintenance and repair. Other cash flows resulted in a net outflow of ¥85.9 billion, which included payments of retirement benefits related to the Next-Stage Support Program implemented last fiscal year and payment of corporate income taxes.

Investing cash flow resulted in an outflow of ¥94.9 billion.

We spent ¥140 billion on capital expenditure. Growth investment projects in Specialty Materials, such as capacity expansion for carbon fiber and composite engineering in Italy, are progressing. Cash flow from asset sales was a positive ¥46.4 billion. We recorded proceeds from the sale of cross shareholdings as well.

As a result, free cash flow was positive ¥62.9 billion.

Financing cash flow resulted in an outflow of ¥164 billion, primarily due to the repayment of interest-bearing debt and dividend payments.

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Consolidated Statement of Financial Position

(Billions of Yen)

	Mar.31.2026	Sep.30.2026	Difference
Cash & cash equivalents	527.1	424.1	(103.0)
Trade receivables	671.9	684.4	12.5
Inventories	669.1	739.8	70.7
Others	227.1	254.2	27.1
Current assets	**2,095.2**	**2,102.5**	**7.3**
Fixed assets	2,474.3	2,419.9	(54.4)
Goodwill	891.0	878.8	(12.2)
Investments & Other	416.1	400.9	(15.2)
Non-current assets	**3,781.4**	**3,699.6**	**(81.8)**
Total assets	**5,876.6**	**5,802.1**	**(74.5)**

(Billions of Yen)

	Mar.31.2026	Sep.30.2026	Difference
Interest-bearing debt	2,021.9	1,888.0	(133.9)
Trade payables	383.7	397.1	13.4
Others	1,056.3	1,015.9	(40.4)
Liabilities	**3,461.9**	**3,301.0**	**(160.9)**
Share capitals, Retained earnings, etc,.	1,438.4	1,521.4	83.0
Other components of equity	323.3	298.3	(25.0)
Equity attributable to owners of the parent	**1,761.7**	**1,819.7**	**58.0**
Non-controlling interests	653.0	681.4	28.4
Equity	**2,414.7**	**2,501.1**	**86.4**
Total liabilities & equity	**5,876.6**	**5,802.1**	**(74.5)**

Net Interest-bearing debt *1	1,464.8	1,434.0	(30.8)
Net D/E ratio	0.83	0.79	(0.04)
ROE *2	0.7%	-	-

*1 Net interest-bearing debt (End of Sep.30, 2026)
= interest-bearing debt (1,888.0billion yen)
- (cash and cash equivalents (424.1billion 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.

This is the consolidated statement of financial position.

Total assets amounted to ¥5,802.1 billion, down ¥74.5 billion from the end of the previous fiscal year. Cash and cash equivalents decreased by ¥103 billion due to the repayment of interest-bearing debt. Foreign exchange effects also contributed to the decrease in total assets. Meanwhile, inventories increased by ¥70.7 billion, partly due to rising raw material costs; taking these factors into account, there was a net decrease in total assets of ¥74.5 billion.

The net debt-to-equity ratio stood at 0.79, largely unchanged from the previous fiscal year-end.

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

(Billions of Yen)

		FY2025					FY2026		
		1Q	2Q	3Q	4Q	Total	1Q	2Q	Total
Total Consolidated	Sales Revenue	880.7	918.4	938.2	966.7	3,704.0	1,004.2	1,032.9	2,037.1
	Core Operating Income	**56.6**	**69.5**	**59.5**	**39.4**	**225.0**	**114.1**	**88.7**	**202.8**
Specialty Materials	Sales Revenue	285.9	293.0	295.1	303.8	1,177.8	332.5	321.0	653.5
	Core Operating Income	**17.4**	**22.3**	**14.7**	**(9.5)**	**44.9**	**38.3**	**32.1**	**70.4**
Films & Performance Materials	Sales Revenue	97.8	95.9	98.0	94.0	385.7	104.9	94.3	199.2
	Core Operating Income	**9.8**	**8.9**	**7.4**	**(24.7)**	**1.4**	**15.2**	**9.8**	**25.0**
Composites & Shapes	Sales Revenue	58.7	58.8	62.7	72.0	252.2	79.0	77.1	156.1
	Core Operating Income	**(1.3)**	**0.3**	**(0.9)**	**5.0**	**3.1**	**6.4**	**5.4**	**11.8**
Information Electronics	Sales Revenue	40.6	43.6	44.2	46.9	175.3	47.7	47.9	95.6
	Core Operating Income	**0.6**	**4.3**	**1.1**	**3.3**	**9.3**	**5.8**	**4.5**	**10.3**
Polymer Compounds	Sales Revenue	53.7	58.0	56.2	57.5	225.4	67.6	66.7	134.3
	Core Operating Income	**5.4**	**5.0**	**4.9**	**5.1**	**20.4**	**8.5**	**8.6**	**17.1**
Water & Infrastructure	Sales Revenue	35.1	36.7	34.0	33.4	139.2	33.3	35.0	68.3
	Core Operating Income	**2.9**	**3.8**	**2.2**	**1.8**	**10.7**	**2.4**	**3.8**	**6.2**
MMA & Derivatives	Sales Revenue	89.6	85.1	83.9	86.1	344.7	99.9	100.3	200.2
	Core Operating Income	**3.7**	**0.0**	**(2.5)**	**(3.2)**	**(2.0)**	**8.0**	**1.0**	**9.0**
MMA	Sales Revenue	65.6	60.1	58.9	60.9	245.5	71.8	73.0	144.8
	Core Operating Income	**2.6**	**(1.5)**	**(4.3)**	**(5.1)**	**(8.3)**	**4.2**	**(2.9)**	**1.3**
Functional Chemicals	Sales Revenue	24.0	25.0	25.0	25.2	99.2	28.1	27.3	55.4
	Core Operating Income	**1.1**	**1.5**	**1.8**	**1.9**	**6.3**	**3.8**	**3.9**	**7.7**
Basic Materials	Sales Revenue	165.5	166.1	178.3	169.8	679.7	185.0	203.3	388.3
	Core Operating Income	**(6.7)**	**(1.9)**	**(3.3)**	**(4.5)**	**(16.4)**	**14.8**	**(0.7)**	**14.1**
Basic Chemicals	Sales Revenue	140.7	143.6	150.2	139.8	574.3	155.5	174.8	330.3
	Core Operating Income	**(3.8)**	**1.0**	**(3.3)**	**(8.0)**	**(14.1)**	**12.1**	**(2.3)**	**9.8**
Carbon Products	Sales Revenue	24.8	22.5	28.1	30.0	105.4	29.5	28.5	58.0
	Core Operating Income	**(2.9)**	**(2.9)**	**(0.0)**	**3.5**	**(2.3)**	**2.7**	**1.6**	**4.3**
Others	Sales Revenue	26.7	40.2	35.6	46.8	149.3	26.8	35.1	61.9
	Core Operating Income	**(2.8)**	**1.1**	**(0.8)**	**0.3**	**(2.2)**	**(1.1)**	**2.7**	**1.6**
Chemicals Business	Sales Revenue	567.7	584.4	592.9	606.5	2,351.5	644.2	659.7	1,303.9
	Core Operating Income	**11.6**	**21.5**	**8.1**	**(16.9)**	**24.3**	**60.0**	**35.1**	**95.1**
Industrial Gases	Sales Revenue	313.0	334.0	345.3	360.2	1,352.5	360.0	373.2	733.2
	Core Operating Income	**45.0**	**48.0**	**51.4**	**56.3**	**200.7**	**54.1**	**53.6**	**107.7**

- 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.

On this page, we provide supplementary information on the trend in the core operating income from Q1 and Q2. The core operating income for Q2 was ¥88.7 billion, down ¥25.4 billion from the previous quarter.

The core operating income for Specialty Materials was ¥32.1 billion in Q2, down ¥6.2 billion QoQ. Although the semiconductor-related business performed steadily, this decline was driven by narrowing spreads due to rising raw material prices and pullback in demand following the surge in customer inventory buildup observed in Q1.

MMA and Derivatives posted ¥1 billion, down ¥7 billion. This was primarily due to a narrowing of the price gap resulting from a decline in MMA monomer market prices.

Basic Materials posted a loss of ¥700 million in Q2, a decrease of ¥15.5 billion from Q1. Although there was an improvement in the price gap for polyolefin due to a reduction in the scale of scheduled maintenance and repair and decline in naphtha prices, profits fell significantly due to a deterioration in inventory valuation.

The Industrial Gases segment performed steadily, with core operating income for Q2 at ¥53.6 billion, remaining almost flat in Q1.

Consolidated Statement of Operations

Exchange Rate (¥/$)	160.0	155.0	157.5	150.0	7.5		151.1	
Naphtha Price (¥/kl)	108,300	100,000	104,100	63,000	41,100		65,200	
					(Billions of Yen)		< Reference >	
	1H Actual	2H Forecast	FY2026 Forecast	FY2026 Forecast (Announced on May 13)	Difference	%	FY2025 Actual	%
Sales Revenue	2,037.1	2,022.9	**4,060.0**	3,800.0	**260.0**	7%	3,704.0	10%
Core Operating Income	202.8	137.2	**340.0**	305.0	**35.0**	12%	225.0	51%
Special Items	(3.1)	(8.9)	**(12.0)**	(5.0)	**(7.0)**		(194.9)	
Operating Income	199.7	128.3	**328.0**	300.0	**28.0**	9%	30.1	990%
Financial Income/Expenses	(17.3)	(14.7)	**(32.0)**	(30.0)	**(2.0)**		(29.4)	
Income before Taxes	182.4	113.6	**296.0**	270.0	**26.0**		0.7	
Income Taxes	(45.4)	(28.6)	**(74.0)**	(70.0)	**(4.0)**		(17.1)	
Net Income from Continuing Operations	137.0	85.0	**222.0**	200.0	**22.0**		(16.4)	
Net Income from Discontinued Operations	-	-	**-**	-	**-**		94.8	
Net Income	137.0	85.0	**222.0**	200.0	**22.0**		78.4	
Net Income Attributable to Owners of the Parent	90.2	54.8	**145.0**	127.0	**18.0**	14%	11.8	-
Net Income Attributable to Non-Controlling Interests	46.8	30.2	**77.0**	73.0	**4.0**		66.6	

Next, I will explain the revision to the full-year forecast for the fiscal year March 2027. The forecast for H2 is based on the exchange rate of ¥155 to the US dollar and naphtha price of ¥100,000.

Full-year sales revenue is projected to be ¥4.06 trillion, up 7% from the initial forecast. We're revising our core operating income forecast upward to ¥340 billion, up 12% from the initial forecast. Details by segment will be explained on the next page.

For special items, we have revised the initial forecast of minus ¥5 billion to minus ¥12 billion. The main reasons are our ongoing business restructuring efforts and the fact that we have factored in losses related to the Kumamoto earthquake.

Consequently, we are revising upward our forecast for operating income to ¥328 billion and net income attributable to the owners of the parent to ¥145 billion, an increase of ¥18 billion from the initial forecast and a YoY increase of ¥133.2 billion.

Sales Revenue and Core Operating Income by Business Segment

(Billions of Yen)

		1H Actual	2H Forecast	FY2026 Forecast	FY2026 Forecast (Announced on May 13)	Difference	<Reference> FY2025 Actual
Total Consolidated	Sales Revenue	2,037.1	2,022.9	**4,060.0**	3,800.0	260.0	3,704.0
	Core Operating Income	**202.8**	**137.2**	**340.0**	**305.0**	**35.0**	**225.0**
Specialty Materials	Sales Revenue	653.5	669.5	**1,323.0**	1,237.0	86.0	1,177.8
	Core Operating Income	**70.4**	**47.6**	**118.0**	**90.0**	**28.0**	**44.9**
Films & Performance Materials	Sales Revenue	199.2	203.8	**403.0**	384.0	19.0	385.7
	Core Operating Income	**25.0**	**13.0**	**38.0**	**34.0**	**4.0**	**1.4**
Composites & Shapes	Sales Revenue	156.1	155.9	**312.0**	283.0	29.0	252.2
	Core Operating Income	**11.8**	**6.2**	**18.0**	**12.0**	**6.0**	**3.1**
Information Electronics	Sales Revenue	95.6	103.4	**199.0**	186.0	13.0	175.3
	Core Operating Income	**10.3**	**8.7**	**19.0**	**11.0**	**8.0**	**9.3**
Polymer Compounds	Sales Revenue	134.3	129.7	**264.0**	243.0	21.0	225.4
	Core Operating Income	**17.1**	**11.9**	**29.0**	**21.0**	**8.0**	**20.4**
Water & Infrastructure	Sales Revenue	68.3	76.7	**145.0**	141.0	4.0	139.2
	Core Operating Income	**6.2**	**7.8**	**14.0**	**12.0**	**2.0**	**10.7**
MMA & Derivatives	Sales Revenue	200.2	177.8	**378.0**	349.0	29.0	344.7
	Core Operating Income	**9.0**	**1.0**	**10.0**	**11.0**	**(1.0)**	**(2.0)**
MMA	Sales Revenue	144.8	130.2	**275.0**	250.0	25.0	245.5
	Core Operating Income	**1.3**	**(1.3)**	**0.0**	**4.0**	**(4.0)**	**(8.3)**
Functional Chemicals	Sales Revenue	55.4	47.6	**103.0**	99.0	4.0	99.2
	Core Operating Income	**7.7**	**2.3**	**10.0**	**7.0**	**3.0**	**6.3**
Basic Materials	Sales Revenue	388.3	447.7	**836.0**	683.0	153.0	679.7
	Core Operating Income	**14.1**	**(3.1)**	**11.0**	**(5.0)**	**16.0**	**(16.4)**
Basic Chemicals	Sales Revenue	330.3	387.7	**718.0**	583.0	135.0	574.3
	Core Operating Income	**9.8**	**(4.8)**	**5.0**	**(4.0)**	**9.0**	**(14.1)**
Carbon Products	Sales Revenue	58.0	60.0	**118.0**	100.0	18.0	105.4
	Core Operating Income	**4.3**	**1.7**	**6.0**	**(1.0)**	**7.0**	**(2.3)**
Others	Sales Revenue	61.9	89.1	**151.0**	159.0	(8.0)	149.3
	Core Operating Income	**1.6**	**(5.6)**	**(4.0)**	**4.0**	**(8.0)**	**(2.2)**
Chemicals Business	Sales Revenue	1,303.9	1,384.1	**2,688.0**	2,428.0	260.0	2,351.5
	Core Operating Income	**95.1**	**39.9**	**135.0**	**100.0**	**35.0**	**24.3**
Industrial Gases	Sales Revenue	733.2	638.8	**1,372.0**	1,372.0	0.0	1,352.5
	Core Operating Income	**107.7**	**97.3**	**205.0**	**205.0**	**0.0**	**200.7**

* Segment breakdown figures are estimates for illustrative purposes only.

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I will now explain the full-year core operating income forecast by segment. Specialty Materials is projected to reach ¥118 billion, up ¥28 billion from the initial forecast. Although there will be some impact from the Kumamoto earthquake, we expect results to significantly exceed the initial forecast due to increased sales volume of semiconductor-related products and the effects of our ongoing pricing policies.

For MMA and Derivatives, we expect ¥10 billion, down ¥1 billion from the initial forecast. Although we are seeing rising MMA monomer market prices and effects of our pricing policies in the functional chemicals business, the outlook is expected to fall short of the initial forecast due to impacts on the production and supply system stemming from the situation in the Middle East.

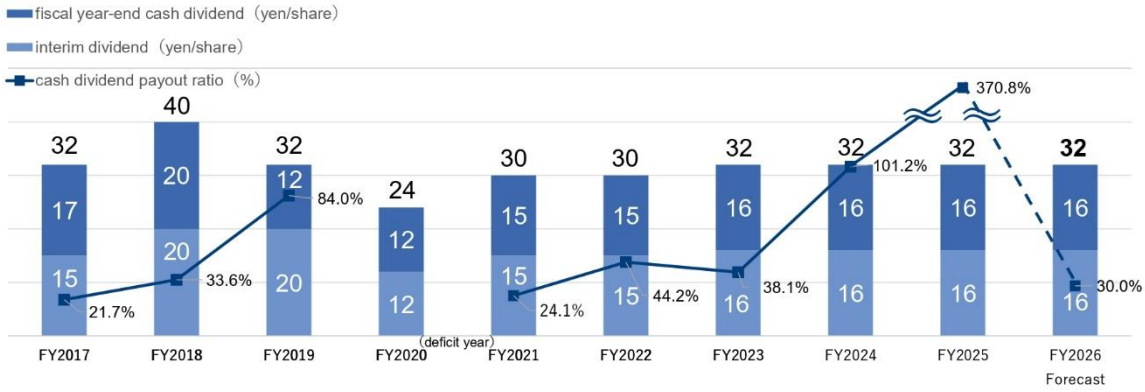
Basic Materials are projected to reach ¥11 billion, up ¥16 billion. Although sales have declined due to the influx of low-priced overseas products, significant inventory valuation gains resulting from the rising naphtha prices were recorded in H1. As this is expected to persist throughout the fiscal year, earnings are projected to significantly exceed the initial forecast.

As a result, the core operating income for the chemicals segment is expected to exceed the initial forecast by ¥35 billion, reaching ¥135 billion. However, we anticipate a ¥55.2 billion decline in profit from H1 to H2. These factors in the negative impact of deterioration of the inventory valuation gains recorded in H1, the effects of Kumamoto earthquake, and deterioration in the price gap due to rising raw material prices compared to H1.

For Industrial Gases, we are maintaining our initial forecast of ¥205 billion.

Dividend Forecast

- MCG's basic policy for shareholder returns is to enhance its shareholder value by increasing corporate value.
- While keeping an eye on increasing retained earnings that will fund its future business activities, MCG will aim to maintain a target dividend payout ratio of 35% under the "Medium-Term Management Plan 2029," with a potential dividend increase based on further profit growth.
- MCG decided at its Board of Directors meeting held on November 5 to set its interim dividend for FY2026 at 16 yen, the same as the previously announced forecast.
- And the year-end dividend forecast is 16 yen, the same as the previously announced forecast. Accordingly, the expected full-fiscal year dividend for FY2026 is 32 yen.



Finally, I'd like to discuss dividends. Given that the outlook remains uncertain due to the situation in the Middle East, the Board of Directors resolved at its meeting today, November 5, to set the interim dividend per share for the fiscal March 2027 at ¥16, in line with the previously announced forecast.

Furthermore, for the same reasons, we are maintaining the previously announced forecast of ¥16 for the year-end dividend. Consequently, the projected annual dividend per share for the fiscal year March 2027 is ¥32. We will revisit the year-end dividend at the time of the year-end earnings report for this fiscal year.

This concludes my presentation. Thank you for your attention.

Question & Answer

Umebayashi [Q]: I would like to ask about the volume of Specialty Materials. You explained that volume temporarily increased in the first quarter due to issues in the Middle East, followed by a rebound decline in the second quarter. Is this impact continuing at present and into the second half of the fiscal year? Additionally, I believe some products have also been affected by the Kumamoto earthquake, so please tell us about the current situation, including any impact on volume.

Kida[A]: Regarding the rebound decline from the first quarter to the second quarter, while some customers have not yet completed inventory adjustments for certain products, our current assessment is that the situation stabilized in the second quarter and has returned to normal operations.

Regarding the impact of the Kumamoto earthquake, as it was a very large earthquake, not only our production facilities but also some of our logistics facilities sustained damage. Fortunately, the damage to our product inventory itself was relatively minor, and we were able to maintain the ability to ship products to our customers—a silver lining in this unfortunate situation.

Regarding OPL—that is, film for polarizing plates—since our production base is in Kumamoto, we are taking steps to ensure a swift recovery. We had originally planned capital investment for OPL and were scheduled to introduce equipment we refer to internally as the “Series 9.” Our current core equipment is the “Series 8,” but to restore the Series 8 production line as quickly as possible, we are incorporating parts originally set aside for the Series 9 production line investment into the Series 8 and expediting the restoration process. We are doing everything in our power to minimize the impact on our customers and the decline in our sales. We estimate that the negative impact of the Kumamoto earthquake will amount to approximately 4 to 5 billion yen in core operating profit. This amount has been factored into our current earnings forecast.

Watabe [Q]: Specialty Materials profitability has improved significantly. While we are seeing steady improvement across all segments, including direct and indirect semiconductor materials and the high-performance engineering plastics business, what are your thoughts on organic growth in semiconductor materials and inorganic growth, including M&A?

Chikumoto [A]: Well, as for organic growth, as you can see, well, we are doing well in terms of growth. As for inorganic growth, we would like to be more proactive.

Omura [Q]: I’d like to ask for a bit more detail regarding volume trends. While Specialty Materials posted a significant volume-driven gain of ¥12 billion, MMA and Basic Materials recorded a decline of approximately 7 to ¥8 billion. Could you provide an overview of the differences in volume trends, focusing on your main products?

Kida[A]: Specialty Materials segment saw a profit increase of approximately ¥12 billion due to volume effects, and we recognize that we have achieved commensurate results. By segment, of the ¥12 billion in profit growth from volume effects in Specialty Materials, slightly over ¥10 billion came from increased volumes in

Composites & Shapes. Approximately half of that was attributable to high-performance engineering plastics. High-performance engineering plastics used in semiconductor manufacturing equipment components—particularly those with high heat resistance—saw significant growth. The remaining half was driven by carbon products and parts, primarily related to robo-taxis. As a result of substantial year-over-year volume growth in this segment, the total volume effect for Composites & Shapes exceeded ¥10 billion.

By customer and market, of the ¥12 billion in volume-driven growth for Specialty Materials, just over ¥7 billion came from the semiconductor sector. Of this amount, approximately ¥5 billion was attributable to the Composites & Shapes segment mentioned earlier, while the remaining approximately ¥2 billion was primarily from the Information & Electronics segment. Within the Information Electronics segment, synthetic quartz saw growth. Demand remains robust, and we are currently operating at near full production capacity. We are proceeding with plans to expand production capacity in Fukuoka, targeting completion in 2028. Additionally, order intake for our precision cleaning business is exceptionally strong. In addition to growth in materials for semiconductor manufacturing equipment, precision cleaning is also contributing to the increase in volume.

In MMA segment, the volume variance was a negative ¥8.8 billion. While this was partly due to shipments being delayed because of plant issues, the majority was attributable to a decline in sales in Saudi Arabia. In addition to uncertainty regarding plant operations, shipping by vessel is currently difficult. Although vessels are available, they are limited to those with safety concerns; consequently, the inability to ship products from that location accounts for the majority of the ¥8.8 billion shortfall.

In Basic Materials segment, the volume variance was a negative ¥7.9 billion. Approximately one-quarter of this was due to a decrease in volume resulting from scheduled maintenance and relatively minor operational issues. Additionally, since the volume variance includes items such as technology fees, the decrease in those fees is also included in the ¥7.9 billion negative figure.

Omura [Q]: Regarding film-related OPL, polyester film, and Soarnol, please let us know the sales momentum for these products, if possible.

Kida[A]: In Films & Performance Materials segment, shipments of films for MLCCs have been exceptionally strong, and we are increasing production volumes. The effect of this pure volume increase, driven primarily by this trend, amounts to approximately ¥1 billion.

On the other hand, since the earthquake occurred in August, the first-half results reflect only about one month's worth of impact, so the negative effect on OPL is not yet significantly reflected. Regarding the second half, we cannot rule out the possibility that OPL may fall slightly short of the budget or plan. Therefore, we are rushing to restore operations to minimize the impact, while also ensuring an appropriate response to product supply to avoid causing any inconvenience to our customers.

Okazaki [Q]: Regarding Specialty Materials, I would like to ask about your outlook for terms of trade from the second quarter through the third quarter. While you have explained the trends from the first half to the second half on page 24 and elsewhere, how do you expect terms of trade across the five sub-segments to evolve from the second quarter through the third quarter, based on current naphtha price assumptions?

Kida[A]: In the Specialty Materials segment, there are not many products for which a clear pricing formula is applied. From the second quarter through the third quarter, slight fluctuations are expected for certain film products that are similar to bulk products, as their prices are partially linked to raw material costs.

In addition, polypropylene compounds—which are included in the polymer compounds category—are relatively sensitive to market conditions for naphtha and other commodities. Since they are affected to a certain extent by naphtha prices, future trends in crude oil prices could have an impact.

Currently, we are assuming a naphtha price of ¥100,000. However, it is difficult to gauge current crude oil prices, and forecasting naphtha prices is also challenging. For example, between yesterday and this morning, crude oil prices temporarily fell by about $8. We are closely monitoring how the energy market will move in response to the results of the U.S. midterm elections.

Okazaki [Q]: Does this mean that, assuming a naphtha price of ¥100,000, the spread for certain film products and polypropylene compounds could deteriorate from the second quarter through the third quarter?

Kida[A]: There is a slight possibility that such an effect may occur.

Okazaki [Q]: I believe that raw material and fuel prices may decline in the future. In that case, while I realize it will depend on the timing of any price adjustments and the supply-and-demand situation for products, do you have any sense that it might not be necessary to lower product prices by the full amount of the decline in raw material and fuel prices?

Kida[A]: The timing and frequency of price adjustments based on the formula vary by customer. While there are a very small number of customers who have price adjustments once a year, most customers accept price adjustments about twice a year.

Furthermore, regarding the “received-paid difference,” this factor affects pricing for certain Specialty Materials products. The received-paid difference arises because, while product prices decline in line with the index at a given point in time, our costs do not immediately decrease due to factors such as the weighted average method applied to raw material prices. During periods of falling raw material prices, product prices fall first, and the reduction in costs lags; this has a negative impact on earnings. During periods of rising raw material prices, the opposite occurs: product prices rise first, and cost increases follow later.

In that sense, the positive gap for our company was largest in the first quarter. In the second quarter, as raw material prices fell and costs caught up, that gap narrowed significantly. Since costs tend to follow later, this time lag is one of the factors that makes it difficult for us to forecast our business performance.

Such movements inevitably occur whenever raw material prices rise or fall. However, as of now, we are not aware of any customers who would need to significantly lower their product prices from the second quarter through the third quarter.

Nishihira [Q]: You have revised your full-year consolidated core operating income forecast upward. Could you please share your assessment of whether this revision reflects your actual performance, or whether it is a conservative forecast that leaves some room for maneuver?

Kida[A]: We believe these earnings forecasts are conservative. From a business management perspective, we must recognize and remain vigilant about various risks. For example, we are closely monitoring pricing issues, particularly trends in product prices. These earnings forecasts were formulated using a bottom-up approach, with these risks conservatively factored in.

However, if raw material prices—particularly energy prices—fluctuate significantly, actual results may deviate from the forecasts. Despite these uncertainties, we believe the earnings forecasts presented here represent relatively achievable figures.

Yamada [Q]: Please provide a bit more detail on the situation at Basic Materials. Although the second quarter showed a slight loss, the profit and loss situation has improved to nearly breakeven. From the first quarter to the second quarter, the difference between purchases and sales was negative at just over ¥1 billion, and since the unit purchase price also rose, I understand that terms of trade did not improve significantly.

Regarding the second half of the fiscal year, if volumes recover to a certain extent and naphtha prices remain at ¥100,000, we do not expect a significant negative impact from the trade margin. However, the operating profit for the second half is projected to be worse than twice the actual result for the second quarter. Could you explain the reasons behind this?

Additionally, you explained that while you are withdrawing from the steelmaking coke business, you will continue other operations to a certain extent. Please explain the rationale, including from a profit and loss perspective—for why you will be able to continue producing by-products such as pitch coke even after halting coke production.

Kida[A]: I believe it is difficult to make predictions regarding Basic Materials. First, regarding the trading margin, we saw a slight decline in the first half due to a timing discrepancy in price revisions; however, as the time lag, I mentioned earlier begins to resolve, we expect this to improve going forward. On the other hand, the most significant factor is our assumption that naphtha prices will be 100,000 yen. The impact of the decline in the purchase-sales margin is very significant, and we are currently formulating our plans based on this assumption.

Regarding sales, we do not anticipate any significant shift in trends from the second to the third quarter, or from the first half to the second half of the fiscal year. In particular, the decline in sales of products we refer to as “liquid products” has become severe. Specifically, these include ethylene derivatives such as ethylene oxide and ethylene glycol, and propylene derivatives such as acrylic acid and oxo-alcohols. It has become clear that the decline in sales of our products is not so much due to these products themselves being imported from overseas, but rather because the products manufactured by our customers—who use our products as raw materials—are being imported from overseas markets such as China. To address this situation, we believe it will be difficult to mitigate the impact unless we boldly proceed with business restructuring and plant downsizing. For this reason, it is extremely important to expedite restructuring in the Basic Chemicals sector.

Regarding the Carbon Products business, although we had previously decided to suspend operations, we have revised that policy and decided to continue the business. This decision is not due to significant changes in the environment surrounding the Carbon Products business itself. One of the key factors behind our decision was the outlook for pitch-based carbon fibers, which are produced as derivative or co-products within the Carbon Products value chain. In addition to offering a balance of elastic modulus and strength, pitch-based carbon fibers are characterized by extremely high thermal conductivity. We anticipate continued growth in truly “pure specialty” applications that leverage these characteristics.

To expand these applications, we must maintain the quality of our pitch-based carbon fibers. Consequently, we have concluded that we should continue to own and operate the facilities in the carbon materials division, which serves as the upstream segment of this process. This is the actual reason we decided against withdrawing from the Carbon Products business. Within the Carbon Products business, we will continue

operations centered on needle coke and strive to improve profitability. However, please understand that this decision was not primarily focused on needle coke or similar products. Rather, it was driven by our positive outlook on increasing sales of pitch-based carbon fiber products, expanding sales in the future, and growing sales for new applications.

Yamada [Q]: Please confirm whether it is possible to continue producing pitch-based carbon products such as co-products or by-products even after shutting down the coke oven used for steelmaking.

Regarding pitch-based carbon fibers, we recognize that they hold a dominant position in applications where PAN-based fibers cannot be used due to Young's modulus requirements—such as semiconductor manufacturing equipment and robotic arms for large-scale LCDs. If raw materials produced from other companies cannot achieve comparable performance, may we also confirm whether this proves the high barrier to entry resulting from vertical integration?

Kida[A]: Pitch—that is, tar—is produced from coke, and we use this tar as a raw material to manufacture carbon materials and pitch-based carbon fibers. Overall, the production flow extends from pitch-based carbon materials to carbon fibers, with manufacturing processes such as needle coke production situated in the intermediate stage. The end-product in this flow is pitch-based carbon fiber.

Initially, we had decided to continue producing only the end-product, pitch-based carbon fiber. However, after conducting various analyses, we came to realize that the processes in the intermediate stage have a significant impact on the quality and value of our products. For this reason, we decided not to withdraw from the Carbon Products business but to continue operating it.

Furthermore, while the tar used as a raw material for pitch is derived from coke, we have reached a point where we are reasonably confident that we can make full use of externally sourced tar as well. Please understand that our decision was based on these considerations.

Miyamoto [Q]: Regarding the Composites & Shapes segment, please provide a qualitative explanation—based on page 25 of the materials—of the reasons why both subsegments saw a decline in profits from the first quarter to the second quarter. Additionally, while a profit decline of approximately ¥5.5 billion is projected for the second half compared to the first half, please explain how each sub-segment is expected to perform, including the production and shipment status of carbon fiber composite parts for robotaxis.

Kida[A]: I understand that the gist of your question is that we are projecting a profit decline of approximately ¥5 billion from the first half to the second half.

The main market for this business is Europe, and since production and shipments are very slow during the holiday season, profits in the second half tend to be lower than in the first half every year. Regarding the robo-taxi, the planned unit volume has decreased slightly from the initial forecast at the beginning of the year due to factors affecting our customers' supply chains. However, the overall momentum of the business has not changed significantly from our initial expectations.

The primary factor contributing to the projected significant decline in profits in the second half is the engineering plastics business. We anticipate this segment will be significantly impacted by the off-season. Consequently, we believe profits for the second half may exceed current projections.

Miyamoto [Q]: Have shipment volumes for robo-taxi increased from the first quarter to the second quarter? Also, are they expected to increase from the first half to the second half of the year?

Kida[A]: Unit sales for the first and second quarters are at roughly the same level. We also expect sales to increase gradually from the third quarter through the fourth quarter. We project that unit sales in the second half of the year will be approximately 1.5 times those of the first half.

Miyamoto [Q]: Are the impacts on your customers' supply chains attributable to batteries or other components?

Kida[A]: Since this is a matter on the customer's end, I'm afraid I don't know whether it is due to the customer's production process or the procurement of other components.

Miyamoto [Q]: Do you agree that there is no need to revise the medium-term outlook?

Kida[A]: That is my understanding.

Miyamoto [Q]: I believe there is a cap of 2,500 vehicles for the NHTSA exemption, but could you also tell us what strategy you are pursuing with an eye toward the future?

Kida[A]: We have a forecast regarding the pace of short-term volume growth, based on our previous assumptions. However, we believe there is a certain degree of uncertainty regarding the outlook two and three years from now. That said, we expect the expansion of our service areas and growth in demand to remain relatively robust. Going forward, we anticipate that the number of authorized vehicles will increase gradually as we build up our operational track record and demonstrate safety.

Okazaki [Q]: Regarding MMA, could you please provide the assumptions for market conditions and utilization rates for the second quarter and the second half of the year? Also, please explain the supply-demand environment and production status, including the situation in Saudi Arabia that you mentioned earlier.

Kida[A]: Market prices in the second quarter generally hovered around $1,700. For the second half of the year, we are assuming prices will remain in the upper $1,600 range. Meanwhile, the outlook for operations remains highly uncertain. Regarding Saudi Arabia, we have factored into our current earnings forecast the assumption that operations there will not resume at least through the third quarter.

Okazaki [Q]: I believe the assumption for the second-quarter occupancy rate was originally around 60 percent. Could you please explain the actual results and the assumptions for the second half of the year?

Kida[A]: The capacity utilization rate for the second quarter was slightly below 60%. Due to supply chain issues in Asia, along with various operational challenges at other locations, the overall global utilization rate remained relatively low. Looking ahead to the second half of the year, while there may be fluctuations from one plant to another, we anticipate an overall average utilization rate of approximately 60%.

Okazaki [Q]: Is the view that the supply-and-demand environment will remain largely unchanged from the current situation and continue at a low level?

Kida[A]: If asked whether the supply-and-demand conditions are at a low level, I don't necessarily think they are that low.

Umebayashi [Q]: I understand that, following the decision to reverse the withdrawal from the carbon materials business, a reversal of approximately ¥9 billion in previously provisioned business restructuring costs has been newly recognized as non-recurring income. On the other hand, in the full-year earnings forecast, non-recurring items have been revised downward by ¥7 billion from the initial plan. It appears that an additional negative impact of approximately 16 billion yen—outside of the carbon materials business—has been factored in; could you please explain the reason for this?

Kida[A]: As you pointed out, we have factored in an appropriate amount for the approximately ¥9 billion in profits resulting from our decision not to withdraw from the Carbon Products business, as well as for losses related to the Kumamoto earthquake. In addition, regarding business restructuring, while we have made significant progress on large-scale initiatives through last fiscal year, we are continuing to work on relatively smaller-scale initiatives on an ongoing basis throughout the year. Consequently, we have factored in a certain amount of expenses related to these business restructuring efforts. However, we are unable to provide details regarding specific initiatives or projects, nor the individual amounts involved.

Chikumoto [A]: Earlier, there was a question regarding why we decided to resume operations of our carbon material facilities at this point. I sincerely apologize for the confusion caused by our decision to reverse course after having previously decided to withdraw from this business. We are currently working urgently to provide explanations for our employees, customers, and relevant government agencies.

Even though this has caused some confusion, we believe that pitch-based carbon fiber holds significant potential and promise as a product, and we have therefore decided to shift our course toward expanding this business.

Applications include thermal management materials and the aerospace industry, and we recognize that there is already significant momentum in these areas. We believe the quality of our pitch-based coke is likely the best in the world. To consistently produce this world-class quality, our proprietary manufacturing facilities are indispensable. For this reason, we plan to continue operating the facilities and make the necessary investments.

[END]