Presentation

[Title]

Mitsubishi Chemical Group, industrial gases and health care remain strong; cost reductions exceeded full-year target, achieving JPY82 billion reductions.

[Lead]

The following is a transcription of the Mitsubishi Chemical Group Corporation's financial results presentation for Q3 of the fiscal year ending March 31, 2024, which was released on February 7, 2024.

[Speakers]

Jean-Marc Gilson, Representative Corporate Officer, President, and CEO

Yuko Nakahira, Executive Vice President and CFO

Akihiro Tsujimura, Executive Vice President (Head of Pharma)

[Text]

Operational Summary for Q3 of the fiscal year ending March 31, 2024

Jean-Marc Gilson: Hello. Thank you for attending the Mitsubishi Chemical Group Q3 financial results meeting. I am Jean-Marc Gilson, CEO.

I will explain a few things first and then say goodbye as this will be my last opportunity to speak to you directly as CEO. CFO Nakahira will then present the details of the Q3 financial results.

In Q3 under review, the effects of the implementation of the forging the future strategy announced in December 2021 were more evident than ever. Although the chemical industry entered a 30-year long slump during the quarter, the Mitsubishi Chemical Group posted core operating income of JPY183.9 billion for the nine months through Q3, exceeding our forecast.

Cash flows were also significantly positive, with free cash flow of JPY165.7 billion. In addition, we reduced costs by JPY82 billion, exceeding our full-year target of JPY80 billion.

The balance sheet has also improved, with the net D/E ratio improving to 1.2. It is important to emphasize here that these results are not the result of chance.

This is the result of unprecedented restructuring, constant discipline, operational excellence, price control, targeted growth, and management of costs, working capital, and capital expenditures in all of our businesses.

Industrial gases and health care continue to perform admirably. Behind this are various cost reduction, pricing activities, and growth measures. This was especially true in health care, where the health care team achieved excellent results, increasing sales and core operating income in both Japan and the United States.

As expected, the economic environment was very challenging for specialty materials. Q3 sales were at a similar level to Q2, while core operating income increased slightly.

This was due to continued cost reductions. The background of this was weak demand in all industries except automotive and continued inventory reductions.

On the other hand, core operating income in MMA came out even despite ongoing cost reductions due to a global surplus of equipment, lack of price formation and sluggish demand.

In basic materials, the petrochemical business has persevered and remained profitable. Unfortunately, the carbon products business has been in the red for three consecutive quarters. We need to seriously cut costs and rebuild this business.

I would like to emphasize that the Company as a whole was able to generate JPY65 billion in core operating income in Q3 thanks to structural reforms over the past three years. The cumulative total is JPY183.9 billion.

In addition, the EBITDA margin is close to 12%. We have achieved so much while the global chemical industry has struggled.

Now, I must say goodbye to all of you. I will be leaving this group at the end of March and will leave with a great sense of accomplishment. In the previous Employee Satisfaction Survey, improvement was seen in 16 of the 17 items.

Safety has been strengthened, and compliance and auditing functions have been greatly improved. We are also making good progress toward our 2030 sustainability goals.

R&D is also firmly aligned with major markets. Financially, thanks to a new operational excellence mentality, we are seeing improvements in all indicators. And the Mitsubishi Chemical Group is well positioned for the future.

In terms of corporate value creation and stock price, the Mitsubishi Chemical Group has been one of the top performers in the global chemical industry until the end of 2023. All of this is due to our wonderful employees.

And this is because we had the most diverse and highest-level management team I have ever been involved with. For me it is time to start a new chapter in my life. I wish the best of luck to the Mitsubishi Chemical Group and its new leader, CEO Chikumoto, and the entire management team.

Thank you very much for your past support.

Summary

Summary

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FY2023 3Q (Nine Months) Actual

- While sales revenue decreased 5% year on year amid a severe business environment with sluggish market conditions, core operating income increased 3% year on year as a result of the promotion of price management activities and cost structure reforms.
- Sales volume declined significantly on a year-on-year basis in Specialty Materials and Basic Materials as demand in the semiconductor market and for broader industrial materials remained weak and demand recovery has been taking longer. Meanwhile, core operating income increased year on year reflecting the continued brisk performance of Industrial Gases and RADICAVA in North America in Health Care, among other factors.
- As a result of relentless cost reduction efforts, cost reduction of ¥82.0 billion was achieved during the first three quarters of FY2023, which exceeded the Group-wide reduction target of ¥80.0 billion for FY2023.
- Net income attributable to owners of the parent rose significantly year on year due mainly to the recording of special items related to business divestiture in tandem with the transfer of all shares of Qualicaps Co., Ltd. to Roquette Frères SA during the third quarter of FY2023 as part of the business portfolio reform.

FY2023 Forecast

- Full-fledged recovery in demand is not expected in the fourth quarter, and the operating environment in Specialty Materials and Basic Materials will likely remain sluggish. However, given the fact that the business performance of Industrial Gases and Health Care is projected to remain brisk and special items related to business divestiture are expected to be recorded, the consolidated financial results forecast for FY2023 remains unchanged.
- The MCG Group plans to continue to steadily implement important measures to achieve financial goals in accordance with the action plan related to the management policy “Forging the future.”

Yuko Nakahira (hereinafter, Nakahira): My name is Yuko Nakahira, CFO. I will discuss the financial results for Q3 of the fiscal year ending March 31, 2024. We spoke about the harshness of the business environment surrounding the chemical industry at the H1 results meeting. The sluggish business environment continued in Q3.

Amid soft sales volume, disciplined price management and cost structure reforms resulted in 3% YoY increase in core operating income for the nine-month period, despite a 5% YoY decline in sales revenue.

Sales volumes of specialty materials and basic materials continued to decline due to the lack of a strong recovery from sluggish demand in the industrial materials sector, including the semiconductor-related market, housing and construction materials. In addition, the low level of market conditions did not improve in the MMA and carbon products businesses.

Meanwhile, industrial gases and health care continued to perform well, driving the Group's overall core operating income.

In cost structure reforms, we achieved JPY82 billion in the cumulative Q3, exceeding the full-year company-wide cost reduction target of JPY80 billion, and contributed to securing earnings.

Net income attributable to owners of the parent increased significantly from the same period of the previous year, mainly due to a non-recurring gain resulting from the transfer of all shares of Qualicaps to Roquette Frères SA in Q3 as part of a business portfolio reform.

While a full recovery in the business environment for specialty materials and basic materials is not expected in Q4, industrial gases and health care continue to perform well.

In addition, we expect to record non-recurring income associated with the promotion of business portfolio reforms, etc. Therefore, we maintain our full-year forecast unchanged from the revised forecast presented in November.

We will continue to steadily implement important measures to achieve our financial targets based on the action plan for the "Forging the future" management policy.

Consolidated Statements of Operations

Consolidated Statements of Operations

MITSUBISHI CHEMICAL GROUP

Exchange Rate (¥/$)	136.9	143.8	6.9	5%
Naphtha Price (¥/kl)	80,000	67,900	(12,100)	(15%)

(Billions of Yen)

	Nine Months Ended Dec. 31, 2022	Nine Months Ended Dec. 31, 2023	Difference	%
Sales Revenue	3,406.2	**3,245.1**	**(161.1)**	(5%)
Core Operating Income *1	177.9	**183.9**	**6.0**	3%
Special Items	(129.3)	**28.6**	**157.9**	
Operating Income	48.6	**212.5**	**163.9**	337%
Income before Taxes	39.2	**191.8**	**152.6**	389%
Net Income	44.8	**144.3**	**99.5**	
Net Income Attributable to Owners of the Parent	17.0	**103.9**	**86.9**	510%
Net Income Attributable to Non-Controlling Interests	27.8	**40.4**	**12.6**	
*1 Share of profit of associates and joint ventures included	9.9	**6.5**	**(3.4)**	

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.).

The average exchange rate for the nine months through Q3 was JPY143.8, 5% lower than the same period last year, and the unit price of naphtha was JPY67,900, 15% lower than the same period last year. Sales revenue was JPY3,245.1 billion, down 5% from the same period last year.

Core operating income increased 3% YoY to JPY183.9 billion. Both sales revenue and core operating income are progressing well against the full-year forecast for the fiscal year ending March 31, 2024, announced on November 1.

Non-recurring income of JPY28.6 billion was recorded, bringing operating income to JPY212.5 billion. The previous year saw a large loss related to the closure of the MMA Cassel Works and the liquidation of Medicago, resulting in an increase of more than JPY160 billion compared to the previous year.

As a result, income before taxes was JPY191.8 billion, and net income attributable to owners of the parent was JPY103.9 billion, up approximately JPY86.9 billion from the same period last year. This is also on track against the JPY135 billion earnings forecast announced in November.

Sales Revenue and Core Operating Income by Business Segment

Sales Revenue and Core Operating Income by Business Segment

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(Billions of Yen)

	Nine Months Ended Dec. 31, 2022		Nine Months Ended Dec. 31, 2023		Difference			
	Sales Revenue	Core Operating Income	Sales Revenue	Core Operating Income	Sales Revenue	%	Core Operating Income	%
Total Consolidated	**3,406.2**	**177.9**	**3,245.1**	**183.9**	**(161.1)**	(5%)	**6.0**	3%
Specialty Materials	**932.7**	**55.2**	**873.4**	**17.3**	**(59.3)**	(6%)	**(37.9)**	(69%)
Polymers & Compounds	254.6	21.8	240.4	16.3	(14.2)		(5.5)	
Films & Molding Materials	395.6	22.2	363.5	(2.8)	(32.1)		(25.0)	
Advanced Solutions	282.5	11.2	269.5	3.8	(13.0)		(7.4)	
Industrial Gases	**866.4**	**84.3**	**922.4**	**122.5**	**56.0**	6%	**38.2**	45%
Health Care	**319.9**	**20.0**	**337.9**	**55.4**	**18.0**	6%	**35.4**	177%
MMA	**236.1**	**0.2**	**207.1**	**(0.3)**	**(29.0)**	(12%)	**(0.5)**	-
Basic Materials	**862.3**	**17.7**	**748.8**	**(10.4)**	**(113.5)**	(13%)	**(28.1)**	-
Petrochemicals	576.6	8.1	520.8	2.0	(55.8)		(6.1)	
Carbon Products	285.7	9.6	228.0	(12.4)	(57.7)		(22.0)	
Others	**188.8**	**0.5**	**155.5**	**(0.6)**	**(33.3)**	(18%)	**(1.1)**	-

[Inventory valuation gain/loss]	Nine Months Ended Dec. 31, 2022	Nine Months Ended Dec. 31, 2023	Difference
Polymers & Compounds	1.6	0.0	(1.6)
Petrochemicals	21.4	1.1	(20.3)
Carbon Products	(0.7)	0.9	1.6
Total	22.3	2.0	(20.3)

* From Q1 FY2023, the current financial reporting segments has been reclassified into Specialty Materials, Industrial Gases, Health Care, MMA, Basic Materials, and Others. In addition, the company is reclassifying the managing segments for some of its businesses. Accordingly, for purposes of comparison, we are restated the results for FY2022.
* Breakdown figures of segment are approximation for reference purpose only.

5 | Mitsubishi Chemical Group Corporation

Here you see sales revenue and core operating income by business segment. In specialty materials, sales revenue was down 6% YoY and core operating income was down 69% YoY. Demand remained sluggish, especially in films & molding materials, which was affected by the slump in the semiconductor and electronics industries, a key market, and inventory adjustments by overseas customers toward the end of the year. As a result, the segment as a whole posted an operating income of JPY17.3 billion, a significant decrease from the previous year.

The industrial gases business continued to perform well, with a 6% increase in sales and a 45% increase in operating income over the same period last year.

In the health care segment, sales increased 6% YoY and operating income increased 177% YoY, thanks to a significant increase in sales of oral RADICAVA in the US and significant contributions from portfolio and cost structure reforms that have been implemented since last year.

The MMA segment saw a 12% decrease in sales and a JPY0.5 billion decrease in income compared to the same period last year. Although the business was profitable in Q2, it has gone into the red again. The total of MMA monomer and PMMA remained profitable, but the sub-segment as a whole was affected by the poor performance of acrylonitrile.

The basic materials business improved slightly compared to H1, but still posted a loss of JPY10.4 billion. Sales were down 13% from the same period last year, and income declined by JPY28.1 billion. Among the factors contributing to the decrease in income, the impact of inventory valuation gains/losses was a negative JPY18.7 billion.

Although demand for the petrochemicals business continues to be weak, operating income is improving after bottoming out in Q4 of the previous year. On the other hand, the carbon products business posted a loss for the third consecutive quarter as there was no improvement in the coke market.

Analysis of Core Operating Income

Analysis of Core Operating Income

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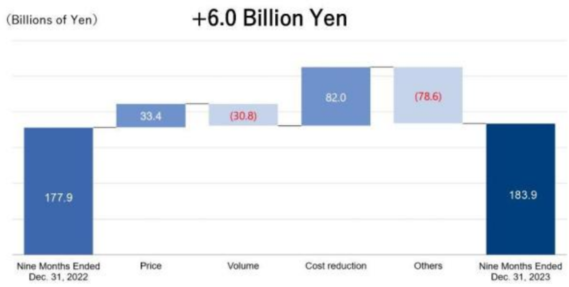


(Billions of Yen)

	Nine Months Ended Dec. 31, 2022	Nine Months Ended Dec. 31, 2023	Difference	Price	Volume	Cost reduction	Others *1
Total Consolidated	177.9	**183.9**	**6.0**	**33.4**	**(30.8)**	**82.0**	**(78.6)**
Specialty Materials	55.2	**17.3**	**(37.9)**	**25.0**	**(54.0)**	**13.1**	**(22.0)**
Industrial Gases	84.3	**122.5**	**38.2**	**19.7**	**(0.8)**	**21.2**	**(1.9)**
Health Care	20.0	**55.4**	**35.4**	**(2.6)**	**31.2**	**31.1**	**(24.3)**
MMA	0.2	**(0.3)**	**(0.5)**	**(7.4)**	**2.6**	**6.6**	**(2.3)**
Basic Materials	17.7	**(10.4)**	**(28.1)**	**(1.5)**	**(8.3)**	**3.0**	**(21.3)**
Others	0.5	**(0.6)**	**(1.1)**	**0.2**	**(1.5)**	**7.0**	**(6.8)**

* Items included are impacts from differences of inventory valuation gain/loss (20.3) billion yen and differences of share of profit of associates and joint ventures (3.4) billion yen, etc.

	Difference	Price	Volume	Cost reduction	Others
Changes in exchange rates	8.0	10.1	0.0	-	(2.1)
Changes in foreign currency translation included in above		7.6			

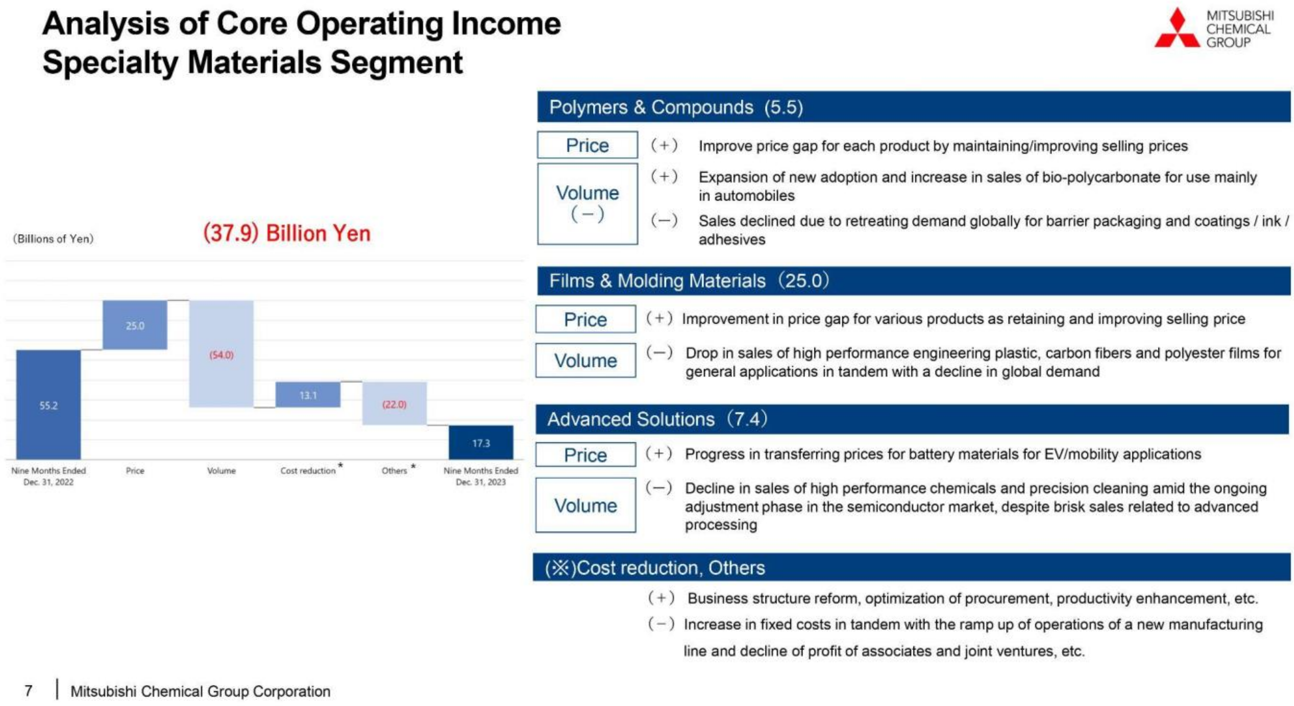
The following is a breakdown of the JPY6 billion increase in core operating income. The price factor had a positive impact of JPY33.4 billion. Pricing activities continued despite the decline in naphtha prices and lackluster market conditions for major products, contributing significantly to securing core operating income, especially in specialty materials and industrial gases.

As for the volume factor, demand remained sluggish in specialty materials and basic materials, resulting in a negative factor of JPY30.8 billion. Cost reductions contributed JPY82 billion positively, and the contribution in Q3 was about JPY28 billion.

We achieved our annual cost reduction target of JPY80 billion in the cumulative Q3. We are seeing strong momentum in our cost structure reform efforts, which we will continue to advance in Q4 and into the next fiscal year.

Others includes a decrease of JPY20.3 billion in inventory valuation gains/losses. Of this amount, approximately JPY24 billion is health care-related, which includes the end of Lexapro sales, changes in sales contracts, and the impact of the IP transfer in the previous fiscal year. Other factors include a decrease in equity in earnings of affiliates and an increase in fixed costs due to foreign exchange and inflation effects overseas.

Analysis of Core Operating Income: Specialty Materials Segment



Specialty materials posted an income decrease of JPY37.9 billion from the same period of the previous year. Price and cost reduction were positive factors of JPY25 billion and JPY13.1 billion, respectively. Despite soft demand, pricing activities and cost structure reforms were pushed forward to mitigate the deterioration of core operating income in all three sub-segments.

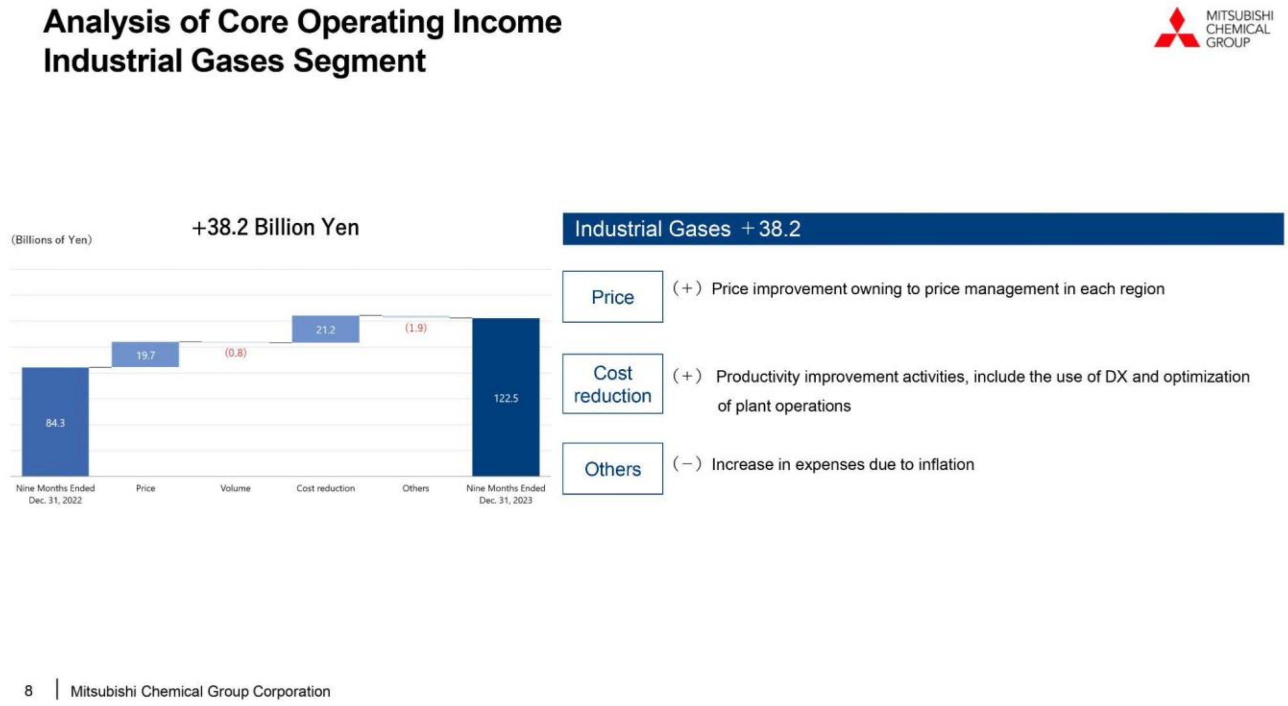
The most significant factor in the decrease in income was the volume, which continued to be strongly affected by cooling demand. In polymers & compounds, the market for automotive applications recovered, and there was an expansion of new adoption and increased sales of bio-polycarbonate. On the other hand, demand for additives for barrier packaging materials and paint, ink, and adhesive applications was soft.

In films & molding materials, while there was no recovery in semiconductor-related applications, volumes declined further due to inventory adjustments by overseas customers toward the end of the fiscal year. In particular, sales continued to decline in high-performance engineering plastics for semiconductor applications, carbon fibers for wind power generation and general-purpose sports applications, and polyester films for general use.

In advanced solutions, the adjustment phase in the semiconductor market continued. The market for cutting-edge semiconductors is recovering, and some products, such as aquaSAVE, have performed well; however, the overall trend has not changed significantly at this time.

All three sub-segments continue to focus on new product development and recruiting activities to prepare for the coming demand recovery in their focus markets, while continuing to manage price, cost, and cash.

Analysis of Core Operating Income: Industrial Gas Segment



The industrial gases segment continued to perform well, posting an increase of JPY38.2 billion in operating income over the same period last year. Although volume was not strong, price pass-through and productivity improvement efforts, which are being implemented in each of all regions, were successful, and foreign exchange also contributed to the increase in income.

Analysis of Core Operating Income: Health Care Segment

Analysis of Core Operating Income
Health Care Segment

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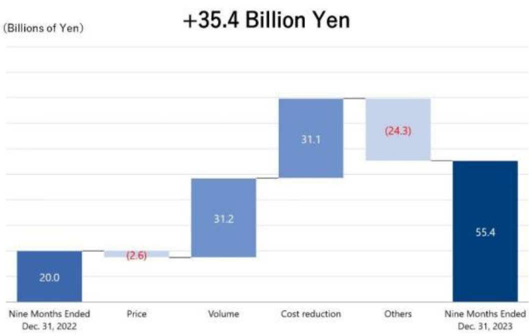


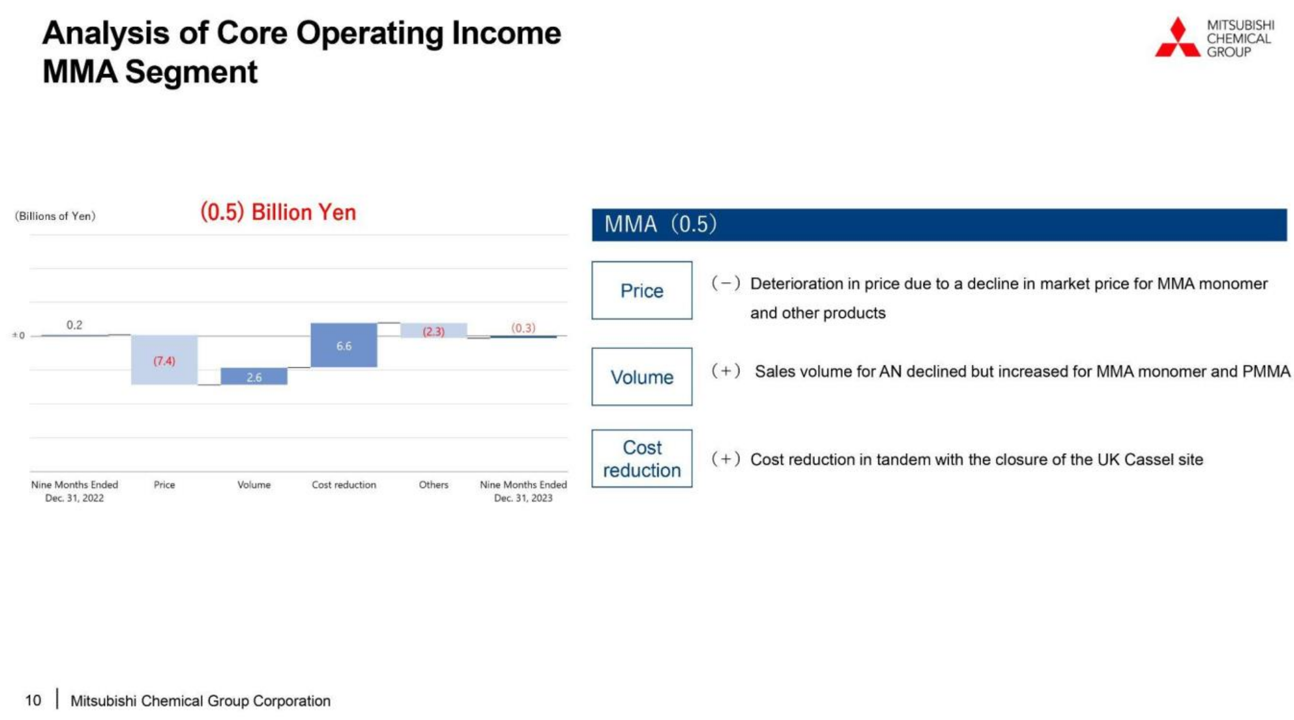
Health Care +35.4

Price	(−) National Health Insurance drug price revision for domestic ethical pharmaceuticals, etc.
Volume	(+) In North America, sales grew for RADICAVA ORS®, a therapy to treat ALS (+) Brisk sales of priority and new products related to domestic ethical pharmaceuticals
Cost reduction	(+) Reduced R&D costs reflecting Medicago's exit from its business operations, and progress made in cost structure reforms
Others	(−) Rise in SG&A expense in tandem with a new drug launch and a decline in profit in tandem with the end of product sales, impact of gain on transfer of intangible assets in the third quarter of FY2022, etc.

In the health care segment, core operating income increased by JPY35.4 billion YoY. The main reason was the strong growth of RADICAVA ORS in North America, while priority and new products of domestic ethical drugs also performed well.

In addition, the liquidation of Medicago, which was decided in the previous fiscal year, and cost structure reforms, including a review of the portfolio of products under development, contributed significantly to the increase in income.

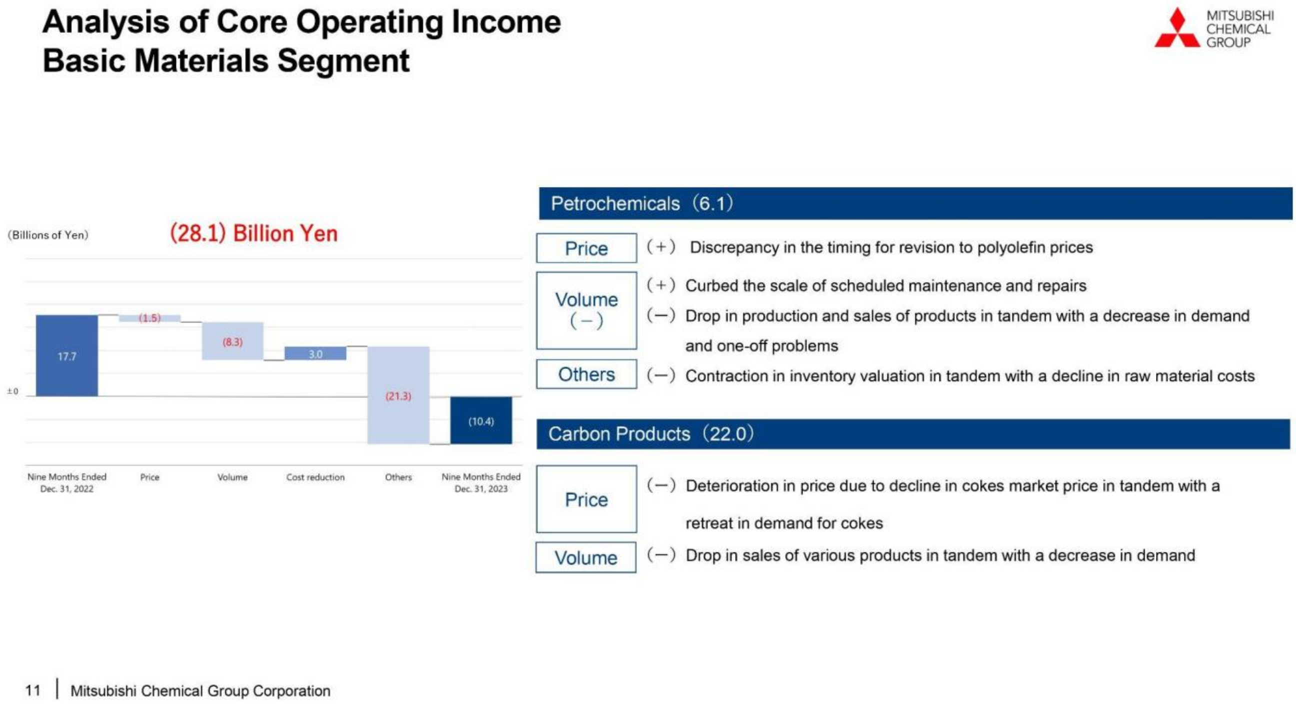
Analysis of Core Operating Income: MMA Segment



The MMA segment reported a JPY0.5 billion decrease in operating income compared with the same period of the previous year. There was a loss of JPY0.3 billion in the cumulative Q3, with a push-down effect of about JPY2 billion due to acrylonitrile. The price factor continued to be affected by the deteriorating MMA monomer market conditions compared to the same period last year.

Although volume continues to soften, MMA monomer and PMMA volumes are on an increasing trend compared to the same period last year. Although there are some encouraging signs in January, such as a slight upward trend in prices in China due to tight supply, the future outlook remains uncertain.

Analysis of Core Operating Income: Basic Materials Segment



The basic materials segment reported a decrease of JPY28.1 billion in operating income versus the same period last year. In the petrochemicals business, the price factor was positive due to price pass-on activities as well as a delay in polyolefin price revisions, but the price for basic materials as a whole was a negative factor due to the impact of the decline in the coke market.

The decrease in volume due to sluggish demand and the negative inventory valuation impact of JPY18.7 billion resulted in a decrease in income.

Consolidated Special Items

Consolidated Special Items

(Billions of Yen)

	Nine Months Ended Dec. 31, 2022	Nine Months Ended Dec. 31, 2023	Difference
Total Special Items	(129.3)	**28.6**	**157.9**
Gain on sales of shares of subsidiaries and associates	2.2	**27.6**	**25.4**
Reversal of provision for loss on plant closure	-	**6.4**	**6.4**
Gain on reversal of asset retirement obligations	-	**2.6**	**2.6**
Gain on sales of property, plant and equipment	0.7	**1.6**	**0.9**
Impairment loss	(87.7)	**(13.7)**	**74.0**
Loss on business liquidation	(0.7)	**(4.2)**	**(3.5)**
Loss on sale and disposal of fixed assets	(2.4)	**(2.4)**	**0.0**
Provision for loss on business liquidation	-	**(1.7)**	**(1.7)**
Special retirement expenses	(4.3)	**(1.2)**	**3.1**
Provision for loss on plant closure	(31.2)	**-**	**31.2**
Others	(5.9)	**13.6**	**19.5**

Special non-recurring items resulted in income of JPY28.6 billion. In Q3, proceeds from the sale of Qualicaps, net of sale-related expenses, amounted to about JPY18 billion.

Consolidated Cash Flows

Consolidated Cash Flows

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(Billions of Yen)

	Nine Months Ended Dec. 31, 2022	Nine Months Ended Dec. 31, 2023
Net cash provided by (used in) operating activities	**174.0**	**285.0**
Income before taxes	39.2	191.8
Depreciation and amortization	202.7	204.5
Change in operating receivables/payables	(3.1)	(18.3)
Change in Inventories	(106.3)	7.6
Others	41.5	(100.6)
Net cash provided by (used in) investment activities	**(174.4)**	**(119.3)**
Capital expenditure	(202.7)	(197.5)
Sale of assets	27.5	71.5
Investment and loans receivable, etc.	0.8	6.7
Free cash flow	**(0.4)**	**165.7**

	Nine Months Ended Dec. 31, 2022	Nine Months Ended Dec. 31, 2023
Net cash provided by (used in) financing activities	**8.8**	**(103.8)**
Interest bearing debts	71.5	(31.0)
Dividends, etc.	(62.7)	(72.8)
Net increase (decrease) in cash and cash equivalents	**8.4**	**61.9**
Effect of exchange rate changes and changes in scope of consolidation	2.8	7.7
Total	**11.2**	**69.6**

Here you see cash flows. Net cash provided by operating activities was JPY285 billion and net cash used in investment activities was JPY119.3 billion, resulting in a free cash flow of JPY165.7 billion.

Since free cash flow for the same period last year was an outflow of JPY400 million, the cash management activities being deployed throughout the Company have resulted in a significant improvement. The increase in trade receivables and payables was due to a significant increase in health care sales. Inventories were well controlled despite weak demand. Net cash used in financing activities was JPY103.8 billion.

Consolidated Statements of Financial Positions

Consolidated Statements of Financial Positions

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	Mar.31.2023	Dec.31.2023	Difference
Cash & cash equivalents	297.2	366.8	69.6
Trade receivables	808.8	818.2	9.4
Inventories	797.9	799.6	1.7
Others	245.7	274.4	28.7
Current assets	**2,149.6**	**2,259.0**	**109.4**
Fixed assets	2,367.1	2,407.0	39.9
Goodwill	727.7	753.4	25.7
Investments & Other	529.9	565.2	35.3
Non-current assets	**3,624.7**	**3,725.6**	**100.9**
Total assets	**5,774.3**	**5,984.6**	**210.3**

(Billions of Yen)

	Mar.31.2023	Dec.31.2023	Difference
Interest-bearing debt	2,375.8	2,413.9	38.1
Trade payables	476.3	478.4	2.1
Others	933.8	914.8	(19.0)
Liabilities	**3,785.9**	**3,807.1**	**21.2**
Share capitals, Retained earnings, etc,.	1,426.2	1,486.0	59.8
Other components of equity	138.4	216.2	77.8
Equity attributable to owners of the parent	**1,564.6**	**1,702.2**	**137.6**
Non-controlling interests	423.8	475.3	51.5
Equity	**1,988.4**	**2,177.5**	**189.1**
Total liabilities & equity	**5,774.3**	**5,984.6**	**210.3**
Net Interest-bearing debt *1	2,078.6	2,047.0	(31.6)
Net D/E ratio	1.33	1.20	(0.13)
ROE *2	6.4%	–	–

*1 Net interest-bearing debt (End of Dec.31, 2023)
= interest-bearing debt (2,413.9billion yen)
- (cash and cash equivalents (366.9 billion yen) + investments of surplus funds-)
Note : Interest-bearing debt includes lease obligations.
*2 Ratio of net income attributable to owners of the parent.

Total assets were JPY5,984.6 billion, up JPY210.3 billion from the end of the previous fiscal year, of which JPY193 billion was due to foreign exchange effects. Total liabilities amounted to JPY3,807.1 billion, up JPY21.2 billion from the end of the previous year, and total equity amounted to JPY2,177.5 billion. As a result, the net D/E ratio was 1.20, an improvement from 1.33 at the end of the previous year.

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

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

(Billions of Yen)

		FY2022					FY2023			
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	Total
Total Consolidated	Sales Revenue	1,106.5	1,163.3	1,136.4	1,228.3	4,634.5	1,061.2	1,088.7	1,095.2	3,245.1
	Core Operating Income	**72.1**	**50.5**	**55.3**	**147.7**	**325.6**	**50.8**	**68.8**	**64.3**	**183.9**
Specialty Materials	Sales Revenue	316.7	310.4	305.6	301.0	1,233.7	290.9	291.8	290.7	873.4
	Core Operating Income	**22.3**	**21.3**	**11.6**	**(3.7)**	**51.5**	**9.2**	**7.9**	**0.2**	**17.3**
Polymers & Compounds	Sales Revenue	87.3	83.3	84.0	84.1	338.7	79.4	81.2	79.8	240.4
	Core Operating Income	**7.2**	**9.2**	**5.4**	**4.4**	**26.2**	**7.1**	**5.8**	**3.4**	**16.3**
Films & Molding Materials	Sales Revenue	136.1	131.0	128.5	122.1	517.7	124.2	121.6	117.7	363.5
	Core Operating Income	**11.1**	**7.4**	**3.7**	**(4.2)**	**18.0**	**1.6**	**(0.6)**	**(3.8)**	**(2.8)**
Advanced Solutions	Sales Revenue	93.3	96.1	93.1	94.8	377.3	87.3	89.0	93.2	269.5
	Core Operating Income	**4.0**	**4.7**	**2.5**	**(3.9)**	**7.3**	**0.5**	**2.7**	**0.6**	**3.8**
Industrial Gases	Sales Revenue	273.9	295.4	297.1	311.5	1,177.9	306.8	301.4	314.2	922.4
	Core Operating Income	**29.5**	**24.8**	**30.0**	**36.7**	**121.0**	**39.8**	**40.5**	**42.2**	**122.5**
Health Care	Sales Revenue	98.2	104.9	116.8	215.5	535.4	101.9	117.4	118.6	337.9
	Core Operating Income	**4.0**	**0.5**	**15.5**	**124.2**	**144.2**	**10.0**	**22.4**	**23.0**	**55.4**
MMA	Sales Revenue	87.8	79.0	69.3	69.1	305.2	69.0	69.4	68.7	207.1
	Core Operating Income	**2.8**	**2.0**	**(4.6)**	**(4.2)**	**(4.0)**	**(0.9)**	**2.6**	**(2.0)**	**(0.3)**
Basic Materials	Sales Revenue	269.1	307.0	286.2	259.5	1,121.8	242.7	248.6	257.5	748.8
	Core Operating Income	**15.2**	**2.2**	**0.3**	**(5.6)**	**12.1**	**(8.0)**	**(4.6)**	**2.2**	**(10.4)**
Petrochemicals	Sales Revenue	177.5	203.0	196.1	177.1	753.7	157.5	177.2	186.1	520.8
	Core Operating Income	**5.8**	**3.3**	**(1.0)**	**(5.6)**	**2.5**	**(4.4)**	**1.9**	**4.5**	**2.0**
Carbon Products	Sales Revenue	91.6	104.0	90.1	82.4	368.1	85.2	71.4	71.4	228.0
	Core Operating Income	**9.4**	**(1.1)**	**1.3**	**0.0**	**9.6**	**(3.6)**	**(6.5)**	**(2.3)**	**(12.4)**
Others	Sales Revenue	60.8	66.6	61.4	71.7	260.5	49.9	60.1	45.5	155.5
	Core Operating Income	**(1.7)**	**(0.3)**	**2.5**	**0.3**	**0.8**	**0.7**	**0.0**	**(1.3)**	**(0.6)**

* From Q1 FY2023, the current financial reporting segments has been reclassified into Specialty Materials, Industrial Gases, Health Care, MMA, Basic Materials, and Others. In addition, the company is reclassifying the managing segments for some of its businesses. Accordingly, for purposes of comparison, we are restated the results for FY2022.
* Breakdown figures of segment are approximation for reference purpose only.

15 | Mitsubishi Chemical Group Corporation

Here you see quarterly changes from the fiscal year ending March 31, 2023. Core operating income was JPY64.3 billion in Q3, although it fell short of the JPY68.8 billion recorded in Q2 and remained at a high level in this business environment.

Specialty materials is still far from a full-fledged recovery, although it is better than in Q4 of the previous fiscal year. In Q4, we expect a slight turnaround from Q3 in the high-performance engineering plastics and carbon fibers businesses, but overall weakness is expected due to the promotion of working capital reduction efforts and further inventory adjustments in some businesses.

Industrial gases and health care are showing a steady trend of increasing income. While these segments are expected to continue to perform well in Q4, the health care business is expected to be affected by the same pre-NHI price revision restraint on domestic pharmaceutical products as in past years.

As for MMA, there is a sense that the bottom of the market has been reached, but the outlook for recovery is uncertain. As for basic materials, earnings in the petrochemicals business are improving, but in the carbon products business, the coke market continues to be weak. Therefore, we do not expect a significant recovery in demand for MMA, petrochemicals, and carbon products business in Q4.

Given the above, we do not expect a significant improvement in the business environment for specialty materials and basic materials in Q4, but due to continued strong performance in industrial gases and health care, as well as because we expect to post special items along with the promotion of business portfolio reforms and other factors, we maintain our full-year forecast unchanged from the revised forecast presented in November.

Question & Answer

Q&A: Factors contributing to lower income in Specialty Materials

Participant: CEO Gilson, thank you for your hard work over the past three years. I hope that the entire company will continue to take over the mindset of structural reform and cost management.

Regarding specialty materials, I believe that the effects of the inventory adjustments by customers and your company's internal inventory reductions, which you explained earlier, are quite strong, but even taking them into account, Q3 level is still very low. Please let us know if you can quantify the inventory reduction impact, etc.

Also, can you tell me if there were any special factors that were negative with respect to the accounts? If this trend continues into the next fiscal year, it seems likely that specialty materials will see even lower income. I would like to have a more detailed explanation.

Nakahira: Regarding the factors behind the weak performance of specialty materials in Q3, by region, the weakness in China is still continuing, but the weakness in Europe as a whole is a particular factor.

As for displays, some panel makers returned to production in H1, but as a result, panel makers' inventories increased, and the makers completely lacked movements again in Q3.

In addition, in the semiconductor market, cutting-edge AI chips and other products are doing very well, such as our aquaSAVE, but overall semiconductor volume has not yet returned in Q3.

While there has been a recovery in some areas, such as food additives and infrastructure-related "ALPOLIC," our volume zone films & molding materials was strongly affected by the market downturn ahead, which led to Q3 results.

Q&A: Supply chain inventory status

Participant: I believe that this result is not due to special factors but shows the current capabilities of your company. Of course, inventory adjustments are also a factor. Do you believe that supply chain inventories are much smaller?

Nakahira: You are right. In displays, we have heard that panel makers have adjusted considerably in Q3, and that inventory levels are once again very steady at two to three weeks.

Q&A: Prospects for recovery in the Chinese market for MMA

Participant: Regarding MMA, you mentioned earlier about the recovery of the Chinese market. We have seen quite a strong recovery since the beginning of the year, but do you see this as a short-term trend that is not very sustainable?

Nakahira: As for MMA, as you mentioned, supply is tight in some areas. In particular, some makers in China have significantly curbed production, and market conditions are returning to normal at the moment. We expect the shortage of raw materials from upstream to continue, and this trend will remain.

On the other hand, we are keeping a close eye on whether Chinese companies will increase their operations again after the Spring Festival, as the upstream supply chain is the source of constraints.

Q&A: Investing in America

Participant: Any update on US investments?

Nakahira: Currently, we are still in the process of applying for permits related to environment and wetlands. We would like to make a decision after we see daylights regarding the application.

Q&A: Competition and growth potential for ALS drugs

Participant: ALS drugs continue to do well. Is there any change in the competitive situation? Can you comment on the potential for sustained growth?

Akihiro Tsujimura (Tsujimura): We are keeping a close watch and responding to the trend of competing products, as our competing product RELYVRIO is on the market and that drug continues to receive a large number of prescriptions. On the other hand, we continue to gain new patients as we have in the past, and we expect the existing trend to continue.

Q&A: About the Carbon Products business in the next fiscal year

Participant: I believe the JV for the petrochemical business was cancelled. Am I correct in assuming that the carbon products business will continue to be considered for sale from January to March and will be zero for the next fiscal year?

Nakahira: The current situation in the carbon products business is not very good, and we need to quickly decide what to do about it, including further structural reforms, under the new executive structure, so we do not anticipate any moves between January and March.

Q&A: Sales revenue from RADICAVA

Pharmaceuticals: Details of Revenue (FY2023 3Q Actual)

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	3Q	Nine Months Ended Dec.31, 2022	3Q	Nine Months Ended Dec.31, 2023	Difference	%
Domestic ethical drugs	89.6	244.9	81.3	234.0	(10.9)	(4.5%)
Priority and New products	48.8	129.5	46.4	132.5	3.0	2.4%
Stelara	21.3	52.3	17.5	51.4	(0.9)	(1.7%)
Simponi	11.9	34.2	11.5	34.0	(0.2)	(0.7%)
Tenelia	4.4	12.5	3.7	9.2	(3.3)	(26.5%)
Canaglu	3.2	9.1	3.2	9.3	0.2	2.4%
Canalia	3.0	7.0	2.7	8.2	1.2	17.0%
Vafseo	0.6	1.5	0.6	1.8	0.2	14.1%
Uplizna	0.9	1.9	2.0	4.5	2.6	132.1%
Rupafin	2.4	6.3	2.4	6.1	(0.2)	(3.6%)
Dysval	0.7	2.8	1.3	3.8	1.1	39.1%
Radicut	0.6	1.7	1.6	4.2	2.4	138.4%
Vaccines	11.4	30.4	10.1	28.7	(1.7)	(5.5%)
Influenza vaccine	5.3	11.7	4.6	11.3	(0.4)	(3.4%)
Tetrabik	2.5	7.0	2.3	6.9	(0.1)	(1.3%)
JEBIK V	0.9	3.3	0.8	2.5	(0.8)	(23.5%)
Mearubik	1.2	3.9	1.0	3.8	(0.2)	(4.1%)
Varicella vaccine	1.2	3.5	1.1	3.1	(0.4)	(11.7%)
Long-listed drugs, etc.	29.4	85.0	24.8	72.7	(12.3)	(14.4%)
Remicade	9.3	27.3	7.8	23.6	(3.7)	(13.7%)
Overseas ethical drugs	22.2	59.0	27.9	83.8	24.8	42.1%
Radicava	14.6	34.3	20.0	59.8	25.5	74.4%
Royalty revenue, etc.	2.8	9.6	7.2	13.9	4.3	44.4%
Royalty from INVOKANA	1.3	4.5	1.4	4.4	(0.1)	(3.0%)
Royalty from GILENYA	0.6	2.1	3.4	5.3	3.2	150.8%

27 | Mitsubishi Chemical Group Corporation

Participant: I would like to ask about pharmaceutical sales on slide 27. Sales of Radicava decreased to JPY20 billion in Q3 from JPY23.9 billion in Q2, which seems a little slow compared to the JPY40.7

billion planned for H2. Does this mean that the impact of the launch of RELYVRIO is beginning to be felt?

In your explanation, it sounded to me that you are saying that health care will be slightly higher than planned. How is Radicava progressing against your plan? If there is a slight delay in progress, I think the plan is to make up for it with other pharmaceuticals. Which pharmaceuticals are expected to exceed the plan? Please explain the sales trend of each pharmaceutical product, with a focus on Radicava.

Tsujimura: I think sales in North America appear to be weakening a bit, but this is only because of the Christmas season in December, and we do not see a major trend change. Overall, we expect this situation to continue in Q4 as well, since progress is being made as originally anticipated.

Participant: In general, would you say that the Q3 results are as planned?

Tsujimura: Yes. We think so.

Participant: What is your current feeling about the trend of Radicava for the next fiscal year, whether it is likely to grow another level or just maintain the sales level of the current fiscal year?

Tsujimura: Naturally, we as a pharmaceutical company are taking various steps to maximize product value. While keeping a close eye on competing products that have been launched on the market, we will continue to make every effort to follow the trend we have seen so far in the next fiscal year and beyond.

Q&A: Progress of industrial, consumer goods, building & construction, etc.

Sales Revenue and EBITDA by market of Specialty Materials

MITSUBISHI CHEMICAL GROUP

(Billions of Yen)

	FY2022 Actual		FY2023 3Q (Nine Months)		FY2023 Forecast		FY2025 Target	
	Sales Revenue	EBITDA	Sales Revenue	EBITDA	Sales Revenue	EBITDA	Sales Revenue	EBITDA
Specialty Materials	1,230.0	111.0	870.0	66.0	1,220.0	100.0	1,370.0	225.0
EV / Mobility	200.0	11.0	155.0	10.0	220.0	14.0	250.0	34.0
Digital	230.0	35.0	170.0	22.0	240.0	28.0	350.0	75.0
Semiconductors	100.0	19.0	70.0	9.0	95.0	12.0	-	-
Electronics	130.0	16.0	100.0	13.0	145.0	16.0	-	-
Medical	60.0	7.0	45.0	5.0	65.0	8.0	160.0	30.0
Food	210.0	34.0	150.0	26.0	210.0	35.0	220.0	39.0
Industrial, Consumer goods, Building & Construction etc	530.0	24.0	350.0	3.0	485.0	15.0	390.0	47.0

* Breakdown figures by market are approximation for reference purpose only.

30 | Mitsubishi Chemical Group Corporation

Participant: I have a question regarding specialty materials. Looking at progress by market, EBITDA for industrial, consumer goods, building & construction, etc. at the bottom of the slide totaled JPY3 billion in Q3, which appears to be quite slow progress against the planned JPY15 billion.

This is a field that includes quite a variety of products, so it may be difficult to explain, but what factors are causing the slow progress in this sub-segment and is there room for recovery in Q4?

Nakahira: We have identified the top four markets in the table on the slide as our focus markets, and in that sense, industrial, consumer goods, building & construction, etc. are not our focus markets.

Nevertheless, we recognize that the weak progress in this segment is due to the fact that industrial applications in general, and molding-related applications in particular, were affected by the recession considerably more strongly than usual in Europe and the United States, especially in Europe, due to inventory adjustments in Q3.

We are taking measures to manage to accumulate significant earnings in our focus markets of EV/mobility, digital, medical, and food. With regard to packaging materials, EVOH and the multi-layer film Diamiron have been driving income considerably, but we also handle general polyester film and other products. Revenues in those areas have not recovered much from a competitiveness standpoint, which I think is the reason of the slow progress.

Q&A: Food market trends

Specialty Materials / Core Markets Trends

Core Markets		Key Products	3Q FY2023 Summary	Forecast for 4Q FY2023 Onward
EV/Mobility		**Electrolytes** **Fiber reinforced plastics & composites** **Compounds**	Alleviation of impact mainly from the semiconductor shortage, signs of global recovery	Global recovery trend to continue, and a year-on-year rise in auto production anticipated in 2024 EV market to continue to expand
Digital	**Semiconductors**	**Semicon cleaning** **Epoxy resins** **Semicon equipment components**	There have been signs of bottoming out, despite ongoing weakness in the semiconductor market, which became full-scale in 2H FY2022	The market will likely rebound gradually and a full-fledged recovery is expected after FY2024 In the medium/long-term, forecast ongoing market growth owing to further expansion in demand for use in automobiles and at data centers
	Electronics	**Optical films** **Display related materials**	Operations of panel manufacturers, which had rebounded in 2H, entered another adjustment phase	While ongoing adjustments are anticipated for the time being, a gradually recovery is expected after FY2024
Medical		**Resins / shapes for implant**	Remained brisk globally	The market is expected to remain firm globally Market growth is expected to continue in the medium to long term due to the increase in the aging population and the prevalence of lifestyle-related diseases and chronic diseases
Food		**Emulsifiers** **Packaging film** **Packaging materials**	Food packaging market remained sluggish globally due mainly to the impact of inflation	Global demand in the food packaging material market to recover moderately In the medium/long term, anticipate an expansion in demand underscored mainly by a reduction in food loss

29 | Mitsubishi Chemical Group Corporation

Participant: From the second to Q3, the EBITDA of the food business decreased by about JPY1 billion. On the other hand, there is a comment on the slide, global demand in the food packaging material market to recover moderately. Can you tell us about market trends and whether EBITDA in the food business is expected to improve in Q4?

Nakahira: In the food market, we have the packaging materials and additives businesses. Although the additive materials business has performed relatively well, the overall trend for packaging materials has continued so far this fiscal year with sluggish volume growth amid an inflationary trend.

Regarding this trend, we have heard that demand is returning somewhat in some areas, especially in the United States. It also has a high EBITDA ratio, which we intend to continue to strengthen.

Q&A: Actual and projected EVOH shipments

Participant: I think three months ago you were of the view that EVOH shipment volume would increase from Q2 to Q3, while the utilization rate would decrease. Please tell us about the results and your expectations for Q4.

Nakahira: EVOH has been doing quite well until Q2, and our production capacity has been a constraining factor, but we expect the volume to return somewhat in Q4. We believe sales volume has fallen the most in Q2, and compared to that, sales volume will remain almost flat in Q3 and grow by about 20% in Q4. We believe sales volume bottomed out in Q2.

Participant: I think you are expecting quite a recovery. Is that because you feel that inventory adjustments in the supply chain have made considerable progress?

Nakahira: Well, we believe production has come back considerably in Q3 in particular. Nevertheless, we do not expect the volume to be as high as in Q1. The percentage is large, but we do not expect a very strong recovery yet.

Q&A: Status of SAMAC operations and plans

Participant: Let me ask you about MMA. We also hear that the impact of logistical disruptions in the Red Sea is a factor pushing up the MMA market. Has your company's SAMAC operation been affected in any way? Also, I believe Q3 was originally planned to have a 60% occupancy rate. Please tell us what the actual results were and what you are currently planning for Q4.

Nakahira: As for SAMAC, it continues to operate almost at full capacity. The occupancy rate for the entire Q4 is expected to be about 70%. As for the impact of the Red Sea, it may be affected somewhat, but so far, we have not heard of any major impact.

Participant: What was the occupancy rate in Q3?

Nakahira: It was about 60% in Q3.

Q&A: Improving demand for Specialty Materials

Participant: I have a question regarding specialty materials. In Q3, results were basically squeezed considerably by the volume factor.

If you divide demand into demand that will return and demand that will not return, is some demand, such as packaging materials and paints and inks, demand that will not return, while other demand is basically demand that will return? Do you believe that if the economic environment improves, the negative JPY54 billion in the nine-month total will recover?

Or is there a lot of demand that is not coming back due to loss of competitive edge, etc., in addition to changes in packaging materials and packaging? With respect to the volume, what is the ratio of what your company considers to be returnable and non-returnable?

Nakahira: We recognize that this is a very important point. We are keeping an eye on the market to see if we are actually losing market share. As for semiconductor-related products, we have lost almost no market share, and we believe that market share will return once demand returns.

As for displays, we do not believe we are losing market share. However, while demand has not been favorable, the focus has so far been rather heavily on LCDs, and measures for OLEDs have not been sufficiently advanced. We are also promoting such measures on this occasion, which I believe will bring it to the positive direction.

As for packaging materials, I believe that EVOH and Diamiron will regain market share if overall demand returns. In the area of polyester film for general use, we are not very competitive. We have been able to secure volume in the past, but in response to this demand environment, we are working to make the mix such that we do not have to rely on it.

Q&A: Molding Materials' market share

Participant: Will molding materials share also return?

Nakahira: As for molding materials, I think we will see our market share returning, especially for high-performance engineering plastics. We are actually seeing a slight return of the market share of carbon fiber in Q4.

Participant: Can I understand that even if you make drastic reforms, it will be below-the-line with no significant non-recurring losses, such as some impairment charges for commodity polyester films?

Nakahira: At the last IR Day, we reported that we would be withdrawing from businesses with sales of around JPY200 billion. I believe this would include the uncompetitive packaging business.

There are no significant impairments to comment on, but we intend to proceed with the sale or withdrawal of minor businesses as planned.

Q&A: Cash flows

Participant: I would like to ask about cash flows. Of the JPY165.7 billion in free cash flow in the first nine months, JPY47.4 billion is related to Nippon Sanso Holdings. In addition, JPY71.5 billion is from asset sales and about JPY8 billion from investments and loans outside of Nippon Sanso Holdings, so only about JPY40 billion will remain after subtracting these amounts.

While the cash flows of Nippon Sanso Holdings cannot be used to guarantee the expansion of specialty materials, do you think that the current cash flow is sufficient? Or are you of the opinion that this is not a problem as you will continue to sell assets?

Nakahira: I believe we need to continue to raise operating cash flow as well. We have this time converted inventories to cash for a cumulative total of three quarters but considering that our inventory levels increased by about JPY100 billion last year, I think there is still room for more.

We are also working on income/loss before taxes, which we are suffering from right now, and on trade receivables and payables, which relate to working capital. Although it was quite affected by health care this time, we hope to earn cash flows while proceeding with the sale of non-core assets and other activities.

Q&A: Free cash flow and Specialty Materials

Participant: I recognize that this free cash flow is slightly insufficient to secure the investment in specialty materials, but is this different from what CFO Nakahira thinks?

Nakahira: At this point in time, we have secured capital investment in specialty materials, but we would like to somehow balance this with debt by increasing operating cash flow. In the end, the key is balance. We have returned the debt this time, but if the cash flow is not good, the debt will also increase, so we want to keep a good balance.

Participant: In addition to operating cash flow, if possible, we would like to see improved cash flow from asset sales.

Q&A: Pharmaceutical development pipeline

Participant: I would like to ask about the pharmaceutical pipeline. I estimate that costs will increase in the MT-7117 and MT-2990 trials in the future. Currently, I believe that R&D expenditures are at the JPY50 billion to JPY60 billion per year level. Can you tell us about your R&D expenditures for the next year and beyond and when the cost of clinical trials will increase?

Tsujimura: First of all, regarding our approach to R&D expenses, we will naturally invest in Phase III of MT-7117, so expenses will increase, but we are also reviewing the contents of the pipeline and are naturally considering projects that will be stopped.

We are in the process of reviewing the content of R&D expenses, considering how much we can invest in R&D in relation to income, so that overall profitability does not decline as a result of R&D expenses.

Q&A: Progress on ND0612 for Parkinson's disease

Participant: I would like to ask you about Parkinson's disease drugs. You are probably planning to launch the product around the middle of the fiscal year ending March 2025, but please let us know if everything is going well.

Tsujimura: Regarding ND0612, Israel is at war with Hamas, but so far it is proceeding without problems. We are not aware of any delays.

Q&A: Impact of the Israeli situation

Participant: With the limited impact of the Israeli situation on ND0612 as well as on Neuroderm, can we expect that these will be profitable smoothly and as originally planned?

Tsujimura: Naturally, this requires consultation with the authorities, so we can't say for sure, but we are not aware that there is going to be a significant delay or that anything very negative is happening with respect to the original plan.

Q&A: Review of development pipeline

Participant: By reviewing the pipeline, do you mean that something may not proceed to Phase III?

Tsujimura: No, I mean that we are reviewing the pipeline in addition to the pipeline shown on the slide, as well as various projects running in the pre-clinical stage.

Q&A: Status of major development pipeline

Participant: You don't mean that any project in the main development pipeline would not go to Phase III despite the good results in Phase II?

Tsujimura: No, there is no such talk.

Q&A: Operating income

Participant: I understand that operating income is in line with the forecast, as the risk of slightly missing the forecast for core operating income is compensated for by the positive special items. Am I correct in this perception?

Nakahira: We did not intend it. My explanation may have been a little confusing. We are aiming for core operating income to be in line with our initial forecast by itself.

Q&A: Core operating income

Participant: Qualitatively, you are aiming for JPY250 billion in core operating income through a structure in which specialty materials is in a tough spot and commodities is also in a tough spot, but industrial gases and health care are compensating for those?

Nakahira: Compared to the November revised figures, yes.

Q&A: Major products with large income declines

Participant: You said that the biggest decline in income from the second to Q3 was in films & molding materials. Once again, please indicate the products with the largest profit declines in the order of the size of declines.

Nakahira: Acetyl films' income have been cut in half. In the display business, panel makers produced to some extent in H1, but inventory adjustments were made in Q3, which had an impact. Other factors that contributed to the decline in income in advanced materials were high-performance engineering and carbon fibers.

Q&A: Income depressions for major products with large income declines

Participant: Are you saying that income decreased by about the same amount in acetyl films, high performance engineering, and carbon fibers?

Nakahira: If I were to rank them, carbon fibers has deteriorated the most, but the magnitude is about the same for all three.

Q&A: Prospects for OPL films

Participant: Can you give us the results of OPL films from Q2 to Q3 or an estimate for Q4?

Nakahira: Sales volume fell sharply in Q3, but we expect it to return somewhat in Q4. As we reported earlier, Q3 was affected by inventory adjustments on the part of manufacturers due to an increase in market inventories of panels, but we expect a slight recovery in Q4.

Q&A: Status of Mounjaro sales and limited shipments

Participant: Regarding health care, please explain the current sales situation of Mounjaro, which seems to be experiencing further supply difficulties since it was launched in the US under the name Zepbound for the treatment of obesity, and the assumption of normalization of sales in Japan.

Tsujimura: Regarding Mounjaro, things are progressing as originally envisioned. However, demand has exceeded expectations, not only in Japan but also in the US, and we are now in a situation where shipments are being limited in Japan. We cannot give a definite answer at this time regarding the removal of limited shipments. We are working with Eli Lilly and Company to ensure that the limited shipments are removed as soon as possible.

Q&A: Impairment prospects

Participant: I would like to ask about impairment. The peer company is expected to record fairly large impairments in its domestic and international petrochemicals operations in Q4. I believe that your company has some similarities in the polyolefin business and other areas. Do you have any specific plans to test for impairment in the future?

At the same time, I think the revenue environment for MMA is very poor. I don't see any particular problem with the business in Saudi Arabia, but I believe the book value is in the tens of billions of yen at other overseas locations such as Thailand. Please let me also confirm how you see the need to test for impairment in this area.

Nakahira: We are always looking at risks in times of poor performance like this, but we are aware that so far, especially in petrochemicals and MMA, we have not had to book anything particularly significant.

Our petrochemicals business is not good, but we have managed to keep it profitable. On a micro level, there may be minor impairments, such as stopping the line, but we recognize that we are not in a situation where something very large is to be accounted for.

Since our performance in H2 of the previous fiscal year was not very good, we took a major impairment action last year to do what we could for the future in MMA and health care. Current, we do not plan to make any very large impairments in the next two quarters.

Q&A: Status of carbon fiber

Participant: There was a comment that demand for carbon fiber is coming back in Q4. Please tell us what applications are seeing a recovery in demand.

Nakahira: My understanding is that some demand for wind power and aircraft applications is returning. Although pressure vessels and other products have been firm to begin with, I recognize that demand for other general-purpose products, which was quite weak, is returning.

Greetings from Nakahira

Nakahira: Q4 of this fiscal year is already a third of the way through. Market conditions remain considerably weaker than we had assumed at the time of our initial forecast last May. However, we are concentrating our efforts on self-help initiatives to achieve the core operating income we set forth at the time of our initial forecast. In addition, the Company's financial position is improving as a result of the sale of non-core assets and curtailment of working capital.

At the same time, we will continuously strive to improve our corporate value by promoting activities to develop and adopt new products in preparation for a recovery in demand in our focus markets. We appreciate your continued support. Thank you for your attention today.

[END]