

Questions from the Internet Briefing for Institutional Investors and Analysts on Mitsui Chemicals Group's Consolidated Financial Results for 1st Quarter of Fiscal 2025

Date	August 7, 2025
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Reference	Results for 1st Quarter of FY2025 & Outlook for 1st Half of FY2025

Q&A

■Life & Healthcare Solutions

**Q1. With regard to the operating income before special items in H1, please explain the background behind the expected year-on-year decrease of 1.6 billion yen in Q2 (July to September), despite a year-on-year increase of 0.3 billion yen in Q1 (April to June).**

**A1.** In Q1, the sales volumes in the vision care and domestic agrochemicals businesses remained firm. The main factor behind the expected year-on-year decrease in the operating income before special items in Q2 is that the sales volumes in the oral care business are declining due to the impact of inventory level adjustments. However, we expect the vision care and agrochemicals businesses to remain firm in Q2. Despite the anticipated decline in profit due to the impact of shipment timing delays and seasonal factors in the agrochemicals business in H1, we recognize that operating income before special items in the Life & Healthcare segment is progressing steadily toward the full-year target.

■Mobility Solutions

**Q2. Please explain the changes in the sales volume and the terms of trade by sub-segment from Q1 (April to June) to Q2 (July to September).**

**A2.** The sales volumes of elastomers remained firm in Q1 driven by our efforts to expand our products into multiple applications, and are expected to stay firm in Q2 as in Q1. We also expect no significant changes in the terms of trade between Q1 and Q2. Compared with the same period last year, while the terms of trade have been affected by foreign exchange losses due to the appreciation of the yen, there have been no significant changes attributable to other factors.

In the PP compound business, seasonal declines in automobile production volumes in North America and Europe are expected over the period from Q1 to Q2, as is typical each year. However, we do not anticipate a significant impact on our Group's sales. Regarding the terms of trade in Q1, the PP compound business saw gains from time lag effects in the sales price formula driven by a decline in raw material prices in North America and Japan. However, in Q2, we expect the gains from time lag effects in the sales price formula to be eliminated.

**Q3. Please explain the background behind the increase in the operating income before special items of 2.7 billion yen despite a decline in the sales revenue of 8.4 billion yen from Q4 FY2024 (January to March) to Q1 FY2025 (April to June).**

**A3.** Our sales revenue decreased from Q4 FY2024 to Q1 FY2025 due to foreign exchange losses resulting from the appreciation of the yen, seasonal factors in the solutions business, and the effects of the divestment of an industrial materials subsidiary completed in April 2025.

The operating income before special items increased mainly in the PP compound

business. This was because, while losses from time lag effects in the sales price formula were recorded due to an increase in raw material prices in Q4 FY2024, the decrease in raw material prices resulted in gains from time lag effects in Q1 FY2025, thereby improving the terms of trade. Meanwhile, the sales volumes remained largely unchanged. Also, as with every year, levies such as property tax of approximately 1.0 billion yen were recorded as a lump sum in Q4 for the entire segment; consequently, fixed costs and others improved in Q1 FY2025.

**Q4. Please explain the trends in the sales volume and selling prices of TAFMER™ by application from Q4 FY2024 (January to March) to Q1 FY2025 (April to June).**

**A4.** The sales volume of TAFMER™ by application remained largely unchanged over the period from Q4 FY2024 to Q1 FY2025, and we continue to expand this product by diversifying its applications in growing markets. With regard to selling prices, although the prices of TAFMER™ for solar cell encapsulant applications declined due to changes in market conditions during FY2024, there have been no significant changes in the environment since then, and the prices remained flat from Q4 FY2024 to Q1 FY2025. Regarding the selling prices for non-solar cell encapsulant applications, we have been able to maintain a certain level of added value, as there have been no significant changes in the environment during FY2024 and we have been pursuing efforts to diversify applications.

**Q5. It is my understanding that the impact of U.S. trade policies during Q1 (April to June) was not very significant. Please explain the sales performance and operating rates of each PP compound base.**

**A5.** With respect to the sales performance by region, the situation differs at each location. As for sales in North America, although we have experienced a certain impact from lower automotive production volumes resulting from U.S. trade policies, we supply PP compounds to a broad customer base, including Japanese, European, and American companies. Accordingly, while the policies have led to some fluctuations in sales volumes by customer, the total sales volumes in North America fell by only approximately 5%, compared with the same period last year, and the policies did not have a significant impact on operating rates. Furthermore, in Europe, the sales volumes fell by approximately 10%, whereas in ASEAN they rose by approximately 15%. There was also a slight increase in Japan. Consequently, the total global sales volumes in Q1 were broadly unchanged from the same period last year.

**■ICT Solutions**

**Q6. In Q1 (April to June), the operating income before special items increased by 2.8 billion yen year-on-year and 3.4 billion yen quarter-on-quarter, respectively, whereas the sales revenue remained roughly flat both year-on-year and quarter-on-quarter. Please explain the background behind the increases in profit including the situation of major products.**

**A6.** In Q1, the sales remained firm, particularly for our leading products, such as ICROS™ Tape and DUV and EUV pellicles due to demand growth in the cutting-edge field and overall recovery in semiconductor markets. Meanwhile, owing to the appreciation of the yen, foreign exchange losses were incurred on both a year-on-year and quarter-on-quarter basis. Furthermore, the sales revenue declined compared to the same period of the previous year

due to the effects of the divestment of a subsidiary (specialized chemical trading company) completed in September 2024. Consequently, although the sales revenue remained flat, the operating income before special items increased due to solid sales of highly profitable products.

**Q7. In the ICT segment, I believe that due to the impact of U.S trade policies, some products experienced pulled-forward demand in Q1 (April to June). Please explain the reason why you also expect a high level of sales revenue in Q2 (July to September) as in Q1, including the demand by product.**

**A7.** While we need to continue monitoring the impact of U.S. trade policies on our products for semiconductor-related applications and will assess its impact in H2, at present, we understand that the demand in both Q1 and Q2 essentially reflects genuine demand. By product category, we expect ICROS™ Tape and DUV and EUV pellicles, which recorded solid sales in Q1, to continue performing well in Q2. In contrast, we anticipate that APEL™, whose sales are primarily for smartphone applications, is unlikely to experience a significant increase in sales volume, as production volumes of smartphones are projected to remain flat.

#### ■Basic & Green Materials

**Q8. Please explain the background behind the decrease in the operating income before special items of 2.2 billion yen in the period from Q1 (April to June) to Q2 (July to September), including the impact of inventory valuation and major regular maintenance. Please also explain whether the profit and loss position will improve from H1 to H2.**

**A8.** From Q1 to Q2, while the inventory valuation losses are expected to improve, we expect operating income before special items to decline mainly due to the impact of the major regular maintenance at the Ichihara Works. In Q1, the inventory valuation losses amounted to approximately 2.0 billion yen, while in Q2 they are expected to be in the range of 0.5 to 1.0 billion yen. Accordingly, we anticipate an improvement of approximately 1.0 to 1.5 billion yen from Q1 to Q2. The major regular maintenance at the Ichihara Works, conducted once every four years, spans from Q1 to Q2. Most of the maintenance costs are being recognized in Q2, and therefore fixed costs are expected to increase in Q2. In addition, during this major maintenance, inventories are projected to decline significantly, which is also expected to raise inventory fixed costs in Q2. If raw material prices remain at current levels in H2, the impact of inventory valuation losses, as well as the increases in fixed costs and inventory fixed costs due to this regular maintenance, is expected to diminish, improving the operating income before special items.

#### ■Group-wide

**Q9. Regarding the impact of the gas leakage at the Omuta Works, you explained that there will be no disruptions to product shipments for the time being. Please explain the inventory status and the plant restart outlook.**

**A9.** Due to the impact of the recent gas leakage at the Omuta Works, our operations at some plants manufacturing TDI and vision care products have been suspended. However, inventory levels for these products are sufficient to meet shipment requirements for the

time being. Therefore, we expect that the impact on the operating income before special items forecast we announced this time will be minor. While some agrochemical plants are currently suspended for regular maintenance, their maintenance is proceeding as planned. Additionally, our main agrochemical plants are operational regardless of the recent incident, so we expect no impact on operations in agrochemicals.

With regard to the plants that have suspended operations due to the recent incident, we will proceed with restarting them upon obtaining the necessary approvals from the relevant authorities. We will disclose further information as the situation becomes clearer.

Please note that this document has been translated from the original Japanese into English for the convenience of our stakeholders. The information was originally provided in Japanese. If there is any discrepancy, the Japanese language version is the official document and is available on our Japanese language website.