May 29, 2025

Highlights of General Chemical Manufacturers' Financial Results for Fiscal Year Ended March 2025

The following are Japan Credit Rating Agency, Ltd. (JCR)'s perception of the current status and highlights for rating concerning the financial results for the fiscal year ended March 2025 (FY2024) and earnings forecasts for FY2025 of Japan's six general chemical manufacturers: ASAHI KASEI CORPORATION ("ASAHI KASEI"), Resonac Holdings Corporation (Resonac HD; with a January-December accounting period), SUMITOMO CHEMICAL COMPANY, LIMITED ("SUMITOMO CHEMICAL"), TOSOH CORPORATION ("TOSOH"), Mitsui Chemicals, Inc. ("Mitsui Chemicals"), and Mitsubishi Chemical Group Corporation ("Mitsubishi Chemical Group").

1. Industry Trend

Regarding basic materials, the average utilization rate of domestic ethylene centers in FY2024 was 79.3% (average monthly utilization rate from April 2024 to March 2025, 80.7% in FY2023). Since April 2023, the monthly utilization rate has consistently remained below the break-even point of 90%. In FY2024, the rate fell below 80% for six months, and the annual average rate also fell below 80%. While weak demand persisted due to weak Chinese economy and sluggish consumer spending arising from inflationary pressures, supply increased due to new construction and expansion of ethylene facilities in China. As a result, the supply-demand balance for petrochemical products in Asia remains imbalanced. While some raw materials for synthetic fibers showed signs of improvement in market conditions compared to the previous fiscal year, the overall business environment for basic materials, including basic chemicals, remains challenging. In response to these circumstances, restructuring of domestic ethylene centers is underway, and there are moves to suspend or withdraw from the production of derivatives. In addition, SUMITOMO CHEMICAL has decided to reduce its stake in a joint venture in Saudi Arabia, and Resonac HD has spun off its petrochemical business in January 2025 with a view to excluding it from its consolidated financial statements in the future.

Regarding businesses and products in specialty areas for FY2024, the automotive related was affected by various negative factors, including certification irregularities at Japanese automakers, sales struggles facing these automakers in China, stricter loan screening in Thailand, and a slowdown in the growth of the EV market. While solid performance was maintained in cased where companies have competitive products, there were cases where struggles continued in terms of profitability due to sluggish performance of main customers. In the semiconductor related, semiconductor market recovered, driven by generative AI. Additionally, the display related saw panel production remain at relatively high levels, supported by large-scale sports events and China's subsidy policies. Against this backdrop, the momentum of each company's electronics related business also remained strong. The main products and businesses of companies in the healthcare related showed generally steady performance. However, in the pharmaceuticals field, structural changes in the business environment, such as expansion of modalities, led to moves towards adjustments in traditional business strategies, including Mitsubishi Chemical Group's decision to sell its subsidiary shares.

2. Financial Results

EBITDA* for the six companies for FY2024 (ended December 2024 for Resonac HD) totaled approximately 1.8 trillion yen, a significant rebound from the 1 trillion yen recorded in the previous fiscal year. This recovery brought the figure close to the record high achieved in FY2021 (Chart 1). While basic materials continued to face challenging performance, profitability improved slightly from the previous fiscal year due to structural reform effects and other factors. Additionally, strong performance in businesses and products of the companies, in which they have strength including electronics related products, pushed up performance. Other supportive factors included cost reduction effects, widely spread price pass-through, and the yen's depreciation.

With regard to performance by company, all companies reported an increase in operating income (core operating income under IFRS) (Chart 2). Notable developments included that ASAHI KASEI recorded a record operating income for the first time in six fiscal years. Resonac HD and SUMITOMO

CHEMICAL turned into black from operating losses in the previous fiscal year. ASAHI KASEI achieved increased profit thanks to the results of its growth strategy in health care and housing, as well as improved profitability in materials, including petrochemicals, as significant positive factors. As for Resonac HD, strong trends in semiconductor back-end process materials, in which it has strength, and in hard disk media significantly contributed to the increased profit. Meanwhile, SUMITOMO CHEMICAL posted a historic loss in FY2023 due to sluggish performance in pharmaceuticals and essential chemicals & plastics (based on the previous segments), but achieved a recovery exceeding initial forecasts for FY2024 thanks to structural reforms, expanded sales of core products, and short-term Intensive performance improvement measures. In addition, TOSOH, Mitsui Chemicals, and Mitsubishi Chemical Group reported increased profits mainly due to volume effects from core products.

The total equity capital level of the six companies at the end of FY2024 was approximately 7 trillion yen. Although simple comparisons are not possible due to changes in accounting standards and an increase in foreign currency translation adjustments resulting from the yen's depreciation, this level has increased approximately 70% by the end of FY2024 from the end of FY2016, when it reached the 4 trillion-yen level. On the other hand, the total net interest-bearing debt of the six companies at the end of FY2024 was approximately 4.6 trillion yen. In recent years, growth investments have been actively implemented at each company, and working capital needs have increased, resulting in relatively high levels. However, the increase has been restrained, and the overall financial structure of the industry as a whole remains at a relatively sound level. While the scale and progress of M&As and other factors have led to differences in the financial conditions of individual companies, each company is strongly committed to financial discipline, and the balance between investment for growth and financial soundness is generally well controlled. SUMITOMO CHEMICAL’s net DER (taking into account equity content of hybrid financing) exceeded 1.0x at the end of FY2023, but it reduced interest-bearing debt through business divestments, resulting in the same ratio falling below 1.0x at the end of FY2024.

*Gross Profit - SG&A Expenses + Depreciation and Amortization under IFRS

3. Highlights for Rating

Five companies out of the six companies except Mitsubishi Chemical Group, which plans to transfer its pharmaceutical subsidiary, forecast an increase in operating income in their initial forecasts for FY2025. Based on these forecasts, the total EBITDA of the six companies would reach a record high (Mitsubishi Chemical Group also forecasts an increase in operating income on a continuing operations basis). Since all companies assume a stronger yen for FY2025 for the exchange rate, which supported performance in the previous fiscal year, and expect lower naphtha prices, inventory valuation effect will act as a negative factor. On the other hand, steady performance of core products and effects of structural reforms in basic materials are expected to act as positive factors.

The key point to note in the earnings forecast is the impact of US tariff measures. Basically, the businesses of companies in the industry are centered on local production for local consumption, and exports to the US are not significant. Therefore, the direct impact of these measures is expected to be limited, including those on Mitsui Chemicals, which disclosed specific figures (a negative impact of 8 billion yen was incorporated in its budget). If costs for imported raw materials increase due to production in the US, companies plan to respond by passing on price increases or by strengthening local production. However, indirect impacts from the global economy and from weakening demand for final consumer goods are difficult to predict and have not been reflected in the performance forecasts of individual companies. Up to now (at the time of writing this report), there has been no noticeable impact as it is in the grace period prior to the imposition of tariffs, but there is a possibility that inventory buildup may be occurring in the supply chain, and the impact may be felt after the grace period ends. Although there have been developments including agreement in the tariff negotiations between the US and the UK and a rapprochement between the US and China, caution is required for the time being for the US tariff measures as factors that could push down performance. Other notable points include improvements in the profitability of basic materials and the pace of recovery in the semiconductor market. There is a consensus that the semiconductor market is expected to continue growing in FY2025, and each company expects solid performance for the related products. In addition to the expanding demand for cutting-edge products for generative AI, a recovery in legacy products could further boost performance. However, it is necessary to remain vigilant regarding the impact of US tariff measures on this market as well.

Outside the performance, business structural reforms remain a major focus. In recent years, the companies have been accelerating efforts to transform their business portfolios in order to promote growth strategies and decarbonization. Specifically, they have designated electronics, mobility, healthcare, and environment as growth areas and are accelerating growth by allocating management resources intensively to these areas, while at the same time optimizing the capacity of petrochemicals and other basic materials and promoting green chemicals. As for petrochemicals, severe business environment is expected to continue for the time being, and it is assumed that specific actions might be taken in FY2025. JCR will focus on whether they can reduce performance volatility and secure a growth trajectory.

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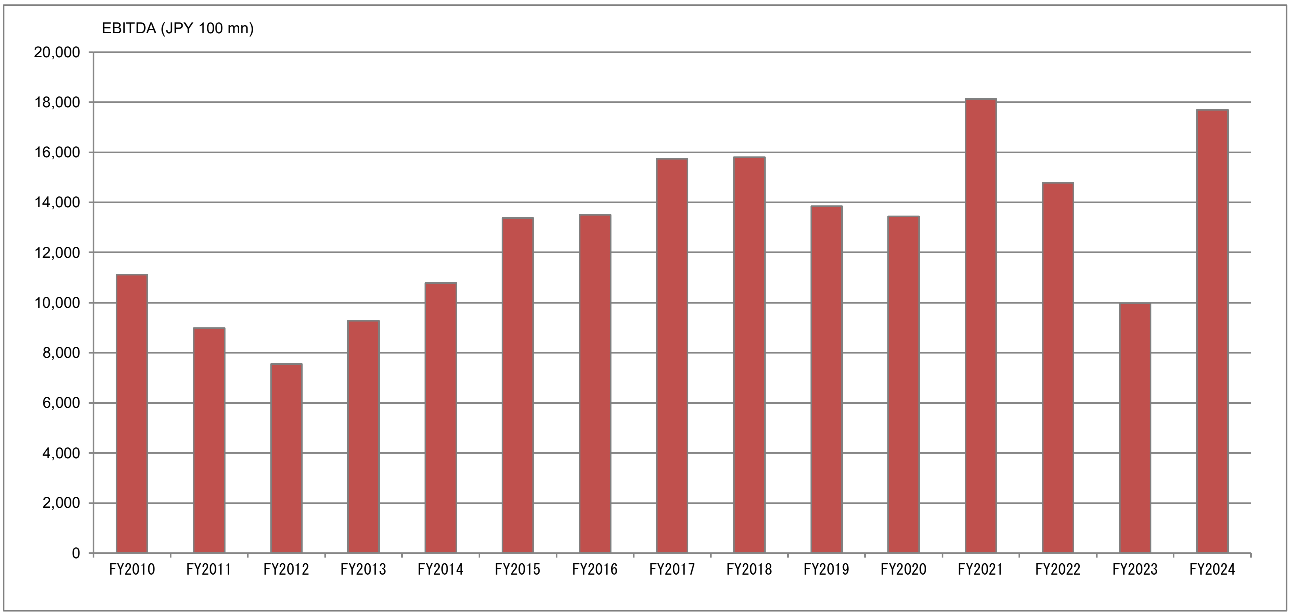
(Chart 1) Total EBITDA of Six General Chemical Manufacturers



*EBITDA = Operating Income + Depreciation + Amortization of Goodwill (Gross Profit - SG&A Expenses + Depreciation and Amortization under IFRS)

(Chart 2) Consolidated Business/Financial Performance of Six General Chemical Manufacturers

JGAAP (JPY 100 mn, times)

		Net Sales	Operating Income	Ordinary Income	Net Income	Interest-bearing Debt	Equity Capital	Total Assets	Net D/E Ratio	Equity Ratio
ASAHI KASEI (3407)	FY2023	27,848	1,407	901	438	9,170	18,133	36,627	0.32	49.5%
	FY2024	30,373	2,119	1,934	1,349	11,574	18,594	40,152	0.41	46.3%
	FY2025F	31,170	2,150	2,160	1,250	—	—	—	—	—
Resonac HD (4004)	FY2023	12,888	-37	-147	-189	8,643	6,903	20,319	0.98	34.0%
	FY2024	13,892	787	696	554	8,663	7,689	21,249	0.74	36.2%
TOSOH (4042)	FY2023	10,056	798	959	573	1,763	7,945	12,899	0.03	61.6%
	FY2024	10,633	989	1,030	580	1,791	8,270	13,272	0.05	62.3%
	FY2025F	10,500	1,080	1,060	620	—	—	—	—	—

IFRS

		Sales Revenue	Core Operating Income	Operating Income	Net Income	Interest-bearing Debt	Equity Attrib. to Owners of the Parent	Total Assets	Net D/E Ratio	Ratio of Equity Attrib. to Owners of the Parent
Resonac HD (4004)	FY2024	13,915	921	890	735	—	—	—	—	—
	FY2025F	14,220	980	490	260	—	—	—	—	—
SUMITOMO CHEMICAL (4005)	FY2023	24,468	-1,490	-4,888	-3,118	14,384	10,907	39,348	1.12	27.7%
	FY2024	26,062	1,405	1,930	385	11,611	10,257	34,397	0.93	29.8%
	FY2025F	23,400	1,500	1,050	400	—	—	—	—	—
Mitsui Chemicals (4183)	FY2023	17,497	962	741	499	7,567	8,628	22,158	0.63	38.9%
	FY2024	18,091	1,009	783	322	7,379	8,482	21,539	0.67	39.4%
	FY2025F	17,700	1,100	980	550	—	—	—	—	—
Mitsubishi Chemical Grp. (4188)	FY2023	43,872	2,081	2,618	1,195	22,010	17,634	61,045	1.08	28.9%
	FY2024	44,074	2,983	1,966	450	20,409	17,405	58,946	0.99	29.5%
	FY2025F	37,400	2,650	2,020	1,450	—	—	—	—	—

*1 IFRS for SUMITOMO CHEMICAL, Mitsui Chemicals and Mitsubishi Chemical Group. Resonac HD has adopted IFRS from FY2025 (results for FY2024, which are based on IFRS, were disclosed figures at the time of release of financial results for the first quarter of FY2025).
*2 Net income is profit attributable to owners of parent (JGAAP) or net income attributable to owners of the parent (IFRS).
*3 Interest-bearing debt is the sum of borrowings, corporate bonds and CP. Equity content is considered in cases where there is hybrid financing.
(Source: Prepared by JCR based on financial materials of above companies)

<Reference>
Issuer: ASAHI KASEI CORPORATION
Long-term Issuer Rating: AA Outlook: Stable

Issuer: Resonac Holdings Corporation
Long-term Issuer Rating: A Outlook: Stable

Issuer: SUMITOMO CHEMICAL COMPANY, LIMITED
Long-term Issuer Rating: A+ Outlook: Stable

Issuer: TOSOH CORPORATION
Long-term Issuer Rating: A+ Outlook: Positive

Issuer: Mitsui Chemicals, Inc.
Long-term Issuer Rating: AA- Outlook: Stable

Issuer: Mitsubishi Chemical Group Corporation
Long-term Issuer Rating: A+ Outlook: Stable

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