

Highlights of General Chemical Manufacturers' Financial Results for Fiscal Year Ended March 2026

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 2026 (FY2025) and earnings forecasts for FY2026 of Japan's six general chemical manufacturers (collectively, the "Companies"): 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

The business environment for basic materials remains severe. While demand for downstream products has been sluggish, due to China's weak economy and lower personal consumption in response to inflationary pressures, new construction and expansion of ethylene facilities in China are under way. As a result, the supply-demand conditions for petrochemical products remain imbalanced globally. In addition, constraints on raw material procurement have arisen due to the worsening situation in the Middle East since the end of February 2026, and naphtha prices have surged. The average operating rate of domestic ethylene centers in FY2025 was 76.4% (the average of monthly operating rates from April 2025 to March 2026; 79.3% in FY2024), falling below 80% for the second consecutive year. In April 2026, the operating rate fell further to 67.3%, marking a historically low level as it hit a new low for the second straight month since statistics began in 1996.

Against this backdrop, moves to reorganize ethylene facilities in Japan are accelerating. In FY2025, in the Chiba Complex, Idemitsu Kosan Co., Ltd. and Mitsui Chemicals agreed to a policy of consolidating the facilities at Mitsui Chemicals in FY2027. In the Mizushima Complex, ASAHI KASEI and Mitsubishi Chemical Group announced a plan to shut down their ethylene facilities by FY2030 and consolidate them at Mitsui Chemicals' production facilities in the Osaka Complex. In addition, following Resonac HD and Mitsui Chemicals, which have already implemented and announced the separation of their petrochemical business, Mitsubishi Chemical Group has also recently announced that it has begun considering the separation of its basic chemicals business centered on the petrochemical business.

For specialty businesses and products, the automotive-related businesses are facing headwinds such as a slowdown in the growth of the EV market and U.S. tariff measures, but the reevaluation of hybrid vehicles is supporting product demand. In the electronics sector, the semiconductor market is expanding on the back of growing demand for generative AI and active data center investment, and demand is increasing for high-purity chemicals for semiconductors, wiring materials and process-related products. In particular, demand for advanced products is robust, boosting the performance of companies that have related materials. In the display-related businesses, negative factors include the reaction to front-loaded demand in response to the U.S. tariff measures, but demand remains firm, partly supported by increasing demand for automotive applications. However, even in such high-functionality product sectors, it is necessary to note that Chinese manufacturers' technological capabilities are improving.

In the healthcare sector, structural changes such as drug price revisions and rising development costs continue, and responses vary for each Company. In FY2025, while Mitsubishi Chemical Group disposed of Mitsubishi Tanabe Pharma Corporation ("Mitsubishi Tanabe Pharma"), a subsidiary (renamed Tanabe Pharma Corporation on December 1, 2025), ASAHI KASEI announced the acquisition of Germany's Aicuris Anti-infective Cures AG, its third major acquisition in the pharmaceutical business, with the aim of expanding the scope of that business. In addition, SUMITOMO CHEMICAL's subsidiary Sumitomo Pharma Co., Ltd. ("Sumitomo Pharma") obtained domestic manufacturing and marketing approval (conditional and time-limited approval) for an iPS cell-derived product for patients with Parkinson's disease. It promoted a growth strategy centered on advanced medical care.

2. Financial Results

The combined EBITDA* of the Companies for FY2025 was approximately 1.7 trillion yen, slightly below the previous year. The specialties sector and each Company's own businesses generally performed well, and structural reforms in basic materials also had a positive impact. However, factors weighing on results included continued low margins in basic materials and a further deterioration in the business environment toward the end of the period.

By Company, ASAHI KASEI, Resonac HD and SUMITOMO CHEMICAL secured operating income growth (core operating income under IFRS), while TOSOH, Mitsui Chemicals and Mitsubishi Chemical Group each posted a slight decline in operating income. At ASAHI KASEI, healthcare and housing growth drove overall performance and offset declines in earnings in materials, including petrochemicals. The Company posted a record income for the second consecutive year. At Resonac HD, although declining demand for graphite was a negative factor, increased demand for semiconductor-related materials and device solutions boosted performance. At SUMITOMO CHEMICAL, a decline in shipments of display materials had a somewhat significant negative impact, while improved profitability in essential & green materials and Sumitomo Pharma, aided by structural reforms, had a positive impact. Regarding TOSOH, Mitsui Chemicals and Mitsubishi Chemical Group, semiconductor-related businesses and products, like those of the previous three companies, remained firm, but weaker performance in basic materials and delays in earnings improvement weighed on results.

The industry's overall financial structure is generally at a sound level. The combined equity capital of the Companies at the end of FY2025 stood in the mid-7 trillion yen range, doubling over the 10 periods since the FY2016. Although direct comparison is not possible due to changes in accounting standards and an increase in foreign currency translation adjustments caused by the weaker yen, financial resilience is steadily strengthening through the accumulation of sustained profits. Meanwhile, the Companies' combined net interest-bearing debt at the end of FY2025 was about 4 trillion yen, down by roughly 1 trillion yen from the peak at the end of FY2022. Amid growing demand for growth investments and working capital, the Companies have also been accelerating the sale of businesses and assets as part of efforts to reassess their business portfolios and asset efficiency, leading to these developments. In recent years, moves to actively enhance shareholder returns have become more prominent, but the stance of adhering to financial discipline has been maintained, and cash allocation and financial soundness are being appropriately managed.

*Gross profit - SG&A + depreciation and amortization under IFRS

3. Highlights for Rating

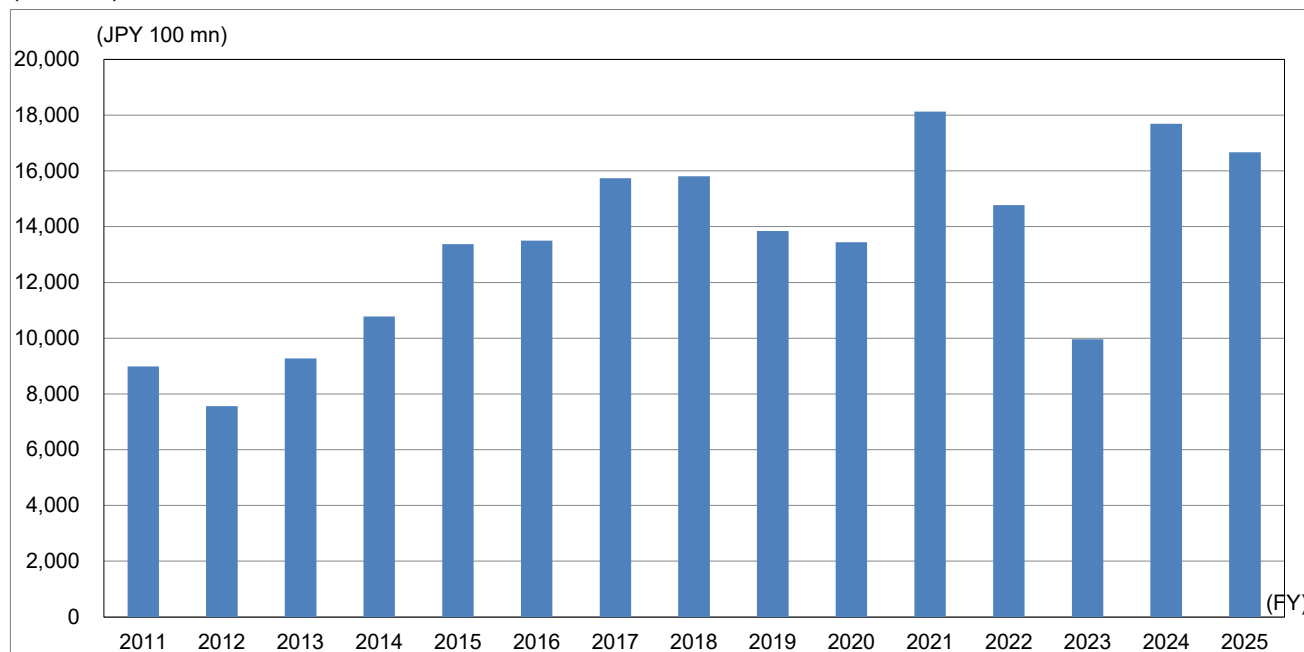
In FY2026, continued growth in demand for semiconductor-related products and the effects of structural reforms are expected to support performance. However, as the outlook for the normalization of shipping through the Strait of Hormuz remains uncertain, the situation in the Middle East will be the most important factor to watch in FY2026. While securing non-Middle Eastern naphtha appears to have provided greater clarity on near-term operations at ethylene facilities, utilization rates may still remain low at current levels. In addition, significant fluctuations in naphtha prices may cause performance volatility through inventory valuation effects, while the extent to which price increases can be passed on to product prices is dependent on demand conditions, including consumer spending. In particular, the further downstream the business is, the more likely there is to be a time lag in passing on product prices. Managing the operating rate of ethylene facilities and the skill in implementing pricing policies will be factors that affect performance.

In the initial plan for FY2026, TOSOH left its earnings forecast undecided due to the difficulty of making a reasonable estimate, but the four Companies excluding TOSOH (ASAHI KASEI, SUMITOMO CHEMICAL, Mitsui Chemicals and Mitsubishi Chemical Group) all forecast an increase in operating income. However, the way the Middle East risk is factored in differs by Company. The two Companies, ASAHI KASEI and Mitsubishi Chemical Group, basically do not incorporate any negative impact and position it as a downside risk. SUMITOMO CHEMICAL factors in a certain amount of negative impact in each business, but an improvement in Rabigh Refining & Petrochemical Company's refining margin is expected to be a positive factor. Meanwhile, Mitsui Chemicals has factored in a negative impact of about 15 billion yen, subject to certain conditions. Although the way in which the impact is factored in differs, all Companies share the view that conditions in the Middle East will stabilize in the second half and that naphtha prices will return to pre-surge levels. Resonac HD stated that, given the difficulty in estimating second-half performance as of the first quarter of FY2025, it has left its full-year forecast for FY2026 unchanged from its initial plan, which assumes a higher operating income.

Aside from performance, business structure reform will remain a major focus. In recent years, efforts to transform the business portfolio have accelerated at each Company, in pursuit of growth strategies and decarbonization. Specifically, it has identified electronics, mobility, healthcare and environment as growth domains and will accelerate growth by prioritizing the allocation of management resources to these areas, while aiming to optimize capacity in basic materials and shift toward green chemicals. Going forward, attention will be paid to whether these efforts can help reduce performance volatility and make the growth trajectory more sustainable.

Shigenobu Tonomura, Takeshi Fujita

(Chart 1) Total EBITDA of Six General Chemical Manufacturers



*EBITDA = Operating income + depreciation and amortization (excluding amortization of goodwill) + amortization of goodwill under JGAAP
Gross profit - SG&A + 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)	FY2024	30,373	2,119	1,934	1,349	11,574	18,594	40,152	0.41	46.3%
	FY2025	30,745	2,312	2,304	1,587	9,675	20,884	41,379	0.28	50.5%
	FY2026F	32,540	2,480	2,475	1,600	-	-	-	-	-
TOSOH (4042)	FY2024	10,633	989	1,030	580	1,791	8,270	13,272	0.05	62.3%
	FY2025	10,199	955	1,067	416	2,289	8,317	14,089	0.06	59.0%
	FY2026F	TBD								

IFRS

		Revenue	Core Operating Income	Operating Income	Net Income	Interest-bearing Debt	Equity Attrib. to Owners of the Parent	Total Assets	Net D/E Ratio	Equity Ratio
Resonac HD (4004)	FY2024	13,914	921	890	735	8,587	8,021	21,726	0.70	37.7%
	FY2025	13,471	1,091	466	290	8,778	7,676	21,067	0.80	36.4%
	FY2026F	13,100	1,400	1,050	770	-	-	-	-	-
SUMITOMO CHEMICAL (4005)	FY2024	26,062	1,405	1,930	385	11,611	10,257	34,397	0.93	29.8%
	FY2025	23,285	2,083	1,517	609	10,264	11,336	34,050	0.72	33.3%
Mitsui Chemicals (4183)	FY2024	18,091	1,009	783	322	7,379	8,482	21,539	0.67	39.4%
	FY2025	16,687	1,000	738	343	7,401	8,647	21,516	0.64	40.2%
	FY2026F	19,000	1,050	830	450	-	-	-	-	-
Mitsubishi Chemical Grp. (4188)	FY2024	39,475	2,288	1,415	450	20,409	17,405	58,946	0.99	29.5%
	FY2025	37,039	2,250	300	118	18,905	17,616	58,766	0.77	30.0%
	FY2026F	38,000	3,050	3,000	1,270	-	-	-	-	-

- *1 Mitsubishi Chemical Group's results for FY2024 and FY2025 classify the former Mitsubishi Tanabe Pharma (divested on July 1, 2025) as discontinued operations.
- *2 Net income is profit attributable to owners of the parent under JGAAP or net income attributable to owners of the parent under 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 the Companies' financial statements)

<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: AA- Outlook: Stable

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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