

New Management Policy: "Forging the future"

In February 2021, Mitsubishi Chemical Group Corporation released the medium-term management plan *APTSIS 25 Step 1*, which runs for a two-year period from fiscal 2021. Then in December 2021, the Company formulated the new management policy, "Forging the future," covering the period up to the end of fiscal 2025. The policy takes into consideration the assumptions made at the time the medium-term management plan was formulated, after a review of the measures needed, to maximize corporate value.

The new management policy aims for MCG to become a specialty chemical company by fiscal 2025. It includes five management strategies (strategic priorities) to achieve this goal and a three-phase roadmap to maximize shareholder value.

Under Phase 1, Simplify & Streamline, MCG aims to develop a lean organization structure, revamp the business portfolio, and reduce costs. In Phase 2, Build a Foundation for Growth, the Company will take steps to carve out and exit from Petrochemicals and Coal Chemicals businesses and also accelerate investment in growth businesses. In Phase 3, Accelerate Growth, the Company aims to accelerate growth through dynamic capital allocation, leveraging our reorganized business platform.

We aim to sustainably increase value for all our stakeholders, with a clearer strategy to increase efficiency and unlock the growth potential of our businesses.

Strategic priorities

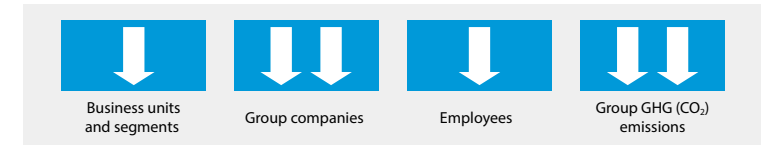
More Focused Approach to Maximize Our Value

1. Growth, Performance, and Sustainability
2. Business to Exit
3. Strategic Cost Transformation
4. Leaner Structure to Execute Strategy
5. Strategic Capital Allocation

MCG today and tomorrow

With a Clearer Strategy to Drive Operational Excellence and Unlock Business Potential, We Can Deliver More Value to Our Stakeholders

Our Future Operations

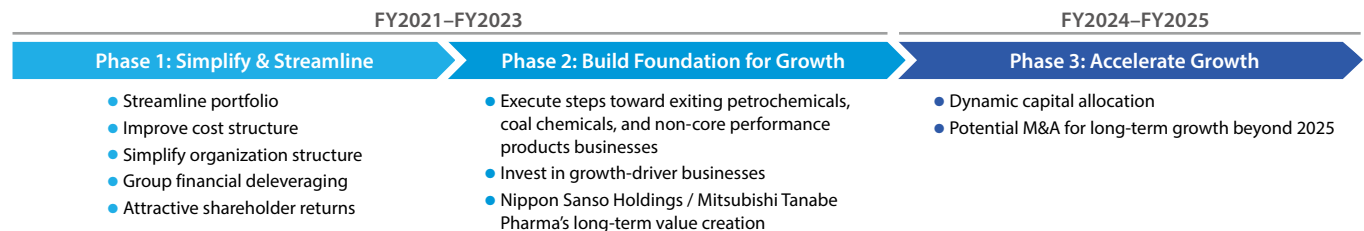


Financial Performance Targets for FY2025

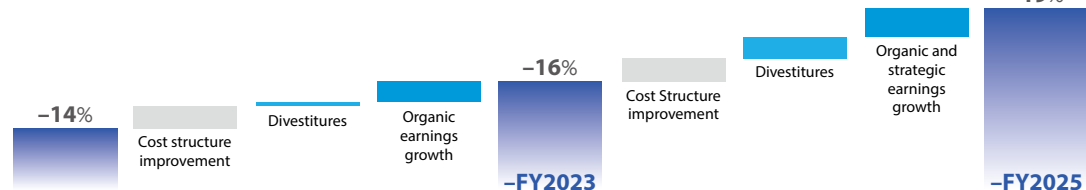
18–20%	11–13%	¥125–145	>7%	0.5–1.0x
EBITDA margin	Core operating margin	Organic EPS	ROIC	Net Debt / Equity

Strategy execution roadmap

Committed Strategy for Increased Shareholder Value



EBITDA Margin Improvement



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1. Growth, Performance, and Sustainability

Focus on growth markets where MCG has a competitive advantage

MCG has applied the evaluation criteria of market growth potential, a competitive advantage, and carbon neutrality to rework our portfolio as a specialty chemical company.

Electronics and Healthcare & Life Science will be positioned as our strategic focus as we move forward. MCG aims to further increase corporate value by concentrating business resources in these priority markets.

Our portfolio assessment criteria

Market Attractiveness

- Market growth
- Potential risk factors
- ROS / ROIC / EBITDA margin

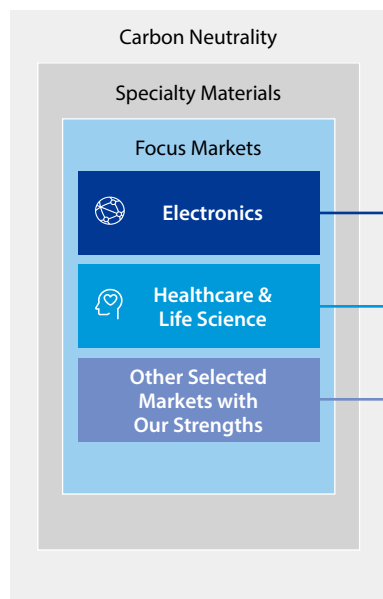
Strength

- No. 1 / 2 market position potential
- Technology innovation
- Competitive advantage

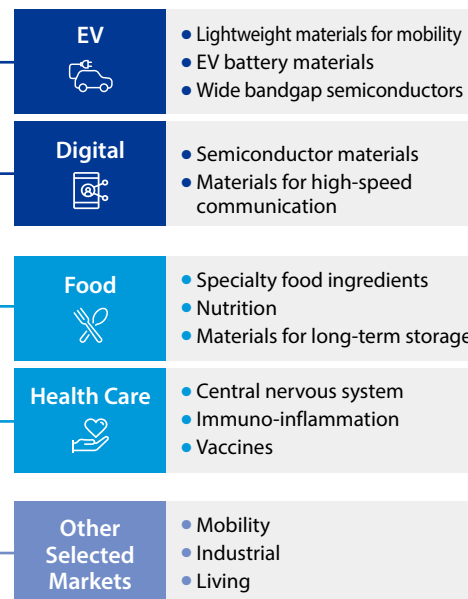
Carbon Neutrality

- CO₂ emissions level
- CO₂ reduction potential
- Values to customers/society

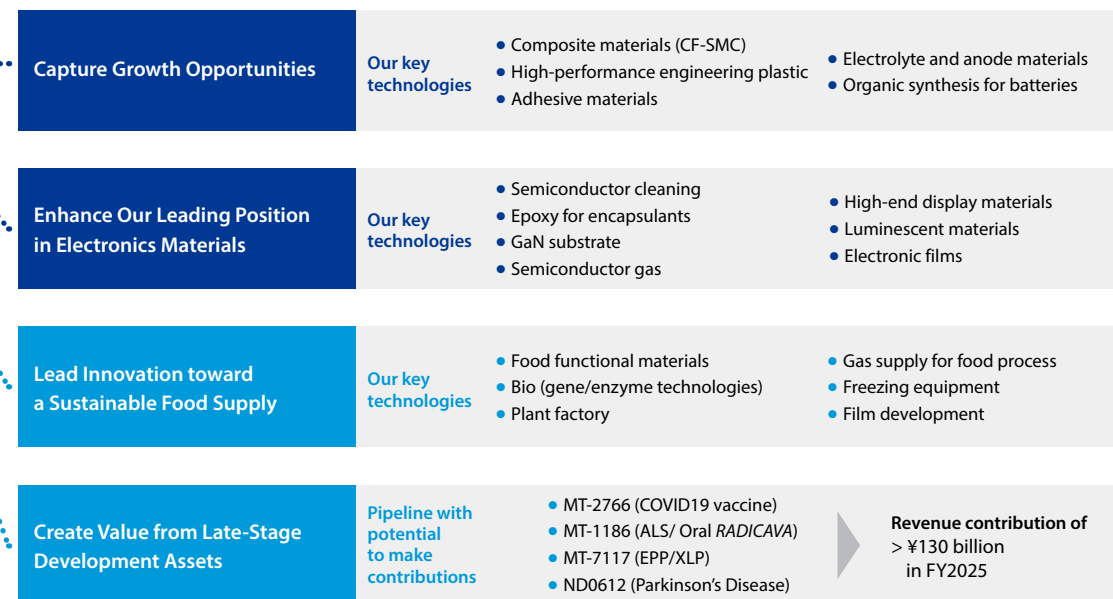
Our strategic focus



Target segments



Targets



New Management Policy: "Forging the future"

Investment in solid performance materials businesses, based on the revamped portfolio

MCG will invest in sustained growth in the chemicals, polymers, films, and molding materials businesses, where we have multiple core technology platforms in key strategic priority markets. We will work to enhance our competitive edge and expand our platform as a specialty chemical company.

Core technology strengths

Chemicals	
MMA	<ul style="list-style-type: none"> No. 1 supplier of MMA monomer with approximately 30% global market share Proprietary new ethylene method leading to cost competitiveness
Functional Monomer	<ul style="list-style-type: none"> Molecular design technology fully tailored to customer needs
Films	
Optical Film	<ul style="list-style-type: none"> Top manufacturer of optical polyester film with approximately 20% global market share
Barrier Film	<ul style="list-style-type: none"> Key supplier of barrier films primarily for food packaging and medical products
Industrial Film	<ul style="list-style-type: none"> Value-adding offerings for a wide variety of industrial applications Low environmental-load technologies

Polymers	
Bioplastics	<ul style="list-style-type: none"> Cutting-edge bioplastics for sustainable food packaging and glass alternatives
EVOH*	<ul style="list-style-type: none"> Proprietary high performance polymer for food packaging
Functional Resin	<ul style="list-style-type: none"> Comprehensive and environment-friendly resin offerings
Molding Materials	
Carbon Fiber Composite Materials	<ul style="list-style-type: none"> World-leading integrated product chain of carbon fiber
Super Engineering Plastic Components	<ul style="list-style-type: none"> Chemical partner for global OEMs, industrial machinery, and aircraft manufacturers

* Ethylene vinyl alcohol copolymer

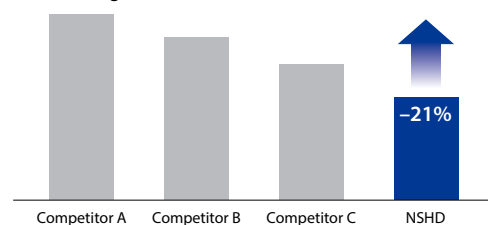
Take strategic initiatives to capture growth, reduce costs, and improve profitability in industrial gases

Nippon Sanso Holdings (NSHD) is the fourth largest industrial gas company in the world. NSHD is pursuing strategic initiatives to increase profitability with a view to moving into the global top three, through new opportunities for growth investment and cost-cutting programs.

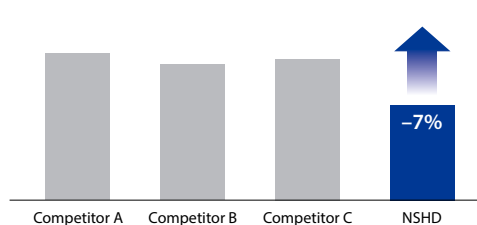
Comparison of profitability among global gas majors

Source: Capital IQ, IR materials

EBITDA margin (As of March 31, 2022)



ROIC (As of March 31, 2022)



Strategic initiatives

Cost Reduction

- Apply cost reduction measures taken in Europe and the United States into other regions
- Improve profitability in Japan

Financial Discipline

- Improve financial stability
- Balance growth investment, deleveraging, and shareholder returns

Capture Global Market Growth

- Especially in the United States and Europe

New Business Development / Realize Synergies with the Group

- Semiconductor materials
- Hydrogen
- Medical gases

Carbon Neutrality

- Formulate a roadmap to 2030 and 2050 carbon neutrality

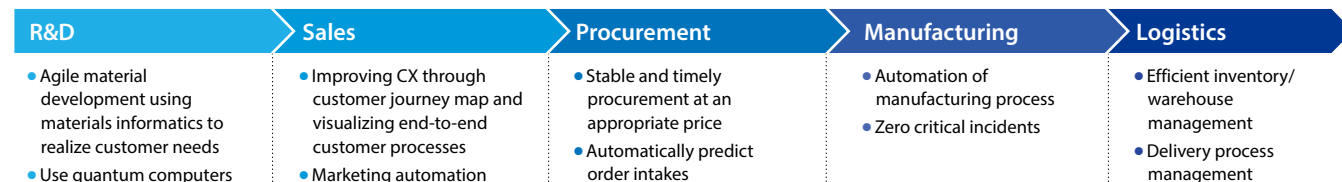
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Success in digitalization and sustainability will separate winners from losers in the chemicals sector

Enhanced digital strategy enabling CX and business process transformations

We think that installing and applying digital technologies means more than just improving business efficiency. MCG has positioned digitalization as a strategic priority in our business model reforms to enable customer experience (CX) and business process transformations.

Key DX themes of supply chain



Key DX themes

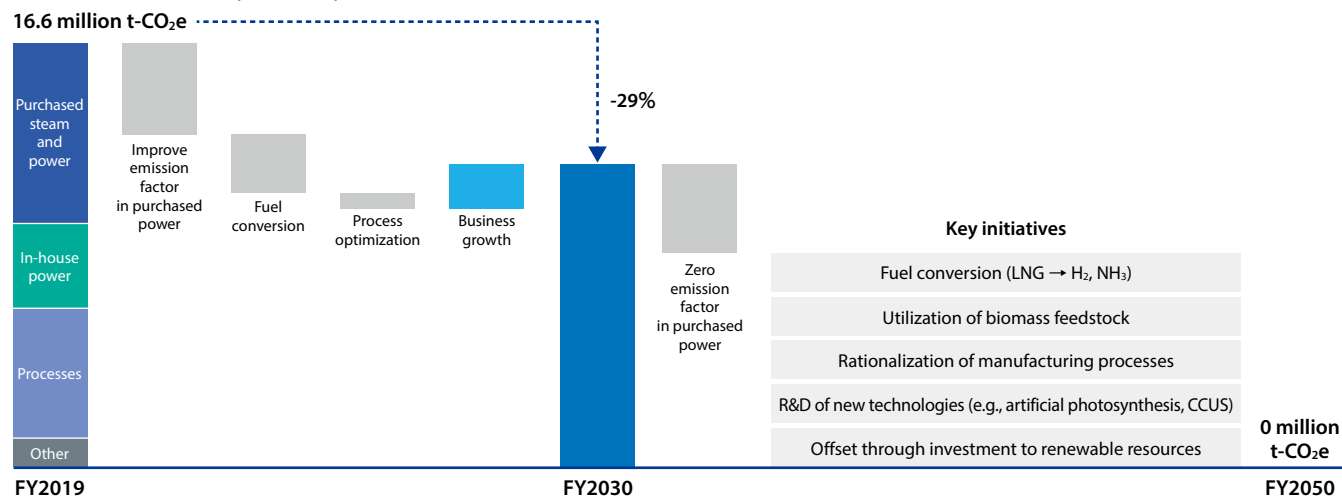


Path toward carbon neutrality while achieving sustainable growth

In our medium- to long-term basic management strategy, KAITEKI Vision 30, unveiled in February 2020, MCG defined achieving GHG impact neutrality as one of its social visions in 2050. To achieve this, MCG is implementing measures across the value chain to reduce GHGs and ensure effective use, as well as formulating global emissions reduction targets and policies appropriate for each country and region. By 2030, we aim to reduce GHG emissions by 29% versus fiscal 2019 levels, and by 2050 we plan to reach carbon neutrality while achieving sustainable growth.

Carbon neutrality by 2050

Our GHG emissions (Scope 1 + Scope 2)



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2. Business to Exit

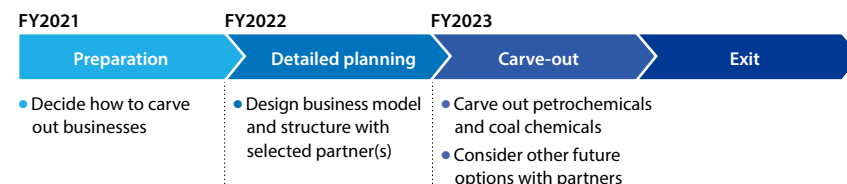
Exit from petrochemicals and coal chemicals

MCG will pursue a phased carving out, restructuring, and future exit from petrochemicals and coal chemicals. By carving out these businesses, MCG will act as a leader in the chemicals industry, driving restructuring of the basic chemicals industry in Japan.

We will...

- Lead consolidation of the domestic basic chemical industry for transition toward carbon neutrality by 2050
- Restructure through carve-out and future exit

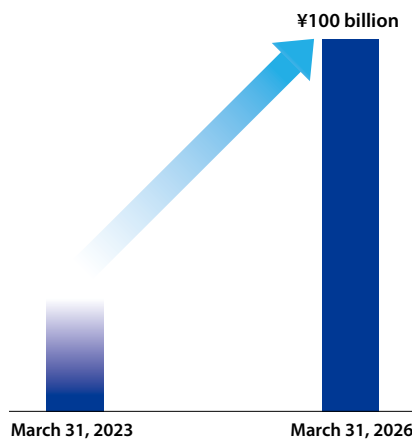
Indicative timeframe for carve-out and exit



3. Strategic Cost Transformation

Pursuing operational excellence and business efficiency

MCG will reduce costs by more than ¥100 billion across the Group by fiscal 2025 and steadily grow profits by pursuing operational excellence through more efficient and effective business activities and an increased competitive advantage. We are working to reduce costs at all levels of the supply chain by developing a simpler, optimized organization. For R&D, we will pursue greater efficiencies while monitoring investment returns.



Major item	Margin impact	Value levers
Logistics / Supply chain management	++	<ul style="list-style-type: none"> • Pursuit of efficiency through digitalization across entire process from manufacturing to sales
Procurement and engineering repairs	++	<ul style="list-style-type: none"> • Optimization of investment through digital preventative maintenance • Procurement process reformation and digitalization
General and administrative	+	<ul style="list-style-type: none"> • Business reorganization <ul style="list-style-type: none"> – Integration of subsidiaries and offices – Introduction of new personnel system • Process excellence and digitalization
R&D	++	<ul style="list-style-type: none"> • Clear prioritization • Value impact <ul style="list-style-type: none"> – More selective R&D at Mitsubishi Tanabe Pharma • Open innovation and Materials Informatics
Price Structure Improvement	++	<ul style="list-style-type: none"> • Price structure improvement for low-profit businesses

Significantly increasing our bottom line through >¥100 billion of cost reductions and improvements

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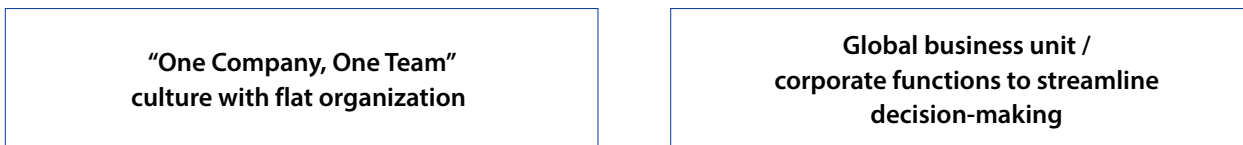


4. Leaner Structure to Execute Strategy

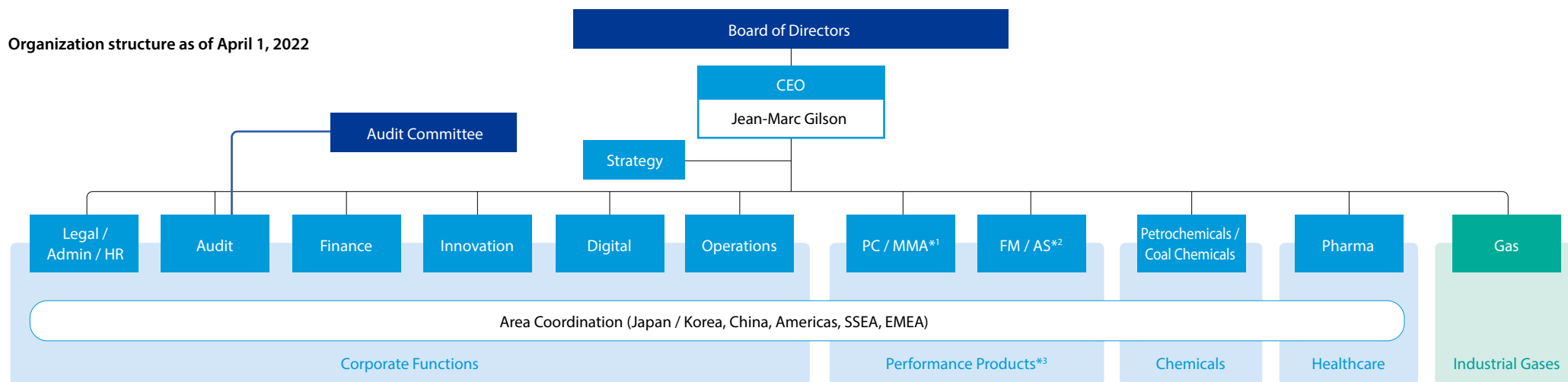
Enabling fast, efficient decision-making

MCG will reform management structures to create a flat organization with a "One Company, One Team" culture as a key step in the execution of business strategy. In addition, the Company will shift from a legal entity-based to a business unit- and corporate function-based operation to clarify where responsibility lies.

Key characteristics of new structure



Organization structure as of April 1, 2022



*1 Polymers & Compounds / MMA

*2 Films & Molding Materials / Advanced Solutions

*3 Performance Products might be divided into three businesses.

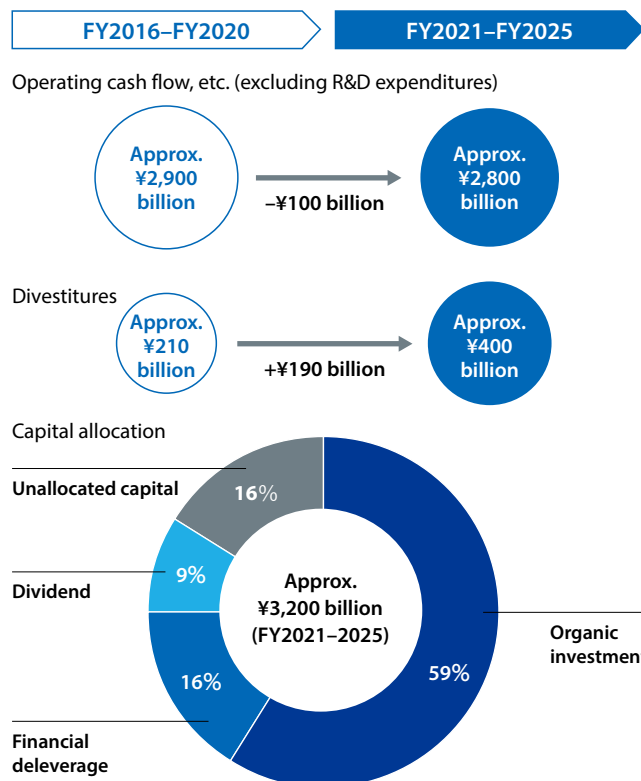
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5. Strategic Capital Allocation

Strategically reallocate additional capital from improved operational discipline and non-core asset/business disposals

MCG expects to generate operating cash flow of ¥3.2 trillion, including ¥400 billion in gain on transfer of businesses and excluding R&D expenditures, between fiscal 2021 and fiscal 2025.

With strict financial discipline, the Company will make strategic capital allocations that lead to improved shareholder returns.



Organic investment (Approx. ¥1,900 billion)	<ul style="list-style-type: none"> Invest for more sustainable growth for the future Keep capex < Depreciation and Amortization Strong discipline with target ROIC and IRR R&D with clear prioritization 	<ul style="list-style-type: none"> Maintenance capex ¥580 billion Growth capex ¥750 billion R&D ¥570 billion
Financial deleverage (Approx. ¥500 billion)	<ul style="list-style-type: none"> Accelerate deleveraging by increased cash flows through cost discipline, earnings growth, and proceeds from divestitures Target leverage range Net debt / EBITDA: 2.0-3.0x Net D/E ratio: 0.5-1.0 	
Dividend (Approx. ¥300 billion)	<ul style="list-style-type: none"> Dividend Policy Reviewing current dividend policy (stable, 30% payout ratio) with a view to increasing shareholder returns 	
Improved earnings, cash generation, and balance sheet will create additional scope for:		
Unallocated capital (Approx. ¥500 billion)	<ul style="list-style-type: none"> M&A to accelerate growth <ul style="list-style-type: none"> Clearly defined investment target areas Best-owner mindset, ROIC over WACC, and EPS accretive Excess capital to be returned to shareholders (Buyback, etc.) 	