

KAITEKI REPORT 2024

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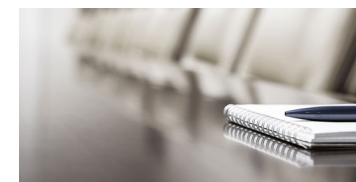
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Editorial Policy

Editorial Policy

Mitsubishi Chemical Group Corporation publishes the KAITEKI REPORT as a value creation story that covers the progress and outlook of corporate activities. The report summarizes financial and non-financial information from the past and present as well as future projections, focusing on items considered to be of major importance and presenting data in an integrated and readily comprehensible way. In preparation of this report, we referred to the International Integrated Reporting Framework of the International Financial Reporting Standards (IFRS) Foundation.

Further information on the topics of this report is available on the Company's website. For detailed financial information, please refer to our securities reports filed with the Financial Services Agency. For detailed governance information, please refer to our corporate governance report submitted to the Tokyo Stock Exchange.

About the Company Name

In this report, we use the Company name in the following manner.

"Mitsubishi Chemical Group Corporation" and "the Company" are used when referring to the parent company.

"The Mitsubishi Chemical Group" and "the Group" are used when discussing the parent company and its subsidiaries.

Reporting Period

Fiscal 2023 (April 2023–March 2024), including some information from fiscal 2024

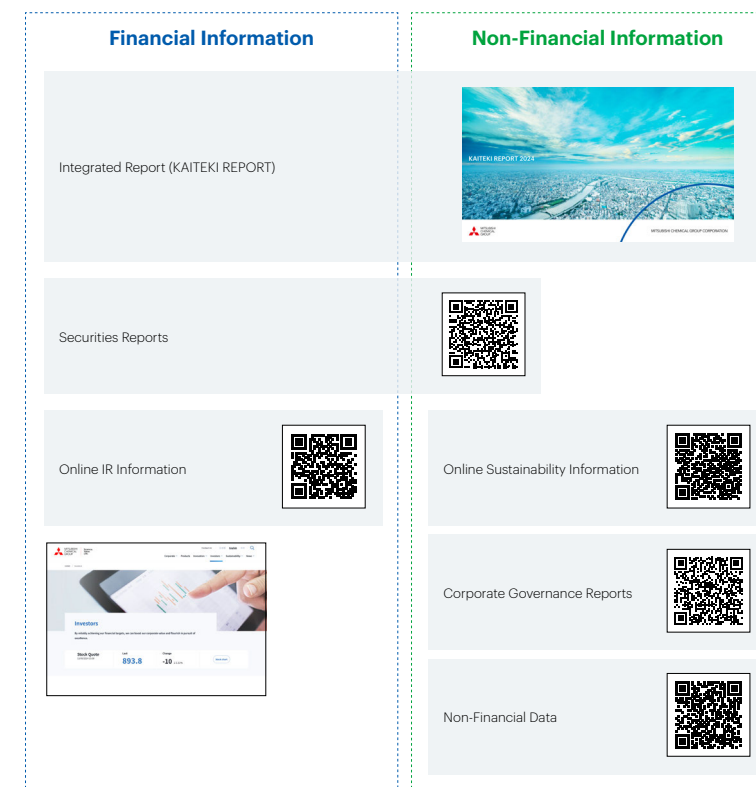
Reporting Boundary

This report covers information related to Mitsubishi Chemical Group Corporation and the Mitsubishi Chemical Group. For matters with a different reporting boundary, we clearly specify the scope of reporting covered.

Accounting Standards

The Company has adopted International Financial Reporting Standards (IFRS), effective from the first quarter of fiscal 2016, the fiscal year ended March 31, 2017. In this report, data in and after fiscal 2016 is based on IFRS, while figures from before fiscal 2016 are based on Japanese generally accepted accounting principles (J-GAAP), unless otherwise noted.

Organization of Information Disclosed



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Group Concept

The Mitsubishi Chemical Group has been promoting KAITEKI since 2011.

Our Purpose is to achieve KAITEKI.

By achieving growth and improving corporate value based on this Group Concept,
we will make contributions to all stakeholders,
including customers and shareholders.

Purpose

Our Purpose is an expression of what it is striving for and why it exists.
It expresses the Group's persistent determination
to realize KAITEKI, the Group's North Star,
which has guided the organization and its commitment to its stakeholders.

**We lead with innovative solutions
to achieve KAITEKI,
the well-being of people and the planet.**

Our Way

Our Way is what employees use to guide them through
their daily work to realize the Group's Purpose.
These criteria define what drives the multitude of decisions employees make
every day when it comes to business operations and how they interact
with their peers as they work toward common goals.

Integrity

- Prioritizing safety
- Doing the right thing
- Doing work we're proud of

Respect

- Showing appreciation
- Valuing diversity
- Caring for people and the planet

Bravery

- Thinking flexibly
- Being agile
- Embracing challenges

Collaboration

- Amplifying strengths
- Building trust
- Celebrating teamwork

Persistence

- Taking ownership
- Delivering new value to stakeholders
- Being responsible for the future



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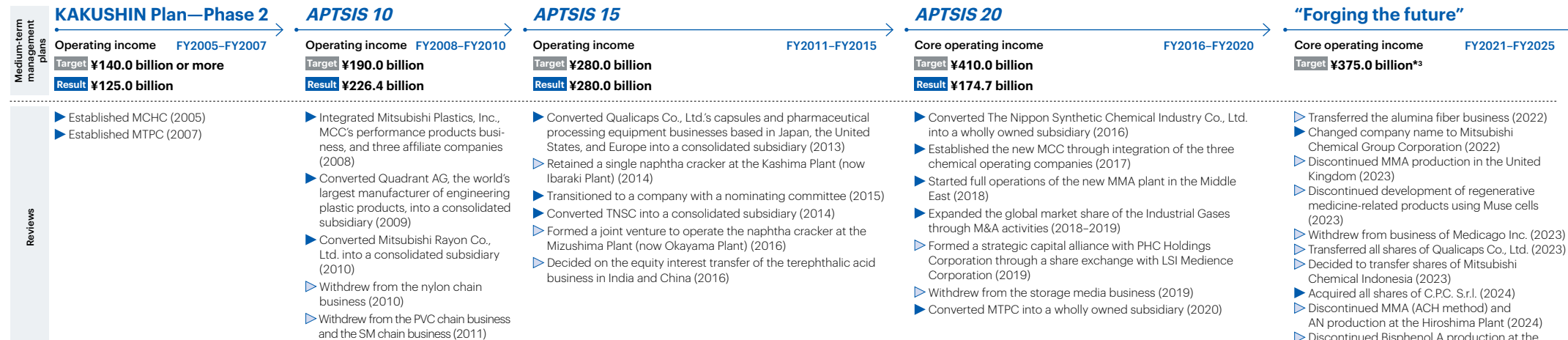
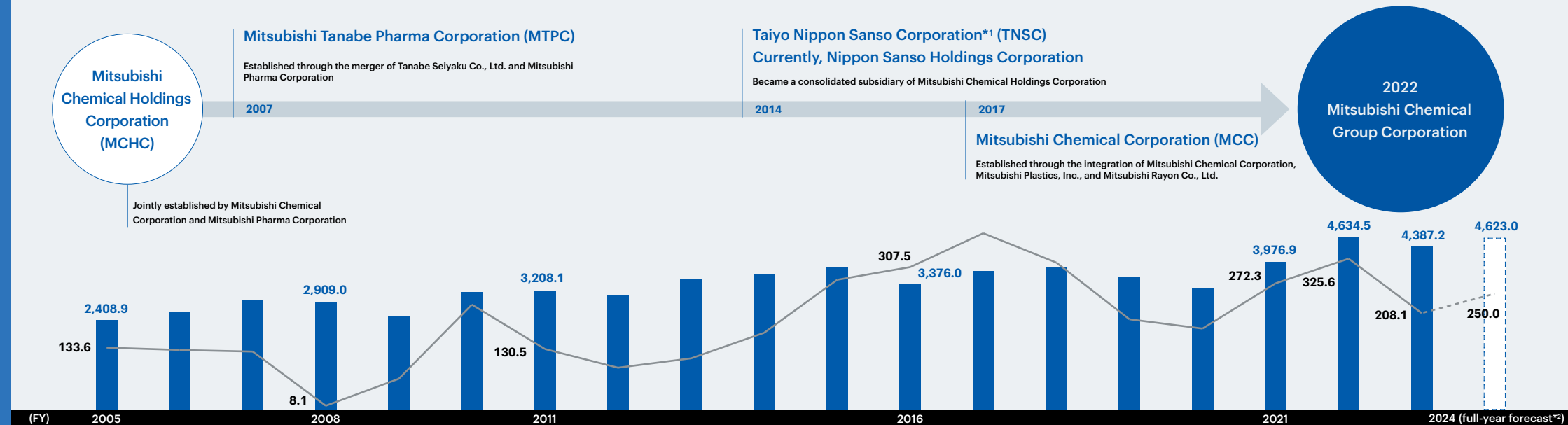
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History of M&As, Business Integrations, and Structural Reforms

The Mitsubishi Chemical Group has worked tirelessly to transform its business portfolio, including through M&As, the integration of operating companies, and structural reforms. Going forward, we will continue to enhance corporate value by leveraging the solid management foundation we have built to date.

■ Net sales / Sales revenue (Billions of yen) — Operating income / Core operating income (Billions of yen) Note: International Financial Reporting Standards (IFRS) applied from fiscal 2016



► Growth measures ► Restructuring

*1 Company name changed to Nippon Sanso Holdings Corporation due to the shift to holding company structure in October 2020 *2 Announced on May 15, 2024 *3 100% ownership of Petrochemicals subsegment

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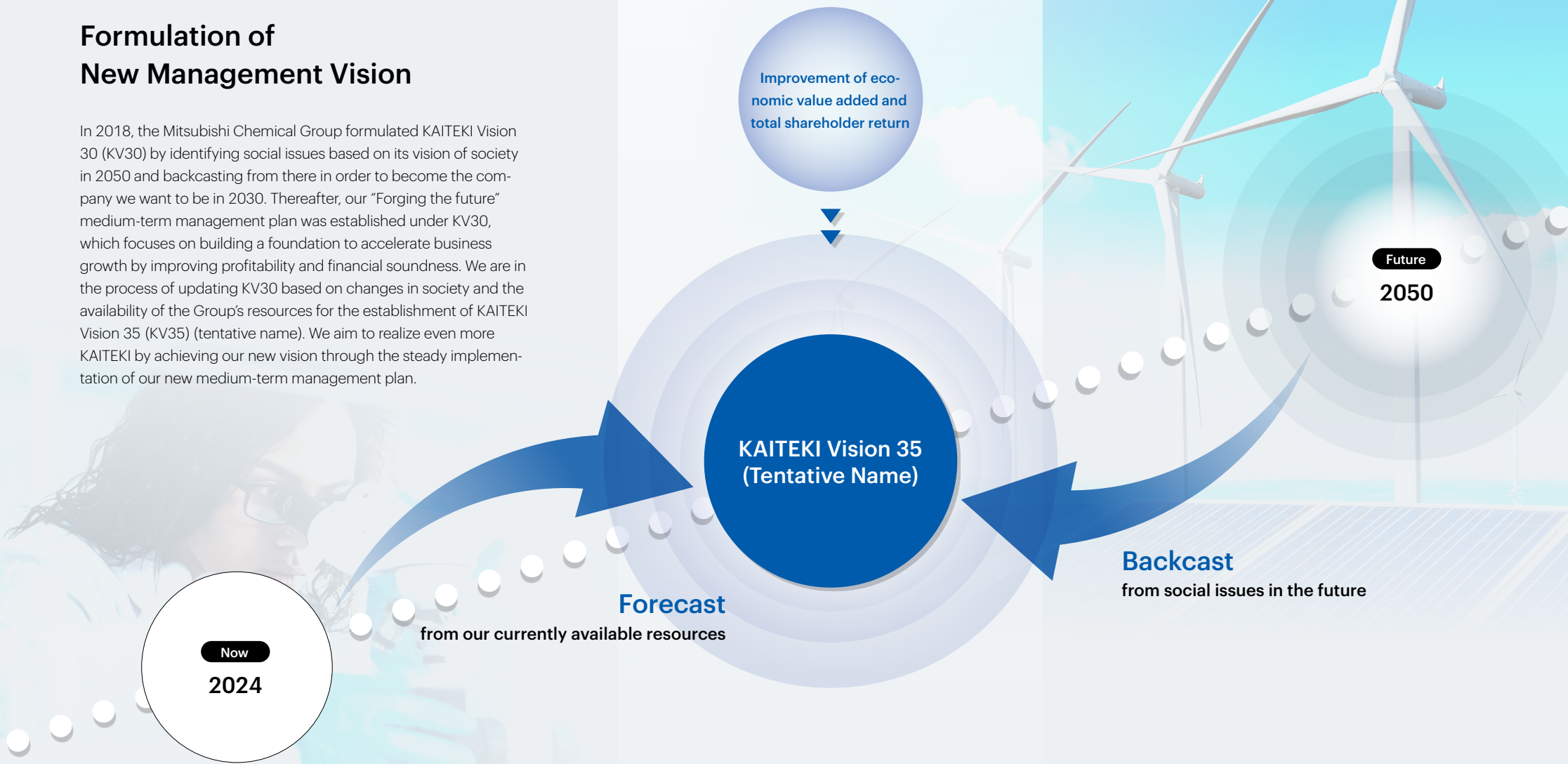
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Formulation of New Management Vision

In 2018, the Mitsubishi Chemical Group formulated KAITEKI Vision 30 (KV30) by identifying social issues based on its vision of society in 2050 and backcasting from there in order to become the company we want to be in 2030. Thereafter, our “Forging the future” medium-term management plan was established under KV30, which focuses on building a foundation to accelerate business growth by improving profitability and financial soundness. We are in the process of updating KV30 based on changes in society and the availability of the Group’s resources for the establishment of KAITEKI Vision 35 (KV35) (tentative name). We aim to realize even more KAITEKI by achieving our new vision through the steady implementation of our new medium-term management plan.



	KAITEKI Vision 30 (KV30)	Forging the future	KAITEKI Vision 35 (Tentative Name)
Period	Fiscal 2019 to fiscal 2030	Fiscal 2021 to fiscal 2025 (medium-term management plan under KV30)	Fiscal 2025 to fiscal 2035 (of which, fiscal 2025 to fiscal 2029 will be the period of our new medium-term management plan)
Key points	<ul style="list-style-type: none">Identify social issues based on our vision of society in 2050 and backcast from there to become the company we want to be in 2030Clarify the social issues and business domains that Mitsubishi Chemical Holdings Corporation* will engage in by 2030	<ul style="list-style-type: none">Focus on building a business foundation to accelerate business growth by improving profitability and financial soundnessFocus on highly profitable global businesses	<p>The plan is being formulated to achieve our Purpose and business growth by combining our approach to resolving social issues under KV30 and to achieving profitability and financial soundness in “Forging the future.”</p>

* Mitsubishi Chemical Holdings Corporation was renamed as Mitsubishi Chemical Group Corporation in 2022.

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Message from the CEO

**As a green specialty chemical company,
we will lead the way in realizing KAITEKI
while pursuing robust growth.**

Manabu Chikumoto

Representative Corporate Executive Officer,
President & Chief Executive Officer



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Assumption of the position of President

I am Manabu Chikumoto, and I assumed the position of representative corporate executive officer, president & chief executive officer of Mitsubishi Chemical Group Corporation in April 2024. In recent years, the Group has sought to improve its financial position and has achieved a certain degree of success. On the other hand, investment in growth areas has been insufficient, and the Group's profit structure now relies on the Industrial Gases and Pharma (segment name changed from Health Care in fiscal 2024) segments for the majority of its core operating income. To reach our true potential and improve the profitability of the chemical business, which is the heart of our origins, we will further promote the business reforms that have been carried out to date. Looking ahead, we will also actively invest through a process of selection and concentration, and grow the bottom line by expanding the top line.

PROFILE

Manabu Chikumoto joined Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation) in 1988, and since then he has worked mainly in the field of sales in the petrochemicals business. Several years of overseas business experience, notably two assignments in India, was a major defining point of his career. During his first assignment, Chikumoto was involved in the construction of a large-scale plant, and in his second assignment, he led the restructuring of the plant, which had become unprofitable. After returning to Japan, he headed the Corporate Strategy Department, where he was involved in the formulation of KAITEKI Vision 30 (KV30) and the planning and reform of various businesses. Chikumoto says that these experiences have influenced and molded him into who he is today. His timeless philosophy is to work hard in the field and listen to what the field has to say.

To this end, in the spring of 2024 we implemented major changes to our leadership team consisting of executive directors and officers. This new team will focus on frontline capabilities and growth as we aim to dramatically improve our earning power.

Formulation of a new management vision and medium-term management plan

For the Group, with the chemical business at its core, it is critical to urgently address challenges such as carbon neutrality (CN) and circular economy (CE) to realize a more sustainable society. In addition, restructuring is likely inevitable in the petrochemicals industry, where the balance between supply and demand has been disrupted by developments in the Middle East and China. In these difficult times, a clear management vision to propel us forward is essential.

KAITEKI Vision 30 (KV30), which I was involved in formulating and announced in 2020, represented a clear vision for the Group in 2030 from a social and business perspective, by back-casting from our social vision for 2050. However, shortly after its implementation, we found that some of our key assumptions were unfolding faster than anticipated, such as more aggressive greenhouse gas (GHG) emissions reduction targets and the expansion of renewable energy. There were also unforeseen changes, such as the rise of AI and the pandemic's impact on society. With the world seemingly on the verge of a major turning point, we began formulating a new management vision, tentatively called KAITEKI Vision 35 (KV35), and a new plan (hereafter referred to as the New Medium-Term Management Plan) will be announced in the fall of 2024.

While more details will be shared soon, the basic premise can be summarized as transforming ourselves into a green specialty chemical company that will realize KAITEKI. While promoting a shift to high-performance materials, the new plan also aims to redefine our objectives within the larger framework of KAITEKI and environmental sustainability.

Business portfolio strategy of selection and concentration

Below is an overview of our future management strategies for each of our business segments. While the announcement of the New Medium-Term Management Plan is slated for the fall of 2024, it is important to start rolling out feasible initiatives now.

Specialty Materials: Focusing resources on areas of strength

This segment deals with high-performance materials and is a major pillar of our future growth strategy. However, looking at current business performance, profit margins are generally lower than those of competitors, and both revenue and profit growth are lagging. We believe this is largely due to vast investment strategies made in the past. The key is to concentrate resources on the areas where we excel and to ensure more thorough portfolio management.



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For businesses that do not play to our strengths, we have set time limits to assess their viability and will consider selling or withdrawing from them. We will use those proceeds to invest in growth areas where we excel. For example, in the semiconductor industry, we will focus on synthetic quartz used in the silicon wafer manufacturing process, raw material polymers for photo resists, epoxy resins for encapsulants, high-purity chemicals, precision cleaning services for semiconductor equipment parts, and gallium nitride, which we expect to be the next-generation substrate. For the food industry, we offer a lineup of products

such as Sugar Esters, vitamin E, and films for food packaging, which enable long-lasting food products and help reduce food loss. For EV and mobility applications, we acquired all shares of C.P.C. S.r.l., which specializes in the manufacture and distribution of automobile components crafted from carbon fiber reinforced plastic (CFRP), and are strengthening and expanding our supply chain by increasing capacity for battery materials. We will concentrate our investment in areas where we can demonstrate strength as well as improve market share and profitability, and then expand into peripheral areas.



In terms of how we are organized, we conducted a major reorganization in April 2024. The three subsegments of the Specialty Materials segment were renamed and reorganized into Advanced Films & Polymers, Advanced Solutions, and Advanced Composites & Shapes. We established a new headquarters for each and appointed three experienced executive officers as general managers. Under this new leadership, each with strong ties to the field, the Company will keep close watch on developments across a wide range of product areas and take prompt action when needed.

Industrial Gases and Pharma:

Exploring synergies with core businesses

Both of these segments are key drivers of the Group's performance. Looking at the industrial gases business of Nippon Sanso Holdings Corporation, initiatives to create synergies are currently underperforming. However, the Industrial Gases segment contributes to carbon-neutrality (CN) goals by improving the efficiency of our customers' manufacturing processes and energy needs in general, and its steady profit growth is promising. In addition, the market is keenly aware of the high quality of our gases and the total solutions we provide. Rapidus Corporation is planning to build a pilot line for a next-generation semiconductor plant in Chitose City, Hokkaido Prefecture, and our gases have been selected to supply the line.

Mitsubishi Tanabe Pharma Corporation's pharma business, likewise, lacks synergies with the chemical business, but its ability to create new drugs is seen as an advantage both domestically and internationally. RADICAVA ORS® oral suspension for amyotrophic lateral sclerosis (ALS), which has been designated as an orphan drug in the United States, continues to enjoy strong sales. On the other hand, for the domestic pharmaceutical business, which accounts for the majority of sales and revenue, maintaining the current business setup is something we need to address in the future, in part due to Japan's National Health Insurance drug price revisions. In order to create the next generation of RADICAVA ORS® products and achieve further growth, we will streamline our initiatives and formulate growth strategies across global markets.



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MMA & Derivatives: Demonstrating the strength of our No. 1 global market share

This is the only segment in the world with the No.1 global market share that employs three different production methods. Alpha technology, a proprietary manufacturing process using ethylene as a raw material, is overwhelmingly cost competitive and enables significant GHG emissions reductions.

The investment in a new U.S. plant in Louisiana, currently under consideration and amounting to several hundred billion yen, is important for the medium- to long-term growth of the MMA segment. As of July 2024, we are studying the project's feasibility and intend to make a final decision soon.

Basic Materials & Polymers

Petrochemicals Subsegment: Accelerate restructuring towards green

In the petrochemical industry, the profit margins are rapidly deteriorating due to a widening supply-demand gap in the domestic market and large production increases by Chinese companies. In addition, we believe that there is a limit to what individual companies can do, given the enormous scale of resources required to realize CN and CE goals.

As stated in our "Forging the future" plan announced in fiscal 2021, the Group's petrochemicals subsegment is expected to be spun off in the future, but this does not mean that CN and CE will be achieved by simply doing that. With many customers operating downstream in the supply chain, we are concerned that they will be seriously affected if we fail to convert our petrochemical business to a viable CN and CE business model. From the viewpoint of "greening" high-performance materials, which are located downstream within the Group, we believe in promoting the greening of our petrochemicals subsegment responsibly. For this purpose, collaboration and alignment with other companies are essential. We would like to promote CN and CE while cooperating vertically and horizontally.

The approach we envision is to form multiple platforms open

to other companies. As the Japanese government aims to reduce GHG emissions by 46% in fiscal 2030 (compared with fiscal 2013), we need to accelerate this initiative in order to get CN- and CE-compliant production facilities up and running as soon as possible. We have already reached agreements with Asahi Kasei Corporation and Mitsui Chemicals Inc. to jointly study the conversion of naphtha crackers (ethylene production facilities) in western Japan, including raw fuel conversion, and have begun discussions on specific measures and optimal production systems for the future. In the Kashima area of Ibaraki Prefecture, we are constructing a chemical recycling facility jointly with ENEOS Corporation. These are areas in which Japanese chemical companies excel, and we see them as both a challenge and a great opportunity.

As for individual company initiatives, it is necessary to

thoroughly implement cost reduction initiatives and negotiations around pricing to fundamentally improve profitability. This is an achievable goal. In fact, amid a severe business environment, we secured profitability in the fiscal year ended March 31, 2024, with the exception of the carbon products subsegment. I am confident that if we steadfastly follow through on what needs to be done, the petrochemicals subsegment will become profitable.

Carbon products subsegment: Decisively implementing structural reforms to improve profitability

The carbon products subsegment, which handles coke and other raw materials for steelmaking, has been struggling due to soaring coking coal prices and sluggish demand overseas. Although selling the business has been the default course of



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action, it is imperative to first decisively implement structural reforms and reorganize the Company to eliminate losses. We are also actively working on creating added value for CE through recycling (carbon cycle) technology.

Better cash flow management and introduction of ROIC management

By collectively promoting thorough cash flow management, cost reduction initiatives, working capital management, and a pricing policy that avoids discounting, we are yielding positive results. These measures are taking hold globally and will



continue to be promoted in the future. In addition, from fiscal 2024, we have designated ROIC (return on invested capital) as a key management indicator and are working to improve our financial position. We will review each segment from a ROIC perspective and promote actions for improvement by incorporating them into on-site KPIs.

Toward a more open and powerful organizational culture

As a leader, I want to gather and utilize the feedback of a wide range of employees, our key stakeholders. To this end, there are three areas that need to be addressed with regard to organizational culture.

First, we need to dismantle what can be called a deductive-based system. This is a culture in which managers and others easily dismiss proposals and suggestions from employees, which in turn inhibits organizational vitality. Such a culture deprives employees of the ability to think independently and never question directives, thereby denying them the opportunity to grow.

Second, we need to increase motivation in the field. Lack of motivation not only dampens productivity but also can lead to accidents and other problems. We will review our personnel system, support the active participation of women, and create a work environment in which employees can work with enthusiasm, while emphasizing job satisfaction and career growth.

Third, employees will be encouraged to take more ownership of their work. When a sense of ownership is combined with a strong desire to "make the business into what it should be in 10 years," one's work becomes more than just a job. It develops into a sense of responsibility to leave the business in better shape for the next generation, as if we were handing over the baton. In our day-to-day work, wishful thinking, blind assumptions, and a lack of critical thinking and imagination have no place. We need to embrace an attitude that confronts the truth and faces reality.

In order to achieve this kind of culture change, it is important to revitalize communication. I personally visit two domestic offices and one overseas office every month to engage in intimate dialogue. We will also continue to provide various opportunities at the head office, such as town hall meetings for all Group employees and lunch meetings in smaller groups.

For all stakeholders

It is important for both people and companies to grow. In addition to cost reductions, aggressive investments will grow the top line, the Company, the organization, and the people who work there. The challenge of discovering something new and opportunities to grow are the source of job satisfaction and excitement. For the Group, the cornerstone of growth is to realize KAITEKI, our Purpose. We will turn internal and external challenges into opportunities, strive to fundamentally improve our earning power, contribute to society through KAITEKI initiatives, and aim to sustainably increase our corporate value.

The share price is a message from the market, and I am constantly monitoring its movements. We will mobilize the collective power of the Mitsubishi Chemical Group to transform it into a business entity that sustainably achieves profitable growth. I believe this will enable us to solidify the trust of our shareholders and investors over the medium and long term. Once again, I would like to ask for your continued support as we make a fresh start.



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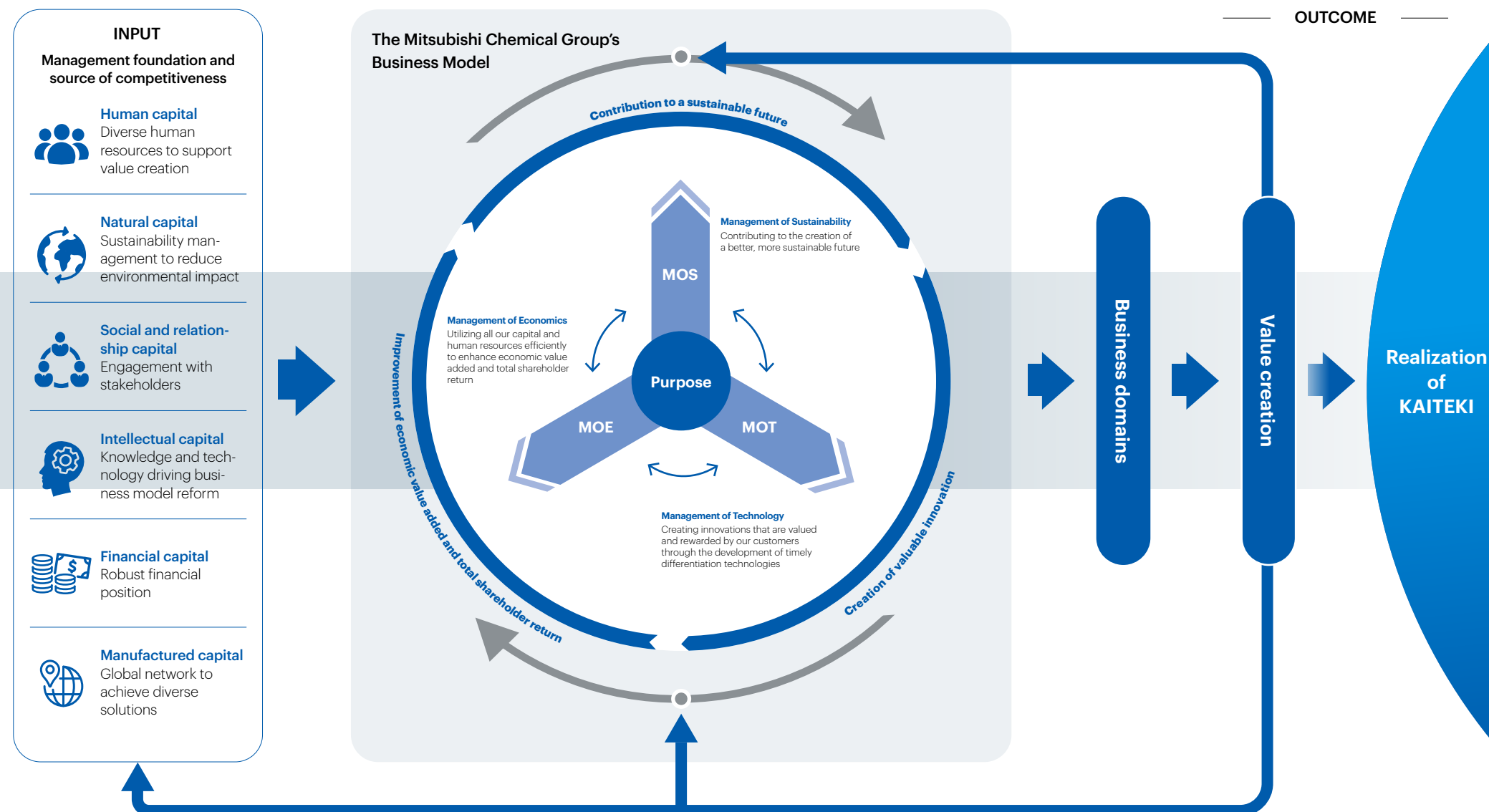
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Value Creation Model

Under its new Group Concept, the Mitsubishi Chemical Group will step up its use of the Management of Economics (MOE), Management of Technology (MOT), and Management of Sustainability (MOS) Indices as its three axes of management in order to realize KAITEKI, which has been the North Star that has guided the Group since 2011. The Group will lead the realization of KAITEKI through better innovation (MOT), value for all stakeholders (MOE), and contributions to healthy living as well as the sustainability of society and the planet (MOS).



Value Creation Model

* Sales of new products, number of patent applications, and patent value

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Human capital

**Diverse human resources to support value creation**
Number of employees (consolidated) 66,358

Human resources are the key management resource for value creation. Human resource programs allow us to foster creativity and productivity, boost job satisfaction, and create workplaces where employees with diverse values and high-level expertise can flourish while united in our mission.

Natural capital

**Sustainability management to reduce environmental impact**
Energy consumption 43.4 TWh

Rigorous sustainability management is essential to resolve climate change and water shortages/pollution, achieve a recycling-oriented society, and preserve biodiversity. We aim to lower our environmental impact by reducing and making more effective use of GHGs and by promoting a circular economy.

Social and relationship capital

**Engagement with stakeholders**

We are building strong relationships of trust by engaging in active and constructive dialogue with stakeholders and by understanding and responding to expectations and demands. We are also working to build sustainable supply chains, help communities create a better society, and increase brand value.

Intellectual capital

**Knowledge and technology driving business model reform**
R&D expenditures ¥121.6 billion

Our core technologies and the knowledge we have built up across a wide range of business domains are intangible assets that underpin business model reformation. We leverage our capabilities across the entire Group to respond to changing social needs in a fast and flexible way and are creating new businesses to help optimize entire social systems.

Financial capital

**Robust financial position**
Total assets ¥6,104.5 billion

A robust financial position provides the foundation for sustainable growth. We work to increase corporate value by balancing shareholder distributions, improving our financial position, and investing in growth businesses.

Manufactured capital

**Global network to achieve diverse solutions**
Capital expenditures ¥283.9 billion
Group sites (number of countries and regions) 44

Our global network allows us to rapidly provide solutions to regional needs or social issues. We are stepping up the use of digital technologies in our product development and optimizing our plants in order to strengthen our value creation platform.



MOS Indices

Employee engagement

69%

Percentage of sales revenue derived from sustainability-related products

13%

Percentage of GHG emissions reduction (compared with fiscal 2019)

16%

MOT Indices

Innovation output indices
O index group*

101%

MOE Indices

Sales revenue

¥4,387.2 billion

Core operating income

¥208.1 billion

ROIC

3.4%

Cash flows from operating activities

¥465.1 billion

OUTCOME

Improvements in environmental and social value

Realization of KAITEKI

Improvement in economic value

Note: Figures are for fiscal 2023.

Enhanced capital

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Management Indicators in the Three Axes

MOT Indices

MOT Indices consist of the following three indices that classify the innovation process as input (I), process (P), and output (O) and visualize the elements of innovation that are key to taking on challenges and remaining competitive in the pursuit of realizing KAITEKI.

Index name	Examples of items measured
I index group	Ratio of R&D expenditures to sales revenue
P index group	Degree of progress on R&D projects and digital transformation (DX)
O index group	Sales of new products, number of patent applications, and patent value

MOE Indices

The Group's financial figures, including profitability indicators such as sales revenue and core operating income, and capital efficiency indicators such as ROIC are converted into an index to enhance economic value added and total shareholder return.

MOS Indices

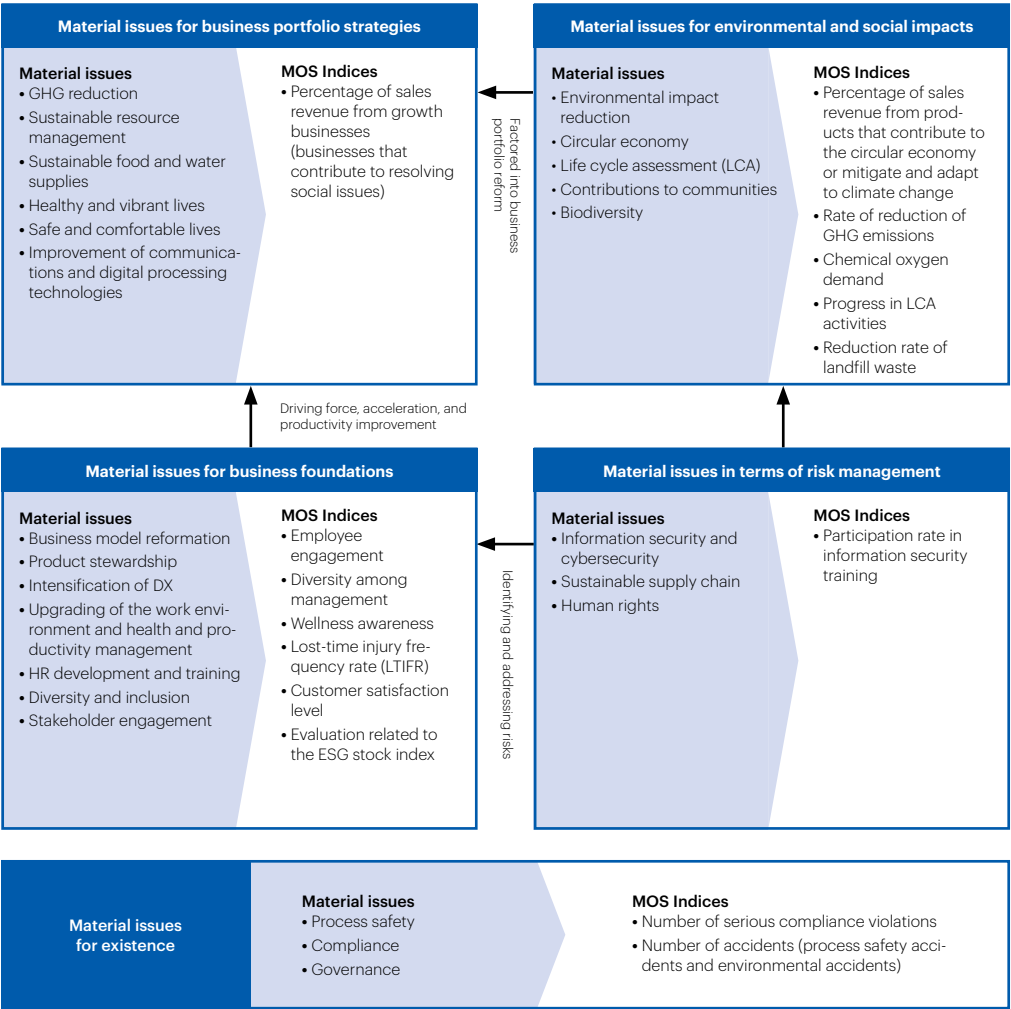
For material issues identified by the Group, targets are set and progress is measured with the MOS Indices. Material issues are identified through the following process based on the Group's medium- to long-term direction and the perspectives of stakeholders.

Identification process of material issues

Step 1	Selection of candidate material issues	Taking into account the medium- to long-term direction of the Group, we studied the material issues identified in the previous assessment*1 and added new issues in line with the Group Concept, key policies, megatrends, the SDGs, and other factors.
Step 2	Discussion on classification and structuring of material issues	The selected material issue candidates were screened against the policies and action plans of the medium-term management plan, and the final selection of material issues was made after repeated internal discussions. The material issues were classified in accordance with our view of their importance, including their contribution and environmental and social impacts.
	Assessment from the viewpoints of stakeholders	The classified material issues were reviewed from a wide range of perspectives through hearings with external experts and discussion by the Outside Director Liaison Committee.*2
Step 3	Setting of targets and indices	Targets were set for activities related to the material issues along with indicators to measure their progress (MOS Indices).
Step 4	Decision and approval	The issues were resolved by the Corporate Executive Officers Committee and Board of Directors together with the medium-term management plan.

*1 Assessments are conducted each time the medium-term management plan is formulated (frequency is generally every five years).
*2 Currently, the Director Liaison Committee.

Overview of material issues and sustainability indices (MOS Indices)



The Sustainability Committee regularly monitors the progress of MOS Indices and steadily promotes measures to address material issues.

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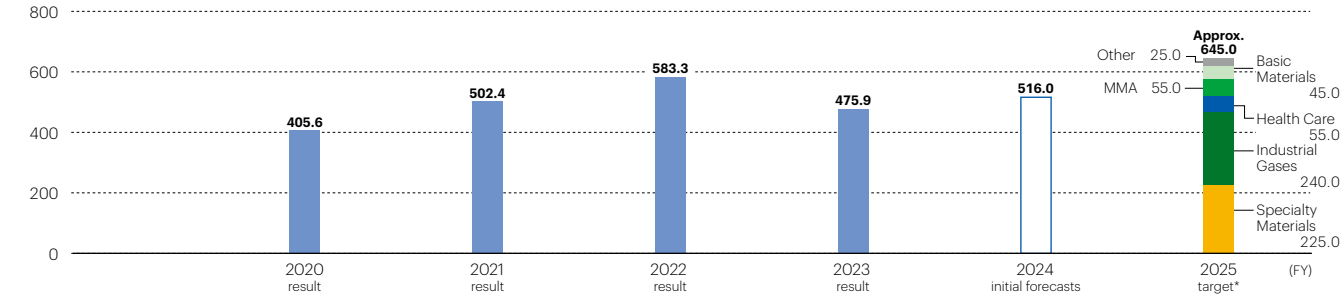
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Activity Report for Fiscal 2023

(MOE) Financial Results and Targets

EBITDA

(Billions of yen)



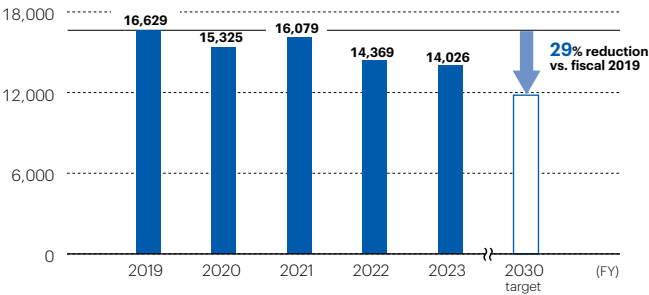
Sales revenue (Billions of yen)	3,257.5	3,976.9	4,634.5	4,387.2	4,623.0	Approx. 4,290.0
Core operating income (Billions of yen)	174.7	272.3	325.6	208.1	250.0	Approx. 375.0
EBITDA (Billions of yen)	405.6	502.4	583.3	475.9	516.0	Approx. 645.0
Core operating margin (%)	5.4	6.8	7.0	4.7	5.4	Approx. 9
EBITDA margin (%)	12.5	12.6	12.6	10.8	11.2	Approx. 15

* 100% ownership of Petrochemicals subsegment

(MOS) Sustainability Results and Targets

GHG emissions (Scope 1 + Scope 2)

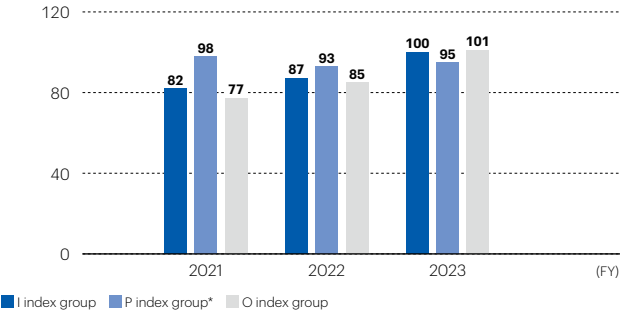
(Thousand metric t-CO₂e)



(MOT) Innovation Results

Progress with MOT Indices

(%)



Index name	Examples of items measured
I index group	Ratio of R&D expenditures to sales revenue
P index group	Degree of progress on R&D projects and digital transformation
O index group	Sales of new products, number of patent applications, and patent value

Efforts to promote price management and cost reduction initiatives in a challenging business environment

In fiscal 2023, the Mitsubishi Chemical Group's business environment gradually recovered as a result of the normalization of economic activities. However, outlook remained uncertain due to the effects of price hikes, monetary tightening especially in Europe and the United States, the economic slowdown in the Chinese economy, and the situation in the Middle East, among other factors.

Under these circumstances, in fiscal 2023 sales revenue decreased 5% and core operating income fell 36% from the previous fiscal year. Despite vigorous efforts to promote price management and cost reduction initiatives, the sales volume of the Specialty Materials and Basic Materials segments declined amid weakening demand in the semiconductor market and for broader industrial materials. Moreover, fiscal 2022 results reflect the impact of the one-time recognition of royalty revenue of ¥125.9 billion in the Health Care segment from the Gilenya (a treatment for multiple sclerosis) arbitration.

Progress with initiatives in sustainability and innovation

Toward our target of a 29% reduction in GHG emissions by fiscal 2030 compared with fiscal 2019, we reduced emissions by approximately 16% in fiscal 2023. We are steadily proceeding with efforts toward our goal of realizing carbon neutrality by 2050, as a result of the fuel conversion and process optimization, in addition to the reorganization of our business structure and the lowering of facility utilization rate.

In terms of the MOT Indices, which visualize our technological and innovation capabilities, we have achieved high levels in each of the I-, P-, and O-index groups. We continue to discuss how MOT should be utilized to improve the speed and scale of our innovation even further.

* Due to revisions in evaluation criteria, the P index group includes only comparable results, including those from previous fiscal years.

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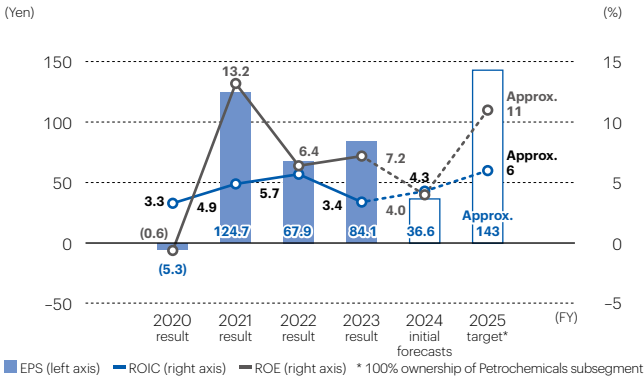
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Ongoing focus on improvement of ROIC and strengthening of financial position

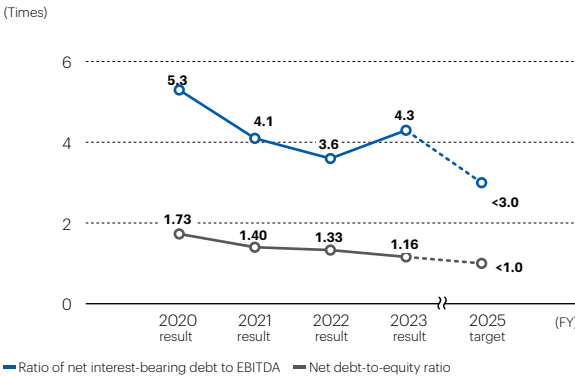
ROIC reached 3.4%, while the net debt-to-equity ratio improved 0.17 times, from 1.33 times to 1.16 times, at the end of the previous fiscal year.

In addition to working to achieve our financial targets through cost reductions and the steady implementation of restructuring and other key measures, we will continue with the initiatives set out in our road map to carbon neutrality.

EPS, ROIC, and ROE



Ratio of net interest-bearing debt to EBITDA and net debt-to-equity ratio



Main business activities in fiscal 2023

1Q	2Q	3Q	4Q
<p>Industrial Gases Participates in green hydrogen production project in Belgium</p> <p>Health Care Launches Mounjaro®, the world's first sustained release GIP/GLP-1 receptor agonist Commences sales of Mounjaro® type 2 diabetes treatment drug through sales collaboration agreement with Eli Lilly Japan K.K.</p> <p>Specialty Materials Strengthens supply chain for formulated electrolytes for lithium-ion batteries in North America Starts considering collaboration with Koura, one of the world's largest producers of fluoroproducts and advanced technologies in the United States, to strengthen the supply chain for formulated electrolytes for lithium-ion batteries in North America</p>	<p>Basic Materials Concludes agreement on joint feasibility study for carbon recycling chemicals project in Abu Dhabi, United Arab Emirates</p> <p>Industrial Gases Concludes agreement with 1PointFive in the United States for the supply of oxygen to DAC plant</p> <p>Other Concludes share transfer agreement for transfer of all shares of Qualicaps Co., Ltd., a manufacturer of hard capsules and pharmaceutical-related equipment</p> <p>Basic Materials Decides to expand γ-butyrolactone (gamma-butyrolactone) production capacity Expands the production capacity at its Okayama Plant to meet the growing demand for lithium-ion batteries and semiconductors (expand production capacity from 18,000 tons per year to 20,000 tons per year, starting in July 2024)</p>	<p>Specialty Materials Decides to acquire all shares of Italian manufacturer of carbon fiber composite components Decides to acquire all shares of C.P.C. S.r.l., an Italian company specializing in the manufacture and distribution of automobile components crafted from carbon fiber reinforced plastic to strengthen its carbon fiber business (completed acquisition in January 2024)</p> <p>Basic Materials Decides to transfer shares of PT Mitsubishi Chemical Indonesia, which operates the pure terephthalic acid business in Indonesia, as part of its portfolio reform</p>	<p>Basic Materials Decides to discontinue production of bisphenol A at its Kurosaki Plant</p> <p>MMA Decides to discontinue MMA monomer production by the ACH process and the production of acrylonitrile-related products at its Hiroshima Plant</p> <p>Specialty Materials Decides to expand Sugar Ester emulsifier production capacity Decides to construct a new line at its Kyushu Plant to meet the global demand for high-quality food products (expand production capacity from 2,000 tons per year to 3,100 tons per year, starting in March 2026)</p> <p>Health Care Launches GOBIK Aqueous Suspension Syringes, a pertussis-, diphtheria-, tetanus-, inactivated polio-, and Hib-combined vaccine, in Japan</p>

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Message from the CFO

We will continue to strengthen ROIC management to further enhance our corporate value.

Review of fiscal 2023

Fiscal 2023, the year ended March 31, 2024, was a year of immense challenges as the Group was hit hard by weak demand in the semiconductor-related market and for a wide range of industrial materials. Despite achieving consolidated core operating income of ¥208.1 billion, we relied heavily on two segments to do so: Industrial Gases and Health Care (name changed to the Pharma segment in fiscal 2024, which is written subsequently in this message). Conversely, the Specialty Materials segment, which we have been focusing on, recorded a core operating loss of ¥12.0 billion in the fourth quarter, which led to the segment posting core operating income of only ¥5.3 billion in fiscal 2023.

Meanwhile, it was also a year in which we began to see the results of steady improvements to our financial position. For example, although we had initially targeted ¥80.0 billion in cost reductions, withdrawal from the COVID-19 vaccine development business, structural reform of MMA sites in Europe, consolidation of indirect procurement bases since fiscal 2022, and other factors contributed to cost reductions of ¥100.6 billion. We also increased profits by ¥34.3 billion through efforts to ensure that customers recognized the added value of our products as well as price management strategies. Furthermore, through the sale of non-core businesses and the steady progress of our efforts to reduce working capital, we generated free cash flow of ¥219.1 billion.

Please refer to [Page 22 Strategic cost transformation](#) for the results of our cost reductions.

Forecast of business performance in fiscal 2024

Although it will likely take some time for the operating environment of the Specialty Materials and Basic Materials (name changed to Basic Materials & Polymers since fiscal 2024) segments to fully recover and despite the uncertainty of certain products and regions, we expect a gradual recovery in the latter half of the year through the success of certain products and regions. We anticipate that this recovery will lead to consolidated core operating income of ¥250.0 billion in fiscal 2024.

At the end of the first quarter, our core operating income stood at ¥82.6 billion, owing to strong sales of display-related products and semiconductor-related products for generative AI as well as the positive effect of higher MMA monomer market prices. Although we are on track to surpass our initial core operating income forecast of ¥110.0 billion for the first half of fiscal 2024, we have left this figure unchanged due to the uncertainty of demand trends, the need for further review of several business restructuring projects, and the difficulty in incorporating such impacts on earnings at this time. There is no question that this initial forecast is a goal we must achieve, and we are working collectively as a Group to do so.



Minoru Kida

Vice President,
Chief Financial Officer (CFO)



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Message from the CFO

Focus on balance sheet management

We are striving to improve our financial position by reducing our net debt-to-equity ratio, which was 1.16 times at the end of fiscal 2023. We are aiming to reduce this to less than 1.0 times by fiscal 2025. We are monitoring our credit rating with a view to procuring funds in the event of an emergency and plan to set a lower target for the final year of our next medium-term management plan, which is to be announced in November 2024. Aside from bank loans, we are diversifying our funding sources by issuing commercial paper and corporate bonds and establishing group finance schemes between multiple Group companies of different business types. In principle, the Group raises funds locally in the currencies of the countries and regions in which it operates, so an increase in domestic interest rates will likely have very little impact.

As I stated earlier, we have made steady progress in our efforts to optimize working capital, such as through inventory reductions. However, we will need to closely monitor our inventories to ensure that they do not increase even with an expansion in sales volume. When I worked at Mitsubishi Rayon Co., Ltd., one of the parent companies of Mitsubishi Chemical Corporation, I was keenly aware of the horrifying impact a rapid increase in inventory in the textile business could have on cash flows. I feel that, over the past few years, an awareness of working capital and inventory has firmly taken root among our frontline employees. That said, I will continue to promote awareness of the importance of not carrying more inventory than necessary.

Please refer to [Page 16 Activity Report for Fiscal 2023](#) for information on our net debt-to-equity ratio.

Management of ROIC to enhance corporate value

The Group is placing the utmost priority on addressing the inferiority of its price-to-book ratio (PBR), which ranges from 0.6 times to 0.7 times, compared with other companies in the industry. We recognize that this is mainly due to our low capital

efficiency, as indicated by our return on equity (ROE) of 7.2% in fiscal 2023. In the next medium-term management plan, we expect to set our ROE target at 10% or more, which is believed to be necessary to bring our PBR to 1.0 times.

Due to its ease of application, we will use return on invested capital (ROIC) as an internal management indicator for conducting improvement activities, aiming to achieve ROIC of between 7% to 8% for the time being, which is equivalent to ROE of 10% and a level that exceeds our expected cost of capital. In fiscal 2024, we expect ROIC to be around 4.3%. Despite the positive impact of the Industrial Gases and Pharma segments, the capital efficiency of the Specialty Materials, MMA & Derivatives, and Basic Materials & Polymers segments is pushing down ROIC. Going forward, we will conduct a further review of our business portfolio to raise the capital efficiency of the Group as a whole. In the Specialty Materials segment in particular, we aim to increase ROIC to a level that is equal to or exceeds that of the Industrial Gases segment in the medium term.

To improve ROIC, we must determine how to reduce our invested capital (denominator) and increase profit (numerator). To increase the numerator, we began implementing a price management strategy, which we termed “elimination of negative margins,” in all of our businesses. By negotiating with clients through which we can improve our gross margin and ensuring that they recognize the added value of our products, we will continuously strive to expand our profit margin.

As for reducing the denominator, aside from lowering working capital, we will also consider reductions to fixed assets and review the cycle of periodic repairs and equipment replacement. In addition to systematically organizing and visualizing the activities we have undertaken for some time, I would like to see us take one step further by identifying how we can improve in areas we have yet to fully exploit.

ROIC is managed more precisely for each segment than for their respective subsegments, which disclose their ROIC separately, and is broken down into components to identify the elements and measures that play a significant role in its improvement. Currently, we are training ROIC ambassadors to



serve as internal proponents and preparing manuals, and we plan to undertake Companywide activities aimed at improving ROIC from the latter half of fiscal 2024.

Please refer to [Page 16 Activity Report for Fiscal 2023](#) for information on our ROIC and ROE.

Capital allocation and business portfolio selection

With respect to our capital allocation strategy, we will allocate resources in a balanced manner between growth investments, debt reduction, and shareholder returns.

Our basic policy for shareholder returns is to maintain a dividend payout ratio of 35% for the time being. At the same time, as I mentioned earlier, we will allocate capital to strengthen our financial base in order to reduce our net debt-to-equity ratio to less than 1.0 times.

When deciding on growth investments, I understand the need to be conscious of capital efficiency and to be selective. In particular, we are examining which areas to focus on in the

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Message from the CFO

Specialty Materials segment, which handles a wide range of products, so that we can make a concrete announcement in November 2024. In determining our business portfolio, we use financial indicators, such as ROIC, as hurdle rates while considering other factors. We will also examine whether the business in question contributes to the resolution of social issues in light of our Purpose of realizing KAITEKI and whether it is a business that the Group will excel in and can expect to grow over the long term.

My role as CFO going forward

To date, the Group has been investing in each business toward their medium- to long-term growth. Going forward, we will continue to make growth investments and improve the efficiency thereof while developing a solid financial structure that is less susceptible to economic fluctuations. To do so, we must not only devise a clear strategy but also make small efforts on a daily basis, such as improving the ROIC of each worksite. Taking the seemingly obvious approach is not always easy, but I will support the entire Company in doing so.

I am also aware that, as CFO, I must act as a liaison between stakeholders and the Group, including through dialogues with investors at IR activities and accurate financial reporting. I will thus create various opportunities to actively engage in dialogue with stakeholders and deepen mutual understanding to enhance the Group’s corporate value.

Approach to investor relations (IR) activities

Through communication with shareholders and investors in Japan and overseas, we are working to disclose information appropriately and actively engage in dialogue, the opinions from which are reported to the management team on a quarterly basis for reflection in our business strategy and application in our business activities. We hope this will build trust in our organization and promote long-term shareholdings.

Communication with shareholders and investors (Fiscal 2023)

IR events	Target audience	Main Company representatives
Conference calls, following the financial results announcement Quarterly calls attended by the CEO, timely reporting on progress of management policy	Domestic and overseas institutional investors, analysts	CEO, CFO
Individual meetings		CEO, CFO, outside directors, IR managers
Conferences held by securities firms		CEO, CFO, IR managers
IR Day 2023 (progress of management policy and growth strategy of the Specialty Materials segment) In response to the opinions of investors and analysts concerning the unclarity of our growth drivers, our executive vice presidents discussed the core markets of the Specialty Materials segment and explained about our products, growth strategies, and targets in each market.		CEO, CFO, executive vice-presidents (EVPs) (Specialty Materials segment)
Small meetings of Specialty Materials segment (IR Day 2023 follow-up)		EVPs (Specialty Materials segment)
Small meetings with senior management		CEO, CFO
Individual investor briefings	Individual investors	CFO, director of Corporate Communication Division, Senior Manager of IR Department
General Meeting of Shareholders	Individual shareholders, corporate shareholders	CEO, corporate secretary managers
Dialogue with shareholders	Corporate shareholders (those responsible for exercise of voting rights, responsible investment, ESG)	Shareholder relations (SR) managers, corporate sustainability management managers, human resource managers, IR managers

Examples of incorporating opinions from shareholders and investors in our business activities and strategies (Fiscal 2023)

Business activity/strategy	Details
Management policy	Disclosure of management direction after management restructuring (fiscal 2023 financial results briefing)
Growth strategy of Specialty Materials segment	Expanded disclosure of key strategic market trends, sales revenue and EBITDA targets and results by market, growth investment plans, etc.
Sustainability activities	Expanded disclosure of road map for achieving carbon neutrality by 2050 and progress of each measure
Others	Expanded disclosure of financial results briefing materials, such as quarterly analysis of changes in core operating income

Executable Plan Based on the “Forging the future” Management Policy

Five key pillars to drive improvements in the EBITDA margin

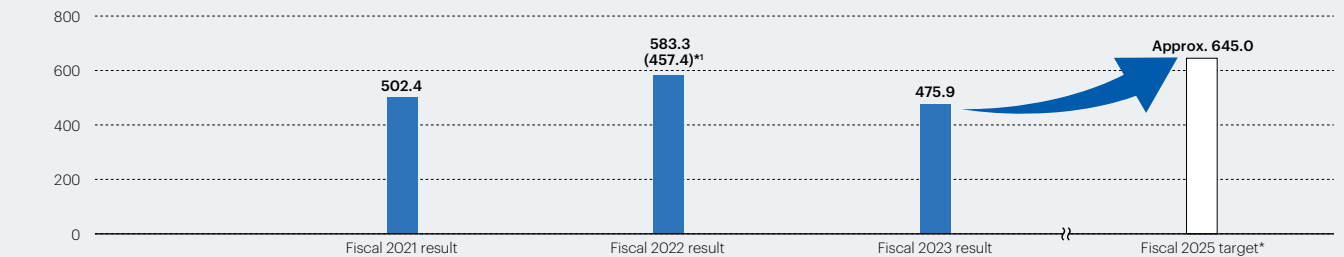
At IR Day 2023 held on October 20, 2023, Mitsubishi Chemical Group Corporation reported on the progress of its five-year (fiscal 2021 to fiscal 2025) medium-term management plan based on its “Forging the future” management policy (announced on December 1, 2021). The Company is pursuing a distinct strategy to achieve efficient business operations and unlock the growth potential of its business. Based on this strategy, we are putting in place five key pillars: 1) growth, performance, and sustainability; 2) strategic cost transformation; 3) business to exit; 4) leaner, digital, and empowered; and 5) strategic capital allocation. Through these measures, we are building a robust management foundation and accelerating reforms to enhance corporate value by increasing sales revenue, improving profitability, enhancing shareholder returns, and strengthening stakeholder engagement.

In terms of non-financial targets, GHG emissions reduction is essential in the chemical industry, and we strive to achieve our target of a 29% reduction (versus fiscal 2019 levels) by fiscal 2030. Customer satisfaction is already at a high level, but we will work to improve this further. We have also set high targets for employee engagement and diversity among management.

“Forging the future” management policy: financial targets

EBITDA

(Billions of yen)

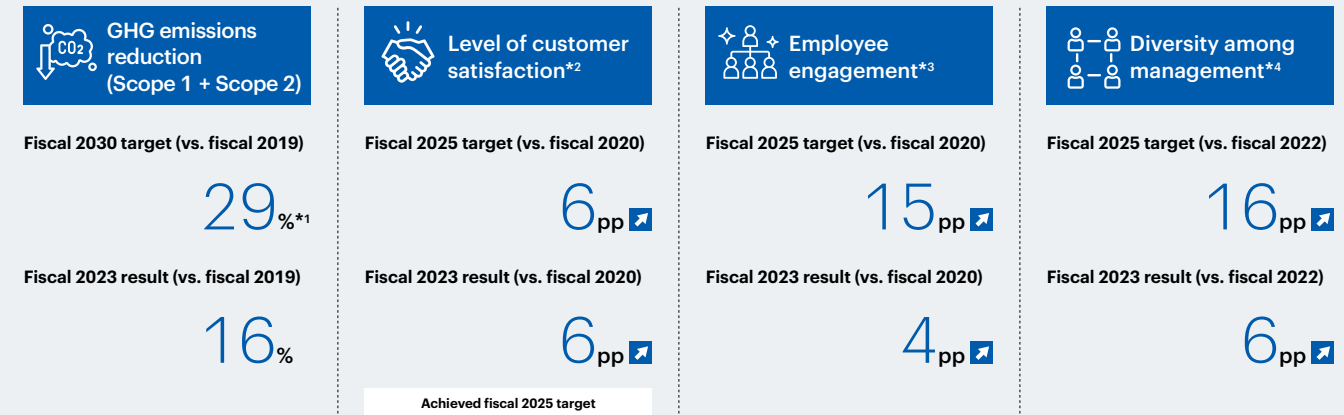


Sales revenue (Billions of yen)	3,976.9	4,634.5 (4,508.6)*1	4,387.2	Approx. 4,290.0
EBITDA margin (%)	12.6	12.6 (10.1)*1	10.8	Approx. 15
Core operating income (Billions of yen)	272.3	325.6 (199.7)*1	208.1	Approx. 375.0
ROIC (%)	4.9	5.7(3.6)*1	3.4	Approx. 6
EPS*2 (yen)	124.7	67.9(4.9)*1	84.1	Approx. 143

*1 Figures in parentheses have been calculated by deducting the amount equivalent to the Gilenya arbitration impact
*2 EPS for continued operations

* 100% ownership of Petrochemicals subsegment

GHG emissions reduction and other non-financial targets



*1 Including Petrochemicals and Carbon Products subsegments *2 Level of customer satisfaction based on the annual customer survey
*3 Percentage of favorable responses to set items in the employee awareness survey *4 Percentage targeted regarding number of diverse members of management: 40%
Note: pp = percentage points

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Five Key Pillars

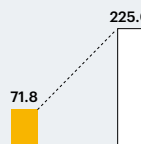
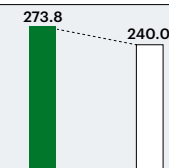

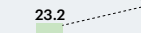

Growth, performance, and sustainability

Aim to increase EBITDA in all segments

We are promoting growth strategies in each segment, aiming to increase EBITDA through the establishment of a business portfolio focused on market growth, performance, and sustainability.

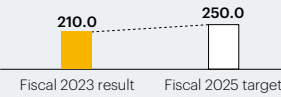
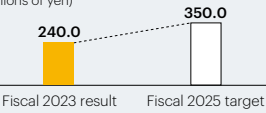

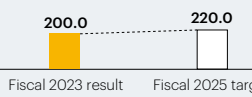


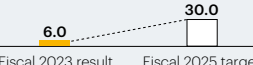

In Specialty Materials, we will focus more than ever on the high-growth subsegments of our four core markets of EV/mobility, digital (including semiconductors), medical, and food to identify their growth potential, competitiveness, and profitability and improve profit margins and capital efficiency, by strengthening our selection in these markets through the transformation of our business portfolio. In Industrial Gases, we are expanding business and further enhancing competitiveness in four global regions by acquiring large-scale projects. In Health Care, we will maximize the value of priority products in Japan and the United States while strengthening partnerships and establishing new sales and development alliances with a focus on core regions. In MMA, we will solidify our position as the global leader and promote the development of Alpha technology, with the goal of achieving further reductions in operational costs. In Basic Materials, we will continue to conduct a fundamental review of our business strategies, including an assessment of our optimal production system for petrochemicals and carbon rationalization.

“Forging the future” management policy: financial targets of segments

Segments	Specialty Materials		Industrial Gases		Health Care		MMA		Basic Materials	
EBITDA (Billions of yen)										
	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target
EBITDA margin	6.1% → 16%		22.0% → 24%		15.9% → 15%		8.2% → 15%		2.2% → 5%	
Core operating margin	0.5% → 11%		13.1% → 13%		12.9% → 10%		0.3% → 11%		(1.9)% → 2%	
ROIC	0.6% → 10%		6.2% → >6%		6.9% → 3%		0.3% → 7%		(2.6)% → 4%	

Note: Fiscal 2025 targets are based on figures announced at IR Day 2023 on October 20, 2023.

Specialty Materials Enhance profitability by focusing on high-growth subsegments of our core markets

	EV/Mobility		Digital		Medical		Food	
	14% per year		10% per year		8-10% per year*		7% per year	
Market growth rate (through 2030)	EV battery materials 15-20%		Semiconductors 11-13%		Implantable resins 8-10%		Water treatment 6-8%	
	Engines and functional materials >10%		Sensors 10-12%		Single-use products 8-10%		Food additives 5-7%	
	Structural CF components for EVs ~10%		Displays 4-6%		Services 8-10%		Food packaging 5-7%	
	Electrical components 5-10%		Equipment 3-5%		Implantable shapes 6-8%			
	Exterior and interior components 3-5%		Electronics 3-5%		Medical packaging 5-7%			
					Specialty silane & silicone 3-5%			
Sales revenue								
	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target
EBITDA								
	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target	Fiscal 2023 result	Fiscal 2025 target

* Growth rate based on medical polymer market. XX% Projected growth rate of each segment through 2030.
Notes: 1. Fiscal 2023 results are calculated on the figures of Specialty Materials segment basis through the end of fiscal 2023.
2. The market growth rate is based on figures announced at IR Day 2023 on October 20, 2023.

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Executable Plan Based on the “Forging the future” Management Policy



Five Key Pillars

Growth, performance, and sustainability

Strengthen market-focused innovation and expand the scope of sustainability-related products

Sustainability-related goals, such as GHG emissions reductions and waste and water resource management, are essential to our business. At the same time, we are working to expand the scope of sustainability-related products that address issues such as climate change, circular economy, food supply, and water conservation. We aim to have sustainability-related products account for 20% of our sales revenue by fiscal 2025, while 13% of such products represented our sales revenue in fiscal 2023. In addition to expanding profitability through the achievement of our financial targets, we will strive to achieve all our sustainability-related goals.

An unwavering commitment to innovation is essential to maintain long-term business growth. We continuously invest in digital technologies, infrastructure, human resources, and other areas to acquire the resources necessary to ensure the continued growth and sustainability of our business.



Five Key Pillars

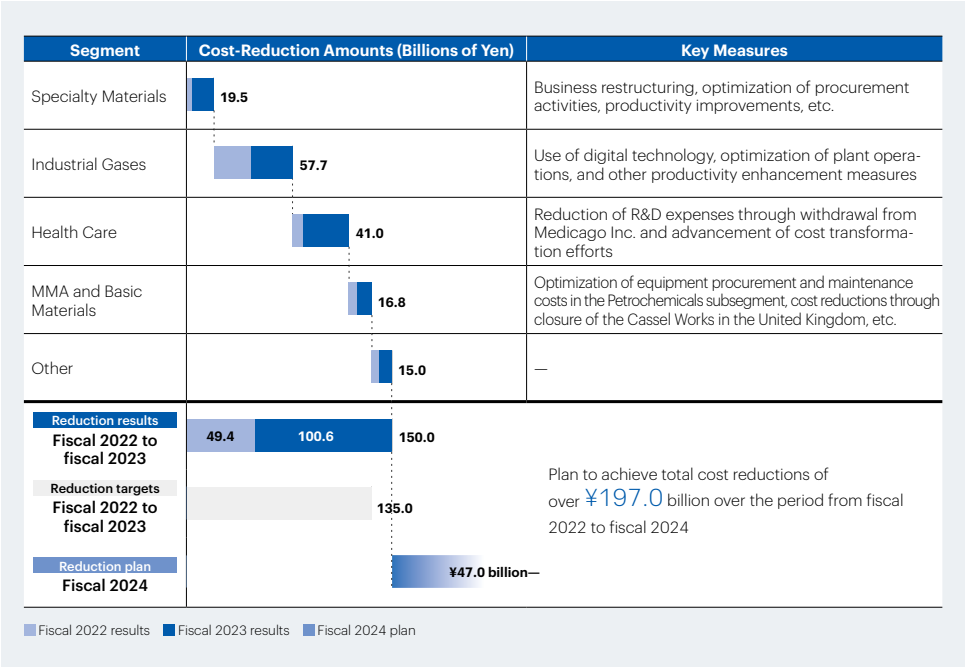
Strategic cost transformation

Successfully achieved cost-reduction targets by fiscal 2023

The Group is accelerating cost transformation efforts, restructuring the Health Care segment, exiting from non-profitable businesses, consolidating procurement processes across all businesses, and transforming operational processes. We are also promoting the consolidation of our Group companies and outsourcing some of our business operations.

By vigorously engaging in these measures, we achieved cost reductions of ¥150.0 billion over the two-year period from fiscal 2022 to fiscal 2023, exceeding our initial target of ¥135.0 billion.

Please see the chart below for specific measures taken by each segment and their cost-reduction contributions.



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Executable Plan Based on the “Forging the future” Management Policy



Five Key Pillars

Business to exit

Discontinue businesses that do not meet our growth and sustainability expectations

We will transform our business portfolio by considering factors such as consistency with management policies and creation of synergies among businesses, in addition to growth potential, profitability, and business stability. We will also continue to withdraw from businesses that do not meet our expectations for growth and sustainability.



Five Key Pillars

Leaner, digital, and empowered

Work to create a leaner, more efficient organization and promote integrated Group management

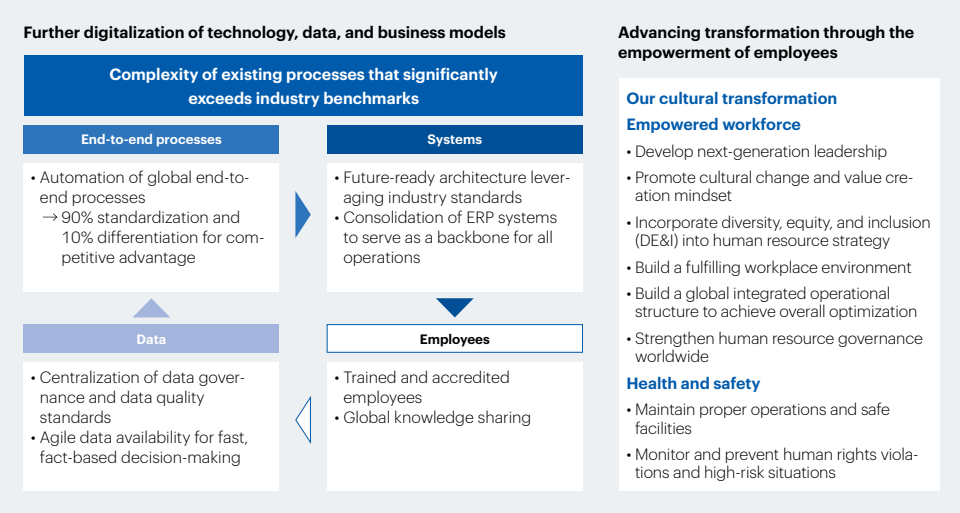
To downsize our organization, we have accelerated the Group’s structural reforms through our organizational structure changes and are improving the speed of management decisions. We are also appropriately delegating authority to each region and are aiming to reduce the number of Group companies globally by 25% by fiscal 2025. We expect our head count to fall by 10% through natural attrition, outsourcing, and other downsizing measures.

Optimization of Group companies and business sites		Simplified organization	
Downsizing and optimization of offices globally Closing and consolidation of locations		Natural attrition and other downsizing methods Redeployment and reskilling of existing employees	
Number of Group companies (vs. fiscal 2021)		Number of employees (vs. fiscal 2021)	
Fiscal 2023	Fiscal 2025 (estimate)	Fiscal 2023	Fiscal 2025 (estimate)
12% decrease	25% decrease	5% decrease	10% decrease

For digitalization, we will promote the use of digital technology in all areas of our operations, including order-taking and shipping in the supply chain as well as in R&D and human resources. We will implement four measures over the next few years to support fast decision-making in business: standardize business processes across the Group, consolidate systems and transfer data into the cloud, develop an internal data management system, and develop and recruit talent who can thrive in the digital age.

With respect to employee empowerment, we will transform our corporate culture by fostering the next generation of leaders, moving away from a seniority-based system, accelerating diversity in

leadership, and promoting a value-creation mindset. For that purpose, we will continue to ensure a safe and healthy workplace for all our employees.





Five Key Pillars

Strategic capital allocation

Allocate generated capital in a balanced manner to fund organic growth, increase shareholder returns, and provide a healthy balance sheet

As we work to improve business profitability and generate cash flows through fiscal 2025, we will firmly continue to transform our business structure, streamline business processes, divest our non-core businesses, and reduce working capital based on our “Forging the future” management policy. At the same time, we will allocate capital in a well-balanced manner to growth investments, R&D, debt reduction, shareholder returns, and other areas as well as strengthen engagement with stakeholders to maximize our corporate value.

With respect to dividends, we are targeting a year-on-year increase and a dividend payout ratio of 35% for fiscal 2025 under the “Forging the future” medium-term management plan while considering the need to increase internal reserves, which will fund our future business development. Going forward, we will discuss our dividend policy based on the new growth strategy and capital allocation policy and make an announcement at our business strategy conference in November 2024 (as of September 2024).

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Messages from the Heads of Business Groups



Specialty Materials

Frank Randall (Randy) Queen

Executive Vice President,
Head of Specialty Materials

In fiscal 2023, the Specialty Materials segment faced significant challenges due to inflationary pressures and other demand-related factors. As we look ahead to fiscal 2024, despite ongoing uncertainties, we maintain a cautious optimism that the toughest obstacles are now behind us. To enhance focus and accelerate progress, we are strategically dividing the Specialty Materials segment into three distinct subsegments. This restructuring aims to streamline operations and prioritize sectors where we possess technological advantages, robust market positions, and competitive strengths. Our continued focus on portfolio transformation underscores our commitment to sustainable growth and leadership within our specialized markets. We remain committed to navigating the evolving landscape with resilience and adaptability in the current fiscal year.

Industrial Gases

Toshihiko Hamada

Representative Director, President CEO
Nippon Sanso Holdings Corporation

The Nippon Sanso Holdings Group will expand business in highly resilient industries and promising sectors by flexibly responding to global geopolitical risks and the need for carbon neutrality and by leveraging its ties with diverse industries, which are a unique characteristic of its business. We will focus on the key strategies of NS Vision 2026, our medium-term management plan that is now in its third year, aiming to achieve all of our financial and non-financial KPIs in the plan's final year, and contribute to the enhancement of the Mitsubishi Chemical Group's corporate value in the process.

Health Care

Akihiro Tsujimura

Executive Vice President,
Head of Pharma

In the Pharma segment (name changed from the Health care segment since fiscal 2024), we are working to maintain a solid foundation in Japan and further strengthen the foundation of our North American businesses, which was cultivated through the growth of our amyotrophic lateral sclerosis (ALS) treatment drug, RADICAVA. It is becoming increasingly difficult to develop new drugs each year and expect to take on the challenge of responding to unmet medical needs and difficult drug targets. In order to continue creating innovative drugs, we will strengthen our expertise and utilize digital technology to improve the success rate and efficiency of our drug development so that we can create hope for all facing illness.

MMA

Satoshi Kurokawa

Executive Vice President,
Head of MMA & Derivatives

MMA-based materials have helped enrich the lives of people over the years due to their ability to retain their quality without deterioration. In addition, MMA is used in a variety of applications, such as medical equipment, mobility devices, construction materials, and electronics materials, due to its ease in adding functions and high reactivity. We are placing emphasis on commercializing MMA in manufacturing processes with the world's lowest carbon footprint and acrylic resin recycling facilities that account for the majority of our end products. The MMA segment will work as one to achieve its goals by promoting the conversion to MMA-based materials around the world.

Basic Materials

Yasuo Shimodaira

Executive Vice President,
Head of Basic Materials & Polymers

The Basic Materials & Polymers segment (new segment name since fiscal 2024) will take the lead in the Group's efforts to help achieve a sustainable society. Although we face significant challenges, we also see new opportunities to provide customers with products that offer even higher added value and differentiate our products even more. We will strive to enhance competitiveness by further streamlining our operations, steadily improve profitability by appropriately expanding our business scale and achieving reasonable prices, and invest toward the realization of carbon neutrality and a circular economy by sharing resources with other companies and obtaining government support. Through these efforts, we are committed to realizing a KAITEKI society.

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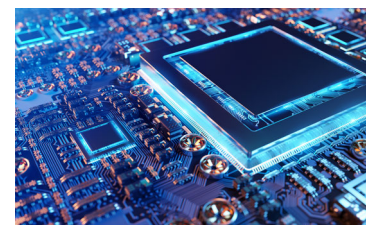
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Specialty Materials

Fiscal 2023 Performance

In fiscal 2023, sales revenue came to ¥1,172.9 billion (down ¥60.8 billion year on year) and core operating income totaled ¥5.3 billion (down ¥46.2 billion year on year).

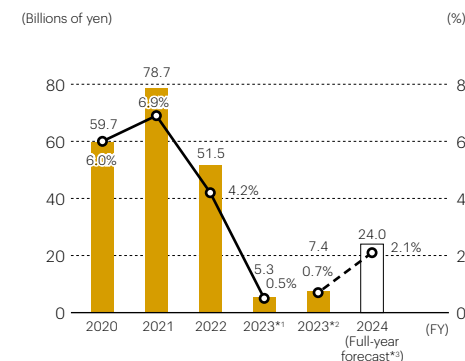
In polymers and compounds, sales revenue decreased due to a decline in sales volume reflecting slowdown in demand for barrier packages and paints / inks / adhesives, among other applications, despite the forex impact as well as the correction of selling prices.

In films and molding materials, sales revenue decreased due to a decline in sales volume reflecting slowdown in demand on the whole, including that related to carbon fiber, high-performance engineering plastics, food packaging films, and polyester films, despite the forex impact as well as the correction of selling prices.

In advanced solutions, sales revenue dropped as a result of a decline in sales volume mainly in the semiconductor-related business, despite the forex impact.

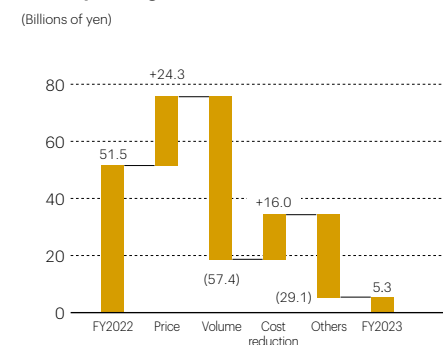
Core operating income in this segment decreased significantly year on year due mainly to a decline in sales reflecting sluggish overall demand, despite an improvement in the balance between cost and selling prices as a result of an effort to maintain and increase selling prices.

Change in Core Operating Income and Core Operating Margin



■ Core operating income (left axis) ■ Core operating margin (right axis)
 *1 Previous reporting subsegments *2 New reporting subsegments
 *3 Announced on May 15, 2024

Factors Underlying the YoY Change in Core Operating Income



Subsegments



► Polymers & Compounds

Develops greater added value for various materials and delivers high-performance materials globally
 Performance polymers, Soarnol™, GOHSENOL™, coating materials, etc.



► Films & Molding Materials

Utilizes a range of molding technologies to provide products designed for various applications
 Packaging and industrial films, polyester films, high-performance engineering plastics, carbon fiber and composite materials, etc.



► Advanced Solutions

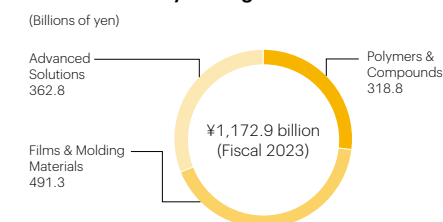
Offers new solutions to society that will increase value through advanced products and technologies, business models, and ideas
 Aqua solutions, life solutions, semiconductors and electronics, battery materials, etc.

Note: As of fiscal 2024, this segment consists of the Advanced Films & Polymers subsegment, the Advanced Solutions subsegment, and the Advanced Composite & Shapes subsegment.

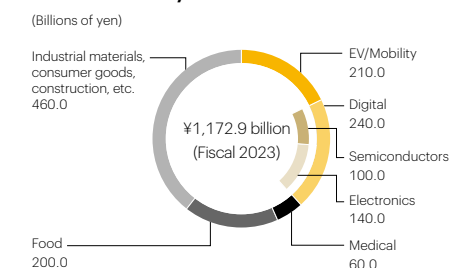
SWOT Analysis

Strengths	<ul style="list-style-type: none"> Integrated supply chain from raw materials to finished products Exceptional ability to develop technologies for quality control and adding various functions to materials
Weaknesses	<ul style="list-style-type: none"> Decline in competitiveness in the commodity products sector
Opportunities	<ul style="list-style-type: none"> Increased demand in markets with high growth potential (EV/mobility, digital, food, and medical)
Threats	<ul style="list-style-type: none"> Profit squeeze due to sharp rise in raw material prices, increasing local production for local consumption, a decline in domestic demand, etc.

Sales Revenue by Subsegment



Sales Revenue by Market



Note: Figures for Sales revenue by market are approximate.

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Specialty Materials

Segment Topics

Mitsubishi Chemical Group to increase Sugar Ester Emulsifier Production Capacity

Sugar Ester is an emulsifier made primarily from sucrose and fatty acids derived from vegetable oils and fats. It functions to mix water and oil evenly, helping maintain quality during food processing, distribution, and storage. It is used across a wide range of foods and beverages, such as canned coffee, dairy products (like whipped cream), and confectioneries (cakes, chocolate, etc.). The Group's Sugar Ester products account for approximately 70% of global market share, their strength lying not only in their superior emulsification ability but also in their capacity to be optimized in composition and structure to satisfy specific customer needs.

To meet steady domestic demand, growing demand from overseas such as China, and business continuity planning requirements, the Group started full-scale operation of the production facilities at the Kyushu Plant (production capacity: 2,000 tons/year) in March 2024 to complement those at the Tokai Plant (production capacity: 10,000 tons/year; Yokkaichi City, Mie Prefecture) currently in operation. The Group will also further increase manufacturing capacity through the addition of a new production line (1,100 tons/year), slated to start operation in March 2026 at the Kyushu Plant. The Group's Sugar Ester production facilities have already acquired kosher certification*1 and halal certification,*2 and we expect further increases in overseas demand going forward.



*1 Provisions based on Jewish precepts

*2 Provisions based on Islamic precepts

Initiatives to Resolve Social Issues in the Water and Environmental Businesses

Water resources are becoming more important than ever due to the impacts of climate change and globalization. The Group's water and environmental businesses provide a wide range of solutions, from materials to equipment and services using its core separation and purification technologies, mainly for the highly growing digital (semiconductor and electronics) and medical (life science) markets. In particular, we have a large global market share in the high-end markets for ion-exchange resins and hollow fiber membranes, two highly functional materials that comprise the core of our business. In addition to our B2B business, we are developing the Cleansui™ water purifier business for general consumers. By making the most of our knowledge and experience in these water treatment-related materials, equipment, and services, we will continue to propose solutions to social issues and contribute to the sustainable growth of our customers' businesses.

(Materials) Ion-exchange resins for ultrapure water production and EL hydrogen peroxide production

We boast a lineup of world-class ion-exchange resins for ultrapure water production and EL hydrogen peroxide purification, an essential part of semiconductor cleaning, to meet the high requirements of major semiconductor manufacturers, from cutting-edge semiconductors to power semiconductors. In anticipation of strong demand in the future, we decided to expand production at our Kyushu Plant.



(Equipment and Services) Ultrapure water production processes and advanced wastewater treatment facilities

For the semiconductor, medical, food, and various other industries, we provide facilities that integrate everything from the production process of ultrapure water used in semiconductor manufacturing processes to advanced wastewater treatment, which includes the reuse of wastewater and the recovery of valuable resources using hollow fiber membranes. We recently received an order for a total water treatment system from a large semiconductor plant related to electronic devices, which was certified by the Ministry of Economy, Trade and Industry under the Certified Supply Security Plan based on the Economic Security Promotion Act.



Contributing to PFAS removal

The problem of PFAS-based water contamination has been a topic in recent years, as concentrations exceeding regulatory limits have been detected in tap water in certain areas. PFAS is the generic name for more than 4,700 types of organic fluorine compounds. Two major types of PFAS are PFOS and PFOA, which are highly resistant to heat and chemicals and therefore are widely used in foam fire-extinguishing agents and Teflon coating of frying pans. However, because they are difficult to naturally decompose and discard, PFOS and PFOA have been designated as controlled substances in international treaties to eliminate or reduce their use. In 2023, our Cleansui™ water purifier cartridges were found to be effective in removing PFOS and PFOA.* Ion-exchange resins were also found to be effective in removing PFAS, and we will therefore engage in joint research with universities to develop and select more effective ion-exchange resins while keeping a close eye on the discussions on PFAS in Japan and overseas.

* Third-party testing laboratories confirmed that they can remove at least 80% of PFOS and PFOA concentrations designated in the Ministry of the Environment's "27 target items for water quality management" for tap water (in accordance with JWPAS B.210, a voluntary standard of the Japan Water Purifiers Association, for testing methods for water purifier removal performance, etc.).



Cleansui™ website (in Japanese only)



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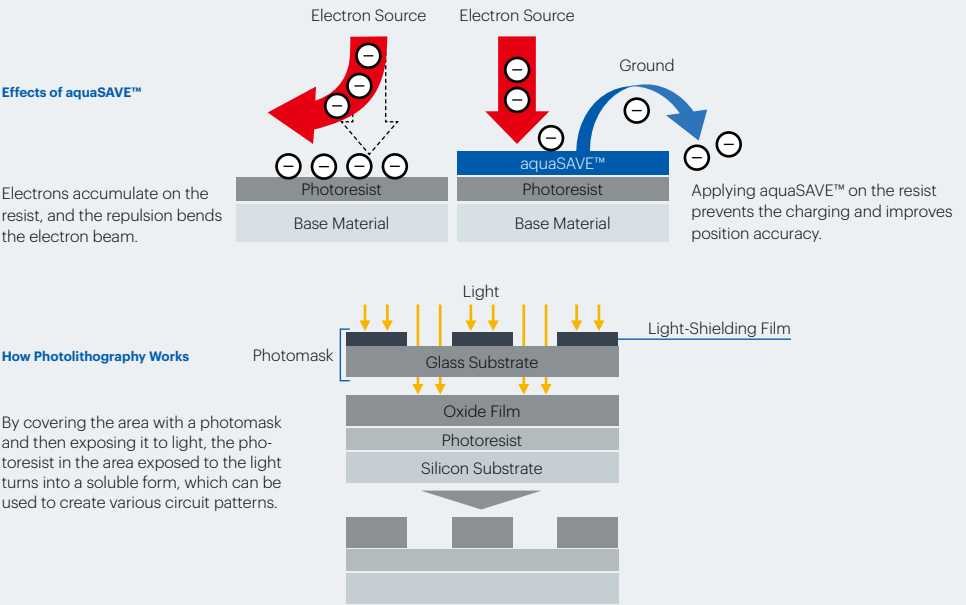
Specialty Materials

Photolithography-Related Products Supporting Semiconductor Manufacturing

Demand for semiconductor devices is increasing every year following changes in people's lifestyles; greater data communication volumes from the spread of 5G, AI, and the IoT; and the growing number of connected cars. Based on major global trends, we have designated the digital market as a key market and semiconductor-related products and services as the core business for this market. Photolithography, used in cutting-edge semiconductor processes such as AI, is a particularly promising product in this field.

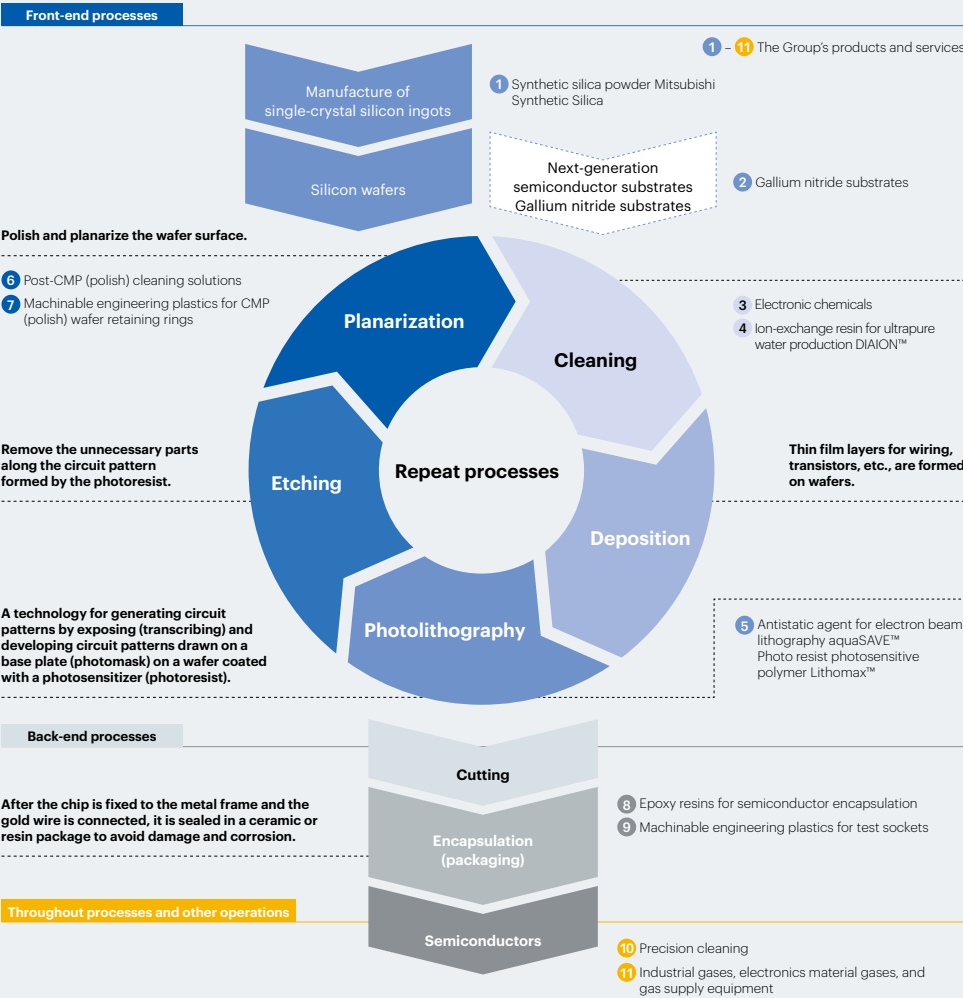
aquaSAVE™ is a water-soluble antistatic agent used to etch circuit patterns on photomasks. It is highly conductive and compatible with photoresists. Lithomax™ is a photosensitive polymer used as a resist for printing circuit patterns on wafers and is characterized by its extremely low metal content and level of impurities. Circuit patterns are becoming increasingly finer due to the improving performance of semiconductors, requiring ever-higher performance levels of these products. We offer products that meet these requirements, and they are being used by major photoresist manufacturers around the world.

We will continue to work with semiconductor manufacturers and other customers to resolve issues and create innovative solutions to underpin semiconductor manufacturing processes.



The Group's Key Products and Services for Semiconductor Manufacturing Processes

The semiconductor manufacturing process is divided into two general processes: front-end and back-end. In the front-end process, electronic circuits are formed on silicon wafers, and in the back-end process, semiconductor chips are cut from the silicon wafers and fixed and encapsulated (packaged) into products.



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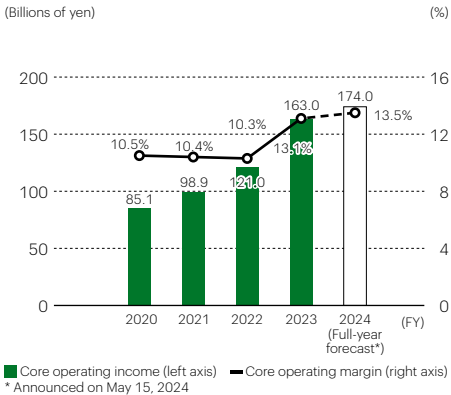


Industrial Gases

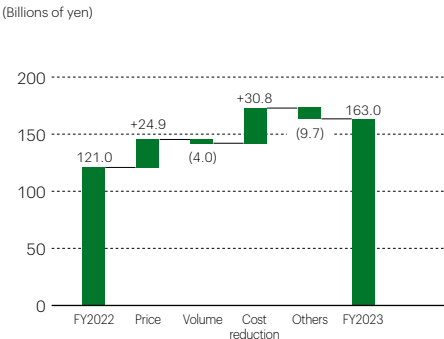
Fiscal 2023 Performance

In fiscal 2023, sales revenue came to ¥1,246.9 billion (up ¥69.0 billion year on year) and core operating income totaled ¥163.0 billion (up ¥42.0 billion year on year). Sales revenue increased as a result of price management efforts in each region as well as forex impact, despite sluggish demand in Japan and overseas. Core operating income rose thanks to cost reduction initiatives as well as to the aforementioned increase in sales revenue.

Change in Core Operating Income and Core Operating Margin



Factors Underlying the YoY Change in Core Operating Income



Subsegment



▶ Industrial Gases

Commands a top share of the domestic market and has built a global supply system Industrial gases and related equipment and facilities

SWOT Analysis

Strengths	• Top share in Japan's industrial gases market and ability to supply to global market
Weaknesses	• Fluctuating earnings due to electricity costs
Opportunities	• Growing investment opportunities around the world and stable demand in the electronics market and resilient markets (healthcare, food, beverages, etc.)
Threats	• Growing oligopoly of European and American gas majors in the global market

Segment Topic

Business Activity That Contributes to a Carbon-Neutral Society

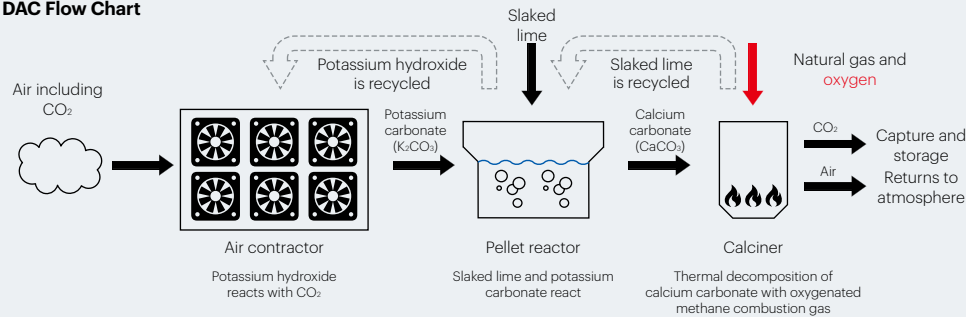
Matheson Tri-Gas, Inc. ("Matheson"), the U.S. operating company of the Nippon Sanso Holdings Group, has signed an oxygen supply agreement with 1PointFive, a company promoting the DAC* business, which directly captures CO₂ from the air. Matheson will install an air separation unit to supply oxygen to its first DAC plant in Texas. The oxygen will be used in the DAC process and the CO₂ generated in the DAC process will be safely sequestered in a reservoir. The DAC plant is expected to begin operation in the middle of 2025 and have the world's largest storage capacity capable of capturing 500,000 tons of CO₂ per year.

The oxygen solution was developed by Matheson's on-site business unit in collaboration with our leading technology and engineering partners.

This will strengthen its presence in the growth segment within the southern United States. Nippon Sanso Holdings Corporation will continue to actively identify and assess new customers and projects to achieve further business growth and help realize a carbon-neutral society.

* Direct Air Capture: The technology that 1PointFive will utilize is one developed by Carbon Engineering of Canada, which absorbs CO₂ from the air using a potassium hydroxide (KOH) solution.

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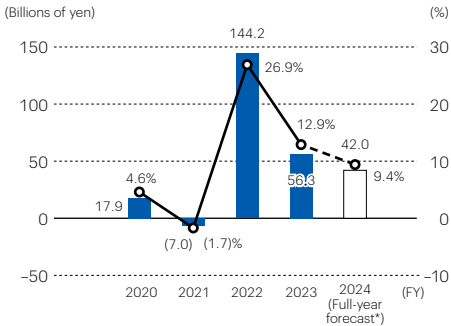


Note: The Health Care segment was renamed as the Pharma segment in fiscal 2024.

Fiscal 2023 Performance

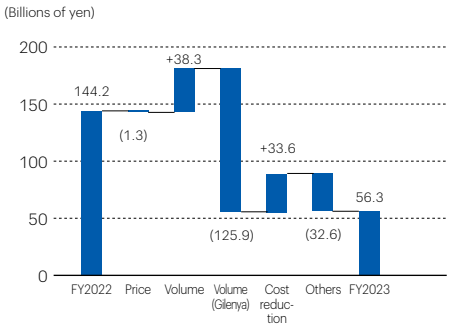
In fiscal 2023, sales revenue came to ¥437.2 billion (down ¥98.2 billion year on year) and core operating income totaled ¥56.3 billion (down ¥87.9 billion). Sales revenue decreased due to the recognition of sales revenue amounting to ¥125.9 billion in the fourth quarter of the previous fiscal year as a result of the arbitration related to royalties for Gilenya, a treatment agent for multiple sclerosis, as well as the negative impact mainly from National Health Insurance drug price revisions in the domestic ethical pharmaceuticals business, which more than offset the positive impact from steady sales of priority and new products and RADICAVA ORS®, a treatment agent for patients with amyotrophic lateral sclerosis (ALS), which was released in the United States in 2022. Core operating income dropped reflecting a significant impact of the recognition of sales revenue for Gilenya, despite decreases in R&D and other costs in tandem with the withdrawal from the Medicago business.

Change in Core Operating Income (Loss) and Core Operating Margin



■ Core operating income (loss) (left axis)
— Core operating margin (right axis)
* Announced on May 15, 2024

Factors Underlying the YoY Change in Core Operating Income



Subsegment



- ▶ **Health Care**
Develops precision medicine*1 and around-the-pill*2 solutions in fields where there are unmet medical needs
Central nervous system, immuno-inflammation, diabetes and kidney, and oncology

*1 Precision medicine: To provide the right medical care to the right patients at the right timing in consideration of differences in people's genes, environment, and lifestyle
*2 Around-the-pill solutions: To develop solutions to solve problems of patients from prevention to prognosis with therapeutic drugs as the core
Note: In fiscal 2024, this subsegment was renamed as the Pharma subsegment.

SWOT Analysis

Strengths	<ul style="list-style-type: none">• New drug creation capabilities in the pharmaceuticals business• Strong presence in priority drug markets, including those focused on the central nervous system, immuno-inflammation, and diabetes and kidney
Weaknesses	<ul style="list-style-type: none">• Delayed expansion into global markets
Opportunities	<ul style="list-style-type: none">• Demand for provision of diverse healthcare solutions• Increasingly diverse drug discovery activities due to technological advances• Unmet medical needs
Threats	<ul style="list-style-type: none">• Declining probability of success with drug discovery• Increasing R&D expenditures• Government measures to control healthcare expenditures and generic drugs entering the market

Segment Topic

Maximizing the Product Value of Edaravone

Edaravone (generic name), a drug used to treat ALS, was previously only administered intravenously. However, to address the unmet medical needs of ALS patients and their families, an easy-to-administer oral suspension formulation of edaravone (RADICAVA ORS® in the United States; RADICUT® Oral Suspension 2.1% in Japan) was developed and approved in the United States, Canada, Japan, and Switzerland. In March 2024, the U.S. Food and Drug Administration granted RADICAVA ORS® an Orphan Drug Exclusivity (ODE) approval for seven years from May 12, 2022, the date of its approval as an ALS treatment drug.



About Edaravone

Edaravone is a free radical scavenger discovered by Mitsubishi Tanabe Pharma Corporation. It was approved by the Ministry of Health, Labour and Welfare in April 2001 for the treatment of patients with acute ischemic stroke and is marketed in Japan under the product name of Radicut®. Edaravone has the effect of scavenging free radicals that arise accompanying cerebral ischemia, controlling the lipid peroxidation reaction and of protecting neurons in the region of the ischemia and the surrounding region. Accordingly, it is thought that edaravone has the effect of scavenging free radicals, which increase in ALS, protecting motor neurons from oxidative stress, and delaying the decline in muscle strength and the progress of muscular atrophy.

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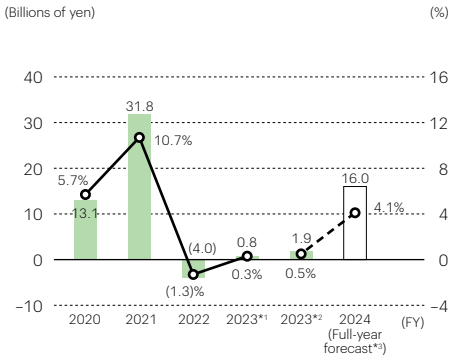
MMA

Note: The MMA segment was renamed as the MMA & Derivatives segment in fiscal 2024.

Fiscal 2023 Performance

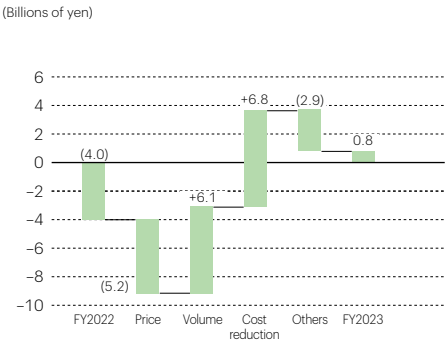
In fiscal 2023, sales revenue came to ¥281.6 billion (down ¥23.6 billion year on year) and core operating income totaled ¥0.8 billion (up ¥4.8 billion year on year). Sales revenue decreased due to a fall in market prices chiefly for MMA monomer. Core operating income rose, reflecting diminished impact from scheduled maintenance and repairs in addition to a decrease in expenses associated with the closure of the Cassel site in the United Kingdom.

Change in Core Operating Income (Loss) and Core Operating Margin



■ Core operating income (loss) (left axis)
— Core operating margin (right axis)
*1 Previous reporting subsegments *2 New reporting subsegments
*3 Announced on May 15, 2024

Factors Underlying the YoY Change in Core Operating Income



Subsegment



▶ **MMA**
Manufactures MMA using all three main manufacturing methods and delivers global supplies of MMA and MMA derivative acrylic resin MMA and PMMA

Note: As of fiscal 2024, the MMA segment consists of two subsegments, MMA and Coating & Additives.

SWOT Analysis

Strengths	<ul style="list-style-type: none">Three main manufacturing methods (and the only company worldwide with the new ethylene method called Alpha technology)Top share of the global MMA market at around 30%
Weaknesses	<ul style="list-style-type: none">Earnings fluctuations due to global market conditionsEarnings fluctuations due to feedstock material prices
Opportunities	<ul style="list-style-type: none">Business operation network capable of meeting growing global demand
Threats	<ul style="list-style-type: none">Competition against alternative materialsEmergence of new, highly competitive manufacturing methods

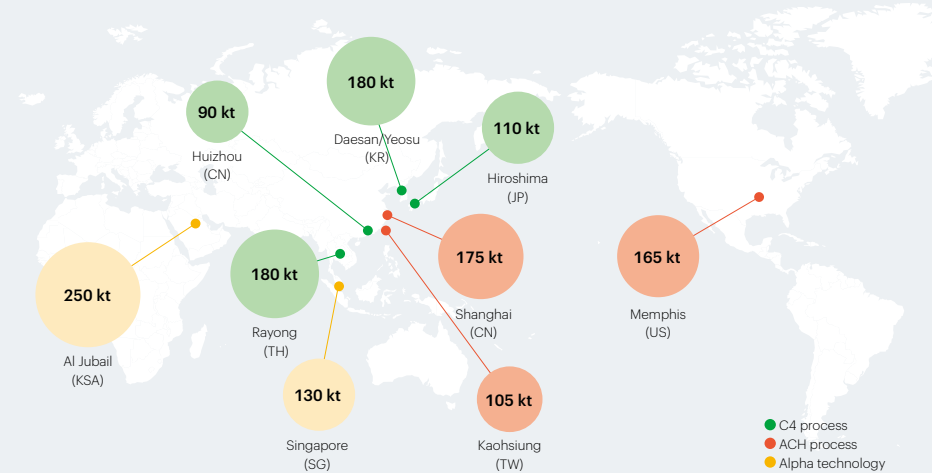
Segment Topic

Joint Development of Recycled PMMA for Automotive Bodies with Honda Motor Co., Ltd.

The Mitsubishi Chemical Group is working together with Honda Motor Co., Ltd. to develop PMMA acrylic resin for automotive bodies. We aim to improve the impact resistance necessary for automotive bodies by compounding rubber particles with PMMA, which can be colored in a variety of shades, thus eliminating the painting process and contributing to the reduction of CO₂ emissions. In addition, recycled PMMA is being used in this new resin material, which is expected to reduce GHG emissions over the entire product life cycle by approximately 50% compared to conventional products.

Note: Comparison between manufacturing petroleum-derived acrylic resin and incinerating the waste acrylic resin and recovering waste acrylic resin and manufacturing acrylic resin through molecular recycling

The Group's MMA Production Capacity



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Basic Materials

Note: In fiscal 2024, this segment was renamed as the Basic Materials & Polymers segment.

Fiscal 2023 Performance

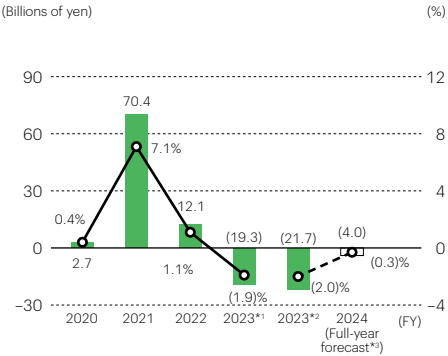
In fiscal 2023, sales revenue came to ¥1,008.6 billion (down ¥113.2 billion year on year) and core operating loss amounted to ¥19.3 billion (down ¥31.4 billion).

In petrochemicals, sales revenue decreased as sales volume dropped due mainly to a slowdown in demand and selling prices fell reflecting a decline in raw material costs, among other factors, despite the forex impact.

In carbon products, sales revenue dropped reflecting a decrease in selling prices for coke in tandem with a fall in raw material prices and a slowdown in demand.

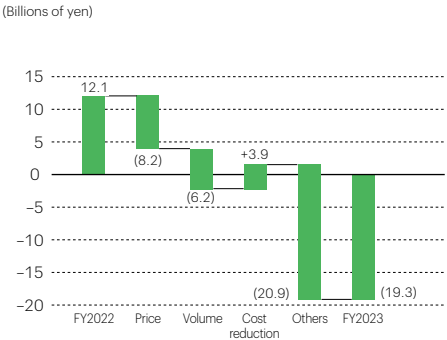
A core operating loss was incurred due to a reduction in inventory valuation gains in tandem with a fall in raw material prices and a decline in sales volume in line with a slowdown in overall demand, in addition to a deterioration in the gap between cost and selling prices reflecting mainly a fall in market prices for coke, despite an increase in the price gap between raw materials and products, primarily for polyolefin.

Change in Core Operating Income (Loss) and Core Operating Margin



■ Core operating income (loss) (left axis)
— Core operating margin (right axis)
*1 Previous reporting subsegments *2 New reporting subsegments
*3 Announced on May 15, 2024

Factors Underlying the YoY Change in Core Operating Income



Subsegments



- ▶ **Petrochemicals**
Operates ethylene plants in Japan and provides stable supplies of basic chemicals and high-performance polyolefins
Basic chemicals and polyolefins
- ▶ **Carbon Products**
Provides stable supplies of coke produced using superior coking coal formulation and quality control technologies to Japan and overseas
Coke, carbon black, carbon materials, and synthetic rubbers

Note: As of fiscal 2024, this segment consists of the Materials & Polymers subsegment and the Carbon Products subsegment.

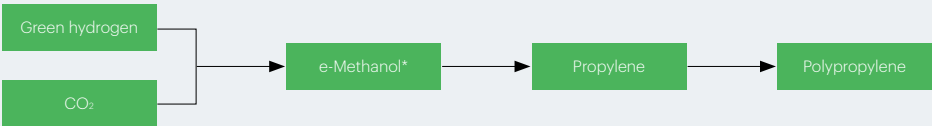
SWOT Analysis

Strengths	Petrochemicals: Accumulation of advanced technologies across a broad product chain from basic petrochemicals to derivatives Carbon products: Coking coal blending technologies and coke quality control technologies
Weaknesses	Petrochemicals: Fluctuation in earnings due to market price and conditions of feedstock materials or demand trends across the globe Carbon products: Fluctuation in earnings due to market price and conditions of feedstock materials or demand trends across the globe
Opportunities	Petrochemicals: Developing knowledge-based business in growing global regions (e.g., technology license, catalyst sales) Carbon products: Growing demand for coke in India and other developing countries where crude steel production is expanding
Threats	Petrochemicals: Sluggish Asian market due to large scale of capacity expansion in China and South Korea Carbon products: Trend shift to the use of low-carbon technology in the steel industry

Segment Topic

Strengthening Efforts to Commercialize CO₂-Based Chemicals with an Eye on Carbon Neutrality and a Circular Economy

At the Japan-UAE Business Forum held in Abu Dhabi in July 2023, Abu Dhabi Future Energy Company PJSC-Masdar, the Mitsubishi Chemical Group, and INPEX CORPORATION announced an agreement to conduct a joint feasibility study for a carbon recycle chemicals project that includes production of the world's first commercial-scale polypropylene produced from CO₂ and green hydrogen. Utilizing the Group's technology for directly producing propylene from methanol, we will review processes from the procurement of feedstock materials, including hydrogen production and CO₂ collection, to the production of e-methanol*, propylene, and polypropylene while exploring the possibility of commercializing the carbon recycle chemicals project, including CO₂ reduction impacts on a life-cycle basis. In so doing, we aim to help various industries decarbonize or reduce their carbon footprint.



* Synthetic methanol made from hydrogen (green hydrogen) produced using CO₂ and electricity derived from renewable energy. The "e" for "electric" implies electricity generated from renewable energy.

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Message from the CTO

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We will promote innovation activities to not only develop materials but also provide solutions to issues facing society and markets.

Toshiya Katsuragi

Senior Vice President,
Chief Technology Officer (CTO)

I assumed the position of chief technology officer in April 2024. In this section, I will discuss the innovation management that we are pursuing at the Mitsubishi Chemical Group.

Basic insight into the chemical industry and the changing role of R&D

The chemical industry played a key role during Japan's period of high economic growth from the mid-1950s to the early 1970s, creating a variety of materials and enriching people's social lives. However, the times have changed and the industry has matured, and now we are in an age when it is extremely difficult to develop

new businesses simply by relying on the power of chemistry to create new materials. In today's world, where there is increasing emphasis on reducing environmental impact and realizing a sustainable society, we must invent new approaches to business development by assessing our role as a company in achieving a recycling-oriented society.

To resolve the issues of society and markets through innovation activities, the Group will shift its mindset to provide solutions by leveraging chemical technology. In this way, we will lead with innovative solutions to achieve KAITEKI, the well-being of people and the planet.

Our approach to transforming the role of R&D and the attendant challenges

Innovation is not realized by the research team alone. It requires a unified effort between personnel involved in manufacturing, sales, and engineering. In addition, business models as well as the expected roles and contributions of R&D differ by business segment. In 2023, the Mitsubishi Chemical Group's R&D structure was divided into that of its business groups and that of its corporate functions, clarifying the functions and roles of each organization. At the same time, the Group's management is focused on promoting the green transformation of chemical materials and their manufacturing processes, with the aim of realizing a sustainable society as well as contributing to the growth of customers' businesses by providing specialty materials and solutions that align with the increasingly sophisticated needs of society. We are committed to delivering even greater value through innovation in a timelier manner through a flexible approach tailored to the characteristics of our business.

Our fundamental technologies, accumulated data and technical information, and open innovation activities are important elements that both accelerate and underpin innovation. In particular, the power of digital technology, which continues to make remarkable advances, is expected to maximize the value of our technological assets. We will continue to assess our business model, business strengths, and our role as a company to develop a foundation that does not get swept away by the drastic changes in our business environment.

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Innovation Strategy

▶ Basic Strategy for Innovation

The Mitsubishi Chemical Group is focusing on the following two areas:

- Pursue green transformation (GX) of chemical materials that support and enrich our lives and their manufacturing processes to reduce our environmental impact in order to realize a sustainable society
- Contribute to customers’ business activities by providing specialty materials and solutions in line with the increasingly sophisticated needs of society

In 2023, we divided our R&D organization into that of business groups and that of corporate functions for the purpose of conducting innovation activities in a more strategic manner through an emphasis on our focus markets. By clarifying the roles of the business groups and corporate functions, we will accelerate the creation of corporate value through the flexible execution of technology development, open innovation, and intellectual property activities in accordance with the characteristics of our business.

MOT Indices

Management of Technology (MOT) is one of our three approaches to realizing KAITEKI management, along with Management of Economics (MOE) and Management of Sustainability (MOS). It consists of the following three indices that classify the innovation process as input (I), process (P), and output (O) and visualize the elements of innovation that are key to taking on challenges and remaining competitive in the pursuit of realizing KAITEKI.

Index name	Examples of items measured
I index group	Ratio of R&D expenditures to sales revenue
P index group	Degree of progress on R&D projects and digital transformation
O index group	Sales of new products, number of patent applications, and patent value

Fiscal 2023 financial results: [Page 15 Activity Report for Fiscal 2023](#)

Focus areas

GX

While it is safe to assume that the importance of plastic as a material that underpins social infrastructure and lifestyles will remain unchanged, the issues of greenhouse gas emissions stemming from the production and disposal of materials and environmental damage caused by plastic waste are becoming increasingly apparent. As a key member of the chemical industry, it is our mission to squarely confront and resolve these issues.

As a chemical material manufacturer, the catalytic technology, biotechnology, and chemical engineering processes (e.g., separation, purification) the Group has cultivated to date are expected to contribute greatly to the realization of carbon neutrality and a circular economy. On the other hand, handling a wide range of materials can be a challenge from a recycling point of view, so reducing our line of materials is essential to helping achieve a recycling-oriented society. There is a growing need for recyclable materials, and we believe that physical property control technologies based on surface treatments and structural designs will become more important going forward.

Specialty Materials segment

The environment surrounding material manufacturers has been changing due to market segmentation and diversifying consumer trends in line with the maturing of society. It is important that the Specialty Materials segment meets the functional needs of customers and that it has the basic evaluation technology to verify this. However, business models differ by business and therefore the roles expected of R&D and the contributions it is expected to make also vary significantly. There are businesses that specialize in the development of next-generation products, such as electronics and mobility devices, and are required to provide products and technologies that meet the needs of customers in a timely manner. Meanwhile, there are also businesses that focus on application development that seek to create new value by combining the necessary materials without being limited to their own products. To respond flexibly to diverse business environments, we will create new businesses by clarifying the roles of manufacturing, sales, and engineering.

The Heart of Our Innovation

We are promoting R&D from a medium- to long-term perspective by consolidating our R&D functions at the Science & Innovation Center in Yokohama City. Through the completion of the center’s newest research facility in 2022, we modernized the R&D environment to realize a truly global hub for innovation. This has dramatically increased the number of interactions between researchers in different fields and with external partners; spurred the introduction of various advanced technologies, such as analysis and evaluation instruments, automated experimental equipment, and high-performance computers; and accelerated the development of new materials. With this state-of-the-art facility as the foundation, we will create a culture that encourages researchers to take on the challenge of solving new issues while gaining first-hand knowledge of the market and social conditions.



The Science & Innovation Center’s newest research facility

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Innovation Strategy

▶ Open Innovation and Basic Technologies

Open innovation

The main objective of open innovation is to accelerate the development of products and services by quickly accessing the latest technologies and knowledge through collaboration with external parties. In an age of complexity and rapid change, it is also important to be able to respond to scenarios that differ from our vision of the future. Activities to increase business value in the short term by developing new business models with innovative ideas




and technology are an area of expertise for start-up firms, and investment activities through corporate venture capital is one of the key measures of open innovation.




The Group's products for focus markets and the basic technologies that underpin their development





Business models differ by business and so do the roles and contributions expected of each R&D organization. It is important to share road maps for insight and strategies regarding various

markets and appropriately divide and coordinate the roles between business groups and corporate functions. The Group aims to develop technologies that are attractive to customers and business partners and which help form closer ties with them. By applying the technologies and knowledge we have acquired to the front lines of business, we underpin the development of the Group's products.

Overview of collaboration with start-ups receiving Group investment








Start-up company	Specialty and scope of collaboration
	<ul style="list-style-type: none">■ Agile manufacturing solution combining additive manufacturing and injection molding for specialty products■ Joint development of additive materials (Acquired by Nexa3D, Inc.)
	<ul style="list-style-type: none">■ Plant-based proteins and products as a substitute for traditional food products■ Development of alternative meat ingredients
	<ul style="list-style-type: none">■ Holographic waveguide display technology for next-generation augmented reality (AR)/virtual reality (VR) devices■ Development of plastic waveguides for AR/VR devices

Start-up company	Specialty and scope of collaboration
	<ul style="list-style-type: none">■ 5G radio frequency communication technology leveraging gallium-nitride semiconductors for energy and spectrum efficiency■ Development of applications for gallium-nitride substrates in 5G communications networks
	<ul style="list-style-type: none">■ Continuous monitoring and optimization of industrial and laboratory systems■ R&D efficiency and continuous process improvement (Acquired by Yokogawa Electric Corporation)
	<ul style="list-style-type: none">■ Water-soluble and biodegradable bio-derived polymer raw material substitute for film and plastic applications■ Development of green materials for customer needs

Start-up company	Specialty and scope of collaboration
	<ul style="list-style-type: none">■ Plant-based sustainable composites and materials to replace wood in automotive and industrial applications■ Development of bio-based composite solutions
	<ul style="list-style-type: none">■ Custom-made, serum-free cell culture media for pharmaceutical, regenerative medicine, and food applications■ Material development for cell culture-related markets
	<ul style="list-style-type: none">■ Koji-based food products as a substitute for traditional meat products■ Development of alternative meat ingredients and geographic expansion
	<ul style="list-style-type: none">■ Chemical recycling and manufacturing processes for carbon fiber waste■ Supply chain development and partnerships

■ Specialty ■ Scope of collaboration

The Group's technologies and products matched to focus markets

	 EV/Mobility	 Digital	 Food	 Medical	 Building/Infrastructure	 Consumer Goods	 Industrial
Key trends	<ul style="list-style-type: none">• Electrification• Lightweight materials• Modern design	<ul style="list-style-type: none">• Speed and complexity• Miniaturization• Smart homes and applications	<ul style="list-style-type: none">• Nutrition and health• Reduction of food waste• Processability	<ul style="list-style-type: none">• Longevity• Quality of life• Tailored implants	<ul style="list-style-type: none">• Energy efficiency• Modular construction• Insulation	<ul style="list-style-type: none">• Personalization• Sustainability• Renewable resources	<ul style="list-style-type: none">• Smart materials• Remote operation• Robotics and automation
The Group's products and technologies	<ul style="list-style-type: none">• Battery materials• Composite materials• Specialty polymers and compounds	<ul style="list-style-type: none">• Semiconductor materials, equipment, and components• Precision cleaning for semiconductor manufacturing• Display films and materials	<ul style="list-style-type: none">• Emulsifiers• Vitamins and nutrition• Gas barrier films• Probiotics	<ul style="list-style-type: none">• AI-powered drug discovery• Biomodality-related technologies• Biocompatible materials	<ul style="list-style-type: none">• Construction materials• Additives for adhesives and coatings• Façade design materials	<ul style="list-style-type: none">• Carbon fiber composites• Water soluble polymers• High-performance water filtration	<ul style="list-style-type: none">• Industrial processing films and membranes• Oxygen combustion technology• Additive manufacturing technology

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▶ Innovation Case Studies

Scope of GX

1. Sustainable MMA and PMMA

We are working to achieve the sustainable production of methyl methacrylate (MMA), for which we hold the world's largest market share, and polymethyl methacrylate (PMMA, or acrylic resin), which is produced from MMA, through a variety of approaches.

We have developed a chemical recycling technology for PMMA and are planning to construct a commercial plant. We are also promoting the use of plant-based materials at our existing facilities and the development of plant-based MMA using a new fermentation method and are working to develop practical applications to respond to our customers' increasing needs for GX.



Acrylic resin

2. Full-scale entry into carbon fiber recycling business

The use of carbon fiber helps reduce the weight of automobiles and other mobility devices. In Japan and Europe, the Group is developing a business that manufactures, recovers, and recycles carbon fiber products by integrating these processes. We are also working to develop new applications for recycled carbon fiber.



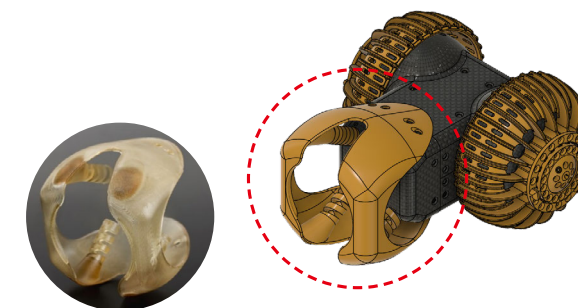
Carbon fiber tow (continuous fiber)

Scope of specialty materials

Using compliant mechanisms, we are promoting product development through a new approach that combines material knowledge, a Group strength, with structural design and optimization simulation technology.

A compliant mechanism is a design concept in which products are molded in one piece using elastic materials to flexibly transfer force and motion to achieve its intended function. Compared with conventional molded products, a compliant mechanism enables component designs with improved operational accuracy, fewer parts, and higher recyclability.

One of the required functions for components designed for the YAOKI lunar rover, developed by Dymon Co., Ltd., was impact resistance. However, a highly rigid design would increase weight, and consequently, the cost of transportation. To address this issue, the Group incorporated the compliant mechanism concept in the design and reviewed the structures of these components from the materials up, succeeding in designing a model with significantly better impact resistance compared with conventional products while minimizing increases in weight. The Group used its proprietary technology to injection-mold the complex shapes of the designed components, which are impossible to form by ordinary injection molding, into one piece. This innovation led to the adoption of the model for the YAOKI lunar rover.



Components used in YAOKI lunar rover

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An Intellectual Property Strategy to Support Growth

► Basic Policy

The Mitsubishi Chemical Group positions patents, trademarks, copyrights, know-how, data, and other intellectual property as important management assets. We aim to boost corporate value by effectively using these assets mainly through securing our competitive advantage, but also through collaboration with other companies and licensing.

When our intellectual property rights are infringed, our approach is to confront the situation squarely and take appropriate action. Equally, we respect the intellectual property rights of other companies and act so as not to infringe on valid intellectual property rights belonging to other parties.

Basic Policy

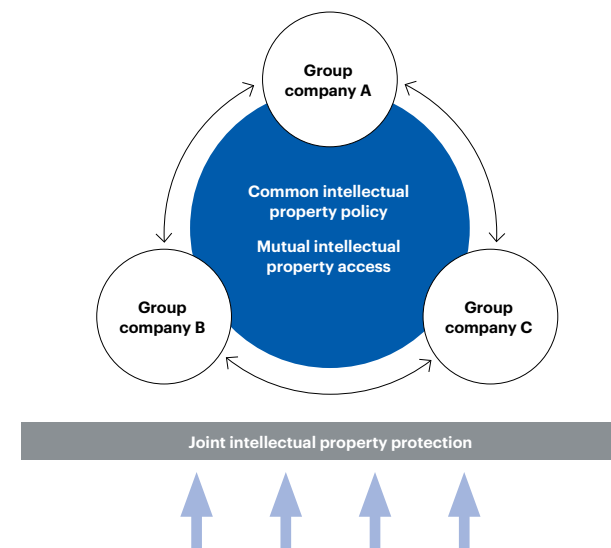
- **Increase corporate value through the effective utilization of intellectual property**
Securing of competitive advantage, collaboration with other companies, licensing, etc.
- **Respond with appropriate action to third-party infringement of our intellectual property rights**
- **Respect the valid intellectual property rights of other parties**

► Intellectual Property Management System

To maximize the value of the Group's intellectual property portfolio, we promote mutual access to intellectual property among Group companies. We have also devised frameworks and regulations through which we work together to respond to third-party intellectual property claims.

We have formulated an intellectual property policy that is applied uniformly by domestic and overseas Group companies, enabling us to pursue global intellectual property activities founded on a shared approach.

Intellectual property management system

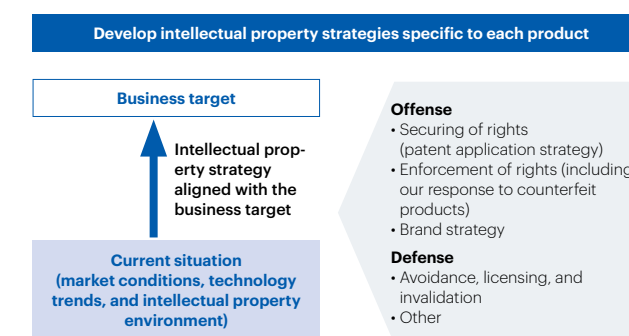


► Intellectual Property Strategy

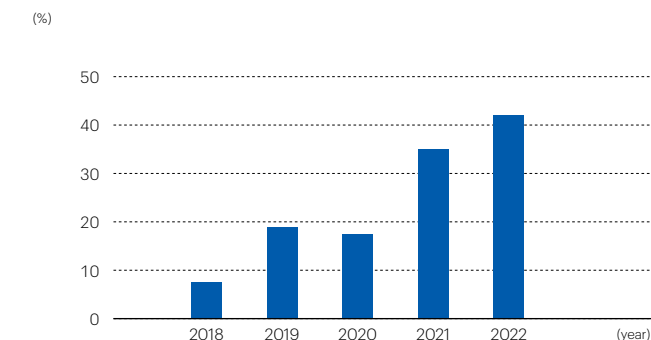
The Group sells a highly diverse range of products, from basic materials to performance products for specific applications, and the situation for different products can vary widely. Accordingly, a major feature of our intellectual property strategy is to develop a strategy specific to each product. Our intellectual property division works together with business and R&D divisions to set business targets for divisional products. We then configure an intellectual property approach based on an accurate understanding of the market, technology, and the intellectual property environment. The result is codified and implemented as our intellectual property strategy.

As one example of the results achieved by our intellectual property strategy, the Group was selected for inclusion (at the 89th position) in "Exploring the Global Sustainable Innovation Landscape: The Top 100 Companies and Beyond," a report issued by LexisNexis Intellectual Property Solutions.

Intellectual property strategy



Percentage of patent filings related to promoting a circular economy (Polymers & Compounds and MMA)



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Message from the CDO

Using digital technologies and digital business models, we will continue to rapidly transform business processes and enhance value and productivity while fostering “Smarter Employees” (digitally savvy employees) who will guide us toward the realization of KAITEKI as a digital chemical company.

Yuji Ichimura

Senior Vice President,
Chief Digital Officer (CDO)



Becoming a global company that strives for excellence through its digital strategy

In formulating a concrete action plan that focuses on its management policy and strategies, the Mitsubishi Chemical Group redefined its vision to become a digital chemical company that can adapt to continuously changing markets, based on a digital strategy that serves as the key to its transformation. We are aiming for global excellence by utilizing digital technologies and digital business models and by transforming processes and how they are managed to improve earnings.

In concrete terms, we will work through a cycle of (1) developing a deep understanding of internal and external environmental changes and customer circumstances in real time, (2) having open discussions and making factually substantiated decisions based on data and information analysis, and (3) springing into action and making improvements through continuous review.

To achieve this, every single employee will need to act with the courage to change conventional ways of thinking and standard business practices. As the leadership team, our role is to create systems and an environment that support our employees to be bold and take action.

I do not want our digital divisions to only play a role in developing our IT systems. Rather, we need to shift our attention to working with other divisions to create new value and lead our transformation. To help realize this vision, under the new executive structure and our new president & chief executive officer, Manabu Chikamoto, who assumed office in April 2024, we will reinforce our project promotion system using new technologies and strengthen collaboration with overseas bases to expand our global business through a Groupwide effort, by means of which we will resolve major social issues, including the realization of carbon neutrality and a circular economy. Moreover, we will continue to evolve as a digital chemical company by drawing on

digital technologies to connect and co-create with suppliers, business partners, and customers involved in the advancing digital society, its infrastructure, and our value chains.

Creating new value through “Genba (Operation) × Digital” innovation

My view is that a digital chemical company can multiply value through “Management × Business × Genba (Operation) × Digital.” The Mitsubishi Chemical Group’s strengths lie in its wealth of talented employees who tackle challenges head-on. I am confident that we can create enormous value if we help every single employee on-site to become a “Smarter Employee” who can utilize digital technologies and digital business models in their work.

We have defined what it means to be a “Smarter Employee” for each position and are continuously promoting work reforms while modeling smart ways of working through the daily use of AI. Meanwhile, the measures we have taken to create a citizen development environment and train users have expanded the number of employees using digital technologies and led to the creation of work reform systems one after another. Our efforts to foster “Smarter Employees” are steadily making strides, and the results are starting to show.

Today, we have multiple top-down and bottom-up digital projects running in parallel. As the chief digital officer, I focus on achieving even closer communication with key people at each site to promote and implement these activities.

As a group with such a wide-ranging product portfolio, I think that our drive to understand society’s needs in real time and make immediate changes will be crucial for our transformation into a green specialty chemical company with a focus on performance products. Our transformation may also help drive change across Japan’s entire manufacturing industry.

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Digital Strategy

We are making steady progress with our digital strategy aimed at improving earnings and developing “Smarter Employees.” We are working to become a digital chemical company by utilizing digital technologies and digital business models, creating new value by coordinating across divisions, leading transformation inside and outside our organization, and cementing the competitive advantage of the Mitsubishi Chemical Group.

▶ Moving Forward with the Digitalization of Society to Become a Digital Chemical Company

Our digital divisions have been tasked with playing three key roles: (1) Trusted Operator, creating environments to take full advantage of digital technologies; (2) Business Creator/Co-Creator, creating and co-creating new value; and (3) Change Instigator, leading our transformation journey.* We have clarified which of these three roles our various projects for becoming a digital chemical company correspond to and have set KPIs and are monitoring progress to steadily execute our strategy. In the past few years, there have been significant expectations for the digital divisions to act as a Business Creator/Co-Creator and Change Instigator, so we are focusing our efforts on projects where we can play these roles.

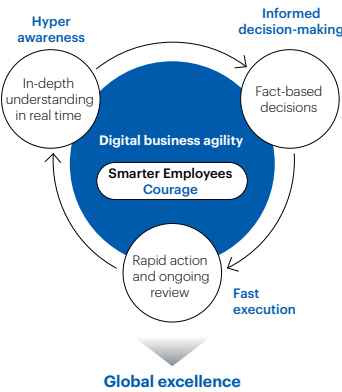
In addition, as we evolve into a digital chemical company, the digitalization of society as a whole, including the provision of products and services using digital technology, the analyses of customer and market data and trends, and their use in formulating strategies and processes, will work in concert with one another. This will facilitate long-term business growth and the creation of new businesses and contribute to the establishment of laws and regulations and the realization of the SDGs and green transformation (GX). Through these efforts, we will achieve the type of organizational and corporate management that is conducive to the Group's internal and external activities.

* Created in-house based on the “2020 Global Technology Leadership Study” by Deloitte Tohmatsu Group

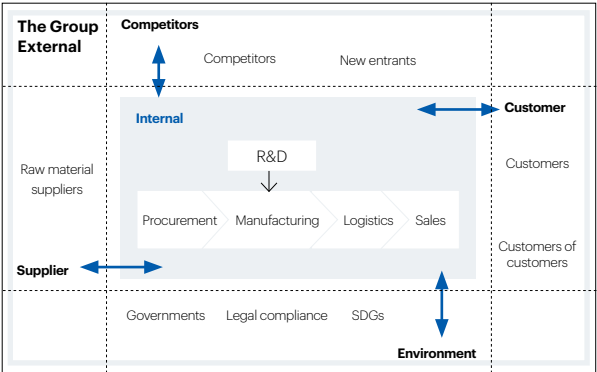
Key projects

Trusted Operator	Creating environments to take full advantage of digital technologies Management: Realize data-driven decision-making by visualizing earnings and business performance Manufacturing: Introduce operational data-sharing platform to control plant operations remotely HR: Develop “Smarter Employees” and set up reverse mentoring for IT
Business Creator/Co-Creator	Creating and co-creating new value Sales: Improve commercial capabilities through dynamic pricing GX: Use digital technologies to strengthen life cycle assessment (LCA) system HR: Introduce global HR system
Change Instigator	Leading our transformation journey Procurement: Transform our procurement functions R&D: Develop and utilize unique data-based applications to speed up customer solution proposals Infrastructure: Consolidate global enterprise resource planning (ERP) system and promote citizen development using low-code platform Logistics: Establish collaborative logistics in the chemical industry Sales: Identify potential customers

Relationship between a digital chemical company and “Smarter Employees”



Value chain of a digital chemical company



Becoming an exceptional global company through the development of “Smarter Employees”

	Hyper awareness In-depth understanding in real time	Informed decision-making Fact-based decisions	Fast execution Rapid action and ongoing review
Top	Understand the information necessary to plan business strategies in real time using digital tools	Make objective and strategic decisions by assessing analytical reports	Achieve maximum results by implementing strategies quickly and effectively
Core	Propose innovative solutions through an understanding of the latest technologies, business trends, and competitive environment	Support top-level decision-making by performing complex data analyses and technology assessments	Flexibly implement and develop technology, formulate plans and goals, and rapidly execute projects
Members	Utilize digital tools to collect the necessary data	Perform simple analysis of collected information and apply it to business operations	Expedite own tasks using digital tools

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▷ Projects to Achieve Our Goal of Becoming a Digital Chemical Company

Project Compass

Establish management dashboards that underpin data-driven decision-making

Compass is a project to develop management dashboards that enable the Group's business performance to be monitored in real time. The establishment of unified KPIs and standardized data processes has enabled data-driven decision-making and enhanced the transparency of business performance.

To enable decision-making through these dashboards, we focused on developing a data infrastructure and data model to store the data necessary for managing business performance and digitalizing business processes using the dashboards. This has allowed management to quickly access the reports they need as well as reduce labor hours and eliminate dependence on specialists on the front lines by abandoning the use of Microsoft Excel.

We have developed two main dashboards: Key Financial Dashboard for monthly financial reporting and Sales Dashboard for the monitoring of sales activities from multiple perspectives, including markets and customers. We are working to disclose more information and enhance convenience by expanding the range of data and improving reporting functions.

Going forward, we will work to redesign the entire report to accelerate our decision-making process, expedite data-driven decision-making, and enhance the transparency of business performance.



Management dashboard developed through Compass

Project PROMITO

Toward transforming our procurement function

To achieve our Groupwide policy, we are restructuring the operational model for our procurement function, starting with Europe, the middle East, and Africa (EMEA) and North America. The program, called PROMITO (PROcurement MITsubishi One), reduces costs in the short term, improves supplier capabilities, and centralizes the procurement function with the aim of becoming a trusted partner for business groups.

This project was designed with the intent of transforming our procurement function on a global basis, and we have begun by designating EMEA and North America as pilot regions to centralize our purchasing processes. In both regions, we have restructured our organization and transitioned from a procurement function based on each business group to a centralized procurement function based on each region. Combining procurement volumes across business groups results in better terms and conditions when negotiating with suppliers, as well as more effective communication and collaboration of the business overall. We are also working to establish a regional hub to manage our procurement operations and a center of excellence to provide expert advice on procurement-related activities.

In addition to organizational restructuring, the Group has implemented external cost-reduction programs to ensure profitability. While optimizing the order process and product and service specifications, we negotiate with suppliers by taking advantage of our economies of scale across business divisions and business sites to help reduce purchasing costs. We will look to expand the scale of our procurement activities going forward.

Project Pipeline

Managing and measuring the growth performance of new sales opportunities through the global management of our pipeline

We are working to implement pipeline management on a global basis to visualize new business opportunities. For this project, we manage the pipeline, which is a series of sales activities from inquiry to order receipt, by dividing it into globally unified opportunity stages. This enables the entire pipeline, from inquiry to order receipt, to be viewed globally using the same platform.

The implementation of this system enables our sales performance to be visualized in a uniform manner without delays, aiding in decision-making and strategy formulation and enabling sales activities to be conducted more efficiently.

Also, the progress of sales activities can be monitored on a unit-by-unit basis, such as teams, departments, and divisions. Analyzing sales performance from various perspectives will allow us to realize more efficient management and conduct sales activities in a timely manner through the use of data.

Sales activities encompass a wide range of areas, from activities that take place prior to customer acquisition to after-sales services following the receipt of orders. We will start by managing our pipeline so that we firmly gain new business opportunities. Going forward, we will look to develop related systems, such as marketing automation, customer experience management, and after-sales services and support, with our core systems and integrate them within our pipeline.

In these ways, by managing and visualizing sales activities, we will provide products and services that deliver even greater value to customers in a timelier manner.

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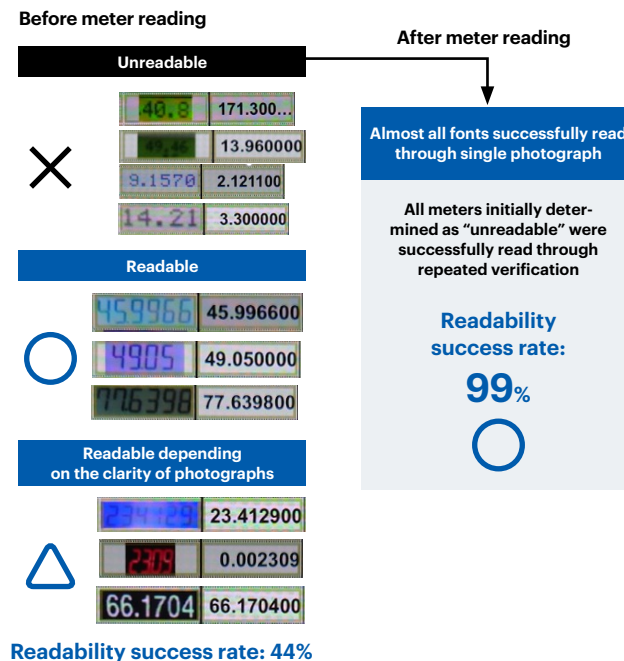
Digital Strategy

► Business Transformation through the Use of Digital Technology

Enabling more efficient reading of numerical values through the introduction of optical character recognition (OCR) function

In the past, inspectors read meters on testing equipment, manually entered numerical values on electronic forms, and took photographs of meter readings for proof of these values. The manually entered values and photographic evidence were then double-checked and saved, and further examined for any deficiencies by a checker and an approver.

Due to the additional work involved in this process of checking the numerical values and photographic evidence, we were faced with the need to reduce work time and the burden on employees' physical and mental health while ensuring that there are no numerical input errors. With this in mind, we introduced the OCR



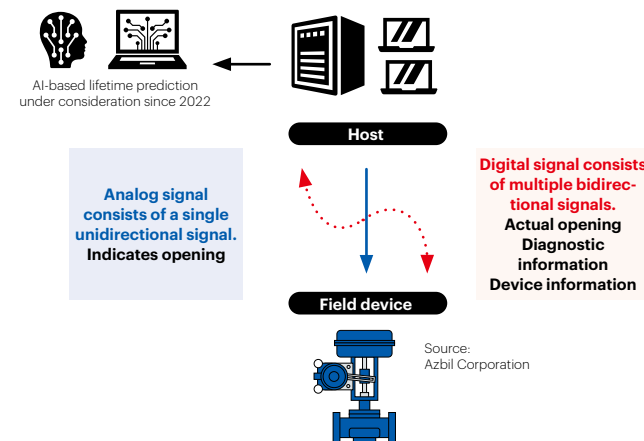
function, which led to a 76% reduction in work time and less burden on employees' physical and mental health while ensuring that all numerical values were input correctly.

Development of control diagnostic technology

Previously, control valves were inspected by examining their exterior or interior based on time-based maintenance. This, however, resulted in problems due to unexpected malfunctions and over-maintenance.

Control Digital diagnostic technology was used and deployed to monitor operational status. As a result, we prevented problems by quickly detecting signs of abnormality and optimized repair costs by changing the inspection method to condition-based maintenance. Accordingly, we prevented problems that would have led to ¥1.1 billion in losses and reduced the fiscal 2024 repair cost budget by ¥0.2 billion.

Digitalization and data utilization of control valve diagnostics



Data utilization

• Alerts requiring operational response are sent via a distributed control system (DCS).

(Result) Detected control valve failures early and promptly implemented operational measures to minimize impact, preventing losses of ¥1.1 billion

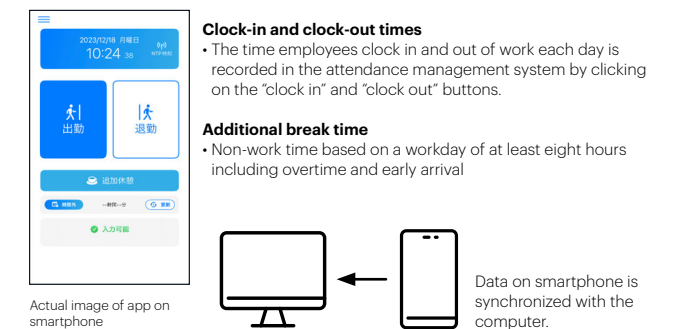
• Monitor status via a plant information management system (PIMS) and cloud-based diagnostic system

(Result) Achieved a ¥0.2-billion reduction in repair cost budget for fiscal 2024

Development of a smartphone app for clocking in and out

In the past, employees input their clock-in and clock-out times through the attendance management system on their computer. However, in some departments where shift workers shared computers, there were cases of employees inputting several days' worth of data at once or having a proxy do it for them. To resolve this issue, we developed an application that allows employees to consistently input their attendance data via their company smartphones on a daily basis and launched this service throughout the Group. In addition to improving work efficiency, this app has facilitated the growth of employees into "Smarter Employees" through the use of a device that is essential to their everyday life.

Smartphone app for clocking in and out



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We will promote sustainability as a Groupwide theme, aiming to create value and realize a sustainable society.

Noriyuki Mita

Vice President,
Chief Sustainability Officer



Promoting sustainability throughout the Group based on a solid foundation

Society's expectations for sustainability have grown dramatically since 2011, when the Mitsubishi Chemical Group announced its vision of realizing KAITEKI. We view this trend as an opportunity, and now it is a critical time to boost our sustainability activities and enhance competitiveness. Realizing KAITEKI not only has been rooted in our employees around the world as a way of thinking and a guiding principle but also a solid foundation for promoting sustainability throughout the Group. On the strengths of this foundation, we will further incorporate sustainability as a Groupwide theme into our business strategies and daily operations, aiming to realize the sustainable growth of our business while making decisions based on economic rationality.

To this end, we revised our sustainability management structure in April 2024. Under the new structure, we aim to integrate sustainability with management policies, embed sustainability in

corporate management, incorporate sustainability into business strategies, and strengthen internal and external communication and international cooperation in relation to sustainability, as well as promote Groupwide efforts through further collaboration with our business groups and corporate functions.

In promoting sustainability, we will also strengthen our system for data use to ensure a thorough understanding of objective data and for prompt, data-driven decision-making. Aiming to realize carbon neutrality and a circular economy, we will efficiently acquire and monitor the environmental data in our operations and strategically utilize the collected information in our internal carbon pricing system for investment decisions, carbon footprints and other life cycle assessment (LCA) calculations, and traceability systems to enhance reliability.

In embedding sustainability into our businesses, we will continue to identify opportunities to grow our businesses and strengthen its competitiveness.

We will compile information on social trends, such as carbon

neutrality and circular economy, analyze them in terms of business risks and opportunities, and identify growth areas where we can leverage our strengths. To strengthen business competitiveness, we will emphasize the sustainability value of the solutions we provide to society and customers throughout their life cycle (cradle to grave), realize better business environments through the creation of policies and cooperation with relevant parties, and select the optimal business model for implementing solutions while forming partnerships, among other collective efforts with business groups and relevant corporate functions.

Achieving sustainability with stakeholders

We strive to meet the expectations of stakeholders while fulfilling our duty of accountability by disclosing the progress of measures for sustainability strategies and ensuring a high level of transparency in our corporate activities. We believe that sustainability can be achieved through cooperation with a wide range of stakeholders, including business partners, industry peers, consumers, shareholders, and investors. By continuing to demonstrate leadership and play an active role in open innovation as well as engage in dialogues with stakeholders, we will respond to the expectations of all our stakeholders, create new value, and contribute to a better society.

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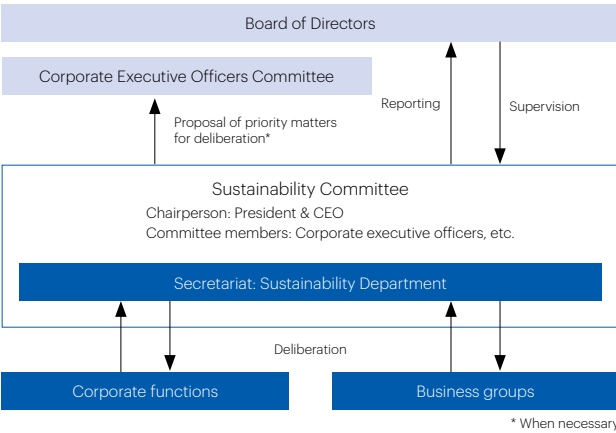
Implementing Sustainability

The Mitsubishi Chemical Group recognizes sustainability as a core element to manage its corporate activities under our Purpose of “We lead with innovative solutions to achieve KAITEKI, the well-being of people and the planet.” We aim for sustainable growth by working to fulfill the targets set for identified material issues under the leadership of our president & CEO and other members of the management team.

▶ Structure for Implementing Sustainability

The Group has established the Sustainability Committee, which is chaired by the president & CEO and has committee members drawn from corporate executive officers. Under the supervision of the Board of Directors, it acts as a forum for discussion of the Group's sustainability policies and related matters and to supervise and monitor progress in various activities.

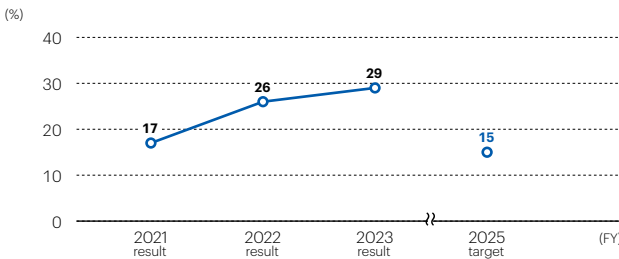
Structure for implementing sustainability



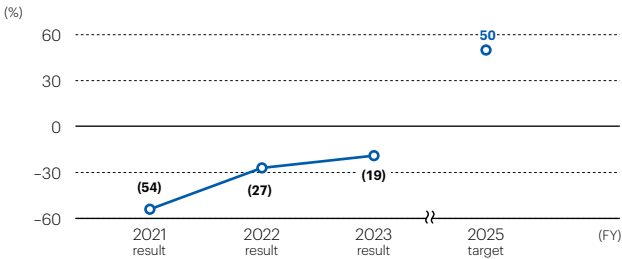
Sustainability Indices

For the material issues identified by the Mitsubishi Chemical Group, targets are set and progress is measured with the Management of Sustainability (MOS) Indices. We will proceed steadily with initiatives regarding material issues by monitoring the progress of each index.

▶ Material Issues for Environmental and Social Impacts
Rate of reduction of GHG emissions (Japan, compared with FY2013)

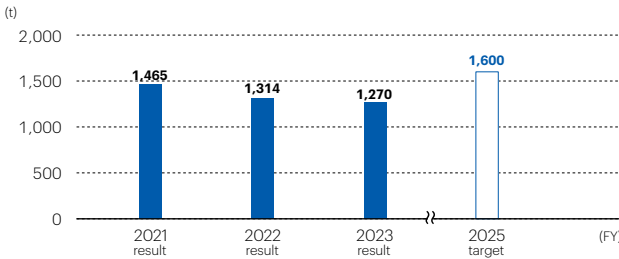


Rate of reduction of landfill waste* (Japan, compared with FY2019)



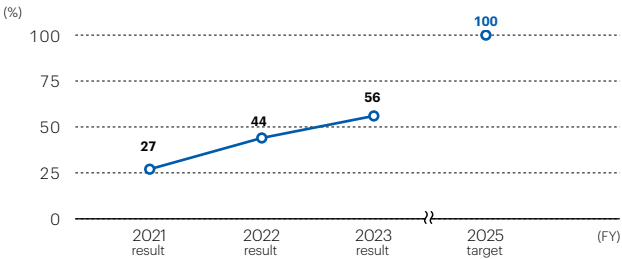
* Amount of landfill waste regularly generated in the Company's routine production and logistics activities

COD (Japan)



Note: The FY2025 target is to maintain the fiscal 2019 level of 1,600 tons.

Progress in LCA activities



As a step toward reducing environmental impact, resolving the issues of climate change and water resources, and building a recycling-oriented society, we have established indices to measure GHG emissions and water- and waste-related impacts and set associated targets.

We achieved an approximate 29% reduction in GHG emissions in Japan compared with fiscal 2013 through increased production efficiency and upgrading of facilities combined with the effect of reduced production volumes at our main business sites. We have continued to reduce chemical oxygen demand (COD) since fiscal 2019 mainly through capital investments in wastewater treatment

plants. In the area of waste, where improved progress toward our target is needed, we will continue to reduce waste at business sites emitting high volumes of landfill waste through efforts to boost production yields and improve recycling rates.

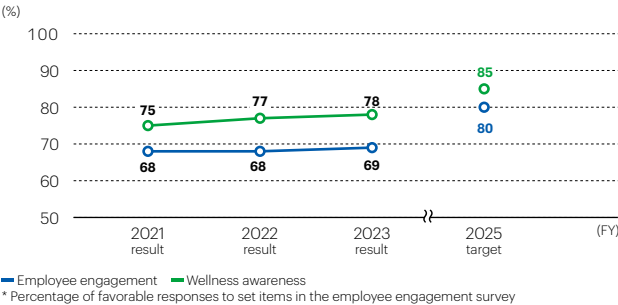
Additionally, the Group has established targets for initiatives that are necessary in utilizing life cycle assessment (LCA) as a management tool and is promoting quantitative assessments of environmental impact and carbon footprint to reduce GHG emissions and other environmental impacts.

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Implementing Sustainability

▶ Material Issues for Business Foundations
Employee engagement*/Wellness awareness*



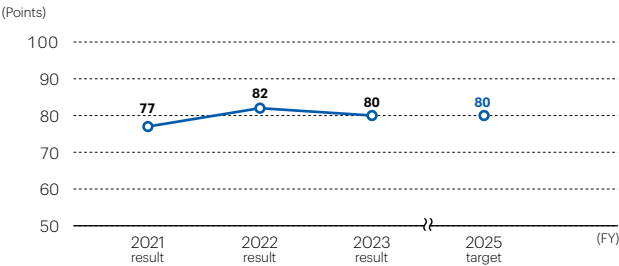
The Group aims to raise employee engagement and wellness awareness to enable employees to reach their full potential and achieve higher levels of creativity and productivity. The graph above shows the percentage of favorable responses to relevant questions on the periodically held employee engagement survey, and the results and response tendencies of each question are reflected in our various measures.

[Page 57 Employee engagement survey](#)

Diversity among management

We use diversity in management as an indicator to ensure that management decisions are made by personnel with a wide range of experience and diverse values. In fiscal 2023, 30% of management met at least one of the two criteria of gender diversity and internationality. Going forward, we will include career diversity as an additional criterion for this indicator and monitor the percentage of executives and employees involved in important decision-making who meet one of these three criteria.

Level of customer satisfaction



The Group creates a variety of opportunities to engage in active and constructive dialogue with customers and other stakeholders as a way of promoting collaboration to realize KAITEKI. We value feedback from our customers and carry out an annual customer survey so that we can provide better services and improve customer satisfaction. In addition to satisfaction with services and products, the survey covers customer awareness of our sustainability initiatives and other items that allow us to track customer evaluations of the Group from multiple perspectives. Based on these results, we promote activities that meet our customers' expectations and strive to maintain our high standards for customer satisfaction.

Evaluations related to ESG stock indices

In recognition of the Group's initiatives, we have been included continuously in the ESG stock indices indicated below (as of June 30, 2024).

Going forward, we will continue to review the insights and issues identified from the evaluation results and use them to further enhance relevant activities.

Dow Jones Sustainability Indices

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

FTSE4Good Index Series



MSCI Japan ESG Select Leaders Index*

2024 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

FTSE Blossom Japan Index



**FTSE Blossom
Japan Index**

MSCI Japan Empowering Women Index*

2024 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



**FTSE Blossom
Japan Sector
Relative Index**

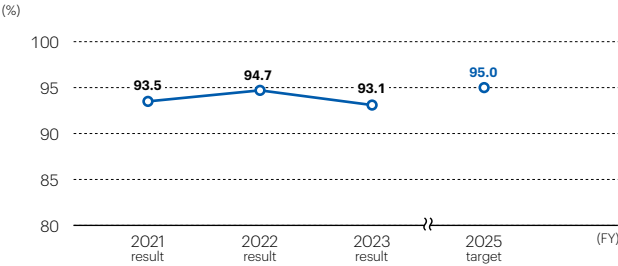
* The inclusion of the Mitsubishi Chemical Group Corporation in any MSCI Index, and the use of MSCI logos, trademarks, service marks, or index names herein, do not constitute a sponsorship, endorsement, or promotion of Mitsubishi Chemical Group Corporation by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

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Implementing Sustainability

▶ Material Issues in Terms of Risk Management
Participation rate in information security training



The Group has established the Information Security Executive Committee to formulate information security policies and regulations, protect and manage information assets, and promote various security measures on a global scale. We provide security training each year to enhance the information security knowledge and awareness of all employees.

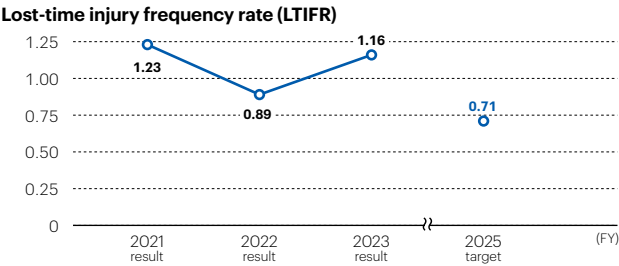
▶ Material Issues for Existence
Number of serious compliance violations

FY	2021	2022	2023
Cases	3	1	1

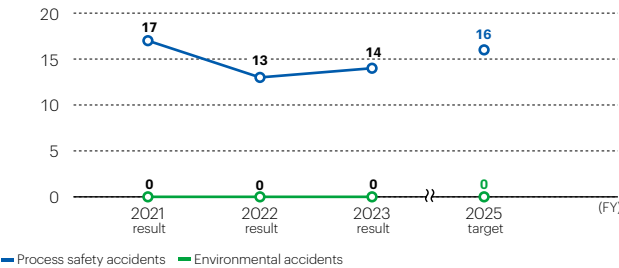
In fiscal 2023, there was one violation against a target of zero. We take a very serious view of the incident that occurred. In addition to taking appropriate actions in response, we have put in place measures to prevent recurrence under the guidance and supervision of the chief compliance officer. Moreover, under the Global Compliance Promotion Program, we will conduct educational and training programs, awareness surveys, and other globally standard measures as well as promote measures tailored to the culture and characteristics of each region to promote further compliance awareness among all employees.

Page 84 Compliance

▶ Material Issues for Business Foundations/Material Issues for Existence
Lost-time injury frequency rate (LTIFR)



Number of accidents



Based on the Group's environmental and safety principle that safety is the foundation of the company's very existence, and ensuring safety is the company's social responsibility, we will continue to engage in *monozukuri* with safety as the top priority. We will ensure safe workplaces by eliminating unsafe conditions and behaviors and potential risks. We will also continue to lower our lost-time injury frequency rate and the number of accidents by enhancing psychological safety and instilling a strong awareness of safety throughout the organization.

Fostering a Culture of Safety

Under the direction of the chief supply chain officer, the Group has established policies and plans for environmental and safety activities. For example, we hold safety conventions, environmental and safety awards, and safety lectures to enhance the Group's safety awareness.

The MCG Group Safety Conventions are held for individual members of the Group to reflect on safety through the sharing of messages to ensure safety between management and employees.

The MCG Group Environmental and Safety Awards are presented by a representative of the Company to business divisions, business sites, and employees of the Group that have achieved outstanding environmental and safety performance, with the aim of enhancing employees' awareness of safety and the environment. In fiscal 2023, 25 departments received the award of Workplace with Excellent Environment and Safety, six business sites received the award for Plants with Excellent Environment and Safety, and eight employees in Japan and overseas received the award for Excellent Contributors to Environment and Safety.

The MCG Group Safety Lectures are held by external instructors to enhance safety awareness across the Group. In fiscal 2023, many employees from Japan and overseas participated in a seminar to promote a better understanding on the basic concepts and recent trends of workplace safety and machine safety for the coexistence of mechanical equipment and people.

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Reporting in Line with the TCFD Recommendations

The Mitsubishi Chemical Group is working to enhance its climate change-related measures in areas such as reducing environmental impact, driving energy-saving activities, promoting renewable energy use, and adding to its range of products that contribute to GHG emissions reductions. Through these measures and progressive enhancement of information disclosure, we are targeting an increase in our corporate value.

▶ Governance

The Group has identified reduction of GHG emissions, reduction of environmental impact, and a circular economy as the climate change-related material issues to be addressed. Under the supervision of the Board of Directors, the Sustainability Committee, which consists of the Company's executive officers and other members, will regularly monitor and steadily promote measures to address these issues.

Director remuneration

The performance-based remuneration of corporate executive officers is determined based on the degree of achievement of the targets for each fiscal year. In addition to economic efficiency and innovation, the evaluation factors consist of individual

performance evaluations and KAITEKI Value evaluation, which includes indices related to improvement in sustainability. Among the performance-based remuneration evaluation factors for fiscal 2023, the indices related to sustainability were selected as factors that should receive particular attention by corporate executive officers in the KAITEKI Value evaluation, which includes reduction of GHG emissions.

[Page 73 Director and Officer Remuneration](#)

▶ Strategy and Risk Management

Climate change-related risk

The Group is evaluating the impact of climate change that is expected in the years up to 2030 through scenario analysis. We evaluated transition risks based mainly on the Net Zero

Emissions by 2050 Scenario (NZE Scenario) of the International Energy Agency (IEA) and other factors. As a result, we were able to recognize risks with a particularly high impact, including rising carbon prices and a rise in climate action in stock markets. In addition, as a result of evaluating physical risks based on the RCP8.5 scenario of the Intergovernmental Panel on Climate Change (IPCC), we have recognized the possibility of operational losses due to abnormal weather. We plan to take proper measures to deal with these risks and also continue to monitor their conditions.

Overview of risks based on scenarios (risks with particularly high impact)

Risk Category	Category	Risk recognized	Outline of risk based on the scenario*1	Impact on the Company	Impact*2	Response to potential risk
Transition risk	Policy/legal regulation	Rise in carbon prices	Increase in operating costs due to higher carbon prices 1.5°C	Rise in operating costs	++	Reduce GHG emissions in line with our basic policy for achieving carbon neutrality
	Market	Regulations concerning plastic product usage	Decrease in virgin demand for petrochemicals as plastic recovery rates increase 1.5°C	Decreased demand for petrochemical products	+	Focus on businesses that contribute to achieving carbon neutrality
	Reputation	Rise in climate action in stock markets	Decline in market capitalization due to inadequate responses as institutional investors focus on climate change 1.5°C	Decrease in market capitalization	+	Enhance disclosure and engagement on sustainability, including for climate change
Physical risk	Acute	Operational losses due to extreme weather	Increased flood risk in Asia will have a greater impact on factory operations 4°C	Loss of sales and loss of assets such as manufacturing facilities and inventories from the shutdown of coastal factories due to disaster damage	+	Implement measures to prepare for major natural disasters to minimize damage and ensure business continuity

*1 See the NZE Scenario of World Energy Outlook 2023 for 1.5°C and the IPCC RCP8.5 scenario for 4°C.
*2 Quantitative evaluation results (2030) for the monetary impact of "Impact on the Company" are indicated as follows: +: ¥10 billion or more and less than ¥100 billion ++: ¥100 billion or more.

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Transition plan

The Group set a target for a 29% reduction in GHG emissions by fiscal 2030 compared with fiscal 2019, and a further reduction to net zero in 2050 to achieve carbon neutrality. We plan to reduce GHG emissions in line with this roadmap.

In addition to optimizing manufacturing processes and implementing energy conversion, going forward, our portfolio management will include a carbon-neutral perspective, which will enable us to remain competitive in a society that is in transition to carbon neutrality.

Business opportunities related to climate change

As set out in our management policy, we will devote resources to businesses that contribute to realizing carbon neutrality based on portfolio management with a focus on growth, performance, and sustainability.

We will work to progressively expand the business scale and strengthen the profitability of specific focus businesses that offer climate change-related business opportunities, including lighter mobility materials, vehicle-mounted battery materials, bioplastics, and carbon fiber and composite materials.

In the medium-term management plan, we aim to raise the percentage of sales revenue from sustainability-related products, including products that contribute to climate change measures, to 20% by fiscal 2025. Such products accounted for 13% of our sales revenue in fiscal 2023.

In addition, demand continues to rise among customers and society for the effective use of resources and the utilization of renewable resources with the aim of realizing carbon neutrality and a circular economy. Against this backdrop, we will promote the conversion to environment-friendly raw materials, as we believe this will lead to long-term business opportunities.

For example, we announced an agreement with Abu Dhabi Future Energy Company PJSC-Masdar and INPEX CORPORATION to conduct a joint feasibility study for the production of polypropylene from CO₂ and green hydrogen in Abu Dhabi, United Arab Emirates. In addition, at our Ibaraki Plant, we are working with ENEOS Corporation to construct one of the largest chemical recycling facilities in Japan for the recycling of waste plastics into oil.

[Page 32 Basic Materials](#)

[Page 52 Chemical recycling: Recycling of waste plastics into oil](#)

▶ Process of Risk Identification, Evaluation, and Management

Portfolio management

As announced in the new management policy, the Company has designated carbon neutrality as a selection criterion for its focus businesses. Incorporating a carbon-neutral perspective, our portfolio management will focus on growth markets where we have a competitive advantage.

▶ Risk Management

By establishing and operating a Groupwide and comprehensive risk management system, the Group is promoting risk management based on proactive risk control and appropriate risk-taking and aims to manage sustainability-related risks in an integrated manner.

▶ Metrics and Targets

Among the management indices (MOS Indices) set to measure progress with material issues, we set a medium-term target for the GHG emissions reduction rate and plan to evaluate the progress made annually.

Scope 1–3 GHG emissions

Please see GHG emissions in “Non-Financial Highlights” for performance in fiscal 2023. We have received independent assurance for GHG emissions and are working to disclose highly reliable information.

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▶ Efforts to Achieve Carbon Neutrality

The Mitsubishi Chemical Group set a target for a 29% reduction in GHG emissions by fiscal 2030 compared with fiscal 2019, and a further reduction to achieve carbon neutrality by 2050. We plan to reduce GHG emissions in line with the roadmap shown below. By backcasting from the year 2050, we expect to invest approximately ¥100 billion in capital expenditures for the renovation and construction of in-house power generation facilities and energy-saving measures, which are concrete and feasible measures for achieving our fiscal 2030 target.

In fiscal 2023, Scope 1 and Scope 2 GHG emissions totaled 14.03 million tons, a decrease of approximately 16% from fiscal 2019. In addition to business structure reforms and facility utilization rate reductions, we are making steady progress with our measures to achieve carbon neutrality, such as fuel conversion and process optimization.

Improving the emission factor of purchased electricity

The Group has begun selecting optimal renewable energy sources and power purchase agreements for each business site and aims to introduce them by 2030. Certain group companies, including those overseas, have already achieved CO₂ reductions through the conversion to renewable energy sources.

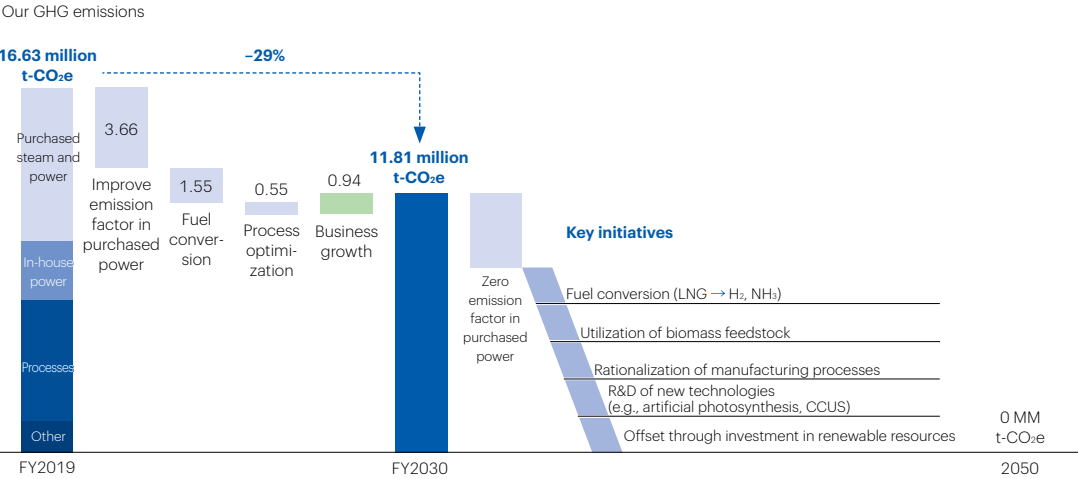
Fuel conversion

Aiming to eliminate the use of coal-fired power generation by 2030, the Group has formulated a plan to transition from the use of heavy oil and coal to liquefied natural gas (LNG) for fuels consumed at its in-house power generation facilities. We are also working to optimize GHG reductions and investment plans by carefully examining projects individually. Since fiscal 2019, we have been advancing measures to eliminate the use of coal as fuel at our facilities and have shut down a coal boiler at a domestic business site.

Process optimization

While continuing our measures to improve energy intensity, in fiscal 2022 Mitsubishi Chemical Corporation introduced an internal carbon pricing system to promote capital investment aimed at reducing GHG emissions. We are also conducting carbon footprint calculations to select priority reduction items at the R&D and manufacturing stages to further reduce GHG emissions.

Carbon neutrality by 2050



GHG emissions reduction plan to fiscal 2030

	Fiscal 2019	Fiscal 2025	Fiscal 2030
Energy	Improve emission factor in purchased power (decrease Scope 2 emissions by 3.66 million t-CO ₂ e)	Improve emission factor in purchased power (improve the electricity emission factor in each country; formulate a plan in Japan based on the Sixth Strategic Energy Plan)	
		Examine the introduction of renewable energy-based electricity → conversion (solar power generation (Company-based and on-site and off-site PPA solutions); purchase of offshore wind-derived electricity)	
	Fuel conversion (decrease Scope 1 emissions by 1.55 million t-CO ₂ e)	Design (renovate in-house power generation facilities and determine the scope of new installments) (Progress: part of coal-fired power shutdown plan approved internally)	
		Fuel conversion of in-house power generation facilities (elimination of coal, conversion to LNG) (Progress: shutdown of one coal boiler at a domestic business site)	
Process	Process optimization (decrease Scope 1 emissions by 0.55 million t-CO ₂ e)	Energy-saving measures (continue to update the equipment at each plant to more energy efficient models)	

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▶ Plastic Recycling

The recycling of waste plastics into raw materials can be divided into two categories: 1) mechanical recycling, in which the recovered waste plastics are turned into granular raw materials through a process in which they are physically crushed, and 2) chemical recycling, in which the recovered waste plastics are turned into oil, gas, and raw materials through a chemical decomposition process. The Group is working with partners in the value chain to develop, demonstrate, and commercialize technologies for both types of recycling according to the application. Traditionally, waste plastics were simply incinerated or landfilled, but we are developing and strengthening a system to recycle them into resources and raw materials.

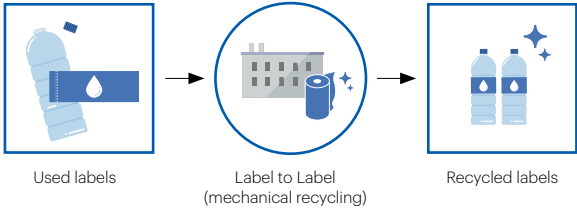
In addition, we have acquired International Sustainability and Carbon Certification (ISCC) PLUS for several of our production sites and products and are working to ensure traceability for recycled materials throughout the supply chain.

Mechanical recycling: Beverage label recycling

The Group's proposal for the establishment of a resource recycling model to recycle beverage labels was accepted for a program for measures tackling marine plastic pollution conducted by Hiroshima Prefecture. We are introducing resource-recycling (Label to Label*) shrink sleeve labels to encourage consumers to recycle beverage labels, establishing a recovery scheme in the market, and verifying the stages (distribution, recovery, transportation, sorting, and recycling) through to the relabeling process. By conveying a meaningful message to consumers through the recycling of labels, we aim to establish technologies and develop a resource recovery scheme in communities.

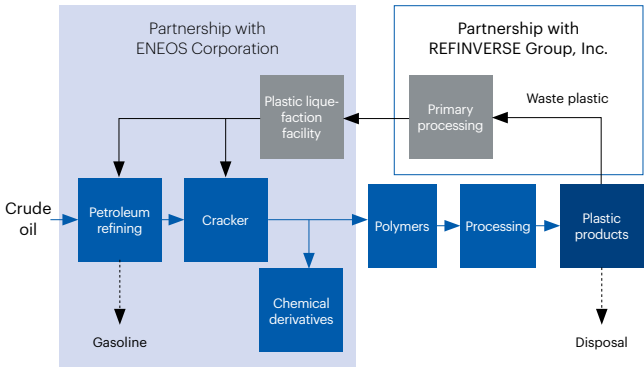
* The resource-recycling (Label to Label) shrink sleeve label is manufactured by combining Fuji Seal, Inc.'s technology for removing printing ink and the Group's film-forming technology.

Beverage label recycling flow



Chemical recycling: Recycling of waste plastics into oil

At the Group's Ibaraki Plant, we are constructing a facility with ENEOS Corporation aimed to commence operation in fiscal 2024 that will convert waste plastics into oil with an annual processing capacity of 20,000 tons, the largest of its kind in Japan. For the conversion process, we will install the supercritical water treatment technology from Mura Technology Limited of the United Kingdom, and the recycled oil will be used as a raw material in existing facilities, such as petroleum refineries and naphtha crackers, and will be reprocessed into petroleum products, chemicals, and various plastics. In addition, through alliances with other companies, such as stable procurement of waste plastics for raw materials with REFINVERSE Group, Inc., we will achieve a cycle for chemical recycling.



▶ Reinforcement of LCA Implementation System

In fiscal 2022, we established a system to calculate the carbon footprint of all products manufactured at Mitsubishi Chemical Corporation's domestic business sites and plants. In fiscal 2023, we expanded this calculation system to cover products of major Group companies in Japan and overseas. We continue to strengthen efforts to reduce environmental impact throughout the value chain while promoting efficient operations using digital transformation, personnel training, and collaborations with academia.

In addition, the Group is participating in the Pre-emptive LCA Social Collaboration Research Department of the UTokyo LCA Center for Future Strategy (UTLCA), established in April 2023 by the University of Tokyo, to engage in joint research on LCA. UTLCA aims to create the academic principles of preemptive LCA, which quantitatively evaluates the environmental, economic, and social benefits of advanced science and technology at the development stage and presents scenarios for their social implementation in order to take the lead in global technological development and institutional formation toward 2050. Researchers across all fields, transcending existing academic field frameworks, will collaborate to advance world-leading research, education, and recommendations for scientific and technological strategies for a future based on preemptive LCA. UTLCA established the Pre-emptive LCA Social Collaboration Research Department with participating companies, aiming to develop preemptive LCA as a useful method for industries and implement it throughout society.

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We will contribute to the realization of KAITEKI by maximizing our human capital.

Masahiko Tanaka

Vice President,
Chief Human Resource Officer (CHRO)

We are currently in an operating environment characterized by volatility, uncertainty, complexity, and ambiguity, which is why we embrace KAITEKI, our guiding Purpose, as the North Star for our aspirations. As the chief human resource officer (CHRO), my primary responsibility is achieving our Purpose by maximizing our human capital and making the best use of its power as a driving force.

Promoting human resource strategy as a part of management strategy

The Mitsubishi Chemical Group operates a diverse range of businesses globally, which requires us to address diverse human resource needs. In response, we are currently developing our

new medium-term management plan and focusing on aligning our management and human resource strategies. We are also enhancing our system for recruiting, assigning, developing, and appointing personnel based on the talent necessary to successfully implement these strategies.

Assigning and appointing the right people to the right positions

One of the most important aspects of maximizing human capital is ensuring that the right individuals are placed in the right roles. The Group is fortunate to have employees who are highly skilled, knowledgeable, and experienced across various fields. To better identify and manage these valuable human resources, we

launched a centralized global human resource management system in fiscal 2024. This system allows us to monitor and evaluate our talent pipeline more comprehensively and from multiple perspectives, enabling the development of optimal succession plans. In formulating and executing these succession plans, management will engage in thorough discussions, incorporate diverse viewpoints, and actively consider female and non-Japanese employees for leadership roles. We will continue to ensure that the right people are placed in the right positions while taking diversity into consideration.

Creating work environments that bring out the best in all employees

Another crucial aspect of maximizing human capital is fully harnessing the potential of each employee. To achieve this, the Group is committed to creating work environments and cultivating an organizational culture that enable every employee to grow and fully demonstrate their abilities. We strive to build a mutually beneficial relationship with our employees, encouraging them to think proactively about their careers by providing opportunities for growth and challenges that align with their goals. To support this, we will continue implementing human resource initiatives that prioritize autonomy, such as internal open recruitment and comprehensive career support, alongside our systematic approach to personnel placement. Additionally, we will remain focused on offering flexible work arrangements, including teleworking, to accommodate individual circumstances like childcare or eldercare. We will also refine our superior-subordinate interview system and maintain our commitment to eliminating workplace harassment. Through these and other initiatives, we aim to create companies and work environments where every employee can experience personal growth and fulfillment in their work.



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Human Resource Strategy

We need to help our employees reach their full potential and foster active participation among motivated individuals to fulfill the Mitsubishi Chemical Group’s Purpose. Accordingly, we are focusing on six measures to empower our workforce.

Empowered workforce

1

Develop next-generation leadership

2

Promote cultural change and a value creation mindset

3

Incorporate diversity, equity, and inclusion (DE&I) into our human resource strategy

4

Build a fulfilling workplace environment

5

Build an operational structure to achieve overall optimization

6

Strengthen human resource governance globally

▶ Develop Next-Generation Leadership

In order to advance in a rapidly changing and complex business environment, we must develop human resources who can autonomously identify issues and deliver solutions. We have established and operate a human resource development program throughout our global network to accelerate the development of management leadership candidates at the Group and global levels.

We have defined the talent requirements for leadership roles and have established and are conducting global talent development programs to continuously nurture potential leadership candidates. We have also specified the talent requirements for each position and, for critical roles, continuously operate a succession plan to strengthen our talent pipeline.

Executive Leadership Development Program

The Executive Leadership Development Program (ELDP) is our top-level program to develop management executives to lead business transformation and growth. The curriculum includes modules from top-ranking business schools that have been upgraded for the Group.

Through interactions with leaders from different regions and industries, the program encourages participants to recognize their own value and competitiveness in their markets. This not only promotes personal growth of participants but also helps them acquire the expertise and leadership skills required to excel globally.

Future Leader’s College Program

While the ELDP is a global program for developing management executives, the Future Leader’s College (FLC) program aims to develop next-generation leaders in each region in which we operate. The main objective of this program is to change the mindset of future leaders into one that goes beyond the scope of their position to transform the organization. The goal is to expand perspectives beyond daily work, break free from the mindset of a subordinate, and switch from an introverted to an extroverted way of thinking. In addition, participants gain considerable insight and learn from one another, encouraging them to further grow and develop as leaders.

Defining our leadership requirements

Fundamental qualities	<ul style="list-style-type: none">• Personal attributes (trustworthiness, aspiration, honesty, curiosity, courage)• Embodies Our Way (integrity, respect, bravery, collaboration, persistence)• Cooperative abilities (collaboration, stakeholder relations)
Leadership competencies	<ul style="list-style-type: none">• Market insight• Strategic thinking• Transformational capability based on a future-oriented approach• Organizational and talent management capabilities (psychological safety, receptivity to diversity, ability to create a vision, resilience)• Results-focused
Knowledge and experience	<ul style="list-style-type: none">• High level of expertise and outstanding strengths in social issues, beyond conventional business boundaries• Diverse experience, including outside the Company• Wide range of knowledge
Results and track record	<ul style="list-style-type: none">• Business results achieved through bold decision-making based on medium- to long-term perspectives• Outstanding track record of driving transformation

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Human Resource Strategy

▶ Promote Cultural Change and a Value Creation Mindset

To create an environment where employees are inspired to continue to grow, we are establishing effective environments and systems to help them drive their own career development.

We are also working to change employee mindsets and help them embrace new challenges and change behaviors.

Human resource development system

We have a human resource development system in place that caters to a wide range of employees. For new-graduate hires and

mid-career employees, we not only help them gain the skills necessary as members of society but also provide them with opportunities to enhance their knowledge and interact with others so that they can build a foundation for a smooth start to their careers at the Group and bigger roles in the future. We also support each level of management, from new managers to positional managers, through management programs that enable them to gradually gain the requisite skills, knowledge, and mindset and exercise leadership for the success of the organization.

Support for autonomous learning

The Group also focuses on learning support for employees to help them realize their career aspirations. We have provided an environment in which employees can freely access the content they would like to learn through a platform by using our online self-learning tools. By sharing recommended learning models and information on popular content, we are fostering a culture in which employees inspire and motivate one another.

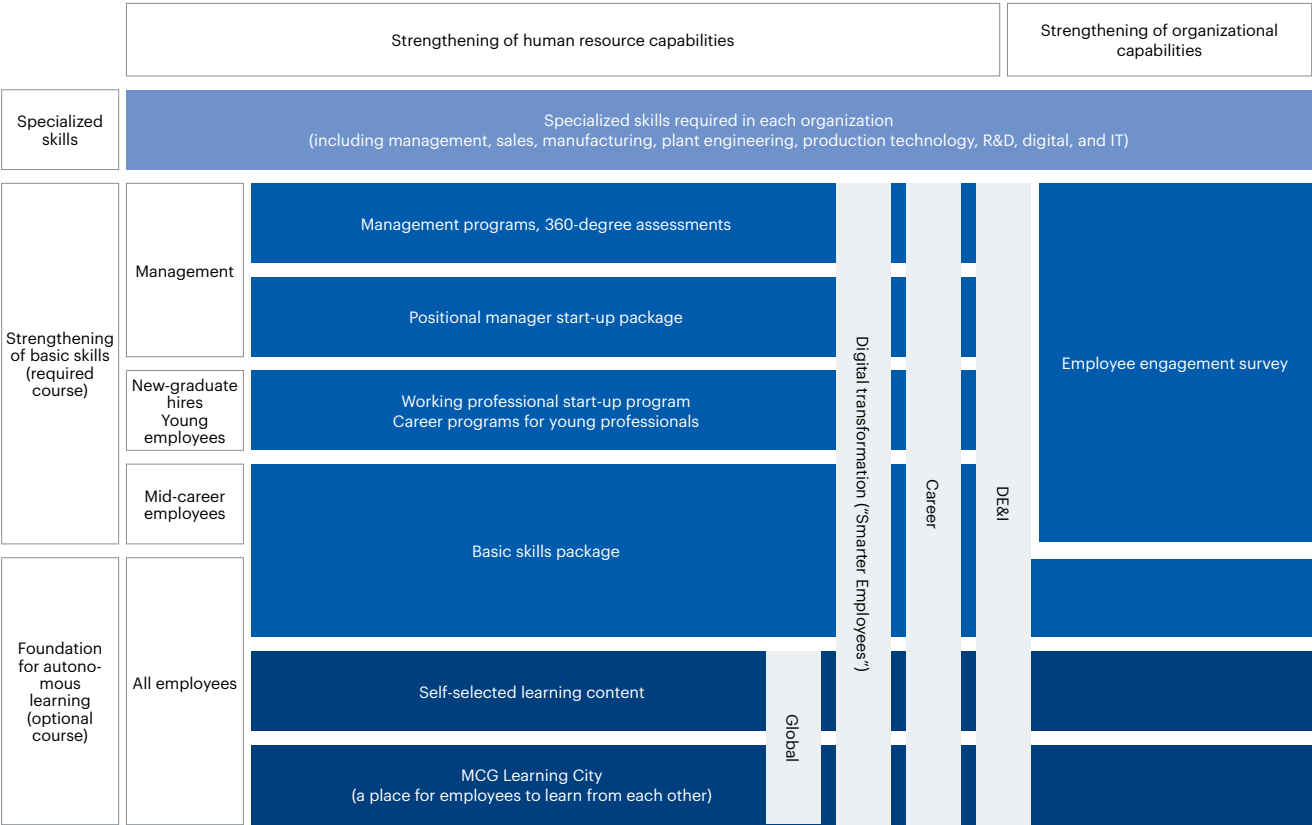
Career support programs

We run regular seminars and other events to provide support for employee career development. Workshops on future career planning are held according to age group, and the number of participants has increased significantly through the addition of workshops for young employees. Through various initiatives, including career meetings between direct supervisors and subordinates, counseling by in-house specialists, and lectures by external instructors, we aim to empower all employees to take ownership of their own careers.

Free dress code policy

We have adopted a free dress code policy at our head office and certain branch offices.

By discarding the monotonous dress code that was previously in place, we aim to enable each employee to work with an autonomous and flexible mindset without being bound by fixed ideas. Together with our remote work and free-address systems that are already in place, we have created an environment in which employees can work flexibly and comfortably, which has also helped change our corporate culture.



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Overseas training program for young employees

We conduct an overseas training program for young employees with several goals in mind: enhancing global staff exchanges, fostering a deeper appreciation for diversity and various cultures, and facilitating personal growth through exposure to different cultures. The application requirements for this program are disclosed on the in-house portal and are based on an open application system. Currently, 15 successful applicants have been dispatched to various regions to experience different countries, cultures, and fields of work.

Japan to Thailand

Challenges and lessons learned as an APAC HR: Importance of multicultural coexistence

I was posted in an HR business partner role in Mitsubishi Chemical Thailand Co., Ltd. for the APAC* region which oversees eight countries, conducts operations at approximately 50 sites, and utilizes five languages. Observing the company’s progress in globalization, I decided to apply for this position to gain firsthand experience in an international work environment and understand the perspectives of global leaders.

In APAC operations, we must tailor our approaches to align with the laws, regulations, and cultural nuances of each country.

Although I faced challenges with language barriers and cultural comprehension, the support from the HR teams in each country was invaluable. Through this collaboration, I learned the importance of respecting diverse values with the understanding that cultural differences are natural and the necessity of clear, simple communication that is globally accepted. What impressed me most was the openness and positive attitude toward change exhibited by people in the APAC region.

Leveraging this experience, I aspire to become an HR professional capable of making optimal proposals to support the realization of global business strategies.

I am deeply grateful to the company and the APAC HR team for providing me with this invaluable opportunity.

* Asia Pacific



The United States to Japan

Immersed in Japan: My expat experience

I have two reasons for applying to the program: the opportunity to be exposed to a global perspective through the Group’s diverse product offerings and marketing and sales activities and the experience of living in Japan.

I am gaining deeper insight into our product offerings in coatings, inks, adhesives, and additives, as well as our R&D and manufacturing capabilities. In my role, I am grateful to have been able to attend meetings with colleagues in Hong Kong, India, and Europe and meet many key contributors to the Group’s business. I was able to expand my network and form new friendships that will last for a long time.

My experience in Japan was truly unforgettable, and I encourage others to step outside their comfort zone if given the opportunity. Embracing a new culture, exploring diverse traditions, and engaging with the local community can be incredibly enriching and rewarding. The memories and friendships formed during such experiences can last a lifetime and provide a deeper understanding of the world.



Internal job postings

Mitsubishi Chemical Corporation and Mitsubishi Tanabe Pharma Corporation are promoting the use of an internal recruitment system based on the belief that individuals should take ownership of their careers. Positions that need to be filled are disclosed monthly on the in-house portal, and employees can apply for these positions without the approval of their supervisor. The system has become entrenched as a career support measure in the more than three years since it was introduced. However, there is room for improvement when it comes to matching efficiency, so going forward we plan to use it effectively in combination with company-initiated transfers.

Management by objective and one-on-one meetings

Communication between direct superiors and subordinates is extremely important to fostering a mindset of autonomous career development. We are strengthening two-way communication not only through regular management-by-objective meetings but also through more frequent one-on-one and career interviews. Such communication is significant in facilitating daily operations and in enabling superiors to gain a better understanding of their subordinates’ views and provide support that is valuable to their growth.

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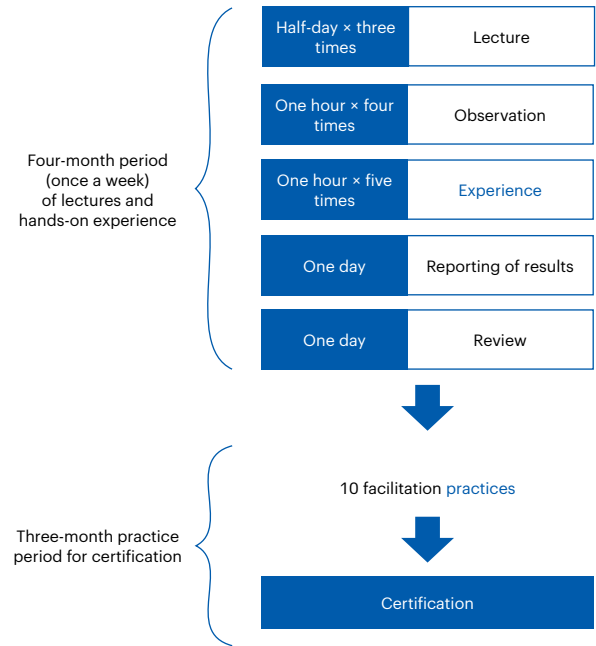


Human Resource Strategy

Facilitator training

We have developed and introduced the Facilitator Certification Program to enhance the quality of workplace communication, creativity, and productivity. The program defines facilitation skills as “the ability to stimulate relationships between members and elicit creative and compelling output.” In addition to facilitation methodologies, the program promotes the mindset of ensuring peace of mind and fostering co-creation. This program also stresses the importance of not only conducting exercises but also incorporating the know-how that is gained into actual work and implementing it consistently. The Facilitator Certification Program continues to produce certified facilitators who have honed their skills through exercises and workplace experience and is expected to play an important role going forward.

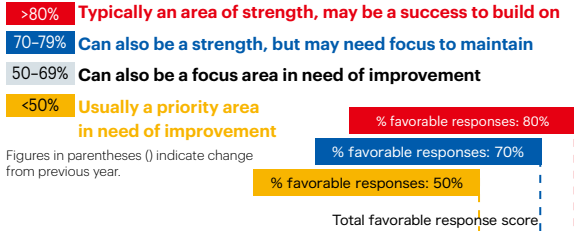
Overview of Facilitator Certification Program



Employee engagement survey

The Group periodically conducts a global engagement survey to understand how employees perceive their organization’s policies, culture, work environment, and career opportunities and reflects the results in various policies and measures.

Results of the engagement survey*



* Based on a framework from the external contractor running the survey, Willis Towers Watson

In fiscal 2023, results improved overall from previous years, particularly for questions related to awareness of management philosophy, maximization of employee capabilities, and respect for diversity and individuality. With respect to ensuring awareness of our management philosophy, the efforts of the management team to regularly share management policies and their context directly with employees as well as Companywide meetings held for management personnel have had a marked impact on the survey results. On the other hand, the scores for leadership, innovation, and talent management were low and require further improvement. Therefore, we will analyze these results in organizational units and reflect them in specific measures for improvement.

Global Conference

Our Companywide Global Conference was held to promote awareness of the views and philosophies of leaders and to strengthen the network of senior managers. Over 100 members from around the world gathered in Japan to attend presentations by executives and participate in a Q&A session. In addition, group activities were held to discuss solutions related to the implementation of reforms, deepening understanding of management and making most of the opportunity for face-to-face communication. Going forward, we will continue to create opportunities to foster a spirit of unity throughout the Group.



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Human Resource Strategy

▶ Incorporate Diversity, Equity, and Inclusion (DE&I) into Our Human Resource Strategy

We aim to foster an environment where highly motivated employees can fulfill their potential regardless of nationality, age, gender, or other aspects of social identity. Our goal is for workplaces to unite a variety of individuals, inspiring innovation through diverse perspectives and facilitating skill development to harness the benefits of diversity to the fullest.

Diversity among management

We have included diversity among management as part of the Management of Sustainability (MOS) Indices. Although we saw a decline in diversity with respect to gender and internationality when changes were made to our management structure, decisions are being made from a multifaceted perspective, including diversity of professional experience. We will continue to diversify our management team by taking diversity into account for our succession planning and leadership development.

Reducing the gender pay gap

The ratio of wages between full-time female employees and full-time male employees at our major operating companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, and Taiyo Nippon Sanso Corporation) is 73.3%. Since there is no systemic disparity in compensation based on gender, the main reason for this pay gap is the relatively high ratio of male employees in management positions and in positions that entail late-night work for which they receive additional pay. We have been promoting the appointment of women in both of these areas and will continue to do so to reduce the pay gap in line with our policy of providing equal treatment and opportunities to all genders.

Promoting employment of people with disabilities

In addition to providing employment opportunities to people with disabilities at its various business sites, the Group operates two special-purpose subsidiaries in Japan. Along with administrative duties, these subsidiaries have expanded the scope of their

operations to include video editing, data processing, programming, and other work involving the use of digital technology as well as remote operations through an online environment with the aims of enhancing the skill sets of employees with disabilities and improving Group productivity.



Reception work being conducted remotely online

Diversity in our recruitment

Amid intensifying competition for human resources, we are actively improving our recruitment activities to ensure diversity and improve our matching and retention rates.

We are placing more emphasis on communication during the hiring process to increase the number of applications from women and those with science backgrounds, who are relatively underrepresented, and to eliminate mismatches after joining their company. In fiscal 2022, Mitsubishi Chemical Corporation began informing all new-graduate hires, regardless of their major or attributes, of their initially assigned areas and positions at the time of their job offer. While the main objective of this is to prevent employees from leaving too soon after joining the Company, it also allows applicants to make choices based on their circumstances and desires and helps create an environment in which people with diverse backgrounds and values can work with confidence.

For our mid-career recruitment, we hire people through referrals by current employees, via those who worked for the Group previously and gained experience elsewhere, and through people through communication on social networking services to minimize the risk of mismatches and gain access to potential employees who were difficult to recruit in the past.

Fostering an inclusive corporate culture

We are committed to building a corporate culture that fosters an understanding of DE&I and leverages diversity as a strength. In fiscal 2023, we held a week of events based on the theme of "Inspire Inclusion" that included lectures, workshops, and networking events hosted by each of our business regions. We also continue to carry out educational and awareness-raising activities on the theme of eliminating unconscious bias.

In recognition of these initiatives as well as our efforts to ensure an inclusive workplace culture, we* were presented with the Best Workplace award, the highest honor in D&I AWARD 2023, which recognizes companies that demonstrate outstanding commitment to diversity and inclusion.

* Mitsubishi Chemical Group Corporation, Mitsubishi Chemical Corporation, and Mitsubishi Tanabe Pharma Corporation

Expanding Opportunities for Women at Our Plants

At Mitsubishi Chemical Corporation's plants, we are promoting DE&I by expanding recruitment of female plant operators. We continue to create an environment that allows women to work comfortably both tangibly and intangibly through measures such as upgrading our facilities and providing opportunities to dispel concerns about our rotational shift work system, which has led to the recruitment of female operators. This has reduced the workload and changed the perceptions of our male operators, having a positive impact on everyone. Going forward, we will continue to expand opportunities for women to play an active role by establishing a system that enables female operators to shape their careers, regardless of childbirth or other life events.

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Establishment of D&I Promotion Office
(Taiyo Nippon Sanso Corporation)

Taiyo Nippon Sanso Corporation, the operating company of Nippon Sanso Holdings Corporation in Japan, established the Diversity & Inclusion (D&I) Promotion Office in April 2024. The objective is to accelerate the promotion of internal proposals made by a project organization that focuses on promoting women’s empowerment. Our activity policy for fiscal 2024, the first year of the promotion office, is “Action, Support, Promotion.” Under the lead of a female executive officer who is also the head of this office, we are working to foster an inclusive corporate culture by eliminating unconscious bias, providing training to develop female leaders, and improving the work environment by reviewing our support system for balancing work and family life. We are working to enhance the effectiveness of our activities and broaden their scope to ensure that, in the future, improvements to diversity are not limited to gender and D&I is the norm in our corporate culture. These activities include engagements with frontline employees at town hall meetings, strengthening of support systems through cooperation with the human resources department, and exchange meetings between Group companies.



Town hall meeting in session

▶ Build a Fulfilling Workplace Environment

We are working to create safe, secure, and flexible workplace environments, as this provides the foundations for our employees to make the most of their skills. We are implementing various initiatives to help people make the most of their skills, including

support programs tailored to different life stages, assistance in developing life plans, seminars to support caregivers, and initiatives aimed at improving employee health. Additionally, by promoting remote work, utilizing digital tools, improving business processes, and changing office layouts, we are realizing new ways of working that allow people to manage their work–life balance and enhance productivity.

As a result of our efforts, some of our Group companies* were selected under the 2024 Health & Productivity Management Outstanding Organizations Recognition Program established by the Ministry of Economy, Trade and Industry (METI).

* Mitsubishi Chemical Group Corporation, Mitsubishi Chemical Corporation, and Mitsubishi Tanabe Pharma Corporation (joint application by these three companies), and Nippon Sanso Holdings Corporation and Taiyo Nippon Sanso Corporation (joint application by these two companies)

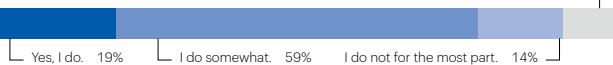
Publication of Well-being Report and fostering of health awareness

In Japan, we have been promoting health management initiatives since 2016 and published a Well-being Report in 2023 that incorporates the details and achievements of our initiatives, employee health conditions, and health-related issues. Since it is important that each employee pays careful attention to their health in practicing health management, the Well-being Report is also used internally to help foster employee health awareness. Additionally, we are working with a health insurance association (through collaborative health promotion known as “Collabo-health” in Japan) to establish a portal for checking individual health information and to introduce a health point system.

Perceived effectiveness of health management activities

(Respondents: Employees of Mitsubishi Chemical Corporation Group and Mitsubishi Tanabe Pharma Corporation)

Q: Do you feel that the Group’s health management policies have led to improvements in your health awareness and health behaviors?



Well-being Report 2023

Workplace mental health initiatives

Psychological states can have an enormous impact on performance at work. For this reason, we provide “self-care” and “line-care” training to employees and managers, respectively, to deepen their understanding of mental health care.

We also encourage employees to undergo stress checks and have introduced support programs for employees diagnosed with high stress levels to prevent mental health issues from developing and provide timely support in order to improve their mental health. In addition, we conduct analyses of mental health issues by analyzing the results at each workplace and comparing them with the results of other surveys, and these outcomes are reflected in measures to improve the workplace environment.

Encouraging employees to take consecutive days off

We have been working for some time to increase the use of paid leave, and the results are steadily starting to show. In a country like Japan, however, it is still not fully comfortable for employees to take paid leave, as certain conditions make it difficult to flexibly take time off. Therefore, to change the mindset of each employee and create a workplace environment that flexibly accommodates the taking of paid leave, we are encouraging managers to take consecutive days off. As a result, in fiscal 2023 the percentages of both managers and regular employees who took consecutive days off increased from the previous year. By having managers lead the way in creating flexible and diverse workstyles, we will change the mindset of the entire workplace and move closer to becoming a company where anyone can take leave whenever they like without disrupting business activities.

Percentage of paid leave taken

Fiscal 2021	Fiscal 2022	Fiscal 2023
73.8%	77.3%	80.6%

Note: For employees of Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, and Taiyo Nippon Sanso Corporation (excluding fixed-term employees). Figures for fiscal 2021 and fiscal 2022 include employees of Life Science Institute, Inc.

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▶ Build an Operational Structure to Achieve Overall Optimization and Strengthen Human Resource Governance Globally

To better utilize our human capital across the entire Group and maximize their value, we are working to establish a system and a Groupwide organizational foundation that allow us to manage human resources based on what is best for the Group overall. By standardizing human resource policies and human resource management on a global and regional basis and establishing Groupwide policies, we are enhancing governance of our human resource operations and promoting efficient organizational management. Moreover, by visualizing information on human resources and the organizational climate in a standardized format, we provide a foundation for each organization to utilize its human capital.

Integration of human resource operations and enhancement of productivity

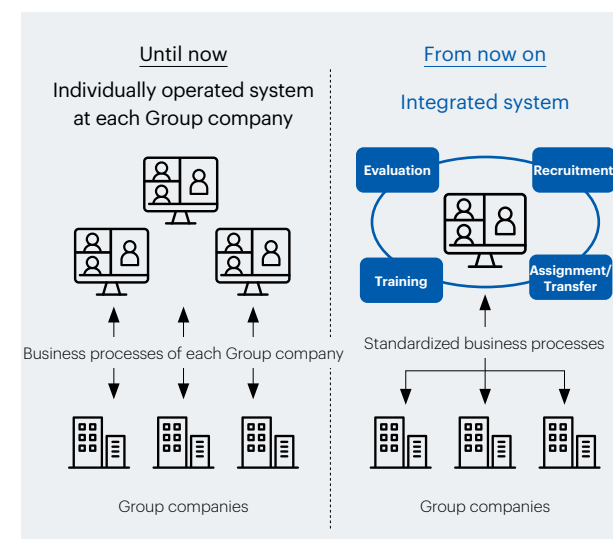
We are also integrating and consolidating our human resource-related operations across the Group. By standardizing operations and increasing work efficiency through economies of scale, we are working to improve productivity and the quality of employee services.

Examples of productivity and employee service improvements

- More efficient and robust payroll- and social insurance-related operations through use of shared services
- Larger pool of applicants through consolidation of recruitment advertising
- Improvements in work efficiency and employee services through integrated management of benefit programs
- Improvements in work efficiency and enhanced support for employees through integrated management of educational and training programs

Establishment of a human resource platform

In fiscal 2024, we began operating a new human resource platform that centrally manages information on Group employees, organizations, positions, and duties. This system enables the visualization of human resource information from across the globe, the right people to be assigned to the right positions, and more sophisticated development and management of human resources. In addition, by using this system to standardize business processes, we will enhance the quality and efficiency of our human resource operations and services and increase business profitability and employee engagement.



Governance of human resource operations

The human resource operations of Group companies and business sites are based on the laws and labor practices of their respective countries and regions. However, we establish Groupwide policies when necessary to ensure consistent activities across Group companies, foster a sense of unity as a group, and ensure governance of human resource operations.

In fiscal 2023, we formulated our new Global Disciplinary Action Policy. This policy defines the approach and processes necessary for fair and appropriate implementation of disciplinary actions, which are necessary to strengthen compliance and prevent abuse while considering the legitimate rights of employees.

Management of human resource risks

Through Groupwide risk management activities, we strive to identify, assess, and mitigate human resource risks across the organization. In preparation for emergencies, such as natural disasters, outbreaks of infectious diseases, and conflicts, we are developing a system to ensure employee safety by utilizing external resources and addressing the risk of human rights abuses within the organization.

We are also working to reduce the risk of compliance violations and labor issues in our human resource operations by identifying business processes that could lead to them and confirming whether inappropriate business operations are being conducted at Group companies.

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Respecting Human Rights

Various human rights issues still exist around the world, and companies are expected to conduct business activities in a manner that takes human rights into consideration. Recognizing its importance, the Mitsubishi Chemical Group has identified human rights as one of its material issues along its path to realizing KAITEKI.

▶ Human Rights Initiatives

The Group has established the Global Policy on Respecting Human Rights, Employment, and Labor, a set of specific guiding principles on human rights that is disclosed both externally and internally. The policy conforms with international norms such as the Universal Declaration of Human Rights, the United Nations (UN) Global Compact, the UN Guiding Principles on Business and Human Rights, and ISO 26000, and it is regularly reviewed and updated in response to the increasing social demands for human rights.

Overseas Group companies endeavor to comply with the laws and regulations applicable to each country in which they operate and best practices concerning human rights, along with conducting appropriate value chain management while expanding their business activities.



Details on our human rights initiatives.

▶ Reducing the Risk of Human Rights Violations

As part of our Groupwide risk management activities, we conduct human rights due diligence to identify and assess human rights risks, systematically promote measures to reduce such risks, and verify said measures' effectiveness. Our risk assessments and the details and effectiveness of our risk-reduction measures are widely shared internally. In addition to Groupwide measures, we address risks that are specific to the business operations of each organization and the regions in which they operate. The details, approaches, and standards of our measures are also shared with relevant stakeholders to ensure awareness of our commitment to human rights.

Respecting human rights is an important part of our internal control activities, and therefore we strive to reduce the risk of human rights violations through various means, such as incorporating the status of Group companies' measures into our internal control assessments.

Examples of Mitsubishi Chemical Corporation's human rights initiatives

Mitsubishi Chemical Corporation implements a variety of human rights initiatives with the aim of realizing a sustainable supply chain.

Examples

- Regularly check the status of business partners' activities to ensure that there are no cases of child labor and forced labor along the supply chain
- Provide training on human rights to enhance awareness of purchasing and procurement personnel
- Promote responsible procurement of minerals
| [Page 62 Responsible Mineral Procurement](#)

We have established and are steadily implementing a system for human rights due diligence along the supply chain to fulfill our corporate responsibility to respect human rights.

Major human rights risks and status of responses (implementation of human rights due diligence)

Human rights risks	Risk scenario	Status of risk responses
<ul style="list-style-type: none">• Human rights violations<ul style="list-style-type: none">▷ Discrimination and harassment▷ Child labor▷ Forced labor, etc.	<ul style="list-style-type: none">• The direct and indirect impacts of the occurrence of discrimination and harassment, child labor, forced labor, and other human rights violations lead to:<ul style="list-style-type: none">▷ the imposition of fines, legal costs, and remediation costs;▷ a deterioration in the physical and mental well-being of the affected individuals;▷ a decline in reputation and corporate value and a resulting decrease in stock prices; and▷ adverse effects on customers and business partners. <p>All of the above may have a negative impact on business plans, etc.</p>	<ul style="list-style-type: none">• Internally: We continue to enhance employee awareness by communicating messages from top management and providing education and training while establishing and maintaining a system to promptly take corrective action and remedial measures.<ul style="list-style-type: none">▷ Incorporate the status of measures related to respect for human rights into internal control assessments▷ Conduct training programs to raise employee awareness of human rights and diversity, equity, and inclusion (DE&I)▷ Establish a system for corrective action and remediation (maintain operation of the system and enhance user (employee) awareness)• Externally: We work to reduce the risk of human rights violations along the supply chain by sharing the Group's standards, including the prevention of such violations, with business partners and gaining their cooperation.

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Building Sustainable Supply Chains

As outlined in the Mitsubishi Chemical Group's Charter of Corporate Behavior, Mitsubishi Chemical Corporation works with business partners to promote purchasing and procurement activities with due consideration for corporate social responsibility (CSR) throughout supply chains with the aim of realizing KAITEKI.

▶ Promotion of CSR Procurement in Mitsubishi Chemical Corporation's Supply Chain

Mitsubishi Chemical Corporation (MCC) has formulated the Mitsubishi Chemical Corporation and Its Group Companies' CSR Procurement Guideline as a tool to promote CSR procurement by summarizing the company's approach to its corporate activities and requests for its business partners. MCC has published the guideline online and shares it with business partners to foster a deeper understanding of procurement activities.

MCC also asks its business partners to complete a CSR questionnaire to gain a better understanding of issues related to compliance, human rights and labor, the environment, and fair business practices in the supply chain. We utilize the questionnaire results to provide feedback to business partners and, depending on the circumstances, engage in dialogue therewith about making specific improvements through invitations to CSR procurement training sessions, individual interviews, and on-site

visits. By doing so, MCC aims to build sound relationships with its business partners and develop sustainable supply chains.

Supply chain initiatives

Initiative	Fiscal 2021	Fiscal 2022	Fiscal 2023
Major suppliers*1 assessed based on CSR questionnaire	186 suppliers	416 suppliers	559 suppliers
Implementation of follow-up actions*2 for target suppliers	31 suppliers	104 suppliers	172 suppliers
Implementation of on-site visits (audits) for target suppliers*3	No applicable suppliers	No applicable suppliers	No applicable suppliers
Human rights due diligence training for internal procurement departments	Conducted	Conducted	Conducted

*1 Business partners that account for 90% of purchase value in each procurement department
*2 CSR procurement training sessions and individual interviews
*3 Business partners whose efforts were deemed insufficient based on individual interviews

▶ Responsible Mineral Procurement

In conflict-affected and high-risk areas of the world, profits from mineral mining and trading are used to finance armed groups and rebel groups. The use of minerals from such areas may contribute to conflict, human rights abuses, and environmental destruction. MCC has thus formulated the Mitsubishi Chemical Corporation and Its Group Companies' Responsible Mineral Procurement Policy based on the principle that we will not procure minerals that are known to be involved in conflict or human rights abuses in conflict-affected and high-risk areas.

▶ Internal Training Programs for Employees

MCC believes that human resource development is important for promoting CSR procurement activities. We will continue our efforts to provide ongoing training programs in the future.

Training programs in fiscal 2023

Program	Description
Training for new recruits and transferred employees	Target: New recruits and newly transferred employees at the Head Office Procurement Division • Various types of basic training on procurement policy (as needed)
General meeting	Target: Personnel in Procurement & Logistics Division • Overview of CSR compliance; information sharing and training on other CSR matters (twice a year)

▶ Declaration of Partnership Building

MCC published a Declaration of Partnership Building* in April 2021 in agreement with the objectives of the Council on Promoting Partnership Building for Cultivating the Future, which aims for large corporations and small and medium-sized enterprises to develop sustainable relationships. By working with supply chain partners and value-creating businesses to foster mutually beneficial relationships, we aim to build new partnerships.

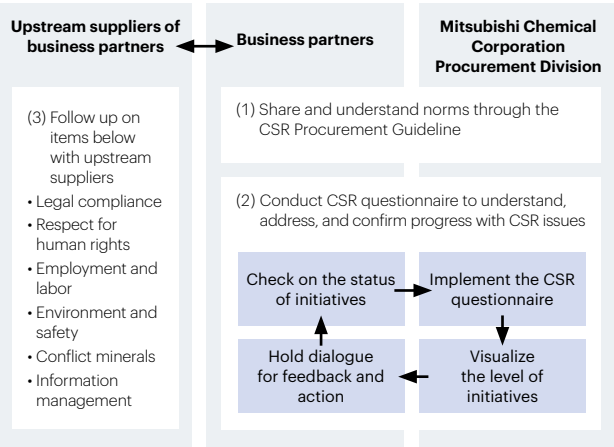
* Updated in June 2024 based on the revision of promotion standards under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises in March 2024

▶ Compliance with the Subcontract Act

To maintain sound relationships with its business partners, MCC has defined a system for ensuring compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the Subcontract Act) and established internal rules, including Subcontract Act Compliance Regulations, which indicate the specific scope of application and compliance requirements of the Subcontract Act.

To ensure that transactions are conducted pursuant to such internal rules, MCC periodically implements internal training and conducts audits of related divisions.

CSR procurement at Mitsubishi Chemical Corporation



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Roundtable Discussion with Outside Directors



The Role of Governance in Underpinning the Group's Transformation and the Enhancement of Corporate Value

The Mitsubishi Chemical Group is working to transform into a green specialty chemical company. Chairperson of the Board of Directors, Ken Fujiwara, sat down with three outside directors who were appointed to the Group's Board of Directors in June 2024 to discuss their roles and provide important insight into the Group's transformation. (Roundtable discussion held in July 2024)

Impressions of the Mitsubishi Chemical Group

Fujiwara | Having been recently appointed outside director, please share your impressions of the Group.

Sakamoto | I have been observing the Group's activities for several decades from the standpoint of both a competitor and a business partner in the chemical industry. The Group engages in a wide range of businesses, and I have always viewed the Group as a leader in Japan's chemical industry. Using its advanced technological capabilities, the

Group tackles social issues head-on in a vast range of fields, including petrochemicals, functional materials, and healthcare, and it has the potential to grow even further. The employees I have been able to work with thus far have been nothing but great and the strength of these employees is, I believe, one of the sources of the Group's competitiveness.

Eto | Although I have not had any direct business relationships with the Group, I was certainly aware of the fact that it is the largest company in Japan's chemical industry. Through the lectures I have attended since assuming this position, I have gained the

impression that the Group has confidence in its technological capabilities from a development and production perspective. My understanding is that through the innovation created by these technologies, the Group has long been pursuing a sense of mission to contribute to society, which is expressed in its Purpose, or the realization of KAITEKI.

Coates | My relationship with the Group spans nearly 20 years. I have hosted the Group's researchers in my laboratory at Cornell University, served on the advisory board from a technical point of view, and always been impressed with the quality and

originality of the Group's research and the abilities of its researchers. In addition, the diversity of its business portfolio is unique compared with chemical manufacturers in Europe and the United States. The realization of KAITEKI entails addressing a number of environmental and social issues. By harnessing this diverse business portfolio and the innovation created through its technologies, I believe the Group is well positioned to realize KAITEKI.

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The Group's Transformation

Fujiwara | The Group is forging ahead with the transformation of its business portfolio and other aspects of its business to achieve sustainable growth. What do you, Mr. Eto and Mr. Sakamoto, think is important for corporate transformation based on your wealth of management experience?

Eto | It is important to select businesses and allocate resources appropriately based on a clear vision of what and how the Group will transform for the future. In terms of business selection, the Group must identify where in the value chain it can maximize its contribution and thus be accepted by society as a differentiated corporate brand. However, it must also enhance competitiveness in order to win out against the competition in these selected businesses. A solid financial foundation is also key to transforming businesses.

Sakamoto | To ensure continuity and sustainable growth, companies must constantly work to transform their business so that they can adapt to changes in the environment and

respond to the needs of society. As is often said, the companies that will continue to survive are not the largest or the strongest, but rather the ones that can adapt to change. It is also necessary to determine the best owner for each business in accordance with the market environment at the time and to restructure the business portfolio as necessary.

The existence of partner companies is highly important as well. In the past, I had the impression that the Group more or less grew by building its business foundation on its own; however, in order to create and develop new businesses going forward, it must actively work together with other companies more than ever.

It is not only the Group that needs to change, but rather the chemical industry in Japan as a whole. Compared with Europe and the United States, the chemical industry in Japan has not seen much progress in industry restructuring due in part to the country's labor-related issues, and this and other factors have contributed to the industry's relatively low profit margin.

Eto | Collaboration with partner companies is certainly important for continued growth. By complementing one another in areas that cannot be covered by one company alone, such as joint research, results can be maximized even with limited resources.

In addition, when the profitability of the entire industry is low, it is not enough to simply win out in the face of competition. The issues need to be determined, which will entail in-depth discussions.

Fujiwara | Thank you very much. Beyond the transformation, we have our sights set on becoming a green specialty chemical company that leads the realization of KAITEKI. As outside directors, how do you view this direction?

Coates | Even materials that are essential to society, such as plastics, can have significant environmental impacts throughout a product life cycle, from manufacturing to end of life. On the other hand, environmentally friendly manufacturing processes can often be expensive. There is a need to develop sustainable materials that protect the environment and ensure profitability.

The Group has some of the best chemical processes in the world. Starting with the new ethylene method (Alpha technology), which produces MMA with minimal impact on the environment at low cost, I believe the Group will create other environmentally friendly and affordable manufacturing processes that will bring it closer to realizing a KAITEKI society.

Sakamoto | It goes without saying that the Group must conduct business activities with emphasis on the environment and the aim of realizing a recycling-oriented society. Moreover, much remains to be done when it comes to developing a business model that generates profits through green businesses. It is essential to design a future vision that enables even green businesses to operate independently as a business and to work toward realizing this vision.

Eto | While the development of green specialty chemical products is becoming the entry ticket for chemical companies, in other words, a prerequisite for their business activities, they do not guarantee their survival. "Green-related" businesses may initially receive public support from the government, but that would not last forever. Therefore, the business itself would not be sustainable unless it can generate revenue on its own.

Fujiwara | You are exactly right. In order to operate as a business, chemical companies must not only contribute to the environment and society but also generate earnings. In moving ahead with our transformation, from what perspectives will you monitor and offer advice as members of the Board of Directors?

Sakamoto | I believe we can learn from the evolution of the chemical industries in Europe and the United States. In the past, the measures taken by chemical manufacturers in these regions to improve profitability were much like those of chemical manufacturers in Japan today. By reforming business formats through a series of M&As and reorganizations of business ownership, the chemical



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industries in these regions achieved improvements in profitability. When considering the future of the Group, I will keep these various possibilities in mind while raising appropriate questions so that the executive side can think about what their optimal business portfolio should look like.

Eto | As an outside director, I would like to make sure that the executive side's approach in promoting the transformation of business portfolios is fully understood and that the key points are being discussed. In determining whether the Group is or is no longer the best owner of a business, it should be able to naturally get a sense of which businesses to continue by objectively considering the obstacles involved. I am aware that the scale of these investments and the responsibility in determining them are significant, so I hope to support the executive side in selecting the best course of action.

Coates | Much like the two of you, I would like to offer advice on which areas of business to expand, downsize, or withdraw from a chemical technology and profitability point of

view. The development of new materials involves careful investment decisions from short-, medium-, and long-term perspectives. By using techno-economic analysis, which is one of my areas of expertise, I believe I can support executive decision-making by assessing the economic impacts of implementing technology. I am committed to ensuring the sustainability of the Group's green specialty business.

Aspirations as an Outside Director

Fujiwara | Lastly, please tell us your goals as an outside director.

Sakamoto | In addition to deepening my knowledge of the Group's business, I would like to contribute to the enhancement of its corporate value and the resolution of social issues by using the information obtained through Board meetings and other means to invigorate discussions based on sound arguments without reading between the lines. In doing so, I would like to focus on the areas that will lead to the realization of KAITEKI for not only shareholders but all stakeholders, particularly employees, who are the ones that will aim to realize KAITEKI. I say this because such a course of action, I believe, will ultimately gain the trust of shareholders.

Eto | This is what I will do to contribute to the enhancement of the Group's corporate value. I would like to confirm the Group's equity story with members on the executive side, including the time frame for appropriately

allocating limited resources to growth investments. To do this, I will first use Board of Directors' meetings and other venues to exchange views on the medium-term management plan, which is scheduled to be announced in fall 2024.

I also believe that it is our role as outside directors to communicate with the executive side to ensure that results are distributed in an optimal manner for all stakeholders. Sometimes, I will offer suggestions, and at other times I work with the executive side to discuss the solutions necessary for the Group's further growth. I will strive to offer valuable insight that will encourage those on the executive side to reconsider their existing ideas and policies.

Coates | I decided to serve as an outside director based on President Chikumoto's desire to transform the Group into a green specialty chemical company. Although this transformation will not be easy to accomplish, the Group has the determination and capabilities to make it happen. I intend to use my knowledge as a scientist and my experience in material development to help grow the Group into a global leader in the chemical field. I am convinced that this will lead to the realization of KAITEKI and enable the Group to provide social and economic value to all stakeholders.

Eto | I hope we can discuss the Group's vision of governance as well. As one of the few corporations with a nominating committee, etc., in Japan, I would like to have open discussions on whether the Group should pursue



a strong monitoring-based model, in which the Board of Directors has the right to select personnel for top management and the right to veto power over strategy, or a support-based model, in which we work with the executive side and represent the opinions of stakeholders.

Sakamoto | While determining the formal structure for governance is important, I think what is more important is building a management team capable of holding thorough discussions. Through discussions with the management team, I hope we can find the best and most effective form of governance for the Group.

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Corporate Governance

For the realization of KAITEKI, the Mitsubishi Chemical Group is focusing on establishing a better corporate governance structure by improving management transparency through proper disclosure and dialogue with stakeholders, while enhancing both the soundness and efficiency of management.

▶ Corporate Governance Structure for Sound Management and Greater Efficiency (As of June 25, 2024)

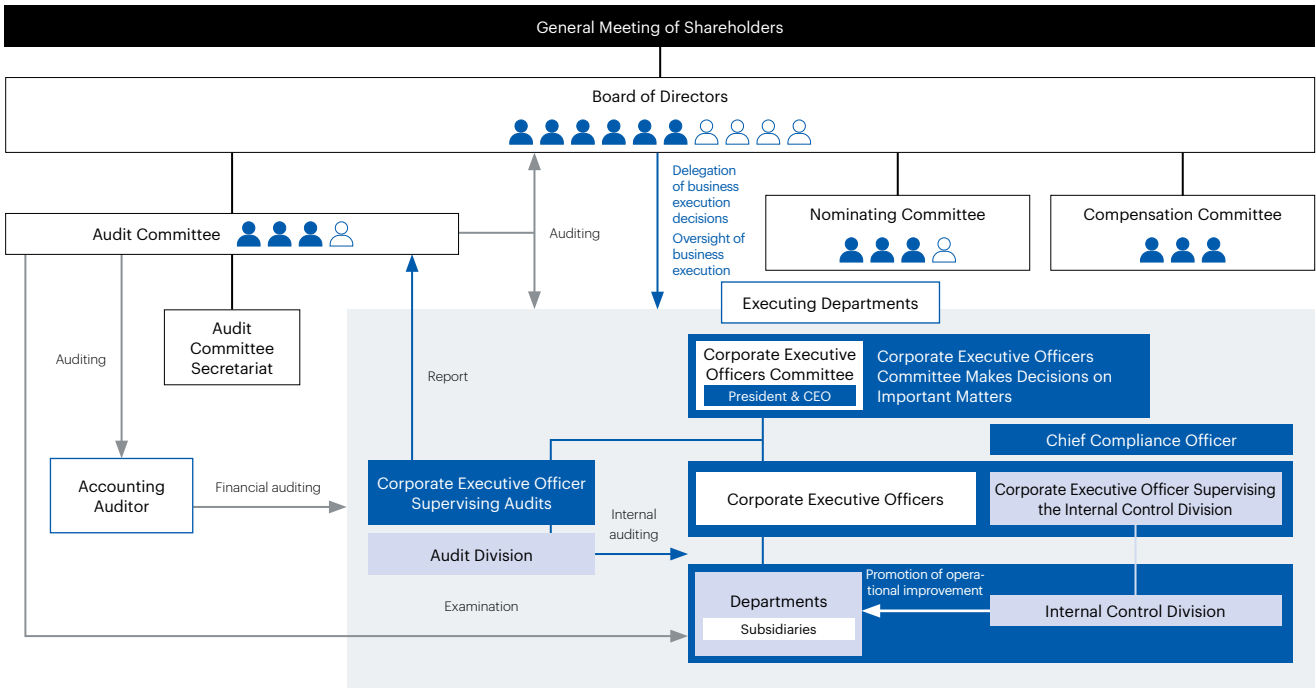
To improve the transparency and fairness of our management, strengthen management supervision functions, and increase management agility through accelerated decision-making, the Company has adopted the structure of a company with a nominating committee, etc. Under this governance system, the Board of Directors and the three committees (Nominating, Audit, and Compensation committees) oversee business management while the corporate executive officers are responsible for making decisions and operating the business.



Corporate Governance

Structure for ensuring the appropriateness of operations (Conceptual diagram)

Outside directors Internal directors



Note: The chief compliance officer and the corporate executive officer supervising the Internal Control Division serve concurrently as the corporate executive officer supervising audits. The Company has therefore taken measures to ensure the independence of internal audits, such as direct supervision of audits of the Internal Control Promotion Division by the president & CEO.

Corporate governance history

Category	June 2013	June 2014	June 2015	June 2016	June 2021	June 2024
Initiatives	Appointment of an outside director	Appointment of a director of overseas nationality	Appointment of a female director Transition to a company with a nominating committee, etc.	Increase in the number of outside directors	Selection of a lead independent outside director	Ensuring of outside directors constituting a majority of directors
Medium- to long-term targets (including those already achieved)	Strengthening of management supervision functions	Increased diversity of the Board of Directors	Increased diversity of the Board of Directors Improvement of management transparency and fairness as well as management supervision functions	Strengthening of management supervision functions	Enhancement of the independence of the Board of Directors and strengthening of cooperation between executive and outside directors	Strengthening of management supervisory function

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Corporate Governance

▶ Roles of the Board of Directors

The Board of Directors determines basic management policies, such as medium-term business strategies and annual budgets. As a general rule, corporate executive officers are entrusted with the responsibility of executing operations in accordance with these basic policies, excluding matters that must be legally resolved by the Board of Directors. The Board of Directors primarily supervises the execution of duties by corporate executive officers.

▶ Constitution of the Board of Directors

In order to formulate the basic management policy of the Group and appropriately supervise management, the Company appoints directors of the Board from a multifaceted perspective by defining universally required skills as “corporate management,” “global business,” and “risk management,” and skills required from a medium- to long-term perspective are defined as “legal and compliance,” “finance,” “industry and related business,” and “technology, science, and digital.”

Furthermore, in a bid to enhance oversight functions, a majority of the Board of Directors shall not concurrently serve as corporate executive officers.

▶ Lead Independent Outside Director

With the aim of enhancing the independence of the Board of Directors and strengthening cooperation between corporate executive officers and outside directors, outside directors elect a lead independent outside director from among themselves. The lead independent outside director gathers opinions from outside directors and holds discussions with the chairperson of the Board of Directors and the president & CEO, and presides as chairperson over a meeting body composed solely of outside directors.

▶ Outside Director Liaison Committee and Related Meetings

The Outside Director Liaison Committee, consisting solely of outside directors, is held regularly as a forum for outside directors to exchange information and share views from an independent and objective standpoint.

In addition, as a forum for sharing of important management-related information and for the frank exchange of opinions on management issues, the Director Liaison Committee has been established that includes all directors as members.

▶ Main Agenda Items of the Director Liaison Committee during Fiscal 2023

- Petrochemicals business
- Portfolio strategies
- Engagement with institutional investors

Skills matrix

Name		General skills			Specialty skills			
		Corporate management	Global business	Risk management	Legal and compliance	Finance	Industry and related business	Technology, science, and digital
Internal	Nobuo Fukuda		●	●			●	
	Manabu Chikumoto		●	●			●	
	Ken Fujiwara		●	●	●		●	
	Jin Iida		●	●			●	
Outside	Chikatomo Hodo	●	●	●				●
	Kiyomi Kikuchi		●	●	●			
	Tatsumi Yamada		●	●		●		
	Akihiro Eto	●	●	●		●		
	Shuichi Sakamoto		●	●		●	●	
	Geoffrey Coates		●	●			●	●

Note: “General skills” are skills that are universally required of directors of the Board, and “global business” and “risk management” are common skills required of all directors of the Board. “Specialty skills” are skills that are required from a medium- to long-term perspective and are professional skills that each director of the Board has as particular strengths.

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Framework and roles of the committees (As of June 25, 2024)

	Nominating Committee	Audit Committee	Compensation Committee
Chairperson	Outside director	Outside director	Outside director
Composition (including chairperson)	Outside directors—3 Internal director—1	Outside directors—3 Internal director (full-time)—1	Outside directors—3
Purpose	The Nominating Committee nominates candidates for director and corporate executive officer positions.	The Audit Committee audits the execution of duties by corporate executive officers and directors and reviews the Group’s internal control system, etc.	The Compensation Committee determines the design of the remuneration system and the amount of remuneration to be paid to individuals.
Fiscal 2023 review	The committee met a total of 11 times and undertook individual appraisals of the president & CEO and other corporate executive officers, selection of corporate executive officer candidates, and discussion of the presidential succession plan. The committee determined director candidates by deliberating on their expected roles and suitability based on the skills matrix and succession plan.	The committee met a total of 15 times and undertook key point audits of the status of development and operation of governance and the internal control system, and the status of business execution regarding the management foundation, the business strategy, and other items. These audits focused particularly on responses to changes in the business environment, including the emergence of geopolitical risks and carbon neutrality.	The committee met a total of 11 times and, based on the director remuneration policy, discussed and decided on the appropriate system and level of remuneration for directors and corporate executive officers. With the aim of further raising the level of commitment to a medium- to long-term increase in corporate value and shareholder value, the committee decided to introduce restricted transfer stock remuneration that is not linked to performance for internal directors who do not serve concurrently as corporate executive officers, effective from fiscal 2024.

▶ Assessment of the CEO

The Nominating Committee assesses the performance of the CEO from multiple perspectives using indices based on the three axes for the realization of the Group’s Purpose (MOS, MOT, and MOE) and also discusses the appropriateness of the continuation of duties by the CEO, using metrics such as 360-degree feed-back. The Nominating Committee provides feedback on the results of discussions to the individuals involved to improve the quality of management.

▶ Audit System (Trilateral Audits)

The Audit Committee cooperates with the Internal Audit Division and the accounting auditor to enhance trilateral audits (conducted by the Audit Committee, accounting auditor, and the internal audit departments).

The committee holds discussions in advance with the Internal Audit Division on the internal audit plans made by the office and has regular meetings with the office to exchange opinions and receive information on the results of internal audits and other issues. The committee also cooperates closely with the accounting auditor. It receives reports on the audit process, plans, progress status on audit work and the results of audits, and exchanges information and opinions with the auditor.

▶ Corporate Executive Officers

Corporate executive officers decide on the operational execution and are in charge of its implementation based on basic management policies developed by the Board. Regarding important matters in the management of the Group, deliberations are made at the Corporate Executive Officers Committee, which is a council

formed of corporate executive officers. In addition to determining the division of duties of each corporate executive officer for other matters, appropriate and efficient decision-making is made possible by clarifying the decision-making authority of the corporate executive officer in charge.

▶ Corporate Executive Officers Committee

The Corporate Executive Officers Committee is composed of all corporate executive officers. It deliberates and decides on important matters concerning the management of the Company and the Group, and also monitors the Group’s business based on the medium-term management plan, the annual budget, and other relevant factors.

Members of the Audit Committee, vice presidents appointed by the president & CEO, and other members of management may attend and share their views at these meetings, which are managed in a way that ensures diverse perspectives are reflected in management decision-making. In addition, the Executive Officer Liaison Committee is held regularly as a forum for executive officers, vice presidents, and other members of management to openly exchange opinions on management issues.

▶ Cross-Shareholdings

The Company and major subsidiaries acquire and hold shares of client companies, etc., if the shareholding contributes to medium- to long-term improvement in corporate value. The Board of Directors reviews the grounds for such cross-shareholdings on a regular basis. Taking account of the effect on the market, we make efforts to sell any cross-shareholdings if they are deemed to be unjustifiable. On December 8, 2023, the Board of Directors reviewed all Group cross-shareholdings as of the end of March 2023 in terms of the economic rationale as measured by ROIC, their necessity for business, and other considerations.

As a result of the review, we found some cross-shareholdings to be insufficiently justified and will proceed with their sale, taking account of the effect on the market.

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► Policy on Nomination of Director Candidates

The Nominating Committee nominates persons who fulfill the following criteria as candidates for directors.

- Possess deep insight as well as objective and fair judgment, which are necessary to fulfill the responsibilities of a director of a company with a nominating committee, etc.
- Possess high ethical standards and a law-abiding mind
- Are healthy enough to fulfill the responsibilities as a director
- Secure diversity (including genders and nationalities) among directors
- For outside directors: fulfill independence standards that are separately stipulated and be able to secure enough time to execute business.

► Training for Directors

Outside directors are constantly briefed on the Group's business and organizations and are regularly given the opportunity to visit the Group's business locations in Japan and abroad and to discuss with the management team. We also promote efforts to deepen their understanding of the Group through attendance at business briefings and various conferences, either in person or online.

Internal directors are given opportunities to develop the qualities required of directors through training sessions on compliance and internal control and a range of seminars held by external organizations.

► Standards for Independence of Outside Directors

The Company shall elect those as outside directors who do not fall under any of the following and are capable of overseeing the Company's management from a fair and neutral standpoint, free of a conflict of interest with general shareholders.

1. Related party of the Company

1 Executive director, corporate executive officer, executive officer, manager, employee, partner, etc., of the Group (hereinafter referred to as a "person engaged in execution of operation")

2 A person who has been engaged in execution of operation of the Group in the past 10 years

2. Major shareholder

A person who directly or indirectly holds 10% or more of MCG's total voting rights or a person engaged in execution of operation of a company that directly or indirectly holds 10% or more of MCG's total voting rights

3. Major business partner

1 A person engaged in execution of operation of a company*¹ whose major business partner includes MCG, Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Nippon Sanso Holdings Corporation (hereinafter referred to as "major subsidiaries of the Group")

2 A person engaged in execution of operation of a major business partner*² of MCG and major subsidiaries of the Group

4. Accounting auditor

Accounting auditor of the Group or an employee thereof

5. Transaction as an individual

A person who receives money and other financial benefits of ¥10 million or more per year from any of MCG and major subsidiaries of the Group

6. Donation

A person who receives a donation or financial assistance of ¥10 million or more per year from any of MCG and major subsidiaries of the Group or a person engaged in execution of operation of a company that receives a donation or financial assistance of ¥10 million or more per year from any of MCG and major subsidiaries of the Group

7. Reciprocal assumption of the position of director

A person engaged in execution of operation of a company that has elected any of the directors and employees of the Group as its director

8. Close relatives, etc.

1 Spouse, relatives within the second degree of kinship, or any person who shares the same livelihood of a person engaged in execution of important operations of the Group (hereinafter referred to as "close relatives")

2 Close relatives of any person who meets the definition of items 3 through 7 above

*¹ If the said business partner receives from MCG and major subsidiaries of the Group an amount equivalent to 2% or more of its annual consolidated net sales in the latest fiscal year, this company shall be considered as one whose major business partner includes MCG.

*² If MCG and major subsidiaries of the Group receive from the said business partner an amount equivalent to 2% or more of MCG's annual consolidated net sales in the latest fiscal year or the said business partner loans to the Group an amount equivalent to 2% or more of MCG's total consolidated assets, the said business partner shall be considered as a major business partner of MCG.

*³ The party is deemed to fall under the items 3 to 7 when the relevant conditions were met any time in the past three years.



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Corporate Governance

Main activities and attendance at Board of Directors' meetings and committee meetings by outside officers (Fiscal 2023)

Name	Status of activities and summary of duties executed in relation to expected roles	Attendance	
Takayuki Hashimoto	During Board of Directors' meetings, he spoke on global management, portfolio management, and other issues. In addition, as the leader of the independent outside directors, he engaged in dialogue with institutional investors. In Nominating Committee meetings, the main agenda items during the fiscal year under review were succession plans and the nomination of candidates for director and corporate executive officer positions, and as chairperson of the Nominating Committee, he fulfilled his duties by playing a leading role in ensuring consistency with management strategies, fairness, and transparency. Furthermore, as a member of the Compensation Committee, he executed his duties by providing appropriate input regarding major agenda items for the fiscal year under review, such as performance remuneration for corporate executive officers and stock remuneration with restriction of transfer for outside directors.	Board of Directors' meetings	9/9 (100%)
		Nominating Committee meetings	11/11 (100%)
		Compensation Committee meetings	11/11 (100%)
Chikatomo Hodo	During Board of Directors' meetings, he spoke on global management, portfolio management, and other issues. Furthermore, as a member of the Nominating Committee, he executed his duties by providing appropriate input regarding major agenda items for the fiscal year under review, such as succession plans and the nomination of candidates for directors and corporate executive officers. In meetings of the Compensation Committee, the main agenda items for the fiscal year under review were performance remuneration for corporate executive officers and stock remuneration with restriction of transfer for outside directors, and as chairperson of the Compensation Committee, he fulfilled his duties by playing a leading role in ensuring fairness and transparency.	Board of Directors' meetings	9/9 (100%)
		Nominating Committee meetings	10/11 (91%)
		Compensation Committee meetings	11/11 (100%)
Kiyomi Kikuchi	During Board of Directors' meetings, she provided input on such matters as the responsibilities of the Board of Directors, legal risk, and global governance, drawing on her experience and profound insight as a lawyer. Furthermore, as a member of the Nominating Committee, she executed her duties by providing appropriate input regarding major agenda items for the fiscal year under review, such as succession plans and the nomination of candidates for directors and corporate executive officers. In the Audit Committee, based on audit plans, she appropriately fulfilled her responsibilities as an outside Audit Committee member by conducting audits on the priority audit items for the fiscal year under review, including monitoring the status of the development and operation of governance as a corporate group and the internal control system, as well as the status of execution related to the management base, business strategies, and other matters.	Board of Directors' meetings	9/9 (100%)
		Nominating Committee meetings	11/11 (100%)
		Audit Committee meetings	15/15 (100%)
Tatsumi Yamada	During Board of Directors' meetings, he provided input on such matters as finance and accounting, disclosures, and market valuation, drawing on his experience and profound insight as a certified public accountant and an international accounting expert. As a member of the Audit Committee, based on the audit plan, he appropriately fulfilled his responsibilities by playing a leading role in ensuring the fairness and transparency of audits as chairperson of the Audit Committee and by conducting audits on the priority audit items for the fiscal year under review, including monitoring the status of the development and operation of governance as a corporate group and the internal control system, as well as the status of execution related to the management base, business strategies, and other matters. Furthermore, as a member of the Compensation Committee, he executed his duties by providing appropriate input regarding major agenda items for the fiscal year under review, such as performance remuneration for corporate executive officers and stock remuneration with restriction of transfer for outside directors.	Board of Directors' meetings	9/9 (100%)
		Audit Committee meetings	15/15 (100%)
		Compensation Committee meetings	11/11 (100%)

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Message from the Chairperson of the Board



We will engage in substantive discussions from diverse perspectives with the aim of enhancing corporate value.

In June 2023, we evaluated the effectiveness of the Board of Directors and confirmed that the strengthening of monitoring functions and the enhancement of discussions on strategy were the main issues. In response, the Board of Directors is working to further enhance effectiveness through discussions based on more in-depth information, formulating an annual agenda for items to be discussed based on priority, and aiming to reduce disparities in information access between internal and outside directors by providing explanations of important agenda items in advance.

On the executive side, we introduced a new management structure under our new president and are working to formulate a business portfolio and growth strategies for our next management vision, KAITEKI Vision 35 (tentative name). In addition, we welcomed three new outside directors upon the conclusion of the 19th Ordinary General Meeting of Shareholders, thereby enhancing the diversity of the skills matrix of the Board of Directors. As chairperson of the Board of Directors, I will strive to contribute to the enhancement of the Group's corporate value by encouraging discussion of important agenda items from diverse perspectives, with each outside director bringing his or her own unique strengths to the table.

Measures to Enhance the Effectiveness of the Board of Directors

► Our Response to the Fiscal 2022 Results of the Evaluation on the Effectiveness of the Board of Directors

In fiscal 2023, we focused our efforts on strengthening monitoring functions, enhancing discussions on strategy, and improving the effectiveness of the Nominating Committee, which were identified as issues in the fiscal 2022 evaluation on the effectiveness of the Board of Directors. At the Board of Directors' meeting held in October 2023, we confirmed the progress of these measures and the method of evaluation for fiscal 2023. The progress of our measures is as follows:

Strengthening of monitoring functions

Secured adequate time for deliberations not only through the Board of Directors' meetings but also the holding of off-site meetings

Provided information on important agenda items to the Board of Directors at an early stage

Organized visits to domestic and overseas business sites for outside directors

Enhancement of discussions on strategy

Established an annual agenda and clarified the schedule for deliberations on important agenda items

Improvement of the effectiveness of the Nominating Committee

Determined personnel requirements of directors based on desired Board composition and conducted discussions with a focus on fiscal 2024

In March 2024, the Board of Directors revised certain operations to further enhance the accessibility of information for outside directors, including the holding of prior explanations for outside directors on important matters, allowing it to quickly work together with the new executive team that was introduced in April.

In addition to such measures based on evaluation results, we are incorporating the suggestions made by institutional investors during discussions on the Board of Directors' activities into the agenda to enhance Board effectiveness by addressing the needs of stakeholders as appropriate.

► Fiscal 2023 Evaluation on the Effectiveness of the Board of Directors

To ensure the professionalism of the evaluation method and the objectivity of the evaluation process, Board effectiveness is evaluated by a third-party organization on a regular basis in accordance with the Mitsubishi Chemical Group Corporate Governance Guidelines. However, for the fiscal 2023 evaluation, in order to focus on addressing the issues identified in recent evaluations, the Board of Directors assessed the progress of improvements to these issues without the involvement of a third-party organization. A written survey was conducted to assess perceptions of the current state of the Board of Directors and measures to resolve issues. Based on the responses, the issues were shared with newly appointed directors at the Board of Directors' meeting held in July 2024 to discuss specific measures to enhance effectiveness of the Board of Directors.

Overview of Evaluation Results



► Main Agenda Items of Board of Directors' Meetings in Fiscal 2023

The main agenda items discussed at Board of Directors' meetings in fiscal 2023 were as follows.

- Portfolio strategies
- Annual budget and investment plan
- Effectiveness of internal control system
- Status of enterprise risk management (ERM) activities
- Rationale for cross-shareholdings
- Engagement activities with institutional investors
- Status of measures on issues identified through evaluation results of Board effectiveness
- Status of sustainability activities
- Results of the employee awareness survey
- Regular reports from each committee and each corporate executive officer

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▶ Policy on Deciding Remuneration for Directors and Corporate Executive Officers

Method of determining the policy

The policy on deciding individual remuneration, etc., for officers of the Company is determined by the Compensation Committee every fiscal year, after reviewing its validity. Changes in the business environment and opinions from shareholders and investors are weighed in the Compensation Committee meetings, and information necessary for discussions is obtained from outside remuneration consultants at WTW (Willis Towers Watson), who are replete with global experience and knowledge.

Revisions in policy on deciding remuneration for directors and corporate executive officers, effective from fiscal 2024

The Company decided to grant shares with restriction of transfer (RS) to internal directors who do not concurrently serve as corporate executive officers beginning in fiscal 2024 in order to further promote sustainable corporate and shareholder value. The amount of additional RS to be granted will be determined by taking into consideration the expected role of the eligible internal directors and trends at other companies (RS for fiscal 2024 will be approximately 10% or less of the amount of basic remuneration.). There are no other significant changes with respect to the policy on determining remuneration for directors and corporate executive officers for the fiscal 2024.

Policy on deciding remuneration for directors and corporate executive officers

Systems for directors and corporate executive officers are separate, and remuneration is determined by the Compensation Committee based on the following concepts:

Basic policy on deciding remuneration, etc., for directors

- Given their role of overseeing and auditing management of the Company from an independent and objective standpoint, remuneration for directors shall mainly consist of basic remuneration (fixed remuneration). In order to encourage supervising and providing advice on management from the viewpoint of

shareholders and investors with an eye to enhancing corporate and shareholder value, stock remuneration not linked to performance shall be paid in addition to basic remuneration.

- In order to secure personnel suitable for executing the responsibilities of directors of the Company with a Nominating Committee, etc., the level of remuneration shall be determined by considering the levels of other companies, expected roles and functions of directors, hours required to execute their duties, and other factors.

Basic policy on deciding remuneration, etc., for corporate executive officers

- A remuneration plan shall be one that makes officers conscious of the integrated practice of the three axes (MOS/MOT/MOE) for realizing the Group's Purpose.
- A remuneration plan shall be one that effectively functions as an incentive to enhance short-term and medium- and long-term performance and improve sustainable corporate value and shareholder value.
- The level of remuneration shall be a level competitive enough to acquire and keep good management personnel who lead the sustainable growth of the Group.
- Remuneration shall be determined through a fair and reasonable decision-making process that can fulfill accountability for all stakeholders, including shareholders, customers, and employees.

Basic policy on deciding remuneration, etc., for officers recruited from outside

- Remuneration, etc., for officers recruited from outside shall be determined on a case-by-case basis, by considering the levels and customs of remuneration expected in the place/country of birth or residence of the officer recruited under the above basic policies.

Remuneration system

Directors

Remuneration for directors shall consist of basic remuneration (fixed remuneration) and stock remuneration (shares with restriction of transfer). However, the remuneration system for corporate executive officers shall apply to internal directors who concurrently serve as corporate executive officers.

Corporate executive officers

Remuneration for corporate executive officers shall consist of the following:

Type of remuneration			Outline
Fixed	Short-term / Cash	Basic remuneration	• Basic remuneration is paid for the execution of responsibilities/duties. • Defined by roles and the size of responsibilities of each corporate executive officer
		Annual bonus	• Each fiscal year, monetary remuneration is paid based on Companywide performance evaluations (evaluations of the three axes for realizing the Group's Purpose) and individual appraisal (on the achievement of initiative targets under the medium- and long-term management plan, leadership status, etc.).
Variable	Long-term / Stock	Performance share unit (PSU)	• Stocks are issued based on growth in the Company's share price in a period of three years (TSR*). (* In comparison with JPX-Nikkei Index 400 and peer group (domestic or foreign chemical/healthcare companies with global operational presence)
		Shares with restriction of transfer (RS)	• Shares with restriction of transfer worth the base value defined by title are issued every fiscal year and the restriction of transfer will be removed when an officer retires.

Note: For non-Japanese officers, fringe benefits and severance pay may be paid in addition to the above, to the extent appropriate, by considering the levels and customs of remuneration expected in the place/country of birth or residence of the officer recruited.

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Director and Officer Remuneration

Method of setting the levels/percentage of remuneration

Directors

The levels of remuneration for directors shall be determined by considering the levels of remuneration for non-executive directors or outside directors at other companies of a similar size in domestic sales and market capitalization, roles and functions expected of each director (the leader of the independent outside directors and member/chairperson of the Nominating/Compensation/Audit committees), and hours required to execute their duties (full-time/part-time classification).

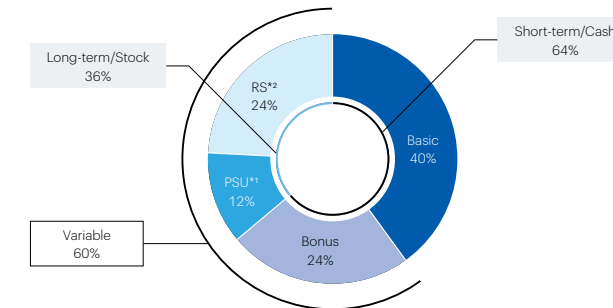
The ratio of stock remuneration to directors will be set in consideration of the expected roles of each director and trends at other companies. The ratio of stock remuneration to basic remuneration in fiscal 2024 will be approximately 10% or less.

Corporate executive officers

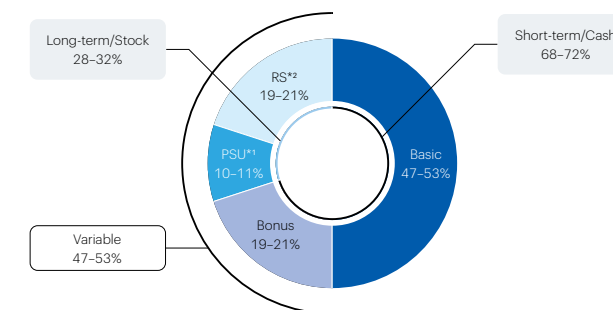
Remuneration, etc., for corporate executive officers shall be set at a competitive level with appropriate percentage of remuneration, after comparing the levels of remuneration and performance linkage with other companies of a similar size in domestic sales (for non-Japanese officers, however, sales in certain regions shall be considered in order to acquire the talent, such as the place/country of birth or residence of an officer) and market capitalization.

Fiscal 2024 composition of standard remuneration for corporate executive officers

Corporate executive officer, president & CEO



Short-term/Cash



*1 Performance share unit

*2 Shares with restriction of transfer

Note: Basic remuneration: Bonus: Stock remuneration rates for fiscal 2024 are set at 1 : 0.6 : 0.9 for the corporate executive officer, president & CEO and 1 : 0.35-0.45 : 0.53-0.68 for other corporate executive officers, for the higher titles to earn the greater ratio of variable remuneration.

Annual bonus

The amount of individual bonus for corporate executive officers is determined based on Companywide performance evaluation (on the achievement of annual targets in the three axes for realizing the Group's Purpose) and individual appraisal (on the achievement of initiative targets set individually under the medium- and long-term management plan, leadership status, etc.).

Individual bonus amount =

$$\text{Base amount by title} \times \frac{[\text{Companywide performance evaluation} + \text{Individual appraisal}]}{(0-200\%)} \times \frac{[\text{Final evaluation adjustment}]}{(80-120\%)}$$

Companywide performance evaluation

Management indicators in each of the three axes (MOS, MOT, MOE) for the realization of the Group's Purpose will be used as direct metrics of bonus evaluation. Specific evaluation metrics are selected every fiscal year, primarily from the following:

Three key elements of Purpose realization	Major management indicator for each axis	% of evaluation
MOS	Indicators defined as those related to the prevention of lost-time injuries and security incidents, etc., reduction of greenhouse gas emissions, and improvement of employee engagement	20%
MOT	Indicators related to R&D, IP activities, digital transformation, and other efforts to realize the management plan	10%
MOE	Indicators related to core operating income, ROE, ROIC, free cash flow, etc.	70%

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Director and Officer Remuneration

Individual appraisal

For targets for the corporate executive officer, president & CEO, those declared by the corporate executive officer, president & CEO at the beginning of the fiscal year are reviewed and determined by the Compensation Committee and the Nominating Committee. The corporate executive officer, president & CEO's evaluation is based on a self-assessment and is reviewed and determined by the Compensation Committee and the Nominating Committee at the end of the fiscal year.

For targets and evaluations for corporate executive officers other than the corporate executive officer, president & CEO, they are determined through an interview held between each corporate executive officer and the corporate executive officer, president & CEO, then reviewed and approved by the Compensation Committee and Nominating Committee. In cooperation with the Nominating Committee, the Compensation Committee verifies the fairness and reasonableness of the targets and evaluations for the respective corporate executive officers.

Final evaluation adjustment

Only in cases that resulted in notable achievements or significant losses that were unforeseen at the beginning of the fiscal year, the Compensation Committee and Nominating Committee deliberate on the details and the need to take them into consideration, and such details and need will be added to or subtracted from the final evaluation.

Performance share unit (PSU)

In fiscal 2021, the Company discontinued the stock remuneration plan using the Board Incentive Plan (BIP) trust and introduced a PSU system. Under the Company's PSU system, which is intended to make officers conscious of sustainable improvement in corporate value and shareholder value, common stock of the Company is issued every year, in principle, in the number calculated in proportion to growth in the Company's share price (TSR: total shareholder return) during a period of three years. The chart on the right shows the method of calculating the number of stocks to be issued individually under the Company's PSU system.

TSR evaluation period

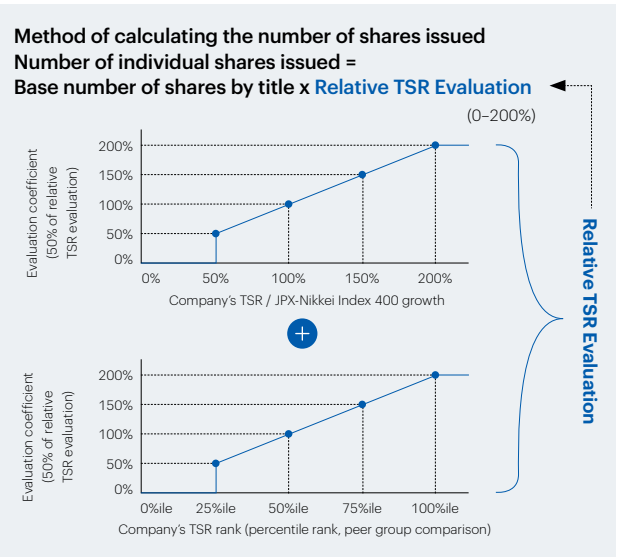
TSR evaluation period for the Fiscal 2024 Plan will be from fiscal 2024 to fiscal 2026.

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
FY2024 PSU		TSR evaluation period		Stock issuance		
FY2025 PSU			TSR evaluation period		Stock issuance	
FY2026 PSU				TSR evaluation period		Stock issuance

TSR evaluation category

The Company's TSR is compared to the index growth and the peer group TSR.

Category of evaluation	% of evaluation	Method of evaluation
Index growth comparison	50%	The coefficient of evaluation is determined by whether the Company's TSR is better or worse than JPX-Nikkei Index 400 (including dividends) growth.
Peer group TSR comparison	50%	The coefficient of evaluation is determined by the rank of the Company's TSR in the peer group (domestic or foreign chemical/healthcare companies of a similar size to the Company in domestic sales and market capital).



Stock remuneration with restriction of transfer (RS)

Each year, the Company shall deliver shares of the Company's common stock equivalent to the base amount determined by position or office in accordance with the share delivery rules concerning stock remuneration with restriction of transfer to directors and corporate executive officers. In order to share shareholder value and increase the share price over the medium to long term, the restricted transfer period shall be the period from the date of delivery of shares to the date of retirement as director or corporate executive officer of the Company.

Remuneration clawback and other important matters

The Company may use other special remuneration and benefits, where necessary, after a case-by-case review by the Compensation Committee. In addition, if any gross misconduct, violation, etc., is found with a director or a corporate executive officer, the Company may make a claim for seizing one's right to receive remuneration ("malus clause") or getting back one's remuneration ("clawback clause") against this director or corporate executive officer through a review by the Compensation Committee.

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Director and Officer Remuneration

▶ Aggregate Amount of Remuneration of Company Officers
Aggregate amount of remuneration of officers for fiscal 2023

Category of officer	Aggregate amount of consolidated remuneration, etc. (millions of yen)					No. of persons
	Basic remuneration, etc.	Performance-linked remuneration		Shares with restriction of transfer	Total	
		Annual bonus	Stock remuneration			
Directors (inside)	88 (79)	—	—	—	88 (79)	3
Directors (outside)	82	—	—	6	88	5
Corporate Executive Officers	752 (752)	294 (245)	182 (182)	327 (327)	1,555 (1,506)	17
Total	923 (914)	294 (245)	182 (182)	333 (333)	1,732 (1,674)	25

Notes:

1. The aggregate amount of remuneration, etc., above is stated as consolidated remuneration, etc. (the sum of remuneration paid or to be paid, or expenses, etc., borne by the Company and its subsidiaries). The amounts in parentheses are the sum of remuneration, etc., paid by the Company for directors (inside) and corporate executive officers. For outside directors, the aggregate amount of consolidated remuneration, etc., is paid fully by the Company. Remuneration paid or to be paid, or expenses, etc., borne by overseas subsidiaries in local currencies, which are included in consolidated remuneration, etc., are converted into yen using the average exchange rate during fiscal 2023.

2. MCG remunerates directors who concurrently serve as corporate executive officers for their services as corporate executive officers.

3. The amounts of basic remuneration, etc., and cash bonus are the sum of remuneration, etc., paid during the fiscal year under review (all monetary remuneration).

4. Annual bonus for corporate executive officers includes the amount paid in June 2023 to corporate executive officers who retired at the end of March 2023.

5. The amounts of stock remuneration presented above are the sum of the those recorded as expenses in fiscal 2023 (expenses connected with performance share units (see [Page 75 Performance share unit \(PSU\)](#)) introduced in fiscal 2021).

6. The amount of shares with restriction of transfer presented above is the sum of those recorded as expenses in fiscal 2023 (sum of grants of shares with restriction of transfer worth the base value defined by title, where the restriction of transfer is removed upon retirement, and grants of shares with restriction of transfer to Jean-Marc Gilson as a sign-on bonus).

7. Basic remuneration, etc., includes the amounts of fringe benefits for non-Japanese corporate executive officers (expenses for returning to their countries, educational expenses for their children, tax adjustments for international transfers, increase in gross fringe benefits, etc.). Furthermore, in the case of non-Japanese corporate executive officers, MCG bears expenses of ¥45 million for housing allowances, medical insurance, etc., as fringe benefits, i.e., non-monetary remuneration, in addition to the above remuneration.

8. In addition to the above remuneration, ¥298 million is to be paid to Jean-Marc Gilson in June 2024 as severance pay (special pay provided for contract termination due to the company circumstances). In addition to the above remuneration, ¥123 million was paid to seven of the corporate executive officers who retired on March 31, 2024 based on the contract with each corporate executive officer at the time of their retirement.

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Director and Officer Remuneration

Method of calculating performance-linked remuneration paid during the fiscal year under review

Annual bonus

Annual bonus paid to corporate executive officers in the fiscal year under review was determined based mainly on the results of the KAITEKI value evaluation (on the achievement of annual targets for the three axes of the KAITEKI management that the Group values: sustainability axis (Management of Sustainability: MOS); innovation axis (Management of Technology: MOT); and economic efficiency axis (Management of Economics: MOE)) and also individual appraisal (on the achievement of initiative targets under the medium- and long-term management plan, leadership status, etc.). The amounts paid were from 71.7% and 85.7% of the base amount.

Individual bonus amount

=

Base amount by title

×

[KAITEKI Value evaluation
+ Individual appraisal]

×

Final evaluation
adjustment

(0-200%)

(80-120%)

Listed below are major indicators, reason for selection, results of evaluation, etc., for the KAITEKI Value evaluation for fiscal 2022 (from April 1, 2022 to March 31, 2023).

Major indicators		Reason for selection	% of evaluation
MOS	Safety indicators	To ensure the safety of employees and other stakeholders	20%
	Indicators for reduction of environmental impact	To achieve carbon neutrality	
	Employee engagement indicators	To promote the creation of a society and workplace where diverse people can work enthusiastically and actively	
MOT	New product/service contribution	To measure the ability to create business through innovation	10%
	Patent competitiveness	To enhance technological edge	
	Digital maturity	To promote digital transformation	
MOE	Core operating income	To boost earning power in core business	70%
	ROE	To aim for sustainable improvement in corporate value	
	ROIC	To increase efficiency with the aim of improving core business profits relative to invested capital	

Results of KAITEKI Value evaluation for fiscal 2022 (achievement rate): 70.2%

Performance share unit (PSU)

Under the Company's PSU system, common stock of the Company is issued annually in the number calculated in proportion to growth in the Company's share price (TSR: total shareholder return) during a period of three years. This plan was introduced in fiscal 2021 and the first TSR evaluation period is from fiscal 2021 to fiscal 2023.

The results of the evaluation for fiscal 2021 are as follows. (Fiscal 2022 and fiscal 2023 results have not been finalized at this time.)

Fiscal 2021 PSU: Targets, results, and assessment coefficients for TSR indicators (evaluation period: April 2021 to March 2024)

TSR indicators	% of evaluation	Variance of assessment coefficients	Target	Result	Assessment coefficients
The Company's TSR + JPX-Nikkei Index 400 growth	50%	0-200%	Maximum: 200% Target: 100% Threshold: 50%	82.0% (The Company's TSR: 118.6%)	82.0%
The Company's TSR in comparison to peer group TSR (percentile rank)	50%	0-200%	Maximum: 100%ile Target: 50%ile Threshold: 25%ile	59%ile (10th out of 23 companies)	118.0%

Relative TSR evaluation (weighted average assessment coefficient): 100%

Directors (As of June 25, 2024)

MCG: Mitsubishi Chemical Group Corporation
MCHC: Mitsubishi Chemical Holdings Corporation*
MCC: Mitsubishi Chemical Corporation
* Effective July 1, 2022, Mitsubishi Chemical Holdings Corporation (MCHO) changed its company name to Mitsubishi Chemical Group Corporation (MCG).



Director of the Board, Chairperson

Nobuo Fukuda

Apr. 1981 Joined Mitsubishi Chemical Industries Limited
Apr. 2019 Representative Director, Director of the Board, Managing Executive Officer of MCC
Apr. 2022 Representative Corporate Executive Officer, Executive Vice President of MCHC (until Mar. 2023)
Representative Director, Director of the Board of MCC (until Jun. 2023)
Jun. 2023 Director of the Board of MCC
Director of the Board of MCG
Jun. 2024 Director of the Board of MCG, Chairperson (current)
Representative Director, Director of the Board of MCC (current)



Director of the Board,
President & CEO

Manabu Chikumoto

Apr. 1988 Joined Mitsubishi Chemical Industries Limited
Apr. 2018 Executive Officer of MCHC
Apr. 2022 Division General Manager of Carbon Chemicals Div., Basic Materials Domain of MCC
Apr. 2023 Executive Vice President of MCG
Apr. 2024 Corporate Executive Officer, President & CEO of MCG
Jun. 2024 Director of the Board, Corporate Executive Officer, President & CEO of MCG (current)



Director of the Board,
Executive Vice President,
General Counsel

Ken Fujiwara

Member of the Nominating Committee

Apr. 1984 Joined Mitsubishi Chemical Industries Limited
Apr. 2015 Executive Officer of MCHC
Apr. 2017 Executive Officer of MCC (until Mar. 2018)
Apr. 2018 Managing Corporate Executive Officer of MCHC
Jun. 2018 Director of the Board, Managing Corporate Executive Officer of MCHC
Jun. 2020 Director of MTPC (current)
Apr. 2022 Director of the Board, Executive Vice President of MCHC (current)
Director of the Board of MCC (current)
Director of the Board of LSII (until Jun. 2022)



Director of the Board

Jin Iida

Member of the Audit Committee

Apr. 1985 Joined Mitsubishi Chemical Industries Limited
Apr. 2018 Executive Officer of MCC
Apr. 2019 Managing Executive Officer of MCC
May 2021 Full-time Corporate Auditor of MCC (until Mar. 2022)
Apr. 2022 Senior Vice President of MCHC (until Mar. 2024)
Jun. 2024 Director of the Board of MCG (current)



Outside Director of the Board

Chikatomo Hodo

Independent Director

Chairperson of the Compensation Committee

Member of the Nominating Committee

Sep. 1982 Joined Accenture Japan Ltd
Sep. 2005 Representative Director of Accenture Japan Ltd
Apr. 2006 Representative Director and President of Accenture Japan Ltd
Sep. 2015 Director and Chairman of Accenture Japan Ltd
Sep. 2017 Director and Senior Corporate Advisor of Accenture Japan Ltd
Jul. 2018 Senior Corporate Advisor of Accenture Japan Ltd (until Aug. 2021)
Jun. 2019 Outside Director of MCHC (current)



Outside Director of the Board

Kiyomi Kikuchi

Independent Director

Member of the Nominating Committee

Member of the Audit Committee

Apr. 1986 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.) (until Dec. 1990)
Apr. 1999 Registered as a lawyer at Asahi Law Offices
Sep. 2002 Allen & Overy LLP (London)
May 2003 Admitted to the bar of the State of New York
Oct. 2003 Asahi Law Offices
Sep. 2004 Taiyo Law Office (currently Paul Hastings LLP/Gaikokuho Kyodo Jigyo)
Sep. 2006 JPMorgan Securities Japan Co., Ltd.
Apr. 2008 TMI Associates (current)
Jun. 2019 Outside Director of MCHC (current)

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Directors (As of June 25, 2024)



Outside Director of the Board

Tatsumi Yamada

- Independent Director
- Chairperson of the Audit Committee
- Member of the Compensation Committee

- Apr. 1976 Joined Sumitomo Corporation (until Jun. 1993)
- Mar. 1980 Registered as a Certified Public Accountant
- Jul. 1993 Chuo Audit Corporation (until Mar. 2001)
- Apr. 2001 Board member of The International Accounting Standards Board (until Jun. 2011)
- Sep. 2011 KPMG AZSA LLC (until Jun. 2018)
- Jan. 2012 Board member of KPMG AZSA LLC (until Jun. 2015)
- Feb. 2014 Founding member of International Integrated Reporting Council (currently Value Reporting Foundation) (until Jun. 2022)
- Oct. 2014 Trustee of International Valuation Standards Council (until Oct. 2020)
- Sep. 2015 Specially appointed professor of Faculty of Commerce, Chuo University (until Mar. 2024)
- Apr. 2016 Member of the Certified Public Accountants and Auditing Oversight Board for FSA (until Mar. 2022)
- Jun. 2020 Outside Director of MCHC (current)



Outside Director of the Board

Geoffrey Coates

- Independent Director

- Jul. 1997 Assistant Professor, Department of Chemistry, Cornell University
- Jul. 2001 Associate Professor, Department of Chemistry, Cornell University
- Jul. 2002 Professor, Department of Chemistry and Chemical Biology, Cornell University
- Jul. 2007 Betty R. Miller Professor, Department of Chemistry and Chemical Biology, Cornell University
- Jul. 2008 Tisch University Professor, Department of Chemistry and Chemical Biology, Cornell University (current)
- Jun. 2024 Outside Director of MCG (current)



Outside Director of the Board

Akihiro Eto

- Independent Director
- Member of the Audit Committee
- Member of the Compensation Committee

- Apr. 1986 Joined Bridgestone Corporation
- Jul. 2010 Vice President and Officer of Bridgestone Corporation
- Sep. 2012 Senior Executive Officer of Bridgestone Corporation
- Sep. 2014 Senior Vice President of Bridgestone Corporation
- Jan. 2016 Executive Vice President of Bridgestone Corporation
- Mar. 2016 Executive Vice President and Executive Officer of Bridgestone Corporation
- Jan. 2019 President, COO, and Representative Executive Officer of Bridgestone Corporation
- Mar. 2019 Member of the Board, President, COO, and Representative Executive Officer of Bridgestone Corporation
- Jul. 2020 Member of the Board of Bridgestone Corporation (until Mar. 2021)
- Jun. 2024 Outside Director of MCG (current)



Outside Director of the Board

Shuichi Sakamoto

- Independent Director
- Member of the Nominating Committee

- Apr. 1981 Joined Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corporation)
- Apr. 2014 Director, Senior Executive Officer of Asahi Kasei Chemicals Corporation
- Nov. 2014 Lead Executive Officer of Asahi Kasei Corporation
- Apr. 2016 Senior Executive Officer, CFO of Asahi Kasei Corporation
- Jun. 2016 Director, Senior Executive Officer, CFO of Asahi Kasei Corporation
- Apr. 2018 Director, Senior Executive Officer in charge of Health Care sector of Asahi Kasei Corporation
- Apr. 2019 Director of the Board, Senior Managing Executive Officer of Asahi Kasei Corporation
- Apr. 2023 Director of Asahi Kasei Corporation
- Jun. 2023 Advisor of Asahi Kasei Corporation (until Jun. 2024)
- Jun. 2024 Outside Director of MCG (current)

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We will continue to heighten the trust of stakeholders through our commitment to ensuring sound business management.

Isao Yano

Senior Vice President,
Chief Compliance Officer (CCO),
Supervising—Internal Control and Risk Management

An internal control system that facilitates sound business management

In April 2024, a new management structure was implemented. For the Mitsubishi Chemical Group to continuously enhance corporate value, in addition to proactive business activities such as growth investments and technological development, it is essential to properly operate and continuously improve our internal control system—such as ensuring thorough compliance and reliable reporting and strengthening risk management. In my area of responsibility, internal control and risk management, we are promoting the development and operation of the internal control system.

Along with ensuring safety, ensuring compliance is a top priority in management. We have developed a global compliance

promotion program and are engaged in various activities. The management team recognizes that its commitment through leadership is crucial to ensuring the program's effectiveness. Based on this recognition, we strive to instill a culture of compliance across the Group through the efforts of senior management to enhance awareness about the importance of compliance.

Accurate financial information is the foundation of stakeholders' trust in the Group and is essential to making proper management decisions, such as growth investments. For business processes related to financial reporting, the Internal Control Division supports and promotes process visualization and self-assessment, while the Audit Division evaluates these from an independent and objective standpoint. Through these activities, we continue to implement a plan-do-check-act (PDCA) cycle to ensure the reliability of our financial and other reporting.

In addition to traditional risk management practices to prevent and reduce internal risks—such as process safety accidents, quality defects, and human rights violations—and external risks—such as cyberattacks, natural disasters, and pandemics—we are also developing a framework to evaluate the potential impact of risks that have not only negative aspects but also opportunity aspects, such as sustainability, economic and trade policies, and changes in markets and demand. We reflect these in our strategies, business plans, and management decisions.

Flexibly responding to changes in our business environment and continuously meeting expectations

Our internal control system is one of the core mechanisms underpinning our corporate governance. Society's expectations and needs for sound business activities are increasing year after year, and the Group must respond in earnest to them, including ensuring thorough compliance.

Moreover, risk management has become even more important in the past few years, as the effects of several global and complex crises, including the COVID-19 pandemic, rising international conflicts and geopolitical tensions, and the resulting increase in food and energy prices, continue to this day.

To heighten the trust of stakeholders, we will flexibly respond to drastic changes in our business environment and remain committed to improving our internal control system, which will facilitate the Group's sustainable growth.



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Overview of Internal Control System

The Mitsubishi Chemical Group has established and operates an effective internal control system and strives to continuously improve it to ensure appropriate business operations.

Basic Policy of Establishing Internal Control Systems

In accordance with the Companies Act, the Board of Directors resolved the “Basic Policy of Establishing Internal Control Systems” and has established and operates an internal control system based on this policy. The key points of the policy are as follows.

System	Overview
1. Execution of Duties by the Audit Committee	To ensure effective audits by the Audit Committee, full-time members are appointed and an organization independent of business execution is assigned to assist in the audits. Executive officers report important management matters to the Audit Committee as appropriate and hold meetings regularly with the Audit Committee to report the status of business execution and other matters.
2. Ensuring Effective Decision-Making	With the exception of matters that have a significant impact on portfolio management and legal matters, decisions on the execution of business are generally delegated to executive officers. Important business matters are discussed and decided by the Corporate Executive Officers Committee, while other matters are handled efficiently by clarifying the decision-making authority.
3. Compliance with Laws and Regulations, Etc.	The Group has established the Compliance Promotion Meeting and operates the Global Compliance Promotion Program as part of management’s ongoing commitment to ensure compliance throughout its operations and foster a corporate culture that positions compliance as a top priority.
4. Loss and Risk Management	Under the direction of the president & CEO, the Enterprise Risk Management (ERM) Committee has been established to manage risks throughout the Group. As part of its activities, the committee selects major risks, identifies matters in need of immediate action, and conducts effective measures to prevent and mitigate risks.
5. Ensuring Information Security	The Group has a system in place to ensure the appropriate management, storage, and use of management-related documents and electromagnetic records. Appropriate measures are also taken to prevent cyberattacks and ensure information security.
6. Groupwide Internal Control System	In accordance with Group management regulations, the Group manages the operations of subsidiaries by monitoring business targets, reporting and giving approval to important business matters, and conducting internal audits. In addition, various compliance and risk management programs are shared with subsidiaries to ensure the optimization of Group operations.

Internal Control Reporting System

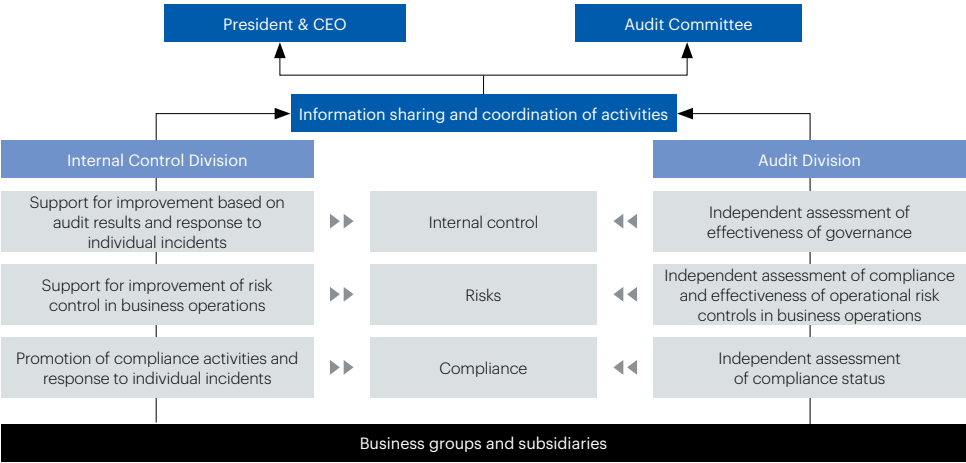
Based on Japan’s internal control reporting system (J-SOX) stipulated in the Financial Instruments and Exchange Act, Group companies and divisions have established and operate companywide internal controls, business process controls, and IT general controls. The status of establishment and operation of these controls is evaluated by the Audit Division.

For example, Group companies and divisions perform Control Self Assessment and take measures for improvement, while the Audit Division conducts a secondary assessment of companies required to comply with J-SOX to improve the reliability of financial reporting.

Relationship between the Internal Control Division and Audit Division

The Internal Control Division is in charge of developing the internal control environment, implementing risk management, and promoting compliance, while the Audit Division objectively evaluates the status of these activities. These divisions conduct their respective activities in an independent and well-coordinated manner by complementing one another through information sharing and other means.

Relationship between the Internal Control Division and Audit Division



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Risk Management

In order to respond to its increasingly complex and unstable business environment, the Mitsubishi Chemical Group defines risk as “uncertain events (manifested in the form of opportunities or threats) that may have a favorable, unfavorable, or both favorable and unfavorable impacts on the achievement of the goals of the Group’s corporate activities.” At the same time, MCG promotes proactive risk management and management with appropriate risk-taking by establishing and operating an enterprise risk management (ERM) system.

► Risk Management System

The Group has appointed the president & chief executive officer as the supervising officer for ERM of the Group and established the ERM Committee, which consists of the president & chief executive officer and all corporate executive officers and executive officers. The committee deliberates on important matters such as the Group’s basic risk management policies, classifies and identifies material risks that could have a significant impact on the Group as a whole, and monitors the status of risk management. In addition, the status of risk management is reported to and supervised by the Board of Directors.

Each corporate executive officer and executive officer is responsible for risk management of the organizations under their supervision. In case of Companywide risks, however, the primary supervising officer allocated to each of them promotes Companywide risk management under their direction. In each

organization, each business group or corporate function head serves as the person responsible for ERM and, under their supervision, the manager of ERM and the person in charge of ERM shall promote risk management on an organizational basis.

► Promotion of Risk Management

The Company categorizes and organizes its own issues, such as business portfolio strategies, business foundations, and impacts on society and the environment, and identifies its own material issues (materiality) to be addressed after confirming them from various perspectives through interviews with external experts and discussions at Outside Director Liaison Committee meetings.

Concerning risk categories in risk management, the Company has identified and categorized risks that could affect the Group’s management based on this materiality and has identified 31 risk categories.

[Page14 Overview of material issues and sustainability indices \(MOS Indices\)](#)

► Response to Strategic Risks

Strategic risks that may manifest because of medium- to long-term strategies, business goals and plans, investments, and other management decisions present both an opportunity and a threat. The Company thus promotes management with appropriate risk-taking by identifying and visualizing both growth opportunities and threats, from strategic planning to investment decision-making, and by adding an assessment of threats as well as expected future profits to its own perspective.

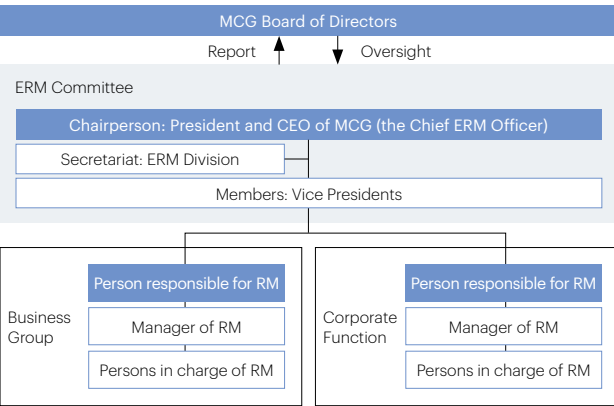
With regard to strategic risks, in addition to analyses conducted in each area by the Strategy Department, Sustainability Department, business groups, and corporate functions, the Company will gather multifaceted intelligence through collaboration with external experts and interviews with other experts,

develop a risk assessment framework, study the level of risk tolerable, and conduct monitoring to take countermeasures in response to changes in circumstances after decision-making. Such risk management enables the Company to develop and operate a management system that supports its decision-making in consideration of both threats and opportunities and ensures accountability.

31 Risk Categories Based on Materiality (Fiscal 2023)

No.	Risk Category	No.	Risk Category
1	Corporate Culture	17	Market Fluctuations
2	Compliance	18	Changes in Customer Demands
3	Governance	19	Next-Generation Healthcare
4	Human Rights	20	Litigation and Disputes
5	Environment and Safety	21	Food and Water Shortage
6	Shift to Recycling-Oriented Society	22	Biodiversity
7	Carbon Neutrality	23	Infectious Disease Spread
8	Information Security	24	M&A
9	Digital Transformation (DX)	25	Information Disclosure
10	Geopolitics	26	Reputation
11	Large-Scale Natural Disasters	27	Company Asset Management
12	Supply Chain Management	28	Financial, Accounting, Tax Management
13	Recruiting and Hiring	29	Human Resources Policy
14	Policy Change	30	Product Quality and Safety
15	Compliance with Laws and Regulations	31	Product Development
16	Economic Fluctuations		

Mitsubishi Chemical Group Risk Management System



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Risk Management

► Risk Management Process

The Group's risk management is predicated on the dual approach of Companywide perspective risk management activities, in which management identifies risks that may affect the Group's business in advance and promotes measures on a Companywide basis, and of organization-specific perspective risk management, in which each organization identifies risks and addresses them on an organization-by-organization basis.

Under the supervision of the primary supervising officer, the responsible division assesses Companywide perspective risks according to their impact and possibility of occurrence based on an assumption of specific circumstances and events.

For organization-specific perspective risks, each organization identifies and assesses its own risks and it examines and implements countermeasures. However, risks that could affect the entire Group are deliberated on by the ERM Committee and regarded as Companywide perspective risk activities, ensuring that there are no omissions in countermeasures and their scopes.

The responsible division not only examines countermeasures to be taken on a Companywide basis and promotes them on its own but also requests each organization within the Group (including subsidiaries) to take such countermeasures as necessary. In addition, each organization will work on action plans to be implemented by each organization under the direction of the manager of ERM.

The responsible division monitors the implementation status of risk countermeasures taken by each organization, reports to the ERM Committee, and requests each organization to take additional countermeasures as necessary. These Companywide perspective risk activities are deliberated by and reported to the ERM Committee.

► Response to Material Risks

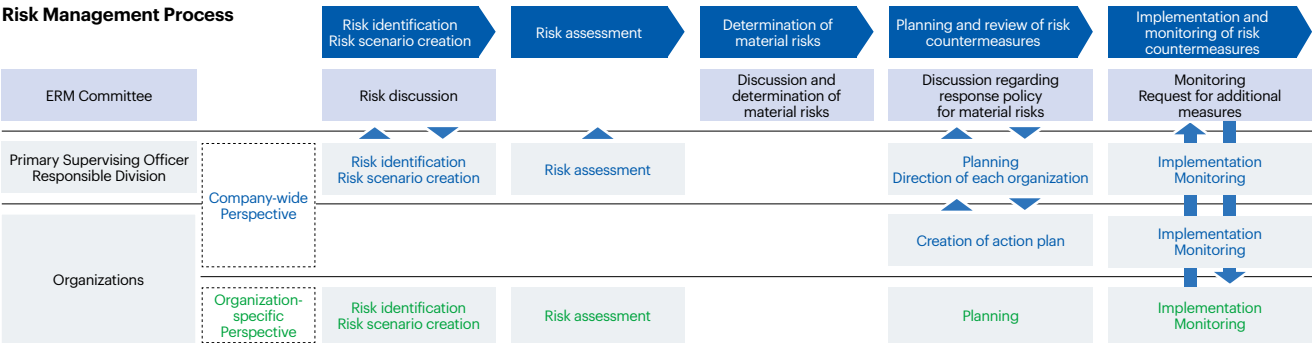
Each fiscal year, the ERM Committee identifies significant risks that may affect the entire Group in the near future while considering international situations and the business environment, and it promotes measures to deal with them as material risks. The ERM Committee strives to ensure that material risks are appropriately managed by regularly reporting the status of responses, assessing the effectiveness of risk countermeasures, and requesting each organization to implement additional measures as necessary.

In fiscal 2024, the ERM Committee identified seven risks, including geopolitical risk, supply chain risk, and information security risk, etc. as material risks. The Company is taking measures based on each circumstance to avoid and mitigate their impact on its business performance and financial position.

"Business-related Risks, etc." section of Annual Securities Report (in Japanese only)



Risk Management Process



Risk Cases and Responses

Supply Chain Risk (Including Geopolitical Risk and Economic Security Risk, etc.)

Conflicts in the countries and regions related to the Group's business, human rights abuses and environmental issues of business partners, and other factors may affect our supply chain in various ways. In particular, increased geopolitical risk may further spread to other regions and businesses, affecting not only economic activities due to increasing transportation costs and so on, but also disrupting the supply chain through changes in the international situation surrounding economic security. We recognize that these are highly significant risks that may affect the Group's business performance and therefore are taking the appropriate measures as needed.

Risk Response

- Establish stable procurement, production, and supply systems by diversifying suppliers, considering alternative raw materials, manufacturing products through safe operation, and maintaining and enhancing quality
- Use export insurance to protect trade receivables and conduct human rights due diligence on business partners
- Establish a risk response promotion system related to economic security
- Conduct research, information gathering, and assessments on country and regional risks from external organizations, etc.
- Establish and operate a safety management system and strengthen business continuity plans (BCPs) in preparation for contingencies

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Compliance

For the Mitsubishi Chemical Group, the word “compliance” encompasses not only basic adherence to the applicable laws and regulations but also observance of corporate ethics and general social norms. We engage in a range of initiatives to foster a corporate culture of compliance.

► Charter of Corporate Behavior

The Group regards compliance as a matter of utmost priority, and “the MCG Group Charter of Corporate Behavior” declares explicitly our commitment to applying sound ethics and good common sense to every aspect of our corporate activities. It also outlines fundamental principles of conduct for achieving sustainable development in harmony with society and explains our approach to the main issues affecting our contributions to realizing KAITEKI.

Charter of Corporate Behavior



► Global Compliance Promotion Structure

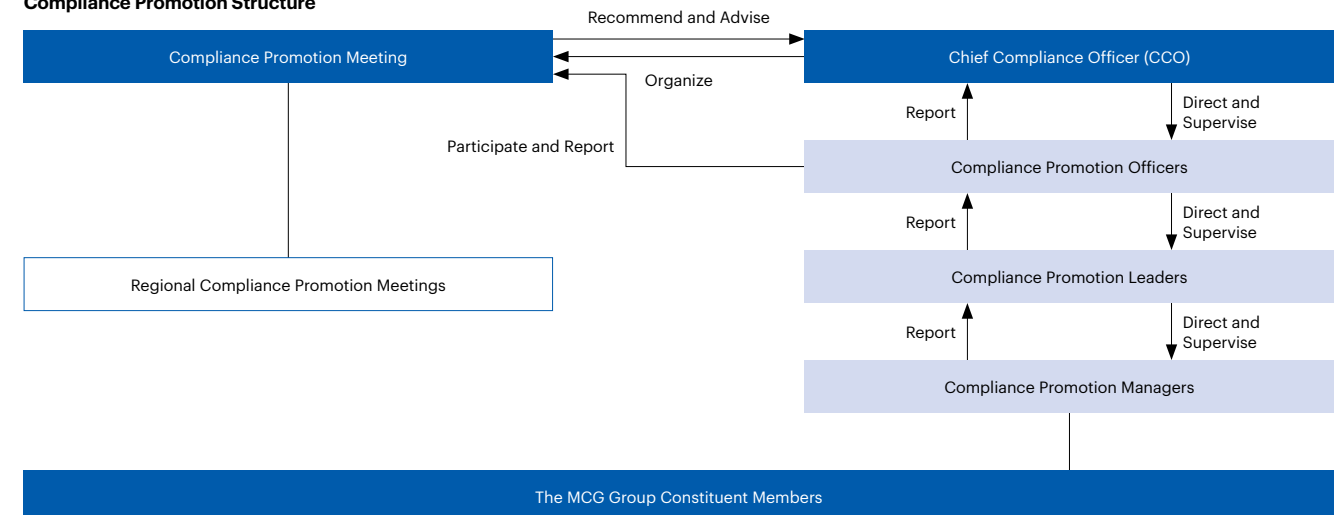
The Company has a promotion system in place in which the chief compliance officer (CCO), who is appointed by the Company's Board of Directors, is in charge of compliance, and under their direction and supervision, compliance promotion officers, compliance promotion leaders, and compliance promotion managers are appointed in each business group and corporate function.

In addition, we established the Global Compliance Promotion Regulations to ensure compliance throughout our global operations. We also set up the Global Compliance Promotion Program (see the following page for details) with the aim of standardizing compliance promotion activities and enhancing their content

across five regions: Japan/Korea, the Americas, EMEA, Asia Pacific, and China. Through this program, we are rolling out shared initiatives such as training and surveys across these regions while conducting activities adapted to the specific culture and characteristics of each region. We reinforce a plan-do-check-act (PDCA) cycle for compliance promotion by reviewing the content of each activity conducted and making improvements.

The content and state of progress of these compliance promotion activities are reported and discussed, first at the relevant Regional Compliance Promotion Meeting and then at the Compliance Promotion Meeting attended by compliance promotion officers.

Compliance Promotion Structure



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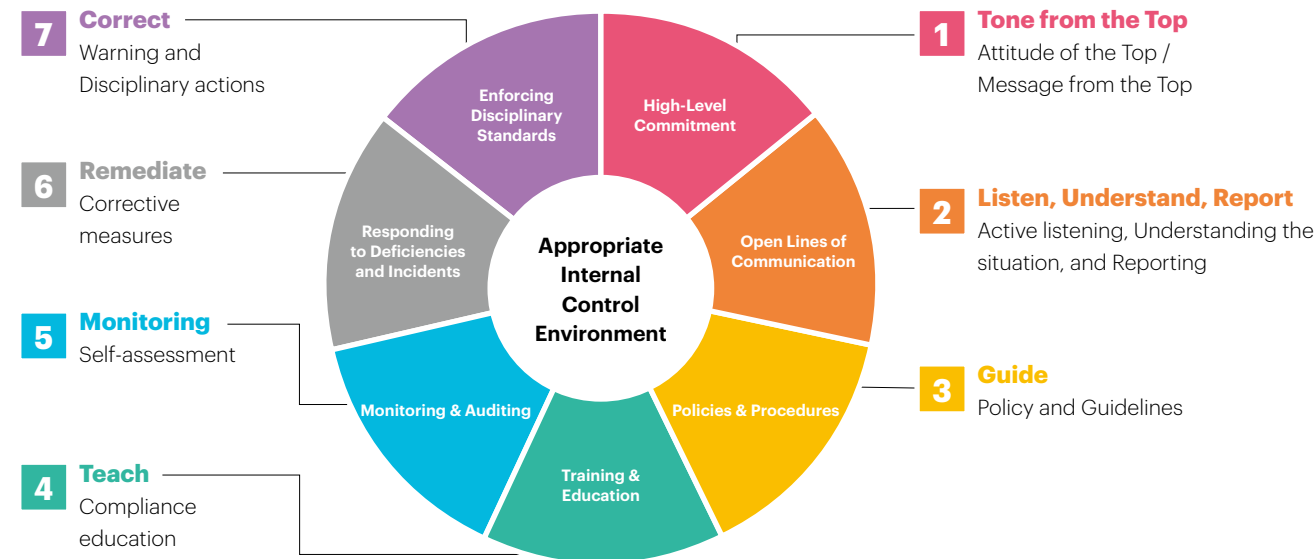
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Global Compliance Promotion Program



► Whistleblowing System (Compliance Hotline)

In each region—Japan/Korea, the Americas, EMEA, Asia Pacific, and China—we have established a whistleblowing system (Compliance Hotline) that has a department responsible for compliance promotion or external lawyers and specialist institutions as a contact point. Information reported to these contact points is processed by the department responsible for compliance promotion. When an issue is identified, the department reports it to the CCO and then works to ensure an early response and corrective measures, drawing on the expertise of other departments.

► Status of Initiatives in Fiscal 2023

Having recognized the importance of fostering a culture that is conducive to speaking up, in fiscal 2023 we conducted a range of activities through the Global Compliance Promotion Program. These include the promotion of campaigns, such as the dissemination of compliance messages from management and the hanging of posters to raise awareness and encourage the use of our whistleblowing system, as well as the conducting of training programs (online and in-person) on various topics for each employee level and compliance awareness surveys in all of the regions in which we operate.

The effectiveness and outcome of each of these initiatives were verified as feedback for improving the content and quality of activities from the next fiscal year.

Fostering a Culture of Speaking Up

The Group strives to develop a culture, a system, and an environment that are not susceptible to compliance violations and believes that fostering a culture of speaking up is critical to promoting compliance management. Encouraging people to speak up even about trivial matters contributes to the creation of a working environment that engenders peace of mind and which inspires employees to engage in their work.

In fiscal 2023, we focused on measures to foster such a culture. In October 2023, a lecture was held for senior management in Japan and overseas about the importance of speaking up against compliance violations. For regular employees, we created posters and videos to promote the use of our whistleblowing system in each business region and conducted training programs at worksites throughout Japan on the topic of speaking up. More than 80% of the over 30,000 employees eligible for this training program participated, many of whom expressed positive reviews in our post-training survey.

Using the results of compliance awareness surveys conducted in all our regions of operation and other information, we will take precise measures to continue to foster a culture of speaking up, such as identifying issues related to the use of our whistleblowing system.

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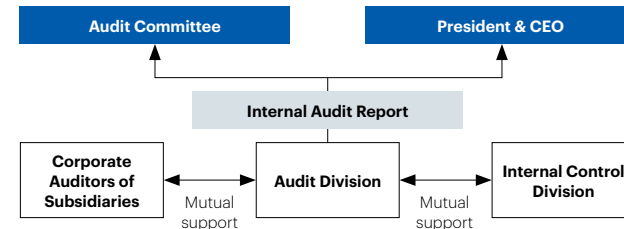
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Internal Audits

Internal audits help ensure the effectiveness and efficiency of internal business processes, minimize risks, prevent fraud, and lend credibility to an organization. The issues and areas for improvement uncovered through internal audits are of considerable importance to an organization's ability to achieve sustainable growth and enhance competitiveness.

► Transforming, Evolving, and Embracing the Challenges of Internal Audits

Internal audits contribute to increases in the Group's corporate value through their primary function of evaluating the effectiveness of internal control systems, such as compliance and risk management, and facilitating their improvement. Specifically, the status of internal controls concerning organizations, projects, and specific issues are systematically reviewed and verified to determine whether said controls are properly designed and functioning according to plan and to ensure that risks are being managed appropriately. Through these audits, we identify internal control weaknesses that may lead to inefficiencies or fraud and suggest areas for improvement, thereby mitigating potential risks. To further strengthen this function and enhance the quality of audits, we are taking a variety of measures that include standardizing internal audit processes, transitioning to risk-based audits, promoting digitalization and the use of digital technology, and enhancing our human resource and skills development activities.



► Standardizing Internal Audit Processes and Transitioning to Risk-Based Audits

A risk-based audit focuses on identifying, assessing, and prioritizing risks that may prevent an organization from achieving its objectives. In fiscal 2023, the Audit Division began transitioning

from traditional compliance-based routine audits to risk-based audits and is conducting effective audits by allocating resources to areas with the highest risk. Moreover, to ensure consistency and enhance the quality of audits, we are implementing a standardized process and sharing information and best practices throughout its global operations. These measures have contributed to reductions in management risks by identifying issues and highlighting paths toward improvement.

► Promoting Digitalization and the Use of Digital Technology

With the aim of strengthening its audit activities, the Audit Division has implemented a management tool to automate and streamline audit processes and optimize the use of resources, thereby improving the quality and reliability of internal audits. Moreover, to strengthen data analysis, we utilize digital technology to comprehensively and extensively analyze the various data necessary for audits to identify risks and effectively focus on key audit matters. Using generative AI and other cutting-edge technology, we will improve risk management and enhance the efficiency and effectiveness of audit processes to deliver even greater value to stakeholders.

► Human Resource Development and Skills Development Activities

The Audit Division supports the acquisition of certified internal auditor qualifications among its employees and encourages them to participate in various training programs that contribute to the professional development of internal auditors. In addition, we conduct specialized audits tailored specifically to each business and function by having employees outside the Audit Division with specific expertise and experience participate in audits as appropriate. Through these and other measures, we will enhance the flexibility

and creativity of its internal audit organization and thereby improve the entire audit process and lay the foundation necessary to perform more advanced internal audits.

► Cooperation between the Audit Division, Audit Committee, and Corporate Auditors of Subsidiaries

Cooperation between the Audit Division, Audit Committee, and corporate auditors of subsidiaries is crucial in ensuring the Group's corporate governance, risk management, and control processes. While the Audit Division performs audits specifically tailored to daily business activities and identifies internal risks and issues, the Audit Committee and the corporate auditors of subsidiaries conduct audits from a position that is independent of the governance and compliance perspectives of the organization. Through such cooperation, we aim to conduct more effective and efficient audits and strengthen the auditing function of the entire organization by sharing information, issues, and best practices.

► Enhancing the Role of Audits in Management Decision-Making

The Group's internal audit function must continuously evolve to fulfill its role appropriately and effectively amid the drastically changing business environment. In addition to ensuring comprehensive coverage through the strengthening of cooperation between management, internal controls, risk departments, and other relevant departments; formulating and implementing a strategic audit plan that identifies risks; and using generative AI and other cutting-edge technology, we must foster and develop human resources who can manage a wide range of risks and issues. By taking such measures, we will ensure compliance with laws and regulations, provide assurance, and enhance the role of audits in management decision-making to achieve our vision and strategies.

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11-Year Financial Summary

J-GAAP			
	FY2013	FY2014	FY2015
For the year (Millions of yen)			
Net sales	3,498,834	3,656,278	3,823,098
Operating income	110,460	165,681	280,026
Income before income taxes and minority interests in consolidated subsidiaries	116,594	165,621	198,248
Net income attributable to owners of the parent	32,248	60,859	46,444
Total comprehensive income	134,016	173,692	7,695
Capital expenditures	133,339	165,057	176,508
Depreciation and amortization	131,571	151,253	180,374
R&D	134,260	132,217	138,364
Net cash provided by operating activities	177,027	329,776	388,663
Net cash used in investing activities	(159,789)	(277,223)	(202,796)
Net cash used in financing activities	(8,307)	(2,061)	(156,957)
At year-end (Millions of yen)			
Total assets	3,479,359	4,323,038	4,061,572
Property, plant and equipment	1,118,050	1,498,146	1,390,727
Interest-bearing debt	1,258,186	1,603,595	1,465,752
Total net assets	1,314,870	1,588,601	1,554,528
Per share (Yen)			
Net income—basic	21.89	41.40	31.70
Net assets	611.95	669.77	636.43
Cash dividends	12	13	15
Key indicators			
Return on assets (ROA) (%)	3.4	4.2	4.7
Return on equity (ROE) (%)	3.7	6.4	4.8
Shareholders' equity ratio (%)	25.8	22.6	22.9

* Does not include figures from discontinued operations

IFRS									
	FY2015* (reference value)	FY2016*	FY2017	FY2018*	FY2019*	FY2020	FY2021	FY2022	FY2023
For the year (Millions of yen)									
Sales revenue	3,543,352	3,376,057	3,724,406	3,840,341	3,580,510	3,257,535	3,976,948	4,634,532	4,387,218
Core operating income	300,410	307,522	380,489	314,104	194,820	174,710	272,342	325,558	208,116
Income before taxes	252,791	258,343	344,077	284,846	122,003	32,908	290,370	167,964	240,547
Net income (loss) attributable to owners of the parent	51,358	156,259	211,788	169,530	54,077	(7,557)	177,162	96,461	119,596
Total comprehensive income	34,302	226,493	297,476	205,898	475	160,551	332,834	210,888	363,597
Capital expenditures	213,134	206,482	225,189	231,742	240,390	263,715	254,589	282,173	283,874
Depreciation and amortization	182,656	174,040	178,895	199,332	239,824	243,793	251,469	269,616	275,436
R&D expenditures	126,782	126,290	138,833	142,822	133,368	126,073	156,584	149,467	121,624
Net cash provided by operating activities	299,612	396,643	397,940	415,575	452,003	467,133	346,871	355,189	465,146
Net cash used in investing activities	(234,078)	(289,056)	(335,933)	(895,068)	(87,563)	(217,010)	(128,781)	(247,632)	(246,087)
Net cash provided by (used in) financing activities	(40,945)	1,411	(150,592)	519,062	(450,523)	(142,773)	(336,283)	(60,783)	(241,724)
At year-end (Millions of yen)									
Total assets	4,223,774	4,463,547	4,701,415	5,572,508	5,132,149	5,287,228	5,573,871	5,774,348	6,104,513
Property, plant and equipment	1,403,437	1,431,681	1,433,509	1,683,354	1,742,216	1,813,838	1,899,695	1,907,898	2,043,330
Interest-bearing debt	1,579,575	1,693,742	1,606,123	2,246,751	2,388,060	2,482,422	2,289,869	2,375,827	2,338,190
Equity attributable to owners of the parent	972,197	1,091,398	1,285,750	1,377,947	1,170,222	1,236,339	1,458,077	1,564,698	1,763,447
Per share (Yen)									
Basic earnings (loss) per share	35.06	106.73	147.14	119.22	38.08	(5.32)	124.68	67.85	84.07
Equity attributable to owners of the parent	663.71	758.30	893.26	970.46	824.07	870.40	1,026.03	1,100.27	1,239.61
Cash dividends	15	20	32	40	32	24	30	30	32
Key indicators									
Return on assets (ROA) (%)	5.9	5.9	7.5	5.5	2.3	0.6	5.3	3.0	4.1
Return on equity (ROE) (%)	5.2	15.1	17.8	12.7	4.2	(0.6)	13.2	6.4	7.2
Ratio of core operating income to sales revenue (ROS) (%)	8.5	9.1	10.2	8.2	5.4	5.4	6.8	7.0	4.7
Return on invested capital (ROIC) (%)	—	—	—	5.9	3.5	3.3	4.9	5.7	3.4
Net debt-to-equity (D/E) ratio (times)	1.17	1.06	0.89	1.26	1.79	1.73	1.40	1.33	1.16
Price–earnings ratio (PER) (times)	16.8	8.1	7.0	6.5	16.9	—	6.6	11.6	10.9
Price-to-book ratio (PBR) (times)	0.9	1.1	1.2	0.8	0.8	1.0	0.8	0.7	0.7

The Company adopted International Financial Reporting Standards (IFRS) from fiscal 2016. Core operating income is calculated as operating income (loss) excluding certain gains and expenses attributable to non-recurring factors (gains and losses incurred by business withdrawal and contraction, etc.) as defined under IFRS. We disclose core operating income as our unique gains/losses incurred by staged gains/losses, considering the comparability with the operating income of J-GAAP. Based on the outcome of arbitration proceedings related to royalties for Gilenya, a treatment agent for multiple sclerosis, sales revenue of ¥125.9 billion was recognized in the fourth quarter of fiscal 2022.



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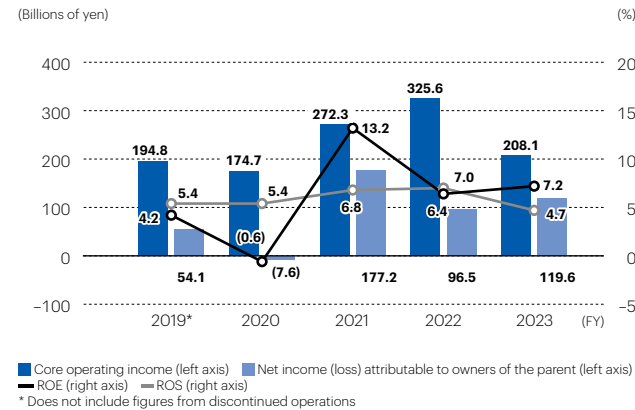
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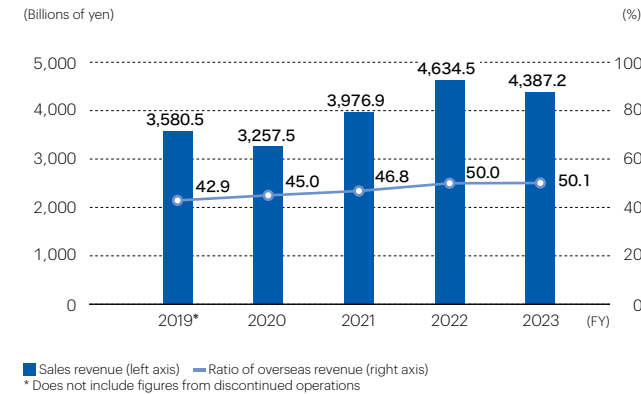
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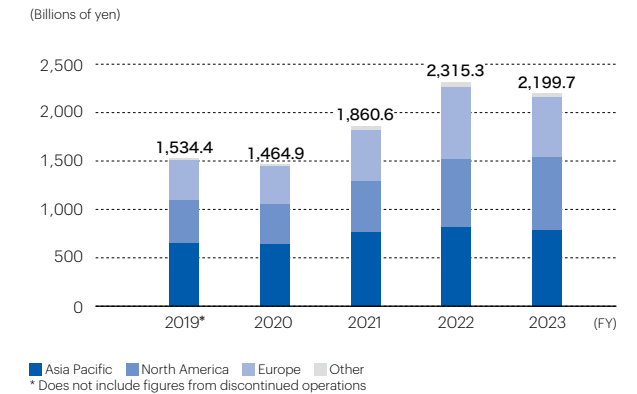
Net income, ROS, and ROE



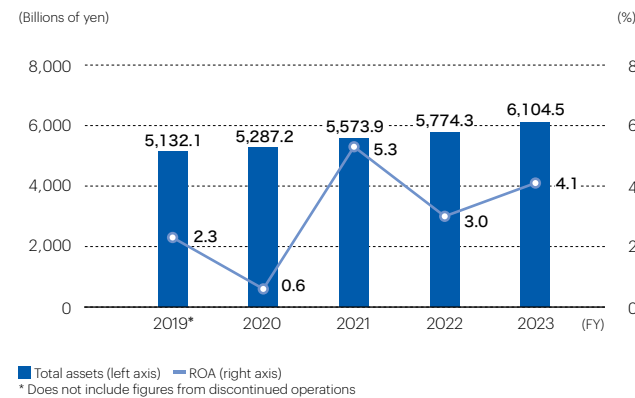
Sales Revenue and Ratio of Overseas Revenue



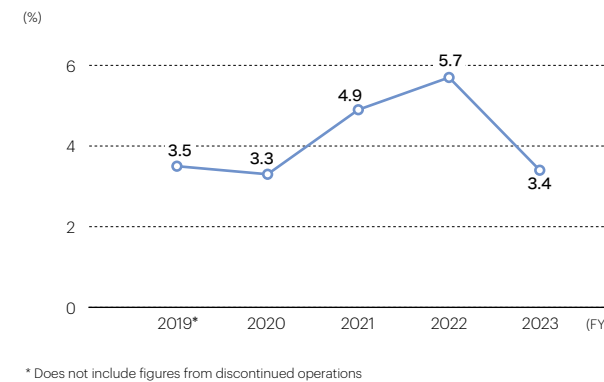
Overseas Revenue by Region



Total Assets and ROA



ROIC



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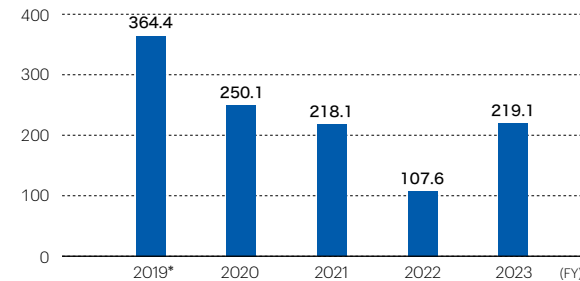
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Free Cash Flow

(Billions of yen)

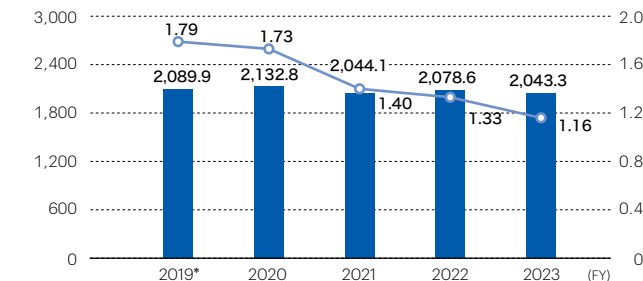


* Does not include figures from discontinued operations

Net Interest-Bearing Debt and Net Debt-to-Equity Ratio

(Billions of yen)

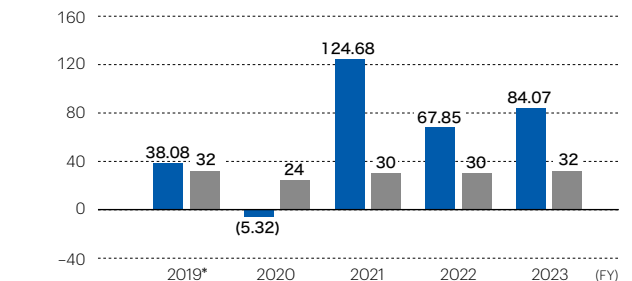
(Times)



■ Net interest-bearing debt (left axis) — Net debt-to-equity ratio (right axis)
* Does not include figures from discontinued operations

Basic Earnings (Loss) per Share and Cash Dividends per Share

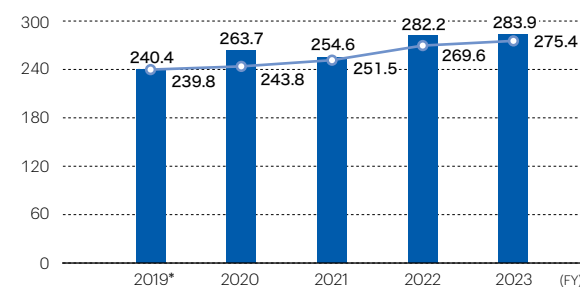
(Yen)



■ Basic earnings (loss) per share ■ Cash dividends per share
* Does not include figures from discontinued operations

Capital Expenditures and Depreciation and Amortization

(Billions of yen)

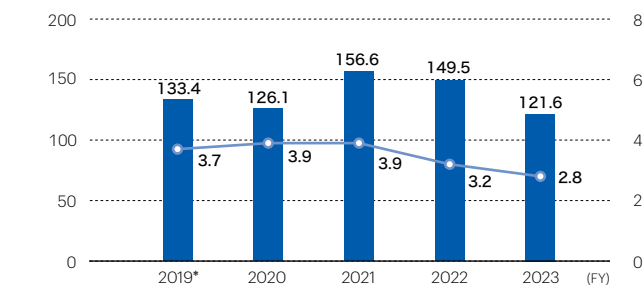


■ Capital expenditures — Depreciation and amortization
* Does not include figures from discontinued operations

R&D Expenditures and Percentage of R&D Expenditures to Total Sales Revenue

(Billions of yen)

(%)



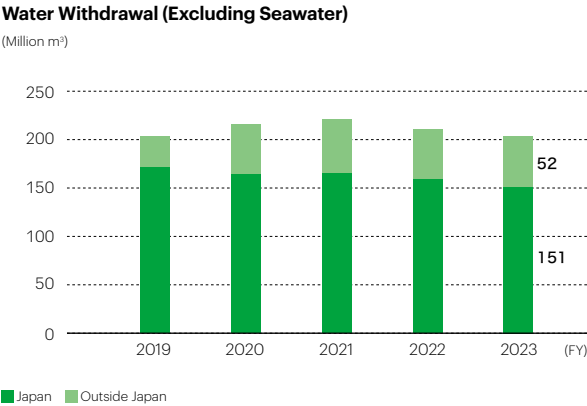
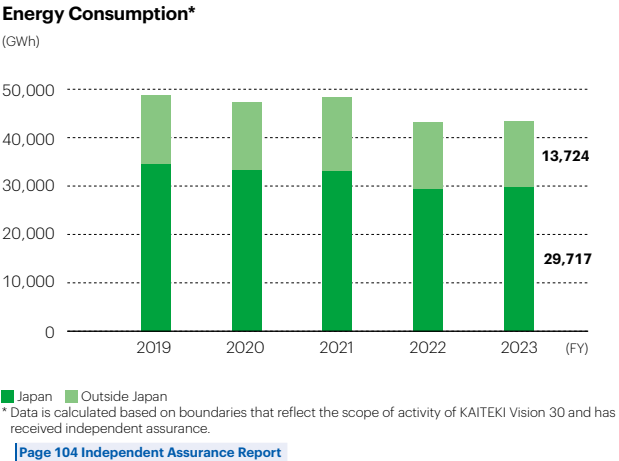
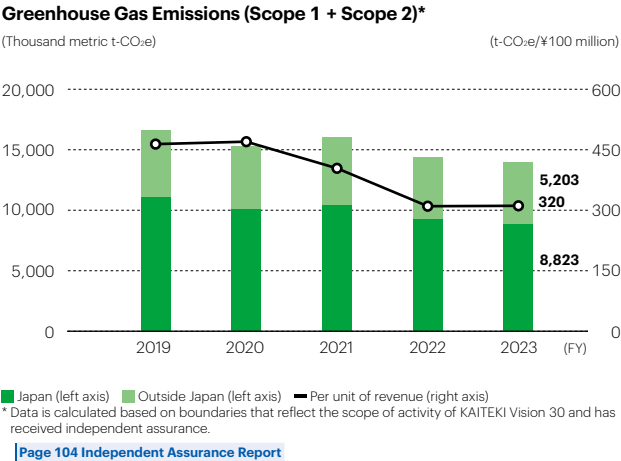
■ R&D expenditures (left axis) — Percentage of R&D expenditures to total sales revenue (right axis)
* Does not include figures from discontinued operations



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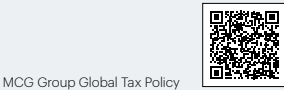
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Tax Governance

The Mitsubishi Chemical Group manages its tax affairs in an appropriate and highly transparent manner in line with its Global Tax Policy to ensure that it complies with the law and that taxes are paid as due and on time. Through these activities, we seek to strengthen our relationships of trust with stakeholders.



MCG Group Global Tax Policy

Taxes Paid by Region*1

	(Billions of yen)				
FY*2	2018	2019	2020	2021	2022
Japan	78.0	43.6	24.0	20.2	60.5
Asia Pacific	15.0	16.2	7.6	9.5	13.5
North America	4.3	2.5	1.5	0.4	4.4
Europe	7.6	10.7	9.4	9.5	10.8
Other	0.1	0.1	0.0	0.1	0.1
Total	105.0	73.1	42.5	39.7	89.3

*1 Sum of central and local government income taxes
*2 Taxes paid by region based on the Country-by-Country Report submitted to the Japanese tax authorities

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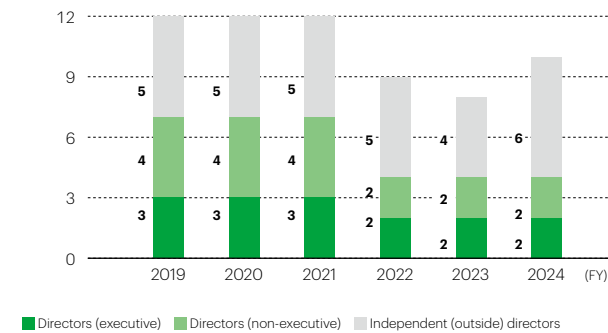
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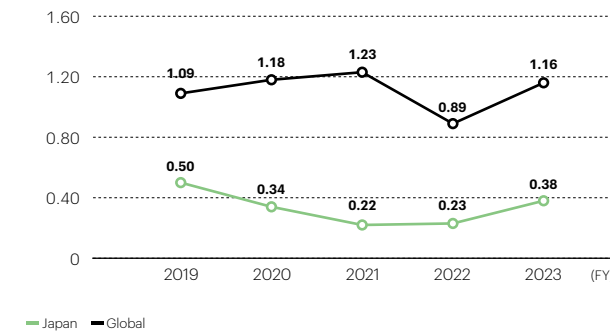
Number of Directors and Outside Directors

(Persons)



Lost-Time Injury Frequency Rate (LTIFR)

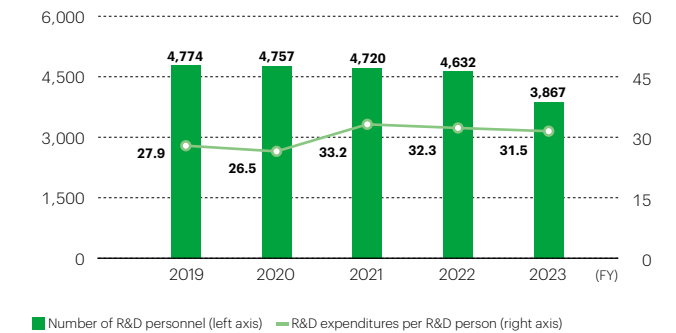
(%)



Number of R&D Personnel and R&D Expenditures per R&D Person

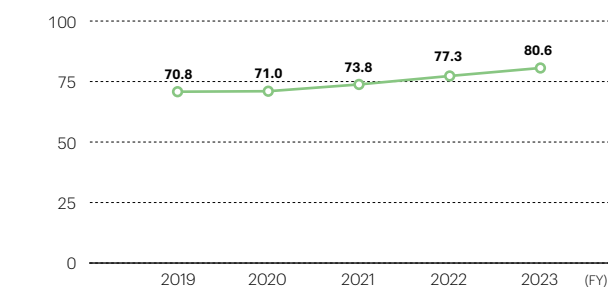
(Persons)

(Millions of yen)



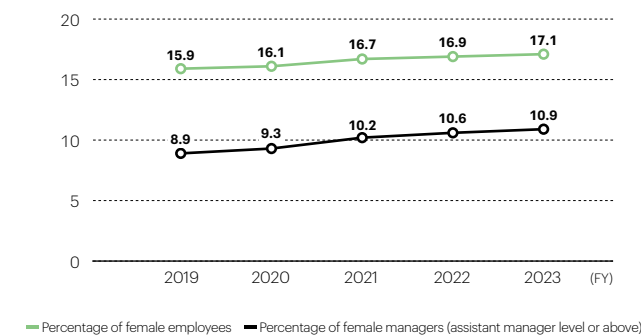
Paid Leave Utilization Rate

(%)



Percentage of Female Employees and Percentage of Female Managers (Assistant Manager Level or Above)

(%)

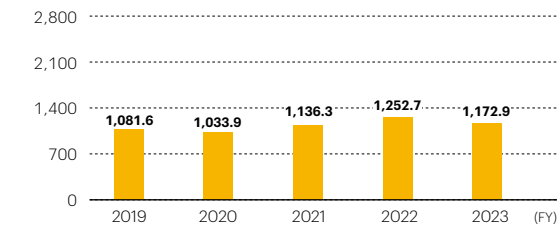


Overview of Performance by Business Domain

Performance Products Domain

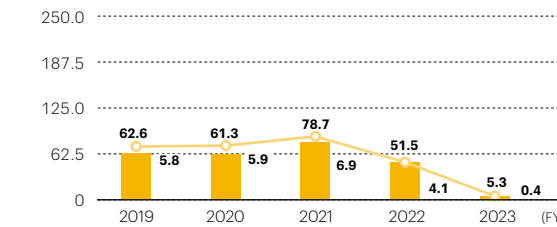
Sales Revenue

(Billions of yen)



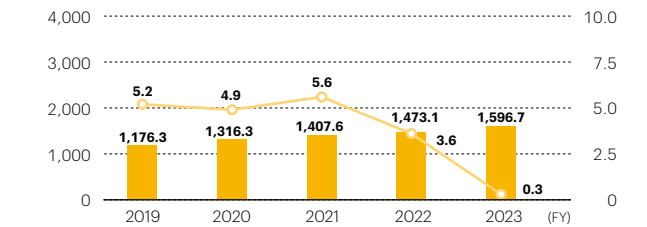
Core Operating Income and Core Operating Margin

(Billions of yen)



Total Assets and ROA

(Billions of yen)

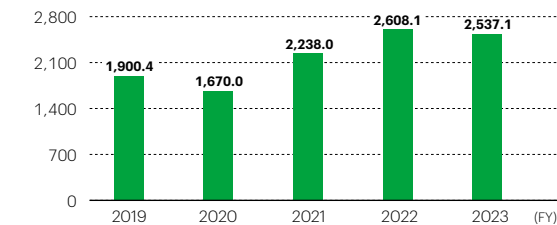


■ Total assets (left axis) — ROA (right axis)

Industrial Materials Domain

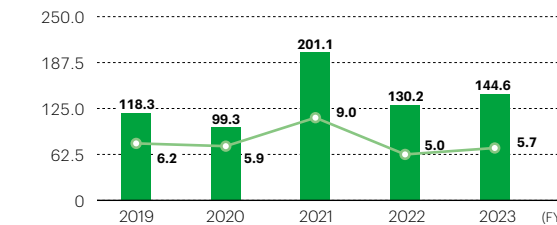
Sales Revenue

(Billions of yen)



Core Operating Income and Core Operating Margin

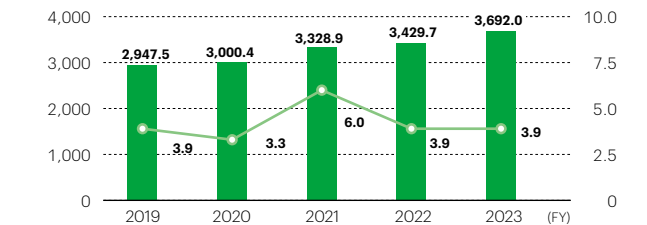
(Billions of yen)



■ Core operating income (left axis) — Core operating margin (right axis)

Total Assets and ROA

(Billions of yen)

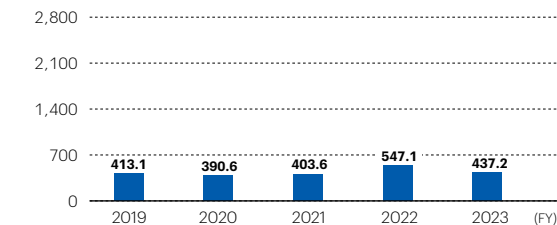


■ Total assets (left axis) — ROA (right axis)

Health Care Domain

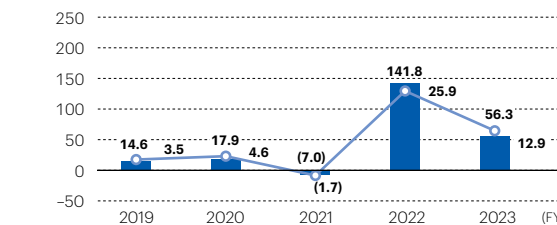
Sales Revenue

(Billions of yen)



Core Operating Income (Loss) and Core Operating Margin

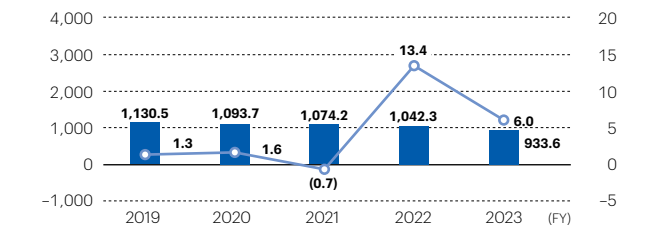
(Billions of yen)



■ Core operating income (loss) (left axis) — Core operating margin (right axis)

Total Assets and ROA

(Billions of yen)



■ Total assets (left axis) — ROA (right axis)

The business domains above consist of the following segments.
 Performance Products Domain: Specialty Materials
 Industrial Materials Domain: Industrial Gases, MMA, and Basic Materials
 Health Care Domain: Health Care

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Overview of Performance by Business Domain

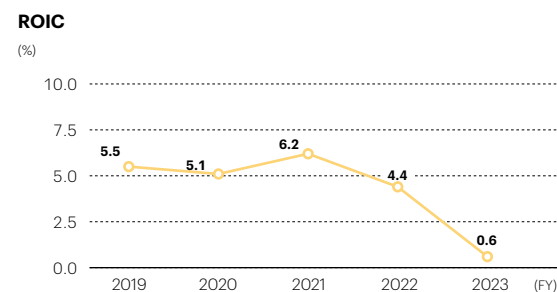
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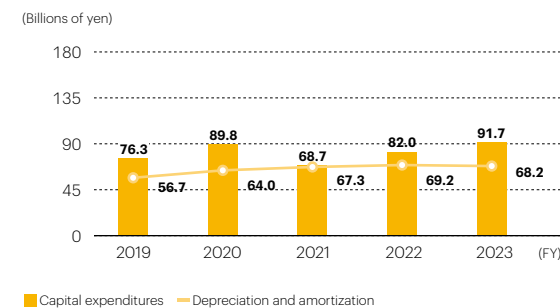
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Performance Products Domain

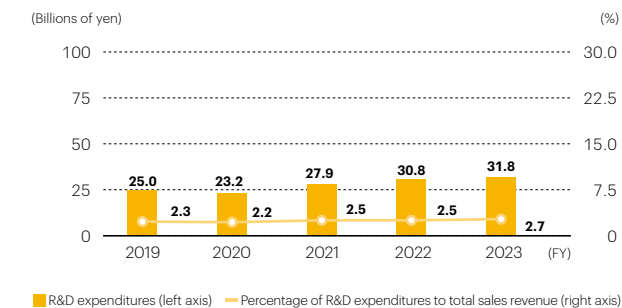


Capital Expenditures and Depreciation and Amortization

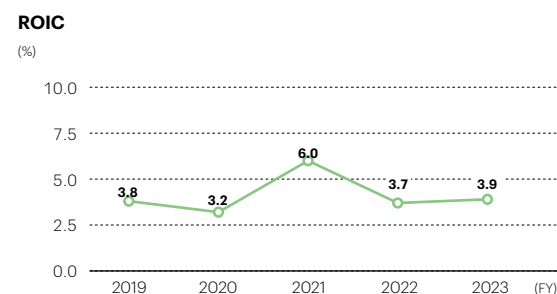


Note: Figures for previous fiscal periods (up to and including fiscal 2022) are the business results figures announced at the time.

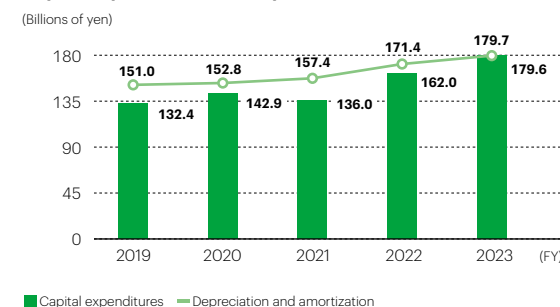
R&D Expenditures and Percentage of R&D Expenditures to Total Sales Revenue



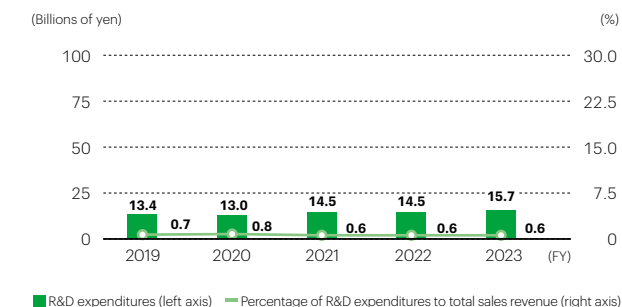
Industrial Materials Domain



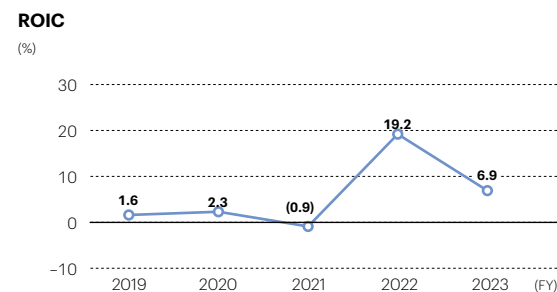
Capital Expenditures and Depreciation and Amortization



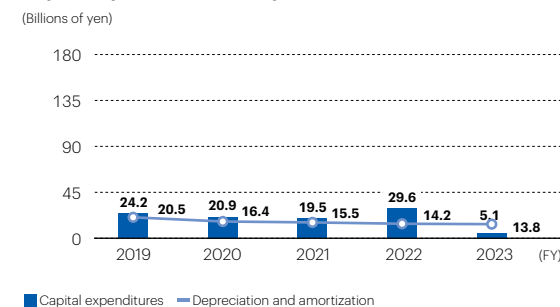
R&D Expenditures and Percentage of R&D Expenditures to Total Sales Revenue



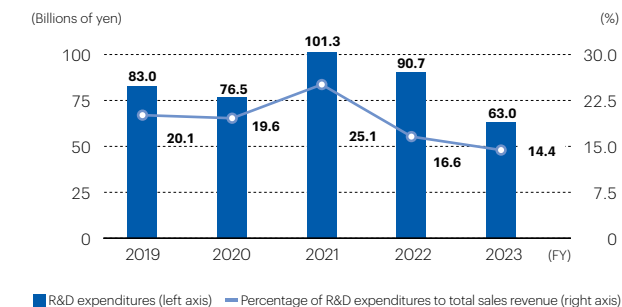
Health Care Domain



Capital Expenditures and Depreciation and Amortization



R&D Expenditures and Percentage of R&D Expenditures to Total Sales Revenue



The business domains above consist of the following segments.
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 Health Care Domain: Health Care



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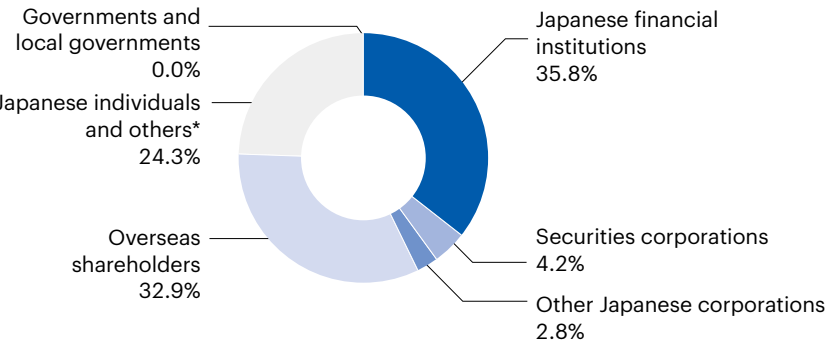
Shareholder Information

Share information (as of March 31, 2024)	
Securities code	4188 (The Prime Market of Tokyo Stock Exchange)
Shares per unit	100
Authorized shares	6,000,000,000
Outstanding shares	1,506,288,107
Number of shareholders	278,092

Major shareholders		
Name	Number of shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	229,329	16.1
SSBTC CLIENT OMNIBUS ACCOUNT	112,026	7.9
Custody Bank of Japan, Ltd. (Trust Account)	85,716	6.0
Meiji Yasuda Life Insurance Company	64,389	4.5
Nippon Life Insurance Company	42,509	3.0
STATE STREET BANK WEST CLIENT - TREATY 505234	25,939	1.8
Custody Bank of Japan, Ltd. (Trust Account 4)	22,181	1.6
Taiyo Life Insurance Company	18,838	1.3
JPMorgan Securities Japan Co., Ltd.	17,796	1.2
JP MORGAN CHASE BANK 385781	17,766	1.2

Notes: 1. In addition to the above, Mitsubishi Chemical Group Corporation holds 81,716 thousand shares as treasury stock, but these shares are non-voting pursuant to the provisions of Article 308, Paragraph 2 of the Companies Act.
2. Equity investment ratios are calculated to the exclusion of treasury stock (81,716 thousand shares).

Shareholding ratio by type of owner (as of March 31, 2024)



* The Japanese individuals and others category includes the portion held as treasury stock (5.4%).



General Meeting of Shareholders

The 19th Ordinary General Meeting of Shareholders was held on June 25, 2024. Internet live streaming of the meeting was also provided for shareholders unable to attend in person.

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Consolidated Statement of Profit or Loss

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Sales revenue	4,634,532	4,387,218
Cost of sales	(3,395,045)	(3,240,394)
Gross profit	1,239,487	1,146,824
Selling, general and administrative expenses	(922,650)	(932,345)
Other operating income	31,893	117,801
Other operating expenses	(177,755)	(78,539)
Share of profit of associates and joint ventures	11,743	8,090
Operating income	182,718	261,831
Financial income	16,636	23,796
Financial expenses	(31,390)	(45,080)
Income before taxes	167,964	240,547
Income taxes	(32,419)	(62,108)
Net income	135,545	178,439
Net income attributable to		
Owners of the parent	96,461	119,596
Non-controlling interests	39,084	58,843
Earnings per share (Yen)		
Basic earnings per share attributable to owners of the parent	67.85	84.07
Diluted earnings per share attributable to owners of the parent	64.99	80.77

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Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net income	135,545	178,439
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(9,923)	7,792
Remeasurements of defined benefit plans	(3,018)	7,295
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method	426	(26)
Total items that will not be reclassified to profit or loss	(12,515)	15,061
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	78,926	166,868
Net gain (loss) on derivatives designated as cash flow hedges	1,528	1,163
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method	7,404	2,066
Total items that may be subsequently reclassified to profit or loss	87,858	170,097
Total other comprehensive income (net of tax)	75,343	185,158
Total comprehensive income	210,888	363,597
Total comprehensive income attributable to		
Owners of the parent	151,379	249,349
Non-controlling interests	59,509	114,248

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Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2023	March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	297,224	294,924
Trade receivables	808,787	852,353
Inventories	797,877	799,249
Other financial assets	74,469	82,804
Other current assets	141,020	131,721
Subtotal	2,119,377	2,161,051
Assets held for sale	30,241	30,585
Total current assets	2,149,618	2,191,636
Non-current assets		
Property, plant and equipment	1,907,898	2,043,330
Goodwill	727,655	832,899
Intangible assets	459,213	481,028
Investments accounted for using the equity method	170,736	164,246
Other financial assets	203,270	221,232
Other non-current assets	61,425	72,747
Deferred tax assets	94,533	97,395
Total non-current assets	3,624,730	3,912,877
Total assets	5,774,348	6,104,513

(Millions of yen)

	March 31, 2023	March 31, 2024
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade payables	476,311	501,532
Bonds and borrowings	601,443	605,307
Income tax payable	29,127	22,890
Other financial liabilities	316,379	367,925
Provisions	47,274	35,957
Other current liabilities	184,272	187,420
Subtotal	1,654,806	1,721,031
Liabilities directly associated with assets held for sale	9,024	3,881
Total current liabilities	1,663,830	1,724,912
Non-current liabilities		
Bonds and borrowings	1,642,325	1,595,704
Other financial liabilities	118,527	121,128
Retirement benefit liabilities	102,292	104,828
Provisions	39,476	31,672
Other non-current liabilities	39,936	44,147
Deferred tax liabilities	179,493	206,627
Total non-current liabilities	2,122,049	2,104,106
Total liabilities	3,785,879	3,829,018
Equity		
Common stock	50,000	50,000
Additional paid-in capital	167,917	159,602
Treasury stock	(62,231)	(61,857)
Retained earnings	1,270,577	1,355,131
Other components of equity	138,435	260,571
Equity attributable to owners of the parent	1,564,698	1,763,447
Non-controlling interests	423,771	512,048
Total equity	1,988,469	2,275,495
Total liabilities and equity	5,774,348	6,104,513

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Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Other components of equity					Equity attributable to owners of the parent	Non-controlling interests	Total equity
					Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Total			
Balance at April 1, 2022	50,000	170,600	(62,870)	1,213,677	50,956	–	33,318	2,396	86,670	1,458,077	386,242	1,844,319
Cumulative effects of changes in accounting policies	–	–	–	(63)	–	–	–	–	–	(63)	–	(63)
Restated balance at April 1, 2022	50,000	170,600	(62,870)	1,213,614	50,956	–	33,318	2,396	86,670	1,458,014	386,242	1,844,256
Net income	–	–	–	96,461	–	–	–	–	–	96,461	39,084	135,545
Other comprehensive income	–	–	–	–	(10,053)	(3,459)	66,570	1,860	54,918	54,918	20,425	75,343
Total comprehensive income	–	–	–	96,461	(10,053)	(3,459)	66,570	1,860	54,918	151,379	59,509	210,888
Purchase of treasury stock	–	–	(21)	–	–	–	–	–	–	(21)	–	(21)
Disposal of treasury stock	–	(651)	660	–	–	–	–	–	–	9	–	9
Cash dividends	–	–	–	(42,651)	–	–	–	–	–	(42,651)	(19,216)	(61,867)
Share-based payment transactions	–	463	–	–	–	–	–	–	–	463	–	463
Changes in interests in subsidiaries	–	(2,495)	–	–	–	–	–	–	–	(2,495)	(3,153)	(5,648)
Business combinations or business divestitures	–	–	–	–	–	–	–	–	–	–	389	389
Transfer from other components of equity to retained earnings	–	–	–	3,153	(6,612)	3,459	–	–	(3,153)	–	–	–
Total transactions with owners	–	(2,683)	639	(39,498)	(6,612)	3,459	–	–	(3,153)	(44,695)	(21,980)	(66,675)
Balance at March 31, 2023	50,000	167,917	(62,231)	1,270,577	34,291	–	99,888	4,256	138,435	1,564,698	423,771	1,988,469

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Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2024

(Millions of yen)

	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Other components of equity					Equity attributable to owners of the parent	Non-controlling interests	Total equity
					Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Total			
Balance at April 1, 2023	50,000	167,917	(62,231)	1,270,577	34,291	—	99,888	4,256	138,435	1,564,698	423,771	1,988,469
Net income	—	—	—	119,596	—	—	—	—	—	119,596	58,843	178,439
Other comprehensive income	—	—	—	—	4,752	6,515	117,596	890	129,753	129,753	55,405	185,158
Total comprehensive income	—	—	—	119,596	4,752	6,515	117,596	890	129,753	249,349	114,248	363,597
Purchase of treasury stock	—	—	(33)	—	—	—	—	—	—	(33)	—	(33)
Disposal of treasury stock	—	(83)	407	—	—	—	—	—	—	324	—	324
Cash dividends	—	—	—	(44,094)	—	—	—	—	—	(44,094)	(14,457)	(58,551)
Share-based payment transactions	—	46	—	—	—	—	—	—	—	46	—	46
Forfeiture of share acquisition rights	—	(1,993)	—	1,445	—	—	—	—	—	(548)	—	(548)
Changes in interests in subsidiaries	—	(6,285)	—	—	—	—	—	—	—	(6,285)	(11,503)	(17,788)
Changes in scope of consolidation	—	—	—	(10)	—	—	—	—	—	(10)	(11)	(21)
Transfer from other components of equity to retained earnings	—	—	—	7,617	(1,102)	(6,515)	—	—	(7,617)	—	—	—
Total transactions with owners	—	(8,315)	374	(35,042)	(1,102)	(6,515)	—	—	(7,617)	(50,600)	(25,971)	(76,571)
Balance at March 31, 2024	50,000	159,602	(61,857)	1,355,131	37,941	—	217,484	5,146	260,571	1,763,447	512,048	2,275,495

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Consolidated Statement of Cash Flow

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Income before taxes	167,964	240,547
Depreciation and amortization	269,616	275,436
Share of profit of associates and joint ventures	(11,743)	(8,090)
Interest and dividend income	(14,616)	(11,681)
Interest expense	29,800	43,049
(Increase) decrease in trade receivables	20,438	(14,184)
(Increase) decrease in inventories	(45,166)	30,298
Increase (decrease) in trade payables	(14,611)	(2,663)
Increase (decrease) in retirement benefit assets and liabilities, net	4,184	(490)
Others	62,102	(29,337)
Subtotal	467,968	522,885
Interest received	2,039	5,463
Dividends received	26,338	28,145
Interest paid	(25,335)	(40,881)
Income tax (paid) received, net	(115,821)	(50,466)
Net cash provided by (used in) operating activities	355,189	465,146
Cash flows from investing activities		
Purchase of property, plant and equipment	(259,026)	(268,686)
Proceeds from sales of property, plant and equipment	5,793	6,020
Purchase of intangible assets	(21,969)	(5,786)
Purchase of other financial assets	(5,184)	(7,313)
Proceeds from sales/redemption of other financial assets	26,944	21,983
Net cash outflow on acquisition of subsidiaries	(122)	(49,519)
Proceeds from sales of investments in subsidiaries	9,832	44,315
Payments for transfer of business	—	(10,024)
Proceeds from transfer of business	1,934	1,319
Net (Increase) decrease of time deposits	(636)	(4,967)
Others	(5,198)	26,571
Net cash provided by (used in) investing activities	(247,632)	(246,087)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(9,167)	11,641
Net increase (decrease) in commercial papers	69,000	21,000
Proceeds from long-term borrowings	81,270	115,602
Repayment of long-term borrowings	(128,728)	(197,805)
Proceeds from issuance of bonds	44,776	119,446
Redemption of bonds	(20,000)	(200,000)
Repayment of lease liabilities	(34,099)	(36,491)
Net (increase) decrease in treasury stock	(21)	(33)
Dividends paid to owners of the parent	(42,651)	(44,094)
Dividends paid to non-controlling interests	(19,113)	(13,816)
Others	(2,050)	(17,174)
Net cash provided by (used in) financing activities	(60,783)	(241,724)
Effect of exchange rate changes on cash and cash equivalents	6,425	21,225
Net increase (decrease) in cash and cash equivalents	53,199	(1,440)
Cash and cash equivalents at the beginning of the period	245,789	297,224
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(1,868)	(1,045)
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	185
Increase in cash and cash equivalents resulting from merger	104	—
Cash and cash equivalents at the end of the period	297,224	294,924

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Environmental Data

Indicators with this icon have been assured by KPMG AZSA Sustainability Co., Ltd. for fiscal 2023.

Boundary of data aggregation

The data for fiscal 2020 to fiscal 2022 covers Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Nippon Sanso Holdings Corporation and their domestic and overseas Group companies. Meanwhile, the data for fiscal 2023 covers Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, and Nippon Sanso Holdings Corporation and their domestic and overseas Group companies.

Greenhouse gas emissions*/Energy consumption	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	
Scope 1 (thousand metric t-CO ₂ e)	7,786	7,829	6,685	6,727	
Scope 2 (thousand metric t-CO ₂ e)	7,540	8,250	7,685	7,299	
Subtotal*2	15,325	16,079	14,369	14,026	
Scope 3 (thousand metric t-CO ₂ e)*3	51,930	53,637	48,976	47,046	
Energy consumption (GWh)*4	47,335	48,425	43,190	43,441	

Environmental impact	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	
NOx emissions (thousand metric tons)	7.94	7.91	6.81	6.10	
SOx emissions (thousand metric tons)	3.23	3.08	2.31	2.36	
COD (thousand metric tons)*5	1.68	1.70	1.48	1.32	
Total nitrogen load (thousand metric tons)*5	4.87	4.85	4.40	3.94	
Total phosphorous load (thousand metric tons)*5	0.10	0.09	0.04	0.04	

Water use	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	
Water withdrawal (million m ³) (excluding seawater)	216	222	212	203	

*1 Based on the GHG protocol, this figure includes energy consumption and GHG emissions for producing electricity and steam sold externally. The data includes half of energy consumption and GHG emissions by the joint operation in Japan.

*2 Scope 1 emissions are calculated using the emission factors specified in the Act on Promotion of Global Warming Countermeasures. GHG emissions not subject to reporting under the Act are calculated using individually established calculation rules based on chemical reaction balances, etc. Scope 2 emissions are calculated with power company-specific emission factors or country level emission factors published by the IEA. For emissions in Japan, the basic emission factors specified in the Act are used as the basis, and alternative values are used if the supplier is unknown.

*3 See page 3 of the non-financial data sheet on the Mitsubishi Chemical Group Corporation's website for the calculation method for Scope 3 GHG emissions.

*4 The unit higher heating values for fuels specified in the Act on the Rational Use of Energy are used.

*5 COD, total nitrogen load, and total phosphorous load each show total quantity of pollutants discharged into rivers, lakes, and oceans. Pollutants discharged into sewage systems and off-site wastewater treatment plants are excluded.

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☑ Indicators with this icon have been assured by KPMG AZSA Sustainability Co., Ltd. for fiscal 2023.

Constitution of employees (Mitsubishi Chemical Group)		Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Number of employees (consolidated)		69,607	69,784	68,639	66,358
Number of employees by district	Japan	40,774	40,289	39,297	37,663
	Outside Japan	28,833	29,495	29,342	28,695

Aggregation period

Each fiscal year from April 1 to March 31, or as of March 31

Boundary of data aggregation

The figures for fiscal 2020 to fiscal 2022 show those employed by Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Taiyo Nippon Sanso (including those seconded to other companies but excluding those seconded from other companies and workers in fixed-term employment).
Meanwhile, the figures for fiscal 2023 show those employed by Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, and Taiyo Nippon Sanso (including those seconded to other companies but excluding those seconded from other companies and workers in fixed-term employment).

Diversity/Work-life balance/Occupational safety		Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	
Number of employees		23,147	22,739	22,325	22,169	☑
Number of employees by gender	Male	19,429	18,934	18,545	18,372	☑
	Female	3,718	3,805	3,780	3,797	☑
Percentage of female employees (%)		16.1	16.7	16.9	17.1	☑
Percentage of female managers (%)	Assistant manager level or above	9.3	10.2	10.6	10.9	☑
Percentage of female managers (%)	Manager level or above	—	5.4	5.6	5.8	☑
Pay gap between full-time male and female employees (%)		—	77.4	77.4	73.3	
Childcare leave utilization rate (%) ^{*6}	Male	—	45.0	65.0	73.1	
	Female	—	100.0	100.0	116.5	
Paid leave utilization rate (%) ^{*7}		71.0	73.8	77.3	80.6	☑
Lost-time injury frequency rate (LTIFR) ^{*8, *9}		1.18	1.23	0.89	1.16	☑

^{*6} The childcare leave utilization rate is calculated using the following formula: Number of employees who started childcare leave ÷ People who gave birth (spouse gave birth) × 100. The number of employees who started childcare leave is counted based on the start date of the leave, and those who gave birth (spouse giving birth) are counted based on the date of birth, so the childcare leave utilization rate may exceed 100%.

^{*7} The denominator is the number of days newly granted and the numerator is the number of days acquired in the reporting fiscal year. The denominator does not include the number of days carried over from the previous fiscal year.

^{*8} Boundary of data aggregation: The data covers Mitsubishi Chemical Corporation (MCC), Mitsubishi Tanabe Pharma Corporation (MTPC), Nippon Sanso Holdings Corporation (NSHD), and their Group companies in Japan and overseas with worksite operation units. The figures for fiscal 2020 to 2022 cover MCC, MTPC, Life Science Institute, Inc., NSHD, and their Group companies in Japan and overseas with worksite operation units.

^{*9} The LTIFR is the number of lost-time injuries and fatalities per million hours worked. Heat stroke and lower back pain are classified as injuries. The scope of the data excludes closed plants. In fiscal 2023, one accident resulting in lost-time injury occurred at a closed plant.



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To the President and CEO of Mitsubishi Chemical Group Corporation

We were engaged by Mitsubishi Chemical Group Corporation (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ☒ (the "Indicators") for the period from April 1, 2023 to March 31, 2024 included in its KAITEKI REPORT 2024 (the "Report") for the fiscal year ended March 31, 2024.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Okayama Plant of Mitsubishi Chemical Corporation and the Memphis Site of Mitsubishi Chemical America, Inc. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kazuhiko Saito

Kazuhiko Saito, Partner, Representative Director

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

October 25, 2024

Notes to the Reader of Independent Assurance Report:
This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.



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Disclaimer
This report contains forward-looking statements that reflect Mitsubishi Chemical Group Corporation's assumptions and beliefs based on currently available information. Actual results may differ materially from forecasts due to various risk factors and uncertainties. These include, but are not limited to, demand in Japan and overseas, exchange rates, price and procurement volume of crude oil and naphtha, market trends, technological innovation, National Health Insurance drug price revisions, product liabilities, lawsuits, laws, and regulations, as the Company is engaged in a wide range of businesses, including various performance products, MMA, petrochemicals, coal chemicals, industrial gases, and pharmaceuticals.

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