

KAITEKI REPORT 2023



Science.
Value.
Life.

Contents

2 Editorial Policy

Chapter 1 Our Vision Page 3

4 Message from the President



9 Group Concept

11 Value Creation Model

Approach to Realize KAITEKI



20 Activity Report for Fiscal 2022

Chapter 2 Sustainable Growth Strategy Page 22

23 Members of the One Global Leadership Team

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

31 Message from the CFO

Business Strategy

34 Message from the Business Unit Heads

35 Specialty Materials

39 Industrial Gases

40 Health Care

41 MMA

42 Petrochemicals and Carbon Products

43 Message from the Chief Supply Chain Officer

Innovation

44 Message from the CTO

45 Innovation Strategy

47 Intellectual Property Strategy

Digital

48 Message from the CDO

49 Digital Strategy

52 Message from the Chief Strategy Officer

53 Building an In-House Understanding of the Management Policy

Chapter 3 Strengthening ESG Activities Page 56

57 Message from the Chief Officer Supervising Corporate Sustainability Management

58 Implementing Sustainability

59 Sustainability Indices

Environment

62 Reporting in Line with the TCFD Recommendations

64 Progress toward Carbon Neutrality and a Circular Economy

Society

66 Message from the CHRO

67 Human Resources Strategy

72 Building Sustainable Supply Chains

73 Employee-Led Development of Our Way

Governance

74 Message from the Officer Supervising Governance and Legal Affairs

75 Corporate Governance System

80 Assessment of Effectiveness

81 Director and Officer Remuneration

86 Risk Management

88 Compliance

90 Directors

92 Outside Directors’ Discussion Meeting

Chapter 4 Financial/Non-Financial Information Page 95

96 11-Year Financial Summary

97 Financial/Non-Financial Highlights

101 Overview of Business Domains | Summary

103 Overview of Business Domains | Results by Segment

105 Shareholder Information

106 Consolidated Financial Statements

112 Non-Financial Information

• Environmental Data/Social Data

• Independent Assurance Report

115 Editorial Postscript

Editorial Policy

Editorial policy

Mitsubishi Chemical Group Corporation (MCG) 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, present, and 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 created by the International Integrated Reporting Council.

The 2023 edition contains information on the new Group Concept announced in February 2023 and also addresses the executable plan for the “Forging the future” management policy, reporting on the commitment of our supervising officers, their detailed strategies and progress, and their future plans.

Further information on the topics of this report is available on the MCG 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 new Company name in line with the following rules.

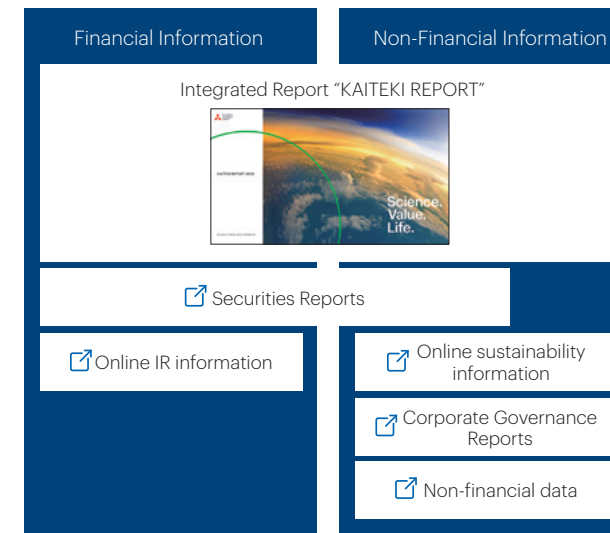
When referring to the parent company Mitsubishi Chemical Group Corporation

First mention in a section is Mitsubishi Chemical Group Corporation, thereafter abbreviated as MCG

When referring in general to Mitsubishi Chemical Group Corporation and the companies within the Group

First mention in a section is the Mitsubishi Chemical Group, thereafter abbreviated as the MCG Group

Organization of information disclosed



Reporting period

Fiscal 2022 (April 2022–March 2023), including some information from fiscal 2023

Reporting boundary

This report covers information relating to MCG and the MCG Group. For matters with a different reporting scope, we clearly specify the reporting boundary covered.

Accounting standards

MCG 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 are based on IFRS, while other figures are based on Japanese generally accepted accounting principles (J-GAAP) unless otherwise noted.

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Chapter 1

Our Vision

4 Message from the President

9 Group Concept

11 Value Creation Model

Approach to Realize KAITEKI —————

13 Science

15 Value

18 Life

20 Activity Report for Fiscal 2022

[↶](#) Return to the previously viewed page

Message from the President



Toward Global Leadership in Specialty Materials under a New Group Concept

Jean-Marc Gilson

Representative Corporate Executive Officer,
President and Chief Executive Officer

New Group Concept accelerates “Forging the future” progress

When I took this office, we created a new Group management strategy called “Forging the future.” Step by step, we are transforming Mitsubishi Chemical Group Corporation into a specialty chemical manufacturer offering mostly sustainable products. In February 2023, we updated “Forging the future” for implementation through fiscal 2025, having completed the necessary strategy reformulation, portfolio restructuring, and focus market decisions.

In the previous month, January, we announced our new Group Concept—comprising Purpose, Slogan, and Our Way—as a reformulation of our core KAITEKI philosophy.

While the Japanese word *kaiteki* means comfortable, KAITEKI expresses our Purpose. Nearly 15 years after its

- 3 Chapter 1 Our Vision
- 4 Message from the President**
- 9 Group Concept
- 11 Value Creation Model
 - Approach to Realize KAITEKI
 - 13 Science
 - 15 Value
 - 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

- 3 Chapter 1 Our Vision
- 4 Message from the President**
- 9 Group Concept
- 11 Value Creation Model
 - Approach to Realize KAITEKI
 - 13 Science
 - 15 Value
 - 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Message from the President

formulation, KAITEKI was due for a checkup. To determine how well it matched our plans for the future, we asked our employees and other stakeholders to contribute their thoughts.

KAITEKI creates value in a circular path traversing management of economics, sustainability, and technology. The bottom-up exercise revealed that KAITEKI needed a more precise definition.

Our new Slogan, “Science. Value. Life.” is clear, concise, and easy to understand. First, while we are tech innovators, *science* is a more apt word for a chemical company since we solve *scientific* problems. Second, *value* creation is central to everything we do; it is in the middle of the Slogan for this very reason. We sum this up with *life*, the sustainable well-being of people and the global environment—the places where we live and work.

Our Way guides employee decisions to stay aligned with our Purpose by practicing integrity, respect, bravery, collaboration, and persistence.

We have also adopted a visual representation of how KAITEKI creates value in a circular path. This graphic element complements “Science. Value. Life.” and symbolizes what we strive for and respect—a circular economy, the carbon cycle, protecting the earth, and “One Company, One Team.”

The new Group Concept strengthens and renews our commitment to employee development, corporate growth, increased value for stakeholders, and sustainability.

Resilience to rebound from a sluggish market condition

Fiscal 2022 was the most trying time the chemical industry has faced in the last 20 to 30 years. The Ukraine war drove up energy prices, causing raw material cost to skyrocket.

Demand initially stayed firm. But escalating raw material cost compounded by inflation resulted in a perfect storm that devastated the industry.

Now, however, I feel we’ve reached the bottom, and despite continuing inflation I am confident that we have the resilience to rebound.

First up, we transformed costs through business restructuring, supply chain optimization, and Group company integration, as announced in the “Forging the future” management policy.

Our target was to cut costs by about ¥32 billion. We delivered ¥50 billion and expect an additional ¥80 billion reduction in fiscal 2023. This took aggressive measures. We shut down plants and entire activities, including the new COVID-19 vaccine facility in Canada.

Fiscal 2022 was a year of relearning how to raise prices. By tightening working capital management, we generated ¥100 billion in free cash flow. We invested in growth, focusing on gases and specialty materials such as *SoarnoL*, *GOHSENX*, and digital transformation (DX).

These are uncertain times particularly for the chemical industry. I see this as a transitional period. Preparing for the future starts with our own company,



but we also need to reorganize and consolidate the industry as a whole.

The results of our efforts are steadily emerging, and sales revenue for fiscal 2022 reached a record ¥4.6 trillion, while core operating income totaled ¥325.6 billion with the recognition of ¥125.9 billion in royalty revenue from *Gilenya*, under sluggish market conditions. We believe that the return will be significant when the economic environment improves in fiscal 2023 and beyond.

“Forging the future” forms the bedrock of our “One Company, One Team” rallying cry

We have made strides in all five of the pillars targeted by “Forging the future.” By strategically transforming

- 3 Chapter 1 Our Vision
- 4 Message from the President**
- 9 Group Concept
- 11 Value Creation Model
 - Approach to Realize KAITEKI
 - 13 Science
 - 15 Value
 - 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

costs, we are making MCG into a leaner, digital, and empowered organization. We are also exiting businesses and reallocating strategic capital, all the while pursuing growth, performance, and sustainability.

To get everyone on board with our “Forging the future” strategy, we have been taking every opportunity to speak directly with employees. I can sense that this is paying off in self-directed behavior toward simplification, focus, and growth—the three words that summarize “Forging the future.”

I am pleased to confirm, therefore, that the task of transforming MCG’s overly complex organization into a streamlined “One Company, One Team” is 90% complete. We are ready to meet the challenges and take advantage of the opportunities that lie ahead.

Reorienting corporate structure for market-driven growth

MCG, like all commodity companies, was, until recently, pushing product. The manufacturing and supply chain were in control and the commercial team would work hard, selling what was being produced. Even as the company evolved and acquired specialty businesses, it clung to this dated mentality.

As a specialty materials group, we turn this relationship on its head. Market power determines the winner, so the commercial team must take control, exploring the market to find opportunities, and consulting with customers to determine the innovations that would satisfy market needs. In this market-oriented

approach, the commercial team determines what products need to be made, in what quantity, and at what pace.

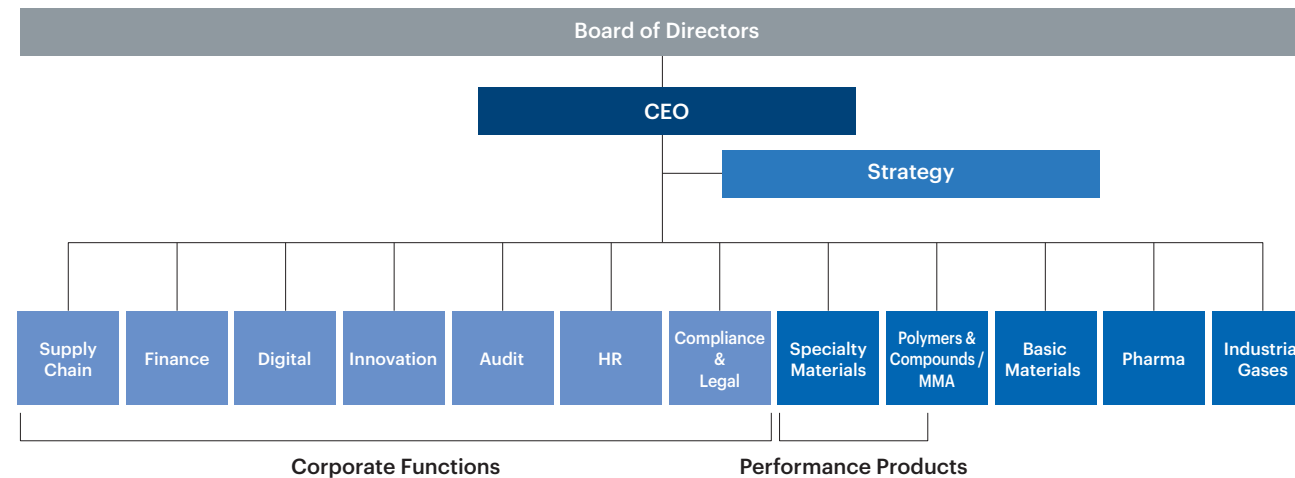
Commodity manufacturers have a global market perspective. But as a specialty materials group we also keep an eye out for local market opportunities and growth companies wherever we go. This multidimensional strategy has a market side and a product side. Success hinges on channel management—market segmentation, customer segmentation, and pricing expertise.

Growth can be achieved in three ways—more sales of existing products, geographic expansion, and innovation. All three call for the commercial team to collaborate closely with R&D for market-targeted innovation, while adhering to our new guidelines. Geographically speaking, overseas sales now constitute nearly half the total. Velocity is key to increasing this ratio.

Specialty materials are the key for the Group’s future

We’re optimizing our portfolio for market growth, competitive advantage, and sustainability. Petrochemicals and carbon are the two areas we are definitely exiting. To get a clearer picture, I’ve asked our business groups to examine their own portfolios in terms of growth in focus markets. Two important factors are regional fit and the potential for synergies by coupling business units.

Organizational structure



3	Chapter 1 Our Vision
4	4 Message from the President
9	Group Concept
11	Value Creation Model
	Approach to Realize KAITEKI
13	Science
15	Value
18	Life
20	Activity Report for Fiscal 2022
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information



The Group's future lies in specialty materials, industrial gases, health care, and MMA. We're funding these growth areas from cost reductions and the sale of non-core assets and businesses. As for petrochemicals, we are on the path to usher in the joint ventures that will rescue Japan's chemical industry from its current state of having too many small companies, too many inefficiencies, and not enough productivity.

Specialty materials are our engine for profitable growth. We count four attractive markets: EV/Mobility, Digital, Food, and Medical. Industrial gases, meanwhile, are feedstock for a wide range of industries. In health care, we are focusing on precision medicine and innovation to answer unmet needs. Regarding MMA, our global dominance and Alpha technology will both

enable and be complemented by an expanded product line offering the sustainability attributes that customers seek.

As progress continues with "Forging the future," we look forward to achieving a strong financial position in fiscal 2025. The capital that is generated will fund organic growth, increase shareholder return, and deliver a balance sheet that reflects vigorous financial health.

Becoming the digital chemical company of tomorrow

Implementing DX is critical to instilling the "One Company, One Team" spirit Group-wide and integrating disparate IT systems so they all speak the same language. This is the key to seamless efficiency and lean functionality for management speed and agility.

This will not only enable smooth sharing of information across the Group. It will also be a tool for working seamlessly with customers. In addition, smart HR system apps and tools will boost employee productivity and human resource management efficiency.

The leaner and simpler we are, the faster we can move. By capturing and analyzing data in real time, we can quickly and confidently make evidence-based decisions that enable a prompt response.

Above all, the best digital platform empowers our people to be their best.

Shrinking our carbon footprint and making specialty materials from sustainable inputs

There are two aspects to sustainability. One is shrinking our carbon footprint. The other is developing products for focus markets that can claim not only sustainability, but also high performance.

To reduce CO₂ output, we will end the use of coal-fired steam turbines by 2030, a task for which we have set aside ¥100 billion. The return on this investment is nothing less than a sustainable future for society and for MCG. This will take time to become visible. We also need to do the right thing as a corporate citizen.

The future is about delivering products that are both sustainable and high performance

The other aspect of sustainability is our commitment to circularity. We start by using more sustainable inputs including bio-sourced raw materials. Our goal is to have sustainable products account for 20% of our product line.

Circularity requires customer buy-in. Sustainable products must have critical technical and practical advantages. People will accept nothing less than sustainable, high-performing, and affordable products that are true alternatives to petrochemicals.

3 Chapter 1 Our Vision

4 **Message from the President**

9 Group Concept

11 Value Creation Model

Approach to Realize KAITEKI

13 Science

15 Value

18 Life

20 Activity Report for Fiscal 2022

22 Chapter 2
Sustainable Growth Strategy

56 Chapter 3
Strengthening ESG Activities

95 Chapter 4
Financial/Non-Financial
Information

The success of a company's business and value creation lies not only in the products as such, but also in their contribution to the firm's image and the bottom line. Products that offer both sustainability and high performance can deliver this.

Empowering employees and strengthening governance to spur corporate growth

MCG has great people with brilliant ideas. Hiring really smart talent is the easy part. Bringing out their



excellence requires organizational and cultural change.

Empowerment means employees can do what motivates them and develops their careers. It means a culture where everyone is encouraged to speak up and contribute.

Corporate performance depends on individual performance. We cannot thrive if seniority or other institutional artifacts hinder realization of personal potential.

Regarding governance, we will clarify where responsibility lies by shifting from a legal entity-based holding company to a corporate structure with controls run through business groups and functional divisions. To achieve this, we are using DX to smoothly integrate more than 600 legal entities into one team. The resulting lean and flat structure will support quick decision-making and effective strategy execution.

Realizing our vision of MCG as a global leader in specialty materials

The world's transition to renewables and carbon neutrality will require many chemical products. Chemicals are basic to just about everything—EVs being a prime example. What will change is the way

we make and distribute these products.

MCG's impact in this sea change is significant because intellectual property is a huge growth driver for us. Our people love to solve complex scientific problems.

I keep the door open so that our people know they are understood and supported in applying their potential to achieve great things. In this way, we will create ever-more sustainable value going forward.

I can feel the Group gathering momentum in our transformation to global leadership in specialty materials. To invest in the future we must make money in the present, creating value at every point in time. I am committed to increasing the return for our shareholders, creating value for all stakeholders, and continuously striving to enhance sustainability and well-being for people and the planet.

- 3 Chapter 1 Our Vision
- 4 Message from the President

9 Group Concept

- 11 Value Creation Model
 - Approach to Realize KAITEKI
- 13 Science
- 15 Value
- 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Group Concept

New Group Concept, covering the MCG Group's Purpose, Slogan, and Our Way, developed in February 2023

The Mitsubishi Chemical Group has created innovative solutions to realize KAITEKI, the Group's North Star that has guided the organization thus far. We measure our corporate value across three axes: 1. Management of Technology (MOT), 2. Management of Economics (MOE), and 3. Management of Sustainability (MOS). Together, these demonstrate the philosophy that we have lived by and our approach to delivering on our Purpose. This corporate value creation is defined in three simple words: Science. Value. Life.

We will grow under this Group Concept and increase our corporate value to contribute to all stakeholders.

Group Concept system

Purpose

The Purpose shows what the MCG Group aims to achieve and how we contribute to our stakeholders.

Slogan

The Slogan is a clear statement of how we approach the realization of our Purpose.

Our Way

Our Way is a mindset that all members of the MCG Group should cherish in order to realize our Purpose.

Purpose

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

The Purpose describes what the MCG Group 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 the stakeholders since 2011.

Slogan

Science. Value. Life.



The Slogan reflects the three management strategies the Group chose to realize its KAITEKI purpose—Management of Technology (MOT), Management of Economics (MOE), and Management of Sustainability (MOS). The Group will lead the realization of KAITEKI through better Science, by providing Value to all stakeholders and contributing to healthy living and the sustainable Life of people and the planet.

- 3 Chapter 1 Our Vision
- 4 Message from the President

9 Group Concept

- 11 Value Creation Model
 - Approach to Realize KAITEKI
- 13 Science
- 15 Value
- 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Group Concept

Sharing and disseminating the Group Concept with employees

When developing the new Group Concept on what the MCG Group strives to be and its vision for the future, employees worldwide participated in various types of brainstorming sessions to ensure the final concept reflected their thoughts and ideas. The Group Concept, developed after much discussion, will be shared and disseminated globally to increase employee engagement and promote the realization of its Purpose.

Employee-Led Development of Our Way ▶Page 73



Our Way

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



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. This story is based on the integrity of each individual and their respect for others and is presented through bravery and diverse collaboration to show persistence to stakeholders.

- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept

11 Value Creation Model




- Approach to Realize KAITEKI
- 13 Science
- 15 Value
- 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Value Creation Model

How we create value at MCG

Under its new Group Concept, the Mitsubishi Chemical Group will step up its use of the MOE, MOT, and 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 MCG Group will lead the realization of KAITEKI through better innovation (MOT: Science), value for all stakeholders (MOE: Value), and contributions to healthy living as well as the sustainability of society and the planet (MOS: Life).

Management foundation and source of competitiveness

-  **Human capital**
Diverse human resources to support value creation
-  **Intellectual capital**
Knowledge and technology driving business model reform
-  **Social and relationship capital**
Engagement with stakeholders
-  **Natural capital**
Sustainability management to reduce environmental impact
-  **Financial capital**
Robust financial position
-  **Manufactured capital**
Global network to achieve diverse solutions

Management resources to support value creation ▶ Page 12

The three axes

	MOT Management of Technology	Creating innovations that are valued and rewarded by our customers through the development of timely differentiation technologies
	MOE Management of Economics	Utilizing all our capital and human resources efficiently to enhance economic value added and total shareholder return
	MOS Management of Sustainability	Contributing to the creation of a better sustainability of future

Reporting in Line with the TCFD Recommendations
 ▶ Page 62
 Sustainability Indices
 ▶ Page 59

- Measures to achieve carbon neutrality
- Sustainability management (response to material issues)

Seven Focus Markets ▶ Page 17

- EV/Mobility
- Digital
- Food
- Medical
- Building/Infrastructure
- Consumer goods
- Industrial

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

- Portfolio management
- Strategic capital allocation
- Integrated innovation strategies

Executable Plan Based on the "Forging the future" Management Policy
 ▶ Page 24

Innovation Strategy
 ▶ Page 45

Management Policy Forging the future






- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept

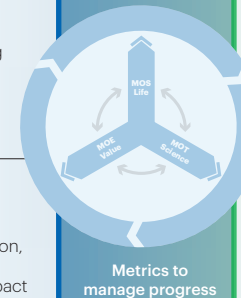
11 Value Creation Model

- Approach to Realize KAITEKI
- 13 Science
- 15 Value
- 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Value Creation Model

Strengthen the driving force behind value creation

Management resources to support value creation (INPUT)	Approach
 Human capital Diverse human resources to support value creation Number of employees (consolidated) 68,639	Human resources are the key management resource for value creation. HR 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, united in our mission. We are also stepping up the development of human resources with digital skills to accelerate innovation through our digital technology platforms.
 Intellectual capital Knowledge and technology driving business model reform R&D ¥149.5 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.
 Social and relationship capital Engagement with stakeholders Dialogue with stakeholders ▶Page 33 Strengthened corporate venture activity ▶Page 45	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.
 Natural capital Sustainability management to reduce environmental impact Energy consumption 43.2 TWh Financial/Non-Financial Highlights ▶Page 99	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.
 Financial capital Robust financial position Total assets ¥5,773.9 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 Group sites (number of countries & regions) ¥282.2 billion 45	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.



Value created (OUTCOME)
Improvement in creativity and productivity Employee engagement 68% Level of customer satisfaction 82 points Wellness awareness 77% Sustainability Indices ▶Page 59
Business expansion Innovation output indices 85% ▶Page 20 Advancement of innovation Percentage of sales revenue from products that contribute to the circular economy or mitigate and adapt to climate change 10% ▶Page 59 Increase in sustainability-related products Ratio of overseas revenue 50.0% Acceleration of overseas businesses
Contributing to the reduction of environmental impact Percentage reduction of GHG emissions (compared to FY2019) 14% ▶Page 20 Promote a circular economy Response to climate change
Improvement in economic value Sales revenue ¥4,634.5 billion Core operating income ¥325.6 billion Financial/Non-Financial Highlights ▶Page 97

Realizing KAITEKI

Approach to Realize KAITEKI

Science. Value. Life.

- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept
- 11 Value Creation Model

Approach to Realize KAITEKI

- 13 Science**
- 15 Value
- 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information



Science is our competitive edge. Cutting-edge technologies to deliver creative solutions

Management of Technology (MOT) is the engine of sustainable growth at the Mitsubishi Chemical Group, driving innovation so we can deliver value to society. We will step up the pace of creating new solutions by using advanced technological capabilities spanning everything from basic research to manufacturing technology, extensive intellectual property, and an open innovation approach that allows us to incorporate new trends. We are also utilizing digital technologies to accelerate R&D, optimize and improve efficiency in the value chain, and achieve fundamental improvements in business efficiency.

[Innovation Strategy ▶ Page 45](#)

[Return to the previously viewed page](#)



New research facility established at the Science & Innovation Center

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Digital Strategy

[▶ Page 49](#)

Lithium-Ion Battery Electrolyte



Science. Value. Life.

Changing electrode surface properties to prolong battery service life and improve performance

In the 2000s, the MCG Group started working on the development of EV batteries with long service lives and high power output. Rather than taking the conventional approach of changing the composition of the electrolyte itself, we invented a method that significantly enhances output by adding minute quantities of an additive (lithium difluorophosphate) to the electrolyte to reduce electrical resistance on the electrode surface. With conventional technologies, there was a trade-off between long service life and performance, but our method has allowed us to develop batteries with both these characteristics.

This discovery has had a huge impact in scientific circles, stimulating debate on electrode surface modification technologies in both industry and academia.

- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept
- 11 Value Creation Model

Approach to Realize KAITEKI

- 13 Science**
- 15 Value
- 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Approach to Realize KAITEKI

Science. Value. Life.

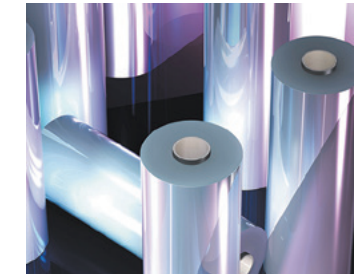


Leveraging our technological capabilities to develop a portfolio of display components

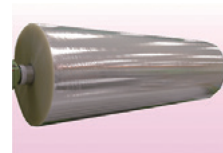
Across the MCG Group, we have developed proprietary and basic technologies in a wide range of business domains. Our optical polyester films have captured approximately 20% of the global market. We are now moving to rapidly secure supply capacity for growing global markets and deliver solutions for increasingly high-level needs in order to support the evolution of a wide range of industrial products.

We are also developing a range of functional components designed for displays, including base materials for polarizing plates, light guide plates, optical adhesive sheets, and reflector films.

Optical polyester films
Share of global market:
Approx. 20%

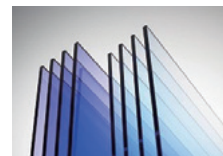


Main display components



OPL Film

This optical polyvinyl alcohol (PVOH) film is used as the base material for polarizing film. Images and characters can be displayed vividly when this film is used.



SHINKOLITE

This acrylic resin sheet is used in a wide range of fields, including signage, displays, large water tanks, and light guide plates. The SHINKOLITE grade for light guide plates features superior surface properties and produces bright, uniform illumination under varied light sources.



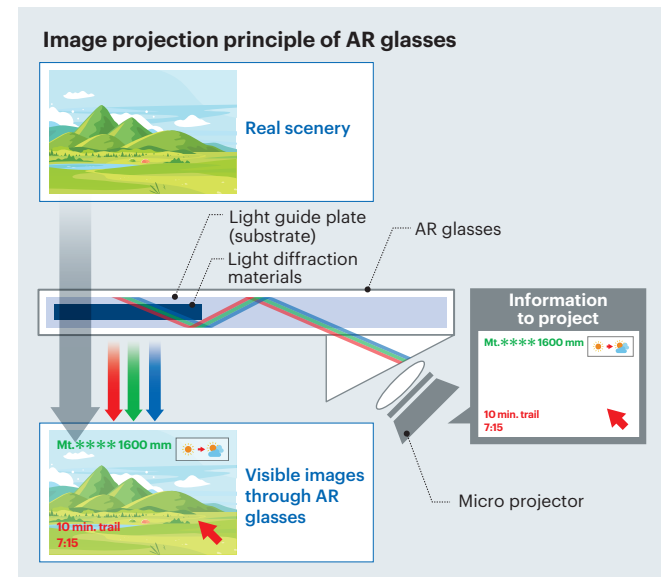
CLEARFIT

This clear, adhesive sheet can be used as a filler between layers of panels used for touch and other types of displays. Use of this sheet to fill voids in the display prevents mirroring and improves contrast.

Future products under development

Light guide plate materials for AR glasses (xR-related optical materials)

Augmented reality (AR) glasses have the potential to be the next major innovation after smartphones, and the market is expected to grow rapidly in the future. At the MCG Group, we are focusing on the development of resin sheets used in light guide plates. Leveraging our capabilities in optical control technology, we aim to expand our business in the growth market for AR glasses.



- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept
- 11 Value Creation Model
 - Approach to Realize KAITEKI
- 13 Science
- 15 Value**
- 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Approach to Realize KAITEKI

Science. Value. Life.

**What we create is Value.
We will deliver value to
all stakeholders by tirelessly
driving portfolio reform.**

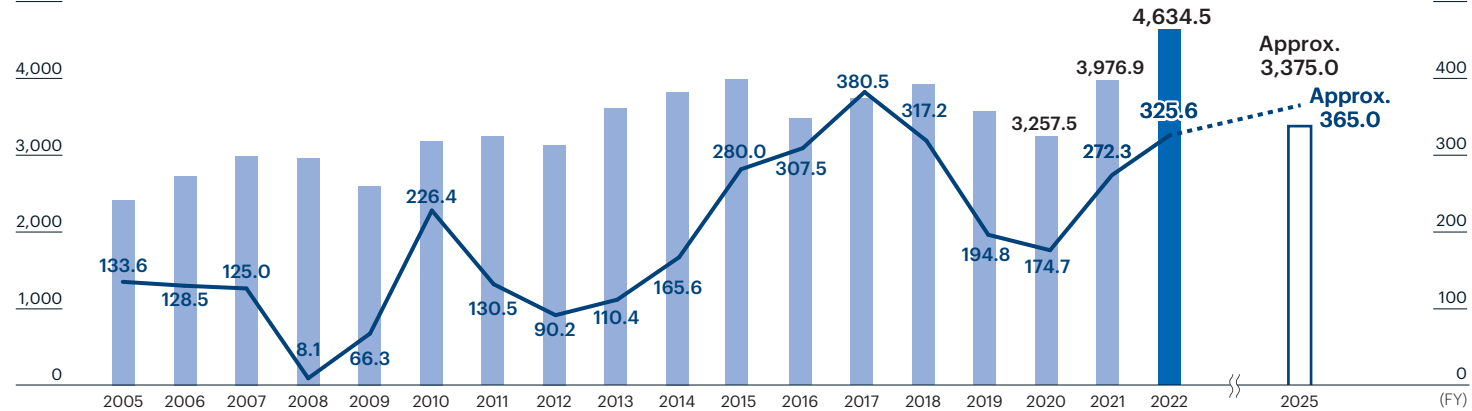
To maximize value for customers, shareholders, and all other stakeholders, we will emphasize economic efficiency by practicing Management of Economics (MOE). In addition to building a sound financial position by tirelessly driving portfolio reform, we will focus management resources on markets with high growth potential based on key global trends and exercise sound managerial judgment in the conduct of our business, thus strengthening profitability.

Business Strategy ▶ Page 34



Net sales (sales revenue) and (core) operating income

(Billions of yen) ■ Net sales (Sales revenue) (left axis) — (Core) operating income (right axis)
5,000



Pursuit of business scale through M&A and integrations, and restructuring of unprofitable businesses

Become a corporate group with high growth and a profitable business through Performance Products, Industrial Materials, and Health Care

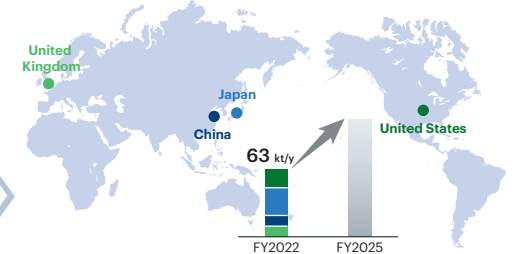
With a clearer strategy to drive operational excellence and unlock business potential, we can deliver more value to our stakeholders

Lithium-Ion Battery Electrolyte

Science. Value. Life.

Expanding production capacity to match growth in the lithium-ion battery (LiB) market

Amid continuing rapid change in the LiB market, we have identified automotive applications sector as a target market and aim to secure a 25% share of the total market by fiscal 2025. To increase market share, we will work on a global basis to establish a production system able to adapt to rapidly expanding demand and to secure a stable supply of raw materials.



Approach to Realize KAITEKI

Science. Value. Life.

Tirelessly driving portfolio reform for sustainable increase in corporate value

Medium-term management plans and portfolio reforms ● Growth measures ▲ Restructuring

	Operating income			Composition of (core) operating income
FY2005–2007 KAKUSHIN Plan - Phase 2	Operating income Target ¥140 billion or more Result ¥125 billion	Raised the ratio of the pharmaceutical business and strengthened earnings less susceptible to the economy	<ul style="list-style-type: none"> ● 2005 Establishment of MCHC ● 2007 Establishment of MTPC 	Performance Products 33% Industrial Materials 18% Health Care 46% Other 3%
FY2008–2010 APTSIS 10	Operating income Target ¥190 billion Result ¥226.4 billion	Expanded Performance Products domain Shifted to a higher value-added business portfolio	<ul style="list-style-type: none"> ● 2008 Integrated MPI, MCC's functional products business, and three affiliate companies ● 2009 Conversion of Quadrant AG, the world's largest manufacturer of engineering plastic products, into a consolidated subsidiary ● 2010 Conversion of MRC into a consolidated subsidiary ▲ 2010 Withdrawal from the nylon chain business ▲ 2011 Withdrawal from the PVC chain business ▲ Withdrawal from the SM chain business 	Performance Products 16% Industrial Materials 47% Health Care 37%
FY2011–2015 APTSIS 15	Operating income Target ¥280 billion Result ¥280 billion	Stabilized profitability through structural reform in the Industrial Materials domain and the conversion of an industrial gas company into a subsidiary	<ul style="list-style-type: none"> ● 2014–2015 Production optimization of polyolefin ● 2014 Conversion of TNSC into a consolidated subsidiary ▲ 2014 Retained a single naphtha cracker at the Kashima Plant (now Ibaraki Plant) ▲ 2016 Formed a joint venture to operate the naphtha cracker at the Mizushima Plant (now Okayama Plant) ▲ 2016 Decided on the equity interest transfer of the terephthalic acid business in India and China 	Performance Products 27% Industrial Materials 36% Health Care 37%
FY2016–2020 APTSIS 20	Core operating income Target ¥410 billion Result ¥174.7 billion	Accelerated growth of the Performance Products domain Strengthened management through business restructuring and invested in growth areas	<ul style="list-style-type: none"> ● 2017 Established the New-MCC through integration of the three chemical operating companies ● 2018 Full operational start of new plant in the Middle East ● 2018–2019 Expanded the global market share of the industrial gases through M&A activities ▲ 2019 Strategic capital alliance with PHC Holdings Corporation through share exchange with LSI Medience Corporation ▲ 2019 Withdrew from the storage media business ● 2020 Converted MTPC into a wholly owned subsidiary 	Performance Products 35% Industrial Materials 57% Health Care 10% Other -2%
FY2021–2025 Management policy "Forging the future"	EBITDA Target Approx. ¥600 billion Core operating income Target Approx. ¥365 billion	More focused approach to maximize our value Developing a portfolio focused on market growth potential, competitive capabilities, and sustainability	<ul style="list-style-type: none"> ▲ 2022 Transfer of the alumina fiber business ● 2022 Changed company name to Mitsubishi Chemical Group Corporation ▲ 2023 Discontinued MMA production in United Kingdom ▲ 2023 Discontinued development of regenerative medicine-related products using Muse cells ▲ 2023 Withdrew from business of Medicago Inc. 	Breakdown of EBITDA target Specialty Materials 39% Industrial Gases 41% Health Care 10% MMA 10%

- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept
- 11 Value Creation Model
 - Approach to Realize KAITEKI
- 13 Science
- 15 Value**
- 18 Life
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Approach to Realize KAITEKI

Science. Value. Life.

With sustainability as a keyword, we will focus management resources on seven markets identified based on key global trends.

							
Focus markets	 EV/Mobility	 Digital	 Food	 Medical	 Building/ Infrastructure	 Consumer goods	 Industrial
Key trends	<ul style="list-style-type: none"> • Electric vehicles • Autonomous driving 	<ul style="list-style-type: none"> • Semiconductors • High-speed communication 	<ul style="list-style-type: none"> • Conservation of water resources and reduction of food waste • Recyclable packaging 	<ul style="list-style-type: none"> • Increase in healthcare expenditures • Aging population 	<ul style="list-style-type: none"> • Growing population • Energy efficiency 	<ul style="list-style-type: none"> • Growing middle class • Product longevity 	<ul style="list-style-type: none"> • Circular economy • Carbon capture, utilization, and storage (CCUS)

- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept
- 11 Value Creation Model
- Approach to Realize KAITEKI
- 13 Science
- 15 Value**
- 18 Life
- 20 Activity Report for Fiscal 2022

- 22 Chapter 2 Sustainable Growth Strategy

- 56 Chapter 3 Strengthening ESG Activities

- 95 Chapter 4 Financial/Non-Financial Information

- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept
- 11 Value Creation Model
 - Approach to Realize KAITEKI
 - 13 Science
 - 15 Value
 - 18 Life**
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information



Approach to Realize KAITEKI
Science. Value. Life.

**Our aim is to contribute to Life.
 For people, society, and the whole of the planet**

We regard addressing environmental and social issues as an essential management theme, and this is why we practice Management of Sustainability (MOS). We will progressively help realize a circular economy in a way that achieves a balance between economic growth and environmental protection. Among our initiatives are utilizing renewable energy and applying life cycle assessment to develop products of low environmental impact. We are also pursuing sustainability by addressing social issues such as building sustainable supply chains, respecting human rights, and promoting diversity and inclusion.

[Implementing Sustainability ▶Page 58](#) [Progress toward Carbon Neutrality and a Circular Economy ▶Page 64](#) [Human Resources Strategy ▶Page 67](#) [Building Sustainable Supply Chains ▶Page 72](#)

[Return to the previously viewed page](#)



New treatment option for ALS patients [▶Page 40](#)



HyCO plants for hydrogen [▶Page 39](#)

Lithium-Ion Battery Electrolyte

Science. Value. Life
Reducing the environmental impact and contributing to a smart society by boosting EV performance

An electrolyte we developed that helps lessen energy loss is expected to establish an increasingly important profile going forward, as a product that contributes to environmental impact reduction. By promoting the widespread use of EVs and HEVs, it will also contribute to reducing emissions of CO₂ and other exhaust gases.

Our electrolyte is also highly compatible with the Mobility as a Service (MaaS) field that aims to realize low cost and high performance in new mobility services known as Green Slow Mobility. As it is also likely to be well suited to use in storage batteries for smart grids, it shows promise as a product that will contribute to realizing a smart society.



- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept
- 11 Value Creation Model
- Approach to Realize KAITEKI
- 13 Science
- 15 Value
- 18 Life**
- 20 Activity Report for Fiscal 2022
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Approach to Realize KAITEKI
Science. Value. Life.

Leveraging our sustainability initiatives and contributions to achieve further Group growth

To address pressing environmental issues, the Mitsubishi Chemical Group will progress measures to reduce greenhouse gas (GHG) emissions, expand the range of low environmental impact products, and implement systems to manage waste and water resources. Through these and related initiatives, we will achieve carbon neutrality by 2050.

For example, Mitsubishi Chemical Corporation (MCC) has accelerated initiatives focusing on plastic recycling. We are developing products with a wide range of properties and working with stakeholders as part of efforts to put in place a circular system. At the same time as helping to grow our business, these efforts will help people lead more comfortable and secure lives and contribute to the global environment.


Toward carbon neutrality

We have achieved major advances in reducing GHG emissions, for instance by switching to green electric power and taking other measures for the proactive utilization of renewable energy at our business sites in Europe and the United States. We are engaged in a wide range of other initiatives to realize a recycling-oriented society in collaboration with the chemical industry, academia, local communities, and various other partners.


[Reporting in Line with the TCFD Recommendations ▶Page 62](#)

[Progress toward Carbon Neutrality and a Circular Economy ▶Page 64](#)

MCC's efforts in plastic recycling




Plastic Recycling

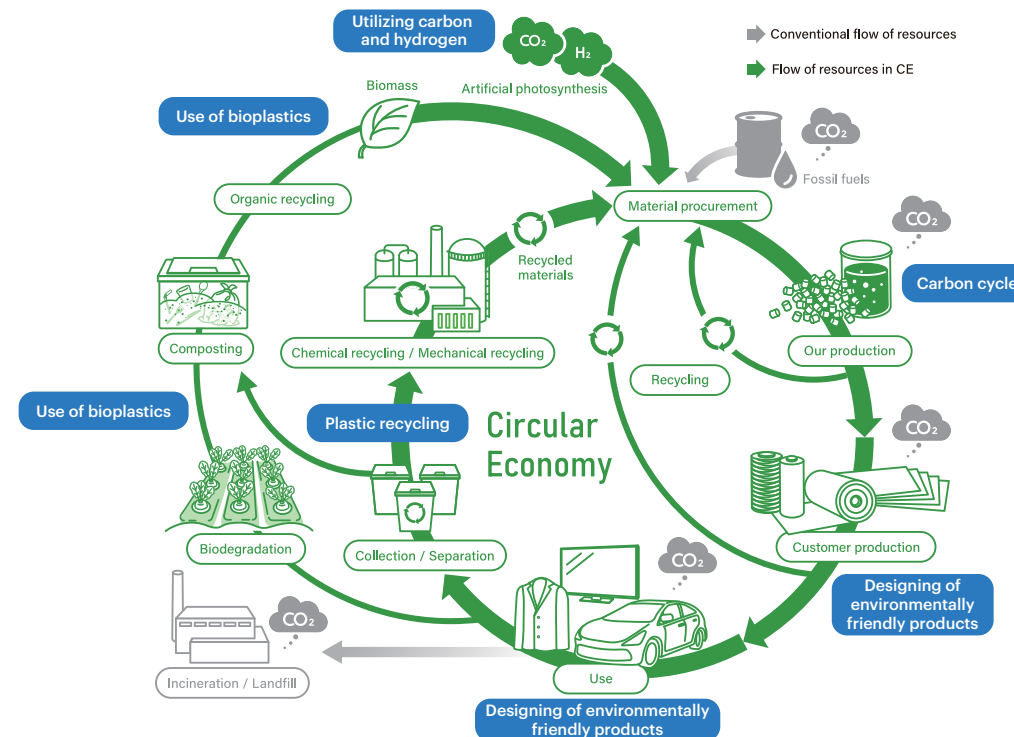



Use of Bioplastics

- Biomass as raw material
- Biodegradation



Utilizing Carbon and Hydrogen

Use of LCA

Strengthen products and services that contribute to reducing environmental impact throughout the value chain

[LCA case study ▶Page 60](#)



Open Innovation, Collaboration with Stakeholders

AEPW, ICCA, VBA, WEF-LCET, GCNJ, CGC, CLOMA, J4CE, Carbon Recycling Fund Institute, and others

[Progress toward Carbon Neutrality and a Circular Economy ▶Page 64](#)

- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept

11 Value Creation Model

Approach to Realize KAITEKI

- 13 Science
- 15 Value
- 18 Life

20 Activity Report for Fiscal 2022

22 Chapter 2 Sustainable Growth Strategy

56 Chapter 3 Strengthening ESG Activities

95 Chapter 4 Financial/Non-Financial Information

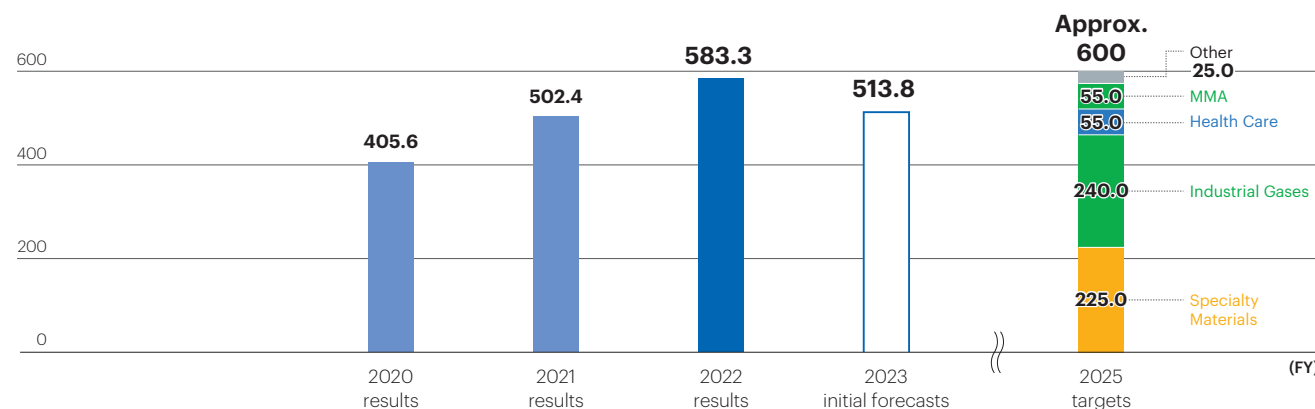
Activity Report for Fiscal 2022

MOE Financial Results and Targets

EBITDA

(Billions of yen)

800



	2020 results	2021 results	2022 results	2023 initial forecasts	2025 targets
Sales revenue (billions of yen)	3,257.5	3,976.9	4,634.5	4,555.0	Approx. 3,375.0
Core operating income (billions of yen)	174.7	272.3	325.6	250.0	Approx. 365.0
EBITDA (billions of yen)	405.6	502.4	583.3	513.8	Approx. 600.0
Core operating margin (%)	5.4	6.8	7.0	5.5	Approx. 11
EBITDA margin (%)	12.5	12.6	12.6	11.3	Approx. 18

Increased sales and profits despite challenging business conditions

In fiscal 2022, the overall world economy saw a continued, gradual recovery in line with the steady return to normal social and economic activity. The business environment of the Mitsubishi Chemical Group, however, was marked by the risk of an economic slowdown heightened by factors such as sharply rising raw material and fuel prices, supply chain disruptions, and the monetary tightening policy adopted by many countries to control inflation.

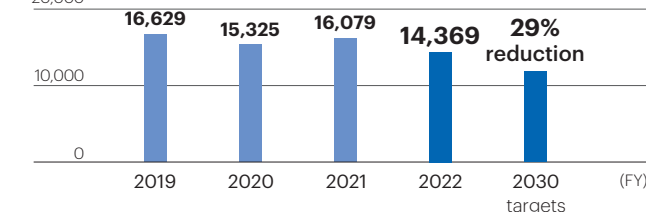
In response to these conditions, the MCG Group continued to actively pass on price rises and posted a 17% year-on-year increase in sales revenue. The Performance Products segment was impacted by trends affecting products in the display- and semiconductor-related markets, as well as by declining demand for MMA, petrochemical, and carbon products. Overall however, core operating income increased 20% year on year due to the solid performance of the Industrial Gases segment and the recognition of royalty revenue in the Health Care segment

MOS Sustainability Results and Targets

GHG emissions (Scope 1 + Scope 2)

(Thousand metric tons-CO₂e)

20,000

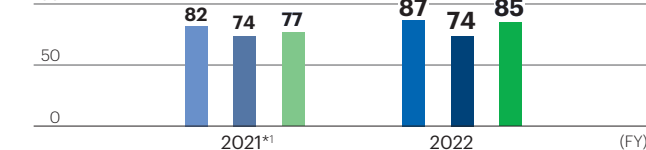


MOT Innovation Results

Progress with MOT indices

Progress with MOT indices

I index group, P index group, O index group



Index name*2	Examples of items measured
I index group	Ratio of R&D expenditures to sales revenue
P index group	Degree of progress with key R&D themes and DX
O index group	Sales of new products, number of patent applications, patent value

*1 In order to facilitate comparison with the partially revised MOT indices for fiscal 2022, some MOT figures differ from those published in the fiscal 2022 report.

*2 The innovation process is divided into three component index groups: input (I), process (P), and output (O).

following the outcome of arbitration proceedings relating to *Gilenya*, a treatment agent for multiple sclerosis.

Progress with initiatives in sustainability and innovation

Toward our targets of achieving carbon neutrality in 2050 and a 29% reduction in GHG emissions by fiscal 2030 compared to fiscal 2019, we reduced these emissions by approximately 14% in fiscal 2022.

- 3 Chapter 1 Our Vision
- 4 Message from the President
- 9 Group Concept
- 11 Value Creation Model
 - Approach to Realize KAITEKI
 - 13 Science
 - 15 Value
 - 18 Life
- 20 Activity Report for Fiscal 2022**
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Activity Report for Fiscal 2022

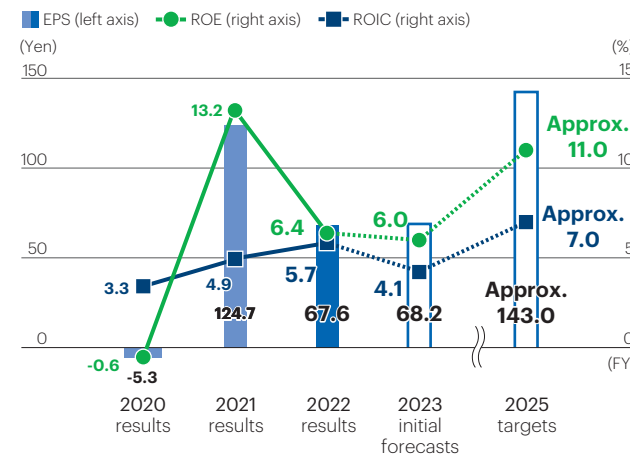
MOT indices are used to visualize and assess our technological and innovative capabilities. Achieving a solid performance level of approximately 80% of target, we exceeded the previous fiscal year's performance. We continue our discussions of management methods to achieve further improvements and value maximization.

Continuing Focus on Improvement of ROIC and Strengthening Financial Position

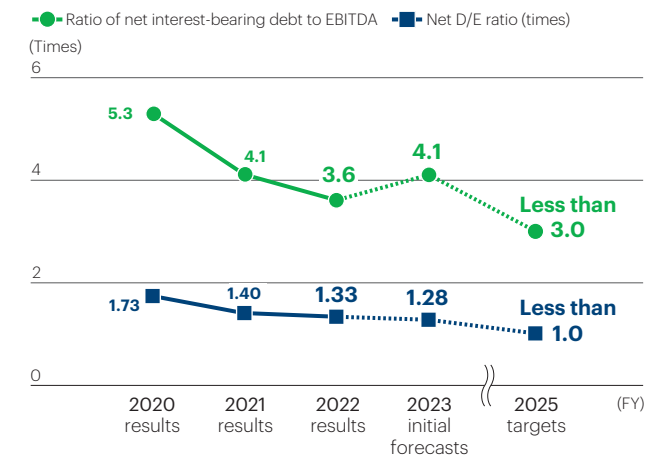
ROIC reached 5.7%, while net D/E ratio showed a 0.07-point improvement to 1.33 from 1.40 at the end of the previous fiscal year.

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 roadmap to carbon neutrality.

ROE, ROIC, and EPS



Ratio of net interest-bearing debt to EBITDA / Net D/E ratio



Updates to implementation plan for new management policy "Forging the future" and associated financial targets

Announcement of new Group Concept (Purpose, Slogan, Our Way)

Main business activities in fiscal 2022

1Q	2Q	3Q	4Q
<h4>Growth strategies</h4>			
<p>Health Care</p> <p>Launch of RADICAVA ORS in the United States We launched RADICAVA ORS, an oral suspension formulation of edaravone (U.S. product name: RADICAVA) for the treatment of amyotrophic lateral sclerosis (ALS).</p>		<p>Performance Products</p> <p>Decision to increase production capacity of ethylene vinyl alcohol copolymer resin Soarnol To meet expanding global demand for food packaging materials, we decided to increase production capacity at our U.K. plant (target operational start: fall 2025; production capacity: increased from 18,000 to 39,000 tons/year).</p>	
<p>Performance Products</p> <p>Decision to increase China production capacity of natural anode material To meet strong demand for LiB anode material, we decided to increase production capacity at our China base. The expansion is due to be completed in the first half of fiscal 2023 and will boost production capacity in China from 2,000 to 12,000 tons a year.</p>		<p>Industrial Gases</p> <p>Contract secured for U.S. HyCO project</p>	
<p>Industrial Gases</p> <p>Contract for HyCO project secured in Peru (South America)</p>		<p>Industrial Gases</p> <p>Following similar successes in South America and the United States, we secured the contract for a HyCO project in India, expanding our hydrogen production capacity on a global basis</p>	
<h4>Restructuring</h4>			
<p>Performance Products</p> <p>Decision to withdraw from the acrylic fiber business We decided to withdraw from the Vonnel and Vonnel M.V.P acrylic fiber business. Sales of the products, manufactured at our Hiroshima Plant, are due to be discontinued by the end of 2023.</p>		<p>Health Care</p> <p>Decision to discontinue development of regenerative medicine product CL2020 using Muse cells</p>	
		<p>Health Care</p> <p>Decision to liquidate Medicago Inc. We decided to withdraw from all operations of Canada-based Medicago Inc., which included the ongoing development of a plant-based vaccine for indications including prevention of COVID-19 infection, and to proceed with the liquidation of the company.</p>	
<p>Chemicals</p> <p>Production of MMA-related products discontinued at U.K. base To enhance the competitiveness of the MMA business and optimize the supply system, we discontinued the production of MMA-related products at our U.K. base in February 2023.</p>			

Chapter 2

Sustainable Growth Strategy

23 Members of the One Global Leadership Team

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

31 Message from the CFO

Business Strategy

34 Message from the Business Unit Heads

35 Specialty Materials

39 Industrial Gases

40 Health Care

41 MMA

42 Petrochemicals and Carbon Products

43 Message from the Chief Supply Chain Officer

Innovation

44 Message from the CTO

45 Innovation Strategy

47 Intellectual Property Strategy

Digital

48 Message from the CDO

49 Digital Strategy

52 Message from the Chief Strategy Officer

53 Building an In-House Understanding of
the Management Policy

[Return to the previously viewed page](#)

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 **Members of the One Global Leadership Team**
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
- 35 Specialty Materials
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
- 45 Innovation Strategy
- 47 Intellectual Property Strategy
 - Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Members of the One Global Leadership Team



1 Representative Corporate Executive Officer, President & CEO
Jean-Marc Gilson

2 Representative Corporate Executive Officer, Senior Vice President Chief Supply Chain Officer
Kouji Eguchi

3 Executive Vice President Chief Financial Officer Supervising – Finance, Communication and IR
Yuko Nakahira

4 Executive Vice President Chief Compliance Officer General Counsel Supervising – Legal, Internal Control, Corporate Administration and Government Affairs
Ken Fujiwara

5 Executive Vice President Head of Specialty Materials
Frank Randall (Randy) Queen

6 Executive Vice President Head of Polymers & Compounds / MMA
Hitoshi Sasaki

7 Executive Vice President Head of Basic Materials
Manabu Chikumoto

8 Executive Vice President Head of Pharma
Akihiro Tsujimura

9 Senior Vice President Chief Technology Officer
Larry Meixner

10 Senior Vice President Supervising – Audit
Jin Iida

11 Senior Vice President Chief Digital Officer
Yuji Ichimura

12 Senior Vice President Supervising – Government Affairs
Shigeki Habuka

13 Senior Vice President Chief Human Resource Officer
Tomoyo Hiraoka

14 Vice President Chief Strategy Officer
Joseph Rinaldi

15 Vice President Director, Corporate Planning Dept. Strategy
Naoto Yabe

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
 - 35 Specialty Materials
 - 39 Industrial Gases
 - 40 Health Care
 - 41 MMA
 - 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
 - 45 Innovation Strategy
 - 47 Intellectual Property Strategy
- 48 Message from the CDO
 - 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

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

Five key pillars to drive improvements in the EBITDA margin

At the Investor Day 2023 held on February 24, 2023 (Communication with shareholders and investors ▶ Page 33), Mitsubishi Chemical Group Corporation announced a detailed executable plan for fiscal 2021–2025 based on its “Forging the future” management policy (announced on December 1, 2021), as well as updated financial targets for fiscal 2025.

MCG has set out five key pillars as part of its clear strategy to drive operational excellence and unlock business potential: (1) growth, performance, and sustainability; (2) strategic cost transformation; (3) business to exit; (4) leaner, digital, empowered; and (5) strategic capital allocation. By working in these areas, we aim to deliver more value to all our stakeholders. Between fiscal 2021 and fiscal 2025, we expect these key pillars to grow EBITDA by approximately ¥100 billion and improve the EBITDA margin from 13% to 18%.

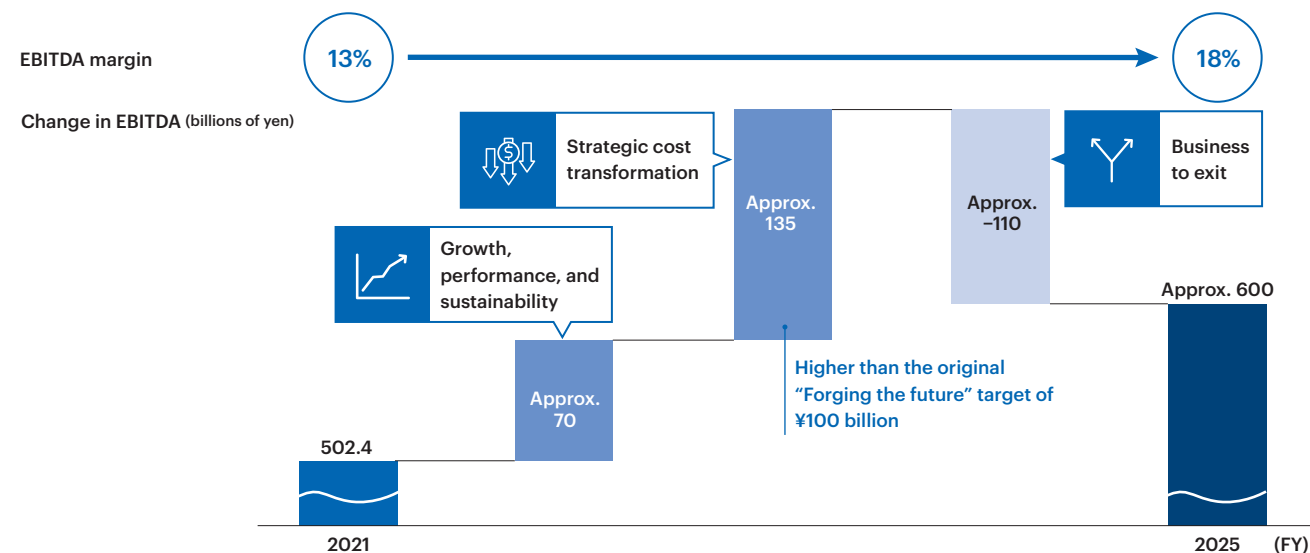
Of these, we expect three primary pillars to generate the following outcomes: through business growth by means of pillar (1), EBITDA is projected to increase by approximately ¥70 billion; pillar (2) will deliver cost reductions of approximately ¥135 billion, higher than the initial target of ¥100 billion; while through pillar (3), exit from the petrochemicals and carbon products businesses will reduce EBITDA by approximately ¥110 billion. We will implement various initiatives based on this executable plan, with the goal of achieving our targets in fiscal 2025.

Note: Information provided in the section Executable Plan Based on the “Forging the future” Management Policy (Pages 24–42) uses fiscal 2021 results and fiscal 2025 targets.

Five key pillars Maximize corporate value

	Growth, performance, and sustainability	<ul style="list-style-type: none"> • Shift to global profitable markets • Focus on selected end applications • Become a sustainability leader
	Strategic cost transformation	<ul style="list-style-type: none"> • Focus on Health Care restructuring, operational excellence and supply chain optimization, as well as procurement
	Business to exit	<ul style="list-style-type: none"> • Exit the petrochemicals and carbon products businesses
	Leaner, digital, empowered (Formerly named: Leaner structure to execute)	<ul style="list-style-type: none"> • Shift to a leaner, digital, and empowered organization and workforce
	Strategic capital allocation	<ul style="list-style-type: none"> • Fuel organic growth • Improve the balance sheet to fund future growth

Three primary pillars will improve EBITDA margin from 13% to 18%



3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

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

Achieve our financial and non-financial targets with a view to further growth from fiscal 2025

For financial targets, we remain committed to our fiscal 2025 targets and will work to improve profitability, including EBITDA and the EBITDA margin. For non-financial targets, GHG emission reduction is a must in the chemical industry, and we uphold the target of a 29% reduction (versus fiscal 2019 levels) by fiscal 2030. We are also working more intensively to achieve our target for waste reduction. Customer satisfaction has already been 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.

Our “Forging the future” management policy is our core strategy to achieve our future vision, and we will accelerate our efforts across these five key pillars through fiscal 2025. After fiscal 2025, we will be positioned to transform into a specialty materials group and aim for further growth.

Financial targets

EBITDA (billions of yen)	502.4 394.3 ^{*1}	Approx. 600
	+11% per year ^{*2}	
	FY2021	FY2025
Sales revenue (billions of yen)	3,976.9	Approx. 3,375.0
EBITDA margin	13%	18%
Core operating income (billions of yen)	272.3	Approx. 365.0
ROIC	5%	7%
EPS ^{*3} (yen)	125	Approx. 143

*1 Fiscal 2021 EBITDA excluding petrochemicals and carbon products

*2 Organic EBITDA growth excluding petrochemicals and carbon products

*3 Basic EPS

Non-financial targets^{*4}

GHG reduction (Scope 1 + Scope 2) ▶ Page 63	↓ 29%	Fiscal 2030 target (vs. fiscal 2019)
Waste reduction ^{*5}	↓ 50%	Fiscal 2025 target (vs. fiscal 2019)
Level of customer satisfaction ^{*6}	↑ 6 pts	
Employee engagement ^{*7}	↑ 15 pts	Fiscal 2025 target (vs. fiscal 2020)
Diversity among management ^{*8}	↑ 7 pts	

*4 Including petrochemicals and carbon products






*5 Reduction of landfill waste by fiscal 2025

*6 Level of customer satisfaction based on the annual customer survey

*7 Percentage of favorable responses to set items in the employee awareness survey

*8 Percentage of managerial staff with a diversity attribute
Target: 40%

Strategy execution roadmap

	Phase 1: Planned	Phase 2: Executed	Phase 3: Accelerate	Phase 4
Five key pillars		FY2021–2022	FY2023–2025	Beyond FY2025
 Growth, performance, and sustainability		Pathway to a more focused portfolio defined	Focus markets, global expansion and commercialization excellence	Positioned to capture the transformational impact
 Strategic cost transformation		Cost reduction for fiscal 2022 on track, further actions taken	Procurement, operational excellence, improvement in general and administrative (G&A) expenses	
 Business to exit		A few divestitures, financial carve-out of petrochemicals	Carbon products sale, petrochemicals joint venture (JV) established	
 Leaner, digital, empowered		Reduced complexity in structure, cultural transformation underway	Global, digital end-to-end processes, fewer locations, diverse and inclusive workspace	
 Strategic capital allocation		Improved net D/E ratio	Capital allocation supporting growth, dividends, and a healthier balance sheet	

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

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






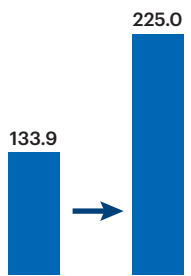
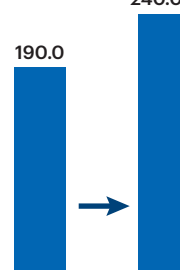


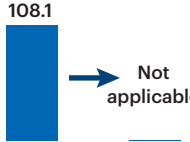
Five key pillars Growth, performance, and sustainability

Aiming to increase ROIC in all business groups

We will develop growth strategies for each business group and work to achieve our targets, aiming to increase EBITDA by ¥70 billion through the growth, performance, and sustainability pillar.

First, for Specialty Materials, we will make our entire product portfolio available globally and bring about a shift to a market-oriented organization. Then, for Industrial Gases we will acquire large-scale projects to grow in the four global regions and we will reinforce and develop our capabilities. For Health Care, we will maximize the value of priority products in Japan and the United States, while strengthening partnering and establishing new sales and development alliances with a focus on core regions. For MMA, we will build on our global No. 1 position and promote the shift to the new ethylene method (Alpha technology), with the goal of achieving further reductions in operational costs. For Petrochemicals and Carbon Products, we are working to either divest or not be a fully consolidated entity by fiscal 2025.

Growth targets and strategies for our businesses (FY2021–2025)

Business groups*1	 Specialty Materials	 Industrial Gases	 Health Care	 MMA	 Petrochemicals and Carbon Products
EBITDA (billions of yen)					
EBITDA margin	12% → 16%	20% → 24%	2% → 15%	17% → 15%	<div style="border: 1px solid black; padding: 5px;"> <p>Either divest or not be a fully consolidated entity by fiscal 2025</p> <p>Profit from the JV share is approximately ¥10 billion*4</p> </div>
Core operating margin	7% → 11%	10% → 13%	(2%) → 10%	11% → 11%	
ROIC	6% → 10%	4% → >6%	(1%) → 3%	7% → 7%*3	
Growth strategies	<ul style="list-style-type: none"> Make the entire portfolio available globally Shift to a market-oriented organization 	<ul style="list-style-type: none"> Grow the four global regions Reinforce and develop our capabilities 	<ul style="list-style-type: none"> Maximize the value of priority products in Japan and the United States Strengthen partnering and establish new sales/development alliances 	<ul style="list-style-type: none"> Build on our global No. 1 position Expand the new ethylene method (Alpha technology) 	

*1 Additional EBITDA from other business groups: ¥10.7 billion in fiscal 2021, approximately ¥25.0 billion in fiscal 2025

*2 Midpoint of the range as disclosed in the medium-term management plan of Nippon Sanso Holdings Corporation, rounded up

*3 Includes the effect of partially complete large investment in a facility in the United States; ROIC excluding the investment is 9%

*4 Assuming JV core operating income of approximately ¥40.0 billion and net income of approximately ¥20.0 billion, with 50% ownership

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
- 35 Specialty Materials
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
- 45 Innovation Strategy
- 47 Intellectual Property Strategy
 - Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

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

Five key pillars Growth, performance, and sustainability

Programs to strengthen market-focused innovation and expand sustainability-related products

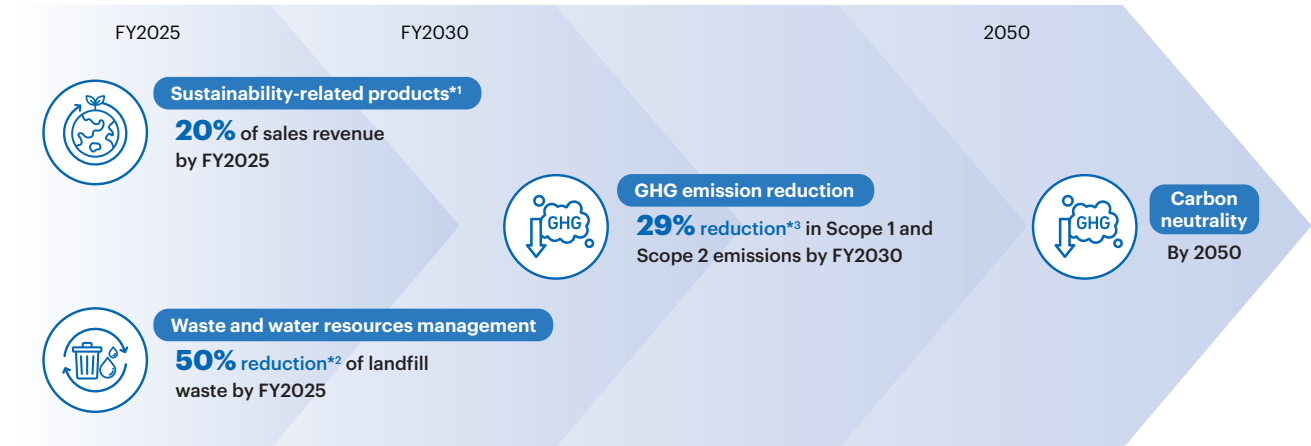
We consider both GHG emission reduction and waste and water resources management as important sustainability-related targets. At the same time, we are expanding products that contribute to sustainability, particularly those relating to climate change, circular economy, food supply, and conservation of water resources. Our goal is to not only increase profitability in line with our financial targets but also achieve all our sustainability-related targets.

Robust innovation is required to sustain long-term growth. We are making ongoing investment in digital technologies, infrastructures, and recruitment in order to acquire new capabilities that will underpin growth and sustainability. Electrolytes for EV/Mobility applications are an example of our initiatives related to focus markets. MCG is one of the global leaders in electrolytes with advanced technological capabilities. For example, we are working on semi-solid electrolytes and are researching the transition to solid electrolytes, as part of our strategy to develop next-generation technologies that align with market trends from short-term, medium-term, and long-term perspectives.

[Innovation Strategy ▶Page 45](#)

[Implementing Sustainability ▶Page 58](#)

We will achieve growth supported by sustainability trends, while becoming more sustainable in our operations



*1 Products that contribute to sustainability, particularly those relating to climate change, circular economy, food supply, and conservation of water resources

*2 Vs. FY2019

*3 Vs. FY2019

Note: Targets include petrochemicals and carbon products.

Innovation underpins the MCG Group’s growth performance and sustainability

New guiding principles



Example: Simplified roadmap for EV/Mobility (automotive lithium-ion battery materials)



- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
 - 35 Specialty Materials
 - 39 Industrial Gases
 - 40 Health Care
 - 41 MMA
 - 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
 - 45 Innovation Strategy
 - 47 Intellectual Property Strategy
- 48 Message from the CDO
 - 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

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

Five key pillars Strategic cost transformation

Cost transformation will exceed the original target and be mostly achieved by fiscal 2023.

We are accelerating our cost transformation efforts, restructuring the Health Care segment, exiting from non-profitable businesses, and also consolidating our procurement processes across all businesses (including travel management lease cars, analytics/IT tools). Moreover, we are working to transform operational processes in the United States and plan to expand these efforts to Europe. We are also promoting the consolidation of our Group companies and outsourcing some of our business operations.

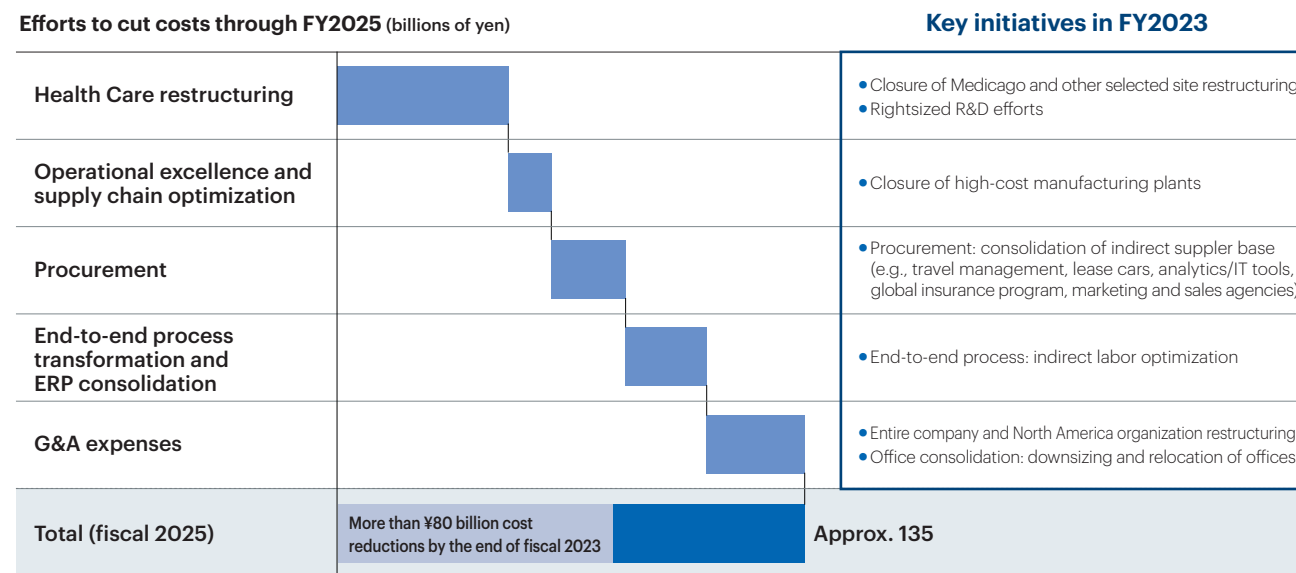
Through these efforts, we expect to save more than ¥80 billion by the end of fiscal 2023 and have set a cost transformation target of approximately ¥135 billion in fiscal 2025.

Five key pillars Business to exit

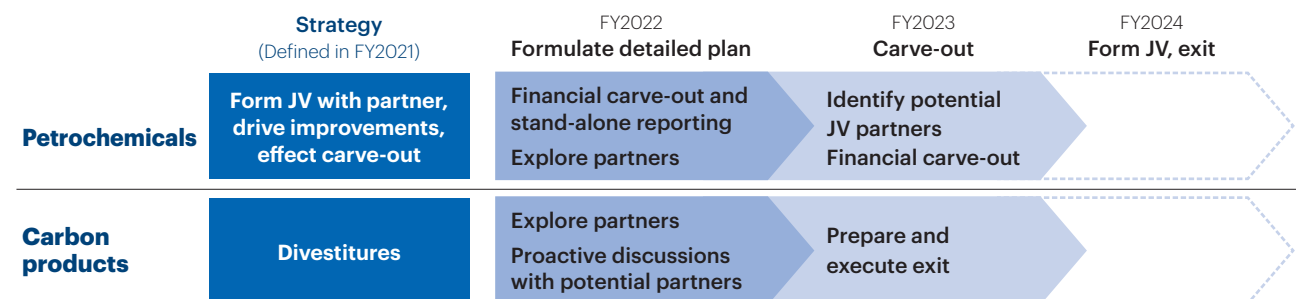
Committed to exiting businesses that do not match our growth and sustainability expectations

In fiscal 2022, we formulated a detailed plan for our exit from the petrochemicals and carbon products businesses. In fiscal 2023, we will financially carve-out our petrochemicals business, and in fiscal 2024 we will establish a joint venture and aim for early independence.

For carbon products, we are making progress in completion of the divestment during fiscal 2023.



Exit strategy and timeline for our petrochemicals and carbon products businesses



- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
 - 35 Specialty Materials
 - 39 Industrial Gases
 - 40 Health Care
 - 41 MMA
 - 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
 - 45 Innovation Strategy
 - 47 Intellectual Property Strategy
- 48 Message from the CDO
 - 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

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

Five key pillars Leaner, digital, empowered

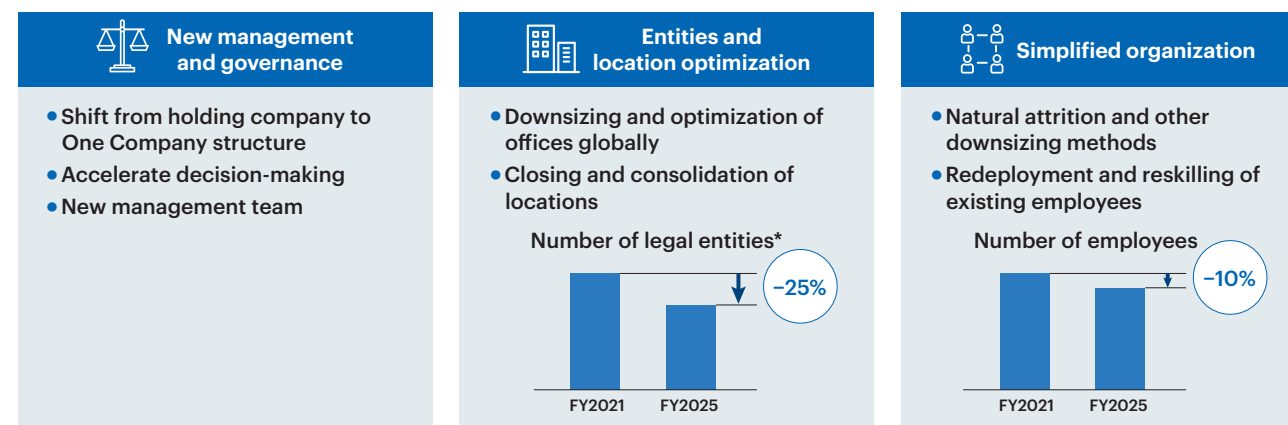
Working to create a leaner, more efficient organization in pursuit of One Company concept

To create a leaner organization, we have accelerated MCG’s structural reforms through our organizational structure changes and are improving the speed of management decisions. We are also transferring the responsibility for business expansion to each region and implementing a 25% reduction in the number of Group companies globally by fiscal 2025. We expect our headcount to fall by 10% through natural attrition, outsourcing, and other downsizing measures.

For a digital organization, we will push forward with digitization in all steps, 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: (1) standardize our business processes across the Group; (2) consolidate our systems and transfer data into the cloud; (3) develop an internal data management system; and (4) develop and recruit talent who can thrive in the digital age.

For an empowered organization, we are fostering the next generation of leaders. We are moving away from the seniority-based system and are accelerating diversity in leadership and developing a corporate culture that promotes value creation. For that purpose, we will realize a safe and healthy workplace.

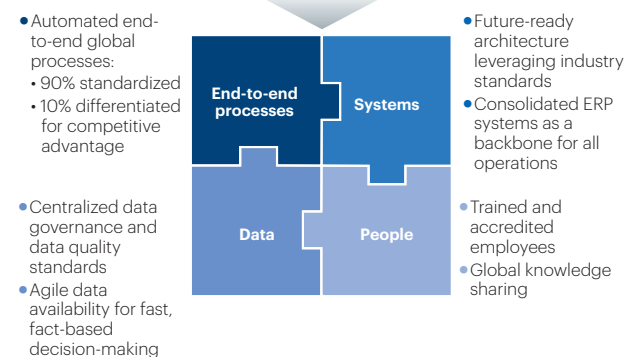
Establishing a leaner organizational structure



* Excludes any changes in Nippon Sanso Holdings entities

MCG technology, data, and business models will become more digital.

Complexity of processes currently exceeds industry benchmark by a wide margin



We will empower our employees for this transformation.

Our cultural transformation

Empowered workforce	<ul style="list-style-type: none"> Develop next-generation leadership Promote cultural change and value creation mindset Incorporate diversity, equity and inclusion (DE&I) into the talent strategy Build a fulfilling workplace environment Build a global integrated operational structure to achieve overall optimization Strengthen human resources governance worldwide
Health and safety	<ul style="list-style-type: none"> Maintain appropriate operations and safe facilities Monitor and prevent human rights violations and high-risk situations

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
 - 35 Specialty Materials
 - 39 Industrial Gases
 - 40 Health Care
 - 41 MMA
 - 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
 - 45 Innovation Strategy
 - 47 Intellectual Property Strategy
- 48 Message from the CDO
 - 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

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

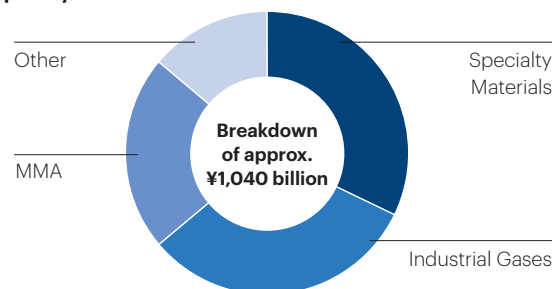
Five key pillars Strategic capital allocation

Generated capital will be allocated to fund organic growth, increase shareholder returns, and provide a sounder balance sheet.

The profitability of our businesses will improve through fiscal 2025, generating a significant amount of capital. Of the roughly ¥2,145 billion generated, some ¥1,040 billion will be allocated to capex. In particular, we will focus on growth investments to increase capacity in the Specialty Materials and Industrial Gases segments. Approximately ¥380 billion or 18% of the capital will be used for R&D, the majority of which will be for Health Care.

MCG faced two major issues when the “Forging the future” strategy was announced: improving profitability and repaying debt. We will allocate approximately ¥270 billion of the capital for debt repayment, and aim to achieve a net debt/EBITDA ratio of less than 3.0x and a net debt/equity ratio of less than 1.0x. We aim for year-on-year dividend growth and would like to increase the payout ratio from the current level of 30% to 35% by fiscal 2025. Meanwhile, we will increase uncommitted capital to approximately ¥250 billion in order to secure capital and leverage for options including M&A and share buybacks.

Capex by business



Capital allocation FY2023–2025



* Generated capital is calculated as operating cash flow before R&D expenditures plus proceeds from divestments

Capital allocation	Policy
48% Capex Approx. ¥1,040 billion	<ul style="list-style-type: none"> Invest for growth including capacity increases for SoarnOL, epoxy resin, electrolytes, and emulsifiers Focus on return on investment
18% R&D Approx. ¥380 billion	<ul style="list-style-type: none"> R&D aligned to business incentives Targeting R&D expenditures of approx. 3.5% of sales revenue
13% Debt repayment Approx. ¥270 billion	<ul style="list-style-type: none"> Net debt/EBITDA ratio: Less than 3.0x Net debt/equity ratio: Less than 1.0x
9% Dividend Approx. ¥205 billion	<ul style="list-style-type: none"> Year-on-year dividend growth Payout ratio in FY2025: 35%
12% Increase in uncommitted capital Approx. ¥250 billion	<ul style="list-style-type: none"> M&A to accelerate growth Other value-creating opportunities including share buybacks

By carefully managing our policy on investments, we will ensure that significant capital and leverage are available for M&A, share buybacks, and other opportunities to deliver value.

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Message from the CFO



Achieving our targets as a Group by balancing invest for growth, debt repayment, and shareholder return

Yuko Nakahira
Executive Vice President
Chief Financial Officer

Executing wide-ranging measures for maximum effect under difficult business conditions

Business conditions were particularly difficult in fiscal 2022 because of rising raw material and fuel prices coupled with falling demand, but by executing the “Forging the future” management policy defined in fiscal 2021 and prioritizing the protection of our existing business, we were able to pass on higher costs across the Mitsubishi Chemical Group and achieve cost savings. On top of this, alarm bells began to ring when free cash flow turned negative in the first-quarter fiscal 2022 results, and this prompted us to focus on reducing working capital as well.

We have had to make difficult but important decisions as we restructure our business portfolio for growth, performance, and sustainability. We have opted to withdraw from the melt-spun fiber and acrylic fiber businesses; close the MMA plant in the United Kingdom; liquidate Medicago Inc., which was developing a COVID-19 vaccine; and discontinue development of regenerative medicine products using Muse cells. Under the “One Company, One Team” concept, we have worked to integrate global organizations and operations for all functions and have also unified the business review process for all businesses (▶Page 51). On top of this, we have reduced the number of affiliates by 32, from 625 to 593 companies, in order to establish more streamlined organizational systems.

In terms of our performance as expressed by earnings, we managed to finish the fiscal year in positive territory

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Message from the CFO

after recognizing earnings from the arbitration award on royalties for multiple sclerosis treatment *Gilenya*. We recorded ¥325.6 billion in core operating income, ¥96.1 billion in net income attributable to owners of the parent, and ¥107.6 billion in free cash flow. However, we also invested for growth and therefore booked capital expenditures in line with our typical level of more than ¥280 billion and kept R&D spending at around the ¥150 billion mark.

We executed wide-ranging measures across the MCG Group and were able to reduce our net debt ratio to a net D/E ratio of 1.33. We paid dividends of ¥30 per share over the full year in fiscal 2022, the same level as in fiscal 2021. Although business conditions were difficult, we ensured that we were in a position to make this dividend payment, while looking to achieve a solid performance during the forthcoming recovery in demand.

Aiming to make further cost savings and increase ROIC through the executable plan for our management policy

The MCG Group's ROIC is currently just over 5%, which is still far too low for our goal of being a world-leading specialty materials group. We are targeting ROIC of approximately 7% by fiscal 2025, but this target is only a waypoint on our transformation journey. The next step is to achieve ROIC of 10% and to further increase invested capital efficiency.

In the executable plan for our management policy, unveiled in February 2023, we have set ROIC targets by business group that take into account the business model and priority issues in each group. To improve ROIC further, we need to capture data from corporate divisions and actively use it to implement a range of measures in the business units, while investing the valuable capital generated to drive our businesses forward. Furthermore, in

the future, we need to step up investment in non-financial areas, such as human capital.

As we restructure our portfolio, we will make go/no go decisions on businesses that we do not expect to contribute to future earnings growth or businesses where we think the MCG Group is no longer the best owner. We will then prioritize next steps by taking into account various factors, such as how hard the decision will be to execute and what the real impacts will be.

Our executable plan defines seven focus markets, but we will give particular attention to EV/Mobility, Digital, Food, and Medical. We will then narrow our targets to three focus businesses based on how attractive the market is, whether we have a competitive edge, and sustainability matters. We will prioritize growth potential and our technological strengths when deciding on market attractiveness. We will then define targets and draw up a clear business roadmap that provides a plan not only for



short-term profit creation but also future activities to take the business forward.

For strategic cost transformation, the original management policy announced in fiscal 2021 set a target of ¥100 billion in cost savings by fiscal 2025. We plan to cut

Financial targets for fiscal 2025

Group targets	(FY)	2021 results	2022 results	2023 initial forecast	2025 targets
Sales revenue		¥3,976.9 billion	¥4,634.5 billion	¥4,555.0 billion	Approx. ¥3,375 billion
Core operating income		¥272.3 billion	¥325.6 billion	¥250.0 billion	Approx. ¥365 billion
Core operating margin		6.8%	7.0%	5.5%	Approx. 11%
EBITDA		¥502.4 billion	¥583.3 billion	¥513.8 billion	Approx. ¥600 billion
EBITDA margin		12.6%	12.6%	11.3%	Approx. 18%
EPS		¥124.7	¥67.6	¥68.2	Approx. ¥143
Financial leverage (net debt / EBITDA)		4.1x	3.6x	4.1x	<3.0x
ROE		13.2%	6.4%	6.0%	Approx. 11%
ROIC		4.9%	5.7%	4.1%	Approx. 7%

Mainstay targets by business group	Specialty Materials	Industrial Gases	Health Care	MMA
EBITDA	¥225 billion	¥240 billion*1	¥55 billion	¥55 billion
EBITDA margin	16%	24%	15%	15%
ROIC	10%	>6%	3%	7%*2

*1 Midpoint of the range as disclosed in the medium-term management plan of Nippon Sanso Holdings Corporation, rounded up

*2 Includes the effect of partially complete large investment in a facility in the United States; ROIC excluding the investment is 9%

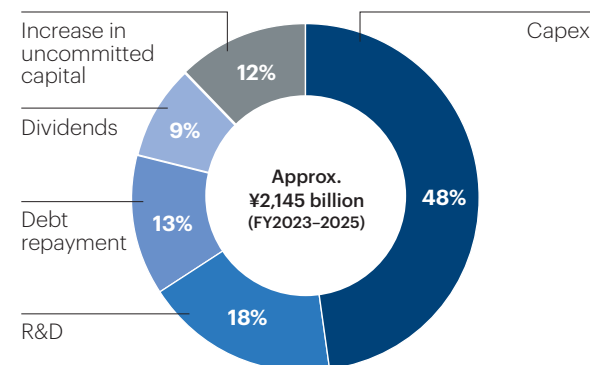
3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the "Forging the future" Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Message from the CFO

costs by more than ¥80 billion before the end of fiscal 2023 through Health Care restructuring, operational excellence and supply chain optimization, as well as procurement. We now look to achieve cost savings of approximately ¥135 billion by fiscal 2025, more than originally targeted. [Cost restructuring across the Group ▶Page 28](#)

Looking at our resources for capital allocation, we estimate a total of ¥2,145 billion in capital over the three-year period between fiscal 2023 and fiscal 2025. We will acquire funds by steadily implementing all of the key measures set forth in our management policy, namely portfolio restructuring, strategic cost transformation, and exit from the petrochemicals and carbon products businesses, while having capital available to invest in organic growth and to improve the EBITDA margin from 13% in fiscal 2021 to 18% in fiscal 2025. [Strategic capital allocation ▶Page 30](#)

Capital allocation



Prioritizing communication with investors and maximizing total shareholder returns

MCG's basic policy on shareholder returns is to improve shareholder value by increasing corporate value. For dividends, the executable plan based on our management

policy is to boost dividends year on year, aiming for a target dividend payout ratio of 35% in fiscal 2025. Based on this policy, we plan to raise the interim and year-end dividend payments by ¥1 each. That said, I consider the most important matter to be maximizing total share returns. [Basic earnings \(loss\) per share and cash dividends per share ▶Page 98](#)

As we manage the company with an eye on capital costs and capital returns, we will continue to communicate our progress with, and results from, the management policy and engage in deeper discussions with shareholders and investors, with the goal of achieving sustainable growth and improving our corporate value over the medium and long term.

Approach to investor relations (IR) activities

Through communications with shareholders and investors in Japan and overseas, we are working to disclose information appropriately and feed back constructive opinions from this active dialogue to the management team 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 2022)

IR events	Target audience	Company representatives
Conference calls, following the financial results announcement Quarterly calls attended by the CEO, timely reporting on progress versus management policy	Domestic and overseas institutional investors, analysts	CEO, CFO
Individual meetings		CEO, CFO, IR managers
Conferences held by securities firms		CFO, IR managers
Performance Products strategy briefings (IR Day 2022) ★ Direct briefing by business unit managers on business strategy to achieve future growth in Performance Products (product summaries and growth strategies), as well as numeric targets, reflecting views of shareholders and investors.		CEO, executive vice-presidents (EVPs) (Performance Products Domain)
Investor Day 2023 ★ Briefing on the executable plan for growth and improved profitability, based on the "Forging the future" management policy, and updated financial targets for fiscal 2025		CEO, CFO
Small meetings with top management		CEO, CFO
Small meetings with outside directors ★ Created opportunities for dialogue between institutional investors and the lead outside director, and used this as an opportunity to confirm the consistency of thinking at the management level		Lead outside director
Small meetings on sustainability		Corporate Sustainability Management managers
Individual investors' briefings	Individual investors	CFO, Director of Corporate Communication Div.
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)	SR managers, IR managers, Corporate Sustainability Management managers

★ Events marked with a star were given many positive ratings in questionnaires completed by participating shareholders and investors.

Business Strategy

Message from the Business Unit Heads

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
- Business Strategy
- 34 Message from the Business Unit Heads**
- 35 Specialty Materials
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
- Innovation
- 44 Message from the CTO
- 45 Innovation Strategy
- 47 Intellectual Property Strategy
- Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Frank Randall (Randy) Queen

Executive Vice President
Head of Specialty Materials*



As a longtime member of MCG, I can say now is the most exciting time to be part of the company. “Forging the future” is a transformational journey that is touching every part of the business. I’m especially excited about the transformation that is happening within the Specialty Material Business Group (SMBG). Our team is fully committed to transforming the SMBG organization into one of the world’s leading organizations at solving complex problems and bringing solutions to challenging applications through chemistry.

Profile

1989: Joined Verbatim Americas LLC
2021: President & CEO, Mitsubishi Chemical America
2023: Executive Vice President, Head of Specialty Materials, Mitsubishi Chemical Group Corporation

* Includes Films & Molding Materials and Advanced Solutions

Hitoshi Sasaki

Executive Vice President
Head of Polymers & Compounds / MMA



In the Polymers & Compounds / MMA Division where I work, we are expanding production capacity for sustainability-related products that can help reduce food waste and GHG emissions and constructing facilities for chemical recycling of MMA. We are also tackling longer-term challenges aimed at achieving green transformation, such as the development of products and manufacturing processes that do not use petrochemical raw materials. In this way, we will help the MCG Group reach our targets.

Profile

1983: Joined Mitsubishi Rayon Co., Ltd. (now Mitsubishi Chemical)
2019: Managing Executive Officer / Head of MMA, Mitsubishi Rayon and President of Mitsubishi Chemical Lucite Group
2022: Executive Vice President, Head of Polymers & Compounds / MMA Mitsubishi Chemical Group Corporation

Toshihiko Hamada

Representative Director, President CEO
Nippon Sanso Holdings Corporation



We are implementing five key strategies set out in the NS Vision 2026 medium-term management plan announced in May 2022: (1) sustainability management, (2) exploring new business toward carbon neutrality, (3) total electronics, (4) operational excellence, and (5) DX initiatives. We are working to boost corporate value across the entire MCG Group.

Profile

1981: Joined Nippon Sanso Ltd. (now Nippon Sanso Holdings)
2021: Representative Director, President CEO

Manabu Chikumoto

Executive Vice President
Head of Basic Materials



Our petrochemicals and carbon products businesses support social foundations and people’s lives through the stable supply of quality products to all types of industries. For the carbon products business, we aim to determine the best owner to allow further business development, while in the petrochemicals business, we plan to play a leading role in industry restructuring as we strive to achieve carbon neutrality and a recycling-oriented society.

Profile

1988: Joined Mitsubishi Kasei Corporation (now Mitsubishi Chemical)
2015: President, MCC PTA Asia Pacific
2023: Executive Vice President, Head of Basic Materials, Mitsubishi Chemical Group Corporation, and Representative Director, Director Petrochemical Business Division, Mitsubishi Chemical Corporation

Akihiro Tsujimura

Executive Vice President
Head of Pharma



In the pharmaceutical business, we aim not only to meet our targets in the “Forging the future” management policy, but also to achieve growth over the medium and long term. We are strengthening our pipeline and maintaining our business foundations in Japan, while also expanding our presence in the United States and other overseas markets in order to increase our overseas sales ratio and provide options that give hope to those facing illness around the world.

Profile

1992: Joined Nichimen Corporation (now Sojitz Corporation)
2004: Joined Santen Pharmaceutical
2017: Appointed Member of Board of Directors, Executive Corporate Officer at Santen
2018: Joined SanBio
2021: Appointed Executive Vice President, Chief Operating Officer at SanBio
2023: Executive Vice President, Head of Pharma, Mitsubishi Chemical Group Corporation, and Representative Director, Mitsubishi Tanabe Pharmaceutical

Business Strategy

Specialty Materials*

* Includes Polymers & Compounds, Films & Molding Materials, and Advanced Solutions

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the "Forging the future" Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
- 35 **Specialty Materials**
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
- 45 Innovation Strategy
- 47 Intellectual Property Strategy
 - Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

MCG Group's engine for profitable growth

In the Specialty Materials business, we will achieve sales growth and improved profit margins through fiscal 2025 by executing three key strategies in line with the growth, performance, and sustainability pillar. We have defined EV/Mobility, Digital, and Food as our strategic focus because we expect particularly strong growth in these markets. We aim to grow our businesses at a rate commensurate with market growth. We will transform the Mitsubishi Chemical Group into a specialty materials group by strengthening the position of our products in markets where growth is expected, developing our businesses globally, and stepping up innovation to solve sustainability issues.

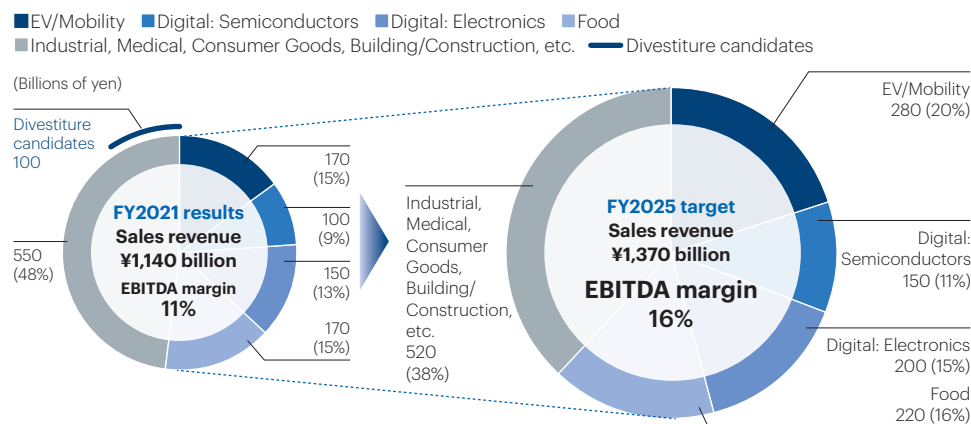
Strategic focus

- Move from product-focused to market-oriented organization
- Grow existing products globally
- Build leadership positions in sustainability areas

	FY2021 results	FY2025 target
EBITDA (Billions of yen)	133.9	225.0
EBITDA margin	12%	16%
Core operating margin	7%	11%
ROIC	6%	10%

Portfolio changes

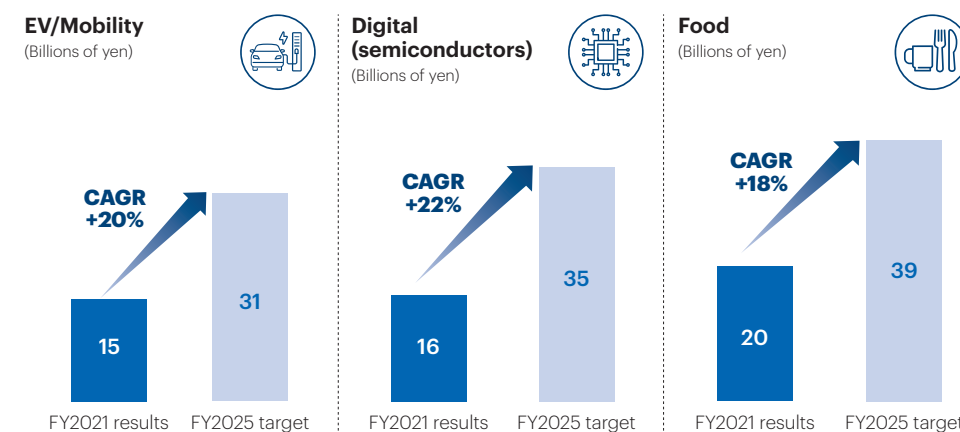
Our strategic focus



SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> • EV/Mobility High-performance engineering plastics: Global network of businesses capable of handling operations from plastic production to molding and processing Electrolytes: Ability to develop functional additives that create high-performance batteries • Digital EL chemicals: High-level purification and quality management technologies to monitor microscopic particulate contamination • Food High-performance films: Technological capability to add various functions to create gas-barrier, porous, and multilayer films, etc. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • EV/Mobility High-performance engineering plastics: Global economic and currency risks Electrolytes: Dependence of raw material supply chain on China • Digital EL chemicals: Supply concerns for raw materials • Food High-performance films: Concentrated mainly in the domestic market
<p>Opportunities</p> <ul style="list-style-type: none"> • EV/Mobility High-performance engineering plastics: Rising demand for lighter materials Electrolytes: Rising demand driven by wider use of EVs • Digital EL chemicals: Rapid market expansion and demand for new materials due to semiconductor circuit miniaturization and multilayering • Food High-performance films: Rising demand in overseas markets 	<p>Threats</p> <ul style="list-style-type: none"> • EV/Mobility High-performance engineering plastics: Shrinking market due to growing adoption of new technologies Electrolytes: Profit squeeze due to sharp rise in raw material prices • Digital EL chemicals: More local production for local consumption • Food High-performance films: Medium- and long-term decline in domestic demand

EBITDA targets



- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
- 35 **Specialty Materials**
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
 - Innovation Strategy
 - Intellectual Property Strategy
- 47 Intellectual Property Strategy
 - Digital
- 48 Message from the CDO
 - Digital Strategy
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Business Strategy

Specialty Materials

Strategic focus 1
Move from product-focused to market-oriented organization

Promoting the change to a market-oriented business

Among our focus markets, we expect particularly strong growth in the EV/Mobility, Digital, and Food markets. With our specialty materials lineup, we can offer multiple products plus the technological capabilities and skills to supply these markets. To grow our businesses at a rate commensurate with market growth, we will move from a product-focused to a market-oriented organization and grow our products globally.

Rather than taking individual products into specific markets as we have done thus far, we will move to an area-based organization that will allow us to leverage our entire product portfolio to reach customers.

Focus market growth and projected sales growth

EV/Mobility	Digital	Food
<ul style="list-style-type: none"> Electrolytes Fiber-reinforced plastics and composites 	<ul style="list-style-type: none"> Semiconductor cleaning Epoxy resin Semiconductor equipment components 	<ul style="list-style-type: none"> Emulsifiers Packaging films and materials
Market growth*1 >14% per year	Market growth*1 >10% per year	Market growth*1 >7% per year
Projected sales growth*2 13% per year	Projected sales growth*2 7-11% per year	Projected sales growth*2 7% per year

*1 Addressable market growth rate in EV, battery, and mobility
*2 Sales growth rates until fiscal 2025 for selected target applications

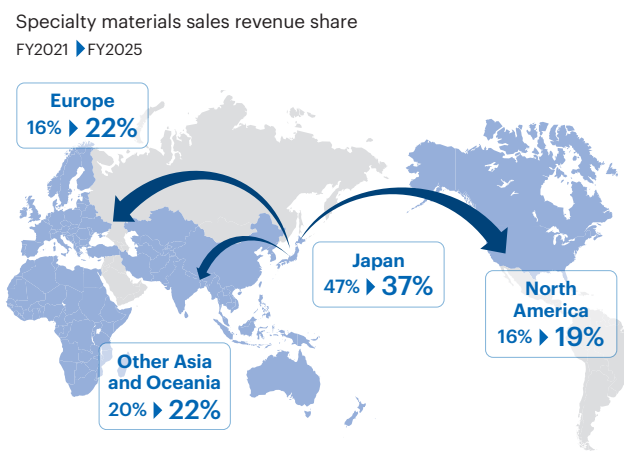
Strategic focus 2
Grow existing products globally

Making the entire product portfolio available globally

To foster growth in expanding overseas markets, we need to make our entire product portfolio available globally. To develop business in global markets, we will transfer significant authority to each region and develop locally based sales activities.

We will work closely with fast-growing customers around the world to grow our business and also promote key account management (one face to the customer).

Targets for global sales revenue share



Strategic focus 3
Build leadership positions in sustainability areas

Further expanding our sustainability position

As we transform under the growth, performance, and sustainability pillar, we are achieving rapid growth through our sustainability brands. The MCG Group has a wide-ranging lineup of products valued for both their superior physical properties and their sustainability. We will further solidify our market position by growing sales of these sustainability brands.

Some of the MCG Group's sustainability brands

Brand	Chemistry	Type		
		Bio-based route	Biodegradable	Recyclable
BioPBS	Polybutylene succinate	○	○	
DURABIO	Isosorbide-based polycarbonate	○		
SoarnoL	EVOH*1			○
Nichigo G-Polymer	BVOH*2		○	
GOHSENO	PVOH*3		○	

*1 Ethylene vinyl alcohol copolymer *2 Butenediol vinyl alcohol copolymer
*3 Polyvinyl alcohol

DURABIO—a truly innovative bio-based engineering plastic

- Bio-based engineering plastic that combines the advantageous properties of polycarbonate and those of PMMA
- Designed for applications requiring exceptional durable transparency and visual appearance



- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the "Forging the future" Management Policy
- 31 Message from the CFO
- Business Strategy
- 34 Message from the Business Unit Heads
- 35 Specialty Materials**
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
- Innovation
- 44 Message from the CTO
- 45 Innovation Strategy
- 47 Intellectual Property Strategy
- Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Business Strategy

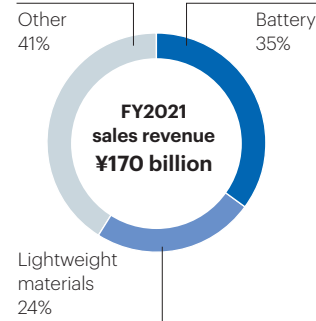
Specialty Materials

Product highlights

EV/Mobility product supply and electrolyte expansion strategy

Key products in the automotive market

Sales revenue by product in the EV/Mobility segment



Engineering plastics

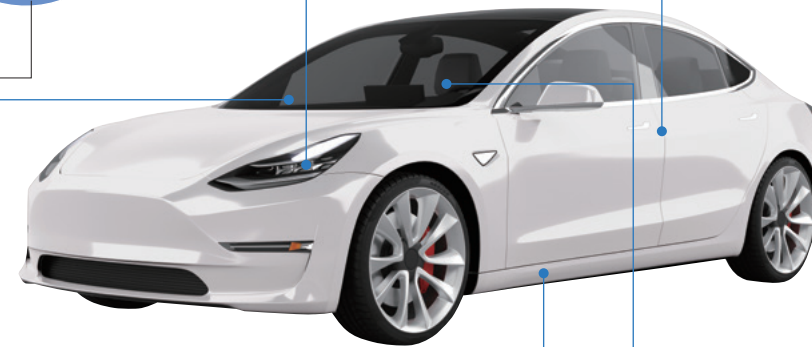
Wide-ranging business development, including PC*1 plastics used in headlamps and other components because of their superior heat resistance and shock resistance, and PBT*2 plastics used in electrical equipment components because of their superior electrical properties and chemical resistance

*1 Polycarbonate

*2 Polybutylene terephthalate

Carbon fiber composite materials (SMC)

Can be used to mold complex shapes in short time frames, realizing uptake of carbon fiber materials in mass produced vehicles



LiB materials

Lineup that includes not only electrolytes, but also materials to provide improved performance in the overall battery pack



Electrolytes

- High power output
- Durability, long life, high safety
- Control of side reactions at the electrode

Anode materials

- High capacity, long life
- Stable supply
- Materials with low environmental impact



Thermoplastic elastomer for airbag covers

Superior strength at elevated temperatures and shock resistant at low temperatures, contributing to improved car safety

Bio-based engineering plastics

DURABIO is a bio-based resin that features excellent transparency, durability, and shock resistance, making it suitable for use in interior and exterior components.



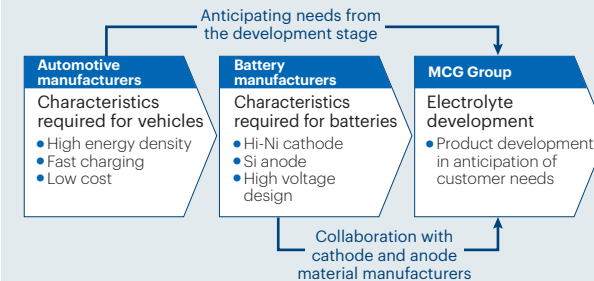
Electrolyte expansion strategy

The MCG Group's electrolytes for LiBs use proprietary additive technologies to suppress side reactions in the electrode, resulting in high power output performance. This, combined with the outstanding durability and high degree of safety of these electrolytes, means automotive applications are expanding. The MCG Group has production and sales sites in four countries, and is bolstering its production capacity in line with the expansion in demand for xEVs (electric vehicles). Furthermore, the Group is considering providing licenses and outsourcing production to accelerate growth.

Demand for LiBs is growing rapidly for automotive applications, particularly EVs, due to increasing awareness of environmental issues worldwide. The global market for automotive LiBs is projected to grow at nearly 30% per year. Automotive manufacturers in the United States are moving to local procurement of parts and materials, and we are also working to strengthen our supply chain. xEVs are taking off in emerging countries as well. For example, the Indian government has set out a policy for EVs to make up 30% of new passenger car sales by 2030. The country is seeking to attract technical support and companies from outside the country. The MCG Group aims to respond to this demand. In India, the Group is helping strengthen the supply system for LiB electrolytes by granting production technologies for electrolytes to Neogen Chemicals Limited, a chemical manufacturer in India with strengths in lithium-related products. The MCG Group has positioned EV/Mobility as a focus market. The Group plans to strengthen the global supply system and help realize a carbon-neutral society by providing products that contribute to reduced environmental impacts.

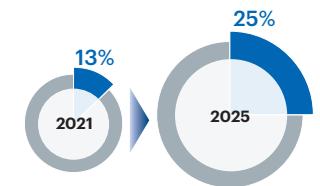
MCG Group strengths

- High-performance additives with a strong patent network
- Design capability to combine various raw materials to achieve the battery characteristics required by our customers
- Customer relations for capturing the innovation cycle



Breakdown of global electrolyte market share

- MCG Group
- Other competitors



Note: Including licenses and contract manufacturing

Aiming for growth of up to 25% of overall market share by 2025

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
- 35 Specialty Materials**
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
- 45 Innovation Strategy
- 47 Intellectual Property Strategy
 - Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Business Strategy

Specialty Materials

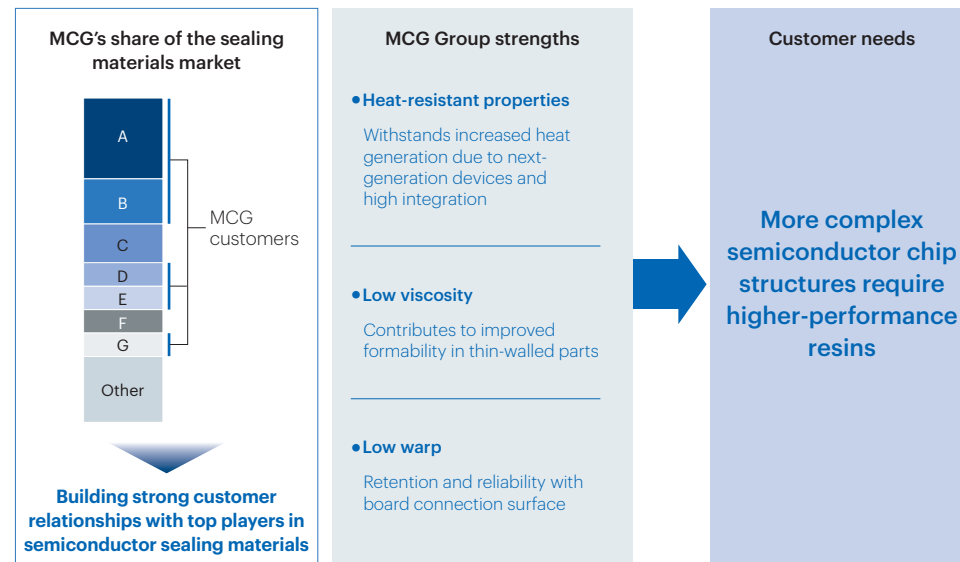
Product highlights

Digital: Epoxy resin expansion strategy

Epoxy resins are used for a variety of applications, such as paints, adhesives, and semiconductor sealing materials. MCG’s specialty epoxy resins have excellent properties, including high heat resistance, low melt viscosity, and low water absorption, and some of them have been adopted as the de facto standard worldwide for semiconductor sealing materials.

The semiconductor market is expected to continue growing rapidly. Previously, we manufactured epoxy resins at our Tokai Plant, but in April 2023 we started operations at a newly constructed production line in our Kyushu Plant to manufacture special epoxy resins for semiconductor sealing and electronic materials in order to satisfy strong demand in the semiconductor market and strengthen our supply capabilities. This new line increases our production capacity by around 30%. MCG will consider further enhancement of production capacity in the future to satisfy increasing demand.

Epoxy resins: High adaptability to cutting-edge IC trends maintains high market share

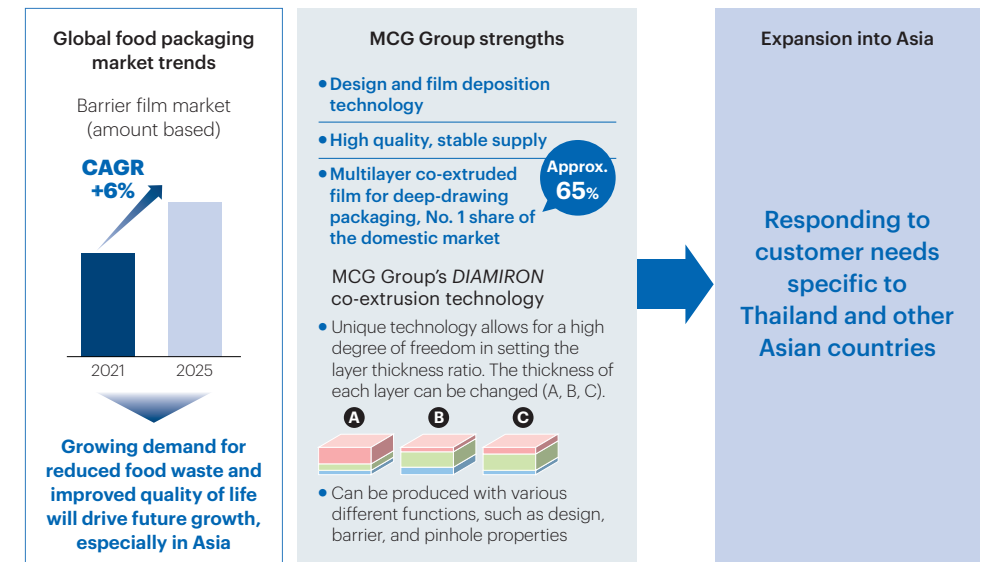


Food: SoarnoL expansion strategy

SoarnoL exhibits excellent gas-barrier properties and is used as a food packaging material to help preserve food flavor and quality and reduce food waste. Furthermore, our multilayer olefin film that contains the recycling aid Soaresin added to SoarnoL has been very well received for its recyclable properties.

Demand for SoarnoL is growing around the world in response to rising demand for environmentally friendly products, and we expect solid growth for SoarnoL in the future. To respond to this increase in demand, the MCG Group is building a new production line for SoarnoL at its U.K. plant. We expect this line to boost our production capacity by a further 21 kt per year. The new line is scheduled to start operations around fall 2025. For DIAMIRON food packaging film that uses SoarnoL, we are leveraging our technology and No. 1 track record in Japan to develop this business in Asian countries, particularly Thailand. The MCG Group has positioned Food as a strategic focus and aims to grow this business and contribute to sustainable food supply through the development and use of high-performance materials such as food packaging materials.

Food packaging materials: Leveraging our No. 1 track record in Japan for multilayer film to appeal to the food needs of Asian countries where demand is expected to increase



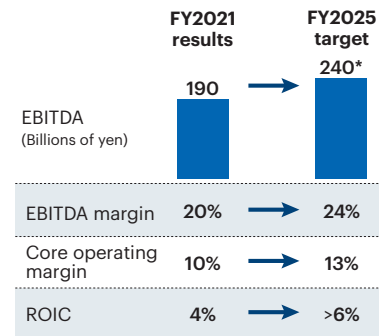
- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the "Forging the future" Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
- 35 Specialty Materials
- 39 Industrial Gases**
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
- 45 Innovation Strategy
- 47 Intellectual Property Strategy
 - Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Business Strategy

Industrial Gases

Grow globally and reinforce our comprehensive capabilities

In the industrial gases area, we will act on opportunities for growth worldwide and continue to grow our business in the four global regions (Japan, United States, Europe, and Asia/Oceania) through fiscal 2025. In Japan, we will reorganize our business portfolio, while overseas we aim to improve profit margins and increase productivity, with a focus on gases and equipment for medical applications and electronic materials gases for the semiconductor industry. We will actively explore opportunities to gain more synergies in the fields of R&D and digital technologies and will work to increase corporate value across the entire Group.



* Midpoint of the range as disclosed in the medium-term management plan of Nippon Sanso Holdings, rounded up

Strategic focus

- Grow in the four global regions (Japan, United States, Europe, and Asia/Oceania)
- Improve profit margins
- Strengthen collaboration between the MCG Group and Nippon Sanso Holdings (NSHD) Group

Applications for high-growth markets



Air separation units (ASUs) that supply highly pure nitrogen in the semiconductor industry

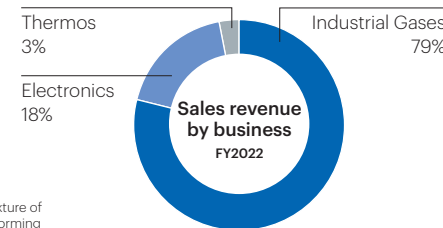
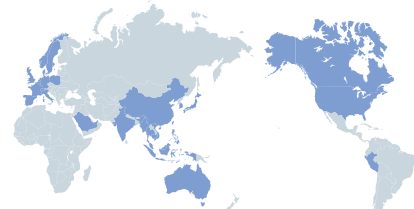


HyCO* plant for hydrogen supply



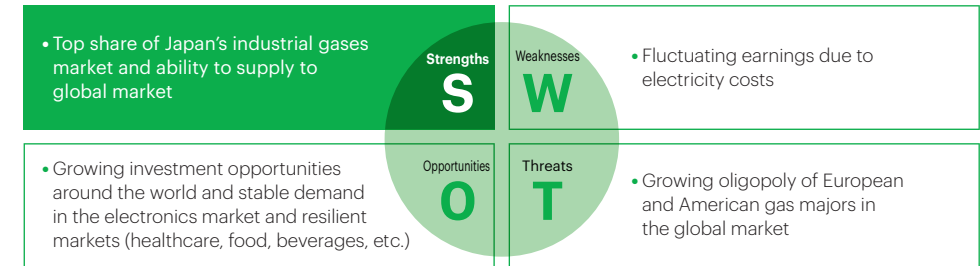
Oxy-fuel burner that contributes to reduced CO₂ emissions

Business development regions



* Also called synthesis gas. Comprises hydrogen (H₂), carbon monoxide (CO), or a mixture of both. Produced by separating H₂ and CO from natural gas using steam methane reforming (SMR) equipment. The HyCO business provides large-scale supply of H₂ and CO to customers in oil refining and petrochemical industries by way of a pipeline.

SWOT analysis

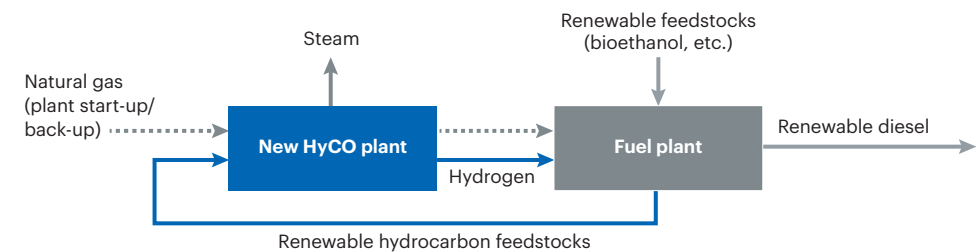


Promoting the HyCO business as a provider of materials for renewable fuels

NSHD's U.S. operating company Matheson Tri-Gas, Inc. (Matheson) has signed a long-term supply agreement to meet hydrogen requirements for renewable diesel production at a 75,000 barrel per day (bpd) refinery in Mobile, Alabama owned by Vertex Energy, Inc., in addition to supplying hydrogen from an existing facility. A newly established HyCO facility will have a hydrogen production and supply capacity exceeding 30 million standard cubic feet per day (mmscfd) using renewable hydrocarbon feedstocks (including bio-naphtha and other bio-offgases) from Vertex's renewable diesel production.

This initiative demonstrates the NSHD Group's commitment to carbon neutrality through gas supply for commercially sound renewable energy projects and represents a significant additional dimension for the NSHD's Global HyCO business footprint. The NSHD Group will continue to actively explore target customers and projects, and through careful scrutiny will continue to realize business growth and contribute to a carbon-neutral society.

Hydrogen production flow in a new HyCO plant



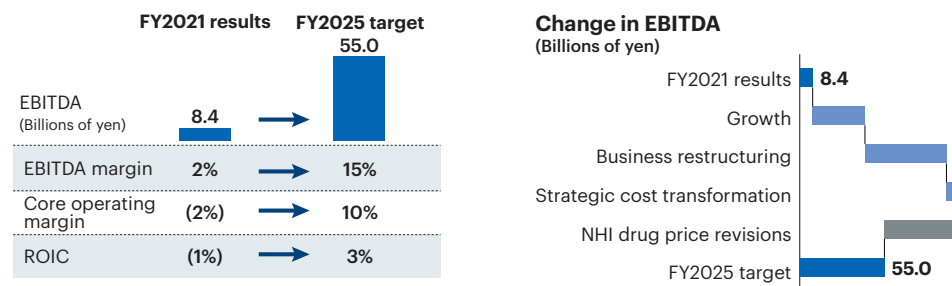
Business Strategy

Health Care

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
- Business Strategy
- 34 Message from the Business Unit Heads
- 35 Specialty Materials
- 39 Industrial Gases
- 40 Health Care**
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
- Innovation
- 44 Message from the CTO
- 45 Innovation Strategy
- 47 Intellectual Property Strategy
- Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Strengthening the pipeline and maximizing product value

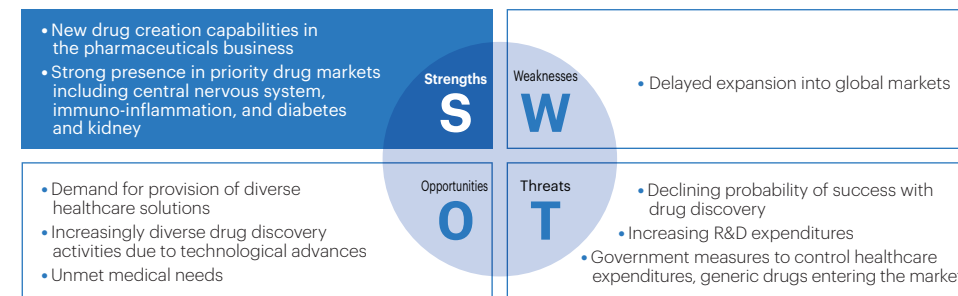
To achieve our fiscal 2025 targets, we are focusing on (1) maximizing the value of priority products in Japan and the United States and (2) strengthening partnering and establishing new sales and development alliances. We restructured our business in fiscal 2022, including withdrawal from the business operated by Medicigo Inc. that was developing a vaccine against COVID-19. We will now focus R&D spending on indications in the core areas of central nervous system, immuno-inflammation, and oncology, with the goal of strengthening our pipeline and maximizing product value.



Strategic focus

- Advance precision medicine through upgraded R&D processes
- Focus innovation development on rare diseases and continue to invest in a new pipeline
- Leverage partnerships for development and sales

SWOT analysis



New treatment option for ALS patients

The oral suspension formulation of edaravone was approved as a treatment for amyotrophic lateral sclerosis (ALS) in the United States in May 2022, in Canada in November, in Japan in December, and in Switzerland in May 2023.

This oral suspension formulation of edaravone contains the same active ingredient as the intravenous infusion formulation *RADICUT* (U.S. product name: *RADICAVA*). We undertook its development with the aim of reducing burdens on ALS patients such as injection pain and outpatient visits. Previously, intravenous infusion was the only available route of administration, but now there is a new treatment option.



Area	Focus	Targeted indications	Key markets	MCG Group's key growth products	Launch plans for main pipeline programs			
					FY2022	FY2023	FY2024	From FY2025
Central nervous system	Development, sales	ALS Tardive dyskinesia	U.S., Japan	RADICAVA DYSVAL	MT-1186 ALS (oral suspension) (U.S., Canada)	MT-1186 ALS (oral suspension) (Japan)*2	ND0612 Parkinson's disease (global)	MT-0551 Myasthenia gravis (Japan)
					MT-5199 Tardive dyskinesia (Japan)			
Immuno-inflammation	Development, sales	Inflammatory bowel disease Erythropoietic protoporphyria	U.S., Japan	STELARA MT-7117				MT-0551 IgG4-related disease (Japan) MT-7117 Erythropoietic protoporphyria (EPP), X-linked protoporphyria (XLP) (global)
Diabetes and kidney	Sales	Type 2 diabetes Chronic kidney disease (CKD) associated with type 2 diabetes	Japan	MOUNJARO CANAGLU	TA-7284 CKD associated with type 2 diabetes*1 (Japan) MP-513 Type 2 diabetes (China)		TA-7284 OD tablets Type 2 diabetes, CKD associated with type 2 diabetes*1 (Japan)	
Oncology	Development	Rare cancers	U.S., Japan	MT-2111				MT-2111 Relapsed/refractory diffuse large B-cell lymphoma (DLBCL) (Japan)

*1 CKD associated with type 2 diabetes, but excludes patients with end-stage renal failure or undergoing dialysis

*2 Approved in Switzerland

(As of August 2023)

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
 - 34 Message from the Business Unit Heads
 - 35 Specialty Materials
 - 39 Industrial Gases
 - 40 Health Care
 - 41 **MMA**
 - 42 Petrochemicals and Carbon Products
 - 43 Message from the Chief Supply Chain Officer
 - Innovation
 - 44 Message from the CTO
 - 45 Innovation Strategy
 - 47 Intellectual Property Strategy
 - Digital
 - 48 Message from the CDO
 - 49 Digital Strategy
 - 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Business Strategy

MMA

Build a solid global No. 1 position

MMA is used for a wide range of applications, including cars, building materials, displays, transparent sheets, and coatings. Demand is expected to rise steadily in line with each country’s GDP. The MCG Group has capabilities in all three main MMA manufacturing methods, including the new ethylene method (Alpha technology) that is the most cost competitive, and is equipped with the world’s largest capacity. We aim to leverage this potential to build a solid global No. 1 position. At the same time, we are working to develop PMMA recycling technology and bio-MMA monomer to contribute to a circular economy.

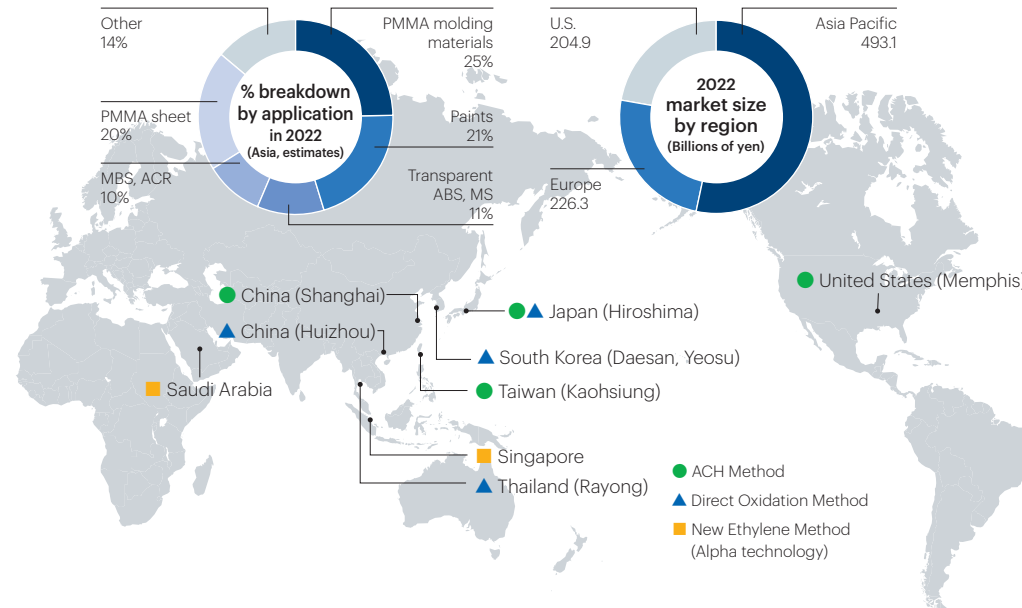
Strategic focus

- Boost productivity, improve raw material access, and leverage the best technology through an optimized footprint of new facilities
- Benefit from lower demand volatility in the United States
- Strengthen the sustainability focus based on existing PMMA recycling and bio-MMA

	FY2021 results	FY2025 target
EBITDA (Billions of yen)	51.3	55.0
EBITDA margin	17%	15%
Core operating margin	11%	11%
ROIC	7%	7%*

* Includes the effect of partially complete large investment in a U.S. facility; ROIC excluding the investment is 9%.

MMA global market conditions and MCG Group manufacturing sites



SWOT analysis

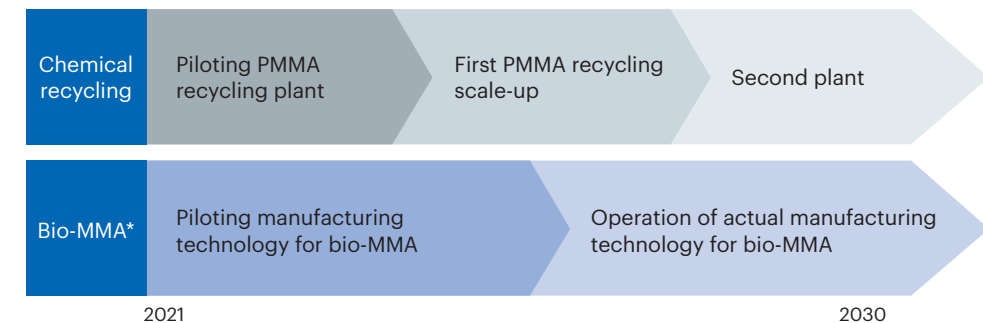


Expanding the sustainable MMA portfolio

The MCG Group defines “sustainable MMA” as MMA monomer manufactured through (1) chemical recycling, where used acrylic resin is collected and broken down for reuse; (2) new manufacturing technologies that use bio-based raw materials with existing MMA monomer production processes; or (3) entirely new manufacturing technologies that use fermentation of bio-based raw materials to produce MMA monomer directly. We are working to develop these technology approaches to MMA manufacturing.

For approach (1), we constructed pilot facilities in Japan in June 2021 and are running tests ahead of commercialization. We have also made progress in the technology development for approach (2) and are now designing a new pilot plant. We will start operating the pilot plant in fiscal 2023 to test the technology and product quality, with the goal of applying this technology to existing commercial-scale plants in 2026. We will take an active lead in initiatives to realize a circular economy by reducing the environmental burden right across the supply chain.

Further strengthening our sustainability-related products



* Refers to approach (2) in the text above

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the "Forging the future" Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Business Strategy

Petrochemicals and Carbon Products

Stronger business foundations and the carve-out process

Within the MCG Group, the petrochemicals and carbon products businesses are currently the biggest emitters of CO₂. In these businesses, we would need to make a large environmental-focused investment in the future if we are to achieve carbon neutrality. Moreover, domestic demand for petrochemicals and carbon products is declining and Chinese companies are emerging, resulting in ongoing oversupply. Against this backdrop, we are transforming our business model in both petrochemicals and carbon products in order to achieve a circular economy and become more competitive. At the same time, we are moving ahead with processes to carve out the petrochemicals and carbon products businesses from fiscal 2023.

	FY2021 results
EBITDA (Billions of yen)	108.1
EBITDA margin	11%
Core operating margin	7%
ROIC	11%

Note: Assuming JV core operating income of approx. ¥40.0 billion and net income of approx. ¥20.0 billion, 50% ownership

Increased business value from a petrochemicals joint venture

- Quick and focused decision-making
- Synergies to improve the cost structure and margin expansion
- Business portfolio and asset evaluation and optimization
- Growth based on new technology both for green transformation and a circular economy
- Increased value and healthy position to monetize exit

Transforming the carbon products business model

To meet the changing structures of the domestic steel industry, we have restructured to optimize existing sales portfolio and production systems at the MCG Group's Kagawa Plant, which supplies coke for use in blast furnaces. The coke supplied under the SAKAIDE COKE brand is known for its highly uniform and stable quality and enjoys a correspondingly strong reputation with steel manufacturers worldwide. We aim to continue providing stable supplies of high-quality coke in the future.

Changing to an export-oriented business model

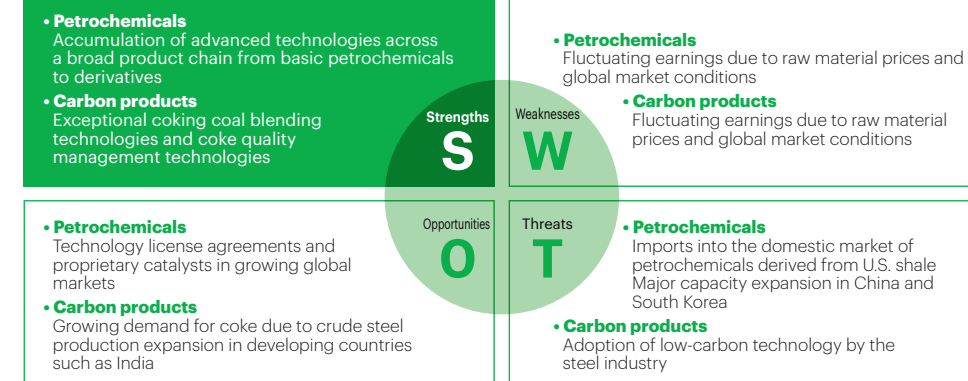
Restructuring in the domestic steel industry

- Cease operations at five of 25 blast furnaces in Japan by 2023
(crude steel production to be reduced by 9 million tons per year, resulting in a drop of 4 million tons per year in demand for coke)

Restructuring of the MCG Group's coke business

- Reduce the number of coke ovens at the Kagawa Plant from 323 to 250 and optimize operations
- Double export shipping lines to two

SWOT analysis

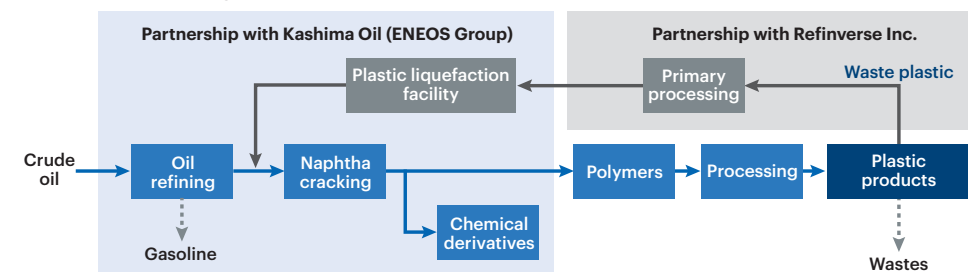


Achieving carbon neutrality through stronger ties with the oil refining industry and neighboring regions

As we work to achieve carbon neutrality by 2050, the MCG Group is implementing energy conversions at domestic plants and is considering the commercialization of basic chemicals such as ethylene and propylene produced from bio-based raw materials. Working with ENEOS Corporation, we are constructing a chemical recycling facility at our Ibaraki Plant that will convert waste plastic to oil, with an annual processing capacity of 20,000 tons, the largest of its type in Japan. We aim to commence operations during fiscal 2023.

The Kashima coastal industrial zone, located in Ibaraki Prefecture, is one of Japan's leading industrial clusters centered on the basic material industries of petroleum refining, petrochemicals, and steel. The MCG Group will collaborate and cooperate more closely with Ibaraki Prefecture with the goal of creating an industrial base that is both highly competitive and carbon neutral, centered on the Kashima coastal industrial zone.

Carbon-neutral programs in the Kashima coastal industrial zone



3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Message from the Chief Supply Chain Officer



Kouji Eguchi

Representative Corporate Executive Officer,
Senior Vice President
Chief Supply Chain Officer

Responding flexibly to the supply chain business climate, aiming to function as a world-leading organization

Three key priorities to improve productivity

I took over as Chief Supply Chain Officer in April 2023. I plan to draw on my previous experience managing a specialty materials business to build new supply chains that feature stronger mutual cooperation.

The business climate in which the Mitsubishi Chemical Group operates has undergone significant changes over the past few years. Energy costs have risen, driven by geopolitical risk and other factors, and global efforts to become carbon neutral have picked up in pace. Higher interest rates and logistics costs, plus surging raw material costs, have been a major factor hindering the recovery in the MCG Group's financial position. These business conditions are not just a transient trend, and they could force us down an increasingly difficult path. As such, we need to urgently improve productivity if we are to achieve our “Forging the future” strategy. I see three key priorities to improve productivity.

Tackling organizational change at a global level by combining new and existing technologies

We need to completely transform supply chain management to achieve these key priorities. Two factors are of particular importance here: the establishment of a flat management structure that can respond flexibly to environmental change and the development of specialists with technological expertise.

To achieve these goals on a global scale, we will embark on a new, unique challenge to combine our

Three key priorities

1. Be known for world-leading reliability

We will ensure that our production activities are extremely safe, our due diligence on human rights in procurement and logistics is rigorous, and our reputation is all about quality.

[Building Sustainable Supply Chains ▶Page 72](#)

2. Build on our competitive edge

We will achieve operational excellence based on our cost advantages and technical capabilities.

3. Execute sustainable programs

We will formulate GX and circular economy policies so we become carbon neutral by 2050.

world-leading technologies for customization, developed through improvement and production innovation initiatives in Japan, with DX and other cutting-edge technologies for standardization.

For sustainability initiatives, we will continue with existing efforts to reduce GHG emissions from energy use and increase materials recycling, while bringing in process improvements to enhance energy efficiency and optimize production allocation.

We have a difficult journey ahead of us, but our employees will work together to chart a course through this uncertain future, boldly moving our business forward and creating a distinctive and outstanding organization unlike any other.

Innovation

Message from the CTO



Larry Meixner

Senior Vice President
Chief Technology Officer

Enabling a prosperous new era for the Mitsubishi Chemical Group through market-focused innovation

Maximizing the velocity of market-focused R&D

The MCG Group has reached a turning point in our ambitious transformation into a focused, world-leading provider of specialty materials and solutions. We are pivoting our innovation and R&D efforts in several important ways to achieve this vision.

First, we are adapting our innovation framework to emphasize a market-oriented approach centered on the key markets in our “Forging the future” corporate strategy. Authority for late-stage R&D is now delegated to the relevant business groups in a less centralized model. At the same time, we are developing long-term, integrated innovation strategies that leverage internal R&D resources and global open innovation partners to create a robust pipeline of new business opportunities. Underlying these market-facing R&D efforts are our technology platforms, which reflect long-term core competencies enabling business growth across multiple markets.

However, the portfolio “content” of our innovation pipeline is only part of the equation. Maximizing the “velocity” through that pipeline is equally important. As we shift to a market-driven approach, the seamless sharing of information and collaboration from early-stage research to late-stage development becomes even more essential. We are accelerating the creation of data infrastructure to make our R&D more interconnected and efficient. And we are deploying advanced modeling, simulation, and automation to speed up our acquisition of new knowledge.

Innovation in specialty materials requires a departure from our historical R&D mindset. In contrast to commodity products, in which development is mostly incremental, we must shift our emphasis toward creating entirely new value propositions. This requires a willingness to try new things and rapidly learn from failure. It also implies an increased use of open innovation with a global network of partners. In addition to our core areas of chemical science, we will strengthen our strategic position in emerging technologies that may transform our entire industry, most notably in biology and information science.

Expanding our innovation capabilities

Innovation also plays a crucial role in fulfilling our commitment to “KAITEKI.” Sustainability issues are fundamentally global, highlighting the need to leverage resources beyond our current Japan-centric system of research bases. We are actively seeking to bring more international talent into our laboratories in Japan, and we are considering approaches to establish our innovation presence overseas in specific locations where world-class talent is clustered.

The first word in our new corporate slogan is “Science.” This reflects the reality that no element is more important to the successful transformation of our company than innovation. I am deeply committed to expanding our innovation capabilities to enable a prosperous new era for the MCG Group.

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
- 35 Specialty Materials
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO**
 - 45 Innovation Strategy
 - 47 Intellectual Property Strategy
- Digital
 - 48 Message from the CDO
 - 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Innovation

Innovation Strategy

Accelerating growth by combining in-house R&D with open innovation

At the Mitsubishi Chemical Group, a strong R&D capability is our cornerstone, but we define innovation much more broadly than this. We promote innovation by strategically combining in-house R&D with open innovation, including collaboration with academia, startup companies, corporate partners, and government agencies.

We emphasize four key points to further enhance the quality and speed of our innovation.

Guiding principles for innovation

End-Market Focus

- Integrated innovation strategies driving an optimal balance of internal R&D and open innovation for each focus market
- Agile product development in collaboration with end customers to deliver value at speed
- Flexibility to meet the changing demands of key markets: today, tomorrow, and the day after tomorrow

New Digital Capabilities

- Next-generation computational technologies enabling large-scale and high-throughput simulations
- Materials informatics to accelerate the introduction of new materials and products
- Quantum computing and AI for the information-driven chemical industry of the future

More Efficient Processes

- Seamless transition between long-term research platforms and late-stage product development
- Experimental data platform to create a virtual research organization that transcends physical location

New Business Fields

- Systematic creation of the next generation of high-profit, high-growth business clusters
- “Innovation Sandbox” to rapidly test the validity of new ideas beyond the scope of our current business

Strategic partnerships with startups around the world to accelerate innovation

The MCG Group creates opportunities for group-wide business growth through strategic investments and partnerships with promising startup companies worldwide.

Overview of collaboration with startups receiving Group investment

Startup company	Specialty and scope of collaboration
 AddiFab ApS	Specialty: Agile manufacturing solution combining additive manufacturing and injection molding for specialty products Collaboration: Joint development of additive materials Exit: Acquired by Nexa3D
 DAIZ	Specialty: Plant-based proteins and products as a substitute for traditional food products Collaboration: Development of alternative protein ingredients
 DIGILENS	Specialty: Holographic waveguide display technology for next-generation Augmented Reality/Virtual Reality devices Collaboration: Development of plastic waveguides for AR/VR devices
 ERIDAN	Specialty: 5G radio frequency communication technology leveraging gallium-nitride semiconductors for energy and spectrum efficiency Collaboration: Development of applications for gallium-nitride substrates in 5G communications networks
 Fluence Analytics	Specialty: Continuous monitoring and optimization of industrial and laboratory systems Collaboration: R&D efficiency and continuous process improvement Exit: Acquired by Yokogawa Electric
 Lactips	Specialty: Water-soluble and biodegradable bio-derived polymer raw material substitute for film and plastic applications Collaboration: Development of green materials for customer needs
 Lingrove	Specialty: Plant-based sustainable composites and materials to replace wood in automotive and industrial applications Collaboration: Development of bio-based composite solutions
 Myoridge	Specialty: Custom-made, serum-free cell culture media for pharmaceutical, regenerative medicine, and food applications Collaboration: Material development for cell culture-related markets
 PRIME ROOTS	Specialty: Koji-based food products as a substitute for traditional meat products Collaboration: Development of alternative protein ingredients and geographic expansion

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
- 35 Specialty Materials
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
- 45 Innovation Strategy**
- 47 Intellectual Property Strategy
 - Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Innovation

Innovation Strategy








Leveraging our technology advantage in key focus markets

We have developed our technology portfolio over many decades, and the resulting intellectual capital is a principal driving force of our Company.

As part of our transformation into a world-leading enterprise supplying specialty materials and solutions, the MCG Group will concentrate its technical strengths in relevant areas.

In addition to these technology platforms that embody our long-term competitive advantage, we will build on existing products and technologies, creating new innovations to strengthen our presence in each of our focus markets.

MCG Group 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 • Reducing 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
MCG Group 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 • Fab cleaning services • 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

Innovation

Intellectual Property Strategy

An intellectual property strategy to support growth

Basic policy

The Mitsubishi Chemical Group positions patents, trademarks, copyrights, expertise, data, and other intellectual property as important management assets. We aim to boost corporate value by effectively using these assets through collaboration with other companies, licensing, and other activities through which we can exploit our competitive advantage.

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 use of intellectual property

Securing competitive advantage, joint projects 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

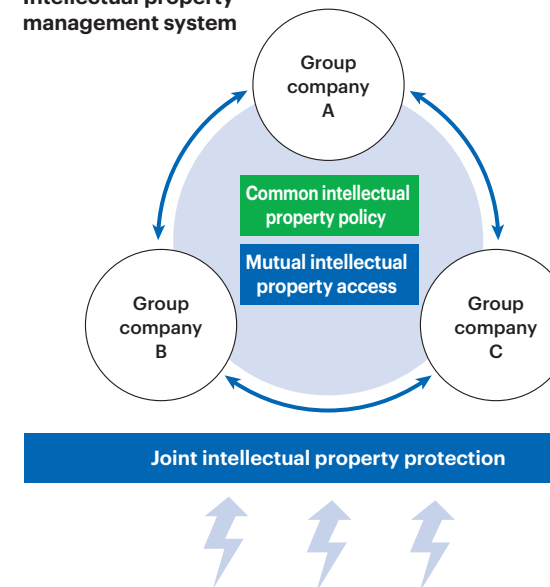
In line with our overall "One Company, One Team" corporate philosophy, the MCG Group is implementing the intellectual property management system described below.

First, to maximize the value of the MCG Group's

intellectual property portfolio, we promote mutual access to intellectual property among MCG 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 MCG 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 conditions, technology trends, and intellectual property environment. The result is codified and implemented as our intellectual property strategy. Progress is regularly monitored, and a plan-do-check-act (PDCA) cycle is performed.

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

Intellectual property strategy

Separate intellectual property strategy for each product



3 Chapter 1 Our Vision

22 Chapter 2 Sustainable Growth Strategy

23 Members of the One Global Leadership Team

24 Executable Plan Based on the "Forging the future" Management Policy

31 Message from the CFO

Business Strategy

34 Message from the Business Unit Heads

35 Specialty Materials

39 Industrial Gases

40 Health Care

41 MMA

42 Petrochemicals and Carbon Products

43 Message from the Chief Supply Chain Officer

Innovation

44 Message from the CTO

45 Innovation Strategy

47 Intellectual Property Strategy

Digital

48 Message from the CDO

49 Digital Strategy

52 Message from the Chief Strategy Officer

53 Building an In-House Understanding of the Management Policy

56 Chapter 3 Strengthening ESG Activities

95 Chapter 4 Financial/Non-Financial Information

Digital

Message from the CDO



Yuji Ichimura
Senior Vice President
Chief Digital Officer

Becoming a “digital chemical company” by utilizing digital technologies and business models and developing “Smarter Employees” to drive increased value

Redefining our digital strategy and aiming for global excellence

In February 2023, Mitsubishi Chemical Group Corporation announced a detailed executable plan based on our “Forging the future” management policy and updated financial targets. During the process of formulating this plan, we redefined our digital strategy and our vision, and set a goal of becoming a digital chemical company that can adapt to continuously changing markets. We are aiming for global excellence by utilizing digital technologies and digital business models, and by transforming processes and how they are managed to drive earnings improvements.

In concrete terms, we will work through a cycle of (1) developing a deep understanding in real time of internal and external environmental change and customer status, (2) having open discussions and making fact-based decisions based data and information analysis, and (3) springing into action quickly 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 the systems and the environment that supports our employees to be brave and take action.

I do not want our digital divisions to only play a role in developing our IT systems. We need to shift our attention to working with other divisions to create new value and lead our transformation. To help realize this vision, we

restructured our digital divisions in April 2023 and set more appropriate key performance indicators (KPIs) for digital divisions in order to strengthen internal and external cooperation and have the right systems in place to advance these ideas.

“Genba (Operation) × Digital” innovation to create new value

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 our 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 an upskilled and work even smarter than before “Smarter Employee” who can utilize digital technologies and digital business models in their work. We are putting the necessary training systems in place to achieve this.

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 progress 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 journey into a specialty chemical company with a focus on performance products. Our transformation may also help to drive change across Japan’s entire manufacturing industry.

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
 - 35 Specialty Materials
 - 39 Industrial Gases
 - 40 Health Care
 - 41 MMA
 - 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
 - 45 Innovation Strategy
 - 47 Intellectual Property Strategy
- Digital
- 48 Message from the CDO**
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the "Forging the future" Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
 - 35 Specialty Materials
 - 39 Industrial Gases
 - 40 Health Care
 - 41 MMA
 - 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
 - 45 Innovation Strategy
 - 47 Intellectual Property Strategy
- Digital
 - 48 Message from the CDO
 - 49 Digital Strategy**
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Digital 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, coordinating across divisions to create new value, and leading transformation inside and outside our organization. This will allow us to cement the competitive advantage of the Mitsubishi Chemical Group.

DX across all end-to-end processes 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 are implementing a range of projects on the road to becoming a digital chemical company. We have clarified what we need to do under each of these three roles, 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 Business Creator/Co-Creator and Change Instigator, so we are focusing our efforts on projects where we can play these roles.

When implementing projects, we take into account the timelines and scale of expected outcomes as well as the role we are playing. In parallel with initiatives for "tactical improvements" to quickly unlock potential value, we are pursuing the phased implementation of multiple projects that span everything from "basic transformation" to "enterprise transformation" in order to generate outcomes that will have a substantial impact over the medium to long term.

Through these programs, we will use end-to-end processes at the MCG Group as the starting point for our organizational and corporate operations.

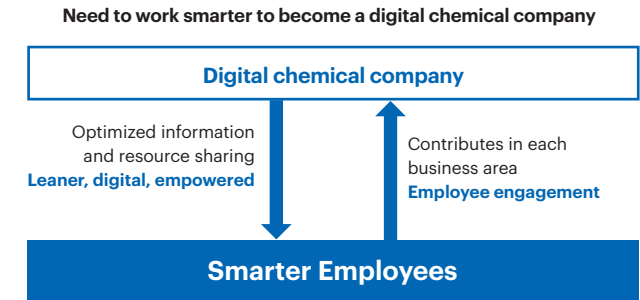
* Created in-house based on 2020 Global Technology Leadership Study by Deloitte Tohmatsu Group

Relationship between a digital chemical company and Smarter Employees



Key projects

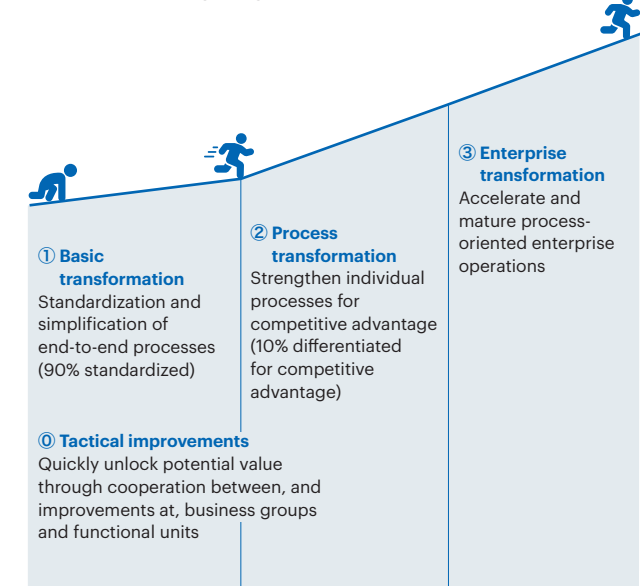
Trusted Operator	Creating environments to take full advantage of digital technologies
Management: Realize data-driven decision-making by visualizing earnings and business performance	
Manufacturing: Introduce operational data sharing platform to control plant operations remotely	
HR: Develop Smarter Employees, 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 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 ERP system	
Infrastructure: Promote citizen development using low-code platform	
Logistics: Establish collaborative logistics in the chemical industry	



Find better ways to work in all businesses

- Visualize information on organizations and employees globally
Connect employees with different values and develop new knowledge through collaboration
- Develop the next generation of leaders, nurture talent for transformation, encourage personal development
Research, think, and learn

Road to becoming a digital chemical company



- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
 - 35 Specialty Materials
 - 39 Industrial Gases
 - 40 Health Care
 - 41 MMA
 - 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
 - 45 Innovation Strategy
 - 47 Intellectual Property Strategy
- Digital
 - 48 Message from the CDO
 - 49 Digital Strategy**
 - 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Digital

Digital Strategy

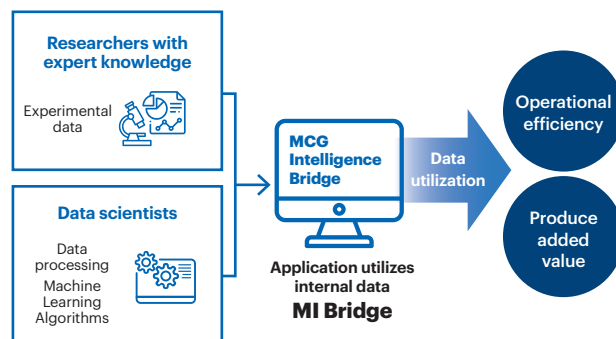
Promoting DX throughout the supply chain

Change Instigator

R&D: Development of MI Bridge, a Data Utilization Application to Accelerate Customer Solution Proposals

The MCG Group has built a data utilization application called MI Bridge. MI Bridge enables co-creation between data scientists and material science and business experts. By incorporating the appropriate data processing and machine learning algorithms on MI Bridge, data scientists enable researchers to easily register experimental data, search for experimental data, and perform inference and inverse analysis using machine learning techniques. Through “MI Bridge,” researchers’ experience and tacit knowledge can be shared, thus integrating insights in material design. This can reduce material development time and create new added value, leading to the acceleration of solution proposals to customers. The MCG Group is committed to promoting MI Bridge’s internal adoption and feature enhancement, with the ultimate objective of providing more rapid and effective material solutions to our customers.

Scheme of the application (MI Bridge)



Trusted Operator

Manufacturing: Introduce operational data sharing platform to control plant operations remotely

Labor forecasts point to a shortage of human resources with extensive work experience because of the decline in birth rates and increased employment mobility. We are working to develop remote operation technologies that will allow experienced machine operators or staff to supervise and operate plant equipment from remote locations. We are installing and testing an operational data sharing platform that allows error-free, comprehensive, accurate, and rapid retrieval, by device serial number, of the manufacturing and maintenance data stored in various systems from a remote location.

This infrastructure will support remote operational control and allow decision-making based on accurate data. If problems arise, the system should allow us to minimize any impacts and rapidly restore services.

Business Creator/Co-Creator

Sales: Improve commercial capabilities through dynamic pricing

We are working to establish the latest world-class price management processes for our global operations by introducing a dynamic pricing program, with the goal of establishing the structures needed to improve profits. We are implementing data-driven pricing by using a tool that provides detailed information on costs and profits and consulting with an appropriate forum of stakeholders. The insights and proposed prices derived through this process allow our sales force to be more convincing in negotiations with the customer.

We have started using this approach in a number of businesses and have had success in improving margins significantly, even in difficult market environments. This program is just the first step in our goal to build a world-class commercial organization.

ACTION

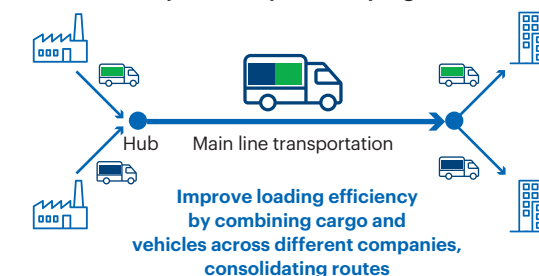
Change Instigator

Logistics: Establish collaborative logistics in the chemical industry

A recent trend in the logistics industry has been the increase in demand for consumables logistics, which tend to involve smaller loads. At the same time, we are seeing a rise in the average age of truck drivers and sailors, creating a labor shortage and in turn a tight supply-demand balance. Labor shortages will impact transportation and storage operations in the chemical industry as well, and this is a key issue for our business operations.

Against this backdrop, Mitsubishi Chemical Group Corporation has started working with other companies in the chemical industry to take a more collaborative approach to logistics that goes beyond single company operations. For example, we have launched a study with other companies to investigate the development of a digital platform to consolidate transportation routes and optimally match cargo with vehicles for greater transportation efficiency. We plan to collaborate on this concept with more companies in the future. As well as ensuring efficient and stable logistics services, this program is expected to reduce GHG emissions.

Schematic of joint transportation program



3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Digital

Digital Strategy

Using digital technology to change organizational foundations

Change Instigator

Infrastructure: Promote citizen development using low-code platform

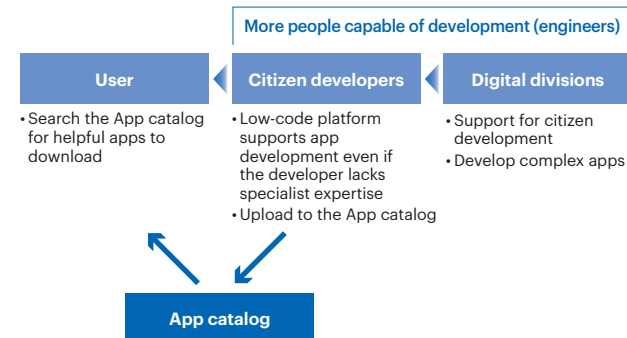
App development has generally been considered technologically challenging and difficult for employees without specialist expertise. MCG has decided to tackle this by introducing a tool that can be operated intuitively by anyone, even employees without programming expertise, to easily produce an app. We have also built our own App catalog, where employees can upload their own apps.

This allows employees to share the apps they have developed for use by other members. This sharing of ideas and outputs will contribute to greater operational automation and data visualization, thereby helping us to create effective solutions in shorter time frames.

We continue to work on creating an environment that promotes citizen development and supports communication among our people, with the goal of driving innovation and improving ability and capability across the organization.

Enhanced app development

- Deliver an environment where even those without specialist expertise can intuitively develop apps
- Establish an App catalog so that anyone can use citizen-developed apps



ACTION

Trusted Operator

Management: Realize data-driven decision-making by visualizing earnings and business performance

One of the key elements when realizing the “Forging the future” management policy is to use consistent rules to visualize earnings and business performance across the entire Group. In the past, different companies within the Group have used different reporting definitions and data aggregation involved manual processes, making it difficult to get an overall picture of earnings and business performance in near real time.

We have therefore formed a cross-departmental team to develop an integrated dashboard that will automatically reflect earnings and business performance-related data from Group companies in near real time. The dashboard has been loaded with financial and business performance management indicators used for financial management and can be used by business group and functional unit leaders to check information on earnings or progress versus targets. The use of standardized management indicators and output from structured data processing allows decisions to be made based on the right numbers regardless of timing.

Other positives from the dashboard being an obligatory part of our operations include maximized data reliability and a significant reduction in manual processes to prepare data. As a result, all organizational units can now focus on understanding how they are progressing versus targets. We continue to add more financial and non-financial indicators to the dashboard and expand the concept based on an enterprise value driver tree.

Trusted Operator

HR: Develop training programs for Smarter Employees

Our goal is for all MCG Group employees to be “Smarter Employees.” We define “Smarter Employees” as employees capable of utilizing digital technologies and business models and making various changes themselves to find more effective and efficient ways of working, from improvements in daily tasks to business transformation and value creation. We need to work smarter than before if we are to become a digital chemical company, so we have positioned this as a focus theme for the entire organization.

In fiscal 2022, we clarified our vision for the types of Smarter Employee needed and put training systems into place as part of the “One Company, One Team” concept. We are expanding the range of training programs available, tailored to the needs of different employee groups from new recruits to management levels as well as training relevant to all employees, and are systematically implementing our development plans.

Summary of main training sessions

On entry to the Company

- Digital literacy basics
- DX basics

For all employees

- Data analysis, Data visualization, Robotic process automation (RPA)
- Design thinking, Agile, Data use/application and management
- Information security, Change management

For management

- Applying digital technologies, Examples of DX inside and outside the Company
- DX follow-up

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Message from Chief Strategy Officer

Committed to comprehensive value creation for all our stakeholders



Joseph Rinaldi

Vice President
Chief Strategy Officer

Meeting our targets by keeping our sights on innovation, the environment, and creating value for the market

I'm delighted to provide an update on our transformative strategy, “Forging the future.” This strategy was developed in response to the dynamic shifts and challenges faced by the global chemical industry. From intensifying competition to evolving

customer needs and shifting regulatory landscapes, we recognize the need for bold decisions, accelerated transformation, and a commitment to strengthen our capabilities and sharpen our focus. In the final quarter of fiscal 2022, we presented our Midterm Plan, a multifaceted execution plan of the strategy that will unlock the potential to elevate our overall performance. We have built the core elements of our execution plan around a market/customer approach, operational and cost efficiency, workforce development, environmental responsibility, and disciplined capital allocation.

Emphasizing customer-centricity, we strive to understand market requirements, foster innovation, and deliver superior solutions. Committed to cultivating robust relationships with customers and partners, we prioritize sustainable growth and tailor our offerings to meet specific customer needs. This commitment extends to our strategic expansion into emerging markets and strengthening our presence in existing ones. By accelerating our geographical diversification and opening our portfolio, we move closer to our ambition of becoming a true global specialty materials company. With clear priorities and a systematic approach, we're reorganizing our product portfolio to focus on high-growth potential areas and engage with less volatile end-use industries.

We are dedicated to reducing our cost structure by approximately ¥135 billion by 2025, facilitated by a planned investment in DX. By establishing global processes leveraging data analytics and increasing

automation, we intend to streamline operations, enhance decision-making, generate cost savings, and redirect resources to more value-added activities. Another element of the strategy is our commitment to a resilient and cost-effective supply chain, improved working capital management, site rationalization, and optimal cost efficiency.

Our strategy for workforce development focuses on upskilling and cross-skilling, ensuring our employees grow and evolve as our business and the world change. We also foster a culture recognizing and rewarding innovation, risk-taking, and value creation. On the environmental front, we understand investment in sustainability is vital to our success. We're investing in renewable energy sources and cleaner technologies, embracing the principles of the circular economy, and developing products that enable our customers' sustainability efforts.

We are committed to boosting the ROIC. This means ensuring our capital is used efficiently across all areas of our diversified portfolio, focusing on opportunities that align with our strategy and promise high growth and strong returns. Every investment decision we make is scrutinized to the highest degree. We want to ensure we're putting money into areas that can help us deliver the best possible value to our shareholders. By keeping our sights on innovation, the environment, and creating value for the market, we're confident we will meet our financial and non-financial targets, fortifying our position as a global leader in the chemical industry.

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 23 Members of the One Global Leadership Team
- 24 Executable Plan Based on the “Forging the future” Management Policy
- 31 Message from the CFO
 - Business Strategy
- 34 Message from the Business Unit Heads
- 35 Specialty Materials
- 39 Industrial Gases
- 40 Health Care
- 41 MMA
- 42 Petrochemicals and Carbon Products
- 43 Message from the Chief Supply Chain Officer
 - Innovation
- 44 Message from the CTO
- 45 Innovation Strategy
- 47 Intellectual Property Strategy
 - Digital
- 48 Message from the CDO
- 49 Digital Strategy
- 52 Message from the Chief Strategy Officer
- 53 Building an In-House Understanding of the Management Policy**
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information

Building an In-House Understanding of the Management Policy

YingJia Zhang
Strategy & Marketing Department
Specialty Materials Business Group
Mitsubishi Chemical (China) Co., Ltd.

Madoka Hori
Sustainability Management, Group
Sustainability Management
Nippon Sanso Holdings Corporation

Takuya Higo
Research Unit/Oncology
Sohyaku, Innovative
Research Division

Yu Ito
Data Science Department
Digital Strategic
Planning Division

Yuji Nikaido
DM Section 1
PM Production Department
Shiga Plant

Embracing change in the Company and working as a team to become a specialty materials group

Across the Mitsubishi Chemical Group, we continue to tackle a range of challenges as we restructure our organization and business portfolio.

Some of our younger members in the MCG Group, who will carry our business forward into the future, gathered to speak frankly about this restructuring and the future outlook for the Group.

“Forging the future” management policy

Experiencing firsthand how the Company is changing

Higo: I really feel that we have become a single company organization through the “One Company, One Team” concept. For example, now when I attend HR training programs, the other participants are not only employees of Mitsubishi Tanabe Pharma where I work, they also include employees from other Group companies, brought together for training.

In R&D, I have noticed that reporting lines have been

shortened. We now deliver reports and make research proposals directly to corporate executive officers in the MCG Group, so Group management now feels less distant.

Hori: Yes, there really is a strong feeling that we are working together as a Group toward the same target. Before, we used to have separate targets for each company, but now they have set common targets for us. I was able to attend some of the discussion sessions, and now we all have common targets that go beyond the individual companies. As it is part of my role to convey this

information to my own group, I try to communicate it in



Takuya Higo

Mr. Higo joined the Company as a drug discovery researcher. A two-year study posting to the United States provided an outsider's insight into the Company's technology capability. After working in the Product Strategy Division on formulating R&D strategy focused on delivering business value, in April 2023 he transferred to his present job, a management position in a frontline research setting.

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Building an In-House Understanding of the Management Policy

a way that shows how the new targets fit with the programs we have worked on thus far.

Nikaïdo: On the manufacturing floor, we have yet to see any dramatic change. That said, we have experienced some rapid changes firsthand, like the organization of the Company and how training programs are run. I now understand how important it is for us all to embrace this change. I am also trying to get the people I work with to understand that we cannot just keep on doing what we have always done.

Zhang: I agree that we can feel the atmosphere has changed. The “One Company, One Team” concept has definitely spread as far as our offices in China. Our workplaces have been moved in together, and I come into contact with other Group company employees much more frequently. We even visit customers together sometimes.

We have much closer connections with the R&D divisions and plants in Japan, too. Overseas business trips have started up again, so we are now visiting customers with people responsible for development and manufacturing who have come over from Japan. Our customers seem to be really happy for the opportunity for these direct interactions and to see agreed actions quickly reflected in development and manufacturing processes.

Higo: For sure, in R&D where I work, it seems like the barriers that were preventing the Company from really collaborating have definitely been lowered.



Yingjia Zhang

Ms. Zhang works in the Strategy & Marketing Department, proposing ideas for automotive materials to end users, and is also involved in exhibition planning. With EV/Mobility as one of her focus areas, she finds the job both challenging and rewarding.

Ito: In the digital divisions, I can really sense that people are much more aware of the need to use digital technology to standardize operations across the whole Group. Even within my division, we are now talking about how we can drive multiple digital projects across the entire Group. Whatever we are working on, we now get all sorts of other departments to involve themselves. Everyone views this as a huge opportunity, like nothing we have seen before, to create something great for the Group.

Executing the management policy and the new Group Concept Clear a path to achieving the Group targets

Hori: At the town-hall meeting that I attended a few days ago, I felt the main message was that we need to think of this as a business opportunity to be seized, rather than some kind of top-down idea that we must deal with.

Nikaïdo: Yes, I agree. However, for the management policy, I felt that the No. 1 message was cost cuts and pursuit of profits, which means leaving no stone unturned to optimize the entire business. I do have some concerns, but now that I have seen the executable plan, I understand that we need to work with the plants to address any worries people might have.

Zhang: I was struck by the emphasis on delivering value to multiple stakeholders. Until now, we have not been that aware of stakeholders beyond our customers and other employees. I think that is why the discussions were aimed at making us realize we need to be much more aware of all sorts of stakeholders in the future.

Also, previously the only materials available on this sort of policy were in Japanese and English, but this time they had them available in Chinese, which made it all easier to understand. They are running more town-hall meetings, and the people I work with are making the effort to attend.

Hori: Thinking about how we approach stakeholders, we need to promote our sustainability initiatives to outside audiences as well. I think that if we communicate



Yu Ito

A data scientist recruited as a mid-career hire. Ms. Ito works partly in data analytics, but is mostly involved in getting data science projects off the ground and raising technology standards by working with the project members.

our current management policy clearly, all sorts of stakeholders, such as investors and others, will probably find our Company very appealing.

Ito: In the discussion on digital strategy, I was very struck by the message of unlocking potential of 80% undocumented knowledge.

Actually, the immediate reaction from many people, myself included, was to ask, “Can we actually do this?” But at the town-hall meeting and at other sessions, they gave updates on the projects to centralize and standardize operations, and we were able to see how we are somehow making steady progress and ticking off the milestones. If we can continue making this progress step by step, I believe we can actually achieve the huge target.



Introduced in fiscal 2021, town-hall meetings provide a venue for dialogue between employees and senior management. So far, the meetings have attracted a cumulative attendance among Group employees in Japan and overseas of around 20,000, including online attendance. Based on two-way dialogue, the discussion probes areas such as management policies, business plans, and the state of business.

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the “Forging the future” Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Building an In-House Understanding of the Management Policy

Higo: It really is important to clearly show the way forward, is it not? In the health care division, the external environment for pharmaceuticals has changed, particularly in the wake of the pandemic, and many people have been worried about what the future would hold, so it was very good to see the executable plan unveiled and hear its policies on growth markets and key R&D fields outlined appropriately.

I also appreciated how they made the Group Concept easy to understand. The Our Way part (▶Page 73) reflected a lot of the values that are important to me, including the messages the president always tries to put across: prioritizing safety, delivering new value to stakeholders, and respect for others.

Nikaïdo: Personally speaking, I felt the Our Way concept managed to put into words my personal vision, so I really connected with it.

Zhang: I had taken part in a workshop to formulate the One Way concept, and I was really happy to be able to discuss not only the content of this idea but also how it could be communicated in Chinese. The final version is really easy to understand and inspiring.

Ito: I think the Our Way concept is also useful as a communication tool. For example, when you just say “respect for others,” different people will interpret this in different ways. But if you start discussions by talking about the Our Way concept, it provides opportunities to get into deeper communication with other people.

Thoughts on the Company’s future and direction

Personal development and change will be the driving force to build a better society

Zhang: We are currently developing our business with a focus on EVs, but I feel we still have a lot of work to do to be able to demonstrate our competitive capabilities in China, the biggest EV market in the world. I think we need better collaboration among the development, manufacturing, and sales divisions to create more

competitive products.

At the same time, we need to be able to move fast. Right now, we are taking on board customer needs and feeding this information back to the development division. If we could have better development capabilities in China with systems in place so that the entire cycle of development, commercialization, and marketing could be completed in China, we would be able to move fast to satisfy market needs more accurately.

Nikaïdo: Yes, I think there will be more changes in the environment and our systems in the future. I want to focus on creating a working environment where people feel energized and inspired. The main priority for the manufacturing division is to continue delivering value to customers through safe and reliable operations, and it is such a working environment that drives us forward. I think the first thing should be to develop a better understanding of what skills each person brings to the table. This would also help to improve employee engagement.

Hori: I think there is still room for improvement in our systems. While there has been more sharing of financial and legal data, I feel there is not yet enough sharing of non-financial data—for example, information on what we have been talking about today, such as the markets or human resource use. I think we need to be able to rapidly communicate this type of data across the entire Group if we are to maximize the benefits of the “One Company” concept.



Madoka Hori

Before her current job, Ms. Hori was part of the Corporate Planning Department, involved in training employees on our corporate mission. Using the branch office experience gained at the start of her career, she is trying to find ways to communicate abstract concepts to people working on-site or overseas.



Yuji Nikaïdo

Mr. Nikaïdo has worked at the Shiga Plant since joining the Company. The plant manufactures DIAMIRON film, which is used for food packaging. His main job roles involve managing operations and quality and investigating new technologies, as well as training operational staff and managing safety and the environment.

Ito: That remark hits home, but I think you’re right. For our Company to really function as a single organization, we need to have more in-depth discussions at the entire-Company level on what types of base systems are needed.

We then need to standardize more of our systems before optimizing them for each Group business. As we standardize the systems, we also need to clearly demonstrate what benefits this will provide to the Group over the long term.

Hori: Becoming carbon neutral is the biggest issue for sustainability, and this is another thing that individual companies cannot do alone. We obviously need to make changes within the Group, but it is also important to change in partnership with our suppliers and customers. I think we should find a number of different ways to get external stakeholders and markets involved and be proactive about changing together.

Higo: I want to emphasize this approach of involving people inside and outside the Company for product R&D as well. I am thinking we should combine new technologies—from the Group or external partners—with the core capabilities developed over Mitsubishi Tanabe Pharma’s long history to create value that only the MCG Group can provide. By discussing what kind of technology-based value is possible in the clinical setting and carefully determining how much business potential there is, I would like us to generate a series of projects that act as growth drivers.

Chapter 3

Strengthening ESG Activities

57 Message from the Chief Officer Supervising Corporate Sustainability Management

58 Implementing Sustainability

59 Sustainability Indices

Environment

62 Reporting in Line with the TCFD Recommendations

64 Progress toward Carbon Neutrality and a Circular Economy

Society

66 Message from the CHRO

67 Human Resources Strategy

72 Building Sustainable Supply Chains

73 Employee-Led Development of Our Way

Governance

74 Message from the Officer Supervising Governance and Legal Affairs

75 Corporate Governance System

80 Assessment of Effectiveness

81 Director and Officer Remuneration

86 Risk Management

88 Compliance

90 Directors

92 Outside Directors' Discussion Meeting

[↶](#) Return to the previously viewed page

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Message from the Chief Officer Supervising Corporate Sustainability Management

We will deliver sustainable growth to our stakeholders guided by our unwavering commitment to the KAITEKI principle



Joseph Rinaldi

Vice President
Chief Strategy Officer

Our commitment to sustainability

Since adopting the KAITEKI concept in 2011, our organization has made sustainability its cornerstone. At the beginning of 2023, we unveiled our renewed Company Purpose: “We lead with innovative solutions to achieve KAITEKI, the well-being of people, and the planet.” This Purpose and our new Slogan, “Science. Value. Life.,” reinforce our unwavering commitment to the KAITEKI principle. These declarations provide clarity and

specificity, guiding our team in a common direction and serving as the foundation for day-to-day business execution and decision-making. The concept seamlessly incorporates the Management of Sustainability (MOS), Management of Technology (MOT), and Management of Economics (MOE) into every aspect of our operations.

Our medium-term management plan reflects our commitment to sustainability, emphasizing the importance of environmental, social, and governance (ESG) factors. We recognize that creating non-financial value is vital to achieving our financial targets. As such, we have set ambitious environmental and social goals, including reducing GHG emissions and waste and initiatives for employee engagement, customer satisfaction, and diversity. Additionally, we aim to significantly increase the proportion of sustainability-supporting products in our portfolio in the coming years by developing innovative solutions that fulfill our customers’ evolving needs.

Achievements and looking forward

By consistently implementing these measures, we are poised to make significant strides in the near future. Allow me to highlight some of our accomplishments over the past year.

We have initiated a comprehensive energy transition program to meet or exceed carbon emission reduction targets for 2030 and 2050. We have substantially reduced GHG emissions globally by shifting to renewable energy resources and implementing various measures in our

Performance Polymers and Specialty Materials production sites in Europe and the Americas.

Furthermore, we have launched several innovative solutions that drive circular economy practices. For example, our holistic program of thermoplastic semi-finished materials in Europe and the Americas incorporates a sustainable brand, environmental data, and a waste takeaway program. In Japan, we have partnered with others to enhance recycling initiatives, such as reconvert plastic bottle labels and developing a scheme to recover and recycle acrylic resin from end-of-life vehicles.

These achievements underscore our unwavering dedication to sustainability and the integration of sustainable practices throughout our operations. However, we acknowledge that our journey has only just begun. Looking ahead, we have set ambitious targets for the coming years:

We aim to collaborate with industry partners, alliances, and research institutions to devise sustainable alternatives that reduce our dependence on non-renewable resources and minimize environmental impact.

We will increase the transparency and reporting of our ESG efforts, ensuring stakeholders have clear visibility into our progress and commitments.

By leveraging our combined expertise and innovative spirit, the Mitsubishi Chemical Group will pave the way toward environmental responsibility, social well-being, and economic prosperity.

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability**
- 59 Sustainability Indices
 - Environment
 - 62 Reporting in Line with the TCFD Recommendations
 - 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
 - 66 Message from the CHRO
 - 67 Human Resources Strategy
 - 72 Building Sustainable Supply Chains
 - 73 Employee-Led Development of Our Way
 - Governance
 - 74 Message from the Officer Supervising Governance and Legal Affairs
 - 75 Corporate Governance System
 - 80 Assessment of Effectiveness
 - 81 Director and Officer Remuneration
 - 86 Risk Management
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

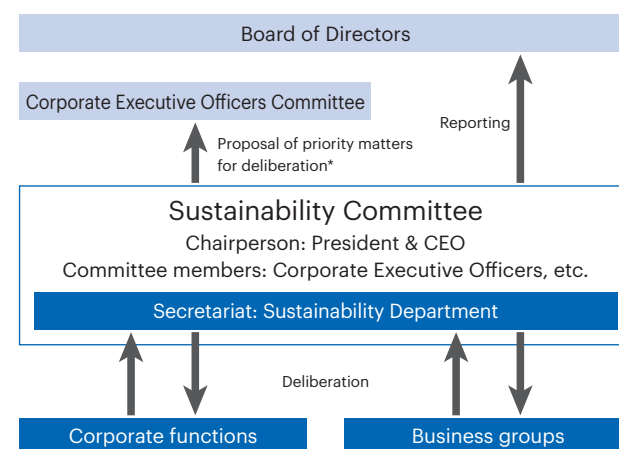
Implementing Sustainability

The Mitsubishi Chemical Group recognizes **sustainability as a core element to manage its corporate activities under our Purpose, which we define as leading with innovative solutions to achieve KAITEKI, the pursuit of 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 CEO and other members of the management team.**

Structure for implementing sustainability

The MCG Group has established the Sustainability Committee, chaired by the CEO and with committee members drawn from the corporate executive officers, to act as a forum for discussion of the Group's sustainability policy and related matters and to supervise and monitor progress in various activities.

Structure for implementing sustainability



* Where necessary

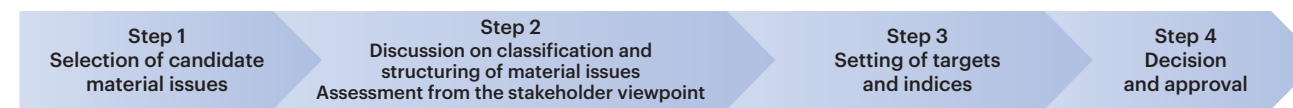
Process to identify material issues

The MCG Group has identified material issues that take into account its medium- and long-term policy direction, while incorporating stakeholder perspectives. We set sustainability indices to measure our progress versus the

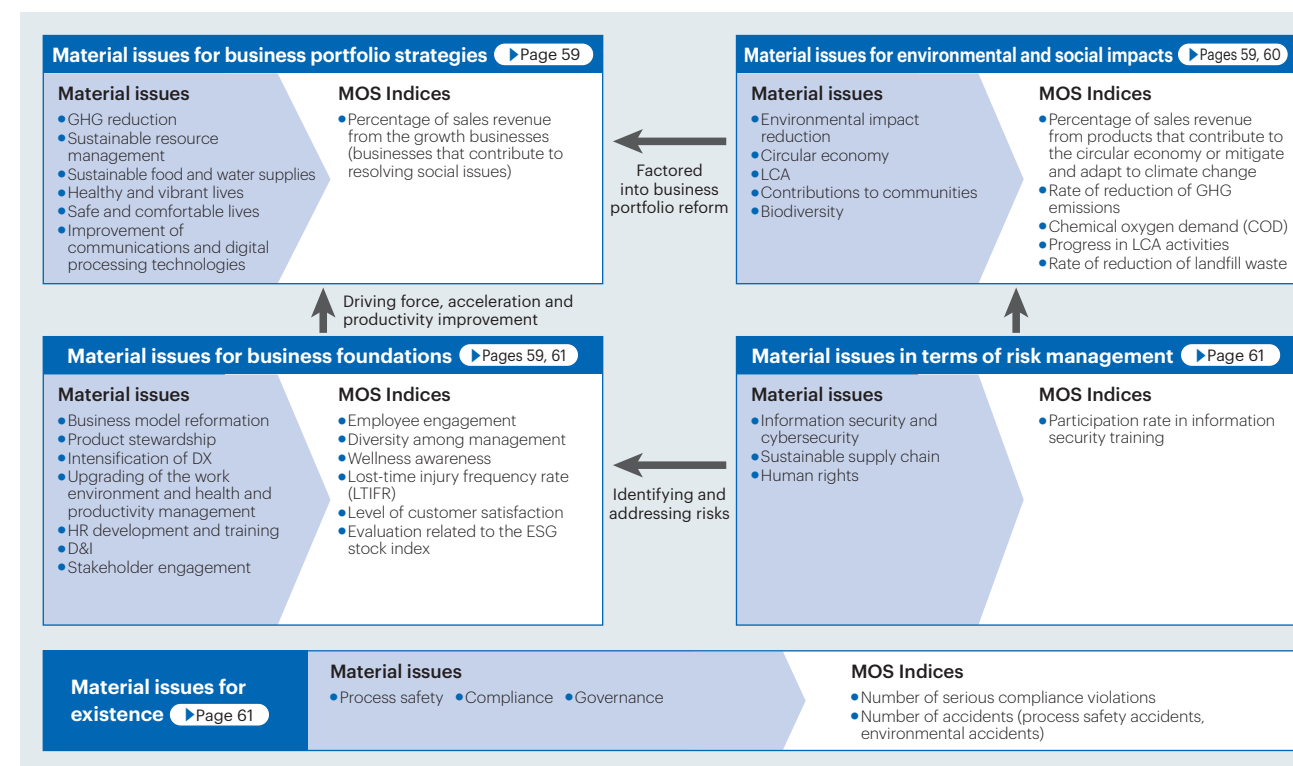
targets for these material issues, and the Sustainability Committee meets regularly to monitor activities and ensure that we are making steady progress.

[Detailed identification process](#)

Steps in the identification of material issues



Overview of material issues and sustainability indices (MOS Indices)

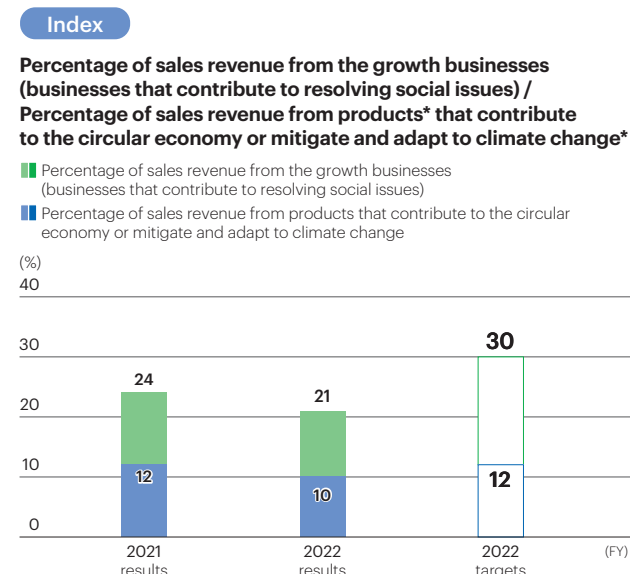


- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
 - 62 Reporting in Line with the TCFD Recommendations
 - 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
 - 66 Message from the CHRO
 - 67 Human Resources Strategy
 - 72 Building Sustainable Supply Chains
 - 73 Employee-Led Development of Our Way
 - Governance
 - 74 Message from the Officer Supervising Governance and Legal Affairs
 - 75 Corporate Governance System
 - 80 Assessment of Effectiveness
 - 81 Director and Officer Remuneration
 - 86 Risk Management
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

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 on material issues by monitoring the yearly progress of each index.

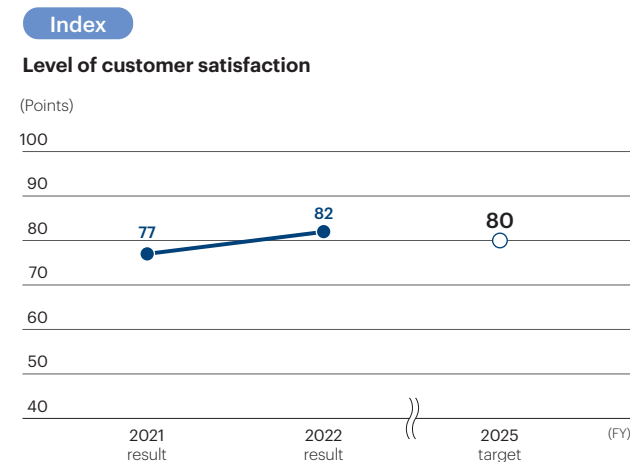
Material issues for business portfolio strategies / Material issues for environmental and social impacts / Material issues for business foundations



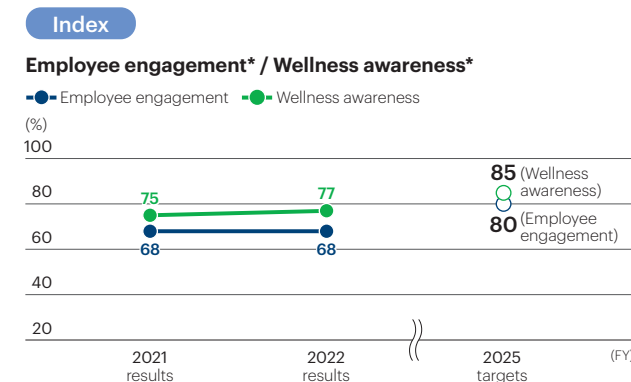
* GHG reduction and carbon cycle sectors among growth businesses (businesses that contribute to resolving social issues)

Although the relevant businesses returned solid sales revenue, the target was not reached. We will continue to concentrate resources on expanding sales of products that embody MCG Group strengths in focus markets such as EVs and bioplastics. We aim to expand the percentage of sales revenue from sustainability-related products* to 20% by fiscal 2025.

* Products that contribute to sustainability, particularly those relating to climate change, circular economy, food supply, and conservation of water resources

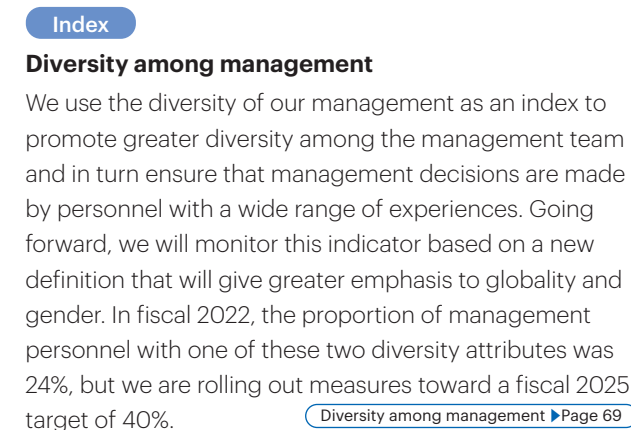


The MCG Group creates a variety of opportunities to engage in active and constructive dialogue with customers and other stakeholders as a way of promoting collaboration to realize KAITEKI. We value feedback from our customers and carry out an annual customer survey so that we can provide better services 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 evaluation of the Group from multiple perspectives. The survey results help us to gauge the level of customer satisfaction, strengthen our relationship with customers, and promote sustainable growth.



* Percentage of favorable responses to set items in the employee awareness survey

By raising employee engagement and wellness awareness and thereby enabling employees to reach their full potential, the MCG Group aims to achieve higher levels of creativity and productivity.

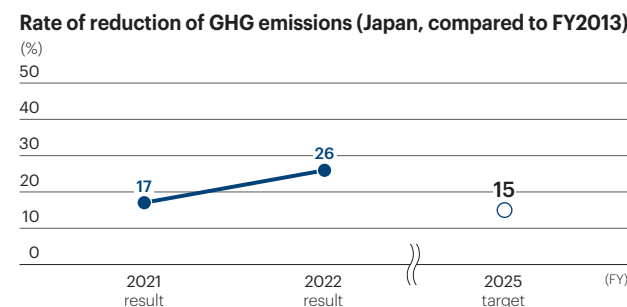


- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
 - 62 Reporting in Line with the TCFD Recommendations
 - 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
 - 66 Message from the CHRO
 - 67 Human Resources Strategy
 - 72 Building Sustainable Supply Chains
 - 73 Employee-Led Development of Our Way
 - Governance
 - 74 Message from the Officer Supervising Governance and Legal Affairs
 - 75 Corporate Governance System
 - 80 Assessment of Effectiveness
 - 81 Director and Officer Remuneration
 - 86 Risk Management
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

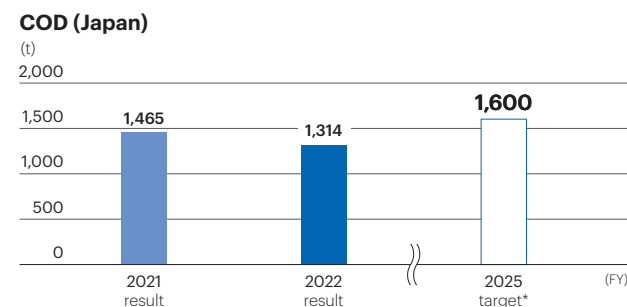
Sustainability Indices

Material issues for environmental and social impacts

Index



Index



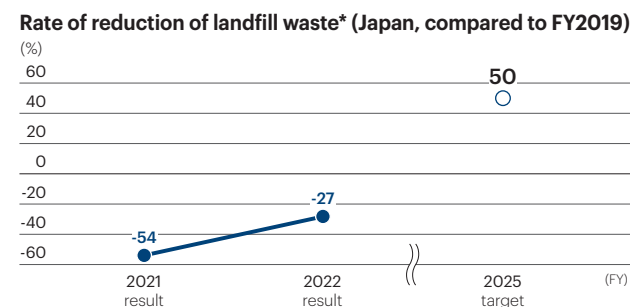
* The FY2025 target is to maintain the FY2019 level of 1,600 tons

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 a 26% reduction in GHG emissions in Japan compared to fiscal 2013 through increased production efficiency and upgrading of facilities combined with the effect of reduced production volumes at our main business sites. In the area of waste, where improved progress toward our target is needed, we are investigating business sites emitting high volumes of landfill waste to establish the cause. We will carry on working to reduce waste through continuing efforts to boost production yields and improve recycling rates.

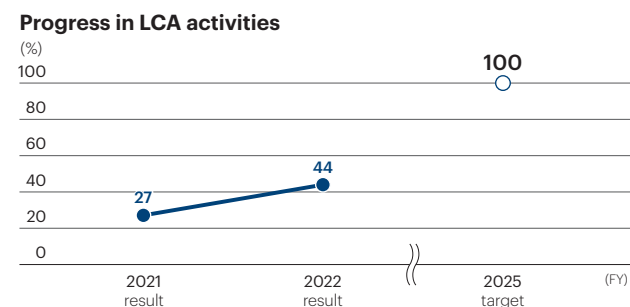
Additionally, the Group is rolling out LCA to enable us to quantify and evaluate our environmental impact and carbon footprint. We have established goals such as working to use LCA as a management tool and are aiming to eventually progress to making full usage of LCA (see next column).

Index



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

Index



ACTION

Examples of LCA application

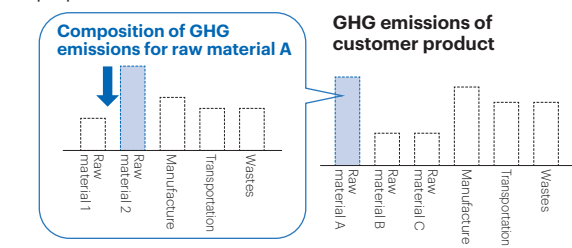
The MCG Group uses LCA as a tool toward achieving carbon neutrality. Specifically, we apply it in a range of settings, from R&D and manufacturing to product proposal, in each of which it supports GHG reduction initiatives. Going forward, we will seek to expand its domains of application while accumulating relevant expertise.

Achievements

- Confirmed reduction in GHGs by switching to biomass raw material at the initial exploratory stage of R&D.
- Confirmed reduction in product carbon footprint through recycling and effective use of byproducts of the manufacturing stage.
- Based on hotspot analysis of products, we explored GHG reduction, taking account both the practical feasibility of proposed improvements and their effect on carbon footprint, before presenting our customer with a carbon footprint reduction plan.

Hotspot analysis

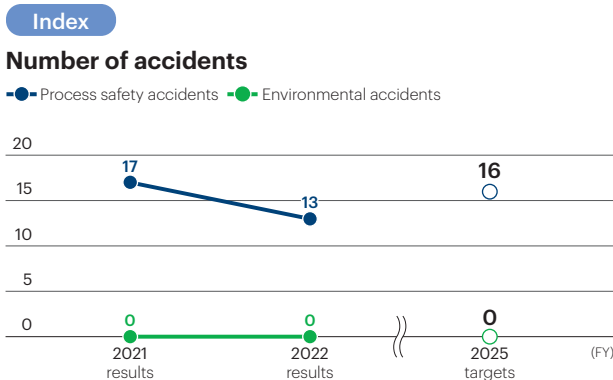
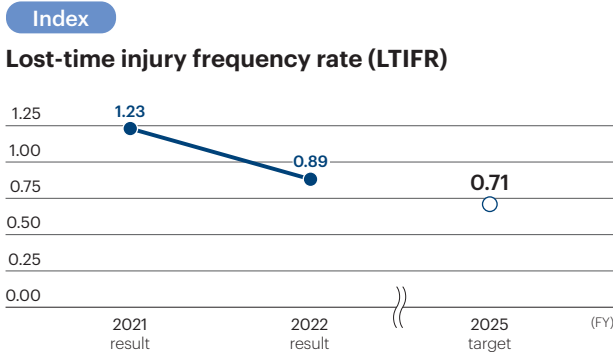
This enables us to establish a breakdown of the environmental impact of products for each life-cycle factor in order to identify those with the highest impact and thereby facilitate proposals to reduce environmental burden.



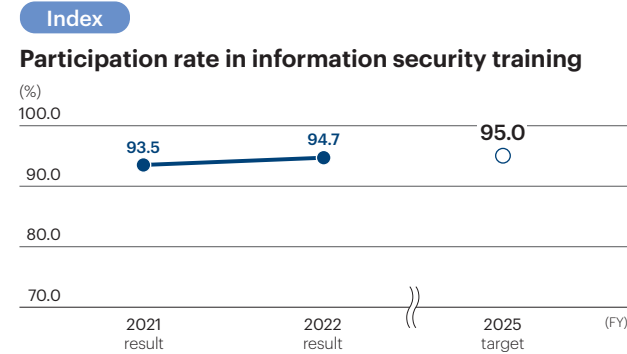
- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
 - 62 Reporting in Line with the TCFD Recommendations
 - 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
 - 66 Message from the CHRO
 - 67 Human Resources Strategy
 - 72 Building Sustainable Supply Chains
 - 73 Employee-Led Development of Our Way
 - Governance
 - 74 Message from the Officer Supervising Governance and Legal Affairs
 - 75 Corporate Governance System
 - 80 Assessment of Effectiveness
 - 81 Director and Officer Remuneration
 - 86 Risk Management
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Sustainability Indices

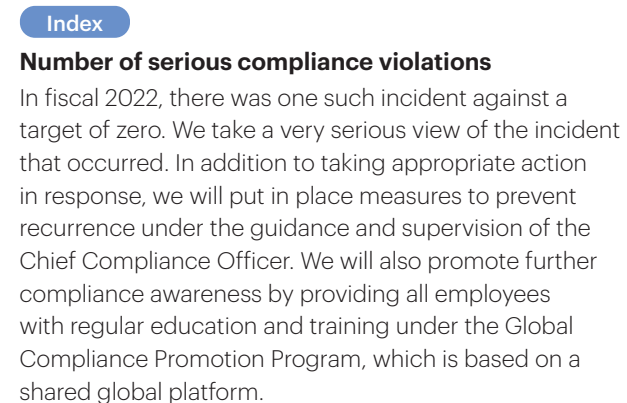
Material issues for business foundations / Material issues for existence / Material issues in terms of risk management



Recognizing safety assurance as a corporate social responsibility, we will continue working to prevent accidents and support ongoing operating stability. Through risk assessment and training, regular messages delivered by management, and enhancement of safety activities in the spirit of interdependence, we will seek to instill in employees an even stronger awareness of safety in order to reduce the number of accidents and the rate of lost-time injuries.



To ensure that all employees recognize the importance of protecting information assets and understand their associated responsibility, we carry out information security training every year. By reaching out repeatedly to employees who have yet to participate in the training and underlining its importance, the proportion of employees who have completed the training increases year by year. With the aim of further improvement, we will continue promoting enhanced information security awareness among employees.



[Details of incident \(in Japanese only\)](#) [Compliance ▶ Page 88](#)

Index

Evaluation related to the ESG stock index

In recognition of the MCG Group's initiatives, we have been included continuously in the ESG stock indices indicated below (as of June 30, 2023). 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
- MSCI Japan ESG Select Leaders Index***


2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX
- MSCI Japan Empowering Women Index***

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)


- FTSE4Good Index Series**



FTSE4Good
- FTSE Blossom Japan Index**



FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index**



FTSE Blossom Japan Sector Relative Index

* The inclusion of the MCG Group 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 MCG 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.

Environment

Reporting in Line with the TCFD Recommendations

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

Governance

At the MCG Group, we have identified GHG reduction, environmental impact reduction, and circular economy as the climate change-related material issues (▶ Page 58) to be addressed. We have also set metrics and targets to measure progress with these initiatives (▶ Pages 59–61).

Monitoring of progress toward the target values takes place through routine monitoring and the steady implementation of related measures conducted by the Sustainability Committee, which consists of the MCG

president as a chairperson and other members, including MCG corporate executive officers.

Director remuneration

The performance-based remuneration of corporate executive officers is determined and paid based on the degree of achievement of the targets for each fiscal year. In addition to economic efficiency and innovation, the evaluation factors in the KAITEKI Value evaluation, which includes indices relating to improvement in sustainability, and individual performance evaluations. In fiscal 2022, the indices relating to sustainability, which are a part of the evaluation indices for the performance-linked remuneration evaluation, were selected as factors that should receive particular focus by the corporate executive officers from among the KAITEKI Value evaluation, which includes GHG emission reduction. For details, refer to the section titled “Director and Officer Remuneration” under Governance (▶ Page 85).

Strategy and risk management

Climate change-related risk

In accordance with the Company’s stance on scenario analysis, MCG is evaluating the impact of climate change that is expected in the years up to 2030.

We evaluated transition risks based mainly on the SDS scenario of the International Energy Agency (IEA) and other factors. As a result, we recognized risks with a particularly high impact, including an increase in the carbon tax burden and a rise in response to climate change in the stock market.

In addition, reflecting the results of evaluations, physical risk is recognized as an operational loss due to abnormal weather, mainly in accordance with the RCP8.5 scenario promoted by the Intergovernmental Panel on Climate Change (IPCC).

MCG plans to take proper measures to deal with these risks and also continue to grasp their conditions.

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

Category	Risk recognized	Outline of risk based on the scenario*1	Impact on MCG	Impact*2	Response to potential risk
Policy/ legal regulation	Rise in carbon prices	Increase in operating costs due to higher carbon prices. 1.5°C–2°C	Rise in operating costs	++	Reduce GHG emissions in line with our basic policy for achieving carbon neutrality
Market	Regulation of the usage of plastic products	Decrease in virgin demand for petrochemicals as plastic recovery rates increase. 1.5°C–2°C	Decreased demand for petrochemical products	+	Focus on businesses that contribute to achieving carbon neutrality
Reputation	Rise of climate action in stock markets	As institutional investors focus on climate change, market capitalization declines due to inadequate responses. 1.5°C–2°C	Decrease in market capitalization	+	Enhance disclosure and engagement on sustainability, including climate change
Physical	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 due to the shutdown of coastal factories due to disaster damage	+	Measures to prepare for major natural disasters to minimize damage and ensure business continuity

*1 See the WEO SDS scenario, etc., for 1.5°C to 2°C and the IPCC RCP8.5 scenario, etc., for 4°C.

The SDS scenario is consistent with the IEA’s Paris Agreement goal of keeping global average temperature increase well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C.

The RCP8.5 scenario is a scenario by the IPCC in which no additional mitigation measures for climate change are taken and the average global temperature at the end of the 21st century is likely to increase by about 4°C above pre-industrial levels.

*2 Quantitative evaluation results for impact by “Impact on the MCG” are indicated as large: ++ and medium: +.

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors’ Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Environment

Reporting in Line with the TCFD Recommendations

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations**
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Transition plan

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

In addition to streamlining the manufacturing process 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 new management policy, we will also devote resources to businesses that contribute to realizing carbon neutrality based on portfolio management with a focus on growth, performance, and sustainability.

We will 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, announced in February 2023, 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.

Process of risk identification, evaluation, and management

Portfolio management

As announced in the new management policy, MCG 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

The MCG Group, based on the “One Company, One Team” concept introduced from fiscal 2022, transitioned to a Group-wide integrated management structure, and in tandem with this, introduced enterprise risk management (ERM) (▶ Page 86), as a risk management scheme for integrated risk management pertaining to MCG Group's business activities. Moving ahead, we plan to implement integrated risk management concerning the Group's business activities related to priority issues from the perspective of materiality to promote the minimization of losses and adequate risk-taking from a Company-wide perspective.

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 emission reduction rate, and plan to evaluate the progress made annually.

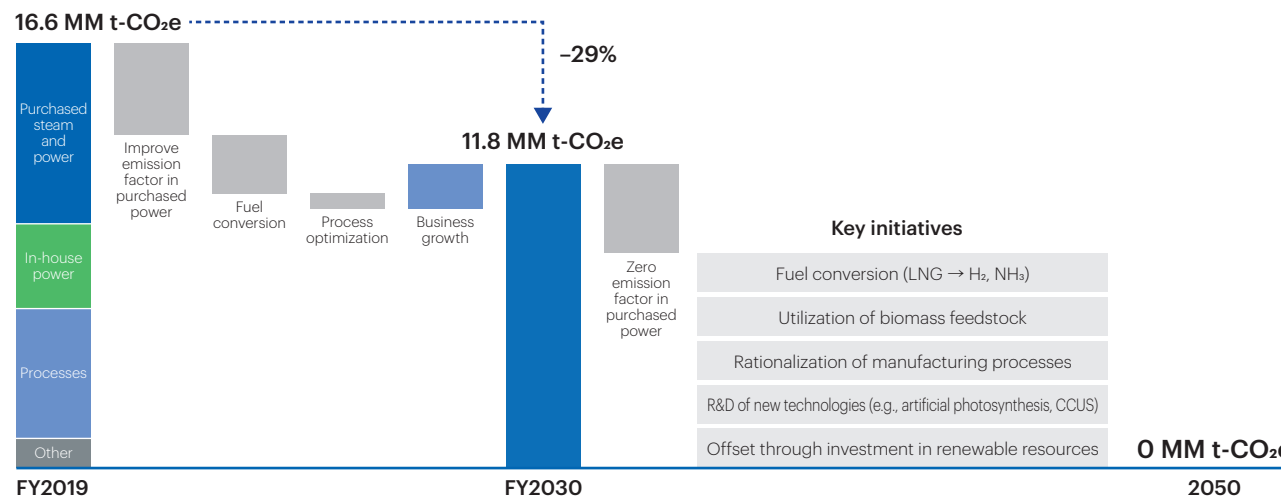
Scope 1–3 GHG emissions

Please see GHG emissions in “Non-Financial Highlights” (▶ Page 99) for the performance in fiscal 2022. We have received independent assurance for GHG emissions, and are working to disclose highly reliable information.

[Report in Line with the Recommendations of the TCFD](#)

Carbon neutrality by 2050

Our GHG emissions (Scope 1 + Scope 2)



Environment

Progress toward Carbon Neutrality and a Circular Economy

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

The Mitsubishi Chemical Group is working toward carbon neutrality in 2050 through initiatives to apply proprietary technologies and renewable energy and step up collaborations with its partners to reduce GHG emissions and contribute to sustainable resource and energy recycling.

In-house initiatives

GHG reductions

In the Performance Polymers division, we have achieved a remarkable 44% reduction in Scope 1 and Scope 2 GHG emissions in Europe in fiscal 2022 compared to fiscal 2019. This was realized through strategic relocation initiatives and the transition to green electricity. We are planning to expand the number of sites that run on renewable electricity even further.

The Engineering Shapes and Solutions (ES&S) division has made notable strides in the use of renewable energy, electrification, and consolidation of key assets. In Europe, eight out of nine sites have successfully transitioned to renewable energy as well as all sites in the Americas. The renewable energy transition contributed to a 50% CO₂e reduction compared to fiscal 2019. Electrification of key processes in the Scranton facility reduced the site carbon footprint by using MCG Group internally developed technology.

For our ALPOLIC brand, we have achieved an impressive 20% reduction in GHG emissions per m² of ALPOLIC composite panels at our Wiesbaden site since 2017. We achieved this through a combination of measures such as increasing the insulation of heating ovens and optimizing temperature control in production stages.

Circular economy

In our Performance Polymers division, we launched recycled and bio-based product grades for slush, PVC and TPE compounds (mass-balance approach) and have obtained ISCC+ certification for our French production sites. Our 3D printing solutions now encompass recycled and bio-based options for FGF and filaments. We are the supplier of bio-based PVC compounds for a soccer ball made only from renewable materials which is available in all French Ligue 1 soccer club shops.

Our SoarnoL EVOH resins (with an ethylene content ≥ 29mol%) can be considered as recycling compatible for PE film recycling. In combination with Soaresin RG500, it can be considered as valuable material for PE film recycling, as confirmed by independent European test laboratory Institute cyclos-HTP GmbH. ES&S launched Statera in fiscal 2022 in the EMEA and Americas Region: a sustainable brand program that drives CE with target markets in Europe, the United States, and Canada. Statera encompasses a sustainable product portfolio, quantified LCA data, regulatory compliance documentation, extensive waste take back programs, and the CORACAL Carbon Footprint calculator tool for customers in Europe and the United States.

ALPOLIC has introduced a special grade (R75) that contains 75% recycled aluminum content, contributing to the circular economy.

MCG Americas has collaborated with Arizona State University and The Global KAITEKI Center in a circular economy project in the mobility market.

Awards and recognitions

We are also delighted to announce the recognition we have received for our sustainability achievements. Our achievements show our commitment to reduce GHG emissions and advance solutions within our industry.

Additional awards and recognitions

Awards and achievements	Business or product recognized
Prestigious Italian Oscar dell'Imballaggio award for Best Packaging	Taghleef Industries, to which we supply packaging solutions
NRG Energy's Excellence in Energy award in the Sustainability category	ES&S business (United States)
Selected as a finalist in the Plastics Recycling Awards Europe 2023	ES&S business (Europe)
Texas Chemistry Council's Sustained Excellence in Caring award	SoarnoL
Third-party certifications for Responsible Care® Management Systems and RC 14001:2015.	ES&S, PC/MMA, SoarnoL, Gelest, and Polyester Film (MFA) divisions in the United States
One of three finalists in the Crystal Cabin Awards in the Sustainable Cabin category	Carbon Fiber "Biopreg" material

Environment

Progress toward Carbon Neutrality and a Circular Economy

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Collaboration with external partners

World Economic Forum's R&D Hub for Plastic Waste Processing

In April 2023, the MCG Group signed an R&D collaboration agreement with TNO, an independent Dutch research organization, as the only Japanese founding member of the R&D Hub for Plastic Waste Processing (R&D Hub).

The R&D Hub is a joint R&D project to investigate plastic recycling that was launched by the Low-Carbon Emitting Technologies (LCET) initiative of the World Economic Forum (WEF). The members of the LCET initiative are TNO and seven global chemical companies: the MCG Group, BASF, Covestro, Dow, SABIC, Solvay, and LyondellBasell.

The LCET initiative and the R&D Hub represent the first attempts worldwide for the chemicals industry to achieve carbon neutrality and realize a circular future through global collaboration and joint development across companies. Our participation in this groundbreaking initiative may allow the MCG Group to acquire technologies to support future circular and low-carbon business. It also demonstrates our commitment to domestic and overseas programs to realize KAITEKI.



After the signing of the agreement with the seven founding members and TNO (April 2023, Antwerp, Belgium)

Joint research to safeguard the global commons

Since April 2021, MCC and the Center for Global Commons (CGC), established by the University of Tokyo, have been engaged in joint research with the aim of formulating sustainable business models for the chemical industry from the perspective of effective use and recycling of resources.

In September 2022, the CGC published a new report, "Planet Positive Chemicals," outlining the results from this joint research project on the role of the chemical industry in safeguarding the global commons (i.e., the global environmental system upon which the sustainable development of humankind is founded). The report explores how the chemical industry can operate within planetary boundaries and aim to achieve sustainable societies and economies by playing an important role in supporting other sectors and consumers, on top of reducing its own environmental impacts.

The report provides a detailed view of the future pathways toward carbon neutrality, taking a system-wide view of the likely demand for chemicals and exploring the industry's GHG emissions along its entire value chain. The MCG Group will share the report's conclusions right across society and work to build wide-ranging partnerships and collaborative relationships to develop a sustainable chemical industry.

[Planet Positive Chemicals Report Released from Joint Research for the Conservation of the Global Commons with the University of Tokyo](#)

Participation in the Decarbonization × Reconstruction Town Development Platform

The MCG Group is participating in the Decarbonization × Reconstruction Town Development Platform established in March 2023, with the Ministry of the Environment as its secretariat. The goal is to both decarbonize and

reconstruct/revitalize communities in 12 municipalities in Fukushima Prefecture that were affected by the Great East Japan Earthquake and the nuclear accident at the Fukushima Daiichi nuclear power plant, and to form a distinctive regional circular and ecological sphere in which the environment, economy, and society thrive while making the most of local resources. The initiative aims to cooperate with private companies inside and outside the region over a long period of time with common goals and shared recognition.

Collaboration with local governments is essential to achieve carbon neutrality. Through its participation in the platform, the MCG Group aims to reduce GHG emissions from plants, branches, and research laboratories and establish resource recycling models for industries such as agriculture, forestry, and livestock, while developing models for collaboration with local governments at the prefectural and city level.

Society

Message from the CHRO



Tomoyo Hiraoka
Senior Vice President
Chief Human Resource Officer

Unleashing potential: Fostering an empowering environment throughout the MCG Group

Human capital strategy aimed at driving Company growth and achieving our Purpose

The Mitsubishi Chemical Group believes that our people are the source of value creation and the driver of Company growth and achieving our Purpose.

Every single employee has limitless potential. My mission is to cultivate an environment within the MCG Group that unlocks this vast potential, inspiring motivated individuals to further their personal and professional development.

In our pursuit of becoming a speciality materials group, as outlined in the MCG Group's "Forging the future" management policy, we recognize the imperative of shifting away from a traditional product-centric focus to a market-oriented organizational approach. A pivotal aspect of our human capital strategy is developing the next generation of leaders who will drive this transformation. These emerging leaders must possess the capacity to take the initiative in identifying problems and make agile decisions, unburdened by conventional thinking. We are actively engaged in implementing programs dedicated to fostering these essential capabilities, while also refining our human resource recruitment processes.

Furthermore, it is imperative that we continually innovate if we are to achieve our Purpose. This imperative extends beyond merely achieving diversity in terms of attributes such as gender and nationality; it also hinges on cultivating a rich diversity of thought within our organization. To realize this vision, we are diligently constructing an organizational framework and fostering a culture that empowers individuals with varying perspectives and capabilities to harness their strengths and confront challenges, irrespective of their background. Moreover, we are creating an environment that optimizes

the utilization of this diverse range of perspectives. As part of our commitment to this goal, we are providing employees with comprehensive training sessions on a variety of human rights topics. These initiatives are designed to nurture a corporate culture deeply rooted in respect for every individual and a profound appreciation for the unique differences that make us all valuable contributors to our shared Purpose.

We are working tirelessly to create a company where every employee has access to these programs, enabling them to unleash their full potential and sustain their high levels of engagement.

Building a strong foundation for total optimization

In our pursuit of the "One Company, One Team" concept and our overarching goal to enhance corporate value across the entire Group, we recognize the necessity of achieving total optimization that transcends individual companies and geographical regions. This same principle extends to our human capital strategy. Aligned with this approach, we are actively fostering a unified foundation throughout the Group, encompassing human resource policies and the standardization of HR systems, methods, and initiatives.

Moreover, we are dedicated to advancing the implementation and adoption of the "One Company, One Team" concept through the lens of human resource capital. Our ongoing efforts include the strengthening of HR governance to ensure the effective operation of our HR policies and methods, thus reinforcing our commitment to achieving total optimization. These endeavors will result in streamlined and consistent high-level HR management, characterized by efficiency and excellence.


- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO**
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Society

Human Resources 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. Within the framework of our "Forging the future" management policy, we are focusing on six strategies to empower our workforce.

Empowered workforce



- Develop next-generation leadership
- Promote cultural change and value creation mindset
- Incorporate diversity, equity and inclusion (DE&I) into the talent strategy
- Build a fulfilling workplace environment
- Build a global integrated operational structure to achieve overall optimization
- Strengthen human resources governance worldwide

Development of next-generation leadership

To transform from a product-focused organization to a market-oriented one, it is essential to cultivate individuals who can independently identify issues and guide them to resolution. To accomplish this, we are proactively engaged in developing transformational leaders who can anticipate change, step forward in uncertain situations, and make agile decisions, as well as developing future leaders on a Group and global level.

As part of our initiatives, we have defined the talent requirements for leadership roles and have established and implemented global talent development programs to continuously nurture potential leadership candidates. We have also individually specified the talent requirements for each position and, for critical roles, maintain an ongoing succession plan to strengthen our talent pipeline.

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/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

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 combines modules from leading business schools that have been upgraded for the MCG 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 but also helps them acquire the expertise and leadership skills necessary to excel globally.

Senior Leadership Development Program

The Senior Leadership Development Program (SLDP) is the next level of management executive training after the ELDP. Based on the concept of "innovatorship," including how to create an ideal vision for the future and develop the skills to achieve this vision, this program develops the talents needed to realize a new vision for society and the world and to lead our transformation and business growth.

During the SLDP, participants discuss future challenges for the MCG Group and pitch ideas to management to develop their problem-solving skills.

ACTION

Leadership development at Nippon Sanso Holdings

The European operating companies of the Nippon Sanso Holdings Group have set up the Growing Our Leadership (GOL) II program for ongoing leadership development.

Participants in this program undergo training in leadership skills, participate in actual projects to improve organizational productivity, and receive support from top management to help them reach their project goals. The GOL II program wraps up with an awards event to recognize those projects that have generated major results and to allow project members to learn from each other and develop contact networks.



Interview with the top award-winning project team

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
 - 62 Reporting in Line with the TCFD Recommendations
 - 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
 - 66 Message from the CHRO
 - 67 Human Resources Strategy**
 - 72 Building Sustainable Supply Chains
 - 73 Employee-Led Development of Our Way
 - Governance
 - 74 Message from the Officer Supervising Governance and Legal Affairs
 - 75 Corporate Governance System
 - 80 Assessment of Effectiveness
 - 81 Director and Officer Remuneration
 - 86 Risk Management
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Society

Human Resources Strategy

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy**
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Promote cultural change and value creation mindset

In order to create an environment where our people are inspired to develop further, we are setting up the right conditions and systems to help individual employees drive their own career development.

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

Career events to promote greater autonomy

We run regular seminars and other events to provide support for employee career development. For employees in the middle or later stages of their career who are particularly interested in developing their careers, we help them review their skills and experience, and support concrete career planning by running workshops on future career paths and bringing in outside speakers.

In the future, we aim to broaden the target audiences so that everyone working at the MCG Group can take ownership of their own career plan.

Workshop participation

FY	No. participants / no. sessions
2020	342 people / 15 sessions
2021	357 people / 15 sessions
2022	252 people / 11 sessions

ACTION

Internal job postings support proactive career development

At Mitsubishi Chemical Corporation, people are empowered to make their own career choices in line with the idea that career ownership belongs with the individual. We have overhauled our previous internal recruitment system and introduced a new system whereby internal job postings are used to fill all vacant positions as a way to match the different career aspirations of individual employees with our company strategy and achieve further growth. This system was implemented company-wide across the MCG Group starting from fiscal 2022.

Internal job postings at MCC

The first step for individual departments needing to fill a vacant position or increase staff numbers is to create an internal job posting.

To ensure that the system works well, MCC promotes regular one-on-one communication between supervisors and their direct reports, as well as annual career planning interviews and opportunities to share views on career pathways and job roles.

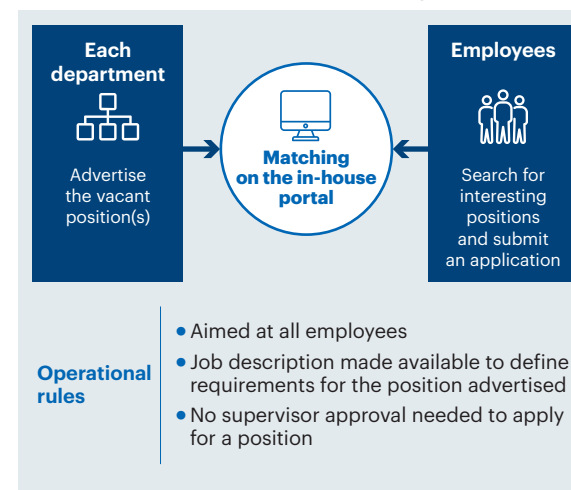
Usage

The system has been in place for over two years and the number of candidates successfully matched to job vacancies has increased over time. We attribute this to greater awareness of career paths and the system being seen as providing opportunities to change positions within the organization. We will promote greater use of this system moving forward.

No. positions advertised and % matches

FY	Number of positions (including duplication)	Matched	% matches made
2021	1,394	491	35.2%
2022	1,192	490	41.1%

Schematic of MCC's internal job posting system



Other transfer measures

We have also expanded other transfer measures on offer, including a scheme to let employees continue working at the same workplace or register for a site where they would like to work, as well as a new career challenge system that allows young employees to be considered for a department of their choice in order to support them in taking on new challenges.

Our goal is to help employees plan their own careers and achieve a good work-life balance.

Society

Human Resources Strategy

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Pursuing DE&I as a talent strategy

We are striving to cultivate an organizational culture that empowers employees to take on bold challenges and engage in diverse collaborations. Our aim is to foster an environment where individuals from diverse backgrounds can fulfill their potential. Our goal is for our 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.

We are working to increase the diversity of our management teams and support active discussions during decision-making by people with a broad range of experience, both inside and outside the Company (▶Page 79). We have also introduced systems to support contributions from people from different backgrounds and with diverse perspectives, including scrapping the seniority-based system (job packages based on role or performance and employment rank or position no longer reflecting age) and raising the retirement age.

Diversity among management

At the MCG Group, we have included diversity among management as part of the Management of Sustainability (MOS) indices (▶Page 59). Previously, our indices for corporate executive officers or vice presidents only looked at the percentage with internationality, gender, or career diversity attributes. In fiscal 2023, we redefined our indices to promote a more global perspective on DE&I.

We have excluded career diversity from our indices due to the increased number of mid-career recruits, which has led to a certain level of diversity in this aspect. Instead, we now prioritize internationality and gender diversity. Additionally, we have extended the inclusion to employees who play pivotal roles in significant business decision-making processes. This expansion of diversity across all decision-making levels aims to bolster our talent pool in pursuit of a more diverse management team.

Diversity among management

FY2022 result	Result as of April 1, 2023	FY2025 target
24%	28%	40%

[Sustainability Indices ▶Page 59](#)

Overseas training program for young employees

We have initiated 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, identifying potential future leaders, and facilitating personal growth through exposure to different cultures.

In fiscal 2023, the first year of this program, we received more than 15 requests for postings under this program at sites in Japan, Germany, Thailand, and the United States. We published the position requirements on the Group portal and invited people to apply. We hope that experience of different countries, cultures, and regions will promote personal growth for our employees, help younger employees take on new challenges, and achieve greater diversity at the workplaces involved in this program.

Program summary

Application requirements

- Registered employee of the MCG Group (excluding the Nippon Sanso Group)
- Work experience including at other companies: Around 3-7 years
- Work experience at the MCG Group: At least one year
- English-language ability: Level B2 or higher on the Common European Framework of Reference for Languages (CEFR)

Examples of postings

- Japan:** R&D division
- Germany:** Auditing division
- Thailand:** HR development division
- United States:** Sales division

Program goals

Applicant benefits

Personal development through experience with different cultures, broader perspectives, upskilling

Host workplace benefits

Increased workplace diversity, sharing of new perspectives that result in operational improvements

DE&I outcomes
Achieve management policy

DE&I initiatives in recruitment

We are also working to expand diversity through the recruitment activities that provide an entry point into the MCG Group.

We see the need to step up recruitment of women. To encourage more female applicants to apply, we think communication during the recruitment process is extremely important so that they have a full picture of their role after joining and any misunderstandings are resolved on the spot. In addition, we are working to hire more diverse talent by developing recruitment methods where the candidate's language background does not adversely affect the selection process.

Percentage of women working at Head Offices

	FY2020	FY2021	FY2022
Total for four operating companies	21.5%	27.6%	28.0%

Note: Total figures for Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute Inc., and Taiyo Nippon Sanso

Society

Human Resources Strategy

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy**
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Build a fulfilling workplace environment

We are working to create workplace environments where people feel secure, 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 be self-directed in how they manage their work-life balance.

Workplace mental health initiatives

Psychological energy can have an enormous impact on performance at work. In July 2022, MCG ran an online training program on the subject of mental toughness. Participants learned ways to approach change as a new adventure, switch to a more positive mindset when feeling stressed by change, and improve their mental resilience.

The MCG Group also encourages employees to undergo stress checks and has introduced support programs for those employees diagnosed with high stress levels to prevent mental health issues from developing or provide timely support to improve their

mental health. For example, we have introduced a program called Pocket Therapist to help ease physical pain and prevent mental health issues, targeting employees under high levels of stress and also suffering from chronic pain (such as lower back pain, shoulder stiffness, or headaches). Pocket Therapist is a three-month online program that provides specialist input on how to reduce and improve pain, which can help improve mental health issues at an early stage.

Build a global integrated operational structure to achieve overall optimization

As we move to a lean and flat organizational structure under the "One Company, One Team" concept, we are building systems that allow more efficient management and overall optimization.

For HR functions, the MCG Group's Global Head Office defines the overall strategy and policy, while the five regions (Japan, Americas, EMEA, China, and Asia Pacific) implement HR measures autonomously. At the same time, heads from each region attend regular global meetings to decide strategies as a global organization and refine HR measures and other matters so that HR is managed consistently around the world. To disseminate the strategies and policies and also promote a stronger sense of working as one team, governance policies are

formulated for HR procedures and channels of communication are opened up between regional HR and the companies within that region.

ACTION

Women's health support seminars

Health issues among working women are a social issue and also an important theme for companies. Many employees experience physiological changes and women's health symptoms that impact their performance at work. Ensuring that both male and female colleagues at work have a better understanding of these issues is the first step toward creating a supportive working environment for women. At the MCG Group, we run regular women's health support seminars with specialist physicians invited to speak.

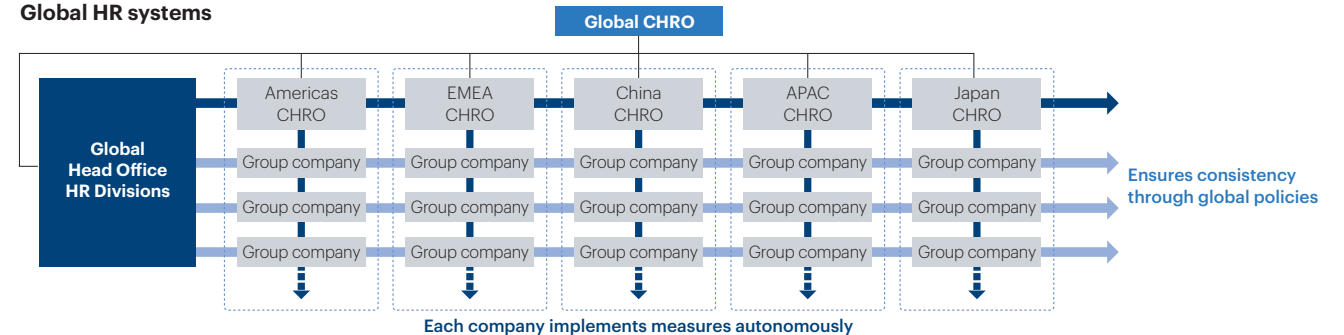
The seminar held in February 2023 covered the topic of menopausal disorders. The session covered not only menopause in women but also male menopause and provided an opportunity to learn the facts about menopausal disorders and how to handle them. The seminar was well attended by employees.

Rate of employees undergoing stress checks

	FY2020		FY2021		FY2022	
	% undergoing checks	% diagnosed with high stress levels	% undergoing checks	% diagnosed with high stress levels	% undergoing checks	% diagnosed with high stress levels
Total for four operating companies	87.8%	7.9%	90.6%	9.3%	92.1%	9.5%

Note: Total figures for Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Life Science Institute, and Taiyo Nippon Sanso. The % diagnosed with high stress levels refers to the percentage of people undergoing the stress check who were determined to have high stress levels, but the criteria on which this diagnosis was based may differ slightly by company.

Global HR systems



Society

Human Resources Strategy

Strengthen human resources governance worldwide

We are developing common organizational foundations to better utilize our human capital across the entire Group and maximize their value.

By using technology in our HR processes and sharing HR management and HR programs on a Group-wide basis, we are strengthening our HR governance while boosting the sophistication of our HR management.

Introduction of a global HR platform

Previously, individual companies within the MCG Group each utilized distinct HR management systems to optimize HR functions according to their specific needs. However, we are currently in the process of developing a unified HR platform for the entire Group. This platform aims to centralize and provide a global perspective on our employees, organizations, positions, and job roles, thereby enhancing our talent management capabilities.

By taking a more sophisticated approach to talent management and promoting coordination within the Group, we are accelerating innovation and standardizing operational processes. This, in turn, enables us to implement more advanced and efficient HR procedures and services, ultimately leading to increased business profits and higher levels of employee engagement.

Human rights initiatives

The MCG Group has established the Global Policy on Respecting Human Rights, Employment and Labor as our specific human rights guideline, in tandem with conveying to all Group members our basic approach to human rights in conformity 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.

Overseas Group companies endeavor to comply with the laws and regulations applicable to each country and best practices concerning human rights, and raise the satisfaction levels of employees, along with conducting appropriate value chain management in the course of expanding their business activities.

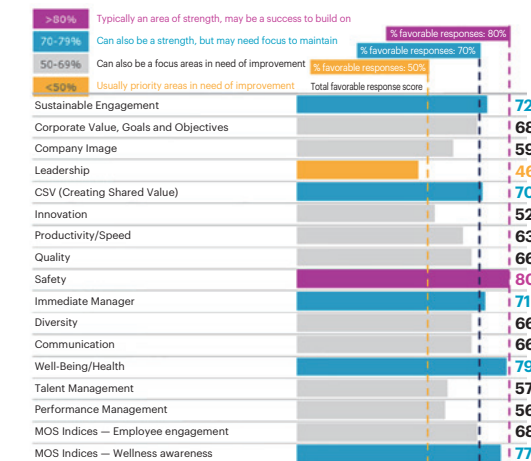
[Respecting Human Rights and the Mitsubishi Chemical Group Global Policy on Respecting Human Rights, Employment and Labor](#)

Employee engagement survey

The MCG Group periodically conducts a global engagement survey to understand how employees perceive their organization's policies, culture, work environment, career opportunities, and more. Survey results are analyzed based on various attributes and are used to inform Company initiatives. Additionally, for employee engagement and wellness awareness, the results are integrated into the MOS Indices, and we are committed to making overall improvements across the Company.

In the fiscal 2022 survey, the results confirmed a particularly high score in the safety category. For communication and for diversity and respect for the individual, some issues remained but the scores had improved. However, the scores were lower in the categories of corporate value, goals, and objectives; leadership; innovation; talent management; and performance management. The analysis made it clear that there is still work to do to disseminate the corporate mission and maximize employee potential. Since receiving this feedback, the management team has decided to enhance communication by introducing initiatives such as town-hall meetings (▶Page 54), where they directly communicate the Company's

Results of the engagement survey*



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

policies and background to employees, and by establishing platforms for senior-level managers globally to engage in discussions about management matters face-to-face. We are also working to provide more career support to help employees reach their full potential. By continuing these efforts, we aim to improve our organizational capabilities.

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy**
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Society

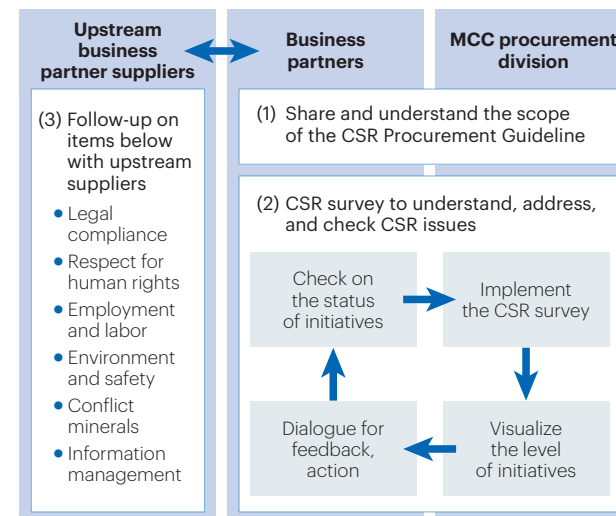
Building Sustainable Supply Chains

We operate all our Group supply chains with our business partners in line with CSR principles, including human rights, as outlined in the Mitsubishi Chemical Group's Charter of Corporate Behavior and Global Policy on Respecting Human Rights, Employment and Labor. [Charter of Corporate Behavior](#)

Promoting CSR procurement in the Mitsubishi Chemical Corporation supply chain

MCC has created 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.

CSR procurement at MCC



MCC also asks its raw material suppliers to complete a CSR survey to gain a better understanding of issues relating to compliance and human rights/labor, the environment, and fair business practices in the supply chain. We utilize survey results to provide feedback to business partners and engage in dialogue about making specific improvements.

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

Results from the CSR surveys in fiscal 2021 and 2022

Initiatives	Results
CSR survey sent to main raw material suppliers	Percentage of procurement value accounted for by suppliers targeted: 90%
Visualize the level of initiatives	Percentage of supplier respondents evaluated: 100%
Send a letter on survey results feedback	Percentage of supplier respondents receiving the letter: 100%
Hold a briefing on CSR procurement	Percentage of participation by target companies in fiscal 2021: 100%
Check progress through individual briefings	Percentage of target companies met with in fiscal 2021: 94% Some meetings were not held due to infectious disease protocols.

Responsible mineral procurement

In conflict-affected and high-risk areas of the world, profits from mineral mining and trade 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 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 the promotion of procurement that takes into account CSR. We will continue our efforts to provide ongoing training programs in the future.

Training programs run in fiscal 2021 and 2022

Program	Description
Training for new recruits, transferred employees	Target: New recruits and newly transferred employees at the Head Office procurement division • Range of basic training on procurement policy (as needed)
General meeting	Target: Personnel in Procurement & Logistics Division • Overview of compliance, information sharing 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 SMEs to develop sustainable relationships. By working with business partners in our supply chain and value-creating businesses to foster mutually beneficial relationships, we aim to build new partnerships.

Compliance with the Subcontract Act

To maintain sound relationships with its business partners, MCC has clarified a system for ensuring compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. (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 audits related divisions.

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way**
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Employee-Led Development of Our Way

In September 2022, we invited Group employees to participate in a project to define Our Way, as part of our rebranding to review what the Mitsubishi Chemical Group strives to be now and in the future and to redefine our Group Concept. A total of 414 employees participated in workshops, on-site discussions, and other sessions to brainstorm and finalize a concept for Our Way that everyone can identify with and that inspires personal development in tandem with company growth.

Employee-led approach to sharing ideas, developing concepts

We decided on a new concept that includes three elements—Purpose, Slogan, and Our Way—based on the results of an employee questionnaire run in May and June 2022 (18,417 responses), as well as briefings with Company officers and employees (100 people from around the world) and analysis of the histories of MCG Group companies, our DNA, and our business strategies.

Our Way is what employees use to guide themselves through their daily work to achieve the Group's Purpose.

We ran two types of discussion sessions when developing the Our Way concept.

(1) Employee workshops

Brainstorming by participants based on ideas for Our Way from the employee questionnaires and other sources. Workshops held online (run by region, around six participants per workshop; 114 employees participated).

Discussion points

- Do the ideas for Our Way include our current unique values and expected future values?
- Do the ideas for Our Way help us make good decisions in our daily work?
- Would we be closer to realizing KAITEKI if these values were put into practice across the Group?

(2) Team and on-site discussions

Outcomes from discussions amongst close colleagues at the team and workplace level collected by questionnaires; 300 employees participated.

Using the views collected from the various regions and teams, we created a final concept that incorporated all the ideas of what employees value, both now and for the future, and what they want to do better in the future. This was developed into Our Way and rolled out globally from February 2023.

Dissemination of the new Group Concept

In April 2023, our Head Office held a ceremony to discuss and promote the new Group Concept. Some 1,000 employees from all around the world joined the hybrid-format ceremony, either in person or online, to learn about the significance of the new Concept and how it fits with MCG's worldview, and to hear the CEO and other members of the global leadership team describe their commitment to achieving our Purpose.

To help employees understand the new Group Concept and implement it globally as part of our "One Company, One Team" system, we are planning various events in Japan and overseas, including workshops and awards.

The story of Our Way

Our Way describes five criteria, each illustrated with three specific behaviors. This story is based on the integrity of each individual and their respect for others and is presented through bravery and diverse collaboration to show persistence to stakeholders.



Group Concept ceremonies at various locations



Tokyo (Head Office)



Leaders describing their commitment to achieving our Purpose

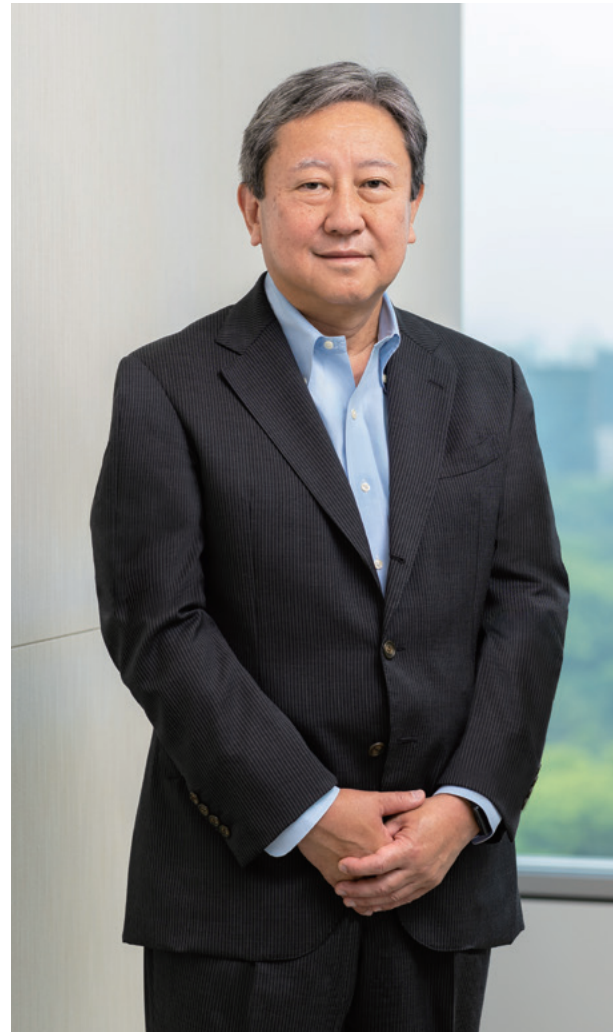


United States



Germany

Message from the Officer Supervising Governance and Legal Affairs



Ken Fujiwara
Executive Vice President
Chief Compliance Officer, General Counsel

Strengthening global governance and driving active discussions on growth

Promoting ERM and global compliance programs through integration of corporate functions

A year has passed since we changed to the new system. During that time, we have established a Corporate Executive Officers Committee where all corporate executive officers meet regularly to discuss the various challenges faced by the Mitsubishi Chemical Group and for decision-making. We have also made good progress at the management level in the transition to the “One Team” concept. Decision-making processes are faster and more efficient and corporate functions more integrated now that we have set up systems for delegation of authority (DOA) and clarified decision-making authority for each corporate executive officer. Our most pressing challenge at present is how to get our employees in all Group companies to understand the significance of these reforms and to embrace our transformation. Continuing on from work done in fiscal 2022, we are utilizing in-house web portals and town-hall meetings as venues for the entire management team to communicate the message for such reform and transformation to employees in their own words (▶Page 54).

To manage a large organization like the MCG Group, we must have global-scale risk management systems. We have introduced an enterprise risk management (ERM) system to support management decision-making, in order to better respond to not only negative risks but also risks inherent in business opportunities that may have positive impacts. For this ERM system, we have developed a Group-wide risk management system based on a three-dimensional matrix by business, function, and region that functions to ensure the MCG Group is a healthy and more competitive business (▶Page 86). At the same time, we have started operating the Global Compliance Promotion Program aimed at standardizing and improving the quality of global compliance activities (▶Page 88). To improve the effectiveness of this program, we will continue to raise

awareness and run training and education activities, and work to foster an organizational culture where everyone can speak up with confidence.

Increasing the effectiveness of the Board through better monitoring

Having evaluated the effectiveness of the Board of Directors in fiscal 2022 (▶Page 80), in my role as chairperson of the Board, I ran discussions on the main roles of Board of Directors in the Corporation with Nominating Committee, Etc., and confirmed that we need to work on making the Board of Directors more effective in terms of monitoring portfolio management and progress versus the medium- and long-term strategies. Discussions also confirmed that the Nominating Committee needs to be more effective with regard to CEO performance and succession planning for management levels. The committee will need to supervise progress and discuss portfolio management in particular as we are going through the execute and accelerate phases of the “Forging the future” strategy. For management succession, the committee is working to set up opportunities for discussions with corporate executive officers and the next generation of leaders.

To allow the Board of Directors to engage in more in-depth debate, it is crucial to set agenda items appropriately, for example, by assigning priorities to the various topics on the agenda. Full information disclosure with the outside directors is also essential to make the right decisions. At Mitsubishi Chemical Group Corporation, we are working through the Outside Director Liaison Committee to promote a better understanding of management policy and measures. This also helps ensure that the outside directors all have access to the same information. Moving forward, we will step up the monitoring function through more active discussion of key issues and will work to make the Board of Directors more effective and boost corporate value.

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
 - 62 Reporting in Line with the TCFD Recommendations
 - 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
 - 66 Message from the CHRO
 - 67 Human Resources Strategy
 - 72 Building Sustainable Supply Chains
 - 73 Employee-Led Development of Our Way
 - Governance
 - 74 Message from the Officer Supervising Governance and Legal Affairs**
 - 75 Corporate Governance System
 - 80 Assessment of Effectiveness
 - 81 Director and Officer Remuneration
 - 86 Risk Management
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Governance

Corporate Governance System

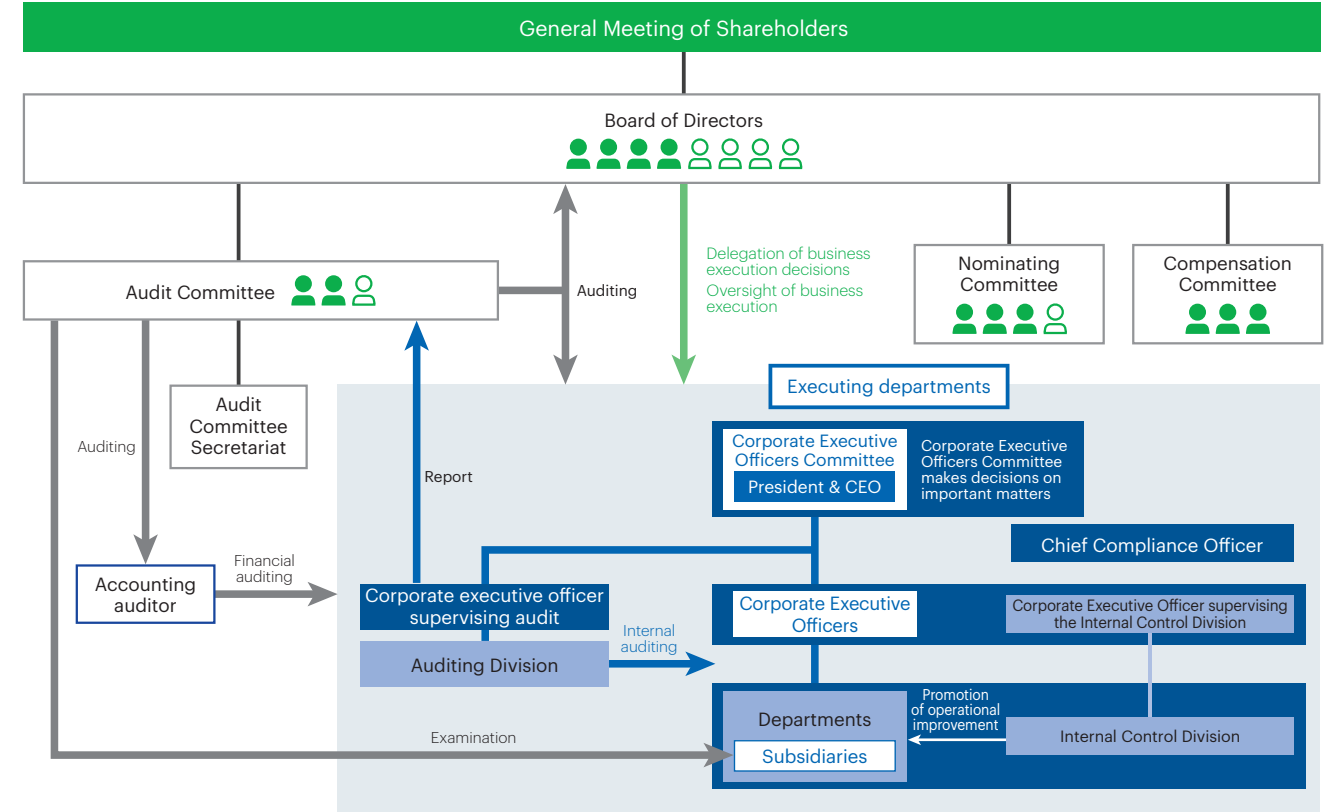
Mitsubishi Chemical Group Corporation has declared its Purpose as “We lead with innovative solutions to achieve KAITEKI, the well-being of people and the planet.” We will drive the realization of KAITEKI through better Science, by providing Value to all stakeholders and contributing to healthy living and the sustainable Life of people and the planet.

Guided by this basic policy for the realization of KAITEKI, we are 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 27, 2023)

To improve the transparency and fairness of our management, strengthen management supervision functions, and increase management agility through accelerated decision-making, MCG 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.

Structure for ensuring the appropriateness of operations (Conceptual diagram)



Corporate Governance

Corporate governance history

Category	June 2013	June 2014	June 2015	June 2016	June 2021
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
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

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
 - 62 Reporting in Line with the TCFD Recommendations
 - 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
 - 66 Message from the CHRO
 - 67 Human Resources Strategy
 - 72 Building Sustainable Supply Chains
 - 73 Employee-Led Development of Our Way
 - Governance
 - 74 Message from the Officer Supervising Governance and Legal Affairs
 - 75 Corporate Governance System**
 - 80 Assessment of Effectiveness
 - 81 Director and Officer Remuneration
 - 86 Risk Management
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Governance

Corporate Governance System

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 the corporate executive officers.

Composition of the Board of Directors

To enable the MCG Group to formulate basic management policy and supervise management appropriately, we seek to appoint directors based on multifaceted considerations by defining two sets of skills: universally required skills in corporate management, global business, and risk management; and skills required from a medium- to long-term perspective in legal and compliance, finance, industry and related business, and technology, science, and digital.

To strengthen the supervisory function of the Board of Directors, we stipulate that the majority of the directors should not serve concurrently as corporate executive officers.

Name	Skills Matrix						
	General skills*			Specialty skills*			
	Corporate management	Global business	Risk management	Legal/compliance	Finance	Industry and related business	Technology, science, and digital
Jean-Marc Gilson ◆	●	●	●		●	●	
Ken Fujiwara ◆		●	●	●		●	
Glenn H. Fredrickson		●	●			●	●
Nobuo Fukuda		●	●			●	
Takayuki Hashimoto	●	●	●				●
Chikatomo Hodo	●	●	●				●
Kiyomi Kikuchi		●	●	●			
Tatsumi Yamada		●	●		●		

Note: Directors indicated with the symbol (◆) act in an executive function.

* General skills are those universally required of directors, with global business and risk management defined as common skills required of all directors. Specialty skills are those required from a medium- to long-term perspective and are defined as professional skills where each director will have particular strengths.

Main agenda items discussed at the Board of Directors' meeting during fiscal 2022

- New Group Concept
- Medium-term management plan, annual budget, and investment plan
- Effectiveness of internal control system
- Rationale for cross-shareholdings
- Engagement activities with institutional investors
- Results of the employee awareness survey
- Regular reports from each committee and each corporate executive officer

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, the outside directors elect a lead independent outside director from among themselves. The lead independent outside director gathers opinions from the outside directors and holds discussions with the chairman of the Board of Directors and the president & CEO, and presides as chairperson over a meeting body composed solely of the outside directors.

Director Liaison Committee and related meetings

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.

Separate from this committee, regular meetings are held exclusively for outside directors, at which they can exchange information and establish a common understanding based on an independent and objective viewpoint.

Main agenda items of the Director Liaison Committee during fiscal 2022

- Capital market expectations and portfolio management
- Growth strategy
- Issues relating to management strategy

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Governance

Corporate Governance System

Framework and roles of the committees (As of June 27, 2023)

	Nominating Committee	Audit Committee	Compensation Committee
Chairperson	Outside director	Outside director	Outside director
Composition (including chairperson)	Outside directors—3 Internal director—1	Outside directors—2 Internal director (full-time)—1	Outside directors—3
Purpose	The Nominating Committee nominates candidates for directors and corporate executive officers.	The Audit Committee audits the execution of duties by corporate executive officers and directors and reviews the Group's internal control systems, etc.	The Compensation Committee determines the design of the remuneration system and the amount of remuneration to be paid to individuals.
Fiscal 2022	The committee met a total of 13 times and undertook individual appraisals of the president and CEO and the other corporate executive officers, selection of corporate executive officer candidates, and discussion of the presidential succession plan. The committee also discussed the skills matrix and succession plan for directors and revised the skills matrix.	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 systems, and the status of business execution regarding the management foundation, the business strategy, and other items. These audits focused particularly on the response of the new management system, which was designed to reflect changes in the business environment.	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 a restricted transfer stock remuneration that is not linked to performance for outside directors from fiscal 2023.

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 MCG Group Purpose (MOS, MOT, and MOE), and also discusses the appropriateness of the continuation of duties by the CEO, using metrics such as 360-degree feedback. 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 Auditing Division and the accounting auditor to enhance the trilateral audits (conducted by the Audit Committee, accounting auditor, and the internal audit departments).

The committee holds discussions in advance with the Internal Auditing 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

The 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 MCG 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 MCG and the MCG Group, and also monitors the Group's business based on the medium-term management plan, the annual budget, and other relevant factors.

Cross-shareholdings

MCG 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 such cross-shareholdings as assessed to be insufficiently justified. On November 8, 2022, the Board of Directors reviewed all Group cross-shareholdings as of the end of March 2022 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.

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Governance

Corporate Governance System

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Policies on the nomination of director candidates

The Nominating Committee nominates as director candidates persons who fulfill the following criteria:

- 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 spirit;
- Are healthy enough to fulfill the responsibilities of a director.
- For outside directors: Fulfill the standards for independence of outside directors, are able to secure enough time to execute business, and, additionally, are able to contribute to diversity among the outside directors.

Training for directors

Outside directors are constantly briefed on the MCG 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. Internal directors are also 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 appoints as outside directors persons who do not fall under any of the items listed below and are capable of overseeing the Company's management from a fair and neutral standpoint free of conflict of interest with general shareholders.

1. Related party of the Company

- (1) A person engaged in the execution of MCG Group operations (executive director, corporate executive officer, executive officer, manager, employee, partner, etc. The same shall apply hereafter.)
- (2) A person who has been engaged in the execution of MCG Group operations in the last 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 the execution of operations 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 the execution of operations of a company*¹ whose major business partners include MCG or any of its Group operating companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Nippon Sanso Holdings Corporation. The same shall apply hereafter.)
- (2) A person engaged in the execution of operations of a major business partner*² of MCG or any of its Group operating companies

4. Accounting auditor

An accounting auditor of the MCG Group or an employee thereof

5. Transaction as an individual

A person who receives money or other financial benefits of ¥10 million or more per year from MCG or any of its Group operating companies

6. Donation

A person who receives a donation or financial assistance of ¥10 million or more per year from MCG or any of its Group operating companies or a person engaged in the execution of operations of a company that receives a donation or financial assistance of ¥10 million or more per year from MCG or any of its Group operating companies

7. Reciprocal assumption of the position of director

A person engaged in the execution of operations of a company that has appointed as director any MCG Group director or employee

8. Close relative, etc.

- (1) A close relative, etc., of a person engaged in the execution of important MCG Group operations (spouse, relative within the second degree of relationship, or any person who shares the same livelihood. The same shall apply hereafter.)
- (2) A close relative, etc., of any person who meets the definition of any of items 3 to 7 above

*1 If the said business partner received from MCG or any of its Group operating companies an amount equivalent to 2% or more of its annual consolidated net sales in the latest fiscal year, it shall be considered as one whose major business partners include MCG.

*2 If MCG or any of its Group operating companies received from the said business partner an amount equivalent to 2% or more of MCG's annual consolidated net sales revenue in the latest fiscal year or the said business partner has lent to the MCG Group an amount equivalent to 2% or more of MCG's total consolidated assets, the business partner shall be considered as a major business partner of MCG.

Note: The party is deemed to fall under one of items 3 to 7 above if the relevant condition has been met at any time in the past three years.

Governance

Corporate Governance System

Outside officers' main activities and attendance at Board of Directors' meetings and committee meetings (FY2022)

Name	Status of activities and summary of duties executed in relation to expected roles	Attendance		
		Meeting	Attendance	Rate
Takayuki Hashimoto	At Board of Directors' meetings, Mr. Hashimoto provided input mainly on global management and portfolio management. As lead independent outside director, he also engaged in dialogue with institutional investors. As chairperson of the Nominating Committee, meanwhile, where the main agenda items during the fiscal year under review were the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer, he fulfilled his duties by playing a leading role in highly impartial and transparent decision-making. Furthermore, as a member of the Compensation Committee, he executed his duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the consideration of performance-linked remuneration for corporate executive officers and the remuneration system for outside directors.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Compensation Committee meeting	10/11	91%
Chikatomo Hodo	At Board of Directors' meetings, Mr. Hodo provided input mainly on global management, portfolio management, and corporate value enhancement from the perspective of ESG. Furthermore, as a member of the Nominating Committee, he executed his duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer. As chairperson of the Compensation Committee, where the main agenda items of the fiscal year under review were the consideration of performance-linked remuneration for corporate executive officers and the remuneration system for outside directors, he fulfilled his duties by playing a leading role in highly impartial and transparent decision-making.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Compensation Committee meeting	11/11	100%
Kiyomi Kikuchi	At Board of Directors' meetings, Ms. Kikuchi provided input on such matters as the functions and responsibilities of the Board of Directors, assessment of 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 on the major agenda items of the fiscal year under review, such as the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer. She also appropriately fulfilled her duties as an outside member of the Audit Committee, where the main agenda items of the fiscal year under review were the development and operation of the internal control system in line with the audit plan, the strengthening of the management foundation and progress with the business strategy as set out in the management policy, "Forging the future," and other matters relating to business execution.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Audit Committee meeting	15/15	100%
Tatsumi Yamada	At Board of Directors' meetings, Mr. Yamada provided input on such matters as finance and accounting, disclosure, and market valuation, drawing on his experience and profound insight as a certified public accountant and an international accounting expert. Meanwhile, as chairperson of the Audit Committee, where the main agenda items of the fiscal year under review were the development and operation of the internal control system in line with the audit plan, the strengthening of the management foundation and progress with the business strategy as set out in the management policy, "Forging the future," and other matters relating to business execution, he fulfilled his duties by playing a leading role in ensuring the impartiality and transparency of audit activities. Furthermore, as a member of the Compensation Committee, he executed his duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the consideration of performance-linked remuneration for corporate executive officers and the remuneration system for outside directors.	Board of Directors' meeting	7/7	100%
		Audit Committee meeting	15/15	100%
		Compensation Committee meeting	11/11	100%
Takako Masai	At Board of Directors' meetings, Ms. Masai provided input on such matters as finance and market risk management, drawing on her experience and profound insight in the areas of analysis of financial and economic conditions and the administration of monetary policy. Furthermore, as a member of the Nominating Committee, she executed her duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer. She also appropriately fulfilled her duties as an outside member of the Audit Committee, where the main agenda items of the fiscal year under review were the development and operation of the internal control system in line with the audit plan, the strengthening of the management foundation and progress with the business strategy as set out in the management policy, "Forging the future," and other matters relating to business execution.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Audit Committee meeting	15/15	100%

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System**
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Governance

Assessment of Effectiveness

Fiscal 2022 assessment of the Board's effectiveness

From March to April 2023, an assessment of the effectiveness of the Board of Directors was carried out by a third-party organization. Based on the assessment results, the Board discussed and decided on initiatives to improve effectiveness going forward. The Mitsubishi Chemical Group will continue working to improve the effectiveness of the Board of Directors, taking due account of the assessment results and the various proposals made by the directors.

Assessment by a third-party organization

March–April 2023 Assessment carried out by Board Advisors Japan, Inc.

- Questionnaire survey of all directors covering the following items (answers using a five-point scale, with some exceptions, and written comments):
 - Overall assessment
 - Composition of the Board of Directors
 - Preparations before the Board of Directors' meetings
 - Operation of the Board of Directors' meetings
 - Discussions at the Board of Directors' meetings
 - Ideal profile of each committee
 - System for supervision of business execution
 - Analysis of the gap between the importance of an agenda item and the amount of discussion (Assessment on a 10-point scale of the importance and amount of discussion of items followed by analysis of the gap)
- Interview of approximately one hour with each director
- Assessment based on the expertise of a third-party organization

Summary of assessment results

- As it proceeds with management reform, the Board of Directors of Mitsubishi Chemical Group Corporation is progressing with the delegation of authority to management appropriate for a company with a nominating committee, etc., and the effectiveness of the Board of Directors is being steadily improved.
- Among the challenges highlighted in the fiscal 2022 assessment of effectiveness, a certain degree of improvement has been achieved in the following:
 - Clearer understanding of the Board's role as a monitoring board
 - Improved opportunities for communication among directors
 - Strengthening of Audit Committee functions toward the establishment of an organizational audit system
 - The current CEO, who was recruited from outside in order to drive bold structural reform and implement the growth strategy, enters his third year in office. To achieve a corporate value increase and sustainable growth, the Board of Directors should address the following key challenges:
 - Strengthening of monitoring functions
 - Enhanced discussion of strategy
 - Improvement of the Nominating Committee's effectiveness

Initiatives to Improve effectiveness

- With the heightened level of effectiveness expected of each director as the Board's discussions attain a more mature level, it has been decided to pursue initiatives in the areas listed below based, among other factors, on the assessment results and the Board's ensuing discussions. Additionally, the Board of Directors will monitor the progress of the initiatives during the fiscal year.
- Strengthening of monitoring functions
 - Enhanced discussion of the business portfolio and enhanced monitoring of the progress of the medium-term management plan
 - Discussion of individual key items at an early stage and monitoring of their progress
 - Reduction of information asymmetry among directors
 - Enhanced discussion of strategy
 - Determination of important discussion topics and clarification of the discussion schedule
 - Securing of time for discussion through off-site meetings and other means
 - Improvement of the Nominating Committee's effectiveness
 - Setting of annual goals for the CEO with associated performance review and enhancement of related discussion
 - Ensuring of diversity on the Board of Directors and discussion toward optimization of the number of outside directors
 - Establishment of a CEO succession plan and discussion of a succession plan for the other corporate executive officers
 - Deepening of information sharing between the Board of Directors and the committee

Efforts promoted based on the previous effectiveness assessment

Based on the findings from the effectiveness assessment conducted and directors' suggestions provided in fiscal 2021, MCG implemented the following measures:

- Further redefining the supervisory function of the Board of Directors and setting the agenda to realize such function.
 - Expanded reporting of the status of business execution by corporate executive officers to the Board of Directors
 - Revision of the director skills matrix in June 2022 following discussion by the Nominating Committee of the composition of the Board of Directors including consideration of the medium- to long-term perspective
- Promoting communication and fostering mutual trust between corporate executive officers and outside directors to deepen the understanding of outside directors toward the Group.
 - Resumption of visits to business sites and laboratories by outside directors and enhancement of dialogue and other contacts with employees engaged in manufacturing and research
 - Increased opportunities for direct discussion with directors through presentations to corporate executive officers at the Director Liaison Committee and the Outside Director Liaison Committee
- Further strengthening cooperation between the Board of Directors and each committee (e.g., expanding reports to the Board of Directors, etc.).
 - Increased opportunities for information sharing and discussion at Board of Directors' meetings by making reports from each committee a regular agenda item
- Centralizing the Group's Internal Auditing Division in the Company and conducting appropriate and more efficient organizational audits based on the expansion of the Audit Committee secretariat function.
 - Strengthening of the audit function through measures including continued hearings with executive divisions by members of the Audit Committee as part of the consolidation of the organizational audit system in cooperation with the Internal Auditing Division
 - Partial revision of the operation of the Audit Committee to promote appropriate and effective organizational auditing

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Governance

Director and Officer Remuneration

Director and officer remuneration policy

Method for deciding the director and officer remuneration policy

The policy for determining the individual remuneration of directors and officers is decided in each fiscal year by the Compensation Committee following a discussion within the committee of the appropriateness of the policy. In addition to taking account of changes in the business environment, the opinions of shareholders and investors, and other factors, the discussions of the Compensation Committee are supported by the provision of necessary information and other assistance from the external remuneration consultant Wills Towers Watson, which has a wealth of global experience and knowledge.

Changes to the director and officer remuneration policy from fiscal 2023

To drive a further sustainable increase in corporate value and shareholder value, it has been decided to make an allocation of restricted transfer stock (RS) to outside directors from fiscal 2023. The additional amount of RS to be allocated will be decided with reference to the role expected of the outside director and trends among other companies, but with fiscal 2023 RS to be no greater than 10% of the basic remuneration. There were no other significant changes to the director remuneration policy in fiscal 2023.

Principle of remuneration

The systems for directors and for corporate executive officers are separate, and remuneration is determined by the Compensation Committee based on the concepts outlined below.

■ Basic policy for deciding remuneration, etc., for directors

- Given their role of overseeing and auditing the management of the Company from an independent and objective standpoint, remuneration for directors shall chiefly be the basic remuneration (fixed

remuneration). To promote an increase in corporate value and shareholder value, the outside directors, who are expected to supervise and assist management from the shareholder and investor perspective, shall receive stock-based remuneration that is not linked to performance in addition to the basic remuneration.

- In order to secure personnel suitable for executing the responsibilities of a director of a company with a nominating committee, etc., the level of remuneration shall be determined by considering the levels set by other companies, the expected role and function, the hours required to complete the duties, and other factors.

■ Basic policy for deciding the remuneration, etc., for corporate executive officers

- The remuneration system shall be such as to promote in corporate executive officers an awareness of the integrated practice of the three axes for the realization of the MCG Group Purpose (MOS, MOT, and MOE).
- The remuneration plan shall be designed to function effectively as an incentive to enhancing short-term and medium- and long-term performance and improving sustainable corporate value and shareholder value.
- Remuneration shall be set at a level competitive enough to attract and retain high-quality management personnel to lead the sustainable growth of the MCG Group.
- Remuneration shall be determined through a fair and reasonable decision-making process that fulfills the duty of accountability to all stakeholders including shareholders, customers, and employees.

■ Basic policy for deciding the remuneration, etc., of officers recruited from outside

- The remuneration, etc., of officers recruited from outside shall be determined in accordance with the basic policies outlined above, but with consideration given on a case-by-case basis to the remuneration levels and practices thought to prevail in the place or country of origin or residence of the officer recruited and other relevant factors.

Remuneration system

■ Directors

The remuneration of internal directors shall be basic remuneration (fixed remuneration) only. When a director serves concurrently as a corporate executive officer, the remuneration system for corporate executive officers shall apply.

The remuneration of outside directors shall consist of the basic remuneration (fixed remuneration) and stock-based remuneration (RS).

■ Corporate executive officers

The composition of the remuneration of corporate executive officers shall be as set out below.

Type of remuneration		Description
Fixed	Basic remuneration	<ul style="list-style-type: none"> Basic remuneration paid for the execution of responsibilities and duties Determined by the role and degree of responsibility of each corporate executive officer
	Short-term / Cash	<ul style="list-style-type: none"> Monetary remuneration in line with the results for each fiscal year of the Company-wide performance evaluation (progress toward realizing the Group Purpose based on the three axes) and the individual appraisal (degree of achievement of initiative targets under the medium-term management plan, leadership quality, etc.)
Variable	Performance share unit (PSU)	<ul style="list-style-type: none"> Stock allocation based on Company share price growth* over a three-year period * Relative to JPX-Nikkei Index 400 and peer group (domestic and overseas chemical/healthcare companies with global operational presence)
	Long-term / Stock	<ul style="list-style-type: none"> Restricted transfer stock (RS) Restricted transfer stock is allocated each fiscal year in an amount depending on the office title. The transfer restriction is removed on the officer's retirement.

Note: For corporate executive officers of non-Japanese nationality, fringe benefits and severance pay may be paid in addition to the above, to the extent appropriate, based on consideration of the remuneration levels and practices believed to prevail in the place or country of origin or residence of the officer recruited.

Governance

Director and Officer Remuneration

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration**
- 86 Risk Management
- 88 Compliance
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Method of setting the levels/percentage of remuneration

■ Directors

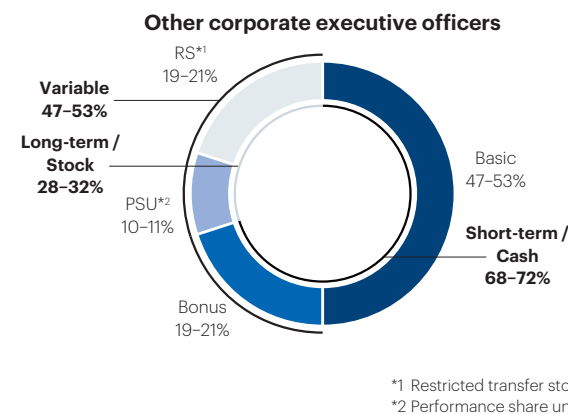
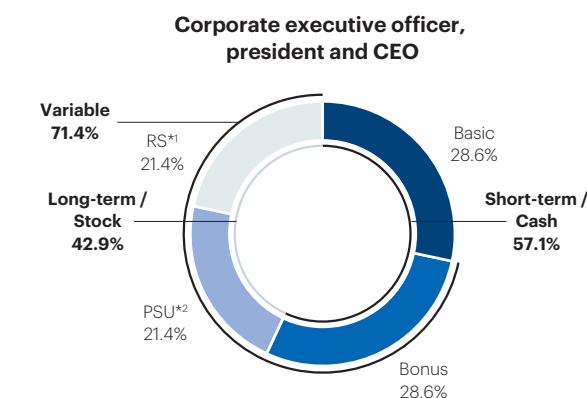
The remuneration level for directors shall be determined by considering the remuneration level for non-executive directors and outside directors at other companies of similar size in terms of domestic sales, market capitalization and other indicators, the role and functions of the director (e.g., lead independent outside director, member/chairperson of Nominating/Compensation/Audit Committee), and the hours required to complete the duties (full-time/part-time distinction).

The proportion of stock-based remuneration in the remuneration of outside directors shall be set with reference to the role of the outside director and trends at other companies. The proportion of stock-based remuneration for fiscal 2023 shall be no greater than 10% of the basic remuneration.

■ Corporate executive officers

The remuneration, etc., of corporate executive officers shall be of a level that is competitive, in terms of the amount of remuneration and the degree of performance linkage, based on comparison with the remuneration level and degree of performance linkage set by other companies of similar size in terms of market capitalization and domestic sales (for officers of non-Japanese nationality, however, of similar size in terms of market capitalization and sales in the officer's place or country of origin or residence or in another region relevant when considering recruitment of talent).

Fiscal 2023 composition of standard remuneration for corporate executive officers (Example)



*1 Restricted transfer stock
*2 Performance share unit

Note: The ratio of basic remuneration to bonus to stock-based remuneration for fiscal 2023 is set at 1:1:1.5 for the corporate executive officer, president and CEO, and at 1:0.35-0.45:0.53-0.68 for the other corporate executive officers, with the ratio of variable remuneration increasing with seniority of position.

Annual bonus

The amount of individual bonus for corporate executive officers is determined in line with the results of the Company-wide performance evaluation (achievement of targets for each fiscal year based on the three axes for realizing the Group Purpose) and the individual appraisal (achievement of initiative targets set individually under the medium-term management plan, leadership quality, etc.).

$$\text{Individual bonus amount} = \text{Base amount for office title} \times \left(\begin{array}{c} \text{Result of} \\ \text{Company-wide} \\ \text{performance} \\ \text{evaluation} \\ + \\ \text{Result of individual} \\ \text{appraisal} \\ \text{(0-200\%)} \end{array} \right) \times \text{Final adjusting assessment (80-120\%)}$$

■ Company-wide performance evaluation

The management indicators of each of the three axes for the realization of the MCG Group Purpose (MOS, MOT, and MOE) are used as direct metrics for determining the bonus. The specific metrics for each fiscal year are selected primarily from the items below.

Three axes for realizing the Group Purpose	Major management indicators of each axis = Company-wide performance evaluation metrics	% weight in assessment
MOS	Indicators associated with preventive and other measures against safety incidents and lost-time injuries, reduction of GHG emissions, and improvement of employee engagement	20%
MOT	Indicators associated with R&D, intellectual property activities, DX, and other initiatives to fulfill the management plan	10%
MOE	Indicators associated with core operating income, ROE, ROIC, free cash flow, etc.	70%

Governance

Director and Officer Remuneration

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
 - 62 Reporting in Line with the TCFD Recommendations
 - 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
 - 66 Message from the CHRO
 - 67 Human Resources Strategy
 - 72 Building Sustainable Supply Chains
 - 73 Employee-Led Development of Our Way
 - Governance
 - 74 Message from the Officer Supervising Governance and Legal Affairs
 - 75 Corporate Governance System
 - 80 Assessment of Effectiveness
 - 81 Director and Officer Remuneration**
 - 86 Risk Management
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Individual appraisal

For the corporate executive officer, president and CEO, targets declared by the corporate executive officer, president and CEO at the beginning of the fiscal year are reviewed and assessed by the Compensation Committee and Nominating Committee. For assessment, a self-assessment is reviewed and assessed at the end of the fiscal year by the Compensation Committee and the Nominating Committee.

Regarding targets and assessment for the other corporate executive officers, these are determined through an interview between the individual officer and the corporate executive officer, president and CEO, then reviewed and approved by the Compensation Committee. In cooperation with the Nominating Committee, the Compensation Committee verifies the fairness and reasonableness of the targets and assessments for each corporate executive officer.

Final adjusting assessment

Where a notable success has been achieved or a serious loss incurred that were not foreseeable at the beginning of the fiscal year, and only in such cases, the Compensation Committee and the Nominating Committee examine the details, assess the need to take account thereof, and adjust the final assessment accordingly.

Performance share unit (PSU)

In fiscal 2021, the Company discontinued the stock-based remuneration plan using the Board Incentive Plan (BIP) trust and introduced a PSU-based system. Under this system, which is intended to promote awareness of sustainable improvement in corporate value and shareholder value, common stock of the Company is allocated, in principle annually, in an amount calculated in proportion to the Company's share price growth (total shareholder return [TSR]) over a three-year period. The method of calculating the number of individual shares allocated is as shown in the table above right.

TSR assessment period allocation

The amount for fiscal 2023 will be based on assessment of the period from fiscal 2023 to fiscal 2025.

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
FY2023 PSU	TSR assessment period allocation			Stock allocation		
FY2024 PSU		TSR assessment period allocation			Stock allocation	
FY2025 PSU			TSR assessment period allocation			Stock allocation

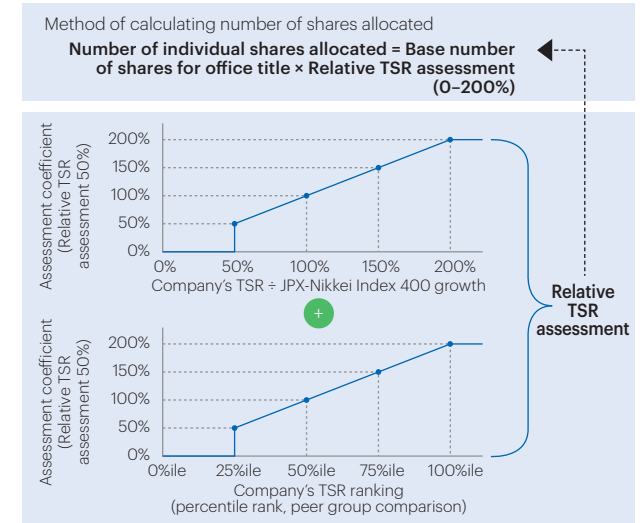
TSR assessment category

The Company's TSR is assessed by comparison with the index growth rate and the peer group TSR.

Assessment category	% weight in assessment	Assessment method
Comparison of index growth	50%	Determination of assessment coefficient reflecting performance of the Company's TSR relative to growth of the JPX-Nikkei Index 400 (incl. dividends)
Comparison with peer group TSR	50%	Determination of assessment coefficient based on ranking of the Company's TSR relative to the peer group (other domestic and overseas chemical/healthcare companies of similar size in terms of sales revenue, market capitalization, etc.)

Stock-based remuneration with restricted transfer stock (RS)

Each year, directors and corporate executive officers shall receive an allocation of shares of the Company's common stock equivalent to the base amount determined separately by position or office title in accordance with the Share Delivery Rules on RS. In order to share shareholder value and achieve growth in share price in the medium to long term, the period of transfer



restriction shall be from the date of allocation to the date of retirement as a director or corporate executive officer of the Company.

Remuneration clawback and other important matters

The Company may apply other special remuneration and benefits, where necessary, after a case-by-case review by the Compensation Committee. In addition, if a director or corporate executive officer is found to have committed misconduct or other infringement, the Company may, subject to a review by the Compensation Committee, make a claim against the director or corporate executive officer to withdraw the right to receive remuneration ("malus clause") or to reclaim the remuneration ("clawback clause").

Governance

Director and Officer Remuneration

Aggregate amount of remuneration of Company officers

Aggregate amount of remuneration of officers for fiscal 2022

Category of officer	Aggregate amount of consolidated remuneration, etc. (millions of yen)				Total	Number of officers
	Basic remuneration, etc.	Performance-linked remuneration		Restricted transfer stock		
		Annual bonus	Stock-based remuneration			
Directors (internal)	102 (99)	—	—	—	102 (99)	5
Directors (outside)	91	—	—	—	91	5
Corporate executive officers	603 (603)	383 (324)	153 (110)	313 (313)	1,451 (1,349)	13
Total	795 (792)	383 (324)	153 (110)	313 (313)	1,643 (1,539)	23

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). For directors (internal) and corporate executive officers, the amounts in brackets are the sum of remuneration, etc., paid by the Company. For outside directors, the aggregate amount of consolidated remuneration, etc., is paid fully by the Company.

2. MCG directors who serve concurrently as corporate executive officers are remunerated as corporate executive officers.

3. The amounts shown above for basic remuneration, etc., and annual bonus are the total of the remuneration, etc., paid during fiscal 2022 (total monetary remuneration).

4. The amount shown for basic remuneration, etc., includes fringe benefits for corporate executive officers of overseas nationality (covering costs for short home country visits, children's education, increase in gross fringe benefits, etc.). Furthermore, in the case of such officers, the Company bears expenses of ¥36 million for housing, medical insurance, etc., as fringe benefits, i.e., non-monetary remuneration, in addition to the above remuneration.

5. The amounts shown for annual bonuses for corporate executive officers include amounts paid in June 2022 to corporate executive officers who retired at the end of March 2022. Meanwhile, for corporate executive officers who served concurrently as directors, the amounts of basic remuneration paid in the period from the end of March 2022, when they retired as corporate executive officers, up to June 2022, when they retired as directors, are classified as remuneration, etc., for (internal) directors.

6. The amount stated above for stock-based remuneration is the sum of relevant expenses recorded for fiscal 2022 (expenses for the PSU system (▶Page 83) introduced in fiscal 2021 and expenses for stock-based remuneration under the BIP trust system applied by subsidiaries).

7. The amount stated above for RS is the sum of relevant expenses recorded for fiscal 2022 (sum of expenses for allocation of RS at the base value for the office title whose transfer restriction is removed on the officer's retirement and expenses for RS allocation to the corporate executive officer, president and CEO as a sign-on bonus).

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Governance

Director and Officer Remuneration

Method of calculating performance-linked remuneration paid during fiscal 2022 and results of evaluation

The amount of the annual bonus paid to each corporate executive officer in fiscal 2022 was determined, within the range of 137.5%–150% of the base amount, in proportion to the results of the KAITEKI Value evaluation (achievement of annual targets under the MCG Group's three key axes: Management of Sustainability [MOS], Management of Technology [MOT], and Management of Economics [MOE]) and individual appraisal (achievement of initiative targets set individually under the medium-term management plan, leadership quality, etc.).

$$\text{Individual bonus amount} = \text{Base amount for office title} \times \frac{\text{[KAITEKI Value evaluation + Individual appraisal]}}{(0-200\%)} \times \frac{\text{Final evaluation adjustment}}{(80-120\%)}$$

The major indicators used in the fiscal 2021 KAITEKI Value evaluation, the reason for their adoption, and the result of the evaluation are as set out below.

	Major indicators	Reason for adoption	% of evaluation
MOS	Safety-related indicators	To ensure the safety of employees and other stakeholders	20%
	Indicators related to environmental impact reduction	To realize carbon neutrality	
	Indicators related to employee engagement	To promote a healthy work environment and society where diverse human resources can participate actively	
MOT	Degree of contribution of new products and services	To measure the ability to create business through innovation	10%
	Patent competitiveness	To measure technological superiority	
	Digital development level	To promote DX	
MOE	Core operating income	To boost core business earning power	70%
	ROE	To promote a sustainable increase in corporate value	
	ROIC	To increase efficiency with the aim of improving core business profits relative to invested capital	

Result of fiscal 2021 KAITEKI Value evaluation (payout rate): S (150%)

Note: KAITEKI Value evaluation: Performance is rated on a five-level scale with "A" (100%) as the base value, "SS" (200%) when the target is surpassed by a significant margin, "S" (150%) when the target is surpassed, "B" (50%) when the target is missed, and "C" (0%) when the target is missed by a significant margin (figures in parentheses: Percentage payout).

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

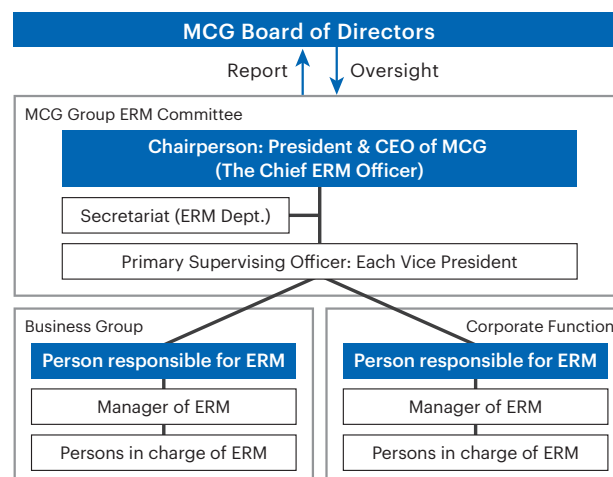
Governance

Risk Management

Recent years have seen great changes in the corporate business environment. With new infectious diseases appearing, transnational conflicts intensifying, and extreme weather events recurring, the last few years have brought frequent and significant changes on society and the environment. In turn, the choices we need to make as we look to the future are increasing in number. In line with this widening range of choices, risk is diversifying and becoming more complex, and risk management needs to become more sophisticated to achieve its goals.

Against this background, the Mitsubishi Chemical Group concluded that a new future-focused approach to risk management was needed and introduced enterprise risk management (ERM) starting in fiscal 2022. The introduction of ERM has enabled the MCG Group to overview and visualize the risk in its environment. This in turn allows management to optimize healthy risk-taking and risk response on a Company-wide basis, thereby promoting activities that contribute to maximization of corporate value.

ERM promotion system conceptual diagram (As of April 2023)



Risk management system

The MCG Group has established a risk management system based on an organizational management system that emphasizes the “One Company, One Team” management line.

The MCG Group ERM Committee is chaired by the MCG President & CEO, who is the Chief ERM Officer based on the ERM Basic Regulations, and is composed of the Primary Supervising Officers (Vice Presidents) in charge of their respective risk category areas. The ERM Committee deliberates and decides on the status of management of material risks and risk management policies that affect the entire MCG Group, and reports the details of these decisions as appropriate to the Board of Directors. The ERM Committee is held twice a year in principle and is also held on an as-needed basis.

To promote ERM in each organization associated with the ERM Committee, a person responsible for ERM, a manager of ERM, and persons in charge of ERM are appointed in each business Group and function.

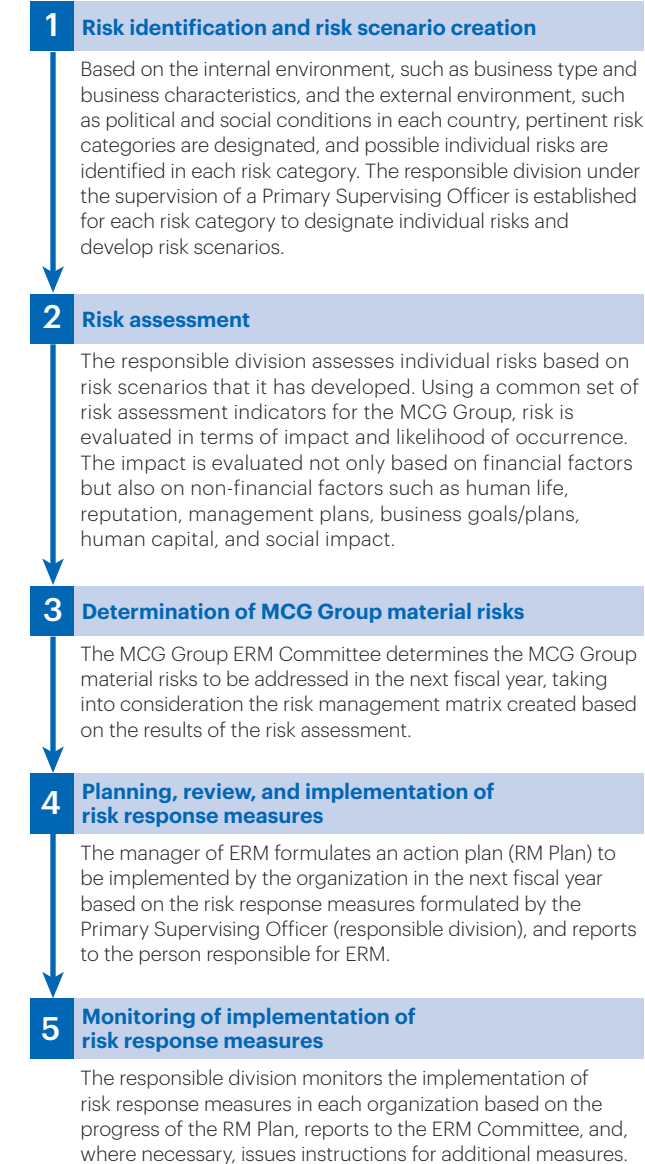
Measures against material risks

For each fiscal year, the MCG Group ERM Committee designates risk to be prioritized by the Group and implements the response. In fiscal 2023, nine categories of risk were designated as material risk, including supply chain risk and information security risk, and with a focus placed on geopolitical risk.

Since these risks are interrelated, each Primary Supervising Officer (responsible division) works together to address these MCG Group material risks and reports the status of the response to the ERM Committee.

The ERM Committee regularly evaluates the effectiveness of these risk response measures and, where necessary, issues instructions for additional measures.

ERM Promotion Process (As of April 2023)



- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management**
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Governance

Risk Management

Measures against future risks

The MCG Group is also addressing future risks by planning a medium- to long-term strategy.

Risks related to climate change

While the chemical industry is an industry with high GHG emissions, it can also contribute to the reduction of GHGs through its products. There is a risk that future earnings may be affected if we are unable to meet demand for lower GHG emissions from customers who pay close attention to environmental standards and energy efficiency in products. Therefore, the MCG Group has set a quantitative target of “sales revenue from sustainability-related products (products that contribute to sustainability, particularly those relating to climate change, circular economy, and food supply),” and is progressing with the development of relevant products.

Risk due to changing market needs

The MCG Group, with its core business in chemicals, needs to achieve constant advances in quality and performance, particularly in the field of specialty materials, and to develop and deliver in a timely manner products that meet market needs. In addition to these requirements, in recent times businesses have been expected to respond to other issues. For example, due to concern over the impact of waste plastic on the marine environment, a shift to plastic substitutes has been recommended.

In response to such changes in market needs, we are keeping a close watch on regulatory trends in the use of plastic products and changes in customer requirements based on such trends. However, if such trends change significantly beyond our expectations, our competitiveness may be adversely affected.

Therefore, we have positioned achieving a circular

economy as an important strategy and are pushing forward with green transformation to develop and provide products that meet market needs for reducing environmental impact in a timely manner, based on key technologies such as plastic recycling and biodegradable plastics. We also participate in domestic and international initiatives such as CLOMA*1 and AEPW*2 to implement comprehensive efforts to solve the plastic waste problem.

*1 Japan Clean Ocean Material Alliance *2 Alliance to End Plastic Waste

[Progress toward Carbon Neutrality and a Circular Economy ▶Page 64](#)

Risk associated with changes in international situations

The MCG Group has a wide range of global operations, including exports of products and local production. The situation in Russia and Ukraine has become protracted, and its effects are not only spreading to other regions and businesses but also affecting economic activities due to destabilization of raw fuel prices and rising transportation costs among other factors, and these may spread even further.

In addition, there is a possibility of supply chain fragmentation due to changes in the international situation regarding economic security. We consider this as a highly significant risk that may affect the business performance of the MCG Group and will establish a Company-wide and cross-sectional response organization to strengthen our supply chain.

Risk due to change in the human resource recruitment environment

■ Securing human resources

With the rise of the millennial generation and the growing diversity of values, failure to clearly present the value of working for the MCG Group may prevent us from securing the appropriate human resources, posing the risk of delay in the realization of our management strategy and in the progress of our management plan.

In order to improve recruiting competitiveness and strengthen retention, we will enhance the value of working for the MCG Group and employee engagement by strengthening talent management, providing career development support to employees, creating an environment for growth, improving the workplace environment, and enhancing recruitment branding.

[Human Resources Strategy ▶Page 67](#)

■ Diversity Equity & Inclusion (DE&I)

While innovation is essential for corporate growth, a lack of diversity, which is the source of innovation, can hinder corporate growth and reduce resilience.

In order to foster an organizational culture that embraces and leverages diversity, we will maintain and improve diversity by continuously raising employees' awareness, instilling our Group Concept (Purpose, Slogan, and Our Way) for leveraging diversity, abolishing personnel management based on attributes, and promoting measures that are appropriate to the situation of each segment.

[Incorporate DE&I into the talent strategy ▶Page 69](#)

Risk related to digital technology

As digital technologies such as AI and the IoT develop rapidly, there is a risk that delays in promoting DX and business process innovation will impair the MCG Group's competitiveness, which could have a negative impact on business performance.

To address this risk, we will continue to strengthen our digital strategy promotion system, leveraging new digital technologies and the expansion of our project promotion system to achieve a business transformation designed to raise productivity and establish and maintain business competitiveness. We will additionally work to raise employee digital literacy and promote the adoption of DX (citizen development) within each business group and function.

[Digital Strategy ▶Page 49](#)

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance**
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Governance

Compliance

For the Mitsubishi Chemical Group, the word *compliance* has a broad meaning encompassing not just basic adherence to the law but also observance of corporate ethics and general social norms. We engage in a range of initiatives to foster a corporate culture of compliance.

Group Concept and Charter of Corporate Behavior

Mitsubishi Chemical Group Corporation regards compliance as one of its most important management issues, and the Group Concept (Purpose, Slogan, and Our Way) also shows our commitment to it. Meanwhile, 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 contribution to realizing KAITEKI.

[Charter of Corporate Behavior](#)

Global compliance promotion structure

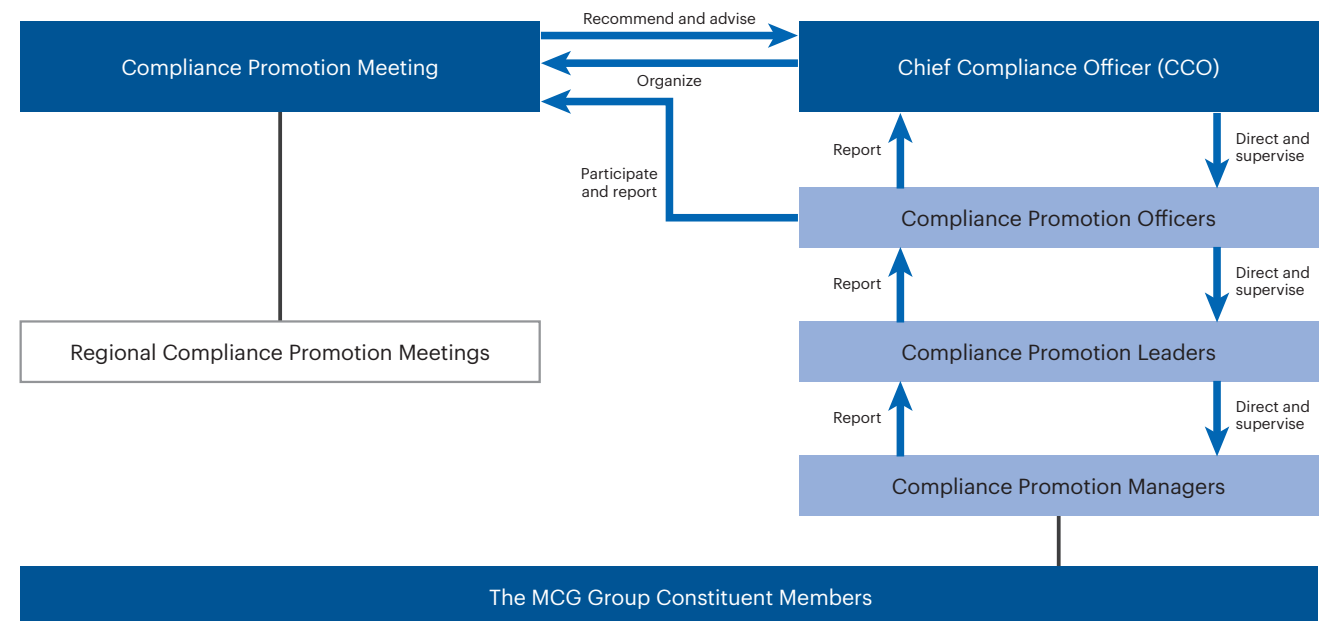
The Chief Compliance Officer (CCO), who is appointed by the MCG Board of Directors, is responsible for implementing compliance and is supported by the Internal Control Division, the department responsible for promoting compliance.

In fiscal 2022, we established a new set of regulations (Global Compliance Promotion Regulations) to manage compliance promotion globally. We also initiated the Global Compliance Promotion Program with the aim of standardizing compliance promotion activity and enhancing its content across all regions: Japan/South

Korea, Americas, EMEA, Asia Pacific, and China. Based on this program, we are rolling out shared initiatives such as training and surveys across the regions, while conducting activities adapted to the specific culture and characteristics of each region. We reinforce the PDCA cycle for compliance promotion by reviewing the content of each activity conducted and making improvements.

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

Compliance promotion structure

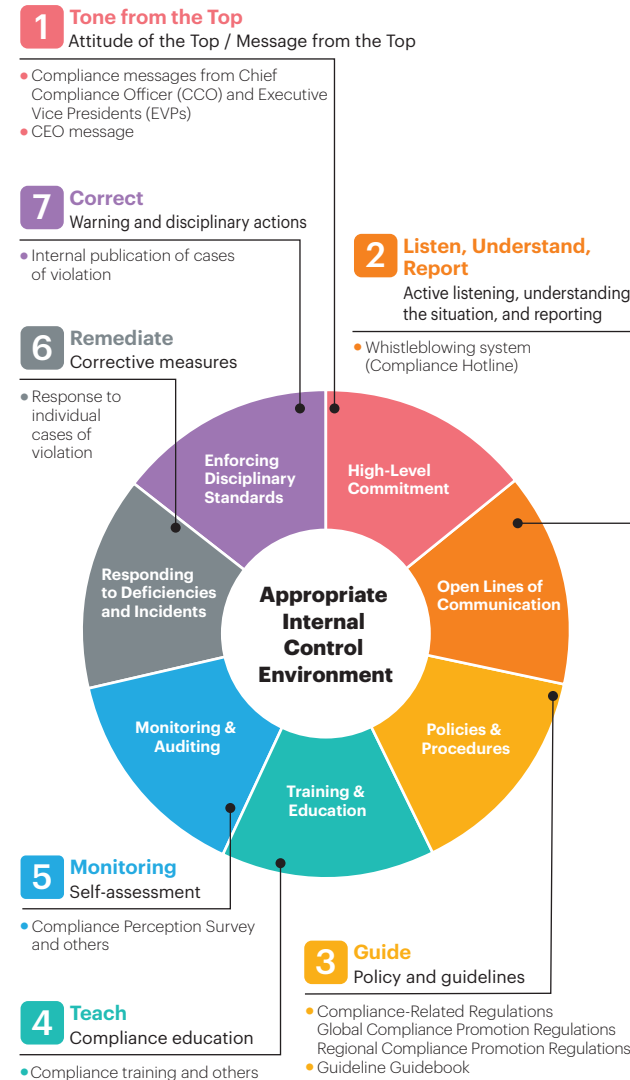


- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance**
- 90 Directors
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information

Governance

Compliance

Global Compliance Promotion Program



Hotline systems

In each region—Japan/South Korea, Americas, EMEA, Asia Pacific, and China—we have put in place a hotline system using as a contact point the department responsible for compliance promotion or external lawyers and specialist institutions. Information gathered through the system 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 2022

In fiscal 2022, in line with the Global Compliance Promotion Program, we issued compliance messages from top management, established hotlines in regions not yet covered, and put in place a comprehensive global reporting structure. Additionally, we introduced a uniform online training platform covering all regions.

We also carry out an annual Compliance Perception Survey to gauge employees' awareness of compliance. With the Americas and EMEA included from fiscal 2022, we conducted globally comprehensive surveys covering approximately 70,000 employees.

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

ACTION

Coordination with ERM (priority compliance risks)

MCG regards compliance as one of the pillars of corporate risk management. In line with this approach, we position compliance as a “material issue for existence” among other material issues. In coordination with the system of Company-wide risk management activity, or Enterprise Risk Management (ERM), which we introduced in fiscal 2022, we took the new step of designating a set of priority compliance risks.

Priority compliance risks are determined at the Compliance Promotion Meeting based on considerations including MCG's compliance-related issues and the potential impact on management in the case of the risk being actualized. The opinions of external experts are also sought. For risks designated as priority compliance risks, the measures planned and implemented by the relevant department are subject to regular monitoring, including at the Compliance Promotion Meeting. The relevant risk content is also covered in training and various other compliance promotion activities.

At the Compliance Promotion Meeting, the corporate executive officers discuss, identify, and monitor priority compliance risks from a Company-wide perspective with the aim of further strengthening the management structure in a way that will reduce risk.

Governance

Directors (As of July 1, 2023)

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
 - Governance
- 74 Message from the Officer Supervising Governance and Legal Affairs
- 75 Corporate Governance System
- 80 Assessment of Effectiveness
- 81 Director and Officer Remuneration
- 86 Risk Management
- 88 Compliance
- 90 Directors**
- 92 Outside Directors' Discussion Meeting
- 95 Chapter 4 Financial/Non-Financial Information



Governance

Directors (As of July 1, 2023)

Director

President & CEO

① Jean-Marc Gilson

Aug. 1989	Joined Dow Corning Corp.
Jun. 2005	Corporate Vice President & General Manager of Specialty Chemicals Business, President Asian Area of Dow Corning Corp. (until Jun. 2009) Shareholder Representative Director of Dow Corning Toray Co., Ltd. (until Jun. 2009)
Jun. 2009	Executive Vice President & General Manager of Specialty Chemicals Business of Dow Corning Toray Co., Ltd. (until Dec. 2010)
Feb. 2011	Chief Executive Officer of Avantor Performance Materials, Inc. (until Dec. 2011)
Feb. 2012	Vice Chairman & Chief Operating Officer of NuSil Technology LLC (until Jun. 2014)
Sep. 2014	Chief Executive Officer of Roquette Frères S.A. (until Dec. 2020)
Feb. 2021	Executive Advisor of MCHC (now MCG)
Apr. 2021	Corporate Executive Officer, President & CEO of MCHC (now MCG)
Jun. 2021	Director of the Board, Corporate Executive Officer, President & CEO of MCHC (now MCG) (to present)

Outside Director

⑤ Takayuki Hashimoto

Lead Independent Outside Director	Chairperson of the Nominating Committee	Member of the Compensation Committee
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Apr. 1978	Joined IBM Japan, Ltd.
Apr. 2000	Director of the Board of IBM Japan, Ltd.
Apr. 2003	Managing Executive Officer of IBM Japan, Ltd.
Jan. 2007	Senior Managing Executive Officer of IBM Japan, Ltd.
Apr. 2008	Director of the Board, Senior Managing Officer of IBM Japan, Ltd.
Jan. 2009	Director of the Board, President of IBM Japan, Ltd.
May 2012	Director of the Board, Chairperson of IBM Japan, Ltd.
Apr. 2014	Chairperson of IBM Japan, Ltd.
Jan. 2015	Vice Chairperson of IBM Japan, Ltd.
Jun. 2016	Outside Director of MCHC (now MCG) (to present)
May 2017	Honorary Executive Advisor of IBM Japan, Ltd. (to present)

Outside Director

⑥ Chikatomo Hodo

Independent Director	Chairperson of the Compensation Committee	Member of the Nominating Committee
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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 Chairperson 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 the Board of MCHC (now MCG) (to present)

Director

Executive Vice President

② Ken Fujiwara

Member of the Nominating Committee

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

Outside Director

⑦ Kiyomi Kikuchi

Independent Director	Member of the Nominating Committee	Member of the Audit Committee
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Apr. 1986	Joined The Dai-Ichi Kangyo Bank, Ltd. (now 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 (now Paul Hastings LLP/Gaikokuho Kyodo Jigyō)
Sep. 2006	JPMorgan Securities Japan Co., Ltd.
Apr. 2008	TMI Associates (to present)
Jun. 2019	Outside Director of the Board of MCHC (now MCG) (to present)

Director

③ Glenn H. Fredrickson

Jan. 1990	Associate Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara (UCSB)
Jul. 1991	Distinguished Professor, Departments of Chemical Engineering and Materials, UCSB (to present)
May 1998	Chairperson, Department of Chemical Engineering, UCSB (until Jul. 2001)
Mar. 2001	Director of Mitsubishi Chemical Center for Advanced Materials at UCSB (to present)
Apr. 2014	Managing Executive Officer of MCHC (now MCG)
Jun. 2014	Director of the Board, Managing Executive Officer of MCHC (now MCG)
Jun. 2015	Director of the Board, Managing Corporate Executive Officer of MCHC (now MCG)
Apr. 2017	Director of the Board of MCHC (now MCG) (to present)

Outside Director

⑧ Tatsumi Yamada

Independent Director	Chairperson of the Audit Committee	Member of the Compensation Committee
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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 (now IFRS 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 (to present)
Apr. 2016	Member of the Certified Public Accountants and Auditing Oversight Board for the Financial Services Agency (until Mar. 2022)
Jun. 2020	Outside Director of the Board of MCHC (now MCG) (to present)

MCG: Mitsubishi Chemical Group Corporation
MCHC: Mitsubishi Chemical Holdings Corporation*
MCC: Mitsubishi Chemical Corporation

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

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting

Governance

Outside Directors' Discussion Meeting



Chikatomo Hodo
Outside Director
Chairperson of
the Compensation Committee

Kiyomi Kikuchi
Outside Director

Takayuki Hashimoto
Lead Independent
Outside Director
Chairperson of
the Nominating Committee

Tatsumi Yamada
Outside Director
Chairperson of
the Audit Committee

Strengthening supervisory functions further to take the leap and become a truly global company

We are now in the third year since the “Forging the future” management policy was announced. Now that we have laid the groundwork and are moving into the execution phase to grow into a truly global company, the independent outside directors have engaged in some frank discussions on the role the Board of Directors should play.

Fulfilling our monitoring functions and evolving into a world-leading company

Hashimoto: Looking back over the time since Jean-Marc Gilson was appointed by the Nominating Committee and took up the reins, the first year was devoted to visualizing the current situation and announcing the new “Forging the future” management policy. During the second year, he

focused on creating a global management concept called “One Company, One Team” in order to execute the management policy. Fiscal 2023 is the third year and we are at the start of the execution phase for future growth. As such, I think that monitoring will be even more important going forward.

Kikuchi: I firmly believe as well that we need to strengthen the monitoring function. However, as a part-time

independent outside director, I am also aware of how difficult this may be, because we do not have access to the same information as the executive officers. Business conditions have changed significantly over the past two years, and the Company has had to execute rapid business reforms, but I feel we were not fully sufficient in fulfilling our monitoring role at each step of the way. Reflecting on this, I think we are approaching a crucial stage where outside directors need to be more rigorous in our supervisory and oversight role.

Yamada: As the chairperson of the Audit Committee, I know that the audit process generates a huge volume of information, and it is my job to share as many of the findings as possible with the Board of Directors so that we can engage in higher-level discussions on the way forward for the Company.

Hodo: The external environment has changed a lot over the past year or two. For monitoring that takes such environmental change into account, I feel we need to focus on fine-tuning things in a pragmatic way, looking at realistic competitive rivalries or economic conditions for example, rather than trying to generate a eureka moment of sudden insight.

I also think that the skill levels of the corporate executive officers determine whether the vision developed is feasible or not. From a range of perspectives, including that of the Audit Committee, we need to look at how the skill levels of corporate executive officers translate into specific measures and whether the measures lead to sustainable and reproducible capabilities. For that, I think the people responsible should join the meetings, including with the Board of Directors, for further wide-ranging discussions.

Hashimoto: The skill level of corporate executive officers is a very important point, I agree. I have recently been thinking that we should ask corporate executive officers to attend Director Liaison Committee meetings and Board

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 57 Message from the Chief Officer Supervising Corporate Sustainability Management
- 58 Implementing Sustainability
- 59 Sustainability Indices
 - Environment
- 62 Reporting in Line with the TCFD Recommendations
- 64 Progress toward Carbon Neutrality and a Circular Economy
 - Society
- 66 Message from the CHRO
- 67 Human Resources Strategy
- 72 Building Sustainable Supply Chains
- 73 Employee-Led Development of Our Way
- Governance
 - 74 Message from the Officer Supervising Governance and Legal Affairs
 - 75 Corporate Governance System
 - 80 Assessment of Effectiveness
 - 81 Director and Officer Remuneration
 - 86 Risk Management
 - 88 Compliance
 - 90 Directors
 - 92 Outside Directors' Discussion Meeting**
- 95 Chapter 4 Financial/Non-Financial Information

Governance

Outside Directors' Discussion Meeting



meetings as much as possible. I think being able to speak directly with the individuals involved would help us get a better understanding of what they are doing and what type of people they are. Often, some things are not totally understandable when they are reported by someone besides the person in charge.

Now that the pandemic has wound down, I think another useful approach is to visit overseas operating companies for discussions. My experience is that people overseas tend to be straight talkers, so information from these types of discussions might also be useful for monitoring purposes. It can be difficult to get a full understanding when you are handed a report during the meeting itself, so I would prefer to go one step further and delve deeper.

Yamada: In addition to the skill level of corporate executive officers, an important element is making sure the employees are convinced. Now that we are in the execution phase of the management policy, I think that the employees will be more motivated to engage if they all fully understand the need for these reforms and are convinced to take on the challenge. The CEO is currently running regular town-hall meetings, and I wonder whether the messages

from these meetings might be spread even more effectively if there were some way of keeping the channels of communication with employees open.

Kikuchi: I think it is also important to show concrete measures to achieve the strategy so that the employees can fully understand and empathize with the management. As a monitoring board, I feel that we need to monitor with a heightened tension and a sense of impending crisis on this point.

On a separate note, I am currently the only female Board member, so from a diversity perspective I want to create more opportunities during fiscal 2023 to talk with female managerial staff.

Hashimoto: The four points the Nominating Committee asked for him as fiscal 2023 targets are clear as monitoring indicators.

The first point is management with a focus on our shareholders. This is also relevant to the remuneration system, where long-term incentives factor in the share price. This results in a performance evaluation system that is sensitive to the share price, even within a single fiscal year. The second point is optimization of global management, generating profits through cost cuts or exiting from businesses that are not profitable. The third point is realizing the growth strategy. One aspect is portfolio management to shift to specialty materials. Another aspect is innovation for the future based on R&D.

The fourth point is to become an internationally recognized role model with a focus on green transformation and carbon neutrality. For example, we aim to clarify where we stand versus well-known benchmarks such as the Dow Jones Sustainability Indices (DJSI), and are focusing on how we will structure our organization and what investment will be made each year to achieve this position. For this point in particular, we have set fairly detailed KPIs.

I think that we can use the issues outlined here as the basis for monitoring by the Board.

Yamada: I think that in the future we will also need to monitor reporting on sustainability. In Europe, the Corporate Sustainability Reporting Directive (CSRD) has strengthened the rules on sustainability disclosures. The International Sustainability Standards Board (ISSB) also issued its first standards in June 2023: IFRS S1 covers the general requirements for disclosure of sustainability-related financial information and IFRS S2 sets out specific climate-related disclosures. There is global pressure for companies to report on how they are dealing with various sustainability requirements. I would like to encourage Mitsubishi Chemical Group Corporation respond to these requirements in the right way.

Establishing a succession plan as a global company that also reflects the specific conditions in Japan

Hashimoto: What does everyone think about succession planning, which is so important for the future? Who would take over the reins if something unexpected happened to the current CEO? Or, from a longer-term perspective, what potential candidates do we have for top management in three or five years' time, what capabilities do they have



3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
57	Message from the Chief Officer Supervising Corporate Sustainability Management
58	Implementing Sustainability
59	Sustainability Indices
	Environment
62	Reporting in Line with the TCFD Recommendations
64	Progress toward Carbon Neutrality and a Circular Economy
	Society
66	Message from the CHRO
67	Human Resources Strategy
72	Building Sustainable Supply Chains
73	Employee-Led Development of Our Way
	Governance
74	Message from the Officer Supervising Governance and Legal Affairs
75	Corporate Governance System
80	Assessment of Effectiveness
81	Director and Officer Remuneration
86	Risk Management
88	Compliance
90	Directors
92	Outside Directors' Discussion Meeting
95	Chapter 4 Financial/Non-Financial Information

Governance

Outside Directors' Discussion Meeting

right now, and what type of development plan do we need moving forward? I feel that we have started to make progress in visualizing these issues. In terms of actual initiatives, we have set up job assignments and educational programs, for example. Of course, succession planning is relevant to all CXO roles, not just the CEO.

Hodo: Listed companies have started to take a much more serious approach to leadership training and succession. Some of the biggest changes involve the development of transparent systems to ensure decisions are made equitably, rather than based on personal contacts and connections, and organizational planning is premised on the creation of the strongest teams. However, I understand many companies are still making some subjective decisions. In comparison, MCG is run at the practical level with fair systems and defined targets and has, in my view, built world-class systems.

Over the next few years, we need to develop a broader pool of candidates who have the potential to become the next generations of high-level executives such as the CEO and to start developing this talent. At many global organizations like the one where Mr. Hashimoto and I worked, there are development programs in place that



monitor employees from their 30s for potential leadership qualities. I think that MCG is starting to set up systems so that it can develop the human resources needed for future generations of leaders.

Kikuchi: Since joining MCG as an outside director, my interactions with the corporate executive officers and employees have made me realize that the Company hires extremely bright and intelligent people. However, up until now, the organization has lacked systems to fully utilize these talented human resources across the Group. As the Company is working on this issue as its human resources strategy, I also think it important to create systems to train employees while they are still young and to develop future generations for CEO and CXO roles. Because the goal is to become a global company, I think it useful to post employees overseas as early as possible while they are still young, so that they can experience other cultures, develop their skills, and bring this experience back to contribute to the organization.

Hashimoto: I think you are right about how human resources have been managed thus far. I spoke with people in HR about how things got this way. In the past, when candidates were identified as having leadership potential, the operational divisions tried to keep a tight hold on them. Apparently now there is a much greater understanding across the Company of the need to develop human resources for the future of the business, so even the operational divisions have changed their views. Increasingly, people with leadership potential are being assigned to different parts of the business or transferred overseas. I hope to see more progress along these lines in the future.

Yamada: The Group companies have really started to work together as a single organization under the "One Company, One Team" concept. If the goal is to become a truly global company, I think there may need to be a greater focus on overseas sites. For example, the Group has global manufacturing operations that include overseas sites,



but R&D sites are concentrated in Japan. The leadership that such a company seeks, in terms of the roles and expertise, may differ from other global, non-Japanese companies. What do you think, Mr. Hashimoto?

Hashimoto: I think you are right. Even though we say "global company," the fact is that the MCG Group operations are mostly concentrated in Japan. Many of the overseas sites are companies that have been acquired. In this type of environment, I think it is difficult for the Company to quickly develop top leadership capable of constantly taking a global view and rapidly making and executing decisions. If the MCG Group aims to become a truly global company, I think we need to define exactly what the organization needs at the top and then develop the future leaders accordingly.

For example, while it is difficult to quickly develop global leaders, I think appointing people to positions at regional headquarters to build up their experience could be an important step for the future. I think human resource development needs to create programs designed to take a higher perspective and be broad in scope. I would like to help set up training systems like this to make sure we develop the next generation of CXOs, so that the MCG Group becomes a truly global company.

Chapter 4

Financial/Non-Financial Information

- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights
- 101 Overview of Business Domains | Summary
- 103 Overview of Business Domains | Results by Segment
- 105 Shareholder Information
- 106 Consolidated Financial Statements
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

[↶](#) Return to the previously viewed page

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information <ul style="list-style-type: none"> • Environmental Data/Social Data • Independent Assurance Report

11-Year Financial Summary

Figures for years indicated with (*) do not include results from discontinued operations.

J-GAAP (fiscal 2012–2015)					IFRS (fiscal 2015–2022)								
	2012	2013	2014	2015		2015*	2016*	2017	2018*	2019*	2020	2021	2022
For the year					For the year								
Net sales	3,088,577	3,498,834	3,656,278	3,823,098	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
Operating income	90,241	110,460	165,681	280,026	Core operating income	300,410	307,522	380,489	314,104	194,820	174,710	272,342	325,558
Income before income taxes and minority interests in consolidated subsidiaries	82,900	116,594	165,621	198,248	Income before taxes	252,791	258,343	344,077	284,846	122,003	32,908	290,370	167,964
Net income attributable to owners of the parent	18,596	32,248	60,859	46,444	Net income (loss) attributable to owners of the parent	51,358	156,259	211,788	169,530	54,077	(7,557)	177,162	96,066
Total comprehensive income	94,900	134,016	173,692	7,695	Total comprehensive income	34,302	226,493	297,476	205,898	475	160,551	332,834	210,493
Capital expenditures	132,221	133,339	165,057	176,508	Capital expenditures	213,134	206,482	225,189	231,742	240,390	263,715	254,589	282,173
Depreciation and amortization	129,549	131,571	151,253	180,374	Depreciation and amortization	182,656	174,040	178,895	199,332	239,824	243,793	251,469	269,616
R&D	134,723	134,260	132,217	138,364	R&D	126,782	126,290	138,833	142,822	133,368	126,073	156,584	149,467
Net cash provided by operating activities	206,504	177,027	329,776	388,663	Net cash provided by operating activities	299,612	396,643	397,940	415,575	452,003	467,133	346,871	355,189
Net cash used in investing activities	(169,758)	(159,789)	(277,223)	(202,796)	Net cash used in investing activities	(234,078)	(289,056)	(335,933)	(895,068)	(87,563)	(217,010)	(128,781)	(247,632)
Net cash used in financing activities	(26,250)	(8,307)	(2,061)	(156,957)	Net cash provided by (used in) financing activities	(40,945)	1,411	(150,592)	519,062	(450,523)	(142,773)	(336,283)	(60,783)
At year-end					At year-end								
Total assets	3,307,758	3,479,359	4,323,038	4,061,572	Total assets	4,223,774	4,463,547	4,701,415	5,572,508	5,132,149	5,287,228	5,573,871	5,773,903
Property, plant and equipment	1,061,551	1,118,050	1,498,146	1,390,727	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
Interest-bearing debt	1,198,799	1,258,186	1,603,595	1,465,752	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
Total net assets	1,203,316	1,314,870	1,588,601	1,554,528	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	1,564,366
Per share					Per share								
Net income—basic	12.61	21.89	41.40	31.70	Basic earnings (loss) per share	35.06	106.73	147.14	119.22	38.08	(5.32)	124.68	67.57
Net assets	553.54	611.95	669.77	636.43	Equity attributable to owners of the parent	663.71	758.30	893.26	970.46	824.07	870.40	1,026.03	1,100.04
Cash dividends	12	12	13	15	Cash dividends	15	20	32	40	32	24	30	30
Key indicators					Key indicators								
Return on assets (ROA) (%)	2.6	3.4	4.2	4.7	Return on assets (ROA) (%)	5.9	5.9	7.5	5.5	2.3	0.6	5.3	3.0
Return on equity (ROE) (%)	2.3	3.7	6.4	4.8	Return on equity (ROE) (%)	5.2	15.1	17.8	12.7	4.2	(0.6)	13.2	6.4
Shareholders' equity ratio (%)	24.6	25.8	22.6	22.9	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
					ROIC (%)	—	—	—	5.9	3.5	3.3	4.9	5.7
					Net debt-to-equity (D/E) ratio (times)	1.17	1.06	0.89	1.26	1.79	1.73	1.40	1.33
					P/E ratio (times)	16.8	8.1	7.0	6.5	16.9	—	6.6	11.6
					P/B ratio (times)	0.9	1.1	1.2	0.8	0.8	1.0	0.8	0.7

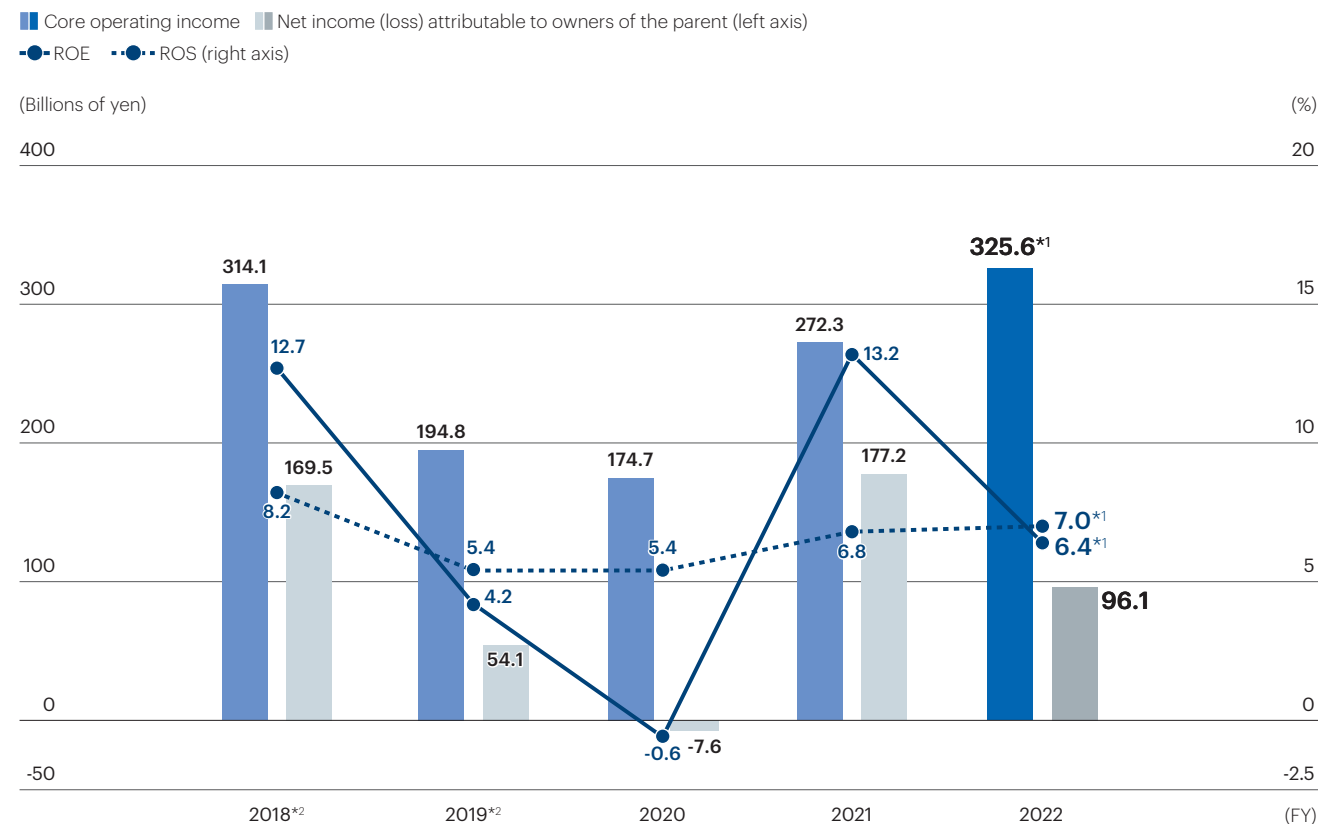
We adopted the International Financial Reporting Standards (IFRS) from fiscal 2016. Core operating income is calculated as operating income (loss) excluding certain gains and expenses attributable to non-recurring factors (gains and losses incurred by business withdrawal and contraction, etc.) as defined 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 relating 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.

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information
- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights**
- 101 Overview of Business Domains | Summary
- 103 Overview of Business Domains | Results by Segment
- 105 Shareholder Information
- 106 Consolidated Financial Statements
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

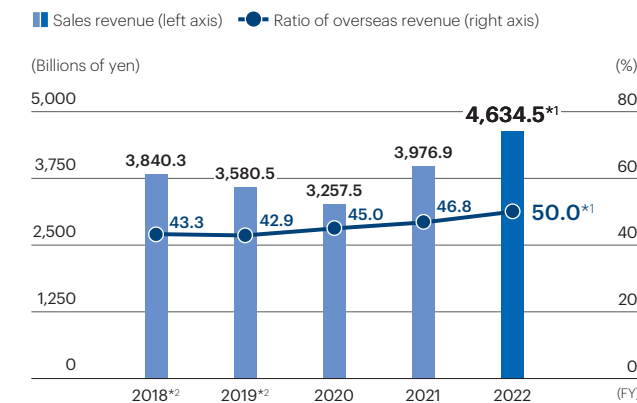
Financial/Non-Financial Highlights (1)

Net income and ROS/ROE



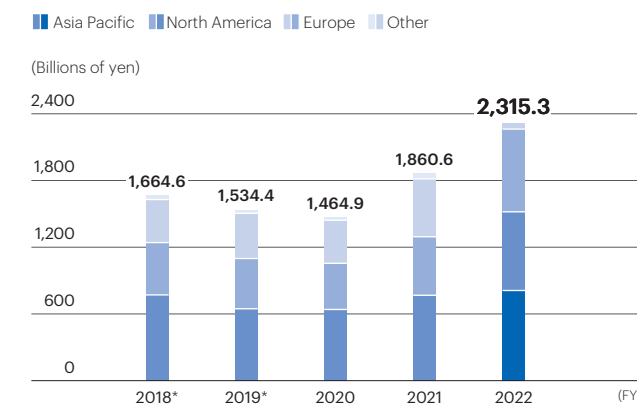
*1 Fiscal 2022 core operating income is calculated at ¥199.7 billion and ROE and ROS for the fiscal year at 0.4% and 4.4% after deduction of an amount equivalent to the *Gilenya* arbitration award.
 2 Figures for years indicated with () do not include results from discontinued operations.

Sales revenue and ratio of overseas revenue



*1 Fiscal 2022 sales revenue is calculated at ¥4,508.6 billion and the ratio of overseas sales revenue for the fiscal year at 48.6% after deduction of an amount equivalent to the *Gilenya* arbitration award.
 2 Figures for years indicated with () do not include results from discontinued operations.

Overseas revenue by region

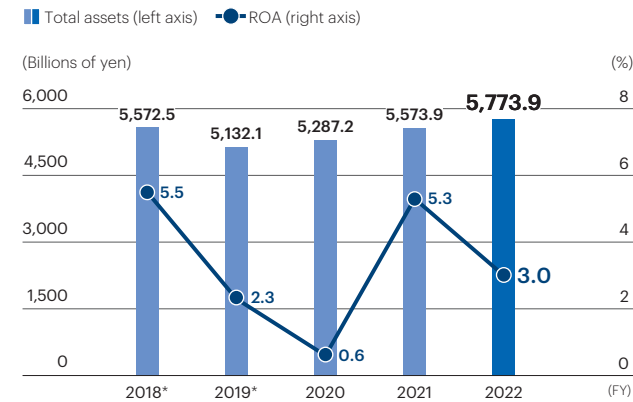


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3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information <ul style="list-style-type: none"> • Environmental Data/Social Data • Independent Assurance Report

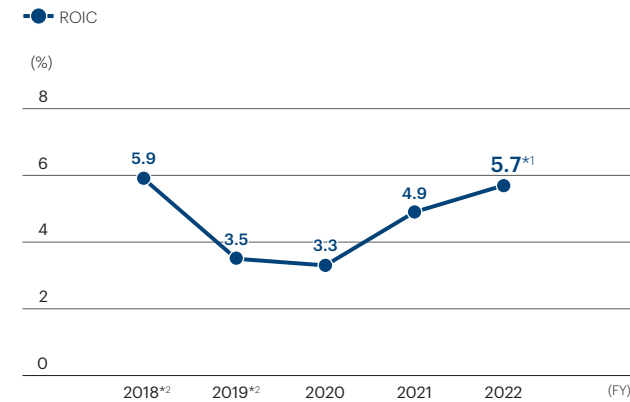
Financial/Non-Financial Highlights (2)

Total assets and ROA



Figures for years indicated with (*) do not include results from discontinued operations.

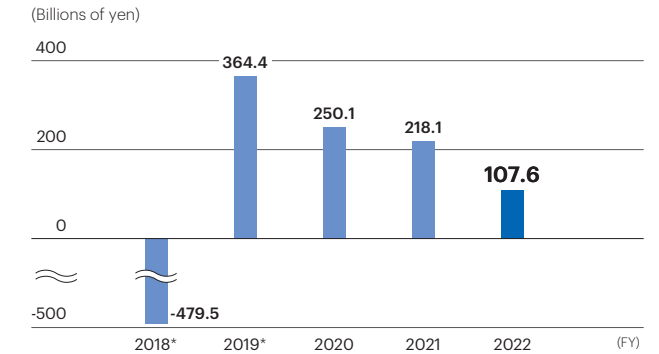
ROIC



*1 Fiscal 2022 ROIC is calculated at 3.6% after deduction of an amount equivalent to the Gilenya arbitration award.

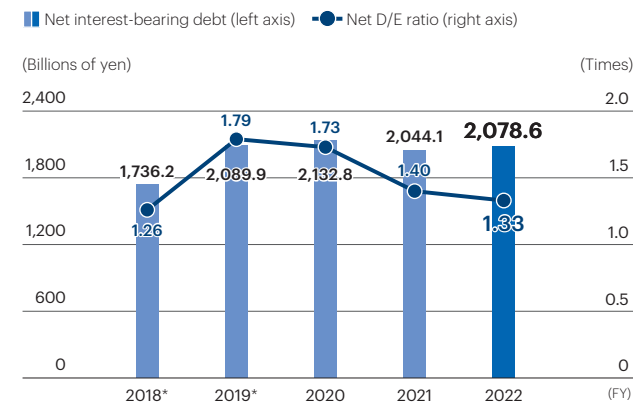
2 Figures for years indicated with () do not include results from discontinued operations.

Free cash flow



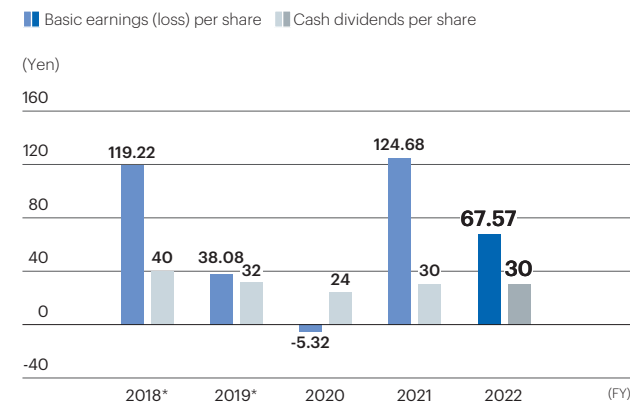
Figures for years indicated with (*) do not include results from discontinued operations.

Net interest-bearing debt and net D/E ratio



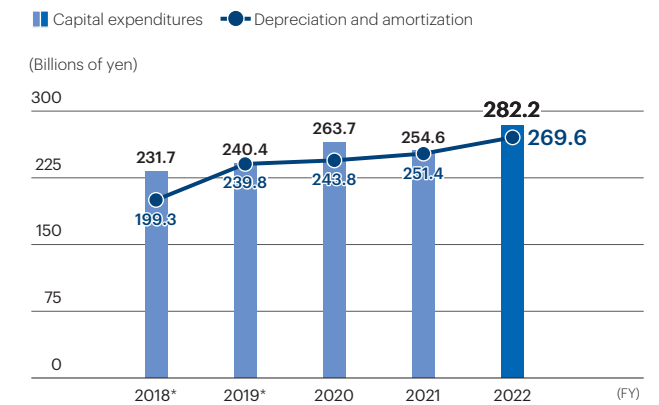
Figures for years indicated with (*) do not include results from discontinued operations.

Basic earnings (loss) per share and cash dividends per share



Figures for years indicated with (*) do not include results from discontinued operations.

Capital expenditures and depreciation and amortization

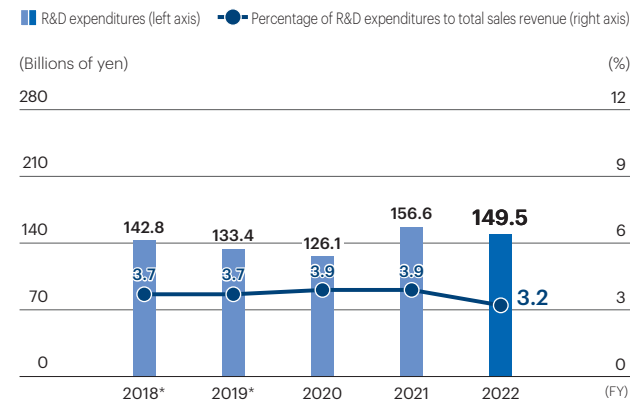


Figures for years indicated with (*) do not include results from discontinued operations.

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information
- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights**
- 101 Overview of Business Domains | Summary
- 103 Overview of Business Domains | Results by Segment
- 105 Shareholder Information
- 106 Consolidated Financial Statements
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

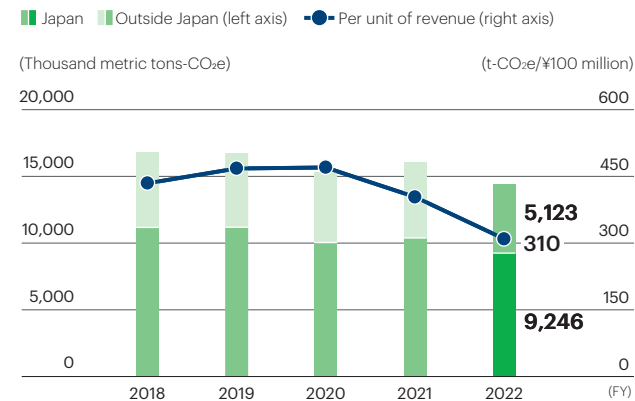
Financial/Non-Financial Highlights (3)

R&D expenditures and percentage of total sales revenue



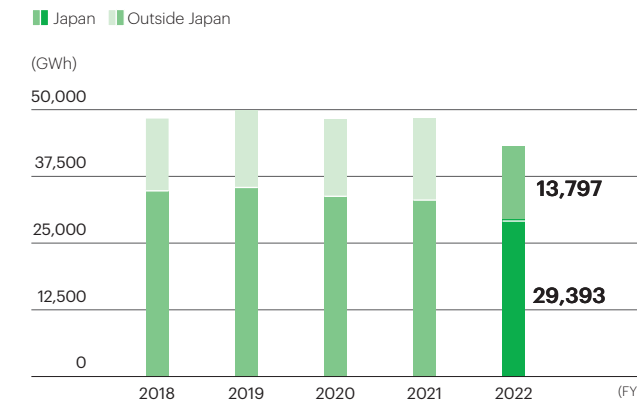
Figures for years indicated with (*) do not include results from discontinued operations.

Scope 1 + 2 emissions*



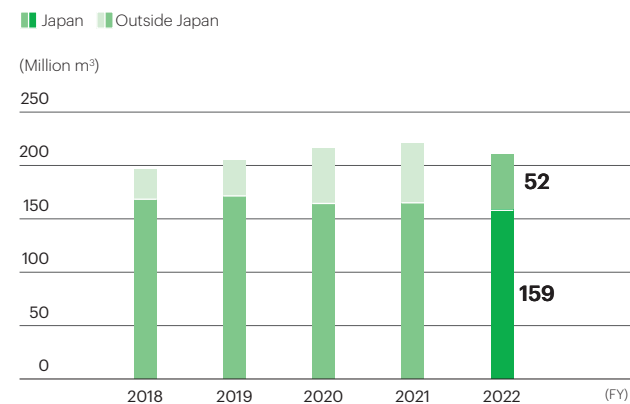
* Data for fiscal 2019 and subsequent periods are calculated based on boundaries revised to reflect the scope of activity of KV30. Figures for fiscal 2018 shown in the graph have been recalculated based on the revised boundaries. Figures for fiscal 2019 and subsequent periods, calculated based on the post-revision boundaries, have received independent assurance. (▶ Page 112)

Energy consumption*



* Data for fiscal 2019 and subsequent periods are calculated based on boundaries revised to reflect the scope of activity of KV30. Figures for fiscal 2018 shown in the graph have been recalculated based on the revised boundaries. Figures for fiscal 2019 and subsequent periods, calculated based on the post-revision boundaries, have received independent assurance. (▶ Page 112)

Water withdrawal (excluding seawater)



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](#)

MCG Group Taxes Paid by Region*1

FY*2	Billions of yen				
	2017	2018	2019	2020	2021
Japan	40.3	78.0	43.6	24.0	20.2
Asia Pacific	9.7	15.0	16.2	7.6	9.5
North America	-3.7	4.3	2.5	1.5	0.4
Europe	5.2	7.6	10.7	9.4	9.5
Other	0.2	0.1	0.1	0.0	0.1
Total	51.7	105.0	73.1	42.5	39.7

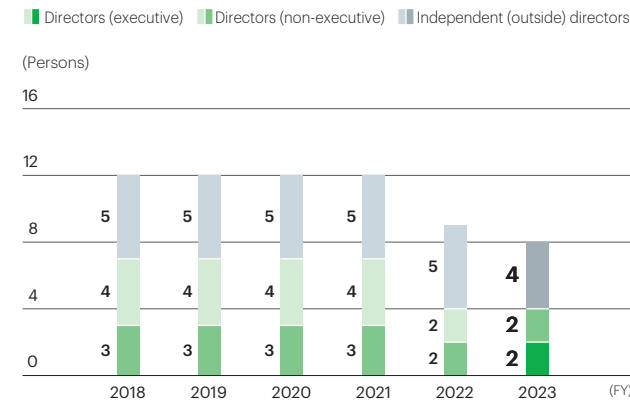
*1 Sum of central and local government income taxes

*2 Tax paid by region based on the Country-by-Country Report submitted to the Japanese tax authorities.

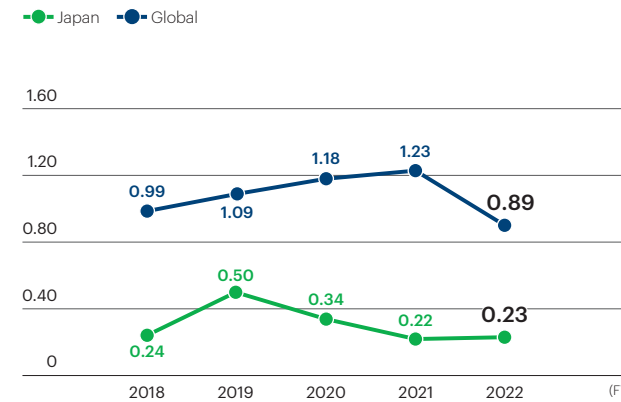
- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information
- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights**
- 101 Overview of Business Domains | Summary
- 103 Overview of Business Domains | Results by Segment
- 105 Shareholder Information
- 106 Consolidated Financial Statements
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

Financial/Non-Financial Highlights (4)

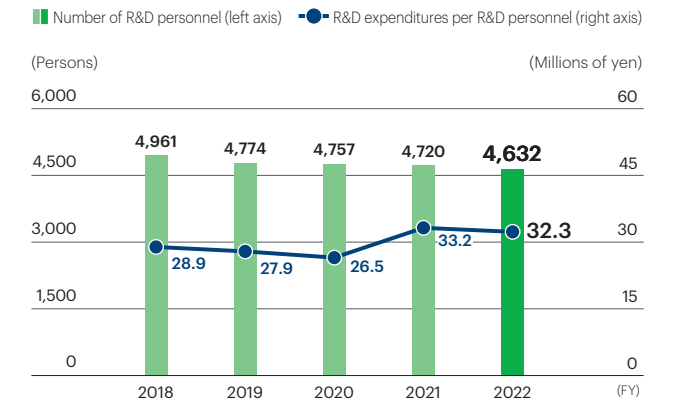
Number of directors and outside directors



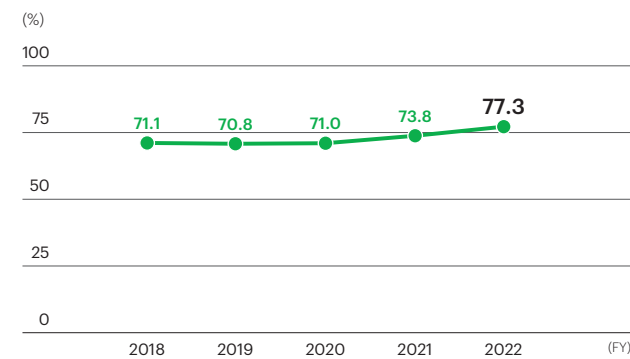
Lost-time injury frequency rate (LTIFR)



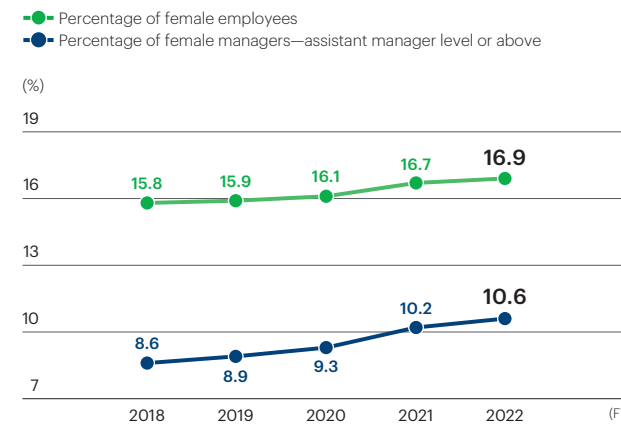
Number of R&D personnel and R&D expenditures per R&D personnel



Paid leave utilization rate



Percentage of female employees and percentage of female managers—assistant manager level or above



- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information
- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights
- 101 Overview of Business Domains | Summary**
- 103 Overview of Business Domains | Results by Segment
- 105 Shareholder Information
- 106 Consolidated Financial Statements
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

Overview of Business Domains | Summary (1)

[Financial results figures for each domain](#)

Notes: 1. Figures for previous fiscal periods (up to and including fiscal 2021) are the business results figures announced at the time.
2. ROA was calculated as core operating income divided by the fiscal year average of total assets.

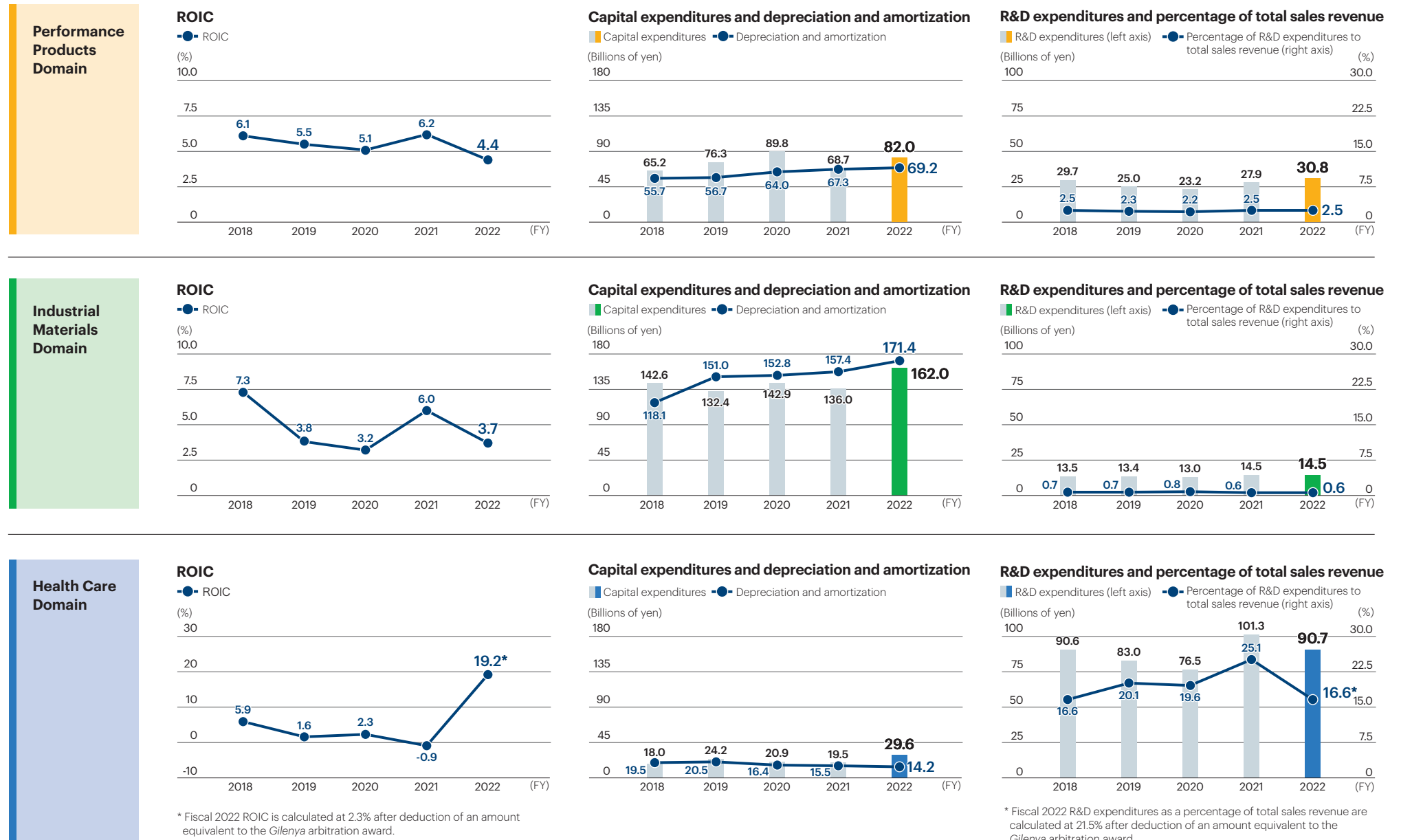


- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information
- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights
- 101 Overview of Business Domains | Summary**
- 103 Overview of Business Domains | Results by Segment
- 105 Shareholder Information
- 106 Consolidated Financial Statements
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

Overview of Business Domains | Summary (2)

[Financial results figures for each domain](#)

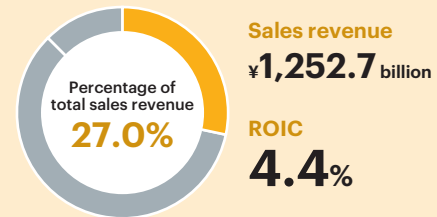
Note: Figures for previous fiscal periods (up to and including fiscal 2021) are the business results figures announced at the time.



3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information
	• Environmental Data/Social Data
	• Independent Assurance Report

Overview of Business Domains | Results by Segment (1)

Performance Products Domain



Performance Products segment

Sales revenue amounted to ¥1,252.7 billion, a year-on-year increase of ¥116.4 billion, and core operating income to ¥51.5 billion, a decrease of ¥27.2 billion.

Sales revenue in the Polymers & Compounds subsegment increased despite the fall in sales volume in automotive applications in particular. The growth was due mainly to active passing on of rising raw material costs to sales prices and currency translation effects.

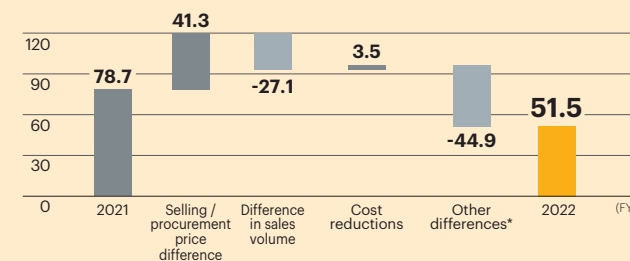
Sales revenue in the Films & Molding Materials subsegment increased due notably to sales price corrections reflecting raw material price rises and currency translation effects, which largely absorbed the impact of the previous fiscal year's transfer of the alumina fiber

business and the sharp fall in demand in display applications.

Sales revenue in the Advanced Solutions subsegment increased due mainly to sales prices corrections to reflect raw material price rises and currency translation effects, which absorbed the impact of a decrease in sales volume mainly in display applications.

Core operating income decreased due to the general decline in demand, particularly in display applications, and the inflation-driven increase in costs, only partly balanced by active passing on of costs to sales prices to reflect raw material price rises.

Performance Products: Factors underlying the YoY change in core operating income (Billions of yen)



* Includes differences due to gains/losses on inventory valuation and to gains/losses on equity-method investments

Polymers & Compounds

Develops greater added value for various materials and delivers high-performance materials to the world

- Performance polymers
- Polycarbonate
- Coating materials, etc.



Coating material ACRYKING

Films & Molding Materials

Utilizes a range of molding technologies to provide products designed for different applications

- Packaging (food packaging) and industrial films
- Polyester films
- High-performance engineering plastics
- Carbon fiber and composite materials, etc.

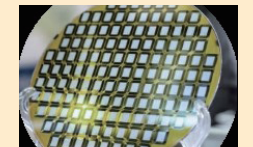


Food packaging film DIAMIRON

Advanced Solutions

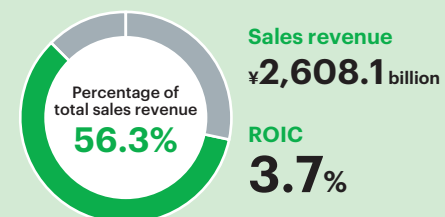
Offers new solutions to society's search for value, through advanced products and technologies, business models, and ideas

- Aqua solutions
- Life solutions
- Semiconductors & electronics
- Battery materials, etc.



Semiconductor-related materials

Industrial Materials Domain



Chemicals segment

Sales revenue amounted to ¥1,430.2 billion, a year-on-year increase of ¥142.3 billion, and core operating income to ¥9.2 billion, a decrease of ¥93 billion.

Sales revenue in the MMA subsegment decreased despite the positive effect particularly of currency translation, as sales volume decreased due to decline in demand and sales prices fell for MMA monomers and other products.

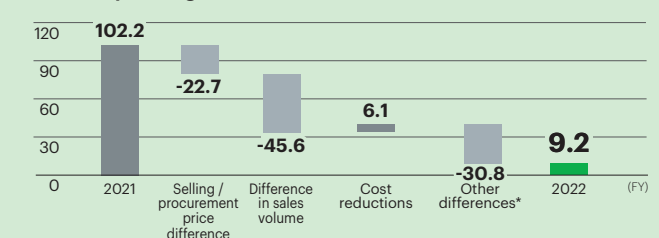
Sales revenue in the Petrochemicals subsegment increased due to sales price increases mainly reflecting rising raw material prices. This growth outweighed the decrease in sales volume due to declining demand and the increased impact of scheduled maintenance and repair at our ethylene production facilities.

Sales revenue in the Carbon Products subsegment grew on rising sales prices due to an increase in the sale price of coke, in turn driven mainly by rising raw material prices, which outweighed the decreased sales volume resulting from declining demand.

Core operating income decreased due mainly to the decreased sales volume resulting from declining demand combined with the

general narrowing of the price margin between raw material and finished product and a decrease in inventory valuation gain.

Chemicals: Factors underlying the YoY change in core operating income (Billions of yen)



* Includes differences due to gains/losses on inventory valuation and to gains/losses on equity-method investments

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information
- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights
- 101 Overview of Business Domains | Summary
- 103 Overview of Business Domains | Results by Segment**
- 105 Shareholder Information
- 106 Consolidated Financial Statements
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

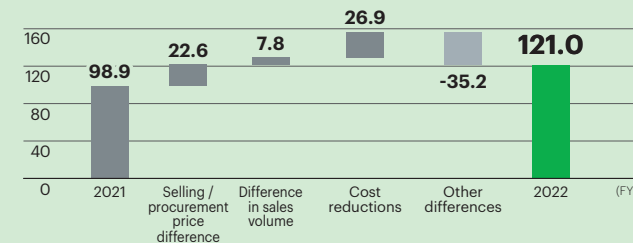
Overview of Business Domains | Results by Segment (2)

Industrial Gases segment

Sales revenue amounted to ¥1,177.9 billion, a year-on-year increase of ¥227.8 billion, and core operating income to ¥121.0 billion, an increase of ¥22.1 billion.

Sales revenue and core operating income increased due to sales volumes being boosted by robust demand in the domestic and overseas markets. Higher sales prices driven by fuel price rises and currency translation effects also contributed.

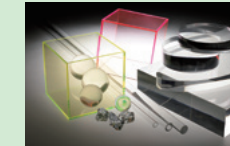
Industrial Gases: Factors underlying the YoY change in core operating income (Billions of yen)



MMA

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

- MMA
- PMMA



PMMA acrylic resin block

Carbon Products business

Uses superior coking coal formulation and quality control technologies to deliver stable supplies in Japan and overseas

- Coke
- Carbon black
- Carbon materials
- Synthetic rubbers



Coke

Petrochemicals business

Operates ethylene plants in Japan and delivers stable supplies of petrochemical materials as well as high-performance polyolefins

- Basic petrochemicals and basic chemical derivatives
- Polyolefins



Ethylene plant

Industrial Gases business

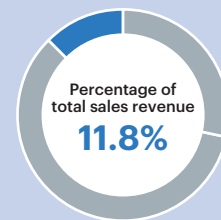
Commands a top share of the domestic market and has built a global supply system with sites in Japan, the United States, Europe, and Asia

- Industrial gases
- Related equipment and facilities



Industrial gases business

Health Care Domain



Sales revenue
¥547.1 billion

ROIC
19.2%

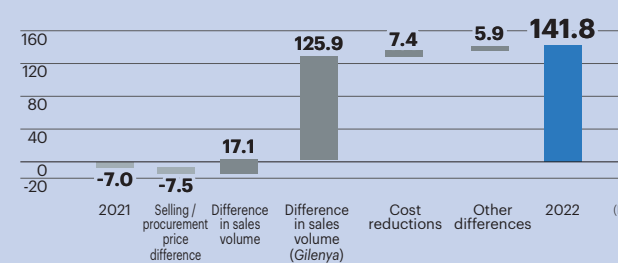
Health Care segment

Sales revenue amounted to ¥547.1 billion, a year-on-year increase of ¥143.5 billion, and core operating income to ¥141.8 billion, an increase of ¥148.8 billion.

Sales revenue and core operating income in this segment increased despite the impact of negative factors including National Health Insurance drug price revisions in the Japanese ethical

pharmaceuticals market. The factors in the increase included robust sales of priority products in the Japanese market and of RADICAVA ORS, a treatment agent for amyotrophic lateral sclerosis (ALS) released in the United States in June 2022, together with royalty revenue* from *Gilenya*, a treatment agent for multiple sclerosis outlicensed to Novartis Pharma AG.

Health Care: Factors underlying the YoY change in core operating income (loss) (Billions of yen)



* As arbitration proceedings began in February 2019, a portion of the royalty revenue had not been recognized as sales revenue in accordance with IFRS 15 (Revenue from Contracts with Customers). However, as the arbitration court judged all the provisions of the relevant contract to be valid in February 2023, sales revenue of ¥125.9 billion was recognized in the consolidated accounting period of the fourth quarter of fiscal 2022.

Pharma business

Develops precision medicine and around the pill solutions in fields where there are unmet medical needs

- Central nervous system
- Immuno-inflammation
- Diabetes and kidney
- Oncology



Biopharmaceuticals

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information <ul style="list-style-type: none"> • Environmental Data/Social Data • Independent Assurance Report

Shareholder Information

Share information (As of March 31, 2023)

Securities code	4188 (Tokyo Stock Exchange Prime Market)
Shares per unit	100
Authorized shares	6,000,000,000
Outstanding shares	1,506,288,107
Number of shareholders	283,641

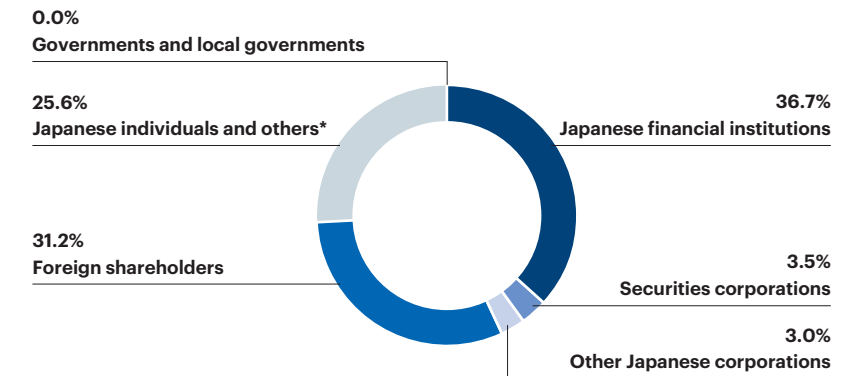
Major shareholders

Name	Number of shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	224,331	15.7
SSBTC CLIENT OMNIBUS ACCOUNT	148,370	10.4
Custody Bank of Japan, Ltd. (Trust account)	94,350	6.6
Meiji Yasuda Life Insurance Company	64,389	4.5
Nippon Life Insurance Company	42,509	3.0
STATE STREET BANK WEST CLIENT - TREATY 505234	22,631	1.6
Custody Bank of Japan, Ltd. (Trust account 4)	21,671	1.5
Taiyo Life Insurance Company	18,838	1.3
JP MORGAN CHASE BANK 385781	17,034	1.2
The Norinchukin Bank	13,497	0.9

Notes: 1. In addition to the above, Mitsubishi Chemical Group Corporation holds 81,777 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 the treasury stock (81,777 thousand shares).

Shareholding ratio by type of owner (As of March 31, 2023)



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



General Meeting of Shareholders

The 18th Ordinary General Meeting of Shareholders was held on June 27, 2023. Internet live streaming of the meeting was also provided for shareholders unable to attend in person.

Consolidated Financial Statements

Consolidated Statement of Income

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries
Fiscal years ended March 31

	Millions of yen	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Continuing operations:		
Sales revenue	¥ 3,976,948	¥ 4,634,532
Cost of sales	(2,862,224)	(3,395,045)
Gross profit	1,114,724	1,239,487
Selling, general and administrative expenses	(854,455)	(922,650)
Other operating income	81,692	31,893
Other operating expenses	(59,961)	(177,755)
Share of profit of associates and joint ventures	21,194	11,743
Operating income	303,194	182,718
Financial income	9,368	16,636
Financial expenses	(22,192)	(31,390)
Income before taxes	290,370	167,964
Income taxes	(80,965)	(32,814)
Net income from continuing operations	¥ 209,405	¥ 135,150
Net income attributable to:		
Owners of the parent	¥ 177,162	¥ 96,066
Non-controlling interests	32,243	39,084
Earnings per share: (Yen)		
Basic earnings per share attributable to owners of the parent	¥ 124.68	¥ 67.57
Diluted earnings per share attributable to owners of the parent	¥ 115.03	¥ 64.72

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information <ul style="list-style-type: none"> • Environmental Data/Social Data • Independent Assurance Report

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries
Fiscal years ended March 31

	Millions of yen	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income	¥209,405	¥135,150
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	4,471	(9,923)
Remeasurements of defined benefit pensions plans	7,328	(3,018)
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method	(6)	426
Total items that will not be reclassified to profit or loss	11,793	(12,515)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	104,596	78,926
Net gain (loss) on derivatives designated as cash flow hedges	2,384	1,528
Share of other comprehensive income (loss) of associates and joint ventures for using the equity method	4,656	7,404
Total items that may be subsequently reclassified to profit or loss	111,636	87,858
Total other comprehensive income (net of tax)	123,429	75,343
Total comprehensive income	¥332,834	¥210,493
Total comprehensive income attributable to:		
Owners of the parent	¥268,003	¥150,984
Non-controlling interests	64,831	59,509

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information <ul style="list-style-type: none"> • Environmental Data/Social Data • Independent Assurance Report

Consolidated Financial Statements

Consolidated Statement of Financial Position

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Assets	Millions of yen	
	March 31, 2022	March 31, 2023
Current assets:		
Cash and cash equivalents	¥ 245,789	¥ 297,224
Trade receivables	825,996	808,787
Inventories	745,248	797,877
Other financial assets	51,085	74,469
Other current assets	106,556	141,020
Subtotal	1,974,674	2,119,377
Assets held for sale	11,442	30,241
Total current assets	1,986,116	2,149,618
Non-current assets:		
Property, plant and equipment	1,899,695	1,907,898
Goodwill	705,412	727,655
Intangible assets	448,805	459,213
Investments accounted for using the equity method	174,791	170,736
Other financial assets	233,533	203,270
Other non-current assets	60,923	61,425
Deferred tax assets	64,596	94,088
Total non-current assets	3,587,755	3,624,285
Total assets	¥5,573,871	¥5,773,903

Liabilities and Equity	Millions of yen	
	March 31, 2022	March 31, 2023
Liabilities		
Current liabilities:		
Trade payables	¥ 486,874	¥ 476,311
Bonds and borrowings	411,213	601,443
Income tax payable	34,875	29,127
Other financial liabilities	291,237	316,379
Provisions	15,601	47,274
Other current liabilities	178,613	184,272
Subtotal	1,418,413	1,654,806
Liabilities directly associated with assets held for sale	880	9,024
Total current liabilities	1,419,293	1,663,830
Non-current liabilities:		
Bonds and borrowings	1,748,756	1,642,325
Other financial liabilities	112,554	118,527
Retirement benefit liabilities	103,941	102,292
Provisions	22,673	39,476
Other non-current liabilities	147,212	39,936
Deferred tax liabilities	175,123	179,380
Total non-current liabilities	2,310,259	2,121,936
Total liabilities	3,729,552	3,785,766
Equity		
Common stock:	50,000	50,000
Additional paid-in capital	170,600	167,917
Treasury stock	(62,870)	(62,231)
Retained earnings	1,213,677	1,270,245
Other components of equity	86,670	138,435
Equity attributable to owners of the parent	1,458,077	1,564,366
Non-controlling interests	386,242	423,771
Total equity	1,844,319	1,988,137
Total liabilities and equity	¥5,573,871	¥5,773,903

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information
- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights
- 101 Overview of Business Domains | Summary
- 103 Overview of Business Domains | Results by Segment
- 105 Shareholder Information
- 106 Consolidated Financial Statements**
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Fiscal year ended March 31, 2022

	Millions of yen			
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2021	¥50,000	¥179,716	¥(63,244)	¥1,060,069
Net income	—	—	—	177,162
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	177,162
Purchase of treasury stock	—	—	(31)	—
Disposal of treasury stock	—	(403)	405	—
Cash dividends	—	—	—	(38,367)
Share-based payment transactions	—	533	—	—
Forfeiture of share acquisition rights	—	(1,106)	—	823
Changes in interests in subsidiaries	—	(8,140)	—	—
Business combinations or business divestitures	—	—	—	—
Changes in scope of consolidation	—	—	—	21
Transfer from other components of equity to retained earnings	—	—	—	13,969
Total transactions with owners	—	(9,116)	374	(23,554)
Balance at March 31, 2022	¥50,000	¥170,600	¥(62,870)	¥1,213,677

	Other components of equity				Total	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 pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges				
Balance at April 1, 2021	¥56,707	¥ —	¥(47,077)	¥ 168	¥ 9,798	¥1,236,339	¥334,809	¥1,571,148
Net income	—	—	—	—	—	177,162	32,243	209,405
Other comprehensive income	1,063	7,155	80,395	2,228	90,841	90,841	32,588	123,429
Total comprehensive income	1,063	7,155	80,395	2,228	90,841	268,003	64,831	332,834
Purchase of treasury stock	—	—	—	—	—	(31)	—	(31)
Disposal of treasury stock	—	—	—	—	—	2	—	2
Cash dividends	—	—	—	—	—	(38,367)	(15,963)	(54,330)
Share-based payment transactions	—	—	—	—	—	533	—	533
Forfeiture of share acquisition right	—	—	—	—	—	(283)	—	(283)
Changes in interests in subsidiaries	—	—	—	—	—	(8,140)	2,553	(5,587)
Business combinations or business divestitures	—	—	—	—	—	—	(9)	(9)
Changes in scope of consolidation	—	—	—	—	—	21	21	42
Transfer from other components of equity to retained earnings	(6,814)	(7,155)	—	—	(13,969)	—	—	—
Total transactions with owners	(6,814)	(7,155)	—	—	(13,969)	(46,265)	(13,398)	(59,663)
Balance at March 31, 2022	¥50,956	¥ —	¥33,318	¥2,396	¥86,670	¥1,458,077	¥386,242	¥1,844,319

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information
- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights
- 101 Overview of Business Domains | Summary
- 103 Overview of Business Domains | Results by Segment
- 105 Shareholder Information
- 106 Consolidated Financial Statements**
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information <ul style="list-style-type: none"> • Environmental Data/Social Data • Independent Assurance Report

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Fiscal year ended March 31, 2023

	Millions of yen			
	Common stock	Additional paid-in capital	Treasury stock	Retained earnings
Balance at April 1, 2022	¥50,000	¥170,600	¥(62,870)	¥1,213,677
Net income	—	—	—	96,066
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	—	96,066
Purchase of treasury stock	—	—	(21)	—
Disposal of treasury stock	—	(651)	660	—
Cash dividends	—	—	—	(42,651)
Share-based payment transactions	—	463	—	—
Changes in interests in subsidiaries	—	(2,495)	—	—
Business combinations or business divestitures	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	3,153
Total transactions with owners	—	(2,683)	639	(39,498)
Balance at March 31, 2023	¥50,000	¥167,917	¥(62,231)	¥1,270,245

	Other components of equity				Total	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 pensions plans	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges				
Balance at April 1, 2022	¥50,956	¥ —	¥33,318	¥ 2,396	¥ 86,670	¥1,458,077	¥386,242	¥1,844,319
Net income	—	—	—	—	—	96,066	39,084	135,150
Other comprehensive income	(10,053)	(3,459)	66,570	1,860	54,918	54,918	20,425	75,343
Total comprehensive income	(10,053)	(3,459)	66,570	1,860	54,918	150,984	59,509	210,493
Purchase of treasury stock	—	—	—	—	—	(21)	—	(21)
Disposal of treasury stock	—	—	—	—	—	9	—	9
Cash dividends	—	—	—	—	—	(42,651)	(19,216)	(61,867)
Share-based payment transactions	—	—	—	—	—	463	—	463
Changes in interests in subsidiaries	—	—	—	—	—	(2,495)	(3,153)	(5,648)
Business combinations or business divestitures	—	—	—	—	—	—	389	389
Transfer from other components of equity to retained earnings	(6,612)	3,459	—	—	(3,153)	—	—	—
Total transactions with owners	(6,612)	3,459	—	—	(3,153)	(44,695)	(21,980)	(66,675)
Balance at March 31, 2023	¥34,291	¥ —	¥99,888	¥4,256	¥138,435	¥1,564,366	¥423,771	¥1,988,137

Consolidated Financial Statements

Consolidated Statement of Cash Flows

Mitsubishi Chemical Group Corporation and Consolidated Subsidiaries

Millions of yen

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities:		
Income before taxes	¥290,370	¥167,964
Depreciation and amortization	251,469	269,616
Share of (profit) loss of associates and joint ventures	(21,194)	(11,743)
Impairment loss	26,047	96,782
Provision for loss on plant closure	—	26,726
Loss on sale and disposal of fixed assets	14,407	10,979
Provision for loss on business liquidation	—	5,666
Provision for loss on litigation	615	3,550
Gain on sale of property, plant and equipment	(9,121)	(8,792)
Gain on sale of intercompany securities	(1,888)	(3,316)
Gain on reversal of environmental expenses	—	(3,149)
Gain on business transfer	(60,838)	—
Interest and dividend income	(5,875)	(14,616)
Interest expense	20,985	29,800
(Increase) decrease in trade receivables	(88,721)	20,438
(Increase) decrease in inventories	(152,599)	(45,166)
Increase (decrease) in trade payables	86,511	(14,611)
Increase (decrease) in retirement benefit assets and liabilities, net	9,222	4,184
Others	45,221	(66,344)
Subtotal	404,611	467,968
Interest received	1,134	2,039
Dividends received	14,204	26,338
Interest paid	(20,250)	(25,335)
Income tax (paid) received, net	(52,828)	(115,821)
Net cash provided by (used in) operating activities	346,871	355,189
Cash flows from investing activities:		
Purchase of property, plant and equipment	(244,851)	(259,026)
Proceeds from sales of property, plant and equipment	24,707	5,793
Purchase of intangible assets	(12,814)	(21,969)
Purchase of other financial assets	(4,070)	(5,184)
Proceeds from sales/redemption of other financial assets	38,988	26,944
Purchase of investments in subsidiaries	(6,501)	(122)
Proceeds from sales of investments in subsidiaries	0	9,832
Payments for transfer of businesses	(700)	—
Proceeds from transfer of businesses	81,901	1,934
Net (increase) decrease in time deposits	476	(636)
Others	(5,917)	(5,198)
Net cash provided by (used in) investing activities	(128,781)	(247,632)

Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(89,129)	(9,167)
Net increase (decrease) in commercial papers	(60,000)	69,000
Proceeds from long-term borrowings	66,162	81,270
Repayment of long-term borrowings	(130,246)	(128,728)
Proceeds from issuance of bonds	94,636	44,776
Redemption of bonds	(125,000)	(20,000)
Repayment of lease liabilities	(32,349)	(34,099)
Net (increase) decrease in treasury stock	(27)	(21)
Dividends paid to owners of the parent	(38,367)	(42,651)
Dividends paid to non-controlling interests	(15,810)	(19,113)
Repayments to non-controlling interests	(5,600)	—
Others	(553)	(2,050)
Net cash provided by (used in) financing activities	(336,283)	(60,783)
Effect of exchange rate changes on cash and cash equivalents		
	14,276	6,425
Net increase (decrease) in cash and cash equivalents	(103,917)	53,199
Cash and cash equivalents at the beginning of the period	349,577	245,789
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(137)	(1,868)
Net increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	266	—
Net increase in cash and cash equivalents resulting from merger and acquisition	—	104
Cash and cash equivalents at the end of the period	¥245,789	¥297,224

- 3 Chapter 1 Our Vision
- 22 Chapter 2 Sustainable Growth Strategy
- 56 Chapter 3 Strengthening ESG Activities
- 95 Chapter 4 Financial/Non-Financial Information
- 96 11-Year Financial Summary
- 97 Financial/Non-Financial Highlights
- 101 Overview of Business Domains | Summary
- 103 Overview of Business Domains | Results by Segment
- 105 Shareholder Information
- 106 Consolidated Financial Statements**
- 112 Non-Financial Information
 - Environmental Data/Social Data
 - Independent Assurance Report

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information
	• Environmental Data/Social Data
	• Independent Assurance Report

Non-Financial Information

Environmental Data

☑ Indicators with this icon have been assured by KPMG AZSA Sustainability Co., Ltd. for fiscal 2022.

Boundary of data aggregation

The data covers the four operating companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute Inc., and Nippon Sanso Holdings Corporation) and their domestic and overseas Group companies.

Energy consumption/Greenhouse gas (GHG) emissions*1	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
☑ GHG emissions (Scope 1 + Scope 2) (thousand metric tons-CO ₂ e)*2	16,629	15,325	16,079	14,369
☑ Scope 1	8,455	7,786	7,829	6,685
☑ Scope 2	8,174	7,540	8,250	7,685
☑ Scope 3*4	51,820	51,930	53,637	48,976
☑ Energy consumption (GWh)*3	49,110	47,335	48,425	43,190

Environmental impact	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
☑ NOx emissions (thousand metric tons)	8.28	7.94	7.91	6.81
☑ SOx emissions (thousand metric tons)	3.39	3.23	3.08	2.31
☑ COD (thousand metric tons)*5	1.80	1.68	1.70	1.48
☑ Total nitrogen load (thousand metric tons)*5	5.67	4.87	4.85	4.40
☑ Total phosphorous load (thousand metric tons)*5	0.11	0.10	0.09	0.04

Water use	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
☑ Water withdrawal (Million m ³) (excluding seawater)	204	216	222	212

*1 Based on the GHG Protocol, energy used to produce electricity and steam sold externally and the resulting CO₂ emissions are not excluded. The data has included half of the energy consumption and GHG emissions of joint operations in Japan.

*2 For the calculation of emissions in Japan, the base emission factors of individual electric power companies specified in the Act on Promotion of Global Warming Countermeasures are used in principle, with an alternative emission factor used in cases where the specific emission factor is unavailable. GHG emissions that are not subject to reporting under the Act are mostly calculated based on the mass balance of chemical reactions. Overseas Scope 1 emissions are calculated with the emission factors specified in the Act on Promotion of Global Warming Countermeasures, and overseas Scope 2 emissions are calculated with power company-specific emission factors or country-level emission factors for electricity published by the IEA.

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

*4 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.

*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.

Non-Financial Information

Social Data

☑ Indicators with this icon have been assured by KPMG AZSA Sustainability Co., Ltd. for fiscal 2022.

Constitution of employees (Mitsubishi Chemical Group)	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of employees (consolidated)	69,609	69,607	69,784	68,639
Number of employees by district				
Japan	40,732	40,774	40,289	39,297
Outside Japan	28,877	28,833	29,495	29,342

Aggregation period

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

Boundary of data aggregation

The figures show those employed by Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Life Science Institute, 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 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
☑ Number of employees	23,116	23,147	22,739	22,325
☑ Number of employees by gender				
Male	19,444	19,429	18,934	18,545
Female	3,672	3,718	3,805	3,780
☑ Percentage of female employees (%)	15.9	16.1	16.7	16.9
☑ Percentage of female managers (%)				
Assistant manager level or above	8.9	9.3	10.2	10.6
Manager level or above	—	—	5.4	5.6
Pay gap between male and female employees (full-time) (%)	—	—	77.4	77.4
Childcare leave utilization rate (%) ^{*6}				
Male	—	—	45.0	65.0
Female	—	—	100.0	100.0
☑ Paid leave utilization rate (%) ^{*7}	70.8	71.0	73.8	77.3
☑ Lost-time injury frequency rate (LTIFR) ^{*8, *9}	1.09	1.18	1.23	0.89

^{*6} The childcare leave utilization rate is calculated using the formula: Number of employees who started childcare leave ÷ People who gave birth (spouse gave birth) x 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 take 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 the four operating companies and their domestic and overseas Group companies with operating divisions active. From fiscal 2020, the boundary of the LTIFR includes the staff of Mitsubishi Tanabe Pharma's Head Office, branches, and sales offices in Japan.


^{*9} The LTIFR is the number of lost-time injuries and fatalities per million hours worked.

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information
	• Environmental Data/Social Data
	• Independent Assurance Report

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information
96	11-Year Financial Summary
97	Financial/Non-Financial Highlights
101	Overview of Business Domains Summary
103	Overview of Business Domains Results by Segment
105	Shareholder Information
106	Consolidated Financial Statements
112	Non-Financial Information
	• Environmental Data/Social Data
	• Independent Assurance Report

Independent Assurance Report

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, 2022 to March 31, 2023 included in its KAITEKI REPORT 2023 (the “Report”) for the fiscal year ended March 31, 2023.

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 Company’s Kyushu Plant (Kumamoto Area) and the Lemont 2 Plant of Matheson Tri-Gas, 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 30, 2023

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.

Editorial Postscript

“Science. Value. Life.” is the Slogan of the new Group Concept formulated in February 2023. Value in particular stands for our unwavering commitment to making a difference in society.

This report outlines the thinking that went into our new Group Concept and presents examples of portfolio reform and other elements of our growth strategy, and the initiatives for innovation and sustainability that are the foundation for growth, thus giving a clear insight into the process of value creation. We hope that the report will stimulate constructive dialogue with readers and other stakeholders.

Osamu Shimizu

Director, Corporate Communications Division
Mitsubishi Chemical Group Corporation



KAITEKI Report 2023 editorial team members

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 MCG is engaged in a wide range of businesses, including various performance products, MMA, petrochemicals, coal chemicals, industrial gases, and pharmaceuticals.



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