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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

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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%.

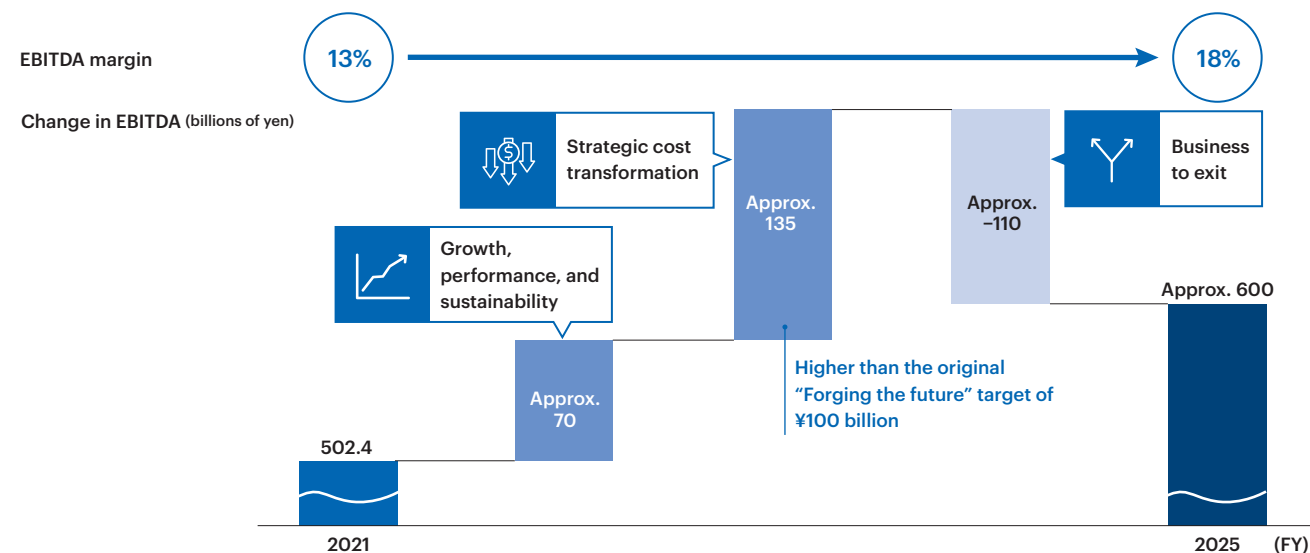
Of these, we expect three primary pillars to generate the following outcomes: through business growth by means of pillar (1), EBITDA is projected to increase by approximately ¥70 billion; pillar (2) will deliver cost reductions of approximately ¥135 billion, higher than the initial target of ¥100 billion; 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%



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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	

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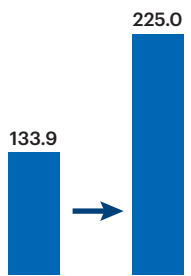
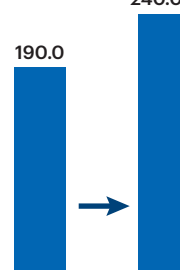


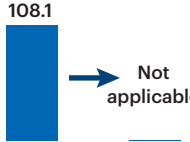
Five key pillars Growth, performance, and sustainability

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%	<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>
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

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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

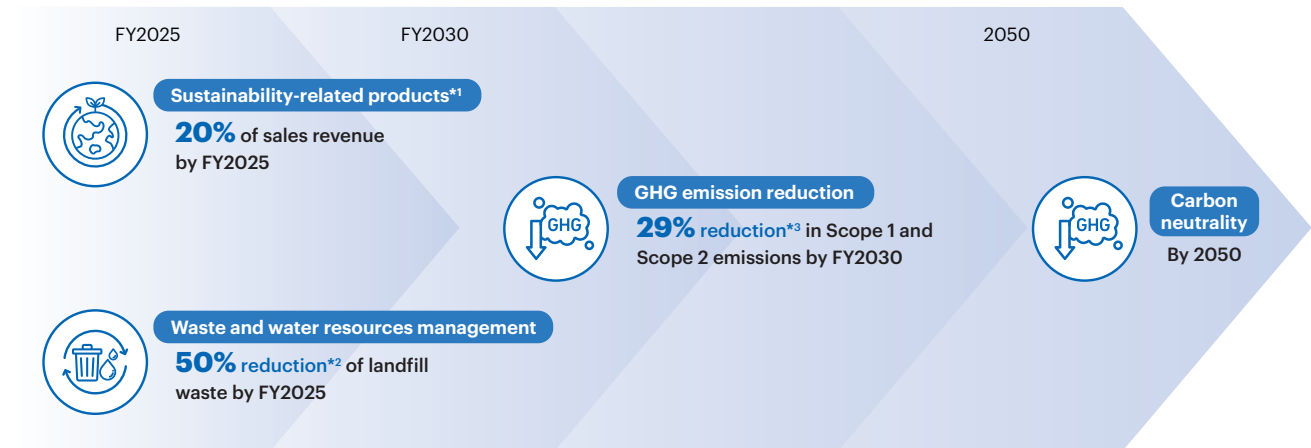
We consider both GHG emission reduction and waste and water resources management as important sustainability-related targets. At the same time, we are expanding products that contribute to sustainability, particularly those relating to climate change, circular economy, food supply, and conservation of 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)



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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.

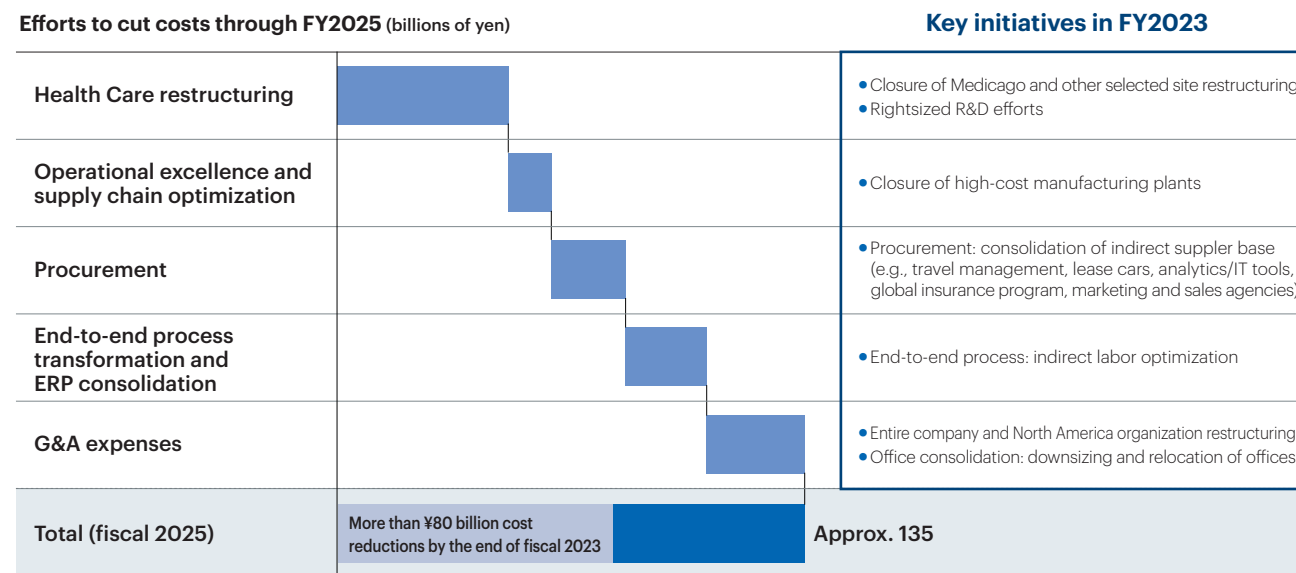
Through these efforts, we expect to save more than ¥80 billion by the end of fiscal 2023 and have set a cost transformation target of approximately ¥135 billion in fiscal 2025.

Five key pillars Business to exit

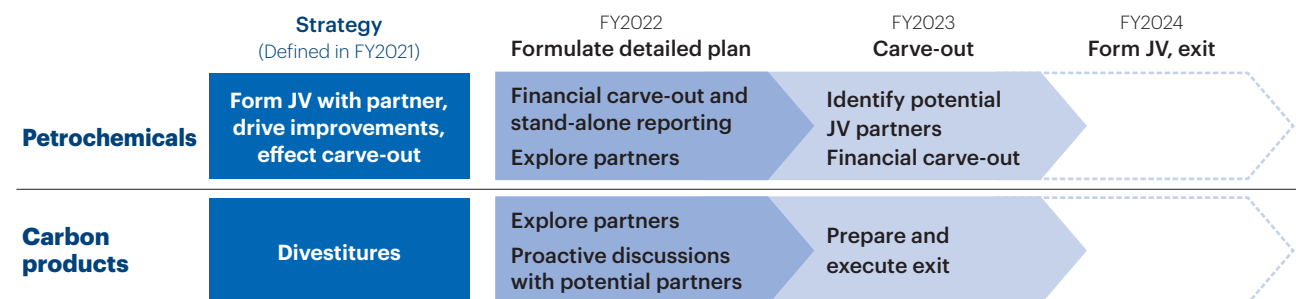
Committed to exiting businesses that do not match our growth and sustainability expectations

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



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Five key pillars Leaner, digital, empowered

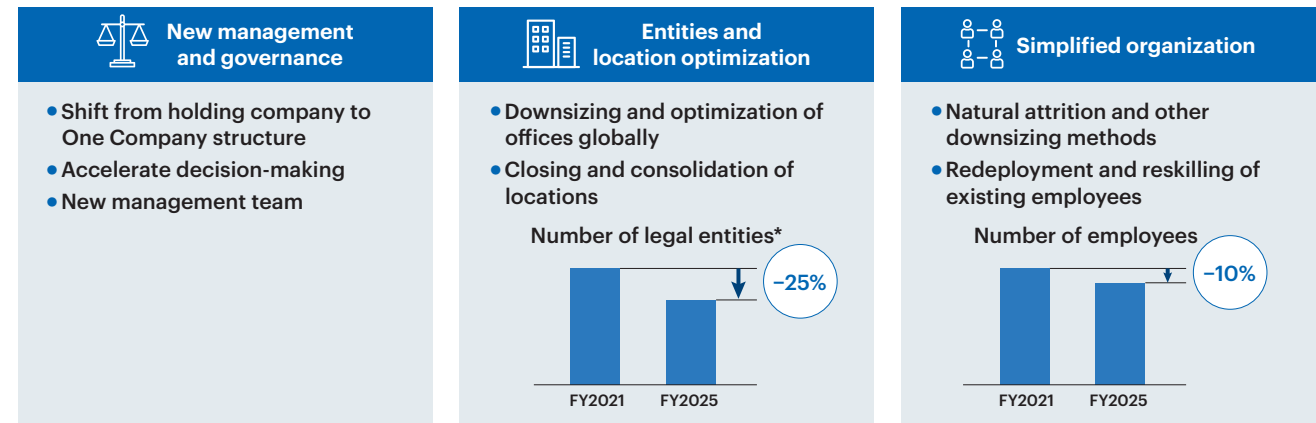
Working to create a leaner, more efficient organization in pursuit of One Company concept

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.

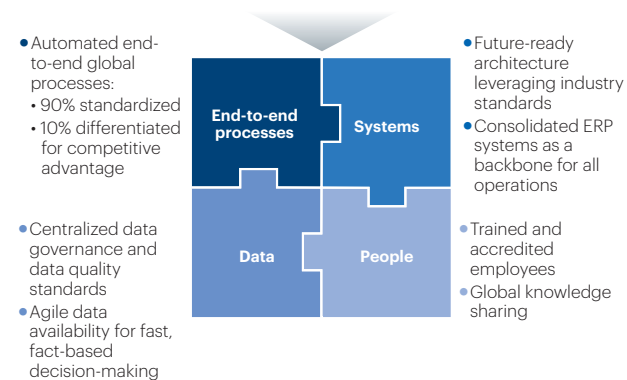
Establishing a leaner organizational structure



* 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**
 - 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**
 - Maintain appropriate operations and safe facilities
 - Monitor and prevent human rights violations and high-risk situations

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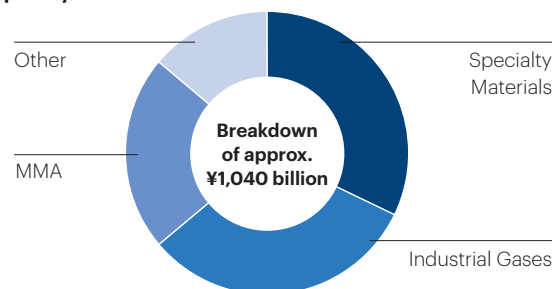
Five key pillars Strategic capital allocation

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.

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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

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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%

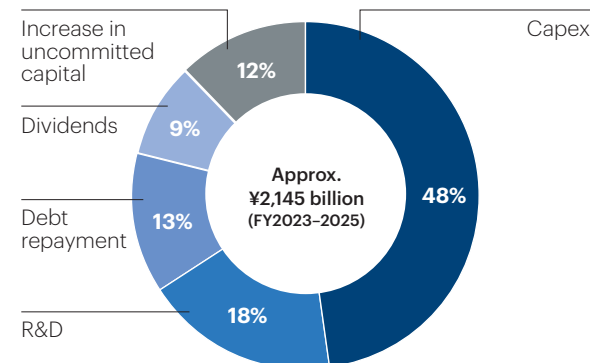
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Message from the CFO

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.

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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

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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.

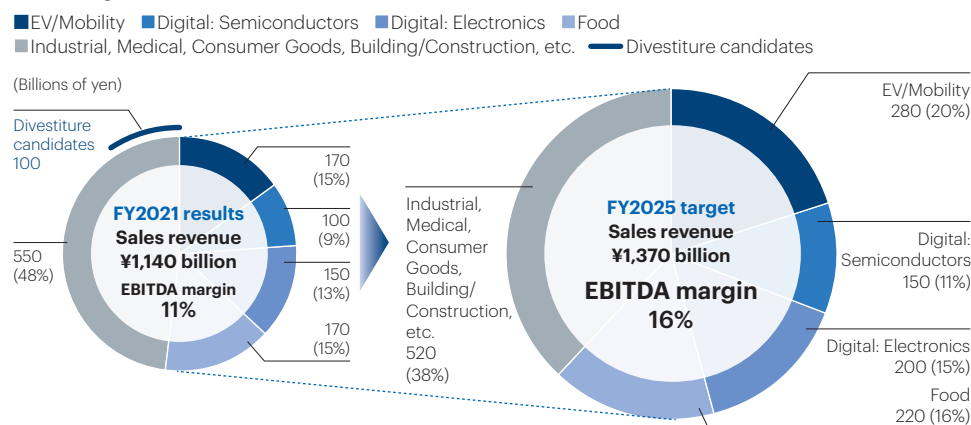
Strategic focus

- 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

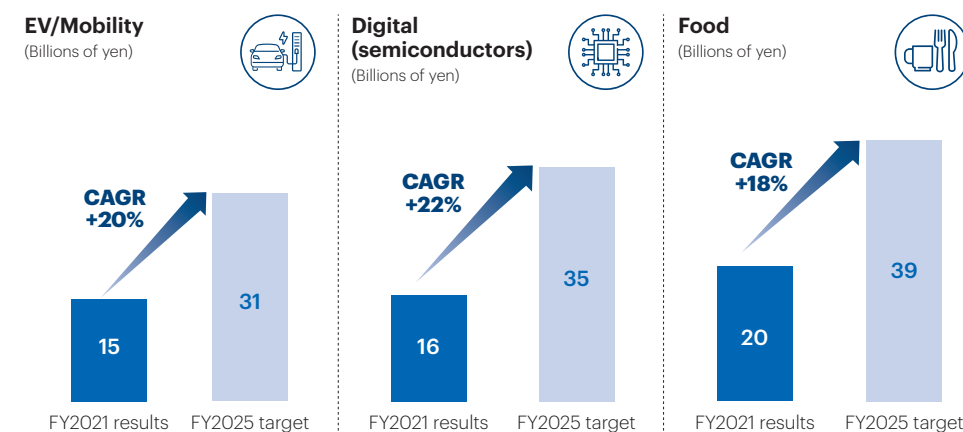
Our strategic focus



SWOT analysis

<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. 	<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
<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 	<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



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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

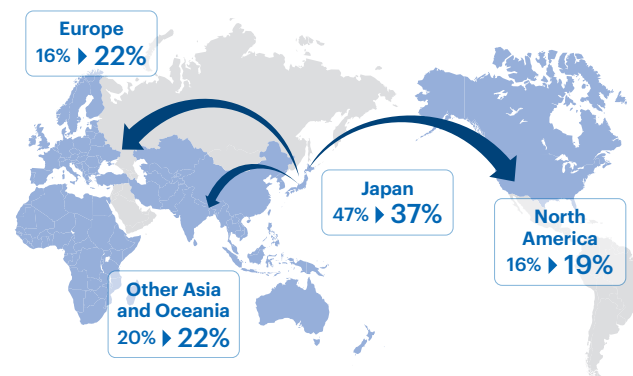
Making the entire product portfolio available globally

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

Specialty materials sales revenue share
FY2021 ▶ FY2025



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.

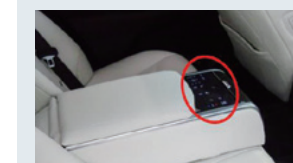
Some of the MCG Group's sustainability brands

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



Example use

Green mobility interior
DURABIO used for the rear heater control panel of the new fuel cell EV MIRAI sold by Toyota Motor Corporation

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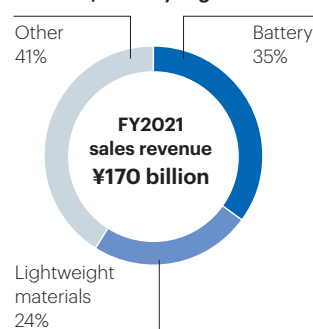
Specialty Materials

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



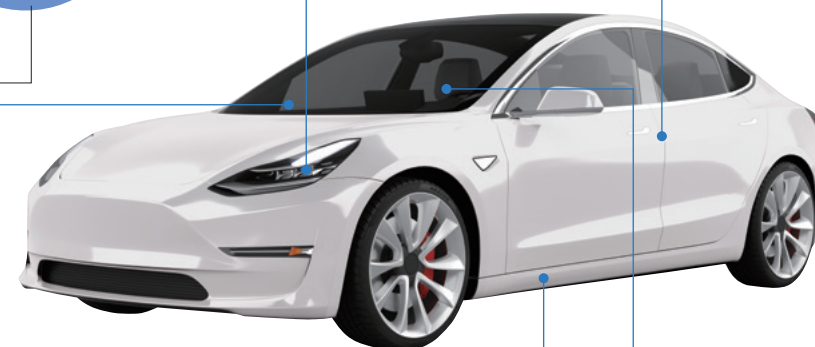
Engineering plastics

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

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.



Thermoplastic elastomer for airbag covers

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



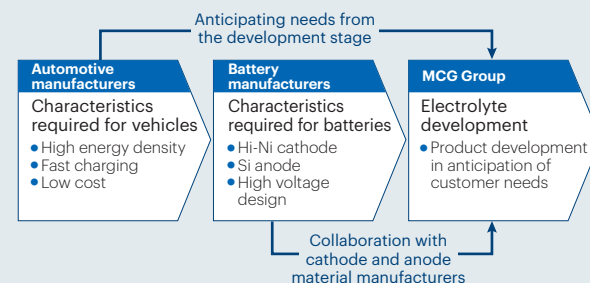
Electrolyte expansion strategy

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.

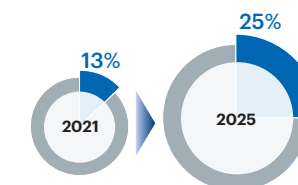
MCG Group strengths

- 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

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Business Strategy

Specialty Materials

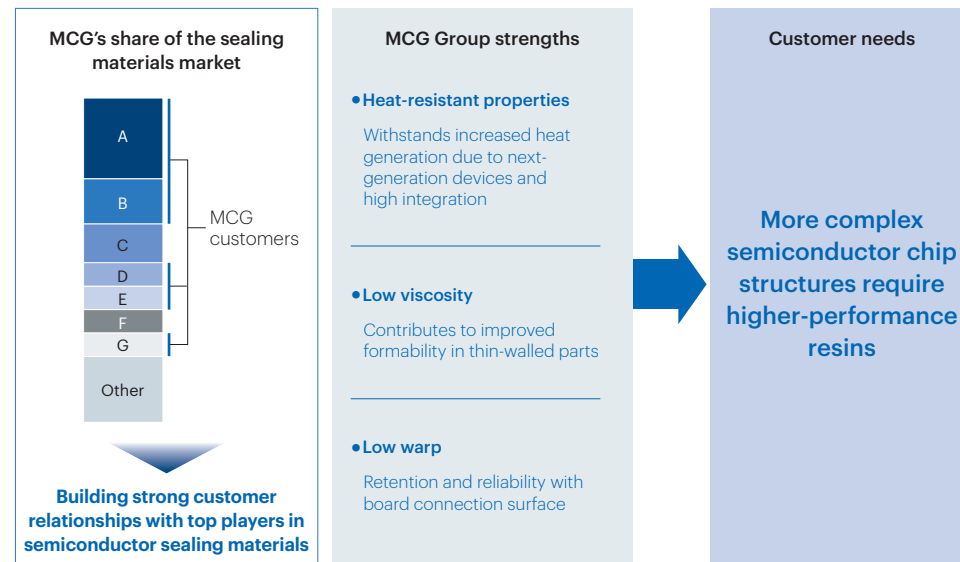
Product highlights

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

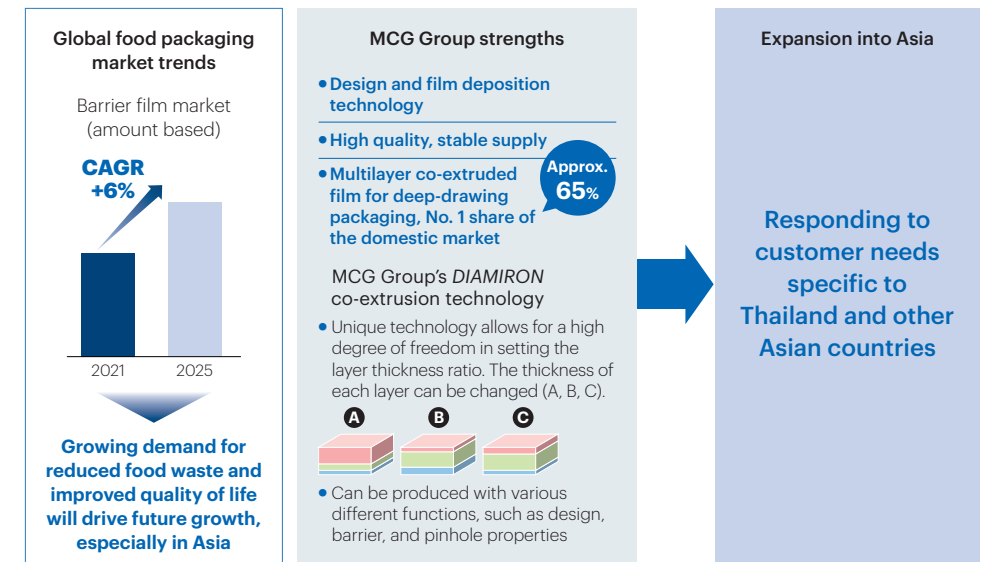


Food: SoarnoL expansion strategy

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



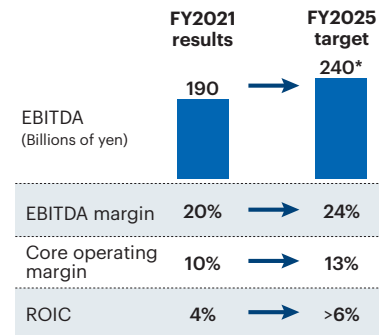
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Business Strategy

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

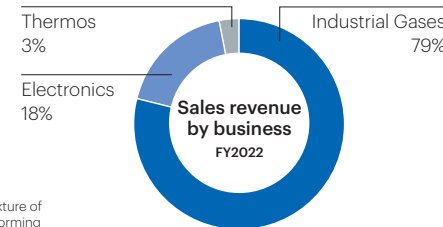
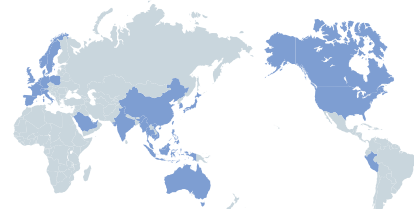


HyCO* plant for hydrogen supply



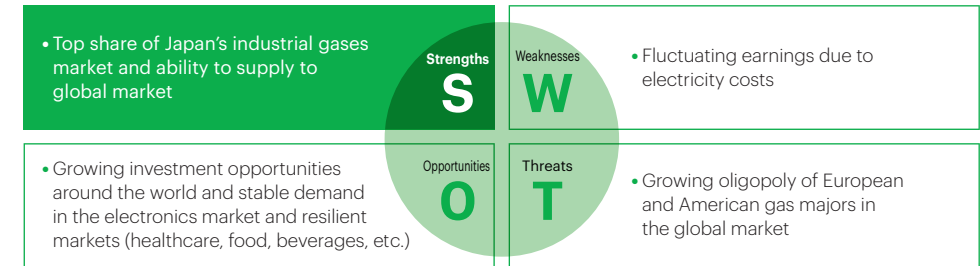
Oxy-fuel burner that contributes to reduced CO₂ emissions

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

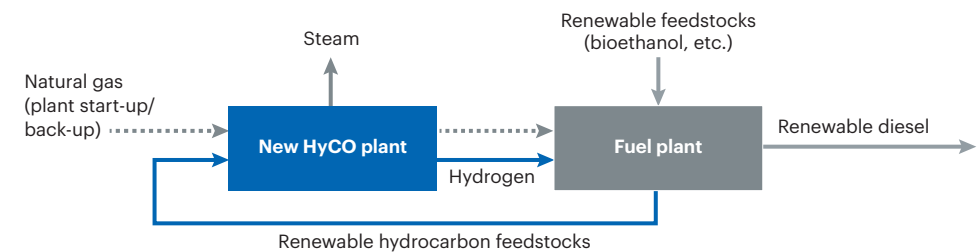


Promoting the HyCO business as a provider of materials for renewable fuels

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



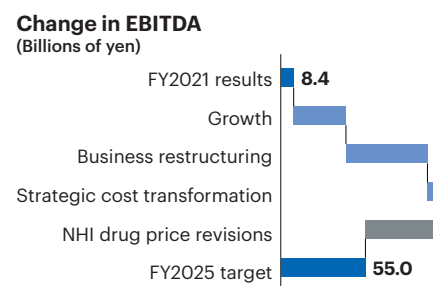
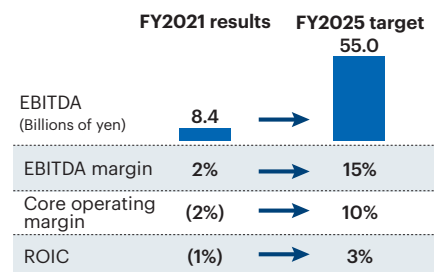
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Strengthening the pipeline and maximizing product value

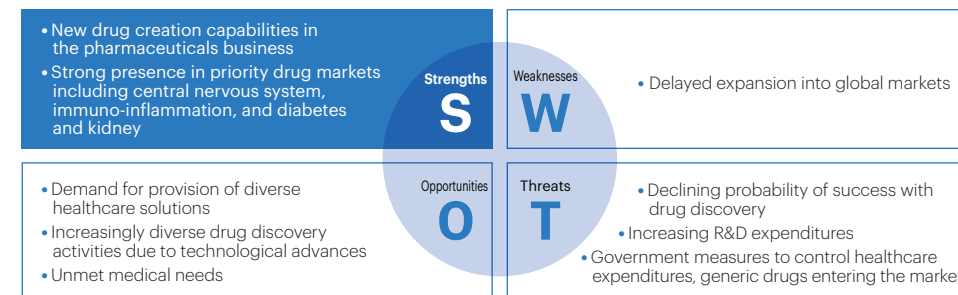
To achieve our fiscal 2025 targets, we are focusing on (1) maximizing the value of priority products in Japan and the United States and (2) strengthening partnering and establishing new sales and development alliances. We restructured our business in fiscal 2022, including withdrawal from the business 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)

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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.

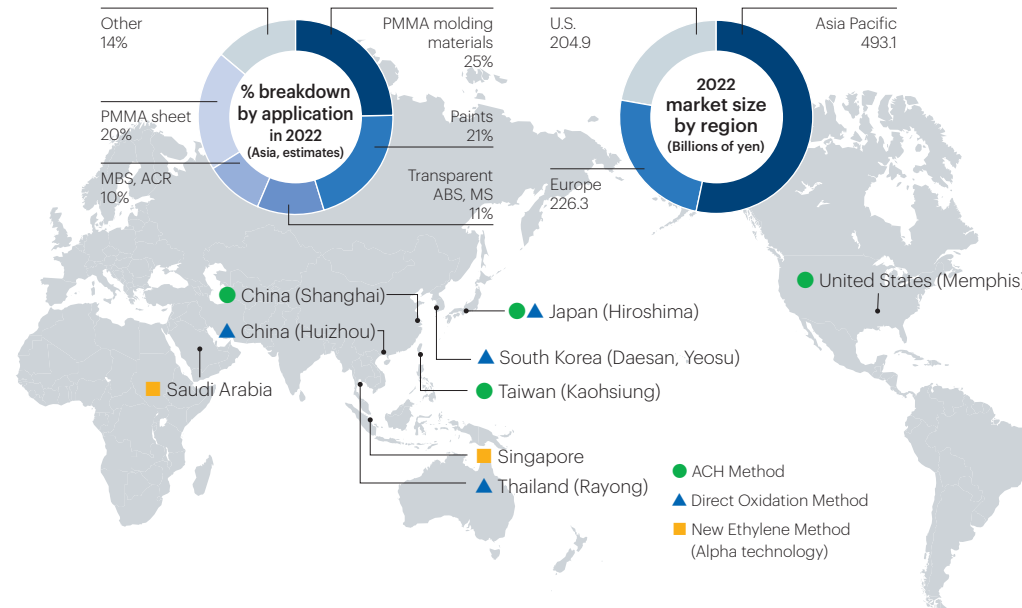
Strategic focus

- 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

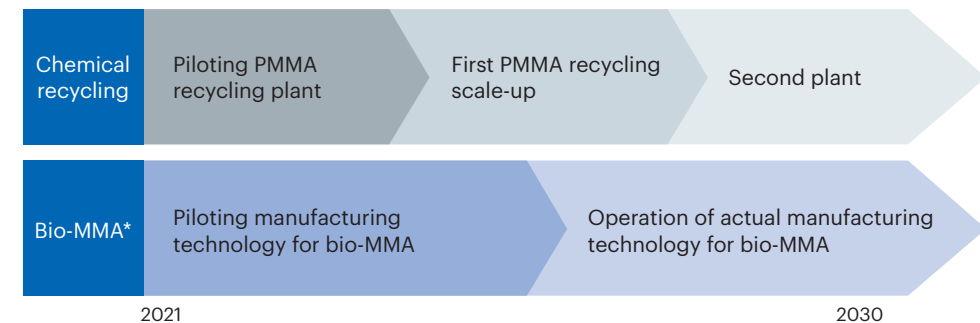


Expanding the sustainable MMA portfolio

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

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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

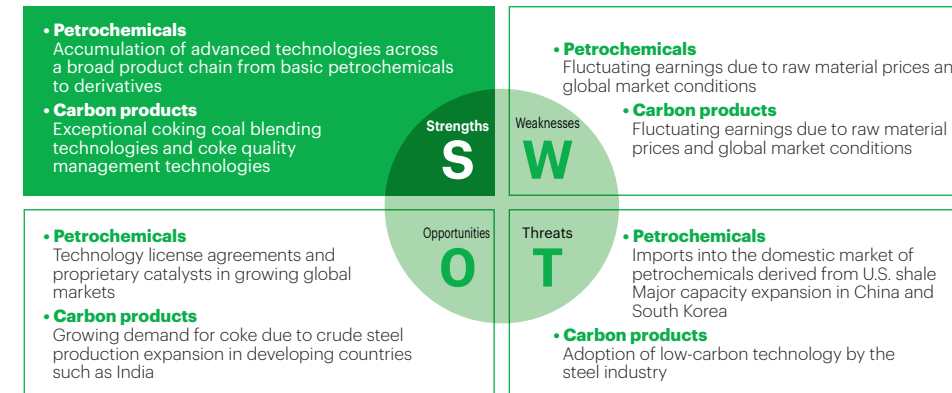
Restructuring in the domestic steel industry

- 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

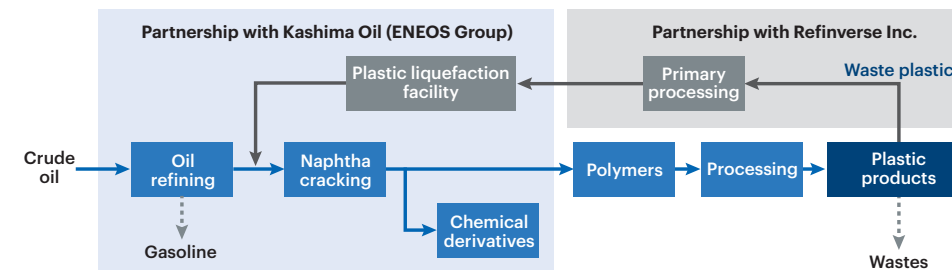


Achieving carbon neutrality through stronger ties with the oil refining industry and neighboring regions

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



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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.

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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

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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

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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
- Respond with appropriate action to third-party infringement of our intellectual property rights
- Respect the valid intellectual property rights of other parties

Securing competitive advantage, joint projects with other companies, licensing, etc.

Intellectual property management system

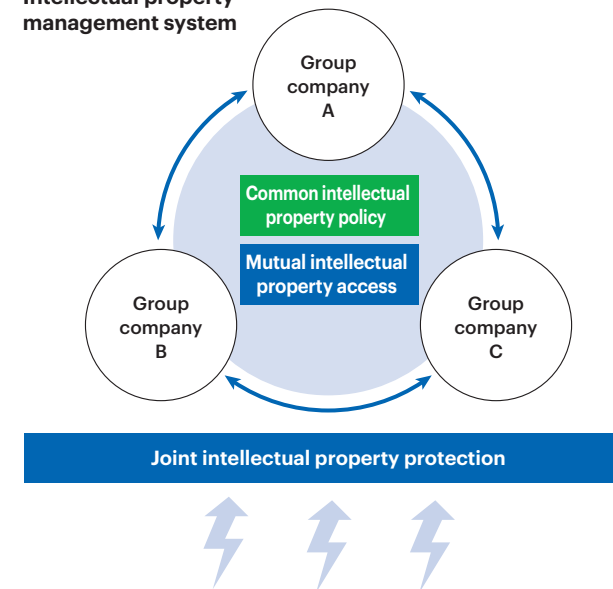
In line with our overall “One Company, One Team” corporate philosophy, the MCG Group is implementing the intellectual property management system described below.

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

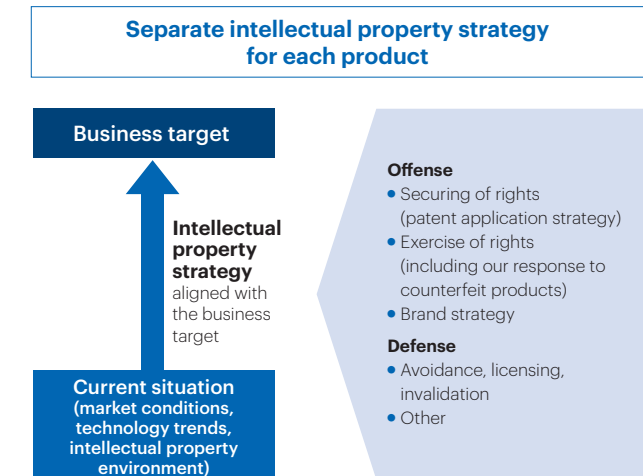
The MCG Group sells a highly diverse range of products, from basic materials to performance products for specific applications, and the situation for different products can vary widely. Accordingly, a major feature of our intellectual

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



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.

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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.

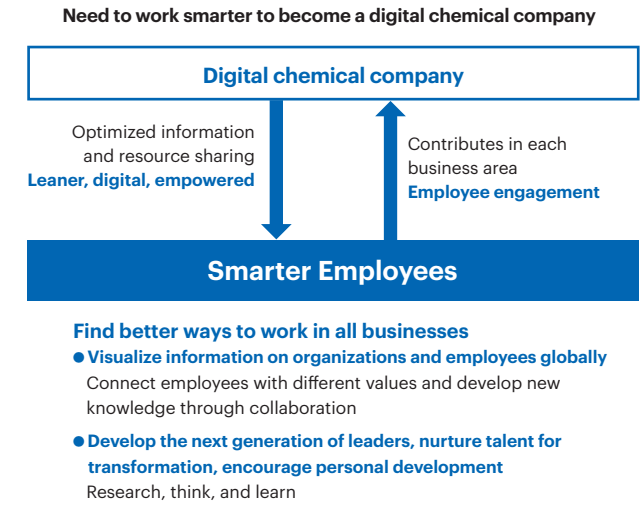
* Created in-house based on 2020 Global Technology Leadership Study by Deloitte Tohmatsu Group

Relationship between a digital chemical company and Smarter Employees

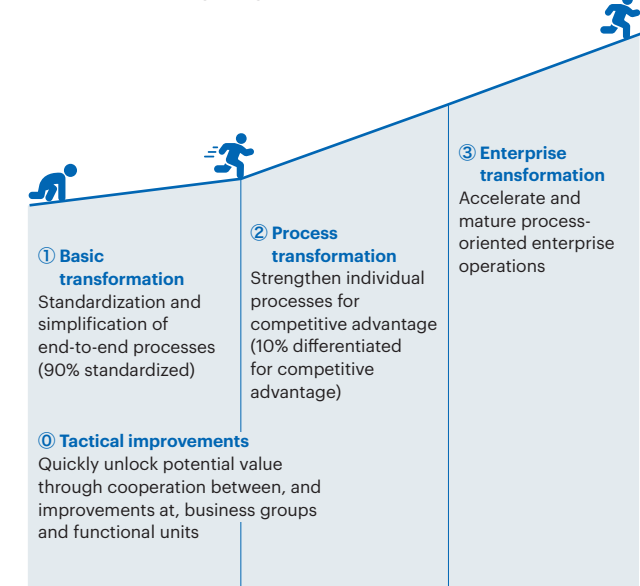


Key projects

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	



Road to becoming a digital chemical company



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Digital

Digital Strategy

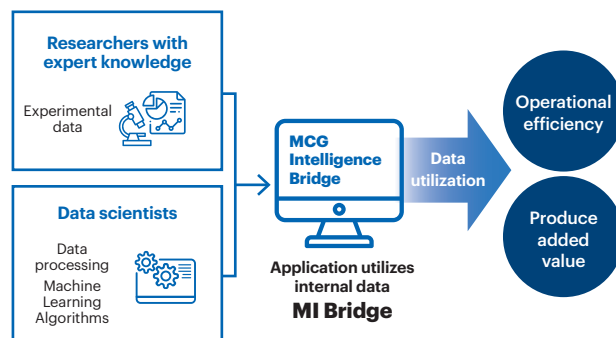
Promoting DX throughout the supply chain

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

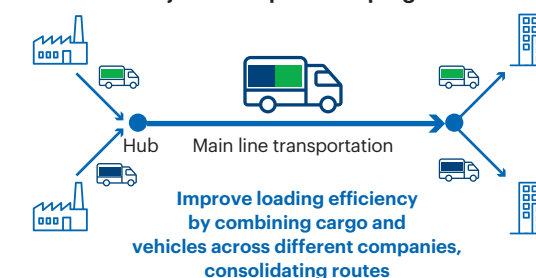
Change Instigator

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



Digital

Digital Strategy

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Using digital technology to change organizational foundations

Change Instigator

Infrastructure: Promote citizen development using low-code platform

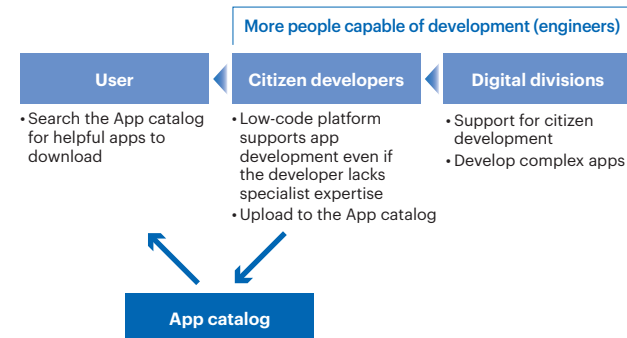
App development has generally been considered technologically challenging and difficult for employees without specialist expertise. MCG has decided to tackle this by introducing a tool that can be operated intuitively by anyone, even employees without programming expertise, to easily produce an app. 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

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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.

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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.

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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.

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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.