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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%.

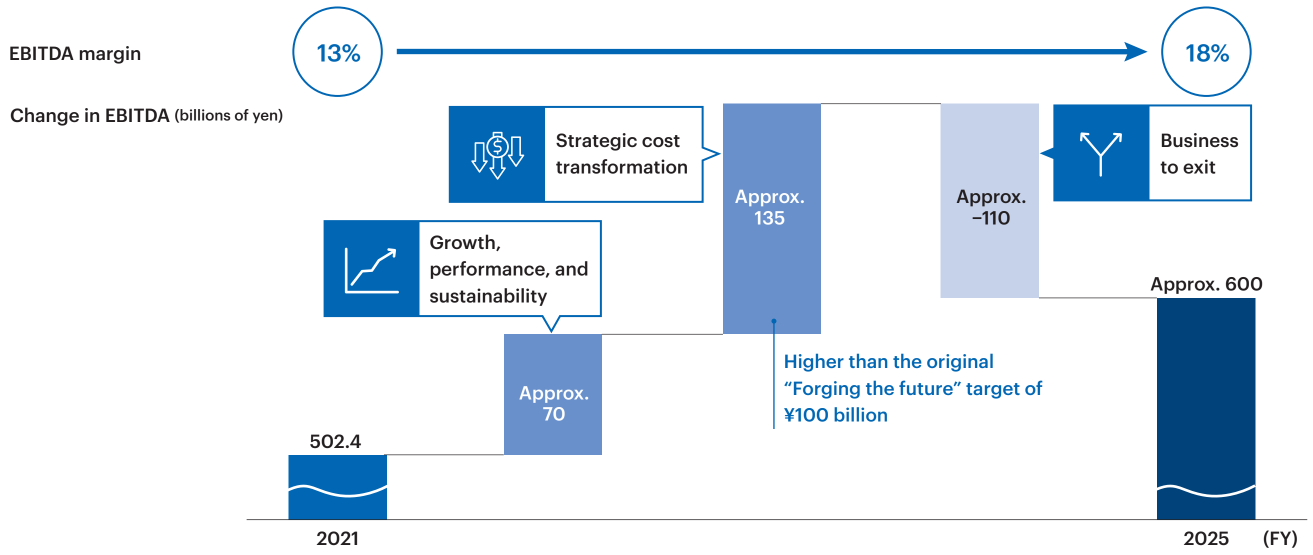
Of these, we expect three primary pillars to generate the following outcomes: through business growth by means of pillar (1), EBITDA is projected to increase by approximately ¥70 billion; pillar (2) will deliver cost reductions of approximately ¥135 billion, higher than the initial target of ¥100 billion; 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	• Shift to global profitable markets • Focus on selected end applications • Become a sustainability leader
Strategic cost transformation	• Focus on Health Care restructuring, operational excellence and supply chain optimization, as well as procurement
Business to exit	• Exit the petrochemicals and carbon products businesses
Leaner, digital, empowered (Formerly named: Leaner structure to execute)	• Shift to a leaner, digital, and empowered organization and workforce
Strategic capital allocation	• 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

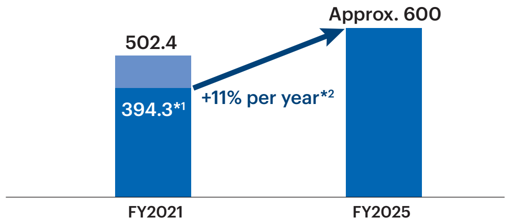
Achieve our financial and non-financial targets with a view to further growth from fiscal 2025

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)



	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	Fiscal 2025 target (vs. fiscal 2020)
Employee engagement*7	↑ 15 pts	
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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Executable Plan Based on the "Forging the future" Management Policy

Five key pillars

Growth, performance, and sustainability

Aiming to increase ROIC in all business groups

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

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

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

Business groups*1	Specialty Materials	Industrial Gases	Health Care	MMA	Petrochemicals and Carbon Products
EBITDA (billions of yen)	133.9 → 225.0	190.0 → 240.0*2	8.4 → 55.0	51.3 → 55.0	108.1 → Not applicable
EBITDA margin	12% → 16%	20% → 24%	2% → 15%	17% → 15%	Either divest or not be a fully consolidated entity by fiscal 2025 Profit from the JV share is approximately ¥10 billion*4
Core operating margin	7% → 11%	10% → 13%	(2%) → 10%	11% → 11%	
ROIC	6% → 10%	4% → >6%	(1%) → 3%	7% → 7%*3	
Growth strategies	• Make the entire portfolio available globally • Shift to a market-oriented organization	• Grow the four global regions • Reinforce and develop our capabilities	• Maximize the value of priority products in Japan and the United States • Strengthen partnering and establish new sales/ development alliances	• 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

FY2025 | FY2030 | 2050

Sustainability-related products*1
20% of sales revenue by FY2025

GHG emission reduction
29% reduction*3 in Scope 1 and Scope 2 emissions by FY2030

Carbon neutrality
By 2050

Waste and water resources management
50% reduction*2 of landfill waste by FY2025

*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

End-market focus	New digital capabilities	More efficient process	New business fields

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

Now: Unique additives to improve capacity and efficiency of liquid electrolytes → **Next step**: Working on semi-solid electrolytes to balance capacity and safety → **In the future**: Novel solid electrolytes for higher energy density

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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.

Efforts to cut costs through FY2025 (billions of yen)

Efforts	Key initiatives in FY2023
Health Care restructuring	• Closure of Medicago and other selected site restructuring • Rightsized R&D efforts
Operational excellence and supply chain optimization	• Closure of high-cost manufacturing plants
Procurement	• Procurement: consolidation of indirect suppler base (e.g., travel management, lease cars, analytics/IT tools, global insurance program, marketing and sales agencies)
End-to-end process transformation and ERP consolidation	• End-to-end process: indirect labor optimization
G&A expenses	• Entire company and North America organization restructuring • Office consolidation: downsizing and relocation of offices
Total (fiscal 2025)	More than ¥80 billion cost reductions by the end of fiscal 2023; Approx. 135

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

	Strategy (Defined in FY2021)	FY2022 Formulate detailed plan	FY2023 Carve-out	FY2024 Form JV, exit
Petrochemicals	Form JV with partner, drive improvements, effect carve-out	Financial carve-out and stand-alone reporting Explore partners	Identify potential JV partners Financial carve-out	
Carbon products	Divestitures	Explore partners Proactive discussions with potential partners	Prepare and execute exit	

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

Five key pillars

Leaner, digital, empowered

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

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

For a digital organization, we will push forward with digitization in all steps, including order-taking and shipping in the supply chain, as well as in R&D and human resources. We will implement four measures over the next few years to support fast decision-making in business: (1) standardize our business processes across the Group; (2) consolidate our systems and transfer data into the cloud; (3) develop an internal data management system; and (4) develop and recruit talent who can thrive in the digital age.

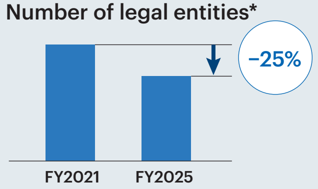
For an empowered organization, we are fostering the next generation of leaders. We are moving away from the seniority-based system and are accelerating diversity in leadership and developing a corporate culture that promotes value creation. For that purpose, we will realize a safe and healthy workplace.

Establishing a leaner organizational structure

New management and governance
- Shift from holding company to One Company structure
- Accelerate decision-making
- New management team

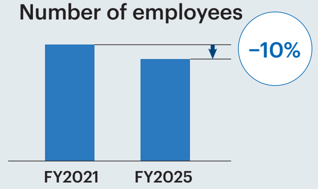
Entities and location optimization
- Downsizing and optimization of offices globally
- Closing and consolidation of locations

Number of legal entities*



Simplified organization
- Natural attrition and other downsizing methods
- Redeployment and reskilling of existing employees

Number of employees

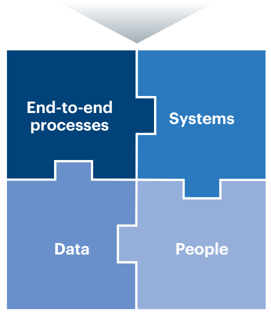


* Excludes any changes in Nippon Sanso Holdings entities

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

Complexity of processes currently exceeds industry benchmark by a wide margin

- Automated end-to-end global processes:
  - 90% standardized
  - 10% differentiated for competitive advantage
- Centralized data governance and data quality standards
- Agile data availability for fast, fact-based decision-making



- Future-ready architecture leveraging industry standards
- Consolidated ERP systems as a backbone for all operations
- Trained and accredited employees
- Global knowledge sharing

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

Five key pillars

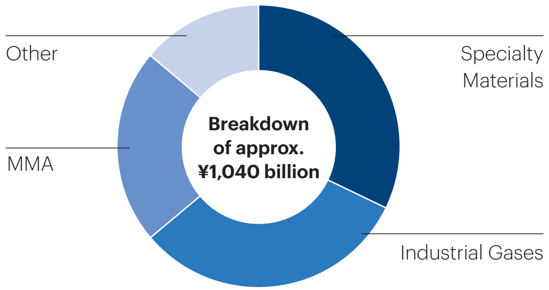
Strategic capital allocation

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

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

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

Capex by business



Capital allocation FY2023–2025

Generated capital Approx. ¥2,145 billion*

Capital allocation		Policy
48%	Capex Approx. ¥1,040 billion	• Invest for growth including capacity increases for *SoarnoL*, epoxy resin, electrolytes, and emulsifiers • Focus on return on investment
18%	R&D Approx. ¥380 billion	• R&D aligned to business incentives • Targeting R&D expenditures of approx. 3.5% of sales revenue
13%	Debt repayment Approx. ¥270 billion	• Net debt/EBITDA ratio: Less than 3.0x • Net debt/equity ratio: Less than 1.0x
9%	Dividend Approx. ¥205 billion	• Year-on-year dividend growth • Payout ratio in FY2025: 35%
12%	Increase in uncommitted capital Approx. ¥250 billion	• M&A to accelerate growth • Other value-creating opportunities including share buybacks

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

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.