

Mitsubishi Chemical Holdings Group

New Management Policy

“Forging the future”

December 1, 2021

Held as Hybrid that uses both local and online meeting

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Attendees from the Mitsubishi Chemical Holdings Group:

(Mitsubishi Chemical Holdings Corporation (MCHC))

President and Chief Executive Officer Jean-Marc Gilson

Managing Corporate Executive Officer Yoshihiro Ikegawa

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Presentation Materials

President & CEO Jean-Marc Gilson

Good afternoon Ladies and gentlemen and welcome to our strategy update called “forging the future.”

Before I start, I would like to position this presentation vs the five-year plan we presented last February to avoid any confusion. Since last February and up to this day, a lot of things have changed. While the world economy has recovered, we are still under the cloud of COVID-19. On a positive note, our company has delivered much stronger results than predicted last year and we are sharing with you a significant transformation of the company. So our outlook now is very different than a year ago. Please consider what I will present today as the first target towards our 2025 plan. As we start implementing this new strategy and work with a new management team, we will upgrade this plan, and we will update you through budget presentations and a future investors meeting.

Over the next 45 minutes, I will walk you through a significant evolution of our strategy, one that will, I am convinced, create significant value for all our stakeholders. For our investors, this plan will bring the company back on a profitable growth path, and will simplify and clarify our portfolio and our organization. I will also most importantly create significant value through a combination of earnings growth and significant deleveraging. For our employees, it will create opportunities, it will reignite wages growth through productivity and increased profitability, and it is my hope that it will make them proud of being active actors in the creation of one of the world’s industry leaders of the upcoming carbon neutral economy. For our customers, our renewed focus on key present and future technologies and upgraded customer focus through step-up digitalization will not only make us an indispensable partner for their own growth plans but also the easiest supplier to work with. For government authorities and regulatory bodies, it will show our resolve to bring a Japanese company to the top level of the chemical industry. It will demonstrate our dedication to Carbon neutrality and environmental protection. And as you will see later, it will clearly emphasize that we will live up to our responsibilities in restructuring an important part of the Japanese economy.

What you will hear today is not a grandiose strategy driven by huge CAPEX spending but rather a thorough repositioning of the company through basic strategic, manufacturing,

commercial and digital excellence.

P2 Our Keywords for Forging Our Future

These were a few driving forces guiding our new management policy thinking. Let me start by addressing the first one: Sustainable technology. There are two words here: technology and sustainable. As far as technology is concerned, we must get back to being a technology driven company. Margins are created through technology, differentiation, specialization and intellectual property. We have the intellectual capabilities to be a leader. Developing and designing products and technologies with built-in sustainability is now a must. Nowadays, you need to look at performance and environmental impact.

Let me move on to the second theme now: focused portfolio. After several months studying the company followed by nine months in the company and numerous meetings with employees and executives, it became obvious that: 1. We were trying to do too many things and were very dispersed. 2. That we had large very mature businesses that needed rethinking as far as their long-term future in a low carbon economy. 3. We do not have sufficient focus on faster growing higher margin product lines. 4. Bringing back the company to a growth trajectory requires a larger focus on fewer market segments and product lines. A company must have a clear organization, streamlined decision-making and low overhead costs. As you will see later on, our work addresses these issues head-on with a significant cost reduction program and a step change in organization clarity and efficiency. Our need to upgrade our digital infrastructure to not only improve our productivity but to also improve our customers' experience will be a major effort. We need to turn all aspects of the company digitalization efforts into a competitive advantage. I will cover that later. At the end of the day, our people will make the difference. We need and will create an environment of openness, creativity, optimism and sense of purpose. A great company culture is conducive to extraordinary results. Our role as leaders is to provide a place to work for our employees where they feel listened to, where their opinions matter and where diversity in gender, ethnicity and thought are a reality. To me, this is the number one challenge, the creation of an open culture where everyone feels valued and where hierarchy and seniority does not get in the way of people's potential contributions.

P3 Mitsubishi Chemical Holdings Group Today

This is a picture of our group today. We have 31 business segments, we touch pretty much everything, 666 subsidiaries, 70,000 employees and 15M tons of CO2 equivalent emissions. Our expected financial performances for 2021 are a definite upgrade compared to FY2020 but are nowhere near satisfactory for a company that spent close to 3 Trillion yen on CAPEX

and M&A over the last 6 years for essentially no improvement in performance.

P4 Mitsubishi Chemical Holdings Group Today and Tomorrow

We expect that our new strategy will lead to a noticeable reduction in the business segments we cover. That it will lead to a very severe reduction in legal entities through mergers, and that cost reductions will inevitably drive a reduction in employment across the geographies where we operate. Finally, our push to reduce our CO2 emissions will be in-line with our recently announced CN 2050 pledge.

In financial terms, we will drive the company to achieve results on par with the best Specialty chemical companies, with an EBITDA close to 20%, a core operating income consistently in the 11 to 13% range, a ROIC above our cost of capital and a significant deleveraging of the company. That will give us investment options should we decide to pursue them.

P5 Strategic Priorities

Let me shift now to the five key pillars of our “forging the future” strategy. I will now cover them in more detail. A good strategy is dictated by a combination of what you will do and what you will not do. Point 1 will clearly explain our future focus as far as target markets, key product lines, our sustainability and digital efforts. Point 2 will cover the businesses that we plan to exit. Point 3 will talk about significant cost reductions that we will execute across the company. Point 4 will cover our new streamlined global organization to deliver this plan. And finally, point 5 will walk you through our capital allocation between now and 2025 and a summary of our financial targets.

P6 Strategy Execution Roadmap

Let me share with you upfront the execution roadmap of what I will cover next. As of December 1, our focus will shift to execution of this strategy. This page will become our most important document. As you can see, there will be three phases in our strategy deployment. Phase 1: Simplify and streamline: Key words here: new organization structure and cost reductions. Decomplexified company. Phase 2: Exit Petrochemical and Carbon business. Redirect investments towards growth businesses. Phase 3: With our business realigned and restructured, we will be in a position to accelerate growth using our recovered financial strength. All along the way, we will improve our financial returns in 2025 and beyond.

P7 Growth, Performance, and Sustainability

Let's talk now about where we expect our future to be. A future of renewed growth with a strong focus on financial performance and sustainability.

P8 Growth, Performance, and Sustainability

Our decisions of where the company will direct its investments and focus in the future is the result of a thorough internal analysis of our current business together with an analysis of long-term trends performed with external consultants. We summarize the process on this portfolio analysis and selection on this page. We looked at and analyzed every business we are currently participating in. To be part of our future, any market segment, product line or future opportunities need to satisfy three criteria: 1. Is the market attractive, is there growth, and can we make money long-term? 2. Do we have the strengths to be successful, do we have the technologies? Can we win? Can we have a competitive advantage? 3. And last and critical for the future. Can this business thrive in a Carbon Neutral economy? If a segment and opportunity or business can answer yes to these three questions, it will be part of the future. If any of these questions cannot be answered with yes, it will not be a part of our portfolio of the future.

P9 Growth, Performance, and Sustainability

Based on this analysis, we decided to focus on gradually turning the company into a specialty materials company aiming at several key market segments and product lines. This means moving away from commodity materials, and I will talk about the implications of that decision later.

Let me start with the markets, and where our focus will be in terms of growth, R&D resources and CAPEX investments for the future. 1. We will focus growth on Electronics with a broad definition, Life science and healthcare markets. 2. This is not to say that we will stop investing in everything else. It means that the vast majority of our R&D, CAPEX and M&A resources will be directed towards these markets. 3. Some business where we are currently present and where we have a strong existing financial performance will continue to be supported. Mobility and Living are two examples. We will not walk away from strongly performing businesses.

P10 Growth, Performance, and Sustainability

Let me give you a little more color about these markets and why we think they are important for our future. 1. Under our broad definition of Electronics, EV will be a key market for us. With the shift towards renewable resources driven by climate change policies, the world is on a path to accelerated use of electricity as an energy source. It is a fast-growing world with plenty of opportunities for value added materials that fit perfectly into our strengths. We have here a sample of the technologies we have developed and are now ready for prime time. 2. We have heard about computers for more than 50 years, but in reality, the massive digitalization of our lives has just started; there is no end in sight to that revolution. As a

company, we have had significant success in a broad range of materials, from epoxies to films to OLED materials. We will accelerate our development to become the prime material supplier to serve this market.

P11 Growth, Performance, and Sustainability

Let me continue now with Life science and healthcare. In Life science, we will redirect our attention towards the food and nutrition segment for various reasons. 1. With the world population reaching 8B people, food supply is one of the critical areas for the well-being of people. 2. The food industry constantly creates enormous opportunities, from packaging materials to proteins. One of them is certainly specialized nutrition—from prebiotics to probiotics to fibers to specific food ingredients designed to enhance our quality of life. We are also at the dawn of understanding the Microbiome, and that in itself will create opportunities on par with the Pharma industry. 3. As a company, we are already actively present in the food industry through sales ranging from sugar esters to protective films and gases. 4. For the last several years, our R&D also has made significant advances in gene & enzyme technologies.

Let me finish by covering health care as a target market for the future. Since I joined the company 8 months ago, we have spent a significant amount of time trying to understand our existing business, our pipeline and on how to turn our investment into profits. Let me give you a few comments about our pipeline. Our pipeline is solid and is based on our strong drug discovery team in Japan, Israel, the US and Canada. We expect that several launches will contribute to our financial performance leading to 2025. Let me give you a few examples. COVID-19 Vaccine VLP platform. We are about to complete the analysis of the Ph3 clinical study results. They are being finalized as we speak. We plan to communicate the Ph3 results in the next few weeks. The signals are promising. The Independent Data Monitoring Committee (IDMC) has recommended that the ongoing Ph3 study should continue without modification. Accordingly, we are on track to file a regulatory application in Canada mid-December and the USA right after, and other jurisdictions soon after as well. We are also conducting the Ph1/2 study in Japan and plan to file an application for regulatory approval in Japan next spring. Without going into more details for now, we are hopeful that this development will generate significant profit over the next 3-4 years or more based on our current level of contracts and on whether the pandemic turns into an endemic disease. MT-1186, a new oral form of our successful drug Radicava, will launch next year. This improved delivery will greatly expand the pool of patients suffering from ALS (amyotrophic lateral sclerosis) who can benefit from this medicine. MT-7117, a drug used to treat a rare disease caused by hypersensitivity to UV, will be launched in 2023 and is part of our immuno therapy

platform. In simple terms, this is a drug for patients who normally cannot be exposed to sunlight and have to cover themselves at all time. ND0612 (Neuroderm) is more of a medical device to treat Parkinson's disease. it's in the final stage and will be launched very soon. Besides our pipeline work, we are actively studying how to grow our Pharma business significantly beyond its current size. In the medium- to long-term, it is our opinion that staying as a pharmaceutical company with most sales remaining in Japan is not a viable option. About Muse cells, we have re-examined the approval process with a view to obtaining approval for CL2020 earlier in Japan and overseas. As a result, we have decided to directly aim for "full approval", rather than a conditional and time-limited approval, after conducting a validation clinical study, which is larger in scale than the exploratory study. For the time being, we will continue to develop our scientific understanding of the mechanism of action of Muse cells and will work towards full Phase 3 clinicals when ready instead of going for conditional, we will go for unconditional approval in the future. Due to the timeline required for the necessary clinical trials, we do not expect significant bottom-line (profit) contribution before fiscal 2030. (Reference : Development of a regenerative medicine product (CL2020) using Muse cells <https://www.mitsubishichem-hd.co.jp/english/information/01180.html>)

P 12 Growth, Performance, and Sustainability

Our product offerings are vast. They are based on our strong foundation. All the market segments that I talked about will use that strong foundation and they will use the vast product offering and all the product platforms that we have had for many years. We will continue to invest in this product platform. They will be the basis for technology and margin expansion. We have one of the largest chemical product offerings. We will continue to invest in R&D and we will redirect most of our R&D efforts to support growth market and growth platforms.

P13 Growth, Performance, and Sustainability

A few words about gas and our investments in Nippon Sanso Holdings. As you know, we are the majority shareholder in the company. They are a publicly traded company with their own Investor Relations day and so I will not go into detail about them. You all know that they are the fourth-largest player in the gas industry in the world. Together with them and through discussions, we have really asked them to improve their profitability and to focus on closing the gap with their peers. There is a gap in terms of EBITDA margin with their peers that is probably 6% to 8%. There is a gap in terms of return on invested capital that is significant. And there is a large gap in valuation. Through strategic initiatives that include cost reduction, financial discipline in terms of improving the balance sheet, reducing the leverage by focusing on growth in higher margin geographies like in the Asia Pacific, in Europe, and the USA, and

by continuing to expand in semiconductor materials and medical gases, we are hopeful that they will, over the next few years, reduce that gap and create significant value for Mitsubishi Chemical Holdings.

P14 Growth, Performance, and Sustainability

Let me shift gears and talk in the next two slides about two incredibly important topics: digitalization and sustainability. Success in digitalization and sustainability will separate the winners from the losers in the chemical industry. Let me talk about our digital efforts first. Like a body, a company needs a digital backbone to operate. One strong backbone. Once you have a solid backbone, based on clear and simple business processes, you can start creating a competitive advantage by attaching other parts to that backbone — Web order entry, CRM software, LIM software, HR management software, R&D and regulatory product approval software. The list is endless. When working seamlessly together, they create a huge competitive advantage by lowering your costs, reducing your defects and dramatically improving your customer experience. Together with our change in organization, we will undertake this major effort to make ourselves the supplier of choice for our customers.

P15 Growth, Performance, and Sustainability

Let me close the first chapter by talking about sustainability. In October, we shared our 2050 Carbon Neutral pledge. This is a serious commitment that is made up of two periods. The one leading to 2030 calls for a 29% reduction in CO2 emissions vs 2019 levels. The 2030-2050 timeframe will drive the company towards Carbon Neutrality. It is worth noting that all product development will have to be in line with this pledge. This framework is for the company as it is currently structured. Goals and objectives will be distributed accordingly as we exit some businesses.

P16 Business to Exit

Let me now focus my attention on the business we will exit.

P17 Business to Exit

We will exit from Carbon products and Petrochemicals. Why will we do this? There are several reasons listed on the slide, but let me focus on two. 1. With the world focusing on Carbon Neutrality, the cost of energy will likely rise significantly in Japan, where both of these commodity businesses are located. This will accelerate the contraction of these businesses. It is inevitable that this will result in a consolidation in Japan. As a leader, it is our duty to recognize the situation and to drive these consolidations. Our goal is to provide clarity and a

future for these businesses and their employees. 2.The second reason for this is that neither of them fits the specialty materials profile we want to achieve. They will require dedicated management teams as they merge with other industrial actors in their respective businesses. 3.The exit from the petrochemical business will likely consist of two steps. ①A merger through industry consolidation with other major Japanese petrochemical actors. ②An exit through a share sale via IPO or any other methods. 4.In the medium-term, our goal is to completely exit these businesses.

P18 Strategic Cost Transformation

Let's now talk about shorter term actions to improve our cost structure.

P19 Strategic Cost Transformation

We will engage company-wide into a 1000 Oku Yen cost reduction and improvement program that will take on all parts of our cost structure. This program will be spread over four years, as it will trigger significant labor cost reductions. These reductions can be achieved with different degrees of speed depending on the areas. As an observation and a lead into our next topic, our current complex organization through more than 600 legal entities leads to very high costs and few opportunities to utilize our global size to lower these costs.

P20 Leaner Structure to Execute Strategy

That is why the first step in rolling out our new strategy will be to significantly change our management structure in order to clarify, simplify, and improve decision-making and ultimately bring our top operational management directly in contact with our BOD and our investors.

P21 Leaner Structure to Execute Strategy

If you look at this slide, the most important sentence is "One company, One team." To that effect, we will be considering renaming the company to Mitsubishi Chemical Group to strengthen that One team feeling. And as of fiscal year 2022, we will run the company through global functions and global business. We will start rolling out this new organization structure in several steps, with the first one starting next April with the rollout of the global functions. And I want to spend just one minute on the slides because I am sure there are quite a few questions. So, we will have a leadership team that will be made up of corporate functions and businesses. The corporate functions will have worldwide direct responsibility. So, if you look at finance, the finance EVP will have complete finance direct responsibility across the globe and he will have relay in every area where we operate; likewise, for all the different

corporate functions. At the same time, we are going to keep five businesses, so performance products, I mean chemicals, you see PC, that is Petrochemical and Carbon, pharma, and gas—and in terms of gas, nothing will change because they are different and a listed company. But for all the other ones, we will run the company with a single management structure. You can see, and all these businesses will have global responsibility, again, with a very strong relay in the different geographic areas where we operate. You can see that the petrochemical and carbon business will form its own business, and that is because we want it to be ready for carving out. And as I said, no change for gas and Nippon Sanso Holdings. So, we really think that this will accelerate decision-making, will simplify decision-making, will reduce the layers between the CEO and the operator on the shop floor. And our goal will be to reduce the layers in the company from where it is now to about five or six from the CEO. This will drive thorough simplification of how we operate the company, and will be one of the key factors for driving cost out of the company.

P22 Strategic Capital Allocation

The final chapter of my presentation will focus on our capital allocation until 2025 and expected improved financial performance.

P23 Strategic Capital Allocation

As you can see, about 32,000 Oku yen in operating cash flow excluding R&D is expected to be generated from FY 2021 to FY2025. Extreme financial discipline will guide our spending, with constant thoughts on improving shareholder return. About 60% of that money of 32 thousand will be spent on Organic investments with nearly even distribution between: Maintenance capital (about 2% per year of the replacement cost of our installed assets). Growth capital, with all directed towards growth markets or opportunities delivering more than 12% IRR. This includes about 1500 Oku yen for a new MMA facility in North America. This MMA facility, once approved by BOD, will start in late 2025-early 2026, and will not contribute financially during the period of this strategic plan. After many reviews, this is a solid and exciting opportunity to invest MMA to keep large and leading market position and to strengthen that market. We continue to improve the financial performance by rolling out the best technology in the world. R&D investments. Again, mostly growth businesses.

About 5,000 Oku yen will go to financial deleveraging and will result, together with unallocated capital, in a significant reduction in our net Debt to EBITDA and Net debt-to-equity ratios. Please note that the brackets reflect the use or non-use of the 5000 oku yen unallocated capital. Our dividend policy is based on our current 30% ratio. As mentioned, we have not allocated about 5000 Oku yen. This could be used if we are successful with the roll-

out of this plan to target selected M&A opportunities in our growth markets. Another use is potential share buy-backs that will be evaluated together with our dividend policies to increase our shareholder returns.

P24 Performance Targets for 2025

All in all, we expect that our new strategy and the growth it will induce combined with significant cost-cutting will lead to a step change in our financial results. This is despite our exit from the previously announced alumina business, carbon products and petrochemicals, that all together will shave off about 800 Oku yen from our COI. In 2025, we will have a Mitsubishi Chemical group that is smaller, more focused, more profitable, and back on a growth trajectory with a repaired balance sheet. Performance Products, MMA, Healthcare, and Industrial Gas, will significantly increase their EBITDA margin. Beyond 2025, we will be a goal to further improve Performance Products.

P25 Strategy Execution Roadmap

Let me conclude this presentation with two summary slides. We strongly believe that shifting focus from cost cutting, portfolio and organization restructuring in phase 1 to building the foundation for growth in phase 2 will lead in 2025 to a company that will be profitable and will have recreated the financial flexibility it needs to face the future with great optimism and from a position of strength. As you can see at the bottom of this page, all four key segments will increase their profitability to specialty levels.

P26 Strategy Execution Roadmap

A focus on redirecting the company, on exiting some businesses, on implementing strategic cost-cutting, on improving decision making of the company, and on wisely allocated capital to growth area will lead a new company and will set up for future growth and for future profit.

Thank you for your attention.

Q&A

Q&A 1

Q1

After the announcement of the plan at 1:00 p.m., the company's stock price did not change much. I believe your strategy may have been perceived to be abstract. President Gilson's message was powerful, but some say it was difficult to figure out specific measures. For example, while you are focused on creating "One team," your industrial gas company is still listed on the stock exchange, and its results are included in the figures on a request basis.

Therefore, the effort seems half-hearted. You mentioned that MCHC is aiming to achieve an EBITDA margin of 19% as a specialty chemical company. However, your target is far below the EBITDA margin of the roughly 40% of Shin-Etsu Chemical, a global leader that you had previously mentioned you would like to emulate. I think MMA is the only solid technology and competitive advantage that your company has. I would like you to clarify how you are planning to increase corporate value.

A1 (President & CEO Gilson)

Specifically, we will transform our company and spin off several businesses. This is something we haven't done before. If we look back on the past six years, we could not generate significant profits using three trillion yen. That era is over. Our first priorities are to rebuild our cost structure, improve our profit structure, and return to the growth path. Shin-Etsu Chemical has been doing this for over 25 to 30 years. They are not a specialty chemical company, but a super specialty chemical company. Their management is at the highest level in the world. We probably won't reach that level, but there's a lot of room between commodity players and super specialty players. We have technologies and strengths, and it is possible for us to get there. First, we need to rebuild this organization and reduce costs. If we can do that properly, we can achieve more than we are now. That's our current goal. It's not about grand strategies, it's about fixing the situation. It is a three-step plan to streamline, grow and accelerate. We will reduce leverage. We believe that creating good value is the right proposition for investors. I think our company in 2025 will look different than it does now. I think spinning off Nippon Sanso Holdings is something we shouldn't do at the moment. Before thinking about such things, we need to close the gap with our competitors in the industry.

Q2

We've heard that healthcare will make a revenue contribution of 130 billion yen. While the update on vaccine development is expected to be announced sometime next week, is it correct to understand that the current capacity of vaccine is for 80 million doses, and that there will be around one billion doses in 2025? Do these estimates give you this figure? Please tell me about your outlook for the pharmaceuticals business.

A2 (President & CEO Gilson)

Our outlook for the pharmaceuticals business is very conservative. We have three assumptions. The first is that existing businesses will slowly decline, the second one is based on pipelines other than COVID-19 vaccines, and the third one is based on COVID-19

vaccines. We are definitely in fourth place. Even with these assumptions, I think a COI of 150 billion yen will probably be possible prior to 2025. With regard to COVID-19 vaccines, it is difficult to make predictions, so we took a very conservative view in the figures we shared. We don't want to mention it unless there is a 90% possibility.

Q&A 2

Q1

Is it necessary for chemical manufacturers to have a pharmaceuticals business? Can you tell us why you decided to remain healthcare in your portfolio? Did you decide to leave it due to the fact that you acquired 100% ownership of Mitsubishi Tanabe Pharma in 2020? Could you once again explain the reasons why you have decided to continue with healthcare, including the synergies with other business domains?

A1 (President & CEO Gilson)

Mitsubishi Tanabe Pharma had been fully acquired before I took office, but we have it now and are in a stage where we have to continue our businesses in healthcare. I'm gaining a better knowledge of our businesses. It's the same situation as Nippon Sanso Holdings. I'll think about options after rebuilding the company. Improving profitability is our top priority now. I think we have to justify what we paid for a few years ago. As with Nippon Sanso Holdings, we believe that if we spin off the company now, it will lower the value for our investors. We will focus on improving the company's business performance until 2025. I know that no company has both pharmaceuticals and specialty chemical businesses. I would first like to rebuild the pharmaceuticals business and create options and opportunities. That is our mission and we will do everything we can. We will also create value for the business over the next few years. It is our aim to make good surprises.

Q2

The EBITDA margin for Performance Products is set at 15%, but I think the reality is that the EBITDA margin for Performance Products is not growing much. I heard that you are going to focus on electronics in the future, but I would like to know how you are going to grow this business domain amid the situation where other companies are also focusing on performance products as demonstrated by Dupont's acquisition of Rogers.

A2 (President & CEO Gilson)

That is correct. The earnings level of Performance Products has been very low, and the business has not yet grown to a level where they should be called Performance Products.

These products should have a margin. If we improve our cost structure, we will be able to pave a new way. I can't say that the margin will be 30%, the top performer level, but we will work on improvement first. We will also reduce costs by simplifying our organization and streamlining our business operations. We want the market to clearly recognize us as a player in the electronics business.

Q3

While it is clear that cost improvements will help to increase the EBITDA margin, what about the organic growth of Performance Products? Your semiconductor-related products, such as cleaning agents, probably have lower margins than photo registers and silicon wafers, and the same should apply to your display materials. How do you plan to grow your other businesses?

A3 (President & CEO Gilson)

As for Performance Products, the growth we are currently considering is very conservative. In the very near future, we will first reduce costs. For example, I think it will grow by 2.5 to 3% through 2025. We hope to accelerate growth in the years ahead.

Q&A 3

Q1

I think p.23 doesn't match to some degrees. You're paying 30% of dividends, which means 5 years total net income attributable to owners of the parent should be around 1 trillion yen. If the R&D cost is added back to the profit, it would be 1.57 trillion yen. If the depreciation cost is added back to the profit, it would be 2.6 trillion yen. Isn't the figure of 2.8 trillion yen optimistic? Healthcare requires a large investment if you intend to enter the U.S. market. As for R&D, are you compromising in other areas or making clinical trials more efficient? And when it comes to capital investment, I believe Linde, a competitor in Industrial Gases, is spending 15 to 20% of its revenue on capital investment. If Nippon Sanso Holdings were to invest the same amount, it would be more than 100 billion yen. If that is the case, only 700 billion yen to 800 billion yen will remain, and there won't be enough funds to use for Performance Products. What do you think about this?

A1 (President & CEO Gilson)

We may be using a different source for Industrial Gases. Please make sure there is a need for maintenance and growth investment. More than 10% of revenues, the indicator we use for Industrial Gases, is a very realistic number. If you want a good ROIC, you need to be well-

funded to grow and have financial discipline. And Nippon Sanso Holdings should be able to manage costs as a whole. Some of their businesses are performing well, but others aren't. We are by no means trying to starve them. Nippon Sanso Holdings also has an Investor Relations Day, so I would like you to ask the same question and confirm with them.

Q2

Looking at the disclosures of other companies in the same industry, such as Linde and Praxair, I think they are using more than 10% of their revenues. It's a very capital-intensive industry. I think you will need considerable investment in order to grow by 5%.

A2 (President & CEO Gilson)

I don't think Linde is aiming for 10% growth either. I think that achieving growth by 3 to 4% by investing 20% of revenues is very close to our figure of investing 10 to 12% of revenues. We have reviewed all the projects and I think our capital investment is in good shape. If there is a demand for it, we will need to consider synergy even if our ROIC may decline. It is important to maintain financial discipline in the future. And they have to show that they can close the gap with our competitors in the industry. It is unacceptable that there is a 7 to 8% difference between them and the top three players. This is our first priority as a shareholder of Nippon Sanso Holdings.

Q3

What about R&D?

A3 (President & CEO Gilson)

In terms of overall R&D, we spend 120 to 130 billion yen a year, of which about 80 to 90 billion yen goes to the pharmaceutical business. This year's expenses may be even more because we used funds for COVID-19 trials. The actual cost significantly exceeded the budget, but it was used for the launch of our products. In the future, we will look at the pipeline portfolio to determine the probability of success, and I will support those with high probability of succeeding. There's room for improvement. Since the pipeline is the lifeline of the pharmaceuticals business, we are managing it together with Mitsubishi Tanabe Pharma.

Q4

I feel there are some inconsistencies in the figures. What are your views?

A4 (CFO Date)

I believe you suspect there may be inconsistencies as the source of capital for the past five years is almost the same as that for the future five years. However, the figures for the next five years include the effect of cost improvements of 100 billion yen on a progressive basis. I would like you to understand that the past good results due to the rise in the MMA market will be covered by our cost reduction efforts.

Q5

The outlook of Petrochemicals and Coal Chemicals is less favorable looking ahead toward a low-carbon society, but they have asset value on your balance sheet. Will it be possible to spin them off without a significant loss?

A5 (President & CEO Gilson)

They have some asset value on the balance sheet. The petrochemicals business is shrinking, but integration is necessary. The carbon business faces major challenges. The domestic situation will be very severe from next year because the steel industry has greatly reduced its demand, and the demand for coke has declined significantly. In terms of our strengths, we have been able to sell our carbon products overseas. I think high purity coke is in high demand around the world. High purity carbon products are niche products, and while this business doesn't fit our group, I don't think there are many problems. We believe there are buyers who would be interested in this business. Therefore, we will try our best not to incur a loss.

Q&A 4

Q1

Please tell us the breakdown of the cost reduction measures of 100 billion yen. What about the details of labor costs and other cost savings?

A1 (President & CEO Gilson)

Such detailed disclosure is not available this time. We are analyzing and considering our costs, but we will announce the details when the time comes. I would like you to understand that our costs will be considerably reduced.

Q2

From an outside perspective, it appears that slightly less competitive products, such as EV battery materials and carbon fiber composite materials, are included in Performance Products. Will these less competitive businesses be carved out or spun off from specialty

chemicals?

A2 (President & CEO Gilson)

Some of them will be discussed and restructured over time. About 90 to 95% of our portfolio has been determined, but there are still segments at the edge that need to be examined. Some of our carbon and composite products are very good. I think it is necessary to manage them continuously. For example, in the aircraft field, other companies have already entered the market and we will not compete in that field. However, there are other fields where we have good positioning, and we would like to make profits in such fields.

A2 (CFO Date)

As per the description "exiting petrochemicals, coal chemicals, and non-core performance products businesses" on page 25 of the presentation material, we will include some Performance Products businesses deemed non-core into the scope of restructuring through a carve out.

A2 (Managing Corporate Executive Officer Ikegawa)

Cost reduction figures on page 19 include figures accumulated from operating companies. About half of them are included here, and there is the other half. Although investment for cost reduction is necessary for the items counted as revenue, about 85% has been included on a net basis, taking into account depreciation and changes in one-off expenses.

Q&A 5

Q1

What do you think of the issue of parent-subsidary listings concerning Nippon Sanso Holdings? What is the positioning of Nippon Sanso Holdings on page 8? Are you considering delisting the company and spinning it off in the future? What do you think about the lack of synergy?

A1 (President & CEO Gilson)

We are not considering delisting the company or spinning it off. Their business is part of our review. We value the strength of the business, the attractiveness of the market, and carbon neutrality, and we do not plan to change the situation at this time. We will not consider such options until Nippon Sanso Holdings closes the gap with its competitors, as we don't think it's good for investors.

Q2

Does that mean you are considering delisting?

A2 (President & CEO Gilson)

As a shareholder with a 51% stake in the company, I think it's natural to demand improved performance. We respect Nippon Sanso Holdings as a listed company, but on the other hand, we have obligations to investors. As a board member, we demand that the company improve its performance.

Q3

What has been achieved in the past five years regarding the synergy between MCHC and Nippon Sanso Holdings?

A3 (President & CEO Gilson)

I don't think there is much synergy. We are focusing on differences in valuations and the differences between Nippon Sanso Holdings and the other three major global companies. We are the largest shareholder. As it is a publicly traded company, we don't interfere with their management, but we do tell them what we think they should focus on.

Q4

In an interview in April, you suggested that the cost reduction should be done in about one year, but according to page 19, you seem to be doing that over five years. What has changed?

A4 (President & CEO Gilson)

Some cost reduction efforts can be completed in a year, while such efforts in other areas may take longer. Timelines are different depending on regions. In some areas, costs can be reduced immediately, but in other areas, the process may take much longer. We just reflected such differences.

Q&A 6

Q1

I think business portfolio reform is a great idea. How will you focus on execution from now on? Will you be hiring a new CFO, as you have announced, in order to manage costs more rigorously? Please tell us how you will execute cost reduction measures.

A1 (President & CEO Gilson)

As for cost reductions, we think we need to evolve as an organization. Everyone should have the same understanding of cost reductions. As a member of the management team, I will strive to reduce costs. The measures will be included in our plan to be disclosed. This is not my first time doing this. What we've shown you today will be accomplished with 100% of our effort. It's not a plan to solve all the grand challenges; it's a plan to get back on the right track. As a basic concept, we will rebuild our company first to accelerate growth. To do this, we will track details as a team. We will continue to strongly promote performance management. Our way of management is also changing. When I had an interview for my job as president, I explained these things clearly. Also, I learned about the company for nine more months after I joined, and I still think this is the right direction. We will rebuild the company, and create value as we grow.

Q2

I heard you are simplifying decision-making processes for your company. Can you explain what exactly you are planning to change and how?

A2 (President & CEO Gilson)

There will be only one team. There is only one team leader. We will abolish processes in which the board members of Mitsubishi Chemical Corporation and the board members of Mitsubishi Tanabe Pharma make decisions separately. And we will accelerate our execution. In other words, we will directly control the company and ensure execution. We believe this will accelerate our decision-making processes.

Q3

It is surprising that the Battery Materials Business remained in the portfolio. In this field, cost reductions are required, so I don't think high margins can be obtained. So, why will you keep the business? For example, leading European chemicals company BASF has been aggressively expanding their cathode materials business by acquiring TODA KOGYO CORP., partnering with the Shanshan Group in China, and obtaining patents. BASF is also committed to recycling, and there seems to be a pretty solid business plan. If you enter the battery business in earnest, what kind of strategy will you have, given different attitudes toward OEM among automakers and a significant difference in government support for new energy?

A3 (President & CEO Gilson)

We have engaged in the electrolyte business for a long time. As China has entered the

market, it has become more of a general product and its profitability is declining, but it is still a good business. We have never manufactured batteries, but we are interested in anode and cathode materials because they are areas where specialty chemicals are required. We would like to obtain a position with a high margin and profit in those areas. We are not seeking a large-volume, low-margin business, and we don't intend to become a large battery supplier. We would like to pave the way as a specialty materials company. If we can differentiate ourselves through our products, we would like to do so. It's a fast-growing business involving many chemicals, so we can't afford to ignore it. As it is a highly specialized field, I think there are areas where we can bring about change. And there are highly priced products. I think it's our duty to at least consider it.

A3 (Managing Corporate Executive Officer Ikegawa)

We are not going into the battery business itself, but will focus on battery materials. For the time being, we will compete in the market by using a new formulation technology for EV electrolyte and the technology under development for anode materials as we explained in February this year. With these technologies, we will continue our electrolyte and anode materials businesses.

Q&A 7

Q1

I have a question about MMA. On page 24, when divided by the EBITDA margin, revenues are forecast to be about 270 billion yen, which is a decrease by about 40 billion yen compared with the plan for the current fiscal year. On the other hand, I believe you are planning to maintain EBITDA at the current level. Why will you be able to maintain EBITDA amid the trend toward declining revenues in the face of softening market conditions toward 2025? Could you explain what kind of cost reduction measures you have in mind?

A1 (Managing Corporate Executive Officer Ikegawa)

I think there are some differences in calculation assumptions. The current market price is under 2,000 dollars, but we are taking a more conservative view. In addition, I think it is related to the assumption of exchange rates and crude oil prices through 2025. While crude oil prices have been rising recently, the crude oil price assumption for the Step 1 period announced in February 2021 was around 55 dollars per barrel. While the current exchange rate is 115 yen per dollar, the assumption was about 105 yen per dollar. I think the figures could vary depending on these assumptions. The EBITDA target for 2025 is set at 70 billion yen, but we consider it conservative even in light of the current market conditions and crude

oil prices. As for cost reductions, I believe there is room for reductions in our production systems based on optimal costs. By optimizing the three processes, we expect to reduce costs by several billion yen.

End