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### **Formulation of New Management Policy “Forging the future”**

Mitsubishi Chemical Holdings Corporation (MCHC) has formulated a new management policy “Forging the future”, covering the period up to the end of FY 2025.

In February 2021, MCHC announced its medium-term management plan, “APTSIS 25 Step 1”, which covers the two years from FY 2021. “Forging the future” is a new management policy based on the assumptions made at the time the plan was formulated and on a review of the measures needed to maximize corporate value.

We aim to sustainably increase value for our stakeholders with a clearer strategy to drive operational excellence and unlock the growth potential of our businesses.

#### **I. Strategic Priorities**

1. Growth, Performance, and Sustainability
2. Business to Exit
3. Strategic Cost Transformation
4. Leaner Structure to Execute Strategy
5. Strategic Capital Allocation

##### **1. Growth, Performance, and Sustainability**

###### **(1) Our Portfolio Assessment Criteria**

We will focus on businesses in attractive markets where MCHC is positioned to win.

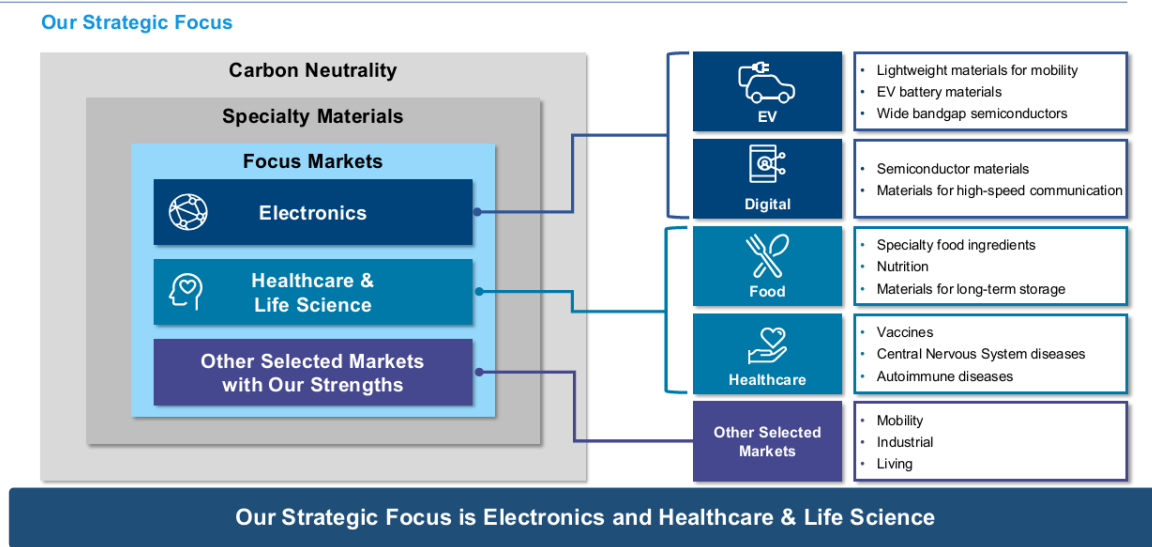
- i. Market Attractiveness
  - Market growth
  - Potential Risk Factors
  - ROS / ROIC / EBITDA Margin
- ii. Strength
  - No.1 / 2 Market Position Potential
  - Technological Innovation
  - Competitive Advantage

- iii. Carbon Neutrality
  - CO<sub>2</sub> Emissions Level
  - CO<sub>2</sub> Reduction Potential
  - Values to Customers / Society

(2) Our Strategic Focus

Based on the above evaluation criteria, Electronics and Health Care & Life Science will be positioned as our strategic focus.

[Our strategic focus]



[Electronics]

We will aim to achieve further growth in target domains by using MCHC's key technologies.



**Electronics**



[Health Care & Life Science]

We will lead innovation in targeted areas in the food sector, and in healthcare we will realize the value of late-stage development assets such as a potential coronavirus vaccine.

Healthcare & Life Science

 <p><b>Food</b></p>	<p><b>Lead Innovation Towards a Sustainable Food Supply</b></p> <table border="0"> <tr> <td data-bbox="598 436 861 470"><b>Target Segments</b></td> <td data-bbox="973 436 1236 470"><b>Our Key Technologies</b></td> </tr> <tr> <td data-bbox="598 470 861 537"> <ul style="list-style-type: none"> <li>Specialty food ingredients</li> <li>Nutrition</li> <li>Materials for long-term storage</li> </ul> </td> <td data-bbox="973 470 1236 582"> <ul style="list-style-type: none"> <li>Food functional materials</li> <li>Bio (gene/enzyme technologies)</li> <li>Plant factory</li> <li>Gas supply for food process</li> <li>Freezing equipment</li> <li>Film development</li> </ul> </td> </tr> </table>	<b>Target Segments</b>	<b>Our Key Technologies</b>	<ul style="list-style-type: none"> <li>Specialty food ingredients</li> <li>Nutrition</li> <li>Materials for long-term storage</li> </ul>	<ul style="list-style-type: none"> <li>Food functional materials</li> <li>Bio (gene/enzyme technologies)</li> <li>Plant factory</li> <li>Gas supply for food process</li> <li>Freezing equipment</li> <li>Film development</li> </ul>
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 <p><b>Healthcare</b></p>	<p><b>Create Value from Late-Stage Development Assets</b></p> <p>Pipeline and Launch Targets in North America</p> <table border="0"> <tr> <td data-bbox="598 750 845 828">                 MT-2766 (COVID19 vaccine)                  MT-1186 (ALS/ Oral Radicava)                  MT-7117 (EPP/XLP)                  ND0612 (Parkinson's Disease)             </td> <td data-bbox="869 750 965 828">                 FY2021                  FY2022                  FY2023                  FY2024             </td> <td data-bbox="1037 739 1268 840">                 Revenue contribution of                  &gt; JPY130 Bil                  in FY2025             </td> </tr> </table>	MT-2766 (COVID19 vaccine) MT-1186 (ALS/ Oral Radicava) MT-7117 (EPP/XLP) ND0612 (Parkinson's Disease)	FY2021 FY2022 FY2023 FY2024	Revenue contribution of > JPY130 Bil in FY2025	
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[Markets where we are strong: Solid performance materials businesses]

We will aim to further increase competitiveness in each of the domains including chemicals, polymers, films, and molding materials

Our Strong Foundation

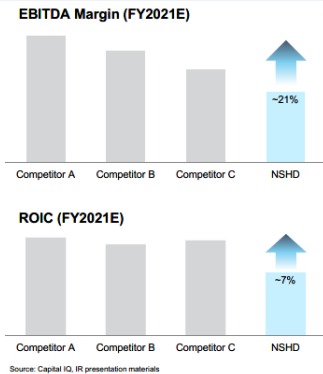
<p><b>Chemicals</b></p> <p><b>MMA</b> • #1 supplier of MMA monomer with ~40% global market share • Proprietary Alpha technology leading to cost competitiveness</p> <p><b>Functional Monomer</b> • Molecular design technology fully tailored to customer needs</p>	<p><b>Polymers</b></p> <p><b>Bioplastics</b> • Cutting-edge bioplastics for sustainable food packaging and glass-alternatives</p> <p><b>EVOH</b> • Proprietary high performance polymer for food packaging</p> <p><b>Functional Resin</b> • Comprehensive and environment-friendly resin offerings</p>
<p><b>Films</b></p> <p><b>Optical Film</b> • Top manufacturer of optical PET film with ~20% global market share</p> <p><b>Barrier Film</b> • Key supplier of barrier films primarily for food packaging and medical products</p> <p><b>Industrial Film</b> • Value-adding offerings for a wide variety of industrial applications • Low environmental-load technologies</p>	<p><b>Molding Materials</b></p> <p><b>Carbon Fiber Composite Materials</b> • World-leading integrated product chain of carbon fibers</p> <p><b>Super Engineering Plastic Components</b> • Chemical partner for global OEMs, industrial machinery, and aircraft manufacturers</p>

[Markets where we are strong: Industrial gas]

We will take strategic initiatives to capture growth, reduce costs and improve profitability.

**Industrial Gas**

**Comparison of Profitability Among Global Gas Majors**



**Strategic Initiatives**

- Cost Reduction**
  - ✓ Apply cost reduction measures taken in Europe & US into other regions
  - ✓ Improve profitability in Japan
- Financial Discipline**
  - ✓ Improve financial stability
  - ✓ Balance growth investment, deleveraging, and shareholder returns
- Capture Global Market Growth**
  - ✓ Especially in the US and Europe
- New Business Development / Realize Synergies with the group**
  - ✓ Semiconductor materials
  - ✓ Hydrogen
  - ✓ Medical gases
- Carbon Neutrality**
  - ✓ Roadmap to 2030 and 2050 Carbon Neutrality

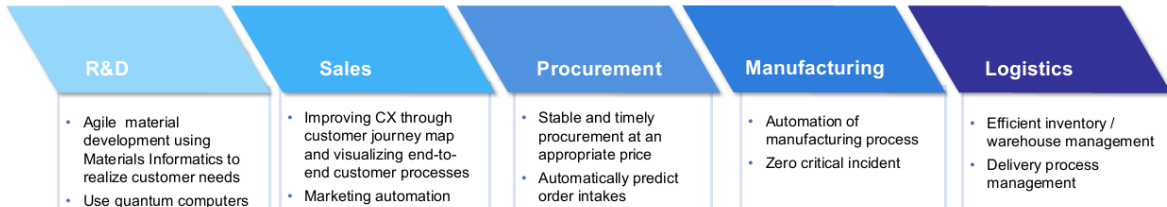
**Strategic Initiatives to Capture Growth, Reduce Costs and Improve Profitability**

(3) Digitalization

By bolstering our digital strategy, we will enable customer experience and end-to-end business process transformations.

**Digitalization**

**Key DX Themes of Supply Chain**



**Key DX Themes**

- Introduction of MCHC Connect**
  - One-stop-shop for transactional, educational, informational and inspirational content
- Introduction of Global Business Process Council**
- Making expert knowledge accessible**
  - Unlocking potential of 80% undocumented knowledge
- Performance evaluation and rewarding systems under the new structure**

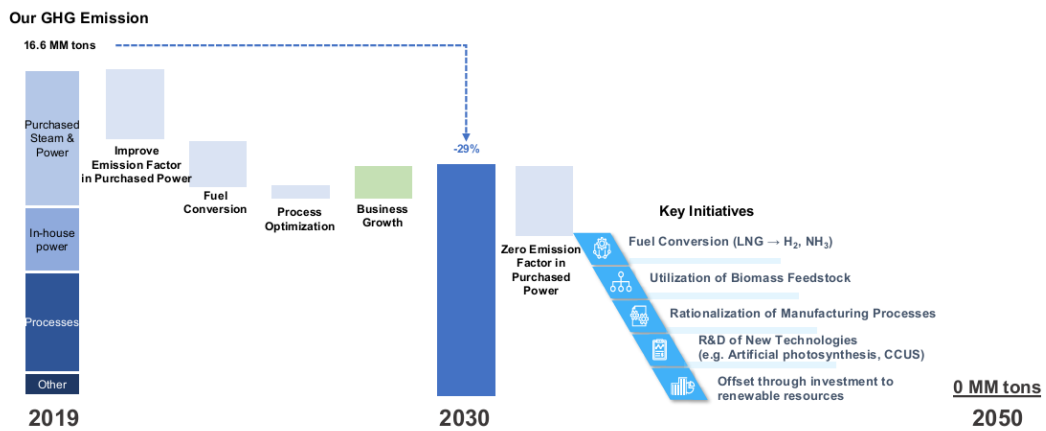
**Digital Strategy Enabling CX and End-to-End Business Process Transformations**

CX: Customer experience

#### (4) Carbon Neutrality by 2050

We will take a practical path towards carbon neutrality by 2050 while achieving sustainable growth.

#### Carbon Neutrality by 2050



**Affordable Path towards Carbon Neutrality while achieving Sustainable Growth**

## 2. Business to Exit

We will lead the consolidation of domestic basic chemical industries towards carbon neutrality by 2050 via restructuring, including through the carving out and future exit of our petrochemicals and coal chemicals.

#### Exit from Petrochemicals and Coal Chemicals

##### Strategic Rationale

<p><b>■ Challenges</b></p> <ul style="list-style-type: none"> <li>✓ Domestic market has limited growth potential</li> <li>✓ National energy policy is transitioning toward Carbon Neutrality and basic chemical industry has to embrace de-carbonization</li> <li>✓ High probability of increasing energy cost in Japan driven by CO<sub>2</sub> reduction efforts</li> <li>✓ Cyclical businesses</li> </ul> <p><b>■ Required Solutions</b></p> <ul style="list-style-type: none"> <li>✓ Consolidated domestic basic chemical value chain brings sustainability benefits to society <ul style="list-style-type: none"> <li>– Integrate resources to develop sustainable businesses and technologies (i.e., CO<sub>2</sub> recycling, chemical recycling, and bio chemicals)</li> <li>– Basic chemical products are indispensable from national security perspective</li> <li>– Increase efficiency</li> </ul> </li> </ul>
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##### We will....

- ✓ Lead consolidation of the domestic basic chemical industry for transition toward Carbon Neutrality in 2050
- ✓ Restructuring through carve-out and future exit

##### Indicative Timeframe for Carve-out and Exit

FY2021	FY2022	FY2023	Exit
<b>Preparation</b>	<b>Detailed planning</b>	<b>Carve-out</b>	
<ul style="list-style-type: none"> <li>Decide how to carve-out businesses</li> </ul>	<ul style="list-style-type: none"> <li>Design business model and structure with selected partner(s)</li> </ul>	<ul style="list-style-type: none"> <li>Carve-out Petrochemicals and Coal chemicals</li> <li>Further consideration of future options with partners</li> </ul>	

### 3. Strategic Cost Transformation

We will reduce costs by more than 100 Billion yen per year by fiscal 2025 through the following measures for each item.

Major Item	Margin Impact	Value Levers
Logistics / Supply Chain Management	++	<ul style="list-style-type: none"> <li>Pursue efficiency through digitalization across entire process from manufacturing to sales</li> </ul>
Engineering repair and procurement	++	<ul style="list-style-type: none"> <li>Optimization of investment through digital preventative maintenance</li> <li>Procurement process reformation and digitalization</li> </ul>
General and Administrative	+	<ul style="list-style-type: none"> <li>Business reorganization                             <ul style="list-style-type: none"> <li>Integrate subsidiaries and offices</li> <li>Introduction of new personnel system</li> </ul> </li> <li>Process excellence and digitalization</li> </ul>
R&D	++	<ul style="list-style-type: none"> <li>Clear prioritization</li> <li>Value impact                             <ul style="list-style-type: none"> <li>More selective R&amp;D at Mitsubishi Tanabe Pharma</li> </ul> </li> <li>Open innovation and Materials Informatics</li> </ul>
Price structure improvement	++	Price structure improvement of low-profit businesses

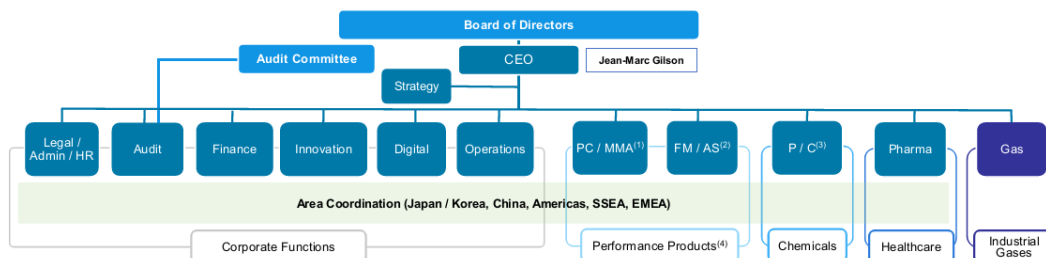
### 4. Leaner Structure to Execute Strategy

From April 1, 2022 onward, we will reform our organizational structure to create a flat organization with a "One Company, One Team" culture. In addition, we will shift from a legal entity-based to a business unit and corporate function-based operation to clarify where responsibility lies.

#### Key Characteristics of New Structure



#### Organization structure from April 1, 2022

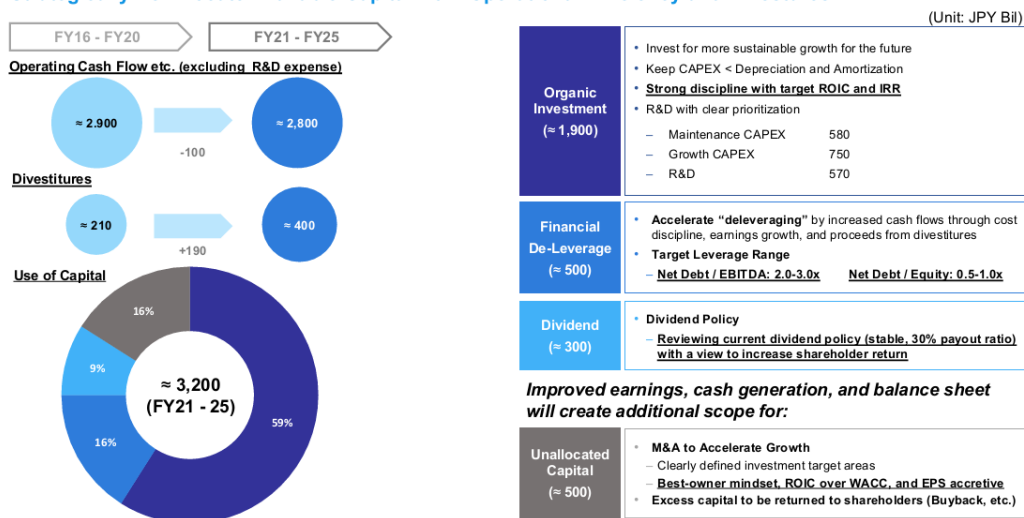


Note: (1) Polymers & Compounds / MMA  
 (2) Films & Molding Materials / Advanced Solutions  
 (3) Petrochemicals / Coal  
 (4) Performance Products might be divided into three businesses

## 5. Strategic capital allocation

We will strategically reallocate available capital from operational efficiency and divestitures.

### Strategically Re-Allocate Available Capital from Operational Efficiency and Divestitures



## II. Performance Targets for 2025

Improved operational efficiency and financial strength create solid foundation for accelerated growth.

### (1) Group target

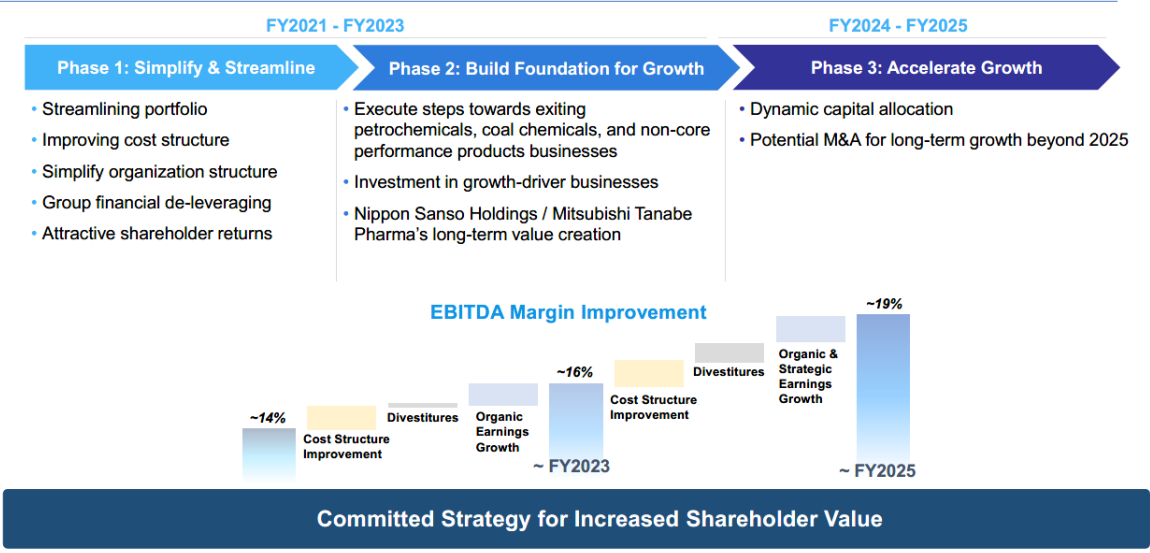
	FY2020 Actual	FY2021 Forecast	FY2025 Base Target
Group Revenues	JPY 3,258 Bil	JPY 3,886 Bil	JPY 3,000 Bil
Core Operating Income	JPY 175 Bil	JPY 300 Bil	JPY 350~370 Bil
EBITDA	JPY 406 Bil	JPY 530 Bil	JPY 540~560 Bil
EBITDA margin	12.5%	13.6%	18~20%
EPS	JPY (-5.3)	JPY 108.6	JPY 125-145
Financial Leverage (Net Debt / EBITDA)	5.3x	3.8x	2.0-3.0x
ROE	-0.6%	11.0%	≥ 10%
ROIC	3.3%	5.4%	> 7%

### (2) Targets by main segment

	Performance Products	MMA	Healthcare	Industrial Gas (Request-based)
EBITDA	≈ JPY 180 Bil	≈ JPY 70 Bil	≈ JPY 70 Bil	≈ JPY 220 Bil
EBITDA margin	≈ 15%	≈ 26%	≈ 15%	≈ 25%

**III. Road Map**

We will implement a firm strategy to increase shareholder value in accordance with the following road map.



**Forward-Looking Statements**

Forward-looking statements are based largely on the Company's expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond the Company's control. Actual results could differ materially due to numerous factors, including but not limited to market conditions and the impact of competition within the industry.