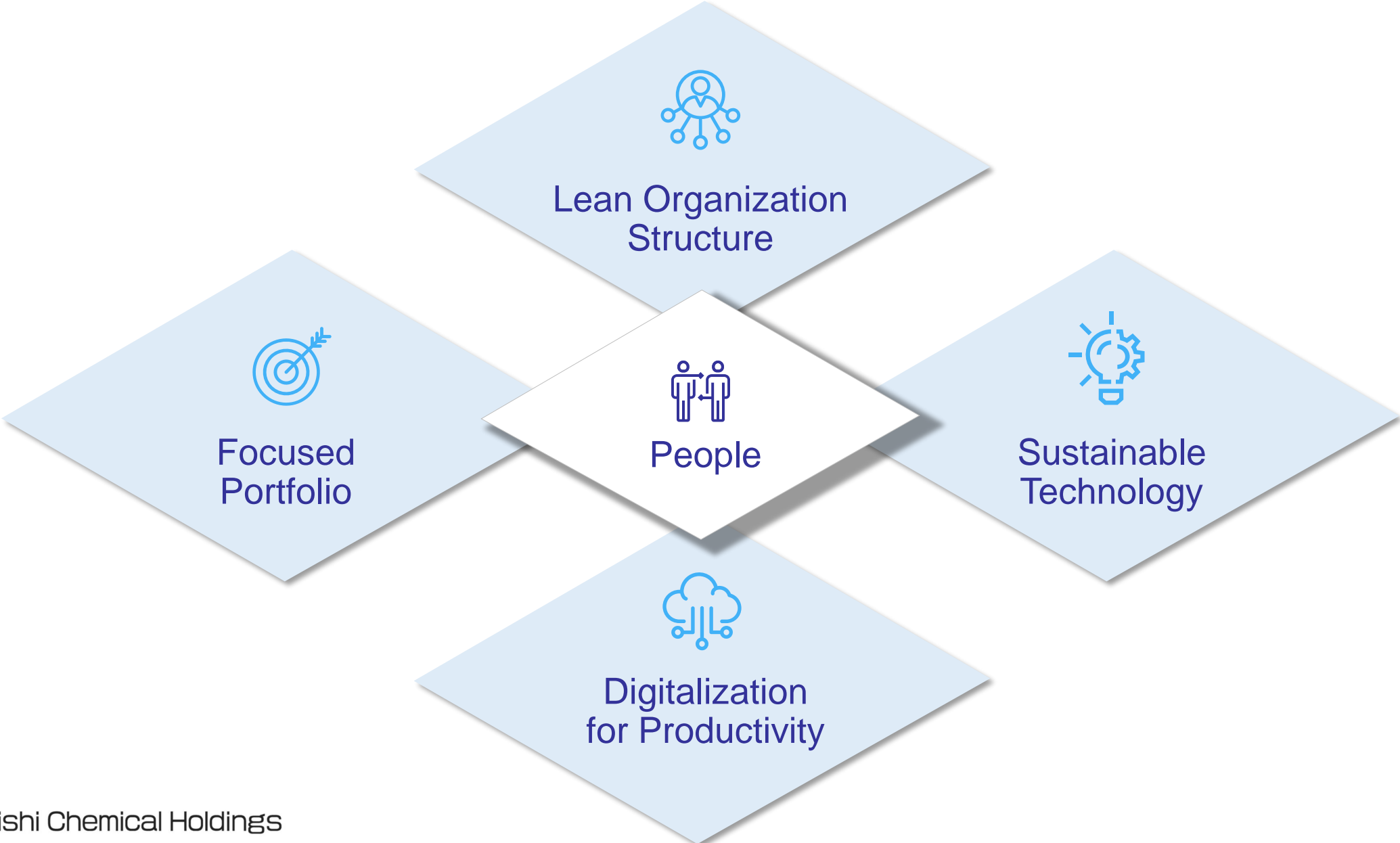


# Forging the future

Jean-Marc Gilson, President & CEO

December 1, 2021

# Our Keywords for Forging Our Future



## Our Operations in Numbers

**31** BUs

in 4 Segments

**666**

Group Companies  
FY2020

**69,607**

Employees  
FY2020

**15** MM ton

Group GHG (CO<sub>2</sub>) Emission  
FY2020

## Financial Performance – FY2021E

**13.6%**

EBITDA Margin

**7.7%**

Core Operating Margin

**¥108**

Organic EPS

**5.4%**

ROIC

**1.43x**

Net Debt / Equity

# Mitsubishi Chemical Holdings Group Today and Tomorrow

## Our Future Operations



## Financial Performance – FY2021E

**13.6%**

EBITDA Margin

**7.7%**

Core Operating Margin

**¥108**

Organic EPS

**5.4%**

ROIC

**1.43x**

Net Debt / Equity



## Financial Performance Target for FY2025

**18~20%**

EBITDA Margin

**11~13%**

Core Operating Margin

**¥125~145**

Organic EPS

**>7%**

ROIC

**0.5~1.0x**

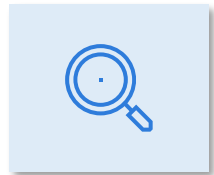
Net Debt / Equity

**With a Clearer Strategy to Drive Operational Excellence and Unlock Business Potential,  
We Can Deliver More Value to Our Stakeholders**

# Strategic Priorities

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More Focused Approach to Maximize Our Value



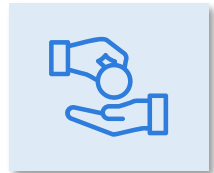
**1** Growth, Performance, and Sustainability

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**2** Business to Exit

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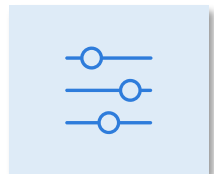
**3** Strategic Cost Transformation

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**4** Leaner Structure to Execute Strategy

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**5** Strategic Capital Allocation

# Strategy Execution Roadmap

FY2021 - FY2023

## Phase 1: Simplify & Streamline

- Streamlining portfolio
- Improving cost structure
- Simplify organization structure
- Group financial de-leveraging
- Attractive shareholder returns

## Phase 2: Build Foundation for Growth

- Execute steps towards exiting petrochemicals, coal chemicals, and non-core performance products businesses
- Investment in growth-driver businesses
- Nippon Sanso Holdings / Mitsubishi Tanabe Pharma's long-term value creation

FY2024 - FY2025

## Phase 3: Accelerate Growth

- Dynamic capital allocation
- Potential M&A for long-term growth beyond 2025

**Committed Strategy for Increased Shareholder Value**

1

# Growth, Performance, and Sustainability

# 1. Growth, Performance, and Sustainability

## Our Portfolio Assessment Criteria

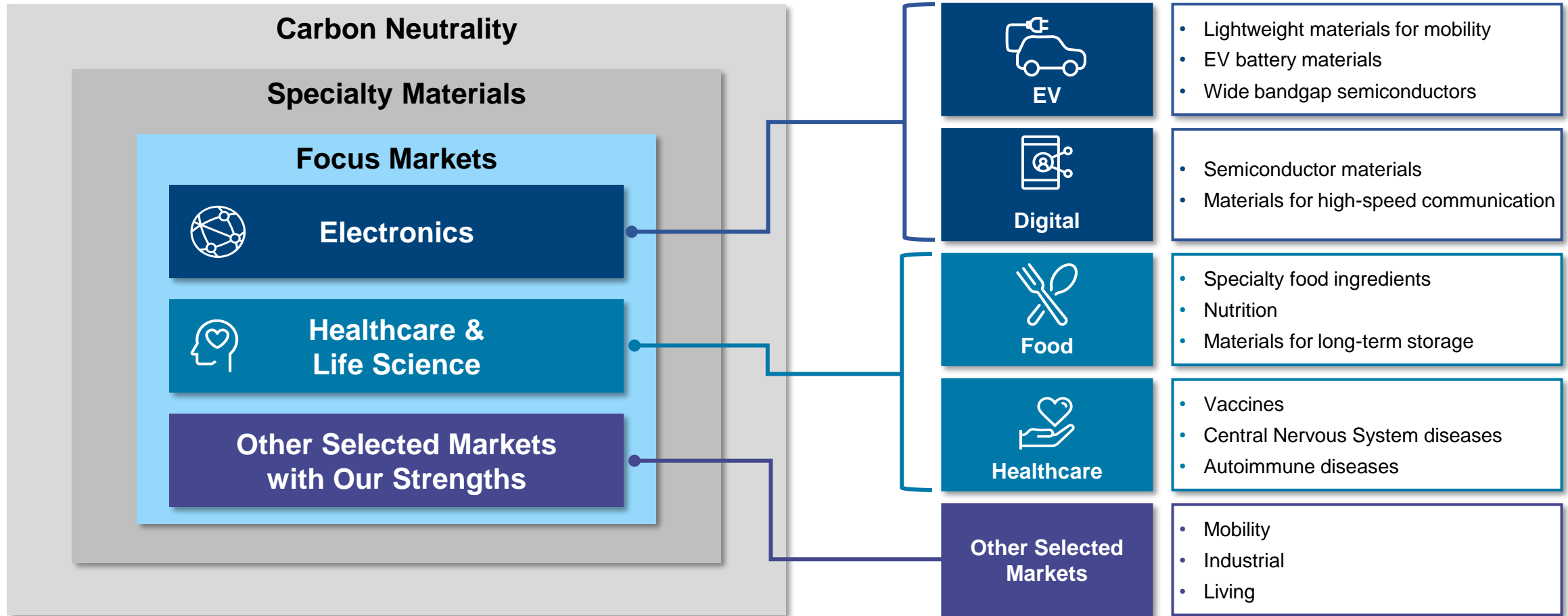


**Focus on Businesses in Attractive Markets where We are Positioned to Win**



# 1. Growth, Performance, and Sustainability

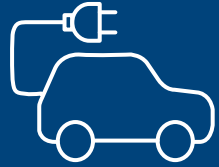
## Our Strategic Focus



**Our Strategic Focus is Electronics and Healthcare & Life Science**

# 1. Growth, Performance, and Sustainability

## Electronics



EV

### Capture Growth Opportunities

#### Target Segments

- Lightweight materials for mobility
- EV battery materials
- Wide bandgap semiconductors

#### Our Key Technologies

- Composite materials (CF-SMC)
- High-performance engineering plastic
- Adhesive materials
- Electrolyte and anode materials
- Organic synthesis for batteries



Digital

### Enhance Our Leading Position in Electronics Materials

#### Target Segments

- Semiconductor materials
- Materials for high-speed communication

#### Our Key Technologies

- Semiconductor cleaning
- Epoxy for encapsulants
- GaN substrate
- Semiconductor gas
- High-end display materials
- Luminescent materials
- Electronic films

# 1. Growth, Performance, and Sustainability

## Healthcare & Life Science



### Lead Innovation Towards a Sustainable Food Supply

#### Target Segments

- Specialty food ingredients
- Nutrition
- Materials for long-term storage

#### Our Key Technologies

- Food functional materials
- Bio (gene/enzyme technologies)
- Plant factory
- Gas supply for food process
- Freezing equipment
- Film development



### Create Value from Late-Stage Development Assets

#### Pipeline and Launch Targets in North America

MT-2766 (COVID19 vaccine)	FY2021
MT-1186 (ALS/ Oral Radicava)	FY2022
MT-7117 (EPP/XLP)	FY2023
ND0612 (Parkinson's Disease)	FY2024



Revenue contribution of

> JPY130 Bil  
in FY2025

# 1. Growth, Performance, and Sustainability

## Our Strong Foundation



### Chemicals

#### MMA

- #1 supplier of MMA monomer with ~40% global market share
- Proprietary Alpha technology leading to cost competitiveness

#### Functional Monomer

- Molecular design technology fully tailored to customer needs



### Polymers

#### Bioplastics

- Cutting-edge bioplastics for sustainable food packaging and glass-alternatives

#### EVOH

- Proprietary high performance polymer for food packaging

#### Functional Resin

- Comprehensive and environment-friendly resin offerings



### Films

#### Optical Film

- Top manufacturer of optical PET film with ~20% global market share

#### Barrier Film

- Key supplier of barrier films primarily for food packaging and medical products

#### Industrial Film

- Value-adding offerings for a wide variety of industrial applications
- Low environmental-load technologies



### Molding Materials

#### Carbon Fiber Composite Materials

- World-leading integrated product chain of carbon fibers

#### Super Engineering Plastic Components

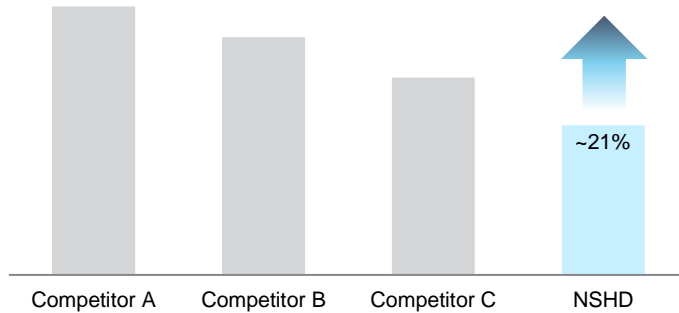
- Chemical partner for global OEMs, industrial machinery, and aircraft manufacturers

# 1. Growth, Performance, and Sustainability

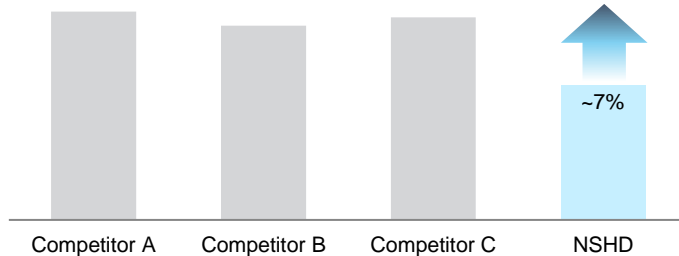
## Industrial Gas

### Comparison of Profitability Among Global Gas Majors

#### EBITDA Margin (FY2021E)



#### ROIC (FY2021E)



Source: Capital IQ, IR presentation materials

### 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

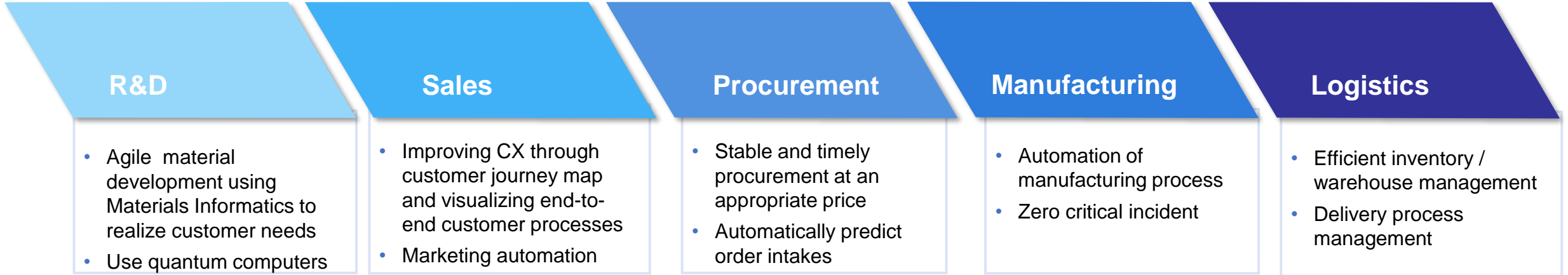
- ✓ Roadmap to 2030 and 2050 Carbon Neutrality

Strategic Initiatives to Capture Growth, Reduce Costs and Improve Profitability

# 1. Growth, Performance, and Sustainability

## 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**

# 1. Growth, Performance, and Sustainability

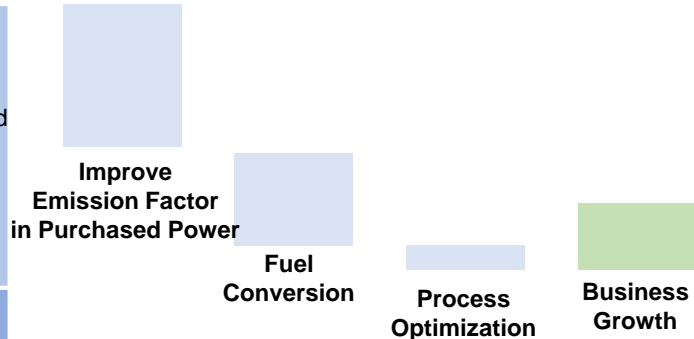
## Carbon Neutrality by 2050

### Our GHG Emission

16.6 MM tons



2019



-29%

2030

Zero Emission Factor in Purchased Power

### Key Initiatives

Fuel Conversion (LNG → H<sub>2</sub>, NH<sub>3</sub>)

Utilization of Biomass Feedstock

Rationalization of Manufacturing Processes

R&D of New Technologies (e.g. Artificial photosynthesis, CCUS)

Offset through investment to renewable resources

0 MM tons

2050

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

# 2 Business to Exit



## 2. Business to Exit

### Exit from Petrochemicals and Coal Chemicals

#### Strategic Rationale

##### ■ Challenges

- ✓ Domestic market has limited growth potential
- ✓ National energy policy is transitioning toward Carbon Neutrality and basic chemical industry has to embrace de-carbonization
- ✓ High probability of increasing energy cost in Japan driven by CO<sub>2</sub> reduction efforts
- ✓ Cyclical businesses

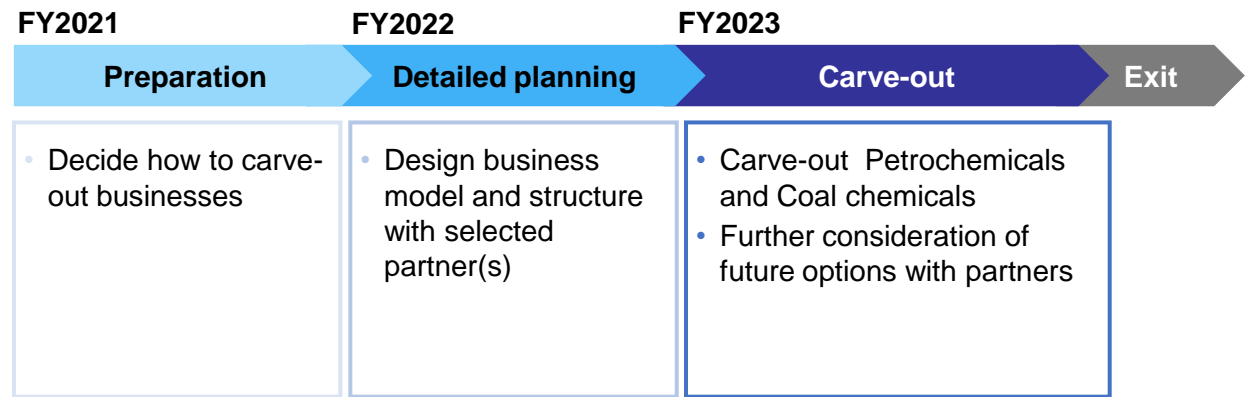
##### ■ Required Solutions

- ✓ Consolidated domestic basic chemical value chain brings sustainability benefits to society
  - Integrate resources to develop sustainable businesses and technologies (i.e., CO<sub>2</sub> recycling, chemical recycling, and bio chemicals)
  - Basic chemical products are indispensable from national security perspective
  - Increase efficiency

#### 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



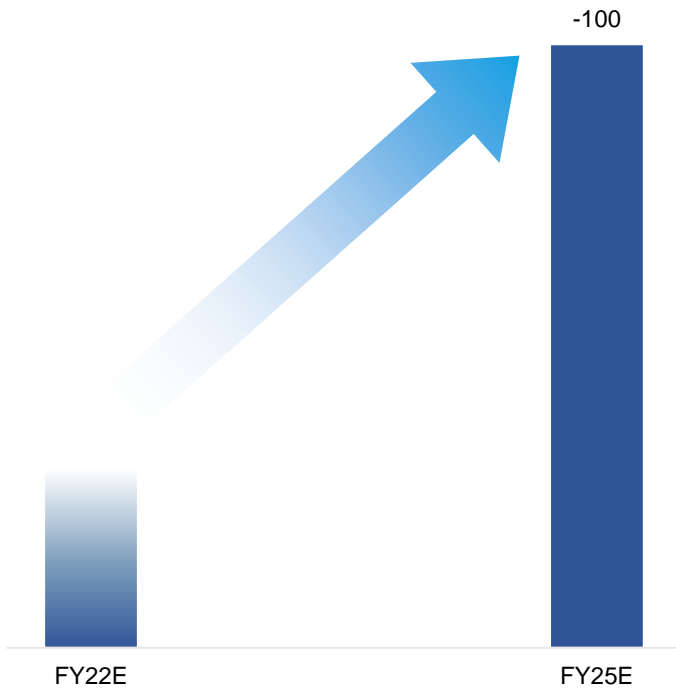
3

# Strategic Cost Transformation

### 3. Strategic Cost Transformation

#### Operational Excellence and Improved Efficiency

Annual Cost Reduction  
(JPY Bil)



Major Item	Margin Impact	Value Levers
<b>Logistics / Supply Chain Management</b>	++	<ul style="list-style-type: none"> <li>Pursue efficiency through digitalization across entire process from manufacturing to sales</li> </ul>
<b>Procurement and Engineering Repair</b>	++	<ul style="list-style-type: none"> <li>Optimization of investment through digital preventative maintenance</li> <li>Procurement process reformation and digitalization</li> </ul>
<b>General and Administrative</b>	+	<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>
<b>R&amp;D</b>	++	<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>
<b>Price Structure Improvement</b>	++	<ul style="list-style-type: none"> <li>Price structure improvement of low-profit businesses</li> </ul>

**Significantly Increasing Our Bottom Line Through > 100 Bil Yen of Cost Reductions and Improvements**

# 4 **Leaner Structure to Execute Strategy**

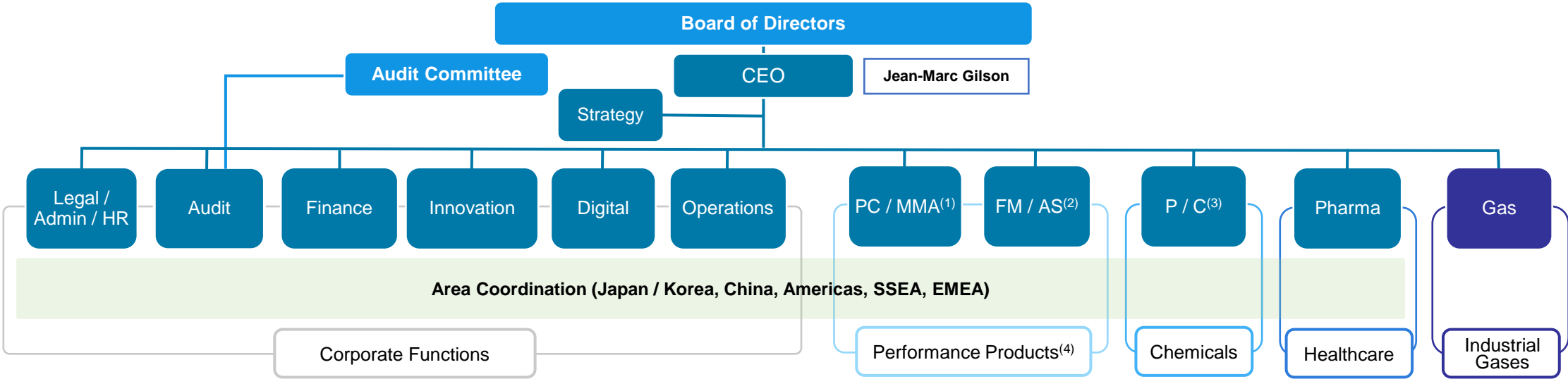
# 4. Leaner Structure to Execute Strategy

## Key Characteristics of New Structure

“One Company, One Team” culture with flat organization

Global business unit / functional heads to streamline decision-making

## 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

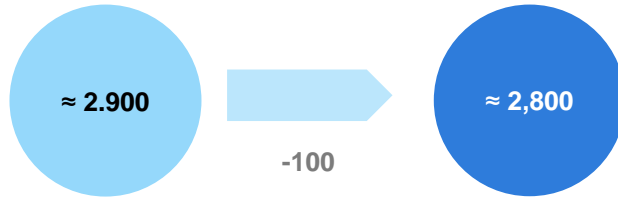
# 5. Strategic Capital Allocation

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

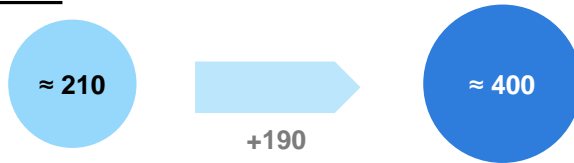
(Unit: JPY Bil)



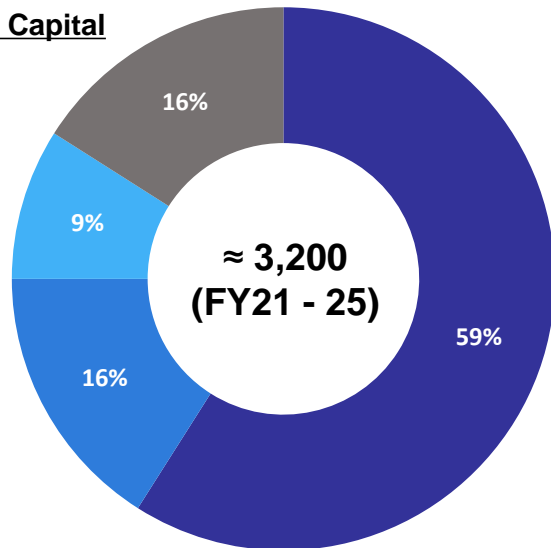
### Operating Cash Flow etc. (excluding R&D expense)



### Divestitures



### Use of Capital



<b>Organic Investment</b> ( $\approx 1,900$ )	<ul style="list-style-type: none"> <li>Invest for more sustainable growth for the future</li> <li>Keep CAPEX &lt; Depreciation and Amortization</li> <li><b>Strong discipline with target ROIC and IRR</b></li> <li>R&amp;D with clear prioritization               <ul style="list-style-type: none"> <li>Maintenance CAPEX 580</li> <li>Growth CAPEX 750</li> <li>R&amp;D 570</li> </ul> </li> </ul>
<b>Financial De-Leverage</b> ( $\approx 500$ )	<ul style="list-style-type: none"> <li><b>Accelerate “deleveraging”</b> by increased cash flows through cost discipline, earnings growth, and proceeds from divestitures</li> <li><b>Target Leverage Range</b> <ul style="list-style-type: none"> <li><u>Net Debt / EBITDA: 2.0-3.0x</u>      <u>Net Debt / Equity: 0.5-1.0x</u></li> </ul> </li> </ul>
<b>Dividend</b> ( $\approx 300$ )	<ul style="list-style-type: none"> <li><b>Dividend Policy</b> <ul style="list-style-type: none"> <li><u>Reviewing current dividend policy (stable, 30% payout ratio) with a view to increase shareholder return</u></li> </ul> </li> </ul>
<b>Improved earnings, cash generation, and balance sheet will create additional scope for:</b>	
<b>Unallocated Capital</b> ( $\approx 500$ )	<ul style="list-style-type: none"> <li><b>M&amp;A to Accelerate Growth</b> <ul style="list-style-type: none"> <li>Clearly defined investment target areas</li> <li><b>Best-owner mindset, ROIC over WACC, and EPS accretive</b></li> </ul> </li> <li><b>Excess capital to be returned to shareholders (Buyback, etc.)</b></li> </ul>

# Performance Targets for 2025

## 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%

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

## Target 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%



# Strategy Execution Roadmap

FY2021 - FY2023

FY2024 - FY2025

## Phase 1: Simplify & Streamline

- Streamlining portfolio
- Improving cost structure
- Simplify organization structure
- Group financial de-leveraging
- Attractive shareholder returns

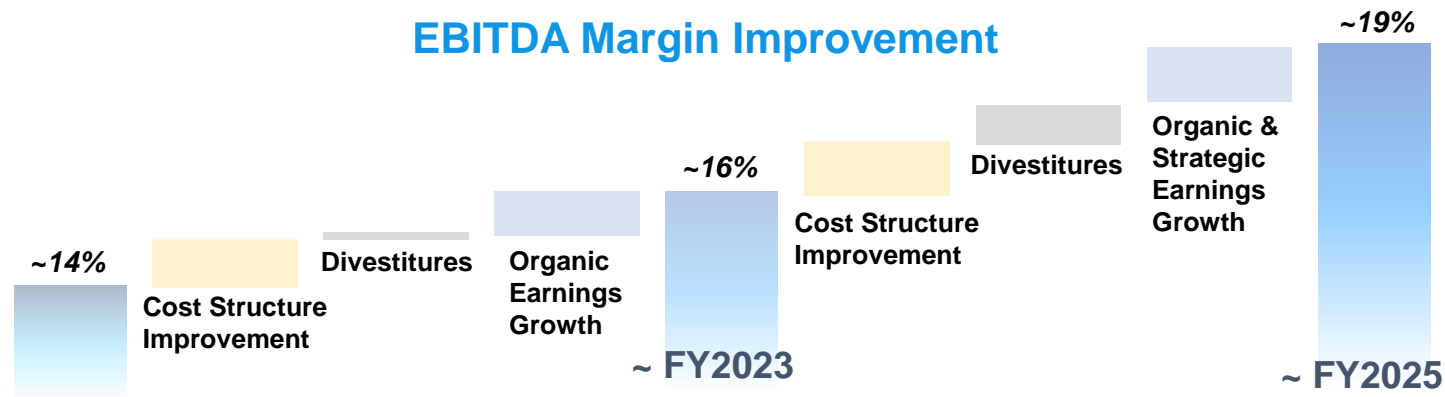
## Phase 2: Build Foundation for Growth

- Execute steps towards exiting petrochemicals, coal chemicals, and non-core performance products businesses
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## Phase 3: Accelerate Growth

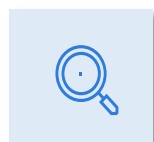
- Dynamic capital allocation
- Potential M&A for long-term growth beyond 2025

### EBITDA Margin Improvement



**Committed Strategy for Increased Shareholder Value**

# Summary : Our Strategic Priorities and Targets



1

Growth, Performance, and Sustainability



2

Business to Exit



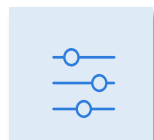
3

Strategic Cost Transformation



4

Leaner Structure to Execute Strategy



5

Strategic Capital Allocation

## Financial Performance Target for FY2025

**18~20%**

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Core Operating Margin

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Organic EPS

**> 7%**

ROIC

**0.5~1.0x**

Net Debt / Equity

## Disclaimer

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This presentation material contains forward-looking statements that reflect Mitsubishi Chemical Holdings Corporation's assumptions and beliefs based on currently available information. Actual results may differ materially from forecasts due to various risks and factors, and uncertainties. These include, but are not limited to, demand in Japan and overseas, exchange rate, price and procurement volume of crude oil and naphtha, market trends, technological innovation, National Health Insurance drug price revisions, product liabilities, lawsuits, laws and regulations, as the Mitsubishi Chemical Holdings Group is engaged in a wide range of businesses, including, performance products, chemicals, healthcare and industrial gases.