

Confronting uncertainty with a long-term business perspective and continued transformation

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Our mission in a significantly changing environment

First and foremost, I would like to extend my deepest condolences to those who have lost their lives or family members to COVID-19, and offer my heartfelt compassion to those who are suffering from the virus. I would also like to thank healthcare workers and all those who are doing their best to prevent the spread of the virus.

As this unprecedented and unexpected situation continues to unfold, I am, as CEO, fully aware of the responsibility I bear to lead Mitsubishi Chemical Holdings Corporation through various ever-changing challenges.

Among these challenges, myself and the management team have focused on maintaining and restoring global supply chains. At the Mitsubishi Chemical Holdings (MCHC) Group, we offer a variety of materials and components to a wide range of industries. These include lifeline products such as medical, pharmaceutical, hygiene, and food products that are essential for overcoming situations such as the one we are currently experiencing. As the pandemic disrupts supply chains, we have continued to take measures appropriate to each region and workplace. We also hold regular remote meetings to maintain a close collaboration with both development and production teams, thereby fulfilling our

social mission of ensuring a stable supply of products. Our reliable provision of products and technology can also help prevent the spread of COVID-19 and thereby support healthcare providers.

As a group that also operates a pharmaceutical business, the MCHC Group considers the development of vaccines that can help prevent infection as one of its top priorities. At Medicago Inc., a subsidiary of Mitsubishi Tanabe Pharma Corporation, researchers have focused their efforts on developing its proprietary virus-like particle (VLP) vaccine.

Pursuing sustainability amidst an uncertain future

The threat of COVID-19 is expected to continue for the foreseeable future. Consequently, people's way of life and how we all conduct business are drastically evolving. In light of this, we have witnessed digital technologies leading the way, with disrupted supply chains already starting to be rebuilt.

Digital technologies have also helped reduce energy consumption while promoting more diverse ways of working. Furthermore, it ensures the decentralization of populations and functions traditionally concentrated in large cities.

In the short term, these changes require work style and business process transformation. In the medium to long term, a

complete replacement of the existing, obsolete business model is needed.

I believe these changes can shine a light on how to achieve sustainability—an important question for businesses today. Pressing social challenges such as a rising global population, global warming, food and water shortages, and energy and resource depletion are urgent issues that need to be addressed, yet the outlook for an immediate solution remains unclear. At the same time, advanced technology innovations are being launched more quickly than ever before. To be able to lead a business into the future with a sense of certainty we need to mobilize as much knowledge and data as possible to predict future events and take the necessary action. That is why the management has been discussing our goals in the coming years based on our vision of society in 2050.

COVID-19 is a symbolic example of the uncertain outlook the global environment and international society and economy face. This situation affirms the assumptions that we have discussed. Our medium- to long-term basic management strategy KAITEKI Vision 30 (KV30), released in February 2020, is expected to fulfill our aims steadily and help us navigate toward sustainable growth through these uncharted waters.

KAITEKI Vision 30—Setting forth our goals in 2030

KV30 aims to achieve a world where all the social challenges we face today have been resolved toward 2050. We strive to achieve this by transforming our business model and becoming a global solutions provider that can help society. For that, we need to transform our portfolio to one that can help address social challenges and increase the added value of our business by working outside the traditional framework of a chemical company.

In the past, our KAITEKI Management (see page 7) has enabled us to pursue the maximum corporate value while creating both economic and social value through innovation. However, current trends indicate we need to take transformation to the next level. Issues that need to be addressed include global efforts to address environmental and social challenges such as the UN's Sustainable Development Goals (SDGs), and seeking stricter regulations such as the toughening of the Paris Agreement. There is a need to carefully identify long-term risks within the Group and leverage digital technologies to accelerate and convert innovation into opportunities.

In 2018, the management began discussions for KV30. As part of this process, we identified the risks deriving from social

challenges and structural changes, and estimated damage to corporate value at ¥1 trillion if those risks were left unmanaged. We then identified our goals in 2030 based on these assumptions. We also set an ambitious target to enable our six business areas, including medical advances, sustainable carbon cycle, and digital society infrastructure, to address social challenges and generate over 70% of our total sales by 2030.

I believe in transparency when conducting business, which is why we disclose medium- to long-term operational risks and opportunities to our valued stakeholders. It is also in our business and society's interests to help resolve social challenges through our practices, and expand growth opportunities as well.

Results and progress of the medium-term management plan APTSIS 20

While taking urgent measures to address COVID-19, APTSIS 20 will come to an end in fiscal 2020.

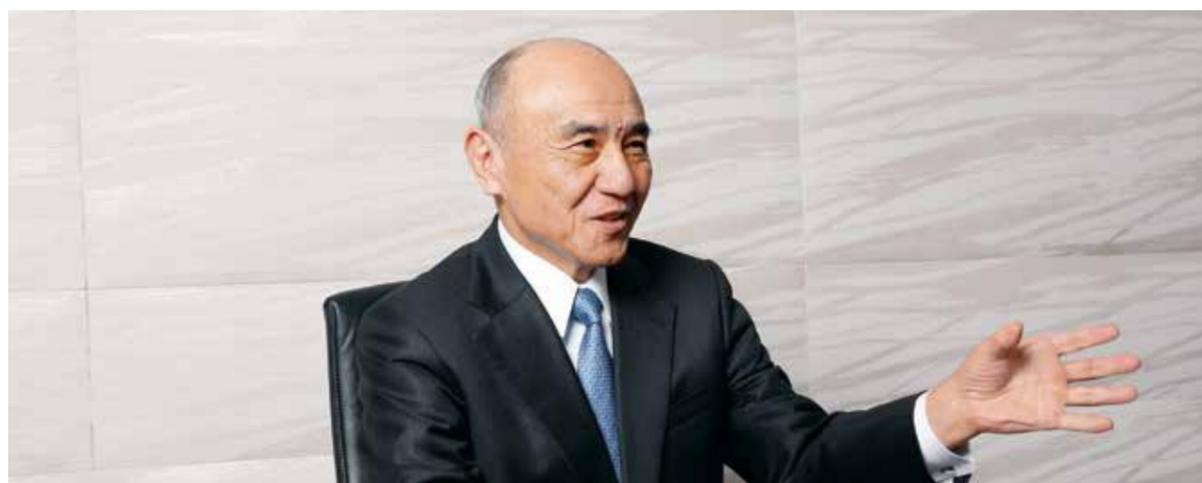
In fiscal 2019, the prolonged trade friction between the US and China unfortunately dampened the demand for automotive applications and semiconductors. This was followed by the outbreak of COVID-19, which caused economic activities to be restricted and revenues and profits to be reduced in the fourth quarter. KPIs for the Management of Economics (MOE) Indices were also significantly lower compared to the previous quarter. Furthermore, the outlook for fiscal 2020 remains unclear apart from the semiconductor market, where demand is showing signs of recovery. This makes our financial goals, including ¥410 billion of core operating income, a 13% ROE and

a 9% ROS, extremely unlikely to be achieved at the end of the current medium-term management plan.

Even in this challenging environment, we managed to deliver tangible results in achieving creation of synergies through the integration of three chemical operating companies and the improvement of infrastructures by strengthening portfolio management. This was realized through the implementation of the basic policies of APTSIS 20, which aimed for us to become a corporate group with high growth, and a profitable business through the Performance Products, Industrial Materials, and Health Care domains (see page 23 about strengthening portfolio management on APTSIS 20). We have also made solid progress in the development of strong operational infrastructures, by successfully accelerating digital transformation (DX) and improving both global management and R&D structures. I have summarized our progress below:

Numerical targets and results (KPIs for MOE Indices)

	FY2018 Results	FY2019 Results	APTSIS 20 FY2020 Targets
Core operating income	¥317.2 billion	¥194.8 billion	¥410.0 billion
Net income attributable to owners of the parent	¥169.5 billion	¥54.1 billion	¥220.0 billion
ROE	12.7%	4.2%	13.0%
ROS	8.1%	5.4%	9.0%
Net D/E ratio	1.26 times	1.79 times	1.0 times



1. Accelerating the growth of the Performance Products domain and strengthening the infrastructure of the Industrial Materials domain by integrating three chemical companies

To be able to achieve growth as a chemical company, we integrated three chemical operating companies into the new Mitsubishi Chemical Corporation in 2017, built systems to facilitate synergies, and strengthened our Performance Products domain. We also built a new plant in the Middle East to further extend our world-leading share in methyl methacrylate (MMA), and overall competitiveness in our Industrial Materials domain. We aim to expand our industrial gas-related business globally through M&A mainly in Europe and the US.

2. Improved global management structure

As the domestic market approaches saturation, APTSIS 20 set the goal in fiscal 2016 of increasing our overseas sales revenue ratio from 39.5% to 50% and above, and we achieved the overseas sales ratio of 42.9% in fiscal 2019. Meanwhile, to enable the quick provision of solutions to address regional needs and challenges, we started to improve our digital network platform about two years ago to allow the sharing of information across the world and aid in timely decision making within each region of Europe, Americas, and China.

3. Accelerated digital transformation (DX)

In recent years, science and technology have advanced at a truly astonishing rate. Liaising with major international IT companies has convinced me of the potential impact of DX, leading to the launch of the Emerging Technology and Business Development Office in 2017. Since then, we have hired talented personnel based on advice from an externally-hired Chief Digital Officer. As a result, R&D leveraging materials informatics* have already started. Also, in the field of plant optimization, we have replaced the traditional deductive approach of gathering facts to identify solutions with an inductive approach consisting of formulating hypotheses through data analytics.

* Materials informatics: AI-based method to design new materials and explore alternative materials rapidly and efficiently

4. Making Mitsubishi Tanabe Pharma Corporation our wholly owned subsidiary

In March 2020, Mitsubishi Chemical Holdings made Mitsubishi Tanabe Pharma (see page 35) its wholly owned subsidiary based on our long-term perspective of effectively using our capital in order to deliver productive synergy. In recent years, cutting-edge technologies such as AI and quantum computing

have been widely used in the field of pharmaceutical development. To deliver speedy R&D results in such environments, we need to find a way to achieve sustainable R&D investments in the chemical and biotechnological fields.

The potential of the pharmaceutical areas that Mitsubishi Tanabe Pharma focuses on, including immunity disorders and the central nervous system, as well as the expanding trend of the global healthcare market, were important factors in our decision to make it the MCHC Group's wholly owned subsidiary. With a large range of pharmaceutical products that can address unmet medical needs, we expect the company, driven by the desire to resolve social challenges, to achieve strong growth.

Leveraging the Group's strengths to provide solutions to social challenges

We are developing a new medium-term management plan that will start in fiscal 2021. Since 2011, we have pursued our KAITEKI Management in earnest and aim to achieve sustainable growth by balancing both social and economic values at our three business domains. At the same time, by withdrawing from unprofitable business areas and making Mitsubishi Rayon Co., Ltd. and Taiyo Nippon Sanso Corporation our consolidated subsidiaries, we underwent a major portfolio restructuring and created a more stable revenue structure. We have also strengthened our foundation in terms of environment, social, and governance (ESG), which led to us achieving a world-class rating in the Dow Jones Sustainability World Index. We are now working on a new medium-term management plan starting from fiscal 2021 based on the KV30 strategy, which combines our expertise with our vision for future society.

To be able to achieve that, the first two years of the new medium-term management plan will be focused on building further resilience toward the post-COVID-19 era and strengthening operational structures. The final three years will be centered around getting growth back on track as set out in KV30.

With COVID-19 severely disrupting global supply chains, I believe rebuilding them is one of the most important activities during the resilience period. Partly prompted by the emergence of nationalism in recent years, an increasing number of countries are becoming self-sufficient in lifeline products. Businesses are also expected to localize their geographically dispersed global supply chains, while maintaining the global sharing of information. APTSIS 20's commitment to meeting the specific needs and challenges of each region is therefore validated and should continue to be pursued.

In this changing business landscape, I would like to ensure that the MCHC Group's comprehensive strengths are reevaluated. With our extensive range of businesses, we can respond flexibly to changing markets. Most importantly, we

have a unique capacity to create value as a chemical conglomerate. By building robust operational infrastructures and by leveraging both the individual and synergistic strengths of each region, I am confident that we will be able to create unique solutions in the target business areas set forth in KV30.

Developing personnel and a corporate culture for a new era

No matter how grand a vision or how precise a prediction, we will not be able to achieve anything without people who deliver the vision, as well as a culture that encourages each person to challenge what is new.

What supports this is strong corporate governance focused on providing a comfortable and safe working environment, compliance, and fair human resource/resource allocation policies.

In particular, we have ensured the safety of our employees by remembering past accidents and using the lessons learned to identify the appropriate ways to maintain production facilities, as well as by using the latest technologies to develop and implement accident prevention procedures. We have also

strived to prevent accidents and disasters at approximately 330 subsidiaries overseas by providing employees with necessary training to make them aware of the operational and equipment procedures.

In the area of compliance, we have focused on strengthening our internal control system by using the internal control map introduced in fiscal 2018, to ensure we adhere to the laws, regulations, and standards of each country.

Our corporate governance has also been bolstered by transitioning to a company with nominating committee, etc. in 2015 and separating execution from supervision in order to ensure the agility, objectivity, and transparency of the operation.

In addition to stronger operational infrastructures, the prevalence of human resources who can think and act independently, and a corporate culture that can facilitate active discussions, will become increasingly important in the coming years while we strive to deliver on the KV30 targets. As part of this effort, we have embarked on the work style reforms, focused on the satisfaction levels of each employee, and highlighted the theme of the human resources system reforms and global management.

Listening to diverse views to create value

The theme of the 2020 World Economic Forum Annual Meeting in Davos was Stakeholders for a Cohesive and Sustainable World. This promoted the idea of “stakeholder capitalism,” where businesses should serve all stakeholders as well as shareholders. This concept can bring value to every stakeholder through ongoing and open dialogue, while also helping us to pursue social and environmental sustainability. This focus coincides with both our KAITEKI Management and the underlying values of KV30.

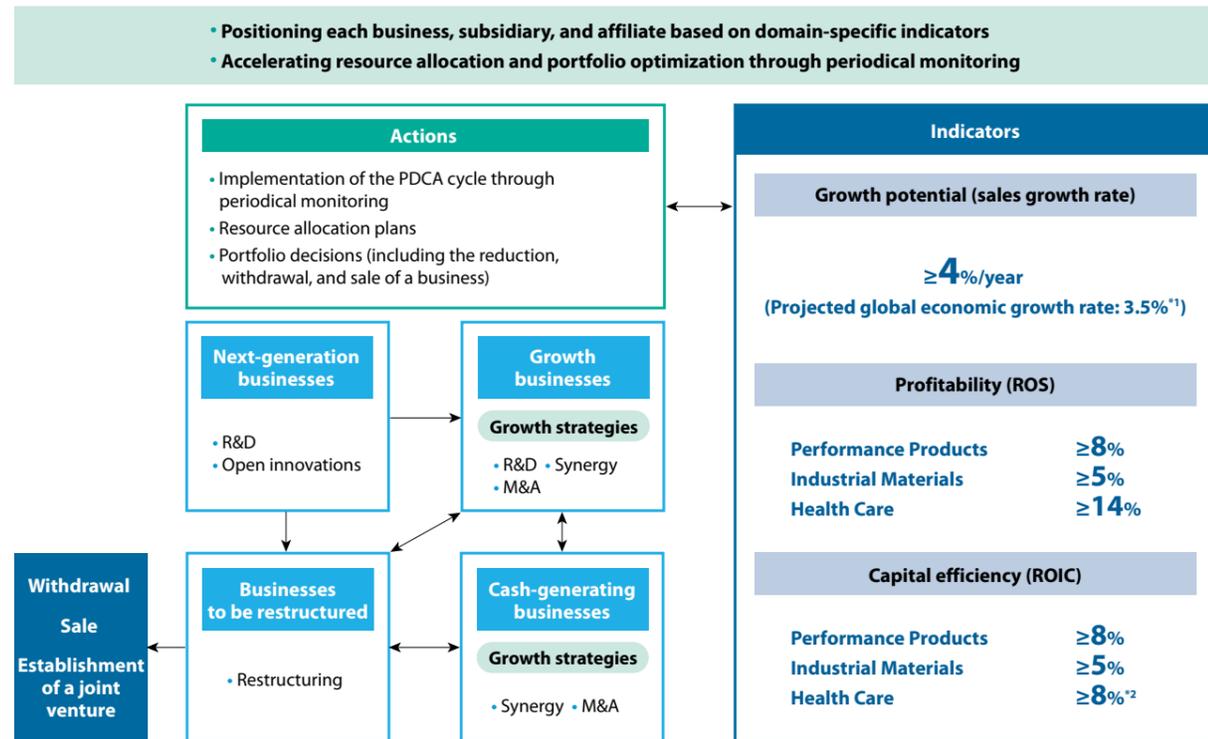
While COVID-19 continues to bring significant changes to the world, the MCHC Group is continuing to transform itself and improve its KAITEKI value by striving to create both social and economic values in line with our KAITEKI Management and by listening and talking to our diverse stakeholders.

In conclusion, I would like to extend my gratitude for your continued understanding and support regarding the activities of the MCHC Group.



Inspection of Medicago second factory construction

Strengthening portfolio management on APTIS 20



*1 Average annual growth forecast from 2016 to 2020 by IMF *2 Calculated by excluding cash and deposits

Changes brought by COVID-19

Changes to the economy and businesses	Impacts on individuals/society
<ul style="list-style-type: none"> Expanded global multipolarization with a more fragmented economy Tendency to focus on stable procurement within each region Full-scale transition to non-face-to-face interaction Significant improvements in work style reforms and operational efficiency Increased government involvement in the economy 	<ul style="list-style-type: none"> Increased awareness of health and wellness Increased sensitivity to safety and security Development and proliferation of virtual technologies Transition to remote approaches Increased social value

Trends in corporate activities to address the impacts of COVID-19

During COVID-19	Post-COVID-19
<ul style="list-style-type: none"> Efforts to ensure productivity in the social-distancing environment (digitalization, automation, more efficient communication systems including internal/external meetings) Review and revision of investment plans based on past demand forecasts Development of solutions to address new needs; Reformation toward and the building of a new business model Accelerated restructuring of the portfolio in response to the emergence of new values 	<ul style="list-style-type: none"> Accelerated growth driven by the provision of solutions to achieve a sustainable society envisioned in KV30 Development of next-generation advanced medical care, pharmaceuticals, regenerative medicine, and healthcare systems Creation of solutions by maximizing the potential of digital technologies; Accelerated advancement of productivity Creation of new businesses and business models in response to COVID-19 Development of a global management structure to meet regional needs in an increasingly multipolarized world