

Q&A Summary for CEO Presentation in June 2023

Date	June 1, 2023 15:00-16:50
Place	Hybrid conference (Bellesalle Yaesu and online)
Speakers and Respondents	HASHIMOTO Osamu, President & CEO YOSHINO Tadashi, Senior Managing Executive Officer & CTO NAKAJIMA Hajime, Senior Managing Executive Officer & CFO
Reference	FY23-1 CEO Presentation posted on June 1, 2023

Q&A

■Life & Healthcare Solutions

Q1. The targets for FY2025 and FY2030 for the Life & Healthcare Solutions segment seem challenging. Please explain how you plan to grow this segment.

A1. As for vision care materials, our lens material was adopted by Costco Wholesale Corporation in the U.S., and as a result, our market share has been expanding and awareness of our products has been increasing in the U.S. market. We are currently considering collaboration with other companies and other means to further expand our market share in the future. As for the overall trend, we are feeling a good response to the switch from polycarbonate (PC) to our lens materials, which are thinner and stronger. Also in the Chinese market, where middle-refractive-index lens materials are the mainstream, awareness of high-refractive-index-lens materials has been increasing through our efforts of making full use of digital marketing activities and other means. To expand our market share going forward, we will look into further increasing our production capacity and thereby increase our earnings. In FY2023, we will start the operation of a new plant, and are considering further capacity expansion in FY2025 and beyond. On top of lens materials, we can expect synergistic effects from combining processing equipment and coating materials. In this way, we will expand our vision care business through a wide range of measures.

As for agrochemical products, our sales have significantly expanded due to registrations in overseas markets such as Brazil and India, which are major agricultural countries. We can expect steady growth also in the future by increasing the number of countries in which we register our distinctive products. As for sales revenue, we expect 90 billion yen also in FY2023. Therefore, we expect a further increase in sales revenue in FY2025, exceeding the 100 billion yen we initially planned. In addition, the active ingredients we have acquired have potential for growth, so we believe there is potential for further increase in our sales revenue. We are exploring M&A in this field; however, we recognize that it will not be easy, as other companies also consider it as their core business due to its high profitability. Opportunities will arise due to changes in the business environment, as was the case when we acquired an agrochemicals business in FY2021. Therefore, we are constantly reviewing possibilities.

As for dental materials, we had started this business with a view to global expansion and the increasing use of organic materials in dental materials in the future, and accordingly we acquired Kulzer. After the acquisition, it took some time before we were able to secure stable earnings. However, we recognize that the dental materials business will certainly become a core business in this segment. We are considering developing this business by utilizing Mitsui Chemicals' technologies in adhesion, polymers, and synthesis. In particular, the 3D printer ink business is an attractive business, especially as 3D printing and digitalization progresses. In addition, in the global dental materials business, there are few companies that possess chemical technologies, and we recognize that we have an advantage in this respect as well.

We will leverage Kulzer's global sales network. In the Asian and domestic markets, we are deploying Kulzer's technology and product lines at Sun Medical and Shofu, which have strengths in those markets. In addition, we plan to globally expand Super-Bond™ offered by Sun Medical in the future. Going forward, we will further utilize each other's resources to make oral care a globally competitive business that can be expected to achieve operating income before special items of around 10 billion yen by 2030.

■Mobility Solutions

Q2. The Mobility Solutions segment appears to be progressing well toward its operating income before special items target. Please explain the background of this and what you will implement to raise the target in the future, by taking into account the contribution of the solutions business to earnings.

A2. Considering the fact that it takes at least around four years to develop an automobile, we can expect that the solutions business will contribute to earnings if we can shorten the time required for development; however, we do not expect this business to significantly contribute to our earnings by 2025. By building a system to provide solutions to customers' development issues, we expect this business to contribute to our earnings in the future. Until then, we expect to incur some development costs. In the meantime, businesses that will contribute to earnings continue to be our materials business, which provides value not only in automotive applications, but also in solar cell encapsulant materials and environmentally friendly packaging materials. We can expect solid growth in our materials business over the next several years, as we have been expanding sales to high-end growth markets with high profitability and the automobile industry is expected to see a recovery in production volume. Furthermore, we consider it is important for us going forward to build the system mentioned earlier in our solutions business so that we can provide solutions to social challenges amid a changing business environment such as the shift to EVs.

■Basic & Green Materials

Q3. Please explain the status of your consideration on the future direction for collaboration with other companies in running crackers, by also taking into consideration issues related to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

A3. We have already commenced joint studies on collaborative projects with Sumitomo Chemical and Maruzen Petrochemical in Ichihara and with Osaka Gas in Osaka, with the aim of achieving carbon neutrality. In Ichihara, there are other companies that own crackers besides us, and industries such as oil refining and steel are concentrated. Therefore, we began our study based on our thought that it would be more efficient to start discussions within the chemical industry first, rather than considering collaborations involving the entire industrial complex. Still, if we are to consider chemical recycling in the process of getting green chemicals in use throughout society, it will be necessary for us to cooperate with local governments in the collection of plastics from household waste. In addition, we believe that in the utilization of pyrolysis oil derived from plastic waste, tanks and other equipment will be needed, and therefore we believe that cooperation with oil refining companies will become necessary. For this reason, while the joint study in Ichihara started with three companies, we believe more members will join in the future. As for Osaka, we are the only company that owns a cracker and will study projects we can carry out on our own; however, on top of that, we believe that collaboration among the industrial complexes will become necessary. In the western Japan area, there are other petrochemical complexes scattered throughout the region, so we will explore various

cooperation possibilities, as we believe that we can further promote the shift to green chemicals through collaboration among the complexes. As for issues related to the Anti-Monopoly Act, various companies are interconnected and form a complicated chain at industrial complexes, which makes it difficult for a single company to pursue carbon neutrality initiatives alone and thus requires cooperation with other companies. In order to pursue the transformation of crackers, we will need to address and resolve various issues that go beyond a simple matter of, for example, creating a JV or LLP for a product. Therefore, we need support, guidance, and cooperation from the authorities. We will consider measures from the standpoint of how we can promptly realize our carbon neutrality initiatives within the limited time frame to achieve carbon neutrality.

Q4. Please explain the time frame for “implementing further steps to restructure and downsize low-profitability businesses (e.g. adopting asset-light structure)” in the Basic & Green Materials segment and what you envision its contribution to earnings.

A4. We have been promoting business restructuring through the shutdown of plants and divestitures. From now on, we will promote asset-light strategies focused on alliances and so on. We consider that this will take several years. As for its effects, we expect it to contribute to improving ROIC (return on invested capital).

■Group-wide

Q5. Please explain the progress toward the ROIC targets set out in VISION 2030. In particular, in the Life & Healthcare Solutions segment, the progress toward the target appears to be challenging. How will you achieve this target? Also, please explain whether you have any plans to raise the current target of 8% or more.

A5. As for ROIC, we have not yet reached 8% as of this point. In particular, when we set our targets for the Life & Healthcare Solutions segment, we were pointed out that it would probably be difficult to increase ROIC and profitability at the same time, and we explained that we would aim for a higher level of ROIC so as to pursue highly efficient growth investments in addition to increasing our profits. We have not changed that policy even now. As for our investments in Japan MDM, in which we recently acquired a 30% stake, it will take some time before they contribute to ROIC. However, we are not satisfied with our ROIC as of this point. Not all of the measures we are currently considering, especially M&As, will contribute to our earnings and cash inflow immediately. Therefore, we are currently in the process of discussing with members of the Life & Healthcare Solutions business sector on how to achieve our growth and improvement of ROIC. We recognize that this is a high target; however, we will continue to work hard to pursue it. We are making steady progress in the Mobility Solutions segment. In the ICT Solutions segment, ROIC is slightly down due to the current market downturn; however, we had maintained a high ROIC until then, and therefore we believe we will be able to achieve our ROIC target for this segment once the market recovers. In the Basic & Green Materials segment, we have so far been pursuing business restructuring and have made a substantial progress in the measures for reducing business volatility. We are currently moving on to the next phase, where we must raise the level of our earnings and improve our ROIC for this segment. In addition, we will strengthen our business from a medium- to long-term perspective, including strengthening our competitiveness at petrochemical complexes. At the very least, it is essential to raise ROIC to 7% to 8%, a level higher than WACC, and we will do our utmost to pursue this target. We will continue to pursue restructuring measures accordingly. Finally, from a Group-wide perspective, we have been evaluating our businesses according to the two axes of ROIC and growth potential, and will consider bolstering businesses

including the reconfiguration of our business portfolio going forward.

Q6. You are promoting various measures and seem to be undergoing a business portfolio transformation; however, the P/B ratio is below 1. In response to this, please explain your thinking on increasing corporate value.

A6. We have been able to increase the proportion of our growth domains in the total operating income before special items as well as profitability by taking various measures to date. However, there is a point where we have not gained the understanding of our shareholders due to a lack of our explanation. Specifically, we believe that there may be still a perception that Mitsui Chemicals is primarily a petrochemical company. In fact, in FY2022, the growth domains account for 85% of our operating income before special items. This fact indicates that we are transforming into a specialty chemicals company. We recognize the need to thoroughly explain this to our shareholders and gain their understanding. We believe it is necessary for us to not only increase the proportion of the growth domains in the total operating income before special items but also expand earnings through further pursuing the business portfolio transformation that we are currently undertaking so that many stakeholders, including our shareholders, recognize that we have transformed ourselves into a specialty chemicals company and not just a petrochemical company. In this regard, the question is what we should do with the Basic & Green Materials segment. In fact, it serves as the foundation for our growth domains, which are our pillars of earnings. We believe that it is important to continue structural reforms of the Basic & Green Materials segment and strengthen its competitiveness so that we can gain a competitive edge comparable to that of other specialty chemicals companies.

Q7. Please explain the current status of your carbon neutrality strategy, based on matters such as whether you can achieve ROIC that exceeds WACC in your carbon neutrality-related investments, and the status of customer inquiries regarding your products derived from bio-based hydrocarbons.

A7. We have already purchased bio-based hydrocarbons, and manufactured products using them, and sell those products. The prices of those products themselves are higher than those of conventional products. As the shift to green chemicals accelerates in the world, it has become clear that there are markets that can accept high costs and those that cannot. We need to look at these markets and consider factors such as where we should focus our efforts, how much consumers themselves are ready to accept green products when we pass on cost increases to our product prices, and changes in tax regulations and the possible introduction of a carbon tax. Otherwise, we do not believe our shift to green chemicals will progress. We cannot proceed with investments, unless our profitability is ensured. However, toward getting green chemicals in use throughout society, we consider that it is important for us to build a system for offering solutions to this market even before profitability and other conditions are met. Another point is that it has been around 65 years since Japan's first petrochemical complex was established, and it is difficult for a single company to transform petrochemical complexes, which have evolved into an increasingly complicated system with interconnected value chains spanning multiple companies over the long period of years. Therefore, we believe it is essential for us to collaborate with other companies to create new solutions, and work together with the national government, local governments, and academic institutions to resolve this issue. We offer a range of value to a variety of industries (such as semiconductors, automobiles, and food packaging) through our materials, and we recognize that the achievement of carbon neutrality is an important responsibility for us. We are currently in the phase where we have to take specific measures to get green chemicals in use throughout society, and the national

government, including the Green Innovation Fund, is also proceeding with demonstration projects. We will promote our efforts toward carbon neutrality with a strong determination.

Q8. If the cost of shareholders' equity is below 10%, I think it is more important to put your cash into growth investments and expand earnings than to raise the ROE target. Please explain your thoughts on increasing corporate value.

A8. In the past, there was a period when our earnings growth stalled and we were not able to put our cash into growth investments. After that, we actively made growth investments and were able to expand our earnings. If we were to use a car as an analogy, we were able to upgrade from a car that has an engine with a displacement of about 500 cc to a car that has an engine with a displacement of about 1,000 cc, and we are now in a situation where we can aim for 1,500 cc or 2,000 cc in the future. However, as a point of reflection during this period, we were not able to earn a sufficient return on those investments. If we make investments only for profit, we may neglect the efficiency. Therefore, our policy is to pursue both of them; however, if we were to place more emphasis on one or the other, it would be on growth investments. As for ROE, we have already exceeded our target of 10% or more, and we would like to examine ways to raise the level of ROE even higher, rather than maintaining the current target.

Q9. I think that employee salaries are at a low level when viewed globally, due in part to the depreciation of the yen in foreign exchange rates. Please explain your thinking on improving the pay level from the perspective of increasing employee engagement.

A9. As for employee salaries, we are currently in the process of discussing and considering increasing their base pay. We recognize that it is important to pay our employees compensation commensurate for their work, when considering it from the perspective of securing human resources and their motivation and increasing employee engagement. In addition, we have a performance formula system in place for our employee bonuses, which is designed to return profits to employees as the Group's performance improves. We will consider further returns to our employees, who are our important stakeholders.

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