

Q&A Summary for CEO Presentation and Announcement of VISION 2030 in June 2021

Date	June 2, 2021 15:00-16:30
Place	Online conference
Speakers and Respondents	HASHIMOTO Osamu, President & CEO MATSUO Hideki, Executive Vice President & CTO NAKAJIMA Hajime, Managing Executive Officer & CFO
Reference	CEO Presentation and VISION 2030 Long-Term Business Plan posted on June 2, 2021

Q&A

■ Mobility

Q1. In regard to ICT materials, what is the future sales plan for EUV pellicles? Also, which products do you expect to grow significantly from now to FY2030?

A1. We expect ICT materials to become the third pillar of earnings and will move forward to accelerate growth. Among ICT materials, we believe that EUV pellicles will be an important core business. Commercial operations have already been launched, and we expect the business to expand going forward. We will further strengthen our pellicle business aiming for the world's No. 1 supplier in the cutting-edge field of ArF and EUV. The semiconductor market is also expanding, so we will also look into timely capacity increase in line with demand. As for the future core businesses in ICT materials, in addition to the existing businesses, we expect further growth through our collaboration with Honshu Chemical Industry. Additionally, we possess fundamental technology in the semiconductor and imaging fields, which the New Business Incubation Center is working on, and these will be the foundation for future growth in the ICT domain. Based on these things, we will aim for sales of 100 billion yen to start.

■ Health Care

Q2. Please explain the growth strategy and future vision for the Health Care segment in light of factors such as the growth potential of vision care materials on the back of capacity increase for ophthalmic lens monomers and switchover from polycarbonate lenses in the US market and the growth strategy of the dental materials business.

A2. In regard to ophthalmic lens materials, we have made the decision to expand our production capacity in the second half of FY2023. Going forward, while also capitalizing on our lens coating technology, we will pursue switchover to our products in the United States, China, and other markets where conventional lens materials are the mainstream. In regard to dental materials, we have struggled with the post-merger integration of Kulzer but its management system is now taking shape, and we are also making progress with initiatives to tap digitalization needs in dental care, such as 3D printers and ink. We also expect growth in Japan owing to the strengthening of our tie-up with Shofu. In regard to nonwovens, we are strengthening industrial materials, and in personal care materials, we will continue our efforts to identify potential social challenges and provide solutions to them through the development and supply of our distinctive products. We are also looking into M&As and will combine them with existing businesses to achieve significant growth.

■ Basic Materials

Q3. Is the expansion of MDI capacity in line with your Basic Materials strategy?

A3. We position our MDI business as part of our strategy of bolstering and expanding downstream businesses. MDI can be expanded into high value-added fields of automotive and other applications, so it can contribute to further growth of profits. In regard to the GHG reduction

measures for this capacity increase, we will leverage our recycling technology to reduce GHG emissions intensity by 23%.

Q4. What kind of profit level do you think the Basic Materials segment is capable of?

A4. We recognize that it is important for the Basic Materials segment to generate 30 billion yen in operating income before special items. We believe that it is currently capable of attaining around 20 billion yen when the effects of temporary market conditions and inventory valuation are excluded, but we will continue to improve profitability by implementing measures to reduce volatility and raise the earnings base.

■ **Group-wide**

Q5. In order to achieve your target operating income before special items of 250 billion yen in FY2030, what kind of business strategy, including portfolio reform, do you plan to pursue?

A5. We have not lowered the target for FY2025 operating income before special items of 200 billion yen as set forth in the Long-Term Business Plan for 2025. If we achieve the 115 billion yen target in our plan for FY2021, that will be a 30% increase year on year, and we can reach the FY2025 target by maintaining 20% annual profit growth from there on. By segment, various measures have produced results in Health Care, and we will continue enhancing existing resources and acquiring new ones to achieve our target. In the Mobility segment, although business performance declined in FY2020 due to COVID-19, we have been actively investing since FY2016, and we can expect significant profit growth as new and expanded facilities will come online in FY2021 and thereafter. The Food & Packaging segment is growing steadily, but we will need to identify new growth opportunities and pursue synergy in order to significantly expand income going forward.

With the new, revised business portfolio announced in VISION 2030, we will harness further growth drivers and accelerate growth. To use agrochemicals as an example, it is easier to leverage technological commonalities and create synergy by grouping them under a new Life & Healthcare Solutions domain. As for the new ICT Solutions, we will consolidate the ICT materials that are currently in each segment into a single domain to further expand growth. The new Basic & Green Materials domain will be mainly based on the current Basic Materials segment, but we will continue to push ahead with our strategies of bolstering and expanding downstream businesses as well as restructuring. In this new domain, we will also utilize our technology and resources toward the pursuit of a circular economy, reducing environmental impact, and solving other new social challenges. These efforts in turn will contribute significantly to our downstream businesses through, for example, the supply of green raw materials for our derivatives. In this way, we intend to revamp the business itself. Based on these points, we have set the target of achieving operating income before special items of 250 billion yen in FY2030 through business portfolio transformation.

Q6. Please explain your thoughts on efforts to accelerate your solutions-based business model and provide diverse value.

A6. Under the Long-Term Business Plan for 2025, we have been pursuing a customer-driven business model, but we have not been successful in translating it into more concrete business models and implementing them. However, as part of our efforts to implement the plan, we have carried out M&A deals with Kulzer and ARRK and collaborations with start-ups, and we will need to organically connect these initiatives with existing businesses to deliver results. Therefore, going forward, we will work to communicate and promote our solutions-based business model and circular economy-based business model throughout the entire Group to improve execution. This will require enhancement of our design capabilities. The conventional, so-called integral model of

business, in which we provide materials according to the needs of customers, will be insufficient on its own. We must also evolve that model to identify and capture latent customer needs and address social challenges. In addition to providing materials and technical services, we also envision a subscription-based business model in which we will capture customers and provide value by building a new framework. In addition, in order to make these things feasible, we will restructure our organization and make use of DX. We will roll out DX Group-wide and incorporate it into our business model to strengthen our proposal capabilities.

Q7. Please explain the positioning of the Basic Materials segment and your thinking on future investments.

A7. Our strategy for the Basic Materials segment is broadly divided in two.

In regard to businesses for which we pursue optimization and restructuring, we are working on alliances with other companies, going asset-light, and optimizing production chains, and will announce them as they materialize. In regard to our strategy of bolstering and expanding downstream businesses, we will not only make investments to raise the earnings base but also reshape them into new business models based on the concept of a circular economy.

Q8. Please tell us about your thinking on internal growth investments and strategic investments with respect to resource investment in the Long-Term Business Plan for 2030. Also, please explain where green chemistry and environmental investments are included and how much you anticipate them to be.

A8. Strategic investments are primarily comprised of M&A. Internal growth investments are investments for organic growth centered on existing businesses. Green chemistry and environmental investments are included in internal growth investments while those requiring alliances with other companies are included in strategic investments. We are looking into specific projects for achieving our target of reducing GHG emissions by 40% by 2030, and investments necessary for these projects will also be included in the internal growth investments as well as the strategic investments. However, using the purchase of bio-based hydrocarbons as an example, we will have to start small and determine how much investment will be necessary for practical application, including gaining widespread acceptance and broader use in society.

Q9. How much do you anticipate maintenance investments will be?

A9. They vary depending on the fiscal year, but roughly 20–30 billion yen will be necessary for major regular maintenance and repairs. Additionally, investments for other maintenance, servicing, etc. range 30–40 billion yen, but going forward we expect that investments for reducing GHG emissions will also be included in the investments for other maintenance, servicing, etc.

Q10. What are the target fields for M&A?

A10. We have long and short lists for M&A and are looking into various possibilities. For driving growth in the future, we are also considering M&A in fields such as Health Care and ICT where we do not have sufficient management resources. We are also looking into options such as alliances in addition to M&A.

Q11. Please explain the regions where you will be actively investing over the next 10 years.

A11. When it comes to investments, the markets vary by business, so we will be making decisions for each business rather than taking a geographical approach. In addition, as the supply chain becomes more complex due to trade friction between the United States and China and COVID-19, we believe that it is important that we simplify our supply chain. We believe that pursuing a

business model based on local production for local consumption will lead to a reduction of risk, particularly in large markets like the United States and China. We will make investment decisions and work to expand businesses based on these perspectives.

Please note that this document has been translated from the original Japanese into English for the convenience of our stakeholders. The information was originally provided in Japanese. If there is any discrepancy, the Japanese language version is the official document and is available on our Japanese language website.