

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

Date	November 25, 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 November 25, 2021

### Q&A

#### ■ Life & Healthcare Solutions

##### **Q1. What are the targeted areas for M&A within the Life & Healthcare Solutions segment?**

**A1.** Agrochemical products in wellness solutions are one of the targets, and we intend to steadily seize opportunities for M&A and alliances with drug discovery companies. We also believe that M&A is an effective means for the orthopedic surgery area and pharmaceutical CDMO operations in medical solutions. Moreover, we will actively look into M&A in the testing and diagnosis area.

##### **Q2. In regard to the targeted business areas in Life & Healthcare Solutions, it seems you struggled with acquisition of dental materials. Will you be able to pursue expansion of the scale and improvement of ROIC in M&A?**

**A2.** In regard to dental materials, post-merger integration (PMI) was a difficult process, and it took time to turn a profit, but we have been able to put together a stable business foundation. However, it certainly took a considerable amount of time to bring the foundation to where it is. Learning from this lesson, we will work on measures to contribute to quickly achieving profitability. In regard to the medical devices area and orthopedic surgery materials in particular, we will expand into areas in which our dental materials technology and know-how can be leveraged rather than ones that are detached from our current business areas.

As for ROIC, we recognize that it is a challenging goal, but utilizing M&A and acquiring outside technology and other resources do not mean low ROIC will be acceptable. We will pursue increasing ROIC while also expanding the business scale.

##### **Q3. What are the targeted areas for the contract development and manufacturing organization (CDMO) business?**

**A3.** We have unique technologies and products like acrylamide, so we will leverage those technologies and the related know-how to pursue the possibilities of M&A. In so doing, we will expand into the CDMO business such as nucleic acid medicine and therapeutic antibodies.

#### ■ ICT Solutions

##### **Q4. In regard to ICT Solutions, you say that you will consolidate related products, so can you explain how you will create synergy, including how you will utilize human resources?**

**A4.** ICT is a broad-ranging field, and there are many targeted businesses. We intend to create unique and differentiated products by specializing in semiconductor, imaging, and battery material solutions. Specifically, we have unique products in various semiconductor processes that have captured a large share of the market, and customers are already evaluating several newly developed products, so we are feeling tugs on the line as we expand. As for imaging solutions, APEL™ is already highly competitive in smartphone lens applications, and we are considering rolling it out to the mobility domain and others. Finally, in regard to battery material solutions, we

have electrolytes and other unique products and technologies. ICT Solutions is a fast-paced development business domain, so it will be necessary to engage in suitable organizational development and allocation of human resources. For ICT-related R&D, we will launch the Innovative Solutions Center for Information & Communication Technology, consolidate human resources into this specialized ICT research organization, and develop new businesses and products in collaboration with our customers. We will hire human resources not only from within the company but from outside as well to actively develop and grow the business.

#### ■ Basic & Green Materials

##### **Q5. Can you provide a detailed explanation of your progress on optimizing and restructuring the Basic & Green Materials business? Also, what is your vision for the business after the restructuring?**

**A5.** The current favorable market conditions for phenols and other products in the Basic Materials business are temporary, and we do not believe that they will continue for long. Recognizing that if the supply and demand situation changes, the market conditions will deteriorate and we will find ourselves in difficult circumstances, we are working to restructure our phenols, PTA, and polyurethane businesses without letting up. My thinking has not changed since the last CEO Presentation. We cannot announce specific measures at this time as it depends on negotiations, but we expect to be able to do so soon. Employees involved in the business are working on restructuring based on the same recognition as management. Looking ahead to the future, we will build a suitable production system, including forming alliances, while also considering the balance of supply and demand. In addition, going forward, we are planning to strengthen our green chemicals business in this domain for the future and launch new business models. Our employees are coming together to work on these efforts.

##### **Q6. In regard to Basic & Green Materials, most recently there have been a string of large-scale investments, such as the new high-performance PP plant and capacity increase for high-performance MDI. What is your thinking on capital investment?**

**A6.** With the new high-performance PP plant, we expect to contribute to a reduction of greenhouse gas emissions by optimizing the old plant. High-performance MDI is an environmentally friendly product, and the latest processes will be introduced in its facilities, which we expect will contribute to a reduction of greenhouse gas emissions. We do not invest simply in increasing performance or added value but judge the appropriateness of investments based on their contribution to reducing environmental impact as well.

The large-scale investments in Basic & Green Materials have just about come full circle. We believe that first, it is important to carry out optimization and restructuring. At the same time, we will work to raise profits by expanding the aforementioned high-performance products, incorporating the high-performance products of Honshu Chemical Industry, which has been made a subsidiary, and creating new products through collaborations. In addition, we have been implementing various measures to strengthen green chemicals, and we intend to brush up the knowledge and know-how we have acquired through them to create new business models.

#### ■ Group-wide

##### **Q7. Please explain your thinking on ROIC in each segment.**

**A7.** We will actively invest in the Life & Healthcare Solutions segment and utilize M&A and alliances where resources are lacking. For that reason, we recognize that maintaining a high ROIC is a very challenging goal, but we realize the importance of achieving it.

In regard to Mobility Solutions, we have been actively investing since FY2016, and we will steadily

recover that investment moving forward. We will also be actively investing in addressing market changes such as CASE and MaaS through to FY2025. Thereafter, we will raise the level of profitability in FY2025 and beyond by shifting to high-performance products and solutions business.

We will actively invest in ICT Solutions from FY2021 to FY2025, and recover that investment thereafter. Because of this, our plan assumes that ROIC will drop temporarily before bouncing back ahead of FY2030.

In Basic & Green Materials, the plan is to avoid increasing invested capital by optimizing and restructuring.

**Q8. Please provide a breakdown of the 140 billion yen investment in the carbon neutral strategy.**

**A8.** 70 billion yen will be invested in measures to reduce Scope 1 and 2 emissions, including (1) low-carbon raw materials and fuels, (2) energy efficiency, and (3) renewable energy. The remaining 70 billion yen will be invested in measures to reduce Scope 3 emissions such as recycling and biomass.

At this time, we have not factored in the return on investment, but we will make our judgments while ensuring economic efficiency at the execution stage.

**Q9. There is concern of conglomerate discount when it comes to diversified chemicals. Can you explain how you will increase your corporate value?**

**A9.** We have already split off the pharmaceutical business, and our recognition is that we have kept the unique businesses as we have restructured our business. Our integrated production chain spans naphtha crackers through to derivative products. The products that come out of naphtha crackers are not sold to outside parties but are used in our own derivative products, and that is one of our strengths. Also, when considering going green, we could potentially carry this out from upstream to downstream businesses. On the other hand, there are various options for the organizational format, including a holdings structure. Moreover, in the future, we will add a non-financial perspective and will likely consider shaking up or reviewing the portfolio accordingly, so we will pursue the optimal organizational format for increasing corporate value.

**Q10. Will there not be a problem with encroaching on customer domains when pursuing a solutions-based business model?**

**A10.** In essence, our recognition is that it is important to increase the added value of our activities. For example, we will develop businesses that address the needs of our customers by creating packaged businesses that include not only the provision of materials but also components. Rather than encroaching on customer domains, our objective is to increase the added value of our activities by offering unique proposals. As a means of achieving this, we believe we can deploy a solutions-based business model or circular economy-based businesses.

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.