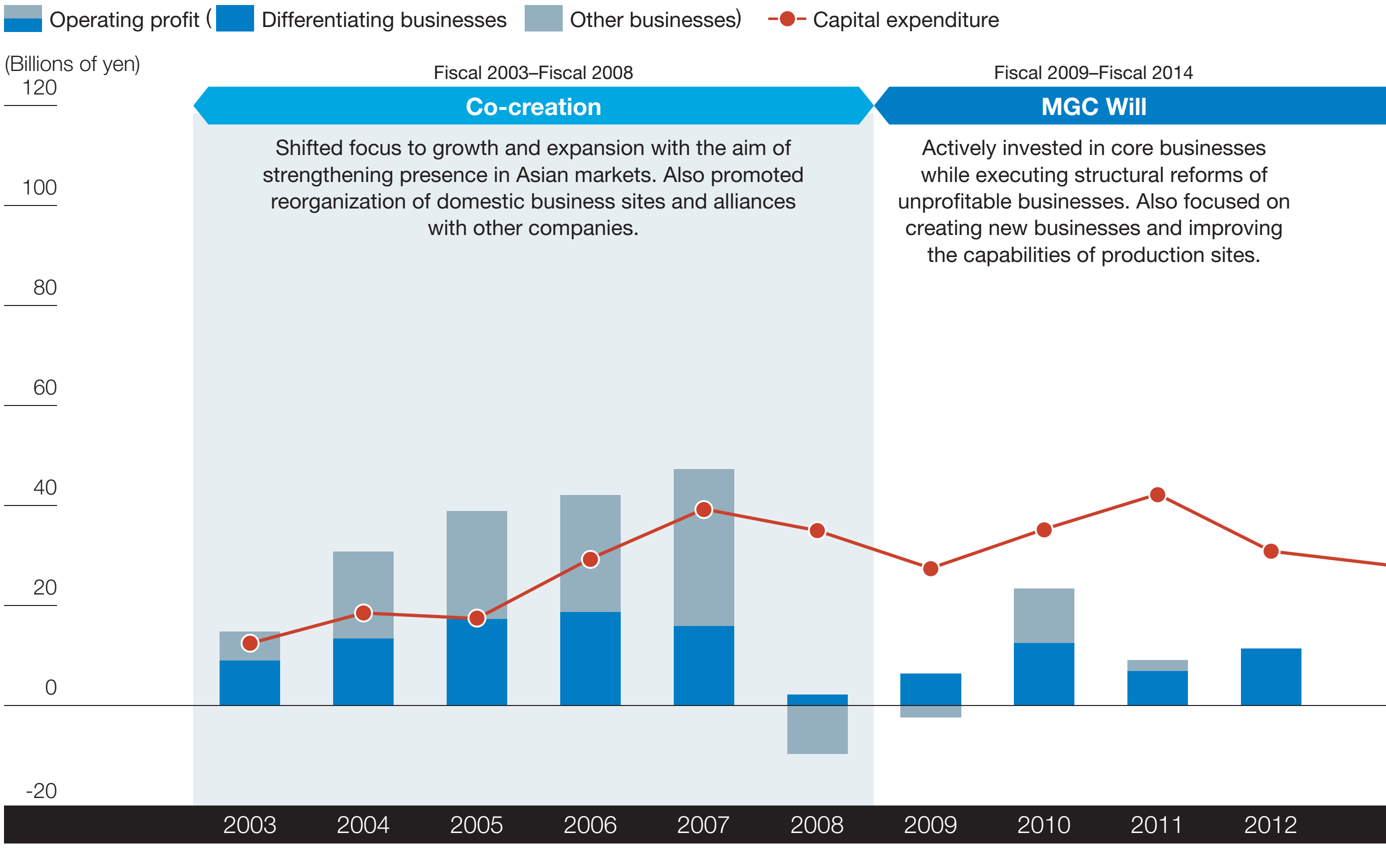
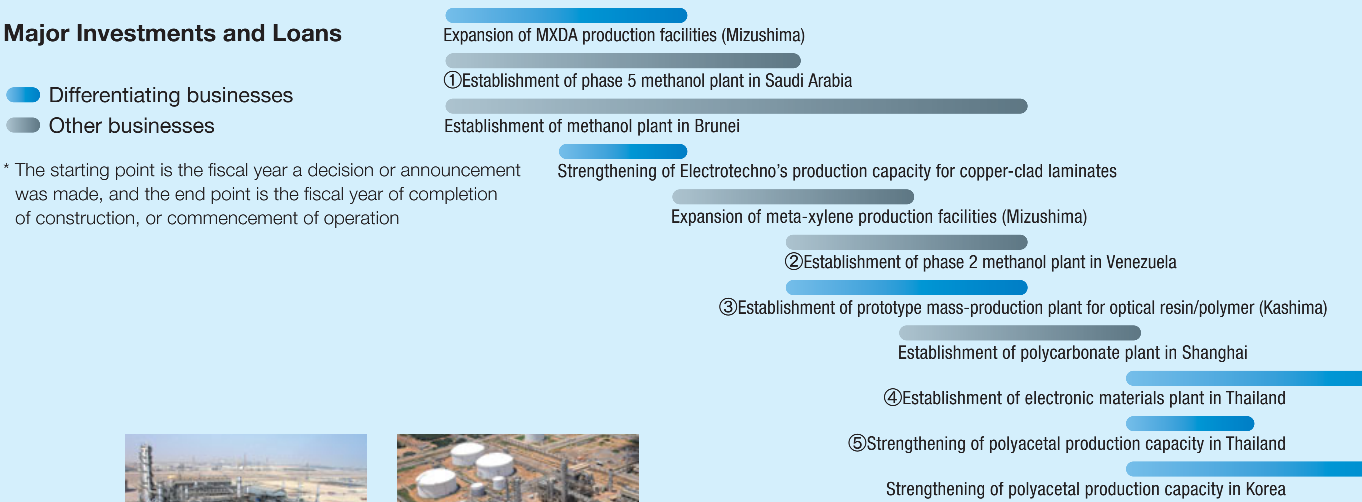
Evolution of Management Strategy

Expansion of Differentiating Businesses and Investments and Loans



Major Investments and Loans



* The starting point is the fiscal year a decision or announcement was made, and the end point is the fiscal year of completion of construction, or commencement of operation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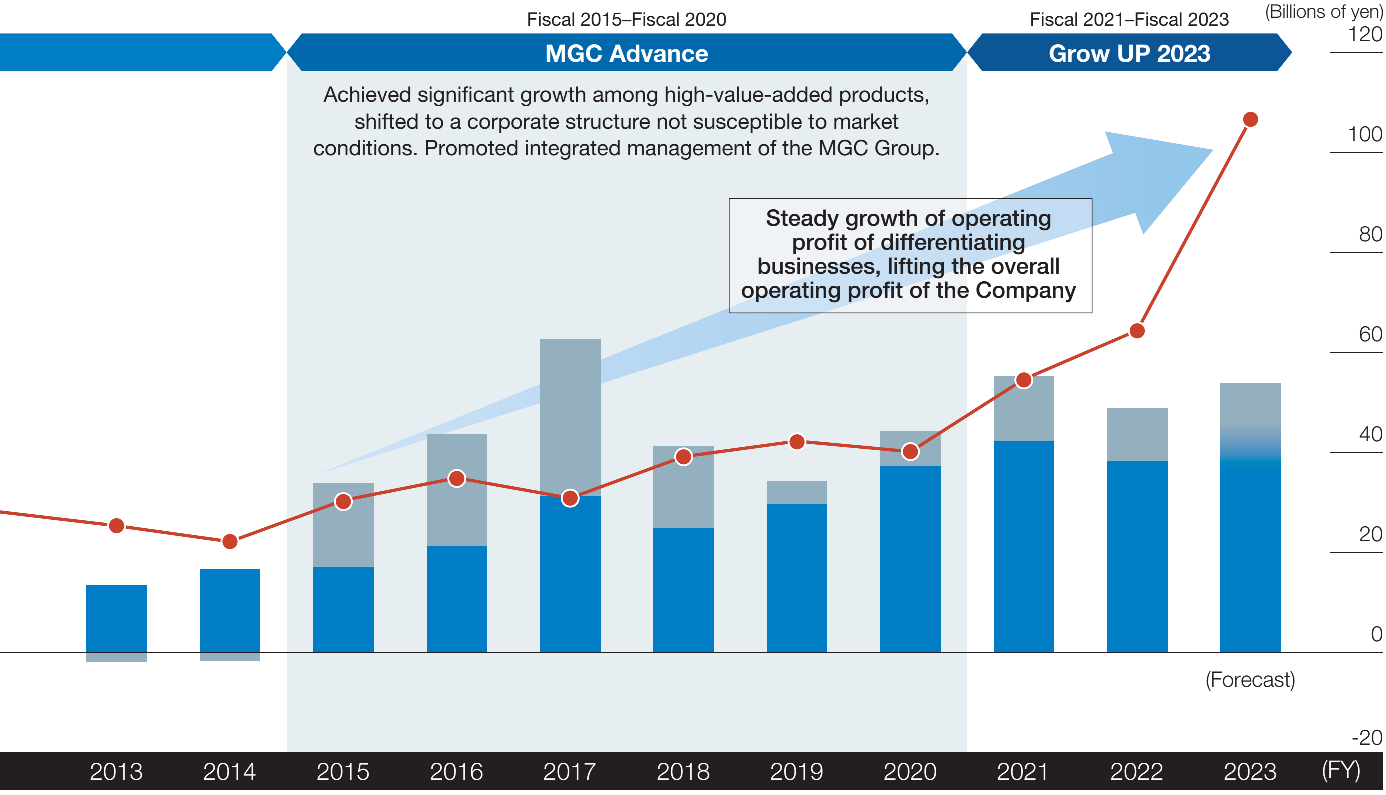

Participation in Fukushima natural gas power generation project (Plants 1 and 2 commenced operation in FY2020)

Establishment of ammonia plant in Indonesia

⑦Establishment of QOL Innovation Center Shirakawa

Establishment of super-pure hydrogen peroxide production plants in Oregon and Texas

Conversion of Japan U-PiCA into a consolidated subsidiary

Establishment of raw material hydrogen peroxide production facilities in Taiwan

Integration of 3 trading companies within the Group, and establishment of Mitsubishi Gas Chemical Trading

Conversion of JSP into a consolidated subsidiary

Establishment of raw material monomer production facilities for optical resin/polymer

⑥Participation in Wasabizawa geothermal power generation project (commenced operation in FY2019)

Making J-CHEMICAL into a subsidiary

Establishment of methanol production plant in Trinidad and Tobago

Participation in Abashiri Biomass Power Plant Project (Generators 2 and 3 commenced operations in FY2022)

Establishment of full-scale mass-production plant for optical resin/polymer (Kashima)

Strengthening of aromatic aldehyde production capacity (scheduled for completion in September 2023)

Merger of J-CHEMICAL and Yutaka Chemicals to launch MGC Woodchem

Expansion of second mass-production plant for optical resin/polymer (Kashima)

Making Mitsubishi Engineering-Plastics into a subsidiary

Conversion of Japan U-PiCA into a wholly owned subsidiary

Strengthening of electronic materials production capacity in Thailand

Expansion of third mass-production plant for optical resin/polymer (Kashima)

Strengthening of MXDA production capacity in the Netherlands (scheduled for completion in September 2024)

New development of water-dissolved natural gas by TOHO EARTHTECH

Strengthening of super-pure hydrogen peroxide production capacity in Oregon (scheduled for completion in FY2023)

Strengthening of electronic materials production capacity in Thailand

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Overview of Management Strategy

We will allocate management resources to strengthening differentiating businesses and creating and nurturing new/next-generation businesses as we optimize our portfolio and increase its resilience.

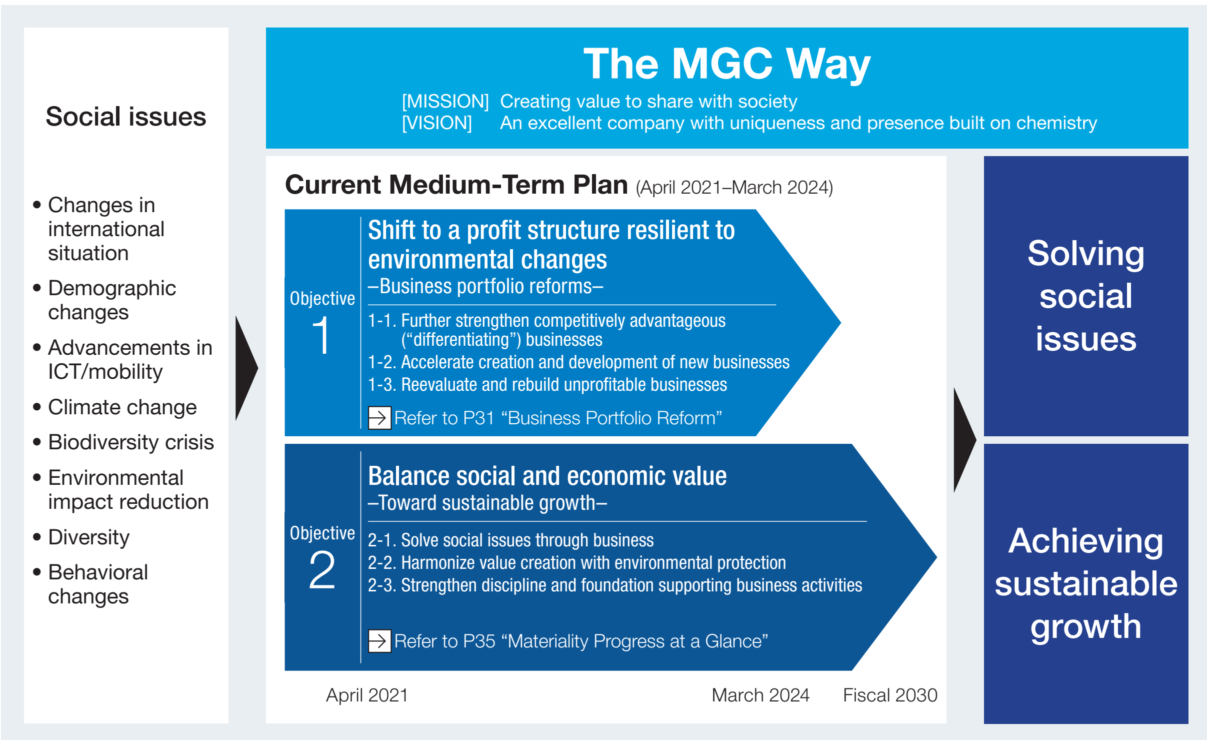
Motoyasu Kitagawa
Director, Managing Executive Officer
In charge of Compliance, responsible for Corporate Planning, in charge of Internal Audit Division, CSR & IR Division

Medium-Term Management Plan

In a complex and unpredictable business environment, we are confident of the objectives we have set

The Medium-Term Management Plan that started in April 2021 was formulated based on the backcasting approach starting from our vision for the future, and taking into account the social trends and evolution of technology around 2050. Even based on the assumption that the future is not going to be a linear extension of the present, but rather a series of discontinuous evolutionary steps, this past three years has had such an unpredictable and complex business environment that it has felt longer than any other three year period in the past. For example, during the first fiscal year of the Medium-Term Management Plan, stay-home demand and the proliferation of telecommuting due to the COVID-19 pandemic drove increased demand for products for the IT-related industry, and the market expanded steadily. However, coming into 2022, in the second half especially, the turmoil caused by Russia's invasion of Ukraine and persistent high inflation and interest rate rises created a backdrop for growing fears of a global economic recession, and the economy has now entered a downward cycle.

On the other hand, this environment has clearly highlighted the correctness of the objectives in the Medium-Term Management Plan, and the priority of our measures. For example, the true power of each business was thrown into relief by the passing through of fuel and



raw material cost increases to product pricing. Businesses with strong ability to pass through cost increases tended to have a high degree of differentiation, while those that made little progress on pass-through tended to have a low degree of differentiation. In a business environment marked by massive, overlapping changes, the ability of a business to maintain its earning power seems to rest on a thorough differentiation strategy. We must shift to a profit structure resilient to changes in the business environment by reforming our business portfolio as we exit businesses and product groups with a low degree of differentiation and replace them with stronger ones. I am currently very aware of the importance of this strategy.

Furthermore, the Group is conducting a scenario analysis to identify the risks and opportunities presented to each business by climate change, in order to grasp issues that impact directly on its competitive advantage over the medium to long term. Through initiatives such as these, we aim to enhance our adaptability (resilience) to the environment while achieving our Medium-Term Management Plan objective of balancing social and economic value, and promoting sustainability management more powerfully.

Investment Strategy and Allocation of Management Resources

Concentrating resources on projects that contribute to business portfolio reform

My mission is to manage loans and investments and the allocation of resources for the entire Company. It is my role to evaluate the commercial viability of individual businesses from a comprehensive perspective that includes both financial and non-financial aspects, and to promote companywide strategies. Starting from the current Medium-Term Management Plan, we have been managing ROIC by business management unit, setting “return” indicators such as ROE and ROIC as our numerical targets. At Medium-Term Management Plan performance review meetings and investment and loan screening meetings, and so forth, we make evaluations and exchange opinions based on efficiency indicators. Internally, we have firmly established an awareness of using these indicators to gain an objective understanding of the competitive capabilities and earning power of our own businesses.

Moreover, since we are in an era when the future is hard to predict, we are also mindful of diversifying markets and portfolios for each product and our level of contribution to social issues. For example, aromatic aldehydes are used in diverse applications including raw materials for fragrances, resin additives, and pharmaceuticals and agrichemicals. This is an example of how combining multiple markets and applications creates a market and portfolio diversification effect. Furthermore, the higher the degree of differentiation of a product, the easier it is to identify markets where its functionality and added value will be highly valued, making it easier to develop new applications.

The most important factor in determining which investment or loan should receive limited management resources is whether or not it will contribute to companywide business portfolio reforms. Among our four business portfolios categorized based on growth potential, profit contribution, and capital efficiency, we will allocate management resources to strengthening differentiating businesses and creating and nurturing new/next-generation businesses as we optimize our portfolio and increase its resilience from a long-term perspective.

Formulation of the Next Medium-Term Management Plan

Start of plan formulation with a strong awareness of the approach of fiscal 2030

During the current Medium-Term Management Plan period, we achieved great success in getting our employees to accept the idea that social value and economic value can be achieved together, rather than conflicting with one another. In fact, at in-house reporting meetings for research results and so forth, the reports for almost all of the themes highlight the level of their contribution to solving social issues. I think it is reasonable to say that we have all developed a common understanding that social value is an essential element for business success.

Currently we are discussing the formulation of the next Medium-Term Management Plan. The MGC Group has announced numerical targets for fiscal 2030 of net sales of at least ¥1.0 trillion and operating profit of ¥100.0 billion or higher. The next Medium-Term Management Plan will likely keep the achievement of these targets in sight, but will also include a strong awareness of achieving the fiscal 2030 targets of our materiality KPIs, such as reducing GHG emissions.

A continued point of emphasis in the next Medium-Term Management Plan will be MGC’s distinctive value creation process that leverages its “Uniqueness” and “Presence.” MGC is a chemical manufacturer with a refined individuality expressed through the harmony of needs and seeds. We will refine our unique business model even further, using our in-house development pipeline technologies, known as seeds, to engage with the market, and reflecting back hints derived from customer needs into the seeds. Moreover, to strengthen our differentiating businesses, it will become increasingly important to make the strategic judgment for each business of whether to establish it in a location focused on raw material procurement or in a location that prioritizes proximity to markets. As we have outlined in our vision within our philosophy system, the MGC Way, over the coming three years, our goal is to continue to be an excellent corporate group as we nurture our uniqueness and presence.

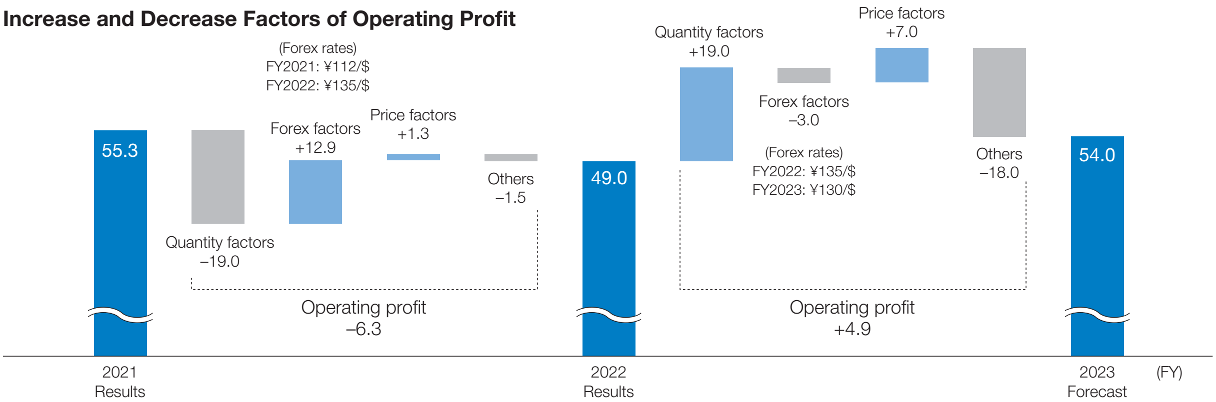
Numerical Targets and Progress

Consolidated Performance	FY2021 Results	FY2022 Results	FY2023 Targets	FY2023 Forecast
Net sales (billions of yen)	705.6	781.2	730.0	850.0
Operating profit (billions of yen)	55.3	49.0	70.0	54.0
Ordinary profit (billions of yen)	74.1	69.7	80.0	58.0
ROIC*1 (return on invested capital)	10.4%	8.8%	10% or higher	6.4%
ROE*2 (return on equity)	8.8%	8.3%	9% or higher	9.0%

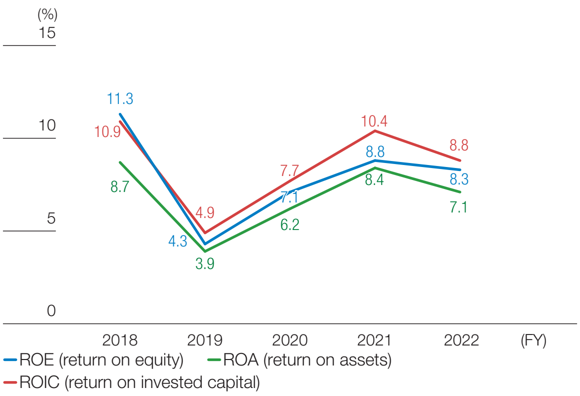
Medium- to Long-term Objectives	
	FY2030
Net sales:	¥1.0 trillion or higher
Operating profit:	¥100.0 billion or higher

(Assumptions) Exchange rate: ¥105/$; Crude oil price (Dubai): $60/bbl
*1 ROIC = Ordinary profit/invested capital *2 ROE = Net profit/equity

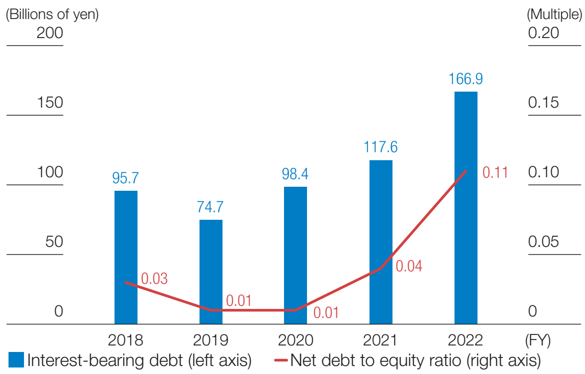
Increase and Decrease Factors of Operating Profit



ROE, ROA, ROIC



Interest-Bearing Debt, Net Debt to Equity Ratio



In the Medium-Term Management Plan started in fiscal 2021, MGC introduced ROIC (return on invested capital) as a KPI to promote management conscious of capital efficiency, and set the numerical targets of ¥730.0 billion in net sales, ¥70.0 billion in operating profit, ¥80.0 billion in ordinary profit, ROIC of 10% or higher and ROE of 9% or higher as targets for fiscal 2023.

During fiscal 2022, the global economy was supported by the gradual normalization of socio-economic activities in step with the relaxation of movement restrictions aimed at preventing the spread of COVID-19 infection. However, the prolongation of Russia's invasion of Ukraine led to surges in prices of raw materials, fuels and other items. Monetary tightening policy trends in the United States, Europe and other nations resulted in a looming sense of vigilance against major recessions. Because of these and other factors, the economic situation remained unstable.

Against this backdrop, the MGC Group aims to shift to a profit structure resilient to changes in the business environment. To this end, the Group has implemented various measures that help push ahead with business portfolio reforms. In addition, the Group has countered surges in raw material and fuel prices and transportation costs by revising sales prices upward to align with an overall increase in costs. Through these and other initiatives, the Group has endeavored to maintain and enhance its earnings power.

In fiscal 2022, the MGC Group's net sales increased, despite lower sales of electronic materials and other offerings, due mainly to the impact of foreign exchange fluctuations and upwardly revised sales prices aligned with higher raw material and fuel prices and growing transportation costs. Meanwhile, operating profit and ordinary profit decreased, despite the depreciation of the yen, robust polyacetal sales and other positive factors, due primarily to surges in raw material and fuel prices and transportation costs, along with lower sales of electronic materials and other offerings.

Although the recovery in sales of semiconductor-related products and other factors are expected to boost operating profit in fiscal 2023, it appears we will fall short of our target, and therefore we will focus on additional efforts aimed at reaching the target, such as further accelerating business portfolio transformation centered on growth investment and bolstering unprofitable businesses.

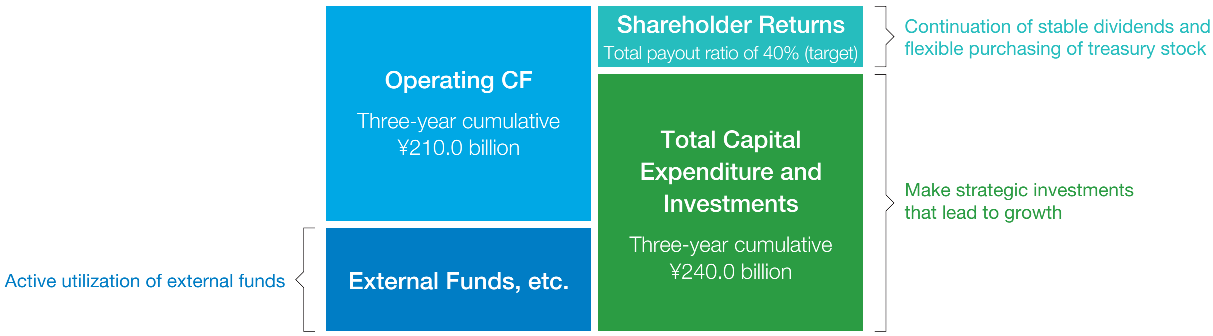
Financial, Capital and Shareholder Return Policies

Based on the belief that improving corporate value benefits all stakeholders, the MGC Group seeks to maintain an optimal balance between shareholder returns and internal reserves from a comprehensive perspective encompassing investment plans, financial soundness, and the outlook for future business performance.

Total cash flow in capital expenditure and investments are expected to reach ¥240.0 billion under the current Medium-Term Management Plan, in excess of planned three-year cumulative operating cash flow. We make strategic investments that lead to growth while actively utilizing external funds.

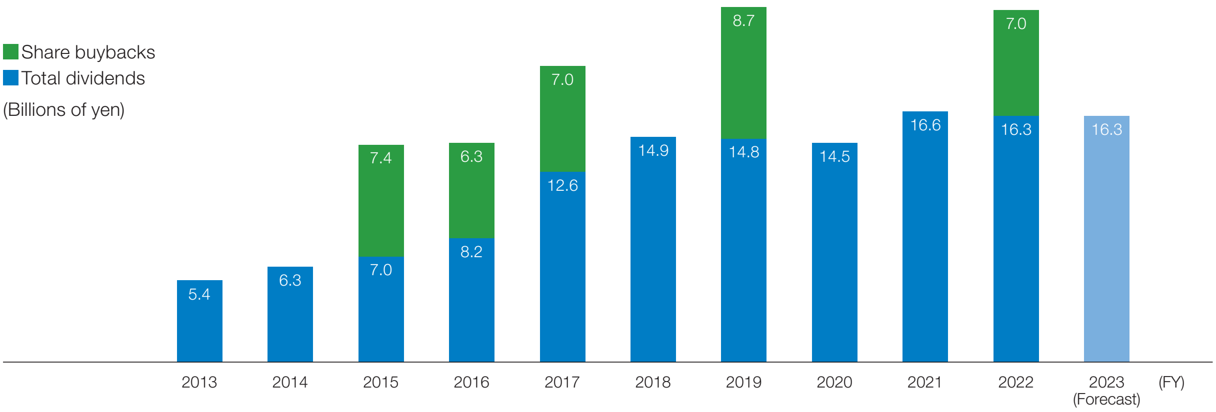
Our basic policy regarding dividends is to continue to provide stable returns while flexibly purchasing treasury stock, with a total payout ratio*3 of 40% as a target for medium-term shareholder returns.

*3 Total payout ratio against net profit attributable to owners of parent, including purchases of treasury stock



Shareholder Return Policy

- Our top management priority is maximizing our corporate value
- While taking into account operating performance and other factors, we aim to maintain a stable level of dividend distribution
- With the level of internal reserves and shareholder returns in mind, we will continue to flexibly buy back our own shares for higher capital efficiency and better shareholder return
- The shareholder return policy has been defined more clearly under the current Medium-Term Management Plan, aiming for a total payout ratio of 40% as the medium-term target



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 (Forecast)
Net profit (Billions of yen)	14.9	43.3	34.1	48.0	60.5	55.0	21.1	36.0	48.2	49.0	56.0
Annual dividend (Yen per share)*4	24	28	32	38	59	70	70	70	80*5	80	80

*4 With an effective date of October 1, 2016, MGC conducted a reverse stock split for MGC's ordinary shares on a 2:1 basis. With this, the above dividend figures predating the share consolidation have been adjusted to show what they would have been had the effects of the share consolidation also applied to them

*5 Includes a commemorative dividend of ¥10

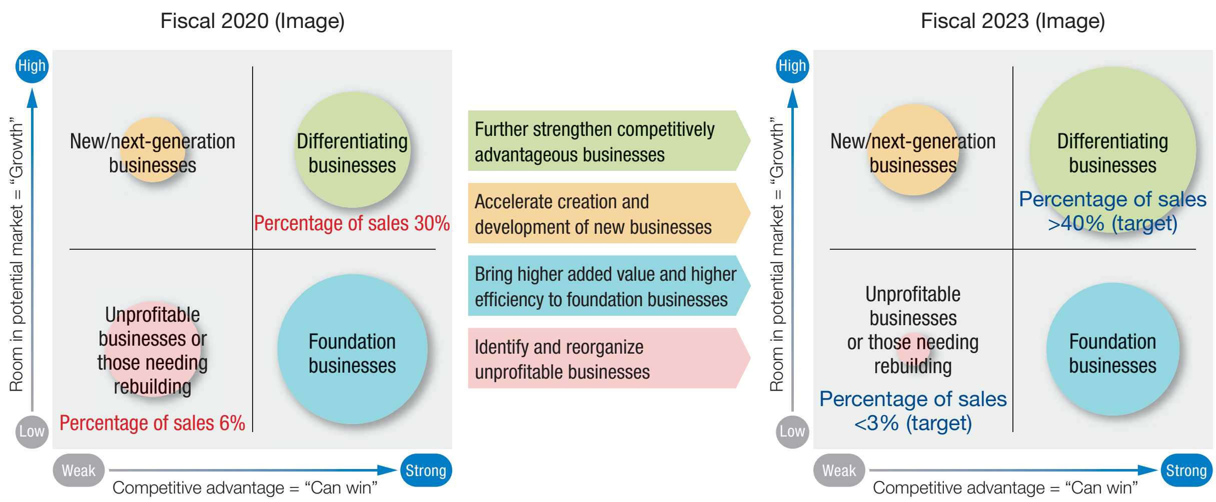
Business Portfolio Reform

Shift to a Profit Structure Resilient to Changes in the Business Environment

One objective set out in the Medium-Term Management Plan is to shift to a profit structure resilient to changes in the business environment. In advancing that objective, we first classified the MGC Group's businesses based on growth potential, contribution to profit and capital efficiency. Those with particularly high competitiveness and growth potential are defined as "differentiating businesses." The products included in these businesses are functional ones such as electronic chemicals, IC plastic packaging BT materials, optical resin/polymer, and ultra-high refractive lens monomers. Further, MXDA, MX-Nylon, aromatic aldehydes, Polyacetal (POM) and other chemical products and materials are also included in the differentiating businesses category. We focus on investing management resources in developing markets and boosting production capacity for these products, thus strengthening profitability.

In addition to the above strategies, we accelerate business portfolio reform by focusing on creating and developing new businesses. Specifically, we are promoting investment in research and development and increasing research personnel; reorganizing our systems based on market needs; and progressing a more advanced, efficient research process utilizing the latest AI and MI, leading to the ongoing introduction of new products. Further, in the course of shifting to a profit structure resilient to changes in the business environment, we work on identifying and reorganizing unprofitable businesses. Note that in terms of quantitative targets, we aim to grow net sales from differentiating businesses to more than 40% of overall sales in fiscal 2023, while reducing net sales from unprofitable businesses or those needing rebuilding to less than 3%.

Direction of Business Portfolio Reform

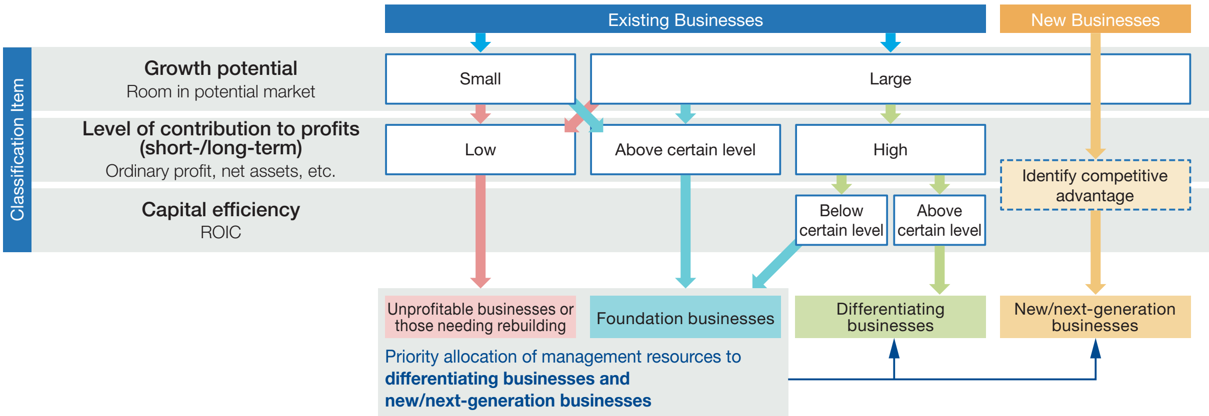


Classification of Product Lines under Medium-Term Management Plan

Differentiating businesses	MXDA, aromatic aldehydes, MX-Nylon, electronic chemicals, polyacetal, optical resin/polymer, ultra-high refractive lens monomer, IC plastic packaging BT materials, and others
New/next-generation businesses (Includes products in development stage)	Medical/Food: OXYCAPT™, bio-products, contract manufacturing of antibody drugs, factory-produced vegetables, and others ICT/Mobility: Solid electrolytes, cellulose fiber composite materials, Neopulim transparent polyimide resin, semiconductor-related materials, and others Environment/Energy: CO_2-derived methanol, CO_2-derived polycarbonate, methanol fuel cells, and others
Foundation businesses	Methanol, ammonia and methylamines, MMA products, energy resources and environmental businesses (geothermal and other types of power generation, water-dissolved natural gas, iodine), foamed plastic (JSP), hydrogen peroxide, polycarbonate/sheet film, oxygen absorbers, and others
Unprofitable businesses or those needing rebuilding	Formalin and polyol products, and xylene separators and derivatives

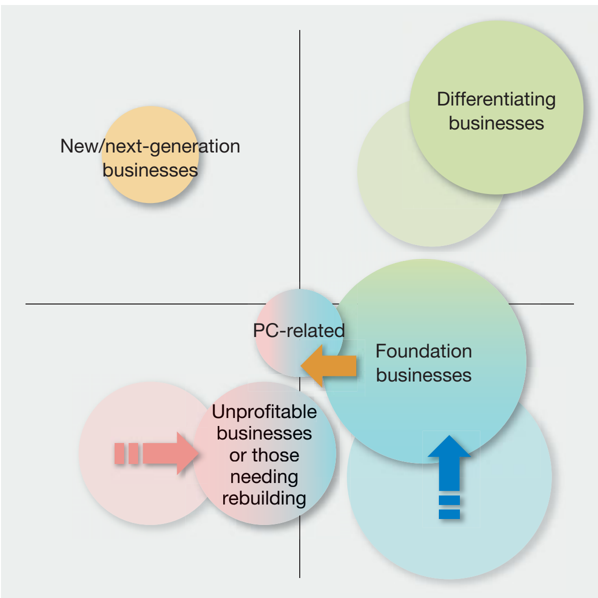
Classification Criteria for Business Portfolio Reform

To build a profit structure resilient to changes in the business environment, the MGC Group has reviewed the positioning and classification of all of its businesses under the current Medium-Term Management Plan, and classified each business into one of four stages: differentiating businesses; new/next-generation businesses; foundation businesses; and unprofitable businesses or those needing rebuilding. Classification is made after setting qualitative and quantitative criteria from the perspective of growth potential, level of contribution to profit, and capital efficiency. Under the current Medium-Term Management Plan, management resources are given priority allocation to differentiating businesses, which have both competitive advantages and the potential for growth, and new/next-generation businesses, which can be expected to grow as markets expand going forward, and which can lead to solving social issues.



Progress in Fiscal 2022

Fiscal 2020→Fiscal 2022 Business Portfolio Changes (Image)



Differentiating businesses

- Decrease in earnings from semiconductor-related products covered by growth in earnings from POM
- Consolidated POM to Global Polyacetal Co., Ltd. through reorganization of Mitsubishi Engineering-Plastics Corporation (MEP). Bolstered sales capabilities through reorganization of South Korean business. Increased global market share
- Continued to execute growth investments aimed at growing markets

Foundation businesses

- Methanol and the energy resources and environmental businesses performed strongly, despite struggling PC products
- Accelerated streamlining and integration of associates (in addition to reorganization of PC business through consolidation of MEP, also considering merger of Japan U-PiCA Company and JAPAN FINECHEM COMPANY)
- Made progress on initiatives including the Circular Carbon Methanol concept Carbopath™ and implementation of CCS

Unprofitable businesses or those needing rebuilding

- In the formalin and polyol business, stopped production of unprofitable products. Meanwhile, strengthened integrated production and sales system from formalin to adhesives through M&A (launched MGC Woodchem). Returned to profitability
- In xylene separators and derivatives, currently promoting a host of initiatives to maximize earnings in the business overall, including special MX derivatives such as differentiating product MXDA

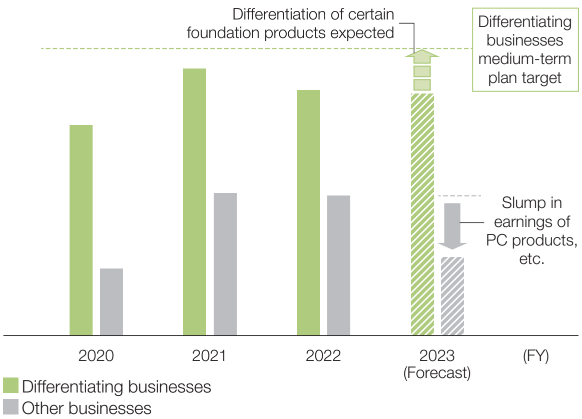
New/next-generation businesses

- Accelerated reviews by strategic customers. Focused on themes in response to the climate change issue, such as projects selected by GI Fund. Increased research personnel

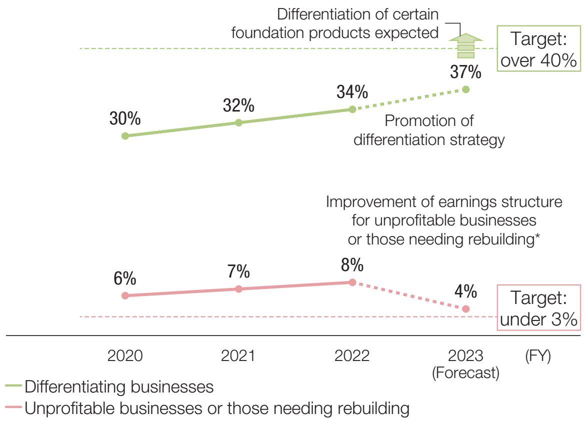
Progress of Business Portfolio Reform and Future Outlook

Earnings in differentiating businesses vary in strength by business but are growing steadily overall. We do not expect to achieve the current Medium-Term Management Plan targets of over 40% of sales from differentiating businesses and under 3% of sales from unprofitable businesses or those needing rebuilding. However, we are promoting improvements aimed at the final year of the plan, such as promoting higher added value towards differentiation of certain foundation products and improving the earnings structure of unprofitable businesses or those needing rebuilding.

Transition of Ordinary Profit in Differentiating Businesses

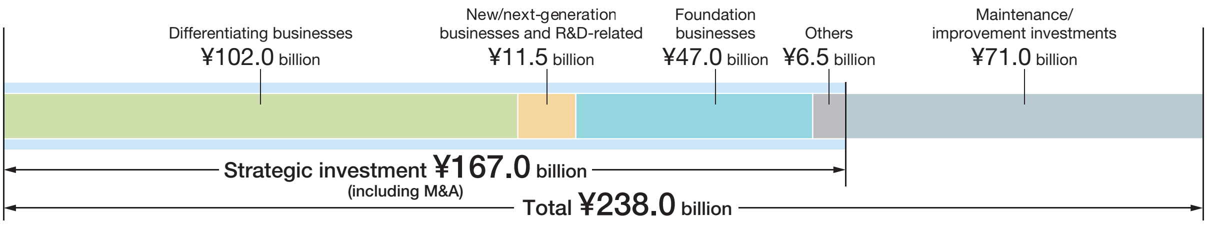


Percentage of Net Sales in Differentiating Businesses, and in Unprofitable Businesses or Those Needing Rebuilding



* We expect to see migration in terms of business classification for the formalin and polyol business due to it no longer being classified as an unprofitable business or one needing rebuilding.

Projected Investment Funds by Business Segment under Medium-Term Management Plan



Reference Medium-Term Management Plan Targets: Total ¥240.0 billion, strategic investment ¥170.0 billion

Progress for Major Investment Projects