MITSUBISHI GAS CHEMICAL

Creating value to share with society

News Release

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MITSUBISHI GAS CHEMICAL COMPANY, INC.

About Grow UP 2023, the New Medium-Term Management Plan

MGC has introduced its new Medium-Term Management Plan, “Grow UP 2023” covering the three years from fiscal 2021 to fiscal 2023.

The new Medium-Term Management Plan, “Grow UP 2023,” establishes two new objectives under the MGC Way, the new MGC Group philosophy: Shift to a profit structure resilient to environmental changes, and balance social and economic value. MGC will pursue strategies to achieve these objectives comprised of three items for each.

1. Review of Previous Medium-Term Management Plan, MGC Advance2020

The MGC Group fell short of the management indicators set as targets for the final year of MGC Advance2020, the previous Medium-Term Management plan.

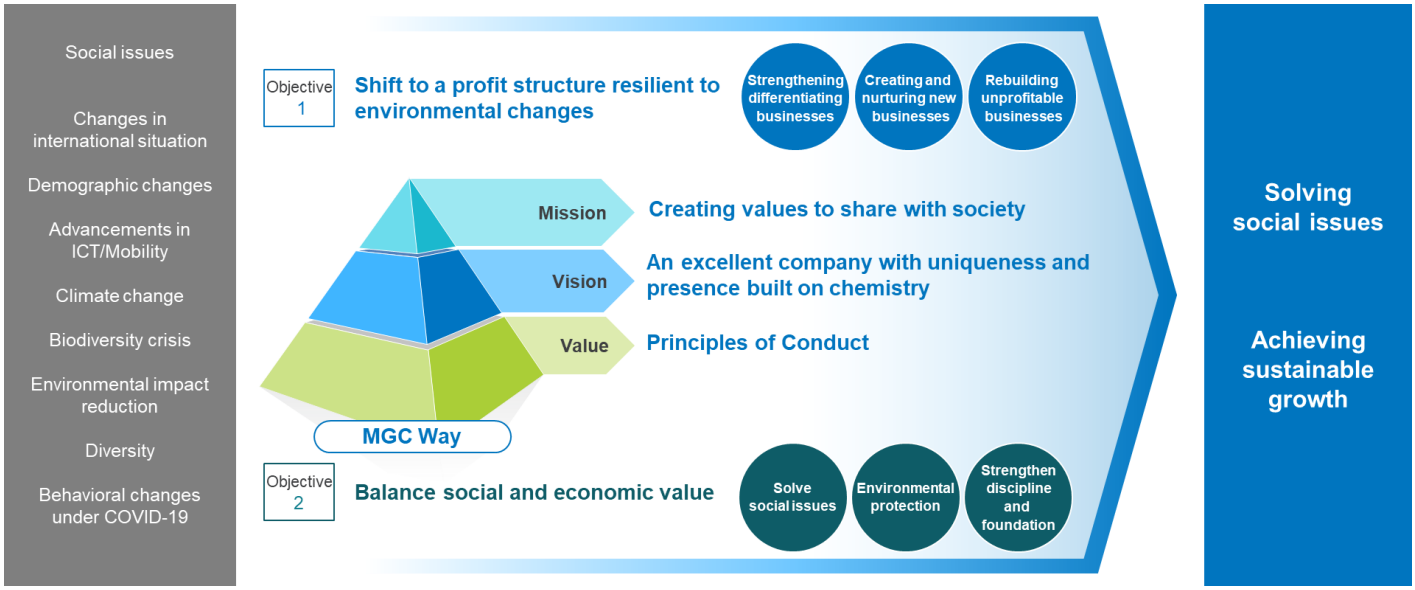
This was the result of external factors such as oversupply due to the rise of emerging countries and a downturn in commodity product markets associated with US/China trade friction, as well as a decline in demand for some products due to the impact of the COVID-19. Internal factors, including the maturation of existing business structures and delays in creating and developing new businesses, also played a role.

Meanwhile in core and semi-core businesses, there was steady growth in products unaffected by market conditions, which have maintained their competitive advantage and led to solving social issues, while markets have also continued to grow.

Consolidated Performance	Fiscal 2018 results	Fiscal 2019 results	Fiscal 2020 results	Fiscal 2020 targets
Sales (100 mil. JPY)	6,489	6,133	5,957	7,500
Operating income (100 mil. JPY)	413	342	445	650
Ordinary income (100 mil. JPY)	691	311	502	800*
ROE (Return on equity)	11.3%	4.3%	7.1%	12% or higher

*Initial target was ¥90 billion. Revised to ¥80 billion due to change in framework for methanol joint venture on May 13, 2019.

2. Overview of New Medium-Term Management Plan, Grow UP 2023



●Objective 1

Shift to a Profit Structure Resilient to Environmental Changes: Business Portfolio Reform

■Strategies

- Further strengthen competitively advantageous (“differentiating”) businesses
- Accelerate creation and development of new businesses
- Reevaluate and rebuild unprofitable businesses

To move forward with business portfolio reforms under the Plan, the MGC Group has reevaluated its business categories, classifying those businesses with both competitive advantage and growth potential as “differentiating businesses.” The MGC Group is developing a broad range of differentiating businesses to offer value to society. In chemicals and materials, these include Meta-xylenediamine (MXDA), MX-Nylon, aromatic aldehydes and polyacetal; specialty products include electronics chemicals, BT-related materials, optical resin polymers and ultra-high refractive lens monomers. The MGC Group will continue to focus management resources on these differentiating businesses, further strengthening profitability.

In addition, the Group will work to accelerate the creation and development of new businesses. Through revisions to its Research Promotion and Supervisory organization, the MGC Group is working to more flexibly draw out the capabilities of its human resources, while maintaining and expanding its existing businesses as a true R&D company and building an R&D system for creating innovation. At the same time, the Group will construct a system for responding to the needs of its customers and markets even more swiftly and precisely, striving to create value that leads to sustainable growth. The Group also plans to continue introducing new products by increasing its research personnel and making even more active investments in R&D.

In addition to these strategies, the MGC Group will also work to reevaluate and rebuild unprofitable businesses as it attempts to shift to a profit structure that is resilient to environmental changes. Specifically, by fiscal 2023, the Group aims to have more than 40% of overall sales come from differentiating businesses, and for unprofitable businesses or those needing rebuilding to represent less than 3% of total sales

●Objective 2

Balance Social and Economic Value: Toward Sustainable Growth

■Strategies

- Solve social issues through business
- Harmonize shared-value creation and environmental protection
- Strengthen discipline and foundation supporting business activities

Three strategies will be executed with the goal of balancing social and economic value.

While last fiscal year MGC identified materiality--priority issues for management--in line with formulating a new medium-term management plan, it has also established new fiscal 2030 targets to allow the company to make steady progress in materiality management, and has set new key performance indicators (KPIs) for fiscal 2023 aimed at achieving those targets. Specifically, KPIs have been set for GHG emission reductions aimed at air quality control, and for investments and R&D expenditures aimed at solving energy and climate change-related problems. MGC will tie this kind of materiality management to sustainable growth.

3. Targeted Management Indicators (final fiscal year of Grow UP 2023)

ROIC will be introduced as a new KPI aimed at promoting management with an awareness of capital efficiency. The MGC Group's goal in implementing these strategies is to set a new record high for operating income.

Consolidated Performance	Target Value (Fiscal 2023)
Sales (100 mil. JPY)	**7,300**
Operating income (100 mil. JPY)	**700**
Ordinary income (100 mil. JPY)	**800**
ROE*1 (Return on equity)	**9% or higher**
ROIC*2 (Return on invested capital)	**10% or higher**

*1: Net income/owned capital

*2: Ordinary income/(interest-bearing debt + net assets)

(Assumptions)

Exchange rate: JPY 105/USD, crude oil price (Dubai): 60 USD/BBL

4. Shareholder Return Policy

The basic policy is to continue to provide stable returns while flexibly purchasing treasury stock, while setting a new total payout ratio of 40% as a target for medium-term shareholder returns.

END

(Statement Regarding these Materials)

These materials contain performance forecasts and other statements concerning the future. These forward-looking statements are based on information available as of this date. These materials were prepared and on certain premises judged to be reasonable. None of these forward-looking statements are intended to be guarantees of future performance. Various factors may cause actual performance to differ significantly from forecasts.

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