

Q&A Summary for CEO Presentation in November 2025

Date	November 26, 2025 15:30-17:00
Place	Hybrid conference (Tokyo Midtown Yaesu and online)
Speakers and Respondents	HASHIMOTO Osamu, President & CEO OMOTE Toshihiko, Managing Executive Officer & CTO YOSHIDA Osamu, Managing Executive Officer & CFO
Reference	FY25-2 CEO Presentation posted on November 26, 2025

Q&A

■Group-wide strategy

Q1. Please provide an update on the progress of the transformation in the Basic & Green Materials (B&GM) segment, including other companies' stance on the ongoing industry realignment and the status of government support. As you pursue a management framework based on the two pillars of becoming a global specialty company and a strong basic and green materials company, please explain your assessment of the progress made thus far.

A1. Regarding the multi-company collaborations in the B&GM segment, we are advancing studies on cracker reorganization with our partner companies in both eastern and western Japan. In the Chiba area of eastern Japan, our coordination with Idemitsu Kosan toward consolidating both parties' crackers into our facility in FY2027 is proceeding smoothly, and we are making progress in developing measures for improving facility operating rates, strengthening derivatives, and other issues. Furthermore, Sumitomo Chemical's domestic polyolefin business is set to be integrated into Prime Polymer, a joint venture between our company and Idemitsu Kosan. With this development, we now see a clearer path to strengthening our business foundation in the Chiba area.

In western Japan, the formation of the limited liability partnership (LLP) has accelerated our studies with partner companies on implementing green chemical technologies and optimizing the production framework. We have been able to secure substantial government support, particularly for investments in green transition, while considering the use of subsidies such as Green Transformation (GX) programs. Our partner companies likewise share the view that the petrochemical industry's challenging conditions are likely to persist, and with this shared sense of urgency, we have been able to work together very cooperatively. We expect to share the outline of the collaboration in the western Japan in early 2026.

We aim to realize the collaborations in both eastern and western Japan as early as possible and move on to the next phase. We expect the domestic petrochemical industry to ultimately consolidate to a small number of major companies, and we will pursue further collaborations with other companies to accelerate this outcome. We will further develop details of initiatives for realizing a strong basic and green materials company and plan to share an overview as soon as the outline comes together.

In the specialty chemicals domains, too, Chinese competitors in particular have been making significant advances in areas such as semiconductors, healthcare, and biotechnology, including in terms of technological capabilities. We therefore expect the competitive environment to become increasingly tough, and we recognize that it is critical to think through, develop, and execute well-grounded measures to compete and win. As part of this effort, we have revamped

our R&D structure, aiming to accelerate our initiatives including the adoption of AI and other digital technologies and collaboration with overseas companies. We also believe achieving sufficient scale will be important, and we are continuing to explore potential partnerships and alliances in the specialty chemicals domains as well, ranging from small to large. While approaches still differ across companies in the specialty chemicals domains (unlike the petrochemicals sector), we are seeing broader recognition that, amid intensifying competition including from Chinese rivals, it will be necessary to strengthen business foundations of individual companies. Therefore, we expect conversations on potential partnerships and alliances to move forward in the not-too-distant future.

Q2. Please explain what risks currently exist in achieving your target for the operating income before special items of 110 billion yen set for FY2025.

A2. We do not see significant risks at this point in time. The impact of U.S. trade policies is currently limited. Meanwhile, tensions in Japan-China relations have recently emerged. While this has not yet had a tangible effect, we will need to closely monitor developments going forward.

■Specialty chemicals domains

Q3. You have set the target for asset reduction through restructuring in the specialty chemicals domains and the B&GM segment at approximately 70 billion yen. However, the contributions from structural reform appear limited in your presentation material that illustrates contributing factors toward the operating incomes before special items target for FY2028. Therefore, please explain the roadmap and timeline once again. In addition, the category "Other" appears significant, so please also explain what are included in this category.

A3. While we are advancing structural improvements in the specialty chemicals domains not only in oral care, ARRK, and nonwovens but also in other businesses and affiliates, these three businesses are relatively large in scale, so we expect profit contributions from structural improvements to be largest in these businesses. Page 17 of the CEO presentation materials illustrates the structural improvement effects mainly in these three businesses for the period up to FY2028. Should the structural improvements of these three businesses do not progress as anticipated, we will consider various options including a potential transfer to the most suitable owners. However, as only approximately six months have elapsed since we started implementing milestone management and tracking progress rigorously, our efforts are still underway. We therefore have not incorporated the worst-case scenario at this stage.

The operating income before special items target of 200 billion yen illustrated in the graph on page 17 is a target for the specialty chemicals domains alone. Adding the target for the B&GM segment and subtracting Group-wide costs results in the target for the entire Group, which is also 200 billion yen. As we also expect significant positive effects from restructuring in the B&GM segment (as presented on page 32 of the materials), we expect performance improvement across the Group. Regarding the category "Other," we are factoring in cost increases and depreciation expenses resulting from growth investments, among others.

Q4. It appears that the operating income before special items of the Mobility Solutions segment is projected to remain flat through FY2027 and then increase significantly in FY2028. Please explain the factors driving this growth, along with any changes in the external environment assumptions made at the time the VISION 2030 was

formulated.

A4. In the Mobility Solutions segment, commercial operations at the new TAFMER™ plant are scheduled to commence in Singapore in FY2026, and we are currently progressing our collaborations with various customers to achieve this goal. However, due to high depreciation expenses, we do not expect it to contribute to profits for some time following its operation launch. Likewise, we expect high depreciation expenses from the high-performance polypropylene (PP) plant scheduled for launch around the same time, although we have already acquired customers for its products. These expenses are primarily expected to offset the growth anticipated in FY2026. However, from FY2028 onward, we expect operating rates at these new plants to rise with the progress of market development and sales growth, leading to increased profit levels.

Regarding our future plans for TAFMER™, we are actively undertaking a transformation of our portfolio, particularly in response to the changing solar cell market environment. In parallel, our development efforts that leverage our compound business's value chain are progressing steadily. We believe we will be able to achieve our volume target by maintaining steady progress in these initiatives.

Q5. Please provide an update on the sales progress of ADMER™ and MILASTOMER™, and also explain whether there are any factors that could serve as catalysts for further profit improvement in the domestic compound business.

A5. Global sales of ADMER™ and MILASTOMER™ continue to grow steadily. With regard to our domestic PP compound business, we are planning to supply PP products with new functions following the launch of the high-performance PP plant mentioned above, and we have already received inquiries from customers. However, as we do not foresee a dramatic increase in profits for the domestic business, we consider overseas markets such as North America and Asia to remain the main sources of profit for PP compounds.

Q6. I view the partnership with Polyplastics regarding the marketing operations for ARLEN™ and AURUM™ as a positive development, and have hopes that it would produce strong synergistic effects from combining the strengths of both companies. Please explain the positive effects that you expect from this partnership and encouraging signs toward achieving it.

A6. Although the scale of our engineering plastics business is smaller compared to our competitors, we offer distinctive products that we believe are suitable for a wide range of applications. However, pursuing the expansion of their applications solely through our company is constrained by limited channels. Therefore, by leveraging the distribution channels and marketing capabilities of Polyplastics, a major player in the domestic engineering plastics market, we expect that we can further expand the potential of these products. This type of partnership is a first for our company. Starting with a collaboration on the marketing operations of ARLEN™ and AURUM™, we are expecting this partnership to evolve into a driver for mutual business growth in future new product development and other areas. Furthermore, if this partnership proves successful as a model, we believe it could pave the way for similar collaborations in other fields, which is another reason we are looking to this partnership.

Q7. Regarding EUV pellicles, I believe that carbon nanotube (CNT)-based products have a higher average unit price than current silicon-based products. In the CEO presentation materials, you forecast a 30% CAGR in volumes. Please explain whether

the expected growth rate is higher on a revenue basis. In addition, you forecast rapid growth in FY2027. Is it correct to understand that this forecast has a high likelihood, given the negotiations with customers and the progress according to the roadmap? Furthermore, please explain how you plan to outperform your competitors in a highly competitive environment, where they are also entering the CNT-based product market and foundries are shifting to in-house production of pellicles, including the details on development challenges and your technological advantages.

A7. Although some suggest that pellicles may no longer become necessary due to improved permeability in the future, the current development status of EUV products indicates otherwise, and we do not see this as the case and recognize that they continue to be needed. With regard to EUV products, we have been their exclusive manufacturer and seller since the initial launch. Improvements in yield have led to higher profitability, and adoption among customers continues to rise.

Unlike silicon-based products, we manufacture CNT-based products starting from the film to the final product, so we believe our cost advantage will be significantly greater. As you pointed out, our competitors are also proceeding with the development of CNT-based products. We believe it is essential to be the first to market, and are working to complete the new plant within FY2025. We are currently supplying sample products to our customers for evaluation, and are striving to enter full-scale production swiftly. Having built a long-standing relationship with ASML, we are well positioned to obtain certification from them smoothly. Furthermore, our partnership with imec enables us to utilize its CNT pellicle technology. We aim to attain solid growth by leveraging these advantages and achieving the commercialization of CNT-based products ahead of our competitors.

Q8. Regarding nonwovens, please explain whether the shift toward industrial materials is progressing smoothly. I also believe hygiene materials should achieve profitability on its own, so please also explain whether price increase negotiations are currently being pursued, and whether the option of withdrawal would be considered if the negotiations fail.

A8. With regard to nonwovens, we are proceeding with our initiatives based on the overall direction of shifting our portfolio from hygiene materials to industrial materials. At the same time, we are also working toward achieving profitability in hygiene materials by decreasing the proportion of conventional polypropylene-based commodity products and expanding our lineup of polyethylene- and polyurethane-based products with added functionality. Furthermore, following our business integration with Asahi Kasei, we are pursuing the streamlining of overlapping facilities and resources in Thailand. Regarding industrial materials, we are also working to expand automotive applications. However, since obtaining certification is time-consuming in this field, increasing the proportion of filter applications for semiconductors, which are high value-added and highly profitable, construction material applications, and sound absorption applications will be crucial.

The restructuring of hygiene materials, as explained thus far, has been progressing more slowly than anticipated. Accordingly, we have been working to speed up the process by setting milestones with deadlines. As part of this effort, we are pursuing price adjustments that appropriately reflect cost levels, along with the aforementioned measures. If price adjustments do not proceed as expected, we will consider options including the search for the most suitable owner. We are taking the same approach not only in nonwovens, but also in other businesses

and affiliates subject to the structural reform.

■R&D setup

Q9. I positively evaluate the revamp of your R&D setup that enables localization and allows you to better address customer needs. However, looking ahead, in an increasingly competitive environment, I believe it will be essential to establish your business model and brand through cross-functional collaboration, thereby enhancing the likelihood of success of each business, including pricing. Accordingly, please explain what incentives you plan to offer your employees in order to achieve these goals.

A9. In the specialty chemicals domains, we need to consider not only intensifying competition, but also the increasing division of the global economy in recent years. Under such circumstances, we must operate with greater agility than in our conventional B-to-B materials development business, while also placing the highest priority on delivering value to society, the market, and our customers. Accordingly, as part of our efforts to address this challenge, we have revamped our R&D setup. We have separated the research and development functions, placing the development function closer to the business side. This new structure enables development activities in close alignment with business divisions, allowing us to operate an integrated development cycle—from marketing to sales—based on market feedback more rapidly. We have already commenced development aligned with customer-specific strategies, led by business divisions. Furthermore, due to the concentration of our R&D resources in Sodegaura, Japan, development speed for our overseas customers has been a challenge for us. We therefore plan to create a structure that enables rapid local development by combining the dispatch of our personnel with the utilization of local talent for major overseas markets. Under the leadership of our CTO, Omote, who has experience working in environments closer to the customers than our company, we are accelerating our development through approaches that differ from our conventional methods. By moving beyond a siloed perspective and promoting technological collaboration that crosses organizational boundaries, we are also hoping to create unique products and technologies that have strong competitive advantages in the market.

On the other hand, separating research from the development function may give the impression of distancing it away from the market. However, we are working to ensure that our research departments maintain a strong awareness of manufacturing costs from the research stage, and that they carry out their research with view of the costs required from the initial phase to the product delivery phase to our customers, including mass production frameworks and man-hours. In addition, we are preparing to launch a system in FY2026 that effectively creates a quasi-24-hour research operation by pursuing the same research themes across our global sites, leveraging time zone differences with overseas locations. Furthermore, we believe it is important to carry out our promotional activities with a clear awareness of how much value our products can add for customers, rather than setting our product prices through simple comparisons with other companies. Therefore, we are also working to quantitatively assess the extent to which our products contribute to our customers' business. Starting from FY2026, we aim to introduce a scoring system that evaluates the validity of each research theme at every stage—beginning from the initial concept—based on objective and rigorous criteria, while also using generative AI. We consider that it is important for each individual to have a clear vision of how much their research themes can contribute to customers and society, to share the story toward its realization with their team members, and to work collaboratively, leveraging

individual strengths. We believe that, when they can truly sense the value they provide through this process, their motivation increases, and the team as a whole performs more effectively. Therefore, we aim to increase research themes developed in this manner.

■Enhancement of shareholder returns

Q10. Is it correct to understand that you may increase dividends if the achievement of the operating income before special items target of 110 billion yen for FY2025 becomes likely to a certain degree, as you explained at the beginning of the fiscal year? In addition, you mentioned that you will consider raising the DOE target if you can stably generate an annual operating cash flow of 200 billion yen or more. Please explain how you will determine this.

A10. At the beginning of FY2025, due to the uncertainty surrounding the impact of U.S. trade policies, we factored in a negative direct impact of 8 billion yen, which was our maximum estimate at that time. Furthermore, on that basis, we communicated that if the impact of U.S. trade policies becomes clearer and the likelihood of achieving our target for operating income before special items increases, we would consider a dividend increase. As of the end of Q2, we have been steadily progressing toward our initial target, and the negative impact of U.S. trade policies is expected to be limited to approximately 4 billion yen, primarily within the Mobility Solutions segment. However, there also have been environmental changes that we did not foresee, such as the gas leakage that occurred at our Omuta Works and declining facility operational rates in the B&GM segment. We intend to consider shareholder returns such as dividend increases when the achievement of the operating income before special items target of 110 billion yen becomes likely as we approach the end of FY2025, while also closely monitoring developments in the environmental changes.

Regarding shareholder returns over the medium term, we plan to allocate approximately 150 billion yen in total in the four years between FY2025 and FY2028, which roughly translates to an average annual return to shareholders of around 40 billion yen. Considering that our shareholders' equity stands at approximately 1 trillion yen, achieving a DOE of 4% in the not-too-distant future appears feasible if we keep up this pace. We aim to raise the DOE target as early as possible, taking into account our cash position and the likelihood of achieving our profit target as well.

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