

3	Chapter 1 Our Vision
22	Chapter 2 Sustainable Growth Strategy
23	Members of the One Global Leadership Team
24	Executable Plan Based on the "Forging the future" Management Policy
31	Message from the CFO
	Business Strategy
34	Message from the Business Unit Heads
35	Specialty Materials
39	Industrial Gases
40	Health Care
41	MMA
42	Petrochemicals and Carbon Products
43	Message from the Chief Supply Chain Officer
	Innovation
44	Message from the CTO
45	Innovation Strategy
47	Intellectual Property Strategy
	Digital
48	Message from the CDO
49	Digital Strategy
52	Message from the Chief Strategy Officer
53	Building an In-House Understanding of the Management Policy
56	Chapter 3 Strengthening ESG Activities
95	Chapter 4 Financial/Non-Financial Information

Business Strategy

Petrochemicals and Carbon Products

Stronger business foundations and the carve-out process

Within the MCG Group, the petrochemicals and carbon products businesses are currently the biggest emitters of CO₂. In these businesses, we would need to make a large environmental-focused investment in the future if we are to achieve carbon neutrality. Moreover, domestic demand for petrochemicals and carbon products is declining and Chinese companies are emerging, resulting in ongoing oversupply. Against this backdrop, we are transforming our business model in both petrochemicals and carbon products in order to achieve a circular economy and become more competitive. At the same time, we are moving ahead with processes to carve out the petrochemicals and carbon products businesses from fiscal 2023.

	FY2021 results
EBITDA (Billions of yen)	108.1
EBITDA margin	11%
Core operating margin	7%
ROIC	11%

Note: Assuming JV core operating income of approx. ¥40.0 billion and net income of approx. ¥20.0 billion, 50% ownership

Increased business value from a petrochemicals joint venture

- Quick and focused decision-making
- Synergies to improve the cost structure and margin expansion
- Business portfolio and asset evaluation and optimization
- Growth based on new technology both for green transformation and a circular economy
- Increased value and healthy position to monetize exit

Transforming the carbon products business model

To meet the changing structures of the domestic steel industry, we have restructured to optimize existing sales portfolio and production systems at the MCG Group's Kagawa Plant, which supplies coke for use in blast furnaces. The coke supplied under the SAKAIDE COKE brand is known for its highly uniform and stable quality and enjoys a correspondingly strong reputation with steel manufacturers worldwide. We aim to continue providing stable supplies of high-quality coke in the future.

Changing to an export-oriented business model

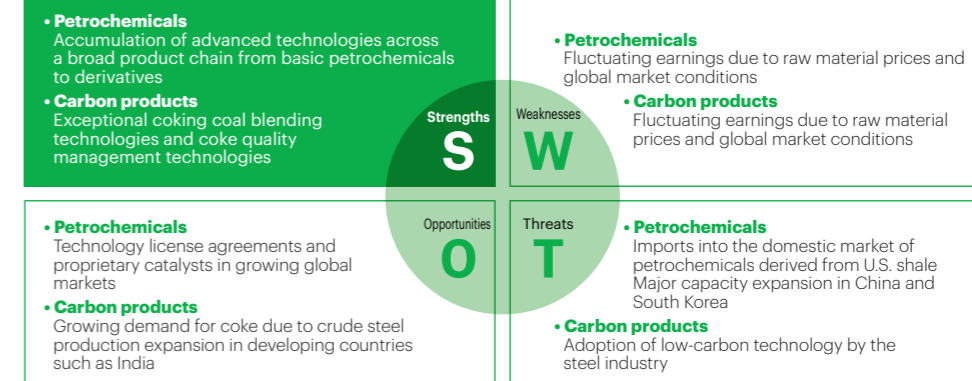
Restructuring in the domestic steel industry

- Cease operations at five of 25 blast furnaces in Japan by 2023
(crude steel production to be reduced by 9 million tons per year, resulting in a drop of 4 million tons per year in demand for coke)

Restructuring of the MCG Group's coke business

- Reduce the number of coke ovens at the Kagawa Plant from 323 to 250 and optimize operations
- Double export shipping lines to two

SWOT analysis



Achieving carbon neutrality through stronger ties with the oil refining industry and neighboring regions

As we work to achieve carbon neutrality by 2050, the MCG Group is implementing energy conversions at domestic plants and is considering the commercialization of basic chemicals such as ethylene and propylene produced from bio-based raw materials. Working with ENEOS Corporation, we are constructing a chemical recycling facility at our Ibaraki Plant that will convert waste plastic to oil, with an annual processing capacity of 20,000 tons, the largest of its type in Japan. We aim to commence operations during fiscal 2023.

The Kashima coastal industrial zone, located in Ibaraki Prefecture, is one of Japan's leading industrial clusters centered on the basic material industries of petroleum refining, petrochemicals, and steel. The MCG Group will collaborate and cooperate more closely with Ibaraki Prefecture with the goal of creating an industrial base that is both highly competitive and carbon neutral, centered on the Kashima coastal industrial zone.

Carbon-neutral programs in the Kashima coastal industrial zone

