

## Message from Business Group Management

### Petrochemicals / Coal Chemicals

## Accepting the significant decision made in the new management policy and shaping the future of this business

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In the Petrochemicals business, we will focus increasingly on markets that utilize general-purpose petrochemical product functions and accelerate our strategy to boost profitability. While we anticipate some short-lived pain, including drawing the line at unprofitable areas, those businesses that survive this difficult selection process will be targeted for aggressive business expansion. We will also focus our efforts on the development of unique products by synergizing with bio-based technologies. We plan to launch on the domestic market first and tackle the development of overseas projects over the longer term, using green hydrogen as a raw material for chemical products.

### Global development of SAKAIDE COKE

In the Coal Chemicals business, we have products such as carbon black and needle coke that are produced from the tar that forms during the manufacturing process for coal, a key material used in the steel industry. 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, not just in Japan but also worldwide. To generate solid earnings from these strengths, we are restructuring to

optimize our sales portfolio and production systems to meet the changing structures of the domestic steel industry. In fiscal 2021, we changed our business model to export-oriented operations. Based on our assumption that companies will restrict new investment in CO<sub>2</sub>-generating businesses and withdraw from their coke businesses where they also utilize the material themselves, we expect demand for the MCG Group's coke to rise further in the future. We also expect increasing demand for needle coke that is used as electrode material for electric furnaces, in light of plans to construct many more such furnaces in the drive to achieve carbon neutrality.

We will make the most of the strengths of our product offerings and also develop a full understanding of what society needs and what our Petrochemicals and Coal Chemicals businesses can offer, so that we can better shape our businesses for the future.

### Strategic rationale

#### Challenges

- Domestic market has limited growth potential
- National energy policy is transitioning toward carbon neutrality and the basic chemical industry must embrace decarbonization
- High probability of increasing energy costs in Japan driven by CO<sub>2</sub> reduction efforts
- Cyclical businesses

#### Required solutions

- Consolidated domestic basic chemical value chain brings sustainability benefits to society
  - ▶ Integrate resources to develop sustainable businesses and technologies (i.e., CO<sub>2</sub> recycling, chemical recycling, and bio-chemicals)
  - ▶ Basic chemical products are indispensable from a national economic security perspective
  - ▶ Increase efficiency

### Executing the carve-out in fiscal 2023

The new management policy, "Forging the future," announced by the Mitsubishi Chemical Group in December 2021, put forward a plan to carve out the Petrochemicals and Coal Chemicals businesses in fiscal 2023.

As the world begins the huge undertaking of becoming carbon neutral by 2050, the MCG Group has already worked hard across its global business operations to respond to climate change and reduce GHG emissions. I accept this monumental decision that forms part of our goal to achieve a further increase in corporate value and sustained growth. As a major player in the chemical industry, we will lead the consolidation of the basic chemical industry in Japan, and will resolutely implement this decision by restructuring through a carve-out and future exit from these businesses.

### Leveraging product performance and uniqueness to achieve growth in domestic and overseas markets

For all our current businesses, we see the changing business environment as an opportunity for growth.