

MUCC Medium-term Management Strategy

(FY2023 to 2025)

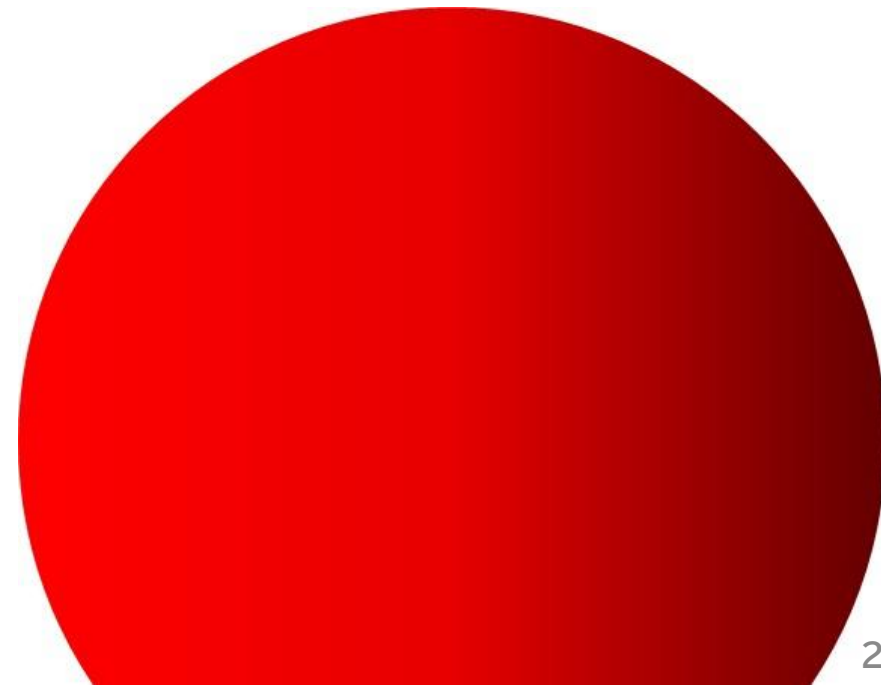


Mitsubishi UBE Cement Corporation

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Infinity with Will



1. Review of First Year since Integration

Introduction

In April 2022, Mitsubishi UBE Cement Corporation(MUCC) started operations. We've been steadily operating our business under the philosophy announced at our beginning. Respective businesses were integrated without any problem, and this started bringing synergy.

Business Situation

FY 2022	Business Environment	Measures
Domestic ^(*1) Cement Business	Fuel Price Hikes	<ul style="list-style-type: none">Announced in Oct. 2021 "Price rise by 2,200 yen/tonne from Jan. 2022" (mostly agreed)Announced in July 2022 "Price rise by 3,000 yen/tonne from Oct. 2022"Announced in Sep. 2022 "Decommission of Aomori Plant and No.1 Kiln of Isa Cement Plant as organizational reform (by the end of Mar. 2023)"Increase of affordable and alternative fuel use
Overseas Cement & RMC ^(*2) Business	Steady Demand, Cost Rise	<ul style="list-style-type: none">Restart of cement terminal operation and increase in the number of driversSales expansion by product price revision against rising fuel and raw material costs

(*1) Japan

(*2) Ready-mixed Concrete



- Consolidated result is projected to fall into the red due to insufficient product price revisions against cost rises.
- Measures devised in FY2022 are expected to make a significant contribution to business recovery in FY2023.

Consolidated P/L		FY2022 Forecast
Net Sales	(billion yen)	592
Operating Income	(billion yen)	-28
Ordinary Income	(billion yen)	-26
Net Income	(billion yen)	-53

2. Corporate Vision

Corporate Philosophy

<Mission>

Continue to support the future of the planet by providing the highest quality with the best technology and services.

Business Environment

- Gradual decline in domestic market
- Shrinking workforce
- Consistently high price of coal
- Fierce competition in export market
- Market growth in Southern California
- Acceleration of carbon neutrality
- Preservation of global environment
- Development of innovative digital technology

<Value>

Integrity and Sincerity
Teamwork and Group Strength
Challenges and Change

Vision

- Cost leader in domestic business
- Continuous growth of overseas business
- Leading company toward carbon neutrality
- Sophisticated value chain
- Unique technology for building new value

**Corporate group with leading technology and high profitability
by maximizing the synergistic effects of business integration**

Achievement of consolidated operating income target,
≥ 30 billion yen in domestic business and ≥ 350 million dollars in overseas business,
by growing both domestic and overseas businesses.

(Consolidated ROE ≥ 8% and ROA ≥ 6%)

3. (1) Overview

Name

Infinity with Will 2025
~MUCC Sustainable Plan 1st STEP~

Plan

3 years for “Surplus in FY2023”, “Groundwork toward corporate vision”
and “Preparation for new business creation and growth strategy”

Priority Action

Top Priority

① **Strengthening and cost reduction of domestic cement business**

Surplus achievement of domestic cement business in FY2023 by laying groundwork in FY2022.

② **Business growth in the U.S. and exploration of new business sites**

Value maximization of vertical integration model by sales expansion and cost reduction.

③ **Promotion of global warming countermeasures**

Increase of alternative fuel use, energy conversion and CCU^(*3) technology development.

④ **Strengthening and expansion of domestic value chain**

Non-fossil energy promotion, profit maximization through limestone utilization
and downstream business strengthening and upgrade.

⑤ **Enhancement of R&D and business management**

R&D function enhancement, strategic HR management and DX project promotion.

3. (2) 2030 Roadmap

In response to the projected gradual decline of domestic cement demand from 2026 (35 million tonnes in 2030), we are working on “further organizational reform for strengthening the domestic business base”, “expansion of overseas business with growth potential” and “new business creation” as the 2nd step.

Infinity with Will
2025

1st STEP

3 years for “Surplus in FY2023”, “Groundwork toward corporate vision”
and “Preparation for new business creation and growth strategy”

Infinity with Will

2nd STEP

- Cost leader in domestic business through organizational reform
of the domestic cement business and a sophisticated value chain
- Leading company toward carbon neutrality by unique technology and business model
- Continuous expansion of overseas business
through business growth in the U.S. and exploration of new business sites
- New business creation through enhancement of the R&D function,
strategic HR management and DX project promotion

Vision

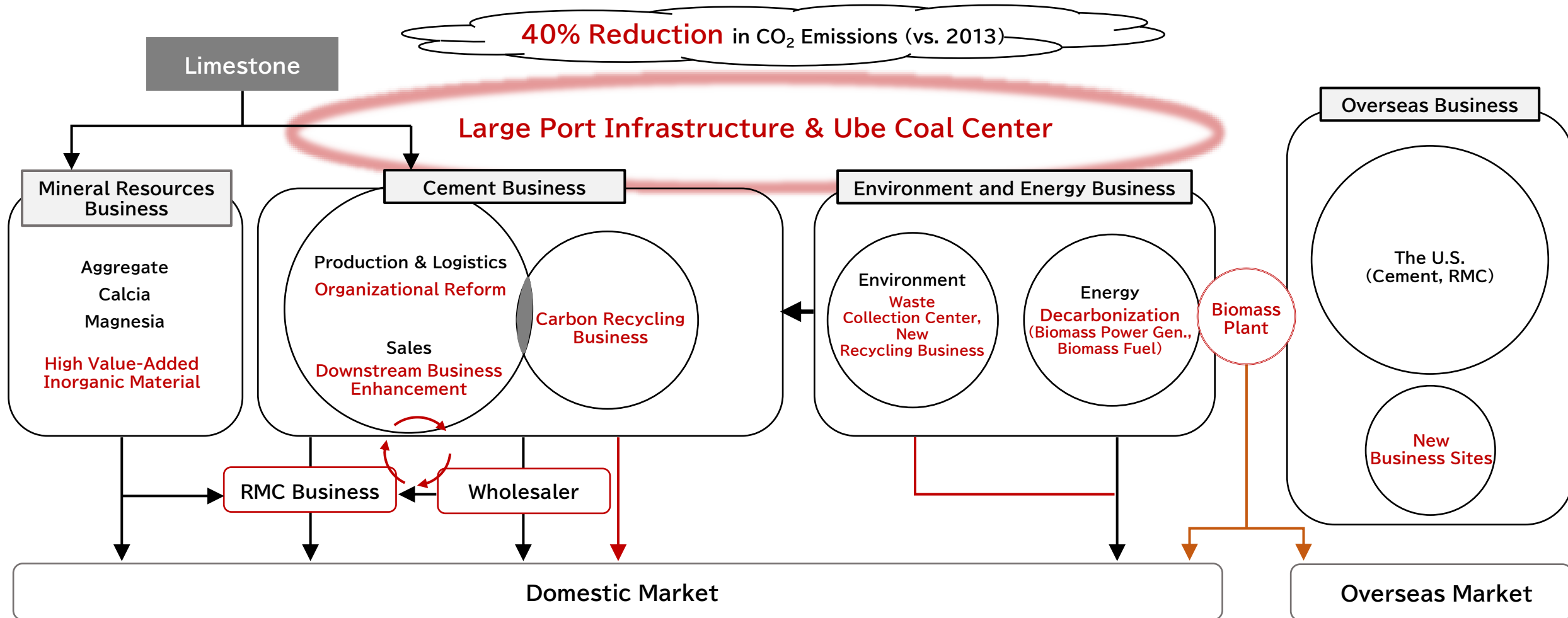
2030

Corporate group with leading technology and high profitability
by maximizing the synergistic effects of business integration

3. (2) 2030 Supply Chain Vision

Shift to a carbon neutral port and upgrade of the entire supply chain.

Contribution to carbon neutral society and circular economy through carbon recycling and defossilization.





Kyushu Plant



Higashidani Quarry

(3) Detailed Plan 【Strategies by Segment】



Robertson's Ready Mix



Ube Cement Plant & Ube Coal Center

① Strengthening and Cost Reduction of Domestic Cement Business (Top Priority 1)

Vision

**Competitive position in domestic market
through cost reduction, organization reform and sophisticated value chain**

Business Environment

- Gradual decline of demand
(35 million tonnes in 2030)
- Consistently high fuel prices
- Acceleration of carbon neutrality

Business Strategy

- Transactions at fair prices
- Enhancement of competitiveness by optimizing production and logistics
- Measures against energy price hikes
(shift to carbon neutral society)
- Organizational reform of business base

Priority Measures

- Reach an agreement on price rise
by 3,000 yen/tonne at the beginning of FY2023
- Action for transactions at fair prices
- Organizational reform of production
(decommissioning of Aomori Plant
and No.1 Kiln of Isa Cement Plant)
- Reconsideration of export strategy and profitability
improvement of plant dedicated to export production
- Organizational reform of domestic logistics
- Increase of alternative fuel use
Fuel cost and CO₂ reduction
- Affordable fuel use
- Downstream business enhancement
- Downtime reduction and productivity
improvement of plant operation

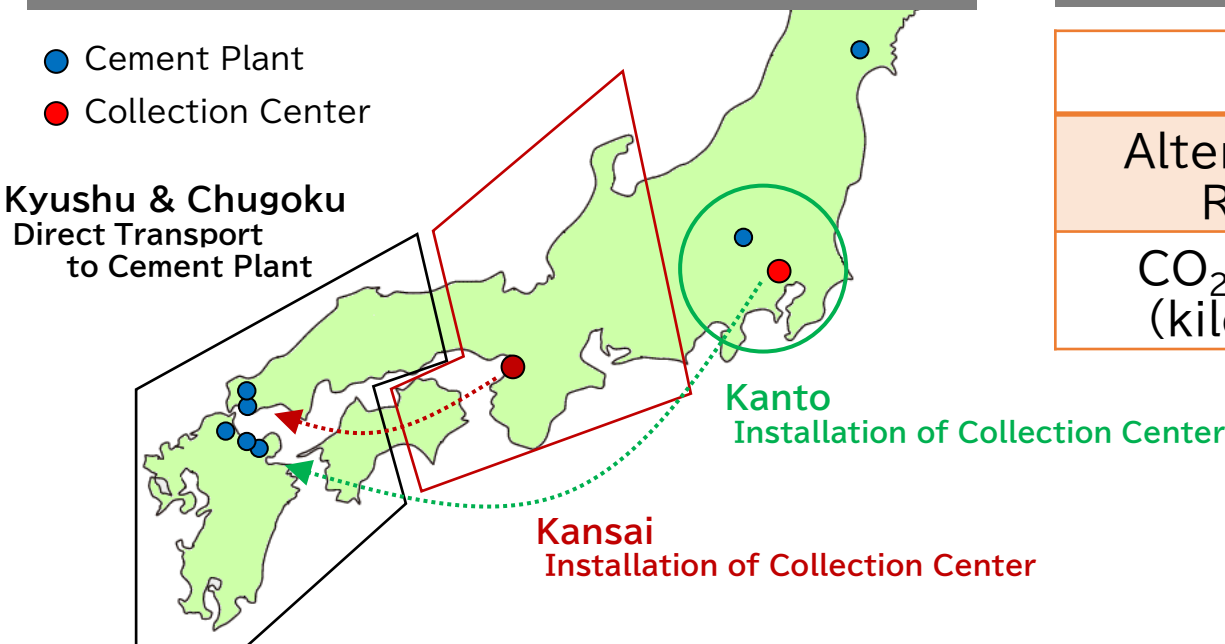
① Strengthening and Cost Reduction of Domestic Cement Business (Top Priority 1)

(TOPICS) Fuel cost and CO₂ reduction
Alternative fuel ratio : 50% (2030)

Measures

- Enhancement of plastic waste collection capacity around Kyushu Plant.
- Expansion and installation of waste oil receiving and processing facilities.
- Installation of collection centers to take advantage of larger scale following integration.
- Promotion of other alternative fuel use. (Kanto and Kansai)

Concept of Plastic Waste Collection



Effect

	FY2022	FY2025	FY2030
Alternative Fuel Ratio (%)	19	31	50
CO ₂ Reduction (kilo-tonnes)*	—	-405	-1,276

*CO₂ reduction effect of investment from FY2023.

② Business Growth in the U.S. and Exploration of New Business Sites (Top Priority 2)

Vision

Value maximization by achieving dominant share of RMC sales in Southern California market and strengthening vertical integration model

Business Environment

- Steady growth of cement and RMC demand in Southern California due to population growth (average annual growth rate : +3%)
- Energy cost rise
- Scarcity of aggregate resources due to the influence of environmental regulations
- Carbon neutrality by 2045

Priority Measures

MCC Development (MCCD)

- RMC sales volume increase and price rise promotion
- Increase in the number of RMC truck drivers
- Mining area expansion of current quarry and acquisition of new quarry

Mitsubishi Cement Corporation (MCC)

- Price rise promotion of cement
- Downtime reduction of plant operation
- Action toward carbon neutrality
Increase of alternative fuel use, renewable energy use and blended cement production

Business Strategy

- Response to growing demand
Steady supply of cement and RMC
Stable procurement of aggregate
- Appropriate price revision
- Action toward carbon neutrality

<MCC>

Limestone Quarry

Cement Plant
Carbon Neutrality,
Steady Supply

Import Terminal
Efficient Operation,
Business Expansion

<MCCD>

RMC Plant
Business Expansion,
Steady Supply

Aggregate Quarry
Quarry Development,
Business Expansion

Customer

Enhancement of
Vertical Integration Model

② Business Growth in the U.S. and **Exploration of New Business Sites** (Top Priority 2)

Priority Measures

- Exploration of new business sites to establish “2nd core pillar”
following our current business in the U.S. (taking flexible action to avoid missing opportunities)
- Roll-out of “vertical integration model” to other areas and synergy creation
- Workforce globalization for dispatching expatriates

High Potential Area



③ Promotion of Global Warming Countermeasures (Top Priority 3)

Vision

Strength

- Main production sites are located around large port infrastructure at coastal areas in western Japan.
- Technology and supply chain developed by operating cement business in former conglomerate companies.

Establishment and deployment of advanced technologies as early as possible,
and realization of our unique and feasible decarbonization schemes as a cement company.

2030 : 40% reduction in CO₂ emissions (vs. 2013), 2050 : Carbon neutrality

Business Strategy

I. Early Realization of Energy Conversion

- Fuel conversion in cement production
Waste derived fuel ratio : 50% (by 2030)
Carbon free fuel ratio : 50% (by 2050)
(Ammonia, Hydrogen, Synthetic Methane, etc.)
- Decarbonization of electricity
(Emission reduction by 2030, Full decarbonization by 2050)

II. Early Commercialization of CCU Business

- Recognize low-cost and high-concentration CO₂ captured from cement production process as useful resource
- Establishment of CCU business model (by 2030)

③ Promotion of Global Warming Countermeasures (Top Priority 3)

Priority Measures

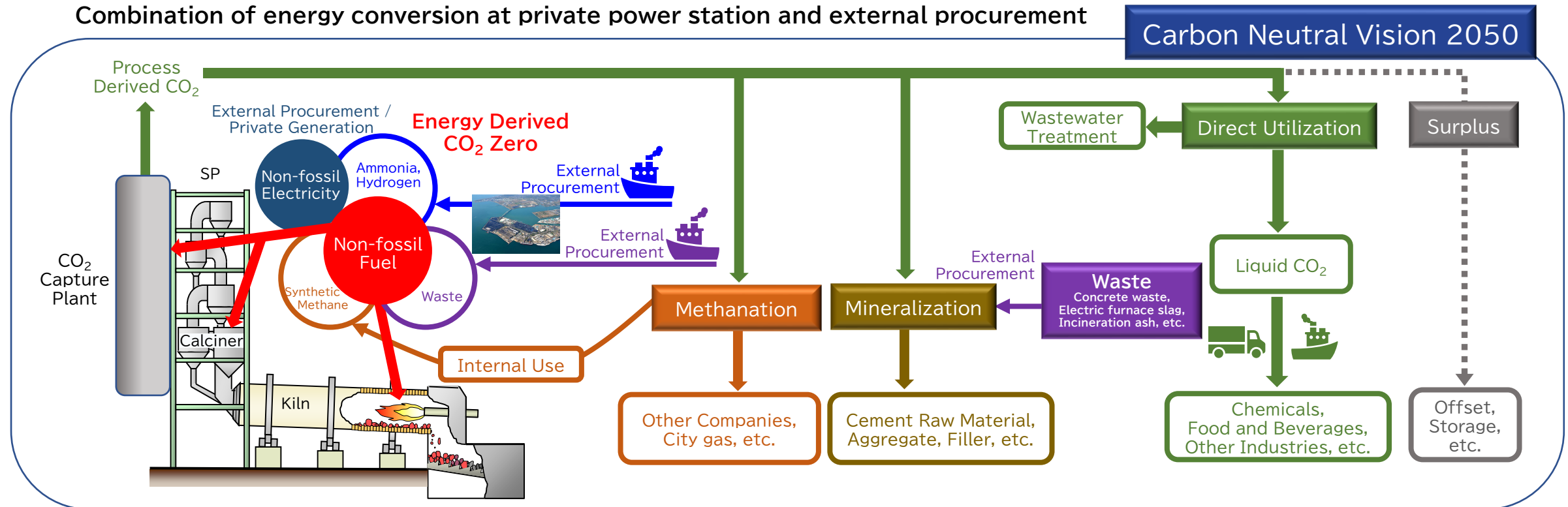
I. Early Realization of Energy Conversion

- **Strengthening of waste derived fuel procurement**
Infrastructure development, such as collection centers, etc.
- **Promotion of highly efficient equipment installation**
- Establishment of carbon free fuel combustion technology (ammonia)
- Decarbonization of electricity

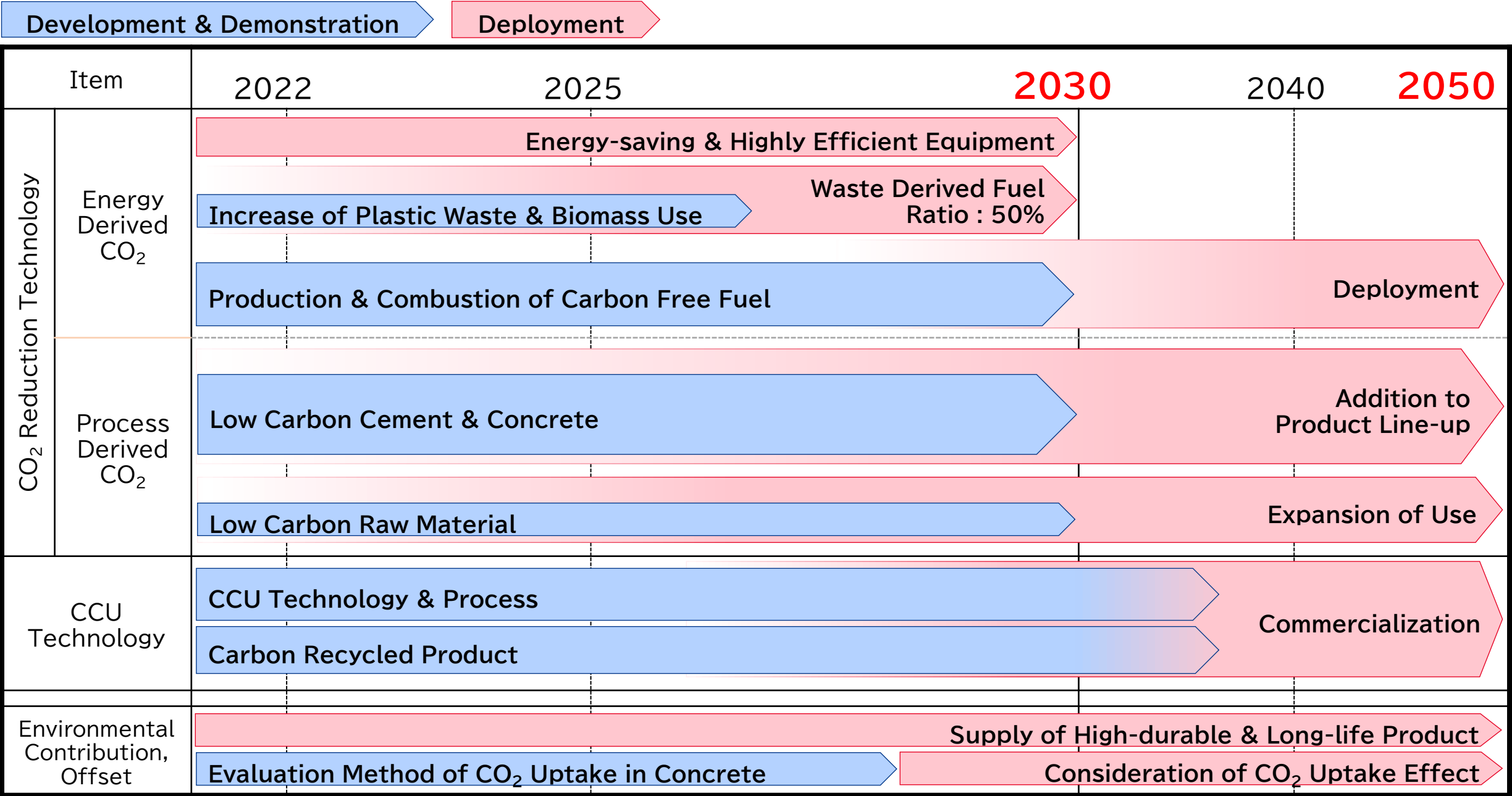
Combination of energy conversion at private power station and external procurement

II. Early Commercialization of CCU Business

- Introduction of CO₂ capture technology
- Establishment of CCU business scheme (by 2030)
- Widening of CO₂ application (by 2050)



(Reference) Technology Roadmap toward Carbon Neutrality

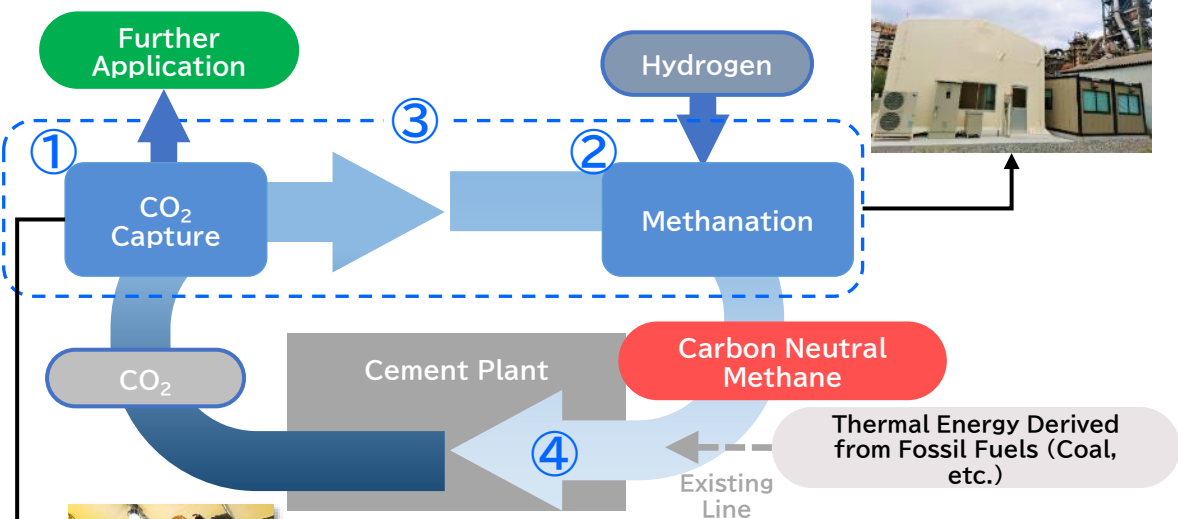


[TOPICS] Technology development and demonstration of energy conversion and CCU (under demonstration)

Methanation Technology

A demonstration test of methanation technology is in progress. CO₂ is captured from cement kiln flue gas, and then reacted with hydrogen to synthesize methane.

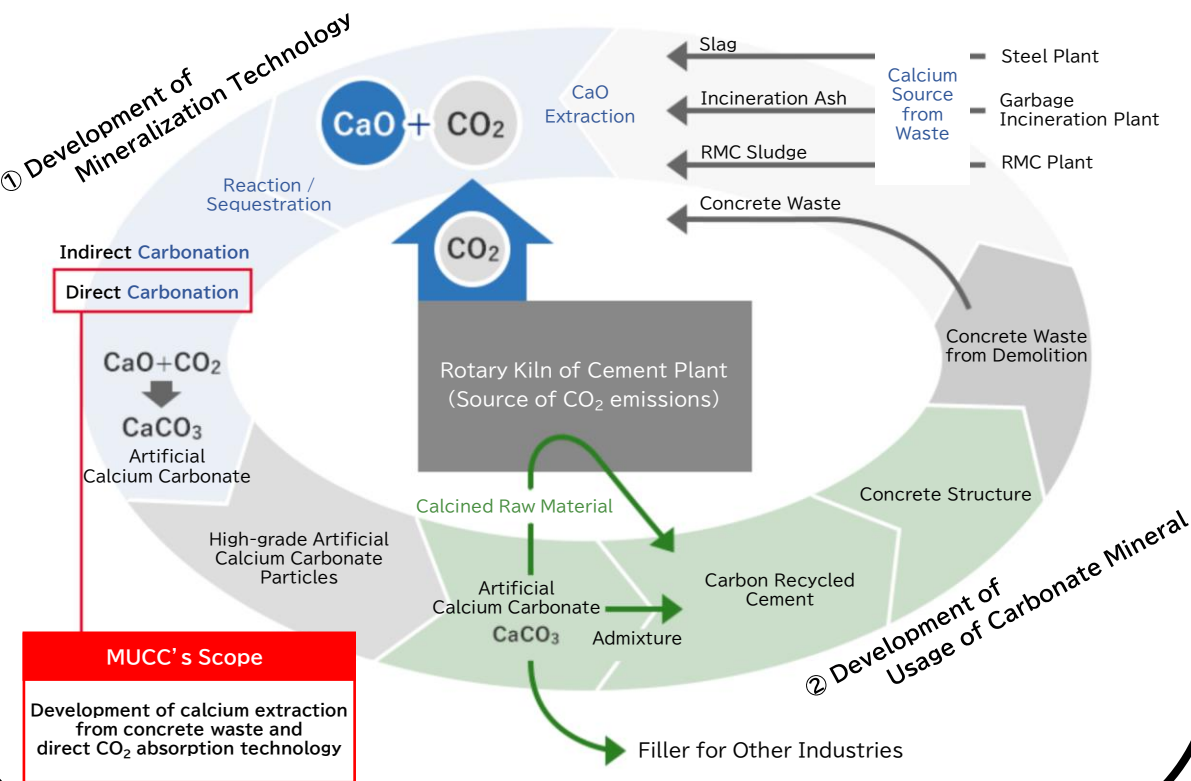
Methanation Test Facility



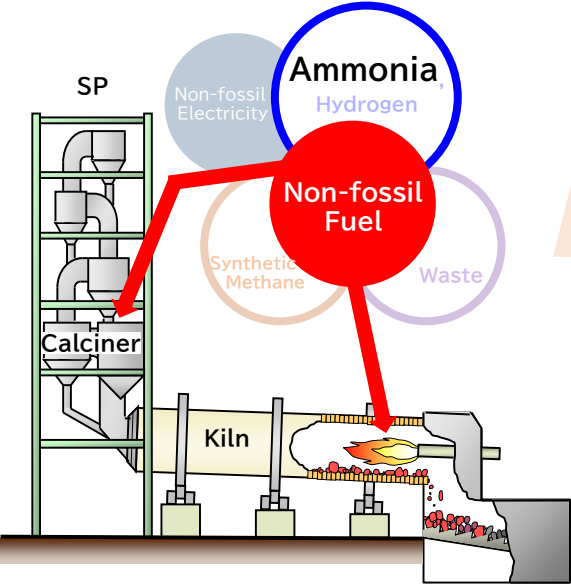
CO₂ Capture Test Equipment

Mineralization Technology

Mineralization technology and its usage are under development. Calcium is extracted from concrete waste and others, and then artificial calcium carbonate is generated by sequestering CO₂. (Japanese government's Green innovation fund project)



【TOPICS】 Demonstration test of ammonia co-combustion in cement kiln



- Decarbonization of fuel in cement kiln
- Ammonia is a prime candidate for a carbon free fuel

1. Potential supplier is Shunan District (Yamaguchi), which is under a nationally supported study for establishing an ammonia supply center.
2. Started ammonia combustion study in kiln ahead of other companies.
3. National support is expected for energy conversion from coal to ammonia.

Fiscal Year	R&D Activity for Ammonia Combustion
2014 to 2018	Laboratory test performed (by former company, Ube Industries)
2021 to 2022	Small scale co-combustion test completed at Ube Cement Plant
at some point after 2023	Large scale co-combustion test planned at cement plant (target : 30%)

Early establishment of combustion technology
by implementing large scale co-combustion test

Vision

**Profit generation by strengthening energy value chain at largest scale Ube Coal Center
(expansion of alternative raw material and fuel use, biomass conversion of power station)**

Business Environment

- Carbon neutrality acceleration
- Consistently high price of fuel
- Fade-out of coal fired power stations

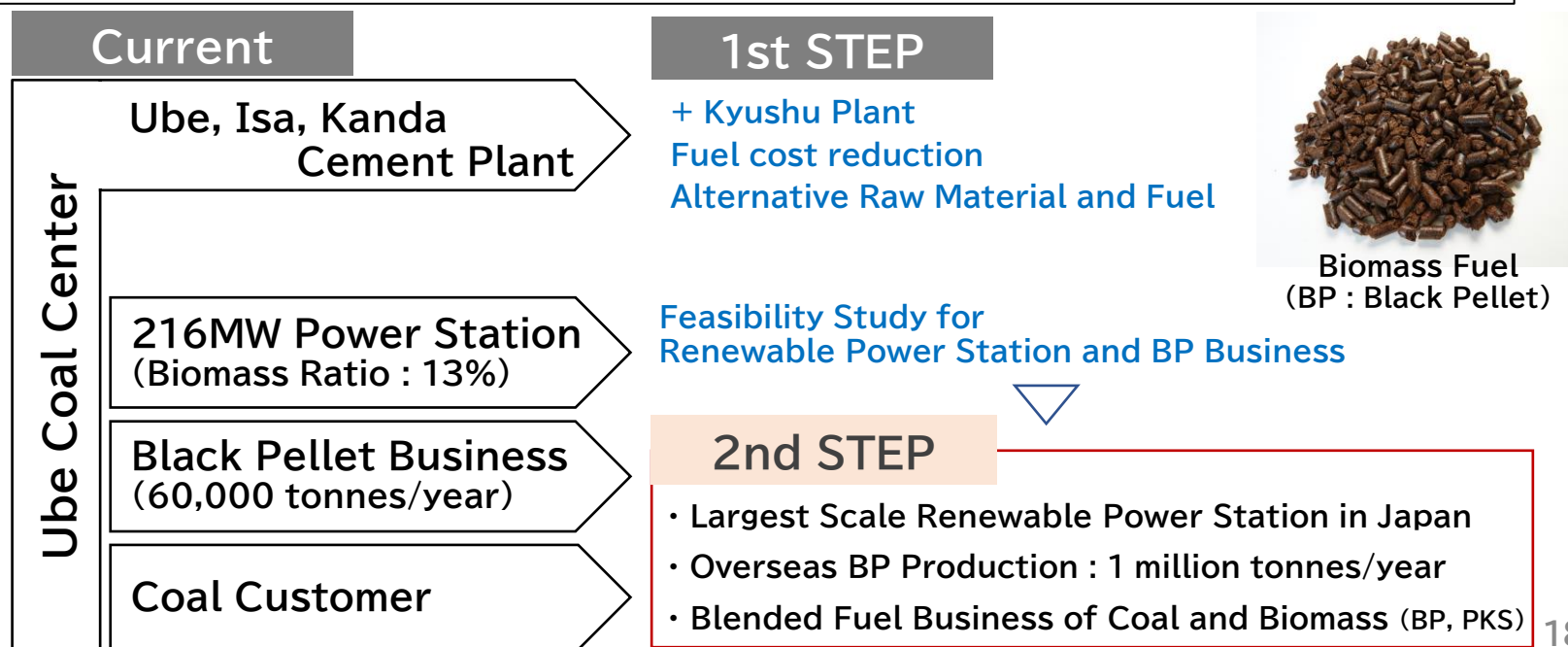
Business Strategy

- Establishment and strengthening of energy value chain
- Exploration of affordable fuel (expansion of resources)

Priority Measures (establishment and strengthening of new energy value chain)



Ube Coal Center



④ Strengthening and Expansion of Domestic Value Chain

Vision

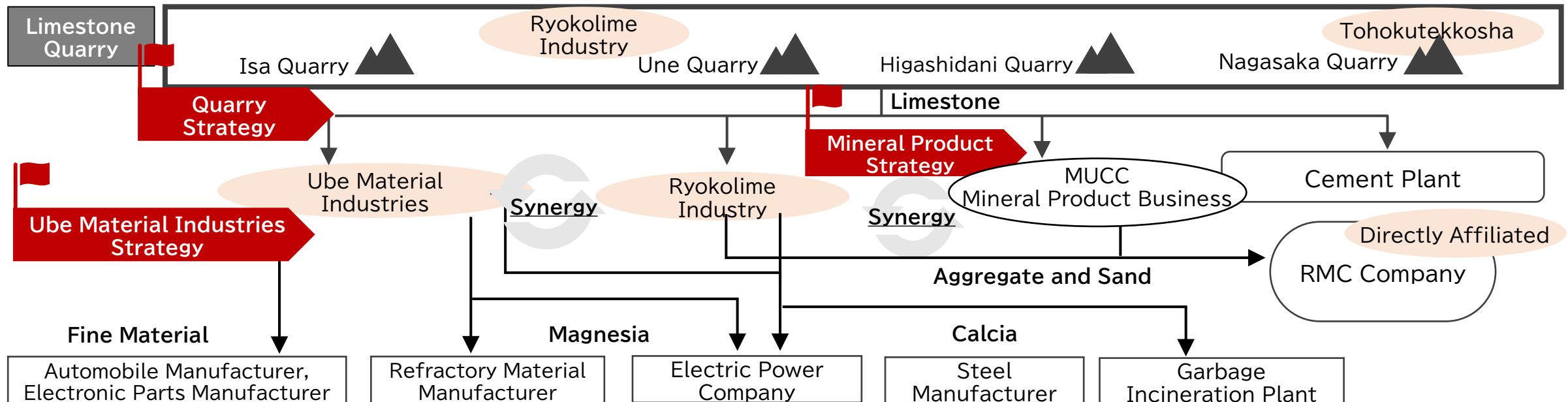
Stable procurement of limestone, added value maximization and cost minimization

Business Environment

- Gradual decline of domestic cement and RMC demand
- Decline of domestic crude steel production and increase in worldwide automobile production

Aggregate and Sand	Calcia	Fine Material	Magnesia
Material scarcity caused by decrease in suppliers.	Demand decline due to shift from blast furnace to electric furnace.	Steady demand for MOS-HIGE. Demand growth for CS in electronic devices industry.	Slight demand decline in power sector and refractory industry. Demand growth in glass industry.

Business Strategy (Limestone Supply Chain)



Quarry Strategy

Priority Measures

- Optimization of organizational structure
for limestone mining
- Introduction of new explosive (bulk emulsion)
- Stable procurement of silica stone
(preparation for quarry development)

Ube Material Industries Strategy

Priority Measures

- Price revision of magnesia and quicklime
- Widening of magnesia use and development of market for quicklime
- Development of market for fibrous magnesium oxysulfate (MOS-HIGE)
for automobile manufacturer
- Supply capacity enhancement of ultra-high purity calcium carbonate (CS)
for multi-layered ceramic capacitors
- Strengthening of R&D management,
and improvement of technology and proposal skill by collaboration with customer

Mineral Product Strategy

Priority Measures

- Maximization of synergy effect
 - ✓ Transfer of sales and logistics function of Ube Material Industries' limestone related business to MUCC
 - ✓ Optimization of group-wide supply structure
- Profit improvement : Price rise and market development
- Stable procurement of resource



MOS-HIGE Particle

Vision

**Formation of business group
driving domestic cement sales strategy and leading regional market development
to aim at enhancing business base and securing stable profitability**

Business Environment

- Gradual decline of RMC demand
(especially in regional areas)
- Labor scarcity
- Cost rise of raw material and transportation
- Carbon neutrality acceleration

Business Strategy

- Organizational reform of directly affiliated
RMC company and wholesaler
- Regional market development
through alliance formation
- Utilization of group company's HR
- Response to demand for low carbon product

Priority Measures

- Improvement of business base by regional grouping
- Enhancement and expansion of nation-wide core wholesaler
(business integration of UBE Construction Materials and Mitsubishi Shoji Construction Materials)
- Cooperation with RMC company and wholesaler by sharing grand design
- Development and production of low carbon concrete, and development of low carbon product application

Vision

**Establishment of unique technology by leading development capability
and new value creation toward business growth and sustainable society**

R&D Direction

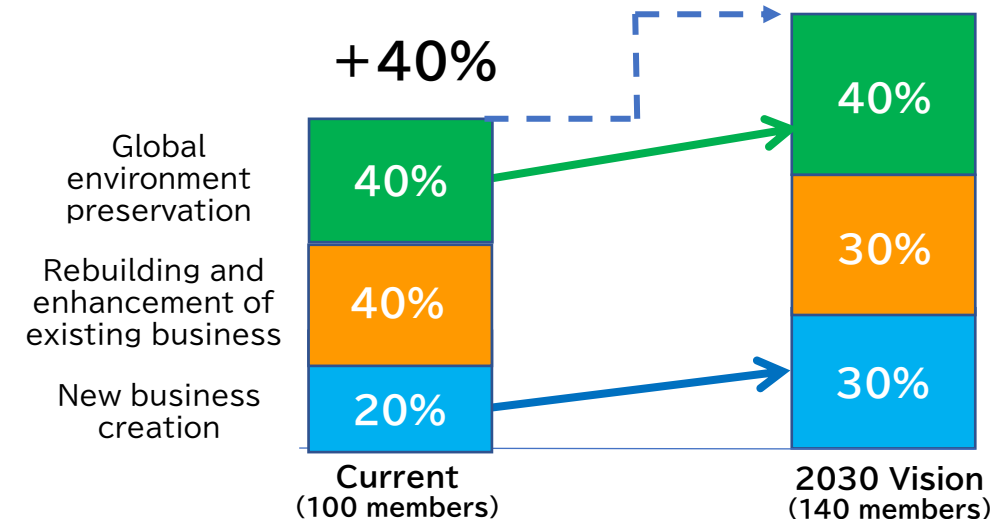
- **Business base enhancement** : Measures against coal price hike, increase of plastic waste and biomass use
- **Growth strategy development** : Creation of carbon recycling business, new waste recycling business, new building material and inorganic material business
- **Global environment preservation** : Measures toward decarbonization
(increase of alternative fuel use, strategy development of low carbon cement production and sales)

R&D Strategy

- **Global environment preservation**
Early development of CCU technology
- **Rebuilding and enhancement of existing business**
Improvement of profitability and productivity
by upgrading existing technology
- **New business creation**
(enhancement and expansion in growing business field)
Promotion of development and deployment
of unique technology and material

HR Management

- Increase in the number of R&D staff
(shift to decarbonization and growth field)



Vision

- Embracing of diverse personnel and building of a good workplace
- Improvement of group-wide effectiveness by strategic personnel relocation

Business Environment

- Acceleration of labor scarcity caused by aging population and job mobility
- Diversity of workstyle and workforce

Measures

- Promotion of effective personnel relocation :
 - Relocation to overseas business, R&D and group company
 - through improvement of work efficiency and mobility of personnel
- HR development in specific field (DX, overseas business, etc.)
- Shift to job-type employment system
- Promotion of diversity and inclusion

Vision

Establishment of competitive position, group-wide sustainable growth and new value creation though utilization of digital technology and data, deployment of digital infrastructure

Business Environment

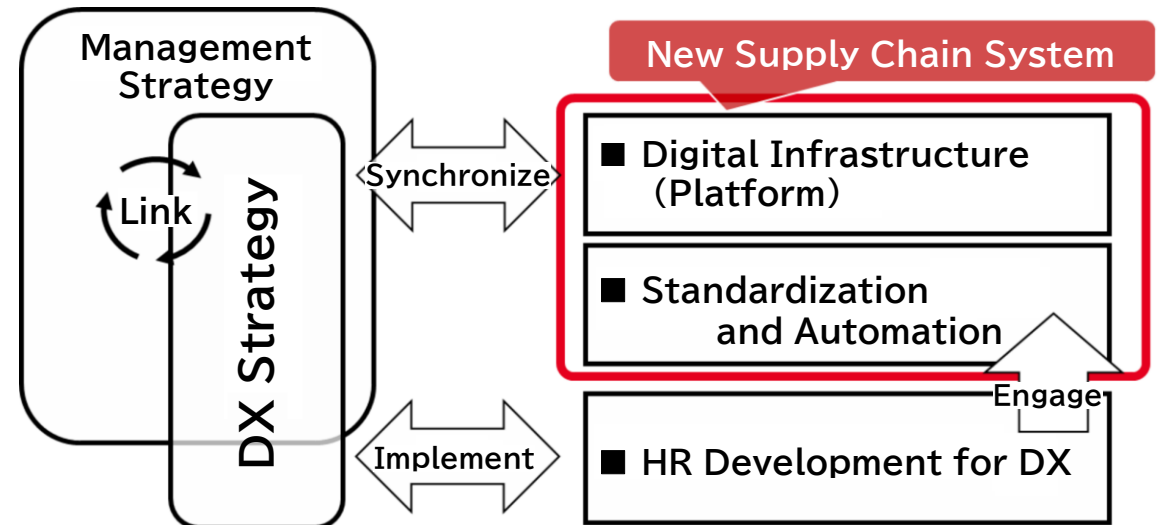
- Development of AI and IoT Technology, transformation of business model, labor scarcity

Business Strategy (DX Roadmap)

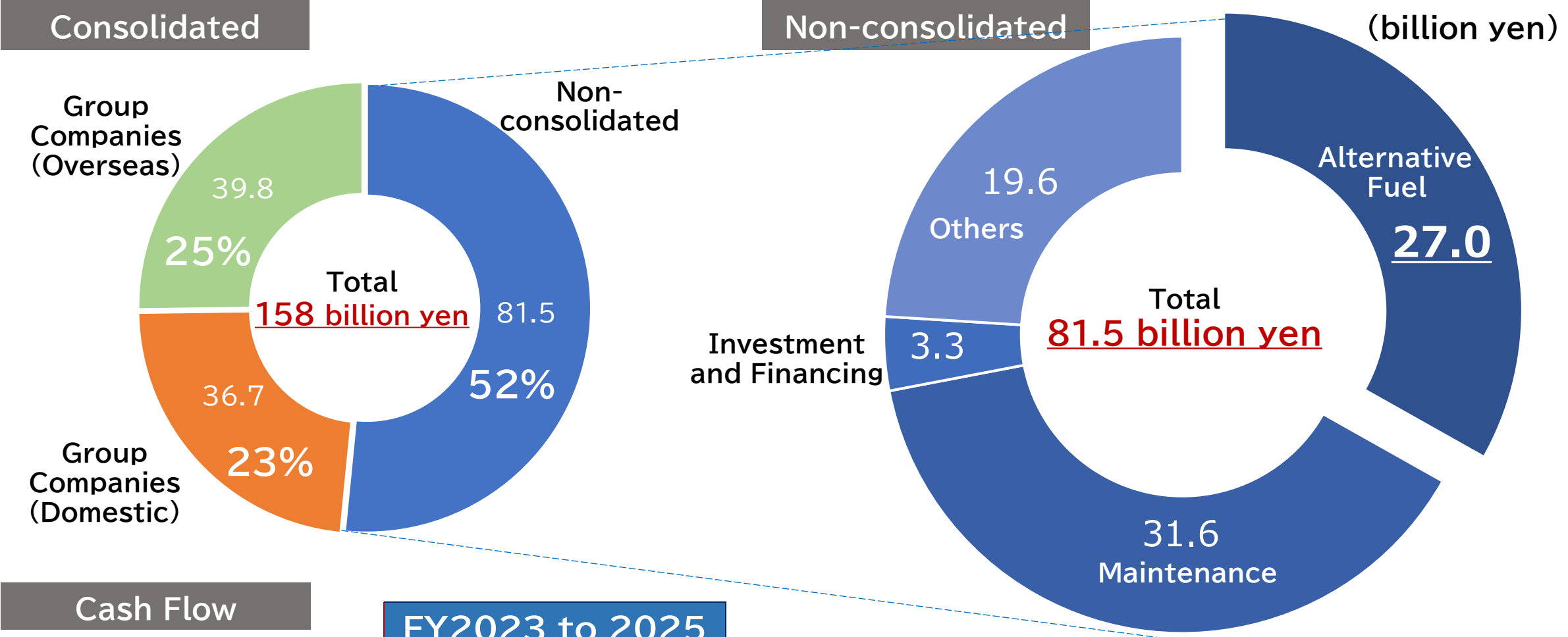
- **Phase 1**
Development of DX promotion structure,
Improvement and automation of business operation
- **Phase 2**
Demonstration toward new value creation
- **Phase 3**
Creation of new business model
and corporate culture

Measures (Phase1 Plan)

- Installation of task force team for DX promotion (development of strategy and workforce)
- Improvement of business efficiency by new supply chain system and visual control



(4) Investment Plan (FY2023 to 2025)



Cash Flow	
FY2023 to 2025	
Operating Cash Flow	177
Investment Cash Flow	-158
Free Cash Flow	19

Non-consolidated	FY2023 to 2025	FY2023 to 2030
Carbon Neutrality Measures	28	≥ 70

* Investment for growth strategy will be considered accordingly.

(5) Business Plan

Assumption		FY2022 Forecast	FY2025 Plan	2030 Vision
Domestic Cement Demand	million tonnes	37.40	38.00	35.00
Cemend Demand in Southern California	million short tons	7.51	7.63	8.90
FOB Price of Thermal Coal	USD/tonne	403	370	370
Exchange Rate	JPY/USD	138	130	130

Consolidated Management Indicator

Net Sales	billion yen	592	710	930
Operating Income	billion yen	-28	39	75
Ordinary Income	billion yen	-26	39	75
Net Income	billion yen	-53	21	45
ROE	%	-	5.5%	8.0%
ROA	%	-	2.5%	6.0%

About the forward-looking statements

The plans, strategies, earnings forecasts and other statements contained in this document are based on information available to the Company at the time of preparing the document. These forecasts and projections contain uncertain factors such as the economic conditions surrounding the Company, competitive environments, relevant laws and regulations, and exchange rates, and may be reversed if potential risks become apparent. Please note, therefore, that actual business results, business environments and other factors in the future may differ from those described in this document.