

Midterm Corporate Strategy 2021 Achieving Growth Through Business Management Model (Announced in November 2018)

Outline of Midterm Corporate Strategy 2021

Our new Midterm Corporate Strategy aims to realize triple-value growth* through MC's business-management model.

It will make MC more adaptable to changing geopolitical dynamics, the transition to a digital age and other rapid developments.

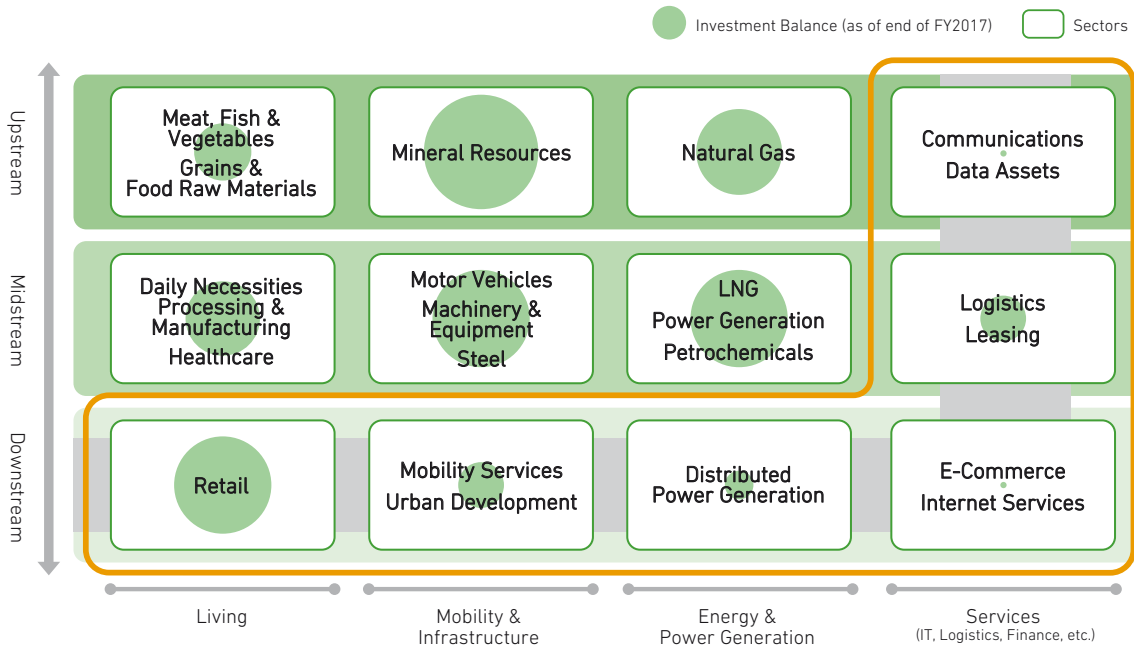
The strategy's four sections are outlined on the right.

*Simultaneously generating economic value, societal value and environmental value



Portfolio Strategies Aimed at Stimulating Further Growth

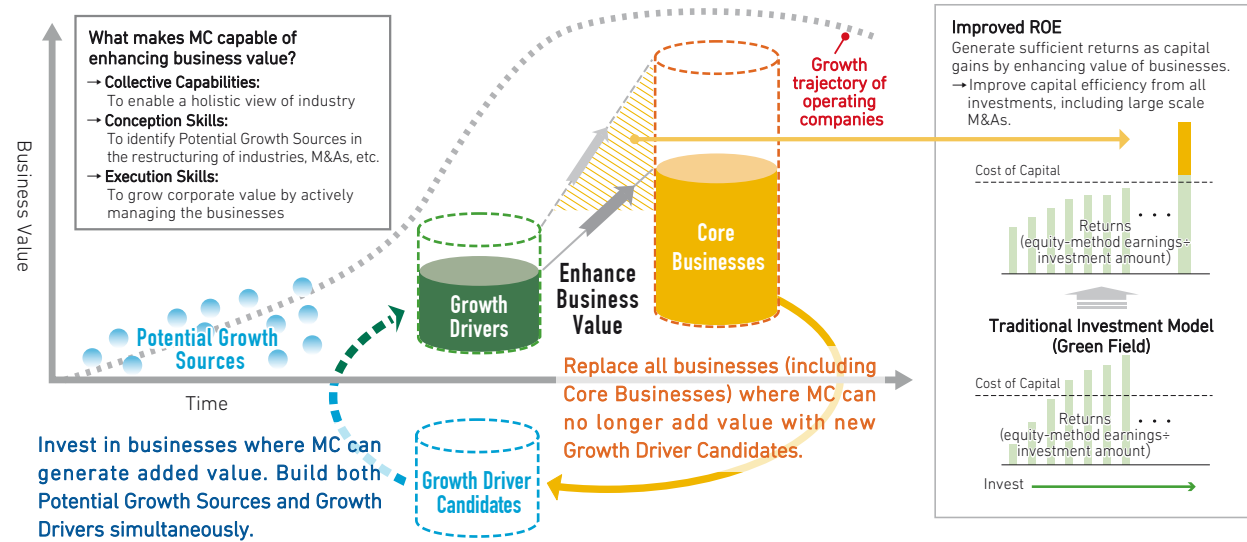
By strengthening our operations in the Services Sector and downstream businesses, we will endeavor to stimulate more growth in what is currently a highly stable business portfolio.



Value - added Cyclical Growth Model & Improved ROE

We will identify Potential Growth Sources and nurture them into Growth Drivers and Core Businesses by enhancing their value. In this new cyclical growth model, even Core Businesses will be replaced with new Growth Driver Candidates if MC can no longer add value to them. This will have the added benefit of improving MC's ROE.

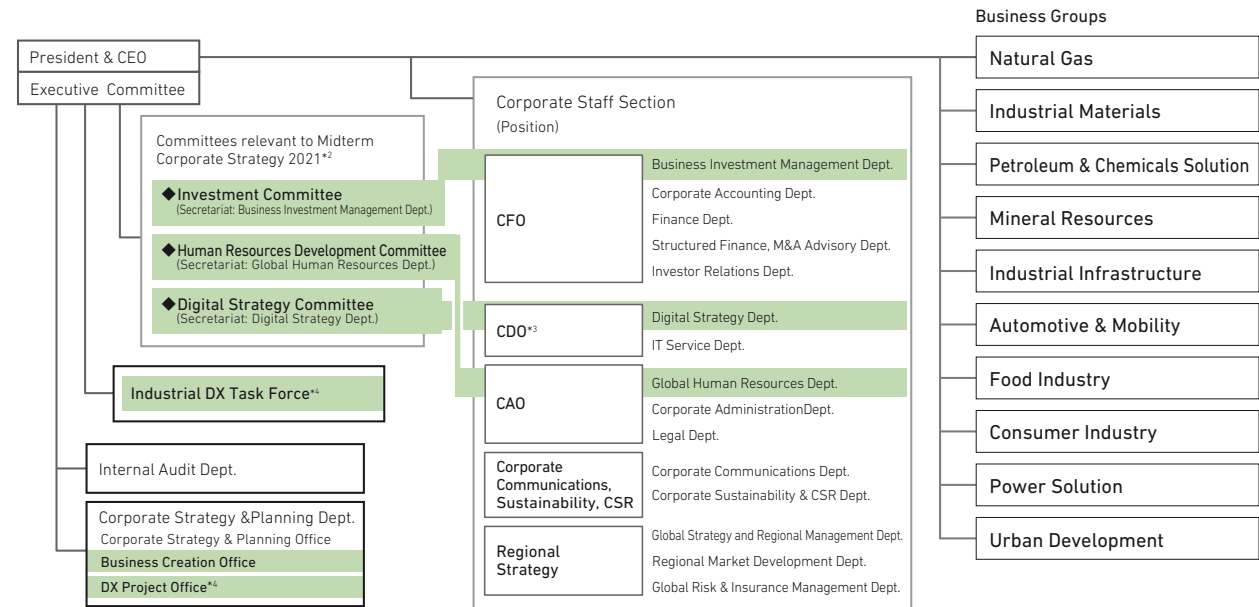
Potential Growth Sources → Growth Drivers → Core Businesses
 Our new growth model will enhance business value through this divestment-to-reinvestment cycle



Reorganizations

To enhance our business creation capabilities and realize our envisioned portfolio, MC was been restructured into 10 Business Groups as of April 2019.

The Corporate Staff Section has also been rearranged to focus on the main themes of Midterm Corporate Strategy 2021, namely our business portfolio, HR development and digital strategies*1.



*1) Organizational framework as of April 1, 2021
 *2) Other Committees reporting to Executive Committee: Business Strategy Committee, Management Strategy Meeting, Sustainability & CSR Committee, Compliance Committee, Disclosure Committee
 *3) Chief Digital Officer
 *4) Companywide task forces were established on April 1, 2020, in an aim to realize Digital Transformation (DX) in various business fields such as the food industry. These task forces are expected to work across multiple Business Groups and departments, and therefore shall be headed by the most relevant Business Group CEO and supported by staff sourced from the companywide pool of talent (a new project office was also established within the Corporate Strategy & Planning Department to help manage these task forces).

Progress toward Midterm Corporate Strategy 2021

In FY2020, despite the significant impact of the global COVID-19 pandemic, the MC Group made collective progress on the key issues of Digital Transformation (DX) and Energy Transformation (EX) amid the accelerating shifts toward digitalization and a low/zero carbon society.

<h3>Business Portfolio</h3>	<ul style="list-style-type: none"> • DX/EX progress in Energy & Power segment and “Downstream” areas <ul style="list-style-type: none"> — MC’s subsidiary Eneco, a European integrated energy company, was awarded the tender for a large-scale offshore wind farm in the Netherlands. — MC participated in the BSD City smart city development in suburban Jakarta, Indonesia, and formed a partnership to start evaluation of urban city management. • Upstream activities connected to the progress of electrification <ul style="list-style-type: none"> — The Quellaveco copper project in Peru is on track to start production in 2022. — MC acquired a 30% stake in the Aurukun Bauxite Project in Australia; Bauxite is a raw material source for lightweight, highly-recyclable aluminum.
<h3>Growth Mechanisms</h3>	<ul style="list-style-type: none"> • Progress of DX/EX initiatives to address key future-oriented issues <ul style="list-style-type: none"> — Established Industry One, a DX services company, with the NTT Group to deliver DX solutions for industry. — Established a new joint venture with Chubu Electric Power Group, to provide customer-oriented services as part of Power and Retail DX initiatives. — Aims to double renewable power generation capacity by FY2030 relative to FY2019 and achieve 100% non-fossil fuel power generation by 2050. • Progress in asset replacement under the Value-Added Cyclical Growth Model <ul style="list-style-type: none"> — Implemented replacements of power generation and real estate development assets. — Evaluated a companywide list of loss-making businesses and strengthened turnaround and replacement policies.
<h3>HR System Reforms</h3>	<ul style="list-style-type: none"> • Efforts to place the right people at the right jobs; assignment of management personnel to positions well-aligned with their expertise • HR development for management personnel through reinforced talent management
<h3>Financial Targets & Capital Policy</h3>	<ul style="list-style-type: none"> • FY2020 results: 172.6 billion yen, FY2021 forecast: 380 billion yen • Continued to pay progressive dividends under a capital policy based on financial discipline, despite incurring significant impairments <ul style="list-style-type: none"> — Dividends: FY2020 = 134 yen, FY2021 forecast = 134 yen

Changes in the External Environment

- Vaccination against COVID-19 has started in earnest worldwide, and the economic environment is on track for a gradual recovery. Digitalization has progressed further due to changes in lifestyles brought on by the COVID-19 pandemic.
- Governments worldwide have declared targets to achieve net-zero GHG emissions, and the shift toward a low/zero carbon society has accelerated.
- Geopolitical uncertainty centered around the hegemonic confrontation between the US and China has increased.

Actions to Address “Key Issues for the Future”

MC is demonstrating its ability to respond to change amid the accelerating shift toward digitalization and a low/zero carbon society accelerates.

A unified approach to DX (Digital Transformation) and EX (Energy Transformation)

DX Actions

Promote DX in a way that is unique to the MC Group by leveraging our knowledge and networks across a wide range of industries.

Promote DX together with EX to reduce food loss and CO₂ emissions through greater logistics efficiency.

Promote Industrial DX

- ▶ **Established Industry One** with the NTT Group
MC and NTT aim to provide DX solutions for Japanese industry by leveraging respective strengths of industrial knowledge and ICT technology expertise.

Promote Power/Retail DX

- ▶ **Established Chubu Electric Power Miraiz Connect Co., Inc. with the Chubu Electric Power Group**
The company provides solutions for the daily needs and event services of a diverse customer base by integrating strong community connections and digital marketing expertise.

More than 70 other DX projects are underway in addition to the above.

EX Actions

MC will present its unique optimal solution by the end of this fiscal year targeting a carbon-neutral society by 2050.

We aim to achieve a balance between improving the sustainable competitiveness of industry and addressing environmental issues through initiatives from the following three perspectives.

Avoid

Newly develop renewable energy, as well as other facilities and businesses that avoid generating GHG emissions

- ▶ **Strengthen efforts in renewable energy projects such as offshore wind and hydroelectric power generation**
Aim to double renewable power generation capacity: FY2019 → FY2030

Reduce

Reduce GHG emissions from existing facilities and projects, including thermal power

- ▶ **Set thermal power divestment targets**
Aim to reduce existing thermal power capacity and switch to zero-emission thermal power, targeting 100% non-fossil fuel power generation by 2050.
- ▶ **Contribute to a stable energy supply and the transition to low/zero carbon thermal power**
Establish a next-generation energy supply chain that includes ammonia and hydrogen, etc.

Remove

Neutralize remaining GHG emissions

- ▶ **Strengthen carbon neutrality initiatives through carbon capture and utilization/storage (CCU/CCS), etc.**