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 very 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.

Reorganizations

To enhance our business creation capabilities and realize our envisioned portfolio, we will be restructuring MC into 10 Business Groups as of April 2019. The Corporate Staff Section will be rearranged to focus on the main themes of Midterm Corporate Strategy 2021, namely our business portfolio, HR development and digital strategies*1.

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*1 Organizational framework as of April 1, 2020
*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 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).
Missions of the New Business Groups

**Natural Gas**
While LNG demand, as a principal source in both power and industrial sector, is growing, an energy-mix diversification through Japan market liberalization requires a new function of LNG supply/demand matching and adjustment to cope with an uncertainty. The mission is to improve our value to meet such a new era's needs.

**Industrial Materials**
Against a backdrop of an increasingly competitive environment, diversifying materials needs are likely to presents new business opportunities. The mission is to redefine the role MC can play in providing solutions to the industries in which it operates and focus resources in areas where the company can leverage its strengths and capabilities.

**Petroleum & Chemicals**
The transition to low-carbon societies and arising of environmental awareness continue to have an impact on the petroleum and chemicals industry. The mission is to find solutions in these industries by concentrating on its core businesses where MC can demonstrate its strengths and functions.

**Mineral Resources**
Metallurgical coal and copper as its main pillars, the mission is to further enhance the competitive advantage as well as the quality of its world-class quality assets, while delivering long-term sustainability in ways which are good for the environment and for supply stability.

**Industrial Infrastructure**
More and more market players are looking to go digital and reduce their carbon footprints. The mission is to redefine MC’s position in industry by transitioning to high value-added business models providing solutions for industries, leveraging MC’s existing machinery ship and plant-and-engineering sales businesses.

**Automotive & Mobility**
The mission is to capture demand and leverage MC’s formidable business foundations in the evolving automotive and mobility industries, which are embracing digital technologies and services encapsulated by CASE (Connected, Autonomous, Sharing and Electric). The Group will endeavor to build business models aimed at solving people-and-goods related mobility issues.

**Food Industry**
The mission is to help solve the societal challenges surrounding supply chains and build a stable and sustainable business model. The Group also contributes to Japanese companies by expanding their quality products and services into overseas markets, thereby creating new growth opportunities for them.

**Consumer Industry**
The mission is to spearhead solutions to societal challenges in the retail and distribution industries and maximize the value of MC’s real-assets as social infrastructure, such as its retail stores network. It also effectively combines its real assets and digital technologies to build consumer-oriented retail-and-distribution platform businesses.

**Power Solution**
The mission is not only to contribute to stable power supplies, but also to create new added-values for power consumers/users by combining renewables and other environmentally-friendly energy sources and digital technologies.

**Urban Development**
The mission is to establish highly value-added and large scale businesses, through the combination of MC’s expertise in such areas as urban development, infrastructure development, asset finance and so on to meet the global needs in urbanization and reduction of carbon footprints.

Enhancement of New Business Concepts & Digital Strategies

The Group Business Creation GM and Digital Strategy GM will work with the Business Creation Office and Digital Strategy Department to develop new business models.
HR System Reforms

We will be revising MC’s HR system to: (1) Ensure that employees gain the right experience to become management professionals earlier in their careers; (2) Be more meritocratic to ensure that the right people are assigned to the right positions; and (3) Utilize management talent more widely and effectively throughout the MC Group. Our aims are to continuously produce highly skilled management professionals capable of excelling in different fields, and to foster reciprocal growth between the company and its employees.

Financial Targets & Capital Policy

By continuously growing MC’s Business-Related Segments and making it more competitive in Market-Related Segments, we will aim for an even higher double-digit ROE. We will extend the current progressive dividend scheme, and aim to increase MC’s dividend payout ratio from 30% to 35% in the future.

We will increase MC’s shareholder returns by flexibly buying back the company’s shares in a financially disciplined manner (e.g. paying due consideration to our optimal Investment Leverage Ratio range).