

Review of Midterm Corporate Strategy 2021 (3/2020-3/2022)

Financial Targets & Capital Policy

In the fiscal year ended March 31, 2022, consolidated net income totaled ¥937.5 billion, a new record high exceeding the ¥900 billion target set out in Midterm Corporate Strategy 2021. Strong resource prices and a rebound in demand following the COVID-19 pandemic enabled us to steadily turn profitable opportunities into earnings in each of our businesses, including automotive/mobility and salmon farming.

Looking at a breakdown of profits by segment type, business-related segments posted a steady increase in profits at ¥507.5 billion centered on automotive, LNG and food resources, while market-related segments accounted for ¥410.3 billion benefiting from high market prices while improving productivity in each project. Both figures represent record high amounts for each segment type. The initial plan for Midterm Corporate Strategy 2021 called for profits of ¥650 billion from business-related segments and ¥250 billion from market-related segments. Compared to the plan, market-related segments contributed significantly to these results.

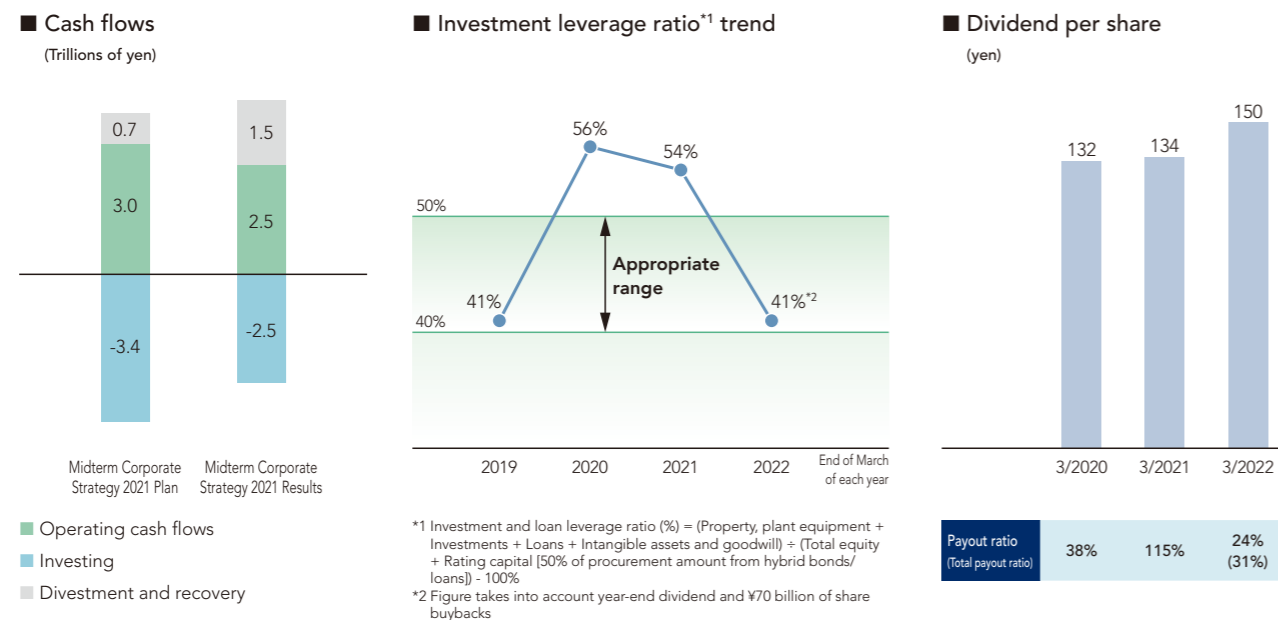
The shortfall in business-related segments is mainly due to the fact that increased profits from new investments did not materialize as planned due to the priority given to financial soundness amid the changing operating environment during Midterm Corporate Strategy 2021.

MC's financial results for the fiscal year ended March 31, 2021 deteriorated due to the worldwide spread of the COVID-19 pandemic, necessitating a swift response to changes in the operating environment and acceleration of asset replacement under the Value-Added Cyclical Growth Model.

Recovery of investments totaled ¥1.5 trillion compared to the initial plan of ¥0.7 trillion. Meanwhile, spending on investments totaled ¥2.5 trillion compared to the initial plan of ¥3.4 trillion due to efforts to carefully select and execute investments.

At 41%*, MC's investment and loan leverage ratio, a metric used to measure financial soundness, fell within the appropriate range of 40% to 50% thanks to the recovery in financial results during the fiscal year ended March 31, 2022, placing MC in an optimal position to launch a new Midterm Corporate Strategy. We also maintained the Progressive Dividend Scheme to which we committed in Midterm Corporate Strategy 2021 and sustained our promised progressive dividend even in an operating environment with substantially weakened financial results due to the pandemic. In response, many in the market have praised MC's ability to provide stable shareholder returns.

* Figure takes into account year-end dividend and ¥70 billion of share buybacks.



Business Portfolio

We strengthened downstream businesses in the “Services” and “Energy & Power Generation” sectors with the acquisition of Eneco, investment in HERE, and development of a smart city project on the outskirts of Jakarta. Additionally, we made solid progress in upstream businesses related to electrification, including development of the Quellaveco copper mine in Peru, which is on track to start production in

2022, and acquisition of interests in the Aurukun Bauxite Project in Australia. In this manner, we made investments in businesses that will form the core of EX/DX, which we have positioned as a growth strategy in our new Midterm Corporate Strategy. Moreover, we maintained a profitable business portfolio that is highly resilient to geopolitical risk and other changes in the operating environment.

Growth Mechanisms

Under the Value-Added Cyclical Growth Model, we have pursued asset replacement based on a careful review of low efficiency assets and businesses where growth is not expected even with MC's continued involvement. Examples include acquiring capital gains by improving business value, mainly from the sale of domestic and overseas power generation assets and real estate development projects. Additionally, in March 2022, we reached an agreement to transfer MC-UBSR, our real estate management company, and recovered more than ¥100 billion in the fiscal year ending March 31, 2023.

Furthermore, we have made progress within the early identification of ways to turn around or replace loss-making businesses. We also recognize that there are still many businesses that are profitable but have low investment yields. The new Midterm Corporate Strategy therefore contains policies for promoting further asset replacement.

DX/EX - a key issue for the future

As part of our efforts in DX, we established Industry One, a DX service company responsible for developing AI and algorithms, with the NTT Group and MC Digital. We also established Chubu Electric Power Miraiz Connect with the Chubu Electric Power Group as an initiative for advancing

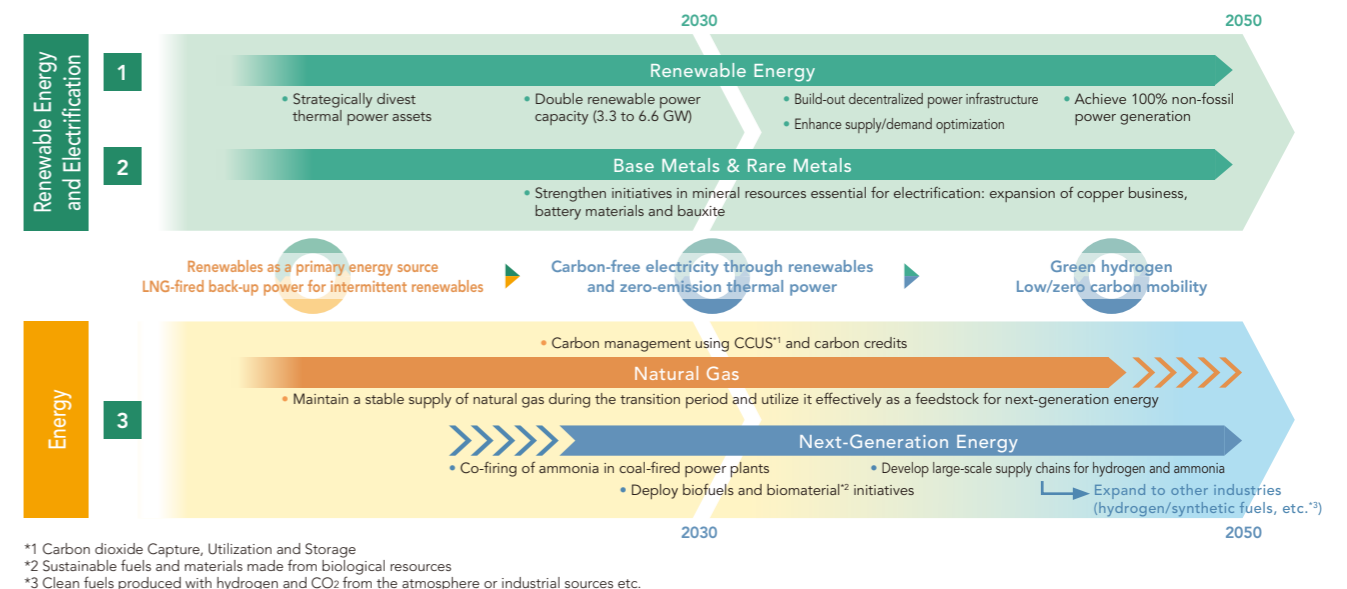
power and retail DX for developing customer services. We confirmed that there are a variety of DX-related needs on the physical frontline of our Business Groups, and we are now exploring around 80 DX projects through a companywide task force, with projects slated to begin in turn. Under the new Midterm Corporate Strategy, we have established a new Industry DX Group in an effort to further accelerate the execution of our DX Strategy.

As part of our EX efforts, in April 2020, MC established the Energy Committee, which consists of three Group CEOs responsible for our energy and power-related businesses—the Power Solution Group, the Natural Gas Group and the Petroleum & Chemicals Solution Group. The Committee held discussions on specific approaches to resolving the environmental issue of decarbonization, while maintaining stable supplies of energy and power required for industrial development. In October 2021, MC established the EX Task Force, comprising members from relevant Business Groups, to explore strategy related to next-generation energy, such as hydrogen, and carbon management. We are also making steady progress with specific projects, including winning the bid for three offshore wind power generation projects in Japan.

Roadmap to a Carbon Neutral Society

MC formulated the Roadmap to a Carbon Neutral Society in October 2021. The Roadmap centers around three core points: (1) halve GHG emissions by the fiscal year ending March 31,

2031 and achieve net zero by 2050; (2) invest approx. ¥2 trillion in EX by the fiscal year ending March 31, 2031; and (3) “Create a New Future” through integrated EX/DX initiatives.



HR System Reforms

In April 2019, MC revised its HR System to center on 1) ensuring that employees gain the right experience to become management professionals earlier in their careers, 2) adoption of a more meritocratic approach to ensure that the right people are assigned to the right positions, and 3) utilization of management professionals more widely and effectively, aiming to ensure reciprocal growth between the

Company and its employees. Through these revisions, we have made progress in the development and appointment of management professionals, revisions to evaluation and compensation systems to realize more appropriate compensation, and the appointment of personnel companywide through cross-disciplinary assignments and companywide task forces.