

# Midterm Corporate Strategy 2024

## Progress of Midterm Corporate Strategy 2024

As stated in the Midterm Corporate Strategy announced in May 2022, MC has introduced various measures for the “continuous creation of MC Shared Value, by elevating the MC Group’s collective capabilities in order to address societal challenges.” In the fiscal year ended March 31, 2023, we steadily promoted initiatives related to EX, DX, and Creating a New Future; implementation of the Value-Added Cyclical Growth Model; and establishment of a new organizational structure. We also enhanced shareholder returns based on our strong business performance, which benefited from factors such as rising resource prices.

### Our Goals Under Midterm Corporate Strategy 2024

### Creating MC Shared Value

**Quantitative Targets/Shareholder Returns**

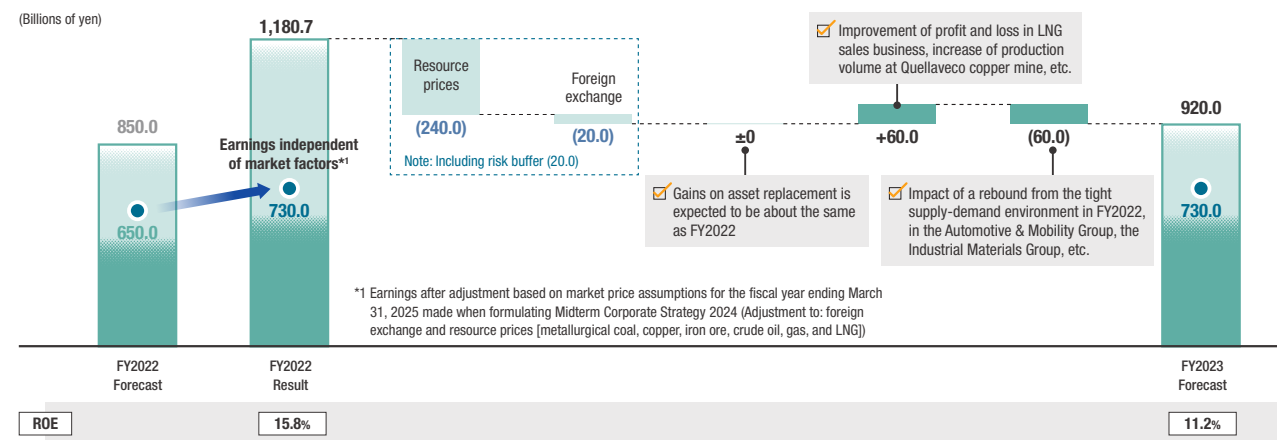
- Steady growth of earnings independent of market factors. Shareholder returns through progressive dividends and flexible company share buybacks
- Cash flow management rooted in financial discipline and investment planning/business portfolio management focused on future growth

**Fostering and Leveraging Connections to Maximize the MC Group’s Unique Collective Capabilities**

<b>1</b>	Leading Transformations and Connecting to Growth	Growth Strategies	<ul style="list-style-type: none"> <li>EX Strategy (Decarbonization Solution Provider)</li> <li>DX Strategy (Linking Digital Technologies with the Real World)</li> <li>Creating a New Future (Fostering New Industries/Regional Revitalization)</li> </ul>
<b>2</b>	Connecting Our Business to the Future with Disciplined Growth	Business Management	<ul style="list-style-type: none"> <li>Business Management Systems</li> </ul>
<b>3</b>	Connecting Diverse Sources of Intelligence	Management Mechanisms	<ul style="list-style-type: none"> <li>Organization</li> <li>Maximizing Our Collective Capabilities Through Cross-Organizational Initiatives</li> <li>Management Mechanisms for Maximizing Our Collective Capabilities</li> </ul>
<b>4</b>	Creating a Vibrant Organization by Interconnecting a Versatile and Diverse Talent Pool	HR Policies	<ul style="list-style-type: none"> <li>Policies for Maximizing the Value of Human Capital</li> </ul>
<b>5</b>	Interconnecting with Diverse Stakeholders and Reinforcing Our Presence as a Trusted Member of Society	Sustainability Policies	<ul style="list-style-type: none"> <li>Materiality</li> <li>Initiatives Related to MC’s Roadmap to a Carbon-Neutral Society</li> </ul>

### Quantitative Targets/Shareholder Returns

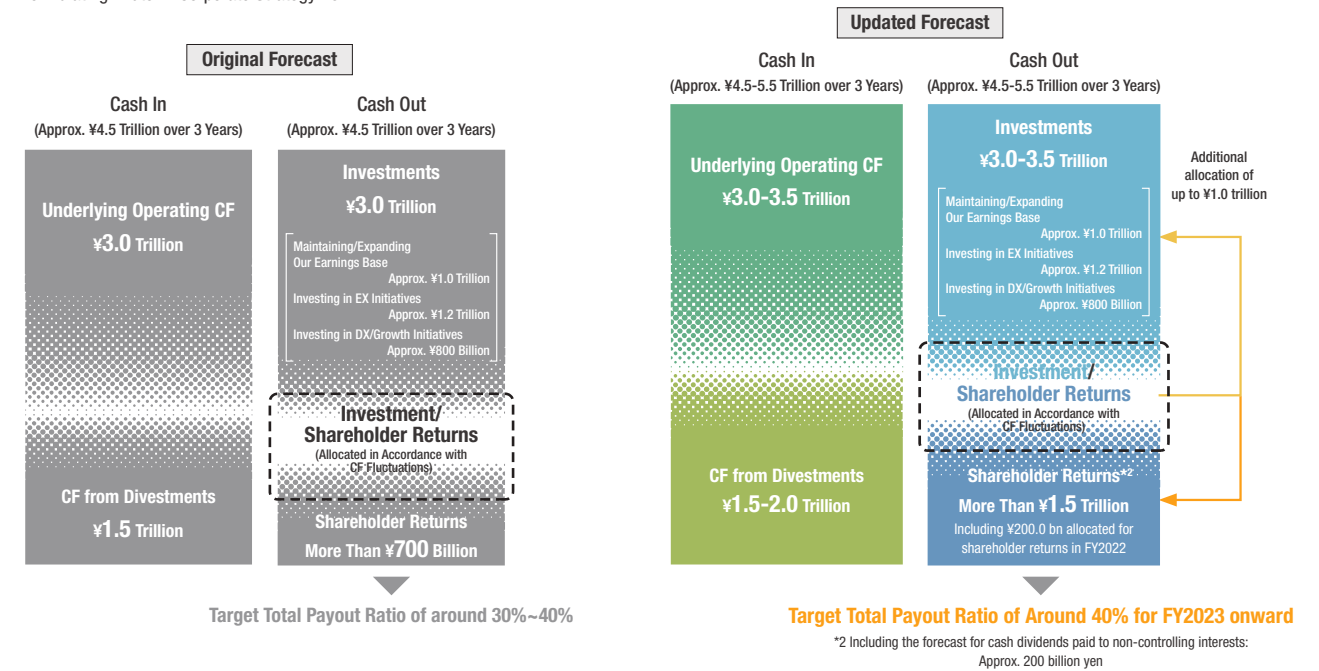
#### Financial Outlook



Net income in FY2022 reached a record high of 1,180.7 billion yen, up from 937.5 billion yen in FY2021, mainly due to rising resource prices and gains on the sale of a real estate asset management company as an example of implementation of the Value-Added Cyclical Growth Model. As a result, ROE was 15.8%. In FY2023, net income is expected to fall to 920.0 billion yen, mainly due to a drop in resource prices and other factors. However, we forecast an ROE of 11.2%, therefore expecting to continue our target of double-digit ROE. Furthermore, we expect earnings independent of market factors (earnings based on net income adjusted to market price assumptions for FY2024 made when formulating Midterm Corporate Strategy 2024) for FY2023 to be 730.0 billion yen.

### Cash Flow (CF) Allocation

In conjunction with the release of the financial results for the fiscal year ended March 31, 2023, MC announced the latest CF allocation forecast for Midterm Corporate Strategy 2024, in response to an upturn in underlying operating CF in the fiscal year ended March 31, 2023. The updated forecast for underlying operating CF is 3.0–3.5 trillion yen an increase of up to 0.5 trillion yen from the original forecast. We also see a possibility that CF from divestments will exceed 1.5 trillion yen. We expect to enhance shareholder returns to at least 1.5 trillion yen in total over the three years of Midterm Corporate Strategy 2024, which includes the additional returns made when we announced the financial results for the fiscal year ended March 31, 2023. In addition, we plan to proactively allocate investments at every opportunity, not limiting ourselves to the 3 trillion yen set at the time of formulating Midterm Corporate Strategy 2024.

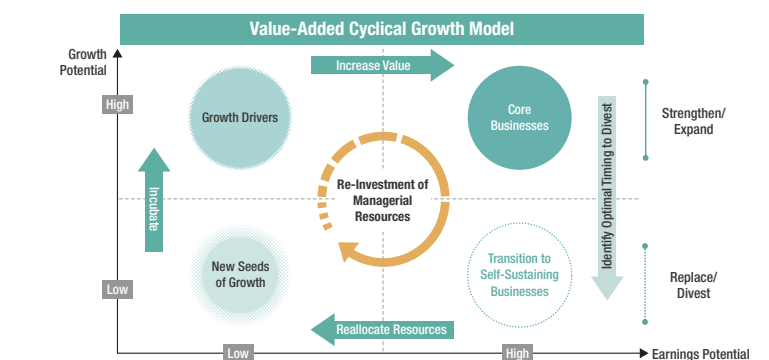


### 1 Growth Strategies

MC has implemented various investments and strategies related to EX, DX, and Creating a New Future. See the major initiatives related to EX, DX, and Creating a New Future on P. 60-67 for main examples.

### 2 Business Management

MC has accelerated the application of the Value-Added Cyclical Growth Model, in which we will identify New Seeds of Growth and nurture them into Growth Drivers and Core Businesses by enhancing their value. We will replace businesses with new Growth Driver Candidates if MC can no longer add value to them, even if they are Core Businesses. In October 2022, we conducted a full review to identify candidates for replacement, and the Business Groups are gradually replacing those businesses selected for replacement as planned. See “Message from the CFO” on P. 68-71 for details.



### Shareholder Returns

MC is aiming for a balanced policy of financial soundness, stable dividend growth, and market expectations on shareholder returns. Our policy is to flexibly combine share buybacks with progressive dividends in response to sustainable earnings growth as the basis for shareholder returns. We initially set the target total payout ratio, including dividends and share buybacks, at around 30-40%. Then, from the viewpoint of improving the predictability of returns, we have changed to a policy of around 40% for the fiscal year ending March 31, 2024 onward. We have also raised our dividend per share forecast to 200 yen for FY2023, on the assumption that progressive dividends will continue. In light of CF trends and other factors, we announced an additional return of 200 billion yen at the time we released our financial results for FY2022. We will continue to consider balanced shareholder returns in FY2023 and beyond.

\*See “Message from the CFO” on P. 68-71 for details on Quantitative Targets/Shareholder Returns.

Target Total Payout Ratio of Around 40% for FY2023 onward

\*2 Including the forecast for cash dividends paid to non-controlling interests: Approx. 200 billion yen

### 3 Management Mechanisms

- In the fiscal year ended March 31, 2023, the Global Intelligence (GI) Committee, which we established to strengthen our ability to respond to the external environment, and the MC Shared Value (MCSV) Forum, which discusses and formulates cross-industry companywide strategies, each met three times, respectively. The results of these discussions are utilized in companywide management and strategies.

- In April 2023, to reinforce the realization of the EX Strategy, MC established the Next-Generation Energy Business Group. This Group consists of approximately 260 employees, many of those from the former EX Task Force, which formulated the EX Strategy, and including those who concurrently hold positions from among five other related Groups. See P. 63 for details.

### 4 HR Policies

See P. 38-43 for details on HR Policies.

### 5 Sustainability Policies

MC took the initiative ahead of other companies in disclosing Scope 3 Category 11 emissions, and we adopted and implemented mechanisms for simultaneously achieving decarbonization and reinforcing our portfolio based on the MC Climate Taxonomy (Classification of Businesses). See P. 100-105 for details on Sustainability Policies.