

VALUE CREATION

MC's Sustainable Value Creation Story

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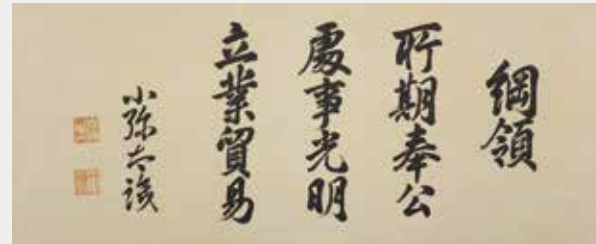


Corporate Philosophy

Since its founding years, Mitsubishi Corporation has embraced the spirit of the Three Corporate Principles as its corporate philosophy.

The Three Corporate Principles were formulated in 1934, as the action guidelines of Mitsubishi Trading Company (Mitsubishi Shoji Kaisha), based on the teachings of Koyata Iwasaki, the fourth president of Mitsubishi. We look to the Three Corporate Principles as the source of inspiration for our business activities and also for our initiatives to fulfill our responsibilities towards the global environment and society.

The Three Corporate Principles



Corporate Responsibility to Society

"Shoji Hoko"

Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.

Integrity and Fairness

"Shoji Komei"

Maintain principles of transparency and openness, conducting business with integrity and fairness.

Global Understanding Through Business

"Ritsugyo Boeki"

Expand business, based on an all-encompassing global perspective.

(The modern day interpretation of the Three Corporate Principles, as agreed on at the Mitsubishi Kinyokai meeting of the companies that constitute the so-called Mitsubishi group in January 2001.)

MC Group Corporate Vision

Mission

By pooling its collective capabilities, the MC Group strives to fulfill societal needs and meet stakeholder expectations by simultaneously generating economic, societal and environmental value.

Adaptability

The MC Group prides itself on adapting to our ever-evolving world by anticipating and responding to changes including geopolitical shifts, economic transformation, technology-driven industrial developments and changes in societal values.

Consolidated Growth Strategy

The MC Group includes approximately 1,700 companies, and as it works to raise its consolidated earnings for the group as a whole, it remains equally committed to growing each enterprise's own corporate value, while simultaneously generating economic, societal and environmental value. By leveraging the collective capabilities found throughout its network of Group companies and over 130 Business Units, MC shall continue to innovate and inspire global industries.

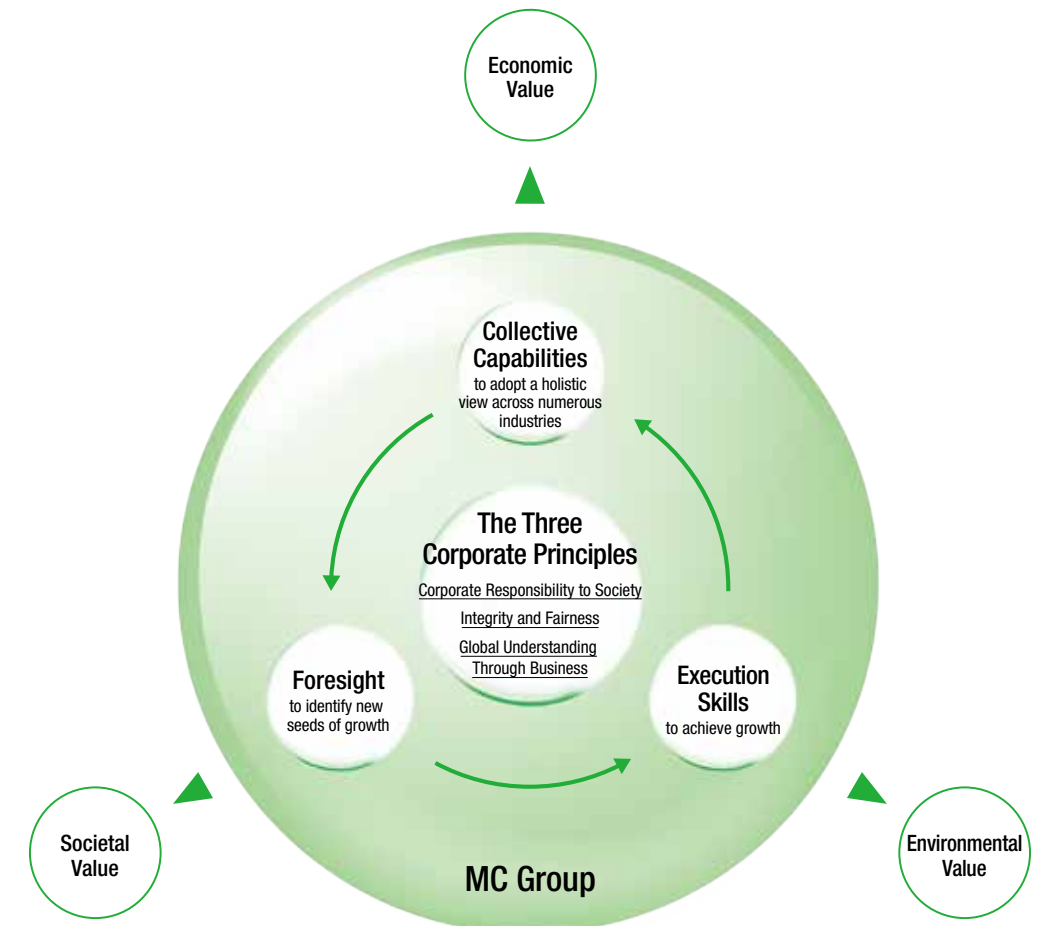
MC optimizes its portfolio by dynamically allocating management resources based on its level of engagement in each business. Sizeable growth investments are companywide commitments to develop next-generation earnings drivers. The Group is also dedicated to training highly ethical management professionals who have the foresight to identify new seeds of growth and the execution skills to achieve that growth.

Regardless of how our world evolves, there will always be opportunities to deliver goods and services that meet societal needs and improve quality of life. The realization of these opportunities forms the very foundation of MC's consolidated growth strategy.

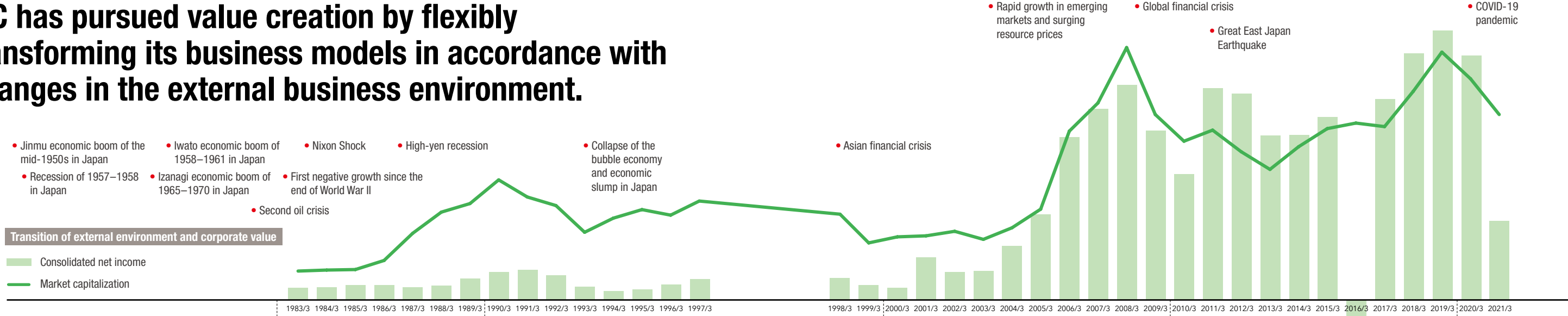
Achieving Sustainable Growth for the MC Group and Society

The MC Group aims to deliver sustainable growth by adapting to changes in the business environment and fulfilling societal needs with due consideration for the United Nations' Sustainable Development Goals (SDGs). To achieve this aim, the MC Group shall rely on its three core strengths: the collective capabilities to adopt a holistic view across numerous industries, the foresight to identify new seeds of growth and the execution skills to achieve growth.

Simultaneously generating economic value, societal value and environmental value through our businesses



MC has pursued value creation by flexibly transforming its business models in accordance with changes in the external business environment.



Trading Phase

From its founding until the 1980s, MC was primarily involved in the trading and distribution business. The Company supported a wide range of industries by serving as an intermediary, connecting suppliers and buyers across international borders in order to respond to market changes and customer needs. Given the underlying expansion of trading volumes for numerous industries throughout Japan's period of rapid economic growth up to the 1980s, MC, with trading commissions as its primary revenue source, saw its financial performance steadily improve.

Trading Evolution Phase

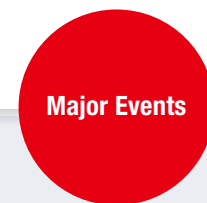
In the mid-1980s, a strong yen pushed Japan into a recession, which was followed by the economic bubble and its subsequent collapse. During this period, the business environment surrounding sogo shosha became increasingly severe, as the notion was that such intermediaries were unnecessary. Under these circumstances, MC decided to step out from its role as an intermediary by striving to maintain and, where possible, expand its trading volumes by executing minority investments in upstream and downstream fields as well as by enhancing its existing functions in order to provide added value as a trader and distributor.

Business Model Transformation Phase (Acceleration of Business Investment)

Entering into the new millennium, value chain dynamics for industry as a whole began to change, and it became necessary to transform the trading business model completely. MC sought a new way forward by pursuing business models that transcended the bounds of the traditional trading business. By accelerating business investments, MC embarked upon a new course of more proactively managing businesses.

Business Management Phase

Due to a shift in the market environment for natural resources, MC recorded its first ever net loss for the fiscal year ended March 31, 2016. Since then, MC has worked to rebalance its resources and non-resources businesses and has emphasized cash flow in management. Under Midterm Corporate Strategy 2021, MC is currently endeavoring to shift its business model from one that looks to investment as a source of growth toward a model of business management to actively generate value and drive growth. Furthermore, MC is focusing on promoting DX and EX to address the needs of society and create new business opportunities.



Yataro Iwasaki, Mitsubishi founder and the first President



Brunei LNG



Saudi Petrochemical Project



METOR, a methanol manufacturing and sales company



Metal One Corporation, an integrated steel trading company



Cermaq ASA



Eneco

- 1870** Original Mitsubishi organization founded
- 1954** New MC founded (historic re-merger)
- 1957** MC becomes Japan's first trading company to take part in petroleum wholesale
- 1969** MC founds Brunei LNG
- 1974** MC signs construction contract for the international airport at Mombasa, Kenya

- 1981** MC signs joint venture contract with Saudi Petrochemical
- 1985** MC partners with Mitsui & Co., Ltd. in Northwest Australian LNG development project
- 1989** MC acquires Princes Limited, a UK-based food and drink company
- 1992** MC establishes Metanol de Oriente, METOR, S.A. (METOR), a methanol manufacturing and sales company in Venezuela
- 1992** MC joins the Sakhalin offshore oil and LNG development project

- 2000** MC signs a capital and business alliance agreement with Lawson, Inc.
- 2001** MC establishes BHP Billiton Mitsubishi Alliance (BMA), a joint venture with global mining giant BHP Billiton
- 2003** MC launches Metal One Corporation, an integrated steel trading company
- 2009** MC partners with Spanish company ACCIONA S.A., a leader in renewable energy
- 2010** MC invests in the shale gas business in Canada
- 2011** Mitsubishi Shokuhin established
- 2012** MC invests in Brazilian grain company, Los Grobo Ceagro do Brasil S.A. (Ceagro)

- 2014** Cermaq ASA becomes a subsidiary
- 2017** Lawson, Inc. becomes a subsidiary
- 2020** Eneco becomes a subsidiary
- 2020** MC invests in HERE Technologies
- 2021** MC establishes Industry One, Inc., a new DX joint venture, with NTT
- 2021** MC establishes Chubu Electric Power Miraiz Connect Co., Inc., a joint venture, with Chubu Electric Power Miraiz Co., Inc.

MC's Value Creation Story

The External Environment Surrounding MC

Since 2020, the global COVID-19 pandemic has caused significant disruption to social and economic activities. Meanwhile, the adaptability of the MC Group has been further put to the test by other megatrends including geopolitical conflict and societal digitalization, as well as accelerating momentum toward transitioning to a low-carbon/decarbonized society.

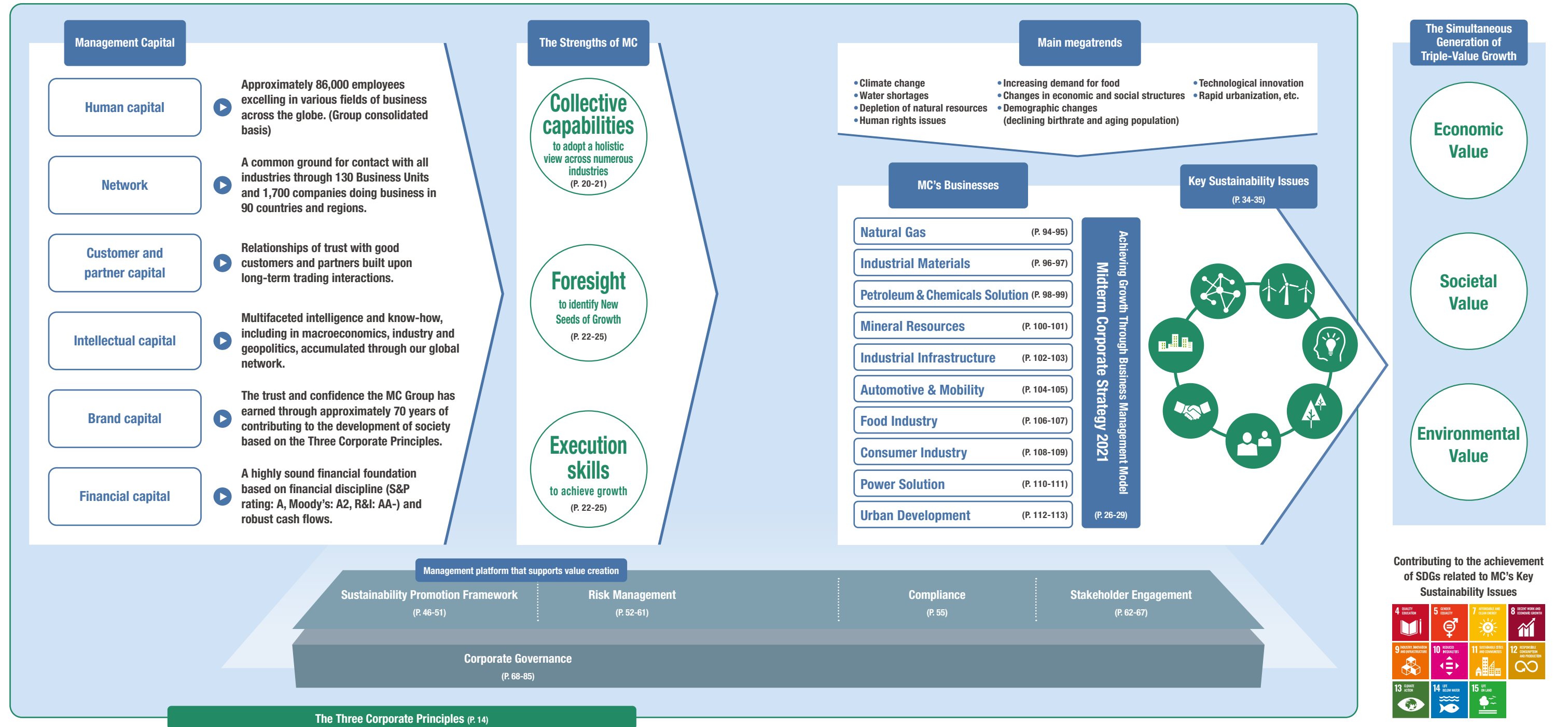
Amid these circumstances, we will act in accordance with the Three Corporate Principles, which have served as MC's guiding philosophy since its founding, to stay on top of global trends and to offer solutions to societal issues and needs by uncovering new business opportunities.

Toward Value Creation Through the Simultaneous Generation of Triple-Value Growth

Based on the Three Corporate Principles, MC has continued to pass down the ideals of promoting integrity and fairness through its global business and contributing to the sustainable development of society. By flexibly adapting its business model in response to changes in the external environment and striving to create value, MC has grown together with society.

We will continue to work to simultaneously generate triple-value growth, to contribute to the achievement of the SDGs and to raise

corporate value by addressing our Key Sustainability Issues, which are issues for management to address to promote sustainable growth. To accomplish these goals, we will leverage the diverse and capable management capital of the entire MC Group by applying our three core strengths: the collective capabilities to adopt a holistic view across numerous industries, the foresight to identify New Seeds of Growth, and the execution skills to achieve that growth.



The Strengths of MC
Collective Capabilities

Global Partnerships that Facilitate Business Development in Diverse Industries

Global Network

MC has been developing a network to drive its next phase of major growth by continually enhancing its ability to respond to change, as well as by encouraging collaboration through the efficient and effective division of labor among the Head Office, MC offices and subsidiaries, and Group companies.



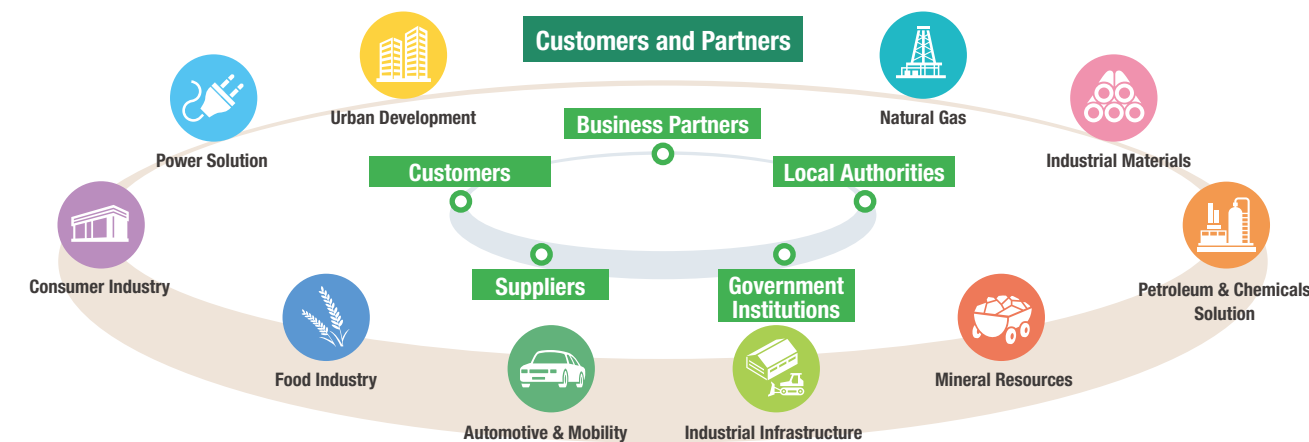
- Head Office**
- Fully utilize information obtained from the global network
 - Execute decision-making aimed at maximizing corporate value

- MC Offices and Subsidiaries**
- Provide intelligence that contributes to new business opportunities and management by integrating local knowledge
 - Laterally support the growth of MC Group companies

- Group Companies**
- Achieve growth through business management
 - Acquire intelligence closely tied to frontline business activities

Customers and Partners in a Wide Range of Industries

MC has long contributed to the development of societies and economies by working with its customers and partners all over the world to develop various businesses that it could not have realized on its own. These good relationships are built up day by day as our irreplaceable assets that span the past, present and future.

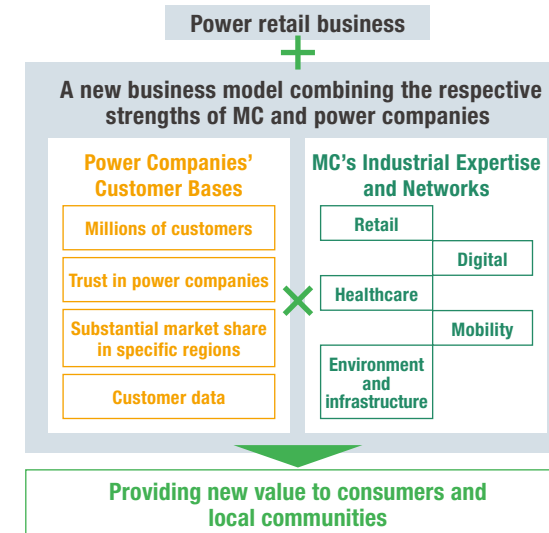


FOCUS Collective Capabilities Spanning the MC Group — DX Initiatives in the Power Solution and Consumer Industry Groups

Demonstrating the Collective Capabilities of MC

- In order to promote digital transformation (DX) strategies that reflect the dynamically-changing power market environment, MC is making efforts to leverage its collective capabilities across Business Groups, including the Power Solution, Consumer Industry, Urban Development and Automotive & Mobility groups.
- By combining the customer bases of utility companies with the MC Group's services and networks, we aim to transform our energy retail business into a comprehensive service offering that incorporates a broad range of services that support the everyday lives of consumers.
- We provide services that support local communities, together with energy transformation (EX) initiatives toward a decarbonized society.

Aiming for a Comprehensive Service Offering Through Partnerships with Power Companies



Message from a Group CEO

Power companies often hold a substantial share of regional markets, having earned the trust of their local communities. By working together with these companies to uncover potential consumer needs and to formulate cross-industry strategies, we will leverage our respective strengths to drive innovation and create new businesses. I believe that this approach to DX is something that can only be achieved by the MC Group, given our ability to adopt a holistic view across virtually every industry through our vast business network.

Katsuya Nakanishi
Executive Vice President
Group CEO,
Power Solution Group



TOPIC Power and Retail DX: Establishment of Chubu Electric Power Miraiz Connect, Inc.

Driven by a mission to develop lifelong customer connections, Chubu Electric Power Miraiz Connect, Inc. is contributing to Japan's regional and societal development by offering services that strengthen family bonds across generations and link how people live, form communities and engage in business.

The company builds upon the customer base of Chubu Electric Power Miraiz Co., Inc., which has earned the trust of local communities through its connections with individual households, and combines it with the MC Group's extensive industry networks as well as retail and marketing expertise gained through its involvement in the operations of Lawson convenience stores, supermarkets and Loyalty Marketing, Inc. By integrating these respective strengths with the latest digital technologies, Chubu Electric Power Miraiz Connect is able to anticipate a wide variety of customer needs, in relation to both everyday life as well as major life events, to provide tailored services on a one-to-one basis.

Profile of Chubu Electric Power Miraiz Connect, Inc.

- Chubu Electric Power Miraiz Connect, Inc. was established in April 2021 (Chubu Electric Power Miraiz Co., Inc. 51%, MC 49%).
- In addition to life-planning and insurance sales services for each life stage, Chubu Electric Power Miraiz Connect offers community-focused internet retail services, as well as senior monitoring services that utilize power usage data and IoT technologies. It also plans to introduce business process outsourcing (BPO) services, including welfare services, for local small- and medium-sized enterprises.
- Chubu Electric Power Miraiz Connect leverages the MC Group's expertise and networks (through Lawson convenience stores, Loyalty Marketing, Inc. (Ponta), supermarkets, etc.) in service development and partnering.



The Strengths of MC

Foresight and Execution Skills

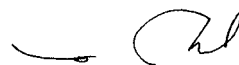
Growth Driven by Management-Minded Professionals Who are Committed to Increasing Corporate value

People are MC's greatest asset and the source of its competitiveness. Since its founding, MC has successfully weathered various crises and environmental changes by adapting its business models, thanks to the ability of employees to identify global changes. Without employee growth, there can be no sustainable development for MC. With this in mind, we began implementing HR system reforms in April 2019 as part of Midterm Corporate Strategy 2021 (details on the page to the right). Two years later, these reforms are gradually starting to yield tangible results. One such result is the progress made toward flexible promotions based on duties performed. MC has over 130 Business Units and approximately 1,700 Group companies. As the scale and missions of these organizations and companies evolve, the types of people needed to manage them also change. We have taken steps to ensure that capable and highly motivated people are promoted, regardless of age, gender or other attributes, based on their performance assessments and suitability for management tasks. This policy is resulting in further active contributions from female and younger employees. We have also made improvements in terms of diversity and career mobility as a result of cross-organizational initiatives, such as the work of the Industrial DX Task Force, and increased cross-organizational transfers. We are also adjusting remuneration according to each employee's tasks and performance. This policy is helping to motivate people and encourage contribution. As a result of these initiatives, we are seeing the formation of a virtual cycle in which the Company's growth and success creates more opportunities for employees to achieve growth and advance their careers.

We have also established a culture that supports self-growth by enhancing and expanding talent management and training programs. In the fiscal year ending March 31, 2022, we will launch a new training program to accelerate digital transformation (DX). We will also continue to support employee growth and skill improvement through both on- and off-the-job (OFF-JT) training. In order for our diverse professionals to be able to fully demonstrate their capabilities and continuously create corporate value, measures to develop employees and enhance working environments will be essential on a global, consolidated basis. We will further expand our focus to include initiatives to promote new ways of working, including health management, support for women's careers and improvements in productivity and efficiency. The world is moving at an accelerating pace toward digitalization and the creation of a low-carbon/ decarbonized society. Companies, together with their employees, must continue to change, grow and enhance their adaptability. However, the Three Corporate Principles, which are rooted in the minds of all of our officers and employees, will remain unchanged as our universal approach. Each of MC's officers and employees will apply their foresight and execution skills, as well as other aspects connected to the Three Corporate Principles such as integrity and fairness, to improve the corporate value of every MC Group company. Furthermore, by contributing broadly to society through earnest engagement across a wide array of industries, we aim to achieve sustainable growth together with society.



Akira Murakoshi
Member of the Board,
Executive Vice President, Corporate Functional Officer,
CDO, CAO, Corporate Communications, Corporate Sustainability & CSR



HR System Reforms under Midterm Corporate Strategy 2021

Under Midterm Corporate Strategy 2021, we will create the necessary mechanisms to achieve our ideal business portfolio, as well as the necessary systems to nurture businesses with the potential to grow into Core Businesses. Developing human resources capable of driving this growth is our most important management priority. In order to respond quickly to developments worldwide, we will continue to promote our business management model, which aims to ensure reciprocal growth between the Company and its employees, by becoming an organization that aggregates the knowledge of its employees working across virtually every industry, and one that brings together and utilizes its diverse talent base.

The Necessary Attributes for MC Employees

In promoting our business management model, our corporate growth is driven by employees who have high moral and ethical standards and who possess the foresight to identify New Seeds of Growth and the execution skills to achieve growth.

Management-minded professionals who are committed to increasing corporate value

Foresight

Determine the true nature of one's own business and function, anticipate changes in the internal and external environments and develop forward-looking strategies

Execution skills

With teamwork as a prerequisite, demonstrate leadership and the ability to develop talent, drive the organization forward and see efforts through to the end

High moral and ethical standards

Maintain highly ethical standards and earn the respect of all stakeholders

HR System Reforms—Four Key Policies

1. Support employees' self-growth and company growth

- We will achieve high levels of growth by enabling every employee to achieve self-growth on the path toward becoming management professionals.
- With "supporting growth" set out as one of the most important objectives for managers, we provide development opportunities for employees and support growth.

2. Ensure employees gain the right experience earlier

- We enable employees to achieve growth and succeed by gaining the right experience in a stepwise fashion.
- We will promote cross-organizational transfers and placements.

3. Ensure meritocratic systems so that the right people are assigned to the right positions

- We will enhance talent management through multifaceted evaluation and monitoring systems. We will ensure that the right people are assigned to the right positions, regardless of age, gender or other attributes.

4. Utilize management professionals throughout the MC Group and realize more appropriate benefits

- We will place people with management potential in appropriate positions, promote them to management posts with high levels of importance and difficulty, and utilize them companywide across organizational boundaries.
- We will ensure that the structure and level of remuneration is appropriate for the job requirements and results, while ensuring that employees take responsibility for results.

Develop and Utilize Management Professionals in a Stepwise Fashion

Frontline Professional Development

MC gives employees the chance to accumulate a variety of in-depth experience in Group companies and other frontline locations, while interacting with internal and external stakeholders directly, for early development into frontline professionals.

Practical Application of Management Experience

Through the management of people, organizations and projects, MC further develops employees into management professionals who can deliver results.

Application as Management Professionals

MC develops professionals who are capable of transcending fields and taking the lead of larger organizations and projects to deliver results.

Progress in HR System Reforms

To achieve our four key objectives as well as to develop and utilize employees at an early stage in their careers, MC is advancing the following initiatives.

Assigning the right people to the right positions by promoting management professionals according to work responsibilities and realizing more appropriate benefits

We are conducting assessments of work responsibilities and talent, and we have placed about 700 people (as of April 2021), into important management positions such as officers, Division COOs and General Managers of MC as well as management executives of MC Group companies, regardless of age or gender.

(See pages 65-67 for information on supporting women's careers at MC.)

Balanced Compensation Structure and Share-Based Compensation Plan

We have shifted our compensation structure for employees meeting a certain level of ability and responsibilities to a structure based on job evaluation. The higher the degree of involvement in managerial duties, the higher the proportion of variable remuneration. We have also introduced a share-based compensation plan to promote reciprocal growth between MC and its employees in the medium to long term.

Developing management professionals and supporting growth through the expansion of talent management

We promote the self-growth of employees by conducting dialogues which provide opportunities for insights in response to self-review and feedback from colleagues including 360-degree management reviews.

In addition, through a multifaceted evaluation and observation system, we take a skills and experience inventory of every employee, which helps in deciding transfers and placements in the wider workforce.

Through this system, we will support the growth of every employee, and by accumulating diverse experiences through a system of transfers and placements where the right people are assigned to the right positions, we will develop talent with high management capabilities at an early stage.

Growth Dialogues

Growth dialogues were adopted as a system to encourage employees' self-growth and to promote support for that growth from superiors and colleagues. Conducted separately from performance evaluations, employees receive feedback from their colleagues about their strengths and weaknesses before engaging in one-on-one dialogues with their managers, who focus on reviewing their skills and career development. Employees' requests regarding their careers are also considered in transfers and placements.

Career Challenge Program

This program allows employees to request transfers outside of their organizations. For employees who want to steer their own career and take on new challenges, we offer opportunities for growth in a variety of forms.

HR development programs to nurture management capabilities

We plan and implement our HR resources development programs with 3 key policies: 1) Encouraging employees' self-growth with further focus on management professionals, 2) Providing trainings to strengthen leadership and HR development capabilities for management positions, and 3) Setting up a learning mechanism to enhance employees' autonomous growth, while reviewing them every year.



Innovators' Program

Run by MC, this program invites professors from the Stanford d.School as lecturers and aims to nurture the conception skills necessary to grow business value. It is a good platform for learning about design thinking and other thought processes that inspire innovation, as well as the background and mechanisms behind the rapid growth of Silicon Valley enterprises.

(Photo: Innovators' Program conducted in Silicon Valley in the fiscal year ended March 31, 2020)

DX Acceleration Program

To accelerate the development of DX project managers, starting in the fiscal year ending March 31, 2022, we will conduct a program aimed at the early achievement of DX projects currently at the conceptualization stage and intensively strengthen DX project management capabilities. This program invites outside experts who are currently active and at the forefront of their industries to serve as lecturers and instructors.



MC conducts regular, ongoing reviews and discussions about HR systems and important HR-related issues in forums such as the Human Resource Development (HRD) Committee, set up under the Executive Committee. We also conduct opinion exchanges with internal and external stakeholders through business execution reports in Board of Directors' meetings, dialogues with Audit & Supervisory Board Members, labor management meetings with the staff union, among others.

My Story of Growth

Messages from employees who continue to take on challenges in the field



Taking on the rewarding challenge of leading an organization to leave an impact on society

Early in my career, I was transferred to a long-established food wholesaler where I visited sites all over Japan, shadowing the president and learning the ropes of management firsthand. I remember thinking that top management was difficult, but the job seemed rewarding as it involves leading an organization to leave an impact on society. I knew that I wanted to take on that challenge myself in the future. Next, I was put on a team to develop new business in emerging countries in Asia, with a focus on India

and Pakistan. Seeing those growth markets with my own eyes, I realized I wanted to do a job that can enrich people's lives in the growing middle class.

My wish came true, and I am now the CO-COO of the Indonesian subsidiary of Fast Retailing Co., Ltd., which owns UNIQLO. Indonesia was hit hard by the COVID-19 pandemic and UNIQLO, too, experienced temporary store closures during lockdowns. Amid this, we thought hard each day to find ways to contribute

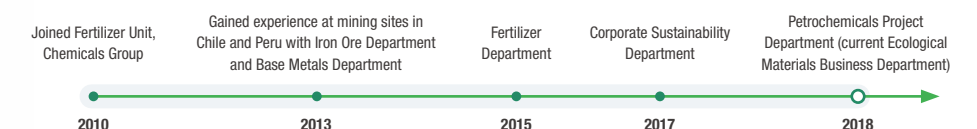
to the lives of people in Indonesia, such as by proposing leisurewear and other products to match lifestyle changes and meet customer needs, as well as donating over 1.8 million masks and protective clothing items to healthcare workers as a corporate philanthropy initiative.

Management is a daily battle against difficulties, but we will move forward under the belief that we can overcome any challenges if we work together as a team.



Masaki Nakajima

Ecological Materials Business Department,
Petroleum & Chemicals Solution Group



Striving to build a recycled plastics business using diverse experiences as a source of growth

Since joining the company, I have had diverse experiences spanning different organizations. In the chemicals field, I started with the trading of raw materials in fertilizers, became involved in large-scale investment project development and also a withdrawal project and experienced the challenges involved in project execution. In the mineral resources field, I gained firsthand experience of iron ore and copper at mining sites in Chile and Peru, and learned approaches to both operation management and business investment. Along with comprehensive

experience in business life cycles, in the Corporate Sustainability Department, I learned how to incorporate the concept of sustainability into company policies and actual operations. I feel that I can draw upon these experiences and put them to good use when problems arise in business development.

Currently, I am working to build new business models in the recycling field within the petrochemical value chain, an area where climate change, marine plastics and other issues are demanding transformation. In the future, I want to make use of my diverse

experience to take on the challenges of managing a company and to contribute to further value creation.



Thai Shinkong Industry Corporation Ltd. (TSIC) PET manufacturing plant, which increased capital in 2020 (See page 99 for information on the Chemical Recycling Business)

Demonstrating adaptability to changes in the business environment, and executing management strategies from a long-term perspective

Midterm Corporate Strategy 2018 Evolving Our Business Model from Investing to Managing

Leverage our ingenuity to create new business models and generate value for societies, thereby developing the highest level of management expertise.

Awareness of Issues

Management Platform Reform

- Due to the deterioration in the market for natural resources, MC rebalanced its portfolio based on the fiscal year ended March 31, 2016, in which the Company recorded the first consolidated net loss since its founding
- In a rapidly changing business environment, focused on managing cash flow to maintain business stability amid economic uncertainty

Stable Shareholder Returns

- Recorded a consolidated net loss for the fiscal year ended March 31, 2016. Maintained a dividend of 50 yen per share (base portion). Necessity of stable shareholder returns based on ability to create cash flow

Acceleration of Asset Replacement and Shift to a Business Model Aimed at New Growth

Rebalancing of Resources and Non-Resources
(Exposure of market-related segments: business-related segments = 3:7)

Replace “resources/non-resources,” with “market-related segments/business-related segments” based on risk sensitivity to market conditions

Achieve optimum balance by maintaining a constant investment balance for market-related segments

- For market-related segments (mainly resources), continue to invest in prime assets while maintaining investment balance, thereby optimizing portfolio quality
- For business-related segments (mainly non-resources), re-profile portfolios but increase their size by investing in growing businesses where we can proactively demonstrate our strengths and functions

Further Evolution from Investing to Managing

- Shift from the concept of investing in businesses to managing them and generating continuous value

Lifecycle-Based Portfolio Re-Profiling

- Promote re-profiling by assessing whether or not a business should be continued based on our functional engagement in the business and its lifecycle

Cash-Flow-Focused Management

- Controlling interest-bearing debt by managing investments and shareholder returns within our total cash flow
- To flexibly control cash flow, have corporate and Business Groups focus on managing cash flow to make steady progress toward autonomous Group management

Shareholder Returns Policy

Introduce a progressive dividend scheme, which increases in line with sustainable earnings growth, as a base, and flexibly buy back our stock when necessary

Review

Financial soundness improved under the stabilization of business performance through the rebalancing of market-related and business-related segments, and through the promotion of asset replacement based on strict investment discipline. Ordinary profits accumulated for both the business-related and market-related segments, hitting record highs. In addition to the continuation of dividend increases in line with profit growth based on a progressive dividend scheme, we carried out share buybacks (300 billion yen) to boost capital efficiency based on cash flow, investment leverage and other circumstances over the course of three years.

Awareness of Issues

- Building our envisioned business portfolio, adapted to changes in the external environment
- Building growth mechanisms that demonstrate our strengths and improve business value in line with business stage
- Deepening our business management model through early-stage HR development of highly skilled management professionals

Midterm Corporate Strategy 2021 Achieving Growth Through Business Management Model

Achieve growth premised on triple-value growth through our business management model, while adapting to rapidly changing developments including geopolitical shifts, digitalization and the transition to a low-carbon/decarbonized society

Outline of Midterm Corporate Strategy 2021	Progress for the fiscal year ended March 31, 2021
<p>Business Portfolio</p> <ul style="list-style-type: none"> • Portfolio-based decision-making (strengthening of downstream and services sector businesses) 	<p>DX/EX progress in downstream areas, Energy & Power Generation segment and services segment</p> <ul style="list-style-type: none"> • Enhanced downstream businesses, including by acquiring Eneco (a European integrated energy company with a customer base of 6 million households primarily in the Netherlands) as well as by participating in BSD City district smart-city development in suburban Jakarta, Indonesia, and forming a partnership to start evaluation of urban city management • Strengthened the Energy & Power Generation sector business through acquisitions including development rights for a large-scale offshore wind farm in the Netherlands following the acquisition of Eneco • Enhanced the services sector business through the conclusion of an investment agreement with the world's leading location-based service company HERE Technologies <p>Upstream activities connected to the progress of electrification</p> <ul style="list-style-type: none"> • Development of the Quellaveco copper project in Peru, is on track to start production in 2022 • Acquired a 30% stake in the Aurukun Bauxite Project in Australia. Bauxite is a raw material source for lightweight, highly recyclable aluminum
<p>Growth Mechanisms</p> <ul style="list-style-type: none"> • Enhancement of new business concepts and digital strategies • Value-Added Cyclical Growth Model & improved ROE 	<p>Progress of DX/EX initiatives to address key issues for the future</p> <ul style="list-style-type: none"> • Business partnership with the NTT Group in DX. Established Industry One, Inc. to deliver DX solutions for industry • Established Chubu Electric Power Miraiz Connect Co., Inc. with the Chubu Electric Power Group to promote power and retail DX initiatives • Currently considering and advancing over 70 DX projects companywide, through actions including the formation of a companywide industrial DX Task Force • For EX, aiming to improve the sustainable competitiveness of industry while addressing environmental issues • Aim to double renewable power generation capacity by the fiscal year ending March 31, 2031 relative to the fiscal year ended March 31, 2020 and achieve 100% non-fossil fuel generation by 2050 <p>Progress in asset replacement under the Value-Added Cyclical Growth Model</p> <ul style="list-style-type: none"> • Implemented asset replacements of power generation and real estate development assets after improving their business value • Evaluated a companywide list of loss-making companies and strengthened turnaround and replacement policies
<p>HR System Reforms</p> <ul style="list-style-type: none"> • HR system reform aiming for the continuous development of highly skilled management professionals • Fully introduced evaluation and compensation systems to ensure reciprocal growth between the Company and its employees 	<p>Revised the HR system in April 2019 to:</p> <p>(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 professionals more widely and effectively throughout the MC Group</p> <ul style="list-style-type: none"> • Efforts to place the right people at the right positions; assignment of management professionals to positions well aligned with their expertise • Fair treatment of employees appropriate to their duties through well-balanced evaluation and compensation systems • HR development for management professionals and growth support through reinforced talent management
<p>Financial Targets & Capital Policy</p> <p>Shareholder Returns Policy</p>	<p>Consolidated net income for the fiscal year ended March 31, 2020: ¥535.4 billion; Consolidated net income for the fiscal year ended March 31, 2021: ¥172.6 billion</p> <p>Forecast of consolidated net income for the fiscal year ending March 31, 2022: ¥380 billion</p> <p>Continued progressive dividends under a capital policy based on financial discipline*</p> <ul style="list-style-type: none"> • Dividends in the fiscal year ended March 31, 2020: ¥132 per share; dividends in the fiscal year ended March 31, 2021: ¥134 per share; dividends forecast for the fiscal year ending March 31, 2022: ¥134 per share

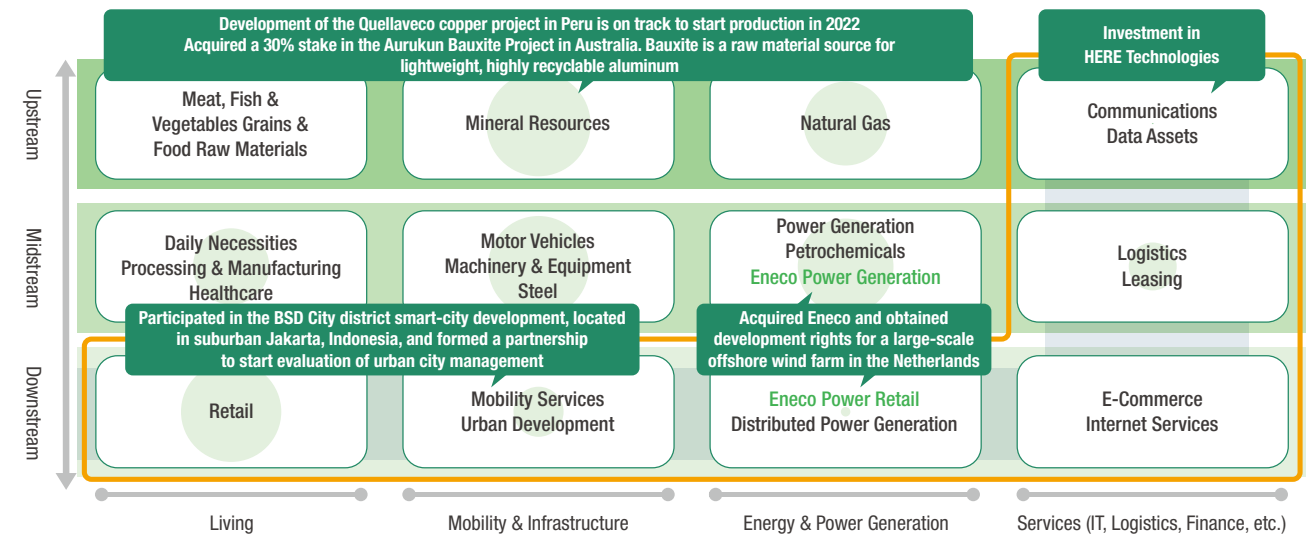
*While maintaining cash flow management, we will work to make a clean break from "market-follower" investment practice by investing as necessary, regardless of the Group's business performance

Changes in the external environment recognized in the fiscal year ended March 31, 2021

- 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 around the world 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

01 Business Portfolio

- DX/EX progress in downstream areas, Energy & Power Generation segment and services segment
- Upstream activities connected to the progress of electrification



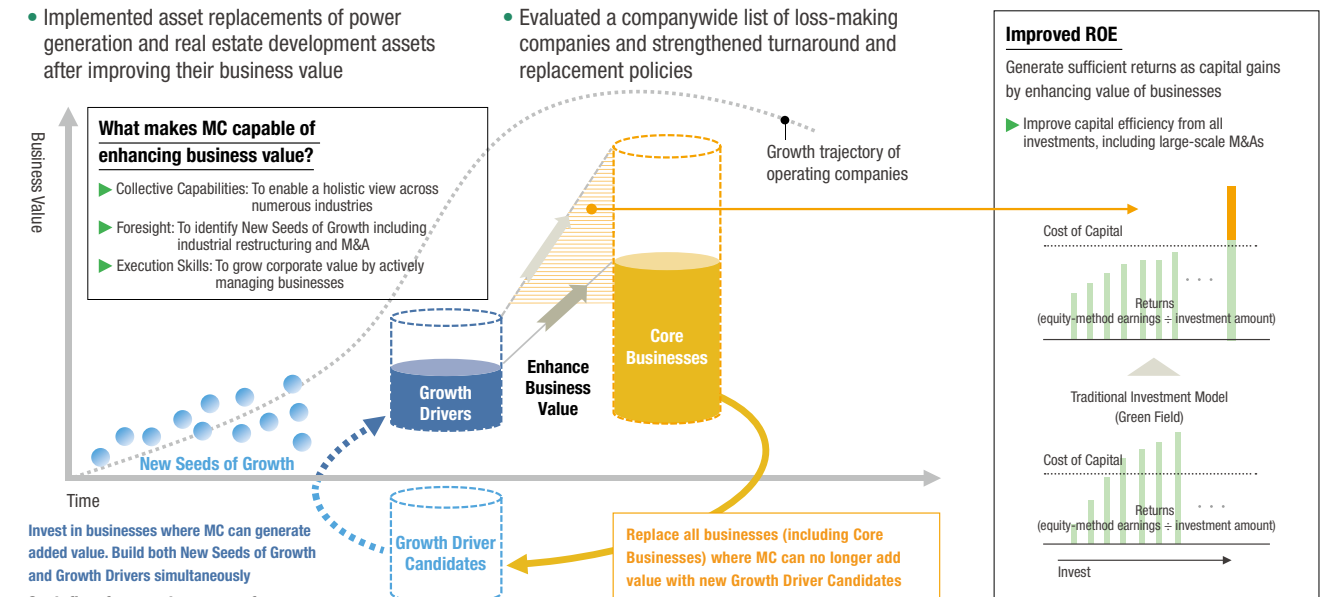
02 Growth Mechanisms: Enhancement of New Business Concepts and Digital Strategies

Progress of DX/EX initiatives to address key issues for the future

- Formed a business partnership with NTT Corporation and set up a companywide Industrial DX Task Force. As part of this initiative, established Industry One, Inc. as a DX services company to steadily promote industrial DX
- Established Chubu Electric Power Miraiz Connect Co., Inc. with the Chubu Electric Power Group to promote power and retail DX initiatives
- Aim to double renewable power generation capacity by the fiscal year ending March 31, 2031 relative to the fiscal year ended March 31, 2020 and achieve 100% non-fossil fuel generation by 2050

DX Actions	EX Actions
<ul style="list-style-type: none"> • 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 <p>Promote Industrial DX</p> <ul style="list-style-type: none"> ■ 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 <p>Promote Power and Retail DX</p> <ul style="list-style-type: none"> ■ Established Chubu Electric Power Miraiz Connect Co., Inc. with the Chubu Electric Power Group The company provides solutions for the daily needs and events 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) 	<ul style="list-style-type: none"> • MC will present its unique optimal solution within the fiscal year ending March 31, 2022 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: <p>Avoid Newly develop renewable energy, as well as other facilities and businesses that avoid generating greenhouse gas (GHG) emissions</p> <ul style="list-style-type: none"> ■ Strengthen efforts in renewable energy projects such as offshore wind and hydroelectric power generation <p>Reduce Reduce of GHG emissions from existing facilities and projects, including thermal power</p> <ul style="list-style-type: none"> ■ Set thermal power divestment targets ■ Contribute to stable energy supplies and the transition to low/zero-emission thermal power <p>Remove Neutralize remaining GHG emissions</p> <ul style="list-style-type: none"> ■ Strengthen carbon neutrality initiatives through carbon capture and utilization/storage (CCU/CCS), etc.

03 Growth Mechanisms: Asset Replacement under a Value-Added Cyclical Growth Model



Cash flow from replacement of assets:
Execute divestment and recovery totaling approximately 2.5 trillion yen over 5 years. Execute total of approximately 1 trillion yen over 2 years during the period of Midterm Corporate Strategy 2021, compared to the initial assumption of 0.7 trillion yen over 3 years.

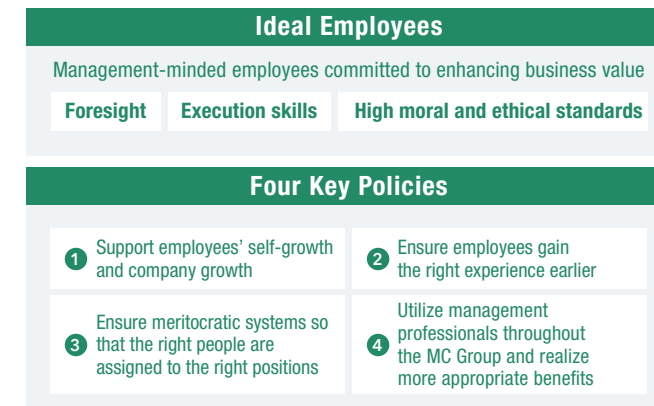
Year	Value (Unit: billions of yen)
2017/3	390.0
2018/3	478.4
2019/3	622.1
2020/3	550.7
2021/3	446.1

Main examples of divestment/recovery

- LNG-related/Fund-related
- Aircraft leasing-related/Ship-related/Real estate-related
- Thermal coal-related/Aircraft leasing-related/Ship-related
- Thermal coal-related/Power generation-related/Real estate-related
- Power generation-related/Real estate-related/North American shale gas business

04 HR System Reforms

- Efforts to place the right people at the right positions; assignment of management professionals to positions well aligned with their expertise
- Fair treatment of employees appropriate to their duties through well-balanced evaluation and compensation systems
- Progress in HR development in the area of management and growth support through the enhancement of talent management



Specific Initiatives

- As a result of efforts to place the right people at the right positions, increased the number of younger employees promoted to management positions by 50% from April 2019
- Shifted the evaluation and compensation systems for management positions to structures based on roles and achievements, and expanded the proportion of variable remuneration and conduct fairer evaluations
- Conducted growth dialogues for all employees, and considered transfers and placements from a wide group based on diverse evaluation and observation mechanisms by superiors, colleagues, subordinates, etc.
- Introduced new HR development programs such as the Innovators' Program and DX Acceleration Program
- Promoted the development of vibrant workplaces that can encourage the engagement of our diverse pool of talent (employee health and productivity management and supporting women's careers)



In addition to HR system reforms, formed a companywide Industrial DX Task Force to promote collaboration across organizational boundaries.

Note: The members removed their face masks only when this picture was taken.

Realizing stable returns through investments, asset replacement and progressive dividends while maintaining financial discipline



Kazuyuki Masu

Member of the Board, Executive Vice President
Corporate Functional Officer, Chief Financial Officer



A review of the fiscal year ended March 31, 2021 and a look toward the final year of Midterm Corporate Strategy 2021.

A Steady Recovery on the Heels of an Extremely Harsh Financial Result

MC's consolidated net income for the fiscal year ended March 31, 2021 was an extremely harsh result of 172.6 billion yen, a decrease of 362.8 billion yen from the previous fiscal year. Against a backdrop framed by the impact of the COVID-19 pandemic and falling resource prices, our performance was negatively affected by several factors: a steep drop in profitability starting with the Australian metallurgical coal business, one of MC's strengths, and extending to the LNG- and automotive-related businesses; a rebound in one-off gains recorded in the previous fiscal year in connection with the restructuring of the Chilean copper business; and impairment losses on goodwill to Lawson, Inc. and its intangible assets recorded in the latest full fiscal year.

We take these harsh results very seriously and will apply the lessons learned to future initiatives. Meanwhile, we must also correctly acknowledge factors including that: (1) operating income exclusive of transient income such as impairment losses was maintained at a scale of 300 billion yen despite the challenging business environment; (2) even with the impact of the COVID-19 pandemic, businesses including meat and petroleum, as well as the Thailand automotive business, buoyed earnings with year-on-year profit growth; and (3) certain mineral resources businesses such as copper and iron ore have started to grow their profits through initiatives to restore and lift market conditions.

In addition, in the fourth quarter of the fiscal year ended March 31, 2021, operating income—which excludes transient gains and losses—was 122.6 billion yen for the three-month period. Even when factors such as seasonal effects and the divesting of power generation assets are excluded, this still amounts to roughly 100 billion yen, representing a steady recovery in consolidated net income for the quarter.

Cash Flows Continue to Evolve Steadily

While consolidated net income declined sharply by 362.8 billion yen compared with the previous fiscal year, cash flow from operations was 625.2 billion yen, a decrease of only 46.9 billion yen from the previous fiscal year. Among the factors behind the decrease in consolidated net income were non-cash-related losses, which included the impairment charges for Lawson. Meanwhile, the inclusion of Eneco in consolidated financial reporting started to generate a positive contribution to cash flow. Cash flow for investment consisted of 803.4 billion yen in outflow, including an equity investment in HERE Technologies as well as capital investments in the European renewable energy businesses and LNG-related businesses. Meanwhile, MC took steps to maintain financial discipline such as proceeding with divestment of strategic shareholdings and selling off properties in the North American real estate business. This resulted in the recovery of 446.1 billion yen, yielding a net outflow of 357.3 billion yen. Consequently, even while consolidated net income

fell, once cash flow from operations and cash flow for investment were taken into account, free cash flow after adjustment was 267.9 billion yen.

Anticipating a Certain Level of Resilience even in a Declining Resource Price Scenario

Our earnings outlook for the fiscal year ending March 31, 2022, predicts a year-on-year increase of 207.4 billion yen to 380.0 billion yen. Although this outlook anticipates increased income for eight Business Groups, we recognize that we are still in a recovery period. Against this backdrop of continued uncertainty in the external environment, we have set an outlook that anticipates a certain level of resiliency even if resource prices decline.

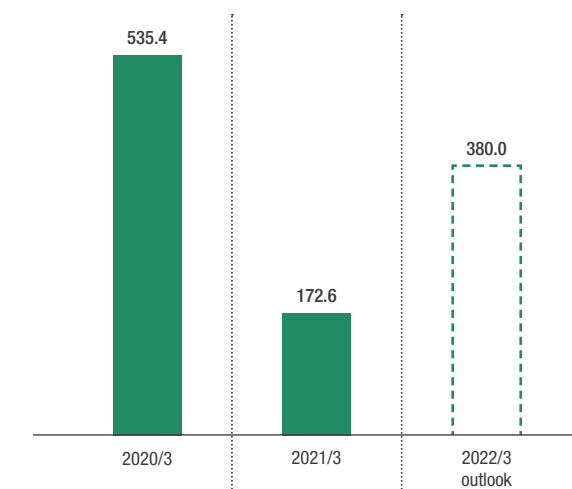
Nevertheless, our first quarter results show a consolidated net income of 187.6 billion yen, which represents a 49% attainment of the full-year earnings forecast of 380.0 billion yen. This result was achieved due to improvements in our operating environment. As economic activity resumes worldwide, this has led to a recovery in demand for the automobile-related business and higher prices for mineral resources such as copper and iron ore, which has contributed to steady profits in these businesses. Based on these results, our full-year earnings will likely exceed the 380.0 billion yen forecast. However, in estimating how far it will exceed this figure, factors including the impact of the recent resurgence of the COVID-19 pandemic, especially in Southeast Asia, and highly volatile resource prices must also be analyzed carefully. We plan to continue assessing the situation through the second quarter.

Also, looking to the fiscal year ending March 31, 2023 and beyond, we see many investments that are expected to start contributing to profits. Among MC's larger projects in particular, the Quellaveco copper mine in Peru plans to enter production during the fiscal year ending March 31, 2023, and LNG Canada is slated to start operations in the latter half of this decade. Moreover, there are numerous other projects that could have a significant impact on our performance. Among these are the expansion of the data center business, the release of new car models in the ASEAN region by Mitsubishi Motors Corporation, and the Tangguh LNG extension. In order for these investments to continue contributing toward steady profits, we will promote each of them with careful consideration.

Furthermore, while the consolidated net income target of 900 billion yen for the fiscal year ending March 31, 2022, presented in Midterm Corporate Strategy 2021, was predicated on certain assumptions, it will be difficult to meet the target this year—a matter which we take seriously. Besides factors such as highly volatile resource prices and the impact of the COVID-19 pandemic, one of the key differences is the effect of having placed priority on maintaining financial discipline in light of these changing conditions. While strengthening our foundation by reducing costs and thoroughly reorganizing loss-making companies, we will work to transform our business in response to changing business conditions in order to generate new value. Along with this, we will move forward with the Value-Added Cyclical Growth Model presented in the Midterm Corporate Strategy 2021, which we are confident will deliver results.

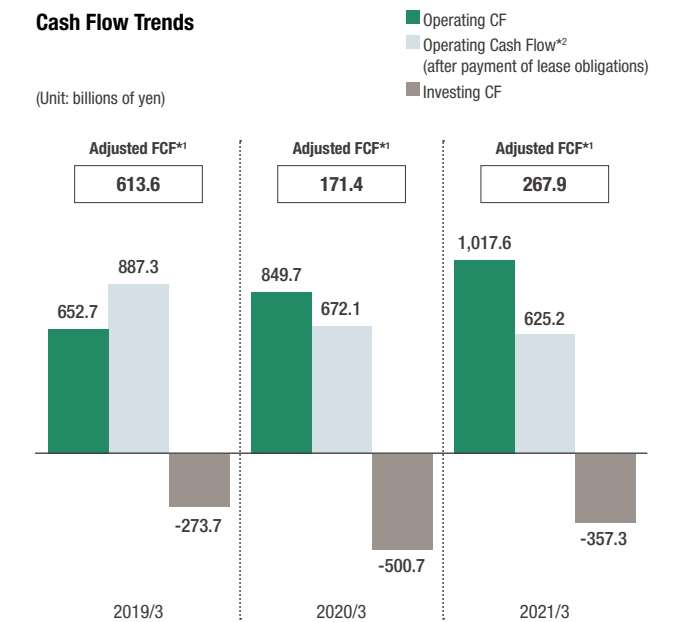
Trends in Consolidated Net Income and Outlook for the Fiscal Year Ending March 31, 2022

(Unit: billions of yen)



Cash Flow Trends

(Unit: billions of yen)



*1 Adjusted Free Cash Flows: Total of underlying operating cash flows (after repayments of lease liabilities) and investing CF

*2 Underlying operating cash flows (after repayments of lease liabilities): Operating cash flows excluding changes in working capitals (= Net income (including non-controlling interests) – DD&A – profits and losses related to investing activities – equity in earnings of affiliated companies not recovered through dividends – allowance for bad debt, etc. – deferred tax) while including repayments of lease liabilities

Investment and Capital Strategy in Midterm Corporate Strategy 2021

Q With the second year of Midterm Corporate Strategy 2021 having come to an end, how would you evaluate the progress of the Value-Added Cyclical Growth Model presented in the strategy?

A. The Value-Added Cyclical Growth Model is continuing to permeate within the Company, and we have replaced assets of about 1 trillion yen over two years, including capital gains.

In the past, the term “investment for growth” was used, with the notion that if you do not invest, you will not grow, and that if you do invest, you will make a profit. However, since two years ago, we have been communicating internally to fundamentally change this way of thinking. Against this backdrop, we have been seeing an increase in “brown field” projects. “Green field” projects, through which businesses are cultivated from scratch, can have large yields when successful, and expanding investment and achieving growth have been seen as two sides of the same coin. However today, as the market matures and liquidity increases, these types of projects are decreasing. Instead, “brown field” projects are on the rise, and while their risk levels are comparatively low because they involve entering the market after the business has progressed up to a certain point, they also require payment of a reasonable premium for entry, which lowers the investment yield. To compensate for this decrease, earning capital gains through divestment becomes the key to success. In other words, at the stage where there is low potential for further growth from our involvement in a particular business, even if it is profitable, we will divest and recover our investment funds to reinvest new growth sectors. Within this cycle, what is important is to steadily accumulate capital gains.

In order to promote this value-added cycle, in addition to having each Business Group set divestment targets, we have compiled a list of projects with slower growth trajectories as candidates for divestment and requested the Business Groups to determine which ones to sell in order to achieve those targets. This policy is permeating widely, and we have carried out asset replacements amounting to approximately 1 trillion yen over two years, including capital gains.

By proceeding with asset replacement and further promoting the Value-Added Cyclical Growth Model, we will continuously make investments and return capital to shareholders while maintaining financial soundness.

Q In light of the results for the fiscal year ended March 31, 2021, will MC be changing its capital allocation or investment strategy?

A. Our basic policy remains unchanged, and we are strengthening cash flow management based on rigorous financial discipline.

Since our current management system was put in place in the fiscal year ended March 31, 2017, we have adhered to a basic policy of paying progressive dividends within the scope of adjusted free cash flow and have not raised interest-bearing liabilities. To ensure financial soundness, we set 40–50% as the appropriate range for the investment leverage ratio (ratio of total capital covered by investment balance), but at the end of the fiscal year ended March 31, 2021, this ratio had risen above the appropriate range to 54%. This was mainly a result of an investment balance that grew quite large due to large-scale investments such as the acquisition of Eneco, followed by a significant decrease in consolidated net income, leading to a decline in capital augmentation. As a result of restrictions on net investment, through continued promotion of proactive asset replacement and a recovery in consolidated net income, we are endeavoring to restore the leverage ratio to its appropriate range by the end of the fiscal year ending March 31, 2022. Moreover, with restrictions in place on net investment, we are seeking for the necessary funds for investment to be generated through revenues from the sale of existing assets. As such, from a financial discipline perspective, we are supporting the promotion of the Value-Added Cyclical Growth Model.

In addition, although MC is focusing on digital transformation (DX) and energy transformation (EX) as key issues for the future, this will not involve directing extreme amounts of funding toward specific areas. It could be said that one of MC’s strengths is that it develops businesses across a diverse range of industries, providing opportunities to discover New Seeds of Growth in a wide variety of fields. The key to whether we succeed or fail will be how well we can carefully select the best projects from among these, we will execute investments as a result of this selection process. Without changing our capital allocation or investment strategy, we will continue to move forward based on rigorous financial discipline.

Q In recent years, impairments have continued in business-related segments. What do you view to be the cause of this?

A. Investment timing is one major element. We are taking care to not simply follow investment trends.

Looking back at our recent investments, we see large impairment charges incurred for investments outside of the resource area, and we take this very seriously. The timing of the investment is one of the biggest factors. In other words, I believe this stems from investing when earnings are climbing. The biggest takeaway here is that although in the resources segment investment decisions were made based on reflections of past performance, in the end this was not achieved in the business-related segment. Capitalizing on this finding, I think it is important not only to make investments based on trends, but also to bear this in mind.

In the past, we practiced decentralized management, whereby in order to accelerate asset replacement, we set up a scheme to manage the cash flow of our Business Groups. This meant we had a structure in which the more profits our Business Groups earned, the more investments they could make. In actuality, it was a system that encouraged simply following trends. Striking the right balance between centralized and decentralized management is a difficult challenge with no absolute solution. In our current Midterm Corporate Strategy, rather than assign an investment limit to each Business Group in accordance with the cash flow it has earned, decisions on large-scale investments such as Eneco are made within a companywide investment discipline.

Q The fiscal year ended March 31, 2021 saw a substantial year-on-year decline in profits. Please tell us about your action plan toward earnings recovery.

A. By thoroughly reorganizing loss-making companies, we will work to strengthen our foothold.

As earnings deteriorated during the fiscal year ended March 31, 2021, we began reorganizing loss-making companies as a measure toward future earnings recovery. As we move to reorganize these companies, one-time losses will be incurred such as those on sale of assets and reserve provisions. If we only look at net income for a single fiscal year, there will be cases where the one-time losses outweigh the positive effect of the operating deficit disappearing. Measuring the effect may be difficult at times, but the point of our efforts will be to avoid carrying deficits into the future. Among the loss-making companies, two-thirds have already decided on an action plan. For the remaining one-third, we must urgently determine a path forward, reduce the amount of future losses and build a solid foundation for future growth.

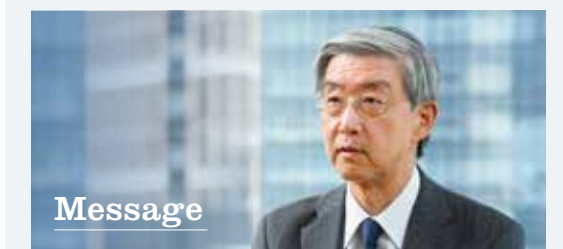
Q Are there any changes to your policy on shareholder returns, particularly dividends?

A. We plan to maintain the progressive dividend scheme, and for the fiscal year ending March 31, 2022, we are planning on dividends of 134 yen per share, the same as the year before.

For the fiscal year ending March 31, 2022, we are planning on dividends of 134 yen per share, the same as the year before. Although we saw a significant drop in profits for the year, cash flows have been on the rise, and we have also been able to maintain our financial soundness. In line with the commitment we made in our current Midterm Corporate Strategy, without cutting dividends, we will maintain our “progressive dividend scheme.” Moreover, the earnings outlook for the fiscal year ending March 31, 2022 will continue to be considered through the second quarter to determine the extent to which we expect profits to increase. Looking ahead, in order to meet the expectations of our shareholders, we will examine our dividend policy with an eye on changes in the internal and external environments.

Regarding share buybacks, while giving consideration to investment leverage, no changes will be made to our policy, but we will consider flexible response measures if leverage falls below an appropriate level.

In terms of the next Midterm Corporate Strategy, which will start from the fiscal year ending March 31, 2023, although we can make no concrete assurances at this time, we will put emphasis on dialogue with shareholders and investors.



By steadily reorganizing loss-making companies, we aim to increase their ROE through the continued promotion of our Value-Added Cyclical Growth Model while thoroughly solidifying our footing. In addition, it will be essential to reduce capital costs in response to the expectations of capital market participants in order to improve the confidence they place in us. To achieve this, we will strive to gain the understanding and support for our business and management policies by engaging with our shareholders and investors and enhancing our disclosure materials. At the same time, we will be able to gain an accurate grasp of the expectations and demands of the capital market toward MC, which we will apply to the formulation of our next Midterm Corporate Strategy.

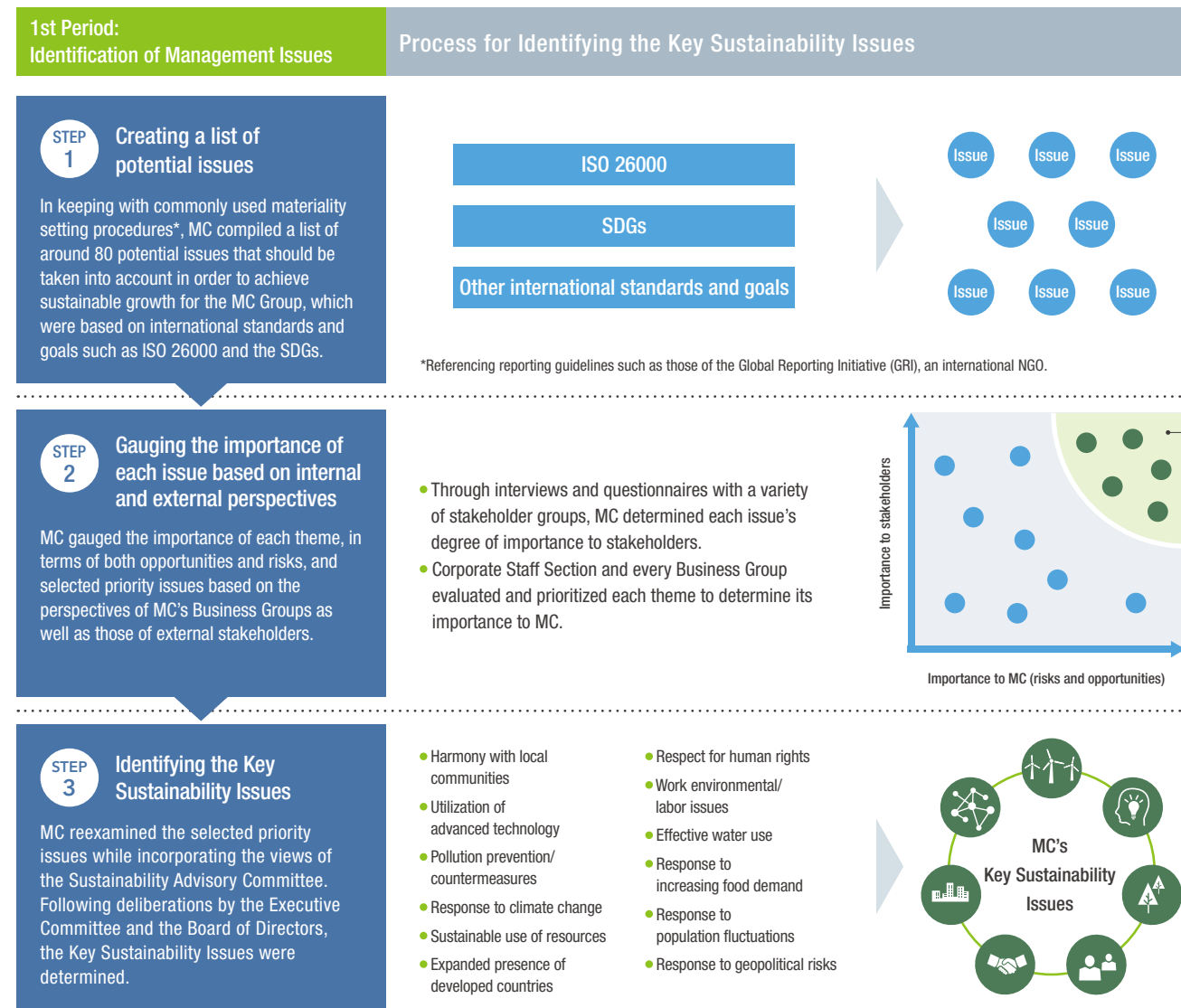
Key Sustainability Issues (Materiality)

Overview and Identification Process of Key Sustainability Issues (Materiality)

Simultaneous generation of economic, societal, and environmental value is essential for the MC Group's growth. From this perspective, in 2016 MC identified a set of Key Sustainability Issues (Materiality) as mileposts for proactively realizing the simultaneous generation of triple-value growth (including in financial terms) for the MC Group.

MC believes that our measures to address the Key Sustainability Issues will also help to achieve the Sustainable Development Goals (SDGs)* related to each key issue. MC recognizes the role that companies are expected to play in order to achieve the SDGs. With this in mind, MC will make every effort to help make progress on the Goals.

*The SDGs are a set of 17 global goals adopted at the UN summit held in September 2015 as the core of "The 2030 Agenda for Sustainable Development."



Key Sustainability Issues (Materiality)

Themes	SDGs	Overview
Transitioning to a Low-Carbon Society	7, 13	In anticipation of the impact that climate change is expected to have on MC's business activities, MC is working to address these potential impacts, while at the same time actively pursuing businesses that facilitate the transition to a low-carbon society and reducing greenhouse gas (GHG) emissions.
Procuring and Supplying in a Sustainable Manner	7, 8, 12, 14	MC will ensure the stable, sustainable procurement and supply of resources, raw materials and other inputs in line with the needs of each country around the world. In addition, MC will consider environmental and social factors throughout our supply chains.
Tackling Evolving Regional Issues	9, 11	MC will continue to take appropriate steps to address geopolitical risk while at the same time contributing solutions through its business for issues faced by each country and region, thereby supporting the development of economies and societies.
Addressing the Needs of Society through Business Innovation	7, 9	MC will stay on the pulse of major industrial shifts brought about by technological advances, while continually creating innovative businesses that contribute to solutions for social issues.
Conserving the Natural Environment	12, 14, 15	Recognizing the Earth as our most important stakeholder, MC works to ensure the continuity of its business by preserving biodiversity, reducing its environmental impact and conserving the natural environment.
Growing Together with Local Communities	4, 10	MC will contribute to regional development through its business and corporate philanthropy initiatives, and will aim to grow together with the regions and communities where it operates.
Fostering Our Employees' Maximum Potential	5, 8	MC will work to develop human resources with advanced management capabilities who will become the driving force behind corporate value creation by developing career opportunities and workplaces where the members of its diverse workforce are able to grow as they share values in a spirit of mutual learning.

3rd Period: Strengthening of Initiatives Through Goal Setting **Setting Goals for 2030**

In 2019, MC formulated individual business goals so that each Business Group could autonomously promote initiatives around the Key Sustainability Issues. In 2020, MC reviewed these individual business goals to make them more specific and quantifiable, taking into account the external environment and societal demands. The goals following the review and the main initiatives associated with them are as follows:

Transitioning to a Low-Carbon Society

- Aim to double renewable power generation capacity by the fiscal year ending March 2031 compared to the fiscal year ended March 2020 (from 3.3 GW to 6.6 GW). (In addition, aim to reduce existing thermal power capacity and switch to zero-emission thermal power, targeting 100% non-fossil by 2050.)
- Establish ammonia fuel supply chains for power generation
- Promote the commercialization of CCUS and hydrogen-related projects
- Promote initiatives around electric vessels (reducing environmental impact)

Procuring and Supplying in a Sustainable Manner

- Reduce food waste by 50% (compared to the fiscal year ended March 31, 2019)
- Develop the recycled PET and eco-friendly material manufacturing businesses to achieve low-carbon and circular plastics

Tackling Evolving Regional Issues

- Advance coal/oil to gas projects as a pragmatic solution to reduce air pollution and transition to a low-carbon society (changeover from coal/oil to natural gas)
- Promote initiatives around autonomous ships (reducing crew stress and maritime accidents)
- Develop the Mobility Services Business
- Realize and manage valuable integrated urban development projects with accessibility and environmental friendliness

MC will continue striving for sustainable growth from a long-term perspective.



MC's Industrial DX Initiatives

Our vision for industrial DX

The MC Group is active across a wide range of businesses, with operations spanning the entire supply chain at the upstream, midstream and downstream levels, providing connections with customers in virtually every industry. Our earnings are generated by the approximately 1,700 companies that comprise the consolidated MC Group, each of which plays a leading role in the business. For this reason, our commitment to industrial digital transformation (DX) must not only apply to the relevant business interests within the parent company, but also extend to our wider business networks through our support to the independent DX initiatives being promoted by players in each industry. Our vision is to create a shared digital platform that can provide solutions to accelerate DX across a variety of sectors in order to support industrial growth and address societal issues.

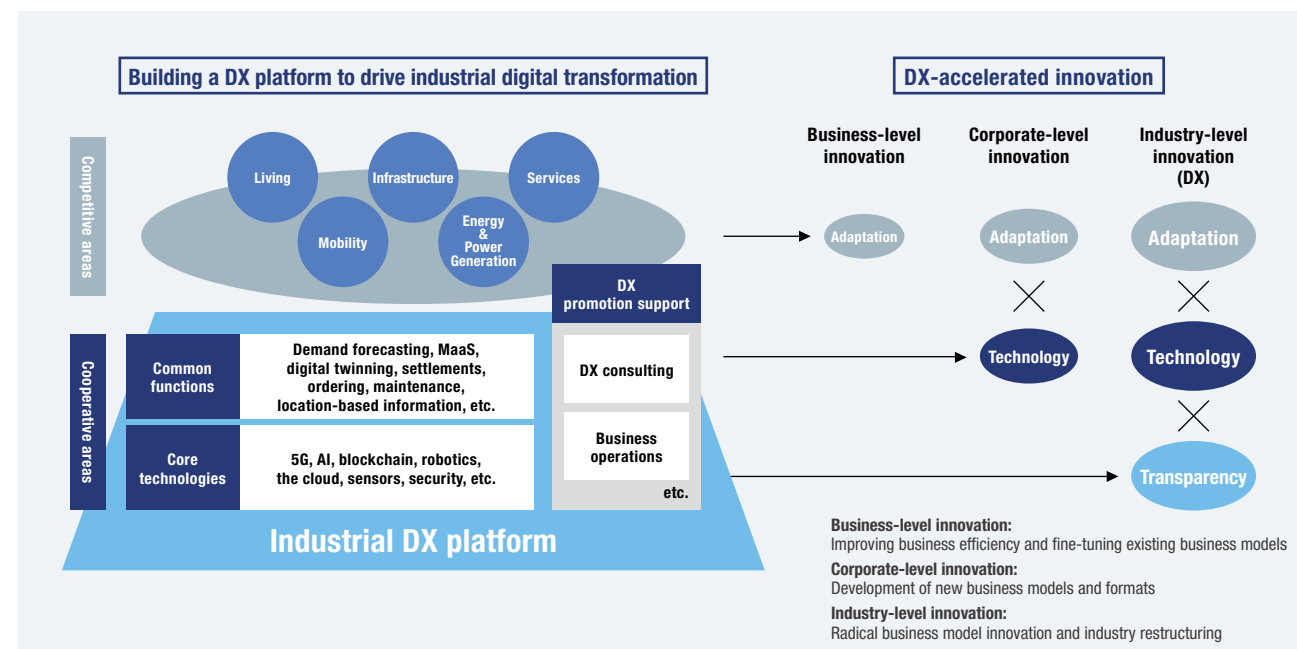
DIGITAL TRANSFORMATION

A DX promotion system to drive business model transformation across diverse industries

Through industrial DX, we aim to provide new value by combining our wide-ranging industrial knowledge with digital technologies. Even as a global integrated business enterprise, the MC Group needs to possess core technological capabilities in order to increase competitiveness. Accordingly, we established MC Digital, Inc. in September 2019 with the aim of enhancing our internal capabilities to drive DX. Through this company, which brings together leading data scientists, design specialists and IT engineers, MC is implementing measures to promote industrial DX.

In December 2019, MC concluded a business partnership with

Nippon Telegraph and Telephone Corporation (NTT). This partnership was established with the goal of creating new value by combining MC's strong industrial expertise with the digital capabilities of NTT. In May 2020, MC and NTT jointly invested in HERE International B. V., the world's leading location-based service company, and in June 2021, they established Industry One, Inc., a joint venture company specializing in DX services. Through Industry One, MC aims to support the development of industries and businesses in Japan as a transformation partner by providing a comprehensive range of services from DX platform creation to the establishment of digital businesses.



CASE Addressing Societal Issues with Industrial DX

— Creating a Food Distribution DX Platform

Contributing to the Food Distribution Field and Offering New Value

Kiyotaka Kikuchi

Executive Vice President
Group CEO,
Consumer Industry Group



MC has been active in the food distribution sector for over 50 years, and today works with thousands of suppliers and business partners. Together with our partners, we have for some time been adapting and implementing digitalization measures in preparation for the creation of a platform. At present, the environment surrounding food distribution is affected by various societal issues, including food loss and a shrinking labor pool. One of the challenges facing the food distribution industry in Japan is the problem of food loss, which costs an estimated one trillion yen annually. Most of this food loss occurs during the distribution process, primarily due to product expiration as a result of over-production or excess inventory.

One possible solution to this problem might be the use of point of sale (POS) data from retail operations, which are the closest touchpoints with consumers, as the basis for sophisticated demand forecasting by food wholesalers and manufacturers. This could help reduce food loss and improve the efficiency of food distribution activities.

MC and Nippon Telegraph and Telephone Corporation (NTT) have collaborated to create a platform that uses digital technology to seamlessly integrate data scattered within and among companies, together with weather forecasts and other external data.

Using this platform as a foundation, we are currently developing our own demand forecasting AI in collaboration with MC Digital, Inc. During proof-of-concept (PoC) inventory-reduction trials with Mitsubishi Shokuhin Co., Ltd., this AI system successfully reduced the amount of inventory held at distribution centers by around 30% on average, and by as much as 40% in some cases, while also cutting down on the rate of product shortages.

This system will initially be provided to Lawson, Inc. distribution centers operated by Mitsubishi Shokuhin, and it will then be progressively rolled out in collaboration with Mitsubishi Shokuhin to other companies. Through these initiatives, we hope to simultaneously generate economic, societal and environmental value by reducing CO₂ emissions associated with food loss and shipping, while also working to address other social and environmental issues, such as labor shortages.

Our future plans include further collaborative initiatives with our external partners, such as Toshiba TEC Corporation and Fujitsu Limited. In addition, MC, NTT and Industry One, Inc. are planning to conduct a PoC study on smart contracts later this year. We will continue to announce more initiatives designed to expand DX services not only in the food distribution sector, but throughout Japanese industry as a whole.

Transforming Food Distribution Through DX

CURRENT SITUATION Accumulation of excess inventory throughout supply networks



- | | |
|---|---|
| <p>MC's goals</p> <ul style="list-style-type: none"> ● Analysis of all commercial distribution data through a single system ● Forecast of supply and demand balances to prevent excess inventories and product shortages | <p>Medium- to long-term goals</p> <ul style="list-style-type: none"> ● Elimination of waste across the entire industry, and addressing societal issues such as food loss ● Utilization of joint distribution beyond the MC Group |
|---|---|



ENERGY TRANSFORMATION

MC's EX Initiatives

Our vision for EX

The global shift toward a low-carbon/decarbonized society is accelerating, as evidenced in 2021 by developments such as the discussions during the Leaders Summit on Climate in April and the G7 summit in June. In Japan, which has limited natural resources, MC has long fulfilled a societal mission to provide a stable supply of energy through its deep involvement as a supplier of LNG, metallurgical coal and other resources. As such, we need to adapt to this transition with a heightened sense of responsibility and determination. We will evolve our business portfolio by taking on the challenge of energy system innovation, striving to both meet environmental challenges and fulfill our societal mission of providing a stable supply of energy. By actively pursuing energy transformation (EX) initiatives, we will work toward the ambitious goal of achieving a decarbonized society. In 2020, MC established the Energy Committee, which consists of three Group CEOs responsible for its energy and power-related businesses—the Power Solution Group, the Natural Gas Group and the Petroleum & Chemicals Solution Group—together with the Corporate Strategy & Planning Department.

Energy Committee Initiatives, Messages from the Three Group CEOs

Background and Role of the Energy Committee

The transition to a decarbonized society is anticipated to move forward with a focus on intensive electrification and emissions reductions in the energy and power generation sector.

Adapting and developing initiatives in response to this global shift has become a common priority across all industries. In May 2020, MC established the Energy Committee as a forum for discussing medium- to long-term portfolio strategies and optimal approaches with a focus on the energy and power generation sector. Topics discussed by the committee, which is led by the three Group CEOs responsible for MC's energy and power-related businesses, together with the Corporate Strategy & Planning Department, include the alignment of perspectives on the business environment and the development of business strategies based on these perspectives. The results of these deliberations are reported to MC executive management members.

Energy Committee Initiatives

The theme selected for the Energy Committee's deliberations is the anticipated paradigm shift in the energy and power generation sector amid the transition to a carbon-neutral society. Since its establishment, the committee has worked to verify hypotheses relating to this theme, examined portfolio and business strategies, and engaged in intensive dialogue and debate about the order of priorities for implementing measures. In the fiscal year ended March 31, 2021, the committee held meetings approximately twice a month.

Key verification themes

- ① Synergies between the LNG business and power generation business
- ② Changes in power infrastructure due to renewable energy being adopted as a main power source
- ③ MC's unique approach to power retailing
- ④ Synergies through the integrated promotion of power generation and power retailing
- ⑤ Next-generation energy initiatives
 - ➡ In September 2020, the Next-Generation Energy Subcommittee was established with members from six related groups

MC informed the Outside Directors and Outside Audit & Supervisory Board Members in July 2020, and held a joint meeting with the Sustainability & CSR Committee in December. Our policy is to continue discussions at this committee while further strengthening cooperation with relevant parties. MC will present its unique optimal solution within the fiscal year ending March 31, 2022 targeting a carbon-neutral society by 2050.

» Developing Renewable Energy as a Main Power Source

Renewable Energy Generation Business and Next-Generation Energy System Initiatives

Toward the realization of a decarbonized society, MC aims to double its renewable power generation capacity from 3.3 GW in the fiscal year ended March 31, 2020 to 6.6 GW by the fiscal year ending March 31, 2031. This shift toward using renewable energy as a primary power source is accelerating efforts to introduce various types of renewable power systems, from large-capacity offshore wind farms to small, decentralized solar power facilities. Renewable energy is the ultimate zero-cost, distributed power supply. We believe that by making full use of these characteristics, we can achieve progress toward the shift to local production for local consumption, as well as the development of community-based power infrastructure. However, it will also be necessary to upgrade our function to balance supply and demand to compensate for the intermittent nature of renewable energy. In addition to providing power adjustment based on conventional gas-fired power generation, MC is also taking on the challenge of creating new systems for the supply and demand of power that make use of digital

Katsuya Nakanishi
Executive Vice President
Group CEO, Power Solution Group



technology and artificial intelligence in power generation forecasting, virtual power plant (VPP) technologies, as well as utilization of battery storage and electric vehicles (EV).

100% Non-Fossil Fuel Ratio

Looking ahead to 2050, we will actively promote the greening of our power generation portfolio by adopting renewable energy supplies and zero-emission thermal power generation. Our aim is to achieve a 100% non-fossil fuel ratio in our power generation business.

» Natural Gas: A Pragmatic Solution

Switching from Coal and Oil to Natural Gas

With the growing use of renewable energy as part of decarbonization efforts, balancing supply and demand with gas-fired power generation will become increasingly important. The MC Group is a leading supplier of LNG, which has the lowest greenhouse gas (GHG) emissions of any fossil fuel during combustion. LNG will play a vital transitional role as the power sector decarbonizes.

In addition, shifting from coal and oil to natural gas as an energy source would be an effective and pragmatic solution to the issue of growing energy needs, particularly in Asia. This approach would balance economic growth with the need to address environmental concerns in emerging economies, where air pollution, among others, is a major problem.

Natural gas is also used as a raw material in the production of blue hydrogen and blue ammonia, which are both seen as next-generation energy sources, so we are confident that natural gas will continue to be a valuable energy resource in the future.

Jun Nishizawa
Executive Vice President
Group CEO, Natural Gas Group



Reducing LNG Emissions

While LNG emits less GHG than any other fossil fuel when combusted, further improvements in its environmental performance will be needed amid the shift toward decarbonization. In addition to reducing CO₂ emissions across our LNG supply chain, we will also need to make further mitigation actions toward achieving net-zero emissions through carbon management businesses including carbon capture and utilization and storage (CCUS).

» Building Supply Chains to Meet the Needs of Future Generations

Decarbonizing Energy

Realizing the vision of a hydrogen-based society will require the decarbonization of energy itself. We are carrying out wide-ranging analyses and studies about various options, including green hydrogen produced with renewable energy. Still, for the time being, we believe that blue hydrogen combined with carbon capture and storage (CCS) is the most promising candidate.

Building a Blue Ammonia Value Chain

MC has long regarded ammonia as a promising hydrogen carrier and is developing an ammonia business. We also possess industrial knowledge and global networks in such areas as natural gas and CCUS. MC aims to build a competitive blue ammonia value chain as a step toward decarbonizing industry as a whole.

Osamu Takeuchi
Executive Vice President
Group CEO, Petroleum & Chemicals Solution Group



In addition to developing zero-emission thermal power generation that is fueled by hydrogen and ammonia, we believe it is our mission to expand the utilization of these technologies into new fields, such as mobility and raw materials, through the development of the necessary societal systems, including infrastructure.

MC's EX Initiatives

Avoid

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

Strengthen efforts in renewable energy power generation, with an aim to double renewable power generation capacity from 3.3 GW in the fiscal year ended March 31, 2020 to 6.6 GW by the fiscal year ending March 31, 2031.

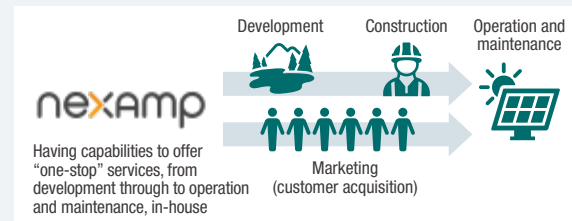
Expansion of Our Renewable Energy Business Through the Acquisition of Eneco

- In March 2020, MC acquired Eneco, which had 1.6 GW of renewable power generation capacity as of March 2021.
- Eneco's first project since its acquisition by MC was the development of the Hollandse Kust Noord offshore wind farm in the Netherlands as a joint venture with a resource major. Eneco won the contract for this project in July 2020. This was followed in February 2021 by the signing of a long-term contract to supply power to Amazon data centers.
- MC has positioned Eneco as the core platform for its European energy business. Through Eneco, we will accelerate our efforts in the field of renewable power generation, while also making an active contribution to decarbonization by exporting Eneco's expertise to other regions, including Japan.



Expanding the Distributed Solar Power Generation Business

- In 2016, MC invested in Nexamp, a business engaged in distributed solar power generation projects in the US, and in 2018, Nexamp became an MC subsidiary.
- Since MC became a shareholder, Nexamp has steadily acquired new assets and has grown to become a leading company in the US community solar industry. Nexamp has over 2 GW of capacity in its total asset portfolio including development pipeline, projects under construction and in operation.



Solar power generation business that coexists with nature (using sheep for weeding)

Reduce

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

MC will strive to reduce GHG emissions at its existing facilities and businesses by divesting from thermal power generation, or alternatively by transitioning them to zero-emission systems that do not emit CO₂ during power generation. We will also focus on the early societal adoption of zero-emission thermal power generation by establishing next-generation value chains that include ammonia and hydrogen.

Divestment from Thermal Power Generation

- MC aims to achieve a 100% non-fossil fuel ratio by 2050 in its power generation business by reducing its existing thermal power capacity and switching to zero-emission thermal power.

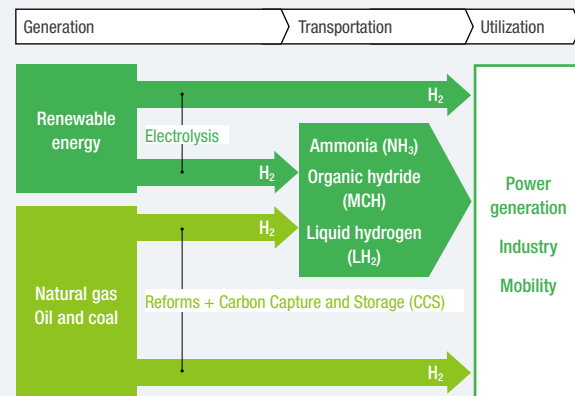
Policy on Coal-Fired Power Generation

- MC will not enter into any new projects in this area, with the exception of any projects for which orders have already been accepted.
- We plan to complete our exit from coal-fired power generation projects by 2050.

Converting from Coal and Oil to Natural Gas

- We regard natural gas as a vital energy source during the transition to a low-carbon/decarbonized society. To provide the energy required for economic development, particularly in emerging economies in Asia, we will leverage our LNG assets, which have a smaller environmental footprint compared to any other fossil fuel, to fulfill our responsibility to provide a reliable and stable supply of energy.
- MC aims to reduce GHG emissions on a global scale by stimulating demand for LNG in emerging Asian economies, and by leading the transition from coal and oil to natural gas (LNG).

Ammonia and Hydrogen Value Chains



MC will present its unique optimal solution within the fiscal year ending March 31, 2022 targeting a carbon-neutral society by 2050.

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

Remove

Neutralize remaining GHG emissions

MC will use CCU/CCS and other technologies to neutralize any GHG emissions that remain even after efforts to avoid and reduce emissions.

- We will promote the commercialization of CCUS by establishing a cross-group task force and liaison committee.

CCU

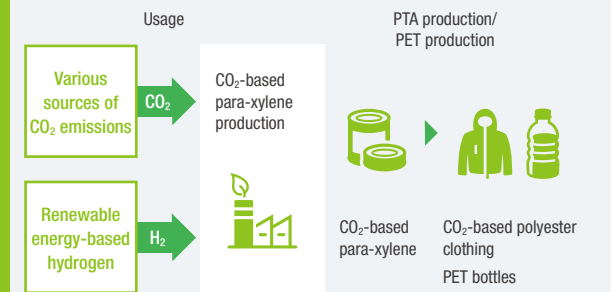
Construction Materials

As a suitable CO₂ reduction method is required for each construction material, such as ready-mixed concrete, MC aims for the maximum reduction in CO₂ by approaching each product with a combination of various technologies and collaborations with corporations.

- CO₂-SUICOM
- Blue Planet Systems Corporation
- CarbonCure Technologies Inc.

With five other companies, MC is working on the research and development of a method to produce para-xylene, which is a material used in clothing and PET bottles, from CO₂.

Fuel and Chemicals



CCS

- In December 2020, MC began exploring possible collaborations with Australian company Santos Limited in the fields of carbon-neutral LNG and CCS.
- We began a joint study on CCS for the production of clean fuel ammonia with PT Panca Amara Utama, an ammonia manufacturer in which MC has an investment.

Carbon Credit Development and Sales

- In May 2021, MC commenced a joint study with South Pole, one of the world's largest carbon credit developers, regarding generating and marketing carbon credits derived from carbon removal technologies such as CCUS.

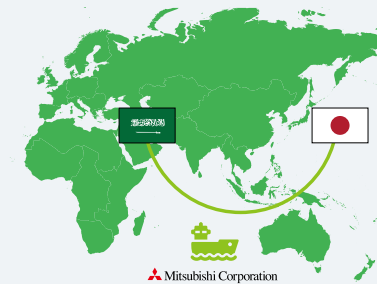
Building Hydrogen and Ammonia Value Chains

1. Production

- MC will explore practical approaches to the production and supply of CO₂-free blue ammonia and blue hydrogen through the combination of natural gas and CCUS.
- We will carry out studies with our partners on blue ammonia production, particularly in North America, the Middle East and Southeast Asia.

2. Transport/Utilization (ammonia)

- In collaboration with the Institute of Energy Economics, Japan and Saudi Aramco, MC participated in a supply chain trial run in which blue ammonia produced in Saudi Arabia was successfully transported to Japan.



- We will use our connections with the power industry to implement studies on the use of ammonia co-firing and other technologies.

3. Transport (hydrogen)

- The demonstration project for a hydrogen supply chain system based on Chiyoda Corporation's large-scale hydrogen storage and transportation technology (SPERA Hydrogen), which involved the construction of a hydrogenation facility at the Brunei LNG plant, as well as a dehydrogenation plant at a coastal site in Kawasaki City, was successfully completed. We aim to realize a commercial-scale project by the mid-2020s.



Hydrogenation facility in Brunei Darussalam



Dehydrogenation plant in Kawasaki City

- MC is collaborating with Chiyoda Corporation and five private Singaporean companies on a study regarding the creation of a sustainable hydrogen economy in Singapore (see page 103).

MC's EX Initiatives

Past MC Initiatives toward a Low-Carbon/Decarbonized Society

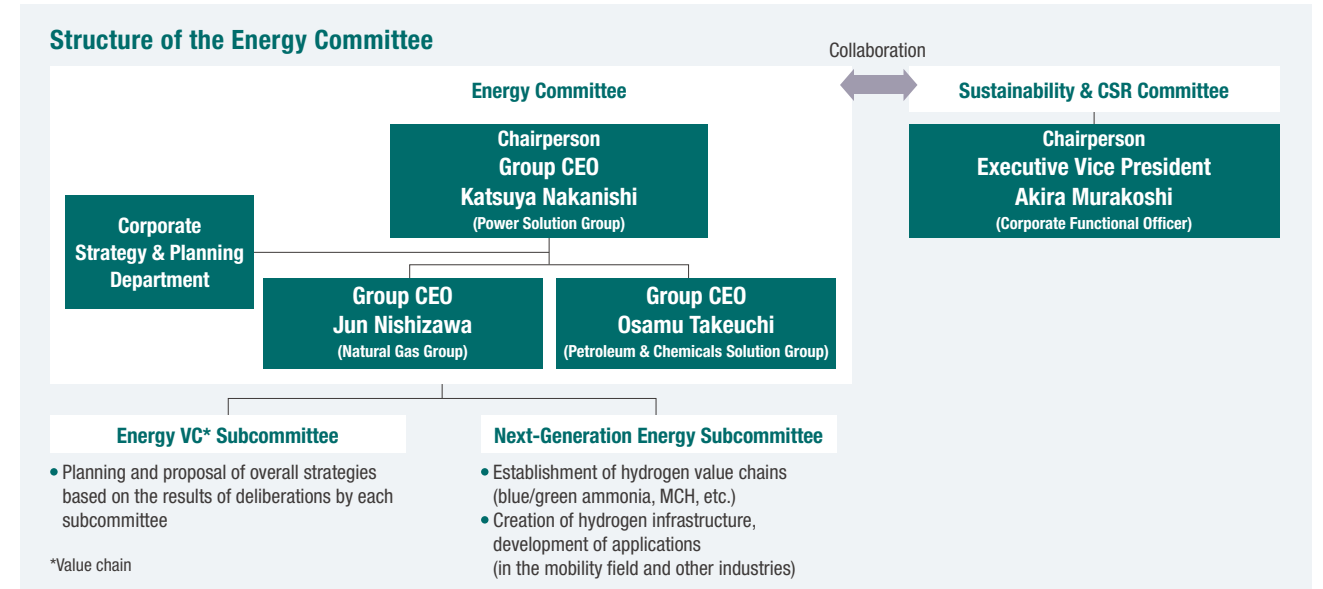
Moves by the international community to mitigate global warming have accelerated since the Paris Agreement entered the implementation phase in 2020. Like Europe, Japan has set a goal of achieving carbon neutrality by 2050.

Even before this global shift, MC has worked to fulfill its responsibility to the global environment and society through business activities based on the spirit of the Three Corporate Principles, which form the basis of its corporate philosophy. The MC Group strives to achieve sustainable growth through the simultaneous generation of economic, societal and environmental value.

We have been involved in the offshore wind power generation business since the early 2010s, when the industry was still in its

infancy. These pioneering efforts allowed us to establish a solid foundation in the renewable energy business. MC was the first to import LNG into Japan in 1969, and became an active player in the LNG business in 1972. Since then, we have helped to accelerate progress toward a low-carbon society by expanding our LNG business and ensuring a stable supply of this fuel, which has a lower environmental impact than other fossil fuels. Other areas in which we are contributing to the realization of a low-carbon/decarbonized society include lithium-ion batteries and the battery storage business.

MC will continue to provide a stable supply of energy and work toward the realization of a low-carbon/decarbonized society by actively promoting EX initiatives.



Initiatives Toward a Low-Carbon/Decarbonized Society	2019	2020	2021
<p>Expanding Renewable Energy Generation</p> <p>MC's involvement in the renewable energy business began with its participation in geothermal and onshore wind power projects in 1987. We play a proactive role in every aspect of these projects, including development, construction, financing and operation. In March 2020, we acquired Eneco as part of the continuing expansion of our renewable energy business.</p>	<p>2009–2010</p> <ul style="list-style-type: none"> • Entered the onshore wind power generation business in the US (two projects) 	<p>2011</p> <ul style="list-style-type: none"> • Entered the concentrated solar power (CSP) generation business in Spain • Entered the offshore power transmission business in the UK 	<p>2012</p> <ul style="list-style-type: none"> • Entered the offshore power transmission business in Germany • Entered the onshore wind power generation business in France • Began participating in the onshore wind power business in Mexico • Entered the solar power generation business in Canada
<p>Withdrawal of Upstream Crude Oil Assets and Expansion of LNG Business</p> <p>We have almost completed our withdrawal of the oil and gas exploration and production (E&P) assets that are not linked to our LNG business. Since arranging the first shipment of LNG to Japan over 50 years ago in 1969, MC has contributed to the stable supply of energy by expanding its LNG portfolio, which has a lower impact on the environment than other fossil fuels.</p>	<p>2013</p> <ul style="list-style-type: none"> • Entered the offshore wind power generation business in the Netherlands • Began participating in solar power generation businesses in France and Italy • Established a collaborative agreement and strategic partnership with Eneco 	<p>2016</p> <ul style="list-style-type: none"> • Began participating in Belgium's largest new offshore wind farm project • Invested in a US-based distributed solar power generation company 	<p>2017</p> <ul style="list-style-type: none"> • Divested a natural gas exploration and development asset in Papua New Guinea, and assets in Gabon (two blocks) (E&P businesses) <p>2018</p> <ul style="list-style-type: none"> • Made a final investment decision regarding the Donggi-Senoro LNG project in Indonesia • Made a final investment decision regarding the Tangguh LNG project in Indonesia • Made a final investment decision regarding the LNG Canada project • Began participating in an LNG import terminal business in Bangladesh
<p>Other Activities (Batteries, EVs, Etc.)</p> <p>MC is using its extensive industrial connections to drive initiatives toward the realization of a low-carbon/decarbonized society in various business areas, including lithium-ion batteries, battery storage, EVs and CCUS projects.</p>	<p>2016</p> <ul style="list-style-type: none"> • Divested assets in the Kangean region, Angola and the Kimberley (E&P businesses) • Commenced commercial production at the Cameron LNG project in the US 	<p>2018</p> <ul style="list-style-type: none"> • Began participating in a new offshore wind farm project in the UK 	<p>2019</p> <ul style="list-style-type: none"> • Divested assets in the Kangean region, Angola and the Kimberley (E&P businesses) • Commenced commercial production at the Cameron LNG project in the US
	<p>2007</p> <ul style="list-style-type: none"> • Expanded into the vehicle lithium-ion battery manufacturing business • In 2009, started full-scale production of the i-MiEV, the world's first mass-produced EV 	<p>2016</p> <ul style="list-style-type: none"> • Acquired an equity interest in ElectroRoute, an Irish electric power trading company 	<p>2017</p> <ul style="list-style-type: none"> • Launched services based on the Europe's largest battery energy storage system (BESS)
	<p>2018</p> <ul style="list-style-type: none"> • Entered the power retailing and virtual power plant (VPP) business via Lawson stores • Invested in Boston Energy, an electric power trading company in the US 	<p>2019</p> <ul style="list-style-type: none"> • Established a joint venture to promote the development and adoption of zero-emission electric vessels • Installed a utility-scale rooftop photovoltaic system and battery energy storage system reusing EV batteries • Invested in Bboxx, a company specializing in distributed power business in off-grid areas • Invested in the OVO Group, a UK-based innovative energy service provider 	<p>2020</p> <ul style="list-style-type: none"> • Expanded into the chemical recycling business (manufacturing business utilizing recycled PET) • Initiated "Technology Development for Para-xylene Production from CO₂" (CCU) • Commenced R&D on use of CO₂ in concrete and CO₂-SUICOM (CCU) • Established a partnership agreement with Blue Planet Systems Corporation (CCU) • Began collaborating with NTT Anode Energy Corporation in the energy sector • Commenced collaboration with five private Singaporean companies and Chiyoda Corporation aimed at sustainable importation and commercial utilization of hydrogen in Singapore
	<p>2020</p> <ul style="list-style-type: none"> • Invested in CarbonCure and formed a business partnership (CCU) • Signed an MOU concerning a joint study on the use of CCS for the production of clean ammonia fuel in Indonesia • Commenced collaboration with South Pole to generate and sell carbon credits from carbon removal technologies such as CCUS 	<p>2020</p> <ul style="list-style-type: none"> • Acquired Eneco, an integrated energy company based in the Netherlands 	<p>2021</p> <ul style="list-style-type: none"> • Invested in the Monsoon Wind Farm, an onshore wind power generation facility in Laos