

The Value Creation Story

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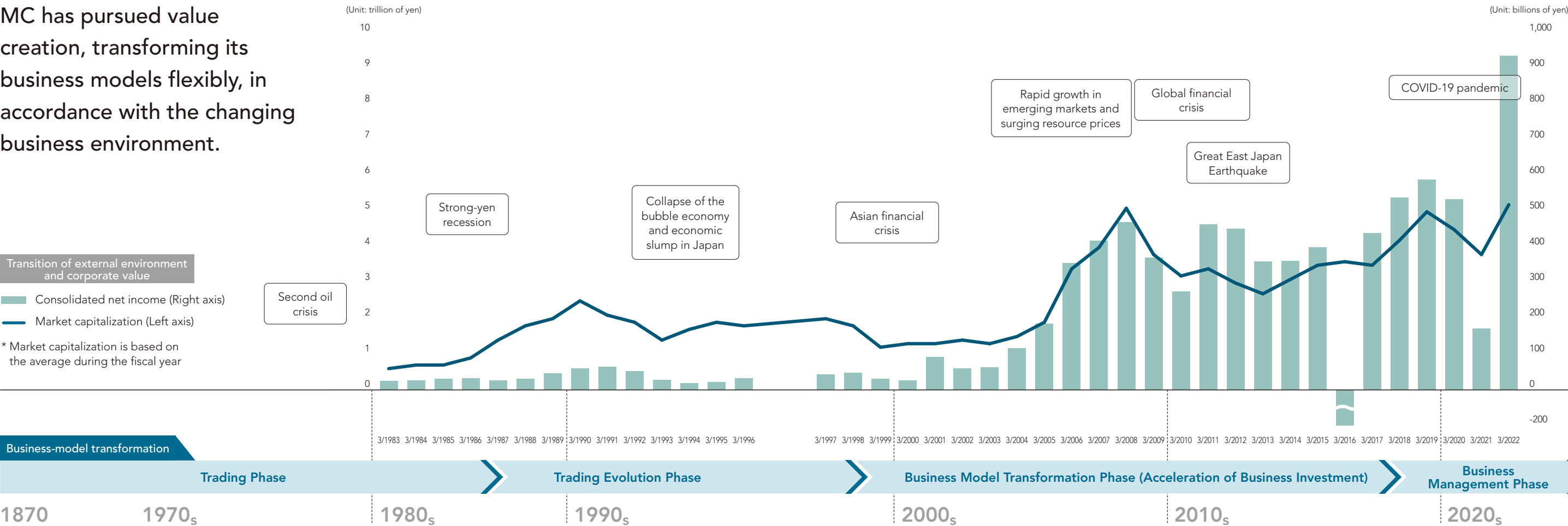
Along with an overview of the value creation process, the Six Capitals that serve as inputs to the process, and Materiality that guides the process are explained.

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Path of Value Creation

MC has pursued value creation, transforming its business models flexibly, in accordance with the changing 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

After launching Midterm Corporate Strategy 2018, MC has sought further growth in "business management" model, in which it has deeply entered into investees' business to create values directly and proactively, beyond the previous concept just expecting "returns" from investment. In Midterm Corporate Strategy 2021, MC also introduced the Value-Added Cyclical Growth Model, and proceeded to allocate management resources to businesses whose value could be expected to increase through our business management. In the current Midterm Corporate Strategy 2024, MC will further accelerate these initiatives while promoting EX and DX, and aim for creating a new future through regional revitalization by utilizing integrated EX /DX initiatives.

Major Events



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



Cermag 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
- 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
- 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.
- 2021 MC appointed as an operator for an offshore wind power generation project of the three areas in Japan
- 2022 MC participates in Breakthrough Energy Catalyst

Value Creation Process

MC's businesses are underpinned by financial and other capitals which exist both internally and externally. We invest the capitals into businesses to address social challenges through our businesses and continuously create significant shared value. The created shared value strengthens the capitals and becomes a source of further value creation. By repeating this cycle, we aim to achieve sustainable growth.

Materiality related to social challenges

P.46-47



Contributing to Decarbonized Societies



Promoting Stable, Sustainable Societies and Lifestyles



Conserving and Effectively Utilizing Natural Capital



Utilizing Innovation to Address Societal Needs



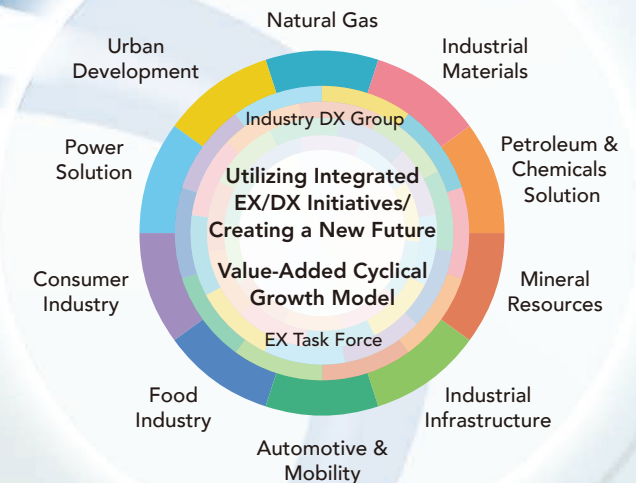
Respecting Human Rights in Our Business Operations



Addressing Regional Issues and Growing Together with Local Communities

② Business Group x Business Model (Engine)

P.60-83



② Business Group x Business Model (Engine)

The 10 Business Groups engage in a wide range of businesses while maintaining broad contact with various industries. We aim to create value that transcends fields and industries based on the companywide theme of creating a new future through integrated EX and DX initiatives, while applying the Value-Added Cyclical Growth Model.



Fostering Vibrant Workplaces That Maximize the Potential of a Diverse Workforce

① The Six Capitals (Inputs)

P.34-37



① The Six Capitals (Inputs)

External capital, which exists outside the company and underpins our management; stewardship capital, which the company acquires from external sources and assumes responsibility to increase its value; internally generated capital, which is created internally by the company using external capital and stewardship capital; these are the foundation of our business activities.

Sustainability Promotion Framework P.86-91

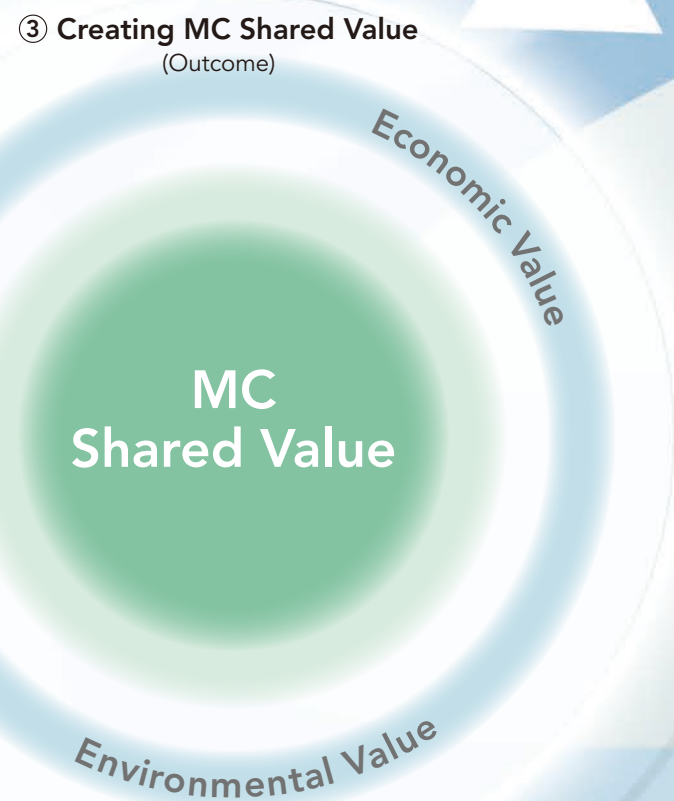
Risk Management P.92-97

Corporate Governance P.98-119



Realizing a Highly Transparent and Flexible Organization

The Three Corporate Principles



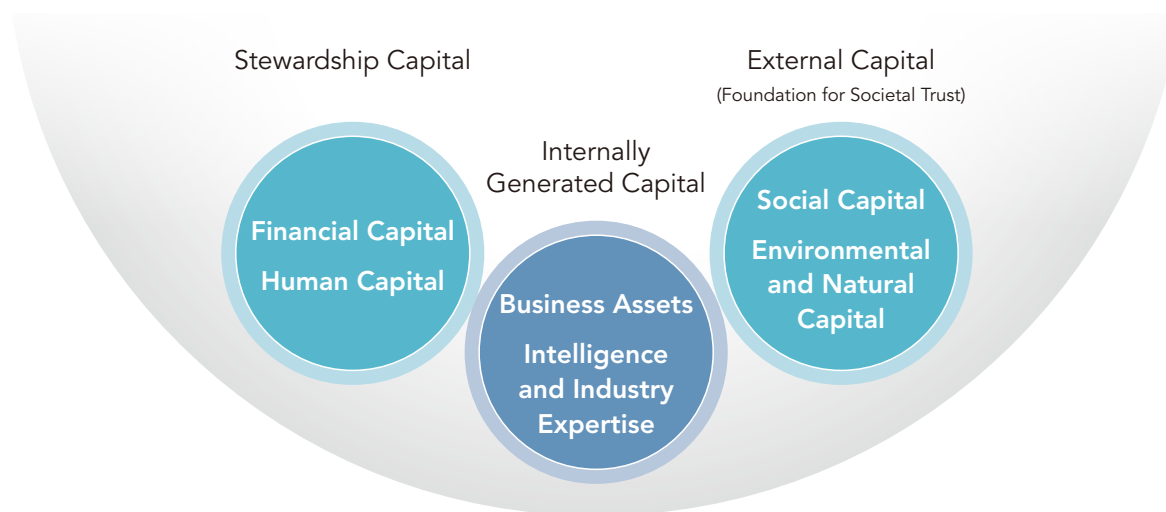
③ Creating MC Shared Value (Outcome)

③ Creating MC Shared Value (Outcome)
Leveraging MC Group's unique collective capabilities, we will further accelerate addressing various social challenges through our business activities and continuously creating MC Shared Value.

The Six Capitals

MC invests the financial and other capitals into its business operations to generate MC Shared Value (MCSV) by addressing societal challenges. The value created then flows back into the capitals, and the increased capitals lead to further value creation.

MC believes that the capitals, which form the foundation of its business operations, can largely be broken down into three types: (1) external capital, which exists outside the company and provides the foundation for societal trust required to carry out business operations; (2) stewardship capital, which the company acquires from external sources and assumes responsibility to increase its value, and (3) internally generated capital, which refers to tangible and intangible assets acquired and created internally by the company using external capital and stewardship capital. We have defined the following six types of capital categorized into each of the above types.



Stewardship Capital

Financial Capital

Receiving financial capital from its providers, increasing its value through business, and distributing the increased value is at the core of any company. In order to continuously increase the value of financial capital, capital efficiency must be improved while maintaining financial soundness. In Midterm Corporate Strategy 2024, we have set a target of double-digit ROE, which we will achieve through careful selection of quality investments and replacing assets using a Value-Added Cyclical Growth Model. With regard to the distribution of financial capital through shareholder returns, we will meet market expectations by combining flexible share buybacks while maintaining stable dividend growth through a progressive dividend scheme.

Equity capital	→	¥6,880.2 billion	(FY2021)
Consolidated Net Income/ROE	→	¥937.5 billion / 15.0%	(FY2021)
Total Payout Ratio	→	Midterm Corporate Strategy 2021 (FY2019-FY2021 Cumulative)	42%

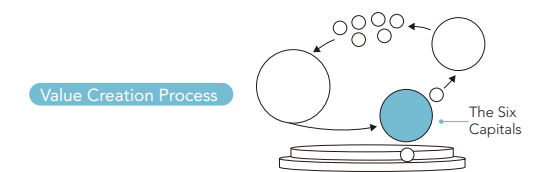
Human Capital

Reference See pp. 38 - 45 for details on human capital.

Human capital is the source of all value creation at MC. Over the years, our diverse and versatile workforce has created value by addressing the various challenges of society, industry and customers and incorporating independent and global perspectives into business creation and execution.

It goes without saying that maximizing human capital requires the development and utilization of talent

coordinated with management strategies. In addition, it is important to continue enhancing engagement, because human capital is, by definition, the individual employee who dedicates his or her valuable time to work. In order to further enhance this time for each individual, it is critical to develop a comfortable work environment for employees as an organization which leads to further engagement.

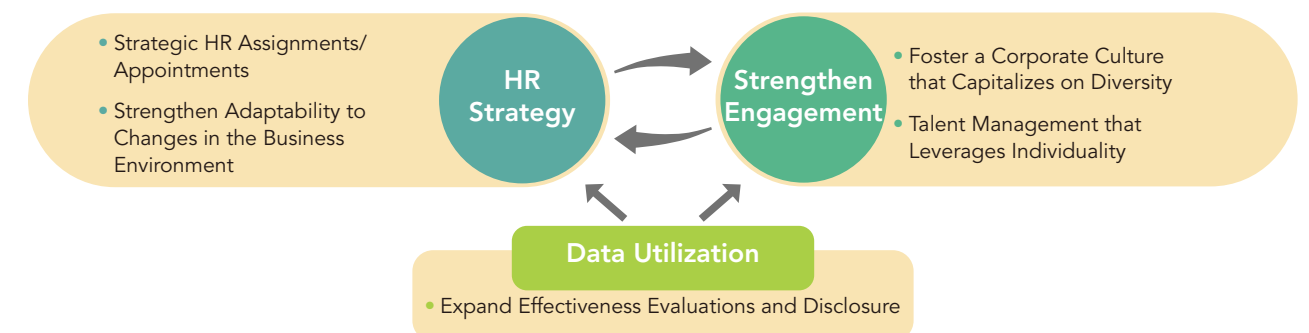


HR Policies in Midterm Corporate Strategy 2024

In order to create MC Shared Value (MCSV) in the current environment of growing uncertainty, we must remain a vibrant organization that responds promptly to management strategies as well as changes in the operating environment, while also maximizing individual

capabilities and value. In the HR Policies of Midterm Corporate Strategy 2024, we have established three pillars: HR Strategy, Strengthen Engagement, and Data Utilization. We will continuously strengthen our vision of the ideal organization through strategy execution revolving around these three pillars.

Achieve a dynamic, spirited and vibrant organization



Internally Generated Capital

Business Assets

With its connections in all industries, MC has created new value with a large number of highly competitive and prominent assets in Japan and overseas, including LNG, metals, salmon and trout, and renewable energy.

Mineral Resources

MC has a number of excellent assets that are among the world's best in terms of cost competitiveness and quality. In the copper business, we participate in the management of high-quality copper mines in South American countries such as Chile and Peru, and hold the largest interest in copper production in Japan. In response to the global shift towards decarbonization, the demand for copper, which is essential for electric vehicles (EVs) and offshore wind power, is rapidly increasing, and we are working hard to secure supply. In the metallurgical coal business, Mitsubishi Development Pty Ltd. (MDP) in Australia, which engages in the exploration, development, production and sale of metal resources, is partnered with BHP in the BMA metallurgical coal business, which holds approximately 30% of the world's maritime trade volume.

LNG

We have LNG operations all over the world, including in North America, Southeast Asia, and Australia, and we maintain a market presence as the largest LNG operator (based on production share) in Japan. We are

responsible for providing a stable supply of energy while working to address environmental challenges such as climate change and air pollution.

Salmon and Trout

In 2014, we acquired Cermaq, one of the world's leading salmon farming, processing and sales companies producing approximately 200,000 tons of salmon annually in Norway, Chile and Canada. This acquisition was made against a backdrop of growing demand for marine products driven by global population growth and an increasing interest in sustainable supply, focusing on the importance of supporting the sustainable growth of fisheries. With this acquisition, MC became the world's second largest producer of farmed salmon.

Renewable energy

We are actively engaged in all aspects of renewable energy, from development to construction, financing, and operation. Within the renewable energy businesses, we have a strong track record in development, construction and operation, especially in the offshore wind power generation and undersea power transmission businesses. Including our equity share in Dutch integrated energy company Eneco, an investment we made in March 2020, we hold a renewable energy power generation capacity of approximately 3.5 million kW as of the end of March 2022.

Intelligence and Industry Expertise

As MC engages in a global network of business operations across all regions and industries, we have accumulated intangible assets such as “intelligence” and “industry expertise”.

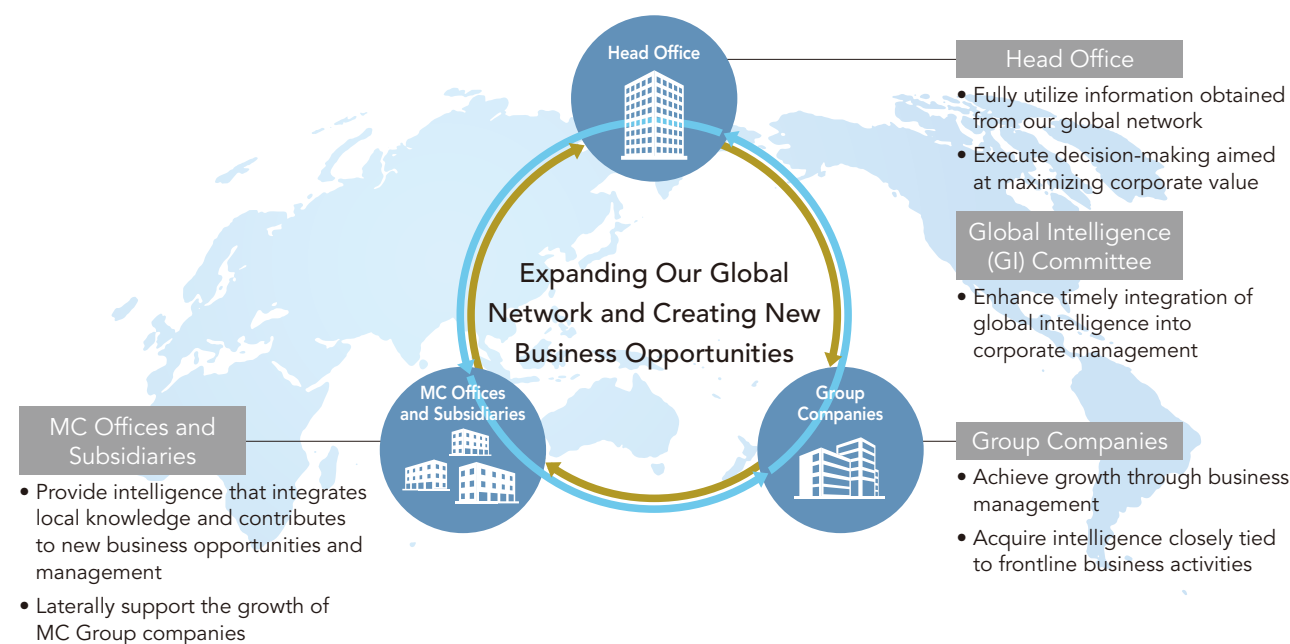
● Intelligence

Through the efficient and effective division of functions among our head office, global offices and subsidiaries, and group companies, we are constantly collaborating to enhance our ability to respond to change and generate the next source of significant growth. Through this global network developed over many years, we possess multifaceted intelligence and know-how in macroeconomics, industry and geopolitics. In order to connect this diverse intelligence and further strengthen our ability to respond to the external environment, we have newly established the Global Intelligence Committee

(GI Committee) in Midterm Corporate Strategy 2024. By incorporating the analysis of the GI Committee into the MC Shared Value Forum (MCSV Forum), which discusses and formulates cross-industry companywide strategies, we will strengthen the driving force of our Business Groups and collaboration across all industries.

● Industry Expertise

We have maintained connections with all industries for many years, and have accumulated industry expertise and know-how, by diving deep into each industry and developing a wide range of businesses. Each Business Group will strengthen the driving force of its business in each industry, and will work to provide new value by combining this physical frontline field of operations with digital technology, thereby further enhancing industry expertise.



External Capital (Foundation for Societal Trust)

Social Capital

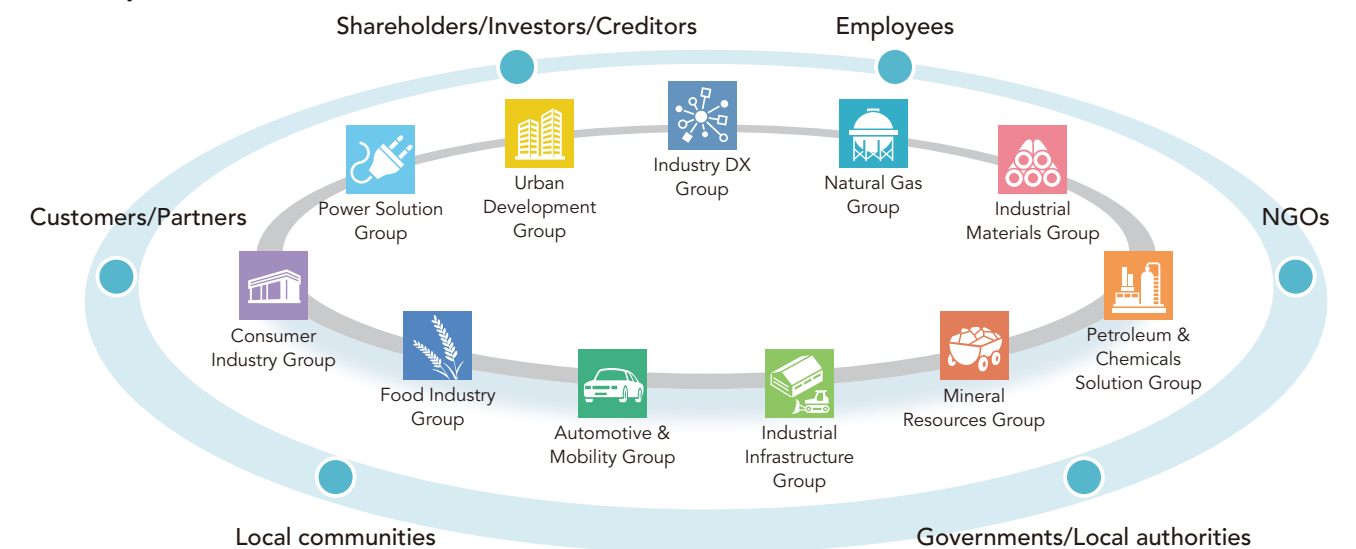
To implement our business operations, we need to ensure that their value and significance is widely recognized not only by our customers and partners, but also by stakeholders with whom have no direct contractual relationship. In addition to shareholders, investors, creditors, and employees, who provide the human capital, we regard our customers, partners, local communities, NGOs, governments and government agencies as our principal stakeholders, and we

continuously engage both pillars to ensure business continuity. Through this engagement and our connections with diverse stakeholders and by returning the generated value appropriately, we continue to promote the circulation of value throughout society as a whole.

● Customers and Partners

MC will contribute to the development of societies and economies by providing a stable supply of products and

■ Key Stakeholders



services that meet the needs of customers and business partners across a wide range of business areas, from upstream raw material procurement to downstream retail. This will be done by working with our customers and business partners to develop various businesses that could not have been realized alone. Moreover, as a company that handles a diverse range of products and services worldwide, MC is working to achieve a sustainable supply chain as a key issue.

● Local Communities

MC believes in the importance of “Growing Together with Local Communities” and “Addressing the Needs of Society through Business Innovation” as well as the value of building relationships with communities for the success of its businesses. Furthermore, by growing together with communities through job creation, promoting community development and procuring raw materials from local communities, MC also strives to minimize negative impacts, including by respecting the rights of indigenous peoples. Particularly for large-scale projects where the understanding and cooperation of local communities is crucial, we hold public hearings and dialogues with local

residents as needed. Growing together with local communities is equally as important as advancing our businesses and generating financial return. This represents the true spirit of MC, which seeks to simultaneously generate economic, environmental and societal value.

● Governments and Local Authorities

To achieve improvements and provide solutions to societal issues through our global business operations, we engage in collaboration, joint initiatives and dialogue with government and public organizations through our involvement in business associations, public-private sector initiatives and other forums, with the aim of contributing to societal development.

● NGOs

We recognize NGOs as key stakeholders that function as representatives for the planet and its citizens, and we seriously consider the opinions and concerns raised through our robust communication on a day-to-day basis and seek their views to improve our initiatives. Moreover, we are promoting collaborations with NGOs to address environmental and societal challenges.

Environmental and Natural Capital

As with social capital, consideration for the environment and nature is also an indispensable element in maintaining the foundation of societal trust critical to business continuity, and we recognize the Earth as our greatest stakeholder. In order to continuously create MCSV in accordance with the aims of Midterm Corporate Strategy 2024, we have identified the following as part of our Materiality, or important societal issues to be addressed through our business:

“Conserving and Effectively Utilizing Natural Capital”, in which we strive to maintain biodiversity and conserve natural capital while reducing our environmental footprint and realizing a circular economy, and “Contributing to Decarbonized Societies”, in which we provide products and services that contribute to decarbonization during the transition period. Using our Materiality as a guideline, we will continue to strengthen our efforts for sustainable growth.



Maximizing the Value of Human Capital

Creating a Vibrant Organization by interconnecting with members of our diverse and versatile talent pool

MC's Approach to Human Capital

As a party to individual businesses and the industries on which they are built, MC has sincerely taken on the challenge to address societal challenges and achieve sustainable growth together with society through its business activities, while anticipating the needs of the

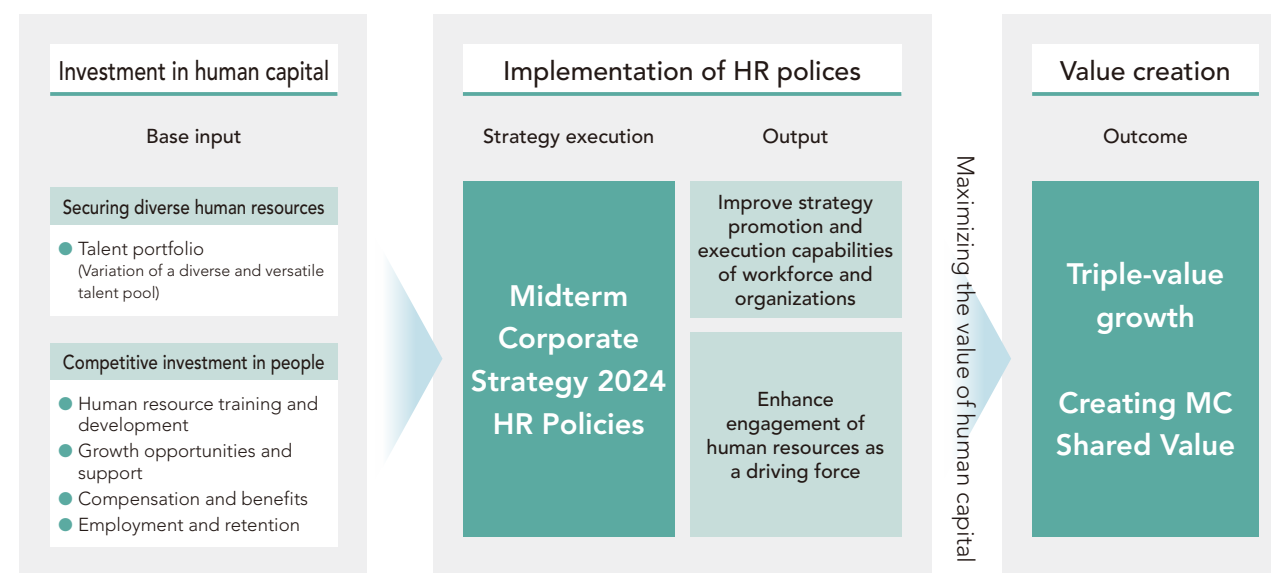
times. Recognizing these distinctive qualities of our business, we consider the diverse and versatile human resources that have supported our growth as a source of value creation, and will continue to actively invest in our human capital.



Maximizing the Value of Human Capital: Value Creation Process

MC will achieve value creation by maximizing the value of human capital through promotion of our HR policies linked to human capital investment and management strategies. One of MC's material issues is "Fostering Vibrant Workplaces That Maximize the Potential of a Diverse Workforce". Therefore, we will work to create an

organization in which a diverse and versatile workforce is the driving force behind the simultaneous realization of economic, societal, and environmental value and can connect and develop through shared values and mutual encouragement.

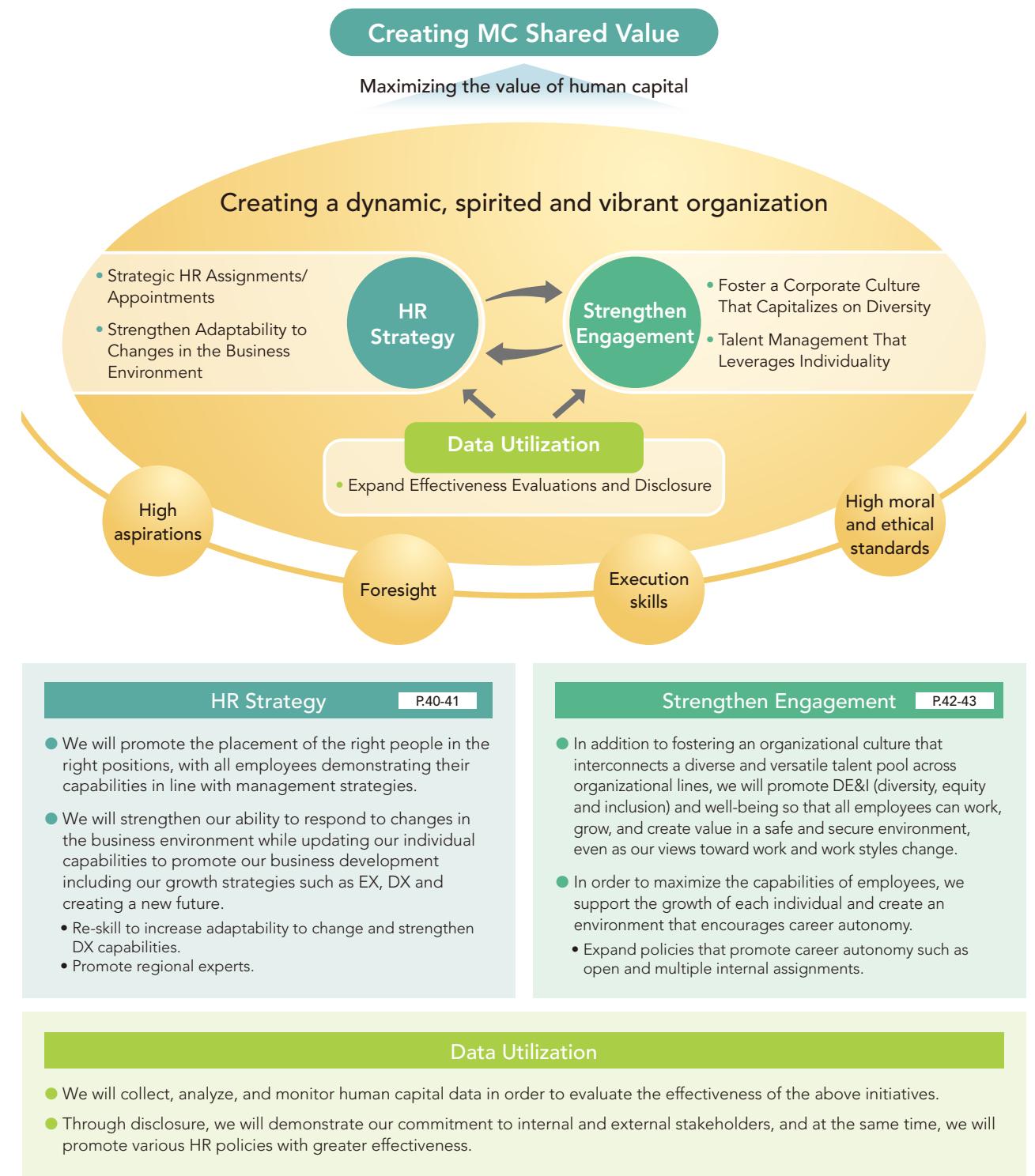


HR Policy under Midterm Corporate Strategy 2024

In recent years, societal challenges are becoming more diverse and complex than ever before. These include the transitioning to a decarbonized society, promoting sustainable societies and lifestyles, and growing together with local communities.

In order to create MC Shared Value, we must continue to be a dynamic, spirited and vibrant organization that responds promptly to such changes throughout the

world and in our management strategies, while connecting our versatile and diverse workforce that works with pride to address societal challenges. In terms of HR policy, we will create MC Shared Value by maximizing the value of human capital under the three pillars of HR Strategy, Strengthen Engagement, and Data Utilization, in order to sustain and fortify this ideal vision for the organization.



HR Strategy

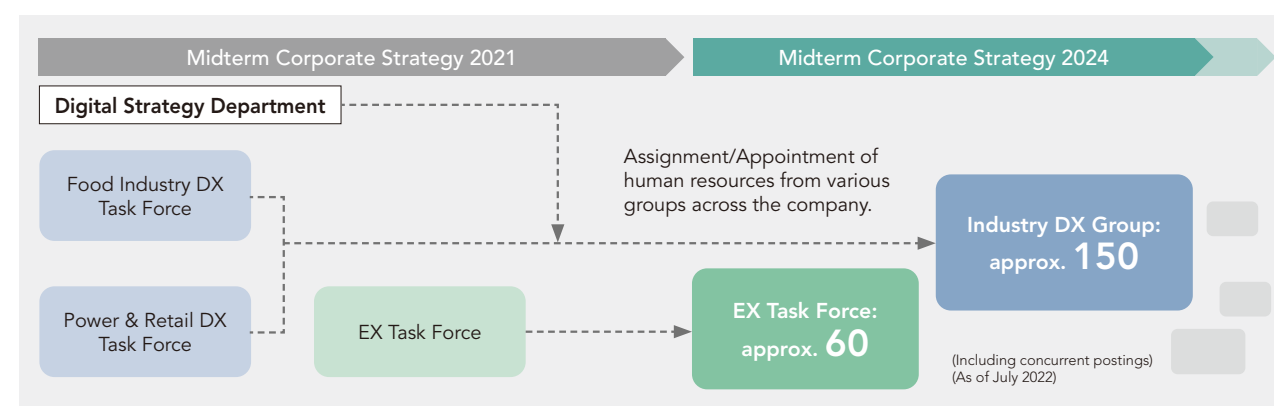
With the aim of implementing an HR strategy that responds promptly to management strategies, we will respond to rapid changes in the operating environment, promote the right people to the right positions and strengthen our ability to respond to changes in the environment so that all employees can demonstrate their capabilities.

Strategic HR Assignments/Appointments

Shifting human resources to focus areas and promoting the placement of the right people to the right positions

We will flexibly structure the organization in response to advancements in the Valued-Added Cyclical Growth Model and management strategies such as EX, DX and Creating a New Future, as well as dynamically shift and appoint human resources across organizations. Cross-organizational transfers increased significantly during the period of Midterm Corporate Strategy 2021. These included transfers

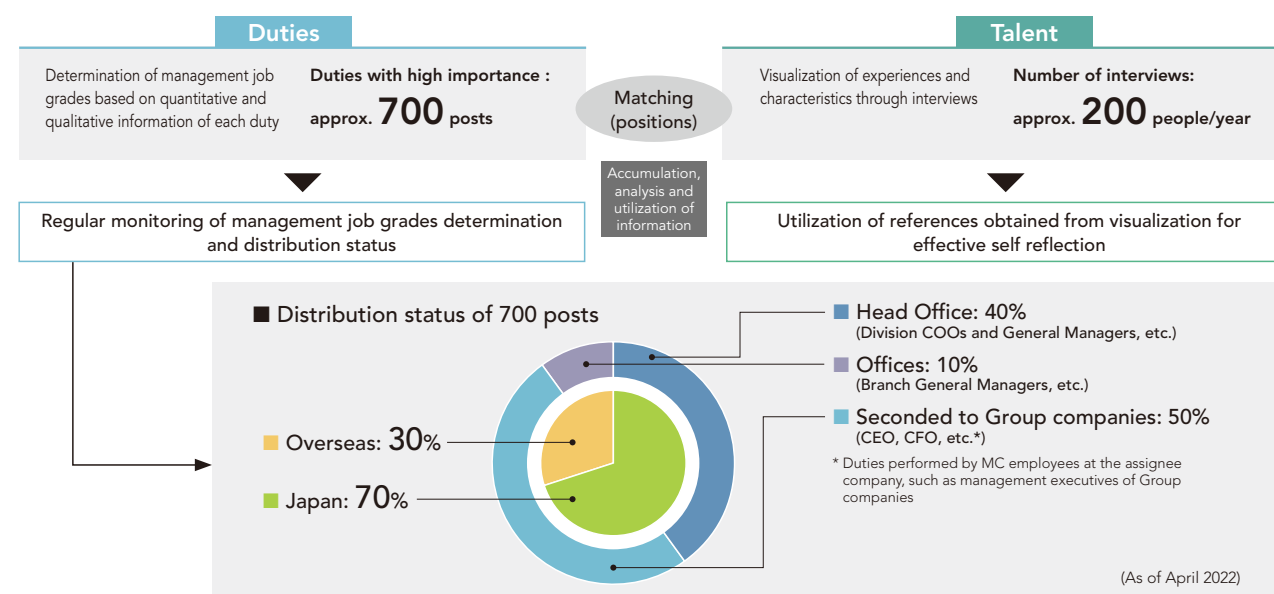
between corporate and Business Groups and the company-wide cross-functional Food Industry DX Task Force and Power & Retail DX Task Force. In Midterm Corporate Strategy 2024, we will promote collaboration broadly across organizations by allocating and appointing talent from various groups across the company, including the newly established Industry DX Group and the EX Task Force.



In order to further ensure the placement of the right people in the right positions, we will promote the visualization of positions of high importance and difficulty* on a consolidated basis and the human resources who are capable for such role (or position). Also, we will implement the visualization of

human resources for our HR subsidiaries to promote matching of human resources with abilities and motivation to proper duties regardless of age, gender, or other factors.

* Including Officers, Division COOs and General Managers of MC, heads of business sites in Japan and overseas, as well as management executives of MC Group Companies for which our employees are responsible

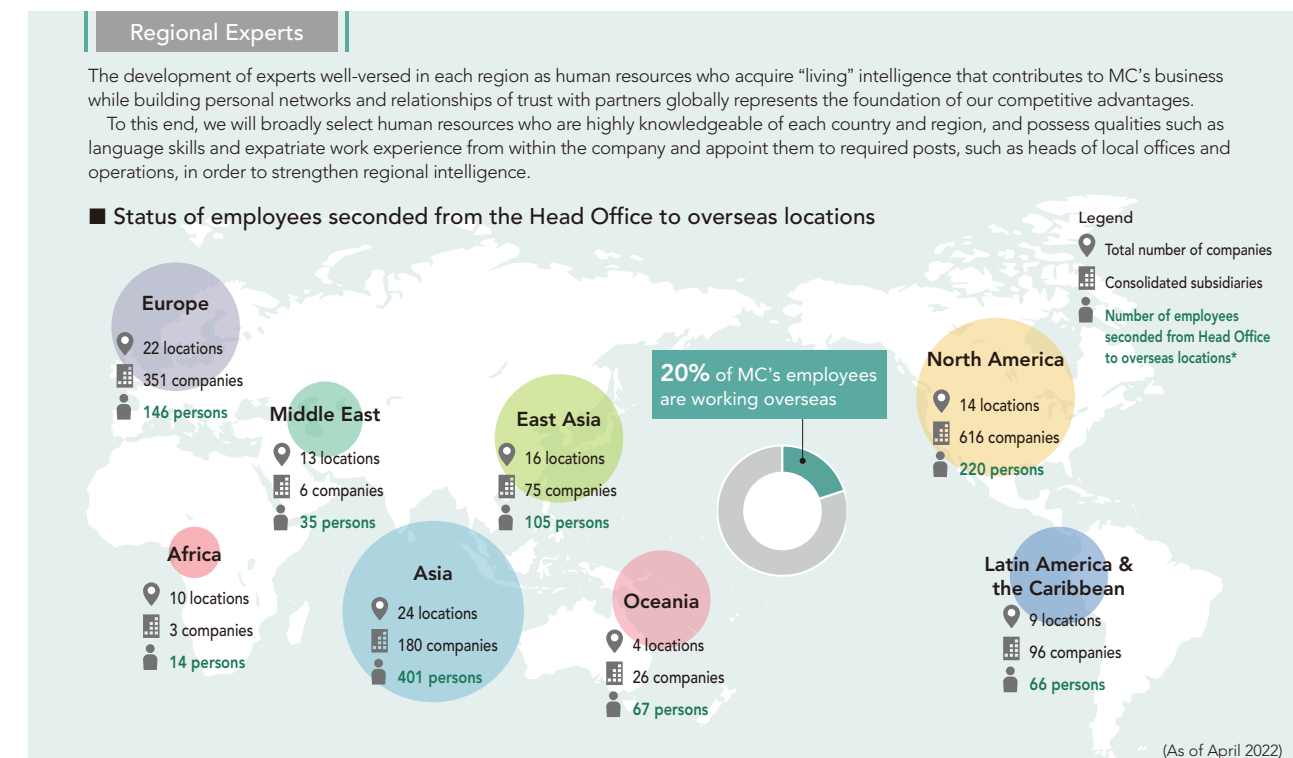
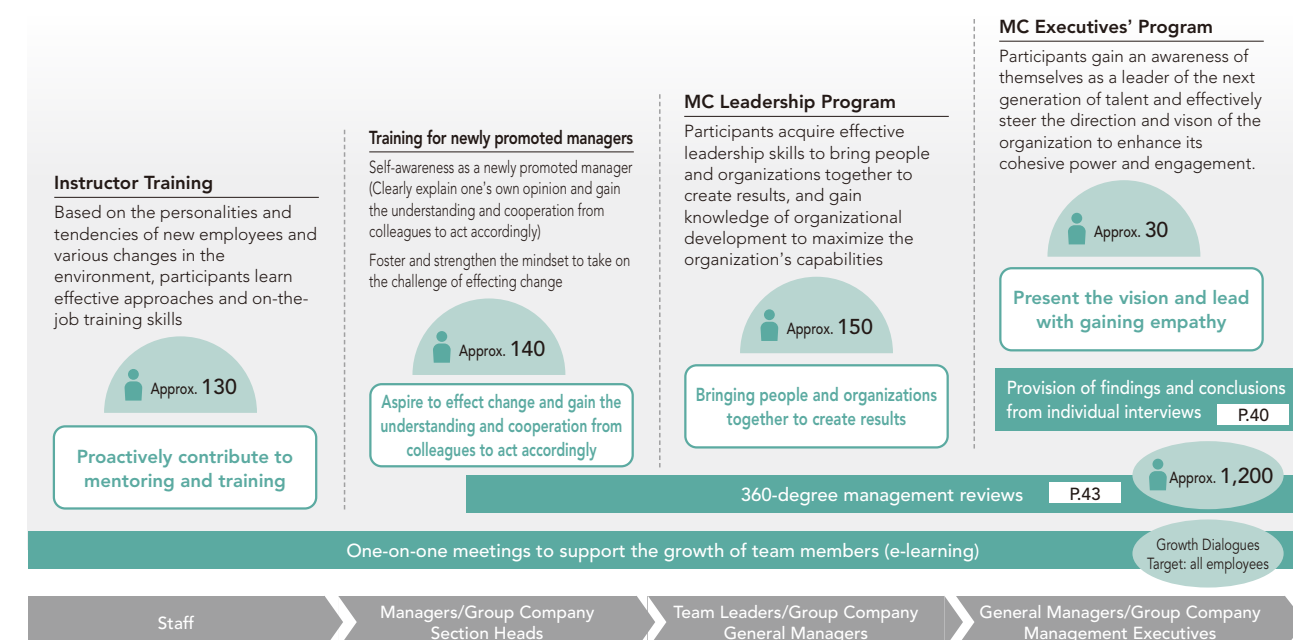


Strengthen Adaptability to Changes in the Business Environment

Reskilling to Adapt to Change: Leadership Development

Through a wide variety of HR development programs, we are working to update leadership skills in response to changes in the business environment. We will embrace HR diversity to make the most of our diverse and versatile talent pool, and strengthen growth support skills. We believe that employees in Team Leader positions, who serve as a nodal point between management and the workplace, play a particularly important role in realizing a “dynamic, spirited

and vibrant organization,” and we hold the MC Leadership Program for newly appointed Leaders across four sessions from April to December. We conduct coaching exercises to support the growth of team members while leveraging their individuality, and workshops to formulate action plans for the workplace based on the introspection of the results of 360-degree management reviews.



* Number of employees seconded from Head Office to overseas locations as of March 31, 2022



Strengthen Engagement

“Dynamic and spirited:” We aim to achieve high employee engagement, and towards this end, we will make improvements in terms of both people and organizations so that employees can work with peace of mind and feel attached to the organization and work.

Foster a Corporate Culture That Capitalizes on Diversity

Promoting Interconnections

We will encourage connections that transcend organizations, age groups, and job titles in order to foster a corporate culture that capitalizes on diversity. In order to promote active communication between executive management and employees, and interconnections between employees, we will expand dialogues and town hall meetings, as well as introduce and utilize IT infrastructure that encourages knowledge and information sharing.

Town Hall Meetings

We regularly hold town hall meetings and dialogues with the President and CEO at various opportunities in an effort to enhance communication with employees.

Results of the survey given to town hall meeting participants

* Ratio of affirmative responses from a four-step evaluation

“High engagement with work and the company” **95%**
“Increased comprehension level of management strategies” **100%**



Town hall meeting in progress

* Meetings are held with infection control measures in place

DE&I

We are promoting and strengthening initiatives to ensure that each of our diverse and versatile employees is accepted and able to flourish.

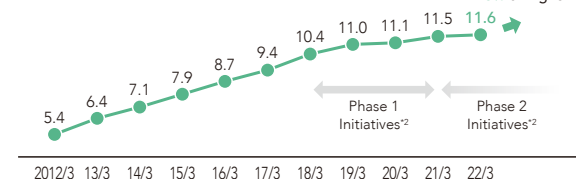
Supporting Women's Careers

We are expanding measures to support work-life balance beyond the level required by law to empower employees to autonomously develop their careers and to further maximize their abilities, even after life events, such as childbirth and child-rearing. Additionally, in order to increase the number of women in managerial positions (target of 15% or more by the fiscal year ending March 31, 2026) and to accelerate their appointment to key positions, we are promoting career support tailored to women such as a mentorship programs for women in managerial positions. We are also focusing on initiatives aimed at 100% utilization of childcare-related systems by men.

Encouraging the Appointment of a Diverse Talent Pool

We are working to maintain and increase diversity by appointing employees based on their abilities and performance, ensuring to assign the right person in the right position, regardless of age, gender or nationality or any other irrelevant factors.

Percentage of Women in Management-Level Positions^{*1}



*1 Data as of April 1 each year
*2 Action plan pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace

Percentage of men using childcare-related systems*

84% (Fiscal year ended March 31, 2022)
(29% taking childcare leave and 83% taking spousal childbirth leave)

* Percentage of men working at the Head Office or MC domestic offices and subsidiaries as of the end of the fiscal year whose spouse gave birth in the relevant fiscal year and who used childcare-related systems including childcare leave and spousal childbirth leave.

Percentage of foreign nationals in management-level positions (includes MC's overseas locations)

18% (As of April 2022)

Percentage of mid-career hires in management positions (MC non-consolidated basis)

10% (As of April 2022)

Well-being

Based on the belief that a healthy mind and body determine the success of the individual, we have compiled a Health and Productivity Management Declaration. Under this, we are promoting health and productivity management that not only ensures the safety of the workplace, but also promotes the well-being of our diverse and versatile talent pool and ensures that they can make the most of their skills and personalities.



Health Promotion

MC has put into place a system in which employees who work in environments with different languages, cultures and medical standards, as well as their families can see in-house physicians at any time with health concerns. We encourage all employees to change their behavior to improve their health through the use of health apps as well as individual health guidance and nutrition guidance that is data driven based on diverse working environments, lifestyles, and health data.

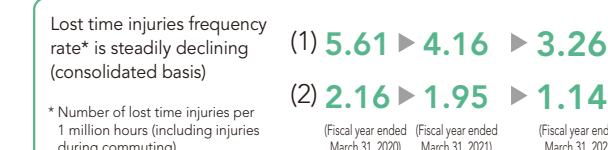
Initiatives for Mental Health

We are promoting mental health initiatives with an emphasis on prevention and early intervention. Certified psychologists (3 full-

time and 1 part-time) regularly meet with employees individually where they receive a wide range of employee consultations. By collaborating with neurologists at the in-house clinic to create an environment that supports employees and the workplace, the number of consultations has increased, leading to the prevention and early detection of mental health challenges. We are also focusing on strengthening our support system. This entails remote counseling with employees seconded overseas, regular health monitoring for young employees, and line care training for managerial staff.

Ensuring Safety

Based on MC's Occupational Safety and Health Policy, we are promoting the development of safety and health (OSH) culture across the Group through the mitigation of occupational accidents among (1) our own employees and (2) contractor employees.



Talent Management That Leverages Individuality

Career autonomy

We respect the diverse work styles and values of individuals and are expanding our efforts to support career autonomy, to ensure that our diverse and versatile talent pool feels a sense of satisfaction and pride in their work, and to continue to grow and play an active role while making use of their abilities to the fullest.

Growth Dialogues

With the goal of increasing the effectiveness of employees' autonomous growth, we conduct annual reviews focusing on employee skill development and career building, and provide opportunities for dialogue with supervisors.

Level of increased motivation through Growth Dialogues with supervisors



Over 80% responded affirmatively

Feedback Supporting Growth

Prior to Growth Dialogues, employees who lead certain organizations undergo a 360-degree management review from their superiors, subordinates, and colleagues, while other employees receive team feedback from their

subordinates and colleagues. This provides opportunities for growth support leading to increased awareness and improvement of behavior.

Talent Review Program

MC has established a mechanism to encourage the development of employees' skills and careers through observation and assessment from multiple perspectives by sharing skill growth and career aspirations of employees confirmed through Growth Dialogues with a wider population.

Mechanisms that Encourage Career Autonomy

Based on individual career aspirations along with skills and qualities that employees want to develop in the future, we will promote open recruitment assignments to support the transfer of employees to positions they wish to take on and Dual Career initiatives that provide opportunities for skill acquisition and growth through in-house dual work. Additionally, we will implement a career development support program so that our employees can visualize their own skills, take inventory of their experiences, clarify their career vision, and establish a cycle for realizing it.

Strengthening and Monitoring Engagement

We make improvements by visualizing and monitoring the engagement status of employees and the degree of organizational vitality through regular Employee Awareness Surveys. In addition to MC (Head Office and facilities), group companies in Japan and overseas also participate in the survey (41 companies in Japan and 29 overseas participated in the fiscal year ended March 31, 2022).

Engagement index in the Employee Awareness Surveys: **76%** (Fiscal year ended March 31, 2020; MC non-consolidated basis)

* Percentage of employees who answered affirmatively to the question regarding "Employee engagement (Do you work with enthusiasm and take pride in/admire your company?)" In the same survey, a positive response rate of 75% or more is recognized as a "clear strength".

HR Development and Initiatives to Promote EX and DX

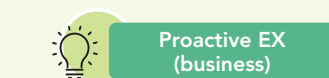
Promoting EX

Expanding EX Education and Training Programs

Promoting EX requires each employee to understand the trend of decarbonization, risks and opportunities, and to recognize and envision how it relates to their own work. To that end, we are working to raise the level of EX-related knowledge, skills and mindset in order to develop human resources who can contribute to increasing corporate value through EX. Specifically, based on the three themes of

“proactive”, “defensive”, and “integrated initiatives with DX”, we are establishing training programs on EX-related themes within orientation training for newly hired employees, training for newly appointed managerial staff, and training for executive leadership (MC Leadership Program), regardless of Business Group or corporate department affiliation.

■ EX Education Themes



Proactive EX (business)
Seizing EX as an opportunity to develop and nurture new and **core businesses in a new era**.
(Industry-specific EX issues, latest EX technology trends, overview of MC's EX solutions, skill improvement in new business development, etc.)



Defensive EX (initiatives)
Identify short-, medium- and long-term risks and costs related to climate change and **strengthen business resilience**.
(Impacts of related regulations and rules on MC, calculation of emissions, setting of targets, formulation of roadmaps, disclosure and stakeholder engagement, etc.)



Integrated EX and DX Initiatives
Lead industrial transformation while utilizing DX to accurately identify changes in the external environment
(EX-related digital tools and technologies, etc.)

Knowledge Sharing

MC used an online chat tool to form a decarbonization business promotion platform in which any employee can participate. Approximately 850 employees from various departments and facilities in Japan and overseas are participating, sharing their own information and know-how. Employees can also post the latest information from around the world and share examples of each group's initiatives on a daily basis. In addition, by investigating fields of high interest using questionnaires, holding study sessions, and creating a system that allows employees to immediately connect with in-house experts, we aim for this platform to serve as a stepping stone for the creation of new businesses.



Decarbonization Business Promotion Platform

■ Examples of information posted / Study session themes

- Renewable energy
- CCUS
- Hydrogen and ammonia
- Carbon credits
- Decarbonization/EX-related technologies
- Decarbonization/EX-related external environment
- ESG investment, etc.

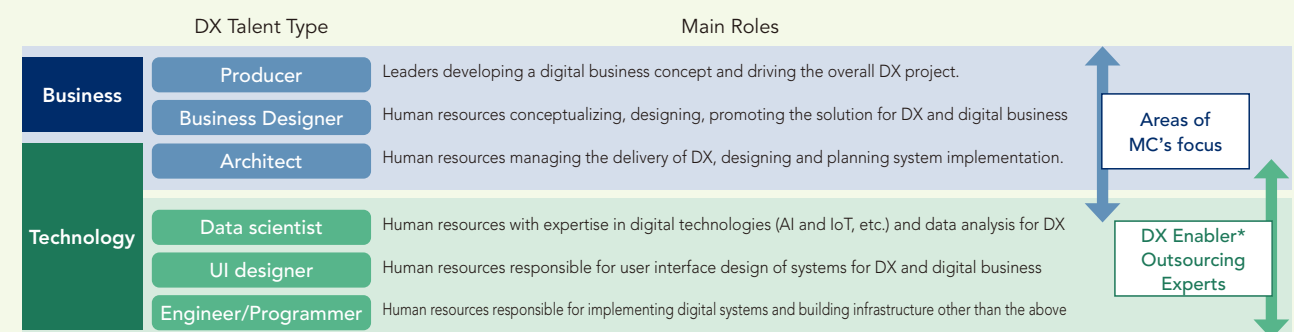
Promoting DX

DX Training for All Executives and Employees

To accelerate DX, we have defined the areas based on the “DX Talent Type” as shown in the figure below.

We have started offering the MC DX Advancement Program, an on-demand training program that allows each participant to acquire the IT/ digital skills required of “producers”, “business designers” and “architects” according to their individual level. All executives and employees have

begun taking this program in the fiscal year ending March 31, 2023. In addition to the above, we are working to develop human resources who will lead our DX projects through other training programs, including programming training for those in charge of DX promotion and new business launch, workshops on web service launch, courses for management, CDO training courses, and innovators' Program.



MC Innovation Lab (MIL)

In April 2021, we launched MC Innovation Lab (“MIL”), a program for employees in charge of new businesses and digital businesses to develop web services while participating in lectures on programming and product creation for business development. The results were evaluated using a contest format, with some of these web services now moving toward commercialization. A total of approximately 90 employees, including from group companies, have participated in the past three sessions.



Masks were removed to take the photograph.

Active role of our diverse and versatile talent pool as seen in projects

Offshore wind power generation projects aiming to create a new future through integrated EX/DX initiatives

■ Focus on development of human resources in offshore wind power since 2012

In Europe, a leading region in offshore wind power, we have been engaging in the offshore wind power generation business for a decade together with Eneco, an integrated energy company in the Netherlands. During this time, **we have accumulated business knowledge and developed human resources across all phases of development, construction, and operation**. Our strength is our ability to complete projects independently by **utilizing the knowledge of our own people who have gained experience** in Europe through daily discussions with offshore wind power professionals at Eneco, which became an MC Group company in 2020.

■ Initiatives to create a new future by growing together with communities

In developing offshore wind power in Japan, even before the government's call for proposals began in November 2020, **we dispatched employees in charge of project implementation to Akita and Chiba Prefectures**, where offshore wind farms are to be constructed. Through discussions with local community members, we have been refining measures for mutual growth such as building a sustainable fishery support system, promoting local industry, creating jobs, and supporting the livelihood of residents. Going forward, we will promote regional revitalization and the creation of a new future by **executing these mutual growth measures together with partners and collaborators closely rooted in the community** over the long duration of these projects.

► Please refer to pages 20 to 25 for additional details of the special feature on Creating a New Future (Fostering New Industries/Regional Revitalization)

Keyword ▶



- Strategic HR Assignments/Appointments
- Strengthen Adaptability to Changes in the Business Environment



Initiative to revitalize human resources development in Akita Prefecture (Charitable lecture at Akita International University)

Active role of our diverse and versatile talent pool as seen in projects

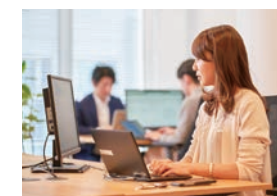
Industry One is working on industry DX by harnessing the collective capabilities of our talent pool

■ Accelerating DX covering industry as a whole

In 2021, we established Industry One through a joint investment with Nippon Telegraph and Telephone Corporation (NTT), our business partner for the promotion of industry DX. Industry One provides DX services by combining MC's strength of extensive industry knowledge and NTT's strength in ICT technology. **Seconded employees from MC and NTT with diverse experiences** are working together with **Industry One employees of varying backgrounds** to accelerate DX not only for group companies but also for Japanese industries as a whole, while collaborating with a wide range of partner companies.

■ Employees using career experience to tackle the challenge of DX promotion

One of the seconded employees from MC participated in the launch of Industry One and is now a manager at the company. This role was made possible by their previous experience in promoting DX in the food, apparel, and healthcare fields and also working on IT and digital human resource development. In order to **maximize the performance of Industry One as a whole by combining the skills of the company's diverse DX human resources**, we are actively playing a role of connecting management and employees in daily operations, focusing on **strengthening engagement** while working to improve the value of Industry One toward the realization of industry DX promotion.



Keyword ▶



- Foster a Corporate Culture That Capitalizes on Diversity
- Talent Management That Leverages Individuality

Materiality

We will promote initiatives based on our Materiality (material issues) when investing the Six Capitals into business and generating shared value through our business.

Overview of Materiality and Identification Process

Based on the Three Corporate Principles, which have served as MC's core philosophy since its inception, MC identified a set of Key Sustainability Issues in 2016 as mileposts for proactively realizing "triple-value growth" through the simultaneous generation of economic, societal and environmental value. While responding to the requests of all stakeholders, MC has worked to address various societal issues through its business activities and has contributed towards the sustainable development of society as well as value creation.

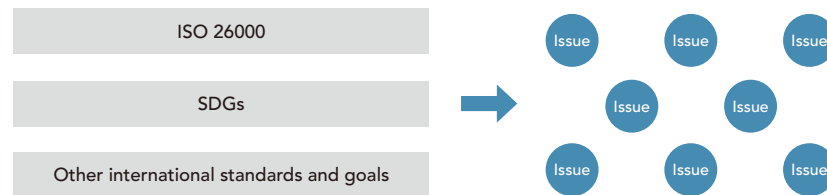
Six years have passed since the Key Sustainability Issues were identified, and stakeholder expectations of

companies regarding issues such as climate change have grown even higher, while the issues that companies must address also continue to evolve. Against this backdrop, in order to further raise our corporate value over the medium to long term, we conducted a review of our Key Sustainability Issues from the perspective of their importance to our business activities. The revised “Materiality” was announced in Midterm Corporate Strategy 2024 as a set of crucial societal issues that we will prioritize through our business activities, towards the strategy’s goal of continuous creation of MC Shared Value.

■ Identification Process of Materiality

STEP 1 Creating a list of potential issues

In keeping with commonly used materiality setting procedures*, MC compiled a list of around 80 potential issues that should be taken into account in order to achieve sustainable growth for the MC Group, which were based on international standards and goals such as ISO 26000 and the SDGs.

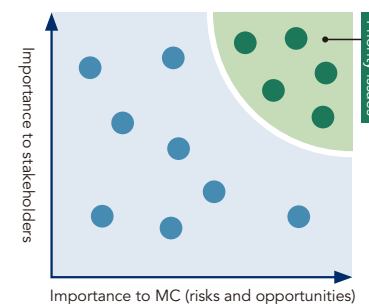


* Referencing reporting guidelines such as those of the Global Reporting Initiative (GRI), an international NGO

STEP 2 Gauging the importance of each issue based on internal and external perspectives

MC gauged the importance of each theme, in terms of both opportunities and risks, and selected priority issues based on the perspectives of MC's Business Groups as well as those of external stakeholders.

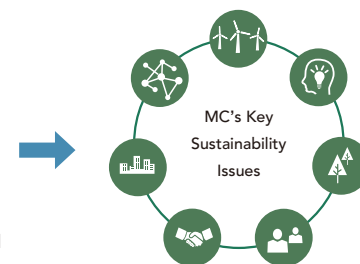
- Through interviews and questionnaires with a variety of stakeholder groups, MC determined each issue's degree of importance to stakeholders.
- Corporate Staff Section and every Business Group evaluated and prioritized each theme to determine its importance to MC.



STEP 3 Identifying the Key Sustainability Issues

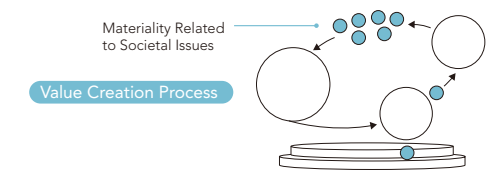
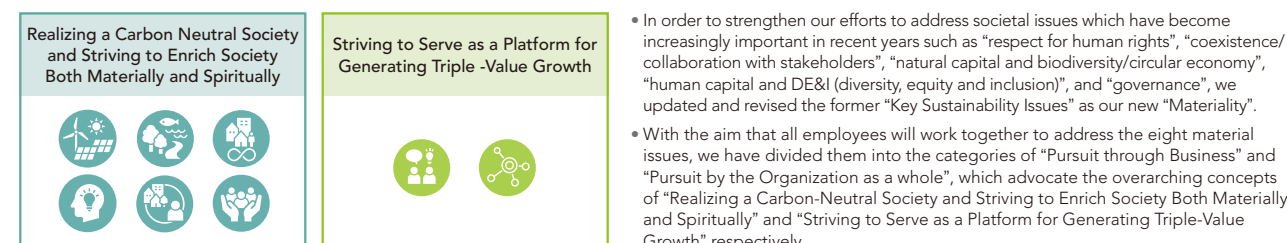
MC reexamined the selected priority issues while incorporating the views of the Sustainability Advisory Committee. Following deliberations by the Executive Committee and the Board of Directors, the Key Sustainability Issues were determined.

- Harmony with local communities
- Utilization of advanced technology
- Pollution prevention/countermeasures
- Response to climate change
- Sustainable use of resources
- Expanded presence of developed countries
- Respect for human rights
- Work environmental/labor issues
- Effective water use
- Response to increasing food demand
- Response to population fluctuations
- Response to geopolitical risks



STEP Redefining our Materiality

In conjunction with the establishment of Midterm Corporate Strategy 2024, we redefined our former “Key Sustainability Issues” as “Materiality”.



Relevance of MC's Redefined Materiality to the SDGs

By leveraging its collective capabilities and engaging in a variety of businesses, our company will contribute to addressing a wide range of societal challenges and ensure sustainable growth. We have identified the SDGs* relevant to each material issue, and believe that promoting businesses based on our Materiality will also

help to achieve the Sustainable Development Goals (SDGs).

► Please refer to page 19 for an overview of MC's Materiality.

 Please refer to pages 48 to 51 on climate change for MC's contributions to a decarbonized society.

Former Key Sustainability Issues		Themes	Relevant SDGs
Transitioning to a Low-Carbon Society	Realizing a Carbon Neutral Society and Striving to Enrich Society Both Materially and Spiritually	Contributing to Decarbonized Societies	
Procuring and Supplying in a Sustainable Manner		Conserving and Effectively Utilizing Natural Capital	
Tackling Evolving Regional Issues		Promoting Stable, Sustainable Societies and Lifestyles	
Addressing the Needs of Society through Business Innovation		Utilizing Innovation to Address Societal Needs	
Conserving the Natural Environment		Addressing Regional Issues and Growing Together with Local Communities	
Growing Together with Local Communities		Respecting Human Rights in Our Business Operations	
Fostering Our Employees' Maximum Potential	Striving to Serve as a Platform for Generating Triple-Value Growth	Fostering Vibrant Workplaces That Maximize the Potential of a Diverse Workforce	
Addition of new issues		Realizing a Highly Transparent and Flexible Organization	

* 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.”

Setting Goals for 2030

In 2019, MC formulated individual business goals so that each Business Group could autonomously promote sustainability initiatives. In 2020, MC reviewed these individual business goals to make them more specific and quantifiable, taking into account the external

environment and societal demands. In 2022, these goals were aligned with the newly redefined Materiality. The main material issues and the corresponding business targets and main initiatives are as follows.



Materiality

Climate Change

—Materiality Forming the Basis of EX Strategy



MC's Policies on Climate Change

Our planet and its ecosystems, human beings and corporate activities are highly vulnerable to climate change. At MC, our belief is that while climate change does pose significant threats, it also presents the MC Group with new business opportunities. Accordingly, MC has identified "Contributing to Decarbonized Societies," which is part of its Materiality, as one of the key issues for management to address and respond to as MC strives to

achieve sustainable growth. MC aims to fulfill its mandate to meet the demand for energy, while at the same time helping to achieve international objectives, such as the UN Sustainable Development Goals (SDGs) and the Paris Agreement. To realize that aim, MC works in collaboration with a wide range of stakeholders, including governments, other businesses and industry associations.

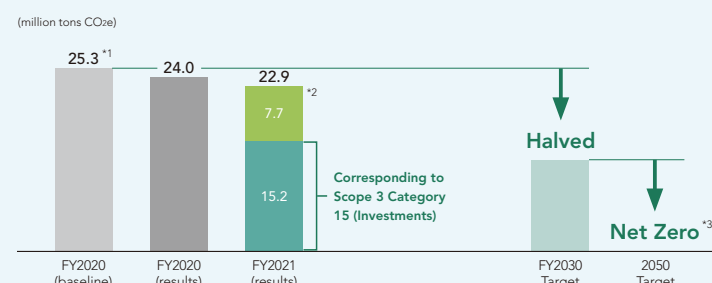
Initiatives to Achieve Net Zero by 2050

GHG Emissions Reduction Targets

In its Roadmap to a Carbon Neutral Society released in October 2021, MC has formulated medium- and long-term greenhouse gas (GHG) emissions reduction targets aligned with the Paris Agreement: to halve emissions by the fiscal year ending March 31, 2031 (fiscal year ended March 31, 2021 baseline) and to achieve net-zero emissions by 2050. To reach the target of halving emissions by the fiscal year ending March 31, 2031, we will utilize every means available, including replacing assets and switching operations to renewable energy and alternative fuels. Looking toward 2050, we will leverage our collective capabilities to drive industrial transformation as well as embrace new technologies and innovations to aim to achieve the goals of the Paris Agreement and net zero emissions.

In order to ensure the achievement of the reduction targets

for the fiscal year ending March 31, 2031, which are shown below, we believe it will be crucial to develop and improve our GHG emissions management processes, monitor progress in emissions reduction and disclose such efforts. Based on this approach, in the Midterm Corporate Strategy 2024, as described below, we established and announced new specific and effective processes for confirming short- and medium-term GHG reduction plans when formulating investment plans ("Investment Planning in Accordance with GHG Reduction Plans"). Furthermore, we will continue to appropriately disclose annual GHG emissions each year, as before, to inform stakeholders of our progress in reducing emissions toward the target for the fiscal year ending March 31, 2031. Our progress as of the end of the fiscal year ended March 31, 2022 is as follows.



^{*1} The figures on the left represent the Scope 1 and Scope 2 emissions of MC and its consolidated companies, including affiliates, based on the GHG Protocol's equity share approach. Furthermore, base year figures include emissions from thermal power generation and natural gas projects, which comprises (i) assumed peak emissions from pre-operational committed projects and (ii) projected full-capacity emissions for partially-operational projects.

^{*2} The figure, 7.7 million tons CO₂e, represents the Scope 1 and Scope 2 emissions of MC and its consolidated subsidiaries under the GHG Protocol's equity share approach. It would be equivalent to 8.3 million tons CO₂e under the GHG Protocol's financial control approach. For details, please refer to page 136.

^{*3} Any residual emissions, after reduction efforts have been made, will be neutralized using internationally-accepted offsetting methods including carbon removal. The specific reduction plan and measures for the GHG emissions reduction targets will be adjusted as required in line with progress of technological developments, economic viability and policy/ institutional support.

GHG Emissions (Scope 3)

MC's reduction targets and GHG emissions above include a portion of the Scope 1 and Scope 2 emissions of its affiliates on an equity share basis, corresponding to Scope 3 Category 15 (Investments) emissions. In addition, we recognize the importance of appropriately disclosing emission of Category 11

(Use of Sold Products), which account for the majority of MC's Scope 3 emissions. Looking towards such disclosure, we believe emissions should be calculated in manner that accurately reflects the actual circumstances of our business, and we will continue to diligently consider ways to disclose them.

Midterm Corporate Strategy 2024 / Adopt Mechanism for Initiatives to Achieve the GHG Reduction Targets

In order to achieve our GHG reduction targets in the Roadmap, in the Midterm Corporate Strategy 2024, we have adopted mechanisms for simultaneously decarbonizing and reinforcing our portfolio by classifying each business based on climate-related transition risks and opportunities. In addition to scenario analysis, which we have conducted for some time, we are introducing measures such as Transform

Discussion, Investment Planning in Accordance with GHG Reduction Plans, and Evaluation of New Investment Using Assumptions Under Decarbonization Scenario, and will promote various measures to fulfill our mandate to meet the demand for energy and achieve the international targets set forth in the Paris Agreement.

► Please refer to page 19 for more regarding Sustainability Initiatives in the Midterm Corporate Strategy 2024.

Disclosures in line with the TCFD Recommendations

Governance

As an important management issue, the Executive Committee determines the basic policies and other important matters regarding climate change*, and reports these to the Board of Directors. In addition to seeking advice and recommendations from the external experts of the Sustainability Advisory Committee, the Sustainability & CSR Committee discusses matters thoroughly before they are brought to the Executive Committee.

We have appointed a number of directors and Audit & Supervisory Board members who are expected to contribute based on their experience, knowledge, and expertise in climate change-related matters (see Skills Matrix on pages 102 and 103 for details).

* Discussions focus on basic policies regarding climate change, such as climate-related initiatives through business and policies for addressing the TCFD. Other important matters such as methods to evaluate climate risks and opportunities (including scenario analysis) and GHG reduction targets (including status of reductions) are also discussed.

Initiatives to Date



* A companywide cross-functional meeting body tasked with examining and proposing mechanisms to be incorporated into the Midterm Corporate Strategy 2024 for simultaneously decarbonizing and reinforcing our portfolio.

Climate-Related Governance Framework

Board of Directors	Supervises MC's climate-related actions and initiatives	Convenes approx. twice per year
Executive Committee	Makes decisions regarding MC's basic policy on climate change as well as important matters pertaining to climate change	Convenes approx. twice per year
Sustainability & CSR Committee (reports directly to the Executive Committee)	Deliberates on MC's basic policy on climate change and important matters therein, and reports findings to the Executive Committee	Convenes approx. twice per year
Sustainability Advisory Committee	Offers advice and recommendations regarding MC's basic policy on climate change and important matters therein	Convenes approx. twice per year
Officer in Charge	Corporate Functional Officer (Corporate Sustainability & CSR)	
Department in Charge	Corporate Sustainability & CSR Department	

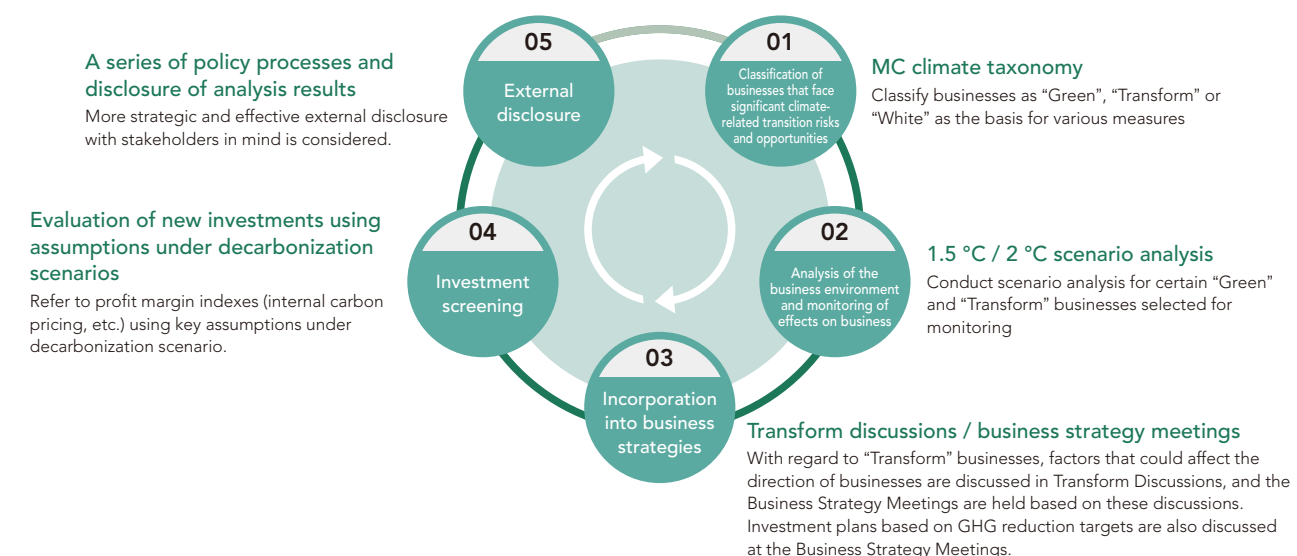
► Please refer to pages 86 to 91 for information on MC's Sustainability Promotion Framework.

Risk Management

Using the mechanisms introduced in the new Midterm Corporate Strategy for simultaneously decarbonizing and reinforcing our portfolio, as shown in the workflow below, we will conduct functional risk management, from identifying businesses with high climate change risks to

assessing the impacts on profitability of individual projects.

Additionally, based on our current sustainability-related governance system, we will build a system that ensures that the Board of Directors is appropriately involved.



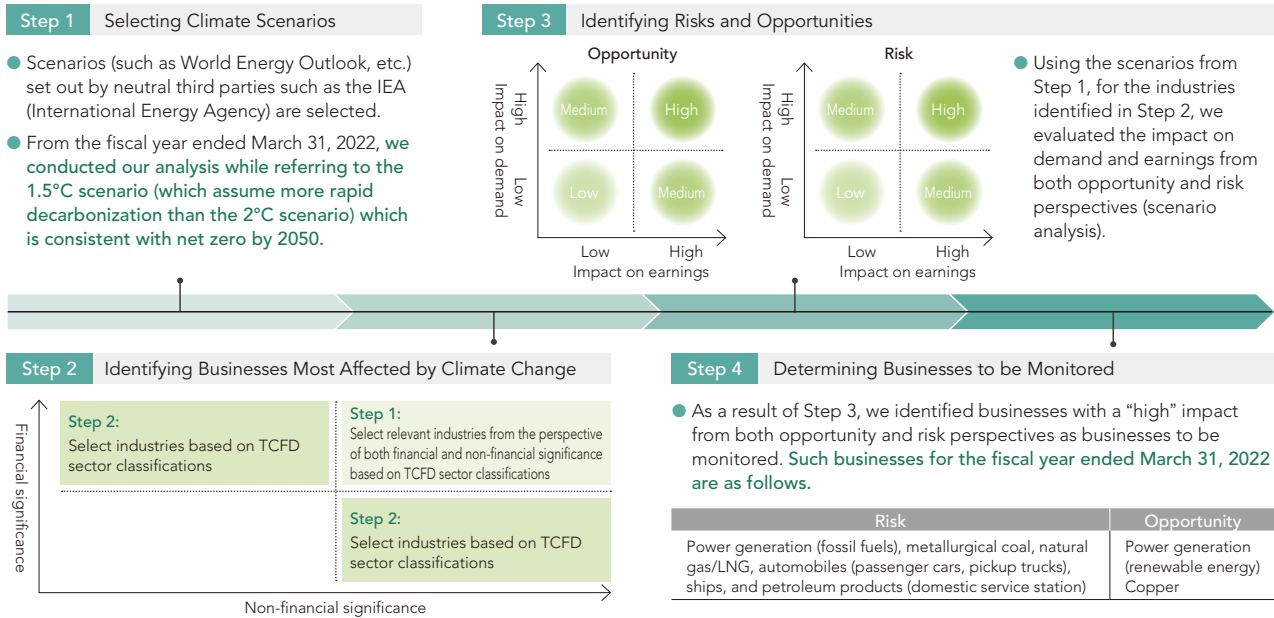
Climate Change—Materiality Forming the Basis of EX Strategy

Strategies

Transition Risks and Opportunities

Process for Determining Projects to be Monitored

In addition to 2°C scenarios, we conducted an analysis of climate-related transition risks and opportunities using the 1.5°C scenario assuming further decarbonization and incorporated these results into our business strategy.



Industries in which MC is involved where financial and non-financial factors have significant impacts, as well as industries expected to be significantly affected by climate change according to the TCFD recommendations* are identified.

* Energy, transportation, materials and buildings, agriculture, etc.

Policies and Initiatives Based on Scenario Analysis

The results* of the scenario analyses for the major businesses selected for monitoring (risk perspective) through the process detailed above are as follows.

* Scenarios are based on past data and are not forecasts. Instead, they are virtual models based on possible outcomes with high levels of uncertainty. The scenarios and business environment written here represent MC's understanding of the main scenarios disclosed by International organizations such as the IEA, and do not represent MC's medium-to long-term outlook.

	General awareness of the business environment under the 1.5°C scenario	Policies and initiatives based on the awareness of the business environment
Power Generation (Fossil Fuels)	<ul style="list-style-type: none"> The power sector will be the first to achieve net zero, and the share of electricity generated from fossil fuels is expected to decrease significantly. Significant changes in the power generation cost structure due to the tightening of regulations such as carbon taxes and an increase in capital investment as a measure to reduce GHG emissions are expected, and the competitiveness of power derived from fossil fuels is expected to decrease. 	<ul style="list-style-type: none"> We recognize the risk of stranded assets, the increasing difficulty of withdrawal, and the increasing risk of reputational damage associated with retained assets. We will not enter into any new coal-fired power generation businesses and will promote strategic divestment from existing thermal assets while paying close attention to factors that affect the difficulty of sale (M&A market trends, relationships with relevant countries, contractual restrictions, environmental regulations, etc.). Concurrently, we are considering switching to zero-emission thermal power for retained assets in the effort to achieve a 100% non-fossil power generation portfolio by 2050.
Metallurgical Coal	<ul style="list-style-type: none"> Steel demand will increase by 12% in 2050 compared to 2020. Advances will be made in electric furnace method and hydrogen reduction method, and it is expected that CCUS for blast furnaces will spread rapidly and the blast furnace method will continue in some regions. Although overall demand for metallurgical coal is expected to decrease toward 2050, it is anticipated that the reduction in demand for high-quality metallurgical coal, which contributes to a low carbonization, will be relatively low as a result of plans to decarbonize blast furnaces by further improving their efficiency and outfitting them with CCUS. 	<ul style="list-style-type: none"> Even under the 1.5°C scenario, needs for high-grade metallurgical coal, which contributes to low-carbonization of existing blast furnaces, is expected to exhibit a relative increase, and superiority of metallurgical coal business. It is anticipated that our metallurgical coal business, with its mainstay high-quality metallurgical coal products, will maintain its advantage to a certain extent. We will strive to strengthen the competitiveness of our metallurgical coal assets by assessing the progress of decarbonization in the steel industry and the external environment affecting the supply of metallurgical coal. We are working to reduce GHG emissions in the production process in our metallurgical coal business, and in collaboration with our partner BHP, supporting research that contribute to reducing emissions throughout the entire metallurgical coal value chain.
Natural Gas	<ul style="list-style-type: none"> Global natural gas demand is expected to decline by 6% by 2030 compared to 2018, while LNG trade volume is expected to increase by 16%. Thereafter, by 2040, natural gas demand and LNG trade volume are expected to decline by 46% and 33%, respectively, compared to 2018. The demand for hydrogen, a next-generation energy source that is expected to support decarbonized society, will increase, and the significance of natural gas as a raw material for blue hydrogen is expected to increase further in the future. Approximately half of the total demand for natural gas in 2050 will be directed to hydrogen production, and 40% of hydrogen demand will be sourced by natural gas. 	<ul style="list-style-type: none"> MC will fulfill its responsibility to provide a stable supply of LNG, an important energy source in the transition to a carbon neutral society, as well as aim to increase its profits from the LNG business by strengthening the foundations of existing businesses, steadily launching projects under construction, reinforcing our marketing functions, and participating in competitive new projects. We will pay attention to policies of various countries, such as the introduction of carbon taxes, and trends in technology development, such as CCUS, which may affect the competitiveness and profitability of our natural gas and LNG business. We will also strive to make our LNG value chain carbon neutral and conduct studies to develop business around production and supply of next-generation energy sources such as synthetic methane and blue hydrogen.

➤ Please refer to our Sustainability Website for more information about the scenario analyses, including the results of the analyses for the other businesses to be monitored.
<https://mitsubishicorp.disclosure.site/en/themes/113#915>

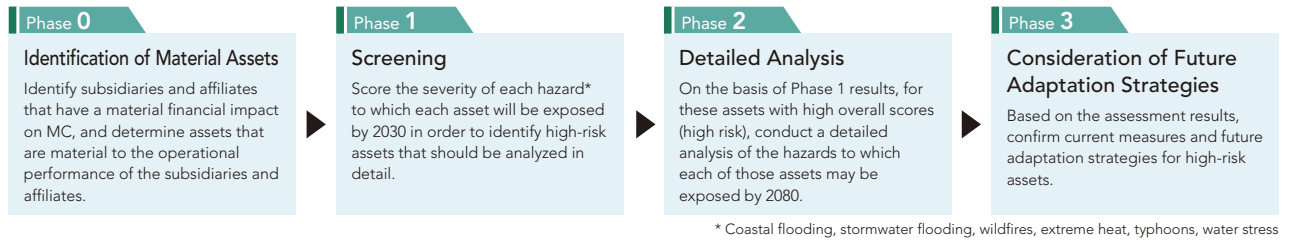
Incorporation into Business Strategy

For the eight businesses selected for monitoring (for both transition risks and opportunities) mentioned above, the results of the transition risk/opportunity analysis for each business, assuming the 1.5°C scenario as a decarbonization scenario, are incorporated into strategy when each Business Group formulates its own business strategy, for the purpose of optimizing our portfolio.

Physical Risks

Physical climate risks (e.g. floods, droughts and temperature increases) could affect the operations of some of the MC Group's businesses. In order to comprehensively understand the potential physical risks that climate change poses to the MC Group's business, MC has conducted a physical risk analysis according to the process below.

Comprehensive Analysis Process



Assessment Results

The current measures and future adaptation strategies for the two businesses with assets that are likely to be affected by the physical risks identified via the above process are as follows.

	Metallurgical coal business	Copper business
Assets subject to assessment	Mines and coal terminal owned by BHP Mitsubishi Alliance (BMA)*	Copper mines owned by Anglo American Sur, S.A.
Location	Australia	Chile
Type of hazard	Stormwater flooding	Drought
Current measures	<p>Given that flooding due to heavy rain at mines has the potential to disrupt operations, the following measures have been implemented to improve resilience of the sites to flooding since the last flood events in 2011:</p> <ul style="list-style-type: none"> Implementation of water storage inventory procedure based on climate forecasts; Utilization of the pits under care and maintenance for its water storage management; Installation of floods levees to prevent flood water entering pits, pumping and water pipeline systems to move surplus water around and between mine sites and water storage locations, and additional excess water discharge infrastructure. 	<p>While most of the water required for the operations is reused within the mine, a certain amount is lost due to evaporation and other factors, and this water must be replenished from external sources. Since in the drought condition, there is a possibility that sufficient water intake may not be possible which could affect operations, resilience measures are considered through increased procurement of industrial wastewater and treated sewage from third parties.</p>
Future adaptation strategies	MC together with BMA will continue to enhance physical risk mitigation in response to climate change forecasts.	In addition to the current measures, further diversification of external water procurement is under consideration. Moreover, new technologies to further improve water reuse efficiency at the operations are also being considered.

* To address the risk of the storm surges, the latest port berth infrastructure installed has been designed to withstand a 1 in 1000 year wave event factoring in rises in sea levels and cyclone impacts due to climate change. An additional project is currently underway to upgrade an older berth to the same design standard.

Metrics and Targets

MC has set the following climate-related targets to capitalize on opportunities and mitigate risks on a consolidated basis. In addition, we manage progress toward achieving our GHG emissions reduction targets through annual disclosure of GHG emissions results.

Target 1	GHG Emissions Reduction Targets	<ul style="list-style-type: none"> Net zero GHG emissions by 2050, and a new FY2030 target with a detailed reduction plan. Emissions halved by FY2030 through portfolio replacement driven predominantly by divestment of thermal power assets.
Target 2	Non-Fossil %	<ul style="list-style-type: none"> Aim to reduce existing thermal power capacity and switch to zero-emission thermal power, targeting 100% non-fossil by 2050.
Target 3	Renewable Energy	<ul style="list-style-type: none"> Doubling MC's renewable energy power generation capacity compared to the fiscal year ended March 31, 2020 levels by the fiscal year ending March 31, 2031.

Decarbonization Projects

MC considers transitioning to a low-carbon society to be one of the key issues for management to address and respond to. Through its businesses, MC is working to reduce and eliminate carbon in a variety of fields. In particular, under the name of Energy Transformation (EX), we are taking on the challenge of reforming the energy field with a view of a decarbonized society, and

evolving our energy-related business portfolio in the process. By addressing the common issue of decarbonization across all industries in this way, we aim to both meet environmental challenges and fulfill our social mission of providing a stable supply of energy, which will lead to the sustainable growth for MC over the medium- to long-term.

➤ For details on specific projects, please see the special feature section on the Midterm Corporate Strategy on pages 20 to 25 and our Sustainability Website. (See <https://mitsubishicorp.disclosure.site/en/themes/158>)

We will implement initiatives based on our redefined Materiality to maintain and enhance our corporate value over the medium to long term.



Yutaka Kashiwagi

Representative Director,
Executive Vice President, Corporate Functional Officer, IT, CAO,
Corporate Communications, Corporate Sustainability & CSR



As societal challenges that need to be addressed such as climate change and human rights issues become increasingly diverse and complex, it is essential for companies to address these issues through their core business activities. In response to drastic changes in the external environment, policies, laws, and regulations are being developed, international initiatives are being created, and the flow of private-sector funds and the behavior of investors are undergoing major changes. Specifically, in addition to addressing climate change, we are now in an era in which non-financial initiatives have a significant impact on corporate value, such as whether a governance structure is set in place to respond to a rapidly changing business environment and

whether employees, who are responsible for maintaining and improving competitiveness, are provided with appropriate training. We believe that insufficient commitment to sustainability is detrimental to a company, while the active pursuit of sustainability is essential for mid- to long-term growth. In addition, damage to ecosystem services and the natural environment, which are prerequisites for a company's existence, will directly affect company operations and indirectly affect its supply chain, posing a significant risk to the company. Therefore, we believe that working to address societal challenges constitutes both risk management as well as the pursuit of business opportunities.

Initiatives Based on Materiality (Management)

Based on our corporate philosophy, The Three Corporate Principles, we have been promoting our sustainability efforts by setting forth our commitment to creating sustainable corporate value in Midterm Corporate Strategy 2012, and simultaneously generating economic, societal, and environmental value in Midterm Corporate Strategy 2018. Also, in 2016 we identified our Key Sustainability Issues that must be proactively addressed to ensure sustainable growth. Meanwhile, six years have passed since the formulation of our Key Sustainability Issues, and expectations for companies, including measures to address climate change, have increased, while the societal challenges to be addressed have also changed. Midterm Corporate Strategy 2024, announced in May of this year, aims for the continuous creation of significant shared value, or "MCSV" in order to address societal challenges. In line with this, we have redefined our Key Sustainability Issues as eight material issues (Materiality), a set of crucial societal issues that we will prioritize through our business activities. This redefinition focused on three points: fulfilling our responsibility to provide a stable supply of energy to support the transition to a decarbonized society; promoting businesses that respect human rights as a company that helps to enrich society; and providing a solid foundation, including human resource and organizational development as the bedrock of these efforts.

Among the initiatives based on our Materiality, I will address in detail the following: ① Contributing to Decarbonized Societies, ② Addressing Regional Issues and Growing Together with Local Communities, and ③ Fostering Vibrant Workplaces that Maximize the Potential of a Diverse Workforce as representative examples.

► For more information on Materiality see p. 46-47.

① Contributing to Decarbonized Societies (related capital: environmental and natural capital)

MC has identified "Contributing to Decarbonized Societies" as a material issue for realizing a carbon neutral society. In October 2021, in our "Roadmap to a Carbon Neutral Society," we have formulated medium- and long-term GHG emissions reduction targets aligned with the Paris Agreement: to halve emissions by FY2030 (FY2020 baseline) and to achieve net-zero emissions by 2050. In addition, in the Midterm Corporate Strategy 2024, we also laid out a range of measures toward achieving international objectives, such as those of the Sustainable Development Goals (SDGs) and the Paris

Agreement, while fulfilling our mandate to meet the demand for energy. Under the MC Climate Taxonomy concept, each of our businesses is classified based on climate-related transition risks and opportunities, and in accordance with such classification, the following four mechanisms are implemented: 1.5°C scenario analysis, Transform Discussion, Investment Planning in accordance with GHG Reduction Plans, and the Evaluation of New Investment Using Assumptions Under Decarbonization Scenario. By promoting these mechanisms, we aim to contribute to the realization of decarbonized societies through the steady decarbonization and strengthening resilience of our business portfolio and advancing EX (energy transformation) on a global scale.

In addition, since the realization of a carbon neutral society requires GHG reductions not only by MC but throughout the value chain as well, we are committed to becoming a decarbonization solution provider by understanding the emissions reduction needs of industries, consumers, and communities. We will also continue to diligently consider the calculation and disclosure of our Scope 3 emissions (Category 11 (use of sold products), which accounts for the majority of our Scope 3 emissions), which investors and other stakeholders are increasingly requesting us to disclose.

► For more information on climate change, see p. 48-51.

► For more information on environmental and natural capital, see p. 37.

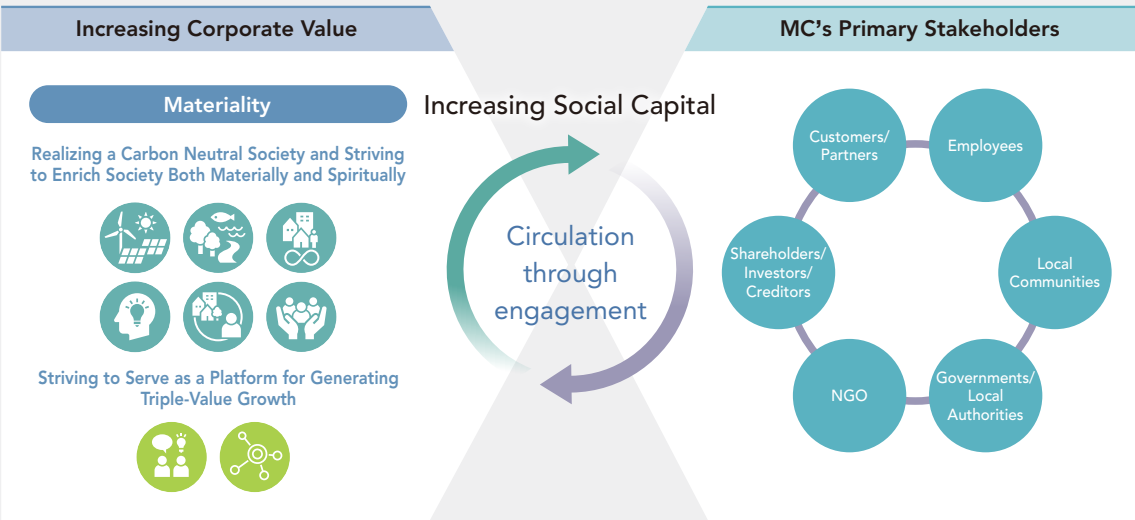
② Addressing Regional Issues and Growing Together with Local Communities (related capital: social capital)

Based on the recognition that building relationships with communities is essential for the successful execution of our business, we have also identified "Addressing Regional Issues and Growing Together with Local Communities" as another of our material issues. In addressing this issue, we conduct our business based on relationships of trust with diverse stakeholders, regions, and communities. Specifically, we strive to minimize negative impacts on local communities, including respecting the rights of indigenous peoples, in addition to sharing prosperity together with local communities through job creation, promoting community development, and procuring materials from local communities through our business.

► For more information on social capital, see p. 36-37.

Stakeholder Engagement

From the perspective of growing together and collaborating with diverse stakeholders, we believe it is vital to accurately grasp the demands and expectations of shareholders, investors, and other stakeholders through engagement and dialogue, and to reflect these in our Group management. MC has established a system to reflect stakeholder opinions onto company management by incorporating external perspectives at meetings of the Board of Directors and its advisory bodies (the Governance, Nomination & Compensation Committee and the International Advisory Committee), as well as the Sustainability Advisory Committee. We are committed to achieving sustainable growth through the collaboration of value by engaging our stakeholders.



③ Fostering Vibrant Workplaces That Maximize the Potential of a Diverse Workforce (related capital: human capital)

MC has achieved sustainable growth together with society through its business by anticipating the needs of the times and actively taking on the challenge of addressing societal challenges as a player in individual businesses and the industries built from them. What has supported this growth are human resources with high aspirations for addressing societal challenges, foresight to anticipate the times and derive new value, execution skills to quickly materialize concepts by involving stakeholders beyond national and industry boundaries, and high moral and ethical standards based on the spirit of the Three Corporate Principles. Our human resources have created value by conceiving and executing optimal solutions for a wide range of social, industrial, and customer issues from a proactive and global perspective. MC therefore views human resources as a source of value creation, or human capital, and has been and will continue to actively invest in them.

► For more information on human capital, see p. 38-45.

In order to continue creating the MCSV that we strive for, MC must continue to be a dynamic, spirited and vibrant organization with a diverse range of human resources, with diverse values and backgrounds, as well as a diverse range of experiences and abilities from many industries that meet with each other through organic connections. Therefore, we have defined one of our material issues as “Fostering Vibrant Workplaces That Maximize the Potential of a Diverse Workforce,” and have established the three pillars that constitute our human resource policies: HR Strategy, Strengthen Engagement, and Data Utilization.

Human Resource Strategy

In an environment where single events can spread and influence each other instantly around the world, it is important for us to be a flexible organization that can respond immediately to societal challenges. We will dynamically shift and appoint human resources across the organization so that all personnel can fully demonstrate their accumulated knowledge and abilities in accordance with our management strategy. To this end, we must promote cross-industry initiatives more than ever to meet the needs of society. Having reorganized our Business Group structure has led to many proposals and ideas for collaboration

among the Business Groups that transcend organizational boundaries. And in the EX/DX area, we have formed a companywide task force to formulate strategies to more flexibly promote and utilize human resources. In order to further accelerate the efforts of the DX Task Force, we have reorganized it into an Industry DX Group composed of personnel from various groups, with the aim of providing DX functions to the Business Groups and developing new businesses that utilize DX functions. In this way, we will consider and implement the most appropriate organizational rearrangement and allocation of human resources so that we can immediately respond to management strategies to address societal challenges. We also need to update our capabilities in response to changes in the business environment. In particular, we will work on reskilling our human resources and organizations to strengthen their ability to respond to such changes so that they are able to take on and execute the EX, DX, and Creating a New Future strategies as set forth in Midterm Corporate Strategy 2024.

Strengthen Engagement

In order for all of our human resources to work in a safe and secure environment and to grow and create value, it is of utmost importance that they are highly engaged. We will promote and create systems for diversity, equity & inclusion, and well-being, respect the diversifying work perspectives of individuals, and expand the talent management system to encourage career autonomy, thereby creating an environment in which each individual is able to address societal challenges with a greater sense of responsibility.

Data Utilization

We will collect, analyze, and monitor data related to HR policies, human resources, and organizations, and measure and evaluate their effectiveness. By enhancing the disclosure of such data and information, we will demonstrate our commitment to internal and external stakeholders, and at the same time, more effectively promote various HR policies.

Even as we continue to adapt to and take the lead amid changing times, the need for high aspirations, foresight, execution skills, and high moral and ethical standards will remain unchanged in the future. We will maximize the value of our human capital by developing a diverse and versatile workforce as the driving force behind the creation of MCSV throughout the organization, and by creating opportunities and workplaces where people can share values and grow through friendly competition while forging connections with each other.

In Conclusion

In this way, we will maintain and enhance our corporate value over the mid- to long term by utilizing our Materiality as a guideline for the creation of MC Shared Value, incorporate the issues into our business strategies and policies, and having each and every employee put them into practice within his or her own workplace.

Message

Since joining the company, I have worked in the energy-related business for around 20 years and in the environment-related business for around 10 years, always with the attitude of sincerely tackling the job in front of me wherever I am assigned. In 2019, as the General Manager of the GCEO Office of the Power Solutions Group, I witnessed the transformation of the electric power system based on renewable energy and digital technologies amid a period of transformation in the power business. Through my involvement in Eneco's management, I directly experienced the decarbonization movement that originated in Europe and realized firsthand how sustainability initiatives have a significant impact on business. In addition, in 2020, to foster a better corporate culture, we held a series of discussions with members across divisions, groups, and generations regarding the goals of the company. This experience led to a strong desire to develop an environment in which a diverse range of executives and employees can work dynamically, spiritedly and vibrantly, while connecting with each other through free and open discussions.

I assumed the position of CAO this year, and looking back, I believe that the numerous experiences described above have helped me recognize the importance of non-financial initiatives that are not directly expressed in financial statements. I believe that it is my mission to strengthen these efforts and to connect them to the mid- to long-term improvement of corporate value through sincere dialogue with stakeholders.



Appropriate capital allocation
for sustainable enhancement
of corporate value

Yuzo Nouchi
Representative Director, Executive Vice President,
Corporate Functional Officer, CFO



Reviewing the Final Year of
Midterm Corporate Strategy 2021

Strong Financial Results with Record-High
Net Income in the Final Year, Giving Midterm
Corporate Strategy 2024 a Good Starter

Consolidated net income for the fiscal year ended March 31, 2022, was 937.5 billion yen, an increase of 764.9 billion yen from the previous fiscal year, a new record high. Seven of the ten segments showed new record high profits. This was, not only driven by the preferable performance of the

resource prices, but also a result of effort that each business segment, represented by automobile-related and salmon and trout farming businesses, has seized various opportunities under the global economic recovery and grown its profit steadily throughout the year. While standing at a record high, in preparation for growing uncertainty of our business environment, we have also recognized potential losses as much as possible in advance, reviewing assets' value more closely.

Although market conditions provided a tailwind in the fiscal year ended March 31, 2022, we made steady progress in strengthening the balance sheet and ensuring its soundness by liquidating unprofitable businesses and making provisions for losses, which has provided Midterm Corporate Strategy 2024 a good starter.

Reviewing Midterm Corporate Strategy
2021, to Develop Midterm Corporate
Strategy 2024

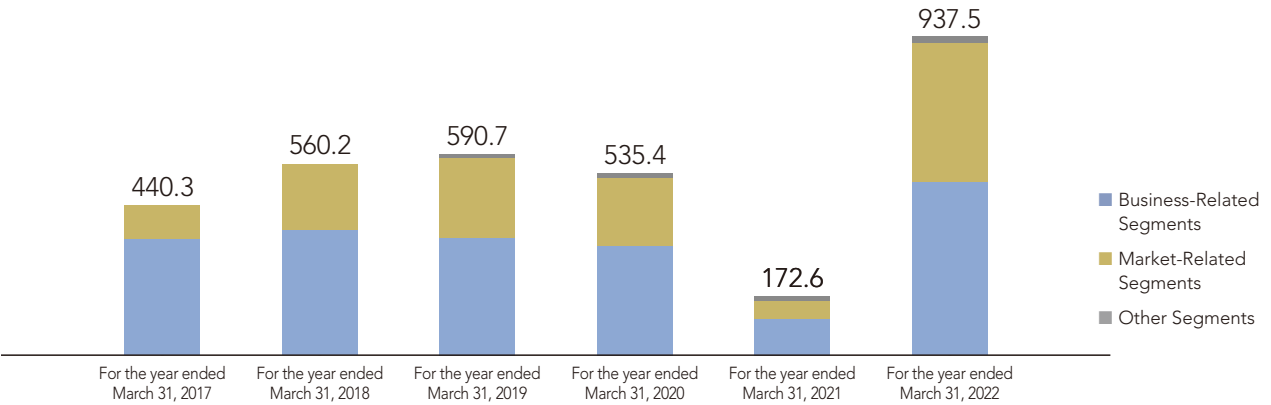
Although consolidated net income for the fiscal year ended March 31, 2022, the final year of the previous Midterm Corporate Strategy, exceeded our target of 900 billion yen, new investments did not proceed as initially expected. This was due to the need to prioritize the maintenance and improvement of our financial soundness in response to major environmental changes caused by the spread of COVID-19. Investments were executed in diligently selected projects, resulting in an outlay of 2.5 trillion yen, compared to the initial plan of 3.4 trillion yen. Cash collection through divestments was

also accelerated and amounted to 1.5 trillion yen, compared to the initial plan of 0.7 trillion yen. As a result, as of the end of March 2022, Investment-Leverage Ratio, an indicator of financial soundness, improved to 41%*, where the appropriate range is supposed to be from 40% to 50%. We believe it's a level of financial soundness appropriate for the start of Midterm Corporate Strategy 2024.

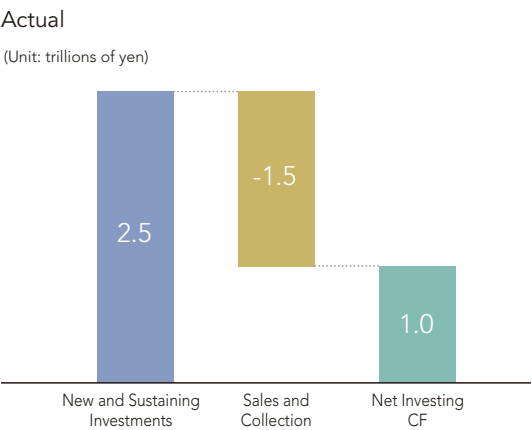
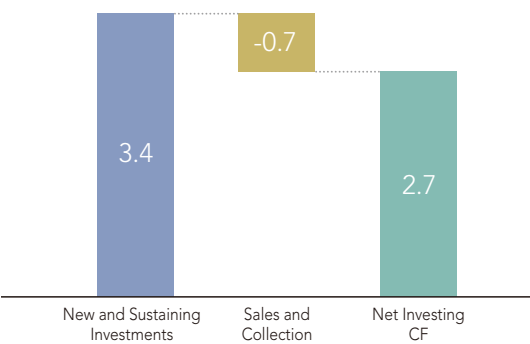
Then, reviewing shareholder returns, under our Progressive Dividend Scheme, we paid per-share dividends of 132 yen, 134 yen, and 150 yen, respectively, for fiscal years ended March 31, 2020, 2021, and 2022. Combining the dividend and the 70 billion yen of share buyback announced in the final year of the plan, the total return for the three-year period reached 42%. While financial performance deteriorated significantly in the fiscal year ended March 31, 2021, we received significant positive feedback from the market for maintaining the Progressive Dividend Scheme as promised and sustaining the stock price. The Progressive Dividend Scheme is also reflected in the capital allocation policy of Midterm Corporate Strategy 2024.

* Including 70 billion yen of share buyback as decided in the last fiscal year

■ Trends in Consolidated Net Income
(Unit: billions of yen)



■ Investment Cash Flow (CF) in Midterm Corporate Strategy 2021
Plan
(Unit: trillions of yen)



Toward Sustainable Growth of Total Shareholder Returns

Capital Allocation Balancing Financial Soundness and Improvement of Capital Efficiency is Key

As CFO, I believe one of my key responsibilities is to control cash flows (CF) and capital allocation. Simply put, this concerns investments and shareholders return. In order to sustainably increase total shareholder return (TSR), it is necessary to both maintain financial soundness and improve capital efficiency, and I believe that the well-balanced allocation of capital, such as investments, asset replacements and returns, is the means to achieve this.

Explaining with exact numbers, during Midterm Corporate Strategy 2024, out of the 4.5 trillion yen to be generated from operating CF and CF from divestment, we intend to invest 3 trillion yen in maintaining and expanding our earnings base as well as in EX, DX, and growth investment-related and other areas, while distributing at least 700 billion yen to shareholders.

Regarding investment, our policy is to accelerate investment in EX-related fields, and although we have allocated 1.2 trillion yen out of a 3 trillion yen investment quota, this is by no means seeking for opportunities to fill out the given quota. The reality is far from it. 1.2 trillion yen is not sufficient to carry out all of the long-listed projects each business department wishes and registers. This means we need to carefully shortlist projects among the candidates, we then carefully

scrutinize each project by looking at ROIC and other factors, bracing our investment discipline. In addition, since some EX-related projects require a relatively longer time to be on revenue stream, we believe it is necessary to make well-balanced investments to maintain and expand the existing revenue and profit base, which can be expected to proceed cash in a relatively short time frame.

The shareholder return of 700 billion yen or more is calculated from a lower limit based on the dividend forecast of 150 yen for the fiscal year ending March 31, 2023, as the Progressive Dividend Scheme of increasing dividends in line with sustained profit growth will continue for the three years of Midterm Corporate Strategy 2024.

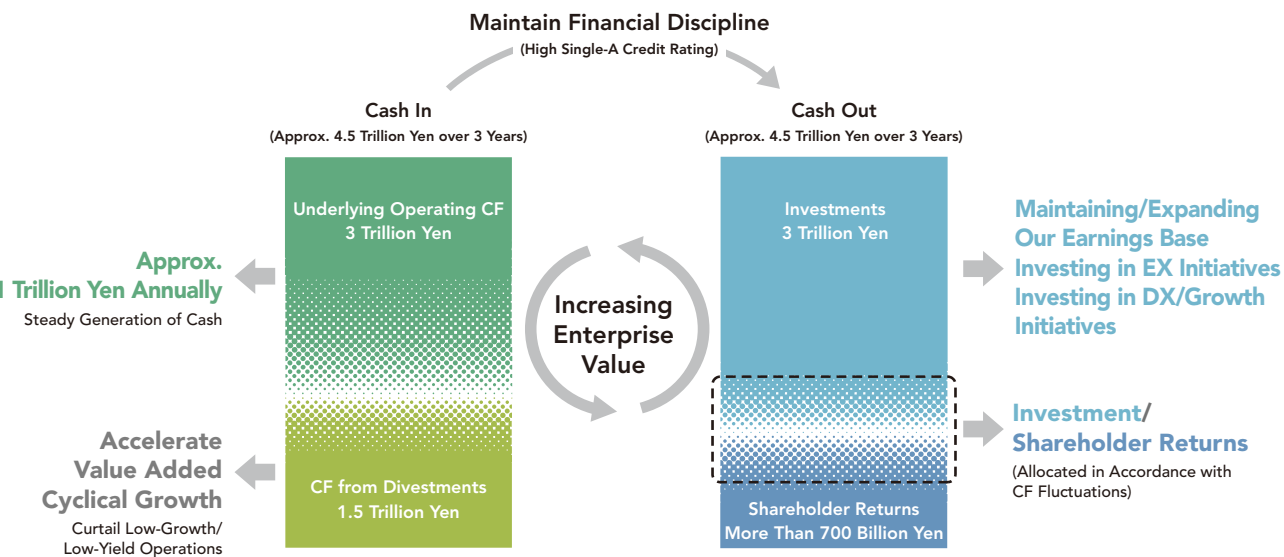
While increasing value and maximizing ROE is the top priority of a company, we will also emphasize dialogue with the market to ensure that we meet shareholder expectations in terms of shareholders return. The Progressive Dividend Scheme under Midterm Corporate Strategy 2021 has been well received, but it is difficult to always meet the market's expectations only with the Scheme, where a certain degree of fluctuation in business performance due to movements in commodity markets is expected. With this in mind, in Midterm Corporate Strategy 2024, we introduced a capital policy of maintaining progressive dividends while meeting market expectations in terms of total payout ratio, in combination with flexible company share buybacks.

Creating MC Shared Value

In Midterm Corporate Strategy 2024, we set forth a policy of continuously creating MC Shared Value by elevating the MC Group's collective capabilities in order to address societal challenges. To some, addressing societal challenges may sounds idealistic, but we are now in an era in which sustainable economic value cannot be realized without the accompanying societal and environmental value. It is the basic structure of business to create value first, then earn profits by providing value and that a business will not last if there is an imbalance in the value provided and the profits earned. I would say this

is what everyone understands firsthand. As the world becomes more complex, I understand that this structure is not limited to the relation between sellers and buyers, but has been extended to include a variety of stakeholders. We have firmly demonstrated our strengths through our connections with many stakeholders in areas that overlap with the needs of society, such as the supply of energy, metal resources, and food, as well as the overseas development of our business. We believe that we can continue to achieve sustainable growth together with society by addressing changing societal challenges.

■ Cash Flow (CF) and Capital Allocation



Message



I have had a wide range of experiences since joining MC 35 years ago. My first job involved foreign exchange deals and my career has largely been centered on financial and accounting operations ever since. I've also had the opportunity to work abroad in Hong Kong and the US. I was assigned to new positions roughly every five years, and each time, I made a point of doing my best to tackle the new challenges before me. Looking back, I can see how the various stops along my career were interconnected. I feel like I was able to keep developing as a business professional by working hard to do what needed to be done with each new opportunity, and all of these experiences help to fuel my efforts today.

Over the past four years, I have been involved in companywide management as GM of MC's Corporate Accounting Department. This has given me a greater awareness of our various stakeholders, especially our shareholders, and the high expectations they have for the MC Group. While they hope to see these expectations materialize in different ways, such as through short-term dividends, long-term growth or the strengthening of our brand, the overarching objective comes down to increasing corporate value. I do not believe that the current share price fully reflects the intrinsic value of the company. While improving capital efficiency is essential, we are also aware of the challenges regarding the cost of equity. While there are various definitions of the capital cost, I feel, for example, that one of them, the inverse of price-to-earnings ratio (1/PER), is much higher than the cost of capital calculated by the Capital Asset Pricing Model and other theoretical methods. One of the reasons for this may be foreseeability of sustainable profit level.

Our business model is often said to be difficult to understand, but through dialogue and communication with the stock market, we would like to explore effective ways to reduce the cost of equity.