



**We aim to create value unique to MC that uses our collective capabilities while focusing on diverse “interconnections.”**

A stylized signature of Katsuya Nakanishi in black ink.

Katsuya Nakanishi  
Representative Director,  
President and CEO

## Challenges Faced by MC Based on an Awareness of Our External Environment

The global supply chain, which had been expected to normalize during the recovery from the COVID-19 pandemic, was further exposed to vulnerabilities following Russia's aggression against Ukraine. Amid historic inflation, Western countries shifted gears toward monetary tightening, while the foreign exchange market also experienced significant changes. We must now be increasingly aware of the impact of these changes on both the real economy and the global financial landscape. Relations between the United States and China also remain unpredictable, and the impact of the downturn in China's real estate market forces us to expect low growth for the foreseeable future.

Despite the highly uncertain nature of our current business environment, led by the Three Corporate Principles as our corporate philosophy since our founding, as we have done in the past, we will capitalize on our collective capabilities, including our accumulated intelligence and industry knowledge in line with the changes and issues faced by society in each era, and constantly push forward to create value by addressing these challenges. I myself plan to maintain a constant state of preparedness that envisions a range of possibilities. While connecting the high-quality information that we obtain from our offices throughout the world and utilizing the multifaceted intelligence unique to MC that it creates, I aim to foresee half a step or even one step ahead and to be strongly aware of our response to future changes.

For example, regarding decarbonization, with the passing of the Inflation Reduction Act in the United States, we expect decarbonization projects and technological innovation to progress at an accelerated pace. Even in Europe, while initiatives may be forced to slow down temporarily given the current challenging conditions, based on the clear agenda of balancing decarbonization while decreasing its dependence from Russian energy, there will likely be no change in the long-term goal of a transition to green energy. China's response to the transition to electric vehicles is also eye-opening.

I believe that the trend toward decarbonization taking place in all industries throughout the world is irreversible, however, the path and timeline to reach decarbonization differs by country and region. Given this circumstance, I am convinced that decarbonization represents a great opportunity for us, given our diverse portfolio and active involvement in a wide range of businesses related to low carbonization and decarbonization.

Turning our eyes to Japan, in the past 30 years Japanese companies have transferred earnings made overseas back to Japan, however, those funds have not always been well used for domestic growth investment, leading instead to low growth in the long term for the Japanese economy. However, given Japan's stable political situation and public security, as well as technological capabilities on a global basis, it has definite potential to once again follow an economic growth track.

What is important here is the fact that we are indeed a global company and a Japanese company at the same time. If Japan loses its national strength, its presence will decline comparatively on a global basis. This means that the presence of Japanese companies will also decline. This is exactly why I believe that we should contribute to bolstering Japan's national strength. Effective and meaningful ways for us to do so include fostering new industries and taking part in creating a new future through regional revitalization.

Based on this understanding, in our Midterm Corporate Strategy 2024 announced in May 2022, we set “Integrated EX/DX initiatives to Create a New Future” as one of our growth strategies, which we are working diligently to execute. My goal is for us to realize our three agendas of achieving a carbon-neutral society, providing a reliable supply of energy, and maintaining and enhancing industry competitiveness. I hope that the realization of these goals will contribute to a tangible recovery in the Japanese economy through the creation of MC Shared Value (“MCSV”), while also leading to our own growth.

## Progress in Our Midterm Corporate Strategy 2024

More than a year has passed since the announcement of our Midterm Corporate Strategy 2024, and I feel a strong sense of the progress that we have made. Here, I would like to introduce specific examples of this progress in various areas.

### Quantitative Targets and Shareholder Returns

Our consolidated net income in the fiscal year ended March 31, 2023 marked an all-time high of 1.1807 trillion yen. In addition to benefitting from the tailwind of resource prices, this result was driven by the recording of a gain on sale of a real estate asset management company as part of our Value-Added Cyclical Growth Model, even while properly making provisions for losses which were of concern. For the fiscal years ending March 31, 2024 and 2025, we expect a relative decline in earnings compared to the fiscal year ended March 31, 2023 due to declining resource prices, however, we still expect to achieve relatively

high profit levels from growth in existing projects starting with the non-resource fields and from gains on sales with the continuous promotion of our Value- Added Cyclical Growth Model.

In terms of shareholder returns, at the time of the announcement of our Midterm Corporate Strategy 2024, we set a goal of a total payout in the range of approximately 30% to 40% including both dividends and share buybacks. However, while considering the suggestions received from dialogue with investors in the stock market and the standpoint of increasing the predictability of shareholder returns, we revised our policy from the fiscal year ending March 31, 2024 onward with a goal of approximately 40% total payout ratio. Regarding dividends, based on the premise of sustaining our progressive dividends, we increased our dividends per share for the fiscal year ending March 31, 2024 to 200 yen. Furthermore, considering our cash flow trend, in May 2023 we announced an additional 200 billion yen in share buybacks. From the



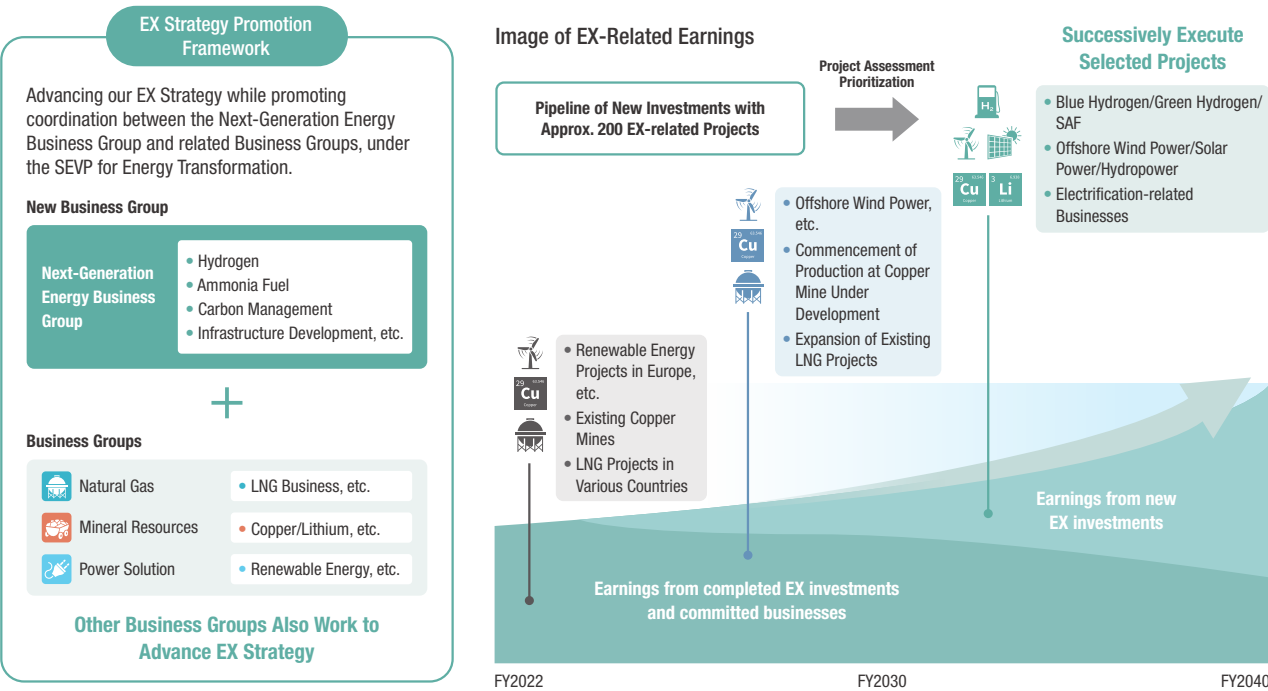
Message from the President and CEO

fiscal year ending March 31, 2024 onward, we will continue to evaluate balanced and flexible shareholder returns.

Progress in Our EX Strategy

In our Energy Transformation (EX) Strategy, one of our growth strategies in our Midterm Corporate Strategy 2024, we deepened our discussions among EX Task Force and other relevant Business Groups. From an initial long list of more than 200 potential project candidates, we evaluated which projects to prioritize over the coming three years, and our short list is now mostly completed. Naturally, management is constantly reviewing our strategy considering the policy trends of each region, but we expect to move forward with investments based on our

short list. EX-related investment includes initiatives with long timelines, however, we will work to secure sufficient profitability by building an EX value chain that connects diverse businesses and through a combination of stable earnings and capital gains born from forward-looking investments that utilize our business knowledge cultivated over many years. In the energy sector, surging resource prices in recent years have exposed various imbalances among different countries. Based on our long history and track records of contributions in ensuring reliable supply in the resource and energy field, I feel a sense of mission and responsibility in pursuing our EX initiatives, which I believe are indispensable in mounting a recovery in the strength of the economy of Japan, which has extremely low energy self-sufficiency.



Progress in Our DX Strategy

Regarding our Digital Transformation (DX) Strategy, through coordination between the Industry Digital Transformation Group, formed in 2022, and each Business Group, we are advancing multiple projects aimed at optimizing logistics and increasing productivity. In 2022, we produced concrete results including beginning to install food distribution DX in Mitsubishi Shokuhin distribution centers.

One of our growth strategies in our Midterm Corporate Strategy 2024 is to promote the integration of EX and DX, and DX is an essential means of supporting EX. For example, the renewable energy business being promoted by MC is affected by the weather, so optimization using DX is important. We also see the use of DX as the key to the EV fleet management business. Starting with examples like these, we are integrating DX with our EX Strategy.

Creating a New Future (Fostering New Industries/Regional Revitalization)

We see fostering new industries and regional revitalization as key to creating a new future and are moving forward with initiatives in these areas. We have made progress coordinating with different companies, educational and research institutions, and local municipalities, starting with our support for the establishment of the “Kyoto University-Mitsubishi Corporation Startup Catapult” program to support entrepreneurship led by Kyoto University. While the goal of this initiative is to contribute to the recovery of Japan’s national strength through fostering new industries, I believe that this initiative will also contribute to increase MC’s intelligence with respect to technological innovation and industrial structural changes. Boosting our intelligence on the possibility of industry reforms prompted by technological innovation and

the further evolution of digital technology is an extremely important approach in considering new business strategies in the future. Technological innovation and industrial structural changes are occurring faster than forecasted in a discontinuous manner. This trend includes changes in the structure of the automotive industry caused by the spread of EVs, changes in the energy services field with the inclusion of renewable energy, and reforms in the logistics, healthcare, and financial fields driven by digital technology. We aim to use our industry intelligence in response to these trends, create visions for our businesses, and connect those visions to reality.

Since we announced our Midterm Corporate Strategy 2024, we have exchanged opinions with many local municipalities throughout Japan. In addition to concluding new cooperative agreements with several of these local municipalities, in October 2022, MC established the joint venture ATLAND Corp. with Maruha Nichiro Corporation in Nyuzen, Toyama Prefecture to pursue a land-based salmon aquaculture business. By building a sustainable, stable, and efficient land-based salmon production system using digital technology, we aim to realize a business model based on local production and consumption.

Promoting the Value-Added Cyclical Growth Model

We are accelerating Value-Added Cyclical Growth Model initiative, which is listed as one of our growth mechanisms in the Midterm Corporate Strategy 2024. In October 2022, we performed a full review and identified potential targets for replacement. Then, Business Groups selected the individual replacement targets and have now moved forward with actual replacements. In addition to proactively replacing businesses contributing to earnings within our portfolio, including the sale of MC-UBSR in 2022 and the sale of a Food Industry Group affiliate in 2023, to pursue further growth, we have made progress in reducing the number of low-yield businesses. Additionally, not limited to divestiture projects, we worked to thoroughly eliminate unnecessary works to improve productivity through a top-down review and to respond to changes in the business environment. Moreover, we worked tirelessly to strengthen our portfolio by steadily implementing sustaining investment and boosting the competitiveness of existing businesses through increased profitability.

▶ Please also see P.58 for details on progress in our Midterm Corporate Strategy 2024.

Policies for Maximizing the Value of Human Capital

I would also like to share my thoughts on human capital, one of our most important forms of capital in MC’s value creation. Human capital and diversity, equity, and inclusion (DE&I) are terms that we hear more and more these days and we have always viewed human capital as an essential source of all our value creation. It is a topic that I constantly consider. To maximize the value of our human capital, strengthening employee engagement is essential, and we are strongly aware of DE&I as one of the means of doing so. In our current world, in which the barriers to enter an industry are getting lower, companies with greater diversity are winning, and promoting DE&I is becoming more important than ever in companies’ competitive strategies. Based on this belief, in our Midterm Corporate Strategy 2024, we have set forth the goals of “Enable motivated professionals who take pride in actively fulfilling their responsibilities with a view toward creating MC Shared Value, while interconnecting with members of our diverse and versatile talent pool. Strive to optimize the value of our human capital by creating such a dynamic, spirited and vibrant organization.” Since I became President

and CEO, I have endeavored to provide as many opportunities for dialogue with our employees as possible, starting with the President and CEO’s Town Hall Meeting launched in the fiscal year ended March 31, 2023. I can sense that these opportunities have led to our diverse and versatile employees approaching their work with a high sense of morale. I feel strongly that accepting human resources with diverse values equally as expressed in the spirit of the Three Corporate Principles is extremely important in being an organization in which every individual can work in a dynamic, spirited and vibrant way, and that this will lead to further growth for MC. Based on this belief, as the person responsible for promoting DE&I, I wanted to take even more action, and decided to launch the DE&I Working Group. I also believe that the awareness of many of our employees are changing because of these initiatives.

▶ Please also see P.39 for details on the town hall meetings.  
▶ Please also see P.44 for details on the DE&I Working Group.

Stakeholder Engagement

Lastly, I would like to share something that left a strong impression on me since becoming President and CEO. We have created numerous opportunities for dialogue with various stakeholders including shareholders, investors, and the media, and through these dialogues, I could directly feel that expectations for MC were greater than I anticipated. We take the opinions of our stakeholders into consideration in our corporate management, and as a concrete example

of our response to these opinions, in 2023 we created a new position of Chief Stakeholder Engagement Officer (CSEO) to further strengthen dialogue with a wide range of stakeholders. The CSEO and I plan to lead even more proactive dialogues with our stakeholders, and while considering their opinions, we will aim for sustainable growth through the creation of MCSV.