

02

Midterm Corporate Strategy

This section describes the progress of Midterm Corporate Strategy 2024 and initiatives related to EX, DX, and Creating a New Future, as well as explaining the path to creating MCSV.

MC Shared Value

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Management with an Awareness of Capital Cost
and Share Price

Progress of Midterm Corporate Strategy 2024

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

Our Goals Under Midterm Corporate Strategy 2024

Quantitative Targets/
Shareholder Returns

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

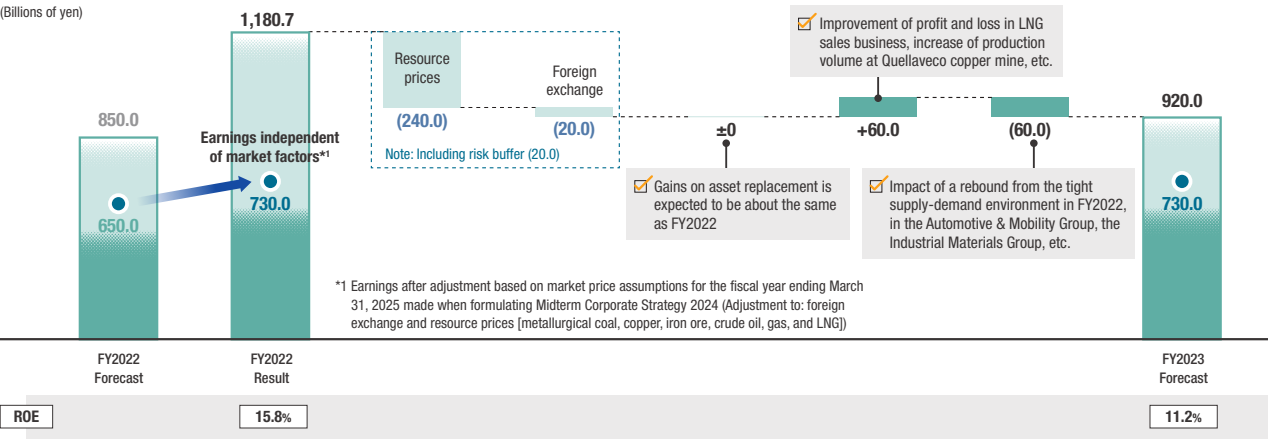
Creating MC Shared Value

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

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

Quantitative Targets/Shareholder Returns

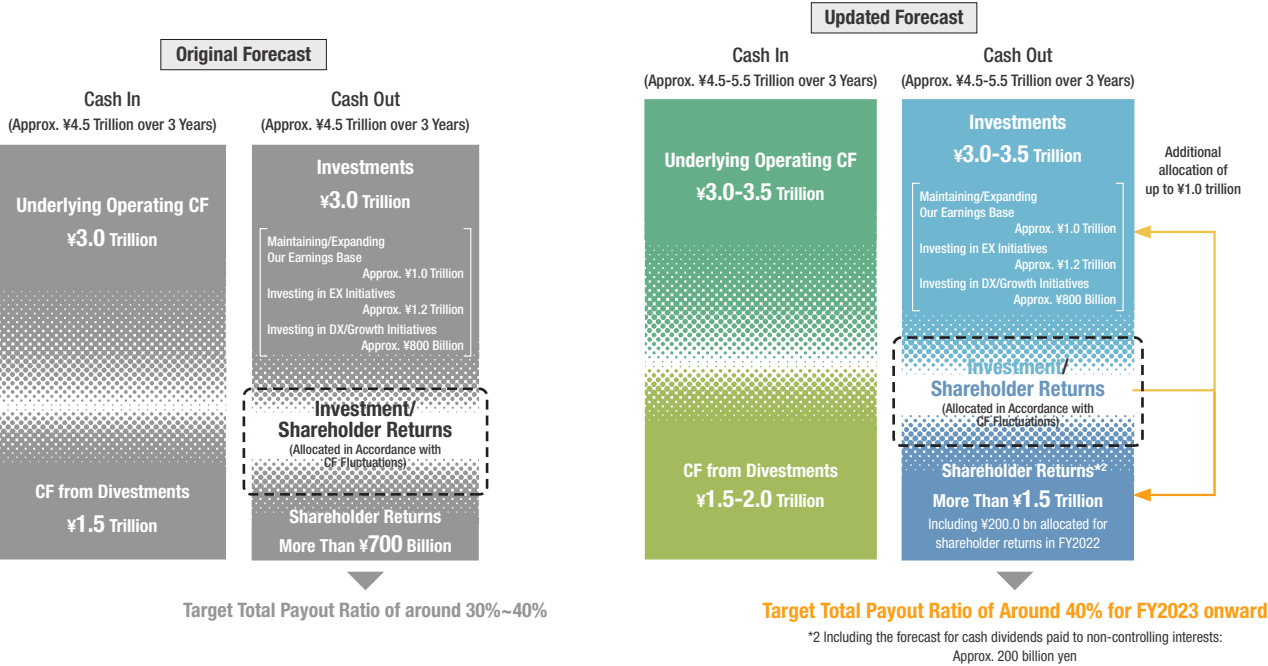
Financial Outlook



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

Cash Flow (CF) Allocation

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

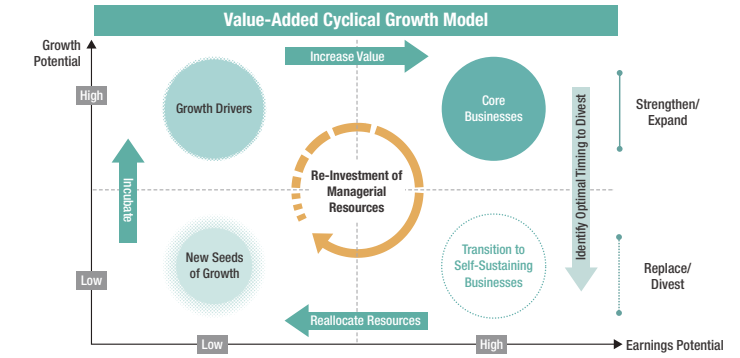


1 Growth Strategies

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

2 Business Management

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



Shareholder Returns

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

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

EX

01 EX Strategy Promotion

MC is promoting our EX Strategy with the goal of both balancing a stable supply of energy and resources with decarbonization of social and economic activities to realize a carbon-neutral society. In implementing our EX Strategy, during the term of our Midterm Corporate Strategy 2024, we are investing around 1.2 trillion yen into EX-related fields, aiming for a total investment of around 2 trillion yen by 2030. Through close coordination among each Business Group and the newly established Next-Generation Energy Business Group, we are envisioning and implementing a wide range of initiatives starting with building an EX-related supply chain.

Message from the Senior Vice President



Norikazu Tanaka
Representative Director
Senior Executive Vice President
Energy Transformation

during the Midterm Corporate Strategy 2024 period, in April 2023 we evolved the EX Task Force into the Next-Generation Energy Business Group, forming a strong foundation to promote EX initiatives. These efforts demonstrate the Company's level of commitment to EX.

The Roles of the Senior Executive Vice President in Charge of EX

The CEO of each Business Group and the Head of the Next-Generation Energy Business Group oversee the promotion and management of individual EX-related projects. My role is to lead our companywide EX Strategy, including investment efficiency, by checking whether the creation of MC's desired EX portfolio is progressing according to plans from a companywide management perspective and by working with the CEO of each Business Group.

Passing on a Series of "Small Successes" to the Next Generation

Although some say that we are close to the arrival of a decarbonized society, the reality is that much remains unsure and no definite scenario has been envisioned for 2050. At the same time, technological innovation is progressing very rapidly. Given this type of environment, it is important that we prepare rigorously for a wide range of possibilities so that we can build a business that will be a growth driver for EX no matter the scenario. Moreover, to achieve ambitious targets, it is important that we first accumulate "small successes." As discussions with our partners progress and development decisions approach for certain projects, we can feel we are surely marching toward tangible outcomes. However, during this process, it is important that we set targets in each field, and by achieving those targets, that we continuously produce clear success cases. This is a process that is not limited to EX and one that we have implemented over the course of our corporate history.

Progress in EX

The relevant Business Groups, who have got together and launched the EX Task Force in October 2021, have since held discussions around a wide range of perspectives on the policies that MC should adopt to realize a decarbonized society. At the time of my appointment as the EX Task Force Leader in April 2022, there were already more than 200 potential projects being discussed by our Business Groups. I could truly feel that each Business Group had made EX their own issue. The mission of MC's EX is to balance reliable energy supply with the realization of a carbon-neutral society. The prioritization of fields and projects that we will pursue in the three years of the Midterm Corporate Strategy 2024 have been already selected, and our short listing is mostly complete.

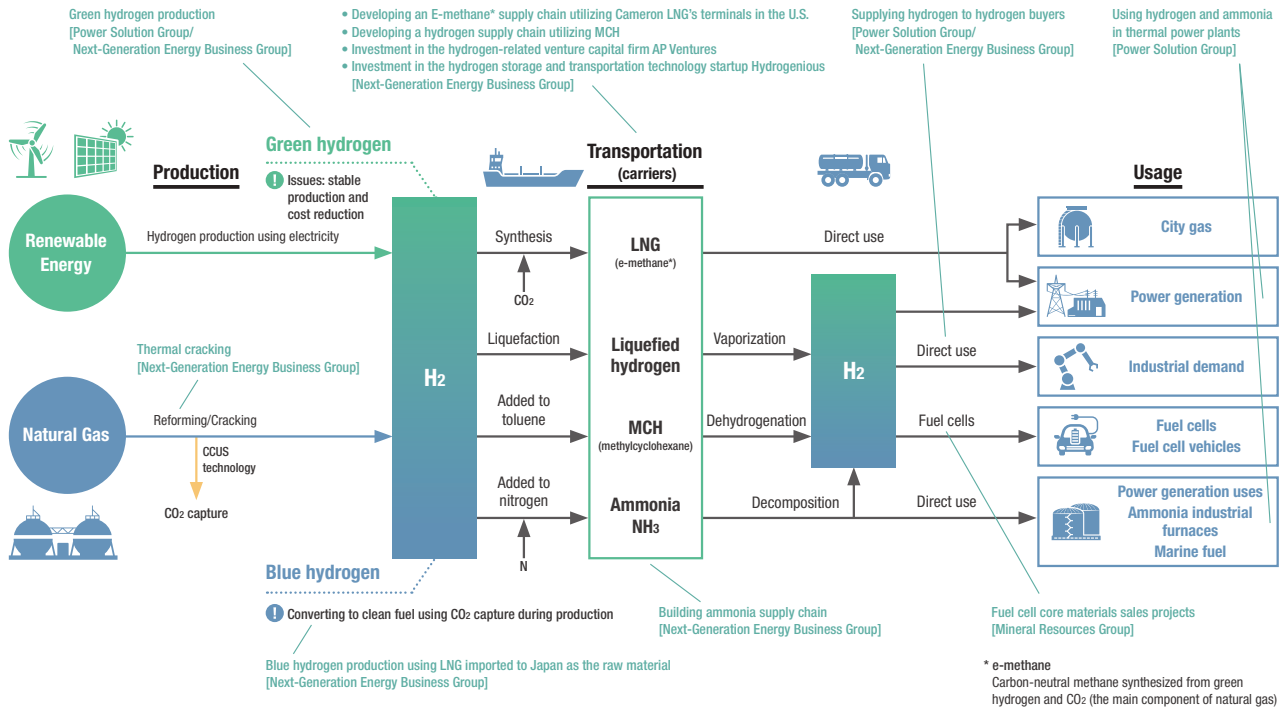
EX includes not only renewable energy and next-generation energy such as hydrogen, ammonia, and sustainable aviation fuel (SAF), but also transition fuels such as natural gas and mineral resource products such as copper, nickel, and lithium that support electrification. It is essential to take on the challenge in a wide range of fields, instead of focusing on a specific area, in order to achieve reliable supply of energy with the transition to a decarbonized society. To make tangible progress in creating new businesses

1 Building a Next-Generation Energy Supply Chain

To build a next-generation energy supply chain centered on hydrogen and ammonia, we are working to connect our mainstay renewable energy business and natural gas business and to pursue business development from multiple angles in the areas of production, transportation (carriers), and usage.

As one example, on June 6, 2023, MC and our subsidiary, the Dutch integrated energy company Eneco, established the joint venture Eneco Diamond Hydrogen to develop associated renewable energy in Europe and to produce

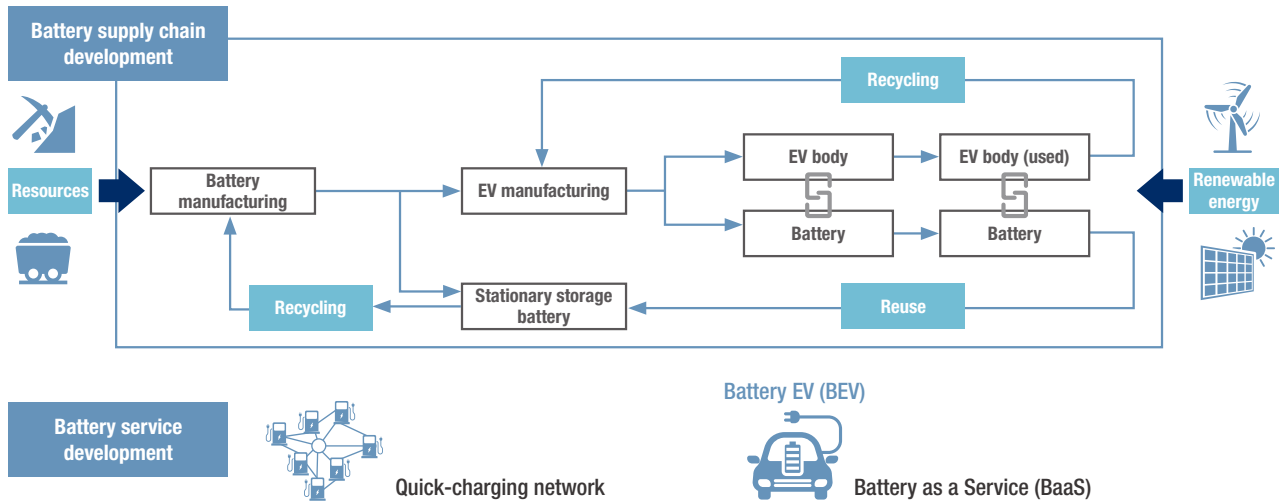
and sell green hydrogen. Using the knowledge and experience in renewable energy development that Eneco has developed over many years and MC's vast network that spans a wealth of industries including oil refining, chemicals, steel, marine transport, and other industries, Eneco Diamond Hydrogen will pursue renewable energy development and the production and sales of green hydrogen in the European region based in the Netherlands.



2 Building a Battery Solutions Supply Chain

The move toward electrification and decarbonization in the mobility sector to realize a carbon-neutral society is an irreversible trend. In an environment that is experiencing the discontinuous integration of energy, mobility, resources, and services across industries, we are pursuing business development with EV batteries, the central node that connects these industries. MC is working to

build a cross-industry business model that accumulates our knowledge and connects these diverse industries. These efforts include securing copper and scarce resources such as lithium and nickel, building mechanisms to recycle resources, maximizing battery value through sophisticated battery management, and coordinating with power networks.



1. Building an EX Supply Chain

In our EX Strategy, we aim to connect MC's mainstay businesses and coordinate with our partners to create new value by building an EX-related supply chain starting with a next-generation energy supply chain and a battery solutions supply chain.

2. Latest Initiatives

01 Awarded Hollandse Kust West Site VI Offshore Wind in the Netherlands

In MC's power business, we select and make investment decisions on projects based on the rich experience and network that we have accumulated over the course of many years in the industry. We have also cultivated our project development capabilities while appropriately controlling business risk from the initial development stages. As an example, MC was a forerunner in the offshore wind power generation business and undersea power transmission business in the early 2010s during the early days of the two markets. We dispatched MC employees to the project companies to assist in development, construction, and operational risk management in the everyday on-site operations, boosting the stability and profitability of the projects. In addition to the long-term ownership of these excellent projects, at the stage in which the business risk diminishes, we will work to recover our capital flexibly by transferring partial investment stakes to third-party partners. We will then invest this capital along with the human resources who have acquired on-site experience in the next prime projects. By combining multiple options in this way, we hope to expand our renewable energy business portfolio through the creation of a positive development cycle.

Against this backdrop, in December 2022, through MC's subsidiary Eneco, MC and Shell have been successful in the tender for the Hollandse Kust West Site VI offshore wind farm (HKW, 760MW capacity) located approximately 50km off the northwest coast of the Netherlands. This will be Eneco's fifth offshore wind project in the country, bringing its total offshore wide power generation capacity in the Netherlands to 2,500MW. This also increases MC's renewable energy power generation capacity from 3,430MW to 3,670MW (as of the end of December 2022). HKW is scheduled to begin commercial

operations in 2026 and will supply approximately 3% of Dutch electricity demand, making a large contribution to the decarbonization policies being promoted by the Dutch government. While offshore wind power generation will play a central role in the future expansion of renewable energy, it must be promoted in harmony with the environment, including marine ecosystems. In the course of this project, we have evaluated both the dependence and impact on the natural environment and coordinated with diverse stakeholders. We plan to minimize our environmental impact and manage the project in a way that contributes to our materiality of "conserving and effectively utilizing natural capital." As such, we believe that this project will contribute to the continued expansion of offshore wind power generation.



02 Launch of the Marunouchi Climate Tech Growth Fund L.P.



In April 2023, through Marunouchi Innovation Partners Co., Ltd. (MIP), MC launched the Marunouchi Climate Tech Growth Fund L.P. (the Fund) to invest primarily in companies dedicated to decarbonization through the development of climate tech. As of its initial closing, the Fund, including the related investment vehicles for overseas investors, has raised 400 million US dollars of capital commitments from investors. MIP plans to raise new investment through additional rounds of funding and to increase the size of the Fund to 800 million to one billion US dollars by its final closing.

The field of climate tech has raised expectations with respect to accelerated development and application of a wide range of cutting-edge, net-zero technologies and solutions. With more funding crucial to meeting those expectations, the demand for climate tech investments is likely to grow over the medium to long term. With the Fund prioritizing investments aimed at spurring growth in companies dedicated to climate tech solutions, MC and MIP plan to leverage this opportunity to help commercialize, scale up, and rollout those entities' cutting-edge technologies. As a result, the Fund should not only help to boost those entities' corporate value, but also support decarbonization and the realization of a carbon-neutral society.

3. Establishment of the Next-Generation Energy Business Group

The Next-Generation Energy Business Group was established in April 2023 to advance EX initiatives, which is one of the main pillars of MC's growth strategy in Midterm Corporate Strategy 2024. The Group is responsible for discovering low-carbon/carbon-free technologies and implementing them in society, as well as building supply chains for next-generation energy that has low environmental impact. In order to

provide stable supplies of energy and resources while simultaneously supporting the decarbonization of social and economic activities, we will help realize a carbon-neutral society by promoting a broad range of initiatives in EX-related value chains, from upstream to downstream, while leveraging MC's broad industrial network as a *sogo shosha*.



Masaru Saito
Executive Vice President
Next-Generation Energy Business
(Concurrently) Head of Next-Generation Energy Business Group

Bringing Together MC's Knowledge to Shift to EX Implementation Stage
I would like to continue the stable supply of existing energy while implementing the transition to next-generation energy in stages. Thus far, we have devised our EX strategy through our EX Task Force. However, to shift to implementing our strategy, we brought together the knowledge of the people spread throughout our Business Groups to form the Next-Generation Energy Business Group. Because the contact points of the next-generation energy sector are extremely broad, we need specialists with diverse experience to connect organically to pursue project development. In addition to aiming to establish a next-generation energy business quickly, while coordinating with each Business Group, we will contribute to addressing societal and industrial challenges, starting with the creation of new carbon-neutral industries. While there are issues that we must overcome, all the members of the relevant departments will come together and move forward toward the realization of a carbon-neutral society.

LPG & Petroleum Feedstock Business Department

■ LPG, crude oil, petroleum feedstock
Provides stable supplies of energy and petrochemical feedstock while simultaneously supporting decarbonization efforts through our businesses and transactions related to LPG, naphtha, and crude oil.

New Power Generation Fuels Business Department

■ Fuel ammonia, wood pellets
To promote the use of fuel ammonia, develops projects around the world with the aim of constructing large-scale and stable supply chains.

Biofuel & E-fuel Business Department

■ Sustainable aviation fuel (SAF), low-carbon methanol, low-carbon ethanol
Develops businesses related to the entire supply chain of biofuels and synthetic fuels derived from clean hydrogen, with a focus on SAF.

Refinery Business Department

■ Petroleum products
Promotes petroleum products business in Japan, Asia, and the US. While continuing to fulfill our responsibility to provide a stable supply of liquid fuels, we work to solve industrial issues during the transition to a carbon-neutral society.

Hydrogen Infrastructure Development Department

■ Hydrogen-related infrastructure
Contributes to the realization of a carbon-neutral society by utilizing various hydrogen carriers to build an international hydrogen supply chain business, which is essential for a hydrogen society.

Hydrogen Business Development Office, Carbon Management Office, New Technologies Office

■ Next-generation energy (hydrogen, etc.), carbon credits, CCUS
Contributes to realizing a carbon-neutral society by adopting a multifaceted approach to initiatives related to hydrogen, e-methane, carbon credits, etc.

■ Relevance of Material Issues to the Business

Focused Material Issues		Details/Action Plans
	Contributing to Decarbonized Societies	Decarbonization of society through the development and supply of next-generation energy <ul style="list-style-type: none">Promoting the development of a supply chain for the societal implementation of hydrogen/ammoniaPromoting business for the societal implementation of SAFDeveloping biofuels and synthetic fuels such as e-methane and e-methanol Contributing to GHG reduction through the promotion of the carbon management business <ul style="list-style-type: none">Developing CCUS and carbon credit-related businessProviding consulting services for customer decarbonization.
	Promoting Stable, Sustainable Societies and Lifestyles	
	Utilizing Innovation to Address Societal Needs	

DX

02 Implementation of DX Strategy

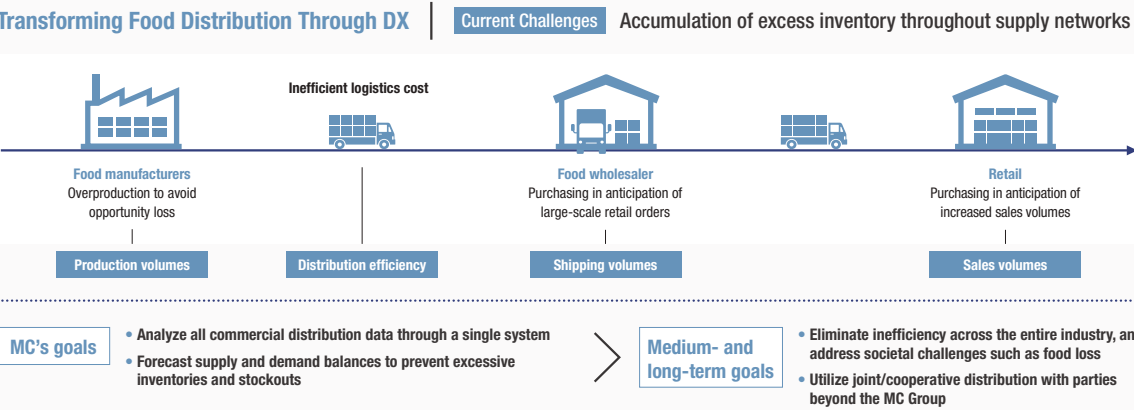
MC is engaged in a wide range of businesses, therefore we have numerous contact points at the frontlines of businesses with challenges in need for DX solution. Through close coordination with Groups, the Industry Digital Transformation Group aims to integrate MC's existing business with digital technology to enhance our business value. Furthermore, DX plays an important role not only in our existing businesses, but also in promoting EX. MC is committed to creating a new future, by promoting DX and EX in parallel.

1. Latest Initiatives

01 Launch of Food Distribution DX at Mitsubishi Shokuhin Distribution Centers

Together with Industry One, Inc., MC is working to reduce inventory at our distribution centers by linking retail and wholesale data. More specifically, by collecting data including retail and intermediary distribution data and analyzing it with AI developed by MC Digital, Inc., we are working to reduce both inventory and food loss and to streamline ordering and warehouse operations.

In our verification testing performed together with Mitsubishi Shokuhin Co., Ltd. covering around 6,000 products, in addition to reducing inventory at our distribution centers by an average of around 30%, we succeeded in lowering the overall rate of out-of-stock items. Given these results, we began installing this system at the distribution centers operated by Mitsubishi Shokuhin Co., Ltd. for Lawson, Inc. in 2022 and have been steadily rolling it out since.



02 Expanding the Data Center Solutions Business



MC is engaged in the data center business through its joint venture MC Digital Realty, Inc., formed with major US data center provider Digital Realty Trust, that provides digital infrastructure helping enable digital transformation strategies of enterprises and customers.

Given the explosive increase in data processing volumes in Japan with the spread of AI/IoT and cloud services, and the further expansion of video streaming and e-commerce, a continuous increase in data center demand in Japan led by major cloud service providers is highly expected.

With the completion of a new data center in Osaka in February 2023, MC reached operating assets of 200 billion yen (power capacity of 130MW). MC will continue to carry out new development based on customers' needs, aiming to expand its business scale further.

2. Welcoming One Year Since the Establishment of the Industry Digital Transformation Group

July 2023 marked the one-year anniversary of the establishment of the Industry Digital Transformation Group. Through gaining insights on the challenges and the need for optimization tools in a wide range of industries and businesses and in all sectors including upstream, midstream, and downstream, we are continuously developing and trialing solutions based on digital technology. MC has many business

frontlines in need for DX-driven solutions. By providing DX functions to these businesses, we aim to achieve optimization of logistics and productivity improvement, which we believe will increase business value, and contribute to the development of the industry as a whole and the realization of vibrant local communities.



Takuya Hirakuri
Senior Vice President
CDO, (Concurrently) Head of Industry Digital Transformation Group

Challenging Ourselves to Create New Business Models that Go Beyond Existing Industrial Boundaries

With the Group's mission "Shaping the Future with Digital," members from eleven Business Groups gathered and are working together to advance three initiatives: 1) an "Enabler Business" that provides capabilities to realize DX both inside and outside of the Company, 2) the creation of new businesses through industrial restructuring with the usage of DX, and 3) the revitalization of regional and local communities using digital technology. In November 2022, we established the Choshi Branch and the Akita Branch as the frontlines of our regional revitalization initiative. We are challenging ourselves not only to accelerate the creation of MC Shared Value (MCSV) using digital technology, but also to create new business models that go beyond existing industrial boundaries.

Digital Business Development Department

■ DX service business/DX business development

Aims to expand business as a DX enabler while helping to promote the MC Group's DX initiatives and achieving results through the provision of DX functions. Based on these efforts, we will expand DX service businesses that lead to new business developments and investments, and enhance the value of entire industries. We will also contribute to addressing societal challenges through the commercialization of next-generation technologies and cross-industry collaboration schemes.

Power & Community DX Department

■ Development of B2C customer base/Regional revitalization initiative

Develops and provides retail services to household customers by leveraging MC Group's wide range of products and networks. We aim to add value by fusing physical and digital solutions and combining them with existing services such as provision of electric power. We also strive to create independent, decentralized communities that both address regional challenges and revitalize the local economy by providing community-based services.

Industry Value Chain DX Department

■ Utilizing DX to develop efficient B2B operations businesses

Aims to develop solutions and services that help to address business- and management-related challenges that industries and companies are facing, and to provide them as a platform. To achieve this, we will strive to promote collaboration with companies that have the necessary technologies through partnerships. In the meantime, we will focus on developing businesses in the fields of logistics, mobility, and data services.

Service Industry DX Department

■ Utilizing DX to develop B2C service businesses

Develops FinTech business and digital services in areas such as finance, healthcare and real estate, leveraging touch points with local municipalities and residents. We collaborate extensively with partners both within and outside the MC Group and aim to realize businesses that will become pillars for the future growth of the MC Group.

■ Relevance of Material Issues to the Business

Focused Material Issues	Details/Action Plans
 Contributing to Decarbonized Societies	Commercializing next-generation technologies and co-creating cross-industry business through the DX enabler business <ul style="list-style-type: none">Promoting DX projects of Business Groups, create MCSV based on DX, and examine commercialization of next-generation technologies
 Utilizing Innovation to Address Societal Needs	Improving efficiency and sophistication of business operations and public services through digital technologies <ul style="list-style-type: none">Providing optimization and visualization services to logistics and regional public transportation sector Developing and providing lifestyle services <ul style="list-style-type: none">Lifestyle services offered by Chubu Electric Power Miraiz Connect, Inc. and home repair and improvement services by HomeServe Japan Corporation
 Addressing Regional Issues and Growing Together with Local Communities	Creating self-sustained decentralized local communities <ul style="list-style-type: none">Supporting local governments in their efforts for regional revitalization, DX, and decarbonization of the area

EX DX

03 Creating a New Future through Integrated EX/DX Initiatives

In the Midterm Corporate Strategy 2024, under the idea of “creating a new future,” MC stated that it will work with partners and local municipalities to address societal and industrial challenges on the themes of utilizing renewable energy and other local energy resources, creating new carbon-neutral industries, and developing vibrant communities by helping address regional challenges. Under these circumstances, we visualize creating a new future as “fostering new industries x regional revitalization.” In other words, by fostering new industries as a starting point and combining them with regional revitalization, we are creating a new future. Efforts in fostering new industries and strengthening cooperation with local municipalities are currently progressing, including the following examples. We will further accelerate our efforts by accumulating successful case studies.

Latest Initiatives

01 Providing Next-Generation Transportation Services to Solve Regional Transportation Issues



MC has been operating the AI-driven on-demand bus service “KnowRoute” in collaboration with Nishi-Nippon Railroad Co., Ltd., in Fukuoka Prefecture. The on-demand buses have no fixed schedule or routes. The buses operate by AI setting and updating the optimal route in real time according to the user’s current location and destination. We are currently working throughout Japan to spread the use of on-demand buses by providing consistent support and expertise, ranging from planning to system provision and improvement measures.

We conducted a trial of KnowRoute in Shiojiri City, Nagano Prefecture, in the fiscal years ended March 31, 2021 and 2022. Having looked at usage rates and listened to requests from users for a full rollout of the service, we began full-scale operation of KnowRoute as an official service. The buses have now become a fixture in the local community.

In February 2023, we established A-Drive Inc. with Aisan Technology Co., Ltd. In anticipation of the driverless vehicle era, we have begun supporting the transition to autonomous driving services in Japan.

We will utilize our wide network and customer base to provide sustainable, safe, and convenient next-generation transportation services to communities across Japan facing various transportation challenges.

02 Supporting the Establishment of Kyoto University-Mitsubishi Corporation Startup Catapult

MC has decided to make a donation of 600 million yen to Kyoto University in April 2023 to support the establishment of “Kyoto University-Mitsubishi Corporation Startup Catapult,” a program to support startups that implement research findings from Kyoto University. We will promote the development and commercialization of Kyoto University’s technological capabilities and research findings in a wide range of fields to address various societal and industrial challenges.

As societal challenges such as climate change and the spread of infectious diseases become more diverse and complex, there is a growing need to commercialize R&D technologies and know-how possessed by educational institutions, etc., and to steadily implement them in society. Kyoto University has been conducting highly specialized research in a wide range of fields for many years and is continuously working to expand its support for business startups. In support of our philosophy, we have decided to make a donation to the startup support program, established by Kyoto University’s Office of Society-Academia Collaboration for Innovation.

We will shortly start accepting applications for specific projects and, after they are reviewed within Kyoto University, provide support for starting businesses for the projects in question.



Mr. Katsuya Nakanishi, Representative Director, President and CEO of MC (left) with Mr. Nagahiro Minato, President of Kyoto University (right)

03 Concluded a Partnership Agreement with Yatsushiro City, Kyushu Electric Power Co., Inc., and NTT Anode Energy Corporation to Expedite Carbon Neutrality in Yatsushiro City

MC has concluded a partnership agreement with Yatsushiro City (Kumamoto Prefecture), Kyushu Electric Power Co., Inc., and NTT Anode Energy Corporation to strengthen mutual collaboration among the four parties and accelerate specific efforts to grow the use of renewable energy, thereby helping to expedite Yatsushiro City’s transition to carbon-neutrality. The four parties will work together to address the following.

Agreements and Areas of Collaboration

1. Leveraging of private services to promote the citywide use of renewable energy.
2. Encouragement of private homes, businesses, public facilities, and other properties to switch to renewable energy.
3. Promotion of local-production-for-local-consumption renewable-energy model and revitalization of the local economy.
4. Leveraging renewable energy to make Yatsushiro a more resilient city that is less vulnerable to natural disasters.
5. Other work designed to encourage decarbonization, including energy conservation and electrification initiatives, and PR work to raise awareness.

Initiatives in the Whole City Area

After concluding the partnership agreement, the four parties will consider and implement the following initiatives, all of which are designed to help expedite Yatsushiro City’s transition to carbon-neutrality, also considering the possibility of accessing the government’s decarbonization funds and subsidies.

1. Installing Renewable Energy Facilities, etc., in Public Buildings

Overview
Installation of solar photovoltaic power generation systems in City Hall, branch offices, community centers, and other public buildings

Party of Interest
Yatsushiro City



2. Promoting Home Rooftop Solar Panels

Overview
Continuation and further expansion of support for installation of rooftop photovoltaic power generation systems and batteries for homes

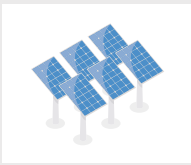
Party of Interest
Yatsushiro City



3. Supporting Introduction of Renewable Energy Facilities to Private Businesses

Overview
Support to help local private businesses adopt renewable energy

Parties of Interest
Yatsushiro City, Kyushu Electric Power, NTT Anode Energy, and MC



4. Expand Introduction of EVs in Official Vehicles, etc.

Overview
Replacement of official vehicles with EVs and other initiatives designed to help spread their use and grow the city’s charging infrastructure

Parties of Interest
Yatsushiro City, Kyushu Electric Power, NTT Anode Energy, and MC



5. Raising Public Awareness About Carbon-Neutrality

Overview
Organization of events to raise public awareness of the need to decarbonize their lifestyles and make greater use of renewable energy

Parties of Interest
Yatsushiro City, Kyushu Electric Power, NTT Anode Energy, and MC



6. Installing Grid-Scale Battery Storage Systems

Overview
Study of potential introduction of grid-scale battery storage systems and consideration commercialization

Parties of Interest
NTT Anode Energy, and MC



7. Establishing a New Local Power Retailer and Power Distribution Business

Overview
Study on the establishment of a new local power retail company and launch of a local power distribution business dedicated to the area’s decarbonization and energy self-sufficiency

Parties of Interest
Yatsushiro City, NTT Anode Energy, and MC



Forging ahead with the sustainable enhancement of corporate value through appropriate capital allocation and promotion of the Value-Added Cyclical Growth Model

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



Summary of Results for the Fiscal Year Ended March 31, 2023, and Forecasts for the Fiscal Year Ending March 31, 2024

In the fiscal year ended March 31, 2023, multiple factors, including the prolonged conflict between Russia and Ukraine, as well as financial instability in both Europe and the United States, had a disruptive effect on the global state of affairs. Our activities amid this environment yielded consolidated net income of 1,180.7 billion yen, an increase of 243.2 billion yen from the previous fiscal year. Even after making appropriate allocation for potential losses by reviewing assets' value, we significantly surpassed the record set in the previous fiscal year and achieved profit in excess of 1 trillion yen for the first time in our history. By segment, seven of our 10 Business Groups set new record-high profits. In addition to the tailwind of high resource prices on the performance of the Mineral Resources Group and the Natural Gas Group, these results can also be attributed to the steady accumulation of earnings by other Business Groups, including the Urban Development Group, which recorded a gain on the sale of real estate management company (MC-UBSR) in line with the Value-Added Cyclical Growth

Model, as well as to the Industrial Materials Group and the Automotive & Mobility Group.

In the fiscal year ending March 31, 2024, we anticipate a return to normality after an overheating trend across the entire economy, led by resource prices and foreign exchange. On this basis, we are predicting that our consolidated net income will decline by 260.7 billion yen to 920 billion yen from the previous fiscal year. Even in such an environment, we expect our performance to remain firm, in part because of increasing production volumes at the Quellaveco copper project.

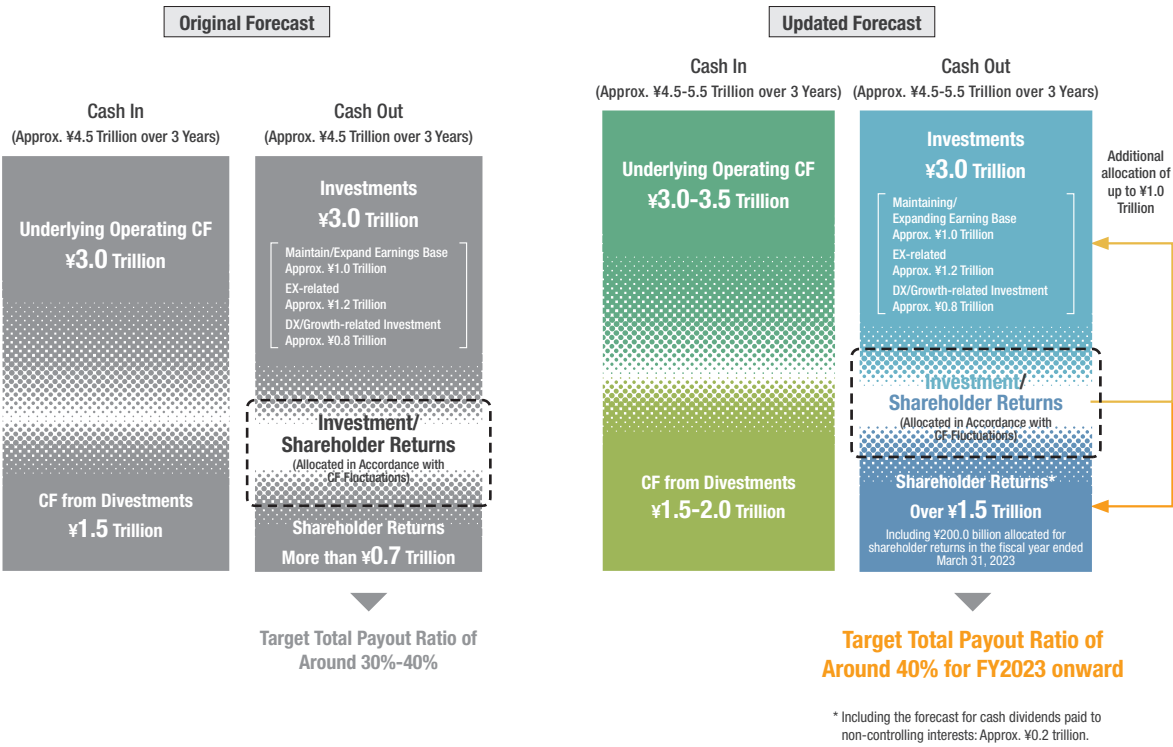
In addition, in terms of capital gains from the implementation of the Value-Added Cyclical Growth Model, we are working to divest multiple projects in the Power Solution Group and the Food Industry Group, etc., in the fiscal year ending March 31, 2024. Thanks to these efforts, we expect to achieve returns similar to those achieved through the divestment of MC-UBSR in the previous fiscal year.

Toward Appropriate Capital Allocation—Review of the Cash Flow Allocation Plan in Midterm Corporate Strategy 2024

When we announced our financial results for the fiscal year ended March 31, 2023, we also updated our cash flow allocation plan for the three years covered by Midterm Corporate Strategy 2024, in part to reflect progress achieved in that fiscal year. We expect our strong performance in the fiscal year ended March 31, 2023 and other factors to lift our underlying operating cash flow (CF) by up to half a trillion yen, from 3 trillion yen to 3.5 trillion yen. We are making steady progress with the Value-Added Cyclical Growth Model, and it now appears that we will be able to recover

investments worth in excess of 1.5 trillion yen through divestments. When we formulated Midterm Corporate Strategy 2024, we projected investment totaling 3 trillion yen. We will seize opportunities by using our robust cash generation capacity to support the proactive allocation of funds. Of course, we will never relax our investment discipline, and will continue to select investments based on strict criteria. We are anticipating at least 1.5 trillion yen in total shareholder returns, including additional returns, over the three-year period.

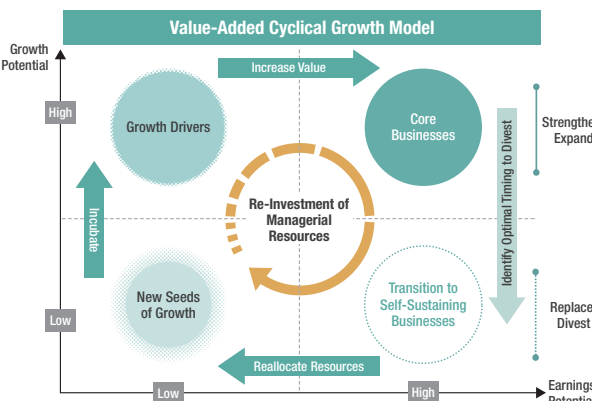
CF and Capital Allocation



Promotion of the Value-Added Cyclical Growth Model

We are accelerating the application of the Value-Added Cyclical Growth Model to enhance our corporate value.

Responding to changes in the business environment, we are aggressively replacing even businesses that contribute to earnings within our portfolio to promote the re-investment of managerial resources to pursue further growth. We are also steadily achieving divestments of substantial assets. For example, in the first quarter of the fiscal year ended March 31, 2023, we



recorded gains of 84.1 billion yen on the divestment of the real estate management company MC-UBSR, and in the first quarter of the fiscal year ending March 31, 2024, we recorded gains of 36.9 billion yen on the divestment of a Food Industry Group affiliated company.

In addition, our approach to asset replacement, which is a key component of this process, is to list candidates for replacement based on the ROIC and growth potential of the businesses concerned, and to encourage autonomous asset replacement by allocating targets to each Business Group. Our policy is to enhance capital efficiency by securing capital gains and replacing low-yield businesses. We will use Value-Added Cyclical Growth Reviews to monitor the progress of asset replacement activities for each Business Group. Candidates for replacement were identified during the first full review carried out

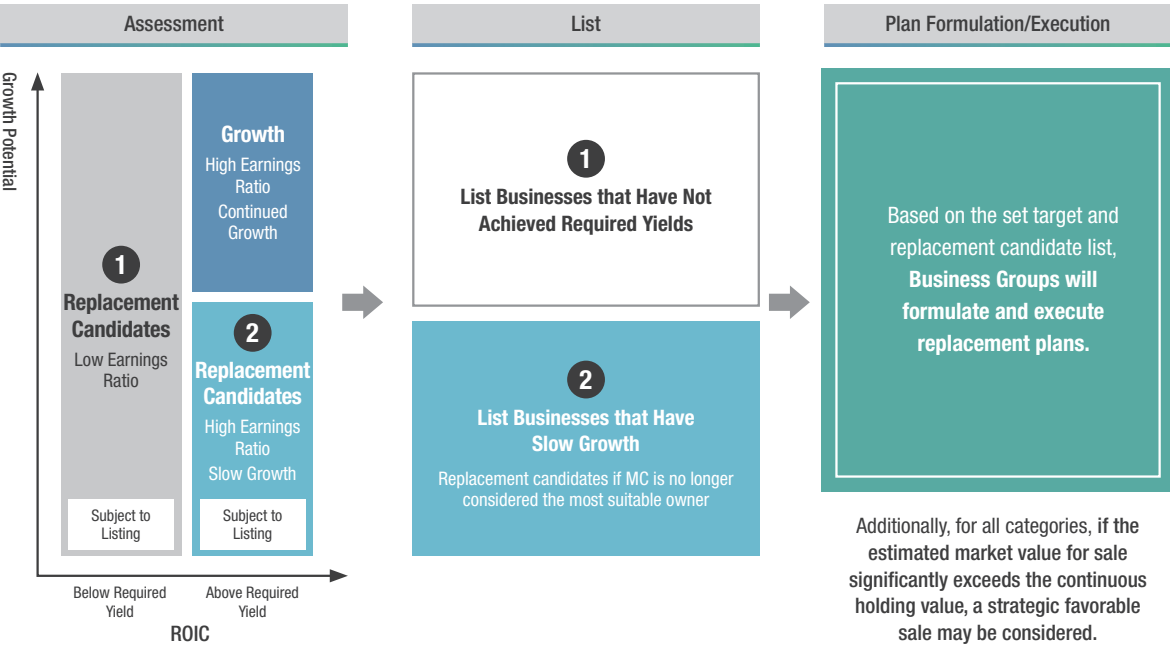
in October of last year, and we are now gradually replacing companies selected by the Business Groups under their replacement policies. After formulating schedules and methods for the replacement of individual companies during the review process, we regularly monitor progress as part of an intensive process designed to enhance asset efficiency. The replacement plan will be implemented over the three-year period covered by Midterm Corporate Strategy 2024. To ensure the steady execution of the plan, we will monitor progress through annual Value-Added Cyclical Growth Reviews, as well as monthly follow-up reviews by a newly established dedicated team. I have noticed a change in perceptions regarding asset efficiency within the Company since the announcement of Midterm Corporate Strategy 2024. As CFO, I will continue working to achieve solid improvements in our capital efficiency through asset replacement.

size of fluctuations in our business performance. Our target total payout ratio under this policy was 30-40% of yearly earnings. While this policy was well received by the stock market, some shareholders were not fully satisfied with the breadth of the 30-40% range. By newly setting the target to 40%, instead of the previous range of 30-40%, we believe that we have enhanced the predictability of our shareholder returns from the perspective of the stock market.

In accordance with the shareholder return policy described above, we decided to increase the dividend per share for the fiscal year ending March 31, 2024 by 20 yen from the previous fiscal year to 200 yen. We are aware that this increase is significantly higher than stock market expectations. However, after analyzing multiple scenarios that took into account various factors, including fluctuations in resource prices, and verifying the

firmness of our profit level, we made the decision to raise the dividend after determining that we could maintain the progressive dividend system even in situations where the dividend per share was equal to the 200 yen level. In May 2023, we decided to buy back shares worth 100 billion yen on the basis of the projected final results for the fiscal year ending March 31, 2024. If dividends and share buybacks are taken into account, we have already offered shareholder returns equivalent to a total payout ratio of 40% based on our forecast of 920 billion yen for the fiscal year ending March 31, 2024. However, we have no intention of limiting ourselves to this target, and will instead continue to take a flexible approach by considering additional returns like those provided at the end of the fiscal year ended March 31, 2023, to reflect CF trends and other factors.

■ Asset Replacement Process



We must always consider multiple scenarios and try to predict what might happen. We also need to remain alert to potential changes and must think carefully about their implications.



Enhancing Shareholder Returns

With regard to shareholder returns in the fiscal year ended March 31, 2023, we decided to provide additional returns in the form of 200 billion yen in share buybacks when we released our yearly financial results in May 2023, besides the approximately 430 billion yen, consisting of a dividend per share of 180 yen and 170 billion yen in share buybacks, which we had announced before. This decision, which reflected our strong business performance, financial soundness, CF trends, and other factors, increased total shareholder returns in the fiscal year ended March 31, 2023, including additional returns, to approximately 630 billion yen. The total payout ratio based on our results for the year was 53%,

which significantly exceeded market expectations.

When we announced Midterm Corporate Strategy 2024, our target total payout ratio was 30-40% of yearly earnings. In May 2023 we revised this target to around 40% for the fiscal years ending March 31, 2024 and March 31, 2025. This decision was prompted by the heightened probability of achieving our CF forecast following the completion of the first year of Midterm Corporate Strategy 2024, and by our dialogue with the stock market. Under Midterm Corporate Strategy 2024, we based our policy on shareholder returns primarily on progressive dividends, while at the same time carrying out share buybacks linked to the

My Role as CFO

In recent times, we have experienced numerous developments that would have been unimaginable a few years ago, including the COVID-19 pandemic, the conflict between Russia and Ukraine, and global inflation. While it is impossible to make exact predictions about the future, when we look back on various unexpected events, we find that most of them are, in fact, closely related to one another. Even when situations appear to be smooth sailing, we must always consider multiple scenarios and try to predict what could happen. We also need to remain alert to potential changes and must think carefully about their implications.

One of my most important responsibilities as CFO is, of course, the appropriate allocation of capital in order to maintain

financial soundness and improve capital efficiency, so that we can achieve sustainable improvements in total shareholder returns (TSR). When we announced our financial results for the fiscal year ended March 31, 2023 in May 2023, we also updated our three-year CF forecast for Midterm Corporate Strategy 2024. With both underlying operating CF and CF from divestments reaching record levels, our CF allocation options have expanded, further heightening the importance of our capital allocation activities. Given the increasing unpredictability of the macro environment, we will allocate capital appropriately to investments, asset replacement, and shareholder returns in accordance with Midterm Corporate Strategy 2024, while also remaining focused on forecasting and addressing potential future changes.

Featured Discussion



Kenji Kobayashi
Senior Vice President
Corporate Functional Officer,
CSEO

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

Tsuneyoshi Tatsuoka
Independent Director

Management with an Awareness of Capital Cost and Share Price

The Chief Financial Officer (CFO) and Chief Stakeholder Engagement Officer (CSEO), representing the executive side of management, and an Independent Director discuss MC’s response to the request from the Tokyo Stock Exchange (TSE) in March 2023 and our appeal to stakeholders.

Q In March 2023, the TSE requested listed companies to take action to implement management that is conscious of cost of equity and stock price. What actions will MC take?

Nouchi: We had already been taking action under the Midterm Corporate Strategy 2024 framework before the TSE’s request. One of the quantitative targets of Midterm Corporate Strategy 2024 is double-digit ROE, and our analysis indicates that if we can stably maintain double-digit ROE through the promotion of business management systems, then ROE can exceed the cost of equity as required by the stock market. We believe that explaining this to the market will become very important since market trust and expectations for maintaining and improving ROE over the medium to long term will lead to forming a fair share price.

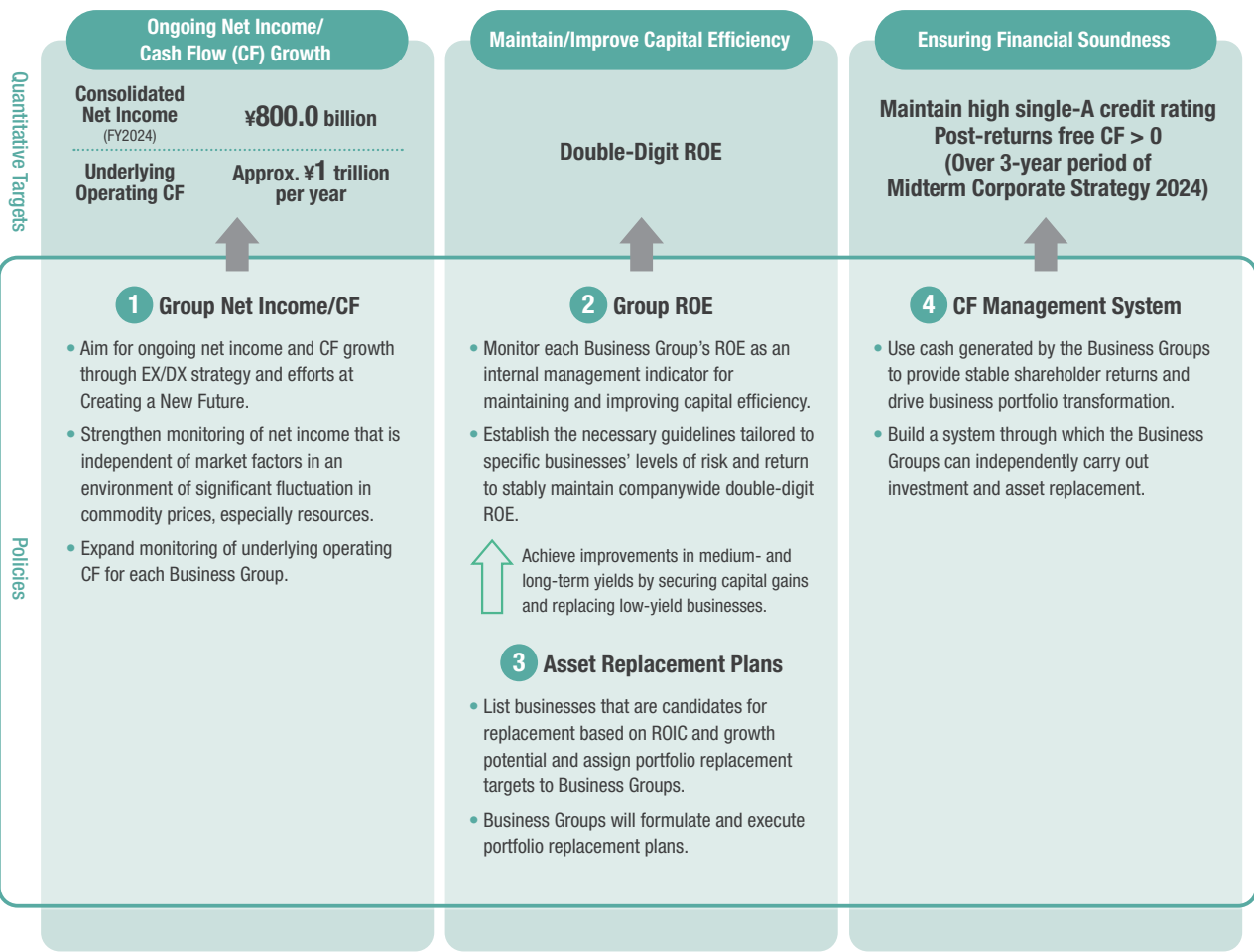
Tatsuoka: I agree with Mr. Nouchi’s thinking that it is important for investors to have a sense of security, expectation, and confidence that ROE will be maintained and improved over the medium to long term. Specifically, since MC currently has sufficient resources to allocate toward investments, I think it will be crucial to thoroughly

communicate the profitability of future investments through dialogue with investors and other stakeholders. I also have high expectations from the newly established CSEO position in this area.

Kobayashi: Thank you very much, Mr. Tatsuoka. Currently, we are still seen as a value stock and resources company by the stock market, but I believe that we are in fact a mature company and, in some respects, a growing one. Therefore, in future IR activities, we will begin by firmly presenting MC’s past equity story, that is, how we have evolved the business model and subsequently grown, and we will then carefully convey our future growth potential, including EX investments.

Tatsuoka: For EX investments, MC carefully selects investments that contribute to the maintenance and improvement of ROE. MC makes strict and disciplined investment decisions with the Board of Directors monitoring such decisions. I believe that clearly explaining this disciplined investment approach will lead to a sense of security toward EX investments, which receives a high level of outside interest in terms of profitability.

Business Management Systems under Midterm Corporate Strategy 2024



Q As MC demonstrates its future growth potential, is there anything specific that the Company wants to emphasize?

Nouchi: Addressing various risks, including geopolitical risks, is becoming increasingly important for maintaining business activities. However, it is precisely because of this highly uncertain macro environment that I think we are in a position to stand out for our superiority in maintaining resilience to downturn effects during recessions. Factors that contribute to my belief include our sufficient financial soundness and cash generating capabilities, as well as our geographically and industrially broad and robust portfolio, which provides diversification benefits.

Kobayashi: To add to Mr. Nouchi’s point, I believe that a robust portfolio is important from the perspective of creating new value that only a conglomerate like MC with a robust portfolio can offer. In an environment of increasing pace of change and difficulty in addressing societal issues, our strength lies in our ability to create new value in response to changes by dynamically switching, combining, and integrating a variety of portfolios. Through a clear explanation of this, I

believe that there is room for investors to further evaluate our business portfolio as a whole that generates more value than the sum of each business. In addition to our strengths, I would also like to mention our uniqueness. We are currently proceeding with asset replacement by implementing the Value-Added Cyclical Growth Model, but we recognize that our efforts to circulate assets according to the life cycle of each business are clearly distinct from private equity funds, which replace investment portfolios primarily to acquire capital gains within a limited investment period.

Nouchi: Yes, that is right. Because Japanese *sogo shosha* companies are often seen as difficult to comprehend in terms of the type of business they are, I feel that it is very important for stakeholders to understand our strengths and uniqueness.

Kobayashi: To maintain and improve double-digit ROE, we will continue to promote initiatives for our business management systems as stated in Midterm Corporate Strategy 2024. We will also carefully present MC’s unique equity story while striving to further enhance dialogue and disclosure with investors and other stakeholders.