

Value Creation by the Business Groups

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This section introduces the specific initiatives of each Business Group that perform as an engine in producing "value," the outcome of the value creation process.

s Groups at a Glance

s Groups × Business Models × Strategies

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Business Groups at a Glance (Fiscal year ended March 31, 2023)

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Business Groups	Natural Gas Group	Industrial Materials Group	Chemicals Solution Group	Mineral Resources Group	Industrial Infrastructure		Automotive & Mobility Group	Food Industry Group	Consumer Industry Group	Power Solution Group	Urban Development	Others	
	P.78	P.80	P.82	P.84	Group P.86		P.88	P.90	P.92	P.94	Group	Other, Adjustments and Eliminations	Total
										S.C.			
Net Income (loss)*													(Billions of yen)
(Year ended March 31, 2021)	21.2	4.7	26.2	78.1	21.2		(28.1)	39.4	(73.2)	42.3	25.4	15.4	172.6
(Year ended March 31, 2022)	105.1	36.8	40.3	420.7	17.3		106.8	79.3	21.0	50.5	40.0	19.7	937.5
(Year ended March 31, 2023)	170.6	62.0	45.0	439.3	31.9		127.5	63.4	23.0	61.9	123.3	32.8	1,180.7
(Year ending March 31, 2024 (Forecast))	146.0	46.0	25.0	298.0	27.0		110.0	72.0	29.0	109.0	45.0	13.0	920.0
Total Assets (Year ended March 31, 2023)	2,043.0	1,461.7	1,160.7	4,098.1	1,329.2		1,915.4	2,103.0	3,988.6	2,716.2	1,164.6	172.4	22,152.9
Investment accounted for using the equity method	714.8	176.2	166.3	549.9	240.5		366.7	358.3	178.7	452.5	722.0	1.0	3,926.9
Property, plant, equipment and investment property	313.9	107.9	42.6	995.1	134.7		47.2	316.7	367.6	653.2	7.4	87.7	3,074.0
Intangible assets and goodwill	1.9	11.7	5.0	4.4	96.4		6.7	184.3	528.9	337.4	0.1	30.6	1,207.4
Other investments	235.5	90.8	83.7	413.3	46.4		117.7	189.9	301.7	34.2	114.3	189.4	1,816.9
Fiscal year ended March 31, 2023	Natural Ga 170.6	s Industrial Mai 62.0	terials Chemicals S 45.0	olution	Mineral Resources 439.3		Indi 31	ustrial Infrastructure .9	Automotive & Mobility 127.5	Food Industry Con 63.4 Indu	sumer Power Istry Solution .0 61.9	Urban Development 123.3	Other, Adjustments and Eliminations 32.8
TI, IOU. / billion *Net income (loss) refers to "Net income (loss) attributable to owners of the parent."													
As of March 31, 2023 Total Assets	Natural Gas 2,043.0	Industrial Materials C 1,461.7 1	hemicals Solution ,160.7	Mineral Resources Ir 4,098.1 1	idustrial Infrastructure ,329.2	Aut 1,S	omotive & Mobility 915.4	Food Industry 2,103.0	Cons 3,98	umer Industry 18.6	Power Solution 2,716.2	Urban Development 1,164.6	Other, Adjustments and Eliminations 172.4
¥22,152.9 billion													





Business Groups × Business Models × Strategies



Natural Gas Group



海澤 Jun Nishizawa

Executive Vice President Group CEO. Natural Gas Group

 Natural gas and LNG businesses mainly in the Asia-Pacific region and North America . LNG project acquisition and development, marketing, and trading businesses Decarbonization of the LNG value chain to achieve a carbon-neutral society.

Group Strengths

- A global LNG business portfolio with high competitiveness
- · Strong relationships with customers, project partners, and gas-producing countries
- · Strong marketing capacity of our subsidiary in Singapore (DGI*1)
- Implementation of a wide range of decarbonization initiatives including CCUS, development of carbon credit businesses, and participation in BEC*2, to realize a carbon-neutral society



Relevance of Material Issues to the Business Details/Action Plans Focused Material Issues Taking measures for decarbonization Contributing to Improving LNG production and shipping operations efficiencies **Decarbonized Societies** Introducing green power supply for LNG projects Developing CCUS projects · Carbon credit business development Promoting Stable, Ensuring a stable supply of LNG Sustainable Societies Maintaining stable operation of existing LNG projects and Lifestyles · Ensuring successful start-up of projects under construction · Establishing robust supply capacity through development of expansion projects and/or new business development, supported by our strong marketing capability Contributing to decarbonized society through the promotion of technological innovation Utilizing Innovation to Address Societal Needs

- · Supporting the implementation of decarbonization projects through BEC
 - Promoting Direct Air Capture businesses



capabilities **Corporate Strategy 2024** society

Progress Under Midterm Corporate Strategy 2024

Tangguh LNG Project, Indonesia

In the Tangguh LNG project that we participate in with bp, the operator of the project, as well as the other project partners, we are executing an expansion project as well as studying a potential CCUS project. The Tangguh LNG project's expansion will increase production capacity from 7.6 MTPA to 11.4 MTPA. The CCUS project is expected to recover a cumulative total of approximately 25 million tons of CO₂ emitted from the project, and approximately halve project emissions by injecting and storing the CO₂ in existing gas fields, while at the same time improving production efficiency and increasing natural gas production. Through the Tangguh LNG project, we aim to strengthen our LNG supply capacity and develop a decarbonized supply chain.

Major Growth Drivers

MC has been involved in the LNG business since the 1960s, and since then has increased its equity participation in LNG projects. Currently, MC is participating in 13 project around the world, with a total LNG equity production capacity of 11.81 MTPA. The Tangguh LNG expansion and LNG Canada projects under construction are expected to start production in 2023 and in the mid-2020s, respectively, and it is expected that the total LNG equity production capacity will reach 14.29 MTPA by the mid-2020s. MC will continue to expand the LNG equity production capacity through participation in competitive new projects in the future.

Growth Outlook for LNG Equity Production Capacity



Increased demand for natural gas due to economic growth, especially in emerging countries Robust natural gas demand expected from replacement of coal and oil, as an energy source for hard-to-abate sectors, and also as a balancing source for renewable intermittency • Use of natural gas as a feedstock for next-generation energy such as blue hydrogen and blue

• Further strengthening the foundation of existing businesses and steadily launching the Tangguh LNG expansion and LNG

Strengthening our portfolio through competitive expansion and execution of new projects by leveraging marketing

· Promote decarbonization of the LNG supply chain and CCUS/development of carbon credit to achieve a carbon-neutral



Two existing LNG trains and an expanded train under construction, LNG tanks, jetty, etc

*1 MC's offtake volume, including the tolling capacity under the liquefaction tolling agreement with Cameron LNG. *2 MC's offtake volume for LNG Canada.



Industrial Materials Group



Kotaro Tsukamoto Executive Vice President Group CEO. Industrial Materials Group

- Processing, manufacturing, sales, and distribution of steel products through Metal One Corporation (MC's stake: 60%)
- Manufacturing, sales, and distribution in the fields of carbon materials, PVC, and other products
- Manufacturing, sales, and distribution of silica sand and other products through Cape Flattery Silica Mines Pty., Ltd. (MC's stake: 100%)
- Manufacturing, sales, and distribution in the fields of cement, ready-mixed concrete, and other products
- Development, manufacturing, and sales of functional materials through TOYOBO MC Corporation (MC's stake: 49%)

Group Strengths

. Industry knowledge and global network in the industries in which we operate, with a focus on the fields of automotive and mobility, and construction and infrastructure · Processing, manufacturing, and distribution assets in the materials industry accumulated through business investment and trading

Long-term partnerships with materials manufacturers in Japan and overseas



Relevance of Material Issues to the Business

Focused Material Issues		Details/Action Plans
	Contributing to Decarbonized Societies	Securing materials necessary for electrification (EVs, renewable energy, etc.) Participating in businesses necessary for the spread of EVs, such as reduced-weight materials businesses Engaging in the materials business for lithium-ion batteries used in EVs, etc.
	Promoting Stable, Sustainable Societies and Lifestyles	Building, streamlining of the production, sales, and distribution system and expanding the production capacity for silic sand used in photovoltaic glass Building a recycling system of materials for decarbonization and stable procurement Development of the production of the pro
	Utilizing Innovation to Address Societal Needs	 Recycling of steel products, resins (building materials, tires, etc.) and functional materials Transforming the distribution of materials in the face of labor shortages and surplus costs by leveraging digital technologies Optimizing and sophisticating the distribution of materials by combining real business and digital technology
	Addressing Regional Issues and Growing Together with Local Communities	Strengthening the supply chains of materials essential for construction, infrastructure management, and development Strengthening the businesses for environment-friendly cement, ready-mixed concrete, and resin building materials

Awareness of the External Environment Ricke · Destabilization of the materials supply chain · Insufficient supply of decarbonization-related materials • Decline of existing business models due to digital innovation, etc. and mobility, and for the development of a digital society Strategies Under Midterm existing businesses and networks **Corporate Strategy 2024** of renewable energy, electric furnaces for steelmaking, and EVs Optimization and upgrading of the materials supply chain through DX, etc.

Progress Under Midterm Corporate Strategy 2024

Initiatives to "Create Value by Connecting Needs with Seeds (Solutions)"

MC established TOYOBO MC Corporation (MC's stake 49%) as a joint venture with TOYOBO Co., Ltd. TOYOBO MC Corporation develops, manufactures, and sells functional materials that support the weight reduction and electrification of automobiles and mobility, as well as providing solutions for environmental issues. At a time when progress in decarbonization, changes in industrial structures, and technological innovation are accelerating, we will contribute to solving industrial challenges and realizing a sustainable society by combining the product and technology development expertise of TOYOBO Co., Ltd. with our broad industrial knowledge and management capabilities. We have also TOYOBO MC Corporation established Beyond Materials Corporation in partnership with FEV Consulting GmbH, a subsidiary of the FEV Group. Beyond Materials Corporation, in the materials field, provides a wide range of services including market research, strategy development and implementation, as well as product development and demonstrations, while also taking advantage of digital technologies.

Major Growth Drivers

- Against the backdrop of global decarbonization, the steel industry is shifting its steelmaking processes from blast furnaces to electric furnaces (steel product recycling), and the global EV market is expected to expand rapidly at a CAGR of more than 20%. As the environment surrounding the materials industry begins to change significantly, opportunities are increasing for MC, which is engaged in diverse businesses along the materials supply chain, to demonstrate its strengths.
- . Metal One Corporation, a joint venture with Sojitz Corporation, has more than 110 physical business bases in Japan and overseas, and by leveraging the industry expertise obtained from those bases with digital technologies, it contributes to solving industrial challenges especially in the fields of automotive and mobility as well as construction and infrastructure.
- POSCO MC MATERIALS Co., Ltd., a joint venture with POSCO FUTURE M Co., Ltd. and others, is a carbon materials manufacturing company which has established a manufacturing and sales system for graphite electrodes for electric furnaces and materials essential for lithium batteries. We will create new value by leveraging existing assets in addition to our knowledge of the materials industry and global network.

Electric furnace steel production (million tons) and electric furnace ratio (%)



Source: Arthur D. Little Japan, Inc.

- Capture of increasingly diverse and sophisticated material needs
- Materials recycling for decarbonization and stable procurement purposes
- Securing the necessary materials for electrification (EVs, renewable energy, etc.)
- Strengthening the supply chain in light of geopolitical risks
- Transformation of materials distribution using digital technology

Participate in the functional materials business, which is essential for weight reduction and electrification of automobiles

Initiatives for recycling projects that contribute to environmental impact reduction and stable procurement by leveraging

• Strengthen businesses such as silica sand and carbon materials, where demand is increasing due to the popularization







Relevance of Material Issues to the Business

FUCUSEU MIALEITAI ISSUES		Details/Action Plans
	Contributing to Decarbonized Societies	 Decarbonizing existing chemical materials manufacturing businesses, and realizing a decarbonized society through bio and carbon recycling materials manufacturing businesses Decarbonizing existing businesses by improving the efficiency of manufacturing processes and leveraging technologies such as CCS Decarbonizing the chemical materials supply chain through trading businesses
	Conserving and Effectively Utilizing Natural Capital	 Realizing a circular economy through the effective utilization of natural capital in the bio-material manufacturing and product recycling materials businesses Promoting the development of new bio- and carbon-related materials recycling businesses Steadily launching new businesses for product recycling materials
	Promoting Stable, Sustainable Societies and Lifestyles	 Realizing stable, sustainable societies and lifestyles through the steady supply of chemical materials and the development of materials-related businesses (semiconductors, etc.) that support EX/DX Continuing the stable supply of chemical materials through existing manufacturing operations Developing materials-related businesses that support EX/DX (semiconductors, etc.) Continuing the stable supply of chemical materials through trading

Awareness of the External Environment Ricke

- · Declining market value of chemical materials derived from fossil fuels, shifts to alternative materials, and industrial landscape changes in the petrochemical and materials industries due to accelerating decarbonization trends against the backdrop of climate change issues
- Changes in supply chains due to heightened geopolitical risks



Progress Under Midterm Corporate Strategy 2024

PET Chemical Recycling Business in Thailand

In January 2020, MC joined the PET chemical recycling business by investing in Thai Shinkong Industry Corporation Ltd., a manufacturing company of PET, which is used to make plastic beverage bottles. In light of rising global pressure to transition to a circular economy, we aim to strengthen our initiatives for "Procuring and Supplying in a Sustainable Manner." We will strengthen initiatives by expanding PET production capacity, since we expect demand for PET to grow as the trend in mono-material packaging (promoting

use of a single type of material) progresses, and by participating in the recycled PET chemical manufacturing business through the introduction of chemical recycling technologies. The newly established production line began operations in June 2023.



Maior Growth Drivers

We will provide a stable supply of fuels and materials for which demand is strong, while implementing solutions that contribute to the realization of a decarbonized society.



Source: ICIS (PE), Woodmac (MEG)

Source: IHS (methanol)

- Expansion of product recycling materials businesses
- Growth in the market for bio-derived environment-friendly chemical materials and those that utilize CO₂ as a raw material
- Entry into new business areas to capitalize on changes in the industrial landscape and supply chains

Reduce the environmental impact of existing operations while fulfilling our current supply responsibilities and generating

Present realistic solutions to the world in the area of materials to solve the challenges of decarbonization, and engage in

• Pursue opportunities for materials-related businesses (semiconductors, etc.) that support EX/DX in light of changes in industrial structures and supply chains

Building of a Supply Chain for Bio-Derived Environment-Friendly Materials

MC has joined forces with Neste Corporation (HQ: Finland), Idemitsu Kosan Co., Ltd., and CHIMEI Corporation (HQ: Taiwan), to build a biomass plastics supply chain utilizing bio-naphtha. Neste Corporation, the world's leading producer of renewable materials, will supply the bio-naphtha, Idemitsu Kosan Co., Ltd. will manufacture biomass styrene monomer, and CHIMEI Corporation will manufacture biomass plastics such as acrylonitrile butadiene styrene (ABS). MC will handle the overall management of the supply chain's construction and the marketing of biomass products. Through this collaboration, we will contribute to the plastics industry's GHG emissions reduction targets and toward the early realization of a decarbonized society.



Global demand for ammonia



Source: Fertecon (IHS) (excluding fuel ammonia)



Mineral Resources Group



Investment in mineral resources-related assets such as metallurgical coal, iron ore, copper, aluminum, and nickel, as well as project development

AND A DIA MANAGEMENT AND THE OWNER

 Trading of coal, iron ore, nickel, chrome, lithium, molybdenum, copper/lead/zinc concentrates and metal, tin metal; primary aluminum and secondary alloys, aluminum products, bauxite, precious metals, rare earths, etc.

Group Strengths

· Ownership of prime assets with world-class competitive cost advantages and guality

Solid partnerships with major mining companies and other primary suppliers that leverage our presence in the industry built over many years

Industry intelligence and presence as an industry player gained through a global customer base cultivated by our trading business, and using this as leverage to identify
new quality investment opportunities

Ability to adapt business models to changes in the external environment to foster growth



Relevance of Material Issues to the Business Focused Material Issues Details/Action Plans Contributing to the decarbonization of steelmaking through the stable supply of high-quality raw materials Contributing to and expansion of supply capacity for low-carbon iron sources Decarbonized Societies Stable supply of high-quality metallurgical coal and iron ore · Participating in the direct reduced iron (DRI) business Conserving and Contributing to electrification through the expansion of copper and aluminum supply capacity and the Effectively Utilizing development of raw materials for batteries Natural Capital Maintaining and expanding copper production equity Promoting bauxite project development Promoting Stable, Sustainable Societies Participating in lithium and nickel resource businesses and Lifestyles Contributing to the realization of a circular economy by expanding the supply capacity of secondary resources · Exploring opportunities to participate in the precious metals recycling business Utilizing Innovation to Exploring opportunities to participate in the lithium-ion battery recycling business Address Societal Needs Exploring opportunities to participate in the secondary aluminum business

Start of Production at Quellaveco Copper Mine

Quellaveco Copper Mine is a large-scale, highly cost-competitive copper mine in southern Peru, with reserves of approximately 8.7 million tons and an expected mine life of approximately 36 years. MC is developing the mine with partner Anglo American plc, and started copper concentrate production in 2022. Our Group's equity production volume is currently about 250,000 tons per year, the largest for Japan, but will increase further after the full-scale launch of the mine, with the aim for around 400,000 tons in the future. We will continue our efforts to secure and provide a stable supply of copper, an essential component for the realization of a carbon-neutral society, especially for the advancement of electrification centered on renewable energy and the spread of EVs.

Major Growth Drivers

Group EX Strategy

Strengthen efforts in mineral resources, an essential component of decarbonization, and begin the execution of specific projects.

- Stable supply of high-quality metallurgical coal and iron ore
- Pursue the potential of 1) direct reduced iron (DRI), which contributes to the expansion of electric furnaces, and 2) the precious metals that are indispensable for a hydrogenbased society
- Expand our capability to supply next-generation resources essential for electrification Start work on secondary resources

Profit Structure (excluding trading)



Opportunities

- Increased demand for copper and raw materials for batteries due to EV development and the popularization of renewable energy power generation facilities
- To contribute to the decarbonization of the steel industry, we will pursue 1) the potential of direct reduced iron (DRI), which contributes to the expansion of electric furnaces, and 2) precious metals, essential for a hydrogen-based society, while at the same time achieving a stable supply of high-quality metallurgical coal and iron ore
- As a material that supports electrification, we will aim for growth in the copper business by acquiring new prime assets, utilizing new copper recovery technologies, etc., and by focusing on maintaining and expanding production of existing
- Strengthen our efforts in next-generation resources such as lithium and nickel, raw materials for batteries, and bauxite,
- With an eye toward circular economies, we will work to utilize secondary resources in precious metals, lithium-ion



Quellaveco Copper Mine Project (Peru)

Decarbonization

Metallurgical coal, iron ore, precious metals

Electrification

Copper, aluminum, raw materials for batteries

Circular economies (secondary resources)

Precious metals, lithium-ion batteries, aluminum

Aluminum



Bus

Industrial Infrastructure G





 Construction and supply of industrial plants and social and energy infrastructure, and investments in related businesses; ship ownership, operation, and trading; space-related businesses; defense equipment trading, etc.

• Distribution business for industrial machinery such as machine tools, agricultural machinery and elevators, a facility management business, and a construction solutions business including construction equipment rental

Group Strengths

. Connections with, and industry knowledge of, various industries such as manufacturing, construction, agriculture, shipping, transportation and power infrastructure, as well as oil & gas

- A foundation for conceiving new businesses that leverage our ownership of numerous business models
- . Strong partnerships in each business area cultivated through the provision of functions to key industry players



Relevance of Material Issues to the Business

Fo	cused Material Issues	Details/Action Plans
	Contributing to Decarbonized Societies	Contributing to the stable supply of primary energy to support the transition to a decarbonized society Stable operation of existing energy plants Stable transport of LNG
	Promoting Stable, Sustainable Societies and Lifestyles	Constructing and transforming industrial infrastructure to realize a decarbonized society Decarbonizing industrial plants Contributing to labor-saving and decarbonization in the entire shipping industry by promoting DX/EX Developing businesses for the transport of next-generation energy and CO2
	Utilizing Innovation to Address Societal Needs	 Developing electric propulsion vessels and autonomous operation support systems for shipping as well as promoting th decarbonization of existing vessels Creating new businesses that utilize new technologies to address societal challenges Private sector utilization of advanced technologies in the field of aerosnace
	Addressing Regional Issues and Growing Together with Local Communities	Contributing to local communities and economies through the provision of sustainable and stable services in industrial sectors such as construction and manufacturing Providing solutions to issues such as labor-saving and decarbonization in the industries in which we operate

Awareness of the External Environment Risks Decreasing profitability of existing contracts due to soaring raw material and transportation costs, etc., and rising interest rates Impact of geopolitical risks, such as the situation in Russia and Ukraine, on existing businesses ÷ **Strategies Under Midterm Corporate Strategy 2024**

We will work to complete the revitalization of Chiyoda Corporation

Progress Under Midterm Corporate Strategy 2024

Promotion of the Next-Generation Shipping Business

Decarbonization of maritime transport

Promote decarbonization of the shipping industry by introducing the latest technologies such as installing fuel-saving devices on existing ships and considering fuels for ships other than heavy fuel oil

• Maritime transport network development for the introduction of next-generation energy and CC(U)S*

Participate in the design and development of next-generation energy and CO₂ carriers and ports from the initial stage, contributing to the establishment of a maritime transport network that is essential for realizing a decarbonized society

• Promotion of maritime DX

Promote initiatives for autonomous operations, crew well-being, labor-saving, etc. * CC(U)S: Carbon Capture (Utilization) and Storage. Effective utilization (CCU) or storage (CCS) of captured CO2

Major Growth Drivers

Our Group, which boasts extensive connections to various industries, also aims to promote DX and EX-related investments in each of our business areas in order to arow our business.

The main investment targets for DX include construction solutions, facility management, and plant engineering, and for EX includes next-generation shipping business, etc. We will use EX and DX as tools to achieve growth by addressing challenges in each of the industries in which we operate.

Breakdown of new investments



- Providing services and solutions to meet increasingly diversifying and complex needs in the industries in which we operate, such as technological innovation, digitalization, and lowering environmental impact
- With the Value-Added Cyclical Growth Model in mind, we will promote the consolidation and re-profiling of management resources while refining functions and strengths that clearly differentiate us from competitors
- . Accelerate the development of businesses that have the potential to grow beyond the Group, such as the construction solutions business, next-generation shipping business, and space-related business



Ammonia carrier which is also expected to be a next-generation energy SOURCE



Business Groups × Business Models × Strategies

Automotive & Mobility Group



Automotive & Mobility Group

Production, sales, and financing of automobiles manufactured by Mitsubishi Motors Corporation and Mitsubishi Fuso Truck and Bus Corporation

- Production, sales, and financing of automobiles manufactured by Isuzu Motors Limited
- Manufacturing and sales of tires and intermediary and domestic trading business
- Development of battery supply chain services
- Development of total mobility services that address challenges related to the movement of people and goods

Group Strengths

- . Strong, long-term partnerships with Mitsubishi Motors Corporation, Isuzu Motors Limited, Mitsubishi Fuso Truck and Bus Corporation, and Toyo Tire Corporation
- Capable of selling approximately 800,000 vehicles annually in countries around the globe centered on the ASEAN region, such as Thailand and Indonesia, as well as a strong automotive value chain platform for business and customers offering production, sales, after-sales services, automobile finance, and other capabilities developed globally
- A wide range of business areas, a wealth of knowledge and expertise based on our global network, and diverse talent with frontline business experience
- Capability and knowledge to promote local transportation DX in Japan in cooperation with local governments through Al-driven on-demand bus services, etc.
- Integrated knowledge of Mobility x Energy for the electrification era

OD Automotive Value Chain (VC) Business OO Total Mobility Service (MS) Business O Societal System Innovation Business



Relevance of Material Issues to the Business				
Fo	cused Material Issues	Details/Action Plans		
	Contributing to Decarbonized Societies	 Supporting OEM partners in achieving GHG reduction targets Introducing GHG measurement tools and sourcing sustainable materials Reducing the consumption of energy, electricity, and paper at subsidiaries and affiliates Promoting the sales of low/carbon-free vehicles and developing the after-sales service network 		
	Promoting Stable, Sustainable Societies and Lifestyles	 Enhancing and internalizing electricity adjustment functions Enhancing functions to compensate for renewable energy intermittency through battery energy storage business Promoting the EV fleet management business Verifying functions such as GHG visualization, battery management, and energy management 		
	Addressing Regional Issues and Growing Together with Local Communities	Addressing local transportation challenges and promoting regional revitalization through local transportation DX business • Further expanding on-demand bus service areas • Partnering with local transportation companies and local governments • Contributing to the societal implementation of autonomous driving		

Awareness of the External Environment Risks

- · Changes in the business and competitive environment of the automotive industry due to technological innovations such as electrification and software development
- Rapid changes in national tax systems and laws and regulations due to decarbonization
- · Supply chain fragmentation due to geopolitical risks

Strategies Under Midterm **Corporate Strategy 2024**

- model into downstream areas Businesses"

Progress Under Midterm Corporate Strategy 2024

Total Mobility Service Business Initiatives

We have started to develop a total mobility service business in Japan, where we have a strong business platform, in anticipation of a future of electrification and autonomous driving.

1 Local Transportation DX Business

To address challenges related to mobility in regional communities, we operate the Al-driven on-demand bus service "KnowRoute" in collaboration with Nishi-Nippon Railway Co., Ltd., providing the system and expertise to local regions and transportation operators nationwide. We are also advancing the efficiency of taxi dispatch services nationwide through DennoKotsu Inc. Finally, we started a support business for the introduction of autonomous driving together with Aisan Technology Co., Ltd.

(2) EV Fleet Management Business

To realize a carbon-neutral society, we are cooperating with Mitsubishi Auto Leasing Corporation to provide corporations and local governments with a package that includes a visualization of GHG emissions, formulation of reduction plans, introduction of EVs through leasing, chargers and storage batteries, battery management systems, and electric energy management systems, thereby contributing to the promotion of decarbonization by customers through the integrated promotion of EX and DX.

Major Growth Drivers

Our Group has over 50 years of experience in the automotive value chain business in ASEAN countries such as Indonesia and Thailand. We will continue to engage in the sales and after-sales service businesses, focusing on the Indonesian and Thai markets, while leveraging our strong customer platform built up to date. In addition to expanding the automotive value chain business, including finance, insurance, and used cars business development, we aim to create a comprehensive mobility service husiness

- Growth of automobile demand due to motorization in emerging countries such those in ASEAN
- Potential to build a total mobility service business that provides a wide range of services based on a strong customer platform in the value chain business
- Potential to enter new businesses by leveraging our collective capabilities, including Mobility x Energy, in recognition of the structural changes in the industry resulting from electrification

• Aim to further strengthen the functions of the automotive value chain business, and expand and transform our business

· Leverage our strong business and customer platform to develop the total mobility service business into one of our "Core

• Utilize integrated EX/DX as a lever to enrich the lives and lifestyles of our customers and contribute to the conservation of the global environment through the spread of automotive and mobility services, thereby achieving triple-value growth





Source: Data from automobile manufactures associations in each country, etc.



	Focused Material Issues	Details/Action Plans
	Contributing to Decarbonized Societies	 Promoting societal decarbonization Exploration of feedstock for the reduction of livestock methane emissions Promoting low-carbon farming methods Expanding farming methods to reduce methane emissions from rice paddies
	Conserving and Effectively Utilizing	 Developing business with consideration for conserving natural capital and biodiversity Promoting the use of food waste as feedstock Effective use of unused resources Utilization of manure in power generation
	Natura Supital	Onserving marine resources Promoting land-based salmon farming businesses that contribute to reducing environmental impacts
	Promoting Stable, Sustainable Societies and Lifestyles	 Improving quality of life through taste, health, beauty, etc., by leveraging life science technologies Production and sales of delicious and healthy food, and expansion of functional materials businesses Developing new materials through unique base technologies such as fermentation
	Utilizing Innovation to Address Societal Needs	 Contributing to addressing societal issues such as securing stable food supply and saving lives Strengthening of the CDM0 business to support development research and manufacturing of new drugs Stable production of agricultural products and development of support for the next generation of agricultural operations through the introduction of bio-pesticides into Japan
		Tackling new technologies Efforts to introduce alternative meat
	Addressing Regional Issues and Growing Together with	Contributing to regional revitalization Strengthening efforts in regional fishery industries by utilizing contact points with producers and sales networks
	Local Communities	Contributing to the development of countries and regions in which we operate
		Meeting ethical consumption needs Increasing the proportion of sustainable products
	Respecting Human Rights in Our Business Operations	 Respecting human rights in the supply chain Appropriate implementation of human rights and environmental due diligence Promoting animal welfare initiatives at Group companies

Awareness of the External Environment Risks

- Decrease in yields and production of agricultural produce, livestock, and dairy products due to the effects of climate change and natural disasters in production areas
- Impact of rising sea levels and ocean temperature on farming businesses (decreased production volume, rising feed prices, equipment damage, etc.)
- Depletion of natural resources, reduction in supply due to stricter resource protection regulations, and difficulty in procurement
- Increasingly sophisticated demands for building supply chains that take into consideration social and environmental issues



Progress Under Midterm Corporate Strategy 2024

Achieving Stable and Efficient Production with Land-Based Salmon Aquaculture

- ATLAND Corp. (MC's stake 51%), which is a joint venture between MC and Maruha Nichiro Corporation, is engaged in one of Japan's largest land-based salmon aquaculture businesses. It is located in Nyuzen, Toyama Prefecture, which is known for its abundant water resources.
- We will realize stable and efficient production through land-based aquaculture, which minimizes impact from the external environment, by utilizing the expertise we cultivated in the aquaculture business overseas. In this way, we aim to support domestic demand for salmon and contribute to decarbonization by decreasing shipping distances.

Major Growth Drivers

Strengthening Core Businesses

Salmon Farming Business

· We will advance efforts to improve profitability by strengthening the production side, such as increasing productivity and production volume, and the sales side, such as adding value and mitigating the risk of market fluctuations









- Improving the efficiency of primary industries by actively utilizing digital data
- Development of new aquaculture methods independent of the environment (e.g., land-based aquaculture)
- Building a sustainable procurement network that takes into consideration society and the environment
- Diversification of consumer needs, including ethical and certified products

• We will achieve sustainable growth while working to address societal and environmental challenges in the food supply

• We aim to improve the efficiency of the entire supply chain by utilizing digital technologies such as DX to forecast supply and demand, visualize operations, and improve logistics efficiency, while also contributing to the reduction of food waste

• We will strengthen a safe and stable supply chain and achieve a stable supply of food to Japan



Nyuzen, Toyama Prefecture, the site of the land-based salmon aquaculture

Grain, Oilseeds, and Feed Materials Business and Livestock and Meat Products Business

- In the livestock business, we will strengthen our profit structure by adding value, etc., and enhance competitiveness by reforming our business structure.
- We will advance efforts to transform our business model by streamlining the entire supply chain through DX.



We will strengthen our agriculture-related and grain procurement businesses overseas, including in Brazil, while taking into account geopolitical risks.

Identification of a Third Core Business

- Through the implementation of the value-added cyclical growth model, we will identify new Core Businesses that will become new sources of revenue, while optimizing our portfolio.
- By incorporating new technologies in the food sector, we will also respond to disruptive/ rapid growth areas caused by technological innovation.

Consumer Industry Group



L. Kikuchi

Kivotaka Kikuchi Executive Vice President Group CEO, Consumer Industry Group

- Retail businesses, such as convenience stores and supermarkets, as well as data marketing and lovalty points businesses
- · Procurement and distribution for apparel and household goods, and Specialty retailer of Private label Apparel (SPA) business through collaboration with global brands
- · Hospital outsourcing and senior citizen lifestyle support
- Food distribution, global contract logistics services, packaging solutions, digital advertisement and promotion support, etc.

Group Strengths

- . A system that provides unique and convenient goods and services based on a deep understanding of consumer needs through our wide range of contact with consumers centered on physical retail stores, and consumer data accessed through the membership base
- . Logistics platform through our industry-leading intermediary distribution business, and networks of regional manufacturers and retailers
- . Locally-rooted business knowledge cultivated through the expansion of a retail store network in China and Southeast Asia



Relevance of Material Issues to the Business Focused Material Issues Details/Action Plans Promoting decarbonization by utilizing our wide range of contact with consumers, centered on retail stores Contributing to · Reducing GHG emissions through renewable energy measures and optimization of delivery routes using AI Decarbonized Societies Realizing a sustainable social security system through support for improving hospital operations efficiency and productivity, and providing services to improve the profitability of corporate health insurance Improving hospital operation efficiency by providing joint purchasing and in-hospital logistics management functions to Promoting Stable. medical institutions Sustainable Societies Promoting the optimization of medical costs for corporate health insurance and health management through the and Lifestyles provision of preventive and health services Offering solutions to wasteful, inconsistent, and burdensome practices by optimizing the entire supply chain through digital technology Utilizing Innovation to Address Societal Needs . Inventory optimization and food waste reduction through demand forecasting using AI Reducing overproduction and mass waste by improving customer operation efficiency and productivity in the OEM business using digital technology Improving warehouse infrastructure productivity using DX solutions such as robots in the logistics business Respecting Human Rights in Optimizing the entire value chain through business promotion with respect for human rights Our Business Operations

Promoting sustainable procurement through human rights and environmental due diligence in the apparel OEM business

Awareness of the External Environment Ricke

- · Decrease in domestic demand due to population decline
- Shortage of supply chain workers due to declining birthrate and an aging population, etc.
- Tightening supply-demand for logistics due to increasing frequency of small-lot freight deliveries
- Infancy solutions regarding societal demand for environmental considerations

Strategies Under Midterm **Corporate Strategy 2024**

capture consumers' needs and superior purchasing experiences

Progress Under Midterm Corporate Strategy 2024

Advancing Supply Chain Optimization Using AI

MC is working on optimizing product deliveries to Lawson stores through cooperation with its subsidiaries, Lawson, Inc., and Mitsubishi Shokuhin Co., Ltd. Based on accumulated data for orders placed, delivery vehicle outing records, and time spent at stores, we are using Al to create optimal delivery routes and schedules. This has led to a successful reduction in GHG emissions due to lower total mileage at multiple distribution centers.



Major Growth Drivers

Number of Overseas Retail Stores of Affiliated Companies

We aim to increase the Group's profit level by expanding business models and products overseas that feature Japanese competitiveness and uniqueness, and by gaining the support of local consumers.



- Creating new consumer value in response to diversifying needs and changing purchasing behavior
- Capturing new demand as emerging countries grow and modernize their retail industries
- Strengthening competitiveness through supply chain optimization using digital technology
- Differentiation from competitors by reducing GHG emissions and food loss, and developing materials with a lower environmental impact

. Strengthen consumer support by utilizing purchasing and behavior data to provide goods and services that accurately

• Build a sustainable and competitive supply chain by utilizing transaction data accumulated through manufacturer and retailer networks across Japan to promote distribution optimization, including EX/DX

Capture market growth by expanding convenience store, apparel, and other businesses overseas

Participation in a Joint Initiative to Realize Warehouse DX

In July 2022, MC transferred its warehouse DX operations, which it had been developing, to its newly established subsidiary Gaussy, Inc. We have established a system to promote the business as a joint initiative with six partner companies. Through a warehouse robot subscription service and a warehouse sharing service, this business will attempt to solve problems in the logistics industry, such as labor shortages and overreliance on existing employees.







Aiichiro Matsunaga

Executive Vice President Group CEO. Power Solution Group



· Power generation and transmission business, power trading business, power retail business

Distributed power supply business, hydrogen business

Water business

Group Strengths

- Ability to flexibly change business models in response to market environment fluctuations, as well as the knowledge and networks accumulated over many years in both the domestic and overseas power industries to support such fluctuations
- . Extensive track record of development, construction, and operation in the area of renewable power generation, including offshore wind power generation
- Capable of covering the entire power value chain starting from renewable energy, including next-generation energy sources (e.g., integrated energy company, Eneco)



Relevance of Material Issues to the Business

Focused Material Issues		Details/Action Plans
	Contributing to Decarbonized Societies	 Expand renewable energy portfolio in focus regions (Japan, Europe, US, and Asia) Double renewable energy by FY2030 compared to FY2019 (3.3 GW to 6.6 GW) Double Eneco's renewable energy capacity (net equity base) by 2026 compared to 2022 (1.8 GW to 3.6 GW) Promote Eneco's 2035 carbon-neutrality commitment (Scope 1-3, including promotion of the decarbonization of heat course)
	Promoting Stable, Sustainable Societies and Lifestyles	 Reduce coal-fired power generation capacity (net equity base) to approximately 1/3 by 2030 compared to 2020, and exit completely by 2050 Achieve a 100% non-fossil power generation portfolio by 2050 Accelerate next-generation energy businesses including development and commercialization of green bydrogen derived from renewable energy
	Utilizing Innovation to Address Societal Needs	 Domestic (local production & consumption): (1) carbon-free hydrogen production, (2) demand creation for hydrogen Overseas (local production & consumption, export to Japan): development of renewable energy projects that contribute to building a supply chain for green hydrogen Promote Eneco's green hydrogen business initiatives To enhance and internalize power supply-demand adjustment functions.
	Addressing Regional Issues and Growing Together with Local Communities	 Enhance functions that complement the intermittent nature and challenges of renewable energy (enhance imbalance risk management) To address regional issues and contribute to revitalization starting from renewable energy development Promote the realization of local contribution plan (promote cooperation with the Industry Digital Transformation Group)

Awareness of the External Environment Risks

- Changes in regulations, policies, etc., for the electric power business in operating countries due to progress in decarbonization, and structural changes in power systems in response to these changes
- Increased profit fluctuations in the electric power business due to increased price volatility, etc., in the energy markets

Strategies Under Midterm **Corporate Strategy 2024**

Progress Under Midterm Corporate Strategy 2024

We are steadily expanding our renewable energy business. In December 2022, MC, through N.V. Eneco, and Shell plc. has been successful in the tender for the Hollandse Kust West Site VI offshore wind farm (760MW) located approximately 50km off the northwest coast of the Netherlands. This is Eneco's seventh offshore wind farm.

In June 2023, we established Eneco Diamond Hydrogen B.V. with Eneco to develop renewable energy as well as produce and sell green hydrogen in Europe. We will accelerate the execution of our EX Strategy that goes beyond the power value chain.

Major Growth Drivers

The Group has been expanding its excellent net equity base generation capacity through the development of power generation projects in Japan and overseas. Going forward, we aim to expand renewable energy (double renewable energy power generation capacity on a net equity basis from 3.3 GW in FY2019 to 6.6 GW in FY2030), and promote the optimization of our portfolio.

Generation capacity (net equity base)

(Unit: MW)



FY2014 FY2015 FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 FY2022

Opportunities

- Spread and expansion of renewable energy across the world
- Introduction of national policy regulatory packages to support decarbonization and expansion in use of renewable energy and hydrogen
- Increased efforts by customers to procure renewable energy
- Increasing needs from both the power generation and demand sides for supplydemand adjustment functions that complement the intermittent nature of renewable energy
- Emergence of cross-industry business opportunities beyond the power sector utilizing green hydrogen derived from renewable energy

 Strengthen the power value chain functions that "generate" renewable energy, "integrate" weather-dependent fluctuated electricity, and "deliver" this integrated electricity and high added-value services

• Through this, we will expand our renewable energy business in Japan, where offshore wind power is expected to grow, and in Europe, where Eneco's platform stands, as well as in the Americas, Asia, and other regions

• We will promote regional revitalization through renewable energy and launch a green hydrogen business, which is expected to become a next-generation energy source, through collaboration with other Business Groups



Offshore wind farm operated by Eneco





Urban Development Group



Jerry Kyn

Takuya Kuga Executive Vice President Group CEO, Urban Development Group Urban development and urban management business, real estate development business, real estate fund management, and other real estate-related businesses Digital infrastructure business such as data centers, and airport and toll road operation business

Merchant banking (private equity, infrastructure) business, and global leasing business

Group Strengths

- Project management skills based on real estate knowledge, and business management expertise grounded in development track records
- · Long-standing relationships and networks with leading developers and companies in many regions, especially in ASEAN countries
- · Management of urban infrastructure projects based on rich experience in infrastructure development and wide network with the industry players
- · Finance business that leverages MC's long-term industry expertise and assets accumulated through trading and project investment



Focused Material Issues		Details/Action Plans
	Contributing to Decarbonized Societies	 Decarbonizing of real estate Adopting environment-friendly design and construction methods, and introduction of energy conservation and renewable energy, etc.
	Promoting Stable, Sustainable Societies and Lifestyles	Promoting decarbonization through renewable energy and EV leasing etc. Promoting growth strategies of MC's affiliates, such as strengthening domestic and international renewable energy businesses and increasing the ratio of eco-friendly vehicles out of all leased vehicles Contributing to the realization of a carbon-neutral society through EX funds
	Utilizing Innovation to Address Societal Needs	 Identifying and supporting the development of companies owning advanced climate tech solutions Developing and operating high-quality, environmentally sustainable urban infrastructure Developing and operating sustainable data centers using low-carbon power sources and energy-saving technologies
	Addressing Regional Issues and Growing Together with Local Communities	 Developing and managing self-sustaining decentralized communities and smart cities for a sustainable society Promoting urban development and introducing urban services to help solve regional challenges, and to improve convenience and comfort

Risks

- · Decline in population and industrial competitiveness in Japan
- Changes in market conditions due to inflation and interest rates increase
- Heightened geopolitical risks such as US-China tensions and the Ukraine conflict

Strategies Under Midterm

with low environmental impact

Establishment of the Marunouchi Climate Tech Growth Fund L.P.

In April 2023, MC, together with two partner companies, launched the Marunouchi Climate Tech Growth Fund L.P. through Marunouchi Innovation Partners Co., Ltd. (MIP), which invests primarily in companies dedicated to decarbonization through the development of climate technology. MIP plans to continue raising new investment through additional rounds of funding and aim to increase the size of this fund to between 800 million and one billion US dollars.

To realize a carbon-neutral society, it is crucial to invest in developing and expanding the application of a wide range of cutting-edge climate 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. By taking advantage of the MC Group's broad industry expertise, business network, and collective capabilities, MC aims to boost the corporate value of investees by identifying blue-chip investment opportunities and helping to commercialize and scale up investees' cutting-edge technologies, which would lead to promoting decarbonization and the realization of a carbon-neutral society.

Maior Growth Drivers

In addition to steady growth in development and management of real estate projects, MC will accelerate development and management of large-scale, multi-use urban development projects, mainly in Japan and the ASEAN region.

Scope of business initiatives



- Increasing demand for urban development and urban services to address societal and environmental challenges associated with decarbonization and the diversification of consumer needs
- Expansion of new technologies and solutions to achieve a carbon-neutral society
- Urbanization due to economic and population growth, particularly in developing countries
- Increase in demand for digital infrastructure as digitalization accelerates

High-value-added, solution-providing urban development and management Solve regional issues and strengthen industrial competitiveness through attractive urban development Strengthen financial businesses that contribute to decarbonization and "Creating a New Future"

- Promote decarbonization and future creation by providing funds and finance-related services
- Expansion of sustainable urban development and infrastructure businesses
- Provide a platform for strengthening industrial competitiveness through the development of high-quality infrastructure







long term

Note: Index based on the balance of investments and loans for FY2020

Large-scale urban development Real estate development