

Top Message

June 2018
Takehiko Kakiuchi
President and CEO



To Our Shareholders

All-time Record High Full-year Earnings of 560.2 Billion Yen Achieved, Exceeding the Full-year Earnings Forecast

Operating Results

First, I would like to express our sincere appreciation for your continued support.

I would like to report our operating results for the year ended March 2018, forecasts for the year ending March 2019 and dividend.

MC Group's consolidated net income for the year ended March 2018 was 560.2 billion yen, an increase of 119.9 billion yen from the previous year. This result exceeded the full-year earnings forecast we announced on February 5, 2018 (a consolidated net income of 540.0 billion yen).

In the Business-related sector, despite the rebound of one-off gains in the previous year, solid accumulation of operating income in the LNG-related,

Asia automotive business etc. of +69.3 billion yen YoY led to an increase in net income. In the Market-related sector, in addition to the rebound of one-off losses in the shipping business, increased operating income in the mineral resource business etc. of +57.6 billion yen led to an increase in net income.

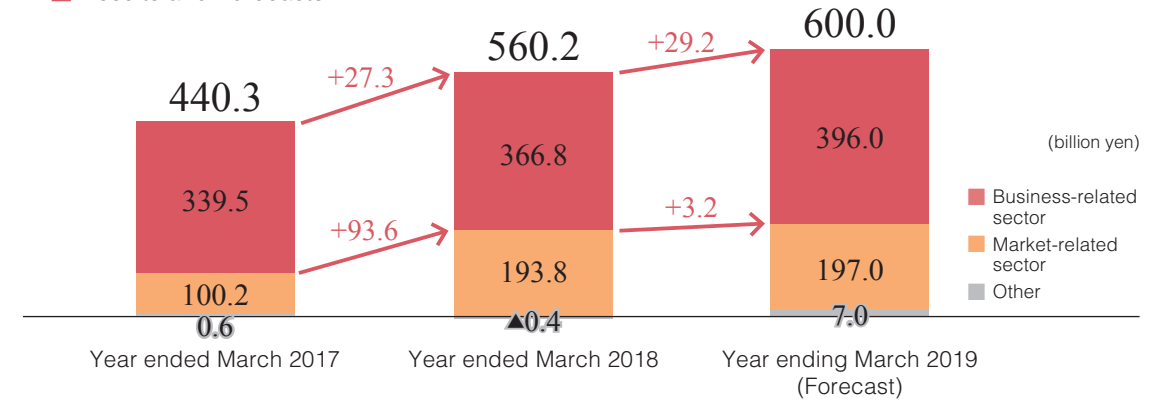
In the year ended March 2018, net income increased in both the Business and Market-related sectors, breaking all-time record high full-year earnings for the first time in ten years. We regard this as "operating results backed by our collective capabilities," which is attributable to the Business-related sector's earning power and the Market-related sector's capturing strong markets.

Forecast for the Year Ending March 2019

In both the Business and Market-related sectors, in addition to the rebound of one-off losses in the previous year, due to the continuously solid operating income, earnings forecast for the year ending March 2019 is expected to be a two-year consecutive all-time record high of 600.0 billion yen.

The Business-related sector is expected to gain approximately 30 billion yen of the increase from the previous year. While coking coal prices are declining, the Market-related sector will maintain the same level of net income as in the previous year for further growth.

■ Results and Forecasts

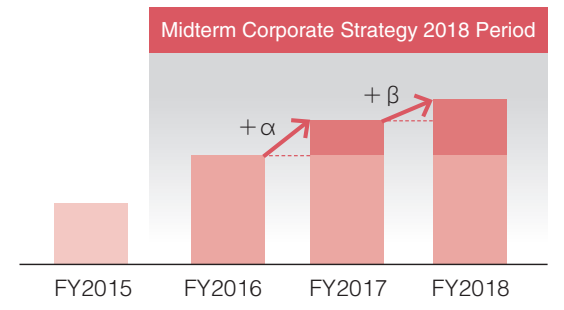


Dividend

Under the "Midterm Corporate Strategy 2018," we focus on dividend as basic approach to returning value to shareholders, and increase dividend flexibly with sustainable earning growth based on a progressive dividend scheme.

The annual dividend per share for the year ended March 2018 is revised from 100 yen (released Feb. 5) to 110 yen (a year-end dividend of 63 yen), based on the achievement of the full-year consolidated net income exceeding our forecast and our strengthened earning power. The annual dividend per share for the year ending March 2019 is expected to increase 5 yen from the year ended March 2018, to 115 yen.

■ Shareholder Returns Policy



Announcement of Accelerating Growth Midterm Corporate Strategy 2018

On May 8, 2018, we announced the “Accelerating Growth Midterm Corporate Strategy 2018.” I would like to explain details of the strategy.

We have achieved all of the financial targets set for before the end of FY 2018 (March 2019) in the “Midterm Corporate Strategy 2018”. In addition, the three management framework we introduced during the period of the Midterm Strategy are steadily progressing (Figure 1).

We came up with a twelve-box matrix as a framework to consider our business portfolio strategy (Figure 2). The horizontal axis represents the industrial fields that respond to universal social needs, classified into four segments. The vertical axis represents three different business models: upstream, mid-stream, and down-stream. By taking a holistic view across numerous industries on this twelve-box matrix, MC will build business portfolios that adapts to external changes.

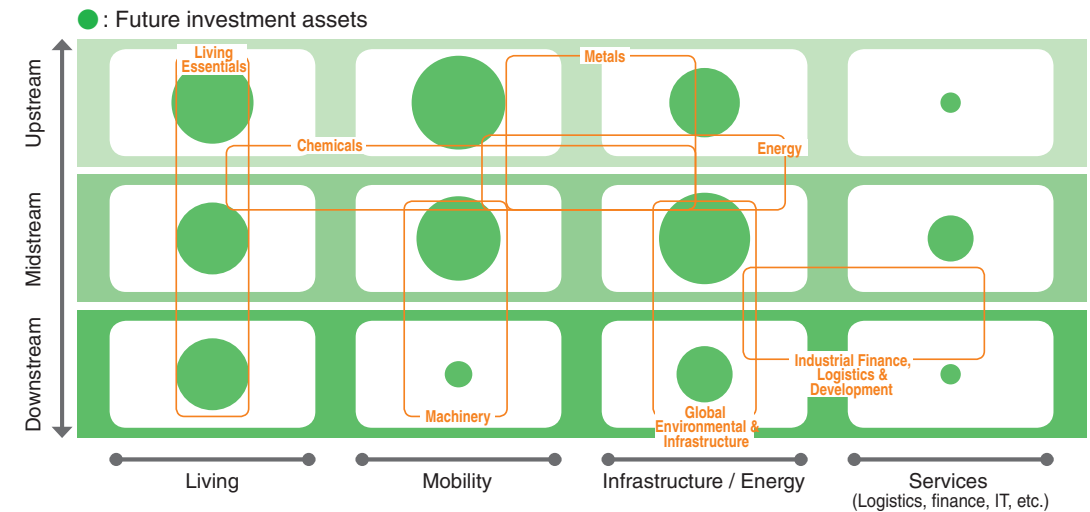
In addition, MC is going to establish a growth mechanism to keep tabs on a wide variety of ongoing businesses for each stage of progress (Figure 3). Taking advantage of its collective capabilities strong enough to be able to take a holistic view across numerous industries, MC will identify “Potential Growth Sources” and incubate them to be “Growth Drivers.” While investing management resources intensively in “Growth Drivers,” which define growth strategies that leverage MC’s strengths, MC will strive to elevate them to “Core Businesses,” involving mergers and acquisitions where necessary. MC will ensure sustainable growth by establishing a mechanism that promotes the metabolism of peaking-out businesses to new businesses as “potential growth sources.”

We thank you for your understanding and continued support.

(Figure 1) Progress on Midterm Corporate Strategy 2018

Midterm Corporate Strategy 2018 Targets		Results
Financial Targets	FY 2018 net income: ¥300 billion	FY 2017: ¥560.2 billion (Business-related sector: ¥366.8 billion; Market-related sector: ¥193.8 billion) FY 2018: ¥600 billion (planned) (Business-related sector: ¥396.0 billion; Market-related sector: ¥197.0 billion)
	Circa FY 2020: Double-digit ROE	FY 2017: 10.9% FY 2018: 10.8% (planned)
	Progressive dividend scheme / Flexible dividend increases	FY 2016: ¥80 ; FY 2017: ¥110 FY 2018: ¥115 (planned)
Framework Objectives		Results
Management Framework	A Achievement of an optimal business portfolio balance and visualization of the shift toward “managing” businesses	A-1. On-track to achieve optimal balance (end of FY 2018) A-2. Revising management authority from consolidated perspective; deepening consolidated management
	B Company-wide capital allocation toward growth	B-1. Development of business portfolio growth strategies B-2. Growth mechanisms and specific cases
	C Acceleration of portfolio re-profiling	C-1. Divestment of shale gas, thermal coal, nickel, etc. assets C-2. Increased Business-related sector earning level

(Figure 2) Business Portfolio Strategy



(Figure 3) Growth Mechanisms

