

To Our Shareholders

Consolidated Net Income over the Previous Year, Achieving All-time Record-high Full -year Earnings for Two Consecutive Years



June 2019
Takehiko Kakiuchi
President and CEO

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 2019, forecasts for the year ending March 2020, dividends, and share repurchase.

MC Group's consolidated net income for the year ended March 2019 was 590.7 billion yen, an increase of 30.5 billion yen from the previous year.

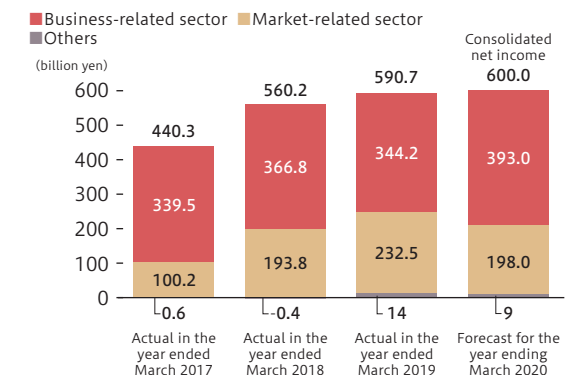
In the business-related sector, despite increased operating income (i.e. income excluding one-off gains/losses) in the LNG-related and automotive businesses, etc., net income decreased by 22.6 billion yen

year-over-year due to losses related to infrastructure business and the overseas food materials business. In the market-related sector, net income increased by 38.7 billion yen due to higher operating income in the Australian coal business, etc.

Although consolidated net income for the year ended March 2019 fell short of the forecasts we announced in November 2018 (640 billion yen), the increased operating income in the business-related sector and the continuing momentum in the market-related sector resulted in an all-time record-high full-year earnings for two consecutive years.

Forecasts for the full year ending March 2020

Earnings are expected to be 600 billion yen, a slight increase from the previous year, despite the rebound of one-off losses in the year ended March 2019, on the assumption that metallurgical coal and crude oil prices will hover at levels lower than today due to the uncertainty of the external business environment. Under the new group framework, we will steadily perform our business plans to grow MC Group businesses further.



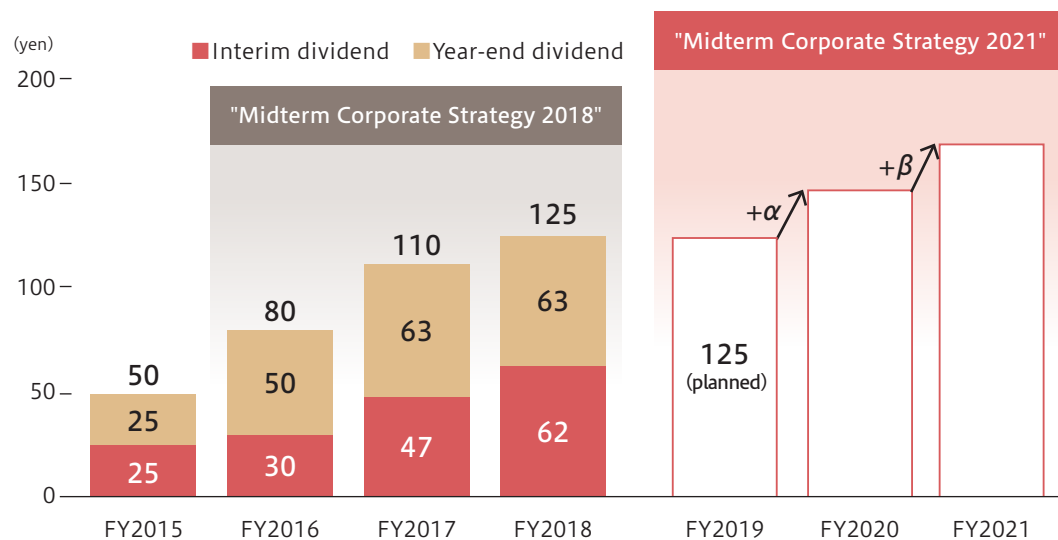
Share Repurchase Resolved in Addition to Progressive Dividend

Shareholder Returns Policy

Dividend

The annual dividend per share for the year ended March 2019 is 125 yen (year-end dividend of 63 yen), an increase of 15 yen over the previous year in accordance with the progressive dividend policy. The annual dividend per share for the year ending March 2020 is expected to be the same as the previous year (125 yen).

Transition of dividend per common share



Share Repurchase

As a result of the strong cash flows generated during the period of "Midterm Corporate Strategy 2018," a share repurchase was resolved with an aim to enhance capital efficiency considering the level of the investment leverage ratio.

The amounts of both the dividend and the share repurchase are a historical high. In "Midterm Corporate Strategy 2021," we continue the progressive dividend policy, in which the amount of dividends increases along with sustainable growth in earnings. We will continuously make our best effort to meet the expectations of our shareholders.

Details of share repurchase

Total repurchase price: **300.0 billion yen**

- 100 million shares when the purchase price per share is 3,000 yen, representing 6.3% of the total number of outstanding share.
- All repurchased shares will be canceled, excluding 5 million shares to be delivered upon exercise of stock options.

Period of share repurchase: **1 year**

Reference: Investment leverage ratio

$$\text{Investment Leverage Ratio (\%)} = \frac{[\text{PP\&E} + \text{Investment} + \text{Lending} + \text{Intangible Assets and Goodwill}]}{[\text{Total Equity} + \text{Hybrid Capital (50\% of the Hybrid Finance Amount)}] - 100\%}$$

(Please see P7 for more details)

