

Medium-term Management Plan 2026 - Creating Sustainable Futures

10:00-11:30, Tuesday, May 9, 2023

[Cover - Opening Remarks]

Good morning, thank you for joining us today. I am Kenichi Hori, CEO. I would like to present the details of our Medium-term Management Plan 2026.

Today, I will begin with a review of the previous Medium-term Management Plan and then address the new Medium-term Management Plan with the theme of “Creating Sustainable Futures”, and will go over what we are aiming to achieve over the three-year term, as well as the strategies regarding this.

[Review of Medium-term Management Plan(MTMP) 2023: Core Operating Cash Flow, Profit, and ROE Significantly Exceeded Targets(P4)]

The period covered by the previous Medium-term Management Plan, or MTMP, was a period in which the companies' ability to respond to significant changes in the environment was tested. Under these conditions, Mitsui posted Core Operating Cash Flow of 1 trillion 205.5 billion yen and profit of 1 trillion 130.6 billion yen, both hitting record levels, while ROE reached 18.9%.

Shareholder returns as a percentage of Core Operating Cash Flow over the three-year period was 34.4%, exceeding our target of 33%. When calculated against profit, the total payout ratio was 43.6%.

[Review of MTMP2023: Robust Cash Flow(P5)]

I will now reflect on Mitsui's earning power over the last 15 years, starting from FY March 2009, when the Global Financial Crisis occurred. In FY March 2016, commodity prices plunged. I think you can see that we have been able to stably generate Core Operating Cash Flow which forms the base for future growth investment and shareholder returns, even in situations such as these.

Furthermore, by reducing costs in each business and making rearrangements in our portfolio, we have been able to build a strong business portfolio that can securely capture the upside of the changing business environment. This led to increases in Core Operating Cash Flow and profit, both of which reached over 1 trillion yen in FY March 2023.

[Review of MTMP 2023: Enhanced Shareholder Returns (P6)]

Mitsui has expanded shareholder returns by increasing dividends in line with the continuous increase in cash flow, and increasing capital efficiency through share repurchases since FY March 2014. As a result, shareholder returns as a percentage of Core Operating Cash Flow over the three years of the previous MTMP was 34%, cumulative total payout exceeded 1 trillion yen, and dividend per share increased by 12% annually over the past 15 years, reaching 140 yen per share in FY March 2023, 5 yen raise from previous forecast..

[Review of MTMP 2023: Corporate Strategy (P7)]

When we look at the previous MTMP from a qualitative perspective, Mitsui has increased its ability to generate cash and shareholder returns as mentioned earlier, by steadily promoting “Transform & Grow” through the execution of our Corporate Strategy as shown here.

[Theme of MTMP 2026 (P9)]

I will now outline our new MTMP.

The theme of the new MTMP is “Creating Sustainable Futures.” Mitsui aims to create strong business clusters and new industries by placing sustainability at the center of management, unearthing social challenges in all industries from the perspective of global sustainability, and using that as a foundation for creating new business innovation.

[MTMP 2026: Recognition Towards 2026 (P10)]

The theme of “Creating Sustainable Futures” was established based on key environmental recognition on the largest of scales: our planet. We will raise the stakes of our achievements in the previous MTMP, and press ahead with further transformation and growth.

[MTMP 2026: Quantitative Targets (p11)]

Next, I will explain our quantitative targets of the new MTMP.

The Core Operating Cash Flow and profit illustrated here are the quantitative targets for FY March 2026, which is the final year of the new MTMP. We will aim for 1 trillion yen in Core Operating Cash Flow, and 920 billion yen in profit. In addition, we will aim for ROE averaging over 12% for the three years of the MTMP.

Also, to further expand shareholder returns, we will target raising the level of shareholder returns as a percentage of Core Operating Cash Flow to around 37% for the three cumulative years of the MTMP. We will newly introduce a progressive dividend with a minimum annual dividend of 150 yen per share in FY March 2024, 10 yen increase from FY March 2023..

[MTMP 2026: Increase Cash Flow Capability (P12)]

This graph shows the cash flow trend of “adjusted” Core Operating Cash Flow based on commodity prices and foreign exchange assumptions for FY March 2026.

Through continuous transformation of the business portfolio, we have shown resilience to downward pressure in our ability to generate cash flow even in the COVID-19 environment, and have also captured pent-up demand in the recovery period from COVID-19 to achieving significant growth. You should be able to see that our business portfolio has both downside resilience and the ability to capture upside potential depending on the business environment.

From FY March 2024, we have assumed that commodity prices will revert, but even in such an environment, we are projecting a stable Core Operating Cash Flow of around 1 trillion yen in FY March 2026 onwards. Also, it is possible that we will capture further upside depending on the business environment.

[MTMP 2026: Continued Enhancement of Base Profit(P13)]

This graph shows the base profit that excludes one-time factors and adjusts for commodity prices and foreign exchange set at the levels we expect them to be in FY March 2026. With these assumptions, base profit in FY March 2020 and FY March 2023, are calculated as 560 billion and 750 billion yen respectively.

In the previous MTMP, we have enhanced our base profit through our stable supply function including trading and the expansion of business clusters in adjacent areas. Our intention is to increase the base profit by 170 billion yen to 920 billion yen in FY March 2026, by accelerating the initiatives that showed material achievement in the previous MTMP.

[MTMP 2026: Corporate Strategies and Key Strategic Initiatives (P14)]

Next I will explain the strategies we will employ to address our theme of “Creating Sustainable Futures,” laid out in the new MTMP.

We have newly established five companywide corporate strategies and three Key Strategic Initiatives for the allocation of management resources with priority.

[Corporate Strategy (1): Enhancement of ability to make global, cross-industry proposals(P15)]

The first corporate strategy is enhancement of the ability to make global, cross-industry proposals. Cross-industry approach in a global scale is essential in providing solutions to increasingly complex global issues.

Mitsui's Business Unit System and Global Matrix System has the strength of low barriers between Business Units and regions enabling flexible and dynamic coordination. By utilizing this, it is possible to combine Mitsui's functional strengths globally and across industries to enhance our ability to offer the most optimal solution at the time in response to increasingly complex social issues.

[Sustained Evolution of Domestic Business (P16)]

I will explain our approach in the domestic business.

We view the structural changes in Japanese industry to be a business opportunity, and will contribute to the sustained growth of Japan as a global company with our roots here by creating cross-industry businesses together with diverse stakeholders.

[Corporate Strategy (2) Promotion of Create, Grow, Extend (Business Model) (P17)]

The second corporate strategy is the promotion of our business model. Our intention is to drive forward our business model of "Create" "Grow" and "Extend" which is unique to Mitsui, and form cross-industry business clusters, by combining our core and the adjacent businesses.

By strengthening business and forming business clusters in these familiar areas where Mitsui has knowledge of the business, we aim to increase the probability of success and achieve growth.

[Corporate Strategy (2) Moon Creative Lab Supporting "Create" (P18)]

One of foundations for "Create" in our business model is the Moon Creative Lab that became operational in 2019. Moon is a platform that handles the R&D functions of Mitsui, forming new businesses, and accelerating challenges to address new businesses.

[Corporate Strategy (3) Deeper Sustainability Management (P19)]

The third corporate strategy is further deepening of sustainability management.

In order to realize the theme of the new MTMP – "Creating Sustainable Futures," we are

driving responses to social issues such as climate change, natural capital and business and human rights throughout the entire supply chain.

We provide optimal solutions to these issues through business and seek for both sustainability and profitability.

In our responses to climate change, we will continue to transform our business portfolio for the realization of a decarbonized society. Mitsui's target for 2030 is to halve the GHG impact compared to FY March 2020, and achieve a renewable energy ratio of over 30% in our power generation portfolio. In FY March 2026, which is the final year of the new MTMP, we expect to reduce the GHG impact down to 27 million tons, and to increase our renewable energy ratio to 27%.

[Corporate Strategy (4) Strengthening of Group Management Capability (P20)]

The next corporate strategy is strengthening of group management capability.

It is necessary to increase productivity per person in order to continuously drive the transformation of Mitsui's business portfolio. We will efficiently and effectively implement greater achievements with the same number of personnel through both data-driven management and full utilization of Group assets.

[Corporate Strategy (5) Promotion of Globally Diverse Individuals (P21)]

The fifth corporate strategy is the promotion of globally diverse individuals.

We will further accelerate investing in our people, in order to promote autonomous career development.

The three-pronged human resources strategy of developing capable individuals, inclusion and strategic assignment of personnel remains unchanged from the previous MTMP. Furthermore, we will support the transformation of the business portfolio by improving the productivity of each employee and seeking value-added work.

[Key Strategic Initiatives (P22)]

I will now explain the Key Strategic Initiatives in our new MTMP.

Based on the deepening of the Strategic Focus initiatives of the previous MTMP and key changes in the environment occurring in recent years, we have established 3 Key Strategic

Initiatives as areas where Mitsui can demonstrate its strengths.

[Industrial Business Solutions ① (P23)]

The first Key Strategic Initiative is Industrial Business Solutions. This diagram shows our strategy and path to profit enhancement through the creation and growth of business clusters in adjacent business areas.

In Industrial Business Solutions, we provide advanced schemes contributing to stable supply through our globally extended business portfolio. This is an initiative related to resource development, materials and food, etc. essential for the advancement of society, and the mobility, infrastructure including digital etc. supporting industry.

[Industrial Business Solutions ② (P24)]

I will introduce our efforts in the mobility area as a specific example.

By utilizing our business portfolio spanning globally by region and function, we plan to form mobility business clusters supporting industry.

For example, in North America, we will seek synergies with existing businesses such as Penske Group, and develop businesses in adjacent areas. In Asia, we will form business clusters capturing the economic growth of each country. Through these initiatives, we will increase the number of business clusters in the mobility area from 3 in FY March 2023 to 9 in FY March 2026.

[Global Energy Transition ① (P25)]

The second Key Strategic Initiative is Global Energy Transition.

We will provide the latest available optimal solutions through business, from the perspectives of both stable energy supply and climate change, in order to transition into a decarbonized society in a sustainable manner. Our path to create and grow businesses by providing various solutions to achieve a decarbonized society while fulfilling the responsibility for stable energy supply is shown on this slide.

[Global Energy Transition ② (P26)]

This is the overview of projects worldwide that Mitsui is working on. Projects that are under operation and fulfilling the responsibility of stable supply such as LNG, are plotted in the map. In addition, we have plotted many businesses that are expected to reach a turning point, such as final investment decisions or the commencement of operation, during the new MTMP. We will carefully select the opportunities from our pipeline and promote those

businesses in order to realize a decarbonized society.

As a result, we expect a net increase in invested capital in this area of approximately 1 trillion yen over the three years of the new MTMP, and aim for ROIC to be over 5% in FY March 2026, and over 9% in FY March 2030.

[Global Energy Transition③ (P27)]

This is the value chain we intend to realize through Mitsui's Global Energy Transition.

In addition to existing businesses such as natural gas, LNG, copper and renewable energy, we will actively engage in the business development of areas such as next-generation fuels and direct reduced iron, and strive to create new value chains during the period covered by the new MTMP.

[Wellness Ecosystem Creation① (P28)]

The third Key Strategic Initiative is Wellness Ecosystem Creation. In addition to healthcare and prevention, we will contribute to the improvement in quality of life through the provision of healthy food and nutrition.

[Wellness Ecosystem Creation② (P29)]

This is the Food and Nutrition value chain realized through Wellness Ecosystem Creation. We will create much added value along the value chain such as a stable supply of food, reduction of environmental impact, and the provision of food in response to diverse needs.

In the Wellness business cluster, we will contribute to health through nutrition and food, and provide efficient and effective healthcare and prevention through the accelerated coordination of healthcare-related businesses by data utilization.

[Global Energy Transition × Industrial Business Solutions (P30)]

As I have explained to this point, we will promote the expansion of business along each Key Strategic Initiative, but each initiative is also closely linked to one another, therefore we can create new value chains and ecosystems by combining these initiatives.

For example, in the fusion of Global Energy Transition and Industrial Business Solutions, the Energy Solutions Business Unit is serving as a hub to amass knowledge from inside and outside the company, and to accelerate cross-industry initiatives. As a result, we have been able to concurrently promote numerous and various projects, as indicated in this diagram,

[Stable Supply of Food × Wellness Ecosystem Creation (P31)]

In another example, by combining Industrial Business Solutions and Wellness Ecosystem Creation, we will support stable supply of food from further upstream in the value chain such as seeds, fertilizer and crops, and make the Wellness Ecosystem devised by Mitsui much stronger.

As a result, we expect net invested capital in this area to be approximately 350 billion yen over the three years covered by the new MTMP, and aim for ROIC to be over 5% in FY March 2026.

[Sustained Enhancement of Corporate Value (P33)]

From here, I will explain the allocation of management resources and the shareholder returns policy.

We have worked on ROIC based management and enhancement of shareholder returns during the previous MTMP. We will further deepen this approach in the new MTMP and promote earnings improvement, enhanced shareholder returns, and optimal capital structure. Based on these initiatives, Mitsui has established a 3-year average ROE of over 12% as a KPI for the new MTMP and aims for sustained improvement of ROE that exceeds the cost of equity.

In terms of ROIC management, since the previous MTMP we have been establishing ROIC targets for different businesses and monitoring the progress of achieving those targets, as well as coming up with ways for improvement.

To use the Lifestyle Segment as an example, we will optimize the amount of invested capital by reducing working capital, reducing low-profitability assets, and making strategic asset recycling, while at the same time making growth investments in areas expected to make early contributions to profit. Our target is to improve ROIC in this segment by 2% in FY March 2026.

[Cash Flow Allocation (P34)]

Now I will explain cash flow allocation.

Under the new MTMP, we will thoroughly enhance cash management - a feature of Mitsui. We forecast cash-in of 3.62 trillion yen, comprising Core Operating Cash Flow of 2.75 trillion yen and asset recycling of 870 billion yen.

As for cash-out, we forecast 570 billion yen for sustaining our existing businesses, and 1.17 trillion yen in post FID and policy-confirmed growth investments. This includes large scale

investments such as making AIM Services our wholly owned subsidiary and the tender offer and business integration of Relia. Including these, there are approximately 400 billion yen worth of investments which were intended during the previous MTMP but did not reach execution. In addition, there are pipeline projects for which negotiations are currently ongoing and the probability of execution is considerably heightened.

As for shareholder returns, the remaining amount of ongoing share repurchase announced in Feb 2023 is 70 billion yen and the total minimum dividend is expected to be 680 billion yen.

Based on these cash in/out projections, Management Allocation is expected to be 1.13 trillion yen. Through the Management Allocation framework, we will continue strategic cash allocation aimed at balancing carefully selected growth investment and enhancement of additional shareholder returns, while maintaining our basic policy of positive cash flow after shareholder returns.

[Timing of Profit Contribution from New Projects (P35)]

This slide shows the expected timing of profit contribution by investments made during the previous MTMP and growth investments scheduled to be executed during the new MTMP. You can see that we expect steady expansion of profits along each Key Strategic Initiative during the period covered by the new MTMP.

[Shareholder Returns (P36)]

Moving on to shareholder returns.

We will stably and flexibly enhance shareholder returns in line with the expansion of cash flow. Specifically, as explained earlier, we will increase the annual dividend from the previous forecast by 5 yen to 140 yen. We will further increase the dividend by 10 yen to 150 yen per share from the previous period in FY Mar 2024, ensure stability through the introduction of a progressive dividend, and also continue to flexibly make share repurchases as we have done in the past.

[Conclusion (P37)]

Finally, We will continue with our Challenge and Innovation concept to solve issues and aim to be the Partner of Choice among various stakeholders, doing so through "Creating Sustainable Futures," the theme of our new MTMP.

That concludes my presentation. Thank you very much.