

Investor Day 2023 Panel Discussion Q&A

Date:	November 30, 2023	
Panelists:	<u>Representative Director, President and Chief Executive Officer</u>	Kenichi Hori
	<u>Representative Director, Executive Vice President, Chief Human Resources Officer</u>	Yoshiaki Takemasu
	<u>External Director</u>	Takeshi Uchiyamada
	<u>External Audit & Supervisory Board Member</u>	Yuko Tamai

Q1: Enhancement of Employee Engagement

I have a question for Mr. Takemasu. There has been a lot of qualitative talk so far, but I would like to ask about quantitative aspects.

I believe Mitsui conducts an engagement survey, but have you seen an increase in engagement through various measures? Please tell us if there are any points that are issues within Mitsui as items causing particularly low employee satisfaction.

Takemasu: The results of the Mitsui engagement survey are directly connected to the evaluation of line managers. However, because the items checked in the survey have a very wide scope, we should avoid overreacting to the results. Particular emphasis is placed on how scores change year on year, and this impacts the evaluation of managerial personnel and line managers.

Furthermore, when appointing personnel with important responsibilities requiring submission to the Corporate Management Committee, the results of multifaceted evaluation are sent to all members of the Corporate Management Committee as very important reference materials to obtain approval for the personnel proposal.

It is actually difficult to briefly sum up the improvement of engagement that you asked about. The reason for this is that Mitsui engagement survey scores have very strong regional characteristics. Firstly, there are differences between Japan and overseas. Furthermore, there are also significant differences between the West and Asia, for example, including conditions.

If your question is intended to be about results within Japan, overall scores in the Mitsui engagement survey have risen slightly in the main scores over the past three years. However, our biggest challenge is next year's score. This is because we are planning a major revision of personnel system next year.

I think this will have an impact on the engagement score unless the personnel understand the intent and the new systems permeate throughout the company, so we are focusing measures to ensure they are understood by all personnel.

Q2: Employee Turnover Rate

I have questions for Mr. Takemasu and Ms. Tamai. Looking at the current human capital report, the overall turnover rate is 1.41 percent on a standalone basis. Do you assess this number to be unavoidable or do you think there is still room to lower it further? Also, looking by gender, it is 1.79 percent for women and 1.25 percent for men, with women having a higher turnover rate, and this has continued for the past five years. Could you please describe your awareness of this issue?

Takemasu: I share exactly the same understanding and concern on this. Specifically, regarding the turnover rate and voluntary resignation rate of women. Mitsui has established the promotion of women as a very important management goal and management issue. The percentage of women among new graduate hires is now approaching 40 percent.

On the other hand, unless we carefully look at the reasons behind female employees leaving Mitsui, I don't think we will be able to eventually increase the number and percentage of women promoted to managerial positions. At Mitsui, the Human Resources & General Affairs Division conducts interviews to all employees voluntarily resigning in the form of so-called exit interviews.

Something we have learned through these interviews is that the reason for women resigning is not only the work, but also involves the work style mentioned earlier. I think there have been several cases in the past where departures could have been avoided if Mitsui's working environment was a little more evolved.

Therefore, I think that the turnover rate is a very important indicator, and we are continuing discussions in the Corporate Management Committee about measures to lower it as much as possible.

Tamai: Something I can add is related to something I briefly mentioned earlier. I think additions need to be properly made to areas that are lacking in systems and mechanisms.

Also, something I have seen in a variety of places not limited to Mitsui is situations where a little support or approach from a superior, or colleagues providing cover to get through when a woman is considering her future at the company leads to subsequent stability.

I think people's awareness and communication are quite important for preventing turnover, and I occasionally make comments on this within the company. I would like to monitor the turnover rate going forward from this perspective.

Q3: KPIs on the Effect of Human Capital Investment

I think the Ito Report on Human Capital Management 2.0 that has been talked about since it was published by the Ministry of Economy, Trade and Industry also brings up the issue of how companies endeavor to evaluate initiatives while understanding the actual return on investment.

Therefore, I think the kinds of KPIs set as the results of human capital investment are also necessary for accumulating a track record.

For example, I think it is possible to have a variety of viewpoints such as what kind of perspectives should be considered to set targeted KPIs and ascertain results, how to produce advantages across comparisons within an industry, and how to reliably produce numbers as results among listed companies as a company representing Japan and to aim for a level in which they are reflected in corporate value.

I would like to ask Mr. Hori about what kind of viewpoint has been taken when actually reaping the results as effects since these initiatives were started.

Hori: We also consider a variety of KPIs, but I think something that we need to be careful of is the output of each person and how this is represented in competitiveness and productivity, and I think how we carefully view this is important.

The numbers of employees of group companies are set according to the business models of the group companies. Furthermore, KPIs should be changed because the productivity of people working on a variety of projects in the parent company alone, for example, has qualities that differ from the productivity of other divisions.

Even in the parent company, there are people in charge of trading operations in the case of Mitsui, but the KPIs there differ from the KPIs that professionals providing services overall should face. I think it is necessary to view these by differentiating the specifics.

For this reason, rather than comparing with companies in the same industry or other trading companies, we carefully monitor and consider benchmarks for each industry in which we work, functionality and overall profitability of the parent company, and how

much leverage of operations on the size of assets under management applies when assets are increased.

Of course, this is quite a complex mechanism, and this is what we look at as management. At present we are paying attention to the things I just mentioned because using a per capita format is too haphazard and the overall picture cannot be seen. Because this is a very important theme, I would like to continue to address it through engagement in a variety of ways.

Q4: Purpose of the HR System Revisions to be Implemented Next Year

I have a question for Mr. Takemasu. You mentioned that significant changes will be made to HR system next year. The details of the system have been announced, and the main point is stated to be the elimination of the differentiation between business staff and administrative staff. This alone does not convey why it is necessary to go to such lengths just to have understanding among employees and engagement with them.

When viewed from the outside, it appears that Mitsui's HR system including personnel have functioned quite well until now. You explained that some employees are not yet convinced about conducting major reforms despite this, and that you are in the process of convincing them.

What are you trying to change by going to such extent with the HR system next year? I think you probably have things in mind beyond what has been stated in the release, so I would like you to explain this.

Takemasu: It's difficult to say more than what is written in the release, but if you feel that I maybe exaggerating a little, it may be because I think the system revisions will have a significant impact on the company's overall engagement score next year. The reason for this is that it will require a transformation of employees' awareness.

As you mentioned, Mitsui categorizes career-track positions into business staff and administrative staff. The category referred to as administrative staff does not have a path to managerial positions, and transfers are limited. This has been carried over from the so-called clerical positions that existed long before the Equal Employment Opportunity Act was passed.

However, although the categories of business staff and administrative staff remain in Mitsui's case, we have actively promoted position transfers in which motivated administrative staff make the transition to becoming business staff, and lowered the barriers between both in a variety of ways.

However, these categories remaining has actually been a bottleneck not only on the administrative staff side but also for awareness on the business staff side. The reason this is a problem is that it is a bottleneck for improving productivity as a company.

Many of the people we refer to as administrative staff already handle business processes at a very high level. Because Mitsui is a trading company, trading business is very important. Many of the people playing central roles in the business processes for this trading business are administrative staff.

I am certain that productivity of the company as a whole can be significantly increased by leveraging the experience of these people more and further drawing upon their skills. It is my view that the system revisions are for this purpose.

Q5: Discussion in the Board of Directors on Investments

I have a question for Mr. Uchiyamada. Around four years have passed since you were appointed as an external director in 2019. From the outside, it appears that discussions on whether or not to give the go-sign for investments, particularly at the Board of Directors level, has changed markedly now compared when you were initially appointed in terms of the number of investments and the level of discussion.

I would like to hear any thoughts or stories you may have regarding discussions over investments when you were first appointed compared to now.

Uchiyamada: Given the type of company Mitsui is, the number of investments account for quite a large number of topics discussed on the Board of Directors. Of course, due to the very large number, we have actually revised the criteria for submission to the board, and separated these into cases that must undergo concentrated discussion by the Board of Directors and those that can be executed by the Corporate Management Committee. The latter do not go completely unchecked, and we receive reports at fixed intervals on what kind of investments they are and the results of investment.

Also, by revising the criteria for submission, the Board of Directors is now able to take time to discuss larger investments from a variety of angles, and the time spent to discuss each investment has actually increased. In addition, briefings are always provided in advance to inform members, in order to enable discussions during the limited time in meetings of the Board of Directors.

In particular, external directors are not involved with each case on a day-to-day basis. However, we spend a lot of time studying each case because we must work with internal directors to pass resolutions in meetings of the Board of Directors.

Furthermore, individual cases cannot be understood without understanding the larger strategy, and at present we are particularly asking the executive side to explain the company's overall portfolio strategy and the strategy of each business unit in order to improve our background for addressing each case.

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