

## STRENGTHEN BUSINESS BASE

### Mitsui Investor Day 2017 Corporate Officers Panel Discussion

Makoto Suzuki, Executive Vice President, CCO

Satoshi Tanaka, Executive Vice President, CAO

Nobuaki Kitamori, Executive Managing Officer, CDO

Facilitator: Nobuhiro Kajiwara, EDGE INTERNATIONAL, INC. President and Representative Director

In June 2017, Mitsui held its Investor Day 2017. Based on the panel discussion that was conducted at the event, this section explains the specific initiatives each officer is undertaking in the form of a three-way discussion, focusing particularly on enhancing governance, personnel, and innovation functions, which is one of the key initiatives in the new medium-term management plan.



#### Makoto Suzuki



#### Satoshi Tanaka



#### Nobuaki Kitamori

Chief Compliance Officer;  
Corporate Staff Unit (Secretariat,  
Audit & Supervisory Board Member Division,  
Human Resources & General Affairs Division,  
Legal Division, Corporate Logistics Division,  
New Head Office Building  
Development Department);  
Business Continuity Management;  
New Headquarter Project;  
Chairman, Compliance Committee;  
Chairman, Diversity Promotion Committee;  
Head of Emergency Management Headquarter

Chief Administrative Officer;  
Chief Information Officer; Chief Privacy Officer;  
Corporate Staff Unit (Corporate Planning & Strategy  
Division, Investment Administrative Division,  
Information Technology Promotion Division,  
Regional Business Promotion Division,  
Corporate Communications Division,  
Environmental-Social Contribution Division,  
Business Supporting Unit  
(Each Planning & Administrative Division)),  
Domestic Offices and Branches;  
HQ Overseen Region;  
Business Innovation & Incubation;  
Environmental Matters;  
Chairman, Information Strategy Committee;  
Chairman, Sustainability Committee;  
Chairman, Business Innovation Committee

Chief Digital Officer;  
Infrastructure Projects Business Unit;  
Integrated Transportation Systems  
Business Unit I;  
Integrated Transportation Systems  
Business Unit II;  
IT & Communication Business Unit;  
Digital Transformation

## Approach to Addressing Global Environmental Issues

**Facilitator:** Could you please explain Mitsui's approach to addressing the global environment, specifically in terms of climate change?

**Tanaka:** Mitsui is involved in resources and energy businesses as well as infrastructure businesses. As part of the process of promoting projects in these businesses, it is necessary to receive permission from local governments through environmental assessments and other means. However, as the impact of climate change becomes more significant, the hurdles we must overcome to obtain such permission are getting tougher. In my previous involvement in the Sakhalin II project, I worked tirelessly from an environmental perspective to receive licenses and permits for the project. Looking back, I believe that the efforts I made helped Sakhalin II become the sustainable project that it is today. While the regulations and hurdles for receiving licenses and permits represent business risks, it is crucial to proactively respond to these risks when we consider the changes that are occurring around the world.

The Company's most obvious initiative toward addressing the issue of climate change is the promotion of businesses in the field of renewable energy. Our equity interest in power generation stands at 10.4GW, and renewable energy sources account for 20% of that amount. While we are pursuing initiatives to make a certain portion of this energy portfolio more eco-friendly, we are also working to leverage our technological capabilities and utilize resources that are typically deemed to have a heavy environmental burden in a less harmful way. For example, with coal we are moving

forward with the introduction of ultra-supercritical power plants in emerging nations in Asia where demand for coal still remains high. Through highly efficient power generation, these plants help realize reductions to the environmental burden. Additionally, due to the fact that the output from renewable energy is unstable, we are commencing new efforts to boost overall energy efficiency through the storage of generated energy and the use of AI to manage and adjust the level of supply and demand.

## Strengthening Innovation Functions

**Facilitator:** Mitsui has announced its Digital Transformation (DT) Strategy. What kind of efforts are being made under this strategy?

**Kitamori:** We are combining the valuable data we have collected at our various sites of operations with AI in an effort to reduce costs and increase sales. In addition, we are promoting a strategy that uses our digital capabilities to convert existing business models into ones that generate new value. The DT team that we established in May 2017 is in charge of carrying out this strategy. The team comprises

staff from our Business Innovation Department in the Corporate Planning & Strategy Division, new employees that have studied cybernetics at university, and technicians from our subsidiary company Mitsui Knowledge Industry Co., Ltd.

Around 70 to 80 ideas related to DT have been proposed from those in the frontline operations, and the DT team is in the process of preparing for specific projects. For the power generation business, which Mr. Tanaka had previously commented on, data gathered from sensors attached to existing power facilities are being used to predict system failures, increase efficiency, and estimate supply and demand. Also, our manufacturing subsidiaries are using such data to provide solutions geared toward factory automation.

Traditionally, U.S.-based IT platform holders have often played a leading role in the Internet world. However, the shift to IoT requires raw data from the frontline operations. For Mitsui, which owns actual facilities in various industries, this shift represents a tremendous business opportunity. By efficiently leveraging our digital capabilities, we will make groupwide efforts to resolve social issues and enhance industrial efficiency.



### Enhancing Governance

**Facilitator:** Could you please tell us about the special characteristics of Mitsui's governance structure?

**Tanaka:** Our businesses span a wide range of countries, regions, industries, and categories, and the risks we are exposed to differ from business to business. As such, we have in place a system that entrusts power to executives who are experts in each particular field to allow for swift decision making. At the same time, we have established mechanisms that ensure the transparency of decisions made in each area of operation.

In addition, Mitsui is a company with an Audit & Supervisory Board. We believe there is no clear superiority or inferiority that exists between an Audit & Supervisory Board system and a committee-based system. What is more important is how a company effectively utilizes the particular system it adopts. The full-time internal Audit & Supervisory Board members of Mitsui serve a term of four years, which is relatively long compared with other companies. Accordingly, we believe that both these full-time members—as well as the external directors and external Audit & Supervisory Board members, who have a thorough understanding of the Company—play a significant role in monitoring the actions of the directors and those in managerial positions. One disadvantage of the system, however, is that it is unique to Japan, and it therefore might be difficult to understand from international investors' viewpoint. Taking this into account, we will try to provide detailed explanations of our governance systems through events similar to the Investor Day 2017.

**Suzuki:** The Company already has external directors from diverse backgrounds, and the appointment of Mr. Samuel Walsh, the former CEO of Rio Tinto Limited, as a new external director from June 2017, will further enhance

the diversity of the Board of Directors. I have had several meetings with Mr. Walsh prior to the appointment, and not only does he have an abundance of experience and an impeccable track record, but he is a very refined individual with a deep appreciation for opera and the arts. I am looking forward to learning many things from Mr. Walsh, and his presence at the Board meetings will surely help make our discussions even more fruitful.

### Reinforcing Personnel

**Facilitator:** Could you comment on the issues Mitsui faces and the policies it implements in terms of personnel?

**Suzuki:** At Mitsui, we have long practiced a virtuous cycle of “the individual builds the business, and the business cultivates the individual”. Without quality people, we cannot create business. And if we cannot create business, we cannot further cultivate our people. Therefore, to be able to sustain this cycle amid intensifying competition, we will continue our efforts to secure quality personnel while working to enhance the productivity of each of our 43,000 employees.

**Kitamori:** I would like to explain the concept of “T-type personnel,” which refers to personnel with the combination of a wide range of general knowledge, represented by the horizontal

line. This knowledge is then supported by expertise either pertaining to products, functions or regions, which is represented by the vertical line—with both lines forming the letter “T.” Mitsui has a large number of personnel who have an excellent combination of the horizontal and vertical lines under the “T-type personnel” concept. Going forward, I hope Mitsui can build on this foundation and increase the number of people that have two to three “vertical lines” of expertise to support their general knowledge, as illustrated by the “π-type personnel” concept.

**Suzuki:** To realize this kind of personnel, we adopted the goals of “promoting optimal staff groupwide” and “strengthening the individual” under our new medium-term management plan. We have a global pool of talent, and, within that pool, we are assigning the necessary talent to the necessary locations. For example, in cases where we dispatch personnel to Group companies and overseas affiliates with the aim of realizing the best management mix, we do not always send a Japanese employee from our head office. Rather, we promote the assignment of the appropriate personnel in the appropriate location in such ways as dispatching a talented employee recruited at our overseas locations to serve as management at these companies.



In addition, with the aim of drawing out the potential of each employee to the greatest extent possible, we have been offering annual paid leave on an hourly basis and promoting a mobile working environment since 2016. In June 2017, we adopted a system that allows for individual-based, staggered working hours. Furthermore, we intend to review our evaluation, promotion, and remuneration systems and increase opportunities for all employees to gain experience in the frontline operations.

**Tanaka:** During my time serving as the chief operating officer of the Asia Pacific Business Unit, we provided opportunities for motivated and capable individuals to play an active role, regardless of nationality or gender, and the response from employees was extremely positive. English was used in all meetings and distributed documents so that there was no disparity in information exchanged between employees. Also, as long as an employee had superior talent, he or she was appointed to managerial roles with no conditions based on nationality. Currently, we are increasing opportunities for all employees to play an active role through the overseas transfer and dispatch to other operating companies of locally hired personnel. For "strengthening the individual," I believe it is necessary to not only change the rules but also to review the way we manage these systems and produce solid results.

**Suzuki:** To realize our goal of "strengthening the individual," we commenced a new in-house venture system in which the Company and the employees co-invest. In this system, employees who have been with the Company for seven or more years can propose new business ideas to President Yasunaga, who reviews the ideas and selects one or two to pursue. Amid a trend of young people leaving Mitsui to start up their own businesses, we hope that this system leads to new business development by providing a means for



employees to start their own businesses within the Company.

### **Bolstering Existing Businesses and Enhancing the Competitiveness of Group Companies**

**Facilitator:** In closing, could you talk about initiatives geared toward bolstering existing businesses and enhancing the competitiveness of Group companies?

**Tanaka:** Amid all of our businesses, there are many businesses that have yet to sufficiently draw out their potential value. We are therefore pursuing thorough efforts to allow such businesses to realize their full potential by providing frontline support through a variety of means. These include the dispatch of our internal team of experts, who will undertake such initiatives as cutting distribution cost, optimizing inventory, reducing procurement costs, improving business processes and productivity, and strengthening management accounting.

**Kitamori:** With the aim of enhancing groupwide competitiveness through the utilization of digital technologies, we will collaborate with AI venture companies and manufacturers, which will be spearheaded primarily by the DT team, while promoting DT through so-called open innovation. At the same

time, we will combine operational and digital technologies on the frontline in an effort to develop personnel, centered on young employees, who can create new value. In doing so, we will foster a DT-oriented mind-set across the entire Group.

**Suzuki:** To strengthen our competitiveness, we must allocate an appropriate amount of resources to areas that most require these resources. And I believe that one of Mitsui's strengths is that it can do exactly that. In the fiscal year ended March 31, 2017, we worked to strengthen our businesses in non-resources fields. Amid these efforts, we transferred nearly 60 employees primarily from resources and energy fields to non-resources fields. These employees made great efforts in their new respective areas of responsibilities, and the business fields that accepted these employees benefited greatly. Under the new medium-term management plan, we intend to reshuffle a significant number of personnel from our corporate divisions in accordance with the needs of frontline operations. In doing so, we will realize groupwide optimization by further promoting the appointment of the necessary personnel to the necessary business fields, thereby leveraging our comprehensive strengths.