

Investor Day 2023 Mobility Business Strategy Q&A

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Q1: Measures to Address Downward Resilience of Earnings

The expansion of earnings in the mobility field has been extremely strong over the past few years, and I am pleasantly surprised that profit has reached such high levels. Meanwhile, you are aiming for profit of 150 billion yen in FY March 2026, and your earnings have improved considerably. However, due to the unusual situation of a booming economy coupled with lingering supply chain disruptions, profits have been overly inflated to some extent, and I am concerned about future earnings. As you expand your investments going forward, what measures are you taking to deal with the downward resilience of earnings. Also, if the economy heads into a downturn, what level of profit do you think you can achieve?

Daikoku: Regarding the downward resilience, I would like to go back to when the COVID-19 pandemic began. In the first half of FY March 2021, of all Mitsui's businesses, the mobility field was especially impacted by the pandemic. Although the situation was challenging and the number of group companies posting losses rapidly increased, each company made steady efforts such as reducing selling, general and administrative expenses, as well as reducing the size of their balance sheets. As a result, they strengthened their resilience in the face of challenging market conditions.

The pandemic also served the function of revealing the strengths and weaknesses of businesses. During the three years of the previous Medium-term Management Plan (MTMP), and also during this fiscal year, we have continued to withdraw from businesses that we have determined to be no longer feasible.

Through these efforts to improve the efficiency of our operations, when the recent market tailwinds and economic recovery came into play, our mobility field suddenly began to soar.

While we expected market conditions to normalize to some extent from the beginning of this fiscal year, conditions have varied depending on the region and product. In some markets and regions we have significant order backlogs and backorders. Moreover, we adjusted our positioning during the pandemic, and our business has improved considerably, with some businesses having increased their competitive advantages.

With our business portfolio improving in this way, we are in a situation where we can really focus on the three basic strategies I explained earlier, namely, execution of

business cluster strategy, strengthening the value chain, and portfolio management. We will continue to steadily pursue these strategies.

Looking back, we created new businesses and improved operations and when the market was growing, our performance improved, but when market growth slowed, our performance tended to deteriorate. I think your question is based on assuming a future outlook based on that history.

The aim of executing our business cluster strategy was precisely to address your point. Until recently, we have been making greenfield investments designed to grow in just one area. Going forward, in addition to those investments, we will also use adjacent business and consider ways to combine organic and inorganic growth through measures such as brownfield investments and bolt-on acquisitions. With our business cluster strategy, we may be exposed to market factors to some extent. However, we are working to create a structure in which our business performance does not simply fluctuate in conjunction with the market.

When the strategy was announced in May 2023, we explained that we have three business clusters. In an effort to increase this number, we have set a fairly ambitious target of nine clusters. If and when we achieve this, our earnings base will expand as a result. Moreover, we will be able to integrate functions in various ways, so even if market conditions worsen, we can be in a situation to compensate in various ways.

Q2: Growth Timeline for the Business Clusters

On page 9 of the presentation material, it says that you are aiming for profit of 150 billion yen by FY March 2026. However, looking at the chart, it appears that Core Operating Cash Flow is expected to decline in FY March 2026, meaning the target appears to be 150 billion yen including asset sales.

You are aiming to go from three business clusters to nine, and it will probably take time to develop this scale. Am I correct in thinking that the required timeline will extend beyond the current MTMP? If so, would I be wrong to assume that it will continue to grow even as earnings will likely decline as market conditions normalize? Please share your thoughts regarding the timeline.

Daikoku: Regarding the challenge of expanding to nine business clusters, some of the clusters will include initiatives for next-generation products and projects for achieving carbon neutrality.

Therefore, during the process of new business cluster creation, we believe that some will see stronger growth rates and generate high ROIC, while others will only see increased ROIC toward 2030 rather than during the current MTMP. We are working on combining different growth businesses in this way. Although I cannot disclose the details, we expect our total profit will be 150 billion yen.

Please note that the 150 billion yen forecast does not include transitory items such as asset sales. On the other hand, as new business opportunities increase and the market and operating environment change, we will not only expand our balance sheet by building up our portfolio in line with profitability, but also carry out strategic asset recycling.

We want to develop our business portfolio in a way that improves quality by both adding and divesting businesses.

Q3: Role of the Mobility Field in Decarbonization Efforts

You explained that as the company heads toward net zero, you will be active in the mobility field by creating new businesses related to decarbonization.

It seems there would also be opportunities for you to reduce CO2 emissions in existing businesses, such as trucks and ships. What role will the mobility division play in the effort to achieve net zero, and how will it contribute to this goal?

Daikoku: As you indicated, it will play various roles. Of course, we will continue to work toward achieving carbon neutrality in our existing businesses.

I also believe that the next-generation fuel business is an area where Mitsui can demonstrate its strengths. Rather than having each business unit tackle this initiative on its own, we plan to move forward together as *team Mitsui*.

Accordingly, there is still room for GHG emissions reduction in transportation, and it is an area that must change. By working on next-generation engines and vehicles to help achieve decarbonization, not only for ships but also in vehicles and mobility, we can make upstream next-generation fuel and energy segment projects possible. We believe that we have a role to play as a demand creator.

With regard to next-generation fuels and carbon neutrality efforts, the boundaries between business units have disappeared in recent years, and the number of projects we are working on together has increased significantly. I believe that the role of the mobility field is to help create sufficient demand for next-generation fuels to make it possible to better realize projects where future developments are difficult to foresee.

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