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## Portfolio Management

Portfolio management is a cornerstone of our management approach. We will continue to improve the quality of our business portfolio by enhancing upstream processes for incubating projects and upgrading their quality so as to select optimal opportunities, strengthening businesses in familiar areas and forming business clusters, as well as improving business portfolio reviews.

#### **Upgrading project quality Project incubation** Portfolio reviews Deliberation Recycling Select projects and upgrade their quality by Engage in discussions and decision-making Familiar areas of business Encourage timely portfolio recycling thoroughly utilizing our expertise from a company-wide perspective Enhancement of reviews through the introduction of ROIC management, starting Business investment and business cluster Upgrading quality via the Financial Consolidated internal rate of Professional from Medium-term Management Plan 2023 Management and Advisory Division Ouantitative return (IRR) formation around core businesses and the Investment Investment and loan guaranteed organization criteria Administrative Division rate of return Portfolio reviews using four-quadrant analysis Cooperation with legal, finance, · Risk-return ratio (vertical axis: growth potential; horizontal axis: profitability) and tax affairs departments Strategy, business scale, probability of the • Investment knowledge accumulated business plan, risks, contract terms, etc. • ROIC (company-wide/segment/business unit/business area/etc.) analysis through the review of more than Criteria based on Medium-term (past fiscal years-present-future) 2,500 business cases per year Management Plan 2026 Qualitative Business expertise accumulated (1) Three Key Strategic Initiatives Human capital allocation analysis Business through portfolio management, assessment (2) Potential for business (visualization of personnel distribution in four quadrants) trading, etc. expertise cluster formation (3) Alignment with achieving deeper Analysis in the GHG emission area (visualization of GHG emissions in four quadrants) X sustainability management Understanding of global Regional opportunities and risks Council on Investment Proposals: Projects exceeding ¥5 billion Committee expertise Corporate Management Committee: Projects exceeding ¥15 billion structure Board of Directors: Projects exceeding ¥60 billion

## **Selection of Investment Projects**

We strive for selection of investment projects from a company-wide portfolio perspective through close collaboration between management, business units, and corporate functions



Evaluation from a companywide perspective by executives in charge of multiple business units and promotion of crosssegment collaboration

## Improving the Quality of Our Business Portfolio



- Confirmation of holding policy for all investment projects
- Verification of projects violating withdrawal alert criteria
- Confirmation of feasibility of withdrawal from assets for which an exit policy has been adopted
- Verification of the significance of holding listed shares

#### Review criteria

- (1) Profitability
  (2) Effective use
- (2) Effective use of human resources
  (3) Strategic significance of projects
- (4) Room for business growth
  (5) Mitsui's contribution to value enhancement

Continuing to improve the quality of our business portfolio through reviews of holding policies of all investment projects under way and

### Portfolio Review and Status of Asset Recycling (Example)

reviews of progress in each business

	FY March 2021	FY March 2022	FY March 2023
Number of projects reviewed	1,776	1,752	1,790
Total value of projects reviewed (¥ trillion)	6.4	7.4	8.9
Number of recycling measures implemented <sup>1</sup>	About 100	About 120	About 130
Number of listed stocks <sup>2</sup> held	130	117	105
Cash inflow from asset recycling (¥ billion)	143.0	257.0	392.0

- 1. Including partial sale of shares, etc.
- 2. Investment stocks held for purposes other than pure investment

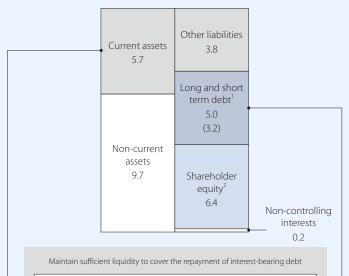
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# Financial Strategy

## **Basic Approach to Financial Strategy**

We aim to ensure liquidity and maintain a healthy financial position.

Balance sheet (as of March 31, 2023) (¥ trillion)



Hold adequate short-term liquidity mainly cash and deposits to cover approximately two years

Secure necessary liquidity on our balance sheet to withstand emergency situations, including drying up of liquidity in the market

### Steadily secure financing over the long term with appropriate consideration of asset liquidity

- Secure financing for long-term investments and loans with funding periods of approximately ten years
- Utilize government financial agencies and project finance for large-scale projects in developing countries

Minimize refinancing risks

Respond to country risks and geopolitical risks

### Maximize funding efficiency across the Group

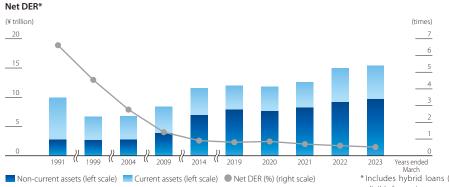
Create an in-house banking process in which funding can be procured and surpluses deployed efficiently in each region according to their needs

Effectively leverage liquidity and credit lines (both for receiving and issuing)

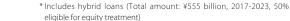
- 1. Figures in parentheses are net interest-bearing debt
- 2. In this report, shareholder equity refers to total equity attributable to owners of the parent

### **Financial Strategy Focus Indicators**

Mitsui allocates capital based on its cash flow allocation framework. The purpose of this framework is to drive the implementation of our growth strategy while maintaining and strengthening our financial foundation through the balanced allocation of cash, provided by operating cash flow and asset recycling to sustaining CAPEX, growth investment and shareholder returns. For all of the indicators we focus on when considering our financial strategy, our policy is to maintain appropriate levels based on our cash flow allocation framework.



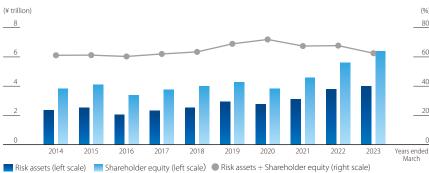
In line with the business shifting from trading to investing, our investment assets and fixed assets have been increasing. For business investments or fixed assets that are relatively high risk or take longer to generate returns, we intend to reduce leverage and we have in fact deleveraged significantly compared to historic levels.





When we look at the balance between our non-current assets, which are relatively high risk, and equity that ultimately must absorb the effects of this risk, we see continued gradual improvement. The difference between non-current assets and equity is mainly funded through interest-bearing debt, and if this expands, it reduces overall financial stability.

### Risk Assets and Shareholder Equity



In addition to the risk amount carried by assets on the balance sheet, we assess and periodically monitor the amount of off-balance sheet risk, such as market risk and guarantees, using a set standard. Our risk exposure is held to a range of about 60%–70% of shareholder equity, and we periodically stress test our risk assets for various scenarios, verifying the impact on the risk assets to shareholder equity ratio.