The COVID-19 pandemic is not only impacting the global economy, it is also expected to cause fundamental shifts in consumer behavior. In this time of unprecedented change, we are committed to leveraging our strong global network and adapting our business models, products, and regional strategies to the needs of today. By fully mobilizing the deep experience and competency of our people, we will meet the challenge of this crisis and move determinedly forward.

Tatsuo Yasunaga
President and Chief Executive Officer
Understanding the business environment: Opportunities amid the COVID-19 pandemic

The spread of the novel coronavirus in Japan abated after the state of emergency declaration and other measures taken earlier in 2020, but the trend is now reversing with more infection cases being reported. As the nation works to balance infection countermeasures with economic continuity, Japan’s economy is still only slowly recovering. Looking at the situation worldwide, there is absolutely no cause for complacency, with infection still spreading in developing nations amid fears of a second or third wave of infections on a global basis.

Our management priority is the health and safety of our employees and their families across our group operations worldwide. The health and safety of our people is the foundation of business, without which we cannot hope for an early return to a growth trajectory. We have a range of measures in place that reflect the circumstances and medical services in each country.

Our next priority is to maintain our businesses in each area, and in doing this I think it is important to maintain strong relationships with our business partners, customers, and vendors. These relationships, developed over many years, are a crucial asset and a key source of our competitiveness and differentiation. We are all faced with the issue of how to protect and ultimately grow our individual businesses in this severe environment, so while directing our teams at the business front line to communicate closely and frequently with our counterparts through online meetings and such, I am also personally engaged in this process.

A phrase being heard these days is “living with the virus,” which raises the questions: what do we change, and what do we leave unchanged? As we begin the “New Normal,” I want Mitsui to take on challenges on every front, and I want to increase our resilience—our adaptability and toughness.

Although pundits have sometimes questioned the need for sogo shosha, we can take pride in our track record of using our comprehensive capabilities to forge new paths when old business models have become obsolete. Recently I have been talking to internal and external audiences about “Mitsui being horizontal.” I use this expression to explain the idea that for a company like ours, which has multiple businesses in diverse areas, we can make best use of our strengths when we pursue the creation of new work and new value by reaching horizontally across our organization, looking beyond the verticals of any particular business sector. This is because, from a global perspective, few of Mitsui’s businesses could be described as large—so to compete on the global stage we must create new value by linking our businesses horizontally.

The relocation to our new head office in May 2020, marking our return to Otemachi after five and a half years, will support our horizontal business development initiatives. In preparing for this relocation, we established a project team to comprehensively rethink the purpose of our office, to consider new working styles, and to develop the systems, physical design and facilities required to realize our goals. I define an office as a place where diverse individuals come together to stimulate intellectual fusion and to catalyze the creation of new business. Of course, our new offices enable each division to work effectively, but they are also designed to promote and facilitate cooperation between divisions, so that we can create new collaborative businesses in a sustainable cycle of corporate value accretion.

Many of the initiatives we undertook in preparing for our office move have proven useful in responding to the pandemic. Going paperless, adopting digital tools and other steps we took to modernize the way we work made the enforced transition to working from home a relatively seamless process, and amid the emerging “New Normal” that combines public health and economic necessities, our working style has been a
Looking back on the previous medium-term management plan

During the period of the previous medium-term management plan, we successfully bolstered our profit base in Resources & Energy, and strengthened non-resource areas, particularly Machinery & Infrastructure and Lifestyle, in line with the plan’s key initiatives of “Build a robust profit base and thoroughly strengthen existing businesses” and “Establish selected new growth areas.” In the focus areas of environment and health, we further developed our LNG business and expanded the business base of our healthcare business. We also strengthened cash flow management, implementing flexible capital allocation including for shareholder returns, in accordance with the cash flow allocation framework, while tightening investment discipline.

Regarding Innovation functions, we launched Moon Creative Lab, which has locations in both the U.S. and Japan. This initiative aims to create new business models based on employee ideas as well as customer and partner feedback. In addition, Mitsui continued to drive personnel initiatives at a global level, including the development of next-generation leaders, while at the same time strengthening governance by improving the effectiveness of the Board and through other initiatives.

Nevertheless, the challenges that remain from the previous plan are clear. The first of which is the urgent need to further improve the profitability of our existing businesses. While building up quality assets is important, we must first ensure that we raise the profitability of individual projects. We must also focus management resources on growth areas where we can demonstrate Mitsui’s strengths and establish new revenue pillars. In the previous plan, we designated Mobility, Healthcare, Nutrition & Agriculture, and Retail & Services as our four growth areas, but I want to further refine these and establish a system so
that we can sharpen our business activities. We expect the rate of change in the structure of society and industry to accelerate further, and so, in addition to strengthening our resistance to downturns through risk management and by reducing costs, we view digitalization and decarbonization as opportunities to further accelerate our growth.

Medium-term Management Plan 2023 —“Transform and Grow”

Despite continued uncertainty about the future due to COVID-19, we announced our Medium-term Management Plan 2023 on May 1, 2020. Even now, it is unclear what level of recovery can be expected upon resumption of economic activity at the end of the COVID-19 pandemic, and it is extremely difficult to foresee its quantitative impact. There was much discussion within the Company as to whether we should even announce this new management plan in May. Ultimately, however, we decided that it was important to share Mitsui’s business direction based on a certain set of assumptions with internal and external stakeholders, and that the plan may also act as a compass for employees during this uncertain time. I hope that sharing our thoughts and what we believe to be the path for Mitsui will lead to valuable dialogue with our many stakeholders—customers, business partners, shareholders, etc. We plan to revise and disclose quantitative plans as appropriate and will continue to exercise highly transparent management. “Transform and Grow” is the theme of the new medium-term management plan—a plan that has been created in consideration of the challenges that remain from the period of the previous plan. While there is much uncertainty about a world where we must learn to coexist with COVID-19, in the medium to long term I believe Mitsui must not waver from its path, rather we should accelerate forward to transformation and growth.

Mitsui’s target of 400 billion yen in profit for the year ending March 2023 is not a large increase from 391.5 billion yen in profit for the year ended
March 2020. However, we plan to achieve 240 billion yen in profit for the year in non-resource areas, which would be a record and higher than the 170 billion yen planned for resources. While it is hard to envision a situation where commodity prices rise and remain high due to the ongoing impact of COVID-19, we are steadily growing our non-resource business base as a counterbalance to our resource business.

In resource areas we are being conservative with iron ore and coking coal price estimates due to concerns about a global downturn in demand in the short and medium term. Furthermore, amid expectations that a return to previous oil and gas price levels from the rapid decline witnessed since the beginning of the year will take time, the outlook is for the harsh business environment in Resources and Energy to continue for the next three years. Nevertheless, during this period there will be no change to our policy of enhancing our strengths. We will pursue thorough cost reductions in existing businesses and maintain competitiveness while pushing ahead with the development of new deposits at our Australian iron ore operations and with LNG projects in Mozambique and the Russian Arctic Circle.

Conversely, in non-resource areas, I believe we will achieve strong growth over the coming three years and I have high expectations in particular for contributions to earnings resulting from growth in ICT core businesses, from digital and EC enhancement of retail business, recovery of market and trading businesses in chemicals, and IPP and FPSO start-ups.

In the current medium-term management plan, we are aiming to thoroughly strengthen core businesses. In the past, we tended to focus on making investments, but we are now introducing ROIC as an internal management indicator to shift our awareness to capital efficiency improvement, and we are aiming to enhance ROE by strengthening budget control. We will raise profitability in several industries by accelerating measures to enhance competitiveness through restructuring.

We have identified Energy Solutions, Healthcare/Nutrition, and Market Asia as three areas of strategic focus and Mitsui’s next profit pillars. Through the implementation of initiatives in previous fiscal years, these have emerged convincingly as areas in which Mitsui can leverage its comprehensive strengths. In Energy Solutions we will pursue smart energy services and businesses that contribute to mitigating climate change with LNG development and renewable energy projects as the central platform. In Healthcare/Nutrition, IHH will be the central platform as we accelerate growth in medical data and integrated facilities management, among others. In addition, in recognition of the power shift to the consumer, particularly in Asia, we will establish a growth platform and pursue the evolution of business models.

We will be pursuing sustainability management and the evolution of ESG as the basis of Transform & Grow. With respect to climate change in particular, as part of Mitsui’s Goals in 2050, we have set a goal of achieving net-zero emissions by that year, making us the first sogo shosha to set such a goal. And as a pathway to Mitsui’s Goals, we have set a milestone of reducing our GHG impact by 50% in 2030, compared to 2020.

There are three main measures to achieve this. The first is reduction, where we optimize our resource and power generation asset portfolio to reduce emissions. The second is transition, where we support the shift from coal-fired to LNG-fired power generation. The third is opportunity, where we drive new business in energy solutions and areas that can address climate change and contribute to reducing GHG impact.

We have also introduced an internal carbon pricing system to increase resilience over the medium to long term for businesses that emit a large amount of greenhouse gases.

With regard to shareholder returns, we have
Mitsui & Co.’s reason for being is to create and nurture new businesses and industries.

set the minimum dividend amount at 80 yen per share for the period of the current medium-term management plan. This is unchanged from the level for the fiscal year to March 2020, but we are committing to this as a minimum for the period, and it is calculated based on stable generation of 400 billion yen in core operating cash flow even amid the spread of the novel coronavirus. We will maintain flexible capital allocation with an eye on both growth investment and additional shareholder returns.

In closing: Mitsui’s Mission, Vision, Values

This year, in parallel with the announcement of the new medium-term management plan, we unveiled our renewed Mitsui’s Mission, Vision, Values. It is the first renewal of the MVV in 16 years and the intervening period has seen dramatic changes. Not only has the business environment changed but our people have become increasingly diverse, we are operating in a more global environment than ever before, and the business front line is shifting toward group companies.

We have therefore redefined our MVV to reflect the changing times while preserving the basic spirit of the previous MVV. Infused in the new MVV is the expectation that each Mitsui person will proactively carry on Mitsui’s DNA of being challengers and innovators and continue to meet the expectations of our stakeholders and society at large.

Taking the opportunity for reflection presented by the announcement of the new medium-term management plan, our relocation to the new head office building, and the renewal of our MVV, I have been considering the question of what kind of company I want Mitsui & Co. to be. The answer, of course, is in the Japanese rendering of our name. The name “Mitsui Bussan” was chosen by Takashi Masuda, the first president of the former Mitsui & Co., because the characters in Japanese signify creation, or birth. This is a reflection of Mitsui & Co.’s reason for being, which is to create and nurture new businesses and industries.

Now, amid the unpredictability created by the COVID-19 pandemic, we have an opportunity to reflect again on our mission, our values, and our goals, and return to Mitsui’s origins to pursue transformation and growth.

August 2020

Tatsuo Yasunaga
Representative Director,
President and Chief Executive Officer

*From a legal perspective, there is no continuity between the former Mitsui & Co. and the present Mitsui & Co., and they are totally separate corporate entities.