

Investor Day 2021 Q&A

【Date】 June 8, 2021

【Speaker】 Masato Sugahara, Managing Officer, Chief Operating Officer of Wellness Business Unit

【Moderator】 Masaya Inamuro, General Manager of IR Division

<Q1>

Regarding the EBITDA on slide 9, you expect a profit increase of 15.0 billion yen in the FYE March 2023, and higher growth afterwards. Please explain specific measures if any that you assume for growth. Also, do you assume any new investments, to achieve the EBITDA target for the FYE March 31, 2026 and onwards? Please explain from balance sheet size or investments perspective. Please tell us whether you expect to achieve ROE of a high single digit percentage which IHH targets in projecting EBITDA of 110.0 billion yen for the FYR March 2026.

<Sugahara>

We attribute a profit increase in FYE Mar 2022 largely to IHH's recovery from the impact of the COVID-19. For FYE Mar 2023, we assume achieving the target without any new independent investments.

On the other hand, for FYE Mar 2026, which is in the period of the next MTMP, we expect earnings from the formation of new business clusters and the expansion of the laboratory business that might include new investments.

We have not yet made a precise estimate of ROE as there are several projects in the pipeline that are not ready to be disclosed. We will continue to improve ROIC as one of our key indicators

<Q2>

With regard to the healthcare data initiative, it was previously explained that data transformation was still in its infancy, but according to the presentation, it seems that it might not be too far off in the future. I would like to know the details in terms of whether the data accumulated at present is accurate enough to be provided to pharmaceutical companies for clinical trials, and to what extent the data of 30 million people is usable. Lastly, who plans to drive this data business, Mitsui or IHH?

<Sugahara>

Mitsui's plans for its healthcare data initiative are progressing so we hope to announce details in the near future. In relation to IHH, the left side of slide 6 shows that IHH intends to use data to improve operational efficiency. We expect that this will contribute to earnings on a reasonable scale. In addition to that, the right-hand side shows how

Mitsui plans to use data to create businesses beyond IHH. Patients, consumers, payors, pharmaceutical and medical device companies can all benefit from leveraging such data of IHH, one of the largest hospital chains in Asia, in the future.

<Q3>

I would like to hear about your approach to cash flow. I imagine that one of the reasons why you see EBITDA as KPI is that IHH is an equity-method affiliate for Mitsui. That currently prevents Mitsui from capturing some of IHH's earnings, but would it be one of your growth strategies to eventually consolidate IHH to capture its earnings entirely, or would you keep IHH on an equity-method basis because you expect it will not have a significant impact on the growth in this area and you will rather generate sufficient cash flow from the data business?

<Sugahara>

We can capture IHH's cash flows only through dividends as it is an equity method investee. However, we do not plan to increase shares in IHH for the purpose of capturing cash flows. We currently focus on EBITDA as a growth indicator, and we recognize cash flow generation as a challenge in the next phase. We do not see the data business a cash generator during the early stage, so we focus on increasing the value of the data business for the time being so that we will be able to monetize a part of the value at a proper timing. Further we would like to increase cash flows by building the next business clusters on a consolidated basis.

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