

Investor Day 2022 Panel Discussion Summary

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Panelists: Kenichi Hori, Representative Director, President and Chief Executive Officer
Izumi Kobayashi, External Director
Samuel Walsh, External Director

Facilitator: Kana Inagaki, Tokyo Bureau Chief, Financial Times

There has been increasing pressure from investors for companies to have high ESG standards. In what ways do you think Mitsui's business model is effective in addressing these ESG needs?

<Kobayashi>

- For years the biggest discussion point of the board is how to change the business portfolio of this company, especially considering the changing needs regarding social and environmental issues. I think that recently we can see the company actually showing the results of the investments made in the past. I would like to give one example in IHH Healthcare. Of course, from the healthcare business perspective, development of IHH is a big task but I also think now that we are seeing opportunities to connect other investments like drugs, medical instruments, and other healthcare related R&D. These are helping to further grow the healthcare business in this company.
- Healthcare is one of the biggest issues not only in Japan but globally, and is an area Mitsui is addressing. I think now we are going to the next stage, which is not only for healthcare, but for businesses in other industries to better connect to each other to build a stronger business model to solve social issues. Food, nutrition, energy; these are areas where collaboration is possible and could bear fruit in the future.

On the back of rising commodity prices following Russia's invasion of Ukraine, Mitsui's energy business has performed strongly. The company, however, has a long-term strategy to diversify its business portfolio and the investment in healthcare is one example of that. Do you think Mitsui's diversification strategy has been successful?

<Walsh>

- I think that it's a journey and Mitsui is moving quickly. It's an exciting business to be part of and experience the reshaping of our portfolio as Mr. Hori mentioned in his introduction. I think that certainly a greater investment in noncyclical areas is important for us because that provides stability and sustained earnings. Now, as you mentioned the high energy prices and commodity prices have been good to help us fund those sorts of investments, which is important. Also, as Ms. Kobayashi mentioned, decarbonization is an opportunity for us to invest in projects that will actually assist in reducing greenhouse gases and the impact of climate change which is important.

- Another area which is important to me is operatorship of projects. Traditionally, in many areas, Mitsui took a minority position, and you can understand that as the company moved from being a trading house to an operator that we needed to build the skill base. The skill base is now there and we're now starting to increase the amount of projects where we are the operator. That's important because if they are good projects then you'll make better returns if you have a larger share. But it's also important in the area that Ms. Kobayashi mentioned, the governance and compliance area. If we're running the project and we can ensure that the project will be at the highest standard, that's very important.
- And lastly, in the area of ESG which I've already touched on. This has license to operate. As Mr. Hori mentioned in his introduction, the consumer, the communities, they are becoming more demanding and companies just need to be at the forefront of ESG issues.

Could we hear from you as well about Mitsui's evolving business model, especially after all the changes that Mr. Walsh just mentioned?

<Hori>

- I'd like to add one thing about the way that the board discusses because we had just two very good examples of Mr. Walsh and Ms. Kobayashi giving their respective views. At our board we allocate time for free discussion where we discuss big-picture direction for our strategy, and we discuss what we should be doing in the healthcare ecosystem at large, what we should be doing in the long term energy transition business, and what is the base of our business that we have to adhere to in order to maintain our robust earnings base but at the same time re-configure our portfolio so that we are able to capture new opportunities.
- I think those kinds of discussions are very important. As Ms. Kobayashi said, our healthcare nutrition ecosystem is growing and it is also encompassing the food sector. It would also relate to the preservation of natural capital, so this is very important. As Mr. Walsh said, if Mitsui takes more of an operating role in our businesses, that means we would have a larger menu to work from in our energy transition endeavors. So, these board discussions tend to shape the direction that the company should go and I think that is a great value being created.

Many Japanese companies now have external directors as part of corporate governance reform, but I think there are still questions on how effective they've been in terms of perhaps challenging the management or trying to get more lively discussions. Mr. Walsh, can you tell us a bit about how these board discussions go at Mitsui and also maybe share with us an example of when your opinion differed from management?

<Walsh>

- I think that Mitsui is doing a great job of involving non-executive directors and building up a skill base and experience base of its non-executive directors. Our process is designed to ensure that we maximize the input and involvement of our non-executive directors. We have a pre briefing session the day before the board meeting. And that allows the non-executive directors to ask the detailed questions that you

just wouldn't have time for it in the board. And it enables a next level down – those who are making the presentations, to get thorough answers to your questions. It also enables the non-executive directors to flag their position they're going to take on investment, whether they're supporting it or whether they are not supporting it.

- Shortly after I joined the board, there was a project that I didn't think it was a good one for us for the longer term, given my experience. I flagged that in the pre briefing session, I had a follow up session with the management from that area the next morning, and then in the board meeting I stated my opinion. Now our system is very good in taking into account things like that because Mitsui board operates on the basis of consensus. Even though there are nine executive directors and five non-executive, because you want a consensus, you pursue everybody agreeing. It's clearly an area where the non-executive directors are very thoughtful and they're very considered in their view, and as I say, they flag the day before where they're coming from. But there was a project that I didn't support, I flagged at the pre brief, and I don't think it was a surprise when it got to the board meeting that I would not be accepting it. At the board meeting the chair said that we will not be proceeding with the project. It was a good outcome on the day. It's a good outcome when I look back on the decision that we made.

How have the discussions with the non-executive directors has been helpful in making management decisions?

<Hori>

- We take these discussions and engagement with our independent directors very seriously, but also at the same time we view it as a great way to benchmark our activities in our decisions against what a first-rate global company – which we too would like to be counted as – would do in that situation. For instance, the example that Mr. Walsh just brought up I think that reflects that kind of thinking. A candid exchange of opinions, trying to position the company at a higher accountability level, these are so important for us and we think these lively discussions at the board helps us get there.

Mitsui has a very strong focus on its employees and investment in people. But in what ways do you think Mitsui's HR strategy is unique compared to other companies, since a lot of companies do talk about investing in people?

<Kobayashi>

- First of all, I think Mitsui has a variety of the human resource development programs, training for leadership and junior employees, many of which I participated in, and I found really interesting. I just want to highlight one initiative which is not specific to human resource development, but from my point of view is a great tool for human resource development called Moon.
- Moon is a program that supports internal incubation which anybody can apply, and I think many other companies have similar programs but as far as I can see, not many companies are successful with. Moon though I feel is very successful and although it's still small, many new businesses have been

coming out. I think one of the success point is that it is really committed by top management. Not only top management but also middle management believe that is an opportunity, probably in four ways. The first is in finding new business opportunities. Also, it is really a strong tool to develop talent. Young people are challenging new things here. The third point is that people involved don't just mix with other Mitsui people but other people from outside the group who have different ideas and ways of thinking and so they are forced to think about things from outside the box. The fourth point is regardless of how successful participants are in their business plans, they all get to experience the role of CEO in their own business, which I think is a very strong development tool for each person's leadership skills and to allow them insight into viewing things from a corporate viewpoint. I don't know if the intension was for it to be used in human development, but I think Moon is a very interesting program. I think the program is a reason for many of the young people at Mitsui feeling energetic and having the mindset to take on new challenges.

What do you think are the opportunities and challenges for Mitsui in terms of finding global talent? Considering that there is such intense competition for talent these days?

<Walsh>

- We are a global company and do have a global portfolio of human capital. It's a truism that people are a company's strongest asset and we have a lot of very capable people. We have a good brand and a good reputation and quite frankly with the reshaping of our portfolio that I mentioned, it provides a great interest for all of our employees globally. Our company has developed Bloom, a register of our employees' skills and experience, their performance ratings and so on. That can be shared and made available so that the company can determine who has the best experience to take a project forward. We operate in divisions, but quite frankly, there's synergy between divisions. There is technology that overarches the divisions, there's ways of operating and obviously sales and marketing opportunities. So, Bloom I think is a key initiative in terms of taking it advantage of our diversity and our inclusion, which are important elements, and I'm living proof of our company's approach to diversity.

I'd like to ask for your concluding remarks to explain why you've put people at the center of your management philosophy?

<Hori>

- *Mitsui is People* has really always been our true slogan and we want to be true to our own people when we say that, and it includes everyone. The middle managers, the executives and the board. I am very grateful that our board members are very active and actually going to the front line when they can do so to meet the Mitsui people working very hard.
- Ms. Kobayashi encourages the Moon people very directly. Mr. Walsh interacts with our people all the time, especially in Australia because of the proximity. What I think is nice is that I find our employees tend to get the same type of encouragement, probably phrased differently at various levels of our

company, from the board members to independent board members, our executive team, the middle managers, and I think that puts together huge momentum for our people in their development.

- Mitsui wants to provide a good network to its people. The Moon example Ms. Kobayashi explained provides an external network in a very interesting way in Palo Alto and here in Tokyo. The Bloom example that Mr. Walsh explained is a way of connecting the internal talent so that we could put together a cross functional diversified team to tackle a project. So, all these statements made by various executives at various level foster that type of people development at Mitsui and we will continue to keep that as the core of our company's values.

[END]