Investor Day 2025 Sustainable Enhancement of Corporate Value Q&A

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Q1

Regarding the ROIC by segment. I believe the ROIC improvement in the Mineral & Metal Resources and Energy segments was partly due to the impact of commodity prices. Excluding the impact of commodity prices, please tell us what initiatives led to the improvement in ROIC in these segments.

Shigeta

We consider the Mineral & Metal Resources and Energy segments as areas of strength. We have been taking initiatives since the previous MTMPs to make these strong areas even stronger.

The Energy segment is particularly easy to understand; we offtake oil, natural gas, and LNG produced from interests and link them to trading. In trading, we have demonstrated layered functions such as logistics and financing functions, which are our strengths, as well as in market risk hedging. This is the result of pursuing the enhancement of profitability and business scale by combining logistics, trading, and investment in the E&P business and LNG business.

In the process of building up our track record, being approached by top-tier global partners and reliably realizing opportunities for further business expansion in existing projects have also led to the improvement of ROIC.

In the Mineral & Metal Resources segment as well, although the earnings contribution is yet to begin, we believe it is quite significant that we acquired a highly profitable business that can utilize existing infrastructure such as ports and railways, like with Rhodes Ridge, with partners with whom we have built relationships of trust over many years through the operation of joint ventures. We believe we have been able to make a strength of ours even stronger.

Q2

Regarding the ROIC figures, you mentioned that the Lifestyle segment has challenges. I think the figure of 1.7 percent ROIC excluding one-time factors destroys corporate value, and I am concerned that you are investing more capital there than in the Energy segment. Furthermore, if the average ROIC of the segment is 1.7 percent, this implies that there are businesses with ROIC even lower than that.

Regarding the order of ROIC improvement, if you do not exit low ROIC assets before making new investments, assets will increase. In addition to improving unprofitable businesses such as coffee trading, I wonder if it is possible to improve ROIC by setting certain criteria and accelerating the replacement of unprofitable businesses.

Shigeta

We will thoroughly work on ROIC improvement in the Lifestyle segment. The Lifestyle segment has many traditional trading businesses, and the working capital included in invested capital is large in scale compared to other segments. We consider the risk of such businesses to be low, and we think it is somewhat unavoidable that the return is lower than the Mineral & Metal Resources and Energy segments. It is possible to break down segment ROIC into business areas, individual companies, or trading units, but this time we showed ROIC on a segment basis and explained where there is room for improvement and initiatives we are taking.

The ROIC we presented uses an average that paints a representative picture of each segment but in the current MTMP, there were challenges in coffee trading. Also, regarding the protein business, which we are convinced will grow into a good core business, there are projects that have not yet been able to contribute earnings as originally planned which is one of the factors for the low ROIC of the Lifestyle segment.

Q3

Along with ROIC, I am paying attention to WACC and the spread between the two. I think the company-wide WACC exceeds 5 percent, so looking at figures excluding one-time factors, I think that in addition to the Lifestyle segment, the Chemicals, Innovation & Corporate Development, and Iron & Steel Products segments are also not exceeding the company-wide WACC. Please tell us if you are working on this while being conscious of the spread for each segment.

Also, since there are many long-term investments, I think there are cases where using IRR is more appropriate than ROIC. Please tell us how you are utilizing ROIC in terms of investment discipline in combination with other indicators such as IRR.

Shigeta

If we can present WACC by business area in the future, I think we can rationally explain the background regarding the differences in ROIC by business. On the other hand, since the industries and sectors that should be benchmarks differ on a business area or individual company basis, we believe that a simple average will not result in a convincing number. We will continuously consider what is the best way to present this going forward.

Also, if we set a standard based on the spread between ROIC and WACC common to the whole company, there are segments other than the Lifestyle segment that would be seen as having low capital efficiency, but it is necessary to take into account the industry, business area, and even region, so we have not set a uniform standard.

In reality, we benchmark with even more granularity than across the seven segments and 16 business units. We aim for an upward trend on a business unit and segment basis, but we make exceeding the WACC for each business area the first step, and we respond so as not to make rigid judgments.

IRR is an important indicator when judging profitability. We are also conscious of time until earnings contribution as an important element of portfolio diversification, and we utilize IRR in combination with profit after investment execution and ROIC trends.

Q4

Regarding the Lifestyle segment, I think the situation is very different for each business and the fluctuation of earnings due to the external environment is also large. Please tell us how this segment will manage returns and assets, and take initiatives toward ROIC improvement.

Shigeta

In all of the Food, Retail, and Wellness business units that constitute the Lifestyle segment, I feel that core businesses where future growth can be expected have been developed in the previous and current MTMPs. If we grow the multiple core businesses that each business unit has gained confidence in, I think we can obtain returns that meet your expectations.

In the Chemicals business strategy presentation, there was an explanation about leveraging the functions of logistics and trading that are unique to Mitsui. Food also traditionally has strong trading, and by providing functions such as logistics, warehousing, and financing, we have constructed a highly reproducible earnings structure, in a way that is unique to Mitsui. Also, I think that new business collaborations and investment opportunities are born from logistics and trading with prominent partners, and these are growing into core businesses.

In the *future initiatives* section on slide 8, we show the direction toward further growth, and we will strive to achieve the numbers as planned through the accumulation of new investments made in the previous and current MTMPs to secure large returns.

As management, we are conscious of the appropriate allocation of funds and human resources to core businesses, and we ensure that the portfolio within the segment does not become excessively fragmented, and that differences do not arise with the business strategies of each business unit.

Q5

Looking at slide 7, all segments have transitioned upwards and to the right, which is an improvement, but the Mineral & Metal Resources and Energy segments improved significantly, and it can be read that they drove the improvement of the company-wide ROIC. I do not think this is necessarily a bad thing, but I think the performance of both segments has a strong aspect of being affected by the external environment. Please tell us your thoughts on this point.

Shigeta

Regarding the bubble chart, I hope to show a diagram where each segment moves vertically upwards in the future. We believe there are certain differences in the level of ROIC that should be aimed for depending on the business area, but whether it is okay to invest capital in the same way across the board is a point that should be considered.

We sometimes receive comments regarding the volatility of the Mineral & Metal Resources and Energy segments, but making areas of strength even stronger does not simply mean that we increased the investment amount. While being conscious of the cost curve, we have acquired highly competitive interests and worked on the expansion of logistics and trading earnings and the reconfiguration and enhancement of the business portfolio. As a result, even in the bubble chart presented as an average so as not to be swayed by changes in the external environment of individual years, they are moving up to the top right. We are also proceeding with initiatives in energy transition, and we believe there is still room to raise the ROIC level in the medium- to long-term span.