

Investor Day 2025 Portfolio Enhancement Q&A

Date : December 4, 2025

Speaker : Kazumasa Nakai Representative Director,
Senior Executive Managing Officer, and CSO

Q1

Please tell us about the progress of new businesses. In slide 11, the invested capital and returns for them are shown divided into three initiatives. For example, regarding Industrial Business Solutions, there is a large investment for Rhodes Ridge as a project contributing to earnings from FY March 2027 onwards, and I believe that is probably not included in the invested capital of 390 billion yen.

Depending on the period of the next MTMP, where do you see additional investment occurring in these three initiatives over the next three to five years? Also, please tell us which of these is attracting attention for growth in ROIC going forward.

Nakai

Some of the points you asked about will be covered in the CEO session, so I will refrain from speaking on specifics now, but we have raised three Key Strategic Initiatives in the MTMP, and I believe we have been able to make investments of a certain scale in each.

In building that track record, we are strengthening our conviction that setting these three Key Strategic Initiatives was the correct approach.

In the next MTMP, rather than setting new Key Strategic Initiatives again, our image is to dig deeper into these three.

Regarding each Key Strategic Initiative, it goes without saying that we will firmly bring invested items to fruition and produce results, but profit pools and domains that we have not touched yet are also coming clearly into view. By digging deeper into that, I believe the Key Strategic Initiatives themselves will grow larger and become more bold.

We will explain later regarding what level the ROIC of each Key Strategic Initiative will rise to as a result.

Q2

Regarding the portfolio on slides 3 and 4, there are other trading companies that say they want to reduce the ratio of resource businesses, that they will invest more in the US, and that they will build their portfolio strategically.

Mitsui has large investments such as Rhodes Ridge, but are discussions being held regarding an optimal portfolio? Amidst heightening geopolitical risks in each region, are you discussing what direction you will go? If a good opportunity to invest in a project comes up, do you just invest or is it part of a bigger strategic decision?

I understand the transition that has taken place in the portfolio, but please tell us what kind of discussions are being held regarding the direction from here.

Nakai

Regarding the point that the portfolio is built on both the axes of industry and region as shown in slides 3 and 4, it is of course not the case that this is decided without planning and that we just add new projects as opportunities arise. We are enhancing the portfolio while discussing how we expect it to take form overall.

Regarding regions, I consider this to be a characteristic and strength of Mitsui, but we are set to take up projects in each region of the Americas, Asia Pacific, Europe, the Middle East, and East Asia, together with the 16 business units by working on developing new business models.

Regarding industries, by having three major Key Strategic Initiatives, projects come up by region and industry through each business unit developing new businesses within the framework of those Key Strategic Initiatives.

In response to that, we proactively move forward with project selection while discussing the overall direction of the portfolio. We have forums such as the Portfolio Management Committee, as well as a separate body consisting of Executive Committee members that conducts discussions regarding the pipeline of opportunities.

Q3

Since you are making a quite large investments such as in Rhodes Ridge and there are several energy-related projects, are there conversations in the Portfolio Management Committee turning to investing more in non-resource areas?

Nakai

It is not that we will not invest in metal or energy projects from now on because we invested in Rhodes Ridge. If top-tier projects that satisfy the five review points shown on slide 5 come up, we have decided to consider them on a case-by-case basis. We are proceeding with discussions while of course thinking in parallel about what the overall balance will be.

Q4

When discussing portfolio reconfiguration, investors also tend to look at things like which division will have what percentage, and will look at the exposure by region. What discussions are held and what actions are taken regarding reconfiguration?

For example, if it is about raising ROIC, I think there are options such as applying more leverage, taking more risk, or pursuing more volatility.

Whether it is Mineral & Metal Resources or Energy, I feel that the business model itself is not just about having interests, but designing various features such as having offtake rights or incorporating distribution components into the business.

Are you holding discussions on portfolio reconfiguration from the perspective of how to control volatility, or not just pursuing ROIC but raising shareholder value from the perspective of suppressing the cost of shareholder equity and expanding the equity spread?

I would like to ask if there are changes between the conventional portfolio allocation and discussions being held aiming for the next step.

Nakai

Exactly as you just pointed out, it is not a matter of us simply investing in interests and being exposed to volatility due to commodity prices.

For example, I think that entering into LNG trading and using that volatility to our advantage and reducing risk overall is a way of doing things that has become the norm for us. We want to continue to increase value by combining investment and trading in such a way.

Also, since large-scale investments are continuing, we are currently discussing using third-party capital to apply leverage rather than using entirely our own capital. Regarding future projects we are looking to invest in, we are currently discussing them in the overall context, including the application of leverage.

Q5

Regarding the asset portfolio review, in what time frame do you plan to proceed with divesting projects planned for exit equivalent to approximately 10 percent of overall book value? There is a statement in slide 6 that you aim for further portfolio enhancement in the next MTMP as well, but in the most recent financials briefing, CEO Hori mentioned that buyers are also becoming cautious, making budget formulation for asset turnover-type businesses difficult.

I think there are people who do not know to what extent they can expect asset recycling gains, cash inflows, and ROIC improvement under these circumstances. Please tell us your thoughts.

Nakai

I think the time frame for projects planned for exit is difficult to predict.

There are projects that can be exited immediately, and there are projects that take time to exit as we make adjustments through discussions with other shareholders or partners. I think we must proceed while always being conscious of the time frame for exit.

On the other hand, I believe there are both cases where profit from asset recycling is generated when making an exit, and cases where depending on the circumstances, we must exit with resolve even if some loss is incurred. Since this involves counterparties, I think it differs greatly depending on price conditions, negotiations, and the situation in market.

Regarding the develop and sell type assets in real estate given as an example, the story that buyers are becoming cautious because the market is becoming difficult to forecast is certainly true, and I think that the sale of assets being pushed back little by little is something that is actually happening.

We want to do our best until the end to proceed as planned as much as possible while observing the market.

As for initiatives for actual project exits, we are creating plans while firming up discussions on how much and which projects we recycle every year, and how much profit will emerge from that, while taking into account various elements such as the total pluses and minuses and the time frame. We believe we must firm this up together with each business unit precisely for the formulation of the MTMP.

In the current MTMP, we initially explained that we would conduct asset recycling of about 870 billion yen over three years. On an annual basis this is an average of around a little under 300 billion yen.

In the current MTMP, we have been able to achieve asset recycling of 1.5 trillion yen, or an annual average of 500 billion yen, but this is an uncommonly high level and turned out like this because there were various projects such as Paiton and VLI.

I am confident we can conduct asset recycling at a level of around 300 billion yen going forward as well. We want to do our best so that we can firmly summarize that at the time of the MTMP announcement.

Q6

I would like to ask about Global Energy Transition. I understand that initiatives for decarbonization are gradually becoming less prominent with many taking a wait-and-see approach.

Could you please tell us with what stance you will work on these investments over the medium- to long-term, or whether there is a possibility that some risk will arise as a result of such unwinding among the projects expected to generate earnings in the future?

Nakai

When thinking about Global Energy Transition, I believe how the world views decarbonization and sustainability is a very important point, and I think it is a fact that largely due to the influence of US President Donald Trump, there are reviews undergoing to various regulations and delays to projects are occurring in Europe.

I think your question is about what we will do in a situation in which such unwinding takes place. For Mitsui, as with the recent torrential rains in Southeast Asia, I think it is a fact that responding to climate change is something that cannot wait. Regardless of how others around the world respond to the situation, we want to take a firm stance on the matter.

While working on Global Energy Transition projects with environmental and social value, we have come to a point where we cannot gain the understanding of our stakeholders unless there is clear economic rationality. In order to proceed with the Global Energy Transition strategic initiative while firmly securing economic rationality, we are being selective regarding the projects we work on.

Actually, although the difficulty level of the projects is rising a little, I believe Global Energy Transition itself will succeed beyond the expectations set out in our plan. There are projects for which investment decisions are being made or which have already started, such as the low-carbon ammonia projects explained earlier.