

Off to a Strong Start

Last year, Tatsuo Yasunaga, President and CEO of Mitsui & Co., launched his three-year management plan, “Driving Value Creation.” Its goals are threefold: to strengthen the company’s existing businesses while establishing new growth pillars; to develop a more balanced profit profile; and to achieve significant increases in core operating cash flow and profits.

How does the scorecard look one year on? Mitsui reported profits of ¥418.5 billion (US\$3.95 billion) for the year ended March 31, a year-on-year increase of 37%. Yasunaga highlights three further positives: a target-beating rise in core operating cash flow to ¥666.5 billion (US\$6.29 billion); full 40% of profits coming from less volatile non-resource sectors (excluding valuation gains and losses); and finally, the decision to close down a Brazilian grain originator which had been a consistent money loser. “The plan’s off to a smooth start,” Yasunaga says. “We’ve established ¥400 billion as our new ‘cruising speed’ for profits.”

When it comes to strengthening the profit-generating capabilities of its existing businesses, Mitsui takes a different approach in different sectors. In Resources & Energy, the focus is on making incremental gains through cost reductions and efficiency improvements on the one hand, while ramping up output and launching new projects on the other. Major new oil projects are becoming operational in Italy and the Gulf of Mexico this fiscal year, and recently acquired Australian E&P company AWE will also start contributing to profits. In Machinery & Infrastructure, the company will soon complete power plants in Thailand, Malaysia, Oman and Morocco, while in Chemicals, ventures from a petrochemical tank terminal in Texas to animal nutrition solutions in Missouri are already in expansionary mode. “All our



Tatsuo Yasunaga
President and CEO, Mitsui & Co.

key affiliates in the non-resource sector are growing,” notes Yasunaga.

New technologies. New geographies

Mitsui prides itself on evolving with the times and the four growth pillars it is building in Mobility, Healthcare, Nutrition & Agriculture, and Retail & Services address major secular trends.

Take electric vehicles. A confluence of factors—from environmental problems to digital technology and government policy—are increasing the chances of major technological breakthroughs here. Having identified Europe as the industry leader, Yasunaga is building a broad-based mobility presence through alliances and JVs with companies all along the value chain. These include a Portuguese electric bus maker; a French transport

battery manufacturer; a German charging and storage solutions provider; and a Spanish manufacturer of lightweight steel components.

Alongside new business fields, Mitsui is advancing into new geographical areas. For instance, rapid population growth makes the Pan-Indian Ocean (East Africa, India and Indonesia) a logical theatre for its Nutrition & Agriculture efforts. Mitsui recently invested in ETG, a Dubai-based

company that sells farm inputs (seeds and fertiliser) and outputs (crops) through a network of logistics hubs, chiefly in East Africa. The idea is to help African farmers boost yields and then sell the resulting cash crops throughout the region.

Mitsui already operates huge resource and infrastructure projects in Africa but helping boost agricultural productivity in a region where agriculture still represents the bulk of economic activity can spread the benefits of growth more evenly, enhancing stability and security in nations as they develop.

Long term, Yasunaga sees ETG’s hubs serving as a platform through which Mitsui can provide other essential products and services, from solar panel kits to mobile phone coverage. Having a foothold in Africa could even give Mitsui early insights into “leapfrog” technologies like cashless payments that often emerge in developing countries first.

Transformation and innovation

Of course, the impact of rapid technological innovation is global. But the threat of digital disruption is something Yasunaga is determined to turn into an opportunity. In January, he set up an internal consulting team of AI and IoT specialists to advise employees about applying digital technology to the businesses they run. The sheer range of Mitsui’s business assets provides a huge sandbox for experimentation and the company currently has 50 “digital transformation” projects ongoing. “It’s a stepping stone towards becoming the company we want to be,” Yasunaga says.

“In Japanese, the characters of our name mean ‘giving birth to things,’” he concludes. “And that’s the mindset I want Mitsui’s 42,000 employees to have: that they’re business innovators who enable and create value.”

Driving Value Creation: Goals and progress so far

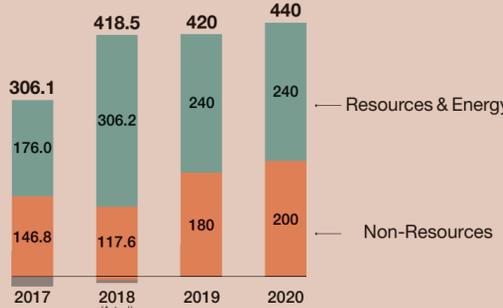
Establish new growth pillars



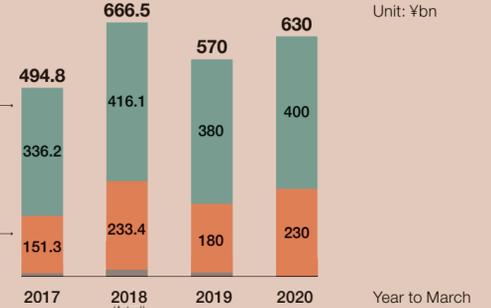
Strengthen existing businesses



A more balanced profit profile



Stable core operating cash flow



Medium-term Management Plan

360°
business
innovation.

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