

Evolution of Portfolio Management

Strengthening business management capability
by utilizing ROIC

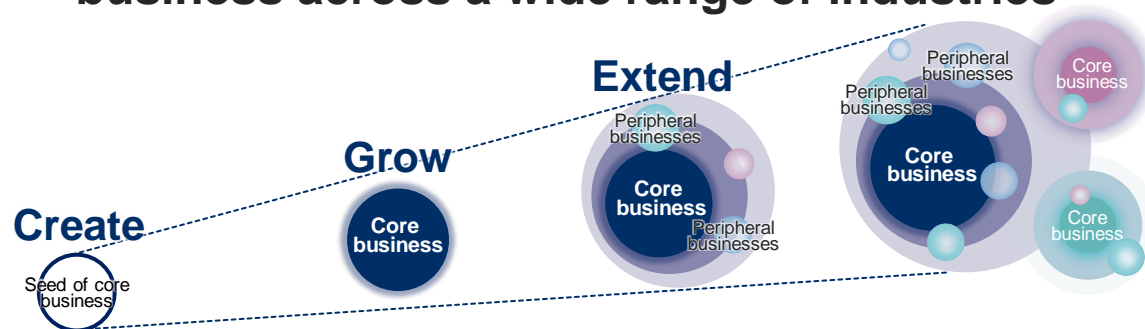
Representative Director, Executive Managing Officer
Chief Financial Officer (CFO)

Tetsuya Shigeta



Portfolio Management (Overview)

Our approach to portfolio management of globally spanning business across a wide range of industries



Investment discipline at the time of investment decision

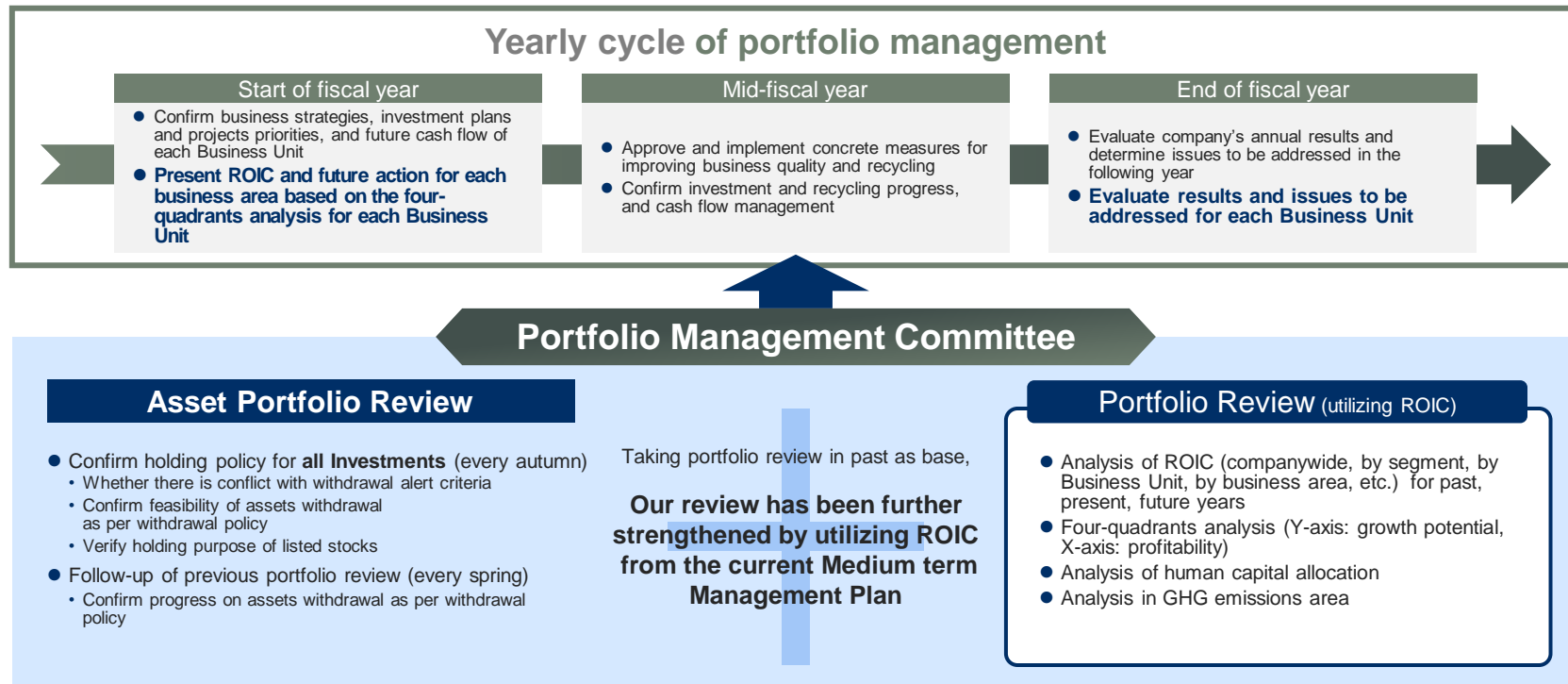
Monitoring of executed investments

Quantitative	Consolidated IRR of 10% or more (USD) Risk return of 20%, etc.		Portfolio management annual cycle (Next page)			
	Consistency with overall strategy	Synergy				
Qualitative	Probability of future cash flow plan	Risk resilience	Exit path	Contract terms	Geopolitical risk	Other
	Council on Investment Proposals (Over ¥5bn)	Portfolio Management Committee				
Meeting Structure	Corporate Management Committee (Over ¥15bn)	Corporate Management Committee				
	Board of Directors (Over ¥60bn)	Board of Directors				

Financial Management & Advisory Div.

Portfolio Management (Post-Investment)

Monitoring of executed investments



Portfolio Management (Business Areas)

Image of Four- Quadrants Analysis

- ◆ Analyze ROIC by business area and identify position in four-quadrants (See Appendix4)
- ◆ A method to set the future vision for each business area, define action plans to achieve it, and monitoring of each business area (dynamic ROIC analysis)

Note: ROIC analysis is not for comparing business areas with different risk attributes using unified companywide standards

Segment	Number of business areas in FY22/3	Examples of business areas
● Mineral & Metal Resources	6	Iron ore, metallurgical coal, copper
● Energy	8	E&P, LNG supply, LNG trading
● Machinery & Infrastructure	18	Centralized power supply, resource infrastructure, automotive sales, freight transportation, ships
● Chemicals	15	Chemical raw and processed materials, gas chemicals, tank terminals, agricultural chemicals
● Iron & Steel Products	4	Mobility, infrastructure, distribution business
● Lifestyle	17	Protein, food development and distribution infrastructure, hospitals & clinics
● Innovation & Corporate Development	14	Digital solutions, consumer platforms, real estate asset management, commodity derivatives

Ensure investment discipline

according to the timing of individual projects (investment decision, holding, recycling)

Resource allocation at management level
according to profitability and growth potential of individual projects and business strategy (maintain, expand, withdraw)

As CFO of Mitsui

Double-digit % ROE
as the standard

Lower cost of capital
through further improvement to transparency of disclosures

Appendix



MITSUI & CO.

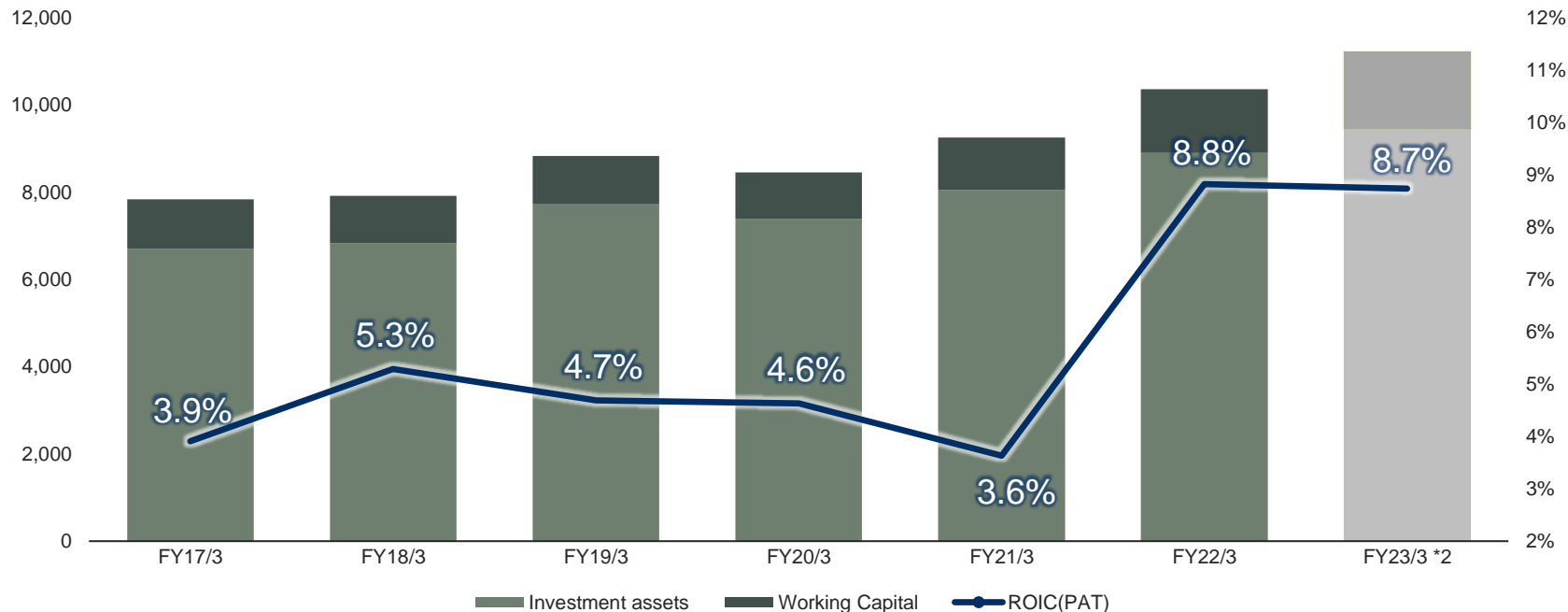
Appendix 1: Examples of Improvement in Portfolio quality during current Medium-term Management Plan

Main Measures	Segment	Relevant Portfolio	Relevant Profit/Loss, etc. (Unit:Billion Yen)
Reduction/ compression of invested capital	● Machinery & Infrastructure	MAF Colombia (became associated company as a result of partial sale)	Reduction of invested capital through sale (approx. -8.0)
	● Lifestyle	(1) XINGU (Termination of agricultural production operations) (2) Mitsui I-Fashion (became associated company due to merger) (3) PHC (status changed from associated company to general outside company as a result of partial sale)	(1) Individual company performance (-10.0 in FY20/3 → +2.0 in FY22/3) (2) Valuation gain due to merger (+11.3 in FY22/3) (3) Sale/valuation gain due to divesting (+6.9 in FY22/3)
Strengthening of competitiveness/ turnarounds	● Mineral & Metal Resources	Acquisition of Western Ridge iron ore deposit (utilizing existing infrastructure)	Amount not disclosed.
	● Chemicals	Novus (strengthening of sales prices/cost competitiveness)	Individual company performance (-2.2 in FY20/3 → +0.4 in FY22/3)
	● Lifestyle	(1) IHH (Strengthening group management and asset recycling since becoming the largest shareholder) (2) UHS Partners (Reformation of management team, etc.)	(1) Individual company performance (+4.9 in FY20/3 → +14.4 in FY22/3) (2) Individual company performance (-6.6 in FY20/3 → +3.3 in FY22/3)
Asset recycling	● Mineral & Metal Resources	(1) Caserones (Copper) (2) Coral Bay (Nickel) (3) Stanmore SMC (Metallurgical coal)	(1) Loss on sale (-7.0 in FY21/3) (2) Cash-in from sale (+9.5 in FY22/3) (3) Cash-in from sale (+55.0 expected in FY23/3)
	● Energy	(1) BassGas(Gas Production) (2) Alba (Oil production)	(1) Gain on sale (amount not disclosed in FY22/3) (2) Gain on sale (amount not disclosed in FY22/3)
	● Machinery & Infrastructure	(1) Astoria (gas-fired thermal power) (2) MT Falcon (gas-fired thermal power)	(1) Gain on sale (amount not disclosed in FY21/3) (2) Cash-in from Sale (approx. +12.0 in FY23/3)
	● Chemicals	(1) San-ei Suicrochemical	(1) Gain on sale (amount not disclosed in FY21/3)
	● Lifestyle	(1) Fuji Pharma (2) MicroBiopharm Japan (Sale of contract pharmaceutical manufacturing business)	(1) Gain on sale (amount not disclosed in FY21/3) (2) Gain on sale (amount not disclosed in FY22/3)
	● Innovation & Corporate Development	Domestic and overseas real estate businesses, etc.	Recycling gains in entire Innovation & Corporate Development segment (+4.9 in FY21/3, +11.6 in FY22/3, +17.4 in FY23/3 1H)
	● Companywide	Number of listed stocks wholly sold during FY21/3~FY23/3	Approx.30 (as of today/owned by parent company)

Appendix 2: Trend of ROIC at Company level

Trend of Invested Capital and ROIC*1

(Unit: Billion Yen)



*1 Figures based on the definition of internal ROIC (denominator: invested capital, numerator: profit after tax)

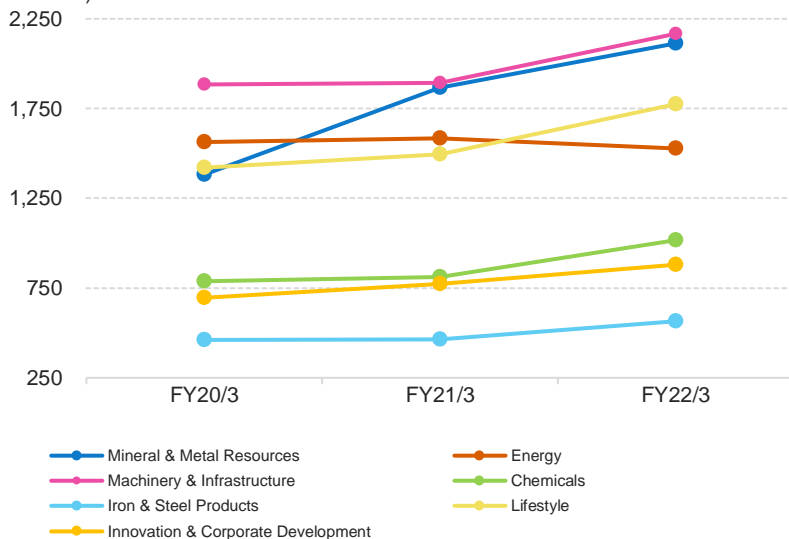
*2 FY23/3 is calculated using invested capital as of 2Q-end as denominator and annual forecast profit of ¥980 billion as numerator

Appendix 3: Invested Capital/ Ratio of Working Capital by Segment

- ◆ The amount of invested capital was maintained at a certain level through portfolio reconfiguration (excluding major new investments, increases in affiliates' profits, increase in fair value (e.g. VALE held by Mineral & Metal Resources))
- ◆ Chemicals, Iron & Steel Products and Lifestyle tend to have low level of ROIC due to higher working capital to invested capital ratio. Innovation & Corporate Development has a low working capital ratio, but high proportion of real estate business

Invested Capital by Segment

(Unit: Billion Yen)



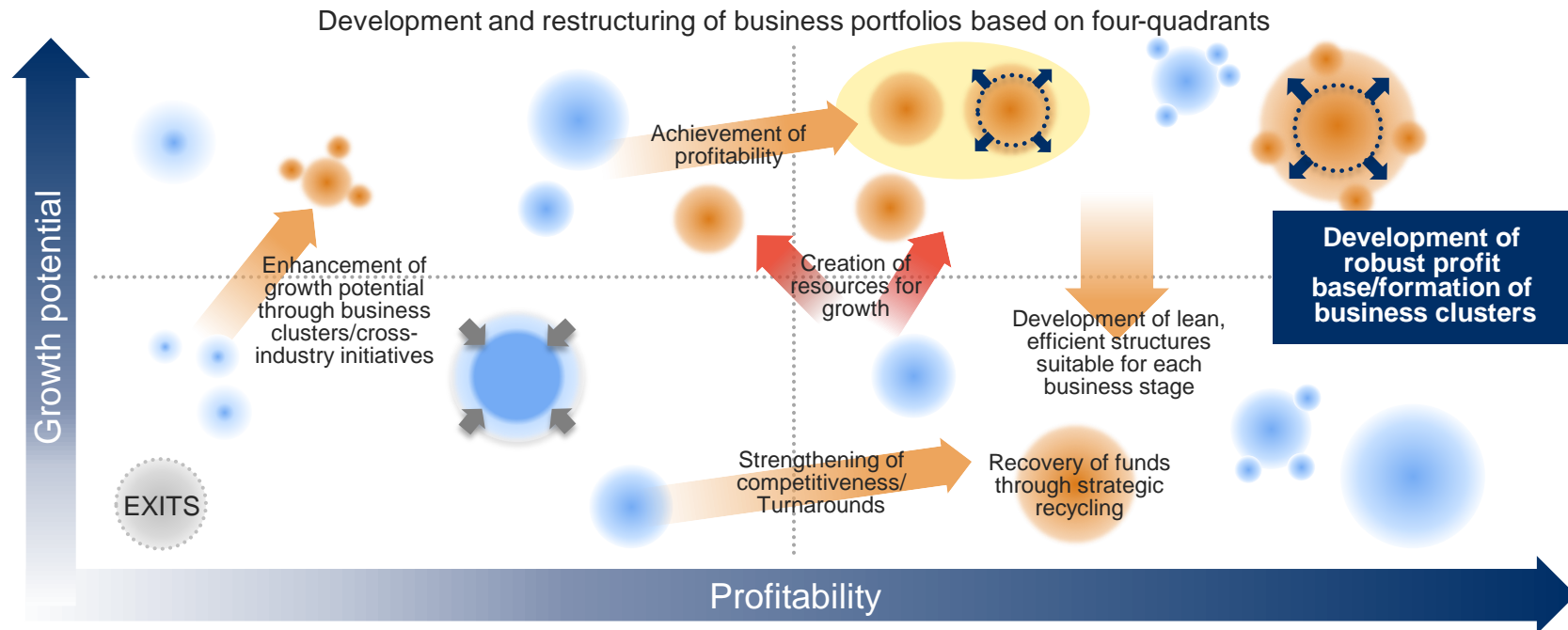
Working Capital ratio by Segment

(3-year average from FY20/3 to FY22/3)

	Invested capital (Unit: ¥trillion)	WC (Unit: ¥trillion)	WC Ratio
Mineral & Metal Resources	1.8	0.2	9%
Energy	1.6	0.1	4%
Machinery & Infrastructure	2.0	0.3	14%
Chemicals	0.9	0.3	33%
Iron & Steel Products	0.5	0.2	32%
Lifestyle	1.6	0.4	23%
Innovation & Corporate Development	0.8	0.0	1%

Appendix 4: Four-Quadrant Analysis

- ◆ Visualization of the ideal business portfolio and the process to realize it using four- quadrants of profitability and growth potential.
- ◆ Accelerate the strengthening of the competitiveness of each business, replacement of the business portfolio and formation of robust business groups in order to realize the business portfolio's vision.



360° business innovation.

