Condensed Transcript of Question and Answer Session
Briefing on Marubeni IR Day 2025(Day1)

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<Questioner 1>

Regarding the mobility business in North America, CFO Furuya explained that the goal is to maximize core operating cash flow, but the mobility business in North America has many equity method investments, and there is an impression that cash inflow from affiliates is not progressing smoothly. I would like to ask about specific measures and the response so far.

(Itai)

Under GC2027, we are operating our business with an awareness of cash flow, not just net profit. In other words, we aim to generate cash flow in line with profit growth.

Speaking of individual businesses, first is Nowlake, which has played a central role in leading the mobility business in North America. The company has experienced rapid growth since our participation, and until now, part of the cash dividends from the company has been allocated to its internal reserves for reinvestment, with an emphasis on Nowlake's growth. Currently, as the pace of the growth is stabilizing, we have been able to allocate a greater portion to dividends in the past 2-3 years, and the cash inflow is increasing. Additionally, we are currently under discussion with our business partners about raising the dividend payout ratio, balancing Nowlake's growth investments and shareholder returns.

Next, about Wheels, which we participated in 2024. It may seem like a lease finance-centered business model, but rather it is a service- centered business model with high cash conversion. Based on highly liquid "cars," more than 90% of ABS (asset-backed securities) are issued to secure fundings. In addition, the income from managed vehicles that do not use balance sheet is several times that of lease income. Currently, there are integration and acquisition-related expenses and repayments of term loans for the three companies (Donlen, Wheels, LeasePlan), but in the medium term, cash flow growth is expected to catch up with profit growth.

(Furuya)

To align dividends from affiliates as closely as possible with accounting profits, the finance business is one area requiring significant action. As Mr. Itai explained, Nowlake, now operating at a steady pace, will continue accumulating assets. We are continuously reviewing with our partners our approach to dividends and reinvestment—in other words, the balance between internal reserves and shareholder returns, which ultimately means optimizing leverage. We are approaching these discussions with partners from a stance of strengthening dividends.

As Mr. Itai explained, Wheels manages approximately 1 million vehicles. Of these, 500,000 are leased assets. The remaining 500,000 are managed vehicles off-balance sheet, from which only service revenue is generated. Wheels' core capital policy involves raising funds through ABS against the lease assets on the balance sheet. By utilizing highly liquid assets for financing, surplus funds can be directed toward shareholder returns. We believe that as we continue to build assets going forward, we can also strengthen shareholder returns, and indeed, our business plan reflects this.

Regarding SmartestEnergy's wholesale and retail power business: The explanation stated that strong performance was achieved in FYE 3/2024 due to a sharp rise in market prices and in FYE 3/2025 due to increased sales volume, with a net profit of ¥23 billion planned for FYE 3/2026. While accurately responding to customer needs was cited as a factor, the content was somewhat abstract. I would like to ask about more specific measures. Additionally, it was mentioned that securing small and medium-sized renewable energy generators contributed to business growth. I would also like to ask about the sustainability of this approach. Will SmartestEnergy's sales volume continue to grow going forward?

(Yokota)

SmartestEnergy deals with a single product, electricity, but customers have various requests, such as purchasing at a fixed price, purchasing at a market-linked price, or purchasing partly at a fixed price and partly at a linked price. Furthermore, SmartestEnergy deals mainly with renewable energy sources, and there are many customers who want green electricity. For example, electricity trading is usually conducted in 30-minute increments, and customers express various requests, such as wanting reliable environmental certificates every 30 minutes or wanting environmental certificates that clearly indicate the type of renewable energy source. One factor in the company's growth is its ability to carefully listen

to each customer's needs and conduct deals that meet their requests.
Another major factor is IT. Efficient management methods utilizing data enable the company to provide optimal solutions to customers, which contributes to increased sales volume. For example, while many competitors simply pass on electricity generated by thermal power plants, SmartestEnergy skillfully manages renewable energy sources, whose output fluctuates depending on the weather, and sells it to customers. The company differentiates itself from its competitors in this way and supplies reliable electricity to its customers.

Regarding the pharmaceutical sales business. For the fiscal year FYE 3/2031, specific numerical targets such as sales exceeding ¥100 billion yen and attributable profit exceeding ¥20 billion have been set this time. I understand that, in addition to the existing sales business, the company will acquire licenses and also engage in manufacturing and license sales businesses to achieve these goals. On the other hand, if the company enters such a license business, I believe licensing risks specific to the license business, such as license impairment when a new drug is released, will also arise. Is it correct to understand that entering the license business, which raises business risks, is the main growth driver for achieving the numerical targets?

(Oikawa)
To achieve the numerical target of over ¥20 billion in attributable profit, we expect growth in both our CSO (Contract Sales Organization: performing sales and promotion activities on behalf of pharmaceutical companies) business and our licensing business, and licensing business will also be a major growth driver. As you pointed out, the licensing business may appear to be riskier than the CSO business because we take on manufacturer liability in the licensed territories. However, for our licensing business, we select drugs such as long-established products whose patents have expired, as well as drugs with proven sales records in countries where we have obtained licenses, and we will continue to follow this same policy. Furthermore, we intend to ensure primary manufacturer liability is firmly borne by the manufacturer through back-to-back contracts, with any residual gaps covered by insurance.
Since there are benefits such as higher returns and longer contract periods, we believe that by carefully selecting drugs with a high return relative to risk, the risks in the licensing business are not particularly high.

<Questioner 2>

I would like to hear more about the pursuit of the Global crossvalue platform (GCP).
In the explanation of "Value Creation beyond the Boundaries of a Sogo Shosha," you cited Berkshire Hathaway, KKR, and Hitachi as examples of the world’s leading companies. However, their ROE figures are not exceptionally high, and I believe your company is at a comparable level. What aspects of their management led you to consider them as companies to aspire to? Also, as your company benchmarks the world’s leading companies, what specific actions are you planning to take?

(Omoto)
When benchmarking against the world's leading companies, we believe our ROE level is certainly competitive. However, comparing our financial statements reveals significant differences, particularly in ROA and PER levels. The exemplary companies mentioned generally have ROA levels roughly double that of the general trading company sector, and their PER levels are significantly higher than those of the sector.
Quantitatively, these two points represent the difference. Qualitatively, I believe the difference lies in our "commitment to value creation." This refers to how thoroughly we pursue value creation relative to invested capital.
As mentioned earlier, we are concentrating management resources on winning strategies and strategic platforms, aiming for ROIC levels exceeding 10% in non-resource sectors. When focusing solely on Strategic Platform Businesses, we believe the quantitative performance of our Strategic Platform Businesses is on par with the world's leading companies. By transforming our business portfolio to Strategic Platform Businesses, we believe our company can achieve even greater results. This is the reason why we cited world's leading companies as an example.

Specifically, regarding various value-enhancing initiatives, we recognize gaps exist between our company and the world's leading companies. We will identify these gaps, standardize them, and incorporate them. Furthermore, regarding investment decision-making, while there are various patterns even among outstanding companies, we believe learning and adopting approaches different from ours will elevate our value creation capabilities to the highest level.

Regarding the elements presented as GCP: Winning Strategies, Stringent Effort to Improve Capital Efficiency, and Strengthen the Marubeni Group HR Strategy, I would like to ask about capital efficiency. In past investment examples by trading companies, there have been cases where investments were executed based on overly optimistic business plan assumptions, such as optimistic natural resource price assumptions or abnormal profit growth for non-resource businesses. Regarding the Stringent Effort to Improve Capital Efficiency you are now advocating, please explain how you intend to pursue capital efficiency in a less risky manner.

(Omoto)
As you pointed out, my primary concern is that the assumptions underlying the business plan may be overly optimistic. On the other hand, I believe that maintaining discipline during investment project reviews is not particularly difficult. What is crucial is to first focus on how the business has progressed from the past to the present. We need to thoroughly understand how the business has actually performed over the past five years.
Regarding the plan for the next five years, it sometimes becomes an idealized plan of what we hope will happen. However, there will inevitably be a gap between past performance and future forecasts. I believe it is crucial to have a process to verify this gap between past performance and future forecasts using various criteria, such as specific measures and customer feedbacks. If this verification is done thoroughly, I believe projects with overly optimistic business plans can be eliminated. In fact, since I became president, there have been several projects brought to the management committee which I sent back for revision based on this perspective.
Going through the process of rejecting proposals because future forecasts cannot be justified against past performance deepens the discussion and leads to more thorough deliberation. This is not difficult; by thoroughly implementing the fundamentals, I believe we can ensure we do not revert to the past, that you are concerned about.

Regarding the strengthening of the Marubeni group HR strategy, one element of GCP, trading companies are generally perceived as having advanced global HR management. While the presentation materials deliberately highlight the strengthening of the group HR strategy this time, I would like an explanation of what is currently lacking and what you are aiming for.

(Omoto)
What I most wanted to convey today is that the growth of our Strategic Platform Businesses is underpinned by a fundamental strength: our ability to appoint capable and outstanding managers to each operating company based strictly on mission-oriented and competence-based. Our fundamental approach for value creation is selecting the management talent who can deliver the most value in each specific situation, rather than sending personnel from headquarters. Saying that, you might wonder if the headquarters management team sitting here doing nothing, but that is not the case. The difference between us and the management talent involved in the businesses is that we at headquarters possess a broader perspective, one that can oversee various global domains.
Taking Helena as an example: if we asked Helena to expand into Brazil, they might not be able to allocate resources because they still have significant missions to do within the US. However, from our slightly more detached perspective, we can decide that now is the right time to enter Brazil. By having headquarters personnel with Helena's experience take the lead and implement a strategy to roll out the same model in Brazil, we enable growth across the entire Marubeni group.
I see this as one pattern. By combining two distinct roles – young employees executing winning strategies at the operational level and headquarters management propagate those strategies globally – we can achieve the three-year growth acceleration outlined in the mid-term management strategy.
To achieve this group-wide, we need to address the question of whether the managers in each business

field are truly professional. When we look at all the group companies from a broad perspective, there are still some business companies with challenges. We are currently working on this and are striving to professionalize the management team of our group companies.

We are also clarifying the roles of headquarters employees themselves. They will practice expanding winning strategies from a higher perspective than the group companies, based on a solid understanding of those companies. This is the approach we are explaining today: applying the winning strategies of the Strategic Platform Businesses to the overall human resources strategy.

<Questioner 3>

Hitachi was mentioned as a benchmark company, and with Mr. Kojima, the former president of Hitachi joined as an outside director, I would like to know if there was any advice on how to increase Marubeni's PER from an external perspective.

(Omoto)

This year, former Hitachi president, Mr. Kojima joined us as an outside director, and he has provided us with valuable advice from various high-level perspectives. Honestly, there is so much to share that it is impossible to cover everything, but first, regarding awareness of improving capital efficiency. As mentioned in my earlier response, we maintain discipline by comparing against actual results, but the key is awareness of the difference between ROIC and WACC. We must fully recognize WACC and consider how to improve it. It involves considering the entire capital structure, carefully analyzing how the changes to it would affect WACC, and exploring the capital structure that optimizes WACC. Naturally, we will pursue strategies where ROIC consistently exceeds WACC. The key advice is to be mindful of steadily increasing the ROIC-WACC spread over the long term and to explain the measures for achieving this clearly and simply. Furthermore, having this opportunity today, I myself, like Mr. Kojima, conduct IR and consistently engage in dialogue about the parameters investors use to evaluate us. Another piece of advice is that since April, whenever we meet with investors and analysts across Asia, Japan, Europe, and Australia, we should engage in conversations to understand what parameters and axes they use to evaluate us and what they consider important. This creates a way to engage in dialogue with the market, rather than just pushing our own narrative.

Looking at the cash conversion trend on page 10 of the presentation material, it appears to have declined slightly since FYE 3/2022. I would like to understand the background behind this and how you plan to improve it going forward.

(Furuya)

Regarding the cash conversion figure on page 10 of the presentation material, this number itself has declined slightly since FYE 3/2022. In short, this reflects a widening gap between the equity income from affiliates and their dividends, occurring as the denominator of actual net profit has grown substantially, this gap has multiplied to produce the reported figure. Alongside this figure, we have stated the core free cash flow. We consider this internally to be extremely important. While consistently maximizing both the underlying operating cash flow and the core operating cash flow, we aim to maximize related dividends. Furthermore, if CAPEX is utilized, we must ensure that the underlying operating cash flow is robustly increased going forward. Our company has ten divisions, and each business has its own distinct patterns. We want to thoroughly embed this as a tool for examining each individual business and determine how each can maximize its core operating cash flow.

Regarding SmartestEnergy, on page 31 of the presentation material, the bottom right shows the cost to serve, which has decreased. Could you please explain the background behind this decrease?

(Yokota)

Regarding SmartestEnergy's key to decreasing cost to serve, is to enhance operational efficiency through IT utilization. Currently, SmartestEnergy employs approximately 800 staff members. As stated, its retail sales volume stands at 9.4 TWh and is projected to double by FYE 3/2028.

Doubling sales requires significant manpower, but the goal is not simply to add more people. Instead, by using IT to streamline operations and deploy personnel efficiently, the company aims to ultimately reduce the cost to serve per MWh.

<Questioner 4>

Regarding Strategic Platform Businesses. The concept of improving existing businesses has been pursued before, and you previously used the term "organic growth." Now, to further enhance market capitalization and shareholder value, what new initiatives will you undertake in addition? I believe some aspects may build upon your existing growth strategies, but when replacing them with a new concept of Strategic Platform Businesses, I would like to know what changes will be made to accelerate value enhancement.

(Omoto)

When comparing our company to benchmark firms, ROE remains largely unchanged, but ROA is about twice as different. However, if we only extract the Strategic Platform Businesses, their ROA is comparable and at a level where we can compete. This leads to the conclusion that we should be able to significantly improve the other business groups. Therefore, our first priority is to firmly grow the core Strategic Platform Businesses through roll-ups and other strategies.

However, before focusing on scalability, we prioritize placing high value-added elements at the core of our Strategic Platform Businesses. Rather than expanding first, we firmly capture high-value-added areas and then scale them, as this approach increases value more rapidly. Therefore, we are highly conscious of the sequence. We will consistently focus on high-value-added activities and steadily grow our existing core strengths. Page 47 introduces examples of Strategic Platform Businesses that will become core going forward. The key approach is selecting high-value-added areas where scalability can be clearly envisioned, thereby enabling us to approach benchmark companies. We deliberately included the pharmaceutical sales business this time not only because it has been developed over time, but also because it is a model capable of sustaining growth while maintaining ROIC above 10%, making it an area we wish to focus on. We will apply the same perspective to other existing businesses, fundamentally pursuing either a shift towards high-value-added areas or functional enhancement. The message of Strategic Platform Businesses is that the focus on value-added has shifted to a higher level than traditional organic growth. Regarding scalability, our company possesses the capability to expand by building networks. Therefore, the key point is to firmly establish high-value-added models, such as the Helena case, and transform the entire business into a high-value-added business domain.

While scalability is one requirement for Strategic Platform Businesses, there was also an explanation of tightening investment discipline. Market movements are highly volatile globally yet caution regarding investment premiums is also rising. How do you balance the conflicting demands of prioritizing investment discipline versus capturing growth momentum and opportunities? Or can we expect the next wave of forward-looking investments in future pillars and new Strategic Platforms Businesses to be added over the next three years?

(Omoto)

Regarding the balance between discipline and growth investment, when viewed over the three-year period at GC2027 or the six-year cycle toward achieving a market capitalization exceeding ¥10 trillion by FYE 3/2031, we believe that prioritizing discipline—specifically, turning down businesses where ROIC does not exceed our WACC—rather than simply pursuing initiatives because budgets exist, will inevitably increase value over the medium to long term. While we faced challenges, including significant impairment loss in 2019 and earlier, we are keenly aware of this history and intend to maintain a balanced approach. We prefer to focus our resources on businesses with solid growth potential. We rigorously evaluate proposals from the business fields—those deemed "must-do" or "once-in-a-lifetime"—examining them from multiple angles. We absolutely avoid a "do-it-no-matter-what" mentality. Our current policy is clear: anything I personally cannot justify is eliminated.

Regarding the improvements of existing businesses, I feel there has been a tendency to seek growth through volume and scale up until now. Has this now shifted to prioritizing added value and margins?

(Omoto)

In short, we are focusing more on margin expansion. Margin expansion is more challenging than volume expansion in any business fields, but it represents the pursuit of true added value. Opportunities should also exist in our existing businesses outside of our Strategic Platform Businesses, so we have communicated internally the message that we want to rigorously pursue margin expansion.

<Questioner 5>

Regarding the divestment from stagnant businesses on page 47 of the presentation material. While I believe this policy is correct, I question how many companies would actively want to acquire non-growing or low-profitability businesses. I would like to know how you plan to thoroughly divest from these stagnant businesses.

(Omoto)

Regarding your question about whether buyers exist for non-growth businesses, as we have repeatedly stated, the assets we aim to divest from are not loss-making businesses. Rather, they are generating solid profits but slightly fall short of our criteria in terms of ROIC of 10% or high growth potential. We believe there are ample buyers interested in such assets, and we currently have no concern about finding buyers.

We have set a divestment target of ¥600 billion over three years, with ¥230 billion targeted for this fiscal year, and we intend to execute this thoroughly.

How will equity method investments or associated investments be positioned within the future organizational structure? Accumulating equity method investments complicates the business structure and raises the WACC. Furthermore, it leads to a lack of control over the businesses. On the other hand, since they are small investments, they can also yield high ROA. I believe the prevalence of equity method investments is one reason trading companies are difficult to understand. What are your thoughts on this?

(Omoto)

We are currently having extensive internal discussions regarding our policy and approach regarding the equity method. Our primary focus remains on steadily growing core operating cash flow. Except for the Strategic Platform Businesses in finance business (Wheels/Nowlake) discussed today, we generally maintain 100% ownership. This structure ensures profit growth is fully recognized in core operating cash flow, so there is a notion that this is the fundamental model. When opportunities arise, we believe acquiring majority stakes and bringing companies under our umbrella represents the ideal form of Strategic Platform Businesses. However, I believe that we should not deny related investments as a pathway to that goal, and I think related investments offer a way to build exposure gradually while minimizing risk. Furthermore, certain business models, like natural resource development, require significant capital and cannot be structured as subsidiaries. We will carefully evaluate related investments on a case-by-case basis.

The crucial point is whether associated investments offer solid optionality. I personally believe that we should evaluate them with this mindset, for non-resource businesses, whether we see a path to eventually making them subsidiaries or not. For natural resources, I think maintaining them as associated investments is acceptable. They still offer upside optionality, so I believe they can be evaluated as fundamental value creation even as associated investments.

For investments where we can see upside options over a longer time frame, we will continue pursuing this approach as one viable form. However, since subsidiary-based Strategic Platform Businesses form our core strategy, we would like to focus on that model as much as possible.

Regarding Marubeni Power Retail Corporation, to maintain its position as the fourth-largest Power Producer and Supplier going forward, securing power sources is crucial. How do you plan to maintain this? Will you rely not only on bilateral wholesale power and JEPX (Japan Electric Power Exchange), but also utilize national programs like the Long Term Decarbonization Auction to secure fixed-price power for longer periods? Please share your thoughts on this.

(Yokota)

As you pointed out, securing power sources is the biggest challenge. As it involves our business strategy, I cannot go into too much details but there are broadly two approaches. The first is to purchase

electricity directly from the many third parties developing solar, onshore wind, and other renewable energy sources, and then sell that electricity.
The second approach involves working with those who are switching renewable energy sources from Feed-in Tariff (FIT) to Feed-in Premium (FIP), where Marubeni Power Retail procures from them, adds value effectively, and sell it to end-user customer. While various options exist, our policy is to secure power sources through such methods.

<Questioner 6>

Regarding the 15% ROE commitment outlined in the current mid-term management plan. We believe achieving this target is possible if the growth of the Strategic Platform Businesses remains steady, as explained. However, if profit growth does not progress as anticipated due to market conditions or other factors, how would you respond from a capital control perspective? As indicated in the cash allocation on page 7 of the presentation materials, the plan anticipates surplus free cash flow, and we understand the policy is not to significantly increase leverage. Considering this point as well, please explain your approach to achieving the 15% ROE target through capital control.

(Omoto)
First, as our fundamental strategy, we will pursue achieving 10% ROIC in non-resource sectors by FYE 3/2031. If we can successfully realize this, I believe that ROE will naturally improve, and we will strive to achieve the 15% ROE.
Regarding capital allocation, we currently anticipate free cash flow of ¥200 billion. While we have not yet decided on specific uses for this amount, we plan to consider various options flexibly. We have established this ¥200 billion as a potential pool. Depending on the overall situation, we may also consider further shareholder returns if necessary.

Regarding the agri-inputs retail business. I understand that operations are currently being developed in Brazil utilizing Helena's expertise. How do you assess the potential of Adubos Real? I understand that its current profit scale is less than one-tenth of Helena's. What level of growth potential do you anticipate going forward? Additionally, regarding the current progress of these initiatives, how far along do you consider them to be? Please provide an explanation on these points as well.

(Takechi)
Brazil and the United States are both recognized as major agricultural countries. Our company began operations in Brazil in 2019. As shown on the map, the areas we currently cover are expanding gradually from the initially acquired company into surrounding regions. In the short term, we aim to at least double our current sales by FYE 3/2031. Regarding your question about our progress, while it's somewhat subjective, we feel we are still around the 20% mark. Our immediate focus is advancing roll-ups in surrounding areas, followed by expansion into the midwest region.

I understand that ROIC is set for each business. Regarding WACC, is it also set for each business relative to ROIC as an investment benchmark and managed accordingly? Additionally, you mentioned that "investments where ROIC does not exceed WACC are not pursued." How is the time-value element, such as IRR, incorporated into this approach? I would appreciate an explanation on this point.

(Furuya)
We continuously monitor the WACC for each business domain or individual business. Based on this, we work at the business and segment level to achieve the company-wide ROIC target of 10%. For businesses that have already met this target, we aim for even higher levels.
Regarding investment criteria, we base IRR decisions on market expected returns such as WACC and the cost of equity, while also considering the time horizon. We are adopting a policy of discussing ROIC on a per-business basis. Depending on the project, some achieve this immediately after investment, while others reach it after three or five years. We do not set uniform standards, but for items linked to the company's KPIs, we align them as much as possible at the departmental or individual project level.

If WACC is set for each business unit, does that mean investments are approved even with low ROIC for businesses with a low WACC?

(Omoto)
We are incorporating a new approach in our pursuit of added value. In the market, there is also the view that if the beta is low for each business segment, the WACC will also be low, leading to capital flowing in. However, our company maintains a uniform benchmark of 10% ROIC. We believe that concentrating on Strategic Platform Businesses and transforming the entire company into strategic platforms means firmly shifting to business models that exceed this benchmark. While businesses with low WACC and low ROIC might be textbook examples of good investments, our current approach is not to admit them.

<Questioner 7>

I would like to understand what pursuit of the GCP indicates. While I grasp that "beyond the boundaries of a Sogo Shosha" means benchmarking against the world's leading companies, trading companies also engage in trade. Consequently, their ROA levels can never match those of the world's leading companies. Yet, trade is also the very identity of a trading company, making it impossible to simply abandon it. I would appreciate if you could explain again what "beyond the boundaries" means.

(Omoto)
Earlier, I explained ROA comparisons in the context of benchmarking against world's leading companies. The ROA of the six businesses introduced as Strategic Platform Businesses is on par with that of the leading companies. Therefore, we aim to increase the proportion of investment in Strategic Platform Businesses relative to the total invested capital. Furthermore, Marubeni believes it has thrived by comprehensively surveying the global landscape and providing customers with superior offerings. This philosophy is embodied in the company name itself. We apply the same principle to management: rather than merely ranking within sectors, we benchmark ourselves against the world's best practices for value creation. Where gaps exist, we will thoroughly incorporate those best practices to enhance our own value creation. Regarding methods for value enhancement, compared to private equity firms or Danaher, their approaches to sales growth, cost reduction, and governance are patterned for applicability across any domain. While we practice this to some extent, we want to thoroughly articulate and incorporate the methods of these outstanding companies – such as whether we achieve their level of precision – to enhance the quality of our Strategic Platform Businesses and improve ROA. We have little concern about the gradual decline in profit contribution from the trading business.

It has been about half a year since the announcement of the Mid-Term Management Strategy, and I assume insights gained during this period have been incorporated into the presentation material for this IR Day. If the President personally has any insights, reflections, or thoughts regarding the period following the Mid-Term Management Strategy announcement, we would appreciate hearing them. From an external perspective, evaluating the Mid-Term Management Strategy is difficult without concrete results. We fully understand that certain aspects are hard to see from the outside, but at the Q1 earnings stage, the results of investments are not yet visible. We would like to receive a message from the President regarding the timeframe within which we can confirm this through actual figures.

(Omoto)
As I mentioned earlier, I have visited approximately 75 companies both domestically and internationally, and I feel our company has become significantly more robust. Regarding whether there are any projects requiring the use of the ¥30 billion buffer set for this fiscal year, none comes to mind at this point. I view this as a positive finding over the past half a year.
You are correct that we must demonstrate our track record. We can only build it step by step. We will increase the resolution each quarter and provide thorough explanations, including dialogue, regarding each achievement and what we can accomplish and to what extent.

<Questioner 8>

Regarding the Strategic Platform Businesses, how many projects with growth domain, high added value, and scalability have been accumulated in each business segment?

(Omoto)
Regarding the pipeline of the Strategic Platform Businesses, we have stated that we will allocate ¥400

billion out of the ¥570 billion in new investments this fiscal year, which includes ¥1.2 trillion in CAPEX over three years. We believe the pipeline, including current projects, is steadily building up toward this fiscal year's target of ¥400 billion.

I understand that there are changes in the external environment as well as changes within your company. I would like to know how you adjust to these changes and what processes and mechanisms you have in place.

(Omoto)
Regarding how we will respond to change, we provided separate explanations today under the human resource section concerning the implementation and execution of winning strategies. Fundamentally, we aim to establish excellent management teams at each group company's business front lines, along with systems that autonomously support them and solid governance.
The most important thing is to create a structure that senses change at the business front lines and respond to it in an agile manner. We have established a system where signals originate from the business front lines and are managed by the headquarters' control functions, and we intend to continue strengthening this.

When moving beyond segments—essentially shifting from vertical integration to horizontal integration—I would like to know what kind of people, processes, and organizations are involved in creating that horizontal integration.

(Omoto)
As mentioned in today's presentation, we have established Growth Investment Management Department within each division. Through these departments, knowledge transfer and insight sharing are progressing very smoothly. Therefore, we consider this function-focused organizational structure to be extremely important. Regarding value enhancement, we also have a specialized PMI organization within the corporate staff groups. There is still room for improvement in how we organize these functions and extend them to new group companies. We will continue to strengthen our organization and development of functions.

How do you systematically manage the PDCA cycle of what you have created? I do not think it is something the president can do alone, so how do you do it systematically and how do you check it?

(Omoto)
We have a system in place for investment monitoring and provide thorough follow-up after investments are made. Our monitoring is so rigorous that our staff often remark on its heavy emphasis.

There will surely be companies and personnel involved in businesses that lack growth domains, high added value, and scalability. How are you boosting the motivation of these people and companies?

(Omoto)
The Strategic Platform Business we introduced today did not emerge suddenly; it is a model built by continuously innovating and improving our long-standing operations. Internally, I tell employees working on businesses outside the Strategic Platform Businesses to clearly identify the core elements within our existing operations and thoroughly consider how they can be transformed. Even within mature areas, looking at the micro level reveals growth opportunities—there is growth within maturity. We believe that businesses become sustainable not by resting comfortably in existing mature areas, but by proactively seeking out and transforming new growth areas. We communicate this vision internally, valuing this transformation process to a certain degree, but we also recognize the importance of maintaining discipline, and for businesses that are inevitably difficult, we pursue divestment.