

From energy to AI: Mitsubishi Corporation is charting a new path

How one of Japan's major investment and trading companies is changing its business model to meet the evolving needs of global industries.

As global economies continue to transform due to various drivers including climate change, the AI revolution, digital and energy transformation, geopolitical issues and others, companies are redefining their strategies to remain competitive. Climate, conflict and technology are just some of the forces reshaping our world, and it's clear that multinational enterprises must be dynamic to survive.

Japan has struggled to change. Despite its legacy as a tech leader, its economy has grappled with demographic decline and low productivity. The Japanese economy has already slipped from third to fourth-largest in the world, and is set to fall to the fifth spot in 2025, according to the International Monetary Fund.¹ Far outpaced by rivals in the US and China, Japanese businesses' slow growth has often been attributed to a reluctance to rejuvenate and consolidate.

Against this backdrop, one of the oldest companies in modern Japan continues to thrive. **Mitsubishi Corporation (MC)** is a leading investment and trading company, or *sogo shosha*, with a long history of successfully pivoting business models to meet new challenges. MC was founded 70 years ago, but has its roots in the Mitsubishi Group established by industrialist Yataro Iwasaki in 1870.² That was a time when Japan was rapidly changing from a feudal society ruled by samurai into a modern nation-state. Given Japan's geographical location, language and other barriers, the forerunners of *sogo shosha* emerged as intermediaries that accelerated trade and economic modernisation.

Growth and transformation

MC's first major investment in a large liquefied natural gas (LNG) project in Brunei in 1968³ demonstrated its ability to manage large-scale, long-term projects involving multiple stakeholders. The company acted as an intermediary, facilitating trade, logistics and financing for a variety of industries. Decades later, the majority of MC's operations consist of a diverse portfolio of high-quality assets across the globe.

This shift began in response to changes in the global economy and the diminishing profitability of the traditional trading business. Recognising the need for a more dynamic strategy, around the year 2000, MC pivoted to a business model centred on value creation through active management and investment in key growth sectors. This change involved leveraging MC's deep industry expertise, extensive global network and financial strength to move beyond transactional activities towards operational involvement in its investments.

MC's main business areas now include mineral resources, LNG, automotive and food. The company has unique advantages in each segment. It is one of the largest Japanese investors in copper, a key raw material used for global electrification and decarbonisation. With five copper mines in South America, MC has 330,000 tons per year of equity production volume of copper and is aiming to increase this capacity in the future. Supporting demand for LNG as a transition fuel, MC currently has a production capacity of 13 MTPA, with plans to grow this to 18 MTPA by 2030. MC also has a significant share of pickup trucks in Thailand, and its Isuzu business division has operations in ASEAN, Australia, Europe, India and Mexico. In the food industry, MC is one of the world's largest producers of farmed salmon, a key advantage as consumers become more health-conscious.⁴

MC's transformation also included becoming more hands-on. It has eschewed passive investments, and instead takes an active role in governance, strategy development and

operational improvement for its portfolio companies. This allows it to increase the value of its investment portfolio by growing revenue and driving synergies across its businesses in multiple industries. With a market capitalisation of \$66.2bn, consolidated net income of \$6.4bn in FY2023 and a return on equity of 11.3%, it is one of Japan's leading *sogo shoshas*.

Value-Added Cyclical Growth Model

At the core of these operations is MC's Value-Added Cyclical Growth Model, introduced in 2018. Under the model, MC carefully selects quality investments and replaces assets at the optimal time, identifying new seeds of growth, fostering these businesses as growth drivers and ultimately core businesses, and then divesting them to reallocate capital and resources. The model lets MC take a disciplined approach to capital allocation that delivers steady returns to shareholders. In the long run, it ensures the company's longevity and resilience, while focusing on the possibilities of the future.

MC is deploying the Value-Added Cyclical Growth Model in its development of essential mineral resources. For instance, in 2024 MC divested two out of seven of its steelmaking coal mines in its Australian BMA operation, which it jointly owns with BHP, to focus on providing high-quality steelmaking coal. MC's proceeds from the divestment will be reinvested into other areas of future growth, including critical minerals such as copper and battery minerals, as well as secondary resources that can push the circular economy forward.⁵

Also as part of the value-added cyclical model, in 2022 MC identified about 80 of its businesses as low-performing,

and announced a divestment plan to be executed over the next three years. As of September 2024, the company says it's tracking to plan and approximately 60 out of these 80 companies have been divested.

Creating long-term sustainable value

MC invests in businesses to address social challenges like climate change and to create shared value for its stakeholders. This, in turn, strengthens the investments and becomes a source of further social, economic and environmental value. "To help find solutions to today's increasingly complex societal issues, we need to create long-term sustainable value and apply MC's unique strengths across multiple existing business areas," says Katsuya Nakanishi, representative director, president and CEO of MC.⁶ "We see this as a driver to enhance corporate value over the medium to long term."

With its commitment to cyclical rejuvenation, shareholder value and sustainability, MC continues to reinvent itself—proof that *sogo shosha* can be leaders in next-generation value creation.

 Mitsubishi Corporation

¹ <https://asia.nikkei.com/Economy/India-to-surpass-Japan-as-4th-largest-economy-in-2025-IMF-says>

² <https://www.mitsubishi.com/en/profile/>

³ <https://www.mitsubishicorp.com/jp/en/about/history/>

⁴ <https://www.fishfarmermagazine.com/2024/05/31/salmon-industry-report-predicts-high-demand-slow-growth/>

⁵ <https://www.mitsubishicorp.com/jp/en/news/release/2024/0000053453.html>

⁶ <https://www.mitsubishicorp.com/jp/en/ir/integrated-report/pdf/portal/all.pdf>