

# Mitsui's Value Creation Process

As a company that creates and cultivates new businesses on its own initiative, Mitsui has developed a wide range of businesses throughout the value chain and across various industries around the world, thereby providing solutions to industrial issues. The comprehensive strengths that the Mitsui Group possesses represent its competitive edge and its most unique feature. By leveraging these strengths and our unrivaled business partner and customer networks, we are actively working to develop new businesses and taking on the challenge of creating new value.

## 1

### Capitals P.10

#### Human Capital

- **Mitsui's diverse pool of talented professionals** who take the initiative to create new businesses by leveraging our comprehensive strengths and unrivaled business partner and customer networks

#### Organizational Capital

- **Comprehensive Group strengths** that represent our competitive edge and most unique feature

#### Relational Capital

- Solid **networks** with customers, suppliers, major global businesses, local industrial capital, regional governments, and local communities

#### Financial Capital

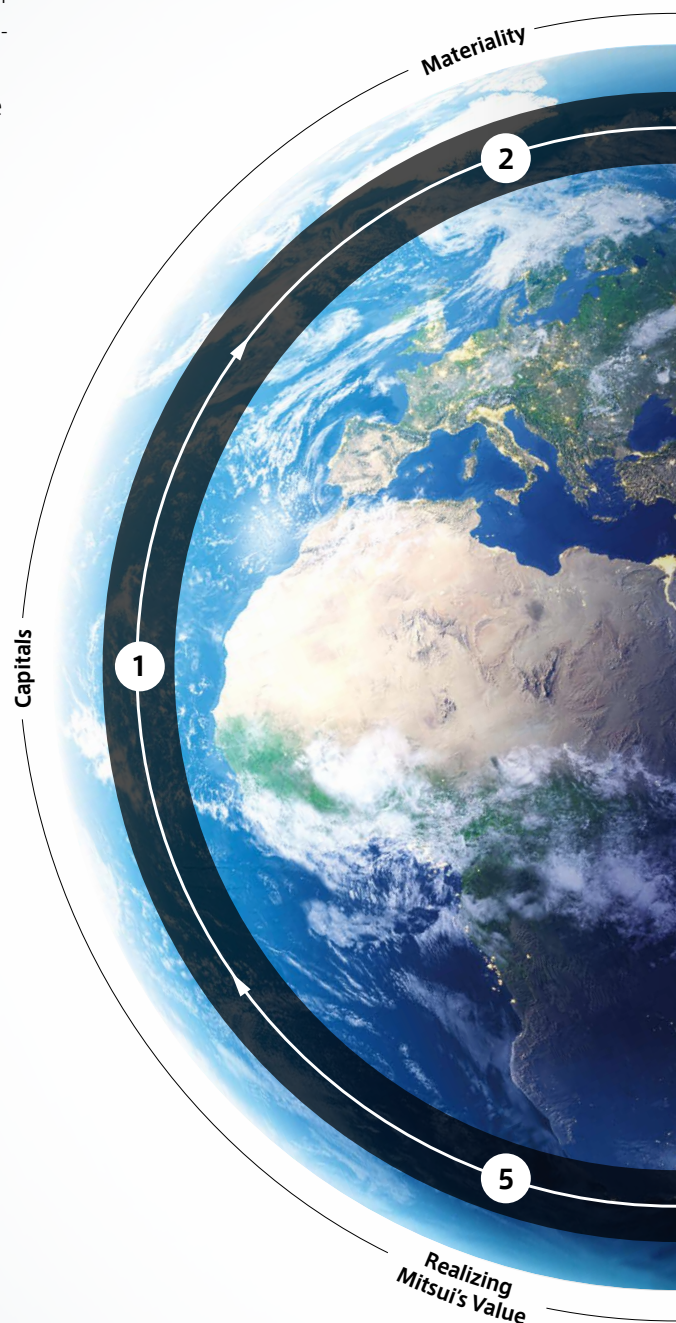
- **Financial foundation** with scale and stability

#### Natural Capital

- Abundant reserves of minerals and energy resources, including iron ore, copper, crude oil, and gas
- Air, water, soil, and forests

#### Manufactured Capital

- Established infrastructure such as buildings, including office buildings, railways, ports, and power stations





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## Materiality P.11

The origin of Mitsui's value creation lies in its approach of identifying the issues society faces and working to create new ideas and pursue business and industrial innovation to resolve such issues. To raise awareness of social issues in its frontline operations, Mitsui has identified Five Material Issues.

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## Strategic Focus P.12-13

### New Medium-term Management Plan

The key initiatives in the New Medium-term Management Plan are as follows:

- Build robust profit base and thoroughly strengthen existing businesses
- Establish selected new growth areas
- Cash flow focused management; Strengthen financial base
- Enhance Governance, Personnel and Innovation functions

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## Portfolio Management P.14

### Practicing Disciplined Portfolio Management

Striving to improve business quality and ensure returns, Mitsui applies its refined risk management capabilities to all stages of business, beginning with selecting investment candidates and continuing on through the process of making investment decisions, starting up projects, and strategically recycling assets. In addition, the Company aims to strengthen its business portfolio, balance cash flow allocation, and improve capital efficiency by practicing disciplined investment and flexible asset replacement.

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## Realizing Mitsui's Value P.15

Through steps one through four of the value creation process, we are expanding into new business domains in a wide range of industries and throughout the value chain, including global trading, resource development, the establishment of infrastructure, manufacturing and processing, logistics, retail, and services. In doing so, we are creating and developing businesses on our own initiative and generating new value. We accumulate the added value we create as management capital and leverage that capital to invest in the process of further value creation.



## Capitals

Through global development of all kinds of businesses across a wide variety of industries and value chains, Mitsui has realized unique industrial solutions and value creation. Mitsui is working to enhance its capital through active business creation and investing that capital to create new value. Through the repetition of this process, Mitsui is realizing sustainable growth together with society as a whole.

### Human Capital

#### Diverse, Talented Professionals

(As of the end of March, 2017)

**42,316** (consolidated)

**5,971** (non-consolidated)

#### EXPERTISE

Product and industrial expertise, regional expertise, business development expertise, frontline management expertise, and flexibility to be active on a global stage

 Please see page 50 for details on Mitsui's human resources.

### Relational Capital

#### Global Network

(As of the end of June, 2017)

Total Number of Offices

**139**

(Japan: 12, Overseas: 127)

Geographical Scope of Activities

**66** Countries and Regions

#### PARTNERSHIP

Clients, suppliers, major global companies, local governments, and local communities

### Organizational Capital

#### Comprehensive Strengths

(As of the end of March, 2017)

Subsidiaries and Associated Companies

**469**

Headquarter Business Units<sup>\*1</sup>

**16**

Overseas Regional Business Units

**3**

(Americas, Europe, the Middle East and Africa, and Asia Pacific)

Business Supporting Units

**11**

Corporate Units

**18**

### Financial Capital

#### Financial Base

(As of the end of March, 2017)

Assets


**¥11.5** trillion

Shareholders' Equity <sup>\*2</sup>

**¥3.7** trillion

Net DER

**0.88** times

 Please see page 74 for Mitsui's "10-year financial data".

<sup>\*1</sup> As of April 1, 2017

<sup>\*2</sup> Total Equity Attributable to Owners of the Parent



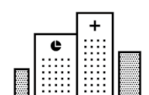






# Materiality

The Five Material Issues provide us with guiding principles to accurately assess society's needs and expectations of Mitsui and fulfill our social responsibility as a provider of industrial solutions for the creation of a sustainable society. At the same time, the Materiality issues themselves will change periodically in line with the constantly changing times. As such, these Material issues help heighten our level of sensitivity toward frontline operations and encourage dialogue with our stakeholders. In doing so, the Materiality issues embody our corporate slogan of "360° business innovation.", and lead us to value creation.

*Please refer to Sustainability Report 2017 for more information.*

	Recognition of societal issues	Main risks and opportunities
<b>Protection of the Global Environment</b> 	<ul style="list-style-type: none"> <li>• Global warming, climate change</li> <li>• Loss of biodiversity</li> <li>• Energy and water shortage</li> <li>• Environmental pollution</li> </ul>	<p><b>Risks</b> Negative impact on business activities brought about by climate change and resource constraints, such as water shortage and higher environmental costs resulting from ecosystem destruction, degradation, etc., as a consequence of business activities.</p> <p><b>Opportunities</b> Expansion of environment-related markets due to increased environmental awareness and the tightening of regulations, and expansion of business domains as a result of energy diversification.</p>
<b>Respect for Human Rights</b> 	<ul style="list-style-type: none"> <li>• Greater responsibility for human rights in the supply chain (labor practices, impact on local residents, etc.)</li> <li>• Consideration for indigenous people in conjunction with resources development</li> <li>• Illicit use of personal information that may be obtained via the increasingly widespread use of Internet and digital communications technology</li> </ul>	<p><b>Risks</b> Disputes or protests concerning human rights issues in every spectrum of business that could hinder the start-up or continuation of business, and leakage of information held by the company that could be used to identify individuals</p> <p><b>Opportunities</b> Strengthening of the ability to ensure stable supply through consideration for human rights across all supply chains.</p>
<b>Enhancement of Local Industrial Bases &amp; Quality of Life</b> 	<ul style="list-style-type: none"> <li>• Ageing infrastructure in developed nations</li> <li>• Infrastructure development in emerging countries</li> <li>• Food safety and reliability</li> <li>• Maintenance of health, securing of medical, nursing-care, and welfare services</li> </ul>	<p><b>Risks</b> Loss of credibility due to safety or health problems affecting infrastructure users or final consumers of products and services.</p> <p><b>Opportunities</b> Expansion of markets through infrastructure development, measures to ensure food safety, and "healthcare ecosystem" development aimed at enhancing the quality of life in emerging countries, etc., and creation of markets by promoting ICT-based business to build urban social infrastructure in response to the move toward developing smart cities.</p>
<b>Stable Supply of Resources &amp; Materials</b> 	<ul style="list-style-type: none"> <li>• Population increase and expansion of demand for resources and materials</li> <li>• Expanded responsibility for environmental and social aspects in supply chains</li> </ul>	<p><b>Risks</b> Suspension of business operations and instability in the supply of energy and food resources because of climate change and population growth.</p> <p><b>Opportunities</b> Sustainable resources development and food supply, reinforced competitiveness through consideration for the environment, labor and social aspects, and measures to ensure traceability across entire supply chains.</p>
<b>Corporate Governance &amp; Human Resources</b> 	<ul style="list-style-type: none"> <li>• Malfunctioning of corporate governance and internal controls</li> <li>• Stagnation in productivity due to cookie-cutter working styles</li> <li>• Diversification and globalization of human resources</li> </ul>	<p><b>Risks</b> Impact due to lack of appropriate decision making from a broad perspective, corruption in business of high public significance in emerging countries and other markets, and suspension of business operations due to information security problems.</p> <p><b>Opportunities</b> Contributions to labor productivity improvement via innovation in working styles, promotion of fair and equitable treatment and meaningful human resources training, enhancement of individual competitiveness through promotion of diversity management, and creation of new business opportunities focusing on the solution of societal issues through heightened employee sustainability awareness.</p>



## Strategic Focus

### New Medium-term Management Plan

Driving Value Creation, our new three-year medium-term management plan, concludes in the fiscal year ending March 31, 2020. To realize the quantitative targets adopted in this plan, we are making concerted efforts to create a solid earnings base, thoroughly reinforce existing businesses, establish new growth fields, and advance Cash Flow Focused Management. In addition, we are working to reinforce our management foundation, which will help support all of these endeavors.

### New Medium-term Management Plan

#### External Environment

- Following the end of the global resources super-cycle, a worldwide shift away from an overreliance on volume expansion to a focus on the pursuit of growth in quality
- Continued changes at a rapid pace, with shifts such as the move away from a system of global rules led by the U.S. and Europe toward a world in which each region considers what is optimal for them

#### Mitsui's Focus

Mitsui's number one priority has been to establish a profit base resilient to change and risk. Rather than accumulating a broad range of risk assets, we are identifying growth areas where we have strengths and allocating our limited management resources accordingly. We are also promoting the reinforcement of a business foundation that helps us pursue these endeavors.

Growing a stronger  
and more stable base

Dynamic allocation  
of resources

Strengthening  
our management  
foundation

#### Quantitative Targets

##### Profit for the year\*1

**¥440bn**

(Year to March 2020)

¥306.1bn

(Year to March 2017)

##### Core operating cash flow\*2

**¥630bn**

(Year to March 2020)

¥494.8bn

(Year to March 2017)

##### ROE

**10%**

(Year to March 2020)

8.6%

(Year to March 2017)

\*1. Profit for the year attributable to owners of the parent

\*2. [Operating cash flow] – [Cash flow from increase / decrease in working capital]

## Key Initiatives

### 1 Strengthen existing businesses, build robust profit base P.22-31

The three core areas of our new medium-term management plan are Resources & Energy, Machinery & Infrastructure, and Chemicals. These areas represent our overwhelmingly dominant core businesses, and we expect to generate 90% of our entire core operating cash flow within these three areas during the period of the new plan.

We will continue to accumulate assets in these areas of strength through bolt-on acquisitions, thereby making our core businesses even more robust.

Resources & Energy	Machinery & Infrastructure	Chemicals
<ul style="list-style-type: none"> <li>• Iron Ore</li> <li>• Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>• Power generation</li> <li>• Marine energy</li> <li>• Gas distribution</li> <li>• Automobiles</li> <li>• Shipping</li> <li>• Railroads</li> </ul>	<ul style="list-style-type: none"> <li>• Feed additives/Agricultural chemicals</li> <li>• Functional materials</li> <li>• Tank terminals</li> <li>• Chemical products manufacture and trading</li> </ul>

In addition, we will thoroughly strengthen and improve the value of existing businesses through the following initiatives.

- Realize latent value (raise value through operational improvement, business revitalization, and industry reorganization)
- Pursue business entry and exit coordinated with business cycle
- Reinforce trading by upgrading our selling power and value add



Create a solid earnings base and thoroughly reinforce existing businesses

### 2 Establish selected new growth areas P.32-41

It is important for companies to continuously create value by leveraging their capabilities to find solutions to social issues and then sharing that value with their stakeholders so that both corporations and society are able to grow together. We are paying close attention to medium-term changes in the external environment and have established four growth areas in which we can excel. Going forward, we will aggressively allocate business resources to these areas.


Mobility	Healthcare	Nutrition & Agriculture	Retail & Services
Multifaceted approach to Materials and Mobility & Transportation services based on changing social needs in the environmental society	Build healthcare ecosystem around medical services businesses	Raise productivity, provide stable supplies in agriculture/livestock/fisheries, enhance added value of foods	Foster next generation digital/logistics/financial functions to meet consumer needs

The expanding middle class of Asia and growing North American economy are core targets



Establish Mitsui's next profit pillars

### 3 Stronger focus on cash flow management; Strengthen financial base

 P.18-22 "CFO Message"

### 4 Enhance Governance, Personnel and Innovation functions

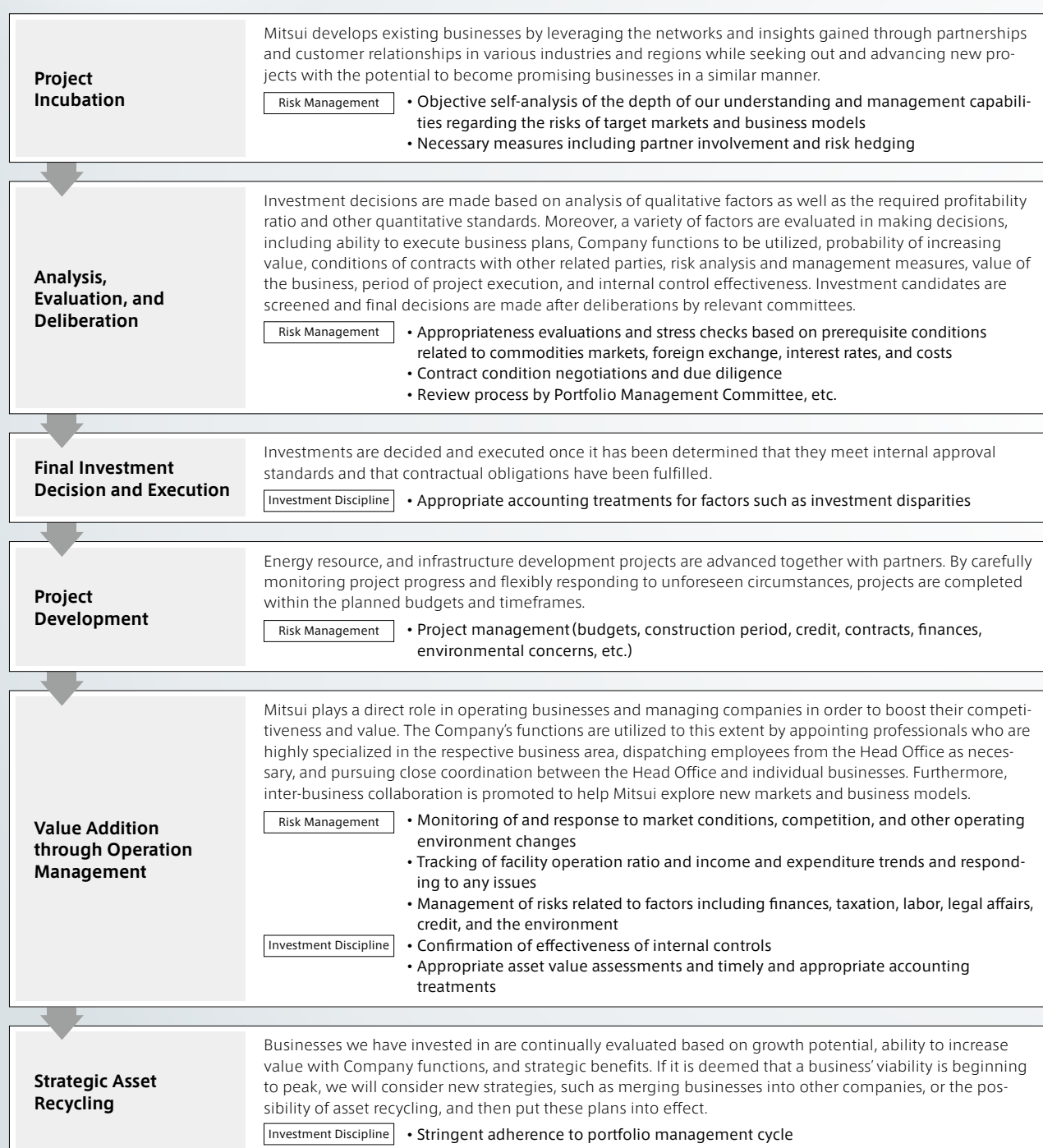
 P.42-45 "Strengthen Business Base: Corporate Officers Panel Discussion"



# Portfolio Management

## Practicing disciplined portfolio management

Striving to improve business quality and ensure returns, Mitsui applies its refined risk management capabilities to all stages of business, beginning with selecting investment candidates and continuing on through the process of making investment decisions, starting up projects, and strategically recycling assets. In addition, the Company aims to strengthen its business portfolio, balance cash flow allocation, and improve capital efficiency by practicing disciplined investment and flexible asset replacement.





# Realizing Mitsui's Value

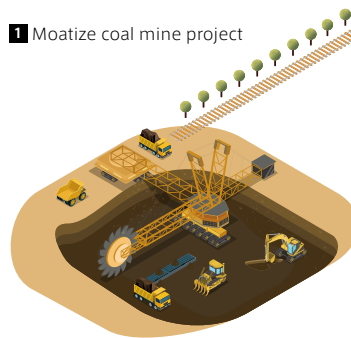
We are expanding into new business domains in a wide range of industries and throughout the value chain, including global trading, resource development, the establishment of infrastructure, manufacturing and processing, logistics, retail, and services. In doing so, we are creating and developing businesses on our own initiative and generating new value. We accumulate the added value we create as management capital and leverage that capital to invest in the process of further value creation.

## CASE 1

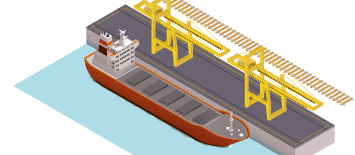
### Contributing to nation building by developing resources and establishing infrastructure in multiple businesses

Leveraging the solid trust-based relationships we have with local governments and major global companies, we have cultivated a competitive edge in resource development over many years. By combining this competitive edge with the experience and knowledge we have gained in the infrastructure domain, we are contributing to the economic development of countries around the world in such ways as promoting industry, establishing infrastructure, and creating jobs.

#### 1 Moatize coal mine project



#### 2 Establishment of railways in the Nacala Corridor



#### 2 Construction of terminals at the Port of Nacala



#### 1 Resource development

Vast reserves and superior price competitiveness



#### 2 Rail and port infrastructure

Model for stable earnings, potential for expansion

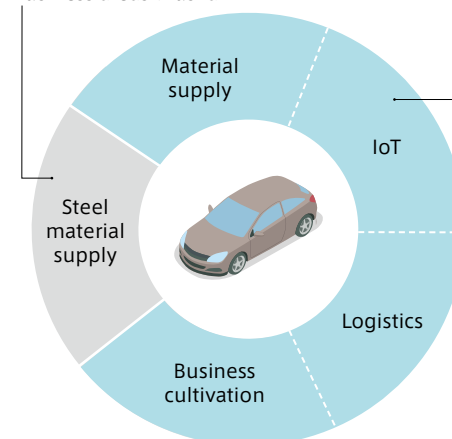
Establishing new profit pillars and contributing to nation building

## CASE 2

### Business diversification together with our business partners

Going beyond the supply of materials, Mitsui will provide assistance to Gestamp by proposing new materials, promoting a shift to smart factories that leverage IT, expanding sales to Japanese automobile manufacturers, and helping to continue to improve efficiency in the distribution of materials and components. In addition to contributing to improvement in Gestamp's corporate value, these efforts will help Mitsui expand its ancillary equipment business.

Business areas thus far



Pursuing new materials and components businesses



Helping grow sales to Japanese companies

Expanding transactions with companies in Europe and the Americas