



Acquisition of Additional Shares of IHH Healthcare Berhad (“IHH”), Asia’s Largest Private Hospital Group

November 29, 2018
Mitsui & Co.

Thank you for taking the time from your busy schedules to participate in today’s meeting. My name is Koji Nagatomi, and I am the Chief Operating Officer of Mitsui & Co.’s Healthcare & Service Business Unit.

In the Medium-term Management Plan announced in May 2017, in line with our recognition of medium-term issues in the external environment and society, Mitsui & Co. identified healthcare as a growth area in which it has significant strengths. We are working to build this area into a new pillar of our earnings through business development driven by dynamic resource allocation and value creation.

We have decided to acquire additional shares in IHH Healthcare, one of Asia’s biggest listed private hospital group, and to become the largest shareholder of this company.

Since our initial investment in 2011, we have supported the growth of IHH. As the largest shareholder, we will continue to support IHH’s management, and with the hospital business at its core, we aim to build and expand our participation in Asia’s largest healthcare ecosystem, through strengthening our hospital business foothold and introducing advanced business models in the healthcare domain in developed countries.

I will now begin my presentation.

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This slide lists the six points that I will talk about today.
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1. Project Overview

Mitsui & Co. to acquire additional shares of IHH through negotiated transaction with Khazanah Nasional Berhad, IHH's current largest shareholder (42.1%).

Newly acquired shares	16% (32.9% combined with the currently held shares)
Purchase amount	Approximately ¥230 billion
Investment execution date	March 2019 (scheduled*)

< Vision and Aim >

- Build and expand participation in the largest healthcare ecosystem in Asia
- Contribute to the further development of healthcare services in Asia from the viewpoints of improving "access, quality, and efficiency".

~~*Based on the enlarged share capital of IHH after completion of the issuance of new shares in IHH to Mehmet Ali Aydinlar, Hatice Seher Aydinlar and/or its nominee and Pulau Memutik Ventures Sdn Bhd, in its capacity as the nominee of Bagan Lalang Ventures Sdn Bhd. Mitsui's acquisition has not completed and is subject to and conditional upon regulatory requirements in India and the completion of above issuance of new shares. (Issuance of new shares due to share exchange completed on November 30)~~



I will begin by the project overview.

We will acquire 16% of the 42.1% shareholding held by Malaysian sovereign fund Khazanah Nasional, which is currently the biggest shareholder in IHH.

Together with our existing shareholding of 16.9%, this acquisition will bring Mitsui & Co.'s total shareholding to 32.9%.

We plan to carry out this investment, which will amount to approximately ¥230 billion, within the current fiscal year.

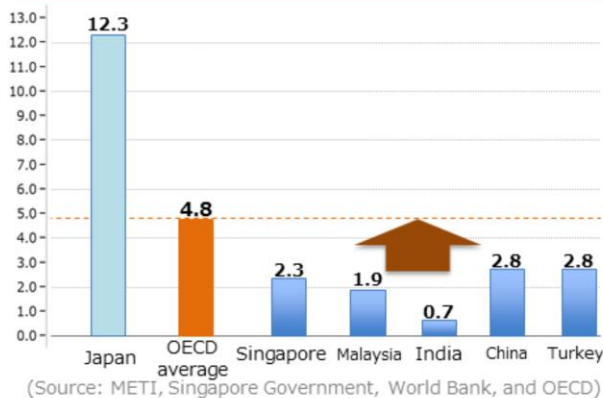
Having become the leading shareholder as a result of this additional investment, Mitsui & Co. will further support the management of IHH. We will build and expand our participation in the healthcare ecosystem centered in Asia with IHH at its core, thereby contributing to the further development of healthcare in emerging Asian countries from the viewpoints of "access, quality, and efficiency".

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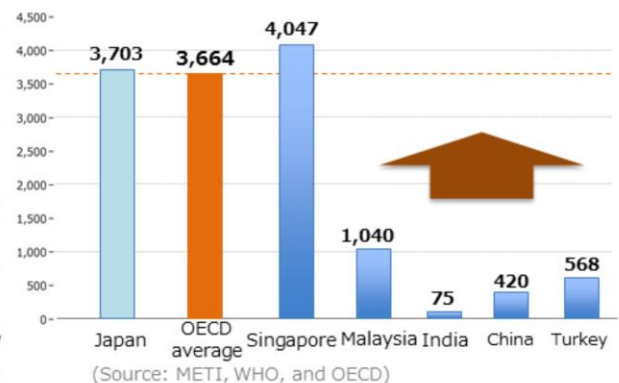
2. Recognition of Healthcare Market in Asia and Mitsui & Co.'s Initiatives ⁴

- The current healthcare market in Asia:
 - ✓ Anticipates a market growth of 10% every year as a result of population increase and aging society
 - ✓ Severely lacks hospitals (beds), creating a huge gap in supply and demand
 - ✓ Urgently needs sophistication of medical care and improvement of quality to respond to the changing disease structure

The number of beds per 1,000 people



Annual medical expense per capita (USD)



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I will next outline our recognition of the healthcare market in Asia, and Mitsui & Co.'s initiatives there.

Asia is home to the majority of the world's population, and that situation is likely to continue as a result of continuous population growth.

Moreover, we anticipate growth of over 10% in the healthcare market and health expenditure in most Asian countries owing to rapid economic growth and demographic aging. However, compared with developed countries and the OECD average, emerging Asian countries are faced with an absolute shortage of hospital beds per capita, which represents significant quantitative shortages in Asian healthcare markets.

In addition, we are seeing major changes in disease structure due to lifestyle changes, and cancer, diabetes, and circulatory and respiratory organ diseases have overtaken infectious diseases to account for over 70% of deaths. There is an urgent need for the sophistication and qualitative improvement of healthcare.

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2. Recognition of Healthcare Market in Asia and Mitsui & Co.'s Initiatives

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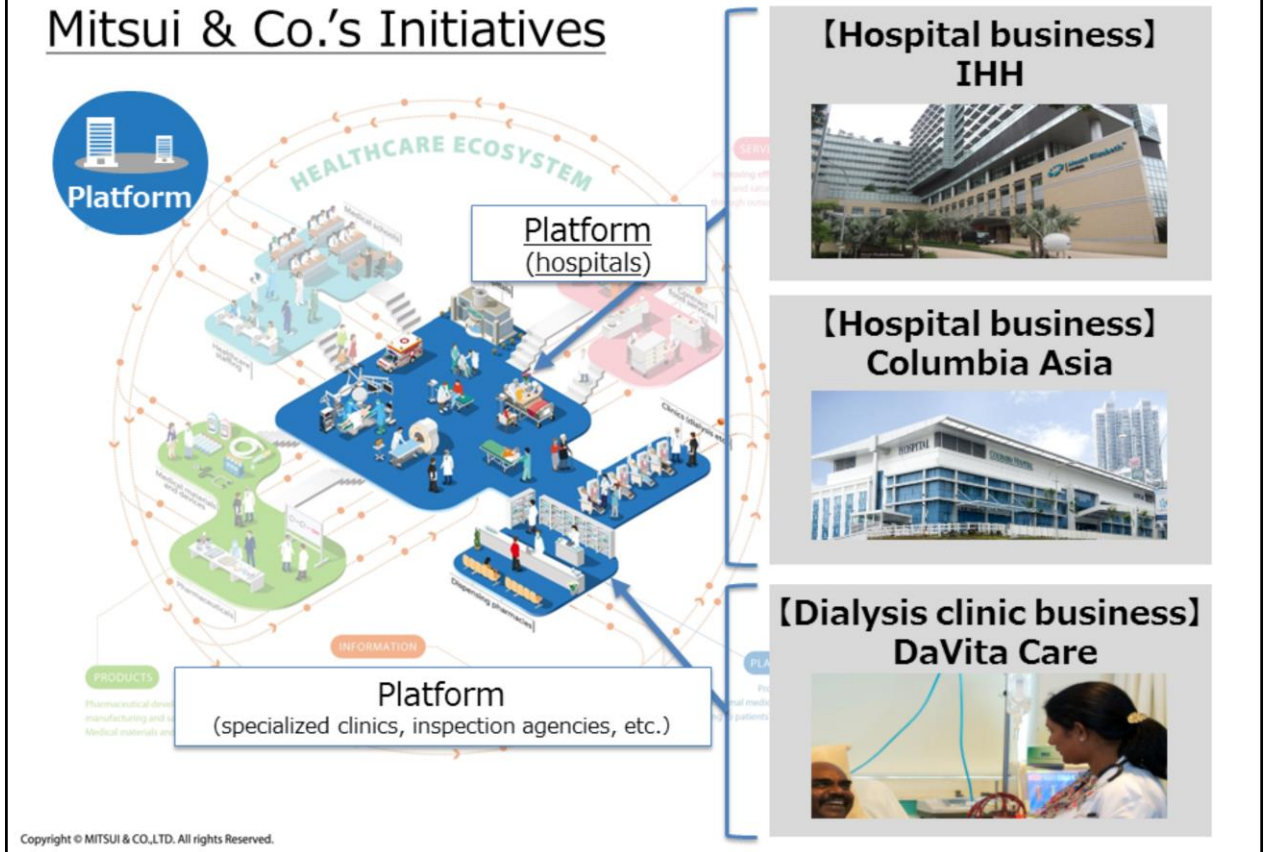


The Healthcare & Service Business Unit has sought to find multifaceted solutions to meet society's healthcare needs by building a healthcare eco-system that combines a total of five elements: the "platforms" that form the core of our healthcare business, and the "people, products, services, and information" on the periphery of "platforms".

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2. Recognition of Healthcare Market in Asia and Mitsui & Co.'s Initiatives

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【Hospital business】 IHH



【Hospital business】 Columbia Asia



【Dialysis clinic business】 DaVita Care



By “platforms”, I mean the hospitals that provide healthcare, as well as facilities of ancillary service business, such as specialized clinics, diagnostic laboratories, imaging centers, health check facilities, and pharmacies, and the markets for the said business are created in pursuit of improving hospital operational efficiency and the provision of convenience from the patient’s perspective. Since our investment in IHH in 2011, in 2016 we invested in Columbia Asia, which operates a hospital business catering to middle class people, and DaVita Care, which runs dialysis clinics. In 2018 we carried out an additional investment in Columbia Asia.

One thing that we have learned through our participation in these businesses is that while the hospital business market is expected to show continuing growth, and there is also steady demand for ancillary services, such as those provided by DaVita Care, most of those services are still contained within the hospital, and the move toward functional separation is slower than we anticipated. We are aware that monetizing the ancillary business, including the pursuit of synergies with hospital businesses, will take time. The reason for this is that, unlike the situation in developed countries, there is a fundamental shortage of hospitals.

In view of this situation, we will give priority to hospital business that also incorporates ancillary business when allocating our resources. Our policy is to place such hospital business at the core, and we will proceed with building and expanding participation in the healthcare ecosystem in Asia.

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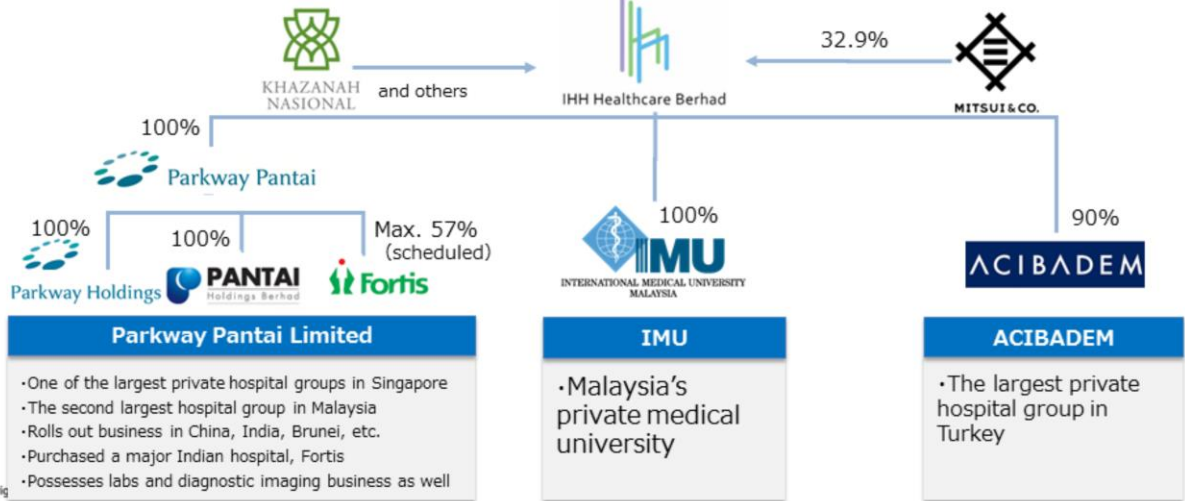
3. IHH at the Core of Healthcare Ecosystem

IHH rolls out 50 hospitals with approx. 12,000 beds in the world (as of October 30, 2018).

Overview

- In May 2011, Mitsui acquired 30% of IHH shares from Khazanah Nasional Berhad who was the 100% shareholder of IHH.
- In January 2012, IHH acquired 60% of Acibadem’s shares, the largest private hospital group in Turkey.
- In July 2012, IHH had its IPO on the Malaysia and Singapore stock exchanges.
- In 2018, IHH reached basic agreement to purchase Fortis, a major Indian hospital business provider.

Equity stake
(based on the enlarged share capital of IHH after completion of the share swap between IHH and Acibadem shareholders, and after Mitsui & Co.’s acquisition of additional shares of IHH)



I would like to once again explain the business operations of IHH, in which we are making an additional investment.

IHH commenced business operations in Malaysia in 1974 and Singapore in 1987. Since then it has expanded into multiple countries and has gained overwhelming market share, especially in Singapore, Malaysia, and Turkey. By providing high-quality healthcare services and advanced medical care, it has also built an excellent reputation, and a strong brand presence. For these reasons, it also provides healthcare to numerous patients from overseas.

Because of its high market share and powerful brand, IHH has been able to recruit talented medical professionals, who are in short supply in Asia. This has created a virtuous circle that is further enhancing patients’ confidence and the improvement of their QOL.

Five countries—Singapore, Malaysia, India, China, and Thailand—are seen as having relatively high standards of healthcare quality among Asian countries. In addition to its activities in Singapore and Malaysia, IHH has decided to acquire Fortis, the second-ranked private hospital group in India, and also plans to expand its business in China.

Apart from its hospital business, IHH is also engaged in ancillary business areas, such as clinical laboratory and diagnostic imaging, and is becoming one of Asia’s biggest operators in these areas. We anticipate further growth in these ancillary business activities.

From these perspectives, we regard IHH as a core asset for our efforts to building and expanding our participation in Asia’s biggest healthcare ecosystem.

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3. IHH at the Core of Healthcare Ecosystem

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Since our initial investment in 2011, Mitsui & Co. has supported IHH's geographical and business expansion and also, has been supportive of IHH's group management through the nomination of directors and secondment of employees.

Mitsui & Co.'s support since the initial investment in 2011

- Participation in management and execution of growth strategies
- Support for geographical expansion
- Planning and promotion of capital strategy
- Realizing and enhancing business synergy
- Organizational restructuring and strengthening of internal controls

Conversion rate: 1MYR=¥27

IHH's business expansion



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I will next talk about Mitsui & Co.'s value contribution to IHH.

Since our initial investment in 2011, Mitsui & Co. has helped IHH to strengthen and expand its business base, not only by expanding the geographical scope of its activities and introducing local partners and advanced healthcare-related services of developed countries, but also by supporting management through the nomination of directors and the secondment of employees.

As a result, IHH's EBITDA, the number of hospital beds, and its corporate value, all recorded more than a three-fold increase in the six years between its listing in 2011 and 2017.

During this process, Mitsui & Co. has participated in strategizing the expansion of the hospital business, selecting partners for overseas expansion, and formulating and implementing branding and pricing strategies, thereby having accumulated the capabilities needed for hospital management ourselves, and developed human networks within and beyond IHH.

Following this additional investment, Mitsui & Co. will leverage its accumulated business experience, knowledge, and human networks, and perform its unique capabilities including, its comprehensive strengths, and its networks of people and local partners, to continue to support the growth of IHH, with the aim of doubling or tripling its corporate value.

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4. Our Vision for the Healthcare Business

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I would next like to speak about our vision for the healthcare business.

In light of Mitsui & Co.'s experience gained through building its healthcare ecosystem so far, we are to acquire additional shares of the IHH. Following that, Mitsui & Co. will first work toward securing a robust earnings base for its healthcare business by further strengthening the hospital business as the core of the healthcare ecosystem. We will then support the development of new ancillary business, including the introduction of existing business models from Japan, North America, and Europe, in order to expand and strengthen our participation in the healthcare ecosystem, again, with IHH at its core.

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4. Our Vision for the Healthcare Business

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【1】 Strengthening the core hospital business

- Contributing to the improvement of medical quality and operational efficiencies
- Participate and support geographical expansion of hospital business, leveraging Mitsui's unique trading company functions and connections



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I will next explain the specific measures to realize our vision.

First, as measures for strengthening the base of the hospital business, as I stated earlier, we will help support the geographical expansion through the use of our capabilities. By doing so, we will contribute to the development of healthcare infrastructure to overcome infrastructure shortages in Asia, and the improvement of access to healthcare. In addition, we will leverage the experience and knowledge that we have gained through our work on other hospital business and hospital-related ancillary service business to pursue improvements in healthcare quality and efficiency, while contributing to the growth of the hospital business by working to improve profit margins.

For example, in our work with Columbia Asia, a hospital group providing services for middle-income earners, and the dialysis clinic operator DaVita Care, we have helped these companies to formulate and implement price strategies and guided them in reviews of their procurement and outsourcing costs. We have also helped them to achieve cost savings by reducing the number of items procured and optimizing their procurement routes

Going forward, we aim to use this experience and knowledge to help support IHH to achieve further efficiency improvements by sharing best practices, including centralized purchasing, among the hospitals in its group. We will also assist with PMI following M&A initiatives.

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4. Our Vision for the Healthcare Business

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【2】 Expansion of Mitsui's healthcare ecosystem

«Participate in building up ancillary service business»

- Participate and support in enhancement, expansion and growth of ancillary service business inside the hospitals
- Explore the idea of establishing stand alone ancillary service businesses by cutting out those functions from hospitals



I would now like to speak about ancillary service business.

As I just stated, first through the hospital business, we want to contribute to the reinforcement, expansion, and growth of ancillary service business that are currently contained within hospitals, such as specialized clinics, diagnostic imaging facilities, and clinical laboratories.

In developed countries, such as Japan, Europe, and North America, hospital operators have tended to shift to outsourcing of ancillary services that were traditionally provided by facilities within hospitals, such as specialty clinics, diagnostic imaging facilities, and clinical laboratories, as part of their efforts to improve business efficiency. As a result, specialist providers of these ancillary services have created and established independent markets.

We believe that such needs that have emerged in developed countries are also highly likely to emerge in Asian markets. We will monitor developments within IHH, and when the time is right, by learning from business models implemented in developed countries, we aim to expand ancillary service business and “curve it out” as independent business.

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4. Our Vision for the Healthcare Business

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[2] Expansion of Mitsui's healthcare ecosystem

«Innovative initiatives with the utilization of IT»

- Creating a healthcare data platform
- Utilizing data for operational efficiencies, exploring new initiatives in the preventive medicine and disease management field, and development of pharmaceutical and medical equipment.



We will next look at innovative initiatives based on the use of IT.

Healthcare is a field where digital transformation has been delayed, due in part, to various regulations. However, in the United States and other developed countries, innovative initiatives and business models with the use of IT have emerged, and we have started to see the digital transformation in the handling of medical information, and there is now growing interest in the possibility of medical data. For example, in January 2018, Amazon, Berkshire Hathaway, and JP Morgan announced that they would build a healthcare data platform based on the data for 840,000 employees of the three companies, and that they would begin to develop and provide new services based on data utilization.

IHH currently has 6 million outpatients and 600,000 inpatients. Utilizing these patients' big data, we aim to lead IHH toward the creation of the biggest healthcare data platform in Asia, by introducing existing business models from developed countries and creating an integrated management system that covers data on treatment outcomes, prescription records and treatment histories, and preventive and home-based care.

By using its big data resources, hospital operators will be able to call patients at risk of serious illness into hospitals and provide highly productive and effective healthcare services, including personalized treatment. For example, continuous monitoring of the blood sugar levels of patients with latent diabetes would allow doctors to predict when the condition is likely to become serious, so that patients could be encouraged through mobile apps to visit hospitals before serious health issues actually occur. This not only true for diabetes patients, but also for people with other lifestyle diseases. People who are worried that they may be ill tend to go immediately to a major medical facility, such as a general hospital or university hospital. But, with this approach of utilizing healthcare platforms, patients who do not need to visit a hospital can be treated remotely or at clinics close to their homes, allowing advanced, high-level healthcare resources to be concentrated on patients with a higher risk of developing more serious conditions.

We would also like to work toward the creation of new profit opportunities, such as the development of new business based on the utilization of data in clinical research in collaboration with pharmaceutical companies, and health promotion activities, including disease prevention and management.

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5. Quantitative Targets

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Our quantitative targets with the hospital and ancillary service business

	Ref Mar/18 IHH results (*)	Mar/23	Mar/28
Value of Mitsui's hospital&ancillary service business	Approx. ¥1.2T (18%=¥220B)	Approx. ¥650B~ ¥820B	Approx. ¥1.3T~ ¥1.5T
		Conversion rate: 1MYR=¥27	
PAT in proportion to Mitsui's equity	Approx. ¥26B (18%=¥4.7B)	Approx. ¥16B	Approx. ¥33B
Number of beds	10,000 beds	20,000 beds	25,000 beds

(*IHH results as per disclosed actual results of IHH)
(Conversion Rate : 1MYR=¥27)

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Lastly, I will explain our quantitative vision.

Because IHH is a listed company, I cannot provide detailed figures concerning IHH's quantitative vision as an individual company. However, we plan to use our comprehensive capabilities to provide enhanced support for IHH so that it can achieve robust growth on a non-consolidated basis.

Again, we aim to build and expand our participation in the healthcare ecosystem, of which IHH is at the core, by reinforcing the hospital business base and developing hospital-related ancillary service business. As such, our targets in terms of the value of Mitsui's hospital and ancillary service business, including IHH and ancillary service business are around ¥650-820 billion over the next five years, and around ¥1.3 to 1.5 trillion over the next 10 years. Our targets for PAT in proportion to our equity are approximately ¥16 billion in the year ending March 2023, and approximately ¥33 billion in the year ending March 2028.

Just for your reference, we have also included the figures for the year ended March 2018. The upper figures in each case are the results for IHH itself, while the lower figures are calculated based on Mitsui & Co.'s 18% equity (post additional acquisition).

As I said earlier, Mitsui & Co. also intends to work actively together with IHH, to develop new business by utilizing the vast resources of patient data owned by IHH, which has the potential to contribute to an even greater quantitative results.

Now, I'd like to give the floor to CFO Uchida.

6. Revised CF Allocation in the Medium-Term Management Plan

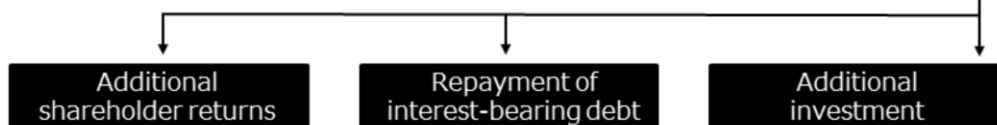
- Increase in expected investment and loans by ¥200bn through this additional investment
- Increase in expected cash-in of ¥100bn through further asset recycling

(Unit: ¥billion)

		1.5-year cumulative (FY Mar/2018~ FY Mar/2019 H1)	3-year cumulative (Announced in Oct/2018) (FY Mar/2018~FY Mar/2020)	3-year cumulative (Current revision) (FY Mar/2018~FY Mar/2020)
Cash-In	Core Operating Cash Flow*1...①	985.0	1,900	1,900
	Asset Recycling...②	430.0	700	800
Cash-Out	Investment and Loans...③	-950.0	-1,700~-1,900	-1,900~-2,100
	Shareholder Returns*2...④	-242.5	-410	-450
Free cash flow*3 after shareholder returns ...①+②+③+④		222.5	290~490	150~350

*1. Cash flows from operating activities minus cash flows from changes in working capital
 *2. Our disclosure in October 2018 showed the final fiscal year only factoring in a minimum total dividend of (¥100bn), however, this material has been updated based on the total dividend for the final fiscal year to be the same amount as in FY Mar/2019
 *3. Free cash flow that excludes the effects of changes in working capital and time deposits
 From FY Mar/2019, cash flows of some lease transactions, which had previously been recorded as working capital, are recorded as investment cash flow and have been excluded from the calculations in the table above

Allocation by management discretion



My name is Takakazu Uchida, CFO.

I will talk about the revised cash flow allocations in the Medium-term Management Plan, based on this additional investment in IHH.

As a result of the additional investment, the cumulative amount of investment and loans over the three-year period will total the level between 1.9 trillion yen and 2.1 trillion yen, increasing by ¥200 billion.

Meanwhile, since we will also increase asset recycling, cumulative cash-in over the three-year period will total 800 billion yen, increasing by approximately 100 billion yen. On this basis, we will aim to limit the net increase in cash-out to ¥100 billion, compared with the original plan.

There is no change in our existing policy on shareholder returns. In the second-quarter financial results announced in October 2018, only the minimum total dividend of ¥100 billion was factored in for the final year of the Medium-term Management Plan. In this revision, taking dividend stability and continuity into account, we factored in the same level of shareholder returns as this year's amount.

As a result, the 3-year cumulative amount of free cash flow after returns to shareholders is expected to the level between 150 billion yen and 350 billion yen. Our policy is to continue initiatives to achieve positive cumulative free cash flow over the three-year period.

That concludes my part of explanation.

360° business innovation.



Our presentation is now complete. We will happy to respond to any questions or comments.