

An aerial photograph of Earth, showing a vast expanse of blue ocean. In the upper right, a large landmass with green vegetation and snow-capped mountains is visible. In the lower left, a coastal area is illuminated with bright yellow and orange lights, suggesting a city at night. The overall image has a high-contrast, vibrant appearance.

CHAPTER 1

# Aiming for Sustainable





# Growth

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# Our Corporate Value Creation Process

The origin of Mitsui's value creation lies in its approach of identifying societal issues and providing industrial solutions that address social needs. Under "Driving Value Creation," our medium- to long-term goal, we are fully leveraging our various capitals and our highly competitive business model to formulate and execute our medium-term management plan, which addresses our Materiality. While allocating our finite capital in a well-balanced manner, we aspire for not only sustainable corporate value growth but also sustainable environmental and social development.

## Mitsui's Vision

—Mitsui is a group that incubates and develops new businesses—  
A diverse pool of talented professionals that take the initiative to create new business and actively leverage Mitsui Group's comprehensive strengths and global network for sustained creation of new value

# 1



### Megatrends That Mitsui Envisions

- Population increase
- Widening gap in income between rich and poor
- Climate change, environmental pollution
- Aging population
- Rapidly growing middle-income class
- Increase of healthcare needs
- Diversification of human resources
- Energy and water shortages
- Changes in work style
- Increase and diversification of infrastructure needs
- Technological innovation
- Accelerating smartification accompanied by increased security risk
- Further consideration for human rights

# 2



### Material Issues of Focus (Materiality) □ P.014–016

Stable supply of resources & materials



Enhancement of local industrial bases & quality of life



Protection of the global environment



Respect for human rights



Corporate governance & human resources



# 3



### Mitsui's Growth Model

Capitals □ P.017

- Human capital
- Organizational capital
- Relationship capital
- Financial capital
- Natural capital
- Manufactured capital



Medium-term Management Plan

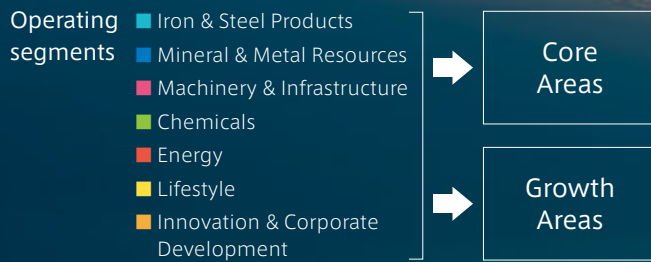


Business Model

□ P.018–023

- Business Model for Growth That Balances between Trading and Business Management
- Positioning Strategy That Leverages Our Competitiveness
- Portfolio Management

Under the current medium-term management plan, we pursue each business strategy according to two strategic areas.



## How We Quantify Outcomes

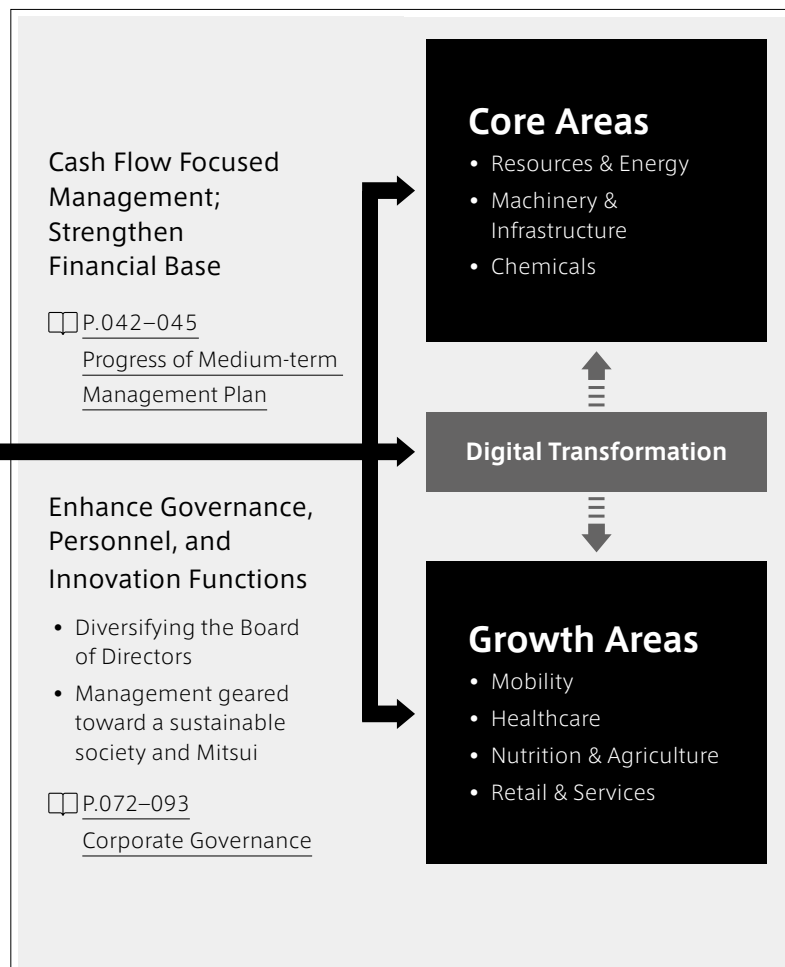
□□ P.034-035

Profit (loss) for the year attributable to owners of the parent / ROE .....	1 2 3
Core operating cash flow .....	1 3
Total assets / Net DER .....	2
Total shareholder return amount / Total shareholder returns as a percentage of core operating cash flow .....	3
Equity share of production .....	1 4
Power generating capacity (gross) .....	1 4
Female managerial staff / Female employees dispatched overseas .....	4 5
Number of NS GMs □□ P.025 .....	4 5
Greenhouse gas (GHG) emissions .....	4

# 4

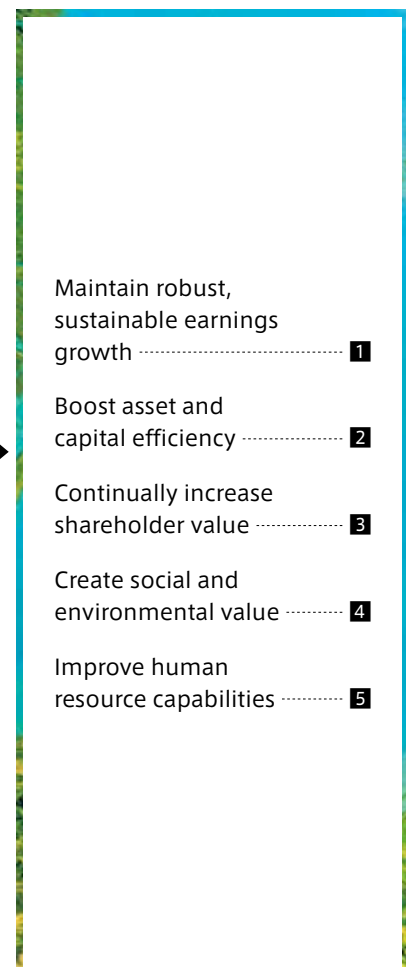


## Capital Allocation to Priority Areas; Implementation of Medium-term Management Plan



# 5

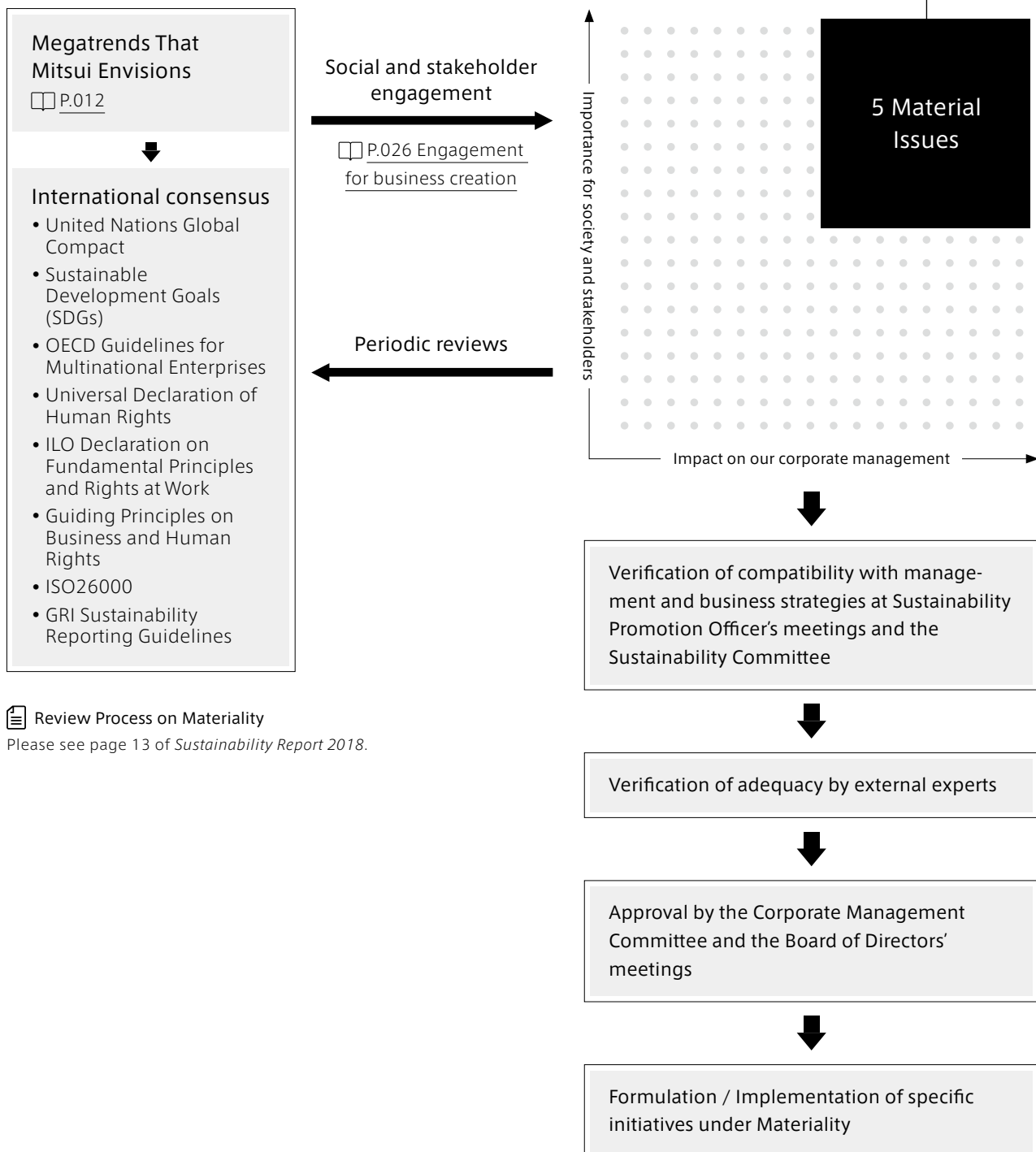
## Outcomes



# Material Issues of Focus (Materiality)


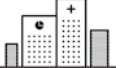


As a provider of industrial solutions for sustainable social development, we identified issues that are of high importance for society and our stakeholders and that have a significant impact on our corporate management. We designated these issues as Materiality. Materiality provides us with guiding principles to accurately assess expectations of Mitsui and fulfill our social responsibility. Accordingly, addressing these issues will help us maintain and strengthen our value creation capabilities in a sustainable manner.

## Identification Processes on Materiality



📄 **Review Process on Materiality**  
Please see page 13 of *Sustainability Report 2018*.













































Materiality	Recognition of societal issues	Main risks and opportunities
<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 chain</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>Suspension of business operations and instability in the supply of energy and food resources because of climate change and population growth</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Sustainable resource development and food supply</li> <li>Reinforced competitiveness through measures to ensure traceability</li> </ul>
<b>Enhancement of local industrial bases &amp; quality of life</b> 	<ul style="list-style-type: none"> <li>Aging infrastructure in developed countries</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></p> <ul style="list-style-type: none"> <li>Loss of credibility due to safety or health problems affecting infrastructure users or final consumers of products and services</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Enhancing quality of life in developing countries through infrastructure development</li> <li>Measures to ensure food safety and reliability</li> <li>Growing demand for food with high added value in response to the growing middle-income class</li> <li>Changes in shifts in disease structure due to population growth/economic development and increase in healthcare needs due to aging</li> <li>Creation of markets by promoting ICT-based business to build urban social infrastructure in response to the move toward developing smart cities</li> </ul>
<b>Protection of the global environment</b>  <p>□ P.028—029 Efforts to Address Climate Change through Our Business</p>	<ul style="list-style-type: none"> <li>Global warming and climate change</li> <li>Loss of biodiversity</li> <li>Energy and water shortages</li> <li>Environmental pollution</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>Changes in each country's policies and regulations related to the transition toward a low-carbon economy</li> <li>Impact resulting from the creation of new technologies and new markets on supply and demand of existing businesses</li> <li>Operational risks associated with the physical impact of climate change</li> <li>Adverse effects on production yields in agricultural, forestry, and fishery products due to abnormal weather</li> <li>Increase in environmental costs resulting from ecosystem destruction and degradation caused by business activities</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Expansion of environment-related markets due to increased environmental awareness and the tightening of regulations</li> <li>Creation of new business models through circular economy and sharing</li> <li>Expansion of business domains (renewable energy, etc.) as a result of energy diversification</li> </ul>
<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 resource development</li> <li>Illicit use of personal information that may be obtained via the increasingly widespread use of Internet and digital communication technology</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>Disputes or protests concerning human rights issues in every spectrum of business that could hinder the start-up or continuation of business</li> <li>Leakage of information held by the company that could be used to identify individuals</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Strengthening of the ability to ensure stable supply through consideration for human rights across all supply chains</li> </ul>
<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></p> <ul style="list-style-type: none"> <li>Impact due to a lack of appropriate decision making from a broad perspective</li> <li>Corruption in business of high public significance in emerging countries and other markets</li> <li>Suspension of business operations due to information security problems</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Contributions to labor productivity improvement via innovation in working styles</li> <li>Promotion of fair and equitable treatment and meaningful human resources training</li> <li>Enhancement of individual competitiveness through promotion of diversity management</li> <li>Creation of new business opportunities focusing on the solution of societal issues through heightened employee sustainability awareness</li> </ul>





## Material Issues of Focus (Materiality)

Materiality	Related SDGs theme	Initiatives of Mitsui
<b>Stable supply of resources &amp; materials</b> 	       	<p>Contributing to the stable supply of resources and materials through building of optimal supply chains, spanning all stages from upstream to downstream</p> <ul style="list-style-type: none"> <li>▶ Contribute to the stable supply of metal resources and energy, and maintain an asset portfolio that is sustainable over the long term</li> <li>▶ Steadily and efficiently supply safe and reliable food resources</li> <li>▶ Traceability management for grain crops, such as wheat, corn, and soybeans starting at the production and collection phases</li> </ul> <p>Meeting society's expectation together with our business partners in order to resolve various issues in the supply chain</p> <ul style="list-style-type: none"> <li>▶ Ensure compliance with laws and regulations, respect for human rights, and maintenance of safety and sanitary working conditions; reduce environmental load; and give consideration to securing the safety and reliability of our products and services</li> </ul>
<b>Enhancement of local industrial bases &amp; quality of life</b> 	      	<p>Contributing to nation building and enhancing quality of life through the establishment of infrastructure</p> <ul style="list-style-type: none"> <li>▶ Respond to the increasing demand for core infrastructure in emerging countries, which are experiencing remarkable population growth and economic development, and by doing so, work to cultivate local industries and create employment</li> <li>▶ Secure a safe and reliable food supply</li> <li>▶ Respond to the need for food with high added value, focusing particularly on greater demand for deliciousness and a heightened awareness of health</li> <li>▶ Pursue the establishment of healthcare ecosystems, which are next-generation medical infrastructure that enhances the quality and efficiency of medical treatment</li> </ul>
<b>Protection of the global environment</b> 	       	<p>Making contributions by providing industrial solutions to environmental problems through the development of environment-related businesses</p> <ul style="list-style-type: none"> <li>▶ Promote businesses and strengthen response capabilities in the field of renewable energy</li> <li>▶ Proceed with initiatives toward smart cities, modal shifts, and the widespread use of new energy vehicles such as electric vehicles</li> </ul> <p>Continuously revising our asset portfolio with an awareness of enhancing our resistance to climate change-related risks</p> <ul style="list-style-type: none"> <li>▶ Monitor government policies and regulations in each country of operation</li> <li>▶ For energy, promote the strengthening of our asset portfolio related to gas and manage a crude oil portfolio with an awareness of the time period between 2030 and 2040</li> <li>▶ For metal resources, strengthen our asset portfolio—centered on iron ore, coking coal, and copper—by bolstering our cost competitiveness and promoting flexible asset replacement that responds to changes in demand forecasts</li> <li>▶ Gradually reduce the ratio of coal-fired thermal power within our equity share of power generation capacity and increase the proportion of renewable energy, including hydraulic power, to 30% by 2030</li> </ul> <p>Establishing targets to reduce annual energy consumption by an average of 1% or more at the Company and its domestic subsidiaries</p>
<b>Respect for human rights</b> 	      	<p>In terms of resource development, constructing infrastructure that supports the lifestyles of new inhabitants in planned development areas</p> <p>Establishing a structure for protecting and managing personal information</p> <ul style="list-style-type: none"> <li>▶ Create a CPO office under the Chief Privacy Officer (CPO) and raise the awareness of all officers and employees regarding the protection of personal information</li> <li>▶ Regularly review the status of personal information management in the daily course of business and enhance it as needed</li> </ul>
<b>Corporate governance &amp; human resources</b> 	      	<p>Taking steps to improve the effectiveness of our corporate governance structure</p> <ul style="list-style-type: none"> <li>▶ Improve transparency and accountability</li> <li>▶ Clarify the separation of management oversight and execution</li> </ul> <p>Strengthening sustainability governance</p> <ul style="list-style-type: none"> <li>▶ Cautiously promote businesses in accordance with the Specially Designated Business Management System, which responds to business domains with high qualitative risks pertaining to ESG (environmental, social, and governance) and other factors</li> </ul> <p>Reinforcing compliance under the concept that our sound reputation is the foundation of our business, and we recognize that it is only through compliance that we can maintain that reputation and gain even more trust from our customers</p> <ul style="list-style-type: none"> <li>▶ Thoroughly enhance the compliance awareness of each employee</li> <li>▶ Establish compliance frameworks on a Global Groupwide basis</li> </ul> <p>Enhancing our pool of talented professionals, who represent our greatest asset</p> <p>Promoting diversity management</p> <ul style="list-style-type: none"> <li>▶ Build a full-strength team comprising our diverse human resources in terms of nationality, gender, perspective, etc.</li> </ul>

### Details of Materiality

Please see page 12 of *Sustainability Report 2018*.

Through the global development of a broad range of businesses across a wide variety of industries and value chains, Mitsui has realized unique industrial solutions and value creation. By doing so, Mitsui has amassed the necessary capital to deliver business value across the world through proactive business creation. Going forward, Mitsui will leverage its highly competitive capital aiming for creation of further value.



<sup>1</sup>1. As of March 31, 2018

<sup>2</sup>2. Total equity attributable to owners of the parent

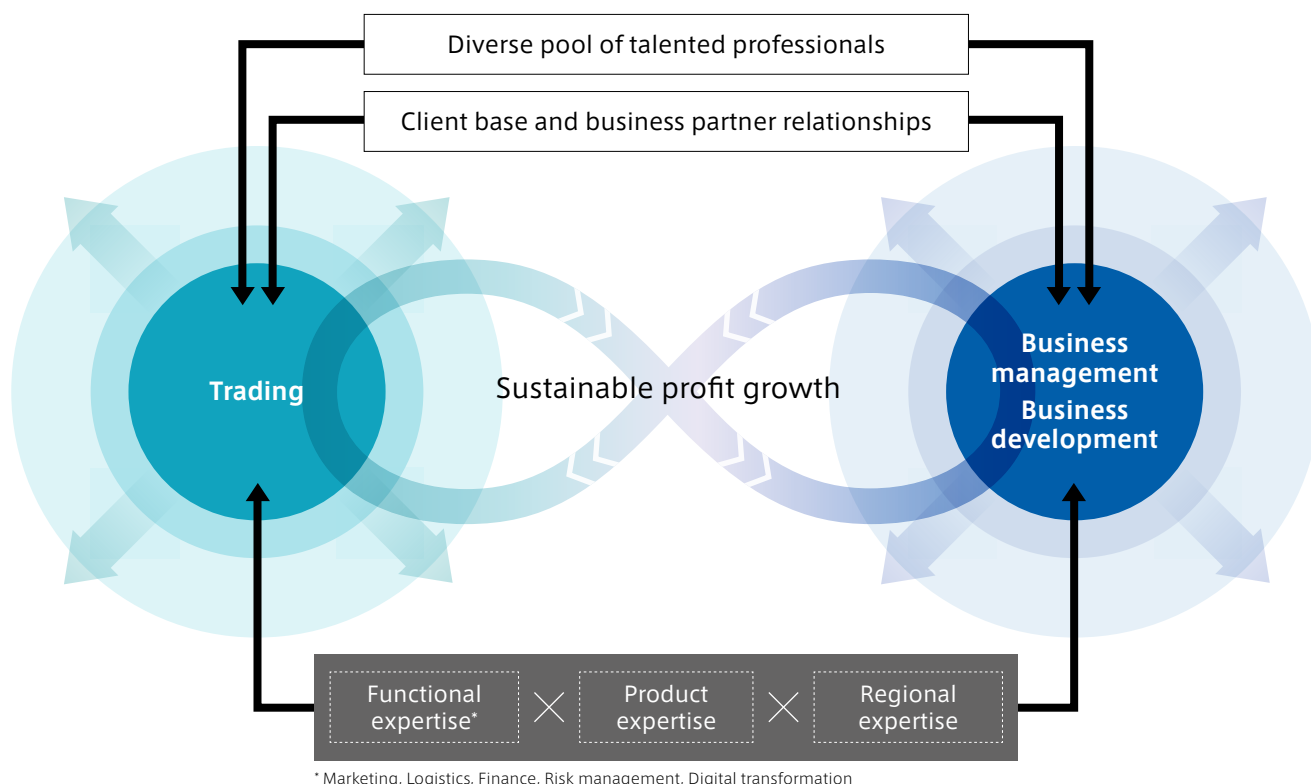


# Business Model for Growth That Balances between Trading and Business Management

Through our original business of trading, Mitsui has cultivated expansive networks comprising a wide range of clients and has leveraged these networks to carry out business investments. Mitsui gets involved in the management of the projects in which we have invested in an effort to enhance their value. In turn, these projects help Mitsui further promote our trading business and expand our networks. Through the repetition of this cycle, Mitsui has developed our current business structure.

Our diverse pool of talented professionals work to combine the sophisticated product expertise that each business unit possesses with our regional expertise, which is supported by local employees who are active in regions around the world, and various functional expertise as a general trading company. In this way, these professionals are leveraging our long-cultivated client base and networks to create new business models and pursue new projects.

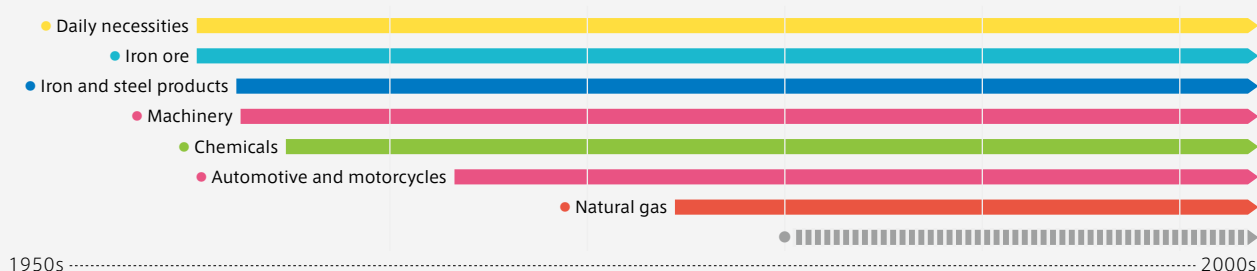
## Unwavering Value Creation and Profit Growth



## The Diverse Range of Products That General Trading Companies Handle

As a general trading company, Mitsui's bread-and-butter business has always been trading. To leverage the superior trading functions that we possess to the full, Mitsui has naturally formed a business structure for handling an extensive lineup of products through a wide variety of outlets. Our traditional core competencies have been trading activities that link product demand with product supply and the extensive network of clients we have acquired through these trading activities. Additionally, these competencies have included the judgment capabilities, keen awareness, and appropriate conduct of our employees, who have helped us maintain and expand our network.

□ Please see "Mitsui's Continuing Evolution by Meeting the Changing Needs of the Times" on pages 096 and 097.

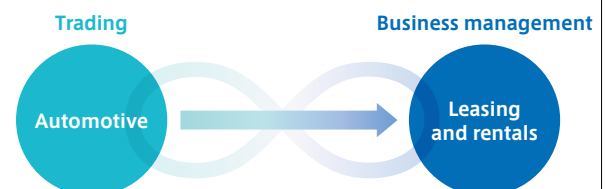


**CASE The Cameron LNG Project in the U.S.**

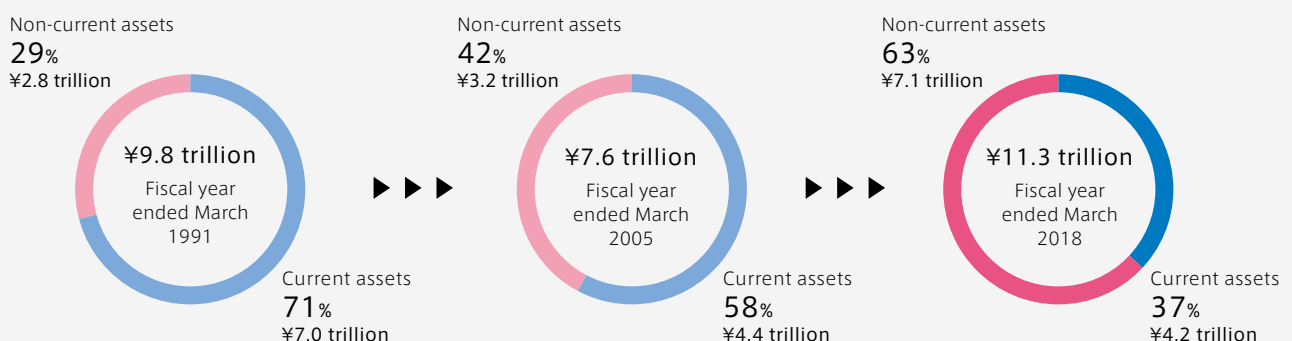
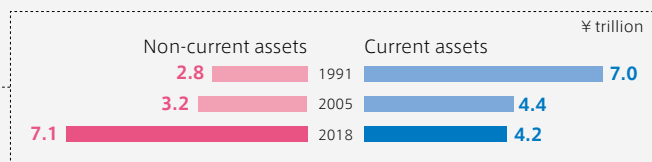
In 2013, Mitsui invested in the Cameron LNG Project, which is located just north of the Gulf of Mexico in the U.S. state of Louisiana. For this project, liquefaction facilities are currently under construction aiming for production commencement of three LNG production trains within 2019. We have secured an annual LNG tolling capacity of four million tons, spanning over 20 years. After production begins, the Cameron LNG Project will utilize seven of our LNG vessels to sell LNG on a global basis. Natural gas and LNG produce relatively lower amounts of greenhouse gas emissions and are expected to increase in global demand over the medium to long term. We already own upstream shale interests in projects that contribute to natural gas production in the U.S. Through the Cameron LNG Project, we will contribute to the stable production of LNG as well as a stable energy supply for Japan and the rest of the world.

**CASE Truck Leasing and Rental Business and Logistics Business in the U.S.**

Mitsui has long been involved in overseas trading, mainly in Southeast Asia and the Americas, engaged in automotive manufacturing and assembly, distribution, and retail businesses. In the U.S., we have formed a trust-based relationship with the Penske Automotive Group, which operates automotive and commercial dealerships, through our investment in them in 2001. This trust-based relationship provided us with an opportunity to invest in Penske Truck Leasing Co., L.P. (PTL) in 2015, which operates under the umbrella of the Penske Automotive Group. PTL is one of the largest truck leasing companies in North America and primarily engages in full-service truck leasing, contract maintenance, and commercial/consumer truck rental businesses. In addition, PTL operates a logistics business that mainly serves North America. Mitsui seeks to fully take advantage of its diverse business footprint and become the solution provider of fleet management and supply chain efficiency via PTL's vast capacities to our business partners and affiliates.

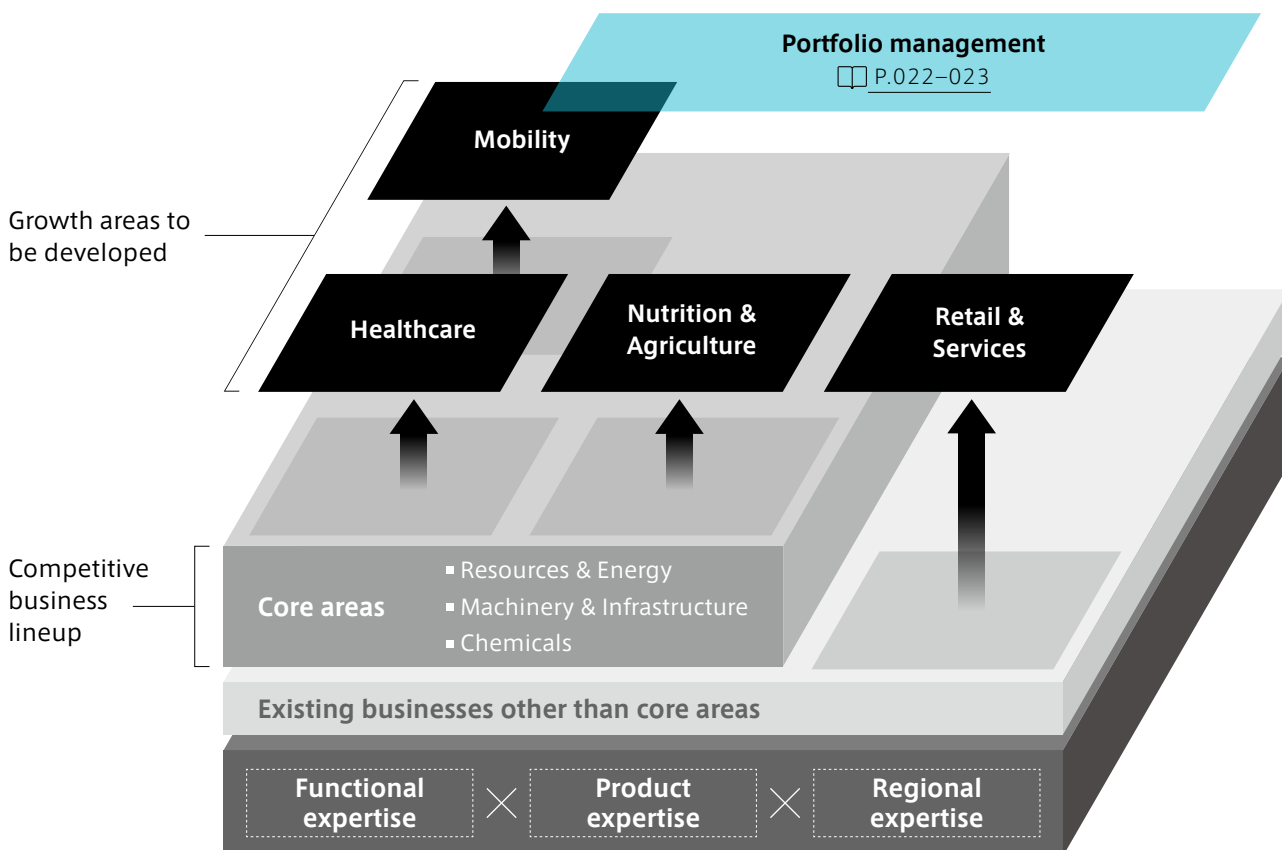
**Changes in Mitsui's Business Portfolio (Total Assets)**

1. Expansion in business management beginning with trade
2. Increase in non-current assets due to business management expansion
3. Maintenance of current asset scale in response to new trade brought about by business management



# Positioning Strategy That Leverages Our Competitiveness

In “Core areas,” Mitsui continuously adds assets through bolt-on acquisitions in its areas of strength, thereby further enhancing its strong businesses. In “Growth areas,” Mitsui’s next profit pillars, we develop and evolve our existing businesses, including those in our core areas where we are already competitive. In addition, we allocate our limited capitals in a well-balanced manner through portfolio management, with the aim of building a robust profit base as well as establishing new growth areas.

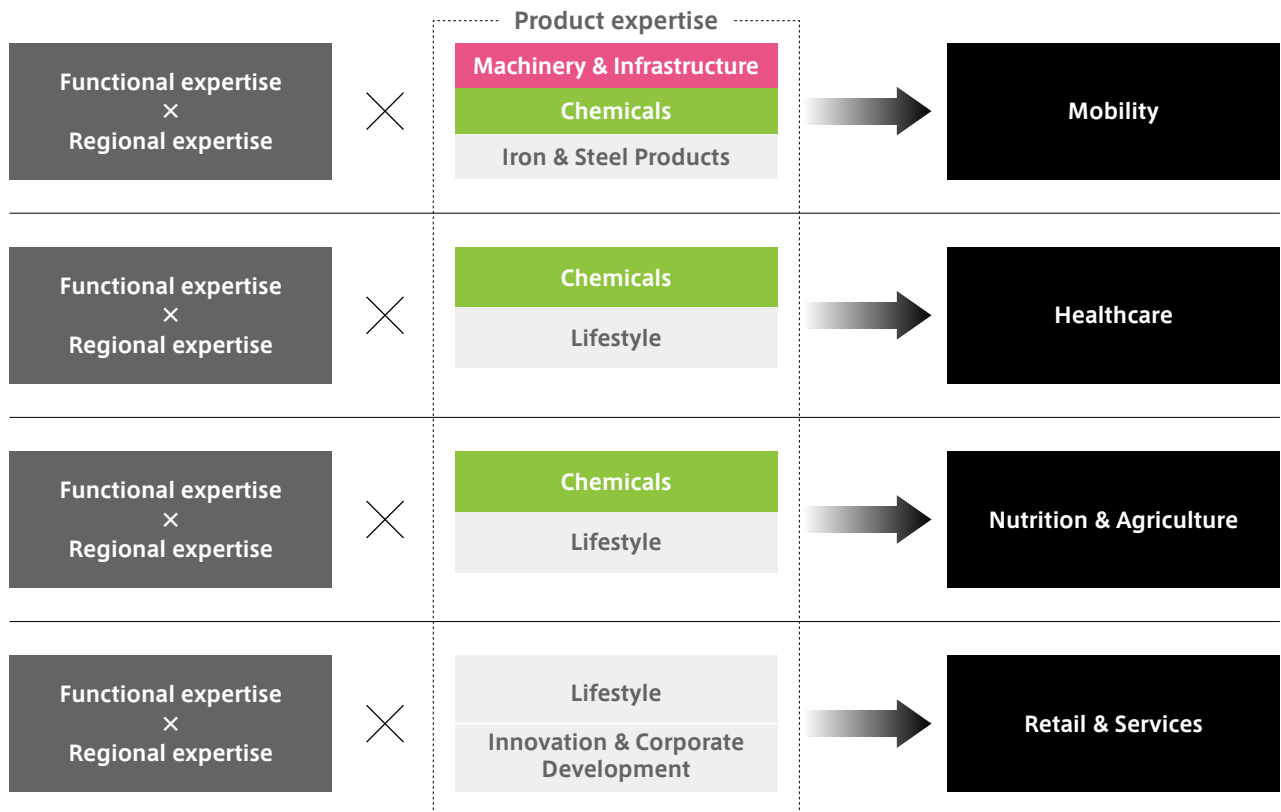


Overview Our Competitiveness in Core Areas			
	Value provision	Competitiveness	Efforts to gain an even greater competitiveness
Mineral & Metal Resources	<ul style="list-style-type: none"> <li>Cost competitiveness</li> <li>Stable supply of a consistent level of quality</li> <li>Financing</li> <li>Marketing (purchasing power)</li> </ul>	<ul style="list-style-type: none"> <li><b>Overwhelming cost competitiveness of owned assets</b></li> <li>Ability to supply a consistent level of quality</li> <li><b>Relationships with influential partners (including governments and local communities)</b></li> <li>Brand and trustworthy reputation</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen a three-pronged approach of enhancing cost competitiveness, production volume, and reserves</li> </ul>
Energy			
Machinery & Infrastructure (Infrastructure Projects)	<ul style="list-style-type: none"> <li>Stable over the long-term supply of electricity and gas</li> <li>Provision of services related to offshore energy</li> <li>Financing</li> </ul>	<ul style="list-style-type: none"> <li><b>Ability to organize and manage projects</b></li> <li>Know-how in infrastructure development and management</li> <li>Ability to negotiate long-term contracts</li> <li><b>Long-term, trust-based relationships with important clients</b></li> <li><b>Relationships with influential partners (including governments and local communities)</b></li> </ul>	<ul style="list-style-type: none"> <li>Undertake a digital transformation for our assets</li> </ul>
Machinery & Infrastructure (Integrated Transportation Systems)	<ul style="list-style-type: none"> <li>Establishment and expansion of local value chains</li> <li>Sales support and provision of financing</li> <li>Provision of comprehensive services related to leasing, maintenance, logistics, etc.</li> </ul>	<ul style="list-style-type: none"> <li><b>Trading network</b></li> <li>Marketing capabilities</li> <li>Logistics expertise</li> <li><b>Long-term, trust-based relationships with important clients</b></li> <li><b>Relationships with influential partners</b></li> </ul>	<ul style="list-style-type: none"> <li>Take initiatives toward the growth area of “Mobility”</li> </ul>
Chemicals	<ul style="list-style-type: none"> <li>Virtual pipeline</li> <li>Cost competitiveness</li> <li>Stable supply</li> </ul>	<ul style="list-style-type: none"> <li><b>Trading network</b></li> <li>Marketing capabilities</li> <li>Know-how in transportation of chemicals that are difficult to transport</li> <li>Industrial and material expertise (judgment capabilities)</li> <li><b>Multilayered relationships with influential partners and clients</b></li> </ul>	<ul style="list-style-type: none"> <li>Take initiatives toward the growth area of “Nutrition &amp; Agriculture”</li> <li>Reinforce trading capabilities</li> </ul>

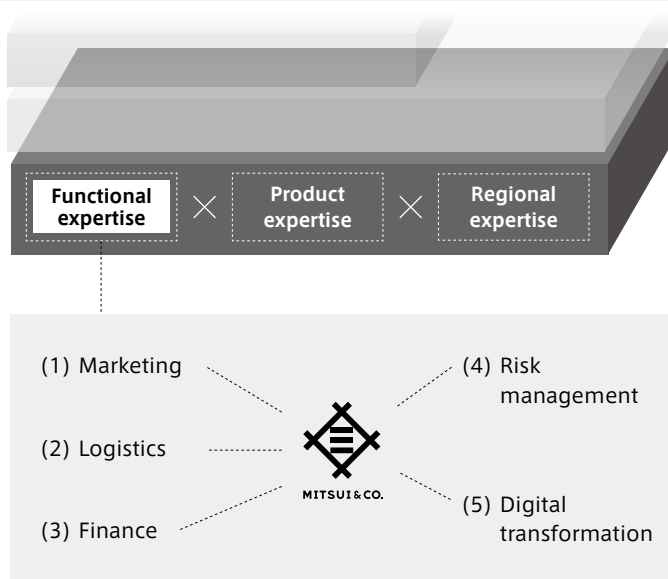


## Establishing Growth Areas

Rather than establishing businesses in which we have no experience or track record, we adopt a perspective that considers the overall value chains of our existing businesses, fully utilizing the industrial expertise we have cultivated in these businesses, as well as our established network of clients and partnerships, to create new business models and promote new projects.



### Overview The Functions We Provide



We provide the following functions to our clients, business partners, and investees in every country and region.

- (1) Create new markets by drawing on sales capabilities developed in extensive experience aligned with various business practices as well as our powerful information gathering and analysis expertise
- (2) Provide optimal logistics solutions in both transportation and cost efficiency
- (3) Offer and advise on various financial functions, from fund procurement and financial structuring to trade finance
- (4) Propose risk reduction and control by utilizing know-how accumulated over many years
- (5) Optimize business processes and revolutionize business models by utilizing AI and IoT

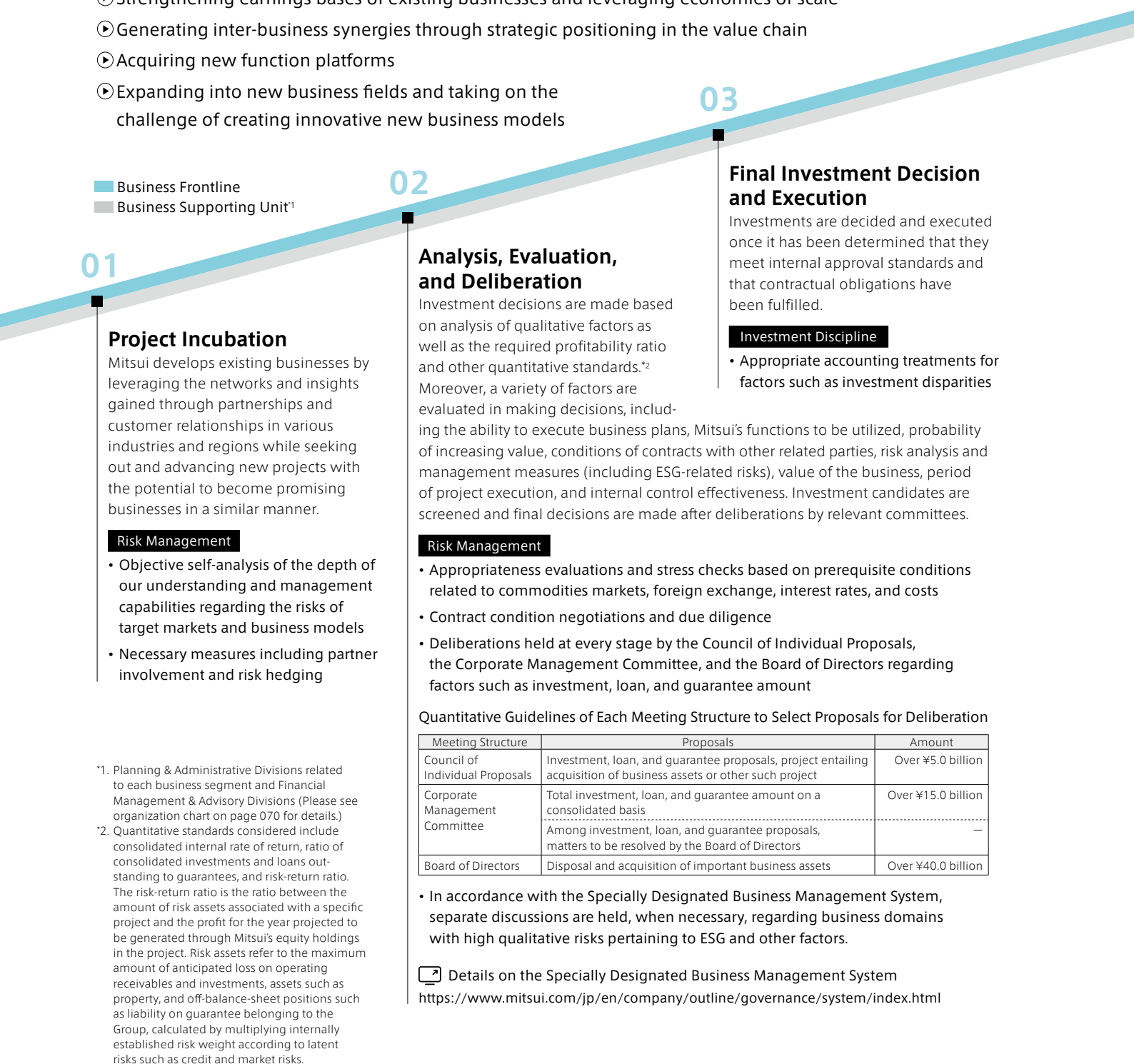
# Portfolio Management

## Lifecycle Management of Investments and 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 that we have discovered by leveraging our expansive networks and industrial expertise, and continuing on through the process of making investment decisions, starting up projects, enhancing corporate value, and strategically recycling assets. In addition, through portfolio management, we efficiently allocate our limited capital in a well-balanced manner to areas that are of importance to the Group, to further strengthen our business portfolio with the aim of our sustainable growth and social development.

### Basic philosophy of portfolio management

- ▶ Strengthening earnings bases of existing businesses and leveraging economies of scale
- ▶ Generating inter-business synergies through strategic positioning in the value chain
- ▶ Acquiring new function platforms
- ▶ Expanding into new business fields and taking on the challenge of creating innovative new business models



\*1. Planning & Administrative Divisions related to each business segment and Financial Management & Advisory Divisions (Please see organization chart on page 070 for details.)

\*2. Quantitative standards considered include consolidated internal rate of return, ratio of consolidated investments and loans outstanding to guarantees, and risk-return ratio. The risk-return ratio is the ratio between the amount of risk assets associated with a specific project and the profit for the year projected to be generated through Mitsui's equity holdings in the project. Risk assets refer to the maximum amount of anticipated loss on operating receivables and investments, assets such as property, and off-balance-sheet positions such as liability on guarantee belonging to the Group, calculated by multiplying internally established risk weight according to latent risks such as credit and market risks.

04

### Project Development

Energy resource and infrastructure development projects are advanced together with partners. By carefully monitoring project progress and flexibly responding to unforeseen circumstances, projects are completed within the planned budgets and timeframes.

#### Risk Management

- Project management (budgets, construction period, credit, contracts, finances, environmental concerns, etc.)

05

### Value Addition through Operation and Management

Mitsui plays a direct role in operating businesses and managing companies in order to boost their competitiveness and value. Mitsui's functions are utilized to this extent by appointing professionals who are highly specialized in the respective business area, dispatching our diverse group of professionals, and pursuing close coordination between Mitsui and individual businesses. Furthermore, inter-business collaboration is promoted to help Mitsui explore new markets and business models.

#### Risk Management

- Monitoring of and response to market conditions, competition, and other operating environment changes
- Tracking of facility operation ratio and income and expenditure trends and responding to any issues
- Management of risks related to factors including finances, taxation, labor, legal affairs, credit, and the environment

#### Investment Discipline

- Confirmation of effectiveness of internal controls
- Appropriate asset value assessments and timely and appropriate accounting treatments

06

### Strategic Asset Recycling

Businesses we have invested in are continually evaluated based on growth potential, the ability to increase value with Mitsui's functions, and strategic benefits. If it is deemed that a business' viability is beginning to peak, we will consider new strategies, such as merging businesses into other companies, or the possibility of asset recycling, and then put these plans into effect.

#### Investment Discipline

- Stringent adherence to portfolio management cycle

#### FOCUS

### The Portfolio Management Committee's Role and Yearly Cycle of Portfolio Management

As one of the advisory bodies to the Corporate Management Committee, the Company has established the Portfolio Management Committee to establish portfolio strategy, formulate investment and loan planning, and provide portfolio monitoring. In addition, this committee reports such information to the Board of Directors on a regular basis.

#### • Establishment of a strategy for the overall portfolio of Mitsui

Specify priority areas and areas of focus, new target areas, and areas that need to be reviewed, in view of the overall strategy of Mitsui, the individual strategies of operating units, market trends and macro analyses, and the allocation of its management resources.

#### • Establishment of investment and finance policies

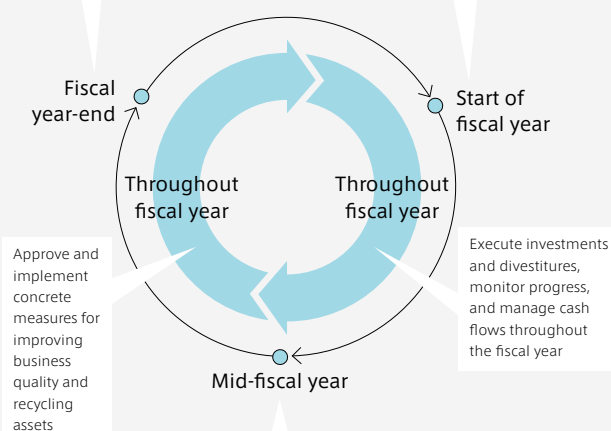
Establish important policies relating to the management of the overall portfolio of Mitsui such as guidelines for investment and finance limits, the design of a consolidated capital cost structure, etc.

#### • Regular monitoring of Mitsui's overall portfolio

Review regularly to confirm the significance of all business holdings in addition to confirming the appropriateness of asset size in accordance with each business area and country.

Evaluate results over the year and determine issues to be addressed in the following year

Confirm business strategies, investment plans, project priorities, and cash flow projections of each business unit



- Confirm purpose of all investments
- Determine turnaround plans or exit policies for unprofitable businesses and businesses falling below withdrawal standard cutoffs<sup>3</sup>
- Estimate market value of businesses and determine emergency liquidation priorities
- Follow up on the progress of the business plan

<sup>3</sup> Withdrawal standard cutoffs include risk-return ratio, core operating cash flow, insolvency indicators, and other profitability standards as well as qualitative standards.



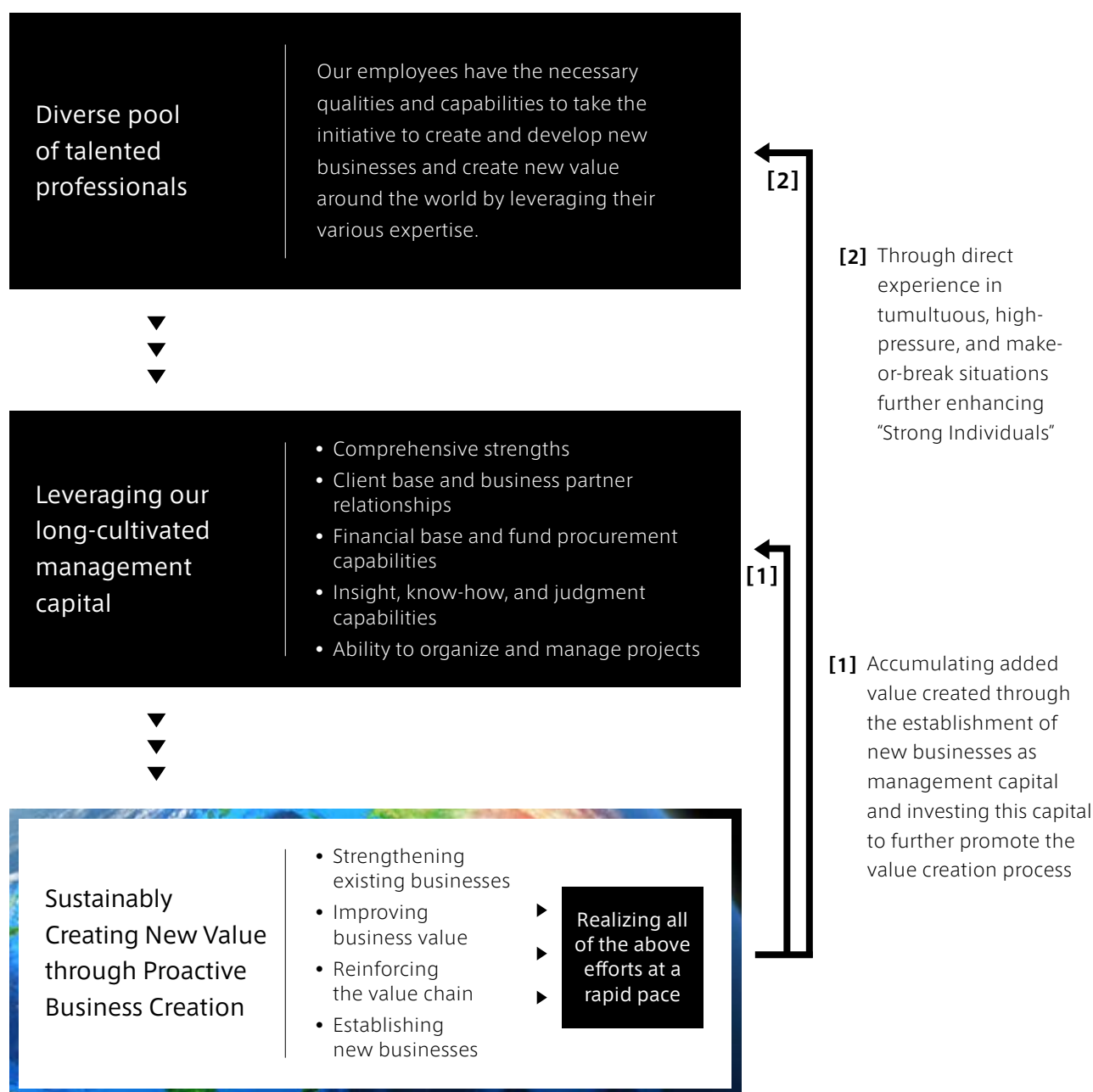
# Enhancing Management Capital 1

## Human Capital

### The individual builds the business, and the business cultivates the individual

As the first president of the former Mitsui, Takashi Masuda, stated, "Mitsui has a pool of very talented individuals. This is Mitsui's most important asset." We believe that human resources are our greatest asset. There is an extremely diverse group of talented professionals working at the Group, including at affiliated companies around the world, and continually maintaining and expanding this strong pool of talent will always be a key management focus.

Through promoting a level playing field, we aim to strengthen each individual, build a full-strength team of professionals, and also draw out the latent potential of our professionals to the full. At the same time, we promote optimum talent among our strong pool of human resources.



## Framework for Encouraging the Active Role of Our Diverse Pool of Talented Professionals

### Re-allocation of Human Resources

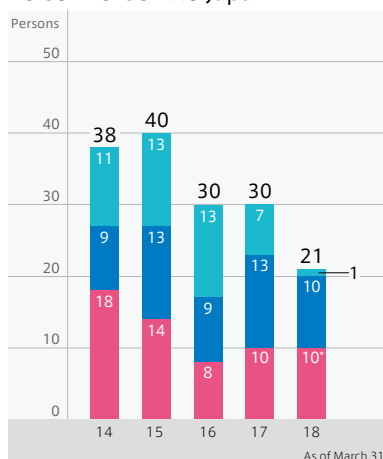
Mitsui believes that direct experience in tumultuous, high-pressure, and make-or-break situations is an essential part of strengthening the individual. We are actively promoting a significant shift in our corporate personnel to the business frontlines as part of our initiatives to have our employees utilize various experiences to the full as well as our efforts to maximize our organizational strengths. In the fiscal year ended March 31, 2018, we transferred over 70 people from administrative units to business units and affiliated companies with the aim of strengthening our earnings power on a companywide basis. We intend to continue this initiative during the fiscal year ending March 31, 2019. At the same time, we are actively pursuing digital transformation on the corporate side, from where we are dispatching these employees, equipping smaller teams to operate with a high degree of sophistication.

### Training and Transfer to Japan

National staff (NS) personnel selected for training as next-generation leaders are sent to Japan to learn and experience a variety of things. They are given opportunities to study the Japanese language and Japanese business practices and experience Japanese work styles, while learning other aspects of Japan, such as its culture and history. Their training is targeted toward their development as management personnel who will one day play key roles in Mitsui's Global Group management. In addition to opportunities to network with people within and beyond Mitsui, the program is also designed to enable participants to build lifelong relationships by inspiring and being inspired by other talented people who are gathered in Japan for the same purpose. A total of 159 people have participated in various training programs in Japan since the fiscal year ended March 2014. Mitsui will continue to implement these programs going forward.



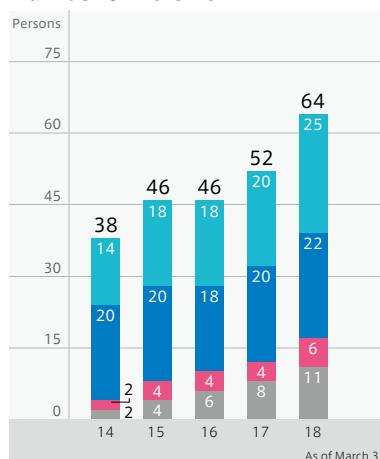
Personnel Sent to Japan



Japan Language and Business Program (LBP)  
Business Integration Program (BIP)  
NS transfers

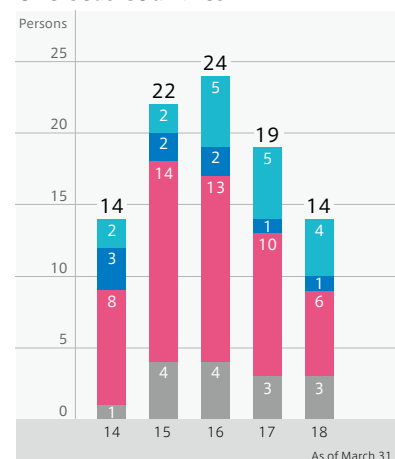
\* Including one NS transferee accepted by an affiliated company

Number of NS GMs



Americas  
EMEA  
Asia Pacific  
Other

Number of NS Employees Transferred between Overseas Countries



Americas  
EMEA  
Asia Pacific  
Other

# Enhancing Management Capital 2

## Relationship Capital

## Engagement for business creation

Through interactive communication with our various stakeholders, each of Mitsui's employees and officers is endeavoring to acquire a firm understanding of what society expects from and requires of Mitsui. Based on this understanding, we strive to respond to changes in market environments and contribute to resolving social issues through our business activities.

### Employees

Through promoting working style reforms and a level playing field for our people globally, we will build a full-strength team of professionals and enhance diversity. We aim to draw out the latent potential of our professionals to the full.

#### Engagement Methods

Intranet
In-house newsletter of Mitsui & Co.
Roundtable Meetings, New Active Talk Wednesday (dialogue between management and employees, as well as among employees)
Diversity Cafe
Training programs and seminars; Opinion surveys
Mitsui Environment Month
Activities under the Mitsui Global Volunteer Program
Volunteer Activity Leave
In-house and external whistle-blowing channels
Discussions with labor unions

### Shareholders and Investors

We strive for continuous improvement of our corporate value and appropriate market recognition by fulfilling transparency and accountability in management with timely and accurate disclosure of information, and by engaging in interactive communication with shareholders and investors.

#### Engagement Methods

General meetings of shareholders
IR meetings (presentations on financial results, Investor Day, briefings for individual investors)
Separate engagement for IR and SR (departments in charge of exercising voting rights and responsible investment)
Securities Report
Integrated Report
Newsletter to Shareholders
Mitsui & Co. websites
Surveys from ESG research organizations

Timely and accurate disclosure of information

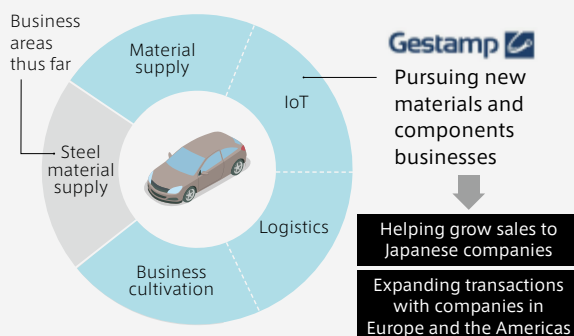
Strengthening of each individual

Collaboration to meet social needs



### CASE Mitsui × Partner

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 automotive 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.



### Clients and Business Partners

We endeavor to acquire a firm understanding of what clients and business partners expect from and require of Mitsui, whose businesses are becoming more diverse and complex. In addition to providing our business partners and associates with various functions in a proactive manner, we also work to resolve various issues in the supply chain while giving consideration to the end consumer and to ensuring the safety and security of products and services.

#### Engagement Methods

Engagement that occurs regularly in the ordinary course of business
Mitsui & Co. websites
Corporate Brochure / Advertisements / TV commercials
Sustainability Report
Activities based on the Supply Chain CSR Policy
Supplier questionnaire and on-site surveys



## Government Bodies

We are committed to compliance with related laws and regulations formulated by government agencies and local governments in the countries where we engage in business activities. Furthermore, through cooperation with governmental agencies and local governments, we firmly entrench ourselves in the local industrial structure. In order to create businesses that play a key role in each country and region of operation, we aim to contribute to nation building and industrial promotion in a highly unique manner.

### Engagement Methods

Participation in policy councils
Participation in consultation and advisory meetings with government agencies and offices
Training programs for local government bodies
Activities through business and industry groups
Engagement that occurs regularly in the ordinary course of business
Engagement undertaken for a particular purpose, such as large-scale resource development

Contribution to  
nation building

Coexistence with  
local communities

Collaboration to  
resolve social issues

## NPOs and NGOs

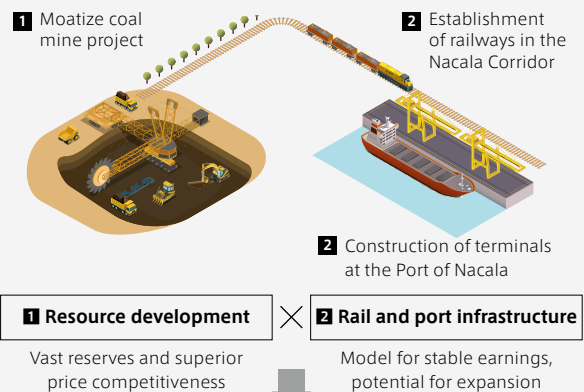
We endeavor to establish networks with various NPOs and NGOs and gather opinions regarding environmental and societal issues. At the same time, we pursue collaboration with NPOs and NGOs to resolve these issues.

### Engagement Methods

Discussions and local visits for cooperation with NPOs and NGOs
Participation in seminars hosted by NPOs and NGOs
Responses to questionnaires from NPOs and NGOs

### CASE Mitsui × Government Bodies

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.



## Local Communities

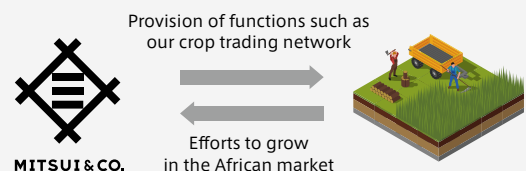
We contribute to sustainable development through our wide-ranging business activities and societal contribution activities in countries and regions throughout the world. We also aim to achieve harmonious coexistence with local communities through contributions in such areas as local industry development, creation of employment opportunities, and the establishment of infrastructure, as well as improvements in the daily lives of local residents.

### Engagement Methods

Engagement that occurs regularly in the ordinary course of business
Engagement undertaken for a particular purpose, such as large-scale resource development

### CASE Mitsui × Local Communities

We have invested in ETC Group Limited, which has adopted “if farmers grow, we grow too” as one of its credos. Through this investment, we will provide farming advice and leverage our crop trading network and other functions with the aim of reinforcing our profit base in Africa and in nations bordering the Indian Ocean.



# Efforts to Address Climate Change through Our Business

The actions of corporations to address climate change are becoming more and more important for realizing a sustainable society. This importance is highlighted by such factors as the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement by the United Nations as well as the announcement of risk management guidelines by the Task Force on Climate-related Financial Disclosures.

Mitsui has adopted the protection of the global environment as one of its material issues, "Protection of the Global Environment," in recognition of the adverse impact that climate change and other global environmental changes have on the sustainable growth of Mitsui and society as a whole. Meanwhile, the response to climate change provides us with new business opportunities, including low-carbon energy, eco-friendly infrastructure and products, and innovative services that make extensive use of digital technologies. We believe that the sustainable growth of society cannot be realized without economic development and measures to address climate change. Accordingly, we will leverage the comprehensive strengths of the Mitsui's Global Group to achieve sustainable growth for society through collaboration with our various stakeholders.

## Governance

### Accelerating Our Response to Climate Change

To serve as an organization that operates under the Corporate Management Committee, we established the Sustainability Committee, which comprises directors, executive officers, and the general managers of each relevant corporate staff division. The Sustainability Committee engages in such efforts as collecting information related to the sustainability of Mitsui's businesses, conducting monitoring activities, and submitting proposals to the Corporate Management Committee. In addition, the committee collaborates with the Headquarter Business Units to identify business risks and opportunities

pertaining to climate change and monitor the status of our frontline response to climate change. At the same time, the committee promotes activities to respond appropriately to the demand for information disclosure from external stakeholders. The details on discussions held at meetings of the Sustainability Committee are reported regularly to the Corporate Management Committee and the Board of Directors. These details are then used to help determine the future direction of our management.

## Strategy

### Simultaneously Pursuing Economic, Social, and Environmental Value

We identify business risks and opportunities by Headquarter Business Units and formulate strategies for sustainable growth accordingly. While working to fulfill important missions for Mitsui, such as "Stable Supply of Resources and Materials" and "Enhancement of Local Industrial Bases and Quality of Life,"

we are making concerted efforts to enhance the operational efficiency of our existing businesses and promote the development of innovative new technologies and business models. Through these means, we are taking on the challenge of realizing both economic development and a low-carbon society.

## Examples of Mitsui & Co.'s Initiatives

### 1 Natural Gas and LNG Businesses

Natural gas has a relatively low amount of greenhouse gas emissions compared with other fossil fuels. Accordingly, demand for natural gas as a clean energy source is increasing around the world. Since the 1970s, Mitsui has been investing in LNG businesses in the Middle East, Australia, Southeast Asia, and other regions. Through these investments, we have been extensively involved in the LNG supply chain, from production to marketing, and have contributed to a sustainable supply of natural gas and LNG.



Sakhalin II LNG project  
©Sakhalin Energy

### 2 Power Generation Businesses That Use Renewable Energy

Mitsui's Company-owned power generating capacity is 9.3GW (as of March 31, 2018), and renewable energy sources, including hydroelectric power, account for 16% of this amount. We have adopted a target of increasing this percentage to 30% by 2030. To work in tandem with this target, we are taking steps to gradually lower our percentage of coal-fired thermal power, which has a high environmental impact.



Bii Stinu wind project

### 3 Initiatives toward New Technologies

To respond to the increasing demand for energy, and to pursue efforts to address climate change, we are engaging in a pilot project in the supply chain for hydrogen, which is expected to be utilized as a form of next-generation energy, and undertaking initiatives toward new technologies, including carbon capture and storage technologies.



Hydrogen supply chain project  
Source: Chiyoda Corporation

## Risk Management

## Improving Risk Tolerance and Capturing New Growth Opportunities

We have classified businesses with a high level of environmental impact as “specially designated businesses” and are working to formulate measures to address the environmental impacts that accompany these businesses. We are also making efforts to examine the compliance of the specially designated businesses with environmental regulations and guidelines and to minimize risks starting from the stage of project incubation (Specially Designated Business Management System). Furthermore, we have established the Environmental & Societal Advisory Committee, which functions as an advisory body to the Sustainability Committee. Composed of attorneys and other external experts, the Environmental & Societal Advisory Committee takes steps to improve the quality of Mitsui’s projects from an objective and highly specialized perspective.

In the promotion and management of each business, we bear in mind the various climate change scenarios that are offered by internationally recognized organizations, such as the

International Energy Agency, and analyze the impact of such scenarios on our businesses. Additionally, as we are a company that develops businesses all over the world, the climate change-related policies of each country have a significant impact on the profitability and sustainability of each individual business. We therefore make full use of the global network we have established through our business activities over many years to promptly gain an understanding of the policies of each country of operation as well as the stakeholder trends that could impact such policies. This understanding is then utilized in our decision-making process.

We undertake initiatives in a broad range of diverse businesses. Accordingly, we are continuously revising our portfolio with an awareness of enhancing our tolerance to climate change-related risks. We are also taking on the challenge of flexibly capturing business opportunities that leverage our expansive business development.

### Major Climate Change-related Risks and Their Impact on Mitsui’s Businesses

To address the following climate change-related risks, which have the potential to adversely impact Mitsui’s businesses, we are transitioning to a portfolio with a high risk tolerance in each business field. In addition, we are closely monitoring government policies, laws, and regulations in each country of operation and working to provide new products and services that give consideration to a low-carbon society. Through these means, we are preparing ourselves to respond to potential risks should they occur.

Transition Risks	
Policy and Legal	Decrease in demand for fossil fuels and impairment to Mitsui’s stake in fossil fuel businesses resulting from the transition to using energy with low carbon emissions
	Adverse impact on the profitability of Company-owned assets resulting from such factors as changes in the energy and power source mix due to government policies in each country and the introduction of new laws or regulations
Technology	Adverse impact on the supply and demand of existing products and services due to the introduction of new technologies that respond to climate change
Market	Risks that affect the procurement of funds for business promotion resulting from low-carbon policies of financial institutions and insurance companies
Physical Risks	
Impediment of operations at operating companies in Australia, the U.S., and other regions due to cyclones and hurricanes	


### Efforts Related to Greenhouse Gas Emissions

We have been conducting a survey of our greenhouse gas (GHG) emissions from the fiscal year ended March 31, 2006, in Japan and the fiscal year ended March 31, 2009, overseas.

In the fiscal year ended March 31, 2018, GHG emissions from the Head Office, Company offices and branches, and domestic/overseas subsidiaries came to 0.66 million tons. Furthermore, GHG emissions from un-incorporated joint ventures in the metal resource and energy field totaled 3.32 million tons. As a result, total GHG emissions came to 3.99 million tons (see page 035).

Meanwhile, in addition to owning and maintaining forests that accumulate and absorb CO<sub>2</sub>, we are working to ease our total GHG emissions in such ways as participating in the Jirau run-of-the-river hydropower project in Brazil, which has received approval from the United Nations for annual carbon credits of 6 million tons.

Also, we have adopted a target to reduce the annual amount of energy consumed by 1% at our Head Office as well as at our domestic offices and branches and domestic subsidiaries.

 For more information on our environmental data, please see page 33 of *Sustainability Report 2018*.

### Mitsui’s Forests

**Passing on an abundance of forests to the next generation with the aim of realizing a sustainable society**

We own forests in 74 locations that cover a total of 444 km<sup>2</sup> (44,417 hectares), which is roughly 0.1% of Japan’s total land area. Taking into account the public value offered by forests, we have maintained and managed our forests over many years. In addition, all of our forests have obtained the FSC® certification (license number: FSC®C057355) and SGEI certification, which are both international standards. It is also estimated that Mitsui’s forests accumulate and absorb roughly 560,000 tons of CO<sub>2</sub> per year.\* These factors demonstrate how we contribute to the mitigation of climate change-related risks through responsible forest management.

\* Based on in-house calculations that referenced “IPCC Guidelines for National Greenhouse Gas Inventories” Tier 1





## Message from the Chairperson of the Sustainability Committee



Satoshi Tanaka  
Representative Director,  
Executive Vice President  
Chief Administrative Officer (CAO)  
Chief Information Officer (CIO)  
Chief Privacy Officer (CPO)

We will drive our business with an increased focus on ESG (environmental, social, and governance) aspects in line with our identified Materiality, and embody our corporate slogan, “360° business innovation.” By doing so, we will create outstanding business that benefits Japan and the world.

Mitsui acknowledges companies can only be sustainable if the societies they operate in are sustainable. We want to fulfill our social responsibilities by the sustainable growth of our own company, in order to contribute to the realization of a sustainable society through our business activities.

Mitsui has been accurately identifying society's expectations and societal issues through dialogue with various stakeholders, and enhancing our capabilities and functions to meet the expectations of society. Takashi Masuda, the first president of the former Mitsui, stated, "Let not short-term gains tempt your mind, seek only enduring prosperity by embracing grand aspirations." That commitment to stay focused on the future and pursue the sustainability of society and business has remained part of our heritage down to the present day. As a company engaged in business operations on a global scale, we believe that it is our mission to contribute to the creation of a sustainable society through our business activities.

In 2004, the Company made a declaration to the international community of its commitment to put these concepts into practice by signing and pledging its support for the UN Global Compact, a charter of voluntary principles for businesses and institutions concerning human rights, labor, the environment, and anti-corruption. We strive to implement the provisions of the Global Compact and are committed to stay focused on the future. In 2015, we identified five material issues which are relevant to all aspects of our business activities. Based on a medium- and long-term perspective, we assess potential risks and opportunities that arise from the influences brought by those identified five material issues.

In 2017, the Company established the Sustainability Committee under the Corporate Management Committee with the aim of ensuring that these ideas are deeply reflected in the activities of Mitsui. For the fiscal year ended March 31, 2018, we held discussions mainly on climate change, covering a wide range of topics including the direction of Mitsui's future initiatives and

responses, risk management, and disclosure policies, and reported the results to the Corporate Management Committee and the Board of Directors. We will continue to plan, formulate, and make proposals for advancing management more focused on the sustainability of society and Mitsui.

Today, problems with the potential to threaten the sustainability of both the global environment and society are occurring on a global scale, causing heightened unpredictability and uncertainty in every field of activity. We are now in an era in which we must use various options to search for paths to the future. As manifested in the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement by the United Nations, corporations are expected to enhance corporate value and maintain a strong focus on long-term perspectives and social sustainability. Because of these changes, we believe that we need to sharpen the sensitivity of the antenna that we have developed, in order to fulfill our corporate mission of contributing to the creation of a sustainable society through our business activities.

Mitsui will contribute, through its wide-ranging global business activities, to solutions to global issues, such as economic and social development in various countries and regions and climate change. We will work to promote a better understanding of our business activities by informing the world about our strengths and vision, so that we can earn the trust of all our stakeholders, including our customers, business partners, and governments and local communities in the countries where we do business, as well as our investors.

While we continue to strive not only to fulfill our social responsibilities, we will drive our business with an increased focus on ESG (environmental, social, and governance) aspects in line with our identified Materiality, and embody our corporate slogan, "360° business innovation." By doing so, we will create outstanding business that benefits Japan and the world and enhances our corporate value, and contribute to the realization of a sustainable future where the aspirations of people can be fulfilled.