

## CEO Message

We are a company that can bring together our capabilities across multiple business sectors. As such a company, we are able to identify, nurture, and grow potential new businesses in both new and existing sectors, even within a world that is undergoing dramatic change. Through this cycle of business creation, we will make a further leap forward as a company.

Tatsuo Yasunaga

Representative Director,  
President and Chief Executive Officer



## **Looking back on the second year of the medium-term management plan**

The second fiscal year of the current medium-term management plan, which ended March 31, 2019, saw concrete achievements in keeping with Mitsui's goal of building a robust profit base. In Mineral and Metal Resources, we undertook new developments to maintain production volume, and in Energy, we cemented operatorship through the acquisition of AWE. In Machinery & Infrastructure, we expanded our FPSO fleet to meet growing demand and furthered initiatives in Mobility centered on Penske Truck Leasing. By further strengthening these already solid businesses, we improved the level and the stability of our core operating cash flow.

In addition, we increased our holding in Asia's largest private hospital group, IHH—the flagship of our growth areas—to become its largest shareholder, and we established a platform to independently pursue initiatives in the healthcare business area, which contains significant growth potential. Furthermore, the completion of our withdrawal from Multigrain in Brazil, which had been experiencing challenges for many years, enabled us to more aggressively allocate management resources, in particular, within the Lifestyle segment, and we are seeing major improvements in profitability as a result.

Since I was appointed president, we have further strengthened our already strong resources business, but as a counterbalance we have also put the strengthening of non-resources areas at the center of our management plan, and those efforts are steadily bearing fruit.

At the time of the announcement of the current medium-term management plan, our allocation policy for cash flow for investments over three years was 65% to core areas and 35% to growth areas. However, due to our large-scale additional investment in IHH, this allocation currently stands at 58% and 45%, respectively.

Business performance for the fiscal year ended March 31, 2019 was impacted by accidents at operations in the Chemicals and Mineral & Metal Resources segments and by project cost increases attributable to changes in the macro economy. If these one-time factors were to be excluded, performance was mostly in line with forecasts, and it can be said Mitsui has achieved significant strengthening of its business portfolio.

## **Revision of Materiality**

Before going into the business plan for the fiscal year ending March 31, 2020, the final year of the current medium-term management plan, I would like to explain about the revision of Mitsui's Materiality amid constant changes in the megatrends that influence our businesses, and in recognition of the growing importance of sustainability. In carrying out this revision, we took into account both the perspectives of various stakeholders as well as the viewpoint of impact on our business activities. Through active internal and external discussions and obtaining approval from the Board of Directors, we identified five material issues as new Materiality.

The new Materiality identifies “Create an eco-friendly society” as a material issue for Mitsui. As I noted in *Integrated Report 2018*, we recognize that our impact on the environment presents potential risks to society and our sustainable growth, while we are keenly aware that the international trend toward reducing greenhouse gas emissions will also bring us new business opportunities. The rapid shift in China from coal to gas, which has a comparatively low environmental impact, is a typical example, and we believe this is an irreversible worldwide trend.

“Secure sustainable supply of essential products” and “Enhance quality of life” are also material issues for Mitsui that should be addressed through our business. The increase in demand for infrastructure, resources, and food that has accompanied population growth and economic development in emerging countries, the changing tastes associated with higher standards of living, and increasing healthcare needs associated with shifts in disease structure, are already recognized as global issues. In addressing these issues, there is a need for a steady, sustained, long-term approach to opening up new business frontiers that is sensitive to regional characteristics. Contributing to the development of nations through this kind of approach is an important mission for Mitsui.

We believe that contributing to economic and social development at the country and regional level and addressing global-scale issues such as climate change through our wide-ranging global business activities—taking a long-term, balanced approach to both—is itself a sustainable growth strategy.

I wish to provide more thoughts behind the revision of Materiality.

For all five issues of our Materiality, we have used the Japanese word *tsukuru* (in English, create, develop, build, etc.). This word was consciously chosen to reflect Mitsui’s vision announced in the current medium-term management plan, “Mitsui is a group that incubates and develops new

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### New Materiality



#### Secure sustainable supply of essential products

Ensure the sustainable and stable supply of resources, materials, food and manufactured products that are vital for the development of society.



#### Enhance quality of life

Contribute to the betterment of living standards and the development of local industries to realize sustainable societies globally.



#### Create an eco-friendly society

Accelerate initiatives towards environmental issues, such as responding to climate change and water resource problems, and contributing to a circular economy.



#### Develop talent leading to value creation

Respect diversity and develop human resources with the competence to create innovation and new value.



#### Build an organization with integrity

Strengthen our governance and compliance as a corporate group trusted by society.

**Environment,  
Health, and  
capturing  
the growing  
Asian demand**

businesses,” which means that Mitsui is hands-on and proactively creates businesses and brings along new value.

The name “Mitsui Bussan” was chosen by Masuda Takashi, the president of the former Mitsui & Co.,\* because the characters in Japanese signify creation or birth. This is a reflection of Mitsui & Co.’s main business, its reason for being, which is to create and nurture new businesses and industries. Because Mitsui can call on a network of partners and customers around the world bringing together capabilities across multiple business sectors, we are in a unique position to identify potential new business, sometimes hidden at the periphery of a business sector, or to spot new value in existing businesses and grow them further. It is these strengths that I want to highlight.

\* From a legal perspective, there is no continuity between the former Mitsui & Co. and the present Mitsui & Co., and they are totally separate corporate entities.

During the course of the past two years of the medium-term management plan, I have gained a strong conviction that even in an increasingly unpredictable global economy, Environment and Health are sectors in which consistent and high growth can be expected and in which Mitsui can create new value by exerting our comprehensive strengths.

Under the current medium-term management plan, we selected four growth areas to establish Mitsui’s next profit pillars. Mitsui has long promoted initiatives in areas where social need is high, such as in “Mobility,” which focuses on projects concerning electrification and reduction in weight of vehicles, and in “Healthcare,” which encompasses the hospital business and pre-symptomatic disease. While the framework of four growth areas remains unchanged, in the business plan for the fiscal year ending March 31, 2020, we have positioned Environment and Health at the core of our action plan, and looking ahead, we remain focused on strengthening our foundations in these businesses and on expanding to adjacent businesses.

Tackling climate change is a growing global challenge and we intend to further accelerate our efforts in the area of the environment, addressing the increasing demand in Asia for LNG, an energy source with comparatively low environmental impact, and deal with trends for electrification and ride sharing in Mobility.

In the area of health, with Asia in particular experiencing high middle-class growth, the supply of health services to address the increase in chronic diseases associated with higher standards of living, the supply of quality food and medical products is essential to improving well-being and developing local industry.

Environment and Health encompass a broad business sector that extends beyond the fields in which Mitsui can make even greater use of our network.

This sector calls for a multi-layered approach bringing together ideas, technology, and systems. By combining different fields, our so-called comprehensive strengths, to pursue initiatives for value creation, we will further raise Mitsui's corporate value.

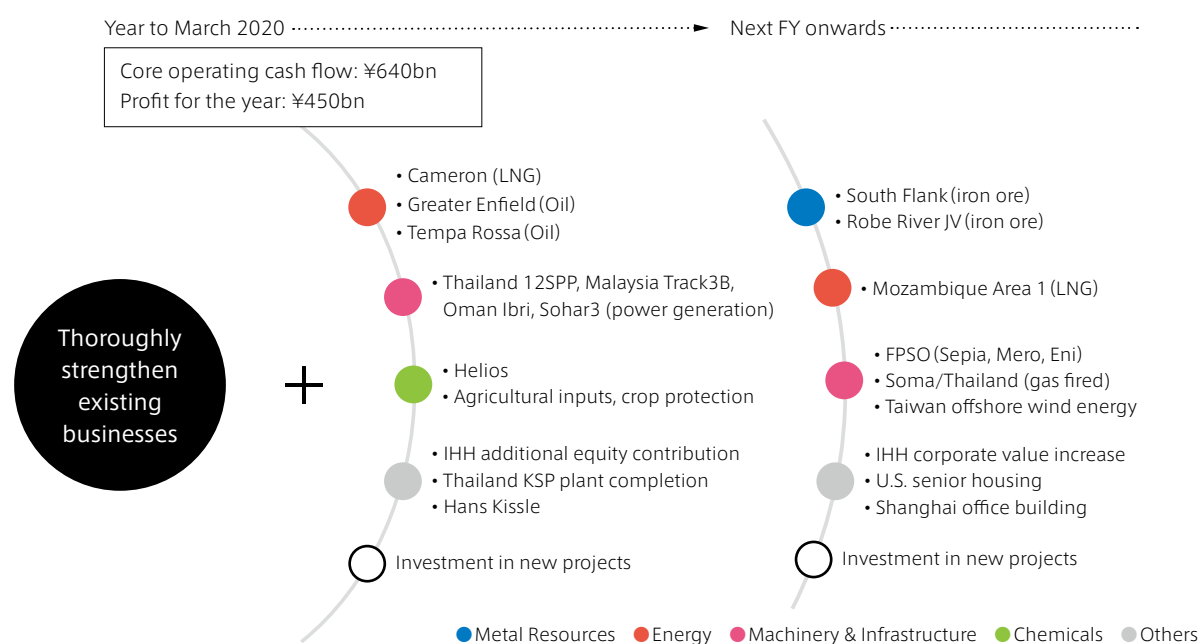
Looking beyond Environment and Health, across all segments in which we operate, we will continue to improve the quality of our business and investment portfolio by pursuing initiatives to strengthen existing businesses, raising the profitability of existing assets, and through strategic recycling.

### Outlook for the fiscal year ending March 31, 2020

In the fiscal year ending March 31, 2020, the final year of our medium-term management plan, we are targeting profit after tax of ¥450 billion and core operating cash flow of ¥640 billion. Respectively, those figures are ¥10 billion higher than targets for the final year of the plan when we announced the current medium-term management plan. In addition, ROE has surpassed 10% for the past two consecutive years, and we are aiming to achieve the same for the fiscal year ending March 31, 2020. I would like to introduce specific key initiatives for the current fiscal year ending March 31, 2020, to achieve these targets.

In Energy, we are making progress in the Cameron LNG project, where the first train went into operation in May 2019, and we are aiming for steady progress and an early start-up of the second and third train. We are also

### The accumulation of assets and the start of their contributions to earnings and cash flow



aiming for progress in the Mozambique LNG project, for which we made a final investment decision in June 2019, and production commencement at the Tempa Rossa oil field in Italy and also at the Greater Enfield oil field in Australia.

In Machinery & Infrastructure, construction of a new large-scale power generation project is on schedule, and in the U.S., profit contributions from ForeFront Power's distributed power supply and services business and other projects in the next-generation power sector are progressing. We are continuing to enhance our fleet in the FPSO business as well.

In Chemicals, we will push forward with efforts to recover operations following an incident at ITC, a tank terminal business in the U.S., while in the field of nutrition we will strengthen supply of integrated solutions including not only methionine but also specialty products such as minerals and enzymes.

In Healthcare, we will leverage our additional investment in IHH, through which we became the company's largest shareholder, to exercise Mitsui's comprehensive strengths and bolster the profit in hospitals and ancillary businesses in Asia. At the same time, we will promote the enhancement of value at PHC through business expansion.

Ensuring the steady launch of these projects and enhancing our profitability while thoroughly strengthening existing businesses will enable us to achieve the goals of the business plan for the current fiscal year, ending March 31, 2020.

## Capital allocation

We believe that it is important to provide solid returns centered on stable dividends to stakeholders including shareholders and investors, who understand and support our long-term efforts. At the same time, we recognize that management has an important responsibility

to act in the interests of shareholders and all stakeholders by ensuring Mitsui's sustainable growth. That means that we must balance shareholder returns with necessary investment in growth and in building a robust financial base to support both. In this way, we aim to achieve our mission as a business entity, which is to enhance corporate value.

Needless to say, constant improvement in asset efficiency is an important issue for management, and we routinely recycle inefficient projects and businesses that do not cover the cost of capital or in which we cannot improve value. Looking ahead, we will seek to further improve investment discipline and the value of existing businesses.



## CEO Message

Human capital is an important element of capital allocation because it is one of limited and important capital resources. Diverse, independently minded Mitsui professionals are active in every part of the world. Although not appearing on the balance sheet, these people are our greatest assets, and how we acquire, train, and effectively deploy this important capital resource is a critical issue for management on a par with cash allocation.

Mitsui is building strong but light armor by implementing a significant shift of personnel from corporate administrative organizations to the business frontlines. We are also accelerating the utilization of personnel on a global basis under our Level Playing Field concept and have introduced the Change Leader Program to foster leadership candidates outside Japan. Through these initiatives, we are further strengthening human capital of the entire Group and ensuring the most effective deployment of talent.

### In conclusion

When we announced the current medium-term management plan, we indicated Mitsui's vision, "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." We will continue to aggressively seek out growth opportunities by drawing on the strength of our network, and through a cycle of creating new businesses and raising their values, we will steadily achieve our target for the fiscal year ending March 31, 2020, the final year of the current medium-term management plan. I will do my utmost to combine effective leadership with sound corporate governance for the sustainable growth of Mitsui further into the future. We aim to continue to engage closely with our shareholders and investors, take on board your feedback and opinions, and deepen your understanding of Mitsui's management. I very much appreciate your interest in our progress, and look forward to your continued support.

September 2019



Representative Director, President and Chief Executive Officer