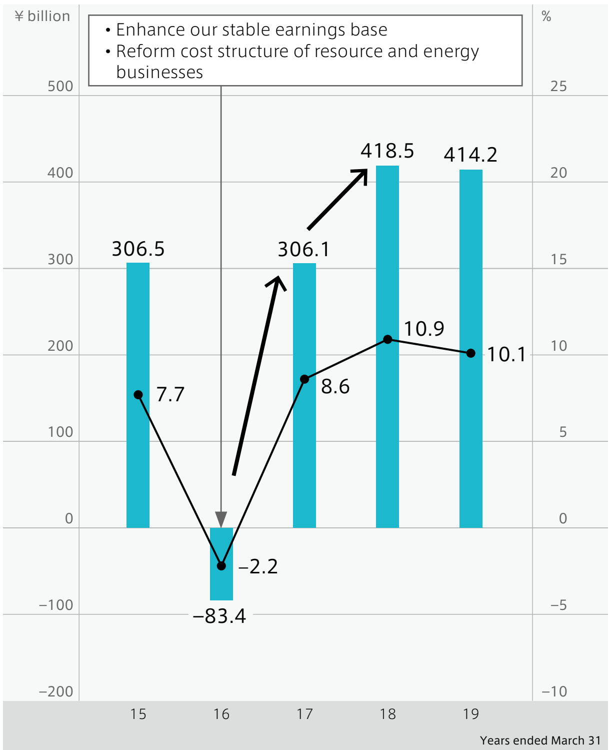
CHAPTER 2

Our Progress

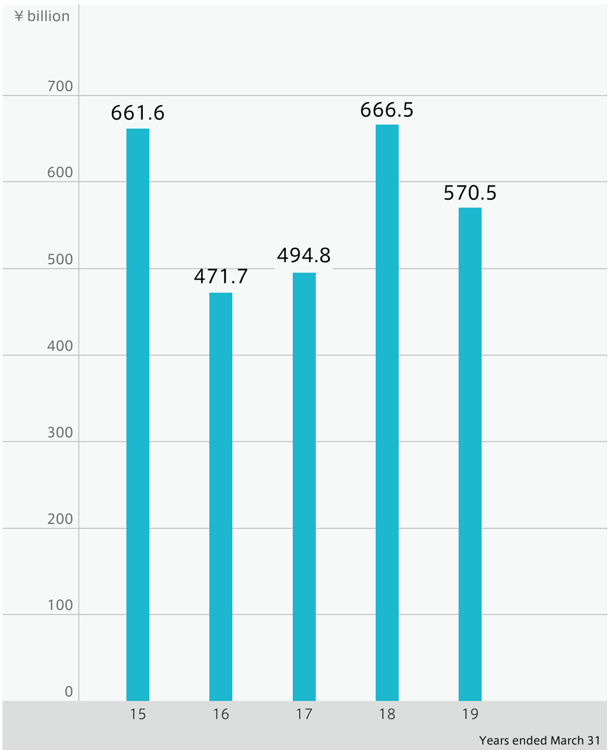
Performance Highlights

Profit (Loss) for the Year Attributable to Owners of the Parent / ROE 1 2 3



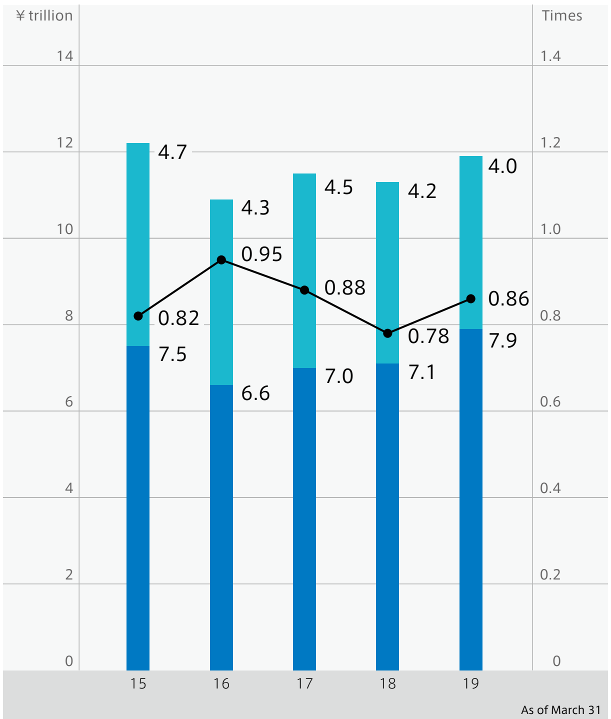
Profit (loss) for the year attributable to owners of the parent (left scale)
ROE (right scale)

Core Operating Cash Flow* 1 3



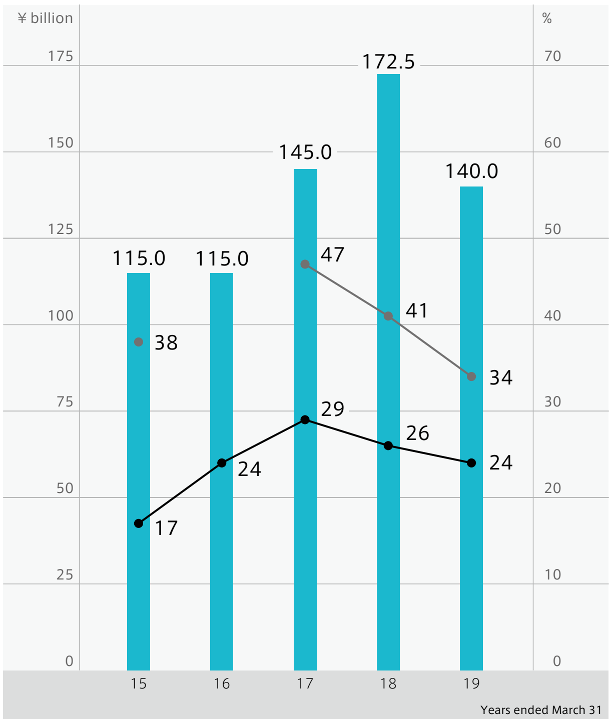
* Cash flows from operating activities minus cash flows from changes in working capital

Total Assets / Net DER 2



Current assets (left scale) Non-current assets (left scale)
Net DER (right scale)

Total Shareholder Return Amount / Total Shareholder Returns as a Percentage 3



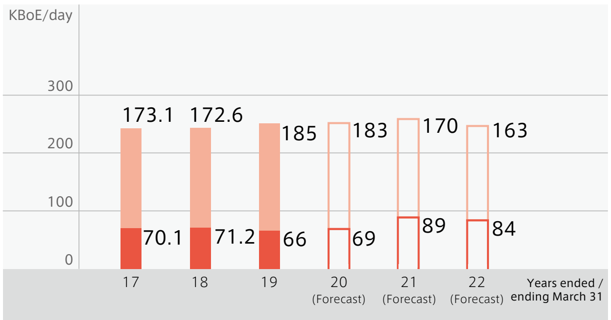
Total shareholder return amount (left scale)
Total shareholder returns as a percentage of core operating cash flow (right scale)*1
Total shareholder returns as a percentage of profit for the year (right scale)*2, 3

*1. Amount of shareholder returns divided by core operating cash flow
*2. Amount of shareholder returns divided by profit for the year
*3. The total shareholder returns as a percentage of profit for the year for 2016 was omitted due to a loss.

Maintain robust, sustainable earnings growth ········ 1
Boost asset and capital efficiency ········ 2
Continually increase shareholder value ········ 3
Create social and environmental value ········ 4
Improve human resource capabilities ········ 5

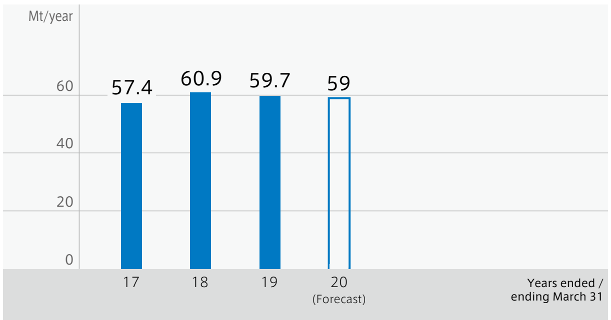
Equity Share of Production ········ 1 4

Crude Oil & Gas

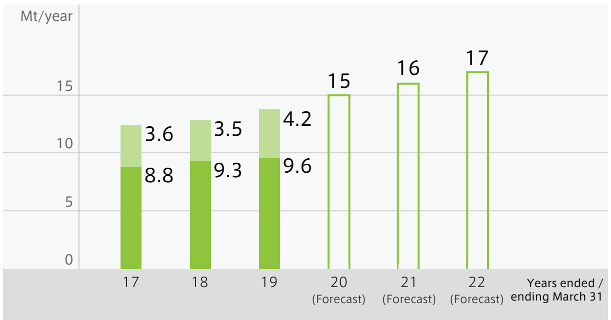


Crude oil Gas

Iron Ore

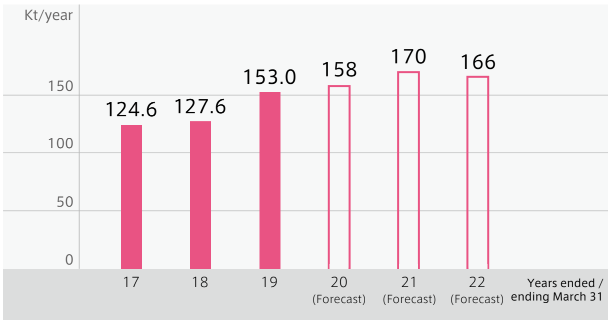


Coal

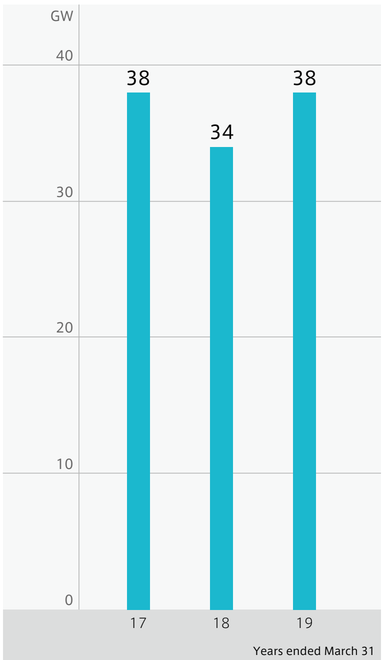


Coking coal Thermal coal

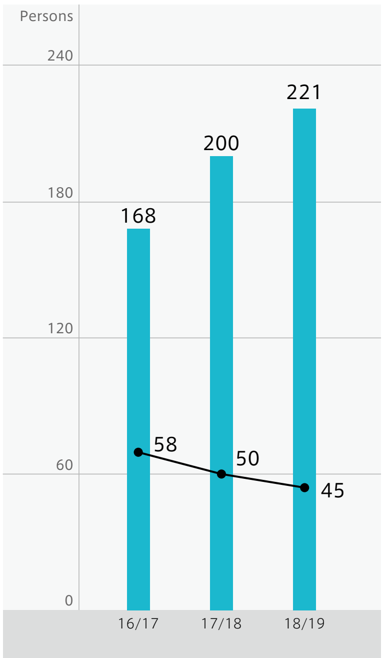
Copper



Power Generating Capacity (Gross) ········ 1 4

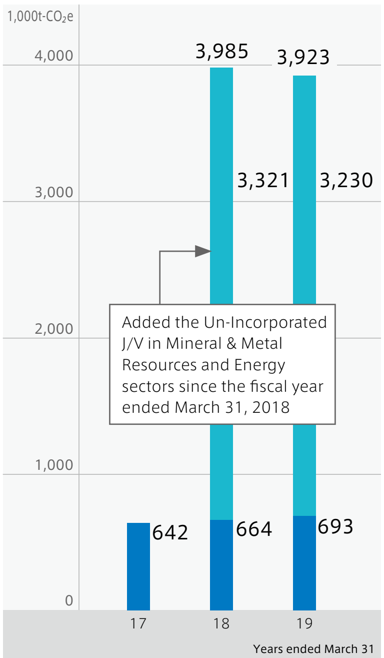


Female Managerial Staff*1 / Female Employees Dispatched Overseas*2 ········ 4 5



Female managerial staff
Female employees dispatched overseas
*1. Non-consolidated, as of July 1 (2016–2018)
*2. Overseas trading subsidiaries, as of April 1 (2017–2019)

Greenhouse Gas (GHG) Emissions ········ 4



Scope: Greenhouse gas emissions of the Company, consolidated subsidiaries, and un-incorporated joint ventures in Mineral & Metal Resources and Energy sectors (Scope 1 and Scope 2, includes gas generated at times of production)
The Company and subsidiaries
Un-incorporated joint ventures in Mineral & Metal Resources and Energy sectors

Takakazu Uchida

Representative Director,
Senior Executive Managing Officer,
Chief Financial Officer (CFO)

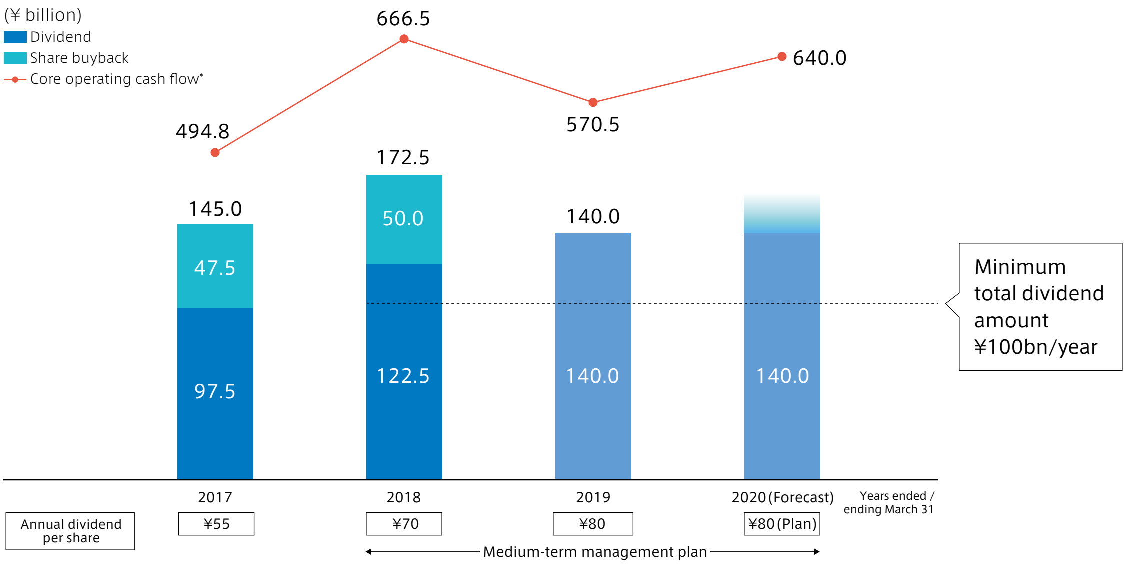
Results for the Fiscal Year Ended March 31, 2019

Looking back on the fiscal year ended March 31, 2019, the global economy slowed its pace of growth due to the weakening momentum of the economic recovery in Europe, Japan and China despite an overall firmness in the U.S. economy.

In this environment, profit for the year attributable to owners of the parent was ¥414.2 billion (a decline of ¥4.3 billion year on year) and core operating cash flow was ¥570.5 billion (a decline of ¥96.0 billion year on year). Although the Chemicals segment fell short of the plan due to the revision of Novus' expansion project and recognition of costs related to the fire incident at the U.S. tank terminal business, Lifestyle and Innovation & Corporate Development achieved a large increase in year-on-year profit, and thus the full-year results of the Non-Resources Area were largely in line with the revised annual forecasts announced in February 2019, excluding one-time factors. Resources & Energy resulted more or less in line with the business plan in spite of Vale's incident.

In terms of shareholder returns for the fiscal

Shareholder Returns



* Cash flows from operating activities minus cash flows from changes in working capital

year ended March 31, 2019, we increased the annual dividend by ¥10, to ¥80 per share, representing a total return to shareholders of approximately ¥140 billion. For the fiscal year ending March 31, 2020, we forecast a dividend of ¥80 per share, but we will consider additional shareholder returns while monitoring commodity market prices, which are steady for time being, and also paying attention to the accumulation of core operating cash flow.

Overall, one can see growing signs of stagnation throughout the global economy, and careful attention should be given to future developments of such issues as to the direction of U.S.–China trade negotiations and the policy trends of major countries.

Evolution of Cash Flow Focused Management

During the previous medium-term management plan, we introduced a cash flow allocation framework. Our purpose was to drive the implementation of our growth strategy while maintaining and strengthening our financial foundation by making a balanced allocation of cash, gained from operating cash flow and asset recycling, to both growth investments and shareholder returns. As a result, we achieved positive free cash flow during the previous medium-term management plan, and realized shareholder returns totaling ¥375 billion, including share buybacks.

During the current medium-term management plan, we are taking further steps to enhance the cash flow focused management. We set a minimum dividend payment based on stable core operating cash flow, which refers to the level of core operating cash flow that we are able to generate in a stable manner with consideration to future trends in the commodities market. Also, we will manage positive free cash flow even after carrying out shareholder returns and allocate it to additional shareholder returns, repayment of interest-bearing debt, and additional investments, depending on operating conditions and the business environment at the time. We will work to maintain our current “A” credit rating while striving to raise it in a sustainable manner.

As for cash flow allocation based on the above

Outlook for Cash Flow Allocation (FY2018–FY2020)

Unit: ¥ billion

		Medium-term management plan two-year cumulative results	Annual plan for FY March 2020	Three-year cumulative (Disclosed in May 2019)	Three-year cumulative (Disclosed in May 2017)
Cash-In	Core Operating Cash Flow[*1]···[1]	1,240	640[*2]	1,880[*2]	1,700
	Asset Recycling···[2]	530	270	800	700
Cash-Out	Investment and Loans···[3]	–1,490	–610	–2,100	–1,700〜–1,900
	Shareholder Returns···[4]	–310	–140	–450	–300
Free Cash Flow[*3] after Shareholder Returns··· [1]+[2]+[3]+[4]		–30	160[*2]	130[*2]	200〜400

Allocation

Additional shareholder returns

Repayment of interest-bearing debt

Additional investment

*1. Cash flows from operating activities minus cash flows from changes in working capital
*2. Includes ¥50bn increase in operating cash flow associated with application of IFRS 16 “Leases”
*3. Free cash flow that excludes the effects of changes in working capital and time deposits
From the fiscal year ended March 31, 2019, cash flows of some lease transactions, which had previously been recorded as changes in working capital, are recorded as investment cash flow and have been excluded from the table above.

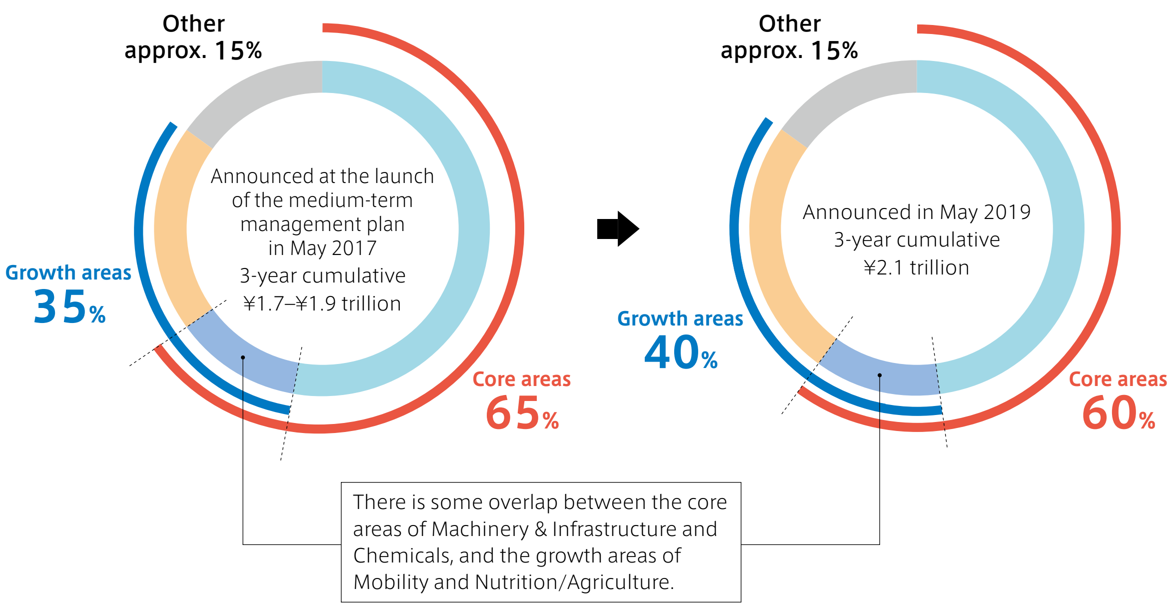
policies, at the announcement of the current medium-term management plan, over the three-year period we expected to generate ¥1.7 trillion in core operating cash flow and ¥700 billion through asset recycling, giving a cumulative three-year total of ¥2.4 trillion in cash inflows. Meanwhile, we anticipated between ¥2.0 trillion to ¥2.2 trillion in cash outflows, which consisted of investment totaling ¥1.7 trillion to ¥1.9 trillion and minimum dividend payments totaling ¥300 billion. Of the ¥1.7 trillion to ¥1.9 trillion we expected to use for investments, roughly 65% would be allocated to our three core business areas (Resources & Energy, Machinery & Infrastructure, and Chemicals) in an effort to maintain and enhance our ability to generate core operating cash flow, and the remaining 35% would be used for investment in growth areas with the aim of establishing the next pillars for profits.

In the fiscal year ended March 31, 2019, the second year of the current medium-term management plan, core operating cash flow for the year was ¥570 billion. Combined with ¥230 billion obtained from progress in asset recycling, this produced total cash inflows of ¥800 billion. Investment and loans totaled ¥930 billion due to carryover of some projects from the fiscal year ended March 31, 2018, and additional investment in IHH. With the addition of ¥140 billion in shareholder returns, free cash flow after shareholder returns was negative ¥270 billion, bringing the two-year total to negative ¥30 billion.

Based on results for the fiscal years ended March 31, 2018 and 2019, and the business plan for the fiscal year ending March 31, 2020, I will explain the revised three-year cumulative cash flow allocation for the period of the medium-term management plan. In the fiscal year ending March 31, 2020, we are forecasting core operating cash flow of ¥640 billion. Year-on-year growth is expected due to the approximately ¥50 billion effect of changes to the accounting standards concerning operating lease, the absence of one-time losses in the Chemicals segment in the fiscal year ended March 31, 2019, and strengthening of the cash generation capability of non-resource areas.

At the announcement of additional investment in IHH in November 2019, we revised cash flow allocations in the medium-term management plan. As a result of the additional investment, the

Allocation of Investment



cumulative amount of investment and loans over the three-year period increased to the level of ¥1.9 trillion to ¥2.1 trillion from the level of ¥1.7 trillion to ¥1.9 trillion at the announcement of the current medium-term management plan. The cumulative amount of asset recycling also increased to the ¥800 billion level from ¥700 billion. In this revision, taking dividend stability and continuity into account, we factored in the same level of shareholder returns as the amount for the fiscal year ended March 31, 2019.

At the announcement of the business plan for the fiscal year ending March 31, 2020, as for investments and loans, we are setting the target at ¥2.1 trillion, which is within the three-year cumulative range announced already, and there is no change to our forecasts for asset recycling and shareholder returns.

As a result, three-year cumulative free cash flow after shareholder returns will be approximately ¥130 billion, which will be used to pay down net interest-bearing debt including the lease fees I touched on earlier, as well as for additional shareholder returns and additional investments as appropriate in consideration of the business situation.

The breakdown of total investment and loans will be increased to growth areas as additional investment in IHH took place, and we anticipate that roughly 60% and 40% will be allocated to core business areas and growth areas, respectively. In regard to investments, we will carefully select projects while continuing to enforce strict investment discipline and manage firmly within the ¥2.1 trillion level over the three-year period.

Strengthening Financial Base

As of March 31, 2019, total assets amounted to ¥11,945.8 billion, up ¥639.1 billion from the previous fiscal year-end, and net interest-bearing debt was ¥3,659.2 billion, up ¥570.0 billion. Shareholders' equity totaled ¥4,263.2 trillion, a rise of ¥288.5 billion due primarily to an increase in retained earnings. The net debt-to-equity ratio increased from 0.78 times to 0.86 times.

Net interest-bearing debt increased due to large-scale investments such as in IHH as well as an increase in working capital and the conversion of foreign currency-denominated debt amid U.S. dollar appreciation. But there is no change to our policy in achieving three-year cumulative positive free cash flow after shareholder returns, and we will continue to strengthen our financial base.

Basic Policy for Shareholder Returns

Through discussions at the Board of Directors' meetings in which external directors were involved, we have decided on two basic policies for the distribution of profits. First, in order to increase corporate value and maximize shareholder value, we will meet investment demand in core and growth areas through increases in retained earnings while also allocating a portion of profits directly to shareholder returns in a manner of dividend payouts. Second, in relation to share buybacks aimed at improving capital efficiency, the Board of Directors will flexibly determine buyback amounts and buyback timing taking into consideration various factors such as the business environment, future trends in investment demand, free cash flow, interest-bearing debt levels, and ROE.

Based on these policies, we set the dividend per share for the fiscal year ending March 31, 2020 at ¥80 per share. While our principal intention is to steadily increase dividends through improvements in corporate performance, we will consider flexible ways to address shareholder compensation, depending on the progress of our business plan, and will continue with initiatives to achieve ROE of 10% in the fiscal year ending March 31, 2020.

September 2019

Medium-term Management Plan

Driving Value Creation

2018 | 2019 | 2020

External environment

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

↓

Mitsui's focus

- Establish a profit base resilient to external changes and risks
- Dynamic allocation of resources
- Strengthening our management foundation

↓

Key initiatives

1. Build a robust profit base and thoroughly strengthen existing businesses
2. Establish selected new growth areas
3. Cash flow focused management; Strengthen financial base
   P.060–063 CFO Message
4. Enhance Governance, Personnel, and Innovation functions

↓

Quantitative targets

Profit for the year[*1]	Core operating cash flow[*2]	ROE
¥450.0 bn (Year to March 31, 2020)	¥640.0 bn (Year to March 31, 2020)	10% (Year to March 31, 2020)
¥440.0 bn (Announced at the launch of the medium-term management plan)	¥630.0 bn (Announced at the launch of the medium-term management plan)	10% (Announced at the launch of the medium-term management plan)

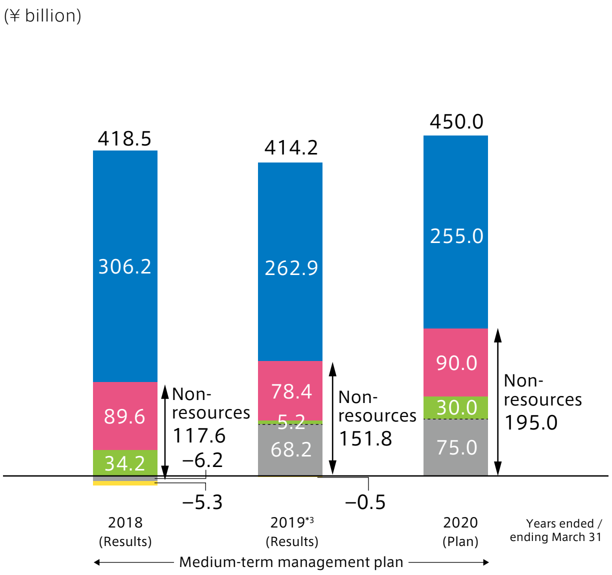
*1. Profit for the year attributable to owners of the parent
*2. Cash flows from operating activities minus cash flows from changes in working capital

FY2020 business plan

2018 2019 **2020**

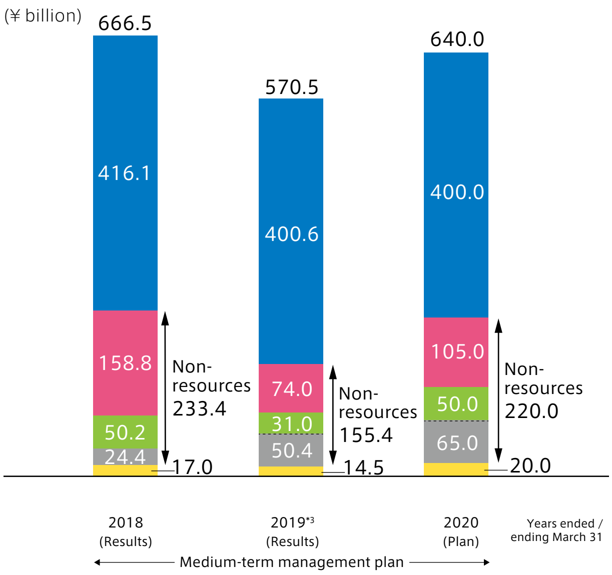
Profit for the year[*1] (for each segment)

- Steadily enhance revenues in non-resource areas, mainly from Machinery & Infrastructure and Lifestyle segments



Core operating cash flow[*2] (for each segment)

- Strengthen cash generation in non-resource areas
- Increase in FY Mar/2020 core operating cash flow associated with application of IFRS 16 "Leases"



Resources & Energy | Machinery & Infrastructure | Chemicals | Other areas | All others / Adjustments and eliminations

*1. Profit for the year attributable to owners of the parent
*2. Cash flows from operating activities minus cash flows from changes in working capital
*3. After reflecting modifications associated with structural reorganization

FY2020 action plan

- Strengthen business base and expand to adjacent businesses focused around the environment and health
  - Focus on LNG business, a low-environmental-impact business
  - As the largest shareholder in IHH, strengthen influence on management systems to accelerate the enhancement of corporate value
  - Approach from different business areas and create value by exercising comprehensive strength
- Capture demand in Asia driven by growing middle class
- Continuously raise quality of portfolio by increasing profitability of existing assets and strategic recycling

Environment

Metals | Machinery & Infrastructure | Chemicals | Energy

- Steadily establish LNG pipeline project
  - Efforts toward Mozambique FID
  - Production start at Cameron LNG Project in U.S.
- Accelerate initiatives in renewable energy and next-generation power
  - Wind farm in Taiwan, ForeFront Power in U.S. (distributed solar generation)
- Accelerate initiatives in reducing weight of vehicle frames, commercial vehicle electrification and recycling business
  - Gestamp Automoción in Spain, CaetanoBus in Portugal

Health

Chemicals | Lifestyle | Innovation & Corporate Development

- Strengthen profit base of hospitals and hospital ancillary businesses in Asia
  - Strengthen influence on IHH management system, exercise comprehensive strength
- Steadily drive personalized wellness business
  - Thorne Research in U.S.
- Strengthen U.S. high-quality prepared foods business
  - Hans Kissle in U.S.
- Strengthen senior living property business in U.S.

Key initiatives and results of the past two years of medium-term management plan 2018 2019 2020

Initiative 1 Build a robust profit base and thoroughly strengthen existing businesses

The three core areas of our medium-term management plan are Resources & Energy, Machinery & Infrastructure, and Chemicals. We aim to generate 90% of our entire core operating cash flow from these three areas. We will continue to add assets through bolt-on acquisitions in these areas of strength, thereby enhancing our strengths.

Resources & Energy	Machinery & Infrastructure	Chemicals
• Iron Ore • Oil & Gas	• Power generation • Marine energy • Gas distribution • Automotive • Shipping • Railroads	• Feed additives/Agricultural chemicals • Functional materials • Tank terminals • Chemical products manufacture and trading

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

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

Results of the past two years

In FY Mar/2018, the first year of the medium-term management plan, we built a robust profit base and thoroughly strengthened existing businesses. In FY Mar/2019, in addition to strengthening our core areas, we achieved solid improvement in profitability in the Lifestyle and Innovation & Corporate Development segments.

	First year (2018)	Second year (2019)
Mineral & Metal Resources	■ Ramping up of Moatize/Nacala, entered into project finance in Mozambique ■ Acquired additional equity in Collahuasi copper mine in Chile	■ Maintained and expanded iron ore business base in Australia (FID to develop South Flank iron ore mine and Robe River JV deposit) ■ Sold its equity interest in Bengalla coal mine in Australia (thermal coal)  Robe River JV
Energy	■ Start of Kipper contribution in Australia ■ Tender offer for AWE Limited in Australia	■ Steady promotion of LNG projects (Cameron LNG Project in the U.S., Mozambique, agreed business contract extensions in Abu Dhabi LNG) ■ Acquired AWE Limited in Australia through takeover bid  Cameron LNG Train1 ©2019 Cameron LNG. All copyrights and trademark rights reserved.
Machinery & Infrastructure	■ Improved asset quality through IPP asset recycling ■ Commencement of 2 FPSO charter contracts ■ Additional investment in Penske Truck Leasing Co., L.P. in the U.S.	■ Participated in new power generation business (Taiwan offshore wind power) ■ Expanded FPSO business ➔Column

	First year (2018)	Second year (2019)
Chemicals	■ Stable operations of methanol business ■ Strengthened trading (Mitsui & Co. Plastics Ltd., European sulphur & sulfuric acid business, etc.)	■ Participated in European paint manufacturing business ➡ Column ■ Strengthened methanol business base
Iron & Steel Products	■ Promoted business reform (made NIPPON STEEL TRADING CORPORATION an equity-method affiliate, sold Champions Cinco Pipe & Supply LLC in the U.S., etc.) ■ Expansion of Gestamp Automoción S.A. business in Spain	■ Pursued business transformation (strengthened competitiveness of NIPPON STEEL TRADING CORPORATION)  Production line for hot rolled structural steel
Lifestyle	■ Decision to withdraw from Multigrain Trading AG in Brazil ■ Panasonic Healthcare Holdings Co., Ltd. (currently PHC Holdings Corporation) contributed to profit ■ Acquired Bigi Holdings Co., Ltd.	■ Completed withdrawal from Multigrain Trading AG ■ Made additional investment in IHH Healthcare Bhd. to become largest shareholder  IHH
Innovation & Corporate Development	■ Strengthened profit base of CIM Group, LLC in the U.S. by increasing assets under management ■ Expanded consumer goods logistics business (Mitsui & Co. Global Logistics, Ltd.)	■ Expanded domestic ICT-related businesses (MITSUI KNOWLEDGE INDUSTRY CO., LTD., etc.) ■ Built up assets of buyout fund (expanded portfolio in MSD Investments Ltd., etc.)

Column

The Ultra-Deepwater FPSO Charter Project for Mero Field of Brazilian Offshore Pre-Salt Oil Field

In May 2018, Mitsui and three partners invested in a long-term charter business promoted by MODEC for the purpose of providing a floating production, storage, and offloading system (FPSO) for use in the Mero field off the coast of Brazil. The project is the fifth occasion under which the companies have collaborated to operate FPSOs in Brazil. The FPSO will be named FPSO Guanabara MV31, which will be deployed at the Mero field located in the Libra area in the year of 2021 and will be chartered for 22 years.

FPSO operating in Brazil
©MODEC, Inc.

Mitsui to Participate in Coating Manufacturing and Sales Business in Europe

In April 2018, Mitsui entered into agreements with Kansai Paint Co., Ltd., concerning investment in Kansai Paint's European subsidiary, Kansai Helios Coatings GmbH. By combining Mitsui's Global Group networks, including its customers and partners, with the Kansai Paint group's products and technologies, Mitsui and Kansai Paint work together to expand coating businesses in Europe and other related markets.

Key initiatives and results of the past two years of medium-term management plan

2018 2019 2020

Initiative 2 Establish selected new growth areas

Based on the medium-term outlook for the business environment, we have selected four growth areas in which we can excel and allocate business resources to these areas dynamically.

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

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

▼

Establish Mitsui's next profit pillars

Results of the past two years

In FY Mar/2018, we accelerated initiatives to establish four new growth areas, mainly in Mobility and Healthcare. In FY Mar/2019, we accelerated initiatives to building a profit base, mainly in Healthcare, including becoming the largest shareholder in IHH.

	First year (2018)	Second year (2019)
Mobility	■ Commercial vehicle electrification initiatives starting in Europe (investment in EV bus business, electric vehicle battery business) ■ Expanded railway-related business (expanded rail network in U.K. passenger rail business, started Taiwan train station business) ■ Initiatives in operating lease and rental car business in Chile	■ Contributed to reduction in weight and strengthening of vehicle frames (began production at Matsusaka Plant) of Gestamp Automoción S.A. ■ Accelerated commercial vehicle electrification initiatives (made additional investment in CaetanoBus, S.A.)
Healthcare	■ Expanded hospital infrastructure business in Southeast Asia (additional investment in Columbia Asia Group) ■ Took initiatives to address new drug needs in Russia (investment in JSC R-Pharm) ■ Expanded healthcare staffing business (acquisition of Accountable in U.S.)	■ Expanded base in hospitals and hospital ancillary businesses (became largest shareholder in IHH Healthcare Bhd., improved corporate value of Columbia Asia Group) ■ Expanded high-quality supplement business (invested in Thorne Research, Inc. in U.S.)
Nutrition & Agriculture	■ Strengthened network and Africa regional strategy (ETC Group Limited investment agreement) ■ Reinforced food science area (SODA AROMATIC Co., Ltd. tender offer)	■ Expanded agricultural inputs and crop protection business ➡ Column (investment in Nueva Agroindustrias del Norte, S. A. de C. V. (Adelnor) in Mexico and Ouro Fino Química Ltda in Brazil) ■ Responded to demand for high-quality sugar in Asia (increased production capacity at Kaset Phol Sugar Ltd. in Thailand and invested in SIS'88 Pte. Ltd. in Singapore)
Retail & Services	■ Expanded assets under management (¥1.4 trillion to ¥1.9 trillion) ■ Acquired planning/marketing platform in fashion and retail business	■ Strengthened senior living property business in U.S. (acquisition of senior living properties and their operations by MBK Real Estate LLC in U.S.) ■ Entered growing U.S. prepared foods market (acquired Hans Kissle Company, LLC in U.S.) ➡ Column

Column

Participation in Mexican Agricultural Supply Company

In June 2018, Mitsui made the decision to acquire 80% of the shares of Consorcio Agroindustrias del Norte, S. A. P. I. de C. V. (CAN) from the company's current shareholders. CAN is the holding company of Nueva Agroindustrias del Norte, S. A. de C. V. (Adelnor), one of Mexico's leading agricultural supply companies. By adding Adelnor to the existing fertilizer distributors in which Mitsui already owns equity (Anagra/Chile and Equilibra/Peru), Mitsui will be able to boost the synergy between the three companies and accelerate integration of their operations, and will contribute to the development of local agriculture.

Participation in Prepared Foods Manufacturer in the U.S.

In January 2019, Mitsui and KENKO Mayonnaise Co., Ltd., jointly acquired 100% of the shares of Hans Kissle Company, LLC, a food manufacturing and sales company in Massachusetts, U.S. Through this acquisition, Mitsui aims to reinforce Hans Kissle's market position and expand its reach, channels, and territory to evolve in the U.S. prepared foods market by such means as utilizing products of Ventura Foods, LLC, which is a manufacturer and processor of oils and fats.

Initiative 4 Enhance Governance, Personnel, and Innovation functions

Results of the past two years

	First year (2018)	Second year (2019)
Strengthen governance	■ Strengthened the effectiveness of the Board of Directors • Increased diversity and improved skill set balance of Board members • Created more opportunities for discussion on Mitsui's long-term direction, including its corporate strategies and medium-term management plan ■ Established Sustainability Committee, and promoted management with greater emphasis on the sustainability of both society and Mitsui	■ Initiatives related to improvement of Board effectiveness • Discussed Companywide themes of significance, such as sustainability • Held off-site meetings for Directors and Audit & Supervisory Board members to discuss strategy for sustainable growth ■ Appointed Takeshi Uchiyamada, who has considerable business experience, as Director (External) at shareholders' meeting on June 20, 2019 ■ Introduced share performance-linked restricted stock as a component of executive remuneration at shareholders' meeting on June 20, 2019
Strengthen the individual	■ Shifted corporate staff to business frontline ■ Introduced staggered working hours at an individual level ■ Launched in-house entrepreneur system, currently preparing to commercialize business plans	■ Strengthened global human resource management and launched next-generation leadership program for employees hired outside Japan ■ Decision to introduce teleworking in Japan as a "working style reform" measure ■ Introduced merit-based compensation and promotion system
Strengthen innovation functions	■ Appointed CDO and established Digital Transformation (DT) team ■ Accelerated initiatives of DT, focusing on three areas: reducing costs in existing businesses, increasing sales in existing businesses, and developing new business	■ Launched Moon Creative Lab to "create" new businesses ■ Improved efficiency and value of existing businesses and accelerated DT initiatives, aiming for the creation of new business models  Moon Creative Lab

Results of Specific Initiatives to Create Environmental and Social Value

Of our five material issues (Materiality), we aim to realize the "Secure sustainable supply of essential products," the "Enhance quality of life," and the "Create an eco-friendly society" through our business. This section introduces the main efforts we pursued to address these material issues in the fiscal year ended March 31, 2019.

For more details on the results of our sustainability activities, please refer to *Sustainability Report 2019*.

Secure sustainable supply of essential products

Decision to Develop Iron Ore Mines in Australia

In June 2018, Mitsui decided to develop the South Flank iron ore mine. This mine will replace production from the neighboring Yandi mine, which is coming close to the end of its economic life. Operation of South Flank is planned to be launched in 2021, and the mine is expected to produce iron ore for more than 25 years. By making full use of existing infrastructure, South Flank will significantly reduce development expenses, thereby realizing substantial cost competitiveness.

Also, in October 2018 Mitsui decided to develop new iron ore deposits in the Robe Valley mine (Mesa B/C/H) and the West Angelas mine (Deposit C/D). While existing iron ore deposits are nearing the end of their lifespan, Mitsui will develop these new iron ore deposits utilizing nearby existing rail and port infrastructure, with the objective of sustaining current rates of iron ore production as existing mines decline. Subject to government and environmental approvals, development of new deposits is expected to start, and first one is currently anticipated from 2021.

Railway used to transport iron ore

Increase in Production of High-Quality Sugar in Thailand

Mitsui made the decision to upgrade the facilities of Kaset Phol Sugar Ltd. ("KSP"), a Thailand-based sugar manufacturing company that is operated jointly with Mitsui Sugar Co., Ltd., in order to increase production capacity. Work on the project began in June 2018. Mitsui upgrades equipment at KSP to make full use of Mitsui Sugar's technical expertise for the SPOON brand, which holds the largest market share in Japan. Mitsui responds to the growing demand for high-quality sugar in Asia. Also, KSP is actively pursuing businesses designed to make full use of sugar cane, including the expansion of "bagasse" power generation, which utilizes crushed sugar cane as fuel. Through these efforts, KSP strives to strengthen its earnings base, going beyond traditional sugar manufacturing, while ensuring appropriate consideration for the environment at the same time.


Sugar cane field in Thailand

Acquisition of Singapore's Leading Sugar Company Together with Mitsui Sugar

In September 2018, Mitsui, together with Mitsui Sugar Co., Ltd., acquired all shares of SIS'88 Pte. Ltd. ("SIS"), a company that engages in the processing and marketing of refined sugar in Singapore and the Middle East, from SIS' parent company, ED&F Man Holdings Limited. Through utilization of Mitsui's network and Mitsui Sugar's expertise in technology and production quality control, Mitsui aims to capitalize upon the growth of Asian markets by providing high quality sugar and to expand its refined sugar business in Asia, including Japan.

Products of SIS

Enhance quality of life

Acquisition of Senior Living Properties

MBK Real Estate LLC ("MRE"), a U.S.-based wholly owned subsidiary of the Company, entered into a definitive agreement to acquire senior living properties and their operations from the current operators, West Living LLC. MRE currently owns and/or manages 25 senior living properties consisting of approximately 2,600 units in six states. Through this new acquisition, the number of properties owned/managed by MRE is 34, consisting of approximately 3,700 units.


Property owned and managed by MRE

Participation in Integrated Food Enterprise in Southeast Asia

Mitsui and the Development Bank of Japan Inc. ("DBJ") jointly acquired shares of FKS Food & Agri Pte Ltd. ("FKSFA"), an integrated food enterprise that operates in Southeast Asia, centered on Indonesia, by subscribing for a third-party allocation of new shares. While maximizing its business operations in grain producing areas, Mitsui aims through this project to build a stable earnings base across the entire supply chain, from producing areas to consumption markets.


FKSFA's grain import facility

Create an eco-friendly society

Promotion of Energy Management Services

Forefront Power LLC, a U.S.-based wholly owned subsidiary that specializes in the development and operation of distributed solar generation for commercial and industrial customers, is working to develop new business models that provide energy management services combining solar generation, storage, and demand response, thereby meeting the diverse needs of customers.


Forefront Power's distributed solar generators

Completion of Registration for J-Credit Scheme, a System That Certifies Reductions in Greenhouse Gases

Mitsui completed J-Credit Scheme registration for wood biomass cogeneration facilities in Kobe, Hyogo Prefecture, which are owned by its affiliate company Konan Utility Co., Ltd. The reduction of 36,120 t-CO_2 (tons of carbon dioxide) per year predicted by J-Credit for this registered project is the largest amount for any single registered project out of the 742 registered to date.


Konan Utility's wood biomass cogeneration facility

Business Collaboration with Hydrogen Station Operator in California

Mitsui commenced a business collaboration with FirstElement Fuel, Inc. ("FEF"), the largest hydrogen station developer and operator in the U.S. state of California, aimed at the development and maintenance of competitive hydrogen stations, the expansion of FEF's network into other regions, and the enhancement of hydrogen infrastructure. This business collaboration is expected to lead to an increase in hydrogen stations and the further expansion of the fuel cell electric vehicle (FCEV) market across California.


A hydrogen station operated by FEF

Evaluation by Society

Major Selection and Certification (Year to March 31, 2019)

Japan Investor Relations Association's Best IR Award
The Japan Investor Relations Association has awarded the Company a Best IR Award at the IR Awards 2018. JIRA gives awards to publicly traded companies that deeply understand and proactively promote IR, earning high endorsement from their peers. Mitsui previously won JIRA's Special IR Award in 2014 and Best IR Award in 2008.

Awards for Excellence in Corporate Disclosure
Mitsui has been selected for the top award in the commerce industry category at the 2018 Awards for Excellence in Corporate Disclosure for the third time in total and the second year running. It also won second place in the disclosure to individual investors category (selected out of 28 companies that represent the top 10% of each industry). Organized by the Securities Analysts Association of Japan, this was the 24th holding of the awards.

Dow Jones Sustainability Indices
The Dow Jones Sustainability Indices is a global stock index developed jointly by Dow Jones & Company in the U.S. and RobecoSAM AG in Switzerland. In the fiscal year ended March 2019, 317 companies (which included 34 Japanese companies) including Mitsui were selected for the World Index.

RobecoSAM Sustainability Award
RobecoSAM carries out surveys and analyses for the Dow Jones Sustainability Indices. From each industry, it recommends companies that have undertaken outstanding environmental, social, and economic initiatives. A total of 458 companies were selected worldwide for the RobecoSAM Sustainability Awards 2019. In the Trading Companies & Distributors category, Mitsui was selected as one of the companies to be ranked Bronze Class, which is awarded to companies that are within a 10% range of the score of the industry leaders.

FTSE4Good Index Series
The FTSE4Good Index Series is a stock index developed by FTSE Russell, which is a wholly owned subsidiary of the London Stock Exchange. FTSE Russell evaluates major corporations around the world from the aspects of environmental, social, and governance criteria, including the labor standards applied throughout their supply chains, as well as on the basis of corporate sustainability. It selects companies that satisfy its standards as constituents of the index. Mitsui fulfilled the criteria of the index and was selected in the FTSE4 Good Index Series.

FTSE Blossom Japan Index
The FTSE Blossom Japan Index is designed to measure the performance of Japanese companies that demonstrate strong environmental, social and governance (ESG) practices. The index is adopted by the Government Pension Investment Fund (GPIF) of Japan as a core ESG benchmark for its passive investments. Mitsui fulfilled the criteria of the index and was selected in the FTSE Blossom Japan Index.

MSCI Japan Empowering Women Index (WIN)
Developed by Morgan Stanley Capital International (MSCI), the MSCI Japan Empowering Women Index is adopted by Government Pension Investment Fund (GPIF) as a tracking benchmark for its passive ESG investment. The index is a selection of Japanese companies from each industry that represent high gender diversity. Mitsui fulfilled the criteria of the index and was selected for inclusion in the MSCI Japan Empowering Women Index.

Competitive IT Strategy Company Stock Selection
The Competitive IT Strategy Company Stock Selection is designated by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (TSE) from among the companies listed on the TSE on the basis of outstanding IT utilization initiatives. Mitsui has been selected for five consecutive years since the launch of the award in 2015. For the selection in 2019, high evaluation was given to: development of IT utilization from Mitsui's wide-ranging business to sport, entertainment, and other various areas, including the initiatives to establish digital twins for improving productivity of large business assets, such as energy facilities, power plants, vessels, and manufacturing lines, and to utilize collected data, as well as the establishment of a dynamic pricing company; and Companywide measures to realize work style innovation through utilization of IT tools.

Eruboshi (L Star)
The Eruboshi system certifies companies that have submitted notifications under the Act on Promotion of Women's Participation and Advancement in the Workplace (Promotion of Women's Career Activities Act) promulgated on April 1, 2016, and that meet the specific standards and are regarded as implementing outstanding initiatives to promote the advancement of women in the workplace. Mitsui was certified as having achieved the second of three levels under the Eruboshi system.