



Tatsuo Yasunaga
Representative Director,
President and Chief Executive Officer

CEO Message

We will strongly push forward with the medium-term management plan with even deeper confidence that we can achieve the plan's targets. In doing so, we will make thorough efforts to further enhance our earning power, which centers on our competitiveness.

Looking back on the first year of the medium-term management plan and outlook for the fiscal year ending March 31, 2019

In the fiscal year ended March 31, 2018, the first year of the current medium-term management plan, Mitsui made very significant progress, enhancing base profit in all segments by achieving solid results in each of our key initiatives and tackling specific areas of concern. We achieved a record high in core operating cash flow, Mitsui's most important indicator, and made steady progress in strengthening our financial base by improving capital efficiency, represented by ROE, while reducing Net DER. Shareholder returns, in the form of dividends and share buybacks, totaled ¥172.5 billion and were the highest ever by Mitsui.

In the fiscal year ending March 31, 2019, the second year of our medium-term management plan, we are targeting profit after tax of ¥420 billion. This figure is mostly in line with the first year's profit of ¥418.5 billion, but what lies behind it has changed significantly. As a result of resolving issues in the previous fiscal year and new contributions to base profit by each business segment, base profit will increase by approximately ¥70 billion. Notably, our target of ¥180 billion profit after tax for our steadily growing non-resources areas accounts for 43% of our overall profit target, and we are on track to achieve our profit forecast of ¥200 billion for non-resources areas in the fiscal year ending March 31, 2020.

In *Annual Report 2017*, I expressed my confidence that we can reach the targets of the medium-term management plan. That confidence is now even deeper.

Business environment update and Mitsui policies

We continue to see climate change, partial globalization, expanding populations and improving living standards in emerging nations, and technological innovation as important factors in our medium-term management plan, and in light of changes over the last year, I would like to look again at two of these factors and our approach to tackling them.

The first is the acceleration of measures to tackle climate change, in particular in Europe and the U.S., and together with this, the expansion of partial globalization and the increasing importance of a business development model aligned with the issues faced by each region.

Mitsui has identified “Protection of the Global Environment” as a material issue for us. We recognize that our impact on the environment presents potential risks to society and our sustainable growth, but we are also keenly aware that there are new business opportunities for us in low-carbon energy and environmentally friendly infrastructure and products.

“Stable Supply of Resources and Materials” and “Enhancement of Local Industrial Bases & Quality of Life” are also material issues for Mitsui and fall under the ESG umbrella. The increase in demand for infrastructure, resources, and food that has accompanied population growth and economic development, the changing tastes associated with higher standards of living, and increasing healthcare needs associated with shifts in disease structure, are already recognized global issues. To address 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.

The second factor is the growing importance of data capital. There is something striking about how, over the past year alone, AI and IoT have permeated society. This phenomenon has raised the value of data in business, giving it a place next to human, manufactured, and financial capital, and is even changing the face of capitalism itself. In many ways, power is steadily shifting into the hands of the consumer as business models made possible by ICT become more deeply entrenched.

This trend is not only the concern of downstream businesses that engage directly with consumers. We believe that it is becoming necessary for businesses in all sectors, including resources, materials, and infrastructure, to be directly aware of data capital and the end consumer.

In our current medium-term management plan, we have positioned the enhancement of innovation functions as a key initiative and we are rolling out digital transformation activities throughout our group. To be clear, we are not merely pursuing AI and IoT as business areas in and of themselves. Rather, by being a smart user of these technologies, which means employing them at our diverse project sites around the world, we will seek to gain a thorough understanding of AI and IoT, and use this knowledge to strengthen our group.

At the corporate level, by equipping smaller teams to operate with a high degree of sophistication, we can enable a significant shift of personnel to the business frontlines and strengthen Mitsui’s earning power. At the business frontline level, as a result of our sensitivity to consumer-centric changes in the

environment and our ability to find solutions to global challenges through our unique, on-the-ground expertise, we are beginning to see cost reductions and sales growth in existing businesses. Looking ahead, we will further evolve the business by promoting cross-sector collaboration across divisions and business domains to accelerate comprehensive initiatives.

Core and growth area initiatives for the current fiscal year

We have a number of key initiatives for the fiscal year ending March 31, 2019. In Resources & Energy, Machinery & Infrastructure, and Chemicals, which are Mitsui's core areas and profit base, we will apply the concept of "Enhancing Our Strengths."

In Resources, we are steadily ramping up the Moatize coal mine and Nacala infrastructure projects in Mozambique, which have already begun contributing to profit, and are pursuing ongoing enhancement of the profit base in existing businesses, including the development of South Flank iron ore mine with BHP. In Energy, in the E&P business, we achieved production start-up at the Kaikias oil field one year ahead of schedule. Looking ahead, we will launch the Tempa Rossa oil field in Italy and the Greater Enfield oil field in Australia. We will leverage new Australian subsidiary AWE to enhance upstream and midstream business foundations in oil and gas while improving operator functions and expanding the scale of our E&P business activities in Australia. In our LNG business, we are making progress in construction projects for the launch of Cameron LNG in the U.S., scheduled for 2019, and we are accelerating our efforts to make a final investment decision on our LNG project in Mozambique. Through these initiatives, which can both reduce costs and increase production volume, we are increasing revenue in the resources area without needing to rely



on higher commodity prices.

In Machinery & Infrastructure, we are launching new power generation projects in the Middle East and Morocco and are accelerating initiatives in next-generation power including distributed power and services by U.S. subsidiary Forefront. In FPSO projects, where demand is recovering, primarily at Brazil-based Petrobras, we will continue to enhance our fleet. We are also deepening efforts in mobility services such as leasing, rental, and sharing in the railway, automotive, and aircraft sectors.

In Chemicals, we are pursuing ongoing facilities expansion at U.S. terminal business ITC and are expanding our presence in the coating materials business centered on Helios, in which we made the decision to invest in April 2018. We are also strengthening our business base through initiatives such as the expansion of methionine production capacity at Novus and by enhancing trading.

In our four growth areas too, we are continuing to push ahead with aggressive initiatives to establish the revenue pillars for sustained growth through our next medium-term management plan and beyond.

In Mobility, in the fiscal year ended March 31, 2018 we engaged in a range of initiatives toward the electrification of commercial vehicles and expanded our passenger rail network.

In Chile, we pursued initiatives in automotive operating lease and rental car businesses and we will aim to enhance base profit in these businesses. Furthermore, we are accelerating our growth strategy for Gestamp, which is planning to establish its first plant in Japan in Matsusaka, Mie Prefecture.

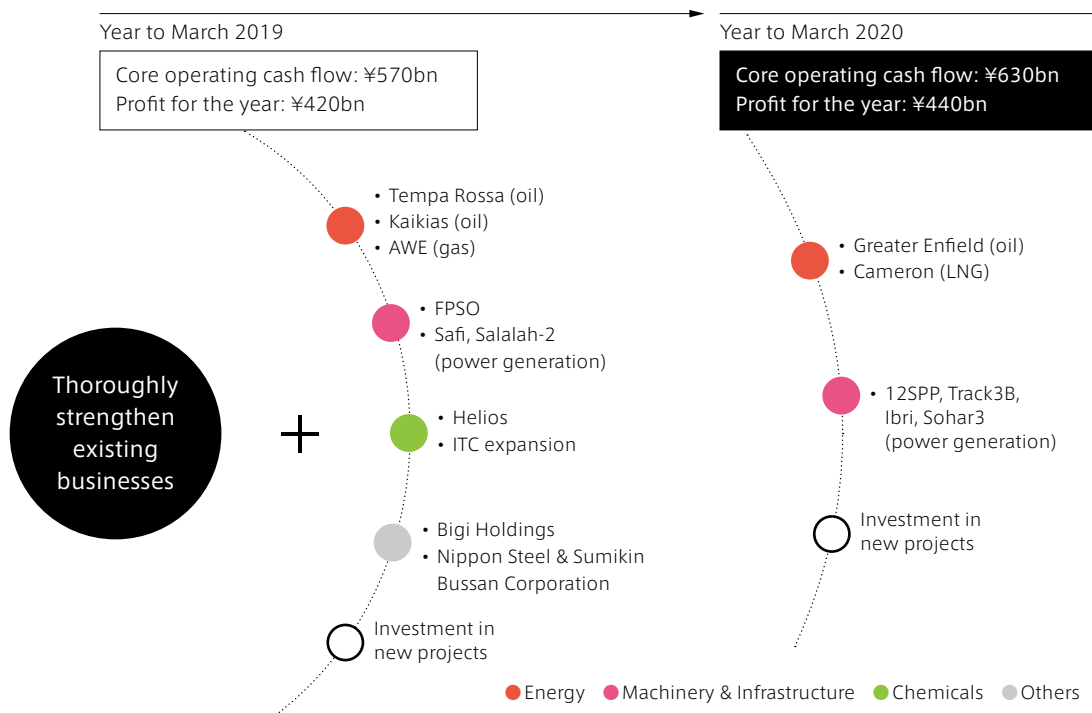
In Healthcare, in the fiscal year ended March 31, 2018, we made an additional investment in Columbia Asia Group and will continue to strengthen our healthcare ecosystem in Asia. We are addressing the demand for new drugs in Russia through our investment in JSC R-Pharm, a Russian pharmaceutical company, and we are expanding our businesses that provide temporary staffing and permanent placement in the U.S.

In Nutrition & Agriculture, in May 2018 we invested in ETC Group, which deals in agricultural products and materials and manufactures and sells food products in East Africa. Mitsui already has a presence in the region through our

Resources & Energy business, and by realizing synergies through our involvement in food and agriculture and infrastructure improvement, we aim to pursue a model of business development that shares the profits of economic progress with the local population and contributes to the further economic development of African nations.

In Retail & Services, we took steps to enhance base profit in our domestic and international asset management businesses, expanding the businesses in part through our investment in CIM in the U.S. in the fiscal year ended March 31, 2018. We also strengthened our sales and marketing capabilities through the acquisition of Bigi Holdings to enhance our direct reach to consumers. In addition, we are improving the quality of the assets of senior living properties—a retirement community on the west coast of the U.S. that was acquired by MBK Real Estate (MRE)—and are working to

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



enhance the business' profit base.

Enhancing human resources and governance

The origins of Mitsui's business are in trading and, over time, through our involvement in a broad range of business sectors and handling a diverse array of goods, we expanded from trading into business investment, leveraging the vast expertise, customer base, and partnerships that we had fostered through trade. By participating in the management of these projects, we helped increase their value and that in turn gave rise to further trading opportunities and network expansion. Through the continuous repetition of this cycle, Mitsui has evolved into its current form and our businesses have developed to the point where each has its own competitiveness. Though not on the balance sheet, the customers and partner networks, and our more than 42,000 professionals who have the capability and independence to leverage these relationships to the full, what we call our "Strong Individuals," remain Mitsui's greatest assets. The continued strengthening of each individual will always be a key management focus.

Promoting a level playing field dynamically for our people in every region in which we operate encourages mutual understanding, acceptance, and friendly competition that transcends nationality, gender, and language, and by working to "strengthen each individual" we are building a full-strength team of professionals with diverse backgrounds and perspectives.

Turning to governance, in the fiscal year ended March 31, 2018 we further diversified our Board of Directors, improving the balance of representation, enhancing the Board's effectiveness, and demonstrating greater accountability by encouraging deeper discussion on major company policy and strategy and their implementation.

We recognize that in order to ensure meaningful debate there must be a consistent level of understanding of the agendas among directors. The thorough preparation in advance enables deeper discussion in Board meetings, and I believe strongly that it has been a key factor in the improvement of the quality of management.

In conclusion

I noted above that my confidence in achieving the targets of the medium-term management plan has further deepened. As I noted in *Annual Report 2017*, I am confident also that reaching our three-year quantitative targets will be only one of many milestones we pass on the road to fulfilling our long-term vision for Mitsui as a group that draws on its comprehensive strengths and continuously takes the initiative to incubate and develop new business.

I will do my utmost to combine effective leadership with sound corporate governance to achieve not only the targets for the current fiscal year, ending March 31, 2019, which is a crucial stepping stone along that path, but also for the fiscal year ending March 31, 2020 and for the sustainable growth of Mitsui further into the future. I very much appreciate your interest in our progress, and look forward to your continued support.

September 2018



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President and Chief Executive Officer