

Presentation on Implementation of IFRS - Q&A Session

- 1. Date & time: December 13, 2013, 10:00-11:30**
- 2. Place: Otemachi Sankei Plaza**
- 3. Speakers: Joji Okada, Senior Executive Managing Officer, Chief Financial Officer
Keigo Matsubara, Managing Officer, Deputy Chief Financial Officer,
General Manager, Global Controller Division
Jun Sunagawa, General Manager, Accounting Standards Department,
Global Controller Division
Michihiro Nose, General Manager, Investor Relations Division**

4. Questions and Answers:

Q *Does the discount rate applied for impairment tests of fixed assets differ by asset or business? Do you review the discount rate each fiscal period?*

A Because we use a discount rate reflecting risks of each business as of the date of impairment tests, the rate varies by business. In principle, WACC of each business is used. We review the rate if there is a significant change in the business environment, but we do not change it very often.

Q *Under IFRS, when deferred taxes on undistributed retained earnings ("RE") of Robe River Mining Company and International Methanol Company are recorded on the premise that their RE will be recovered through dividend, how much of a positive leverage effect on PL would this have?*

A We would like to refrain from disclosing the effect on individual businesses.

Q *Please explain why there is a difference between the impacts of IFRS implementation on the opening BS and BS as of March 31, 2013.*

A The impact on investments and others changed from +¥430 billion to +¥520 billion largely because of an increase in unlisted equity securities measured at fair value including effects of exchange fluctuations. The impact on fixed assets and others changed from -¥100 billion to -¥50 billion mainly due to an increase in fixed assets in the chlor-alkali business in the US, to which proportionate consolidation is applied under IFRS.

Q *What is your view on changes in management indicators like ROE due to the IFRS implementation?*

A We are considering management indicators after the IFRS implementation through formulation of the Medium-term Management Plan for the next period. Shareholders' equity will increase largely due to fair value measurement (FVM) of investments in LNG projects. However, the LNG projects are recording profits already, and we think their fair value becomes apparent on the BS. We plan to take measures to increase efficiency of other businesses with low investment efficiency.

Q *Please explain the breakdown of the LNG projects measured at fair value under IFRS. Is the one in Mozambique included in these projects?*

A Since unrealized holding gains for unlisted equity securities need to be recognized on the BS due to the IFRS implementation, FVM is applied to six LNG projects, namely Sakhalin II, Qatargas 1 and 3, Abu Dhabi, Oman and Equatorial Guinea. On the other hand, for fixed assets held through consolidated subsidiaries and unincorporated joint ventures, part of unrealized holding losses is realized by using their deemed cost. Although the iron ore business in Australia, the LNG business in Mozambique, the E&P business such as in Australia and Thailand and other businesses have a large amount of unrealized holding gains, deemed cost is not used for these businesses, and their unrealized holding gains have not been recognized. In addition, FVM is not applied to equity method investment under IFRS. Thus, unrealized holding gains on investments in Valepar, JAL-MIMI, IHH Healthcare and other investees have not been recognized on the BS, even though these investments are considered to have a large amount of such holding gains.

Q *Will the fiscal periods of all affiliated companies become consistent with that of the parent due to the IFRS implementation?*

A We unified the fiscal years of affiliated companies about 10 years ago. Affiliated companies that can practically do so already use the same fiscal year. If any significant event occurs in affiliated companies using different reporting period from that of the parent, such event is reflected in our consolidated financial statements for the applicable period.

Q *Mitsui has applied strict internal accounting policy for impairment under USGAAP. Is there any impact due to the IFRS implementation? Also, is there any difference in standards between USGAAP and IFRS on whether or not there is any indication of impairment?*

A Because impairment of investments other than equity method investments is treated as a change in other comprehensive income (OCI), the impairment is not recognized under IFRS. For equity method investments, there is no difference in impairment policy for unlisted equity method investees between USGAAP and IFRS, so the policy remains unchanged. For impairment policy for listed equity method investees, some internal requirements are relaxed. For impairment of fixed assets under IFRS, the 1st STEP under USGAAP in the case of any indication of impairment being observed is not conducted, and the discounted future cash flows are compared with the book value straight away. Consequently, the timing of impairment recognition will be earlier, but the same applies to other companies. We recognize that there is no difference in standards on indications of impairment between USGAAP and IFRS.

Q *Will the impact of exchange fluctuations on changes in shareholders' equity become larger due to the IFRS implementation?*

A In addition to changes in foreign currency translation adjustments (T/A) on overseas affiliated companies, FVM on investments other than equity method investments will also be affected by exchange fluctuations. Under IFRS, foreign currency net investment hedges can also be applied to investments other than equity method investments, so we would control the impact of exchange fluctuations on investments through hedging instruments including foreign-currency borrowings if possible.

Q *Is there any accounting treatment that makes unrealized holding gains apparent on the opening BS?*

A A deemed cost can also be used for fixed assets with unrealized holding gains, but Mitsui applied a deemed cost only to assets that represented unrealized holding losses as of the transition date.

Q *How will the IFRS implementation change the company management?*

A For fixed assets, impairment tests will be performed in one step, and we need to be more conscious of net present value of future cash flows. In addition, since shareholders' equity will change depending on FVM of unlisted equity securities, we should always keep fair value in mind and constantly revisit the significance of holding them, and will consider selling some assets at the stage where their value is maximized.

Q *By how much is depreciation and amortization cost reduced due to use of the deemed cost?*

A The effect on financial results for the year ended March 2013 is approximately ¥13 billion (after tax) in total.

Ends