

# Mitsui's Participation in Coal, Railway & Port Business in Mozambique

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Mitsui & Co., Ltd.

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# Main Points of the Project

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- 1. Promotion of an integrated business model of mineral resources and infrastructure development**
- 2. Participation in one of the largest and most competitive operating coal mines in the world**
- 3. Railway & port infrastructure project with stable revenue**
- 4. Contribution to the development of the nation of Mozambique, a corporate priority region for Mitsui**
- 5. “New Investments” being made pursuant to the cash flow allocation plan presented in the company’s New Medium-term Management Plan**
- 6. Multi-tiered business development with Vale, Mitsui’s strategic partner**

# 1. Promotion of an integrated business model of mineral resources and infrastructure development

- **Engagement in coal mine operations with high competitiveness and infrastructure operations with stable revenue**

Investment & Loans by Mitsui	Initial Amount of Investment & Loans	Development cost to be borne	Remarks
Coal Mine	US\$450 million	US\$190 million	With Price adjustment clause
Infrastructure	US\$313 million	—	Project Finance to be arranged

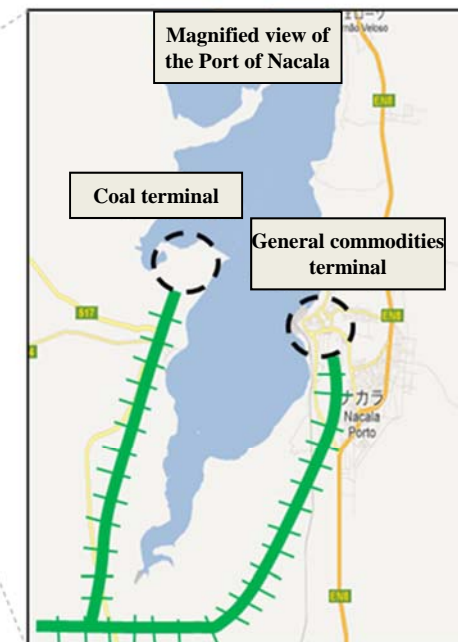
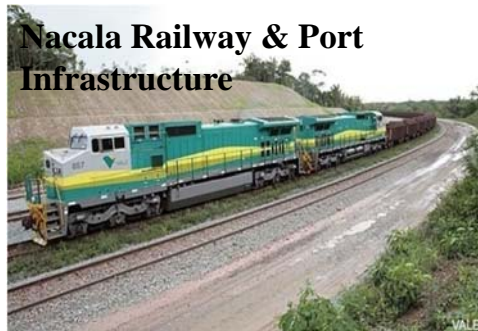
- **Creating added value by linking businesses**

Exerting Mitsui's comprehensive business engineering capabilities with its strengths in mineral resources and machinery & infrastructure businesses

**Moatize Mine**



**Nacala Railway & Port Infrastructure**



## 2. Participation in one of the most competitive operating coal mines in the world

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### <Moatize Mine >

- **Huge coal Reserves**

- 690 million tons in total of metallurgical and thermal coal reserves; mine life over 30 years (possibility of greater amount of reserves)

- **Highly competitive**

- Its coal seams are located relatively near the surface, enabling a large-scale open-cut operation (cost-competitiveness).
- Metallurgical coal from this project is premium hard coking coal. Thermal coal is high calorific value generating premium grade coal (price-competitiveness).

- **Brown-field project**

- Started production in 2011; with the production to reach 22million tons by 2017.

### <Strategic Significance for Mitsui >




- **Diversification of supply sources**

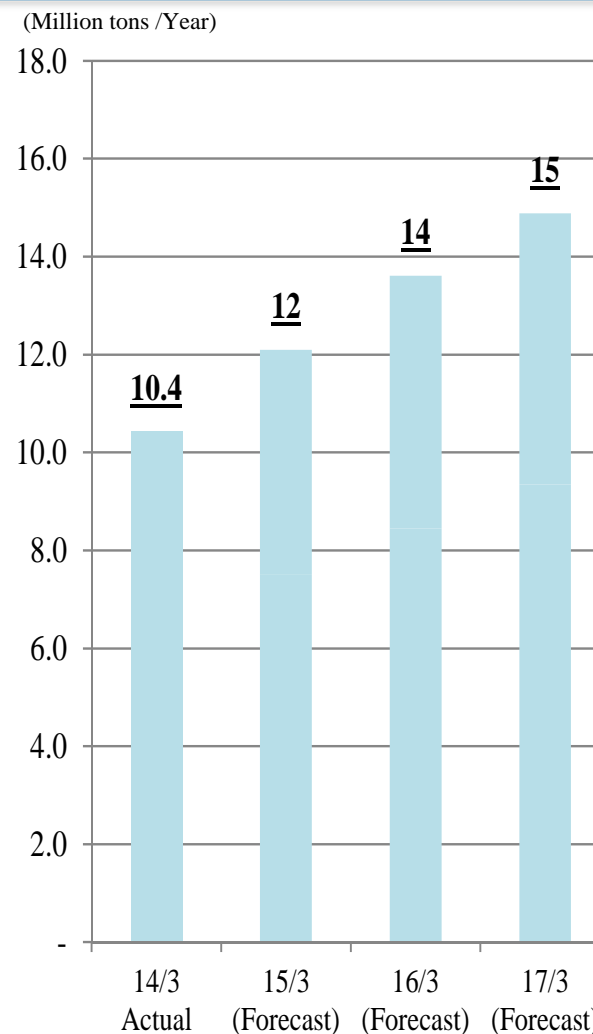
- Secure a new supply source in addition to the existing Australian assets, to ensure and strengthen stable supply.

- **Reinforcement of the earning base for coal business operations and acquisition of an excellent resource asset, from a long-term perspective**

- The first large-scale acquisition of a mine concession since 2004, which allows the diversification of our supply sources and enhancement of the earning base for the coal business.
- Today, investment in mineral resources concessions calls for stringent selection of projects. Our policy is to continue securing access to prime projects strategically.

# (Supplementary Information) Mitsui's Existing Coal Mine Assets

Partner	Project Name	Coal Type	Mitsui & Co. participation	Production Volume (FY March 2014) (*1)	Equity Ratio
	<b>Dawson</b>	Met. Thermal	1963 (*2)	4.1 mil. tons	49%
	<b>German Creek</b>	Met.	2002	2.8 mil. tons	30%
	<b>Moranbah North</b>	Met.	2004	0.3 mil. tons	4.75%
	<b>Drayton</b>	Thermal	1980	0.1 mil. tons	3.83%
	<b>Kestrel</b>	Met.	1991	0.6 mil. tons	20%
	<b>Bengalla</b>	Thermal	1990	0.9 mil. tons	10%
	<b>South Walker Creek</b>	Met.	1963 (*2)	1.0 mil. tons	20%
	<b>Poitrel</b>	Met.	1963 (*2)	0.6 mil. tons	20%



(\*1) Equity share of production for Mitsui  
 (\*2) At time of participation by BHP Billiton Mitsui Coal Pty. Ltd.

\*FY Mar 2015 – 2017 projection, announced in May 2014  
 \*FY Mar. 2015 onward, including indirect share of production, such as in Vale

### 3. Railway & port infrastructure project with stable revenue

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- **Participation in basic infrastructure project**

- Mitsui is involved in development and management of the railway and port infrastructure, which can be developed in line with the production of Moatize Mine
- The railway is planned to be utilized for general cargo other than coal, including passengers cargos.

- **Contribution to stable revenue**

- Stable revenue can be expected because this infrastructure project will handle Moatize Mine's coal based on a long-term "take or pay" contract.
- Branch lines of Nacala Railway run across the granary area, which extend to Zambia and meet demand for transportation of crops, wood, fertilizers, fuel, etc.
- By 2030, the transport volume of the railway is expected to be more than 10 folds the current volume.

- **Mitsui's integrated strength and other initiatives related to the project**

- Producing added-value by exerting the company's comprehensive business capabilities (infrastructure project development, project finance arrangement, and know-how in transportation business, etc.)
- Other business development related to the project (cultivating cargo owners of crops/mineral resources, development of power generation/water infrastructure, leasing business, etc.)

- **Future expansion of transportation capacity of the railway and port**

- Possible to expand the railway and port shipping capacities with flexibility to meet the future demand from the growth of the regional economies.
- Contribute to the economic growth of Nacala Corridor area where high economic growth is anticipated, by solving the bottlenecks of railway and port transportation capacity in Sub-Saharan Africa.

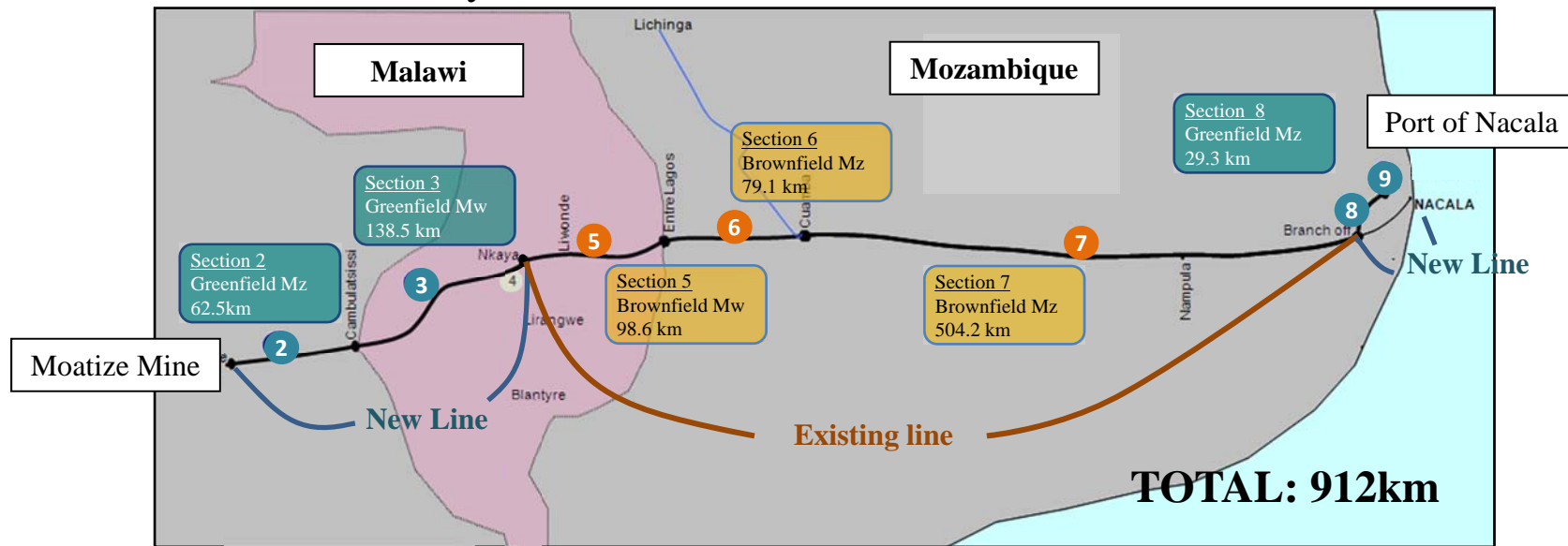
# (Supplemental Information) Infrastructure and Map



【Nacala Railway】



【Port of Nacala】



【Nacala Corridor】

## 4. Contribution to the development of the nation of Mozambique, a corporate priority region for Mitsui

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- **Corporate priority region of Mitsui :**

- Mozambique is one of Mitsui's 9 corporate priority regions. (Mozambique, China, India, Indonesia, Russia, Mexico, Myanmar, Chile, Turkey)
- With its rich natural resources, Mozambique is one of the nations expected to achieve extremely high economic growth.

- **Multifaceted and multi-tiered contribution to the development of the nation of Mozambique, a corporate priority region for Mitsui :**

- Hydrocarbon Chain: Large-scale development of a gas field and LNG project is under way.
- Mineral Resources and Materials: Coal is expected to become an important export item through this coal mine development project.
- Infrastructure: Railway and port facilities will contribute to the economic growth of both Mozambique and Malawi as base infrastructure.
- Link this project business to other Key Strategic Domains, such as “food and agriculture”.
- Contribute to the development of the nation through human resources development and education.

⇒ **Meet the expectations and needs of Mozambique in various areas in a solid way and contribute to the development of the nation with multifaceted and multi-tiered measures**

- **Contribution to the economic growth of Sub-Saharan Africa :**

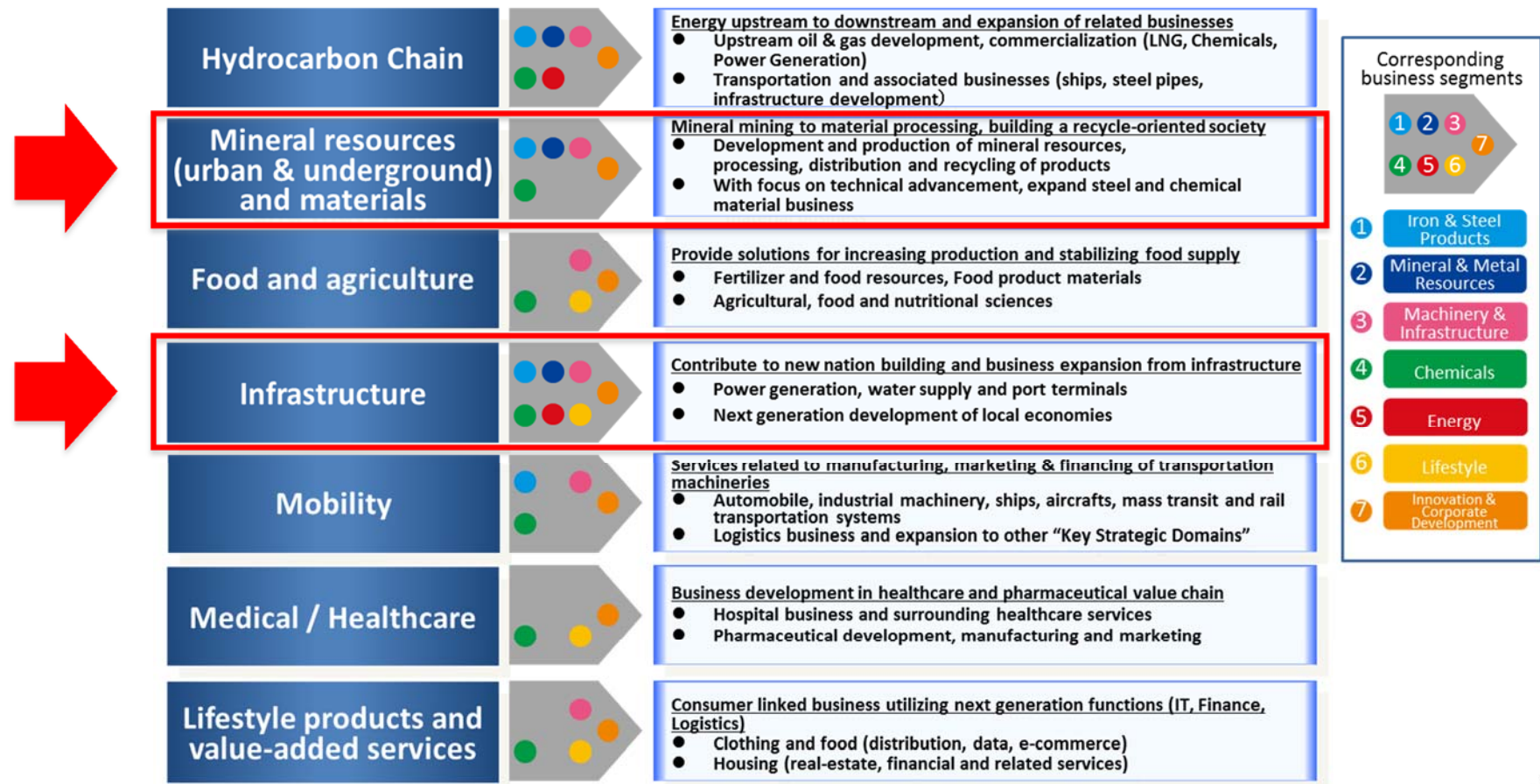
- During his visit to Mozambique in January, Prime Minister Abe announced the provision of 70 billion yen support for the Nacala Corridor region.
- Development of Nacala Railway will bring population growth (3% p.a.) and economic growth (8.9% p.a. on average).

⇒ **Contribute to the economic development of Sub-Saharan Africa**

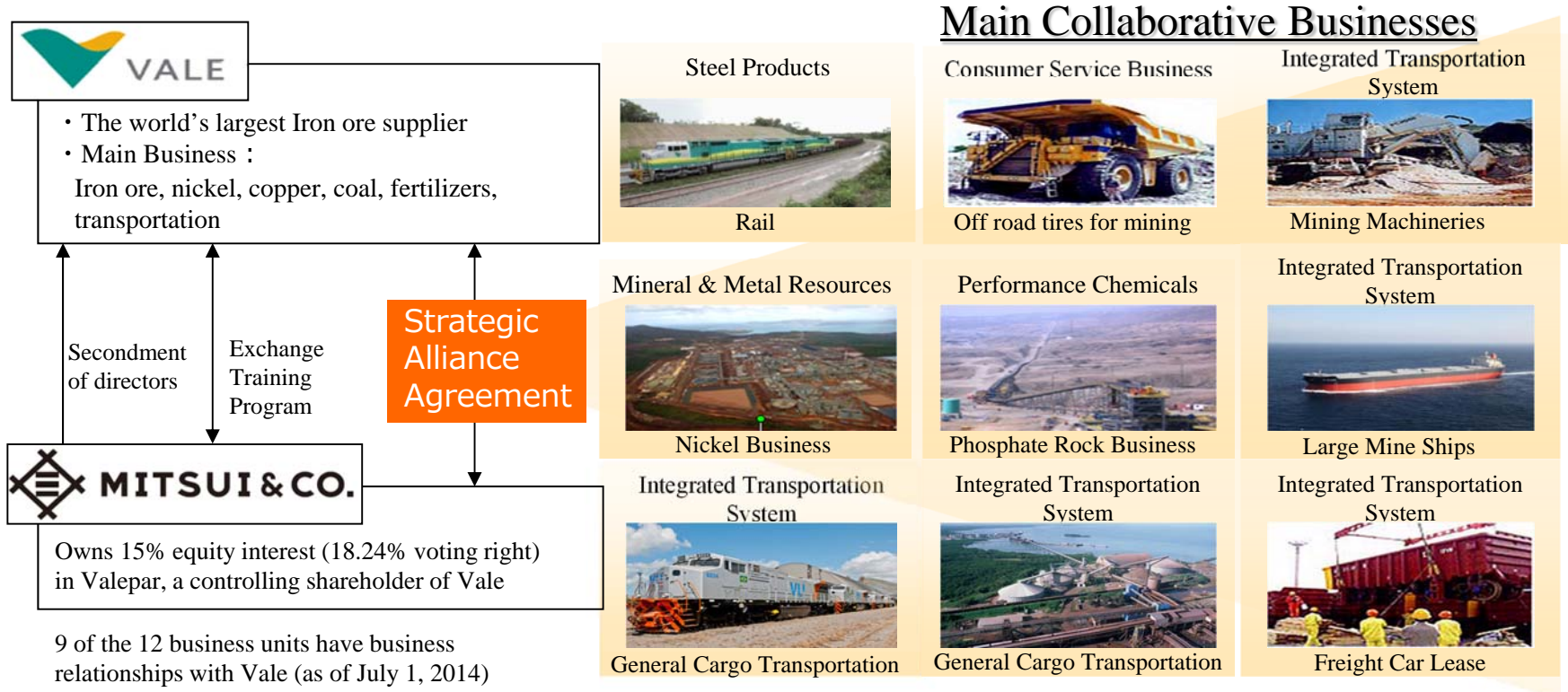


## 5. “New Investments” being made pursuant to the cash flow allocation plan presented in the company’s New Medium-term Management Plan

- **Balanced allocation between growth investments and shareholder return**
- **Investment in New Business in the Key Strategic Domains that will lead to future growth**
  - This project is a New Investment in “Mineral Resources & Materials” and “Infrastructure”



# 6. Multi-tiered business development with Vale, Mitsui's strategic partner



- **Excellent Partner: The world's largest iron ore supplier and leading railway operator**
  - **Mitsui owns 15% equity interest in and designates directors to Valepar, a controlling shareholder of Vale**
  - **Conclusion of a strategic alliance agreement: Cooperating with Vale in various business areas, including iron ore, nickel, phosphate rock, general cargo transportation**
- ⇒ **Jointly strive to maximize the asset value of the coal mine and infrastructure project business**

# “Making Connections”

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