

Conclusion of a definitive agreement on transferring of a part of the iron & steel products business of the Mitsui & Co. group to NIPPON STEEL & SUMIKIN BUSSAN CORPORATION and additional acquisition of the shares in NIPPON STEEL & SUMIKIN BUSSAN CORPORATION

Conference Call Q & A Session

1. **Date & Time:** 4th October, 2017 (Wednesday) 16:00~16:40

2. **Speakers:**

Chief Operating Officer of Iron & Steel Products Business Unit Noboru Katsu

General Manager of Domestic Business Dept.

Tomohisa Suzue

General Manager of IR Div.

Yuji Mano

3. **Q & A Session :**

- Questions
- As per the strategies for Mitsui's iron & steel products business, I had assumed that Mitsui gives priority to accumulating new assets, such as Gestamp, compared with developing domestic trading business. Thus, I would like to know Mitsui's strategy again with respect to the domestic trading business. What are the respective functions of Mitsui Bussan Steel (MBS), MM & KENZAI Corporation (MMK) and Mitsui in domestic steel business?
 - Also, I would like to know the details of expected synergy with NIPPON STEEL & SUMIKIN BUSSAN CORPORATION (NSSB).

- Answers
- MMK is the No. 1 domestic trading company dealing in structural bar & steel scrap. Their customers are large real estate and construction companies, while Mitsui also has a business base in the real estate field, on which it is able to collaborate with MMK and create business opportunities proactively. A sogo shosha's assets are very functional in this business field, and Mitsui is going to develop the domestic business by enhancing its function.
MBS is playing a role for business realization at the frontline, in line with Mitsui's strategy of, for example, supplying steel products to Seven Eleven Japan, power plants in Japan, etc. On the other hand, Mitsui's business partner NSSB has a different strength, namely, good access to supply sources of steel products of NIPPON STEEL & SUMITOMO METAL CORPORATION. NSSB, MBS, MMK and Mitsui, utilizing various functional assets and clients, will enhance the domestic business by further strengthening the value chain and the supply chain.
 - Mitsui and NSSB have already decided on the rough direction to achieve synergy, and will take specific action after the execution of deal. Utilizing each asset inside and outside Japan for the realization of synergy, Mitsui and NSSB are going to further study synergy in new business areas, in addition to logistic cost reduction in existing business areas.

- Questions
- After the business transfer subject to the deal this time, is Mitsui still going to keep utilizing the service center for steel products in Japan? I understand that the utilization rate of the service center is not so high currently. May I understand that Mitsui will achieve higher usage and better profit through this deal?
 - I noted that it is difficult to allocate the expense for the business to be transferred this time, but it would be appreciated if Mitsui could show a rough idea of how much net profit is expected after the profit reduction due to the business transfer, as well as the profit increase by making NSSB an equity-method associated company.

- Answers
- As per utilizing Mitsui's and NSSB's assets, NSSB and Mitsui have already consolidated each facility into NSM Coil Center. Rather than the issue of low utilization, now there is another issue, i.e., a shortage of workers and it is important how to operate efficiently. In the long term, NSSB will surely enlarge their scale of business in the competitive environment.
 - Mitsui strongly believes that Mitsui can secure profit at the proper level and also believes it is the best time to make this deal.

- Questions
- With a target of 20 billion yen of PAT in Mitsui's iron & steel products business in Mar. 2020, how much contribution is expected through developing the business in this area?
 - How is Mitsui going to use the cash flow income of 60 billion yen in the strategy for Mitsui's iron & steel products business?

- Answers
- Although it is difficult to calculate the specific figures, but the expected profit increase from making NSSB an equity-method associated company should further exceed the expected profit decrease caused by business transfer. For better understanding, Mitsui is going to achieve 20 billion yen in Mitsui's iron & steel products business in Mar. 2020 through about 40% in trading business and about 60% in investments, such as in Gestamp, GRI, and so on.
 - This cash income allocation is to be decided at the company's discretion. From the position of iron & steel products business, Mitsui is taking on the challenge of value chain enhancement, looking at distribution innovation by means of EV and IoT/AI.

- Question
- Based on the assumption of actual profit in Mar. 2017, what is the impact from transferring the business this time?

- Answer
- It would account for about 20% of global profit of Iron & Steel Products Business Unit. Provided that, as it is difficult to allocate related expenses properly, it is just an image to help your understanding.

End