

**Presentation on Infrastructure Projects Business Unit - Q&A Session**

- 1. Date and time: October 4, 2011; 14:30 – 15:45**
- 2. Place: Otemachi First Square Conference**
- 3. Speakers: Shintaro Ambe, Executive Managing Officer, Chief Operating Officer of Infrastructure Projects Business Unit  
Yoshio Kometani, General Manager of Planning & Administrative Division  
Kenichi Hori, General Manager of Investor Relations Division**

**4. Questions and answers:**

Q: Other trading companies are also emphasizing their electrical power businesses.

What is unique about Mitsui's business and what activities have been undertaken?

A: Mitsui's full-scale entry into the electrical power business began with the acquisition of Edison Mission Energy's overseas power generation assets in 2004. Through that acquisition, we could diversify our portfolio geographically and in terms of fuels by having numerous power generation assets in Puerto Rico, Australia, Spain, and the U.K., in addition to the interest that we had already owned in Paiton Energy in Indonesia. One of the unique features of our business is the fact that in addition to power generation assets for which we have concluded long-term power purchase agreements with counterparties, roughly 25% of the business's assets are merchant-type assets, which is an area where earnings growth can be expected.

Q: Using the investments assets on Page 12 of the handout as the denominator, ROA for the fiscal year ending March 2015 differs slightly from the fiscal year ended March 2009 to 2010 average. What is the reason for this and what is the profitability of new businesses?

A: There is a time lag in the earnings contribution because several years are required from the time a new project is won until the actual business is launched. Of the net profit image of ¥35–40 billion for the fiscal year ending March 2015, roughly ¥28 billion is expected to come from existing businesses, including projects under construction, with the remaining ¥7–12 billion seen coming from investments in new projects. We are aiming for profitability of roughly 15%.

Q: Is profitability of 15% a realistic expectation for an infrastructure business?

A: The return on IPP/IWPP projects with long-term power purchase agreements in countries in the Near and Middle East with high credit ratings is only around 10%, but at the same time we are developing businesses in regions where higher profitability is expected. Merchant businesses are also seen having higher profitability, and we intend to raise the portfolio's overall profitability through these businesses combined with divestitures of certain assets.

Q: Current actual profit for the electrical power business is roughly ¥16 billion and the fiscal year ending March 2015 image is for ¥19 billion. Does this mean that you are expecting profit to grow by ¥3 billion over the next three years?

A: The business's profit will grow going forward as projects currently in development are completed, but given the time lag we are only looking for an increase of approximately ¥3 billion over the short term. However, we can expect more profit growth in and after the fiscal year ending March 2016, if projects go well.

Q: What is the outlook for the gas distribution business in Brazil, in terms of both gas supply and demand?

A: Gas in Brazil is currently supplied primarily from Bolivia. Large gas fields have also been discovered recently off the coast of Santos, Brazil, and liquefying this gas to LNG is under consideration. We expect some of this gas to be used for domestic consumption, and are not concerned about future supply. We also expect demand to increase in line with Brazil's solid economic growth, and see the installation of gas-fired thermal power plants leading to additional growth in demand.

Q: What is the current status and future outlook for Tokyo International Air Cargo Terminal?

A: Conditions remain difficult, with cargo volumes not growing to the degree we had initially anticipated. Nevertheless, even though the number of cargo flights being commissioned is not increasing, demand for passenger flights is showing solid growth, and we expect the volume of cargo being transported on passenger flights to increase. In addition to thoroughly reducing costs, we are working in cooperation with our customers and partners to increase the volume of cargo handled, and I believe the outlook for the business will gradually improve. This is a long-term, 30-year project, which we intend to implement steadily without rushing.

Q: The water supply business is currently operating at a loss. Can profitability be expected?

A: The net profit of ¥1 billion per annum from Thai Tap Water in Thailand and the net profit from the water supply and wastewater treatment business in Mexico are respectively included in the Asia Pacific and Americas segments. If these operations are included, the water supply business has already become profitable. Going forward, we are also considering transferring the management of water infrastructure businesses, which are developed by the Infrastructure Projects Business Unit but closely tied to local regions, to the regional business segments after the construction is completed.

Q: What are the current profit levels and outlook for the drill ship and FPSO operations at the energy and basic industries area?

A: The drill ship and FPSO business makes joint investments with the Marine & Aerospace Business Unit, and profit is currently at roughly the ¥1 billion level. We expect two or three new projects going forward, but see the contribution to earnings being less than that of the gas supply business in Brazil.

Q: Would you please explain the reasons for the low ROA at the transportation-related business, and the risks of impairment losses at the locomotive leasing and management business in Europe.

A: Leasing operations, which resemble a financing business, are the main component of the transportation-related business. This business therefore does not necessarily have a high ROA, but it can also be said that the assets are highly liquid. The locomotive leasing and management business in Europe recorded impairment losses on goodwill and intangible assets in the fiscal year ended March 2010, but at this time we see little likelihood of additional impairment losses.

Q: What is the size of the unit's borrowings and at what interest rate levels?

A: This involves our internal structure for borrowings, and we do not disclose the details of those borrowings.

Q: Would you please explain how you determine the timing for exiting a business, and give us an example of a past case?

A: We divest assets when our initial investment objectives, including the acquisition of operational management expertise, have been achieved, or when we determine that a sale is the best course of action based on a review of the value and reason for holding the asset. This was the case in the sale of our interests in the Loy Yang A and Tarong North coal-fired power stations in Australia. During the fiscal year ended March 2011, we sold a portion of our interest in a Mexican power generation business to Japanese electric power companies to quickly recover a portion of our cash outlay at an early stage, and to further stabilize the business infrastructure. We have also sold our interest in an LNG terminal business in Mexico during the current fiscal year.

Q: How do you see the current economic environment, including the situation in Europe and the yen's appreciation, from the perspective of making investments?

A: With European countries experiencing macroeconomic changes and reviewing their policies for nuclear power, power generation assets are becoming available for purchasing. When making business investments, we use borrowings (project finance and other structured finance) for leverage to maximize the profitability of the investment. This means, however, that downturns in financing conditions lead to increased funding costs, so we study investments carefully and objectively based on risk and return.

Q: Aren't there many cases of financial investors selling power generation assets?

A: Normally, a financial investor's interest is a minority shareholding, meaning they cannot control the business and therefore do not get involved in the business. Mitsui aims to be a strategic investor, meaning we look for quality assets in which we can invest and participate firsthand in the operation of the business.

Q: Do you see business opportunities in Japan's power generation sector?

A: It is important that the whole country discusses Japan's energy policies including direction for transmission grids operation, and reach a consensus. We will closely follow these developments and respond accordingly.

Q: What is a strategy and challenges of Toyo Engineering?

A: Toyo Engineering is a listed company, so we are not in a position to comment on the company's growth strategy. Synergies with the company are increasing, however, with specific examples of cooperation including technical consulting for Mitsui's overseas investments in the chemical segment, and Toyo Engineering's acting as an EPC contractor in power plants construction.

Q: In light of the yen's appreciation, what is the likelihood of foreign exchange losses when exiting businesses, and do you anticipate making yen carry investments in the future?

A: There is a possibility of foreign exchange losses when funds for investment are procured in yen, but in principle we procure funds in the same currency as the investment being made.

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