

IR Meeting on Financial Results for the Nine-Month Period Ended December 31, 2012

Questions and Answers

- 1. Time:** February 4 , 2013, 17:30~18:30
- 2. Location:** Conference call
- 3. Speakers:** Joji Okada, Senior Executive Managing Officer and CFO
Keigo Matsubara, Managing Officer, Deputy CFO, and Global Contoller
Kenichi Hori, General Manager of IR Division

4. Questions and Answers:

- Q.** *Please summarize the one-time factors that affected results in the third quarter.*
- A.** Roughly ¥24 billion one-time gain was recorded from the sales of securities. This included the gain on the equity dilution of Vale Nouvelle-Calédonie, as well as sales in shares of Mikuni Coca-Cola, LME shares, MOECO's stake in INPEX, and shares held by the Americas segment.
- On the other hand, we had valuation losses of ¥14 billion, including nickel and aluminium asset impairment losses at Vale, which were reflected in the decline in equity in earnings of associated companies at Valepar, an impairment loss on the current portion of Valepar preferred shares, and approximately ¥1 billion in mark-to-market valuation losses related to the IPP business. On a net basis, therefore, there was a gain of approximately ¥10 billion.
- Q.** *Your forecast for the fourth-quarter profit seems to show a large decline – are these due to some asset liquidation in the fourth quarter? Or, should we view this simply as a result of the subtraction due to the unchanged full-year forecast?*
- A.** Our unchanged full-year forecast considering the increased volatility in exchange rates and resource prices.
- Q.** *You referred to foreign exchange valuation losses in your presentation– as of now, how large do you expect the loss to be?*
- A.** Although we have not made a calculation at this point, since the yen has been weakening somewhat since the end of December, we do expect to incur some loss.

- Q.** *Do you see the heavy rains in Australia affecting your coal business's joint venture there, and what is the current situation?*
- A.** More than our mines themselves, railways used for shipping the coal are being affected. We expect a one-month stoppage of shipments until service is restored on the Moura line that connects to Dawson. The Blackwater line that connects to Kestrel and other locations will be down for roughly two weeks, and we expect service to be restored around February 8. We are currently looking into the effect on earnings, and a negative impact is possible.
- Q.** *What effect do you see exchange rates having next year? We understand that in principle Mitsui hedges its AUD-USD functional currency portion, and with the exchange rate level not having changed significantly, the impact should be small, if any. On the other hand, since AUD is appreciating against the yen, should we expect a positive foreign exchange effect next year when converting the net income of overseas subsidiaries to yen? What impact do you see if exchange rates stay at their current levels?*
- A.** We do not fully hedge our AUD-USD exposure, so while the degree could vary at different times, there probably would be some impact. If you calculate this using our sensitivity figures regarding the conversion of our overseas subsidiaries results into yen, the outcome would probably be slightly larger than the actual impact.
- Q.** *What is Mitsui's hedging policy?*
- A.** We do not disclose our policy.
- Q.** *What was the reason behind the large growth in equity in earnings of associated companies at the Energy Segment in the third quarter compared with the second quarter?*
- A.** Strong results at JAL-MIMI were the main reason (earnings figures are not disclosed).
- Q.** *Why was third-quarter profit at MEPTX down from the first and second quarters?*
- A.** MEPTX posted a ¥2.4 billion profit in the second quarter and a ¥0.7 billion profit in the third (both pre-tax), but this includes mark-to-market valuations for crude oil price hedges that are not covered by the company's hedge accounting; positive ¥0.9 billion in the second quarter and negative ¥1.2 billion in the third. Excluding these, you can see that there was slight growth.

Q. *The Chemicals Segment recorded a ¥2 billion loss in the third quarter. How much of this was losses related to the restructuring of unprofitable businesses, and what would the figure be if extraordinary factors are excluded?*

A. The loss from cancellations of long-term contracts was approximately ¥2 billion, and most of the losses related to termination of unprofitable businesses are covered in this number.

Q. *The current Medium-term Management Plan calls for profit growth of ¥50 billion from the first year to the second year – what is your outlook at this time?*

A. Volumes growths in mineral and metal resources and in energy, along with realization of results in other areas were included in the ¥50 billion increase. While the volume growth is basically on track, as to the realization of results of past investments, we will review the latest status of projects coming online when we formulate the business plan for next year.

Q. *Spot prices for iron ore are rising – should we expect this to have a significant effect at Mitsui in the fourth quarter? What is behind the higher-than-anticipated rise in spot prices, and what is your outlook going forward?*

A. There are a variety of methods for setting prices, so the recent rise in spot prices does not necessarily affect the entire sales volume, but there is some positive effect. The year-on-year increase in crude steel production volume in China, expectations regarding the new government's economic policies, and rising demand for steel materials are some of the reasons behind solid iron ore prices. In addition to the assumption that the Chinese economy bottomed out last year, there are expectations that funds will go to new investments and loans, and procurement of raw materials for steel is increasing. There is also a tendency in most years for China's domestic iron ore production to decline during January-March, causing the supply-demand balance to tighten. Our outlook going forward will depend on how these developments play out, and I don't have anything more specific to say at this time.

Q. *You have left your full-year forecast unchanged – what will happen to the dividend if fourth-quarter results diverge from the forecast? At the second-quarter results announcement you noted that you are discussing the dividend policy for next year and beyond. What is the status of those discussions – for example, are you considering a dividend policy using cash flow as a benchmark?*

A. The only figure that exists is the announced full-year dividend of ¥43 per share that we expect to pay based on our forecast for full-year net income of ¥310 billion. The dividend amount shall increase if net income comes in higher, but as for the case where net income comes in lower, the matter is not discussed to a degree that we can make any commitments. According to our current policy, the dividend would be reduced in such a case.

Please bear with us a bit longer with regard to next year and beyond; we will formulate our policy, taking into account a stable dividend to shareholders, as we finalize our business plan.

Q. *Is the entire commitment fee related to the Codelco loan booked, or do you expect interest and other income next year as well?*

A. The commitment fee will be booked in full this year, but we will continue to receive interest on the loan. We do not disclose the amount.

Q. *Is the commitment fee for the Codelco loan booked as interest received in the income statement?*

A. Yes.

Q. *How much profit growth do you expect through next year if market remain at current levels?*

A. Profit will grow if we assume that iron ore prices and exchange rates will hold at current levels. Resource businesses are heavily impacted by market price: please refer to the sensitivity that we disclose.

Q. *Is the sensitivity figures you released at the beginning of the year still valid?*

A. We review sensitivity once a year, and I cannot say anything beyond that right now.

Q . *Third quarter results for iron and steel products and for chemicals were very weak. Excluding the impact of termination of unprofitable businesses and other one-time losses, will fourth-quarter earnings be higher than in the third quarter? What is the actual situation at these businesses?*

A. At the chemicals business, we have canceled our contracts for the unprofitable businesses in petrochemical intermediate materials, and this had a roughly ¥2 billion negative impact. Although there still are some unprofitable businesses, we will resolve these problems as we rebuild the earnings base. I do not have the fourth-quarter forecast with me, but we are aiming for a gradual improvement. In addition, there were problems at KPA in the third quarter that led to a decline in capacity utilization and a drop at the ammonia business, but since the ammonia prices themselves are solid, we believe that an improvement in the fourth quarter is possible.

In iron and steel products, there are negative factors including valuation losses on foreign exchange contracts for trade settlements, one-time tax burdens, and a temporary loss in connection to steel products for the energy industry, but excluding these factors, third-quarter profit was at the second-quarter level. While the valuation losses will be recovered when the delivery is made pursuant to the contract, we expect to record losses again in the fourth quarter if current foreign exchange-rate levels continue. This business unit is working to accelerate the pace of earnings recovery.

Q. *What is the status of marketing for Mozambique? The loss has grown slightly for the third quarter – what is your outlook going forward?*

A. We are working with the aim of making a final investment decision on Mozambique within 2013, and are conducting marketing primarily in Asia as well as in Europe. The current losses are primarily exploration costs. It is difficult to make a forecast, but I expect these costs to continue.

Ends