Mitsui & Co., Ltd.

3rd Quarter Financial Results for the Year Ending March 2016
—Questions and Answers —

1. **Date & Time: February 4, 2016 (Thu), 16:30-17:30**
2. **Location : Conference Call**
3. **Speakers: Keigo Matsubara, Executive Managing Officer, Chief Financial Officer**
   Kimiro Shiotani, Managing Officer, Global Controller
   Michihiro Nose, General Manager, Invester Relations Division
4. **Questions and Answers:**

Q: There was an impairment loss on the Caserones Mine. What are your thoughts on recognizing impairment? What were the reasons for not recognizing impairment losses on other copper, coal, and iron ore projects?

A: The relevant departments, including corporate staff and business departments, check for signs of impairment losses each quarter and recognize impairment losses if this is deemed necessary. I cannot speak in detail about particular projects, but the decisions made each quarter are based on comprehensive judgments that reflect a variety of factors, including the price outlook, production trends, forecasts made at the time of investment, and future production plans.

Q: You reported an impairment loss on Multigrain on this 3rd quarter. How do you view the current business environment and the outlook going forward?

A: The current impairment losses on Multigrain relate to fixed assets, such as buildings, machinery and equipment. Management regards the current and future status of this company as one of its top priorities and is considering a variety of options on a top-down basis. Multigrain’s origination and merchandising activities in Brazil are being affected by excessive competition, and we are also exploring the possibility of forming an alliance with another company. At the same time, we are also considering measures to stop the hemorrhaging and improve earnings, such as the restructuring of operations and the reorganization of assets. As part of efforts to restructure operations, we have recruited external experts as top managers in such areas as origination, logistics, and merchandising. While working to improve management, various measures are taken to build close collaboration among the various divisions and to improve control structures with a sense of urgency. As far as reorganization of assets is concerned, we are exploring approaches that will result in the optimization of logistics. We will evaluate the effectiveness of these actions over the next soybean crop season, and implement drastic measures.

Q: Is it correct to conclude that although mid-term convergence prices for resources were reduced in this quarter, only Caserones was affected by impairment losses as a result?

A: You referred to the prices on which we base our checks for signs of impairment losses. Current price fluctuations do not lead immediately to changes in the mid-term convergence prices. Moreover, production profiles differ for each project. We make quarterly judgments within price ranges determined by the company, taking into account forecasts by external organizations.

Q: You said that the dividend forecast would be maintained at ¥64, and that the cash flow framework for the three-year period of the New Medium-term Management Plan would remain unchanged. Can you now compare operating cash flow and investment cash flow for each of the years? You have reduced the yearly forecast for EBITDA, but there are a number of non-cash items. How will this affect your core operating cash flow forecast of ¥500 billion for the financial year ending March 2016? Will you still be able to maintain your cash flow allocation framework throughout the New Medium-term Management Plan period? Is your thinking on dividend resources based on free cash flow or core operating cash flow?

A: When we reviewed our cash flow outlook in May 2015, we stated that the three-year total would be ¥1,700 billion, consisting of yearly figures of ¥700 billion, ¥500 billion, and ¥500 billion, respectively. The cumulative total for the first three quarters of the second year was ¥400 billion, which is equivalent to about 80% of ¥500 billion, indicating that we are generating strong cash flows. We have invested in the resources and energy areas. Because those assets that we have are excellent assets, operations are continuing, and are recovering large amounts (through depreciation) as operating cash flows. The strength of our operating cash flow reflects the fact that depreciation and amortization amount to around ¥250 billion annually, which means that we have the capacity to recover a certain amount of funds in the midst of falling resource prices. We have not yet prepared detailed business plans for the next financial year. However, our dividend policy is based on our view that the cash flow allocation framework for the three-year period can be or is likely to be maintained. We take investment cash flow control into account when considering dividend resources.

Q: According to media reports, Mitsui & Co. will be participating in the bidding for Toshiba Medical Systems. If you require cash for the acquisition of this company, will that change the overall cash flow framework for the Medium-term Management Plan? What would be the implications for the dividend?

A: I cannot comment about Toshiba Medical Systems or make any comments about cash flows based on hypothetical situations.

Q: Given current market trends, and excluding one-time factors, how do you see the outlook for net income from the Metal Resources and Energy segments in the 4th quarter? Is there scope for further cost savings?

A: We do not anticipate any significant one-time factors in relation to Metal Resources. We cannot control prices and exchange rates, however, we will continue to do everything possible to improve operational efficiency, reduce costs, and enhance operating revenues. In relation to the iron ore business in Australia, income from infrastructure utilization charges will not be affected by market prices and will continue to make a steady contribution in the coming financial year and beyond. In the Energy segment, we are working to improve our earning capacity by adjusting investments, reducing costs, and increasing production volumes. We are also reviewing costs and schedules for our exploration activities.

Q: Harsh economic conditions, including in emerging countries, are reflected in continuing difficulties for some businesses, such as Sims. Are you considering withdrawal from any projects or production cutbacks if the economic environment worsens further?

A: Sims has announced a "resetting plan" that will involve restructuring costs of A$230 million. We recognized an amount proportionate to our equity in Sims for this 3rd quarter. We did not recognize any impairment in the 3rd quarter. We cannot respond concerning our equity ownership policy going forward, since Sims is a listed company.

Q: Mitsui & Co. sees market prices remaining sluggish. If core operating cash flows decline, does Mitsui & Co. intend to maintain cash flow allocations within the three-year framework, such as by tightening the reins on investment?
A: Falling commodity prices will affect operating cash flows. However, we continue to aim at keeping our free cash flow positive by controlling our investment cash flow, and if necessary by recycling investment assets.

Q: What is the situation concerning Moatize, and what is your investment timetable? Is it correct to assume that the arrangement of project finance is taking time because of operational factors, rather than the falling price of coking coal.
A: That is correct. We are currently negotiating with several financial institutions about the arrangement of project financing. The coordination involved is taking time.

Q: What is the outlook for one-time factors in the 4th quarter?
A: I cannot cite specific figures. However, we have already issued a press release concerning the partial sale of Track3B in Malaysia, which is expected to yield a one-time profit in the Machinery & Infrastructure segment. We are also expecting a one-time profit in the Energy segment.

Q: What were the reasons for the improvement in core operating cash flow compared with the 2nd quarter? What is the outlook for core operating cash flow in the 4th quarter and beyond?
A: There is no single explanation for changes in core operating cash flow, since many factors are involved. One reason for the improvement in the 3rd quarter was dividend income.

Q: What is the current operational status of shale oil and gas operations in North America? What has been the impact of falling oil and gas prices?
A: We have responded to the decline in oil and gas prices by adjusting the pace of drilling and the number of drilling rigs and wells to optimize production levels in relation to market trends. This has resulted in a moderate reduction in the output of the shale oil producer MEPTX. MEPUSA, on the other hand, has adjusted its shale gas production to reflect market conditions. Future trends will depend on movements in market prices and supply and demand. However, if the number of wells drilled continues to decline at the present rate, oil and gas production is likely to decline.

Q: Vale’s share price is falling. What process do you use to assess the value of Vale and Valepar?
A: We make comprehensive judgments each quarter by looking for signs of impairment. I cannot comment on the valuation criteria used to detect signs of impairment in relation to individual investments.

Q: Would you look at potential opportunities for large-scale investment resulting from the downtrend in resource prices? For example, would you consider bottom fishing for opportunities to acquire attractive new projects, or increasing your equity in existing projects? If you do undertake such investments, would you still maintain the positive free cash flow stipulated in the framework for the New Medium-term Management Plan? Could your dividend policy be affected?
A: There has been no change in our strategy of accumulating reserves that are competitive from a medium/long-term perspective, and increasing production volumes. It is difficult to formulate projects when price volatility is high and the future outlook is uncertain. However, we will continue to use our business acumen and the networks that we have built to pursue attractive investment opportunities. The achievement of a positive free cash flow is a major goal under the New Medium-term Management Plan.

If an investment opportunity would result in cash flow stress, we would consider the significance and strategic potential of the project and base our decision on a balance between future growth and shareholder returns.

Q: Brazil is facing difficult economic conditions. What is the current status of your Brazilian projects other than Multigrain? Have any credit or collection risks materialized, and what countermeasures have you implemented in response to these potential risks?

A: The Brazilian economy will remain in a downturn in the short-term, and we are also aware of risks, including the exchange rates. However, Brazil has enormous potential in terms of resources, labor force, and market size, and there has been no change in our policy of investing in Brazil from a medium/long-term perspective. Priority targets for investment include businesses that can produce foreign currency revenues through exporting over the medium/long-term, and infrastructure projects with the potential to generate stable long-term income. We will continue to invest cautiously in Brazil while maintaining risk controls, including exits when necessary.

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