**$2^{nd}$ Quarter Financial Results Announcement for FY Ending March 2019**

**QA Session (translation)**

**Time and Date:** October 31, 2018 (Wed.) 10:00 – 11:30

**Presenters:** President, CEO, Tatsuo Yasunaga
Executive Managing Officer, CFO, Takakazu Uchida
Executive Officer, Global Controller, Kimiro Shiotani
General Manager Investor Relations, Yuji Mano

*[Speaker 1]*

Q1: Why has there been no change to the full-year forecasts for Mineral & Metal Resources? Are you being more conservative on iron ore prices than current spot prices level?

A1: The iron ore market has been weak until recently, and the spread for quality difference is widening but this has been offset somewhat by the weak Australian dollar. While coal prices have been higher than assumptions, there have been increases in costs. Copper prices have been trending below assumptions. Taking all these factors into consideration, we are maintaining the current forecast. The iron ore price assumption remains unchanged from the beginning of this fiscal year.

Q2: What is your position on the downward rigidity of dividend payments? What would be your approach to additional cash allocation if the economy were to enter a recessionary phase and performance were to suffer?

A2: We have been making steady progress in strengthening the profit base and have reached a level where we can generate 550 billion yen stably in core operating cash flow. As I explained previously, our aim is to allocate 25% of that to shareholder returns. At the end of the period, we will review the gap between current levels and our forecast of 600 billion yen. How we allocate free cash flow among additional shareholder returns, repayment of interest-bearing debt, and growth investments, is something we consider on an ongoing basis while taking into consideration our progress to plan.

*[Speaker 2]*

Q3: What is Mr. Yasunaga's view on the current share price, and thoughts on additional shareholder returns?

A3: I am not satisfied with the current share price. Basically, our principal approach is to return earnings to shareholders directly through dividends, but share buybacks are always an option. In the previous two quarters, strong performance in asset recycling implement share buybacks within the surplus.

Q4: Machinery & Infrastructure is the only segment for which forecasts have been revised downwards. Do you expect trade friction between the US and China, or macro-economic conditions in emerging markets to impact the segment? Will there be any change to the profit target of 90 billion yen in the final year of the medium-term plan?

A4: The downward revision is the result of various factors. For example, there have been delays in approvals for solar power generation in the US. In the automotive business, tax reforms, inflation concerns, and model changes are impacting consumer behavior. Essentially, it is more an issue of time lag than fundamentals. In the railway, the projects in Brazil were held up due to the political/business reasons including country's general elections. In the UK, a combination of factors such as changes in work style and construction delays by the government, led to a review of the business plan. The direct impact of the US-China trade friction has so far been limited, but we are paying close attention to the potential uncertainty. Our 90-billion-yen target for next year is unchanged.

*[Speaker 3]*

Q5: The business portfolio seems to have changed with the sale of Multigrain and Synlait. Could you talk about Lifestyle segment's long-term direction?

A5: As a company, we are focusing on Environment and Health as sustainable growth area. Environment includes businesses in clean energy, renewable, and mobility. Health includes businesses focused on high-level care and related services targeted towards the middle-income segment in Asia, pharmaceuticals, and preventive health products such as high-quality supplements. As such, the Lifestyle segment will focus on healthcare, human nutrition, and protein. We intend to exit from investments where the business model or Mitsui's function has become obsolete.

Q6: What are the factors that will support profit for next year in the Energy segment?

A6: The start of production at Greater Enfield and Tempa Rossa oil fields and contributions from the acquired AWE Limited are expected to be the main contributors. However, we are aware of the need to be cautious about our assessments in the early stages where technical and regulatory challenges are more likely to be encountered.

*[Speaker 4]*

Q7: Please provide context around the upward revision to core operating cash flow in the Chemicals segment. What is the current status of Novus?

A7: The upward revision to core operating cash flow comes from dividends received from an equity-method affiliate. The downturn in the methionine market has created a difficult environment for Novus. Increased demand in the medium term is expected to drive recovery, but for now we are taking a cautious approach.

Q8: From an ESG perspective, what is your direction with regard to Resources & Energy and power generation businesses?

A8: We will not acquire new assets in thermal coal, although in some cases thermal coal is produced as a byproduct of coking coal. We will consider selling thermal coal assets if the price is right. With regard to power generation, our plan to increase the portion of renewable energy from 16% to 30% by 2030, decrease the ratio of coal-fired power generation, and move toward a carbon-free policy is unchanged.

*[Speaker 5]*

Q9. What is your medium-term outlook with regard to returns on healthcare investments?

A9. Given that EBITDA multiples are generally very high in this area, our basic strategy is to partially exit the investment and reap returns through capital gains. Demand for high-quality medical treatment is not affected by economic slowdown and our view remains that the demand in Asia for medical clinics and other related businesses will continue to expand.

Q10. Have any factors such as the increase in gas and crude oil prices, operational improvements, and any changes to Mitsui’s dividend policy influenced the decision to increase dividends? Please provide any update on Mitsui’s shareholder returns policy.

A10. We have not changed our basic policy. Due to factors such as our ability to manage market volatility through cost reductions in Resources and Energy, and our confidence to create stable cash flow from non-resources profit base, we have decided to increase dividends.

*[Speaker 6]*

Q11: Please explain the recognition of profit from your investments in growth areas, including the timeframe?

A11: Our participation in companies such as IHH and Penske, which are core businesses in the growth area, has contributed to remarkable performance improvement. Within a timeframe of five to ten years we are focusing on expanding the platform and the depth of each peripheral business.

Q12: What is your outlook for Investment and Loans amid downturn risk in the economy?

A12: The assumption is 1.9 trillion yen over the three-year period of the medium-term plan. At the same time, if there are quality projects, we will decide whether to take them up keeping a view on the period of the current medium-term plan and beyond.

*[Speaker 7]*

Q13: How far will you be able to grow the base profit in the medium to long term? How do FVTPL, which was included in base profit in the current period, and future initiatives in Iron & Steel Products factor into this?

A13: FVTPL is a source of profit generation for trading companies and, looking ahead, we will pursue buy and sell business models in areas such as pharmaceuticals and ICT. Iron & Steel Products is in a transitional phase where we are shifting from the role of seller to the role of user or buyer, which is what we are seeing in the case of our business with Gestamp.

Q14: Mitsui has positioned asset recycling as a recurring business model, so why did it not generate sustained profit in the current period?

A14: Last year, sizable recycling contributed to both CF and PAT, which is not included in this year's plan. In particular, buy-grow-and-sell model in Infrastructure take time to bear fruit and, if a sale is to be profitable, it is essential to get the timing right.

*[Speaker 8]*

Q15: With respect to your profit targets for the final year of the current medium-term management plan, can you explain what measures you are taking to reach those targets particularly in the areas of Chemicals and Machinery & Infrastructure?

A15: In our latest review we have not made any revisions to our profit targets for the final year of the plan. We will look at this again closely when we formulate our business plan for next year and will continue to work toward achieving those targets.

*[Speaker 9]*

Q16: Mr. Yasunaga commented that he was not satisfied with the current share price. Would you actively consider implementing a share buyback, not only as a form of return to shareholders but also as an investment in an undervalued asset?

A16: Share buybacks are something we always consider as part of our policy on returns to shareholders. However, our job as a company is to continually find external investment opportunities for sustainable growth, and to foster, manage and grow them. Our main avenue is to give back to shareholders directly through dividends, and we will continue to consider our cash allocation based on that approach.