FY March 2025 Q1-3 (April-December 2024)
Financial Results Announcement Q&A Session

Date	February 4, 2025 (Tuesday) 17:00-18:00	
Speakers	Tetsuya Shigeta	Representative Director, Senior Executive Managing Officer, CFO
	Masao Kurihara	Managing Officer, General Manager of Global Controller Division
Moderator	Hideaki Konishi	General Manager of Investor Relations Division

Q1

Regarding the *progress in enhancement of base profit* on page 19 of the Q1-3 presentation material, which was a recap of the first half material, it was stated that coffee trading was expected to recover in the second half. In line with the revision of the full-year forecast, this has now become a factor behind the decrease in base profit. As of the end of Q3, please provide an update on the current status and progress of *strengthening existing businesses*, and *efficiency improvements, turnarounds*, as these are topics that will carry over into the next fiscal year. Additionally, regarding Mainstream, which is not mentioned in this material, a 15.9 billion yen impairment was recorded in Q1-3. Even excluding the impairment, there was a loss of approximately 1 billion yen in Q3, so what is the outlook regarding the turnaround of Mainstream.

Shigeta

Regarding the progress in enhancement of base profit, we have not updated the first half material, but overall, there is no change in our outlook of achieving a 120 billion yen increase by the end of FY March 2025 and a 170 billion yen increase by the end of FY March 2026. We will analyze and explain again when the results for FY March 2025 are finalized. Although it is not a detailed analysis, there are areas where we are facing challenges and areas where we are doing well in terms of *strengthening existing businesses*, and *efficiency improvements, turnarounds*, but overall, there is no change in the outlook.

We are facing challenges with coffee trading, iron & steel products, and some other businesses, but we are seeing increased profits in mobility, and in chemicals, especially methanol. Therefore, we do not have major concerns about the progress in enhancement of base profit. Regarding new contributions, since the announcement of first half results, we have been able to explain the progress of several businesses, and we believe we are steadily progressing towards the target of a 60 billion yen increase by the final year of the Medium-term Management Plan (MTMP).

Mainstream has recorded another impairment. The phase of development and construction of projects is expected to continue for several years, and it is expected that profit contribution will take time. However, we will work firmly on the turnaround in collaboration with our partner, Aker. We feel the need to appropriately select the regions and projects for development, so we will focus on regions with strong demand, such as South Africa, Australia, and the Philippines, to accumulate a track record and aim for medium- to long-term value enhancement and turnaround. While trying to avoid additional impairments, time for development and construction is required, so it will take a little longer until the business will contribute to profits.

The coffee business continues to have difficulties. The Arabica futures price listed in New York has been at historically high levels since reaching a 47-year high in December last year. As a result, interest costs have increased due to the increase in working capital required by the trading business. Although we generally avoid profit and loss fluctuations due to market volatility by netting long positions in purchase commitments and inventories with short positions in hedges, there were some advantageous contracts concluded before the surge in coffee price. Due to this surge, there have been export restrictions in some production areas, causing delays in contract fulfillment. As this delay continues, we have partially recorded provisions for the market valuation of purchase commitments. A solution would be to quickly ship these delayed contracts, but we are struggling to secure the shipment from the supplier to fulfill contract obligations. We have formed a task force involving not only the Food Business Unit, which is in charge of the coffee business, but also the corporate and overseas offices, to address this issue as a company-wide challenge. While market stabilization is also a necessary factor, we want to resolve this issue as quickly as possible. I apologize for not being able to specify a timeframe, but we are trying to resolve it as soon as possible.

Q2

Regarding the 1.2 trillion yen of surplus funds on the balance sheet carried over from the previous MTMP, at the first half results, I got the impression that the tone regarding potential for utilization of this surplus was higher than before. Considering the changes in the external environment and the uncertainty in the operating environment, such as the uncertainty surrounding the Trump tariffs, how do you plan to utilize these surplus funds? Will you leave them unused due to the uncertain operating environment, or do you have other plans?

Shigeta

We have achieved a strong financial base under the previous MTMP, so we do not feel the need to further reduce leverage. Even in the current uncertain environment, we believe we can maintain our basic policy of balancing investments for growth and shareholder returns. We have established a financial base that allows for various options for both, so we do not feel the need to make significant changes in response to increasing uncertainty, particularly in the US.

Q3

Regarding Energy, while there were one-time losses in Q3, LNG and other areas have exceeded expectations. The volatility of profits in this segment has increased in recent years, so if LNG trading and other areas are currently exceeding expectations, please explain the factors behind this and your thoughts on the sustainability of this performance.

Shigeta

Regarding Energy, the LNG business has been performing steadily as a growth driver during the current MTMP. Due to factors such as market conditions and logistics, profit forecasts for LNG trading tend to be conservative, and I must say there is a tendency for upward revisions when updating performance forecasts. We believe that the need for LNG and natural gas as transition fuels will continue in the span of at least the next five to ten years, so we consider the sustainability of the business to be high.

Additionally, among new investments, although it will take some time for them to start contributing to profits, we are steadily accumulating new assets in the Block B gas field in Vietnam and other natural gas and LNG businesses, so we believe we can maintain the segment's position as a long-term earnings base for the Company.

Konishi

Regarding specific figures related to Energy, please refer to page 12 of the Global Energy Transition presentation at Investor Day 2024, which includes the future outlook for Global Energy Transition. For profit contribution from natural gas and LNG, we expect 160 billion yen in FY March 2025 and 180 billion yen in FY March 2030. We believe that on top of that, Energy-related profit will increase further due to other Global Energy Transition-related businesses, so please refer to that disclosure as well.

Q4

Regarding Machinery & Infrastructure, excluding the impairment of Mainstream, there was a profit of approximately 50 billion yen in Q3, and you expect 54 billion yen in Q4. Although there were some concerns about automotives in the US at the beginning of the fiscal year, high levels of profit have continued. Please provide your outlook on the future, and if you feel things have bottomed out.

Shigeta

In Machinery & Infrastructure, we believe that businesses with downward resilience are growing in each of Mobility Business Unit I and II, and Infrastructure Projects Business Unit. In the Mobility, the Penske business in the US has been performing steadily, and we are also expanding into adjacent areas such as a used truck auction business. The Penske business as well as other automotive business in the Americas and Southeast Asia continue to perform steadily, contributing to base profit with downward resilience. In the Infrastructure Projects Business Unit, we sold Paiton, but in its place, gas-fired power generation in Thailand has begun operations, which will also become a new source of solid base profit contribution. In Mobility Business Unit II, in shipping, the business model is subdivided into sales, ownership, and chartering, and there is also demand for marine fuel replacement. We are capturing various demand opportunities and strengthening the earnings bases of each business unit as medium- to long-term profit bases, so I think you can count on the sustainability of profits.

Q4 (follow up)

Regarding the automotives distributor business that Mitsui has in Canada, is this contained within Canada? Meaning, will it be affected by the new potential US tariffs?

Konishi

Sales are essentially made within Canada.

Q5

Regarding the full-year forecast for Core Operating Cash Flow, the Mineral & Metal Resources and Energy segments have been revised upward, while Iron & Steel Products, Lifestyle, and Innovation & Corporate Development have been revised downward.

Originally, the MTMP forecasted growth in these latter segments. From this perspective, please evaluate the current progress by segment and provide your outlook for the goals of the MTMP.

Shigeta

As mentioned earlier, coffee trading in the Food Business Unit is facing challenges. We aim to achieve the same level of profit contribution as before through turning that business around. On the other hand, businesses that support base profit, such as the hospital business in the Wellness Business Unit, are growing steadily. Therefore, we will focus on addressing turnarounds [such as coffee trading].

Distribution is the core part of business in the Iron & Steel Products segment and the investments in this segment are also focused on this area. With exports from China increasing, steel prices have been sluggish, impacting financial performance in the current fiscal year. Recovery in the supply-demand environment is necessary, and to be honest, we are facing difficulties in this area.

Although the Innovation & Corporate Development segment has seen a downward revision this time, we do not have major concerns for the next fiscal year or the next MTMP. We expect steady progress to be made.

Q6

Please tell us the factors that will affect the performance of Energy in the next fiscal year.

I expect the current increasing spot LNG price will be a supportive factor for higher profit in Energy in the next fiscal year. How do you view this situation?

Also, if the US raises tariffs on Canada and Mexico, what impact do you expect on Energy?

Shigeta

We are just starting to devise the figures for next fiscal year's business plan for Energy, so I do not have detailed information right now. However, I hope to see and certainly believe that they will be able to perform at the same level as this fiscal year.

Currently, due to the severe winter weather, spot LNG prices in Europe and the Far East are increasing. Regarding spot demand, we have secured most of the profit for this winter business until this March.

From April onwards, the focus will be on how to capture the high prices without taking excessive market fluctuation risks. It is still too early to say whether the environment will be better for the full fiscal-year and whether the market will be better next fiscal year. Regarding tariffs on Canada and Mexico, crude oil prices are fluctuating, but for natural gas and LNG, we believe that deregulation movements are more favorable for Mitsui than tariff issues. We want to firmly take initiatives in businesses that benefit from tailwinds and accumulate profits.

Q6 (follow-up)

Regarding natural gas, there may be policies and deregulation in the future, but at the same time, if tariffs are imposed on countries like Canada and Mexico, I think the amount of natural gas and crude oil imported from Canada and Mexico will decrease. In that case, can we assume that this will have a positive impact on the Marcellus shale gas and Eagle Ford Shale oil projects in which Mitsui invests?

Shigeta

Yes, your understanding is correct.

Q7

There has been an impairment in Mainstream. Could you tell us if this has any impact on your renewable energy initiatives? I'm not sure if the build and hold strategy is suitable for the renewable energy business from the perspective of the region where the business is developed and whether the returns justify the risks. Also, in the renewable energy business, while I believe you are mindful of the proportion of profit contribution and assets, I do not think you necessarily need to use power generation capacity as an indicator. Please tell us about your future initiatives in the renewable energy business.

Shigeta

Mainstream will continue to focus on turnaround efforts and avoid additional losses. In addition to Mainstream, which we invested in with the expectation of using it as a platform for the renewable energy business, we are also engaged in other renewable energy businesses such as wind and solar. While there has been a change in the perception of renewable energy under the new US administration, it is true that we are facing difficulties due to increased costs such as construction and labor costs. Although the timeline is becoming longer than originally anticipated, we still believe that renewable energy business is a necessary initiative in the energy transition as we move towards decarbonization. We will support these energy transition initiatives with existing businesses such as natural gas and LNG, and will work diligently with a medium- to long-term scope.

Q8

I am particularly interested in *progress in enhancement of base profit* on page 19 of the Q1-3 presentation material. You explained that there are no updates from Q2, but I am hoping that the options for growth in the remaining 50 billion yen increase required to reach the targeted increase of 170 billion yen will be expanded in the next fiscal year and beyond. On the other hand, there are also businesses such as coffee trading where the turnaround is not necessarily going well. When you add up the items, please tell us whether there are ways to reach or exceed the 170 billion yen increase by the end of next fiscal year. Also, is my understanding correct that the expansion of earnings through *new businesses*, which are easy to see from the outside because the pipeline is visible, is expected to achieve the target of a 60 billion yen increase?

Shigeta

Although there are changes in the external environment, such as market conditions, interest rates, and exchange rates, we are working with each business unit to achieve our goal of enhancing base profit by 170 billion yen, excluding the effects of these factors. We will continue to improve our efforts to achieve this goal or even exceed it.

We also believe that we will be able to achieve our goal of 60 billion yen through the contribution of earnings from new businesses.

Q9

The latest forecast cites LNG related factors as a reason for the increase in profit compared to the previous forecast, but is this due to the impact of the improvement in costs and volumes shown on page 14 of the Q1-3 presentation material, or is it due to the fact that a large amount of LNG dividends was included in Q3? Also, please tell us the background to the improvement in costs and volumes compared to the previous forecast. Is the suspension of Russian natural gas transport to Europe via Ukraine at the end of December last year also having an impact due to factors such as the increase in the volume handled?

Konishi

The main reason for the increase in Energy volumes is the good performance of MEPAU. Waitsia gas field (an onshore gas field in Western Australia), which is expected to start production in June this year, will utilize the liquefaction capacity of North West Shelf. Although production of gas from Waitsia has not yet started, we have already begun exporting LNG using the liquefaction capacity of North West Shelf, with gas procured from within Australia, and this has led to an increase in volume. In addition, the relatively strong production at Vincent (Greater Enfield) oil field is also contributing to the increase in volume.

In terms of costs, in addition to improvements in overall exploration costs, there was also a delay in exploration costs due to a slight delay in the development of some E&P projects. In addition, there was a positive impact due to an increase in funds available for dividends as a result of a review of the capital expenditure plan for ADNOC LNG in Abu Dhabi.

Q9 (follow-up)

Can we assume that this contributed to the positive factor of *base profit* in *LNG related* on page 14 of the Q1-3 presentation material?

Konishi

These are the factors that have improved *costs/volume* on page 14. While there might be some spillover of the improvements in *costs/volume* into *base profit*, we have tried our best to classify what we can as *costs/volume*. Regarding *LNG related*, a positive factor in *base profit*, the earnings from trading-related operations are forecast to be significant, this combined with dividends. As you are aware, relatively large dividends were included in Q3. We expect that trading-related earnings will be solid in Q4, and we have factored this into our full-year forecast.

Q10

On page 8 of the Q1-3 presentation material, it says, *leveraging years of experience and expertise, continuously working on scarce, large-scale investment opportunities for growth*. If you can talk about anything specific, please give us comment.

Shigeta

We are unable to give any more hints just yet, but we are working hard so that we have something to disclose as soon as possible.

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