FY March 2025 Full Year (April 2024-March 2025)
Financial Results Announcement Q&A Session

Date	May 2, 2025 (Friday) 10:00-11:30	
Speakers	Kenichi Hori	Representative Director, President and CEO
	Tetsuya Shigeta	Representative Director, Executive Vice President, CFO
	Masao Kurihara	Managing Officer, General Manager of Global Controller Division
Moderator	Hideaki Konishi	General Manager of Investor Relations Division

Q1

In your presentation, you mentioned conservatively incorporating uncertainties in the business environment. Could you please tell us about the assumptions for non-resource businesses, including the impact of tariffs?

Hori

In Machinery & Infrastructure, the impact of tariffs in the initial stages will be somewhat limited, and we have assumed the effects appearing in the latter half of FY March 2026. Also, in our North American automotives business, considering the high proportion of premium cars, we will be focusing on minimizing the impact of tariffs by adeptly utilizing our product mix. On the other hand, given the various policy trends triggered by these tariffs, uncertainty is high, and we have formulated the business plan by factoring in less upside.

In Chemicals, base profit is increasing. The prices for major products are not bad, and we expect to be able to skillfully utilize our trading functions in global supply chains and provide solutions to customers. Although this business model constantly allows for targeting upside, we are also factoring in less upside here.

In Innovation & Corporate Development, our subsidiaries in Japan are performing very strongly. On the other hand, while asset recycling is now part of our business model, we are making the evaluation and discipline for new investments more strict. Similarly, we are incorporating a certain level of conservatism regarding asset sales, resulting in a lower frequency of asset recycling in the portfolio than usual.

In Lifestyle, we will focus on the recovery of food trading, in particular coffee. Also, we can clearly see the organic growth of the hospital business centered on IHH happening right in front of us, so we have incorporated it into our business plan as usual.

We have been able to enhance base profit, but as to how much upside we have factored into the budget, on this occasion we are using assumptions aligned with the current business environment.

Q2

This time, you increased the dividend by 15 yen. Previously, you mentioned that if underlying profit increased, you would consider increasing the dividend, and if there was upside from commodity price increases, you would consider share repurchases. You have now sent a stronger message that you will continue to increase the dividend even after this MTMP. Has your thinking changed? Also, how did you decide on this 115 yen? I get the sense that you were also conscious of the dividend yield. If you have any supplementary comments on how dividends are decided or regarding any change this time, please let us know.

Hori

Our basic idea is to proceed with dividend increases based on base profit. As per the start timing of earnings contribution from new projects shown on page 17 of the presentation material, there are a number of projects that are expected to definitively contribute to profit in the future. Although there are fluctuations due to business environment factors, looking at this expected profit, we see a path leading to a profit base that is one or two notches higher than the current level, so we are increasing dividends based on the idea of responding to shareholders' expectations with a progressive dividend approach. Therefore, the premise for increasing dividends is the improvement of base profit and the status of portfolio development that enables long-term progression of dividends.

In addition, we have been continuously making share repurchases since 2014 and also canceling these shares, so capital efficiency per share has been increasing. Based on the improvement in capital efficiency, we have decided to strengthen shareholder returns, resulting in the 15 yen dividend increase and the policy of continuing with the progressive dividend policy beyond that.

Q3

While steadily advancing investments in the three Key Strategic Initiatives, you have also set strengthening *middle game* initiatives as a measure in the current MTMP. As large-scale investments in upstream and resource businesses are lined up from FY March 2027 onwards, it appears that there will be an increase in the proportion of future profit growth linked to commodity prices. I expect you will continue to focus more on *middle game* initiatives in the future, but please tell us about profit volatility and the time horizon for the start of profit contribution.

Hori

Middle game initiatives include not only realizing organic growth but also initiatives to reduce downside risk. Regarding profit volatility, we will continue to manage a solid balance as we have done to date. Take Mineral & Metal Resources and Energy, for example. In iron ore, we are developing infrastructure business, and in Cameron LNG, liquefaction business, both of which have considerable resilience to commodity prices, and our business model incorporates the upside of commodity prices in conjunction with these. We will continue to actively work on businesses with middle-risk middle-return, with relatively smaller earnings volatility, which are relatively common in Industrial Business Solutions and Wellness Ecosystem Creation. Regarding resource projects, it is also important to thoroughly evaluate opportunities and seize them in a timely manner. Rhodes Ridge, for example, has taken 20 years. We will work on them while considering the risk-return balance, including geographical diversification.

Q4

I have understood that the profit contribution from the Americas business this fiscal year is to be about 1/3 of the total, and within the US business, approximately 70% consists of domestic operations. I believe the US business has both risks and opportunities, but please tell us how much of these risks in the domestic operations you have factored into the business plan.

Hori

To give you an example, we are developing a shale gas business as a domestic business in the US. In addition to procuring gas externally, we can also drill ourselves and adjust production volume according to market prices. Furthermore, we can produce methanol and low-carbon ammonia using that gas for consumption within the US or for export. These are businesses that are relatively easy to proceed with from the perspective of local investment and job creation, considering geopolitical risks and US policies, and we believe that the risk-return is sufficiently reasonable. However, we will proceed while closely monitoring the impact of the weakening macro economy on our US business. Some of our US businesses have budgets set somewhat conservatively, but we would not be satisfied by simply achieving these and will be monitoring the situation and preparing countermeasures.

Q5

I imagine you have held off on share repurchases for now, given the current uncertain environment. Considering your stance on improving ROE and your cash flow situation, I understand that you simply decided it was not the right timing to make share repurchases, but please reconfirm your thinking on whether you will continue to implement them in the future.

Hori

Although we did not specifically decide on announcing share repurchases this fourth quarter, our approach to shareholder returns, centered on dividends and share repurchases, has not changed at all during this MTMP in terms of framework or thinking.

In the current operating environment, we want to maintain ample reserve in the Management Allocation and proceed with a wide range of management options. We will decide if and when share repurchases are appropriate in a flexible manner. Also, we are currently looking at both asset sales and acquisitions, so we would like to constantly consider share repurchases as an option in a flexible manner while considering movements in assets and Core Operating Cash Flow, or COCF.

Therefore, I believe it is important to have ample reserve in the Management Allocation within the capital allocation framework and to convey this to investors in our engagement. Also, from our perspective, organizing it in this way enables greater flexibility.

Our primary management goal is to maintain and improve a high level of ROE over the long-term. Therefore, while constantly considering dividend increases, share repurchases, and profit growth, we will aim to achieve appropriate capital efficiency, capital management, and ROE.

Achieving growth is the most important thing, so I would like to reiterate that the overall framework remains completely unchanged.

Q6

The profit plan for FY March 2026 seems quite low compared to market expectations. Regarding profit from asset recycling, you are planning 49 billion yen for FY March 2026, but the results for FY March 2025 were approximately 150 billion yen, and for FY March 2024, it was approximately 190 billion yen (note, approximately 160 billion yen under the current classification standards).

You said you are looking at it somewhat conservatively, considering the situation of potential buyers and their intentions, but as you look to make certain asset sales, do you actually feel a strong change in the sentiment of buyers and therefore consider the 49 billion yen plan a realistic amount? Or are you just looking at it conservatively?

Hori

Regarding profit from asset recycling, significant profit is realized every year, and we have said that profit generated from portfolio reconfiguration is part of the business model. In this regard, the structure has not changed at all, but regarding asset recycling in this year's business plan, we have only included what is clearly visible. We have not budgeted for ongoing negotiations or portfolio restructuring that is usually expected to occur with a certain probability.

This is partly due to our observation of buyer caution in the market, and our view that taking time to negotiate without setting the timing too early allows for more favorable asset sales. From such a perspective, it is necessary to broaden the options at hand, and I believe this had an impact on the business plan.

We will continue to explore and devise ways for asset recycling to ensure economic viability without missing opportunities.

Q7

At the time of making the investment decision in the Rhodes Ridge iron ore project in Australia, you increased borrowings by 400 billion yen and secured an increase to the Management Allocation by moving 400 billion yen from the balance sheet.

This time, even with the allocation of that 400 billion yen from the balance sheet, the net D/E ratio is still 0.44x at the end of the fiscal year. Could you tell us how much room you think there is to raise the level of the net D/E ratio?

Hori

We have not mentioned a target value for the net D/E ratio, but as management, we will constantly consider an appropriate debt level by discussing with rating agencies and conducting multilateral verification, given the significant movements in the macro environment.

Regarding the balance sheet, we believe it is strong at present, so we recognize that utilizing it is always an option for management. We would like to make appropriate decisions while constantly observing the operating environment and global affairs.

Shigeta

The Rhodes Ridge project will involve funding after fulfillment of conditions precedent under our contract. Therefore, please understand that the net D/E ratio as of the end of March 2025 is before the funding for the Rhodes Ridge project.

We do not aim for a further decrease in net D/E ratio, but under the current environment, we want to have a certain level of financial preparedness.

The long-term policy needs to be discussed further by management, and I believe it will also be determined in conjunction with the ROE level. While deepening discussions with credit rating agencies, we believe that a certain degree of increase is possible once the uncertainty in the external environment is dispelled.

Q8

Regarding asset recycling, a situation where investment is stalled would be a slightly worrying factor when considering long-term management in a fluctuating macro environment. From this perspective, please tell us about your view of the current investment environment and whether there are any changes.

Hori

Regarding the investment environment, we are often involved in investments as part of a consortium or together with partners, so I think it's easier to share with you the conversations we have with parties we engage with on a regular basis. From such conversations, one thing we observe is that everyone is really raising their evaluation hurdles, and even in a highly uncertain macro environment, we are having conversations about the need to prioritize projects with downside resilience that can achieve solid results.

We intend to elevate our investment discipline and make sure that we maintain high standards.

In our internal investment plans, we have a number of potential projects in the pipeline, but when we have discussions with higher scrutiny than usual, the priority of investment projects becomes clear. We will continue to pursue investment projects depending on economics, and I would like to share that we are narrowing them down considerably. Also, our wisdom in project formation is increasing, and we can devise measures, so we intend to proceed with cutting-edge thinking.

Q9

From your previous comments, you have conveyed that there is absolutely no wavering in the long-term direction of management, but uncertainty is increasing regarding the next few years, and if profit for this FY is 770 billion yen as you have guided for, ROE will fall to around 10%. You have conveyed that you would clear the MTMP KPI of a three-year average ROE of over 12%, but ROE has declined from two years ago. This is partly due to the amount of asset sales, but I imagine you feel a certain level of disappointment towards this downward trend in ROE. Are you concerned about this point, or do you think that this is just one year in a multi-year period, not part of a downward trend, and that we should look at things over the long-term? Please give us your thoughts here regarding ROE.

Hori

We are closely monitoring long-term ROE as of the most important management parameter and intend to address it properly. We will steadily complete the projects after FY March 2027 shown on page 17 of the presentation material regarding the start timing of earnings contribution from new projects, and realize the numerator for ROE that will be well over 1 trillion yen.

Also, we will realize these figures while further suppressing the risk level. Of course, in our case, we will leave upside potential, but we will create a structure that can achieve the stated absolute level while controlling the risk level as much as possible, heading towards 2027 and even beyond that to 2030.

Measures to achieve significant growth for Mitsui on a global basis in US dollar terms, and the realization and monetization of projects for that purpose, will be key, so I believe these are the most important points for enhancing ROE. At the same time, we will improve capital efficiency by elevating our discipline to capital allocation and combining it with our approach to shareholder returns, and execute the enhancement of ROE from a long-term perspective.

In that sense, the projects we have been able to undertake as a result of our unique efforts have been accumulating, and we will steadily realize these. There are some fluctuations due to changes in the operating environment in the near term, but I think this can be recognized as temporary at this point.

As a major trend, we will realize a growth trajectory aimed at the stated absolute value and meet shareholders' expectations through corresponding dividend increases. We are also conscious of long-term dividend growth as a goal, and we will also improve capital efficiency within the overall capital allocation framework. We hope to achieve long-term ROE expansion through such combinations.

Q10

What were the main reasons for profit in FY March 2025 falling short of your previous forecast by 20 billion yen? Are there any factors, such as simple timing differences, that will affect FY March 2026?

Hori

Although we aimed for 920 billion yen, which was revised upward during the fiscal year, the profit for FY March 2025 ended up being as planned at the beginning of the fiscal year, 900 billion yen. This underperformance was due to the recognition of provisions in coffee trading, impairment losses in the Oman crude oil production business, impairment losses in the Mexican power generation business, and other minor factors recognized at the end of the fourth quarter.

On the other hand, base profit has increased, and as a result, COCF ended up exceeding the previous forecast of 1 trillion yen by several tens of billions of yen. We would like you to look at both profit and COCF, but of course, profit forecasting and management are important, so we are thoroughly reviewing them.

Q11

Compared to the profit target of 920 billion yen for FY March 2026 set out at the start of the MTMP, the business plan is 770 billion yen, and I believe you have lowered the outlook in each individual segment. Regarding this change in outlook, are you being conservative due to the current environment, have investments not progressed as much as planned when the MTMP was formulated, or have *middle game* initiatives not gone to plan? Please tell us how you view the FY March 2026 business plan in comparison to the initial forecast.

Hori

Although we have presented a business plan that falls short of the initial target set out at the start of the MTMP of 920 billion yen, this is due to being conservative with the upside and incorporating contingencies based on US policy and the macro environment. The MTMP figure includes a base profit improvement of 170 billion yen, and that part is progressing smoothly and is incorporated into this business plan.

On the other hand, there are macro factor impacts such as from inflation, interest rates, exchange rates, and the current automotives tariffs. We are responding to these by reconfiguring our business model and adjusting our product mix, but there are cases where we require some time to make adjustments. As a result of divesting some businesses, some earnings have been lost, and although measures to recover earnings are being implemented, there are also cases where there is an earnings gap during the transition period.

We have not given up and intend to aim for profit improvement through action plans by thoroughly verifying and incorporating upside in all departments and providing solutions to supply chain issues, even during the fiscal year.

Q12

Regarding iron ore, production at the Simandou mine in Guinea, Africa, will start this fiscal year. Could you tell us your short-term and long-term outlook for iron ore prices?

Hori

As for the assumptions of the business plan, we are mindful of current commodity price levels, and in the short-term, we would like to watch closely as there are signs of a gradual recovery in commodity prices towards the latter half of the year in China, Asia, and India. Looking at the global market, the project in Africa will emerge, but the overall quality of iron ore in the market is on a downward trend in the long-term. While our strength is centered on the superiority of competitive iron ore of medium-quality or higher, we believe that less competitive iron ore players will be in a difficult situation, and we analyze that the supply-demand balance in the iron ore market will be maintained. We believe that supplying medium-quality iron ore or higher in a cost-competitive manner is directly linked to the decarbonization of the entire steel production industry. Regarding iron ore, we have a solid long-term outlook, taking into account such changes in the market structure.

Q13

Regarding asset recycling, you have conveyed that the business plan for this fiscal year is conservative, incorporating only projects that are definitely expected. On the other hand, you have conveyed that investments for growth are progressing ahead of schedule, and projects that can be expected to contribute to profit in the next MTMP are steadily emerging.

Regarding asset sales, can we expect it to recover to the scale of 150 billion yen in FY March 2027 and beyond? Considering the expansion of the balance sheet, can we expect the scale of asset recycling itself to increase further in the future?

Hori

Regarding asset sales, buyers exist in the market, so we are proceeding while confirming their intentions. However, we believe that changes in the macro environment will have an impact to some extent, and as a result, some fluctuations will occur, which is a point I have wanted to convey today.

At Mitsui, we review all assets at least once a year, and in certain cases more frequently. We review the strategic significance of holding them and timing of potential sales, and we are continuously reconfiguring our assets. In addition, some investments are made with divestment in mind, and for such projects, we are repeatedly verifying internally to generate cash as early as possible.

Therefore, there is no problem in assuming that the scale of asset recycling will return to recent levels. In fact, we consider asset recycling to be the basis of our portfolio management.

Q14

Regarding the timing of earnings contribution from new projects shown on page 17 of the presentation material, you explained that you are aiming for COCF well over 1 trillion yen towards 2030. I took that as you have visibility for this even in the current commodity prices environment, but in addition to the profit forecast of 770 billion yen for FY March 2026, an additional profit contribution of about 300 billion yen will be required.

Given this point, how much is expected from each area of Industrial Business Solutions (IBS), Global Energy Transition (GET), and Wellness Ecosystem Creation (WEC) towards the 1 trillion yen target?

Hori

We have not provided specific estimates of how much each Key Strategic Initiative will contribute to profit towards 2030. However, for example, regarding Rhodes Ridge, which falls under IBS, we have already disclosed an idea of the future increase in COCF. Also, that is estimated based on a conservative commodity price assumption, so I think you can get an idea of the impact.

Also, regarding the Ruwais LNG project in the UAE, which falls under GET, if you refer to our track record in LNG projects and the scale of volume, you will see that considerable returns can be expected.

In the WEC area, IHH Healthcare currently has over 12,000 beds and has a concrete strategy to increase the number of beds by several thousand in the future, so organic growth is expected. Furthermore, in nutrition, growth is expected from businesses acquired through M&A, and considerable upside is also expected in areas such as protein, mobility, ships, and infrastructure.

In recent years, we have set considerably strict hurdle rates for investments and always make investment decisions based on a certain level of IRR or higher. Therefore, if you look at it by applying that standard, I think you will understand that the contribution will be substantial.

In addition, we are promoting *middle game* initiatives, which include enhancing base profit in existing businesses, changes in product mix, and increasing the base volumes in commodities. By combining these factors, we believe that aiming to achieve a profit level exceeding 1 trillion yen is very achievable, assuming considerable effort on our part, and we believe that preparations to realize this are underway.

Regarding our initiatives related to trading that utilize our global trading assets, individual projects may seem small, but they have grown to a considerable scale through accumulation. Considering the contribution to such organic global commerce and the added value we create, we believe this area will also contribute significantly to profit.

While this is a somewhat qualitative explanation, I hope you can understand our long-term profit target based on this overall picture.

Q15

You have set goals for carbon neutrality and are working towards them. In that context, are you building your business portfolio while considering the differences in carbon intensity of each business and future carbon prices, and is there room for further improvement? Please tell us about your approach to carbon intensity.

Hori

We want to fulfill our responsibility for reducing and controlling greenhouse gases (GHG). As an example, in the US low-carbon ammonia business, which is called blue ammonia, emitted GHGs are stored underground. This is lower carbon than grey ammonia, which emits carbon dioxide, so we consider such initiatives to be a contribution to society.

Each time we create such a project, we proceed while confirming the status of GHG emissions across our entire portfolio, the reduction effect, and the progress towards our goals within the Sustainability Committee. In this way, we are constantly checking whether it is consistent with the long-term goals we have announced, and we will continue to do so as a key management item.

On the other hand, the energy transition cannot be achieved without economic viability, so we are also strictly looking at securing economic viability. At the same time, we are also discussing recognizing carbon prices as a hidden cost. We are also proceeding with the divestment of businesses with high carbon intensity, but in doing so we are selecting counterparts who will take over the responsibility of reducing carbon intensity. By promoting such comprehensive measures, we want to advance our initiatives to lower carbon intensity.

Q16

You commented that a path to expanding the profit base is visible. From your perspective as CEO, how many years ahead do you have visibility over?

Hori

One time horizon is 2030. This not because it's a round number, but many projects are being worked on towards that timing for their profit contribution. There are many greenfield projects, but there are also plans for brownfield expansions and normal organic growth over a period of 4-5 years, which are steadily being implemented, so we are proceeding with 2030 in mind.

Q17

When commodity prices such as crude oil and iron ore fall, are there any measures you can take in terms of volume or cost to prevent COCF from falling?

Hori

We need to respond to the ups and downs of commodity prices. Regardless of commodity prices, we are working to increase volume by improving cost competitiveness, or to reduce production costs per unit by increasing volume, and to promote automation to suppress labor costs. As a result, we want to constantly strive to be more resilient than expected when commodity prices fall. Even when they rise, the basic principle is to continue relentless efforts. In this way, we are strengthening our downside resilience to fluctuations. In North American shale gas, fluctuations are large, but we are utilizing financial instruments that hedge future selling prices when prices are high. On the other hand, when they are low, we respond to fluctuations by utilizing various means such as delaying development.

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