

FY March 2026 Q1 (April-June 2025)

Financial Results Announcement Q&A Session

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CFO
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Moderator Hideaki Konishi General Manager of Investor Relations Division

Q1

What are the reasons behind the increase in base profit for Chemicals, LNG related, Innovation & Corporate Development, and Food as shown on *the FY March 2026 Q1 profit: YoY factor comparison slide* (page 12 of the presentation materials)? Also, tell me about the sustainability of these beyond Q2?

Shigeta

Chemicals had good performance overall, especially in crop protection outside Japan and ITC, the US tank terminal business. Some of the upside came from efforts to *strengthen existing businesses*, so maintaining the same level of profit increase in Q2 and beyond may be difficult, but we aim to continue growing the business.

LNG related figures include trading and dividends. Trading tends to be weighted toward Q2 and beyond, but we had higher profit in Q1 compared to the previous period.

In Innovation & Corporate Development, there was good performance at JA Mitsui Leasing, and we were able to take advantage of trading opportunities in commodity derivatives. While market trends and the scale of volatility will play a role in influencing results, we will continue efforts to build up earnings.

For Food, there were improvements in several areas but the largest impact came from an improvement in coffee trading compared to the previous period.

We feel confident in our efforts to enhance base profit throughout the Medium-term Management Plan (MTMP), and will continue strengthening existing businesses and executing turnarounds to capture the upside and increase the extent to which we can raise profit.

Q2

Regarding *cash flow allocation* (page 6 of the presentation materials), subtracting the first two years' results from the three-year MTMP forecast gives over 1.2 trillion yen for this fiscal year. Exchange rates will have an impact on the investment amount but about 800 billion yen will be allocated to Rhodes Ridge. If we say sustaining CAPEX will be around 50 billion yen per quarter and thus 200 billion yen for the year, that leaves just over 200 billion yen for investments for growth. Since nearly 160 billion yen was already spent in Q1, the remaining amount available for investments for growth seems constrained and so I assume that this would influence how you use the Management Allocation. How do you view future investments in this context?

Shigeta

Our pipeline remains robust, and we continue to carefully select investments for growth. When we announced the investment in Rhodes Ridge, we explained the additional allocation of funds to the Management Allocation, and there has been no change in that aspect. As the overall numbers are starting to firm up, we hope to be able to come up with the balance between investments for growth and shareholder returns towards our Q2 financial results announcement.

Q3

In the Energy segment, LNG dividends and trading earnings tend to be concentrated in the second half. While Q1 results were described as in line with expectations, there have been changes such as lower-than-expected cost increases and recent fall in gas prices. Has there been any change from the initial assumptions?

Shigeta

We believe the Energy segment has a good chance of exceeding initial plans for the full year. We hope to be able to show the expected upside in the full-year forecast when we make the Q2 financial results announcement.

Q4

You previously mentioned conservative estimates due to tariff impacts. However, if there are any areas where the initial outlook was overly conservative and have since changed, please let us know.

Shigeta

We took a conservative approach in two areas.

The first was based on the concern that the direct cost increases from US tariffs and the resulting indirect decline in the US economy may cause a global economic downturn, which led to a relatively conservative build-up of numbers for the business plan.

Secondly, as the level of uncertainty was rising at the planning stage, inclusion of gains from asset sales in association with asset reconfiguration was more modest than planning under a normal situation.

Regarding the first point, in Q1, we did not see much direct impact from US tariffs. However, looking only at Q1, some businesses had ample existing inventory or experienced last-minute demand, making it difficult to judge based on just three months. Tariff agreements are also progressing between the US and various countries and regions, and manufacturers' and suppliers' responses are likely to solidify to some extent. We will reconfirm and assess this in Q2.

In our US automobile business, there are concerns about a decline in new car sales for our dealer operations. However, within the portfolio of our US automobile dealer business, we also have service businesses like maintenance, and leasing. Also, if the decline in new car sales due to tariffs is prolonged, there is an expectation that used car sales will grow. Since we have diversified businesses within each business domain, there is a possibility of offsetting some or all of the impact of tariffs, and we want to carefully assess this to avoid being overly conservative.

On the other hand, regarding the second point of asset recycling, with concerns about tariff impacts, US inflation, and persistently high interest rates, it is still far from clear that uncertainties have completely dissipated. While stakeholders across the board maintain a wait-and-see stance, we must also avoid rushing and missing opportunities to maximize our profit. We will assess in Q2 whether we can expect additional capital gains this fiscal year and will try to incorporate highly probable ones during the fiscal year, but we will take careful consideration around this.

Q5

The Energy segment performed well in Q1, exceeding the plan. Looking at *profit & loss attributable to Mitsui from major investees* (page 38 of the presentation materials), Mitsui E&P USA, a shale gas business, generated profit in Q1 that exceeded its full-year profit from the previous fiscal year. Looking only at Henry Hub prices, I did not expect such a significant increase in profit. Please explain the background of this significant improvement in performance and the outlook.

Shigeta

Mitsui E&P USA's business is in the Marcellus region, selling gas to New York etc. in the US. Therefore, its market and prices differ from Henry Hub, which is a key characteristic of the project. In Q1, we recognized performance from January to March with a time lag, meaning that winter market conditions from January to March were strong.

Konishi

Sales prices reflect the January-March performance which is recognized in our April-June quarter. That is, results in Q1 reflect relatively high gas prices from the cold winter months in the US Northeast. Even when comparing year-on-year, the improvement in gas prices is a major factor.

On the cost side, productivity at Marcellus remains high, so the depreciation unit cost which is reviewed each quarter has improved.

Regarding costs, as it relates to the third question we received, I will explain things in a broader manner to provide perspective. In the Energy segment, while we anticipate a 21 billion yen decrease in profit due to cost factors for the full-year, the decrease in Q1 was limited to 1 billion yen, hence the third question asked about potential upside. We have certainly seen some reduced costs from improved productivity at Mitsui E&P USA. However, the largest factor for the assumed cost increase in the initial plan is the operating expenses incurred with the start of operations at the Waitsia gas field in Australia. This has not yet happened in Q1 but is expected from Q2 onwards.

Q6

How do you evaluate the strengths and weaknesses of each segment at the end of Q1? I feel that Energy is outperforming, and Machinery & Infrastructure also seems to be doing well. Iron & Steel Products also looks solid.

Shigeta

As our MTMP efforts to enhance base profit in each segment progress, we feel that financial strength and profitability are improving. Even excluding one-time factors, Chemicals and Iron & Steel Products both had good performance in Q1.

I believe achieving the initial conservative profit plan of 770 billion yen is a must, and I am confident that this is more than possible. We want to strive to exceed that, getting as close as possible to the 920 billion yen profit level, which was our initial target for the final year of the MTMP we set at the beginning of the MTMP. We have also communicated internally that we have not given up this target.

To achieve this goal, we must diligently take advantage of each earnings opportunity, and so this target includes stretch elements set by each individual business unit.

Q7

Your explanation implies that, in addition to the publicly disclosed profit target of 770 billion yen, you have a higher internal target, and you are determined to push ahead with that more ambitious internal target. Is that correct?

Shigeta

That is correct.

Q8

Regarding cash flow allocation. You mentioned that with the expected investment in Rhodes Ridge, you are getting closer to deciding on the remaining Management Allocation. Do you intend to maintain discipline by staying within the current cash flow allocation framework going forward? I know that you are pushing ahead with initiatives to strengthen base profit beyond Industrial Business Solutions and Global Energy

Transition. Will these investments be treated separately in the future, or can they be accommodated within the current Management Allocation?

Shigeta

Before the investment decision for Rhodes Ridge, we anticipated cash-inflows and cash-outflows would net to zero. However, with five quarters remaining at the time of the Rhodes Ridge investment decision, we decided to allocate 400 billion yen from the balance sheet to the Management Allocation to maintain flexible management options. As in the previous MTMP where the balance of cash-inflows and cash-outflows resulted in a surplus, it is difficult to balance it to zero over the three years of the MTMP, and a certain amount of imbalance at the end of the term is unavoidable. While the Rhodes Ridge investment was not entirely handled outside the cash flow allocation framework, we intend to manage the remaining nine months with the management options made available by the additional 400 billion yen. Our financial condition remains sound, and while various possibilities exist, including reconsidering options, this is our basic policy.

Q9

Mainstream, the renewable energy business that was impacted by impairments last fiscal year, still appears to be unimproved in Q1. Please provide an outlook and an explanation of your future initiatives.

Shigeta

Mainstream is struggling, and we are aware that this is causing some concerns. The recent slowdown in global sentiment towards renewable energy in general has created headwinds for our efforts to develop a platform for the renewable energy business. We will continue to discuss with our partners, focus on key regions, and strive to turnaround the business.

Q10

Please explain the background behind the metallurgical coal business being in the red in Q1. Compared to the previous period, cost factors were positive, quantity factors were slightly negative, and commodity prices were significantly negative. Should we

assume that this deficit will continue if current commodity prices persist, or are there other factors?

Shigeta

Regarding the metallurgical coal business, in addition to commodity price factors, the current situation this fiscal year includes temporary operational stoppages at some mines due to dealing with accidents and other issues. Furthermore, some mines are encountering areas where operations are difficult.

Konishi

Currently, two mines are shut down. Fixed costs are being incurred without corresponding earnings, so if current coal prices persist, the situation is likely to be challenging.

Q11

A question about coffee trading in the Lifestyle segment. I believe it was a major negative factor in Q4 of the previous fiscal year, but it seems to have been mostly resolved in Q1 of this fiscal year. Is it correct to understand that concerns about future profit decline will recede, and what is the outlook?

Shigeta

Regarding coffee trading, the situation has significantly improved compared to the previous period and the Q4 of the previous fiscal year. This is due to the fact that coffee prices, which had risen to around 400 cents/pound at the end of last fiscal year, have since gradually declined, currently falling below 300 cents/pound. However, the reduction in outstanding contracts is still ongoing, so we are actively devising and implementing measures to normalize our position. As for the outlook, while there has been improvement, it will take a little more time before we can say that no further losses are expected.

Q12

Regarding iron ore prices, please provide an outlook considering the supply-demand balance, costs, etc.

Konishi

Iron ore prices have recently rebounded to near 100 US dollars. They went above 100 US dollars and then back down again, going back and forth around this level. Basically, looking at the cost curve and supply and demand, I believe prices will be relatively firm. Unless there is a significant economic stimulus package from China, the upside looks limited, but the downside looks to be relatively solid. Regarding the impact of the Simandou mine, which is often asked about, public information indicates that shipments will begin this year. However, shipments this year will be approximately 1 million tons, after which it will take about 30 months to ramp up, so the speed of this ramp-up will be a key point in assessing the supply and demand impact. On the other hand, from the perspective of the cost curve, considering, for example, the cost of iron ore at mines inside China, I do not expect prices to go down significantly.

Q13

IHH saw a decrease in profit in Q1. Please explain the background and outlook.

Shigeta

There was a one-time factor in the previous period, but as part of our hospital business initiatives, we are working to expand bed capacity and utilize M&A for expansion, and overall, progress is steady. The initiatives for business expansion themselves are progressing stably, and we want to support growth in this area as one of the pillars of our efforts to *strengthen existing businesses*.

Konishi

To add a little more on IHH, a major factor for lower profits compared to the previous period is the absence of deferred tax assets recorded for Turkish hospitals in the previous period. In terms of underlying earnings, performance is largely as planned and remains firm.

Q14

Regarding Taiwan offshore wind power, one of the growth drivers for this fiscal year as stated in the *timing of earnings contribution from new projects* slide (page 7 of the presentation materials), please tell us about the current situation and the outlook for its start up. Additionally, while Niigata offshore wind power is listed as a growth driver for FY March 2027 onwards, my understanding is that there are some discussions about reviewing the project as reported in the news. Also, yesterday, there was an announcement on the acquisition of a port business related to offshore wind power in the UK. Given the challenges you are facing with Mainstream in renewable energy, please explain again the background for pushing ahead with offshore wind power projects.

Shigeta

Construction of the Taiwan offshore wind project is progressing smoothly. We plan to start up a total of 73 turbines across two areas, and as of the end of June, five wind turbines have begun commercial operation. All 37 turbines in one of the areas are expected to commence commercial operations as planned this year, and the outlook for earnings contribution starting from FY March 2026 remains unchanged. The other area is also expected to commence commercial operation next year.

For the Niigata offshore wind project, we are currently in discussions with partners and stakeholders towards an investment decision. However, it continues to face difficulties due to rising construction costs and exchange rates. As we have no intention of sacrificing economic viability, the situation is rather tough, but we will continue discussions in an effort to reach an investment decision.

Regarding the acquisition of the port infrastructure business for European offshore wind power generation, we see that efforts in offshore wind and renewable energy require time, so we need to approach them with a long-term perspective. Furthermore, there are various ways to engage in renewable energy initiatives across the value chain. Apart from investing in power generation itself, in Iron & Steel Products, we are involved in some businesses related to materials for wind power generation, and in this case, it's about port infrastructure serving the industry. The idea is to accumulate diverse experience and knowledge in the UK, a mecca for wind power, and apply it elsewhere.

While efforts towards decarbonization seem to be slowing down currently, I believe the initiatives themselves are irreversible, which seems to be the consensus. Therefore, we will patiently push ahead with them from a medium- to long-term perspective. This port infrastructure business is not solely for offshore wind power; it is expected to support various other businesses. Currently, it also supports oil and gas operations, so even if wind power generation slows down, we believe business viability can be secured by providing services for other businesses.

Q15

Regarding Core Operating Cash Flow (COCF) in the *progress against business plan* slide (page 5 of the presentation materials), in the Energy segment, as you explained earlier, if profits grow, will COCF also increase linearly?

Kurihara

Regarding COCF for the Energy segment, similar to profit, it will rise towards the second half of the fiscal year. In terms of progress, it is currently at 21%. We expect it to progress as planned, or even exceed the business plan, towards the end of the fiscal year.

Q16

For COCF, the progress varies by segment. Could you provide any additional comments on areas that are better or worse than expected?

Shigeta

The Lifestyle segment has a negative COCF, but this is due to a special factor involving intersegment transactions related to interest between Others, Adjustment & Eliminations and the Lifestyle segment. This does not affect the overall performance, which is progressing smoothly. Additionally, some dividends that usually come in June have been delayed until early July. Particularly for COCF, we believe it will proceed smoothly throughout the year and there is reasonable upside potential.

Kurihara

In the Machinery & Infrastructure segment, there was a time lag for dividend payments that will be recorded in Q2. The progress is already somewhat high, but we believe it will proceed smoothly as planned or even exceed the plan. In other segments too, we expect performance to be largely as planned or to exceed the plan.

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