Mitsui & Co., Ltd.

Presentation on Mineral & Metal Resources Business Unit – Q&A Session

1. **Date and time:** **December 20, 2012 13:30～15:00**
2. **Place:** **Mitsui & Co., Ltd. Headquarters**
3. **Speakers:** **Yasushi Takahashi, Managing Officer,**
   Chief Operating Officer of Mineral & Metal Resources Business Unit
   Yoshinori Takase, General Manager, Planning & Administrative Division,
   Mineral & Metal Resources Business Unit
   Kenichi Hori, General Manager, IR Division
4. **Questions and Answers:**

Q *What are your projections for the amount of investments and loans in the current fiscal year and the fiscal year ending March 2014, and how do they break down between existing projects and new projects?*

A We have just begun to work on our business plan for the fiscal year ending March 2014 and I am not able to discuss quantitative figures at this time, but we will first look at investments and loans for the expansion of existing projects such as iron ore, and then determine the amount for new projects. Of the ¥300 billion of outlays during the first half of the current fiscal year, all except for the US$3 billion spent for the joint venture with Codelco were for existing projects.

Q *Which projects are included in "Supply: category A" in the supply and demand forecast for seaborne iron ore trade on page 13 of the presentation?*

A We rate the probability of realization of each project, including those led by junior miners, based on our analysis, into category A, B and C: A being the most probable. However, I would like to refrain from disclosing the rating of each project. There are cases even for projects in category A where postponements of development are announced, and it is possible that less than half of the projects rated category C to be developed.

Q *In addition to dilution of the ownership interest in Vale Nouvelle-Calédonie ("VNC"), you noted that you expect the supply-demand balance for nickel to weaken going forward. It also appears that the aluminium refining business overall is facing a difficult business environment. What are your plans with regard to nickel and aluminium businesses?*

A Dilution of VNC for the coming two years until the project reaches commercial production has been decided for now, and we will make a decision based on the situation two years later. The Taganito project is scheduled to begin commercial production in 2013. We are committed to maintaining the nickel business as a part of our unit's business portfolio, and will continue to work with existing partners in quality projects. The supply-demand balance for nickel is not as strong as for copper, the same non-ferrous area, but we may be making actions toward acquiring a new project, depending on the new Indonesian mining act. As for aluminium refining business, we will consider cost competitive projects with the ability to procure electric power and raw materials stably and over a long term, but as of now, such attractive projects are rare. Thus, for the time being we will continue to focus on and look into the upstream areas of bauxite and alumina

Q *As of when were the forecasts for crude steel production and seaborne iron ore trade supply and demand on pages 12 and 13 of the presentation made?*

A These are based on our forecasts as of the beginning of the current fiscal year, and are updated quarterly.

Q *Market prices for iron ore are recovering – what is your outlook going forward?*

A We believe that market prices for iron ore have recently correlated to trends in Chinese crude steel production, but the "super cycle" in resource prices has abated, and we see little likelihood of a recovery to last year's levels.

Q *Some view that the price paid to acquire the interest in Anglo American Sur ("AAS") through the joint venture with Codelco was high – was the valuation based on AAS's resources and the potential expansion at the Los Bronces mine in addition to AAS's reserves alone? What is the expansion plan going forward, including for the development of undeveloped mine?*

A We acquired the interest in AAS for US$220 million per 1% interest, which was the same amount that Mitsubishi Corporation paid for its acquisition. However, in connection to the new 20-year loan contract that we executed for Codelco in November replacing the initial 7.5-year loan, we will receive one-third of the benefit generated at Codelco through such replacement, and with the commitment fee related to the loan that we will also receive, we do not consider the amount we paid to acquire the interest to have been too high on a total basis.

As you have mentioned, AAS owns Los Sulfatos deposit which has high-quality, large scale resources, so we see there is upside potential to the value of AAS, but I cannot comment on our expansion and development plans going forward.

Q *With regard to nickel supply and demand, if Indonesia enacts the new mining act, we would expect new nickel refineries to be built in Indonesia, with the ore used to produce nickel pig iron previously exported to China being refined in Indonesia and exported as nickel pig iron, and the law's enactment would not have a significant impact on the supply-demand balance for nickel. In this scenario, would we be correct in thinking that the law's enactment would not have a significant impact on Mitsui's approach with regard to new nickel projects?*

A Nickel pig iron manufacturers are already starting to contact Indonesia, and we expect Indonesian exports of nickel pig iron to grow going forward, but the key issue is the timing and volume of this shift. We see a strong likelihood of the supply-demand balance for nickel tightening if the nickel pig iron from China is not replaced by Indonesia in a timely manner.

Q *With regard to the Mitsui's copper equity tonnage on page 18 of the presentation, do the forecasts to the fiscal year ending March 2015 and the quantitative image include the AAS interest?*

A The volume of equity tonnage to March 2015 is the forecast as of May 2012, and does not include AAS interest. We plan to release an updated forecast in May 2013. The quantitative image of 182 thousand tons includes potential new acquisitions at that time, such as the AAS interest.

Q *Do the quantities in the forecast for volume of Mitsui's iron ore equity tonnage on page 14 conform to the iron ore suppliers' expansion plans on page 15?*

A To a certain degree, yes; but for the iron ore suppliers' expansion plans, only the publicly announced plans are listed, while our forecast for equity tonnage includes other factors as well.

Q *We see inconsistencies in the various steel-related indexes released by China – which should we be focusing on when analyzing the iron ore market? Also, what is your impression regarding the supply-demand balance for steel material and iron ore going forward?*

A One of the reasons for the difficulty in reading Chinese supply and demand for iron ore is that trends in Fe content of domestic ore are not disclosed. Even if China's production of domestic ore increases, there are cases where the production volume on an Fe 62% equivalent basis are actually declining, and this is one of the reasons for the discrepancy between intuitive impressions and statistics. We believe it is important to look at the overall picture.

With regard to supply and demand going forward, we see demand for steel materials related to China's development of inland infrastructure continuing for 5-10 years, while at the same time the growth rate in Fe content basis volume of domestic ore supply slows as the grade of China's domestic ore declines, and we therefore see demand for imported ore continuing.

Q *How does Indian iron ore supply affect the seaborne trade?*

A In the long-term steel plan announced in 2010, the Indian government proposed a policy of cultivating their domestic steel industry. We therefore see the government emphasizing domestic steel manufacturing from domestically produced iron ore, and therefore expect India's iron ore exports to decline. Actually, India is already a pellet importer.

Q *Iron ore inventories at Chinese ports fell to the 90 million ton level—did this push up the iron ore market price?*

A Looking at the trend over the past 2-3 years, there does not appear to be a very strong correlation between port inventories and market prices. Given that China imports roughly 700 million tons of iron ore annually, inventory of 100 million tons does not even represent two months, and current inventory does not appear to be particularly out of line with the appropriate level (1.5 months). In addition to port inventories, you also have to keep iron ore inventories held at iron mills in mind.

Q *Iron ore suppliers are working to reduce costs – to what extent can we expect costs to be reduced?*

A Mining houses are becoming increasingly selective and disciplined with regard to investment projects, and this is also the case at Mitsui. However, the cost is not disclosed, thus I cannot comment further.

Q *It is said that the production cost for Chinese domestic ore is US$120/ton – how do you view this figure?*

A Various types of iron ore suppliers are operating in China. There are underground mines that restarted operations when market prices became strong, and costs at operating iron ore suppliers vary significantly. Similarly, there are differences among suppliers in ore grade in terms of Fe content, averaging below Fe 20%, so there is nothing like a uniform beneficiation cost to enrich Fe grade. Nevertheless, we believe the average production cost for currently operating Chinese suppliers is around the US$120/ton level. However, there is a possibility of reductions in provincial and local taxes in China, and if these are enacted those reductions could contain costs by the same amount.

Q *What steps are you taking to improve earnings at Sims?*

A Given the slow pace of economic recovery in the United States, Sims is working to reduce costs and consolidate operations at its U.S. business which is their core business. We believe that taking in growth in Asia will be the key for the medium to long term, and intend to employ synergies with Mitsui, given our strength in Asia.

Q *Market prices for iron ore have been weak compared with a year ago– have there been adjustments to iron ore suppliers' expansion plans?*

A BHPB has announced that it has reviewed its development plan for the Outer Harbour of Port Hedland. As for Vale, its expansion at the Carajas district experienced a delay in obtaining environmental approval, but the approval process started to flow smoothly from this year, bringing positive effect to the expansion.

Q *What are your thoughts regarding total assets and free cash flow at the Mineral & Metal Resources Business Unit?*

A A significant amount of investment is required just for the expansion of existing projects such as iron ore, but at the same time we are mindful of the companywide policy of generating positive free cash flow. We will therefore keep asset recycling in mind as we selectively approach projects.

Ends