

**Presentation on Consumer Service Business Unit - Q&A Session**

- 1. Date and time:** July 3, 2013, 14:00-15:30
- 2. Place:** Nikkei Conference Room
- 3. Speakers:** Satoshi Tanaka, Executive Managing Officer,  
Chief Operating Officer of Consumer Service Business Unit  
Michihiro Nose, General Manager, Investor Relations Division

**4. Questions and Answers:**

Q *How would you sum up current income trends in each business field? What is your quantitative image in 3-5 years?*

A At present, affiliates such as AIM Service in services business field, Bussan Real Estate and MBK Real Estate (U.S.) in the real estate business field are producing steady profits. In our quantitative image of 3-5 years ahead, we anticipate earnings growth in the medical & healthcare business, and we expect the medical & healthcare and services business fields to account for 50% of net income, with four other business fields providing the remaining 50%. The earnings structure will consist of profits from business investments, trading, and capital gains from divestitures. The latter will fluctuate each fiscal year. In 3-5 years, we aim to produce sustainable earnings of over ¥10 billion per year.

Q *With a 20% shareholding in IHH Healthcare Bhd. ("IHH"), how much influence can you exert over IHH's M&A and other strategies?*

A Our influence is proportionate to our 20% equity stake. We work in close communication with our partner, Khazanah, which holds 45% of shares, to ensure that IHH maintains good governance without compromising the interests of minority shareholders.

Q *How much progress have you made toward the development of businesses in peripheral areas of hospital operations? How fast will you move in this direction in the future?*

A One project in a peripheral business area that we have brought to the implementation stage since taking an equity stake in IHH in May 2011 is a clinic specializing in the treatment of liver diseases and living donor liver transplantation. The clinic will be located within Mount Elizabeth Novena Hospital in Singapore. Only two years have passed since our equity participation, and we have in fact given priority during that time to the acquisition of the Turkish healthcare group Acibadem as well as IHH's initial public offering. Peripheral business areas relating to hospitals offer huge potential, and we are studying multiple projects. We expect several projects to come up for consideration this year and next.

Q *What is the relationship between revenue growth and income growth in IHH? Will income rise in line with sales growth, or will income growth accelerate with the rise in marginal profit as initiatives start to bear fruit?*

A Basically, we expect income to grow in line with revenue growth. However, if we look at the recently opened Mount Elizabeth Novena Hospital, for example, we find that net income after tax is still negative though EBITDA has turned positive. It is important to be aware that new hospitals are normally expected to take 2-5 years to become fully operational, and that the net income will be affected during that ramp-up period.

Q *The shift to emerging countries is accelerating. Do you think that there will be opportunities in the medium- to long-term future to reap benefits in Japan from your business activities in emerging countries?*

A We see that medical tourism can be one of keys to growth for Japan. At present, private entities are not allowed to run hospitals as profit-making businesses, so we are accumulating experiences in emerging countries. Through the liver disease and living donor liver transplantation clinic that we plan to open in Mount Elizabeth Novena Hospital in Singapore, we aim to generate awareness of Japan's advanced medical technology and eventually to attract patients to Japan when the appropriate environment has been established in Japan. We are looking at a timeframe of 5-10 years for this. What we can do now is to accumulate cases like this and eventually we will be able to contribute to Japan by using these experiences.

Q *Without the income from affiliated companies, this business unit would be making a loss. You have said that while initial costs are high, you will eventually recover those costs and start to reap the benefits. Please explain why you have not produced any income for several years, and how you plan to solve this problem.*

A We have selected the medical & healthcare business field as one of Mitsui's priority target and we are making up-front investments in terms of both human and capital resources to make the field become one of primary earnings base for Mitsui in 10 years. If we continue to make steady progress with our current strategy, I believe that there will be results within 3-5 years at the latest.

In some business fields, there are unrealized capital gains amounting to tens of billions of yen. We will carry out strategic asset recycling by harvesting matured assets and assets for which our role has ended at the right time, so that we can make new investments to reinforce our asset portfolio.

Q *You currently have investment balance of ¥300 billion. To what extent will this increase over the next 3-5 years? What are your priority areas for new investment?*

A We intend to build up our assets, especially in the medical & healthcare business and services business. Real estate business has suffered in the past, but currently there are unrealized capital gains, and we will invest with a cash-neutral stance while controlling the scale of our investment.

One-half of our ¥300 billion investment balance is invested in the medical & healthcare field, including ¥90 billion for IHH. The real estate business accounts for most of the other half. In terms of the balance between domestic and overseas investment, there will be a remarkable increase in the percentage of overseas investment. In terms of business fields, we will give priority to the medical & healthcare business and services business.

Q *Where do you expect to find the cash inflows needed to match your cash outflows into the medical & healthcare business?*

A Income of ¥10-20 billion would not be sufficient to balance with our asset accumulation on the scale that we plan. We will therefore borrow from the corporate while building up our assets. Cash flows from strategic asset recycling will amount to a few billion yen or at most ¥20-30 billion. Given the scale of asset accumulation that we plan, it is likely that our free cash flow will remain negative for a while. There will naturally be balance and timing gaps between areas targeted for investment and those geared towards generating cash flow through asset recycling. We see our business unit as currently being at the investment stage.

Q *How would you envision your future operating cash flow?*

A We expect IHH to significantly contribute to our earnings in future. However, it is currently in the process of increasing its bed capacity from 5,000 to 8,000. We have yet to discuss the dividend payout ratio, but we expect shareholder returns to be somewhat moderate for the time being, since IHH is still at its asset build-up stage. It is difficult to provide precise forecast of future cash flow because it depends on the timing of capital events and other factors, but these trends are likely to continue for a while.

Q *Under what circumstances would you sell your IHH shares? Are there any restrictions on the sale of those shares? Substantial returns are unlikely while IHH itself is engaged in investments for expansion of its platform. How long will this situation continue?*

A In the context of strategic asset recycling, our business unit has two consistent policies that we apply not only to IHH but also to other businesses; (1) keep in our mind that all businesses have life-cycle (2) see whether Mitsui can contribute and create value. If an asset has entered into its mature stage and there is no longer a role for Mitsui, we will consider selling it. We see IHH as a quality asset with huge potential for further growth, and we intend to continue our involvement. There are no contractual restrictions on our sale of shares.

As far as future income trends are concerned, we envision that income will rise in line with the growth in the number of beds, but it is possible that the net income will be affected by investment cost and start-up expenses related to new hospitals.

Q *What is the positioning of the Consumer Service Business Unit in Mitsui?*

A This business unit had good times in the past, but trends have been discouraging recently for several years. The main reason for this was our inability to move away from the traditional trade agent model specialized in from/to Japanese transactions. The choice of a playing field is vital, and we believe that we can find room for growth by acting as a principal rather than as an agent in growing emerging markets. We will expand our earnings base not through an equal commitment to all business fields, but rather through the intensive investments in prioritized areas.

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