

**“Presentation transcript for press conference to the media and
for telephone conference to investors” and
“Q&A at teleconference for investors”**

Conference on Revision of Annual Forecast and Strategies Going Forward

March 23rd, 2016, 17:00~18:00 (press conference)

18:30~19:30 (telephone conference for investors)

Speaker: President & Chief Executive Officer Tatsuo Yasunaga

Executive Managing Officer, Chief Financial Officer

Keigo Matsubara

Good evening everyone, and thank you very much for attending our telephone conference today under such short notice.

We have determined that a downward revision to our latest annual forecast for the current fiscal year has become necessary due to impairment losses. I will explain this revision to you along with our strategy to address the situation going forward.

Please look at the first page of our announcement today.

Commodity prices have continued its weak trend this year from the last due to the unchanging pace of overall production and the effects of slowing growth of the Chinese economy being felt globally. Some signs of improvement in market condition have been showing recently but a fundamental recovery will likely require more time. We have revised our long-term price outlook in accordance with this view, and consequently we now expect to record a substantial amount of impairment losses mostly in the Mineral Resources and Energy business areas.

Based on this situation, we have revised down our annual forecast by ¥260 billion to a deficit of ¥70 billion, from the previous forecast surplus of ¥190 billion.

Our latest annual forecast of falling into deficit is made with great regret. But as I will explain to you today, most of the impairments are from on-going projects that

are generating cash flow even today, and these projects will once again contribute to our bottom line as part of our strong foundation of earnings as market conditions improve in the coming years.

I will start today with details of the losses and the resulting revision. I will then talk about the main strategies that we will be implementing in light of the current business environment.

Please refer to the second page of today's announcement.

I will first begin with our Mineral Resources business.

To start with our copper projects in Chile, we expect to record a total of about ¥115 billion of impairment losses. About ¥90 billion of this will be recorded at Acrux, our joint venture with Codelco which invests in Anglo American Sur, reflecting the revised long-term price outlook based on recent market movements and supply-demand conditions. About another ¥25 billion loss is expected at the Caserones project, taking the recent operational performance of the project into consideration in addition to revising various assumptions in our consolidated accounting.

Additionally, Vale of Brazil announced impairment losses in their 2015 fourth quarter results on February 25th 2016. We expect to consolidate about ¥35 billion of this through Valepar, an equity-method affiliate which invests in Vale.

We have revised our long-term outlook on coal as well, and as a result we expect to record about ¥25 billion impairment loss at Mitsui Coal Holdings, our subsidiary in Australia.

Moving on to our Energy business, the Browse LNG joint venture has very recently announced its decision to reconsider the development plan due mainly to deteriorating business environment, which will lead to considerable delay in achieving commercial development. As a result, we expect to record impairment loss of about ¥40 billion.

We also expect to record a total of about ¥15 billion on other oil and gas projects

due to revised long-term outlook of oil and gas prices.

And in our Machinery and Infrastructure businesses, a loss of about ¥30 billion is expected in our overseas power generation business as a result of revising our long-term electricity prices.

These are the main factors comprising our downward revision from the previous annual forecast announced on February 4th, 2016.

I will now talk about the strategies we will be implementing going forward under the current business environment.

Please refer to the first of page of the material titled “Strategic Initiatives to Manage through the Commodity Down-cycle”.

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Our strategy will consist of the following three focal points.

The first focal point is to reinforce the downside resistivity of our earnings and enhance its underlying strength. We believe that our cash flow is still demonstrating its strong downside resistivity even in the current environment, but in order to raise the overall level of profitability, we will be implementing measures in four different categories.

For the second and third focal points, we will tighten our adherence to investment discipline and apply more emphasis on Core Operating Cash Flow when considering shareholder returns, in the aim of improving our cash flow management.

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Our capability to generate cash flow, represented as Recurring Free Cash Flow, is forecast to range between ¥950 billion to ¥1 trillion by the end of the current Medium-term Management Plan, or as of end of March 2017. This forecast has declined from the ¥1.1 trillion that we saw as of May last year, as a result of depressed operating cash flow due to weak commodity prices, but it is showing certain downside resistivity.

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The next four pages will illustrate the measures we will take in the four categories under the first focal point of “reinforcing the downside resistivity of our earnings and enhancing its underlying strength”.

Firstly in Mineral Resources and Energy, in spite of the large losses expected, these are still good businesses that continue to generate steady cash flow even in the current environment.

Resource development is a long-term business that span 20 to 30 years, ranging from starting development to production and sales. Our policy of continuing to strengthen our portfolio through steadily increasing our reserves and equity production while applying discipline to selecting opportunities without being influenced too much by short-term market cycles has not changed.

Therefore we believe that current market conditions will provide us with opportunities to further strengthen our already strong asset portfolio. Therefore we will actively seek to acquire good assets, such as our interest in Kipper gas field of late, to build up more assets, and increase our competitiveness through streamlining our operations. We will also continue to steadily and consistently work towards completing our projects that are currently under construction without delay, and to seek opportunities in associated infrastructure projects, such as Cape Lambert port and Cameron LNG, that provide stability to our earnings.

We will be placing higher priority on iron ore and natural gas projects when considering new investments, which are areas where we believe we have tremendous competitiveness.

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Next, in other areas where we have particular strength, we will devote our efforts to expanding those businesses where we can bolster profitability.

In the Hydrocarbon Chain, one of the key strategic domains, we will focus on the chemicals industry in the US, where the benefits from competitive feedstock such as shale gas and strong product demand can be sought. To be more specific, we

will increase our earnings from the methanol production that started operations last October and the petrochemical tank terminals that we have been aggressively expanding, and we will be advancing our MMA Monomer production project. We will also continue to expand our business possibilities by taking advantage of our competitive shale gas business and our partnerships with global players in the chemicals industry.

In the Mobility strategic domain, we plan to bolster profitability around our various businesses in the Americas, such as automobile parts and material businesses on top of our already strong automobile sales and commercial logistics. With our partnership with Penske Automotive of the US, we will increase profit contribution from the truck leasing business that we participated in last year in addition to growing profits from the strong automobile dealerships. We will also progress to grow our automotive components manufacturing business in the Americas through Gestamp as well as our automotive materials business such as carbon fiber, and to increase profitability of VLI in Brazil through its Value-Up plan. By establishing a network of diversified businesses such as these, we have positioned ourselves to reap the benefits of the rising growth of the Americas.

In Infrastructure, we will be expanding our group of projects that generate steady cash earnings in various business areas. We currently see four specific areas where we can expand. One of them is “Basic Industrial Infrastructure in Mineral Resources and Energy”, as typified by our expansion of the natural gas distribution business in Brazil, and the Cameron LNG project in the US currently under construction. Another area is “Power Generation Infrastructure” where we see several new plants coming on line in the next few years. Others are “Logistics Infrastructure” where we expect to complete construction of terminals in Indonesia and Brazil, and “Marine Infrastructure” with three new FPSOs that will start to contribute to earnings. These businesses have been nurtured so far, and they will start to contribute to our bottom line as we enter into their harvesting stages in the next several years.

Furthermore, in the Food and Agriculture strategic domain, we will expand our business and aim for further growth on the back of existing good business platform supported by their substantial presence in the market. At Novus of the US, we will proceed to expand the production capacity and introduce new

products, and increase earnings contribution from the acquisition made last month by Ventura. Also in the agricultural materials business, we will further enhance the profitability of our agrochemical business including that of copper fungicides acquired in the US.

Last but not least, in the Medical/Healthcare strategic domain, we will progress our strategy of developing opportunities surrounding our core business of hospital network, and also in pharmaceutical development. IHH is expanding its business in Turkey and India through M&A, and also through opening of new hospitals. This will be accompanied by the expansion of MIMS, the pharmaceutical information service that we acquired last year, in the Asian market. Other expansion plans include pharmaceutical business and contract manufacturing by MicroBiopharm Japan, and healthcare staffing business of Delta in the US.

Our plan is to seek further expansion and aggressively invest in related and promising opportunities among this group of businesses.

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Thirdly, in developing new business areas, we will concentrate our resources in areas where our existing expertise can be utilized, and to emerging markets where our successful business models can be deployed. To be specific we will be developing our high-speed data communication business in Indonesia and Sub-Saharan Africa, horizontally deploying our TV shopping business in India and China, and undertake IoT and advanced data analytics and prediction of Big Data in Agriculture. We will continue our challenge for innovation through our new business creation program called “Karugamo Works”.

Lastly, we will swiftly implement measures from a wide range of options in tackling our problematic businesses, such as inviting a partner to Multigrain, and improving the operating rate at Caserones. We will also be streamlining our operations ever further throughout our group of companies to cut costs, including transforming the way we work in the aim of raising productivity.

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The second focal point will be to further tighten our adherence to investment discipline in the aim of strengthening our cash flow management under the recent

business environment.

We will place ever more priority on high value-adding projects, and review the timing of investment for some of the projects we have already decided on. We will also seek to reduce construction costs by realizing the benefits of cost deflation. Divestments and portfolio realignment will also be pursued at the optimum timing to do so by carefully assessing the value to be gained.

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I will now talk about our third focal point, our policy on shareholder returns.

Our basic policy on distribution of profits is to maximize corporate value and shareholder value by responding to investment needs in growing areas through retained earnings, and direct returns through partial payout of our operating performance.

In the current Medium-term Management Plan that we announced in May of 2014, we set the payout ratio at 30% of profit for the year, and in the first year of the plan we forecasted annual dividend at ¥64 per share based on our forecasted profit for the year of ¥380 billion. As commodity prices started to fall during that fiscal year, profit also started to fall with the first year ending at ¥306.5 billion, the second year planned at ¥240 billion and being revised downward to ¥190 billion at the third quarter. Each time our profit fell or we forecasted a decline, we have comprehensively considered not only net profit but also EBITDA, Core Operating Cash Flow, stability and continuity of the amount of dividend, and as a result we have continuously maintained our annual dividend at ¥64 per share.

In revising our annual forecast to a deficit of ¥70 billion, we have once again considered our dividend policy from several angles such as the balance between growth investments and shareholder return, financial stability, and stability and continuity of the amount of dividend. As a result we have judged that our planned annual dividend for this fiscal year, which is about 25% of the ¥470 billion Core Operating Cash Flow that we forecast for the year, is within appropriate proportion from a financial viewpoint. Therefore we are maintaining our planned annual dividend at ¥64 per share, half of which will be planned for the second half of this fiscal year.

Dividend for the next fiscal year is scheduled to be announced in May this year along with our business plan for the year which we are currently working on. We believe that it will be appropriate to maintain emphasis on Core Operating Cash Flow in considering our dividend policy for the next fiscal year. Therefore we will be deciding our dividend amount for the next fiscal year in approximately same proportion to this year based on our estimated Core Operating Cash Flow for the next year of around ¥350 billion

We, the company as a whole, will be implementing the measures I have outlined today with the ultimate aim of creating mid-to-long term value under the current harsh commodity cycle, and we sincerely hope you will continue to provide us with blessing and support.

Again, thank you very much for attending our telephone conference today.

**Notice Concerning Recognition of Impairment Loss and Revision of
Consolidated Financial Result Forecast**

—Questions and Answers—

1. Date & Time: March 23, 2016 (Wed), 18:30~19:30
2. Location: Conference Call
3. Speakers: Keigo Matsubara, Executive Managing Officer, Chief Financial Officer
Kimiro Shiotani, Managing Officer, Global Controller
Michihiro Nose, General Manager, Investor Relations Division

4. Questions and Answers:

Q: How did you come to change your thoughts on dividend payout to a quarter of your Core Operating CF? If new investment are forecasted to decline due to investment discipline, dividends should be payable.

A: We have comprehensively considered the ¥200 billion reduction of Core Operating CF, persisting cash needs for delayed investment and increasing pressure to our credit rating. And with emphasis on the consensus built with investors through our recent communication, we are maintaining the dividend for the year ending March 2016. We have judged that the 25% payout of the estimated ¥470 billion Core Operating CF and allocating the rest to investments is financially reasonable even in times of accounting loss. We are considering to apply the same ratio to the estimated Core Operating CF for the next fiscal year of ¥350 billion, but we will continue our internal discussions on the final amount and announce it in May when we announce our annual plan.

Q: In your impairment tests, how much have you lowered the long-term price assumptions? Also, how much of the recent price recovery of some of the commodities have you incorporated in your estimate of next year's Core Operating CF of ¥350 billion?

A: For oil price, we have lowered the prices for next five or so years by about \$5~10/bbl, but haven't changed the long-term prices by much. In regards to copper price, we expect a gradual increase from the current \$5,000/ton. We have estimated our Core Operating Cash Flow for the next fiscal year based

on various assumptions, but because we are currently working on next year's plan, I would like to refrain from mentioning about price assumptions.

Q: With regard to dividend payment for the next fiscal year, may I understand the formula will be 25% of Core Operating CF instead of 30% payout ratio on net profit? Why will dividend be based on Core Operating CF and not on recurring free cash flow?

A: We believe the framework of cash flow allocation where recurring free cash flow is distributed to both growth investment and shareholder return is effective. But this doesn't necessarily fit with payout ratio on net profit. After much internal discussion on this issue we determined that it is appropriate to use Core Operating CF as the base of dividend calculation. As recurring free cash flow is the sum of Core Operating CF and investment for existing projects and projects in the pipeline, we need to be mindful that if cash is paid out as dividends due to delays in planned investments, it is paid out before investments are made.

Q: With regard to strict adherence to investment discipline, how will things change precisely from the way it has been previously?

A: We will aim to bolster profitability in areas of particular strength by using existing business platform and expertise and prioritizing high value-adding opportunities that are placed as strategic stepping stones in the target domains. Though we envisage to achieve positive free cash flow, we will actively pursue acquisition of good assets if there are such opportunities in the mineral recourses and energy sectors while maintaining financial discipline.

Q: Regarding the impairment losses related to Anglo American Sur, how did you assess undeveloped copper deposits? Did you change the forecast of long-term copper price assumptions?

A: We do include undeveloped copper deposits in impairment tests, but we will refrain from commenting details. Our price assumptions are more conservative than before.

Q: Have you included tax effects in the impairment losses?

A: We will refrain from disclosing details as conditions of each projects are different.

Q: In your forecast, investments for existing businesses and projects in the pipeline for the three years of the Medium-term Management Plan has declined by about ¥200 billion from ¥1,500 billion. Do you have any breakdown of this reduction between those that are substantially delayed to those that are delayed only a year or two? It seems you expect these investments to increase in the next fiscal year. Is Mozambique LNG included in this forecast?

A: The main reasons for the ¥200 billion decline are delays at large-scaled development projects like Mozambique LNG and Tempa Rossa, the reduction of drilling costs at shale projects due to production adjustments, and reduced investment on maintenance capital at iron ore projects in Australia. The amount for Browse is very small. We are working to achieve FID by the end of the year at Mozambique LNG

Q: What is the ratio between investment and shareholder return? What is your policy on future investment while annual dividend will be about 25% of Core Operating CF as you explained?

A: Annual dividend policy for next fiscal year is as we explained. Therefore, about 25% of Core Operating CF will be allocated to dividend and about 75% will be allocated to investment.

Q: What are the risks in non-resources business which we should consider? It was explained that impairments for mineral resources and energy have been accounted in full, but does same go for non-resources businesses such as Multigrain?

A: We recognized impairment at Multigrain including goodwill by the 3rd quarter. In terms of 4th quarter, while there will be some operational losses we do not expect significant impairment. We included necessary impairment in other areas based on our best estimation at this time. For IPP business, as its book value has been reduced to almost zero, we do not expect further impairment.

Q: Does Mitsui have any plan to enhance Free CF by limiting allocation of recurring free cash flow to growth investments.

A: A reduction in growth investments should lead to increase in Free CF. However, we consider such investments to be important for our future growth as we need to develop of various business areas.

Q: What are the remaining book values after the one-time losses? Are shale oil and gas included in impairment losses on other oil and gas projects?

A: A remaining book value of ¥70 billion for Mitsui Coal Holding is expected as of the end of March, 2016. Other remaining book values cannot be disclosed, but can be roughly estimated from disclosed acquisition prices and our equity shares (Anglo American Sur: acquisition price of \$2.1 billion, Caserones: total acquisition price of \$2.7 billion and our equity share of 22%, and Browse: total acquisition price of \$2.0 billion and our equity share of 50%). Impairment losses for other oil and gas projects are also reflected after comprehensive reviews based on revised oil and gas prices, but details are not disclosed.

Q: Does Vale's impairment loss on Moatize affect Mitsui's investment decision?

A: Vale's impairments do not directly impact our investment decision. We cannot disclose details due to confidential duty, but we are currently in negotiation for prompt closing including conclusion of project finance.

Ends