

Q2 Financial Results Briefing for the Fiscal Year Ending March 2022

Q & A

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| [Date] | November 4, 2021 (Thu.) | 10:00~11:10 |
| [Speakers] | Kenichi Hori Takakazu Uchida Tetsuya Shigeta | Representative Director President and CEO Representative Director, Executive Vice President, CFO Managing Officer, GM of Global Controller Division |
| [Moderator] | Masaya Inamuro | GM, IR Division |

<Q1>

With regard to shareholders returns, dividend increase by JPY5 was announced this time. According to your previous explanation, dividends would be allocated when the base earnings increased, and share buyback would be conducted when the earnings increase mainly come from commodity prices. However, there seems to be still some room for increase of dividend as your performance in non-resource businesses are becoming quite steady. I would like to reconfirm your thinking about shareholder returns as it seems that there is further room for it.

<Hori>

Our approach to shareholder returns has not changed. Basically, there is no change in our policy to increase the dividends by confirming our ability to generate and increase steady earnings. We will also monitor our overall cash allocation and conduct share buyback when we judge that commodity prices exceed the standard level, and there is no change here either. With this in mind, we have decided to increase the dividend by JPY5 per share at the midpoint of the fiscal year, as we feel that our ability to earn cash has been improving in all segments under steady condition. However, since this is mid-year, we will continue to measure our ability, and our stance in aiming to increase the dividend has not changed at all. We will continue to verify accordingly.

<Q2>

In the revised yearly forecast, all the segments including Chemicals and Lifestyle are expected to show higher results, but we also understand that you are expecting a slight slowdown in the second half of the year. Further, from Q1 to Q2, there was a slight decline in Chemicals, Lifestyle, and Iron & Steel Products segments. I would like to know if you already saw some signs of downturn, or if the situation of making trade margins is changing.

<Hori>

Our general observation is that the steady market situation is keeping up. Even though there have been differences depending on the product and region, the recovery from COVID-19 has been gradually seen in different regions around the world and we have been able to steadily capture the profit opportunities, and we believe that this situation is continuing. However, if you look at the growth rates of various countries, you see that some of them are revising their growth rates downward, so it can be predicted that they will gradually meet certain recovery standards. We would like to think about how to respond and be in line with such situation. My current feeling is that overall improvement in the base earnings are being realized. We would like to further verify and confirm this in the second half of the year while actually dealing with our duties.

Finally, as we, including myself, have started to go on overseas business trips, our leadership team is once again confirming events in the front-lines. In the recovery process from COVID-19, it is important to verify and confirm whether we are really capable as we think. Therefore, we would like to continue to conduct such maneuvers in the second half of the fiscal year as well. I believe there continues to be upside potentials, and would like to confirm this as we head into the second half of the year.

<Q3>

Mitsui has raised the Core Operating Cash Flow in Machinery & Infrastructure by JPY 20.0 billion and Chemicals by JPY 25.0 billion. I would like to know how the basic earning power in these segments have improved. What businesses in these segments do you feel have gained sustainable strength?

<Hori>

What both segments have in common is that we had originally been working hard to establish a portfolio for generating earnings on a global basis, and I think that this system has blossomed in a visible way.

In particular, our portfolio of assets in the area of Machinery & Infrastructure is well-balanced globally, and we believe that this is what is steadily generating profits. We are working on this while reconfiguring our assets, so I think the reality is that things are progressing as expected. In addition, automobile businesses in North America and South America are strong, and we have seen a significant level change in the North American business in particular. In addition to handling new automobiles, we are also involved in used cars, rentals, and various other services in North America. It is true that the COVID-19 pandemic has increased various business opportunities, and we feel that our offering menu has met the market well. This commercial service will still exist even when the next generation vehicles play a central role in the industry. Therefore, I think that the actual earnings power in this area has been raised.

The same is true for Chemicals, in which we have been able to capture the global market. We are engaged in both so-called basic chemicals and performance materials, and we also have businesses as a trading and manufacturing company. Thus, even if the current market conditions for basic chemicals calm down a little, the cost of inputs for downstream businesses would decrease, so I believe that we would be able to maintain an overall balance. Therefore, we believe we will be able to maintain our profit increase trend in the future.

<Q4>

I would like to know your view on crude steel production in China in the second half of this year and next year and your view on supply and demand of iron ore. In case of production control over crude steel in the second half of this year, do you think that the situation will return to normal to some extent in the next fiscal year?

<Hori>

In the second half of the year, the Chinese authorities have shown considerable control over crude steel production, mainly due to environmental regulations, and the electricity situation is as reported in the media. Therefore, we should not expect the same figures in crude steel production as last year. It is also a fact that the production of iron ore has not grown that much amid the COVID-19 pandemic on the supply side, so we have incorporated this into our forecast for the second half of the fiscal year. The forecast we have made this time is based on such factors.

However, considering China's construction projects, domestic demand for steel, and their export capacity, we believe that in the medium term they will be able to achieve their original industrial scale as usual. We will keep a close eye on it in the second half of the year. I think it is a little too early to make a forecast for the next fiscal year now, but I do believe that Chinese steelmakers should be able to respond to the demand because they shall be fulfilling their supply responsibilities. Therefore, we expect for now that it will return. There are a lot of data for this, so we will be looking at it closely in the second half of the year, and I hope to be able to talk about it again, as the data will accumulate during the stage of making next year's business plan.

<Q5>

I understand that there were very few valuation losses or one-time factors in the first half of this fiscal year, and I have realized that a recovery in base profit under such circumstances will result in profits of this magnitude. In this sense, how do you plan to control or suppress the one-time factors in the future?

<Hori>

Valuation losses of assets or impairment losses are obviously undesirable, and we will minimize them through company-wide efforts to take various measures before changes in the business environment. There are some business assets that may be earning cash, but we might want to go into different fields in the future, or may be better off being owned by others. At that time, it would make sense to restructure the portfolio while generating one-time earnings. And there are some businesses that need to be exited, even at the cost of one-time loss, which we shall proceed with while making proper disclosure.

In addition, when there is a capital event, such as the exit of an asset as a result of an investment or a listing, and a profit is generated, which we call FVTPL which may seem to be one-time earnings, but for us, it is part of the ordinary business. Despite we are working to generate certain level of profit each year through portfolio effects, it is quite difficult to budget for FVTPL at the beginning of the fiscal year, because it depends on various scenarios such as market conditions and strategic responses to capital events of individual companies. However, I hope that you will look at our track record over the years and see that this is a portion of our base

profit. There is room for improvement in how we budget for FVTPL and how we present it to you, but I hope you understand that it constitutes a part of our base profit.

<Q6>

I think that the reduction of GHG emissions is becoming more and more stringent in various ways. Please tell us what kind of environmental measures are expected to be taken in the future in your businesses.

<Hori>

One of the fundamental strategies of our company is to build a business foundation in the future in the midst of a major energy transition. In this context, LNG is an energy source with relatively low GHG emissions, and it has the advantage of being a main power source. We would like to fulfill our responsibility to supply LNG as a bridge fuel in the energy transition for a relatively long time. At the same time, the energy transition will involve new business opportunities in power-supply adjustment and grid management, combining renewable energy and new technologies such as energy storage and batteries. Also, since we have been working on E&P projects all over the world and have accumulated geological data, we can utilize such knowledge to develop projects for carbon capture. We believe that projects such as clean fuel ammonia production, a combination of energy production of next-generation such as ammonia and hydrogen, and carbon capture solutions, will be effective, and we will proceed with a series of demonstration tests. However, this requires competitiveness and establishment of various infrastructures for actual use of ammonia, so we will need to work simultaneously on several projects around the world.

The other area is fuel-related initiatives. We are currently working with various mobile industries to see if there are any next-generation fuels or biofuels that can be used for mobility and all mobile industries. Through these efforts, we would like to establish our energy transition businesses.

<Q7>

Profitability for this fiscal year is increasing and, although it may sound premature, what is your outlook for the next fiscal year? I am wondering if potential decline in Mineral & Metal Resources will be covered by other upside factors which you explained before. Secondly, I would like to ask you about your view on trading profits. I think that trading profits have increased because in a way the function of trading companies has been recognized amid the turmoil in the supply chain in the first half of this year. What do you think about the sustainability of trading profits?

<Hori>

I would like to ask for your understanding that it is difficult to talk about the business plan and budget for the next fiscal year at this moment. The reason is because there are no examples of COVID-19 and subsequent pent-up demand. Some of the things that are working well at the moment is partly leading to network expansion by accumulation of business ideas, thus believe that the earnings base has increased. On the other hand, we have to analyze whether the services we provided in this confusion could be reproduced. We would

like to do this carefully. Meanwhile, it is also a fact that when there are certain distortions in the supply chain, we are discovering many business opportunities that we were not aware of before, and our business front lines are now preparing for the upcoming fiscal year. Such accumulation of businesses will be an upside, and we would like to monitor it carefully.

We are not able to control the commodity price itself, so we will incorporate it into the budget while monitoring the market. However, there most probably is room for ingenuity in their respective peripheral businesses, so we are working on that now. For example, we have the Cameron project in the US, which is our infrastructure-based tolling business model and that is robust over the commodity market. At the same time, it is also a combination of how we trade the LNG that we off-take, so I think this is a relatively stable business.

We need to look at what kind of opportunities we have for the next fiscal year and I think we will be able to create a business plan for the next fiscal year in this reviewing process. Therefore, at the end of the first half of the fiscal year, I sent out a message to our employees that we will focus more on the pursuit of business opportunities to capture these changes in the given business environment.

Regarding your question about trading, I think I have already answered some of your questions, but we are currently working on how to make new business opportunities sustainable through trial and error.

<Q8>

Regarding your thought about energy-related strategies, I understood that your intention is to make a broad range of growth investments in energy solutions as Strategic Focus, in medium- and long-term basis. I would like to know if you could give us some hints on how you will prioritize each business opportunity. In addition, as LNG is one of the items on the menu, what is your view of supply and demand in the medium term, under the circumstances where coal production would be controlled in China which is leading to tighter supply and demand situation of LNG? Lastly, please update the situation of Mozambique LNG which is suspending the construction works.

<Hori>

LNG is a core fuel in the energy transition, and it is very important for us to start the projects that we are currently working on. We would also like to continue working with the most capable operators in order to reduce GHG in our existing LNG operations. We will use our inter-industry combination skills to create jobs for new energy transitions, and in the long term, we will aim to achieve a level of profitability equivalent to or greater than that of the existing energy business. Going forward, we would like to be selective in new projects, and at the same time to expand our portfolio of demonstration-type projects.

As for Mozambique, the government has been implementing thorough measures to restore and maintain security, and the President of Mozambique has been implementing everything that he had promised to do. Thanks to support from neighboring countries, public safety is rapidly recovering. Meanwhile, we would like to resume this long-term large-scale project while ensuring the long-term stability of the lives of citizens and the disappearance of threats, as well as the restoration of security. We would like to decide on the resumption of the project together with the operator, TotalEnergies. I think my next task is to confirm the long-term stability of the project, while the situation is improving at the moment. Our commitment to the project

remains unchanged, and we will continue to analyze the scenario carefully, including whether the original schedule for the start of production will be maintained, which is becoming a higher hurdle..

<Q9>

Is it your intention to focus on capturing business synergies as a platform, in terms of your subscription of CT Corp's convertible bonds? I think the ratio of CT Corp related businesses is becoming higher in the budget for growth investment in the current mid-term plan. Please tell us your thoughts on your management resource allocation.

<Hori>

In our discussions with CT Corp, they expressed that their expectation on Mitsui is to expand their businesses from Indonesia to other regions, and to bring in new products and services that would be favored by Indonesian consumers, from Europe, the United States, and Japan. That is exactly the aim of this partnership.

Therefore, if such a project materializes and we feel that it would be better for us to take the lead, we may make additional investment, however, there is no plan for large investments in the short term and we are now in a situation to verify some opportunities. If any excellent project comes up in the future, I would be happy to talk to you about it.

<Q10>

Regarding shareholder returns, the total return ratio to Core Operating Cash Flow for this fiscal year is 30% according to the current plan. The target for the 3-year period of this Medium-term Management Plan is 33%. Though there is a chance that the figure will fluctuate in a single year, I would like to know what your current thinking is on the possibility of additional returns, including whether or not we should expect share buyback.

<Hori>

As for your question about returns, we will continue to pay dividends in line with our basic earning power, and we will also flexibly buy back our own shares, taking into account the nature of commodity prices, the replacement of our portfolio, and our overall cash allocation. Within this 3-year band of the Medium-term Management Plan that is running now, there is no change in the fact that we will continue to make returns while keeping an eye on the figure of 33% of Core Operating Cash Flow. In that sense, even though we are in the middle of the fiscal year, we will continue to verify when it is best to do a share buyback and what form it should take. When we are ready, we will start to implement it. As you can see on the page of shareholder returns in the presentation material, we have already bought back JPY125 billion of our own shares in this fiscal year. I believe that this has led to improved capital efficiency, and at the same time, it is also true that it is easier to think about the scale of cash flow per share held by shareholders and how to return profits to shareholders, when capital efficiency is improved. Therefore, I think that we should consider how to enhance shareholder returns through a combination of dividends and share buybacks. There is no change in the policy

that we will continue to make decisions flexibly and will give consideration in the second half of the fiscal year while monitoring the progress of various businesses and the business environment as I have just mentioned.

Another thing I would like to mention is that although investment seems to be relatively quiet at this moment, we have been going out and looking at various projects and we see more opportunities in our projects pipeline for investment, as COVID-19 is settling down. We will be very selective in our investments and will not invest blindly, but if there is a good deal, we will go for it. Of course, we will continue to balance this with shareholder returns within our overall cash earning capacity as I mentioned, but at the same time, we will continue to monitor investment opportunities to see how matured they are. I believe that this is important for improving long-term corporate value, and that we shall maintain the balance between the spendings.

<Q11>

Regarding ROIC which was introduced as an internal management indicator in this Medium-term Management Plan, there are many things that we cannot observe from the outside, such as how the target of the ROIC is set. I think it is also related to the evaluation system of employees. So, I would like to know if there are any examples that you can introduce for us to understand what effect ROIC has brought.

<Hori>

There were several effects of the introduction of ROIC. This is closely related to the question of whether or not our basic earnings power is increasing and also to the questions we have received so far. Boosted up by the COVID-19 crisis, the movement of increasing organizational efficiency is progressing in our businesses worldwide, and as a matter of fact, our overseas assets have made quite a progress. In that sense, the break-even point of each business tends to be decreasing a little.

One reason for this is that we were in a desperate situation where we had to survive in order to cope with COVID-19, and another reason is that in order to increase ROIC, we had to lower our break-even point. I believe this is one thing we can leverage in the future. Some of the effects have already materialized, such as the recovery of the Iron & Steel Products. I think this is one of the reasons why we are beginning to feel the change in the level of earnings power of the company.

Another example is IHH, where hospital management data is collected over a wide area, and best practices are applied to each hospital in a centralized manner. We are also working on lowering the overhead cost as intensively as possible, and this is also having a certain effect. Then we will have the tools to acquire more hospital business and roll up through M&A. We are gaining the ability to increase operational leverage.

I am not saying that this is the case for all of our businesses, but I do think that awareness of ROIC is leading to a slight increase in such activities at each business organization. We are now at the point where we will be looking at the effects of this and verifying how much the bottom line has improved.

<Uchida >

ROIC brings along quite a volatility when being utilized as an internal evaluation indicator as there are technical aspects like when various market conditions change, the principal also changes. Recently, however,

the Portfolio Management Committee has been conducting a 4-quadrant analysis of each business unit business domain, using the growth potential as the vertical axis and the profitability measured by ROIC as the horizontal axis. We have a lot of discussions about the evaluation of this quadrant and the possibility of increasing profitability. I think the biggest difference is that, compared to the past when we only talked about net profit or COCF when building up business plans, now we are aware that, since we are spending this much capital, we absolutely need this level of ROIC as expected value. This has penetrated our front-lines, not only the management side. I think this is a big change. In this way, the quantitative discussions that have been held in the past, such as strategic meetings and discussions with management, have become more meaningful. Therefore, I think it has become a little easier to see where improvement in the quality of existing businesses, which we have been doing since the past, is manifesting itself.

<Q12>

In Iron & Steel Products and Innovation & Corporate Development, net profit for the second half of FY2021 is forecast to decrease compared to the double net profit excluding one-time gains for Q2. Are there any specific factors for the decrease that you can see at present? Additionally, with regard to Chemicals, I think the market conditions for methionine and methanol are improving. Is there any other reasons for the decrease in profit for the second half of the fiscal year, which is at the same level as that in the Q2?

<Uchida>

In Q2, Iron & Steel Products and Chemicals are expected to see a slight decline in activity due to the reduction in automobile production, shortage of semiconductors, and supply constraints in the materials sector. Although such trend has not yet emerged by Q2, we are somewhat conservative in our estimates as to whether or not the current trends and margins will continue in the second half of this year. We would like to take a careful look at how much of an impact this will have in Q3 and Q4. However, if what seemed to be a plateau in Q2 continues to level off or even recover, I think we will see some increase in the performance.

With regard to Innovation & Corporate Development, the profit recorded as FVTPL in the first half of the fiscal year had a significant impact. We are taking a bit of a hard look at the stock prices and other trends in the market for Q3 and Q4.

In Chemicals, there is some caution about trading, as I mentioned earlier, but with current market conditions having strengthened considerably, the assumption is that this will continue to a certain extent. In addition, certain margin can be secured to some extent as the prices of raw materials and products are expected to be linked, therefore, the margin is expected to remain unchanged.

[END]