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**Mitsubishi Corporation (MC)**  
**Acquisition of Haynesville Shale Gas Assets - Analyst Q&A**

Date and Time: Friday, January 16, 2026; 17:00 to 18:00

Presenters:	Katsuya Nakanishi:	Representative Director, President & CEO
	Yuzo Nouchi:	Representative Director, Executive Vice President, Chief Financial Officer
	Masaru Saito:	Executive Vice President, Group CEO, Environmental Energy Group
	Kenji Kobayashi:	Executive Vice President, Chief Stakeholder Engagement Officer

**Q1:**

**On page 1 you disclose the project's profitability, but I would like to understand the underlying assumptions. Page 2 notes that the recent three-year average EBITDA is approximately ¥200 billion. However, if I work backwards from the consolidated net income on page 1 and factor in depreciation, although EBITDA is around ¥200 billion, it appears that net income is relatively modest. Of course, I recognize that interest, depreciation, and other adjustments are included, but by acquiring these assets, how much improvement do you expect, for example, from enhanced credit worthiness leading to lower interest costs? What is the current earnings level, how much could profitability improve at the existing 2.1 Bcf/d production rate under MC's ownership, and what additional uplift do you foresee as production reaches the 2.6 Bcf/d peak?**

**A:**

- Regarding interest rate improvements, we do expect some uplift. The business currently carries close to ¥300 billion of debt. While I cannot disclose all details, the borrowings span multiple financial institutions with various covenant structures. We are assessing whether full early repayment is optimal, and by refinancing through group financing, we anticipate some reduction in interest costs.
- Through our due diligence, we have already gained a good understanding of the financing structure. We plan to switch a portion of the borrowings to group financing from Day 1, while certain existing loans will remain in place until their maturities. As a result, we expect some improvement in interest costs, but this project already generates a meaningful level of EBITDA even in its current structure. Interest rate improvements through group financing are not the primary driver of acquiring these assets.

**Q2:**

**I imagine U.S. E&P shale companies generally face relatively high credit costs. As you mentioned, the business may already be generating a reasonable level of net profit today, but I believe that the improvement in interest rates resulting from MC's involvement could significantly change how lenders view this asset. Do you see further upside in this area?**

**A:**

- Compared with the existing structure, we do expect improvements. In shale businesses, lenders also consider that cash flow is, to a certain extent, controllable. These operations typically allow capital to be recovered over relatively short cycles, and a portion of the cash flow from existing production is fairly predictable. For these reasons, we believe that lenders can assign a reasonable level of debt to the business.

**Q3:**

**On page 1, under "Target," the final line notes that the founding family has the right to buy back up to 25% of the upstream and midstream interests. At first glance, selling 100% and then buying back a portion later seems unusual. Why was this structure adopted? Is the buyback price already fixed? How long does this option remain in place and once the option period ends, does full ownership interest fully remain with MC? Please share what you can.**

**A:**

- The buyback right of up to 25% stems from a condition set by the sellers requiring a 100% sale of the interests in the asset. The structure was designed in accordance with that condition and is consistent with the consensus of the selling parties, and we submitted our bid and acquisition price on that basis. The founding family has long participated in the existing assets and understands their value better than anyone. They wished to retain the same level of ownership they hold today, and given our relationship with them, as well as the operational stability and strategic partnership benefits, we believe their continued involvement is mutually advantageous.
- Since a 100% sale was predetermined, a buyback mechanism was put in place to give the founding family's fund a defined period after closing to arrange the necessary capital.
- As mentioned earlier, shale gas assets naturally decline in production every year, which means the business requires drilling roughly 100 new wells every year. In general, this is a highly localized business in which so-called 'landmen' build direct relationships with landowners to secure drilling opportunities. Therefore, having partners with deep local expertise is critical.

- To execute our strategy, it is essential for us to acquire the operational functions. At the same time, we felt that drilling and production activities will be more stable when carried out in partnership with those who have been doing it historically. It is an approach that maintains their continued involvement while fully leveraging local expertise.

**Q4:**

**I have several questions regarding the company's details. You disclose estimated profitability for FY2027 and provide the peak production plan. Should we assume that FY2027 production is close to that peak? Could you also comment on the price assumptions? In addition, you describe the business as having strong cost competitiveness. At a total cost level, including operating costs and depreciation, what cost level are we talking about? Finally, the presentation material notes that the reserves are very large; how many years is the project expected to run?**

**A:**

- Through detailed due diligence, we believe this project still has ample room for production growth. We will finalize the development plan after we complete the transaction, but currently our view is that we aim to achieve increased production within a 2 to 3 year timeframe, and as early as possible.
- Regarding price assumptions, we cannot disclose specifics at this stage, but Henry Hub futures serve as an appropriate reference point.
- As for reserves, based on our evaluation, once production is ramped up to the higher plateau, we expect production to continue through around 2040.

**Q5:**

**A follow-up regarding the capital allocation update on page 8. This is a large investment: ¥800 billion in equity and approx. ¥1.2 trillion including debt. Will this bring you close to the net D/E ceiling of approx. 0.6x? If growth investments continue at this pace, it appears you could exceed ¥3 trillion, implying you will achieve your investment plan and cash outflows will increase. Is this assumption correct? To what extent will you adhere to the 0.6x net D/E guideline going forward? You are implementing a ¥1 trillion share buyback this fiscal year, but how might this acquisition affect shareholder returns next fiscal year and the year after? Is management aiming to avoid significant impact?**

**A:**

- Because we intend to finance the acquisition primarily with debt, there is a possibility that the net D/E ratio may temporarily exceed 0.6x. However, over the CS 2027 period as a whole, we plan to manage the net D/E ratio at or below the

0.6x level, which we view as our upper benchmark. You also mentioned shareholder returns—I would like to underscore that we are in a position to flexibly consider additional allocations, including growth investments.

- The ¥3 trillion allocation for expansion and new investments will include this project as a significant component, but we have not yet fully reached that level. We plan to provide an updated view on capital allocation around the time of our fiscal year-end results, taking into account changes in underlying operating CF, proceeds from divestitures, and other factors.
- The ¥3 trillion allocation is not a cap. We retain sufficient flexibility to pursue both investments and shareholder returns.

**Q6:**

**Could you explain the background behind the sellers' decision, and why MC is viewed as the best owner for this asset? For instance, could a company like Chevron or ExxonMobil have acquired it instead?**

**A:**

- As noted on page 1, Ontario Teachers' Pension Plan, RedBird Capital Partners, and Aethon Energy Management put the asset up for sale as a single package. We had been monitoring this opportunity for several years and were ultimately able to reach an agreement this time. As explained earlier, the sellers required a sale of 100% of the interests. At the same time, the founding family—who understand the asset's growth potential better than anyone, particularly given its proximity to rapidly growing AI/data-center and industrial clusters—wished to remain involved and continue developing the business with us. This led to the current structure.
- There were many bidders in the process, and the evaluation criteria extended beyond price to overall capabilities. The sellers, primarily financial investors, launched a process to sell 100% of the interests. Through comprehensive evaluation, we were shortlisted, participated in individual meetings, and ultimately entered exclusive negotiations.
- What the founding family values in MC is that we are not simply a pure-play natural resource company. Our integrated strengths were highly regarded. As mentioned in the press conference, we operate power businesses in North America, data center businesses, and oil and gas chemical businesses, reflecting our broad industrial footprint in the region.
- From the sellers' perspective, some parties were exiting while others wished to remain. For the founding family, we believe the expectation was that partnering with MC would enhance the asset's value. Given the scale of the investment, I met with them personally several times to ensure that they were the right partner for us. Through those discussions I came to understand that they value MC

precisely because we are more than a resource player.

**Q7:**

**This is the largest acquisition in MC's history. From your perspective as CEO, what aspects of this transaction did you find most compelling about this transaction, and were there any points you struggled with before making the final decision?**

**A:**

- Looking back seven to eight years, around 2017, MC was most known for its metals and energy businesses, with energy at the core of our portfolio. Around a decade ago, momentum toward carbon neutrality began to build, and we felt it essential to reassess whether our portfolio was positioned appropriately for the future, particularly in terms of our energy strategy. That is why I proposed establishing the EX Committee in 2017, which was launched under then-CEO Kakiuchi.
- At the time, we anticipated a rapid global shift toward green energy, which is why we pursued the opportunity to invest in Eneco. We acquired Eneco's shares and made it a subsidiary, and Eneco's corporate value has grown.
- Within the broader context—geopolitical uncertainty, supply-chain challenges, and energy concerns—we did not anticipate eight years ago the explosive surge in AI demand. Our examination of these issues began when we established the EX Committee in 2017, which I chaired. The committee brought together leaders from natural gas, power, and metals, including copper, and the situation at the time was such that we needed to start early research on how resource flows might evolve.
- This led us to conclude that natural gas is the most realistic transition solution. Therefore, this decision was not made from the perspective of "energy experts" per se, but from a broader management standpoint on how to position our core energy businesses, not only in power and natural gas. This is what ultimately led us to the conviction that natural gas offers the most practical solution, and why we decided to pursue the deal.

**Q8:**

**U.S. shale gas offers enormous potential and a wide range of downstream opportunities including trading, power generation, LNG exports, and various potential synergies. As the share of resource-related assets in your portfolio increases, in which areas do you intend to expand further? Liquidation capacity requires significant investment—please walk us through your priorities and the future potential that underpins this investment.**

**A:**

- We pursued negotiations believing in the asset's strong cost competitiveness. In

terms of risk management and value capture, one option is to liquefy the gas and deliver it to markets either west or east of the U.S. Although still at a conceptual stage, one possibility is to bring in partners who already own midstream liquefaction assets, which could further expand our upside potential. Given this asset extends into Texas, demand from data center operators for power is also extremely strong.

- Power companies generally do not enter upstream gas production and do not require such large volumes. Still, because they want to secure competitive feed gas, we believe there are opportunities for meaningful dialogue with power utilities.
- Ultimately, how we manage risk will be the true test of our capabilities. I believe this is precisely why the founding family chose MC and we intend to fully demonstrate our strengths. While still at a conceptual stage and not all details can be disclosed, we have potential partners—including those who will work with us to target the Japanese market—as indicated in the materials, and multiple paths we can pursue. We hope you look forward to future developments.

**Q9:**

**You mentioned that cash-in and cash-out projections will be refined at the time of your full-year results. However, the cap on the net D/E ratio of approx. 0.6x feels somewhat conservative. Now that you've secured a major high-quality opportunity, is there internal discussion about expanding the range and increasing financial flexibility? Please explain your thinking on the net D/E ratio.**

**A:**

- While there may be a temporary period during which the net D/E ratio exceeds 0.6x due to this transaction, we believe maintaining it around 0.6x is fully manageable over the three-year CS 2027 period, given the earnings we expect to generate. Since announcing Corporate Strategy 2027 eight months ago, we have updated our profitability outlook—including this transaction—and we remain confident in achieving our targets. Within that framework, we intend to continue to uphold our financial soundness.

**Q10:**

**Previously, you emphasized platform-type large investments as a strategic theme. If the net D/E ratio is strictly capped at 0.6x, wouldn't that constrain future scalable investment opportunities? Even if attractive opportunities arise, it could limit your ability to pursue them. Could you clarify your intention of maintaining the policy?**

**A:**

- Since the previous corporate strategy, we have been strengthening our balance sheet and replacing underperforming assets. Under CS 2027, we aim to further

enhance the performance of existing businesses. We have a sufficiently robust balance sheet, and we intend to continue refining its composition to increase profitability.

- Of course, if more attractive opportunities arise, we will not rule out making new investments. We will continue evaluation whether any existing assets should be replaced.
- Therefore, we do not currently foresee a situation in which we would be unable to maintain the approximately 0.6x guideline during the CS 2027 period. Naturally, we will make appropriate decisions as circumstances evolve, but at present we see no need to revise our outlook.

**Q11:**

**Regarding the owner's option to buy back 25%, is there a possibility that this could restrict your strategic initiatives—such as your Gas to LNG or Gas to X initiatives—or result in the owner influencing your strategic decisions?**

**A:**

- I understand your question is whether the 25% buyback option could affect MC's ability to execute its strategies. The answer is no. Our rights and obligations are clearly defined under the agreement, and we have full discretion over the gas volumes corresponding to our ownership interest. We are free to market those volumes and pursue our strategic initiatives as we see fit. There is absolutely no impact on our ability to execute our concepts or plans.
- In addition, the founding family has long overseen field-level operations, and their continued involvement ensures stable operations and production volumes. While we will jointly pursue production optimization by combining their local expertise with our technical capabilities, anything beyond field operations—such as overarching strategies—falls entirely within MC's control. They expect us to take the lead in those areas, and there is no scenario in which our strategic execution would be constrained.

**Q12:**

**You mentioned increasing production over the next 2–3 years. What level of upside should we expect from this? Also, with reference to the concepts on page 5, where do you see the highest profitability? Any hints you can share at this stage would be appreciated.**

**A:**

- Regarding upside from production increases: revenue is ultimately a function of production volume and market conditions. While market prices will influence earnings, as long as prices remain within a reasonable range, incremental production will directly translate into additional earnings. Based on our due diligence, we believe the project has very strong cost competitiveness, and

increasing production should reduce unit costs even further.

- As for profitability, our 100%-owned subsidiary CIMA ENERGY handles gas volumes equivalent to roughly 35 million tons per annum—more than twice the gas volume produced by this asset. By integrating CIMA's pipeline and storage network with Aethon's midstream infrastructure, we expect to unlock higher trading margins. We will closely monitor LNG and Henry Hub market conditions and evaluate profitability accordingly. Since the rest of the initiatives remain conceptual, we will thoroughly evaluate the economics and profitability of each before committing capital.
- Additionally, we can utilize CIMA's platform within the U.S., and outside the U.S. we have opportunities to liquefy gas and supply global markets. Through DGI in Singapore, we can target both eastward and westward flows, and we also have Eneco as a downstream offtaker. The breadth of options allows us to manage risk effectively and optimize value creation, and we intend to aggressively advance these initiatives.

**Q13:**

**Given this major acquisition, how are you thinking about MC's other potential LNG projects—such as LNG Canada Phase 2 or the Browse Development for North West Shelf? These projects also require large investments. Considering your overall financial position, what is your stance toward these potential LNG opportunities going forward?**

**A:**

- As you noted, we have several potential LNG-related opportunities, including the LNG Canada expansion, the Cameron LNG expansion, and projects in Australia. This acquisition is significant in scale, but what is important is how it extends and transforms our strategy. Rather than focusing solely on LNG, we have expanded upstream into natural gas which increases our strategic flexibility.
- A key question is whether holding midstream liquefaction assets truly delivers the highest returns, and more broadly, where along the value chain value creation is the strongest, upstream or midstream. Determining how much exposure we should have to liquefaction is part of our ongoing portfolio discipline.
- Therefore, we do not intend to pursue LNG expansion indiscriminately. We will maintain discipline, consider replacing existing assets with higher-quality ones, and reinvest cash-in from such portfolio restructuring into new opportunities where appropriate. The main point is that we are evolving from an LNG-centric strategy to a broader natural-gas-centric strategic footing.

**Q14:**

**How should we think about the valuation of this transaction? What multiples are typical for comparable natural gas deals, and where does this transaction fall? Since this was a competitive bid, I'd also like to confirm that MC was selected due to the founding family's influence and confidence in MC's integrated strengths—i.e., should we interpret this to mean that the deal was not priced aggressively?**

**A:**

- The valuation was conducted using standard, industry-accepted multiples, and we believe that the final price is reasonable relative to peers. We supplemented this with detailed development plans and DCF analyses to determine an appropriate valuation and negotiated the transfer price based on that assessment.

**Q15:**

**You explained the contribution to underlying operating CF, but how much free cash flow (FCF) will this project generate? Given the planned production increase, how should we think about the contribution to FCF going forward?**

**A:**

- As shown on page 8, during the CS 2027 period, this project is expected to contribute roughly ¥0.5 trillion to underlying operating CF, and approximately ¥0.4 trillion to sustaining investments. Therefore, on a simple basis, this implies a FCF contribution of approximately ¥0.1 trillion.
- Because the founding family has the option to buy back up to 25%, there may be some variation depending on the timing and percentage of any buyback. However, the overall picture is as described.

**Q16:**

**You project FY2027 net income of ¥70–¥80 billion. What is the expected level for next fiscal year? And beyond FY2027, should we assume earnings remain flat, or do you see potential for additional upside despite the risks?**

**A:**

- Our FY2027 net income estimate of ¥70–¥80 billion is based on certain assumptions. For FY2026, the timing of acquisition's closing will affect the consolidation period, so we expect earnings to be somewhat lower than FY2027. However, this is a business that will generate profit and cash from Day 1, so you can expect a meaningful contribution in FY2026.
- Beyond that, earnings will naturally be influenced by market conditions, so we cannot provide a definitive long-term forecast. That said, this business involves drilling roughly 100 new wells per year, with each well typically depleting over about seven years. Therefore the operator can flexibly adjust drilling activity

depending on market conditions. We will manage and control well development while monitoring market trends and supply–demand dynamics.

**Q17:**

**You mentioned drilling about 100 new wells per year as sustaining CAPEX. What is the cost per well?**

A:

- Generally, although it depends on the location, the typical cost per well is around \$10–\$15 million. Multiplying that by the number of wells gives you the overall cost estimate, but because this operation is highly efficient, it is not as simple as “100 times that number.” There are meaningful efficiencies that lower overall cost.

**Q18:**

**Regarding the chart on the right side of page 1: if the 25% buyback option is exercised, would the operating functions company be included in the buyback? And how should we think about the impact on cash flow and profit?**

A:

- The business consists of an asset-holding company which owns the upstream assets and midstream infrastructure, and a separate operating functions company that is contracted to conduct operations. MC will acquire both, because we want hands-on operational control to drive development and maximize this asset's value.
- The 25% buyback option applies only to the asset-holding company. The operating functions company will remain 100% owned by MC.

**Q19:**

**Why did the founding family not obtain a 25% buyback option for the operating functions company? Was there a particular reason?**

A:

- This reflects MC's decision not to sell that portion. We want to retain full control of operating functions so that we can advance development under our own governance. We are acquiring all assets related to Aethon's operational capabilities—people, contracts, systems—and given that structure, we did not consider it necessary for the founding family to take an interest in this entity. Our view is that operations should be managed entirely under MC's governance.

**Q20:**

**If the 25% buyback option is exercised, should we assume that the cash-in for MC will be less than one-quarter of the \$5.2 billion purchase price, since the operating functions company also has value? Similarly, should we assume that**

**the reduction in net income will be less than one-quarter of the projected ¥70–¥80 billion?**

A:

- While we cannot disclose the specific valuation attributed to the operating functions company, it is correct that a portion of the purchase price relates to that component.

**Q21:**

**Given that MC will also be responsible for operations, what operational challenges or risks should we be aware of?**

A:

- This is upstream shale gas development, which differs from conventional projects. Shale operations involve drilling a large number of wells with established development patterns, so the technical complexity and operational risks tend to be lower than in typical conventional developments. In addition, Aethon has a 10-year operating track record in this region.
- And while no business is without risk, with the existing operations team transitioning into MC's structure, and based on our due diligence, we have a high degree of confidence in our ability to manage operations effectively.

**Q22:**

**Earlier, you explained the production outlook—from the current 2.1 Bcf/d, rising to a peak of 2.6 Bcf/d around FY2027. You also mentioned that reserves are sufficient to maintain that level until around 2040. After that, is the operational plan to keep production roughly flat? How should we think about the long-term production profile?**

A:

- First and foremost, our policy is stable operations, and we will determine the appropriate production level by carefully monitoring market conditions, costs, and overall exposure to ensure we stay aligned with our risk appetite.
- Depending on circumstances, if we see sufficient capacity to expand production, we may increase output; conversely, we may reduce output if market conditions warrant it.
- The key point we want to convey is that the reserves give us the ability to sustain a certain plateau level for an extended period.

**Q23:**

**You mentioned development will “depend on market conditions”. While you did not disclose specific unit costs, you did note that the project is highly cost-competitive. For example, if the project can generate solid profits with**

**Henry Hub at \$3 and given that long-term gas supply and demand is tightening, could your strategy be to defer production until prices rise, such as producing more after 2030? What exactly did you mean by “depending on market conditions”?**

**A:**

- In this development plan, each well produces for about seven years, with roughly 70% of total recovery occurring in the first three years. At the end of each year, we determine the development plan for the following year. Rig contracts typically run for about a year, so we take rig costs and other factors into account.
- Development decisions are made by balancing costs against expected revenue to ensure appropriate returns and economic viability. If those conditions are met, we proceed with additional drilling. Given the abundant reserves, we can efficiently accelerate recovery through appropriate development planning.
- We will review these factors each year and update the plan accordingly. Shale gas is a relatively fast-cycle business, and development planning is made within that cycle. We appreciate your understanding that this is inherent to the business model.