Q&A at Investor Meeting of Financial Results for the Six Months Ended September 2012

Presentation Date: November 7, 2012 (Wednesday) 16:00 to 17:30
Presenters:
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[Questions and Answers]

(1) Business Forecasts and Growth Strategies

Q. Why did you set the full-year net income target of 500 billion yen at the beginning of the fiscal year, and how do you feel about revising down the target to 330 billion yen at this time? How likely are you to achieve the revised full-year net income target of 330 billion yen?
A. At the beginning of the fiscal year, we had expected the coking coal business to negatively impact forecasts to a certain extent. However, we had anticipated that other segments would compensate for this negative impact. Ultimately, we had to reduce the net income target mainly because of longer-than-expected strike action and falling sales prices in the coking coal business, as well as softer market conditions in the Chemicals Group. The downward revision reflects all conceivable risk factors at this stage, including falling coking coal prices, softer market conditions in the Chemicals Group and write-downs of available-for-sale marketable securities. Therefore, we believe that the revised net income target is well within reach.

Q. In regard to your earnings target for next fiscal year, do you expect any factors other than MDP to boost earnings?
A. With MDP, the key factor will be how to increase cost competitiveness going forward. Meanwhile, in non-resource fields, we are encouraged by the progress we have made in establishing solid business models in various fields, and anticipate further growth in each of these fields in the years ahead.

Q. Has earnings growth in non-resource fields been reflected in cash flows? Can I correctly assume that this growth will continue for the next three years?
A. The benefits of investments in non-resource fields can be reaped sooner than in resource fields. We expect to actively reap the benefits of non-resource investments during the next medium-term management plan.

Q. What are your growth strategies for the Machinery Group and the Industrial Finance, Logistics & Development Group?
A. Following reorganization, the Machinery Group's current core businesses are automobiles, ships, aerospace equipment, plants and industrial machinery. The automobile business still offers considerable growth potential. Since the ship business operates in a cyclical market, conditions will remain challenging for some time. However, the Machinery Group has established business models in an expanding range of fields, including sales finance, as well as overseas sales of industrial machinery, plant and construction machinery. The Industrial Finance, Logistics & Development Group is now in its sixth year of operation since its inception. It has established finance business models to a considerable extent in fields such as real estate, leasing and other financial intermediary businesses. During the next medium-term management plan, the Industrial Finance, Logistics & Development Group intends to prioritize its businesses even further.

(2) Investment

Q. What are your future investment policies, particularly in the resource field, given that resource prices have fallen?
A. Our primary investment policy is to keep investment within the scope of cash flows or earnings. Other investments will be considered only if there is demand, and will be executed by realigning assets in the investment portfolio. In regard to investments in the resource field, we plan to reap the benefits of these investments from a long-term perspective. Considering that natural resources are finite, we must secure supply sources to fulfill our responsibility to provide a stable supply of natural resources to Japan. To this end, our first priority is to invest from a long-term perspective. In the previous fiscal year, we also executed a large investment in copper to diversify risk exposure and increase earnings streams. In non-resource fields, we must execute investments to pave the way for future growth. We also aim to concentrate on executing investments in even higher quality, highly profitable projects, rather than merely limiting our losses.

(3) Capital Policy

Q. What will happen to the dividend if you exceed your revised full-year net income target for the fiscal year ending March 2013? What is your policy on dividends for next fiscal year and beyond?
A. Our basic approach will be to increase dividends within the current dividend payout ratio range. We are currently considering our dividend policy for next fiscal year and beyond. We plan to explain this policy at a later date when we announce our next medium-term management plan.

Q. What was your actual net investment in the first half, including realignment of assets? What are your forecasts of cash flows for the full year?
A. In the first six months ended September 30, 2012, we executed net investment of 240 billion yen. This represents gross investment of 460 billion yen, less 120 billion yen in depreciation and asset sales, and 100 billion yen in foreign exchange effects and write-downs. Assuming that second-half investments are executed as planned, we are projecting negative free cash flow for the full year. That said, we anticipate that free cash flow will improve from the previous fiscal year.

Q. As far as I can see from your investment policy going forward, your financial position should improve as a result of reducing interest-bearing liabilities and increasing shareholders' equity. But won't this balance sheet structure make it difficult for you to raise ROE?
A. Under our investment policy set forth in Midterm Corporate Strategy 2012, net interest-bearing liabilities are projected to increase by around 1,000 billion yen over the 3 years through the end of fiscal year ending March 2013. Although the net debt-to-equity ratio has remained in the range of 1 to 1.5 times, net interest-bearing liabilities have increased in terms of absolute scale. Therefore, we believe that we must keep a closer eye on cash flows as we execute investments going forward. ROE will decrease unless earnings growth keeps pace with increases in shareholders' equity. Accordingly, as we formulate our next medium-term management plan, we will be considering how to achieve disciplined growth, including the points you have brought up.

Q. Will you adopt ROE as a performance measure in the next medium-term management plan? Are you considering stock buybacks and other measures to improve ROE?
A. We will explain our policy at a later date after considering these matters as part of our capital policy in the next medium-term management plan.

(4) Specific Projects

Q. What are your prospects for the train three expansion of the Sakhalin project?
A. We cannot comment in detail on the potential for future expansion at this stage. However, Mitsubishi Corporation aspires to play a part in launching the train three expansion of the Sakhalin project, with the aim of securing a stable source of energy for Japan.

Q. What is the current situation with the Jack Hills project?
A. The project is facing considerable difficulties. Since Jack Hills is a large project, we must team up with a good-quality partner with a solid financial position in order to proceed to a Final Investment Decision (FID).