

Q&A at Investor Meeting

Financial Results for the Year Ended March 2018

Presentation Date: Thursday, May 10, 2018, 15:30 to 17:00

Presenters: Takehiko Kakiuchi: President and Chief Executive Officer
Kazuyuki Masu: Executive Vice President, Chief Financial Officer
Yuzo Nouchi: General Manager, Corporate Accounting Department
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Questions and Answers

(1) Capital and Shareholder Return Policy

Q. Please update us on your forecast of capital allocation over the three years of the Midterm Corporate Strategy.

- A. ● During these three years, we expect operating cash flows of approximately ¥2.4 trillion. In the same period, we plan to make net investment of approximately ¥1.5 trillion and to ensure shareholder returns while reducing certain liabilities.
- Our policy of considering the investment leverage ratio as we make decisions about capital allocation remains unchanged.

Q. Gross cash used in investing activities in the year ended March 2018 amounted to approximately ¥800 billion; what were some of the specific investment targets?

- A. ● Our main investments in the Business-related sector were the acquisition of additional shares of Mitsubishi Motors Corporation, sustaining investments in Lawson, asset acquisitions in the North American real estate business, and investment in the power generation business. In the Market-related sector, major investments included covering development costs in the shale gas business and sustaining investments in Mitsubishi Development Pty Ltd, etc.

Q. How does your shareholder return policy fit into your strategy for accelerating growth going forward?

- A. ● We will continue seeking to provide shareholder returns in whatever form best serves shareholder interests.
- Our policy is to increase dividends along with sustainable earnings growth in line with our progressive dividend policy while considering business performance forecasts, the business environment, and other factors.

(2) Investment and portfolio re-profiling

Q. If your plans call for ¥1.5 trillion in net cash flows to be used in investing activities over the period of the Midterm Strategy, you'll have to invest around ¥1 trillion in the year ending March 2019. Do you really expect to invest that much?

- A. ● We are not particularly targeting ¥1 trillion in investment. That said, we are individually evaluating a great number of potential investments aiming at growth, mainly in the areas of core businesses and growth drivers.
- With regard to specific investments, we are carefully considering what kind of investments would best contribute to growth and “managing” businesses going forward while scrutinizing each investment prospect in terms of price.

(3) Midterm and Management Strategy

Q. You talked about the “shift towards ‘managing’ businesses” as opposed to merely “investing into businesses.” How is that progressing?

- A. ● The shift towards “managing” businesses is progressing steadily. By responding precisely to changes in the environment and drawing on the foresight and execution skills of our management professionals, we aim to increase business value and grow sustainably.

Q. Over the rest of the midterm strategy, in which of the industries illustrated by the matrix's 12 cells do you plan to concentrate investment?

- A. ● There are candidates for investment in all 12 cells. We will maintain a healthy portfolio balance over the next three to four years.

Q. When you were discussing growth mechanisms, you talked about business areas that are considered potential growth sources. How will you develop these into core businesses?

- A. ● Core businesses are the business areas that have grown and have defined their growth strategies, leveraging our strengths. We have identified certain growth patterns, therefore if we apply these patterns and spur growth even further by also utilizing M&A, I believe that they will eventually grow into core businesses.

Q. As part of your portfolio strategy, you talked about a 12-cell matrix of industries. Are you aiming for a portfolio with large-scale businesses in all 12 cells?

- A. ● No, we are not. In every case, we will look at the present business environment and examine each strategic field based on whether or not we can effectively utilize our strengths and functions before injecting management resources.

(4) Individual Businesses

Q. Concerning the metallurgical coal business, could you tell us the difference of the results of the year ended March 2018 and the previous fiscal year, and the assumptions behind the forecast of the year ending March 2019?

- A.
- The business's net income for the year was ¥198 billion. In addition to the direct and indirect impact of the cyclone that struck at the end of the previous fiscal year, poor production at certain mines led to a decline in volume and worsening costs. However, the use of alternative transport and other recovery efforts enabled us to take advantage of price increases that, together with a gain on the sale of our interest in the Warkworth coal mines and other one-off factors, boosted profit ¥70.9 billion year on year. The main positive components of this increase were price differences and royalties of about ¥79 billion, a rebound of about ¥30 billion from impairment recorded in the previous fiscal year, and such one-off factors as the ¥14 billion gain on the sale of the Warkworth coal mines. Negative components included the effects of lower sales volume and higher costs, amounting to ¥60 billion.
 - As for the forecast of Mitsubishi Development Pty Ltd. for the year ending 2019, we are incorporating such factors as the downturn in the metallurgical coal market into the overall forecasts for the Metals Group.

Q. Concerning the business portfolio of the Living Essentials Group, how is progress toward your objective in strengthening the value chain caring Lawson?

- A.
- Going forward, we will continuously aim at growing the convenience store business as a social infrastructure with a long term view.
 - We will assist Lawson's unique and autonomous initiatives in product development and other areas.