

**Q&A at Investor Meeting**  
**Financial Results for the Six Months Ended September 2021**

Presentation Date: Friday, November 5, 2021 16:40 to 17:40

Presenters: Takehiko Kakiuchi: President and Chief Executive Officer  
Kazuyuki Masu: Executive Vice President, Chief Financial Officer  
Yuzo Nouchi: Senior Vice President, General Manager,  
Corporate Accounting Department  
Tatsuhiko Terada: General Manager, Investor Relations Department

**Questions and Answers**

**Q. I believe the quantitative targets outlined in the Midterm Corporate Strategy 2021 included a net income of 900 billion yen and a dividend payout ratio of 35% (200 yen per share). While your net income is nearing the 900 billion yen mark in the revised forecast, the dividend of 142 yen seems low. Please explain why you did not increase the dividend payout to the 35% level, as well as whether you will raise the level in the second half.**

A.

- What we outlined in the Midterm Corporate Strategy 2021 was not that we would keep the dividend payout ratio at 35% each year, but rather that we would continue the progressive dividend scheme. We kept our promise of continuing the progressive dividend scheme in FY2020, even when our earnings were weaker, which led to the dividend payout ratio of 115%.
- The average payout ratio for the past 3 years, which overlaps with the period of the current Midterm Corporate Strategy 2021 is 42% and 36% for the 6-year period, which are both above 35%, and this is a clear reflection of our commitment to continue paying out stable dividends over the long-term.
- The interim dividend will be 71 yen. We plan to consider whether or not to raise the dividend level in the second half of this fiscal year 6 months from now, when we decide the dividend amount, and propose it to the Ordinary General Meeting of Shareholders.
- Please consider our dividends from a comprehensive standpoint, including how we continued the progressive dividend scheme at a time like the last fiscal year when our earnings were sluggish, even when the dividend payout ratio exceeded 100%, and how we increased the dividend per share taking into account the cancellation of the treasury shares.

**Q. In the “Roadmap to a Carbon Neutral Society”, you say that you will make EX (Energy Transformation)-related investments amounting to around 2 trillion yen by FY2030. Please provide a breakdown of the investments by business area, and explain which areas you will be able to monetize from in the near-term.**

A.

- We will invest roughly 1 trillion yen, or half of the total amount, in renewable energy. The other half will be invested in base metals and rare metals, based on the trend of the electrification of cars, as well as LNG-related and next-generation energy such as ammonia, etc.
- In the renewable energy business, we can generate stable returns through the cyclical growth model, in which we collect our past investments and then reinvest. In the Base metals business, we have already made investments in

highly competitive copper mines, including the development project expected to begin production next year, and we expect our other investments to also make good progress. LNG-related investments will be extensions of our existing businesses, in order to secure stable supply.

**Q. 2<sup>nd</sup> quarter earnings from the Metallurgical coal business seem somewhat lower than expected. What is your outlook for the 3<sup>rd</sup> quarter onwards? What are your assumptions for the Metallurgical coal business within the 260 billion yen revision to the guidance for Mineral Resources Group?**

A.

- We do not expect the current market prices of metallurgical coal to continue, and are factoring in some correction in the second half. Although the market prices may be more favorable now, FY2021 is different from 3 years ago (FY2018), when MDP was doing well, in the sense that we do not have the earnings from the Thermal coal business which had been sold, the rise in costs such as higher natural resource prices and higher personnel costs due to Covid-19, as well as the slight decline in volume which was evident in the first half. If the results seem lower than expected, these are probably the reasons.

**Q. In Automotive & Mobility Group, demand trends in Southeast Asia etc. probably have a significant impact on your results. What assumptions did you use in forecasting a slowdown in the second half?**

A.

- We are expecting some impact, although not serious, from the semiconductor shortage in the focus geographies of Thailand and Indonesia. We are also factoring in the termination of Indonesia's luxury tax exemption towards the end of the calendar year, thus earnings will not be as high as they were in the first half.

**Q. In the first half you were concerned about the downside, such as another rise in Covid-19 infections in Southeast Asia, as well as the semiconductor shortage. Are there any concerns for the second half, including China?**

A.

- We do not expect China to have that much of an impact.
- Recent natural resource prices have been rising very steeply, and the sustainability of prices in the second half, and the possibility of a sudden drop, could be causes for concern.

**Q. When do you expect production to start from the LNG-related projects that are currently being developed?**

A.

- As for the projects that are currently under construction, we expect the Tangguh Expansion Project in Indonesia to begin production in 2022, and for LNG Canada to begin production in the mid-2020's, although there could be some delays in construction.
- The Shale gas business in North America is already in operation, and we expect the business to turn profitable from the current fiscal year.

**Q. What is the timeline for Quellaveco copper mine, in terms of the start of production as well as earnings contribution?**

A.

- We expect production to start in 2022. We will not comment on earnings contribution.

**Q. The market sees further upside potential, not only for the Metallurgical coal business for which prices are rising, but also for businesses other than natural resources. Please explain your policy on additional shareholder returns if you outperform your current guidance. You mentioned that you will decide the full-year dividend 6 months from now, but will you not make your decision in the 3<sup>rd</sup> quarter?**

**A.**

- The basic policy for dividends is to pay out progressive dividends, in order to meet the expectations of long-term shareholders.
- FY2022 will be the first year of the next Midterm Corporate Strategy, and the outline of the Strategy will be ready in around next spring, which is why I said we will decide on the full-year dividend 6 months from now.
- If we significantly outperform our guidance, we would like to meet the expectations of our shareholders as much as possible, while considering the next Midterm Corporate Strategy in making our decision.

**Q. With the rise in prices, your adjusted free cashflow in the first half is already at 353.5 billion yen. Is shareholder return through share buybacks not an option?**

**A.**

- Our thinking regarding share buybacks has not changed from the past. We will consider share buybacks when capital builds up to a certain level (appropriate range of investment leverage ratio of 40-50%).
- We look at our cashflow on a cumulative basis, rather than year by year, due to the timing of large investments, as well as other factors. We also monitor our financial soundness using the balance sheet after reflecting the cumulative buildup.
- The current investment leverage ratio is temporarily higher than the appropriate range, due to the slowdown in earnings last year as well as the recent large investments, and we will decide after monitoring its future level.

**Q. In releasing the “Roadmap to a Carbon Neutral Society”, what discussions did you have internally about the existing Metallurgical coal business?**

**A.**

- As of today, metallurgical coal is crucial for steel production. While in the mid-to-long term there will be progress made in technological innovations such as using hydrogen as a reducing agent, the technology is not available for use at the moment. We therefore assume that metallurgical coal will be necessary toward 2050, and technological developments, etc. in transitions will be monitored.

**Q. How will Mitsubishi Corporation’s business portfolio evolve, with the 2 trillion yen of EX-related investments by FY2030?**

**A.**

- We will increase renewable power capacity year by year until a certain level is reached to double it by FY2030, although there could be ups and downs in certain years.
- For LNG, we will fulfil our responsibility regarding the stable supply of energy, and will therefore not recklessly expand or develop projects, but instead steadily continue the business.
- Some comments regarding the numbers. Although subject to the price of natural resources, we believe we can stably generate the underlying operating cash flows of approx. 800 billion yen per annum on average, which leaves us with approx. 600 billion yen each year even after deducting dividends paid.
- EX-related investments will take place in the 9 years leading to 2030, and the

budget can be estimated to be above 5 trillion yen, when considering the underlying operating cash flows net of dividend payments during that period.

- The 2 trillion yen of EX-related investments is the gross amount. Aside from making investments, we believe we can cover roughly half of the 2 trillion yen through asset recycling, as we have done in the past, so the net investment is estimated to be approx. 1 trillion yen.
- This is around 20% (1 out of 5 trillion yen), and this should provide some color on the impact to our overall portfolio.
- Moreover, not all the investments will be completely new. Some will be extensions of past investments in renewable energy, LNG, etc., and will not have a significant impact on our future investment plans.

**Q. In the 1<sup>st</sup> quarter Investor Meeting, it was explained that the quarterly underlying earnings power was around 140 billion yen. What are your views on this, after completing the first half of the year?**

A.

- The figure of around 140 billion yen we mentioned at the end of the 1<sup>st</sup> quarter was calculated by deducting one-off and seasonal items from the approx. 180 billion yen of net profit.
- We did not mean this to be our long-term underlying earnings power. Since there is no “run-rate” for natural resource prices, it is more realistic to apply a range rather than assume a single figure.

**Q. You mentioned in the 1<sup>st</sup> quarter Investor Meeting that metallurgical coal prices of USD200/ton were high, but current prices are at even higher levels. Please share your views on the current metallurgical coal market.**

A.

- What we meant in the 1<sup>st</sup> quarter Investor Meeting was that there could be a correction going forward, or that we can still secure profitability even at a somewhat lower price.
- We do not believe the current high prices will persist, and have formulated our guidance accordingly.

**Q. Although you stressed your focus on downstream businesses in the current Midterm Corporate Strategy 2021, I believe the allocation of management resources was well-balanced, due to factors such as sustaining investments in the Natural resource businesses. Going forward, how will your investments in EX-related areas towards 2030 affect your flexible allocation of management resources and the building of your portfolio?**

A.

- We believe EX and DX (Digital Transformation) as one.
- This means that by promoting DX through digitalization and the utilization of AI, we will make the demand side more energy efficient and productive, which will control the demand for energy, while we are also seeking productivity improvements in the supply side, such as in mines and LNG facilities. We are aiming to reduce waste and loss of electricity as it is delivered to the point of use, and we will pursue carbon neutrality through the combined implementation of EX and DX.
- In terms of our business portfolio, we do not intend to concentrate only on upstream natural resources, but will instead pursue the ideal balance covering upstream to downstream. Since being appointed President in 2016, I have been mindful of striking the right balance between up, mid and downstream, minimizing risks while pursuing the soundness of the overall portfolio, in order to become more resilient to market fluctuation risks and avoiding loss-making as a result of such fluctuations.

**Q. I believe the expected earnings of the following year are also important when considering progressive dividends. What is Mr. Kakiuchi's view on the global economy, as well as the impact the business environment will have on your earnings?**

**A.**

- The industrial structure is changing, to the extent that it can be said to be an industrial revolution, with various sectors seeking to actively utilize digitalization and AI in the field of EX. This will enhance productivity, and although there are issues such as the power struggle between the U.S. and China, etc., I expect the global economy to be positively supported by these trends.
- I therefore do not anticipate the future business environment to negatively affect our earnings, and we intend to continue expanding our business so that we can keep contributing to the world in the new generation.