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Mitsubishi Corporation (MC)
Earnings Briefing Q&A
FY2024 Q4

Date and Time: Friday, May 2, 2025

(1) Joint Q&A session for press, investors and analysts: 15:45 to 16:00

(2) Q&A session for investors and analysts: 17:00 to 18:00

Presenters:

(1) Joint Q&A session for press, investors and analysts

Katsuya Nakanishi:	Representative Director, President and CEO
Yuzo Nouchi:	Representative Director, Executive Vice President, Chief Financial Officer
Kenji Kobayashi:	Executive Vice President, Chief Stakeholder Engagement Officer
Yoshihiro Shimazu:	Senior Vice President, General Manager, Corporate Accounting Department

(2) Q&A session for investors and analysts

Yuzo Nouchi:	Representative Director, Executive Vice President, Chief Financial Officer
Yoshihiro Shimazu:	Senior Vice President, General Manager, Corporate Accounting Department

(1) Joint Q&A session for Press, Investors and Analysts

Q1:

Your FY2025 consolidated net income outlook of ¥700 billion is unchanged from when you released Corporate Strategy 2027 (CS 2027) on April 3. I am concerned that your actual consolidated net income for FY2024 Q4 appears to have been only about ¥120 billion. Were there any extraordinary gains and losses that were not recorded as one-time gains and losses for Q4? Is it correct to assume that your outlook is based on a scenario in which the profit recovery is expected towards the backend of FY2025, with improvements in steelmaking coal volume, the automotive business and other areas expected in the second half of the fiscal year?

A:

- The price of steelmaking coal in Q4 was lower than expected. There were also one-time items that were recorded in Q4, which resulted in a somewhat lower profit for this period.
- The FY2025 consolidated net income outlook of ¥700 billion takes into account the continuing downtrends in steelmaking coal and the ASEAN automotive

business since 2023 and 2024. We do not currently anticipate significant recoveries in these areas in the first half of FY2025. However, we believe that improvements are expected to some extent in H2. In addition, although our outlook is not entirely weighted toward H2 due to seasonal factors in some of our non-resource businesses, we also anticipate a moderate recovery in market conditions in the second half of the fiscal year. Therefore, we believe that the ¥700 billion outlook is achievable based on our current assumptions.

Q2:

The underlying operating CF outlook of ¥900 billion for FY2025 indicates your high ability to generate cash. This was true in FY2023 and FY2024, but although consolidated net income will decline between FY2024 and FY2025, there is no decline in your underlying operating CF, which remains quite high. Is this due to dividends from your affiliates? Is it correct that underlying operating CF of ¥900 billion with consolidated net income of ¥700 billion could be considered as a baseline, and that your earnings power on a cash basis is improving? How do you view this ¥900 billion figure?

A:

- Consolidated net income is expected to decline from ¥950.7 billion to ¥700 billion between FY2024 and FY2025. This is due to the inclusion of non-cash gains and losses in the ¥950 billion figure. However, the decline in underlying operating CF will be smaller, and the figure will remain essentially flat between FY2024 and FY2025.
- While consolidated net income will be slightly lower, we expect underlying operating CF to reach about ¥900 billion in FY2025. While there will be fluctuations, we believe that we can consistently generate earnings.

Q3:

I would like to hear more about the Enhance initiatives outlined on page 11 of the presentation materials. You provide four examples of Enhance 2.0 initiatives under CS 2027. You need to achieve growth of ¥300 billion through these Enhance initiatives over the next three years. As President/CEO, which businesses do you expect to show growth over that period? Which businesses, including those that are already showing positive trends, do you see growing?

A.

- As I have explained earlier, the Enhance initiatives are not projects that we start from scratch and are instead initiatives that accelerate and reinforce the performance of existing businesses. The most significant ones at present are the upstream project of LNG Canada and the LNG business as a whole, including liquefaction business of LNG Canada. In addition, stable production is expected to continue at the Quellaveco copper mine. Other examples apart from those listed on page 11 include the North American power business. Demand for electricity to power data centers is expanding in the U.S., and we have included the power business in our Enhance initiatives because we believe that small improvements could yield higher earnings.

- I have just talked about initiatives other than those relating to marine products, the ASEAN automotive business, steel products, and food distribution, which are referred to on page 11. By FY2027, the cumulative effects of these efforts will add ¥300 billion to underlying operating CF and ¥250 billion to consolidated net income compared with FY2024. We believe these figures are reasonable.

Q4:

Are you saying that, in terms of profit contribution, LNG Canada, the overall LNG business [including Malaysia and other markets], the Quellaveco copper business, and the [North American power business driven by increased power demand from] data centers are the primary drivers of profit uplift under Enhance, and that you feel the examples listed on page 11 are expected to follow suit?

A:

- That’s correct.

Q5:

Please confirm how you frame the mobility business in relation to the future outlook. Around the time when you announced CS 2027, reciprocal tariffs were announced by the U.S., and due to the pessimistic outlook for the business environment of the manufacturing industry in Southeast Asia as well as issues affecting individual businesses, you provided guidance indicating lower profit in FY2025. Looking ahead, are there any possible scenarios in which the mobility business could achieve a turnaround by the final year of CS 2027? Does your ¥90 billion forecast reflect market conditions, including the tariff impact, as well as the risk of further deterioration, and the effect on volumes, etc.? Please explain the rationale behind the ¥90 billion consolidated net income outlook for the Mobility segment for FY2025, particularly in relation to tariffs.

A.

- The Trump tariffs are likely to have a moderate impact on the North American business of Mitsubishi Motors. However, the core of our mobility business lies in the ASEAN markets, primarily Indonesia and Thailand, as well as Australia and India. In Thailand, consumer auto financing is subject to government guidelines, and economy remains sluggish. As a result, the profit outlook is somewhat challenging. This situation is attributable to domestic factors rather than to the impact of U.S. tariffs. The government has tightened its criteria for consumer financing, which had previously been more relaxed. Consequently, we expect recovery to take a little longer. The impact on the Thai operations of Tri Petch Isuzu Sales should be attributed not to the direct effects of the Trump tariffs, but rather to existing competition from Chinese vehicles. However, we still have a slight competitive advantage as our operations include local manufacturing in each market.

- I believe that a turnaround will be possible if the ASEAN economies rebound. However, as I said, the tariffs may still have some moderate impact on Mitsubishi Motors' North American business.

Q6:

The ASEAN automotive business is included in the Enhance initiatives of the CS 2027 framework. Is it correct to understand that the ¥90 billion for the current fiscal year is the starting point, and as CS 2027 progresses into year 2 and year 3, you will move in the direction outlined in the materials, such as value chain and export expansion?

A.

- The purpose of the Enhance initiatives is to boost performance in Indonesia and Thailand and achieve an earnings recovery by strengthening automotive sales, advancing digitalization in distribution networks, and enhancing marketing efforts, while providing additional investment if necessary. The consolidated net income outlook for the Mobility segment in FY2025 will depend on the extent of economic recovery in Asia. However, given that this segment is typically able to generate earnings of ¥100 billion or higher, FY2025 should be seen as a period in which earnings will be slightly lower relatively speaking.

Q7:

The Food Industry segment appears to have incurred substantial impairment losses in FY2024 Q4, but underlying profit level seems to have increased. How do you position the salmon farming business from FY2025 onwards when you think about the future plans you described in CS 2027?

A.

- Impairment losses were not recorded for this segment in FY2024 Q4.

Q8:

I would like to hear about your strategic direction for the new fiscal year. The salmon farming business is included in the Enhance initiatives, but there seemed to be little progress in the previous fiscal year. How do you see this business going forward? How was it factored into the FY2025 outlook?

A.

- Cermaq did not perform well in FY2024 due to sea lice issues, which forced us to perform early harvesting. While the sea lice issue will be resolved in FY2025, the number of smolt [young salmon] in the salmon farms remains low due to early harvesting. It will take around 18 months [the time required in sea-surface aquaculture] for the number of smolts to recover and for them to mature, so the business will continue to be impacted in FY2025 and we expect the underlying profit level to recover to normal levels from FY2026 onwards. The sea lice issue occurred in the northern farming areas of Norway, which had not previously been affected by this issue, but Cermaq has implemented countermeasures that are used in the southern farming area. Therefore, we expect a recovery in underlying profit level from FY2026 onwards.

Q9:

The Trump administration's revamping of energy policies is likely to have a significant impact going forward, including the future of the Inflation Reduction Act and major organizational changes at the Environmental Protection Agency. What is your view of the current situation?

A.

- Concerning energy policies in the U.S., we believe that demand for power is expected to increase dramatically because of the country's overwhelming global dominance in technology, especially AI. In addition, the current Trump administration is focused on developing new domestic industries, which will drive significant increases in power demand. There has been little progress in launching new nuclear power plants in the U.S., and the IRA introduced by the previous Biden administration focused on hydrogen and ammonia initiatives. There may be moves to restart existing nuclear plants and extend the operation of coal-fired thermal plants. The U.S. is also pursuing practical solutions to the energy transition, and we believe that the Trump administration is leaning towards low-carbon options rather than decarbonization. This pattern will probably continue for some time, even if there is a change of government. The U.S. has abundant reserves of all kinds of energy resources, and we are developing natural gas and renewable/solar energy businesses in the country. However, the U.S. has many other options, including nuclear power, so we will continue to closely monitor electricity demand. We believe that the current situation presents significant opportunities.

Q10:

I'd like to confirm your approach to the overall business portfolio. Naturally, LNG presents extremely good opportunities, but there is a need to look at it from the perspective of carbon intensity. LNG's carbon intensity, which is defined as GHG emissions per unit of profit (GHG leverage), is quite high. I understand that you will address this issue in the long-term, but will you prioritize profit under CS 2027, even if it means a higher carbon intensity? Or will you monitor carbon intensity and reduce it somewhat by adjusting your business portfolio? What is your view on how to manage carbon intensity in your business portfolio?

A.

- In terms of carbon intensity, as explained in the sustainability section, we have not established a cross-sectional target specifically for FY2027. There has been no change in our basic stance, which is to reduce our emissions by half by 2030 and achieve carbon neutrality by 2050. Depending on how our investment opportunities increase going forward, we may need to revisit our policy in this area. However, we are currently basing our roadmap on milestones for 2030 and 2050, rather than setting an interim target for FY2027, and our initiatives are aligned with that roadmap.

(2) Q&A session for Investors and Analysts

Q11:

Regarding the FY2025 earnings forecast for the Power Solution segment, I understand that you are currently conducting a review of the domestic offshore wind power generation business. Is the impact of this review reflected in the earnings forecast? According to media reports, the results of this reassessment will be released this summer. Is that schedule likely to change?

A.

- I cannot comment about what is reflected in forecasts for individual businesses. However, as I stated at the Q3 earnings briefing, even if there were additional losses, it is unlikely that such a situation would have a significant impact on our forecasts for the fiscal year. We have thoroughly considered the potential impacts.
- I believe there were questions raised about a progress update being shared this summer at the Q3 earnings briefing and when we announced CS 2027, but we are conducting a thorough review, and our plan to release the results as early as possible remains unchanged. I'm unable to say more at this time.

Q12:

The Mineral Resources segment's steelmaking coal business, Mitsubishi Development Pty Ltd. (MDP), recorded a loss in FY2024 Q4, but I understand this includes some one-time items and/or capital recycling gains/losses. What would you say is MDP's underlying earning power for FY2024?

A.

- MDP recorded a loss of ¥15.5 billion in FY2024 Q4, including a ¥5.7 billion capital recycling loss, resulting in a loss of ¥9.8 billion on an adjusted basis. For FY2024 as a whole, total gains amounted to ¥132.9 billion. However, this figure includes a capital recycling gain of ¥92.9 billion due to the divestiture of two steelmaking coal mines and various other assets. Earnings excluding one-time items and/or capital recycling gains/losses for FY2024 therefore amounted to ¥40 billion.

Q13:

You haven't disclosed the basis for the steelmaking coal price used in your earnings forecast for FY2025. Would it be correct to assume that if the steelmaking coal price remains at about the same level as it was in FY2024, income from steelmaking coal will also be at a similar level? In addition, was the impact of the slight volume decline in FY2024 reflected in the FY2024 result of ¥40 billion excluding one-time items and/or capital recycling gains/losses?

A.

- We were initially expecting MDP's production volume for FY2024 to be roughly the same level as FY2023, but it ended up slightly lower. This is reflected in the adjusted net income figure of ¥40 billion for FY2024. As we explained last year, we are continuing our efforts like pre-stripping throughout FY2024 and FY2025 to recover production volumes. Therefore, our FY2025 production volumes will be somewhat affected by these stabilization efforts. Our efforts to recover our production volume to 43 to 45 million tons over the medium-term have been steadily progressing, and we should gradually see those results.
- We cannot disclose our forecast for steelmaking coal prices. While the index prices were relatively high during the first half of FY2024, they have since dropped significantly. In terms of overall market conditions in the FY2024 to 2025 period, it seems unlikely that prices will return to the levels recorded in the first half of FY2024.

Q14:

As a follow-up to my previous question, is it correct to interpret your comments to mean that you are expecting a slight increase in BMA's production volumes compared with FY2024, although stabilization efforts like pre-stripping will continue into FY2025?

A.

- That's correct. While we cannot provide single-year forecasts for BMA's production volumes, we can say that there was a marginal decline in FY2024, contrary to our expectation that output would reach the same level as FY2023. That said, we are anticipating a year-on-year improvement in production volumes in FY2025.

Q15:

In CS 2027, which you announced in early April, you listed Enhance, Reshape and Create as key initiatives for your Value Creation Framework. However, I can't determine from the earnings briefing presentation materials how these initiatives are reflected in your FY2025 outlook. My frank impression is that it is difficult for outside observers to monitor the strategic direction pursued by your management. Since Reshape initiatives involve other parties, I fully understand that confidentiality requirements make it difficult for you to talk about how this is factored into your plans. However, can you explain a little about how the Enhance and Create initiatives are incorporated?

A.

- We plan to enhance our current earnings further toward FY2027, and information regarding the target areas is provided in Supplemental Information for Investors (Corporate Strategy 2027), which we released on April 4. Frankly, we do not expect these initiatives to deliver significant immediate benefits in FY2025, which is why we forecast our current consolidated net income to be ¥700 billion for FY2025.
- For example, while we expect production at LNG Canada to start up and reach substantial quantities in the current fiscal year, we do not expect a contribution to earnings until FY2026.
- With regards to the ASEAN automotive business, we expect earnings will return to their normal levels under CS 2027, and we will continue to work toward that goal. Overall demand in Asia continued to decline in FY2023 and FY2024, especially in Thailand and Indonesia. We expect this trend to continue into the first half of FY2025, but we also believe that demand in Thailand will begin to recover sometime in the second half of the year. These were some of the factors reflected in our FY2025 earnings forecast.
- Unfortunately, the overall outlook for resource prices is likely to remain challenging. However, as I explained earlier, we will work to maintain our earnings at their current levels despite the stagnation of resource prices through various initiatives, such as continued pre-stripping to recover production volumes in our steelmaking coal business to normal levels. And that way we can grow our earnings to over ¥1 trillion by FY2027. As soon as resource prices start to recover, we will be ready to harness the full potential of the resulting tailwinds.

Q16:

You announced your FY2025 outlook [together with CS 2027 on April 3] at roughly the same time as the U.S. launched its reciprocal tariff policy. Putting market conditions and resources aside, I am fully aware that it is difficult for you and other trading companies to predict how a possible recession would impact your non-resource businesses. That said, have you appropriately factored in the effects of the reciprocal tariffs into your outlook? In particular, you referred earlier to Mitsubishi Motors' North American business, and I am still a little concerned about whether you have fully considered this impact. To what extent did you factor the tariff impacts into your plan?

A.

- There had been a number of comments about reciprocal tariffs even before the Trump administration announced its policy on April 3. We have formulated our business plan with awareness of the need to assume some level of economic slowdown.
- I cannot comment on individual operating companies, but they have factored the impact of tariffs into their plans to some extent. Our analysis has shown that the direct impact of tariffs on our business will be extremely limited, and this has been reflected to some extent in our FY2025 outlook.

Q17:

When you announced CS 2027 on April 3, you explained that the pre-adjustment FY2025 consolidated net income forecast is ¥700 billion, and that excluding one-time gains and losses results in an adjusted figure of ¥630 billion. Is that still correct? Also, which segments will account for the one-time gains and losses totaling ¥70 billion?

A.

- There has been no change in our forecast of ¥630 billion that we announced on April 3. This excludes capital recycling gains and losses and one-time items of ¥70 billion, which excludes asset turnover-type businesses such as real estate and power business. I cannot disclose the breakdown for this ¥70 billion figure.

Q18:

The FY2024 adjusted net income of the Mobility segment, excluding one-time gains and losses, was ¥92.5 billion, and the forecast for FY2025 is ¥90 billion. This suggests that you are not anticipating a substantial profit decline in FY2025, assuming there are no one-time gains or losses. However, your plan appears quite

bullish, given your earlier comments about Mitsubishi Motors as well as the environment surrounding Isuzu in Thailand, and other factors. What is the thinking behind your forecast?

A.

- The Mobility segment recorded net income of ¥112.4 billion in FY2024, but this figure was reduced to ¥92.5 billion after adjusting for capital recycling gains and losses and one-time items. Our forecast for FY2025 is ¥90 billion. While we cannot provide details about the one-time items and capital recycling gains and losses included in this forecast, we can share that the amounts involved are not particularly large. We are therefore assuming that the Mobility segment will achieve adjusted net income roughly in line with the FY2024 result.
- In the context of the challenging business environment, this is because FY2024 results on an adjusted basis were quite low due to the low equity earnings and losses recorded by Mitsubishi Motors, partly due to impairment losses on individual projects.

Q19:

Does this mean that the impairment losses recorded in the financial statements of Mitsubishi Motors are not included as part of MC's one-time gains and losses?

A.

- Impairment losses are recognized as a component when calculating Mitsubishi Motors' net income, which is equity income attributable to MC. Therefore, they are not included in our one-time items.

Q20:

Do you expect the equity earnings from Mitsubishi Motors to improve slightly in FY2025 compared with FY2024?

A.

- We are unable to respond to that question because Mitsubishi Motors has not released its financial results yet.

Q21:

Regarding exchange rate and market price assumptions for the FY2025 outlook, the environment has changed since you announced your ¥700 billion forecast on April 3 [when CS 2027 was released]. My initial impression of it when it was announced was that it was somewhat conservative. While there seem to be business segments that have room for further improvement or could expect recovery in H2, given the FX situation and the decline in crude oil prices, are there any segments that you as CFO think could aim for potential upside?

A.

- It is true that the yen has strengthened slightly since we announced our FY2025 outlook on April 3. However, the current FX situation remains largely unchanged from our initial assumptions, and therefore we do not see any need to update our assumptions at this time. Our FY2025 outlook does not include any buffers, and based on our current assumptions, we believe we will be able to achieve consolidated net income of ¥700 billion in FY2025.
- As you pointed out, we believe that the downturn in demand that has affected the ASEAN automotive business since last year will continue to have an impact until at least the first half of FY2025. We expect to see a recovery in H2.
- On the question of whether there are any segments where we will be able to aim for upsides, there are productivity improvements within individual businesses, and even in our non-resource segments, there are businesses that are affected by market conditions. It is possible that demand may recover depending on future economic trends, rather than the impact of tariffs themselves,. We cannot afford to be overly optimistic, but we also don’t need to be overly pessimistic. Therefore, we formulated our FY2025 outlook on the basis of our best estimates at the time.

Q22:

According to your FY2025 outlook, the Food Industry segment’s FY2025 net income will be almost double its underlying profit in FY2024. You state on page 9 that there will be some gains from divestitures, so I assume that they are included in your FY2025 outlook. You mentioned earlier that you don’t expect a significant recovery in the performance of the salmon farming businesses in FY2025. I would like to understand if your current outlook includes any items relating to businesses that are expected to recover, excluding one-time gains and losses.

A.

- The Food Industry Group recorded consolidated net income of ¥92.4 billion in FY2024. Underlying profit, which excludes capital recycling gains and losses and one-time items, was approximately ¥41 billion. Since the FY2025 outlook is ¥78 billion, I believe your question was whether the underlying profit will improve significantly compared to the ¥41 billion result. While I cannot disclose the specific figures, FY2025 outlook includes a certain amount of capital recycling gains and losses, so underlying profit will not differ much [it will not double] between FY2024 and FY2025.

Q23:

The Urban Development & Infrastructure segment appears to be investing heavily in data centers. What is the current scale of these investments? The earnings

forecast graph on page 39 indicates that these investments will expand significantly in the future. Should we assume that earnings from the data center business, which is positioned at the top of the graph, represent your global earnings from this business? I would appreciate some additional details about the business.

A.

- Our data center business currently operates eight facilities in Japan and has operating assets worth approximately ¥250 billion. We are pursuing these activities in Japan with our partner, Digital Realty, and will continue to develop new facilities in locations and at times that match customer needs, with the aim of expanding our operating assets in this area to around ¥400 billion over a medium to long-term timeframe.
- In FY2023, we also moved into the North American data center business. We see this as a growth area and will continue to develop new facilities in the region. We believe that asset accumulation in this market could ultimately reach or even surpass the level of our assets in Japan in the future.

Q24:

What advantages does MC have in terms of data center development?

A.

- The current scale of our activities, especially in Japan, is attributable in part to our long-standing partnership with Digital Realty. Digital Realty ranks first or second in the world in terms of sales. In addition to our access to Digital Realty's operational know-how and customer leasing, we are also able to leverage our knowledge and competitive strengths from our many years of involvement in real estate development in Japan, which provide us with key advantages when securing appropriate sites for data centers, and later when building data centers on said sites. We believe that the growth of our assets reflects these capabilities in the context of our collaboration with Digital Realty.

Q25:

What is the current situation with Lawson, including the partnership with KDDI?

A.

- Our close collaboration with KDDI in relation to the Lawson business is already bringing benefits in terms of profit uplifts and daily sales, primarily through the Ponta service. The *Ponta Pass*, which was launched in 2024, and a tie-up with KDDI's *povo* brand, which is marketed exclusively online, are both starting to contribute to the improvement of earnings. These factors helped boost Lawson's daily sales in FY2024 to almost 104% of FY2023 sales, while consolidated net income set a new record of ¥59.9 billion. Of course, the partnership with KDDI was not the only reason for these results, but it should be seen as a contributing factor.

Q26:

I have a question about LNG Canada. MC has a 15% equity stake in LNG Canada. Will income from this company be treated as equity-method profit? You mentioned earlier that this business will not generate any income in FY2025 due to depreciation, but I would like further clarification about whether LNG Canada will contribute to the enhancement of cash flows.

A.

- The profit and loss generated by LNG Canada will be consolidated on a proportional basis, allowing us to identify the proportion of profit and loss attributable to MC. LNG Canada will start production in FY2025, but there will be various up-front costs this FY.

Q27:

Am I correct to conclude that LNG Canada will be burdened with substantial up-front costs in FY2025, including those other than depreciation?

A.

- That is correct [and therefore, it will not make a significant contribution to underlying operating CF in FY2025]. We expect to see full-scale earnings contribution from LNG Canada in FY2026 and beyond.

Q28:

On pages 8 and 9 of the presentation materials, the consolidated net income forecast for the Power Solution segment in FY2025 is stated to be ¥28 billion, while underlying operating CF is projected to reach ¥93 billion. This major gap between net income and underlying operating CF may be explained by depreciation of around ¥75 billion in FY2024, but even taking that into account, the difference between net income and underlying operating CF is significant compared with other segments. Can you remind me of the source of the underlying operating CF for the Power Solution segment?

A.

- The biggest reason for the gap between net income and underlying operating CF of the Power Solution segment is the depreciation of Eneco. As you know, depreciation has a negative impact on profit and loss as a cost item. However, depreciation is also added back when calculating underlying operating CF. That is the reason for the gap.

Q29:

Regarding page 11 of the presentation materials, this time around you provide a more detailed explanation including disclosure of figures relating to Enhance initiatives for each business area, as well as graphs showing the timing of profit contributions. Profit contributions from Enhance initiatives under CS 2027 appear to be larger than under Midterm Corporate Strategy 2024. However, I'm concerned about how you will retain actual profit in a situation with macro-environmental headwinds. My impression is that there will be no significant results in the first two years, and that you are focused on achieving solid results along a non-linear growth curve that will trend upwards above the required yield in the final year. Am I right to assume that the effects of Enhance have not been incorporated much in the first year? How will you retain actual profits in an adverse business environment? I asked about individual business segments earlier, but I would also like to hear your thoughts about the timeline for contributions of the Enhance initiatives.

A.

- There will be limited results from our Enhance initiatives in FY2025, and some results will start to materialize in FY2026. Enhance effects include increased earnings from projects/businesses that are already operational, profit contribution from LNG Canada, and profit improvements for businesses that are currently experiencing a decline in earnings. We do not envisage a scenario in which there is no profit contribution from Enhance initiatives until FY2027. However, in terms of our ultimate goal, we are setting or resetting profit levels for all existing businesses with the aim of raising the performance of each business segment to this level by FY2027.
- In FY2025, we will determine the actions needed in order to reach our target profit levels in FY2027. The team that oversees investments and each business segment will then regularly monitor activities to ensure that the necessary measures are implemented robustly. I believe that we will exceed our projected levels in some areas, but we are not overly optimistic that we will outperform across the board. We will continue to take appropriate actions as the situation evolves.

Q30:

Does this mean that you will now be monitoring progress across a total of 244 companies?

A.

- That is correct.

Q31:

I have an additional question about the Enhance initiatives. It appears that LNG Canada, about which the President/CEO commented today, and other LNG business, by which I assume you mean Malaysia, will have a greater impact in financial terms than the items listed on page 11 of the presentation materials. The copper and data center businesses are also major items, and I believe that steelmaking coal will also be added to this list. You have given us a general idea of how long it will take to see a profit recovery. However, you also said that LNG Canada will start to contribute earnings only in FY2026 and beyond. Does that mean that the Malaysian LNG business will also emerge as a factor for profit uplift, or is it already reflected in the figures for FY2024? I would like to know how you envision the profit uplift trend going forward. In addition, while you explained earlier that we can expect stable production volumes at the Quellaveco copper mine, will this be a Phase 2 initiative, or will it be achieved through cost reductions and expansion of existing capacity?

A.

- With regards to your question about how much the Malaysian business will contribute on an individual basis, while we have assumed a certain level of contribution in our forecast, we do not expect this figure to be particularly large.
- Regarding the copper business, we have already started production at Quellaveco, and we are now working toward further optimization of operations. In addition, given the continued strong performance of copper demand, it seems reasonable to expect that the price of copper will rise to some extent.

Q32:

I would like to follow up on the earlier question about data centers. The FY2025 consolidated net income forecast for the Urban Development & Infrastructure segment is ¥52 billion. Given that net income, excluding one-time gains and losses, amounted to approximately ¥25 billion in FY2024, would it be accurate to say that the difference between these figures reflects expected profit uplifts resulting from a substantial contribution from the data center business in FY2025? Please share your thoughts on this matter.

A.

- I will explain the factors driving the change in consolidated net income of the Urban Development & Infrastructure segment from FY2024 to FY2025. Although there is a an absence of the gain on sale of our equity interest in affiliates in FY2024, conversely, there will also be a positive rebound from impairment losses and other factors we experienced in the U.S. real estate development business, specifically

Diamond Realty Investments (DRI), in FY2024. Therefore, FY2025 income from this business segment is expected to be a little over ¥12 billion higher than in FY2024.

Q33:

Is the impairment loss affecting DRI included in one-time gains and losses? Based on my calculations, the Urban Development & Infrastructure segment recorded consolidated net income of ¥25.3 billion in FY2024, excluding one-time gains and losses, and is forecasted to achieve ¥52 billion in FY2025. Are these figures correct?

A.

- The Urban Development & Infrastructure segment recorded consolidated net income of ¥39.8 billion in FY2024, of which adjusted income was ¥13 billion, excluding capital recycling gains and losses and one-time items; the underlying profit level, including capital recycling gains/ losses from turnover-type businesses and one-time factors, was ¥25.3 billion. Our FY2025 forecast for the segment is ¥52 billion, but this figure includes significant capital recycling gains and losses and one-time items, including asset turnover-type businesses. Therefore, income excluding capital recycling gains/ losses from turnover-type businesses and one-time items in FY2025 will not differ significantly from the ¥13 billion figure recorded in FY2024.

Q34:

Does that mean that we should expect the profit uplift effect from data centers to emerge in FY2026 and beyond rather than FY2025?

A.

- The data center business essentially contributes to profit uplifts both through capital gains when data centers are sold, and also through income gains. The yearly income gains are not particularly large. However, we have established a track record of selling some of our properties, including some in Japan, once they are fully leased and operational. These sales contribute to profits to some extent in the years when they occur.
- Earnings from these sales are included in capital recycling gains and losses, and data center is a business model that could contribute to profits in such way. The projects that we are currently pursuing in the U.S. are expected to begin generating income a little further down the line.

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