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Mitsubishi Corporation (MC)
Earnings Briefing Q&A
FY2025 Q1

Date and Time:	Monday, August 4, 2025; 16:00 to 17:00	
Presenters:	Yuzo Nouchi:	Representative Director, Executive Vice President, Chief Financial Officer
	Yoshihiro Shimazu:	Senior Vice President, General Manager, Corporate Accounting Department

Q1:

Could you provide an overall assessment of the progress in performance? While you have explained that progress is generally on track with the plan, I would like to hear more specifically about two areas that tend to draw attention: the Environmental Energy segment's LNG-related business and the Power Solution segment. These segments often show seasonal fluctuations early in the year. For the Environmental Energy segment, this fiscal year marks the start of contributions from LNG Canada. How is progress tracking against the plan, and will it meet expectations? As for the Power Solution segment, Eneco tends to fluctuate each year, and this year, domestic operations are starting off as a drag on earnings. You have mentioned this is due to foreign exchange impacts, but I would appreciate a breakdown of how progress is unfolding there as well.

A.

- Overall, the progress in consolidated net income is slightly ahead of the standard run rate of 25% for Q1. This is partly due to a higher-than-usual contribution from capital recycling gains and one-time items. As explained during the presentation, we view the overall trajectory as largely on track.
- For the Environmental Energy segment, progress is roughly in line with a quarter of the full-year outlook. While we expect to receive dividends from Q2 onward, we recorded some capital recycling gains in Q1. Regarding LNG Canada, production is progressing as expected, with the first cargo already shipped. I have been informed that production volumes will increase throughout the year, so current progress is largely in line with the plan. In terms of profit impact, depreciation will precede earnings contributions this fiscal year, so we expect full-scale profit contributions to begin next year. The project is ramping up as planned, and while we expect earnings to materialize next year, we believe it is reasonable to expect corresponding contributions.
- As for the Power Solution segment, Eneco's performance is subject to seasonal factors, and earnings typically emerge in the latter half of the year. As such, the segment posted a net loss in Q1, but this is in line with expectations. On the other hand, the trading business under DGC in North America is performing better than

anticipated. Therefore, while the segment's net profit for Q1 appears low in terms of overall progress, we perceive the pace of progress to be roughly in line with expectations.

Q2:

You have stated that performance is progressing in line with the plan, but it appears to be tracking slightly ahead. For example, you mentioned that the LNG business is performing slightly better than expected. In the Mobility business, although unit sales remain stagnant and the current exchange rate environment is challenging, the impression is that profits are still quite solid. Since there have not been any notable one-time items, it seems that even with current sales volumes, this level of profit is achievable. Would it be fair to say that the outlook for the Mobility segment could be revised upward?

A.

- The Mobility segment posted ¥26.5 billion in profit for Q1, against a full-year forecast of ¥90 billion, resulting in a progress rate of 29%. While Mitsubishi Motors Corporation (MMC)'s equity-method earnings were relatively low in Q1, the profitability for our other overseas automotive businesses has improved compared to the full-year guidance, despite facing year-on-year declines in unit sales, driven by SG&A efficiencies.
- Additionally, a one-time item contributed to the progress rate: we recorded foreign exchange gains of approximately ¥2 billion on ruble-denominated receivables due to the strengthening of the ruble and the weakening of the dollar. This helped push the overall progress rate slightly higher.

Q3:

You have announced significant investments in the seafood business, including the one you have announced today [Acquisition of Shares and Business Alliance with Thai Union Group]. These include the acquisition of a salmon farming company and downstream investments such as the acquisition of additional shares in a major global seafood company. Could you elaborate on the current strategy for the seafood business, such as generating benefits by expanding the scale of salmon farming, or scaling the downstream business?

A.

- As noted in today's earnings presentation, we have been exploring ways to expand the scale of Cermaq's operations for over a year. We have been closely following Grieg Seafood's activities for some time and we believe the timing was right to reach an agreement on acquiring its salmon farming businesses.
- There are several distinct farming areas in Norway, and the farming business we have agreed to acquire is adjacent to Cermaq's existing farming operations. While the productivity of this farming business is currently slightly lower than Cermaq's, we believe we can improve it by applying Cermaq's production expertise. We

expect earnings contributions to begin materializing from FY2026 / FY2027 onward.

- Additionally, today we announced our intention to increase our stake in Thai Union Group (TU) to make it an equity-method affiliate. We have a longstanding business relationship with TU, which has key strengths in the canned tuna business, including processing capabilities. By leveraging the know-how of our subsidiary, Toyo Reizo, we see potential to expand TU's offerings into fresh formats such as sushi toppings. Also, Cermaq currently performs primary processing of salmon, and we are considering further product development beyond this. TU already has the know-how and capabilities to fully commercialize tuna, from head to tail, and turn it into products. Therefore, we believe that applying these processing capabilities to salmon will allow both companies to enhance their corporate value through synergies. We expect earnings contributions from this initiative to begin around FY2026 / FY2027.

Q4:

The seafood business seems to be highly volatile. Is it correct to assume that you plan to continue investing further in this area?

A.

- I believe your question is primarily about Cermaq. In the salmon farming business, supply is structurally constrained due to limited availability of farming areas, compared to demand forecasts. Therefore, we believe that if we can successfully expand farming areas, especially at a reasonable price, this business has clear potential for success. There is volatility in business performance to some extent, but our recent announcement regarding our intention to increase our stake in TU is intended to supplement the processing capability of salmon. It is a synergistic business that enables us to increase added value, while mitigating Cermaq's earnings volatility to some extent.
- As for further acquisitions, nothing has been decided at this time. In Norway, the government holds an auction for new farming licenses only once every two years and the production volume for each issuance is limited, but we have been participating in these auctions at appropriate price levels and in doing so, gradually increased our production capacity.
- The pending acquisition of Grieg Seafood's assets is under highly favorable circumstances: they were looking to divest some assets which happened to be adjacent to Cermaq's existing operations in Norway, and we were able to reach an agreement with them.

Q5:

It appears that both the Mobility segment and the Environmental Energy segment are showing strong underlying earnings, excluding one-off items such as capital recycling gains and others. Regarding the Mobility segment, I would like to confirm the progress of the automotive business in Thailand and Indonesia—particularly Thailand—compared to the FY2025 full-year outlook.

Also, could you share your outlook on when the tightened financing conditions in Thailand might ease?

As for the Environmental Energy segment, even considering the cost burden from LNG Canada, performance seems strong. Are there any one-off factors contributing to this? Given that dividends are weighted toward the second half of the year, the progress rate being close to 25% gives the impression of strong performance. Could you clarify?

A.

- We do not disclose forecasts for individual businesses within the Mobility segment, so we cannot comment on progress versus the full-year forecast. However, I can share that in Indonesia, total market demand in Q1 declined 11% year-on-year. Our MMC business operates mainly in Indonesia and sales declined by 12% year-on-year in unit sales. With market recovery still elusive and uncertainty persisting, we are sustaining our sales efforts despite the challenging environment.
- In Thailand, total market demand rose 6.7% year-on-year to 160,000 units, driven by growth in the EV segment. However, in the pickup truck segment (our core segment), demand fell 22% year-on-year due to the continued tightening of financing conditions. As a result, TIS (our Thail automotive business) also saw a 21% year-on-year decline in unit sales. So overall the situation remains very challenging. That said, we are working to reduce costs in several ways and meet the segment's initial forecast. Regarding the timing of easing in financing conditions and subsequent demand recovery in Thailand's pickup truck market, local feedback suggests that it may be slightly more delayed than we had originally expected.
- As for the Environmental Energy segment, dividends from the Asia-Pacific business are typically weighted toward the second half of the year, with slower progress in Q1, however, this year we experienced a relatively strong Q1 due to positive equity-method earnings from the Asian LNG business. Additionally, a ¥6.7 billion gain resulting from a decrease in tax expenses related to the reduction of capital in the European business (which falls under capital recycling) contributed to overall progress, allowing us to remain in line with the standard progress rate.

Q6:

Looking at your company from a longer-term perspective, I am most interested in how MC Shared Value (MCSV) creation will unfold. I recall the President / CEO expressing his intention to pursue MCSV creation projects during the remainder of his term. Could you share your perspective as CFO on whether any promising investment opportunities are taking shape?

A.

- Some of the projects we have already announced fall under the MCSV category. For example, while not large in scale, the renewable fuel business with Par Pacific in the U.S., led by the Environmental Energy segment, is one such initiative. In terms of securing feedstock, we believe the Food Industry segment's existing expertise can be fully leveraged, including our partnership with U.S. grain major, ADM, with whom we recently signed an MoU to form a strategic alliance. We see this as a project where we can generate substantial added value.

- As for projects currently under consideration, we cannot disclose specific names, but we are evaluating multiple opportunities that we believe could lead to MCSV creation.
- That said, we are not approaching investments solely with the aim of creating MCSV. Rather, we seek investments that have strong potential to enhance our corporate value. We participate in these projects by leveraging our expertise across multiple businesses. In some cases, we expect to demonstrate MCSV post-investment to enhance business value. MCSV is not a one-size-fits-all concept, but we believe that during the Corporate Strategy 2027 (CS 2027) period, we will be able to execute several projects that align with our value creation goals.

Q7:

I would like to hear more about your overall earnings trajectory. If I recall correctly, the original full-year consolidated net income forecast for FY2025 was ¥700 billion, of which ¥70 billion was expected to come from one-time items and capital recycling gains / losses (excluding asset turnover-type businesses). However, in Q1 alone, the total from capital recycling gains and one-time items—including asset turnover-type businesses—was ¥50.3 billion. Even excluding the asset turnover-type portion (just one-time items and capital recycling gains / losses of businesses), ¥37.4 billion was recorded. This seems somewhat high in relation to the original ¥70 billion forecast. Were these Q1 results already factored into the plan, or are they outperforming expectations and potentially pointing to upside?

A.

- Of the ¥700 billion full-year forecast, ¥70 billion was allocated to capital recycling gains and one-time items, excluding asset turnover-type businesses. Against this plan, Q1 results came in at ¥37.4 billion, representing 53% progress toward the full-year outlook. While there may be some minor variances, most of this amount was expected and had been factored into Q1.
- In addition to the ¥37.4 billion, there were ¥12.9 billion in capital recycling gains and one-time items related to asset turnover-type businesses in Q1. Combined, this brings the total to approximately ¥50 billion in realized gains from capital recycling gains / losses and one-time items.

Q8:

So far, it seems that progress on one-time items is also proceeding according to plan. Is it fair to say that capital recycling is not accelerating beyond

expectations, and that things are progressing in line with the original outlook?

A.

- Yes, your understanding is correct. As of Q1, progress is as planned.

Q9:

Regarding the seafood business, I believe the investment amount for the two deals announced recently are ¥150 billion and ¥30 billion respectively, for a combined ¥180 billion. Strategically, these appear to be very sound acquisitions. How much profit are you aiming to generate from this ¥180 billion investment? According to a Nikkei article, you are targeting ¥50 billion in profit from the seafood business over the medium to long-term. From your perspective, what kind of timeline are you envisioning? For example, what is your CS 2027 profit target for the seafood business?

A.

- We are happy to hear that you perceive these as sound investments. From our perspective as well, these were projects we had been following for some time, and we believe we were able to reach an agreement at the right time. Over the medium to long-term, we are targeting approximately ¥50 billion in consolidated net income and ¥75 billion in underlying operating cash flow from the seafood business overall. While there is no specific target year, we seek to achieve this around FY2028 to FY2030.
- Under CS 2027, we set a goal of ¥31 billion in consolidated net income and ¥53 billion in underlying operating cash flow in the seafood business by FY2027, through "Enhance". With the acquisition of salmon farming businesses by Cermaq and today's announcement regarding our intention to acquire an additional stake in TU, we are making steady progress toward exceeding the consolidated net income target for FY2027.

Q10:

Regarding Grieg Seafood, considering how difficult it is to secure new farming sites on the supply side, the fact that you were able to acquire a site adjacent to Cermaq's existing operations suggests a high level of synergy. Moreover, if new supply is limited, then the strategy hinges on just waiting for demand to grow, which seems strategically very sound. As for TU, I believe their operations are primarily in Asia [N.B. TU operates globally in North America, Europe, Asia, Africa etc.], and your move to strengthen secondary processing seems very logical. With these two deals, do you consider your strategic moves in the seafood business complete? Do you believe these alone will allow you to reach the ¥50 billion profit target, or are you still exploring additional opportunities to further boost earnings?

A.

- The ¥50 billion consolidated net income target for the seafood business encompasses more than just the recently announced transactions—namely, the acquisition of the salmon farming businesses and the intention to increase our stake in TU. While Cermaq's existing business is currently underperforming, we believe it can make a solid recovery. On top of that recovery, the investments we recently announced will add incremental gains. Of course, it will depend on future market conditions so we cannot specify the exact timing and by what amount earnings will increase, but as mentioned earlier, we expect to exceed the previously stated target of ¥31 billion in consolidated net income for the seafood business overall.

Q11:

To confirm, are you aiming to achieve ¥50 billion in consolidated net income for the seafood business solely based on the recovery of Cermaq's performance, the acquisition of the salmon farming businesses from Grieg Seafood, and the additional stake in TU?

A.

- That is not the full picture. For example, we also operate Japanese businesses such as Toyo Reizo, so it is not limited to just those three items. As mentioned earlier, we expect synergies to materialize between TU and Toyo Reizo through the increased stake in TU. While we cannot break down the profit contribution of each item in detail, we are confident that each business has the potential to increase in value. Although the additional investment in TU is still pending execution, we believe we have been taking the right steps.

Q12:

This may be a bit premature, but I would like to ask about shareholder returns from the next fiscal year onward. On page 11 of the presentation material, it states that while no specific target is set for total payout ratio, it is expected to exceed the 40% level set under Midterm Corporate Strategy 2024 (MCS 2024). Given that the total payout ratio for this fiscal year is 200%, although it seems unlikely that the average will be adjusted back to 40%, additional shareholder returns may be limited going forward. In terms of cash flow allocation, with ¥9.1 trillion in shareholders' equity and a net D/E ratio target of 0.6x, the current level is 0.38x, which is a difference of 0.22x, or in other words, implying ¥2 trillion in debt capacity. If ¥1 trillion is allocated to share buybacks this fiscal year, that leaves ¥1 trillion for the remaining two years. I assume this will be split between shareholder returns and investments. Given the limited cash available, what is your view on shareholder returns from next fiscal year onward?

A.

- As shown on page 5 of the presentation material, our policy remains unchanged from the MCS 2024 period: "flexible share buybacks based on cash flow conditions and maintaining progressive dividends." We have already committed to ¥400 billion in dividends this year, and we aim to continue with progressive dividends i.e., we do not plan to reduce dividends.

- We previously announced ¥1 trillion in share buybacks, and we are executing them as planned. While this is part of our shareholder return policy, we also wanted to clearly signal our strong commitment to achieving ROE of 12% or higher by FY2027, in line with the growth in underlying operating cash flow under CS 2027. From a capital adjustment perspective, this was a deliberate move on our part.
- Regarding debt financing, our net D/E ceiling is around 0.6x. As of the end of Q1, our net D/E ratio stood at 0.38x, so we have ample room for additional borrowing. That said, 0.6x is not a hard target but rather a reference point. Considering the investments we have already executed and those currently under review, we believe net D/E ratio could reasonably rise to around 0.6x. Taking all of this into account, we will continue to evaluate shareholder returns—including dividends and share buybacks—based on the prevailing conditions.

Q13:

Regarding the copper business within the Mineral Resources segment, it seems that some operating companies are seeing profit declines while others are recording gains. Could you explain what is driving this divergence in performance? I also understand that your medium-term target for the copper business is annual production of 400kt. Could you share your view on how production is expected to increase toward 2030?

A.

- Our business segments continuously leverage their networks to evaluate multiple investment opportunities. Among the projects we have already announced is the integrated operation plan for the Los Bronces mine, owned by Anglo American Sur, and the adjacent Andina mine, owned by Codelco. We signed a non-binding MOU in February of this year and are currently conducting due diligence. Our goal is to sign a definitive agreement in the second half of this year. After obtaining the necessary permits, we aim to commence joint operations sometime after 2030. We expect this project to increase our equity share of production by an average of approximately 12kt per year over a 20-year period.
- Furthermore, with respect to our existing copper mines, particularly Anglo American Sur, we aim to pursue not only integrated operations with the Andina mine, but also the potential development of currently undeveloped mining concessions in the future. Any acquisition of interests we make will be based on appropriate pricing, and we will continue to assess the specifics of each opportunity. We intend to avoid any investment driven solely by production targets, and will instead take a measured approach toward increasing production.
- As for current performance, the Quellaveco mine in Peru is performing well, recording a ¥4.7 billion year-on-year increase in profit due to higher copper prices and increased production volume. In contrast, Anglo American Sur in Chile saw a decline in profit due to rising costs and foreign exchange impacts. Other copper

operations were also down year-on-year in Q1, primarily due to lower production volumes and capital needs affecting dividend income. Hence, performance within the copper business varies by project.

Q14:

The performance of the Materials Solution segment appears to be weak. Could you explain the current situation and your outlook for recovery?

A.

- Consolidated net income progress for Q1 stands at 18%, indicating somewhat weaker performance. The main reason is that we expect to receive most of the dividend income from general investment holdings from Q2 onward. Additionally, in the steel products business, particularly at Metal One, market conditions for steel have been sluggish. Similarly, in the petrochemical business, soft product market conditions have contributed to the weaker performance in Q1.

Q15:

How is the performance of the North American plastic building materials business?

A.

- Results for the North American plastic building materials business are tracking in line with expectations.

Q16:

LNG Canada commenced operations this fiscal year and it appears to be progressing smoothly. One of the original attractions of the project was its substantial gas supply capacity. I believe that increasing production capacity, in other words moving forward with Phase 2, would be a key driver for increasing profitability. Has discussion around Phase 2 already begun, and is there a sense that planning is underway? Could you share the status of Phase 2 considerations?

A.

- Regarding LNG Canada, both the LNG production facility and the upstream shale gas asset in which we are involved have the potential for additional supply, and we are currently evaluating expansion opportunities. As this would build on our existing business, we expect it to contribute to enhancing earnings. We will proceed cautiously, ensuring costs are well-managed and that any Final Investment Decision (FID) is made under favorable conditions to achieve or exceed our targeted returns. While it is difficult to definitively state the timing of the FID, the project is under active review, and we appreciate your continued interest.

Q17:

Could you share, to the extent possible, how your company is involved in the Alaska LNG project?

A.

- We have no specific comments regarding Alaska LNG. Generally speaking, while the project offers potential in terms of gas reserves and proximity to Japan, we believe it is essential to carefully assess its economic viability and the likelihood of successful project execution.