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Mitsubishi Corporation (MC)
Earnings Briefing Q&A
FY2026 Q1

Date and Time:	Monday, August 3, 2026; 16:30 to 17:30	
Presenters:	Yoshihiro Shimazu:	Representative Director, Executive Vice President, Chief Financial Officer
	Kenji Kobayashi:	Director, Executive Vice President, Chief Stakeholder Engagement Officer
	Kazuaki Yamana:	Senior Vice President, General Manager, Corporate Accounting Department

Q1:

Overall, I think this was a strong quarter, with the steelmaking coal business delivering significant earnings for the first time in some time. In addition to higher prices, sales volumes also increased significantly. At the time of the FY2026 earnings forecast announcement, you had indicated that it would take time for production volumes to recover. Could you explain what drove these strong earnings? Also, how should we think about production volumes from Q2 onward?

A:

- Regarding the steelmaking coal business, rainfall was extremely limited in FY2026 Q1, and production was broadly in line with our plan. Production volumes tend to be weighted toward Q1, particularly due to seasonal factors, and maintenance and other activities are scheduled from Q2 onward. That said, as the benefits of our operational stabilization initiatives become evident, we expect full-year production to exceed the FY2025 level. Initiatives aimed at stabilizing operations, including pre-stripping and the buildup of raw coal inventory, are progressing steadily, and there is no change to our medium to long-term target of recovering production volume to 43–45 million tons.
- In FY2026 Q1, earnings from the steelmaking coal business were negatively affected by higher diesel prices due to the situation in the Middle East, which led to increased costs. However, this was offset by higher market prices and accelerated shipments, which drove revenue growth. In addition, the buildup of raw coal inventory created a timing difference in production costs. As a result, earnings increased by ¥26.2 billion year-on-year to ¥33.7 billion.
- From Q2 onward, however, we expect production volumes to decline compared with Q1. As a result, lower fixed-cost absorption is expected to weigh on earnings.

In addition, depending on future developments in the Middle East, elevated diesel costs, as seen in Q1, may continue from Q2 onward. We will continue to closely monitor the situation.

Follow-up Q: How much of an impact is the increase in diesel costs having?

A:

- We are not in a position to provide exact figures at this time.

Q2:

Regarding the Mobility segment, you explained that Q1 results were in line with the plan. At the press conference, you also mentioned concerns about automotive demand due to the situation in the Middle East. However, Q1 results were higher year on year despite limited growth in sales volumes. Could you share your current view?

A:

- In our FY2026 full-year earnings forecast, we assumed a gradual recovery in automotive demand in Thailand from the second half of the fiscal year onward, supported by an improvement in the financing environment. For Indonesia, we expected demand to remain broadly in line with last year, supported by vehicle deliveries for large government-related projects. However, uncertainty around the earnings forecast has increased due to the impact of the situation in the Middle East, and we believe it is necessary to continue to closely monitor market trends.
- Regarding Q1 results, Isuzu vehicle sales in Thailand were supported by large-scale fleet sales. However, demand for pickup trucks, which are the main product, remained weak due to sluggish agricultural product prices and rising fuel and other costs. As a result, actual sales declined by 4.9% year-on-year to 16,000 units.
- In Indonesia, Mitsubishi vehicle sales over the same period were supported by sales of the “DESTINATOR”, a midsize SUV, with sales volume increasing 3.9% year on year to 16,000 units.
- In both markets, as part of our ongoing Enhance initiatives, we are leveraging AI and digital technologies to improve the customer experience across all touchpoints. Although market conditions remain challenging, we aim to achieve the initial plan through these more efficient sales activities.

Q3:

Regarding the factors behind the change in earnings on page 10 of the FY2026 Q1 earnings materials, there are many positive contributors. I would like to confirm the breakdown of the ¥53.0 billion increase in segment earnings excluding resource prices and foreign exchange effects. I understand that the Urban Development & Infrastructure segment recorded lower earnings because

asset turnover-type earnings recognized in Q1 of last year were absent this year. However, for the other segments, looking back on Q1 from the perspective of improvements in normalized earnings power, excluding price and foreign exchange effects, what kind of progress are you seeing? Could you also identify the businesses or segments where the Q1 results are likely to be sustainable?

A:

- Among the businesses performing well, the copper business continued to perform strongly, supported by higher copper prices and favorable market conditions. In addition, as we noted when discussing FY2025 results, performance in mineral resources trading was exceptionally strong. This momentum continued into FY2026 Q1, with transactions in precious metals and base metals remaining particularly robust.
- In addition, Lawson, chemicals trading, and DGE in Singapore [Diamond Global Energy, formerly DGI] all recorded significant year-on-year increases in normalized earnings, while achieving a high level of progress against their full-year targets.
- On the other hand, among the underperforming businesses, U.S.-based Indiana Packers Corporation (IPC), in the Food Industry segment, has seen margins come under pressure due to sluggish demand for pork products in the U.S. amid inflationary pressures. In addition, Brazil-based Agrex do Brasil (AGB), also in the Food Industry segment, has made weak progress against its FY2026 forecast, primarily due to margin decline.

Follow-up Q: How should we view the sustainability of the Q1 results in the Energy & Power Solution segment and the Materials Solution segment?

A:

- In the Energy & Power Solution segment, DGE's earnings are heavily weighted toward Q1. Annual earnings cannot simply be extrapolated by multiplying Q1 results by four, as a significant portion of DGE's spot transactions was recognized in H1, contributing to the strong Q1 performance. Other businesses are also progressing broadly in line with plan.
- In the Materials Solution segment, trading activities in the commodity materials business were solid in Q1. We will continue to strengthen earnings from this business.

Q4:

You commented that you would not rule out capital adjustment through share buybacks. Why did you choose to make that point at this particular time? Looking back at your comments three months ago during the FY2025 Q4 earnings briefing Q&A, you mentioned that you were evaluating scenarios that

combine earnings growth from new investments with share buybacks in order to achieve 12% ROE. Since then, what developments have taken place to prompt you to emphasize this point now? Could you explain the background behind your comments?

A:

- With regard to share buybacks, we have long received requests for greater predictability, particularly from analysts. In response, we have consistently stated that we will conduct flexible share buybacks. However, "flexible" does not mean acting opportunistically without a plan. Rather, we continuously review our plans and assess whether share buybacks are necessary, so that we can execute the appropriate amount at the appropriate time when needed.
- Over the past three months, we have carefully reviewed factors such as the weaker yen, the resilience of the FY2026 earnings forecast, and progress in our investment pipeline. Based on our current expectations regarding upside potential in earnings this fiscal year, and if the weaker yen environment continues, we believe it is important to remain open to a certain level of capital adjustment in order to deliver on our commitment to achieving an ROE of 12% or higher in FY2027. That is why I made those remarks at the beginning of today's session.
- We have not changed our fundamental approach of achieving 12% ROE through earnings growth. To that end, we are steadily advancing our Enhance, Reshape, and Create initiatives. At the same time, we are not ruling out share buybacks or the use of leverage. Discussions are ongoing at the management level, reflecting our determination to achieve ROE of 12% or higher.
- We do not believe that simply achieving 12% ROE in FY2027 is sufficient. Rather, we aim to continue improving ROE beyond 12% after FY2027, and are actively discussing the measures that may be necessary to achieve that objective. That was the context behind my earlier remarks.

Q5:

Regarding the Energy & Power Solution segment, "Natural Gas / LNG Production and Sales (North America)" recorded a significant increase in earnings. I assume this was driven by higher production volumes at LNG Canada, favorable market conditions, and spot LNG sales. Could you break down the factors behind the increase in earnings?

A:

- Page 30 of the FY2026 Q1 earnings materials shows an increase in earnings of ¥25.4 billion from our North American LNG business. The majority of this increase was driven by the ramp-up of LNG Canada's operations. However, a portion of this increase was attributable to LNG cargoes sold on a spot basis, which were concentrated in Q1 and benefited from the recent rise in market prices. We do not expect a contribution of the same magnitude to continue in subsequent quarters.

Follow-up Q: You mentioned that spot LNG sales were concentrated in Q1 and will not be as significant from Q2 onward. What is the background behind that?

A:

- This reflects the allocation of our LNG Canada offtake volumes, which resulted in LNG cargoes sold by our LNG marketing subsidiary being concentrated in Q1.

Q6:

Regarding the steelmaking coal business, I understand that an accident occurred at the Peak Downs mine on July 24, and operations were suspended for 24 hours at all BMA mines. If there are any updates since then, could you share them? I understand it may be difficult to answer, as there has been no disclosure on BHP's website. However, the steelmaking coal business represents a significant part of your earnings base, so I would appreciate any comment you can provide.

A:

- We deeply regret that such a tragic accident occurred and would first like to express our sincere condolences to the family of the deceased.
- At present, our highest priority is ensuring safety at the site and supporting those affected. We are also cooperating fully with the relevant authorities in their investigation. The potential impact on operations and earnings remains under assessment, and we are not in a position to provide quantitative guidance at this stage.

Q7:

Regarding the Energy & Power Solution segment, you just mentioned that LNG Canada was a factor behind the year-on-year improvement in earnings. You also mentioned LNG spot cargoes, which I assume refers to the increase in earnings at DGE that you discussed earlier. In terms of how earnings will evolve from Q2 onward, I imagine there will be both positive and negative factors, with LNG Canada ramping up further and contributing additional earnings, while at the same time, a portion of the earnings recognized in Q1 is unlikely to recur at the same level in subsequent quarters. Overall, is it fair to view the increase in earnings from LNG Canada as the larger factor?

A:

- With respect to earnings from LNG Canada, we expect full-year results to progress in line with our initial plan, and a significant portion of the year-on-year increase in earnings was recognized in Q1.

Follow-up Q: Does this mean that most of the year-on-year increase in earnings planned for LNG Canada this fiscal year was already realized in Q1? Could you explain what you mean by "a significant portion was recognized in Q1"?

A:

- Of the earnings increase recorded in Q1, a large portion was attributable to the ramp-up of production at LNG Canada, and this contribution will continue from Q2 onward. Therefore, it does not mean that the entire amount of the earnings increase was recorded in Q1.
- We manage LNG Canada on an integrated basis, covering upstream gas production, midstream liquefaction facilities, and downstream LNG marketing. DGE, which I mentioned earlier, is engaged in the downstream LNG marketing business. While the "Business in North America / Equity LNG Marketing " shown on page 30 of the FY2026 Q1 earnings materials recorded a year-on-year increase of ¥25.4 billion, if we broadly separate this into upstream and midstream activities versus downstream activities, the contribution from downstream activities accounted for the majority of the increase. More than half of the spot cargoes expected for the full year were realized in Q1, making downstream earnings a major contributor to the increase.

Q8:

Thank you for explaining your approach to shareholder returns more clearly. You mentioned that you would not rule out capital adjustment through share buybacks. How are you thinking about dividends when considering overall shareholder returns? I believe increasing the dividend amount could also contribute to maintaining ROE of 12% or higher, or potentially improving ROE further. Could you explain your approach to shareholder returns?

A:

- Regarding the balance between dividends and share buybacks in our approach to shareholder returns, let me first address dividends. As we have explained previously, we will steadily increase underlying operating cash flow and thereby return capital through dividends under our progressive dividends. As shown on page 17 of the FY2026 Q1 earnings materials, our dividend payout ratio has historically been around 40%, and this year it is expected to be 42%. We intend to maintain a 40%-plus level of shareholder returns through dividends. In terms of the predictability of shareholder returns that many of you have pointed out, we intend to address that through dividends.
- Beyond that, as we aim to achieve and exceed 12% ROE, there will be situations where we need to consider capital adjustment, depending on the progress of the investment pipeline, the impact of the weaker yen on capital levels, and upside in earnings. Nothing has been decided at this point. However, as I mentioned earlier,

given the current circumstances, we believe it is appropriate to consider share buybacks as a form of capital adjustment.

Q9:

Regarding the Energy & Power Solution segment, you explained LNG Canada, but I would like to confirm changes in other areas. Crude oil prices have moved within a wide range this time, and depending on the situation, they could fluctuate significantly, so I imagine visibility is quite low. In Q1, there may also be an element of dividend timing, but "Dividend income from business in Asia-Pacific" was significantly higher year-on-year. How should we think about the impact of commodity prices in Q1 and H1? Also, in an environment with this much volatility, how should we view the impact on power-related businesses? For example, Eneco had a slow start in Q1. Could you explain how crude oil price fluctuations appeared across the segment overall in Q1, and how we should view the outlook going forward?

A:

- Oil prices affect earnings through a combination of three-month and six-month time lags. The effective oil price for Q1 was approximately US$71 per barrel, reflecting the average impact of the three-month and six-month lag effects. The assumption for the full-year forecast is US$78 on this time-lag basis, so higher oil prices did not have a positive effect in Q1. For Q2, because of the time lag, the oil price has already been fixed. Based on our calculations, the oil price assumption that will affect Q2 is US$88 on a Brent basis, which is above our FY2026 full-year assumption of US$78 per barrel. From Q2 onward, if prices trend above our assumptions, this will have a positive impact on earnings.
- Regarding the power business, higher oil prices do not have a particularly significant effect on profitability. In the case of Eneco, Q1 was a slow quarter, as is often the case, but at this stage, we expect full-year earnings to progress in line with our initial plan.

Q10:

Looking at the cash flow allocation shown on page 7 of the [FY2026 Q1 earnings materials](), Q1 was again characterized by divestitures and investment recoveries. By contrast, on the investment side, apart from the acquisition of the U.S. shale gas business, there do not appear to have been many notable investments executed this quarter. As discussed at [Investor Day 2026](), accelerating investments in growth areas will be important going forward. How should we think about the current investment pipeline and the pace of investment execution over the remainder of the plan period?

A:

- We believe the investment pipeline is progressing broadly in line with our expectations. Given that investment execution does not occur evenly throughout the year, activity in any given quarter may not be representative. Nevertheless, we remain confident in our ability to execute the investments currently under consideration. We continue to rigorously evaluate investment opportunities and prioritize those where we have the highest conviction. While this may reduce the number of opportunities under active consideration, it has increased our confidence in the projects that remain. That said, there is no doubt that the world remains highly uncertain, including the developments in the Middle East that have been mentioned in earlier questions. We do not invest for the sake of investing, and we will steadily execute investments that meet our expected return threshold.
- In this context, we have repeatedly stated that we will continue monitoring the progress of our investment pipeline, potential upside in earnings, and trends in the weaker yen, and if we determine that we have excess financial capacity, we would not hesitate to use share buybacks as a capital management tool.

Q11:

Regarding share buybacks, it strikes me that your current stance represents a fairly significant shift. Just to confirm, would it be correct to assume that you will continue to consider share buybacks as an option this fiscal year and beyond in order to achieve your FY2027 ROE target of 12% or higher? Also, you have a net D/E ratio of 0.6x as an upper limit guideline. How does this relate to that? For example, even in a situation where ROE falls short of 12%, but it would be difficult to use additional leverage when considering the net D/E ratio, are you considering allowing the net D/E ratio to temporarily exceed 0.6x?

A:

- Regarding not ruling out the possibility of share buybacks, rather than saying that we have taken a major step forward, we have consistently stated that we would execute share buybacks flexibly. Therefore, rather than making a major policy change that we will actively conduct share buybacks, we are reiterating that, based on factors such as our cash flow, earnings, and foreign exchange conditions, we are increasingly mindful of the potential role of share buybacks.
- As I mentioned earlier, we have a strong commitment to FY2027 ROE target of 12% or higher. However, reaching 12% in FY2027 is not the end goal in itself. We view 12% only as a milestone, and we aim for even higher levels of ROE beyond that. We will continue to exercise flexibility regarding the timing and scale of any capital adjustment, while taking into account various factors such as the investment opportunities and earnings performance, with the aim of achieving ROE of 12% or higher.
- To answer your question regarding the net D/E ratio, it is not the case that we

would never allow it to temporarily exceed 0.6x. If we are able to execute attractive investments, leverage would naturally decline over time. We therefore believe that temporarily exceeding 0.6x within a manageable range is entirely possible.

- However, at this point, as you can see from our latest financial results, we are considerably below the upper limit for the net D/E ratio of approximately 0.6x, standing at 0.38x in Q1. At the same time, establishing approximately 0.6x as an upper guideline does not imply that we are comfortable maintaining the ratio at 0.2x or 0.3x. Since we have established approximately 0.6x as an upper guideline, our objective is to manage our balance sheet in a disciplined manner toward that level, while maintaining a strong focus on improving ROE and delivering medium to long-term earnings growth.

Q12:

In the FY2026 full-year consolidated net income forecast, you assumed ¥280.0 billion in gains from capital recycling and one-time items, which was a fairly large amount for this fiscal year. However, I believe not much was recognized in Q1. At this stage, has your view on the ¥280.0 billion assumption changed? If so, could you indicate whether it is expected to increase or decrease? In particular, you had also assumed approximately ¥50.0 billion related to Aethon as one-time items. Since the acquisition has been completed, should we expect this to be recognized in Q2?

A:

- On page 5 of the FY2026 Q1 earnings materials, we had previously presented adjusted consolidated net income and other one-time gains / losses, namely capital recycling-related gains / losses excluding asset turnover-type businesses and one-time items, as a combined total of ¥280.0 billion. Beginning this quarter, we have provided a more detailed breakdown of the ¥280.0 billion, with ¥160.0 billion for capital recycling gains / losses excluding asset turnover-type businesses on a full-year basis and ¥120.0 billion for one-time items. We have also disclosed the corresponding Q1 results for each category. At this stage, there has been no material change to our assumption of ¥280.0 billion included in the full-year forecast.
- Regarding the one-time items related to Adamas Energy, formerly Aethon, this is not necessarily something that will be recognized in Q2. Rather, we expect it to be recognized over the course of FY2026.

Q13:

On page 7 of the FY2026 Q1 earnings materials, you note that screening and prioritization of investment opportunities is progressing. Could you elaborate on what that means? Does this mean that large-scale projects are moving closer

to execution, or that the opportunities in the pipeline itself are changing?

A:

- With respect to our comments regarding the screening and prioritization of investment opportunities, we are narrowing down the projects in the existing pipeline to those with a higher likelihood of execution, rather than significantly replacing the opportunities in the pipeline. I would not necessarily interpret this to mean that announcements or execution are imminent. Rather, we are refining the pipeline and focusing on opportunities where visibility and execution certainty are higher.
- That said, even though we are narrowing down the pipeline, projects continue to advance across multiple business areas. We continue to maintain a pipeline sufficient to achieve the investment levels set out in our plan, while improving the quality and visibility of those opportunities.

Q14:

Page 19 of the FY2026 Q1 earnings materials discloses progress rates against the earnings forecast. Could you comment on whether each segment is above plan, below plan, or in line with plan?

A:

- Among the larger items, the Energy & Power Solution segment had a progress rate of 20% in Q1. This is because the U.S. shale gas business [Adamas Energy] will contribute to earnings from Q2 onward, and one-time items, are expected to materialize. In addition, Eneco's earnings are typically weighted toward H2 and therefore its Q1 progress was in line with expectations, and we believe the segment remains on track overall.
- The S.L.C. segment had a progress rate of 17%, which is relatively low because we expect large-scale capital recycling and one-time items, including gains from the sale of subsidiaries, from Q2 onward. However, the underlying businesses themselves, including Lawson and Mitsubishi Shokuhin, are performing strongly.
- The Mobility segment had a progress rate of 30%, but we believe the segment is broadly on track when seasonality is taken into account.
- In addition, as I mentioned at the beginning, the Mineral Resources segment recorded a high progress rate of 48%. This was primarily driven by stronger copper prices, as well as the fact that earnings from MDP [the steelmaking coal business] were weighted toward Q1.

Q15:

Regarding "Capital Recycling" on page 11 of the FY2026 Q1 earnings materials, the figures shown in the lower right corner under "CS 2027 (Planned)" appear to relate only to investments that are not meeting the required return threshold.

If low-growth businesses that could become candidates for divestiture are also taken into account, would it be fair to assume that the number of potential divestitures and the amount of invested capital involved could be significantly larger than indicated on this slide? I would appreciate any clarification on how this should be interpreted.

In addition, is it fair to view this slide as a message that, in pursuing the FY2027 net income target of ¥1.2 trillion, management is continuing to advance its Value-Added Cyclical Growth Model, including through capital recycling, while the overall scale of capital recycling gains remains undetermined?

A:

- What is shown in the lower right corner of page 11 of the FY2026 Q1 earnings materials is, as you pointed out, the status of investments that are not meeting the required return threshold. However, our review extends beyond those investments to all operating companies, where we assess both future growth potential and the sustainability of earnings. Therefore, the scope of our review is not limited to the 30 companies and ¥350.0 billion of invested capital shown on the slide. We are also reviewing other businesses on a case-by-case basis.
- The purpose of this slide was to reinforce that we remain committed to our Value-Added Cyclical Growth Model. While we have disclosed our track record of capital recycling, the objective is not simply to replace investments. It is equally important to redirect the capital generated through those replacements into new growth investments. Under Corporate Strategy 2027 (CS 2027), we continue to adhere to this approach. By carefully selecting high-quality opportunities and redeploying capital into new growth areas, we aim to enhance both growth and efficiency.

Q16:

Regarding Eneco, I believe electricity prices in Europe have risen significantly due to the recent heatwave. Does this have a positive impact on Eneco's business, a negative impact, or little impact at all? Could you explain the relationship between higher European power prices and Eneco's performance?

A:

- Eneco's business model is not fundamentally dependent on taking directional positions on electricity prices. As a result, even if electricity prices rise sharply, Eneco does not automatically capture the associated upside. While spikes in electricity prices may have a temporary impact on earnings, higher electricity prices generally do not have a significant impact on Eneco's overall performance.

Q17:

Could you explain the current situation and outlook for Cermaq? I believe

Cermaq recorded consolidated net income of ¥5.2 billion in Q1. However, the Fish Pool Index shown on page 46 of the FY2026 Q1 earnings materials appears to be trending downward, and the environment does not seem particularly favorable. Could you explain the current situation and outlook going forward?

A:

- Cermaq's Q1 results benefited from earnings contributions associated with the acquisition of Grieg Seafood ASA’s salmon farming operations, as well as a rebound from FY2025 Q1 when production volumes were weak. As a result, earnings increased by ¥4.9 billion year-on-year. For FY2026, we expect earnings contributions from the acquired Grieg Seafood ASA operations to be in the mid-single-digit billions of yen. Given the earnings contribution began in Q1, we believe we are well-positioned in the current environment.
- On the other hand, as in previous years, Cermaq’s earnings are weighted toward the second half of the fiscal year. As you noted, salmon growth conditions in Norway have been very favorable, leading to increased supply and weaker market prices. We will continue to closely monitor how these factors develop from Q2 onward.