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Mitsubishi Corporation (MC)
Earnings Briefing Q&A
FY2026 Q2

Date and Time:	Thursday, November 5, 2026; 14:00 to 15:00	
Presenters:	Katsuya Nakanishi:	Representative Director, President & CEO
	Yoshihiro Shimazu:	Representative Director, Executive Vice President, Chief Financial Officer
	Kenji Kobayashi:	Director, Executive Vice President, Chief Stakeholder Engagement Officer
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Q1:

It appears that achieving the ROE target of 12% or higher set out in Corporate Strategy 2027 (CS 2027) is now within sight. However, from an investor's perspective, the focus is not only on achieving the ROE target in a single fiscal year, but also on whether MC can continue to enhance corporate value beyond that point. How do you assess the prospect of achieving an ROE of 12% or higher, and how do you intend to reshape the business portfolio and strengthen competitiveness to drive further growth beyond that point?

A:

- First, underlying operating CF, a key growth indicator under CS 2027, has been steadily growing, and we are seeing solid progress. From the perspectives of both growth and efficiency, we have been strongly focused on achieving an ROE of 12% or higher in FY2027 as a milestone, rather than an endpoint. Our FY2026 first-half results have once again demonstrated the steady progress and strength of our cash flow. While higher resource prices and the depreciation of the yen have contributed significantly, this year marks my fifth year as President and our efforts over these five years to increase the resilience of our portfolio through Enhance, as part of Enhance, Reshape, and Create initiatives, are bearing fruit, enabling us to fully capture the tailwinds from resource markets.
- Some projects in our investment pipeline have already reached Final Investment Decision (FID), as announced in our press releases, and we are continuing to rigorously assess other business opportunities with a view to further accelerating investments. Taking careful account of the expected timing of investment execution and the status of the investment pipeline, we decided this time to conduct ¥1 trillion share buybacks. In making this decision, we comprehensively considered the investment timeline as well as the timeframe over which we assess

the outlook and business environment going forward, including in light of the results of the U.S. midterm elections announced yesterday. From the standpoint of disciplined and timely capital adjustment, we therefore decided to conduct ¥1 trillion share buybacks.

- With these share buybacks, we expect to achieve an ROE of 12% or higher ahead of schedule in FY2026 (forecast: 12.7%). Looking beyond FY2026, we view 12% not as an endpoint, but as a milestone toward further improvement. While FY2030 is still some way off, with an ambition to achieve an ROE of around 15%, we will continue to work toward that level.
- We are also assessing business opportunities for FY2027 and beyond, and intend to continue giving priority to allocating additional capital to growth investments. I expect there will be a question on this later, but even though the U.S. shale gas business, which we acquired in July 2026, is expected to make only a limited contribution to earnings this fiscal year, we still expect to achieve our FY2026 earnings forecast. From next fiscal year onward, we have high expectations that it will make a meaningful earnings contribution as it enters full-scale operations.
- Accordingly, from next fiscal year onward, even if resource prices were to return to the levels seen before the developments in the Middle East this year, we feel confident that we can still deliver solid results, including underlying operating CF and consolidated net income.
- In addition, we intend to reallocate our resources toward businesses with greater potential for value creation. To accelerate capital recycling, we continuously review our existing businesses, including loss-making businesses and those that fall short of our required return threshold, assessing whether the business areas have growth potential, and whether MC can truly leverage its capabilities to drive further growth. Through these efforts, we will improve the quality of our portfolio and allocate the resources to growth areas. We believe we continue to have ample financial capacity for further investments, and we hope this gives you confidence in our growth potential ahead.

Q2:

Thank you for demonstrating your strong commitment to ROE and your sincere engagement with the market. We highly appreciate it. You stated that you are reviewing all businesses facing quantitative challenges to determine whether to improve or divest them. With regard to businesses that continue to fall short of the required return threshold, as well as loss-making businesses, could you explain the criteria and timeframe you apply in determining whether to pursue further improvement or move toward divestiture?

A:

- As I mentioned earlier, the businesses currently under review are loss-making

businesses and those that fall short of our required return threshold. Businesses that have fallen short of the required return threshold for three consecutive fiscal years are treated as underperforming assets and subject to review. Businesses that are loss-making on a P&L basis are clearly unacceptable. However, with respect to underperforming assets, it is not necessarily the case that every business should be divested. If there is a credible path toward putting the business on a growth trajectory and improving returns, underpinned by measures that give both the responsible business division and management confidence in achieving and exceeding the required return threshold, we continue to hold such businesses and monitor them through regular reviews.

- While I will refrain from explaining the details today and expect to have another opportunity to elaborate, against the backdrop of fundamental changes in the business environment, even if a business meets or exceeds the required return threshold, decisively reallocating resources away from that business would be one strategic option if its future growth prospects are limited. We intend to reallocate both human and financial resources toward businesses and areas with greater growth potential.

  We do not apply a mechanical timeframe, such as automatically divesting a business if it continues to fall short of the required return threshold for two consecutive years. With more than 200 companies that we regularly review, we take a broader view of the portfolio while assessing the appropriate timeframe for each individual business and engaging in intensive discussions over which businesses to divest and which to grow. We believe this process will further strengthen our portfolio and generate additional resources. In due course, we will have an opportunity to explain these efforts in greater detail.

Q3:

I assume that the areas where you see growth potential are those in which you can aim to achieve an ROE of 12% or higher. Is that correct?

In addition, on October 2, the Tokyo Stock Exchange (TSE) updated its publication regarding "Current Situation Around Equity Method Relationship and Future Initiatives". Given that your company holds interests in a large number of listed equity-method affiliates, are these companies also the candidates for divestiture? Could TSE's initiative further encourage such divestiture? I have looked at the listed equity-method affiliates in which your company holds stakes and calculated their ROEs, and quite a few fall well short of 12%. Could you explain how you position these listed equity-method affiliates within your business portfolio?

A:

- Our fundamental premise is to respect the management independence of listed

equity-method affiliates. At the same time, we continuously review our holding policy for each individual company, taking into account whether we can contribute to enhancing its corporate value as a shareholder and, by leveraging that relationship, how the investment should be evaluated not only at the individual company level but also from the perspective of MC's overall value chain.

While we of course have policies at the individual company level, another important consideration is whether we can leverage Enhance and Reshape as a starting point to create new business opportunities. At MC, we refer to this as the "value chain," and in practice, we primarily continue to hold investments that offer such opportunities for further development.

Q4:

In your explanation earlier, you indicated that even if resource markets settle down next fiscal year, you believe you can still generate earnings at around the level of the current fiscal year. From the market's perspective, however, as shown by the price sensitivities in the FY2026 Q2 earnings materials, your company inevitably tends to be viewed as cyclical due to its exposure to resource markets.

Against this backdrop, I am personally paying close attention to the new segmentation initiative being undertaken by the Energy & Power Solution segment this fiscal year. Rather than simply seeking balance across the overall portfolio, I find the direction toward creating greater value within the resource business itself through the value chain, as illustrated by Gas to LNG, Power, Chemical, X, particularly interesting.

At the same time, based on your explanation, I feel that some aspects still remain at the conceptual stage or appear to have a relatively long timeframe. This could involve specific initiatives to enhance value through value chains originating from resource businesses, or initiatives in other segments to enhance earnings stability through value chains while generating returns and lowering the cost of capital. Could you elaborate on how far you have progressed toward realizing such initiatives and how important you consider them to be?

A:

- We announced the acquisition in January this year. Subsequently, we needed to obtain regulatory approvals in the U.S., including CFIUS clearance as this was a 100% acquisition. Due to a strike affecting the relevant U.S. government agencies, the approval process took longer than we had initially expected, and we obtained the necessary approvals and completed the acquisition in July. Until then, the company we were acquiring was not yet under our ownership, which made it difficult to have concrete and practical discussions with partners about our plans. It was only around August that we were finally able to begin concrete discussions

regarding initiatives involving assets we now own, such as how to allocate our shale gas. Those discussions have only just begun, so this does not mean that these initiatives will immediately lead to concrete outcomes. It will therefore take a certain amount of time.

One initiative we are considering, for example, is converting our shale gas into LNG. There are various existing LNG facilities in Louisiana and Texas in the U.S. Separately, other operators, rather than MC, are developing midstream liquefaction plants that are expected to come online in three to four years. One possibility would be to supply our shale gas to those facilities, convert it into LNG, and transport it, for example, to Europe. As one potential outlet, we are already discussing a concept whereby the LNG would be sold through a trading company we own and supplied to Eneco, which already has an established business base in Europe. This has not yet been realized, and discussions are continuing while taking into account the energy situation in Europe.

- There are differences between Henry Hub prices in the U.S. and European price benchmarks. Some of these are correlated and others are not, [but depending on the mix of price exposure,] developing the value chain could also benefit Eneco. That is the concept we are pursuing, so it will take a certain amount of time, although the Eneco initiative I just described is one that we believe could be realized over the short to medium term.
- With regard to power plants in the U.S., replacing some of our existing assets or developing new ones would take somewhat longer to realize, particularly in the case of greenfield projects. There are also natural gas pipelines serving chemical plants in the southern U.S., and we are considering how to create value by supplying gas to those plants. These initiatives will not produce results immediately, but we are working on them one by one.
- Another distinctive initiative, as we announced recently, is that we are selling close to half of our interest in the midstream liquefaction assets that we own in LNG Canada. This will allow us to reallocate resources toward the more capital-efficient upstream and marketing businesses, while maintaining governance and control over the midstream business and continuing to operate it, thereby improving capital efficiency.

  The point I would like to emphasize is that our ability to secure offtake provides us with another option: even where we do not own a midstream liquefaction plant as an asset, we can supply our shale gas to a party that owns such a facility, convert the gas into LNG, and then market that LNG. The initiatives we have undertaken are part of this broader approach. In that sense, we are making progress, but this is not something that can be accomplished all at once. If we steadily realize these initiatives, we expect them to contribute to earnings by FY2030.

Q5:

With regard to the cost of capital, rising interest rates have been a frequent topic of discussion at earnings briefings across the trading company industry. Against this backdrop of rising capital costs, you referred earlier to the "quality of the portfolio." However, even for high-quality investments, when the timeframe for recovering invested capital is long, higher discount rates can have a downward impact on the present value under current conditions.

Do you therefore see a need to shorten the timeframe for recovering invested capital? You also referred earlier to accelerating capital recycling. Could you explain whether your approach to the timeframe for generating returns may change?

A:

- As you pointed out, interest rates have risen considerably of late. When we review individual projects, we set the required return threshold for each project after fully factoring in current inflation and higher interest rates. Accordingly, a fundamental prerequisite for deciding whether to proceed with a project is that it exceeds the applicable hurdle rate.

  At the same time, our approach is not to invest for the sake of investing. We remain committed to rigorously selecting projects from both quantitative and qualitative perspectives. In our current deliberations as well, we are selecting high-quality projects from the investment pipeline based on the criteria I just mentioned and proceeding with those projects.
- As for the timeframe, this varies by project depending on whether it is greenfield or brownfield. At the company-wide portfolio level, particularly for relatively large-scale investments, we make comprehensive decisions while considering the overall picture of when each investment is expected to begin generating earnings.

Q6:

Regarding the U.S. shale gas business discussed earlier, you mentioned delays in obtaining regulatory approvals. You had previously indicated returns of around ¥50 billion for the current fiscal year, but today explained that this would be around ¥10 billion. You also mentioned ¥50–¥60 billion for next fiscal year. What will change to drive that recovery?

Is this simply a matter of market conditions recovering from their current weakness, or are there specific initiatives in place that give you a reasonably high degree of confidence in achieving ¥50–¥60 billion next fiscal year? I was not entirely clear on the details, so I would appreciate some additional explanation.

A:

- There are various factors. In FY2026, we only began consolidating the business

from July, so its earnings are being incorporated for only part of the fiscal year. In FY2027, this will make a full-year contribution from April.

In terms of production volumes, current production is 2.1 bcf per day, and we are working toward peak production of 2.6 bcf per day by 2028. We aim to gradually recover production volumes. We have also factored in an expected recovery in Henry Hub prices over the medium to long term.

In addition, while we have indicated that the earnings forecast for the U.S. shale gas business, Adamas Energy, in FY2026 would be around ¥10 billion, actual earnings in H1 were only ¥0.7 billion. This was partly due to certain one-off factors [distinct from "one-time items" presented in our disclosures], including FA-related costs and other expenses that were recorded upfront in the initial stage.

There is also a somewhat technical factor relating to hedge accounting. Hedging gains and losses were recognized, in effect, in the form of a valuation of futures at the time consolidation began. We had initially assumed a somewhat higher level, but futures prices at the time of consolidation were lower than expected. This does not affect the underlying cash flow, and broadly speaking, it is a timing difference.

Taking all these factors together, while we currently expect FY2026 earnings to be around ¥10 billion for the full year, from FY2027 onward, on a 75% basis, we aim to achieve normalized earnings of around ¥50–¥60 billion as initially expected.

- From a qualitative perspective, the first factor is the delay in completing the acquisition until July. During the six-month period before closing, there was a slowdown in the pace of drilling, which affected production volumes. As we had not yet completed the acquisition and were still awaiting regulatory approvals, the acquired company slowed the pace of drilling. As a result, production volumes were lower than we had initially assumed. This was one of the reasons we revised down our FY2026 production outlook for Adamas Energy.

  The second factor was that the situation in the Middle East deteriorated and crude oil prices rose. As less crude oil was coming out of the Middle East, the U.S. production needed to increase, leading to increased shale oil drilling. This, in turn, resulted in an increased supply of associated gas as a byproduct of shale oil, which prevented Henry Hub prices from rising. This weighed on earnings because prices did not increase to the level we had originally assumed.

  The third factor relates to inventories. When we originally prepared our budget, gas inventories had been steadily drawn down by winter demand. However, February and March this year were warmer than expected, resulting in less inventory drawdown than we had anticipated. In addition, as I just mentioned, crude oil prices remained high, leading to increased shale oil production in the U.S., and the associated byproduct gas was also added to inventories, putting additional downward pressure on gas prices.

Conversely, I think this has reconfirmed for us that Henry Hub prices do not necessarily move in the same way as JKM prices [LNG spot prices] or other price benchmarks. The various price benchmarks to which our assets are exposed do not all deteriorate or decline at the same time, nor do they all improve or rise together. I believe we need to look at the earnings dynamics of our existing energy businesses differently from those of a U.S. shale gas business such as Adamas Energy [formerly Aethon].

Q7:

Earlier, you mentioned that you are seeing good progress in underlying operating CF. At the same time, partly reflecting favorable market conditions and the weaker yen this fiscal year, around 70% of underlying operating CF is generated by what could be considered resource-related segments, namely the Energy & Power Solution segment and the Mineral Resources segment, although I am not sure whether it is appropriate to describe the Energy & Power Solution segment as resource-related given that it also includes the power business. In terms of consolidated net income, the proportion is around 50%.

I understand that underlying operating CF from the shale gas business is relatively large, partly due to the high level of depreciation. This fiscal year, market conditions have been favorable, with prices of copper, crude oil, and steelmaking coal all rising. However, this also gives me the impression that earnings could remain volatile depending on commodity prices. How do you view the current situation, where around 70% of underlying operating CF comes from resource-related businesses? Going forward, do you intend to reduce the weighting of resource-related businesses, or perhaps expand infrastructure-related businesses? Could you explain how you envisage managing the overall portfolio?

A:

- The underlying operating CF and earnings from our energy businesses are exposed to different price benchmarks, which do not necessarily move in the same direction. For example, Henry Hub, which affects our U.S. shale gas business, reflects the U.S. domestic gas market, while our shale gas assets in Canada are more closely linked to Asian markets than to the Canadian domestic market.

  You mentioned that resource-related businesses account for around 70% of underlying operating CF. However, when we look at the underlying drivers of these businesses, they are not necessarily exposed to the resource market factors. In Mineral Resources, for example, we expect copper demand to continue growing, driven by factors such as data centers and the replacement of power transmission lines. Therefore, rather than simply viewing copper as being highly exposed to market volatility, we see structural factors supporting the upward trend in copper

prices over the longer term. This can provide upside to our earnings.

At the same time, higher energy prices can also have negative effects. For example, high energy prices can increase costs such as feed and diesel fuel expenses, which may weigh on earnings in what we refer to as our non-resource businesses. In this sense, having energy businesses in our portfolio provides a degree of natural hedge against some of the negative impacts of higher energy prices on our non-resource businesses.

Q8:

I would like to ask about the strategy for the non-resource businesses. With regard to the substantial ¥1 trillion share buybacks just announced, strong cash flow generation from the resource businesses, alongside active investments and capital recycling, has enabled a larger-than-expected amount to be allocated to shareholder returns, which I believe will contribute to a more positive market perception.

On the other hand, with regard to the growth strategy for the non-resource businesses, which appears to center on shifting toward areas with higher return potential, relatively few large-scale investments have been announced, making it somewhat difficult to see where MC's strengths in the non-resource businesses lie and how further value creation will be pursued.

Against this backdrop, could you share the broader strategic vision for the non-resource businesses, in light of traditional strengths across areas such as consumer, food, automotive, energy, and materials?

A:

- As I touched on at the MC Shared Value Creation Forum, Investor Day 2026, we identified four select initiatives to focus on: Energy Value Chains, Mineral Resources, Food Industry [Food Resources], and C to B Value Chain.
- Among these, C to B Value Chain is an area that we intend to focus on going forward. While we often receive rather tough feedback and do not get much credit, looking back at our track record over the past several years, consolidated net income from S.L.C. segment has now exceeded ¥100 billion. Previously, under the former Living Essentials segment, consolidated net income was around ¥50 billion, and Lawson was a subsidiary at the time and various issues had been pointed out. Since there have been some changes in segmentation, this is not an apples-to-apples comparison, but the fact that the current S.L.C. segment is generating more than ¥100 billion is a significant change and reflects the results of the steady efforts we have made over the past three years.
- While it may not appear particularly significant in terms of the amount, our recently announced investment in Ayala in the Philippines follows our initial investment in Globe Fintech Innovations, which operates GCash. In addition, we plan to invest

more than ¥100 billion in Ayala at the holding company level and deploy MC personnel there. The acquisition has not yet been completed because the tender offer has not yet commenced, but if we have the opportunity, I would like to explain the strategic rationale behind the investment and our plans going forward early next year.

This investment involves a range of attractive business areas in the Philippines. The Philippines has a population of more than 100 million with an average age of just 24, giving it a young and growing consumer base with strong potential for future demand. In addition to telecommunications, finance, and power, Ayala is also engaged in real estate development in Makati, in central Manila, an area comparable to Marunouchi in Tokyo. While our investment is currently at the holding company level of the Ayala conglomerate, we are now building a framework to assign our personnel to its individual business areas and explore further investment opportunities. Building up such initiatives through S.L.C. segment is one element of our strategy [in the non-resource area].

- As mentioned in the earlier question, it is true that resource businesses account for more than half of our earnings, as you perceive. At the same time, it is also true that businesses like these are beginning to emerge, and the non-resource businesses, [such as S.L.C. segment,] have now grown to the point where they can generate earnings of around ¥100 billion. As one part of our approach, we intend to steadily build up initiatives like these over time.
- Another area is the Food Industry [Food Resources] segment, one of the four business areas I mentioned earlier. While we are not yet in a position to disclose specific details, bio-resources are an area we are paying close attention to. Although whether bio-resources are viewed from an energy perspective or a food industry perspective is open to interpretation, “Food × Energy” initiative introduced as an example of Create in the CS 2027 presentation materials is now moving toward realization.

  I cannot elaborate further at this stage, but our expertise and know-how in food enable us to take this kind of approach. Bio-resources can be viewed as an alternative to fossil-based energy, and we believe it is necessary to pursue low-carbon and decarbonization initiatives alongside renewable energy. We are approaching non-resource business opportunities by leveraging these connections across our different business segments.

Q9:

I believe the announcement of the ¥1 trillion share buybacks came as a surprise to the market. In terms of the process leading to this decision, at the first-quarter earnings briefing, the CSEO made the notable comment that you would not rule out capital adjustment through share buybacks, and I assume there must have

been considerable internal discussion following that comment.
Could you share, to the extent possible, the background behind the decision to undertake larger-than-expected share buybacks and the nature of the internal discussions? I believe there had been an expectation in the market that, purely in terms of achieving an ROE of 12% in FY2027, share buybacks of around ¥400–¥500 billion might have been sufficient. I would appreciate your thoughts on this point as well.

A:

- At the first-quarter earnings briefing, I mentioned the possibility of share buybacks. However, rather than this being something that we began discussing internally only after that point, we have always discussed each quarter how best to use our additional financial capacity, while monitoring the investment pipeline and cash flow situation, including whether to allocate those funds to share buybacks or investments in the pipeline.

  As I mentioned at the first-quarter earnings briefing, we have a solid investment pipeline for the next several years. However, taking into account the recent economic environment, we have carefully assessed the feasibility of executing those investments this year and next year, as well as the timing of their execution. Based on those assessments and our current cash flow situation, we decided to return ¥1 trillion to shareholders through share buybacks.
- There was also a view that ¥300–¥400 billion could be sufficient to achieve an ROE of 12% in FY2027. However, as we have explained, 12% is merely a milestone. We have absolutely no intention of continually taking capital adjustment measures simply to achieve and maintain an ROE of 12% in FY2027.

  Fundamentally, we intend to pursue a disciplined capital policy aimed at achieving an ROE above 12%. Even after conducting share buybacks of up to ¥1 trillion, we will retain ample financial capacity for investment. By deploying this capacity, we believe we can build a foundation for achieving an ROE above 12%. This is why we decided to conduct share buybacks of up to ¥1 trillion.

Q10:

I believe the chart on page 16 of the FY2026 Q2 earnings materials provides very useful information for the market. Earnings this fiscal year are strong not only for MC but also for other trading companies. However, share prices have not fully reflected this strong performance in both the first and second quarters. One counterargument I have heard from fund managers is, "We understand that earnings are strong this fiscal year, but won't earnings decline next fiscal year due to the lower resource prices?" In other words, I believe the market has continued to be concerned about how much earnings might decline next fiscal year.

From that perspective, I think it is positive that MC is indicating that, rather than expecting an earnings decline, it intends to generate further earnings growth even after factoring in the negative impact from lower resource prices.

First, could you explain in more detail the basis for the approximately ¥140 billion negative impact from resource prices and foreign exchange shown on page 16 of the FY2026 Q2 earnings materials? Page 14 of the FY2026 Q2 earnings materials explains the impact of resource prices for the current fiscal year. Compared with consolidated net income in the previous fiscal year, the outlook as of May incorporated a positive impact of ¥92 billion from resource prices and foreign exchange, and the latest revision adds another ¥124 billion. This means that resource prices and foreign exchange have increased consolidated net income by approximately ¥216 billion compared with the previous fiscal year.

Against this, the assumption that resource prices and foreign exchange will have a negative impact of ¥140 billion in FY2027 compared with the FY2026 consolidated net income forecast would seem to suggest that while some of the positive effects seen this fiscal year will reverse, others are expected to remain at relatively high levels. Could you explain how you are thinking about this?

A:

- Our basic approach to the impact of resource prices is as shown on page 16 of the FY2026 Q2 earnings materials. With respect to oil and gas prices, we have made an assumption that they will return to the levels before the deterioration in the Middle East situation. When we prepared our initial forecast, the conflict had just begun, so our initial assumptions did not completely exclude the impact of the deterioration in the Middle East situation. We had already factored in a certain degree of price increases at the beginning of the fiscal year. Our outlook for next fiscal year assumes that oil and gas prices will return to pre-deterioration levels, including the reversal of those initial price increases.
- On the other hand, we have not significantly changed the level of Henry Hub price assumption. We have revised it slightly downward from our initial forecast this fiscal year, but as I mentioned earlier, over the medium to long term, we expect Henry Hub prices to recover toward the level assumed in our initial forecast. [The impact of changes in Henry Hub prices is not included in the approximately ¥140 billion negative impact from "Resource Prices and FX" shown on page 16, but is included in Create.]
- With respect to copper prices, we expect relatively strong prices to continue over the medium to long term. While the price may currently be overshooting to some extent, in our revised FY2026 earnings forecast, we have raised our copper price assumption from the level assumed at the beginning of the fiscal year.
- Taking all of these factors together results in the approximately ¥140 billion

negative impact.

Q11:

With regard to oil and gas prices, you explained your assumptions for crude oil prices and Henry Hub. What is your outlook for LNG spot prices?

A:

- LNG spot prices, like crude oil prices, have also risen considerably due to the deterioration in the Middle East situation. We therefore assume that those prices will return to the level before the deterioration.

Q12:

With regard to Enhance/ Reshape and Create, you have provided a certain degree of numerical detail, particularly for Enhance/ Reshape, on page 16 of the FY2026 Q2 earnings materials. As President/CEO, how confident are you in the progress being made, including initiatives that have not yet been disclosed to investors?

A:

- The approximately ¥200 billion earnings growth expected from Enhance/ Reshape in FY2027 includes "Executed Projects" and "Reshaping Existing Businesses" and other initiatives.
- First, with respect to "Executed Projects," the approximately ¥75 billion of expected earnings growth is essentially the aggregate of earnings contributions from projects that have already been executed. By region, a major contribution is expected from power-related businesses in North America. These contributions were already incorporated into our plans and the projects continue to progress steadily. This represents the largest driver of earnings growth within this category. In addition, initiatives related to real estate in North America have already been executed to improve earnings, so we have a high degree of confidence in these contributions.
- With respect to "Strengthening the Earnings Base," the focus is primarily on non-resource businesses, although some resource businesses are also included. Regarding the recovery in production volumes in the steelmaking coal business, production had declined considerably in the past, and we are often asked about the pace of recovery. We are gradually restoring production volumes as we make progress with pre-stripping, and expect production volumes to improve from the current level toward FY2027. While the resource businesses include some impact from market conditions, the initiatives under "Strengthening the Earnings Base" are measures that we have already been working on, so we have a high degree of confidence in the expected earnings growth.
- In addition, with respect to "Recovery in Core Businesses", Cermaq's FY2026

earnings outlook was revised downward from our initial expectations. However, we are working intensively to improve operations and restore the performance of this core business. We also believe that salmon prices are currently at the bottom and will recover toward FY2027. On top of this, we are targeting further productivity improvements through greater operational efficiency and synergies from the business acquired from Grieg Seafood last year [announced in July 2025].

- These initiatives represent "Recovery in Core Businesses" and, together with "Strengthening the Earnings Base", we see a reasonable path to generating earnings growth of approximately ¥200 billion on a bottom-up basis.
  Ordinarily, we would not provide an outlook for the following fiscal year until February, when we announce our third-quarter results, or May, when we announce our full-year results. The fact that we are presenting an indication of earnings growth toward FY2027 in November reflects the degree of confidence we have in achieving this growth. [We have not announced FY2027 earnings guidance; FY2026 Q2 earnings materials only present our current indication of earnings growth toward FY2027]

Q13:

On page 16 of FY2026 Q2 earnings materials, if we add up all the positive and negative impacts from Create, resource prices and FX, and Enhance/ Reshape, the total comes to ¥150 billion, meaning that normalized earnings increase by ¥150 billion. Given this, is it correct to understand that, in exceeding ¥1.2 trillion, the amount of one-time gains [capital recycling gains and losses] required to achieve ¥1.2 trillion would be lower than in the current fiscal year?

A:

- Your understanding is correct. However, with respect to one-time gains [capital recycling gains and losses], we received a similar question in May this year. As part of accelerating capital recycling to improve capital efficiency, our approach is to recycle capital before a business reaches its peak by divesting it and replacing it with better opportunities. Accordingly, we expect to generate a certain level of gains from divestitures.
  At the time, we were asked whether it would be more appropriate to assume that these gains from divestitures would continuously be around ¥100 billion or ¥150 billion, and I responded that we could not provide specific guidance because it relates to our capital policy. However, we are assuming that this level will also exceed ¥100 billion. The actual amount will depend on the price that buyers are willing to pay, rather than a price set by MC, as well as interest rates and market conditions at the time. Our aim is precisely to improve efficiency through such measures.
  We are pursuing this based on our conviction that, if a business is unable to get

onto a growth trajectory and MC is no longer the best owner, we should reallocate capital away from the business. Accordingly, such initiatives should materialize in an appropriate amount of capital recycling gains and losses. Taking all of this into account, as you pointed out, please understand that in FY2027 we envisage a certain level of capital recycling gains, although lower than in the current fiscal year.

Q14:

I would like to ask the CSEO directly from the perspective of collaboration with financial investors. As emphasized in the CSEO section of the FY2026 Integrated Report, you have indicated that you are considering around 10 projects involving collaboration with financial investors. We have now seen the first example in the form of bringing in a partner for LNG Canada.

Naturally, this is expected to contribute to improvements in capital efficiency and, ultimately, to capital gains and increased cash inflows. Could you give us a sense of how much progress we could expect going forward over the coming year and during the CS 2027 period?

A:

- The LNG Canada transaction is an example of our initiatives involving our Capital Alliance Office. This initiative involves bringing in a fund as a financial partner to an existing project to improve capital/asset efficiency. However, we view this as just one of a number of initiatives under our capital alliances.

  The capital alliances are not intended solely to improve capital efficiency. Fundamentally, our aim is to accelerate the growth of MC's businesses by partnering with financial players on reshaping our existing business portfolio and expanding into new businesses. You referred to around 10 projects earlier, but we are actually working on a broader range of initiatives exceeding that number.
- The capital alliance initiatives are not being pursued on a standalone basis. Rather, capital alliance opportunities are being added to the pipeline by being linked with Enhance/Reshape initiatives discussed earlier, as well as our ongoing initiatives to reshape the business portfolio, which directly relate to the second question. The capital alliances are embedded in our growth strategies, with these initiatives progressing in tandem.
- I cannot discuss at this stage which specific projects may be realized by FY2027. However, as our initiatives to reshape the business portfolio progress, we expect to see more projects involving the Capital Alliance Office being realized.

Q15:

Regarding "Strengthening the Follow-up Framework to Accelerate Business Portfolio Transformation" on page 23 of the FY2026 Q2 earnings materials, I

believe item 2, "Strategic Review by Business Area," is probably something we are seeing for the first time. We can see from the FY2026 Q2 earnings materials that the disclosure for item 1, "Individual Businesses Subject to Follow-up," has been expanded. Could you explain again the background to item 2? What concerns led you to introduce a "Strategic Review by Business Area," and what are you now seeking to achieve through this initiative?

A:

- With respect to Enhance, what we have explained to you is that we have approximately 240 companies that the management regularly reviews, including a certain number of companies that are loss-making on a P&L basis and companies that have failed to meet the required return threshold for three consecutive fiscal years, and that we intend to thoroughly enhance these businesses. These discussions have focused on what to do with existing businesses on an individual company basis.

  That is the basic concept of Enhance. At the same time, however, industrial structures and competitive environments are changing significantly, and there are quite a few business areas where simply extending what we have done in the past will not be sufficient to sustain growth. On that point, we believe that we should assess them not only on an individual company basis but also by business area. In addition to reviewing individual companies, we believe that, at the business-area level, we should consider where to discontinue, and allocate resources to areas where growth can be expected. We consider this an extremely important initiative during the transformation phase that MC is currently undergoing.
- Improving the performance of individual companies is a given. Beyond that, I strongly believe that we have entered an era in which we must determine whether the business areas in which we have traditionally operated are still viable or not. We have been discussing this over the past six months, and have now largely established the broad direction. At an appropriate time, we would like to have an opportunity to explain this in greater detail. That is about as much as I can share today.