Mitsui & Co., Ltd.

Presentation Meeting of Results for 1st Quarter Announcement of Fiscal Year Ending March 31, 2010
Questions and Answers

1. **Time**: **August 4, 2009, 16:30～17:30 hrs**
2. **Location**: **Ohtemachi Sankei Plaza 4th Floor Sankei Hall**
3. **Speakers**: **Junichi Matsumoto, Executive Vice President and Chief Financial Officer**
   Joji Okada, Managing Officer, Assistant to CFO and General Manager of Global Controller Division
   Katsurao Yoshimori, General Manager of Investor Relations Division
4. **Questions and answers**:

Q. *The major factor contributing to the increase in net income compared to the previous first quarter was a reversal of deferred tax liabilities on undistributed retained earnings of associated companies. I have three questions on this: First, how does the ¥19.8 billion total break down by segment? Second, was this ¥19.8 billion incorporated in your guidance? And third, what impact will this factor have on earnings in the second quarter and beyond?*

A. 1) This had the heaviest impact in Mineral & Metal Resources, where it contributed approximately ¥8 billion. Similarly, reversals of deferred tax liabilities contributed roughly ¥4 billion to net income in Machinery & Infrastructure Projects, ¥2 billion in Chemical, ¥2 billion in Energy, and ¥2 billion in Consumer Service & IT.

2) We had incorporated this factor within our guidance to a degree. However, since the amount of dividends we actually received during the first quarter was higher than anticipated, earnings related to reversal of deferred tax liabilities were approximately ¥8 billion higher than expected.

3) We have already realized in the first quarter the vast majority (approximately 90%) of the contribution we think we can achieve from this factor in this fiscal year.

Q. *On the topic of cost savings, you say that SG&A cost savings contributed about ¥8 billion to earnings in the first quarter. What level of SG&A cost savings do you expect to achieve in the second quarter and beyond?*

A. The primary factors here were personnel expenses and travel expenses. The decline in personnel expenses was attributable to a substantial decrease in performance-based bonuses, which offset an increase in net periodic pension costs, and we thus expect personnel expenses to remain around their current level for the remainder of the fiscal year. On the other hand, the decrease in travel expenses reflected a decline in business trips amid the H1N1 flu scare and the economic slowdown. Such expense may raise if the economy will recover going forward.

Q. *Please tell us your production volumes for major commodities in the first quarter.*

A. First-quarter production of iron ore was 10.2 million tons, down 0.4 million tons from the previous first quarter. As such, we are slightly ahead of schedule toward achieving our full-year target of 35 million tons. Coal production was 2.0 million tons, also down 0.4 million tons. That is pretty much on target. We do not disclose quarterly figures for oil and natural gas, but you may safely assume that they are also broadly on target.

Q. *In Energy, you recorded a net decrease of ¥8.7 billion in "Other expenses," on lower exploration expenses and lower foreign exchange losses. Could you tell us a bit more about resource-related cost trends in the Mineral Resources & Energy segment?*

A. Resource-related costs declined by approximately ¥1 billion in the first quarter compared to the prior-year quarter, largely due to a decrease in exploration expenses, which offset a slight increase in CAPEX and OPEX.

Q. *You reached 25% of your full-year gross profit target in the first quarter, which, given the current economic environment, we consider to be pretty high. Could you tell us which segments outperformed and which underperformed, and what are the prospects for achieving your full-year targets for each segment?*

A. Our business plan envisions a slight upturn in the economy in the second half of this fiscal year, so we consider the attainment of 25% of our full-year target for gross profits in the first quarter to be a good start. By segment, Machinery & Infrastructure Projects, Chemical, Energy, and Foods & Retail are ahead of target, while Iron & Steel Products and Mineral & Metal Resources are broadly on target. Consumer Service & IT and Americas are all facing a tough time and risks to the outlook are tilted to the downside

Q. *Net DER has improved to 1.11 times. Given this, do you envisage any changes to your financial or investment strategy?*

A. We finished the first quarter with a net cash outflow for investments and loans of only about ¥20 billion, which is in line with our expectations. The latest total amount of applications from our business units for potential projects is around ¥750 billion showing that we still have a strong appetite for new investments.. Of course, it is unlikely that all of these projects will be implemented, as some might be turned down in the internal review process and others may not receive awards in public tenders. However, since we consider the economic slowdown to present various good opportunities to invest for future growth, we intend to maintain a sufficient amount of cash, so that we can take action when the opportunity arises. As for dividend policy, we will decide this based on consideration of our investment appetite and other such factors.

Q. *In your IR meeting on your results for the fiscal year to March 2009, you stated that your true earning power was approximately ¥10 billion for the fourth quarter of that year. What is you view on your true earning power for the first quarter of this year?*

A. On close examination of one-off events and the like, we consider the effective figure to be somewhat around ¥30 billion.

Q. *That would indicate that you have increased your true earning power compared to the fourth quarter of the previous fiscal year. What are the main reasons for this?*

A. The previous quarter (January – March 2009) was indeed a period where destocking occurred at an unprecedented level. In addition, we achieved some savings in SG&A costs this quarter.

Q. *Do you think that the economic environment has improved to the point that we can anticipate true earning power of ¥30 billion or more in the second quarter and beyond?*

A. It is hard to tell at this point in time. Risk factors are market risk related and potential renewed downward pressure on the global economy. The former can be broken down further into three elements, i.e. foreign exchange, commodity prices, and equity market. We feel that the impact of foreign exchange will not be substantial while that related to commodity prices may boost earnings if energy and copper prices continue to rise. In regards to equity market, it is difficult to predict what may happen as you are aware, our rule on recognizing impairments and write-down on listed securities states that we recognize losses if there is a 30% or more decline in the fair market value of a security or the duration of the decline in market exceeds 9 consecutive months. The real economy now seems to be rebounding from crisis mode, and the big question is whether this will lead to a full-scale economic recovery. The answer, of course, will probably have a substantial impact on our earnings.

Q. *Chemical and Machinery & Infrastructure appear to be ahead of schedule. Can you explain us what are the reasons for their solid performance?*

A. First of all, both of these segments were helped by the reversal of deferred tax liabilities. In the Chemical segment, we are still a long way from a real recovery, and prices of some products including ammonia and methanol continued to soften. Similarly, in Machinery & Infrastructure Projects, the Infrastructure Projects and Marine & Aerospace business units have been generating solid results, but the environment remains tough for our Motor Vehicles Business Unit. Moreover, our first quarter net income in Machinery & Infrastructure Projects included a sizable impact related to the reversal of deferred tax liabilities as well as a mark-to-market valuation gain on a long-term swap agreement at an overseas power generating operation, so we do not expect full-year net income to be four times net income for the first quarter.

Q. *Likewise, first quarter net income in Energy is well beyond the necessary level for achieving your full-year targets in that segment, and this also makes me wonder if your guidance was conservative.*

A. Energy too has benefited from the deferred tax liability reversal, but another factor is our $49 per barrel price assumption for crude oil. If the price remains around its current level, results in that segment may exceed our target.

Q. *My question is somewhat similar. What is your interpretation of the proportion of your full-year targets achieved in the first quarter in Mineral & Metal Resources? Also, what is your latest outlook for equity production volumes?*

A. The contribution from the deferred tax liability reversal was larger here than in any other segment, and without it first-quarter earnings would have been pretty much in line with our target. As for iron ore shipment tonnages, much depends on what happens in China, but on a global basis it nonetheless remains true that crude steel production is down sharply in Japan, North America and Europe, and that prospects for a recovery within the year are uncertain. We thus continue to expect our equity tonnage to decline from the previous year.

Q. *Can I assume that Food & Retail will perform strongly throughout the entire year?*

A. Our corn and raw sugar businesses, among others, are performing favorably, and our domestic wholesaling business, our overseas edible oil business for the institutional market, and others are also delivering solid results.

Q. *First-quarter results suggest that the earnings situation for the Americas continues to be tough. What is your view on how this segment will perform for the remainder of the year?*

A. The situation is very challenging— and we cannot even say that it has bottomed out. We see no sign of an upturn in the automotive or housing industries, the anticipated drivers of any recovery. With regards to our Group, Steel Technologies has been making every effort to save costs, but the situation at the company remains tough. While we have seen some signs of improvement in various housing-related indices, and it does seem that the pace of decline is slowing, we still have no idea when business will get back on track. About the only entity that continues to do well in the Americas is Novus, which manufactures and sells feed additives.

Q. *What iron ore prices did you use in your first quarter earnings figures? Will there be any retroactive adjustments once price negotiations with Chinese steel mills have been done?*

A. For Australian iron ore, we have used the prices that have already been agreed between major iron ore suppliers and steel mills in Japan, South Korea, Taiwan and Europe. Negotiations with Chinese steel mills are still underway, but as long as the prices are not set at lower levels, there will be no need for adjustments.

Ends