

**Presentation on Motor Vehicles Business Unit - Q&A Session**

1. Time: November 20, 2008 15:30~17:00

2. Place: Mitsui Co., Ltd., Headquarters

3. Speakers:

Shigeru Hanagata, Managing Officer,  
Chief Operating Officer, Motor Vehicles Business Unit

Ichizo Kobayashi, Operating Officer, Motor Vehicles Business Unit

Toshiaki Urashima, General Manager, Planning & Administrative Division

Katsurao Yoshimori, General Manager of Investor Relations Division

4. Questions and Answers :

Q With reference to the net income distribution matrix on slide 8, what kind of distribution would you expect to see if the automotive industry returned to what it should be under normal economic conditions and your expected portfolio is realized?

A We expect that the proportion of net income from downstream activities in emerging markets would increase.

Q You have taken large impairment losses on major investments such as Asahi Tec Corporation and Yamaha Motors Co.. you invested in for the strategic business development purposes. What is your assessment of the outcome of these investments?

A With Asahi Tec, we did not participate in an additional capital raising to strengthen the financial fundamentals of Metaldyne. However, we would like to contribute to lifting its corporate value, for example, by supporting parts manufacturing and supply operations in India and China.

With Yamaha Motor, we have established strategic collaboration meetings between Mitsui and Yamaha, and are engaging in diverse ways with Yamaha even outside the Motor Vehicles Business Unit in raw materials, assembly parts distribution, next-generation mobility development and other areas. Other examples include the lateral expansion into India of the successful BAF business model we have had such success with in Indonesia.

Q Your strategy in downstream areas such as dealerships and retail finance seems to be similar to others in the industry. Where are your points of distinctive advantage and competitiveness?

A In our dealer operations to date we have focused on a point-by-point engagement typified by our development in Peru and Chile, where we expanded our dealership

operations in regions where we were developing Toyota car distribution. Because there is a limit to this kind of development, in future we intend to expand our business from PAG business model as a core center of the operation, making use of that company's expertise.

Q *Looking ahead to a time when the automotive industry appears to be heading for a recovery, at what point in time and in what way would you again accelerate operation, as it were? What kind of signs will you be watching to assess timing ?*

A First, we think the most important aspect of preparing for an eventual recovery is to ensure that our existing business is managed to ensure sustainable ongoing operations, by steadily taking the basic steps to create a slim business with low inventories, low outstanding receivables, managed foreign exchange rate risk and so on. In the retail finance business the most important factor is to maintain liquidity, so we are closely monitoring each business to ensure that assets do not increase without proper control.

Second, there is potential for the emergence of new businesses, such as car sharing, and new business models, and there is also potential for new technologies, such as hybrid, fuel cells and so on. As a *sogo shosha*, general trading company, we want to seize these kinds of opportunities as they arise. We also see the potential for an acceleration of restructuring in the automotive industry in response to environmental issues and new technologies, so we will be watching developments in this respect.

Q *What are the strengths of Penske Automotive Group (PAG)?*

A PAG is characterized by its experience and knowledge of managing dealerships across multiple brands in an extensive dealership network. In automotive retail, it is common for each automaker to set its own methods and standards to manage their franchise network. At times such standards do not always align with the profitability of the dealer(s).

PAG is very skilful at integrating the aims of its dealers and automakers, and its unique knowledge, capabilities and methods enable a form of business development that single-brand dealers cannot replicate.

Q *Mitsui has a lot of Toyota-related business. How do you manage the division of business domains with Toyota Tsusho Corporation?*

A Historically, our engagement with Toyota has been focusing mainly in South America,

while Toyota Tsusho has prioritized Russia and China. We have no intention of engaging in competition targeting Toyota Tsusho.

Q *Your strategy is to expand your downstream operations. Can you provide current dealer vehicle sales volumes by area and future sales volume targets?*

A **【Additional information after the Q&A session】**

Excluding PAG, vehicles sales volumes are around 10,000 units in the Americas, 10,000 units in Europe, and 20,000 units in Asia. We envisage approximately doubling these numbers.

Q *What kind of impact did the financial turmoil intensified in September have on the performance outlook for PAG and BAF?*

A PAG's results through the third quarter have been announced, with new vehicle sales of 140,000 units and used vehicle sales of 80,000 units. The slowdown in the third quarter counteracted increased earnings in the first and second quarters, and on a cumulative nine-month basis net income was maintained at the level of the previous year. PAG was the only company among its industry peers to achieve this. We can see from the results being released by other competing dealer groups in the industry that PAG is performing.

With BAF, the outlook was to greatly exceed the forecast at the start of the period of overall demand in Indonesia of 5.8 million units with Yamaha sales of 2.6 million units. However, the financial crisis has brought overall demand back to initially estimated levels, and we are currently working with Yamaha to estimate future sales.

Q *What are your thoughts on the potential for further downside risk?*

A One aspect of the retail financing business is that the capacity to procure funding dictates the scale of assets and hence the scale of business. In terms of downside risk, consumer sentiment in Indonesia is being impacted by a worsening of the palm oil and gum plantation markets, and with a weaker consumption trend in the island region—which has been the prime driver of growth—we are watching sales trends for both financed and cash purchases.

Q *In your presentation you explained that you are not actively developing your operations in the Middle East and Africa. Can you provide some background to this?*

A In the Middle East and Africa we have in some cases withdrawn from businesses importing fully built-up vehicles. We are currently focusing on regions where we have historic and well-established links, and in consideration of our limited resources we

do not envision deciding to actively pursue further business in the Middle East and African regions at this point.

Q *You made an investment in PAG amounting to a scale of \$100 million. In your analysis, how has your participation in the company as a shareholder contributed to the enterprise value of PAG? Further, as my personal impression, expanding the business model of the import brand car dealership in the developed countries toward emerging markets seems not to make sense . Why is this?*

A PAG's multi-brand, multi-dealer network model is a particular strength, and there are countries such as Russia that would be highly suitable for such a model. Expanding in emerging markets is certainly a challenge for PAG itself, but PAG has expressed an interest in exploring entry into these markets, and with Mitsui involved to support the success of such a venture, the respective representatives of both companies are discussing matters closely to move things along.

Q *The auto industry is currently in a severe situation, and with the sale of Mazda shares and other evidence of industry restructuring taking place, are you considering options to increase your exposure to the sector?*

A Although a business unit cannot make these kinds of decisions in isolation, we will certainly consider any opportunities that arise, keeping in mind the overall Mitsui aims of controlling the size of the balance sheet and achieving positive free cash flow.

Q *I imagine that in the next fiscal year some businesses may be loss-making. In what domains and regions do you think this is most likely to occur?*

A The most severe region right now is the Americas, but we think that other regions may also show a worsening in the next fiscal year, including the impact of exchange rates. As we explained earlier, we are taking steps to ensure that our operations are streamlined for the next fiscal year, so at this stage we are forecasting no specific loss-making operation in particular regions nor at affiliated companies.

Q *I expect that distributors will start to feel some impact from exchange rates. What kind of impact do you envisage?*

A At consolidated subsidiaries we in principle hedge currency exchange rate risk with the aim of managing any extreme impacts. There is a certain aspect that cannot be covered by foreign exchange contracts, but this is the same regardless of whether you are a trading company, a distributor or an automaker, so it is something we just have to work our way through, based on previous experience.

Q *If you pursue more retail financing business it makes it harder to achieve positive free cash flow. What is the position of the Business Unit with regard to cash flow?*

A The business unit undertakes detailed analysis of investment cash flow and working capital. With retail finance, the required capital tends to increase in line with the growth and expansion of the business, but the Business Unit keeps monitoring operations with the aim of achieving positive cash flow at some point in time.

ENDS