

## **Q&A at Investor Meeting of Financial Results for the**

### **Three Months Ended June 2011**

Presentation Date: August 2, 2011

Presenters:

Ryoichi Ueda: Senior Executive Vice President, Chief Financial Officer

Shuma Uchino: Senior Vice President, General Manager, Corporate Accounting Department

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#### **[Questions and Answers]**

##### **(1) Financial Results for the Three Months Ended June 2011**

###### **Q. What was the impact of the Great East Japan Earthquake?**

A. Initially, we factored in an impact of the disaster in the automobile business and chemical products field. However, the extent of the drop wasn't as great as expected. We also expect only a minor impact on our financial results from the second quarter onwards.

###### **Q. The Energy Business Group recorded a 3.8 billion yen year-on-year increase in consolidated net income. What were the reasons for this increase?**

A. Crude oil prices, transaction volumes and dividend income contributed an additional amount of approximately 9.0 billion yen, while contributions from Astomos Energy Corporation were up 2.9 billion yen. These factors

were offset in part by the absence of one-time gains recorded in the previous fiscal year, resulting in the net year-on-year increase of 3.8 billion yen.

**Q. Is it likely that the Energy Business Group will outperform its full-year forecast?**

A. First-quarter consolidated net income represented a high achievement rate of around one-third of the business group's full-year forecast. This is because dividend income isn't received in the same amount every quarter, so the achievement rate changes depending on the timing of dividends. Accordingly, for the full year, we think there is only a small chance that the group will significantly exceed its full-year forecast.

**Q. Please explain the change in earnings at Mitsubishi Development Pty Ltd (MDP).**

A. MDP's net income declined by 4.0 billion yen compared with the first three months of the year ended March 2011. While sales volumes and prices jointly contributed additional earnings of approximately 17.0 billion yen, this was outweighed by an approximate 21.0 billion yen increase in the negative impact of foreign currency fluctuations and costs. Sales volumes declined from the corresponding period of the previous fiscal year, due in part to the impact of heavy rains in Australia and other factors. However, production has returned to around 80% to 90% of capacity and MDP should be operating at full production capacity by the end of the year.

Around two-thirds of the Metals Group's full-year net income forecast is expected to come from MDP. We think that it has been a smooth start to the year.

**Q. Did prices of some coking coal shipments carried over from the fourth quarter of the previous fiscal year apply in the first quarter of the year ending March 2012? What are inventory levels like at present?**

A. Due to non-disclosure agreements with customers, we cannot comment on prices. We also cannot supply details of inventory levels, but we can say that we are managing operations to maintain inventories at a suitable level.

**Q. You said earlier when comparing MDP's earnings with the first three months of the previous fiscal year that forex and cost factors had an approximate 21.0 billion yen negative impact on net income. Was this impact within your assumed range? What is your outlook for costs going forward taking into account the impact of draining water following the heavy rains and the strikes?**

A. The impact of the heavy rains, which was one of the main reasons for higher production costs, has already been factored into the full-year forecast. We cannot answer your question regarding the strikes, because negotiations are taking place at present.

**Q. Please discuss operating results from copper projects in the first quarter of the current fiscal year, and the outlook.**

A. Dividend income declined in the first three months of the year ending March 2012, because of the impact of investments to expand operations at Escondida and Antamina. Earnings declined at Los Pelambres because of a one-off tax payment. However, underlying copper prices are firm, so while earnings will depend to a certain extent on spot price movements, we expect them to be in line with our initial forecasts.

**Q. What has been the impact of the copper mine strikes?**

A. We cannot answer your question regarding the strike, because we do not want to affect ongoing negotiations.

**Q. The price of aluminum is higher than you assumed. Does this mean that your results will also be higher than expected?**

A. At this point, we may outperform our expectations.

**Q. Please comment on sales at present in your Asian automobile operations (in Indonesia and Thailand).**

A. Demand in Indonesia was largely the same as the previous fiscal year. PT. Krama Yudha Tiga Berlian Motors (KTB) sales volumes were up year on year. Excluding some vehicle types, the impact of the Great East Japan Earthquake was less than initially expected. Demand in Thailand is slightly up year on year. Tri Petch Isuzu Sales Co., Ltd. (TIS) sales volumes are also higher year on year, but exports are down. At this point, we haven't revised our full-year outlook, because of uncertain factors such as movements in emerging market currencies against the Japanese yen.

**Q. What were the reasons for the high achievement rate in the Chemicals Group in the first quarter relative to the full year consolidated net income forecast? Is it possible you will raise your forecast?**

A. SPDC Ltd. and Metanol de Oriente, METOR, S.A. (METOR) turned in strong performances in the basic chemicals field. However, market prices have softened in general since the beginning of June and with the outlook unclear, we have not revised our full-year forecast at present.

## **(2) Investment Related**

**Q. Please comment on progress at the Jack Hills project.**

A. Plans call for the final investment decision at this project to be made in the first quarter of 2012, and for iron ore shipments to commence in the first quarter of 2015. We will decide whether to proceed with this project after closely studying its feasibility and whether the scale of investment required is within our equity capacity.

**Q. Assuming you don't make the progress you expect with your investment plan, will you revisit your capital structure policy in terms of dividends and other aspects?**

A. We are steadily building up our investments. We have invested in expansion at MDP, a shale gas project, a meat business in China, and acquired certain operations of Premier Foods plc in the U.K. While we have not made cash outlays, there are also projects that are under consideration, so we expect to steadily make investments during the three-year period of our current medium-term management plan. Depending on progress with our investment plan, we may consider raising the dividend and buying back shares as options for our capital structure policy in the next medium-term management plan.

**Q. Why have you invested at a slower pace than expected?**

A. Before we could make a final investment decision on the Donggi-Senoro LNG Project, we needed time for various matters such as negotiations with the Indonesian government, inviting Korea Gas Corporation to take part, and acquiring upstream working interests in Senoro-Toili. At Jack Hills as well, we are closely studying risks and returns from various angles. The bigger the project, the more we are creating solid frameworks before making investment decisions, such as in shale gas, where we are selecting partners for LNG conversion in the future. While we may be taking a little longer to invest, we want to ensure we make investments we are comfortable with as a company.

**Q. Do you have sufficient financial resources and human resources to continue investing at the level set out in your medium-term management plan?**

A. Investment plans were thoroughly discussed with each business group at Business Strategy Meetings held in March this year before they were decided. We, therefore, expect to be able to execute those investment plans smoothly.

**(3) Other**

**Q. Can't you hold investor meetings on the same day as you announce your financial results?**

A. We are considering doing that.