Q&A at Investor Meeting of Financial Results for the Three Months Ended June 2014

Presentation Date: August 7, 2014 (Thursday) 16:00 to 17:30

Presenters:

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[Questions and Answers]

(1)Financial Results for the Three Months Ended June 2014

Q. What gains and losses resulted from one-off factors in the three months ended June 2014 and the three months ended June 2013 on an IFRS basis?

A. In the three months ended June 2014, one-off factors produced a gain of 4.3 billion yen. In the three months ended June 2013, one-off factors on an IFRS basis produced a gain of 11.0 billion yen and a loss of 0.4 billion yen, resulting in a net gain of 10.6 billion yen.

Q. What was the impact of timing differences in dividend income from the LNG business?

A. Timing differences in dividend income from the LNG business had an impact of around 20.0 billion yen on a pre-tax basis.

Q. Could you please provide details on operating cash flow and working capital requirements, as well as your full-year outlook for free cash flow?

A. Operating activities provided only a small amount of net cash, despite cash inflows from operating transactions and dividend income. The main reasons were cash outflows to pay income taxes and make a lump-sum payment of consumption tax on imports, as well as to meet working capital requirements such as an increase in inventories at subsidiaries. In the year ending March 2015, free cash flow is projected to break even. That said, this outlook is uncertain in some respects because it includes factors such as working capital requirements.

Q. What factors were behind earnings growth in the fund investment-related business?

A. Earnings rose approximately 6.5 billion yen year on year, mainly due to contributions from private equity funds and real estate funds.

Q. Could you please comment on the Machinery Group’s performance?

A. The primary reason for the Machinery Group’s strong achievement rate against forecast was that the downturn in our automobile operations in Thailand was smaller than initially anticipated. Overall, the entire Machinery Group is performing well.

Q. What were the reasons for the strong performance by the Living Essentials Group?

A. The strong performance was mainly due to higher earnings in the livestock-related business on the back of surging meat prices.

(2) IFRS-related

Q. What are the components of “Others (adjustments for timing differences, etc.)” of the +21.8 billion yen shown on “Restatement of Results for the Three Months Ended June 2014 [IFRS]” on slide 8 of the presentation material?

A. “Others” reflects adjustments for timing differences mainly related to earnings of an investment company in the Sakhalin II project.

Q. What are the differences between each business group’s IFRS and U.S. GAAP net income for the three months ended June 2013?

A. In the Energy Business Group, IFRS net income was around 12.0 billion yen higher than U.S. GAAP net income mainly due to adjustments for timing differences in dividend income from the LNG business. In the Machinery Group, IFRS net income was around 9.0 billion yen higher due to gains associated with the valuation of asset holdings. In the Metals Group, IFRS net income was around 5.0 billion yen lower mainly on account of tax adjustments.

(3)Investment Plans and Portfolio Reshaping

Q. Could you please comment on your progress with portfolio reshaping and your forecast for the year ending March 2015?

A. Portfolio reshaping totaled approximately 120.0 billion yen in the three months ended June 2014. As explained in New Strategic Direction, we are projecting portfolio reshaping of around 500.0 billion yen on average every year. Therefore, portfolio reshaping is progressing largely as planned.

Q. Could you please give details on profit or loss on asset sales?

A. We posted profit of approximately 5.0 billion yen on asset sales.

Q. What were the components of portfolio reshaping?

A. The main component of the asset sales of 70.0 billion yen was aircraft, with the rest comprising small asset sales.

(4) Individual Projects

Q. What factors were responsible for the year-on-year changes in earnings in the coking coal business (MDP)?

A. Price and sales volume factors brought down earnings by approximately 22.4 billion yen, while exchange rate and cost factors had an approximate 11.2 billion yen positive impact, resulting in a net decrease of 11.2 billion yen year on year.

Q. What is your outlook for MDP's performance in the year ending March 2015?

A. Although we are continuously implementing measures to cut costs, boost productivity and so on, market conditions have been slow to recover. Therefore, we will have to keep a close eye on conditions going forward.

Q. What is the status of progress on shale gas development projects?

A. The shale gas business has yet to make a contribution to earnings.

Q. How does production volume in the copper business stand at present and what is your dividend outlook?

A. Production volume at Anglo American Sur in Chile could decrease slightly in the second half of the year. We could also see some variability in the timing of recording dividends depending on the status of projects.