

**Q&A at Investor Meeting (Net Conference) of Financial Results
for the Nine Months Ended December 2014**

Presentation Date: February 4, 2015 (Wednesday) 17:00 to 18:00

Presenters:

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[Questions and Answers]

(1) Financial Results for the Nine Months Ended December 2014

Q. What gains and losses, including impairment losses, resulted from one-off factors in the nine months ended December 2014?

A. One-off factors accounted for a gain of 18.6 billion yen, and a loss of 51.5 billion yen (including impairment losses of 35.0 billion yen in two energy projects), resulting in a net loss of 32.9 billion yen.

Q. For the fourth quarter of the year ending March 2015, are you expecting any negative factors, such as impairment losses, in the Energy Business Group or the resource field of the Metals Group?

A. As every year, we will review all asset valuations as we head toward the fiscal year-end. Taking into account current resource prices in metals and energy resource-related business, we may incur impairment losses of around 30 billion yen in the fourth quarter.

Q. You have maintained your net income forecast of 400 billion yen for the year ending March 2015. However, excluding the reversal of the impairment losses recognized in prior fiscal years on Lawson and other companies, should we assume that your actual earnings capacity was a net income of around 340 billion yen? What are your prospects for achieving the full-year net income forecast of 400.0 billion yen?

A.

- Looking at one-off factors in the year ending March 2015, impairment losses of around 60 to 70 billion yen will be largely offset by gains of around 68 billion yen on reversal of impairment losses recognized in prior fiscal years.

- Initially, we did not anticipate the reversal of impairment losses on Lawson and other companies. However, the stock prices of these companies have consistently remained above the level that would by accounting rules require a reversal of impairment losses, which has led to the originally unexpected result of these reversal gains. Meanwhile, we did not anticipate negative factors such as the recording of impairment losses and falling crude oil prices, either. Offsetting positive against negative factors, we find that our actual earnings capacity for the year ending March 2015 is around 400 billion yen.
- We are highly likely to achieve our net income forecast of 400 billion yen for the year ending March 2015.

(2) Forecasts for the Year Ending March 2016

Q. Please explain in detail the “Factors to be Considered in the Earnings Forecasts for the year ending March 2016”? (Investor Meeting Presentation Materials, P.11)

A.

- We consider resource prices and other market conditions to have a relatively large negative impact on earnings compared to the positive impact of foreign exchange rates.
- In addition to a positive impact by the rebound of impairment losses on resource-related projects, we expect earnings to improve based on cost-cutting measurements in the coking coal business (MDP).

Q. The external environment is being reshaped primarily by falling resource prices. Could you please elaborate on the cash flow outlook for the year ending March 2016? Please also explain your approach to investment, dividend policy and other such matters under the “New Strategic Direction.”

A.

- We now expect to see positive free cash flow on a full-year basis for the year ending March 2015, like in the previous fiscal year. However, cash flows are difficult to forecast in some respects because working capital requirements and other factors must be taken into account.
- From now until the current fiscal year-end, we will review our business strategies, including our earnings outlook and investment plans for 2015 and beyond. As a result, and in light of our improving cash position, we will examine whether to sustain our current investments, to optimize our capital structure, and other matters, based on a comprehensive review for the whole company.

Q. In reaction to the decline in resource prices, overseas companies are tending to reduce investment and dividends and curtail share buybacks, among other actions. For the past two years, MC's cash position has remained stronger than planned. Is it correct to assume MC has no potential concerns about reducing investments or dividends?

A. Despite current falling resource prices, we are implementing our resource investment strategy from a medium-to-long term perspective, and our basic approach remains unchanged. Nevertheless our development and expansion schedules might be slightly postponed as a result of prevailing resource price conditions.

Q. You are projecting impairment losses of around 65 billion yen in the resources field in the year ending March 2015. To what extent will these impairment losses lead to cost savings in the year ending March 2016 and beyond?

A. Although it will depend on the substance of the impairment losses, a reduction in the carrying amount of property and equipment will produce savings by reducing depreciation and amortization after the impairment losses will have been recognized. However, we believe the impact on profit and loss will be limited.

(3) Investment Plans and Portfolio Reshaping

Q. What is your outlook for asset sales?

A.

- Following on from the previous fiscal year, asset sales in the year ending March 2015 remain largely in line with assumptions of the New Strategic Direction.
- In the year ending March 2016, we expect the extent of investments and portfolio reshaping to remain mostly unchanged from our initial plans.

(4) IFRS-related

Q. Under IFRS, is it correct to assume that market price fluctuations in the stocks of listed affiliated companies held by MC will be reflected in earnings?

A.

- Under IFRS, the unrealized gains and losses on investments in ordinary investees (companies excluded from the scope of consolidation) are not recorded on the profit and loss statement.
- Listed affiliated companies are being revaluated for impairment losses etc. not only based on stock prices, but in light of their appropriate current value based on consideration of

various factors. Impairment losses will be recorded if stock prices reflect the actual conditions. Conversely, impairment losses will not be recorded if stock prices do not reflect the actual conditions.

Q. Does IFRS provide any clear guidelines on recording a gain on reversal of impairment losses recognized in past fiscal years?

A.

- Japanese GAAP stipulates clear conditions requiring the recording of impairment losses (e.g. a decline of more than 50% in market value from the book value, etc.)

On the other hand, IFRS does not necessarily define clear rules related to impairment losses and reversals thereof. For this reason, mark-to-market accounting is more complex under IFRS. (It is not clear whether the decision is to be based on the current stock price, future earnings, or discounted cash flow, etc.)

- We did not decide on the reversal of impairment losses recognized on Lawson shares based solely on short-term stock price movements over the past few months. We have come to plan to reverse the impairment losses partly in response to suggestions raised by our independent auditor, taking into account a comprehensive range of factors, including a longer stock price history on a level above the book value preceding the recognition of impairment losses.

(5) Individual businesses

Q. What were the reasons for the changes in the coking coal business (MDP) earnings?

A.

- In the third quarter (three-month period) of the year ending March 2015, MDP reported net income of 3.1 billion yen, an increase of 12 billion yen from the net loss reported in the same period last year.
- The main reasons for the improved net income were a better-than-anticipated improvement in production costs owing to cost-cutting measures and higher production volume after production began at Caval Ridge mine in June 2014, along with the positive impact of the depreciation of the Australian dollar against the U.S. dollar.

Q. Were the personnel reduction costs in the coking coal business (MDP) recorded in the nine months ended December 31, 2014?

A. We still expect to incur some personnel reduction costs going forward.

Q. What is your outlook for the coking coal business (MDP) in the fourth quarter (three-month period) of the year ending March 2015?

A. We have set a more conservative outlook for the fourth quarter than the third quarter performance, based on expectations of lower production volume as we usually enter the wet season in this period.

Q. Under the same external environment, what is the background of the differences in timing between the impairment losses in the energy resources field that have been recorded in the third quarter and that you expect to incur in the fourth quarter?

A. A variety of factors must be taken into account when deciding to record impairment losses. This decision involves consideration of events such as changes in development plans and asset sales by partners that could cause changes in the market value of a project. Alternatively, we may voluntarily decide as we monitor market conditions. Because these events and other factors differ depending on each project, the timing of recording impairment losses is also different.

Q. How did the Asian automobile operations perform on a quarter-on-quarter basis?

A. Performance in Asian automobile operations in the third quarter was mostly unchanged from the second quarter of the current fiscal year.