

## Q&A at Investor Meeting

### Financial Results for the Nine Months Ended December 2015

Presentation Date: February 2, 2016 (Tuesday) 16:00 to 17:00

Presenters:

Shuma Uchino: Executive Vice President, Chief Financial Officer

Kazuyuki Masu: Senior Vice President, General Manager, Corporate Accounting Dept.

Hiroshi Takehisa: General Manager, Investor Relations Dept.

#### [Questions and Answers]

##### (1) Shareholder Returns

**Q. What are your thoughts on shareholder returns (dividends, share buybacks) for the current fiscal year?**

- A. ● In line with the dividend formula in New Strategic Direction, we will maintain a base dividend of 50 yen for the current fiscal year, regardless of operating performance.
- As in the past, we will make decisions on share buybacks after examining in detail year-end cash flow, profit levels, and future investment plans.

##### (2) Performance/Management

**Q. What is your outlook for free cash flow for the full fiscal year?**

- A. ● Free cash flow is difficult to predict, as it incorporates working capital requirements and other factors, but as we are planning no large-scale investments during the fourth quarter at the moment, free cash flow for the full fiscal year may improve compared to our third quarter result.

**Q. As you perform more detailed valuations of assets moving toward year-end, what are your expectations with regard to resource prices and impairments?**

- A. ● Resource prices are particularly low at present. However we will review medium to long term resource prices, taking into account such factors as supply and demand conditions.
- We are in the process of carefully examining our assets, including such core resource assets as LNG, coking coal, and copper. Based on the results of this examination, we will report such information promptly if we judge it to be necessary.

**Q. What are your views on resource supply and demand trends going forward?**

- A. ● China consumes around half of the metal resources, so we do not expect the situation in this area to improve unless China recovers. Regarding crude oil, technological innovation has resulted in the situation that shale gas is acting as an

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adjusting valve to curtail increases in oil prices.

- As a result, we do not expect resource prices to recover quickly or dramatically.

**Q. What will be the growth businesses in your next medium-term management plan?**

- A.
- In the resource field, there are projects scheduled to commence production around 2018. As resource prices are assumed to recover, we expect these projects will be able to drive earnings growth.
  - In the non-resource field, centered on the large-scale investments we have made in the Living Essentials Group, we plan to further refine our strategies by integrating these investments into our value chains.

**Q. Next fiscal year, do you plan to engage in the same level of hybrid bond/loan funding as in the current fiscal year?**

- A.
- We believe that continuing this sort of issuance is meaningful from the perspective of diversifying our funding methods and cultivating new funding markets. We will consider this as one of the effective funding methods underpinning our financial soundness and study this possibility next fiscal year, too.

**Q. What are your plans for new investments and portfolio reshaping this fiscal year?**

- A.
- As is outlined in New Strategic Direction, we are planning a scale of new investment in line with that during the period of our previous medium-term plan (annual average of around 800 billion yen). However, as we made a large-scale investment in the first half of the current fiscal year, our level of investment for the full fiscal year will probably be slightly higher than that level.
  - We are also planning an annual average amount of around 500 billion yen for portfolio reshaping. We expect to be around that level this fiscal year, as well.

### **(3) Individual Items**

**Q. With resource prices falling, are there any businesses in which cash flow is sluggish?**

- A.
- In principle, as our assets are in the top third of the cost curve, we do not have any businesses in which cash flow is sluggish.

**Q. How firmly in place are customers for the LNG projects for which production is scheduled to commence going forward?**

- A.
- Customers are essentially in place.

**Q. Is there any plan to reduce production in the coking coal business (MDP)?**

A. ● Currently we do not intend to reduce production.

**Q. The coking coal business (MDP) is expected to operate in the red for the second consecutive year. What are its future prospects?**

A. ● If the current difficult market conditions persist at their present level, the background for which is, among other factors, a fall in demand due to the deceleration in the Chinese economy, we expect that although thanks to initiatives in cost reduction and productivity improvement the extent of losses will decrease in the fourth quarter, it will be difficult for the business to instantly move into the black.

● At the same time, the impact of cost-reducing and productivity-increasing measures at existing mining operations are becoming visible, and while the severe market conditions persist for longer than assumed, we intend to maximize asset value by further initiatives to reduce cost and lift productivity.

**Q. What is the background for worsening operating performance at Anglo American Sur (AAS)?**

A. ● This is mainly due to the decline in copper prices.

**Q. What is the background for worsening operating performance at MetalOne?**

A. ● The operating environment is difficult, as international market prices are down due to a high level of exports from China, caused by lackluster internal demand in that country.

**Q. What is the background for worsening operating performance in the Machinery Group from the first half through the third quarter?**

A. ● This is mainly a result of worsening markets in the ship business.

**Q. What is the background for worsening operating performance in the salmon farming business and what are its future prospects?**

A. ● Worsening performance is due to sluggish market prices in the United States.

● There will be a continuing impact by short-term volatility in market prices. However we expect this business to generate full-year equity earnings of around 15 billion yen to 20 billion yen over the medium to long term, thanks to the future increase of demand from emerging markets, the solid improvement of productivity, the creation of synergies with our existing salmon business, and the expansion of sales through the use of our value chain, etc.