

**Q&A at Investor Meeting**  
**Financial Results for the Year Ended March 2016**  
**and Midterm Corporate Strategy 2018**

Presentation Date: May 12, 2016 (Thursday) 10:00 to 11:30

Presenters:

- Takehiko Kakiuchi: President and Chief Executive Officer  
Kazuyuki Masu: Executive Vice President, Chief Financial Officer  
Yoshifumi Hachiya: General Manager, Corporate Accounting Department  
Hiroshi Takehisa: General Manager, Investor Relations Department

**[Questions and Answers]**

**Q. What are the key points of Midterm Corporate Strategy 2018?**

- A. ● There are two points in terms of responding to pressing issues: “rebalancing resources and non-resources” and “cash-flow-focused management”. These efforts will enable us to respond to extended periods of sluggish market prices for resources and sudden economic fluctuations, as well as to reform the management platform to ensure stable business continuity.
- We will then address two further points for our growth: “shifting from investing to managing” and “lifecycle-based portfolio re-profiling”. Making “the shift from investing to managing” is a particularly important theme of this midterm plan. We will evolve from the concept of finding a source of our growth in “investing” to a growth concept to generate our own value based on our management capabilities by closely involved in businesses. Through “management” in this way, we will build the business foundations that will promote further growth-driven evolution.

**Q. What are your thoughts on ROE?**

- A. ● As an operating company that conducts business with the funds provided by its shareholders, we recognize the importance of ensuring a certain level of return on the equity.
- By around 2020, we aim to generate approximately 350 billion yen of profit in the non-resources field by growing the business. In addition, by calculating a forecast range of resource values based on analyses by external institutions, we anticipate an upside potential in the resources field of around 300 billion yen. These figures would result in ROE of 10% or more and net income of 650 billion.

**Q. How are you promoting “lifecycle-based” portfolio re-profiling?**

- A. ● In each business domain, we will plot the business life cycle against what functions we can provide ourselves in that business.
- We will transition out of businesses with mature life cycles or businesses which we cannot provide our own functions any more.

**Q. How will you cultivate human resources as you evolve the business model from investing to managing?**

- A. ● Providing numerous opportunities to gain actual experience is key to cultivating these human resources, so we will create regular opportunities to grow at as early a stage as possible.

**Q. Does evolving the business model from investing to managing mean that you will withdraw from trading and minor investment projects that do not fall within this new model?**

- A. ● Evolving to a managing-based business model will require some time, and will have to be achieved in stages for some businesses. This transformation cannot occur everywhere overnight.
- Business management of a trading company is also a key mission, so cultivating people in the trading business is also important.

**Q. What sectors can be expected to grow as you evolve the business model from investing to managing?**

- A. ● Such sectors as food raw materials, life-sciences, consumer goods manufacturing, retail, motor vehicles, power generation, and real estate development and asset management spring to mind. We will actively pursue business opportunities in domains where we can put our own functions to use.

**Q. What is the background for your introduction of a progressive dividend scheme? Will this policy apply only to the period of the new midterm plan?**

- A.
- In the medium term, as long as our assets are the source of our competitiveness a temporary decline in profitability will not damage corporate value. We have the ability to generate stable cash flows, so the current midterm plan targets a progressive dividend scheme in line with sustainable growth. Basically, our policy is to not reduce dividends.
  - We will implement this dividend policy over the next three years, and we plan to decide our policy at that point. If this policy proceeds as planned, we are prepared to continue it even after the current midterm plan.

**Q. What are your criteria for conducting share buybacks?**

- A.
- We have no specific criteria at this point.
  - If we have excess cash over a certain period, we see share buybacks as one choice for achieving additional shareholder returns. If our share price falls significantly, we would see share buybacks as a more urgent response. As long as financial soundness is not a problem, we intend to be flexible on this decision.

**Q. What are your cash flow projections? Also, if free cash flow is significantly in the black, how will you use the cash?**

- A.
- Excluding working capital, our operating cash flow over three years is planned to be 1 trillion yen. In our image, shareholder returns are 300.0 billion yen and the remaining 700.0 billion yen is our net investment ceiling.
  - If free cash flow were to move significantly into the black, we could seek out additional investment opportunities, provide additional shareholder returns, or pay down debt. Assuming that investment opportunities are the priority for driving growth, we may pursue that option.