Q&A at Investor Meeting

Financial Results for the Six Months Ended September 2017

Presentation Date: November 7, 2017 (Tuesday), 15:00 to 16:30
Presenters:

Takehiko Kakiuchi: President and Chief Executive Officer
Kazuyuki Masu: Executive Vice President, Chief Financial Officer
Yoshifumi Hachiya: General Manager, Corporate Accounting Department
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[Questions and Answers]

(1) Performance/Management

Q. Why did you raise dividends at this timing? And why to ¥95?

A.
- Underlying earnings have risen steadily in both the Business-related sector and the Market-related sector. We are confident that we have strengthened our ability to generate earnings.
- Taking into account factors as the dividend payout ratio, we have increased the dividend to meet shareholder expectations.

Q. What is the outlook for dividend increases going forward?

A.
- To reward shareholders for holding our shares over the medium to long term, our basic stance is to raise dividends in line with sustainable profit growth in accordance with the progressive dividend policy of Midterm Corporate Strategy 2018.
- Regarding the dividend amount, we will take into account such factors as our operating performance forecast and the business environment at the time, and plan to raise dividends in line with sustainable profit growth.

Q. Do you plan any share buy-backs?

A.
- We will pursue investments mainly in growth fields where we can generate excessive returns. If surplus funds remain after investing in growth and returning profit to shareholders through dividends, we will consider share buy-backs as an option, depending on our state of investment leverage.

Q. What fields, specifically, are you targeting for investments in growth? Has this changed since announcing your midterm corporate strategy?

A.
- There have been no changes in our target fields since we announced Midterm Corporate Strategy 2018.
- We anticipate growth in such fields as food raw materials, life sciences, retail, motor vehicles, power generation, and real estate development and asset management.

- A number of candidates have also emerged in fields outside of these. When selecting such fields, we consider whether companywide initiatives can generate synergies among business segments. We also put importance to the question of whether such fields are hands-on businesses in which our own efforts will be reflected. We plan to continue reviewing target businesses as the environment changes. We will elaborate on specific fields and project details at the stage when projects are carried out.

Q. What happened to the ¥20.0 billion in increase from new investment with companywide support that you had initially forecast?

A.
- “¥20.0 billion” refers not only to new investments but also such elements as gains on the sale of asset holdings and increases in operating income.
- Our initial forecast included such earnings as companywide income (“other”) not attributed to specific business segments. Our current adjusted forecast includes them into individual business segments.

Q. Why have there not been new investments? Have you made your investment criteria more stringent?

A.
- We have introduced business profiling and continue to pursue autonomous management at the business segment level that prioritizes cash flow. This leads to the selection of investments that contribute to management of businesses in line with Midterm Corporate Strategy 2018.
- We carefully consider investments that will contribute to future growth and management of businesses, and we need to closely examine investments on this basis. We have several projects under consideration.
- We are considering a number of large-scale projects that we cannot disclose at the moment because of the counterparties involved.

Q. What is the progress of portfolio reshaping?

A.
- In the Energy Business Group, for example, we are withdrawing from projects where asset efficiency is poor. In the Metals Group, we have reached agreement to sell our rights in Australian thermal coal assets.
- We are reshaping portfolios to enhance competitiveness. This includes making additional investments to sustain production and make strong contributions to cost competitiveness.

Q. You have reached an investment leverage ratio of 31%. Has your capital allocation policy changed?

A.
- Our capital allocation policy remains unchanged. Investment leverage ratio was 31% in the first half of fiscal 2017, but this will change according to the investment progress. We forecast the ratio to reach the appropriate range of 25% to 35% by the end of fiscal 2018 which is the final year of the midterm corporate strategy.

Q. How is profitability in the business-related sector?

A.
- Our profit structure has grown more robust as a result of having expeditiously adjusted our business model and portfolio in keeping with the changing times.
- Segments in the Business-related sector, i.e. apart from the Energy Business and Metals Groups, are posting profits around 1.5 times those of fiscal 2007, when we last recorded historic highs. We aim at keeping this development of profitability.

(2) Individual Businesses

Q. Why have you revised upward your forecast for the Metals Group by ¥55.0 billion from the initial forecast of ¥195.0 billion?

A.
- Although the cyclone that struck northeastern Australia this March affected our Australian coking coal business, our concentrated recovery efforts, which included finding alternative transportation, were successful. We also incorporated increased prices of key metal resources, including coking coal.
- In addition, we incorporated the gain on sale of thermal coal mining business.

Q. How was performance at Cermaq in the six months ended September 2017?

A.
- During the six months ended September 2017, the market was up slightly year on year in the first quarter and down slightly year on year in the second quarter. Thus, average prices were generally flat compared to last year.
- Net income in the first six months (after consolidation adjustments) was ¥9.0 billion. Performance is beginning to reflect steady efforts to cut costs and reinforce sales based on our management strategy.

Q. What specific measures are being pursued since the conversion of Lawson to a subsidiary?

A.
- We are focusing specifically on: (1) overseas business, (2) enhancing product appeal, and (3) supporting the establishment of next-generation convenience stores.
- We are also stepping up our support on the human resources front, including managing personnel and professional human resources with specialized knowledge.