Q&A at Investor Meeting of
Financial Results for the Three Months Ended June 2012

Presentation Date: August 2, 2012 (Thursday) 16:00 to 17:00
Presenters:
Ryoichi Ueda: Senior Executive Vice President, Chief Financial Officer
Yasushi Okahisa: General Manager, Investor Relations Department

[Questions and Answers]

(1) Financial Results for the Three Months Ended June 2012

Q. What were the one-off factors in your first-quarter results other than write-downs of marketable securities?

A. There were no large special factors. To answer your question, one-time factors besides write-downs included insurance proceeds relating to damage sustained during the heavy rains that hit Mitsubishi Development Pty Ltd's (MDP) operations at the beginning of 2008.

Q. What were the reasons for the strong performance by the Energy Business Group? I guess you received dividends from Sakhalin II. However, will you receive those dividends in the second quarter as well? What is the dividend policy for this project?

A. We did indeed receive dividends from Sakhalin in the first quarter. We would prefer not to answer regarding the dividend policy and outlook for dividends.

Q. Looking at the consolidated net income of non-resource businesses, the Machinery Group turned in a strong performance, but the achievement rates of the Chemicals and Living Essentials groups were not that high. Given this, what is the likelihood of achieving full-year forecasts?

A. The Chemicals Group was impacted slightly by softer market prices, and the Living Essentials Group's achievement rate at the end of the first quarter was a little low due to seasonal factors. Nevertheless, at this stage we don't believe we will be far short of our full-year forecasts in both of these business groups.

Q. The first-quarter corporate tax rate was low, yet deferred tax assets didn't rise that much. Why was the tax rate lower?

A. One reason was lower tax rates in Japan and some other countries where our subsidiaries operate. The second was that non-taxable dividend income accounted for a high share of pre-tax profits. The third reason was an improvement in our tax position due to adoption of the consolidated tax filing system.

Q. What were the reasons for the large decline in operating cash flows? How do you plan to manage cash flows going forward?

A. The main reason was a decline in cash flows from operating transactions in our Australian coking coal business. In addition, cash inflows from some dividend income slid into the next quarter. Moreover, tax refunds for tax paid in the year ending March 2013 under the consolidated tax filing system won't be received until the next quarter.

Investing cash flows are proceeding in line with our 800.0 billion yen plan for the fiscal year, so we expect to come in at around the upper limit of our 2.0-2.5 trillion yen investment plan in our medium-term management plan. Regarding free cash flow, we will manage this so we are cash flow neutral over the long term.

Q. Your achievement rate against your 500.0 billion yen consolidated net income forecast was low. When do you think you will review your forecast?

A. We believe it will be very difficult for the Metals Group to achieve its full-year consolidated net income forecast due to the large drop in earnings in its Australian coking coal business. The key point is the extent to which other business groups can cover this drop. We will decide whether to revise our full-year consolidated net income forecast at the end of the second quarter, taking into consideration the status of strike action at BMA, commodity prices, the economic environment and other factors.

Q. How will your dividend policy change if you lower your full-year 500.0 billion yen forecast?

A. Our current policy is to maintain a consolidated dividend payout ratio in the range of 20-25%.

We believe it is important to reward shareholders with a stable dividend.

(2) Individual Projects

Q. Earnings fell sharply at MDP. What were the reasons?

A. Compared with the fourth quarter of the year ended March 2012, equity-method earnings dropped from 14.4 billion yen to 1.2 billion yen. Sales prices and volumes caused an approximate 5.0 billion yen drop in earnings, while foreign currency fluctuations and costs accounted for 8.0 billion yen of the drop in earnings. BMA's volumes for coking coal dropped from 4.7 million tons to 3.9 million tons. While volumes for thermal coal rose from 2.0 million tons to 2.1 million tons, the overall decrease in volume was 0.7 million tons. The increase in costs resulting from the strike action was a major negative factor, but insurance proceeds from the heavy rains in 2008 boosted earnings.

Q. What is the situation regarding operations at MDP and with strike action?

A. There have been no periodic strikes since the beginning of July 2012

and the force majeure has been lifted. However, production volume will still take some time to fully recover. We hope to restore operations before the end of the second quarter.

Q. Even if BMA restores operations to normal levels, do you think the increased supply can be sold given the weaker demand for coal?

A. The spot price of coking coal has softened a little, but demand is expected to be firm over the medium and long terms, particularly from emerging markets. Therefore, our focus is on putting in place a structure for ensuring stable supplies in the future.

Q. Would it be correct to assume that costs that had increased will decline if BMA returns to full operations?

A. Expenses for external contractors employed during the periodic strikes will gradually decline. But we cannot say at present by how much costs will decline overall.

Q. Have you received any earnings from Anglo American Sur, S.A.?

A. We did not record any dividend income in the first quarter. However, if we can consolidate this company by concluding a Shareholders' Agreement, we expect to consolidate earnings back to the first quarter.

Q. Why have earnings dropped from copper businesses?

A. We received 1.6 billion yen in dividend income in the first 3 months of the current fiscal year from the 3 existing copper businesses we have invested in, which represented a year-over-year decline of approximately 4.0 billion yen. The main reasons for the drop were lower copper prices and increased demand for funds for making investments to upgrade some businesses.