

Q&A at Investor Meeting

Financial Results for the Six Months Ended September 2015

Presentation Date: November 10, 2015 (Tuesday) 15:30 to 17:10

Presenters:

Ken Kobayashi: President and Chief Executive Officer

Shuma Uchino: Executive Vice President, Chief Financial Officer

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

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[Questions and Answers]

(1) Shareholder Returns (Share Buybacks, Dividends, etc.)

Q. Why did you decide to reduce dividends this year?

- A.
- Dividends are in line with the dividend policy stated in our current medium-term plan.
 - We have set 50 yen as our base dividend. Even in case full-year performance further declines, we will still maintain a 50 yen dividend.

Q. Do you plan to continue with share buybacks in the future?

- Under New Strategic Direction, in order to achieve the improvement in ROE that we target together with our growth vision, we do not only aim at increasing profits, but we also consider optimizing equity, which is the denominator of ROE.
- We will make this decision by taking into overall consideration such factors as our investment position and our cash position at the end of the fiscal year.

(2) Investment Plans/Portfolio Reshaping

Q. What approximate investment amount are you planning for the current fiscal year?

- A.
- The current fiscal year has seen a concentration of investments in the first half. However in line with our investment planning for the three years of the current mid-term management plan, we expect to make cumulative investments of around 2.5 trillion yen over the three years.
 - We consider the achievement of a positive cumulative free cash flow over the three years possible.

Q. Given that resource prices are low, what will be your directions for the resource business going forward?

- A. ● Our policy of continuing to make excellent investments towards our targets for around 2020 remains intact, but the external environment has changed since the time we formulated “New Strategic Direction”. Therefore, in the resource business we will look carefully at the medium- to long-term business environment and be even more selective in our investments than before. Consequently, we may revise some of the milestones for our future growth which are stated in “New Strategic Direction”.

Q. What is the status of portfolio reshaping?

- A. ● Looking at our investments in terms of scale of earnings, growth potential, strategic value, and risk/return, we have proceeded in portfolio reshaping, concentrating on non-core businesses of comparatively lower profitability. As a result, we have reduced the number of business fields from an initial 47 down to 39 at present.

Q. Efficiency on your total assets of 16 trillion yen has decreased. How are you going to increase efficiency?

- A. ● We are studying measures in order to increase asset efficiency in the resource business, which is affected by low resource prices, but also in the non-resource business, which is currently generating solid earnings.

Q. How do you aim at portfolio reshaping in resource businesses “regardless of holy cows”?

- A. ● We will revise the portfolio without making exceptions, even in our core resource business.

(3) Businesses

Q. Having revised downward your earnings forecast for the current fiscal year, are you planning to change your policies moving toward around 2020?

- A. ● Our policy of continuing to make excellent investments towards our targets for around 2020 remains intact, but the external environment has changed since the time we formulated New Strategic Direction. Therefore, in the resource business we will look carefully at the medium- to long-term business environment and be even more selective in our investments than before.
- At the same time, we are making steady progress toward our goal of doubling earnings in the non-resource business.

(4) Individual Items

Q. MDP is generating losses; are there plans to reduce production?

- A.
- In the coking coal business, we have set our target for attributable equity production at 40 million tons by around 2020. This figure is currently at 32 million tons.
 - As the company's holdings are cost competitive assets, we will continue undertaking measures to reduce costs and boost productivity, while also realizing expansion projects to maximize the value of assets.
 - MDP is facing losses also because of its burden of depreciation cost in connection with investments into development of new mines etc. However since it is continuously generating positive cash flow, a decision to reduce production is not envisaged.