

Q&A at Investor Meeting

Financial Results for the Year Ended March 2017

Presentation Date: May 11, 2017 (Thursday), 16:00 to 17:30

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 Dept.

[Questions and Answers]

(1) Performance/Management

Q. What does the managing of businesses that you aim for as president mean?

- A.
- We started out in trading, and we expanded by investing in businesses related to trading flows.
 - However, managing of businesses means that we take an even more active role in management by becoming more deeply involved with our investees. By providing the functions and strengths we possess, we will take part in business model reforms and even industry restructuring. We intend to work proactively to enhance the value of our investees.
 - To achieve this kind of managing businesses, we need to generate further value by getting involved more deeply in management and contribute to the development of these businesses by leveraging our strengths.
 - In addition, by shifting towards managing of businesses, we will be creating new cores, thereby supporting large scale growth.

Q. What is your capital allocation policy for the period of Midterm Corporate Strategy 2018?

- A.
- When we formulated the strategy, we anticipated ¥1 trillion underlying operating cash flows, which exclude the impact of working capital from operating cash flows.
 - Latest plan forecast an increase by around ¥1 trillion in the amount of cash generated through operating revenues, compared with our original plan.
 - If no appropriate investment opportunities exist, we will repay interest-bearing liabilities, given that our current investment leverage ratio is higher than appropriate.
 - We will be flexible about conducting share buybacks, depending on the status of planning and payments with regard to investment projects.
 - Currently, we are planning to pay down interest-bearing liabilities by around ¥0.3 trillion during the period of the midterm strategy to achieve an appropriate investment leverage ratio (around 35%).

Q. What are your target dividend payout and dividend yield?

- A. ● Although we do not provide specific figures, when setting these levels we will bear in mind the levels of other trading companies and global companies.

Q. What is the relationship between an appropriate level of investment leverage ratio and credit ratings?

- A. ● Our analysis suggests that exceeding the upper end of the appropriate range (35%) would lead to a rating of A to A-; reducing this to the lower end (25%) would yield a rating of A to A+.
- Our investment leverage is currently above appropriate levels, but we have received a single A rating because of qualitative items such as our business diversity and our profitability. However, our rating outlook is “negative.” We are working to bring our investment leverage into an appropriate range in order to return this outlook quickly to “stable.”

Q. What are your thoughts on target ROE?

- A. ● We aim for ROE to be in the double digits by around 2020.

Q. Your consolidated net income forecast for FY2017 shows an amount of ¥26.0 billion for the “Other” segment. What are the details of this?

- A. ● This includes adjustments that cannot be attributed to any specific group, and adjustments between the corporate level and sales groups. It also includes earnings (of ¥20.0 billion) from new projects exceeding segment boundaries that we are backing on a companywide basis.

(2) Individual Businesses

Q. What is the background for classifying the LNG business in the “Business-related Sector”?

- A. ● The reason for classifying the LNG business in the “Business-related Sector” is that we are able to curtail market risk by creating a value chain and entering into long-term contracts. Even among our investments in the natural gas business, we categorize some within the market-related sector if we are unable to curtail market risk sufficiently.

Q. What was the impact of the cyclone in late March on BMA operations and performance?

- A.
- Cyclone Debbie caused damage to Aurizon's railway transport network, leading to a force majeure declaration by BMA.
 - Although temporarily halted, BMA's coal mining operations have generally recommenced, and the railway network is also gradually recovering. To minimize the impact on its business partners, BMA continues to engage in measures such as providing alternative transport logistics.
 - Lifting BMA's force majeure declaration will depend on the timing for getting its railway network back into full operation. At the moment, however, we are unable to comment on specific timing for the lifting of this declaration.

Q. Specifically what sort of synergies do you expect to generate with Olam?

- A.
- By combining Olam's strength of having a global food raw materials procurement network with our domestic and overseas manufacturing functions and sales base, we expect to generate synergies from collaboration and create new business models.

Q. What are your initiatives in the collaboration with Lawson?

- A.
- We will make full use of our business foundation, including ingredient procurement, production, intermediate distribution, and overseas businesses, working together to maximize Lawson's corporate value.