

Q&A at Investor Meeting

Financial Results for the Three Months Ended June 2017

Presentation Date: August 2, 2017 (Wednesday) 16:45 to 17:45

Presenters:

Kazuyuki Masu: Executive Vice President, Chief Financial Officer

Yoshifumi Hachiya: General Manager, Corporate Accounting Dept.

Hiroshi Takehisa: General Manager, Investor Relations Dept.

[Questions and Answers]

(1) Performance

Q. How would you evaluate performance in the first quarter?

- A. ● Excluding the one-off losses recorded in the Energy Business Group, all segments achieved a progress rate of more than 25%. Overall, we consider this a solid performance.
- In addition to management efforts to raise productivity, to curtail costs, and to ensure stable operations, an upturn in resource prices lead to robust results.

Q. Excluding one-off factors, net income in the Business-related sector was up ¥20.0 billion. What factors were behind this?

- A. ● Net income increased in the salmon farming business, the meat, domestic poultry, and domestic real estate businesses etc.

Q. What was the reason for the ¥2.8 billion net loss in the Energy Business Group? How do you evaluate this result?

- A. ● This was mainly a result of losses on resource-related assets in connection with asset sales.
- We booked ¥18.0 billion in one-off losses on a North American exploration asset and ¥5.0 billion related to the petroleum business.
- This segment recorded negative results for the first quarter due to one-off factors and the timing of dividend income, but regular business results are firm.
- At present our full-year forecast of ¥50.0 billion remains unchanged, as we had incorporated one-off losses into our forecasts to some extent and because we anticipate dividend income from the LNG business.

Q. Does your fiscal 2017 forecast include any additional one-off gains and losses?

- A. ● As outlined in our Midterm Corporate Strategy, we will continue to steadily improve our portfolio through asset re-profiling. At present, all the one-off gains and losses we anticipate for the second quarter and beyond are incorporated into our forecasts.

(2) Investment

Q. Your investment leverage ratio has reached 35%; do you plan to revise your capital allocation policy?

- A. ● The ratio was 35% for the first quarter, but we expect the ratio to return to above 35% as a result of future investments we have planned. There have been no changes to our capital allocation policy.

Q. Please explain the details of new investments during the first quarter. Including investments as of the second quarter, what is your investment strategy going forward?

- A. ● Most of the new investments in the first quarter were sustaining capital expenditure in the convenience store business, Australian coal business, etc. Although we have many new projects under examination, we are scrutinizing them very carefully, incl. the time frame for execution.

(3) Individual Businesses

Q. What are your approximate expectations for the price of coking coal during fiscal 2017?

- A. ● Prices rose sharply in the short term due to the cyclone, but have fallen back to pre-cyclone levels. Currently there is a temporary increase as a result of supply limitation in some coal mines in Australia, but going forward we expect production to recover at key producing countries, so we anticipate market prices to settle at a slightly weaker level.

Q. What was the impact of the cyclone on BMA?

- A. ● Cyclone Debbie has damaged Aurizon's rail transport network, which is used by BMA. This impacted BMA's operations and shipments. However, at present, operations are largely on the way to recovery. We will continue with initiatives to ensure a steady supply to our customers.
- Regarding the cyclone at the end of March 2017, damage to coal mines was limited, thanks to the countermeasures that have been put in place. There has been some impact in terms of costs.
- In addition to support measures, such as the use of alternative transportation, we have continued with various measures to improve productivity. Through these efforts, we are working to minimize the impact.

Q. How was the performance for Metal One in the first quarter, and what is its forecasts?

- A. ● Although we refrain from commenting on the company's operating performance, we will continue to support Metal One, as it is one of our largest Group companies.

Q. Could you explain the reasons of the increased income for the Chemicals Group which you have indicated as "increase in equity-method earnings in the petrochemical-related business due to improved market conditions"?

- A. ● This is due to an increase in our equity earnings from SPDC, and mainly reflects an improvement in market conditions for ethylene glycol in January through March 2017.

Q. How was Cermaq's performance in the first quarter? Also, what are current sales volumes?

- A. ● Net income was ¥3.9 billion in the first quarter, up ¥2.7 billion year on year. (This was due to a recovery in market conditions, reduction in production costs, and efforts to enhance sales, among other factors.)