# Q&A at Investor Meeting

## Financial Results for the Nine Months Ended December 2017

Presentation Date: Monday February 5, 2018, 16:30 ~ 17:30
Presenters:

Kazuyuki Masu: Executive Vice President, Chief Financial Officer
Yoshifumi Hachiya: General Manager, Corporate Accounting Department
Hiroshi Takehisa: General Manager, Investor Relations Department

**[Questions and Answers]**

**(1) Performance/Management**

**Q.** Profits have been robust in the business-related sector. Is it correct to assume that the Company has the ability to deliver ¥100.0 billion on a quarterly basis in the business-related sector?

A.
- Consolidated net income in the business-related sector for the first nine months was ¥294.3 billion, so we are generating just under ¥100.0 billion on a quarterly basis.

**Q.** Your revised forecast for the full fiscal year seems conservative. How should we comprehend your current performance?

A.
- Our revised forecast for the full fiscal year is based on the combined results from each group and represents our best estimate.

**Q.** If performance outpaces your forecasts, what are your thoughts on raising dividends? Conversely, would it be correct to assume that you will not lower dividends if performance falls below forecasts?

A.
- Our dividend policy remains unchanged. We have a progressive dividend policy, under which we will not lower dividends but may raise them in accordance with profit growth.
- Regarding dividend amounts, we make decisions on a comprehensive basis, taking into account performance forecasts for the next fiscal year, as well as the business environment at that stage, the payout ratio, and other factors.

**Q.** Although you have not been making investments, your investment leverage ratio is at 31%, the same as for the second quarter. Why is that?

A.
- In the third quarter (three months), capital increased due to the accumulation of consolidated net income. However, we paid interim dividends (approximately ¥75.0 billion), which reduced capital. We also had capital expenditures and invested in affiliated companies (investing cash flow for October–December was an outflow of approximately ¥67.0 billion). For these reasons, investment assets increased, resulting in a ratio of 31%.

**Q.** According to your upward revisions to forecasts for the full fiscal year, you now expect to achieve double-digit ROE earlier than expected, at the end of the fiscal year ending March 2018. What are your ROE forecasts for next fiscal year and beyond?

A.
- We will continue investing in growth, in order to create future core businesses in areas where we can take advantage of our strengths. By configuring an optimal portfolio, we aim to maintain and increase ROE.

**Q.** Have there been any changes in your policies or strategies for growth investments? How is progress compared with the previous quarter?

A.
- In the market-related sector, our policy remains unchanged to strive for opportunities to invest in growth under such conditions that maintain the portfolio size of March 2016 during the period of our midterm corporate strategy. Under the foresaid policy, we will continue to carefully evaluate the project candidates one by one.

**(2) Individual Businesses**

**Q.** What are the reasons for year-on-year changes in performance at MDP? Also, what is the status of recovery regarding the decline in volume due to inclement weather, and what are your forecasts for the future?

A.
- MDP's net income of the nine months ended December 2017 was ¥125.6 billion, increased by 18.6 billion yen from the corresponding period of the previous year. The main factors were increases of around ¥56.0 billion in prices and royalties, and decreases of approximately ¥49.0 billion due to volumes and costs.
- Although business was affected by a cyclone that hit the northeast of Australia in March last year, net income increased from the corresponding period of the previous year benefiting partially from the increase in market prices.
- For the remainder of this fiscal year, uncertainties remain, including market prices on coking coal, external factors such as current exchange rates, and the impact of operations during the rainy season. However, our forecasts incorporate our best estimates as of the present.

**Q.** Please explain the reasons for your solid performance in the copper business.

A.
- Favorable performance in the copper business is mainly due to higher earnings and dividends stemming from increased copper prices.

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| **Q.** | Please explain the reasons for the favorable performance of the Asian automotive business and the status of the ship-related business. |

A.
- In addition to our core business in Thailand, sales of a new mass-production model MPV, the Expander, commenced in Indonesia last October and orders and sales are exceeding our expectations.
- In the ship business, we are reducing the size of our fleet that is vulnerable to market risks, balancing with stable income-generating assets from current long-term charter contracts. In this way, we are working to optimize fleet size to withstand market fluctuations.

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| **Q.** | In regards to losses posted in the Energy Business Group, what is the likelihood of recording an impairment loss onwards? |

A.
- Losses posted this time are not impairment losses, but a provision for additional decommissioning costs in North Sea oil fields and reversal of tax benefits posted in the past. We have incorporated all impairment losses at present, so we do not expect any major impairment losses.