

Q&A at IR Meeting on

“Revision of Consolidated Earnings Forecasts for the fiscal year ending March 31,2015 and New Medium-Term Management Plan“

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Presenter:

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[Questions and Answers]

< New Medium-term Management Plan >

Q. What do you think is the most important element in the new medium-term management plan?

A. We think it the most important to regain the balance between our risk-adjusted assets and our core risk buffer, which is our foundation of the management and then to secure a positive post-dividend free cash flow.

< Profit target >

Q. What is the factor of profit growth from 230 billion yen to 300 billion yen? What is your assumption for commodity prices?

A. We are confident to achieve our profit target of 300 billion yen taking account of growth potential in non-mineral resources businesses such as automobile manufacture, finance-related, overseas power infrastructure and electricity in Japan, recovery in Ambatovy nickel project and TBC Corporation even based on assumption that commodity prices stay at the current level.

Q. Please tell us the possibility of realization of large-scale one-time gain which had been included in FY2013 profit plan?

A. We do not include the one-time gain in our FY2015 profit plan because it is difficult to know when it will be delivered.

< Investment & loan, cash flow >

Q. Please tell us the breakdown of investment and loan plan of 1.2 trillion yen.

A. We will disclose the breakdown by segment in May. The ratio of mineral resources and energy upstream interests will be around 10%.

1.2 trillion yen of investment and loan amount itself is not absolute plan.

We will carefully select projects taking account of cash flow situation. We roughly count approximately 600 billion yen of cash outflow, such as investment for replacement of facility which is equivalent to depreciation and amortization amount, and expansion investment for existing businesses. The remaining 600 billion yen is for new investments.

Q. What is the basis of 700 billion yen of basic profit cash flow in three-year totals?

Moreover, how do you think about the impact to cash flow by increase and decrease in working capital?

A. We calculated basic profit cash flow based on profit targets in our new medium-term management plan. For your information, we expect about 200 billion yen of basic profit cash flow for FY2014. We expect cash collection during three-year period will be 400 billion yen through asset replacement including working capital.

Q. How will you improve return from investment?

A. We aim to enhance probability for success in investment by due diligence leveraging the corporate group members and executing PMI Plan step by step.

Q. Do you focus on specific areas to invest in, such as industrial fields?

A. Areas to invest in based on the growth strategies of each business unit are consistent with industrial fields of which growth is expected in future. We will focus on areas to invest in as it always has been in the past.

< Dividend >

Q. Why do you set minimum dividend at 50 yen per share? What is the implication of the words "or more" in the dividend payout ratio?

A. In the three-year period of the new medium-term management plan we think that the

annual dividend of 50 yen per share is fully payable when considering the current profit level and cash flow.

Dividend payout ratio for FY2015 will be 27% against the profit target of 230 billion yen and this is why we add the words “or more”. For the time being we will basically apply 25% while aiming to regain the balance between our risk-adjusted assets and our core risk buffer as the highest priority. And after regaining the balance we will reconsider our policy of shareholders’ return including the change of dividend payout ratio in view of the situations regarding cash flow etc.

< ROE >

Q. If you cannot achieve the profit target for FY2017, do you insist on achieving an ROE target of about 10%?

A. At present we are not planning to take special measures only to achieve ROE target. During the three-year period of BBBO2017, we will regain the balance between our risk-adjusted assets and our core risk buffer, which is our foundation of the management, as the highest priority.

<Special Committee on Managerial Reform>

Q. With regard to the decision-making process and risk management system, what are the areas of improvement proposed by the Special Committee on Managerial Reform?

A. In order to improve our decision-making process and our risk management system, the Committee proposed the following areas of improvement:

Our experience in having a deeper understanding of the nature and evaluating the risks of our upstream mineral resources & energy businesses and the accumulation of our organizational capabilities could be further improved.

We could further improve our risk management system especially from a perspective of concentration of risks company-wide, among other things.

< Risk Management >

Q. What kind of scenarios will you use to initiate the stress test of upstream mineral resources & energy businesses? How do you leverage the results of the test?

A. Taking into account the fact that we recognized impairment losses in several large-scale projects, we will improve the way of measuring risk-adjusted assets by using risk weights which reflect risk factors of each project, such as development risk and expansion risk in the future.

Details of stress test are still under discussion. We will grasp possible downside risks and impact to our results by changing price assumption so that we could determine if we should divest or withdraw from such businesses at earlier stage than before.

< Corporate Governance >

Q. What is the purpose of increasing the number of outside directors from two to three?

A. We aim to further strengthen our corporate governance structure by increasing the number of independent outside directors who can make proposals from a broader viewpoint.

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