

## Q&A at IR Meeting on Financial Results for FY2013

Presentation Date: May 2, 2014

Presenters:

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[Questions and Answers]

<Forecasts for FY2014, Progress in Medium-term Management Plan>

**Q. The initial net income\* plan for FY2014, which was announced in May, 2013, was 270 billion yen. What is the reason for revising the plan downward to 250 billion yen?**

\*In this document, "Net Income" is the same as profit for the period attributable to owners of the parent on IFRS.

A. Our non-mineral resources businesses have been progressing along with our plan due to steady growth of core businesses and profit contribution from recent investments in each segment except TBC's tire business in the U.S. On the other hand, mineral resources businesses have been affected by the decline in commodity prices. As a result, we revised our initial plan.

**Q. A large-scale temporary gain which was not realized last year doesn't seem to be included in the forecast for FY2014. What is the reason?**

A. We are working to realize this temporary gain in FY2014. However, we did not include this in FY2014 forecasts since it depends on the progress in negotiation with counterparts. We aim to achieve basic profit\*\* target of 250 billion yen which excludes temporary gain and loss.

\*\*Basic Profit = (Gross Profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + interest expense, net of interest income + Dividends) x (1-tax rate) + Share of profit of investments accounted for using the equity method

**Q. Media, Network, Lifestyle Related Goods & Services Business Unit posted around 10 billion yen of temporary gain in FY2013. Without it, this Business Unit forecasts an increase in net income by 10 billion yen in FY2014. What are the factors of net income increase?**

A. We assume several factors such as effect of JCN integration with J:COM, recovery in TBC's tire business and net income increase in Real Estate business.

**Q. What are the factors of net income increase for FY2014 in Mineral Resources, Energy, Chemical & Electronics?**

A. We assume that coal and iron ore mining businesses would decrease in profits due to decline in market prices and there is a negative effect of amortization and depreciation costs accompanied by the start of commercial production of Ambatovy Nickel project in Madagascar. However, we assume that net income of the segment would increase mainly due to rebound from impairment losses on Isaac Plains coal mining project in the previous year and reduction in production costs.

**Q. What is behind the negative free cash flow (FCF) forecast of 200 billion yen for FY2014 despite the positive result of 28.4 billion yen in FY2013?**

A. Under the current two-year management plan, we forecast 750 billion yen of investment & loan and 200 billion yen of negative FCF. We made investments of 290 billion yen in FY2013, and we will invest the remaining amount along with the plan. Therefore FCF is expected to be negative.

**Q. The result of asset reduction for the first year was 250 billion yen. It seems trending behind the plan of 770 billion yen under the current two-year management plan. Is this in line with the plan?**

A. Yes. We have reviewed FY2014 plan and we are anticipating considerable size of assets to be reduced this fiscal year. The progress as a whole is in line with the plan.

<Medium to long-term Strategy>

**Q. What do you think about the possible business portfolio in “What we aim to be in FY2019”?**

A. Our rough projections for FY2019 are 9-10 trillion yen of total assets and 400 billion yen of net income. We expect mineral resources related assets will grow from current 15% of total assets to 20%. What is important is not to achieve the figure 20% but to work on carefully selected projects. Ideally we would like to establish a business portfolio so that non-mineral resources businesses can cover the decrease in profit of mineral resources businesses with high volatilities due to decline in commodity prices.

**Q. Which projects will show a profit growth in FY2015 among mineral resources projects under development?**

A. Copper mining project in Chile will start production in mid-2014 and is expected to start profit contribution in FY2015. As for Ambatovy Nickel project in Madagascar, we are improving the operational rate to achieve financial completion by March, 2015. Moreover, we would like to increase the value of other existing projects steadily.

**Q. You are expecting profit growth for FY2014 in Environment & Infrastructure Business Unit. What is your outlook for FY2015 thereafter?**

A. IPP business is one of our existing earnings pillars. Several IPP projects are expected to start operation from FY2014 to FY2015. In the medium-to long-term, we are aiming to increase profits with the combination of organic growth and value realization through asset replacement while increasing assets to a certain level.

**Q. What is your outlook for Metal Business Unit?**

A. We assume business base of this segment will steadily expand due to organic growth of existing businesses and contribution from recent investments. Especially we will pursue synergy effect globally between our existing businesses and Edgen Group which we acquired in FY2013.

**Q. How will you improve ROA in the medium-to long-term?**

A. We believe it imperative to enhance our earning power. We have been conscious of the importance of ROA through regular discussion about strategic positions, measures to realize greater value and means of divestiture or withdrawal of businesses with lower ROA. We will accelerate our implementation of concrete actions.

<Return to Shareholders>

**Q. What payout ratio will you apply in case the net income result exceeds 250 billion yen due to realization of the large-scale temporary gain which was not posted in FY2013?**

A. We will apply consolidated payout ratio of 25%, which is our basic policy during the current medium term management plan.

**Q. How do you think of a potential share buy-back?**

A. We believe there are plenty of opportunities for us to achieve profit growth through investments under the current and medium-to long-term business environment. Therefore we would use cash for investments to enhance our earnings base rather than for a share buy-back at this time.

<Business Topics>

**Q. How do you view the impact of the New Mining Law to your copper mining business in Indonesia?**

A. Currently we are continuing the mining operation, but we have not been able to export copper concentrate but to sell it to an Indonesian domestic smelter. We signed a Contract of Work (COW) with Indonesian Government at the beginning of this project. Based on this COW, we believe the export ban and the export tax should not be applied to our project. We will continue to have a dialogue about export permit and export tax with Indonesian Government.

**Q. Please update TBC's current situation. What is your view with regard to impairment risk?**

A. We are working to optimize operations of 800 retail stores in the U.S., based on the restructuring plan and this implementation process will be completed in June, 2014. We expect the effects of our implementation will start to emerge in the latter half of FY2014. Taking account of the level of profit recovery, we will conduct impairment test.

**Q. What is the assumption of the equity in earnings forecast for FY2014 of Ambatovy Nickel project in Madagascar?**

A. We assume nickel market price is US\$7/lb and equity share of production is about 11,000-12,000MT.