

Q&A at IR Meeting on Financial Results for 1Q/FY2014

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Presenters:

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[Questions and Answers]

Q. Could you give us the 1Q results and the outlook for the year with regard to investment & loan and asset divestiture & reduction? What is your outlook for free cash-flow?

A. The amount of investment & loan in the 1Q was about 130 billion yen and the accumulated amount since April 1, 2013 was 420 billion yen. Compared with the planned amount of 750 billion yen in our current medium-term management plan, the progress is almost in line since we are to invest in an airplane engine leasing business and a telecommunication business in Myanmar from the 2Q onward.

The amount of divestiture & reduction in the 1Q was about 30 billion yen and the accumulated amount since April 1, 2013 was 280 billion yen. Compared with the planned amount of 770 billion yen in our current medium-term management plan, it is possible to fall short of the target due to a probable postponement of a large planned project until the next fiscal year.

However, even in that case, we will be able to manage our free cash-flow along the initial plan of -200 billion yen for two-year period through collecting cash from our core businesses operations, executing asset divestiture & reduction and controlling operating assets toward the end of the fiscal year.

Q. What do you think about the feasibility of a large-scale temporary gain which has been carried over from FY2013 but not included in FY2014 forecasts?

A. Although we are still working on this project, it is likely to be postponed until the next fiscal year.

Q. Could you give us updates and an outlook for the copper mining business in Indonesia?

A. We have stopped the production since early June. We continue selling some copper concentrates from inventory to a domestic smelter, while we estimate the cost of care and maintenance at approximately \$20 to \$25 million per month on 100% basis (\$4 to \$5 million on our 18.2% equity share basis).

Q. The silver, zinc and lead business in Bolivia marked a profit of 4 billion yen in the 1Q. What was behind this strong result?

A. The sales volume temporarily increased as some shipments scheduled for 4Q/FY13 were delayed until 1Q/FY14. However, we think that the annual result will be mostly as planned.

Q. The share of profit from the Australian coal mining business was -3.4 billion yen in the 1Q. If we remove 2.3 billion yen of one-off expense related to the acquisition of a thermal coal interest, the ordinary profit would be almost -1.1 billion yen. The amount of deficit looks small compared with the full-year forecast of -13.5 billion yen. Why is it?

A. In the 1Q there were some shipments scheduled for January to March when the prices had not plunged yet. Therefore the influence of decline in coal prices was limited.

Q. What will be the impact of the value realization in mineral resources business planned from the 2Q onward?

A. We have agreed to sell oil interests in the North Sea and the capital gain will be posted in the 2Q. We refrain from disclosing the number but our initial forecasts include a certain amount of gain from this deal.

Q. Could you give us updates and an outlook for TBC? Was the 1Q result as planned?

A. TBC, our U.S. tire distributor and auto after market retail subsidiary, is engaged in reconstructing plan since last year. The wholesale and franchise businesses are almost in line with the plan. In the retail business, on the other hand, we have to wait until the latter half of this fiscal year to see the effects of the plan which had been implemented to all stores by the end of June. The 1Q result fell short of expectation and we have to carefully watch the situation in July and August, or the peak of demand.

Q. Could you give us reasons for the weak 1Q result and the outlook for the year regarding Edgen Group?

A. The 1Q result was 0.3 billion yen and the forecast for the year is 3.8 billion yen on global basis. The share of profit will pick up in the latter half of the fiscal year. We expect a demand recovery in the medium to down streams in the U.S. as well as an increase in shipments of ordered products to the off-shore oil & gas development projects outside the U.S.

Q. What is the profit size of the car manufacturing business in Mexico which is expected to start contributing in the 2H?

A. We do not disclose the number. However, as a whole, the profit* contribution from new non-mineral resources businesses is expected to total about 10 billion yen from the 2Q onward. These new businesses include this car manufacturing business in Mexico as well as Edgen Group, overseas power generation projects, second phase of aluminum smelting project in Malaysia etc.

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

Q. One of the rating agencies changed your rating outlook from "stable" to "negative." What is the influence of this?

A. Taking the current financial environment into account, we do not think it necessary to change our investment & loan plan under the current medium-term management plan.

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