

Q&A at IR Meeting on Financial Results for 1Q/FY2015

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Presenters:

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[Questions and Answers]

Q. The profit for this reported period was robust even excluding the one-off profits. Could you tell us the current situation and forecast about the non-mineral resources business, especially about the tubular products business? What is your forecast about annual results including the mineral resources business?

A. The businesses relating to the Transportation & Construction Systems Business Unit and the Media, Network, Lifestyle Related Goods & Services Business Unit show stable performance. Considering rig counts in North America, tubular products business is expected to take long time to recover and the performance could be weaker than what we expected at the beginning of this fiscal year.

In the mineral resources business, we will see positive effects from reduction in costs, increase in sales and foreign exchange. However, we need to consider decrease in commodity prices. In terms of the annual forecast, it is expected that the negative effects will slightly surpass the positive effects.

Considering all those elements explained, we expect to achieve the annual forecast of 230 billion yen.

Q. What were the detailed elements which contributed to the robust performance in *net cash from operating activities* for this reported period?

A. The dividend received from J:COM was larger than that in the same period for the previous year which accounted for the dividend of three month period due to the change in the consolidated period. Also, the large amount of cash collection due to the delivery of condominiums and the decrease in trade receivables corresponding to the market condition mainly in tubular products business affected the cash flow.

Q. Can we understand that *the share of profit of investments accounted for using the equity method* increased in all business units compared to 1Q/FY14?

A. The telecommunication business in Myanmar and Indonesian commercial bank have newly contributed to the consolidated results. J:COM and the other businesses in Media, Network, Lifestyle Related Goods & Services Business Unit continue to show stable performance. In addition, the Mazda de Mexico Vehicle Operation and the copper mining business in Indonesia are making improvement.

Q. As the commodity prices are further decreasing, do you expect any impairment loss in mineral resources business? Also, do you expect any change in the policy for the upstream mineral resources and energy business?

A. Based on the mid to long term price forecast as of now, it is determined that impairment is not necessary at present. Afterwards, if we should change business plans of any projects, we will review whether impairment would be necessary, taking into consideration the price forecasts prevailing at that time.

We do not change the policy for the upstream mineral resources and energy business in our Medium Term Management Plan (“BBBO 2017”). We will continue to concentrate on ramping up the nickel project in Madagascar and the copper project in Chile.

Q. Ambatovy; What is the present situation to reach the financial completion of the project and what would be your plan after the completion?

A. We still have two conditions to be fulfilled. One is the “Financial” condition which requires the funding of Senior Debt Reserve Account and the other is the “Legal” condition which requires legal certificate which represents the provision of collateral to the project financing lenders. The financial completion would be attained by the end of September.

When the project reaches the financial completion, sponsor’s support will be released from the project finance. On the other hand, SNC-Lavalin will have a right to exercise an option to divest its 5% share in the project. If Sherritt should not take the share, there is a possibility that we would be required to take all 5% share at most.

Considering both the release from project financing guarantee which accounts for almost 800 million USD and the increase in exposure due to taking up the share which SNC would

divest, our exposure to the project would decrease to some extent.

At this moment, we are focusing on achieving the financial completion. Afterwards, we will consider various options to proceed with the project. As of now, we still have not decided to choose any options.

Q. San Cristobal; It seems that the project is making slow progress in terms of annual forecast. Could you tell us the current situation?

A. We do not see any problem about the operation of the project. The reason of low profit in this reported period can be understood just as the matter of timing of realization of sales. We assume that the annual forecast of this project would be achievable.

Q. MUSA; Why did you terminate the port services contract to export the products?

A. We decided to focus on sales in Brazil taking account of the sluggish iron ore price for this fiscal year.

Q. Tight oil project and shale gas project in the U.S.; Do the projects progress stably against the plan? (Isn't there any one-off gain in the profit?)

A. The projects are tolerant of current market since amortization cost was reduced due to the impairment losses we posted in FY14. Now we have stopped any new development of these projects.

Q. TBC; Could you tell us the current situation?

A. We have focused on restructuring retail business segment, and the figures have bottomed out. We will review results of 2Q onwards to confirm the progress of the reforms along with its new management plan.

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