Condensed Transcript of Question and Answer Session at Results Briefing for the Second Quarter of Fiscal Year Ending March 31, 2016

Date: November 6, 2015 (Friday)

Location: Nihonbashi Mitsui Hall

Main Questions and Answers

Q1: Attainability of consolidated net profit forecast for current fiscal year
A1: We feel our forecast is very much attainable. Risk has been largely minimized since we booked impairment losses last fiscal year.

Q2: Cash flow outlook for current fiscal year
A2: We aim to achieve positive free cash flow for the fiscal year as a whole. While we project total cash outflows of about ¥450 billion for new investments and funding of existing projects, we expect inflows of at least ¥200 billion from recoupment of existing investments in addition to over ¥250 billion of operating cash flow.

Q3: Possibility of diminished cash flow generative capacity from third quarter
A3: We believe we can manage our cash flow well enough to achieve positive free cash flow for the fiscal year as a whole.

Q4: Dividend policy
A4: We recognize that our current dividend payout ratio of at least 20% is below the average for listed companies and lower than other trading companies'. We are currently formulating an updated dividend policy to be included in our next mid-term management plan. We intend to publicly disclose it as soon as we can.

Q5: Nonconsolidated retained earnings' low level
A5: It is not a problem. We are devising sufficient measures to increase nonconsolidated retained earnings.

Q6: Gavilon's earnings outlook
A6: Although its earnings are tracking below budget, Gavilon aims to make up the shortfall from the third quarter, when its earnings should increase amid peak harvest season.

Q7: Helena Chemical's business conditions
A7: Its sales have decreased, but Helena Chemical continues to maintain high profit margins while expanding its operational foundations. We are confident that it will achieve its earnings forecast.

Q8: Earnings outlook for Chemical & Forest Products Group
A8: The Group performed well in the fiscal first-half, partly by virtue of improvement in petrochemical trading operations' profit margins, but our full-year forecast is conservative because the Group derives much of its sales from China.

Q9: Details of second-quarter impairment loss on oil and gas development projects and risk of additional impairment losses due to resource prices' current slump
A9: We recognized an impairment loss equivalent to the estimated unrecoverable value of oil and gas assets in the U.S. Gulf of Mexico due to development delays and growth in development costs. As long as oil prices remain at their current levels, the risk of additional impairment losses is minimal in our assessment.

Q10: Roy Hill Mine project's progress to date and risk of impairment losses
A10: The mine will commence shipments a bit later than initially planned. We see no risk of impairment losses at present. Operating cost cuts, particularly reductions in labor costs, are bearing fruit.

Q11: Itemization of "Corporate & Eliminations, etc." (approx. ¥37 billion in first half of fiscal year ending March 2016)
A11: The ¥37 billion includes tax-related items some of which were one-time items, gains on the sale of company housing, interest income and overseas branches' income.

Q12: Next fiscal year's profit level
A12: In Resource businesses, we expect adverse conditions to persist, but we see considerable potential for growth in Non-resource businesses' earnings, like in the current fiscal year.