**Condensed Transcript of Question and Answer Session**
**Briefing on Consolidated Results for the Second Quarter of Fiscal Year Ending March 31, 2017**
**Date: November 8, 2016 (Tuesday)**
**Location: Nihonbashi Mitsui Hall**
**Those Present:**
**Fumiya Kokubu, President and CEO**
**Nobuhiro Yabe, Managing Executive Officer, CFO**
**Kazuro Gunji, Managing Executive Officer, General Manager, Corporate Accounting Dept.**

***Note Regarding Forward-Looking Statements***
*Forward-looking statements in this document, including results forecasts, are based on information available to the Company at the date of publication, as well as certain assumptions the Company judges to be reasonable. Various factors could cause actual results to differ materially from those discussed in forward-looking statements.*

**Main Questions and Answers**

**Full-year forecast for gross trading profit**
Trading of commodities units (Energy & Metals and Grain) was weak in the first half of FYE 3/2017, but is recovering in the second half.

**Full-year forecast of net profit excluding one-time items in non-resource businesses**
In the forecast at the beginning of the period, we were looking at about ¥165-170 billion, but in the revised forecast, we are projecting around ¥140-150 billion. This decrease of approximately ¥20 billion is mainly due to the appreciation of the yen, as well as a decrease in trading of commodities, and worsening market conditions for ships, pulp and other businesses.

**Profit growth factors in FYE 3/2018**
We expect that a rebound in trading businesses, which were in a slump in the first half, a buildup of assets in stable earnings-type businesses, and an increase in profits from the agricultural materials business will be the key factors driving profit growth in the next fiscal year.

**Progress toward net profit target in non-resource businesses in the Mid-Term Management Plan**
We will need to add approximately ¥80 billion from the current level of approximately ¥150 billion to reach the target of ¥230 billion. The ¥150 billion in the current fiscal year has been impacted by a

drop due to currency exchange rates, but we anticipate an increase from business related to agricultural inputs, a recovery in profitability at Gavilon, a return to profitability in the pulp business, a buildup of assets in power projects and infrastructure businesses, improvements in the steel products business, and profit growth in the automotive and aerospace sectors in Transportation & Industrial Machinery.

**Unprofitable group companies**
The major issue among unprofitable group companies is the pulp business in Indonesia. A loss of more than ¥10 billion is projected for this fiscal year, but a change in species in the plantation business is progressing as planned, and we want to reduce loss and restore profitability as we move toward FYE 3/2019.

**Current status and outlook for Gavilon**
Trading operations, which posted a loss in the first half, took countermeasures by scaling back positions. In the North American grain collection business, we are taking steps to improve the profitability of logistics facilities, and strong conditions in grain collection operations, backed by a bumper grain harvest in North America, are also boosting performance, and we expect that to continue in the second half. In addition, since the effects of head office cost reductions will extend through the next fiscal year, we anticipate that competitiveness will improve.

**Purpose of reorganization of the Helena Business into the Agri-Input Business**
The aim of the reorganization was to strengthen procurement and sales capabilities amid the restructuring of agrichemical and fertilizer manufacturers worldwide. While applying the results of Helena, we will expand earnings by integrating the operations of our agrichemical sales company in Europe and the fertilizer business of Gavilon.

**Development of energy concession business**
Due to the delay of development projects in the Gulf of Mexico and other factors, the originally planned peak of production may be pushed back. This is currently under review.

**Upward revision of net profit forecast in Metals & Mineral Resources**
A one-time loss in the copper business and a decrease in profits in the trading business in the second quarter are likely to be more than offset by increased profits in the coal business.

**Conditions and outlook at Roy Hill Iron Ore Mine**
The cash cost is less than $20. We expect to begin taking in earnings from this business in the second half, and expect full production to start in January to March of next year.

**Risk factors in Ship related businesses**

We do not think there is any significant downside risk in the LNG carrier business, but credit risk is a potential risk factor for bulkers.

**Impact of the U.S. presidential election**

Depending on the outcome, commodity prices and exchange rates could fluctuate significantly for a time, but in our view there will not be any major impact on basic industries in the U.S.

**Measures to improve the net debt-to-equity ratio**

In the next fiscal year, we continuously plan to accelerate improvement of our financial position with a buildup of capital in combination with improvement of cash flow. As for new investments, we will selectively make strategic investments within the free cash flow. We would like to lower the net debt-to-equity ratio as close as possible to 1.0 times, excluding hybrid financing (subordinated perpetual loans), from FYE 03/2019 to FYE 03/2021.

**New investments**

Some of the investments we have made up to now are not generating sufficient profits. Therefore, we will further examine new investments and pursue investing strategies. We also need to establish a framework for adequate follow-up after making investments.

**Scale of investments in the second half and distribution by business model**

New investments totaled approximately ¥55 billion in the first half, and are projected to be in the range of ¥100 billion to ¥150 billion for the full fiscal year. By business model, the stable earnings-type businesses accounted for most of our investments during the first half, but we anticipate making investments in the distribution businesses through the second half.

**Withdrawal from non-core businesses**

We are exiting non-core businesses. While we expect losses in connection with some of these exits, we want to speed up exits from businesses where profits are declining more than we envisioned and those in which further growth is not expected, taking into account the profit plan for the whole company.