Condensed Transcript of Question and Answer Session

Briefing on Consolidated Results for Q1 of Fiscal Year Ending March 31, 2018

Date: August 2, 2017 (Wednesday)

Reference: Conference Call

Those Present:

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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

Progress in the Food sub-segment

In North American grain-related operations such as Gavilon, one of the key points is how much profit we can accumulate in the third quarter, which coincides with the harvest period. There is typically a lull in the first quarter due to seasonal factors. Grain trading profits of the parent are struggling, partly because of a decline in margins due to our shift to transactions with highly creditworthy buyers to reduce default risk.

Conditions at Gavilon

Grain: The North American Grain origination business showed a slight increase in profit. Ag-Trading operations posted an increase in earnings, rebounding from a loss in FYE 3/2017. However, in the International business, there was a drop-off from the large grain trading profits in Brazil in FYE 3/2017 and a decrease in profits from trading of ingredients such as distillers dried grains with solubles. As a result, profit and loss from grain operations improved ¥900 million year on year to a profit of ¥800 million. All of these results were within our expectations.

Fertilizer: First-quarter earnings declined year on year because profits were booked earlier than planned following the early emergence of spring fertilizer demand in the fourth quarter of FYE 3/2017. For the full fiscal year, profits will keep pace if the next spring demand appears early as it did in FYE 3/2017, but may decline year on year if that does not occur.

Conditions in the Real Estate business

First-quarter profits were down year on year. This reflects a decrease of sales in China and Japan in the first quarter of FYE 3/2018. For the full fiscal year, we have properties we plan to sell in the second half, which should contribute to earnings.

Background to the deterioration in Chemicals trading results

One contributing factor was the end of a contract from which we obtained high margins. Consequently, this year, margins have decreased along with a decrease in volume. This was already factored into the initial plan, and was within our expectations.

Our Chemicals unit holds a large share in olefin trading, primarily in Asia, and arbitrage profits in periods of rising volatility are one of its sources of earnings. Since the markets were relatively quiet during the first quarter, earnings did not grow. Looking at past trends, however, the slow market conditions are unlikely to persist through the whole year, and we expect earnings to catch up starting in the second quarter.

Status of the Musi Pulp project

This year is a transition period for switching the tree species for logs from acacia to eucalyptus, and production from eucalyptus has partially begun. Our schedule to begin full-year production from eucalyptus in FYE 3/2019 remains unchanged.

Status of Roy Hill Iron Ore Mine

We have set ambitious targets for a quick ramp-up to full production, but we recognize that iron ore mine development in general takes two to three years from first shipment before the mine reaches full production. We are not aware that ramp-up at Roy Hill is any slower than average (shipments from Roy Hill began in December 2015).

Other than some inclement weather in April, no major issues have arisen, and we understand that ramp-up is on track to begin full production during this fiscal year.

Assessment of first-quarter results

Coal and other resource businesses performed better than expected. On the other hand, adjusted net profit in non-resource businesses excluding one-time items is projected to increase ¥8.0 billion in the fiscal year forecast, but that figure stood at -¥1.0 billion at the end of the first quarter. Smaller margins due to tightening credit in grain trading, a lull in the real estate business, and a decline in profit in chemicals trading have been expected since the plan was drawn up. It is still quite possible for results to catch up as new investments begin to contribute and earnings see improvements at our subsidiaries and affiliates, among other factors.

Reason for the deterioration of working capital in operating cash flow (-¥85.3 billion)

Working capital increased in some businesses, including grain and energy trading. As the amount of individual trades is large, we pay particularly careful attention to cash management at the end of the fiscal year, and the effects of that tend to show up in the first quarter.

As we are placing top priority on improving our balance sheet, we keep a close watch on changes in working capital throughout the year, and are managing it so that we can steadily maintain our progress toward achieving our target net DE ratio of 1.1 times at the end of this fiscal year.

Progress of new investments and divestments

We will manage cash flow with the right balance between new investments and divestments. In our fiscal year plan, we want to balance new investments and divestments at around ¥150 billion each.

In the first quarter, divestments were roughly ¥20 billion, while new investments were around -¥15 billion. We made new investments in July, including an apparel related business in Turkey and a livestock-related business in the United States that were already disclosed in press releases. As we are currently in negotiations for several divestments, in general, progress is according to plan.