Condensed Transcript of Question and Answer Session
Briefing on Consolidated Results for Q3 of Fiscal Year Ending March 31, 2017

Date:	February 6, 2017 (Monday)
Reference:	Conference Call
Those Present:	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

Net profit outlook for the non-resource businesses

For the non-resource businesses, we stay with our forecast of around ¥140-150 billion in net profits, as announced at the earnings briefing on November 8, 2016. While this represents a roughly ¥30 billion year-on-year profit decline, about ¥15 billion can be attributed to the impact of forex rates and the rest to unfavorable conditions in the pulp and ship markets as well as other trading-related factors.

Regarding one-time items expected in fourth fiscal quarter and the cushion factored into forecasts

As part of the disposal of the solar power generation business, the dissolution of a project in Oita Prefecture was announced in December last year and we plan to sell off another operation in the fourth fiscal quarter. We project a total of about ¥20 billion in after-tax profits from the combined sale of the two projects, and thus estimate a ¥1.5 billion decrease in net profit from FYE 3/2018 onward reflecting the dissolutions. Moreover, revised outlooks for each segment take into account one-time items that we can anticipate at this time, including the solar-related businesses. As for items that have not been incorporated into our aforementioned segmental forecasts, we have factored in around ¥10 billion in charges under corporate, eliminations, etc.

Our view on free cash flow
For the current fiscal year, cash flow, including cash recoupment, is proceeding broadly in line with the initial targets. As the amount of new investments has undercut expectations, there is the possibility that cash flow could further improve. Strengthening the Company's financial condition remains our most important task, and as such, we make no change to our basic plan to generate free cash flow to improve the balance sheet in FYE 3/2018 and beyond.

Dividend policy going forward
A priority for the Company is to improve our financial condition. We thus need to further lower the current net D/E ratio of around 1.3 times, which includes the effects of hybrid financing. In view of this recognition, we do not have any plans at this time to change the consolidated dividend payout ratio of 25% or higher.

Impairment loss of oil and gas business in the U.S. Gulf of Mexico and outlook for production volume
The Company recognized a decrease in reserves as a result of drilling at energy assets under development. We currently forecast production volume to peak in several years at slightly less than 40,000 bbl/day.

Full-year forecast excluding the impact of one-time factors for the energy segment
We expect the energy segment to incur a net loss for the full fiscal year. This excludes the impact of one-time factors such as the impairment loss in the third fiscal quarter and proceeds from the sale of the solar power generation business expected in the fourth quarter. The earnings environment will likely remain difficult until the energy assets currently under development reach completion.

Conditions at Gavilon
The North American Grain and International businesses, which represent Gavilon's core operations, continued to perform strongly as they did in the second fiscal quarter. Operating profit at the two businesses for the nine-month period ended December 31, 2016 was up by around $50 million year on year, and for the third fiscal quarter alone, was up by around $20 million.
Meanwhile, although the Ag-trading business operated under a tighter limit for loss-cut transactions, losses exceeded the limit in the third quarter, which is something we had seen in the first quarter. As a result, the business incurred an operating loss of some $25 million for the nine months. In the fourth fiscal quarter, we decided not to take positions, and thus no additional loss will be posted. The measures to be implemented at this business in the next fiscal year are currently under review.

We now expect Gavilon to mark FYE 3/2017 net profits in the $80 million range, instead of the roughly $90 million that we had forecast in November last year.

Conditions and outlook at Roy Hill Iron Ore Mine

We began taking in earnings from this business from the third fiscal quarter. The Roy Hill Iron Ore Mine itself is securing a profit. We continue to aim for the mine to reach full capacity production by end-March this year.

Breakdown of year-on-year profit increase and FYE 3/2018 outlook for copper business in Chile

Although the average price of copper is trending below year-earlier levels, the business marked profit growth from an improvement in cash cost and rise of copper prices at the end of the third fiscal quarter. Cash cost for this fiscal year is comparatively low.

Reasons behind profit growth at Helena Chemical

Some positive extraordinary factors were partly responsible for the profit increase, but we evaluate that the business appears to be solid now.

Year-on-year profit decline at Musi Pulp

The decrease was mainly due to the deterioration in market conditions. The plan to change tree species at the afforestation business by FYE 3/2019 or later remains unchanged.