

Condensed Transcript of Q&A Session at Fiscal 2009 Year-end Results

Briefing

(April 30, 2010)

Q: Your ordinary income for the fourth quarter of fiscal 2009 was ¥7.1 billion, and simply quadrupling it would indicate full-year ordinary income of ¥28 billion. However, your earnings forecast for fiscal 2010 is ¥26 billion. Please explain the basis of your estimate. And what factors are behind the Machinery segment's increased profit forecast for fiscal 2011.

A: Our fiscal 2010 forecast is conservative owing to sources of uncertainty, such as labor disputes, in the automotive business in Venezuela. Demand for autos is strong in Venezuela, and our assembly, manufacturing, and sales operations enjoy a competitive advantage there because the Venezuelan government has imposed import restrictions on finished cars. We intend to work with the Venezuelan government to settle the labor dispute and will stabilize operations and restore profitability. Another major factor behind the Machinery segment's increased profit forecast for fiscal 2011 is anticipated improvement in the automotive business in Russia, where inventory adjustments will be completed in fiscal 2010.

Q: Fiscal 2010 forecasts for the Energy & Metal segment are roughly flat relative to the previous fiscal year despite rising prices and expanding production volumes for your share of mining interests. Why?

A: We expect coal to be the primary contributor to earnings, but our forecasts also mainly take into account the impact of exchange rates.

Q: Do you intend to continue the automotive business in Venezuela? To what extent are you certain about the Machinery segment's recovery?

A: Demand for autos is strong in Venezuela, and our assembly, manufacturing, and sales operations enjoy a competitive advantage there because the Venezuelan government has imposed import restrictions on finished cars. We intend to work with the Venezuelan government to settle the labor dispute and will stabilize operations and restore profitability.

Q: What is your approach to your ratio of direct to indirect financing? How will

you carry out the ¥40 billion bond refinancing planned for fiscal 2010?

A: Bond issuance conditions have not been favorable for us until now because we have been rated BBB. However, our approach to balancing direct and indirect financing and to cost of funds has not changed. Currently we have sufficient liquidity, but if and when bond issuance conditions allow, we are willing to issue bonds depending on our need to diversify funding sources and the cost of funds.

Q: Is there any possibility that you will reclassify the approximately ¥54 billion in real estate for sale to noncurrent assets?

A: We have no intention of further reclassifying real estate for sale to real estate for investment.

Q: How much of the ¥90 billion for new investments and loans in fiscal 2010 is highly certain to be carried out?

A: Of the planned ¥90 billion for new investments and loans in fiscal 2010, ¥20 billion was originally planned for fiscal 2009 and will definitely be carried out. We have planned ¥55 billion in resource-related deals and ¥35 billion in non-resource-related deals. We believe that our plan for resource-related deals is highly achievable. We expect to achieve around 80% of our plan for non-resource-related deals.

Q: What is the breakdown of the ¥5 billion in the "Other" line item under "Non-operating income" for the fourth quarter of fiscal 2009?

A: The amount is primarily due to inflation accounting, which companies are required to apply under IFRS if the cumulative inflation rate over three years exceeds 100%.

Q: Your tax rate for fiscal 2009 seems high. Please explain why.

A: Revenue generated by our overseas affiliates in our non-consolidated tax group accounts for a large share of taxable income.

Q: What is your approach to investment securities and cross-shareholdings?

A: We regard economic rationality as an important factor in decision-making with respect to all cross-shareholdings.

Q: What are your future intentions for the fertilizer business?

A: With inventory adjustments complete, the fertilizer business has been in recovery since the second half of fiscal 2009. We expect it to contribute positively to revenue in fiscal years 2010 and 2011 and will place it at the core of the Consumer Lifestyle Business segment.

Q: You said that you intend to bolster your IPP (independent power producer) business. What competitive edge do you have over other trading companies?

A: We are pushing ahead with our infrastructure and IPP businesses in the Middle East and Vietnam, while in Africa we intend to undertake small-scale projects tailored to Africa's unique characteristics. We regard the IPP business's role as supporting the Environment & Infrastructure Unit's revenue as a stable income generator.