

**Condensed Transcript of Q&A Session at Fiscal 2008 Q3
Results Briefing (On January 30, 2009)**

Q: You said that you expect to incur a recurring loss in the fourth quarter, largely as a result of inventory valuation losses in the chemical and automobile businesses. You also said that you plan to reduce inventories by ¥200 billion. How much additional losses do you expect to incur in the course of this inventory destocking?

A: Our forecast for the current fiscal year factors in all foreseeable inventory valuation losses. We do not see any additional downside risk to inventory valuations for the remainder of fiscal 2008. In the fertilizer business, we expect to complete inventory destocking by around June. From July onward, we expect to get back up to normal speed and return to profitability. In the automobile business, we expect inventory destocking to take considerably longer. In fiscal 2008, however, what has weighed most heavily on the automobile business's earnings is depreciation of the Russian and Ukrainian currencies. These currencies' movements will likely continue to have a major impact on its earnings in fiscal 2009.

Q: You said that your net D/E ratio would rise to 2.7 (as of end-March 2009), but what do you currently intend to be the main focus of the new medium-term plan you are now formulating?

A: We will maintain our commitment to reducing inventories. In terms of which businesses we will place priority on, we are currently formulating our guidance for fiscal 2009 in light of the economic environment. I cannot yet say anything about the outcome, but the Energy & Mineral Resources Division looks likely to be a key earnings driver.

Q: You said you have ¥400 billion in inventories. Which businesses are overstocked?

A: We have over ¥120 billion in real estate held for sale. This value could increase slightly by fiscal year-end due to additional construction expenditures on properties now under development. With a view to reducing exposure to risk assets, we believe these inventories of property for sale must be reduced. We are nearly done liquidating condominium inventories. We plan to sell other types of properties individually when we spot favorable opportunities to do so.

Q: Do you plan to continue investing in energy and mineral resources?

A: In energy and mineral resources businesses, we intend to place priority on investments that will lower our current breakeven sales price levels.

A: If I may add to that; current market prices have compressed our profit margins but prices have not yet fallen below our energy and mining interests' breakeven profitability levels. Going forward, we will continue to invest in strategic commodities and mineral, energy, and other resources that will be in strong demand in the future. We intend to pursue profits while also cutting costs.

Q: What are strategic commodities?

A: Commodities those are stockpiles of seven rare metals by Japanese government as vital to national interests. Tungsten, for example, is one. Demand for these commodities is likely to hold firm.

Q: What specifically do you mean by "asset replacement"?

Asset replacement is something that we have been doing so far, but we now intend to formulate strategies by region and by product to divest assets that should be replaced with other assets. Another important objective is limiting exposure to risk assets. We intend to approach new investments and loans with the idea of replacing existing assets with new ones, taking into account growth prospects and balance between debt and shareholders' equity.

Q: Under the current adverse funding environment, to what extent have you utilized your commitment lines ?

A: Our commitment lines are currently undrawn. We expect to end the current fiscal year with roughly ¥350 billion in cash. We accordingly have no plans to draw upon our commitment lines at present.

Q: With the corporate bond market unlikely to recover soon, what is your view of the near-term financing environment?

A: The corporate bond market environment is indeed adverse. Given our credit rating, we recognize that we have little prospect of raising funds via the bond market. However, we preemptively raised funds, largely through bank borrowings, in anticipation of a financing environment like today's. We temporarily increased our cash holdings to roughly ¥400 billion. Our main source of new funding is bank loans. We have good relationships with our main and sub-main banks. Even in the current fiscal year, we have been able to borrow long-term. We believe that we have adequate access to funding, even if the market environment continues to preclude bond issuance. We therefore plan to continue to make investments and loans.

Q: Do you see a possibility of a loss in fiscal 2009?

A: We compose a fiscal 2009 earnings forecast derived from thorough and careful analysis in February or March.

Q: Based on your newly revised earnings forecast by segment, I calculate that you are forecasting a quarterly recurring losses of roughly ¥7 billion in the Machinery & Aerospace Division and ¥10 billion in the Chemicals & Plastics Division in the fiscal fourth quarter. How much of these fourth-quarter losses are due to one-time factors and how much are losses from normal operations?

A: The downward revision to our Machinery & Aerospace forecast is almost entirely attributable to foreign currency depreciation's impact on the automobile business. Only about 10% is attributable to the impact of the slowdown in the real economy. In the Chemicals & Plastics Division, I estimate that a temporary falloff

in fertilizer demand accounts for about two-thirds of the downward revision, and reduced demand for other products accounts for around 40%.

Q: Regarding dividends, you said that the fiscal-year-end dividend has yet to be determined due to the earnings environment, but you also said that further downside risk to second-half profits is small. Can you give us some idea of what the dividend would be if earnings are in line with your current forecast?

A: As I have said so far, we reinstated our dividend with the intention of paying stable dividends on an ongoing basis. In accord with this statement, we plan to determine our year-end dividend after reviewing our final operating results. For now, however, we are refraining from setting the year-end dividend because the outlook for the remaining two months of the fiscal year is uncertain.

Q: Regarding real estate inventories, you said you plan to sell some ¥120 billion of properties. How long do you expect this process to take? And to what extent have you currently factored in losses on the disposal of these properties?

A: Our forecast basically factors in further deterioration in real estate values as a contingency. Timing-wise, we plan to await a more opportune time to sell, given current financial conditions. We are not in a situation to accurately predict the timing of any property sales.

Q: I get the impression that you are basically exiting the condominium development business. Is that correct?

A: Liquidation of our condominium inventories is nearing completion. We have many years of experience in condominium development. We also have an established network of associates and a market for our condominium. Although our condominium business is incurring losses due to the real estate market downturn, we intend to remain in the business if we can find good properties and strictly limit our investment outlays. I expect that our condominium business will shrink in scale, but we intend to continue to pursue condominium development opportunities.

Q: I cannot understand how you arrived at the projected fourth-quarter losses of roughly ¥7 billion in the Machinery & Aerospace Division and ¥10 billion in the Chemicals & Plastics Divisions. How much of these losses are due to one-time factors?

A: The automobile business was hard-hit by the Russian rouble's precipitous depreciation, reflecting a relatively long lag-time between imported cars' arrival in Russia and their sale. In response, we aim to offset the impact of the rouble's depreciation by raising sales prices, while also attempting to minimize exposure to exchange rate movements by shortening the time between vehicles' import and sale. Through this approach, we should be able to continue to take advantage of business opportunities in Russia.

In the Chemicals & Plastics Division, the fertilizer business performed extremely well in the fiscal first half, but it ended up being severely affected by declines in market prices on products with long inventory turnaround times. However, once it

sufficiently reduces its inventories, the fertilizer business has the potential to be a source of stable profits. We basically do not expect such losses to carry over into fiscal 2009.

Q: You are forecasting fourth-quarter gross profit of only ¥40 billion. To what extent does this reflect transitory factors?

A: The biggest transitory factor (on the gross profit line) is real-estate-related losses, which are factored into our forecast.

Q: I believe you said you have ¥350–360 billion in cash. Should you not have a bigger cushion of cash-on-hand heading into fiscal year-end?

A: We basically aim to maintain cash-on-hand equivalent to about 80% of our short-term borrowings. When we formulated our medium-term management plan, we set a target of roughly ¥350 billion for cash holdings. In actuality, we ended up raising additional liquidity earlier than previously planned to have as much cash on hand as possible. We have ended recent quarters with liquidity on hand in excess of ¥400 billion. Even at the end of last December, we had around ¥390 billion. We aim to carefully manage liquidity based on such a mindset. At the same time, we are pursuing efficient liquidity management on a group-wide basis by means of a cash management system in addition to commitment lines. We have set a benchmark of ¥350 billion for liquidity on hand after precautionary arranging supplemental liquidity facilities.