

**Condensed Transcript of Q&A Session at Fiscal 2011 First-Quarter Results Briefing
(July 29, 2011)**

- Q: In your discussion of the Machinery Division, you said that you expect a rebound in the automotive business in the second half of the fiscal year. Please explain the first-quarter results in Russia, Central and South America, and other markets, along with the current business situation.
- A: In our Russian automotive business, the impact of Japan's earthquake was our biggest concern, but the business got back on track faster than we thought. In Central and South America, our business was strong due to robust auto demand, especially the Venezuelan business. We were able to absorb the impact of last year's currency devaluation through higher sales prices, and operations have stabilized, so the business is finally on track. Overall, the automotive business results in the first quarter were strong, and we currently expect full-year results to show improvement over last year.
- Q: Your Consumer Lifestyle Business Division's results were good, but please tell us more specifically about the current status of the Thai fertilizer business and your outlook.
- A: The Thai government's price control program remains in effect, but the maximum price has been revised upward. This alleviates some of the concerns we had over the impact of the program on our profit outlook.
- Q: Your operating income for the first quarter represents 24% of the operating income you are planning to generate for the full fiscal year. How do you evaluate this progress? Also, you originally estimated earthquake-related losses at ¥5.0 billion, but what is the current outlook?
- A: Net sales, gross profit on sales, and operating profit are generally in line with our original estimates. As for the ¥5.0 billion in earthquake-related losses, the outlooks by individual businesses are improving, and so we are hopeful that we can minimize the impact by some margin.
- Q: In the Consumer Lifestyle Business Division, you mentioned that the lumber trade was strong in the first quarter, but that the industry was entering a period of adjustment from the second quarter. Please explain.
- A: The lumber trade business was robust in the first quarter due to strong demand for imported plywood. We expect the market to soften from the second quarter because inventories have built up. We don't expect the robust environment seen in the first quarter to continue.
- Q: You said the foreign currency translation adjustment was positive in the first quarter due to the yen depreciation. The yen is appreciating now, so what impact will this have on owners' equity?
- A: The impact on owners' equity is difficult to state precisely because other currencies besides the US dollar have an impact, but on a dollar-yen basis, a change of ¥1 has an impact of about ¥1.2 billion on owners' equity.
- Q: Please explain the current status of the oil and coal businesses in the Energy & Metal Division.
- A: The oil business is currently strong due to higher oil prices. The coal business was affected by floods in Australia in the first quarter, but the impact was within expectations, and we are confident there will be a recovery from the second quarter.
- Q: What is your outlook for the Chemicals & Functional Materials Division, which posted strong first-quarter results?
- A: The business will depend on developments in Asian markets. Looking at the global markets, we are somewhat concerned over a possible slowdown in China's economic growth. That aside, we do not see the fiscal problems in the U.S. and Europe as having a major impact on the business, and with that as a premise, we believe the business will deliver a certain level of profit.

Q: You are planning ¥70-80 billion in new investments and loans in the year. What was your level of investments and loans in the first quarter and your current outlook for the year?

A: We made new investments and loans of about ¥14 billion in the first quarter. We haven't changed the original annual investment plan.

Q: In the first quarter you booked extraordinary income for the sale of cargo vessels and the sale of shares in a foreign steel company. Will this raise profits for the year?

A: We booked extraordinary income in the first quarter, but there is a possibility that we realize a loss related to our business selection and concentration initiatives. Currently, we do not expect this loss to be large.