

## Q&A Summary of Investors Meeting for FY2015 1<sup>st</sup> Half Business Results

Presentation Date and Time: November 7, 2014 (Friday); 13:30 to 15:00

Speakers: Masahiro Okafuji, President & Chief Executive Officer

Tadayuki Seki, Executive Vice President, Executive Advisory Officer, CFO & CAO

Koji Takayanagi, Senior Managing Executive Officer, CSO

Kunihiro Nakade, General Manager, General Accounting Control Division

Restated as follows —Charoen Pokphand Group: CP Group, C.P. Pokphand Co. Ltd.: CPP

### (1) Results and Forecast for the 1<sup>st</sup> half of FY2015

Q: The progress rate for the full-FY2015 forecast of a net profit of 300 billion yen was 51%, which seems to be affected by a slump in the Textile Company. How do you plan on increasing profit, mainly in the non-resource sector in the 2<sup>nd</sup> half?

A: Our profit is derived more from the 2<sup>nd</sup> half than the 1<sup>st</sup> half. Although the progress rate for the Textile Company is actually a bit behind schedule, this minor delay is not a problem and does not change the full-year forecast. We are confident we can achieve the full-year forecast of 300 billion yen.

Q: Profit from IMEA, excluding the impact of a 6 billion yen loss related to MRRT, does not seem to be deteriorating, correct?

A: An increase in volume made up for a decrease in earnings. Also, this increase helped reduce cost per unit.

Q: How does the review of each segment forecast affect the buffer of minus 20 billion yen?

A: The forecast for the Metals & Minerals Company was reduced by 20 billion yen. On the other hand, the forecast for Others, Adjustments & Eliminations improved by 20 billion yen. As a result, the buffer of minus 20 billion was cleared away.

### (2) Next Medium-Term Management Plan

Q: Do you have any comments about investment policy, etc. for the next medium-term plan at this moment? Are there any changes to the way funds will be used?

A: We had a Management Strategy Meeting the other day and talked about basic policy for the next medium-term plan. We are aiming to consider the details by the end of the year. The next plan will cover a 3-year period, and we will set the limit for amount of investment to be for the entire period, not for each year. We prefer investments similar to the CP Group investments that lead to business expansion, instead of investments in just one company.

### (3) Investment (including Exit Policy) and Financial Strategies

Q: We recognize a gross 1 trillion yen to be the framework for planned investments in the 2 Year-Period Plan, but how do you look at the current progress of investments?

A: We still have around 220 billion yen as the remaining amount of investments for the

2-Year-Period Plan. Currently, we will have additional investments around 100-120 billion yen in the 2<sup>nd</sup> half of FY2015. We will maintain our stance on investment policy, meaning we will decide investments very selectively and only make investments if we can have valuable assets.

Q: How about the forecast for cash flow with the current fluctuation of FX and commodity prices? Is there any impact toward the target amount of investment in this situation?

A: The result of operating and investing cash flows in the 1<sup>st</sup> half was around 140 billion yen and 200 billion yen. And the result of free cash flow in the 1<sup>st</sup> half was minus 60 billion yen. The forecast for operating cash flow might be around 300 billion yen in the full-FY2015. Therefore, the forecast for free cash flow in the full-FY2015 might be around zero, considering the cash outflow of investing in the 2<sup>nd</sup> half. There is no impact on the target amount of investment in 2-Year-Period Plan by fluctuating FX.

Q: Please tell us about the future pace and schedule regarding the execution of the share buy-back program.

A: We can't explain the details, because we leave this operation entirely up to the securities company. It's out of our control. We will continue to announce the actual result of the share buy-back program on the first business day of the next month after the monthly execution.

#### (4) Resources Sector

Q: Can you update us on the continuing negotiations with the Brazilian steel company regarding the merger of the NAMISA Brazilian iron ore project since last year?

A: We can't explain the details because there are many entities involved in the project. But, we recognize that the conclusion for this negotiation is drawing near. The purpose of this merger is to improve productivity coming from the scrap-and-build of facilities and strengthen profitability through expanding the project. Now we are straightening out the pending issues one by one.

Q: Were the profits from the Drummond thermal coal project a factor for unordinary profit in the 2<sup>nd</sup> quarter of FY2015? How about profit forecasts for FY2016 and beyond?

A: There was no unordinary profit in this term. The profit from this project increased in the 1<sup>st</sup> half of last year, thanks to the resolution of the mining strike. We estimate that the profit from this project might be increased if the thermal coal price maintains its current level, but it depends on the movement of the thermal coal price.

Q: Other Japanese trading companies recognized impairment losses coming from the downward price forecast of commodity prices. Are there any possibilities of the impairment losses like this affecting your company?

A: There are mainly two aspects in the recognition of impairment loss. One is the difference between the forecast for production volume at the time of investment and the current forecast. The other one is changes in commodity price assumptions. We understand that there is no direct connection to impairment loss if there are no further changes in long-term price assumptions.

Q: Do you have yearly tests concerning impairment loss in mining assets?

A: Yes. We have a quarterly test for impairment loss in the case of the Samson project.

Q: How about the reason for the recognition of impairment loss in the Samson project in the 2<sup>nd</sup> quarter of FY2015 and the possibilities regarding additional recognitions of impairment losses in the future? What portion of the remaining book value of 32 billion yen is developed and undeveloped?

A: 50% and 50% regarding the portion of developed and undeveloped. Including assessments of undeveloped areas, we recognize an impairment loss in areas where drilling tests results show a low possibility of future development. Also, the amount of non-renewable leasing area is included in the impairment loss.

Q: Is there any possibility of additional impairment loss under the current fall in oil price?

A: While the fall in oil price has some impact, if prices remain at their current levels, there is no significant possibility.

#### (5) Non-resource Sector

Q: What kind of discussions are you having with the CP Group?

A: We are discussing business possibilities in many areas. After forming a strategic alliance with the CP Group, there are many projects which have never been brought to us so far. We will carefully select the good projects among them. We are doing business steadily with them, and we are not chasing immediate results. The CP Group is interested in our medical and distribution business. The mail-order business in China has been reported on by the media, and the CP Group and ITOCHU are under discussions with several big Chinese companies to establish a new company in a special economic zone in Shanghai. Strong relationships with the Chinese government and the CP Group lead to these business opportunities. From now on, we are actively engaging in good opportunities like this. The CP Group is an important partner that helps us concentrate on consumer-related businesses in Southeast Asia, including China.

Q: How much equity income do you expect from CPP?

A: We expect equity income of about 1-1.5 billion yen, which will only be reflected in the 4<sup>th</sup> quarter of FY2015.

Q: The profits from Dole, ETEL have been decreasing in the 2<sup>nd</sup> quarter in FY2015. How do you recover in the 2<sup>nd</sup> half in FY2015?

A: As for Dole, they couldn't secure enough pineapples, which are used as raw materials in processed food business, and the labor cost in Thailand increased. In the Asian fresh food business, they cannot shift the higher cost due to yen depreciation to the consumer, although sales of bananas in China and Korea remain good. The 1 billion yen loss due to tax adjustment last year also had an effect. Moving forward, securing plantations will be extremely important. Up until now, we have mainly concentrated on the Philippines, but we will also promote the development of production areas in other countries.

In the Food Company, profit will recover thanks to increased profit from the U.S. grain business and the Canadian livestock business, HYLIFE. The Machinery and ICT business are also strong. Sales of ETEL in the 1<sup>st</sup> half were in a slump. This was because new automobile sales in the U.K. were good, and demand for spare tires dropped off. If it is a warm winter in the U.K. this year, it's going to slow down the sales of winter tyres, however, ETEL seeks to achieve this year's budget through further cost reduction.