IR Meeting for FY March 2024 Q1-3 (April-December 2023)
Financial Results
16:30-17:30 on Friday February 2, 2024

[FY March 2024 Q1-3 (April-December 2023) Financial Results (P0)]
Good afternoon, I'm Tetsuya Shigeta, CFO.
Thank you for joining us today.

I will begin with an overview of operating results for the first nine months and the full-year forecast.
I will then hand over to Masao Kurihara, General Manager of the Global Controller Division, who will speak on the results in more detail.

[Summary of Operating Results (P4)]
I will provide a summary of operating results for the first nine months.

During the first nine months, we were able to take advantage of earnings opportunities by improving the quality of our business portfolio which globally spans a wide range of industries. As a result, Core Operating Cash Flow, or COCF, was 769.1 billion yen and profit was 726.4 billion yen, generating earnings outpacing the previous forecast announced at the first half financial results, which were revised up from the forecast announced at the start of the fiscal year.

In the light of this strong progress, we have revised up our full-year forecast again. Compared to the previous forecast, we have revised up our forecast for COCF, that forms the basis for shareholder returns, by 40 billion yen to 1 trillion yen. Furthermore, although the timing of a large-scale asset sale is expected to be shifted to next fiscal year, we have revised up the forecast for profit by 10 billion yen to 950 billion yen due to the good performance of the Mineral & Metal Resources, Energy and Mobility businesses.

[Progress Against Previous Forecast for FY March 2024 Full-Year (P5)]
I will now explain our progress against the previous forecast.

COCF progressed at a high rate due to the upside of iron ore prices in the Mineral & Metal Resources segment and an increase in dividends from associated companies in the Machinery & Infrastructure segment.

Furthermore, in the Energy segment, our assessment is that progress is now steady due to LNG-related business contributing to earnings in the second half.

Meanwhile, segments impacted by demand decrease, lower commodity prices, and other factors associated with the slowing of the global economy, had a relatively slower rate of progress against the previous forecast.

[FY March 2024 Full-Year Revised Forecast vs Previous Forecast - Core Operating Cash Flow (P6)]

We have revised up our full-year forecast for COCF in FY March 2024 to 1 trillion yen.

In the Mineral & Metal Resources segment, we made an upward revision of 50 billion yen mainly due to the rise in iron ore prices and an increase in dividend income from Vale.

In the Energy segment, we made an upward revision of 10 billion yen mainly due to LNG trading and one-time profit.

In the Machinery & Infrastructure segment, we made an upward revision of 20 billion yen mainly due to an increase in dividend income from associated companies and a decrease in tax payments due to an anticipated shift in timing for the sale of power generation business to next fiscal year.

[FY March 2024 Full-Year Revised Forecast vs Previous Forecast Profit (P7)]

We have also revised up our full-year profit forecast to 950 billion yen.

In the Mineral & Metal Resources segment, we made an upward revision of 35 billion yen mainly due to the rise in iron ore prices and an increase in dividend income from Vale.

In the Energy segment, we made an upward revision of 20 billion yen mainly due to LNG trading and one-time profit.

In the Machinery & Infrastructure segment, we anticipate the sale of power generation business being shifted to next fiscal year and we recorded impairment losses in the power generation and railway businesses, however, automotive, industrial and construction machinery, and the ships businesses drove performance, limiting the downward revision to 15 billion yen.

[Cash Flow Allocation (P8)]
In this section I will discuss cash flow allocation for the first nine months.

Cash-in for the period was 1 trillion 211 billion yen, comprising COCF of 769 billion yen and asset recycling of 442 billion yen. There were numerous asset sales made in Q3, including the sale of shares in International Power (Australia) Holdings, which operates a power generation business and a power and gas retail business in Australia, the sale of shares in Thorne HealthTech, which operates a high-functionality supplement and testing kit business, and the sale of our interest in the US Kaikias oil field.

Cash-out was 1 trillion 3 billion yen, comprising investments and loans of 769 billion yen and returns to shareholders of 234 billion yen.

[Timing of Profit Contribution from New Projects (P9)]
We will continue to execute carefully selected growth investments in line with the Key Strategic Initiatives specified in the Medium-term Management Plan, or MTMP, and the start of contribution to profit from new projects is progressing as planned.

In Q3, partial operation of the large-scale renewable energy project in India started, and Nutrinova, which manufactures and sells functional food ingredients, also started to contribute to profit.

Furthermore, we acquired 60% of shares in Komatsu Mining Corp. Perú which sells and services machinery for open-pit and underground mining, and this has started contributing to earnings. This year, it will merge with KMMP, which we have invested in since 1996, and will provide an even wider range of products and services to customers to support the stable operation of mining machinery and contribute to global copper production.

[Progress of Growth Investments (October 2023 - January 2024) (P10)]

Investment decisions and pipeline expansion have progressed smoothly in the past four months, and I will introduce a few major projects.

In Industrial Business Solutions, in January, we invested in Quantinuum, which is a leading global quantum computing company, and signed a distributorship agreement. We have already started studying specific joint projects. As a technology with the potential to have a significant impact on a wide range of industrial sectors, we will consider its utilization in each business in the context of digital transformation, and accelerate value offerings to customers and society.

Furthermore, in Wellness Ecosystem Creation, in November, we decided to invest in Wadi Poultry, which operates an integrated business in Egypt encompassing broiler production and processing, processed food manufacturing, sales, and the procurement of feed grain. Demand for chicken is expected to continuously rise with increasing population and economic growth. It is also positioned as our focus area because it has the highest feed efficiency of all animal proteins, has a short breeding period, and can be provided at a relatively low cost.

We will continue to expand our pipeline and execute carefully selected growth investments in line with the Key Strategic Initiatives established in the MTMP.

[Shareholder Returns (P11)]
I will explain about our shareholder returns policy.

There are no changes to our previous explanation of the shareholder returns policy. We will maintain shareholder returns at around 37% of the three-year cumulative total of COCF, and a minimum full-year dividend of 170 yen for the duration of the MTMP. Furthermore, the repurchase of up to 50 billion yen of shares announced last October was completed on January 31, and all shares acquired will be cancelled on February 15. We will continue to consider the enhancement of shareholder returns offering both stability and flexibility, with a view to increasing our ROE.

[Financial Impact of Arctic LNG2 Project (P12)]
Now I will explain the impact of the Arctic LNG 2 project on our financial results.

Last November, the operating company of the Arctic LNG 2 project was sanctioned by the US. After having reassessed the investments, loans and guarantee obligations, taking into consideration this sanction , we have booked an additional provision of 13.6 billion yen. This includes 12.3 billion yen that impacts the income statement. As shown in the table on page 12, “Balance after deducting the provision” includes Mitsui’s guarantees of specific J-Arc liabilities undertaken for 100% share of J-Arc in excess of Mitsui’s equity share, and is the gross amount before deducting potential insurance claims.

We are taking appropriate measures to protect our interests, observing the rights and obligations of Mitsui under relevant agreements. We will comply with laws and regulations, including sanctions imposed by the international community, and will take appropriate measures in cooperation with stakeholders including the Japanese government.

[Changes to Governance and Executive Structures (P13)]
As recently announced, Mitsui has revised the positioning of the Board of Directors and the Executive Committee.

Regarding the Board of Directors, following the Ordinary General Meeting of Shareholders scheduled in June 2024, the number of Directors will be reduced from 15 to 12. The aim of this change is to establish a personnel composition that will enable the Board to engage in deeper and more effective deliberations, while the Board’s primary focus will remain on management oversight by the Directors. The number of External Directors will remain unchanged at six. This will raise the percentage of External Directors to 50%.

We have also reviewed our executive structure with the purpose of allowing a more agile response to an increasingly complex business environment and surrounding risks, and to ensure the steady realization of our management strategies. We have reaffirmed the role of the Executive Committee as our management leadership team. In addition, we will newly establish the position of General Counsel, who will serve as a member of the Executive Committee from April 2024 and execute management from a legal perspective.

That completes my part of the presentation today.
I will now hand over to Masao Kurihara, General Manager of the Global Controller Division, for details of performance in the first nine months.

= Global Controller section =

[Operating Results (P14)]

I am Masao Kurihara, General Manager of the Global Controller Division.
I will now provide details of our operating results for the first nine months.

[FY March 2024 Q1-3 Core Operating Cash Flow: YoY Segment Comparison (P15)]

First, I will explain the main changes in COCF by segment compared to the previous period.
COCF for the period was 769.1 billion yen, a year-on-year decrease of 192.1 billion yen.

In Mineral & Metal Resources, COCF decreased by 44.2 billion yen to 311.3 billion yen mainly due to the decline in metallurgical coal prices and the fall in dividend income from associated companies.

In Energy, although we recorded a gain in LNG trading and a gain on asset recycling, COCF decreased by 107.8 billion yen to 168.1 billion yen mainly due to a decrease in oil and gas prices as well as the impact of oil production facility maintenance, a decrease in dividends from associated companies and the recording of provisions related to Arctic LNG 2.

In Machinery & Infrastructure, COCF decreased by 11.6 billion yen to 147.1 billion yen, mainly due to lower dividend income from associated companies and an increase in taxes associated with asset recycling.

In Chemicals, COCF decreased by 26.6 billion yen to 45.9 billion yen mainly due to a fall in prices of fertilizers, fertilizer raw materials and feed additives, and lower dividend income from associated companies.

In Iron & Steel Products, COCF decreased by 11.6 billion yen to 3.8 billion yen, mainly due to lower dividend income from associated companies.

In Lifestyle, COCF increased by 18.4 billion yen to 49.6 billion yen, mainly due to higher dividend income from associated companies and the swing-back of the loss in coffee trading recorded in the same period of the previous fiscal year.

In Innovation & Corporate Development, COCF decreased by 9.2 billion yen to 25.2 billion yen, mainly due to a decline in profit from commodity derivatives trading compared to the strong performance recorded in the same period of the previous fiscal year.

Other factors, such as expenses, interest, taxes, etc., which were not allocated to business segments, totaled 18.1 billion yen.

[FY March 2024 Q1-3 Profit: YoY Segment Comparison (P16)]
I will now explain the main changes in profit by segment compared to the first nine months of the previous fiscal year.
Profit for the period decreased by 114.4 billion yen to 726.4 billion yen.

In Mineral & Metal Resources, profit decreased by 113.3 billion yen to 242.1 billion yen due to decrease in profit contribution following the sale of SMC, a metallurgical coal business in Australia, in the third quarter of the previous fiscal year, and the fall in prices of metallurgical coal.

In Energy, although we recorded a gain in LNG trading and a gain on an asset sale, profit decreased by 95.0 billion yen to 95.8 billion yen mainly due to a decrease in oil and gas prices as well as the impact of oil production facility maintenance and the recording of provisions related to Arctic LNG 2.

In Machinery & Infrastructure, although there was an impairment loss for Mainstream, profit increased by 79.1 billion yen to 210.2 billion yen mainly due to the gain on sale of a European electric locomotive leasing business and multiple IPP businesses, and good performance of multiple businesses such as VLI, ships, and industrial and construction machinery.

In Chemicals, although a gain on asset sales was recorded, profit decreased by

17.6 billion yen to 37.1 billion yen mainly due to a fall in prices of fertilizers, fertilizer raw materials, and feed additives.

In Iron & Steel Products, profits decreased by 12.0 billion yen to 7.5 billion yen, mainly due to impairment loss at an associated company and a lower demand.

In Lifestyle, although there was the swing-back of the valuation gain on R-Pharm put options recorded in the same period of the previous fiscal year, profit increased by 43.2 billion yen to 85.5 billion yen, mainly due to valuation gain on the fair value of Aim Services and good performance of the processed oil food business in North America.

In Innovation & Corporate Development, although a valuation gain on the fair value for Altius Link was recorded, profits decreased by 12.7 billion yen to 37.0 billion yen, mainly due to a year-on-year decrease in profit from asset sales and a decline in profit from commodity derivatives trading compared to the strong performance recorded in the same period of the previous fiscal year.

Other factors, such as expenses, interest, taxes, etc., which are not allocated to business segments, totaled 11.2 billion yen.

[FY March 2024 Q1-3 Profit: YoY Factor Comparison (P17)]
This page shows the main factors influencing year-on-year changes in profit.

<u>Base profit</u> decreased by approximately 53 billion yen. Although there were performance improvements mainly in the US automotive business and LNG trading, there was an increase in interest expenses, a decrease in profit contribution following the sale of SMC in the previous fiscal year, and lower profit from trading mainly in Chemicals.

<u>Resources costs/volume</u> resulted in a decrease of approximately 40 billion yen mainly due to a decrease in production volume resulting from maintenance of a production facility in energy upstream businesses, and increases in fuel and labor costs in the Mineral & Metal Resources businesses.

<u>Asset recycling</u> resulted in an increase of approximately 52 billion yen mainly due

to gains on the sales of MRCE, which is a European electric locomotive leasing business, the US Kaikias oil field, and real estate.

Commodity prices and forex resulted in a decrease of approximately 68 billion yen. For commodity prices, profit decreased by approximately 78 billion yen due to lower oil and gas prices, and 25 billion yen due to a fall in metallurgical coal prices, which resulted in a decrease of approximately 103 billion yen in total. For forex, profit increased by 35 billion yen mainly due to weaker yen.

Finally, for valuation gain/loss and special factors, profit decreased by approximately 5 billion yen mainly due to the impairment of Mainstream and the additional provision for Arctic LNG 2.

[FY March 2024 Revised Full-Year Forecast: Factor Comparison vs Previous Forecast (P18)]

Here we have a comparison of full-year forecast and the previous forecast, with a summary of the factors involved.

Base profit is expected to increase by 28 billion yen. Although we made a downward revision relating to chemicals due to the influence of a slowing of the economy, the automotive, industrial and construction machinery and ships businesses as well as the LNG trading had been conservatively estimated in the previous forecast, and the additional dividend income from Vale in Q3 should lead to higher profits.

For resources costs/volume, we expect profit to decrease by approximately 6 billion yen mainly due to the decrease in production volume in iron ore operations in Australia.

In asset recycling, although there was a gain on the sale of our interest in the US Kaikias oil field, profit is expected to decrease by 19 billion yen mainly due to the shift in timing of sale for power generation business.

Commodity prices/forex is expected to generate a profit increase of approximately 21 billion yen mainly due to an increase in iron ore prices.

Finally, for valuation gain/loss and special factors, mainly owing to impairments in the first nine months, we expect a decrease of approximately 14 billion yen.

[Balance Sheet as of end-Dec 2023 (P19)]

Now let's take a look at the balance sheet as of the end of the first nine months of the current fiscal year.

Compared to the end of March 2023, net interest-bearing debt increased by approximately 0.1 trillion yen to 3.3 trillion yen. Meanwhile, shareholder equity increased by approximately 0.7 trillion yen to 7.1 trillion yen. As a result, Net DER was 0.47x.

That concludes my presentation.