IR Meeting for FY March 2024 Q1 Financial Results
16:30-17:30, Tuesday, August 1, 2023

[FY March 2024 Q1 Financial Results]
Good afternoon, I'm Tetsuya Shigeta, CFO.
Thank you for joining us today.

I will begin by giving a summary of the FY March 2024 Q1 operating results. I will then hand over to our Global Controller Masao Kurihara for details of our operating results.

During Q1, the US economy showed overall strength, underpinned by consumer spending while monetary tightening continued, and a gradual recovery was seen in the Chinese economy. Going forward, while there continue to be many uncertain factors in the global economy, it is expected to pick up moderately. In this operating environment, we made a good start against the projections of our business plan for both Core Operating Cash Flow (COCF) and profit.

[Summary of Operating Results (P4)]
I will summarize our operating results for Q1.

COCF for the period decreased by 44.5 billion yen year-on-year to 255.9 billion yen, and profit for the period decreased by 22.1 billion yen to 252.9 billion yen. While profit decreased year-on-year due to commodity prices reverting, our results show a progress at a pace exceeding our business plan.
Furthermore, of the share repurchases announced in the previous fiscal year, for the 70 billion yen carried over to this fiscal year, we carried out 61.7 billion yen by the end of June and in July carried out the remaining 8.3 billion yen, thereby completing the share repurchase as planned. The 22 million shares repurchased are scheduled to be cancelled at the end of August.

[Progress Against Business Plan (P5)]
This slide indicates the progress rate of each segment against the full-year business plan.

In Q1, although there was some variation in the progress rate across segments, all segments are progressing steadily against the business plan.
Lifestyle segment showed a high progress rate in terms of profit due to the valuation gain on

Aim Services. In some segments, the progress rate of profit in Q1 may seem relatively low as asset recycling based on the business plan is expected to occur in the second quarter onwards, but on a full-year basis things are progressing as planned, if not slightly ahead of expectations.

[Cash Flow Allocation (P6)]

In this section I will discuss cash flow allocation for the current period.
During Q1, growth investments were steadily executed, in line with the business plan.

Cash inflow for the period was 308 billion yen, comprising COCF of 256 billion yen and asset recycling of 52 billion yen including the sale of aircraft in the aviation business.
Cash outflow was 297 billion yen, comprising investments and loans of 235 billion yen and share repurchases of 62 billion yen.
The main investments and loans executed were growth investments such as making Aim Services a wholly-owned subsidiary, the acquisition of an interest in the South Texas Vaquero shale gas project in the US, and the acquisition of Sumitomo Pharma Animal Health. Furthermore, in capital investments related to sustaining existing businesses, there were outflows for iron ore and metallurgical coal operations in Australia, and for oil and gas projects.

[Progress of Growth Investments (P7)]

This table indicates growth investments along the three Key Strategic Initiatives in the current Medium-term Management Plan (MTMP), as well as progress in our studies and development of projects aimed at further expansion of the investment pipeline.

I will introduce a few examples regarding progress we have made on investment decisions in each of the Key Strategic Initiatives.

In Industrial Business Solutions, in the area of digital infrastructure we have been moving forward with the tender offer for Relia Communications and business integration with KDDI Evolva. In July, we completed the tender offer, and decided to begin operations as “Altius Link” from September 1.
Through this integration, Altius Link will be one of the largest contact center operators in Japan, a country in which the working population is forecast to decline, and subsequently corporate outsourcing demand is forecast to rise. In addition to its contact center business, we expect Altius Link to accelerate its digital BPO business and through taking a significant share of the rising demand, it will aim to become the largest operating company in this space.

In Global Energy Transition, we have decided to enter the business of production and sales of e-methanol. We expect to start production in 2024 in what we expect to be the world's first commercial scale, and one of the world's largest e-methanol businesses. In addition to this, we will expand our investment pipeline, continuing to consider business opportunities with our partners in various areas that will contribute to the realization of a decarbonized society. Areas such as next-generation fuels, low-carbon metallics and iron making, battery minerals and materials , and CCS, to name a few.

In Wellness Ecosystem Creation, as part of the creation of a food and nutrition value chain, we decided to invest in Nutrinova, which manufactures and sells functional food ingredients. This is an investment that has been realized through our long partnership with Celanese, that has continued since we began working together in the US methanol business from 2013.
Nutrinova is a business in which stable profitability as well as growth can be expected due to high-quality and differentiated products, and can immediately contribute to earnings. In addition, the nutrition team in the Chemicals segment and the food team in the Lifestyle segment will work together to combine their respective strengths, knowledge, and networks across industries, in an effort to increase Nutrinova's corporate value.

[Shareholder Returns Policy (P8)]
With regard to shareholder returns, as we explained in the current MTMP that we released in May, we will strengthen stable and flexible shareholder returns in line with the expansion of our cash generating capability.

That completes my presentation today, so I will now hand over to the General Manager of Global Controller Division, Masao Kurihara, for the details of performance in Q1.

General Manager of the Global Controller Division section

[Operating Results (P9)]
I am Masao Kurihara, General Manager of the Global Controller Division.
I will now provide details of our operating results for Q1.

[Q1 Core Operating Cash Flow: YoY Segment Comparison (P10)]
First, I will explain the main changes in COCF by segment compared to Q1 of the previous fiscal year.

COCF for the period was 255.9 billion yen, a year-on-year decrease of 44.5 billion yen.

In Mineral & Metal Resources, COCF decreased by 51.1 billion yen to 91.1 billion yen mainly due to the fall in prices of metallurgical coal and iron ore, and the decrease in dividends due to the sale of our shares in SMC, an Australian metallurgical coal business, in Q3 of the previous fiscal year.

In Energy, although affected by a decrease in LNG dividends and a fall in gas prices, COCF increased by 2.9 billion yen to 55.3 billion yen mainly due to the absence of derivative valuation losses in LNG trading which were recorded in Q1 of the previous fiscal year.

In Machinery & Infrastructure, COCF increased by 24.6 billion yen to 60.2 billion yen mainly due to an increase in dividends from equity method affiliates in areas such as automotive and construction machinery and IPP, as well as bringing forward some of the dividends within the fiscal year.

In Chemicals, COCF decreased by 11.7 billion yen to 20.3 billion yen mainly due to a fall in prices of fertilizers and feed additives.

There were no significant changes in Iron & Steel Products and Lifestyle.

In Innovation & Corporate Development, COCF decreased by 4.8 billion yen to 7.1 billion yen due to the impact of taxes paid this fiscal year associated with real estate sales executed in Q4 of the previous fiscal year.

Other factors, such as expenses, interest, taxes, etc., which were not allocated to business segments, totaled an outflow of 2.1 billion yen.

[Q1 Profit: YoY Segment Comparison (P11)]

I will now explain the main changes in profit by segment compared to Q1 of the previous fiscal year.
Profit decreased by 22.1 billion yen to 252.9 billion yen.

In Mineral & Metal Resources, profit decreased by 41.9 billion yen to 77.9 billion yen due to the lower prices of metallurgical coal and iron ore, and due to the sale of SMC, an Australian metallurgical coal business, in Q3 of the previous fiscal year.

In Energy, although affected by a decrease in LNG dividends and a fall in gas prices, profit increased by 3 billion yen to 26.7 billion yen mainly due to the absence of derivative valuation losses in LNG trading which were recorded in Q1 of the previous fiscal year.

In Machinery & Infrastructure, although there was an impairment loss at Mainstream, profit increased by 13.7 billion yen to 52.6 billion yen mainly due to the increase caused by the absence of one-time items and valuation losses that were recorded in Q1 of the previous fiscal year, as well as the good performance in the automotive and construction machinery, ship, and FPSO businesses.

In Chemicals, although there was a valuation gain at an associated company, profit decreased by 7.6 billion yen to 15.5 billion yen mainly due to the fall in prices of fertilizers and feed additives.

In Iron & Steel Products, profits decreased by 1.4 billion yen to 5.6 billion yen, mainly due to a fall in steel prices.

In Lifestyle, profit increased by 33.8 billion yen to 60.3 billion yen mainly due to the fair value gain of Aim Services.

In Innovation & Corporate Development, profit decreased by 12.3 billion yen to 8.1 billion yen mainly due to the absence of a gain on sale of real estate business which was recorded in Q1 of the previous fiscal year.

Other factors, such as expenses, interest, taxes, etc., which were not allocated to business segments, totaled a profit of 6.2 billion yen.

[Q1 Profit: YoY Factor Comparison (P12)]
This page shows the main factors influencing year-on-year changes in profit.

<u>Base profit</u> was driven by the absence of advanced recognition of derivative valuation losses in LNG trading and one-time losses recognized in Q1 of the previous fiscal year, as well as the good performance of multiple businesses such as the US food business WILSEY FOODS, automotive and construction machinery, ships, FPSO, and fashion. However, there was a decrease in profit from trading in areas such as chemicals and grain due to sales prices

reverting, a decrease in LNG dividends, and a decrease in profit due to the sale of our shares in the Australian metallurgical coal business, SMC, in Q3 of the previous fiscal year. These were the main factors behind base profit decreasing by approximately 8 billion yen as a net total.

Looking at resources costs/volume, profit decreased by approximately 8 billion yen mainly due to decrease in volumes and increases in depreciation and exploration costs in some energy upstream businesses, and a decrease in volume and an increase in unit costs in the copper business.

Asset recycling resulted in a decrease of approximately 4 billion yen mainly due to the absence of a gain on sale of real estate business that was recorded in the previous fiscal year, although there was a valuation gain at an associated company in the Chemicals segment.

In commodity prices and forex, due to decrease in commodity prices, profit decreased by approximately 18 billion for metallurgical coal, 13 billion for oil & gas, 9 billion for iron ore and 4 billion for copper which resulted in profit decreasing by approximately 44 billion yen in total. For forex, profit increased by approximately 15 billion yen mainly due to the weaker yen.

Finally, valuation gain/loss and special factors contributed to an increase of approximately 27 billion yen, mainly due to the fair value gain of Aim Services.

[Balance Sheet as of end-June 2023 (P13)]

Now let's take a look at the balance sheet as of the end of Q1 of the current fiscal year. Compared to the end of March 2023, net interest-bearing debt increased by approximately 100 billion yen to 3.3 trillion yen. Meanwhile, shareholder equity increased by approximately 400 billion yen to 6.8 trillion yen. As a result, the net D/E Ratio was 0.49x. We are confident that we have a strong financial base, sufficient enough to withstand the ongoing uncertainties of this operating environment.

That concludes my presentation.