Good afternoon, my name is Takakazu Uchida, Chief Financial Officer. Thank you for joining us today.
I will start by reviewing our results for the first quarter of the fiscal year to March 2020. The financial year got off to a strong start with a steady performance in Resources & Energy. Machinery & Infrastructure, Chemicals, and Lifestyle segments are showing progress largely in line with plan.

[Summary of Operating Results (P3)]
Please turn to page 3.
I will now explain the summary of our operating results for the first quarter of the fiscal year.
Mitsui’s profit for the period increased by 6.6 billion yen year on year to 125 billion yen, representing progress to full-year target of 28%. Core operating cash flow was 155.9 billion yen, representing progress to full-year target of 24%. Free cash flow, which excludes the effects of changes in working capital and time deposits, was positive at 53.9 billion yen.

In growth areas, we are steadily promoting initiatives to strengthen our profit base such as our investment in Vietnamese company Minh Phu, the world’s largest shrimp producer and processor, and an agreement with China Resources Group and HOPU Investments to establish a healthcare fund for the Chinese market.

The sense of a slowdown in the global economy is deepening and while consumer spending in the US continues to be resilient on the back of a favorable environment for employment and employee income, the pace of economic expansion is expected to decline as the stimulus effect of tax cuts dwindles. In China, government policy is providing a certain level of support, but with the impact of trade friction with the U.S. and other factors, the country’s economic downturn is expected to continue.

We will continue to take heed of the business environment in which we operate, paying attention to commodity market conditions and currency movements, and work towards achieving our targets.
[Key Initiatives: Build a robust profit base and thoroughly strengthen existing businesses (P4)]
Please turn to page 4.
Next, I would like to discuss the progress of a key initiative of our medium-term management plan: Build a robust profit base and thoroughly strengthen existing businesses.
Total profit from our core areas of Resources & Energy, Infrastructure & Machinery, and Chemicals was 110.8 billion yen and accounted for nearly 90% of our total profit.

In Resources & Energy, profit for the period and core operating cash flow showed strong progress, reaching 89.9 billion yen and 119.7 billion yen, respectively, due to a strong market for iron ore and good trading performance in Energy. In addition, we made steady progress in initiatives to further strengthen our robust profit base, with a focus on LNG projects, including production start at Cameron in the U.S., FID in Mozambique Area 1, and participation into Arctic 2 in Russia.

In Machinery & Infrastructure, although the progress to our full-year profit and core operating cash flow targets was 19%, influenced by seasonal factors at automotive and other businesses and a lag in booking revenue from an aircraft-related business, we are making steady progress in line with our plan. Furthermore, in the quarter under review, we have been strengthening the profit base through initiatives such as investing in a new FPSO vessel for Mexico.

In Chemicals, while some businesses fell slightly short of targets, progress was largely in line with expectations. We will continue to monitor the increasingly uncertain market environment while aiming to achieve our business plan targets.

[Cash flow allocation (P5)]
Please look at page 5.
Next, I will talk about results of cash flow allocation, asset recycling, and investment and loans in the first quarter.

In Asset Recycling, we achieved 20 billion yen and in core operating cash flow we achieved 155 billion yen, bringing total cash inflows for the period to 175 billion yen. Investment and Loans accounted for 120 billion yen in cash outflows with the result that
we had a free cash flow surplus of 55 billion yen.

Main investment and loan items were an investment in the aforementioned shrimp producer and processor Minh Phu in Vietnam and a loan execution to our Middle East IPP business.

We will continue to maintain investment discipline and realize well-balanced cash allocation across core and growth areas to achieve medium- to long-term growth while strengthening our financial base through the generation of positive free cash flow after returns to shareholders.

[Balance Sheet (P6)]
Please look at page 6.
Next, I will discuss the balance sheet as of the end of the first quarter. From the current fiscal year, in accordance with changes to lease accounting standards, the balance sheet table shows long- and short-term debt including lease liabilities. Long- and short-term debt that excludes lease liabilities is shown as interest-bearing debt and presented in [Main balances/changes from March 2019]. From the current fiscal year lease liabilities are excluded from net DER.

Net interest-bearing debt increased 28.8 billion yen from the end of March 2019 to 3.6 trillion yen. Shareholders’ equity decreased 29.3 billion yen to 4.2 trillion yen. As a result, net DER was 0.86x.

That ends my presentation. Now Tetsuya Shigeta, General Manager of Global Controller Division, will discuss the details of our quarterly results.
Thank you. I am Tetsuya Shigeta, General Manager of Global Controller Division. I would like to explain the details of our operating results.

Please see slide 8 for the year-on-year comparison of profits by segment.

Profit increased 6.6 billion yen to 125.0 billion yen this quarter.

In Mineral & Metal Resources, profits increased by 9.3 billion yen to 49.0 billion yen. This was primarily the result of strong market conditions of iron ore.

Energy segment profits increased by 23.8 billion yen to 40.9 billion yen, mainly due to the recording of deferred tax assets resulting from Mozambique Area 1 FID and the strong trading performance by METS.

Machinery & Infrastructure profits increased by 1.4 billion yen to 16.8 billion yen.

In Chemicals, profits decreased by 5.8 billion yen to 4.1 billion yen. This is primarily due to a decrease in profits at businesses due to weak market conditions and the absence of one-time profits included in the same period of the previous fiscal year.

In Iron & Steel Products, profits decreased by 5.3 billion yen to 1.5 billion yen due to the absence of gain on sale of land at an affiliate, which was included in the same period of the previous fiscal year, and weak market conditions.

Lifestyle profits decreased by 10.1 billion yen to 7.6 billion yen. This is primarily due to the absence of gain on reversal of provisions related to withdrawal from Multigrain included in the same period of the previous fiscal year.

Innovation & Corporate Development profits decreased by 8.4 billion yen to 2.1 billion yen, mainly due to FVTPL valuation loss, and the absence of FVTL gains from valuation and sale included in the same period of the previous fiscal year.
Turning now to page 9, we will look at the main factors influencing year-on-year changes in core operating cash flow by segment.

Core operating cash flow for the first quarter of the year was 155.9 billion yen, a year-on-year increase of 1.4 billion yen.

In Mineral & Metal Resources, core operating cash flow increased by 9.6 billion yen to 57.9 billion yen, backed by strong market conditions of iron ore.

In Energy, core operating cash flow increased by 8.9 billion yen to 61.8 billion yen mainly due to strong trading and an increase in dividends received.

In Lifestyle, core operating cash flow increased 3.1 billion yen to 11.6 billion yen, mainly due to changes in lease accounting standards.

Turning now to page 10, we will look at the main factors influencing year-on-year changes in profit.

Base Profit was impacted by the absence of the FVTPL gain on valuation and sale included in same period of previous fiscal year, but strong trading by METS and our truck lease/rental businesses were positive factors.

Next, in resources-related costs/volume, costs rose by approximately 4.0 billion yen, against a backdrop of increased royalties due to a rise in the sales price of iron ore. In Energy, volumes declined mainly due to decrease in production at the Vincent/Enfield oil fields and was a negative factor of approximately 3.0 billion yen.

Asset recycling contributed to an increase of approximately 3.0 billion yen, due to recycling profit in Lifestyle and Innovation & Corporate Development, despite the absence of recycling profit from the sale of land of an affiliate company included in the same period of the previous fiscal year.

Commodity prices/Forex contributed to an increase of approximately 20 billion yen primarily due to the increase in the sales price of iron ore.
Valuation gain/loss contributed to an increase of approximately 6.0 billion yen, due to the recording of the deferred tax asset for Mozambique Area 1 FID, despite the absence of the partial reversal of provisions related to Multigrain included in same period of the previous fiscal year.

That concludes my presentation. Thank you.