Good morning, my name is Tatsuo Yasunaga, President and CEO. Thank you for joining us today.
I will start by reviewing our operating results for the first half of the year and our forecasts for the full year. Then, I will hand over to Tetsuya Shigeta, Global Controller, who will speak in more detail.

In the first half of the year, we saw steady performance in Resources & Energy, while Machinery & Infrastructure progressed largely in line with plans. Other areas, such as Chemicals, Lifestyle, and Iron & Steel Products, saw some impact from the economic slowdown, but overall profit and core operating cash flow were on track.

【Summary of operating results (P3)】
Please turn to page 3.
I will now summarize our operating results for the first half of the fiscal year.

Profit for the first half of the fiscal year was 234.2 billion yen, up 11.3 billion yen year-on-year, and core operating cash flow was 346.4 billion yen, up 30 billion yen year-on-year, with progress to full-year targets of 52% and 54% respectively.

We have left our full-year forecasts unchanged, after considering factors such as an increasing sense of global economic slowdown, and the second half outlook for each business area. We therefore continue to forecast record profit for the full year of 450 billion yen and core operating cash flow of 640 billion yen.

As a result of reviewing our cash flow allocation, we have decided to provide additional shareholder returns of 50 billion yen through share buyback.

The global economy during the first half of the year continued to exhibit slowing growth attributable to a more moderate pace of economic expansion in the U.S.
and ongoing deceleration in China. We will continue to work toward achieving our full year targets, paying close attention to factors impacting our business environment, including the direction of U.S.-China trade negotiations, policy trends of major economies, commodity market conditions and currency movements.

【Key initiatives: Build robust profit base and thoroughly strengthen existing businesses (P4)】
Please turn to page 4.
I would like to discuss our progress in the key initiatives of our medium-term management plan, starting with “building a robust profit base and thoroughly strengthening existing businesses”.

In the core areas of Resources & Energy, Machinery & Infrastructure, and Chemicals, combined profit for the first half of the fiscal year was 208.2 billion yen, accounting for nearly 90% of our total profit.

In Resources & Energy, profit for the period and core operating cash flow showed strong progress, reaching 167.5 billion yen and 243.4 billion yen respectively, due to a solid market for iron ore and good trading performance in Energy. In addition, we made steady progress in initiatives to further strengthen our profit base, with a focus on LNG projects, including FIDs for Area 1 in Mozambique and Arctic LNG 2 in Russia, and the start of production at Cameron in the U.S.

In Machinery & Infrastructure, profit for the first half of the fiscal year was 36 billion yen and core operating cash flow was 41.4 billion yen. Progress toward full-year targets was 40%, but earnings from automotive, gas distribution and power generation businesses were largely in line with plans.

In Chemicals, the market environment has been worsening, influenced by factors such as the fall in prices for basic chemical products. We will continue making efforts to optimize our results amid an increasingly unclear market outlook.
On this slide I will review progress on our action plan for the year ending March 2020, which we announced together with the business plan.

We have been accelerating our initiatives in the areas of Environment and Health, which we believe have high potential for growth. In the area of Environment, in addition to FIDs for Area 1 in Mozambique and Arctic 2 in Russia and the start of production at Cameron in the U.S, we are progressing with renewable energy and next-generation power, such as Forefront in the U.S.

In the area of Health, as the largest shareholder in IHH we are actively engaging with management to pursue comprehensive measures to increase corporate value. Further, we are building on the IHH business platform with the launch of a healthcare fund for the China market.

We have been continuing measures to raise the quality of our portfolio through strategic asset recycling, for example by deciding to divest our stake in Columbia Asia Healthcare, which is a hospital management group targeting the middle class, and selling part of our investment in Recruit Holdings.

Based on this progress, we will further streamline the four growth areas outlined in our current medium-term management plan, and put efforts to build concrete earnings pillars in our next medium-term management plan. We are also increasing our focus on improving capital efficiency.

I will discuss the results and outlook for cash flow allocation.

In the first half of the year, in addition to securing core operating cash flow of 350 billion yen, we undertook asset recycling of 90 billion yen for a total cash-in of 440 billion yen. We implemented investments and loans totaling 220 billion yen, which in combination with 70 billion yen in interim dividend payments gave a total cash out of 290 billion yen. As a result, we produced a free cash flow surplus after shareholder returns for the period of 150 billion yen.
We paid close attention to the status of current investment projects during the period, and following a review of cash flow allocation decided to implement additional shareholder returns through share buyback.

【Balance sheet (P7)】
Please turn to page 7 for an explanation of the balance sheet at the end of this period. Compared to the end of March 2019, net interest-bearing debt has decreased by 120 billion yen to 3.5 trillion yen. Shareholder equity has decreased approximately 50 billion yen to 4.2 trillion yen. As a result, net DER stands at 0.82X.

【Revised full-year forecasts (P8)】
Please turn to page 8. As I said at the start of my presentation, although the economic slowdown is having an impact on our performance in Chemicals, Lifestyle, and Iron & Steel Products, solid performance in Resources & Energy means that we have not made any change to our full-year forecasts of 450 billion yen in profit and 640 billion yen of core operation cash flow.

【Shareholder returns (P9)】
Please turn now to page 9. I would like to conclude by talking about our plan on shareholder returns.
The year ending March 2020 brings us to the final year of our current medium-term management plan, and we have allocated additional cash flow to shareholder returns in the form of 50 billion yen share buyback. Our forecast annual dividend remains 80 yen per share, with an interim dividend of 40 yen per share.

This means that total returns to shareholders for this year will be approximately 190 billion yen, with forecast cumulative shareholder returns over the three years of the Medium-term management plan of 500 billion yen. Looking ahead, we aim to continue increasing the total dividend payout in alignment with business performance improvements, while pursuing a higher level of capital efficiency.
That brings me to the end of my presentation. I will now hand over to Tetsuya Shigeta, our Global Controller, to explain the details.

= Global Controller Division part =

【Operating results (P10)】
Thank you, my name is Tetsuya Shigeta, Global Controller, and I will now provide details of our operating results.

【H1 profit YoY segment comparison (P11)】
Please look at slide 11.
I will first review a year-on-year comparison of profits by segment.
Profit for the first half of the year increased 11.3 billion yen to 234.2 billion yen.

In Mineral & Metal Resources, although there was no dividend from Vale, solid market prices for iron ore contributed to a 12.8 billion yen increase of profit to 101.9 billion yen.

In Energy, profit increased 29.0 billion yen to 65.6 billion yen. In addition to recording a deferred tax asset for the Mozambique Area1 FID, we achieved good trading performance at Mitsui Energy Trading Singapore and others.

In Machinery & Infrastructure, profit decreased 1.1 billion yen to 36 billion yen.

In Chemicals, profits decreased 11.7 billion yen to 4.7 billion yen, reflecting lower earnings at businesses amid an economic slowdown along with weaker trading performance.

In Iron & Steel Products, profits decreased by 5.2 billion yen to 2.7 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, along with lower earnings at businesses amid an economic slowdown.
Lifestyle segment profits decreased by 3.1 billion yen to 16.9 billion yen. Although there was a reduction in corporate income tax associated with the partial sale of investment in Recruit Holdings, profits were impacts by factors such as an FVTPL appraisal loss, lower earnings at businesses amid economic slowdown, and the absence of a gain on reversal of provision related to withdrawal from the Multigrain business included in the previous comparable period.

In Innovation & Corporate Development, profits decreased 7.7 billion yen to 1.6 billion yen, due to FVTPL valuation loss and the absence of a valuation gain that contributed to profit in the previous comparable period.

【Core operation cash flow by segment YoY comparison (P12)】
Please turn to slide 12.
Core operating cash flow for the first half of the fiscal year increased 30 billion yen to 346.4 billion yen.

Machinery & Infrastructure cash flow increased 10 billion yen to 41.4 billion yen, reflecting receipt of project development fees for IPP and other business and the impact of a change in the accounting standards for leases.

In other segments, core operating cash flow was mainly influenced by the same factors I just outlined for profit by segment, so I will not go into further details here.

【YoY factor comparison (P13)】
Please turn to page 13 for a look at the main factors influencing year-on-year changes in first half profit.

Base Profit was positively impacted by higher profit at Mitsui Energy Trading Singapore and other businesses in energy, but decreased approximately 21 billion yen overall due to such factors as FVTPL valuation loss associated mainly with a fall in the share price of listed shares along with decreased profits from methanol businesses in a weaker market.
Resources-related costs/volume was a factor in decline of 6 billion yen compared to the previous period. Although production and sales were strong at Australian iron ore and coal operations, overall costs were impacted by higher costs in coal mining associated with less favorable mining conditions, and higher depreciation and operating costs in oil and gas development.

Asset recycling contributed to an increase of 16 billion yen, reflecting lower income tax arising from the partial sale of investment in Recruit Holdings.

Commodity prices/Forex contributed an increase of 30 billion yen, primarily due to a solid market for iron ore.

Valuation gain/loss contributed to a decrease of 8 billion yen. Although a deferred tax asset was recorded in accordance with the Mozambique Area1 FID, the overall outcome was impacted by the absence of a gain on reversal of provision related to withdrawal from Multigrain business included in the previous comparable period and the absence of dividend from Vale.

【Asset recycling, investment and loans (P14)】
Please look at page 14 for an explanation of asset recycling, investment and loans in the first half of the year.

In asset recycling, in addition to implementing a partial sale of our investment in Recruit Holdings, initiatives planned for the second half of the year mean that we are making steady progress. In investments and loans, total cash out was 220 billion yen. The main projects were an investment in Minh Phu, a shrimp producer and processor in Vietnam, execution of a loan for an IPP in the Middle East, and a decision to invest in the Russia Arctic LNG2 project.

Looking ahead, we will continue to maintain close adherence to our investment discipline in pursuit of a balanced allocation of cash to core and growth businesses with the aim of achieving medium and long-term growth while strengthening our financial foundation.
Here I will explain by operating segments the factors contributing to the revised forecasts noted earlier by CEO Yasunaga.

In Mineral & Metal Resources, we forecast an increase of 15 billion yen due to solid iron ore prices, and in Energy we also forecast an increase of 15 billion yen in light of higher oil and gas production volumes and strong trading performance. On the other hand, in Chemicals and Lifestyle, an economic slowdown and other factors have contributed to a decrease in forecasts by 10 billion yen respectively.

Please turn to page 16. Our full-year forecast for core operating cash flow is unchanged at 640 billion yen. In Machinery & Infrastructure, we have revised forecast down by 10 billion yen due to an accumulation of small one-time losses.

In other segments, factors influencing our forecasts for core operating cash flow are largely in line with the explanation for profit, so I will refrain from repeating that information.

That completes my presentation. Thank you.