I have two questions, about performance.

First, there was a JPY16 billion impact of COVID-19 on non-resources as shown on page 12. As explained at the beginning, there may be some impacts of the staggered consolidation of earnings from some of affiliated companies with different reporting periods, which will emerge from the second quarter onward. I know it must be difficult to predict the impact of COVID-19 at this point. The impact of COVID-19 on non-resources originally set at the beginning of the period is JPY95 billion, JPY70 billion on mobility and healthcare, JPY20 billion on materials, and JPY10 billion on others. If the impact of the staggered consolidation of earnings is considered, do you still expect an impact of JPY95 billion? Meanwhile, Chemicals is performing strong in this environment primarily in basic chemicals trading, and there may not be such a large impact on health care.

The second point is regarding the full-year profit forecast of JPY180 billion. As far as we have confirmed, both iron ore and oil prices are in a favorable direction compared to the company's forecasts. While resuming of Vale dividends is also a favorable factor, I believe that international oil majors, as well as the semi-majors, will drive down the outlook for medium-to long-term oil prices. The average of majors is around the USD60 / barrel, so in comparison, your company's medium-to long-term price is probably high. Therefore, I would like to know the current positive and negative factors behind the full-year forecast of JPY180 billion, including the possibility of a downward revision.

We explained that the negative impact of COVID-19 would be approximately JPY200 billion as a whole at the beginning of the fiscal year. Of this, we have estimated the rough impact of about JPY100 billion due to market factors and about JPY95 to 100 billion due to other factors, as you pointed out.

Now, the impact of COVID-19 of approximately JPY16 billion has appeared in actual results for P&L. Currently, through various monitoring and internal review, the level of this JPY100 billion
remains unchanged on the whole.
In detail, we see more impact in the materials business than initially anticipated, while a little
less impact in the mobility business than the initial forecast of JPY70 billion.
Now, considering in total, the impact will be almost unchanged at JPY100 billion. However, there
may be areas where forecasts are made conservatively. Overall, our forecast has not changed
from that as of April.
In Machinery & Infrastructure, there are some companies, which have lag in consolidating results
whose figures for April to June will probably be reflected in our results in the second quarter.
As for the second question, as you have pointed out, the price of iron ore remains high, about
the same level as the previous fiscal year. This is a positive factor. In addition, the price of crude
oil has been slightly above the level assumed for the current fiscal year.
On the other hand, as I mentioned earlier, if the present situation continues or the recovery is
stagnant, credit risks may become evident. While some have been included in the forecast of
JPY100 billion, I think there is a possibility that the business plan could be revised. Those are
negative factors.
Regarding the outlook for long-term oil prices, I am aware that various oil majors are lowering
their oil price forecast. At the end of March, we recorded some impairment losses based on our
assumption which considered the spot price decline. In the first quarter also, we have closely
watched the trend.
Regarding the long-term outlook, the question is how the supply-demand for the medium-to
long-term will be in the “after COVID-19” or “with COVID-19” era. We are referring to various
figures of third-party research companies. The revised medium-to long-term outlook has not
declined much since April.
I would like to continue our discussion on the outlook for the medium-to long-term range of oil
prices during the second quarter.

<Speaker 1>
In terms of the medium-to long-term oil prices, looking at your most recent securities report,
there is a comment about the oil price ranging from USD30 / barrel to USD80 / barrel.
In other words, although your company does not officially report a mid-to-long-term price figure,
if we see the figure of USD80 / barrel, I have an impression that your price is high compared to
the mid-to-long-term price forecasts of overseas energy companies, which are currently in the
USD60 / barrel range.
Could you comment on this?

<Uchida>
Although the time horizon of price forecast is not indicated, the current securities report discloses the range of oil prices that we used for the impairment test and you can understand that the prices of USD30 / barrel and USD80 / barrel are the assumptions of oil prices that we used.

Thus, we have an assumption where it will take a long time until USD80 / barrel. Regarding the appropriateness of the curve to USD80 / barrel, we are closely monitoring the medium-to-long-term figures of third-party research companies, which have not declined much from April.

It is difficult to determine the forecasts for the medium-to-long-term, but we would like to continue to conduct discussions while closely watching the market environment. If additional Impairment losses will be recorded, it would not have a direct impact on core operating cash flow. Impairment is just about how to allocate costs during the project life, and we will continue to closely watch changes and trends in the global economy.

<Speaker 1>
I think that other energy companies have made forecasts only until about 2025. If we think that other companies set the USD60 / barrel range for that point, while your company set USD80 / barrel in the long term, when compared the curves, may we understand that there is no large gap between other energy companies and your company when we look at the 2025 timeline?

<Uchida>
We started with USD30, the price at the end of March. For short term prices, we used the forward curve. Moreover, we have been taking into account figures and projections of third-party research companies to determine the long-term price.

Rather than adopting what other majors have announced, we'll discuss our own views, depending on how the figures of research institutions become updated. Now, those figures haven't lowered so much. There is a possibility that the effects of COVID-19 have not yet been sufficiently incorporated into the forecasts, so the figures may be revised in the future.

How we should think about medium-to-long-term supply and demand. From the perspective of the problem of COVID-19, environmental burden, or energy transition, I think that oil prices could peak-out earlier than anticipated.

We will make a judgment based on a comprehensive look around that point. But, we have not changed the outlook in the first quarter.

<Speaker 2>:
I would like to ask two questions.
First, in the Energy Segment, oil price was high. The consolidated oil price disclosed for the first
quarter is USD56, but it seems that profit was not so high. I know about the decrease in sales volumes and in LNG dividends.

If 1Q’s figure is a basis and it falls to the USD30 range due to the difference of the fiscal period, it means a large deficit would be coming in 2Q.

Were there some specific factors in the first quarter or any factors that were unprofitable? First, please explain the current oil price base and the profitability.

Second, as CFO explained at the beginning, the environment is getting worse, and as a result, the company’s core business generated about 90% of cash.

You recognize the businesses with low profitability, such as the Steel Products Business and the Lifestyle Business, which become soon unprofitable once the environment deteriorates. CFO also mentioned that some areas, including the Lifestyle Business, may not recover to before COVID-19 levels.

What to do from here? I feel the Lifestyle Segment has assets of nearly JPY2 trillion and generates almost no cash. Amid the external environment that is greatly influenced by the impact of COVID-19, I feel you should recover profits in a speedy manner. Otherwise, this unprofitability will continue for a long time.

Seeing the impact of COVID-19 in the first quarter, if discussions on what to do in the future have begun internally, please introduce them to us.

<Uchida>

First, in the Energy Segment, since it takes time for the oil price to be reflected in the consolidated oil price, the first quarter result reflects the price before the sharp decline, so the consolidated oil price will slightly decline from the second quarter onward.

On the other hand, there is a gap between the actual result and the forecast, because the price yet to be determined are calculated based on USD30 for the first half of the fiscal year and USD35 for the second half on a Brent basis, and there are fluctuations.

As disclosed in the data book, the new Energy Solutions Business Unit has been added to the Energy Segment from this year. This business unit was newly established by gathering people from some project organizations, which have been involved in cross-sectional energy solutions, and people of the energy solutions field, who have been in the Energy Segment.

For the time being, we assume that it will take some time to contribute to profits, while we continue to incur upfront costs. In the first quarter, the Energy Solutions posted a loss for the quarter of approximately JPY3.3 billion. This includes not only upfront expenses, but also allowance, although the content cannot be disclosed. I think you can consider this part as a special factor.

As for the second point, while the assets in the Lifestyle Segment are large, healthcare takes up
a large portion. This includes businesses such as IHH, which takes time to generate a certain amount of cash flow.

On the other hand, in the areas of food and distribution, this time too, the COVID-19 pandemic had a negative impact on dining-out services and distribution areas, while had a positive impact on the areas of foods for home and household products.

Meanwhile, the Distribution Business also includes textiles. Sales at stores have been devastated and significantly affected, while in the case of e-commerce, although our efforts are in the early stages and the scale has not yet become a large percentage, the growth rate is quite remarkable. We have been aiming to use DX to distribute products to be close to consumers even before COVID-19, and I think we will continue our efforts.

On the other hand, we will implement the restructuring of existing businesses also in this field. By merging several companies, we will not simply reduce costs, but rather bundle business strategies. For example, we will establish an intermediate distribution company for the retail and restaurant businesses, in order to generate more synergies.

This is what we had been aiming for since the beginning of the Medium-Term Management Plan, but we will continue our efforts. The subsidiary that gathered export and import companies can also be further enhanced by eliminating its vertical silos. By doing so, we are striving to strengthen our functionality and also competitiveness.

Currently, we are making steady progress in this 1Q or this year with the efforts set out in the medium-term plan.

<Speaker 2>

Thank you very much. The sales volume decline in Energy looks a little bigger compared to the full-year forecast.

Is there any negative factor, such as the decrease in LNG dividends, or any negative impact on your company in terms of the volume of MIMI or other LNG projects?

<Uchida>

This is partly attributable to the fact that the production license of MOECO' offshore Thailand operation will expire in FY ending March 2023, and we are reducing investments in this area. Other than that, I don't think there is any factor as you just mentioned.

<Speaker 3>

Regarding LNG, with 1Q dividends received of JPY2.1 billion, I think it significantly decreased than that of the same period of the previous year. Of course, there is a seasonality, but is it better to think that this amount will continue throughout the year? Or, could you tell me if there were any
special factors?
Second, in the Machinery & Infrastructures, I think the IPP has fallen sharply in the first quarter. I originally thought that it was a stable business. Please tell us if this is a temporary factor, and if it recovers to the normal level in the second quarter.

<Uchida>
Regarding the dividends of LNG, revenue fluctuate depending the decline in oil prices, but we have not recognized any special factors. However, when we look only at the first quarter, as the case with other affiliated companies, there is a general movement to retain dividends to a certain extent due to a conservative management. I am not aware that there were any special factors at this point in time, and I would like to take a further look at the level of the decline in oil prices and examine it on an annual basis once again at the announcement of 2Q financial results. The IPP includes some seasonality factors and some fixed costs for past litigation cases, which were special factors.

<Speaker 4>
I have two questions. First, I would like to ask about the possibility of impairment in Energy in the future, what Speaker 1 has asked. If an impairment loss was recorded, it will probably have an impact on how you view the company's cash flow or shareholder returns in the future, in light of its effect on credit ratings. I think that the impact of COVID-19 has led to a decline in cash flow for Japanese companies as a whole, and this has put pressure on credit ratings. If an impairment loss was recorded, I think Net DER will be increased. What kind of discussions are taking place with the credit rating agencies? Please share with us the contents of the current discussion. Second, please explain the impact of COVID-19 on the supply of mineral & metal resources in particular. I think that the copper business in Latin America, and the iron ore business in Brazil, are receiving a considerable impact. Vale should also have received an impact in the first half of the year.

<Uchida>
Regarding credit ratings, before announcing the mid-term management plan, Moody's revised our outlook to negative. Since then, I have no consciousness of being under downward pressure for ratings, as you have just mentioned. I think downside risk is limited by the allocation of cash
flows that we are currently presenting and by conducting financial management within our current framework.

Then, regarding the impact of the impairment on the long-term oil price, considering that there was a sharp drop in price at the end of March, please guess how much impact a fluctuation from then will cause on our balance sheet from my way of talking.

As for the supply of resources, the iron ore business in Australia was quite steady or rather a bit strong. Vale is expected to produce 310 million to 330 million tons per year on their plan. At present, Vale expects to produce around 310 million tons. In conclusion, the production volume for the iron ore business is largely unaffected.

Copper, we understand, the operation in Collahuasi is doing well, despite the decline in operating rate in some other projects. The GM of IR Division will explain the breakdown.

<Inamuro>

As for the copper business, Anglo American Sur is producing with a 40% reduction in the number of people due to COVID-19, and could not yet achieve the production plan in the quarter under review. However, it has not changed the full-year outlook at the moment.

Caserones has also been affected by COVID-19, and the operating rate has been declining since late March. However, the copper production itself is rising compared to the previous quarter.

<Speaker 4>

The amount of copper production that you gave us now has been declining from the company's expectations at the beginning of the fiscal year. For example, Collahuasi has been a little positive, and other businesses have been reducing the number of employees. But it has not yet reached a point where it has an impact on production volume, so it will not have an impact on copper production volume.

As for Vale, you recognize profit from dividends. Although the prospect of the production volume was close to 310 million tons compared to its original range between 310 million tons and 330 million tons, Vale has announced that it would pay a dividend this time, so they did not cause a negative impact on dividends. Can I understand that your company's mineral & metal recourses business is not having a negative impact on profits?

<Inamuro>

Regarding copper production, the forecast is almost unchanged from the initial forecast. Regarding Vale, as you said, the forecast is between 310 million tons and 330 million tons. Last year's production volume was 302 million tons. Compared with this figure, despite the impact of COVID-19, production volume is expected to increase slightly.
Regarding dividend policies, the Vale businesses is in the situation as you mentioned.

<Speaker 5>
First, please tell us the current situation and future prospects of ITC and Novus in Chemicals.
Then, in the Lifestyle Business, the Healthcare Business, IHH, started with deficit. Please tell us the future prospect.

<Uchida>
With regard to ITC, the operations themselves have continued to recover, and there have been almost no expenses related to past accidents or new expenses, except that they received some lawsuits, etc.
In addition, the related incident investigations have not been finalized yet, and it may not be finished by the end of the year. Also, there are related lawsuits, but this is also an early stage. At the moment, we don’t recognize that something significant will arise.
As for Novus, various structural reforms are currently underway. First, although some related restructuring charges are expected, they are not so large in amount, but some of them have been postponed to the second quarter, which was a positive factor for 1Q.
Then, the price of methionine is rising slightly, and this will be a positive factor for Novus.
Regarding IHH, IHH recognized impairment losses on its India-related business in 1Q. Our 1Q results are slightly negative, as we have incorporated some of these losses.
We initially anticipated larger negative impact on the operation rate. However, the downward pressure has been eased by conducting PCR inspections in some Asian countries and by accepting patients through close communication with the relevant authorities.

<Speaker 6>
I have only one question.
At the same time as the financial results, the Company announced that it would introduce a share-based compensation plan for employees, and the purpose of introducing this system is written in the announcement. What kind of changes do you expect from your employees?

<Uchida>
With the aim of establishing a more comprehensive compensation system for employees, we are currently reviewing the overall personnel evaluation system.
We have long introduced the compensation system that is linked to employee’s individual performance and company’s financial performance, and by introducing this ESOP, we hope that our employees will become more conscious of the company’s growth over the medium-to-long-
term and growth linked to stock prices.
A certain number of employees will receive points corresponding to shares based on this ESOP. The points will be delivered over a fairly long period of time, and the employees will receive the shares at the time of retirement. We hope that employees will become more conscious of the increase in corporate value and the increase in stock price over the medium-to-long term.

<Uchida>
Finally, when we held the press conference for the financial results announcement today in the daytime, some media wrote a headline that we might have gotten out of the worst period in the current quarter. However, in terms of our financial results, we do not necessarily recognize that the first quarter was the bottom for us.

As I explained earlier, when we consider the future spread of COVID-19, staggered consolidation of earnings from some of our affiliated companies and the prospects for the emergence of credit costs, etc., in the future, we must pay close attention to those factors. Therefore, at the press conference, I wanted to say that only from the viewpoint of indicators of the global economy, the first quarter might have been the bottom. I wanted to add it.
Thank you so much for today.

[END]