10:00am-11:30am on Monday November 2nd, 2020
IR meeting for results of H1 FY Ending March 2021

[1st Half Financial Results for FY Ending March 2021 (P0)]

Good afternoon, my name is Tatsuo Yasunaga, CEO.
Thank you for joining us today.

[Review of progress on Medium-term Management Plan 2023 (P2)]
I will begin by reviewing progress on our Medium-term Management Plan 2023 while giving a summary of the 1st Half operating results and forecasts for the full year. I will then hand over to our Global Controller Tetsuya Shigeta for details of our operating results.

This fiscal year began amid immense changes to society and people's behavioral patterns with the spread of COVID-19. During the second quarter we saw a clear recovery of production activity in China and an improving trend in employment and consumption in the US.
There was also a recovery of economic activity in other regions. Although there is a view that the worst is behind us, in Europe, and elsewhere we are seeing renewed spread of the virus, so the situation remains deeply uncertain.

Recovery pace to normalization is likely to be gradual commonly in the whole world, and full economic resurgence cannot be expected until next year or later.

At Mitsui, our performance has been underpinned by our iron ore business, supported by solid demand in China, and our trading business where we have achieved higher result than initial plan by demonstrating our comprehensive strengths to capture the market needs. At the same time, in terms of businesses such as primary materials which is facing decline in demand and impacted by weak commodity markets, as well as business areas of which the impact of COVID-19 is likely to be prolonged and severe such as mobility, lifestyle etc,, we will allocate certain amount of our management resources to "defence" as we strive for the earliest possible recovery towards the growth trajectory..

On the other hand, our intention is not to focus only on defence but also to show positive stance for "offence", meaning to look for opportunities arising from the pandemic and continue to manage the company to realize the Corporate Strategy we outlined in the new

Medium-term Management Plan announced in May,, believing that this will lead to increase our corporate value.

[Summary of Operating Results (P3)]
Please now turn to page 3, and I will summarize our operating results for the first half of the year.

Core operating cash flow for the first half decreased by 42.9 billion yen year on year to 274.1 billion yen and profit for the period decreased by 124.2 billion yen year on year to 110.0 billion yen, representing progress to full-year target of 69% and 61% respectively.

Due to the prolonged, widespread impact of COVID-19 and the decrease in oil, gas and coal prices, our results were lower year on year. However, we are progressing steadily toward plan, supported by factors such as high iron ore prices, revenues from asset recycling including FVTPL profit, and trading business.

For our full-year forecasts, we have upwardly revised core operating cash flow by 80 billion yen to 480 billion yen, reflecting steady cash generation.

On the other hand, as mentioned at the beginning, our forecast profit for the year remains unchanged, considering that we intend to revaluate existing businesses and review our portfolio, as there are business areas that suffer from a deeper and more sustained impact from COVID-19.

The annual dividend forecast also remains unchanged at 80 yen per share, with an interim dividend of 40 yen per share.

[Corporate Strategy: Strengthen profitability of core businesses (P4)]
Please turn to page 4. Here I will cover progress in our core business areas, outlined in the medium-term business plan, of Resources & Energy, Machinery & Infrastructure and Chemicals.

Total first half profit from core businesses was 101.7 billion yen, accounting for more than 90% of consolidated group profit for the period.

In Resources & Energy, core operating cash flow for the period was 157.4 billion yen and profit was 67.6 billion yen. Although there was an additional impairment loss of 19.5 billion yen from Moatize coal mining associated with a revised five-year production plan in the second quarter, which followed an impairment loss of 5.1 billion yen in the first quarter, overall progress was steady, supported by a strong iron ore market and dividend from Vale.

In Machinery & Infrastructure, core operating cash flow for the period was 26.3 billion yen and profit was 23.4 billion yen. Profits from multiple operating companies mainly in the mobility sector decreased impacted by COVID-19, but with support from asset recycling profit for the first half reached a high 67% of the full-year plan.

In Chemicals, progress was largely in line with plan, with basic chemicals trading and agricultural supply businesses performing soundly.

[Corporate Strategy: Evolve financial strategy and portfolio management (P5)]
Please turn to page 5, for an explanation of cash flow allocation in the first half of the year.

For the period, in addition to core operating cash flow of 275.0 billion yen, cash-in was supplemented by asset recycling of 55.0 billion yen, for total cash-in of 330.0 billion yen. Investments and loans for the period was 265.0 billion yen, which combined with shareholder returns of 110.0 billion yen meant total cash-out was 375.0 billion yen.

The business environment remains severe, and we will continue to manage the company with a focus on cash flow and strict investment discipline, and at the same time we will pursue new challenges that would contribute to accelerating transform of our company.

[Corporate Strategy: Evolve financial strategy and portfolio management (P6)]
Let’s now turn to page 6 and review the first half balance sheet.

Compared to the end of March 2020, net interest-bearing debt decreased by approximately 70 billion yen to 3.4 trillion yen. Shareholders’ equity increased by approximately 120 billion yen to 3.9 trillion yen, and as a result net DER was 0.87x.

[Impact of COVID-19 (P7)]
Please look now at Page 7. This page covers the impact of COVID-19 on first half results and the full-year outlook.

Although the economy in most of the developed markets have begun to recover, there is still a lot of uncertainty in areas such as Central and South America , South East and South West Asia.

If we look at each business segment, while some have adapted to stay-at-home demand and changes in consumer behavior, and are performing well, in mobility and related materials, along with consumer businesses, the downward pressure on business has been more intense than anticipated., Although, it is under recovery trend, we expect that certain negative impact will remain through the second half.

To manage this situation, we will continue with damage control measures while reappraising existing businesses in light of the different business environment and changes in social structure. At the same time, we will manage the company, by paying close attention to search for signs of new business opportunities.

[Review of progress in FY Mar/2021 action plan (P8)]
Please turn to page 8, where I will review our progress on the action plan we announced at the start of the period.

Regarding “Ensured safety and minimized damage amid Covid-19”, we adopted guidelines with comprehensive measures to prevent the spread of infection while gradually restarting operational activities. We closely managed financial liquidity in each business during the peak period of the pandemic, and as a next step we are under evaluation of how we could build an ideal business portfolio, considering various risks including credit risk. We are also pursuing more progress in operational efficiency and cost reductions through further digitalization.

Regarding “Steady implementation of business plan”, there are full-scale operations have begun at the Cameron LNG liquefaction plant and the Fukushima Natural Gas Power Plant. The Mozambique Area 1 project has progressed with the securing of project finance, and we have been implementing trading contracts and addressing demand from stay-at-home consumers.

Regarding “Acceleration of business reinforcement and transformation”, there were progress in reorganization of sugar manufacturing industry and consolidating intermediary distribution subsidiaries, merger, and pursuing reorganization and restructuring of existing businesses, and our aim will continue to be leaner company group as a whole.

[FY Mar/2021 Revised Forecasts: Core operating cash flow (P12)]

Pages 9 to 11 will be explained shortly by our Global Controller, so please turn now to page 12.

As I mentioned earlier, we will upwardly revise our forecast core operating cash flow for the full year to 480.0 billion yen. This reflects good iron ore pricing and maximizing FVTPL portfolio companies after boosting their corporate value.

[FY Mar/2021 revised forecasts: profit after tax (P13)]

Please turn to page 13. Our full-year profit after tax forecast is unchanged at 180.0 billion yen.

Downward pressure on profits has been less than initially expected, due to contribution from iron ore business, improvement of FVTPL in the Innovation and Corporate Development segment, and strong trading in chemical products and other areas. However, the operating environment has been harsh for the Mineral & Metal Resources, Energy, and Machinery & Infrastructure segments, and there were substantial impact to some businesses in those areas. We held the Strategy Meetings again with each Business Unit first time since the beginning of the fiscal year, and came to a conclusion that we need to thoroughly revaluate the existing business and review the portfolio taking in consideration of mid and long term improvement of corporate value. By doing the above, we are not able to preclude the possibility of recording one time profit and loss thus determined to maintain the figure of the initial business plan.

[Cash flow allocation & shareholder returns (P14)]

Please now look at page 14, for an explanation of cash flow allocation and shareholder returns.

In reviewing our full-year forecasts for the year to March 2021, we also reviewed the Medium-term Management Plan announced in May this year. Although there is continuous downward pressure to our asset recycling, we are working on thorough cost reduction in the existing businesses in addition to upward revision to our core operating cash flow. As a relult, we determined that there is no outstanding changes to our cash generation capacity thus we have not changed the cash flow allocations contained in our 3-year plan.

As mentioned earlier, the forecast annual dividend is unchanged at 80 yen per share, with an interim dividend of 40 yen per share.

Looking ahead, we aim to implement a highly flexible strategic allocation of available cash for growth investment focused on capital efficiency.

That completes my presentation today, so I will now hand over to our global controller Tetsuya Shigeta for details of first half performance.

＝ **Global Controller Division part** ＝

Thank you, my name is Tetsuya Shigeta, Global Controller, and I will now provide details of our operating results for the first half.

[Core operating cash flow YoY segment comparison (P9)]

Please turn to page 9.

First, I will explain the main changes in core operating cash flow by segment compared to the first half of the previous fiscal year.

Core operating cash flow for the first half of the year was 274.1 billion yen, a year-on-year decrease of 42.9 billion yen.

In Mineral & Metal Resources, core operating cash flow decreased by 22.6 billion yen to 97.2 billion yen, mainly due to a decrease in the sales price of coal at Australian coal mining operations.

In Energy, core operating cash flow decreased by 56.2 billion yen to 60.2 billion yen, due to a decrease in oil and gas prices and a decrease in LNG dividends received.

In Machinery & Infrastructure, core operating cash flow decreased by 11.5 billion yen to 26.3 billion yen, mainly due to a decrease in dividends from equity method affiliates.

Chemicals achieved core operating cash flow of 22.7 billion yen, a year-on-year increase of

9.4 billion yen, which was mainly due to a one-time factor at an overseas affiliate.

In Iron & Steel Products, core operating cash flow decreased by 0.1 billion yen to 0.5 billion yen.

In the Lifestyle segment, core operating cash flow was 1.3 billion yen, a year-on-year decrease of 1.0 billion yen

Innovation & Corporate Development achieved core operating cash flow of 30.9 billion yen, a year-on-year increase of 36.6 billion yen, mainly due to strong commodities trading and the absence of a FVPTL loss recorded in the first half of the previous year, in addition to FVTPL profit.

Other factors, comprising expenses, interest, taxes, etc. not allocated to business segments, totaled 36.0 billion yen.

[H1 Profit: YoY segment comparison (P10)]
Please turn to page 10.

I will now explain the main changes in profit by segment compared to the first half of the previous fiscal year.

Profit for the quarter decreased 124.2 billion yen to 110.0 billion yen.

In Mineral & Metal Resources, profits decreased 30.6 billion yen to 71.3 billion yen due to an impairment loss at Moatize coal mine business and a decrease in the sales price of coal at Australian coal mining operations.

In Energy, profits decreased by 68.3 billion yen to negative 3.7 billion yen due to a decrease in the price of oil and gas, decreased LNG dividends, and an absence of deferred tax assets associated with the FID for Mozambique Area 1, which was recorded in the same period of the previous fiscal year

In Machinery & Infrastructure, profits decreased by 13.6 billion yen to 23.4 billion yen due to impairments at Moatize coal mine business and at a rolling stock leasing business.

In Chemicals, profits increased by 6.0 billion yen to 10.7 billion yen mainly due to a one-time factor at an overseas affiliate company, strong trading performance in basic chemicals, and agricultural input business.

In Iron & Steel Products, profits decreased by 8.5 billion yen to negative 5.8 billion yen, mainly due to a decline in demand for steel for the automotive industry and a decline in operation rate.

In the Lifestyle segment, profits decreased by 28.8 billion yen to negative 11.9 billion yen due to the absence of reduction in corporate income tax burden recorded in the first half of the previous fiscal year and the impact of decline in dining out and purchasing demand on affiliated companies in food, retail and fashion.

Innovation & Corporate Development achieved profit of 24.0 billion yen, a year-on-year increase of 22.4 billion yen, mainly due to strong commodities trading and the absence of a FVPTL loss recorded in the first half of the previous year, in addition to FVTPL profit.

[H1 Profit: YoY factor comparison (P11)]

Turning now to page 11, here we will look at the factors influencing year-on-year changes in first half profit.

<u>Base profit</u> declined by approximately 6 billion yen. Although FVTPL recovery and Vale dividends were positive factors, the impact of COVID-19 contributed to a decline in profit of approximately 38 billion yen, primarily in non-resources areas.

Next, in <u>Resource-related costs/volume</u>, the deterioration of mining conditions resulting in lower volumes and higher costs contributed to a decline in profit of approximately 5 billion yen. In Energy, while cost benefits from the capitalization of MEPOZ contributed to a profit increase of approximately 2 billion yen, production decline in MOECO Thai offshore was the main factor in a decrease in profit of 10 billion yen.

<u>Asset recycling</u> contributed to a decline of approximately 16 billion yen due to the absence of a reduced corporate tax burden included in the same period of the previous fiscal year, and despite a gain on sale of power generation businesses in North America.

In <u>Commodity prices/Forex</u>, a decrease in the price of oil and gas was the main factor in a decline in profit of approximately 24 billion yen, while a decrease in the price of coal was behind a decline of approximately 16 billion yen. In Forex, Australian dollar appreciation against the U.S. dollar was the main contributor to a decline in profit of approximately 8 billion yen.

Finally, Valuation gain/loss & special factors contributed to a decline of approximately 42 billion yen due to the absence of deferred tax assets associated with the FID for Mozambique Area 1 included in same period of the previous fiscal year, impairment loss at Moatize coal mine business this H1, and other factors.

[Core operating cash flow: Revisions to full-year forecast (P12)]

Please turn to page 12. I will now explain the factors by segment in the full-year forecast described earlier by Mr. Yasunaga.

The full-year forecast for core operating cash flow has been revised upwards to 480 billion yen. The strengthening of the price of iron ore was the main factor in an upward revision of 70 billion yen in Mineral & Metal Resources, while a greater than expected recovery in oil & gas prices was the main factor in an upward revision of 10 billion yen in Energy. FVTPL profit and strong commodities trading contributed to an upward revision of 20 billion yen in Innovation & Corporate Development.

Conversely, the impact of decline in dining out and purchasing demand on affiliated companies in food, retail and fashion and were the main factors in a downward revision of 10 billion yen in the Lifestyle segment.

[Profit after tax: Revisions to full-year forecast (P13)]

Please turn to page 13

The full-year forecast for profit after tax remains unchanged at 180 billion.

FVTPL profit and strong commodities trading contributed to an upward revision of 20 billion yen in Innovation & Corporate Development, while strong trading in basic chemicals, and strong performance in the agricultural input business contributed to an upward revision of 5 billion yen in Chemicals.

Conversely, the impact of decline in dining out and purchasing demand on affiliated companies in food, retail and fashion were the main factors in a downward revision of 15 billion yen in the Lifestyle segment, while a decline in demand for steel for the automotive industry and decreased operation rate contributed to a downward revision of 10 billion yen in Iron & Steel Products.

That concludes my presentation. Thank you.