IR Meeting for 1st Half Financial Results for FY ending March 2022
10:00-11:30 on Thursday November 4th, 2021

【1st Half Financial Results for FY ending March 2022 (P0)】

Good afternoon, I'm Kenichi Hori, CEO.
Thank you for joining us today.

I will begin by giving a summary of the first half operating results and yearly forecasts as well as reviewing progress on the areas of strategic focus outlined in our Medium-term Management Plan. I will then hand over to our Global Controller Tetsuya Shigeta for details of our operating results.

The overall global economy continued to rebound during the second quarter, despite a slowing in the pace of recovery in the US, China, and elsewhere due to factors such as the spread of the COVID-19 Delta variant and supply issues like for semiconductors, auto parts etc.

Our operating results for the first half were significantly higher compared to the same period of the previous year, which was impacted by COVID-19 largely, by steadily capturing economic recovery in a wide range of business areas, and represents high progress compared to the previous forecast announced in August.

We will continue to pursue "Transform and Grow," while optimizing our portfolio and accelerating our engagement in growth areas.

【Summary of Operating Results (P3)】

Please turn to page 3, and I will summarize our operating results for the first half of the year.

Core Operating Cash Flow (COCF)for the period increased by 252.8 billion yen to 526.9 billion yen, and profit for the period increased by 294.6 billion yen to 404.6 billion yen year on year. Both results represent a historically high record for the first half of the year and represents high progress compared to the previous forecast announced at the time of financial results for the first quarter, following our continuous strong performance.

In light of these progresses, we are upwardly revising our yearly forecasts, with COCF forecast increasing by 20 billion yen to 920 billion yen and profit forecast for the year increasing by 80 billion yen to 720 billion yen.

As previously announced, although the interim dividend for the first half of the year is 45 yen per share, the year-end dividend is increased to 50 yen per share and the total annual dividend forecast for the year is increased by 5 yen per share to 95 yen per share.

[Progress against Previous Forecasts (P4)]

Please turn to page 4.

We expect good performance in all segments, and we achieved progress of 59% and 63% respectively against previous forecasts for COCF and profit.

Trading businesses in chemicals, steel products, and food were steady, and there were also contributions from pent-up demand in automotive business, recovery in number of patients and COVID-19 related services such as PCR testing in the healthcare and hospital business, recovery in shipping business following market conditions of bulker and container vessel, and FVTPL profits.

In Energy, while progress rate is low because of recognizing accounting valuation gain/loss related to derivative transactions to hedge LNG trading in advance during the first half of the year, concentration of dividend income in the second half of the year and delayed effect of oil and gas prices, we expect to be good through the full year.

[Establish Strong Business Base (P5)]

Please turn to page 5, where I will discuss progress during the first half and the outlook for the second half of the year.

Let me firstly explain on continuous capturing of global recovery demand.

Looking ahead to the second half of the year, we expect to maintain steady profitability, although we need to pay careful attention to impact of supply chain issues in semiconductors and other areas. We see continuous steady demand in materials-related business such as chemicals and steel products, and steady automotive and food production businesses, although demand for certain products may slow in some business areas and regions.

In Mineral & Metal Resources, our balanced and highly cost-competitive portfolio has positioned us to maintain strong earnings, despite the impact of falling iron ore prices since

August this year.
In Energy, recent rise in oil and gas prices will be reflected in the second half of the year and expected to contribute to full-year profit.

With respect to strengthening our earnings base for sustainable growth, we have been progressing steadily with project implementation and portfolio transformation.
Project progress examples in the first half of the year included developing new mineral deposits in our Australian iron ore business, while in the oil and gas business our activities have included executing loan agreements for the Waitsia project and beginning new FPSO operations. We have also made considerable progress with business portfolio optimization, including in the Mineral & Metal Resources and the Lifestyle segments.

Our intention is to achieve sustainable growth through continuously strengthening and expanding our high-quality business clusters, and establishing a strong business base.

【Key Initiatives: Progress in Strategic Focus areas (P6)】

Please turn to page 6. I will now explain progress on the business areas of strategic focus that are defined in the current Medium-term Management Plan.

In Energy Solutions, we are organically building ties with areas adjacent to our existing core businesses, with the aim of playing a leading role in energy transition.
During the first half of the year, we reached agreement on a CCS feasibility study for ammonia production in Waitsia, invested in a green hydrogen refueling station business in New Zealand, and invested in a biomass supply-chain management company in India. We also participated in a carbon solution business in Australia.

Turning to Healthcare / Nutrition, we made further progress implementing the growth strategies for our existing businesses, and through portfolio transformation accelerated activities aimed at creating a foundation for growth.
At IHH Healthcare, growth strategy initiatives included reviewing its hospital portfolio, strengthening the management base by creating group synergies, and engaging more deeply in the digital healthcare. In addition, we are bringing the investment to fruition through listing and partial sale of the shares in PHC Holdings and realizing the gains in its corporate value, and listed Thorne.

In Market Asia, in the first quarter we completed subscription to a convertible bond issued by the holding company of CT Corp, a consumer-focused conglomerate in Indonesia. In order to enhance its enterprise value, we are working on to strengthen its management base by dispatching director and secondees, expand its business in emerging Asian countries and develop jointly businesses in a wide range of business areas. We will further engage in the growing and evolving consumer markets of Asia by leverage from this group's strong business foundation and locally developed competitive advantages.

【FY Mar/2022 Revised Yearly Forecasts (P7)】

Please turn to page 7.
As I noted at the start of my presentation, we have upwardly revised our yearly forecast for COCF to 920 billion yen.

Although, we have downwardly revised our forecast by 40 billion yen in Mineral & Metal Resources due to a change in iron ore price assumptions since the second quarter, forecast increases of 25 billion yen in Chemicals where market conditions are steady, 20 billion yen in Machinery & Infrastructure where dividends are increasing from automobile-related businesses, and in Innovation & Corporate Development and Iron & Steel Products. As a result, we have upwardly revised our yearly forecast by 20 billion yen against 900 billion yen across the company.

【FY Mar/2022 Revised Yearly Forecasts (P8)】

Please turn to page 8.
We have upwardly revised our yearly profit forecast to 720 billion yen.

In Machinery & Infrastructure, the automobile and shipping businesses are performing well, and in Lifestyle we are benefitting from a partial sale of our stake in PHC Holdings and steady performance in the food business, so these segments have been upwardly revised by 20 billion yen respectively. This time we have upwardly revised our forecast in all segments except for Mineral & Metal Resources, which was already significantly revised in the first quarter of the year.

【Cash Flow Allocation (P9)】

We will now move to page 9, to review our cash flow allocation in the first half of the year.

Cash-in for the period was 660 billion yen, comprising COCF of 525 billion yen and asset recycling of 135 billion yen. Principal assets recycled included loan collection in the copper business and sale of the contract manufacturing business of MicroBiopharm Japan Co., Ltd.

Cash-out was 415 billion yen, comprising investment and loans of 235 billion yen and returns to shareholders of 180 billion yen. Main projects for investment and loans included subscribing to the convertible bond issued by the holding company of CT Corp, maintenance capex for existing oil and gas projects, LNG and power generation projects under development, Australian iron ore and coal operations, and real estate business.

[Shareholder Returns Policy (P10)]

Please turn to page 10. In the last part of my presentation, I will discuss shareholder returns.

During current fiscal year we have implemented share buybacks of 125 billion yen up to now. And, as I explained earlier, we have raised the annual dividend to 95 yen per share and this would be the minimum dividend. This is based on our expanded cash generation capabilities in a wide range of business areas including Machinery & Infrastructure and Chemicals.
We will aim to enhance shareholder returns reflecting cash generation capability.

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** ＝

[Operating Results (P11)]

Thank you, I'm 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 (P12)]

Please turn to page 12. First, I will explain the main changes in COCF by segment compared to the first half of the previous fiscal year.
COCF for the period was 526.9 billion yen, a year-on-year increase of 252.8 billion yen.

In Mineral & Metal Resources, COCF increased by 143.4 billion yen to 240.6 billion yen mainly due to higher sales price of iron ore and coal operations in Australia and an increase in dividends from iron ore and copper operations.

In Energy, COCF increased by 26.9 billion yen to 87.1 billion yen mainly due to an increase in oil and gas prices and an increase in the LNG dividend.

In Machinery & Infrastructure, COCF increased by 50.8 billion yen to 77.1 billion yen mainly due to the increase in the dividend from equity method affiliates.

In Chemicals, COCF increased by 20.8 billion yen to 43.5 billion yen mainly due to steady performance of group companies and trading following favorable market conditions and steady demand, in spite of increased raw material costs.

In Iron & Steel Products, COCF increased by 5.9 billion yen to 5.4 billion yen.

In Lifestyle, COCF increased by 20.8 billion yen to 22.1 billion yen mainly due to recovery of food production business, steady food trading, recovery of fashion business and sale of Columbia Asia's business in India.

In Innovation & Corporate Development, COCF declined by 4.3 billion yen to 26.6 billion yen.

Other factors, such as expenses, interest, taxes, etc., which were not allocated to business segments, totaled 24.5 billion yen.

[H1 Profit: YoY segment comparison (P13)]

Please turn to page 13.

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

Profit for the period increased by 294.6 billion yen to 404.6 billion yen.

In Mineral & Metal Resources, profits increased by 199.7 billion yen to 271.0 billion yen due to factors such as higher sales price at Australian iron ore and coal operations and copper operations, as well as the increase in the dividend from Vale.

In Energy, profits decreased by 1.1 billion yen to negative 4.8 billion yen mainly due to valuation gain/loss related to derivative transactions to hedge LNG trading.

In Machinery & Infrastructure, profits increased by 29.5 billion yen to 52.9 billion yen mainly due to good automotive and commercial vehicles businesses primarily in North America.

In Chemicals, profits increased by 16.9 billion yen to 27.6 billion yen mainly due to steady performance of group companies and trading following favorable market conditions and steady demand, in spite of increased raw material costs.

In Iron & Steel Products, profits increased by 18.0 billion yen to 12.2 billion yen mainly due to the improvement in operation rate at group companies due to recovery in automotive production and steady trading.

In Lifestyle, profits increased by 32.8 billion yen to 20.9 billion yen due to factors including strong performance in healthcare and hospital business, recovery of fashion and food production businesses, and steady food trading.

In Innovation & Corporate Development, profits increased by 6.8 billion yen to 30.8 billion yen mainly due to increased profit from the real estate business.

Other factors, such as expenses, interest, taxes, etc., which were not allocated to business segments, totaled negative 6.0 billion yen.

[H1 Profit: YoY factor comparison (P14)]

Please turn to page 14.

This page shows the main factors influencing year-on-year changes in profit.

Base profit increased by approximately 150 billion yen, mainly due to increase in dividend received from Vale and Australian iron ore business, and strong performance of several segments such as Machinery & Infrastructure, Chemicals and Lifestyle.

Looking at Resource-related costs/volume, profit decreased by approximately 11 billion yen due to increase of sales commission corresponding to increase in iron ore prices.

Asset recycling resulted in a decrease of approximately 9 billion yen mainly due to impairment loss accompanied with sale of Falcon power generation business.

In Commodity prices/FOREX, profit increased by approximately 136 billion yen. Commodities prices increased approximately 81 billion yen due to steady iron ore prices and 21 billion yen due to oil and gas prices.

Finally, Valuation gain/loss & special factors contributed to increase of approximately 29 billion yen mainly due to the absence of impairment loss at Mozambique Coal mine business incurred in the same period of the previous year.

[Evolve financial strategy and portfolio management (P15)]

Please turn to page 15.

Now let’s take a look at the balance sheet as of the end of the first of half of the current fiscal year.

Compared to the end of the previous fiscal year, net interest-bearing debt increased by approximately 60 billion yen to 3.4 trillion yen, while shareholders' equity increased by approximately 170 billion yen to 4.7 trillion yen. As a result, Net DER has dropped to 0.71x.

That concludes my presentation. Thank you.