

**IR Meeting for 1<sup>st</sup> Quarter Financial Results for FY Ending March 2022**

**16:45-17:45 on Tuesday August 3<sup>rd</sup>, 2021**

**[1<sup>st</sup> Quarter Financial Results for FY ending March 2022 (P0)]**

Good afternoon, I'm Takakazu Uchida, CFO.

Thank you for joining us today.

I will begin by giving a summary of the first quarter operating results and yearly forecasts. I will then hand over to our Global Controller Tetsuya Shigeta for details of our operating results.

The global economy continued to rebound during the first quarter of this fiscal year, driven mainly by the US and China.

Our operating results for the period were significantly higher compared to the same period of the previous year, as we continued steady performance and our strong global business network steadily captured demand arising from the economic recovery, and as a result we made considerable progress against annual plan.

**[Summary of operating results (P3)]**

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

Core Operating Cash Flow (COCF) for the period increased by 159.1 billion yen to 269.9 billion yen, and profit for the period increased by 128.7 billion yen to 191.3 billion yen year-on-year. Both results represent higher progress rate compared to the business plan and set a new record for quarterly results.

These outcomes were supported by strong prices in the iron ore business, along with good results in global trading and automobile related business.

Although we do not normally review our yearly forecasts at the first quarter, we will upwardly revise our full-year forecasts for Mineral & Metal Resources and Energy Segments this time reflecting the strong commodity prices. COCF and profit forecasts were upwardly revised by 220 billion yen to 900 billion yen and by 180 billion yen to 640 billion yen respectively.

With the aim of enhancing shareholder returns and improving capital efficiency, we decided to conduct share buyback to a maximum of 50 billion yen. The repurchasing period will be from August to October this year.

**[Progress towards business plan (P4)]**

Please turn now to page 4.

Steady progress was seen in most segments during the first quarter; and we achieved 40% against COCF plan and 42% against profit plan for the year.

Trading businesses in Chemicals, Steel Products and Food were steady, and Lifestyle is showing recovery through growth in COVID-19 related services and cost reduction in IHH.

**[Establish strong business base (P5)]**

Please turn to page 5, where I will discuss progress during this quarter.

While steadily capturing the global demand recovery in each of our business areas, we have continuously taken initiatives to strengthen competitiveness and to improve resilience against downward pressure in our existing businesses.

In terms of capturing global demand recovery, strong prices for iron ore and other commodities have contributed to an upswing in performance, while automotive and commercial vehicle businesses supported by strong pent-up demand, as well as trading businesses in Chemicals, Steel Products, Food and others which coped with growing demand and various restricted factors in supply, have also contributed to strong business performance.

Regarding improvement in profitability and resilience against downward pressure, we have continued to enhance profitability and competitiveness of our existing businesses.

We have steadily advanced in projects such as launching operations at South Flank and acquiring new interest in Western Ridge in Australian iron ore business, and execution of loan agreements for Waitsia in oil and gas projects.

Moreover, we have continued efforts from the previous period to optimize our business portfolio through reorganization and business restructuring. There was progress in initiatives in such as Mineral & Metal Resources and Chemicals segments.

Looking ahead, we will pay close attention to the impact if COVID-19 infection rates begin to climb again, while working to strengthen and expand our high-quality business clusters with a keen awareness of changes in the environment as the “New Normal” takes hold.

#### **[Cash flow allocation (P6)]**

We will now turn to page 6 and look at the results of cash flow allocation.

Cash-in for the period was 360 billion yen, comprising COCF of 270 billion yen and asset recycling of 90 billion yen including loan collection in the copper business.

Cash-out was 220 billion yen, comprising investment and loans of 145 billion yen and share buybacks of 75 billion yen. Main investment and loans included subscription to convertible bonds of PT CT Corpora, the holding company of CT Corp, along with cash out for LNG projects under development, as well as maintenance capex in existing projects such as oil and gas projects and Australian iron ore and coal business.

#### **[Evolve financial strategy and portfolio management (P7)]**

Turning to page 7, we will now look at the balance sheet at the end of the first quarter.

As compared to the end of March 2021, net interest-bearing debt and shareholder equity increased 0.1 trillion yen to 3.4 trillion yen and 0.2 trillion yen to 4.8 trillion yen respectively. As a result, net DER became 0.71x.

#### **[FY Mar/2022 Yearly Forecasts (Revised) (P8)]**

Please turn to Page 8.

As I mentioned earlier, we are upwardly revising our full-year COCF and profit forecasts to 900 billion yen and 640 billion yen respectively.

In Mineral & Metal Resources and Energy segments we have revised forecasts mainly due to changes in commodity price assumptions.

As for the other segments, we will review forecasts when we announce the results of the second quarter of this fiscal year as usual.

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

= **Global Controller Division Part** =

**[Operating Results (P9)]**

Thank you, I'm Tetsuya Shigeta, Global Controller, and I will now provide details of our operating results for the first quarter.

**[Core Operating Cash Flow: YoY segment comparison (P10)]**

Please turn to page 10. First, I will explain the main changes in COCF by segment compared to the first quarter of the previous fiscal year.

COCF for the period was 269.9 billion yen, a year-on-year increase of 159.1 billion yen.

In Mineral & Metal Resources, COCF increased by 85.5 billion yen to 127.4 billion yen mainly due to higher sales price of iron ore operations in Australia.

In Energy, COCF increased by 10.8 billion yen to 47.2 billion yen mainly due to increase in oil and gas prices.

In Machinery & Infrastructure, COCF increased by 25.1 billion yen to 38.0 billion yen mainly due to increase in dividend from equity method affiliates.

In Chemicals, COCF increased by 8.8 billion yen to 24.5 billion yen mainly due to steady trading business primarily in East Asia, and commodity market.

In Iron & Steel Products, COCF increased by 2.2 billion yen to 3.8 billion yen.

In Lifestyle, COCF increased by 13.0 billion yen to 16.6 billion yen mainly due to sale of Columbia Asia's business in India, recovery of fashion and domestic retail businesses, and strong food trading business.

In Innovation & Corporate Development, COCF decreased by 0.6 billion yen to 12.1 billion yen.

Other factors, such as expenses, interest, taxes, etc., which were not allocated to business segments, totaled 0.3 billion yen.

### **[Q1 Profit: YoY segment comparison (P11)]**

Please turn to page 11.

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

Profit for the period increased by 128.7 billion yen to 191.3 billion yen.

In Mineral & Metal Resources, profits increased by 86.8 billion yen to 119.0 billion yen due to factors such as higher sales price at Australian iron ore and Chilean copper operations, as well as increase in dividend from Vale.

In Energy, profits decreased by 4.7 billion yen to negative 1.2 billion yen mainly due to decrease in revenue related to LNG and oil trading.

In Machinery & Infrastructure, profits increased by 10.7 billion yen to 29.2 billion yen mainly due to strong automotive and commercial vehicles businesses primarily in North America.

In Chemicals, profits increased by 9.6 billion yen to 15.9 billion yen mainly due to steady trading business primarily in East Asia, and commodity market.

In Iron & Steel Products, profits increased by 8.0 billion yen to 6.7 billion yen mainly from steady performance in steel processing and trading business driven by steady steel market.

In Lifestyle, profits increased by 19.5 billion yen to 13.9 billion yen due to factors including increased profit in the hospital and healthcare business, and in WILSEY FOODS.

In Innovation & Corporate Development, profits decreased by 0.1 billion yen to 10.4 billion yen.

Other factors, such as expenses, interest, taxes, etc., which were not allocated to business segments, totaled negative 2.6 billion yen.

### **[Q1 Profit: YoY factor comparison (P12)]**

Please turn to page 12.

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

Base profit increased by approximately 65 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, Lifestyle and Chemicals.

Looking at Resource-related costs/volume, profit decreased by approximately 3 billion yen in terms of volume mainly due to the impact by bad weather in Australian iron ore operation.

Asset recycling resulted in a decline of approximately 3 billion yen mainly due to the absence of sale of power generation business in North America as occurred during same period of the previous year.

In Commodity prices/FOREX, profit increased by approximately 48 billion yen due to steady iron ore prices and 5 billion yen due to oil and gas prices. In Forex, Australian dollar appreciation against U.S. dollar resulted to a decline in profit of approximately 1 billion yen.

Finally, Valuation gain/loss & special factors contributed to increase of approximately 9 billion yen mainly due to the absence of impairment loss at Mozambique Coal business incurred in the same period of the previous year.

That concludes my presentation. Thank you.