

Financial Results Briefing for the Fiscal Year Ended March 2022

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| [Date] | May 6, 2022 (Fri.) | 10:00-11:30 |
| [Speakers] | Kenichi Hori Tetsuya Shigeta Masao Kurihara | Representative Director, President, CEO Representative Director, Executive Managing Officer, CFO General Manager of Global Controller Division |
| [Moderator] | Maroshi Tokoyoda | General Manager of IR Division |

<Q1>

Please tell us about the status of operations on the Russian LNG projects, Sakhalin II and Arctic LNG 2. What event can trigger to create an additional P&L impact related to the disclosed guarantee exposure of JPY182.2 billion? If additional provisions were to be made, would this have an impact on cash or shareholder returns?

<Hori>

As for Sakhalin II, the project is in operation with deliveries and payments continuing. Therefore, I think it is fair to say that Sakhalin II is keeping supply at this moment, while we will continuously keep dialogues with the stakeholders for future courses of action. As for Arctic LNG2 project, which is under construction, we have carefully analyzed the Russian country risk factors and have recorded the provisions as announced. It is difficult to predict how the situation in Ukraine will unfold in the future. If, for example, sanctions are further tightened, procurement of materials and equipment becomes difficult, and we are forced to make major changes to our development plan, we will consider whether any additional accounting provision should be necessary. At this point, however, we are assuming that the development plan remains viable.

I think your question intends to ask how the shareholder returns would be affected if we were to make further accounting provision in a given scenario, and how that would affect cash flow, in terms of the balance of the guarantee exposure that we disclosed. We believe that we are making every measure that we should be taking at this stage, and if we find a situation where additional provisions are required, not only will we address those, but we will also examine what project development plan would be then appropriate. At this point in time, I do not envision any impact on the returns that I have explained.

<Q2>

Regarding cash flow allocation over three years of the Medium-term Management Plan, the management allocation will be JPY740 billion after excluding growth investments as of now and share buybacks. I understand that you have multiple management options, not only because Paiton is not included in asset recycling but also Core Operating Cash Flow could increase if the current market conditions continue. In addition to the total return formula, is there any plan for additional returns, or how would you leverage the cash on hand to enhance the company's value? Can you share your current thoughts?

<Hori>

We are pleased about the cash flow situation for the past three years. Fortunately, we have a variety of

options at hand, such as directing toward new investments to increase corporate value, envisioning additional returns, and so on. The COVID-19 pandemic seems to be calming down, and as we look around the world for the next projects, we see a very strong pipeline in front of us.

In particular, I have a sense that energy transition-related projects which will be the solutions for a new low-carbon society, are at our fingertips all over the world. In the new energy solutions business, we would like to realize the same kind of returns that we have been showing in existing energy business. We will pick up projects that we have confidence in and think about combining with the surrounding businesses that generate certain profit. We expect that some of these projects will involve M&A and others will be development-type projects, but we will consider how to allocate the cash that we have more options on hand as we go. Our policy of balancing growth investment with shareholder returns remains just unchanged, and our basic policy is to maintain returns that lead to adequate engagement while checking the status of management allocations from period to period. As of today, all I can say is what is stated in the financial results presentation, but I will disclose and explain what is necessary as we verify changes in the situation, circumstances, and new information as it becomes available.

<Q3>:

Please tell us the level of real earnings power of your company. The profit you originally projected at the beginning of the current Medium-term Management Plan was JPY400 billion, and it actually doubled to JPY800 billion in the business plan for the fiscal year ending March 2023.

According to Page 28 of the presentation material, base profit for fiscal year ending March 2023 is forecasted to decrease due to decline in iron ore dividends, LNG related profit and absence of FVTPL factors in comparison with fiscal year ended March 2022. In other words, we understand that the real earnings power of factors other than energy and iron ore increased in the year ended March 2022, and the level will be maintained going forward. What is your view on the current strength of the earnings power? Will this be maintained in the future from the fiscal year ending March 2024 onwards as well?

<Hori>

In addition to the strength of recovery from COVID-19 pandemic, there are two points I would like to comment on. The first is that I feel that the base earnings are clearly expanding in each segment, particularly those we earned by taking advantage of our global network, and those through profit opportunities we captured from adjacent business areas. The fact is that we have lowered the break-even point at the timing of the spread of COVID-19 at each group company. We believe that the real earnings power has increased due to global spread of our earnings base and lower break-even points. Regarding businesses in Machinery & Infrastructure, Chemicals, Steel Products, Lifestyle including healthcare and food, as well as Innovation & Corporate Development, I believe that we were successful in raising base earnings by more than JPY100 billion, compared to the level of the previous Medium-term Management Plan.

In addition to continuing current demand for recovery from COVID-19 in the fiscal year ending March 2023, there are opportunities in the inflationary economy. It is difficult to judge how long these will continue, while we have developed the business plan by combining conservativeness and the expansion of our earnings base. The figures in the business plan are the accumulation of each business unit and I believe that everybody is confident in achieving such plan.

<Q4>

I understand that demand for LNG is increasing in the sense of energy transition. Please update the current status of Mozambique LNG project in terms of dialogues with stakeholders on whether or not they are likely to advance forward while the construction is currently under suspension.

<Hori>

LNG is playing an increasingly important role in the global low-carbonization and energy transition, and the current geopolitical situation makes it even more important. We also believe that we have a responsibility to secure LNG sources around the world and promote the development of LNG. Therefore, projects in North America, Middle East, Australia, Mozambique and Russian Arctic are all important.

In Mozambique, development work has been suspended since last spring due to the unstable security situation caused by intermittent attacks by insurgents in the surrounding areas of the LNG plant construction site. Since then, a cleanup operation has been conducted in cooperation with neighboring countries, and security has been steadily restored. We believe that construction work can resume as soon as we can ensure the long-term stability of the lives of the citizens. Based on this situation, TotalEnergies, the operator, has said that there is a possibility that such decision can be made at some point during 2022, and we, in cooperation with the company, would like to work toward the early resumption of the project in Mozambique. We intend to proceed with this kind of development, since the world is in a state where a long-term supply-demand gap exists after taking into account various technological developments for low carbon emissions.

<Q5>

In the supply-short environment of fiscal year ended March 2022, there were increasing opportunities to gain profit. I believe that the Ukrainian situation and the related economic sanctions made the supply situation even shorter. Do you feel an atmosphere in which your global network will continue to be in an environment to work on various initiatives?

<Hori>

In the supply chain, we are facing multiple challenges and there is also a kind of disruption. In such cases, trading companies, in particular we, place great emphasis on global network, thus there are many opportunities to come up with ideas across countries and industries, provide integrated solutions to customers, and somehow stabilize the supply chain. Trading in chemicals, grains, and energy is another example. We also offer a variety of menus, such as rental, used car, and lease services in several supply chains, which have helped us to get over challenges faced in automotive sector. In fact, we are strengthening our capabilities by taking advantage of such opportunities and I believe that this will provide us a room to grow.

<Q6>

What is the maximum amount of possible loss we should expect out of the disclosed balance of investments, loans and guarantees for the Russian LNG project? In general, I think that NEXI (Nippon Export and Investment Insurance)'s overseas investment insurance is covered when investing in countries with high country risk. I understand that you will be discussing the way-forward with the government and partners, but please explain the risk profile, for example, whether the said insurance would cover your loss even if you were to withdraw from the projects, and the terms and conditions of insurance coverage?

<Hori>

It is a fact that the Russian LNG project is covered by NEXI's overseas investment insurance, but I would like to refrain from referring to the details. Please refer to NEXI's announcement regarding the insurance. We are assuming various scenarios for the Russian LNG projects, but at this moment, we assume that the development of Arctic LNG2 project will continue. However, in the event that a situation beyond our expectations arises, we will carefully review the situation and make a disclosure, to an appropriate extent. In case of project under-construction with completion guarantee, there are various ways to control risks and take countermeasures in the event that something unexpected occurs. We have a lot of track records and experiences of this type of projects for many years, and basically we are always looking for the most practical and economical approach to complete the project while minimizing exposure.

<Q7>

You mentioned that the situation in Russia and Ukraine has triggered the decoupling in global activities and that investment in energy transition toward decarbonization are given more priorities, while I suppose that priorities and growth strategy will change in this current external environment. Please advise your thoughts on future risk taking and investment priorities?

<Hori>

As you understand, we are seeing great opportunities for achieving low-carbon society. The ammonia project with CF Industries that I mentioned earlier will be an example, and I think it makes sense to place some priority on low-carbon and energy transition projects. Expansion project in Cameron is under discussion, and although we cannot share any specific project names at this time, we would like to look for new natural gas projects if they are appropriate, taking into account the current geopolitics and regional competitiveness.

On the other hand, we reaffirmed the growth potential of healthcare business in Covid-19 situation. As I always explain to you, I would like to place emphasis on the healthcare business, especially in Asia, and connecting Asia to the U.S. and even to Japan in the future.

In terms of regional priorities, I believe that U.S. is given more priority considering country risk and our current performance. We have strong track records in the U.S., and we can expect opportunities expanding globally from the U.S.. As we have many pipeline projects globally, we will maintain a good balance of our asset portfolio, while we would like to give certain focus on U.S.. Moreover, priority of Asia is becoming relatively higher, because we see opportunities for healthcare businesses and consumer sectors, as I mentioned earlier.

<Q8>

Regarding investments to Strategic Focus areas, please tell us about the details of expected pipeline and the assumed timelines, as I am interested in the actual action plans as well as the feasibility of each project. Also, please explain your view on the balance of long-term investments and the short-term revenue stream.

<Hori>

I think it is important to strengthen the earnings base and extend the time frame of existing businesses and assets that are presently contributing to profit, while finally materialize new low-/de-carbonization projects which will have a similar scale of revenue stream as existing businesses. Since it is necessary to keep a close eye on systems such as carbon credit that will secure profit of new projects, we will conduct a detailed analysis

and thoroughly think about factors such as time frame, how to continue to invest in existing businesses, and how to select new investments.

By the way, our LNG trading is more complex now and trading function in carbon credit, derivatives etc. is becoming more sophisticated as well. Our intention is to continuously work on trading as one of key initiatives as it is spreading all over the world, and it is necessary to deal with more complicated risk management which requires professional expertise.

<Q9>

Regarding Machinery & Infrastructure segment, you are planning a net profit of 160 billion yen for the fiscal year ending March 2023 (increase of approximately 40 billion yen from the previous year). In addition to the factors behind the increase in profit, what level of profitability do you see as its potential?

<Hori>

Machinery & Infrastructure segment has presented a strong business plan for the fiscal year ending March 2023 which we have examined and believe that it is appropriate. In addition to the automotive-related business in North America, the dealer and sales finance business models, close to consumers in South America, Asia, and other regions, have been established, and consequently it became easier to plan for organic growth in this business area. All combined, the automotive-related business has become one of the main pillars of the business plan. Furthermore, there are several new infrastructure-related projects that are expected to make quantitative contributions starting in the fiscal year ending March 2023, and these are also main pillars of the strong business plan. Taking into account the existing infrastructure business, such as gas distribution mainly in South America, as well as the forecast for the ship business, including the outstanding contracts on hand, we expect that the Machinery & Infrastructure segment will continue to see solid performance.

<Q10>

Could you comment on the growth potential of the Nutrition & Agriculture business of the Chemicals segment?

<Hori>

With regard to the Nutrition & Agriculture business, we are trying to broaden our business domain as much as possible. In the agricultural field, the market for environmentally friendly agricultural materials (agrochemicals and fertilizers) has been rising due to geopolitical reasons. Under these circumstances, I believe that we will be increasingly called upon to provide professional solutions to support stable agricultural activities. Also, I think it will become increasingly important to find ways to combine inexpensive and secure proteins or feed grains with what we call micro-ingredients derived from chemicals. This will have a negative impact on the earth's natural capital if we do not take a comprehensive approach, just like low-carbonization, and I think that new businesses will emerge to avoid this. Several of our existing businesses are completing their turnarounds, and we are forecasting an increase in profits, but we will strive to acquire and realize new business opportunities while taking care of the theme I just mentioned.

<Q11>

Regarding Arctic LNG 2, TotalEnergies announced that the company recorded a loss of USD4.1 billion in the financial results. Total's interest is 10%. I understand that Mitsui holds 10% of Japan Arctic LNG in Total, of which 50% in terms of voting rights, and 25% in terms of value. Even if we adjust the equity, I suppose there is a significant discrepancy between the recognized losses of the two companies. What are the factors involved in this? If your company has anything to add, what can you share?

Secondly, regarding the Board of Directors' compensation system that was recently reviewed, We understand that this is a more sophisticated way of providing restricted stock. Could you explain the background on the introduction of this system? What I am particularly interested in now is that the performance-linked compensation this time includes ROE and ESG topics. How exactly do you plan on incentivizing given such high ROE? Also, the term "ESG" can encompass many initiatives thus would like to know about the evaluation process.

Perhaps the Notice of the Ordinary General Meeting of Shareholders Meeting will tell us the answers to such queries, but we would appreciate anything you could tell us at this point in time.

<Hori>

As for your first question about TotalEnergies, we would not make any modifications to the accounting provision we have taken considering what they have announced. We assessed our situation, we looked at our risk profile, and we discussed it over with the auditor. We believe that we made an appropriate accounting processing.

Regarding remuneration of directors, the idea behind this is to increase performance-based bonuses in short-term and to increase the ratio linked to the stock price and stock value in the middle-long term perspective, which reinforces alignment with shareholders. This concept has been well discussed by the Board of Directors before the decision was made.

We are still working out the details of the performance-linked stock for ROE and ESG, therefore I would like to refrain from discussing anything concrete at this moment. The basic concept is to provide the Board with these very important indicators, so that the Board of Directors will be able to discuss to evaluate the performance of executive officers using a variety of objective measures. The discussion will be about whether certain performance of an executive officer was appropriate or not, and whether there is any room to do a little bit better. We believe that this is the most important aspect of governance, and we are proceeding with this approach.

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