10:00am-11:30am on Friday May 6, 2022
IR Meeting for results of FY March 2022

Review of Medium-term Management Plan 2023 and FY Mar/ 2023 Business Plan (P0)

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

I will explain our progress in the second year of the Medium-term Management Plan 2023(MTMP), as well as initiatives looking ahead, and give an overview of results for the FY Mar/ 2022 and our business plan for the FY Mar/2023.
Then, I will hand over to Masao Kurihara, Global Controller, who will speak on the results and business plan in more detail.

In the FY Mar/2022, business conditions in the global economy were put under pressure by factors such as COVID-19, shortage of semiconductors, and supply chain disruption, and situation of Russia and Ukraine led more uncertainty in global business environment.

Geopolitical risk is becoming increasingly evident, and we harbor deep concerns about the current situation in Ukraine, and taking it with the utmost seriousness. We hope for a peaceful resolution to the conflict as quickly as possible.

Regarding financial performance, we achieved high performance in all of our business segments and set out historically high records for Core Operating Cash Flow(COCF) and net profit for the period in FY Mar/2022. We will aim for further expansion of our earnings base in FY Mar/2023, which will be the final year of the MTMP.

[Summary of Operating Results (P3)]
Firstly, I will provide an overview of results for FY Mar/2022 and the plan for FY Mar/ 2023.

COCF was 1,158.7 billion yen and net profit was 914.7 billion yen. As mentioned earlier, both significantly exceeded historcial high record, and ROE was 18.0% for the FY Mar/ 2022, due to high progress in all segments. As we announced in February, we plan to increase the annual dividend by 20 yen to 105 yen per share, and total shareholder returns for FY Mar/2022 are expected to be approximately 340 billion yen, i.e., 30% of COCF.

In FY Mar/2023, we aim to maintain high levels of profitability. Our yearly plan is 950 billion yen for COCF and 800 billion yen for net profit. In FY Mar/2023, we plan to raise a minimum target of the annual dividend further to 120 yen per share, an increase of 15 yen from FY Mar/2022. We have decided to initiate a new round of share buybacks of up to 100 billion yen, as we can anticipate robust levels of cash generating ability to be maintained, going forward.

[Progress review of the second year of the MTMP (P4)]
I will now explain about the progress during FY Mar/2022, the second year of the MTMP. In this particular year, the key drivers behind the achievement of historically high record for earning were "Strenthened earnings base", "Initiatives aimed at stable supply", and "Steady implementation of measures for growth strategy", including in the areas of Strategic Focus.

[Strengthened earnings base (P5)]
I will now explain about our strenthened earnings base.
Regarding expansion of base profit, we solidly captured the opportunities under changes in the business environment by capitalizing on our trading functions for LNG, chemicals, and other products. In existing group companies, we continuously worked hard to lower the breakeven point through cost reduction initiatives etc., which led to an increase in profitability at many fronts.
There was also a profit contribution from the commencement of operations in multiple projects, primarily in Machinery & Infrastructure.
In addition, we promoted reorganization of business portfolio, primarily in Machinery & Infrastructure, Energy, and Mineral & Metal Resources, and we also restructured some of existing businesses, thereby successfully strengthened our earnings base.

[FY Mar/2023 Business Plan (P7)]
I will now explain our business plan for the FY Mar/2023.
In FY Mar/ 2023, there will be no change to our primary policy of working uninterruptedly on "Transform & Grow" .
We will further strengthen our cash generating ability while striking a balance between investments out of the high-quality pipeline and shareholder returns.

[FY Mar/2023 Quantitative Targets (P8, P9)]
I will now explain the quantitative targets in the business plan for the FY Mar/2023.
While we expect normalization in some of commodity markets such as iron ore, we aim to maintain the robust levels of profitability as in FY Mar/2022, by enhancing our earnings base in business areas, which are less sensitive to market volatility .

[Transform and Grow: Cash Flow Allocation (P10)]
As I just mentioned, there was a significant increase in COCF for the FY Mar/2022. Reflecting these strong cash generaing ability, we are updating the cash flow allocation for the current three-year period of MTMP.
We are expecting upturn in cash inflow and upwardly revising COCF to 2,750 billion yen.
As for shareholder returns, we allocated 500 billion yen reflecting increase in dividend to make it 120 yen per share, and 340 billion yen for share buybacks including the 100 billion yen which we announced earlier this week.
We will continue to make growth investments in those selected from our high-quality pipelines, such as new opportunities emerging adjacent to existing core business areas through bolt-on investments or otherwise in addition to areas of Strategic Focus, while we will keep allocating certain additional amounts for shareholders as well.
On the other hand, it is possible that we will continue to face highly uncertain conditions.
To enable an agile response to drastic changes in the business environment and capture emerging opportunities, we will also consider taking a more flexible cash management approach than normal times.

[Shareholder Returns Policy (P11)]
I will now discuss shareholder returns policy.
In FY Mar/2023 we will raise a minimum target of the annual dividend to 120 yen per share, and implement share buybacks of up to 100 billion yen, starting from May to September of this year. While paying close attention to improved capital efficiency, we will continue to consider a flexible approach to shareholder returns in order to achieve our target for total shareholder returns based on COCF.

[Environmental awareness and impact on business plans (P12)]
I will now explain our assessment of business environment, its impact on business plan, and our response policies.
In our case, there are both positive and negative impacts by issues such as escalating

geopolitical risk, supply chain disruption, and surging inflation. Under this kind of environment, we will be much more conscious in risk management and prepared for multiple scenarios. Additionaly, we will be committed to working hard to fulfill our supply responsibilities, by constantly optimizing timeframes and priorities in an agile manner.

In respect of our energy business in Russia, as announced in our release on March 4, we are continously discussing with relevant stakeholders, including the Japanese government and business partners for possible future courses of action, while taking into account energy supply needs and ensure that we comply with related international sanctions. A loss of 20.9 billion yen, as well as a decrease of 80.6 billion in net asset were recorded in LNG business mainly due to downgrade of the Russian goverment credit rating. Please refer to page 35 of our presentation for more details.

[Key Initiatives: Strengthening of the earnings base-1 (P13)]
I will now explain the key initaitives in our business plan for FY Mar/2023.
As reflecting on this slide, we will further promote disciplined and well-prioritized resource allocation, strengthen the competitiveness of each business, implement reorganization of the business portfolio and accelerate the formation of robust business clusters.

[Key Initiatives: Strengthening of the earnings base-2 (P14)]
Since the time of the previous MTMP, we have been continuously strengthening our trading functions through diversification of sales channels and supply sources based on customer needs. Further, we have been working to assist management in the group companies such as Penske, IHH and Novus, which has led to their lower breakeven points. As a result of such types of efforts, our earnings base has significantly increased by solidly capturing COVID-19 recovery demand in FY Mar/2022. From now onward, we will accelerate these kinds of initiatives by continously working to form a robust portfolio that is resilient to downward pressure, while still being able to capture the upside in rising markets.

[Key Initiatives: Energy Solutions (P15)]
Here I will discuss progress in the areas of Strategic Focus under MTMP.
In Energy Solutions, we have made progress particularly for promoting clean ammonia manufacturing projects at CF Industries in the U.S., ADNOC in Abu Dhabi and Waitsia in Australia.

In particular, we have been discussing with CF Industries in U.S., the world largest ammonia producer about building new blue ammonia production plant. We will soon start a front-end engineering design (FEED) and looking to make a final investment decision in 2023 and start operation in 2027. In addition, we are jointly working to produce blue ammonia in CF Industries' existing facilities and expecting to start supplying to regions centering on Asia from around 2024, leveraging our global network. Our intention is to contribute to global decarbonization through supply of fuel ammonia as well as clean ammonia for chemical/fertilizer use.

We have also accumulated power generation assets to raise our renewable energy ratio above 30% by 2030 through aquiring stakes in renewable energy developer, Mainstream, and in a large renewable energy project in India. We have also made progress in strengthening our alliance with Forsee Power to promote electric mobility value chain and participating in a carbon credit project in Australian forestry.

[Key Initiatives: Healthcare / Nutrition (P16)]
I will now explain progress in Healthcare/Nutrition.
We seek to promote creation of wellness business cluster along with growth of IHH business, data business centered around IHH, and establishment of well-being business cluster that offers services for preventive care, testing and diagnosis etc.
In FY Mar/2022, IHH achieved record high earning as a result of enhanced management capabilities. We also made progress in establishing a wellness business cluster by acquiring HUMAN ASSOCIATES HOLDINGS to bolster services pertaining to corporate HR and health insurance association, and established Thorne Asia, opearting preventive care business.

[Key Initiatives：Market Asia (P17)]
I will now explain progress in Market Asia. There was progress in new initiatives such as healthcare/nutrition and infrastructure etc. to capture growth of "growing and changing consumer market in Asia". We completed subscription to convertible bonds of CT Corp's holding company in the 1st Qtr of FY Mar/2022. We are working on to develop joint businesses in a wide range of areas leveraging their unwaveing business platform, as well as institutionalizing its management structure by dispatching a director and secondees.

[Climate change (P18)]
Next, I will explain our response to climate change.

Based on the roadmap to halving our GHG impact by 2030 that we explanied on ESG Day held last year, we are reconfiguring our business portfolio and promoting projects that contribute to reduce emissions. Moreover, in FY Mar/2022, as I just mentioned, we made progress in such areas as acquiring a stake in major renewable energy businesses, and started demonstration projects in the existing businesses toward commercialization of CCS/CCUS.

[HR strategies (P19)]
I will now explain our HR strategies.
In order to empower human resources in the gloal arena, we are promoting initiatives such as "Development of competent individuals for their professional growth," "Diversity & Inclusion," "Talent management to support the right persons to the right positions," to boost "Transform & Grow."

[Preparing to achieve further growth (P20)]
Finally, I will explain our "D"s & "I"s initiatives, which urge us to respond to uncertain business environments, and not only to continue growing amid uncertainty but also to allow us to ride the next waves.
The words starting from "D"s and "I"s have many important key messages, so we have lined these up and made them into a motto so that each and every one of us has a sense of emergency and think thoroughly about what we should be doing now.
I think that this mindset will lead to sustainable growth as it becomes part of our corporate culture.

That concludes my part of the presentation. I will now hand over to Masao Kurihara, our Global Controller, to explain the details of our operating results for FY Mar/2022 and our business plan for FY Mar/2023.

= Global Controller section =
[Core Operating Cash Flow: Year-on-year segment comparison (P22)]
I am Masao Kurihara, Global Controller.

First, I will explain the main changes in COCF by segment compared to the previous year.

COCF for the year increased by 500.6 billion yen to 1,158.7 billion yen.

In Mineral & Metal Resources, COCF increased by 244.7 billion yen to 552.8 billion yen mainly due to higher sales prices at iron ore and coal opeartions in Australia, higher sales prices at copper operations, and an increase in dividends from Vale and Erdos.

In Energy, COCF increased by 157.0 billion yen to 280.2 billion yen mainly due to an increase in oil and gas prices and LNG trading profit.

In Machinery & Infrastructure, COCF increased by 65.3 billion yen to 144.0 billion yen mainly due to good performance of group companies centered on automotive and an increase in the dividends from equity method affiliates.

In Chemicals, COCF increased by 31.3 billion yen to 93.8 billion yen, mainly due to good performance of the trading businesses and the methanol business, as well as strengthened overseas crop protection and agriculture-related businesses.

In Iron & Steel Products, COCF increased by 10.4 billion yen to 12.4 billion yen mainly due to the good trading performance.

In Lifestyle, COCF increased by 15.4 billion yen to 35.2 billion yen mainly due to good performance of grain trading, recovery of fashion business, strengthened healthcare business.

In Innovation & Corporate Development, COCF decreased by 8.5 billion yen to 46.6 billion yen, mainly due to absence of FVTPL profit recorded in previous year.

Other factors, such as expenses, interest, taxes, etc., which are not allocated to business segments, totaled negative 6.3 billion yen.

[Profit for the Year: Year-on-Year segment comparison (P23)]
Next, I will explain the main changes in profit by segment compared to the previous year.

Profit for the year increased by 579.2 billion yen to 914.7 billion yen.

In Mineral & Metal Resources, profits increased by 317.7 billion yen to 497.6 billion yen due to factors such as higher sales price of iron ore and coal operations in Australia, higher sales price of copper operations, and increase in dividends from Vale.

In Energy, profits increased by 86.8 billion yen to 114.0 billion yen mainly due to increases in oil and gas prices and in LNG trading profit, although there was absence of deferred tax assets resulting from reorganization of U.S. energy subsidiaries recorded in the same period of the previous year.

In Machinery & Infrastructure, profits increased by 74.9 billion yen to 120.8 billion yen mainly due to good performance of the automotive business primarily in North America, in addition to the absence of the impairment of the rolling stock leasing group company incurred in the previous year.

In Chemicals, profits increased by 25.4 billion yen to 68.9 billion yen, mainly due to good performance of the trading businesses and the methanol business, as well as strengthened overseas crop protection and agriculture-related businesses.

In Iron & Steel Products, profits increased by 24.8 billion yen to 26.9 billion yen due to the good performance of Numit resulting from strong steel market conditions and the recovery of the U.S. automotive market, and good trading performance.

In Lifestyle, profits increased by 48.8 billion yen to 61.5 billion yen mainly due to valuation gain in the fashion business, good trading performance of grain, an increase in profits in the healthcare business, and sale and valuation gain in PHC shares.

In Innovation & Corporate Development, profits increased by 7.4 billion yen to 57.6 billion yen mainly due to sale of multi-family housing property and land in the U.S.

Other factors, such as expenses, interest, taxes, etc., which were not allocated to business segments, totaled negative 32.6 billion yen.

[Profit for the year: Year-on-year factor comparison (P24)]
The table below shows the main factors influencing year-on-year changes in profit.

Base profit increased by approximately 281 billion yen. This was mainly due to steady trading performance of LNG, chemicals and steel products, increase in dividends received from iron ore businesses, and strong profitability in all segments.

Looking at Resource-related costs/volume, profit decreased by approximately 25 billion yen due to the impact of rising labor costs in the Mineral & Metal Resources business, and also decrease in volume due to the production decline in the MOECO Thai offshore project.

Asset recycling resulted in an increase of approximately 3 billion yen in profits mainly due to the partial sale of shares in PHC Holdings and the sale of multi-family housing property in the U.S.

In Commodity prices/FOREX, profit increased by approximately 235 billion yen. Commodity prices increased approximately 62 billion yen due to steady iron ore prices, approximately 61 billion yen due to coal prices and approximately 62 billion yen due to oil and gas prices. In FOREX, the weaker yen resulted into an increase in profit of approximately 29 billion yen.

Finally, valuation gain/loss etc. resulted in an increase of 85 billion yen mainly due to the absence of impairment loss in the Moatize coal and infrastructure projects incurred in same period of the previous year, while a decrease of 20.9 billion yen was recorded in Arctic LNG 2 project mainly due to accounting loss caused by downgrade of the Russian goverment credit rating etc.

[Evolution of financial strategy and portfolio management (P25)]
In this section I will discuss cash flow allocations for the current year.

Cash-in for the period was 1,416 billion yen, comprising COCF of 1,159 billion yen and asset recycling of 257 billion yen. Principal asset recycling included loan collection in the copper business and sale of the contract manufacturing business of MicroBiopharm Japan Co., Ltd.

On the other hand, Cash-out was 856 billion yen, comprising investment and loans of 511 billion yen and shareholders return of 345 billion yen, i.e. share buybacks of 175 billion yen and dividend of 170 billion yen. Main investment and loans included subscription to convertible bonds of the holding company of Indonesia's CT Corp, acquisition of shares in Mitsui Oil Exploration Co. Ltd., investment in European agrochemical company

Belchim, maintenance capex in existing projects such as oil and gas projects and Australian iron ore and coal businesses, LNG and power generation projects under development, and real estate business.

We will continue strategic allocation of funds to growth investments and shareholder returns corresponding to the increases in COCF, comprehensively considering the investment opportunities and business environment.

[Evolution of financial strategy and portfolio management (P26)]
Now let us take a look at the balance sheet as of the end of current year.

The net interest-bearing debt was approximately 3,300 billion yen, which was almost the same level as that of the previous year. Also, shareholders equity was increased by approximately 1,000 billion yen to 5,600 billion yen, mainly due to the increase in profit for the period, foreign currency translation adjustments due to weak yen, and fair value on financial assets measured at FVTOCI, while a decrease of 80.6 billion yen was recorded in 2 LNG projects as reduction in other comprehensive income mainly due to downgrade of the Russian goverment credit rating etc. As a result, Net DER has fallen to 0.60x. We will continue to maintain and strengthen our financial base through our cash flow allocation framework.

[FY Mar/ 2023 Business plan (P.27)]
I will now describe the business plan for COCF and profit for FY Mar/2023.

COCF is forecasted to decrease by 208.7 billion yen to 950 billion yen and profit for the period is forecasted to fall 114.7 billion yen to 800 billion yen, in comparison to the previous year, due to the normalization of conditions in some of the commodity markets, mainly in Mineral & Metal Resources etc. On the other hand, profitalibity of those businesses, which are less sensitive to market volatility, are expected to be almost at the same level as in the previous year.

[Profit for the year: Year-on-year factor comparison (P.28)]
The following table compares the plan for the FY Mar/2023 with the actual results for the FY Mar/2022, and shows the main factors expected to influence year-on-year changes.

Base profit is forecasted to decrease by approximately 160 billion yen, due to decrease in dividend from iron ore business operations, less profit from LNG business, as well as due to the absence of FVTPL gains recorded in the FY Mar/2022.

Resource-related costs/volume factor is expected to decrease by approximately 23 billion yen mainly due to expected decrease in production and increase in cost, while price of crude oil and LNG remain steady.

Looking at asset recycling, an increase of approximately 34 billion yen is currently expected for the FY Mar/2023 , forecasting sales of multiple assets.

Commodity prices/FOREX will contribute to an increase of approximately 32 billion yen mainly due to increase in oil and gas prices, and weaker yen.

That concludes my presentation. Thank you.