IR Meeting for FY March 2025 1st Half (April-Sept 2024) Financial Results
10:00-11:30 Tuesday November 5, 2024

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

I will begin with an overview of the first half operating results and the full-year forecast. I will then hand over to Masao Kurihara, General Manager of the Global Controller Division, who will speak on the financials in more detail.

FY March 2025 H1 Overview and H2 Outlook (P4)

First, I would like to provide a summary of the first half of this fiscal year and the forecast for the second half.

Our progress was steady against the full-year business plan for Core Operating Cash Flow, or COCF, exceeding 50% for the first half. Progress was also made in asset reconfiguration through the sale of large-scale assets and listed stocks, and cash inflows expanded from both operations and asset sales.

We are encouraged by the progress made in *strengthening existing businesses* as well as *efficiency improvements and turnarounds*, which contributed to enhancing base profit. We also worked on strengthening our long-term earnings base through competitive investments for growth such as the Ruwais LNG project. In addition, we decided to flexibly make additional share repurchases, observing cash inflows and share price levels, being conscious of balancing investments for growth and flexible shareholder returns.

Based on the progress made in the first half and the latest forecast for the second half, we have revised up our full-year profit forecast. We will continue in the second half with initiatives aimed at enhancing base profit and continuous growth. In particular, we will further strengthen existing and new businesses focusing on LNG, mobility, healthcare, and protein, which will be the main growth drivers during the current MTMP. In addition, we will actively continue asset reconfiguration focusing on improving ROIC. With these measures, we will continue to work on improving our business portfolio and strengthening our earnings base, in order to achieve our plan not only in the second half of the fiscal year but throughout the rest of the MTMP, and targeting further growth beyond.

We aim to take advantage of our global business portfolio to seize new business opportunities while reinforcing our risk management in light of heightened geopolitical risks and changes in major economies.

We will continue to focus on maintaining and further enhancing ROE, while continuously being conscious of the balance between investments for growth and shareholder returns.

Summary of Operating Results (P5)
I will now summarize our operating results for the first half of this fiscal year.

COCF increased by 63 billion yen year-on-year to 538.1 billion yen and profit decreased by 44.5 billion yen to 411.8 billion yen, both showing good progress against the business plan.

Taking into account the progress made in the first half of the fiscal year and the upside expected in the second half, we have revised up our full-year profit forecast by 20 billion yen to 920 billion yen.

As announced on September 11, we increased the share repurchases by 200 billion yen up to 400 billion yen, and extended the repurchase period to the end of February 2025.

Progress Against FY March 2025 Business Plan and Full-year Forecast (COCF) (P6)
I will now speak on the full-year forecast for COCF.

Although we expect the Mineral & Metal Resources segment to be affected by commodity prices, we expect the Company as a whole to achieve the business plan of 1 trillion yen as planned, mainly due to good performance in the Energy segment.

Progress Against FY March 2025 Business Plan and Full-year Forecast (Profit) (P7)
Next, I will speak on the full-year forecast for profit.

Although here too we expect the Mineral & Metal Resources segment to be affected by commodity prices, due to the upside in the Energy, Machinery & Infrastructure, and Innovation & Corporate Development segments, we have revised our full-year forecast upward by 20 billion yen from our business plan to 920 billion yen.

Cash Flow Allocation (Results) (P8)

Now I will discuss the results of cash flow allocation. In the first half, we steadily made investments for growth in line with the three Key Strategic Initiatives set out in the MTMP, and also executed large-scale asset recycling.

Cash inflows for the period were 884 billion yen, comprising COCF of 538 billion yen and asset recycling of 346 billion yen.

Cash outflows were 720 billion yen, comprising investments of 372 billion yen and shareholder returns of 348 billion yen.

Timing of Profit Contribution from New Projects (P9)

We are implementing carefully selected investments for growth in line with the Key Strategic Initiatives set out in the MTMP. The projects shown on this slide in bold have already started to contribute to profit.

We are balancing near-term profitability and building a long-term earnings base in our investments for growth, and the enhancement of base profit through new projects is on track.

Thai gas-fired power generation No.2 Unit 4 was completed on October 1st this year, and has begun commercial operation and contribution to earnings. With the start of operations at all four units of No.2, the total installed capacity, including No.1, is now 5 giga watts. Mitsui has been working on this large-scale project, which will meet approximately 10% of Thailand's power demand, for six years since the start of construction of No.1 in 2018. We have been deploying our project management expertise that we have refined over time and reached the completion within budget and on schedule. Contribution to earnings from the Thai gas-fired power generation No.1 and No.2 from FY March 2026 onwards is expected to be similar in scale as the Paiton coal-fired power plant project, which was sold in May this year.

Progress in Enhancement of Base Profit (P10)

Over the three years of the MTMP, we plan to increase our base profit by 170 billion yen, excluding the impact of one-time factors, commodity prices, and foreign exchange. Next, I will explain the progress in enhancement of base profit.

In the full-year forecast for FY March 2025, the second year of the MTMP, we expect to achieve an enhancement of up to 120 billion yen against the 170 billion yen target.

For *strengthening existing businesses,* we are seeing steady progress in our *middle game* initiatives in areas such as mobility, chemicals, Japanese domestic businesses in food and retail and Innovation & Corporate Development, and healthcare. We expect to see a cumulative increase of 45 billion yen by the end of FY March 2025.

For *efficiency improvements and turnarounds*, although the scale of impact for each individual item is not large, we expect to see an enhancement of 35 billion yen through exiting loss-making businesses and the accumulation of improvements in business performance.

For *new businesses*, we expect to see an increase of 40 billion yen as a result of the commencement of earnings contributions from multiple new projects during the current fiscal year, in addition to the full-year profit contribution from businesses invested in during the previous fiscal year.

Cash Flow Allocation (Forecast) (P11)

Cash inflows are expected to increase by 170 billion yen from 4.2 trillion yen to 4.4 trillion yen during the current MTMP period due to an increase in asset recycling. As a result, the Management Allocation would increase from 560 billion yen at the time of the business plan announced in May to 730 billion yen. From this increased Management Allocation, 90 billion yen has been allocated to investments and 190 billion yen to shareholder returns, meaning the Management Allocation is expected to be maintained at a sizable level of 450 billion yen. In addition, given our strong financial base, there is potential for us to add to the Management Allocation. We will continue to allocate capital in a balanced manner between investments for growth and shareholder returns, bearing in mind our solid balance sheet.

Shareholder Returns Policy (P12)
Next, our shareholder returns policy.

As I mentioned earlier, we decided to increase the share repurchase amount by 200 billion yen this September. As a result, shareholder returns as a percentage of COCF during the current MTMP period is expected to exceed 45%.

We will continue to work to achieve sustained ROE growth by increasing profit with cash through investments for growth and *middle game* initiatives, as well as enhancing shareholder returns along the way.

That completes my presentation today.
I will now hand over to the General Manager of the Global Controller Division, Masao Kurihara, for details of our financials.

= General Manager of the Global Controller Division section =
Operating Results (P13)
I am Masao Kurihara, General Manager of the Global Controller Division.
I will now provide details of our operating results for the first half.

FY March 2025 H1 Core Operating Cash Flow: YoY Segment Comparison (P14)
First, I will explain the main changes in COCF by segment compared to the previous period.
COCF for the first half was 538.1 billion yen, a year-on-year increase of 63 billion yen.

In Mineral & Metal Resources, COCF increased by 14.3 billion yen to 192.1 billion yen, mainly due to a decrease in tax burden.

In Energy, COCF increased by 107 billion yen to 184.5 billion yen, mainly due to an increase in LNG-related earnings such as dividends and trading.

In Machinery & Infrastructure, COCF decreased by 41.9 billion yen to 73.8 billion yen, mainly due to a consolidated subsidiary becoming an equity method investee and an increase in taxes associated with asset sales.

In Chemicals, COCF increased by 18.2 billion yen to 42.5 billion yen, mainly due to improved performance in consolidated subsidiaries and trading.

In Iron & Steel Products, COCF increased by 0.3 billion yen to 1.5 billion yen.

In Lifestyle, COCF decreased by 15.3 billion yen to 14.4 billion yen mainly due to lower dividends from equity method investees.

In Innovation & Corporate Development, COCF increased by 1.1 billion yen to 20.3 billion yen.

Other factors, such as expenses, interest, taxes, etc., which are not allocated to business segments, totaled a gain of 9 billion yen.

FY March 2025 H1 Profit: YoY Segment Comparison (P15)
I will now explain the main changes in profit by segment compared to the first half of the previous fiscal year.
Profit for the first half decreased by 44.5 billion yen to 411.8 billion yen.

In Mineral & Metal Resources, there was a decline in metallurgical coal and iron ore prices, but profit increased by 26.9 billion yen to 161.5 billion yen mainly due to the absence of an impairment loss in the Chilean copper business recorded in the previous period.

In Energy, profit increased by 39.3 billion yen to 65.3 billion yen, mainly due to an increase in LNG-related profit such as foreign exchange related to dividends and good performance in trading.

In Machinery & Infrastructure, although there was an increase in asset sale gains, profit decreased by 16.2 billion yen to 148.2 billion yen, mainly due to a decrease in profit in the IPP and the automotives businesses.

In Chemicals, profit increased by 7.8 billion yen to 22.1 billion yen, mainly due to improved performance in multiple affiliated companies and trading.

In Iron & Steel Products, profit increased by 4.3 billion yen to 7.3 billion yen, mainly due to the absence of the impairment loss in Gestamp in the previous period.

In Lifestyle, profit decreased by 49.4 billion yen to 20 billion yen mainly due to the absence of a valuation gain on Aim Services recorded in the previous period, and a decrease in profit in coffee trading.

In Innovation & Corporate Development, profit decreased by 8.1 billion yen to 18 billion yen mainly due to the absence of the Altius Link valuation gain recorded in the previous period.

Other losses amounted to 30.6 billion yen, mainly due to the burden of the amendment to the retirement benefit system.

FY March 2025 H1 Profit: YoY Factor Comparison (P16)
This page shows the main factors that impacted year-on-year changes in profit.

For base profit, in addition to higher profit from LNG related business and chemicals, there were earnings contributions from new businesses. However, there was lower profit in IPP, PTL, and lower profit resulting from the sale of Paiton this fiscal year, leading to an overall decrease in profit by 16 billion yen.

In resources costs/volume, there was an increase of 4 billion yen mainly due to an increase in sales volume of iron ore, crude oil, and gas.

In asset recycling, there was an increase of 2 billion yen mainly due to gains from the sale of Paiton and partial sale of VLI.

In commodity prices and forex, due to a decrease in commodity prices, profit fell in total by 20 billion yen, consisting of 11 billion yen for iron ore, 5 billion yen for metallurgical coal, and 5 billion yen for crude oil and gas. For forex, profit increased by 30 billion yen mainly due to the weaker yen.

In valuation gains/losses, one-time factors, there was a decrease of 45 billion yen, mainly due to an amendment to the retirement benefit system.

Factor Comparison: Business Plan vs Full-Year Forecast (P17)

Here we have a comparison of the full-year forecast against the business plan, with a summary of the factors involved.

Base profit is expected to decrease by 13 billion yen mainly due to lower FVTPL related profit and a decrease in profit in the aquaculture, coffee trading, and iron & steel products, while we expect to see increases in a wide range of businesses including LNG, ships, industrial and construction machinery, and chemicals.

Resources costs/volume is expected to result in an increase of 7 billion yen, mainly due to cost improvements in the upstream energy business including exploration.

Asset recycling is expected to result in an increase of 55 billion yen due to upside from gain on sale of Paiton and partial sale of VLI in the first half, as well as sale of multiple assets expected in the second half.

Commodity prices/forex are expected to result in a decrease of 19 billion yen mainly as a result of the impact of weak yen partially offsetting the fall in iron ore and metallurgical coal prices.

Valuation gains/losses and one-time factors are expected to result in a decrease of 10 billion yen mainly due to the higher burden due to an amendment of the retirement benefit system.

Balance Sheet as of end-September 2024 (P18)

Looking at the balance sheet as of the end of the first half of the current fiscal year, compared to the end of March 2024, net interest-bearing debt decreased by 0.3 trillion yen to 3.1 trillion yen. Meanwhile, there was no change to shareholder equity which was 7.5 trillion yen. As a result, net DER is 0.42 times.

That concludes my presentation.