

# 2023.09

## Consolidated Financial Results Q2 FYE 3/2024

November 2, 2023 TSE Code: 8002

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# 01 Key Factors of Q1-Q2 FYE 3/2024

- **Net profit** amounted **¥251.3bn (-¥63.3bn YOY)** Progress to the initial FYE 3/2024 full-year forecast is **60%**
- **Adjusted net profit** was **¥244.0bn (-¥78.0bn YOY)** Progress likewise is **55%**

Breakdown of adjusted net profit:

- Non-resources ¥165.0bn (-¥29.0bn YOY): Increased in *Power* and others, decreased in *Agri Business* and others due mainly to the normalization in business environment
- Resources ¥71.0bn (-¥51.0bn YOY): Decreased in the coking coal business and others, due to lower commodity prices

- **Core operating cash flow** was **+¥266.4bn (-¥65.6bn YOY)**
- **Shareholders' equity** was **¥3.2tn** (+¥370.9bn from the previous fiscal year-end), due mainly to increase in retained earnings and Japanese yen depreciation. **Net DE ratio** stayed at the same level at **0.55 times**

(billion yen)	Q1-Q2 FYE 3/2023	Q1-Q2 FYE 3/2024	Change
Net profit	314.7	251.3	-63.3 (-20%)
Adjusted net profit	322.0	244.0	-78.0 (-24%)
Core operating cash flow	+332.1	+266.4	-65.6 (-20%)
Free cash flow after shareholder distributions (excluding changes in working capital and others)	+96.4	-51.2	-147.6
	Mar-31-2023	Sep-30-2023	Change
Net DE ratio	0.52 times	0.55 times	+0.03 points

\* Adjusted net profit: net profit excluding one-time items, shown in an approximate figure. For one-time items, please refer to P3 of "IR Supplementary Information"

\* Core operating cash flow: operating cash flow excluding net increase/decrease in working capital and others

\* "Equity attributable to owners of the parent" is described as "shareholders' equity" in this material

## 02 Full-year Forecast for FYE 3/2024

- **Net profit: ¥450.0bn (+¥30.0bn upward revision) Adjusted net profit: ¥460.0bn (+¥20.0bn upward revision)**

- Due to the steady performance, the full-year forecasts have been revised upward

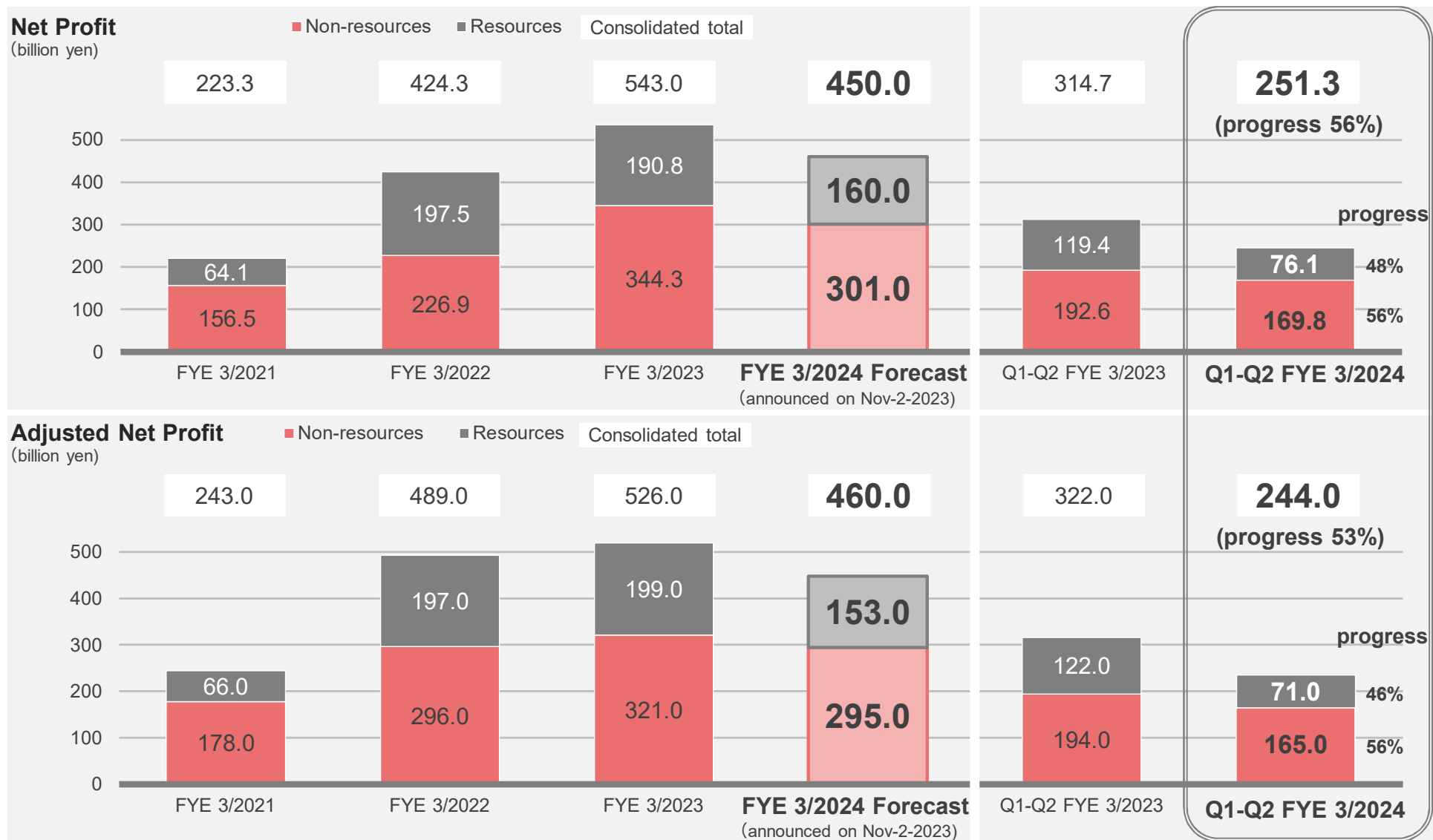
Breakdown of adjusted net profit:

- Non-resources ¥295.0bn (+¥18.0bn upward revision): in *Power, Construction, Industrial Machinery & Mobility*, etc.
- Resources ¥153.0bn (-¥9.0bn downward revision): due mainly to lower commodity prices such as copper and others

- **Core operating cash flow: +¥530.0bn (+¥20.0bn upward revision)**
- Forecast for **annual dividend** per share has been revised **upward to ¥83.0 (+¥5.0 per share from the initial forecast)**
- **Up to ¥20.0bn** of **share buybacks** have been resolved (buy-back period: Nov-2023 to Feb-2024)

(billion yen)	FYE 3/2024 forecast announced on		Change
	May-8-2023	Nov-2-2023	
Net profit	420.0	450.0	+30.0
Adjusted net profit	440.0	460.0	+20.0
Core operating cash flow	+510.0	+530.0	+20.0
Free cash flow after shareholder distributions (excluding changes in working capital and others)	±0.0	- 50.0	- 50.0
ROE	approx. 15%	approx. 15%	—
Net DE ratio	approx. 0.6~0.7 times	approx. 0.6~0.7 times	—
Dividend per share (annual)	78 yen interim 39 yen, year-end 39 yen	83 yen interim(planned) 41.5 yen, year-end(forecast) 41.5 yen	+5 yen

# 03 Net Profit and Adjusted Net Profit



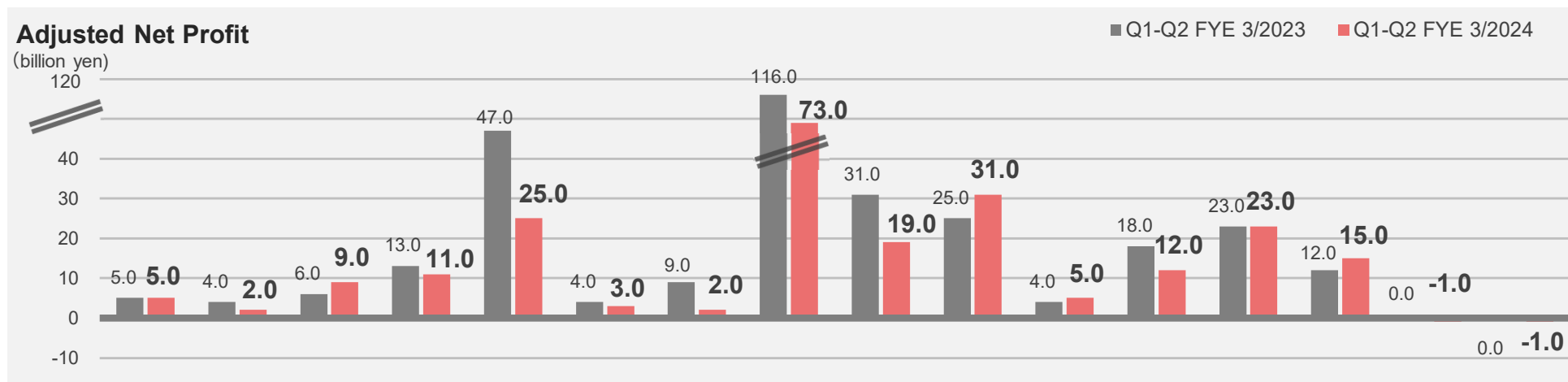
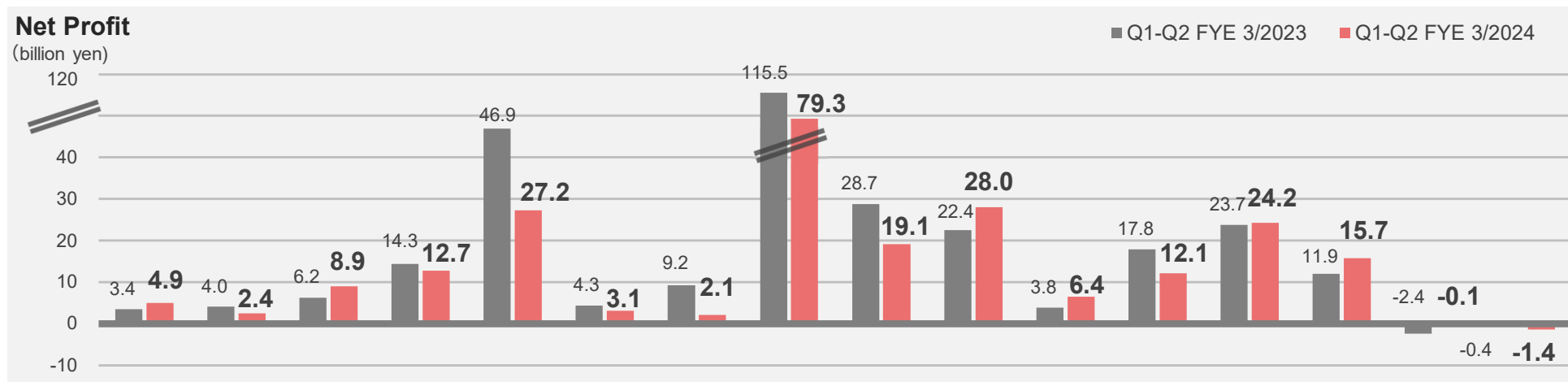
\* Resources: Total of "Energy" and "Metals & Mineral Resources" excluding "Steel Products Dept."  
 Other: Total of "Next Generation Business Development", "Next Generation Corporate Development" and "Other"  
 Non-resources: Other than the above

\* Business field information for FYE 3/2023 has been reclassified due to organizational changes

\* Progress ratios represent progress against the revised full-year forecast announced on Nov-2-2023

	(billion yen)	FYE 3/2021	FYE 3/2022	FYE 3/2023	FYE 3/2024 Forecast announced on Nov-2-2023	FYE 3/2023 Q1-Q2	FYE 3/2024 Q1-Q2
Net profit		2.7	-0.0	7.9	-11.0	2.6	5.3
Adjusted net profit		-1.0	-4.0	6.0	12.0	6.0	8.0

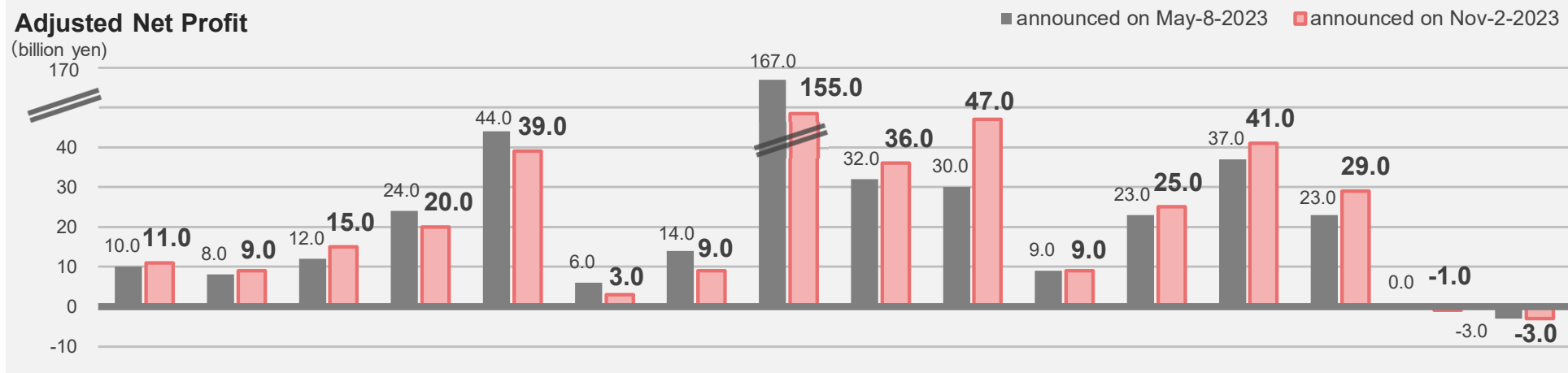
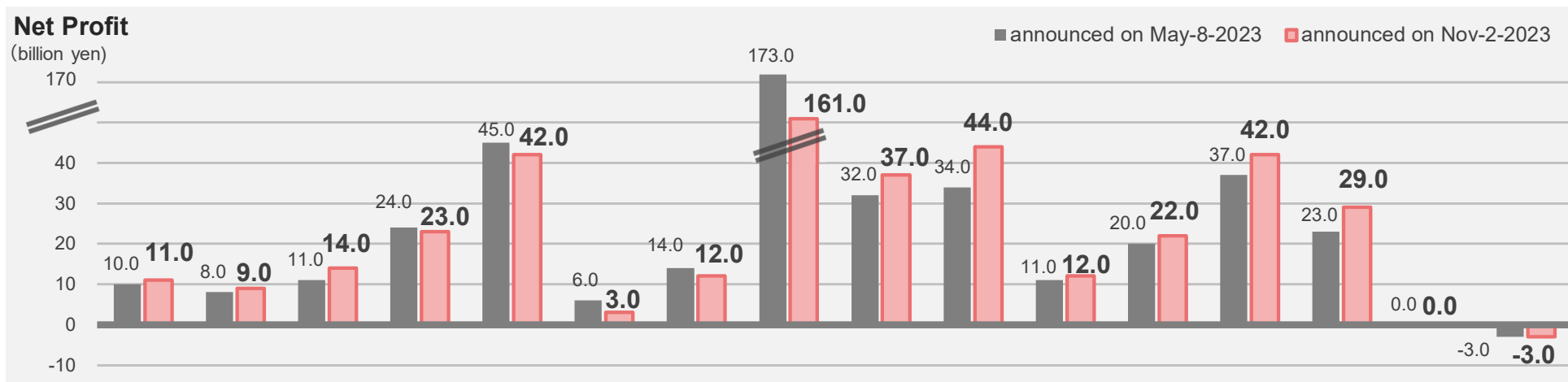
# 04 Profit by Segment Q1-Q2 FYE 3/2023 vs Q1-Q2 FYE 3/2024



Lifestyle	IT Solutions	Food I	Food II	Agri Business	Forest Products	Chemicals	Metals & Mineral Resources	Energy	Power	Infrastructure Project	Aerospace & Ship	Finance, Leasing & Real Estate Business	Construction, Industrial Machinery & Mobility	Next Generation Business Development	Next Generation Corporate Development
Consumer Products				Materials			Energy & Infrastructure Solution			Transportation & Industrial Machinery, Financial Business			CDIO		

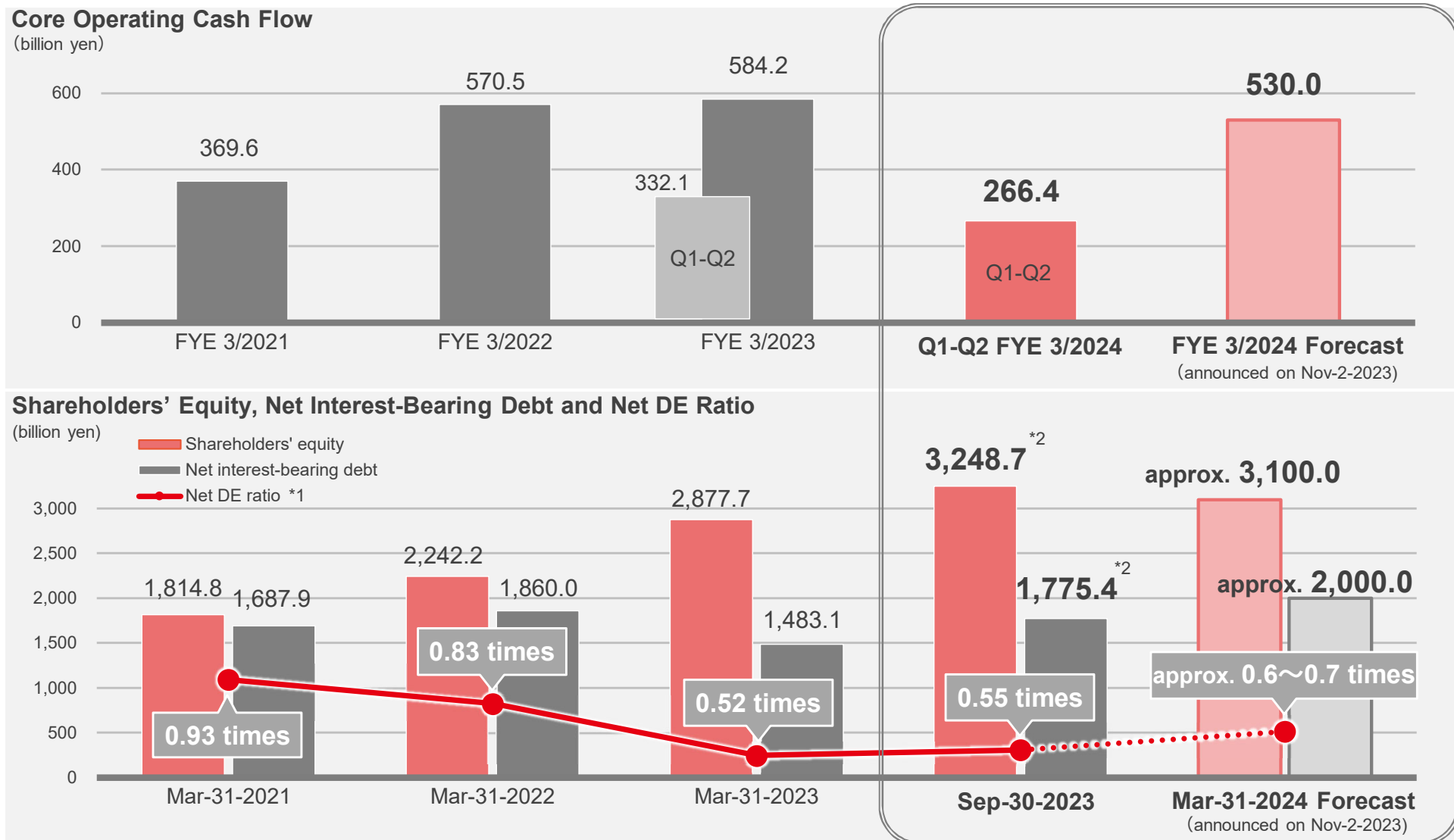
\* Operating segment information for FYE 3/2023 has been reclassified due to organizational changes. Please refer to P2 of "IR Supplementary Information" for the details

# 05 Profit Forecast by Segment announced on May-8-2023 vs Nov-2-2023



Lifestyle	IT Solutions	Food I	Food II	Agri Business	Forest Products	Chemicals	Metals & Mineral Resources	Energy	Power	Infrastructure Project	Aerospace & Ship	Finance, Leasing & Real Estate Business	Construction, Industrial Machinery & Mobility	Next Generation Business Development	Next Generation Corporate Development
Consumer Products				Materials			Energy & Infrastructure Solution			Transportation & Industrial Machinery, Financial Business			CDIO		

# 06 Cash Flow Generation/Shareholders' Equity/Net Interest-Bearing Debt

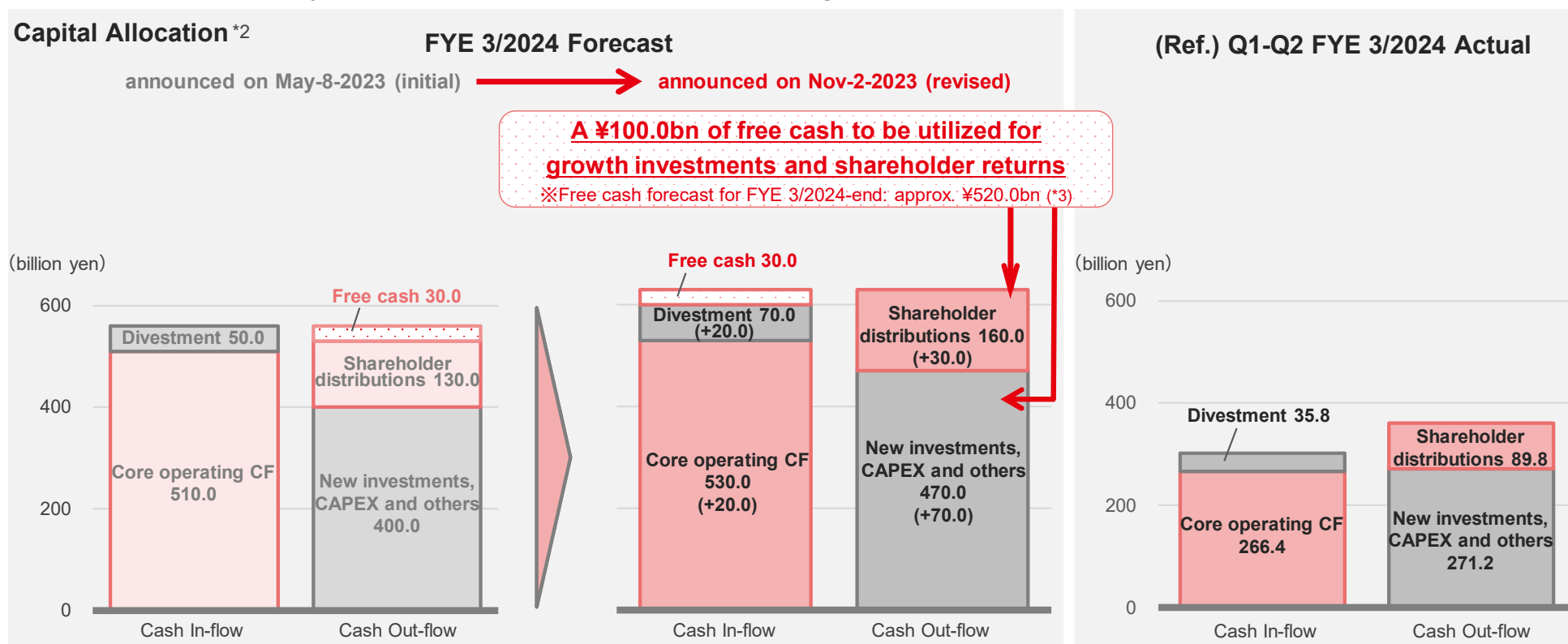


\*1 For FYE 3/2023 and beyond, the denominator to calculate net DE ratio has been changed from "total equity" to "shareholders' equity." Net DE ratio for previous fiscal years have been re-presented accordingly

\*2 Optional repayment of ¥150.0bn of the perpetual subordinated loan was completed on Aug-16-2023. (Shareholders' equity decreased and net interest-bearing debt increased respectively, by the same amount)

# 07 Capital Allocation FYE 3/2024 Forecast

- Based on the good progress of growth investments and the current state of the investment pipeline, the Company has revised the forecast for new investments, CAPEX and others upward by ¥70.0bn. The forecast for shareholder returns is also revised upward by ¥30.0bn, including a ¥20.0bn of share buyback and increased dividends. (¥100.0bn increase in total)
- A total of ¥100.0bn of free cash (\*1) will be utilized to cover these increases. Free cash balance at the end of FYE 3/2024 is expected to be approx. ¥520.0bn including the expected cash in-flow for the current fiscal year
- Free cash is continued to be utilized for a strategic capital allocation aimed at maximizing corporate value. A part of it is to be allocated to debt repayments, and the rest is to be allocated to growth investments and enhancement of shareholder returns



\*1 Free cash: allocated to growth investments, share buybacks or retained for future investment, etc.

\*2 Excluding changes in working capital and others. Figures for shareholder distributions are aggregated in the fiscal year to which the profit i.e. the source of funds is attributed, and are different from cash flow

\*3 Including funds collected through the sale of Gavilon's grain business (approx. ¥330.0bn)



# 08 New Investments and Divestments Main Items for Q1-Q2 FYE 3/2024

(billion yen)	Q1-Q2 FYE 3/2024 <sup>*1</sup>				Q1-Q2 FYE 3/2024 Main items	FYE 3/2024 Forecast (announced on Nov-2-2023)	
	Horizon 1	Horizon 2	Horizon 3				
New Investments + CAPEX and others *2	- 271.2	- 152.4	- 97.8	- 21.1		- 470.0	
New Investments	- 112.0	Distribution Business	- 78.5	- 58.6	- 19.9	Horizon 2 <ul style="list-style-type: none"> <li>• TOB of ARTERIA Networks approx. -¥16.0bn *3</li> <li>• Aircraft surplus parts distributor (Diversified Aero Services, USA)</li> <li>• Automotive aftermarket business (MAIHOU related, USA)</li> <li>• Confectionery manufacture and sales (Atrion, Japan)</li> <li>• Agri-inputs related business (Adubos Real related, Brazil)</li> </ul> Horizon 3 <ul style="list-style-type: none"> <li>• Healthcare turnkey solutions provider (Lunatus, UAE)</li> <li>• Developer and manufacturer of supercapacitors (Skeleton, Estonia)</li> </ul>	- 320.0
		Finance Business	- 25.9	- 24.7	- 1.2	• Aircraft leasing business (Aircastle, USA)	
		Stable Earnings-Type Business	- 7.4	- 7.4	-	• Power generation business (renewable energy, etc.)	
		Natural Resource Investments	- 0.2	- 0.2	-		
CAPEX and others	- 159.2	excluding Natural Resource Investments	- 152.4	- 152.4		- 150.0	
		Natural Resource Investments	- 6.8	- 0.0	- 6.8		• Agri-inputs related business (Helena, USA) *4
Divestment	+35.8					+70.0	
<b>Total</b>	<b>- 235.4</b>					<b>- 400.0</b>	

\*1 Horizon 1: improvement of existing businesses, Horizon 2: pursuit of strategies in existing business domains, Horizon 3: new business models and growth domains currently not yet focused on

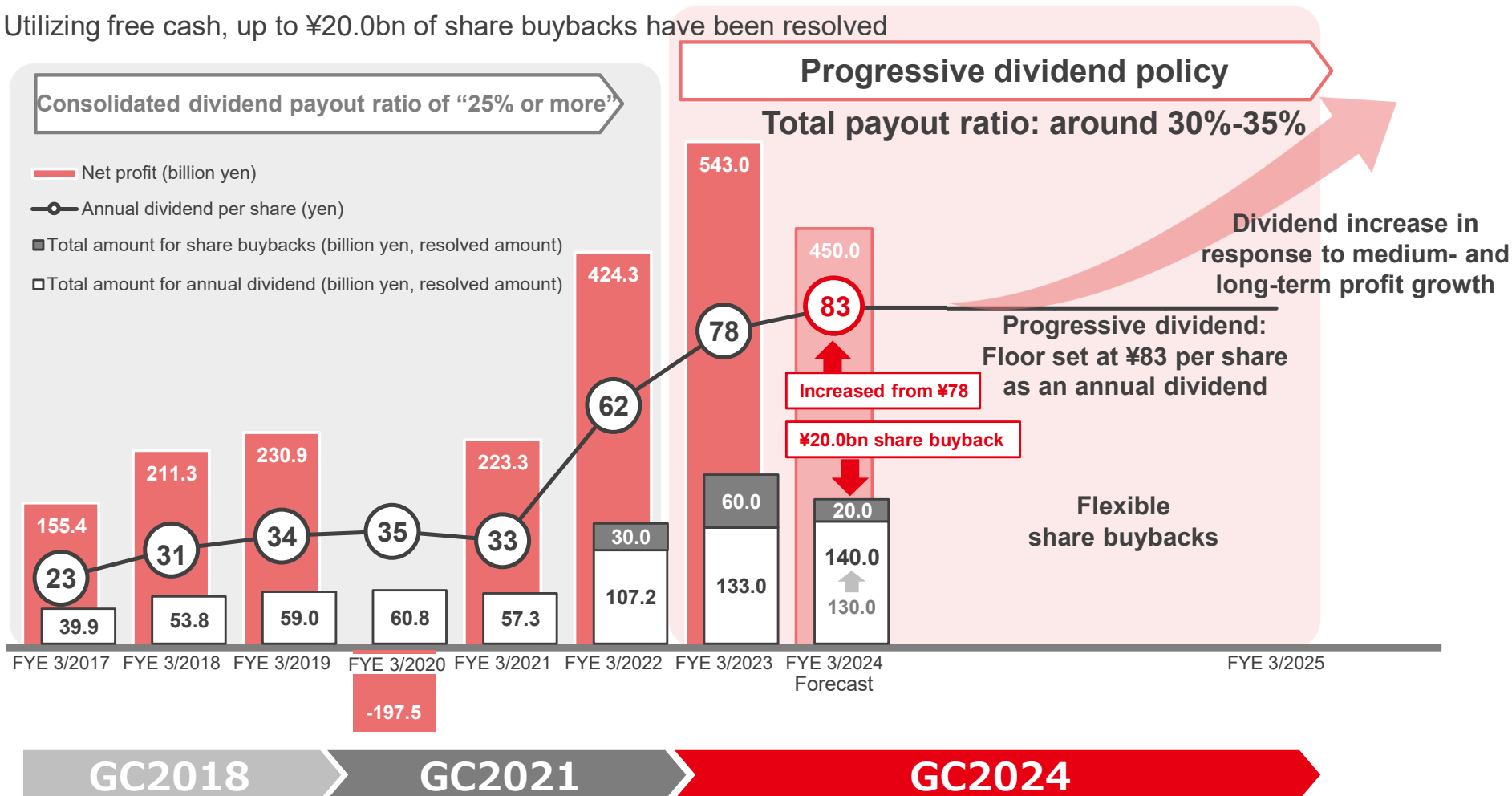
\*2 CAPEX and others: additional capital expenditure and others in order to maintain and improve values of existing investments and loans

\*3 TOB of ARTERIA Networks: Presented as a part of new investment on this material for explanatory convenience. It is actually an additional acquisition of a consolidated subsidiary, and the amount of cash outflow is included in the financing activities on the consolidated statement of cash flows. Net cash used in the investing activities on the consolidated statement of cash flows is -¥218.9bn, the total of new investments for Q1-Q2 FYE 3/2024 is -¥95.6bn. The figures on the above table do not match either of those.

\*4 Including approximately -¥80.0bn of short-term agriculture loan which Helena (USA) provided to customers

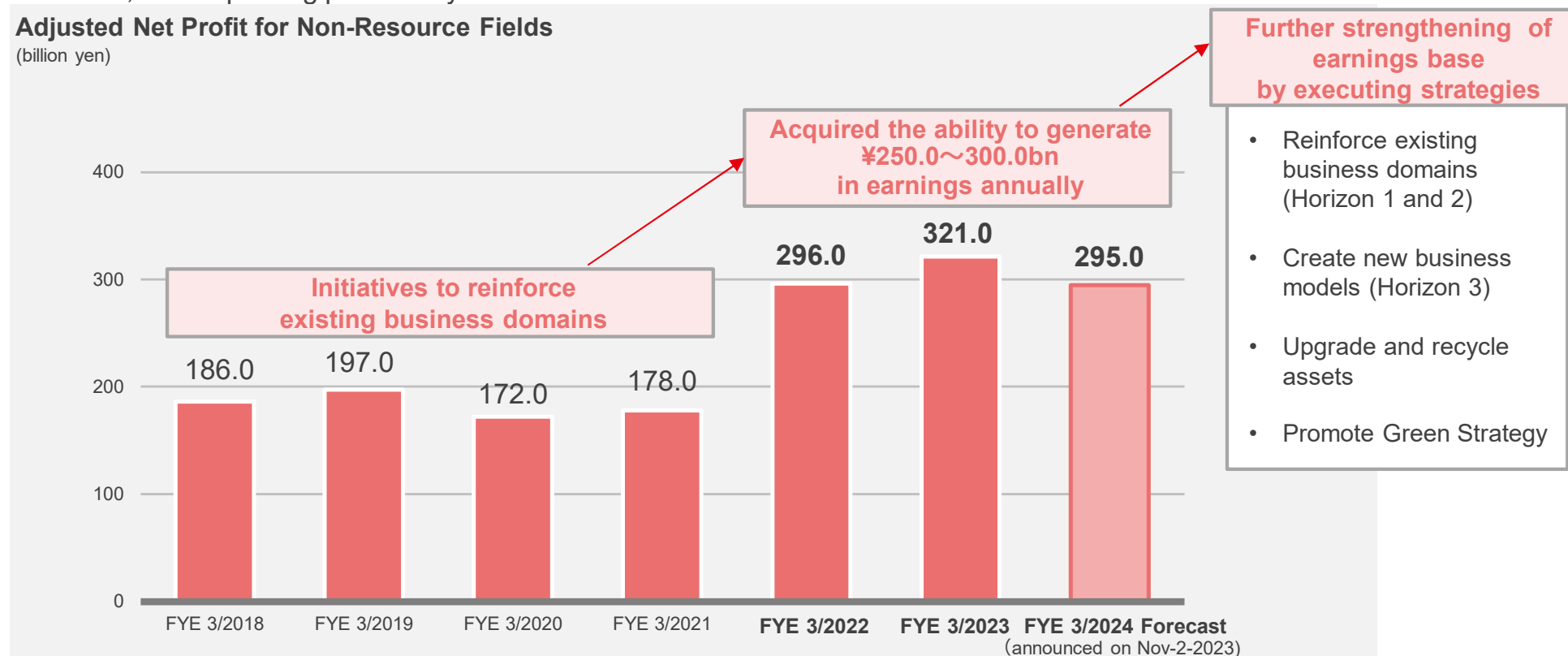
# 09 Shareholder Returns

- Under the GC2024, the Company adopts a progressive dividend policy not to reduce dividends and conducts flexible share buybacks targeting a total payout ratio of around 30%-35%
- Based on the upward revision of the full-year earnings forecasts and the steady progress in strengthening of earnings base mainly in the non-resource fields, the forecast for annual dividend per share has been revised upward by ¥5 (¥78 → ¥83)
- Utilizing free cash, up to ¥20.0bn of share buybacks have been resolved



# 10 Adjusted Net Profit Growth in Non-Resource Fields

- FYE 3/2024 full-year forecast for **adjusted net profit for the non-resource fields is ¥295.0bn**. Expected to achieve **approx. ¥300.0bn for the third consecutive year**
- Growth investments are continued to be allocated mainly to the existing business domains centered on the non-resource fields with our competitive advantages. Simultaneously investments to new business domains will be enhanced to establish future earnings pillars
- Enhance competitive advantages in individual businesses, and increase business value by scaling up sales volume and assets, and improving profitability



# 11 Growth Investments during the GC2024 Period (FYE 3/2023-FYE 3/2025)

- Growth investments under the GC2024 are progressing smoothly. Two-year cumulative amount (FYE 3/2023-FYE 3/2024) is forecast to be approx. ¥720.0bn against the three-year cumulative plan of ¥1,000.0bn. Aiming at the ROE target of 15%, investment projects are rigorously selected
- Our investment pipeline is rich in projects, and the three-year cumulative amount is expected to exceed ¥1,000.0bn. We will continue executing growth strategies in each business domain while maintaining financial and investment discipline

GC2024 Basic Policy for Growth Investments (Three-year cumulative plan: ¥1,000.0bn +α)		Growth Investment (billion yen, shown in an approximate figure)			Major Business Fields	Major Initiatives	
		FYE 3/2023 actual	FYE 3/2024 forecast	Two-year total			
<b>Horizon 1</b> Improvement of existing businesses  <b>Horizon 2</b> Pursuit of strategies in existing business domains	<b>Enhancing the earnings base by selectively investing</b> in areas with high profitability based on the company's competitive advantages  ¥800.0-900.0bn	Non-resources	200.0	330.0	530.0	Lifeline-related (Food, Agri-input, etc.)  Power, Infrastructure (Renewables, Environmental Infrastructure, etc.)  Machinery, Finance & Leasing Business (Transportation Machinery, Fleet Management, etc.)	<ul style="list-style-type: none"> <li>Enhancement of competitiveness and expansion of operating locations in the agri businesses</li> <li>Increase in processing capacity and improvement of manufacturing efficiency at Creekstone, in USA</li> <li>Strengthening of specialty (functionality) product businesses</li> <li>Power generation business (renewable energy, etc.)</li> <li>Overseas water/wastewater services and IWP projects</li> <li>Enhancement through acquisition of the US aircraft surplus parts distributor</li> <li>Expansion of the US automotive aftermarket business</li> <li>Capital increase in the US aircraft leasing business, Aircastle</li> </ul>
			Resources	15.0	25.0	40.0	Resources (Expansion Investments, etc.)
<b>Horizon 3</b> White Space	Investing in core businesses of the future. Targets to be <b>rigorously selected</b>  ¥100.0-200.0bn		35.0	115.0	150.0	Next Generation Business Development, Next Generation Corporate Development  Approaches to new business domains based on existing businesses (New Energy, etc.)	<ul style="list-style-type: none"> <li>Investment in a healthcare turnkey solutions provider in UAE</li> <li>Investment in a developer and manufacturer of supercapacitors in Estonia</li> <li>Investment in manufacturing and sales business of spices and seasonings in Netherlands</li> </ul>
		Total	250.0	470.0	720.0		

# 12 Markets and Commodity Volumes

Markets		FYE 3/2023 Q1-Q2 Ave.	FYE 3/2024 Q1-Q2 Ave.	Change	FYE 3/2023 Full-year	FYE 3/2024 Full-year Assumption for the Forecast announced on		Sensitivity to *3 Net Profit
						May-8-2023	Nov-2-2023	
Oil	WTI (USD/bbl)	100	<b>78</b>	- 22	90	70	<b>81</b> (H2: 85)	approx. JPY0.3bn/[USD1/bbl]*4
Copper	LME (USD/ton) *1	9,050	<b>8,510</b>	- 540	8,667	9,000	<b>8,505</b> (H2: 8,500)	approx. JPY1.3bn/[USD100/ton]
Interest Rate	JPY TIBOR 3 months (%)	0.066	<b>0.072</b>	+ 0.006 points	0.065	0.1	<b>0.1</b> (H2: 0.1)	
	USD SOFR 3 months (%)	2.092	<b>5.249</b>	+ 3.157 points	3.289	5.0	<b>5.3</b> (H2: 5.3)	
Currency	USD/JPY Term Average (yen)	133.97	<b>141.00</b>	JPY depreciation by 7.03yen	135.47	130	<b>140</b> (H2: 140)	approx. JPY1.6bn/[JPY1/USD]
	USD/JPY Term-end (yen)	Mar-31-2023 133.53	Sep-30-2023 <b>149.58</b>	JPY depreciation by 16.05yen	Mar-31-2023 133.53	Mar-31-2024 130	Mar-31-2024 <b>135</b>	
Commodity Volumes		FYE 3/2023 Q1-Q2	FYE 3/2024 Q1-Q2	Change	FYE 3/2023 Full-year	FYE 3/2024 Initial Plan		
Oil, Gas	Equity Production Volume (K boe/day) *2	12	<b>10</b>	- 2	12	<b>11</b>		
Copper	Equity Sales Volume (K ton)	58	<b>59</b>	+ 1	124			
Coking Coal	Equity Sales Volume (K ton)	3,015	<b>3,003</b>	- 12	5,780			

\*1 March-to-August average for Q1-Q2, March-to-February average for full-year

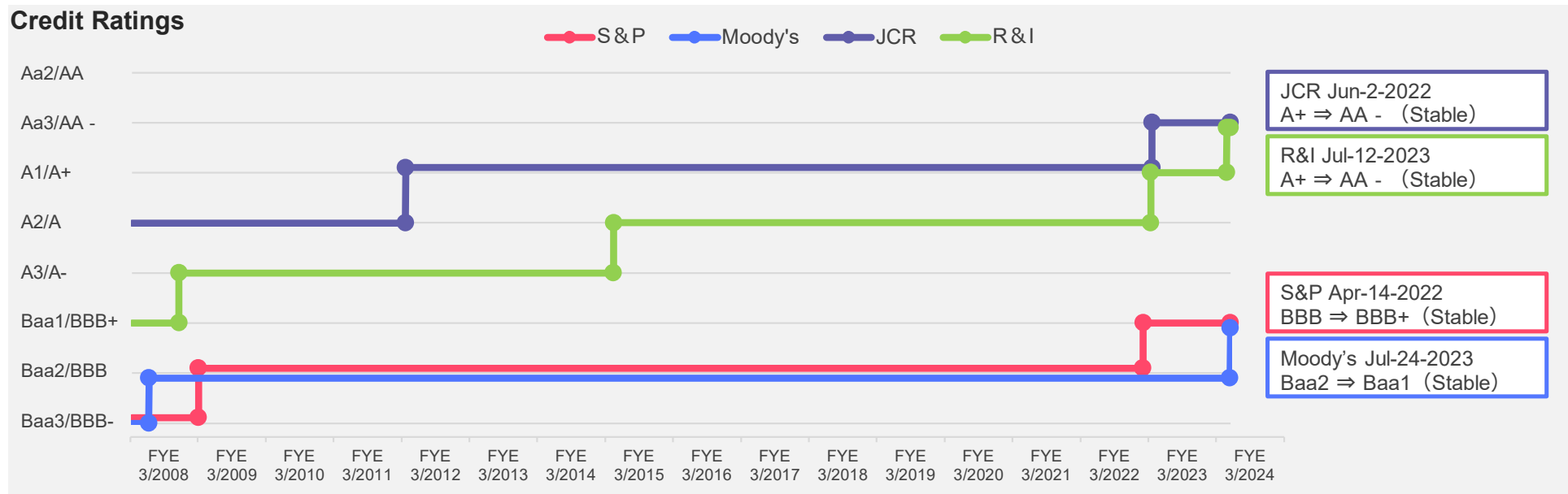
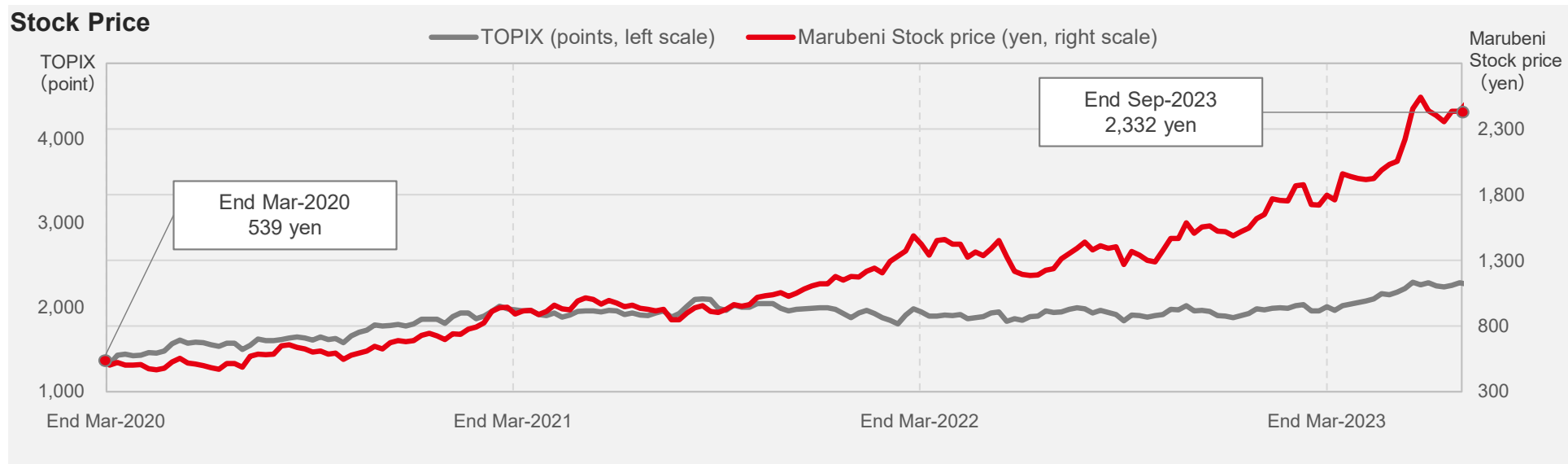
\*2 Total of oil and gas E&P at Gulf of Mexico (USA), US onshore (USA), and Indian Sea

(According to the revision of the calculation method, as of FYE 3/2023, US onshore projects have been added to the scope of Oil and Gas E&P. Figures for Q1-Q2 FYE 3/2023 are also restated)

\*3 Sensitivity to the initial full-year forecast for FYE 3/2024 announced on May-8-2023

\*4 Sensitivity to oil prices (WTI and Brent) in Oil and Gas E&P

# Ref. Stock Price and Credit Ratings





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