



Security Code

Tokyo 5020

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# FY2022 1Q Financial Results

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# Agenda

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## Highlights of Financial Results for FY2022 1Q

# Highlights of Financial Results for FY2022 1Q

FY2022  
1Q  
(Actual)

	1Q21	1Q22
Operating Income	¥162.0 bn	¥325.3 bn
Operating Income excl. inventory valuation effects	¥74.5 bn	¥117.2 bn

Difference
+¥163.3 bn
+¥42.7 bn

Forecast for FY2022  
(Announced in May 2022)

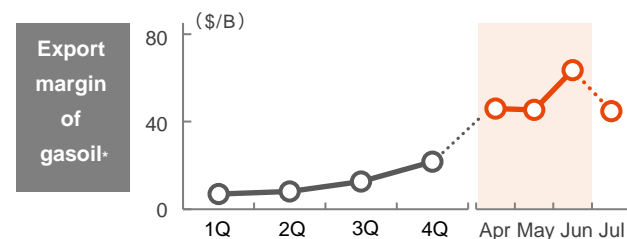
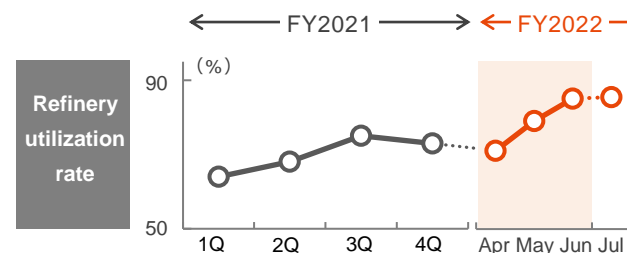
¥340.0 bn
¥340.0 bn

## Inventory Valuation Effects

- ✓ Significant increase in inventory valuation effects due mainly to a rise in oil prices and weak yen (+¥120.6bn)

## Operating Income excl. inventory valuation effects

- ✓ Improvement in refinery utilization rate YoY despite the continued impacts of the earthquake that occurred in March, and increase in export volume owing to increase in production volume.
- ✓ Continue strong performance in advanced materials in metals business
- ✓ Rise in profits due mainly to environmental factors such as soaring export prices of Asian market, oil price rise including a positive time-lag, weak yen



\* MOPS gasoil price - Dubai oil price

FY2022  
(Forecast)

## No change in FY2022 forecast (announced in May 2022)

- ✓ Although operating income (excl. inventory valuation effects) has already reached 34% of the annual plan, unpredictable factors such as future resource market trend and spread of infection of COVID-19 are being considered

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# Business Environment

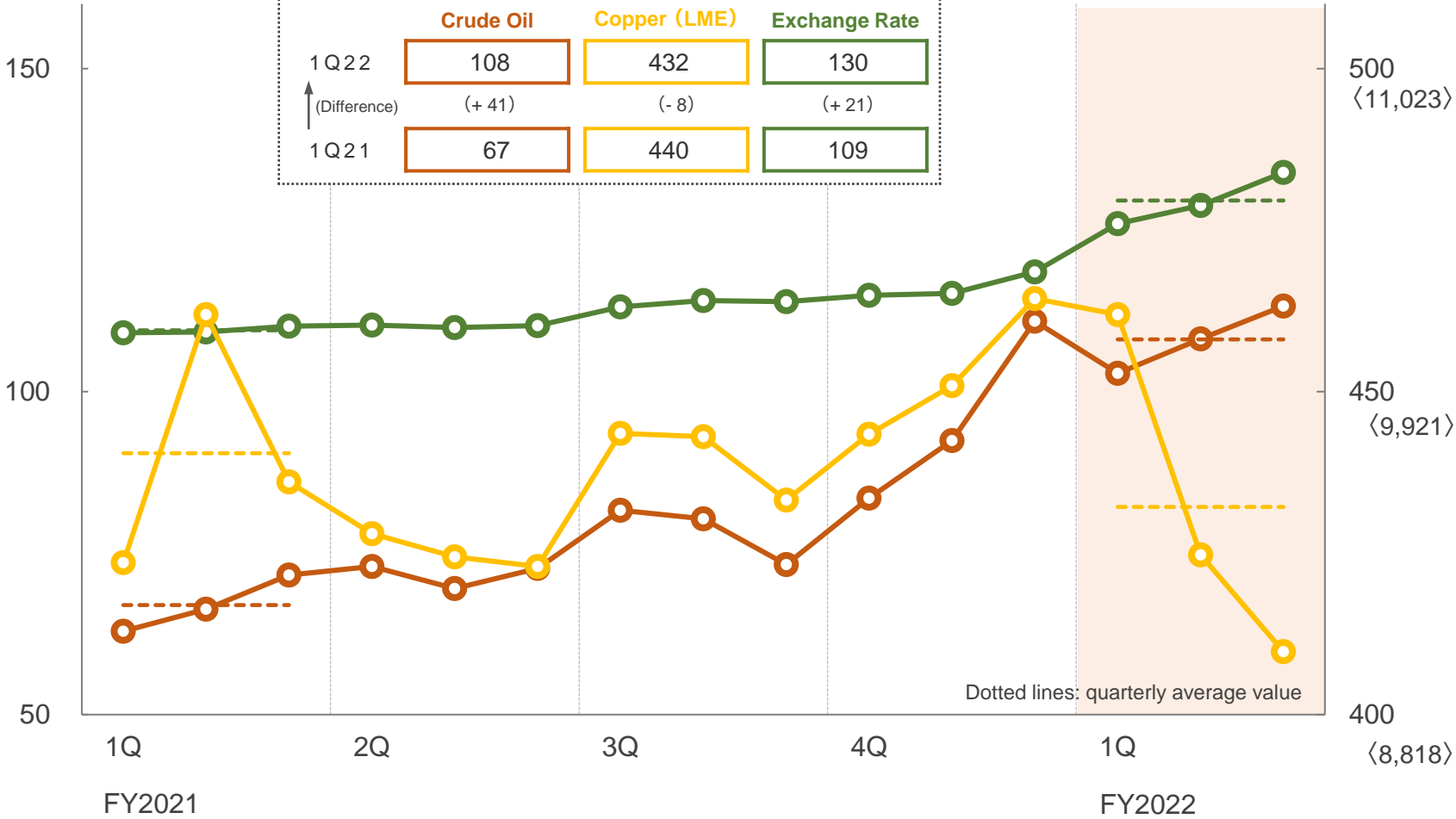
# Crude Oil (Dubai), Copper (LME), Exchange Rate



Crude Oil (\$/B)  
Exchange Rate (¥/\$)

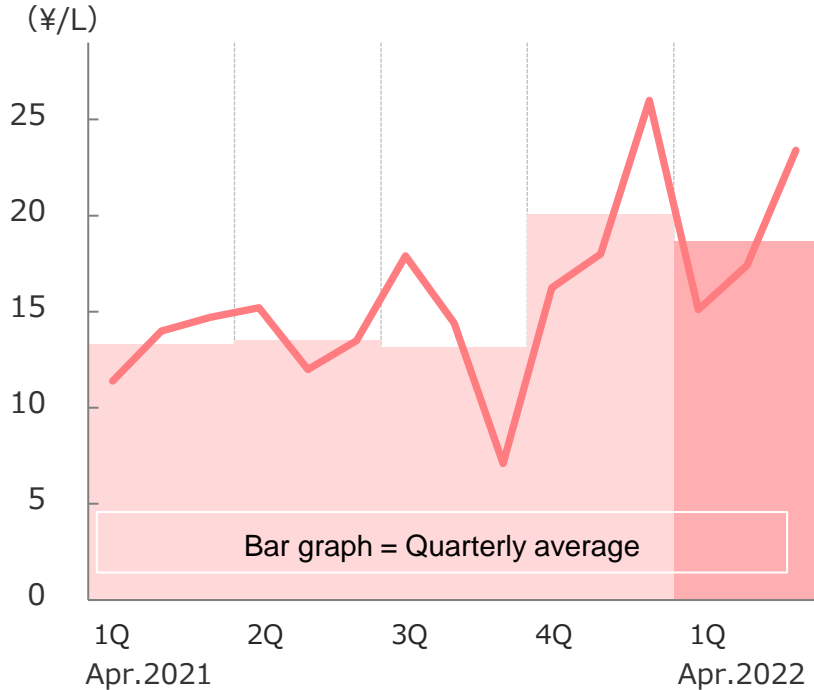
Copper (¢/lb)  
(\$/ton)

	Crude Oil	Copper (LME)	Exchange Rate
1 Q 2 2	108	432	130
(Difference)	(+ 41)	(- 8)	(+ 21)
1 Q 2 1	67	440	109



# Petroleum Product and Paraxylene Margin Indexes

Clean Fuel<sup>1</sup> Margin Index<sup>2</sup>



➤ Increase in margin due mainly to a positive time lag<sup>3</sup>

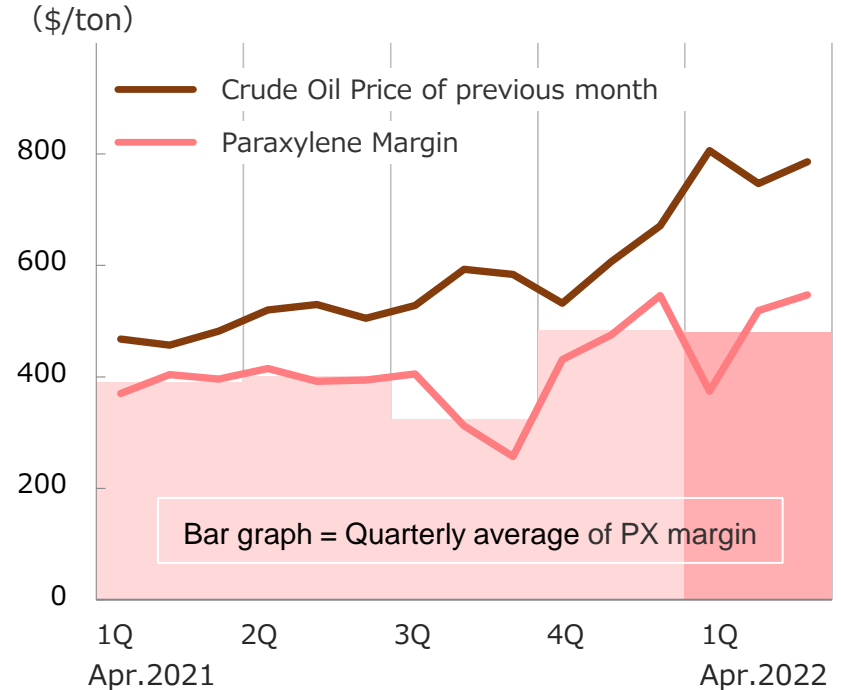
<sup>1</sup> Clean fuel: gasoline, kerosene, diesel fuel and fuel oil A

<sup>2</sup> Calculated using the following formula as a reference for domestic market conditions

Spot Price – All Japan Crude CIF (including petroleum tax and interest)

<sup>3</sup> Sales prices of oil products are reflected in crude oil prices in real time. On the other hand, accounting cost of sales is based on crude oil prices that are approximately one month before, such that oil product earnings are affected by a time lag between sales price and cost of sales.

Paraxylene Margin Index<sup>4</sup>



➤ Transitioned at low level due mainly to relaxed demand in the Chinese market

<sup>4</sup> Calculated using the following formula as a reference for Asian market conditions

ACP (Asian Contract Price) – Crude Oil Price of previous month  
If ACP is undecided, average spot market price is used.

Note: The indexes above are different from our margins (Our selling price – Our cost)

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Financial Results for FY2022 1Q  
(April 1, 2022 – June 30, 2022)



# Overview of 1Q22 Financial Results vs 1Q21

		1Q21 (Actual)	1Q22 (Actual)	Difference	
<b>■ Index</b>					
Crude Oil (Dubai)	(\$/B)	67	108	+41	+61%
Copper (LME)	(¢/lb)	440	432	-8	-2%
Exchange Rate	(¥/\$)	109	130	+21	+19%

## ■ Profit and Loss Statement

Net Sales	(¥bn)	2,224.1	3,555.1	+1,331.0	+60%
Operating Income	(¥bn)	162.0	325.3	+163.3	+101%
Inventory Valuation	(¥bn)	87.5	208.1	+120.6	+138%
<b>Operating Income Excl. Inventory Valuation</b>	<b>(¥bn)</b>	<b>74.5</b>	<b>117.2</b>	<b>+42.7</b>	<b>+57%</b>
Income before tax	(¥bn)	157.2	332.0	+174.8	+111%
Profit attributable to owners of the parent	(¥bn)	97.6	221.4	+123.8	+127%

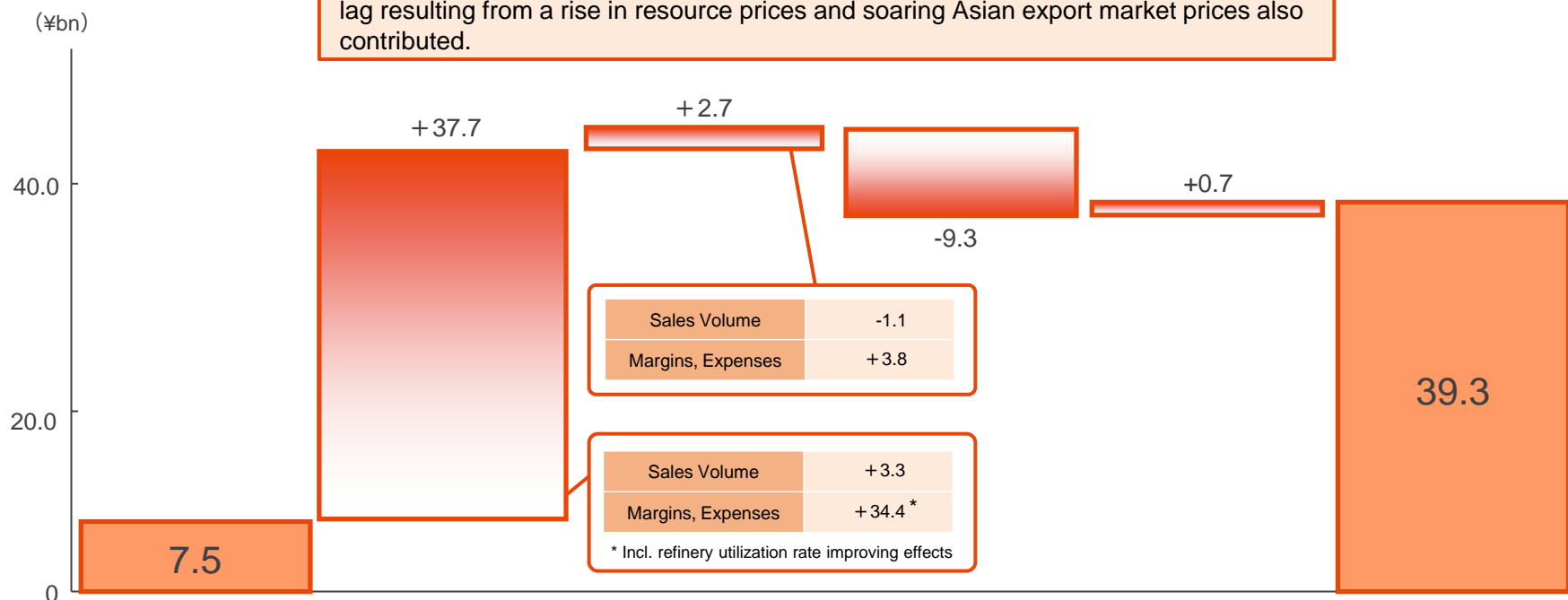
# Changes in Operating Income by Segment vs 1Q21

		1Q21 (Actual)	1Q22 (Actual)	Difference	
(¥bn)					
<b>Total Operating Income Excl. Inventory Valuation</b>		<b>74.5</b>	<b>117.2</b>	<b>+ 42.7</b>	<b>+57%</b>
Segments	Energy	95.0	247.4	+ 152.4	+161%
	Inventory Valuation	87.5	208.1	+ 120.6	+138%
	Excl. Inventory Valuation	7.5	39.3	+ 31.8	+424%
	Petroleum Products	-0.4	37.3	+ 37.7	-
	Petrochemicals	3.7	6.4	+ 2.7	+73%
	Electric Power	0.3	-9.0	- 9.3	-
	Materials	3.9	4.6	+ 0.7	+18%
	Oil and Natural Gas E&P	15.3	27.9	+ 12.6	+83%
	Metals	40.8	41.1	+ 0.3	+1%
	Functional Mats, Thin Film Mats and other	13.7	20.8	+ 7.1	+52%
	Mineral Resources	15.3	13.5	- 1.8	- 12%
	Smelting and Recycling	8.6	9.7	+ 1.1	+13%
	Non-allocated corporate expenses and other	3.2	- 2.9	- 6.1	-
Other	10.9	8.9	- 2.0	- 19%	

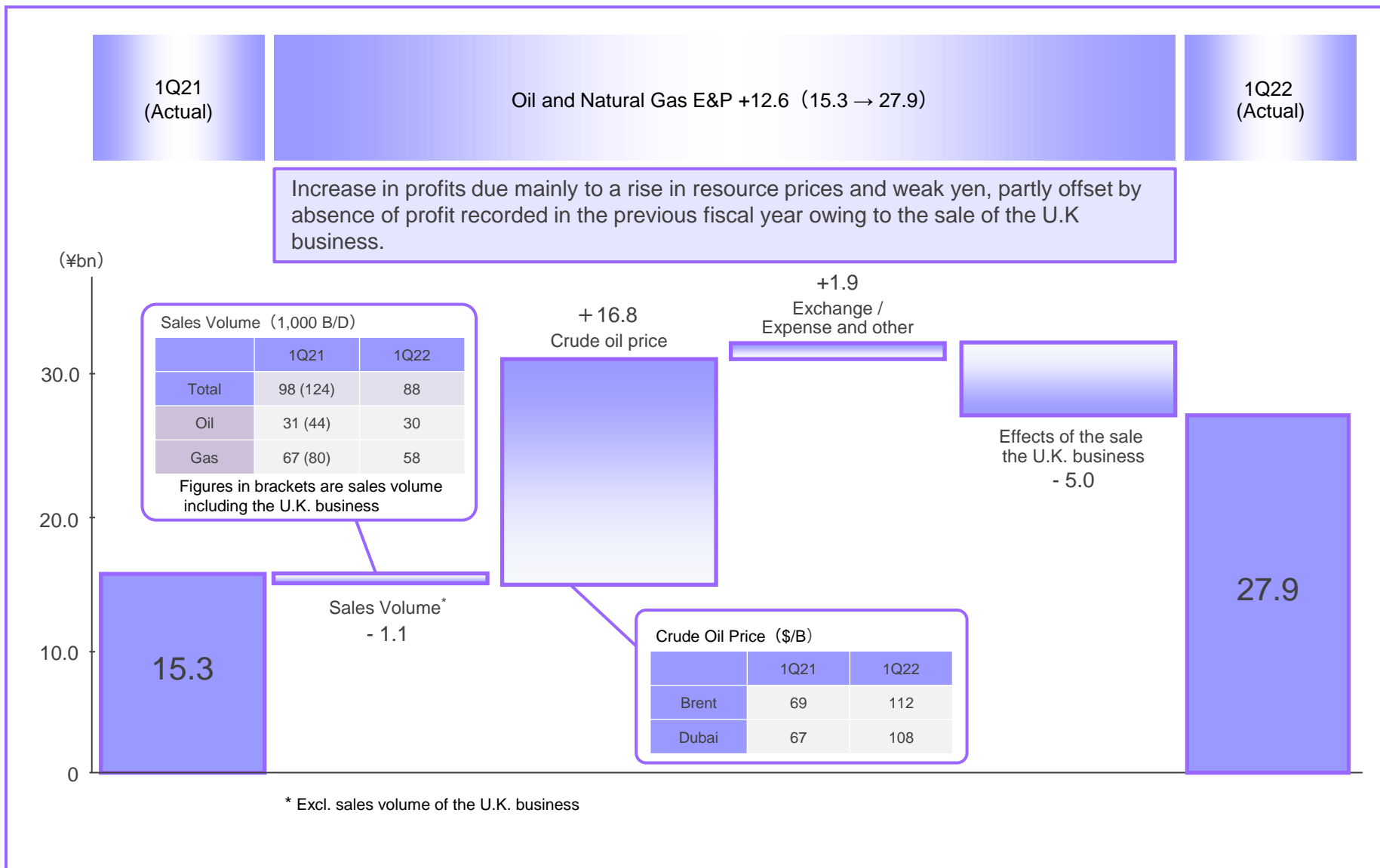
# - Energy Segment - Changes in Operating Income excl. inventory valuation effects vs 1Q21

1Q21 (Actual)	Energy +31.8 (7.5→39.3)				1Q22 (Actual)
	Petroleum Products +37.7 (-0.4 → 37.3)	Petrochemicals +2.7 ( 3.7 → 6.4)	Electric power -9.3 ( 0.3 → -9.0)	Materials +0.7 ( 3.9 → 4.6)	

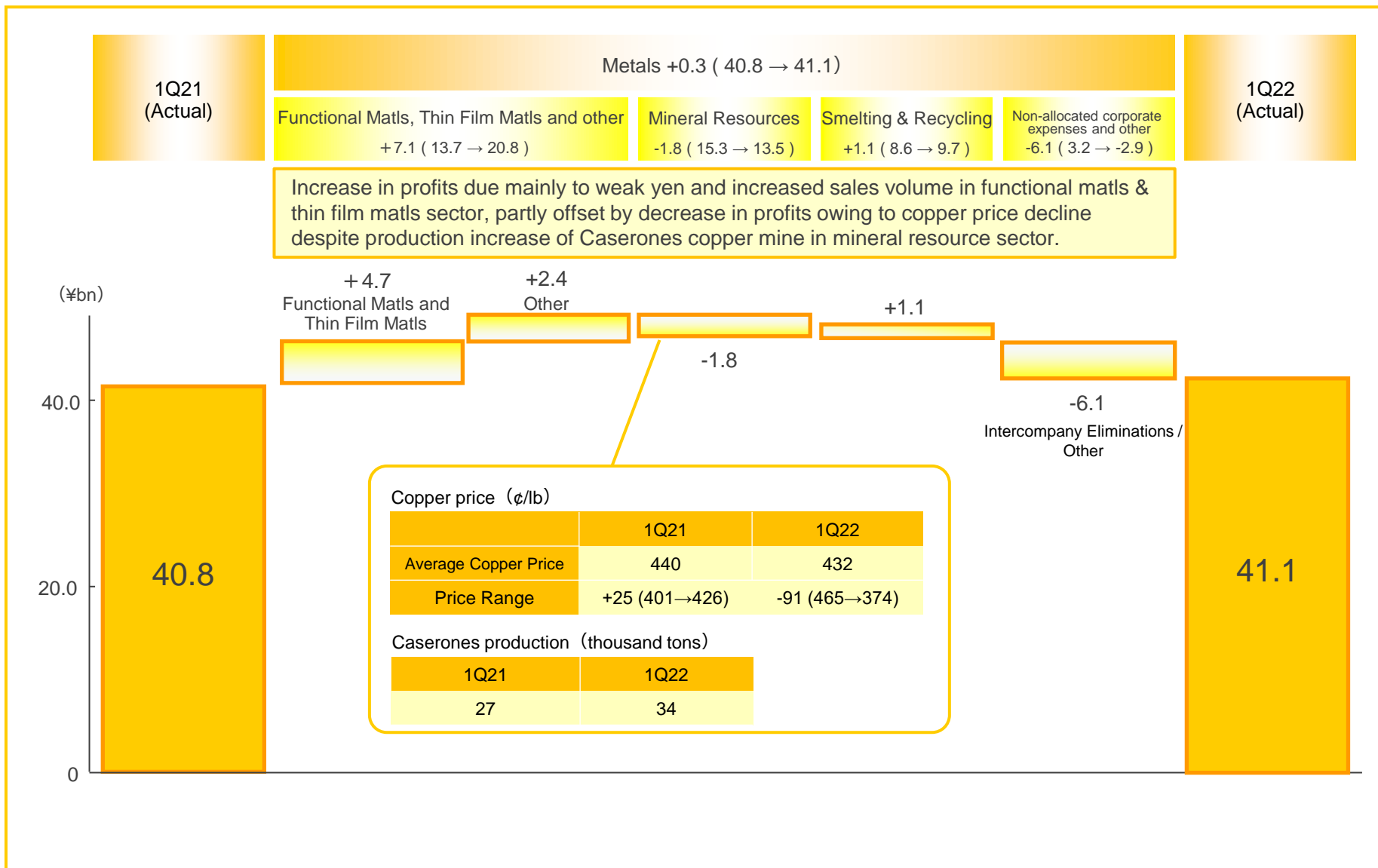
Increase in profits due mainly to the following.  
 Refinery utilization rate improved compared to 1Q21 despite the continued negative impacts of the earthquake that occurred in March 2022.  
 Additionally, an improvement in clean fuel and export margins owing to a positive time-lag resulting from a rise in resource prices and soaring Asian export market prices also contributed.



# - Oil and Natural Gas E&P Segment - Changes in Operating Income vs 1Q21



# - Metals Segment - Changes in Operating Income vs 1Q21



# Consolidated Balance Sheets / Consolidated Cash Flows

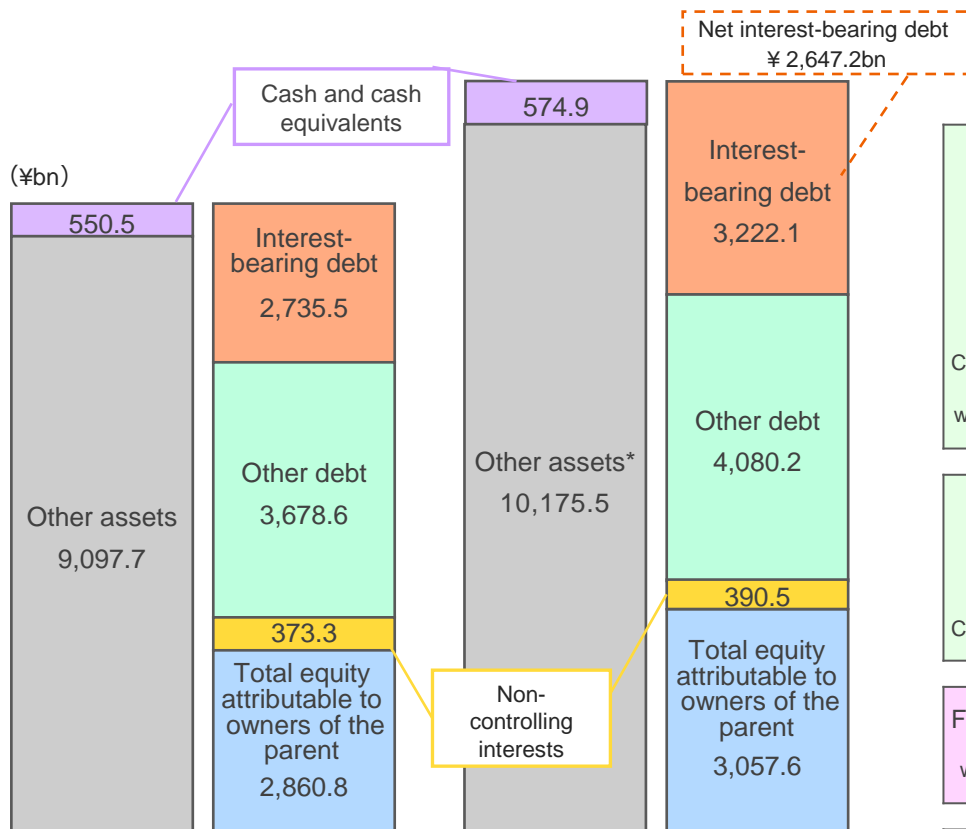
## Consolidated Balance Sheets

As of Mar. 31, 2022

Total : 9,648.2

As of Jun. 30, 2022

Total : 10,750.4



## Consolidated Cash Flows

1Q22 (Actual)

	(¥bn)	Excl. IFRS 16 Leases
Operating income (Excl. inventory valuation)	117.2	117.2
Depreciation and amortization	86.0	64.9
Working capital and other	-347.6	-347.6
Cash flows from operating activities without the effects of non-business days	-144.4	-165.5
Capital investment	-136.7	-136.7
Asset sales and other	13.5	13.5
Cash flows from investing activities	-123.2	-123.2
Free cash flows without the effects of non-business days	-267.6	-288.7
Dividends and other	-128.5	-107.4
Net cash flows without the effects of non-business days	-396.1	-396.1

	As of Mar. 31, 2022	As of Jun. 30, 2022
Equity ratio attributable to owners of the parent	29.7 %	28.4 %
Net D/E ratio (capital total basis)	0.68 0.60	0.77 0.69

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## Reference

# Key Factors

			FY2021		FY2022	
			1Q	Full Year	1Q	Full Year
			Actual	Actual	Actual	Forecast (May 2022)
All segments	Exchange rate	(¥/\$)	109	112	130	120
Energy	Crude oil (Dubai)	(\$/B)	67	78	108	90
Oil and Natural Gas E&P	Sales volume (Crude oil equivalent) <sup>1</sup>	(1,000 B/day)	98	93	88	87
	Crude oil (Brent)	(\$/B)	69	80	112	92
Metals	Copper (LME)	(¢/lb)	440	440	432	420 <sup>3</sup>
	Equity entitled copper mine production <sup>2</sup>	(1,000 tons/year)	48	195	50	243
	PPC copper cathode sales	(1,000 tons/year)	148	586	150	647
	Precision rolled products sales	(1,000 tons/month)	3.9	3.9	3.7	3.9

1 Excl. the U.K. sales volume from FY2021

2

	Full-Year
Caserones	Apr. ~ Mar.
Los Pelambres	Apr. ~ Mar.
Escondida	Jan. ~ Dec.

3 Apr. ~ Jun. FY2022 450¢/lb  
From Jul. FY2022 410¢/lb



# Sensitivity Analysis

## ■ Impact of index change on operating income in FY2022 (From Apr. 2022)

Index	Change	Segment	Impact	(¥bn)
Crude Oil (Dubai)	+ 5\$/B	Energy	-	4.0
		Oil & Natural Gas E&P	+	7.0
		Subtotal	+	3.0
		Inventory Valuation	+	39.0
		Total	+	42.0
Copper (LME)	+ 10¢/lb	Metals	+	5.0
		Total	+	5.0
Exchange Rate	5¥/\$ Yen Depreciation	Energy	+	6.0
		Oil & Natural Gas E&P	+	3.0
		Metals	+	9.0
		Subtotal	+	18.0
		Inventory Valuation	+	29.0
Total	+	47.0		

# Major Progress from April 2022

<p><b>Base businesses</b> ( Enhance competitiveness )</p>	<p><b>Divestiture of non-core businesses</b></p> <ul style="list-style-type: none"> <li>✓ Decided to withdraw from the E&amp;P business in Myanmar <span style="float: right;">Announced in May 2022</span></li> <li>✓ Decided to sell the copper smelting business (LS – Nikko Copper Inc.) in South Korea <span style="float: right;">Announced in May 2022</span></li> </ul>
<p><b>Petrochemicals Materials</b></p>	<p><b>Expansion / Acquisition of technology-based businesses</b></p> <p><b>Materials (Energy segment)</b></p> <ul style="list-style-type: none"> <li>✓ Started elastomers business at ENEOS Materials Corporation <span style="float: right;">Start from April 2022</span></li> </ul> <p><b>Materials (Metals segment)</b></p> <ul style="list-style-type: none"> <li>✓ Decided to invest in Nano Wired GmbH for development of nanowire growth technology and manufacturing equipment <span style="float: right;">Announced in July 2022</span></li> </ul> <p><b>Pursue new services</b></p> <ul style="list-style-type: none"> <li>✓ Started collaborative study on plant maintenance and inspection business utilizing robotics with iXs Corporation <span style="float: right;">Announced in June 2022</span></li> </ul>
<p><b>Next-Generation Energy Supply</b></p>	<p><b>Establish supply bases and network for next-generation energy</b></p> <ul style="list-style-type: none"> <li>✓ Started operation of electric vehicle charging service business taken over from NEC Corporation <span style="float: right;">Start from June 2022</span></li> <li>✓ Decided to build a next-generation energy supply platform at location of former Shimizu refinery <span style="float: right;">Announced in August 2022</span></li> </ul> <p><b>Feasibility study for commercialization of next-generation fuel</b></p> <ul style="list-style-type: none"> <li>✓ Started a joint feasibility study with TotalEnergies for commercialization of sustainable aviation fuel <span style="float: right;">Announced in April 2022</span></li> </ul> <p><b>Establish a CO2-free hydrogen supply chain</b></p> <ul style="list-style-type: none"> <li>✓ Formed a joint study to evaluate development of clean hydrogen supply chain between UAE and Japan <span style="float: right;">Announced in June 2022</span></li> </ul> <p><b>Enhance environmentally conscious businesses</b></p> <p><b>Metals Recycling</b></p> <ul style="list-style-type: none"> <li>✓ Participated in LiB recycling technology development consortium, “HVBatCycle,” in Germany <span style="float: right;">Announced in June 2022</span></li> <li>✓ Acquisition of all shares of eCycle Solutions Inc., an E-waste (waste home appliances and electronic equipment) collection and processing company <span style="float: right;">Announced in August 2022</span></li> </ul> <p><b>Other</b></p> <ul style="list-style-type: none"> <li>✓ Formulated a new carbon neutrality plan <span style="float: right;">Announced in May 2022</span></li> <li>✓ Decided to issue Japan's first transition-linked bonds to achieve newly formulated carbon neutrality plan <span style="float: right;">Announced in May 2022</span></li> </ul>

# Business Strategies in the 2<sup>nd</sup> Medium-Term Management Plan

- Execute a business portfolio strategy that combines enhancing base businesses, developing and strengthening growth businesses, multiple M&A deals / asset sales



## Transition

### Divestiture of non-core businesses

- Withdrawal from the coal businesses
- Sale of the U.K. E&P businesses
- Withdrawal from Myanmar E&P businesses
- Sale of copper smelting business in South Korea
- Sale of inefficient business assets

### Optimization of production structure

Optimization of a part of manufacturing at Chita / Negishi / Wakayama

### Utilization of digital technology

Automatic operation of a petrochemical plant using AI

### Enhancement of service station network

Enejet / EneKey · EneAppo

### Business process re-engineering

Started a drastic review of business process

### Materials

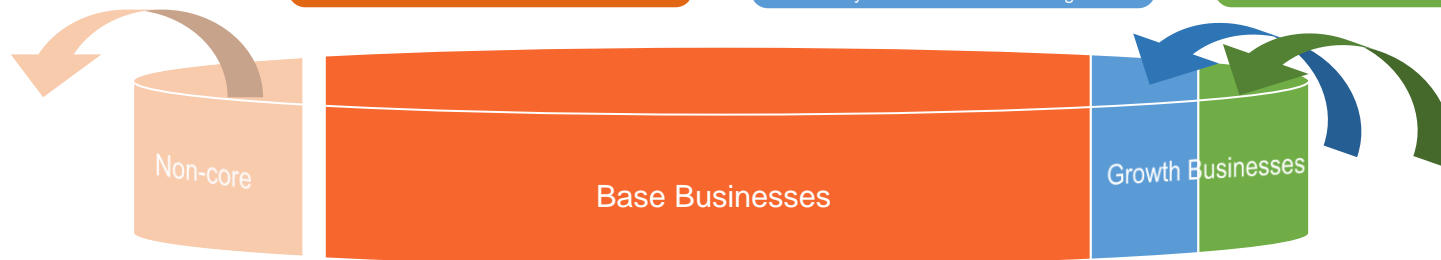
- Acquisition of the Elastomers Business
- Production capacity enhancement for rolled copper foil
- Production capacity enhancement for Sputtering target for semiconductor
- Increase in production capacity of polyethylene for ultra-high and high voltage wire insulation
- Provide a high-speed universal atomistic simulator

### New Services

Mobility related businesses using SS

### Next-Generation Energy / Environmentally Conscious Businesses

- Acquisition of JRE
- Building of hydrogen supply chain
- Feasibility study for sustainable aviation fuel
- CCS/CCUS demonstration projects
- Promotion of hybrid smelting
- Plastic · LiB recycling



## Cautionary Statement Regarding Forward-Looking Statements

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This notice contains certain forward-looking statements, however, actual results may differ materially from those reflected in any forward-looking statement, due to various factors, including but not limited to, the following:

- (1) macroeconomic conditions and changes in the competitive environment in the energy, resources and materials industries;
- (2) the impact of COVID-19 on economic activity;
- (3) changes in laws and regulations; and
- (4) risks related to litigation and other legal proceedings.