Summary of CFO Explanation from Results Briefing for the First Quarter Ended June 30, 2023 (August 1, 2023)

Presenter
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Performance for the First Quarter Ended June 30, 2023

- **Material: "Financial Results for the First Quarter Ended June 30, 2023 [IFRS]"**

Q1 Summary

Profit for the period attributable to owners of the Company was ¥22.1 billion.
This represents progress of 23% toward the full-year forecast of ¥95.0 billion, which is generally in line with the forecast made at the beginning of the period.
On the other hand, the 51% YoY decline was due to lower coal prices, as well as lower commodity prices in the chemicals and other areas, and a one-time gain recorded in the same period of the previous fiscal year.

Core operating cash flow was ¥35.2 billion.

PBR was 0.83x at the share price of ¥3,177 at the end of June 2023 and is now hovering around the 0.9x level at present.

Summary of Profit or Loss

Gross profit was ¥72.7 billion, a decrease of ¥24.2 billion YoY.
The decrease in the Metals, Mineral Resources & Recycling Division was mainly due to lower coal prices.

SG&A expenses increased by ¥4.0 billion YoY, mainly due to the addition of expenses from newly consolidated subsidiaries.

Other income/expenses mainly consisted of negative goodwill recorded in connection with the acquisition of a processing and sale of frozen tuna company.

Share of profit of investments accounted for using the equity method amounted to ¥8.6 billion, down ¥2.0 billion YoY, mainly due to lower earnings of the steel trading company.

Summary of Balance Sheet

Total assets amounted to ¥2,763.1 billion, which is an increase of approximately ¥100.0 billion from the end of March 2023.
The main factor contributing to this increase was the significant depreciation of the yen against the US dollar, from about ¥133 to about ¥145 at the end of the period. This resulted in an increase of about ¥80.0 billion in the rate conversion difference for the B/S of overseas subsidiaries.
In addition, despite some aircraft-related collections made, trade and other receivables had an overall increase in assets, offset by new acquisitions of consolidated subsidiaries.

Liabilities increased by ¥73.1 billion from the end of March 2023to ¥1,857.3 billion as a result of the impact of foreign currency translation as well as assets and some new financing.

Shareholders' equity (total equity attributable to owners of the Company) totaled ¥864.9 billion, up ¥27.2 billion from the end of March 2023.
In addition to the accumulation of profit, dividend payments, and the impact of foreign currency translation, the Company's ongoing share buyback program led to the repurchase of ¥13.9 billion and 4.75 million shares as of the end of June.
On April 7, 15.3 million shares of treasury stock amounting to ¥24.3 billion were cancelled, but this cancellation had no effect on total shareholders' equity.

Summary of Cash Flows

Cash flows from operating activities was ¥13.8 billion, due to an increase in working capital, despite the buildup of core operating cash flow.

Cash flows from investing activities resulted in an income of ¥24.0 billion, which was generated from the acquisition of a processing and sale of frozen tuna company, an energy conservation business in Australia, and a used car dealerships in Australia, as well as proceeds from aircraft-related transactions.

Core cash flow was a net outflow of ¥21.3 billion, partly due to the dividend payments and share buyback.

Summary of Profit Results by Segment

Metals, Mineral Resources & Recycling Division was affected by the decline in market prices in the coal business, resulting in a decrease in profit.

Chemicals Division, a decrease in profits occurred due to the impact of declining market conditions and one-time loss from recovery concerns in Asian trade-related activities.

Consumer Industry & Agriculture Business Division saw a rebound from the overly strong performance of the fertilizer business in the Philippines and the building materials business in the same period of the previous fiscal year. The decrease in profit here is in line with expectations.

Retail & Consumer Service Division, the main reason for the large increase in profit was the negative goodwill associated with the new investment. The recovery of the domestic retail business has been remarkable, and this has been reflected in the results.

FY23 Forecast Profit for the Year by Segment

Although there are some differences in the degree of progress by segment, there is no change in the full year forecast.

Consumer Industry & Agriculture Business Division, a fertilizer company in Thailand reported lower earnings in Q1 due to delayed rainfall. However, rain began to fall in July, and we have received reports from the field that fertilizer sales are progressing along with it. The El Niño phenomenon and the weather are also factors that make it difficult to predict, but we expect the rate of progress to increase from Q2 onward.

Retail & Consumer Service Division is also showing a recovery in the domestic retail business in the figures. In our overseas business, some operations are a little slow at the moment, but we are making good moves. Therefore, we expect that the full year results will be in line with or more than our forecast.

Chemicals Division, business in China for home appliances and automobile industry is progressing behind the current plan. Thus, it may be difficult to make any major improvements in these areas in the current fiscal year. We have also seen a drop in prices as a result of reduced demand in China, which has led to a flow of goods to other regions. This division recorded a one-time loss, and the entire division is carefully working now to recover from this loss.

Cash Flow Management

Since we are planning collections based on specific projects, the rate of progress is low at this point, but we do not foresee any problems with the full-year forecast.
We have made progress in new investments of approximately ¥40.0 billion in Q1. In addition to this, there are about ¥120.0 billion in projects that have already been internally approved. We believe that we will be able to execute a certain degree of investment.

Shareholder Returns Policy

Currently unchanged from the plan made at the beginning of the fiscal year.

Stock Price, PBR Trend, and Credit Ratings

The Company's rating was upgraded to "BBB (Stable)" by S&P Global Ratings in June this year and to "A (Stable)" by Japan Credit Rating Agency (JCR) in July this year, in recognition of the maintenance of financial soundness and the increase of the profit level.