Summary of CFO Explanation from Results Briefing
for the Year Ended March 31, 2023
(May 2, 2023)

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Performance in the Year Ended March 31, 2023

– Highlights of Consolidated Financial Results for the Year Ended March 31, 2023 (IFRS)

Consolidated Statements of Profit or Loss

Profit for the year (attributable to owners of the Company) was ¥111.2 billion, the highest since Sojitz's establishment.
Revenue and **gross profit** generally increased in each segment, including the Metals, Mineral Resources & Recycling Division due to higher coal prices; the Retail Consumer Services Division due to new acquisitions of the Marine Foods, an acuaculture food product manufacturing company; and the Chemicals Division due to market conditions for various chemicals, such as methanol, plastic resins, and rare earth.

Revenue was ¥2,479.8 billion, up ¥379.0 billion YoY.

Gross profit was ¥337.6 billion, up ¥66.3 billion YoY.

SG&A increased by ¥42.5 billion from the previous year to ¥222.8 billion, mainly due to an increase in personnel expenses, such as bonuses, an increase in yen equivalent amounts at overseas subsidiaries and operating companies due to the weaker yen, and an increase in SG&A expenses at newly consolidated companies.

Otherincome/expenses, which include so-called non-recurring profits and expenses, include profits related to the replacement of the portfolio such as the sale of domestic solar power generation businesses, and the sale of a REIT asset management company, as well as impairment losses on system-related assets and losses from the sale of a copper mine interest.

Financial income and expense was a net expense of ¥5.7 billion, due in part to an increase in interest income, despite an increase in the flat balance of interest-bearing debt and the beginning of the impact of higher dollar interest rates. Other factors, such as dividend income, resulted in an overall gain of ¥0.2 billion in financial income and expenses.

Share of profit of investments accounted for using the equity method decreased by ¥10.7 billion from the previous year to ¥27.3 billion due to the impairment loss on the off-shore wind power generation business in Taiwan, despite higher earnings at Metal One, a steel trading company, and higher earnings at LNG Japan due to higher market prices.

Profit before taxes increased by ¥37.7 billion YoY to ¥155 billion.

Profit for the year (attributable to owners of the Company), after deducting income tax expense and non-controlling interest income, increased by ¥28.9 billion YoY to ¥111.2 billion. The results were almost in line with the full-year forecast announced on February 2, 2023.

Consolidated Statements of Financial Position

Total assets as of the end of March 2023 amounted to ¥2,660.8 billion. While impacted assets increased due to new investments, rising commodity prices, and the impact of foreign exchange rates, they remained almost the same as at the end of the previous year due to the recovery of aircraft-related assets and the use of cash and cash equivalents to repay interest-bearing debt.

Liabilities amounted to ¥1,784.2 billion, down ¥113.6 billion from the end of the previous year, as a portion of the increase in cash flow was used to repay interest-bearing debt, despite an increase in operating debt.

Total equity attributable to owners of the Company, **the so-called shareholders' equity,** increased ¥109.7 billion from the end of the previous year to ¥837.7 billion. The increase in retained earnings directly contributes to the increase in shareholders' equity due to the transfer from other components of capital ,so-called OCI, as a result of the sale of cross-shareholdings, in addition to the amount obtained by subtracting dividends from the financial results for the fiscal year ended March 2023.

Net debt/equity ratio was 0.75 times, down about 0.3 percentage points from the end of the previous year since the Company has already repaid its interest-bearing debt in the fiscal year ended March 2023. In the Medium-Term Management Plan (MTP) 2023, we indicated that the net debt-to-equity ratio would be about 1 time, and we expect to be able to manage it at about 0.75 times in the fiscal year ending March 2024.

Consolidated Statements of Cash Flows

Cash flow from operating activities was ¥171.6 billion, due to the accumulation of ¥145.2 billion in core operating cash flow as a result of solid performance growth.

Cash flows from investing activities amounted to ¥29.2 billion as a result of the execution of new investments, but also proceeds from sales of investments through cross-shareholdings and asset replacements, and collections from aircraft-related transactions.

Basic operating cash flow plus adjusted investment cash flow plus shareholder returns resulted in a **core cash flow** of ¥ 135.6 billion.

Performance by Division

– Highlights of Consolidated Financial Results for the Year Ended March 31, 2023 (IFRS) II

By segment, profit in the Automotive Division decreased from the previous year, while profit in the other segments either increased or remained at the same level as the previous year.

In the **Automotive Division**, the decrease in profit was due to lower profit in the dealership businesses in Russia, as well as in some businesses in Southeast Asia, which were affected by the depreciation of local currencies and foreign currency restrictions.

In the **Infrastructure & Healthcare Division**, there were contributions from domestic and overseas power generation businesses, LNG, and new investment businesses, as well as gains on sales of assets due to asset replacement. However, there was also an impairment loss on an off-shore wind power generation business in Taiwan, resulting in the results described above.

The **Metals, Mineral Resources & Recycling Division** reported a significant increase of ¥28.6 billion YoY, mainly due to higher sales prices in the coal businesses and increased profit at Metal One, a steel trading company.

The **Chemicals Division** increased due to higher market conditions and improved profitability in all chemical products

The **Retail & Consumer Service Division** benefited from revenue contributions from the newly acquired Marine Foods.

ROA and ROE

Both ROE of over 10% and ROA of over 3%, the targets of the MTP2023, have been achieved.

Forecast for the Year Ending March 31, 2024

– Highlights of Consolidated Financial Results for the Year Ended March 31, 2023 (IFRS) III

Financial Results

Both gross profit and profit attributable to owners of the Company are planned to decrease compared to the fiscal year ended March 2023, with **gross profit** of ¥320.0 billion and **profit attributable to owners of the Company** of ¥95.0 billion.
Although this plan takes into account the current external environment, market assumptions, and increased interest costs, we have confidence that we are approaching the level at which we can earn ¥100.0 billion.

Performance by Division

By segment, the impact of the ¥30.0 billion decrease in earnings in the **Metals, Mineral Resources & Recycling Division**, based on the level of the coal market conditoins, is significant. In the other segment, except for one-time gains and losses in the **Infrastructure & Healthcare Division**, we expect to accumulate revenue contributions from investment projects. In the **Retail & Consumer Service Division**, in addition to the accumulation of revenue contributions from new investment projects, we expect improved earnings from the ASEAN retail business and from the domestic retail businesses due to the recovery of human flow.

CROIC

Regarding the progress of CROIC, which is ROIC on a cash basis, in many segments, CROIC is progressing in excess of the value creation line in the MTP2023, and we expect that the average CROIC over the three years of the MTP2023 will be 7.5% to 8%, compared to the 5% level that we have set for the entire company to exceed.
The **Infrastructure & Healthcare Division** and the **Retail & Consumer Service Division** are the two segments that have yet to reach the value creation line, and they are the two segments in which the amount of new investment is large in the MTP2023. The main reasons for this behind-the-scenes trend are the delay in the timing of earnings and the delay in dividends from equity investments, due in part to the impact of COVID-19 and other factors. In both segments, we will build our portfolios to reach, or at least be on track to reach, the value creation line in FY2023 by promoting initiatives to maximize cash returns.

Commodity Prices and Foreign Exchange We assumed an average annual price of US$230/ton for coking coal and US$160/ton for thermal coal.
Regarding the exchange rate, the assumption for the PL is ¥125 to US$.