

## **Summary of CFO Explanation from Results Briefing for the Six-Month Period Ended September 30, 2021 (November 2, 2021)**

### Consolidated Statements of Profit or Loss

Revenue was up ¥256.1 billion year on year, to ¥1,000.7 billion, due to higher revenue in the Metals, Mineral Resources & Recycling Division, a result of massive rises in the prices of coal and other resources as well as business recovery; in the Chemicals Division, a result of higher prices and transaction volumes in the mainstay methanol business as well as growth in plastic resin transaction volumes in Asia; and in the Automotive Division, a result of increased sales volumes in overseas automotive businesses due to the rebound from the impacts of lockdowns felt in the previous equivalent period, which compensated for the effects of semiconductor shortages.

Gross profit was up ¥33.2 billion year on year, to ¥117.7 billion, due to higher revenue in the Automotive Division, the Metals, Mineral Resources & Recycling Division, and the Chemicals Division.

Selling, general and administrative expenses were up ¥4.8 billion year on year, to ¥83.8 billion. Factors behind this increase included higher personnel expenses associated with transaction growth, a rise in cost of equipment primarily attributable to due diligence costs related to new investments and other outsourcing costs, increased expenses associated with newly consolidated subsidiaries, and the recording of provisions.

Net other income amounted to ¥1.9 billion, due to the recording of a gain on transference of an overseas machinery-related subsidiary.

Net financial costs were ¥0.2 billion, a reduction of ¥1.6 billion year on year. Net interest expenses totaled ¥2.3 billion, a decrease of ¥0.9 billion attributable to lower market interest rates on the U.S. dollar, while dividends received rose slightly, to ¥1.9 billion.

Share of profit of investments accounted for using the equity method was up ¥12.3 billion year on year, to ¥16.9 billion, due to a significant increase in earnings from steel business companies.

Profit before tax was ¥52.5 billion, up ¥40.5, and profit for the period amounted to ¥41.5 billion after deducting income tax expenses.

Profit for the period attributable to owners of the Company increased ¥30.3 billion year on year, to ¥39.4 billion. This figure represented progress of 56% toward the revised full-year forecast for profit for the year attributable to owners of the Company of ¥70.0 billion.

### **Consolidated Statements of Financial Position**

Total assets on September 30, 2021, were ¥2,450.0 billion, up ¥149.9 billion from March 31, 2021, following an increase in trade and other receivables associated with higher tobacco and wheat transactions and rises the prices of resources, plastic resins,

and other products; an increase in the valuation of securities held by the Company stemming from higher stock prices and new investments and loans; and an increase in inventories associated with higher aircraft transactions.

Total liabilities on September 30, 2021, amounted to ¥1,758.9 billion, up ¥113.3 billion from March 31, 2021, as a result of an increase in trade and other payables as well as an increase in interest-bearing debt attributable to new borrowings for funding new investments and loans.

Total equity attributable to owners of the Company was ¥657.6 billion on September 30, 2021, up ¥38.6 billion from March 31, 2021. This increase was due to the accumulation of profit for the period (attributable to owners of the Company), an increase in other components of equity resulted primarily from more beneficial foreign exchange influences and valuation gains on marketable securities stemming from higher stock price. These factors counteracted a ¥14.9 billion decrease in assets associated with treasury stock acquisitions.

The net debt equity ratio was 1.04 times on September 30, 2021, an increase of 0.05 points for March 31, 2021, as a result of the rise in consolidated net assets combined with the ¥73.9 billion increase in net interest-bearing debt associated with new investments and loans.

#### Consolidated Statements of Cash Flows

Net cash provided by operating activities was ¥29.6 billion as a result of a strong increase in core operating cash flow, which totaled ¥49.3 billion.

Net cash used in investing activities was ¥67.1 billion as a result of conducting new investments and loans.

Free cash flow was a positive ¥37.5 billion.

#### Performance by Division (Profit for the Period)

Explanations are provided for each of the Company's seven divisions as the full-year forecasts were revised for all divisions.

In the Automotive Division, profit for the period (attributable to owners of the Company) was ¥3.4 billion in the six-month period ended September 30, 2021, compared with loss for the period (attributable to owners of the Company) of ¥1.5 billion in the previous equivalent period, as a result of the rebound from the massive decrease in profit seen in the six-month period ended September 30, 2020, due to the lockdowns instituted around the world. The full-year forecast for profit for the year (attributable to owners of the Company) was raised by only ¥0.5 billion, from ¥5.0 billion to ¥5.5 billion, as demand is returning to normal levels and based on the projection that performance will slow slightly and on the potential impacts of semiconductor shortages.

In the Aerospace & Transportation Project Division, profit for the period (attributable to

owners of the Company) was ¥1.4 billion in the six-month period ended September 30, 2021, compared with loss for the period (attributable to owners of the Company) of ¥0.3 billion in the previous equivalent period. This outcome was a result profit growth stemming from higher aircraft related transactions and the profit-buoying benefits of the brisk shipping market. The full-year forecast for profit for the year (attributable to owners of the Company) was lowered by ¥0.5, from ¥4.5 billion to ¥4.0 billion, in reflection of the slow recovery of the part-out business and other aircraft-related businesses.

In the Infrastructure & Healthcare Division, profit for the period (attributable to owners of the Company) was down as a result of the absence of the gain on business transference recorded in the previous equivalent period in association with the sale of power generation assets. The full-year forecast for profit for the year (attributable to owners of the Company) was lowered by ¥1.0 billion, from ¥7.5 billion to ¥6.5 billion, as the prolongation of the COVID-19 pandemic is causing delays in the generation of earnings from new and existing projects, a factor that will likely counteract the benefits of the increased profit from LNG Japan Corporation to result from the rising price for crude oil.

In the Metals, Mineral Resources & Recycling Division, profit for the period (attributable to owners of the Company) was ¥16.2 billion in the six-month period ended September 30, 2021, compared with loss for the period (attributable to owners of the Company) of ¥2.0 billion in the previous equivalent period. This outcome was a result of a substantial increase in the price of coal coupled with recovery in demand for steel products. The full-year forecast for profit for the year (attributable to owners of the Company) was raised by a massive ¥19.0 billion, from ¥12.0 billion to ¥31.0 billion, despite the slightly bearish market projected in the second half of the fiscal year.

In the Chemicals Division, profit for the period (attributable to owners of the Company) was ¥6.8 billion in the six-month period ended September 30, 2021, an increase of ¥5.5 billion year on year, due to the recovery of the methanol market as well as brisk conditions for plastic resins. The full-year forecast for profit for the year (attributable to owners of the Company) was raised by ¥1.5 billion, from ¥10.5 billion to ¥12.0 billion, in reflection of the favorable market conditions seen in the first half of the fiscal year.

In the Consumer Industry & Agriculture Business Division, profit for the period (attributable to owners of the Company) was ¥4.8 billion in the six-month period ended September 30, 2021, an increase of ¥0.8 billion year on year. Mainstay overseas fertilizer businesses made strong progress in the six-month period due to favorable rainfall and because the rise in material prices was transferred to product selling prices. In addition, the high timber prices contributed to strong performance in building material businesses. The full-year forecast for profit for the year (attributable to owners of the Company) was lowered by ¥1.0 billion, from ¥5.0 billion to ¥4.0 billion, in reflection of the closure of factories in the Vietnamese paper manufacturing business that took place in September 2021. As stated by President Masayoshi Fujimoto, operations at these factories have since been resumed.

In the Retail & Consumer Service Division, profit for the period (attributable to owners of the Company) was down as the rebound from the gain on sale of commercial facilities recorded in the previous equivalent period offset the benefits of strong U.S. beef import transactions. The full-year forecast for profit for the year (attributable to owners of the Company) was lowered by ¥1.0 billion, from ¥5.0 billion to ¥4.0 billion, to account for the projected delays in the recovery of Southeast Asian retail businesses.

#### Financial Forecasts

The forecast for net assets was raised by ¥50.0 billion, from ¥2,450.0 billion to ¥2,500.0 billion.

The forecast for total equity was raised by ¥40.0 billion, from ¥640.0 billion to ¥680.0 billion.

The forecasts for net interest-bearing debt and the net debt equity ratio remain unchanged.