

Summary of CFO Explanation from Results Briefing for the Nine-Month Period Ended December 31, 2021 (February 2, 2022)

Consolidated Statements of Profit or Loss

Based on the results through the third quarter and current market conditions, we have revised upward our full-year earnings forecast again, which was revised upward at the time of the announcement of interim results.

We have revised our forecast upward by ¥10 billion from ¥70 billion to ¥80 billion. As a result, we plan to pay a year-end dividend of ¥58 per share, an increase of ¥13 from ¥45 per share, which will be submitted to the ordinary general shareholder's meeting in June this year.

Revenue increased by ¥158.4 billion YoY to ¥412.8 billion in the Metals, Mineral Resources & Recycling division, mainly due to a significant rise in prices of coal and other resources. The Chemicals division also saw an increase in the volume of plastic resin transactions in the Asian region. In addition, the methanol business, which is the mainstay of the division, increased in price and transaction volume, resulting in an overall increase in revenue in the division of ¥109.2 billion YoY to ¥397.7 billion. The Automotive division also saw a ¥51.4 billion increase in revenue to ¥180.1 billion, mainly due to the absence of the impact of lockdowns on overseas automotive operations in the previous fiscal year. As a result, overall revenue increased by ¥388.9 billion YoY to ¥1.5486 trillion.

Gross profit rose ¥58.2 billion YoY, to ¥190.7 billion overall, thanks to increased profits in the three divisions that saw increased revenues.

Selling, general, and administrative expenses increased by ¥10.6 billion YoY to ¥130.1 billion, due to an increase in personnel expenses in line with the increase in bonus and transaction volume, an increase in outsourcing expenses for the development of new investments and loans, and an increase in SG&A expenses for newly consolidated companies.

In other income and expenses, we recorded net sales of ¥1.9 billion in the first half of the fiscal year due to a gain on the transfer of an overseas industrial machinery-related company. In the third quarter, we recorded a loss on the transfer of non-ferrous-related business and others due to asset replacement. Also, in the previous fiscal year, we recorded gains on the sale of shopping mall and solar power generation business and other factors. As a result, total other income and expenses recorded the cost of ¥2.6 billion on net basis, an increase in cost of ¥8.6 billion.

In financial income and costs, interest income and expenses improved by ¥1.9 billion YoY, resulting in a net expense of ¥3 billion. Dividend received increased by ¥1.8 billion YoY to ¥4.1 billion, mainly due to increased dividends from general investees, and overall financial income and costs increased by ¥4.4 billion YoY to a net income of ¥1.6 billion.

Share of profit/loss of investments accounted for using the equity method increased by ¥17.5 billion YoY to ¥25.4 billion, mainly due to a significant increase in earnings at a steel products operating company.

Profit before tax increased by ¥60.9 billion YoY to ¥85.0 billion. Net income after deducting income tax expenses was ¥65.1 billion.

Profit for the period attributable to owners of the Company was ¥62.0 billion, an increase of ¥45.3 billion YoY. We have made 78% progress toward our upwardly revised full-year forecast of ¥80.0 billion.

Consolidated Statements of Financial Position

Total assets as of December 31, 2021, were ¥2.5092 trillion, an increase of ¥209.1 billion compared to March 31, 2021. Main factors for the increase are the rise in the market prices of resources, chemicals, and plastic resin products; the increase in trade receivables due to the increase in sales of life style products; and the increase in the valuation of investment-related assets due to the execution of new investments and loans and the rise in stock prices.

Total liabilities increased by ¥154.6 billion from the end of March to ¥1.8002 trillion.

Total equity attributable to owners of the Company were ¥674.7 billion, an increase of ¥55.7 billion from March 31, 2021. Reasons for the increase in net assets are the increase in retained earnings of ¥45.3 billion, which is the result of subtracting dividend payments from net income of ¥62.0 billion, and the increases in other components of equity.

Net debt equity ratio rose 0.09 points from the end of March 31, 2021 to 1.08 times.

Consolidated Statements of Cash Flows

Cash flows from operating activities was the inflows of ¥42.2 billion, due to a significant increase in core operating cash flow of ¥81.3 billion, despite a significant increase in cash used due to an increase in net operating assets.

Cash flows from investing activities was the outflows of ¥104.2 billion, mainly due to the execution of new investments and loans.

Free cash flow was a net cash outflow of ¥62.0 billion.

Core cash flow was the outflow of ¥8.9 billion in the first three quarters.

Performance by Division (Profit for the Period)

The following is an explanation of the segments for which the full-year forecasts have been revised.

In the **Automotive Division**, we have had to lower our annual sales forecast by more than 10% overall due to the shortage of semiconductors, but we are making steady progress by improving our profit margin through such measures as improving our inventory turnover ratio and reducing sales incentives.

As we have already exceeded our full-year forecast by the third quarter, we have revised our forecast upward by ¥1.0 billion, which is a conservative revision considering the situation in Russia.

In the **Metals, Mineral Resources & Recycling Division**, in the third quarter, production declined due to the flooding in Australia and the resulting equipment trouble, but the price increase exceeded that, and as of the end of the third quarter, the progress rate against the revised forecast of ¥31.0 billion was 91%.

For the fourth quarter as well, we have revised our full-year forecast upward again to ¥44.0 billion, as all coal sales have been contracted and more than 80% of the price has been determined.

In the **Consumer Industry & Agriculture business Division**, as of the end of the second quarter, we had revised our full-year forecast downward by ¥1.0 billion due to rising raw material prices in our overseas fertilizer business and the difficult situation in our paper manufacturing business in Vietnam, which was greatly affected by the COVID-19 infection. However, since the market for building materials and imported plywood has been favorable, we have revised our full-year forecast back to our forecast at the beginning of the fiscal year of ¥5.0 billion.

However, due to rising raw material prices in the overseas fertilizer business or very high inventory levels at local fertilizer dealers, the situation remains severe, and we expect the profit/loss for the period to remain negative in the fourth quarter.

In the **Others segment** at the bottom of the table, we will ensure the implementation of our decarbonization policy in response to the upward revision of our full-year earnings forecast. In addition, we have factored in restructuring costs to avoid turning assets, such as thermal coal interests, into stranded assets.

Therefore, the revised forecast of ¥3.0 billion announced on November 2, 2021 was revised to negative ¥2.0 billion this time. In other words, we have made a downward revision of a decline of ¥5.0 billion.