

**Condensed Transcript of Q&A Session Regarding Results Briefing  
for First Half Ended September 30, 2023 (October 31, 2023)**

<p>Presenter</p> <p>Masayoshi Fujimoto, Representative Director, President &amp; CEO</p> <p>Makoto Shibuya, Managing Executive Officer, CFO</p>
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**First Questioner**

<b>Q.</b>	<b>Your company made a downward revision at the Automotive Division even though you had previously explained that there would be some contribution from new investments. Could you add a little more explanation on the factors behind the downward revision including the situation of the new invested used car sales business in Australia?</b>
A.	<p>Fujimoto, CEO:</p> <p>Regarding Automotive Division, we had planned to make a new investment, but the execution of this investment was delayed by about six months.</p> <p>Also, what we sell in the Philippines are Chinese cars and we buy these in US dollars. Due to exchange rate fluctuations, there was a decrease in our price competitiveness. Our sales strategy is to sell all of these cars we have in stock now this year and sell these at competitive prices starting next year.</p> <p>In addition, with the return of semiconductors this year, the supply of new vehicles is very plentiful. Prices of used cars have dropped and sales had also slowed slightly, including dealers in the US. In light of these circumstances, we have revised our Automotive Division's forecast downward.</p> <p>However, we are aiming to further expand earnings for next year from new investment which has been delayed.</p>
<b>Q.</b>	<b>Have used car prices in Australia been affected?</b>
A.	<p>Fujimoto, CEO:</p> <p>It is dropping. So, we are not getting the revenue we originally anticipated, but I think that is where we need to be a little more patient.</p>
<b>Q.</b>	<b>I would like to know the impact by upward trend in the yen interest rate on your company and how much exposure you have to the yen-denominated interest rate portion of the loan.</b>
A.	<p>Shibuya, CFO:</p> <p>In terms of our procurement ratio, 70% is in yen, 20% in US dollars, and about 10% in other currencies. Of this amount, almost no yen is borrowed in</p>

	the short term, and the medium to long term is borrowed at a fixed interest rate. In the near term or in a few years, the situation is not likely to have a major impact.
<b>Q.</b>	<b>Is it your understanding that the current increase in interest expense is due to the increase in the US dollar portion?</b>
A.	Shibuya, CFO: Yes, for the 20% US dollar portion that I mentioned earlier, the rise of interest rate has caused a slight increase in the cost of the interest balance.

**Second Questioner**

<b>Q.</b>	<b>I would like to ask about your Retail &amp; Consumer Service Division. I have the impression that you have done a lot of seeding, as you explained earlier with the Vietnam example, but I feel that the numbers do not yet show it. How soon do you expect this to contribute to earnings in the future, and how do you see the future for the domestic seafood products related businesses?</b>
A.	Fujimoto, CEO: With regard to the investment in Vietnam, Huong Thuy's wholesale and prepared food business has already turned profitable and is now steadily increasing its revenue. As for the MINISTOP's retail business, we are still around breakeven point, but we believe that we can turn a profit if we accelerate the speed of store openings. As for beef production and sales business together with the Vinamilk Group, we believe it will be a significant revenue base in about 5 years. We have been conducting test sales with good results, but we still need to expand our sales channels. The domestic seafood products value chain is steadily generating profits, but it is a little smaller than we had hoped. Seafood product prices were unexpectedly high last year but have dropped this year. Both The Marine Foods Corporation and Try Inc. are now taking measures such as to sell this year the inventory purchased last year. We are now on a strategy to increase our revenues for next year and beyond by purchasing cheaper seafood products this year.  Shibuya, CFO: We are hoping that this year, our businesses in Vietnam, including the MINISTOP CVS business, will be able to break even.

	<p>On the other hand, the economic environment in Vietnam continued to slow down in H1. In July, the Vietnamese government introduced a VAT reduction to stimulate consumption, and we have recently received reports that our business is gradually being affected in a positive way. In the convenience store business, the number of customers is increasing, and we are now getting a good response that we will be able to recover toward the end of the fiscal year. We are looking at the next year or so as a whole to start generating solid earnings.</p>
<b>Q.</b>	<b>The Chemicals Division seems to be in bad shape right now. Can you give me some perspective on this?</b>
A.	<p>Fujimoto, CEO: Revenue has not been as good as expected due to the poor methanol market this year, and another reason is that synthetic resins, especially in China, have declined considerably due to the slump in Japanese cars. In addition to some 1 time losses, we have revised downward. As for what will happen next year and beyond, there are no signs of a sudden recovery in the synthetic resin businesses in China, but other than that, the chemicals trading businesses are progressing steadily. In this sense, we believe that the recovery will be gradual.</p>

### Third Questioner

<b>Q.</b>	<b>About the Chemicals Division, what exactly is the revision of the feedstock procurement contract for the Indonesian methanol business, PT. Kaltim methanol Industri (KMI)? Furthermore, please tell me about what kind of impact you expect to see on the methanol business for the next fiscal year.</b>
A.	<p>Fujimoto, CEO: KMI is negotiating with the Indonesian government of gas prices. We are told that the purchasing price will be slightly higher than before, and in that sense, we expect our profitability to be slightly worse.</p>
<b>Q.</b>	<b>I would like to ask about offshore wind power generation in Taiwan. While some of the Japanese partners are pulling back, what is the background behind your company's decision to continue this project? Also, please tell me how you see the revenue in the next fiscal year and beyond.</b>
A.	<p>Fujimoto, CEO: The biggest reason for the impairment of the Taiwan wind power generation is</p>

	<p>the increase in cost caused by the delay in construction period for the project caused due to the COVID-19 pandemic. However, the Taiwanese government considers this business to be extremely important and has agreed with almost no penalty for the extension of the construction period.</p> <p>We have now finished up to 45 units (supporting structure for wind turbine) out of the planned 80 units. This year we have a 1-ship system but we are confident that we will be able to complete the remaining 35 units by starting a 2-ship system for next year. Although profitability has deteriorated compared to our initial estimates due to impairment charges and higher costs, we are able to generate stable revenue and IRR of more than 5%. So, we will continue to do so in order to enhance our knowledge and expertise within the offshore wind power generation business.</p>
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**Fourth Questioner**

<b>Q.</b>	<p><b>I would like to know the term gap in your coal business between market and sales price and if you have any hints as to how much revenue growth we can expect next fiscal year if these current market conditions continue and if the underground mining of the Gregory Crinum coal mine is fully up.</b></p>
A.	<p>Fujimoto, CEO: We have started underground mining and plan to produce and ship about 200,000 tons of coal this year. We are currently working on a 2-line system, with the goal of establishing a 3-line system by the end of March 2024. On the other hand, the current mining areas where open cut mining is being conducted have a considerably higher stripping ratios, which means that costs are rising. In that sense, we are planning to relocate to a new mining area next fiscal year. Although the mining volume will decrease slightly in H2, planning to produce 1.8 million tons this year, we plan to mine 2 million tons in the next fiscal year, including both underground and open cut mining. Profit growth will depend on market conditions, but we believe that stable revenue can be expected through cost improvement.</p> <p>Shibuya, CFO: The revenue recognition timing gap is roughly three months.</p>
<b>Q.</b>	<p><b>Under the circumstance that your core businesses other than coal are facing headwinds, what kind of bridge did you envision when you</b></p>

	<b>mentioned net profit for the year attributable to owners of the Company of around ¥100.0 billion for the next medium-term management plan?</b>
A.	<p>Fujimoto, CEO:</p> <p>At the time of this year's budget, we had set a full year profit forecast of ¥95.0 billion, from a conservative view with the coking coal price at about USD250. In this context, there was a slight downturn in Chemicals and Automotive Divisions this year, but we have already taken action in these areas, and we also expect to see an increase in revenues over the next year. In addition, we believe that we will be able to reach the ¥100.0 billion mark as a result of the expansion of revenue in Retail &amp; Consumer Service Division, and the recovery of the ¥1.0 billion decline in fertilizer business this year in Consumer Industry &amp; Agriculture Business Division.</p>

**Fifth Questioner**

<b>Q.</b>	<b>The free cash flow forecast for the fiscal year ending March 31, 2024, is ¥80.0 billion. Do you have any plans for an additional share buyback, etc.? Please tell me about your cash flow management.</b>
A.	<p>Fujimoto, CEO:</p> <p>Regarding share buybacks, we conducted from April to September 2023. At least in our view, we would buy back our own shares if there were surplus in the cash flow of the three years following the completion of the Medium-Term Management plan 2023, and this year's share buybacks was conducted in advance on that plan. We would like to continue growth investment and allocate the cash flow carried over from this year toward the next medium-term management plan. In this context, after considering cash flow from year to year, we would make separate decisions on dividend policy and share repurchase policy.</p>
<b>Q.</b>	<b>What scale of growth investment is your company discussing internally at the moment for the next medium-term management plan? Also, please tell me what areas are being discussed as changes from the current medium-term management plan.</b>
A.	<p>Fujimoto, CEO:</p> <p>We are not yet at the stage of being able to announce the scale. However, as to what areas we will expand our investment, I do not think it will change significantly from this medium-term management plan, but we would also like to focus on digital areas.</p>

**Sixth Questioner**

<b>Q.</b>	<b>I would like to know the businesses that will ensure profit growth over the next fiscal year.</b>
A.	<p>Fujimoto, CEO:</p> <p>I believe that Automotive Division will certainly grow next year as we are taking measures on the existing inventory within this fiscal year.</p> <p>As for Chemicals Division, it is partly dependent on market conditions for methanol and plastic resins, particularly with regard to the auto industry in China, but I believe that chemicals trading businesses will proceed steadily.</p> <p>In Retail &amp; Consumer Service Division, JALUX, Royal Holdings, and the catering business are improving, and we can expect improvement on revenue in these domestic areas. We also see the seafood product business as being able to expand in the coming year.</p> <p>As for others, Metals, Mineral Resources &amp; Recycling Division will depend on market conditions, but for Infrastructure &amp; Healthcare Division, we can expect to accumulate revenue from the energy conservation business in Australia where we have invested. In addition, solar power generation in Australia has started operations, and natural gas-fired power generation in Indonesia will start operations in this year, so we believe that we can expect stable earnings from these areas.</p>