Condensed Transcript of Q&A Session for Financial Results for the Year Ended March 31, 2025 (May 1, 2025)

＜Speakers＞	
Kosuke Uemura	Representative Director, President & CEO
Makoto Shibuya	Representative Director, Senior Managing Executive Officer, CFO

[Questioner 1]

Q: Please explain the assumption behind the negative impact of U.S. tariff measures of JPY 5.0 billion incorporated in the outlook for FY2025. Also, while you are expecting an increase in profits under such circumstances, please share any concerns about potential downside risks.

A: <Uemura>

It is difficult to quantitatively and precisely calculate the impact of tariff measures in the current environment where conditions are changing constantly. We have assumed a negative JPY 5.0 billion impact, which is expected to be within 5% of the net profit of JPY 100.0 billion. Specifically, we are considering the impact on Automotive and other sectors. On the other hand, we believe there are business opportunities as well, not only negative impacts. We will continue to conduct quantitative analysis over time and incorporate the impact into our outlook.

Regarding concerns about the profit increase outlook for this year, the JPY 5.0 billion impact from tariff measures is one factor. Additionally, the earnings contribution from non-resource has risen to a level exceeding JPY 80.0 billion, and we expect it to exceed JPY 90.0 billion this year. We have confidence in achieving this, but that certainty will be crucial. Other factors include the improvement in automotive revenue and the coal business in Australia. However, we have not incorporated an increase in coal market prices into our outlook, assuming it will remain at the same level or decrease compared to the previous fiscal year, so the impact is limited.

Q: Regarding shareholder returns, is it possible to continue at this level despite ongoing deficits in core operating cash flow? Also, what is the acceptable level of the Debt-to-Equity ratio (DER)?

A: <Shibuya>

As shown in the cash flow management on page 20 of the financial results presentation material, in the Medium-term Management Plan 2026, we allocate about 30% of core operating cash flow to shareholder returns. The actual core operating cash flow in the first year of the Medium-term Management Plan exceeded expectations, and we have no concerns for the second and third years. We believe that a share buybacks of around JPY 10.0 billion can be executed without any issues. The deficit in core operating cash flow is not a problem in the Medium-term Management Plan 2026. If there is a shortfall due to asset replacement in the future, it will be adjusted through new investments or other items. The Net DER may reach around 1x, but it will be down on our projection.

[Questioner 2]

Q: Regarding the JPY 200.0 billion in new investments planned for FY2025, please share the target areas for investment, including the presence of large-scale projects.

A: <Uemura>

We will focus on non-resource areas. Investments in resource areas will be very limited.

<Shibuya>
The payment for the acquisition in the infrastructure business in Australia (Capella Capital Corporation) announced in January 2025 will be executed in FY2025. Investments will increase mainly in the energy and healthcare area. Of the JPY 200.0 billion planned, about JPY150.0 billion is already decided, similar to the infrastructure business in Australia, and is awaiting funding, so there are no particular concerns about executing the JPY200.0 billion in new investments in FY2025.

Q: **Please provide additional information on the current situation and outlook for FY2025 regarding the used car sales business in Australia.**

A: <Uemura>
We aim to increase both sales volume and gross profit rate. We mainly focus on luxury car lines as a key market segment where we have strengths. We are thoroughly reviewing and analyzing the process and flow from procurement to sales. We believe we can achieve profitability in the first half of FY2025.

[Questioner 3]

Q: **Please explain the background of the revised segment targets for profit for the year in the Next Stage.**

A: <Shibuya>
Profit for the year in the Next Stage is shown as an image. For the Automotive Division, we will thoroughly improve the used car sales business in Australia and focus on strengthening profitable businesses such as distributors in Central and South America. The environment is not as conducive to making many new investments as initially assumed in the Medium-term Management Plan. For the Metals, Mineral Resources & Recycling Division, the slowdown in the coking coal business in Australia reflects the assumption that market prices will not rise. The Energy Solutions & Healthcare Division is accelerating earnings through efforts such as energy-saving service businesses and expanding their scope, transitioning from infrastructure construction and long-term contracts business that have generated revenue in the past. Additionally, significant investments are progressing. The Chemicals Division is incorporating the expectation of earnings contributions from new areas.

Q: **Regarding the outlook for FY2025 for other segments, if we exclude the JPY 5.0 billion impact from U.S. tariff measures, the outlook is JPY 12.0 billion. Please explain the factors contributing to the increase in profits.**

A: <Shibuya> In addition to the digital-related items listed, tax-related factors are included.

[Questioner 4]

Q: **Regarding the scale of the JPY5.0 billion impact from U.S. tariff measures incorporated in the outlook for FY2025, do you perceive it as large or small? Please share your perspective.**

A: <Uemura>
The direct impact of tariffs is expected to affect sales, etc., but it is very limited. Rather, it is difficult to grasp the indirect impact. Currently, Minister for Economic Revitalization, Akazawa is negotiating in the U.S., and there is a possibility that the tariff issue could become an incentive to promote investment in the U.S. From this background, I personally perceive the JPY5.0 billion impact as relatively large. We need to consider the impact not only on Japan but also on APAC, our main business areas. The impact of products produced in APAC on U.S. consumption trends is significant. Depending on the U.S. decision, mutual tariffs are not simple, and there are discussions about exemption

measures for automotive parts.
<Shibuya>
In the presentation, we also explained about domestic demand in Vietnam. Domestic demand in Vietnam has been weak for the past two years, and while we hope for improvement, there is a concern that it may not rise as expected depending on the impact of mutual tariffs.

Q: **Please explain the impact of external environmental changes such as tariffs on the plans for new investments and asset replacement.**

A: <Shibuya>
There may be some impact on asset replacement, but for the new investments planned for FY2025, many conditions have already been agreed upon with the counterparties, so the impact is not significant.

[Questioner 5]

Q: **Please provide specific information about asset replacement plans for FY2025 and FY2026.**

A: <Uemura>
In terms of rehabilitation, for example, the used car sales business in Australia is still under review and is not included as a replacement target. There are several other projects under review, and we will accelerate the assessment.

Q: **Please share the outlook for FY2025 for the coking coal business in Australia, LNG Japan, and domestic retail business.**

A: <Uemura>
As explained, the coking coal business in Australia is struggling. We are working to reduce costs, but the progress is slow. The reasons are that (1) the production volume is not increasing, and (2) the equipment is experiencing issues. As a result, unit costs are not decreasing, and this situation is unlikely to change soon. LNG Japan is stable, but we are closely monitoring the impact of falling oil prices, including the impact of U.S. tariff measures. The domestic retail business is strong due to recovery from COVID-19 and inbound effects. Although we expect growth to slow due to rising prices, it remains stable.

[Questioner 6]

Q: **Please explain the impact of domestic and international inflation on the trading business and investments of trading companies, including the advantages and disadvantages.**

A: <Uemura>
In Japan, the impact of inflation has been discussed recently, but as a company with global business operations, we have been affected by cost increases in various areas over the past 5-10 years, such as labor costs and materials. In investment decision-making, we consider these aspects in a long-term perspective, so the short-term inflation trends do not significantly impact the direction we are considering.

[Questioner 7]

Q: **Is there any change in the policy of allocating 30% of core operating cash flow to shareholder returns? Please explain what options are available if new investments do not progress as planned in specific.**

A: <Uemura>
While core operating cash flow is sufficient, if there are no investment opportunities, it

could be an option when considering investment efficiency. However, it is necessary to consider multiple factors, such as the current stock price of the company.

Q: **Compared to the initial plan of the Medium-term Management Plan 2026, please explain the factors behind the strong performance of the Energy Solutions & Healthcare Division and the Chemicals Division, and the outlook considering the impact of U.S. tariff measures.**

A: <Uemura>
We will focus on non-resource areas. Regarding the point mentioned in the announcement of the Medium-term Management Plan 2026, "raising non-resource earnings contributions to over JPY 90.0 billion," we have reached over JPY 80.0 billion in FY2024. Among them, the Energy Solutions & Healthcare Division, which we are focusing on investing in, is seeing success in new areas, specifically transitioning from selling products to services and further expanding new functions, thereby thickening the business pipeline and increasing earnings contributions. This new approach is proving effective, and we expect further growth. For the Chemicals Division, we continue increasing trading business creatively towards the geopolitical impact and multilateral changes. The U.S. tariff issue is not necessarily negative but also seen as an opportunity. The restructuring of Japanese chemical manufacturers is also a new opportunity, and we see potential for new investments beyond just trading business.

[Questioner 8]

Q: **Please explain the background of the downward revision of earnings contributions from investment projects in the Medium-term Management Plan 2020 and Medium-term Management Plan 2023 for FY2025 and FY2026. Also, is it possible to achieve the earnings within the next Medium-term Management Plan period?**

A: <Shibuya>
The downward revision of earnings outlook for the Medium-term Management Plan 2020 investment is due to the underperformance of the coking coal business in Australia and the Vietnam papermaking business. For the Medium-term Management Plan 2023 investment, it is due to the underperformance of the used car sales business in Australia and the coking coal business in Australia. Although we are working to improve performance, we believe it will not reach the originally assumed levels, hence the revision. We will work on improvements but will also start compensating with the earnings in other areas early.

Q: **Please explain the intention behind announcing the share buybacks at this timing.**

A: <Shibuya>
Regarding share buybacks, the concept in the Medium-Term Management Plan 2026 is to execute it flexibly if there is excess or surplus in cash flow. The share buybacks announced in September 2024 was planned for JPY25.0 billion, but it resulted in JPY20.9 billion. Considering the current strong cash flow, we believe the current JPY10.0 billion is manageable. We aim to achieve EPS growth through profit growth, and while we are looking at single-year performance, the main focus is on 3-year average growth rate as per the policy of the Medium-term Management Plan 2026.

[Questioner9]

Q: **Please provide additional explanations on the performance of the Aerospace, Transportation & Infrastructure Division for FY2024 and the outlook for FY2025.**

A: <Uemura>
The strong performance of the Aerospace, Transportation & Infrastructure Division in FY2025 is due to profits from the sale of overseas industrial park and partial share-out of the marine vessel business, as well as growth in defense-related businesses. For this

term, the defense business remains strong, and the return of aircraft-related transactions will cover the one-time profit drop from the previous fiscal year, resulting in performance similar to the previous fiscal year.

Q: **Please explain the background of the profit increase outlook for the Automotive Division for FY2025.**

A: <Uemura>
The profit increase in the Automotive Division is due to the recovery of the used car sales business in Australia and earnings contributions from new investments similar to the automotive sales business in Panama. Honestly, the target of JPY6.0 billion for FY2025 is higher compared to FY2024 and FY2023, but it is still not sufficient compared to the previous earning levels.
<Shibuya>
To supplement, the segment information for the Automotive Division on page 31 of the presentation materials for financial results shows a deficit of JPY1.9 billion in the Oceania region for FY2024, which is expected to turn slightly positive with the improvement of the used car sales business in Australia. In the Japan-Asia region, the deficit from the distributor business in the Philippines will be eliminated, and new businesses will emerge, making the achievement of JPY4.0 billion possible. Considering other accumulations, achieving around JPY6.0 billion is a necessary level.