

**Financial Results Briefing for Third Quarter of Fiscal Year Ending March 31, 2024 (FY2023)**  
**Condensed Transcript of Q&A Session**

Date & time: Friday, February 2, 2024, 18:00–19:00

Attendees: Hideyuki Iwamoto, CFO  
Shigeo Obata, Assistant to CSO  
Yasushi Aida, Assistant to CFO

Q. Profit after tax for the third quarter was 89 billion yen excluding transient profit and loss, and if the full-year earnings forecast remains at 320 billion yen, it will drop significantly in the fourth quarter. Are there any changes in business?

A. The reason the fourth quarter appears weak is due to the lack of upward revisions. The reason for this is that it is difficult to predict the outlook due to the global economic situation in the fourth quarter and the suspension of shipments by the Toyota Group. We have yet to see about the suspension of shipments, but it is likely that only a small number of car models will be most affected in the fourth quarter. Other than that, there are no particular concerns. We believe that market conditions have almost bottomed out, and we actually expect to see strong numbers.

Q. About the lithium business in Metals. The negative figure is larger than in the first half, due to the market conditions. What is happening in the third quarter? If the current price continues, how should we consider the impact on business performance?

A. Of the 11.5 billion yen market impact among the increase/decrease factors in Metals, approximately 9 billion yen is due to the write-down of lithium hydroxide inventory in Fukushima. Although the business in Fukushima is fully consolidated, our partner takes in 75% of the profit from the business and the Company takes 25%. So, the impact on the after-tax profit and loss after accounting for non-controlling interests is 25%.

The lithium carbonate business in Argentina is showing positive results, while for the lithium hydroxide business in Fukushima, all production and raw materials were written down due to declining market conditions. In Argentina, even current prices are still higher than production costs, and we do not expect this market situation to continue in the future.

Q. About the lithium business in the next fiscal year. I heard you wrote down the inventory to below \$20,000, but will there be any more losses?

A. Currently, the value is below \$20,000, and if this level continues, there is a possibility that there will still be a loss.

Q. Since the case of lithium is only temporary, is it correct to understand that the value will recover next fiscal year?

Have long-term contracts been affected by these low prices?

A. The inventory write-down is only for this time, so there will be no such loss in the next fiscal year. There are some elements rolled over in long-term contracts, so there will be an impact.

Q. If shipments of some car models continue to be suspended, how much of an impact will it have?

A. Regarding production, for example, South Africa will be affected. On the sales side, we think we can last about three months in sales in Africa, due to having inventory. Some models may come up short in some areas.

Q. North America is significantly negative, due to market conditions among the factors behind the increase/decrease in the Metals Division. When will the timing be right for a positive turnaround due to steel price revisions and other factors?

A. Market factors for the Metals Division as a whole have contributed to the significant negative compared with the previous period. But, it's not that the numbers for this term are bad, but rather that it's due to the drop in the overlap profit in the previous term. You can think that the steel blanking business is back to normal. Further, we can observe that, in the market factors, the strong performance of the aluminum and steel scrap businesses in the previous fiscal year has become negative due to its reversal. So, the impact of steel prices is not the only factor. We believe that market conditions have bottomed out, and expect that numbers will be at the same level as this period from next fiscal year onwards.

Q. The Mobility Division is doing very well. We are seeing growth in the number of vehicles in the regions. Are there any updates to the negative factors that you were concerned about, such as lower margins? Also, is there a future trend that will be even better?

A. There are more inquiries than expected. Vehicles continue to sell without incentives, and there are also backorders. Cambodia and Russia showed strong figures even if they were negative year-on-year. The impact of foreign exchange is also a positive factor. As long as the current demand and exchange rates continue, the fourth quarter is expected to remain strong.

Q. As for the mobility business, while strong sales have been maintained, incentives have generally declined, for example, in North America. Won't it affect your area? I'd like to ask about your outlook for margins for the next fiscal year.

A. The regions/countries we handle have low annual volumes, and compared with large markets such as North America and Thailand, we are able to adjust supply and demand based on the car model mix. In addition, after-sales services cover some of the fixed costs of dealerships. Although the Company is still able to maintain strong margins in Africa, there are future concerns such as rising logistics costs due to the blockade of the Red Sea.

Q. You have a very strong figure in Africa, but are you aiming for around 80 billion yen next fiscal

year?

A. We think this year was better than expected.

We increased our dealer network, improved our model mix and after-sales services for pre-owned vehicles, and were able to reduce SG&A expenses thanks to successful exchange rates. But, we do not expect to see stronger numbers next fiscal year than we did this fiscal year.

Q. I understand that you view Africa conservatively, but what are the risk factors?

A. We are concerned about rising logistics costs due to the closure of the Red Sea, the market situation in the Sahel region (an area with increasing Islamization), and business trips to South Africa and Angola. We also have to assume that sales in the Sahel will be close to zero.

Q. It seems that profits are weak in the fourth quarter every year, but is there a negative impact due to seasonal factors?

A. Even excluding special factors, looking back at the past, various factors overlapped and in the fourth quarter we have not performed well. Although we are concerned about the impact of the suspension of Land Cruiser shipments to South Africa and the slowdown in Thailand and China for this fiscal year, we'd like to brace ourselves again and conduct lean management (eliminating any waste of time, effort or money) in order to produce good figures.

Q. How do you see the net debt/equity ratio of 0.57×?

A. We understand that the current figure of 0.57 times is low for a trading company that invests with leverage. Looking at other trading companies, they are at similar levels, and we believe that the time has come for each company to make adjustments. Since the Company is in a growth stage, we must develop a convincing growth strategy and make investments while keeping an eye on returns.

Q. The Chemicals & Electronics Division continues to perform well. Are there any changes in automotive electronics?

A. The chemical business was affected by falling naphtha prices, but automotive materials performed well. Outside of automobile-related industries, iodine became a factor to push up the performance. Naphtha prices have been rising recently, so we think naphtha-related businesses will recover in the fourth quarter. In the electronics business, memories and displays performed poorly. Margins have been maintained in the automotive electronics business.

Q. Quantity movements at Olaroz. I think it's been a while since the capacity has been increased. Will there be more volume next term toward the 42,500 ton system?

A. Production at the 1st stage is more than 15,000 tons per year. Currently, bond development at the second stage has been completed. At the moment, the combined production of Stages 1 and 2 is more than around 20,000 tons per year, but if we do not have to consider production adjustments

due to price declines, we will be able to produce 30,000 tons.