## IR Meeting on Financial Results for FY2025 Q1: Questions and Answers

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| [Date] | July 31, 2025 | |
| [Presenters] | Reiji Morooka | Representative Director, Executive Vice President, Chief Financial Officer |
| | Yoshiyasu Fuse | Head of Accounting Controlling Dept. |
| | Yoshinori Takayama | Executive Officer, Head of Investor Relations Dept. |

**<Questioner 1>**
Please evaluate the progress of growth and restructuring businesses against the initial plan. For areas that are lagging behind, we would also like to hear about the measures planned going forward.

**<Morooka>**
As for the progress of its eight key growth areas and restructuring initiatives, Real estate is progressing as planned. Agriculture has shown good improvement compared to the previous fiscal year, which was underwhelming. This is due to a buildup in order backlog ahead of the demand season starting in August, as well as strengthened operational structures that have helped suppress credit costs. In construction systems, although profit declined in Q1 due to restructuring costs at Sunstate, the U.S. rental business, improvements are expected from Q2 onward, supported by the restructuring effects and the seasonal demand from July through October.
The Energy Transformation Business Group experienced several one-off factors in the previous fiscal year, but excluding those, performance remained stable. In the Steel Group, while market conditions for OCTG in North America are improving, falling oil prices have led to a decline in demand. On the other hand, the newly invested monopile manufacturing business (EEW) has begun contributing steadily to profits, resulting in a slight year-on-year increase in overall group profit. In digital, SCSK has started to benefit from the consolidation of Net One Systems, marking a smooth start. As for telecommunication business in Ethiopia in the restructuring, which was expected to improve, Q1 did not show significant progress. However, with a growing customer base, future contributions are anticipated.

**<Questioner 1>**
Could you share the current status of additional funding possibility for the Ambatovy project in light of the potential use of the 40.0 billion yen buffer, and the likelihood of returns from new investments in mineral resources and healthcare included in the company’s profit plan?

**<Fuse>**
At the beginning of the fiscal year, a 40.0 billion yen buffer was set in light of U.S. tariffs, economic uncertainty, delays in new investments, and concerns over Ambatovy. Based on Q1 results, there are some concerns in the Mineral Resources, Lifestyle, and Automotive groups. In Mineral

Resources, over 10.0 billion yen in profit was expected from new base metal investments, but no results have materialized yet, and downside risks remain. Lifestyle started slow due to limited progress in new investments as well as deeper losses in Fyffes' melon business caused by worsening supply-demand and rising costs. However, strong performance in bananas and pineapples, along with seasonal factors, may offset this. In Automotive, profits declined due to geopolitical risks in the Middle East and competition with vehicles from China, and while marketing efforts are underway, downside risks remain. As for Ambatovy, as shown on page 29 of the presentation, Q1 equity in earnings was zero and no losses will be recognized unless additional funding is made. The breakeven assumption remains unchanged at the mid of 30,000 tons range of stable annual production and a nickel price of $7.0/lb. Cash flow was well circulated in Q1, and situations in Q2 and beyond are being closely monitored. Sensitivities include roughly 3.0 billion yen per $0.5 change in nickel price, 3.5 billion yen per 5,000-ton change in production. There are also impacts from sulfur and coal price fluctuations.

**<Questioner 2>**
It was expected that the telecommunications business in Ethiopia would improve due to the currency devaluation, but it appears that the current situation shows an expanding deficit driven by rising costs. I would like to ask for more details.

**<Fuse>**
While we refrain from disclosing details due to our partnership, the number of active customers over a 90-day period—our key performance indicator—continues to grow steadily. However, increased costs associated with acquiring new customers have led to a year-on-year decline in profits. From Q2 onward, we plan to continue building base stations and expanding our sales network to increase customer numbers and expect the resulting revenue growth to help reduce the deficit.

**<Questioner 2>**
AGRO AMAZONIA is posting a larger deficit compared to previous years. Although it is the off-season, there have been no adverse weather conditions, and the fertilizer market is trending upward—creating a favorable environment. What are the factors behind the limited reduction in the deficit under these conditions? Can the Q1 performance be considered in line with the plan?

**<Morooka>**
As Q1 falls in the off-season, no profit is expected, and performance so far is in line with the plan. While credit costs were incurred in the previous fiscal year, there has been significant improvement this year. With regard to credit provision to customers, we have enhanced our internal controls and are operating cautiously. Although there were concerns about a potential negative impact on sales, weather conditions have been favorable, and we anticipate increased sales driven by recovering demand.

**<Questioner 3>**
The progress rate of the Automotive Group is low. Considering geopolitical risks in the Middle East and intensifying competition in distribution and sales, I would like to hear your outlook for Q2 and beyond.

**<Morooka>**
While we are working to strengthen sales initiatives and marketing strategies based on a careful assessment of the competitive landscape, the outlook remains uncertain, and some concerns remain. Across the Automotive Group as a whole, we are implementing price revisions and improving the production operation in Mexico, and we expect a recovery toward the latter half of the fiscal year. In addition, we are accelerating asset replacement efforts to achieve our targets.

**<Questioner 3>**
Regarding Ambatovy, while the breakeven nickel price is set at $7/lb, the actual price was $6.88, and with rising subsidiary material costs, the situation appears to be worse than expected. What exactly does it mean when it is said that “cash is circulating”? Is cash decreasing or not? Based on that, I would like to hear your outlook going forward.

**<Fuse>**
From a funding perspective, we have committed to a total contribution of $100 million on a 100% basis, of which $70 million was provided in FY24 Q4. The remaining $30 million has not yet been contributed, but we have already recognized the full loss corresponding to our share of the $100 million in our accounting. In FY25 Q1, we were able to avoid a significant cash outflow, but depending on future developments, there is a possibility that additional contributions exceeding the remaining $30 million may be required. While such losses may be offset using the buffer already recognized, we are currently conducting a detailed analysis of the current situation and future cash flows, and therefore cannot comment on the outlook at this time.

**<Questioner 4>**
Regarding Ambatovy, I would like to ask whether the 40–50% increase in cobalt prices has contributed to the positive cash flow situation.

**<Fuse>**
Including that aspect, we are conducting on-site analysis, and we kindly ask for your understanding that we are unable to comment at this time.
*Note: As for future cash flow, while there are concerns such as the recent decline in nickel prices and the surge in sulfur prices as subsidiary materials, we are also taking into account positive factors such as the rise in cobalt prices and the decline in coal prices, as well as the sustainability of these trends, and will continue to assess the situation heading into Q2 and beyond.*

**<Questioner 4>**

Regarding the cash flow situation, I would like to ask for your outlook for Q2 and beyond, taking into account the asset replacement and investment-related cash outflows in Q1. In particular, with respect to the potential downside in new investments in base metals, could you clarify whether this is due to a timing shift or if there is a possibility that the projects themselves may be cancelled?

**<Morooka>**

Progress on investments has reached approximately 5/12 of the three-year medium-term plan, and asset replacement is proceeding at a similar pace, in line with the plan. As for Q2 and beyond, it remains uncertain how many of the multiple pipeline projects will materialize. In Mineral Resources Group, several projects are expected to contribute to earnings in the near term if they are realized, but they are being carefully evaluated under strict investment discipline, and there is a possibility of timing delays. Naturally, there are also projects outside the Mineral Resources Group, and we aim to execute these from Q2 onward to achieve earnings contributions.

**<Questioner 5>**

Is the profit increase from property deliveries in the Diverse Urban Development Group expected to remain a stable and continuous mechanism going forward? Also, regarding the sale of Van Phong in the Energy Transformation Group, while it will generate a temporary gain from asset replacement, I assume it will lead to a decrease in recurring income. What level of impact is expected? I would like to understand how each group plans to secure recurring earnings.

**<Morooka>**

Asset replacement follows an annual plan. Real estate investments are progressing smoothly, and new businesses are being launched overseas. For this fiscal year, as in the previous year, we plan to acquire properties worth approximately 300.0 billion yen including future project cost, and we aim to maintain earnings at a similar level going forward. In the Energy Transformation Group, depending on the situation, we may offset a decline in recurring profits through asset sales and invest into the next revenue-generating projects. Medium- to long-term projects are steadily accumulating, and we will manage future earnings while balancing asset replacement and recurring income.

**<Questioner 5>**

Regarding the outlook for QB2, Teck Resources, the partner, has announced updated maintenance information. I would like to ask about the potential impact going forward.

**<Fuse>**

From our perspective, we expect to be in the black for FY25, and plan to expand profitability in FY26 with full-year operations at cruising speed. On a 100% project basis, annual production is estimated at 230,000 to 310,000 tons, with our equity share amounting to approximately 15,000 tons. For FY25, production is expected to be around 70–80% of that level. Please note that these figures differ from those disclosed by Teck Resources.

**<Questioner 6>**
The full-year forecast for asset replacement and extraordinary profits/losses in FY25 is 40.0 billion yen, with Q1 results already reaching 34.0 billion yen. I would like to ask about the outlook for Q2 and beyond. Additionally, the yen has been weaker than the company's assumption of 1 USD = 140 yen. Is there a possibility that this could lead to an upside in the plan?

**<Fuse>**
In relation to the full-year forecast, significant items such as the sale of Midas in the Automotive Group were realized in Q1. However, items incorporated at the beginning of the fiscal year are scheduled to be executed as planned. The company as a whole is accelerating asset replacement, and there is a possibility that asset replacement and extraordinary profits/losses may exceed the initial plan. Regarding foreign exchange, the Q1 actual rate was 144.59 yen against the company's assumption of 140 yen per USD, resulting in a positive impact of approximately 2.5 billion yen. Given our sensitivity of 2.0 billion yen profit increase per 1 yen depreciation, a full-year depreciation of 5 yen could lead to an upside of around 10.0 billion yen.

**<Questioner 6>**
Has there been any direct impact from U.S. tariffs? Also, if there are any expected effects from Q2 onward, I would like to ask about them.

**<Fuse>**
We have observed little to no direct impact.

[END]