Condensed Transcript of Q&A Session for Financial Results for the First Quarter Ended June 30, 2024 (July 30, 2024)

< Speakers >	
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[Questioner 1]

Q: **The performance of the Automotive Division and the Metals, Resources & Recycling Division seems weak. Could you explain the current situation and how you plan to turn things around from Q2 onward? Also, will the Philippine automotive business, from which you decided to withdraw this fiscal year, incur any losses after Q2?**
Additionally, please provide an update on the current and future production status of the Gregory Crinum coal mine under the Metals, Resources & Recycling Division.

A: < Shibuya, CFO >
The Automotive Division was weaker than expected. The automotive sales business in Panama is contributing to profits as planned, and the business in Puerto Rico is also generating solid profits. However, for the Puerto Rico business, there was an increase in sales volume in Q1 FY23 due to a shipping delay, making the current numbers appear weaker in comparison. The concern is the used car sales business in Australia, where the market has stabilized but remains sluggish. Due to the lack of cars in the market, procurement has not met the plan, resulting in a decline in sales volume. Efforts to accumulate quality inventory, shorten inventory turnover periods, and optimize costs, which have been a focus since last year, are gradually showing results. Additionally, the import of vehicles from Japan has begun, improving inventory levels. Although we are behind the initial plan, we aim to establish a solid foundation and improve by the end of this year. In the Philippines, after extensive discussions with our partner about the long-term direction of the business, it was decided that the partner would take over the business, and we will withdraw. We expect to withdraw by the end of the year at the latest. Some operational costs are expected until the withdrawal. Provisions for high-priced inventory were made last fiscal year, and we aim to limit losses to a few hundred million yen this fiscal year. Although it is a special factor, there was a one-time loss in our dealership business in Brazil due to flooding. While the division has not changed its full-year forecast, it is slightly weak, and we will closely monitor the situation heading into Q2.
Regarding the Gregory Crinum coal mine in the Australia full-scale production from underground mining was expected to commence in FY2023. Open cut mining, which had higher mining costs due to an increased stripping ratio, was transitioning to a low stripping ratio area, but the final excavation in the high stripping ratio area was delayed until May 2024 due to rain. From Q2 onward, cost control for open cut mining and the establishment of a three-continuous-miner system for underground mining will be in place, leading to cost improvements compared to Q1. While the production scale of open cut mining will shrink from the previous 1.8 million tons to 0.8-0.9 million tons, underground mining will produce around 1.0 million tons, resulting in an overall annual production and sales volume of approximately 1.8-2.0 million tons. In Q1, costs increased due to the delay in transitioning mining areas until May, and the three-continuous-miner system for underground mining, expected to start in May, was delayed to Q2, leading to lower production and lower-than-expected profits in Q1.

Q: **Regarding today's announcement of the acquisition of a U.S. takeout sushi company, could you explain the scale of the investment, the expected ROI, and the strategy?**

A: < Shibuya, CFO >
The scale of the investment in the U.S. takeout sushi company can be inferred from the financial statements under investments and asset replacement, but it is a business investment of several billion yen. While we will monitor the ROI going forward, it meets our investment criteria. If

things go according to plan, we expect the ROI to be close to double digits. Strategically, we aim to strengthen the domestic marine product value chain and expand sales overseas. From the perspective of market expansion, the target markets are the U.S. and Southeast Asia. One of the strategies in North America is the recently acquired takeout sushi business. Additionally, we are developing sushi restaurants in a joint venture with Royal Holdings Co., Ltd. and Choushimaru Co., Ltd. These efforts are supported by The Marine Foods Corporation and our marine product business group. In Asia, DaiTanViet (DTV) Joint Stock Company, which we acquired in Vietnam, supplies food to hotels, restaurants, and cafes, and we plan to incorporate marine product into their product lineup to enhance synergies within the group and create culsters of businesses (*Katamari*). We will share the progress of these businesses with you in the future.

[Questioner 2]

Q: **In light of the withdrawal from the Philippine automotive business, what risks should be considered in future collaborations with automotive manufacturers, and what is the strategy for partnerships within the Automotive Division?**

A: < Shibuya, CFO >
Regarding the automotive distributor business, it is understood that as the market size in a region grows, automotive manufacturers tend to develop the business themselves. On the other hand, in smaller markets and regions, automotive manufacturers entrust the business to us. The result of executing our partnership strategy while targeting specific markets is evident in the automotive sales businesses in Panama and Puerto Rico. Additionally, by operating as both a distributor and a dealer, we enhance the sustainability and profitability of the business. In terms of collaboration with Chinese automotive manufacturers, we started with trade finance and are now also collaborating in the distributor business in some regions. We will continue to proceed with close cooperation and analysis.

Q: **Regarding the marine product business at the Retail & Consumer Service Division, is it correct to consider that the business is highly affected by the market volatility, and is the start of this fiscal year considered smooth?**

A: < Shibuya, CFO >
We recognize that there is a certain level of volatility in the seafood market. By building a robust supply chain, maintaining a variety of products and sales capabilities, and executing procurement that meets the needs of our customers, we believe we can mitigate volatility to some extent. It is difficult to suppress volatility when dealing with a single product for a single client, but by having multiple products, markets, and procurement sources, we believe we can manage volatility to a certain degree. For example, The Marine Foods Corporation handles frozen sea urchins from Chile, and although there were times when it was difficult to import products to Japan due to price increases, we were able to switch the sales destination to the U.S., thereby expanding our sales base through overseas expansion. The start of this fiscal year varies by product, but while tuna was partially affected by last year's impact in Q1, we believe it will recover solidly. The Marine Foods Corporation deals with a wide range of products and has a solid customer base and sales capabilities, so we expect progress according to the initial plan.

[Questioner 3]

Q: **Regarding investments, the progress seems low compared to this fiscal year's plan of ¥175.0 billion. Could you provide an update on the current pipeline and any changes in the investment environment?**

A: < Shibuya, CFO >
For investments, we have planned ¥175.0 billion for new investments and ¥25.0 billion for Capex, totaling ¥200.0 billion for FY2024, which is the first year of the Medium-Term Management Plan. While the planned figures serve as a benchmark, we do have a pipeline and will focus on executing high-quality projects. When making investment decisions, it is necessary to carefully consider risks and currency trends, but we will scrutinize and execute the investments needed for

the Next Stage and future growth. Our stance of making investment decisions based on overall strategy and business viability remains unchanged.

Q: **The progress in the Vietnam retail business area seems somewhat delayed. Could you explain the background and your outlook for Q2 onward?**

A: < Shibuya, CFO >
The recovery of the consumer and retail market in Vietnam is still sluggish. While DTV is performing steadily, the traditional wholesale business, convenience store business, prepared food business, and warehouse business are somewhat slow, aligning with the market recovery. DTV has significant transactions not only with domestic consumers but also with hotels, restaurants, and cafes. As a result, revenue from tourism and dining out has exceeded expectations. Therefore, we believe it is possible to achieve profit of around ¥2.0 billion in the Vietnam retail business and aim for a scale of ¥2.5 billion.

[Questioner 4]

Q: **The difference in net profit compared to the same period last year (+¥0.9 billion) seems smaller than the difference in core operating cash flow compared to the same period last year (+¥6.5 billion). Could you explain the reasons for this?**

A: < Shibuya, CFO >
The difference in core operating cash flow compared to the same period last year is almost the same as the difference in cash flow from operating activities compared to the same period last year. There is almost no change in working capital compared to the same period last year.
The difference is mainly due to the tax reform, which eliminated the need for withholding income tax on dividends from domestic affiliates. Last year, withholding tax was deducted in the Q1 and later refunded, so it was recorded as accrued corporate tax in Q1 financial statements. However, in this Q1, there was no withholding tax. Therefore, the cash flow for Q1 appears to have improved compared to the same period last year, but it is a temporary factor only affecting Q1, as the tax was eventually refunded last year as well.
Another factor is the increase in depreciation expenses by ¥2 billion compared to the same period last year. This increase is due to the depreciation of fixed assets and intangible assets held by newly consolidated subsidiaries. Since this is a non-cash expense, it contributes to the improvement of core operating cash flow for the full year.

Q: **Could you provide an update on the progress of already executed investment projects, the status of PMI, and the outlook for future profit contributions?**

A: < Shibuya, CFO >
The returns from investment projects under the Medium-Term Management Plan 2023 and Medium-Term Management Plan 2020 are generally progressing as planned at the beginning of the period, although there are some variations between projects.
To address the concern that "Sojitz Growth Story" is not clearly visible, we have newly added the progress of retail businesses in Vienam and the marine product business to the presentation materials. In addition to these, other "Sojitz Growth Story," such as energy saving service businesses in North America and Australia, are also progressing smoothly, and we are planning new investments that will further expand these culsters of businesse (*Katamari*). Although we have not yet been able to fully demonstrate results of investments and returns, we believe we are making steady progress.
Furthermore, when making investment decisions, we are placing a stronger emphasis on whether the project aligns with the "Sojitz Growth Story" and whether it can form clusters of businesses (*Katamari)* of businesses. As a result, we are prioritizing investments in projects that directly contribute to the formation of clusters of businesses (*Katamari*), which has led to a rather slow investment. In the Medium-Term Management Plan 2026, we are committed to thoroughly forming clusters of businesses (*Katamari)* and transforming our portfolio, so we ask for your continued expectations and support.

[Questioner 5]

Q: **Regardingthe theAerospace, Transportation & Infrastructure Division and the Chemicals Division, which show high progress, could you please provide the status of each business and future outlook, including the possibility of exceeding the full-year plan?**

A: < Shibuya, CFO >
Regarding the Aerospace, Transportation & Infrastructure Division, we hope to land above the plan as it currently stands. In Q1, the business jet services has performed more robustly than expected, and we anticipate that business progress will continue to exceed the plan from the Q2 onward. Additionally, there was an advancement in profit from the industrial park business. Since there are no particular weak areas across the entire division, if we can steadily accumulate profits on the ground, the full-year plan will be achieved or possibly exceeded.
Regarding the Chemicals Division, as we have explained in the past, the improvement in profitability and enhancement of earning power within this division are steadily progressing. However, the recovery in demand for chemicals in China has been delayed, and the business environment remains challenging due to the influx of Chinese products into the domestic market. In the methanol business, although relatively high market prices have been maintained due to the shutdown of methanol production plants by other companies, market prices are expected to decline with the resumption of plant operations.
Given these uncertainties in the business environment, we are not raising the full-year forecast at this time, but we do expect to accumulate a certain level of numbers towards the full year.

[Questioner 6]

Q: **Regarding the investments in the Medium-Term Management Plan 2026, could you explain the timeline for returns?**

A: < Shibuya, CFO >
We recognize that there are time-related risks due to changes in the external environment. On the other hand, acquiring businesses that contribute to profits quickly through M&A would result in significant goodwill. We are considering investments in projects that can form clusters of businesses (*Katamari)* or can expand an existing clusters of businesses (*Katamari)*, and we do not invest solely for the purpose of acquiring short-term profit. Therefore, the timeline for profit contribution is not our primary consideration. However, for new investments under the Medium-Term Management Plan 2026, we have set ROI and return targets based on the performance of past investments, and we will make investments with these targets in mind.

Q: **What is the amount of investment in humam resources for the first year of MTP2026 and the future time frame?**

A: < Shibuya, CFO >
Human capital investments will appear as expenses. First, we have raised the salary levels of our employees through a review of the human resource systems implemented from the FY2024. Going forward, we will urgently proceed with creating a conducive working environment for employees overseas and investing in human resource development. We will present new initiatives and their progress in human capital investments along with the progress of the Medium-Term Management Plan.