

Condensed Transcript of Q&A Session for Financial Results
for the First Half Ended September 30, 2024 (October 30, 2024)

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

[Questioner 1]

Q:	Could you provide an update on the current situation of cash flow? Given the downward revision of the new investment forecast for FY2024, how do you envision the three-year investment plan?
A:	<p>< Uemura > We have allocated ¥25 billion from the total shareholder return amount calculated from the three-year core operating cash flow forecast, excluding the expected dividend amount, to the share repurchase. The current core operating cash flow is progressing smoothly, and we expect it to increase in the next fiscal year and the year after.</p> <p>< Shibuya > Under MTP2026, we plan to allocate 30% of the core operating cash flow during MTP2026 to shareholder returns. If additional core operating cash flow is generated, the amount available for returns will also increase. We believe we can steadily achieve the three-year average of profit for the year of ¥120 billion and cash flow generation as outlined in MTP2026. Given the current low stock price, we have announced the share repurchase of up to ¥25 billion, which is the full amount incorporated into the plan.</p>
Q:	If new investments do not progress and cash remains surplus, will it be returned to shareholders?
A:	<p>< Shibuya > As per the cash flow management policy outlined in MTP2026, we will allocate 70% of the core operating cash flow to growth investments and 30% to shareholder returns. At this stage, our basic approach is to carry forward the portion allocated for new investments to future growth investments rather than returning it to shareholders if it remains unused. However, if we find ourselves in a situation where we cannot find investment opportunities that yield sufficient returns, we will consider returning the surplus to shareholders.</p>
Q:	Could you provide more details on the progress and regional expansion timeline of the energy-saving service businesses being developed by the Energy Solutions & Healthcare Division?
A:	<p>< Uemura > We aim to achieve an annual profit level of ¥7 billion during MTP2026 period and ¥10 billion annually thereafter. The reason we mentioned the strong regional nature of this business during the briefing is that it involves services for public facilities such as hospitals and schools. This business has been increasing its service capabilities, including us supplying solar panels, which we have a track record. Therefore, we will expand the business in areas where we have established performance, but we have also acquired strong companies in other areas, such as Freestate Electric, LLC in the United States. We are considering whether we can leverage our strengths in neighboring areas. We have been developing the business on the East Coast of the United States for three years. Last year, we also started operations in Australia, focusing on the eastern side centered around Melbourne.</p>
Q:	Is there a clear path for horizontal expansion of the energy-saving services business in Australia?
A:	<p>< Uemura > We have learned a lot from our experience in the United States and are confident in our</p>

	horizontal expansion. However, Australia has a slightly different social structure, such as population, compared to the United States, so we will proceed with careful consideration.
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[Questioner 2]

Q:	Could you provide an update on the current situation of the coking coal business in Australia?
A:	< Shibuya > In Q1, we focused on production in low stripping ratio areas in open cut mining and operated with three continuous miners in underground mining, aiming to recover production volume and improve costs. However, in Q2, we faced equipment failures in both open cut and underground mining, preventing us from securing the planned production volume and improving costs. As we head into H2, we have heard that the equipment issues are largely being resolved, and we expect production costs to improve. The improvement in production costs will be gradual rather than immediate. As mentioned, market prices have also been declining, leading us to lower the full-year forecast for the Metals, Mineral Resources & Recycling Division. We expect annual production volume for FY2024 to be around 1.5 million tons. From 650,000 to 700,000 tons in H1, production volume is expected to increase slightly in H2, and costs are also decreasing, showing some recovery. If operations proceed as usual, the annual production volume will be around 800,000 tons for open cut mining and 1 million tons for underground mining, totaling approximately 2 million tons when things go well. Equipment failures and rainfall occur every year, but we may have been a bit optimistic in our outlook. The president of our coal subsidiary in Australia is visiting Japan, and we will have thorough discussions tomorrow to address improvements.
Q:	Although progress is being made, the pace seems slow. What factors are being considered for the strong performance expected in H2 for Energy Solutions & Healthcare Division and Others Division?
A:	< Shibuya > Energy Solutions & Healthcare Division has ongoing initiatives to quickly generate profit from developed projects through a revolving model, which is included in H2 plan. We also expect additional profit from energy-saving services businesses and the LNG business, and we are confident in achieving the full-year forecast even if it is revised upward. The Others Division's performance in H1 was influenced by a gain of nearly ¥3 billion from changes in the equity of Sakura internet Inc.

[Questioner 3]

Q:	To achieve the revised full-year forecast of ¥3 billion for Automotive Division, which businesses will contribute to profit in H2?
A:	< Uemura > The used car sales business in Australia, which was in the red in H1, is expected to turn profitable in H2. Additionally, there will be no one-time losses from the withdrawal from the Chinese car sales business in the Philippines in H2, so we believe achieving the full year forecast is possible. < Shibuya > The automotive sales business in Panama, which we acquired last year, is generating solid profits. Although the automotive sales business in Puerto Rico saw a decline in sales volume in H1 due to timing issues, it is expected to return to normal profit levels in H2. With the reduction of negative factors and the accumulation of positive factors, we believe achieving the outlook is fully possible.
Q:	The plan for new investments in H2 is around ¥110 billion. What areas will these investments focus on?
A:	< Uemura > As previously explained, we will not invest in isolated business areas. The focus will be on investing in areas where we can further refine existing businesses and turn them into <i>Katamari</i>

	(business clusters) of profit. Specifically, we are planning several investments in energy-saving service businesses, Aerospace, Transportation & Infrastructure Division, and Energy Solutions & Healthcare Division, as mentioned earlier. Including other projects, we will make decisions on a case-by-case basis, and with additional investments in existing businesses, the total investment amount is expected to be in line with the planned level.
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[Questioner 4]

Q:	Regarding "performance" and "investment for growth," how confident is the management? Given the weak progress in H1 for the Automotive Division, Metals, Mineral Resources & Recycling Division, and Retail & Consumer Service Division, can you recover in H2 to achieve the full-year forecast? Please share your confidence in the current situation and the forecast for the full year and the next fiscal year, distinguishing between areas that can be improved through self-help efforts and those influenced by external factors.
A:	<p>< Uemura > While the business environment for the used car sales business in Australia is expected to gradually recover in H2, we also need to improve operations themselves. For example, we are working on strengthening procurement, and the effects of these self-help efforts are starting to appear. In the coal business, although we cannot control equipment failures or weather impacts, we are firmly managing the development and production progress of the coal mines, and we expect to see the effects from the third quarter onwards. Additionally, we are confident in securing profits through new investments in the coming fiscal years.</p> <p>< Shibuya > The used car sales business in Australia has been thoroughly analyzed over the past year since the acquisition, and we have taken time to improve performance by closing unprofitable stores. As a result, we are seeing signs of becoming profitable in H2. As we gain more knowledge about the business, we are confident in recovering performance by expanding stores, improving profit margins, and increasing sales volumes. In the coal business, we have secured a certain level of production volume, so the challenge is how to reduce costs. The retail business, including domestic retail and marine product business, is planned to be weighted towards the H2, so we are confident in achieving the full-year forecast.</p>
Q:	The new investment forecast for this fiscal year has been revised down by ¥25 billion, and the expected contribution to revenue has also been revised down by ¥1 billion. Given that Sojitz is expected to achieve profit growth over the long term, how confident are you in new investments aimed at Sojitz Growth Story?
A:	<p>< Uemura > It is true that the progress of investments in H1 has been slow. Regarding energy-saving service businesses, the new investment in Freestate Electric, LLC, following McClure Company took too long to execute. We need to shorten the period until investment execution, but we believe we can fully recover by leveraging past experiences.</p>

[Questioner 5]

Q:	In MTP2026, the breakdown of the ¥600 billion growth investment is classified into S-investments and X-investments. What is the reason for the delay at this point, and what is the progress of X-investments?
A:	< Shibuya >

	<p>X-investments come out as a result, and we do not classify them as X-investments at the planning stage. We are considering projects of a scale that can be called as X-investments. However, as the investment amounts are large and negotiations with partners are involved, we cannot specify the timing in a planned manner. When we release information, we will explain the purpose and content of the projects. Currently, we have several projects under consideration.</p> <p>Except for external factors, the investment is delayed as the scale of the investments, even those not classified as X-investments, has exceeded ¥10 billion, and we are carefully checking the processes. Therefore, it is taking a little longer than the initial schedule. Other than that, there are no particular factors for the delay, and we are making progress in the targeted areas. There are no significant delays.</p>
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[Questioner 6]

Q:	Regarding Sojitz's unique identity, I would like to ask about Vietnam. The target of around ¥2 billion for the first year of MTP2026 was mentioned in Q1. Has this target been maintained despite the slow progress in Q2? Please provide an update on the current situation and forecast for the Vietnam business.
A:	< Uemura > The forecast of ¥2 to 2.5 billion remains unchanged. Although the overall progress in Q2 was slow, our core businesses, wholesale and distribution businesses, in Vietnam are progressing as planned, excluding the weakness in retail consumption.
Q:	Could you confirm the numbers? Despite the downward revision of ¥5 billion in profit before tax and ¥10 billion in core earnings, why has the forecast of profit for the year remained unchanged?
A:	< Shibuya > Profit for the period is expected to achieve the initial forecast, but we have made adjustments in units of ¥5 billion and ¥10 billion, so please understand it as a result of adjustments in the fractional parts.