Condensed Transcript of Q&A Session for Financial Results for the Third Quarter Ended December 31, 2024 (February 4, 2025)

＜Speakers＞	
Makoto Shibuya	Representative Director, Senior Managing Executive Officer, CFO
Takefumi Nishikawa	Executive Officer, COO, Energy Solutions & Healthcare Division

[Questioner 1]

Q: **Despite the weak market conditions, the coking coal businesses in Australia has seen an improvement in profits. What is the factor, other than market conditions, that may affect future performance?**

A: <Shibuya>
While you commented that our actual Q3 profits exceeded your expectations, we recognize that it was weaker than we expected. We had planned to recover from the poor performance at H1 caused by equipment failures as explained earlier from Q3 onwards. However, both open cut and underground mining have faced other equipment failures and geological issues, and we have not been able to secure enough production volume to make up for the decline in H1. We expect the annual production volume for this fiscal year to remain around 1.4 million tons. Although we have demonstrated that we can achieve this level of profit even in the current low market conditions, we had hoped to increase production volume a little more and achieve cost improvements. We anticipate that external conditions, such as market conditions, will continue to remain unchanged, but we are firmly committed to stabilizing production and improving costs, which we have been working on, while assessing the contribution to profit in the next fiscal year and beyond.

Q: **Regarding the acquisition of Capella Capital Partnership (“Capella”), the scale of the investment is larger compared to past investments. What is the risk associated with this business?**

A: <Nishikawa>
As part of this acquisition, we will obtain four projects currently under construction as assets. All of these projects have been progressing under challenging conditions, including the COVID-19 pandemic and rising steel prices. In the context of Australia's Public Private Partnership (PPP), the risk allocation scheme involves the EPC contractors (construction companies) and the government bearing the price fluctuations and delays, thereby absorbing cost overruns. Our company, as the investor, does not bear these risks, so the impact on us is limited. Future projects will follow the same risk allocation, so there are no concerns. Once the projects are developed, as long as we properly manage the completed public facilities, we will receive long-term fixed income from the government in the form of availability payments. Additionally, while we will be investing in these projects alongside multiple investors, our company will act as

the lead developer and manage the assets on their behalf, thereby earning asset management revenue.
Given that we will secure multiple revenue streams post-project development, we anticipate achieving very stable income.
<Shibuya>
From the perspective of earnings volatility, we anticipate that there will be various PPP project opportunities in Australia. We aim to obtain approximately four projects or more annually. However, depending on the timing of when we obtain these projects and replace the assets, there may be fluctuations to our earnings. As explained by Nishikawa, the projects we secure will generate stable revenue.

[Questioner 2]

Q: **Which segment has the potential to exceed the full year forecast for this fiscal year? Additionally, could you provide an update on the full-year outlook for the Automotive Division, which currently has a low progress rate?**

A: <Shibuya>
We revised the outlook for each segment at Q2, and currently, we are generally progressing in line with the revised outlook.
The Aerospace, Transportation & Infrastructure Division has a slight potential for exceeding expectations, and the Chemicals Division has an even higher likelihood of exceeding expectations.
For the Automotive Division, against the full year forecast of JPY 3 billion, we have achieved JPY 1.2 billion by Q3. We are forecasting almost JPY 2 billion in profit for Q4. Each business has shown profit improvement compared to H1, and we do not expect significant deviations. However, compared to the performance level we originally expected from the Automotive Division, this year's figures are still significantly small.

Q: **Could you provide the outlook for production volume and cost improvements for the coking coal businesses in Australia for the next fiscal year?**

A: <Shibuya>
We are forecasting a production volume of approximately 1.4 million tons for this fiscal year, and we estimate that next year's production will be around 1.6 million tons or more. While we still need to be cautious about production volume this fiscal year, we believe that we can slightly increase production now and next year. Regarding costs, we are implementing various improvement measures such as enhancing the efficiency of coal washing process and logistics, and we will continue these efforts. In fact, Q3 saw significant cost improvements compared to H1, but there is still a gap from our target levels, so we will continue to work on this. Given that next year's production volume is expected to increase compared to this year, we can also expect further improvements in cost per ton. We will continue to closely monitor the market conditions, which are currently in a downward trend.

[Questioner 3]

Q: **What is the factor that contributed to the increase in profits for the coking coal business in Australia from the Q2 to Q3?**

A: <Shibuya>
Regarding production volume, we have seen an improvement, reaching approximately 1 million tons cumulatively by Q3. In Q2, we faced challenges such as rainfall and equipment malfunctions, which resulted in relatively long periods of halted production and consequently increased costs. In contrast, during Q3, although there were some equipment malfunctions, production stabilized, leading to cost improvements.

Q: **Could you please provide an update on the likelihood of achieving JPY120 billion new investment plan for this fiscal year, taking into account the progress in cash flow management under the Medium-Term Management Plan 2026?**

A: <Shibuya>
Regarding investments in Q4, while there may be some projects that are delayed into the next fiscal year, we have accumulated figures that we judge that it can be executed from the pipeline, so we expect around JPY 120 billion. The investment execution related to Capella will be disbursed in the next fiscal year and beyond. We will continue to consider projects like Capella, which can be considered X-investments. We aim to firmly achieve JPY 600 billion over the three years of the Medium-Term Management Plan. However, the purpose is not to execute investment, but to make investment decisions carefully based on the situation. We do not foresee any particular issues with cash flow management. However, it is undeniable that the return on investments is delayed due to the slow execution of investments in the first year of the Medium-Term Management Plan 2026, which in turn delays the contribution to earnings. On the other hand, with significant investments like Capella emerging early, we aim to achieve figures that exceed the Medium-Term Management Plan over the three years.

[Questioner 4]

Q: **For the Automotive Division, you mentioned that signs of recovery are emerging in Q3. Do you see a path towards achieving close to JPY 10 billion in the next fiscal year and beyond?**

A: <Shibuya>
Currently, we are working towards improving from the low performance progress seen in H1. The dealership business in the U.S. and the distributor business in Puerto Rico were underperforming in H1. However, in the U.S., overall demand has been increasing, and sales volumes are also rising.
For the distributor business in Puerto Rico, although overall demand has not grown and sales competition remains intense, we have been able to continue sales without significantly losing market share due to the stabilization of OEM supply, and we are gradually seeing some positive numbers. We expect these

businesses to recover in Q4.
For the used car sales business in Australia, we achieved a single-month profit on an EBIT basis in Q3. We will continue to strengthen our procurement and sales capabilities, improve profit margins, shorten inventory periods, and withdraw from unprofitable stores. These efforts are expected to lead to profitability in the Q4.
While we are still scrutinizing the numbers for the next fiscal year, if the used car sales business in Australia can move out of the red, the dealership and distributor businesses in North America can contribute stable earnings, and the dealership business in Brazil, which has been performing well after recovering from the impact of floods, continues to do well, we can expect a certain level of earnings improvement for the Automotive Division as a whole.
However, achieving close to JPY 10 billion in FY2025 will be challenging. We believe that the next fiscal year will be a bridge towards achieving the JPY 10 billion profit target for the Automotive Division, supported by new investments in areas where we have strength.

Q: **As we look towards the next fiscal year, could you introduce the *Katamari* (revenue-generating clusters of businesses) that we should pay attention to, which represent the Sojitz Growth Story?**

A: <Shibuya>
As we look towards the next fiscal year, I would like to highlight the energy-saving service businesses in the U.S. and Australia led by COO Nishikawa. In addition to generating solid profit, we have executed two new investments in this area in FY2024, so please continue to pay attention to this sector. The new investment project, Capella, is also being developed in Australia. Although its scale and scope differ from the energy-saving service businesses, we can expect to see how these businesses will collaborate.
For the marine product businesses, this fiscal year has exceeded our initial acquisition expectations. We were able to capture profit during the year-end sales season. In addition to leveraging their existing strengths, we are also working on expanding our overseas business. We aim to make this a significant *Katamari* in the retail area.
While we would also like you to pay attention to the retail business in Vietnam, the profit contribution for FY2024, which was initially forecasted to be around JPY 2 billion, is now expected to be around JPY 1.5 to 2 billion. The beef production and sales business are not expected to contribute to profits immediately. We are continuously working to ensure that the business can generate solid profits when consumer demand in Vietnam returns.
In addition to showing solid results in areas where we have been continuously investing, such as infrastructure and retail, please also pay attention to the Chemicals Division, which is gradually increasing profits centered on trade and is on track to achieve JPY 20 billion, as well as the Automotive Division, which is expected to improve.

[Questioner 5]

Q: **The investment contributions under the Medium-Term Management Plan 2026 are JPY 3 billion for this fiscal year, but it is expected to increase to JPY 8 billion next fiscal year. Could you please provide the likelihood of achieving the balance JPY 5 billion?**

A: <Shibuya>
We expect a positive contribution of approximately JPY 3 to 4 billion from investments in the Energy Solutions & Healthcare Division this fiscal year. Additionally, if we can make investments in the automotive-related businesses, which we are very familiar with, we anticipate generating around JPY 1 billion from there. Combining these, we believe we can achieve an increase of approximately JPY 4 to 5 billion. Furthermore, there are still projects under consideration, and if these are executed, there will be additional contributions. Given that the investment execution amount for this fiscal year is expected to be lower than initially anticipated, there is some uncertainty about achieving the JPY 3 billion revenue contribution as a starting point for this fiscal year. However, we expect an additional JPY 4 to 5 billion in the next fiscal year, on top of this year's contributions and we are scrutinizing the numbers.

Q: **I would like to confirm CFO Shibuya's level of confidence. As we look towards the next fiscal year, if we can confirm tangible profit growth from an external perspective, it will also lead to an improvement in PER. Besides cost reductions in the coking coal business in Australia and improvements of the used car sales business in Australia, are there any existing businesses that are expected to grow?**

A: <Shibuya>
What is clearly visible is the improvement in the Automotive Division and the investment contributions in the Energy Solutions & Healthcare Division. These two divisions are expected to grow by approximately JPY 4 billion each. While we cannot definitively say that the Chemicals Division will grow in the same way, it has become a division that can deliver solid numbers even in challenging environments, so we expect positive results.
In the Retail & Consumer Service Division, although there are parts of the Vietnam retail business that are struggling, we are making progress in improving the deficits and adjusting operations, which should result in some positive contributions. Adding these up, we expect to increase from JPY 110 billion this fiscal year to over JPY 120 billion next fiscal year.
Based on this line, we will scrutinize the numbers, considering that some businesses may decline, and continue to progress towards achieving the Medium-Term Management Plan 2026 targets.

Q: **Should we consider the dividend income from the industrial salts-related business as non-sustainable?**

A: Since it is a dividend from a non-equity method investment, a certain amount will continue to come in, but the current scale of the amount is temporary.

[Questioner 6]

Q: **What is the synergy between Capella and the energy-saving service businesses, such as Ellis Air Group Pty Ltd. ("Ellis Air") and Climatech Group Holdings Pty Ltd. ("Climatech")?**

A: <Shibuya>
While immediate synergies may not be realized, we can expect them in the future.
<Nishikawa>
As partially indicated on page 13 of the Presentation materials for financial results, three of the projects previously awarded to Capella are hospitals. Although there is no current collaboration with Ellis Air and Climatech, we can expect synergies in future healthcare and transportation projects involving air conditioning. The acquisition of Capella, which has a track record of collaboration with Lendlease Corporation Ltd ("Lendlease"), Australia's largest general contractor, makes collaboration with our energy-saving service businesses highly promising. In the past, Ellis Air and Climatech have provided air conditioning equipment for Lendlease projects. As a company, we aim to support the expansion of business for two companies of our energy-saving service businesses.

[Questioner 7]

Q: What factors are behind the upward revision for the Chemicals Division?

A: <Shibuya>
For the Chemicals Division, profit margins have been increasing due to the accumulation of proposals to customers in each trade. The numbers have been improving as a result of various transaction improvements. As we progress, we monitor performance by considering whether the numbers are likely to increase and whether we can overcome obstacles in global transactions.

Q: What factors are behind the performance growth of the Marine Foods Corporation ("Marine Foods") in the Retail & Consumer Service Division?

A: <Shibuya>
Marine products typically see a peak towards the end of the year, and we were able to effectively address this period. In H1, there were concerns about not being able to procure octopus, but in Q3, Marine Foods demonstrated its procurement capabilities, ensuring a well-stocked product lineup and successful sales. They were able to fully leverage their inherent strengths.
Additionally, Marine Foods has seen increased profits through intra-group collaboration, such as procuring tuna—which they previously did not handle extensively—from within the group, including Sojitz and TRY Inc., and then selling it through Marine Foods. The company's strengths in salmon and processed products also continued to perform well.