Condensed Transcript of Q&A Session Regarding Results Briefing for the Nine-Month Period Ended December 31, 2015 (February 3, 2016)

Q. I understand that there were one-time income and loss movements recorded during the nine-month period ended December 31, 2015, in relation to impairment losses on iron ore interests as well as gains on revaluation of coal business assets. What impact did these movements have on profit for the period?

A. The impairment losses on iron ore interests reduced profit for the period by ¥2.4 billion while the gains on revaluation of coal business assets increased profit for the period by ¥6.7 billion.

Q. You stated that the Company had accomplished 81% of its target for profit for the year. However, looking at gross profit, it would seem that profit is down year on year and is also low in comparison to full-year forecasts. For this perspective, could you please give us an idea of Sojitz's current situation?

A. With regard to progress toward gross profit targets, there is a great deal of discrepancy between divisions due to the sluggish global economy. However, all divisions are diligently working toward the target of ¥40.0 billion for profit for the year. The Aerospace & IT Business Division tends to record a disproportionally large amount of its earnings during the fourth quarter, and we therefore believe that this division will be able to achieve its profit for the year target of ¥4.0 billion.

Conversely, for the Infrastructure & Environment Business Division, the hurdle for achieving its full-year target may be a bit high, regardless of the fact that this division is expected to record earnings during the fourth quarter.

The Energy Division has hedged against the impacts of crude oil price fluctuations, and we therefore believe that future price drops will not affect performance during the year ending March 31, 2016.

The Metals & Coal Division recorded gains on the revaluation of certain coal business assets following a change in holding purpose. However, it is still necessary for us to carefully examine factors such as foreign exchange rates, market conditions, and the reserve volumes of this division's coal interests.

The Chemicals Division is performing well in the Americas. However, this division is feeling the impacts of economic slowdown in emerging countries, and we must therefore take a cautious stance toward the fourth quarter.

The performance of other divisions is expected to be more or less in line with our forecasts for the year ending March 31, 2016.

Q. What is the situation with regard to trade receivables? As economic growth is slowing in China and other parts of Asia, it seems likely that unforeseen risks will arise with regard to business partners. Is this the case? Also, what management systems do you have in place for such risks?

A. At the moment, there have not been any significant issues with regard to doubtful or bad receivables in China or other areas. However, we have been encouraging employees to be wary of the risk of credit issues arising among business partners in countries such as Indonesia and Vietnam. In this manner, we are working to manage risks before they materialize.

Q. Were the gains on the revaluation of coal business assets incorporated into performance forecasts for the year ending March 31, 2016? Also, I understand that forecasts accounted for the recording of asset replacement costs of ¥5.0 billion. What is the situation with regard to these costs?

A. We have been conducting asset replacement for several years now. We have already replaced a number of resource interests, and we constantly review our resource interests from the perspective of our overall asset portfolio. The coal business assets you mentioned have also been identified as a candidate for these asset replacement activities. In terms of overall asset replacement costs, we project that the balance of other income and expenses will make for expenses of ¥7.5 billion on a full-year basis, whereas this balance made for income of ¥3.0 billion in the nine-month period ended December 31, 2015. It will be necessary to carefully examine the valuations of resource interest assets as we approach the end of the fiscal year.

Q. Why were the impairment losses on iron ore interests recorded when settling accounts for the nine-month period ended December 31, 2015?

A. The decline in the price of iron ore was particularly pronounced over the six months that led up to the end of 2015. For this reason, we revised our assumptions about the future potential of related assets during the third quarter, and we thus decided to record the impairment losses.

Q. How is progress in relation to investment and loan plans and what is your future outlook with this regard?

A. During the nine-month period ended December 31, 2015, investments and loans totaled ¥44.0 billion, and we currently plan to conduct an additional ¥40.0 billion worth of investments and loans during the fourth quarter. If everything goes as plan, investments and loans should amount to approximately ¥80.0 billion on a full-year basis. We are lagging a little behind our initial plans in this area. However, this is not because of a decline in investment and loan candidates, but rather because of the amount of time used to examine each candidate, which has resulted in delays in the execution of certain investments and loans. We have developed a corporate constitution that will enable us to conduct investments and loans totaling ¥300.0 billion over the three-year period of the current medium-term management plan, which we intend to do assuming that a sufficient amount of promising projects can be found. In terms of resource and non-resource projects, a large number of investments and loans are being aimed at non-resource projects, just as was initially called for by the medium-term management plan.

Q. Progress toward the full-year target for gross profit is low, due in part to the impacts of macroeconomic factors. What is your outlook with regard to gross profit in the year ending March 31, 2017, and beyond?

A. Sojitz is aware of the fact that it is problematic for some divisions to be suffering from year-on-year decreases in gross profit. One such division is the Automotive Division, which is experiencing a decline in gross profit attributable to the withdrawal from the automotive business in Venezuela and poor performance of operations in Russia. Nevertheless, we expect that gross profit will recover in the year ending March 31, 2017, and beyond due in part to contributions from the BMW dealership business this division acquired in the United States.

It is the Foods & Agriculture Business Division for which we feel an urgent need to boost profits. This year, the division's mainstay fertilizer businesses performed poorly as a result of droughts. However, assuming that we do not encounter any significantly unfavorable weather patterns going forward, performance in the division should recover in the year ending March 31, 2017, and beyond.

Both the Energy Division and the Metals & Coal Division are suffering from low resource prices. Accordingly, in regard to the oil and gas business, for example, we do not plan to acquire new upstream interests. Rather, our main approach will be to steadily generate earnings through midstream businesses related to liquid petroleum and other gases with particular emphasis placed on trading.

Q. Aside from thermal coal, oil, and gas, are there any other assets for which you are concerned about the risk of impairment?

A. It is highly likely that we will recognize impairment losses with regard to the coal business as well as the oil and gas business during the fourth quarter.

Q. What factors do you expect to contribute to higher profits in the year ending March 31, 2017?

A. We believe that it will be important for us to conduct investments and loans in promising projects at an accelerated pace. The investments and loans executed during the year ending March 31, 2016, will not necessarily start making contributions next year. However, we do expect some projects, such as the BMW dealership business in the United States and certain solar power plants that are currently operational, to begin contributing to profit during the year ending March 31, 2017. Furthermore, the Chemicals Division is witnessing a rise in petroleum resin transactions in the United States, and we have high expectations for the related operations.