

**Condensed Transcript of Q&A Session Regarding Results Briefing  
for the Nine-Month Period Ended December 31, 2019 (February 5, 2019)**

**First Questioner**

Q. An upward revision of ¥1.0 billion was instituted to the forecast for earnings from coal in the Metals & Mineral Resources Division. What does this revision reflect and what were the underlying assumptions behind this revision? Did you incorporate the upturn seen in the third quarter or anticipate a further increase in the fourth quarter based on current market conditions? It seems as though performance is currently linked to commodity prices. Is there a need for hedging? Could you please offer some additional details regarding these factors?

A. In the Metals & Mineral Resources Division, we had projected a sales volume for Australian coal of around 5.7 million tons in the year ending March 31, 2019, and we currently expect that actual performance will be in line with this forecast. There are only two months left in this fiscal year, and transactions for which contracts have been formed but prices have not yet been determined or for which contracts have yet to be concluded represent only between 5% and 6% of the total sales volume. The prices for these transactions were reassessed based on recent market prices, prompting the ¥1.0 billion upward revision. The majority of Sojitz's coal transactions are for thermal coal and have prices set according to indexes. Depending on the contract conditions, however, there are cases in which hedging measures cannot be employed due to issues associated with the price reference period. If the current prices continue, earnings from coal will reach the level forecast following the ¥1.0 billion upward revision.

Q. The prices for methanol and thermal coal are currently low. Aside from operating environment influences, are there any concrete factors that are projected to contribute to earnings growth in the year ending March 31, 2020?

A. We are in the process of addressing the requirements that need to be met in order to complete the transaction for the acquisition of the Gregory Crinum coking coal mine by March 31, 2019. Production at this mine will begin in the middle of the year ending March 31, 2020, or later, meaning that contributions to performance in this year will be limited. Meanwhile, earnings contributions from the ¥315.0 billion worth of investments and loans conducted under Medium-Term Management Plan 2017, are expected to be around ¥6.0 billion in the year ending March 31, 2019, and these projects will continue to generate earnings in subsequent fiscal years. Conversely, the trade friction between the United States and China is a cause for concern as it is driving declines in capital investment demand for industrial machinery and contributing to a slight decline in orders. In addition, the impact of the low prices of olefins on methanol operations has the potential to result in profits being lower than projected by full-year forecasts. These factors will be fully examined as we formulate our estimates for the fiscal year ending March 31, 2020.

**Second Questioner**

Q. The full-year forecasts project profit for the year (attributable to owners of the Company) of ¥70.0 billion whereas profit for the period (attributable to owners of the Company) in the fourth quarter is expected to come to ¥16.3 billion. Given that coal earnings are being estimated based on current market prices and there are factors that could increase fourth quarter profits, such as profits from LNG Japan Corporation, does this forecast assume that one-time losses will arise from extraordinary factors in the fourth quarter?

A. At this point in time, we have not identified any factors that result in one-time losses in the fourth quarter. Earnings from our stake in LNG Japan are certainly a factor that will contribute to profits in the fourth quarter, but this factor has been accounted for in forecasts.

Q. Will the ¥2.0 billion in contributions from new investments and loans conducted under Medium-Term Management Plan 2020 be achieved as planned?

A. Although we had initially forecast that earnings contributions from new investments and loans conducted under Medium-Term Management Plan 2020 would amount to ¥2.0 billion in the year ending March 31, 2019, we currently project earnings contributions of around ¥1.0 billion.

**Third Questioner**

Q. I understand that Sojitz has yet to complete all of the requirements for closing the acquisition of the Gregory Crinum coking coal mine, and that closing will be achieved by March 31, 2019. This outlook is later than stated at the results briefing for the six-month period ended September 30, 2018. When do you expect to be able to start production at this mine?

A. The unmet requirements for closing the Gregory Crinum deal include receiving government permits, an area where a certain amount of time is still required. We are currently moving forward with preparations to resume production at the mine in the middle of the year ending March 31, 2020, assuming that the deal is closed by March 31, 2019. Accordingly, we are not behind schedule, not ahead of schedule.

Q. Earnings in the Aerospace & Transportation Project Division tend to be concentrated in the second half of the fiscal year, and I had thus thought that it was a division in which progress was naturally slow. In the year ending March 31, 2019, however, performance has been strong. Is there any chance that performance will exceed forecasts? Also, do you anticipate earnings growth in the year ending March 31, 2020?

A. The Aerospace & Transportation Project Division benefited from sales of used aircraft, a one-time factor, in the six-month period ended September 30, 2018. Progress toward our full-year forecast for profit for the year (attributable to owners of the Company) in the nine-month period ended December 31, 2018, was 73%, representing progress that is stronger than in previous fiscal years. As no one-time factors are anticipated in the fourth quarter, we project that profit for the year

(attributable to owners of the Company) in this division will be in line with our initial forecast for ¥4.0 billion.

#### **Fourth Questioner**

Q. Judging by fourth-quarter earnings trends, it appears that profit for the year (attributable to owners of the Company) may exceed the full-year forecast of ¥70.0 billion. How do you view this situation?

A. The full-year forecast for consolidated profit for the year (attributable to owners of the Company) of ¥70.0 billion is unchanged from November 1, 2018, when an upward revision was announced to the prior forecast. Looking at individual divisions, those divisions in which nine-month progress toward full-year targets is deviating from expectations, in either an upward or downward direction, include the Automotive Division, the Machinery & Medical Infrastructure Division, the Metals & Mineral Resources Division, and the Industrial Infrastructure & Urban Development Division. In the Machinery & Medical Infrastructure Division, nine-month progress toward the full-year target was only 53%. However, we expect to be able to achieve our full-year forecast in this division as machinery-related subsidiaries are scheduled to make deliveries of industrial machinery during the fourth quarter. Elsewhere, the earnings of the Industrial Infrastructure & Urban Development Division are primarily generated through overseas industrial parks. Around 75% of all turn overs of industrial parks in the year ending March 31, 2019, will take place in the fourth quarter, and we therefore believe that the full-year forecast for this division can be achieved. Accordingly, we do not anticipate any large deviations from the full-year forecast for consolidated profit for the year (attributable to owners of the Company) of ¥70.0 billion in either direction.

Q. Fourth-quarter performance in the Automotive Division is forecast to slow substantially in comparison to the third quarter. What drove performance in the third quarter and what is expected to influence performance in the fourth quarter?

A. In the nine-month period ended December 31, 2018, earnings contributions in the Automotive Division came from the strong performance of Hyundai automobiles in Thailand and of operations in Puerto Rico, which benefited from robust reconstruction demand. Progress toward the full-year forecast for profit for year (attributable to owners of the Company) in the nine-month period ended December 31, 2018, was 91%, and only ¥0.5 billion in profit for the year (attributable to owners of the Company) is expected to be generated in the fourth quarter. The sudden slowdown in fourth-quarter progress will be a result of various factors that will place downward pressure on earnings. These factors include the rebound from the large volume of shipments associated with a motor show that took place in the Thailand during the third quarter. In addition, the vehicles procured in distributor operations in Russia during the ruble slump that began August 2018 will be sold in mass starting in the fourth quarter.

#### **Fifth Questioner**

Q. It was stated that earnings contributions from new investments and loans conducted

under Medium-Term Management Plan 2020 are now projected to amount to ¥1.0 billion in the year ending March 31, 2019. Does this change in forecast represent a delay in progress toward the target of achieving earnings contributions from these investments of more than ¥10.0 billion in the fiscal year ending March 31, 2021, the final year of the plan? Is there any chance that the accomplishment of this target will be delayed?

- A. We intend to conduct investments and loans totaling ¥300.0 billion over the three-year period of Medium-Term Management Plan 2020. The amount executed as of December 31, 2018, was ¥70.0 billion. Among these investments and loans, immediate contributions to earnings can be anticipated from the acquisition of a Vietnamese paper manufacturer, oversees independent power producer projects, and the purchase of dealership operations in Russia. It is Sojitz's policy to make steady progress toward its target of ¥300.0 billion for investments and loans, although it will refrain from becoming overly reoccupied with amounts. There has been no change to our plan to target earnings contributions from new investments and loans of approximately ¥10.0 billion in the final year of the medium-term management plan, and we will move forward with investment activities accordingly.

#### **Sixth Questioner**

- Q. The medium-term management plan targets asset reduction of approximately ¥150.0 billion over the three-year period. Asset reduction as of December 31, 2018, totaled ¥67.0 billion, seeming to represent smooth progress toward this target. What are your thoughts regarding this pace? Also, as I assume that you will also be performing asset reduction in the year ending March 31, 2020, will gains on sales of assets be recorded in this fiscal year?

- A. The current level of asset reduction is in line with the projections of the medium-term management plan. At the moment, there are still thermal coal interests for which we are in the process of negotiating sales but for which the deals have not yet been closed. We are also advancing negotiations regarding the sales of other resource interests. In addition, there have been no significant delays in our plans for asset replacement. As for the possibility of gains on sales being recorded in conjunction with asset replacement, we expect a net gain of zero. We are moving forward with initiatives targeting profit for the year (attributable to owners of the Company) or more than ¥75.0 billion in the final year of the medium-term management plan, and our forecasts do not include in one-time income movements.