

**Condensed Transcript of Q&A Session Regarding Results Briefing for the  
Six-Month Period Ended September 30, 2017 (November 8, 2016)**

**Performance and Forecasts for the Year Ending March 31, 2018**

Q. The full-year profit for the year forecast has not been revised. Could you please explain your assumptions for market conditions in the second half of the fiscal year?

A. Looking at coal prices, we anticipate that the third-quarter coal prices will remain at the same level as the current spot prices and that the price for thermal coal in the fourth quarter will be in line with our initial forecast of US\$75 per ton in light of the projected influence of the restart of operations at Chinese coal mines. Similarly, the third-quarter prices for mineral resources, copper, and aluminum are expected to stay at the current level while fourth-quarter prices match up with our initial assumptions.

Q. In the six-month period ended September 30, 2017, one-time losses were recorded in relation to the reorganization of associates. Will any losses on asset replacement be recorded during the second half of the fiscal year?

A. The asset replacement costs budgeted in our initial forecasts have also been included in the recently released full-year forecasts. There are no specific projects for which we anticipate one-time losses to be incurred. However, even if such losses occur, we still expect to be able to achieve profit attributable to owners of the Company of ¥50.0 billion.

Q. With regard to the investments and loans in the year ending March 31, 2018, around what scale will Sojitz target for investment and loan candidates?

A. Acquisitions of small businesses will not create significant returns. Accordingly, we will mainly look to acquire businesses with scales in the range of ¥10.0 billion to ¥20.0 billion.

Q. Of the ¥90.0 billion in investments and loans conducted in the six-month period ended September 30, 2017, how much is included in working capital, such as inventories, and what type of recovery period do you envision when making investments?

A. In the six-month period ended September 30, 2017, net cash used in investing activities amounted to ¥37.6 billion while ¥45.0 billion worth of new investments and loans was accounted for in investing cash flows. Accordingly, ¥45.0 billion of the investments and loans conducted in the six-month period have been treated as operating assets and categorized as cash flows of an investment nature. The recovery period for these investments will be shorter than those for other investments and medium-to-long-term loans.

Q. If profit attributable to owners of the Company was to exceed the initial forecast of ¥50.0 billion, would there be any changes in dividend payments?

A. We plan to determine dividend payments after full-year financial performance has been calculated.

### **New Medium-Term Management Plan**

Q. With regard to the new medium-term management plan slated to begin with the year ending March 31, 2019, on what areas does President Fujimoto intend to focus efforts?

A. We are currently discussing the new medium-term management plan. At this time, what I can say is that the policies of the new plan will be an extension of those of previous plans. Under the current medium-term management plan, our goal of conducting investments and loans totaling ¥300.0 billion is within sight. Accordingly, a major focus of the next medium-term management plan will be increasing earnings from the investments and loans that have been conducted.

Q. What type of timeline are you envisioning for harvesting the returns of the investments conducted to date? Also, in what fields do you anticipate growth in the future?

A. Certain investments have been made in acquisitions that immediately began making earnings contributions, such as automotive dealership businesses and the European chemical distributor and marketing company. We anticipate that these investments will contribute ¥5.0 billion to earnings in the year ending March 31, 2018. In addition, we aim to realize earnings contributions from independent power producer and other projects that entail construction periods as well as from greenfield projects during the period of the next medium-term management plan. Other investments include convenience store and three-temperature-zone food distribution businesses in Asia. Although cultivating these businesses will require time, we anticipate growth in the earnings of these businesses in the future. In addition, earnings are practically assured with regard to wind power, solar power, thermal power and other independent power producer projects as well as the railway project in India.

Q. Sojitz is currently performing strong. Could you please offer some details on the businesses that the Company is focusing in preparation for the new medium-term management plan and the year ending March 31, 2019, and any developments we should look forward to?

A. We intend to grow our power business in the Infrastructure & Environment Business Division, our LNG receiving terminal operation business and related downstream businesses in the Energy Division, and our part-out, business jet, and airport businesses in the Aerospace & IT Business Division. At the same time, we will expand our automotive dealership businesses as well as the recently acquired automotive parts quality inspection company in the Automotive Division. Meanwhile, we are taking a medium-to-long-term perspective in regard to our investments in foodstuffs, food products, agriculture, and other businesses in ASEAN region. We will develop these businesses with eyes to five or ten years down the line.

Q. Under the current medium-term management plan, Sojitz has proceeded to invest around ¥100.0 billion each year on average. What are your policies with regard to the

financial balance for the year ending March 31, 2019? Will the scale of investments be increased from ¥100.0 billion a year, or will the Company focus on securing a positive free cash flow?

A. There will be no change in our basic investment policy, which entails maintaining a positive aggregate free cash flow over a given period and practicing financial discipline as we continue to make investments.

Q. The full-year forecast for return on assets in the year ending March 31, 2018, is 2.1%. What are the Company's policies regarding return on assets under the next medium-term management plan? Specifically, what levels are anticipated or will be targeted?

A. We are currently in the process of discussing the numerical targets for the next medium-term management plan. Under the current medium-term management plan, we are targeting return on assets of 2% and return on equity of 8%, and we have announced that the next step from these targets should be return on assets of 3% and return on equity of 10%. Given our intent to make the policies of the new plan an extension of previous plans, assuming we achieve our 2% target for return on assets, the next target will likely be set at 3%.

### **Business Segments**

Q. Performance in the Automotive Division seems to be exceptionally strong. Could you please explain current conditions in this business and any risks you foresee for the future?

A. The Automotive Division is indeed making impressive progress. In terms of risks, we operate a Hyundai automobile distributor business in Puerto Rico, and there are concerns regarding the extent to which sales will recover from the impacts of the recent hurricanes. In addition, the circumstances surrounding North Korea present the risk of possible obstacles to exporting automobiles from South Korea.

Q. Sojitz has expressed its intent to expand the operations of the automotive parts quality inspection company that was acquired in North America. What exactly will be your approach toward this task?

A. Sojitz has been engaged in automotive parts distribution and semi-assembled automobile businesses in North America for some time now. In these businesses, there have been several cases in which automobile manufacturers have requested that we inspect all parts used by these manufacturers. It was based on this reality that we judged the recently acquired automotive parts quality inspection company as being highly compatible with existing operations, leading us to invest in this company.

Q. I suspect that the LNG receiving terminal operation business will come to be a business warranting attention in the future. What strengths does Sojitz possess in this area that can be utilized in initiatives going forward? Are there any projects that are taking shape for the future? Could you please offer details with regard to these matters

and other future plans?

A. Historically, Sojitz entered into the LNG business sooner than other trading companies and the Company has developed a certain degree of strength in the field together with noteworthy relationships with power companies. Looking ahead, we anticipate power generation demand in Asian emerging countries to shift from coal-fired thermal to gas-fired thermal power generation, and some of these countries will be importing LNG for this purpose. We will therefore be developing our LNG business while turning our attention to constructing and operating LNG terminals, procuring LNG, and everything in between.