Condensed Transcript of Q&A Session Regarding Results Briefing
for the Nine-Month Period Ended December 31, 2020 (February 3, 2021)

Presenters Seiichi Tanaka, Representative Director, Executive Vice President, CFO

First Questioner

Q. It would appear that the Aerospace & Transportation Project Division and the Metals & Mineral Resources Division will need to generate significant earnings in the fourth quarter in order for Sojitz to achieve its full-year forecast for profit for the year attributable to owners of the Company. Are there any extraordinary factors that will contribute to the accomplishment of this forecast?

A. Tanaka, CFO:
I assume you are asking if there are any extraordinary factors anticipated to occur during the fourth quarter of the fiscal year ending March 31, 2021, that will contribute to the accomplishment of the full-year forecast for profit for the year attributable to owners of the Company of ¥30.0 billion. The conditions in the Aerospace & Transportation Project Division are as was explained in the financial results briefing. The accomplishment of this segment's performance forecast will hinge on its ability to generate base profits as well as on the acquisition of orders for large-scale projects for which negotiations are currently underway. Progress in these negotiations is constantly monitored, and we currently believe that the only questions with regard to these projects is when and how they will come to fruition. As for the Metals & Mineral Resources Division, we expect contributions to performance from coal operations to come thanks to the recent increases in the price of coal and the benefits of cost reductions. Steel operations, meanwhile, are anticipated to generate earnings at their standard pace, and this outlook remains unchanged. We also project that industrial mineral operations will produce earnings contributions as a result of higher electric furnace operating ratios and improvements in electrode prices. In this manner, the accomplishment of our forecast is not prefaced on any extraordinary factors.

Q. Environmental, social, and governance factors are increasingly being emphasized by the market, causing players to take a critical stance toward all forms of coal, not just thermal coal. Meanwhile, Sojitz has defined its policy of shifting from thermal coal to coking coal. Could you please clarify your outlook for coal operations?

A. Tanaka, CFO:
We understand the increasingly critical view toward coal operations. Sojitz has put forth a policy of halving its thermal coal interests by 2030.At the same time, we also recognize that the acceleration of initiatives for eliminating carbon usage is one way in which our structural reform expenses can be used. Most important of all, though, is for us to selectively concentrate our resources and illustrate how Sojitz will generate earnings going forward. We are currently engaged in internal discussions with this regard and hope to make the next mid-term management plan that we can announce with confidence.

Second Questioner

Q. You stated that one use of Sojitz's structural reform expenses will be for initiatives for eliminating carbon usage. What specific applications do you envision? Also, is there any possibility that this expens will be utilized to compensate for deficiencies in earnings should the recording of earnings be delayed?

A. Tanaka, CFO:

We have not yet decided to make initiatives for eliminating carbon usage the primary target of structural reform expenditures. However, these initiatives will no doubt be a major area of focus. There are a lot of options to be examined, but among the more important areas to look at is how to build a business portfolio that is more resilient to extreme circumstances, such as the global COVID-19 pandemic, which has had a heavy impact on Sojitz's business throughout the last year. This matter will be discussed internally as we move forward. At the moment, we have no plans to use the structural reform expenses to compensate for earnings deficiencies. Rather, structural reform expenditures are viewed as something needing to be undertaken in order to ensure growth during the period of the next medium-term management plan and beyond. Nevertheless, we realize the importance of our commitment to accomplishing our full-year forecast for profit for the year attributable to owners of the Company of ¥30.0 billion. I want you to understand that our stance is not to be accepting toward performance that falls below this forecast.

Q. The organizational reforms announced in November 2020 described a number of changes, such as the establishment of the Portfolio Transformation Office. What details can you offer about the aim and purpose of these reforms at this point in time?

A. Tanaka, CFO:

We announced the merger of machinery-related subsidiaries at the end of January 2021. One of the primary duties of the Portfolio Transformation Office will be to help strengthen the post-merger entity. Duties pertaining to other segments will include promoting portfolio transformations from a management perspective. We intend to offer more details with this regard in the next medium-term management plan.

Third Questioner

Q. What is your outlook for coal business performance trends in the fiscal year ending March 31, 2021? I understand that the price of thermal coal began recovering in the third quarter and has continued to rise since. Will this price increase have a significant influence on fourth-quarter performance?

A. Tanaka, CFO:

Certain coking coal interests experienced production cost hikes. When looking at all mining areas, however, we expect the impact of the drop in the thermal coal price to be more significant than the production cost hikes. The price of thermal coal is currently recovering, but conditions vary by buyer. Accordingly, price increases may be delayed, meaning that performance in coal businesses will not necessarily coincide with market conditions.

Q. Selling, general and administrative (SG&A) expenses were stated to have decreased by ¥10.4 billion year on year in the nine-month period ended December 31, 2020. In what areas were these decreases achieved? Also, will SG&A expenses increase in conjunction with the recovery of gross profit in the fiscal year ending March 31, 2022, and beyond, or was this reduction a result of fundamental changes to Sojitz's cost structure?

A. Tanaka, CFO:
Business trip and entertainment expenses have been down in all segments throughout the fiscal year ending March 31, 2021, as the global COVID-19 pandemic has significantly restricted opportunities for business trips and social dining experiences. In addition, we have taken steps to limit due diligence costs, which have represented a large portion of SG&A expenses in previous years, by carefully selecting projects and exercising more rigor in decisions on how to incur such expenses. If restrictions on international travel, and consequently business trips, are lifted in the fiscal year ending March 31, 2022, and beyond, it can be expected that SG&A expenses will rise together with gross profit. However, we will make efforts to keep SG&A expenses below gross profit in this case. We also anticipate that new investments and loans will be conducted under the next medium-term management plan in manner similar to the current plan. A certain degree of due diligence costs will thus need to be incurred in relation to these investments and loans.