Condensed Transcript of Q&A Session Regarding Results Briefing for the Year Ended March 31, 2021 (April 30, 2021)

Presenters Masayoshi Fujimoto, Representative Director, President & CEO Seiichi Tanaka, Representative Director, Executive Vice President, CFO

First Questioner

Q. In the year ended March 31, 2021, contributions from investments and loans conducted under Medium-Term Management Plan 2020 totaled ¥2.0 billion. Meanwhile, Medium-Term Management Plan 2023 projects earnings contributions from these investments and loans of ¥14.0 billion in the year ending March 31, 2024. What are the factors behind this outlook?

A. Fujimoto, CEO:
We will focus on generating earnings from Australian coking coal operations by reducing costs. At the same time, we will step up sales promotion activities in our Vietnamese papermaking business, which has managed to break even. Furthermore, the automobile-related businesses in which investments were conducted under Medium-Term Management Plan 2020 are currently experiencing favorable performance, and we therefore anticipate earnings contributions from these businesses during the period of Medium-Term Management Plan 2023.

Q. Could you please offer a breakdown of the ¥15.0 billion in earnings contributions projected from investments conducted under Medium-Term Management Plan 2023? Also, how will operations be developed in the focus areas of the Southeast Asian and Indian markets, the retail field, and fertilizer businesses?

A. Fujimoto, CEO:
We are currently in the process of negotiating some investments to be conducted under Medium-Term Management Plan 2023. Other investments, such as Australian hospital and public–private partnership projects and retail operations in Southeast Asia, most notably Vietnam, are well on their way toward achieving profitability. We intend to take the necessary steps to achieve earnings contributions from businesses that are currently recording losses. Meanwhile, we are witnessing strong growth in businesses in India in which investment was conducted under Medium-Term Management Plan 2020, and we plan to expand our operations into the Indian retail market through additional investments.

In fertilizer businesses, we see the potential to grow earnings from fertilizer by working together with farmers to help them modernize their operations through approaches centered on artificial intelligence and Internet of Things technologies. We also believe that it may be possible to expand further into the agricultural field through the bridgehead of fertilizer.

Investments in these fields are anticipated to generate earnings contributions of ¥15.0 billion during the period of the medium-term management plan. While these contributions are not entirely guaranteed, we do believe that we can expect this level of earnings contributions.

Second Questioner

Q. The current medium-term management plan puts forth the target of more than 1.0 times for the key performance indicator of the price book-value ratio. I have not seen many other companies setting such targets, and this move thus seems to be largely symbolic. I suspect that achieving a price book-value ratio of 1.0 times will require Sojitz to cement its earnings foundations through investments. What changes will Sojitz implement under Medium-Term Management Plan 2023 to increase the likelihood of investments generating returns?

A. Tanaka, CFO:

In my role as the chairman of the Finance and Investment Deliberation Council, I have had the experience of putting forth unfeasible business plans aimed at producing internal rates of returns that exceed hurdle rates. However, such unfeasible plans often failed to increase investment efficiency or to generate the anticipated returns.

Based on this experience, we moved away from our prior approach of basing the hurdle rate on risk profiles to setting hurdle rates based on capital costs and country risk premiums, or, in other words, the minimum level of returns required to improve corporate value.

Increasing investment success rates will require post-execution monitoring, and it will therefore be necessary to monitor investments to determine the degree to which they can produce earnings accompanied by cash flows. To guide these efforts, we have set cash return on invested capital targets on an individual division basis.

This change in approach is not meant to merely loosen previous investment standards. Rather, we have changed our approach to allow for the development of highly feasible business plans. Changing our approach in this manner also served to clarify the areas to be emphasized when monitoring investments. Looking ahead, we intend to steadily move forward with efforts to increase the rates at which we successfully generate returns from investments.

Fujimoto, CEO:

We feel that Sojitz's current stock price indicates that the Company is being undervalued by the market. To address this undervaluing, the current medium-term management plan puts forth the target of achieving a price book-value ratio of over 1.0 times in order to send a clear message from management with regard to the goals we intend to achieve.

Earnings contributions from investments and loans conducted under Medium-Term Management Plan 2020 are currently low at only ¥2.0 billion. Looking at investments and loans from the period of Medium-Term Management Plan 2017, however, we see that steady earnings contributions are being generated with return on investment levels of around 7%.

We cannot deny that the generation of earnings from investments and loans conducted under Medium-Term Management Plan 2020 is behind schedule, largely due to various changes in circumstances, most notably the global COVID-19 pandemic. Nevertheless, we are committed to securing earnings from these investments and loans during the period of Medium-Term Management Plan 2023, and we will target return on investment levels of about 7% from these projects.

I am greatly troubled by the large number of commenters who still do not feel confident in our investment choices despite the returns we have generated to date.

Q. Sojitz has described its target of conducting asset replacement activities totaling ¥100.0 billion over the coming three years, roughly half of which I believe will be associated with the recently announced reduction of cross-shareholdings. Could you please explain your thoughts with this regard? Also, what incentives will be offered to employees in relation to these asset replacement activities?

A. Fujimoto, CEO:
You are correct in your assessment that roughly half of the ¥100.0 billion in asset replacement activities will be associated with the reduction of cross-shareholdings. The remaining ¥50.0 billion will take the form of conventional asset replacement activities, the funds from which should enable us to invest ¥300.0 billion over the period Medium-Term Management Plan 2023.

We have conducted a great deal of asset replacement up until now, and we intend to continue actively replacing any assets deemed to lack profitability.

Tanaka, CFO:
Under the current medium-term management plan, we intend to invest ¥300.0 billion, when excluding non-financial investments. At the stage of drafting this plan, we already had a long list of candidates amounting to around ¥600.0 billion in investments.

The figure of ¥300.0 billion was arrived at by paring down this list. Division employees are fully aware of our goal of aggressively investing in growth going forward, and there is thus no need to feel concern with regard to their motivation.

Third Questioner

Q. Sojitz has announced its plans to acquire ¥15.0 billion worth of its own shares. It was stated that this acquisition will be conducted for the purpose of directing the Company's positive core cash flow toward growth investments and shareholder returns. Could you please offer some more information on how the acquisition amount was decided and on other matters pertaining to the acquisition?

A. Fujimoto, CEO:
The global COVID-19 pandemic meant that we could not engage in face-to-face negotiations overseas, which slowed the pace of investments and loans. We were thus only able to conduct ¥260.0 billion worth of our ¥300.0 billion target. This outcome left us with around ¥50.0 billion worth of surplus cash. It is Sojitz's basic policy to target a

payout ratio of about 30%. Accordingly, we decided to use 30% of the ¥50.0 billion surplus, or ¥15.0 billion, to issue shareholder returns through the acquisition of shares of the Company's stock.

Q. Medium-Term Management Plan 2023 introduces the indicator of market price-based dividend on equity. Does the use of this indicator create the risk of excessive growth in the payout ratio should the Company's stock price increase faster than its performance? Also, should such excessive growth occur, how will Sojitz rectify this situation with its basic policy of targeting a payout ratio of around 30%?

A. Tanaka, CFO:
I do not believe it is likely that the Company's stock price will rise in a manner that is completely divorced from its performance. However, even if our stock price were to grow ahead of our performance, we would still issue dividends in accordance with the recently announced lower limits, namely, market price-based dividend on equity of 4% until the price book-value ratio reaches 1.0 times and book value-based dividend on equity of 4% after the price book-value ratio reaches 1.0 times.

Fourth Questioner

Q. What fields will be focused on in the Consumer Industry & Agriculture Business Division and the Retail & Consumer Service Division under Medium-Term Management Plan 2023?

A. Fujimoto, CEO:
The Consumer Industry & Agriculture Business Division is centered around fertilizer businesses in Southeast Asia. In addition to growing these fertilizer businesses, this division will also look to expand into other agricultural areas through the bridgehead of fertilizer.

As for the Retail & Consumer Service Division, we will concentrate our efforts on our alliance with Royal Holdings Co., Ltd., and on the retail field in Asia. We are well on our way toward achieving profitability in our Southeast Asian retail operations, particularly those in Vietnam, and we intend to take the necessary steps to generate earnings from these operations. At the same time, we look to develop operations in Asia in business areas in which Royal Holdings possesses expertise. These will be some our focuses over the coming three years. Another area of focus will be growing the in-flight catering business.