

**Condensed Transcript of Q&A Session Regarding Results Briefing
for the Three-Month Period Ended June 30, 2021 (August 3, 2021)**

Presenters

Seiichi Tanaka, Representative Director, Executive Vice President, CFO

First Questioner

- Q. Progress toward the full-year target for profit for the year attributable to owners of the Company was high in the Metals, Mineral Resources & Recycling Division due to the strong performance of Metal One Corporation. Conversely, although first-quarter thermal and coking coal prices was up in comparison to the fourth quarter of the year ended March 31, 2021, first-quarter performance was relatively unchanged from this quarter when excluding one-time factors. This situation creates the image that these operations are not profiting as much as it may initially seem. What are the reasons behind this situation? Also, given that we are currently seeing substantial growth in commodity prices, it is correct to assume that these prices will translate to increased profits starting in the second quarter?
- A. The price of thermal coal has been rising since September 2020, meaning that this price will be more beneficial to earnings than it was in previous fiscal year. In addition, the price of coking coal began to increase in mid-May 2021. The earnings structure of Sojitz's coal operations is such that there is a time lag before price fluctuations are reflected in earnings. Accordingly, the benefits of the first-quarter price increases will be felt in the second quarter or later. Meanwhile, Metal One will be a major contributor to profit growth. In coal operations, the reductions in production costs had a greater impact on performance than market factors. For example, we concluded the test sales in our Australian coking coal operations, enabling us to move forward with production with a stable level of costs. We have also begun closing mines associated with certain thermal coal interest ahead of schedule, which is another factor contributing to lower costs.
- Q. First-quarter progress toward full-year forecasts in the Automotive Division appears to be weak in comparison to Sojitz's peers. Are there any additional details that you can offer with regard to why progress seems slow in comparison to full-year forecasts?
- A. You mentioned that the Automotive Division's performance appears weak in comparison to our peers, but let me say that our operations have been performing quite well. The transition to new models in Thailand will take place starting in the second quarter, and earnings for automotive operations in this country were in line with our expectations in the first quarter. Elsewhere, performance was strong in Russia and Puerto Rico. Our new operations in Pakistan and the Philippines, however, are slightly behind schedule, but we expect to catch up going forward. Looking ahead, there will be a need to monitor how the semiconductor shortage will impact businesses in which progress is already a bit slow.

Second Questioner

- Q. Three-month profit for the period was ¥3.6 billion at Metal One. Should performance of this degree continue throughout the remainder of the fiscal year, it seems as though profit from Metal One will amount to between ¥13.0 billion and ¥14.0 billion on a full-year basis. What is your outlook for Metal One in the second quarter and beyond?
- A. The strong performance of Metal One in the three-month period ended June 30, 2021, was a result of price increases and a more beneficial supply and demand balance. As for the second quarter, our outlook will need to be formulated based on discussions with Mitsubishi Corporation, the majority shareholder in Metal One, going forward.
- Q. In regard to the Chemicals Division, it was stated that, despite the strong three-month performance, there is a need to monitor risks related to the COVID-19 pandemic in Southeast Asia. Does this statement indicate a structural issue that would result in a rise in cases in Southeast Asia of a certain degree having a negative impact on performance?
- A. The reason why we chose not to revise forecasts for the Chemicals Division, despite the impressive performance it is currently enjoying, was that we concern the impacts of the semiconductor shortage on sales volumes of home electronics and automobiles. Lower sales volumes of these articles could impact plastic resin transactions. We have therefore chosen to take a conservative stance toward forecasts. This conservatism has already been incorporated into our outlook for restrictions on the flow of people and commodities that might be imposed as a result of the COVID-19. However, we do not believe that the pandemic has revealed a structural issue with our operations. Rather, we are treating it as a standard risk.

Third Questioner

- Q. How severe have the impacts of the Delta variant been in Asia and other regions? Have you received any testimonies from workers in these regions with this regard?
- A. In Asia, the impacts of the COVID-19 pandemic have been most severe for Vietnamese papermaker Saigon Paper Corporation. A number of customers for industrial and household paper have been closed, and some cardboard manufacturers have halted production. We have recently seen some improvements in performance at Saigon Paper, with profitability being achieved on a single-month basis in March, April, and May 2021, but we are now facing issues procuring materials. We have also been gradually feeling the impacts of closures and operation halts of customers. Meanwhile, certain fertilizer factories temporarily halted operations on a voluntary basis, but all returned to normal operation following recoveries seen

within a week. Accordingly, the impacts on performance will not be particularly large.

Indonesian methanol businesses face the risk of declines in demand for biodiesel fuel should movement restrictions be imposed. However, we have not seen any decreases in or cancelations of orders for the second quarter or later at this point in time. There are also no serious concerns with regard to operations, despite the fact that Japanese employees positioned overseas have been temporarily recalled to Japan, as local staff has been proficiently handling operations in their respective countries. Currently, we only really have concerns with regard to Saigon Paper and our Vietnamese retail operations.

- Q. Initial forecasts project investment returns of ¥53.0 billion in the year ending March 31, 2022. These forecasts incorporated a total of ¥4.5 billion in earnings contributions from new investments and loans to be comprised of ¥2.5 billion in contributions from investments and loans conducted under Medium-Term Management Plan 2020, which concluded with the year ended March 31, 2021, and ¥2.0 billion in contributions from those executed under Medium-Term Management Plan 2023. How is progress toward these forecasts?
- A. In the three-month period ended June 30, 2021, earnings contributions from investments and loans conducted under Medium-Term Management Plan 2017 amounted to roughly ¥2.0 billion, which was primarily produced by overseas renewable energy generation projects. Earnings contributions from Medium-Term Management Plan 2020 investments and loans, however, have yet to be reflected in performance figures as the contributions from the Gregory Crinum coal mine and Saigon Paper are still insufficient. As for investments and loans during the period of Medium-Term Management Plan 2023, we have yet to see returns from the approximately ¥28.0 billion in capital we have invested thus far. There has been no change to our full-year forecast.
- Q. Are there any concerns regarding production at Saigon Paper and Hyundai Motor (Thailand) Co., Ltd.?
- A. Production continues at Saigon Paper, although there is a need to operate while monitoring inventory levels given the halts to the operations of certain customers. Should inventories reach an excessive level, it might become necessary to adjust production, but we have not halted operations that point in time. Hyundai Motor (Thailand), meanwhile, is currently in the process of depleting inventories before the transition to new models. For this reason, progress is low in comparison to the full-year forecast for sales volumes. We expect to be able to compensate for this low progress in remainder of the fiscal year, and we have not received any reports of obstructions to operations at dealerships.

Fourth Questioner

- Q. Among the factors contributing to year-on-year growth in profit for the Metals, Mineral Resources & Recycling Division is a ¥1.5 billion increase related to alloys and non-ferrous metals. How is performance in this division overall, and what is the likelihood that these trends will continue? Also, is niobium included

among alloys and non-ferrous metals?

- A. The ¥1.5 billion profit increase you speak of was associated with resources such as aluminum, copper, and nickel. The price for nickel was more or less as projected, whereas increases of between 20% and 25% were seen in comparison to the initial price forecasts for the other resources. Given that the prices of aluminum and copper have not shown any significant downturns, we expect that this trend will continue a bit longer, but the impact on Sojitz's transaction volumes will not be particularly large. Conversely, market conditions have been incredibly volatile, and we have thus chosen to take a conservative stance in maintaining our initial forecast. Niobium is indeed included among alloys and non-ferrous metals. There is a strong link between the performance of niobium and share of profit of investments accounted for using the equity method for this division, but the impact on performance in the three-month period ended June 30, 2021, has been relatively small. Earnings from niobium business affiliates will likely be concentrated in the fourth quarter, as is generally the trend.
- Q. Performance in the timber operations of Sojitz Building Materials Corporation was stated to be favorable in the three-month period ended June 30, 2021. What is the likelihood that these performance trends will continue?
- A. The soaring prices of timber supplied from the United States have resulted in higher prices of timber and imported plywood, a trend that proved beneficial to the three-month performance of Sojitz Building Materials. The continuation of this trend will be largely dependent on the number of new housing starts seen going forward. As for market prices and other conditions, we unfortunately do not have any information that we can offer today.