

Condensed Transcript of Q&A Session for Financial Results
for the First Half Ended September 30, 2025 (October 30, 2025)

Speakers

- **Kosuke Uemura**, Representative Director, President & CEO
- **Makoto Shibuya**, Representative Director,
Senior Managing Executive Officer, CFO

Questioner 1:

Q:

Earnings are expected to be concentrated in the second half, even as the outlook for base earnings power has been revised downwards. Could you elaborate on the upside factors for the second half?

A (Uemura):

We are currently working to restructure the Automotive Division and the Metals, Mineral Resources & Recycling Division, as well as addressing other unprofitable businesses. In addition, projects we have already invested this fiscal year are expected to begin contributing to earnings from the second half onward. As a result, while our normal profit distribution is roughly 40% in the first half and 60% in the second half, we expect an even greater contribution from the latter half this fiscal year.

Q:

Please explain the structural reform initiatives outlined on page 7 of the presentation materials for financial results. Is there a risk of large-scale losses?

A (Uemura):

Our basic policy is to continue restructuring, downsizing, selling, or exiting unprofitable businesses, in line with our existing direction. At this point, we do not expect any major loss risk. We aim to clarify the direction of structural reforms and set a clear course during the second half of this fiscal year.

A (Shibuya):

Even if losses do occur, we expect them to be within a range that can be offset by other earnings. We remain confident in achieving our full-year net profit forecast of JPY115 billion.

Questioner 2:

Q:

Could you elaborate on the earnings contribution from the rare earths business, and provide an update on the gallium business given the recent U.S.–Australia agreement?

A:

Today's press release on "[Sojitz Begins Import of Heavy Rare Earths from Australia](#) " focuses on medium and heavy rare earths. We built separation and extraction facilities in Malaysia about two years ago, and production has just begun. We are also considering production in Australia, and there was previously a plan for a separation plant in the U.S. around 2021. In any case, such projects require government support, and we have requested assistance not only from Japan, but also from Australia and the U.S.

At this stage, it's too early to discuss the scale of profit contribution, as both supply sources and end users are limited. We are currently responding to domestic demand for light rare earths, covering roughly 70% of Japanese users' needs. However, for medium and heavy rare earths, the secured supply is still insufficient, and we will continue working to close this gap from an economic security standpoint.

Regarding gallium, following the recent signing of the U.S.–Australia critical minerals agreement (covering rare earths and gallium), we have been collaborating with an Australian partner to develop gallium extraction and separation projects in Australia. Technical verification is underway, and we are now considering the possibility of U.S. capital participation. While financial close was initially expected within this fiscal year, the schedule will likely shift to next year due to changes in capital structure.

Q:

Will the Uzbekistan projects contribute to earnings within the current Medium-term Management Plan 2026?

A (Uemura):

Of the projects listed on page 9 of **presentation materials for financial results**, only the gas-fired power generation project is expected to reach the operational stage within the next 18 months. Accordingly, earnings contribution during this period will be limited to that project, while contributions from the others are expected to contribute under the next medium-term management plan.

Questioner 3:

Q:

Next fiscal year will be the final year of Medium-term Management Plan 2026. Will you be able to achieve your targets for core operating cash flow and asset recycling?

A (Shibuya):

With the reduction of losses from the automotive and coking coal businesses through structural reforms, and continued returns from new investments, we believe we can achieve the targets.

Including asset sales related to structural reforms, we anticipate approximately JPY100 billion from

asset recycling.

Q:

Of the JPY5 billion negative impact from tariffs factored into this fiscal year's plan, JPY2 billion affects the Automotive Division. Which segments are affected by the remaining JPY3 billion?

A (Shibuya):

Other segments affected include the Chemicals Division, the Metals, Mineral Resources & Recycling , and the Consumer Industry & Agriculture Business Division, but the total impact is limited to several hundred million yen. The remainder serves as a buffer for underperforming segments.

Questioner 4:

Q:

Please explain the profit structure for the Energy Solutions & Healthcare Division in the second half, and your outlook for next fiscal year.

A (Uemura):

This division generally records stronger earnings in the second half. This year, we expect profit contributions from Capella and gains from asset recycling, including power generation-related assets. Next fiscal year, in addition to these, we are considering investments that will serve as roll-up opportunities in the energy efficiency businesses, which should further expand earnings.

Q:

Regarding the JPY300 billion in new investments planned for next year, could you share examples or the scale of potential projects?

A(Uemura):

While we cannot disclose details, the infrastructure development projects in Uzbekistan, which represents Sojitz Growth Story, are expected to be large in scale. Full-scale earnings contribution will occur under the next medium-term plan, but initial investments will begin within the current one. In addition, the "X investments" introduced at the time of the current med-term plan announcement remain in the pipeline. Combined, we believe executing total investments of JPY300 billion is fully achievable.

Q:

Will profits decline next fiscal year due to a rebound effect from this year's asset recycling gains?

A (Uemura):

We will continue our rotation model, and any temporary decline in recurring earnings from asset sales will be more than offset by returns from new investments. We expect earnings growth to continue.

Questioner 5:

Q:

Please explain the details and scale of asset recycling in the second half. Also, given that base profit has been revised downward, how will you improve earnings heading into next fiscal year?

A (Shibuya):

While we cannot disclose specific transactions, in the Energy Solutions & Healthcare Division, there are businesses that have been held for a certain period and are now ready for sale following value enhancement. The Retail & Consumer Service Division also expects asset recycling involving real estate.

Since gains from these sales are excluded from base profit, the figure appears smaller. Compared to the past, earnings from the coal business have weakened, reducing the apparent base profitability. Over time, we aim to recover it through new businesses and improved gross profit in other areas.

Q:

Regarding the ROE target of 12% set in the current Medium-term Management Plan, you have forecast 11.6% for this fiscal year. Considering the next stage target of 15%, we would like to see ROE exceed 12% next year. Could you share your views on profit growth and capital management toward achieving this?

A (Shibuya):

We are close to achieving the current ROE target of around 12%. Looking ahead to the next stage goal of 15%, rather than focusing primarily adjusting our capital base, we aim to enhance asset efficiency through our business and portfolio strategies. For businesses where it is more effective not to rely heavily on our balance sheet, we are pursuing partnerships with suitable external partners—such as in real estate, marine vessel business, and railcar leasing business. By leveraging our capabilities and co-creating with partners, we aim to expand earnings while improving both profitability and asset efficiency, thereby driving further ROE improvement. Our immediate focus is to firmly exceed 12% under the current med-term plan and steadily move closer to 15% in the next stage.

Q:

You mentioned three segments expecting asset recycling in the second half. Were these originally included in the initial plan, or are they newly added?

A (Shibuya):

Aside from transactions that occur on a regular basis, the only one we had assumed at a certain scale from the beginning of the fiscal year was in the Retail & Consumer Service Division. For the others, execution timing is being determined based on conditions such as negotiations with potential buyers and partner relationships.

Questioner 6:

Q:

Regarding structural reforms for underperforming segments, such as used car sales in Australia and the coking coal business, how far are you prepared to go?

A (Uemura):

As you noted, the underperforming businesses include the Australian used car sales and coking coal business. In the coal business, various issues remain unresolved, and we are considering strategic options for the asset itself. We expect a full year loss roughly twice that of the first half, indicating a difficult recovery.

In the used car business, we have been implementing improvement measures at speed. Through these efforts, we have identified what works and what does not. For areas where improvements have not been realized, we are taking further steps, such as closing stores or exploring other options. We expect to complete the turnaround phase within this fiscal year, although the results will become visible gradually.

Q:

To achieve an average net profit of over JPY120 billion for the three-year period, next year's profit must reach JPY135 billion. Excluding one-off items, current earnings power is about JPY100 billion. What will drive the increase?

A (Shibuya):

First, the JPY300 billion in investments executed or planned by end of FY2025 will contribute an additional JPY7 billion in earnings next fiscal year. The rotation model will add roughly JPY10 billion annually. With improvements in unprofitable businesses—such as reducing losses in the coking coal business and others by JPY5–10 billion— and a recovery in underperforming segments such as fertilizers, we expect additional gains. Combined with contributions from the JPY300 billion in new investments planned for next fiscal year, we believe we can achieve the profit targets set under the Medium-term Plan.

Questioner 7: Q:

How strong is Sojitz's presence in the rare earths business compared with competitors?

A (Uemura):

We hold over 70% share of the domestic sales of light rare earths (neodymium) in Japan, making us the top importer. Other trading companies are not engaged in this business, and the remaining 30% of demand is supplied directly from China. As economic security becomes increasingly important—exemplified by the recent MOU between President Trump and Prime Minister Takaichi on securing non-China supply sources—we will continue to play a key role by establishing new supply routes for

medium and heavy rare earths.

Q:

The Aerospace, Transportation & Infrastructure Division performed strongly in the first half, and the full-year forecast has been raised to JPY17 billion. What drove the strong results, and can the profit level be sustained next year excluding one-off factors?

A (Uemura):

The strong first-half performance was mainly due to gains from the partial sale of our railcar leasing business in the second quarter. Similar to last year's partial sale of our marine vessel business, we transferred part of an existing business to the most suitable external partner. Additionally, defense system-related businesses continued to perform solidly.

Next fiscal year, we aim to achieve roughly the same profit level of JPY17 billion, supported by returns from existing and new investments.

A (Shibuya):

Even without the upward revision, the original target of JPY12.5 billion was well within reach. As Mr Uemura mentioned earlier, both aircraft-related business and defense system-related businesses have grown steadily. Although some businesses, such as the industrial park operations, are affected by sales timing, the division can generate around JPY15 billion in profit from existing businesses. With added contributions from new investments, achieving JPY17 billion is within reach.