Condensed Transcript of Q&A Session for Financial Results

for the Third Quarter Ended December 31, 2025 (February 3, 2026)

Speakers

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Questioner 1:

Q:

Regarding the Automotive Division, if improvements are made in the used car sales business in Australia, is it reasonable to assume that profit growth will become visible heading into next fiscal year? For next fiscal year, should we view the initial forecast for this fiscal year of JPY6.0 billion in net profit as the baseline?

A:

In Latin America, our businesses in Brazil and Panama are steadily generating profits. The North American region is also gradually improving, and we are accumulating profits in regions where we have competitive strengths. Against this backdrop, the used car sales business in Australia and the dealer business in Japan remain in the process of improvement. In Australia, we have been working to improve profitability since the beginning of the fiscal year. While improvements have materialized in Queensland and New South Wales, progress in Victoria has been lagging. Profitability has improved through more selective procurement; however, retail sales volumes have yet to increase. Conditions are gradually improving, and we will make a clear assessment in the next fiscal year. By reviewing the dealer business in Japan and other smaller businesses as well, we believe the division can generate profits of around JPY6.0 billion, which was the initial forecast for this fiscal year.

Q:

Please provide an update on the current status of underperforming businesses, namely the Australian used car sales business and the coking coal business. Is there a risk that losses associated with potential withdrawal could lead to a downside risk to the full-year results?

A:

Regarding the coking coal business, we continue to pursue cost reductions while preparing various response measures. At the Q2 financial results briefing, we explained that we aimed to reach a certain conclusion within this fiscal year; however, the timing may be slightly delayed. We aim to reach a conclusion from this fiscal year into the early part of next fiscal year. As for downside risks from losses related to withdrawal, we are considering measures to offset such impacts and intend to fully cover them within the period of Medium-term Management Plan 2026.

Questioner 2:

Q:

In Q3, earnings excluding one-off items appear weak. If we take earnings power excluding one-off items as the starting point, how should we think about the outlook for next fiscal year?

A:

We recognize that improvements in the Metals, Mineral Resources & Recycling Division and the Automotive Division have been weaker than initially expected. As a factor specific to this fiscal year, the overseas fertilizer businesses in the Consumer Industry & Agriculture Business Division have also been weak; however, some degree of profit fluctuation occurs every year, and we are not particularly concerned. The one-off gains and losses reflected in the results were not recognized to cover earnings shortfalls, but rather represent items that we judged appropriate to exit or address at this time and handled accordingly. We consider the recurring recognition of a certain level of one-off gains to be part of our underlying earnings capability.

Regarding next fiscal year, as explained at the Q2 results briefing, we will accumulate profits through our rotation model, returns from new investments, and improvements in underperforming businesses. The Energy Solutions & Healthcare Division and the Chemicals Division have grown into divisions capable of generating solid earnings, and we are beginning discussions on next fiscal year's outlook with a positive view.

Q:

You announced an investment in the transportation division of UGL. What level of annual return do you expect? In addition, could you comment on the execution certainty and pipeline for the JPY300.0 billion in new investments planned for next fiscal year?

A:

We made the investment decision based on an expected ROI of approximately 7%. As this is an operating business, we do not anticipate significant volatility in earnings. While capturing growth in the Australian market, we aim to further enhance returns. We expect a consolidated earnings contribution of approximately JPY2.0 billion in the next fiscal year. Regarding the investment pipeline, in addition to the JPY300.0 billion planned through this fiscal year, we already have visibility on approximately JPY150.0 billion in concrete opportunities. While our objective is not to fully utilize the JPY600.0 billion investment framework, by steadily securing high-quality projects, we expect total investment execution of approximately JPY450.0–600.0 billion over the three-year period of the Medium-term Management Plan.

Questioner 3:

Q:

Please provide an update on the current status of the Australian coking coal business and progress in improving profitability.

A:

Unfortunately, we have not yet seen significant improvement. In open-cut mining, we continue excavation to prevent low-wall collapses; however, costs tend to increase gradually in open-cut operations, and this has not led to meaningful improvement. We had planned to increase production volumes from underground mining, but progress has not been as expected. In addition, factors such as cyclone impacts have affected operations, and we do not have a strong impression that performance will improve significantly over the full year. Annual production volume is expected to be around 1.25 million tons. Under these circumstances, we are continuing cost reduction efforts, including reducing the number of excavators from three to two to lower fixed costs, while also swiftly considering and implementing future response measures.

Q:

To achieve the Medium-term Management Plan 2026 target of an average net profit of JPY120.0 billion over three years, net profit of JPY135.0 billion will be required next fiscal year. Given that underlying earnings this fiscal year appear to be below JPY100.0 billion, what will be the drivers of profit growth next fiscal year?

A:

We are proceeding with the aim of achieving the three-year average net profit target of JPY120.0 billion under Medium-term Management Plan 2026. Whether underlying earnings should be viewed as JPY100.0 billion depends on how one-off items are defined. As mentioned earlier, we aim to build up earnings toward the JPY135.0 billion level next fiscal year through our rotation model, returns from new investments, and improvements in underperforming businesses. We will steadily achieve our profit targets, including returns from new investments. We also expect a certain level of asset recycling to occur next fiscal year. We will provide a clear explanation of our outlook at the full-year results briefing in May.

Questioner 4:

Q:

You explained that achieving the full-year forecast will be challenging for the Automotive Division and the Consumer Industry & Agriculture Business Division. Which divisions are expected to cover the shortfall from these two divisions?

A:

We expect the Energy Solutions & Healthcare Division and the Chemicals Division to cover a portion of the shortfall.

Q:

We saw a Bloomberg article suggesting that withdrawal from the Australian coking coal business is being considered as one option. How difficult would it be to execute a divestment?

A:

Whether a divestment would be easy depends on the conditions, and we are making various preparations. From that perspective, current market prices do not affect the difficulty of divestment.

Questioner 5:

Q:

What were the factors behind the strong Q3 performance in the Chemicals Division? In addition, how much earnings contribution do you expect from the start of imports of heavy rare earths?

A:

Q3 performance in the Chemicals Division appears weaker on a YoY basis due to the recognition of special dividends in the previous fiscal year; however, Non-consolidated trading performance has steadily improved. As for the rare earths business, we are working to prevent supply chain disruption between suppliers and users. As we do not hold mining interests, this is not a business where profits surge rapidly with rising market prices. Rather, we position it as a business that can generate stable and growing profits as handled volumes increase steadily.

Q:

Could you comment on the current situation, Q4 outlook, and outlook beyond next fiscal year for the transportation vessel asset management business within the Aerospace, Transportation & Infrastructure Division?

A:

In the transportation vessel asset management business, we are recognizing some earnings from the sale and purchase of leased assets. In Q3, we were able to generate such transactions consistently on a quarterly basis, resulting in higher profits than last year. We expect this trend to remain broadly unchanged for the full fiscal year, and we aim to continue steadily accumulating profits from Q4 onward.

Questioner 6:

Q:

Capella contributed JPY0.3 billion in Q3, which seems lower than initially expected. Will this contribution increase going forward?

A:

The Q3 figure is relatively small as we have just begun consolidating Capella’s profits. Based on the projects currently underway, we have an image of approximately JPY3.0 billion in profit contribution on a full-year basis. As we execute projects in the pipeline, we expect profits to accumulate steadily.

Q:

While profitability has improved in Queensland and New South Wales in the Australian used car sales business, performance in Victoria remains weak. Could you explain the reasons for continued overall losses and whether profitability can be improved by next fiscal year while searching for potential buyers?

A:

Queensland has already become profitable, and we are working to replicate this performance in New South Wales and Victoria. In New South Wales, profitability has improved, but volumes have not yet increased sufficiently, leaving results around break-even. In Victoria, we have not yet fully realized the effects of our initiatives. As a result, losses continue on an overall basis. Whether we can increase volumes while maintaining profitability remains a challenge, and we intend to carefully assess this next fiscal year. For now, both management and on-site teams are prioritizing near-term improvements, and if sufficient improvement cannot be achieved, we will need to make a decision. At present, we are focused on procuring vehicles that can be sold reliably, selling through inventory, and increasing turnover to grow both top-line revenue and profits.

Questioner 7:

Q:

Please share your outlook for the defense-related business.

A:

Alongside the expansion of Japan's defense budget, transactions involving defense equipment requested by the government are increasing, and we believe further growth is possible in the coming fiscal years. In addition to Sojitz Aerospace Corporation listed on page 25 of the presentation materials, defense-related business is also expanding at Sojitz Corporation itself. We expect a certain level of profit contribution next fiscal year as well.

Q:

Could you explain the impact of strong demand for data centers on Sojitz's energy-saving service businesses?

A:

At Climatech in Australia, which specializes in services for data centers, the pipeline is steadily expanding and earnings contributions are emerging. While we do not have quantitative data on how much profits from data center-related businesses are increasing, initiatives across our energy-saving service businesses as a whole are steadily expanding.

Questioner 8:

Q:

Why has it been difficult to increase sales in the Australian used car sales business?

A:

We are working to increase sales by reliably procuring vehicles that can be sold, selling them, and improving turnover. However, due to weakness in the Australian used car market, the number of high-quality used vehicles available in the market is limited, making competition with other dealers intense.

Q:

Given that rare earths are contributing to recent share price strength, have you seen actual changes at the operational level, such as users beginning to switch to Australian rare earths due to China's export controls? Has this affected Sojitz's strategy?

A:

As this relates to customer-specific information, we will refrain from commenting. Speaking in general terms, while it is difficult to fully replace all supply, there is demand for diversification of supply chains.