



Masayoshi Fujimoto  
Representative Director,  
President & CEO

# Record-Breaking Earnings Functioning as a Springboard for Future Growth

## Ongoing March Toward Our Next Stage

People cannot grow if they just keep doing the same thing over and over again; they need to constantly tackle new challenges, always looking toward the future. The same can be said of companies. The first medium-term management plan I played a substantive role in formulating was Medium-Term Management Plan 2017, which spanned the years ended March 31, 2016 to 2018. This was when I was still the executive officer responsible for corporate planning. When we announced this plan, we were targeting profit for the year of more than ¥60.0 billion in the year ended March 31, 2018, the final year of the plan. This large step-up from the level of ¥33.1 billion in the year ended March 31, 2015, was to be achieved through growth in earnings from both trading activities and business investments. Unfortunately, we failed in accomplishing this target, only posting ¥56.8 billion in profit in the year ended March 31, 2018. The primary cause behind this failure was an inability to invest in line with our initial intentions, which in turn was a result of our lacking capacities and speed when it came to finding projects. I saw this deficiency as emblematic of a need for fundamental reforms to the Company. After its birth through the merger, Sojitz was in a position in which it needed to restructure its management. We addressed this need by proceeding to build a stable financial base by limiting investments, but this came at the cost of opportunities to acquire new functions and form new networks via business investments. As a result, we found ourselves in a situation in which—even if we sought to ramp up new investment for the purpose of achieving further earnings growth—frontline organizations were unable to find promising projects or were only able to identify projects that were quite small in scale. We were thus unable to achieve the earnings growth we had desired.

**A** For more information, please refer to page 16.

Information on the progress of Medium-Term Management Plan 2023

When I took up the position of president, I implemented a number of measures aimed at encouraging employees to tackle new challenges from a forward-looking perspective. However, Sojitz is lacking in financial muscle in comparison to other general trading companies, which means we cannot compete with our rivals when it comes to money. We are therefore pressed to exercise ingenuity while refining the functions and value that are unique to Sojitz. Since launching these measures, I have been noticing a gradual increase in the scale of the investments proposed to management, and the types of these investments have also been changing. This shift seems to be evident of how these ambition-inspiring measures have come to be embraced by employees. The results of this shift have been witnessed under [Medium-Term Management Plan 2023](#) **A**, the current plan covering the period from the year ended March 31, 2022, to the year ending March 31, 2024. In the year ended March 31, 2023, we posted our second year of record-breaking earnings, and profit for the year surpassed ¥100 billion for the first time in our history, with a figure of ¥111.2 billion. Medium-Term Management Plan 2020, which we announced in 2018, described our goal of eventually achieving profit for the year of more than ¥100 billion. I am incredibly impressed with our ability to actually reach this level a mere five years after this announcement. Now that we achieved this earnings goal, I think it is important for us to develop an even greater appetite for ambition to propel us toward our next stage.

## Accelerated Progress Toward New Growth

The point of common focus of the business models of general trading companies is shifting from upstream manufacturers to downstream consumers in all value chains.



CEO Message

In addition, there have been shifts from low-value and low-profitability midstream businesses, a traditional area of functions for trading companies, toward high-value and high-profitability businesses in upstream or downstream areas. Many may see this as the standard approach toward portfolio reforms by general trading companies as of late. However, we have a different approach. Sojitz looks to expand in both upstream and downstream areas. In other words, we will not simply conduct unrelated investments in high-profitability businesses in upstream or downstream areas; we will look to generate connections between businesses in these areas and branch out from there to invest in a broader range of business fields, thereby refining and strengthening our functions and networks. Furthermore, we will raise the value of the businesses in which we have invested so that these businesses can be used as a ladder to future opportunities. Based on this approach, we have proceeded to make steady investments in the three focus areas defined in Medium-Term Management Plan 2023.

Infrastructure & Healthcare

In the energy solutions field, Sojitz has been leveraging the networks and partnerships with power and gas companies as well as with manufacturers it has formed over the course of its history through interest development, production, and sales of crude oil, gas, and other fossil resources to develop upstream thermal power and renewable energy generation businesses. At the same time, we have been branching out into energy saving service and electricity and gas retail businesses in downstream areas. A short-term perspective will not be sufficient going forward. Rather, we will need to look further toward the future, toward 2030 or even 2050, to formulate various scenarios for the energy supplies of Japan and the world in that future. Based on this outlook, we should then adopt a backcasting approach to determine the types of businesses that Sojitz needs to create. In the past, Sojitz has played a part in helping ensure energy and economic security in Japan and other parts of Asia. With eyes toward realizing a decarbonized society, Sojitz's next target will be the field of next-generation, new energy. The need for such new energy sources is increasing rapidly as transitions to new types of energy are accelerated. In this area, we signed a memorandum of understanding with Sembcorp Industries Limited, a major Singapore-based energy and urban solutions provider, in fall 2022. This agreement calls on both parties to strategically coordinate to develop a wide range of solutions for the infrastructure

and new energy sectors based on the theme of decarbonization. Singapore has declared its target of achieving carbon neutrality by 2050, and the country is aggressively incorporating the development and utilization of new energy into its approach toward achieving this goal. Based on our experience investing in thermal power generation and renewable energy businesses, we understand that success in the new energy field is dependent on the ability to continue to sell electricity and energy produced at a set price over the long term. This is why our strategic partnership with Sembcorp, a government-associated company that has a core role to play in Singapore's energy strategies, is so important. Our ability to form this partnership was the result of Sojitz's history of working together with Sembcorp in Vietnamese thermal power generation businesses for more than two decades. Looking ahead, Sembcorp and Sojitz will complement each other's strengths and provide functions that the other partner might lack as they develop renewable energy, a green hydrogen and ammonia value chain, waste-derived renewable natural gas production, and other new energy field businesses in the Asia Pacific region. Through these businesses, we aim to contribute to industry and society in Japan and other parts of Asia.



Memorandum of understanding signing ceremony with Sembcorp in October 2022

Growth Markets to Be Approached through Market-Oriented Initiatives

In the focus area of growth markets to be approached through market-oriented initiatives, Sojitz is enhancing its seafood product processing value chain. Demand for seafood products may be on the decline in Japan, but global seafood product demand is expected to see substantial long-term growth as a result of rising interest in seafood products in other parts of the world. Our involvement in this field was previously limited to tuna trading. However, we cannot grow the scale of our earnings through such midstream businesses alone. Over the years, we have branched out into upstream areas and into the processing business through our involvement in a frozen tuna processing business in China from 2003 and our entry into the tuna farming business through Sojitz Tuna Farm Takashima Co., Ltd., in 2008. Recognizing that our value chain was still lacking, even with these additions, we chose to expand into the downstream areas of the value chain through the acquisition of The Marine Foods

Corporation and its tuna product processing and sales business in 2022. By coordinating with such downstream areas, we sought to broaden and build upon our operations in this area and thereby achieved further growth. Another addition to our value chain came in March 2023, when we acquired all of the shares of TRY Inc., which boasts functions spanning the procurement, processing, and sales of frozen tuna. This acquisition bolstered our function lineup by introducing the value-added function of domestic processing into our prior functions of tuna farming and overseas processing. We are thus now poised to provide an even more robust lineup of products to Marine Foods' customer base of some 4,000 companies. Given the rise in health consciousness, the global market for seafood products is expected to continue to grow, particularly with regard to venues like sushi-go-rounds and general supermarkets. To capitalize on this growth, Sojitz will combine the respective strengths of these new acquisitions, namely, the customer base of Marine Foods and the high-quality and competitively priced processed seafood products of TRY, with the Company's global network to expand the scale of its earnings.

Materials & Circular Economy

As a general trading company, Sojitz realizes that it is charged with a mission that goes beyond contributing to the development of a circular economy through the effective use of finite resources and the reduction of environmental impacts; we also must procure and realize a reliable long-term supply of the materials that are essential to industries of rising importance, like semiconductors, next-generation batteries, healthcare, and telecommunications. This field features intense competition, and we have thus chosen to exercise scrutiny when it comes to investment. One of the investments conducted based on this approach under the current medium-term management plan was our partnership with eCycle Solutions Inc., Canada's largest collector and processor of resources from urban mines. This investment signaled Sojitz's entry into the electronic component recycling business in the North America market. We were also able to gain footholds that will go a long way toward strengthening the resilience of our rare earths and fluorinated material supply chains in Japan. There were new business areas, but both were areas that we were able to enter thanks to the partnerships and networks with customers with whom we have continued to build trust through our history of providing the basic trading functions of a general trading company. Meanwhile, in regard to fluorinated materials, which have

strong prospects related to next-generation storage batteries and other applications, Sojitz entered into a regional land cooperation agreement with Mexichem Fluor, S.A. de C.V., its Japanese subsidiary Mexichem Fluor Japan Ltd., and Kitakyushu City in Japan's Fukuoka Prefecture, in February 2023. Japan is currently only sourcing fluorinated materials, for which demand is expected to show robust growth going forward, from a very limited range of locations. This situation presents issues in terms of national economic security. Seeking to address these issues, Sojitz has teamed up with Mexichem, with which it has built a strong partnership over more than three decades of trading fluorite, a fluorinated material. By combining Mexichem's fluorite procurement capabilities and fluorinated material business operation experience with Sojitz's business operation expertise and sales network, we aim to heighten the resilience of Japan's fluorinated material supply chain while contributing to the development of the downstream areas of this supply chain.

Furthermore, Sojitz concluded a sole distributor agreement with Lynas Rare Earths Limited of Australia in 2011 regarding the supply of rare earths to Japan. In March 2023, we announced our decision to invest an additional AUD200 million in Lynas for the purpose of securing a supply of rare earths for the Japanese market. In this manner, we continue to build upon the networks formed through our prior business and trading activities to acquire assets in fields that are anticipated to contribute to future earnings.

New Ways Found through Distinctively Sojitz Ingenuity

This approach toward compensating for our lack of financial muscle in comparison to rivals with distinctively Sojitz ingenuity is also being applied to reforming the earnings structures of existing businesses. One example that demonstrates this approach is Meat One Corporation, a joint venture company established by Sojitz Foods Corporation in 2018. We have been engaged in transactions with Cargill, Incorporated, the world's largest grain trader, for more than half a century, and we thus found ourselves pressed with bolstering our ability to sell the meat products offered by this company. However, the ham and sausage manufacturer that held a high share of meat sales in Japan already had a business relationship with other trading companies, meaning that there was not much of a chance for us to increase sales to this company. Instead, Sojitz turned its attention to the meat

CEO Message

processing companies that procure meat through trading companies and other venues to be processed and sold. It was together with a number of these companies that we established Meat One. This move resulted in a dramatic increase in Sojitz’s meat sales capacity. In this manner, Meat One is a clear example of our finding a new way based on distinctively Sojitz ingenuity. Another example can be seen in our automotive dealership business. Other general trading companies deal with Japanese automobile manufacturers. Sojitz, however, focuses on overseas manufacturers, which has allowed us to achieve impressive results by following our own unique path.

[We emphasize a hands-on approach toward operating businesses](#) **B** in order to take full advantage of Sojitz’s ingenuity. This approach is apparent in the case of Saigon Paper Corporation, a Vietnamese papermaker acquired in 2018. The original plan for this acquisition was to grow its industrial paper product business amid the surging demand seen at that time. However, the market took an unexpected turn, which, when combined with the changes to the operating environment, caused demand to plummet and led Saigon Paper to fall into a persistent state of unprofitability. The Sojitz staff stationed at and seconded to this company engaged in close communication with the local staff as they promoted exhaustive inventory management and pursued extensive reductions in costs. There was even a time when I would talk with the local staff and confirm their progress via web conference on a weekly basis. This ongoing process of trial and error allowed us to find a path toward growing Saigon Paper by capitalizing on its position as Vietnam’s market share leader for household paper products. As a result, we expect this company to finally post a profit in the year ending March 31, 2024. Even if things do not go as planned, we do not give up. Quite the contrary, the Sojitz approach is to seek out new ways through ingenuity and to carry out steadfast improvements to achieve results.

Growth of Individuals Driving Growth of Sojitz

Earlier, I mentioned that the scale of investment proposals has been growing. Specifically, during the period of Medium-Term Management Plan 2020, we started conducting investments with scales of more than ¥10.0 billion. Under Medium-Term Management Plan 2023, the scale of investments has risen to surpass ¥20.0 billion and even ¥30.0 billion. I believe that these increases to the

scale of our investments can be attributed to the significant accumulation of business investment experience throughout the organization as well as to the improvement to the financial base and earnings that support these investments. Rather than jumping into a completely new field, we have proceeded to grow the scale of our investments in fields where we already have a track record of success. We have thereby been able to steadily grow our previously small revenue-generating businesses without any substantial failures. Through this process, Sojitz has reinforced its earnings foundations in non-resource businesses, which are relatively resilient to the impacts of operating environment changes. I also have to boast about the steady improvement in our earnings power that we have achieved as a result.

It has been the growth of individuals at the Company that has driven this growth for Sojitz. In recent years, a lot of attention has been directed toward the idea of emphasizing human capital in management. [As a general trading company, there can be no denying that human resources are central to our value creation activities.](#) **C** When I assumed the position of president, one of the first things I did was to revise our human resource evaluation systems. At that time, around 70% of our employees were receiving the mid-rank rating of “B.” This represented a serious issue: employees had become accustomed to the idea that, for better or worse, if they just kept doing the same thing, they could get a rating of “B.” However, if people do not set high targets for themselves and do not work hard in order to surpass these targets, they will not be able to feel as though they are growing and will not be able to pursue further growth. To address this stagnancy in our organization, we revised our evaluation systems to ensure more varied evaluations by predetermining the ratio of employees who would receive each rating. As part of this process, I sought to stress the idea that, even if one is producing results, they should not receive a high rating if they just continue to do the same thing over and over again. I used every opportunity to reiterate the importance of not becoming complacent but instead always looking to the next mountain to be climbed. This ongoing effort has resulted in a gradual change in employee perception.

Another initiative to stimulate the growth of employees was the Hassojitz Project, a new business proposal contest launched in 2019. This contest is designed to make the overall corporate culture at Sojitz more aggressive. The first iteration of this contest was only open to employees who had been at the Company for fewer than 10 years, but the scope of eligibility was expanded in the following

As a springboard toward future growth, shifting our approach toward human resources will be more important than anything.



year. Gradually refining the project with each coming year, we held the fifth iteration of the Hassojitz Project in 2023. Only a handful of the proposed projects are actually made into businesses. Nonetheless, I feel that giving a wider range of employees the opportunity to experience the process of earnestly engaging in business planning to learn the challenges and fun of this process will be a great asset to the future growth of Sojitz.

Shift in Approach Toward Human Resources

Recently, we informed all Sojitz employees that we will be introducing new human resource systems under the next medium-term management plan. The directives for these new systems were forged over an ongoing process of discussion among management that lasted nearly a year. If we are to use our current scale of earnings of ¥100 billion as a springboard toward future growth, shifting our approach toward human resources will be more important than anything. Based on this recognition, we examined the types of human resources and organizations we would need in order to enact our corporate philosophy and realize our vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital. We also looked at what Sojitz would require to continue creating value over the next decade given the massive changes being seen in its workforce, the scale of its investments, and the operating environment. These discussions led us to be reminded of the importance of the fundamentals, namely, ensuring that we can attract diverse employees and provide them with opportunities to

tackle new challenges and grow, and that line managers\* can draw out the potential of individual employees to fuel ongoing value creation by the Company. We have thus defined four themes for human resource systems: earnest interactions between people, self-initiated ambition and growth, development of a new management approach, and data-driven communication. Discussions with employees based on these themes are underway with the goal of launching new human resource systems in April 2024.

Sojitz has an open corporate culture that allows it to utilize the capabilities of younger employees. This is why we are abandoning old conventions like lifetime employment and seniority based on length of service. We thereby aim to shape the new human resource systems through the type of ingenuity that is suited to Sojitz to make these systems our first step toward becoming a company where everyone can find more opportunities to tackle new challenges and grow than at anywhere else. In recent years, we have seen non-Japanese employees recruited straight out of overseas universities exercising their skills in their ideal position at Sojitz. I suspect the time it took them to get used to the unfamiliar culture at a Japanese company felt longer than it needed to, and there were many who left Sojitz before they could become acclimated. Those who remained, however, are now empowered in the value creation initiatives they are advancing in Japan or in their home country. This is the vision I hold for Sojitz as it utilizes diversity as a source of competitiveness.

Of course, we also must recognize that a change in systems will not necessarily equate to a change in the Company. It is therefore imperative that we make employees aware of the fact that they need to be proponents in creating their own opportunities to tackle new challenges

**B** For more information, please refer to page 37.

Examples of hands-on management approach

**C** For more information, please refer to page 58.

Information on human resource strategies





Our purpose will be to create new functions and networks and link businesses with businesses and people with people to generate new value.

and grow. The new systems may not yet be in place, but we have already begun encouraging employees to change their perception and how they act now. I want to build a company where people communicate with their colleagues, inspire one another, and chase their own personal ambitions in order to continue transforming Sojitz and the world, and I too am taking action to drive this change.

\* Line managers: Section managers, general managers, and other managers responsible for steering organizations

Creation of New Value for an Era of Great Change

In the past, I have likened the period of great transformation we are in today to the historic Meiji Restoration that fundamentally changed Japan. The Meiji Restoration was a period of rapid modernization in Japan. Similarly, today we are seeing a fundamental transformation to the values that had been the norm previously. The accelerated digitalization trend and the rising concern for environmental, social, and governance (ESG) issues as well as a number of major global developments, including the COVID-19 pandemic and the war in Ukraine, have overlapped to create a complicated and rapidly changing environment. In this changing environment, our purpose—our role as a general trading company—will be to create new functions and networks and link businesses with businesses and people with people to generate new value. Sojitz’s strength is the tenacity that allows it to transform changes, not into risks, but into opportunities for creating new value, and this is something that we will need to continue to do going forward.

Sojitz has long been involved in the procurement of crude oil, gas, coal, and other conventional fuels. We also

have a history in energy businesses like thermal power generation. Today, however, the operating environment is changing rapidly as a result of the global trends toward decarbonization and decentralization of power sources while the competitive climate is evolving due to a rise in new market participants, and these trends are transforming Sojitz’s role in this area. Under Medium-Term Management Plan 2023, Sojitz commenced a new investment in an energy saving service business. In this business, we have been utilizing the power generation business functions we have developed thus far to provide renewable energy and emissions-free energy solutions in response to the needs of the investee’s customers. In this manner, we are generating value while also contributing to the growth of the investee. This is a prime example of our framing market changes not as risks but rather as opportunities to pursue in the form of innovative initiatives.

Conversely, we cannot become overly attached to businesses in which Sojitz cannot fulfill its purpose. We have a history in condominium and other real estate areas that spans more than half a century. However, the role for Sojitz to play in this business has been diminished, and we thus chose to turn it over to a more suited steward. The operating environment is always changing. Sojitz is committed to transforming change into opportunities, while carefully assessing risks, to boldly lay the groundwork for businesses that will contribute to future earnings. At the same time, we will be decisive in reorganizing and exiting businesses when necessary to transform Sojitz’s business portfolio and thereby accelerate the creation of distinctive value.

During the Meiji Restoration, Sojitz predecessor Suzuki & Co., Ltd., saw the massive upheaval as representing an opportunity to create various businesses, thereby playing

an important role in the development of Japan while growing itself. In the current era of great transformation, Sojitz is pressed to play a role, not as a Japanese general trading company, but as a global general trading company by responding to the needs of the global market to contribute to the development of the world. In 2023, Vietnam and Japan celebrated the 50th anniversary of the start of their diplomatic relationship. Sojitz predecessor Nissho Iwai Corporation was developing crude oil and coal businesses in this country since even before the Vietnam War. In fact, in 1986 Nissho Iwai became the first company from the Western Bloc to receive approval to set up a representative office in Vietnam, creating the foothold it would use to further grow its business in the Vietnamese market. In the years that followed, this company continued to support the economic development of Vietnam through afforestation, fertilizer, industrial park, electricity, and various other businesses. In recent years, Vietnam has been experiencing rapid economic growth. Sojitz has responded by setting up a food product value chain, and the results of these efforts are already beginning to appear. [Going forward, we will continue to strengthen the bonds our forebearers forged with Vietnam.](#) <sup>[D]</sup> At the same time, we will seek to contribute to the development of new areas, as our forebearers did in Vietnam. The world still holds numerous new frontiers for Sojitz to explore.

Transformation Together with the Times to Heighten Corporate Value

Effectively, the only numerical target of Medium-Term Management Plan 2023 that remains unmet is achieving a price-to-book ratio (PBR) of 1.0 times or above. On August 31, 2023, PBR stood at 0.82 times. This figure represents a substantial improvement from the level of 0.60 times on March 31, 2021, and we still aim to raise PBR above 1.0 times.

I have praise for our efforts to improve our external reputation and otherwise reduce cost of capital through the enhancement of non-financial initiatives and information disclosure based on [Sojitz’s value creation process.](#) <sup>[E]</sup> At the moment, discussions among members of management are centered on how to address the rising obsolescence of existing businesses and the new earnings opportunities emerging amid technological progress in the increasingly uncertain operating environment in order to achieve ongoing growth. I have touched on how [Sojitz’s history is a history of transformation.](#) <sup>[F]</sup> We have

sought to respond to the changing operating environment by finding new ways through distinctly Sojitz ingenuity. This pursuit is encapsulated in the Sojitz Group slogan of “New way, New value.” If we can effectively communicate this ability to transform and improve earnings, we should be able to inspire the market to feel a sense of anticipation toward the ongoing growth of Sojitz. I am confident that this process will allow us to reach the milestone of a PBR of above 1.0 times.

Business is all about timing, and we cannot take advantage of the ideal timing if we do not act. Also, even if we do act at the ideal timing, it is only a matter of time before a given business will cease to be relevant. This is something that I have come to know all too well during my long history in the business world. The mission of a general trading company of delivering goods and services where necessary is not about being bound by precedent but rather is one of adopting a market-oriented perspective to determine what goods and services the market needs at any given time. If we go about fulfilling this mission by identifying the functions and networks Sojitz should supply, I am sure that we can find our way. This process of introspection will ensure that Sojitz can continue to transform together with the times, no matter how they may change, in order to keep creating value.

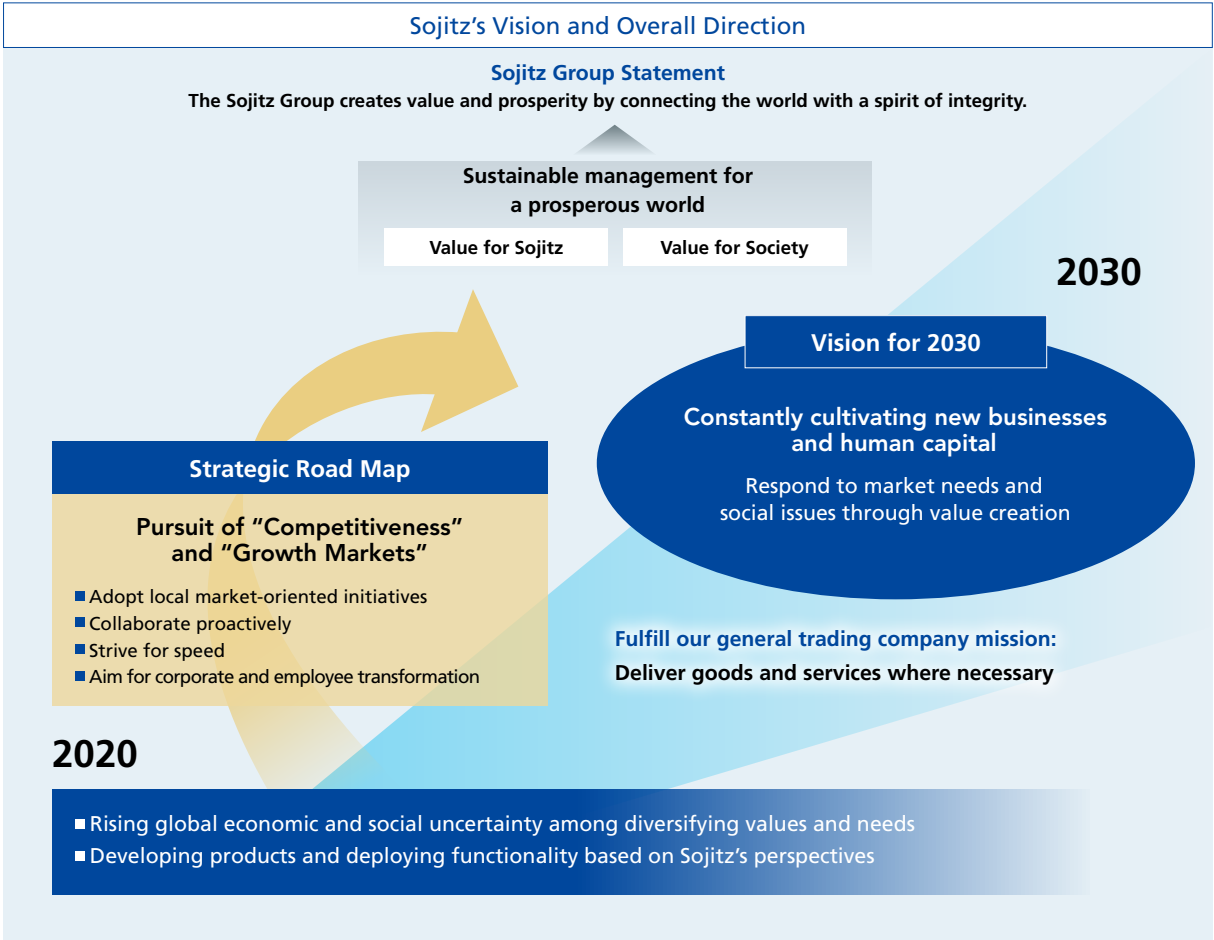
No matter what the decision, the criterion for deciding always comes down to one simple question: Do we have the necessary functions or not? This is why speed is important and why we cannot become complacent and must continue to embark on new ventures. Sojitz is always marching forward to its next stage. We have made the preparation needed to raise Sojitz’s corporate value; all that is left now is to do it. We will continue to share our vision for Sojitz’s next stage with investors and with our various other stakeholders to give them a sense of anticipation, to which we will aspire to live up to. I hope we can look forward to our stakeholders’ ongoing understanding and support as we walk down this path.

September 2023  
Masayoshi Fujimoto  
Representative Director,  
President & CEO

<sup>[D]</sup> For more information, please refer to page 26. Special feature on Sojitz’s business history in Vietnam	<sup>[E]</sup> For more information, please refer to page 21. Information on Sojitz’s value creation process for improving corporate value	<sup>[F]</sup> For more information, please refer to page 2. Information on the history of Sojitz’s predecessors and their business creation initiatives
--	---	---

# Growth Strategies for Becoming a General Trading Company That Constantly Cultivates New Businesses and Human Capital

Medium-Term Management Plan 2023—“Start of the Next Decade,” which was launched in April 2021, has been positioned as our first step, the start of the next decade, toward accomplishing our vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital. Under this plan, Sojitz is moving forward with flexible measures for addressing volatile changes in the operating environment and tackling the management challenges it faces. We were thereby able to achieve record-breaking performance for two consecutive years and record profit for the year in excess of ¥100.0 billion for the first time in the Company’s history. With the exception of price-to-book ratio (PBR) of 1.0 times or above, Sojitz accomplished all of the targets set for the key performance indicators (KPIs) of the plan ahead of schedule. We are nearing the end of Medium-Term Management Plan 2023, the first step toward our vision for 2030. Accordingly, we would like to take a moment to review this plan with eyes to the next three-year period and to the future that lies beyond that.



## Sojitz’s History of Transforming Management Strategies While Overcoming Adversity and Failure

### 01 Improvement of Financial Position and Reorganization of Unprofitable Businesses

Sojitz was established in April 2004 through the merger of Nichimen Corporation and Nissho Iwai Corporation. In the year ended March 31, 2005, immediately after the merger, a massive impairment loss of around ¥400.0 billion was recorded for the purpose of improving the health of our asset portfolio. At the same time, the Company undertook large-scale equity financing with the goal of recovering its equity. The Company also employed a debt equity swap to reduce interest-bearing debt to around ¥1 trillion. As a result, total equity stood at ¥280.0 billion on March 31, 2005, while net debt equity ratio (DER) was at an incredibly high 3.58 times. It was thus clear that the top priority for management was to improve the Company’s financial position and continue to reorganize unprofitable businesses.

### 02 Pursuit of Growth with a Healthy Financial Base

Due in part to the benefits of ongoing asset replacement and favorable commodity market conditions, Sojitz was able to grow to the point that it was able to break previous performance records in the year ended March 31, 2008. However, the 2008 financial crisis followed by the 2011 Great East Japan Earthquake triggered a downturn in performance and placed Sojitz in a position in which it once again needed to reform its management structures. We thus proceeded to revise our asset portfolios and risk management systems coupled with reforming earnings structures and emphasizing a well-managed balance sheet as our top priority. This approach inspired the Company to always tackle the issues immediately at hand, even in the event of failure, to ensure that past failures were not carried forward and to prevent future losses. This experience forged the management foundations that Sojitz has continued to value to this day.

Over the years that followed, we made steady progress in

our medium-term management plans, maintaining profitability for seven consecutive years. This impressive performance was a result of our resolute adherence to our central management tenets of disciplined financial management, ongoing asset replacement for improving resilience to operating environment and market fluctuations, and creation and growth of clusters of revenue-generating businesses. The start of the COVID-19 pandemic in 2020 adversely impacted our earnings, but the steady efforts we had advanced to improve financial health up until that point made it possible for us to continue to make notable progress in efforts toward reforming our asset portfolio as necessary in order to support structural reforms and facilitate the shift toward a decarbonized society. Through these efforts, we found ourselves with the foundations necessary for undertaking a massive shift toward ongoing initiatives targeting growth when it came time to formulate Medium-Term Management Plan 2023.

Growth Strategies for Becoming a General Trading Company That Constantly Cultivates New Businesses and Human Capital

03 Backcasting Approach Beginning with 2030 Vision to Position Medium-Term Management Plan 2023 for the Leap Toward Further Growth

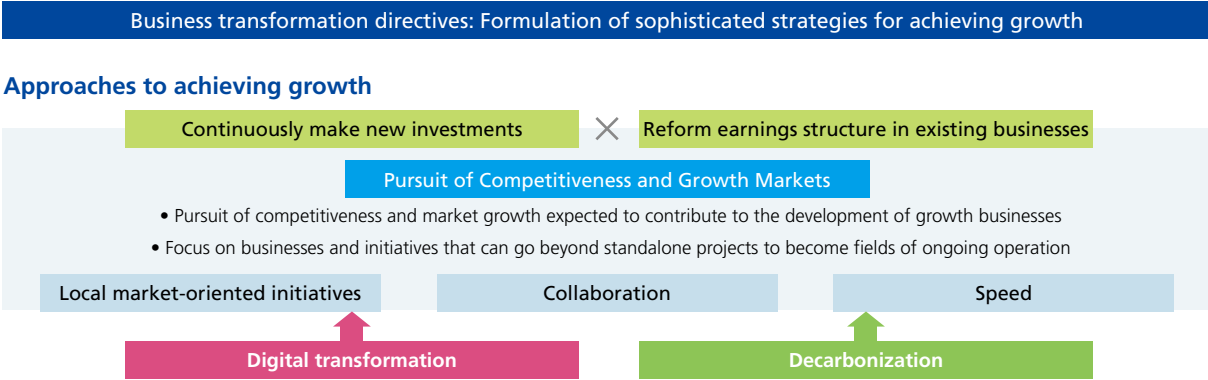
Medium-Term Management Plan 2023 was formulated by using a backcasting approach beginning with our vision for 2030. The groundwork for this plan was laid through a series of in-depth discussions at the intensive discussion session for management\*1 on how Sojitz can continue to provide value in the increasingly uncertain operating environment. Through this examination, it was determined that Sojitz would need to enhance its competitiveness via policies emphasizing **local market-oriented initiatives**, **collaboration**, and **speed**.

This approach is meant to drive Sojitz to continue growing and creating value through ongoing new investments and the reformation of earnings structures in existing businesses. At the same time, **the smiling curve is growing sharper as a result of the digitalization trend**, which means that general trading companies will have to continue to propose more multifaceted and sophisticated functions in the future. We plan to address this need through a strategy of investing in both the upstream and downstream areas of the value chain

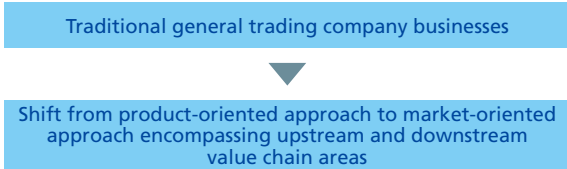
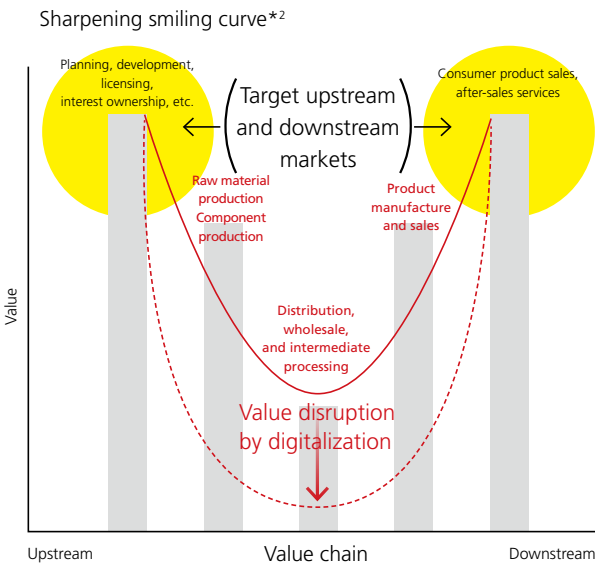
in order to continue creating value in the future.

Beginning with Medium-Term Management Plan 2017, Sojitz has continued to invest around ¥300.0 billion over the three-year period of each of its medium-term management plans. We started largely with specifically targeted investment as well as investments in projects focused on creating value. Under Medium-Term Management Plan 2023, however, we have been branching out and building upon individual investments to develop our operations with a greater sense of scope. Examples of such expansion include our domestic and overseas seafood product business, retail operations in Vietnam, and infrastructure and energy-related businesses. This approach has enabled us to make steady investments in growth from a more medium- to long-term perspective.

\*1 Overnight management retreat seeing participation from outside directors, other members of senior management, and the heads of business and functional divisions



Policies and Measures for Securing Competitiveness



Supplying the value sought by consumers in downstream areas of the value chain is becoming an increasingly important part of our business. The smiling curve is expected to grow increasingly sharper as manufacturers seek to bypass intermediaries by selling their products directly and as generative AI and other digital technologies disrupt traditional value propositions.

\*2 A graphical depiction of how value is added across value chains that illustrates how greater value is added in more upstream and downstream areas while midstream areas tend to add less value

Growth Strategies for Creating Value

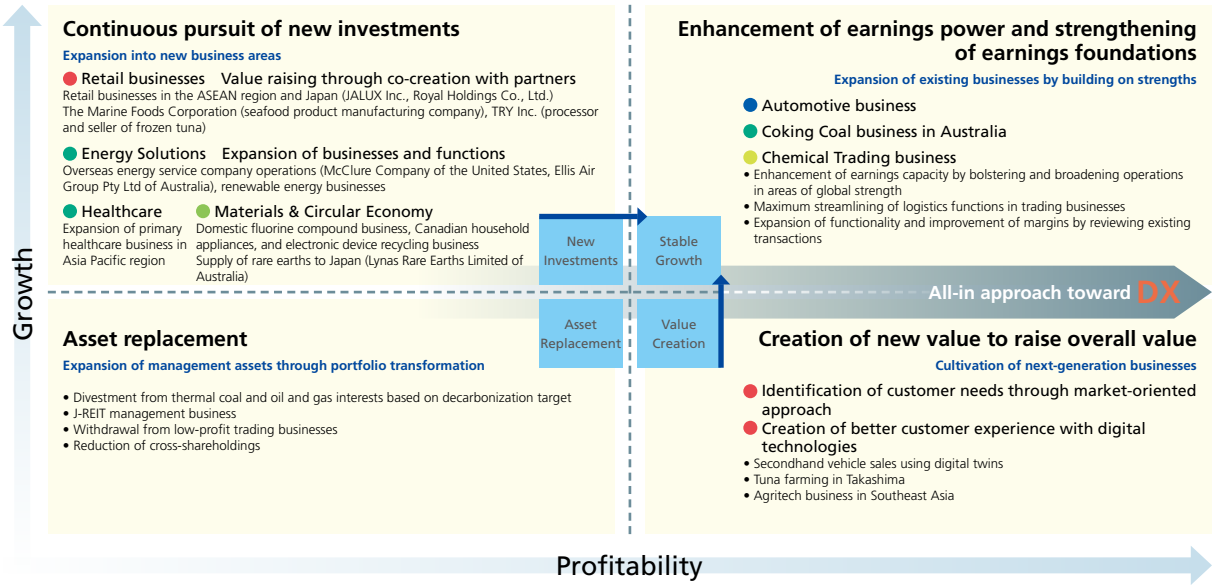


Focus Areas of Medium-Term Management Plan 2023

	Infrastructure & Healthcare	Growth Markets to Be Approached through Market-Oriented Initiatives	Materials & Circular Economy
	Develop essential infrastructure and provide services as a social mission	Strengthen efforts in retail areas in growth markets such as ASEAN and India	Deepen the 3R (Reduce, Reuse, Recycle) businesses
Investments in FY2021~2022	¥104.0 billion	¥86.0 billion	¥10.0 billion
Upward revision to investment target for Medium-Term Management Plan 2023 from initial ¥300.0 billion plus ¥30.0 billion in non-financial investments to ¥500.0 billion instituted in May 2023			

Acceleration of Business Portfolio Transformation

Sojitz is transforming its business portfolio with the aim of generating a cycle of ongoing value creation through the reinforcement and transformation of its operating foundation. One approach toward this task will be new investments in focus and other areas. At the same time, we are introducing new value into existing businesses in accordance with their business phase while advancing asset replacement to improve the value of our overall portfolio.



Business Model Characteristics

Characteristics of General Trading Companies	Strengths of Sojitz
<ul style="list-style-type: none"><li>• Diverse business portfolios and broad-ranging business domains allowing for dispersion of risks associated with changes in specific markets or economies</li><li>• Networks comprising partnerships with customers and business counterparties around the world created through global business development</li><li>• Wealth of insight and information for taking advantage of new business opportunities regardless of field</li><li>• Management employee base with expertise in varied fields capable of excelling on the global stage</li></ul>	<ul style="list-style-type: none"><li>• Healthy management approach based on experience with past management restructuring</li><li>• Human resources capable of creating new businesses based on ideas and ingenuity for addressing customer and market needs</li><li>• Free and open corporate culture founded on speed and flexibility, taking advantage of Sojitz's size</li><li>• Current phase of steady growth from a medium- to long-term perspective given the short history as a general trading company</li></ul>



Growth Strategies for Becoming a General Trading Company That Constantly Cultivates New Businesses and Human Capital

04 Pursuit of New Growth Having Accomplished Nearly All Targets of Medium-Term Management Plan 2023 Ahead of Schedule

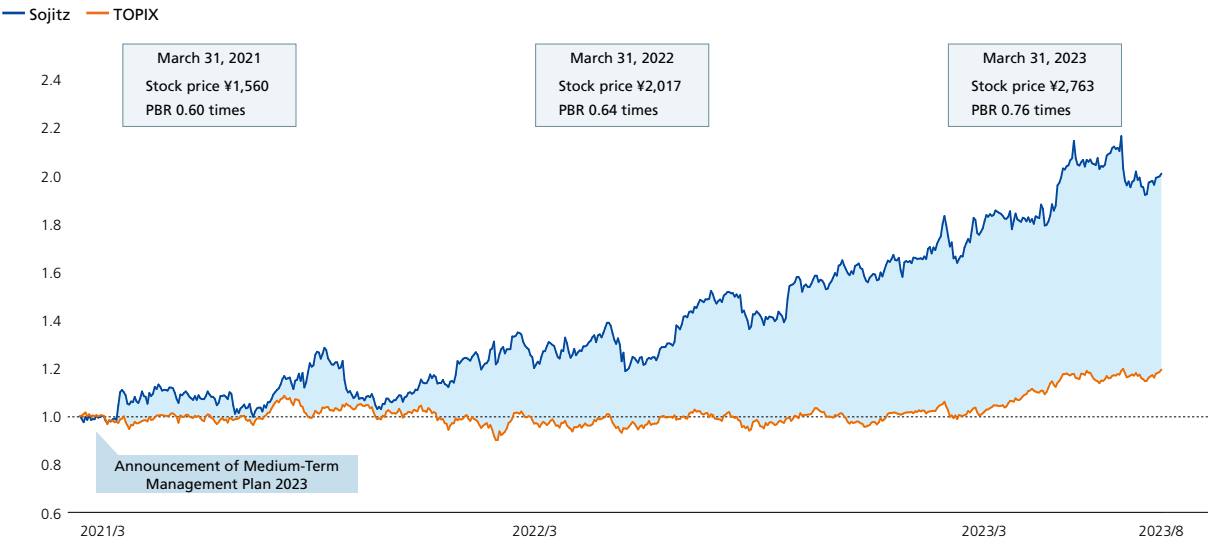
Sojitz has accomplished all of the targets initially set for the KPIs of Medium-Term Management Plan 2023, with the exception of the PBR target of 1.0 times or above. Accordingly, discussions are currently underway assuming that we will be starting the next medium-term management plan with the ability to generate profit for the year of more than ¥100.0 billion with a view to the next growth stage. Meanwhile, we are working to achieve the remaining goal of PBR of 1.0 times or above and to further improve corporate value through ongoing engagement with the stock market based on our value creation process. Sojitz is advancing steady growth measures to prepare for further growth in the future as it marches ahead with the creation of distinctive value.

Quantitative Targets and Results

		FY2021	FY2022	Medium-Term Management Plan 2023 Targets	Period
Increased Shareholder Value	ROE	12.2%	14.2%	10% or above	Three-year average
	Profit for the year (attributable to owners of the Company)	¥82.3 billion	¥111.2 billion	Approx. ¥65.0 billion	Three-year average
	Core operating cash flow*1	¥128.7 billion	¥145.2 billion	Approx. ¥80.0 billion	Three-year average
	Consolidated payout ratio	30.1% Annual dividends: ¥106 per share*2 (Up ¥56 year on year)	27.0% Annual dividends: ¥130 per share (Up ¥24 year on year)	Approx. 30% Lower limit for dividends set	Three-year average
Growth and Financial Discipline	PBR	0.64 times	0.76 times	1.0 times or above	—
	Investments	¥150.0 billion	¥93.0 billion	¥330.0 billion (Including ¥30.0 billion in non-financial investments) → Upward revision to ¥500.0 billion	Three-year aggregate
	Core cash flow*3	¥10.5 billion	¥136.0 billion	Positive over period encompassing	Medium-Term Management Plan 2020 and 2023 aggregate
	Net DER	1.06 times	0.75 times	Approx. 1.0 times	—
	ROA	3.3%	4.2%	3.0% or above	Final year of Medium-Term Management Plan 2023

\*1 Core operating cash flow = Net cash provided by (used in) operating activities (as calculated for accounting purposes) – Changes in working capital  
\*2 Effective October 1, 2021, the Company performed a one-for-five share consolidation. Figures for dividend payments issued for the year ended March 31, 2022, have been restated to reflect this share consolidation.  
\*3 Core cash flow = Core operating cash flow + Post-adjustment net cash provided by (used in) investing activities – Dividends paid – Purchase of treasury stock (Post-adjustment net cash provided by (used in) investing activities is net cash provided by (used in) investing activities after adjustment for changes in long-term operating assets, etc.)

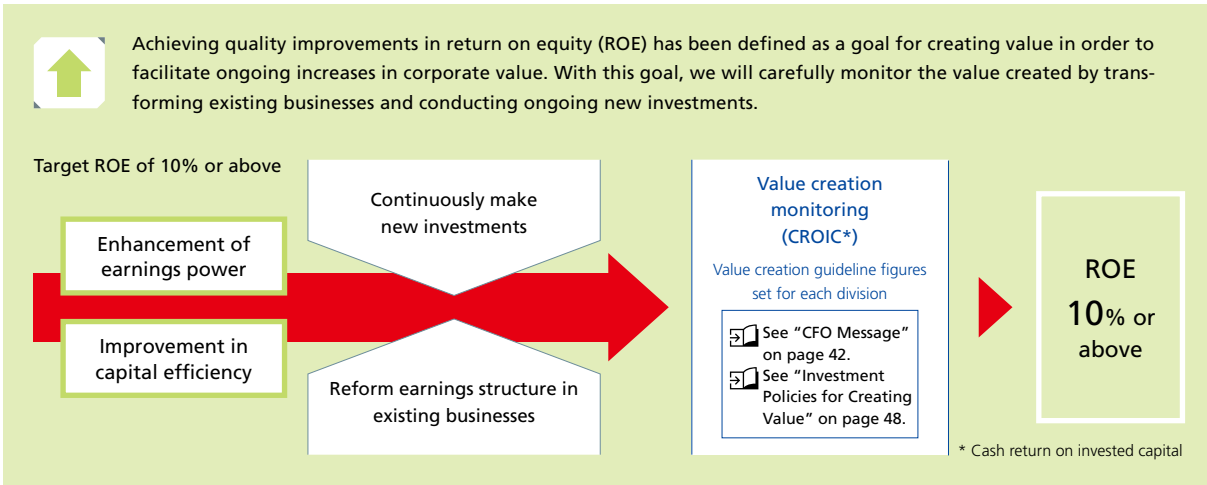
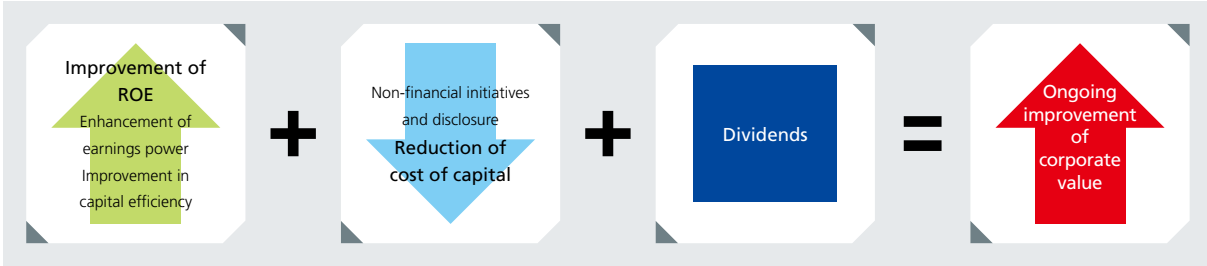
Stock Prices



Note: Closing prices on March 31, 2021, indexed to 1.0

Sojitz’s Value Creation Process

Sojitz is targeting a level of 1.0 times or above for the price-to-book ratio (PBR), an indicator that represents the stock market’s evaluation of its corporate value. We will pursue this target by expanding our equity spread and enhancing non-financial initiatives and disclosure. At the same time, Sojitz will work toward the ongoing improvement of corporate value through the enhancement of earnings power and the reduction of cost of capital.



Reductions in cost of capital contribute to the ongoing creation of value. We will pursue such reductions in cost of capital by enhancing disclosure of financial information while also increasing non-financial initiatives and enhancing related disclosure.

**Sustainability**

See “Sustainability” on page 50.

**Human Resource Strategies**

See “Sojitz’s Unique Approach Toward Human Capital Management” on page 58.

See “Digital Transformation for Accelerating Value Creation” on page 70.

**Corporate Governance**

See “Corporate Governance Supporting Value Creation Strategy” on page 73.

**Dividends**

It is Sojitz’s basic policy to pay stable, continuous dividends while enhancing shareholder value through the accumulation and effective use of retained earnings. In accordance with this policy, we are targeting a consolidated payout ratio of approximately 30% under Medium-Term Management Plan 2023.

In addition, under the plan we will target a market price-based dividend on equity ratio (DOE) of 4% until our PBR reaches 1.0 times, and a book value-based DOE of 4% after this level has been reached.

See “CFO Message” on page 42.

## Growth Strategies for Becoming a General Trading Company That Constantly Cultivates New Businesses and Human Capital

# Enhancement of Non-Financial Initiatives and Disclosure to Reduce Cost of Capital

Message from the COO of the IR Office, Corporate Sustainability Department



In the spring of 2021, Sojitz unveiled Medium-Term Management Plan 2023, which contained the target of achieving a PBR of 1.0 times or above. Since launching this plan, we have seen substantial changes in how the stock market views Japanese stocks, general trading companies, and Sojitz itself. At the time of formulating the plan, however, there was a lot of discussion within the Company on the appropriateness of setting a quantitative target that is influenced by the stock market's appraisal of us, something that we cannot control. Through these discussions, we judged that we could not ignore the fact that Sojitz was below liquidation value, which led us to the decision to put forth the target of PBR of 1.0 times or above as a symbol of the strong commitment of management to pursue ongoing improvements in corporate value. In my capacity as the COO of the IR Office, I have been trying to contribute to the accomplishment of this goal by enhancing disclosure of our initiatives for maximizing equity spread and reducing cost of capital. I have also been engaged in ongoing

discussions with the market. Medium-Term Management Plan 2023 was formulated by using a backcasting approach beginning with our vision for 2030. We thereby sought to craft a medium- to long-term growth narrative for Sojitz, with a strong emphasis on value creation, and efforts have been made to clearly communicate the results of these measures and the frameworks used for measuring our progress. I believe that this approach has led to even more extensive discussion with investors following the announcement of the plan. We have not been limiting ourselves purely to discussions of our business. Rather, I have been noticing an increase in investors' understanding of Sojitz management strategies in comprehensive terms, which includes the non-financial initiatives that influence the future of our finances. This does not mean that there are no issues for us to address. For example, I think there is a need for us to better explain the returns and ongoing growth generated from the investments conducted over the past two years. These investments have been fueled by bold asset replacement in our business portfolio and the allocation of resources to our three focus areas. Such communication is sure to foster a sense of anticipation with regard to Sojitz's approach toward transformation while providing value for society and improving corporate value. Recently, I was talking with a major European institutional investor, and we got to the idea that the best relationship between companies and investors is a co-creative one in which they work together to create value. I am happy to say that I have had the opportunity to meet with a much wider range of domestic and overseas investors as of late. This is certainly a result of our earnest efforts to communicate the path of Sojitz's transformation to the market.

I look forward to continuing to inform the market of Sojitz's steady value creation efforts in the future.

### Function of Integrated Reports

Enhancement of engagement by utilizing a narrative approach to evolve integrated reports into "corporate value reports"

#### ■ Preparation of Integrated Reports

- Analysis of prior reports, issues, and potential improvements
- Fostering of mutual understanding through cross-organizational projects using integrated reports as disclosure platforms

#### ■ Communication of Feedback to Management Based on Integrated Thinking Approach

- Clarification of long-term approach toward sustainable corporate activities (business models)
- Examination of strategies and resource allocations
- Formulation of KPIs and frameworks for monitoring strategy progress
- Tracking and analysis of results



#### ■ Engagement

- Tools for engagement with new and existing shareholders and other investors
- Enhancement of corporate communication
- Identification of strengths and areas requiring improvement based on feedback and evaluation from readers
- Provision of feedback to management
- Reflection of input in disclosure measures and engagement activities

### Integrated Reports Communicating Course of Medium-Term Management Plan 2023



#### Integrated Report 2021

communicates the results of Sojitz's ongoing transformation efforts as well as its commitment to growth through future transformation based on its vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital.



#### Integrated Report 2022

details Sojitz's transition to a new stage in which it can conduct larger investments and its steady progress toward its vision for 2030.