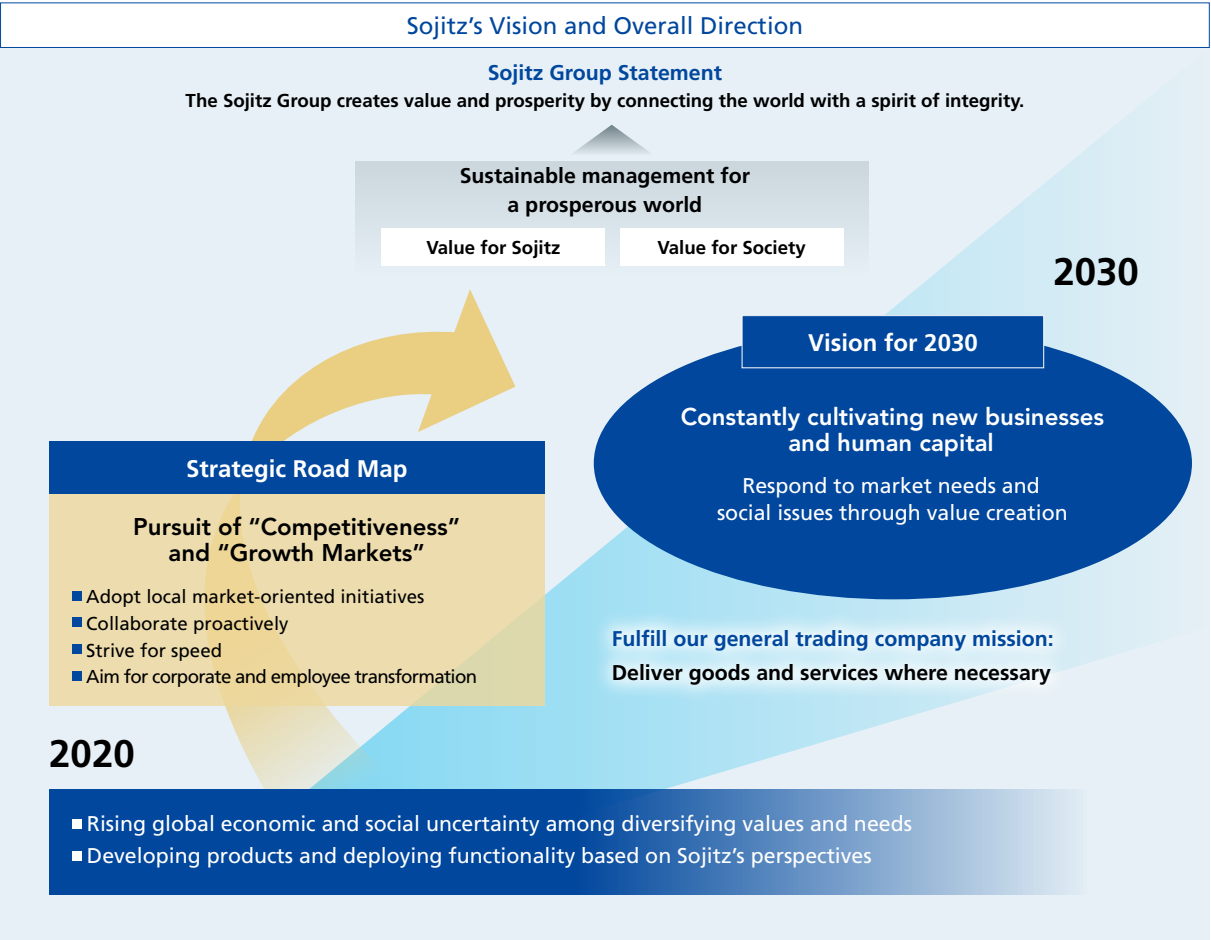


# Growth Strategies for Becoming a General Trading Company That Constantly Cultivates New Businesses and Human Capital

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

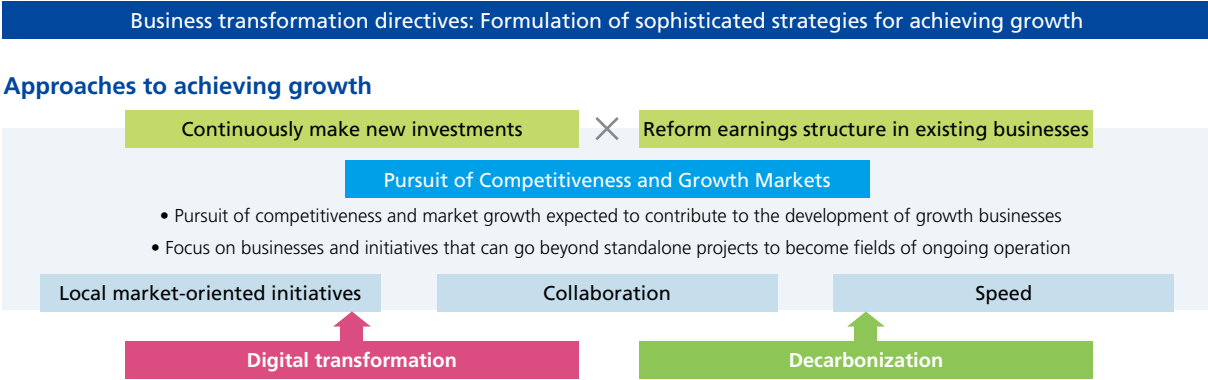
Medium-Term Management Plan 2023 was formulated by using a backcasting approach beginning with our vision for 2030. The groundwork for this plan was laid through a series of in-depth discussions at the intensive discussion session for management\*1 on how Sojitz can continue to provide value in the increasingly 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

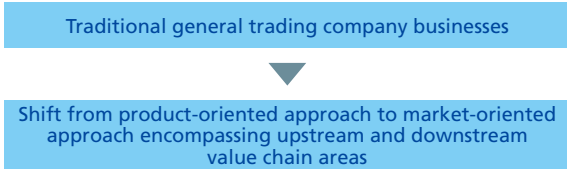
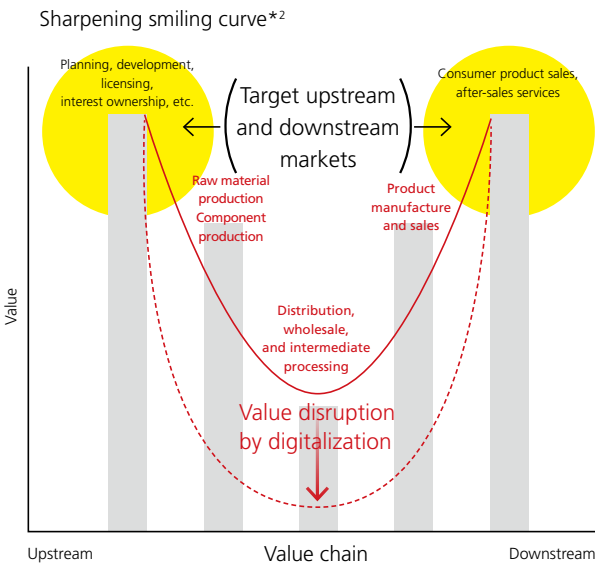
in order to continue creating value in the future.

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

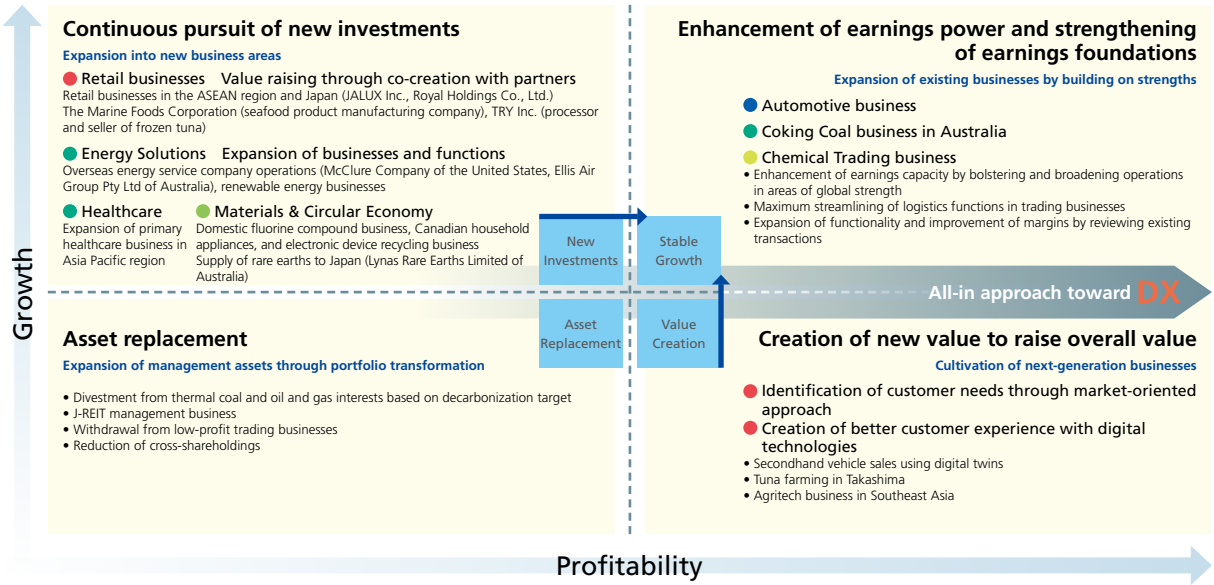


Focus Areas of Medium-Term Management Plan 2023

	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

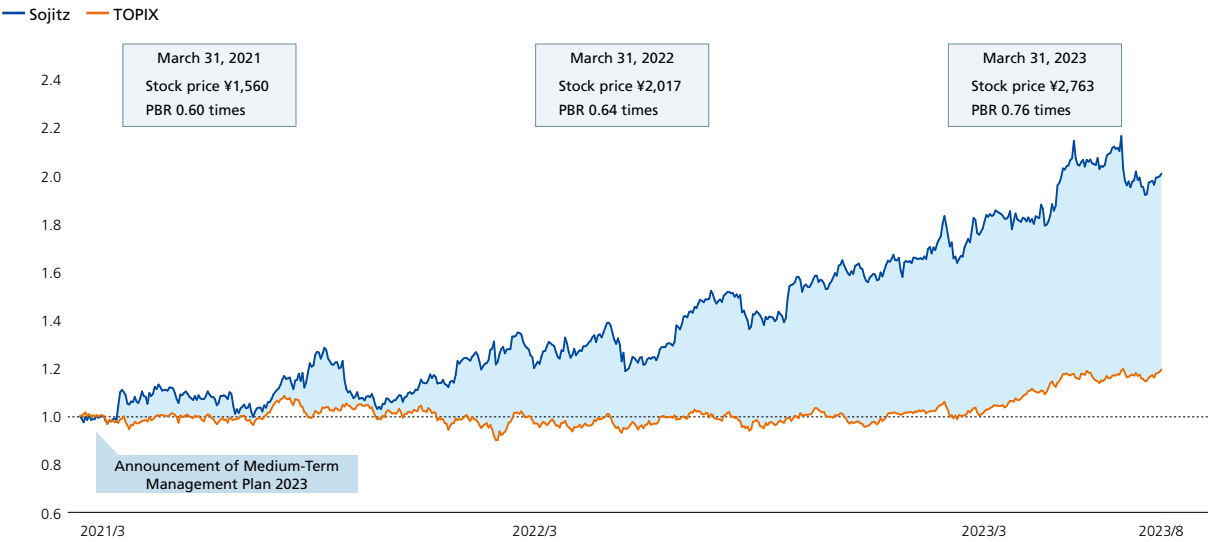
Sojitz has accomplished all of the targets initially set for the KPIs of Medium-Term Management Plan 2023, with the exception of the PBR target of 1.0 times or above. Accordingly, discussions are currently underway assuming that we will be starting the next medium-term management plan with the ability 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.)

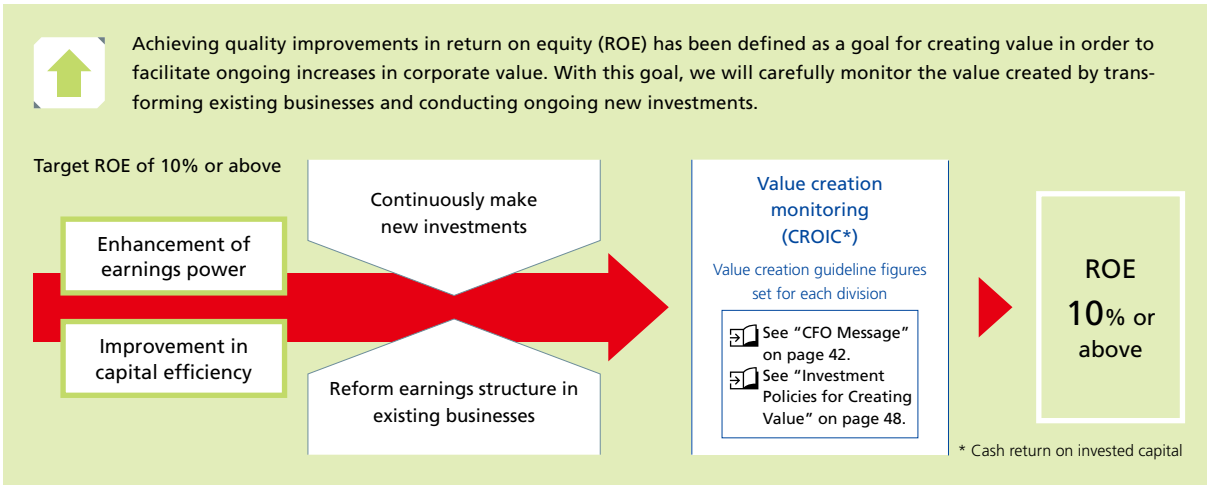
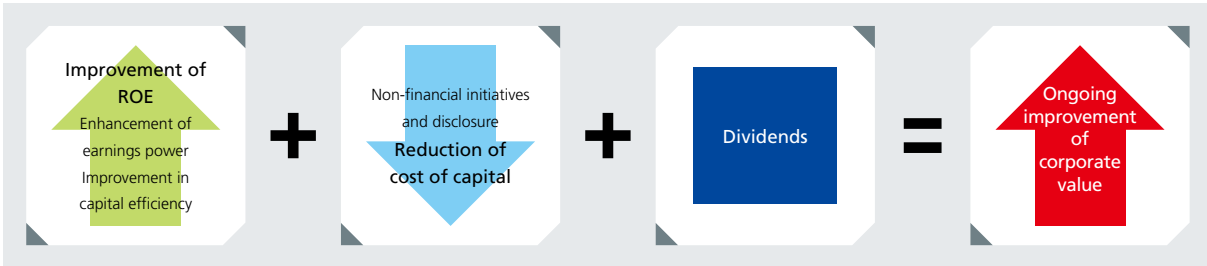
Stock Prices



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.