

Hassojitz



Financial Results for the First Half Ended September 30, 2020

**October 30, 2020
Sojitz Corporation**

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FY2020 2Q Summary

- Consistently challenging operating environment despite moves to lift restrictions on movement of people and commodities imposed in response to COVID-19 pandemic and to restart economic activities
- First half performance representing progress of 30% toward full-year forecast with degree of progress varying between segment

(Billions of Yen)	FY2019 2Q Results	FY2020 2Q Results	FY2020 Revised Forecast (Oct. 30, 2020)	Achieved
Profit for the period (attributable to owners of the Company)	60.8	9.1	30.0	30%
ROA	2.7%	-	1.3%	-
ROE	10.2%	-	5.1%	-
NET DER (times)	1.06	0.93	1.1	-

- Decided interim dividend of ¥5 per share as planned
Unchanged annual dividend of ¥10 per share to be issued as planned
Consolidated payout ratio of 40.0%

- Today, we will be looking at the performance of Sojitz Corporation in the six-month period ended September 30, 2020.
- Profit for the period (attributable to owners of the Company) in the six-month period represented progress of 30% toward the full-year forecast of ¥30.0 billion for profit for the year (attributable to owners of the Company).
- There were moves to lift the limitations imposed on the movement of people and commodities as a result of the global COVID-19 pandemic and to restart economic activities. However, conditions have not recovered to level prior to the pandemic, and there remains concern for potential stagnancy in the global economy as a result of a second wave of COVID-19.
- The outlook for the second half of the fiscal year ending March 31, 2021, is uncertain, and we anticipate the continuation of a difficult operating environment. Factors behind this outlook include the U.S. presidential election, the intensifying U.S.-China conflict, and the potential for future restrictions being imposed in overseas countries in response to the COVID-19 pandemic.
- In this environment, the degree of progress toward targets has varied between regions and countries. However, we have chosen not to revise our full-year forecast of ¥30.0 billion for profit for the year (attributable to owners of the Company).
- We will look at performance by segment in more depth later on.
- In addition, an interim dividend of ¥ 5 per share will be issued as planned, and there is no change to our plan to issue full-year dividends of ¥10 per share.

Summary of Profit or Loss (Profit for the period by segment)

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Revisions to full-year forecasts for Machinery & Medical Infrastructure, Foods & Agriculture Business, Aerospace & Transportation Project, Retail & Lifestyle Business Division based on the progress by the first half ended September 30, 2020

(Billions of Yen)	FY2020 2Q Results	FY2020 Revised Forecast (Aug. 4, 2020)	Achieved	FY2020 Revised Forecast (Oct. 30, 2020)	Achieved
Profit for the period (attributable to owners of the Company)	9.1	30.0	30%	30.0	30%
Automotive	▲1.6	1.0	-%	1.0	-%
Aerospace & Transportation Project	▲0.3	6.0	-%	5.0	-%
Machinery & Medical Infrastructure	2.2	3.5	63%	4.5	49%
Energy & Social Infrastructure	1.7	3.5	49%	3.5	49%
Metals & Mineral Resources	▲2.0	3.0	-%	3.0	-%
Chemicals	1.3	5.0	26%	5.0	26%
Foods & Agriculture Business	4.3	3.0	143%	4.5	96%
Retail & Lifestyle Business	2.6	5.5	47%	4.0	65%
Industrial Infrastructure & Urban Development	▲0.6	0.5	-%	0.5	-%

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- Full-year forecasts for performance in certain segments have been revised based on performance in the six-month period ended September 30, 2020.
- In the Aerospace & Transportation Project Division, the forecast for profit for the year (attributable to owners of the Company) was reduced from ¥6.0 billion to ¥5.0 billion to reflect the lower air travel-related demand resulted from persisting travel restrictions as well as the impacts of delays railway projects in India stemming from lockdowns.
- In the Retail & Lifestyle Business Division, we expect to feel the impacts of commercial facilities and store closures attributable to the COVID-19 pandemic while also seeing a prolonged downturn in the domestic demand. The forecast for profit for the year (attributable to owners of the Company) was lowered from ¥5.5 billion to ¥4.0 billion to account for these impacts.
- The forecast for profit for the year (attributable to owners of the Company) in the Machinery & Medical Infrastructure Division was increased from ¥3.5 billion to ¥4.5 billion out of reflection of the strong first-half performance that was achieved thanks to industrial machinery transactions to China.
- Similarly, the forecast for the Foods & Agriculture Business Division was raised from ¥3.0 billion to ¥4.5 billion out of consideration for firm first-half progress in overseas fertilizer businesses.

Effects of COVID-19

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Main Businesses	Conditions Leading up to First half	Assumptions for Second half
<p>■ Automotive</p>	<p>Single-month profitability achieved in July 2020 Augmentation of online sales measures in U.S. automotive dealership businesses</p>	<p>Augmentation of sales activities in conjunction with gradual demand recovery</p>
<p>■ Aerospace</p>	<p>Reduced demand due to prolonged international travel restrictions</p>	<p>Impacts expected from lower air travel-related demand and construction delays in railroad projects stemming from lockdowns</p>
<p>■ Material (Steel)</p>	<p>Caution warranted with regard to coal and other resource prices, despite gradual recovery in stagnant steel demand</p>	<p>Recovery of steel demand and impacts from coal market conditions projected</p>
<p>■ Material (Chemical)</p>	<p>Moderate recovery in resin and methanol prices Continuation of firm economic conditions in China</p>	<p>Strong Chinese economic conditions and earnings contributions from methanol businesses anticipated</p>
<p>■ Retail (Consumer Products etc.)</p>	<p>Gradual recovery of demand following closures of commercial facilities and stores seen due to lockdowns seen around the world</p>	<p>Reflection of stagnation in domestic consumption</p>

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- On this slide, you will see the how the COVID-19 pandemic impacted first-half performance and the assumptions on which second-half performance forecasts are based.
- A by-segment analysis has been made available that can be viewed later.
- SG&A have been reduced as planned.
- In the second half of the fiscal year, we anticipate that movement restrictions will be alleviated and that costs will rise slightly on a first half of the year. We are, of course, committed to limiting costs to the greatest degree possible.
- At the moment, we are seeing moves toward reinstating lockdowns in European countries in response to second waves of COVID-19. However, we currently believe that the second waves in Europe will not have a large direct impact on Sojitz's performance. Nevertheless, we will need to monitor this situation carefully.

Cash Flow Management

Positive three-year aggregate FCF and core cash flow
 Funding to be secured using on-hand funds as well as long-term commitment lines
 denominated in yen and other currencies

	FY2018- FY2019 Results	FY2020 2Q Results	MTP 2020 3-year total (FY2018-FY2020)
Core operating cash flow (*1)	¥159.0 bn	¥21.0 bn	About ¥200.0 bn
Asset Replacement (Investment recovery)	¥127.0 bn	¥23.5 bn	About ¥200.0 bn
New investments and loans others	¥(172.0) bn	¥(19.0) bn	About ¥(260.0) bn
Shareholder Returns others (*2)	¥(50.0) bn	¥(15.5) bn	About ¥(70.0) bn
Core cash flow (*3)	¥64.0 bn	¥10.0 bn	Positive
Free cash flow	¥59.0 bn	¥92.5 bn	Positive

*1. Core operating cash flow = Cash flow after deducting changes in working capital from operating cash flows calculated for accounting purposes

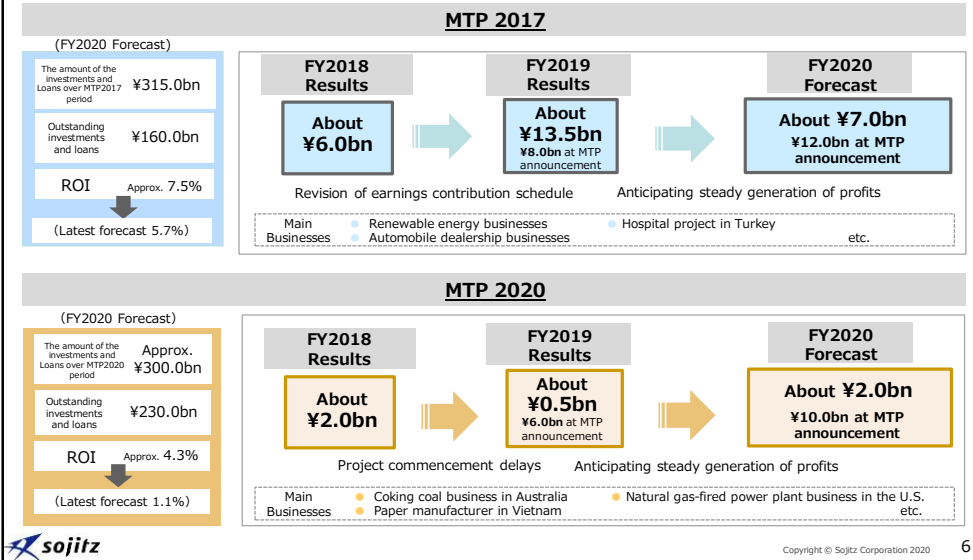
*2. Include acquisition of treasury stock

*3. Core cash flow = Core operating cash flow (excluding changes in working capital) + Investing cash flow (including asset replacement)
 - Dividends paid - Purchase of treasury stock

- Next, I would like to talk about our cash flow management.
- Core cash flow was in the positive in the six-month period ended September 30, 2020, and we look to maintain a positive core cash flow on an aggregate basis over the three-year period of MTP 2020.
- Our forecasts going forward are as shown on this slide. There has been no change to our goal of maintaining a positive three-year aggregate core cash flow.
- Sojitz is committed to achieving steady growth under the current MTP.
- Investments and loans in the year ending March 31, 2021, are projected to amount to ¥90.0 billion.
- The forecast for total investments and loans over the three-year period of the MTP 2020 is ¥260.0 billion, of which a total of ¥240.0 billion worth of investments and loans have already been executed or approved.
- The CFO Tanaka will touch on more factors related to cash flow management later.

Prior Initiatives Under MTP 2020
Investments and Loans 1 – Earnings Contributions

Steady progress in generating profits from investments and loans, despite some delays



- This slide offers details on earnings contributions from investments and loans conducted under MTP 2017 and MTP 2020 as well as forecasts with this regard.
- In the year ending March 31, 2021, we expect total earnings contributions of approximately ¥9.0 billion, which will be centered on non-resource businesses.
- I would now like to go into our earnings contribution forecasts in a little more detail.

Prior Initiatives Under MTP 2020
Investments and Loans 2 —
Earnings Contributions in Final Year of Plan

MTP 2017		
<p>Earnings Contribution Amounts</p> <p>FY2020 Forecast ¥7.0bn</p> <p>¥12.0bn at MTP announcement</p>	<p>Progress Overview</p> <ul style="list-style-type: none"> ■ Steady earnings contributions in line with plans Renewable energy businesses, Hospital project in Turkey etc. * Assets replacement and ahead-of-schedules earnings contributions in FY2019 ex. Partial sell-down of a domestic solar power generation operation Sales of a thermal coal project in Australia 	<p>Future Initiatives</p> <p>Steady pursuit of profitability while monitoring trends in challenging operating environment</p>
MTP 2020		
<p>Earnings Contribution Amounts</p> <p>FY2020 Forecast ¥2.0bn</p> <p>¥10.0bn at MTP announcement</p>	<p>Progress Overview</p> <ul style="list-style-type: none"> ■ Earnings contributions to be realized during period of current MTP Renewable energy businesses, Natural gas-fired power plant business in the U.S. ■ Delays starting up projects <p>Coking Coal Business in Australia · Structuring production as planned with cost reduction, poor business performance due to stagnant steel demand, and low commodity prices</p> <p>Paper manufacturer in Vietnam · Cost optimization deterioration of operating environment conditions due to US-China trade friction</p>	<p>Future Initiatives</p> <p>Steady contribution of earnings from projects under operation</p> <p>Coking Coal Business in Australia Reinforcing sales while anticipating modest steel market recovery</p> <p>Paper manufacturer in Vietnam Accelerating the project generation by steadily incorporating demand</p>



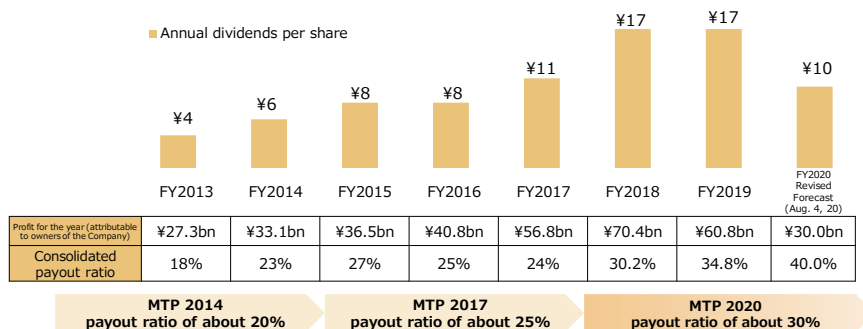
- In regard to investments and loans conducted under MTP 2017, we project steady earnings contributions from infrastructure projects, including renewable projects and the hospital project in Turkey.
- The earnings contribution forecast differs from the figure of ¥12.0 billion put forth when announcing our MTP 2017, but this difference is due to certain earnings contributions being recorded ahead of schedule in FY2019.
- As shown on this slide, we project earnings contributions of ¥2.0 billion from investments and loans conducted under MTP 2020.
- Previously conducted investments and loans can largely be divided into two categories based on trends in their earnings contributions.
- The first category is projects that have begun steadily generating earnings contributions during the period of the current MTP. These projects include renewable energy and natural gas-fired power generation projects. As planned, we also intend to generate additional earnings by selling our stakes in some of these projects.
- The other category is projects from which earnings contributions will not be generated until later than expected as we are experiencing delays in starting projects up. These include the coking coal business in Australia and the Vietnamese paper manufacturer Sojitz has invested in.
- We are working to realize earnings contributions as quickly as possible by overcoming the challenges presented by each project.

Dividend Policy

Basic Dividend Policy

Sojitz recognizes that paying stable, continuous dividends is a management priority, together with enhancing shareholder value and boosting competitiveness through the accumulation and effective use of retained earnings.

Under MTP2020, our basis policy will be to target a consolidated payout ratio of about 30%.



- There has been no change to Sojitz’s basic policy of paying stable, continuous dividends, and we will continue to target a consolidated payout ratio of about 30% under the current MTP.
- At the financial results briefing for the three-month period ended June 30, 2020, we announced our plan to issue annual dividend payments of ¥10 per share.
- Based on this plan, we have chosen to issue an interim dividend of ¥5 per share.

Forward-Looking Initiatives—Value Creation

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Function Augmentation and Other Innovation Investment Initiatives

Acquire and Strengthen Functions

Digital transformation investments, etc.
Utilizing digital technologies

Expansion of New business areas

Improvement of medium-to-long term corporate value,
development and strengthening of competitive edge

Utilization of new technologies in response to volatile operating environment, rapid digitization, and diversification of values and needs

Hospital project in Turkey

▶ **Telemedicine·Healthcare**

Renewable energy businesses

▶ **Decentralized energy development**



Automotive

▶ **Automobile quality assurance**

Agricultural business in Vietnam

▶ **Farming Platform**

Human Resource Investment and Value Creation Initiatives

New value creation initiatives based on fresh ideas utilizing Backcasting approach



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- I would like to explain some of our forward-looking initiatives about value creation.
- The megatrends surrounding trading companies are transforming, as seen in the trend toward digitization as well as in changes in the environment and in values. Based on these trends, Sojitz will seek to acquire new functions and strengthening existing functions while also developing businesses that utilize artificial intelligence, Internet of Things, and other new technologies.
- This slide displays some examples of these new businesses. (Telemedicine and healthcare, decentralized energy development, automobile quality assurance, farming platform)
- Another of our forward-looking initiatives is human resource investment. At Sojitz, we recognize that our human resources are the driving force behind the creation of new value.
- With this regard, we have launched the Hassojitz project through which employees of all divisions and ages are encouraged to propose various business ideas based on fresh perspectives using a backcasting approach. We then seek to bring these ideas to fruition through the project, which is focused on younger generation.
- This project is founded on the belief that it is important to formulate a vision for Sojitz based on the outlook for the world of 2050 and to adopt a backcasting approach to examine our current actions.

Initiatives for Sustainability

Formulating policies related to the coal interests business and the coal-fired power generation business

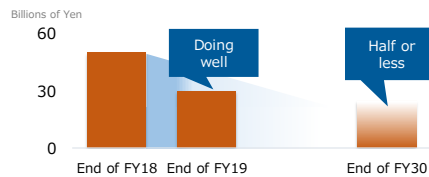
The Policies



- ✓ Reducing the assets of our thermal coal interests to **half or less by 2030**
- ✓ In principle, **not acquiring new thermal coal interests**
- ✓ **Not** undertaking new initiatives in the **coal-fired power generation business**
* We have no current projects

Progress Change in Thermal Coal Interests Assets

- ✓ Sold a part of thermal coal interests in FY2019



ESG Rating Inclusion in Major Indexes and Evaluations by ESG Rating Institutions

[2nd consecutive years]

Leadership level "A-"

[2nd consecutive years]

MEMBER OF Dow Jones Sustainability Indices

In collaboration with SAM Sustainability Award Silver Class 2020

[3rd consecutive years]

FTSE Blossom Japan

FTSE4Good

[4th consecutive years]

2020 CONSTITUENT MSCI JAPAN EMPowering WOMEN INDEX (WIN)

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- We are steadily moving forward with initiatives based on the Sustainability Challenge, our long-term vision, through which we are working to achieve a decarbonized, low-carbon society.
- These initiatives have earned Sojitz recognition from external institutions, and major examples of this recognition can be found on this slide.
- We are also promoting workstyles matched to the new lifestyles that allow for flexibility in when employees come into the office and telework. And also, we are developing a workplace environment that will allow our diverse employees to fully exercise their talents. These efforts are being tied to improvements in corporate value.
- In closing, let me say that we at Sojitz are praying for a swift end to the global COVID-19 pandemic and for the health of our stakeholders. With this, I conclude my presentation.
- Thank you for your attention.



New way, New value

Caution regarding Forward-looking Statements

This document contains forward-looking statements based on information available to the company at the time of disclosure and certain assumptions that management believes to be reasonable. Actual results may differ materially based on various factors including the timing at which the COVID-19 pandemic ends; changes in economic conditions in key markets, both in and outside of Japan; and exchange rate movements. The Company will provide timely disclosure of any material changes, events, or other relevant issues.