

November 16, 2022
Correction

A double underlined item is corrected
(Page7)



Financial Results for the First Half Ended September 30, 2022

Progress of MTP2023– Start of the Next Decade –

**November 1, 2022
Sojitz Corporation**

Speaker: Masayoshi Fujimoto, President & CEO,
Sojitz Corporation.

The financial results for the first half ended September 30, 2023, and the progress of the medium-term management plan (MTP) 2023.

FY2022 H1 Summary

- Significant YoY increase in profit due to higher product and coal prices, and stable growth of non-resource businesses
- Generation of profits accompanied by cash with solid core operating cash flow
- Upward revision to FY2022 forecast for profit for the year, to ¥110.0 bn, and increase of annual dividend payments, to ¥130 per share, in reflection of strong performance

	FY21 H1	FY22 H1	Difference	FY22 Initial Forecast	FY22 Revised Forecast	Achieved *vs Revised Forecast
Profit for the period/year	39.4	78.9	+39.5	85.0	110.0	72%
Core operating CF	49.3	90.3	+41.0	113.0	140.0	
NET DER (times)	1.04	0.95	(0.09)	1.1	1.0	
■ FY22 Commodity Prices and Exchange Rates (Revised forecast for H2 announced on Nov. 1, 2022)				ROE	11.4%	13.8%
Coking Coal Full Year US\$280.0/t (FY22 H1:US\$340.0/t, FY22 H2:US\$220.0/t)				ROA	3.2%	3.9%
Thermal Coal US\$160.0/t ⇒ US\$330.0/t (FY22 H2)				Dividends	¥112	¥130
Crude Oil (Brent) US\$90.0/bbl USD/¥ ¥115.0/US\$ ⇒ ¥140.0/US\$ (FY22 H2)						¥24 up
						(Interim ¥65/Year-end ¥65)

In H1 of the fiscal year, due to rising commodity and coal market prices, solid performance in non-resource businesses such as automotive, material-related steel, and chemicals, profit for the period reached a record high of ¥78.9 billion in H1.

We also believe that we have demonstrated our strong cash generating ability, with underlying operating cash flow of ¥90 billion, which is substantially ahead of our initial forecast.

Based on this strong progress, we have revised our full-year forecast upward from ¥85 billion to ¥110 billion. The annual dividend for this fiscal year will be increased to ¥130 per share. We will reiterate our return policy for the coming year later.

Five years ago, when the previous MTP 2020 was announced, I said that we would aim for ¥100 billion in the next MTP, or the current MTP. In the midst of a drastically changing external environment, the road has not been smooth, but I am deeply moved that we have now reached a stage where we can confidently promise ¥110 billion to you.

Although we are now at the turning point of the MTP 2023, we will continue to brace ourselves and boldly take up the challenge of achieving further growth with the entire group united as one.

Summary of Profit or Loss and Forecast for Profit for the Year

■ Automotive	Performance generally as forecast
■ Aerospace & Transportation Project	Performance generally as forecast
■ Infrastructure & Healthcare	Upward revision to forecast to reflect one-time factors seen in six-month period and strong performance in domestic and overseas power generation businesses
■ Metals, Mineral Resources & Recycling	Upward revision to forecast to account for strong six-month performance and solid conditions seen in coal market and at a steel trading company
■ Chemicals	Upward revision to forecast based on strong conditions for chemical businesses
■ Consumer Industry & Agriculture Business	Upward revision to forecast in reflection of six-month performance for fertilizer businesses
■ Retail & Consumer Service	Upward revision to forecast due to gain from asset replacement activities scheduled for 2 nd half of FY

(BN ¥)	FY22 H1	FY22 Initial Forecast	Achieved (Against initial forecast)	FY22 Revised Forecast	Revised Amount	Achieved (Against revised forecast)
Profit for the period/year	78.9	85.0	<u>93%</u>	110.0	+25.0	<u>72%</u>
■ Automotive	4.5	6.0	75%	6.0	-	75%
■ Aerospace & Transportation Project	2.0	4.5	44%	5.0	+0.5	40%
■ Infrastructure & Healthcare	9.0	9.0	100%	12.0	+3.0	75%
■ Metals, Mineral Resources & Recycling	41.8	51.0	82%	65.0	+14.0	64%
■ Chemicals	11.3	12.5	90%	17.0	+4.5	66%
■ Consumer Industry & Agriculture Business	5.9	3.0	197%	6.0	+3.0	98%
■ Retail & Consumer Service	1.4	5.0	28%	7.0	+2.0	20%
■ Others	3.0	(0.6)	-	(8.0)	(2.0)	-

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This slide shows the revised forecast for all segments, the progress rate, and our thoughts.

The forecast for the Automotive Division remains unchanged, but all other segments have been revised upward from the initial forecast.

Cash Flow Management

- Actively share buybacks to be conducted in final year of MTP2023 while being mindful of cash allocation
- Maintain positive six-year aggregate core cash flow during MTP2023

	FY21	FY22 H1	FY21+FY22 H1	MTP2023 Initial 3-Year Target (Aggregate) (FY21-FY23)
Core operating cash flow	¥129.0 bn	¥90.0 bn	¥219.0 bn	¥240.0 - ¥250.0 bn
Asset Replacement (Investment recovery)	¥62.0 bn	¥19.0 bn	¥81.0 bn	¥100.0 bn
New investments and others	¥(148.5) bn	¥(37.0) bn	¥(185.5) bn	¥(330.0) bn
Shareholder Returns *1	¥(32.0) bn	¥(14.0) bn	¥(46.0) bn	¥(70.0) bn
Core cash flow	¥10.5 bn	¥58.0 bn	¥68.5 bn	Positive MTP2020 and MTP2023 6-year period
Free cash flow	¥(74.0) bn	¥38.0 bn	¥(36.0) bn	

*1 Includes acquisitions of treasury stock

Next part is cash flow management.

Core operating cash flow was steady compared to the initial forecast. In addition to the surge in resource prices, the reduction of cross-shareholding as part of its share holding policy, replaced assets in its business portfolio, and generated more cash than initially expected.

Although new investment in H1 of the year was slightly slower at ¥37 billion due to the current uncertain investment environment, we expect to be able to execute ¥330 billion, including non-financial investments for the current three-year mid-term plan, as initially planned, with a cumulative total of ¥185.5 billion from the previous fiscal year.

We will manage a positive aggregate core cash flow over the six-year period as originally planned.

CFO Tanaka will add the details of the cash flow situation later.

Shareholder Returns Policy

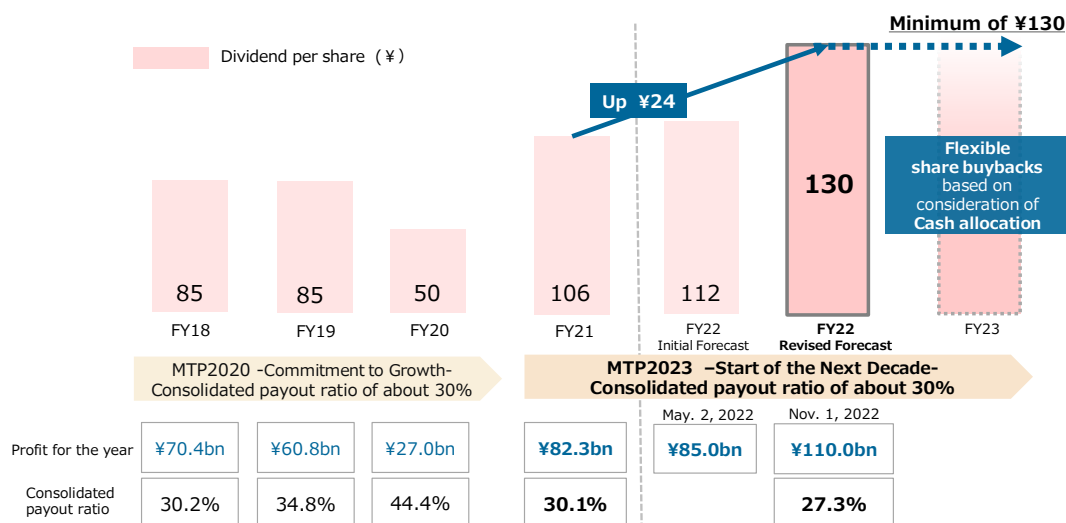
- Sojitz recognizes that paying stable and continuous dividends while enhancing shareholder value through the accumulation and effective use of retained earnings
- Our basic policy is to target a consolidated payout ratio of about 30%

FY2022 Dividend Forecast

Annual dividend per share increased by ¥24 from FY2021 to **¥130 per share**

FY2023 Returns Plan

- **Minimum of ¥130 per share for annual dividend payments**
- **Execution of share buybacks in FY2023**



Note: The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. The dividend figures for FY18 to FY21 have been restated to reflect the share consolidation.

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Based on the upward revision of the FY2022 forecast to ¥110 billion, the stable and sustainable dividend, and the policy of a consolidated dividend payout ratio of approximately 30% in the MTP 2023, as explained earlier, the annual dividend forecast for FY2022 is ¥130 per share, with a payout ratio of 27.3%. This is an increase of ¥24 from last year's dividend of ¥106, and an increase of ¥18 from the initial dividend forecast of ¥112.

In addition, from the viewpoint of stability and continuity, we set the minimum annual dividend for FY2023, the final year of the current MTP, at ¥130 per share. Based on a payout ratio of approximately 30%, this would be the dividend amount in the case of a consolidated profit for the period of ¥100 billion.

Since cash flow for the three-year period of the MTP 2023 is also expected to be stable, we plan to execute share buybacks in FY2023, the final year of the MTP 2023. The specific timing and amount of share buybacks will be announced as soon as they are finalized, based on the financial results for FY2023 and cash flow situation.

The dividend forecast for FY2022, we have also explained the direction of shareholder returns in the final year of the MTP 2023. We will continue to emphasize investment for growth and capital efficiency, and strive to enhance Sojitz's competitiveness and shareholder value through stable and continuous shareholder returns, expansion and effective use of retained earnings.

Investment for Growth Strategy and Focus areas

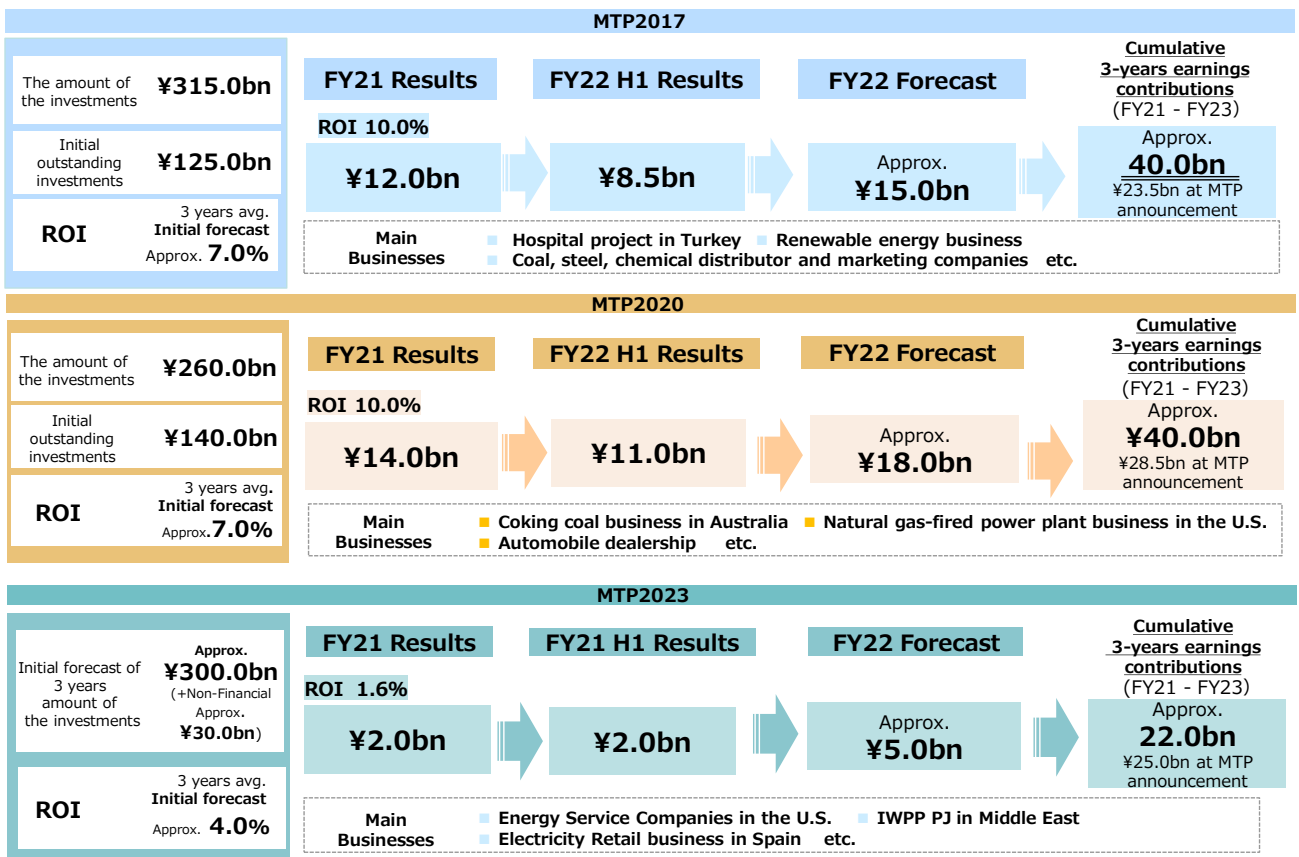
Focus area under MTP2023	Investment in FY21-22 H1	Major cases
<p>Current steady growth</p> <p>Infrastructure & Healthcare</p> <p>Essential infrastructure development and service provision as a social issue</p>	<p>FY21 ¥70.0bn</p> <p>FY22 H1 ¥17.0bn</p>	<ul style="list-style-type: none"> ■ Energy Saving services Co. in the U.S. ■ IWPP project in Middle East ■ Gas retail business in Nigeria, Africa ■ Electricity retail in Spain, Europe ■ Solar power business in Australia ■ Hospital PJ in Australia ■ Overseas telecommunications tower operating business ■ Office building development PJ in the Philippines ■ Biomass power generation business in Japan ■ Primary healthcare business in Asia
<p>Capture growth from a growing market</p> <p>Growth market × Market-oriented initiative</p> <p>Strengthening efforts in retail areas in growth market such as ASEAN and India</p>	<p>FY21 ¥62.0bn</p> <p>FY22 H1 ¥8.0bn</p>	<ul style="list-style-type: none"> ■ Acquires full ownership of the Marine Foods Co. ■ Collaborate with Vinamilk, a major Co. in Vietnam (Established a sales Company for Beef Products) ■ Initiatives with Royal Holdings ■ Tender offer for shares of JALUX ■ Established new JV in rental residential value add business with Goldman Sachs
<p>Reformation of conventional business model</p> <p>Materials & Circular economy</p> <p>Deepening the 3R (Reduce, Reuse, Recycle) businesses</p>	<p>FY22 H1 ¥1.0bn</p> <p>*No investment in FY21</p>	<ul style="list-style-type: none"> ■ Established JV with Braskem in Brazil for purpose of creating plastic materials entirely from biomass ■ Development of competitive businesses matched to social needs in conjunction with chemical recycling initiatives in Japan

Please see this for major investments made during the last fiscal year and H1 of the current fiscal year.

As mentioned earlier in the progress of investment execution in H1 of the year, restrictions on people and goods due to the Corona crisis are easing, but global inflation triggered by the situation in Russia and Ukraine, the rapid depreciation of the yen, and other factors have caused us to carefully assess the timing of investment execution. However, We are still assessing the timing of investment execution, and may not seem to be making significant progress yet.

Now that we are at the turn of the MTP 2023, we will continue to expand our top line for growth by aggressively investing in new businesses as originally planned.

Investment Progress – MTP2017, MTP2020, and MTP2023



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Let's show the progress of returns from new investments since MTP 2017.

Earnings contribution from investment projects under the MTP 2017 was approximately ¥ 8.5 billion in H1 of the current fiscal year, mainly from Non-resource businesses, and for MTP 2020, H1 results were approximately ¥ 11 billion, mainly from the coking coal business in Australia.

Each is expected to exceed the original plan at the time of the MTP announcement.

Regarding the MTP 2023, while it is true that some of the projects are lagging behind in earnings due to the impact of the coronavirus, we are showing that overall we are reaping returns as planned or even exceeding them, based on the strong performance of infrastructure-related and materials-related projects.

Onsite, we are working on improvement measures one by one and will make every effort to achieve steady profitability.

Establish Strong Business Base and Transformation

- Advancement of sophisticated strategies in focus areas based on growth strategies, improvement of earnings capacity and competitiveness of executed investments
- Drastic transformation of earnings structure through exhaustive emphasis on market-oriented initiatives in existing businesses

Continuously make New investments

- Exploration of new business fields

- Value raising through co-creation with partners
- Broadening of U.S. energy service company business (McClure) to include energy solutions and expansion of functions
- Expansion of private-sector healthcare business in Asia-Pacific region

JALUX Royal Holdings Marine Foods Co.

Growth Strategy × Focus Areas

Infrastructure & Healthcare
Growth market × Market-oriented initiative
Materials & Circular economy

Sale of Shares in Sojitz REIT Advisors K.K.

Energy solution & Retail

Establish new joint venture in rental residential value add business with Goldman Sachs

- Transformation of business portfolio and asset replacement

Transformation of Business portfolio

- Capital efficiency and value improvement cycle

Enhancement of earnings power and Strong earnings foundations

- Expansion of existing businesses by building on strengths

- Expansion of functionality and improvement of margins by reviewing existing transactions
- Enhancement of earnings capacity by bolstering and broadening operations in areas of global strength

Automotive Chemical Trading Vietnamese retail operations
food processing and wholesale, distribution, retail

Improvement of profitability of operating companies

Achievement of profitability at underperforming companies
Improvements seen at **23** of 60 companies applicable as of March 31, 2021

Tuna Farm Takashima ×DX

Agriculture ×DX

Fertilizer businesses in Southeast Asia

- Identification of customer needs through thoroughly market-oriented approach

Creation of New Value to raise overall value

New way, New value
Pursue Competitiveness and Growth market
Local market-oriented initiatives
Collaboration
Strive for Speed

Organization and Human Resources Transformation

DX

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This page shows our progress in establishing and transforming a solid business foundation in MTP 2023.

In order to realize the quantitative targets of the current MTP, it is essential to continue new investments and fundamentally reform existing businesses. To support this virtuous cycle, we have adopted a growth strategy that pursues competitive advantage and growth markets through Local market-oriented initiatives, Collaboration, and Strive for speed, as shown in the center of the diagram.

We are also boldly transforming our organization and human resources to achieve this goal.

We will not only make new investments in our focus areas, but also add new value to existing businesses and replace assets to increase the value of the businesses themselves and our portfolio as a whole.

Specifically, in the non-resource business, particularly in the chemicals trade, we have steadily increased the scale of earnings and the rate of return by thoroughly pursuing a market-in approach.

We will leverage the functions and networks we have accumulated over the past years, and with a corporate culture that values openness and speed as an organization, we will view changes around the world as opportunities and evolve them into transformations for the next stage of growth.


DX Strategy for Accelerating Value Creation

- Driving the “Business model Transformation” and “DX HR Development” based on DX Strategy


Business model Transformation


- ✓ Resolution of issues based on understanding of customer needs from market-oriented initiatives in Sojitz’s wide-ranging business field
- ✓ Acceleration of data and technology utilization in existing businesses
- ✓ Creation of new businesses and improvement of business value prefaced on digital technology utilization

DX of secondhand vehicle sales (digital twins)



Tuna farming using IoT and AI (feeding optimization)





Digital farming platform using digital technology

DX HR Development

Data Analysis

- ✓ Guiding hypothesis verification with data analysis
- ✓ Planning and proposals for resolving businesses issues

Business Design

- ✓ Creation of new businesses with digital technologies
- ✓ Improvement of value of existing businesses

Skill Level		Expected Role / Position
Practical Application	Level 5: Thought Leader	Guidance and oversight of experts and leadership in transforming organizations and businesses with data and digital technologies
	Level 4: Expert	Resolution of issues, creation of businesses, and improvement of value as leaders in the use of data and digital technologies
	Level 3: Experienced	Support for analyzing data and developing applications under the guidance of experts
Level 2: Basic		Examination of application of IT to business activities using basic knowledge (IT literacy, digital marketing, data science, information security)
Level 1: Entry		Action based on the entry-level knowledge required of all employees that deal with IT (acquisition of national IT Passport certification)
Practical Application-Level Skill Areas	Data Analysis	Resolution of issues through data analysis
	Business Design	Improvement of value of existing businesses and creation of new businesses through use of digital technologies

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Earlier, I mentioned the transformation of our business portfolio. At the same time, we have set forth the transformation of our organization and human resources to become a general trading company that constantly cultivating new businesses and human resources, which is the vision we aim to achieve in 2030.

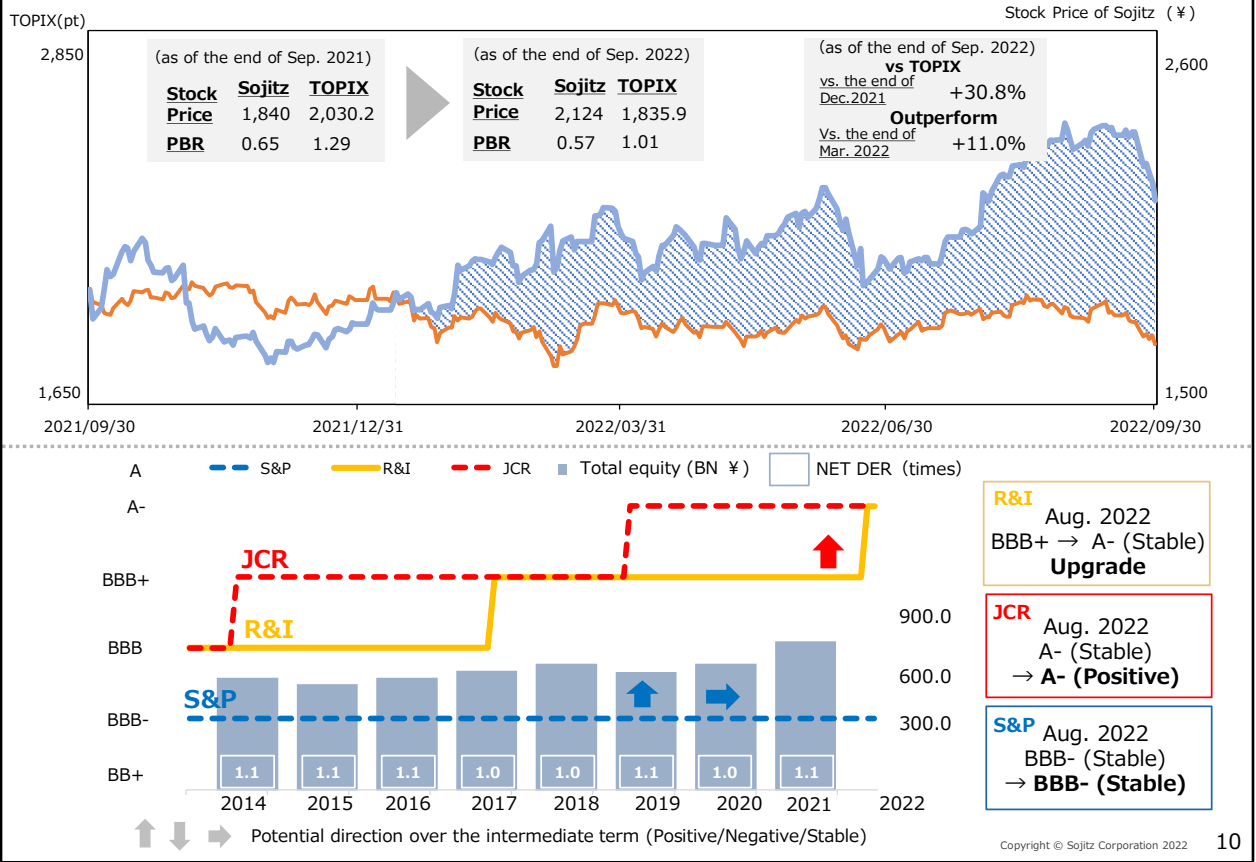
The two pillars of our DX strategy are the use of data analysis and digital technology as a means of transforming our business model, and the development and securing of human resources to carry out this transformation.

As an example, we would like to introduce the transformation of the used car distribution market using the digital twins, which is currently underway at the Automotive division.

By displaying 3D images of the interior and exterior of a used car, as well as scratches and dents that can only be identified by a professional appraiser, and repair painted areas that cannot be seen by the naked eye, we believe that this will not only improve convenience for the average consumer, but also has the potential to bring about significant change in the used car industry.

Regarding digital human resources, all career-track employees are required to pass the IT Passport exam. We design and provide multi-tiered levels of digital training based on individual qualities and desires, while utilizing new graduates of the digital native generation and hiring highly skilled, ready-to-work employees.

Stock Price, PBR Trend, and Credit Ratings



The following chart shows our stock price and TOPIX, as well as the current ratings from the rating agencies.

While our PBR as of the end of September remains around 0.6 times, our performance since the beginning of the year has outperformed by a positive 31%.

We will continue to strive for a PBR of over one time, and We will continue to run our business with an eye on its stock price and to increase our corporate value.

The rating agency has recently reviewed the Company’s evaluation. R&I’s rating was upgraded from BBB+ to A- in recognition of the stable accumulation of earnings. As for JCR, the outlook on the rating has been changed from stable to positive.

We’re going to steadily build up our earnings for the next step.



Finally, while the global situation is becoming increasingly uncertain, with high inflation, a weak yen, and the situation in Russia and Ukraine, various restrictions from the coronavirus disaster are easing in Japan, and we are moving with Corona.

Even in this uncertain external environment, we will keep in mind Sojitz's mission as a general trading company to provide necessary goods and services where they are needed, and continue to meet the expectations of our stakeholders based on our strong partnership with our customers.

I believe we can transform ourselves to turn change into opportunity. We will continue to emphasize direct interaction with you, while retaining remote and online convenience.
Thank you.

Caution regarding Forward-looking Statements and Original Language

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. Sojitz makes no assurances as to the actual results and/or other outcomes, which may differ substantially from those expressed or implied by such forward-looking statements due to various factors including the changes in economic conditions in key markets, both in and outside of Japan, and exchange rate movements.

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This document is an English language translation of the materials originally written in Japanese. In case of discrepancies, the Japanese version is authoritative and universally valid.

Notes

- **"Profit for the period / year attributable to owners of the Company"** is described as **"Profit for the period / year."**
- **"Total equity attributable to owners of the Company"** is recognized as **"Total equity"** and is also used in the denominator of the **"Net DER"** and the numerator of the **"Equity ratio"**.
- **"Selling, general and administrative expenses"** is referred to as **"SG&A expenses."**
- **"Medium-term Management Plan 2023."** is referred to as **"MTP2023"**. The same applies to "MTP2020" and "MTP2017".
- **"Core operating cash flow"** = Cash flow after deducting changes in working capital from operating cash flows calculated for accounting purposes
- **"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 are net cash provided by (used in) investing activities after adjustment for changes in long-term operating assets, etc.)