

## **P1**

- In today's ESG Briefing, I'll be providing explanations based on these presentation materials.
- First, I'll provide a simple explanation on the relationship and coherence between our company's sustainability management and the Medium-term Management Plan 2023 ("MTP 2023").

Then, I'll explain our initiatives on decarbonization and human rights, which are named in our long-term vision for 2050, the "Sustainability Challenge."

I'll also go over the initiatives for our greatest asset and source of competitive strength—human resources; and initiatives for boosting governance.

## **P2**

- When the Sojitz Group announced the MTP 2023, we shared our vision of the Sojitz Group in 2030 as "a general trading company that constantly fosters new businesses and human resources."

To achieve our corporate statement and two types of values, we aim to improve corporate value by "creating business and values that respond to market needs and social issues." These values are business and human resources.

- To realize this vision, we recognize extending our current endeavors is insufficient, and that transformation is needed for both the organization and human resources in our business strategy and business model. The MTP 2023 is our first step towards realizing our vision, and we are putting a variety of initiatives into motion.

## **P3**

- The financial targets remain as presented in IR briefings thus far, but the current MTP 2023 includes a PBR of 1.0x or above in the financial targets.

Share prices cannot be controlled by the company alone, and various opinions were given on targets during internal discussions held as the plan was being drawn up, but the targets were clarified as the firm intentions of management.

- On the other hand, simply setting targets is meaningless. This slide outlines how they will be achieved.

## **P4**

- We're improving communications and disclosures, and implementing initiatives to support sustainable growth to realize a PBR of 1.0x or above.
- Specifically, to expand equity spread, we're striving to improve high-quality ROE that exceeds cost of capital by enhancing core operating cash flow, which is earnings power, and

improving capital efficiency using cash-based ROIC.

In addition, we'll reduce cost of capital through further enhancement of financial information disclosures,

and enhancement of nonfinancial information disclosures. By combining these actions with dividend policy, we intend to aim for a PBR of 1.0x or above.

- I hope today's briefing will also serve as an opportunity to deepen further discussions.

#### **P5**

- Next, I'll talk about the growth strategy in the MTP 2023.
- To achieve the plan's financial targets, it's important to fully increase returns on investments made to date, realize some of the returns on M&A in the MTP 2023, and drastically change the earnings structure in existing businesses.
- On the other hand, many of the initiatives in the MTP 2023 extend after 2023, as they aim for 2030.

From that perspective, the growth strategy in the MTP 2023 targeting ongoing value creation is inseparable from the approach to sustainability and social issues.

Accordingly, to create sustainable business by responding to market needs and social issues, we're drawing up strategies under the themes of "Realizing a decarbonized and circular economy in response to environmental issues," "Expanding economic development and affluence in emerging countries," and "Responding to new social issues in developed countries."

#### **P6**

- Based on the previous themes, the focus areas are essential infrastructure services, materials and circular economy, and a market-oriented approach in growing markets.

We'll concentrate human resources and capital resources in these areas.

#### **P7**

- We also carried out organizational reforms to build this structure in April.
- The previous Metals & Mineral Resources Division has been restructured into the Metals, Mineral Resources & Recycling Division in clarification of recycling as an area of business. The Infrastructure & Healthcare Division identifies infrastructure and healthcare businesses that address social issues as growth fields and focus areas, where capital and human resources will be concentrated.
- Allow me to add that, our company establishes opportunities for intense discussions between top management and COOs on various themes. This year, there are plans for

company-wide discussions on topics that include efforts toward next-generation energy, circular economy, and regional and local community revitalization.

Therefore, these areas of focus become endeavors not only for the division in charge, but for the entire company.

**P8**

- The Sojitz Group promotes the universal corporate principle of “creating value and prosperity by connecting the world with a spirit of integrity.” As we put this into practice, we strive to maximize “value for Sojitz” and “value for society.” We name 6 issues of materiality: human rights, environment, resources, local communities, human resources, and governance.

- In addition to these, in 2018 when the Medium-term Management Plan 2020 (“MTP 2020”) was launched,

we established the Sustainability Challenge as our long-term vision.

- We set the MTP2020 period as the preparation period for executing the Sustainability Challenge.

Since fiscal year 2018, we have established a special division for promoting sustainability, and while intensifying discussions in the Sustainability Committee chaired by the president, we have promoted specific initiative policies, fostered internal awareness, and improved disclosure content.

We hold dialogue with outside experts once a year, and incorporate outside trends, and stakeholder views and approaches.

- In addition, reports and dialogues are conducted as needed and with regularity in Board of Directors meetings with regard to policies and progress, based on committee discussions.

**P9**

- This slide shows the assessment of technical trends our company is conscious of that we referred to when making decisions on decarbonization policies and initiatives. This assessment looked at the IEA’s 2 degree scenario and the IPCC’s 1.5 degree scenario, and is based on trends in various industries.

Also, though they overlap with the previous and later explanations, please refer to Sojitz’s responses and approaches noted to the right.

Stated simply, currently various countries are moving ahead with policies on expanding the renewable energy market. Europe’s clarification of green standards through taxonomy and adoption of carbon pricing systems are being advanced. It’s thought that carbon prices may jump.

- A transition period requiring the continuation of gas fired power generation, which has

excellent CO<sub>2</sub> efficiency, is expected to start in the mid 2020s as a power source that supplements the instability that will accompany expansion of renewable energy power generation. We anticipate entering a period where blue hydrogen and ammonia are utilized, and circular businesses expand.

- Renewable energy will likely become prevalent from the 2030s, and the spread of green hydrogen that uses surplus power may accelerate.

When this kind of environment comes into existence from the 2040s, quite possibly, technologies such as hydrogen reduction steelmaking will advance, and CCS and CCUS that are now under development will reach a period of prevalence.

- These trends will naturally change going forward, so we will hold in-depth discussions while making updates to determine future initiative objectives.

## **P10**

- Based on the trends noted in the previously explained slides, the current roadmap for carbon emissions was announced in March this year. Given that CO<sub>2</sub> emissions can temporarily increase in accordance with business expansion, we are approaching our contribution to decarbonizing society through policies for CO<sub>2</sub> reduction targets in existing and new businesses, and business development that views the progression of decarbonization as an opportunity. Although we understand that the consideration of decarbonization is not a discussion solely of CO<sub>2</sub>, we are setting various targets for CO<sub>2</sub> that are at present the most easily understood and impactful.

- For existing businesses, we have set a 60% reduction goal for Scope 1 and Scope 2 by 2030, which total our company's CO<sub>2</sub> emissions and CO<sub>2</sub> incurred for electricity usage, and the goal of net-zero carbon emissions by 2050.

Doing so requires Scope 2 to reach net zero by 2030, so this is also a target.

These reduction targets for Scope 1 and Scope 2 put fiscal year 2018 as the base year at the time of the announcement in March.

However, we have since set fiscal year 2019 as the base year because we have concluded tabulations for fiscal year 2019, which were delayed due to COVID-19, and Saigon Paper Corporation, which has a high environmental load, was added from fiscal year 2019. The 60% reduction target for 2030 remains unchanged.

- Grasping the entirety of Scope 3 is not easy for a general trading company with an extensive supply chain in a wide range of industries. As such, first in terms of assets and earnings in our company businesses and from the perspective of CO<sub>2</sub>, we have named the future policies as shown on the slide for the highly impactful thermal coal and coking coal interests.

For oil interests that are fossil fuels, we have named the same reduction policy. Reduction

methods include exit through sale, but I also believe that the early decision to close thermal coal mines at the end of fiscal year 2020 was a result of conducting a scenario analysis, as recommended by TCFD, and holding intense discussions early on.

- I stated that grasping the entirety of Scope 3 is not easy, but during the MTP 2023 period, we'll strive to further measure and grasp our extensive supply chains so that we can disclose meaningful data to our company and our stakeholders.

In addition, we want to be able to measure Scope 4, the amount of contributions to society that reduce CO<sub>2</sub>, and would like to be able to make management decisions based on both reductions and contributions, as well as hold dialogues with the stakeholders. These are our main responses to transition risks, but going forward we'll respond to physical risks primarily involving "water," such as floods and droughts as related to our company's assets.

#### **P11**

- This slide provides a little more explanation on the reduction method for Scope 1 and Scope 2 that I just explained.

- Certificates may be used to reach the reduction targets, but we plan to monitor the execution of the reduction plans for each business and establish an internal support system to decrease that ratio as much as possible.

- We intend to utilize part of the 30 billion yen in the nonfinancial investment plan presented in the MTP 2023 in this type of action.

#### **P12**

- We view the sweeping trend toward a decarbonized society is a major opportunity for us.

- This slide lists initiatives that have already been announced in news releases since fiscal year 2018.

They involve carbon neutrality, gas-related businesses that excel in CO<sub>2</sub> efficiency as transition businesses, circular business, and healthcare. I haven't really explained healthcare, but that is one response to social issues.

- There are various phases, including businesses that have an established earnings model, businesses jointly developed with startups that possess outstanding technology, and investments in businesses that contribute to problem solving.

As you can see, we are actively tackling the issues not only in segments in charge of infrastructure and energy, but in a wide range of segments.

#### **P13**

- In my final explanation related to decarbonization, I'd like to point out the overall greening

of our company's portfolio.

As a result of the approaches and efforts I've talked about so far, in our company's portfolio we are reducing the proportion of "brown businesses" that have high CO<sub>2</sub> load, and increasing the proportion of "green businesses" that contribute to reducing CO<sub>2</sub> worldwide, as well as "businesses supporting that transition."

- We understand that the definition of green, brown, and transition are currently under debate, so this slide provides an illustration of our line of thinking.

#### **P14**

- This slide shows the cycle for promoting sustainability management.

#### **P15**

- Next, I'll explain our efforts toward "Respect for Human Rights Including Supply Chains," which is one of the pillars of the Sustainability Challenge.

- A trading company has a broad supply chain. Against a backdrop of human rights awareness that is increasingly growing, it's crucial to appropriately carry out risk management. Therefore, in the MTP 2020, we utilized an NGO database to find high-risk human rights areas and identify places in supply chains that are prone to risk. We looked for the existence of risk in Group companies and surveyed and confirmed the handling of risk.

The blocks highlighted in yellow on the slide are places with generally high risk and their contents.

- The survey confirmed there aren't any particular problems at present, but we practice PDCA by conducting regular monitoring, checking for new risks, and making improvements when necessary.

#### **P16**

- This slide explains the initiatives in the MTP 2023.

- In light of recent issues such as Myanmar and the Uighurs, up through June we provided guidance to the top management of Group companies regarding the important issue of human rights, and made sure subordinate employees and organizations thoroughly understand our Group's human rights policies and conduct guidelines.

We obtained written acceptance from all Group company presidents, excluding operating companies that would have difficulty responding only to our company based on the perspective of fairness with minority shareholders.

Going forward, we will hold direct dialogue with all Group companies under the supervision of the general manager of the Sustainability Office.

These efforts in the MTP 2023 aim to boost the quality of response through direct dialogue to avoid unilateral notifications from the Head Office and to gain greater understanding of Group companies' state of affairs, circumstances, and onsite issues.

- We also plan to prioritize these efforts as we move forward with dealing with clients.

#### **P17**

- Our vision for 2030 is to be “a general trading company that constantly fosters new businesses and human resources.”

Just as it states, our company considers human resources as a source of competitive strength and as such to be of value.

- To improve human resources and link them to value creation, the current MTP 2023 establishes 3 pillars of human resource strategies: “capacity to run businesses,” “capacity to create and actualize new ideas and businesses,” and “capacity to involve others and complete tasks.”

Our goal is to continue creating a collection of “individuals” possessing diversity and autonomy that leads to the growth of teams and organizations, and the growth of our company.

- In addition, as we carry out these human resource strategies, we'll establish KPIs for personnel programs and monitor their progression.

#### **P18**

- As this slide shows, we utilize “Dynamic KPIs” that are flexible so that “KPIs for Human Resources” can be reassessed according to circumstances. The objective is to ascertain external and internal circumstances, and in some cases, reassess specific measures.

We hope they will serve as a basis for sharing and talking with stakeholders about progress.

#### **P19**

- This slide shows specific KPIs for human resources that have been established.
- These current KPIs have been established to continuously improve corporate value by achieving the 2030 vision we're striving toward.

They are a mix of human capital expansion (the so-called input stage) and human capital utilization (the so-called output stage), but we believe moving forward steadily will lead to value creation.

- The established indicators are: “employees' feeling of their own growth,” “employees' taking on challenges,” “fostering and creation of DX human resources,” “women's success in the workplace,” and “local procurement of overseas company managers.”

These KPIs aim for improved awareness of growth and challenges, frameworks that leverage

diversity, and transformation in knowledge and skills for the digital society that is indispensable to future growth.

## **P20**

- Possessing a certain degree of digital knowledge and skills is a major prerequisite to linking market needs and the resolution of social issues to value creation.

We aim to raise the bar on digital human resources so that every employee in individual businesses is capable of utilizing data.

- During the MTP 2023 period, we have made it mandatory for all carrier-track employees and management-level staff to acquire basic knowledge in IT literacy, data science and data analysis, digital marketing, and information security management.

- The first step is to make a common digital language within the company, and to start fostering human resources that possess a higher level of expertise.

## **P21**

- As the first step toward achieving the 2030 vision of being “a general trading company that constantly fosters new businesses and human resources,” we continue to provide diverse workstyles and career paths, and create frameworks enabling employees to proactively choose different workstyles.

- Within the company we continue fostering employees. For example, we offer recurrent retraining tailored to age groups, and develop utilization frameworks.

Plus, we’re establishing opportunities outside the company for diverse employee workstyles. This includes establishing the already announced Sojitz Professional Share, adopting systems that support entrepreneurship and independent business, and establishing Sojitz Alumni.

At the same time, we strive to maintain and secure valuable human resources through the creation of a progressive Sojitz Group.

- These endeavors result in fostering independent human resources and realizing our vision by encouraging employees to take up challenges, and creating a cycle allowing employees to gain a sense of their own growth.

## **P22**

- Lastly, I’ll talk about governance.

- The first is a reevaluation of the structure of the Board of Directors. A recent shareholders’ meeting organized the structure of the Board of Directors into 4 outside directors and 4 internal directors for an outsider ratio of 50%. An outside director has held the position of chair since fiscal year 2020 to boost the soundness and transparency of the Board of Directors.

- In addition, the skills matrix for the directors and auditors was recently disclosed.

We ask individuals with diverse experience and skills to become members of the Board of Directors and Audit & Supervisory Board, and they provide opinions on our company's growth. For instance, the newly appointed Director Shu hails from investment banking.

As we anticipate investing for growth and M&A to increase in the future, we expect he will provide supervision and advice for bolstering our probability of success based on his expertise.

The Compensation Committee and Nomination Committee, which are advisory bodies to the Board of Directors, consist of 4 outside members and 1 internal member. The transparency of these committees has also been increased.

- The second governance endeavor is the revision of officer remuneration systems.

They incorporate an increase in ratio of performance-linked (variable) remuneration, evaluation points, achievement of the medium-term management plan, TSR, and the achievement and progress of nonfinancial and ESG initiatives.

The ESG endeavors I've explained so far are also fully discussed at the Board of Directors and Compensation Committee.

We aim to link our many endeavors and challenges to improved corporate value.