

Online ESG Briefing (held on August 11, 2021)
Q&A Session

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[Questioner 1]

Q: Page 12 of the presentation material lists initiatives that regard decarbonization as an opportunity. Please tell us of any that are anticipated to be of especially high value.

A (Shibuya): There are many business opportunities such as hydrogen and ammonia, but we must tackle them thinking in temporal terms. In addition, we believe we can take on challenges in the areas of recycling and a circular economy from a variety of aspects. We're making efforts not only to mine and sell resources, but are also tackling the approach to reuse and recycling as new businesses. For example, we've started efforts such as collecting plastic and PCs, and are building a strategy for large business fields, not just individual businesses. I hope you'll look forward to hearing about specific initiatives in the future.

Q: I'd like to ask about a human resources shortage. I understand that employees left and there was a human resources shortage when management integrated. I've also heard from other companies that human resources capable of entrepreneurship and company management tend to quit early on. In the current situation, do you get the sense that there is a human resources shortage and young employees are quitting?

A (Shibuya): The past management integration has had an impact, and the age composition of our company employees has become skewed. The number of employees in their late 30s to early 40s is low. We're striving to eliminate the shortfall in age groups while improving workstyles, developing DX human resources, offering recurrent education, and promoting experienced human resources, as well as moving ahead with actions such as early promotion for young employees. In addition, the ability to manage and launch a business are indispensable to future growth, and is a pillar of our human resources strategy. When it comes to the proportion of foreign CxO in overseas companies, which is one of the KPIs, we're aiming to raise the current approximately 40% up to 50%. In the next 3 to 5 years, we'll work on a framework for improving the ability to manage companies that are increasing overseas.

[Questioner 2]

Q: Did you make the targets of zero thermal coal interests by 2030 and zero coking coal interests by 2050 in consideration of the ability to achieve them at the time that mining naturally comes to an end? Or, if the option of selling off is included, is the current rise in coal prices impacting the plan to sell?

A (Shibuya): Mining for a portion of the thermal coal interests will end after 2030, and we'll bring that portion to zero through actions including disposal by sale. Circumstances are such that prices for both thermal coal interests and coking coal interests are rising, but there is the issue of how to control matters such as the risk of stranded assets due to decarbonization, and the issue of contributing to a decarbonized society, so our reduction plans won't change just because prices are rising. Of course, it's desirable if the sale value (of interests) rises along with the rise in prices, so we intend to leverage that opportunity.

Q: The newly appointed Director Shu comes from finance and is a new kind of director for Sojitz in terms of the careers of internal and outside directors. With the installation of Director Shu, have you already seen any change in management?

A (Shibuya): We believe that significant changes and outcomes in management associated with Director Shu's appointment will be forthcoming. However, we have already received enthusiastic opinions, questions, and suggestions. In terms of a new perspective and opinions, there is a change. As we make large M&A and investments going forward, we anticipate he will give advice and caution based on the viewpoint of a different career and his considerable expertise.

[Questioner 3]

Q: Page 13 of the presentation material shows the manner of reducing thermal coal interests and coking coal interests in the figure on cutting coal interests. Are you envisioning the timeline to be exactly as shown in the figure?

A (Shibuya): The reserves of the assets we possess will decrease with time, but as of now it's undetermined whether that will be a steep drop or a gentle one, so the figure shows a gentle drop in thermal coal interests that follows a schedule that at minimum halves it by 2025 and zeroes it out by 2030. In addition, a portion of coking coal interests may increase as business is carried out, or a decrease may also be accelerated. It's possible that neighboring mining areas undertake endeavors as business continues, but this figure should be understood to show a decrease in currently owned assets. If there is no change, such as the collection of CO₂ exceeding output in the future due

to something like a major technological innovation, then we'll continue carrying out the various current endeavors without changing the schedule of reaching zero coking coal interests in 2050.

Q: It looks as though the decrease in coking coal interests through the mid-2020s is considerable. What's driving that?

A (Shibuya): Keeping in mind shifts in businesses, there is also the speed at which reserves will decrease. That leads to this kind of drop-off.

Q: To also achieve a PBR of 1.0x or above requires not only reducing the cost of capital, but also raising anticipated growth. Building up SCOPE 4 and green businesses is important. Where, in particular, do the strengths of Sojitz's circular business lie? Also, 30 to 50 billion yen is scheduled for materials and a circular economy as investment allocations for the 3-year medium-term management plan. Could you tell us the approach to the timeline for returns?

A (Shibuya): In the MTP 2023 period, we don't see there being much of a return on the 30-to-50-billion-yen investment allocations. We're working so that after 5 years we can steadfastly increase investment returns without being limited to near-term earnings. Regarding a circular business, there are cases of the Metals, Mineral Resources & Recycling Division and Chemicals Division working jointly with clients and partners to recycle plastic, but we believe we can demonstrate our company's strengths by making the most of each segment's knowledge and tackling the matter in this area as a general trading company. We're also being proactive about initiatives in advanced technologies and expect these will also become strengths going forward.

[Questioner 4]

Q: Hiring excellent new graduates is considered important to developing human resources, but what policies and features are unique to Sojitz?

A (Shibuya): For several years we've increased the ratio of female new-graduate hires and have set a target of hiring new graduates comprised of over 30% women. In reality, 40% to 50% of new hires are women. As a result of continuing this hiring policy, we now receive a relatively high number of outstanding female applicants, which is a feature of our company.

A (Endo): It feels as if there's an increase in university students who are very keen to enter our company. They're eager to join us and get to work right away. They want to forge the future for Sojitz and are highly motivated. We want to take that youthful vigor and transform it into energy that drives our growth, so please look forward to what that

will bring.

A (Shibuya): The Hassojitz Project implements President Fujimoto's scheme to link young employees' ideas to business. University students are also aware of this initiative and join our company because they're attracted by the corporate culture that enables their own ideas to be realized.

Q: There's the impression that women's success in the workplace is improving. Please tell us about the current situation.

A (Shibuya): Approximately 40% of our young employees are women. It's been about 5 or 6 years since this ratio existed. Women are taking on roles in the workplace without undue consciousness of gender. Our company understands that there are life events in women's lives, and we're implementing various measures so that women can gain experiences early on that shape their career. Awareness of these measures is growing among employees, and it's internally recognized that a foundation for female success in the workplace exists. In management, too, starting in April this year Ms. Endo became an executive officer. Female general managers will also likely increase from the current two. Measures including childcare leave for men as well as women create a work-friendly environment. We aim to be a company where women can succeed as a matter of course without giving thought to them being female.

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