



Tatsuhiko Kanetake
Executive Officer, COO
Automotive Division
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Tatsuhiko Kanetake
Executive Officer, COO
Automotive Division

- Joined Sojitz predecessor in 1993
/ Born in Gifu Prefecture
- Graduated from School of Engineering,
Nagoya University
- Posted in the United States, involved in
operation and acquisition of, as well as the
withdrawal from, automotive businesses in
the Americas
- April 2020- present COO, Automotive Division
April 2021 - Executive Officer, COO
Automotive Division

Business area

- Automobile sales (Distributor & Dealership)
- Auto-Financing business
- Service business etc.

Focus area

- Growth markets, such as Asia, Russia and NIS countries, Latin America.
- Mature markets, such as Japan and the United States

Strengths

Track record of auto sales spanning over 40 years

Locally based sales and marketing force

Approximately 4,000 Group employees at over 30 Group companies

Diverse human resources and global business management know-how

Capabilities of investment execution and business development

Business asset portfolio including new business areas

- Promotion of ongoing growth of existing businesses and development of new businesses
- Preparation for the future and construction of new earnings foundations
 - Business model tailored to transformation of automotive industry (CASE technologies, MaaS)
 - Business model for promoting transformation of existing industry structures (internet/digital solutions)

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- With this slide, we will look at the Automotive Division’s strengths, growth strategies, and the focus areas and concrete initiatives that have been defined based on these strengths and strategies.
- The division has three major strengths.
 1. The first of these strengths is our track record of auto sales that spans over 40 years. Throughout these four decades, we have continued to enhance our sales and marketing capabilities in line with changes in the operating environment and in the times while also tailoring these capabilities to the needs of the regions we serve. Sales have recently been trending toward digital and online venues, and we are taking steps to respond to this trend accordingly.
 2. The second strength is the expertise we have accumulated through the management of operating companies, an undertaking that we began at a relatively early stage of our business.
 3. Our third strength is the new business development capabilities we have fostered through numerous fieldwork projects.
- Our short-term focus is to promote the ongoing growth of existing businesses while also developing new businesses that can build upon and enhance existing businesses.
- As for the medium to long term, we will be focused on laying the groundwork for the future while building new earnings foundations in order to prepare for the projected once-in-a-century paradigm shift in the automotive industry.
- Through these two approaches, we will look to double revenue and quadruple profit after the conclusion of Medium-Term Management Plan 2023.

The division's role	<ul style="list-style-type: none"> ■ Expansion of businesses through stimulation of demand in growth markets ■ Expansion of businesses in retail area ■ Improvement of business value with digital technologies and creation of value in new areas
Focus Area	<ul style="list-style-type: none"> ■ Expansion of scope of unique automobile sales businesses in promising markets <ul style="list-style-type: none"> ✓ South Korean, Chinese, and European automobiles ✓ Strengthening of community-rooted sales, marketing, and after-sales service businesses ✓ Reinforcement of functions and expansion of business scope in retail area where Sojitz maintains direct contact points with customers and consumers ✓ Enhancement of functions incorporating digital technologies and development of next-generation automobile sales businesses ■ Strengthening of distinctive financing businesses (stimulation of new demand) ■ Development of new and unique service businesses (provision of solutions that address social needs)
	<ul style="list-style-type: none"> ■ Focus on three main areas that will remain necessary no matter how operating environment changes, namely, sales capabilities, financing functions, and movement of people and commodities

- The roles of the Automotive Division in Sojitz's overall growth strategies include expanding businesses in growth markets, expanding businesses in retail areas, and utilizing digital technologies to create new value.
- Our operations lack in scale when compared to those of our rivals. For this reason, we aim to compete by developing unique businesses that differ from those of other companies.

Automobile Sales Businesses

- We are focusing on sales of South Korean, Chinese, and European automobiles as opposed to Japanese vehicles.
- No matter how the operating environment may change, there will always be a need for sales capabilities. It will therefore be imperative to bolster retail sales, an area in which we have direct connections with customers and consumers. Even if we see changes in the brands or products we handle, or in the operating environment itself, we should still be able to present significant value so long as we possess sufficient sales capabilities.
- The Automotive Division is also endeavoring to promote sales through online venues. However, online sales of automobiles require us to overcome more obstacles than would be faced with regard to online sales of general consumer products. We will therefore be incorporating overseas technologies with the aim of evolving into an automobile distribution platform holder. We are confident in our ability to become such a platform holder given our existing foundation grounded on automobile retail sales.

Financing Businesses

- Financing functions will be a consistent element of our operations. Even if electric vehicles become mainstream and even if people move away from owning vehicles to simply using them, financing functions will still be necessary. Major characteristics of Sojitz's businesses include how we target informal sectors and how we provide services to individuals who cannot use standard auto loans. Going forward, the Automotive Division will deliver solutions to uncover new demand while also utilizing Internet of Things (IoT) technologies in order to protect our assets.

Service Businesses

- Another consistent element of our operations will be the movement of people and commodities. The vast majority of mobility as a service (MaaS) and other service businesses around the world are not turning a profit. Accordingly, this will be an area that will require a medium- to long-term focus. In this area, Sojitz is unique in how it provides services entailing mixed loading of freight and passengers as a solution for movement of both people and commodities. We are targeting senior citizens and depopulated areas with these services.

sojitz Focus Businesses Under Growth Strategies
 - Distributor Business

SOJITZ IR DAY 2021

Basic strategy

- Expansion of country and regions to handle sales of South Korean and Chinese automobiles for which Sojitz can exercise functions and roles
- Growth of company-owned dealership businesses under control of distributorship businesses (strengthening of retail area functions)

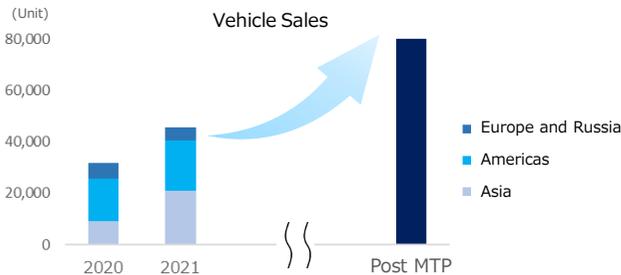
Expansion of country and regions



Thailand
Puerto Rico
Pakistan
New market (Growth market)
2007 -
2008 -
2017 -
MTP2023 -



Philippines
New market (Growth market)
2019 -
MTP2023 -



Growth of direct dealership businesses

Brand/Country	Number of Stores
Subaru Russia	13
Geely Philippines	2
Hyundai Thailand	3
Hyundai Pakistan	3
Genesis Puerto Rico	1



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Basic Strategy of Distributor Business

1. Expansion of countries and regions in which Sojitz handles South Korean (Hyundai) and Chinese (Geely) automobiles

Sojitz is currently developing Hyundai automobile businesses in four countries and a Geely automobile business in one country. We have also identified two or three countries that are projected to be new growth markets, and we aim to develop businesses in these countries. Hyundai has an established global sales network, and we are therefore focused on acquiring existing businesses in order to expand our operations with this regard. As for Geely, full-fledged overseas expansion is to be pursued going forward. For this reason, our focus will be on developing new businesses.

2. Strengthening of retail area functions

We intend to expand the company-owned dealership businesses that are part of our existing businesses in order to grow profits.

- When developing new distributor businesses in the future, we will begin by incorporating a large number of dealership businesses. Through this approach, we aim to double automobile sales volumes and earnings.

sojitz Focus Businesses Under Growth Strategies
 SOJITZ IR DAY 2021 - **Distributor Business**

Policy

- Strengthening of community-rooted sales, marketing, and after-sales service businesses

Hyundai Puerto Rico

- Acquired in 2008
- Transaction volume of 20,000 units, market share of 15.7% (FY2021)
- Strengthening of company-owned dealership operations (Hyundai, Genesis)



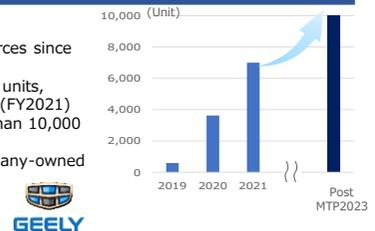
Hyundai Pakistan

- Established in 2017, sales commenced in 2019
- Joint venture with local conglomerate (Nishat Group)
- Sales volume of 9,000 units, market share of 3.6% (FY2021)
- Bolstering of production capacity to achieve target capacity of more than 20,000 units



Geely Philippines

- Established in 2019
- Accumulation of resources since 1960s
- Sales volume of 7,000 units, market share of 2.7% (FY2021)
- Target sales of more than 10,000 units
- Strengthening of company-owned dealership operations



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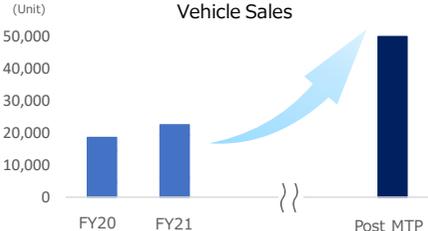
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- We acquired our Hyundai business in Puerto Rico in 2008. Since then, we have seen sales volumes increase eightfold and our market share has grown from No. 10 to No. 2 in this country. Hyundai boasts a strong product lineup and superior cost competitiveness. Sojitz will seek to maintain an accurate understanding of market needs in order to supply models that match these needs in an attempt to raise Hyundai's brand recognition within the market and thereby promote effective branding measures and increase royalties. Moreover, we will utilize digital media to drive the steady growth of this business.
- We achieved a position of profitability in the second year after the commencement of sales in both our Hyundai business in Pakistan and our Geely business in the Philippines, and we expect third-year earnings to make up for the losses accumulated thus far.
- The Pakistani market had previously been nearly completely dominated by Japanese automobiles, particularly those of smaller sizes. Nevertheless, we are committed to growing our share in this market through the introduction of South Korean automobiles, with a focus on sport utility vehicles and mid-sized automobiles. Our goal in this business is to achieve automobile sales volumes surpassing 20,000 units.
- Our Geely business in the Philippines represents our first foray into the sale of Chinese automobiles. Regardless, we are able to quickly get this business on the growth track as we have been accumulating resources in the Philippines for some time.

Focus Businesses Under Growth Strategies - Dealership businesses

Basic strategy	<ul style="list-style-type: none"> ■ Building upon existing businesses by expanding its sales areas based on regional concentration and multi-brand strategies ■ Development of earnings foundations resilient to economic fluctuations by bolstering secondhand automobile and after sales service ■ Heightening of digital, and online sales 					
USA CA	Brand	Number of Stores		USA	Details	Basic strategy
	 BMW/MINI	4				
	 Audi	1				
 Used	1					
Brazil SC RS	Brand	Number of Stores		Brazil	Details	Basic strategy
	 BMW/MINI	7				
	 Audi	2				
Japan	Brand	Number of Stores		Japan	Details	Basic strategy
	BMW/MINI	5				
	Volvo	3				
	Maserati	2				
	Premium Used	1				
Easy Car Ride	2					

(Unit) **Vehicle Sales**



Year	Vehicle Sales (Unit)
FY20	~18,000
FY21	~22,000
Post MTP	~48,000

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Basic Strategy of Dealership Businesses

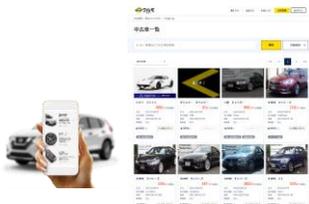
1. One aspect of the basic strategic for our dealership businesses is to deploy retention measures through regional concentration and multi-brand strategies.
 2. Another aspect is to develop stable earnings foundations by bolstering secondhand automobile sales and after sales services.
- Our operations in the U.S. San Francisco Bay Area have grown roughly fivefold in scale since 2014, and we plan to continue to expand these operations through acquisitions going forward. We were able to minimize the impacts of the COVID-19 pandemic on the performance of these operations because we had been quick to develop non-face-to-face sales systems through the use of digital tools. Meanwhile, we have been bolstering our manufacturer-certified repair service offerings. We now have repair centers certified by Bayerische Motoren Werke AG, Audi AG, and newly Tesla, Inc., and these centers are supporting performance.
 - In Brazil, we entered in the dealership business in 2015, and we have acquired sales rights in the two southern states of this country. Our future efforts will include expanding our network by establishing new locations in areas where there is not already an established dealership.
 - Sojitz re-entered into the dealership business in Japan in 2017. The Japanese market is currently in a transitional phase in which foreign automobile manufacturers are working to redevelop their dealership networks. We will thus be pursuing the expansion of our network based on the strategies of such manufacturers.

Basic strategy

- “Cooperate and support dealership strategies of automobile manufacturers” X “Our unique digital dealership strategies”
- Enhancement of marketing via omni-channel approach combining offline and online venues
- Utilization of digital tools to promote online sales

Automobile distribution platform business

- Online culumo platform for B2C and C2C distribution of automobiles
- Collaboration with AEON Product Finance; provision of culumo to approx. 30 million AEON card members; automobile sales by Sojitz, financing by AEON; enhancement of card member benefits; sales of automobiles owned by Sojitz, dealerships that serve as agents of AEON Product Finance, and card members



Data sales business

- Twinner GmbH is a manufacturer of systems for producing 3D models (digital twins) of automobile through 360°scanning and photography of interiors and exteriors of the automobile.
- Subscription services businesses for selling digital twins and related data by leasing the system to Japanese automobile distribution business operators
- One element of online automobile distribution platform



VR Operations

- Coordination with Japanese XR development company infiniteloop
- Development of VR-powered virtual showroom at boutique stores in urban locations and commercial facilities



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- Automobile manufacturers are currently undertaking new initiatives like promoting direct sales of new automobiles online. These initiatives are particularly proactive when it comes to electric vehicles.
- Sojitz is cooperating with and offering support to manufacturers based on their individual strategies. At the same time, we are deploying unique digital dealership strategies as the cornerstone of our secondhand vehicle sales efforts. We will seek out the ideal path for the Automotive Division through these two approaches.
- Realistically, we do not anticipate automobile sales to transition completely to online. Rather, we expect an omni-channel marketing approach combining both online and offline venues to become mainstream. Accordingly, our strategy will be to strengthen our operations in line with this approach.
- As one specific aspect of Sojitz’s unique digital dealership strategies, we established an online sales platform. Sojitz’s strengths lie in its internal development and operation resources as well as in the foundation formed by Company-owned inventories. We are also examining potential opportunities regarding the establishment of new frameworks, such as our collaboration with AEON Product Finance Co., Ltd.
- Moreover, the Automotive Division is endeavoring to create business models that allow customers to purchase vehicles without confirming the actual vehicles or inventories. To this end, we are introducing systems that scan the interior and exterior of vehicles to create digital twins as well as virtual showrooms that utilize virtual reality technologies.



- In 2019, Sojitz acquired automotive loan businesses in Mexico.
- In these businesses, we aim to capitalize on demand from individuals who are unable to use general automotive loans. Steps to protect assets in these businesses will include equipping vehicles with IoT devices to allow for remote control and requiring customers to enroll in vehicle and life insurance.
- We are also expanding the range of brands that we handle in these businesses. At the same time, we will grow our operations by branching out from automotive loans to take part in the leasing and rental fields. Another option being examined is the acquisition of new businesses.
- Lease operations involve the acquisition of secondhand vehicles after leases have expired. Accordingly, this is an area in which we can expect synergies with secondhand vehicle sales, an area of strength for Sojitz. We will look to evolve our operations in Mexico by taking advantage of such synergies.

Basic strategy

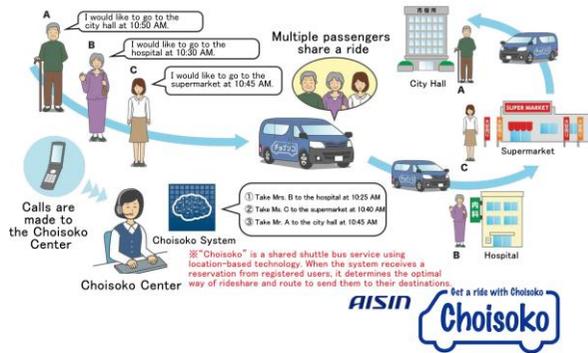
- Development of distinctive service businesses that incorporate IoT, AI, XR, and other digital technologies
 - ✓ Mobility services (MaaS), life care services
 - ✓ Quality control services (inspection, measurement, etc.), after-sales services (maintenance, inspection, repairs, etc.), etc.

MaaS business

- Choisoko community-rooted business model comprising collaboration with regional sponsors and with municipalities and on-demand transportation service for senior citizens in depopulated areas developed and operated by Aisin corporation (transportation of people)
- Transportation of commodities service entailing mixed loading of freight and passengers offered by Sojitz as alliance partner (home delivery, cargo collection)

[Examples of the Initiatives]

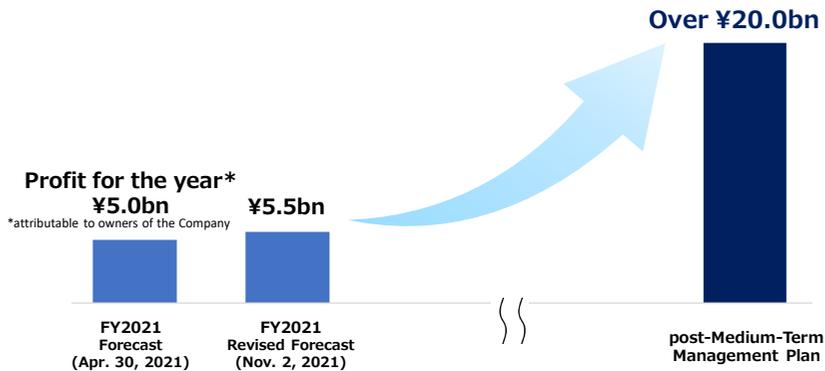
- Demand-based Transportation by way of Green Slow Mobility in Yotsukaido, Chiba
- A Japanese-style packed meal delivery and monitoring support service targeted to senior citizens living in Ryuo, Gamo District, Shiga Prefecture



- With this slide, I would like to introduce one of the MaaS businesses being developed to create a new earnings foundation.
- Choisoko is a system developed by Aisin Corporation that uses a scheme proven to be profitable while also contributing to the community. This is notable given the fact that most other businesses in this area have failed to generate a profit.
- As part of its alliance with Aisin, Sojitz is advancing verification tests for services entailing mixed loading of freight and passengers that support the movement of both people and commodities.

Measures

- Improvement of profitability through constant **structural reform**
- Improvement of efficiency through conversion of joint ventures into **wholly owned subsidiaries**
- Expansion of scale and improvement of efficiency through **resumption of aggressive business investments** such as large-scale acquisitions
- Promotion of new initiatives to **prepare for the future**



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- The Automotive Division is projected to achieve profit for the year of ¥5.5 billion in the year ending March 31, 2022. After the conclusion of Medium-Term Management Plan 2023, we will look to double revenues and triple or quadruple profit.

【Measures for Achieving Targets】

- We see great potential for growth in relatively new businesses, such as the Hyundai business in Pakistan and the Geely business in the Philippines.
- When it comes to our entire portfolio, including more established businesses, we will implement ongoing structural reforms in order to boost profitability.
- Meanwhile, we will resume aggressive business investments, such as large-scale acquisitions, in focus areas.
- These measures will be implemented as we prepare for the future and tackle challenges in digital and online areas as well as in the MaaS area from a medium- to long-term perspective.

Automotive Division – Human Resource Strategies for Creating Value and Achieving Ongoing Growth

Basic Strategies	<ul style="list-style-type: none"> ■ Cultivation of management personnel: Management of operating companies that contribute to communities ■ Fostering of development and digital transformation staff: Creation of new businesses and functions that address operating environment changes ■ Optimal allocation of human resources and enhancement of organizational capabilities
HR	<ul style="list-style-type: none"> ■ Rate of chief officer positions at operating companies held by local hires: Approx.30% ■ Rates of younger employees seconded to operating companies or dispatched as overseas trainees ■ Approx.80% of employees with 6 to 10 years of service, approx.40% of employees with 3 to 5 years of service ■ Number of employees with special skills: 7 digital transformation staff members, 2 production engineering staff members (all contract employees)
Culture of the Organization	<ul style="list-style-type: none"> ■ Promotion of new business development, preparations for future, and construction of new earnings foundations by all sections and departments ■ Search for knowledge: Pursuit of greater quality and quantity of new screening candidates (M&A activities, new projects, venture companies) ■ Sharing of knowledge: Cross-hierarchical communication and human resource rotations ■ Transformation: Trial and error, ingenuity, teamwork, results, continuation

- Human resources will be indispensable to advancing our growth strategies.
- We are therefore actively recruiting and cultivating management personnel to manage our various operating companies. At the same time, we are fostering our development and digital transformation staff to facilitate the creation of new businesses and functions. Specific measures to this end include the utilization of non-Japanese managers by enabling them to immediately begin making contributions and enhancing their capabilities, the empowerment of junior employees by expediting their development and promotion, and the recruitment of personnel with special skills.
- As for our organizational culture, we will promote the search for knowledge and seek to share this knowledge so that it can be translated into organizational strength. At the same time, we will encourage transformation based on the recognition that we will fall behind if we stop moving forward.
- To accomplish these objectives, we will operate our organization with the goal of continuously creating results through autonomy, ingenuity, and teamwork driven by trial and error.



Caution regarding Forward-looking Statements

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