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Representative Director, President & CEO

Next Step Forward Toward the Next Decade

Sojitz's Path in an Era of Great Transformation

Sojitz announced Medium-Term Management Plan 2023—Start of the Next Decade in April 2021. The subtitle, “Start of the Next Decade,” indicates our intent to position the three-year period of the plan as a time for taking our next step forward toward 2030.

One might then be inclined to ask, “What is Sojitz’s vision for 2030?”

Medium-Term Management Plan 2023 defines Sojitz’s vision for 2030 as becoming a general trading company that constantly cultivates new businesses and human capital. This vision is meant to ensure that we can continue to act in accordance with the Sojitz Group Statement and create value for Sojitz and value for society into the future. Moreover, this vision will guide our efforts to increase corporate value by creating businesses and human capital that respond to market needs and social issues through the fulfillment of our mission as a general trading company: delivering goods and services where necessary.

Sharing the reasoning behind this vision with our stakeholders will be imperative to helping them understand the targets of Medium-Term Management Plan 2023 and the strategies that will be implemented to accomplish these targets. Please allow me to explain this reasoning one step at a time.

The first factor we must look at is changes in the operating environment.

I think that all businesses have a certain timing at which they could be said to be “in season.” Being in season is important to success in business, but it is also crucial to recognize that nothing can be in season forever, and that decline is inevitable. Furthermore, social changes have the potential to hasten this decline.

As an unfortunate illustration of this fact from our own experience, in the early 1990s, Sojitz invested in a fixed-line telephony business in Latin America. At the time,

telephony networks were still quite lacking in this region, and we thus anticipated that this business would be coming into season. However, it was not long before mobile phones started becoming mainstream, leading Latin America to skip down the path which had taken decades for Japan to walk in only a few short years.

Today, social structures are undergoing various changes amid megatrends such as digitization, rising awareness for environmental, social, and governance (ESG) factors, and the diversification of values and needs. The COVID-19 pandemic, meanwhile, has served as a catalyst accelerating these changes. An example most can relate to is how the pandemic triggered a transformation in the way we work through the use of digital technologies, leading to the rapid normalization of teleworking and online meetings, both of which had not gained much traction in Japan previously. It would not be an exaggeration to say that the digital services related to these trends came into season at the blink of an eye. On the other hand, this social climate is such that businesses which are no longer in season are likely to decline rapidly.

In this manner, the COVID-19 pandemic caused various changes, previously expected to occur slowly over the next five or ten years, to quickly come to prominence in the span of only a year. Japan’s social structures, which have endured the post-World War II reconstruction, the so-called Japanese economic miracle, and the collapse of the bubble economy, are undergoing a great transformation, the likes of which have not been seen since the Meiji Restoration. As you likely know, the Meiji Restoration brought an end to the Edo period, which had survived for more than 260 years, and signaled the start of a new era.

We cannot help but wonder what path Sojitz should take in this era of great transformation. What I can say is this: We must transform ourselves to adapt to the times and not become attached to businesses that are no longer in season.

Challenges Related to Non-Resource Asset Accumulation and the Speed of Profit Generation

Next, let me discuss the challenges Sojitz recognizes at the moment. The year ended March 31, 2021, was the final year of Medium-Term Management Plan 2020. This plan got off to a strong start with profit for the year exceeding ¥70.0 billion in its first year. However, profit for the year fell significantly short of our target in the year ended March 31, 2021. This outcome was due in part to the impacts of the COVID-19 pandemic. Another factor was that we incurred structural reform expenses ahead of schedule to reflect the recording of provisions in relation to certain thermal coal and oil field interests. This step was taken in light of the trend toward a decarbonized society. Looking at the three-year period of the plan, however, the Company achieved average return on equity of about 9%, a level that surpasses our level of 8% for shareholders' equity costs. I therefore think we can say that Sojitz succeeded in creating at least the bare minimum level of value.

Meanwhile, upon review of the past three years, we have to acknowledge that Sojitz faces challenges needing to be overcome with regard to speed at which it is accumulating non-resource assets and generating profits from these assets. Sojitz has proceeded to transition its earnings base from the highly volatile resource field to the non-resource field, which is relatively resilient to market fluctuations. However, the resource field still has a significant impact on our earnings. Of course, I understand that generating profits from non-resource fields is a process that requires time. In fact, I have experience in this field to support this understanding. I was involved in the export of Japanese automobiles to Russia in 1992. At the time, the scale of these operations was incredibly small, with annual sales volumes of only around 300 vehicles. Regardless, we persisted, and we were thereby able to grow these operations into a business that was generating profits measured in the billions of yen around the turn of the century. However, the pace of social change today is of a completely different dimension than back then. It therefore is important that Sojitz always maintains a sense of danger with regard to this swift pace of change.

Swiftly generating profits from business investments will require us to further accelerate the speed of decision-making. One strength we can take advantage of in this regard is the open atmosphere at Sojitz that could be said to be a core element of our corporate culture. For example, even if only for 10 or 20 minutes, I try to find opportunities to talk with COOs whenever possible, and such conversations thus take place on a daily basis. Communication of this type is deeply entrenched at Sojitz, throughout all levels of the organization. Frequent

communication makes it easier to take swift action when it actually becomes time for decision-making. An example of this speed in action can be seen in the capital and business tie-up with Royal Holdings Co., Ltd., that we announced in February 2021. We anticipate significant synergies between the businesses of Royal Holdings and Sojitz's food, retail, and aerospace businesses. This tie-up is thus expected to make substantial contributions to the enhancement of, and the tackling of challenges in, our operations in non-resource fields. We are therefore committed to working closely with Royal Holdings to achieve success in this alliance and thereby make this partnership exemplary of our efforts to transform the adversity of the COVID-19 pandemic into business opportunities.

Back to the Basics as a General Trading Company

Exhaustive discussions were held between outside directors, members of senior management, and COOs about the vision we should pursue for Sojitz in 2030 based on the operating environment changes and challenges I have mentioned thus far. These discussions spread outside of management, down through the ranks, and eventually to the front lines of operation. The answer borne out of this extensive discussion was that we should get back to the basics as a general trading company.

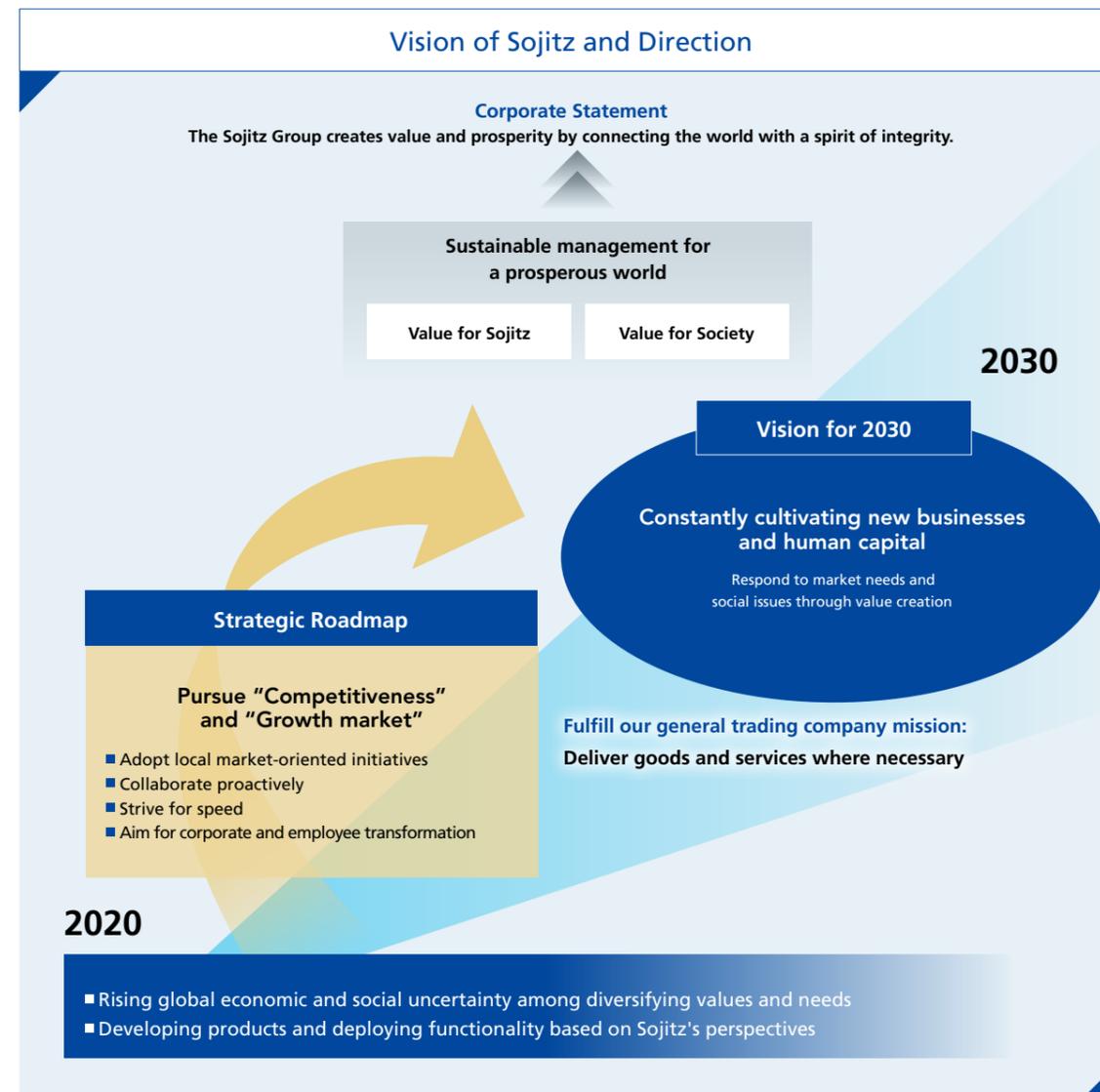
We thus must now consider what exactly it means for us to "get back to the basics." One of the entities to which the roots of Sojitz can be traced is Suzuki & Co., Ltd. Established in 1874, this company got its start in foreign sugar transactions. However, witnessing the industrialization of Japan, our predecessors soon turned their eyes to the potential of camphor, which was used as a material in a variety of products. This led Suzuki & Co. to acquire sales rights to camphor oil from a Taiwanese company and thereby commence manufacturing operations. Suzuki & Co. later established a company to produce celluloid and rayon using camphor, and this company eventually evolved to become the Teijin Limited and Daicel Corporation of today (Iwai & Co., Ltd., another company to which Sojitz traces its roots, also played a major role in the establishment of this company). Furthermore, Suzuki & Co. made forays into the heavy industry field, creating the foundation for the company now known as Kobe Steel, Ltd. In this manner, Suzuki & Co. responded to the massive changes seen at the time of the Meiji Restoration by investing in new businesses and transforming its business model so that it could deliver goods and services where necessary. This, we believe, is the basics of a general trading company.

I mentioned earlier that we are currently in an era of great transformation, and presented the question of the path Sojitz should take in this era. Sojitz is currently

standing at a crossroad. Now is thus the time for us to get back to the basics as a general trading company. This should entail developing an accurate understanding of the changes seen in society to conduct ongoing investment in new businesses and regions that we expect to be coming into season in the future. Sojitz is a team of professionals driven by an entrepreneurial spirit to create new businesses based on unrestrained ideas. The essence of Sojitz can be found in its corporate culture, emphasizing speed and the openness of organizations. This culture encourages all employees to act based on a strong sense of responsibility and to develop the individual skills necessary to identify market needs and propose solutions to these needs. This is the sentiment that shaped our vision for Sojitz in 2030, of becoming a general trading company that constantly cultivates new businesses and human capital.

There are four main points of strategies for realizing this vision.

The first point is to adopt local market-oriented initiatives. During the Meiji Restoration, delivering goods and services where necessary in the Japanese market required importing these from overseas. At this time, a market-oriented approach was a given. However, as time passed and the targets of our operations increasingly became overseas markets, we started to become more preoccupied with the products we had to offer, focusing largely on how we can sell the products and services available in Japan to overseas markets. This caused us to become trapped in a product-oriented mindset centered on Japan. However, it is impossible to propose true solutions to the issues faced by people in overseas markets if we do not adopt their view in considering what products and services



they actually need. Accordingly, we are now working to escape from our prior product-oriented mentality to adopt a market-oriented perspective and to adapt our business to the markets we serve. This will be our first step toward creating new businesses.

The second point is to collaborate proactively. A product-oriented approach entails a focus on existing products and services. Conversely, creating businesses from a market-oriented perspective requires us to propose products and services that serve the purposes of the business we look to create. However, developing these products and services from scratch is a process that requires significant time and effort. For this reason, it is important to involve a variety of people in this process and to utilize information and functions for both inside and outside of the Company. In other words, we need to collaborate proactively. This is an area where we stand to exercise our true capabilities as a general trading company.

The third point is to strive for speed. Businesses start to decline once they are no longer in season. I spoke earlier of our experience with the fixed-line telephony business in Latin America. Today, the pace of change eclipses that seen back at the time of our telephony business. For this reason, speed is absolutely essential to ensure that we can get into businesses when they are in season in this era of great transformation.

The fourth and final point is the aim for corporate and employee transformation. Adopting market-oriented perspectives, applying co-creation and sharing

methodologies, and striving for speed are all undertakings that will require us to first advance a drastic transformation of our current organizations and human resources.

Improvement of Profitability and Creation of Value

Medium-Term Management Plan 2023 **A** puts forth financial targets from the two perspectives of creation of shareholder value and growth and financial discipline. With this focus, we will work to create shareholder value by steadily generating earnings from new investments and implementing drastic reforms in the earnings structures of existing businesses in order to achieve increases in both scale and profitability.

Accomplishing this objective will require us to proactively invest in projects that boast substantial profitability and scale. We have targeted total investments of around ¥300.0 billion in two prior medium-term management plans. We failed to achieve the investment targets of Medium-Term Management Plan 2020. Nevertheless, I feel that these targets have encouraged us to be more proactive in investing, and we have achieved success in this regard. This proactive investment approach also helped us foster investment-related mindsets and skills in our employees.

At the same time, I realize that Sojitz has still not conducted that many investments of a substantial scale. Even if an investment seems promising, we cannot expect

a significant degree of returns if it is too small. There also may still be some hesitance toward large-scale investments remaining among employees who remember the past weakness of our financial base, particularly at the time of our founding. However, our track record over the past several years should clearly indicate that we are past the phase at which we need such hesitance. Medium-Term Management Plan 2023 puts forth the bold plan of conducting the type of large-scale investments, with price tags in the tens of billions of yen, that we have not sufficiently been able to execute previously. Moreover, the plan calls on us to tie these investments to growth. To ensure success in this respect, we will continue to practice disciplined cash flow management while strengthening systems for post-investment monitoring **B**.

Medium-Term Management Plan 2023 also defines the target of achieving a price book-value ratio (PBR) of 1.0 times or above, and we have made an internal and external declaration of our commitment to this goal. Our stock price is not something we can control, no matter how hard we may try. For this reason, there was a lot of discussion as to whether or not it was appropriate to set a PBR target. However, we decided to go forward with the implementation of this target based on the agreement that we cannot turn a blind eye to the fact that the market currently seems to be underestimating Sojitz's ability to create corporate value. This commitment has also been reflected in our dividend policy. There has been no change to our dividend policy of targeting a consolidated payout ratio of 30% by paying stable, continuous dividends while enhancing shareholder value through the accumulation and effective use of retained earnings. What has changed is that we have set a lower limit for dividends, and we thus promise our shareholders dividends that represent market price-based dividend on equity of 4%.

Concentration of Management Resources on Three Focus Areas

Medium-Term Management Plan 2023 lays out a growth strategy of concentrating management resources in fields in which we can pursue competitiveness and growth markets based on sustainability. Specifically, we have defined four initiatives for this growth strategy—Develop essential infrastructure and services to alleviate social issues, Expand “3R” (reduce, reuse, recycle) businesses,

Strengthen retail efforts in ASEAN and India, and Create value by revitalizing domestic industries and rural regions. Alongside these initiatives, we will utilize digital and new technologies and practice co-creation and sharing methodologies with partners inside and outside the Company to achieve our goals. Based on this growth strategy, we restructured our previous nine business divisions to form seven divisions **C**.

Next, I would like to explain the three focus areas of Medium-Term Management Plan 2023, which we defined based on this growth strategy.

The first of these focus areas is the infrastructure and healthcare field. This is a field in which demand for essential infrastructure is rising on a global scale, as well as one in which Sojitz has accumulated a certain degree of insight through its past investments. To cater to this field, we established the Infrastructure & Healthcare Division by means of the aforementioned restructuring. This move was meant to make it easier for coordination between our industrial park development and operation team and our hospital and power business team, and we therefore expect increases in co-creation and sharing as a result. One successful example of our efforts in the infrastructure and healthcare field is the public-private partnership hospital project undertaken in Turkey. This project entails operating one of the world's largest hospitals. Not only have we already begun seeing earnings contributions from this project, it also has significant social meaning. As such, I believe that this project truly embodies the two types of value—value for Sojitz and value for society— **D** we espouse. This project involved an investment that was particularly large among Sojitz's past investments, and I suspect that this experience will lend itself to increased confidence in future investments.

The next area is growth markets like the ASEAN region and India, which will be approached through market-oriented initiatives. Sojitz has past investment experience in countries such as Vietnam, the Philippines, and Indonesia. Moreover, these countries are expected to see population growth, and subsequently economic growth, going forward. In particular, we hope to create results in the retail sectors of these countries. Sojitz has been a general trading company that boasts strengths in the areas of steel, machinery, and chemical products. However, we lack experience in the retail field, even in Japan. Retail, meanwhile, is one of the areas in which it is most important for



We are now to adopt a market-oriented perspective and to adapt our business to the markets we serve. This will be our first step toward creating new businesses.

A For more information, please refer to page 21.
Information on numerical targets under Medium-Term Management Plan 2023

B For more information, please refer to page 46.
Information on systems for post-investment monitoring

C For more information, please refer to page 86.
Information on restructuring of nine divisions to form seven divisions

D For more information, please refer to page 30.
Information on creation of two types of value through public-private partnership hospital project in Turkey

us to adopt a market-oriented approach. As we have no past successes in Japan, there is no risk of our falling into a previous product-oriented mentality, meaning that this lack of expertise can actually be seen as a positive. For example, we are developing convenience store operations in Vietnam together with Ministop Co., Ltd. However, the differences in lifestyles between Vietnam and Japan mean that we cannot expect success purely by exporting the Japanese convenience store model to this country. The products and services sought by the people of Vietnam are, of course, different from those desired in Japan. Currently, the number of convenience stores we operate in this country is small and not all of them are turning a profit, but I feel that we are making progress in penetrating the market with the convenience store business model. We have also achieved success in the fact that the businesses supporting these convenience stores, such as the prepared food production, distribution and wholesale, and warehouse businesses, are posting profits. Encouraged by these successes, we will further hone our market-oriented perspective in pursuit of even higher levels of growth.

The last of the three focus areas is the material and circular economy field. Mining and other resource field businesses require large investments of the scale of ¥100 billion per project while also involving high levels of risk, as performance is incredibly susceptible to market fluctuations. Businesses in the material and circular economy field, however, could be viewed as resource businesses that differ from the traditional, highly volatile resource businesses. These are also businesses in which we cannot expect immediate results, but they are no doubt businesses that we should start developing now in order to contribute to the realization of a decarbonized society.

Ongoing Creation of Human Resources Who Transform Changes into Opportunities

Human resources are the most important management resource for companies, and this holds true regardless of the business. These resources are all the more important for companies like general trading companies, which use models that involve fluidity in the actual types of businesses undertaken. Medium-Term Management Plan 2023 defines the vision for our [human resource strategies](#) **E** as to

develop a team of diverse, autonomous individuals.

There are a lot of angles from which we need to think about diversity, but it definitely needs to be said that the empowerment of female employees will be crucial to the sustainable growth of Sojitz. In recent years, around half of new recruits at Sojitz have been women. Accordingly, fostering an environment in which women are able to continue their career, even while undergoing major life events, will create a powerful driving force behind the growth of the Company.

Next, I would like to talk about our efforts to foster autonomous employees. I believe that the business of a general trading company requires employees to have a sense of responsibility, integrity, creativity, and a pioneering spirit. These traits form the foundation for fostering an autonomous workforce. Meanwhile, I feel that the representation of people aged around 40 is rather low as a result of our curbing recruitment for a period because of past management instability. Conversely, we have been hiring more than 100 new employees a year recently, giving us a strong base of employees in their 20s and 30s. This situation creates an environment in which these younger employees are required by necessity to be involved in a wide range of tasks and to practice discretion in their work. In this environment, employees are able to exercise independence at a relatively early stage in their career. The high degree of independence of our employees is a major strength for Sojitz as it marches toward its vision as well as an important element of Sojitz's essence.

Seeking to pass on the entrepreneurial spirit and unrestrained ideas that are a strength of Sojitz to the next generation of employees, we have launched a new business contest known as [the Hassojitz Project](#) **F**. This contest was launched in 2019 based on my recommendation, making 2021 its third year. One judge in the 2021 contest was Yoshiaki Fujimori, a prior Sojitz employee who has held such notable positions as senior vice president of General Electric Company of the United States and CEO at LIXIL Group Corporation of Japan. Mr. Fujimori had high praise for the proposals by Sojitz employees, stating that there were several that he would even be willing to invest in out of pocket. This contest has served to reaffirm my belief that the basic mission of general trading companies is to deliver goods, people, technologies, and services where necessary. At the same time, it is important to create new businesses to adapt to the rapidly changing

The basic mission of general trading companies is to deliver goods, people, technologies, and services where necessary. At the same time, it is important to create new businesses to adapt to the rapidly changing times.



times. This is a sentiment that I have been passionately communicating to employees over the past several years. Employees have reciprocated this passion, which they are directing toward their work, clearly illustrating that this sentiment is taking root. Going forward, I will personally take responsibility for the development of a workplace environment that is able to sustain this passion.

Meanwhile, digital technologies are being positioned as a lingua franca in which all employees should be fluent. This is because digital technologies are absolutely essential to creating value by addressing customer and social needs. We are therefore utilizing these technologies to drive reforms in the areas of our business model, human resources, and work processes and data infrastructure. During the period of Medium-Term Management Plan 2020, we set up the Business Innovation Office to spearhead efforts for streamlining work processes. The Business Innovation Office then proceeded to implement reforms in paperwork along with introducing robotic process automation measures, which would later enable us to make a smooth transition to teleworking amid the COVID-19 pandemic. In regard to human resources, we have defined [key performance indicators with regard to personnel with digital technology expertise](#) **G** in order to equip frontline organizations with the capacity to pursue self-driven digital transformation. Data analysis training programs targeting all employees have been introduced to hopefully further us toward the accomplishment of these targets.

Personally, I am placing the most emphasis on business activities, specifically the digital transformation of our marketing activities. By replacing our prior intuition-based marketing decisions with decisions based on hard data, we should be able to achieve higher degrees of precision in creating new businesses. To support these efforts, we established the DX Promotion Committee in April 2021. I chair this committee, which means that I have final authority for making decisions as well as responsibility for executing these decisions. This committee will take steps to track and verify the benefits of Companywide digital transformation initiatives with the goal of better guaranteeing success.

Creation of Two Types of Value

Sojitz's sustainability initiatives are founded on the concept of two types of value—value for Sojitz and value for society—and based on its Key Sustainability Issues (Materiality).

I believe that it was around 2016, when I was still a senior managing executive officer, when interest in ESG factors began to rise. At the same time, Sojitz's ESG-related initiatives were still insufficient, and we therefore did not receive very favorable evaluations from ESG ratings institutions. However, this changed when we established the Corporate Sustainability Office in 2017, the year in which I took up the mantle of president. This is the year in

E For more information, please refer to page 56.
Information on human resource strategies under Medium-Term Management Plan 2023

F For more information, please refer to page 62.
Information on Hassojitz Project

G For more information, please refer to page 65.
Information on initiatives for developing digital-proficient human resources

which we began ramping up our decarbonization- and human rights-related initiatives. Today, social interest in ESG factors is growing at a speed that has surpassed my expectations. In fact, it could be said that ESG is becoming a standard framework for addressing social issues, even in Japan, where various companies have put forth targets of achieving carbon neutrality by 2050. Sojitz, as well, has positioned ESG at the heart of its management.

We are also maintaining our focus on strengthening corporate governance **H**. At the General Shareholders' Meeting held in June 2021, resolutions were approved to appoint additional outside directors, making such directors account for 50% of the members of the Board of Directors and thereby better ensuring the transparency of management and strengthening oversight functions. In addition, it was resolved to increase the ratios of remuneration linked to medium- to long-term performance and corporate value for directors and executive officers.

Change to Adapt to Change

Berkshire Hathaway Inc., a U.S. company led by renowned investor Warren Buffett, turned heads when it invested in Japanese general trading companies. Sojitz was not included among these investments, but when I heard this news, I sensed a change in how the business model of general trading companies is perceived.

A couple of years ago, I was speaking with a U.S. investor who, looking at Sojitz's wide-ranging business portfolio, voiced a number of concerns with regard to our management. For Europe and the United States, it is common for general trading companies, with their widely varied portfolios, to be subject to conglomerate discounts as it is unclear exactly where these companies face risks.

Still, I am dubious as to whether it is necessary to undertake selection and concentration for the purpose of mitigating risks. When I was stationed in Detroit during the 1980s, most of the companies I had dealings with practiced selection and concentration; if they were an automobile manufacturer, they concentrated on cars, if they were a machinery manufacturer, they concentrated on machines. However, very few of these companies are still around today.

The times are always changing, and this means that the products and services people need are also changing. I can think of several companies in Japan that have been

around for more than a century, Sojitz being one of these. The majority of these companies have, at one point or another, changed what would have been considered their main business. This is how they managed to survive. In other words, these companies have survived by continuously evolving—changing themselves to adapt to the changes around them. The most representative example of this approach is general trading companies, which have business portfolios structured in a way that is conducive to such change. I am thus confident that this type of portfolio is a strength. This is why we put forth the vision of becoming a general trading company that constantly cultivates new businesses and human capital.

Mission as a General Trading Company

My reason for approaching Nissho Iwai Corporation, Sojitz's predecessor, was simple: I wanted to work overseas. Fortunately, I was able to join the company, which gave me the opportunity to visit numerous countries and regions. As I engaged with the people living in these countries and regions, and experienced their daily lives, I was able to see first-hand how the products and services required in each location differed. This experience is what led me to adopt a market-oriented perspective. Even after becoming president, I took every opportunity to travel overseas, but these opportunities, unfortunately, have been nearly nonexistent recently due to the COVID-19 pandemic. Without the option of overseas travel, I instead chose to visit three operating companies in Kyushu, where I grew up, in December of 2020.

Sojitz Tuna Farm Takashima Co., Ltd., one of these companies, was established in 2008. The decision to establish this company was the result of our awareness of the issues surrounding the potential depletion of the natural tuna population through our more than three decades of experience in tuna importing. We thus decided to found Sojitz Tuna Farm Takashima to help create a stable supply of bluefin tuna through cultivation. This company employs around 40 individuals, many of whom are local high school graduates. Speaking with these employees on my visit, I learned that many of them loved their hometown and were happy to be able to work there. This experience led to the realization that we need to invigorate local industry. This is a task of incredible importance in Japan, where all economic activity tends to be concentrated in

Tokyo. This overconcentration has diminished regional economies as there are often no jobs to be found outside of major urban centers. Given this situation, what, then, are the necessary products and services we need to deliver? The answer, I believe, is primary industries. As a stock company, Sojitz has the potential to revive traditional primary industries by investing capital in these industries. Efficiently operating such companies will contribute to the invigoration of regional communities while also helping Japan overcome the food shortages that are projected to arise in the future.

Once again, the mission of a general trading company is delivering goods and services where necessary. I hope that Sojitz employees around the world will take this to heart as they investigate the needs of the markets they serve. This approach is certain to lead to the creation of new businesses that will allow us to help resolve social issues and thereby generate two types of value—value for Sojitz and value for society.

The persistence of the COVID-19 pandemic has also prolonged the period during which our daily lives have been characterized by teleworking and online meetings. This lifestyle has freed us from various inconveniences. At the same time, however, it has reminded us of the importance of direct, face-to-face communication with people. It is difficult to communicate exactly how you feel to someone, or to perceive exactly what someone else is feeling, via the internet. As COVID-19 vaccine rollouts usher in a new normal for our daily lives, I hope to find

ways to arrange forums for direct communication with investors and with all of our other stakeholders.

Sojitz is taking action to realize its vision for 2030. We hope to walk the path toward this vision together with investors and other stakeholders, and we will continue to report on our progress down this path. The target of a PBR of 1.0 times or above is not just about the number; it is a declaration of our commitment to surpassing the expectations of stakeholders. In this era of great transformation, we will continue to change ourselves and to transform change into opportunities. Engagement will be a constant part of this process as we seek to surpass stakeholder expectations. I hope we can look forward to our stakeholders' ongoing understanding and support as we walk down this path.

September 2021



Masayoshi Fujimoto
Representative Director, President & CEO



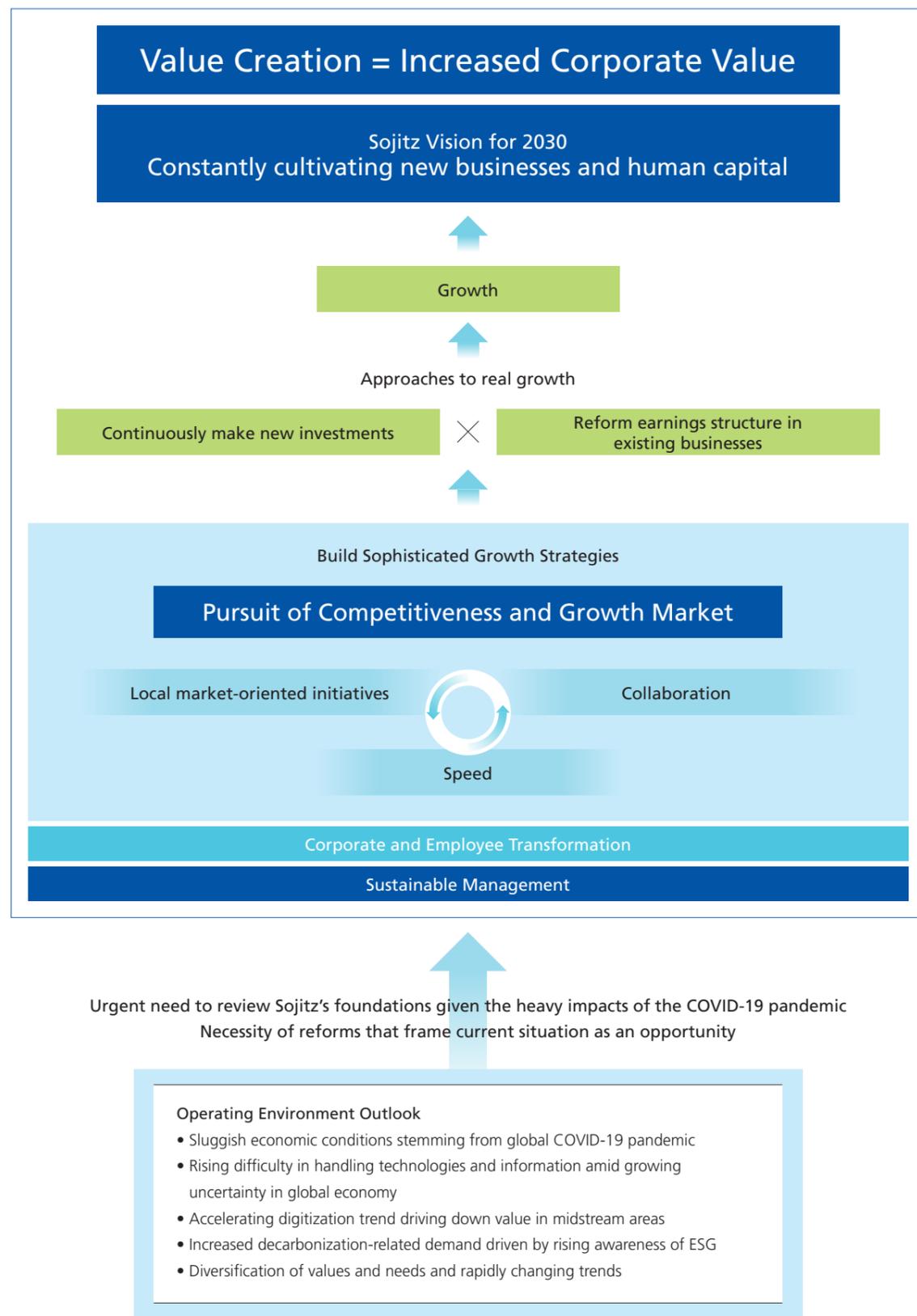
President Fujimoto (second from right) talking with employees at Kyushu operating company

For more information on President Fujimoto's visit to Kyushu operating companies, please refer to the following website:
https://www.sojitz.com/en/ir/reports/ceo_video/



H For more information, please refer to page 72.
Information on initiatives for strengthening corporate governance

Medium-Term Management Plan 2023—“Start of the Next Decade”



Positioning of Medium-Term Management Plan 2023—“Start of the Next Decade”

The COVID-19 pandemic continues to impact economic activities. As this situation results in rising uncertainty in global trends, corporate activities are expected to feel the effects of recent megatrends to an increasingly strong degree. Examples of these megatrends include the accelerated pace of digitization; the growing awareness of environment, social, and governance (ESG) trends; and diversifying values and needs. Against this backdrop, Sojitz is keenly aware of the need to build solid earnings foundations while also transforming itself by perceiving this situation as an opportunity.

In this time of great transformation, Sojitz has defined its vision for 2030 as becoming a general trading company that constantly cultivates new businesses and human capital. The mission of a general trading company is delivering goods and services where necessary. Accordingly, we look to fulfill this mission while creating business and human capital value that responds to market needs and social issues to achieve ongoing increases in corporate value.

Medium-Term Management Plan 2023—“Start of the Next Decade” has been positioned as the first step toward accomplishing this vision.

The subtitle, “Start of the Next Decade,” indicates our intent to position the period of this plan as a time for transforming ourselves so that we can advance on a path toward our vision for 2030.

The following pages will provide an overview of Medium-Term Management Plan 2023, a plan that was formulated based on our vision for the future and our pursuit of distinctly Sojitz value.

Financial Targets

Increased shareholder value (three-year avg.)		Growth and financial discipline	
ROE	10% or above	Investments	¥330.0 billion (including ¥30.0 billion of non-financial investment)
Profit for the year (attributable to owners of the Company)	Approx. ¥65.0 billion	Core cash flow*2	Positive over MTP2020 through MTP2023 cumulative total
Core operating cash flow*1	Approx. ¥80.0 billion	Net DER	Approx. 1.0 times
Consolidated payout ratio	Approx. 30% Lower limit for dividends set	ROA	3% or above (final year of MTP2023)
PBR		1.0 times or above	

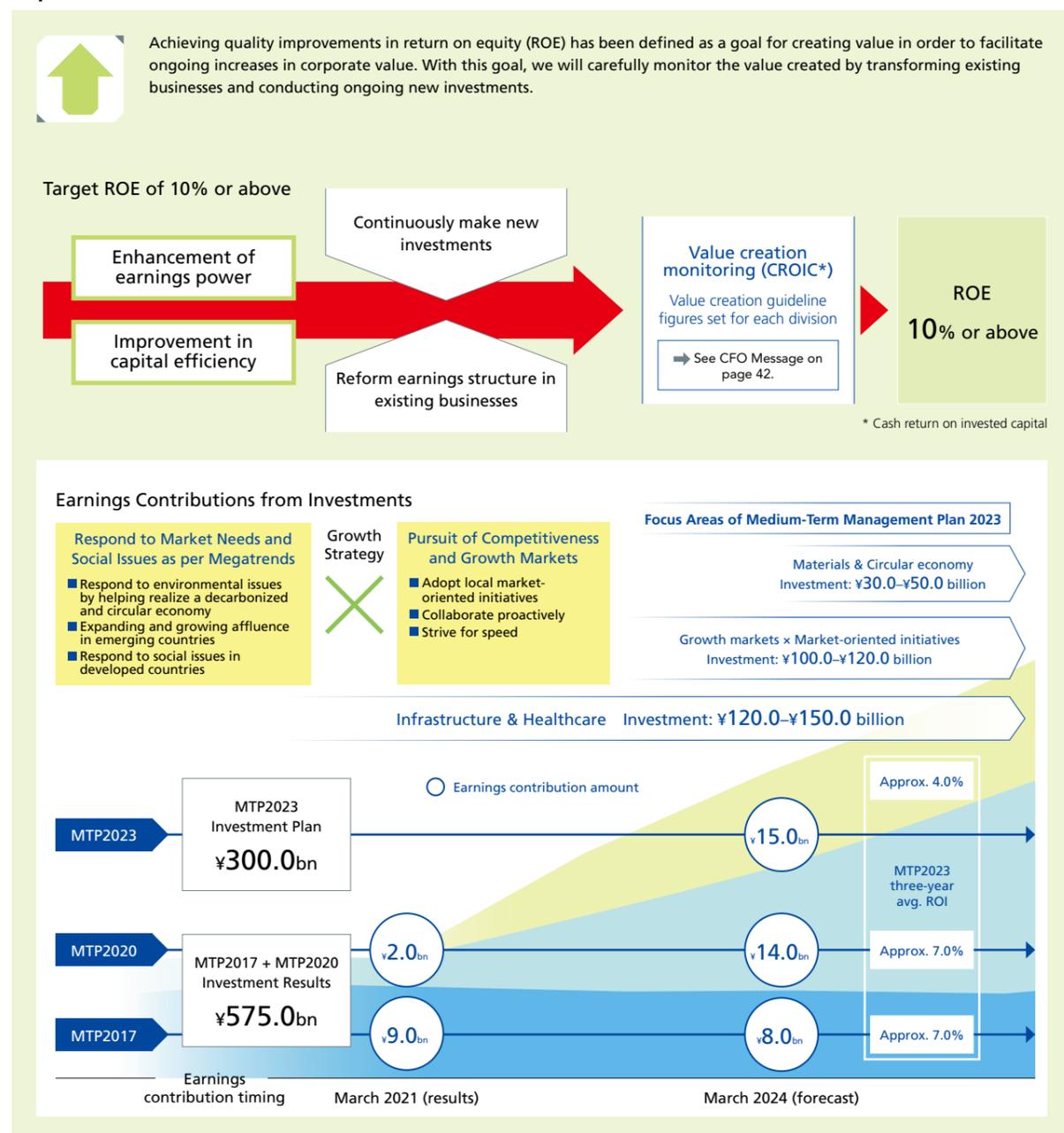
*1 Core operating cash flow = Cash flow after deducting changes in working capital from operating cash flow calculated for accounting purposes

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

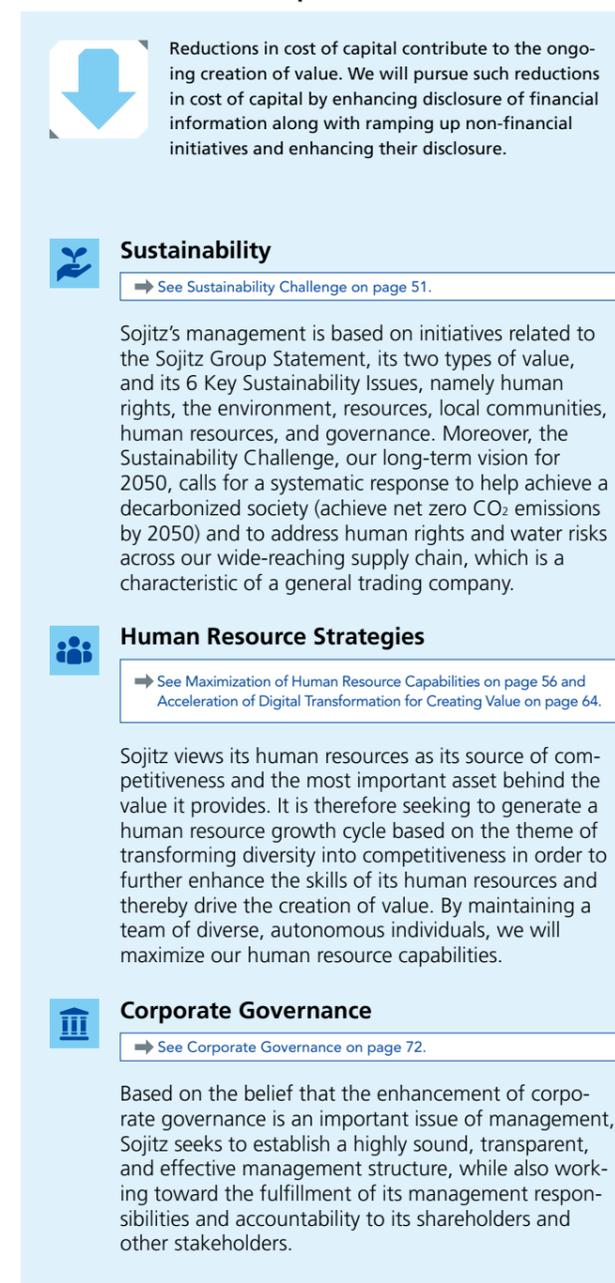
Approach Toward Creating Value



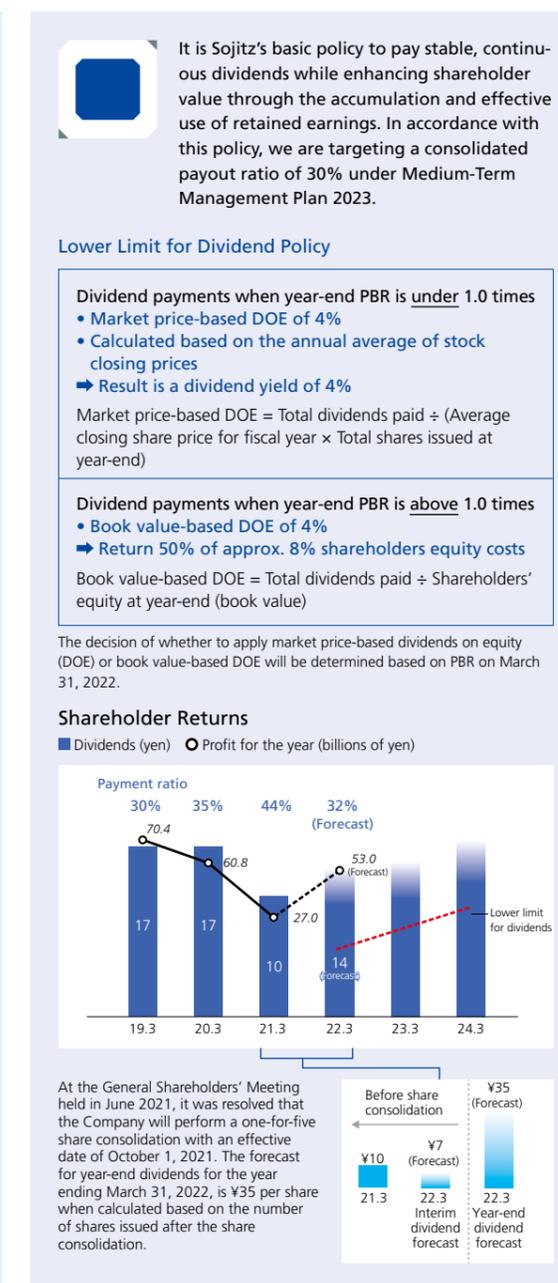
Improvement of ROE



Reduction of Cost of Capital



Dividends



Special Discussion

Creation of Distinctly Sojitz Value

The following is a discussion between Makoto Shibuya, COO of the Corporate Planning Department and the Corporate Sustainability Office and an individual who was involved in the formulation of Medium-Term Management Plan 2023, and Yumie Endo, Executive Officer of the Investor Relations Office, a position that puts her on the forefront of communication with investors. In this discussion, these two individuals offer insight into the process of formulating the medium-term management plan.



Vision for the Future of Sojitz as Basis for Medium-Term Management Plan 2023

Shibuya: ■ There are two major characteristics of Medium-Term Management Plan 2023. The first is how it is positioned as our first step forward in the next decade. As implied by this focus, the plan was defined based on our vision for Sojitz in 2030, from which a backcasting approach was used to determine what we should do over the next three years. Prior medium-term management plans adopted more of a forecasting approach, which means that the backcasting approach of Medium-Term Management Plan 2023 is a significant change.

The second major characteristic is that we were able to solicit a wide range of opinions from the initial stages of formulating the plan. We began formulating Medium-Term Management Plan 2023 right when the COVID-19 pandemic started to thoroughly transform our operating environment. The inability of management to go on business trips enabled us to devote more time to discussing the plan. We also arranged for free discussion in which mid-level employees, who will be core members of the Company 10 years from now, were able to take part through open application. An aggregate total of around 60 employees joined us in these discussions. As a result, I feel that this plan more closely represents the perspectives of frontline staff.

Endo: ■ The fact that Medium-Term Management Plan 2023 was forged out of discussion of our long-term vision for Sojitz is also an important factor from an investor relations perspective. This focus makes it easier to discuss our strategies for accomplishing our long-term vision with those shareholders who support the Company from a long-term perspective and thus facilitates an increased understanding of Sojitz. Previous medium-term management plans forced us to limit our discussions to initiatives over the next three years. With Medium-Term Management Plan 2023, however, we were able to present a 10-year narrative for the future of Sojitz. This is incredibly meaningful both for the Company and for

investors who look to maintain their holdings over the long term.

Enhanced Stakeholder Engagement Made Possible by Transparent Medium-Term Management Plan

Endo: ■ Investors have expressed their positive reception of the target of achieving a PBR of 1.0 times or above as well as of the high degree of transparency that Medium-Term Management Plan 2023 offers. Specific reasons cited for this transparency included how the plan presents an overarching picture of the amounts and timing of returns from investments and then drills down from there to look at the actual frameworks through which these returns will be pursued over the next three years. In other words, the plan offers an incredibly clear look at what exactly Sojitz is trying to accomplish.

Shibuya: ■ At the same time that a medium-term management plan is a set of targets for a given period and a road map toward these targets, it is also a tool for engagement that allows for these targets and map to be communicated to stakeholders. A plan only becomes praiseworthy after it has been successfully completed, and the success of the plan is contingent on the actions of personnel. Based on this recognition, we arranged briefings on Medium-Term Management Plan 2023 to serve as a venue for engagement with employees. Some 800 employees, including those overseas, participated in these briefings.

In this plan, we use the words "collaboration" and "sharing." Sojitz develops its business in a wide range of fields, and our ability to share information and collaborate between divisions and businesses is a significant strength. For this reason, we realized that further removing the barriers between organizations would better enable us to exercise our true strength as a general trading company. Under Medium-Term Management Plan 2023, we will identify needs from a local market-oriented initiatives and practice collaboration and sharing with a sense of speed. This approach will be taken to heart as we pursue improvements in corporate value through a united, Companywide effort.



VALUE CREATION STORY

This section explains how the operating foundation of Sojitz is utilized to create two types of value—value for Sojitz and value for society.

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Healthcare Business Value Creation Cycle Originating from Turkish Hospital Project

