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Pursuit of Ongoing Improvements to Corporate Value

Aggressively conducting new investments while continuing to maintain a stable financial foundation

Sojitz's fundamental stance is to secure a positive core cash flow over a predefined period to maintain a stable financial foundation. Core operating cash flow*1 dropped temporarily in the year ended March 31, 2021, as the COVID-19 pandemic impacted our various businesses. At the same time, we were unable to carry out investments in accordance with our plans. As a result, we posted aggregate levels of ¥56.0 billion for core cash flow and ¥108.0 billion for free cash flow, both well into the positive, over the three-year period of Medium-Term Management Plan 2020 ("MTP2020"). I am proud of our ability to consistently maintain a stable financial foundation. At the same time, the fact that investments did not progress as planned means that we were unable to take advantage of some of the growth opportunities placed in front of us. In part to rectify this issue, we intend to conduct ¥300.0 billion in new growth investments coupled with ¥30.0 billion in non-financial investments under Medium-Term Management Plan 2023 ("MTP2023").

Cash Flow Management

Target positive core cash flow over six-year period encompassing periods of Medium-Term Management Plan 2020 and Medium-Term Management Plan 2023

	MTP2020 3-year cumulative results (FY2018–FY2020)	MTP2023 3-year cumulative forecast (FY2021–FY2023)
Core operating cash flow	¥219.0 billion	¥240.0–¥250.0 billion
Asset replacement (Investment recovery)	¥170.0 billion	Approx. ¥100.0 billion
New investments and loans / other	¥(262.0) billion	Approx. ¥(330.0) billion
Shareholder returns*	¥(71.0) billion	Approx. ¥(70.0) billion
Core cash flow	¥56.0 billion	Positive (MTP2020 and MTP2023 6-year period)

* Include acquisition of treasury stock

This aggressive investment move will result in core cash flow falling into the negative on an aggregate basis over the three-year period of this plan, but we expect to maintain a positive core cash flow over the six-year period that encompasses this plan as well as the previous plan.

We changed our target for the net debt equity ratio under MTP2023 to approximately 1.0 times, compared with the target of 1.5 times or lower under the previous plan. The purpose of this change is not to limit leverage, but rather to maintain the balance deemed appropriate at this point in time. Moreover, MTP2023 allows for the freedom to conduct investments earlier than scheduled with the goal of realizing earnings contributions during the period of the plan. Such ahead-of-schedule investments will likely result in the net debt equity ratio rising to around 1.2 times on March 31, 2022, but we expect to lower this ratio back to around 1.0 times by the end of the plan on March 31, 2024.

Sojitz is a company that is still growing. For this reason, we need to boost top-line revenues by aggressively investing while maintaining an appropriate level of leverage.

Gauging and assessing value creation through the introduction of the new management indicator of CROIC

MTP2023 reasserts Sojitz's policy for creating value. To gauge and assess our value creation efforts, we will target return on equity (ROE) of 10% or above on average over the three-year period of the plan, with our top priority being ROE that sufficiently surpasses the level of 8% for shareholders' equity costs.

We have introduced cash return on invested capital (CROIC)*2 as a new management indicator. CROIC measures returns on a cash basis in order to ensure that the aforementioned ROE target is fully incorporated into business division management. Each division has set targets for the minimum level of three-year average CROIC as "value creation guideline figures" based on their respective business characteristics and capital efficiency levels as well as investment strategies for the period of MTP2023. These value creation guideline figures have been formulated in a manner that will ensure the accomplishment of our Companywide ROE target of 10% or above, if each division is able to achieve CROIC that exceeds their guideline figure.

We have also revised our standards for screening individual investment candidates to focus on whether said investment will contribute to improved corporate value. Specifically, we have simplified the hurdle rate standards for the initial screening of new investments to look at two factors: cost of capital based on the functional currency of

the investment candidate and country risk premium. Our prior hurdle rate was based on risk profiles and entailed determining the amount of returns we expect in comparison to the risks associated with a project. Over more than 15 years since the establishment of Sojitz, we had continued to include any new risks identified into hurdle rates, adding new layers to our risk premium and thereby making it difficult for business divisions to find investment candidates with potential that surpass this risk premium. This standard led me to seeing projects with sales growth targets that lacked objectivity in my position as chairperson of the Finance & Investment Deliberation Council. Business plans for such projects often do not go as intended, and their recovery plans also fall behind the curve.

The operating environment has been growing increasingly volatile in recent years, meaning that it is incredibly difficult to advance projects in accordance with our initial business plans. Our decision to cut down on components comprising hurdle rates was in part a reaction to the fact that the current operating environment makes it difficult to decide on investments based purely on quantitative factors. These issues are exemplified in occurrences such as the COVID-19 pandemic, something that would have normally been considered a tail risk. Rather than asking business divisions to develop business plans that exceed hurdle rates, we will call on them to ensure the objectivity of their plans based on the investment policy of adopting market-oriented initiatives put forth in MTP2023, which will entail formulating business plans that are as free as possible from biases. In addition, business divisions will be expected to develop and swiftly implement measures for preemptively addressing market trends and to define key performance indicators to be monitored in relation to these measures. Another aspect of the change in the hurdle rate policy is having the corporate divisions in the deliberation adopt a different approach by exercising additional responsibility in qualitatively assessing risks to judge whether or not they should be taken.

Should we fail to meet our initial targets for a project after investing, we will do our best to get the project back on track. However, if it is judged that this project cannot generate the minimum expected level of value for the Company, we will, in principle, withdraw. To facilitate the implementation of this policy, Sojitz will measure whether the return on invested capital (ROIC) and the CROIC levels of each investment exceed their levels of weighted average cost of capital (WACC).

*1 Core operating cash flow = Net cash provided by (used in) operating activities (as calculated for accounting purposes) – Changes in working capital

*2 CROIC = Core operating cash flow ÷ Invested capital

Pursuing value creation through engagement and targeting PBR

MTP2023 targets a price book-value ratio (PBR) of 1.0 times or above. Sojitz's PBR is currently lower than 1.0 times. This level is thought to reflect concern from investors that our portfolio contains risks with the potential to diminish net asset value as well as low faith in our ability to generate future earnings. Shareholders' equity costs are around 8% for the Company, and we believe that there is a disparity between the market's evaluation of Sojitz and its actual condition. Our risk premium is no doubt a factor behind this disparity. There is thus a need to address the concerns of investors by alleviating information gaps.

Sojitz has always sought to enhance disclosure of financial information, including detailed breakdowns of individual segments. Our disclosure of value creation guideline figures for CROIC is one example of this diligence. At the



same time, we recognize the need to communicate to society the fact that Sojitz is sustainable. Accordingly, we practice disclosure of non-financial information with a particular focus on decarbonization and other environmental initiatives as well as human rights-related matters, such as efforts for protecting human rights across the supply chain. We will continue to rectify any deficiencies in our disclosure of financial and non-financial information going forward as we seek to provide information that will lead to the reduction of our risk premium.

As part of these efforts, we decided to underscore the commitment indicated by the target of achieving PBR of 1.0 times or above with a dividend policy of targeting a consolidated payout ratio of 30% and defining the minimum level for dividend payments until our PBR reaches 1.0 times as representing a market price-based dividend on equity ratio of 4%. As we enhance information disclosure, we will also engage with investors to give them a clear picture of the goals Sojitz is pursuing. Meanwhile, we will back our words with our actual performance in order to give investors greater faith in our future earnings potential. We also understand that fulfilling our responsibilities toward society is a prerequisite to our pursuit of profit. We must avoid, at all costs, a situation in which Sojitz loses sight of its social responsibilities, and consequently the trust of society, by engaging in unethical activities. For this reason, we will work toward our goal of a PBR of 1.0 times or above by creating two types of value: value for society and value for Sojitz.

Fulfilling responsibility as CFO to improve Sojitz's corporate value

I am one of the few people of an age to remember the time when Sojitz was suffering from immense management challenges. This experience has filled me with a strong sense of commitment to ensure that we never again fall on such hard times. Fortunately, the Company succeeded in generating profits in the years ended March 31, 2020 and 2021, despite the impacts of the COVID-19 pandemic, and we were thereby able to pay stable and continuous dividends. Even in the face of this unexpected adversity, Sojitz managed to create cash flows to a certain degree and continued to issue shareholder returns, including share buybacks. I cannot help but be impressed by all that has changed since the period of management instability around the time of Sojitz's founding. We could not have come this far without the support of our employees and all of our other stakeholders. I am truly grateful for this support. Also, as CFO, this support makes me all the more cognizant of my responsibility toward ensuring that Sojitz continues to thrive into the future.

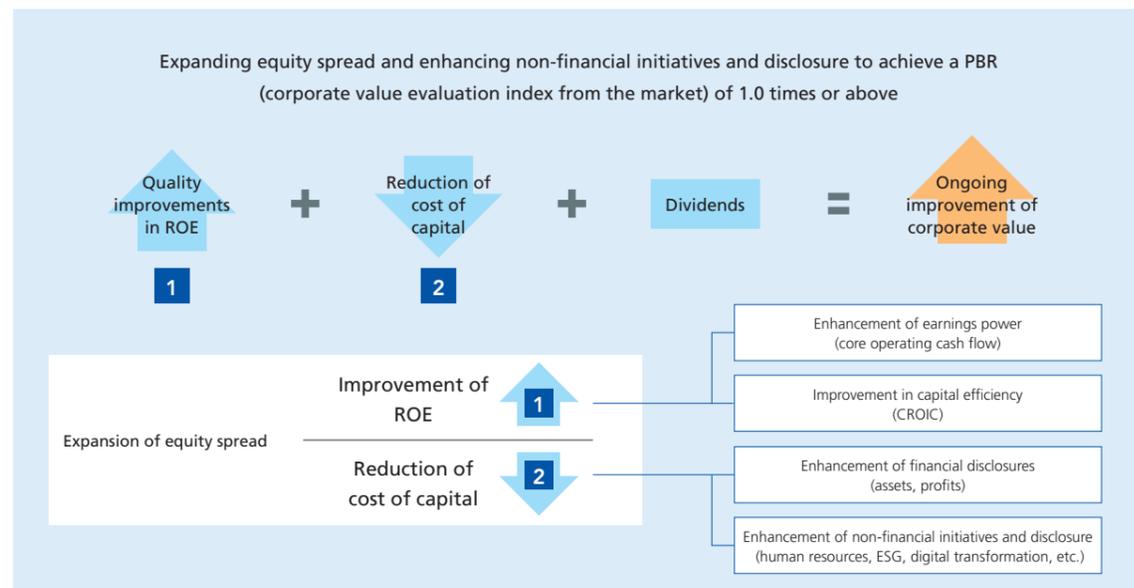
My greatest responsibilities as CFO are to improve Sojitz's financial soundness, ensure investment discipline, and identify the risks that the Company should take.

These responsibilities are linked to our approach toward improving corporate value. Improvements to corporate value go beyond increasing net asset value; realizing such improvement requires Sojitz to become an entity that society deems as having value.

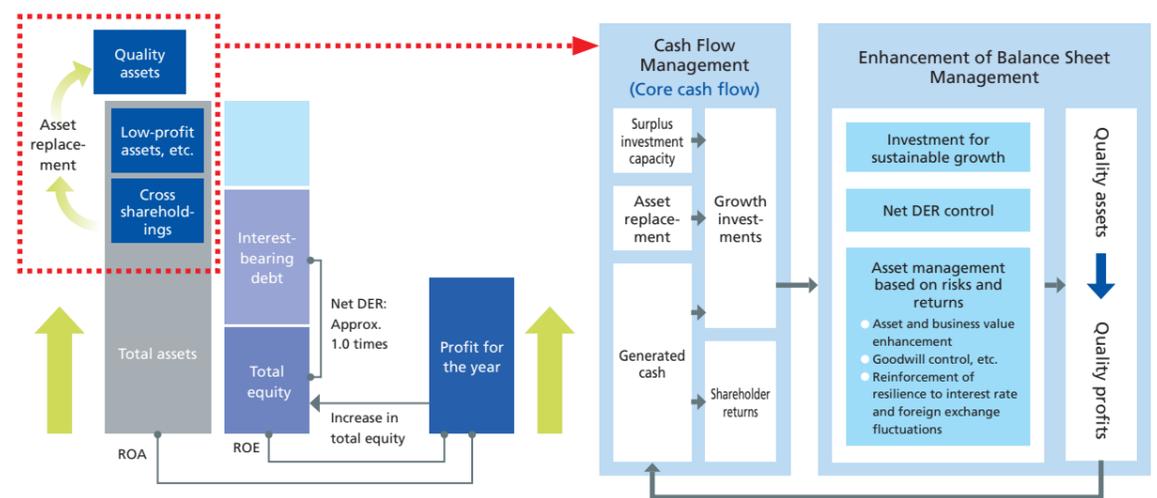
Furthermore, we must respond to change by changing ourselves if we hope to achieve ongoing improvements to corporate value in today's highly volatile operating environment. In other words, we must undergo a corporate transformation.

I often receive questions about what, exactly, is the essence of Sojitz. However, I do not see a need to tie us down to a single concept. Rather, I believe that Sojitz should be a company that continues to transform, create new businesses, and cultivate human resources. It would make me incredibly happy if this flexible ability to adapt became recognized as the essence of Sojitz.

Sojitz has a strong foundation formed by its workforce of dedicated employees who are passionate about boldly tackling challenges. I hope that Sojitz will always be a company that is supportive of the efforts that its employees make to work together as one, in unison with the Company and aligned toward a common goal.



Disciplined Balance Sheet and Cash Flow Management



FY2020
 • ROE 4.5%
 • ROA 1.2%

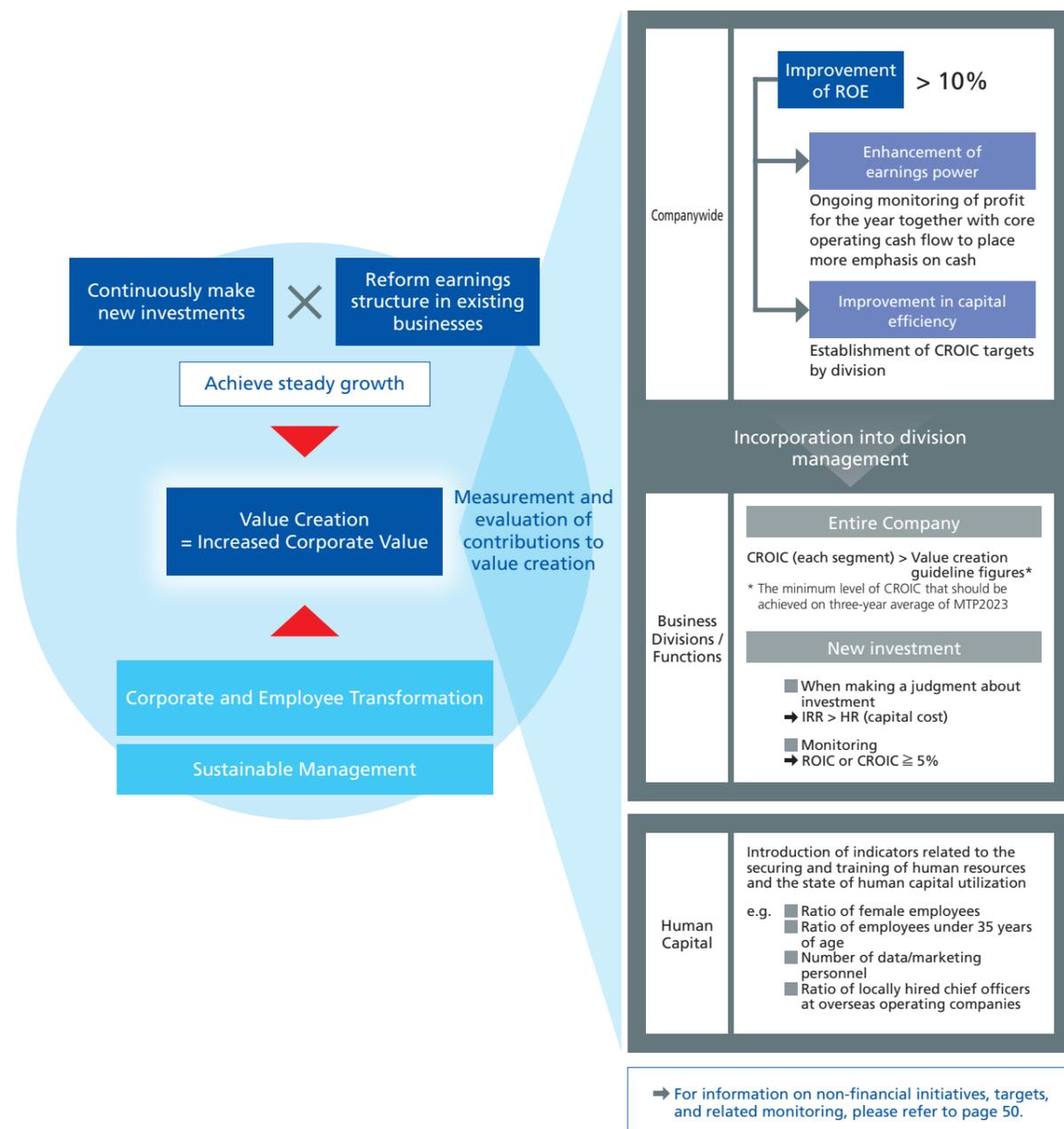
MTP2023
 • ROE 10% or above (Final year of MTP2023)
 • ROA 3% or above

Create quality profits and cash out of quality assets via continuous balance sheet management and realize a growth model through effective cash flow management.

Frameworks for Monitoring and Assessing Value Creation

Under Medium-Term Management Plan 2023, Sojitz is working to improve corporate value by pursuing growth through ongoing new investments and drastic reforms in the earnings structure of existing businesses.

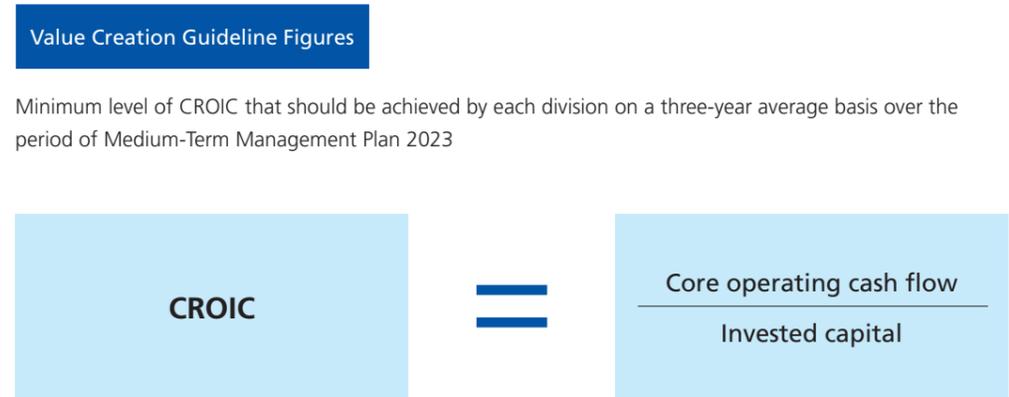
A target of return on equity (ROE) of 10% or above has been defined based on estimated shareholders' equity costs of 8% in order to gauge improvements in corporate value. In addition, we have introduced cash return on invested capital (CROIC) as a management indicator and set targets for business divisions in the medium-term management plan in order to facilitate the accomplishment of the ROE target.



Value Creation Guideline Figures

Sojitz's shareholders' equity costs are estimated to be around 8%. Based on this estimate, Medium-Term Management Plan 2023 puts forth the target of ROE of 10% or above. To facilitate the accomplishment of this target, CROIC, which shows the ratio of core operating cash flow to invested capital, was introduced as a new management indicator, and value creation guideline figures were established for each division indicating the levels of CROIC it needs to achieve.

We will pursue the target of ROE of 10% or above by having all divisions shape their activities based on the CROIC value creation guideline figures.



Value Creation Guideline Figures of Medium-Term Management Plan 2023 (Three-Year Average CROIC)

Value creation guideline figures have been set under Medium-Term Management Plan 2023 indicating the minimum level of the three-year average CROIC each division needs to achieve in order for us to accomplish our Companywide target of ROE of 10% or above. These figures account for the business characteristics of each division as well as the current levels of capital efficiency.

In principle, divisions exposed to significant levels of volatility have relatively high value creation guideline figures, whereas relatively low figures have been set for divisions on which investment will be concentrated during the period of the plan or those that are implementing substantial changes to their business portfolios.

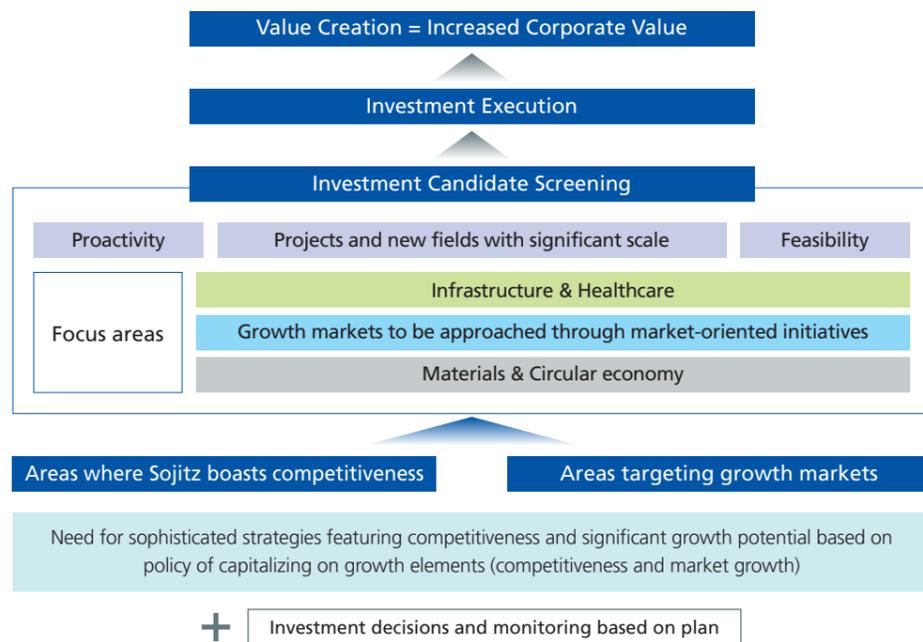
These figures are meant to heighten Companywide focus on improving corporate value.

Division	Average CROIC Over Medium-Term Management Plan 2020 Period	Value Creation Guideline Figures of Medium-Term Management Plan 2023
Automotive	7.6%	7.0%
Aerospace & Transportation Project	5.1%	5.0%
Infrastructure & Healthcare	3.2%	3.0%
Metals, Mineral Resources & Recycling	4.8%	5.0%
Chemicals	5.7%	7.5%
Consumer Industry & Agriculture Business	5.1%	6.0%
Retail & Consumer Service	3.3%	5.0%

Investment Policies for Creating Value

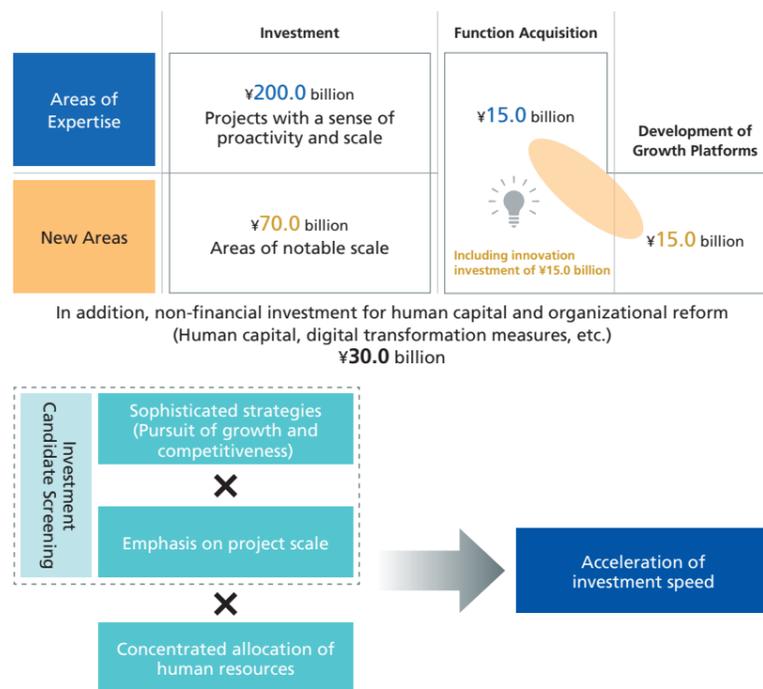
Under Medium-Term Management Plan 2023, Sojitz will seek to create value through growth achieved by conducting ongoing new investments and drastic reforms in the earnings structure of existing businesses.

Our growth strategies for this plan will be executed with a sense of speed prefaced on the enhancement of strategies to heighten competitiveness and growth potential in order to create value. In accordance with this approach, management resources (human resources, funds, insight, and functions) will be concentrated on three focus fields defined based on growth areas identified in relation to megatrends.

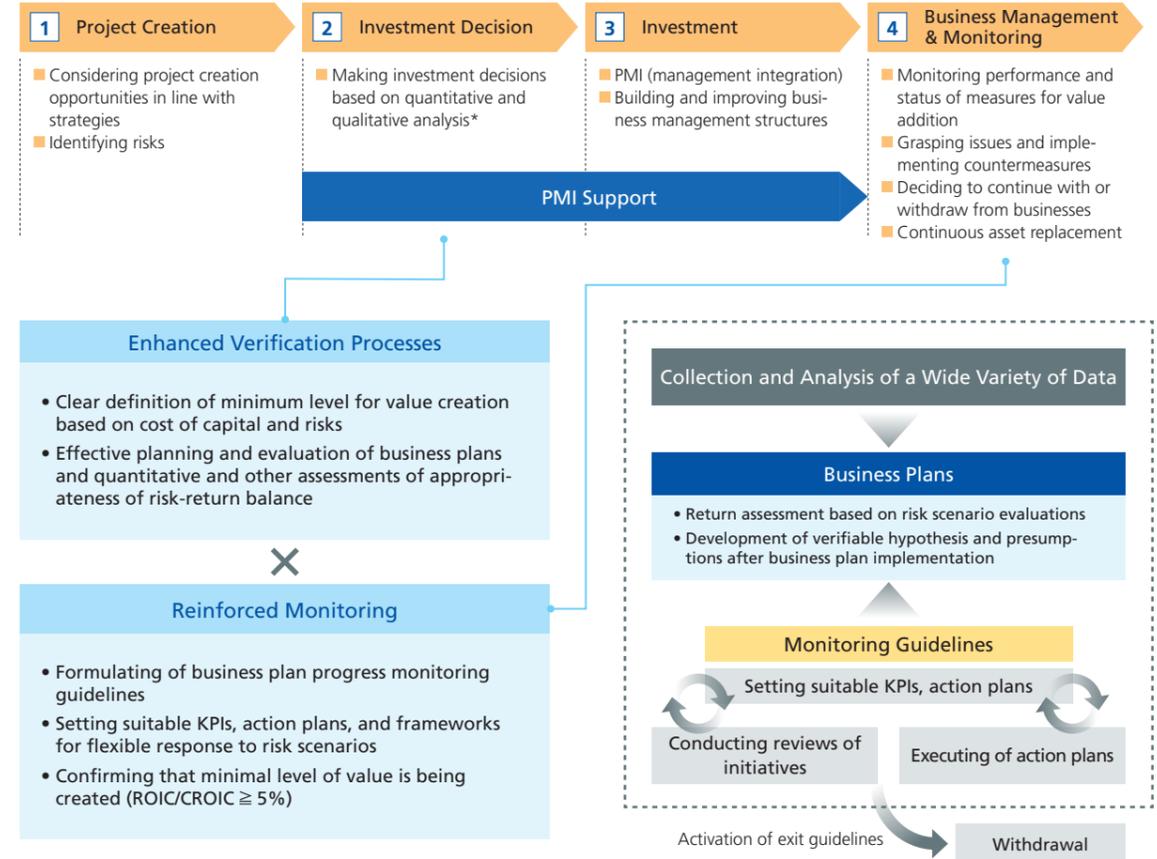


Medium-Term Management Plan 2023: Business Investment Policies

- Aim for steady monetization through pursuing projects with a sense of proactivity and scale by focusing on areas of expertise
- Aim for sustainable growth by allocating funds for investments in new areas with growth potential or function acquisition
- Build a sophisticated strategy to pursue competitiveness and growth potential and conduct periodic monitoring
- Carefully screen investment candidates based on sophisticated strategies with aim of taking part in projects with significant scale
- Allocate limited human resources with only carefully screened candidates and accelerate execution of investments



Investment Process



* Sets internal rate of return (IRR) hurdles in order to select projects that can be expected to produce returns commensurate with the risks and evaluate business feasibility

Earnings Contributions from Investments

		FY2020 Earnings Contributions	Three-Year Average ROI under Medium-Term Management Plan 2020	FY2023 Earnings Contributions (Forecast)	Three-Year Average ROI under Medium-Term Management Plan 2023
Main Businesses					
Medium-Term Management Plan 2017	<ul style="list-style-type: none"> Renewable energy businesses Hospital project in Turkey Automobile dealership business 	Approx. ¥9.0 billion	Approx. 6.7%	Approx. ¥8.0 billion	Approx. 7.0%
Medium-Term Management Plan 2020	<ul style="list-style-type: none"> Coking coal business in Australia Natural gas-fired power plant business in the U.S. Paper manufacturer in Vietnam 	Approx. ¥2.0 billion	Approx. 0.9%	Approx. ¥14.0 billion	Approx. 7.0%
Main Focus Areas		FY2023 Earnings Contributions (Forecast)		Three-Year Average ROI under Medium-Term Management Plan 2023	
Medium-Term Management Plan 2023	<ul style="list-style-type: none"> Infrastructure & Healthcare Growth markets x Market-oriented initiatives Materials & Circular economy 	Approx. ¥15.0 billion		Approx. 4.0%	