



Examples of Value Creation

Mission of Delivering Goods and Services Where Necessary

History of Transformation and Future Outlook for Business Models via Cycle of Value Creation Illustrated through Energy Solutions

Industries cannot function without energy, meaning that energy is an essential component to sustaining industry and is indispensable to our daily lives. Sojitz entered into the field of trading energy resources, such as oil, coal, and natural gas (LNG), in the 1970s to address the growing energy demand in Japan seen at that time.

In the years that followed, we have proceeded to expand our energy operations throughout the upstream, midstream, and downstream areas of the value chain to fulfill our mission as a general trading company of delivering goods and services where necessary. In recent years, however, there has been an acceleration in the transition to more eco-friendly energy sources in pursuit of a decarbonized society.

In this section, we will look at the history of transformation and the future outlook for Sojitz's energy solutions business to illustrate our efforts to create businesses and human resources through a cycle of value creation.

1970s

Start of energy resource trading

- Entry into businesses of trading oil, coal, and natural gas (LNG)

1980

1985

1975

1970

1990s

Development of trading-focused businesses in upstream and midstream areas

- Acquisition of energy resource interests
- Expansion into wide-ranging areas including LNG (Indonesia, etc.), coal (Indonesia, Australia, etc.), plant and power generation equipment exports, and financing

1990

2020s

Accelerated transition to a decarbonized society

- Increased renewable energy investment in downstream areas
- Acquisition of coking coal interests and downsizing of thermal coal interests in Australia

2015

2030

2010s

Enhancement of energy solutions expertise

- Start of thermal coal mining and business operation in Australia
- Expansion of independent power producer businesses

Acceleration of renewable energy business initiatives

2010

Pursuit of Sustainability Challenge
Long-Term Vision for 2050

Delivery of goods and services where necessary



Continuous Advancement to Next Step in Energy Solutions Businesses

We are in the midst of a transition to a decarbonized society. At the same time, however, concern regarding energy security is growing on a global scale due to the war in Ukraine. The ensuing rises in resource prices are having a heavy impact on people around the world, while companies involved in the energy business are being forced to navigate a challenging operating environment. On the following pages, you will see Masaaki Bito, an individual who has long been involved in the coal business, currently a core component of Sojitz's earnings, speaks with Takefumi Nishikawa, who stands on the front lines of our essential infrastructure businesses as COO of the Infrastructure & Healthcare Division, and Keiko Nakahara, general manager of the Corporate Sustainability Office. This discussion will touch on topics including the history of Sojitz's energy solutions businesses and the outlook for our next step.

Masaaki Bito
Director, Senior Managing Executive Officer

Masaaki Bito entered Sojitz in 1988, after which he spent years advancing the coal business in Japan and overseas. His experience includes being stationed in Australia and being seconded to a coal sales company established as a joint venture by three general trading companies. In 2010, he became general manager of the Coal Department in the Coal & Non-Ferrous Metals Unit of the Energy & Metal Division, and he was later appointed to the position of COO of the Metals & Coal Division in 2016 before eventually becoming COO of the Metals & Mineral Resources Division and later the Metals, Mineral Resources & Recycling Division. Today, Bito oversees the Metals, Mineral Resources & Recycling Division, the Chemicals Division, the Consumer Industry & Agriculture Business Division, and the Retail & Consumer Service Division as director and senior managing executive officer.



Takefumi Nishikawa
Executive Officer, COO
Infrastructure & Healthcare Division

Takefumi Nishikawa joined Sojitz in 1995. After being involved in the export of infrastructure facilities associated with financing activities, he was engaged in power-related businesses such as the export of power plant equipment, investment in overseas independent power producer projects, among others. He was transferred to the Corporate Planning Department in 2015, becoming general manager of this department in 2018. Nishikawa subsequently became vice COO of the Infrastructure & Healthcare Division in 2021 before assuming his current position as COO of the Infrastructure & Healthcare Division in 2022.



Keiko Nakahara
General Manager
Corporate Sustainability Office

Keiko Nakahara joined Sojitz in 1993. After gaining experience in finance, she was involved in the establishment of the Company's investor relations organization. She was positioned in the Corporate Planning Department following the establishment of Sojitz, where she accrued experience in a wide range of areas. In 2017, she was transferred to the CSR Section of the Public Relations Department. Nakahara oversaw the establishment of the Corporate Sustainability Office in 2018 before becoming general manager of this organization in April 2019.



Bito ♦ Sojitz got into the coal business in the 1970s amid the rising energy demand that was seen accompanying economic growth in Japan and other parts of Asia at the time. We cut our teeth on the trading of thermal coal for use in power generation. As the years passed, the importance of coal, a relatively affordable fossil fuel, rose, making it increasingly difficult to secure suppliers. This is when we began looking at acquiring coal interests. However, the fierce competition in Australia and China, the main sources of coal at the time, did not leave us much room to make headway. We thus chose to turn our eyes to a market that was then still unexplored by general trading companies: Indonesia. At the time, Indonesia was seen as having higher geopolitical risks than Australia or China, and their coal was of lower quality. Accordingly, there were voices in opposition to investing in this market. This did not stop us, though. Since embarking on our first LNG project in Indonesia in 1973, we had proceeded to build relationships with this country while gaining insight and establishing networks. These assets fueled our decision to acquire coal interests in this country, leading to our acquisition of interests in Berau in 1983. Our purchase of coal interests did not stop there, as we acquired interests in the Minerva Coal Mine in Australia in 1994. We then continued to gradually raise our stake in this mine, holding near complete ownership in 2010.

Nishikawa ♦ Sojitz's involvement in the Minerva Coal Mine is not only significant in how we went from a minority interest to a majority owner, but also in how the Company became the first general trading company to directly operate a coal mine. Could you please go into the background of this development in a little more detail?

Bito ♦ Minority investment features low risks, but the opportunities are also limited. As a minority owner, the amount of information we can gain about the mining industry is limited, making it difficult for us to plan our next step. As a simple example, when a mine is looking to sell interests, they will first approach companies that are actually operating mines, as opposed to companies only involved in minority investment. Accordingly, operating a mine gave us access to the inner circles of the mining industry, which made us privy to a greater amount of information than even we could have imagined. At the same time, we recognized that we needed someone from that country who was versed in the local market to take full advantage of this information. This recognition prompted us to recruit an individual working at an external mining company, and he is now serving as the

president of Sojitz Coal Mining Pty Ltd. It is thanks to this individual that we were able to grow Sojitz's coal businesses in Australia to the size they are today.

Nishikawa ♦ No matter what the business, it is important to differentiate a company's operations and plan for the next step.

Bito ♦ You are exactly right. If we look at our operations in Indonesia, our efforts in this country led to a situation in which Sojitz was the first place Japanese companies came knocking when they were looking to procure Indonesian thermal coal. As I mentioned, there were some concerns about investing in Indonesia. However, we could have never established this position if we had let other companies be the first to invest. In this manner, it is crucial to identify risks and then march forward while taking the risks deemed appropriate. The substantial growth we managed to achieve in the coal business was a result of our geographical differentiation in Indonesia and the functional differentiation granted by our mine operation functions in Australia.

Nakahara ♦ Sojitz's coal business was successful in building a differentiated track record and function for thermal coal. However, the environment pertaining to coal underwent a massive change after the 2015 United Nations Climate Change Conference held in Paris.

Bito ♦ That is undeniable. We saw a 180-degree change from the previously favorable environment after that conference. However, we had recognized that there was an issue with our overdependence on thermal coal since even before this change. Sojitz acquired a 100% stake in the Gregory Crinum coking coal mine in Australia in 2018. One factor behind this decision was, of course, the decarbonization trend. However, another consideration was the need to rebalance our coal portfolio to focus more on coking coal from the perspective of long-term business sustainability. Moreover, this purchase has put us in a position in which, when the thermal coal reserves of the Minerva Coal Mine are depleted, we will be able to reallocate equipment and human resources to the Gregory Crinum coking coal mine. Our ability to acquire such interests has been a result of the high appraisals sellers have for Sojitz's mine operating functions and sophisticated insight, techniques, and expertise related to mine rehabilitation. If we had only been involved in minority investment, it would have been difficult to undertake asset replacement in this market. These efforts have

Examples of Value Creation

enabled us to avoid sharp declines in the earnings from our coal business. Going forward, however, we will be looking to completely eliminate our holdings of thermal coal by 2030 and then of coking coal by 2050.* Accordingly, a pressing task in our energy-related businesses is to determine how best to restructure our portfolio in order to achieve increased earnings going forward. It will be my job to spur forward this restructuring.

* In the year ended March 31, 2022, thermal coal interests had been reduced by 70% from the base year ended March 31, 2019.

Nishikawa ◆ Next, I would like to offer a brief overview of how our energy-related businesses have transformed in recent years. Up until the 1990s, Sojitz had been pursuing growth by exporting power equipment and energy-related plants while arranging financing. These efforts enabled us to build a vast and strong network of connections with government agencies and companies in developing countries, such as those in Southeast Asia and the Middle East, and with manufacturers, engineering companies, and financial institutions. Similar to what was mentioned earlier, our procurement of gas, coal, and other fuel sources enabled us to build networks in resource-producing countries and to strengthen ties with the domestic power and gas companies to which we sold these resources.

The globalization of companies, spread of the internet, and development of the IT industry that began in the 2000s fundamentally transformed the functions required of trading companies, specifically those pertaining to infrastructure and machinery. This trend prompted us to target infrastructure and power business development investment, which was particularly brisk in developing



countries at the time. In this undertaking, the cross-divisional partnerships we had continued to foster throughout our history proved to be a powerful asset. We had relationships with all of the constituents necessary to form a viable business. This included the government agencies in developing nations that would buy power, the power and gas companies that functioned as our investment and technical partners, the manufacturers and engineering companies that helped us construct power generation equipment, and the financial institutions that provided funding. We won high levels of praise for our unique ability as a general trading company to utilize and comprehensively connect these functions, and this praise has led to the business we have today.

Nakahara ◆ You mean to say that we used our prior functions to take the next step, as Mr. Bito also talked about. If, for example, a Japanese company were looking to take part in an overseas independent power producer project, what benefits might they see in partnering with Sojitz that could inspire them to choose us?

Nishikawa ◆ One benefit they might see is our deep insight into trends related to the countries and regions in which investment candidates reside. Investments in power and other infrastructure businesses tend to be quite large, and a significant length of time is required to recover these investments. These factors make it even more likely that companies will feel hesitant to invest in high-risk areas. In this regard, Sojitz's network of employees stationed overseas and other partners have enabled us to develop an understanding of safer locations within high-risk areas where risks are relatively low or more easily identified. We have therefore been able to introduce prospective investors to locations or to advance projects in such locations and then invite partner Japanese power companies to join after we have a clear picture of the inherent risks. It is this approach that has made it possible for us to continue taking the next step forward.

Bito ◆ When thinking about the next step to be taken in energy-related businesses, we cannot ignore the trends seen in the energy industry, including the push for decarbonization. The pace of change is blinding, and the impacts of such changes are massive. This is also true with regard to the coal business, which, prior to the 2015 United Nations Climate Change Conference, was

gathering a lot of attention and expected to continue to see growing demand going forward. Similarly, the way people perceived nuclear power changed greatly as a result of the 2011 Great East Japan Earthquake. In these developments, we see the importance of accurately predicting changes in trends.

Nishikawa ◆ Sojitz was relatively quick to get into the renewable energy business, which we entered in the early 2010s. Renewable energy initiatives in the year ended March 31, 2022, included the commencement of construction of a solar power plant in Australia. When completed, this will be one of the largest plants to be built by a Japanese company. However, the number of participants in the renewable energy market is growing rapidly, and the range of roles for Sojitz to fill is decreasing. There is thus a need for us to change and evolve our role in this market. One approach toward evolving our role can be seen in the investments in energy service companies in the United States that we announced in 2021. The social climate points to a clear phased reduction in power generation using coal. For LNG, which has relatively low environmental impacts, the outlook is not so clear. Looking ahead, it will be crucial for us to carefully monitor how the global trends might change in relation to energy. Whether we are talking about LNG or renewable energy, there is a possibility that changes in the environment might fundamentally undermine the ability for a business to function. At the same time, it is equally possible that a sudden change in a country's government policies or environmental regulations could turn attention to a previously overlooked form of energy and create substantial opportunities in this regard. The future is difficult to predict. This is why we are currently looking to take our next step based on the theme of decarbonization.

Nakahara ◆ There is a lot of talk about international sustainability going on in Europe and other areas at the moment, and discussions on the implementation of regulatory frameworks mandating climate change response measures are constantly moving forward.

As Mr. Nishikawa mentioned, we cannot deny the possibility that a change in regulatory frameworks or stakeholder perception regarding LNG could force us to pivot in our business policies. For this reason, it is important that the task of collecting such sustainability-related information, which can have a massive impact on our business, not be hoisted solely on the shoulders of business divisions; the



Corporate Sustainability Office must also remain abreast of trends in this area so that we can share such information with members of management and business divisions to help the Company make appropriate decisions.

Bito ◆ When our business team is passionate about taking on a new business, that motivation is very powerful. I am also this way. This is, in itself, a good thing. However, if our passion is too strong, we risk heading in a direction that is different from that desired by society and other stakeholders. This is something we must be careful of. If we fail to realize such a discrepancy until a new business is underway, we are already too late and may be on the line for substantial losses. To prevent this from happening, it is crucial that we make sure that we are always aligned with society, at both the business and the corporate level, and to practice communication based on a shared understanding.

Nishikawa ◆ The presence of the Corporate Sustainability Office as an independent organization has a lot of meaning. It is this position that helps spread awareness within the Company and that contributes to the high level of sensitivity toward sustainability-related information that can be seen throughout the Company.

Nakahara ◆ The role of the Corporate Sustainability Office is to gather input from investors and other stakeholders and experts around the world in order to develop an understanding about contemporary sustainability trends. Moreover, we must communicate these trends accurately throughout the Company to build a shared understanding with everyone involved in developing Sojitz's businesses. Up until now, we have focused on

Examples of Value Creation



building this shared understanding from the perspective of risk mitigation. In the future, I hope to contribute from the perspective of creating opportunities. For example, what customers sought from energy-related businesses in the past was low prices and reliable supplies. Today, customers also place emphasis on the degree to which businesses can reduce greenhouse gas emissions. I am passionate about helping with a Groupwide effort to create value in this regard to ensure that partners continue to choose Sojitz.

Nishikawa ◆ Earlier, I mentioned how the range of roles we can fill with regard to renewable energy is decreasing. However, this phenomenon is not limited to the renewable energy business. No matter what the business, the amount of value that Sojitz can provide will decline eventually. During the course of my career, I have personally experienced multiple cases in which we have had to completely revamp our business model as the business we had been developing previously ceased to provide value. The need for self-transformation is a constant for a general trading company. This is why we are intensively focused on our next step and why we cannot halt our progress. Rather than thinking of our role as being over, I like to picture it as our being promoted to the next role, which also represents our next step. Amid the push to achieve a decarbonized society seen today, Sojitz is preparing for its next step in response to the transition to new energy sources.

Bito ◆ A major strength of a general trading company is its ability to change its role in line with or, better yet, ahead of the times. We are not married to the energy business. Rather, we have continued to change our role to

fulfill our mission as a general trading company of delivering goods and services where necessary. For Sojitz, ongoing change is the norm, and our staff is filled with people like Mr. Nishikawa who embrace this change. We are vigilant in our commitment to identifying the course for and taking our next step. Conversely, the thing that we must not change is this aspect of our corporate culture.

Nakahara ◆ Even when it comes to sustainability, the world is undergoing substantial and increasingly rapid changes. It is, of course, important to practice backcasting based on a long-term perspective. However, it is also equally important to pay attention to short-term changes to avoid being overwhelmed by change and to ensure that the long-term vision from which you are backcasting can be reached. In this manner, we must chart several potential courses so that we can choose the best course for our next step from among them. I want the Corporate Sustainability Office to be an organization that is receptive to the changes going on around it and that is thus able to quickly identify changes in the tides so that it can become a beacon illuminating the course for the next step to be taken in Sojitz's energy-related businesses.

Nishikawa ◆ If we are to chart several courses, it will be important for us to develop a network that puts us in contact with various business associates and customers with whom we can partner to guarantee that we have options for those courses. When talking about our coal businesses, Mr. Bito mentioned how minority investment only yields weak connections with few points of contact. This is because partners do not have a strong need for the roles played by minority investors. We have created a number of contact points with partners during the course of developing our energy-related businesses, and the connections formed through this network are incredibly strong. As times changed and energy demand rose, there were cases when our partners found themselves needing to advance into new regions or business areas. At these times, it was Sojitz who identified the risks and led the way, and this is what partners have come to expect of us. Living up to these expectations has strengthened our ties with partners and allowed us to keep taking the next step in our energy-related businesses. People sometimes speak of invisible assets. For Sojitz, these connections with people, this network, are among our greatest invisible assets.

Bito ◆ I completely agree with you. Our history of exploring new regions and business fields has heightened our reputation in the market. The stronger our reputation, the more likely we are to be approached by new partners, which in turn will increase our contacts. At the same time, it will be more important than ever going forward for us to find passionate people who have knowledge of the respective region or business field and who fully appreciate Sojitz's approach. These people should be appointed to leadership positions in their respective markets, as we did with the coal CEO in Australia.

Nakahara ◆ One of our outside directors once mentioned how surprised they were at the sheer number of investment candidates proposed to the Finance & Investment Deliberation Council despite the restrictions on business trips and other forms of movement amid the COVID-19 pandemic. However, I believe that we were able to find this large number of candidates due to the contacts and networks that you two speak of.

Nishikawa ◆ Sojitz continued to march forward, even amid the COVID-19 pandemic. This is why we were able to connect our contacts and networks with our next step. Speed is also important in ensuring that we do not miss out on the opportunity to take our next step. In the past, I have experienced a case in which material changes were made to a contract for an independent power producer project we had bid on at the final stage before the finalization of the order. Furthermore, the counterparty asked

us to approve the contract within only a few days, something that is quite out of the ordinary. It goes without saying that we could not just skip the approval process. Rather, we arranged an extraordinary meeting of the committee with the approval authority, which enabled us to approve the contract within the allocated time and after the appropriate discussion. This type of unity, speed, and flexibility is definitely a strength of Sojitz.

Bito ◆ Identifying risks and taking those deemed appropriate, always based on the necessary preparations, and swiftly seizing hold of opportunities is a core part of Sojitz's corporate culture and something in which we should pride ourselves. We must continue to embrace this corporate culture so that we can keep taking steps forward and realize Sojitz's vision for 2030 of becoming a general trading company that constantly cultivates new businesses and human capital.



Bito, Nakahara, and Nishikawa at Sojitz head office in July 2022

Examples of Value Creation

INITIATIVES FOR THE NEXT DECADE

The following is an example of a new initiative being undertaken that will shape the course of Sojitz's energy solutions businesses over the next decade.



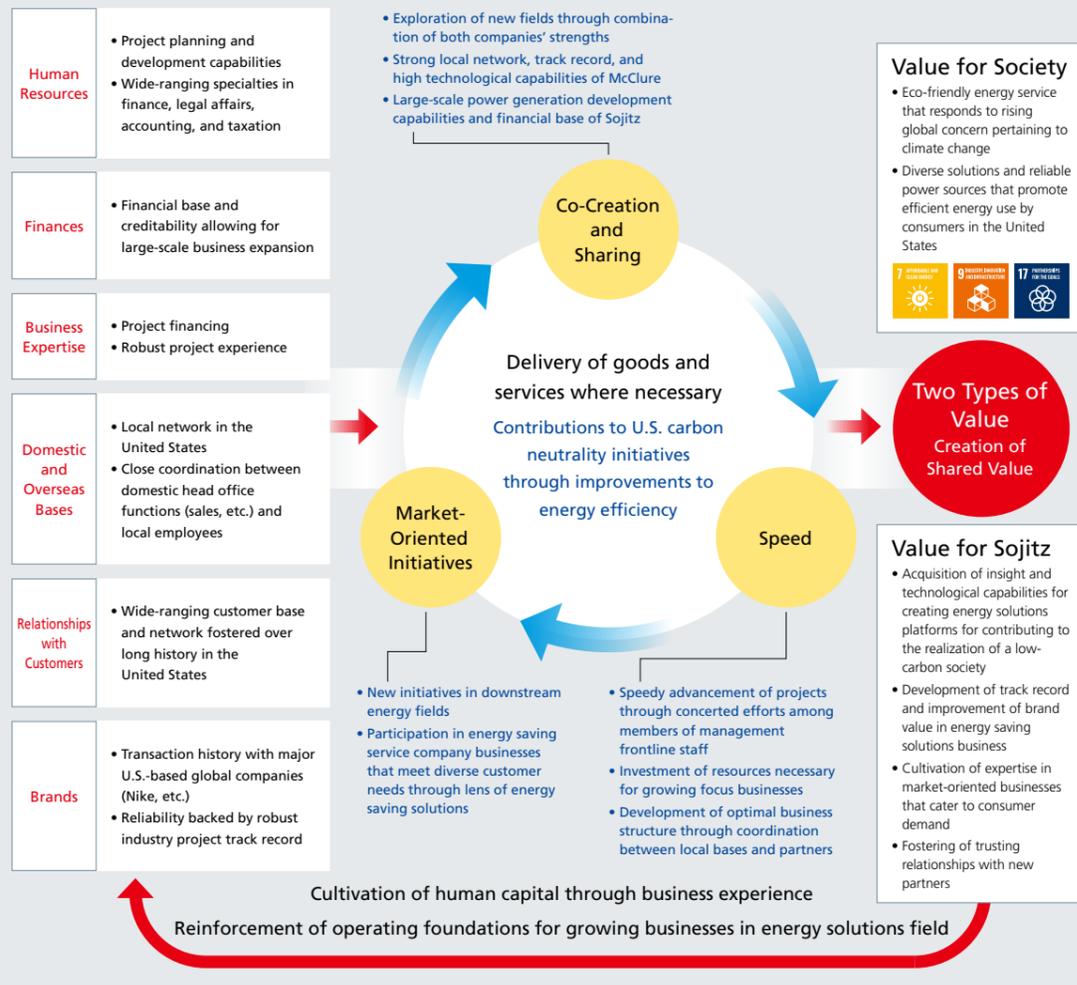
Energy Saving Service Business in Pennsylvania

In December 2021, Sojitz acquired a stake in McClure Company, an energy saving service company based in the U.S. state of Pennsylvania, and converted this company into a consolidated subsidiary. Energy saving service companies provide energy saving solutions to customers to lower their utility and maintenance costs, improve efficiency, and help reduce CO₂ emissions. As efforts are made to achieve net-zero emissions in the United States, the world's second-largest emitter of CO₂, this investment in McClure positions Sojitz to meet growing demand for energy saving solutions. Going forward, we will combine McClure's operational capacities with Sojitz's power generation business and operational expertise to expand the energy saving solutions business and to advance into the decentralized solar power generation sector.



Team of McClure, which boasts the leading share for service provided to Pennsylvania schools and hospitals

Value Creation Process of U.S. Energy Saving Service Business



VALUE CREATION STRATEGY

In this section, readers will find explanations of Companywide value creation strategies from both financial and non-financial perspectives along with information on the corporate governance systems that support these strategies.

- 38 Performance Highlights (Financial / Non-Financial)
- 40 CFO Message
- 46 Investment Policies for Creating Value
- 48 Sustainability
- 56 Human Resource Strategies
- 64 Digital Transformation for Accelerating Value Creation
 - 64 Message from the CDO
- 67 Corporate Governance Supporting Value Creation Strategy
 - 68 Message from the Chairman of the Board
 - 69 Roundtable Discussion Between Outside Directors
 - 73 Message from the New Outside Director
 - 74 Corporate Governance
 - 80 Compliance
 - 81 Risk Management
 - 86 Directors and Audit & Supervisory Board Members
 - 88 Executive Officers