Hassojitz

sojitz

New way, New value

# Financial Results for the First Half Ended September 30, 2021

**Caution regarding Forward-looking Statements**
This document contains forward-looking statements based on information available to the company at the time of disclosure and certain assumptions that management believes to be reasonable. Sojitz makes no assurances as to the actual results and/or other outcomes, which may differ substantially from those expressed or implied by such forward-looking statements due to various factors including the timing at which the COVID-19 pandemic ends, changes in economic conditions in key markets, both in and outside of Japan, and exchange rate movements.
The company will provide timely disclosure of any material changes, events, or other relevant issues.

**November 2, 2021**
**Sojitz Corporation**

# FY2021 H1 Summary

Hassojitz

- Record highs for the first half of the year due to recovery of automotive, material-related businesses such as steel and chemical, and strong coal prices
- Strong core operating CF, generating profit with cash
- Upward revision to full-year forecast of profit for the year as a result of higher profit for the period than initial forecast
- Upward revision of interim dividend of ¥9, year-end dividend of ¥45, and consolidated payout ratio of 30%

| | | FY20 H1 | FY21 H1 | Difference | FY21 Initial Forecast | FY21 Revised Forecast | Achieved (vs. Revised Forecast) |
|---|---|---|---|---|---|---|---|
| Profit for the period/year attributable to owners of the Company | | 9.1 | 39.4 ★ | 30.3 | 53.0 | 70.0 ↑ | 56% |
| 【Break-down】 | Non-Resources | 7.5 | 29.6 | 22.1 | | | |
| | Resources | (1.9) | 9.2 | 11.1 | | | |
| | One-time gain/loss | 3.5 | 0.6 | (2.9) | | | |
| Core operating CF | | 20.9 | 49.3 | 28.4 | 70.0 - 75.0 | 85.0 – 90.0 | |
| NET DER (Times) | | 0.93 | 1.04 | 0.11 | 1.2 | 1.2 | |

**■Non-Resources businesses : Main breakdown of +¥22.1bn (YoY)**

- Steel products : +¥7.7bn（Recovery of steel demand)
- Chemical : +¥5.5bn（Recovery of methanol market conditions and increase in transaction volumes of plastic resin)
- Automotive : +¥4.8bn（Higher sales volumes in Americas)
- Stable earnings contributions from healthcare businesses, power generation businesses, fertilizer businesses

**■Resources businesses : Main breakdown of +¥11.1bn (YoY)**

- Coal businesses +¥6.9bn, Ferroalloys and non-ferrous metals +¥3.3bn

| | FY21 Initial Forecast | FY21 Revised Forecast |
|---|---|---|
| ROE | 8.4% | 10.8 % |
| ROA | 2.2% | 2.9% |
| Dividends | Interim : ¥7* Year-end : ¥35 | Interim : ¥9* Year-end : ¥45 ↑ |

★ : Record highs for the first half of the year

*The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. The interim dividend reflecting this share consolidation would be ¥45.

sojitz





- Today, we will be looking at the performance of Sojitz Corporation in the six-month period ended September 30, 2021.
- Profit for the first half was ¥39.4 billion, a record high, due to the recovery of the economy from COVID-19 in the U.S. and China particular; the recovery of automotive, materials-related businesses such as steel and chemicals; and the rise in the market prices of coal and other materials.
- Core operating cash flow was ¥49.3 billion and progressed steadily compared to the initial forecast, indicating that we have generated profits accompanied with cash.
- We upwardly revised our full-year forecast for the fiscal year ending March 31, 2022, from ¥53 billion to ¥70 billion, considering the faster-than-expected progress toward the full-year target.
- In line with the progress in the first half and the upward revision of the full-year forecast, we raised the interim dividend to ¥9 per share from ¥7 per share on a pre-share consolidation basis. We plan to increase the year-end dividend from ¥35 per share to ¥45 per share on a post-share consolidation basis. Our basic policy is to continue to pay stable and continuous dividends, with a consolidated payout ratio of about 30%.

## Performance Forecast Revisions

Hassojitz

- Upward revision to full-year forecast for profit for the year (attributable to the owners of the Company) from ¥53.0bn to **¥70.0bn** based on six-month progress
- Revisions to segment forecasts based on the following point of view

**Upward revision**

**Automotive**
Upward revision of ¥0.5bn reflecting steady progress in the first half of the year, while also considering effects of semiconductor shortage

**Metals, Mineral Resources & Recycling**
Upward revision of ¥19.0bn mainly due to strong coal prices

**Chemicals**
Upward revision of ¥1.5bn mainly due to strong methanol prices and higher transaction volumes of plastic resin

**Downward revision**

**Aerospace & Transportation Project**
Downward revision of ¥0.5bn due to delay in recovery of certain aircraft-related transactions

**Infrastructure & Healthcare**
Downward revision of ¥1.0bn due to delay of earnings contributions from new and ongoing projects

**Consumer Industry & Agriculture Business**
Downward revision of ¥1.0bn to reflect delay of recovery in Southeast Asian businesses due to the impacts of COVID-19

**Retail & Consumer Service**
Downward revision of ¥1.0bn to reflect delay of recovery in Southeast Asian businesses due to the impacts of COVID-19

sojitz





- This page shows the approach to the revision of the forecast by segment.

- The 3 segments that have been revised upward are the Automotive, where overseas automobile operations saw an increase in sales volume compared to the same period last year; the Metals, Mineral Resources & Recycling, where market prices for coal and other metal resources have been higher than initially assumed; and the Chemicals, where sales of methanol and plastic resins have been strong.

- On the other hand, we have made downward revisions to the 3 segments of the Aerospace & Transportation Project, the Consumer Industry & Agriculture Business, and the Retail & Consumer Service, for the impacts of COVID-19 and delay in recovery; as well as the Infrastructure & Healthcare for the delay of earning contributions from new and on-going projects.

- We will provide more details of the revisions in the CFO’s explanation and the Q&A session later.

- Please refer to the next slide for the revised forecasts and progress rates for all segments.

# Summary of Profit or Loss
# (Profit for the period by segment)

Hassojitz

**Upward revision to full-year forecast for profit for the year based on six-month progress**

(BN JPY)

| | FY21 H1 | FY21 Initial Forecast | Achieved (Against initial forecast) | FY21 Revised Forecast | Achieved (Against revised forecast) |
|---|---|---|---|---|---|
| Profit for the period/year attributable to owners of the Company | **39.4** | 53.0 | **74%** | **70.0** | **56%** |
| Automotive | **3.4** | 5.0 | 68% | **5.5** | 62% |
| Aerospace & Transportation Project | **1.4** | 4.5 | 31% | **4.0** | 35% |
| Infrastructure & Healthcare | **1.2** | 7.5 | 16% | **6.5** | 18% |
| Metals, Mineral Resources & Recycling | **16.2** | 12.0 | 135% | **31.0** | 52% |
| Chemicals | **6.8** | 10.5 | 65% | **12.0** | 57% |
| Consumer Industry & Agriculture Business | **4.8** | 5.0 | 96% | **4.0** | 120% |
| Retail & Consumer Service | **1.9** | 5.0 | 38% | **4.0** | 48% |
| Others | **3.7** | 3.5 | 106% | **3.0** | 123% |

Hassojitz

## Cash Flow Management

Maintaining a positive core cash flow over the six-year period during MTP2023*

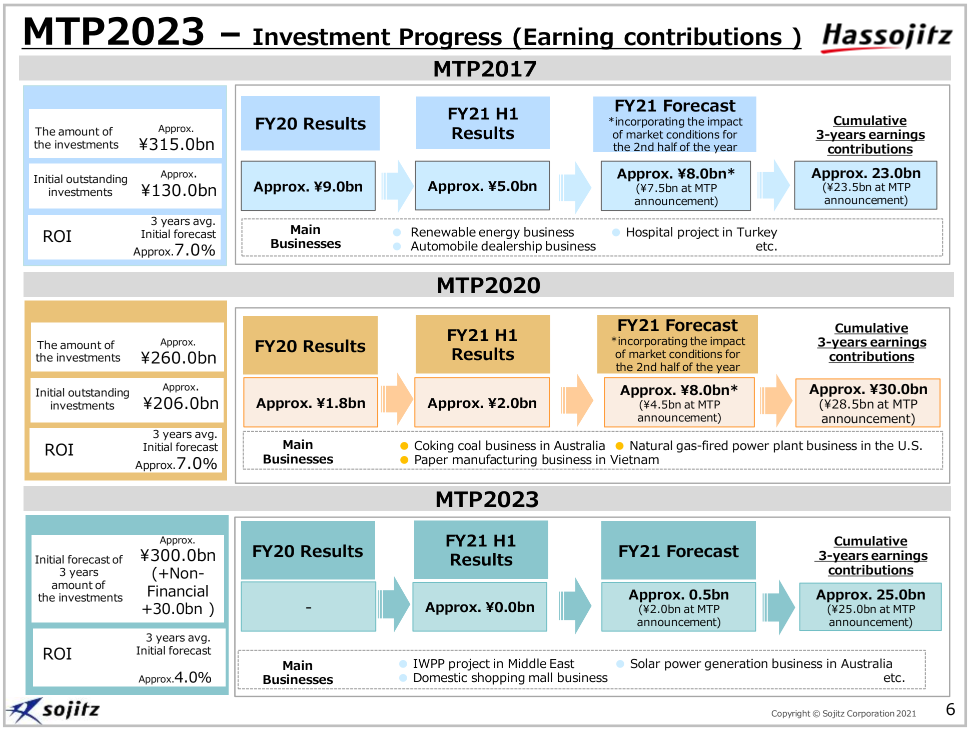
*MTP2023: Referred to as Medium-Term Management Plan 2023

| | MTP 2020 3-year cumulative results (FY18–FY20) | FY21 H1 Results | MTP 2023 3-year cumulative forecast (FY21–FY23) |
|---|---|---|---|
| Core operating cash flow *1 | ¥219.0 bn | **¥49.0 bn** | **Approx. ¥240.0 - ¥250.0 bn** |
| Asset replacement (Investment recovery) | ¥170.0 bn | **¥9.0 bn** | **Approx. ¥100.0 bn** |
| New investments and others | ¥(262.0) bn | **¥(40.0) bn** | **Approx. ¥(330.0) bn** |
| Shareholder returns *2 | ¥(71.0) bn | **¥(21.0) bn** | **Approx. ¥(70.0) bn** |
| Core cash flow *3 | ¥56.0 bn | **¥(3.0) bn** | **Positive (MTP2020 and MTP2023 6-year period)** |
| Free cash flow | ¥108.0 bn | **¥(38.0) bn** | |

*1 Core operating cash flow =Cash flow after deducting changes in working capital from operating cash flows calculated for accounting purposes
*2 Includes acquisitions of treasury stock
*3 Core cash flow = Core operating cash flow (excluding changes in working capital) + Investing cash flow (including asset replacement) – Dividends paid – Purchase of treasury stock




- Slide 5 shows cash flow management.
- Core operating cash flow has been steady compared to the initial forecast, indicating that we have generated profits accompanied with cash.
- When the MTP 2023 was announced, we stated our plan to newly invest ¥330 billion, including non-financial investments, over the 3-year period, and we expect ¥150 billion for the current fiscal year as initially planned. We only made about ¥40 billion in investments in the first half, but we expect to make progress as planned in the second half.
- Core cash flow will be managed in positive for the 6-year period, as initially planned.
- CFO Tanaka will explain the status of cash flow later.



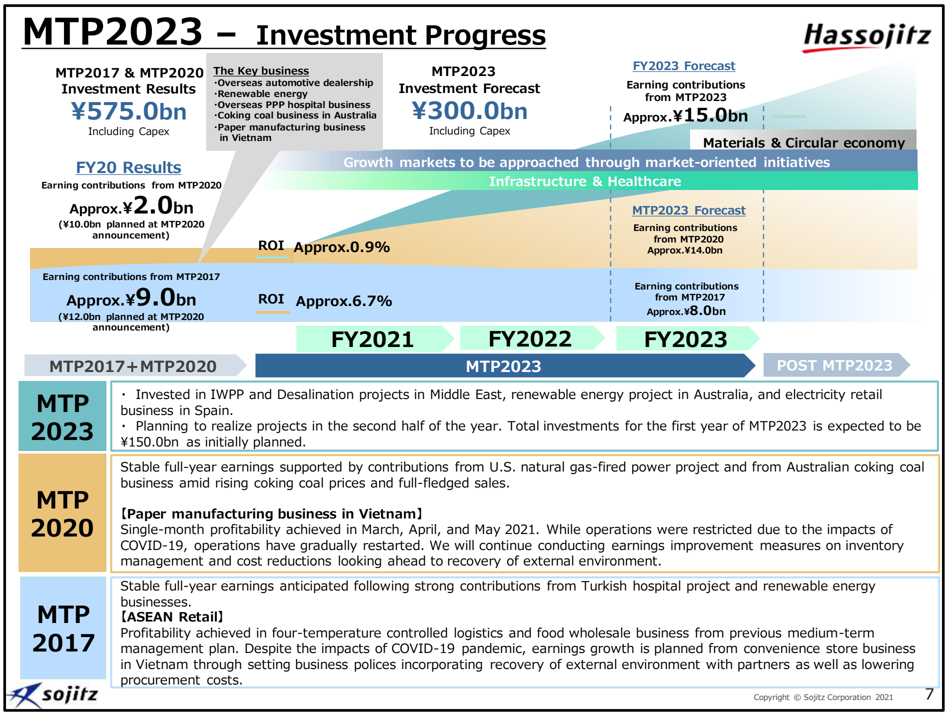

- This page shows earning contributions from new investments starting from MTP 2017.

- Earnings contributions from new investments in MTP2017 amounted to ¥5 billion in the first half, and we expect contributions of about ¥8 billion over the full year, mainly in the Non-Resource businesses. This figure is higher than the initial plan at MTP2017 announcement.

- Earnings contributions from investments in MTP2020 amounted to around ¥2 billion, mainly in the coking coal business in Australia. We expect earnings contributions of around ¥8 billion in the second half, excluding the impact of market conditions. This figure is higher than the initial plan at MTP2017 announcement.

- On the other hand, earnings contributions from investments executed in MTP2023 have yet to make any significant contributions as of the first half. The execution of investments has been delayed since announcing MTP2023. We plan on accelerating the execution of investments, including some larger projects, from the second half, and will work on their monetization at an early stage.

- We have described the progress on investments executed so far toward the final year of the MTP in FY2023 in more detail on the next page.




- On this page, we describe the details of the major investment projects and their progress.
- With regard to MTP2023 investments, we invested in Natural gas-fired power and desalination projects in the Middle East, a renewable energy project in Australia, and an electricity retail business in Spain.
- We will continue to execute investments in the second half toward the full-year target of ¥150 billion in investments, and we are making active efforts such as visiting overseas for direct negotiations.

- With regard to MTP2020 investments, there were earnings contributions from higher coking coal prices and the Australian coking coal business resulting from full-fledged sales efforts, in addition to contributions from U.S. natural gas-fired power project. There are still uncertainties around future market condition, but we expect steady earnings over the full year.
- We have made various management efforts in the paper manufacturing business in Vietnam, in which we invested in MTP2020. As a result, we achieved profitability each month in the period from March to May 2021.
- Since September, the spread of COVID-19 has had an impact on our business due to operational restrictions and plant shutdowns, but we are now in the process of gradually resuming operations. We will take various measures for improvement with a view to improving profitability as the external environment recovers.

- As for the investments in MTP2017, we expect stable earnings for the full year as well, with solid earnings contributions from the hospital project in Turkey and renewable energy projects.
- As for ASEAN retail investments, the four-temperature cold chain logistics business and the Food Wholesaling business have been profitable since MTP2020. On the other hand, the convenience store business in Vietnam has been affected by the business impact of the spread of COVID-19.
- We are working on updating the business strategies with once the external environment. We will also aim for continued improvement in earnings through the reduction of procurement costs.

## MTP2023 – Investments and Asset Replacements

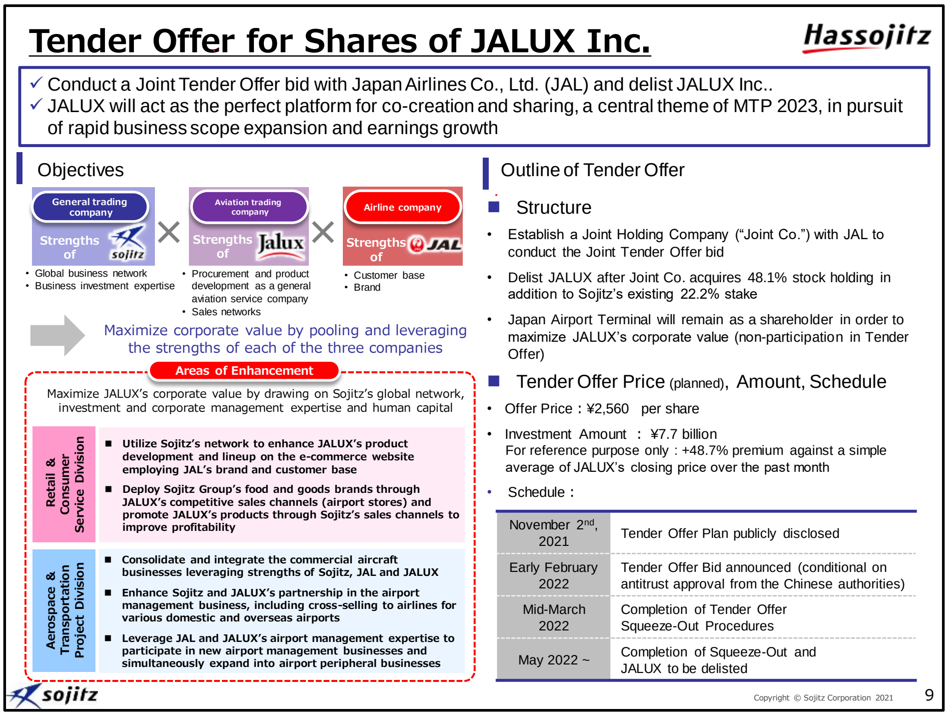
Hassojitz

| | | | |
|---|---|---|---|
| **Total Investments** | **¥40.3bn** | | |
| **Main breakdowns** | **Infrastructure & Healthcare** | **¥16.7bn** | ■ IWPP and Desalination Project in Middle East<br>■ Renewable energy businesses in Australia<br>■ Offshore wind power project in Taiwan<br>etc. |
| | **Growth markets × Market-oriented initiatives** | **¥16.0bn** | ■ Domestic shopping malls<br>■ Domestic real estate business<br>■ Retail businesses in Southeast Asia<br>etc. |
| | **Materials & Circular economy** | **¥0.0bn** | - |
| | Others | ¥7.6bn | ■ Non-financial-related investments<br>■ Innovation investment<br>■ Others |
| **Total Asset Replacement** | **¥9.4bn** | | |
| **Main breakdown** | **Industrial machinery business, Domestic and overseas renewable energy businesses, Sale of cross-shareholdings** | | |

sojitz




- This slide shows investments and asset replacements. Investments are shown by focus area of MTP2023.
- New investments totaled ¥40.3 billion due to the postponement of some of the planed investment.
- As for asset replacement, we proceeded with the sale of each business and the sale of cross-shareholdings, resulting in a recovery of ¥9.4 billion.




- The next slide is a release about our new initiative.
- At 3:00 PM today, we made a timely disclosure regarding the tender offer for shares of JALUX Inc. By conducting a Joint Tender Offer bid with Japan Airlines, JALUX will be delisted. We aim to maximize our respective corporate value by sharing each of our strengths, Sojitz as a trading company, JALUX as an airline trading company, and JAL as an airline company.
- I have taken this opportunity to share this information with you. You can read the details in our press release.

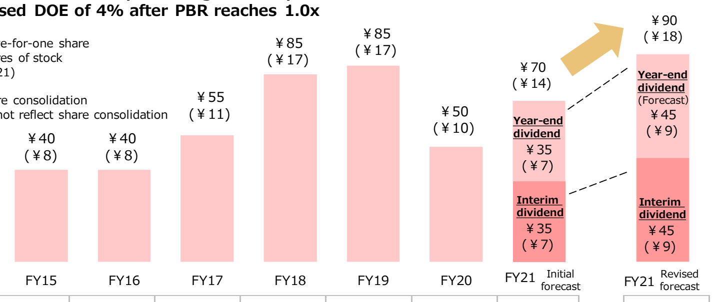
# Dividends Policy

Hassojitz

- Sojitz recognizes that paying stable and continuous dividends is a management priority, together with enhancing shareholder value through the accumulation and effective use of retained earnings.
- Our basic policy will be to target a consolidated payout ratio of about 30%.
- Lower limit for dividends set as representing market price-based DOE of 4% until PBR reaches 1.0x and book value-based DOE of 4% after PBR reaches 1.0x

※ The Company conducted a five-for-one share consolidation of common shares of stock (Effective date: October 1, 2021)

Figures restated to reflect share consolidation
Figures in parentheses ( ) do not reflect share consolidation




| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 Initial forecast | FY21 Revised forecast |
|---|---|---|---|---|---|---|---|---|
| Profit for the year (attributable to owners of the Company) | ¥36.5bn | ¥40.8bn | ¥56.8bn | ¥70.4bn | ¥60.8bn | ¥27.0bn | ¥53.0bn | ¥70.0bn |
| Consolidated payout ratio | 27.4% | 24.6% | 24.2% | 30.2% | 34.8% | 44.4% | Approx.30% | Approx.30% |

**MTP 2017 payout ratio of about 25%** | **MTP 2020 payout ratio of about 30%** | **MTP2023**

Note1: The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021.
The year-end dividend figures for FY15 to FY20 and the interim dividend figures for FY21 have been restated to reflect the share consolidation.
Figures in parentheses ( ) are provided for reference and do not reflect the share consolidation.

Note2: Market price-based DOE = Total dividends paid ÷ (Average annual closing share price × Total shares issued at fiscal year-end)
Book value-based DOE = Total dividends paid ÷ Total equity at fiscal year-end (book value)
The decision of whether to use market price-based DOE or book value-based DOE will be made based on the PBR at the end of Mar. 2022.

sojitz





- With regard to our dividend policy, we have not changed our policy of stable and continuous dividends, and we continue to maintain the target of a consolidated payout ratio of about 30% in the current medium-term management plan.

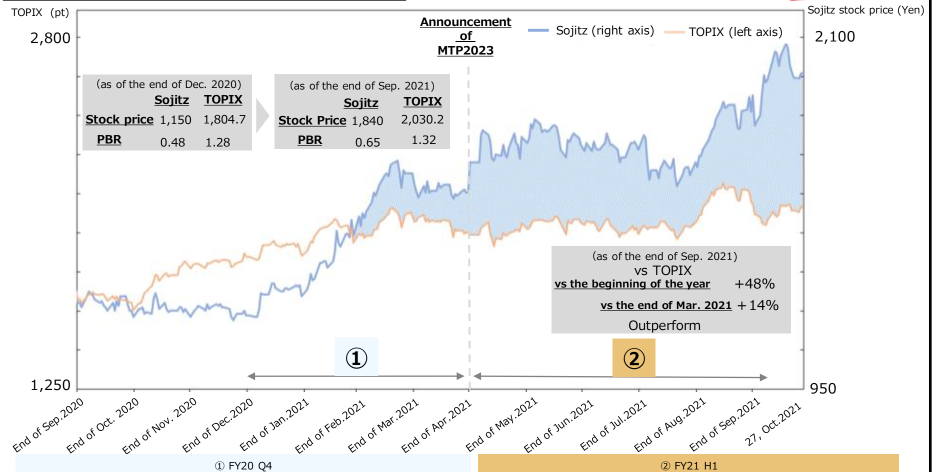
- In the announcement of the first quarter results for the fiscal year ending March 2022, the interim dividend of ¥7 per share based on the price before the share consolidation, and a year-end dividend of ¥35 per share based on the price after the share consolidation.

- We have upwardly revised these forecasts to an interim dividend of ¥9 per share, up ¥2 per share from the previous forecast based on a pre-share consolidation price, and a year-end dividend of ¥45 per share, up ¥10 per share from the previous forecast based on a post-share consolidation price.

- We will continue to focus on growth investments and capital efficiency and strive to enhance shareholder value by accumulating and effectively utilizing earnings.

## Stock Price & PBR Trend

Hassojitz




| | ① FY20 Q4 | | ② FY21 H1 | |
|---|---|---|---|---|
| **Main News Releases** | • Sojitz Acquires Stake in Royal Holdings Co., Ltd. with Capital and Business Tie-up<br>• Sojitz Group Policies for Realizing a Decarbonized Society | • Sojitz Announces Shareholding Policy Calling for Reduction of Cross-Shareholdings<br>• Sojitz Announces New Initiatives to Support Diverse Career Paths and Working Styles (Support for Entrepreneurs and Independent Businesses)<br>• Sojitz Joins Hospital Project in Australia | • Notice Regarding Share Repurchase of Treasury Stock (Up to 50,000,000 shares & ￥15bn)<br>• Notice Regarding Share Consolidation (5 shares⇒1share, Effective date: Oct. 1st, 2021)<br>• Sojitz Enters Natural Gas-fired Power and Desalination Project in the UAE | • Sojitz Begins Construction on one of the Largest-scale Solar Farms by Japanese companies in Australia<br>• Toshiba, Sojitz and CBMM Partner to Commercialize Next-Generation Lithium-ion Batteries<br>• SKK Migas approved Plan of Development for Ubadari Field and Vorwata CCUS at Tangguh LNG Project |

*Click each link for the relevant news release.

sojitz

Note: The Company conducted a five-for-one share consolidation of common shares of stock effective October 1, 2021. Stock price in this page reflects this share consolidation.





- This slide shows our stock price trend compared to TOPIX.
- As of the end of September, Sojitz’s stock price rose 60% since the beginning of the year, outperforming TOPIX in terms of the return by 48%.
- On the other hand, the stock is still trading at 0.65 times book value as of the end of September, so we will continue to run on businesses with an eye on raising the stock price.

## Non-financial Initiatives

**- External evaluation of disclosure materials**

Hassojitz

**Sojitz's FY2020 disclosure materials were chosen by government agencies as best practice examples and introduced at external lawyer seminars and in legal magazines.**

### 1. Corporate Governance Report

Following aspects of corporate governance report were praised as frontrunning examples and introduced at external lawyer seminars and in legal magazines:

<Point>

- Submission of Corporate Governance Report on June 18, 2021 (promptly after General Shareholders' Meeting), one week after issuance of revision of Japan's Corporate Governance Code by the Tokyo Stock Exchange (on June 11, 2021)
- All amended and newly established principles in revised Japan's Corporate Governance Code addressed in corporate governance report
- Concrete and clear targets set for supplementary principle 2.4.1 (diversity in promotion to core positions) and supplementary principle 3.1.3 (disclosure of initiatives on sustainability) serving as a model for other companies in complying with Japan's Corporate Governance Code

### 2. Disclosing information on our web site about human rights policy and sustainability challenge

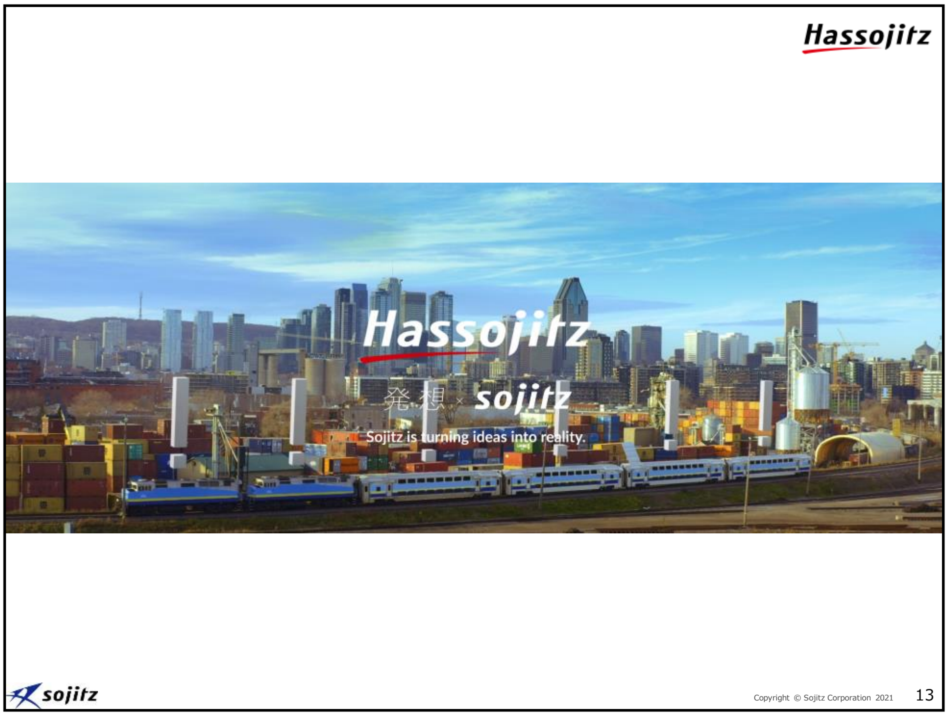
Sojitz's initiatives were introduced in a collection of examples released by Ministry of Foreign Affairs in September 2021 (Sojitz was only general trading company among 15 companies)

sojitz





- Next, we are putting on efforts to enhancement of disclosure of our non-financial initiatives.
- As you can see here, the information disclosed has been introduced as a good practices by external parties. We will continue our efforts to devise ways to engage in dialogue with our stakeholders.




- In the first-half results for the fiscal year ending March 2022, we were able to demonstrate steady profitability, but the spread of COVID-19 continues to have an effect on countries around the world.

- Keeping in mind the mission of a general trading company, which is to deliver goods and services where necessary, we will continue to meet the expectations of our stakeholders based on our customers and our strong partnership with them.

- We will continue to transform ourselves in order to turn change into opportunity, and we will continue to focus on dialogue with you.

- This concludes my explanation. Thank you.