



# ESG Briefing

**August 11, 2021**  
**Sojitz Corporation**

**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. Actual results may differ materially based on 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.

# Vision of Sojitz and Direction

## Corporate Statement :

The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.

Sustainability management for a world with prosperity

Value for  
Sojitz

Value for  
Society

Year 2030

## Vision of Sojitz

A general trading company  
that constantly fosters new businesses  
and human resources

Increasing corporate value by  
creating business and (Business and Human resource) values  
that responds to market needs and social issues

Fulfilling our mission as a general trading company  
Delivering goods and services where necessary

## Strategy toward our vision

### Pursuit of competitiveness and growth potential

- Adopt a market-oriented initiative
- Apply co-creation and sharing methodologies
- Strive for speed
- Transformation on organization and human resources

Year 2020

- Rising uncertainty in global economy and diversification of values and needs
- Provision of functions and development of products based on Sojitz's perspective

# MTP2023 – Financial Targets

Increasing shareholders value  
(three years avg.)

**ROE 10% or above**

**Profit for the year  
approx. ¥65.0bn**

**Core operating cash flow  
approx. ¥80.0bn \*<sub>1</sub>**

**Consolidated payout ratio  
approx. 30%  
Lower limit for dividends set**

Growth and financial discipline

**Investments  
¥330.0bn**

(including ¥30.0bn of non-financial investment)

**Positive core cash flow over  
MTP2020 through MTP2023  
cumulative total \*<sub>2</sub>**

**NET DER approx. 1.0x**

**ROA 3% or above  
(Final year of MTP2023)**

**PBR : 1.0x or above**

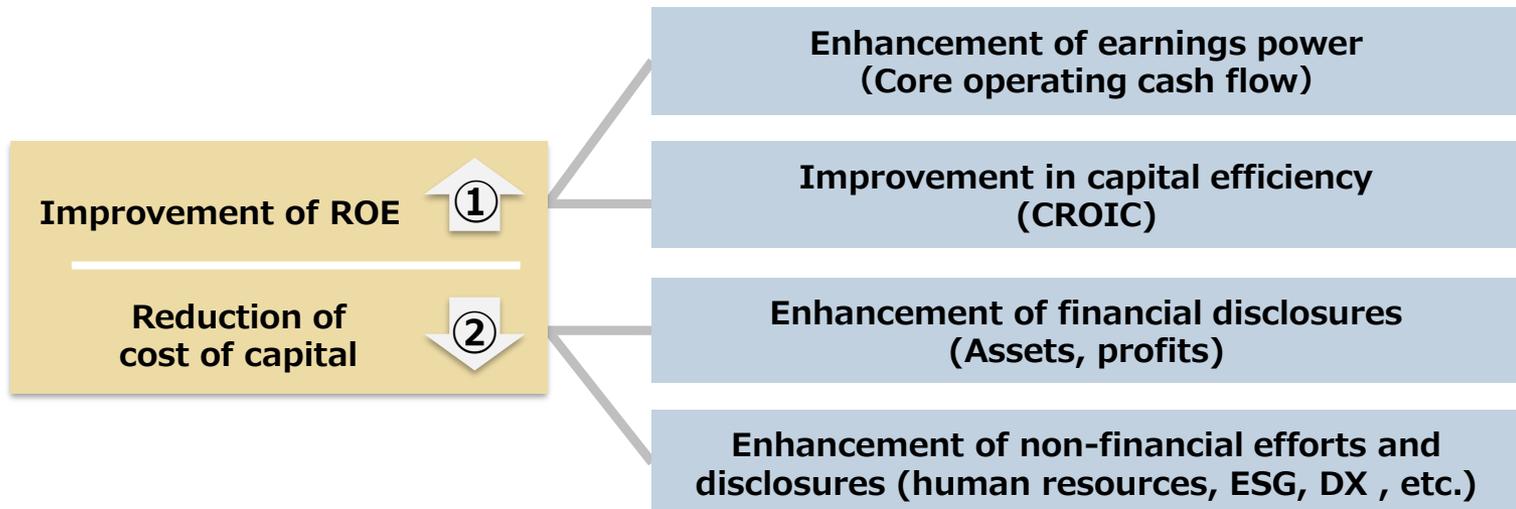
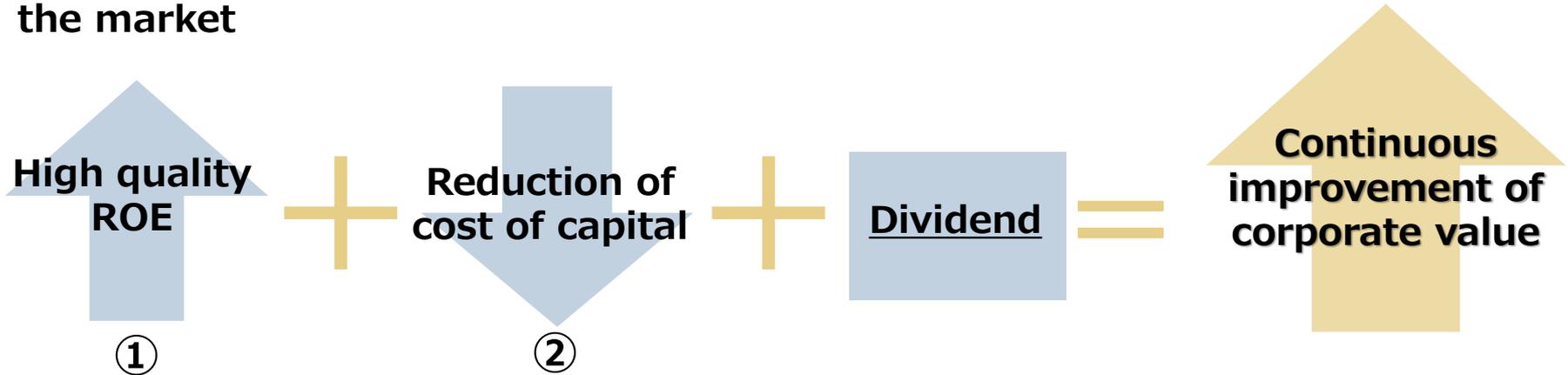
\*<sub>1</sub> Core operating cash flow = Cash flow after deducting changes in working capital from operating cash flows calculated for accounting purposes

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

# Targeting PBR 1.0x or above

Improvement of communications and disclosures as an initiatives to support sustainable growth

Expand Equity Spread and non-financial efforts and disclosures in the aim to **improve PBR**, which is a corporate value evaluation index from the market



# Growth Strategy for Creating Value

Corporate Statement : The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.

Sustainability management for the realization of a prosperous future

Value for Sojitz

Value for Society

Sojitz's vision for 2030 :

A general trading company that constantly fosters new businesses and human resources  
Increasing corporate value by creating businesses and (business and human resource) values that responds to market needs and social issues

Sojitz's mission:

Delivering goods and services where necessary

## Market needs and social issues, reflecting megatrends

- Realize a decarbonized and circular economy in response to environmental issues
- Expand economic development and affluence in emerging countries
- Respond to new social issues in developed countries



## Sojitz's current strength and areas to strengthen moving forward

- Adopt a market-oriented initiative
- Apply co-creation and sharing methodologies
- Strive for speed

## Growth Strategy

- Social issues include the need for essential infrastructure development and service provision
- Strengthening the 3R (Reduce, Reuse, Recycle) businesses
- Strengthening efforts in retail sectors in South east Asia and India
- Value creation through efforts to revitalize industries and rural regions in Japan



Digital, New technology  
Co-creation both inside and outside the company

# Focus areas

Set focus area as follows and concentrate resources (human resources/ funds)  
Conduct organizational reforms to construct structure

## Essential infrastructure services

Growth of developing countries

Environment issues

Population growth and aging population

- Demand for infrastructure and essential services associated with population growth and economic growth
- New infrastructure and ancillary services due to changes in the social environment

Areas to focus on for realizing steady growth

## Market-oriented approach in growing markets

Growth of developing countries

Environmental issues/ food issues

Digitalization

- Growth market in downstream (retail) businesses through a market orientation approach/digitalization
- New market creation by leveraging changing consumer preferences during economic growth

Enter growing markets in Vietnam and other Southeast Asian countries and India with a focus on fields that promote mutual growth

## Materials & Circular economy

Environmental issues

Resource recycling

Digital/Other technologies

- Recycling and other businesses related to a recycling-oriented society, from changes in mass-consumption needs
- Biomaterials business in line with SDGs and growing environmental awareness

Areas focusing on transforming traditional businesses

# Organizational Reforms

## ■ New Growth fields × Revision of business division structure to facilitate future growth initiatives

### Infrastructure & Healthcare Division

Identification of infrastructure and medicine/healthcare businesses addressing social issues as growth fields and focus areas

### Metals, Mineral Resources & Recycling Division

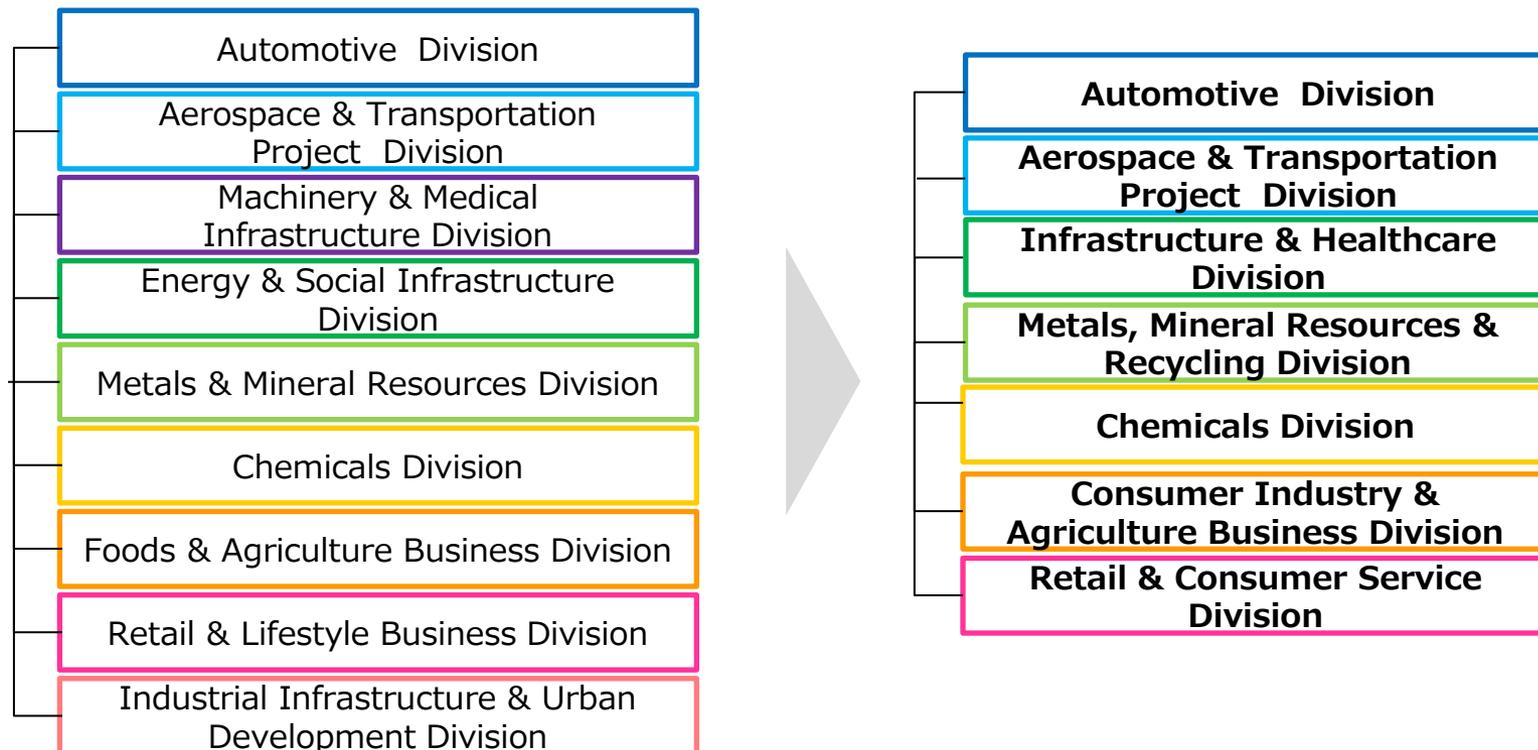
Reforms in existing resource-related businesses, redoubling of recycling business initiatives

### Consumer Industry & Agriculture Business Division

Development and growth of digital and other businesses in agriculture-, forestry-, and aquaculture-related fields

### Retail & Consumer Service Division

Expansion of service-related businesses addressing domestic and overseas market needs



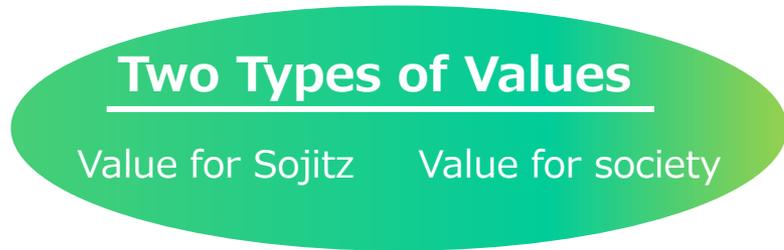
From **9** Divisions to **7** Divisions

# Sustainability Challenge

## Sojitz Group Statement

The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.

## Sojitz Value Creation Model "Two Types of Values"



## Key Sustainability Issues "Materiality"



**Sustainability Challenge**  
We will strive to create sustainable growth for both Sojitz and society by working to help achieve a decarbonized society through our business activities, and by responding to human rights issues, including those within our supply chains.

## "Sustainability Challenge" Long-Term vision for 2050

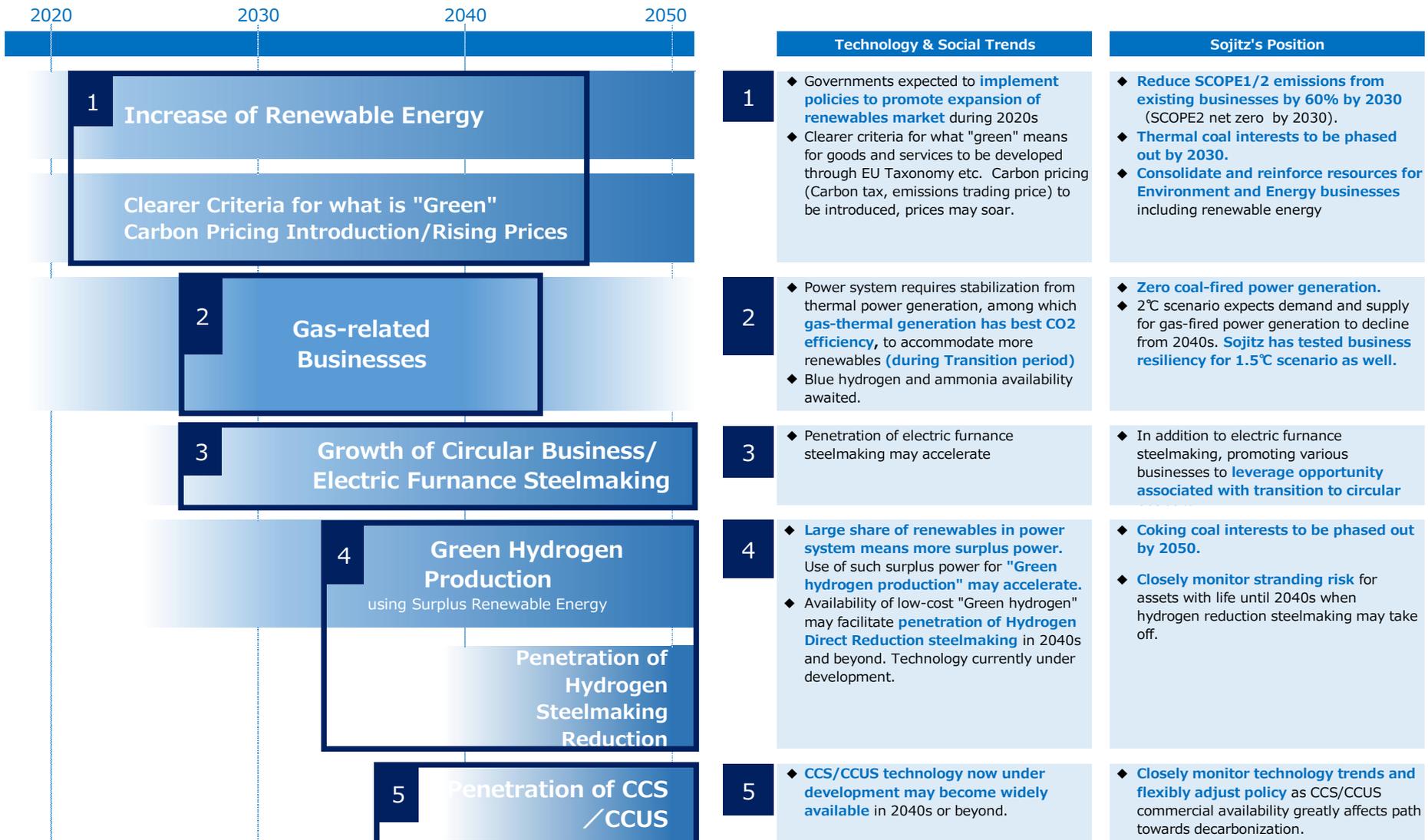


## Sojitz Group's Actions in Response to "MTP2023"

Full-scale operation of the Sustainability Challenge	
<b>Decarbonization</b> Start working towards the goal	<b>Supply Chains Human Rights</b> Ongoing PDCA implementation and education activities
Others	
<b>Water Risk Physical Risk</b> Calculation of and response to impacts	<b>External Standards</b> Monitoring of taxonomy and other trends

# Underlying Technology Trends and Sojitz's Position

## Anticipating and Adapting to Technology Trends



# Roadmap for Carbon Emissions

Existing businesses

**Scope 1 + 2**

Reduce emissions 60% by 2030; achieve **Net Zero** emissions by 2050 \*1  
 For Scope 2: **Net-zero emissions** by 2030 \*2

\*Coal-fired power generation : No current projects nor future projects planned

**Scope 3**

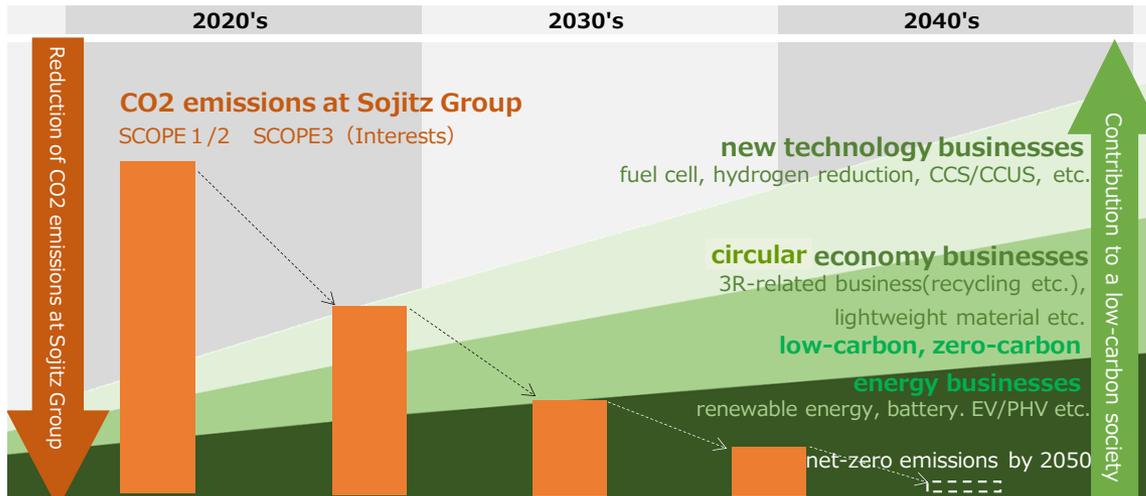
Thermal coal interests : Reduce interests to **half or less** by 2025 \*3  
**Zero interests** by 2030 \*4  
 Oil interests : **Zero interests** by 2030  
 Coking coal interests : **Zero interests** by 2050

New business

For all new businesses initiated going forward, Sojitz aims to realize **net-zero carbon emissions by 2050**.

Contributions to carbon-free society

- Expansion of relevant businesses and initiatives framing situation as opportunity
- Measurement of contributions to reductions in society's CO2 emissions (Scope 4) and advancement of related business activities



**TCFD** | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

\*1,2

- FY2019 serves as the base year, with Sojitz and its consolidated subsidiaries included in the scope. FY2018 was used as the base year when these targets were originally released in March 2021. We have now changed the base year to FY2019 in order to duly reflect the environmental impact of an overseas papermaking company acquired in FY2019. The change allows the papermaking operations to be treated as part of "existing businesses."
- Includes carbon offsets from certificates, introduction of internal carbon pricing under consideration, which supports the reduction of CO2.

\*3

FY2018 serves as the base year, and targets are based on the book value of assets in coal interests.

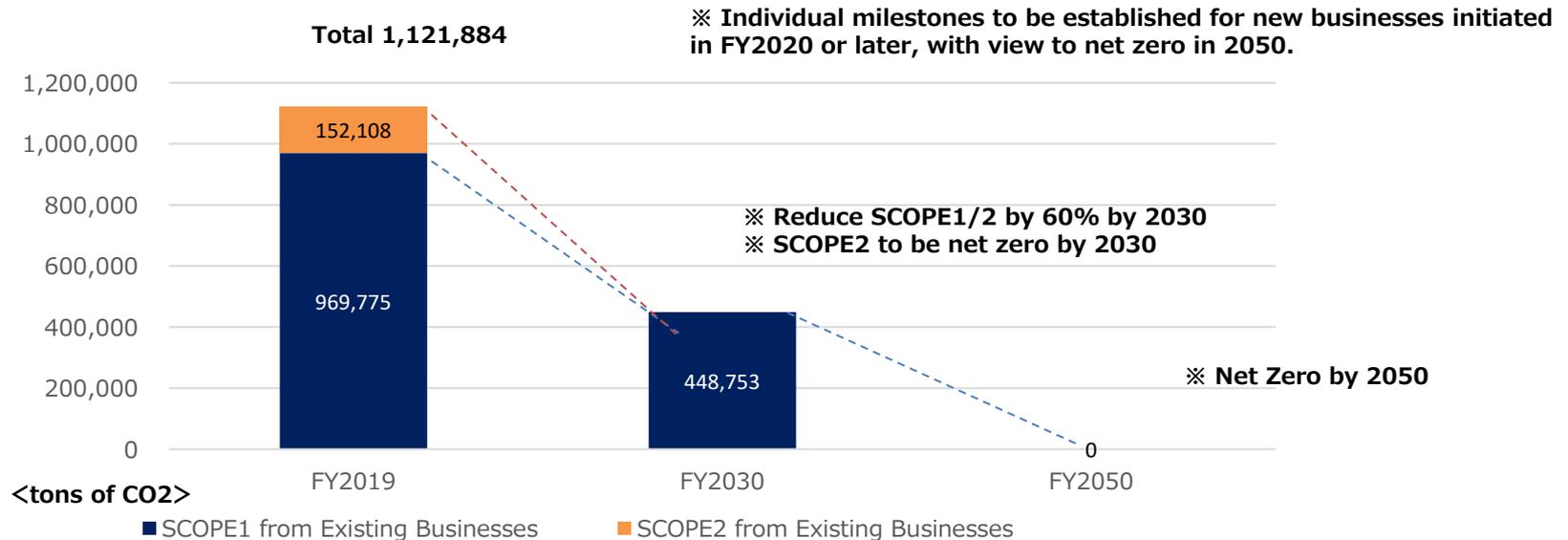
\*4

Target deadline moved to earlier date from the previously announced goal of reducing thermal coal interests to half or less by 2030.

# CO2 Reduction Pathway

## <Existing Businesses>

- Initially focus on electricity (SCOPE2) where clear alternatives exist, i.e. renewables
- Review businesses from perspective of decarbonization etc. against obsolescence risks with view to possibility of exiting
- For SCOPE1, priority on switching away from low-efficiency coal- and oil-fired power generation assets as renewal becomes due. Longer time horizon for gas-fired power generation as alternatives such as hydrogen and ammonia not yet economically justifiable and require further technological innovation.
- Carbon offset certificates may be utilized for remaining CO2 emissions but only minimally



## <New Businesses>

- Net zero in 2050, just as existing businesses. Interim milestones for 2030 to be established individually.



Support mechanisms to facilitate transitions under consideration for each business. Included in 30 billion yen MTP2023 budget for non-financial investment in human resources and organizational reform.

# Case of Business for Sustainability since FY2018

## Carbon Neutral (Reduce SCOPE1~3)

- Offshore Wind Power Projects (Taiwan)
- Biomass Power Plant Project (Japan)
- Capital and Business Alliance with Loop Inc (Japan)
- Starting Carbon Recycling Research and Development Project (Japan)
- Awarded Feasibility Study under NEDO to Build Hydrogen Supply Chain (China)
- Capital Alliance with EV Startup (Japan)
- Investing in Hydrogen Fuel Aviation Business (US)
- Solar Farms (Australia)

## Gas related business (Transition)

- Acquiring stake in Gas-fired Power Plant (US)
- Gas-to-Power Project (Indonesia)
- Entering Natural Gas-fired Power and Desalination Project (UAE)

## Circular business (Recycle)

- Contract for Low-Carbon Material Recycling Model Study (Japan)
- Investing in Circular Renewables Platform startup (Japan)
- Partnership for Chemical Recycling Business (Japan)
- Investing in bio-venture company developing Non-Petroleum Based Green Chemicals (Japan)

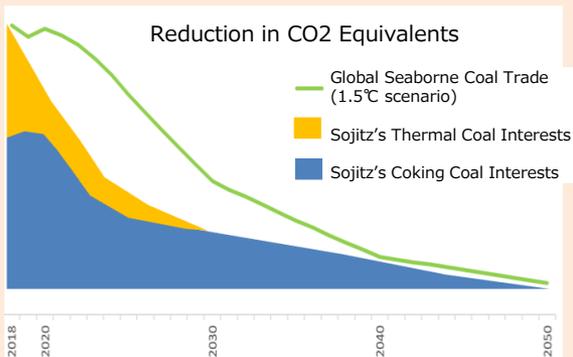
## Health Care business

- Investing in Healthcare Startup Providing Virtual Healthcare Assistant Technology (US)
- Investing in Radiation Sensitizer Developer (Japan)
- Investing in Healthcare Startup Providing Telehealth Services (Singapore)
- Investing in Venture Firm Providing Home Monitoring Service (Japan)
- Investing in Qualitas, a Leading Primary Healthcare Provider in Asia & Oceania (Malaysia)
- Entering Hospital Project (Australia)
- Investing in Developer of Next-generation Vaccines (US)

# Image of Asset Transformation

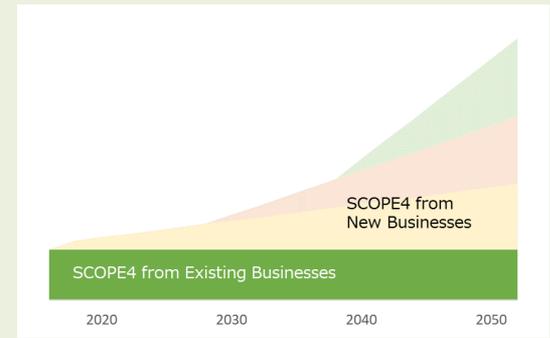
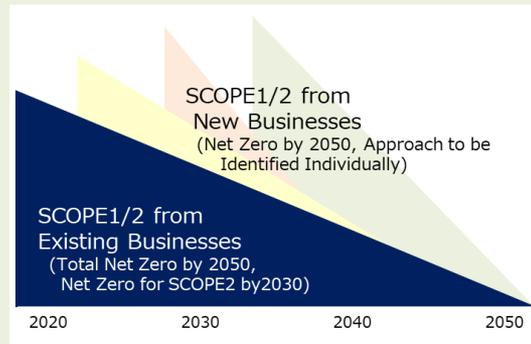
## Increasing "Green" Portion of Assets

Zero Thermal Coal Interests by 2030  
Zero Coking Coal Interests by 2050



**Brown Businesses**

SCOPE1/2 temporary increase to be offset by long-term SCOPE4 accumulation



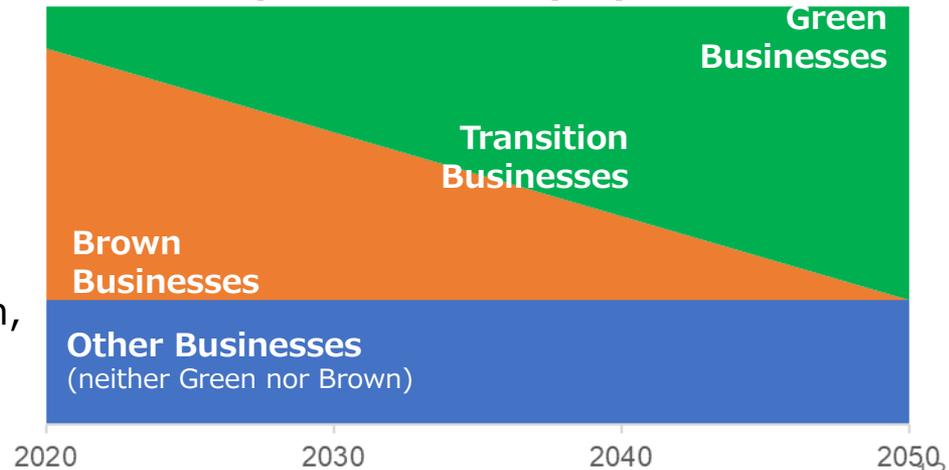
**Green Businesses**

### <Approach>

Reduce share of carbon-heavy **"Brown businesses"**, increase share of **"Green Businesses"** that contribute to CO2 reduction in society and **"Transition Businesses"** which support the transition, so as to make overall business portfolio greener.

Global debate still ongoing on definitions of green, brown, and transition. Developments to be monitored, including the most-advanced EU taxonomy.

### Concept of Portfolio (BS) Transition



# Cycle to Promote Sustainability

Drives Deeper Levels of Discussion within and outside the Group

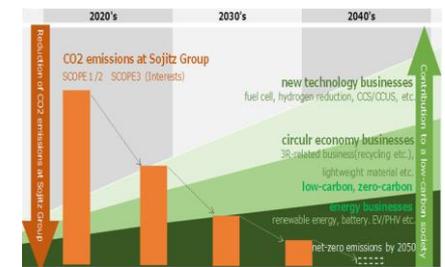


**Annual Stakeholder Dialogue**

FY2018      FY2019      FY2020

**Sustainability Challenge**

We will strive to create sustainable growth for both Sojitz and society by working to help achieve a decarbonized society through our business activities, and by responding to human rights issues, including those within our supply chains.



Study Session for Division COOs on Decarbonization with Outside Experts (FY2019)

Long-term Vision for 2050 Developed (FY2018)

Discussion on Decarbonization Measures with each Division (FY2019)  
Roadmap Developed (FY2020)



Declared Endorsement of TCFD, Started Scenario Analysis (FY2018)

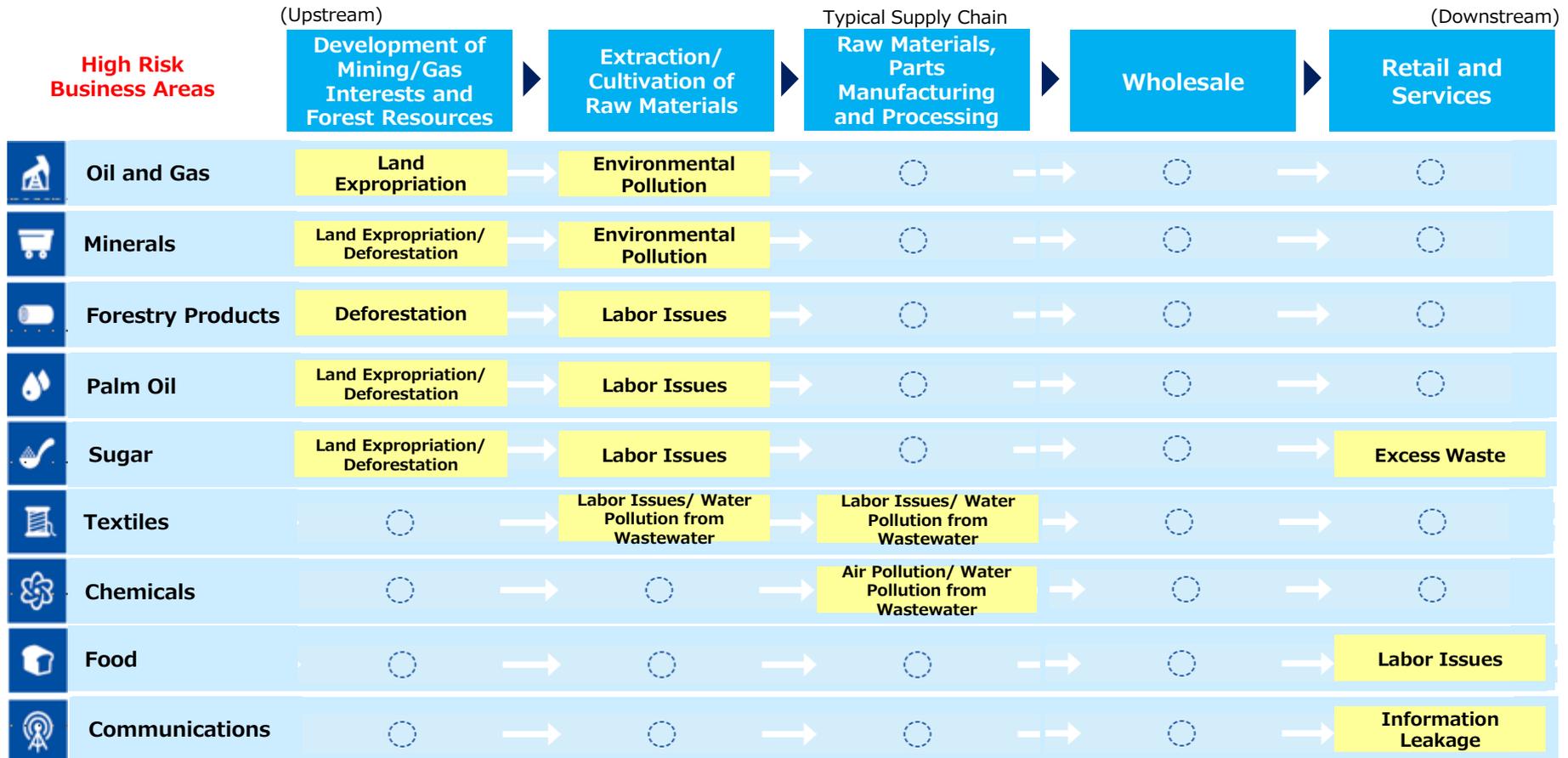


Various Measures Implemented from FY2018

# Respect for Human Rights, Including Supply Chains <MTP2020>

- Long-term vision “Sustainability Challenge” focuses not only on decarbonization but also on respect for human rights across supply chains.
- Previous MTP(2017-2020) positioned as preparatory period; High risk business areas identified referencing an NGO database.
- Risk points identified along supply chain; Surveys and interviews conducted on group companies and suppliers to confirm actions taken.

Generally at high risk  
 Generally at low risk



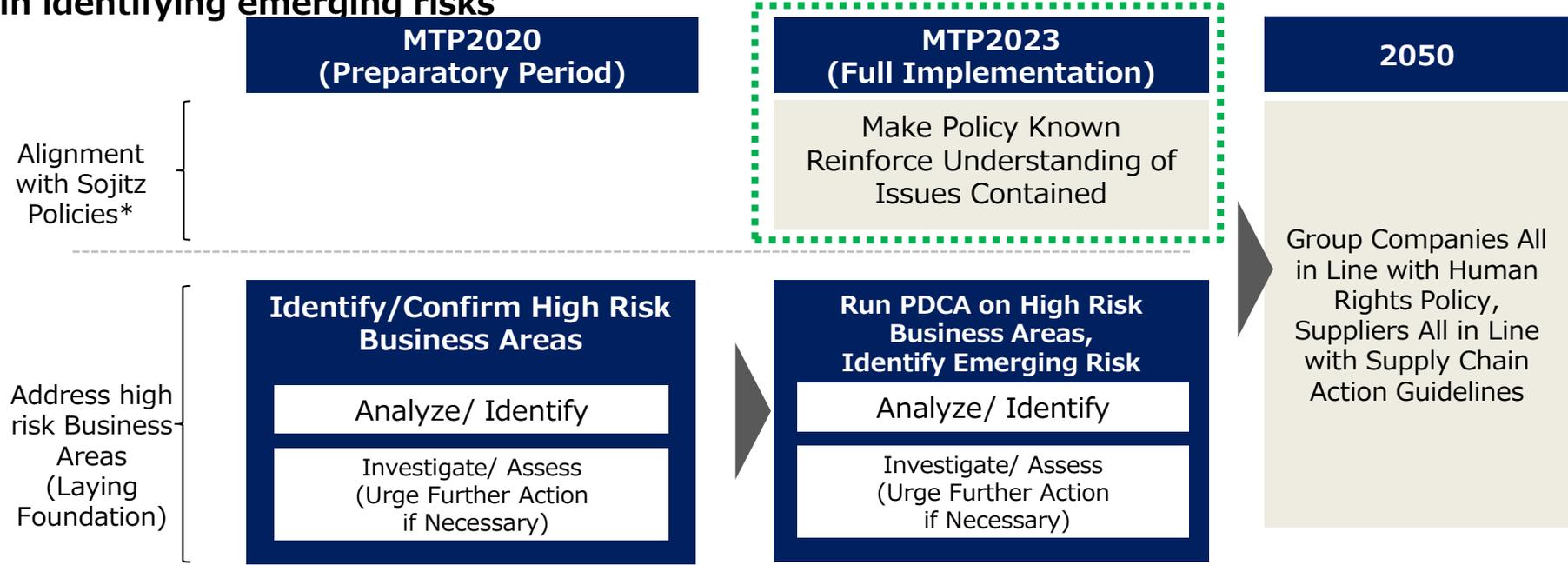
# Respect for Human Rights, Including Supply Chains <MTP2023>

## Measures during MTP2023 (FY2021-2023)

1) Ensure full alignment and understanding of issues contained in Sojitz Group Human Rights Policy across group companies

- ① Obtain written consent from Group operating companies (97% complete)
- ② Sustainability Promotion Office to engage in direct communication with each group operating company

2) Run PDCA cycle to maintain focus on high risk business areas identified and confirmed during MPT2020; Enhance PDCA cycle through third-party reviews and utilization of cycle in identifying emerging risks

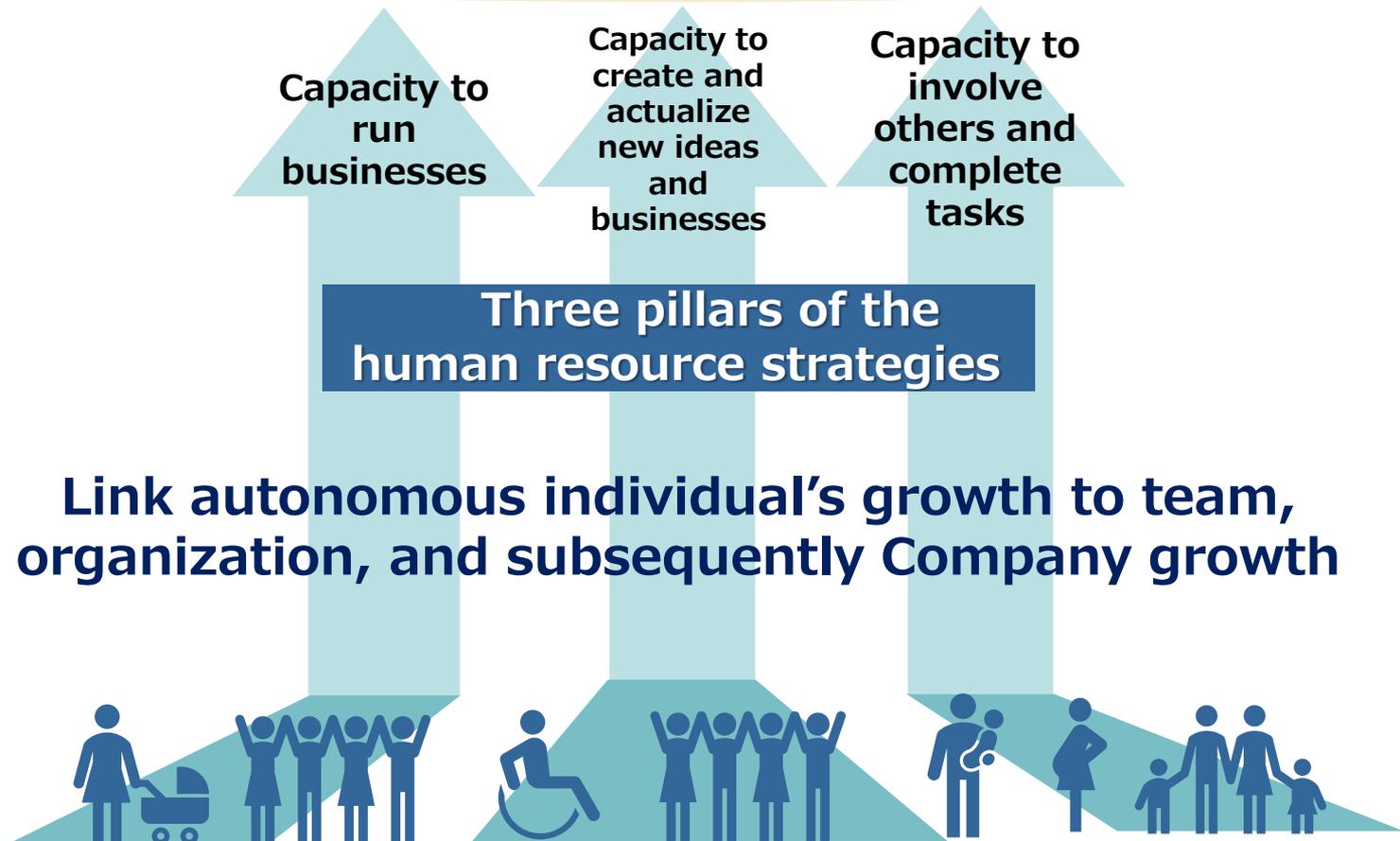


\*Sojitz Group Human Rights Policy, Sojitz Group CSR Action Guidelines for Supply Chains, etc.

# Transformation of Diversity into Competitiveness

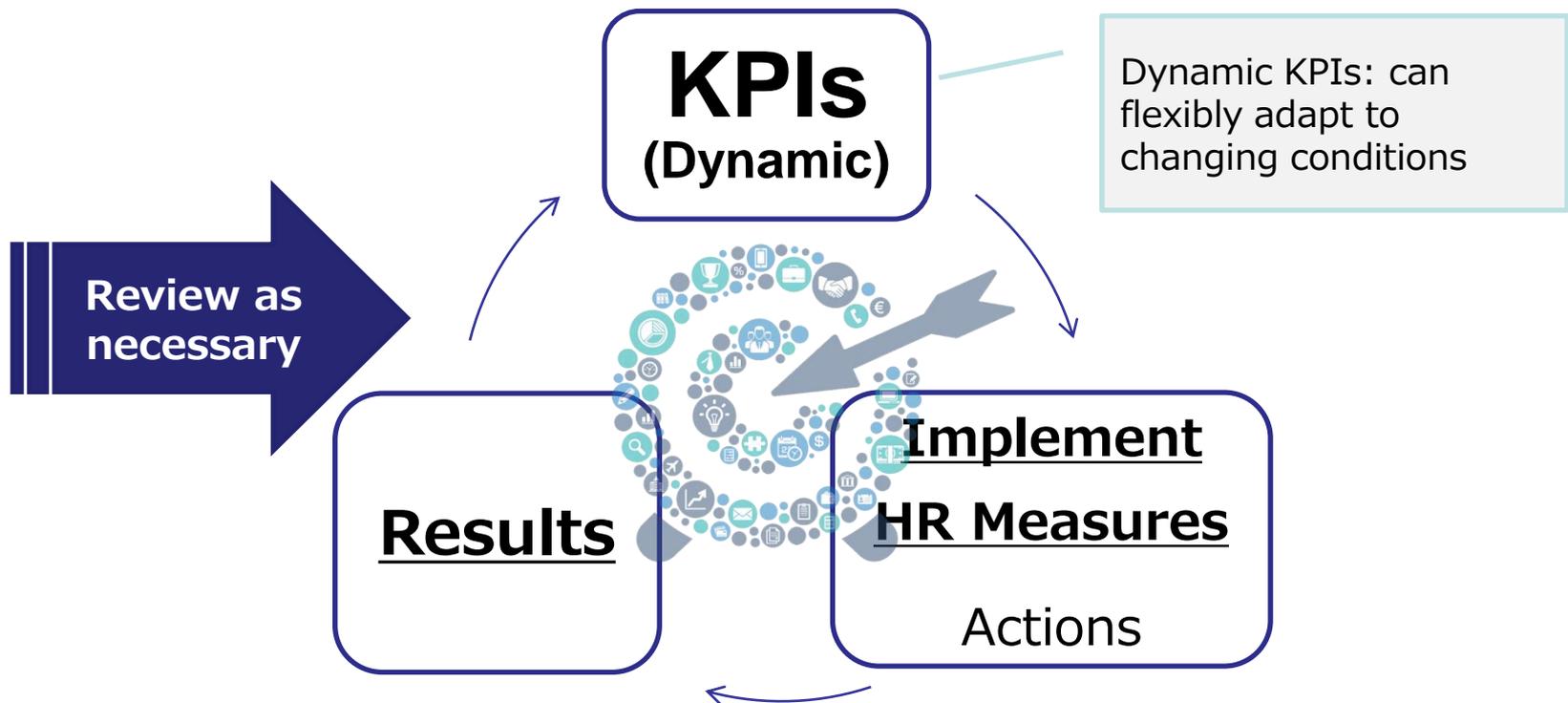
- Sojitz established three pillars for human resource strategies to create the “two types of values” by assembling a team of diverse, autonomous individuals and produce human resources that can transform changes into opportunities and generate value

**Our vision : Team of diverse, autonomous individuals**



# KPIs for Human Resources (1)

- Quantitative effectiveness measurement of understanding/penetration of HR measures against KPIs; Data-driven approach to human resources development
- KPI-informed review of measures as necessary in light of external environment and progress made

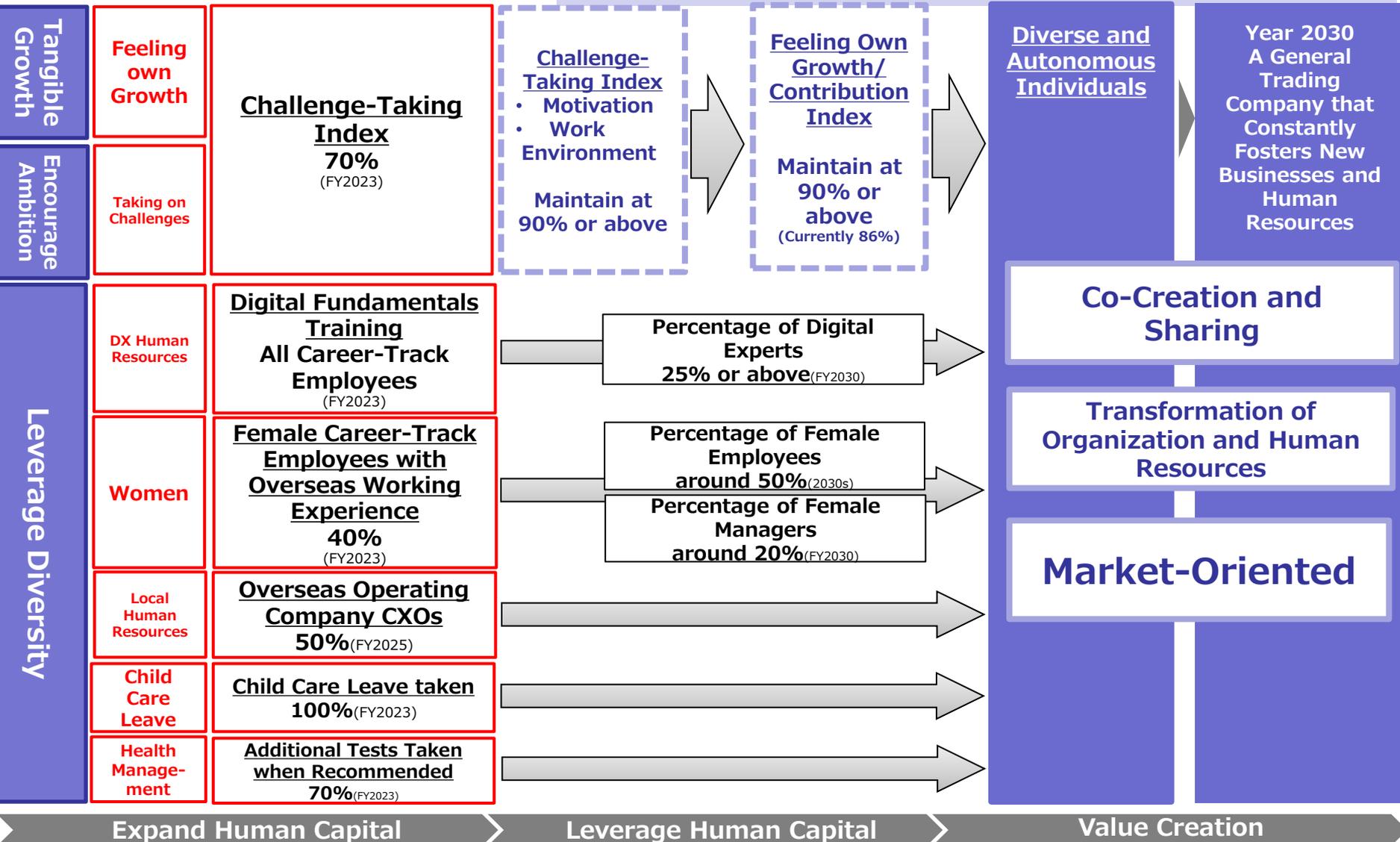


# KPIs for Human Resources(2)

Introduce **"Dynamic KPIs"** for adaptive response to change in environment and progress made

Measures

**KPI**



# Digital Transformation Human Resources

- Digital technologies essential to creating value in response to customer and social needs and thus to be recognized and used as a shared tool by all employees.



## Systematically Organize DX Human Resources

**DX Human Resources are defined as those capable of leveraging data residing both inside and outside of the group as well as digital technology. They can conceptualize and implement transformation of business models and processes. Sojitz seeks enhancement of corporate value through systematic development of DX Human Resources.**

### Develop DX Human Resources

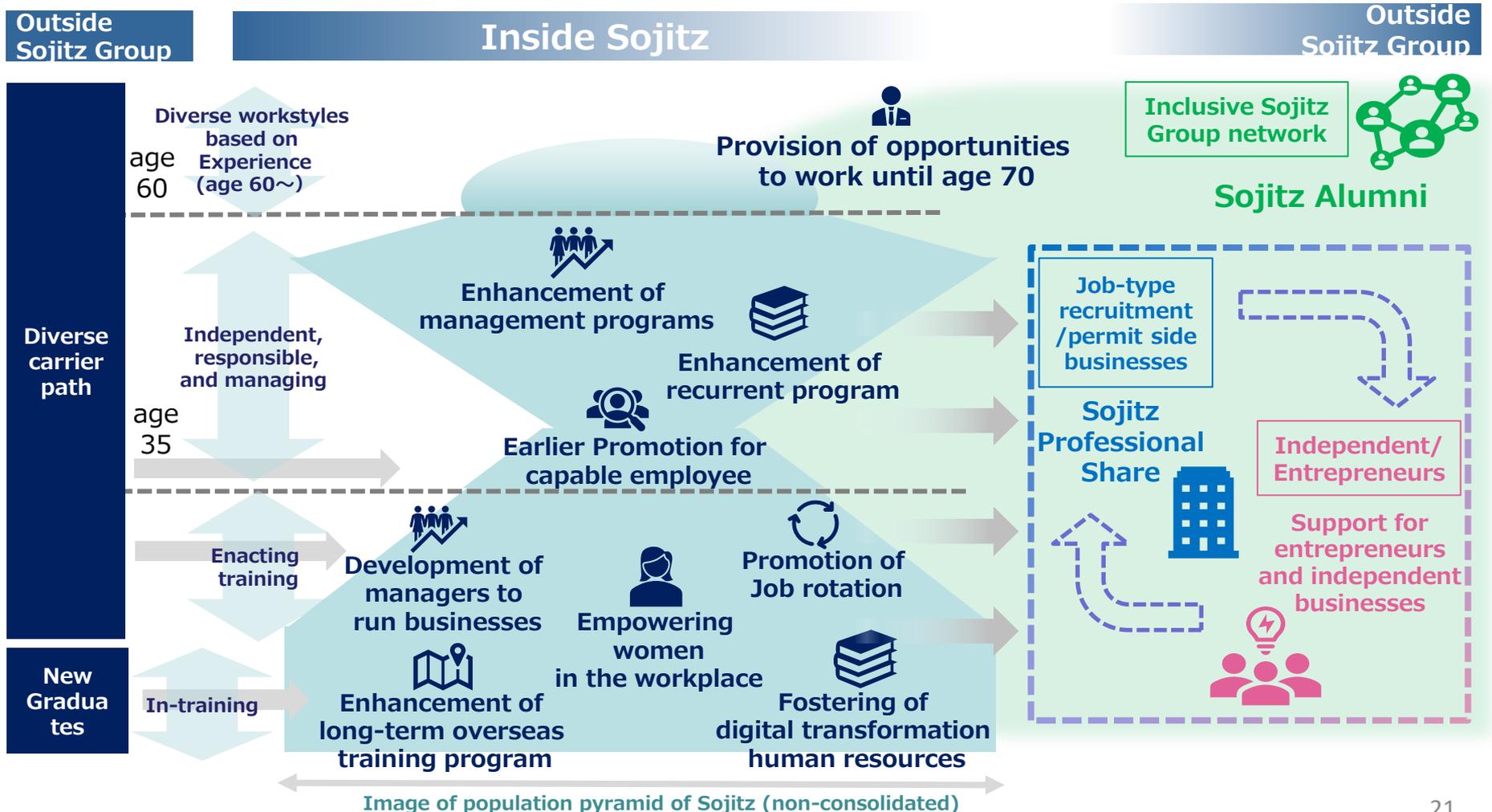
- All employees to be equipped with skills to leverage data in respective departments, thereby raising digital literacy across group
- "IT Passport" certification now mandatory; Further certifications such as the Japan Statistical Society Certificate encouraged

### Utilize External Resources

- Secure necessary data scientists and implementation programmers (M&A or Outsource)

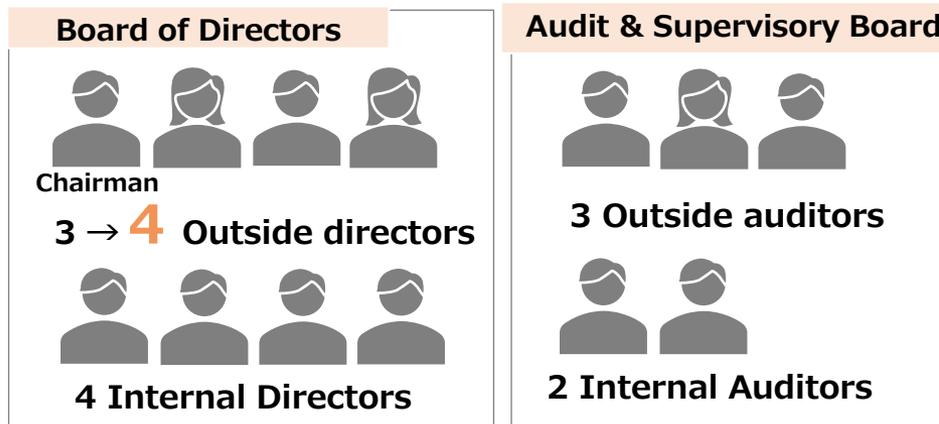
# Providing Human Resources System

- As the first step to become a trading company that constantly fosters new businesses and human resources until 2030, provide a system where each employee can take the lead and select their workstyles by providing options for diverse work styles and career paths
- Encourage ambition and create cycle that produces tangible growth to foster autonomous human resources



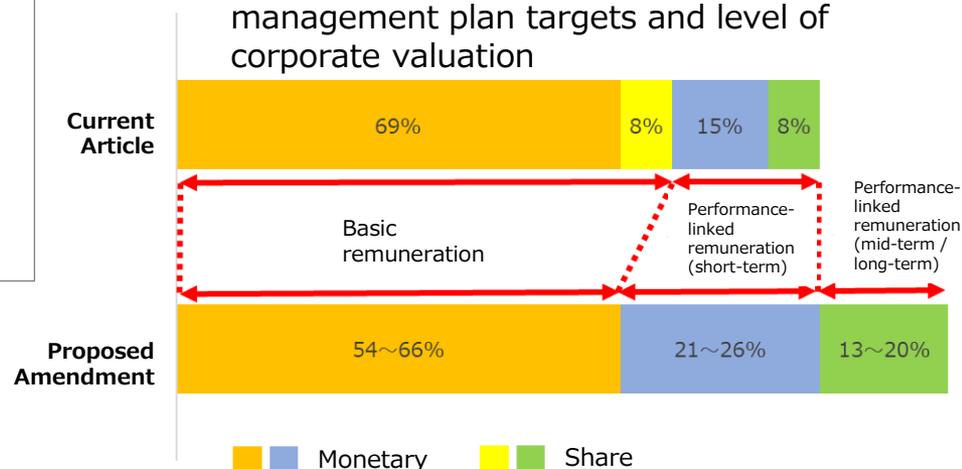
# Deeper-level of Governance (1)

Ratio of Outside Directors to **50%**  
 Ratio of Women Executives to **23%**



## Revision of Officer Remuneration Systems

- ✓ Increase in ratio of performance-linked (variable) remuneration
- ✓ Revision of remuneration to link to degree of accomplishment of medium-term management plan targets and level of corporate valuation



# Deeper-level of Governance (2)

Primary areas of expertise, career background, and skills of each officer of Sojitz's Board of Directors and Audit & Supervisory Board



Name	Masayoshi Fujimoto	Seiichi Tanaka	Ryutaro Hirai	Masao Goto	Kayoko Naito	Norio Otsuka	Naoko Saiki	Ungyong Shu
Position	Representative Director, President & CEO	Representative Director, CFO	Representative Director	Director	Director	Director, Chairman of the Board of Directors	Director	Director
					Independent Outsider	Independent Outsider	Independent Outsider	Independent Outsider
Global	•	•	•	•	•	•	•	•
Business management	•		•	•		•		•
Corporate planning	•		•	•		•		
Legal					•		•	
Risk management		•						•
Mergers, acquisitions, investments, loans, and financial markets	•				•			•
Finances and accounting		•				•		
Human resources			•				•	
Internal control		•						
Environment and social					•		•	

Name	Masaaki Kushibiki	Takehiro Honda	Kazunori Yagi	Michiko Nagasawa	Kazuhiro Yamamoto
Position	Audit & Supervisory Board Member				
Global	•	•	•	•	•
Business management		•	•		•
Corporate planning		•	•		•
Legal				•	
Risk management	•				
Mergers, acquisitions, investments, loans, and financial markets					
Finances and accounting	•		•		•
Human resources	•	•			
Internal control				•	
Environment and social					



*New way, New value*

**Sojitz Group Statement**

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