



Consumer Industry & Agriculture Business Division



Koji Izutani
Managing Executive Officer, COO
Consumer Industry &
Agriculture Business Division 1
November 29, 2021

Profile



Koji Izutani
Managing Executive Officer, COO
Consumer Industry &
Agriculture Business Division

- Born in 1960 as first son of farmer in Nagato City, Yamaguchi Prefecture
- Biographical Outlines
Joined Fine Chemical Department of Sojitz predecessor, in 1983

Previously stationed in Milan, New York, and Houston, where he has worked in petrochemical, functional chemical, and plastic resin fields

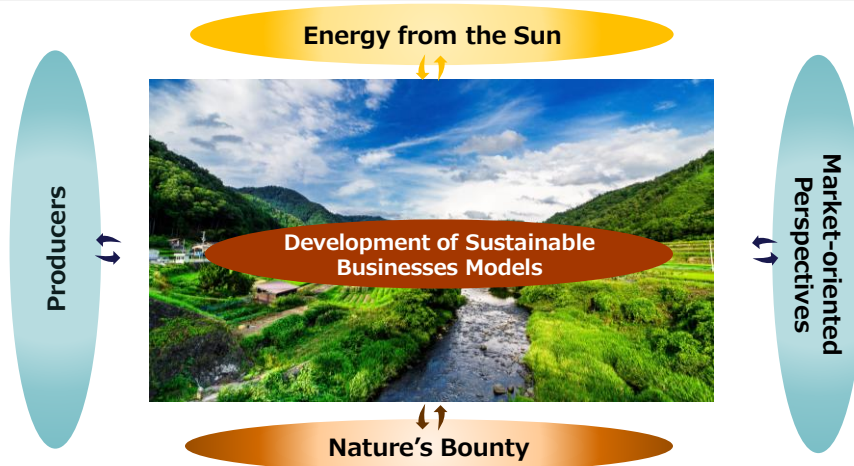
Has experience in fields ranging from chemicals, to agricultural

- Acts based on motto of "hard work is reward unto itself, and people are to be respected"

- As a "business farmer," seek to help
 1. Seek to create safe and secure food
 2. Develop businesses that propose new lifestyles
 3. Resolve issues faced by primary industries



Pursuit of sustainable growth in agriculture, forest product, aquaculture, livestock, and other business areas closely related to consumer lifestyles and development of sustainable businesses models focused on digitization and markets

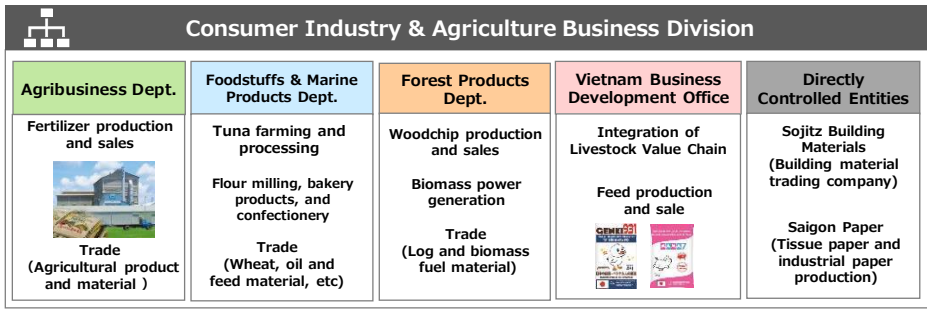







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- The diagram on this slide represents the business model that the Consumer Industry & Agriculture Business Division seeks to develop. In the past, people have pursued economic development by utilizing the earth's underground resources, but this approach has contributed to various environmental and other issues.
- Recognizing this reality, we look to develop a sustainable business model that we can pass on to the next generation. The model we have envisioned for this purpose entails fully capitalizing on the energy from the sun as well as on nature's bounty to link primary industry producers with consumers.
- It is the mission of the Consumer Industry & Agriculture Business Division to, through this model, help resolve the structural issues faced by our economy while utilizing technologies and creating value for both primary industry producers and consumers and receiving appropriate compensation for this value.

Division Strengths	Strong business foundation in Southeast Asia	Top class in compound chemical fertilizers in 3 countries	Solid presence in forest products field (including biomass-related resources)
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 Profit for the year ¥4.6bn Consolidated *1	 Total assets ¥210.3bn Consolidated *1	 Employees 4,134 Consolidated *2	 Group Companies 37 Domestic : 12 Overseas : 25 *2	 Number of overseas branches & offices 12 China 4, Asia 4, *2 North America 3, Europe 1
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*1: FY2020

*2 : As of Oct 1, 2021

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- The Consumer Industry & Agriculture Business Division cut a fresh start in April 2021 when it transitioned to a more forest product-oriented business model.
- Combining figures for the Agribusiness Department, the Foodstuffs & Marine Products Department, the Forest Products Department, the Vietnam Business Development Office, and the Planning & Administration Office, the Consumer Industry & Agriculture Business Division develops a business that generated profit for the year in the area of ¥4.6 billion in the year ended March 31, 2021, using its 4,100 employees and ¥210.0 billion in total assets.
- The strengths of the division include our solid operating foundation in Southeast Asia. For example, we maintain top-class market shares in our compound chemical fertilizer businesses in Thailand, Vietnam, and Philippines. In addition, we are utilizing the expertise and network we have cultivated in regard to lumber, woodchips, and other forest products to expand into the biomass field.
- In the foodstuffs and marine products field, we are developing a Tuna farming business in Takashima City, Japan and a tuna processing business in Dalian City, China along with wheat and other foodstuff businesses.
- The Vietnam Business Development Office, meanwhile, is charge of our livestock integration business, which includes the production and sale of livestock feed.

- Pursuit of growth through expansion into peripheral areas of core fertilizer business
- Creation of new core businesses targeting growth in Southeast Asia together with prime partners
- Long-term approach toward regional revitalization in Japan

	Focus Areas	Targeted Business Model	Focus Countries
Fields to Growth Strategies	Agriculture business	Transformation to agricultural platform model	
	Livestock Protein	Development of integration business	
	Marine Products		
	Forest products	Development of Sustainable business model	
Field of Future Initiatives	Regional revitalization	Regional business development (Reconstruction of primary industries)	

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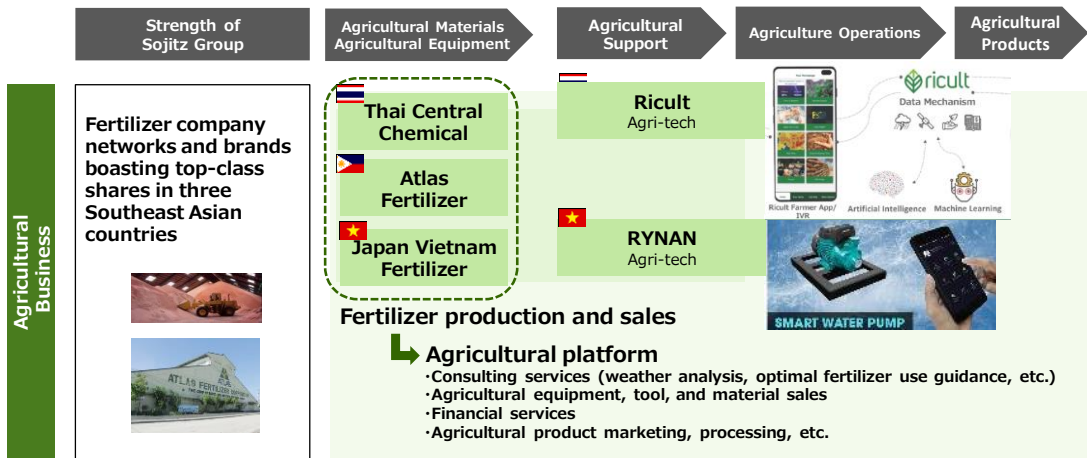
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- Medium-Term Management Plan 2023 calls on us to pursue growth through expansion into peripheral areas of our core fertilizer business, create new core businesses targeting growth in Southeast Asia together with prime partners, and take a long-term approach toward regional revitalization in Japan. We have also identified a total of four focus areas comprised of three areas central to growth strategies and the area of regional revitalization, which will be the target of medium- to long-term initiatives. We were currently moving forward with growth initiatives in these focus areas.
- In the agriculture business, we will leverage the foundations established in our fertilizer businesses, which we are developing in Thailand, the Philippines, and Vietnam, to branch out and transformation to an agricultural platform model to capitalize on growing fertilizer demand across the ASEAN region.
- In the marine products and livestock field, where we have been developing operations for many years, we are reframing our operations as a protein business in light of the projected growth in demand for proteins in both emerging and developed countries. Based on this framing, we will integrate the value chains of our livestock operations in Vietnam and our marine products operations in Japan.
- In the forest products business, we will enhance the insight and expertise we have gained in the building material, pulp and papermaking woodchip, and afforestation businesses while applying these assets to the biomass field in order to develop a sustainable business model.
- The regional revitalization has been positioned as a target of future initiatives. In this field, we will contribute to the rehabilitation and reconstruction of primary industries by utilizing new ideas and technologies for driving the regional business development.

Focus Businesses Under Growth Strategies

- Agricultural Business: Transformation to Agricultural Platform Model

Development of agricultural platform offering robust lineup of services directly to farmers and other users by leveraging strong fertilizer business platform



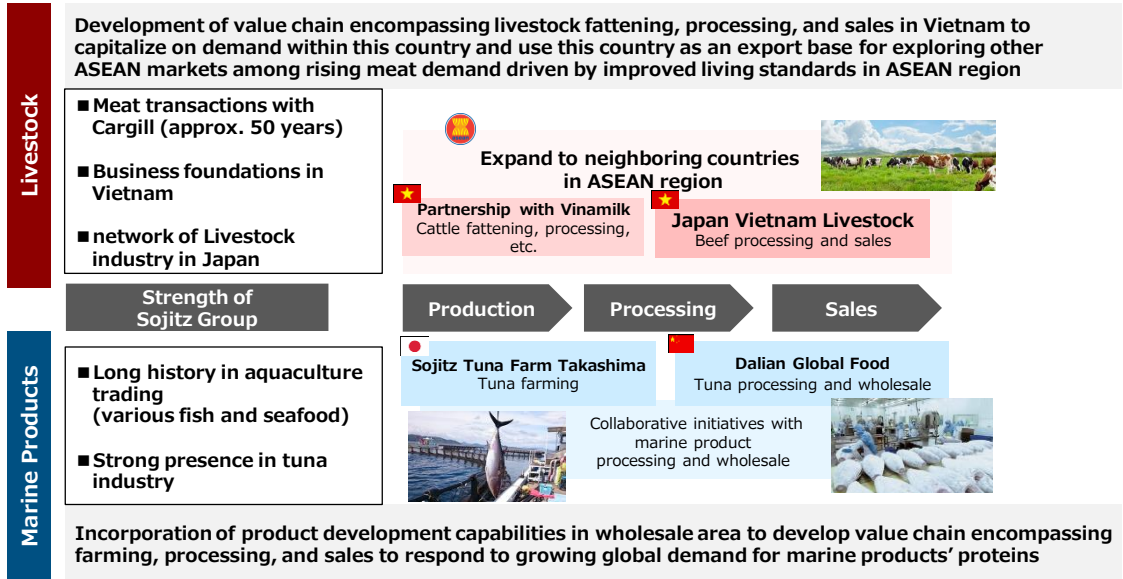
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- We got our start in the agriculture business in 1973, when we utilized the sophisticated compound rice fertilizers made with the technologies of Central Glass Co., Ltd., and used these fertilizers to enter into the market of Thailand. These fertilizers contributed to a massive increase in per-area harvest volumes, a realization that encouraged us to expand our fertilizer businesses into the Philippines in 1993 and then into Vietnam in 1995. Today, we produce a total of 1.2 million tons of fertilizer a year, and we have a share of around 30% in each of these three markets. These shares are supported by our community-rooted distribution and sales networks and our locally recognized brand image.
- Our fertilizer business is developed by three companies: Thai Central Chemical Public Company Limited, Atlas Fertilizer Corporation, and Japan Vietnam Fertilizer Company. These three companies boast a combined annual production capacity of 2.0 million tons of fertilizer. Capitalizing on this capacity, we are working to expand the profitability of existing businesses through sales to surrounding countries like Myanmar, where we commenced sales three years ago. Demand for straight and other fertilizers is growing steadily in conjunction with rising food production levels.
- Our efforts to create new value in the three markets where Sojitz already has an established presence will include utilizing our business foundations to develop an agricultural platform that offers a robust lineup of services to be supplied directly to users and agricultural workers. Specific services to be provided through this platform include consulting services, such as weather analysis services and optimal fertilizer use guidance; agricultural equipment, tool, and material sales; financial services; and agricultural product marketing and processing.
- We look to provide such services to help resolve the issues faced by agricultural workers. Our first step in providing these services will be to form direct connections with users and agricultural workers. To this end, we are investing in and forming alliances with agricultural technology start-up companies like Ricult Inc. of Thailand and RYNAN Holdings Joint Stock Company of Vietnam. We are currently in the process of examining potential measures with the view to forming ties with local companies as well as with Japanese companies active in this market.

Focus Businesses Under Growth Strategies

- Protein Business (Livestock, Marine Products): Value Chain Integration



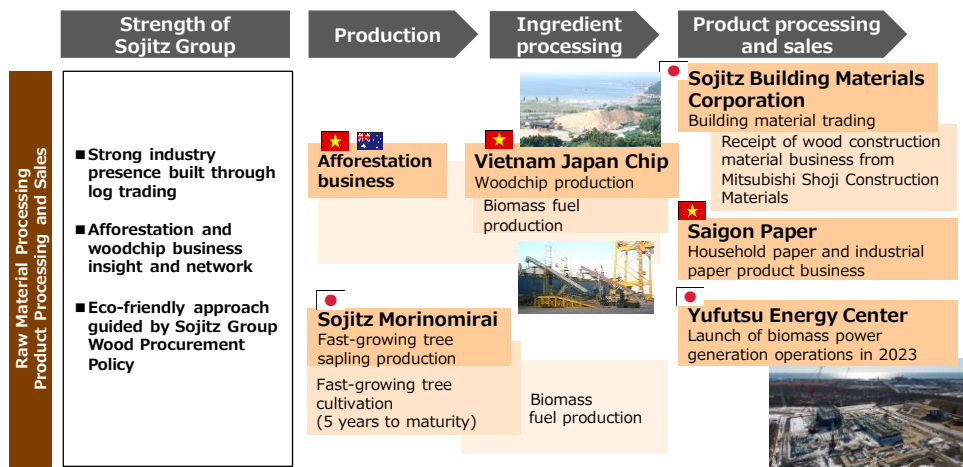
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- Sojitz develops its protein business in the livestock and Marine Products fields, and we are targeting growth through development of integration business in both fields. Our livestock value chain is comprised of fattening, slaughtering, processing, product development, and sales whereas our marine products value chain consists of farming, processing, product development, and sales.
- In the livestock field, we will utilize the strengths of the Sojitz Group as well as our joint business with the Vinamilk Group, Vietnam's leading dairy product manufacturing conglomerate, to integrate a value chain encompassing fattening, slaughtering, processing, and sales.
- A leader of the Vinamilk Group came to Japan in conjunction with a visit by Vietnamese Prime Minister Phạm Minh Chính, and we used this opportunity to sign a memorandum of understanding regarding our joint business with this conglomerate. Based on this memorandum, we will develop new collaborative initiatives related to chicken and pork and to the expansion of exports by utilizing Vietnam as a processing base.
- In the marine products field, we will move beyond our traditional trading business to integrate our seasoning, processing, sales, and marketing functions. At the same time, we will seek to develop operations with a sense of scale by incorporating the insight we have gained in relation to tuna farming and frozen processing.
- It could be said that marine products technologies and service models are a strength of Japan. Sojitz looks to develop its marine products business on a global scale in the U.S. and European markets, where health consciousness is more pronounced, as well as in the ASEAN and Chinese markets.

Focus Businesses Under Growth Strategies - Forest Products Business: Sustainable Business Model Development

Development of reliable lumber-based product and energy supply chain through sustainable lumber procurement and afforestation

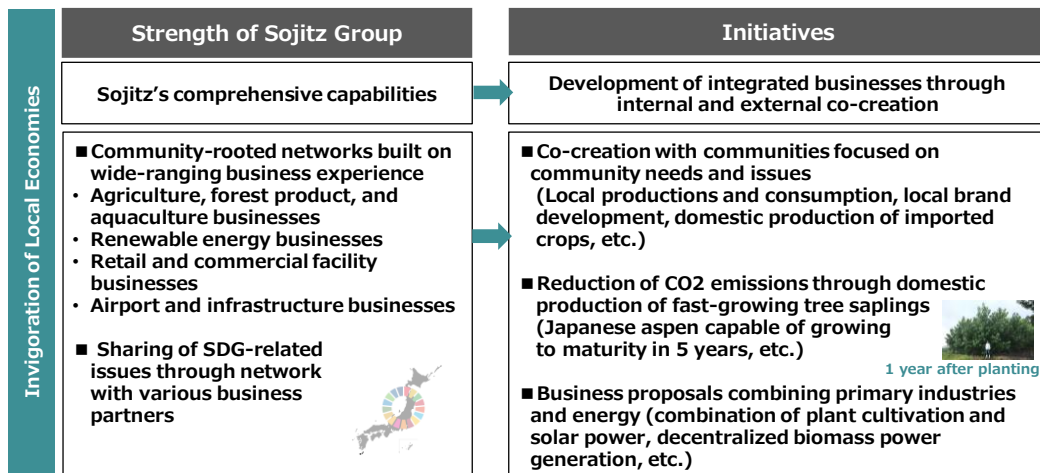


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- As for our forest products business, we are seeing increased anticipation regarding forest products from the perspectives of eco-friendliness, carbon neutrality, and sustainability.
- Sojitz currently boasts a strong sales network in Japan cultivated through its traditional log and import plywood sales operations as well as through the woodchip and afforestation businesses we are developing centered on Vietnam. However, we have not expanded beyond our import sales model. Going forward, we look to evolve this model into a sustainable business model focused on securing forest resources and developing biomass and other value-added businesses.
- Specifically, we will develop fast-growing tree and other afforestation businesses in the area of production. In the area of raw material processing, our focuses will include the biomass material and pulp and papermaking resource businesses that are made possible by our woodchip and pellet businesses. Meanwhile, our household paper and industrial paper product business will be our primary foray in the product processing and sales area.
- In our biomass businesses, we look to supplement existing biomass power generation facilities with next-generation decentralized biomass power generation operations. This scope of businesses will allow us to integrate a forest resource value chain that spans from afforestation all the way to the production and sale of end products.

Utilization of Sojitz's strengths to develop community-rooted businesses focused on innovation and synergies between primary industries and energy



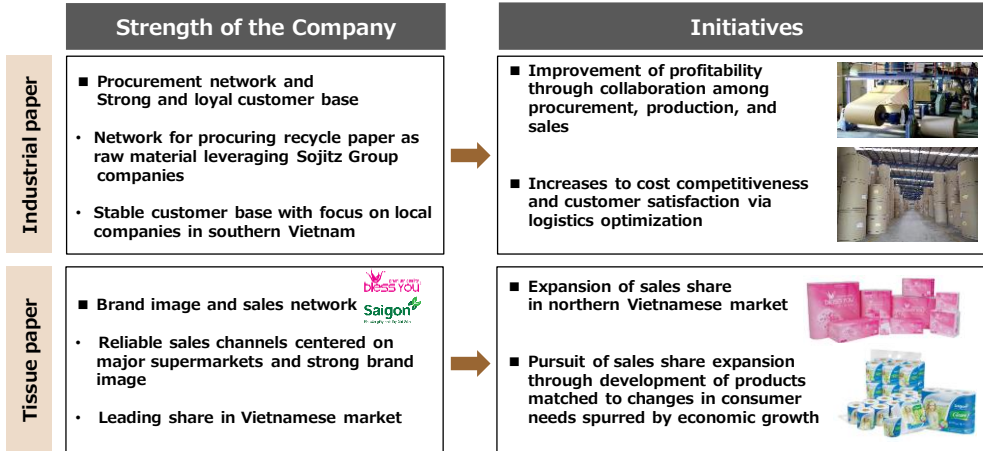
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- The regional revitalization is an initiative that will help resolve structural issues faced by Japan. In 2014, a theory about the disappearance of local economies arose that stimulated an increase in government action for regional revitalization. As such, we have seen various initiatives for this purpose spearheaded by national and municipal government agencies, and sometimes through public-private partnership companies, but these initiatives have rarely ended in success.
- An accurate understanding of the needs and characteristics of the communities we look to serve will be imperative to the development of a business management model in this area that can be successful over the long term. Another important factor will be our ability to link urban and rural economies. As a general trading company born in Japan, Sojitz is committed to developing a model for addressing these tasks that communities will be accepting of focused on innovation and synergies between primary industries and energy.
- You will see three concrete examples of our initiatives in the field in the "Initiatives" column of this slide.
 - Co-creation with communities focused on community needs and issues
Sojitz looks to propose domestic production models for grains and vegetables that are predominately imported along with both domestic and global models, the latter of which to developed with an eye to exports, and global good agricultural practice certification for the management of companies in primary industries.
 - Reduction of CO₂ emissions through domestic production of fast-growing tree saplings
Japanese aspen trees are capable of growing to maturity in a mere five years. Together with a Tokyo University venture company, Sojitz is working to cultivate Japanese aspen saplings and trees in Miyazaki to be used in power generation and mixed burning with coal as biomass fuel. This initiative presents the potential of creating a sustainable business model in terms of pursuing carbon neutrality and of utilizing dilapidated farmland.
 - Business proposals combining primary industries and energy
Many agriculture, forest product, and aquaculture businesses are dependent on subsidies to sustain their operations, and they are thus not able to achieve the profitable state needed as a business. This reality has reduced the population of workers in these industries and resulted in between 250,000 and 400,000 hectares of farmland becoming abandoned and dilapidated.
- Sojitz looks to make proposals for utilizing this dilapidated farmland that incorporate renewable energy. Our fast-growing tree initiatives are one facet of these efforts. Sojitz is also developing operations in a variety of fields outside of those illustrated by these initiatives, including those related to crops for producing livestock feed and to fruits. In these initiatives, we have begun collaboration with specific municipal government agencies and potential partners, and we aim to develop these initiatives while determining their possible scale.

Major Initiatives Under MTP2020 - Improvement of Saigon Paper's Value

Driving the stable full production and establishment of earning foundations through sales development and cost reduction by operational efficiency improvement after acquisition in June 2018



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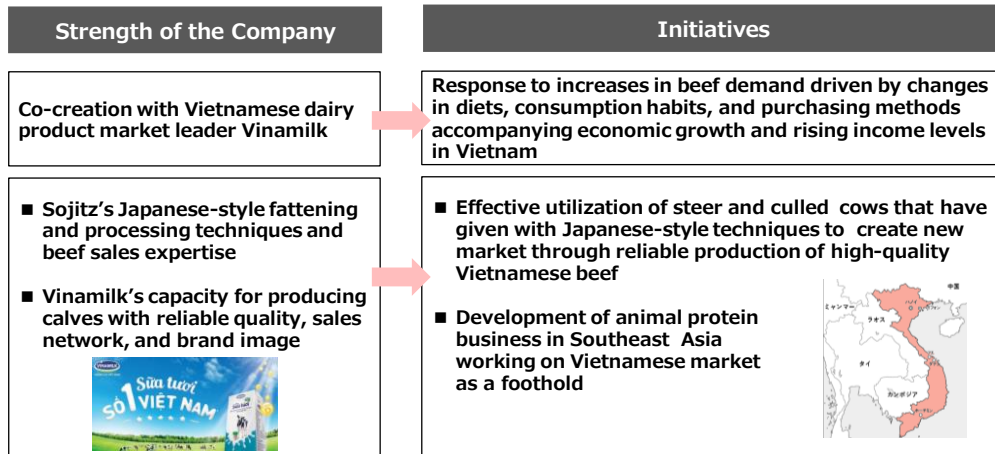
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- Saigon Paper Corporation, a company in which Sojitz commenced investment under Medium-Term Management Plan 2020, is engaged in a household paper and industrial paper product manufacturing and sales business in Vietnam. With a strong customer base and a leading share in the household paper market, this company is developing a business founded on its strong brand image.
- Since it was acquired by Sojitz in June 2018, Saigon Paper has continued to improve its profitability through coordination between procurement, production, and sales functions while seeking to boost its cost competitiveness and customer satisfaction via the optimization of its logistics systems. In this business, we have been facing challenging conditions during the year ending March 31, 2022. For example, we were forced to halt production in response to the COVID-19 pandemic at the request of local government authorities in October 2021, although full production was later resumed in November. Moreover, Saigon Paper is making progress in solidifying its earnings foundations.
- Industries are expanding in Vietnam in conjunction with economic growth as well as the trend toward companies complementing their factories in China with ones in this country. We therefore expect to see rises in demand for both household paper and industrial paper products. To capitalize on this demand, Saigon Paper endeavoring to expand its share in the northern Vietnam market while also advancing new initiatives for addressing changes in consumer needs in an effort to accelerate the strengthening of its business.
- Saigon Paper produces 200,000 tons of industrial paper a year (16 kilotons a month) along with 35,000 tons of household paper and boasts the eighth largest share in the Vietnamese market for industrial paper as well as the leading share for household paper.

Major Initiatives Under MTP2023

- Integration of Livestock Value Chain through Co-Creation with Vinamilk

Sharing of strengths through joint business with Vietnamese dairy product manufacturing conglomerate Vinamilk Group to capitalize on demand by creating new domestic beef market in Vietnam and build foothold for expansion into surrounding countries

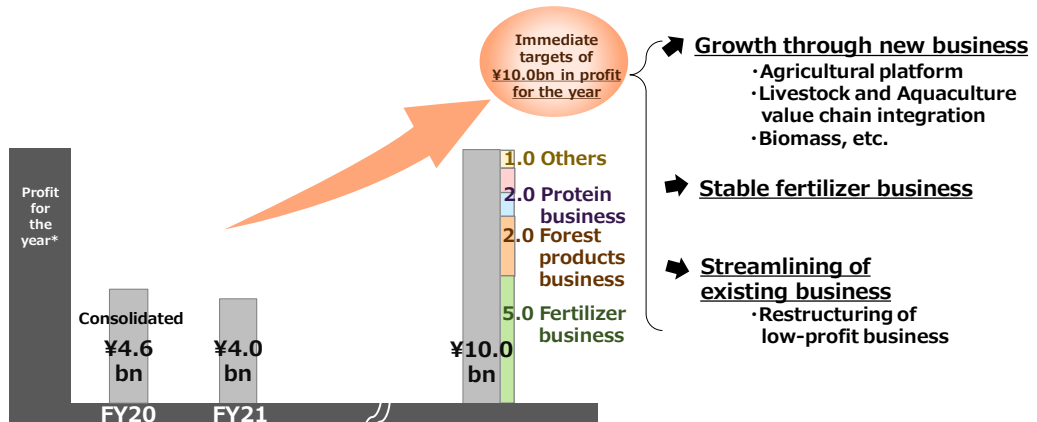


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- I would now like to talk about our efforts to integrate the livestock value chain through co-creation with the Vinamilk Group, Vietnam's leading dairy product manufacturing conglomerate.
- The market for domestically produced beef in Vietnam is currently very limited, but there is no denying that demand in this market is growing.
- As Vietnam's leading dairy product manufacturing conglomerate, the Vinamilk Group is fattening some 160,000 Holstein cattle, and it thus possesses a number of steer and culled cows that have given birth, and other cattle that can be used for meat. By providing Japanese-style fattening and processing techniques and beef sales expertise, Sojitz will help develop a new beef market by establishing cattle fattening, slaughtering, processing, and sales operations in Vietnam.
- On November 24, 2021, we concluded a memorandum of understanding with the Vinamilk Group in conjunction with Vietnamese Prime Minister Phạm Minh Chính's visit to Japan. This memorandum calls for the joint development of livestock businesses that involve chicken and pork in addition to cattle.
- Demand for animal protein is on the rise in ASEAN countries surrounding Vietnam, and Sojitz thus looks to cater to demand in these countries in the near future as well.

Transformation of earnings portfolio by streamlining existing businesses while bolstering earnings and quality assets through substantive investments in focus areas



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- Our initial forecast for the year ending March 31, 2022, projected that the Consumer Industry & Agriculture Business Division would post profit for the year of ¥5.0 billion. However, this forecast has since been lowered to ¥4.0 billion in reflection of the impacts of the COVID-19 pandemic seen in ASEAN countries, including the temporary halt of operations at Saigon Paper. However, we remain committed to conducting the substantive business investments in focus areas prescribed by Medium-Term Management Plan 2023. By steadily advancing business investments based on the growth strategies that I have described thus far, we look to achieve profit for the year of ¥10.0 billion as soon as possible.
- A particular focus in the year ending March 31, 2022, is the integration of our livestock and marine products value chains.
- We are facing difficulties in the year ending March 31, 2022, as a result of the struggling performance of Saigon Paper as well as the downward pressure placed on profits by the soaring prices of raw materials for fertilizers. Nevertheless, we are committed to moving ahead with the preparations necessary to ensure the success of our current plans.
- At the same time, we will be diligent in our efforts to avoid becoming involved in unprofitable transactions. We will continue to pursue improved efficiency in existing businesses based on this approach while also building upon earnings through new businesses. The Consumer Industry & Agriculture Business Division thereby aims to become a business organization with high levels of asset efficiency and to move toward an ideal earnings portfolio.
- The goal of these efforts will be to quickly grow the organization to produce profit for the year totaling ¥10.0 billion. Of this amount, ¥5.0 billion will be attributable to the fertilizer business, ¥2.0 billion will come from the forest products business, ¥2.0 billion will be generated by the protein business, and ¥1.0 billion will be associated with other businesses.



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.

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New way, New value