

**Condensed Transcript of Q&A Session Regarding Integrated Report 2023 Briefing**  
**(November 28, 2023)**

Presenter

Makoto Shibuya, CFO, Managing Executive Officer

Yumie Endo, Executive Officer, COO, IR Office, Corporate Sustainability Department

**[Integrated Report 2023]**

**First Questioner**

Q. : How are you responding to the decline in revenue from the sequential sale of assets in the renewable energy business? What are your environmental business investments in terms of asset size and ROI?

A. : < Shibuya, CFO >

On November 27, as Uemura, the next president of Sojitz Corporation, mentioned, we will further strengthen company-wide efforts for decarbonization and new energy, and work with overseas partners, including ammonia and hydrogen, as well as renewable energy such as wind power. As for this, we are planning to generate revenue in three to five years. In advance of that, we expected the profit contribution from the development and acquisition of renewable source for energy conservation business in North America and Australia and electricity and gas sales retail business in Spain. We are building a portfolio while managing asset replacements and the development of new businesses.

Q. : Are there any plans to improve the disclosure of greenhouse gases (GHG)?

A. : < Shibuya, CFO >

Currently, Sojitz is working to assess and measure GHG emissions across the Sojitz Group, including SCOPE 3. In April 2018, Sojitz set a long-term vision, Sustainability Challenge, to achieve net-zero CO2 emissions by 2050. For SCOPE 1+2, we will reduce 60% by 2030. In this context, we would like to consider showing how the company will manage its time series and GHG.

**Second Questioner**

Q. : Please tell us about your quantitative contribution, such as the profit level of your overall business in Vietnam, how you expect to develop a big picture prospective, and so on.

A. : < Shibuya, CFO >

At the moment, as I explained in the second quarter financial results of FY2023, the revenue of the Vietnam business as a whole will be break even for this fiscal year. Synergies effects among our group companies and recovery from the loss are also on the

horizon, and I have high expectations as a lump of revenue. In the next Medium-Term Management Plan (MTP) 2026, I would like to show the profit performance of the Vietnam business, growth investment and the return scale. DaiTanViet Joint Stock Company, which we recently acquired, is a company that has earned more than one billion yen. In the next fiscal year and beyond, we hope that such a large amount of revenue will build up.

Q. : You said that you are considering a transition from a company with auditors to a company with audit and supervisory committee. Are there any substantial changes in governance? Sojitz has a high ratio of outside directors, so I cannot imagine what will change in real terms.

A. : < Shibuya, CFO >

Under the current governance structure of our company, I believe that even a company with board of company auditors fulfills sufficient functions and roles in management, but we want to be more aware of speed in order to accelerate our company's sustainable growth. We believe that by transferring greater authority to the executives, we can achieve speedy and agile management, and that the board of directors, including members of the Audit and Supervisory Committee, can increase the speed of growth by focusing on monitoring.

The expected change is speed and a better quality of discussion on the board.

### **[Medium-Term Management Plan 2026]**

#### **Third Questioner**

Q. : (Following the announcement of the basic policy for ROE of over 12% and progressive dividends with adjusted DOE of 4.5% in MTP2026) Will ROE of over 12% be achieved on a single-year basis? Also, should it be considered that there is no possibility of a share buyback because of the enhanced dividend predictability?

A. : < Shibuya, CFO >

The guidance is meant what we can share with stakeholders in this moment through the internal discussions.

Shareholder returns are more predictable and indicate the level of dividends our company considers appropriate. Share buybacks are discussed as necessary, taking cash flow into account. ROE is a three-year average, aiming for more than 12%. The three-year average is the level at which a sufficient equity spread can be secured, assuming a capital cost of 9%.

A sense of a DOE of 4.5% is not much different from a sense of a DOE of 4% at a PBR of 1 time under MTP2023. Based on the idea that it would be good for our company and the market to continue to generate income through new investments in order to raise equity spreads, we decided to set a DOE of 4.5%, considering that it would be appropriate to

share about half of the cost of capital with shareholders.

We will provide an easy-to-understand explanation of the company as we discuss how to finalize the next medium-term management plan.

Q. : Assuming a net profit target of 140.0 billion yen for FY2026, the final year of the MTP2026, the profit will increase by 45.0 billion yen from FY2023 forecast. How do you expect the plan to increase profits from global economic perceptions and new investments?

A. : < Shibuya, CFO >

The economic trend will need to be monitored carefully. Considering the fact that the company built a reliable business and made profits during the COVID-19 pandemic, it is expected that our company will grow at a certain level if there are no drastic changes and no major negative events. The rise in interest rates has already been affecting us this period, and the rise in commodity prices is expected to have positive impact on our company's earnings. We expect a certain level of return from our new investment, which we are aiming to conduct with the amount of 500.0 billion yen during MTP2023.

#### Fourth Questioner

Q. : Should dividends be considered flat if profit declines in a single year? As retained earnings pile up and shareholders' equity increases after adjustment, there is a risk that future management will suffer if dividends increase even if profit declines.

A. : < Shibuya, CFO >

Although OCI needs to be handles in detail, as long as profit exceeds the dividend paid at the end of the previous fiscal year, retained earnings will build up, so even if profit declines, dividends will increase. We will consider revising our dividend policy in the event that profit decline continues significantly, but we have announced the outline of the shareholders return policy considering that there will be some volatility.

Q. : In terms of growth investment as a driver for realizing growth, when you look back at the MTP2023, please tell us what you think needs to be reviewed and brushed up in order to move on to the next medium-term management plan.

A. : < Shibuya, CFO >

We have invested a total of 300.0 billion to 500.0 billion yen in a big picture perspective. If the investment is not related to other investments, it will not lead to big growth, so we will focus on strategic areas where we can take a big picture perspective in order to create a Sojitz growth story. We will also allocate human resources there. Of course, we will take on new technologies, but at this stage, when we have accumulated investments, we intend to shift our focus to not diversify our investment too much, but to take a big picture perspective to broaden and deepen our operations. We hope that we can show the specific areas after discussing with the business divisions.

**Fifth Questioner**

Q. : I would like to hear about changes in the content of the investments and a sense of scale that will give us an idea.

Also, will there be a change in the withdrawal and investment cycle between MTP2023 and MTP2026?

A. : < Shibuya, CFO >

Regarding investment areas, under MTP2023, we mainly conducted investments on essential infrastructure and growth markets, focusing on infrastructure and healthcare, growth markets x market-oriented initiative, and materials and circular economy areas. In addition to this, we will seize various opportunities across the company with digital technologies. In terms of regions and countries, Asia will be the main area. We will also continue investment in the United States and Australia. We will keep pursuing a sense of scale and aim for an investment size of about 20.0 billion to 30.0 billion yen in the next MTP2026.

Asset replacements have been carried out constantly since the past. As we currently recognize that our balance sheet has been cleaned up to a certain extent, we are discussing the appropriate timing for asset replacement of about total 100.0 billion yen in MTP2026.