1. Overview

In the year ended March 31, 2021, the global economy experienced a substantial slowdown due to the global COVID-19 pandemic and the impacts of measures for fighting the pandemic, such as the lockdowns, travel restrictions, and stay-at-home requests instituted in numerous countries. Governments around the world implemented fiscal and financial measures, resulting in a recovery trend that emerged around the summer. However, the later emergence of variant COVID-19 viruses caused case numbers to resume increasing. Currently, there is a sense of anticipation regarding the vaccination of populations centered on developed countries. Regardless, the COVID-19 pandemic continues to impact economic activities.

COVID-19 case numbers remain high in the United States, but the widespread vaccination of the population along with the benefits of measures such as stimulus payments to individuals and additional economic stimulus packages have spurred recovery in economic activities. Going forward, however, it will be important to monitor the impacts of the United States' efforts to detach its economic growth from China on the supply chains for semiconductors and other electronic components.

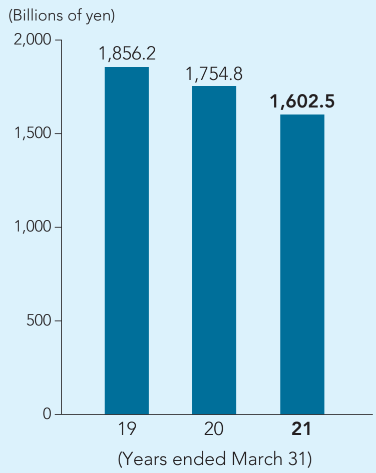
The slowdown in the European economy has been substantial as a result of intermittent lockdowns instituted in response to the rapid spread of variant COVID-19 viruses, and it is possible that wages and the job market will be slow to recover following protracted periods of unemployment among younger and other generations. Meanwhile, a trade agreement was reached between the United Kingdom and the European Union, but there is concern for the trade implications of the non-tariff trade barriers that will be put in place going forward.

China has successfully prevented subsequent COVID-19 outbreaks on a nationwide level through localized lockdowns and individual quarantines. In addition, exports from this country have been brisk centered on electronic products and components. Nevertheless, ongoing caution is warranted with regard to the risks present in this market, particularly those related to reduced creditability as cases of debt default increase and to the ever more intense conflicts with the United States.

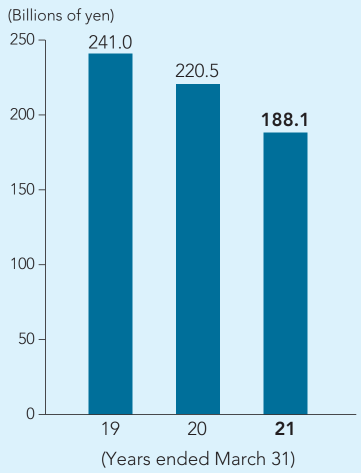
Conditions pertaining to the COVID-19 pandemic vary by country in Southeast Asia. Accordingly, there is disparity in the speed of economic recovery between, for example, Vietnam, which has experienced positive growth, and Indonesia and the Philippines, where COVID-19 cases continue to increase. Countries across Southeast Asia have begun vaccinating their populations, but progress in these vaccinations also varies by country. Economic recovery could thus be slow in countries where a significant amount of time is required for the population to be vaccinated.

In Japan, there are signs of recovery in corporate activities driven by growth in exports and economic stimulus measures. Meanwhile, the rise in COVID-19 cases seen during the winter has placed additional pressure on the economy. There is thus a need to carefully monitor the contraction of domestic demand, which is seen being centered on face-to-face service industries, as the government institutes state of emergency declarations and other pandemic-fighting measures. Ongoing caution is also required with regard to the impacts of U.S.–China conflicts on the global economy.

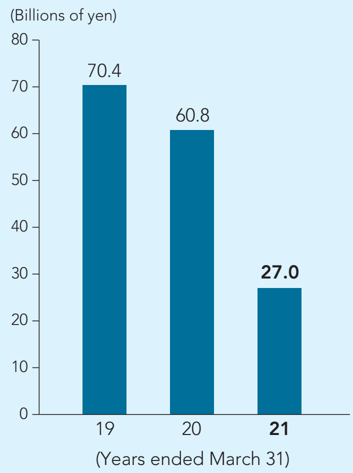
Revenue



Gross Profit



Profit Attributable to Owners of the Parent



2. Financial Performance

Sojitz Corporation's consolidated financial results for the year ended March 31, 2021 are presented below.

Revenue was down 8.7% year on year, to ¥1,602,485 million, due to lower revenue in the Automotive Division, as a result of decreases in sales units in overseas automobile operations; in the Chemicals Division, a result of declines in the transaction volumes of plastic resins and falling methanol prices; and in the Retail & Lifestyle Business Division, as a result of lower lumber transactions.

Gross profit decreased ¥32,374 million year on year to ¥188,120 million, due to a decrease in revenue in the Metals & Mineral Resources Division, influenced by a decline in coal prices and the sale of partial coal interests recorded at the end of the previous fiscal year, decreases in sales units in overseas automobile operations in the Automotive Division, and a drop in methanol prices in the first quarter in the Chemicals Division.

Profit before tax decreased ¥38,108 million year on year, to ¥37,420 million, as the declines in gross profit, share of profit of investments accounted for using the equity method, and other income and expenses stemming from the sale of thermal coal interests in the previous fiscal year outweighed the benefits of the decrease in selling, general and administrative expenses.

After deducting income tax expenses of ¥8,002 million from profit before tax of ¥37,420 million, profit for the year amounted to ¥29,417 million, down ¥35,156 million year on year. Profit for the year (attributable to owners of the parent) decreased ¥33,820 million year on year, to ¥27,001 million.

Comprehensive income for the year of ¥62,967 million was recorded, compared with a comprehensive loss for the year of ¥2,361 million in the previous fiscal year, following an increase in financial assets measured at fair value through other comprehensive income along with more beneficial foreign currency translation differences for foreign operations. Comprehensive income for the year (attributable to owners of the parent) of ¥59,111 million was recorded, compared with a comprehensive loss for the year of ¥4,220 million in the previous fiscal year.

3. Segment Information

Results by segment are as follows.
(Hereinafter, profit for the year refers to profit attributable to owners of the parent.)

(1) Automotive

Revenue was down 17.7% year on year, to ¥185,413 million, as a result of decreases in sales units in overseas automobile operations as a result of the global COVID-19 pandemic. Profit for the year decreased ¥1,166 million, to ¥1,214 million, as a result of a decline in gross profit.

The performance in the Automotive Division was in line with forecasts, despite the impacts of the COVID-19 pandemic on domestic and overseas automobile sales operations, due to demand recovery in regions of operation, sales promotions, and cost reduction.

(2) Aerospace & Transportation Project

Revenue was down 25.4% year on year, to ¥26,565 million, due to decreases in aircraft transactions. Profit for the year increased ¥40 million, to ¥1,834 million. Gross profit

Selling, General and Administrative Expenses (Years ended March 31)

(Millions of yen)

	2020	2021
Employee benefit expenses	97,909	93,466
Traveling expenses	6,975	2,253
Rent expenses	3,762	3,475
Outsourcing expenses	10,708	11,071
Depreciation and amortization expenses	16,616	17,533
Others	37,270	33,280
Total	173,243	161,080

decreased, but that was outweighed by the impacts of an increase in other income stemming from impairment losses on Company-owned ships in the previous fiscal year.

The performance in the Aerospace & Transportation Project Division fell below our forecast as aircraft-related transactions declined due to the COVID-19 pandemic and we were unable to acquire projects that had been initially scheduled.

(3) Machinery & Medical Infrastructure

Revenue was down 10.9% year on year, to ¥110,199 million, due to decreases in industrial machinery transactions. Profit for the year decreased ¥572 million, to ¥3,995 million as an increase in share of profit of investments accounted for using the equity method was counteracted by the impacts of a decline in gross profit and a loss on the reorganization of subsidiaries/associates of an industrial machinery-related company.

The performance of the Machinery & Medical Infrastructure Division was weaker than forecast as impairment losses associated with structural reforms outweighed the benefits of higher earnings from the public-private partnership hospital business and brisk industrial machinery transactions seen in conjunction with the economic recovery in China.

(4) Energy & Social Infrastructure

Revenue was down 30.2% year on year, to ¥57,268 million, as a decrease in income from overseas natural gas-fired power generation businesses and lower trading volume of LNG. Profit for the year decreased ¥6,040 million, to ¥3,592 million, in the wake of the sale of a power generation business in the previous fiscal year and due to a decline in the share of profit of investments accounted for using the equity method.

The performance in the Energy & Social Infrastructure Division was weaker than forecast, despite increased sales at an information technology company, because of impairment losses on oil interests recorded as a result of structural reforms.

(5) Metals & Mineral Resources

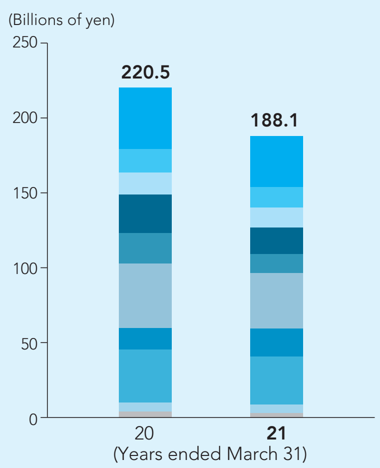
Revenue was up 1.6% year on year, to ¥356,192 million, as a result of a price increase on precious metals and higher trading volume. Profit for the year decreased ¥21,777 million, to a loss of ¥1,673 million, due to declines in gross profit associated with the fall in coal prices and other income and expenses due to the sale of thermal coal interests at the end of the previous fiscal year.

The Metals & Mineral Resources Division posted results that fell short of the forecast as a result of falling steel demand and sluggish coal market conditions stemming from the COVID-19 pandemic, as well as impairment losses recorded in relation to the early withdrawal from certain thermal coal interests as part of structural reforms.

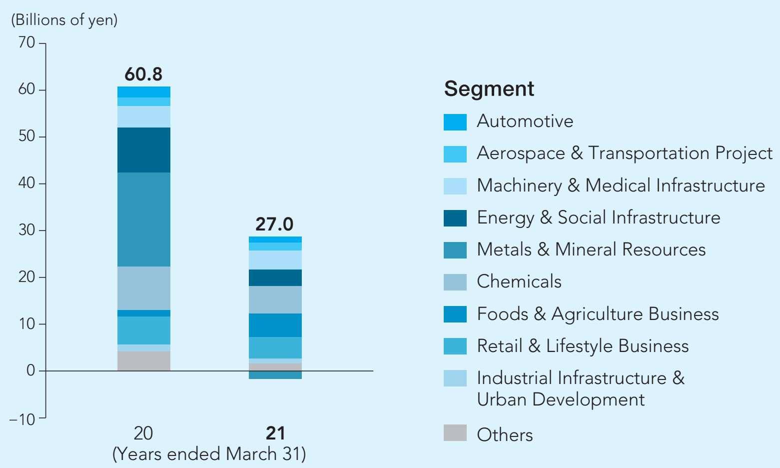
(6) Chemicals

Revenue was down 8.9% year on year, to ¥406,784 million, as a result of lower transaction volumes of plastic resins

Gross Profit by Segment



Profit by Segment
(Attributable to Owners of the Parent)



and declines in the price of methanol. Profit for the year decreased ¥3,515 million, to ¥5,754 million, as a result of a decline in gross profit.

The performance in the Chemicals Division was in line with forecasts as the impacts of the decrease in the price of methanol that stemmed from the COVID-19 pandemic were offset by strong results in plastic resin operations in China and other regions as well as in chemical product operations in Europe.

(7) Foods & Agriculture Business

Revenue was up 8.6% year on year, to ¥125,173 million, following higher transaction volumes in overseas fertilizer businesses. Profit for the year increased ¥3,697 million, to ¥5,062 million, as a result of an increase in gross profit.

The performance of the Foods & Agriculture Business Division was better than forecast as overseas fertilizer businesses, where Sojitz boasts top-class market shares in Thailand, the Philippines, and Vietnam, benefited from consistently favorable weather, leading to higher sales volumes and lower production costs.

(8) Retail & Lifestyle Business

Revenue was down 9.1% year on year, to ¥282,027 million, owing to the impacts of lower lumber, meat, and textile transactions because of the COVID-19 pandemic. Profit for the year decreased ¥1,417 million, to ¥4,546 million, as a result of a decline in gross profit.

The Retail & Lifestyle Business Division achieved results in line with forecasts as gains on sales of commercial facilities compensated for the impacts of sluggish consumption in Japan resulting from the COVID-19 pandemic.

(9) Industrial Infrastructure & Urban Development

Revenue was down 7.3% year on year, to ¥31,954 million, because of a decline in real estate transactions. Profit for the year decreased ¥410 million, to ¥1,064 million, as a result of a decline in share of profit of investments accounted for using the equity method.

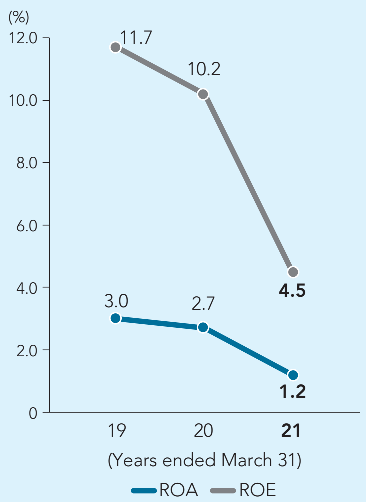
Despite facing difficult conditions in domestic real estate businesses, the Industrial Infrastructure & Urban Development Division achieved results that were stronger than forecast as overseas industrial parks were turned over to their owners.

4. Financial Position

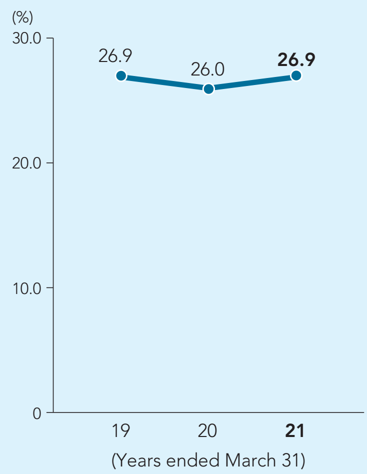
(1) Consolidated Statement of Financial Position

Total assets on March 31, 2021, stood at ¥2,300,115 million, up ¥69,830 million from March 31, 2020. This increase was primarily a result of an increase in fixed assets due to the acquisition of an additional stake in a solar power generation business company and an increase in investments accounted for using the equity method following new acquisitions a in solar power generation business.

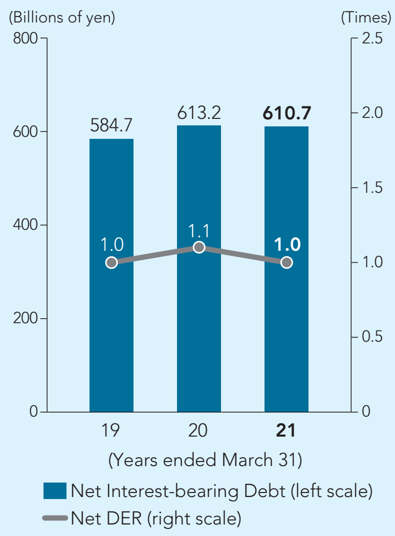
ROA and ROE



Equity Ratio



Net Interest-bearing Debt and Net DER



Note: The equity ratio is calculated based on total equity attributable to owners of the parent.

Total liabilities at March 31, 2021, amounted to ¥1,645,476 million, up ¥37,089 million from March 31, 2020, largely due to an increase in interest-bearing debt as a result of new borrowings.

Total equity attributable to owners of the parent was ¥619,111 million on March 31, 2021, up ¥39,988 million from March 31, 2020. This increase was largely due to an increase in profit for the year (attributable to owners of the parent) and other components of equity resulting primarily from foreign exchange rate and stock price fluctuations.

Consequently, on March 31, 2021, the current ratio was 162.7%, the long-term debt ratio was 82.5%, and the equity ratio was 26.9%. Net interest-bearing debt (total interest-bearing debt less cash and cash equivalents and time deposits) totaled ¥610,677 million on March 31, 2021, a ¥2,496 million decline from March 31, 2020. This resulted in the Company's net debt equity ratio equaling 0.99 times at March 31, 2021.

* The equity ratio and net debt equity ratio are calculated based on total equity attributable to owners of the parent. Lease liabilities have been excluded from the aforementioned total interest-bearing debt.

Analysis of each segment is as follows:

Automotive

Segment assets in the Automotive Division stood at ¥164,230 million on March 31, 2021, a decrease of ¥16,298 million from a year earlier, due to decreases in inventories accompanying the resumption of operations in overseas automotive businesses.

Aerospace & Transportation Project

Segment assets in the Aerospace & Transportation Project Division totaled ¥169,176 million on March 31, 2021, an increase of ¥34,077 million from the previous fiscal year-end, following the acquisition of a North American railcar leasing company.

Machinery & Medical Infrastructure

Segment assets in the Machinery & Medical Infrastructure Division came to ¥134,969 million on March 31, 2021, up ¥11,078 million from March 31, 2020, due to increases in investments accounted for using the equity method following acquisitions of affiliate companies.

Energy & Social Infrastructure

Segment assets in the Energy & Social Infrastructure Division stood at ¥269,843 million on March 31, 2021, an increase of ¥6,671 million from a year earlier, due to the acquisition of additional stakes in solar power generation companies.

Metals & Mineral Resources

Segment assets in the Metals & Mineral Resources Division amounted to ¥473,923 million on March 31, 2021, up ¥30,810 million from the previous fiscal year-end, following an increase in fixed assets attributable to foreign exchange rate fluctuations.

Chemicals

Segment assets in the Chemicals Division were ¥272,348 million on March 31, 2021, an increase of ¥3,317 million from March 31, 2020, due to an increase in trade and other receivables attributable to a rise in chemical product and plastic resin transactions seen in overseas operations near the end of the fiscal year.

Foods & Agriculture Business

Segment assets in the Foods & Agriculture Business Division climbed to ¥133,903 million on March 31, 2021, an increase of ¥5,007 million from a year earlier, following higher sales volumes in overseas fertilizer businesses.

Retail & Lifestyle Business

Segment assets in the Retail & Lifestyle Business Division totaled ¥366,037 million on March 31, 2021, a decline of

Cash Flow (Years ended March 31)

(Millions of yen)

	2020	2021
Net cash provided by operating activities	40,510	84,972
Net cash used in investing activities	(35,669)	(35,676)
Net cash used in financing activities	(12,164)	(40,621)
Cash and cash equivalents at the end of the year	272,651	287,597
Free cash flow	4,840	49,295

¥4,288 million from the previous fiscal year-end, as a result of a decrease in investment property attributable to sales of commercial facilities.

Industrial Infrastructure & Urban Development
Segment assets in the Industrial Infrastructure & Urban Development Division amounted to ¥71,277 million on March 31, 2021, a decrease of ¥5,898 million from March 31, 2020, as inventories declined in tandem with real estate held for resale.

(2) Cash Flow

In the year ended March 31, 2021, operating activities provided net cash flow of ¥84,972 million, investing activities used net cash of ¥35,676 million, and financing activities used net cash of ¥40,621 million. Sojitz ended the year with cash and cash equivalents of ¥287,597 million, adjusted to reflect foreign currency translation adjustments related to cash and cash equivalents.

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥84,972 million, consisting of business earnings and dividends received, etc., an increase of ¥44,462 million year on year.

2) Cash flows from investing activities

Net cash used in investing activities totaled ¥35,676 million, an increase of ¥7 million year on year, despite a collection of proceeds from thermal coal interest sales in Australia and the sale of a shopping mall.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥40,621 million, largely as a result of dividends paid and purchase of treasury stock, an increase of ¥28,457 million year on year.

With regard to the cash flow management of Medium-Term Management Plan 2020, Sojitz aims to manage growth investments and shareholder returns within the scope of the cash generated by period earnings and asset replacement. In addition, the Company targets a positive core cash flow, which is not affected by short-term changes in working capital, on an aggregate basis over the three years of the medium-term management plan.

In the year ended March 31, 2021, core operating cash flow was generated and smooth progress was made in asset replacement activities through the collection of proceeds from thermal coal interest sales conducted by the Metals & Mineral Resources Division as well as the recovery of investments in U.S. independent power producer (IPP) projects in the Energy & Social Infrastructure Division. As a result, positive figures were posted for both core cash flow and free cash flow. At the same time, growth investments totaling ¥96.0 billion were conducted. Targets of these investments included the business and capital alliance with Royal Holdings Co., Ltd., investments in U.S. IPP projects and domestic solar power generation businesses in the Energy & Social Infrastructure Division, and investments in domestic commercial facilities in the Retail & Lifestyle Business Division. Shareholder returns were distributed based on the basic dividend policy of Medium-Term Management Plan 2020: targeting a consolidated dividend payout ratio of around 30%. We also acquired treasury stock to improve capital efficiency.

A positive three-year aggregate core cash flow was achieved over the period of Medium-Term Management Plan 2020. Under Medium-Term Management Plan 2023, Sojitz intends to target a positive aggregate core cash flow over the six-year period encompassing both the period of this plan and of Medium-Term Management Plan 2020.

	MTP2020 three-year cumulative results (FY2018–FY2020)	MTP2023 three-year cumulative forecast (FY2021–FY2023)
Core operating cash flow*1	¥219.0bn	¥240.0–¥250.0bn
Asset replacement (Investment recovery)	¥170.0bn	Approx. ¥100.0bn
New investments and others	¥(262.0)bn	Approx. ¥(330.0)bn
Shareholder returns*2	¥(71.0)bn	Approx. ¥(70.0)bn
Core cash flow*3	¥56.0bn	Positive (MTP2020 and MTP2023 6-year period)

*1 Core operating cash flow = Cash flow after deducting changes in working capital from operating cash flow calculated for accounting purposes
*2 Include acquisition 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

(3) Liquidity and Funding

Under Medium-Term Management Plan 2020, the Sojitz Group continues to advance financial strategies in accordance with the basic policy of maintaining and enhancing the stability of its capital structure. In addition, Sojitz has endeavored to maintain a stable financial foundation by holding sufficient liquidity as a buffer against changes in the economic or financial environment and by keeping the long-term debt ratio at its current level.

As one source of long-term funding, Sojitz issued ¥10 billion in straight bonds in September 2020. Subsequently, Sojitz issued another ¥10 billion in straight bonds in May 2021. Sojitz will continue to closely monitor interest rates and market conditions and will consider additional issues whenever the timing and associated costs prove advantageous.

As supplemental sources of procurement flexibility and precautionary liquidity, Sojitz maintains a ¥120 billion long-term yen commitment line (which remains unused) and a long-term commitment line totaling US$1.8 billion (of which US$0.61 billion has been used). The amount of the U.S. dollar-denominated commitment line was increased by US$0.2 billion in the six-month period ended September 30, 2020.

5. Significant Estimates and Underlying Assumptions for Accounting

The preparation of the Consolidated Financial Statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from such estimates.

Estimates and underlying assumptions thereof are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

The significant estimates and underlying assumptions applied by the Group for the preparation of the Consolidated Financial Statements are as follows.

(1) Fair Value of Financial Instruments

(a) Equity instruments

The fair value of listed shares is the quoted price on an exchange. The fair value of unlisted shares is calculated using valuation methods including discounted future cash flow, market prices of comparable companies, net asset value, and other valuation methods. Measuring the fair value of unlisted shares involves the use of unobservable inputs such as discount rate and valuation multiples, as well as any necessary adjustments including discounts for a lack of liquidity or a non-controlling interest. The Group's corporate departments determine the policies and procedures for measuring the fair value of unlisted shares, and validate their approach to measuring fair value, including the valuation model, by periodically confirming issues such as the operating circumstances associated with particular equities, the availability of relevant business plans, and data from comparable public companies.

(b) Derivative financial assets and liabilities

Currency-related derivatives

The fair values of foreign exchange transactions, spot/forward transactions, currency option transactions, and currency swap transactions are calculated based on the forward exchange rate as of the closing date.

Interest rate-related derivatives

The fair value of interest-rate swaps is the present value of future cash flow discounted by an interest rate that reflects time to settlement and credit risk.

Commodity-related derivatives

The fair value of commodity futures transactions is calculated using final prices on commodities exchanges as of the fiscal year-end. The fair values of commodity forward transactions, commodity option transactions, and commodity swap transactions are calculated based on the index prices publicly announced at the fiscal year-end.

(2) Impairment of Non-Financial Assets

At each fiscal year-end, the Group determines whether there is any indication of an impairment loss with respect to the Group's non-financial assets, and, if so, the Group estimates the recoverable amount of such assets. Goodwill and intangible assets with indefinite useful lives, of which their useful lives cannot be determined, are tested for impairment annually and whenever there is an indication that there may be an impairment with respect thereof. If the carrying amount of an individual asset or a cash-generating unit exceeds the recoverable amount, such carrying amount is reduced to equal the recoverable amount and an impairment loss is recognized.

Recoverable amount is either the fair value or the value in use (whichever is the higher value) after deducting disposal costs from individual assets or cash-generating units. Fair value is calculated using reasonable estimated prices, obtainable through orderly transactions between market participants. Value in use is calculated by discounting estimated future cash flow using a pre-tax discount rate that reflects the current market value in relation to the inherent risks of cash-generating units or individual assets, and the time value of money. In principle, the business plan used to estimate future cash flow is limited to five years. The Group makes appropriate use of outside experts according to the complexity of calculating the value in use and fair value.

With respect to impairment losses of assets other than goodwill that were recognized in previous fiscal years, the Group determines at each fiscal year-end whether such impairment losses have ceased to exist or there are indications that the same have decreased. If any such indications exist, the Group will estimate the recoverable amount of such assets. If such recoverable amount exceeds the carrying amount of such assets, the carrying amount of the assets is increased to equal the recoverable amount and reversal of impairment losses is recognized. Impairment losses recognized with respect to goodwill are not reversed in subsequent periods.

In addition, because goodwill that constitutes part of the carrying amount of an investment with respect to an Entity subject to Equity Method is not separately recognized, it is not tested for impairment separately. If it is suggested that there may be an impairment loss with respect to an investment made to an Entity subject to Equity Method, the entire carrying amount of such investment will be tested for impairment as a single asset, by comparing the recoverable amount with such carrying amount.

The Group's accounting estimates, including accounting for impairment of fixed assets, are made based on the information available when creating the consolidated financial statements. The impact of the COVID-19 pandemic will differ in degree and effect depending on the business and area, but our accounting estimates are based on the premise that there will be recovery gradually in the future.

(3) Provisions

A provision is recognized only when the Group has a present obligation (legal or presumptive) as a result of a past event, there is a probability that an outflow of resources embodying economic benefits will be required to settle such obligation, and a reliable estimate can be made regarding the amount of such obligation.

Where there is materiality in the effects of time value of money, provisions are discounted using a pre-tax rate that reflects the risks specific to said liability.

(4) Measurement of Defined Benefit Obligations

Defined benefit plans refer to retirement benefit plans other than a defined contribution plan. Defined benefit obligations are calculated separately for each plan by estimating the future amount of benefits that employees will have earned in return for their services provided in the current and prior periods and discounting such amount in order to determine the present value. The fair value of any plan assets is deducted from the present value of the defined benefit obligations.

The discount rates are principally equivalent to the market yields of AA credit-rated corporate bonds at the fiscal year-end that have maturity terms which are approximately the same as those of the Group's obligations and use the same currencies as those used for future benefit payments.

Past service cost is immediately recognized as profit or loss.

The Group immediately recognizes all of the remeasurements of the net defined benefit liability (asset) as other comprehensive income and promptly reclassifies them as retained earnings.

(5) Recoverability of Deferred Tax Assets

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amount of an asset and liability in the statement of financial position and its tax base, the unused tax losses carried forward, and the unused tax credits carried forward. The amounts of tax assets and liabilities are calculated under the expected tax rate or tax law applicable as of the period in which assets are realized or liabilities settled based on a statutory tax rate or the same substantially enacted as of the fiscal year-end.

Deferred tax assets are recognized for deductible temporary differences, the unused tax losses carried forward, and the unused tax credits carried forward to the extent that it is probable that they can be used against future taxable profit. The carrying amount of deferred tax assets are reassessed at each fiscal year-end, and such carrying amount will be reduced to the extent it is no longer probable that related tax benefits from such assets will be realized.

6. Business and Other Risks

The following are factors relating to business and management conditions listed in the Finacial Section that may potentially have a significant influence on investor decisions.

Those notes that concern factors of the future are predictions based on targets, certain assumptions and hypotheses, or Sojitz's judgment based on the information available at the end of this fiscal year.

(1) Business Risks

The Sojitz Group is a general trading company that operates a diverse portfolio of businesses globally, and is≈exposed to various risks due to the nature of these businesses. Therefore, the Group defines and classifies risks in compliance with its basic Code of Corporate Risk Management and assigns managers to formulate a risk management operation policy and management plan at the beginning of each fiscal year, monitor progress and risk mitigation quarterly, and report on the status of risk management to senior management. The Group manages quantifiable risks (market risks, credit risks, business investment risks, and country risks) based on risk asset scores derived from risk assessments. Non-quantifiable risks (legal risks, compliance risks, environmental and social [human rights] risks, funding risks, disaster risks, and system risks) are managed based on quarterly monitoring. The Group has the risk management systems required to address the risks it faces but cannot completely avoid all risks. Risks that may impact the Sojitz Group's businesses include, but are not limited to, the following.

1) Risk of changes in the macroeconomic environment

The Group operates a wide range of businesses in Japan and overseas that are engaged in a broad array of activities. Political and economic conditions in Japan and other countries and the overall global economy influence the Group's results. Therefore, global and/or regional economic trends could adversely affect the Group's operating performance and/or financial condition.

2) Market risks

The Group is exposed to market risks, including exchange rate risk associated with transactions denominated in foreign currencies in connection with international trade or business investments; interest rate fluctuation risk associated with debt financing and portfolio investment; commodity price fluctuation risk associated with purchase and sale agreements and commodity inventories incidental to operating activities; and market price fluctuation risk associated with holding listed securities and other such assets. The Group has a basic policy of minimizing these market risks through such means as matching assets and liabilities and hedging with forward exchange contracts, commodity futures/forward contracts, and interest rate swaps.

(a) Currency risk

The Group engages in import and export transactions, and offshore transactions, denominated in foreign currencies as a principal business activity. The revenues and expenditures associated with such transactions are mainly paid in foreign currencies, whereas the Group's consolidated reporting currency is the Japanese yen. The Group is therefore exposed to the risk of fluctuations in the yen's value against foreign currencies, and hedges its foreign currency exposure with forward exchange contracts and other measures to prevent or limit losses stemming from this currency risk. Even with such hedging, however, there is no assurance that the Group can completely avoid currency fluctuation risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market movements. Additionally, the Group's dividend income from overseas Group companies and the profits and losses of overseas consolidated subsidiaries and equity method associates are largely denominated in foreign currencies. Their conversion into yen entails currency risk. The Group also owns many foreign subsidiaries and operating companies. When these companies' financial statements are converted into yen, exchange rate movements could adversely affect the Group's operating performance and/or financial condition. With regard to the Group's sensitivity to income from exchange rates (US$ only), should the rate change by ¥1/US$ the impact will lead to a gross profit margin of approximately ¥500 million for the year, profit for the year (attributable to owners of the parent) of approximately ¥250 million, and total equity of approximately ¥1,500 million.

(b) Interest rate risk

The Group raises funds by borrowing from financial institutions or issuing bonds to extend credit (e.g., for trade receivables), invest in securities, acquire fixed assets, and for other purposes. Asset and liability items are categorized based on whether or not they are sensitive to interest rate changes, with the difference between the value of sensitive assets and sensitive liabilities used to determine an interest rate mismatch value. Based on this amount, the ratios of funds procured from fixed-rate sources and variable-rate sources are adjusted to better manage interest rate fluctuation risks.

However, the Group cannot completely avoid interest rate fluctuation risks. An increase in funding costs due to a sharp rise in interest rates could adversely affect the Group's operating performance and/or financial condition. In the year ended March 31, 2021, the Group's outstanding interest-bearing debt was ¥908,334 million, the average interest rate for short-term borrowings was 0.99%, long-term borrowings payable within one year were 1.50%, and long-term borrowings (excluding those payable within one year) were 1.00%.

(c) Commodity price risk

As a general trading company, the Group deals in a wide range of commodities in its various businesses. It is consequently exposed to the risk of commodity price fluctuations. For market-traded commodities, the Group manages exposures and controls losses by setting (long and short) position limits and stop-loss levels for each of its organizational units. The Group also imposes and enforces stop-loss rules (i.e., organizational units must promptly liquidate losing positions and are prohibited from initiating new trades for the remainder of the fiscal year if unit losses, including valuation losses, exceed the stop-loss level). Even with these controls, however, there is no assurance that the Group can completely avoid commodity price risk. The Group's operating performance and/or financial condition could be adversely affected by unanticipated market or other movements. The Group also monitors commodity inventories by business unit on a monthly basis to control inventory levels.

(d) Listed securities price risk

The Group has large holdings of marketable securities. For listed shares, the Group confirms the holding purpose for a security on an annual basis, and listed share holdings are being sold from the perspective of improved capital efficiency. Nonetheless, a major decline in stock prices could result in fluctuations in the fair price of marketable securities and, in turn, adversely affect the Group's operating performance and/or financial condition.

3) Credit risks

The Group assumes credit risks by extending credit to many domestic and foreign customers through a variety of commercial transactions. The Group mitigates such credit risks by objectively assigning credit ratings to the customers to which it extends credit based on an 11-grade rating scale. The Group also controls credit risks by setting rating-based credit limits on a customer-by-customer basis and enforcing the credit limits thus set. The Group also employs other safeguards (e.g., collaterals and guarantees) as warranted by the customer's creditworthiness. Additionally, the Group has a system for assessing receivables in which it screens the customers to which it has extended trade credit to identify those that meet certain criteria. It then reassesses the selected customers' creditworthiness and the status of the Group's claims against these customers. Through this approach, the Group is endeavoring to more rigorously ascertain credit risks and estimate provisions to allow for doubtful accounts for individual receivables. For credit risks associated with deferred payments, loans, and credit guarantees, the Group periodically assesses whether profitability is commensurate with credit risks on a case by-case basis. For transactions that do not generate returns commensurate with risk, the Group takes steps to improve profitability or limit credit risks. However, even with such credit management procedures, there is no assurance that the Group can completely avoid credit risks. If, for example, receivables are rendered uncollectible by a customer's bankruptcy, the Group's operating performance and/or financial condition could be adversely affected.

4) Business investment risks

The Group invests in a wide range of businesses as one of its principal business activities. In doing so, it assumes the risk of fluctuations in the value of business investments and investments in interests. Additionally, because many business investments are illiquid, the Group also faces the risk of being unable to recoup its investment as profitably as initially anticipated. With the aim of preventing and limiting losses from business investments, the Group has established standards for rigorously screening prospective business investments and monitoring and withdrawing from investments. In screening prospective investments, the Group analyzes business plans, including cash flow projections, and rigorously assesses the businesses' prospects. It has also established procedures, including IRR (internal rate of return) hurdle rate screening, to enable it to identify investments with the potential to generate returns commensurate with risk. Once the Group has invested in a business venture, it conducts thorough business process management, which includes periodic reassessment of the business' prospects, to minimize losses by identifying problems early and taking appropriate action. To identify problems with business investments at an early stage or before they materialize and thus minimize losses on divestiture or liquidation, the Group sets exit conditions and acts decisively to opportunely exit investments that have failed to generate returns commensurate with risk. Even with such procedures for screening prospective investments and monitoring existing investments, the Group cannot completely avoid the risk that investment returns will fall short of expectations or the risk that businesses will fail to perform according to plan. Moreover, the Group could incur losses when exiting business ventures or may be precluded from exiting business ventures as intended due to circumstances such as relationships with partners in the ventures. Such events could adversely affect the Group's operating performance and/or financial condition.

5) Country risks

To minimize losses that may result from country risks, the Group recognizes that it must avoid concentrated exposure to any single country or region. In conducting business in countries that pose substantial country risks, the Group hedges against country risks on a transaction-by-transaction basis in principle through such means as purchasing trade insurance. In managing country risks, the Group assigns nine levels to its country-risk ratings for individual countries and regions based for objective measures according to the size of the country risks. It then sets net exposure (gross exposure less trade insurance coverage and/or other country-risk hedges) limits based on the country's size and assigned rating. The Group limits its net exposure to individual countries to no more than the net exposure limit. However, even with these risk controls and hedges, the Group cannot completely eliminate the risk that businesses will fail to perform according to plan or the risk of losses due to changes in political, economic, regulatory, or societal conditions in the countries in which the Group conducts business or countries in which the Group's customers are located. Such events could adversely affect the Group's operating performance and/or financial condition.

6) Impairment risks

The Group is exposed to the risk of impairment of the value of its leased and non-current assets, including real estate holdings, machinery, equipment and vehicles, and goodwill and mining rights. The Group recognizes necessary impairment losses at the end of the fiscal year in which they are identified. If assets subject to asset impairment accounting decline materially in value due to a decline in their prices, recognition of necessary impairment losses could adversely affect the Group's operating performance and/or financial condition.
Reference information:
Sojitz Development Pty Ltd, a consolidated subsidiary operating the coal mining business in Queensland, Australia, included in the Metals & Mineral Resources Segment, recognized property, plant and equipment of ¥2,387 million, right-of-use assets of ¥390 million and intangible assets, including mining rights, of ¥1,876 million relating to the thermal coal mine in the consolidated statement of financial position as of the end of the current year.

Sojitz Energy Development Pty Ltd., a consolidated subsidiary in the North Sea within the U.K. territory, in the Energy & Social Infrastructure Segment, recognized property, plant and equipment of ¥11,416 million relating to the oil and gas interests in the consolidated statement of financial position as of the end of the current year.

7) Funding risks

The Group largely funds its operations by issuing bonds and borrowing funds from financial institutions, and therefore maintains good business relationships with financial institutions and keeps the long-term debt ratio at a specified level, which ensures stable funding. However, in the event of a disruption of the financial system or financial and capital markets, or major downgrades of the Group's credit rating by rating agencies, funding constraints, and/or increased financing costs could adversely affect the Group's operating performance and/or financial condition.

8) Environmental and social (human rights) risks

The Sojitz Group has defined Key Sustainability Issues (Human Rights, Environment, Resources, Local Communities, Human Resources, and Governance) and established the Sustainability Challenge, which indicates its long-term vision for 2050, to guide efforts to contribute to the realization of a decarbonized society and to address human rights issues across its supply chain. In addition, the Company has established the Sojitz Group Environmental Policy, the Sojitz Group CSR Action Guidelines for Supply Chains, and the Sojitz Group Human Rights Policy. Compliance with these policies is being entrenched throughout the Group, and suppliers are also being informed about these policies.

Steps are taken to mitigate environmental and social (human rights) risks associated with business activities based on risk assessments conducted in accordance with the characteristics of the respective products and business models. Furthermore, environmental and social (human rights) risks are confirmed as part of the evaluation process for investment and loan candidates, and discussions are held on the potential impacts of these risks on future business continuity.

Climate change risks have the potential to seriously impact the environment, biodiversity, and consequently social systems and business activities. The Group carefully monitors trends related to domestic and overseas decarbonization policies and regulations based on the Paris Agreement. It also monitors the quantities of greenhouse gas emissions by industry and trends in the development of alternative technologies. At the same time, CO_2 emissions risks associated with the Group's businesses are tracked and assessed. The Sustainability Committee discusses and confirms the potential impacts of climate change-related risks and opportunities on the Group's businesses. In addition, scenario analyses are conducted based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to analyze the potential financial repercussions in business areas where climate change-related risks and opportunities could have a major impact on the Group's business activities, business strategies, and financial plans. Policies and specific response measures have been defined for business areas anticipated to have high CO_2 emissions risks.

Decarbonization Policies
Existing Businesses
(1) Scope 1 and scope 2 targets

- Reduce emissions 60% by 2030; achieve net zero emissions by 2050*1

(Net zero emissions by 2030 for Scope 2*2)

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

*1,2 FY2018 serves as the base year, with nonconsolidated and consolidated subsidiaries included in the scope. Carbon offsets from certificates are included. Internal carbon pricing schemes are being considered to facilitate the acceleration of CO_2 emissions reduction activities.

(2) Scope 3 (resource interests) targets

- Thermal coal interests: Reduce interests to half or less by 2025*3 and to zero by 2030*4
- Oil interests: Reduce interests to zero by 2030
- Coking coal interests: Reduce interests to zero by 2050

*3 FY2018 serves as the base year, and targets are based on the book value of assets in coal interests.
*4 The target deadline has been moved to an earlier date from the previously announced goal of reducing thermal coal interests to half or less by 2030.

New Businesses

The Sojitz Group aims to achieve net zero emissions by 2050 in all new businesses commenced going forward.

Despite these precautions, environmental, occupational health and safety, and/or human rights issues may still arise in the Group's business activities or within its supply chain. Moreover, environmental or human rights groups or local residents could accuse the Group of involvement in such issues. Such events could force the Group to temporarily or permanently cease business activities or require decontamination or cleaning measures. The Group could also face litigation, incur expenses related to compensation, or suffer damage to its corporate or social standing. Such developments could adversely affect the Group's business performance and financial condition.

9) Compliance risks

The Group's diverse business activities are subject to a broad range of laws and regulations, including the Companies Act of Japan, tax laws, anti-corruption laws, antitrust laws, foreign exchange laws and other trade-related laws, and various industry-specific laws, including chemical regulations. To ensure compliance with these laws and regulations in Japan and overseas, the Group has formulated a compliance program, established a compliance committee, and made other Companywide efforts to instill a compliance-oriented mindset within all Group officers and employees. However, such measures cannot completely eliminate the compliance risks entailed by the Group's business activities. Additionally, the Group's operating performance and/or financial condition could be adversely affected by major statutory or regulatory revisions or application of an unanticipated interpretation of existing laws or regulations.

10) Litigation risks

Litigation or other legal proceedings (e.g., arbitration) may be initiated in Japan or overseas against or with the Group in connection with the Group's business activities. Due to the uncertain nature of litigation and other legal proceedings, it is not possible at the present time to predict the likelihood of this occurring, when it could occur, or the effect that such risks might have on the Group. Nevertheless, such risks could adversely affect the Group's operating performance and/or financial condition.

11) Information system and information security risks

The Group has prescribed regulations and established oversight entities, mainly the Information Security Subcommittee, to appropriately protect and manage information assets. The Group also has implemented safeguards, such as installation of duplicate hardware, against failure of key information systems and network infrastructure. Additionally, the Group is endeavoring to strengthen its safeguards against information leaks through such means as installing firewalls to prevent unauthorized access by outsiders, implementing antivirus measures against viruses that would exploit vulnerabilities in the system, and utilizing encryption technologies. While the Group is working to strengthen overall information security and prevent system failures, it cannot completely eliminate the risk of important information assets, including personal information, being leaked or damaged by increasingly prevalent cyberattacks or unauthorized access to its computer systems. Nor can the Group eliminate the risk of its information and communication systems being rendered inoperable by an unforeseeable natural disaster or system failure. In such an event, the Group's operating performance and/or financial condition could be adversely affected, depending on the extent of the damage.

12) Natural disaster and calamity risks

The Group could be directly or indirectly affected in the event of an earthquake, flood, storm, or other natural disaster or by a widespread pandemic that damages offices or other facilities or impacts employees and/or their family members. The Group has prepared disaster and pandemic response manuals, conducts disaster response drills, and has established an employee safety confirmation system and a business continuity plan, but it cannot completely avoid the risk of damage from natural disasters. The Group's operating performance and/or financial condition could therefore be adversely affected by natural disasters and widespread pandemics.

The Sojitz Group has taken various measures to combat the global COVID-19 pandemic based on government policies, action plans, and requests. These measures have prioritized preventing the spread of the virus inside and outside of the organization and protecting the safety of employees and other Group stakeholders. Specific measures have included staggering workhours; promoting teleworking; encouraging employees to take paid vacation days; instituting more rigorous regulations related to business trips, meetings, and events; requesting that individuals coming to Japan from overseas stay at home; spreading awareness of office infection prevention methods; tracking and managing employee health through the Health Support Office; and disseminating information on the steps to be taken should an individual become infected with COVID-19. In addition, the Group is tracking the state of this pandemic through its global network and issuing evacuation and other instructions based on by-region conditions.

13) Risks related to spread of Company information via the company website and social media

The Sojitz Group's website and social media accounts expose us to the risk of system vulnerabilities leading to doctoring of posted information or leaking of personal information collected via the website or social media, as well as risk of criticism/claims or infringement of copyrights, trademarks, or rights of likeness stemming from use of the website or social media accounts. As described in 11) above, we strive to develop measures to protect against system vulnerabilities to the greatest extent possible within reason. With regard to use of the website or social media accounts, we require organizations to draft written rules for approving posted materials in advance and regularly reviewing the contents for each website or social media account owned by the organization. However, this does not fully eliminate risk, leaving room for the possibility that the website or social media account could negatively impact trust in the Company or value of the Sojitz brand.

14) Risks related to product quality

Through business investment, the Sojitz Group is expanding and diversifying the business areas in which we operate. We are increasingly entering manufacturing and service sectors, and we are thus developing systems to control the quality of products and services that we manufacture and provide. In the event of an unforeseen issue with product quality, however, the Sojitz Group may be held accountable for damages stemming from that issue. The Sojitz Group's business performance and financial standing may be negatively impacted in this case.

15) Risks related to innovation

As a general trading company, the Sojitz Group is conducting business in a wide variety of business fields. We are focusing on responding to changes in business models stemming from new technologies and the digital revolution, as well as improving work efficiency throughout the Company. However, in the event of sudden changes to the industrial structure due to the rapid development of new technologies, the Sojitz Group's business performance and financial standing may be negatively impacted.

(2) Risks Related to Medium-Term Management Plan 2023

Sojitz Group has established Medium-Term Management Plan 2023, scheduled to end in FY2023. Although the plan was drafted based on economic conditions, industry trends, and other information and predictions that were believed to be accurate at the time, the measures and policies therein may not proceed as planned due to sudden changes in the operating environment or other factors, and Sojitz may not arrive at the anticipated results.

7. Group Management Policy, Operation Environment, and Issues to Be Addressed

(1) Fundamental Policy

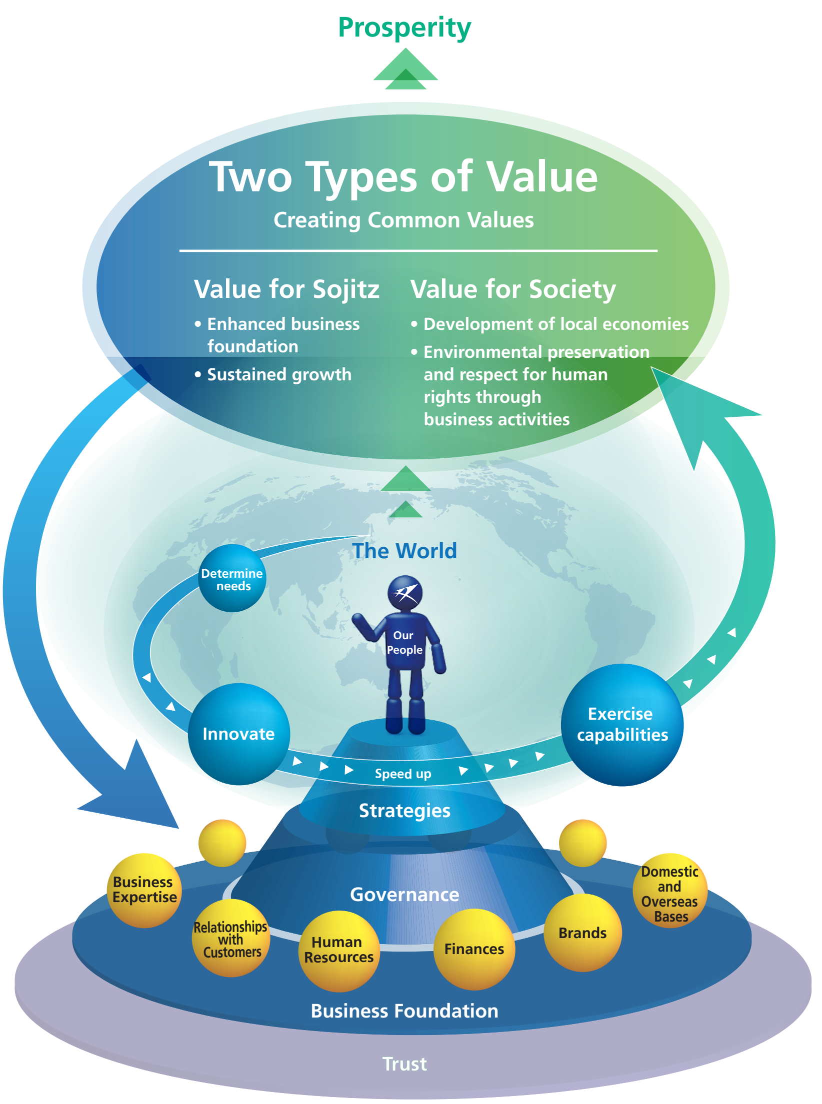
Based on the articles of the Sojitz Group Statement and the Sojitz Group Slogan, the Sojitz Group is committed to maximizing two types of value: "value for Sojitz," which contributes to the fortification of our business foundation and to ongoing growth, and "value for society," which contributes to economic development on regional and national scales and to human rights and environmental awareness.

Sojitz Group Statement

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

Sojitz Group Slogan

New way, New value



(2) Review of Medium-Term Management Plan 2020

Under Medium-Term Management Plan 2020 ~ Commitment to Growth ~, Sojitz pursued steady growth by increasing the value of its assets while managing cash flows to continue conducting disciplined investments and loans (a total of ¥300.0 billion over the three-year period of the medium-term management plan). The Company achieved the targets put forth by the plan, namely a net debt equity ratio of 1.5 times or less, a positive three-year core cash flow, and a payout ratio of around 30%, indicating that operations have been advanced in a disciplined manner. Conversely, performance in the year ended March 31, 2021—the final year of the medium-term management plan—was heavily impacted by the global COVID-19 pandemic. As a result, the Company's performance fell below the final-year targets of profit for the year (attributable to owners of the parent) of ¥75.0 billion or over, return on assets (ROA) of 3% or above, and return on equity (ROE) of 10% or above, with profit for the year (attributable to owners of the parent) of ¥27.0 billion, ROA of 1.2%, and ROE of 4.5%. Furthermore, three-year investments and loans only totaled ¥260.0 billion, placing the Company behind schedule in the final year of the plan, an outcome that was a result of delays in contract negotiations that resulted from the COVID-19 pandemic. Regardless, initiatives for building solid earnings foundations continue to move forward.

(3) Medium-Term Management Plan 2023

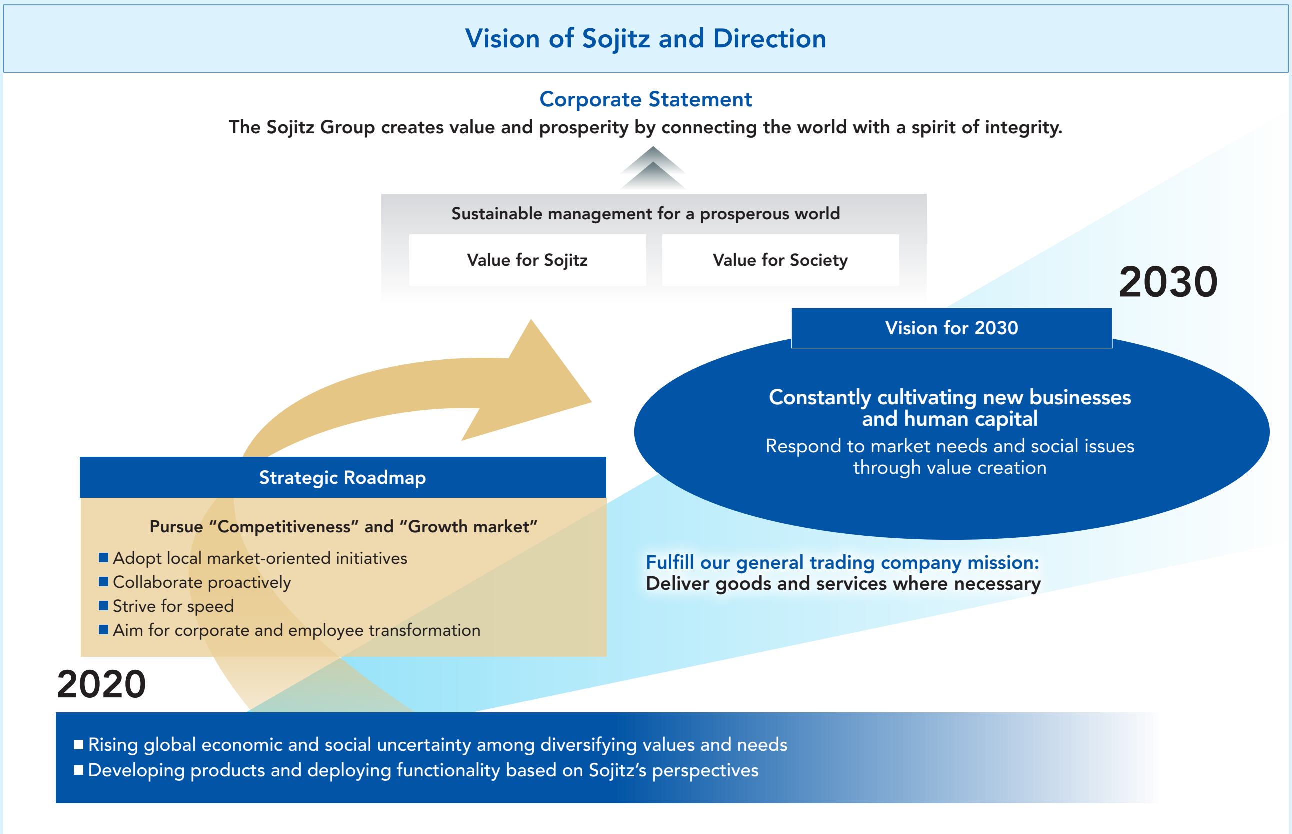
Sojitz announced its vision of becoming a general trading company that constantly cultivates new businesses and human capital in 2030. The Company will seek to realize this vision by fulfilling the mission of a general trading company: delivering goods and services where necessary. Pursuing higher levels of competitiveness and growth through intensely market-oriented initiative, co-creation and sharing methodologies, and swift action while transforming its organization and human resources as necessary, Sojitz will continue to create value.

In April 2021, Sojitz announced Medium-Term Management Plan 2023 "Start of the Next Decade," a three-year plan designed to further the Company toward its vision for 2030, as shown below.

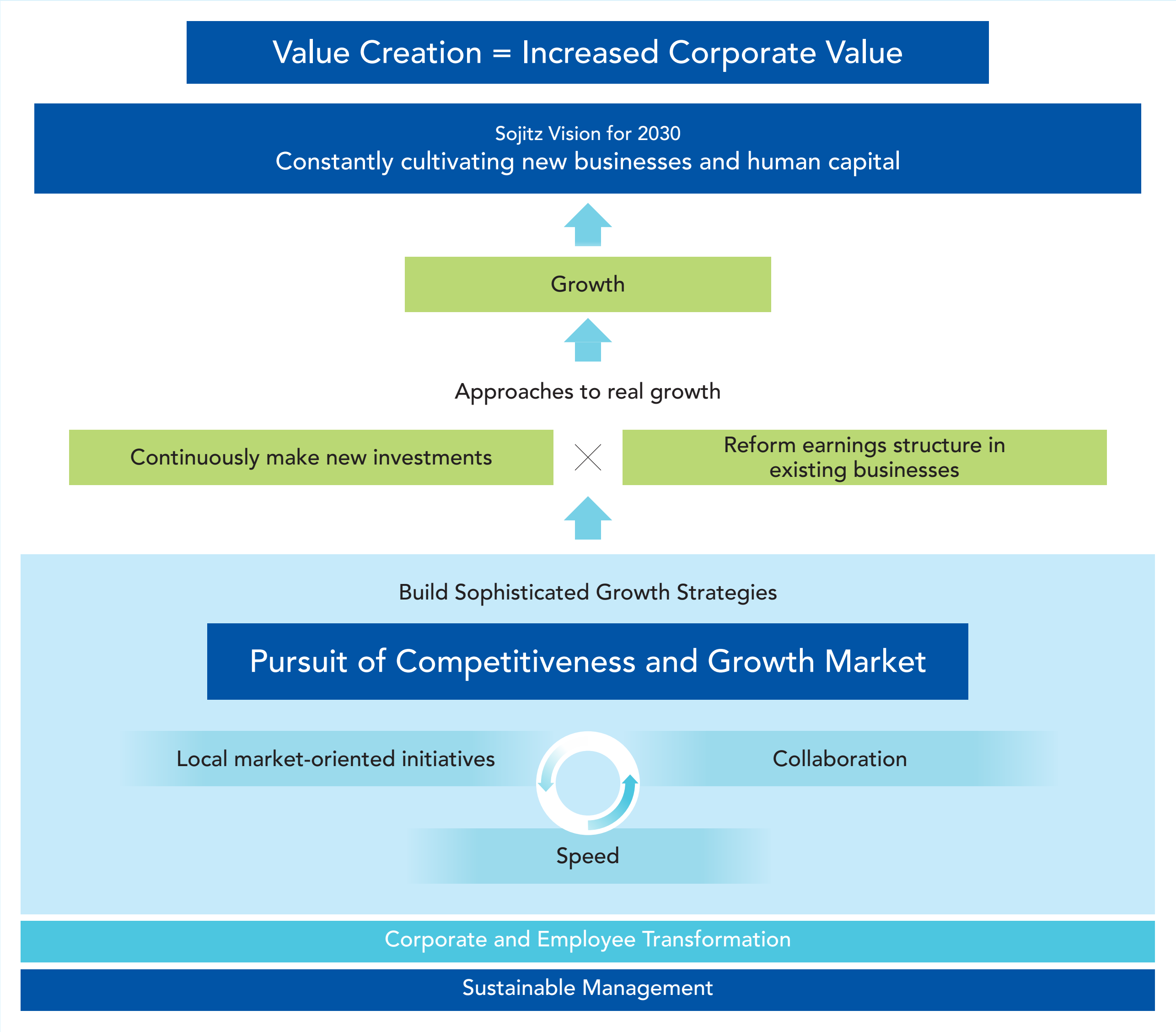
Performance Indicator

Performance indicator (3-year average)	ROE	Net D/E ratio	Dividend payout ratio
Target	10% or above	Approximately 1.0 times	Approximately 30%*

* Dividend payout ratio of around 30%. Minimum dividends also set.



Medium-Term Management Plan 2023
"Start of the Next Decade"



An ROE target of 10% or above has been set for this management indicator based on the Company's shareholders' equity costs of approximately 8%. Cash return on invested capital (CROIC), which represents the core operating cash flow generated from invested capital, has been adopted as an internal management indicator to guide efforts for accomplishing this target, and segment CROIC targets have been set to function as value creation guideline figures.

Medium-Term Management Plan 2023 calls for the steady improvement of corporate value through the execution of investments in growth market and new fields, to be identified based on megatrends, totaling ¥330.0 billion over the three-year period of the plan (¥30.0 billion of which is to be directed toward non-financial investments in human resources and organizational reforms). These investments shall be conducted while practicing continued discipline in cash flow management.

Specifically, in order to meet market needs and address social issues in line with megatrends, we identified "infrastructure & healthcare," "market-oriented initiatives in growth markets such as ASEAN and India," and "materials & circular economy" as the three areas of focus, based on the concept of creating value under the strategy of pursuing "competitiveness" and "growth markets." We will achieve growth by intensively allocating human resources and financial resources to these three areas.

Respond to Market Needs and Social Issues as per Megatrends
- Respond to environmental issues by helping realize a decarbonized and circular economy
- Expanding and growing affluence in emerging countries
- Respond to social issues in developed countries

Growth Strategy ×

Pursuit of competitiveness and Growth market
- Adopt local market-oriented initiatives
- Collaborate proactively
- Strive for speed

Infrastructure & Healthcare

Maintain steady growth

- Growth in emerging countries
- Environmental issues
- Population growth, population aging

Essential infrastructure & healthcare

¥120.0~¥150.0bn (investment allocation)

Market-Oriented Initiatives × Growth Markets

Capture growth from growing markets

- Growth in emerging countries
- Environmental and food shortage issues
- Digitization

Retail business in ASEAN and Indian markets

Fertilizer (including agriculture)

¥100.0~¥120.0bn (investment allocation)

Materials & Circular Economy

Reform conventional business model

- Environmental issues
- Resource recycling
- Technology including digitization

Recycling and new materials

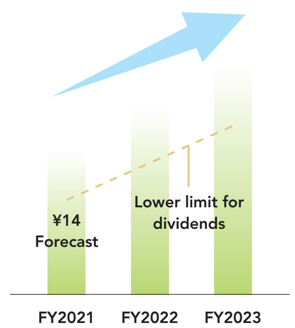
¥30.0~¥50.0bn (investment allocation)

In addition to paying stable dividends to shareholders on an ongoing basis, Sojitz is also committed to enhancing shareholder value and improving its competitiveness by accumulating and effectively utilizing retained earnings. This endeavor is positioned as a basic policy. In accordance with this basic policy, the Company will target a consolidated payout ratio of around 30% under Medium-Term Management Plan 2023.

A lower limit for dividends is set as representing a market value-based DOE* of 4% until PBR reaches 1.0 times and a book value-based DOE of 4% after PBR reaches 1.0 times.

In other words, we are committed to paying an effective dividend yield of 4% while PBR is below 1.0 times, and will pay dividends equivalent to half of our capital cost of approximately 8%, which we calculate when PBR reaches 1.0 times.

* DOE: Dividend on equity



Lower limit for dividends policy

Dividend payments when year-end PBR is under 1.0 times:
- Market priced-based DOE of 4%
- Calculated based on the annual average of stock closing prices
- The result is a dividend yield of 4%

Dividend payments when year-end PBR is above 1.0 times:
- Book value-based DOE of 4%
- Return 50% of approx. 8% shareholders equity costs

Please visit our website (https://www.sojitz.com/en/corporate/strategy/plan/) for details on Medium-Term Management Plan 2023.

Division Restructuring and Growth Strategy by Division for Medium-Term Management Plan 2023

In April 2021, Sojitz implemented structural reforms in order to restructure its businesses from its original nine divisions to seven divisions. We have taken this approach with the aim of expanding and transforming our business scale and promoting new businesses in growth domains, in response to dramatic environmental changes, rapid progress in digitization, and diversification of values.

Automotive

Conducts automotive wholesale and assembly, and retail sales. We have operations in growing markets such as Asia, Russia & NIS, and Latin America as well as in mature markets such as Japan and the U.S. We aim to add even more value to our business and further expand our business domain in promising markets by enhancing our locally based sales and marketing, as well as our after-sales services, and by strengthening functions through the use of digital technology. We are also working to strengthen our auto-financing business and actively build automobile-related services responsive to the changing times, so that we can contribute to building a prosperi ous mobility society.

Aerospace & Transportation Project

Manages aerospace industry businesses as a sales agent for commercial aircraft and defense-related equipment and services, in addition to handling leasing, part-out, and business jets. In the transport infrastructure business, we are engaged in airport management and railroads, and our marine vessels business handles various types of vessels, including both new and secondhand vessels. We are striving to strengthen and expand the scope of our aerospace-related business, such as by realizing a deeper partnership with Boeing in our sales agency business, expanding the functions of our business jet service, and strengthening airport-related businesses such as our in-flight meal business. We are also strengthening our business base by expanding our North American railroad business, and working on our airport and transportation infrastructure business in emerging countries, where there is rising demand.

Infrastructure & Healthcare

In business domains such as energy, communications, urban infrastructure, and healthcare, we see opportunities presented by an increase in demand mainly in emerging countries for infrastructure and healthcare associated with economic growth, as well as global societal issues including climate change, digitization, and diversification of values. By combining functions and ideas in these business domains that are unique to Sojitz, we will provide new solutions to create value.

Metals, Mineral Resources & Recycling

Engages in trading and upstream investment in mineral resources and ferrous materials. We have also fully entered the circular economy domain including recycling, and are working to create and promote new businesses that meet the needs of society. Based on the accelerating trend toward decarbonization, we are promoting a transformation in our resources-related businesses. Simultaneously, we established our recycling business as our highest priority theme for reducing consumption of resources and realizing a circular society in the near future, and are working to build and strengthen a business structure that is not easily impacted by market conditions.

Chemicals

Conducts a wide range of trading and business involving basic chemicals such as methanol, as well as plastics and other functional materials and inorganic chemicals such as industrial salts and rare earths. We are also working to develop businesses in the environmental and life science fields, which contribute to realizing a decarbonized, circular society. While working to transform our businesses and human resources, we will also further enhance the businesses where we have strengths and realize sustainable growth by stepping up our initiatives in the environmental, life science, and materials businesses, in our efforts to realize a decarbonized, circular society.

Consumer Industry & Agriculture Business

Strives to realize high-quality lifestyles by providing safe and reliable food, as well as comfortable living spaces. In order to do so, we aim for sustainable growth by strengthening existing business, as well as expanding and transforming peripheral businesses, including our fertilizer business, foodstuffs business, marine products business, feed materials business, and forest products business, especially in regions with outstanding growth, such as Southeast Asia. Furthermore, we have also adopted the theme of creating value by solving societal issues in developed countries, and we aim to undertake the challenge of revitalizing the regions of Japan outside Tokyo, in order to further expand our excellent business assets.

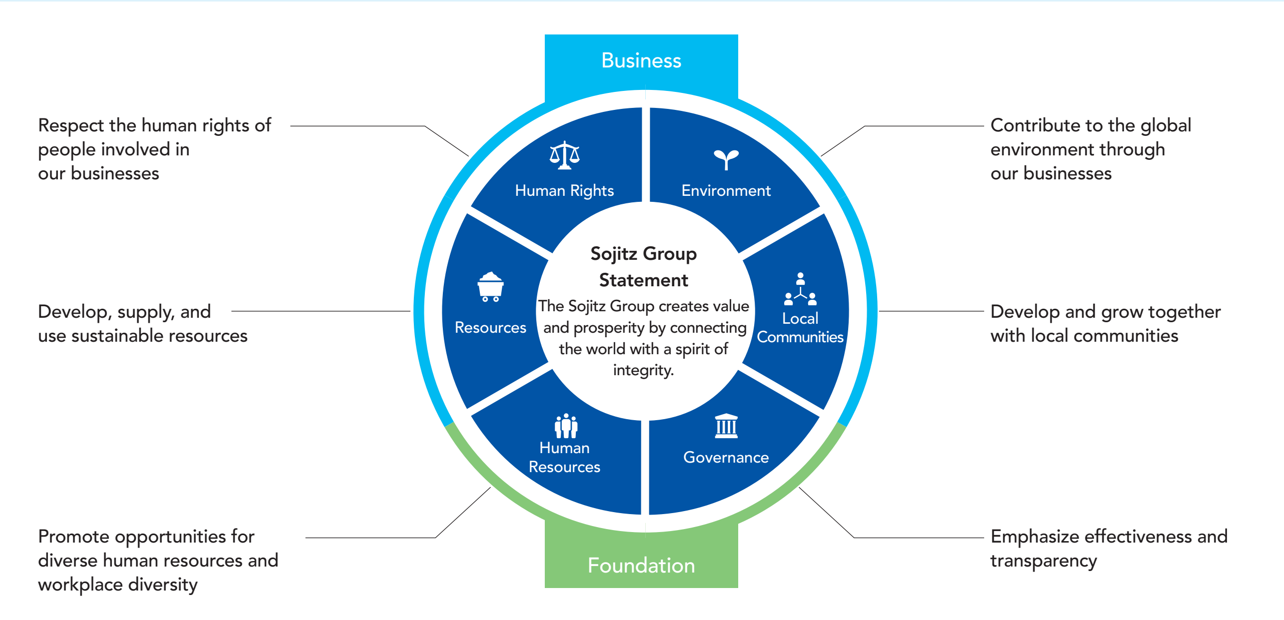
Retail & Consumer Service

Focuses on a diverse range of businesses that can respond to consumer needs both in Japan and overseas, including our food distribution business, shopping center management business, consumer goods distribution business, and real estate business. In emerging countries expected to achieve growth, such as Vietnam and India, we aim to undertake business transformation of our existing businesses as well as developing diverse businesses that bring richer lifestyles and greater convenience to people. We are also addressing the theme of strengthening business in the Japanese retail market.

Initiatives for Sustainable Growth

1) Pursuing Sustainability

To continue creating two types of value—value for Sojitz and value for society—well into the future, the Sojitz Group has defined 6 Key Sustainability Issues (Materiality) to focus on in its business over the medium to long term. Based on these issues, we are striving to integrate solutions to global environmental and social issues into our corporate activities and build systems for such integration.



Sojitz has defined the realization of a decarbonized society and the respect for human rights within its supply chain as focus areas where the Company can have a substantial influence based on global issues, such as those indicated by the Paris Agreement and the United Nations Sustainable Development Goals.

Medium-Term Management Plan 2023 also stipulates the broadening of ongoing human rights initiatives along with the reinforcement of businesses aimed at realizing a decarbonized, circular society and the infrastructure-related businesses and services that will be imperative to the transition toward such a society.

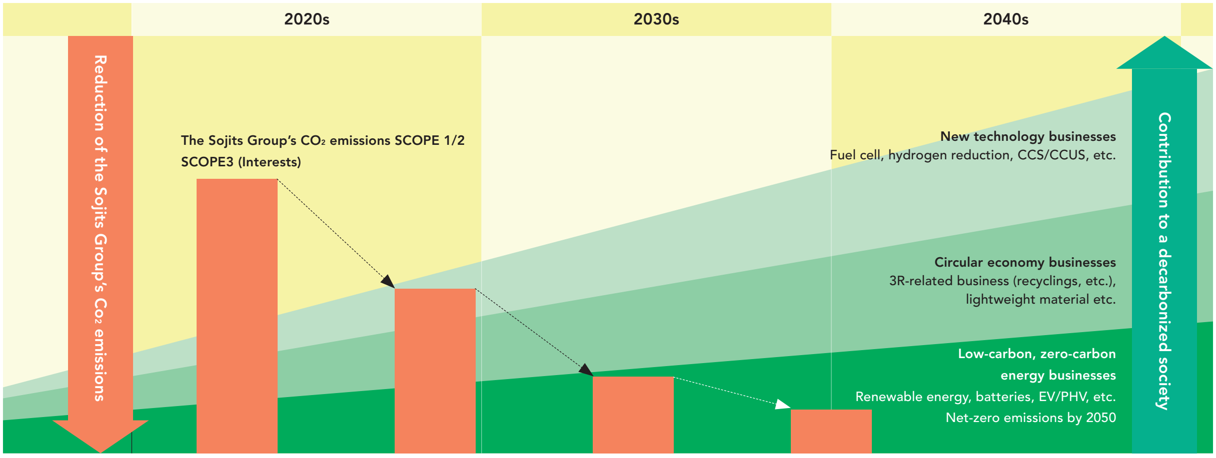
"Sustainability Challenge"
Long-Term Vision for 2050

Sustainability Challenge

We aim 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.

• Decarbonization initiatives

Sojitz will accelerate the reduction of CO_2 emissions from existing businesses of the Sojitz Group in order to increase its resilience in the decarbonized society of the future, and will approach this societal transition as a new opportunity in new businesses undertaken in the future, as it strives to build a broad business in the energy field and other fields. By doing so, Sojitz will increase various profit opportunities as "value for Sojitz" in its process of realizing a decarbonized society as "value for society."



As concrete steps to advance the above aims, in March 2021, we announced the following new policies and targets.

The Sojitz Group's Decarbonization Policies and Targets

Existing businesses	Scope 1 and 2	Reduce emissions by 60% by 2030; achieve net zero emissions by 2050*1 (Net zero emissions by 2030 for Scope 2*1) Note: Coal-fired power generation: No current projects nor future projects planned
	Scope 3	Thermal coal interests: Reduce interests to half or less by 2025 Zero interests by 2030*2 Oil interests: Zero interests by 2030 Coking coal interests: Zero interests by 2050
New businesses	Formulation of business-specific decarbonization policies and net zero emissions by 2050	
Contributions to a decorbonized society	■ Expansion of relevant businesses and initiatives framing situation as an opportunity ■ Measurement of contributions to reductions in society's CO_2 emissions (Scope 4) and advancement of related business activities	

*1 The year ended March 31, 2020, serves as the base year, with non-consolidated and consolidated subsidiaries included in the scope. The year ended March 31,2019, was used as the base year when these targets were originally announced in March 2021, but the base year was changed to the year ended March 31, 2020,to include an overseas papermaking company with high environmental impacts among existing businesses. Internal carbon pricing schemes are being consideredto facilitate the acceleration of carbon offsets from certificate and other CO_2 emissions reduction activities.

*2 The year ended March 31, 2019, serves as the base year, and targets are based on the book value of interest assets. In May 2019, Sojitz announced its goal of reducing thermal coal interests to half or less by 2030.

These goals are based on our current outlook for the future. Sojitz will flexibly revise them according to changing conditions of societal trends and technological innovations.

Sojitz announced its support for the final recommendations of the TCFD in August 2018, and it will endeavor to disclose its progress toward the above goals in accordance with the final recommendations of the TCFD.

• Initiatives undertaken to ensure respect for human rights within supply chains

The Sojitz Group engages in various businesses globally, and has an extensive supply chain stretching around the world. The Sojitz Group aims to ensure respect for human rights in all countries and regions that are involved in its business.

In order to achieve this goal, Sojitz is promoting initiatives in accordance with the United Nations' "Guiding Principles on Business and Human Rights."

Human rights support framework as defined by the UN Guiding Principles on Business and Human Rights

Establish and share policies

The Sojitz Group has defined human rights as one of its Key Sustainability Issues (Materiality). Furthermore, our "Sustainability Challenge" also includes "initiatives respecting human rights, including our supply chains."

Furthermore, the Sojitz Group distributes and shares handbooks explaining these policies to Group companies and suppliers, and will continuously strive toward raising full awareness in the future.

Risk assessment

The Business & Human Rights Resource Centre, a British NGO, maintains a database with examples of environmental and human rights risks. Using this as a guide, we identify sectors in which general environmental and human rights risks could easily occur and then check any applicable circumstances in our supply chain, as well as the status of initiatives related to risks with regard to these areas. The results of these checks are also supervised by external experts.

Improvements and remedial action

The Sojitz Group has hotlines both inside and outside of its companies, and has built a system to directly receive information from victims.

We will also raise adequate awareness of issues within the Sojitz Group, and as necessary, conduct educational activities for suppliers.

Disclose results

We will continue to actively disclose the results of the Group's activities.

2) Fostering diverse and autonomous human resources

Sojitz has continued to implement human resource initiatives aimed at fostering human resources adept at creating value by transforming changes into opportunities.

Under Medium-Term Management Plan 2023, we will implement various human resource initiatives to turn diversity into a competitive advantage in order to develop an organization consisting of individuals with diversity and autonomy under the theme of "Transformation of Diversity into Competitiveness."

To begin with, we will accelerate our initiatives for empowering female employees and otherwise promoting diversity implemented thus far. The Company will also continue and build upon efforts for utilizing teleworking, accommodating other flexible workstyles, and developing workplace environments that are conducive to diverse workstyles.

In addition, Companywide frameworks for encouraging ambition will be expanded. One such framework is the Hassojitz Project,* a project launched in 2019 to foster human resources with business operation capabilities, innovative and entrepreneurial ideas, and an ability to involve others and to complete tasks. Furthermore, employees will be provided with an increased range of opportunities to feel their own personal growth, including dispatches of junior employees to overseas assignments and long-term trainee programs. Sojitz will continue to help employees realize their desired career path in an effort to link individual growth to the growth of organizations and subsequently the Company, and thereby drive the creation of new businesses.

* Project for considering new businesses and business models based on anticipated future social trends and changes

• Promotion of diversity

Sojitz seeks to utilize the diversity of its human resources to respond to the rapidly changing market environment, and transform itself into an organization that can always create new businesses with great speed. In order to do so, Sojitz has been actively and continuously hiring and appointing diverse human resources, including women, foreign nationals, and mid-career hires with diverse work experience. We have also been promoting initiatives that include creating a work environment which makes full use of the characteristics and abilities of each employee, as well as educating middle managers.

In Medium-Term Management Plan 2023, in addition to initiatives undertaken so far, we will encourage diverse career paths and workstyles and implement human resource measures that utilize the diversity of our employees to help create new businesses, as well as enhance the decision-making of our organizations.

In recent years, Sojitz has actively promoted participation by women in the workplace, and we have been selected as a Nadeshiko Brand company for five years running. In addition to raising the ratio of women in various categories, we have also raised the number of female employees stationed overseas, female general managers and female section managers, thereby expanding the venues for participation by female employees. In April 2021, the Company appointed its first female executive officer through a process of internal promotion.

In Medium-Term Management Plan 2023, we aim to raise the ratio of female employees to approximately 50% by the end of the 2030s, and in the medium to long term, we will develop an environment in which women can fully participate as a matter of course. While supporting self-directed growth of employees, we will continuously work to build a pipeline, accumulate experience, raise career awareness in each generation, and increase the number of female employees involved in decision-making for management in the future.

Goals Related to Participation of Women

	Ratios of women employees among:	FY2020	MTMP Targets (FY2023)	FY2030	2030s
Pipelines	Section Managers	8.6%	10% or more	around 20%	
	Section manages candidates	12%		around 30%	
	New hires (career track)	around 30%	maintain at 30% or above		
Long-term perspective	All employees	24%			around 50%

(Reference)

- Sojitz Selected as "Nadeshiko Brand" for Fifth Consecutive Year (March 2021)
  https://www.sojitz.com/jp/news/docs/210322e.pdf
- Action Plan for Promoting Women in the Workplace (FY2021–FY2023)
  https://www.sojitz.com/en/csr/employee/pdf/kodo2021_en.pdf

• Development of a work environment that realizes flexible and diverse workstyles

In March 2018, Sojitz established the Sojitz Group health management charter "Sojitz Healthy Value," and is working to maintain and improve the health of both employees and their families. In March 2021, Sojitz Corporation was certified for the third consecutive year as a "Certified Health & Productivity Management Organization 2021 (White 500)," a commemoration for companies that practice excellent health management, sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi. In FY2020, Sojitz was also certified as a "2021 Health & Productivity Stock," a company that strategically addresses health management from a business management perspective.

Additionally, as part of workstyle reform, we have introduced a superflex system that does not have core work hours in order to promote flexible work styles. Under the influence of the COVID-19 pandemic, we have given top priority to protecting the health of our employees and their families. By using a balanced mix of teleworking and commuting to the office, we are building an environment where employees can avoid risk of infection while getting their work done. On October 30, 2020, in recognition of these initiatives, Sojitz was selected as one of the "Top Hundred Telework Pioneers" in FY2020 by the Ministry of Internal Affairs and Communications. We will continue to listen to the opinions of employees as we seek to create new workstyles and a highly flexible work environment.

• Initiatives to realize diverse career paths and workstyles

Amid significant changes in the environment, such as labor shortages, changes in working values, and the popularization of new workstyles including concurrent positions and side jobs, Sojitz is promoting new initiatives to enable employees working at our company to maintain strong motivation and realize diverse career paths and workstyles.

- New job-based company
In March 2021, Sojitz established a new job-based employment company, "Sojitz Professional Share Corporation," as a career platform that supports diverse career and life plans for employees who are age 35 or older. Operations started in July 2021, and the company will offer support for each employee to continue to be active and pursue new career paths, by enabling them to work up until the age of 70 without restrictions such as working hours or work locations, and to start side jobs or become entrepreneurs.

- Support for entrepreneurship and independent businesses
In order to support employees who aim to achieve independence and become entrepreneurs, we have introduced a support system for entrepreneurship and independent businesses that provides Sojitz's resources (funds, information, and networks). We will aim to secure and train human resources who actively undertake new challenges with their entrepreneurial spirit, and to transform our corporate culture by supporting career paths of employees including support for independence and starting a new business.

- Sojitz Alumni
In response to a proposal made by former Sojitz employees to establish "Sojitz Alumni," we officially recognize and support operations of Sojitz Alumni activities. We will utilize Sojitz Alumni as a platform to build and expand a human network consisting of Sojitz officers and employees as well as former employees of Sojitz, and promote further expansion of Sojitz's business domains.

Through the gradual formation of the Sojitz Group, we will promote the creation of new business opportunities that are not bound by current business domains and welcome open innovation.

• Initiatives to train future leaders
We are working to maximize the capabilities of individual human resources through our human resources system and training system. Sojitz has a trainee system including dispatches to overseas assignments that range from a period of three months to over a year for all young employees, who will be responsible for the future of the company. In FY2020, we started a new initiative to assign employees as trainees to operating companies in fields other than that of the division they belong to, increasing their opportunities to experience business operations and decision-making, and broadening their horizons. We are also providing next-generation executive management with opportunities for executive coaching and workshops with other companies, in order to lead transformations in strategic thinking and behavior with an eye toward the future. In this manner, we will systematically train future executive management by providing a wide range of training opportunities, for everyone from our young employees to middle managers.

(Reference)
▪ Sojitz's Human Resources
https://www.sojitz.com/en/csr/employee/

8. Basic Policy on Dividends

In addition to paying stable dividends to shareholders on an ongoing basis, Sojitz is also committed to enhancing shareholder value and improving its competitiveness by accumulating and effectively utilizing retained earnings. This endeavor is positioned as a basic policy and a top management priority. In accordance with this basic policy, the Company will target a consolidated payout ratio of around 30% under Medium-Term Management Plan 2020.

Sojitz decided to pay the year-end cash dividend as follows after comprehensively considering factors including results for the fiscal year and total equity. As a result, the consolidated payout ratio based on profit for the year (attributable to owners of the parent) was 44.4%.

(1) Type of Property to Be Distributed as Dividend
Cash

(2) Total Value of Dividend Distribution and Its Allocation among Shareholders
¥5 per share of Sojitz common stock, ¥6,003 million in total including the interim dividend of ¥5 per share on December 1, 2020 fiscal 2020 dividends will total ¥10 per share, or ¥12,006 million in aggregate.

(3) Effective Date of Dividends from Surplus
June 21, 2021

• FY2021 dividends
Sojitz will target a consolidated payout ratio of around 30% under Medium-Term Management Plan 2023 under the basic policy.

The lower limit for dividends is set as representing market price-based DOE*1 of 4% until PBR reaches 1.0 times and book value-based DOE*2 of 4% after PBR reaches 1.0 times.

As for dividends for the year ending March 31, 2022, Sojitz plans to pay a dividend of ¥14 per share (an interim dividend of ¥7 and a year-end dividend of ¥7). The consolidated payout ratio is forecast to reach around 31.7%.

Sojitz repurchases its own shares from May 1, 2021 to September 30, 2021. Even after the repurchase of its shares, the consolidated payout ratio is above 30%. At the 18th Ordinary General Shareholders' Meeting held on June 18, 2021, the Company proposed a one-for-five reverse stock split affecting shares of common stock to be conducted with an effective date of October 1, 2021. Accounting for the impacts of this reverse stock split, the Company plans to issue a year-end dividend of ¥35.00 per share.

*1 Market price-based DOE = Total dividends paid ÷ (Average annual closing share price × Total shares issued at fiscal year-end)
*2 Book value-based DOE = Total dividends paid ÷ Total equity at fiscal year-end (book value)

Sojitz's Articles of Incorporation permit the payment of interim cash dividends by resolution of the Board of Directors as stipulated by Article 454, Paragraph 5 of the Companies Act of Japan. As a result, Sojitz's basic policy is to pay dividends twice annually, with the interim dividend being approved by resolution of the Board of Directors and the year-end dividend being approved by the Ordinary General Shareholders' Meeting.

(Note) Dividends paid from surplus for the 18th term are as shown below.

Type of share	Date of resolution	Total amount of dividends (millions of yen)	Dividend per share (yen)
Ordinary shares	October 30, 2020 Resolution of the Board of Directors	6,003	5.00
Ordinary shares	June 18, 2021 Resolution of the General Shareholders' Meeting	6,003	5.00