

# Medium-Term Management Plan 2017

~Challenge for Growth~

May 7, 2015  
**Sojitz Corporation**

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~Change for Challenge~

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#### Caution regarding Forward-looking Statements

This document contains forward-looking statements based on information available to the company at the time of disclosure and certain assumptions that management believes to be reasonable. Sojitz makes no assurances as to the actual results and/or other outcomes, which may differ substantially from those expressed or implied by such forward-looking statements due to various factors including changes in economic conditions in key markets, both in and outside of Japan, and exchange rate movements.

The company will provide timely disclosure of any material changes, events, or other relevant issues.

I. Review of Medium-Term Management Plan 2014  
~Change for Challenge~

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# Medium-Term Management Plan 2014

## Results and Existing Challenges

### Current Status and Results

#### Plan Objectives

Enhance the financial foundation through the accumulation of total equity

Strengthen earnings capacity by improving the quality of assets

Continue investing for growth

Build up a structure and organization that enables its business to be creative, efficient, and highly capable of managing risk

Foster human resources that are able to go the distance even in a business environment typified by accelerating globalization

#### Prepared for New Growth Trajectory

Financial foundation strengthened by increasing total equity and firmly establishing balance-sheet-based management

FY 2014 total equity: ¥550.9 billion  
Net DER: 1.1 times

Asset portfolio quality improved through asset replacement, but earning capacity still insufficient

Collection of funds: ¥153.0 billion  
Investments and loans: ¥155.0 billion

Controller Offices established in each division to conduct onsite risk management

Various training and hiring systems introduced to develop globally competent human resources

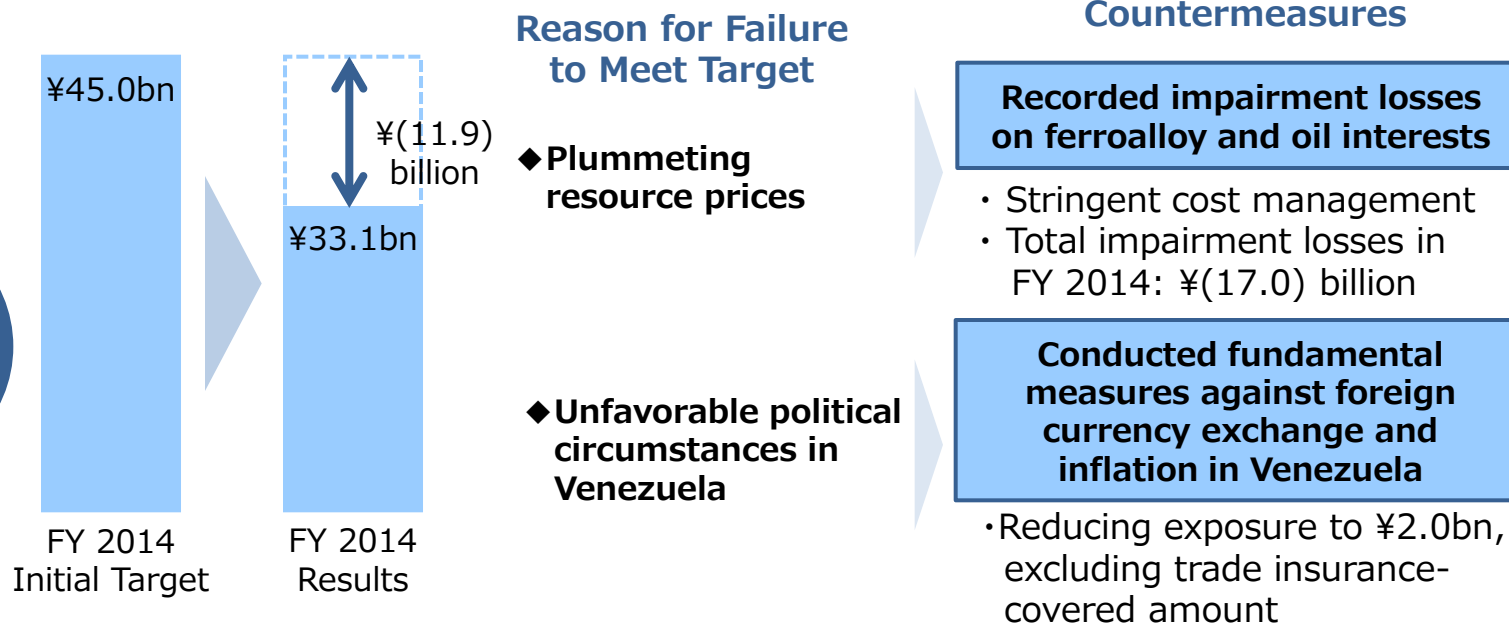
# Medium-Term Management Plan 2014

## Final Year Performance

### Quantitative Targets

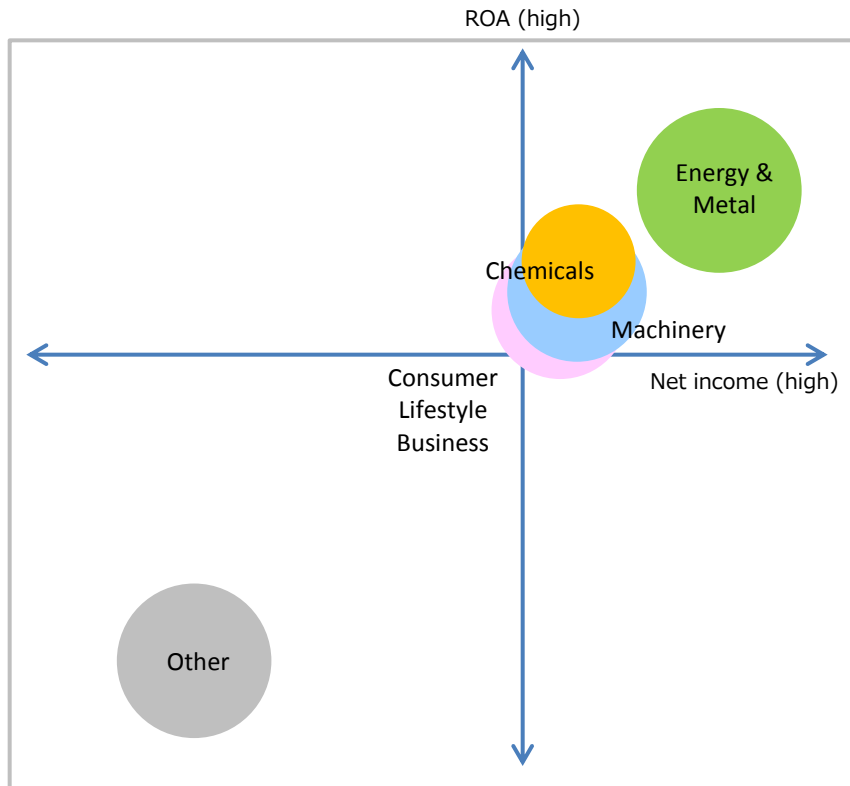
	Initial Targets	FY 2014 Initial Forecast	FY 2014 Results	Comparison to Initial Targets
Profit for the year	¥45.0 billion	¥33.0 billion	¥33.1 billion	¥(11.9) billion
ROA	2.0% or higher	1.5%	1.5%	(0.5)%
Net DER	2.0 times or lower	1.4 times	1.1 times	–
Total assets	Approx. ¥2 trillion	¥2.3 trillion	¥2.3 trillion	Maintained
Consolidated payout ratio	Approx. 20%	Approx. 20%	22.7%	Sufficient

### Profit for the Year Target

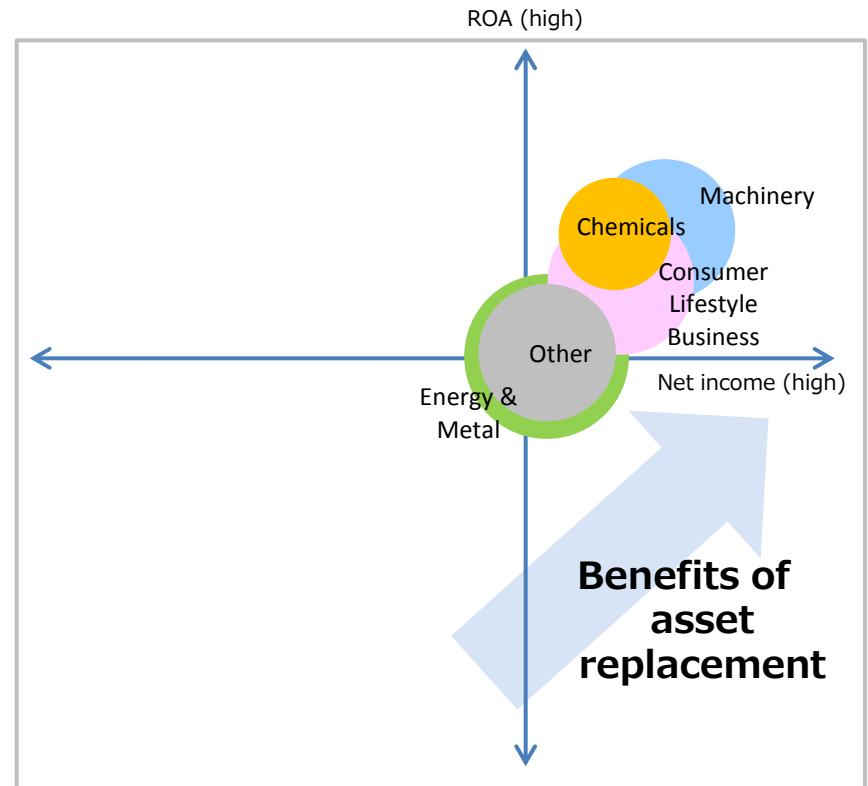


# Improved Profitability

FY 2011 (Final Year of Shine 2011)



FY 2014 (Final Year of Medium-Term Management Plan 2014)



Medium-Term Management Plan 2014 (April 2012–March 2015)

Asset Reduction

¥178.0 billion

Collection of Funds

¥153.0 billion

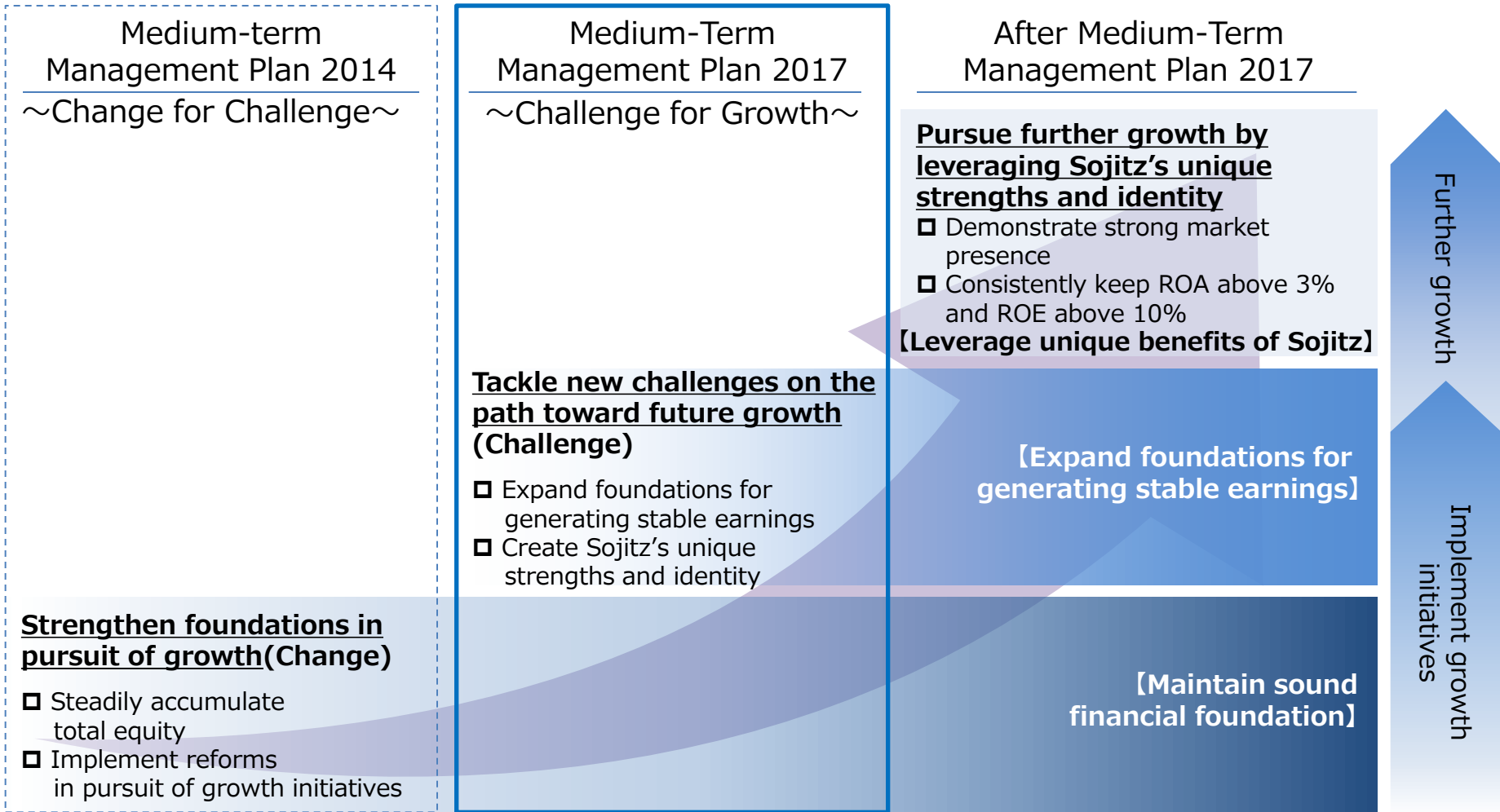
Investments and Loans

¥155.0 billion

## II. Medium-Term Management Plan 2017 ~Challenge for Growth~

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# Focus on the Future: Medium-Term Management Plan 2017 ~Challenge for Growth~



Creating value and prosperity



# Assumptions of Medium-Term Management Plan 2017

## Operating Environment

- **Americas:** The recovery trend will remain strong, but the impacts of monetary tightening need to be monitored carefully.
- **Asia:** Economic growth is anticipated in ASEAN and other emerging countries, but China is expected to suffer from economic slowdown. There is also concern with regard to the consequences of interest rate increases in the United States.
- **Japan:** The modest recovery trend is expected to continue, but economic slowdown will likely occur after the next consumption tax hike.

## Assumed Commodity Price

Crude oil  
(Brent)

US\$60/bbl

Thermal  
coal

US\$68/t

Exchange  
rate

¥120 = US\$1

Interest  
rates  
(TIBOR)

0.2%

\* Assumed price of crude oil in FY 2017: \$65/bbl

# Medium-Term Management Plan 2017

## Financial Targets

**Profit for the year:  
¥60.0 billion  
or more**

**ROA:  
2% or above**

**ROE:  
8% or above**

**Net DER:  
1.5 times or  
lower**

**3-year total  
for  
investments  
and loans:  
¥300.0 billion**

**Shareholder  
returns:  
Consolidated  
payout ratio of  
approx. 25%**

# Medium-Term Management Plan 2017

## Growth Strategies and Measures

### Growth Strategies

#### Expand and create clusters of revenue-generating business

- ❑ Expand foundations for generating stable earnings
- ❑ Create clusters of profitable businesses

### Measures

- ◆ Accelerate management speed by shifting to new organizational structure
- ◆ Construct an asset portfolio representative of Sojitz's unique strengths and identity
- ◆ Implement growth strategies for overseas region

#### Strengthen and acquire functions in accordance with strategies

- ◆ Enhance and fully leverage Company strengths, expertise, and functions
- ◆ Create and capture new business fields in response to demands and changes in growth markets and industry structures

Improved profitability  
and cash-generating  
capacity

Function-based  
value creation  
cycle

Value creation and  
increased  
competitiveness

# Medium-Term Management Plan 2017

## Pillars Underpinning Growth Strategies

### Investments and Loans

Improve speed and feasibility when conducting investments and loans to accomplish the following:

- ❑ Enhance existing capabilities and acquire new functions
- ❑ Expand, capture and create markets
- ❑ Extend operations into new fields to strengthen division foundations

### Finances & Shareholder Returns

- Maintain positive aggregate free cash flow over period including previous mid-term management plan
- Utilize profits from plan period and ongoing asset replacement revenues to conduct new investments and loans and issue shareholder returns
- Efficiently manage Group funds to respond quickly and flexibly to changes in foreign exchange rates and the operating environment

### Risk Management

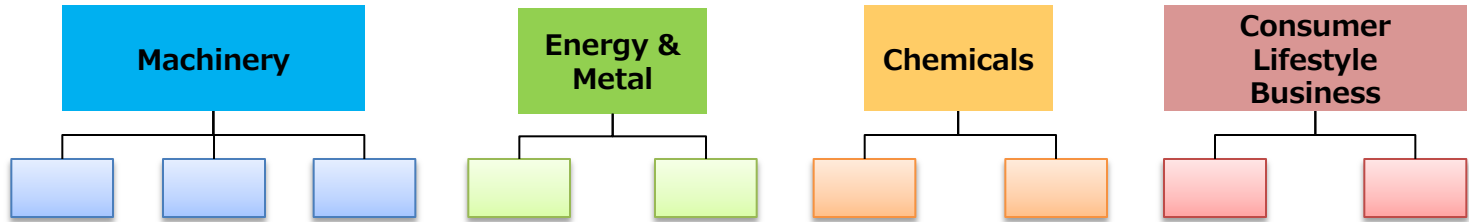
- ❑ Enhance risk management capabilities of individual companies and work sites
- ❑ Strengthen immediate-response risk management by analyzing risk scenarios in principal businesses
- ❑ Accurately determine which risks can be managed completely in-house and which cannot

### Human Resources

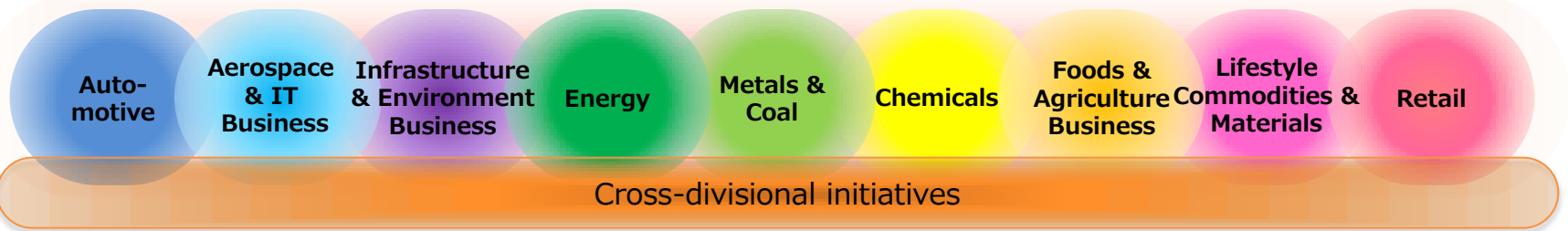
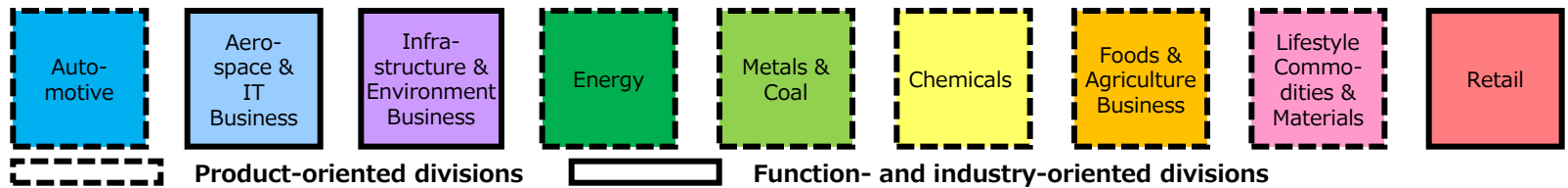
- Develop human resources that proactively work to acquire new functions and leverage their creativity
- Respond to globalization by fully utilizing human resources from various backgrounds (employment and development of globally-competent human resources)
- Create Sojitz's unique strengths and identity based on speed and trust by ensuring the Corporate Statement and Sojitz Guiding Principles are firmly established.

# New Organizational Structure

4-Division Structure



9-Division Structure



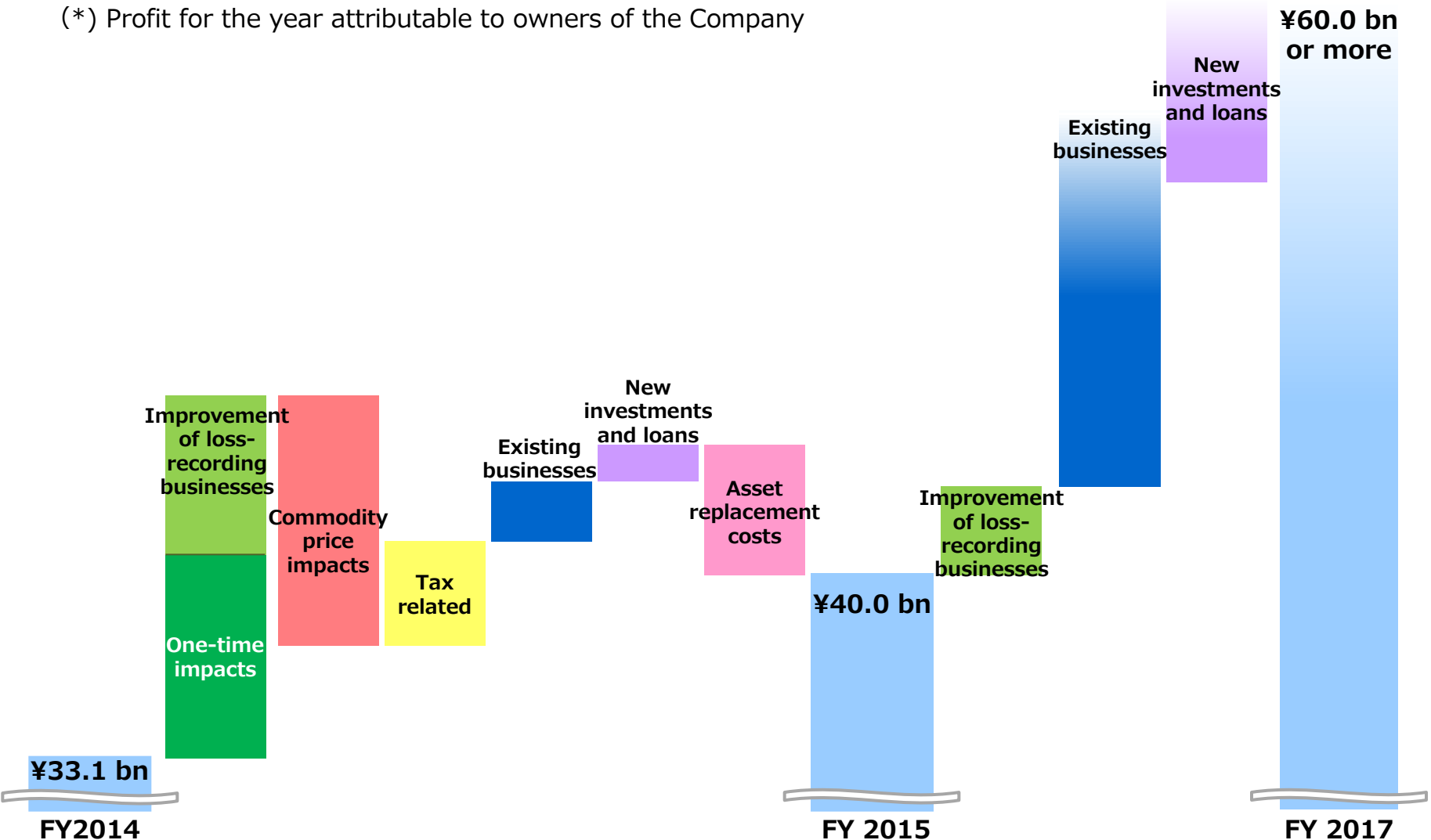
**Purpose**

**Create value and businesses based on function, and pursue portfolio management**

- Increase emphasis on speed by flattening organization
- Facilitate efforts to expand businesses and take advantage of new business opportunities
- Strengthen cross-divisional initiatives

# Roadmap Toward Doubled Profit for the Year

(\*) Profit for the year attributable to owners of the Company



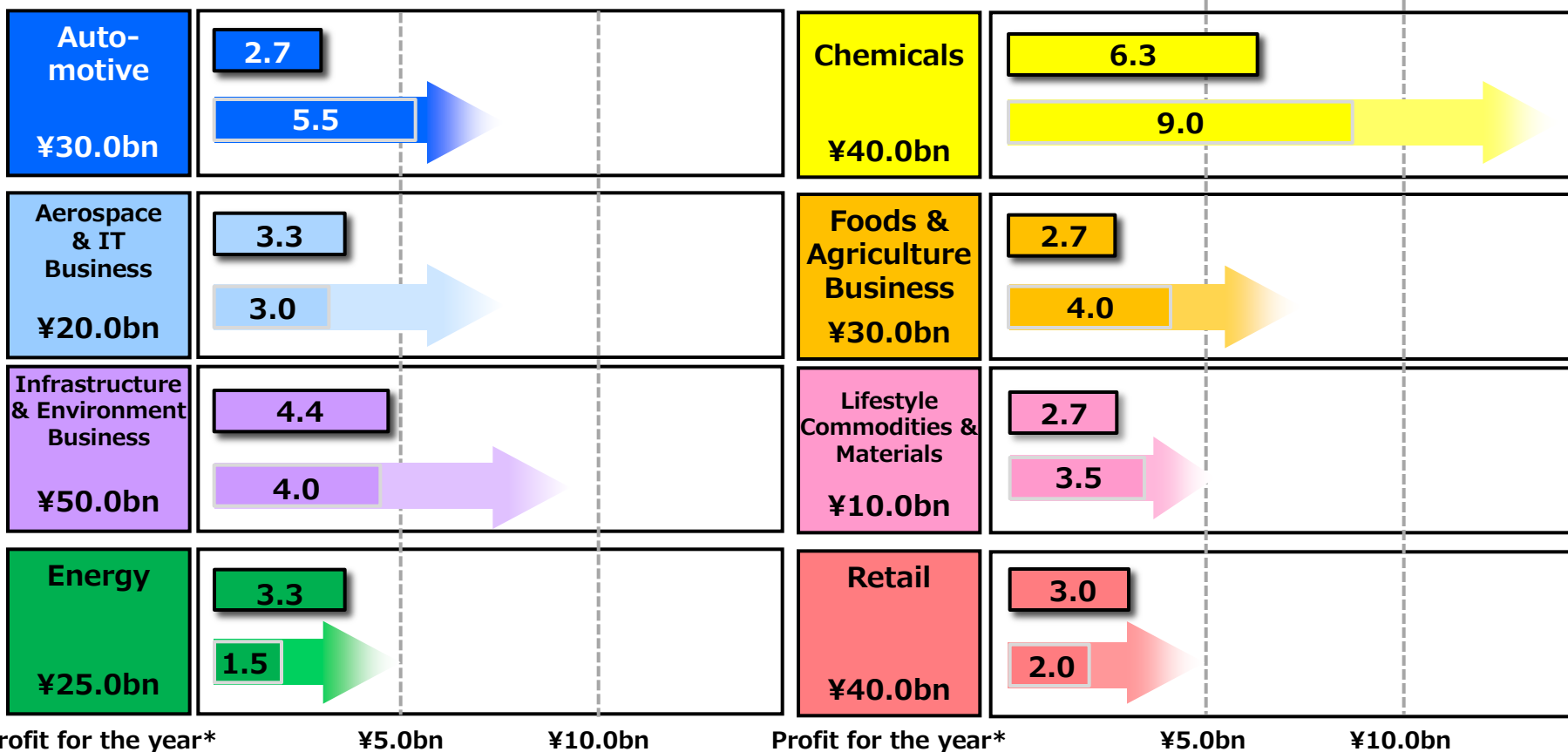
# Business Clusters Generating ¥5.0bn, ¥10.0bn in Revenue - Outlook on Profit for the Year by Division -

<Key>

**Division**  
Investment & Loan  
Assumption

FY 2014 Results

FY 2015 Forecasts → FY 2017 Forecasts



Profit for the year\*

¥5.0bn

¥10.0bn

Profit for the year\*

¥5.0bn

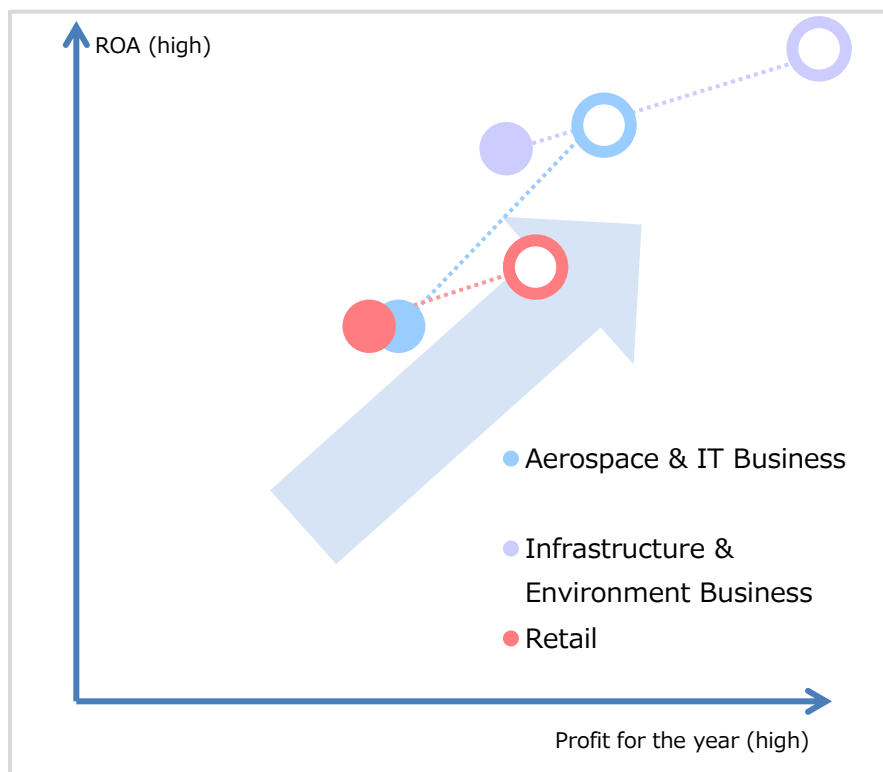
¥10.0bn

\* Attributable to owners of the Company

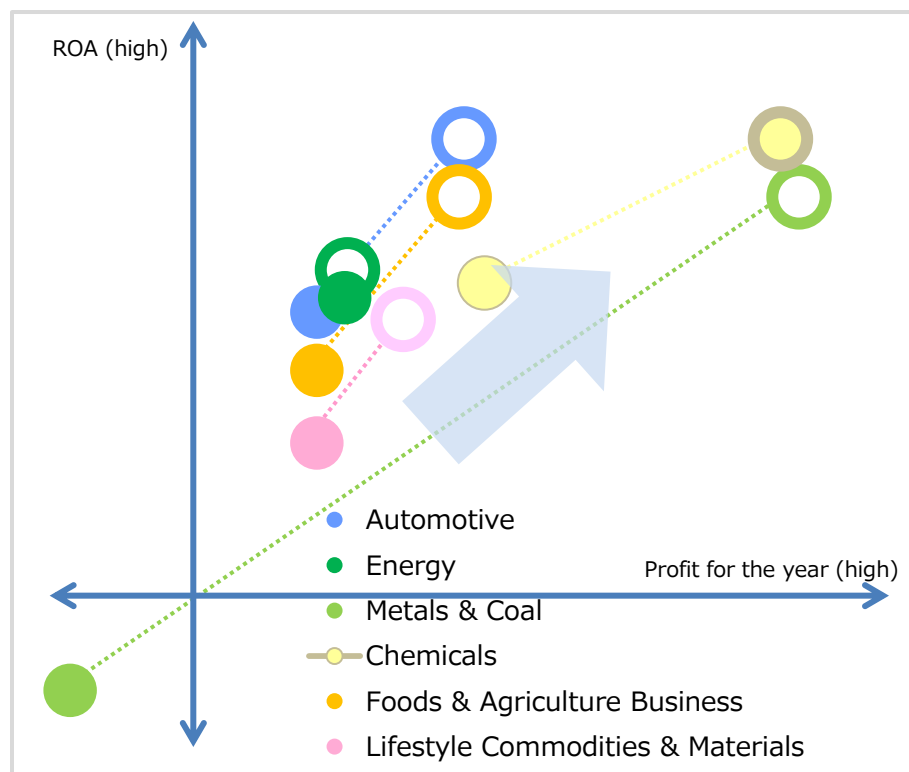
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# Construct an Asset Portfolio Representative of Sojitz's Unique Strengths and Identity

## Focus Areas of Medium-Term Management Plan 2017



## Areas to Construct Foundations under Medium-Term Management Plan 2017



## Improve Asset Quality and Business Portfolio

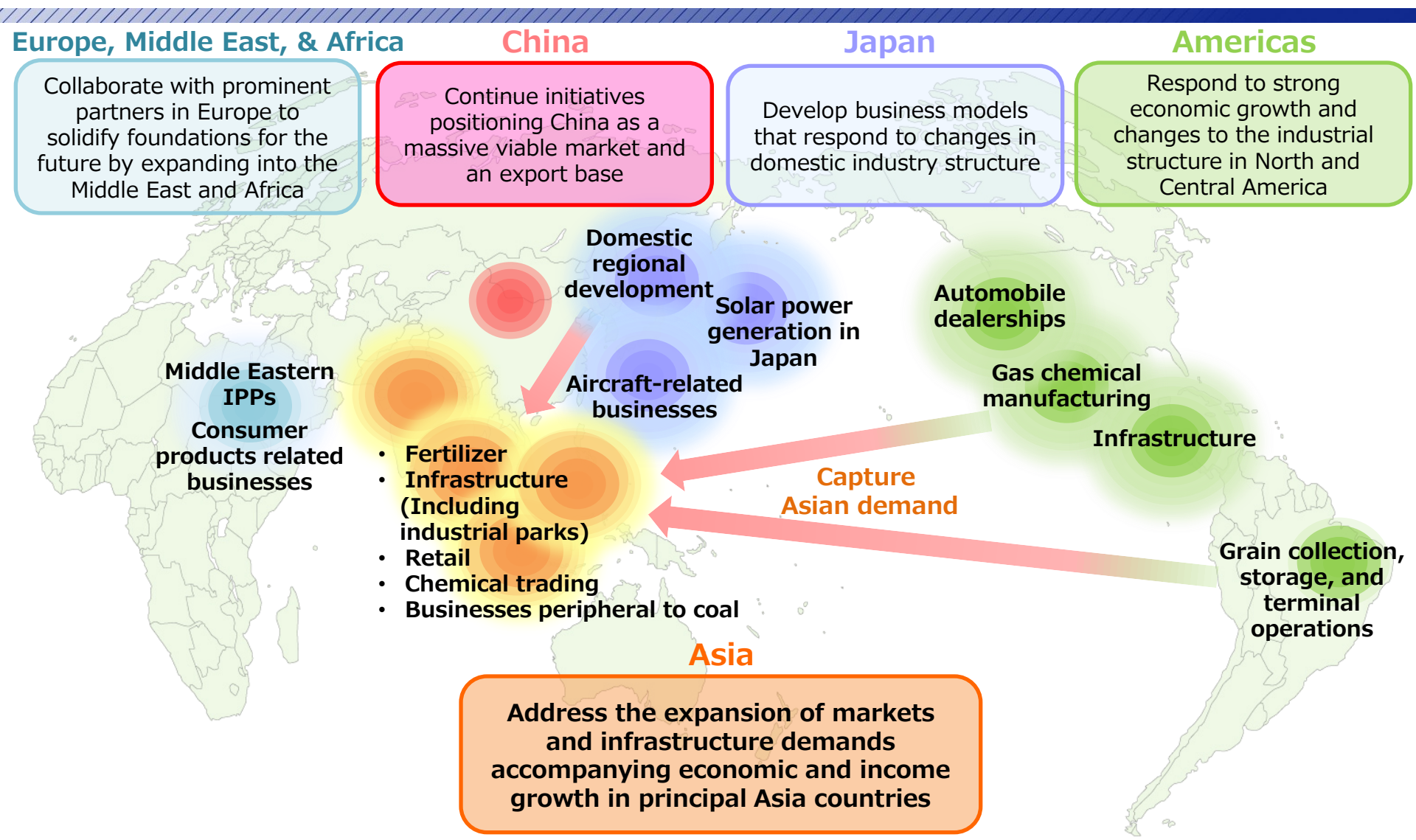
- Continue conducting asset replacement
- Reduce number of loss-recording companies by quickly returning such companies to profitability or else divesting
- Conduct quick and feasible investments and loans based on division strategies

FY2014  
Results

FY2017  
Forecasts

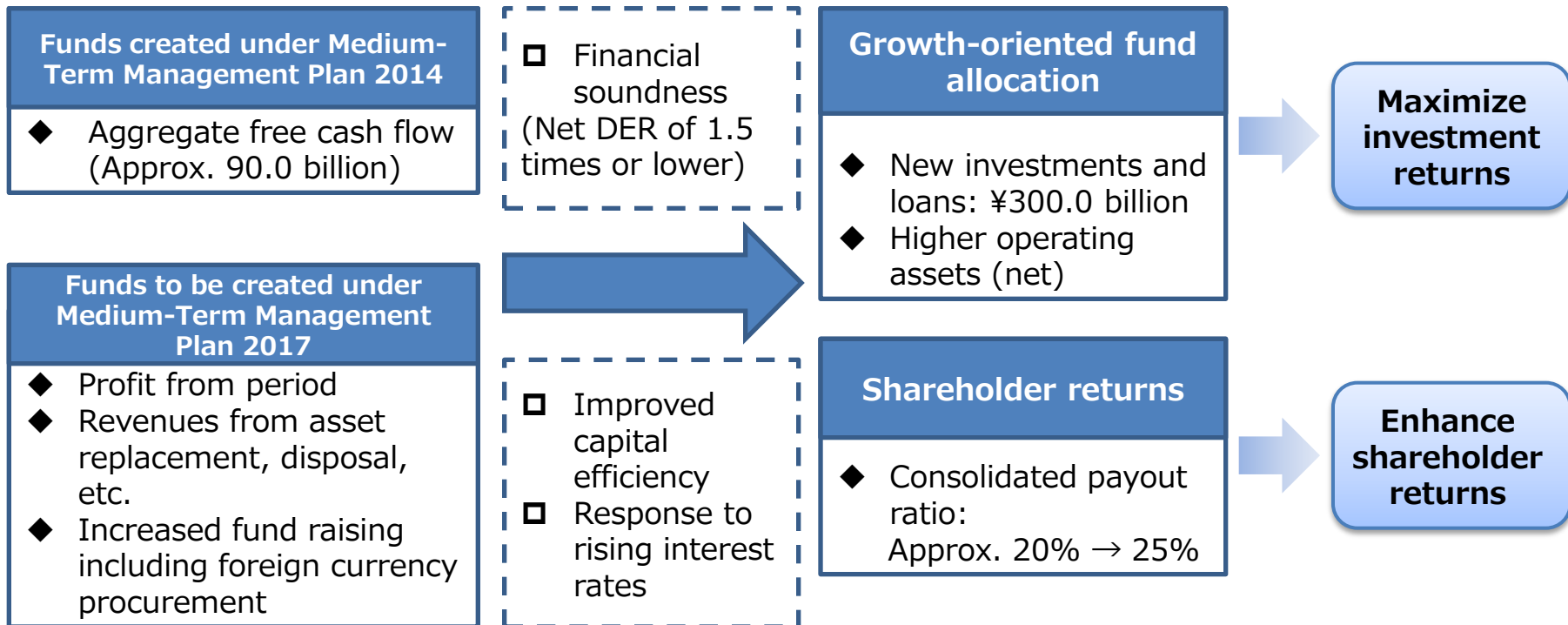


# Strengthening Regional Strategies



# Financial Policies

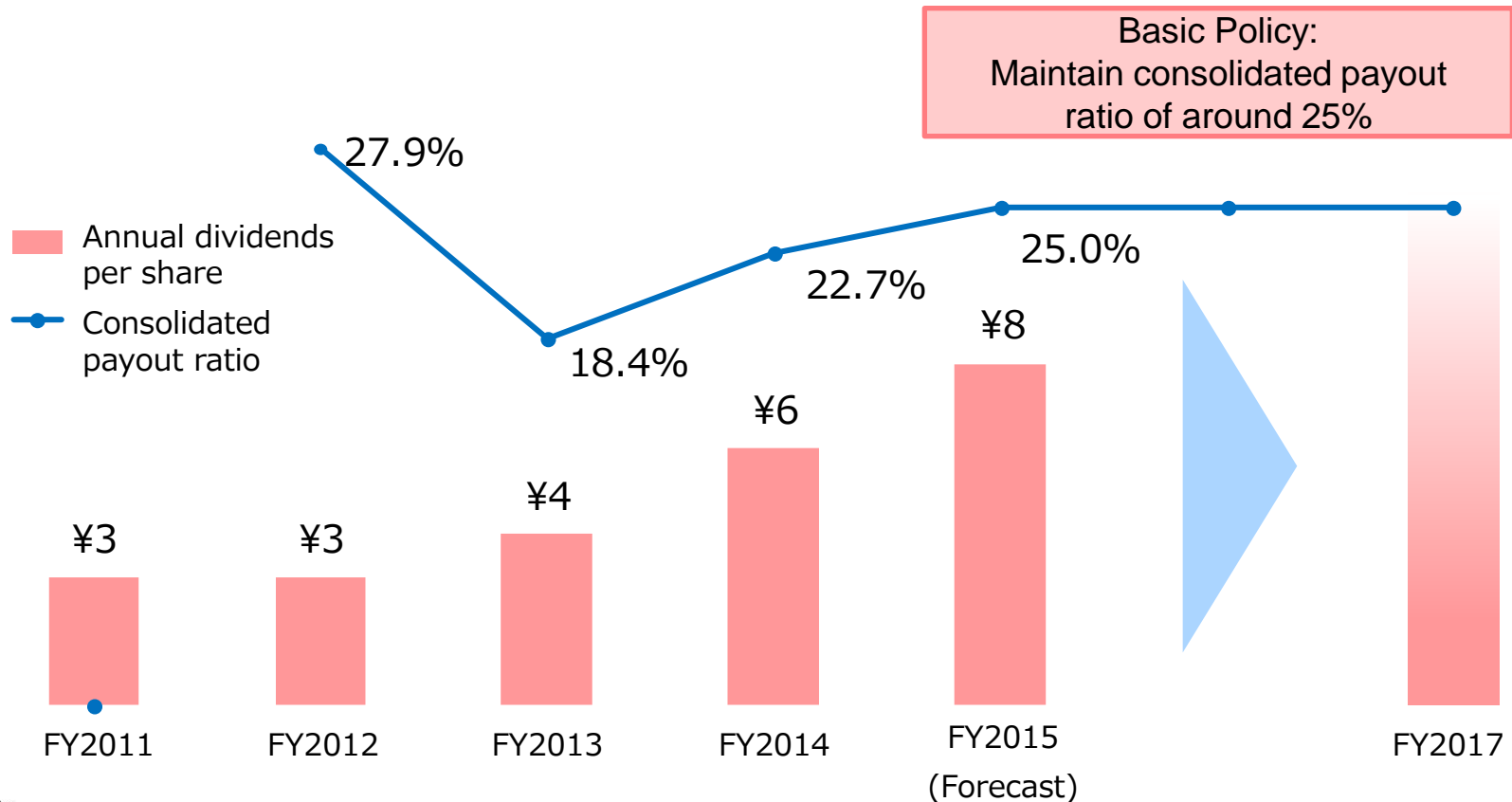
- ❑ Maintain positive aggregate free cash flow over period including previous plan
- ❑ Utilize profits from plan period and ongoing asset replacement revenues and secure capital by increasing fund raising amounts to conduct new investments and loans and issue shareholder returns
- ❑ Efficiently manage Group funds to respond quickly and flexibly to changes in foreign exchange rates and the operating environment



# Dividend Policy

## Basic Dividend Policy

Sojitz recognizes that paying stable, continuous dividends is a management priority, together with enhancing shareholder value and boosting competitiveness through the accumulation and effective use of retained earnings.



# FY 2015 Forecast

## Business Performance

(Billions of yen)	FY2014 Results	FY2015 Forecast
Gross profit	197.7	215.0
Operating profit	33.6	40.5
Profit for the year*1	33.1	40.0

## Financial Position

(Billions of yen)	Mar. 31, 2015	Mar. 31, 2016 Forecast
Total assets	2,297.4	2,400.0
Total equity	550.9	580.0
Equity ratio	24.0%	24.2%
Net interest-bearing debt	629.6	680.0
Net D/E ratio (times)	1.1	1.2

## Dividend

	FY2014	FY2015 (Forecast)
Annual dividends per share	¥6	¥8

## Profit for the year by division\*1

(Billions of yen)

45.0

40.0

35.0

30.0

25.0

20.0

15.0

10.0

5.0

0.0

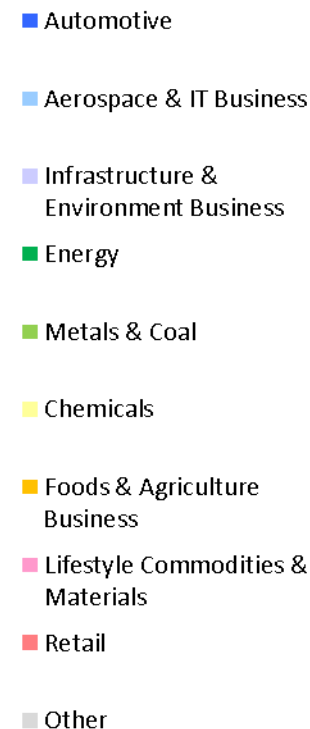
(5.0)

**33.1**

FY 2014

**40.0**

FY 2015 Forecast



(\*1) Profit attributable to owners of the Company  
 (Note) Figures for FY2014 use performance figures from the former organizational structure (4 divisions and Other) that have been restated to match the new organizational structure (9 divisions and Other) using simple calculations, and may therefore differ from figures disclosed in the future.

## 【Supplemental Data】 Division Overview

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# Growth Strategy and Financial Targets by Division

## Automotive



Shape strong asset portfolio by incorporating market growth centered on emerging countries, and by expanding dealership businesses.

Assumed  
Investment & Loan  
¥30.0 billion

Target ROA  
2.0→3.1%

## Aerospace & IT Business



Participate in aircraft-related and airport operation businesses by leveraging aircraft industry expertise accumulated through work as sales agent for Boeing.

Assumed  
Investment & Loan  
¥20.0 billion

Target ROA  
1.9→2.9%

## Infrastructure & Environment Business



Create foundations for stable earnings centered on thermal power and renewable energy IPPs in the infrastructure field, which is expected to show sustainable growth worldwide.

Assumed  
Investment & Loan  
¥50.0 billion

Target ROA  
2.8→3.3%

\*1: Assumed Investment & Loan: 3 years aggregate amount \*2: ROA: FY2014 Results → FY2017 Targets

# Growth Strategy and Financial Targets by Division

## Energy



Shift away from upstream interest-centric business model to reconstruct asset portfolio with focus on market condition-resilient midstream and downstream gas-related fields.

Assumed  
Investment & Loan  
¥25.0 billion

Target ROA  
2.1 → 2.3%

## Metals & Coal



Conduct asset replacement without increasing total assets while reconstructing earnings foundations focused on areas in which coal business strengths can be leveraged.

Assumed  
Investment & Loan  
¥35.0 billion

Target ROA  
- → 2.8%

## Chemicals



Pursue growth by leveraging customer relationships forged through trading to expand global trading operations and conduct business investments in industrial salts, plastic resins, petroleum resins, etc.

Assumed  
Investment & Loan  
¥40.0 billion

Target ROA  
2.2 → 3.2%

\*1: Assumed Investment & Loan: 3 years aggregate amount \*2: ROA: FY2014 Results → FY2017 Targets

# Growth Strategy and Financial Targets by Division

## Foods & Agriculture Business



Capture growth in Asia by expanding and constructing value chains for fertilizer and other businesses representative of the Company's strengths.

Assumed  
Investment & Loan  
¥30.0 billion

Target ROA  
1.6 → 2.8%

## Lifestyle Commodities & Materials



Improve profitability by revising business models related to textiles, forest products, and other existing businesses, and develop operations in still-growing Asia.

Assumed  
Investment & Loan  
¥10.0 billion

Target ROA  
1.1 → 2.0%

## Retail



Bring in growth from the ASEAN region and its markets by providing functions to assist retail business development and industrial park and commercial facility operation.

Assumed  
Investment & Loan  
¥40.0 billion

Target ROA  
1.9 → 2.2%

\*1: Assumed Investment & Loan: 3 years aggregate amount \*2: ROA: FY2014 Results → FY2017 Targets





***sojitz***

***New way, New value***