

Financial Results for the First Half Ended September 30, 2019

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.

November 1, 2019
Sojitz Corporation

FY2019 2Q Summary

- **41% progress with full-year forecasts including impacts of global economic slowdown and falling resource prices**

	FY2018 2Q Results	FY2019 2Q Results	Difference	FY2019 Initial Forecast	FY2019 Revised Forecast (Nov.1, 2019)	Achieved
Profit for the period (attributable to owners of the Company)	¥37.1bn	¥29.5bn	¥(7.6)bn	¥72.0bn	¥72.0bn	41%
ROA	–	–	–	3.1%	3.1%	–
ROE	–	–	–	11.3%	11.6%	–

- ✓ Rising uncertainty regarding global economy due to impacts of trade friction between the United States and China and emerging economic slowdown in China
- ✓ Need to continuously monitor the impacts of trade friction between the United States and China, foreign exchange rates, and commodity prices on emerging economies going forward

- **No change to initial full-year profit for the year forecast of ¥72.0 billion by exhaustive reviews of costs**
- **Decided interim dividend of ¥8.5 per share as planned**
Unchanged annual dividend of ¥17 per share to be issued as planned



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- The figure for profit for the period (attributable to owners of the Company) in the six-month period ended September 30, 2019, represented progress of 41% toward the full-year forecast for profit for the year (attributable to owners of the Company). The operating environment during this period was more challenging than had been anticipated due to factors such as global economic slowdown and falling resource prices.
- This challenging operating environment is expected to continue into the second half of the fiscal year given the uncertainty regarding negotiations between China and the United States and the situation in the Middle East.
- In this environment, Sojitz is moving ahead with an exhaustive revision of costs coupled with the investments and loans and asset replacement measures scheduled for the period of the medium-term management plan. The benefits of these efforts are expected to appear in the second half of the fiscal year, and we have thus chosen not to revise our full-year forecast of ¥72.0 billion for profit for the year (attributable to owners of the Company) in the fiscal year ending March 31, 2020.
- In addition, an interim dividend of ¥8.5 per share will be issued as planned, and there has been no change to our intention to pay an annual dividend of ¥17.0 per share.

Measures for Accomplishing Full-year Forecast

Going forward to accomplish full-year forecast through measures centered on exhaustive reviews of costs

① Exhaustive reviews of costs

- ✓ Reassess operating costs of resource interest operating costs
- ✓ Continue monitoring status of improvements at unprofitable companies
- ✓ Review likelihood of fruition of initially planned projects and non-essential and non-urgent costs

② Revision of earnings contribution schedule

- ✓ Revise investment and loan and asset replacement schedule for period of MTP*2020 to generate earnings

③ Steady generation of profits from previously executed investments and loans

- ✓ Ongoing monitoring of progress after investment or loan execution

- This slide details the major measures that are being implemented to accomplish our full-year forecast. First of all, we are conducting exhaustive reviews of costs. In addition to reassessing selling, general and administrative expenses, interest payments, and taxes, we will heighten efficiency with regard to resource interest operating costs, continue monitoring the status of unprofitable companies, reconfirm the likelihood of fruition of initially planned projects, and review non-essential and non-urgent costs.
- Next, we have revised the schedules for investments and loans and asset replacement under the period of Medium-Term Management Plan 2020. We will endeavor to maximize the profitability of existing assets in the year ending March 31, 2020, and plan to conduct investments and loans that are highly feasible. By revising and implementing the investment and loan and asset replacement schedule of the medium-term management plan in this manner, we will work toward the accomplishment of our full-year forecast.
- Lastly, we aim to ensure the steady generation of profits from previously executed investments and loans. In light of the challenging operating environment, we plan to conduct ongoing monitoring of project progress after the execution of investments and loans in order to guarantee the steady generation of profits and thereby drive continuous growth for the Company.

Summary of Profit or Loss - Profit for the period by segment -

Revisions to full-year forecasts for Energy & Social Infrastructure, Metals & Mineral Resources, Foods & Agriculture Business Division based on the progress by the first half ended September 30 2019

(Billions of yen)	FY2019 2Q Results	FY2019 Initial Forecast	Achieved	FY2019 Revised Forecast	Achieved
Profit for the period (attributable to owners of the Company)	29.5	72.0	41%	72.0	
Automotive	1.5	5.5	27%	5.5	
Aerospace & Transportation Project	0.6	5.0	12%	5.0	
Machinery & Medical Infrastructure	1.5	4.5	33%	4.5	
Energy & Social Infrastructure	3.4	5.5	62%	8.0	43%
Metals & Mineral Resources	9.8	25.0	39%	23.5	42%
Chemicals	4.8	11.0	44%	11.0	
Foods & Agriculture Business	1.2	4.5	27%	2.0	60%
Retail & Lifestyle Business	2.8	7.5	37%	7.5	
Industrial Infrastructure & Urban Development	0.6	1.0	60%	1.0	



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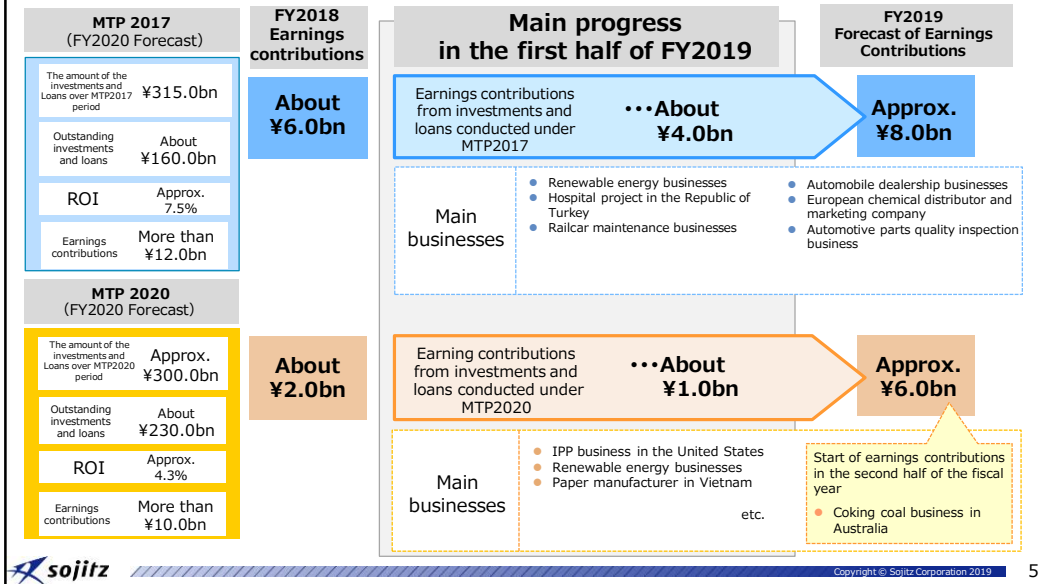
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- Revisions were instituted to the full-year forecasts for certain segments based on performance in the six-month period ended September 30, 2019.
- Specifically, the forecast for profit for the year (attributable to owners of the Company) in the Metals & Mineral Resources Divisions was lowered from ¥25.0 billion to ¥23.5 billion in reflection of current resources prices. In addition, the forecast for the Foods & Agriculture Division was reduced from ¥4.5 billion to ¥2.0 billion out of consideration for the low performance of fertilizer and domestic marine products businesses.
- Meanwhile, the forecast for profit for the year (attributable to owners of the Company) in the Energy & Social Infrastructure Division was raised from the initial forecast of ¥5.5 billion to ¥8.0 billion. This decision was made based on the gain on sales of oil interests recorded in the six-month period ended September 30, 2019, as well as the steady earnings contributions from renewable energy and other new businesses.

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Earnings Contributions from Previously Executed Investments and Loans

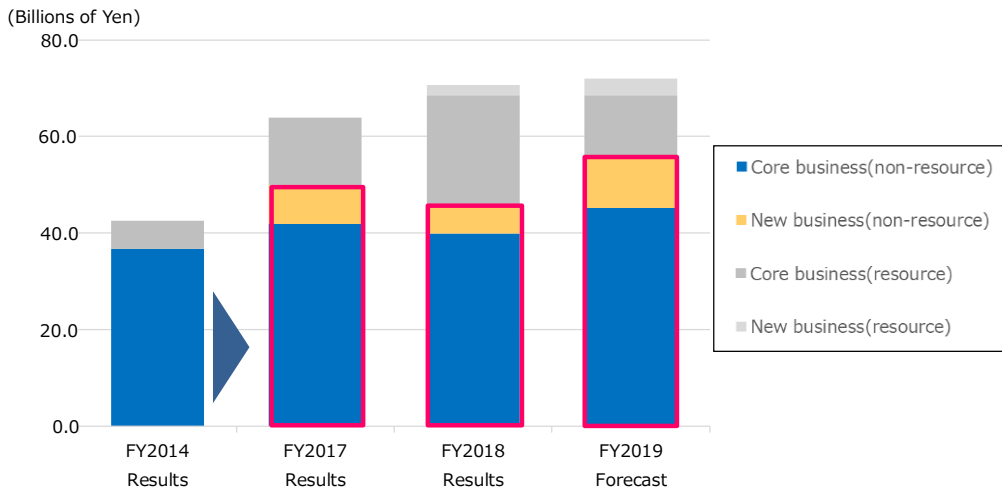
Steady earnings contributions centered on non-resource businesses are recorded mostly as planned



- With slide, we will look at earnings contributions from investments and loans conducted under Medium-Term Management Plan 2017 and Medium-Term Management Plan 2020. In the six-month period ended September 30, 2019, these earnings contributions amounted to roughly ¥5.0 billion and were centered on non-resource businesses. This amount represents progress that is generally in line with our plans and is indicative of the success of initiatives implemented thus far.
- Similar contributions are anticipated in the second half of the fiscal year, and we therefore anticipate that full-year contributions will come to approximately ¥14.0 billion, as initially forecast.
- In addition, new investments and loans conducted in the six-month period ended September 30, 2019, totaled ¥37.0 billion, making for on-schedule progress toward the three-year target.
- Going forward, we will continue efforts to maximize earnings contributions from previously executed investments and loans while consistently performing investments aimed at steady, ongoing growth.

Changes in Profit Structure

Steady growth in earnings capacity centered on non-resource operations due to ongoing earnings contributions from existing businesses along with contributions generated by new investments and loans

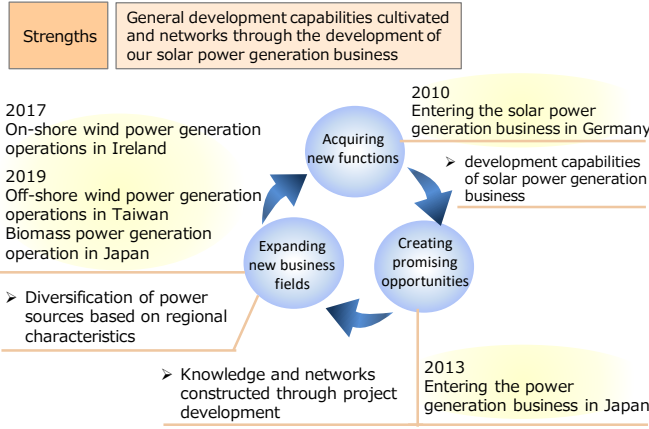


- I would now like to move on to discuss our management initiatives from a medium- to long-term perspective.
- The changes in our earnings portfolio are as shown on this slide. Earnings contributions from non-resource businesses since the start of the previous medium-term management plan have been framed by red lines. In this area, you will see particularly noteworthy progress with regard to earnings from new businesses, which are displayed in orange.
- Specific examples of these earnings include domestic and overseas renewable energy businesses. These businesses are generating consistent earnings contributions through profits from development and operation, capital gains, and the establishment of new earnings models for Sojitz.
- Performance in existing business is varied as a result of operating environment changes, with some performing well and others performing poorly. However, this does not change the fact that progress is being made in the construction of stable earnings foundations.

Functions and Progress in Focus Businesses (Renewable Energy Business)

Leverage comprehensive development functions encompassing everything from project identification to commercial operation to help create sophisticated social infrastructure contributing to sustainable, safe, secure, and comfortable lifestyles

◆ Competitive Advantage and History of Acquisition



◆ Future Outlook

Earnings foundations to be reinforced by expanding regional scope and developing new projects while addressing social issues by improving energy efficiency in ICT field.

<Specific measures>

- Accelerate initiatives pertaining to diversification of power sources (off-shore wind, biomass, geothermal, etc.)
- Develop downstream operations in deregulated power market (energy management)

- In its pursuit of ongoing growth, Sojitz is exercising its strengths and functions to create new value. One example of these efforts is the renewable energy businesses I touched on previously. Please look at this slide for more details on these businesses.

Functions and Progress in Focus Businesses (Australian Coking Coal Business)

Commencement of operation of Gregory Crinum coking coal mine in Australia by utilizing mine operation and rehabilitation functions cultivated for years

◆ Competitive Advantage and History of Acquirement



Start of Shipments in October 2019
Projected production volumes: 3 million tons/year
Reserve life: 10 or more years (open-air mining)

◆ Future Outlook

Thermal coal assets to be replaced while proposing new functions and value that exceed traditional business frameworks to build robust operating foundations not influenced by market fluctuations and to contribute to the realization of a sustainable society.

<Specific measures>

- Accelerate expansion of rehabilitation and contract operation services to surrounding mines
- Examine possible new business contributing to environmental preservation



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- In our Australian coking coal businesses, we are leveraging the mine operation and rehabilitation functions that have been cultivated for years in Australia, Indonesia, and other locations.
- In October 2019, we began production at and shipments from the Gregory Crinum coking coal mine, a coking coal interest acquired in March of this year. We anticipate a production volume of 1 million tons of coal in the year ending March 31, 2020, and this mine is scheduled to start contributing in its full capacity during the year ending March 31, 2021.

Cash Flow Management

Positive FCF and core cash flow attributable to strong core operating cash flow and smooth asset replacement

	FY2018 Results	FY2019 2Q Results	MTP 2020 3-year total (FY2018–FY2020)
Core operating cash flow (*1)	¥79.0bn	¥45.0bn	About ¥210.0bn~
Asset Replacement (Investment recovery)	¥92.0bn	¥13.0bn	¥120.0~¥150.0bn
New investments and loans	¥(91.0)bn	¥(37.0)bn	¥(270.0)~¥(300.0)bn
Shareholder returns (*2)	¥(17.0)bn	¥(12.0)bn	About ¥(60.0)bn
Core cash flow (*3)	¥63.0bn	¥9.0bn	Positive
Free cash flow	¥54.0bn	¥40.0bn	Positive

*1. Core operating cash flow = Net cash provided by (used in) operating activities – Changes in working capital

*2. 3-year total calculated based on target for profit for the year of ¥75.0 or more set for final year of MTP2020.

*3. Core cash flow = Core operating cash flow (excluding changes in working capital) + Investing cash flow (including asset replacement) – Dividends paid

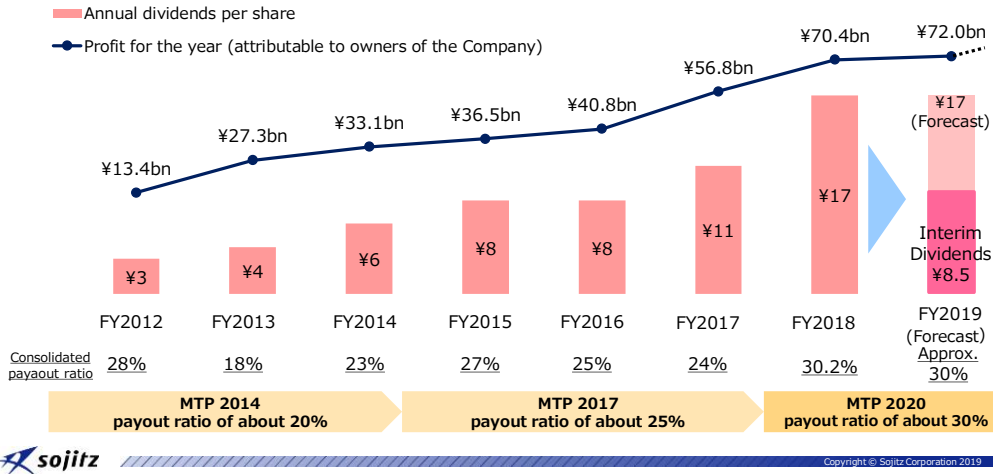
- This slide details our cash flow management plans. Under Medium-Term Management Plan 2020, growth investments and shareholder returns will be maintained within the scope of earnings generated during the period and cash produced through asset replacement. In the six-month period ended September 30, 2019, both free cash flow and core cash flow were in the positive as a result of a strong core operating cash flow and smooth progress in asset replacement.
- There has been no change to our intent to target an aggregate three-year total of ¥300.0 billion for investments and loans over the period of the medium-term management plan. We will pursue this target while maintaining a positive core cash flow.

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.

Under MTP2020, our basis policy will be to target a consolidated payout ratio of 30%.



- Sojitz will continue to adhere to its basic dividend policy of issuing stable, continuous dividends, and we intend to keep targeting a consolidated payout ratio of 30% under the current medium-term management plan.
- An interim dividend of ¥8.5 per share will be issued for the year ending March 31, 2019, as initially planned.
- Our intention to pay an annual dividend of ¥17.0 per share remains unchanged.

Credit Rating

- ✓ Achieved improvements in ratings and outlooks from major ratings institutions
- ✓ Acquired first A- rating since the Company's establishment

	MTP 2017 (End of Mar. 2018)	MTP 2020 (End of Sep. 2019)
JCR	BBB+ (Stable)	A- (Stable)
R&I	BBB (Stable)	BBB+ (Stable)
S&P	BBB- (Stable)	BBB- (Positive)


- Recently, Sojitz has had its ratings and outlooks revised by major ratings institutions. In terms of Japan Credit Rating Agency, Ltd., raised the rating of the Company from BBB+ to A- in reflection of its ability generate consistent earnings.
- In addition, Standard & Poor's Financial Services LLC changed the outlook for Sojitz from "Stable" to "Positive".
- Looking ahead, we intend to implement initiatives in preparation of our next step forward.

ESG Rating

New inclusion in FTSE and DJSI, global ESG indexes Selection for inclusion in ESG indexes utilized by GPIF


■ Inclusion in Major Domestic and Overseas Indexes and Evaluations by ESG Rating Institutions

MEMBER OF
Dow Jones Sustainability Indices

In collaboration with 


In the Dow Jones Sustainability Index (DJSI) series of globally recognized socially responsible investment indexes, Sojitz was selected for inclusion in DJSI World and DJSI Asia Pacific, for second consecutive years.

ESG indexes Utilized by GPIF




FTSE4Good

Sojitz was selected as a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index provided by FTSE Russell for second consecutive years.




FTSE Blossom Japan





MSCI Japan Empowering Women Index (WIN)

Sojitz was selected as a constituent of the MSCI Japan Empowering Women Index (WIN) for third consecutive years.

 **Sustainability Award Industry mover 2019**


Selected for "Silver Class" award, and "Industry Mover" award in corporate sustainability ratings by RobecoSAM

 **Sustainability Award Silver Class 2019**

 **CDP**
DISCLOSURE INSIGHT ACTION

In 2018, Sojitz received an upper rating of B in "Management" with regards to climate change.

First Trading Company to be Selected for Third Consecutive Year



Sojitz was selected as a Nadeshiko Brand company for third consecutive year, in recognition for its efforts to empower women in the workplace.



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- Sojitz continues to receive recognition for its environmental, social, and governance (ESG) initiatives. Going forward, we will continue to reinforce our business foundation from both financial and non-financial perspectives in our pursuit of sustainable growth.

Regarding Share Buy-Back Statement on News Release;

- The news release that has been distributed describes measures in response to the possibility of companies selling shares of Sojitz's stock amid the trend toward listed companies cutting back on cross-shareholdings. As you know, this trend was in part stimulated by the revision to Japan's Corporate Governance Code.
- Based on the number of shares of the Company's stock held by operating companies, the upper limit for the total number of shares to be repurchased has been set at 30 million. Of course, another factor behind the decision to repurchase shares at this time was the relatively low price of Sojitz's stock.
- These share buybacks will only be a temporary measure with a limited scope and will not affect the policy of targeting a consolidated payout ratio of 30% under the current medium-term management plan.

Reference: Notice Regarding Share Repurchase of Treasury Stock
<https://www.sojitz.com/jp/news/docs/191101e.pdf>