WHERE WE’RE GOING

Taking on the Challenge of Future Growth

April 2012 – March 2015
Strengthen Foundations in Pursuit of Growth
Medium-Term Management Plan 2014 - Change for Challenge

April 2015 – March 2018
Tackle New Challenges on the Path Toward Future Growth
Medium-Term Management Plan 2017 - Challenge for Growth

April 2018 – March 2021
Achieve Steady Growth
Medium-Term Management Plan 2020 - Commitment to Growth

Profit for the Year (Attributable to Owners of the Company) (Billions of Yen)

2013.3 2014.3 2015.3 2016.3 2017.3 2018.3 2019.3

13.4 27.3 33.1 36.5 56.8 70.4

Initiatives Supporting Steady Growth
Accumulation of quality assets
Disciplined balance sheet and cash flow management

Taking on the Challenge of Further Growth
Challenging ourselves in new areas

A Foundation That Supports Sustained Growth
Strengthening governance
Human resources development
Promotion of sustainability management

Profit growth of approx. 10% from the previous year
Achieved doing well cleared cleared doing well doing well
Profit for the final year of the MTP: ¥75.0 billion or more
ROA 3% or above
ROE 10% or above
Positive core cash flow over medium-term management plan period
NET DER: 1.5 times or lower
Sojitz is currently implementing the Medium-Term Management Plan 2020 “Commitment to Growth” (MTP 2020) over three years starting from April 2018. Through this plan, we are further strengthening our business foundation and accumulating clusters of revenue-generating businesses, establishing a strong corporate body that will make sustained growth possible. This will also lead to further strides forward during and after our next medium-term plan.

### After Medium-Term Management Plan 2020

**Further Growth**

<table>
<thead>
<tr>
<th>Achievements in the year ended March 2019</th>
<th>Financial targets</th>
<th>Progress in the year ended March 2019</th>
</tr>
</thead>
</table>
| • Continued and increased the value of investments and loans centered on non-resources  
• Implemented continuing asset replacement  
• Made effective use of the M&A Management Office | **Profit growth of approx. 10% from the previous year** | Achieved |
| • Posted stable cash flows towards positive cash flow over medium-term management plan period | **Profit for the final year of the MTP: ¥75.0 billion or more** | Doing well |
| • Constructed systems to promote innovation  
• Initiatives involving inter-divisional cooperation | **ROA 3% or above** | Cleared |
| • Set up an Internal Audit Committee  
• Constructed governance systems for acquired companies | **ROE 10% or above** | Cleared |
| • Introduced a variety of measures to maximize employee capabilities  
• Improved external awards and commendations such as the Certified Health & Productivity Management Organization (White 500) and Nadeshiko Brand | **Positive core cash flow over medium-term management plan period** | Doing well |
| • Held stakeholder dialogues with experts  
• Announced endorsement of the Sustainability Challenge and the TCFD  
• Publicized our coal-fired power generation and thermal coal interests business policy | **NET DER: 1.5 times or lower** | Doing well |
WHERE WE’RE GOING
Message from the President

We have achieved 7 years of rising profits. Without letting up on this speed of growth, focus on maximizing our “two types of value,” and further increase Sojitz’s industry presence.

Masayoshi Fujimoto
Representative Director, President and CEO
A look back at FY2018:
7 years of rising profits Moving towards steady growth

We have now finished the first fiscal year of Medium-Term Management Plan 2020 (“MTP 2020”), which started in April 2018. Our net profit for the year was ¥70.4 billion, far above the ¥63.0 billion target we set at the start of the year. This is the highest revenue Sojitz has earned since its founding and our 7th consecutive year of profit growth since FY2012. Our 3.0% ROA and 11.7% ROE also saw us meet our MTP 2020 financial targets of “ROA of 3.0% or above and ROE of 10% or above.”

Although these results were due in part to high market prices for resources, particularly coal, our having achieved our best results ever is clear evidence that we have acquired the capacity for steady earnings, and I feel that we have arrived at the point where we can seriously aim for sustained growth.

We are aiming for ¥75.0 billion or more in profit for the final year of MTP 2020, achieved through 10% year-on-year growth independent of rises in resource prices. I pledge to ensure continued growth for the company as we strive to meet our targets for the final year of MTP 2020 and head towards even further growth beyond.

We increased our dividend forecast for FY2018 from the initial estimate of ¥15.0 to ¥17.0 per share, resulting from the upward adjustment made to our net profit forecast at the start of the year (from ¥63.0 billion to ¥70.0 billion). This brought our payout ratio to 30.2%.

In accordance with our dividend policy for MTP 2020, we will aim for stable and continuous payouts and maintain a payout ratio of around 30% going forward.

Results for FY2018:
Improving the quality of our assets led to a rise in ROA and ROE

I am personally moved that we were able to fulfill our ROA and ROE targets during the first fiscal year of MTP 2020. As the person in charge of corporate planning during the former Medium-term Management Plan (“MTP 2017”), I was involved in formulating MTP 2020. When I compare our portfolio now to our portfolio at the time, I must say that the quality of our assets has improved more rapidly than we had expected.

This is thanks to our making ¥300.0 billion worth of new investments and loans in mainly non-resource businesses to steadily grow the company, based on a management policy focused on cash flow and profit efficiency. (P. 28)

Since MTP 2017, around 80% of our new investments and loans have been in non-resource fields. In addition to areas in which Sojitz already holds a competitive edge—such as steel, fertilizer, and methanol—we have also made new investments and loans in aircraft-related businesses, renewable energy businesses, and retail businesses in the ASEAN region, all of which are beginning to show stable growth. At the same time, our development projects and management/operation businesses, such as the IPP businesses and hospital business, are also

### Results for the Year Ended March 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>FY2017 Results</th>
<th>FY2018 Results</th>
<th>Year-on-year Fluctuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>¥56.8 billion</td>
<td>¥70.4 billion</td>
<td>+¥13.6 billion</td>
</tr>
<tr>
<td>(attributable to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>owners of the company)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>2.5%</td>
<td>3.0%</td>
<td>+0.5%</td>
</tr>
<tr>
<td>ROE</td>
<td>10.0%</td>
<td>11.7%</td>
<td>+1.7%</td>
</tr>
<tr>
<td>Total assets</td>
<td>¥2,350.4 trillion</td>
<td>¥2,297.1 trillion</td>
<td>-¥53.3 billion</td>
</tr>
<tr>
<td>Total equity</td>
<td>¥58.4 billion</td>
<td>¥61.8 billion</td>
<td>+¥3.4 billion</td>
</tr>
<tr>
<td>Net DER (times)</td>
<td>1.03</td>
<td>0.95</td>
<td>-(0.08)</td>
</tr>
<tr>
<td>Investments and loans</td>
<td>¥158.0 billion</td>
<td>¥91.0 billion</td>
<td></td>
</tr>
<tr>
<td>Dividends per share</td>
<td>¥11.00</td>
<td>¥17.00</td>
<td>+¥6.00</td>
</tr>
</tbody>
</table>

### Dividends per Share/Payout Ratio

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018 (forecast)</th>
<th>FY2019 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends per share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payout ratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sojitz Corporation  Integrated Report 2019  19
helping to raise our profitability.

When replacing assets, we reviewed our portfolio, focusing mainly on assets with low efficiency and so we are able to minimize any one-time loss in the immediate future. We started with our non-resource businesses, quickly disposing of any assets that were both oversized and unprofitable. In terms of resource-based businesses, we not only continued to gradually sell off assets related to our petroleum gas interests; we also obtained agreement from our partner on our thermal coal interests in Indonesia to sell off part of our holdings, in an effort to support sustainability. Meanwhile, we acquired new coking coal interests in Australia. As the only trading company to operate its own coal mine, we are using that function to make this coking coal business into a huge source of profits in the future. (P. 30)

Overall, we made firm progress in improving the quality of our assets by narrowing our focus to resource businesses in fields where Sojitz can make full use of its functions while actively strengthening and expanding our non-resource businesses. As a result, we managed to improve both our ROA and ROE.

Heading into FY2019:

Each division will endeavor to expand its earning capabilities.

The business environment surrounding the Sojitz Group grows increasingly opaque. In light of this, we set our expected profit for FY2019 at ¥72.0 billion, an increase of ¥1.6 billion over the previous year. Although factoring in market conditions for coal and other materials in the second half of the year led us to set a rather conservative figure, in striving for the “steady growth” named in MTP 2020, we also incorporated earnings contributions from investments and loans that are marking steady progress and the growth of our existing businesses into our plans. If you take the market conditions we expected when we first formulated MTP 2020 and replace those with this growth, it should come to around 10% growth in profits over the previous year.

Our growth is driven by investments and loans, and in order to carry those out according to plan, every division will need to analyze the business environment in minute detail and maintain speedy decision-making while distinguishing between risks and opportunities. For divisions that have yet to show their full potential, the rest of the upper management and I will work to steadily raise their earning power over the remaining two years of MTP 2020, in close discussion with the COOs of the business divisions. (P. 64)
Preparing for the post-MTP 2020 period:
Displaying our full strength and driving further growth by taking on new business areas

MTP 2020 also serves as a time to prepare for the next Medium-term Management Plan, where we will aim to earn a net profit of ¥100.0 billion a year. We believe that expanding the company’s functions, further strengthening the company’s businesses, and transcending divisional and organizational boundaries to rally the combined strengths of our 9 divisions will lead to the creation of new functions that will help expand our earnings. There have been several projects brought to closing thanks to the complementary functions of the multiple business divisions involved, and we intend to continue to promote and enhance that aspect of our business.

We also regard the changes to business models brought about by the digital revolution and new technologies as new business opportunities, and we work to respond accordingly. As part of that effort, we set up the Business Innovation Office last year to collect and share information about innovation with the management in a timely fashion, in order to lay the groundwork for increased productivity and support our forays into new areas through cutting-edge technology.

Furthermore, during FY2018, we set up new frameworks for innovation-related loans and investments, established a corporate venture capital in the U.S. to invest in start-up businesses all over the world, and invested in a venture fund in India, which has become a hub for some of the most prominent startups worldwide. We subsequently opened a liaison office in Bengaluru—a hotbed of IT professionals and young entrepreneurs—which we regard as the world’s most important hub for innovation after San Jose in the U.S. We plan to leverage this office in Bengaluru to take the business creation know-how we have cultivated over the years and demonstrate this expertise in Asia, a region with plenty of room for development.

At the same time, it is important that we innovate the ways in which we work in order to increase productivity. We plan to expand the scope of the Robotic Process Automation (RPA) systems currently utilized by some of our divisions to improve the quality and efficiency of routine tasks. This way, employees will have more time to devote to creative activities, providing them with an environment that allows them to focus on realizing new concepts.
Sojitz’s mission:
Existing in harmony with the natural environment while maximizing our “two types of value”

At Sojitz, we always strive to create two types of value. Our mission is to maximize “value for Sojitz” and “value for society” and create a prosperous future.

I believe that trading companies were originally born from the desire to bring happiness to everyone in the supply chain by delivering the things people need. Making money from our trading activities must not come at the expense of the global environment or the interests of society. I am convinced that as the head of a general trading company, my mission is to make the best choices for all stakeholders.

I felt that more strongly than ever when I attended the opening ceremony for Shimojishima Airport in Miyakojima, Okinawa, an airport we have been managing since July 2018. Increasing our earnings from management and operation of the airport requires that we bring in as many tourists as possible. Although this will bolster the local economy, it will also bring increased environmental risks, such as the risk that tourists will pollute the island’s beautiful ocean waters and require further urban development to accommodate them. How do you balance earnings with the risk of environmental damage? In my opinion, it is in precisely at times like this that we can demonstrate our value to society as a general trading company, in our ability to turn a variety of risks into long-term growth opportunities for stakeholders using our various functions, know-how, and personal networks.

And what about the growing global population? I believe we should pursue not only technology that harvests farm produce and aquaculture products for sale, but also aids in their production. This means the industrialization of fishing and agriculture, two fields where yields are heavily influenced by climate, region, and experience. We are taking on some new challenges where, if we are able to turn our daily operations and our past knowledge into big data and use AI and the IoT to carry out systematic manufacturing and shipping just as we do for industrial goods, I believe we can streamline the whole supply chain and maximize stakeholder returns.

In recent years, a lot of people have wondered how corporations can help achieve the United Nations’s Sustainable Development Goals (SDGs). I strongly believe that the core strength of general trading companies—i.e. their ability to turn risks into opportunities, which they then transform into long-term businesses—is directly related to the 17 SDGs. Sojitz’s place in society is none other than to increase revenue through each of our businesses while maximizing value for all stakeholders and creating “two types of value.”

Sustainability for Sojitz and society:
Announcing our endorsement of the TCFD and pursuing our long-term vision leading up to 2050

As an evolution of the sustainability initiatives the company has pursued so far, last year Sojitz announced the “promotion of Sustainability Challenge,” its long-term vision aimed at 2050. To fulfill that vision, we have defined “promotion of sustainability management” as one of the pillars of MTP 2020. I personally took up the post of Chairman of the Sustainability Committee and endeavored to spread understanding of this concept throughout the company, devise strategies to meet this vision, and share related information.

For example, when the business divisions are drawing up a business plan, I hold a meeting with all the COOs of business division to carefully examine the risks and opportunities in each field and then discuss strategy based on our findings. Meanwhile, when deliberating investments and loans for the whole company, I instruct the deliberating departments to thoroughly discuss and report profitability in terms of the sustainability of the business.

In other news, as part of our response to climate change, we adopted the proposals of the Task Force on Climate-Related Financial Disclosures (TCFD) in August 2018. We have since started to disclose the effects climate change has on our earnings and develop concrete plans to overcome these impacts. When it came to our developing a policy regarding
The Sojitz of the future:
Tackling new concepts and honing the “Sojitz Identity”

We live in an age of rapid transformation. For a trading company like us, this makes developing people with leadership ability a matter of utmost importance. Sojitz is working on formulating succession plans that will develop personnel into the next generation of management.

At the same time, we are also training young employees to make accurate decisions on the business frontlines. In recent years, we have hired hundreds of new graduates and are gradually erasing our stuffy and staid image. An important part of the process of turning these new hires into capable staff is allowing them to gain experience at our work locations in Japan and abroad.

The work of a trading company is dynamic, spanning the globe. But in a sense, it is also tough work that involves balancing the interests of a wide range of stakeholders. I am confident that our new members will gain the ability to manage people on the ground by approaching their work with the guts to change the world and accumulating a variety of experiences.

Fortunately, Sojitz has long had the kind of corporate culture that proactively provides new employees with opportunities to test themselves. Since young people rarely cause significant damage to the company’s results when they fail, I want them to take self-responsibility—that is, to have the autonomy and resolve to take responsibility for their decisions, wherever they may lead. Instead of being bound by past business models and viewpoints, I want them to use new ideas to create new value. That desire is one of the reasons behind the current “Hassojitz” project, where we have young employees gather to discuss what they want Sojitz to look like in 2050.

The “Sojitz Identity” is defined by the company’s flat hierarchy, youth, speed, and genba-ryoku*. As we move on, we will strive to create our “two types of value” and try new ideas without settling for the status quo.

* Genba-ryoku: Refers to the combined capabilities of Sojitz Group members working on the ground—in offices, at project sites, in meetings with customers and clients, and other places of work around the world.
Achieving a sustainable growth cycle through disciplined balance sheet and cash flow management

Seiichi Tanaka
Representative Director,
Executive Vice President, CFO

Greatly expanding our positive core cash flow and strengthening our financial standing

For this year, the first fiscal year of MTP 2020 (the year ended March 31, 2019), we endeavored to achieve the disciplined balance sheet and cash flow management we set as the basic policy of MTP 2020. The scope of our positive core cash flow expanded more than planned, partly due to cash recovery from planned asset replacement occurring ahead of schedule. We put great emphasis on increasing profitability while recovering cash, so in that respect, I believe we made a favorable start during this first fiscal year. Over MTP 2020, we expect to make investments and loans totaling ¥300.0 billion. By continuing our initiatives to reduce interest-bearing debt and strengthen our asset replacement which aims to replace underperforming assets with truly high-quality assets, etc.

In terms of balance sheet management in the first fiscal year, that basic approach of simultaneous growth investment and asset replacement enabled us to increase ROA; we continued to accumulate quality assets through investment and loans while recovering cash through asset replacement on largely the same scale. Additionally, our initiatives to reduce interest-bearing debt and strengthen our resistance to interest and exchange rate fluctuations bore fruit, and we achieved net DER of 0.95 time. This was much lower than our target value of 1.5 times or lower, which we established after taking market changes and other uncertainties into account.

We see ourselves as currently strengthening our financial standing while continuing some degree of new investment. However, recent factors such as the trade friction between the U.S. and China have made the future financial environment unclear, so we will be paying even more attention to inventory and managing credit exposure.

Note 1: Core cash flow = Core operating cash flow (excluding changes in working capital from operating cash flow) + Investing cash flow (including asset replacement) - Dividends paid

Establishing a system to increase the value of past investment and finance projects

Although we expected to make investments and loans worth ¥110.0 billion in this first year of the MTP, we actually lent and invested ¥91.0 billion. This was due to cases where we withdrew from financing at the deliberation stage due to perceived low profitability, or where recording of investments was pushed into the next fiscal year. In that sense, we are still largely on track to achieve our goal of ¥300.0 billion in cumulative investments and loans over the 3 years.

In order to continue growing, we need to both build up a certain level of assets, as well as thoroughly explore and carefully examine the risks and profitability of individual projects, including existing businesses. The members of the Finance & Investment Deliberation Council discuss issues from a variety of standpoints, and as the chairman of the council, I endeavor to stay objective at all times and make decisions carefully.

In order to increase the profits from managing operating companies we have acquired and raise their value even higher, we also attach great importance to our work on
post-merger integration (PMI). In April 2018, we established the M&A Management Office to help the business divisions manage their operating companies more smoothly.

Naturally, the business division takes the lead in executing business strategies for their operating companies, but after acquiring a business, the M&A Management Office steps in, working together with that business division’s controller office to formulate a concrete plan to achieve the division’s growth strategy. In order for us to move towards more reliable earnings and efficient investment, we believe it is extremely important to have a dedicated organization from the corporate side be deeply committed to the project. Going forward, I want them to share the know-how gained from PMI cases throughout the company so that we can raise the proficiency of our business operations even further.

I consider one of my most important missions to be improving capital efficiency by reducing capital costs, among other measures. We estimate our company’s capital costs to be 7–8%, as we announced for the first time in May 2019. By communicating closely with our investors and disclosing proper information, we will work to minimize the knowledge gap between us and investors so that our share value will be accurately evaluated. I believe this will lead to a reduction in our risk premiums.

It goes without saying that to raise the share value, we will need to achieve an ROE that exceeds our capital costs and further expand our equity spread. As the macro environment grows increasingly uncertain, we will have to judge our future investments and loans more carefully than ever before. We will aim to increase ROA through portfolio management characterized by new investments with a focus on profit efficiency and disciplined cash flow management; asset replacement which aims to replace underperforming assets with truly high-quality ones; and an in-depth examination of our business cycle. I am confident that maintaining this kind of financial discipline while building a cycle that continuously creates high-quality profits will lead to ongoing growth for our company.

**Disciplined Balance Sheet and Cash Flow Management**

- **Quality assets**
- **Asset replacement**
- **Total assets**
- **Interest-bearing debt**
- **Net DER: 1.5 times or lower**
- **Profit: VTS.5 billion or more**
- **Expanded total equity**
- **Total equity**
- **ROA**
- **ROE**

**BS/CF Management**

- Improve ROA through ongoing asset replacement and accumulation of quality assets
- Expand total equity and improve ROE
- Keep net DER to below 1.5 times
- Improve ratings to enhance funding quality

**MTP 2017**
- **ROA** 2.5%
- **ROE** 10.0%

**MTP 2020**
- **ROA** 3% or above
- **ROE** 10% or above
### WHERE WE’RE GOING

**Accumulating Quality Assets**

#### Improving the Quality of Our Assets

**By Further Improving Investment Quality and Ensuring Steady Earnings**

In MTP 2020, we will ensure the thoroughness and strength of our business model verification and risk identification at the project conceptualization stage by clarifying our investment guidelines, in addition to developing a structure for continuously improving business value by ensuring steady earnings from investments.

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1. **Further Improving Investment Quality—Investment Process**

Corporate departments support business divisions in the entire process, from generating proposals, making investments to managing businesses. The entire company participates in the process, including deliberations by the Finance & Investment Deliberation Council and supervision by the Board of Directors.

Furthermore, as part of our efforts to maximize the effects of our investments and loans, since April 2018, we have established an M&A Management Office and also set up an organization needed to strengthen the project portfolio and closing power of each division. We screen project creation opportunities in the initial stage of the investment process and steadily implement projects that we believe will lead to prospects, revenue, and growth to improve the success rate of our investments.

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#### Investment Policy in MTP 2020

**Basic Policy**

1. Acquire, expand, and utilize functions
2. Expand, enter, and create markets
3. Broaden range of new fields to create more robust division boundaries

**Projects Eligible for Investments and Loans**

- Businesses in line with the company’s concept of sustainability
- Investments and loans based on company-wide and division strategies, businesses whose investment objective is clear
- Business with potential to implement investment objective and add value
- Businesses that allow Sojitz to exit at own discretion

**Disciplined investments and loans**

Maintaining a positive three-year core cash flow for the entire Company

---

* PMI Support

1. Project Creation
   - Considering project creation opportunities in line with strategies
   - Identifying risks

2. Investment Decision
   - Making investments decisions based on quantitative and qualitative analysis*

3. Investment
   - PMI (management integration)
   - Building and improving business management structures

4. Business Management & Monitoring
   - Monitoring performance and status of measures for value addition
   - Grasping issues and implementing countermeasures
   - Deciding to continue with or withdraw from businesses
   - Continuous asset replacement

* Sets internal rate of return (IRR) hurdles in order to select projects that can be expected to produce returns commensurate with the risks and evaluate business feasibility
Measures for Improving Success Rate of Investments

The role of the M&A Management Office (established in April 2018)

- Providing specialized support for promoting business investments and M&A
- Detecting and resolving major issues early by participating from initial stages of project development
- Accumulating know-how for executing PMI and providing appropriate advice and instructions for formulating PMI plans for individual projects

Establishing structures to increase the value of businesses (front-line)

Business divisions carry out PMI after executing M&A to bring about synergy after executing investments and maximizing project growth. Apart from the M&A Management Office, each corporate department supports PMI by the business divisions by developing post-investment management and personnel structures even before purchase agreements are concluded. These structures are making steady progress in the first year of the MTP 2020.

Examples of business initiatives that prioritize PMI(1):

Dealership business in Russia

After purchasing two dealership businesses from major brand Subaru in Moscow and St. Petersburg, Sojitz transferred one corporate employee and three mid-career and young employees from the supervising department at Tokyo HQ in addition to two employees with management experience working in operating companies in Russia to make a total of six employees deployed there. To operate the business at the site, they hold weekly teleconferences with the supervising department in Tokyo HQ, and work together with the M&A Management Office and other corporate departments to quickly resolve issues and manage the progress of measures. They also pay attention to human resource development and are working to improve the foreign language skills of mainly the Russian managers in order to improve communication. At the same time, the company is actively sending young employees from Tokyo HQ to Russia and providing opportunities for them to learn Russian.

Commercial facility management business

Our commercial facility management business involves the use of the unique know-how, leasing networks, promotional activities and other management experiences we have cultivated as business owners and reflecting them in our property management in order to increase the value of a commercial facility. In recent years, we have been owning and managing our own commercial facilities. We strive to stimulate facilities such as Pieri Moriyama and Nasu Garden Outlet, by inviting attractive tenants and holding promotions that draw customers in. In that way, we also help create jobs and increase consumer spending in the local area.

Strengthening business management support through periodic monitoring

To increase the value of the business and strengthen the competitiveness and earning power of the business after investment, the business division reports regularly on the state of the management of the business and the Finance & Investment Deliberation Council monitors the situation. Then, depending on the management situation, the Council deliberates whether to continue the business or to sell it or withdraw from it.
3 Continuous Asset Replacement to Achieve Positive Core Cash Flow

We will accumulate period earnings and continuously replace assets to create funds for accumulating quality assets with a view to sustainably boost growth and earnings. To replace assets, we will withdraw assets from projects with no potential for future growth and reinvest in high profitability projects while striking a balance between the timeline and profitability. One of the quantitative targets of MTP 2020 is “Maintaining a positive three-year core cash flow.” We were solidly in the black in the first fiscal year of the plan, and are making favorable progress according to plan (Core cash flow trends (P. 14)).

### Changes in estimated investments and loans and portfolio under MTP 2020

We are concentrating our investments and loans in non-resource fields. The investment and loans plan in MTP 2020 calls for 90% of loans and investments to be made in non-resource businesses.

### Ratio of Resource to Non-Resource Assets Under Total Assets

<table>
<thead>
<tr>
<th>MTP 2017</th>
<th>Investments and loans (Billions of yen)</th>
<th>Main investment and lending projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division name (old)</td>
<td>Automotive Division</td>
<td>Aerospace &amp; IT Business Division</td>
</tr>
<tr>
<td></td>
<td>Energy Division</td>
<td>Environment Business Division</td>
</tr>
<tr>
<td></td>
<td>Metals &amp; Coal Division</td>
<td>Renewable energy business</td>
</tr>
<tr>
<td></td>
<td>Thermal coal business in Australia</td>
<td>Domestic and renewable energy business</td>
</tr>
<tr>
<td></td>
<td>Overseas automotive dealership business</td>
<td>Overseas renewable energy business</td>
</tr>
<tr>
<td></td>
<td>Overseas chemical business</td>
<td>IPP business in the U.S.</td>
</tr>
<tr>
<td></td>
<td>Overseas chemical business</td>
<td>Coking coal business in China</td>
</tr>
<tr>
<td></td>
<td>Overseas chemical business</td>
<td>Investment and management of commercial facilities in China</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MTP 2020</th>
<th>Investments and loans in the year ended March 2019 (Billions of yen)</th>
<th>Main investment and lending projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division name (current)</td>
<td>Automotive Division</td>
<td>Aerospace &amp; Transportation Project Division</td>
</tr>
<tr>
<td></td>
<td>Machinery &amp; Medical Infrastructure Division</td>
<td>Energy &amp; Social Infrastructure Division</td>
</tr>
<tr>
<td></td>
<td>Energy &amp; Social Infrastructure Division</td>
<td>Overseas automotive dealership business</td>
</tr>
<tr>
<td></td>
<td>Metals &amp; Mineral Resources Division</td>
<td>Domestic and foreign renewable energy business</td>
</tr>
<tr>
<td></td>
<td>Chemicals Division</td>
<td>IPP business in the U.S.</td>
</tr>
<tr>
<td></td>
<td>Foods &amp; Agriculture Business Division</td>
<td>Domestic and foreign renewable energy business</td>
</tr>
<tr>
<td></td>
<td>Retail &amp; Lifestyle Business Division</td>
<td>Coking coal business in China</td>
</tr>
<tr>
<td></td>
<td>Industrial Infrastructure Division</td>
<td>Investment and management of commercial facilities in China</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>Overseas chemical business</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
</tr>
</tbody>
</table>

### Changes in profit structure

We are building and will steadily continue to build a stable revenue base with key focus on non-resource businesses.

### Results and forecast of contributions to revenue due to investments and loans made under MTP 2017

<table>
<thead>
<tr>
<th>Results for FY2018</th>
<th>Forecast for FY2019</th>
<th>Forecast for FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>About ¥6.0 billion</td>
<td>About ¥8.0 billion</td>
<td>About ¥12.0 billion</td>
</tr>
</tbody>
</table>

Balance of loans and investments: ¥180.0 billion

### Results and forecast of contributions to revenue due to investments and loans made under MTP 2020

<table>
<thead>
<tr>
<th>Results for FY2018</th>
<th>Forecast for FY2019</th>
<th>Forecast for FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>About ¥2.0 billion</td>
<td>About ¥6.0 billion</td>
<td>About ¥10.0 billion</td>
</tr>
</tbody>
</table>

Balance of loans and investments: ¥85.0 billion

Balance of loans and investments: ¥175.0 billion

(Nota) Excluding one-time profit/loss

Sojitz Corporation  Integrated Report 2019
Examples of Value Creation that Demonstrate Our Functions and Strengths

Expanding Business Areas and Working Towards Establishing Further Strengths

We will introduce examples of value creation that make use of Sojitz’s unique functions and strengths, cultivated over time and with the investment and trading that is the foundation of a general trading company at their heart. We are combining new ideas and making our strong businesses even stronger to paint a picture of Sojitz’s future with stable and sustained growth during and after the Medium-Term Management Plan 2020.
Utilize

**Australian Coking Coal Business**

Demonstrating our expertise as the sole general trading company with mine operation and rehabilitation know-how

Having proven our expertise as the only general trading company dealing in coal mine operation and rehabilitation*, in March 2019, we acquired the Gregory Crinum coal mine, a coking coal mine adjacent to the Minerva coal mine. In addition to laterally expanding our coal mine management business, we will also establish a contract mining and rehabilitation business, working towards a business model with long-term stability and resilience to market fluctuations.

* Restoring the topography, soil, water, flora and fauna ecosystem of a mine site to its previous condition

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**The background to our business foundation**

As the first Japanese general trading company to invest in Indonesian coal in the 1980s, Sojitz is a pioneer when it comes to investing in upstream interests. As a trader, we have also formed strong relationships with our clients, who place trust in our track record as the leading importer to Japan of Russian coal, in addition to Australian and Indonesian coal.

In 2010, we acquired additional interest in Australia’s Minerva coal mine, in which we have previously invested, increasing our ownership to 96%. Since then, we have not limited ourselves to coal mine management, but have also taken on mine operations, accumulating mining-related knowledge and cost management expertise along the way. We also actively promoted cooperation between our businesses, dispatching Australian technical experts to provide guidance in Indonesia. Our status as the sole general trading company that also functions as owner-operator has become the major strength of our coal business.

Having been recognized for our skillful operation and rehabilitation of Minerva coal mine, we went on to acquire the neighbouring Gregory Crinum coal mine in March 2019, marking our first venture into coal mine management of coking coal, a raw material for iron and steel production.

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A dragline excavator at the Gregory Crinum coal mine, preparing to restart operations

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Initiatives for sustainable growth

Demonstrate market presence by utilizing our operation expertise to develop the Gregory Crinum and surrounding mines

In line with heightened global environmental awareness and sustainable business development, our Metals & Mineral Resources Division aims to rebalance our coal assets portfolio and strengthen our coking coal business, as well as divesting at least half of our thermal coal assets by 2030. Furthermore, in order to create a portfolio that would yield steady earnings even amidst a market downturn, we are continuing thorough cost reduction in our existing projects, along with focusing our efforts in expanding our mid-and downstream businesses. Specifically, once we have determined our ideal role within the value chain from mine to clients, we will utilize our expertise in coal mine management as well as existing infrastructure to develop mining-related businesses outside of trading, such as rehabilitation and contract mining.

Our recently acquired Gregory Crinum coal mine is projected to have reserves of high-quality coking coal sufficient for over 30 years of operation. Thanks to its well-maintained infrastructure, our preparations for an early operation restart have also so far remained on track. As the mine is positioned right next to the currently in-operation Minerva coal mine and Meteor Downs South coal mine, we plan to utilize its proximity to optimize manpower allocation, switching from the existing two-mine system to integrated three-mine management.

Located at the center of an area dotted with undeveloped mine lots, Gregory Crinum’s location also brings a strategic advantage. By obtaining Gregory Crinum’s coal handling and preparation plant (CHPP), loading facilities and dragline excavator, we can further strengthen our capability as owner-operator.

Realizing these opportunities, we will promptly extend our reach into contract mining, aiming for stable returns from mining, coal handling and preparation, loading and trading in surrounding mines which will be resilient to market fluctuations. Simultaneously, we will seek new opportunities for growth in the form of new upstream investments, continuously developing new businesses for the future.

Rehabilitation: Maximizing our “two types of value” through sustainable initiatives

Legal rehabilitation obligations have been transferred to Sojitz alongside our acquisition of Gregory Crinum. In addition to fulfilling our legal responsibility, we are also considering contract rehabilitation of surrounding coal mines and new ventures that positively contribute to the environment.

In this manner, by utilizing our strength in coal mine management to offer new services and values, unconstrained by the traditional business models, we will generate stable earnings that will be resilient to market fluctuations. Simultaneously, we will work towards a sustainable society by promoting local economic development and preserving the global environment.

Value Creation Process: Our Australian Coking Coal Business

Value for Sojitz
- Project development
- Accumulation of operational expertise
- Accumulation of prime assets
- Long term stable earnings resilient to market fluctuations

Value for Society
- Supplying raw materials indispensable to the iron and steel industry
- Generating employment through business development

Business foundation for value creation

- Business Expertise
- Relationships with Customers
- Human Resources
- Brands
- Finances
- Domestic and Overseas Bases
- Natural Capital
**Renewable Energy Business**

**Continually generating environmentally friendly renewable energy**

Through the development of environmentally friendly renewable energy, especially solar power generation, we will contribute to the creation of a sustainable society, and are accumulating even higher quality assets by expanding markets and sources of electric power, seeking a business model with even higher added value.

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**The background to our business foundation**

In 2010 Sojitz launched its solar power generation business; to date, we have cultivated development functions through constructing and managing power plants, and strengthened our earnings foundation by furthering project development. At the same time, we regularly ascertain asset prices and the external environment, and make efforts to replace assets and improve asset quality when necessary.

We began initiatives for our renewable energy business by first entering the power generation business in Germany. After this, we entered the Japanese solar power generation business in 2013, and are developing and constructing 12 solar power plants in Japan, nine of which had begun operations by the end of March 2019.

In addition, we have cultivated comprehensive development functions through our Japanese business, and are applying these overseas to steadily expand our business fields: we are entering solar power in Mexico, Chile, and Peru, and on-shore wind power in Ireland and the U.S. Since April 2019, we have also started initiatives for off-shore wind power generation in Taiwan and biomass power generation in Hokkaido.

In this way, we are making use of local characteristics such as solar power, on-shore and off-shore wind power, and biomass, engaging in lateral development, and steadily advancing initiatives to diversify electrical power sources. In so doing, we will form balanced renewable energy assets all over the world, from which we anticipate stable earnings.

**Net Power-Generation Capacity**

(as of the end of June, 2019, including projects under construction)

<table>
<thead>
<tr>
<th>Year</th>
<th>Power-Generation Capacity (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>200</td>
</tr>
<tr>
<td>2013</td>
<td>400</td>
</tr>
<tr>
<td>2014</td>
<td>600</td>
</tr>
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<td>2020</td>
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</tr>
<tr>
<td>2021</td>
<td>2000</td>
</tr>
<tr>
<td>2022</td>
<td>2200</td>
</tr>
<tr>
<td>2023</td>
<td>2400</td>
</tr>
</tbody>
</table>

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Initiatives for sustainable growth

We will continue our efforts to further strengthen our earnings foundation by making use of our integrated development functions, from identifying a project to commercializing it, promoting entry into regions in which we anticipate growth in the renewable energy market, including off-shore wind power generation, and developing new projects.

Due to the evolution of new technology, business models in the field of energy are constantly changing. In response to these changes, we established the Social Infrastructure Development Office in the Energy & Social Infrastructure Division; through this, we are promoting an approach based on the field of ICT to enable us to improve the efficiency of our energy use and to respond to social issues, including measures to address the aging of infrastructure. More specifically, we are taking on the challenge of new electrical power projects that are more rooted in the regions and can respond to the needs of a variety of users—for example, constructing a microgrid* that makes use of distributed network technology—which we hope will further enhance our business earnings capacity.

In this way, we will make use of the networks and marketing capabilities unique to a trading company and adjust the balance between supply and demand as we contribute to the construction of advanced social infrastructure that will create more sustainable, safe, secure, and comfortable lifestyles. In so doing, we will achieve sustainability both for Sojitz and society.

* An autonomous energy supply network for a variety of users. It is made up of proprietary electrical power networks and sources of electricity.

Developing the Uses of Renewable Energy

Value Creation Process: Our Renewable Energy Business

Two Types of Value

Value for Sojitz
- Developing projects
- Gathering expertise
- Accumulating quality assets

Value for Society
- Providing clean energy
- Creating employment together with business creation

Business foundation for value creation

- Business Expertise
- Relationships with Customers
- Human Resources
- Brands
- Finances
- Domestic and Overseas Bases
- Natural Capital

General development capabilities cultivated through the development of our solar power generation business

Networks constructed through project development

Practical application, starting with our solar power generation business

The No. 1 renewable energy business percentage among trading companies

 Owned assets associated with renewable energy business companies: Around ¥5.0 billion

Number of renewable energy projects: 19

Solar power, wind power, biomass

Utilizing AI and the IoT
Sharing environmental value through energy management

Expanding markets and sources of electricity
- Off-shore wind power generation
- Biomass power generation
- Geothermal power generation

Expanding from the Japanese solar power generation business to other markets
- Solar power generation
- On-shore wind power generation

Sustainable, clean energy
 Creating more advanced added value for our energy generation business

Working towards a robust earnings foundation

Further expanding business

New business (accumulating quality assets)

Extending existing business (stable earnings foundation)
Business in Vietnam

Supporting economic development and affluent lifestyles in Vietnam

We are pursuing a business model that will allow us to acquire a stable earnings foundation and contribute to industrial development by demonstrating functions in response to local needs.

Continually Changing Needs in Vietnam

Primary industry (agriculture)
- Regenerating devastated land and agriculture
- Awareness of environmental conservation growing together with economic development
- Reduced farming population due to outflow of population to urban areas

Secondary industry (manufacturing)
- Increasing demand for social infrastructure such as electric power
- Enhancing Vietnamese industrial technology

Tertiary industry (foodstuffs and service)
- Increasing demand for and diversification of food as living standards improve

Examples of Value Creation that Demonstrate Our Functions and Strengths

- Contributed to regeneration of devastated land and agriculture through afforestation and chemical fertilizer businesses
- Contributed to developing social infrastructure through power generation and industrial park businesses
- Gradually increased awareness of our Company by contributing to the development of the Vietnamese economy

Take Root

Vietnam

2016 Four-temperature logistics business
2017 Daily/prepared food production
2011 Long Duc industrial park business
1986 Start of Doi Moi policies
- Post-war reconstruction is imperative
1995 Started first full-scale compound chemical fertilizer business
1993 Launched woodchip and afforestation business
1987 Began the initiative ahead of other Japanese companies and started the Loteco industrial park business
1986 Established first liaison office in Hanoi (Nissho Iwai Corporation)
1986 First full-scale compound chemical fertilizer business
1986 Launched woodchip and afforestation business
1987 Began the initiative ahead of other Japanese companies and started the Loteco industrial park business
2004 Started operating Phu My 3, the first electrical IPP project financed by foreign investments
2007 Started operating Phu My 4, the first electrical IPP project financed by foreign investments
2007 Started wholesale food business
2011 Began Long Duc industrial park business
2007 Launched grain and feed materials business
2018 Entered packaging material manufacturing business
2018 Started household paper and containerboard manufacturing business
2018 Formed a strategic business alliance with The Pan Group, a major food and agribusiness company
2016 Launched four-temperature logistics business
2015 Started developing MINSTOP stores
2011 Began Long Duc industrial park business
2004 Started operating Phu My 3, the first electrical IPP project financed by foreign investments
1996 Took the initiative ahead of other Japanese companies and started the Loteco industrial park business
1993 Launched woodchip and afforestation business
1987 Began the initiative ahead of other Japanese companies and started the Loteco industrial park business
1986 Established first liaison office in Hanoi (Nissho Iwai Corporation)

Sojitz Corporation is a global trading company with expertise in various industries, including chemicals, energy, and infrastructure development. In Vietnam, Sojitz has been actively involved in supporting economic development and contributing to local lifestyles through its diversified businesses.
In 1986, we opened the first liaison office in Hanoi belonging to a Japanese company since the reunification of Vietnam. From 1987 onwards, we have continued to hold the Nissho Iwai-Vietnam Joint Committee on Economy and Technology in collaboration with the Vietnamese government; we have held discussions about economic recovery and development, and built a network in the wide world of industry. Since then, we have developed integrated businesses, incorporating everything from upstream to downstream operations, in a variety of industrial fields including afforestation, compound chemical fertilizers, electrical power, invitations to industrial parks, and food distribution, and have supported Vietnamese economic development for more than 30 years.

Vietnam is continuing to experience strong economic growth. Its middle class is growing as the standard of living improves, and the modernization of lifestyles, together with the modernization of forms of distribution and retail, is rapidly progressing. In this context, Sojitz launched a retail business through its convenience store management business in 2015; in 2017 we made use of this to start producing and selling daily/prepared food. We have taken advantage of the high-performance logistics infrastructure of our wholesale food business, which we took on in 2008, and of our four temperature logistics business, which we started in 2016, and are creating food logistics functions from production to retail. In addition, in 2018, we formed a strategic business alliance with The Pan Group Joint Stock Company (PAN), a major food and agribusiness company in Vietnam. Aiming to improve food quality and achieve affluent lifestyles, we are focusing our efforts on creating new businesses relating to farming and food processing.

In the industrial materials and daily consumer goods field, in 2018 we acquired Saigon Paper Corporation (SGP), which has top-class production capabilities as a Vietnamese paper-manufacturing company. SGP is a market-leading manufacturer of household paper products, which include tissues and toilet paper, and is widely recognized and trusted throughout Vietnam for its high quality. The company also boasts a top-class track record in the industrial paper sector; approximately 60% of the old paper supply used as a raw material for its containerboard is obtained through the company's own paper recycling centers, making it a recycling-based business striving to reduce its impact on the environment. Sojitz is taking on the responsibility of supporting fundraising and investment capital and strengthening organizational systems, and is forming policies to drive the expansion of business areas with a view to cooperating with trading partners in the future.

In this way, we have contributed to the development of Vietnam over many years through our wide-ranging businesses. We will utilize our experiences of managing these businesses and our management expertise in developing businesses all around the world, and continue to be helpful to the daily lives of the people of Vietnam.

Value for Sojitz
- Knowledge of Vietnam
- Accumulating expertise in business expansion
- Accumulating quality assets

Value for Society
- Contributing to economic development in Vietnam

The background to our business foundation

Initiatives for sustainable growth


<table>
<thead>
<tr>
<th>Two Types of Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value for Sojitz</strong></td>
</tr>
<tr>
<td>• Knowledge of Vietnam</td>
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<td><strong>Value for Society</strong></td>
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<tr>
<td>• Contributing to economic development in Vietnam</td>
</tr>
</tbody>
</table>

Business foundation for value creation

- Business Expertise
- Relationships with Customers
- Human Resources
- Brands
- Finances
- Domestic and Overseas Bases
- Natural Capital

Around ¥49.0 billion

Vietnamese natural capital

36 resident employees

36 resident employees in Vietnam, a good number of staff who are knowledgeable about Vietnam