Retail & Lifestyle Business Division

We will conduct a variety of businesses that create more prosperity and convenience in the lives of people in Japan and ASEAN countries, with an emphasis on customer-based business.

Yokoyama Naoki
Executive Officer, COO,
Retail & Lifestyle Business Division

Business Models Supporting Value Creation

<table>
<thead>
<tr>
<th>Strengths</th>
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<td>A network and customer base established over many years</td>
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<tr>
<td>Track record in management of shopping centers</td>
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<td>Top market leader for North American beef imports and plywood in Japan</td>
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External Environment

Opportunities
- Increase in domestic demand accompanying an expansion of the middle-income segment due to economic development in China and the ASEAN region
- Rising demand for Japanese technologies to improve productivity and to address the higher labor costs that stem from labor shortages
- Rising interest in Japan’s food culture (including washoku), and westernization of food
- Greater emphasis placed on sustainable procurement of lumber resources amidst growing environmental awareness

Risks
- Revisions to legal and regulatory systems in Asian countries
- Cost increases due to stricter food quality control in Asia
- Pressure on earnings from business/trading due to drastic fluctuations in foreign exchange rates
- Increase in risks related to human rights and the environment issues due to expansion of manufacturing businesses

Businesses

Retail businesses in ASEAN
We are developing food retail businesses that meet the needs of each ASEAN country’s stage of development. Our focus is on developing four businesses in Vietnam: processing and production of prepared food and processed meats, four-temperature controlled logistics (ambient temperature, fixed temperature, chilled, and frozen), wholesale food and consumer goods, and retail (convenience stores). We are working to improve quality of life by responding to the expectations and interests of local communities.

Management of shopping centers
We are contracted to manage and invest in shopping centers to increase their value. We have established a business model in which we use our management expertise to add value to our shopping centers, and are expanding our shopping center management business in Japan and overseas.

Processed meat businesses
We are involved in all aspects of meat production, from livestock and fodder to meat packing. Sojitz boasts the top market share in imported livestock and frozen North American beef. We are also working to expand sales in markets in Japan and overseas, and to enhance our ability to procure raw materials through Meat-One Corporation, a marketing company whose shareholders include Japanese meat processing and logistics companies.

Forest products, textiles, general commodities
We have been involved in trading consumer goods and industrial materials for many years, and are carving out a position at the top of the industry with our plywood and textile sales business.

HOW WE GET THERE
Division Business Report
Growth Strategy

In the midst of unprecedented diversification in consumer preferences, the Retail & Lifestyle Business Division is developing a wide range of businesses that enrich everyday life and offer greater convenience, with customers at the heart of the business. The key elements of our future growth strategy include both expanding businesses, and strengthening the functions we can provide to our customers in the ASEAN region, which is experiencing continued economic growth.

For instance, we created a cold chain in response to customer demand for delicious, high-quality foods as an extension of the wholesale food business that we started in Vietnam. This cold chain business has contributed to sales growth in the local food service industry and supermarkets. In addition, alongside development of our convenience store business, we are establishing plants for daily prepared foods and processed meat products to further increase the appeal of our convenience store products. We took advantage of the expertise gained in Vietnam to enter the wholesale food business in Thailand, where we are building a one-stop system for handling all phases from wholesale distribution to food processing. In Myanmar, we are developing a similar wholesale food business as well.

In terms of shopping center management, we have established a business model based on the shift in consumer trends from the tangible (product-oriented) to the intangible (experience-oriented), which utilizes our expertise in managing facilities in Japan, and adds more value to our company and other stores. We also make use of this know-how overseas to manage Japanese restaurants and food courts.

When it comes to the traditional trading business, we have established an integrated system which covers everything from material procurement to construction costs and moves into the field of interior building materials, which is becoming increasingly high-grade in our building materials business overseas. As for our textiles business, we provide products to major SPAs (speciality store retailers for private label apparel) and have constructed a top-down integrated production system, from the spinning to the sewing process. Through these efforts, we will provide business functions that respond to the needs of our customers, and live up to the expectations and interests of society.

In June 2018, we invested in Saigon Paper Corporation, a major paper manufacturer in Vietnam, to enter the country’s household paper and Industrial paper business. We plan to address rising demand by investing in greater production capacity and efficiency. Additionally, we are expanding our sales channels by utilizing the diverse network of lifestyle businesses that we have cultivated in Vietnam.

Meat-One Project

In February 2018, we established the marketing company Meat-One, together with multiple companies involved in raw meat procurement and sales, meat processing, and distribution. Meat-One combines the expertise and functions of the participating companies, allowing the companies to make use of each other’s procurement, production, and sales networks to provide safe, reliable, and delicious processed meat products at competitive prices to consumers in Japan and overseas.