

# Consumer Lifestyle Business Division



## Summary of the Year Ended March 31, 2013

Earnings increased strongly and results exceeded our initial plan during the year ended March 31, 2013 because of the sound performance of the fertilizer business and the overseas industrial park business. We concentrated on reinforcing the operating fundamentals of the fertilizer business to establish a potent business organization. The overseas industrial park business accurately met the needs of Japanese transplants in Vietnam and Indonesia. Performance was robust in the foods resources and the building materials businesses, in which earnings are related to demand in Japan. Reforms and other initiatives resolutely implemented to strengthen the earnings foundation began to take effect during the fiscal year, which supported earnings.

We have three core strategies under Medium-term Management Plan 2014: shifting from Japanese to overseas markets, shifting from trading to a business investment model, and securing upstream resources in the agriculture, forest products and marine products sectors. We will continue to generate stable earnings by strengthening our platform in Japan and the trading business while pressing ahead with the transformation of our earnings foundation and business locations.

The new investments and loans that drive our strategies steadily generated results during the year ended March 31, 2013. Huong Thuy Manufacture Service Trading Corporation, one of Vietnam's largest food wholesalers, became a consolidated subsidiary, and we made steady progress in building our distribution network. Our compound feed company in Vietnam also began production. In addition, we entered the shrimp farming, processing and marketing business in Indonesia.

## Strategy

While we need to respond astutely to changes in our operating environment, the strongly growing economies of Southeast Asia, the recovery of demand in Japan and other factors are basically a tailwind for the Consumer Lifestyle Business Division. Even the impact of factors such as the slowing Chinese economy has been minimal for the division, as its business in that country performed well in the second half of the fiscal year. We therefore intend to pick up the pace of initiatives during the year ending March 31, 2014.

We will focus on accelerating our initiatives in two business focus areas. We will further strengthen the earnings foundation of the fertilizer business while securing upstream phosphorous, potassium and other interests for advanced chemical fertilizers. In the grain origination, storage and export terminal business, we will invest in country elevators and export terminals in grain-producing countries, enabling us to handle the entire supply chain from origination to sale. This will support our efforts to secure grain resources. Given the smooth progression of concrete studies in both businesses during the year ended March 31, 2013, we will segue to the execution stage in the year ending March 31, 2014.

Managing Executive Officer  
President, Consumer Lifestyle Business Division

**Hideaki Kato**



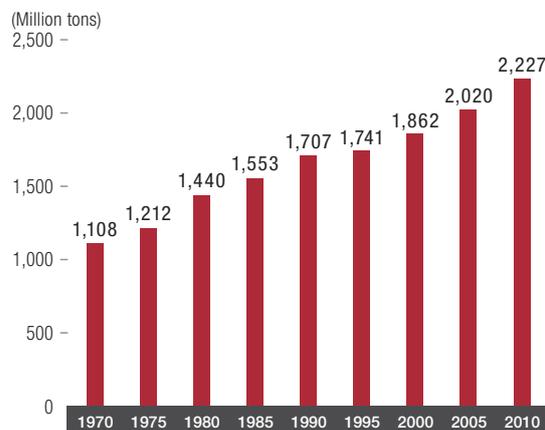


Regionally, we will start by strengthening operations in Vietnam. Sojitz currently has an excellent asset portfolio in Vietnam in businesses including fertilizer, woodchip manufacturing and industrial parks. We will steadily strengthen earnings in businesses we concentrated on during the year ended March 31, 2013, including the feed and food wholesaling businesses, and will also enter the broiler and other businesses. In addition, the port facilities of our associate Interflour Vietnam Ltd., the ASEAN region's largest, will play a key role in foodstuffs and food-related operations. Interflour's port handles more than 1 million tons annually, and its flour milling business produces several hundred thousand tons annually. We will continue to fully leverage Interflour's capabilities to build potent value chains. In China, the drugstore business and other operations are generating steady results, and we plan to increase the regions we serve. New businesses will also be a focus in future core markets such as Indonesia, the Philippines and Myanmar.

The establishment of the Controller Office for the division in April 2013 will support our initiatives. While it has just been established, the office is already fully performing its intended functions, such as accelerating risk quantification and project feasibility studies, and unifying risk management functions and sales. The office will continue to ensure a sophisticated risk management organization that raises asset efficiency.

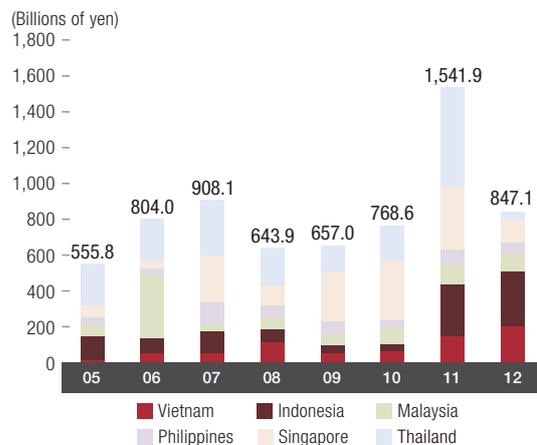
The Consumer Lifestyle Business Division is involved in a wide range of areas that are intimately connected with food, clothing and shelter. It will develop businesses that directly help improve quality of life in emerging countries and the development of Japanese corporations. Our business opportunities are limitless, so my responsibility is to give employees an open environment in which they can take on challenges. We have benefited from restructuring our traditional operating approach, so we have confidence that we did the right thing. Now it is time to steadily execute our ongoing initiatives to enable further growth.

### Global Grain Consumption



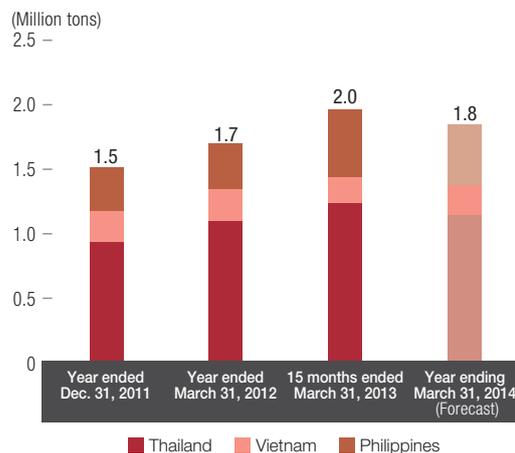
Source: Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries

### Japanese Foreign Direct Investment in Major ASEAN Region Countries



Source: Ministry of Finance

### Sojitz: Advanced Chemical Fertilizer Production Volume (Thailand, Vietnam and the Philippines)



## Foods Resources Unit

- ▶ Grains and feed materials: Trading, domestic trading and sales and overseas production of wheat, corn, soybeans, rice, oil and fat, flour, pasture and compound feed; port operation, etc.
- ▶ Foods resources: Trading, overseas processing, and domestic trading and sales of sugar, coffee, seafood (tuna, shrimp, processed seafood, etc.), and general food products; fish farming, etc.

### Grains and Feed Materials Business

Sojitz is investing in businesses to build a supply chain in the grains and feed materials business in the Asian market, which is benefiting from rapid economic growth. In Vietnam, we are engaged in the flour milling business



Kyodo Sojitz Feed Company Limited in Vietnam

through investment in Interflour Vietnam Ltd., a leading Vietnamese flour milling company. We are also using this company's specialized grain port, the ASEAN region's largest, as a distribution base to expand into the compound feed production business. Partners include Kyodo Shiryō Co., Ltd., a leading Japanese feed producer with their own technology in Vietnam, and New Hope Liuhe Co., Ltd., China's largest feed company in Cambodia.

We are also engaged in more consumer-oriented businesses, including bread production in North America and Asia.

### Foods Resources Business

The Sojitz Group's foods resources business is divided into three major categories: sugar and coffee, marine products, and food distribution. For sugar and coffee, we plan to focus on the development of project businesses as well as



Bluefin tuna farming operation at Sojitz Tuna Farm Takashima

trading. In marine products, we operate a bluefin tuna fish farming business in Takashima, Nagasaki Prefecture, to help ensure a stable supply of tuna amid the current rapid surge in global demand and tight fishing restrictions. In addition, we are considering the expansion of this business to other marine products. Besides imports and domestic sales of tuna and shrimp, we have tuna processing operations overseas. In food distribution, we handle overseas processing, imports and sales of general food products in Japan, mainly through our subsidiary Sojitz Foods Corporation, and support the overseas operations of Japanese food companies. We are also involved in the snack business through associate Yamazaki-Nabisco Co., Ltd.

## Agriculture & Forest Resources Unit

- ▶ Agribusiness: Production, sales and import/export of advanced chemical fertilizers; agriculture
- ▶ Forest products: Import, offshore trading and sales of timber, lumber, plywood, building materials, woodchips, pulp, etc.; overseas afforestation and woodchip production

### Agribusiness

In its agribusiness operations, Sojitz is developing business with a focus on upstream areas of the food supply chain. We have one of the largest high-quality compound fertilizer production and sales networks in Southeast Asia through our manufacturing and sales companies in Thailand, Vietnam and the Philippines. We are also eyeing the acquisition of upstream interests in resources such as nitrogen, phosphorus and potassium.

In addition, we are considering the application of the knowledge we have gained in the agriculture business in Argentina to expand into large-scale production of

soybeans and other crops in South America, and are strengthening our integrated agribusiness model that includes agricultural production, fertilizer and grain origination.



Advanced chemical fertilizer factory in Thailand

### Forest Products Business

In the forest products business, Sojitz primarily handles products such as logs, plywood and paper raw materials and is building a stable supply network while strengthening its response to the diversification of markets and applications. We are also raising the percentage of environmentally friendly products that come from plantations and certified forests.

In log trading, we are taking advantage of our strong relationships with leading suppliers to expand imports into Japan and sales to customers in China, India and other emerging countries. Sales of plywood and building materials are handled by our subsidiary Sojitz Building Materials Corporation, which has the top market share for plywood in Japan.

In the paper raw materials business, we are strengthening our woodchip manufacturing business in Vietnam, and by using our knowledge and experience, we

are expanding the business to Africa through a woodchip manufacturing company in Mozambique. We also plan to increase the amount of pulp we handle, mainly for sales to emerging markets.



Shipping woodchips in Vietnam

## Consumer Service & Development Unit

- ▶ Consumer goods distribution: Imports of cigarettes; brand sundries including shoes and bags; overseas wholesale, distribution and retail; retail at airports with JALUX Inc.
- ▶ Textiles: OEM and apparel brand business
- ▶ Overseas construction development: Development, management and operation of overseas industrial parks

### Consumer Goods Distribution Business

Consumer needs in emerging countries are diversifying as economic and social conditions change with rapid economic growth. Sojitz is advancing into the wholesale and distribution businesses overseas with a focus on emerging countries, based on its experience in the consumer goods import business in Japan, the world's third-largest market. As one such initiative, we are engaged in the wholesale business in Vietnam through our consolidated subsidiary Huong Thuy Manufacture Service Trading Corporation (HT), one of Vietnam's largest food wholesalers. HT is developing a distribution network, building an information system for distribution, and supporting Japanese manufacturers entering the market in Vietnam. Our goal is to become the leading general consumer goods wholesaler in Vietnam, focused mainly on food products.

In the Japanese market, Sojitz General Merchandise Corporation is a wholesaler of brand-name shoes such as Admiral and brand-name bags including EASTPAK. We promote the superior functionality and the design and color variations of these products to appeal to consumer sensibilities.

### Textiles Business

In addition to manufacturing private-label apparel for major specialty retailers, Sojitz has established a solid business foundation through key subsidiaries in the rapidly changing apparel industry in Japan. Sojitz Infinity Inc. conducts the McGREGOR brand apparel business,



Admiral brand casual shoes



Delivery by Huong Thuy Manufacture Service Trading Corporation

Sojitz Fashion Co., Ltd. sells VANCET fabric stock, and Daiichibo Co., Ltd. operates a practical clothing business based on its distinctive spun yarns. Sojitz is using this foundation in Japan to develop and expand business in the growing Chinese and ASEAN markets.

### Overseas Construction Development Business

The demand for Japanese-affiliated industrial parks overseas is growing with many Japanese companies eager to conduct manufacturing overseas. Sojitz is developing industrial parks in Vietnam, Indonesia and India by leveraging its cooperative relationships with outstanding business partners, its many years of experience and expertise, and its global network of representatives. We handle an array of tasks, from providing basic infrastructure including water and sewerage, electric power and communications to attracting tenant businesses and operating and managing the industrial parks we develop.

Sojitz has created a competitive business model for industrial parks through the provision of comprehensive assistance such as supporting transplanted setup, establishing local subsidiaries, obtaining approvals and hiring workers. In addition, we provide distribution support that gives industrial parks logistics functions, as well as other support services ranging from plant facility construction to sale of manufacturing equipment, relocation and delivery of raw materials.



Long Duc Industrial Park under construction



McGREGOR CLASSIC Store