Message from the President

Masayoshi Fujimoto
Representative Director,
President and CEO

We have a clear focus: making good on the new Medium-Term Management Plan, an embodiment of our “Commitment to Growth.”

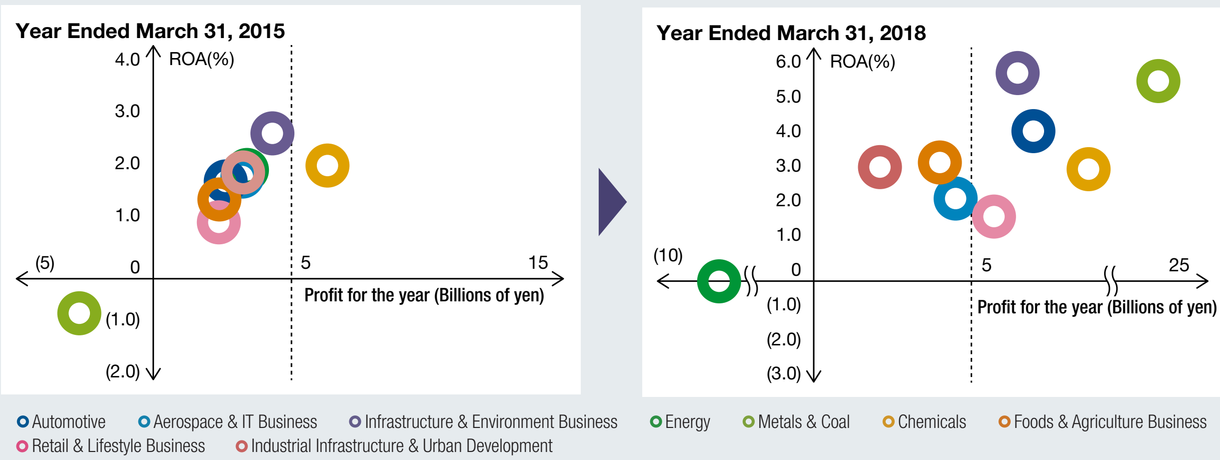
Q Medium-Term Management Plan 2017—Challenge for Growth—wrapped up last fiscal year. How do you view the results of that effort?

A We managed to build solid clusters of revenue-generating businesses to live up to performance expectations.

Having established finances through the initiatives of our Medium-Term Management Plan 2014 (hereinafter "MTP 2014"), we designed Medium-Term Management Plan 2017 (hereinafter "MTP 2017") to expand our earnings foundation via proactive investments and loans, an objective expressed in the plan's subtitle "Challenge for Growth." Under MTP 2017, we achieved ¥315.0 billion in new investments and loans—one of our three-year quantitative targets—to rapidly amass a healthy base of prime assets capable of generating stable earnings. The majority of those assets fell into the non-resource sector. In addition to helping us keep our free cash flow positive throughout the period, our investment strategy facilitated a shift away from the high market volatility of resource assets toward non-resource assets, which are less susceptible to the effects of market fluctuations. We also met four of our five other quantitative targets: an ROA of 2% or higher, an ROE of 8% or higher, a net DER of 1.5 times or lower, and a payout ratio of around 25%. Although we came up short on the fifth target, a net profit of ¥60.0 billion for the year ended March 31, 2018, the end total—¥56.8 billion—was just off the mark. In terms of profits by division, we set our sights on creating "clusters of revenue-generating businesses" capable of producing anywhere from ¥5.0 to ¥10.0 billion in net profits. While the Chemicals Division was the only division with over ¥5.0 billion in profits when MTP 2017 started, four more divisions—the Automotive Division, Infrastructure & Environment Business Division, Metals & Coal Division, and Retail & Lifestyle Business Division—reached the target revenue plateau in the year ended March 31, 2018. Earning capabilities are clearly demonstrating an upward trajectory.

Profit (Loss) for the Year/ROA by Division

Divisions with revenue-generating clusters of ¥5.0 billion have gone from one division to five divisions in three years



Note: The data listed here is based on achievements under the former system of divisions, which continued until the end of March 2018.

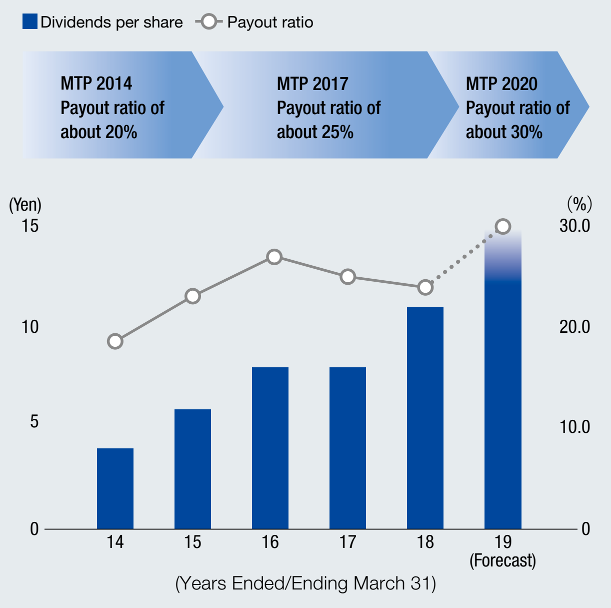
Q Why did you decide to raise the dividend payout ratio from 25% or so to around 30%?

A As we keep developing a stronger earnings foundation, we will continue to make growth investments and offer larger shareholder returns.

Our basic policy on dividends focuses on paying stable dividends on an ongoing basis while enhancing competitiveness and shareholder value by increasing internal capital reserves and using them effectively. For us at Sojitz, dividends represent one of our most important management issues.

With that basic policy in place, our dividend target in MTP 2017 was to achieve a consolidated payout ratio of around 25%. We paid out dividends at 11 yen per share this fiscal year, which kept pace with the goal over the MTP period at an average ratio of 25.4% relative to profits for the year attributable to owners of the Company. Medium-Term Management Plan 2020 (hereinafter “MTP 2020”) puts that target even higher: a payout ratio of approximately 30%. The decision to set an even more ambitious objective came from our growing successes; from a management perspective, we know that we are at a sufficient earnings level to secure growth-sustaining investment funding even if we raise the dividend payout ratio. By continuing to expand our earnings foundation, we are confident that we can live up to the expectations of our shareholders and investors.

Dividends Per Share/Payout Ratio



Q What are the basic approaches and policies shaping the new Medium-Term Management Plan?

A We are going to keep making investments and loans through our “Commitment to Growth.”

Our business environment is getting more and more uncertain by the day. While trade issues dominate US discourse and interest rates in developed countries continue to rise, China is enacting economic policies with a global impact, emerging countries are rife with geopolitical risk, and Japan is bracing for potential economic repercussions in the wake of the upcoming Tokyo Olympics. Macroeconomic factors of all kinds are clouding the picture. Meanwhile, medium- to long-term growth also hinges on businesses that tackle social issues, given the context of increasing ESG investments and the spread of the UN’s SDGs, as well as businesses that contribute to the fourth industrial revolution, a process that revolves around AI, the IoT, and other cutting-edge technologies. These emerging business areas present major business opportunities, teeming with potential.

In formulating our new MTP, we thus put our core emphasis on achieving steady growth. That basic concept includes two key focus areas. One centers on making our projects from MTP 2017 profitable, an effort that foregrounds progressive continuity with MTP 2014 and MTP 2017. The other main focus is on continuing to make new investments and, loans, and to see those projects through to solid earnings—all the while maintaining proper risk management and sound financial discipline—as we stay on the lookout for growth opportunities and remain mindful of uncertainty. It goes without saying then, that we need to pull out of or overhaul our unprofitable, low-efficiency businesses, while simultaneously taking our functions to the next level, and enhancing the value of our existing businesses. We are also aiming to post annual profits for the year exceeding ¥100.0 billion in the post-MTP 2020 period. To put ourselves in prime position to meet that ambitious goal, we will continue to increase the number of business divisions with the potential to earn ¥10.0 billion—not just the basic benchmark of ¥5.0 billion—in net profits.

We have instructed our divisions to create specific plans to facilitate further improvements in earning capabilities for the future. As a means of keeping everything on the right track, we will implement regular, ongoing verifications and continually confirm the state of progress on these plans. "Commitment to Growth," the subtitle of MTP 2020, reflects management's firm, unbending determination to keep pushing the Company forward. Building on the foundation that we have laid through years of disciplined, growth-oriented investments and loans, we will continue to make meaningful progress on sustained growth into the future.

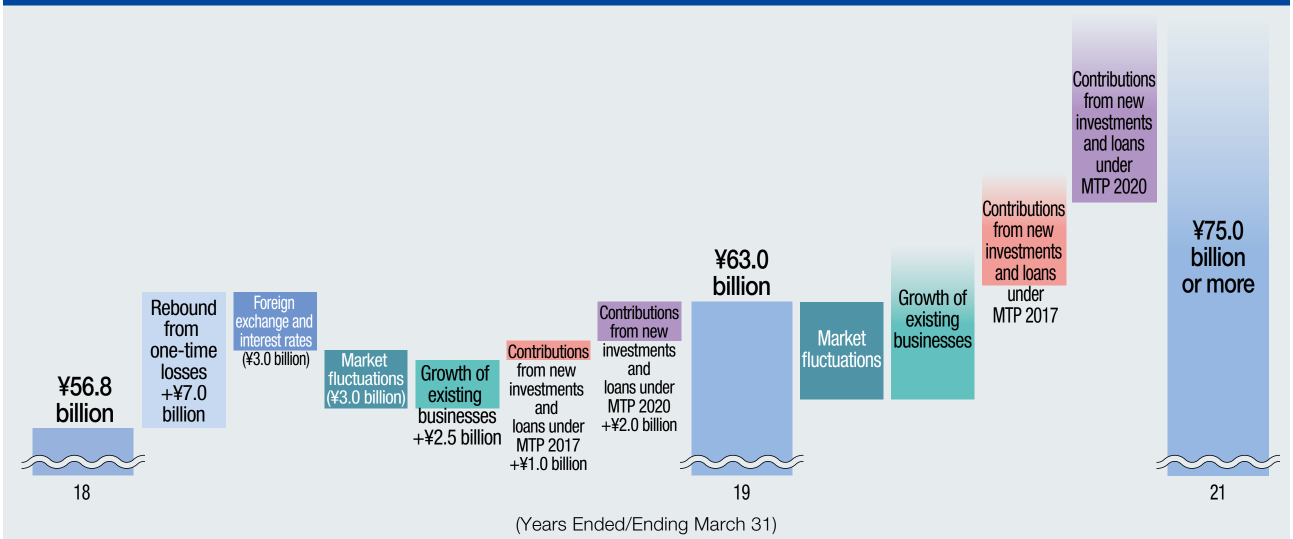
Q How do you see the Company's prospects for achieving its profit target of ¥75.0 billion or more for the year ending March 31, 2021?

A We expect to reach our goal of ¥75.0 billion in profits for the year, with investments and loans playing a vital part in driving earnings.

Earnings contributions from projects realized under MTP 2017 came to a final total of approximately ¥8.0 billion. The plan included ¥315.0 billion in total investments and loans, roughly half of which we effected in the fiscal year ended March 31, 2018. The coming payoffs thus put earnings on an upward trajectory, with investments and loans on course for an earnings contribution of approximately ¥12.0 billion in the fiscal year ending March 31, 2021—a figure that accounts for planned projects and bookings by division. We also expect our ¥300.0 billion in investments and loans scheduled for MTP 2020 to contribute over ¥10.0 billion to our total earnings in the fiscal year ending March 31, 2021, and enable us to recover roughly ¥150.0 billion for the three-year cumulative principal. We have already approved and launched around one-third of the new ¥10.0 billion investment and loan plans, around 60% of which we believe will turn into solid earnings. With that initial lift, we believe that our net annual profit goal for the year ending March 31, 2021—¥75.0 billion—will be easily within reach.

Profit growth is just one part of the equation, however. We also need to focus on managing our balance sheet effectively. Although we met our MTP 2017 ROA goal of 2%, we will continue to accumulate quality assets and replace assets in hopes of enhancing overall value and pushing our ROA over the 3% threshold. Our efforts under MTP 2017 also successfully brought our ROE right up to the 10% level (9.99%). Moving into MTP 2020, we are now aiming to lift that value over the 10% mark and expand our total equity at the same time.

Earnings Leading up to the Final Year of the MTP 2020



Q What kinds of businesses do you see driving growth into the post-MTP 2020 context?

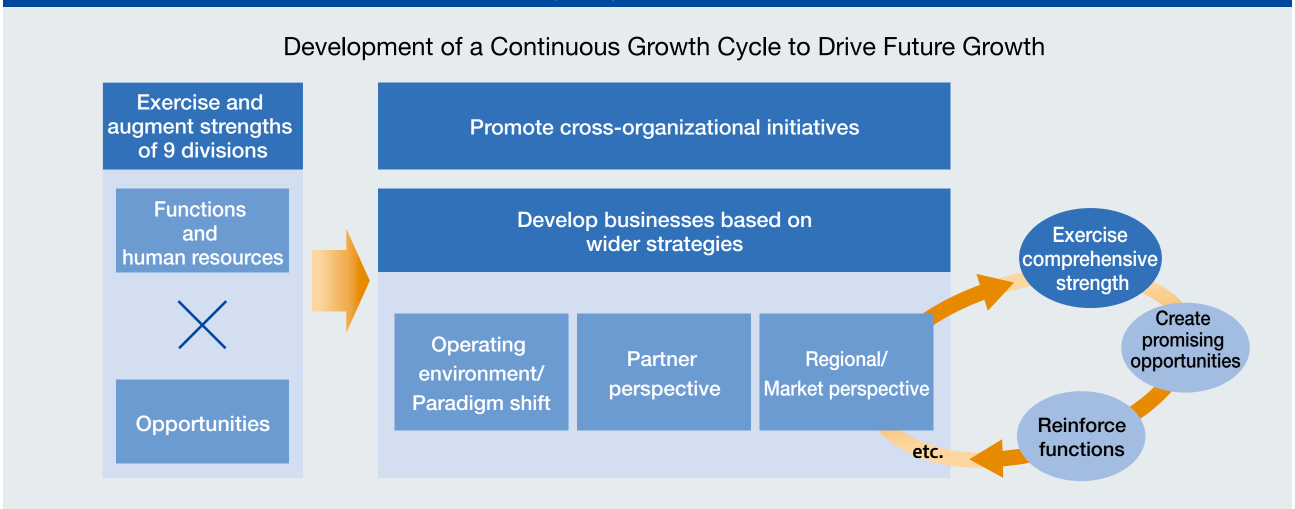
A As we continue to make our strong businesses even stronger, we are aiming to leverage better inter-division synergy into profits for the year totaling ¥100.0 billion.

In addition to accumulating a steady stream of prime assets in the automotive, aerospace and transportation project, overseas urban infrastructure, and energy and social infrastructure areas, where we have an established record of investments and loans, we are also putting an emphasis on areas that are anticipated to be central to ongoing development in Asia: segments like chemicals, foods and agriculture, and retail and lifestyle business. We are also going to continue to actively pursue business acquisitions. Our new M&A Management Office, a cross-divisional organization that we set up to steadily and efficiently carry out acquisitions will help facilitate PMI and enable integration effects that will put acquisition projects in position to start paying off right out of the gate.

Making these business areas even stronger is just one part of the effort. We are also working to maximize our "comprehensive strength" by reaching across organizational borders and fusing the unique features that each of our nine divisions brings to the table. That synergy will help in the drive to expand profits, a vital part of our key initiative to achieve ¥100.0 billion in profits for the year in the post-MTP 2020 period. The urban infrastructure business of our Industrial Infrastructure & Urban Development Division is a good example of how that of how cross-collaboration works. The entire constitution of the urban infrastructure business is an amalgam of our different strengths: the planning, development, and marketing capabilities that we have honed through our experience developing and operating industrial parks; the service-provision skills that the Retail Division offers; the value-enhancing prowess that we owe to our work in running commercial facilities; and the Machinery & Medical Infrastructure Division's strengths in coordinating with other businesses and formulating business schemes—two capabilities that grew out of our involvement in a PPP project for a Turkish hospital. By bringing those elements together, we can deliver higher-value-added urban infrastructures and contribute to regional development with sustained growth. The Retail & Lifestyle Business Division's "Meat One" project, which helps establish a distribution network for imported meat in Japan, also draws on collaborations with a variety of partners.

As AI and the IoT propel the digital revolution forward and new technologies emerge, management is also leading the way in enabling the Company to adapt to the resulting changes in business models. We set up the Business Innovation Office, in April 2018 to serve as a dedicated organization to help facilitate the process. Consolidating the information and activities of the company's various divisions, the new Office works to coordinate with startup companies and other external networks in the hopes of accelerating the processes of tackling innovation and creating viable business in new sectors. At the same time, we are planning to expand the scope of the Robotic Process Automation (RPA) frameworks currently utilized in some of our divisions to cut back on routine tasks and streamline business operations. RPA technologies will help us allocate our human resources more effectively, thereby creating a cycle with enhanced productivity.

Initiatives Targeting Growth After MTP 2020



Q Sojitz's vision is to achieve "two types of value" through constant, sustained growth. How do you want to make that happen?

A Our new long-term vision of sustainability, which extends all the way to 2050, will help guide the way.

We at Sojitz strive to create two types of value through our business activities: "value for Sojitz," which fortifies the profits, human resources, expertise, and other components that make up our business foundation, and "value for society," which cultivates solutions to the social issues standing in the way of environmental preservation and hindering the healthy development of economies, industries, and daily life infrastructures on regional and national scales. If we can strengthen businesses that deliver both types of value and foster a more sustainable society, we know that we will be able to actualize the Sojitz Group's Corporate Statement and live up to the expectations and needs of our shareholders and the international community at large. Bringing those efforts to fruition hinges on the idea of sustainability. The sustainability perspective is now critical in shaping discussions conducted by our Finance & Investment Deliberation Council, where members deliberate and make decisions on important investment projects. In April 2018, we also laid out our "Sustainability Challenge"—a long-term vision that centers on realizing a decarbonized society and respecting human rights—to go along with our six Key Sustainability Issues (Materiality). MTP 2020 represents a preparatory phase in that far-reaching vision. In line with our Sustainability Challenge, we have already started to expand businesses capable of laying the groundwork for a decarbonized society over the next 10 years and set division-specific action plans in motion. We have also renamed the existing CSR Committee as the "Sustainability Committee." I serve as the committee chair, strengthening the link between our sustainability initiative and overall management. ▶P.29

Q What does the Company need to focus on as it works toward continued growth and sustainability?

A Front-line capabilities, speed, and innovation: our three keys to developing human resources

For a trading company, there are no business assets more important than human resources. Ever since I took over as president, we have been working to create the right environment for enhancing our front-line capabilities, speed, and innovation—three keys that form a shared consciousness uniting our personnel. The first key is building "front-line capabilities" through experience. We entrust our work to people who have motivation and skill, regardless of age, gender, nationality, or any other characteristic. "Speed" is the next key. Fostering an open corporate culture allows our employees to take on new challenges, and we encourage our staff to make decisions with a sense of speed, while honing their abilities to think and take on responsibility like a manager. We also need to provide our employees with environments where they can think outside the box, explore ideas collaboratively, and create "innovation," the third key. How do we go about establishing the ideal environment for developing our human resources? That, I believe, is my responsibility as President & CEO. In addition to providing our resources with a climate to thrive in, I look forward to meeting our stakeholders' expectations as the Sojitz Group continues to create the "two types of value" so essential to its vision.