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.

### 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.

#### Investment Process

<table>
<thead>
<tr>
<th>① Project Creation</th>
<th>② Investment Decision</th>
<th>③ Investment</th>
<th>④ Business Management &amp; Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Considering project creation opportunities in line with strategies</td>
<td>• Making investments decisions based on quantitative and qualitative analysis*</td>
<td>• PMI (management integration)</td>
<td>• Monitoring performance and status of measures for value addition</td>
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<td>• Identifying risks</td>
<td></td>
<td>• Building and improving business management structures</td>
<td>• Grasping issues and implementing countermeasures</td>
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<td>• Deciding to continue with or withdraw from businesses</td>
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<td>• Continuous asset replacement</td>
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<tr>
<td><strong>PMI Support</strong></td>
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* 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.

### 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
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 dealerships 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.

Examples of business initiatives that prioritize PMI(2):
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.

Implemented as required
- Flexible review of plans and implementation of countermeasures after investment, centered around the COO

Implemented annually
- Corporate Departments review all investment proposals, forming improvement policies and reconsidering business policies. If an investment proposal conflicts with exit rules, the Finance & Investment Deliberation Council decides whether the business should be continued, or the investment should be discontinued.

Examples
- Managing credit exposure
- Managing budget and performance
- Building personnel structure
- Establishing regulations
- Preparing a structure for consolidating financial results
- Supporting settlement of accounts
- Effectively using funds within Sojitz Group
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)).

**Replacement of Investments and Loans**

![replacement of investments and loans](chart)

**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 investments and loans to be made in non-resource businesses.

**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
Balance of loans and investments: $170.0 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>
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<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: $185.0 billion
Balance of loans and investments: $175.0 billion