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# Medium-Term Management Plan 2020

~Commitment to Growth~

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May 1, 2018

Sojitz Corporation

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~Challenge for Growth~

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~Commitment to Growth~

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March 31,2019

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### Caution regarding Forward-looking Statements

This document contains forward-looking statements based on information available to the company at the time of disclosure and certain assumptions that management believes to be reasonable. Sojitz makes no assurances as to the actual results and/or other outcomes, which may differ substantially from those expressed or implied by forward-looking statements due to various factors including changes in economic conditions in key markets, both in and outside of Japan, and exchange rate movements.

The Company will provide timely disclosure of any material changes, events, or other relevant issues.

# I. Review of Medium-Term Management Plan 2017 ~Challenge for Growth~

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# Medium-Term Management Plan 2017 Results

## Financial Targets

**Profit for the year:  
¥ 60.0 billion  
or more**

**ROA:2% or above  
ROE:8% or above**

**3-year total for  
investments and  
loans:  
¥300.0 billion**

**Net DER:  
1.5 times or lower**

**Shareholder returns:  
Consolidated  
payout ratio of  
approx. 25%**

## Results

**Unachieved**

Despite still fell short of final year target of ¥60.0 billion or higher, increased from ¥33.1 billion to ¥56.8 billion

**Achieved**

**ROA (1.5%→2.5%)  
ROE (6.5%→10.0%)**

**Achieved**

- Conducted investments and loans of ¥315.0 billion
- Expanded foundations for generating stable earnings

**Achieved**

- Controlled in positive 3-year free cash flow
- Net DER: 1.03 times

**Achieved**

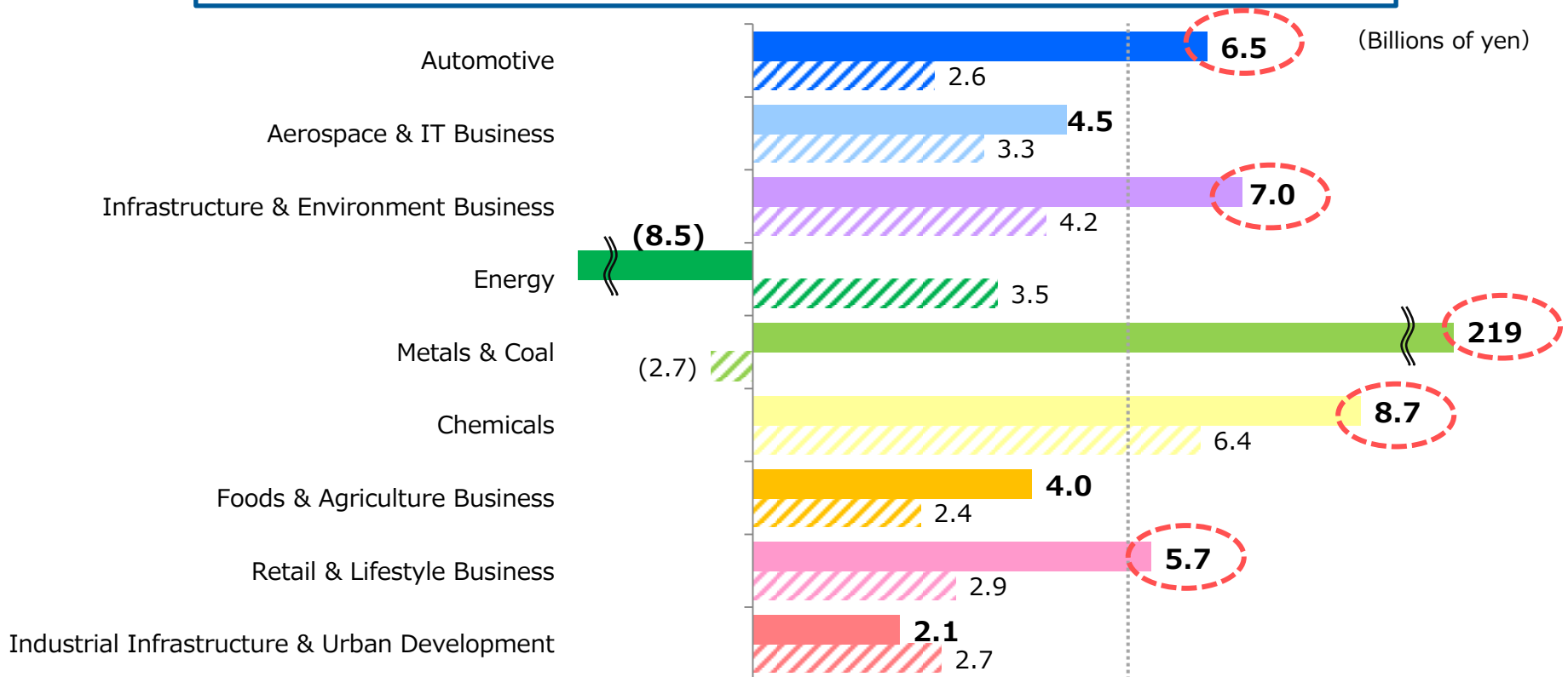
- Target a consolidated payout ratio of 25%
- Increased dividends from ¥6 per share to ¥11 per share

# Medium-Term Management Plan 2017

~Business Clusters Generating ¥5.0bn, ¥10.0bn in Revenue~

Increased number of clusters of revenue-generating businesses creating segment profit for the year\* of ¥5.0 from 1 division to 5 divisions in 3 years

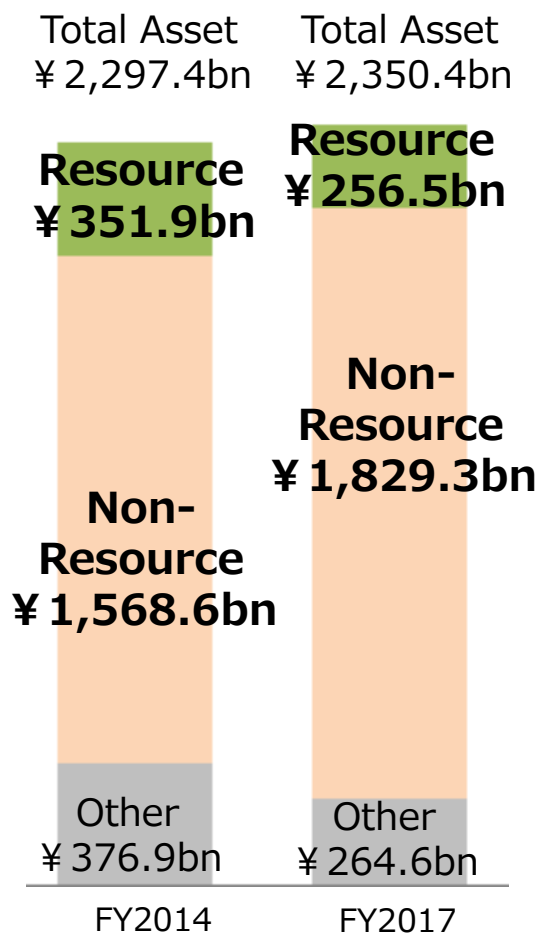
(FY2017 results:  FY2014 results:  )



(\* ) Profit for the year attributable to owners of the Company

# Changes in Business Portfolio / ROA by segment

Increased non-resource assets by approx. ¥260.0 billion through prioritization of investments in infrastructure and other stable-earnings generating businesses, and reviewing resource businesses also led to ROA improved in seven divisions



ROA	FY2014	FY2017
Automotive	1.9	4.0%
Aerospace & IT Business	1.9	2.5%
Infrastructure & Environment Business	2.7	3.1%
Energy	2.1	- %
Metals & Coal	-	5.4%
Chemicals	2.2	2.9%
Foods & Agriculture Business	1.5	3.1%
Retail & Lifestyle Business	0.9	1.5%
Industrial Infrastructure & Urban Development	3.9	3.0%

## II. Medium-Term Management Plan 2020 ~Commitment to Growth~

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# Operating Environment

## Opportunity

- Developed countries :  
Strong consumption fueled by employment, etc.  
  
Emerging countries :  
Ongoing growth in infrastructure investment and consumer spending  
  
These opportunities above are anticipated to drive growth going forward
- Increase in ESG-minded investors, spreading awareness for UN SDGs, adoption of Paris Agreement, and other movements encouraging resolution of social issues through corporate activities
- Creation and innovation of new technologies (AI, IoT, etc.) and business models, emergence of alternatives for existing business models, and stimulation of new demand

## Risk

- America : Issues in the United States with trade
- China : Impacts on world economy stemming from China's economic policies
- Japan : Impacts of consumption tax hike and dissipation of special demand after Tokyo Olympics
- Forecast-exceeding interest rate hikes in developed countries
- Yen appreciation and other foreign exchange trends and stock price fluctuations
- Impacts of geopolitical risks, etc.

Recognize opportunities and risks presented by uncertainty while assuming growth in global economy



# Position of Medium-Term Management Plan 2020

## Medium-Term Management Plan 2014 & 2017

~Change for Challenge~  
~Challenge for Growth~

### 【Medium-Term Management Plan 2017】

Tackle new challenges on the path toward future growth

- ❑ Conducted new investments and loans of approx. ¥300.0 billion without increasing total assets

### 【Medium-Term Management Plan 2014】

Strengthen foundations in pursuit of growth

- ❑ Steadily accumulate total equity
- ❑ Maintained strong financial position
- ❑ Expand foundations for generating stable earnings

## Medium-Term Management Plan 2020

~Commitment to Growth~

### Achieve steady growth

- ❑ Continue investing in future growth
- ❑ Practice financial discipline and reinforce functions to further growth
- ❑ Realize earnings contributions from previously executed investments

## After Medium-Term Management Plan 2020

### Continue growing through ambitious undertakings

- ❑ Demonstrate strong market presence
- ❑ Achieve consolidated profit for the year of ¥100.0 billion or more
- ❑ Further growth of ROA and ROE
- ❑ Become company that lives up to expectations of society and employees

“Develop cycle for sustained growth”

“Acquire assets to drive future growth”

“Expand foundations for generating stable earnings”

“Maintain sound financial foundation”

Further growth

Achievement of growth

Implement growth initiatives

# Medium-Term Management Plan 2020

## Financial Targets

Profit growth of  
approx. 10%  
from the previous year

Profit for the year:  
¥75.0 billion  
or more

ROA:  
3% or above

ROE:  
10% or above

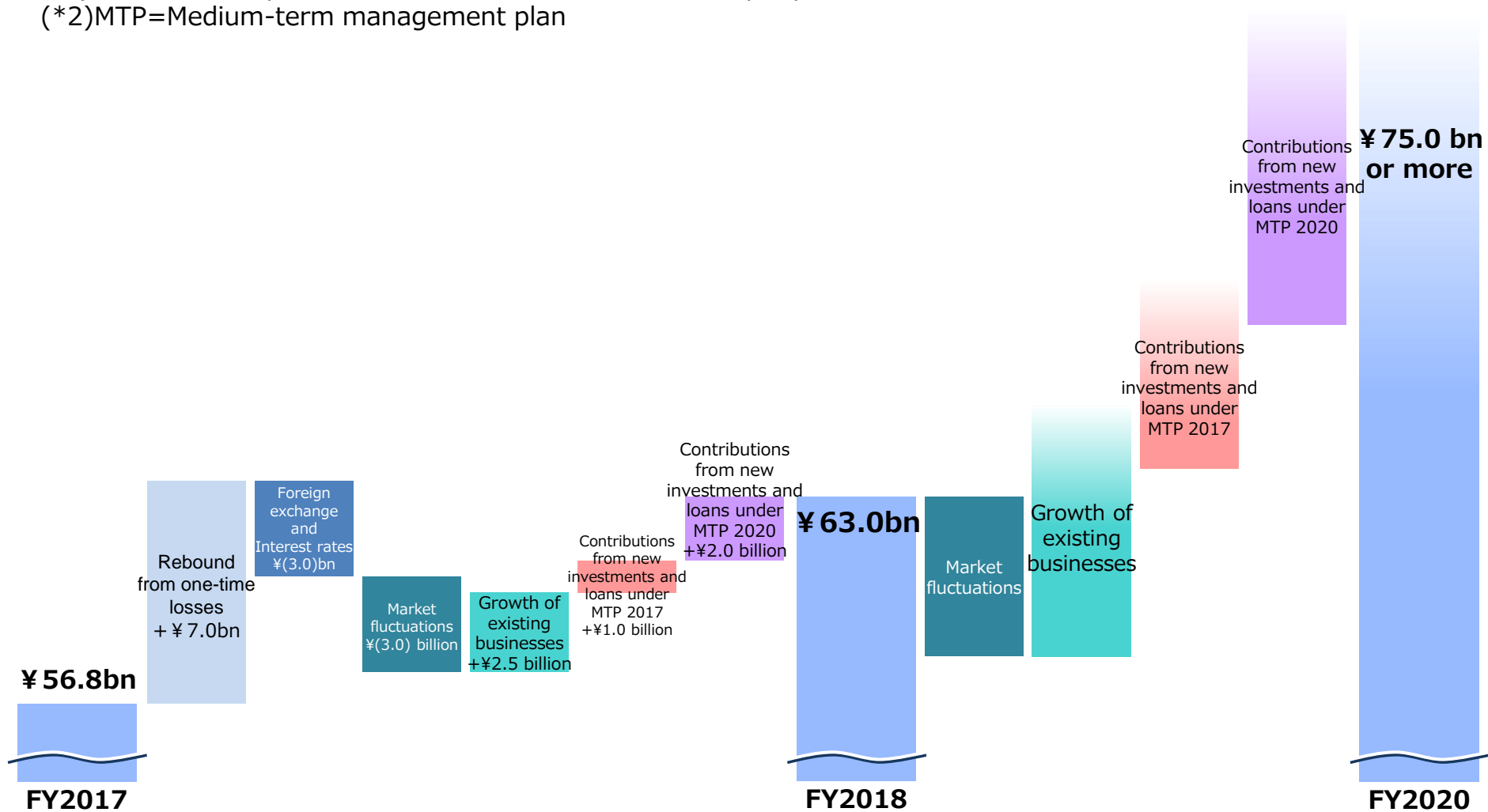
Positive core cash flow  
over medium-term  
management plan period

NET DER:  
1.5 times or lower

# Earnings Growth Leading Up to Final Year of Medium-Term Management Plan

(\*1) Profit for the year attributable to owners of the Company

(\*2) MTP=Medium-term management plan



# Measures for Generating Stable Earnings

## Realize earnings contributions from investments and loans

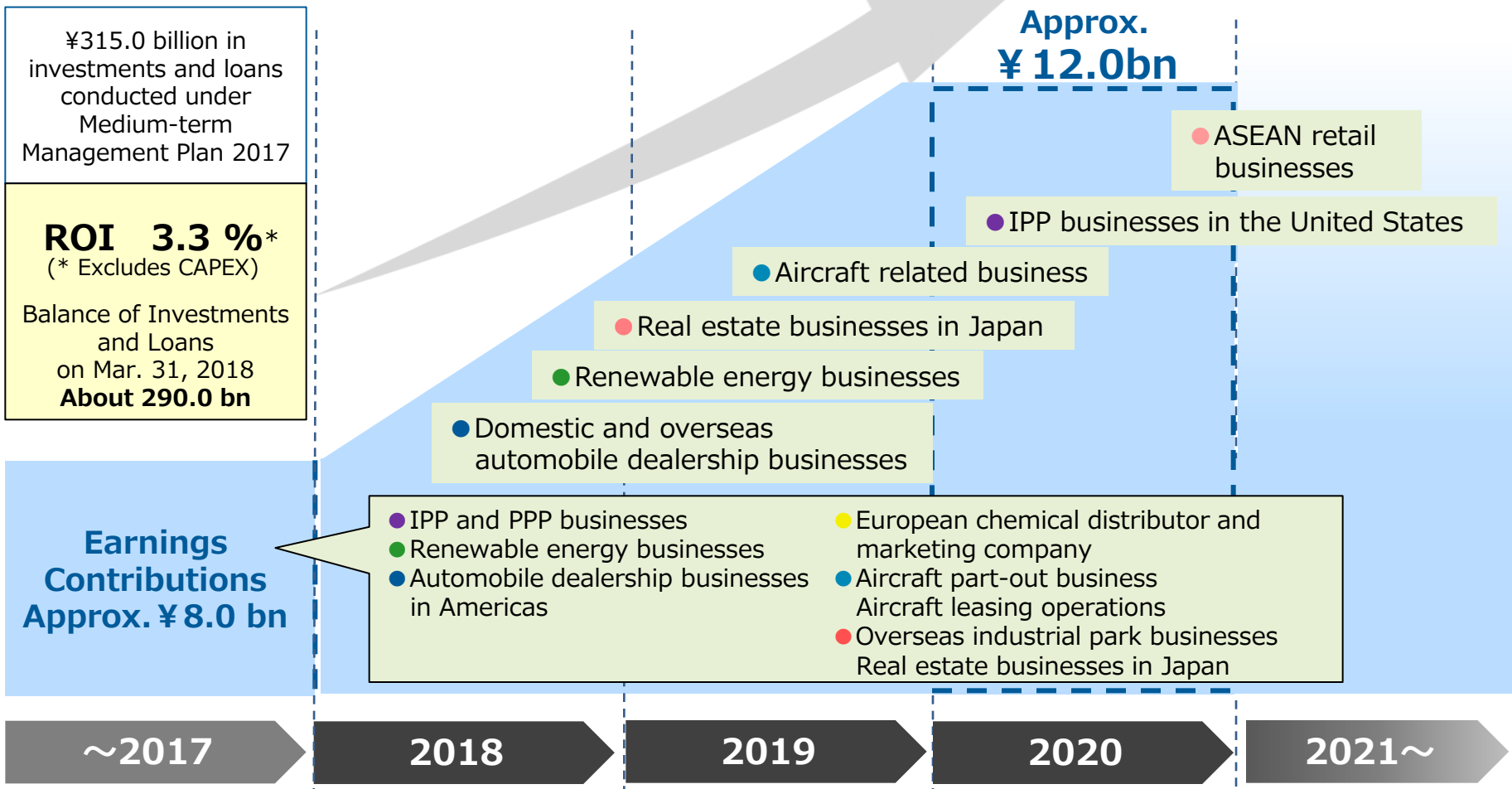
- Improve profitability of previously executed investments and loans
- Continue to conduct new investments and loans
- Improve success rates and reinforce functions
- Establish M&A Management Office to accelerate business division execution speed and build upon specialties

## Withdraw from unprofitable and low-margin businesses and continue revising portfolio

- Examine and otherwise address businesses with low efficiency (in terms of assets, funds, or earnings)
- Thoroughly monitor loss-producing and low-margin businesses and implement improvement measures

# Earnings Contributions from Investments and Loans (1)

## Earning Contributions from Investments and Loans Conducted Under Medium-term Management Plan 2017



# Earnings Contributions from Investments and Loans (2)

<b>Growth investments</b>	<b>Medium-Term Management Plan 2017 (Results)</b> ¥ 315.0bn (Includes ¥40.0 billion in CAPEX in existing assets)	<b>Medium-Term Management Plan 2020</b> Approx. ¥ 300.0bn (Includes ¥20.0 billion in CAPEX in existing assets)	
	Mar. 31, 2021 Outstanding investments and loans*	FY2020 Earnings contributions (profit for the year)	ROI forecasts
Under Medium-Term Management Plan 2017	¥ 160.0 bn	More than ¥ 12.0 bn	Approx. 7.5%
Under Medium-Term Management Plan 2020	¥ 230.0 bn	More than ¥ 10.0 bn	Approx. 4.3%
<b>Total</b>	<b>¥ 390.0 bn</b>	<b>More than ¥ 22.0 bn</b>	<b>Approx. 5.6%</b>

**ROI of more than 8% forecast for FY2022**

\* Excludes CAPEX

## <Medium-term Management Plan 2020

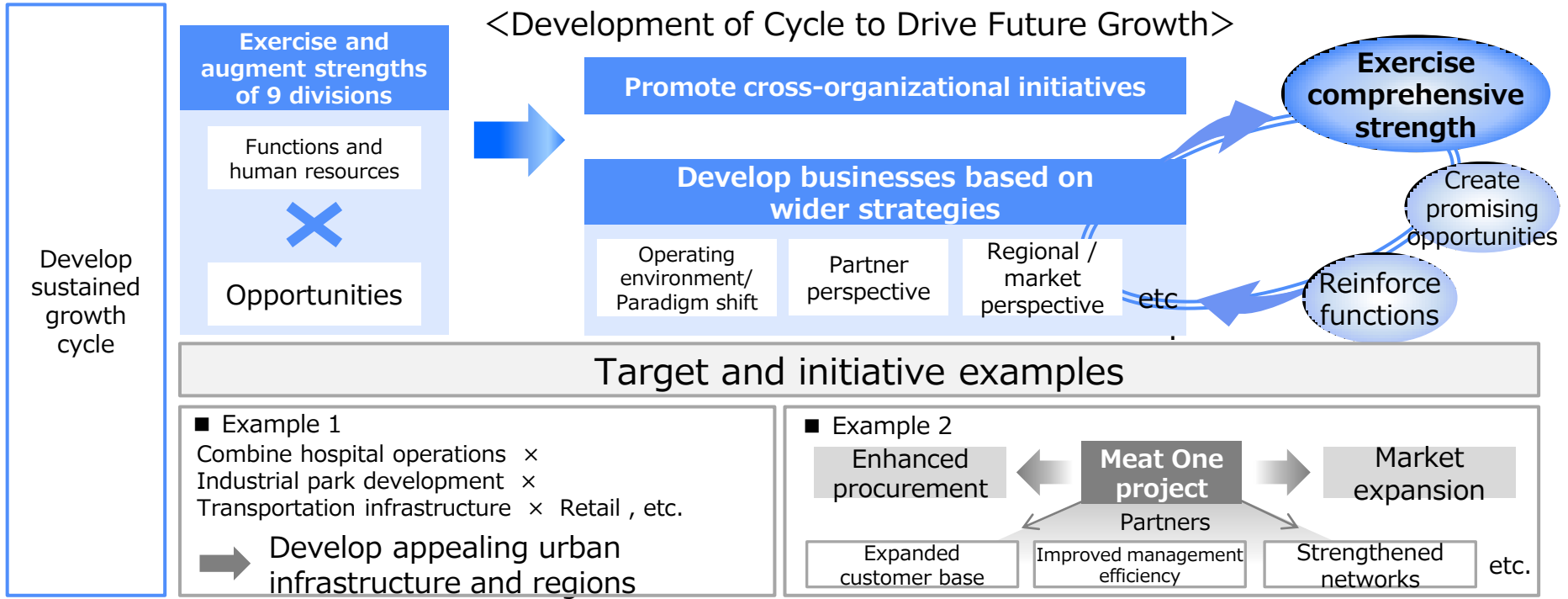
### Investment and Loan Scale and Target Businesses and Fields by Division>

(Billions of yen)

<b>Automotive</b>	<b>30.0</b>	<ul style="list-style-type: none"> <li>Dealerships</li> <li>Asian manufacturing and sales operations</li> </ul>	<b>Energy &amp; Social Infrastructure</b>	<b>50.0</b>	<ul style="list-style-type: none"> <li>Power generation and other energy-related operations</li> <li>Digital social infrastructure</li> </ul>	<b>Foods &amp; Agriculture Business</b>	<b>20.0</b>	<ul style="list-style-type: none"> <li>Fertilizer</li> <li>ASEAN business infrastructure development</li> </ul>
<b>Aerospace &amp; Transportation Project</b>	<b>40.0</b>	<ul style="list-style-type: none"> <li>Broadening of aerospace operations</li> <li>Transportation and airport infrastructure</li> </ul>	<b>Metals &amp; Mineral Resources</b>	<b>35.0</b>	<ul style="list-style-type: none"> <li>Upstream interests (asset replacement) and CAPEX</li> <li>New materials and material processing</li> </ul>	<b>Retail &amp; Lifestyle Business</b>	<b>30.0</b>	<ul style="list-style-type: none"> <li>ASEAN industrial material operations</li> <li>Retail related businesses</li> </ul>
<b>Machinery &amp; Medical Infrastructure</b>	<b>15.0</b>	<ul style="list-style-type: none"> <li>Hospital operation and medical field businesses</li> <li>Broadening of industrial machinery operations</li> </ul>	<b>Chemicals</b>	<b>30.0</b>	<ul style="list-style-type: none"> <li>Gas- and chemical-related operations</li> <li>Overseas sales companies</li> </ul>	<b>Industrial Infrastructure &amp; Urban Development</b>	<b>20.0</b>	<ul style="list-style-type: none"> <li>Overseas industrial parks and urban infrastructure</li> <li>Domestic real estate, etc.</li> </ul>

# Pursuit of Further Growth(1)

## Initiatives Targeting Growth After Medium-Term Management Plan 2020



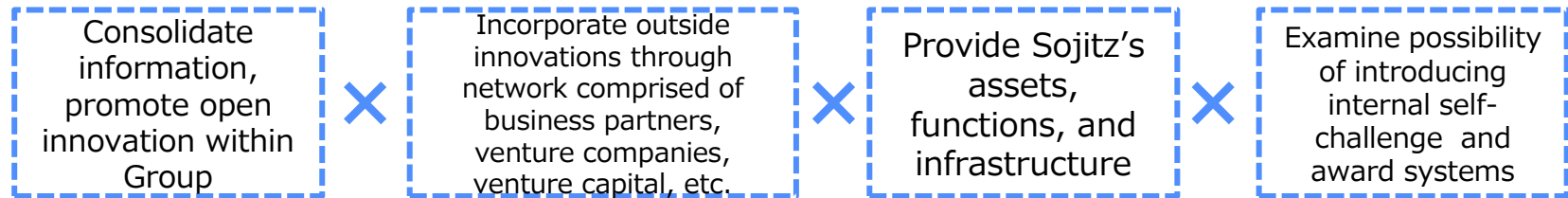
- Reform organization
- Revise division organizations to better utilize insight, functions, and human resources by re-categorizing businesses (Energy & Social Infrastructure Division)
  - Establish corporate organizations and division support organizations to improve business development success rates

# Pursuit of Further Growth(2)

## Initiatives Targeting Growth After Medium-Term Management Plan 2020

Advance management-spearheaded initiatives for evolving business model through digital revolution and new technologies

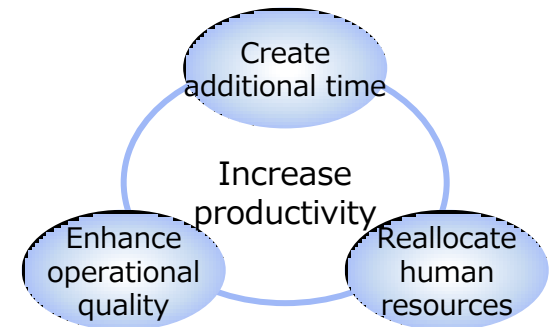
<Establishment of dedicated organization in April 2018>



**Create innovation and acquire and strengthen functions**

### Expand scope of utilization and introduction of AI and RPA

- Reduce routine work
- Improve operational efficiency and standardize quality



Undertake initiatives in new fields

Improve productivity through new technologies



# Growth through Disciplined Balance Sheet and Cash Flow Management

## Cash Flow Management Under Medium-Term Management Plan 2020

Conduct growth investments and shareholder returns within the scope of cash inflows from period earnings and asset replacement  
Maintain positive 3-year core cash flow

Core cash flow = Core operating cash flow (excluding changes in working capital) + Investing cash flow (including asset replacement) – Dividends paid

### Accumulation of Quality Assets

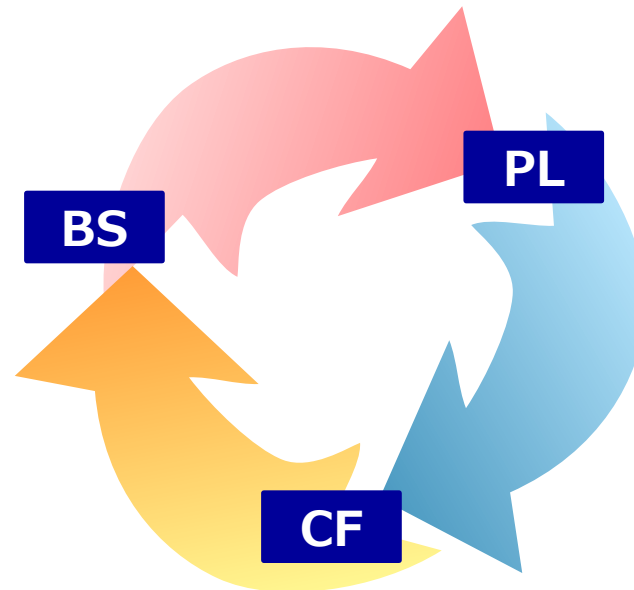
#### Investments and Loans for Acquiring Quality Assets

Conduct growth investments with increased speed and feasibility

- Acquire, expand, and utilize functions
- Expand, enter, and create markets
- Broaden range of new fields to create more robust division foundations

#### Ongoing Asset Replacement

Improve profitability through ongoing asset replacement and accumulation of quality assets



### Balance Sheet Management

#### Improvement of Asset Quality

Improve asset quality through asset management focused on asset and business value increases, risks and returns

#### Expansion of Total Equity

Keep net DER below 1.5 times even in volatile market environment

Expand total equity by increasing resilience to interest and foreign exchange rate fluctuations and managing goodwill

# Initiatives Aimed at Sustained Growth

## Corporate Governance

**Initiatives for improving the effectiveness of corporate governance systems**

- Strengthen operational execution oversight by Board of Directors
- Enhance governance of Group companies

## Human Resources

**Initiatives supporting productivity improvements and sustained growth**

- Implement diversity initiatives and workstyle reforms to facilitate contributions by diverse human resources
- Respond flexibly to changes and cultivate and optimally utilize human resources that continually tackle new challenges to drive sustained growth
- Develop future leaders and quickly cultivate new and mid-rank employees

## Risk Management

- Address operating environment changes and diversifying risks
- Prepare for interest rate hikes and foreign exchange rate fluctuations

# Promotion of Sustainability Management

## Sojitz's Sustainability Management Initiatives

Further incorporate concept of sustainability\* into management and better integrate resolution of environmental and social issues into Sojitz's business in order to accomplish the goals of the Sojitz Group Statement and achieve ongoing growth

\* Maximize value for Sojitz and value for society and promote initiatives based on 6 key issues

### Sustainability Management

Promote management based on sustainability perspective :

- Ensure consistency between Companywide policies and division business strategies
- Evaluate meaningfulness of individual projects during examinations and identify environmental and social risks

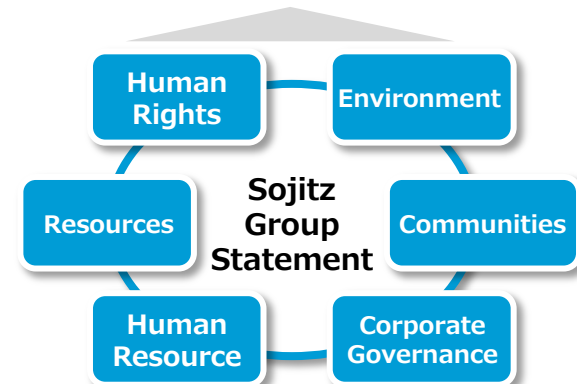
### Establishment and Monitoring of Medium-to-Long-Term Targets

- Establish and disclose sustainability challenges as a long-term vision
- Set Companywide and division targets in Medium-Term Management Plan 2020 and monitor progress

### Sustainability Challenges

We aim to create sustainable growth for both Sojitz and society by working to help achieve a decarbonized society through our business activities, and by responding to human rights issues, including those within our supply chains.

Position Medium-Term Management Plan 2020 as a period for preparing to address sustainability challenges and grow business to contribute to the realization of a low-carbon society over the next decade while stepping up initiatives to guarantee human rights are always respected



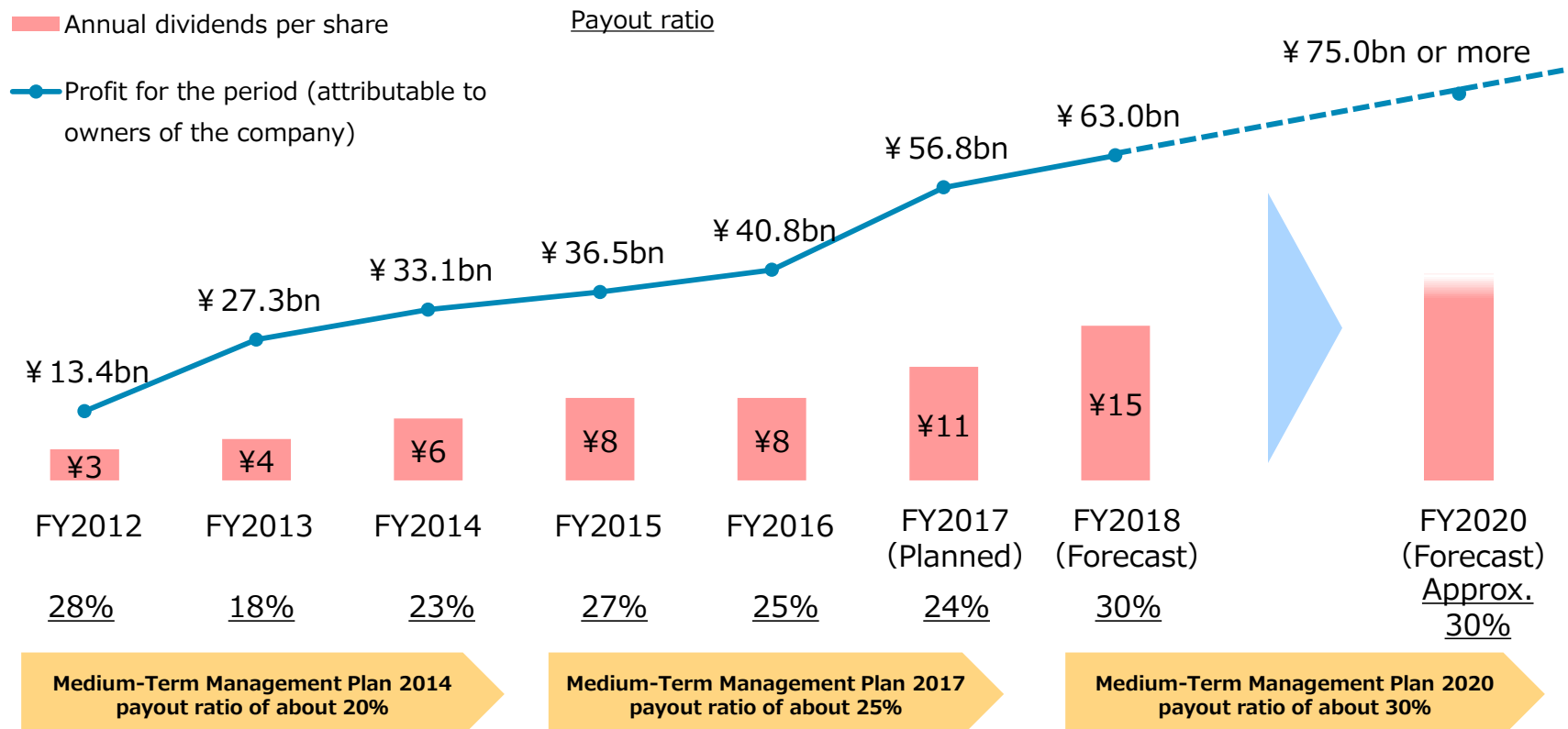
### Key Sustainability Issues (Materiality)

# Dividend Policy

## Basic Dividend Policy

Sojitz recognizes that paying stable, continuous dividends is a management priority, together with enhancing shareholder value and boosting competitiveness through the accumulation and effective use of retained earnings.

Under Medium-Term Management Plan 2020, our basic policy will be to target a consolidated payout ratio of 30%.



【 Supplemental Data 1】  
Full Year Forecast of Fiscal Year Ending  
March 31,2019



# Full Year Forecast of Fiscal Year Ending March 31, 2019

## Business Performance

(Billions of Yen)	FY2017 Results	FY2018 Forecast
Gross profit	232.4	240.0
Profit before tax	80.3	86.0
Profit for the year*	56.8	63.0

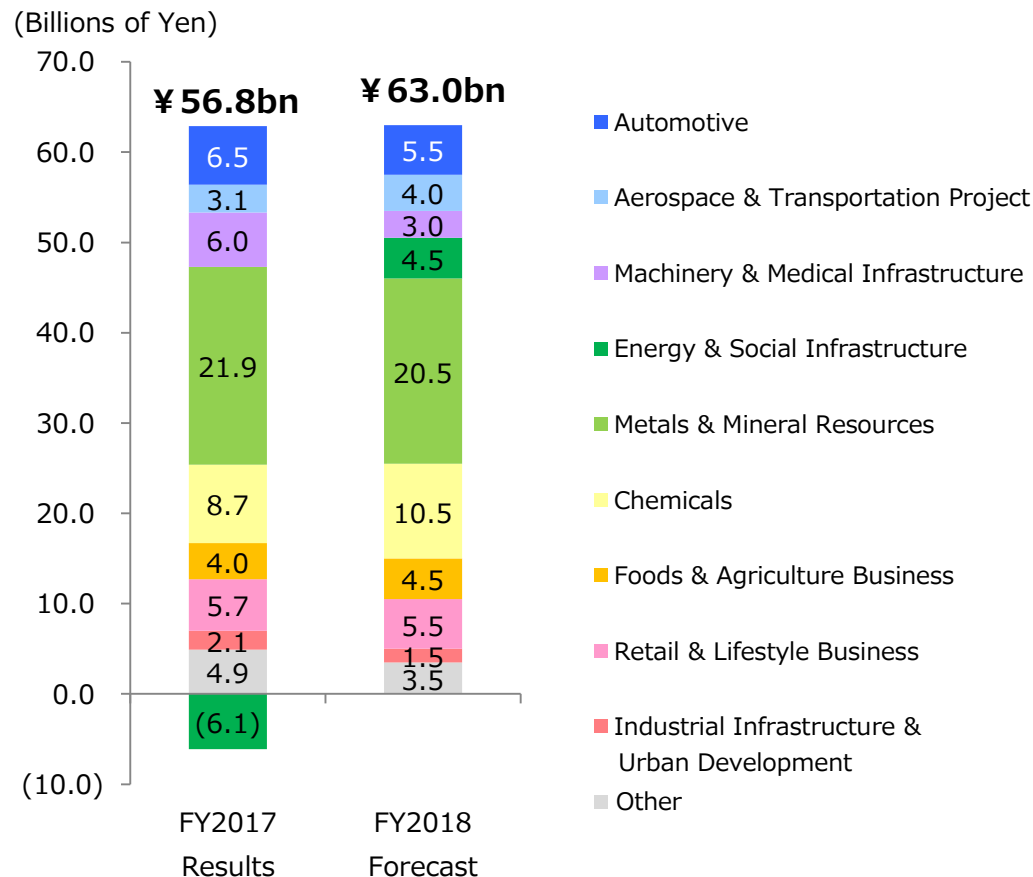
## Financial Position

(Billions of Yen)	FY2017 Results	FY2018 Forecast
Total assets	2,350.4	2,400.0
Total equity	586.4	630.0
Equity ratio	25.0%	26.3%
Net interest-bearing debt	603.5	650.0
Net D/E ratio (times)	1.03倍	1.0倍

## Dividend

	FY2017	FY2018 (Forecast)
Cash dividends per share	¥ 11	¥ 15

## Profit for the year by division\*



(\*) Profit attributable to owners of the Company

(Note) FY2017 Figures for the Aerospace & transportation Project, Machinery & Medical Infrastructure, Energy & Social Infrastructure and Metals & Mineral resources Division were calculated by using figures for the former organizations and adjusting them based on the organizational reforms. As a result, these figures may differ from those disclosed in the future.

# 【Supplemental Data 2】 Division Overview

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(Note)

FY2016 and FY2017 figures for the Aerospace & transportation Project, Machinery & Medical Infrastructure, Energy & Social Infrastructure, Metals & Mineral resources Division were calculated by using figures for the former organizations and adjusting them based on the organizational reforms. As a result, these figures may differ from those disclosed in the future.

# Initiative Themes by Division

## Automotive



The Automotive Division will strive to strengthen its functions and accumulate assets to facilitate future growth through means such as expanding dealership and automotive parts quality inspection operations in promising growth markets. At the same time, this division will replace and enhance existing businesses in the pursuit of stable growth.

Target ROA  
4.0→3.2%

Profit for the year\*



## Aerospace & Transportation Project



The Aerospace & Transportation Project Division will leverage its strengths in the aerospace industry to more swiftly broaden its aircraft lease, part-out, business jet, and other operations. This division will also build foundations for creating new value and generating earnings by developing transportation infrastructure businesses in emerging countries and airport-related businesses around the world.

Target ROA  
2.1→4.3%

Profit for the year\*



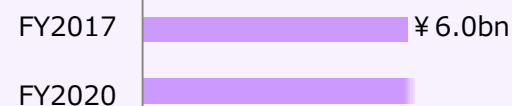
## Machinery & Medical Infrastructure



The Machinery & Medical Infrastructure Division will seek to broaden its earnings foundations by growing its PPP hospital operation business, creating medical institution-related businesses, expanding existing industrial machinery and bearing trading operations, and investing in related fields.

Target ROA  
5.7→4.7%

Profit for the year\*



(\* ) Profit attributable to owners of the Company ROA: FY2017 Results→ FY2020 Targets



# Initiative Themes by Division

## Energy & Social Infrastructure

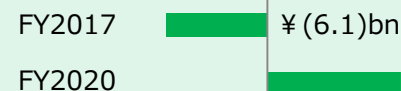


The Energy & Social Infrastructure Division will grow its energy supply, power generation, and other service operations as a single business following the transformation of its energy field business portfolio. In addition, this division will work to enhance social infrastructure, including digital-related infrastructure that addresses the diversification of social needs stemming from technological progress.

Target ROA

– → **2.5%**

Profit for the year\*



## Metals & Mineral Resources



The Metals & Mineral Resources Division will strengthen the functions of existing businesses and develop and promote businesses that address new social needs, such as those pertaining to the environment, recycling, and the spread of electric vehicles. Meanwhile, the division will be working to establish foundations for generating stable earnings that are resilient to market fluctuations by optimizing its asset portfolio through the replacement of upstream interests.

Target ROA

5.4 → **4.5%**

Profit for the year\*



## Chemicals

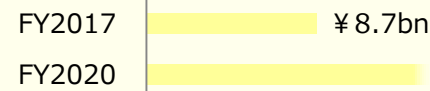


The Chemicals Division will strive to respond quickly to changes in industry structures and markets as it invests in expanding its value chain and organically evolving its global network, a core strength, in order to grow further. Other initiatives will be targeted at new business fields such as the environment, mobility, and composite materials.

Target ROA

2.9 → **3.9%**

Profit for the year\*



(\* ) Profit attributable to owners of the Company ROA: FY2017 Results → FY2020 Targets

# Initiative Themes by Division

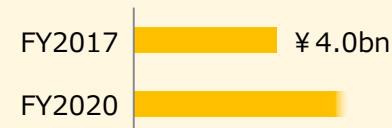
## Foods & Agriculture Business



The Foods & Agriculture Business Division will enhance its fertilizer operations in Southeast Asia while also expanding into the surrounding countries and into related fields. At the same time, this division will construct value chains encompassing production, processing, and sales in its food and marine product operations. The aim of these efforts will be increased earnings capacity.

Target ROA  
3.1→3.6%

Profit for the year\*



## Retail & Lifestyle Business



Focuses of the Retail & Lifestyle Business Division will include expanding and diversifying its commercial facility, food distribution, and other retail operations; augmenting trademark portfolios and acquiring new functions in the forest product, textile, and general commodity fields; and developing new businesses in Japan and Asia. Through such tailored portfolio management efforts, this division will evolve and enhance its foundations for generating continuous earnings.

Target ROA  
1.5→2.1%

Profit for the year\*



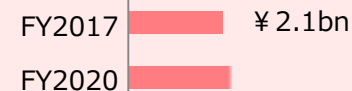
## Industrial Infrastructure & Urban Development



In Japan, the Industrial Infrastructure & Urban Development Division seeks to boost earnings capacity by developing a business model focused on efficiency and turnover rates through the enhancement of its development functions for condominiums and other properties and by increasing the value of its operations in peripheral fields and in the REIT business. Overseas, the division will take part in industrial park development projects as well as in smart city and other urban infrastructure development projects.

Target ROA  
3.0→1.9%

Profit for the year\*



(\* ) Profit attributable to owners of the Company ROA: FY2017 Results→ FY2020 Targets



***sojitz***

***New way, New value***