sojitz

New way, New value

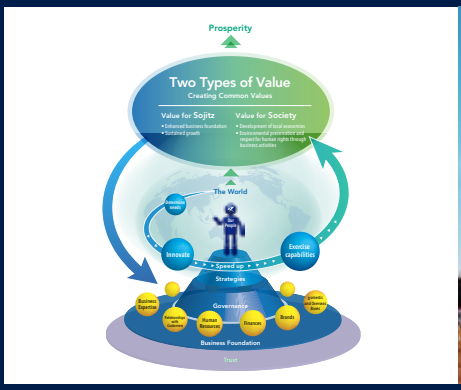


Commitment to Growth

Integrated Report 2019

For the year ended March 31, 2019

Sojitz Corporation







01

INTRODUCTION

01 Contents/Editorial Policy
02 Corporate Statement
03 To Our Stakeholders
04 Sojitz's Value Creation Model

06

WHO WE ARE

06 Sojitz's Strengths
08 Business Ingenuity
10 Capacity for Growth
12 Creativity
14 Performance Highlights (Financial/Non-Financial)

16

WHERE WE'RE GOING

16 Taking on the Challenge of Future Growth
18 Message from the President
24 Message from CFO
26 Accumulating Quality Assets
29 Special Feature: Examples of Value Creation that Demonstrate Our Functions and Strengths
30 Utilize: The Australian Coking Coal Business
32 Develop: Renewable Energy Business
34 Take Root: Business in Vietnam

Editorial Policy

Sojitz attaches importance to the role of its integrated report as a communication tool to help a wide range of readers understand its business activities and business model. The Integrated Report 2019 has been compiled based on the International Integrated Reporting Framework proposed by the International Integrated Reporting Council (IIRC), with the theme of maximizing "two types of value": "value for Sojitz" and "value for society," and an awareness of the connectivity between the use of our management resources and the creation of business functions. In addition, we have endeavored to edit this report to enable stakeholders to gain a better understanding of the Company through the visualization of the strengths Sojitz has cultivated to the present day.

The Cover of This Report

The front/back covers represent Sojitz's commitment to realizing steady growth through Medium-term Management Plan 2020, as well as its continued efforts to promote further growth by creating value through new ideas. Sojitz promises to pursue sustainable growth through a process that begins with confronting questions (represented visually by a question mark) that are then brought to life as new business (shown as an exclamation mark).

Note on Forward-Looking Statements

The information about future performance (forward-looking statements) in this integrated report is based on information available to management at the time of its disclosure. Accordingly, readers are advised that actual results may differ from forward-looking statements due to a wide variety of factors including, but not limited to, conditions in the Company's principal overseas and domestic markets, economic conditions, and changes in foreign currency exchange markets.

Priority Initiatives

United Nations Global Compact

Sojitz signed the United Nations Global Compact (UNGC) to clarify our ideals in its global operations, including respect for the environment and human rights through businesses that comply with international standards as well as the laws of countries and regions. The UNGC calls for companies to exercise leadership as members of the international community and pursue sustainability through their businesses. Sojitz joined the UNGC in 2009. We support the 10 principles of the UNGC in the areas of human rights, labor, the environment, and anti-corruption, and practice these principles through our business activities.

WE SUPPORT
UN GLOBAL COMPACT







36

HOW WE GET THERE

36 Pursuing Sustainability
38 Working to Promote Integrated Sustainability for Both Sojitz and Society
40 Working to Achieve the Sustainability Challenge
42 Working to Maximize Employee Capabilities
46 Corporate Governance Message from the Chairman
47 Special Feature: An interview with our Outside Directors
50 Directors/Audit & Supervisory Board Members
52 Executive Officers
54 Improving Effectiveness and Transparency
61 Compliance
62 Risk Management
64 Division Business Reports
66 Key Topics
68 Automotive Division
70 Aerospace & Transportation Project Division
72 Machinery & Medical Infrastructure Division
74 Energy & Social Infrastructure Division
76 Metals & Mineral Resources Division
78 Chemicals Division
80 Foods & Agriculture Business Division
82 Retail & Lifestyle Business Division
84 Industrial Infrastructure & Urban Development Division

86

FINANCIAL SECTION

86 11-Year Financial Summary
88 Management's Discussion and Analysis of Operations
102 Performance at Consolidated Subsidiaries and Equity-Method Associates
103 Country Risk Exposure (Consolidated)
104 Consolidated Financial Statements
110 Notes to Consolidated Financial Statements
171 Independent Auditor's Report

DATA

172 Organization Chart
173 Principal Operating Bases
176 Main Subsidiaries and Associates
178 Corporate Data
179 Communication with Investors and Shareholders

The Guidance for Collaborative Value Creation
Sojitz agrees with the Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry. We consult the Guidance for Collaborative Value Creation in all our IR activities, including this Integrated Report, with the objective to receive evaluation of our corporate values through constructive dialogue with investors and shareholders.

Sustainable Development Goals
The Sustainable Development Goals (SDGs) call for the resolution of 17 worldwide priority social issues by 2030. Under the leadership of the United Nations, the goals were adopted in 2015 by 193 member nations. Given the medium- to long-term expectations stakeholders have for the resolution of these issues, Sojitz took the SDGs into account when clarifying the Group's CSR Focus Areas (current key Sustainability Issues (materiality)).

Task Force on Climate-Related Financial Disclosures (TCFD)
Climate change is a major issue in international society, one which Sojitz is emphasizing as a management issue. We endorse the proposals of the Task Force on Climate-related Financial Disclosures (TCFD), and are making efforts to disclose the impact of climate change on our business activities and to implement specific measures to overcome it.

Corporate Statement/To Our Stakeholders

Sojitz Group Statement

The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.

Sojitz Group Slogan

New way, New value

Sojitz Guiding Principles

The Sojitz Group aims to create value for our stakeholders by aligning our strong, capable individuals under the following 5 principles:

1. **Trust**: Build enduring trust.
2. **Innovation**: Innovate with foresight.
3. **Speed**: Strive for speed.
4. **Challenge**: Take calculated risks.
5. **Perseverance**: Persevere until successful.

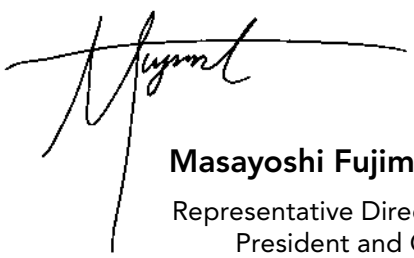
Utilizing innovative ideas, Sojitz will continue to take on new challenges, connecting steady growth to the next leap forward.

Since its founding, Sojitz has continued to learn from the past, take on new challenges, and achieve one goal after another. This has forged a "Sojitz Identity" defined by ***genba-ryoku****—that is, the abilities exhibited by our people on the business frontlines. It is the very culmination of the **business ingenuity** honed by our predecessors, the **capacity for disciplined growth** developed from the lessons learned during our hardest times, and the **creativity** which will lead the way to the future.

Medium-term Management Plan 2020 – Commitment to Growth – began in April 2018, and during our first year of the plan, we successfully linked our past efforts to new profit and maintained fiscal discipline in continuing to replace assets and conduct new investments and loans. We made full use of our greatest advantages and abilities to actively challenge new business areas, hand-in-hand with our trusted partners, while responding to the dizzying changes of the business environment. This year as well, we will continue to refine our strengths to build new "clusters of revenue-generating business," reaffirm our "Commitment to Growth," and realize steady profit growth of around 10% per year.

Sojitz is now in a stage of growth. Seeking to maximize the "two types of value"—"value for Sojitz" and "value for society"—all of us at Sojitz will unite to achieve sustainable growth for our company and create a more prosperous society.

August 2019



Masayoshi Fujimoto
Representative Director,
President and CEO

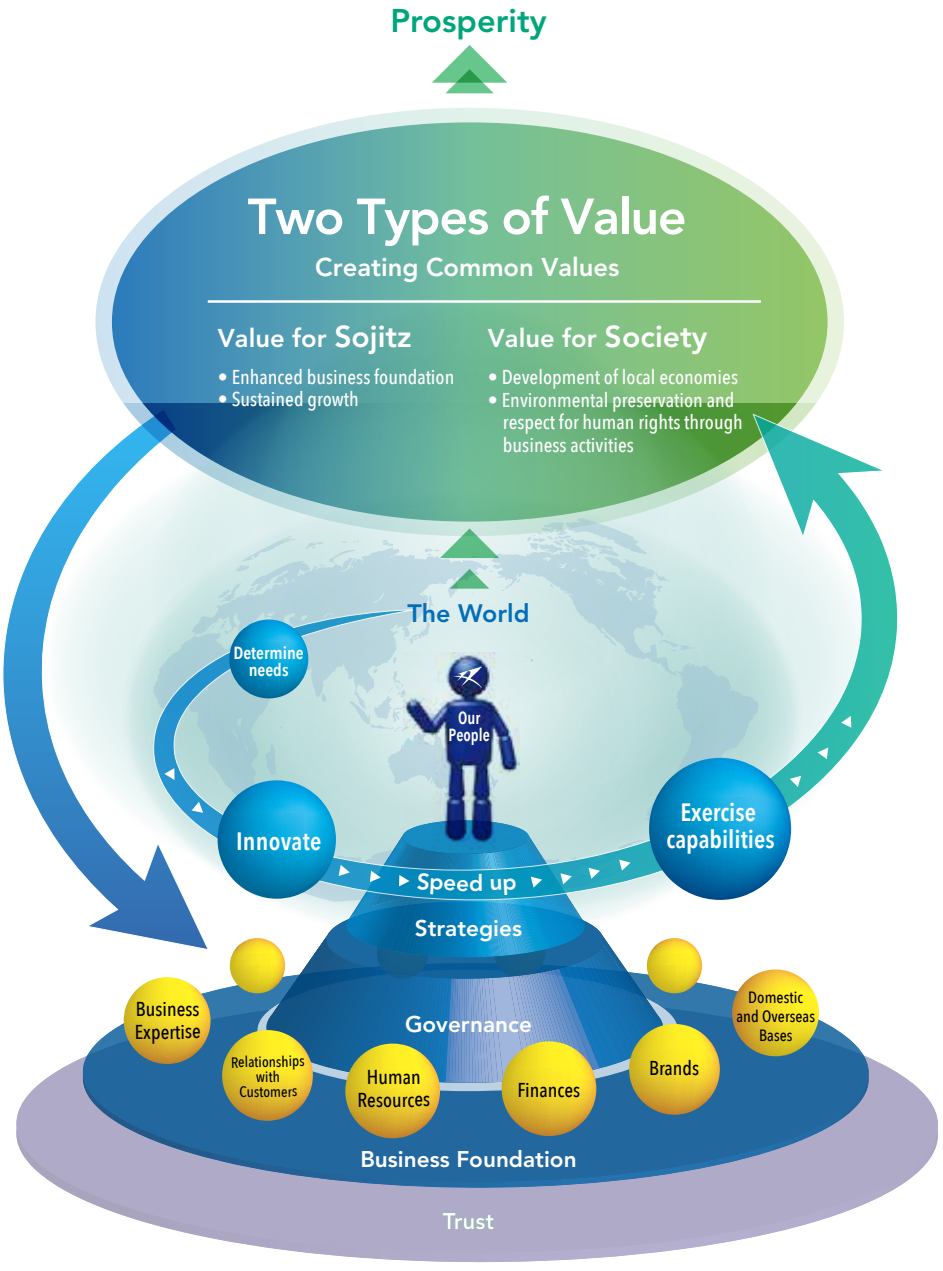


**Genba-ryoku*: Refers to the combined capabilities of Sojitz Group members working on the ground—in offices, at project sites, in meetings with customers and clients, and other places of work around the world.

Maximizing Business Value Where Sojitz's "Two Types of Value" Overlap

Sojitz has taken on the challenge of maximizing our business value where our two types of value, "Value for Sojitz", and "Value for Society", overlap. We do this while understanding the needs of different places across the world, exercising various capabilities and putting management decisions into practice with speed. Creating continuous prosperity for all our stakeholders—that is our company's *raison d'être*.

Sojitz's Value Creation Model





Creating "two types of value"

Sojitz aims to create "two types of value." The first is "value for Sojitz," which means enhancing our business foundation and sustained growth, and the second is "value for society," which includes the development of local economies and environmental preservation.

▶ P. 18 Message from the President
▶ P. 29 Special Feature: Examples of Value Creation that Demonstrate our Functions and Strengths
▶ P. 36 Pursuing Sustainability



Strengthening human resources

Human resources are the greatest business assets for a trading company. We are working to understand needs around the world and to enhance our human resource capabilities to create value based on the keywords of *genba-ryoku*, speed and innovation, making this a source of value creation for Sojitz.

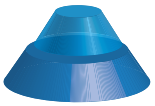
▶ P. 42 Working to Maximize Employee Capabilities



Exercising our capabilities through new ideas

We are always exercising our capabilities through trading, investments in interest, and business investments, with new ideas, looking ahead to the future and quickly expanding our business in advance of the fast-moving changes in the external environment and the diversification of needs.

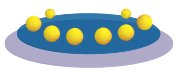
▶ P. 18 Message from the President
▶ P. 29 Special Feature: Examples of Value Creation that Demonstrate our Functions and Strengths
▶ P. 64 Division Business Reports



Practicing strategies and governance that will create sustained growth

Sojitz anticipates business opportunities and risks based on the uncertainty of the external environment, and engages in disciplined investments, loans and risk management. In so doing, we create clusters of revenue-generating businesses and construct a foundation for sustained growth.

▶ P. 18 Message from the President
▶ P. 24 Message from CFO
▶ P. 26 Accumulating Quality Assets
▶ P. 46 Corporate Governance



Building a robust business foundation

Business locations and partnerships that reach countries across the world, trust-based relationships with customers in different regions that have grown over many years, and brand power: the solid business foundation that Sojitz has built up supports sustained growth.

▶ P. 10 Capacity for Growth
▶ P. 29 Special Feature: Examples of Value Creation that Demonstrate our Functions and Strengths
▶ P. 64 Division Business Reports

Business Foundation

Business Expertise — **Intellectual capital**
Practical abilities on the front lines

Relationships with Customers — **Social and relationship capital**
Relationships of mutual trust with customers and the ability to make proposals

Human Resources — **Human capital**
Talented people who can create value

Finances — **Financial capital**
Disciplined financial management

Brands — **Social and relationship capital**
Visibility that demonstrates the Company's unique strengths

Domestic and Overseas Bases — **Social and relationship capital**
Synergy created by our global network

+

Natural Capital
Every environmental resource that supports lifestyles and industry

Sojitz's Strengths

Since our founding, Sojitz has learned from the past and pursued new growth. We have directly inherited the spirit of continuing to take on new challenges from our predecessors, who opened up the Japanese economy, and have now taken on the challenge of maximizing "two types of value."

Our growth rate from the year ended March 2013 is the best in the trading company industry. Our steady progress has established a business foundation supported by relationships of mutual trust with all our stakeholders; we have now achieved strengths of business ingenuity and capacity for growth. To accomplish further growth, we will demonstrate our creativity as we stride towards the future.





Business Ingenuity P. 8

In an age that seeks wealth

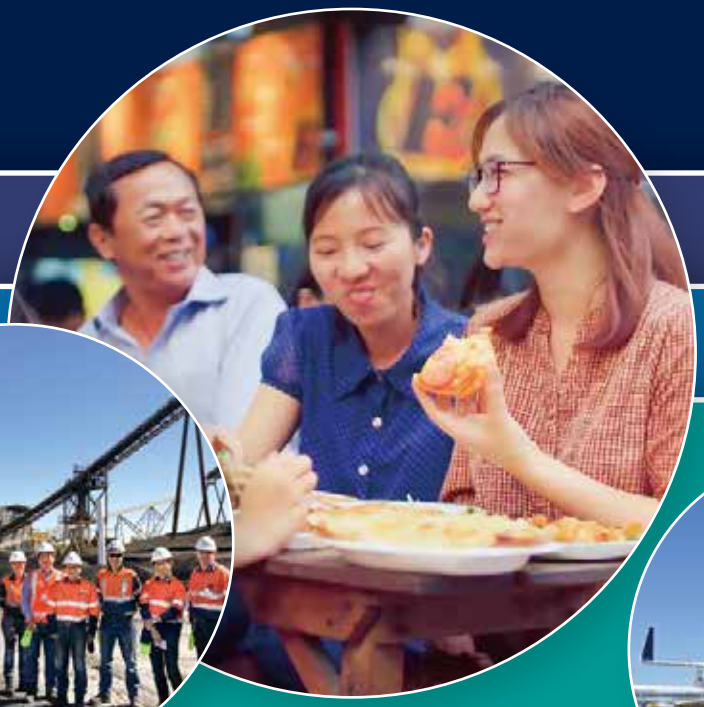
Capacity for Growth P. 10

In the constantly evolving economic environment

Since 1860s

	Year ended March 2013	Year ended March 2019
Profit for the year	¥13.4 billion	¥70.4 billion
ROA	0.6 %	3.0 %
ROE	3.8 %	11.7 %
PBR	0.5 time	0.8 time
PER	13.5 times	6.9 times
Net DER	1.7 times	1.0 time
Market capitalization	¥181.5 billion	¥488.1 billion
Number of employees	15,963	18,634

The No.1 growth rate for a general trading company







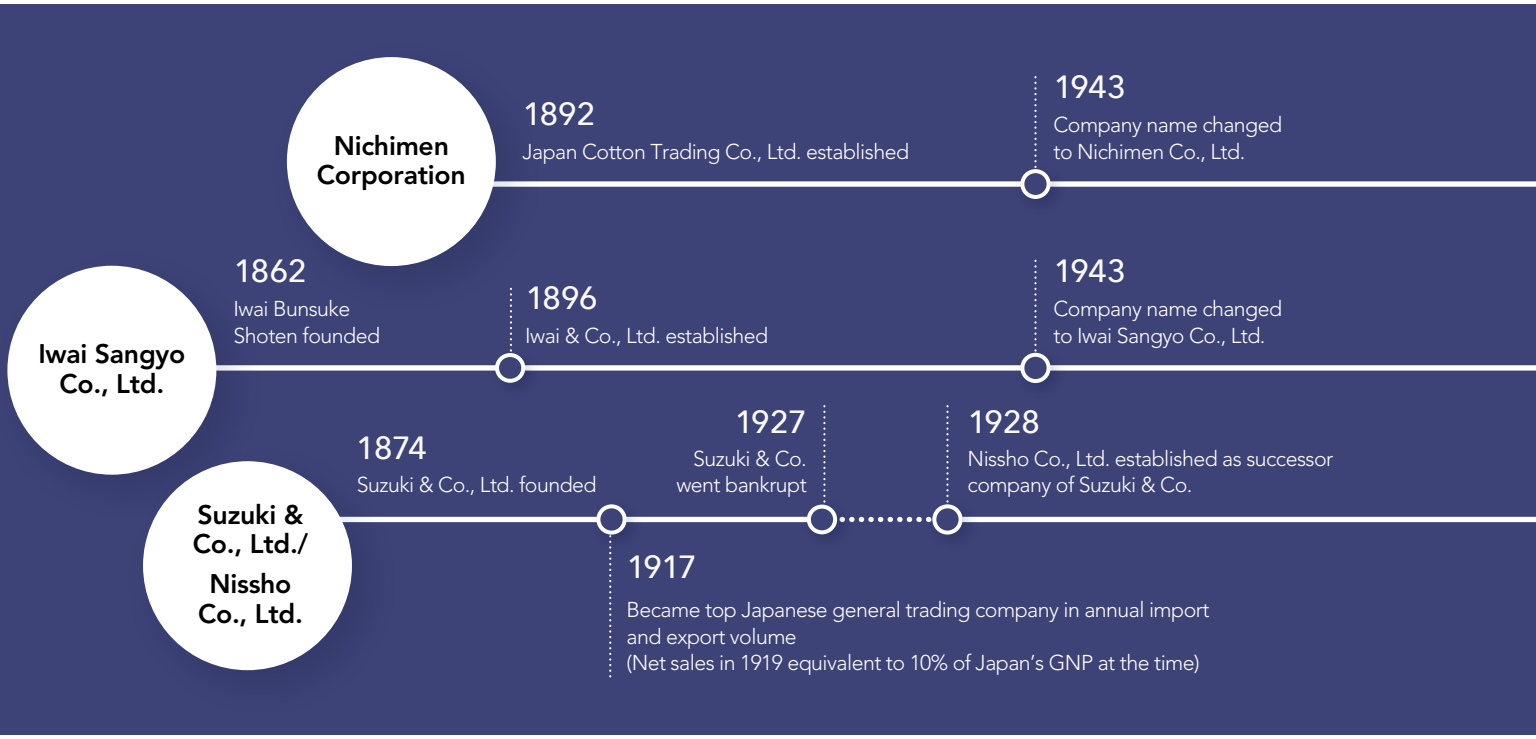
Creativity P. 12

In a world economy that faces new paradigms

Business Ingenuity

In an age that seeks wealth

Determining the needs of society with foresight, Sojitz has developed numerous businesses and striven to solve social issues in accordance with each era by providing necessary functions. Sojitz will continue to contribute to society through business now and in the future as we have in the past.





1917 Suzuki & Co., Ltd.

The original No. 1 Japanese general trading company

The origin of Sojitz, Suzuki & Co., Ltd., began as a trading house for Western sugar in Kobe, and rose to become the No. 1 general trading company in Japan, overpowering the business conglomerates. The company diversified to handle business ranging from light industry to the heavy chemicals industry as well as trade, and drove the Japanese Industrial Revolution during the late 19th and early 20th centuries.



From 1910 Japan Cotton Trading Co., Ltd.

Driving the development of the Japanese spinning industry

During the early 1910s, the spinning industry was so prosperous that it accounted for around half of all industry. Japan Cotton Trading Co., Ltd. supplied the raw material of cotton from countries around the world, and greatly contributed to the development of modern industry.



1951 Nissho Co., Ltd.

Leading the Japanese ship export and maritime shipping industry

Japan became the world's top ship-building nation in 1951. Nissho Co., Ltd. took advantage of the network cultivated during the time of Suzuki & Co., Ltd. and handled around 20% of ship exports, becoming a constant industry leader.

1956 Nissho Corporation

Dominating the Japanese skies through aircraft business

In 1956, Nissho Corporation signed an agency agreement with The Boeing Company in the U.S. After succeeding in introducing the world's largest jumbo jet, the 747, the company created an era of mass transportation in Japan's skies.



1973 Nissho Iwai Corporation

Spearheading the largest LNG introduction project in Japan

In 1973, Nissho Iwai Corporation organized the largest project for the introduction of liquefied natural gas (LNG) in Japan, where LNG was not yet common. It took on the responsibility of realizing part of Japan's national policy, which aimed for stable and secure resources and energy.



1988 Nichimen Corporation

A pioneer of the Indian industrial salt business

After Chinese industrial salt exports were banned in 1987, Nichimen Corporation turned its attention to Indian salt as a new source. The company actively cooperated to improve quality control and production systems, allowing India to grow to be world's third-ranked supply source after Mexico and Australia.



1982

Company name changed to Nichimen Corporation

2003

Nissho Iwai-Nichimen Holdings Corporation established through the transfer of shares by Nichimen Corporation and Nissho Iwai Corporation.
(Nichimen Corporation and Nissho Iwai Corporation included in Nissho Iwai-Nichimen Holdings Corporation's scope of consolidation as wholly owned subsidiaries.)

2005

Sojitz Holdings Corporation merged with subsidiary Sojitz Corporation and company name changed to Sojitz Corporation

2004

New Business Plan Announced

Nichimen Corporation and Nissho Iwai Corporation, both wholly owned subsidiaries of Nissho Iwai-Nichimen Holdings Corporation, merged to form a new company named Sojitz Corporation. Nissho Iwai-Nichimen Holdings Corporation name changed to Sojitz Holdings Corporation.

1968

Nissho Iwai Corporation established through a merger between Nissho Co. and Iwai Sangyo Co.



1955 Iwai Sangyo Co., Ltd.

Beginning to import Brazilian iron ore

1955 saw rapid economic growth, and Iwai Sangyo Co., Ltd. began importing iron ore from Brazil, which boasted some of the best quality ore in the world. The company continued to supply the raw materials of iron and steel, which were considered the bread and butter of its industry, and supported the dramatic economic growth in Japan.



1971 Nissho Iwai Corporation

Helping to create Nike shoes

Nissho Iwai Corporation recognized the potential of selling sports goods, and began trading with the U.S. company Blue Ribbon Sports (now Nike, Inc.) in 1971, supporting the development of their original shoes. Now, the Nike brand is loved not just in Japan but all over the world.



1986 Nissho Iwai Corporation

Contributing to the development of the Vietnamese economy for more than 30 years

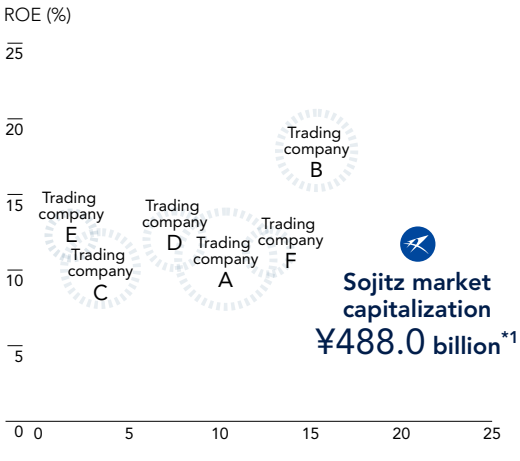
After the reunification of Vietnam, Nissho Iwai Corporation was the first Japanese company to establish an office there. In addition to beginning afforestation and chemical fertilizer businesses, the company focused on the electric power business and invitations to industrial parks. The company formed a friendship with Vietnam in addition to supporting the country's economic development.

Capacity for Growth

In the constantly evolving economic environment

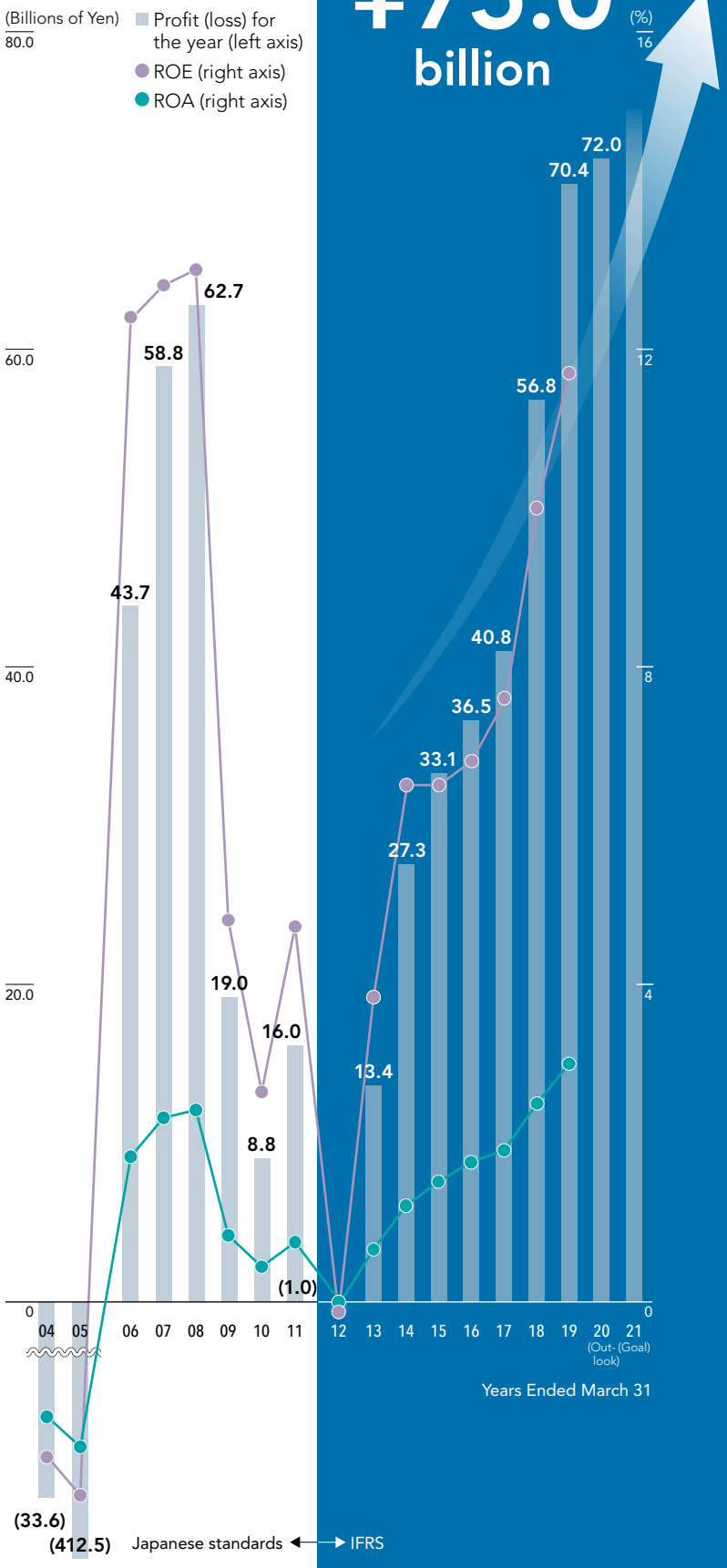
Sojitz has made steady progress, overcoming each wave of social change and the changing times. We linked our many past initiatives to reliable growth, and became actively involved in investments and loans while maintaining financial discipline. Having established a complete and robust corporate structure with excellent "defense" and "offense," we are taking on the challenge of increasing our company value.

Our Current Market Position



* 1 The size of the circles is based on market capitalization on March 31, 2019
* 2 Calculated using the compound annual growth rate of the net profit from each year from March 2014 to March 2019

More than ¥75.0 billion








Growth Foundation

As of March 31, 2019

Finances

Total assets

Around ¥2.3 trillion

Total equity

Around ¥620.0 billion

Disciplined Initiatives That Support Our Capacity for Growth

Advanced cash flow management

We emphasize continuous cash flow management while we focus on growth through investments and loans. In addition to controlling our free cash flow, we are introducing core cash flow control indicators and promoting monitoring in all our companies and on the front lines based on the MTP 2020, which began with the year ended March 2019.

Thorough risk management

Based on our experience overcoming difficult situations in our external environment, especially business integration processes and the collapse of Lehman Brothers, we are gaining a careful understanding of risk return and creating a risk management system that can cope with possible future changes in our operating environment. In the year ended March 2013, we established a Controller Office for our business divisions and promoted stronger risk management on the front lines. In the year ended March 2019, we set up an M&A Management Office, and are aiming to enhance our systems to increase value after investing.

Human Resources

Talented people who can create value

Number of Group employees (consolidated)

18,634

Number of management positions for locally hired employees

31

(for around 1,300 locally hired employees)

Number of employees (non-consolidated)

2,410

Percentage of people with experience overseas

Around 40% of all employees

(80% of these before they were 40 years old)

Female recruitment ratio for career track positions

30%

(Achieved in FY2018)

Number of female managers

27*→40

(aiming to increase this to 54 by the end of FY2020)

* As of the year ended March 31, 2016

Domestic and Overseas Bases

Synergy created by our global network

Number of bases

Bases in Japan: 5

Bases overseas: 83

Group companies

Companies in Japan: 124

Companies overseas: 308

Relationships with Customers

Relationships of mutual trust with customers and the ability to make proposals

Business Expertise

Practical abilities on the front lines

Brands

Visibility that demonstrates the Company's unique strengths

Creativity

In a world economy that faces new paradigms

Sojitz demonstrates its comprehensive strength through business such as trading and investment, and we are always acquiring new functions so we can continue to expand the business areas of our nine divisions. We are creating Company growth and a sustainable society with flexible ideas unique to Sojitz as we gain an understanding of ever-changing social needs and accurately determine opportunities and risks with an eye to the future.

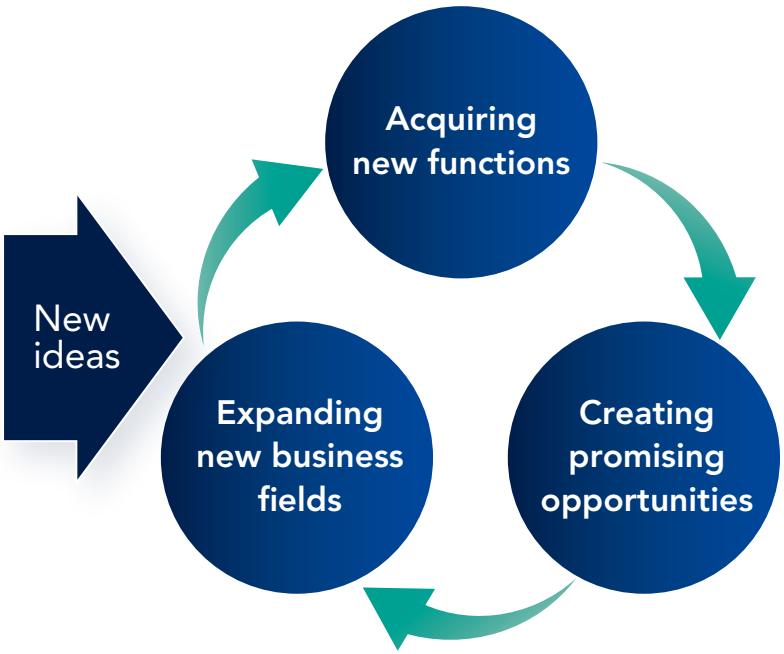
Understanding Needs
(Identifying Opportunities and Risks)

Opportunities

- Increasing infrastructure investment and consumer spending accompanying economic development in emerging and developing countries, and economic trends in developed countries
- The creation and innovation of business models and new technology such as AI and the IoT, stimulating alternatives for existing business and new demand
- Movements seeking solutions to social issues through corporate activities, such as increasing ESG investors, the promulgation of international SDGs, the adoption of the Paris Agreement

Risks

- Further deceleration of the world economy, uncertainty concerning when it will accelerate again
- Further intensification of trade issues stemming from the trade friction between the U.S. and China
- Impact of geopolitical risks, especially in emerging countries
- Shortening of product and project lifecycles with the evolution of technology
- Increasingly stringent environmental regulations



Seeking Sustainable Growth
(Sustainability Management) ▶P. 36

Organizing Key Sustainability Issues (Materiality)

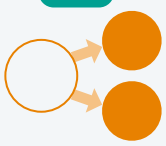
Sustainability Challenge

- Initiatives to achieve a low carbon and decarbonized society
- Initiatives respecting human rights, including supply chains

Examples Demonstrating Our Capabilities and Strengths

1 *Utilize*

▸ P. 30



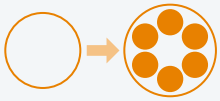
2 *Develop*

▸ P. 32



3 *Take Root*

▸ P. 34



- Automotive Division
- Aerospace & Transportation Project Division
- Machinery & Medical Infrastructure Division
- Energy & Social Infrastructure Division
- Metals & Mineral Resources Division
- Chemicals Division
- Foods & Agriculture Business Division
- Retail & Lifestyle Business Division
- Industrial Infrastructure & Urban Development Division

Demonstrating our comprehensive strength

Two Types of Value

Creating common value

Value for Society

Value for Sojitz









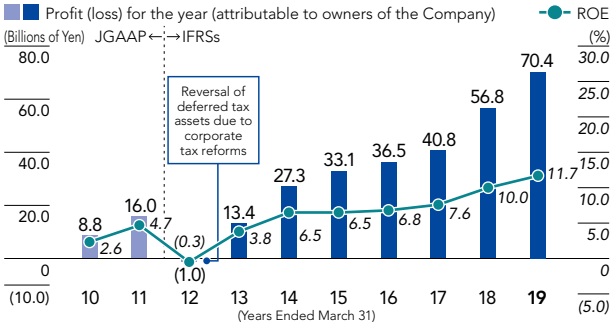


Performance Highlights (Financial/Non-Financial) (As of March 31, 2019)

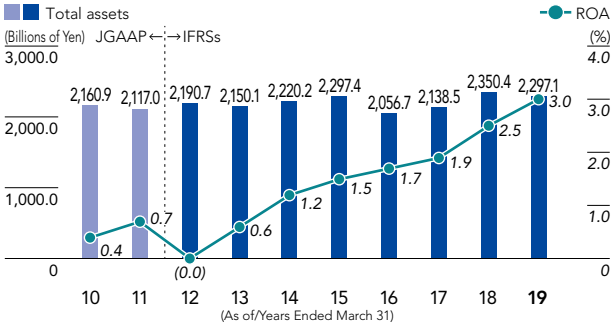
Financial Indicators (JGAAP and IFRSs)

Note: The reported figures are based on JGAAP for the years ended March 31, 2010 and March 31, 2011, and IFRSs for the years ended March 31, 2012 through March 31, 2019.

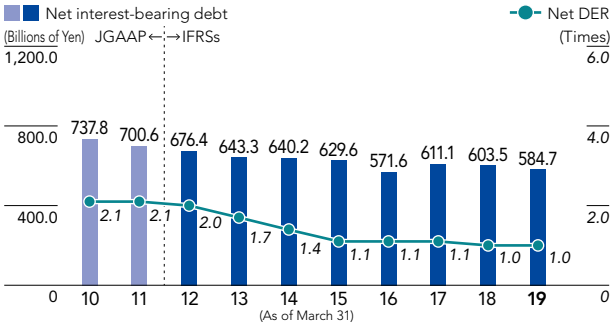
Profit (Loss) for the Year (Attributable to Owners of the Company) and Return on Equity[1] (ROE)



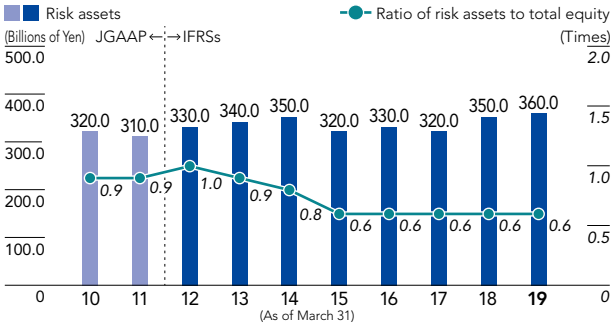
Total Assets and Return on Assets (ROA)



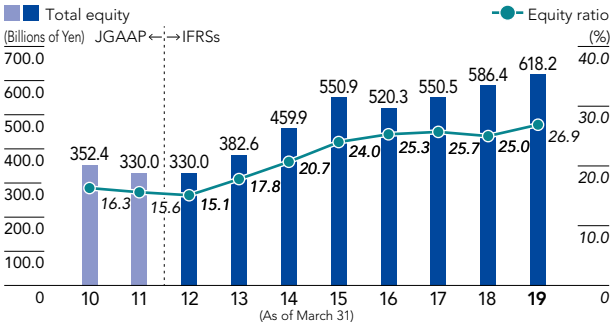
Net Interest-Bearing Debt and Net DER



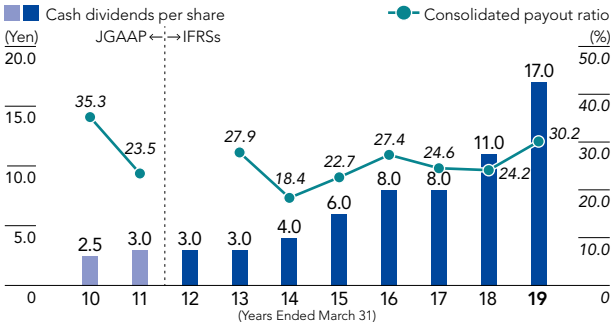
Risk Assets[2] and Ratio of Risk Assets to Total Equity



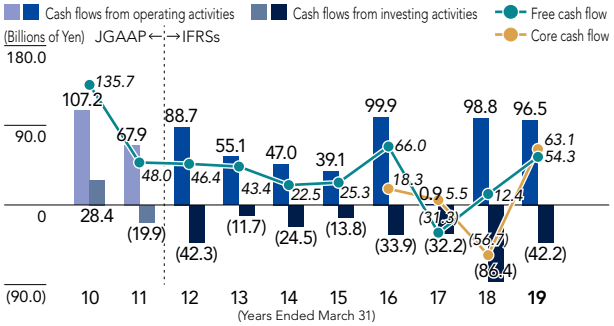
Total Equity and Equity Ratio[1]



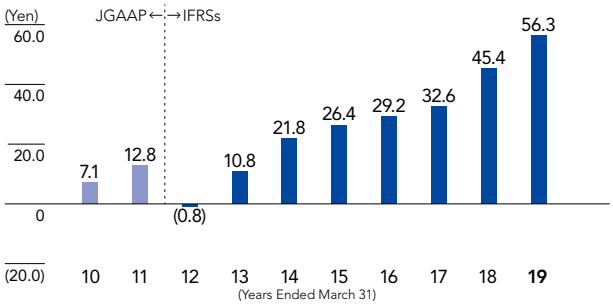
Cash Dividends per Share and Consolidated Payout Ratio[3]



Cash Flow



Profit (Loss) for the Year per Share (Attributable to Owners of the Company)



Notes: 1. Under IFRSs, total equity is equity attributable to owners of the Company, and is used as the basis for calculating return on equity, the equity ratio, and net DER.
2. The method of measuring risk assets mainly for goodwill was revised in the fiscal year ended March 31, 2019. Figures for the fiscal year ended March 31, 2018, have been restated to reflect this change.
3. Dividends per share represent the annual dividends per share of common stock of Sojitz Corporation. Consolidated payout ratio is calculated based on the number of shares as of March 31, and is not presented for the fiscal year ended March 31, 2012 due to the net loss.

Non-Financial Highlights

Social Data

	Year Ended March 31, 2017	Year Ended March 31, 2018	Year Ended March 31, 2019
Number of employees (consolidated)	14,241	17,917	18,634
Number of employees (non-consolidated)[1]	2,318	2,343	2,410
Male	1,809	1,818	1,837
Female	509	525	573
Female career-track employees (Number of female managers)	163 (32)	176 (33)	213 (40)
Percentage of female managers (%)	3.0	3.1	3.8
Average years of employee service[2]	16.0	16.0	15.8
Male	16.6	16.6	16.7
Female	13.9	14.0	13.2
Percentage of disabled employees (%)	2.08	2.00	1.89[4]
Percentage of annual paid holidays taken (%)	49.5	57.1	61.8
Number of employees taking childcare leave[3]	24	32	30
Percentage who return to work after childcare leave (%)	100	100	100
Personnel turnover (%)	2.8	3.5	2.6
Number of new graduates hired	114	106	121
Male	75	68	63
Female	39	38	58
Employees' union membership rate (%)	60	60	60

Notes: 1. Includes full-time contract employees
2. Starting from the year ended March 31, 2018, employees that retire at the mandatory retirement age and are rehired without a break have their years of employee service counted cumulatively.
Reference: Average years employee service calculated in the year ended March 31, 2017, and years previous where any break would result in such years not being counted cumulatively:
Year ended March 31, 2017: 15.4; Year ended March 31, 2018: 15.3; Year ended March 31, 2019: 15.1
3. Number of employees who commenced childcare leave within the fiscal year
4. As of June 2019, percentage of disabled employees at Sojitz was 2.27%, and the designated employment rate was achieved.

Human Resources Development

	Year Ended March 31, 2017	Year Ended March 31, 2018	Year Ended March 31, 2019
Number of employees receiving training (cumulative total)[5]	approx. 7,400	approx. 9,000	approx. 21,400
Total training hours[5]	approx. 39,000	approx. 40,000	approx. 40,800
Hours of training[5,6]	18	18	18
Overseas trainee program users	18	27	30
Short-term	12	22	23
Long-term	6	5	7

Notes: 5. Training refers to employee training, including self-development training, conducted by the Human Resources & General Affairs Department, and e-learning, ISO 14001 environmental standards and CSR training programs provided by other departments. Sections of the e-learning data apply only to October 2018 to March 2019 period due to our transition to a new system during the fiscal year. The dramatic rise in the number training participants is a result of our new e-learning program, which offers a wider menu of online training courses.
6. Excludes Directors, Executive Officers, Audit & Supervisory Board Members and employees who retired as of March 31

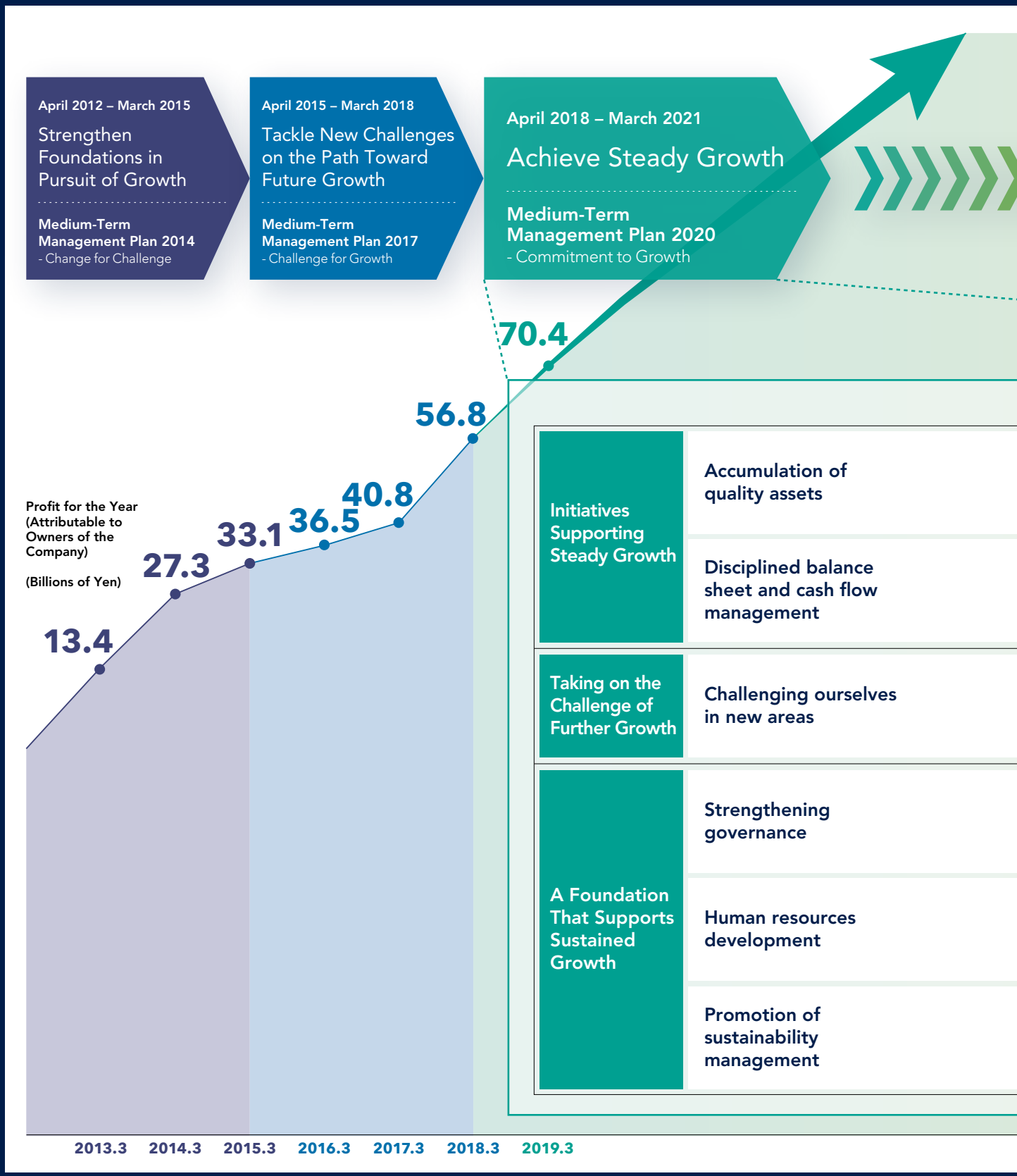
Environmental Data

	Unit	Year Ended March 31, 2017	Year Ended March 31, 2018	Year Ended March 31, 2019
Electricity consumption[1]	MWh	2,655	2,590	2,501
CO_2 emissions[1,2]	t-CO_2	1,432	1,358	1,253[3]
CO_2 emissions from distribution[4]	t-CO_2	7,009	8,146	7,341
Waste discharged[5]	tons	268	242	232
Recycling rate[5]	%	96	97	97

Notes: 1. Scope of data: Sojitz Corporation Head office, satellite office, Osaka Office, and branches (Hokkaido, Tohoku and Nagoya)
2. CO_2 emissions coefficient: We use the most recent actual emissions coefficient announced by the Electric Power Council for a Low Carbon Society (ELCS).
3. Breakdown of CO_2 emissions: Scope 1: (Direct emissions from use of fuels such as city gas) 10 t-CO_2
Scope 2: (Indirect emissions from use of purchased electricity and heat) 1,243 t-CO_2
4. Scope of data: As per the Act on the Rational Use of Energy, CO_2 emissions from distribution in Japan for which Sojitz Corporation is considered to be the cargo owner
5. Scope of data: Waste from office operations of Sojitz Corporation (Head office, satellite office, Osaka Office)

Reference: CO_2 emissions by Group companies in Japan and overseas in the year ended March 31, 2019 totaled 736,069 tons. Scope 1: 659,251 t-CO_2 Scope 2: 76,818 t-CO_2
Scope of data: Sojitz Corporation (including offices and branches), Group companies in Japan, Group companies overseas
For independent assurance reports of Sojitz Corporation's environmental data, please refer to our website.
https://www.sojitz.com/en/csr/environment/environmental_performance_data/

Taking on the Challenge of Future Growth



Sojitz is currently implementing the Medium-Term Management Plan 2020 "Commitment to Growth" (MTP 2020) over three years starting from April 2018. Through this plan, we are further strengthening our business foundation and accumulating clusters of revenue-generating businesses, establishing a strong corporate body that will make sustained growth possible. This will also lead to further strides forward during and after our next medium-term plan.

After Medium-Term Management Plan 2020

Further Growth

	Achievements in the year ended March 2019	Financial targets	Progress in the year ended March 2019
	• Continued and increased the value of investments and loans centered on non-resources • Implemented continuing asset replacement • Made effective use of the M&A Management Office	**Profit growth of approx. 10% from the previous year**	**Achieved**
	• Posted stable cash flows towards positive cash flow over medium-term management plan period	**Profit for the final year of the MTP: ¥75.0 billion or more**	**Doing well**
	• Constructed systems to promote innovation • Initiatives involving inter-divisional cooperation	**ROA 3% or above**	**Cleared**
	• Set up an Internal Audit Committee • Constructed governance systems for acquired companies	**ROE 10% or above**	**Cleared**
	• Introduced a variety of measures to maximize employee capabilities • Improved external awards and commendations such as the Certified Health & Productivity Management Organization (White 500) and Nadeshiko Brand	**Positive core cash flow over medium-term management plan period**	**Doing well**
	• Held stakeholder dialogues with experts • Announced endorsement of the Sustainability Challenge and the TCFD • Publicized our coal-fired power generation and thermal coal interests business policy	**NET DER : 1.5 times or lower**	**Doing well**

Message from the President

We have achieved 7 years of rising profits. Without letting up on this speed of growth, focus on maximizing our "two types of value," and further increase Sojitz's industry presence.



Masayoshi Fujimoto

Representative Director,
President and CEO

A look back at FY2018:

7 years of rising profits Moving towards steady growth

We have now finished the first fiscal year of Medium-Term Management Plan 2020 ("MTP 2020"), which started in April 2018. Our net profit for the year was ¥70.4 billion, far above the ¥63.0 billion target we set at the start of the year. This is the highest revenue Sojitz has earned since its founding and our 7th consecutive year of profit growth since FY2012. Our 3.0% ROA and 11.7% ROE also saw us meet our MTP 2020 financial targets of "ROA of 3.0% or above and ROE of 10% or above."

Although these results were due in part to high market prices for resources, particularly coal, our having achieved our best results ever is clear evidence that we have acquired the capacity for steady earnings, and I feel that we have arrived at the point where we can seriously aim for sustained growth.

We are aiming for ¥75.0 billion or more in profit for the final year of MTP 2020, achieved through 10% year-on-year growth independent of rises in resource prices. I pledge to ensure continued growth for the company as we strive to meet our targets for the final year of MTP 2020 and head towards even further growth beyond.

We increased our dividend forecast for FY2018 from the initial estimate of ¥15.0 to ¥17.0 per share, resulting from the upward adjustment made to our net profit forecast at the start of the year (from ¥63.0 billion to ¥70.0 billion). This brought our payout ratio to 30.2%.

In accordance with our dividend policy for MTP 2020, we will aim for stable and continuous payouts and maintain a payout ratio of around 30% going forward.

Results for FY2018:

Improving the quality of our assets led to a rise in ROA and ROE

I am personally moved that we were able to fulfill our ROA and ROE targets during the first fiscal year of MTP 2020. As the person in charge of corporate planning during the former Medium-term Management Plan ("MTP 2017"), I was involved in formulating MTP 2020. When I compare our portfolio now to our portfolio at the time, I must say that the quality of our assets has improved more rapidly than we had expected.

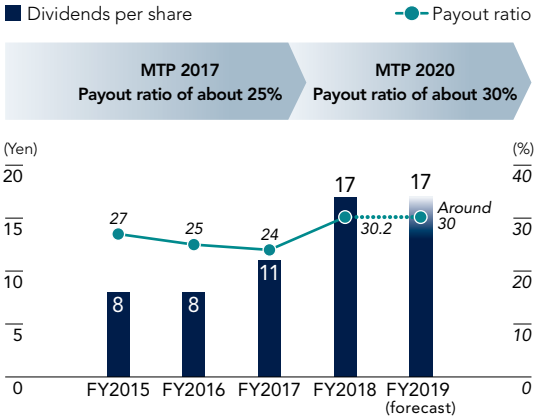
This is thanks to our making ¥300.0 billion worth of new investments and loans in mainly non-resource businesses to steadily grow the company, based on a management policy focused on cash flow and profit efficiency. ▶ P. 28

Since MTP 2017, around 80% of our new investments and loans have been in non-resource fields. In addition to areas in which Sojitz already holds a competitive edge—such as steel, fertilizer, and methanol—we have also made new investments and loans in aircraft-related businesses, renewable energy businesses, and retail businesses in the ASEAN region, all of which are beginning to show stable growth. At the same time, our development projects and management/operation businesses, such as the IPP businesses and hospital business, are also

Results for the Year Ended March 31, 2019

	FY2017 Results	FY2018 Results	Year-on-year Fluctuation
Profit for the year (attributable to owners of the company)	¥56.8 billion	¥70.4 billion	+¥13.6 billion
ROA	2.5%	3.0%	+0.5%
ROE	10.0%	11.7%	+1.7%
Total assets	¥2.3504 trillion	¥2.2971 trillion	(¥53.3 billion)
Total equity	¥586.4 billion	¥618.2 billion	+¥31.8 billion
Net DER (times)	1.03	0.95	(0.08)
Investments and loans	¥158.0 billion	¥91.0 billion	—
Dividends per share	¥11.00	¥17.00	+¥6.00

Dividends per Share/Payout Ratio



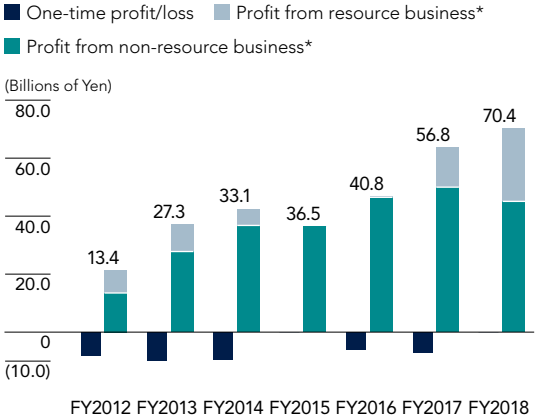


helping to raise our profitability.

When replacing assets, we reviewed our portfolio, focusing mainly on assets with low efficiency and so we are able to minimize any one-time loss in the immediate future. We started with our non-resource businesses, quickly disposing of any assets that were both oversized and unprofitable. In terms of resource-based businesses, we not only continued to gradually sell off assets related to our petroleum gas interests; we also obtained agreement from our partner on our thermal coal interests in Indonesia to sell off part of our holdings, in an effort to support sustainability. Meanwhile, we acquired new coking coal interests in Australia. As the only trading company to operate its own coal mine, we are using that function to make this coking coal business into a huge source of profits in the future. ▶ P. 30

Overall, we made firm progress in improving the quality of our assets by narrowing our focus to resource businesses in fields where Sojitz can make full use of its functions while actively strengthening and expanding our non-resource businesses. As a result, we managed to improve both our ROA and ROE.

Changes in Breakdown of Profit for the Year



* excludes one-time profit/loss

Heading into FY2019:

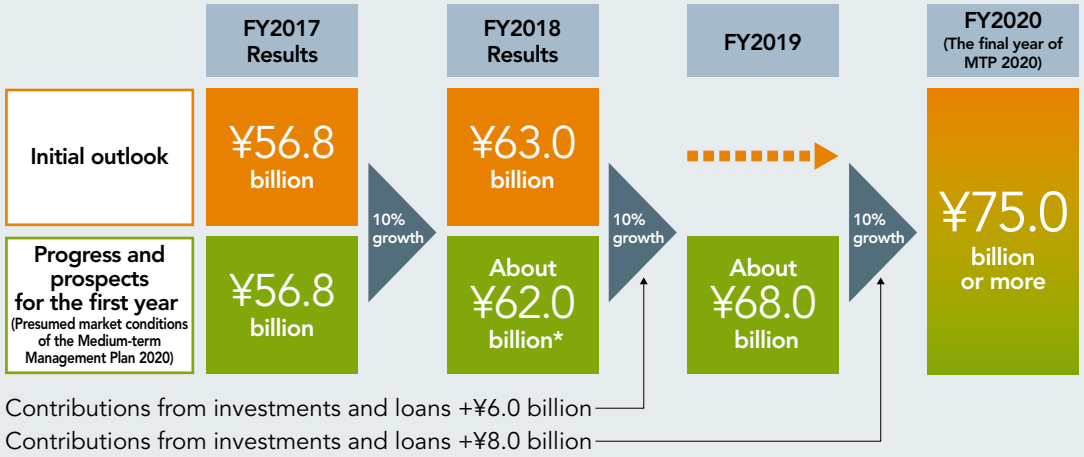
Each division will endeavor to expand its earning capabilities.

The business environment surrounding the Sojitz Group grows increasingly opaque. In light of this, we set our expected profit for FY2019 at ¥72.0 billion, an increase of ¥1.6 billion over the previous year. Although factoring in market conditions for coal and other materials in the second half of the year led us to set a rather conservative figure, in striving for the "steady growth" named in MTP 2020, we also incorporated earnings contributions from investments and loans that are marking steady progress and the growth of our existing businesses into our plans. If you take the market conditions we expected when we first formulated MTP 2020 and replace those with this growth, it should come to around 10% growth in profits over the previous year.

Our growth is driven by investments and loans, and in order to carry those out according to plan, every division will need to analyze the business environment in minute detail and maintain speedy decision-making while distinguishing between risks and opportunities. For divisions that have yet to show their full potential, the rest of the upper management and I will work to steadily raise their earning power over the remaining two years of MTP 2020, in close discussion with the COOs of the business divisions. ▶ P. 64

MTP 2020 Progress (Earnings Trajectory)

Even under the assumed market conditions upon which we formulated MTP 2020, we anticipated steady progress in the period leading up to the final year of the plan.



* Impact on ¥70.4 billion in profit for the year if market conditions are replaced with assumptions used upon formulating the MTP: about ¥8.0 billion

Preparing for the post-MTP 2020 period:

Displaying our full strength and driving further growth by taking on new business areas

MTP 2020 also serves as a time to prepare for the next Medium-term Management Plan, where we will aim to earn a net profit of ¥100.0 billion a year. We believe that expanding the company's functions, further strengthening the company's businesses, and transcending divisional and organizational boundaries to rally the combined strengths of our 9 divisions will lead to the creation of new functions that will help expand our earnings. There have been several projects brought to closing thanks to the complementary functions of the multiple business divisions involved, and we intend to continue to promote and enhance that aspect of our business.

We also regard the changes to business models brought about by the digital revolution and new technologies as new business opportunities, and we work to respond accordingly. As part of that effort, we set up the Business Innovation Office last year to collect and share information about innovation with the management in a timely fashion, in order to lay the groundwork for increased productivity and support our forays into new areas through cutting-edge technology.

Furthermore, during FY2018, we set up new frameworks for innovation-related loans and investments, established a corporate venture capital in the U.S. to invest in start-up businesses all over the world, and invested in a venture fund in India, which has become a hub for some of the most prominent startups worldwide. We subsequently opened a liaison office in Bengaluru—a hotbed of IT professionals and young entrepreneurs—which we regard as the world's most important hub for innovation after San Jose in the U.S. We plan to leverage this office in Bengaluru to take the business creation know-how we have cultivated over the years and demonstrate this expertise in Asia, a region with plenty of room for development.

At the same time, it is important that we innovate the ways in which we work in order to increase productivity. We plan to expand the scope of the Robotic Process Automation (RPA) systems currently utilized by some of our divisions to improve the quality and efficiency of routine tasks. This way, employees will have more time to devote to creative activities, providing them with an environment that allows them to focus on realizing new concepts.

Sojitz's mission:

Existing in harmony with the natural environment while maximizing our "two types of value"

At Sojitz, we always strive to create two types of value. Our mission is to maximize "value for Sojitz" and "value for society" and create a prosperous future.

I believe that trading companies were originally born from the desire to bring happiness to everyone in the supply chain by delivering the things people need. Making money from our trading activities must not come at the expense of the global environment or the interests of society. I am convinced that as the head of a general trading company, my mission is to make the best choices for all stakeholders.

I felt that more strongly than ever when I attended the opening ceremony for Shimojishima Airport in Miyakojima, Okinawa, an airport we have been managing since July 2018. Increasing our earnings from management and operation of the airport requires that we bring in as many tourists as possible. Although this will bolster the local economy, it will also bring increased environmental risks, such as the risk that tourists will pollute the island's beautiful ocean waters and require further urban development to accommodate them. How do you balance earnings with the risk of environmental damage? In my opinion, it is in precisely at times like this that we can demonstrate our value to society as a general trading company, in our ability to turn a variety of risks into long-term growth opportunities for stakeholders using our various functions, know-how, and personal networks.

And what about the growing global population? I believe we should pursue not only technology that harvests farm produce and aquaculture products for sale, but also aids in their production. This means the industrialization of fishing and agriculture, two fields where yields are heavily influenced by climate, region, and experience. We are taking on some new challenges where, if we are able to turn our daily operations and our past knowledge into big data and use AI and the IoT to carry out systematic manufacturing and shipping just as we do for industrial goods, I believe we can streamline the whole supply chain and maximize stakeholder returns.

In recent years, a lot of people have wondered how corporations can help achieve the United Nation's Sustainable Development Goals (SDGs). I strongly believe that the core strength of general trading companies—i.e. their ability to turn risks into opportunities, which they then transform into long-term businesses—is directly related to the 17 SDGs. Sojitz's place in society is none other than to increase revenue through each of our businesses while maximizing value for all stakeholders and creating "two types of value."

Sustainability for Sojitz and society:

Announcing our endorsement of the TCFD and pursuing our long-term vision leading up to 2050

As an evolution of the sustainability initiatives the company has pursued so far, last year Sojitz announced the "promotion of Sustainability Challenge," its long-term vision aimed at 2050. To fulfill that vision, we have defined "promotion of sustainability management" as one of the pillars of MTP 2020. I personally took up the post of Chairman of the Sustainability Committee and endeavored to spread understanding of this concept throughout the company, devise strategies to meet this vision, and share related information.

For example, when the business divisions are drawing up a business plan, I hold a meeting with all the COOs of business division to carefully examine the risks and opportunities in each field and then discuss strategy based on our findings. Meanwhile, when deliberating investments and loans for the whole company, I instruct the deliberating departments to thoroughly discuss and report profitability in terms of the sustainability of the business.

In other news, as part of our response to climate change, we adopted the proposals of the Task Force on Climate-Related Financial Disclosures (TCFD) in August 2018. We have since started to disclose the effects climate change has on our earnings and develop concrete plans to overcome these impacts. When it came to our developing a policy regarding

acquisition of thermal coal interests, the disclosure of which was requested by many investors, we discussed the issue repeatedly and determined that not only would we not obtain new interests in thermal coal, we would also reduce those assets by half or more by 2030. ▶ P. 40

We at Sojitz intend to expand our "two types of value" to stakeholders all over the world by extending the scope of such ongoing activities. These sustainability measures are steadily receiving greater recognition from the market.

The Sojitz of the future:

Tackling new concepts and honing the "Sojitz Identity"

We live in an age of rapid transformation. For a trading company like us, this makes developing people with leadership ability a matter of utmost importance. Sojitz is working on formulating succession plans that will develop personnel into the next generation of management.

At the same time, we are also training young employees to make accurate decisions on the business frontlines. In recent years, we have hired hundreds of new graduates and are gradually erasing our stuffy and staid image. An important part of the process of turning these new hires into capable staff is allowing them to gain experience at our work locations in Japan and abroad.

The work of a trading company is dynamic, spanning the globe. But in a sense, it is also tough work that involves balancing the interests of a wide range of stakeholders. I am confident that our new members will gain the ability to manage people on the ground by approaching their work with the guts to change the world and accumulating a variety of experiences.

Fortunately, Sojitz has long had the kind of corporate culture that proactively provides new employees with opportunities to test themselves. Since young people rarely cause significant damage to the company's results when they fail, I want them to take self-responsibility—that is, to have the autonomy and resolve to take responsibility for their decisions, wherever they may lead. Instead of being bound by past business models and viewpoints, I want them to use new ideas to create new value. That desire is one of the reasons behind the current "Hassojitz" project, where we have young employees gather to discuss what they want Sojitz to look like in 2050.

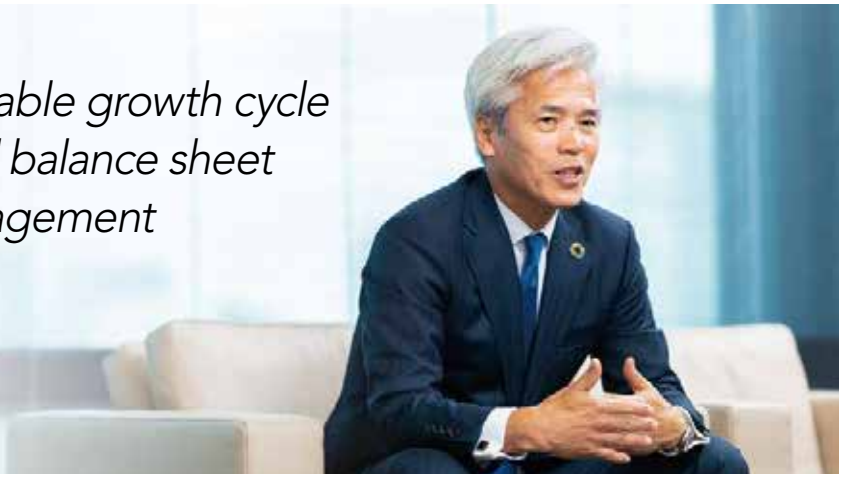
The "Sojitz Identity" is defined by the company's flat hierarchy, youth, speed, and *genba-ryoku**. As we move on, we will strive to create our "two types of value" and try new ideas without settling for the status quo.

* *Genba-ryoku*:
Refers to the combined capabilities of Sojitz Group members working on the ground—in offices, at project sites, in meetings with customers and clients, and other places of work around the world.



Message from CFO

Achieving a sustainable growth cycle through disciplined balance sheet and cash flow management



Seiichi Tanaka

Representative Director,
Executive Vice President, CFO

MTP 2020 Looking back on the past year

Greatly expanding our positive core cash flow and strengthening our financial standing

For this year, the first fiscal year of MTP 2020 (the year ended March 31, 2019), we endeavored to achieve the disciplined balance sheet and cash flow management we set as the basic policy of MTP 2020. The scope of our positive core cash flow expanded more than planned, partly due to cash recovery from planned asset replacement occurring ahead of schedule. We put great emphasis on increasing profitability while recovering cash, so in that respect, I believe we made a favorable start during this first fiscal year. Over MTP 2020, we expect to make investments and loans totaling ¥300.0 billion. By continuing to making growth investments while replacing assets, we will maintain a positive cumulative core cash flow[1] over the 3-year period of the plan.

In terms of balance sheet management in the first fiscal year, that basic approach of simultaneous growth investment and asset replacement enabled us to increase ROA; we continued to accumulate quality assets through investment and loans while recovering cash through asset replacement on largely the same scale. Additionally, our initiatives to reduce interest-bearing debt and strengthen our resistance to interest and exchange rate fluctuations bore fruit, and we achieved net DER of 0.95 time. This was much lower than our target value of 1.5 times or lower, which we established after taking market changes and other uncertainties into account.

We see ourselves as currently strengthening our financial standing while continuing some degree of new investment. However, recent factors such as the trade friction between the U.S. and China have made the future financial environment unclear, so we will be paying even more attention to inventory and managing credit exposure.

Note 1: Core cash flow = Core operating cash flow (excluding changes in working capital from operating cash flow) + Investing cash flow (including asset replacement) - Dividends paid

Towards reliable earnings

Establishing a system to increase the value of past investment and finance projects

Although we expected to make investments and loans worth ¥110.0 billion in this first year of the MTP, we actually lent and invested ¥91.0 billion. This was due to cases where we withdrew from financing at the deliberation stage due to perceived low profitability, or where recording of investments was pushed into the next fiscal year. In that sense, we are still largely on track to achieve our goal of ¥300.0 billion in cumulative investments and loans over the 3 years.

In order to continue growing, we need to both build up a certain level of assets, as well as thoroughly explore and carefully examine the risks and profitability of individual projects, including existing businesses. The members of the Finance & Investment Deliberation Council discuss issues from a variety of standpoints, and as the chairman of the council, I endeavor to stay objective at all times and make decisions carefully.

In order to increase the profits from managing operating companies we have acquired and raise their value even higher, we also attach great importance to our work on

post-merger integration (PMI). In April 2018, we established the M&A Management Office to help the business divisions manage their operating companies more smoothly.

Naturally, the business division takes the lead in executing business strategies for their operating companies, but after acquiring a business, the M&A Management Office steps in, working together with that business division's controller office to formulate a concrete plan to achieve the division's growth strategy. In order for us to move towards more reliable earnings and efficient investment, we believe it is extremely important to have a dedicated organization from the corporate side be deeply committed to the project. Going forward, I want them to share the know-how gained from PMI cases throughout the company so that we can raise the proficiency of our business operations even further.

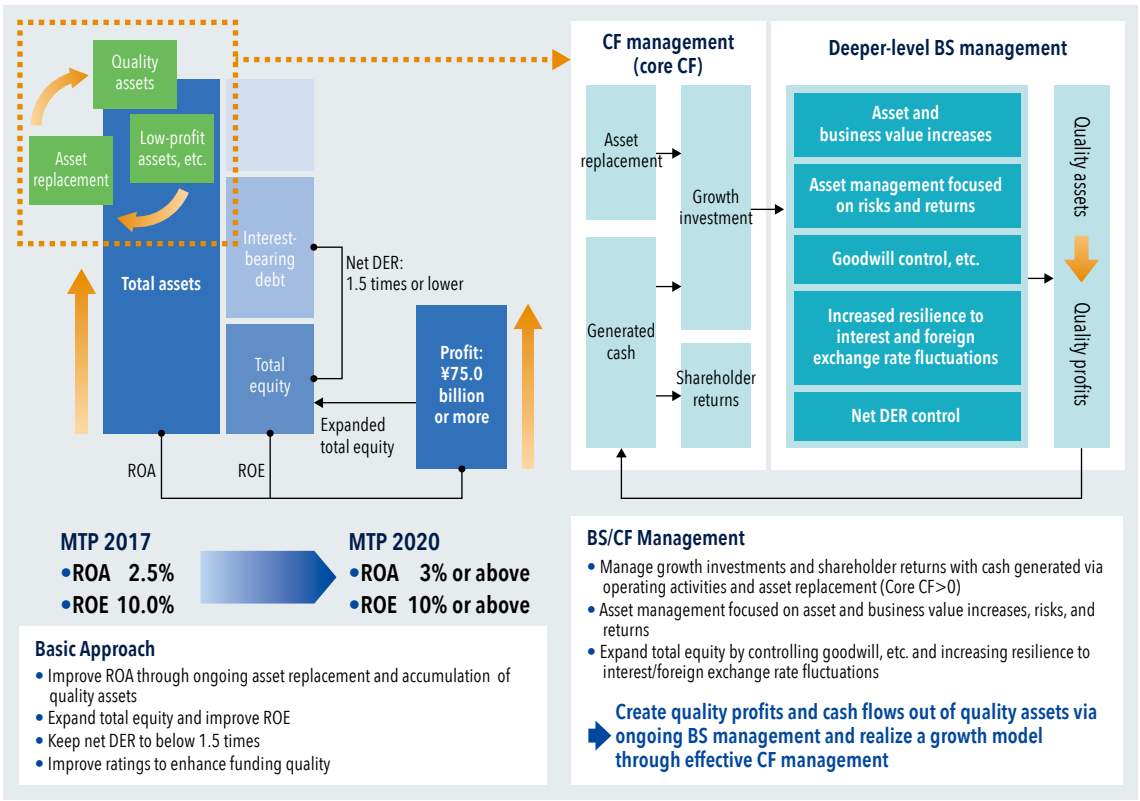
Capital efficiency

Improving asset quality and increasing share value

I consider one of my most important missions to be improving capital efficiency by reducing capital costs, among other measures. We estimate our company's capital costs to be 7–8%, as we announced for the first time in May 2019. By communicating closely with our investors and disclosing proper information, we will work to minimize the knowledge gap between us and investors so that our share value will be accurately evaluated. I believe this will lead to a reduction in our risk premiums.

It goes without saying that to raise the share value, we will need to achieve an ROE that exceeds our capital costs and further expand our equity spread. As the macro environment grows increasingly uncertain, we will have to judge our future investments and loans more carefully than ever before. We will aim to increase ROA through portfolio management characterized by new investments with a focus on profit efficiency and disciplined cash flow management; asset replacement which aims to replace underperforming assets with truly high-quality ones; and an in-depth examination of our business cycle. I am confident that maintaining this kind of financial discipline while building a cycle that continuously creates high-quality profits will lead to ongoing growth for our company.

Disciplined Balance Sheet and Cash Flow Management



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

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

PMI Support

* 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

×

Disciplined investments and loans

Maintaining a positive three-year core cash flow for the entire Company

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

Multidimensional examination of business models from the conceptualization stage

Competitive Advantage | Scale | Profitability | Stability | Safety | Expandability | Feasibility | Timeline | Creativity | Liquidity

2 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 ① ② ③ ④
- Detecting and resolving major issues early by participating from initial stages of project development ① ② ③ ④
- Accumulating know-how for executing PMI and providing appropriate advice and instructions for formulating PMI plans for individual projects ① ② ③ ④

Establishing structures to increase the value of businesses (front-line) ① ② ③ ④

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.



Center Sunrise LLC dealership store

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.


Nasu Garden Outlet

Strengthening business management support through periodic monitoring ① ② ③ ④

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

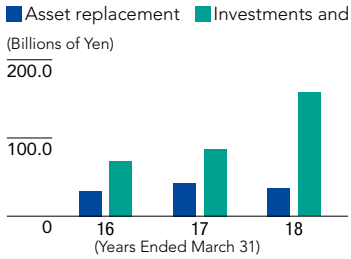
- Managing credit exposure
- Managing budget and performance
- Building personnel structure
- Establishing regulations
- Preparing a structure for consolidating financial results
- Supporting settlement of accounts
- Effectively using funds within Sojitz Group

3 Continuous Asset Replacement to Achieve Positive Core Cash Flow

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

Cumulative Results for the Three Years of MTP 2017



Investments and loans: ¥315.0 billion

Asset replacement (recovery): ¥111.0 billion

Sustained replacement of assets, cash recovery and continuous investments and loans

Outcomes of the first year of the MTP 2020

Investments and loans: ¥91.0 billion

Asset replacement (recovery): ¥92.0 billion

Estimates for MTP 2020
Positive core CF over the three-year period

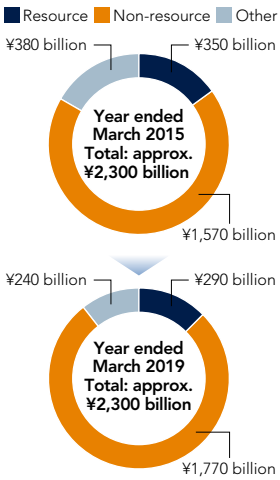
Investments and loans: Approximately ¥300.0 billion

Asset replacement (recovery): Approximately ¥120.0 to ¥150.0 billion

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

Ratio of Resource to Non-Resource Assets Under Total Assets



MTP 2017

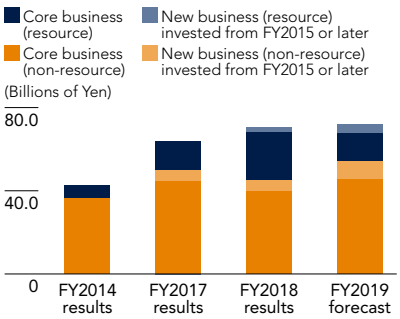
Division name (old)	Investments and loans (billions of yen)	Main investment and lending projects
Automotive Division	31.0	• Overseas automotive dealership business • Domestic and foreign renewable energy business • Thermal coal business in Australia • Domestic condominium business • Overseas fertilizer business • CAPEX
Aerospace & IT Business Division	80.0	
Infrastructure & Environment Business Division	91.0	
Energy Division	21.0	
Metals & Coal Division	26.0	
Chemicals Division	7.0	
Foods & Agriculture Business Division	8.0	
Retail & Lifestyle Business Division	13.0	
Industrial Infrastructure Division	33.0	
Other	5.0	
Total	315.0	

MTP 2020

Division name (current)	Investments and loans in the year ended March 2019 (billions of yen)	Main investment and lending projects	3-year cumulative forecast (billions of yen)
Automotive Division	5.0	• Overseas automotive dealership business • Domestic and foreign renewable energy business • IPP business in the U.S. • Coking coal business in Australia • Investment and management of commercial facilities in Japan • ASEAN retail business • Paper-making business in Vietnam	30.0
Aerospace & Transportation Project Division	12.0		40.0
Machinery & Medical Infrastructure Division	3.0		15.0
Energy & Social Infrastructure Division	30.0		50.0
Metals & Mineral Resources Division	14.5		35.0
Chemicals Division	5.5		30.0
Foods & Agriculture Business Division	7.0		20.0
Retail & Lifestyle Business Division	8.5		30.0
Industrial Infrastructure & Urban Development Division	5.5		20.0
Other	—		—
Total	91.0		About 300.0

Changes in profit structure

We are building and will steadily continue to build a stable revenue base with key focus on non-resource businesses.



(Note) Excluding one-time profit/loss

Results and forecast of contributions to revenue due to investments and loans made under MTP 2017

Results for FY2018:	Forecast for FY2019:	Forecast for FY2020:
About ¥6.0 billion	About ¥8.0 billion	About ¥12.0 billion
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

Results for FY2018:	Forecast for FY2019:	Forecast for FY2020:
About ¥2.0 billion	About ¥6.0 billion	About ¥10.0 billion
Balance of loans and investments: ¥85.0 billion	Balance of loans and investments: ¥175.0 billion	

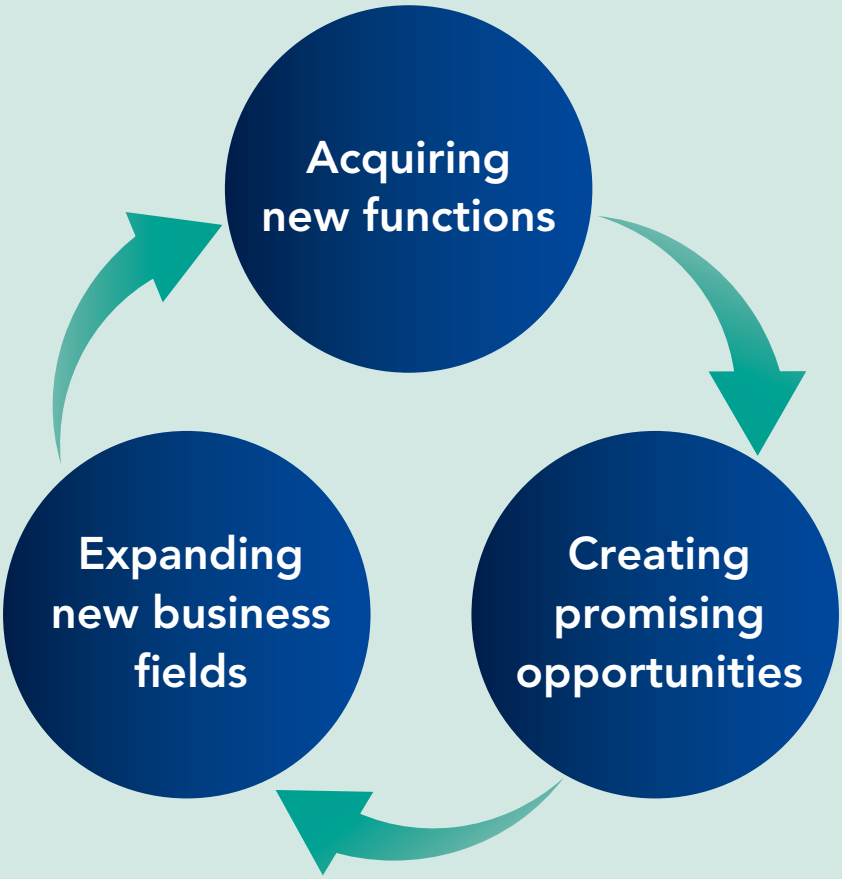
Special Feature

Examples of Value Creation that Demonstrate Our Functions and Strengths

Expanding Business Areas and Working Towards Establishing Further Strengths

We will introduce examples of value creation that make use of Sojitz's unique functions and strengths, cultivated over time and with the investment and trading that is the foundation of a general trading company at their heart.

We are combining new ideas and making our strong businesses even stronger to paint a picture of Sojitz's future with stable and sustained growth during and after the Medium-Term Management Plan 2020.



BUSINESS EXAMPLE 01

Utilize ▶ P. 30

The Australian Coking Coal Business

BUSINESS EXAMPLE 02

Develop ▶ P. 32

Renewable Energy Business

BUSINESS EXAMPLE 03

Take Root ▶ P. 34

Business in Vietnam

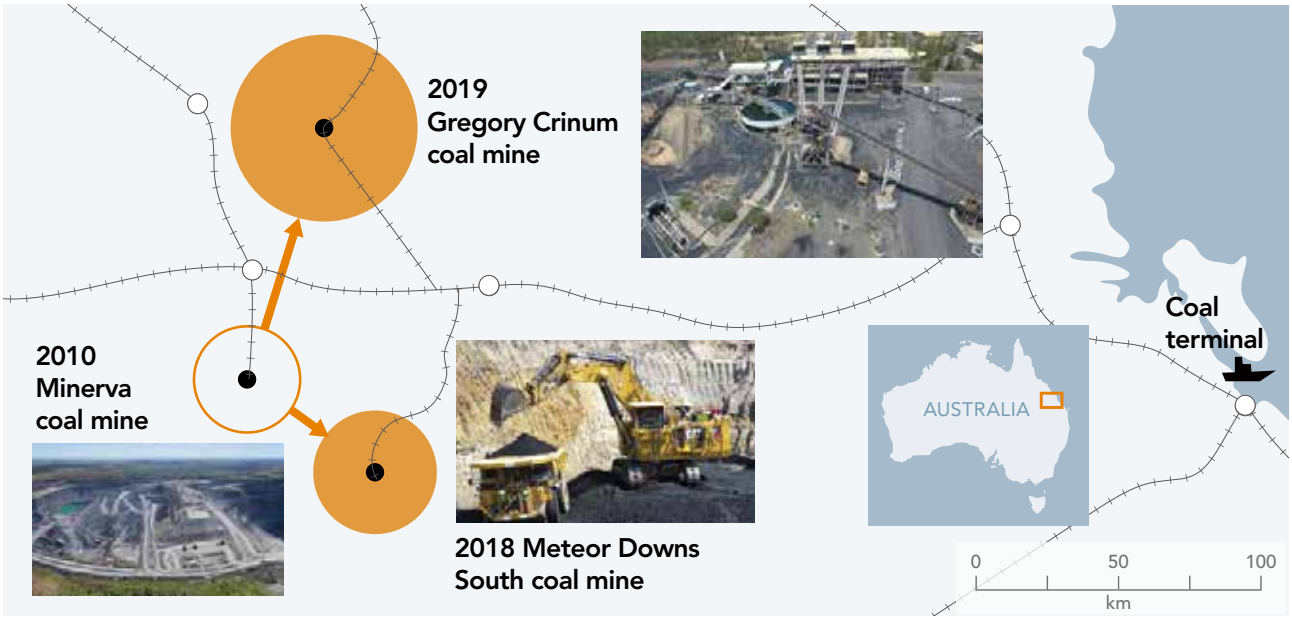
Utilize

Australian Coking Coal Business

Demonstrating our expertise as the sole general trading company with mine operation and rehabilitation know-how

Having proven our expertise as the only general trading company dealing in coal mine operation and rehabilitation*, in March 2019, we acquired the Gregory Crinum coal mine, a coking coal mine adjacent to the Minerva coal mine. In addition to laterally expanding our coal mine management business, we will also establish a contract mining and rehabilitation business, working towards a business model with long-term stability and resilience to market fluctuations.

* Restoring the topography, soil, water, flora and fauna ecosystem of a mine site to its previous condition



The background to our business foundation

As the first Japanese general trading company to invest in Indonesian coal in the 1980s, Sojitz is a pioneer when it comes to investing in upstream interests. As a trader, we have also formed strong relationships with our clients, who place trust in our track record as the leading importer to Japan of Russian coal, in addition to Australian and Indonesian coal.

In 2010, we acquired additional interest in Australia's Minerva coal mine, in which we have previously invested, increasing our ownership to 96%. Since then, we have not limited ourselves to coal mine management, but have also taken on mine operations, accumulating mining-related knowledge and cost management expertise along the way. We also actively promoted cooperation between our businesses, dispatching Australian technical experts to provide guidance in Indonesia. Our status as the sole general trading company that also functions as owner-operator has become the major strength of our coal business.

Having been recognized for our skillful operation and rehabilitation of Minerva coal mine, we went on to acquire the neighbouring Gregory Crinum coal mine in March 2019, marking our first venture into coal mine management of coking coal, a raw material for iron and steel production.



A dragline excavator at the Gregory Crinum coal mine, preparing to restart operations

Initiatives for sustainable growth

Demonstrate market presence by utilizing our operation expertise to develop the Gregory Crinum and surrounding mines

In line with heightened global environmental awareness and sustainable business development, our Metals & Mineral Resources Division aims to rebalance our coal assets portfolio and strengthen our coking coal business, as well as divesting at least half of our thermal coal assets by 2030. Furthermore, in order to create a portfolio that would yield steady earnings even amidst a market turndown, we are continuing thorough cost reduction in our existing projects, along with focusing our efforts in expanding our mid-and downstream businesses. Specifically, once we have determined our ideal role within the value chain from mine to clients, we will utilize our expertise in coal mine management as well as existing infrastructure to develop mining-related businesses outside of trading, such as rehabilitation and contract mining.

Our recently acquired Gregory Crinum coal mine is projected to have reserves of high-quality coking coal sufficient for over 30 years of operation. Thanks to its well-maintained infrastructure, our preparations for an early operation restart have also so far remained on track. As the mine is positioned right next to the currently in-operation Minerva coal mine and Meteor Downs South coal mine, we plan to utilize its proximity to optimize manpower allocation, switching from the existing two-mine system to integrated three-mine management.

Located at the center of an area dotted with undeveloped mine lots, Gregory Crinum's location also brings a strategic advantage. By obtaining Gregory Crinum's coal handling and preparation plant (CHPP), loading facilities and dragline excavator, we can further strengthen our capability as owner-operator.

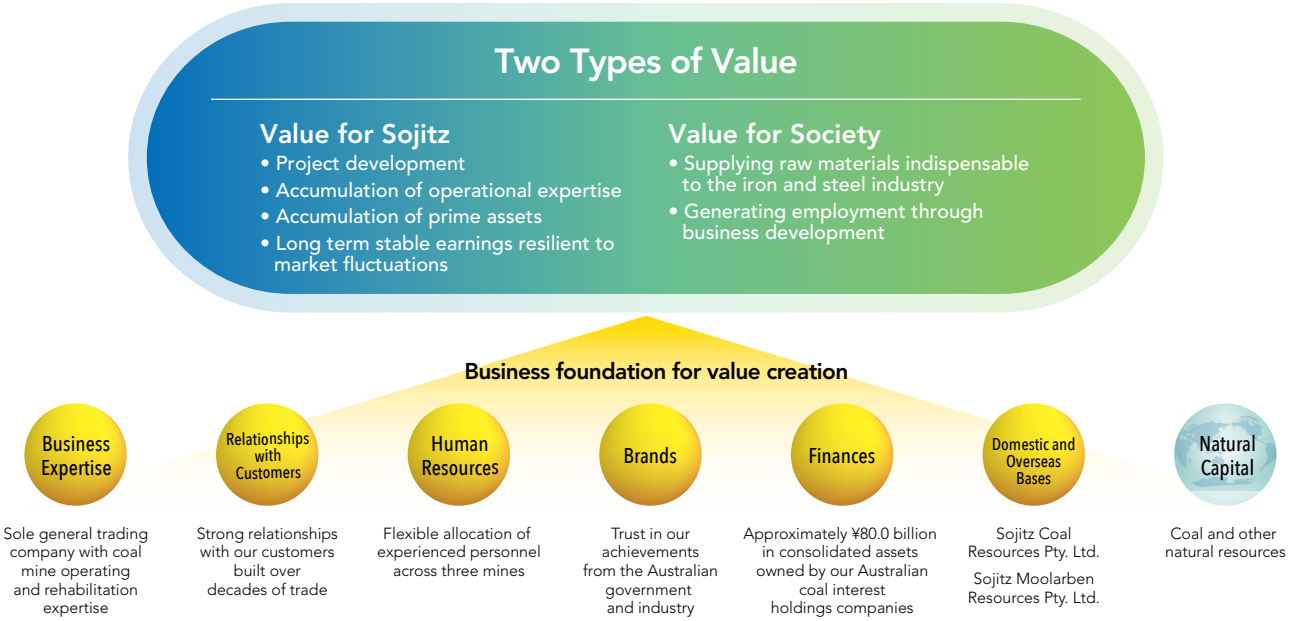
Realizing these opportunities, we will promptly extend our reach into contract mining, aiming for stable returns from mining, coal handling and preparation, loading and trading in surrounding mines which will be resilient to market fluctuations. Simultaneously, we will seek new opportunities for growth in the form of new upstream investments, continuously developing new businesses for the future.

Rehabilitation: Maximizing our "two types of value" through sustainable initiatives

Legal rehabilitation obligations have been transferred to Sojitz alongside our acquisition of Gregory Crinum. In addition to fulfilling our legal responsibility, we are also considering contract rehabilitation of surrounding coal mines and new ventures that positively contribute to the environment.

In this manner, by utilizing our strength in coal mine management to offer new services and values, unconstrained by the traditional business models, we will generate stable earnings that will be resilient to market fluctuations. Simultaneously, we will work towards a sustainable society by promoting local economic development and preserving the global environment.

Value Creation Process: Our Australian Coking Coal Business

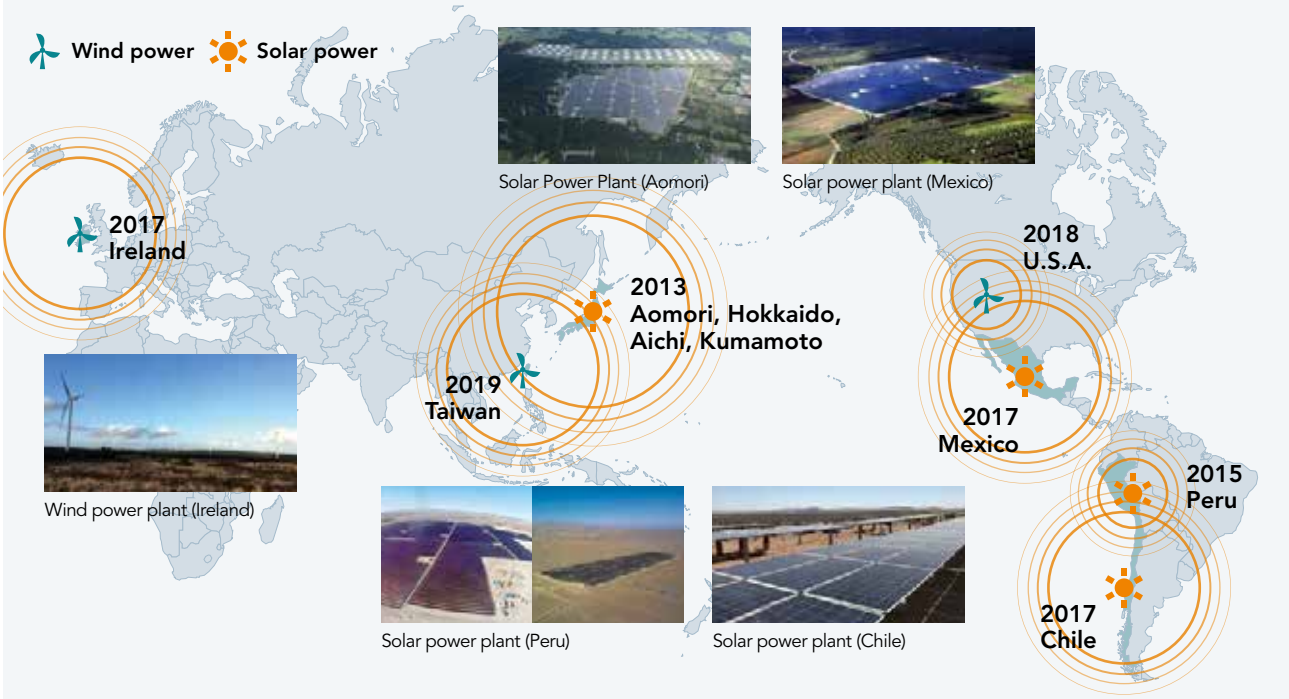


Develop

Renewable Energy Business

Continually generating environmentally friendly renewable energy

Through the development of environmentally friendly renewable energy, especially solar power generation, we will contribute to the creation of a sustainable society, and are accumulating even higher quality assets by expanding markets and sources of electric power, seeking a business model with even higher added value.



The background to our business foundation

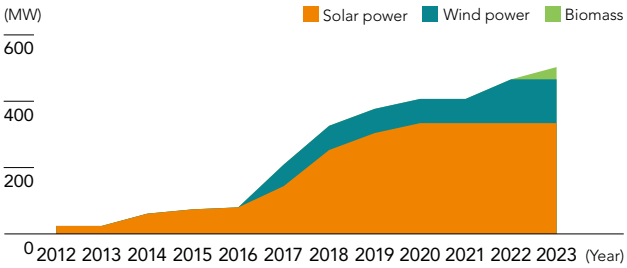
In 2010 Sojitz launched its solar power generation business; to date, we have cultivated development functions through constructing and managing power plants, and strengthened our earnings foundation by furthering project development. At the same time, we regularly ascertain asset prices and the external environment, and make efforts to replace assets and improve asset quality when necessary.

We began initiatives for our renewable energy business by first entering the power generation business in Germany. After this, we entered the Japanese solar power generation business in 2013, and are developing and constructing 12 solar power plants in Japan, nine of which had begun operations by the end of March 2019.

In addition, we have cultivated comprehensive development functions through our Japanese business, and are applying these overseas to steadily expand our business fields: we are entering solar power in Mexico, Chile, and Peru, and on-shore wind power in Ireland and the U.S. Since April 2019, we have also started initiatives for off-shore wind power generation in Taiwan and biomass power generation in Hokkaido.

In this way, we are making use of local characteristics such as solar power, on-shore and off-shore wind power, and biomass, engaging in lateral development, and steadily advancing initiatives to diversify electrical power sources. In so doing, we will form balanced renewable energy assets all over the world, from which we anticipate stable earnings.

Net Power-Generation Capacity
(as of the end of June, 2019, including projects under construction)



Initiatives for sustainable growth

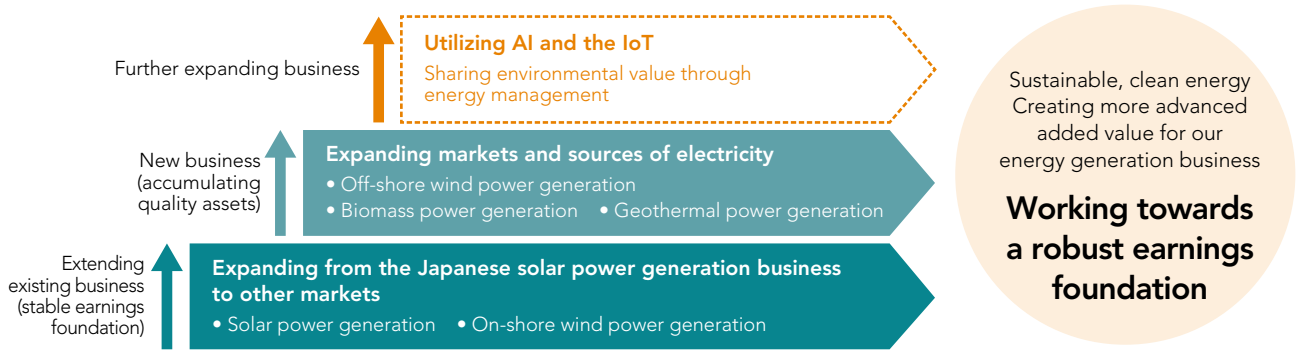
We will continue our efforts to further strengthen our earnings foundation by making use of our integrated development functions, from identifying a project to commercializing it, promoting entry into regions in which we anticipate growth in the renewable energy market, including off-shore wind power generation, and developing new projects.

Due to the evolution of new technology, business models in the field of energy are constantly changing. In response to these changes, we established the Social Infrastructure Development Office in the Energy & Social Infrastructure Division; through this, we are promoting an approach based on the field of ICT to enable us to improve the efficiency of our energy use and to respond to social issues, including measures to address the aging of infrastructure. More specifically, we are taking on the challenge of new electrical power projects that are more rooted in the regions and can respond to the needs of a variety of users—for example, constructing a microgrid* that makes use of distributed network technology— which we hope will further enhance our business earnings capacity.

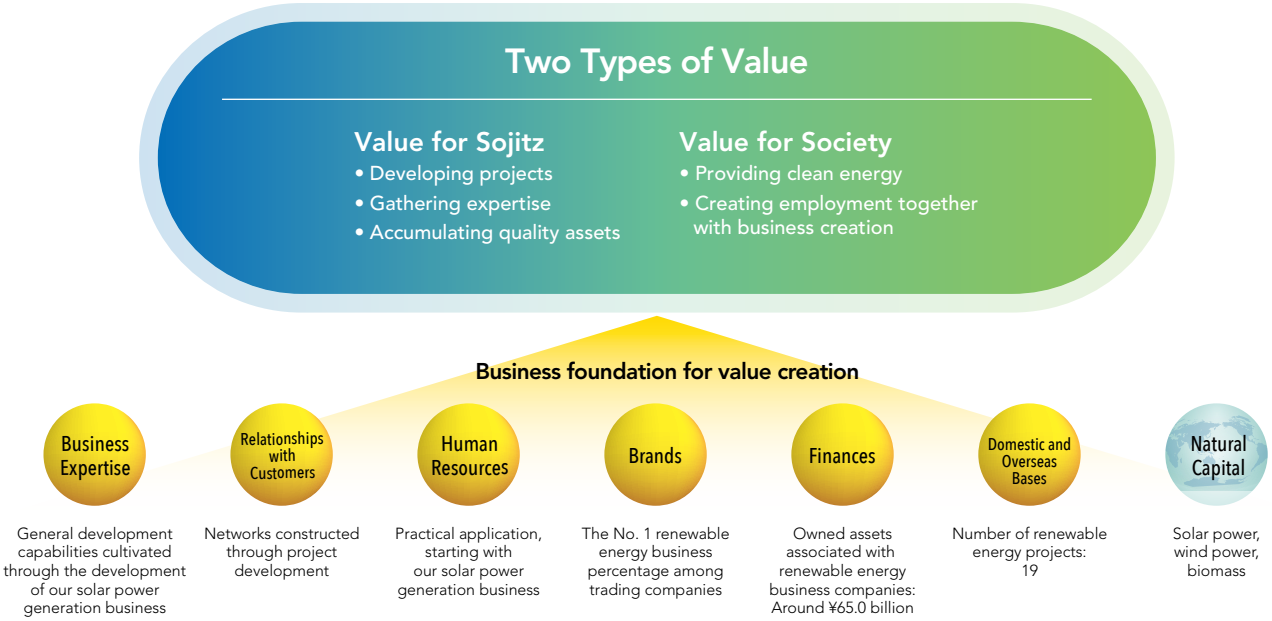
In this way, we will make use of the networks and marketing capabilities unique to a trading company and adjust the balance between supply and demand as we contribute to the construction of advanced social infrastructure that will create more sustainable, safe, secure, and comfortable lifestyles. In so doing, we will achieve sustainability both for Sojitz and society.

* An autonomous energy supply network for a variety of users. It is made up of proprietary electrical power networks and sources of electricity.

Developing the Uses of Renewable Energy



Value Creation Process: Our Renewable Energy Business

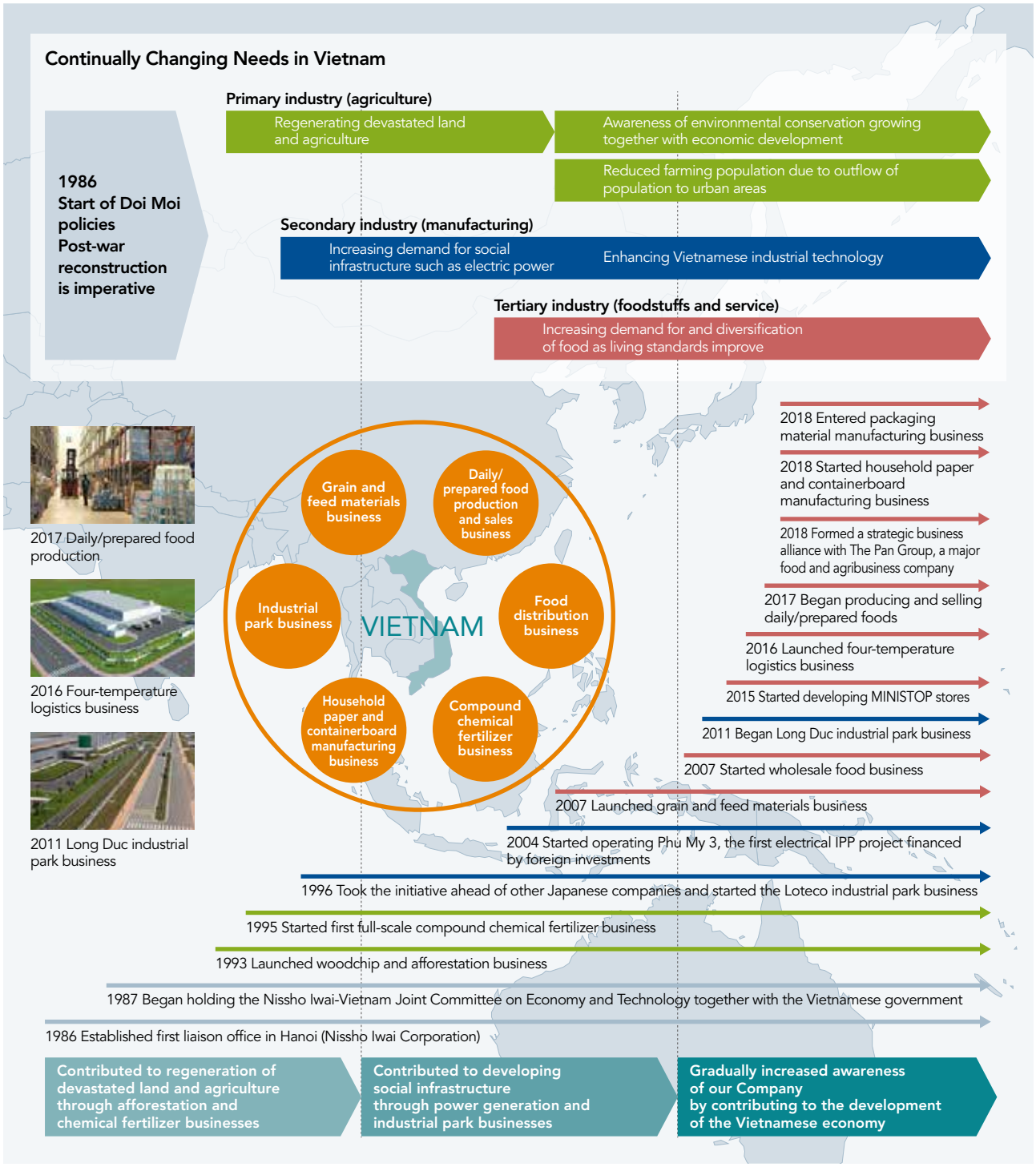


Take Root

Business in Vietnam

Supporting economic development and affluent lifestyles in Vietnam

We are pursuing a business model that will allow us to acquire a stable earnings foundation and contribute to industrial development by demonstrating functions in response to local needs.



The background to our business foundation

In 1986, we opened the first liaison office in Hanoi belonging to a Japanese company since the reunification of Vietnam. From 1987 onwards, we have continued to hold the Nissho Iwai-Vietnam Joint Committee on Economy and Technology in collaboration with the Vietnamese government; we have held discussions about economic recovery and development, and built a network in the wide world of industry. Since then, we have developed integrated businesses, incorporating everything from upstream to downstream operations, in a variety of industrial fields including afforestation, compound chemical fertilizers, electrical power, invitations to industrial parks, and food distribution, and have supported Vietnamese economic development for more than 30 years.

Initiatives for sustainable growth

Vietnam is continuing to experience strong economic growth. Its middle class is growing as the standard of living improves, and the modernization of lifestyles, together with the modernization of forms of distribution and retail, is rapidly progressing. In this context, Sojitz launched a retail business through its convenience store management business in 2015; in 2017 we made use of this to start producing and selling daily/prepared food. We have taken advantage of the high-performance logistics infrastructure of our wholesale food business, which we took on in 2008, and of our four temperature logistics business, which we started in 2016, and are creating food logistics functions from production to retail. In addition, in 2018, we formed a strategic business alliance with The Pan Group Joint Stock Company (PAN), a major food and agribusiness company in Vietnam. Aiming to improve food quality and achieve affluent lifestyles, we are focusing our efforts on creating new businesses relating to farming and food processing.

In the industrial materials and daily consumer goods field, in 2018 we acquired Saigon Paper Corporation (SGP), which has top-class production capabilities as a Vietnamese paper-manufacturing company.

SGP is a market-leading manufacturer of household paper products, which include tissues and toilet paper, and is widely recognized and trusted throughout Vietnam for its high quality. The company also boasts a top-class track record in the industrial paper sector; approximately 60% of the old paper supply used as a raw material for its containerboard is obtained through the company's own paper recycling centers, making it a recycling-based business striving to reduce its impact on the environment. Sojitz is taking on the responsibility of supporting fundraising and investment capital and strengthening organizational systems, and is forming policies to drive the expansion of business areas with a view to cooperating with trading partners in the future.

In this way, we have contributed to the development of Vietnam over many years through our wide-ranging businesses. We will utilize our experiences of managing these businesses and our management expertise in developing businesses all around the world, and continue to be helpful to the daily lives of the people of Vietnam.

Value Creation Process: Our Business in Vietnam

