



SOJITZ IR DAY 2018
Aerospace & Transportation Project Division

February 25, 2019
Sojitz Corporation
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Chief Operating Officer
Aerospace & Transportation Project Division



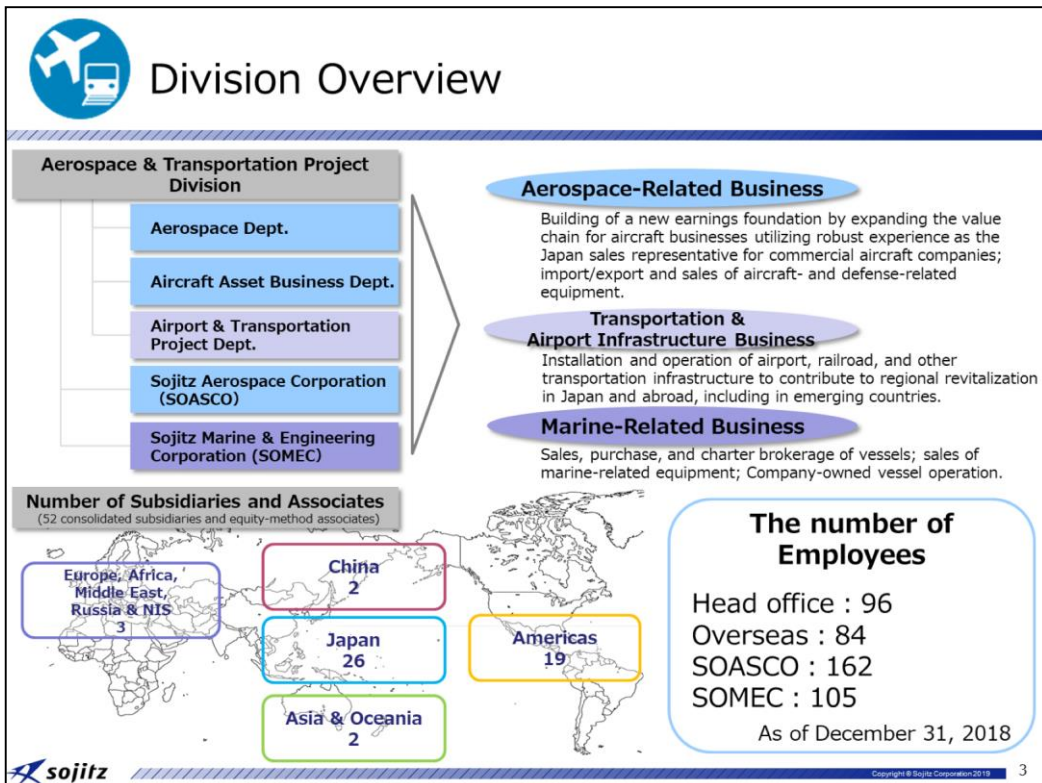
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Caution regarding Forward-looking Statements

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 such 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.



- The Aerospace & Transportation Project Division operates in three business domains: aerospace, transportation, and marine vehicles.
- Moreover, this division comprises two of the Sojitz Group’s nine core operating companies and aspires to practice Group-based management. The first of these two companies is Sojitz Aerospace Corporation (SOASCO), which operates the aerospace-related business. The other is Sojitz Marine & Engineering Corporation (SOMEK), which is engaged in the marine-related business.
- Including these core operating companies, a total of 52 Group companies, 26 in Japan and 26 abroad, are associated with the Aerospace & Transportation Project Division, through which it employs 447 people around the world.



Division Policies and Growth Strategies

Division Policy

Develop stable earnings platforms by expanding business foundations and generating earnings from revenue sources created through growth investments conducted under the previous medium-term management plan 2017 as scheduled

【External Environment】

Opportunities

Global air travel demand, transportation and airport infrastructure demand, Tokyo Olympics-related demand, energy-saving vessel and LNG vessel demand, etc.

Risks

Reduction in aircraft demand in conjunction with domestic population decline, country risks associated with emerging countries, lower transaction volumes stemming from decreased performance of domestic shipbuilders

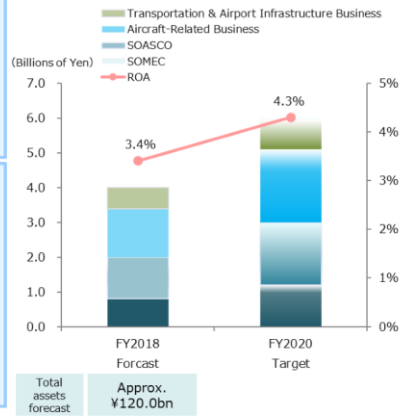
【Growth Strategies】

1. Build a new earnings foundation by expanding the value chain for aircraft businesses
2. Strengthen new products and services
3. Develop businesses that contribute to regional revitalization in Japan and abroad, including in emerging countries

【Growth Drivers】

1. Part-Out Business of Retired and Aged Aircraft Business
2. Business Jet Business
3. Transportation Infrastructure Business

Consolidated Profit for the Year / ROA



- The Aerospace & Transportation Project Division faces risks including the reduction in aircraft demand seen in conjunction with domestic population decline and country risks associated with emerging countries. Meanwhile, opportunities for this division include aircraft demand and transportation and airport infrastructure demand, types of demand that are expected to grow on a global scale going forward. By capitalizing on this demand, the division will exercise the functions of Sojitz and its partners to develop stable and sustainable earnings foundations of sufficient scale. Meanwhile, we will endeavor to link market growth in the business jet field to results in light of the upcoming 2019 Rugby World Cup and Olympic and Paralympic Games Tokyo 2020.
- In the marine-related business, transaction volumes are expected to decline due to the deteriorating performance of domestic shipbuilders as major Japanese shipbuilders cease to build ships, undergo reorganizations, or shift their operations overseas. Regardless of these declines, we aim to bolster earnings by creating opportunities for involvement in sales channels in relation to environmental technologies and labor-saving equipment.
- As announced alongside financial results for the nine-month period ended December 31, 2018, our division see profit for the year (attributable to the owners of the Company) in the year ending March 31, 2019 for ¥4.0 billion, and, for 4.3%, nothing changed from the initial forecasts, for return on assets in the year ending March 31, 2021, the final year of the plan.
- Three policies have been put forth for the growth strategies of the Aerospace & Transportation Project Division: build a new earnings foundation by expanding the value chain for aircraft businesses, strengthen new products and services, and develop businesses that contribute to regional revitalization in Japan and abroad, including in emerging countries.

Efforts to build a new earnings foundation by expanding the value chain for aircraft businesses will be advanced through used aircraft and part-out businesses in which Sojitz sells second-hand parts from aged or retired aircraft to airlines and maintenance companies. Meanwhile, we will seek to strengthen new products and services by developing our business jet operations, in which we established an operating company with the aim of capturing growing demand in Asia.

To develop businesses that contribute to regional revitalization in Japan and abroad, including in emerging countries, we will engage in airport operation and other transportation infrastructure businesses that revitalize regions in emerging countries and around the world.

Business Explanation

1. Part-Out Business of Retired and Aged Aircraft Business

MTP2020 Policy

Maintain cycles of buying and selling while increasing asset scale to simultaneously expand earnings foundations and improve profit margins

Purposes of Initiatives

- Cover scope of aircraft business value chain areas withdrawn from
- Diversify aircraft businesses
- Conserving resources by promoting reuse of retired aircraft

MTP2020 Policy

1. Expansion of operations in Europe and Americas
 - Enhance and expand **partner strategies**
→ Bolster sales channels and grow together with partners
 - **Broaden lineup of aircraft handled**
→ Procure regional aircraft while positioning narrow-bodied aircraft as core
 - Implement engine trading initiatives
2. Development of operations in Asia
 - Expand initiatives in Asia by utilizing alliances with European and U.S. business partners

Aggregate number of aircraft procured

FY2015~FY2018

28~30

aircraft

▶

~FY2020

About 45

aircraft*

Growth in Europe and Americas and expansion into Asia

Exploration and expansion of the aircraft aftermarket business through M&As

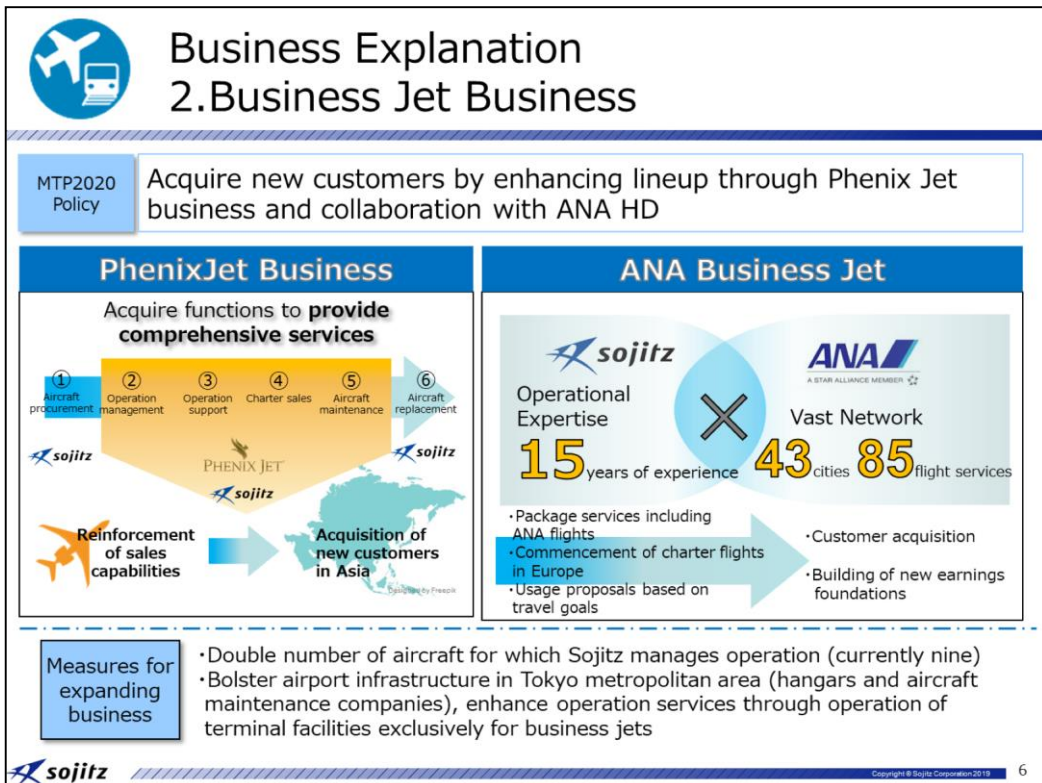
* Includes number of aircrafts for which parts sales have been completed

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- The business model for the part-out business entails recovering aircraft and engine parts from aged and retired aircraft, carefully selecting those articles for which strong demand can be expected. After procuring aircraft, we dismantle these aircraft and manage inventories of harvested parts and sell these parts to users around the world, such as maintenance companies, airlines, and lease companies.
- Our aircraft value chain is expanding from the area of agent functions, one of Sojitz's greatest strengths, to include leasing, financing, and remarketing. We see our operations in this area as having the potential to cover value chain areas from which we have withdrawn and thereby contribute to the enhancement and diversification of our aircraft businesses.
- Furthermore, assigning a new purpose to retired aircraft helps conserve resources through recycling and thereby supports sustainable development.
- Looking ahead, we will expand the scale of the division's asset portfolio and improve inventory turnover to grow aircraft businesses into a solid earnings foundation. Following in the steps of operations already underway in Europe and the Americas, the Aerospace & Transportation Project Division will:
 1. Secure and grow post-dismantling parts sales channels by enhancing and expanding partner strategies
 2. Broaden lineups of regional and other aircraft handled and increase the number of aircraft procured (target procurement volume of approximately 45 aircraft by the final year of the medium-term management plan)
 3. Step up engine trading initiatives

In addition, we will pursue lateral expansion, particularly into high-potential Asia.



- Sojitz has continued to steadily expand the scope of its business jet operations since launching them in 2003. With an eye to the markets expected to experience rapid growth in light of the upcoming 2019 Rugby World Cup and Olympic and Paralympic Games Tokyo 2020, we established an operating company to perform operation management and support and charter sales activities in 2017. Under the Phenix Jet brand, this company provides comprehensive services spanning from operation management and support to charter sales and aircraft maintenance.
- In addition, ANA Business Jet Co., Ltd., was established in 2018 as a joint venture with ANA HOLDINGS INC. This company proposes new transportation methods by capitalizing on the strengths of both parties, including the ANA Group's flight network of 85 services connecting 43 cities worldwide and the insight and expertise Sojitz has accumulated over its 15 years of experience in business jet operations.
- Specific examples of the services offered by ANA Business Jet include transfers to business jets North America and Europe and other international ANA flights, arrangements for direct charter flights from Japan to overseas destinations, and travel proposals that employ business jets for the wealthy.
- Our goal for the time being is to expand the fleet of business jets operated and managed by ANA Business Jet to include 15 jets by the year ending March 31, 2021. We will also examine the possibilities of investing in maintenance companies to bolster business jet maintenance functions and launching operation management services for fixed-base operator airport terminal for business jets, hangars, and other facilities.



Business Explanation

3. Transportation Infrastructure Business

MTP2020 Policy

Broaden business scope centered on growing markets for transportation infrastructure and maintenance and operation services and develop stable and sustainable earnings foundations of sufficient scale

Current Initiatives and Purpose of Initiatives



EPC(*1)

Dedicated Freight Railways Construction in India



[Overview]
Construction of approx. 1500-km freight railway from Delhi to Mumbai

[Purposes of Initiatives]
Effective execution of order conditions for this, the largest Japanese ODA project ever and the centerpiece of Japan-India economic collaboration, and expansion of initiatives to railway infrastructure projects in India and other countries worldwide

Investment

Rail MRO Business in Canada(*2)



[Overview]
Investment and participation in CadRI commenced in November 2015, expansion of base network driven by acquisition underway

[Purposes of Initiatives]
Incorporation of strong macroeconomic growth in North America to create clusters of revenue-generating businesses, promotion of expansion of business and regional scope based on MRO functions

(*1) EPC: Engineering, Procurement, Construction
(*2) MRO: Maintenance, Repair, Overhaul

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- The Aerospace & Transportation Project Division's transportation infrastructure business engages in trading of railcars and parts and conducts a wide variety of business investments. Areas of investments include engineering, procurement, and construction (EPC) projects, such as the freight railway construction project in India, as well as rail maintenance, repair, and overhaul (MRO) businesses in Canada.
- In EPC projects, Sojitz has received an order for the installation of rails and electric infrastructure for a freight railway in India that will span approximately 1,500 km to connect Delhi and Mumbai. Construction for this project is currently underway. This project is the centerpiece of not only India's national projects but also of Japan-India economic collaboration. Sojitz aspires to achieve higher success rates in acquiring orders in India and other parts of Southern Asia through its regional and partner strategies, which are based on the Japanese government's policy of exporting high-quality infrastructure.
- In terms of business investment, we commenced investment in Cad Railway Industries Limited, a Canadian railcar MRO operating company, in 2015. Our goal in this business is to increase its value and to take advantage of the strong macroeconomic growth in North America through the railway transportation field.
- Headquartered in Montreal, Canada, Cad Railway acquired Caltrax Inc., a freight car maintenance operating company located in Calgary in Western Canada, in 2017. Cad Railway was thus able to expand the scope of its operations to cover Western Canada and thereby grow its share in the Canadian market. As a result, in the year ending March 31, 2019 this company is projected to post its highest earnings since Sojitz commenced investment.
- During the period of the medium-term management plan, we will seek to expand existing operations and to promote the core strategies of growing businesses and developing operations in the U.S. market through acquisitions of other companies in this industry in the United States. North America will continue to be positioned as the most important market for these operations going forward. At the same time, we will step up participation in transportation service businesses in Asia and Oceania.
- Centered on existing businesses, we will expand businesses in the operation field and in new business fields in order to develop stable and sustainable earnings foundations of sufficient scale.



Business Explanation

4. Airport Infrastructure Business

MTP2020 Policy

Bolster earnings power from a medium- to long-term perspective by **expanding Sojitz's business scope and functions** centered on airport infrastructure operations

Current Initiatives and Future Growth

Airport Operations



■ Airline-Related Businesses

Management and operation of runways, airport aprons, and other basic airport facilities
→ Landing fees, facility usage fees, etc.

■ Non-Airline-Related Businesses

Management and operation of airport terminal buildings, parking lots, etc.
→ Rent from airport terminal building tenants, parking lot revenues, etc.

1. Acquisition and reinforcement of functions through airport operation

2. Expansion of initiatives in Japan and abroad to bolster performance

Further Growth

Palau International Airport

Palau International Airport Corporation established jointly with Japan Airport Terminal and government of Palau in 2017, joint operation to commence in spring 2019



Shimajishima Airport (Okinawa)

Investment in Shimajishima Airport Management passenger terminal management company together with Mitsubishi Estate and Kokuba-Gumi, operations to commence on March 30, 2019



Khabarovsk International Airport

Shareholders' agreement signed for participation in construction and operation of new terminal at Khabarovsk International Airport in Russia together with Japan Airport Terminal in December 2018, operations to start in late 2019



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- The Aerospace & Transportation Division is currently investing in Shimajishima Airport in Okinawa and is planning to participate in Palau International Airport and Khabarovsk International Airport in the future.
- In July 2018, investment was commenced in Shimajishima Airport Management Co., Ltd., located in Miyako, Okinawa, which operates Shimajishima Airport, signaling the start of our participation in the operation of this terminal. Operations at this, Sojitz's first domestic airport operation project, are slated to take off on March 30, 2019.
- Our involvement in Palau International Airport began in 2018, when we set up an airport operation company together with the government of Palau and Japan Airport Terminal Co., Ltd., through an intermediate holding company. We are scheduled to begin taking part in operation of this airport in spring 2019. As part of its involvement, Sojitz will operate the existing terminal while constructing a new terminal building, which we will look to begin operating in summer 2020.
- In regard to Khabarovsk International Airport, having signed a shareholders' agreement in December 2018, Sojitz will execute investment in first half of 2019 with the goal of starting operations at the end of 2019. In addition to these projects, we plan to seek out airport projects in the focus regions of Asia and Oceania.
- Airport operations consist of airline-related businesses and non-airline related businesses. The former involves management and operation of runways and other basic airport facilities while the latter entails management and operation of airport terminal buildings and parking lots.
- Sojitz positions airline-related businesses as the central axis of its airport operations, and the Company aims to leverage its breadth of insight in various fields (e.g., overseas networks, management of overseas operating companies, retail, and peripheral real estate development) and integrate this expertise to diversify its operations and create value. By developing operations in a business domain centered on airport infrastructure and augmenting Sojitz's functions, we aim to bolster earnings power from a medium- to long-term perspective.
- Airports and the areas surrounding them attract people and stimulate the movement of people and objects, thereby serving as gateways for creating sales channels. Our initiatives for developing businesses arising from airport operations will be detailed on the "Measures Targeting Further Growth for Future" slide later on in this presentation.



Overview of Sojitz Aerospace (SOASCO)

◆ Sojitz Aerospace Corporate Profile ◆

- Name : Sojitz Aerospace Corporation
- Capital : ¥1,410 million
- Establishment : April 1, 1975
- Employees : 162 (as of December 31, 2018)
- Locations : 8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Nagoya Division/ Osaka Sales Department, Nagoya Division
- Business activities : Import, export, and Japanese domestic sales of aerospace- and defense related equipment
- Major Overseas bases :

Europe, Russia & CIS
London



Americas
Los Angeles
New York
St. Louis


Division	Business Activities
Defense Business Div. 	<ul style="list-style-type: none"> • Import and sales to the JSDF of defense systems (LCACs, F-15Js, AH-64D, etc.) from Europe and the United States • Procurement and import of engines for escort vessels and submarines • Sales of specialty systems for the JSDF
	<ul style="list-style-type: none"> • Sales and after sales services pertaining to passenger aircraft systems, parts, and materials provided through collaboration with Boeing, RUAG, and Bombardier
Commercial Business Div. 	<ul style="list-style-type: none"> • Sales of metal detectors, antiterrorism vehicle barricades, and other cutting-edge security systems



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- SOASCO is a trading company specializing in aerospace, defense, and security systems. Its operations can be largely divided into the defense business and the commercial business.
- The growth strategies of SOASCO are as follows.
- In the defense business, SOASCO will analyze conditions in countries surrounding Japan and maintain an up-to-date understanding of national defense policies while also securing revenue by differentiating itself from other companies.
- In the commercial business, SOASCO intends to grow earnings through proactive aircraft and engine MRO operations and material, equipment, and technology exports while expanding its business scope.




Overview of Sojitz Marine & Engineering (SOMEC)

◆ **Sojitz Marine & Engineering Corporate Profile** ◆

- Name : Sojitz Marine & Engineering Corporation
- Capital : ¥800 million
- Establishment : July, 1963
- Employees : 105 (as of December 31, 2018)
- Locations : 3F, 2-3-1, Nishi-Shimbashi, Minato-ku Tokyo 105-0003 Japan
Osaka Branch, Imabari Office, Onomichi Representative Office
- Business activities : Sales, purchase and charter brokerage of new and used vessels, ship operation management Japanese domestic sales and import/export of marine-related equipment and materials
- Main Overseas bases:

Business Field	Business Activities
 <p>Ship and Shipbuilding Equipment, Non-marine Equipment</p>	<ul style="list-style-type: none"> Domestic /Import/ Export sales of Equipment & Materials for the vessels (Main Engine, Auxiliary engine, Crankshafts etc.) Sales of facility and equipment for the shipyards Sales of industrial machinery and environmental equipment
 <p>Charter and Sale & Purchase of New building and secondhand vessels</p>	<ul style="list-style-type: none"> Sale & Purchase of New building Charter and Sale & Purchase of secondhand vessels Voyage charter to the domestic/ overseas customers
 <p>Ship owning and Ship Management</p>	<ul style="list-style-type: none"> Ship owning and Ship Management of Sojitz



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- SOMEC is a specialized trading company that deals in sale of vessels and marine-related equipment. With operations beginning with ship ownership and spanning all areas of the ship lifecycle, from shipbuilding to used vessel transactions, chartering, non-regular shipments, operation management, marine-related equipment sales, and dismantling, SOMEC offers one-stop support to customers with the know-how and commitment born out of its tradition of excellence.
- SOMEC possesses six major bases in Japan and seven overseas. Although sluggish market conditions have persisted in the maritime market for quite some time, a modest recovery trend has been seen after the market bottomed out in the year ended March 31, 2018.
- In the shipping field, SOMEC is building upon its strengths in the areas of shipbuilding, used ship transaction intermediation, and chartering intermediation to differentiate its non-regular shipment operations. This company has also successfully developed a track record in sales and lease back transactions that connect European and Japanese shipowners in the shipbuilding and used ship transaction intermediation field. These transactions will continue to be an area of focus going forward.
- In the equipment field, SOMEC is expanding marine engine component transactions and stepping up initiatives that utilize eco-friendly engineering functions. SOMEC is also advancing automation initiatives to shorten work procedures, reduce labor requirements, and cut costs for the purpose of labor saving at Japanese shipbuilders while engaging in forward-looking initiatives pertaining to ship IoT and automated piloting.



- As stated, the Aerospace & Transportation Project Division deals in large-scale transportation infrastructure in the aerospace, marine vehicle, and railway fields. Our operations in each of these areas currently form “lines.” Next, we will need to establish “points”, such as Retail, Hotel, Railway Infrastructure, Business Jet, to connect these “lines.” In other words, we see potential for further growth and stable earnings foundations to be achieved by expanding beyond the supply of transportation equipment and venues in the aerospace, marine vehicle, and railway fields to develop and operate infrastructure, such as airports, seaports, and train stations, and to provide services for these platforms.
- We believe that engaging in such businesses will enable us to contribute to the development and revitalization of regional infrastructure. In addition, we anticipate that these businesses will lead to increased opportunities for other Sojitz divisions in the urban development, retail, and IT fields, which we are confident will generate earnings for the Sojitz Group.
- We are committed to creating new business areas and opportunities and to utilizing Sojitz’s functions to improve value and generate synergies.



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New way, New value