



# SOJITZ IR DAY 2016

## Automotive Division

**January 13, 2017**

**Sojitz Corporation**

**Hiroto Murai**

**Chief Operating Officer**

**Automotive 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.



# Division Overview

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# A Look at Operations

## Business Overview

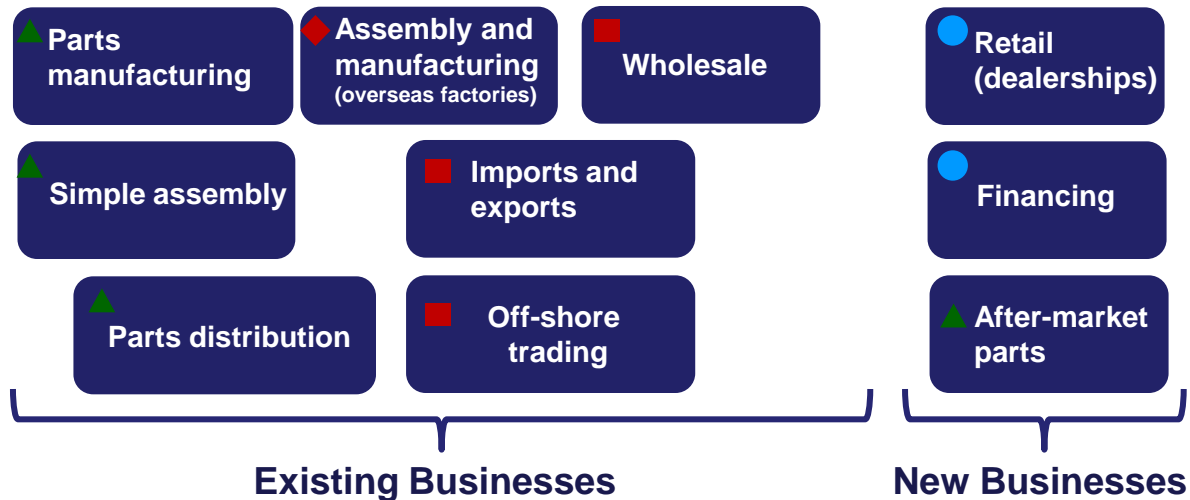
### ■ Automobiles

Imports, exports, off-shore trading, assembly, manufacturing, wholesale, retail (dealerships), after-market services

### ■ Parts (cars, motorcycles, tires, etc.)

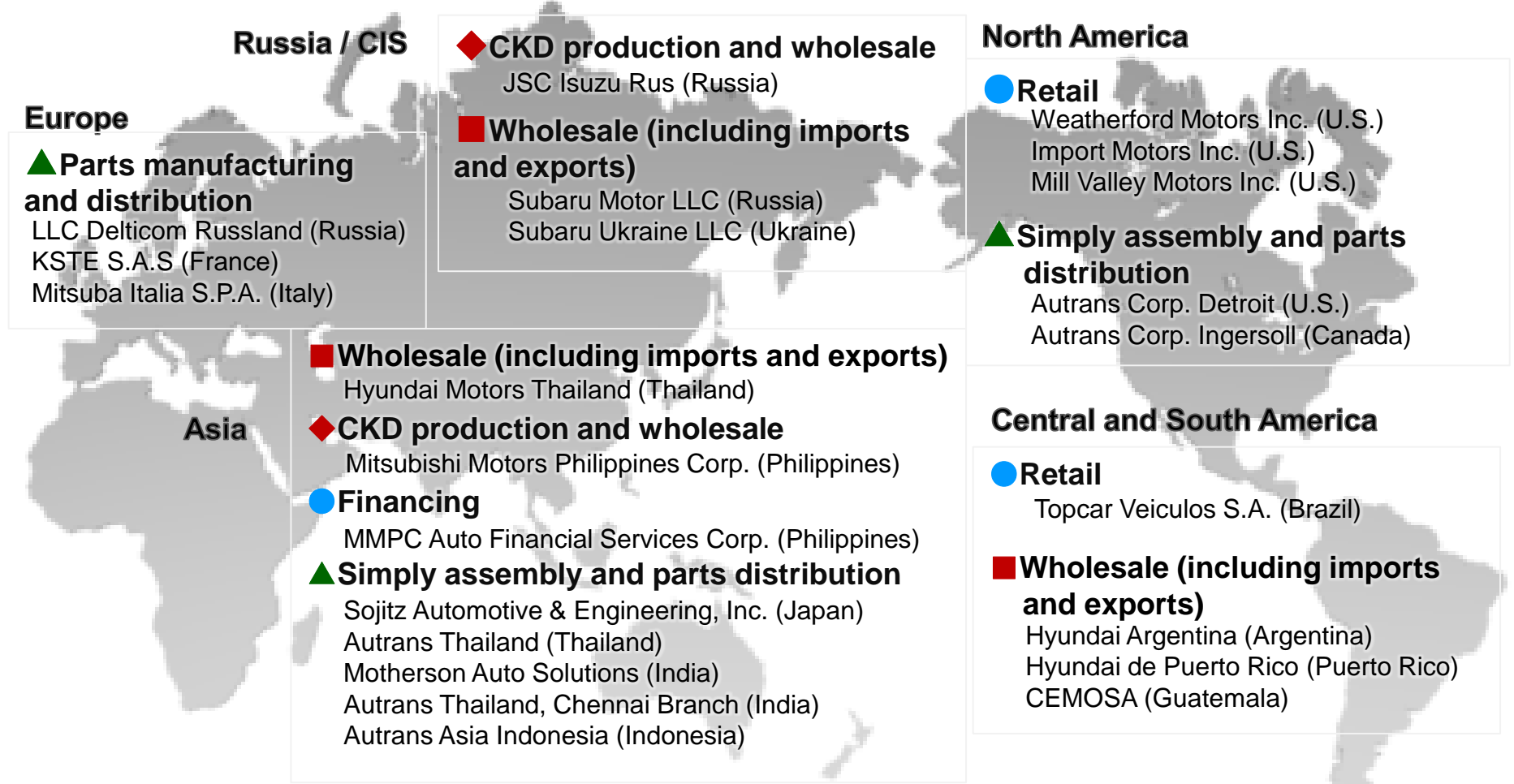
Imports, exports, off-shore trading, distribution (including simple assembly), manufacturing, after-market services

## Automotive Business Value Chain and Sojitz's Business Domain





# A Look at Operations (Major Overseas Subsidiaries and Affiliates)



**Automobiles Exported**  
**Approx. 123,000**  
 each year

**Number of Companies**  
**30**

**Number of Employees**  
**Approx. 3,000**



# Growth Strategies and Performance Trends





# Growth Strategies of Medium-term Management Plan 2017

## Divisions Strategies and Targets under Medium-term Management Plan 2017

Incorporate market growth centered on emerging countries while expanding dealership businesses to develop high-quality, risk-resilient asset portfolio

## Automotive Division's "Three Key Strategies"

Expand business through initiatives revolving around "Three Key Strategies" to achieve above division target of medium-term management plan

### 1 Strengthening and Refinement of Existing Businesses

Expand assembly, manufacturing, and wholesale businesses



### 2 Development of New Earnings Foundations

Develop stable earnings foundations by concentrating investment on retail (dealership) businesses



### 3 Foundations for Future Growth

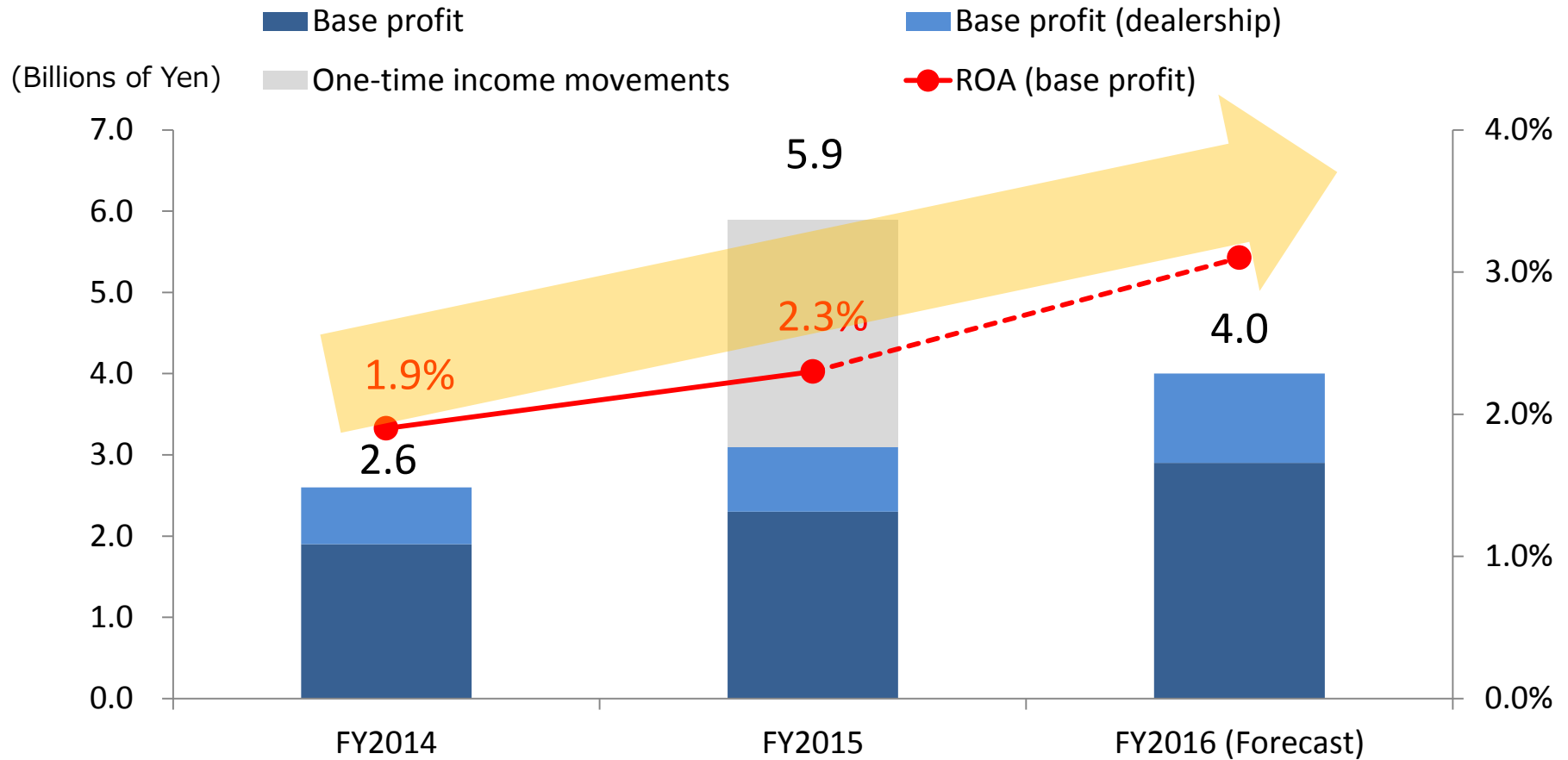
Take part in ambitious projects with an eye to the period beyond the current medium-term management plan





# Performance Trends

Ongoing net income growth in base profit excluding one-time income movements



Total Assets

¥134.3 billion

¥132.0 billion





# Growth Strategy Examples

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# Strengthening and Refinement of Existing Businesses –MMPC

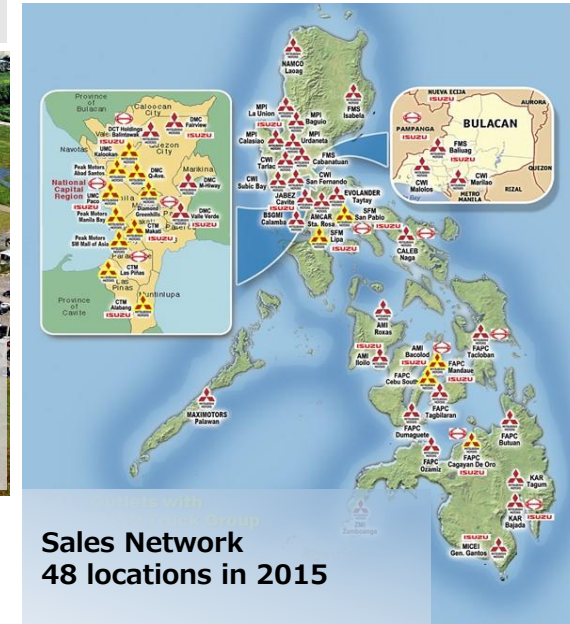
## Mitsubishi Motors Philippines Corporation (MMPC, Philippines)

- Established as joint-venture between Mitsubishi Motors and Sojitz 53 years ago
- 2015 automobile sales: Approx. 55,000 units
- Market share: Approx. 20% (No. 2)
- Relocation to new factory in 2015 to increase production



### Philippines:

- Population exceeded 100 million in 2014
- Ongoing GDP growth of 6–7%
- Total automobile demand of approx. 320,000 units in 2015, 360,000 units estimated for 2016, and 450,000–500,000 units projected to be seen by 2020

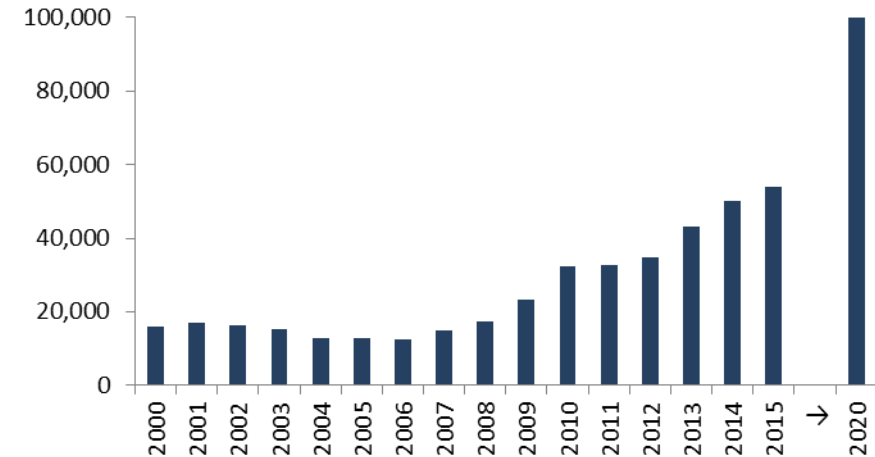


## Future Business Strategies for MMPC

Incorporate growing automobile demand to increase sales and earnings

- Expand range of locally produced models
- Reinforce sales network
- Participate in peripheral businesses related to automobiles (auto financing, etc.)

(Units) MMPC Sales Volumes and Target





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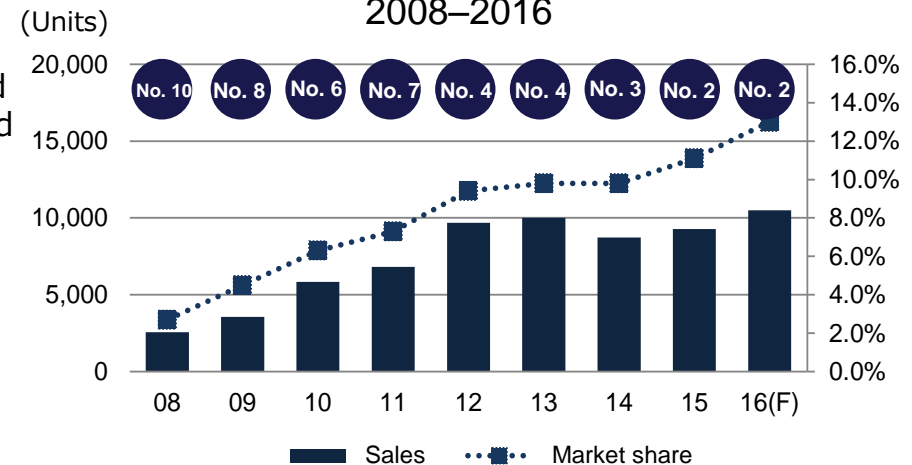
# Strengthening and Refinement of Existing Businesses —SdPR

## Sojitz de Puerto Rico (SdPR, Puerto Rico)

- Commenced operations in April 2009 after acquiring sales rights and assets for Hyundai automobiles
- Currently operating 19 dealerships, including 7 inherited when acquiring business and subsequently improved and revised as well as newly added dealerships
- Share of around 2–3% at time of acquisition grew to more than 10% in only 7 years as a result of sales volume increases, granting SdPR the No. 2 market position

Ongoing recession in overall Puerto Rican automobile market continuing since August 2015 bond payment default by Puerto Rican government; SdPR growing performance through strong management capabilities, even in difficult macroeconomic environment, as indicated by record-breaking earnings achieved in 2015

Hyundai Automobile Sales Volumes and Market Share 2008–2016



## Future Business Strategies for SdPR

Maintain current share amidst poor economic environment and reinforce foundations to take advantage of market growth after recovery

- Actively introduce new models
- Advance various sales promotion activities
- Continually improve and reinforce sales network

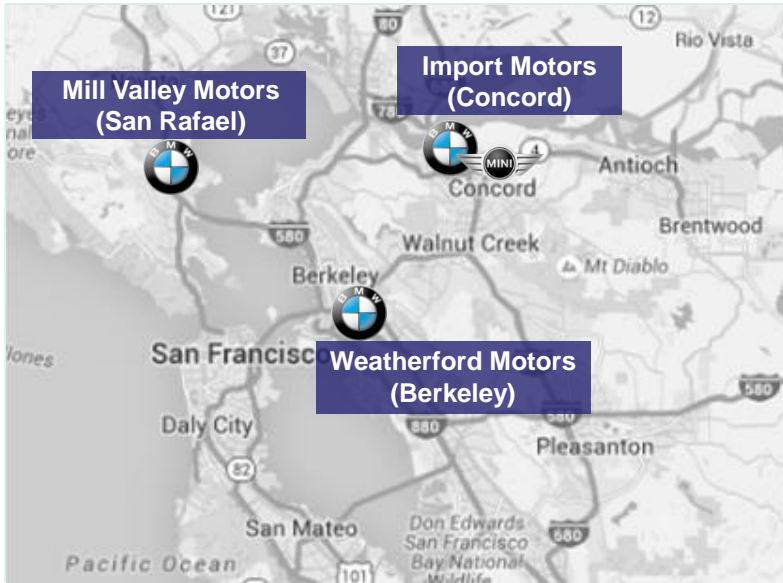


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# Development of New Earnings Foundations –U.S. Dealership Business

## U.S. Dealership Business (San Francisco Bay Area)

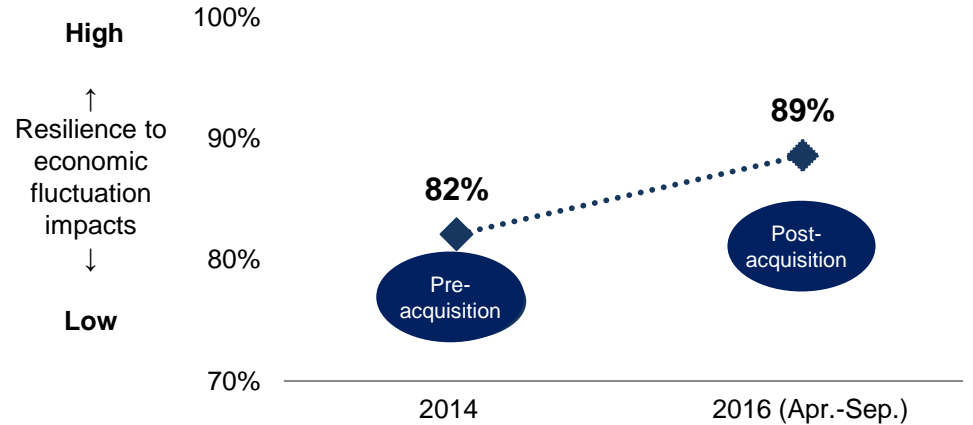
Three premium brand dealership bases in San Francisco Bay Area, largely populated by high-income households, making for sales network moving around 8,000 automobiles each year



Acquisition of quality customer base and management resources backed by impressive history and strong track record

Establishment of stable earning foundation based on used cars sales, after-sales follow-up services, and parts sales (not dependent on new car sales)

Core Earnings Coverage Ratio (Total for 3 Bases)\*



\* Ratio of SG&A expenses covered by economic-fluctuation-impact-resilient revenues from sources other than new car sales

### Weatherford Motors, Inc.

Common name : Weatherford BMW of Berkeley  
 Established : 1971  
 Management rights acquired : 1987  
 Brands handled : BMW  
 Sales volume : Approx. 2,500 units/year



### Import Motors, Inc.

Common name : BMW Concord, Mini of Concord  
 Established : 1974  
 Management rights acquired : 2014  
 Brands handled : BMW, MINI  
 Sales volume : Approx. 3,200 units/year



### Mill Valley Motors, Inc.

Common name : BMW of San Rafael (previously Sonnen BMW)  
 Established : 1977  
 Management rights acquired : 2015  
 Brands handled : BMW  
 Sales volume : Approx. 2,000 units/year





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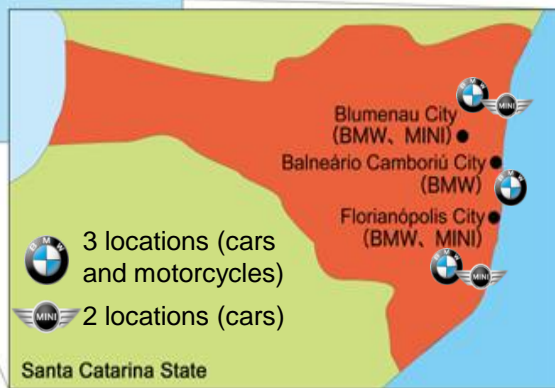
# Development of New Earnings Foundations —Brazilian Dealership Business

## Brazilian Dealership Business (Santa Catarina)

Take advantage of future growth opportunities through participation in growing Brazilian premium brand automobile market and develop related operations into a stable earnings foundation over medium-to-long term



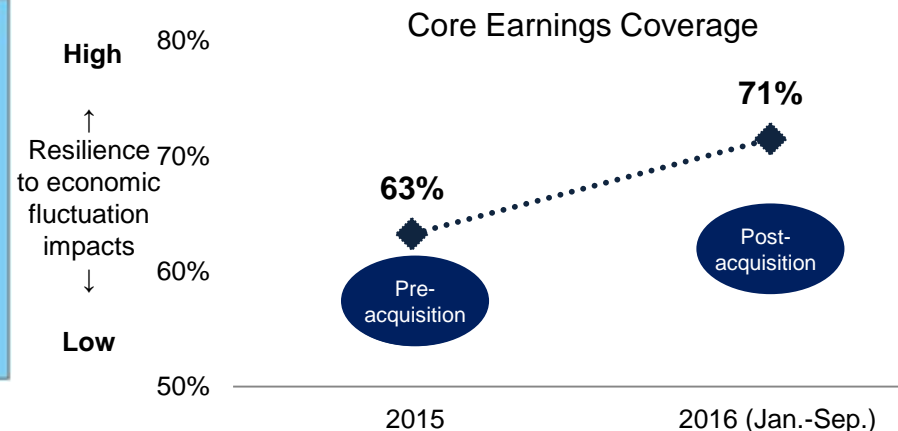
**Santa Catarina**  
Promising market with relatively large population of high-income households and important area in which BMW has a directly operated factory



## Topcar Veiculos S.A.

Established : 1998  
Management rights acquired : 2015  
(80% ownership)

Brands handled :  
BMW (cars and motorcycles),  
MINI (cars)  
Sales volume :  
Approx. 1,000 cars/year and  
approx. 600 motorcycles/year





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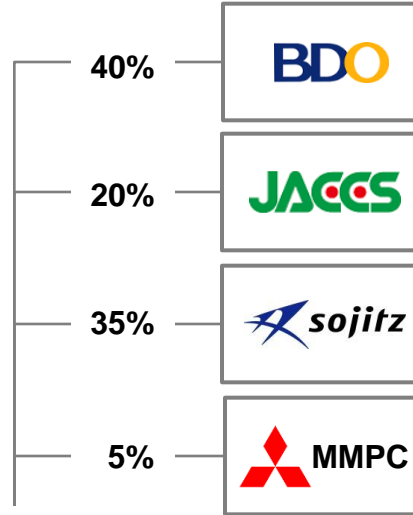
# Foundations for Future Growth —Auto Financing Business

## MMPC Auto Financial Services Corporation (MAFS, Philippines)

Established at the end of May 2016 to help bolster MMPC's sale capabilities by providing auto financing to customers purchasing Mitsubishi vehicles in the Philippines

Business with potential for synergies with automobile sales businesses developed thus far to be grown into new earnings Foundation for Automotive Division in the future

### <Ownership>



- The Philippines' largest commercial bank
- Member of SM Group, one of the largest conglomerates in the Philippines and the country's leading retail group

- Major Japanese consumer finance company
- Wealth of expertise regarding developing loan products for Japan and overseas



## Strategic Directives for MAFS

- 1 Provide highly convenient captive finance loans (loans exclusively for purchasing a specific brand)
- 2 Utilize BDO's robust insight into local finance businesses and JACCS' superior product development capabilities and risk management expertise
- 3 Leverage expertise gained through main business

Bolster MMPC's sale capabilities

Guarantee competitiveness

Deploy similar business models in other regions



# Initiatives Targeting Further Growth

## 1 Strengthening and Refinement of Existing Businesses

Expand assembly, manufacturing, and wholesale businesses

## 2 Development of New Earnings Foundations

Develop stable earnings foundations by concentrating investment on retail (dealership) businesses

## 3 Foundations for Future Growth

Take part in ambitious projects with an eye to the period beyond the current medium-term management plan

-2017

-2020

Med-term initiatives

**(1) Grow business domain**

- Explore new markets

**(2) Strengthen and expand existing business**

- Increase production and expand operations
- Bolster resilience through appropriate risk management

**(1) Reinforce stable earnings foundations 1**

- Strengthen and broaden scope of existing businesses

**(2) Reinforce stable earnings foundations 2**

- Accumulate assets in mature markets

**(3) Enhance portfolio of growth assets**

- Take part in promising projects in emerging countries

**(1) Develop major earnings source**

- Grow ambitious projects into 3rd major earnings source

**(2) Undertake new, ambitious projects**

- Seek out new projects with the potential of becoming the next major earnings source

**Develop multiple earnings sources in the retail field and new fields to enhance portfolios functioning as stable earnings foundations**

**Take part in projects in new fields with the potential to become new major earnings sources**



***sojitz***

***New way, New value***